

**LAPSE OF
TIME**

EBS/20/159

October 16, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Mali—Request for Second Tranche of Debt Service Relief Under the Catastrophe Containment and Relief Trust**

Board Action:	Executive Directors' consideration on a lapse of time basis
Deadline to Request Board Meeting:	Friday, October 23, 2020 12:00 (noon)
Proposed Decision Deemed Approved:	Friday, October 30, 2020
Provisional Board Meeting Date: (if requested)	Friday, October 30, 2020
Proposed Decision:	Page 5
Publication:	Yes*
Additional Information:	As noted in the paper Catastrophe Containment and Relief Trust—Second Tranche of Debt Service Relief in the Context of the COVID-19 Pandemic (EBS/20/46, 9/17/20), the request for the second tranche of debt relief for Mali is now proposed for Board consideration following clarity on the political situation.
Questions:	Ms. Cebotari, AFR (ext. 35417) Ms. Jankulov Suljagic, AFR (ext. 36479) Ms. Isakova, AFR (Alsakova@imf.org)

*The authorities have indicated that they consent to the Fund's publication of this paper.

Document Transmittal
in the Absence of
an Objection and in
accordance with
Board policy:

After Board Consideration—Islamic Development Bank, Organisation
for Economic Cooperation and Development, West African Economic
and Monetary Union, African Development Bank, World Trade
Organization



MALI

October 16, 2020

REQUEST FOR SECOND TRANCHE OF DEBT SERVICE RELIEF UNDER THE CATASTROPHE CONTAINMENT AND RELIEF TRUST

Approved By
Annalisa Fedelino (AFR)
and **Bjoern Rother (SPR)**

Prepared by the African Department

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UPDATE FOR CCRT DEBT RELIEF

1. Recent Economic Developments. The COVID-19 pandemic and the August 2020 coup d'état have disrupted more than half a decade of strong economic performance, during which growth averaged 5 percent.¹ Growth is projected to decline from 5 percent to -2 percent in 2020 both on account of the pandemic (reflecting a slowdown in external demand, travel, and FDI, as well as the impact of uncertainty and reduced mobility on domestic demand) and of post-coup disruptions in trade, transport, economic and financial flows following the sanctions imposed by the Economic Community of West African States (ECOWAS). Inflation accelerated slightly in recent months but is expected to remain below 2 percent, while the current account deficit is projected to narrow due to higher gold prices (main export) and lower oil prices (main import). Risks around the outlook are exceptionally high in light of the uncertainty surrounding the political transition, the impact of the sanctions on trade and overall activity, and continued deterioration in the security situation. Weak social safety nets amid high informality, food insecurity and a fragile healthcare system exacerbate challenges.

2. Public health and macroeconomic policies. The spread of the pandemic had decelerated sharply by mid-June but picked up again since mid-August as in several countries in the region, with total confirmed cases standing at 3,296 as of October 12. Following the initial containment measures, the government introduced, in April 2020, a package of economic and social spending measures totaling about 2.3 percent of GDP, along with tax relief measures estimated in the revised budget at 0.6 percent of GDP.^{2,3} The package included an emergency health plan and purchase of medical supplies (0.6 percent of GDP), support to vulnerable households (1.2 percent of GDP), and support to firms (0.5 percent of GDP). The higher social and health spending, once fully executed, will increase priority spending in 2020 by 1½ percent of GDP. The policy package was supported by grants and concessional loans from international partners (about 0.2 percent and 1.8 percent of GDP,

COVID Related Fiscal Measures (percent of GDP)			
	FY 2020 projections		Change
	Pre-Covid	Current	
Priority expenditures	6.4	7.9	1.5
Health	1.3	1.5	0.2
Education	3.7	3.5	-0.2
Social	0.5	2.0	1.5
Decentralization	0.2	0.2	0.0
Roads	0.7	0.6	-0.1
Other Covid-related spending	...	2.3	2.3
Covid prevention, containment and management	...	0.6	0.6
Medical supplies and other costs	...	0.4	0.4
World Bank project	...	0.2	0.2
Transfers to households	...	1.2	1.2
Special fund for vulnerable households	...	1.0	1.0
Food distribution	...	0.1	0.1
Utility bill support	...	0.1	0.1
Transfers to businesses, SOEs, government entities	...	0.5	0.5
EDM (electricity) support	...	0.2	0.2
SOMAGEP (water) support	...	0.1	0.1
Support to private firms (guarantees)	...	0.2	0.2
Memorandum Items:			
Total revenue	20.5	17.9	-2.6
Tax relief	...	0.6	0.6

Source: Malian authorities and IMF staff estimates.

¹ On August 18, 2020, the government of President Keita was overthrown in a coup d'état, and parliament was dissolved. Many Fund member countries have condemned the coup and called for a return to constitutional order, with ECOWAS and African Union suspending Mali from their decision-making bodies. ECOWAS had imposed a transport, economic and financial blockade on Mali, and government's accounts at the regional central bank have been frozen. Following the appointment of a civilian President and Prime Minister to lead the 18-month transition government and the restrictions imposed in the Transition Charter on the role of the military Vice-Presidency in the government, ECOWAS has lifted the sanctions and recognized the transition government on October 6. A 25-member government was appointed on October 5.

² GDP ratios quoted in the text are based on the latest GDP projections.

³ A revised 2020 budget reflecting the COVID-related measures was submitted to Parliament in June 2020, but its approval has been delayed by the ongoing political turmoil.

respectively) and by the G20 Debt Service Suspension Initiative to defer debt service to Paris Club and other bilateral creditors during May-December 2020 (around 0.2 percent of GDP agreed, but only 0.05 percent of GDP in debt service effectively suspended so far). As of mid-September 2020, only a third of the planned COVID-19-related spending has been implemented, in part because the post-coup sanctions have cut the military authorities' access to government's Treasury Single Account at the regional central bank (BCEAO), hence no payments/expenditures could be made out of those accounts. Specifically: (i) support to electricity and water SOEs and the food distribution plans have been fully executed; (ii) COVID prevention and medical support spending registered 60 percent execution; while (iii) the execution of other COVID-related spending, including spending on vulnerable households, has not yet started. Monetary and financial policy measures to ease financing and lending conditions were taken by the BCEAO starting in March.

3. Governance safeguards. Under the IMF's RCF the authorities have committed to (i) the publication of quarterly COVID-19 related expenditure reports; (ii) publication of documentation on large public procurement contracts, together with ex-post validation of delivery along with the name of awarded companies and their beneficial owners; and (iii) commission an independent third party audit of this spending in about a year's time. The authorities have set up a committee dedicated to monitoring COVID-19 related expenses, chaired by the Secretary General of the Ministry of Economy and Finance and including representatives from the private sector and civil society. To help the authorities implement the RCF commitments on accountability and transparency of this spending and ensure that the use of funds collected to address the pandemic follows best PFM practices, the Fund's resident PFM advisor has been assisting the authorities in improving budget transparency and control. However, the August fall of the government, the limited execution of the economic support package, and the absence of a transition government for nearly two months, have delayed the publication of the agreed information on the execution of COVID spending. In light of the governance vulnerabilities in Mali, it will be critical for the newly formed transition government to implement the governance commitments in the spending of the COVID funds.

4. IMF support status. The three-year ECF arrangement— approved in August 2019 and with the first review completed in January 2020— has been on hold since March 2020, first at the authorities' request as they dealt with the pandemic and subsequently due to the coup. On April 30, 2020 the IMF approved a COVID-19 emergency support under the [Rapid Credit Facility](#) in the amount of SDR146.668 million (about US\$200.4 million, 78.6 percent of quota, 1.2 percent of GDP). This followed the [approval of debt service relief](#) during April-October 2020 under the Catastrophe Containment Relief Trust (CCRT) of about SDR 7.3 million (about US\$10 million, 0.06 percent of GDP).

5. Upcoming CCRT eligible debt service. Mali has debt service of SDR 7.5 million (US\$10 million, about 0.06 percent of GDP) falling due during the 6-month interval from October 14, 2020 to April 13, 2021, the maximum period covered by the 2nd tranche of debt service relief under the CCRT.

6. Staff assessment. While the planned fiscal policy response to the COVID crisis has been appropriate, the fiscal outlook and the prospects for seeing this policy response through remain

highly uncertain in light of the fallout from the coup and the ongoing political transition. Staff assesses that resources freed by the initial tranche of Fund debt service relief under the CCRT, as well as those provided by other donors, have been used for health, social, and economic support to mitigate the impact of the pandemic. The delayed support to households should start as soon as feasible.

Table 1. Mali: Selected Economic and Financial Indicators, 2017–25

	2017	2018	2019	2020		2021		2022	2023	2024	2025
			Est.	pre- COVID ¹	Proj.	pre- COVID ¹	Proj.	Projections			
National income and prices	(Annual percentage change)										
Real GDP	5.0	5.2	5.1	5.0	-2.0	5.0	4.0	6.0	5.0	5.0	5.0
GDP deflator	2.1	0.4	2.5	1.8	2.0	2.3	1.6	2.0	2.0	2.0	2.0
Consumer price inflation (average)	1.8	1.7	-2.9	0.6	0.5	2.0	1.5	2.0	2.0	2.0	2.0
Consumer price inflation (end of period)	1.1	1.0	-3.3	1.7	1.8	2.3	1.7	2.0	2.0	2.0	2.0
Output gap	2.3	2.2	3.0	...	-1.4	...	-1.1	-0.1	0.0	0.0	0.0
Money and credit											
Credit to the government	55.7	64.1	-36.6	20.2	119.1	...	31.9	18.7	15.9	8.5	5.2
Credit to the economy	5.4	4.8	2.2	6.0	0.0	...	5.7	8.1	7.1	7.1	7.1
Broad money (M2)	4.3	14.2	9.0	11.2	3.6	...	5.7	8.1	7.1	7.1	7.1
Central government finance and public debt	(Percent of GDP, unless otherwise indicated)										
Revenue	18.4	14.4	19.5	20.5	17.9	20.7	20.0	19.6	19.9	20.1	20.3
of which: Tax revenue	15.2	11.9	14.7	15.5	13.2	15.7	14.2	14.9	15.1	15.3	15.5
Grants	1.6	1.2	1.9	2.5	2.4	2.0	1.6	1.9	1.9	1.7	1.5
Total expenditure and net lending	22.9	20.4	23.1	26.4	26.5	25.9	26.1	25.0	25.3	24.8	24.9
Overall balance (accrual basis)	-2.9	-4.8	-1.7	-3.5	-6.2	-3.3	-4.5	-3.5	-3.5	-3.0	-3.0
Overall balance (cash basis)	-2.6	-3.9	-2.6	-3.6	-6.1	-3.2	-4.4	-3.4	-3.4	-2.9	-2.9
Public debt (end of period)	36.0	37.7	40.5	39.0	44.8	39.5	46.2	46.2	46.6	46.4	46.2
External public debt	25.0	24.9	26.4	26.1	27.1	25.7	26.4	25.5	24.9	24.5	24.5
Domestic public debt ²	11.0	12.8	14.0	12.9	17.7	13.8	19.8	20.7	21.6	21.9	21.7
Debt service	6.3	5.2	5.1	5.6	6.4	5.9	8.6	10.3	10.4	11.0	10.5
External sector											
Current account balance, including official transfers	-7.3	-4.9	-4.2	-4.4	-2.0	-4.6	-1.2	-2.5	-3.6	-5.1	-5.8
Current account balance, excluding official transfers	-12.1	-9.3	-9.0	-8.5	-5.6	-8.5	-5.5	-6.6	-7.7	-8.3	-8.9
Exports of goods and services	22.5	24.7	24.6	24.0	26.9	23.0	29.1	27.7	26.5	25.4	24.3
Imports of goods and services	36.2	35.8	35.2	34.0	32.4	32.9	34.5	34.5	34.2	33.7	33.3
Overall balance of payments	-0.5	1.1	3.0	0.1	1.0	-0.2	2.4	2.3	1.4	0.2	0.0
Terms of trade (deterioration -)	-25.3	-0.1	16.7	4.8	38.5	0.2	-2.9	-6.7	-4.2	-4.3	-4.2
Real effective exchange rate (depreciation -)	0.5	0.3	-4.2	...	...	...	...	...	...	...	...
Memorandum items:											
Nominal GDP (CFAF billions)	8,922	9,426	10,150	10,917	10,148	11,732	10,722	11,593	12,416	13,298	14,242
Nominal GDP (US\$ billions))	16.1	16.4	17.2	...	18.7	...	...	...	...	...	...
Public debt (CFAF billions)	3,211	3,555	4,107	...	4,546	...	4,958	5,355	5,780	6,177	6,585
Overall balance of payments (US\$ millions)	-71	189	451	...	176	...	481.3	505.3	326.0	55.2	-10.9
US\$ exchange rate (end of period)	554	576	590	...	544	...	...	...	...	...	...
Gold Price (CFAF billion/ton)	22.7	22.0	23.6	23.0	32.9	23.2	37.0	37.8	38.3	38.7	39.1
Cotton price (CFAF/kg)	1,017	1,063	956	...	841	...	807	799	786	784	792
Petroleum price (crude spot)(US\$/bbl)	53	68	61	58	42	55	47	48	49	50	51

Sources: Ministry of Economy and Finance; and IMF staff estimates and projections.

¹ IMF Country Report No. 20/8, Mali: First Review Under the Extended Credit Facility Arrangement. The review was completed on January 8, 2020.

² Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.

Proposed Decision

The Fund, as Trustee (the "Trustee") of the Catastrophe Containment and Relief Trust (the "CCR Trust" or "Trust"), established by Decision No. 14649-(10/64), as amended by Decision No. 16684-(20/32), adopted March 26, 2020, and Decision No. 16709-(20/41), adopted April 13, 2020, and pursuant to Decision No. 16725-(20/41), adopted April 13, 2020, decides:

1. to make available to Mali an amount equivalent to SDR 7,500,000 from the CCR Trust in the form of a grant to enable the Trustee, on behalf of Mali, to repay Mali's eligible debt (as defined in Section III, Paragraph 3 (c)(iv) of the CCR Trust Instrument) to the Fund (including to the Fund as Trustee), falling due in the period from [the day immediately following the date of approval of this decision] to April 13, 2021;
2. to disburse the amount specified in paragraph 1 above into a subaccount for the benefit of Mali to effect the repayment of Mali's eligible debt to the Fund in accordance with Section III, paragraph 4(b)(ii) of the CCR Trust Instrument.