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To: Members of the Executive Board

From: The Secretary

Subject: Mali - Medium-Term Economic and Financial Policy Framework
(1988-92)

Attached for consideration by the Executive Directors is the policy framework paper under the structural adjustment facility for Mali which will be brought to the agenda for discussion on a date to be announced.

Mr. Nsouli (ext. 6937) or Mr. Ebrahim-zadeh (ext. 6945) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

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Department Heads

INTERNATIONAL MONETARY FUND

MALI

Structural Adjustment Facility

Medium-Term Economic and Financial
Policy Framework (1988-92) 1/

May 6, 1988

I. Background

In the two decades following independence in 1960, economic and financial imbalances in Mali were aggravated by a number of adverse exogenous factors as well as by inappropriate economic and financial policies. During this period, Mali suffered from recurring droughts and a decline in its external terms of trade. Concomitantly, the Government embarked on an ambitious public investment program which, together with a rise in current government expenditure, contributed to a widening in the overall budgetary deficit. Despite heavy recourse to domestic bank and external borrowing, the Government accumulated both domestic and external payments arrears. A comprehensive system of price controls was rigidly implemented, with an adverse impact on resource allocation and economic growth. Furthermore, a large public enterprise sector was set up; its operations involved substantial losses, which were financed by bank credit and which led to the emergence of a complex web of cross-arrears. As a result of these factors, economic activity slowed down, inflationary pressures increased, and the external sector position deteriorated.

In view of the mounting economic and financial imbalances, the Government of Mali implemented a series of adjustment programs during 1982-86. During 1982-85 substantial progress was made in reducing these imbalances. However, Mali's economic and financial prospects for 1986 and the medium term changed significantly, owing to the collapse in late 1985 of the international price of cotton, Mali's major export commodity. Although the Malian Government readapted and strengthened its economic and financial policies for 1986, serious slippages in financial policies occurred and the progress in implementing structural reforms was less than originally envisaged in the second half of 1986. In the absence of significant adjustment measures in 1987, the economic and financial situation became increasingly difficult and a major crisis developed.

Mali's adjustment efforts during 1982-86 were supported by three successive stand-by arrangements from the International Monetary Fund.

1/ This paper has been prepared by the Malian authorities in collaboration with the staffs of the IMF and the World Bank.

The Government of Mali is requesting a stand-by arrangement from the Fund in support of an economic and financial program for the period July 1, 1988-June 30, 1989, and a three-year arrangement under the structural adjustment facility in support of Mali's medium-term adjustment policies outlined in this framework.

The World Bank has provided resources in support of policy reforms in the transportation, education, and cotton sectors. The Bank carried out a public expenditure review in 1986 and has been providing technical assistance for improving the procedures for formulating and controlling the central government budget, including public investment budgeting. A public enterprise sector adjustment program is expected to be approved by the World Bank by June 1988. Preparations are also under way for sectoral adjustment operations, with support from the Special Program of Assistance for the agriculture, infrastructure, and human resource sectors. With World Bank assistance, the Government is preparing a structural adjustment program that could be supported by the Bank under a future structural adjustment credit.

II. Major Structural and Financial Imbalances

Mali faces considerable natural and structural constraints. The natural constraints include Mali's landlocked position, the limited amount of arable land, the vulnerability of the agropastoral sector to fluctuating weather conditions, and the small size of the domestic market. These constraints are compounded by the intensive exploitation of already fragile soils; the limited supply of skilled labor; the low levels of primary school enrollment and basic health services; and rapid population growth. These obstacles are aggravated by serious distortions in the agricultural sector, resulting from inappropriate past economic policies, a large and inefficient public enterprise sector, a low level of development in the modern private sector, and deficiencies in public resource management.

The agricultural sector has, in general, been adversely affected by pervasive government control, both in terms of marketing and pricing policies, as well as from the lack of a comprehensive and consistent agricultural strategy. The public enterprise sector has suffered from inappropriate institutional arrangements, overstaffing, weak management, undercapitalization, and inadequate pricing policies. The expansion of the private sector, particularly the industrial sector, has been inhibited by excessive government regulation, distortions in the incentives system, the crowding-out effect of the public sector, the accumulation of public arrears, and inadequate instruments of financial intermediation and domestic savings. The problems in the area of public resource management arise mainly from an inefficient tax system, inadequate cost recovery, the unbalanced structure of government current expenditure, the lack of adequate public investment project selection, the incomplete integration of all government expenditures in the budgeting and expenditure control processes, and the limited managerial

and administrative capacity to implement reforms. The conduct of monetary policy has been hampered by the difficult liquidity position of the banking system. The structural problems are both reflected in and compounded by the financial imbalances. While some progress was achieved under the 1982-86 adjustment programs, both the budgetary and balance of payments positions remain unsustainable, with large financing gaps necessitating exceptional external financial assistance, including debt relief. The financial imbalances have been exacerbated by Mali's heavy external debt service burden.

III. The Strategies and Targets for 1988-92

The Government of Mali intends to implement a comprehensive adjustment program for 1988-92 to progressively alleviate the structural constraints and reduce the financial imbalances. The envisaged policies aim at achieving a sustainable rate of economic growth consonant with domestic and external financial stability. The emphasis is on generating a favorable environment for fostering private sector economic activity and investment, providing basic services and infrastructure, and promoting public and private sector savings.

A five-pronged approach will be pursued. First, an agricultural policy aimed at increased food security and the diversification of agricultural production will be adopted. Second, the incentives system, particularly as regards pricing and trade policies, will be revised to ensure a further reduction in government intervention and to enhance the efficiency of resource allocation. Third, a major reform of the public enterprise sector will be undertaken, including a narrowing in the scope of the sector and the settlement of identified and verified cross-arrears. Fourth, measures to improve the efficiency of public resource management will be put in place. In this regard, the structure of current expenditure will be gradually shifted in favor of priority recurrent expenditure; the tax system will be revised to reduce distortions and enhance its elasticity; public investment programming will be strengthened, with priority given to the productive sectors and the rehabilitation of the existing capital stock; the budgeting and expenditure control processes will be expanded to cover all government operations; and government arrears will be settled. Fifth, tight financial policies will be pursued, with a view to strengthening the Government's financial position. Furthermore, with the improved budgetary position, credit policy will emphasize the provision of credit to the private sector, with particular attention to productive sectors, while maintaining the growth of domestic liquidity in line with the targeted reduction in financial imbalances. In this regard, the reform of the banking system will be critical to the enhancement of financial intermediation. A prudent debt management policy will also need to be pursued; debt relief will be sought to cover part of the financing gaps.

The three key quantitative objectives of the program for 1988-92 are: (a) to attain, after an expected drop in economic activity in 1988

resulting from poor weather conditions, an average annual growth rate of real GDP of about 4.0 percent; (b) to reduce the annual rate of inflation, as measured by the GDP deflator, to about 3.5 percent; and (c) to reach a viable external sector position by 1992, with the external current account deficit, including grants, moving from 7.8 percent of GDP in 1988 to 4.5 percent in 1992. Thus, barring unforeseen developments, by 1992 Mali will have achieved a sustainable rate of growth consistent with a viable balance of payments position.

The projected growth of real GDP depends largely on the diversification of economic activity and the development of the agricultural and manufacturing sectors, both for import substitution and export. The impetus for growth is expected to be provided by the private sector, while efficiency gains will be made possible by the continued liberalization of the economy and the restructuring of the public sector. Increased private activity will involve the intensification of the production, processing, and marketing of agricultural produce. Growth in the secondary sector is expected to derive mainly from the development of small- and medium-scale enterprises, responding to improvements in incentives and the investment environment. A further impetus to growth will be provided by increased efficiency in public resource management; improvements in the allocation, implementation, and financing of public investment; and the strengthening of government finances.

The Government recognizes that the achievement of the above objectives will critically depend on the timely and sustained implementation of the adjustment policies, as well as their readaptation in light of the progress achieved and the emergence of unforeseen factors. As the limited managerial and administrative resources of the public administration pose a potential constraint on the realization of the program's objectives, the Government will closely monitor the program's implementation. The reduced regulatory role for the public administration will permit a redeployment of scarce managerial resources with a view to improving its efficiency in key reform areas, such as public resource management. In addition, the Government will continue its training and technical assistance programs designed to improve public sector economic management with the support of the World Bank, UNDP, and other donors.

IV. Structural and Macroeconomic Adjustment Policies

Within the broad framework described above, the Government will pursue a comprehensive set of supply-oriented and demand management policies. A table of key economic and financial indicators, a policy matrix of the key measures envisaged, and a table summarizing the financial resources and requirements for 1988-92 are attached.

1. Agricultural policy

Given the importance of the agricultural sector in the Malian economy, the adoption of an agricultural strategy constitutes a cornerstone of the Government's adjustment effort. The two key objectives will be the achievement of increased food security and the diversification of agricultural production. In recent years, major steps have been taken to improve production incentives, liberalize cereals marketing, and restructure the cotton sector. With regard to pricing, the Government's policy is that transactions should take place at market-determined rather than administered prices. To this end, the bill adopted by the Council of Ministers, limiting the role of the cereals marketing agency (OPAM) to the management of national security stock of cereals and supplying of deficit regions, will be submitted to the National Assembly by end-June 1988. In this context the official prices for millet, sorghum, and maize will be abolished. In view of the sharp fluctuations in production that can result from changes in weather conditions, the Government will study, in consultation with World Bank staff, the desirable level of the cereals security stock and the modalities for its management by OPAM. Moreover, the Government will rehabilitate and restructure the Office du Niger, Mali's largest public irrigation system, with financial support from the World Bank and bilateral donors during 1988-94. This will involve, inter alia, the elimination of the remaining marketing controls and a major transfer of responsibilities to farmers, village associations, and other private operators. The Government will undertake a reform of rural development agencies (ODRs) during 1988-92; in 1988 the Government will liquidate six ODRs and will review the status of those remaining with a view to determining those to be rehabilitated and those to be liquidated.

In view of the changed world market conditions for cotton, Mali's cotton sector has undergone major reforms. The measures taken have isolated the costs of cotton production and exporting from those of other rural development activities, which were financed previously by the profits from the cotton sector. Furthermore, measures to increase the efficiency and reduce the costs of the sector, that were put in place in 1986, will continue to be in effect. Based on present policies, on expected yields from a new seed variety, and on projected export prices for cotton fiber, the cotton sector is projected to record financial surpluses starting with the 1988/89 crop. In consultation with the World Bank, the Government is elaborating a medium-term plan of action for the cotton sector. In May 1988, a seminar will take place in Bamako to review the issues affecting the cotton sector and provide a basis for mapping out a medium-term reform strategy that could include modifications in the tax system for the cotton sector, simplification of the institutional infrastructure, and adoption of a flexible producer pricing system based on world prices.

2. Pricing and trade policies

The Government of Mali is committed to a general liberalization of pricing and marketing policies, with a view to improving resource allocation and stimulating economic activity. In recent years it has taken major measures in this regard. In 1986, the Government introduced legislation for a more flexible pricing system. The coverage of the system will be reviewed periodically to eliminate price controls by 1990 on all remaining products, with the exception of a few products deemed essential or strategic. With regard to trade policy, the Government will reduce import quotas significantly in 1988 and will liberalize further import procedures in 1989, by replacing the present import licensing system with a new registration system. Consistent with its policy of encouraging private sector economic activity, the Government is implementing the new commercial code, adopted in 1986, under which the setting up of private business has been considerably facilitated by dropping the general requirement of prior government approval. The Government will continue to implement policies in this regard. This reform will later be reinforced by possible modifications to the import tariff and export tax structures provided that such modifications could be justified by the conclusions of the ongoing studies carried out with the assistance of the World Bank and UNDP.

3. Public enterprises

The Government of Mali is committed to strengthening the performance of the public enterprise sector and limiting government involvement to strategically important industries or those providing public services that cannot be supplied by the private sector. Accordingly, the Government will launch in 1988 a major public enterprise reform program, supported by the World Bank. The reform strategy aims at improving the economic, financial, and institutional framework within which public enterprises operate; rehabilitating key enterprises in the water, power, and post and telecommunications sectors; privatizing or liquidating others; and settling public cross-arrears. The program includes specific measures and timetables to rehabilitate, privatize, and liquidate the 36 public enterprises included in the program; it is envisaged that only 6 will remain entirely in the public sector, 15 will be privatized, and the remaining 15 liquidated. In this context, the Government plans to reduce its participation in the largest commercial bank (BDM) to a minority share, and to restructure and rehabilitate the bank. Furthermore, the postal checking system, which plays an important role in financial intermediation, especially in the rural areas, will be rehabilitated. It is envisaged that all verified outstanding cross-arrears will be settled during 1988-92.

4. Public resource management

The Government of Mali will implement measures to strengthen and improve the efficiency of public resource management. While these

measures have an impact on financial policy, this section focuses primarily on those efficiency measures that affect the process of public resource allocation and the structure of expenditure, while the subsequent section focuses on financial policy issues.

On the revenue side, the structure of taxation will be revised with the dual objectives of enhancing the elasticity of the tax system and improving the incentives for private sector economic activity by eliminating distortions. The Government will introduce measures to expand the tax base, and will further strengthen its tax collection procedures. Work is under way to revise the remaining specific taxes with a view to putting them on an ad valorem basis, introducing a value-added tax system, rationalizing the import tariff and export tax structures, and simplifying the tax system by introducing a unitary tax on personal income. The scope of cost recovery will also be widened during 1988-92, by expanding user charges in such areas as hospital care, and irrigation facilities. In addition, based on recommendations of a Fund fiscal technical assistance mission, and with financial support under the U.S. Economic Policy Reform Program, the Government will continue to introduce during 1988-92, measures relating to customs duties, income and profit taxes, and turnover taxes designed to encourage private sector economic activity.

The composition of expenditure will need to be restructured with a view to providing adequate allocations for priority categories of recurrent expenditure. The Government plans to reduce gradually the share of the wage bill in current expenditure, raise allocations for equipment and supplies, and increase expenditure for essential public services. The Government will contain the growth of the wage bill during 1988-92, through greater selectivity in recruitment, an overhaul of the merit system, a strengthening of personnel management, and the pursuit of voluntary departure programs supported by bilateral donors. Automatic merit increases will be frozen and no cost of living adjustments will be provided for 1988 and 1989 unless other offsetting measures are put in place, in consultation with the Fund, to ensure that the objective of limiting the wage bill, as envisaged in the program, will be met; for any future adjustment in remunerations, the Government will evaluate the possibility of further reductions in personnel and other expenditure. Furthermore, the share of nonreimbursable transfer payments, in particular those relating to expenditure on scholarships and transfers through the price stabilization fund (OSRP), will be reduced. Expenditure control will be enhanced through the strengthening of the system for monitoring government expenditures and arrears introduced in 1986, with IMF technical assistance. Furthermore, starting in 1989, investment outlays will be fully integrated into the regular expenditure control and budgetary processes, thereby further improving financial management.

In order to improve the utilization of Mali's scarce domestic and external resources, the Government is working closely with the World Bank with a view to strengthening the system for expenditure programming

and budgeting, with particular emphasis on investment budgeting. The Government is focusing on steps to improve the efficiency of public investment, particularly with regard to the selection of projects on the basis of economic criteria, sectoral priorities, counterpart fund requirements, recurrent cost implications, debt-servicing capacity, and project monitoring. To integrate the selection of projects into a comprehensive macroeconomic framework, the Government prepared, in late 1987, a three-year rolling public investment program for 1988-90, which will be updated annually. This program emphasizes projects in the directly productive sectors as well as rehabilitation projects in the transport, irrigation, energy, and water sectors. The annual investment budgets will be prepared, beginning in 1989, in the context of the three-year rolling public investment program. These budgets will cover all locally and foreign-financed investment projects starting in 1989. The annual investment budgets will be fully consolidated with the current budget, and all investment expenditure will be subject to the regular budgetary and expenditure control processes starting with the 1989 budget.

5. Financial policies

Financial policies will be designed to contribute to the achievement of Mali's medium-term policy objectives. The Government will aim at achieving a sustainable overall fiscal position, settle its outstanding verified payments arrears, reduce its liabilities to the banking system, and build up its domestic deposits. This will be complemented by a monetary policy that will emphasize the provision of credit to the private sector, while maintaining the growth of domestic liquidity at a rate consonant with the targets for the external sector, inflation, and economic growth. The structural measures mentioned above are expected to improve the elasticity of the tax system, and expand the tax base over the medium term. The Government will pursue a restrained expenditure policy, holding the rate of growth of expenditure below that of revenue. Thus, the overall deficit, on commitment basis and excluding grants, is projected to fall from 9.1 percent of GDP in 1988 to 5.4 percent in 1992. The fiscal projections will be revised annually to take into account the progress achieved in reducing the imbalances and the availability of financing. The improvement in the fiscal position will allow the repayment of the banking system and the settlement of all verified net government arrears by 1992. The remaining financing gaps through 1991 will require exceptional external financial assistance, including debt relief.

A monetary policy consistent with the adjustment objectives will be pursued. During 1988-92, the average annual growth of domestic liquidity will be held below that of GDP, with a view to reducing the excess demand pressures; to promote growth, however, credit policy will aim at channeling resources toward the productive sectors of the economy, notably agriculture, livestock, and small-scale industry. The scope for credit expansion to the private sector will be increased, given the expected reduction in the role and improvement in the

financial performance of the public sector. In this connection, interest rate policy, which is determined in conformity with the general policy guidelines of the West African Monetary Union, will continue to focus on mobilizing domestic savings, enhancing financial intermediation, and improving resource allocation. The Government is aware of the importance of pursuing a flexible interest rate policy and plans to address this issue in the context of the assessment of its monetary policy. The rehabilitation of BDM and the reform of the postal checking system are critical to the enhancement of financial intermediation and the effective conduct of monetary policy.

6. The external sector and financing needs

The measures being taken should contribute to an expansion and diversification in exports over the medium term. As the growth of imports will be constrained by the restrictive financial policies being pursued, the trade balance is expected to improve, contributing to the attainment of a viable balance of payments position by 1992. The balance of payments projections include substantial external financing in the form of grants and concessional loans connected with the investment program, as well as resources from the World Bank and IMF under requested programs and arrangements, respectively. It is projected that during 1988-92 program lending from the World Bank and cofinanciers in support of the public enterprise sector adjustment reforms will amount to CFAF 36.0 billion. The IMF loans under the structural adjustment facility are expected to amount to CFAF 12.5 billion (SDR 32.3 million), with the first loan of CFAF 4.0 billion (SDR 10.2 million) expected to become available in July 1988. Furthermore, purchases under a stand-by arrangement for 1988-89 are expected to amount to CFAF 4.9 billion (SDR 12.7 million). Preliminary projections suggest that, if the adjustment process is continued, the overall external financing gap should be reduced from CFAF 24.6 billion (SDR 63.2 million) in 1988 to CFAF 8.4 billion (SDR 21.6 million) in 1991. In 1992, there would be no financing gap. It is expected that the financing gaps could be closed primarily through nonproject aid and through debt relief from Paris Club participants and other creditors. Nevertheless, Mali will remain heavily dependent on external financial assistance for the implementation of its development programs for the foreseeable future.

In view of Mali's heavy debt service burden, the Government will continue to follow a prudent external debt management policy in 1988-92. It will not contract or guarantee any new nonconcessional loans with a maturity of less than 1 year or with maturities of 1 to 12 years (inclusive), excluding normal short-term import-related credits and debt rescheduling, or refinancing. It will endeavor, to the extent possible, to obtain loans on terms comparable to those of IDA.

Mali, as a member of the West African Monetary Union, maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions. The exchange

system is common to all members of the Union and, within this context, exchange rate policy is determined on the basis of the economic conditions in the Union as a whole. ^{1/} In light of these exchange arrangements, the policies being pursued aim at achieving relatively low rates of inflation, which, together with the restrained wage policy envisaged, and improvements in productivity, should contribute to the enhancement of Mali's international competitiveness.

7. Population policy

The authorities are concerned about the social and economic implications of rapid population growth. This concern results from the recognition of the constraints posed by Mali's limited physical resource base. The Government is in touch with international institutions and the donor community to help develop a population program. The program would focus on providing assistance for family planning; improving the health status of the population, with emphasis on the reduction of infant mortality; updating and enlarging the demographic data base; and strengthening the Government's analytical capacity in this area.

V. Social Impact

The structural adjustment program is designed to consolidate the foundation for achieving a gradual improvement in living standards and to avoid the negative social impact of disorderly adjustment in the absence of an adequate reform program. The program aims at reversing the secular fall in per capita income and ensuring greater economic efficiency and higher growth. The restructuring of public expenditure will provide for a further expansion of basic services that benefit the population. The emphasis of public investment on the productive sectors, mainly agriculture, will also benefit a larger proportion of the population, particularly lower income groups in rural areas. While the reform of the public enterprise sector will generate some initial unemployment, overall employment opportunities are expected to improve over the medium term with the gradual expansion of the private sector. Furthermore, the World Bank public enterprise reform program provides for a redeployment fund to assist those involved, thereby minimizing the social costs involved in the transitional period. The effects of the price and domestic trade liberalization measures on the lower income groups will be positive over the medium term, offsetting any initial adverse effects, as production incentives are enhanced and resource allocation is improved.

^{1/} Mali's currency is pegged to the French franc at an exchange rate of CFAF 50 = F 1.

Table 1. Mali: Selected Economic and Financial Indicators, 1986-92 1/

	1986	1987	1988	1989	1990	1991	1992
	Program			Projections			
	(Annual percentage changes, unless otherwise specified)						
Income and prices							
GDP at constant prices	18.6	3.9	-0.8	5.0	4.1	3.5	3.5
GDP deflator	-3.7	4.4	4.3	3.7	3.5	3.5	3.5
External sector							
Exports, f.o.b.	-10.0	9.7	2.4	5.3	8.7	6.1	7.3
Imports, c.i.f.	-18.5	-13.6	8.8	3.9	3.2	2.4	2.0
Nominal effective exchange rate, (year-end; depreciation -)	1.5	—	...	...	...	...	...
Real effective exchange rate, (year-end; depreciation -)	2.8	-6.6	...	...	...	...	...
Consolidated government operations							
Revenue	33.0	-5.6	17.3	9.0	5.2	5.6	5.5
Expenditure <u>2/</u>	11.9	-6.9	7.2	3.5	3.6	2.1	1.7
Current	(11.8)	(-0.5)	(5.4)	(3.3)	(2.9)	(2.9)	(2.8)
Development	(-1.9)	(-11.9)	(18.0)	(7.1)	(4.8)	(0.9)	(0.6)
Money and credit							
Domestic credit <u>3/</u>	17.0	-5.6	1.4	5.0	4.5	4.1	5.1
Credit to the Government <u>3/</u>	(4.6)	(-2.6)	(-1.7)	(-2.7)	(-3.9)	(-4.8)	(-6.4)
Credit to the economy <u>3/</u>	(12.4)	(-3.1)	(3.1)	(7.6)	(8.4)	(8.9)	(11.5)
Money and quasi-money	6.9	-4.2	5.2	5.2	5.2	5.2	5.2
Velocity (GDP relative to M2)	4.0	4.5	4.5	4.6	4.7	4.8	4.9
Interest rate <u>4/</u>	9.0	8.0	8.0 <u>5/</u>	...	...	...	...
	(In percent of GDP, unless otherwise specified)						
Overall fiscal deficit (-)							
(commitment basis) <u>6/</u>							
Excluding grants	-12.1	-10.2	-9.1	-7.8	-7.2	-6.3	-5.4
Including grants	-7.4	-4.9	-4.7	-3.5	-2.9	-2.0	-1.1
Payments arrears (change, reduction -)	-0.3	1.0	-2.6	-2.4	-1.5	-1.1	—
Domestic financing (net)	0.3	-1.1	-1.6	-1.7	-1.8	-1.9	-2.2
Foreign financing (net) <u>7/</u>	7.8	4.9	5.0	5.3	4.6	4.1	3.4
Gross domestic investment	22.2	18.4	18.4	17.4	17.5	17.5	17.5
Gross domestic savings	-2.1	1.5	0.1	0.1	1.6	2.8	4.0
Resource gap	-24.3	-16.8	-18.3	-17.3	-15.9	-14.7	-13.5
External current account deficit (-)							
Excluding official transfers	-22.9	-16.0	-17.6	-16.7	-15.5	-14.2	13.2
Including official transfers	-11.0	-5.7	-7.8	-7.5	-6.4	-5.4	-4.5
Debt service ratio <u>8/</u>	30.9	27.2	26.8	27.4	25.4	20.7	19.9
(Excluding IMF)	(19.7)	(16.9)	(18.2)	(19.5)	(19.8)	(18.0)	(18.6)
Interest payments ratio <u>8/</u>	9.7	8.6	9.4	9.4	9.2	9.6	9.5
	(In millions of SDRs)						
Overall balance of payments	-43.6	-5.7	-24.7	-17.5	-11.6	-1.5	3.1
External payments arrears (net change, reduction -)	-1.9	10.6	-20.6	-20.6	-15.4	-13.6	—
Obligations not serviced pending rescheduling (cumulative amount at end of period) <u>9/</u>	12.3	—	—	—	—	—	—
Financing gap	—	—	63.2	41.6	33.7	21.6	—

Sources: Data provided by the Malian authorities; and staff estimates and projections.

1/ These percentages are based on actual data and may differ marginally from those calculated on the basis of rounded data.

2/ In addition to current and development expenditure, total expenditure includes the annexed budgets and special funds.

3/ Increases in percent of money stock at the beginning of period.

4/ Minimum rates on time deposits in excess of one year and in amounts of more than CFAF 2.0 million.

5/ At end-March 1988.

6/ Commitment basis, before debt relief; including the operations of the Central Government, the annexed budgets and special funds, as well as extrabudgetary receipts and payments reflected in the treasury accounts, but not operations of the rural development agencies and development expenditures financed directly by external aid.

7/ Including debt relief.

8/ Excluding China and the U.S.S.R.; including estimates for interest due on the amount to be disbursed after 1987; in percent of exports of goods and nonfactor services.

9/ Excluding China and the U.S.S.R.

Table 2. Mali: Summary Description and Timetable of Macroeconomic and Structural Adjustment Policies, 1988-92

	Objectives and Policies	Strategies and Measures	Timing of Measures
1. Agricultural policy	Promote and diversify production	Abolish price stabilization role of cereals marketing agency (OPAM)	1988
		Abolish official prices for maize, millet, and sorghum	1988
		Implement rehabilitation program for Office du Niger	1988-94
		Reform rural development agencies (ODR)	1988-92
		Carry forward efficiency and economy measures for cotton sector	1988
		Elaborate and implement a medium-term restructuring program for cotton sector	1988-91
2. Pricing and trade policies	Promote market-oriented pricing policies and increase the scope of private sector activities	Complete the deregulation of pricing policies by 1990, by abolishing price controls with the exception of those on certain strategic products	1988-90
		(a) Reduce the number of products subject to price control from 58 to 37	June 1988
		(b) Reduce the number of products subject to price control from 37 to 15	June 1989
		Remove import quotas on ten products and issue import licenses for them upon request	June 1988
		Replace import licensing system with registration system	June 1989
3. Public enterprises	Improve the efficiency of the public enterprise sector and reduce its size	Implement the reform of public enterprises with World Bank support:	1988-91
		Privatize 15 public enterprises, liquidate 15, and rehabilitate 6	1988-91
		Improve and standardize the structure of incentives benefiting public and private enterprises	1988-91
		Launch study for reform of postal checking system	1988
		Implement reform of postal checking system	1989-90
		Draft revision of Law 81-10 on public enterprise salary policy	1988
		Appoint new board of directors and promulgate revised statutes for COMANAV, OERHN, RCFM, and SONATAM in conformity with Law 87-51	1988
		Finalize action plan for public enterprise cross-arrears settlement	1988
		Complete liquidation and settle liabilities of SOMEX	1988

Table 2 (continued). Mali: Summary Description and Timetable of Macroeconomic and Structural Adjustment Policies, 1988-92

Objectives and Policies		Strategies and Measures	Timing of Measures
4. Public resource management		Complete liquidation and settle liabilities of AIR Mali	1988
		Finalize action plan for divestiture of COMATEX, EDM, EMAMA, Grand Hôtel, HUTOMA/SEPOM, ITEMA, PPM, SEMA, SEPAMA, SMEOMA, SOCAM, SOCIMA, TAMALI, and UCEMA	1988
		Implement COMANAV, OERHN, RCEM, and SONATAM reorganization in conformity with Law 87-51	1989
		Complete liquidation of SIM, SAT, SCAER, SEBRIMA, SOCOMA, SOCORAM, SOMBEPEC and SONEA	1989
		Promulgate new Law governing public enterprise salaries	1989
		EDM: (a) Promulgate new water and electricity tariffs; (b) agree on modified statutes; (c) sign performance contracts with EDM and OERHN; (d) integrate the electricity staff of OERHN into EDM; (e) finalize the restructuring plan for separation of technical aspects of water and power activities and sign EDM/OERHN management contract	1989
		Approve revised statutes and appoint new board of directors for all public enterprises in conformity with Law 87-51	1990
		Complete liquidation of QMIR, EMAB, OCMA, LPM, and SONEIRA	1990
		Prepare and sign performance contracts for COMANAV, RCEM, and SONATAM	1990
		Improve the budgetary process, reform the tax system and limit expenditure growth	1988-92
a. Revenue	Reform tax system so as to enhance its elasticity and reduce its distortionary effects	Complete study on import tariffs and export tax structures	1989
		Implement measures deemed necessary on the basis of this study	1989-92
		Convert specific taxes to an ad valorem basis	1989
		Simplify tax system	1989-90
		Introduce value-added tax	1990
	Increase revenue	Improve duty collection through verification of customs valuation; raise <u>valeurs mercuriales</u> ; and reduce exemptions	1988-92
		Strengthen tax administration	1988-92

Table 2 (concluded). Mali: Summary Description and Timetable of Macroeconomic and Structural Adjustment Policies, 1988-92

	Objectives and Policies	Strategies and Measures	Timing of Measures
	Increase cost recovery in sectors currently financed by the budget	Introduce measures to recover greater proportion of cost of public services	1988-92
b. Expenditure			
i. Current expenditure	Alter the structure of current expenditure so as to allocate sufficient amounts to operating and maintenance costs and to reduce the share of the wage bill	Increase the allocation for operations maintenance	1988-92
		Limit hiring and reinforce the voluntary retirement programs	1988-92
		Freeze automatic merit increases and grant no cost of living adjustment	1988-89
	Reduce transfers to consumers	Reduce level of subsidies and transfers	1988-92
	Avoid extrabudgetary expenditure	Strengthen budgetary discipline; closely monitor implementation of budgets of special funds and annexed budgets	1988-90
ii. Development expenditure	Establish three-year rolling public investment program in context of macroeconomic framework	Integrate investment expenditure fully in government budgetary and expenditure control processes	1989
		Improve project identification, evaluation and appraisal capability	1988-91
		Set up processes for quarterly monitoring of financial and physical realization under the investment program	1989
		Define procedures and institutional responsibilities for including new projects in investment program at various stages: (a) technical feasibility study, (b) socioeconomic study, including consistency with program objectives, and (c) financial study, including recurrent costs and debt service	1989
5. Monetary policy	Design monetary policy consistent with the external current account, inflation, and growth objectives	Direct credit toward private sector	1988-92
	Improve the efficiency of the banking system	Implement BDM restructuring and rehabilitation component of World Bank Public Enterprise Program	1988-91
	Mobilize domestic savings and improve resource allocation	Reassess interest rate policy	1989
6. External debt	Contain external debt service and re-establish normal relations with creditors	Contract new loans only on concessional terms, and, to the extent possible, on terms comparable to those of IDA, while intensifying efforts to mobilize resources in the form of grants	1988-92
		Subject any drawings on a loan contracted or guaranteed by the Government to the prior authorization of the Ministries of Finance and Plan	1989
		Centralize all external debt data at the CAA	1988

Table 3. Mali: External Financing Requirements and Resources, 1987-92 ^{1/}

(In millions of SDRs)

	<u>1987</u> Est.	<u>1988</u> Program	<u>1989</u>	<u>1990</u>	<u>1991</u> Projections	<u>1992</u>
Requirements	<u>276.1</u>	<u>356.9</u>	<u>362.7</u>	<u>347.3</u>	<u>328.5</u>	<u>312.6</u>
Current account deficit, excluding official grants	241.9	276.1	284.8	284.1	280.5	277.9
Debt amortization	25.7	27.0	30.8	34.2	28.0	31.6
IMF repurchases	20.8	17.8	18.0	13.5	6.4	3.0
Arrears (increase -)	-10.5	20.6	20.6	15.4	13.6	--
Change in net foreign assets ^{2/} (decrease -)	0.5	15.4	8.5	--	--	--
Adjustment ^{3/}	-2.3	--	--	--	--	--
Resources	<u>276.1</u>	<u>293.6</u>	<u>321.1</u>	<u>313.6</u>	<u>306.9</u>	<u>312.6</u>
Official grants ^{4/}	156.3	154.5	156.6	166.1	174.0	182.5
Long-term public loan disbursements ^{4/}	104.9	123.4	139.8	138.0	129.6	126.5
Short-term capital (net)	3.8	0.5	1.8	2.6	3.3	3.6
Debt rescheduling	11.1	--	--	--	--	--
Use of IMF resources	--	15.2	22.9	6.9	--	--
Of which: SAF	(--)	(10.2)	(15.2)	(6.9)	(--)	(--)
Financing gap	<u>--</u>	<u>63.2</u>	<u>41.6</u>	<u>33.7</u>	<u>21.6</u>	<u>--</u>
<u>Memorandum item:</u>						
Exchange rate: CFAF per SDR	389.0	389.0	389.0	389.0	389.0	389.0

Sources: Data provided by the Malian authorities; and estimates and projections of the Fund and World Bank staffs.

^{1/} Data may not add up due to rounding.

^{2/} Excluding the change in the net position vis-à-vis the Fund.

^{3/} Including errors and omissions.

^{4/} Includes both existing and expected new commitments.

