

May 20, 1982 - 82/70

Statement by Mr. Nana-Sinkam on Mali
Executive Board Meeting 82/68
May 21, 1982

Let me start by extending to the management and the staff team, led by Mr. Christian François, the deep appreciation of my Malian authorities and mine for the patience, dedication, and understanding shown in the long and often very difficult negotiations which form the background of the excellent, concise and well balanced document under consideration. My Malian authorities have asked me to pay a special tribute to the French authorities, through my colleague representing France, for their important contribution which has enormously facilitated the discussions and the conclusion of the present program.

The Malian case may be considered adequately as one of the few cases where a country after courageously recognizing the errors of the past in the application of some of its economic and financial policy instruments, has accepted deliberately to apply self-restraint for more than a year before concluding an adjustment program with the Fund.

During that period of transition, the Malian authorities have taken significant measures to improve the efficiency of their economy that for a number of years was no longer reflecting its potential for growth. Even despite the setback in their negotiation on other fronts, the Malian authorities have been courageous enough to act such as to put the highest probability for success on their side.

A Five-Year Development Plan (1981-85) constitutes the framework of the authorities' economic and financial development strategy. The emphasis has been put effectively on the role of the private sector in the development process with a diminishing role for the public sector with the objective of achieving a sound economic balance between the two domains. The official agricultural producer prices have been aligned on those prevailing in the neighboring countries and will be adjusted regularly to a remunerative level in order to enhance agricultural production. With technical assistance from the World Bank, the authorities have restructured the Agricultural Marketing Board with the objective to increase its efficiency. In addition, strong measures have been taken to improve the extension service in the agricultural sector.

The Government monopoly over the marketing of cereals has been abolished (totally liberalizing trade in these commodities) coupled with the establishment of an Agricultural Development Bank with foreign capital. To ensure an effective role for the private sector in the economic development process of the country, the state enterprises are being restructured so as to reach financial equilibrium in 1985 for those remaining financially manageable, and to close down others.

Measures have been taken to improve tax collection and tax administration. The restructuring of the state enterprises and the liberalization of their pricing system will lead, among others, to the gradual reduction and elimination of subsidies. The achievement of that objective and a tight control over expenditure will alleviate the burden on the Government budget.

Other fiscal measures have been taken including increases in the retail prices of a number of essential goods by amounts ranging between 10 and 30 per cent, an increase in the price of all petroleum products, bringing the price of a gallon of gasoline to approximately US\$3.50 (one of the highest in the world!).

Because of its detrimental impact on the Government budget for years, the educational system has been modified. Scholarships are allocated on the basis of planned manpower needs of the economy and the availability of financial resources.

In view of the country's negotiation to join the West African Monetary Union, the restrictive monetary policy pursued by the authorities has been strengthened to match the one in force in the WAMU in order to facilitate Mali's entry into the Currency Union.

To alleviate the burden of the external debt service on the balance of payments, the country had decided to accept foreign borrowings only on concessionary terms unless it is linked directly to a productive project. The results of these different measures are partially summarized in table 3, page 7 of the stand-by paper (EBS/82/68).

The above package of measures and reforms which represent a clear and courageous reorientation of policy, sounds like the content of a strong adjustment program in the higher credit tranches concluded with the Fund, except that the measures were implemented voluntarily during the period of negotiations of the actual program presented for the Board decision.

I have underlined the word voluntarily to exclude any presumption that the effective implementation of these different measures constituted preconditions for concluding an adjustment program with the Fund.

In the 1982 adjustment program, emphasis is on reinforcing the financial policies initiated in 1981 as well as on the adoption of additional measures and steps to make the financial system viable.

In the economic field, the objective will be the return to positive gross domestic savings through the rehabilitation of public enterprises, the reduction of the Government and state enterprises deficits, the improvement of the pricing and of the sound investment policies being pursued in the agricultural sector.

The external policies will focus on the gradual reduction of the debt service ratio to a manageable level through the elimination of any

recourse to nonconcessional borrowing, the benefit from a sizable debt relief from friendly creditor countries, and from the elimination of two thirds of the estimated amount of external arrears at the end of December 1981.

The assumption, the targets, and the principal elements underlying the 1982 program are clearly summarized in table 6, pages 13 and 14 of EBS/82/68.

The principal instruments envisaged for the implementation of the program are within the reach of the authorities and provided the basic assumptions (which under the prevailing circumstances seem realistic), are sustained, particularly assumptions 1 and 2, the forecasted targets will definitely be achieved.

To ensure a high probability for success in the implementation of the program, every minister directly or indirectly concerned with the program has been requested at a ministerial cabinet meeting chaired by the Head of the State, to approve the measures related to his department. The entire Government is therefore strongly and politically committed to the implementation of the program.

The technical assistance from France, from the Fund (including a Fund resident representative to be appointed shortly) and the World Bank will be instrumental for the close monitoring of the implementation of the program.

The authorities are aware that the difficulties facing the Malian economy are basically structural in nature. This is why they have decided with a strong political resolve to implement such a substantial amount of adjustment in 1982, yet they consider the present program as a transition toward a medium-term adjustment program within the framework of an extended Fund facility to cover the last three years of the Five-Year Development Plan for 1981-85.

There is no doubt that this is one of the most comprehensive and yet realistic (under the prevailing circumstances and on the basis of the underlying assumptions) adjustment programs discussed by the Board. I strongly recommend its approval to the Executive Directors.