Statement by Mr. Sembene, Executive Director for Niger, and Mr. Diakite, Advisor to the Executive Director for Niger
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The Nigerien authorities are appreciative of the Fund's continued support for their reform and policy agenda. The staff report on the second review of the program supported by the Extended Credit Facility (ECF) shows that Niger continues to make good progress toward program objectives amid daunting security challenges, climatic shocks, and unfavorable evolution of some commodity prices. Overall, program performance was strong even though the target on revenue mobilization was missed due to transitory shocks experienced in 2017. Nevertheless, revenue performance during the first quarter of 2018 was robust, demonstrating that the corrective actions taken subsequently by the authorities are yielding positive results.

Going forward, the authorities continue to be fully committed to the objectives of the ECF-supported program. Sustaining fiscal consolidation and improving public financial management will continue to be key in their reform efforts to create fiscal space for priority investments and increase the resilience to shocks. Economic diversification and private sector development are equally important priorities that are also underscored in Niger's quinquennial development plan (PDES 2017-21).

Performance under the ECF-Supported Program

The authorities met all performance criteria and indicative targets except for the revenue target. As indicated above, total revenue fell below program target, notably as a result of traders' strikes, and delays in the sale of telecom licenses and collection of tax arrears. However, the shortfall in tax revenue was offset by higher than expected external budget support, while public expenditure was kept well below program targets. As a result, the overall fiscal deficit was reduced from 6.1 percent in 2016 to about 5 percent in 2017.

A number of structural benchmarks were met—albeit with delay in some cases. These include the preparation of the updated national gender policy, the establishment of performance plans for tax and customs administrations, and the submission of a new PPP law to the Cabinet. At the same time, progress was made in advancing several structural reforms in various areas, including the energy sector, the financial sector, the business climate, and governance. Going forward, they are mindful that capacity constraints will need to be overcome to accelerate the implementation of the structural reform agenda.

Economic and Financial Policies for the Remainder of 2018 and the Medium Term

The authorities are of the view that the economic outlook remains positive, predicated on reforms to increase agricultural productivity and food security, infrastructure investment, and externally financed projects. For 2018, projections suggest that GDP growth will be strong, hovering around 5.2 percent and driven notably by the construction and services sectors. In the medium term, the authorities' reform efforts, combined with increased oil production and external assistance, should sustain growth at around 6 percent.

Under the ECF-supported program, economic and financial policies will continue to be anchored to the PDES. Program priorities include maintaining macroeconomic stability, improving public financial and debt management, and expanding fiscal space by broadening the tax base and strengthening tax administration.

The authorities remain committed to achieving the program's fiscal targets for 2018. They are mindful

that this would require significant efforts and policy adjustment, particularly in view of the heavier burden of military and security expenditures that the country continues to bear amid terrorist threats facing the region. As illustrated in the staff report for the first review of the ECF arrangement (Figure 2), security spending was projected to increase noticeably between 2016 and 2017 and exceed 200 billion CFAF, thus claiming a macro-critical proportion of public expenditure. Under these circumstances, we would have expected the staff report to sustain a strong focus on security-related issues and related policy implications. In staff reports for future program reviews in fragile countries like Niger, we look forward to these important matters featuring the list of key policy issues addressed in a comprehensive manner so long as they remain macro-critical.

Moreover, the authorities are determined to embody reforms to tax exemption policies in a new draft legislation that will be submitted to the National Assembly in coming months. In the meantime, they will aim to limit the use of new discretionary exemptions. Performance plans will continue to be utilized to ensure that the tax and customs administrations sustain their efforts of revenue mobilization.

The authorities are committed to preserving the sustainability of public debt. To this end, they will continue their efforts to strengthen debt management, notably by operationalizing the inter-Ministerial committee on debt management and avoiding short- term external borrowing. The committee will certify that appropriate procedures have been used for selected projects to be financed. The validity of all loans contracts and public guarantees will require the signature of the Minister of Finance. In the medium term, the current institutional fragmentation will be addressed through the centralization of debt management at the Ministry of Finance, in line with West African Economic and Monetary Union (WAEMU) directives. Considering the recent upgrading of Niger’s debt management capacity, the authorities request the modification of the performance criterion on external debt accumulation, consistent with the Fund’s policy on debt limits.

On the expenditure side, the authorities will focus mainly on improving the quality of spending. To this end, a wide range of measures initiated to improve the management of public finances will be pursued, including the implementation of the single treasury account, program budgeting, and the road map adopted to absorb efficiently external financial assistance in support of the PDES 2017-21. The authorities consider taking these steps to be critical for effective delivery of public services throughout the country.

Other key priorities include reforming State-owned enterprises and civil service. In these areas, they are hopeful that progress will be made with the World Bank’s assistance. More widespread use of new technologies is also envisaged to help improve the quality of expenditure, increase the efficiency of revenue administration, and ensure sound debt management.

The authorities believe that a strong private sector is essential for reducing poverty, raising the standard of living of the Nigerien population and strengthening long-term economic prospects. In this regard, they will continue their efforts to improve the business climate, increase access to credit, and address governance, demographic and gender issues.

While progress has been made to improve the business climate, as demonstrated by the improvement in the ranking of the country in “Doing Business”, the authorities recognize that much remains to be done. To this end, they will continue to address major impediments identified by businesses, including frequent electricity shortages, competition from the informal sector, cumbersome customs procedures, weaknesses in the judicial system, and lack of infrastructure and human capital. They are also committed to making inroads in clearing domestic arrears, which should provide a boost to activities in the private sector. Furthermore, necessary steps are expected to be taken to rejoin the Extractive Industry Transparency Initiative (EITI) this year.

Efforts to address the low level of financial intermediation in Niger will continue. Increasing recourse to banking services for government payments will contribute to financial deepening and improved access to credit. Technical and financial assistance will be requested to consolidate microfinance institutions, develop training programs, and establish a refinancing scheme and guarantee funds.

Conclusion

The Nigerien authorities remain committed to their Fund-supported program, as reflected in the strong performance under the ECF arrangement. Going forward, they are determined to pursue their reform efforts to preserve macroeconomic stability and enhance fiscal buffers, with a view to achieving strong and inclusive economic growth. Given the difficult domestic and external environment, they will continue to value Fund's technical and financial assistance.

In this light, we would appreciate Directors' support for the completion of second review under the Fund-supported program and modification of the performance criterion on external public debt.