MALI

Table 1	2020
Population, million	20.3
GDP, current US$ billion	17.2
GDP per capita, current US$	848.3
International poverty rate ($1.9)[a]	50.3
Lower middle-income poverty rate ($3.2)[a]	79.8
Upper middle-income poverty rate ($5.5)[a]	95.0
Gini index[a]	33.0
School enrollment, primary (% gross)[b]	75.6
Life expectancy at birth, years[b]	58.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2009), 2011 PPPs.
(b) Most recent WDI value (2018).

After robust growth in 2019, the ongoing COVID pandemic and August military coup in 2020 triggered an economic contraction rolling back poverty reduction by half a decade. The fiscal balance widened, and debt pressures increased, although the external balance strengthened due to improved terms of trade. Growth and poverty reduction are expected to gradually recover over the medium term. The outlook is tilted to the downside with risks from the political transition, rising insecurity, persisting COVID-19 impacts, and climatic hazards.

Key conditions and challenges

The undiversified economy has experienced little structural change in recent years. The manufacturing sector remains small (14 percent of GDP) and concentrated in agro-industries and textiles, reflecting low levels of human capital with jobs concentrated in the informal sector. Exports are dominated by gold and cotton, subject to volatile prices and climatic shocks. Farmers' productive capacity remains low with limited access to finance. Scaling access to agricultural technologies and promoting selected value chains to increase poor farmers' income, should remain strategic goals if Mali is to accelerate its economic transformation.

Governance challenges were brought to the forefront by the military coup of August 18, 2020. Beforehand, the country had made limited progress towards restoring trust in the state, while greater decentralization, a key tenet of the Algiers Peace Agreement in 2015 has not fully materialized. The poor management of SOEs (notably EDM and CMDT) increased fiscal pressure. Tax administration reforms progressed slowly while spending efficiency remains low. In the coming years, restoring peace and democratic rule, while consolidating the fiscal position constitute the country's most pressing challenges.

The recent surge of COVID-19 cases in Mali and globally also constitutes downside risks. Despite the terms of trade improvement, due to the counter-cyclical nature of the gold prices, the under-diversified economy is vulnerable to continuing depressed external demand. A prolonged outbreak would also stall the domestic recovery, increasing the cyclical deficit on top of additional outlays including the rollout of the vaccination program and the costs of the political transition.

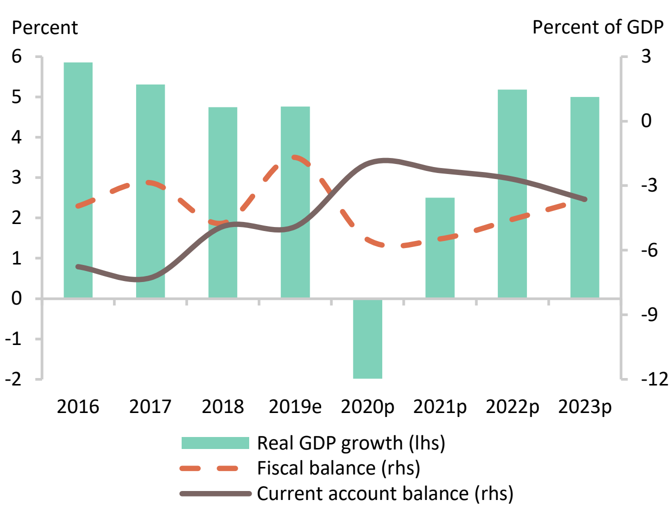
Recent developments

Real growth contracted by 2 percent (-4.9 percent in per capita terms) in 2020 due to the COVID-19 shock and August 2020 coup. The retail, construction and hospitality sectors declined. Agriculture was dampened by the poor performance of cotton and cereal production. In contrast, telecommunications, mining and industry were resilient. On the demand side, private consumption and investment declined. Inflation turned positive since July mainly due to increased food costs.

The current account deficit narrowed to 2.3 percent of GDP in 2020, due to improved terms of trade and despite regional economic sanctions (August to October) following the military coup. The deficit was mainly financed by foreign direct investment (FDI) and project grants in 2019, but external inflows declined in 2020, due to the pandemic and the post-coup donor disengagement.

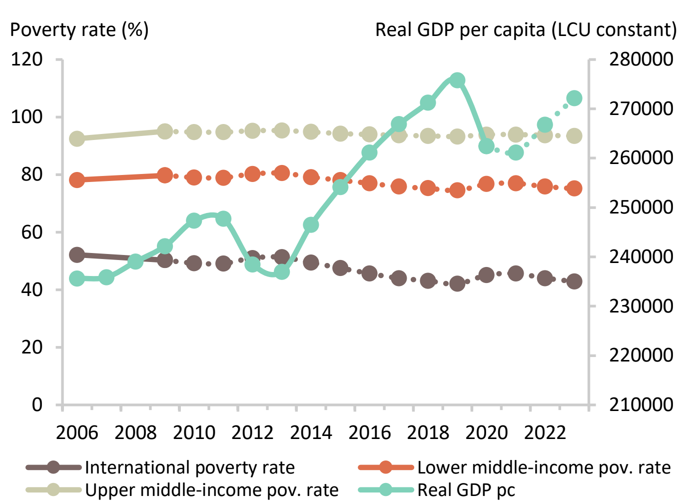
The fiscal deficit rose to 5.5 percent of GDP in 2020. Revenues dropped at the beginning of the pandemic (-17.2 percent y/y in 2020Q1) but recovered since May,

FIGURE 1 Mali / Real GDP growth, current and fiscal account balances



Sources: Malian government and the World Bank.

FIGURE 2 Mali / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

responding to the relaxation of containment measures and the end of tax reduction measures. Expenditures increased (for wages and transfers) with cuts in non-essential investment. Public debt rose to 44.1 percent of GDP in 2020, though Mali remains at a moderate risk of debt distress. Mali participated in the Debt Service Suspension Initiative (DSSI) and requested an extension till June 2021, benefiting from lower debt servicing costs of 0.04 percent of GDP in 2020 and 0.23 percent of GDP in 2021.

Mali's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached an estimated 5.5 months of imports in 2020 due to large donor support and reduced imports during the pandemic. Between March and October 2020, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro against the USD. To support regional economy and COVID-19 related extra spending, the BCEAO announced a set of monetary and macroprudential measures since March 2020, including policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds to help governments and businesses.

The COVID-19 crisis has rolled back poverty reduction of the last five years. The poverty rate (US$ 1.9/day in 2011 PPP) decreased from 45.6 percent in 2015 to 42.1 percent in 2019. However, in 2020, a combined loss of income and remittances and rising prices drove up the poverty rate by three percentage points to 45 percent (representing almost a million additional people living below the extreme poverty line).

Outlook

Growth will gradually rebound, reaching 2.5% in 2021 and 5.2% in 2022. As the pandemic wanes, private consumption will continue to recover as evidenced by high frequency indicators during the second half of 2020. With new elections promised within 18 months of the political transition (since September 2020), lower political uncertainty should boost private investments, while public investments are expected to rebound in 2021-2022. Preliminary simulations suggest poverty may remain stable at 45 percent in 2021, before decreasing to 44 percent in 2022 and 43 percent in 2023.

The favorable terms of trade in recent years would narrow in 2021-2023 with projected higher oil prices and a return of gold prices to historical levels. Import demand will rise following the recovery in private consumption. The current account deficit should gradually increase and settle around 3.0 percent of GDP in the medium term, financed by FDI and increased external flows.

Tax collections will accelerate with continued reforms. Non-tax revenues and grants should increase with the expected sale of a third telecommunication license and the gradual reengagement of donors. Expenditures will remain high in 2021 with the postponement of pandemic related spending. The fiscal deficit is projected to stay at 5.5 percent of GDP in 2021 and gradually return to the WAEMU criterion of 3 percent by 2024. Public debt will reach 47.1 percent in 2023 before declining.

Downside risks to the outlook are significant, including new confinement measures, rising insecurity in the central regions, weather shocks, and a tumultuous transition.

TABLE 2 Mali / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.7	4.8	-2.0	2.5	5.2	5.0
Private Consumption	3.0	3.8	-10.3	18.4	8.3	8.3
Government Consumption	2.0	4.0	21.5	5.7	3.3	3.3
Gross Fixed Capital Investment	-0.9	6.3	-16.0	12.0	-4.4	-4.4
Exports, Goods and Services	-0.1	2.3	-19.0	4.2	4.0	4.0
Imports, Goods and Services	-12.1	5.9	-4.0	3.4	5.2	5.2
Real GDP growth, at constant factor prices	5.3	4.5	-2.2	3.5	5.2	5.2
Agriculture	5.9	4.1	-7.6	8.6	4.6	4.6
Industry	5.5	3.7	1.4	-1.2	4.9	4.9
Services	4.8	5.2	0.6	1.8	5.8	5.8
Inflation (Consumer Price Index)	1.9	-3.0	0.7	1.4	2.1	2.0
Current Account Balance (% of GDP)	-4.9	-4.9	-2.0	-2.3	-2.7	-3.6
Net Foreign Direct Investment (% of GDP)	2.7	1.8	1.4	1.1	1.1	1.1
Fiscal Balance (% of GDP)	-4.7	-1.7	-5.5	-5.5	-4.6	-3.6
Debt (% of GDP)	36.1	40.5	44.1	46.2	46.9	47.1
Primary Balance (% of GDP)	-3.9	-0.7	-4.3	-4.0	-2.8	-2.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	43.2	42.1	45.1	45.6	44.0	42.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	75.3	74.6	76.7	77.0	75.9	75.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	93.5	93.2	93.9	93.9	93.7	93.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Calculations based on 2009-ELIM. Actual data: 2009. Nowcast: 2010-2020. Forecast are from 2021 to 2023.
(b) Projection using neutral distribution (2009) with pass-through = 0.87 based on GDP per capita in constant LCU.