



NIGER

June 2018

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION— PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGER

In the context of the Second Review Under the Extended Credit Facility Arrangement, and Request for Modification of a Performance Criterion, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 1, 2018, following discussions that ended on April 10, 2018, with the officials of Niger on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 16, 2018.
- A **Statement by the Executive Director** for Niger.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Niger*
Memorandum of Economic and Financial Policies by the authorities of Niger*
Technical Memorandum of Understanding*
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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June 1, 2018

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IMF Executive Board Completes Second Review of Extended Credit Facility Arrangement for Niger and Approves US\$20 Million Disbursement

The Executive Board of the IMF today completed the second review of Niger's economic and financial program supported under the Extended Credit Facility (ECF) Arrangement. The completion of the review enables the disbursement of SDR 14.1 million (about US\$20 million), bringing total disbursements under the arrangement to SDR 42.3 million (about US\$60 million).

In completing the second review, the Executive Board took note of the authorities' Social and Economic Development Plan (PDES) for 2017-21 that serves as Niger's Economic Development Document (EDD) describing the macroeconomic, structural, and social policies in support of growth and poverty reduction, as well as associated external financing needs and major sources of financing.

On January 23, 2017 the Executive Board of the IMF had approved a three-year arrangement under the ECF for Niger in the amount of SDR 98.7 million (about US\$134.04 million, or 75 percent of Niger's quota) in support of the authorities' national plan for economic development (see Press Release No. 17/18). It aims to enhance macroeconomic stability and foster high and equitable growth, boost incomes and create jobs, while strengthening the foundations for sustainable development.

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

“Program performance in 2017 was satisfactory, despite an underperformance of fiscal revenue mobilization. All performance criteria were met. All indicative targets were observed, except for the one on fiscal revenues, which fell well short of what was programmed for 2017. Implementation of the structural reform agenda is progressing, but slower than envisaged.

“The 2018 program is set in a realistic macroeconomic framework, with economic growth gradually picking up over the next few years thanks to economic reforms and significant donor support. Currently elevated inflation should recede quickly and fiscal consolidation is set to bring the deficit below the WAEMU threshold by 2021. The current account deficit will likely remain large but is fully financed by external support.

“Going forward, it will be important to step up revenue mobilization. Strong revenue collection in 2018 so far is encouraging, as are the budget measures adopted this year. These measures are supported by additional steps to boost revenues over the short term, and systematic efforts to build up administrations capacity. However, the accumulation of new domestic payment arrears during the first quarter should be addressed as soon as possible.

“Reforms to strengthen the private sector and to address demographic pressures and gender inequity remain essential for medium-term development prospects. Efforts to improve the business environment are welcome, with the program emphasizing steps to improve access to credit. Determined implementation is the key to making Niger’s commendable strengthening of its governance framework a tangible success. On the demographic front, despite recent efforts, a broader and faster push is called for if decisive inroads are to be made.

“Submission of the government’s new Economic Development Document that frames the ECF-supported program in a broader and longer-term context is welcome. The revised EDD ensures the national development strategy, the PDES, and the authorities’ overall reform plan are aligned with the stability and development objectives of the ECF-supported program.”

Niger: Selected Economic Indicators, 2016-18

Population (millions)	18.8		Per capita GDP: (\$)	438.4
Quota (current, millions SDR, % total)	131.6	(0.03%)	Literacy/poverty rate:	26.6/45.7
Main products and exports:	Uranium, livestock, petroleum products			
Key export markets:	France, Nigeria			

	2016	2017 (Est.)	2018 (Proj.)
Output			
Real GDP growth (%)	4.9	4.9	5.2
Prices			
Inflation - average (in %)	0.2	2.4	3.9
General government finances			
Revenue and Grants (% GDP)	20.5	21.4	22.7
Expenditure (% GDP)	26.6	26.5	28.6
Fiscal balance (% GDP)	-6.1	-5.0	-5.9
Basic balance (% GDP) ¹	-4.2	-4.9	-4.0
Public debt (% GDP)	45.1	46.1	46.2
Money and Credit			
Broad money (% change)	8.7	6.1	9.5
Credit to private sector (% change)	12.7	2.1	7.8
Balance of payments			
Current account (% GDP)	-15.7	-13.8	-16.7
FDI (% GDP)	3.5	3.7	5.6
Reserves (in months of imports of goods and services)	5.6	4.7	4.4
External debt (% GDP)	33.0	30.1	30.1
Exchange rate			
REER (% change)	0.04	1.53	...

Sources: Nigerien authorities and IMF staff estimates; *International Financial Statistics* database, *World Development Indicators* database.

^{1/} Revenue minus expenditure net of externally-financed capital expenditure.



NIGER

May 16, 2018

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Context. With one of the lowest scores in the Human Development Index, Niger is facing daunting development challenges, exacerbated by security concerns from terrorist incursions, low prices for key uranium exports, climate change, and excessive population growth. Nonetheless, GDP grew by a respectable 5 percent in the past two years and should gradually rise to 5¾ percent as reforms and substantial donor support bear fruit. The government is reform oriented and enjoys a comfortable parliamentary majority, but ongoing demonstrations signal a degree of social discontent.

Program performance. With all performance criteria met, implementation has been satisfactory, except for the large miss of the indicative target on fiscal revenue augmentation—an important concern, considering that it is instrumental for fiscal consolidation and fiscal space to address pressing social and infrastructure needs. The indicative target on domestic arrears clearance in the first quarter of 2018 was also missed, but by less than the overperformance in 2017. The structural reform agenda is advancing, though more slowly than envisaged.

The 2018 program. The focus stays on macroeconomic stability underpinned by prudent fiscal policies. 2018 foresees a fiscal effort based on revenue augmentation, which is on track in the first quarter and underpinned by the 2018 budget measures, steps for a short-term revenue boost, and a program for a systematic buildup of revenue administration capacity. The fiscal structural program also seeks improvements in spending efficiency and debt management. The private sector is to be supported by financial deepening, a better business environment, and upgraded governance.

Risks. Results could be undermined by implementation challenges, deteriorating security conditions, and inefficient use of donor funds to strengthen physical and human capital. In the longer run, development prospects would be clouded if Niger's explosive population growth is not reined expeditiously. On the upside, reform momentum and strong donor support could set off a stronger-than-expected virtuous cycle of private sector development.

Staff views. Staff supports the conclusion of the second review under the ECF, which will result in a disbursement of SDR 14.1 million.

Approved By
David Owen (AFR)
 and **Johannes**
Wiegand (SPR)

Discussions were held in Niamey from March 28 to April 10, 2018. The mission comprised Messrs. Klingen (head), Cangul, Lessard, Lopes, Ms. Woldemichael, and Messrs. Ntamatungiro (Resident Representative) and Abdou (local economist) (all AFR). Mr. Owen (AFR) joined the mission during April 4 to 5. Mr. Francisco provided extensive research assistance and Ms. Canales Munoz administrative support at headquarters (both AFR).

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