Mali Defaults on Bond Payments amid Regional Sanctions

By:

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Marking the first African sovereign debt default in the year 2022, UMOA-Titres, the West African market for government securities announced that Mali reneged on its obligation to service treasury bonds that matured on January 2022 in the value of the 15.6 billion CFA francs ($26.6 million). This is only one of a number of treasury bonds default projected to be in the total sum of over $31 million.

On Wednesday, February 2, 2022, Mali's Minister of Economy and Finance, Alousseni Sanou, attributed the payment default to the sanctions imposed on the country by the Economic Community of West African States (ECOWAS), a regional bloc which has Mali as a member state and the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), the regional monetary union under the Union Economique et Monetaire Ouest Africaine (UEMOA), another regional economic bloc which has Mali as a Member State. BCEAO is UEMOA's central bank that is also in charge of administering the CFA Franc regionally. According to Sanou, "Because of these restrictions and despite there being sufficient

funds in Mali's public treasury, the central bank didn't make the payments" Indeed, a note from UMOA-Titres stated that "it is notable that this payment incident occurs in a context where the state of Mali is subject to sanctions".

The background to the sanctions now blamed for the defaults arose from political upheaval in Mali following two military coups since August 2020. A commitment to transition to a democratic regime by February, 2022 was delayed by the transitional leadership of Col. Assimi Goita. As a result of this delay, ECOWAS froze all of Malian State's assets in the commercial banks situated within the territories of its Member States while also suspending all non-essential financial transactions with Mali. ECOWAS also ordered borders to the landlocked country to be closed. UEMOA, on the other hand instructed all financial institutions under its jurisdiction to immediately suspend transactions with Mali. BCEAO also received the mandate to freeze Mali's account within it. The aim was to pressure the Malian transitional military leadership to restore democratic rule.

Beyond debt default, William Linder, a risk consultant has noted that the import of the sanctions is already reflected in the rising price of a number of items including salt, cooking oil, bananas, potatoes, which ordinarily are imported from Ivory Coast and Senegal. Modibo Mao Makalou, a former economic adviser to the Malian presidency has also noted that "if the state does not manage to refinance itself , not only with regard to the expenses for staff, but also energy, communication expenses, expenses for missions, including military operations – this will prevent the state from functioning on a daily basis."

According to the Malian Minister for Economy and Finance, Alousseni Sanou, Mali will only pay its debt as soon as the restrictions are lifted. The Malian transitional government criticized the sanctions for being in violation of Article 4 of the Statutes of the BCEAO as well as Article 11 of Regulation No. 06/2013-CM-UEMOA on Treasury Bills and Bonds issued by auction or syndication with the assistance of the UMOA-Titres Agency. Article 4 of the BCEAO Statutes provides that "in exercise of the powers and in the accomplishment of the missions assigned to them by the [West African Monetary Union (WAMU)] Treaty and by these statutes, the Central Bank, its organs, any member of its organs or its personnel may not seek or receive directives or instructions from community institutions or organs, governments of WAMU Member states, any other organization or any other person". This provision guarantees the

operational independence of the BCEAO from political interference of its Member States. According to the transitional government, the imposition of BCEAO Members-induced sanctions against Mali threaten that independence. In the meantime, this default may also reflect the fact Mali's transitional government which recently expelled the French Ambassador as well as Ambassadors from the ECOWAS region is enjoying popular support from the Malian people.

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