



MALI

January 2021

REQUEST FOR SECOND TRANCHE OF DEBT SERVICE RELIEF UNDER THE CATASTROPHE CONTAINMENT AND RELIEF TRUST—PRESS RELEASE; AND STAFF REPORT

In the context of the Request for Second Tranche of Debt Service Relief Under the Catastrophe Containment and Relief Trust, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by IMF staff and completed on October 16, 2020 for the Executive Board's consideration on a lapse-of-time basis.

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IMF Executive Board Extends Immediate Debt Service Relief for Mali for Another Six Months

FOR IMMEDIATE RELEASE

- *On October 30, 2020, the Executive Board of the International Monetary Fund (IMF) approved a second six-month tranche of debt service relief for Mali under the Catastrophe Containment and Relief Trust (CCRT) without a meeting.*
- *The relief on debt service will free up scarce financial resources to continue strengthening the country's medical care capacity and addressing the social and economic fallout from the COVID-19 pandemic.*

Washington, DC – October 30, 2020: On October 30, 2020, the Executive Board of the International Monetary Fund (IMF) approved a second six-month tranche of debt service relief for Mali under the Catastrophe Containment and Relief Trust (CCRT) without a meeting. This approval follows the first six-month tranche (April 14 – October 13, 2020) approved on April 13, 2020 (see Press Release No. 20/151), and enables the disbursement of grants from the CCRT for payment of eligible debt service falling due to the IMF from October 14, 2020 to April 13, 2021, estimated at SDR 7.50 million (about US\$10.59 million). The relief on debt service will free up scarce financial resources to continue strengthening the country's medical care capacity and addressing the social and economic fallout from the COVID-19 pandemic.

This approval completes an earlier list of 28 low-income countries that benefited, on October 2, 2020, from the second six-month tranche of debt service relief under the CCRT (see Press Release No. 20/304). The approval for Mali was delayed because of the coup d'état on August 18, 2020 and the time needed to form the transition government.

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)
<https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

IMF Executive Board calendar
<https://www.imf.org/external/NP/SEC/bc/eng/index.aspx>



MALI

October 16, 2020

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

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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.