Niger: 2014 Article IV Consultation and Fourth and Fifth Reviews Under the Extended Credit Facility Arrangement and Request for Waiver of Nonobservance of Performance Criteria—Staff Report; Press Release; and Statement by the Executive Director for Niger

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2014 ARTICLE IV CONSULTATION AND FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA—STAFF REPORT; PRESS RELEASE; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGER

In the context of the 2014 Article IV Consultation and fourth and fifth reviews under the Extended Credit Facility arrangement, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 17, 2014, following discussions that ended on November 4, 2014, with the officials of Niger on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 3, 2014.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- An **Informational Annex** prepared by the IMF.
- A **Press Release** summarizing the views of the Executive Board as expressed during its December 17, 2014 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- A **Statement by the Executive Director** for Niger.

The document listed below has been or will be separately released.

Selected Issues Paper

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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NIGER

December 3, 2014

STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION AND FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA

KEY ISSUES

Context: Recent economic outcomes have been adversely impacted by exogenous shocks: below average rainfalls lowered agricultural production, while the unfavorable security situation in neighboring countries disrupted trade across borders and required significant fiscal expenditures. Growth is estimated to rebound to 6.5 percent in 2014, from 4.1 percent in 2013, but with population growth at 3.9 percent a year, poverty remains pervasive. Presidential elections are expected in mid-2016.

Program: Performance under the Extended Credit Facility (ECF) program (approved on March 16, 2012 in an amount of SDR 78.96 million, 120 percent of quota) has been mixed. All performance criteria (PCs) were met at end-December 2013 and end-June 2014, except for the PCs on domestic financing which were missed at both test dates, as a result of a shortfall in external financing and unexpected security and food expenditures. At end-December 2013, the indicative targets (ITs) on domestic arrears reduction, basic fiscal balance, and revenues were met with large margins, but spending on poverty reduction was missed. A number of fiscal ITs at end-June 2014 were missed due to unforeseen security and food expenditures. The structural reform agenda continues to advance, albeit with further delays in implementing some measures to strengthen public financial management.

Article IV consultation: Discussions focused on the inclusive growth agenda, in particular on: (i) enhancing food security, (ii) improving trade flows to enhance growth and food security; (iii) promoting the middle class for inclusive growth; and (iv) improving financial intermediation and inclusion.

Outlook and risks: The medium-term outlook appears favorable, with robust growth benefitting from important natural resource sector investments. However, the outlook is vulnerable to risks from both domestic and external environments, including potential spillovers from the security situation in the region and climatic shocks. New borrowing arrangements will need to be managed prudently to contain debt vulnerabilities.

Staff views: Staff supports the authorities' request for waivers for the unmet PCs on domestic financing on the basis of corrective actions aimed at improving revenue collection and containing spending. Staff recommends the completion of the fourth and the fifth reviews under the ECF-supported program. Completion of the reviews will result in disbursement of an amount equivalent to SDR 11.28 million.

Approved By
David Robinson (AFR) and Peter Allum (SPR)

Discussions were held in Niamey from October 21 to November 4, 2014. The mission comprised Mr. Gueye (head), Mr. Barry, Ms. Jack, Mr. Okello, Mr. Zorome (Resident Representative) and Mr. Abdou (local Economist) (all AFR), and Mr. Nose (FAD).

The mission met with the Acting Prime Minister, the Ministers of Finance, Planning, Petroleum, and Energy, the National Director of the Regional Central Bank, other senior officials and representatives of civil society, the private sector, and development partners.

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CONTEXT

1. **The political and security situation remains fragile, with high domestic vulnerabilities**. Spillovers from conflicts in neighboring countries and the increasing presence of terrorist groups along the 1,500 km border with Nigeria and across the country continue to place substantial strains on socio-political stability and required a reallocation of fiscal spending toward security. Security risks are compounded by continued widespread food insecurity exacerbated by a fast growing population—the economy still largely depends on subsistence agriculture where frequent drought, flooding, inadequate irrigation, and limited modern inputs hold back productivity growth. Development indicators are improving somewhat, including a significant reduction in child mortality rates in the last several years, but poverty remains pervasive. Niger is ranked last in the UN Human Development Index for 2013. Presidential elections are expected in 2016.

2. **The authorities have advanced their reform agenda, drawing on staff's advice during the 2011 Article IV consultation**. In line with staff's advice to improve the business climate, efforts have been stepped up. These led to the drafting of a decree establishing a one-stop-shop dealing with the advantages in the investment code and the recommendation of an Administrative Arbitral Committee for Fiscal Litigations in the 2015 budget law, a bureau to advice small- and medium-size enterprises on access to business financing was established, a public-private partnership law was adopted and supported by a related technical coordination unit and that on the tax and accounting system governing public-private partnerships. Some progress has also been made in strengthening debt management: Quarterly reporting on debt flows and stocks is underway; the Inter-Ministerial Committee on Debt Management met twice and is working on internal working rules and charting a debt management strategy. However, progress has been slow in formulating a medium-term fiscal framework.

RECENT DEVELOPMENTS, OUTLOOK AND RISKS, AND PROGRAM PERFORMANCE

A. Recent Developments

3. **Economic activity slowed in 2013, but has rebounded in 2014**. GDP growth for 2013 is estimated at 4.1 percent, as below average rainfall and the regional security situation[1] held back growth despite the rapid expansion of oil production, reaching an average of 18,000 barrels per day from 13,000 barrels per day in 2012. Growth is estimated at 6.5 percent in 2014, largely driven by agriculture and government infrastructure projects, while inflation remains subdued (Table 1).

[1] Production at the largest uranium mine was interrupted for two months due to a terrorist attack.

4. **Government food programs helped alleviate the impact of the poor harvest in 2013, with inflation remaining low**. Government food programs designed to alleviate food insecurity were effective in offsetting the poor harvest in 2013. These programs include the creation of cereal stocks, the sale of subsidized cereals, the targeted distribution of free food, and the 3N initiative (*les Nigeriens Nourrisent Les Nigeriens*) mainly aimed at fostering agricultural production. The authorities estimated the total cost of domestic food programs in 2013 to be around CFAF 112 billion, of which about only CFAF 13 billion were covered by donors. The authorities reported that donors' support fell short because of competitive demand at the international level (Syrian, Libyan, Central African Republic crises). Inflation, dominated by swings in food prices, was contained to 2.3 percent in 2013 (Table 1) and 1.3 percent in June 2014.

5. **The fiscal deficit narrowed in 2013, reflecting under-execution of expenditures, but the fiscal position has deteriorated in 2014**. Despite a shortfall in uranium fiscal receipts, total revenue increased by 1.2 percentage points of GDP in 2013, mainly reflecting progress in revenue administration and exceptional revenue from the oil sector (approximately CFAF 20 billion, 0.6 percent of GDP).[2] To compensate for higher security-related spending (CFAF 38.9 billion in 2013, 1.1 percent of GDP), the authorities contained the increase in capital expenditures (Tables 2, 3). The overall fiscal deficit (commitment basis, including external grants) was 2.7 percent of GDP compared with the program projection of 5.6 percent, mainly reflecting under-execution of capital expenditure. The authorities reduced domestic arrears by CFAF 22.4 billion or 0.6 percent of GDP in 2013. Reflecting continued expenditure pressures and weak revenues at end-June 2014, the basic fiscal deficit has widened, but arrears reduction was CFAF 9.5 billion.

6. **To address critical vulnerabilities, the authorities have sought to scale up infrastructure spending through increased borrowing**. Scheduled bond issuances on the regional market amount to CFAF 275 billion in 2014-2016. Bond issuance receipts will be partly used for additional infrastructure investments to reduce flooding risks and food insecurity, for increased capacity in the education and health sectors, and to offset revenue shortfall from the security situation in neighboring countries and the resulting terrorist activities adversely affecting trade flows. Amounts of CFAF 93.3 billion (2.3 percent of GDP) were already issued in 2014. The remainder of the bonds will be issued in the next two years, of which CFAF 121 billion in 2015 and CFAF 61 billion in 2016. A master facility of US$1 billion was signed with China EximBank on September 30, 2013 and approved by the National Assembly; the facility is earmarked for infrastructure projects.

7. **Growth in monetary aggregates slowed in 2013, but increased at end-June 2014, reflecting improved economic activity** (Table 4). The expansion of broad money and credit to the economy decelerated considerably in 2013, driven by lower GDP growth and a reduction in short-term credit. At end-June 2014, broad money increased by 10.7 percent relative to end-2013,

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[2] The government collected CFAF 59 billion (1.6 percent of GDP) from the sale of exploration rights in the Agadem block, including approximately CFAF 20 billion in fiscal revenue.

reflecting continued accumulation of foreign assets as well as a strong increase in net domestic assets driven by an increase of private sector credit. This evolution of the external position mainly depicts the level of repatriation of export earnings from mining and oil, mobilization of external financing and subscriptions by regional banks for securities issued by Niger on the regional bond market and the recovery of recorded fund mobilization by mining companies. Inflows were however tempered by outflows for payments of imports of goods and services and debt service. At the end of June 2014, domestic credit increased by 11.9 percent relative to December 2013; credit has been mainly allocated to trade, transport and telecommunications, public works, and manufacturing, including water and electricity.

8. **The current account deficit remains large**. The current account deficit (excluding grants) is estimated at 17.9 percent of GDP in 2013 (compared to 18.7 percent in 2012—Table 5). This reflects the fact that the growth of exports was outpaced by the rise in imports of goods and services related to investment projects in the extractive industries and public works. The overall balance has resulted in a large surplus owing to high foreign direct investments and project grants and loans leading to an increase of Niger's contribution to the net foreign assets of the West African Economic and Monetary Union (WAEMU). End-June 2014 monetary survey suggests a surplus of the balance of payments of CFAF 26.6 million.

B. Outlook and Risks

9. **Niger's development strategy—as laid out in the *Plan de Développement Economique et Social (PDES)*— envisages leveraging its natural resource wealth into a dynamic and balanced sustained inclusive growth process**. Implementation of the strategy requires large-scale investments to overcome longstanding obstacles to growth (SIP—Natural Resource Boom for Niger: From Public Investment to Sustained Economic Growth) : ongoing projects to complete the Kandadji hydroelectric dam and the exploitation and processing of coal from Salkadamna are designed to address deficiencies in energy supply; and the launch during this period of the regional rail loop will provide a strong and lasting link between Niger and its neighbors, with an historic opportunity to provide a permanent solution to the country's isolation. Challenges are clearly numerous and diverse, but four stand out: (i) food security; (ii) security and governance; (iii) development of human capital; and (iv) infrastructure development.

10. **Under this development strategy, the medium-term outlook looks favorable**. Growth is expected to average 5.6 percent in 2014-16 and 8.5 percent in 2017-19 as two large natural resource projects—crude oil export and uranium production—are scheduled to begin in 2017/18 and late 2019, respectively. In 2017, oil and mining output and exports are expected to increase significantly, and natural resource-related fiscal revenue should increase sharply (Table 3).[3] On the external side,

[3] Contract negotiations with AREVA, the largest uranium mine which has been operating since 1971, were completed in May 2014 and are consistent with the provisions of the 2006 mining code, including the mines becoming subject to customs duties, the payment of VAT, and being managed by a Nigerien. The impact on fiscal revenues may, however, be modest due to the sharp decrease in uranium price, to US$38 per pound in 2014 versus US$148 per pound in 2008.

the decline in oil prices in the second half of 2014 will increase the current account deficit over the medium-term relative to previous estimates (about 0.7 percent of GDP in 2015), resulting in a lower but still significant accumulation of deposits at the BCEAO (Table 5).

11. **Risks to the outlook stem from both internal and external sources** (Table 14 RAM). The main near-term risks are a further deterioration in the security situation in the region, which could severely impact FDI inflows, private sector activity, and fiscal outcomes. The timing, financing, and feasibility of government involvement in projects in the extractive industry pose particular risks, due to their inherent elevated uncertainty and the authorities' limited implementation capacity given difficulties in the oversight of the sector. Finally, Niger remains vulnerable to climate shocks, commodity price volatility and limited predictability in donor support and low project execution rates. Although the (PDES) financing gap was almost closed (96.6 percent), donors indicated that less than 30 percent of resources were mobilized, due to the slow pace of project execution. Though Ebola-related risks are so far contained, they could be disastrous, should they materialize.

12. **The exchange rate remains broadly in line with fundamentals, but structural indicators suggest competitiveness concerns**. Model-based assessments do not suggest significant current account disequilibria or real effective exchange rate misalignments (SIP—External Stability Assessment) (Text Table). However, broader measures of competitiveness point to persistent weaknesses in the business climate: The 2014 Doing Business report ranks Niger 176 out of 189 countries as Niger moved two notches down compared to the 2013 ranking. For instance, Nigerien firms face more severe challenges than average WAEMU and SSA in (i) trading across borders; (ii) starting a new business; (iii) resolving insolvency; and (iv) dealing with construction permits. WAEMU's gross international reserves are adequate at around 5 months of imports of goods and services at end-December 2013.[4]

Text Table: Exchange Rate Assessment, 2013

Approach	CA Norm*	NFA*	NFA-Stabilizing CA*	Underlying CA*	GAP*	Elasticity**	Misalignment
Macroeconomic Balance***	-6.30			-10.20	-3.90	-0.63	6.19
Equilibrium Exchange Rate							-4.00
External Sustainability		-44.30	-4.13	-10.20	-6.07	-0.63	9.64
EBA-lite	-6.10			-10.20	-4.10	-0.63	6.51

*Values are expressed as % of GDP.
** The elasticity of 0.63 is the median of the trade balance elasticity of small and low income countries from Tokarick (2010).
The value is consistent with the elasticity used in the WAEMU exchange rate assessment.
***The CA account norm of -6.3 is the average for the model prediction for the period 2013-2019.

[4] The authorities are in broad agreement with the external sector assessment.

C. Program Performance

13. **Program performance was mixed, partly reflecting the impact of external shocks**. All PCs were met at end-December 2013 and end-June 2014, except that on domestic financing, which was missed at both test dates on account of unexpected security and food expenditures and a shortfall in external financing (Tables 6, 7). At end-December 2013 all ITs were met, except the floor on poverty reduction.[5] For end June-2014, the ITs on the basic fiscal balance and total revenues were missed as the budget responded to adverse security shocks, underperformance of customs revenues, and lower donor support. The floor on poverty reduction spending was also missed. This missed IT mainly reflects the reorientation of spending to address pressing security needs as well as a shortfall in external financing.

14. **The structural reform agenda is advancing, but with some delays on key measures to improve public financial management** (Tables 8, 9). In particular:

- **Treasury Single Account**: The survey of bank accounts for the Treasury Single Account (TSA) undertaken in 2012 helped identify most inactive or irregular bank accounts, but this survey became obsolete (MEFP, ¶ 35). Staff and the authorities propose to replace the existing structural benchmark on TSA implementation with intermediary steps in line with the recommendation of an upcoming IMF short-term TA mission on the design of the TSA after the authorities complete the update of the Treasury accounts census (Table 10).[6]

- **Exceptional spending**: Slippages were observed in limiting exceptional spending, which reached 5.3 percent of committed expenditures (0.3 percentage point more than the structural benchmark at end-December 2013), due to unexpected expenditure for medical evacuation mission fees. However at end-June 2014, the exceptional spending limit was largely met, representing only 1.5 percent of total spending.

- **Budget execution**: An action plan was put in place to speed up budget execution, including decentralizing the procurement system and implementation authority to line ministries, and to facilitate timely and better circulation of information on the status of the bidding processes. However, the execution of total expenditure is still low: at end-June 2014 only 33 percent of annual expenditure was executed, though timeliness of budget allocation releases has improved: In 2014, the Budget Office released in the first month of each quarter, the credit of the quarter. Steps have also been taken to produce quarterly cash and commitment plans and to computerize the expenditure approval process system (MEFP, ¶ 35).

[5] Spending on poverty reduction is composed of priority sector spending such as education (around 50 percent), agriculture (14 percent), health (13 percent) and transportation (11 percent).

[6] In addition, work remains to be done to complete the legal framework allowing the transfer of credit balances to the single account.

- **Debt management**: Quarterly reporting on debt stock and flows is underway. The Inter-Ministerial Committee on Debt Management has met twice and is charting a strategy for debt management and internal working rules for the committee; and the General Directorate of Debt Management published the third quarter report on Debt Management in November.

STRENGTHENING FISCAL SUSTAINABILITY AND ADVANCING THE INCLUSIVE GROWTH AGENDA

In the context of mixed program performance due to exogenous shocks, and policy implementation problems, policy discussions focused on strengthening fiscal stability through more sustainable budgets in 2014 and 2015, while advancing the inclusive growth agenda.

15. **Ranked last in the UN Human Development Index and facing regular significant external shocks, Niger faces significant development challenges**. Medium-term economic prospects look favorable, but hinge on the uncertain returns from resource sector and infrastructure projects and fiscal institutions remain weak. Recently contracted loans significantly affected the debt profile. To address these issues, policy discussions focused on near-term policies to strengthen fiscal sustainability and medium-term policies to take opportunity of the resource revenues to advance the inclusive growth agenda.

Near-Term Policies

A. 2014 Fiscal Policy

16. **New spending pressures have required adjustments to the 2014 budget and fiscal program design**. Specifically, a revised budget approved by the National Assembly in August 2014, provided conservative revenue estimates, and accordingly expenditures were adjusted. However the basic balance has been relaxed by 1.3 percent (compared to the last review) to accommodate higher spending financed by regional securities issued on the regional markets; this implies a modification of the ceiling of domestic financing (Table 7). Specifically:

- **Revenues**: Overall revenues were reduced by 5.5 percent of GDP[7] largely due to delays in implementing new telecom taxes and shortfalls in customs revenue that were adversely impacted by regional security. Potential telecom revenues of CFAF 216 billion (5.5 percent of GDP) included in the initial budget did not materialize. Customs revenues have underperformed due to deteriorated security conditions at the borders which disrupted trade flows. The revised framework includes additional nontax revenues and financing of CFAF 16 billion (0.4 percent of GDP) of royalties and signature bonus related to the sale of oil exploration rights in the Agadem block and CFAF 34 billion from the sale of a 3G telecom license to a telecom operator. In view of

[7] However, the net reduction is around 4.1 percent as nontax revenue from a sale of a telecom license came late in the year to temper a potential decrease.

the increase of exceptional revenues and to address future exogenous shocks, staff and the authorities agreed to increase the buffers at the BCEAO to CFAF 38.7 billion, from CFAF 13.6 billion in the second and third reviews.

- **Spending**: Current budgetary spending was increased slightly to accommodate additional security expenditures, with a significant increase in investment. Additional spending of 0.4 percent of GDP, is envisaged on goods and supplies related to Niger's new regional military commitments:[8] 1.2 percent of GDP to meet needed infrastructure investments to mitigate food insecurity and flooding risks; and an allocation of 0.4 percent of GDP to cover mandatory National Retirement Fund costs. Increased investment will be financed by domestic sources—with the support of BCEAO, the authorities have issued CFAF 93.3 billion (2.3 percent of GDP) in 2014 on the regional security market—and increased budget assistance from the World Bank and the European Union. However, given limited capacity reflected in significant under-execution of capital expenditure in the first half of the year, the revised fiscal framework is built on a more conservative target on capital expenditure than the authority's revised budget proposal. Reflecting the higher performance observed in the reduction of domestic arrears (in the amount of CFAF 9.5 billion) in the first half than the program target, the authorities have increased their annual target of domestic arrears reduction to CFAF 10 billion.

17. **The authorities also recently replaced a 36-year old presidential plane**. Documents provided to staff suggest an allocation of CFAF 21 billion (0.5 percent of GDP) for the purchase of the plane in the 2013 budget. However, given slower procurement procedures than expected, cash payments started in 2013, and the remainder was paid in 2014 (albeit recorded in the 2013 budget), financed by residual balances of the 2013 budgetary allocation that had been transferred to a special deposit account at the BCEAO (MEFP, ¶ 9). However, as payments have been inappropriately expanded beyond the complementary period in 2014, the authorities have been taking corrective measures with regard to the respect of the complementary period and on stopping commitments on time (MEFP, ¶ 42). For 2014, the Minister of Finance issued an order stopping all budgetary commitment by the end of November. In addition, over the medium term, the authorities committed to improve the investment management system by speeding up implementation of the action plan of the 2012 organic law on public finance laws (MEFP ¶ 42). The adoption of this organic law is also part of Niger's commitment to implement provisions aimed at strengthening regional integration by harmonizing budget reporting.

B. The 2015 Budget and Fiscal Policy

18. **The authorities are keen to address priority needs in education, health, and infrastructure**. This needs to be balanced with implementation capacity and resource availability. A

[8] Niger has committed troops to participate in the Sahel regional army formed by Niger, Mali, Benin, Chad, and Mauritania, to address the rising presence of terrorists, Niger will be deploying an additional 700 soldiers, with attendant salaries and other expenditures.

series of priority sector projects[9] has been identified encompassing both externally financed ones (though requiring some domestic financing), as well as solely government financed projects to boost agriculture production. Execution of these projects would result in larger domestically financed investment by about 0.9 percent of GDP in 2015, compared to the second and the third reviews' program targets. Some risks may still arise from budget execution as the amount provisioned for food insecurity appears low given preliminary estimates for the food deficit.[10]

19. **The strategy aims at containing the basic fiscal deficit[11] to 3.7 percent of GDP in 2015**. In line with the government's aim to diversify the economy, Niger's fiscal strategy is predicated on three main pillars: (i) macroeconomic stability; (ii) structural and public financial management reforms; and (iii) investment in priority sectors (MEFP, ¶ 29). To that end, the government will sustain its fiscal efforts to increase revenues while exercising restraint in current spending in order to move gradually to a zero basic deficit, consistent with the WAEMU convergence criteria. In 2015, however, to ensure room for continued high level of public investment to meet priority spending, the basic fiscal deficit is projected to rise slightly to about 3.7 percent, consistent with debt sustainability.

- **Revenues**: The agreed framework reflects enhanced tax collection efforts which result in an increase of tax revenues from 16.9 percent in 2014 to 17.7 percent in 2015, while it sets a more prudent nontax revenue baseline at 0.9 percent of GDP. Exceptional revenues are expected from the sale of another 3G license and other bonuses from oil exploration permits, and capital investments have been identified that would be undertaken once those revenues materialize.

- **Expenditures**: The authorities are seeking to further accelerate public investments in priority sectors. Expenditures will gear more toward capital spending (health, education, and infrastructure), while current spending would decrease slightly. The agreed fiscal framework envisages a 0.4 percent of GDP increase in capital spending relative to 2014, thereby sequestering a portion of discretionary spending. The framework targets more realistic externally financed capital expenditure than the draft budget given the low execution rate of capital spending.

- **Financing**: External financing needs are projected at CFAF 512 billion (excluding amortization and debt relief), which is anticipated to be met by CFAF 222 billion in loans and CFAF 290 billion in grants, including CFAF 109.4 billion in budget support (MEFP, ¶ 30). Domestic financing would largely come from bonds issuance on the regional market of CFAF 121 billion (2.9 percent of GDP), consistent with the issuance schedule agreed with the BCEAO.

[9] Projects are linked to the 3N initiative implementation, and the large infrastructure projects such as a regional railroad, the Kandadji dam, and a power project at Salkadamna.

[10] Preliminary estimates by the authorities of food deficit are around CFAF 45 billion (1.1 percent of GDP), while the budget provision seems to cover around 50 percent of this amount.

[11] Excluding external grants and net lending.

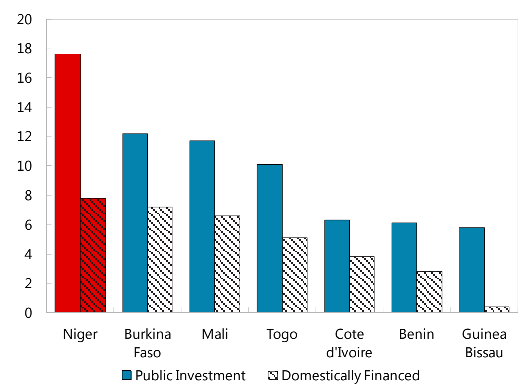
20. **Realization of the 2015 fiscal objectives requires effective implementation of revenue administration measures**. The authorities noted that key tax administration measures are already well advanced: the General Tax Administration (DGI) will reinforce tax audits and the tax registration system, and step up efforts to resolve disputed tax payments; customs revenues will increase due to ongoing reforms (including the establishment of a single interconnection server linking up regional offices) and reinforced administrative measures in controlling exemptions under a new performance contract; loopholes of tax exoneration will be limited; and to enhance accountability, performance contracts are also being set between the Ministry of Finance and the *Direction Générale du Budget* (DGB), the *Direction Générale du Trésor et de la Comptabilité Publique* (DGTCP), the *Direction Générale des Douanes* (DGD), and the *Direction Générale des Impôts* (DGI) (MEFP, ¶ 33,34).

21. **Important reforms in customs administration are also underway**. Steps have been taken to accelerate the migration to ASYCUDA WORLD and thus allow for improved revenue collection and oversight of exemptions. The authorities have obtained a no-objection from the World Bank, which will enable the start of work with UNCTAD to implement the project before the end of 2016. They intend to implement by the middle of 2015, an intermediate, locally developed application for the control of exemptions; and enhance the electronic transit system and cooperation with transit countries.

22. **Staff welcomed the authorities' efforts to increase spending for priority sectors**. (SIP—Fiscal Policy and Development: Spending priority in Niger). Over the last three years (2011-14), the authorities have increased allocations to priority spending—specific targets were established in March 2011 for health (10 percent of total mobilized resources), education (25 percent), water (10 percent), food security (15 percent), and infrastructure (10 percent). However, actual allocations have fallen short of expectations, with only so far 17 percent of the budget allocated to education, while that of food security was around 12 percent, health (7.74 percent), water (4 percent), and infrastructure (7 percent).

23. **Staff urged an increased focus on the efficiency of spending**. While acknowledging the existence of significant infrastructure gaps, staff noted that the envisaged level of capital spending was very high—relative to capital spending levels either in Niger or elsewhere in the region. Therefore staff emphasized the need to place more focus on efficiency of such spending. Particular concerns are uncertainties in budget allocation and execution for priority sectors. The authorities agreed that the quality of spending (especially in the social sectors) is critical for promoting growth and improving social performance. To this end, they expressed the need

Figure 1a. Niger: Public Investment, 2014
(Percent of GDP)



Source: AFR database.

for further technical assistance in implementing a program budget and in applying new fiscal strategies to better manage natural resource revenues, while noting their commitment to strengthen project management capacity (MEFP, ¶ 41).

Medium-Term Policies

24. **Niger's main challenge is how to use expected resource revenues for development**. Addressing development needs should be done while moving gradually to zero basic balance over the medium term, consistent with the WAEMU criterion (SIP—Fiscal Policy and Development: Priority Spending in Niger). The development strategy should respond to longstanding food insecurity, high population growth which has resulted in an increasing share of school-age population, and geographical proximity to conflict-affected fragile countries. Key priorities include strengthening fiscal institutions to maximize the returns from Niger's natural resource wealth, promoting inclusive growth and mitigating vulnerabilities. These priorities are in line with those defined in the Poverty Reduction Strategy Paper (PRSP) and PDES.

C. Management of Natural Resources

25. **The critical role of natural resource wealth in realizing Niger's broader development agenda places a focus on ensuring a strong institutional framework**. A new mining code—which for example raised mining royalties from 5.5 percent to 12 percent, depending on profitability—was introduced in 2006. In addition to its regulatory role, the government has also sought strategic investment opportunities in the natural resource sector.

26. **Following the agreement in May 2014 with the French group Areva, all mining companies now operate under the 2006 mining code**. Under this agreement, the production contract (for the uranium mines SOMAIR and COMINAK) which has been in operation during the last ten years has been renewed for five more years and is subject to the 2006 mining code. It was agreed that while this may not have a significant impact on revenues in the near term due to the decline in uranium prices, bringing all producers into compliance with the 2006 mining code represents an important step forward in the management of the natural resource sector, such as preserving an ownership stake in the major uranium mines.

27. **Unfavorable market conditions have resulted in a delay of the start of production from the new uranium mine Imouraren**. The Imouraren mine, which would more than double Niger's output of uranium to around 9,000 tons a year, was scheduled to start production at the end of 2015. Niger's government and Areva, however, have recognized that the mine would not be profitable at current uranium prices[12] and agreed to create a strategic committee to decide on a timetable for the mine start up, should market conditions improve.

[12] Following the financial crisis and the incident in Fukushima, the price of uranium has declined dramatically, passing from CFAF 175,000 in 2007 to CFAF 35,000 in 2014.

28. **In the petroleum sector, additional measures are needed to put the SORAZ refinery on a solid financial footing** (SIP—Energy Sector Challenges in Niger). Improved commercialization of refined products in neighboring countries and the elimination of unjustified costs helped the refinery record a surplus at end-2013; the level of these positive results has not however been sufficient to compensate the deficit recorded in 2012. The commercial viability of the refinery could be strengthened through actions that have an impact on both the revenue and cost sides, including a revision of the pricing of domestic-refined petroleum product sales. In restructuring, the authorities intend to focus mainly on cost reduction and have identified several options, including the possibility to replace Chinese workers with Nigerien workers. The authorities are also trying to reduce debt service costs through the refinancing of the loan to build the refinery (US$880 million) on concessional terms.

29. **Niger may become an exporter of crude oil**. As oil reserves of the Agadem block are estimated to exceed the production capacity of the refinery, the authorities have embarked on a project for the export of crude oil. For this purpose a new transportation company (Niger Oil Transportation Company—NOTCO) will be created in the coming months, with the government participating in the capital of the company with a 10-15 percent share. Work on the construction of a pipeline that will connect the fields of the Agadem block to the Chad-Cameroon oil pipeline that was expected to start in 2014 is delayed for technical reasons and environmental disputes. The project, with an estimated cost of about US$850 million, will be financed mostly through foreign direct investments (FDIs).

D. Debt Management

30. **Despite the increased debt stock, the DSA suggests a moderate risk of debt distress**[13] (Niger: 2014 Debt Sustainability Analysis). Niger's debt exposure has increased significantly since 2009, principally a result of government involvement in the financing of projects in the natural resources sectors. The refinancing loan for the construction of the SORAZ refinery (in the amount of CFAF 437.4 billion) included in the revised budget, if approved by the Chinese authorities in 2014, would replace the existing private non-concessional funding of the refinery (which was 40 percent guaranteed by the State), thereby leading to a steep increase in the stock of public external debt (including guarantees) from 22.8 percent of GDP at end-2013 to a projected 32.7 percent of GDP at end-2014. The master facility agreement contracted with China EximBank is earmarked for infrastructure projects with higher economic rates of return, increased debt exposure and the overall amount of the facility is expected to be disbursed within 8 years. Total external debt (including private debt) will increase from 49.5 percent of GDP at end-2013 to 53.7 percent of GDP at end-2014. Despite the increased exposure, the updated DSA suggests that the risk of debt distress remains moderate.

[13] The authorities' own DSA covering the period 2014-34, prepared in August 2014 shows similar results: external debt ratios remain below thresholds in the baseline scenario, but there are some breaches under alternative shock scenarios.

31. **Staff and the authorities agreed on the next steps to further strengthen debt management**. The process of strengthening debt management was initiated earlier this year, with the creation of the Inter-Ministerial Committee by the order of the Prime Minister in December 2013 to prevent the recurrence of non-concessional borrowing, covering both loans with non-traditional borrowers and other non-concessional loans. The Committee has met twice this year due to lower loan activities. The authorities expressed strong commitment to improve the functioning of this Committee and to produce the periodical quarterly report on debt management. The authorities committed to continue strengthening the database of public and private debt to improve their debt management strategy.

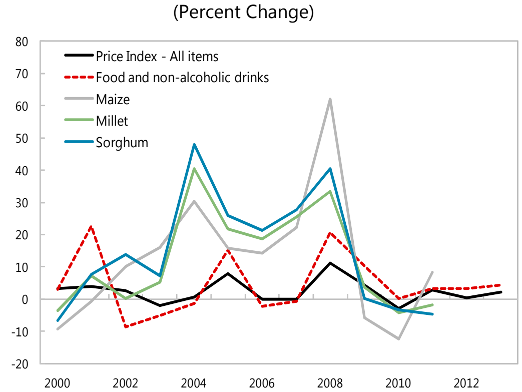
E. The Inclusive Growth Agenda

Ensuring Food Security

32. **Repeated food crises have adversely affected Niger's poverty, inflation, terms of trade, and fiscal performance** (SIP—Niger, Food Security for Macroeconomic Stability and Inclusive Growth).[14] Given Niger's continued reliance on rainfed subsistence agriculture, climatic shocks result in volatile food production and prices (Figure 1b), impacting food security, child malnutrition, and poverty, making the achievement of the Millennium Development Goals less likely. Low yields and high population growth aggravate grains deficit levels. Government policies have had limited impact in reducing output and price volatility, with markets playing an increased role in shaping food prices across countries (Figure 1c). Annualized fiscal costs were estimated at around 0.7 percent of GDP between 2006 and 2008, among the highest in a group of 31 countries. Niger launched the 3N initiative of US$2 billion for 2010-15 to address food insecurity and improve agriculture production and trade.

Figure 1b. Niger: Food and Non-Food Inflation. 2000-13

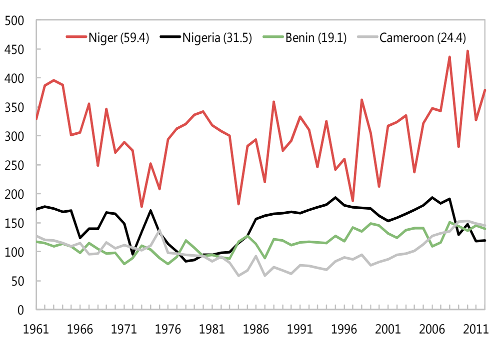
(Percent Change)



Source: AFR database.

Figure 1c. Niger: Production of Millet versus Estimated Needs. 1961-2012

(Total Production of Maize, Millet, Sorghum and Cow Peas - Kg per capita)



Source: FAOstats, 2013.

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[14] Prior to the 1980s, droughts were recorded on average every ten years, over the last 20 years they took place every five years. Over 1997-2004, there were three crises, and over 2005-10 there was one bad year and a semi-bad one.

33. **Food security continues to have a substantial macroeconomic impact**. The authorities estimated the food deficit had amounted to 373,000 tons in 2013-14, almost equivalent to that of the crisis years (2005 and 2010). Addressing such a deficit level required mobilizing the government food program, in particular its different social safety nets (cash for work, moderate price sales, free food) as support from the donor community fell short because of competitive demand at the international level (Syrian, Libyan, Central African Republic Crises): only 10 percent was provided by donors, this time. Staff noted the potential market distortions from government intervention, but the authorities indicated that government purchases are usually made at competitive prices to provide incentives for higher agricultural production, albeit in the short run there could be cases of depressed food prices. In addition, the authorities highlighted the role of the *Office des Produits Vivriers du Niger* (food operational government arm) in increasing accessibility and availability of food products to landlocked areas. In turn higher access and availability help communities to remain in place, thereby improving access to education and other public services.

34. **Staff stressed the need to address structural causes of food insecurity**. Staff agreed with the authorities that the current food program is well targeted to address short-term issues such as a food crisis, but does not address the structural dimension of food insecurity. Therefore, staff advised to leverage the anticipated expansion in resource revenues over the medium term to enhance investment aimed at addressing food insecurity. In that regard, staff inquired on the progress of the 3N initiative and urged the authorities to step up resilience to food insecurity through increased food production by targeting investment in irrigated agriculture and support of small-scale food producers in line with the PDES. The authorities concurred that revenue windfalls from natural resources should contribute to increase infrastructure investment in agriculture, in particular to speed up the 3N initiative.

35. **The authorities are seeking to accelerate agriculture development and reinforce food security**. The authorities are examining options for accelerating the implementation of the 3N initiative, following completion of its review in November 2014. In addition, the government is finalizing its national program for social and economic development (PDES) for the period 2016-20 that will also support progress in these areas. Staff strongly supported those objectives and encouraged the authorities to improve coordination between the PDES and the 3N initiative to improve efficiency and maintain long-term sustainability of public finances, while diversifying the economy and reducing its dependency to non modern agriculture and vulnerability to weather related shocks.

Enhancing Trade to Improve Growth

36. **Increased grain trade with neighboring countries could spur growth and enhance food security**. Niger has both formal and informal trade ties with neighboring countries, chiefly Nigeria, that meet around 60 percent of Niger's food deficits (SIP—Regional Trade and Food Security: Food Crises in 2005 and 2010). Niger's imports from Nigeria consist mainly of food and animals, while Niger's exports to Nigeria are sizeable with respect to GDP (6.3 percent on average in 2008-10). Food trade flows have been limited by scarce information on grain markets, though Niger has made

progress in improving the Early Warning System (EWS).[15] Progressive integration of markets through the reinforcement of regional integration mechanisms has also positively affected trade flows.

37. **The authorities recognize that expanding regional trade could foster inclusive growth**. Niger shares a long border with Nigeria, with the two populations having traditional ties and sharing cultural values. The resulting proximity facilitates important official and non-official trade flows. Niger exports onions, and livestock to Nigeria, and Nigeria's trade flows to Niger are mainly grains, helping to stabilize stocks and markets in Niger. The authorities stressed the missed opportunities incurred as grains from Niger are bought by Nigerians at harvest time and later exported back to Niger at higher prices. At the same time, the authorities stressed that as most of Niger's exports are raw materials (sesame, livestock), there are opportunities to move up the value chain through investments in small processing units for exports. They also emphasized that the different cycles of harvest of Nigeria and Niger bear opportunities for larger trade exchanges. However, they stressed that the inconvertibility of the Naira to the CFAF franc constitutes an obstacle for a full development of the commercial relationship between Nigeria and Niger.

38. **Staff emphasized the need to improve trade policies**. Improved trade policies could help to smooth movement of goods and lessen the need for higher costly stocks. Accordingly staff stressed the need to minimize the costs associated with maintaining the *Réserve Alimentaire Stratégique*, and the opportunity costs of the *Stock National de Sécurité*, albeit they play important roles as Niger faces weather related shocks. To that end, staff urged the authorities to complement food buffers by better circulation of goods through continued improvement of markets. In that regard, the authorities reported that since December 30, 2013, the government has been implementing policies to reduce non-trade barriers: (i) reduction of customs check points; (ii) better definition of categories of control at check points; (iii) more leeway to get a fair arbitration in case of abuse; and (iv) reduction of required supporting documents for exports and imports from 8 to 4 and 10 to 6 respectively. They stressed however, the need to preserve food buffers given the magnitude of the shocks Niger faces, and the potential impact on food availability and accessibility of uncertain trade policies in neighboring countries, particularly at times of regional shortages or due to regional security events. The authorities also indicated the need to build a regional trade buffer as suggested by the Economic Community of West African States (ECOWAS).

Promoting the Middle Class

39. **Niger's middle class is small relative to sub-Saharan African (SSA) peers**. Budget and household surveys show that Niger's steady growth over the past decade has helped reduce poverty, lifting a number of previously poor households into the middle class (SPI—Inclusive Growth Ahead of Oil Production)—estimated at 14 percent of the total population in 2010. With growth driven by the natural resource sector and agriculture with private sector development constrained

[15] EWS monitors food production and prices at the national level, to include regional trade flows and prices in neighboring countries.

by poor infrastructure and business environment, the middle class—a key sector for sustaining growth—has been slow to emerge. In addition, well-paid jobs with good benefits are still scarce; and social safety nets for education attainment, healthcare, and housing are still weak (SIP—Driving Factors of Middle Class' Bulge: A Cross-Country View).

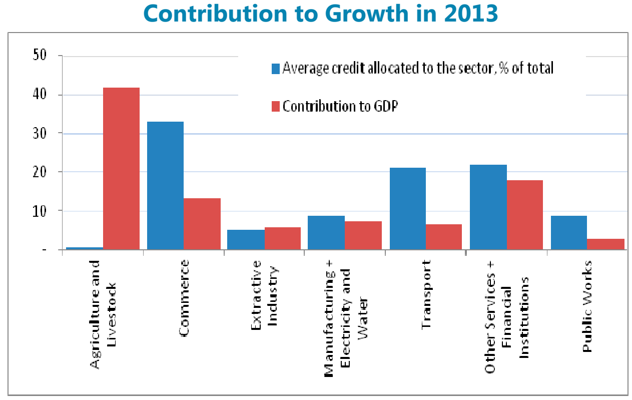
40. **There are a range of estimates for the size of the middle class**. The authorities recently estimated the middle class at 45 percent of the total population against staff's estimate of 14 percent. The differential reflects methodology: the authorities consider middle class as the segment of the entire population that is neither poor nor belongs to the wealthiest segment of society (usually defined as the richest 10 percent). Most of the middle class identified however is in the floating class, 39 percent, and only 6 percent are in the core middle-class, closer to staff estimates.

41. **Expanding the middle class can be achieved through accelerating economic diversification**. Based on international experiences on middle-class development, staff urged the authorities to address key bottlenecks preventing the emergence of the private sector, including a better business climate and broader financial inclusion (SIP—Financial Inclusion, Accessibility and Development). Staff also stressed the need to develop human capital and to strengthen efficiency of public investment and promote its integration into the budget. Staff highlighted that the concept of middle class was only a partial indicator of the success of Niger's development efforts as Niger's middle class mainly reflects the prevalent inequalities. A recent Niger budget-consumption survey estimates show that concentration of household consumption is higher in urban areas, where the consumption ratio between the wealthiest 10 percent and the poorest 10 percent is 6.3 percent as compared to 3.7 percent in rural areas. However, the inequality between urban and rural areas is equally larger: a poverty rate at the national poverty line of 55 percent in rural areas in contrast to 18 percent in urban areas (source: authorities based on the 2011 poverty survey).

Financial Sector Reforms

42. **Niger's financial system and financial inclusion lag behind those of its peers** (SIP-Niger: Financial Sector Profile). Financial depth, proxied by M2 to GDP, is among the lowest in the world at 24 percent in 2013 against an average of 37 percent in SSA and 30 percent in the WAEMU. Credit to the private sector is dominated by large corporations, while agriculture, livestock, forestry and fisheries sectors (which account for more than 40 percent of GDP) receive less than 1 percent of total bank credit (Figure 1d). Nonbank financial institutions and services, including the insurance sector, are similarly underdeveloped relative to regional and SSA averages.

Figure 1d. Niger: Sectoral Credit Distribution and Contribution to Growth in 2013



Source: The Nigerien authorities.

43. **Financial soundness indicators show that the overall banking sector is broadly sound**. Average capital adequacy ratios improved steadily during 2010-2013, reflecting government injections of capital into state owned banks and (to a lesser degree) private capital injections, and at end-2013 generally exceeded the regulatory threshold of 8 percent. However, one bank is not in compliance with the new minimum capital requirement of CFAF 5 billion and four of the ten banks do not meet liquidity norms as at end-August 2014. Credit concentration on the five largest borrowers is very high at 128 percent of regulatory capital at end-June 2014, representing a major source of risk.

44. **The limited development of the financial sector reflects a number of structural constraints**. The main factors are: (i) the limited monetization of the informal agriculture sector, (ii) the incapacity of banks to discriminate among borrowers (due to imperfect information and lack of formal documentation); (iii) limited savings reflecting extreme poverty; (iv) the recourse to lenders in the informal sector; and (v) cultural/religious reasons. In this context, and considering the limited excess liquidity in Niger's banks, the increased borrowing activity of the government on the regional market may cause further crowding out of the private sector.

45. **A financial development strategy has been adopted, seeking to address these issues**. The five-year development plan was drafted in 2012 drawing on the recommendations of the 2008 Financial Sector Assessment Program (FSAP) report prepared by World Bank and Fund staffs. The authorities noted that the action plan, adopted in November 2014, prioritizes measures aimed at increasing access, such as measures to broaden the territorial coverage of banks and microfinance institutions, and to develop new financial products targeting the agriculture sector. The plan also envisages measures to improve the functioning of the judicial system and enhance financial literacy. The plan was recently updated and approved by the government (structural benchmark).

PROGRAM DESIGN, AND IMPLEMENTATION RISKS

A. Program Design

46. **The sixth and seventh reviews of the ECF arrangement will be based on the proposed PCs and the structural benchmarks for end-December 2014 and end-June 2015, respectively** (Tables 7-10). Staff is proposing a modification of end-December ITs and end-December PCs (1.4 percent of GDP for the PC of domestic financing at end-December 2014) in light of the end-March outturn and the consequent increase in domestic financing to compensate revenue shortfall and increased security and infrastructure spending.

47. **Niger's capacity to repay the IMF remains adequate** (Table 11), **but there are risks to program implementation**. The major risks concern the regional security situation and its continued spillover on Niger, rising debt burdens, and weather-related shocks.

B. Implementation Risks

48. **Risks to program implementation have risen**. With local elections slated for 2015, and the presidential and legislative elections in 2016, it is important to ensure that the fiscal stance and other policies are not influenced by the election cycle. Security risks have yet to abate and are placing substantial strains on the socio-political situation.

49. **In accordance with the safeguards policy requirements for regional central banks, a quadrennial safeguards assessment of the Central Bank of West African States (BCEAO) was completed in December 2013**. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes. Consequently, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to International Financial Reporting Standards (IFRS) implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure its adequacy.

STAFF APPRAISAL

50. **Despite many challenges, the Nigerien economy delivered positive growth in 2013 and 2014, with favorable medium-term growth prospects**. Economic activity has been somewhat resilient, given the very challenging and unfavorable security and climatic environment. Continued efforts to increase the resilience of the economy to these shocks are important to ensure lasting improvements in development outcomes. Inflation remains contained. In the face of a difficult external environment with an increasing presence of terrorist groups and pressure on security spending, major challenges remain to make growth more inclusive so as to reduce unemployment and poverty over the medium term in the presence of a strongly growing natural resource sector.

51. **Ensuring fiscal sustainability, while addressing development and security spending needs will require further strengthening of the fiscal framework**. The government's continued commitment to contain borrowing and ensure that revenues materialize is critical, including through the full implementation of the ongoing initiatives to improve tax policy and administration, reform customs administration, and curtail exemptions. Steps to enhance public financial management need to be sped up, including through reducing exceptional spending, but additional efforts are also needed to significantly strengthen cash management. In strengthening the fiscal framework, prudence should be exercised in including exceptional revenues in the budget and in undertaking spending only as revenues materialize. Continued shortfalls in priority spending are regrettable and call for strengthened prioritization of spending and improvements in budget execution.

52. **Establishing strong institutions and policy frameworks to manage revenues related to the extractive industries is a key priority**. The challenge for the fiscal framework is to strengthen the prudent management of natural resources, taking into account commodity price cycles and the

need to ensure the efficiency of spending. The framework will also need to respond to the need to devote more resources for infrastructure and reduce social gaps over time to help curb unemployment and poverty. Continued efforts to enhance transparency in the sector are crucial. The recent adoption of the 2006 mining code is a welcome step to increase government intake in resource revenue, but more needs to be done to strengthen governance in the oil sector.

53. **Enhancing food security, leveraging on regional trade to increase growth, and promoting the middle class could increase economic resilience**. The government food program to address food deficit is welcomed but more needs to be done and accelerating implementation of the 3N initiative could support this by increasing investment in irrigated cropping, and other support for small-scale producers. Removing trade barriers could also help to improve trade relationships with partners as a source of additional growth, and promoting the middle class can be a good way to accelerate inclusive growth. Given Niger's vulnerabilities to food supplies and related repeated shocks to the budget, adequate provisions to tackle food insecurity should be included in the budget, and the structural causes of food insecurity tackled including through the 3N initiative.

54. **The exchange rate remains broadly in line with fundamentals, but structural indicators suggest competitiveness concerns**. Staff's estimates do not suggest significant current account disequilibria or real effective exchange rate misalignments. However, broader measures of competitiveness point to persistent weaknesses in the business climate. WAEMU's gross international reserves are adequate at around 5 months of imports of goods and services at end-December 2013.

55. **Niger's macroeconomic statistics are broadly adequate for surveillance**. Data provision has some shortcomings due to lack of capacity, but is broadly adequate for surveillance. Niger participates in the harmonization WAEMU statistical methodologies and is part of a regional process to strengthen national accounts; these projects have the support of the WAEMU Commission and AFRITAC West. Staff encouraged the authorities to go forward, along these initiatives, in improving the quality of statistics.

56. **Staff welcomes the authorities' commitment to implement financial sector reform**. The recent approval of the decree needed to implement the financial sector development strategy, elaborated with the assistance of the World Bank and other donors, is an important step and staff encourages the authorities to speed up its implementation.

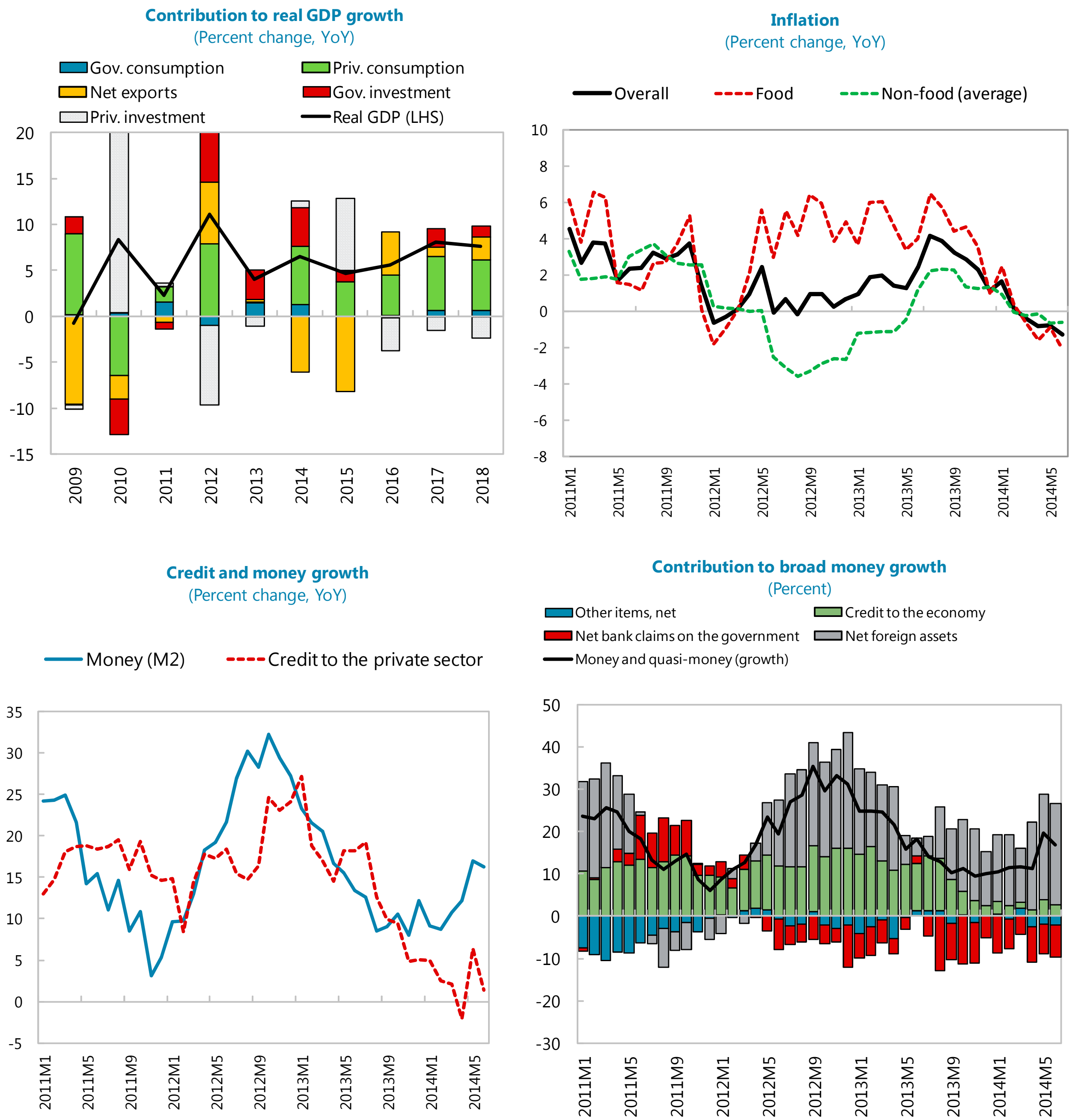
57. **Given the increase in external and domestic borrowing, establishing sound debt management practices and efficient public investment is fundamental**. While the improvement in capital budget execution in 2013 was welcome, investment spending should be scaled up cautiously, in order to ensure value for money and to contain debt vulnerabilities. In this connection, recent institutional reforms to strengthen debt management should be pursued and the inner working of the debt management institutions be made more efficient; this would in turn help promote the efficiency of investment. Staff urges the authorities to urgently develop a medium-term debt management strategy to guide its annual borrowing plan; this will be particularly important given Niger's plans for increased issuances of regional bonds. Investment spending should be

closely aligned to the implementation of the PRSP and its management improved through the implementation of the action plan elaborated with FAD support in 2013 in that regard.

58. **Staff recommends the completion of the fourth and the fifth reviews**. Based on the corrective actions that have been taken, staff supports the waivers for the nonobservance of the performance criteria on net domestic financing at end-December 2013 and end-June 2014, modification of performance criteria of the end-December 2014, and the disbursement of the fifth and sixth tranches under the arrangement for a total amount of SDR 11.28 million.

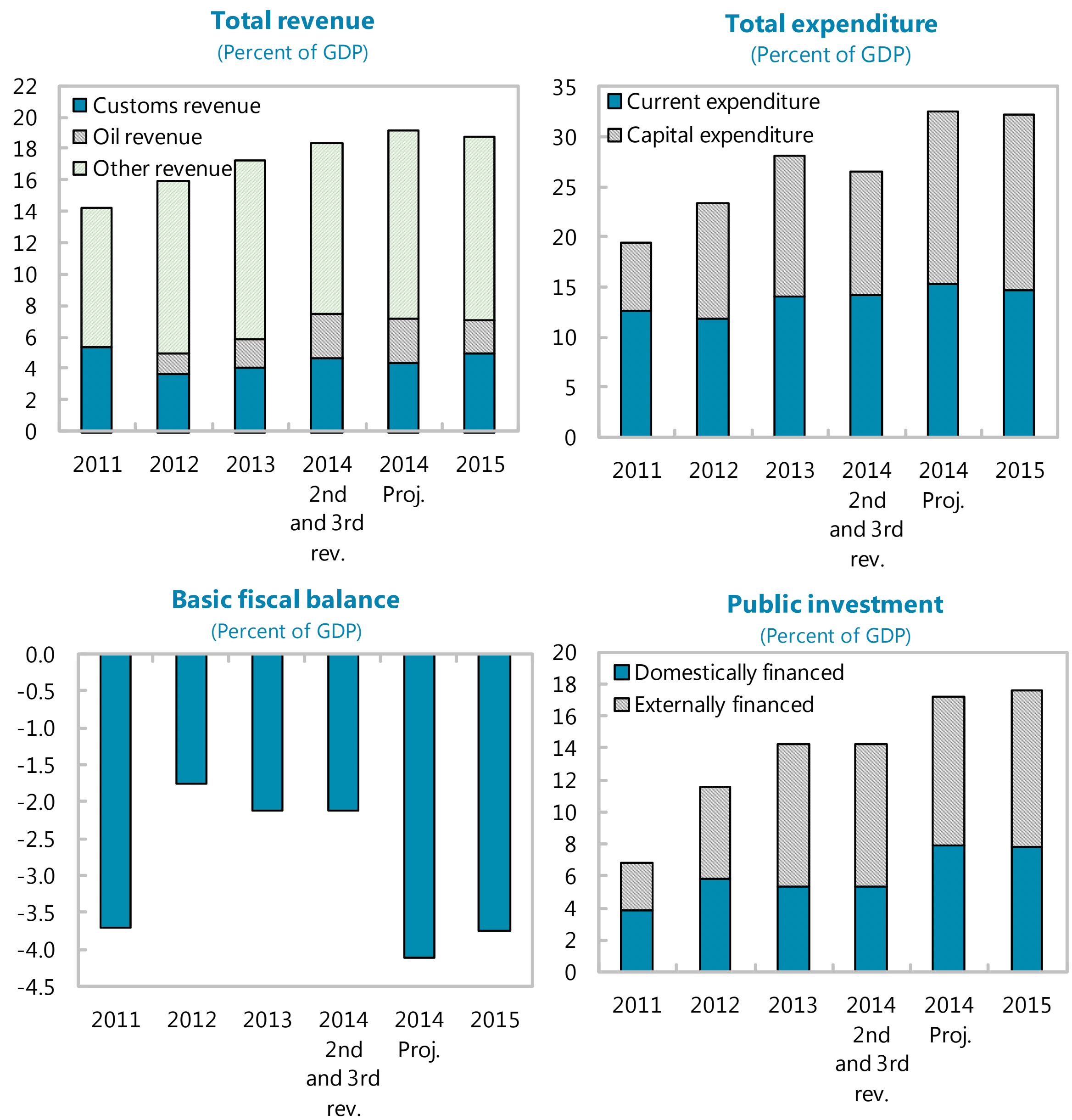
59. **It is proposed that the next Article IV consultation be held on the 24-month cycle.**

Figure 1. Niger: Recent Economic Developments



Sources: Nigerien authorities; and IMF staff calculations.

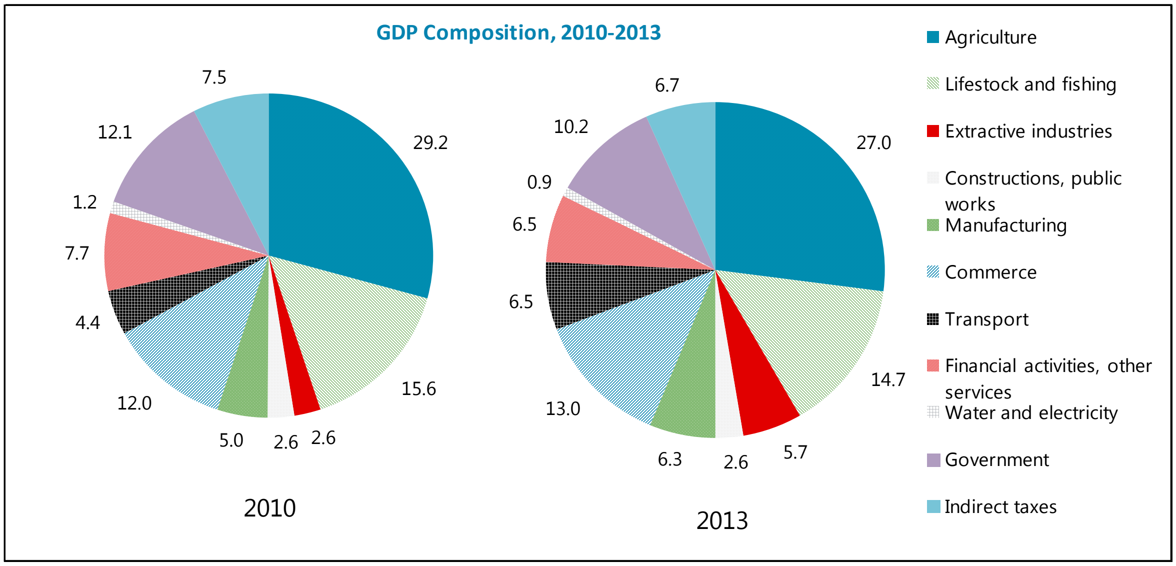
Figure 2. Niger: Fiscal Developments 2011-15



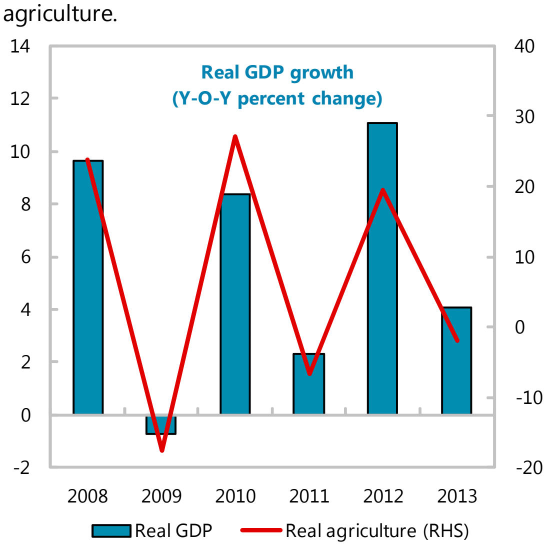
Sources: Nigerien authorities; and IMF staff calculations.
1/ Capital expenditure excludes net lending related to the SORAZ loan in 2014.

Figure 3. Niger: GDP Composition and Output Volatility

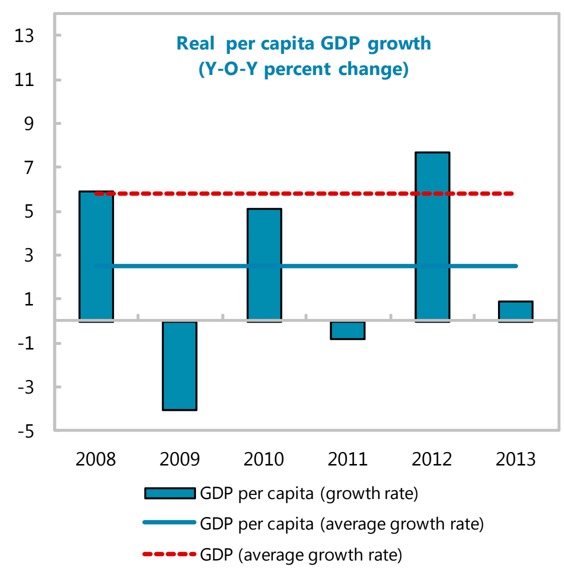
The contribution of extractive industries to GDP is rapidly increasing but the shares of agriculture and livestock are still dominant.



As a consequence, GDP growth is highly volatile and it is driven by the impact of climatic shocks on agriculture.



Per capita GDP is also higly volatile and, due to high population growth, it is on average inferior to real GDP growth.



Sources: Nigerien authorities; and IMF staff calculations.

Table 1. Niger: Selected Economic and Financial Indicators, 2012-19

	2012	2013 2nd & 3rd review	2013 Actual	2014	2015	2016	2017	2018	2019
				Projections					
	(Annual percentage change, unless otherwise indicated)								
National income and prices									
GDP at constant prices	11.1	3.6	4.1	6.5	4.6	5.6	8.0	7.6	10.0
Non-resources GDP at constant prices	9.1	1.5	2.4	6.8	4.7	5.7	6.3	6.4	6.9
Oil production (thousand barrels per day)	13	18	18	18	20	20	32	42	50
GDP deflator	3.1	2.2	2.3	0.8	2.0	1.2	1.7	1.8	2.1
Consumer price index									
Annual average	0.5	2.3	2.3	-0.8	1.6	2.0	1.5	1.8	2.0
End-of-period	0.7	1.1	1.1	0.9	2.3	1.7	1.3	2.3	1.7
External sector									
Exports, f.o.b. (CFA francs)	22.9	2.2	7.8	2.6	-0.7	3.3	39.5	21.4	17.5
Of which: non-uranium exports	41.0	18.8	22.5	13.5	2.7	2.8	58.9	24.0	5.5
Imports, f.o.b (CFA francs)	-6.1	7.7	4.4	24.7	18.7	-9.8	12.1	-0.2	4.4
Export volume	9.5	10.9	14.8	10.8	0.9	5.4	44.2	20.2	12.2
Import volume	-10.2	2.5	6.7	24.6	25.7	-16.6	10.8	-2.1	1.8
Terms of trade (deterioration -)	7.3	-8.2	-4.0	-5.4	-3.8	-3.8	-4.3	-1.0	2.2
Government finances									
Total revenue	26.7	14.7	15.7	19.9	4.5	14.0	20.2	10.6	12.6
Total expenditure and net lending [1]	26.4	31.7	28.9	67.1	-21.2	2.2	11.8	8.8	11.8
Of which: current expenditure	6.3	29.6	26.3	17.9	2.0	4.0	9.4	8.7	12.4
Of which: capital expenditure	91.3	33.9	31.6	30.9	9.0	0.7	13.9	8.8	11.3
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)								
Money and credit									
Domestic credit	5.9	0.6	-2.7	1.2	1.9	3.3	0.7	1.9	2.2
Credit to the government (net)	-10.0	-3.5	-5.2	-0.7	-0.1	1.3	-2.0	-1.0	-1.9
Credit to the economy	15.9	4.1	2.5	1.9	2.0	2.1	2.7	3.0	4.1
Net domestic assets	3.8	2.3	-2.7	2.7	2.0	3.3	0.7	1.9	2.2
Broad money (percent)	31.2	11.8	10.1	10.0	7.7	7.6	9.3	11.4	12.4
Velocity of broad money (ratio)	4.3	4.1	4.1	4.1	4.0	4.0	4.0	3.9	3.9
	(Percent of GDP, unless otherwise indicated)								
Government finances									
Total revenue	15.9	17.1	17.2	19.1	18.7	20.0	21.9	22.1	22.1
Total expenditure and net lending [1]	23.4	29.0	28.2	43.6	32.2	30.8	31.4	31.2	31.0
Current expenditure	11.9	14.4	14.0	15.3	14.6	14.2	14.2	14.1	14.1
Capital expenditure	11.5	14.5	14.2	17.2	17.6	16.6	17.2	17.1	16.9
Basic balance (excluding grants)[2]	-1.8	-5.2	-2.1	-15.2	-3.7	-2.0	-0.1	0.2	0.4
Basic balance (WAEMU definition; including grants)[3]	1.0	…	-0.7	-13.1	-1.8	-0.7	1.1	1.3	1.2
Overall balance (commitment basis, including grants) [1]	-1.2	-5.6	-2.7	-16.7	-6.6	-3.8	-2.5	-2.2	-2.3
Gross investment	37.2	34.2	37.9	40.1	46.9	41.0	38.4	34.6	27.6
Of which: non-government investment	25.6	19.7	23.7	22.9	29.3	24.4	21.2	17.6	10.7
government	11.5	14.5	14.2	17.2	17.6	16.6	17.2	17.1	16.9
Gross national savings	21.9	17.0	22.1	18.7	19.7	16.5	16.1	16.6	16.6
Of which: non-government	14.4	12.8	16.8	13.6	12.9	8.7	6.5	6.6	6.9
Domestic savings	19.0	15.4	20.6	18.2	18.2	18.2	18.2	18.2	17.4
External current account balance									
Excluding official grants	-18.7	-19.4	-17.9	-22.7	-30.0	-26.5	-24.2	-20.0	-12.7
External current account balance (including grants)	-15.3	-17.2	-15.7	-21.4	-27.3	-24.4	-22.3	-18.0	-11.0
Debt-service ratio as percent of:									
Exports of goods and services	3.6	3.2	3.1	5.2	5.5	4.9	3.6	2.7	2.7
Government revenue	5.2	4.4	4.3	6.1	6.4	5.1	4.2	3.5	3.5
Public and publicly guaranteed external debt	22.5	29.6	22.8	32.7	35.3	36.0	36.4	36.7	36.2
NPV of external debt	26.1	25.3	25.2	25.8	27.5	28.1	28.4	28.8	28.5
Foreign aid	8.9	9.3	11.5	23.4	12.2	10.6	11.0	10.7	10.4
	(Billions of CFA francs)								
GDP at current market prices	3,414	3,635	3,656	3,944	4,210	4,496	4,938	5,407	6,075

Sources: Nigerien authorities; and IMF staff estimates and projections.

[1] In 2014, this includes a new project loan of CFAF 437.4 billion (11.1 percent of GDP) to refinance the loan for the construction of the SORAZ refinery. The new loan was initially expected to be signed in 2013 but it has been delayed to 2014. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery.

[2] Revenue minus expenditure net of externally-financed capital expenditure.

[3] Revenue (including budgetary grants) minus expenditure net of externally-financed capital expenditure.

Table 2. Niger: Financial Operations of the Central Government, 2012-19

(Billions of CFA francs)

	2012	2013	2013	2014		2015	2016	2017	2018	2019
		2nd & 3rd review	Actual	End June (Actual)	End-Year (Proj.)	Proj.[4]	Projections			
Total revenue	543.0	623.0	628.5	303.2	753.3	787.2	897.7	1079.0	1193.9	1344.2
Tax revenue	495.7	557.3	577.3	291.8	664.8	743.3	842.3	1015.1	1121.4	1256.7
Nontax revenue	43.7	60.7	46.2	7.3	83.9	39.3	48.9	57.2	64.7	78.8
Special accounts revenue	3.6	5.0	5.0	4.1	4.6	4.6	6.5	6.7	7.8	8.7
Total expenditure and net lending	799.2	1052.6	1030.3	496.3	1721.4	1356.0	1385.8	1549.4	1685.1	1883.9
Of which: domestically financed	603.6	813.0	706.2	412.1	1353.9	945.0	989.3	1084.8	1180.6	1322.1
Total current expenditure	405.0	524.8	511.6	282.2	603.4	615.6	640.6	700.6	761.9	856.4
Budgetary expenditure	391.6	510.2	497.0	278.8	588.6	600.9	622.6	680.9	740.3	832.2
Wages and salaries	155.2	188.2	189.8	108.3	210.0	221.6	231.3	255.7	280.5	320.8
Materials and supplies	80.4	113.4	105.8	51.4	136.8	135.5	134.0	144.6	158.3	177.9
Other current expenditure	149.6	196.5	188.0	113.2	216.1	212.5	224.1	246.1	269.5	302.8
Interest	10.9	11.5	11.5	5.9	25.8	31.3	33.2	34.5	32.0	30.7
Of which: external debt	6.9	8.4	8.4	5.0	19.3	16.6	18.4	17.9	17.3	19.5
Adjustments and fiscal expenditure	-4.6	0.6	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[1]	13.4	14.6	14.6	3.4	14.7	14.7	17.9	19.7	21.5	24.2
Capital expenditure and net lending	394.2	527.8	518.7	214.0	1118.0	740.4	745.2	848.8	923.2	1027.5
Capital expenditure	394.2	527.8	518.7	214.0	679.0	740.4	745.2	848.8	923.2	1027.5
Domestically financed	198.6	288.2	194.6	129.9	311.5	329.3	348.8	384.2	418.8	465.6
Externally financed	195.6	239.6	324.1	84.1	367.5	411.0	396.5	464.6	504.5	561.9
Of which: grants	123.4	173.6	251.0	43.9	227.8	206.1	255.0	286.1	314.7	350.9
loans	72.2	66.0	73.2	40.2	139.7	204.9	141.5	178.5	189.8	211.0
Net lending[2]	0.0	0.0	0.0	0.0	439.1	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-256.2	-429.6	-401.8	-193.0	-968.1	-568.8	-488.1	-470.4	-491.2	-539.7
Basic balance[3]	-60.6	-190.0	-77.7	-108.9	-600.6	-157.8	-91.6	-5.8	13.3	22.1
Basic balance (WAEMU definition)	32.5	…	-23.8	…	-517.7	-74.2	-30.7	54.2	68.3	72.1
Change in payments arrears and float	8.8	94.0	-22.4	-9.5	-10.0	-7.0	-7.0	-8.7	0.0	0.0
Overall balance (cash)	-247.3	-335.1	-424.3	-202.5	-978.1	-575.8	-495.1	-479.1	-491.2	-539.7
Financing	247.3	335.1	424.3	202.5	978.1	575.8	495.1	479.1	491.2	539.7
External financing	289.5	322.8	406.9	91.1	901.1	484.0	451.6	518.6	556.2	606.1
Grants	216.5	227.5	304.9	50.5	310.8	289.7	315.9	346.1	369.7	400.9
Of which: project financing	123.4	173.6	251.0	43.9	227.8	206.1	255.0	286.1	314.7	350.9
Loans	88.6	109.5	116.6	47.5	612.1	222.2	158.8	195.8	207.1	228.3
Of which: budget financing	16.4	43.5	43.5	7.3	33.4	17.3	17.3	17.3	17.3	17.3
Amortization	-17.9	-14.6	-14.6	-6.9	-21.8	-27.9	-23.1	-23.4	-20.6	-23.1
Debt relief (incl. debt under discussion)	2.4	0.4	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	-42.2	12.4	17.4	111.4	77.0	91.8	43.5	-39.5	-65.0	-66.4
Banking sector	-42.7	-31.5	-31.5	40.6	-4.7	1.7	7.5	-21.6	-28.3	-28.9
IMF	5.3	4.3	4.3	14.1	22.5	11.3	-3.7	-3.6	-4.3	0.0
Statutory advances (including other advances)	-4.1	-7.1	-7.1	-3.6	-7.5	-7.9	-6.2	-6.0	-5.5	-5.0
Deposits with BCEAO	-44.1	-29.4	-29.4	-6.4	-38.7	-5.0	-5.0	-5.0	-5.0	-5.0
Government securities net and others	0.2	0.7	0.7	36.5	19.0	3.3	22.4	-6.9	-13.5	-18.9
Nonbanking sector	0.5	43.8	48.9	70.8	81.7	90.1	36.0	-17.9	-36.6	-37.5
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Overall balance (commitment basis, including grants)	-39.6	-202.1	-97.0	-102.4	-657.3	-279.1	-172.2	-124.3	-121.5	-138.8
Natural resources revenue	126.1	137.7	137.7	…	177.3	153.4	237.7	328.4	350.2	301.4
Of which: oil revenue	44.9	38.4	66.5	…	112.3	88.4	166.2	193.3	205.6	221.6
Of which: uranium revenue	81.2	71.2	71.2	…	65.0	65.0	71.5	135.1	144.6	79.8
Non-natural resources revenue	416.9	485.3	490.8	…	576.1	633.8	660.0	750.6	843.6	1042.8

Sources: Nigerien authorities; and IMF staff estimates.

[1] The special accounts include the financing on the National Retirement Fund, Priority Investments Fund, and Fund for Continuous Professional Development.

[2] In 2014, this includes a new project loan of CFAF 437.4 billion (11.1 percent of GDP) to refinance the loan for the construction of the SORAZ refinery. The new loan was initially expected to be signed in 2013 but it has been delayed to 2014. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery.

[3] Revenues minus expenditure net of externally-financed capital expenditure.

[4] In 2015, CFAF 49 billion in exceptional revenue from the telecom and petroleum sectors is excluded from nontax revenue and an equivalence in domestically capital spending is also excluded. Those spending will be executed only if the exceptional revenue materializes.

Table 3. Niger: Financial Operations of the Central Government, 2012-19
(In Percent of GDP)

	2012	2013	2013	2014	2015	2016	2017	2018	2019
		2nd & 3rd review	Actual	Proj.	Proj.[4]	Projections			
					(Percent of GDP)				
Total revenue	15.9	17.1	17.2	19.1	18.7	20.0	21.9	22.1	22.1
Tax revenue	14.5	15.3	15.8	16.9	17.7	18.7	20.6	20.7	20.7
Nontax revenue	1.3	1.7	1.3	2.1	0.9	1.1	1.2	1.2	1.3
Special accounts revenue	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditure and net lending	23.4	29.0	28.2	43.6	32.2	30.8	31.4	31.2	31.0
Of which: domestically financed	17.7	22.4	19.3	34.3	22.4	22.0	22.0	21.8	21.8
Total current expenditure	11.9	14.4	14.0	15.3	14.6	14.2	14.2	14.1	14.1
Budgetary expenditure	11.5	14.0	13.6	14.9	14.3	13.9	13.8	13.7	13.7
Wages and salaries	4.5	5.2	5.2	5.3	5.3	5.1	5.2	5.2	5.3
Materials and supplies	2.4	3.1	2.9	3.5	3.2	3.0	2.9	2.9	2.9
Other current expenditure	4.4	5.4	5.1	5.5	5.0	5.0	5.0	5.0	5.0
Interest	0.3	0.3	0.3	0.7	0.7	0.7	0.7	0.6	0.5
Of which: external debt	0.2	0.2	0.2	0.5	0.4	0.4	0.4	0.3	0.3
Adjustments and fiscal expenditure	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[1]	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4
Capital expenditure and net lending	11.5	14.5	14.2	28.3	17.6	16.6	17.2	17.1	16.9
Capital expenditure	11.5	14.5	14.2	17.2	17.6	16.6	17.2	17.1	16.9
Domestically financed	5.8	7.9	5.3	7.9	7.8	7.8	7.8	7.7	7.7
Externally financed	5.7	6.6	8.9	9.3	9.8	8.8	9.4	9.3	9.2
Of which: grants	3.6	4.8	6.9	5.8	4.9	5.7	5.8	5.8	5.8
loans	2.1	1.8	2.0	3.5	4.9	3.1	3.6	3.5	3.5
Net lending[2]	0.0	0.0	0.0	11.1	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-7.5	-11.8	-11.0	-24.5	-13.5	-10.9	-9.5	-9.1	-8.9
Basic balance[3]	-1.8	-5.2	-2.1	-15.2	-3.7	-2.0	-0.1	0.2	0.4
Basic balance (WAEMU definition)	1.0	…	-0.7	-13.1	-1.8	-0.7	1.1	1.3	1.2
Change in payments arrears and float	0.3	2.6	-0.6	-0.2	-0.2	-0.2	-0.2	0.0	0.0
Overall balance (cash)	-7.2	-9.2	-11.6	-24.8	-13.7	-11.0	-9.7	-9.1	-8.9
Financing	7.2	9.2	11.6	24.8	13.7	11.0	9.7	9.1	8.9
External financing	8.5	8.9	11.1	22.8	11.5	10.0	10.5	10.3	10.0
Grants	6.3	6.3	8.3	7.9	6.9	7.0	7.0	6.8	6.6
Of which: project financing	3.6		6.9	5.8	4.9	5.7	5.8	5.8	5.8
Loans	2.6	3.0	3.2	15.5	5.3	3.5	4.0	3.8	3.8
Of which: budget financing	0.5		1.2	0.8	0.4	0.4	0.4	0.3	0.3
Amortization	-0.5	-0.4	-0.3	-0.5	-0.7	-0.5	-0.5	-0.4	-0.4
Debt relief (incl. debt under discussion)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	-1.2	0.3	0.5	2.0	2.2	1.0	-0.8	-1.2	-1.1
Banking sector	-1.3	-0.9	-0.9	-0.1	0.0	0.2	-0.4	-0.5	-0.5
IMF	0.2	0.1	0.1	0.6	0.3	-0.1	-0.1	-0.1	0.0
Statutory advances (including other advances)	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Deposits with BCEAO	-1.3	-0.8	-0.8	-1.0	-0.1	-0.1	-0.1	-0.1	-0.1
Government securities net and others	0.0	0.0	0.0	0.5	0.1	0.5	-0.1	-0.3	-0.3
Nonbanking sector	0.0	1.2	1.3	2.1	2.1	0.8	-0.4	-0.7	-0.6
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Overall balance (commitment basis, including grants)	-1.2	-5.6	-2.7	-16.7	-6.6	-3.8	-2.5	-2.2	-2.3
Natural resources revenue	3.7	3.8	3.8	4.5	3.6	5.3	6.7	6.5	5.0
Of which: oil revenue	1.3	1.1	1.8	2.8	2.1	3.7	3.9	3.8	3.6
Of which: uranium revenue	2.4	2.0	1.9	1.6	1.5	1.6	2.7	2.7	1.3
Non-natural resources revenue	12.2	13.4	13.4	14.6	15.1	14.7	15.2	15.6	17.2

Sources: Nigerien authorities; and IMF staff estimates.

[1] The special accounts include the financing on the National Retirement Fund, Priority Investments Fund, and Fund for Continuous Professional Development.

[2] In 2014, this includes a new project loan of CFAF 437.4 billion (11.1 percent of GDP) to refinance the loan for the construction of the SORAZ refinery. The new loan was initially expected to be signed in 2013 but it has been delayed to 2014. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery.

[3] Revenues minus expenditure net of externally-financed capital expenditure.

[4] In 2015, CFAF 49 billion in exceptional revenue from the telecom and petroleum sectors is excluded from nontax revenue and an equivalence in domestically financed capital spending is also excluded. But it will be executed only if the exceptional revenue materializes.

Table 4. Niger: Monetary Survey, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
	Actual		Projections					
	(Billions of CFA francs)							
Net foreign assets	431.4	533.8	599.0	655.1	699.5	796.8	913.9	1052.9
BCEAO	419.8	466.0	548.2	604.5	649.1	745.8	862.1	999.7
Commercial banks	11.6	67.8	50.8	50.6	50.4	51.1	51.7	53.2
Net domestic assets	371.2	349.7	373.2	392.1	427.2	434.6	458.5	489.0
Domestic credit	454.9	433.3	443.9	462.1	497.2	504.6	528.5	559.0
Net bank claims on government	-45.1	-86.5	-92.7	-93.5	-79.9	-102.9	-115.6	-141.3
BCEAO	7.7	-27.3	-47.1	-44.3	-55.8	-65.2	-75.9	-82.7
Claims	92.6	89.8	109.7	117.4	111.0	106.6	100.9	99.1
Of which: statutory advances	22.9	20.4	17.8	14.2	11.5	10.7	9.3	7.5
Deposits	84.9	117.1	156.8	161.7	166.8	171.8	176.8	181.8
Commercial banks	-56.1	-61.4	-47.8	-51.4	-26.4	-30.8	-42.0	-60.9
Other	3.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Credit to the economy	500.0	519.8	536.6	555.6	577.1	607.5	644.1	700.4
Other items, net	-83.7	-83.6	-70.7	-70.0	-70.0	-70.0	-70.0	-70.0
Money and quasi-money	802.5	883.5	972.1	1047.2	1126.7	1231.4	1372.3	1542.0
Currency outside banks	345.2	398.1	447.9	456.8	470.5	484.7	494.3	519.1
Deposits with banks	456.9	485.1	524.3	590.4	656.2	746.7	878.0	1022.9
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)							
Net foreign assets	27.5	12.8	7.4	5.8	4.2	8.6	9.5	10.1
BCEAO	25.3	5.8	7.4	5.8	4.2	8.6	9.5	10.1
Commercial banks	2.2	7.0	-1.9	0.0	0.0	0.1	0.1	0.1
Net domestic assets	3.8	-2.7	2.7	2.0	3.3	0.7	1.9	2.2
Domestic credit	5.9	-2.7	1.2	1.9	3.3	0.7	1.9	2.2
Net bank claims on the government	-10.0	-5.2	-0.7	-0.1	1.3	-2.0	-1.0	-1.9
BCEAO	-7.0	-4.4	-2.2	0.3	-1.1	-0.8	-0.9	-0.5
Of which: statutory advances	-0.5	-0.3	-0.3	-0.4	-0.3	-0.1	-0.1	-0.1
Commercial banks	-3.2	-0.7	1.5	-0.4	2.4	-0.4	-0.9	-1.4
Other	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	15.9	2.5	1.9	2.0	2.1	2.7	3.0	4.1
Other items, net	-2.1	0.0	1.5	0.1	0.0	0.0	0.0	0.0
Broad money	31.2	10.1	10.0	7.7	7.6	9.3	11.4	12.4
Memorandum items:								
Velocity of broad money (Ratio)	4.3	4.1	4.1	4.0	4.0	4.0	3.9	3.9
Credit to the economy								
(Change, in percent)	24.2	4.0	3.2	3.6	3.9	5.3	6.0	8.7
(Percent of GDP)	14.6	14.2	13.6	13.2	12.8	12.3	11.9	11.5
(Percent of non-agricultural GDP)	18.1	17.2	16.5	15.9	15.5	14.7	14.2	13.6

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Balance of Payments, 2012-19

	2012	2013	2013	2014	2015	2016	2017	2018	2019
		2nd & 3rd review	Estimate	Projections					
	(Billions of CFA francs; unless otherwise indicated)								
Current account balance	-521.0	-624.2	-575.6	-844.1	-1147.7	-1098.7	-1099.5	-975.4	-669.4
Balance on goods, services, and income	-688.8	-770.3	-721.6	-963.1	-1335.4	-1270.9	-1281.7	-1176.2	-876.9
Balance on goods	-234.6	-281.3	-219.7	-449.4	-691.0	-516.8	-349.9	-97.6	83.1
Exports, f.o.b	736.8	781.3	794.2	814.7	809.2	836.2	1166.6	1416.4	1664.3
Uranium	338.7	281.1	306.7	261.2	240.6	251.4	237.5	264.4	449.1
Oil	116.6	159.2	198.9	211.6	190.4	193.8	515.2	593.9	619.2
Other products	281.5	341.7	288.6	341.9	378.2	391.0	413.9	558.2	596.0
Imports, f.o.b	971.4	1063.2	1013.9	1264.1	1500.3	1352.9	1516.5	1514.0	1581.2
Food products	226.2	244.3	186.3	199.6	176.4	214.6	235.1	258.7	304.7
Petroleum products	25.1	15.9	36.0	7.7	13.9	13.9	14.3	14.2	14.6
Capital goods	214.1	493.5	253.1	425.8	620.0	410.0	511.0	562.0	543.7
Other products	506.0	485.4	538.5	605.0	770.4	714.5	756.2	679.0	718.2
Services and income (net)	-454.2	-489.0	-501.9	-513.7	-644.4	-754.1	-931.8	-1078.7	-960.0
Services (net)	-385.1	-403.8	-410.6	-412.2	-516.0	-505.1	-643.8	-788.3	-702.8
Income (net)	-69.1	-85.2	-91.3	-101.5	-128.4	-249.0	-288.0	-290.3	-257.2
Of which: interest on external public debt	-6.8	-8.4	-8.4	-19.3	-16.6	-18.4	-17.9	-17.3	-19.5
Unrequited current transfers (net)	167.8	146.1	146.0	119.0	187.8	172.2	182.2	200.8	207.5
Private (net)	49.9	66.3	67.2	69.0	73.7	78.6	86.4	94.6	106.3
Public (net)	117.9	79.8	78.7	50.0	114.1	93.5	95.8	106.2	101.2
Of which: grants for budgetary assistance	93.1	53.9	53.9	83.0	83.6	60.9	60.0	55.0	50.0
Capital and financial account	692.7	700.2	693.5	909.3	1203.7	1143.1	1196.9	1092.5	808.5
Capital account	141.4	185.4	282.0	248.8	228.2	278.2	311.2	341.6	380.5
Private capital transfers	14.9	16.4	14.8	16.0	17.1	18.2	20.0	21.9	24.6
Project grants	123.5	173.6	251.0	227.8	206.1	255.0	286.1	314.7	350.9
Food Aid	0.0	8.0	8.0	5.0	5.0	5.0	5.0	5.0	5.0
Nonproduced, nonfinancial assets	0.0	-4.6	15.6	5.0	5.0	0.0	5.0	5.0	5.0
Debt cancellation	3.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	551.3	514.8	411.5	660.6	975.5	864.9	885.7	750.9	428.0
Direct investment [1]	429.5	367.5	305.5	-16.4	689.0	648.1	616.0	465.1	115.4
Portfolio investment	4.9	16.3	9.4	54.6	58.3	62.2	63.4	65.4	73.5
Other investment	116.9	131.0	96.6	622.3	228.3	154.6	206.4	220.4	239.1
Public sector (net)	70.6	94.8	102.0	590.4	194.3	135.7	172.4	186.5	205.2
Disbursements	88.6	109.5	116.6	612.1	222.2	158.8	195.8	207.1	228.3
Loans for budgetary assistance	16.4	43.5	43.5	33.4	17.3	17.3	17.3	17.3	17.3
Project loans [1]	72.2	66.0	73.2	578.7	204.9	141.5	178.5	189.8	211.0
Amortization	17.9	14.6	14.6	21.8	27.9	23.1	23.4	20.6	23.1
Other (net)	46.3	36.2	-5.4	31.9	33.9	18.9	33.9	33.9	33.9
Errors and omissions	-20.0	0.0	-18.9	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	151.7	76.0	99.1	65.2	56.1	44.4	97.3	117.0	139.1
Financing	-151.7	-76.0	-99.1	-65.2	-56.1	-44.4	-97.3	-117.0	-139.1
Net foreign assets (BCEAO)	-154.0	-76.4	-99.1	-65.2	-56.1	-44.4	-97.3	-117.0	-139.1
Of which: net use of Fund resources	5.3	4.3	4.3	22.5	11.3	-3.7	-3.6	-4.3	0.0
Rescheduling obtained	2.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Current account (in percent of GDP)	-15.3	-17.2	-15.7	-21.4	-27.3	-24.4	-22.3	-18.0	-11.0
Current account (excluding grants; in percent of GDP)	-18.7	-19.4	-17.9	-22.7	-30.0	-26.5	-24.2	-20.0	-12.7
Trade balance (in percent of GDP)	-6.9	-7.7	-6.0	-11.4	-16.4	-11.5	-7.1	-1.8	1.4
Overall balance (in percent of GDP)	4.4	2.1	2.7	1.7	1.3	1.0	2.0	2.2	2.3
Net foreign assets (months of imports)	3.6	3.8	3.7	3.7	3.3	3.9	3.8	4.2	4.9
Pooled gross international reserves, WAEMU (in CFAF billions)	7,051.0	6,886.0	6,886.0	…	…	…	…	…	…
In percent of next year's months of imports of goods and services	5.0	4.7	4.7	…	…	…	…	…	…
GDP (in CFAF billions)	3,414	3,635	3,656	3,944	4,210	4,496	4,938	5,407	6,075

Sources: Nigerien authorities; and IMF staff estimates and projections.

[1] In 2014, this includes a new project loan of CFAF 437.4 billion (11.1 percent of GDP) to refinance the loan for the construction of the SORAZ refinery. The new loan was initially expected to be signed in 2013 but it has been delayed to 2014. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery. Projections of FDI for 2015-16 are based on the construction of a pipeline expected to come on stream in 2017.

Table 6. Niger: Quantitative Performance Criteria and Indicative Targets (March 2013-December 2013)

(Billions CFA francs)

	End-March 2013 Indicative Targets			End-June 2013 Performance Criteria			End-September 2013 Indicative Targets			End-December 2013 Performance Criteria		
	Program	Actual	Status	Program	Actual	Status	Program	Actual	Status	Program	Actual	Status
A. Quantitative performance criteria and indicative targets[1] (cumulative for each fiscal year)												
Net domestic financing of the government	0.0	53.7		-19.0	49.9		-24.7	1.0		-25.4	13.1	
Adjusted criteria [2]	-5.1	53.7	Not Met	-4.0	49.9	Not Met	-9.7	1.0	Not Met	-12.7	13.1	Not Met
Reduction in domestic payment arrears of government obligations[3]	-1.3	-23.5	Met	-2.5	-27.8	Met	-3.8	-9.0	Met	-5.0	-22.4	Met
Memorandum item:												
External budgetary assistance [4]												
Budget support	9.9	15.0		66.2	15.0		86.9	63.8		110.1	97.4	
B. Continuous quantitative performance criteria[1]												
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New external debt contracted or guaranteed by the government with maturities of less than 1 year[5]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New nonconcessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more [6]	0.0	8.0	Not Met	0.0	8.0	Not Met	0.0	8.0	Not Met	0.0	8.0	Not Met [7]
C. Indicative Targets (cumulative for each fiscal year)												
Basic budget balance (commitment basis, excl. grants)[8]	-12.1	-42.4	Not Met	-44.5	-36.5	Met	-54.7	-52.2	Met	-522.1	-77.7	Met
Total revenue[9]	125.7	115.3	Not Met	280.5	272.6	Not Met	439.7	455.6	Met	617.8	628.5	Met
Spending on poverty reduction[9]	72.0	51.3	Not Met	170.3	162.1	Not Met	259.2	250.9	Not Met	366.6	359.9	Not Met

Note: The terms in this table are defined in the TMU.

[1] Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise.

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2013.

[3] Minimum.

[4] External budgetary assistance (excluding net financing from the IMF).

[5] Excluding ordinary credit for imports or debt relief.

[6] Excluding debt relief obtained in the form of rescheduling or refinancing.

[7] Non-observance of the criteria was waived at the 2nd and 3rd review.

[8] Minimum. Including the loan for the construction of the SORAZ refinery.

[9] Minimum.

Table 7. Niger: Quantitative Performance Criteria and Indicative Targets (March 2014-June 2015)

(Billions CFA francs)

	End-March 2014 IT			End-June 2014 PC			End-September 2014 IT			End-December 2014 PC		End-March 2015 IT	End-June 2015 PC
	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Proj.	Status	Prog.	Rev. Prog.	Prog.	Prog.
A. Quantitative performance criteria and indicative targets[1]													
(cumulative for each fiscal year)													
Net domestic financing of the government	0.2	66.6		0.3	97.3		0.5	72.2		0.6	54.5	19.6	41.3
Adjusted criteria [2]	15.2	66.6	Not Met	15.3	97.3	Not Met	15.5	72.2	Not Met	…	…	…	…
Reduction in domestic payment arrears of government obligations[3]	-1.3	-8.4	Met	-2.5	-9.5	Met	-3.8	-4.2	Met	-5.0	-10.0	-1.8	-3.5
Memorandum item:													
External budgetary assistance [4]													
Budget support	29.1	6.6		62.0	13.9		89.9	48.1		120.2	116.4	12.6	26.2
B. Continuous quantitative performance criteria[1]													
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of less than 1 year[5]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more [6]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0
C. Indicative Targets													
(cumulative for each fiscal year)													
Basic budget balance (commitment basis, excl. grants)[7]	-26.9	-62.1	Not Met	-47.0	-108.9	Not Met	-100.0	-120.3	Not Met	-112.5	-161.6	-25.9	-55.9
Basic budget balance (commitment basis, incl. grants)[7]	…	…		…	…		…	…		…	-78.6	-17.6	-38.4
Total revenue[8]	178.9	135.9	Not Met	357.6	303.3	Not Met	522.8	523.4	Met	731.0	753.3	193.9	388.9
Spending on poverty reduction[8]	120.1	70.2	Not Met	236.0	206.4	Not Met	363.3	329.3	Not Met	492.0	507.6	114.3	231.4

Note: The terms in this table are defined in the TMU.

[1] Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise.

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2014 and 2005.

[3] Minimum.

[4] External budgetary assistance (excluding net financing from the IMF).

[5] Excluding ordinary credit for imports or debt relief.

[6] Excluding debt relief obtained in the form of rescheduling or refinancing.

[7] Minimum. Excluding the loan for the construction of the SORAZ refinery.

[8] Minimum.

Table 8. Niger: Prior Actions and Structural Benchmarks, 2013

Measures	Timing	Macroeconomic Rationale	Progress
Prepare comprehensive quarterly budget reports on a commitment, payment order, and payment basis to be submitted to IMF staff within six weeks.	Quarterly	Improve budget and cash flow management	Met
Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditures, with the exception of debt-service payments and fiscal expenditure related to exemptions.	Quarterly	Improve budget and cash management	Met
Establish a Treasury single account.	End-December 2013	Improve cash management	Not met *Proposed to be reset to end-June 2014*
Quarterly budget allocations will be released no later than four weeks after the start of the first, second, and third quarters.	Quarterly	Improve budget execution	Not Met *Proposed to be reset to end-March 2014*
Prepare quarterly cash management and commitment plans to take account of spending ministries' plans for contract awards; the plans will be aligned with one another and updated monthly.	Quarterly	Improve cash management	Not met *Proved to be a too complex reform (more time is necessary)*

Table 9. Niger: Prior Actions and Structural Benchmarks, 2014

Measures	**Timetable**	**Progress and/or Macroeconomic Rationale**
Finalize the study to select the path of the pipeline.	Prior Action for the second and third review	Met
Launch an international tender for the selection of the company that will build the pipeline.	End-September 2014	Not Met Implications for fiscal and debt sustainability. Ongoing discussions to secure all the authorizations
Publish a formal annual borrowing plan detailing the government's planned external borrowing for the year.	End-December 2014	Not Met Ensure that borrowing is consistent with the debt management strategy (Intermediary steps identified)
Introduce a quarterly reporting of debt management activities to the National Public Debt Management Committee (MEFP, ¶11).	Quarterly starting with June 2014	Met Assess compliance of the borrowing activities with the plans set in the debt management strategy (and with IMF conditionality). (June and September reports released)
Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditures, with the exception of debt-service payments and fiscal expenditure related to exemptions.	Quarterly	Met Improve budget and cash management
Progress in implementing customs reform with respect to declarations, tax exemptions, customs controls on oil products, and better use of ASYCUDA.	End-June 2014	Not Met Speed up the customs reform and enhance revenue collection
Quarterly budget allocations will be released no later than four weeks after the start of the first, second, and third quarters.	Quarterly, from March 2014	Met. Improve budget execution
Establish a Treasury Single Account.	End-June 2014	Not met Improve cash flow management (Intermediary steps identified)
Approve the decree to implement the financial sector reform plan.	End-December 2014	Met Support the development of the financial market

Table 10. Niger: Newly Proposed Structural Benchmarks, 2015

Measures	Timetable	Macroeconomic Rationale
Census of Accounts for the TSA.	End-March 2015	Improve cash flow management
Adopt the design of the TSA.	End-September 2015	Improve cash flow management
Put in place the one stop shop for the investment code.	End-September 2015	Improve business environment
Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditure, with the exception of debt-service payments and fiscal expenditure related to exemptions.	Quarterly	Improve budget and cash management
Operationalize the custom electronic transit.	End-September 2015	Improve custom revenue collection
Finalize a study on the introduction of the investment budgeting in commitment authorization and payment credit.	End-September 2015	Improve the management of investments through the implementation of the program budgeting system
Prepare a comprehensive procurement plan to match a commitment plan and a cash plan.	Annually	Improve budget management, avoid the pile-up spending toward the end of the year

Table 11. Niger: Indicators of Capacity to Repay the Fund, 2014–25

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
							Projections					
Fund obligations based on existing credit							(SDR millions)					
Principal	2.9	7.5	5.0	4.8	5.8	7.8	9.4	9.0	7.9	5.6	2.3	0.0
Charges and interest	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit												
Principal	2.9	7.5	5.0	4.8	5.8	7.8	12.7	15.8	14.7	12.4	9.0	3.4
Charges and interest	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0
Total obligations based on existing and prospective credit												
SDR millions	2.9	7.7	5.2	5.0	6.0	7.9	12.9	15.9	14.7	12.5	9.0	3.4
CFAF billions	2.2	5.6	3.7	3.6	4.3	5.7	9.3	11.5	10.7	9.0	6.5	2.4
Percent of exports of goods and services	0.2	0.6	0.3	0.3	0.3	0.4	0.7	0.8	0.7	0.5	0.4	0.1
Percent of debt service[1]	2.2	5.0	1.9	1.1	1.3	1.8	2.8	3.4	3.1	2.3	1.7	0.6
Percent of GDP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Percent of tax revenue	0.3	0.7	0.4	0.3	0.3	0.4	0.6	0.7	0.6	0.4	0.3	0.1
Percent of quota	4.5	11.7	7.9	7.6	9.1	12.1	19.6	24.2	22.4	18.9	13.7	5.1
Outstanding IMF credit based on existing prospective drawings												
SDR millions	76.2	91.3	86.4	81.6	75.8	68.0	55.3	39.5	24.8	12.4	3.4	0.0
CFAF billions	56.0	66.6	62.5	59.0	54.8	49.2	40.0	28.6	18.0	9.0	2.4	0.0
Percent of exports of goods and services	6.3	7.4	5.0	4.6	4.1	3.4	3.1	1.9	1.1	0.5	0.1	0.0
Percent of debt service[1]	58.1	59.8	32.4	18.1	16.7	15.1	11.9	8.4	5.3	2.3	0.6	0.0
Percent of GDP	1.4	1.5	1.2	1.0	0.8	0.7	0.5	0.4	0.2	0.1	0.0	0.0
Percent of tax revenue	8.2	8.7	6.4	4.9	4.1	3.3	2.5	1.6	0.9	0.4	0.1	0.0
Percent of quota	115.9	138.8	131.2	123.9	115.1	103.4	84.0	60.0	37.7	18.9	5.1	0.0
Net use of IMF credit (SDR millions)	8.3	15.1	-5.0	-4.8	-5.8	-7.8	-12.7	-15.8	-14.7	-12.4	-9.0	-3.4
Disbursements	11.3	22.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	2.9	7.5	5.0	4.8	5.8	7.8	12.7	15.8	14.7	12.4	9.0	3.4
Memorandum items:												
Exports of goods and services (CFAF billions)	887.7	895.8	1239.2	1271.5	1322.6	1450.7	1298.0	1476.9	1590.0	1696.3	1821.8	1960.2
External Debt service (CFAF billions)[1]	96.5	111.4	192.8	326.3	328.3	327.0	335.4	338.3	340.5	386.0	387.8	390.6
Nominal GDP (CFAF billions)	4,005.0	4,344.7	5,083.3	5,786.1	6,461.9	6,961.1	7,508.2	8,098.6	8,800.5	9,488.2	10,233.2	11,039.8
Tax revenue (CFAF billions)	680.7	766.4	969.7	1,205.7	1,352.7	1,486.4	1,604.9	1,745.9	1,897.0	2,046.5	2,208.5	2,384.0
Quota (SDR millions)	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8

Source: IMF staff estimates and projections.

[1] Total external debt service includes IMF repurchases and repayments.

Table 12. Niger: Proposed Scheduled Disbursements under the ECF Arrangement, 2012-15

Amount (Millions)	Conditions Necessary for Disbursement	Date Available
SDR 11.28	Executive Board Approval of the ECF Arrangement	March 16, 2012
SDR 11.28	Observance of June 30, 2012 and continuous performance criteria, and completion of the first review under the arrangement	November 1, 2012
SDR 11.28	Observance of December 31, 2012 and continuous performance criteria, and completion of the second review under the arrangement	May 1, 2013
SDR 11.28	Observance of June 30, 2013 and continuous performance criteria, and completion of the third review under the arrangement	November 1, 2013
SDR 5.64	Observance of December 31, 2013 and continuous performance criteria, and completion of the fourth review under the arrangement	December 23, 2014
SDR 5.64	Observance of June 30, 2014 and continuous performance criteria, and completion of the fifth review under the arrangement	December 23, 2014
SDR 11.28	Observance of December 31, 2014 and continuous performance criteria, and completion of the sixth review under the arrangement	June 1, 2015
SDR 11.28	Observance of June 30, 2015 and continuous performance criteria, and completion of the seventh review under the arrangement	November 30, 2015

Source: International Monetary Fund.

Table 13. Niger: Indicators of Financial Soundness, December 2008–June 2014

(Percent, unless otherwise indicated)

	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012 Dec.	2013 Dec.	2014 Mar.	2014 Jun.
Solvency ratios								
Regulatory capital to risk-weighted assets	4.0	8.3	13.5	13.5	16.7	15.5	16.0	16.5
Tier 1 capital to risk-weighted assets	3.2	7.8	13.2	13.2	16.1	14.9	15.5	16.0
Provisions to risk-weighted assets	4.9	9.1	8.6	11.5	10.2	12.0	12.9	12.1
Capital to total assets	2.6	6.3	8.4	9.2	10.1	9.4	9.4	9.6
Composition and quality of assets								
Total loans to total assets	60.8	62.3	56.1	61.2	60.0	58.6	58.8	57.4
Concentration: credit to the 5 biggest borrowers to regulatory capital	748.6	219.1	123.8	152.2	135.6	128.3	128.5	127.9
Gross NPLs to total loans	16.0	14.7	18.2	19.6	17.1	16.5	19.3	17.3
Provisioning rate	50.3	64.9	47.7	58.0	54.6	67.3	61.1	48.6
Net NPLs to total loans	6.3	8.2	10.5	9.3	8.6	6.1	8.5	7.0
Net NPLs to capital	148.1	80.8	70.3	61.6	51.0	34.3	42.5	38.6
Earnings and profitability[1]								
Average cost of borrowed funds	2.1	2.0	2.6	2.2	2.1	…	…	…
Average interest rate on loans	10.4	10.1	11.2	10.4	10.5	…	…	…
Average interest margin[2]	8.3	8.1	8.6	8.2	8.4	…	…	…
After-tax return on average assets (ROA)	…	…	2.3	1.0	1.8	…	…	…
After-tax return on average equity (ROE)	0.2	6.1	13.0	7.3	16.2	…	…	…
Non-interest expenses to net banking income	55.4	21.1	54.3	55.9	53.9	…	…	…
Salaries and wages to net banking income	20.7	18.8	20.6	23.2	23.5	…	…	…
Liquidity								
Liquid assets to total assets	35.3	33.3	29.7	33.4	32.5	22.4	…	…
Liquid assets to total deposits	49.9	49.8	46.0	52.6	51.4	36.2	…	…
Total loans to total deposits	86.0	95.7	94.0	108.8	104.7	93.7	93.3	90.2
Total deposits to total liabilities	70.7	65.1	65.4	63.5	63.2	62.6	60.8	63.6
Sight deposits to total liabilities	43.8	41.0	43.4	41.1	42.0	41.0	39.8	42.8
Term deposits to total liabilities	26.9	24.1	22.0	22.4	21.2	21.6	21.0	20.8

Source: BCEAO.

[1] *Items reported with semestral periodicity.*

[2] *Taxes on financial operations excluded.*

Table 14 -Niger: Risk Assessment Matrix (RAM)			
Sources of Risks	**Relative Likelihood**	**Impact if realized**	**Recommended Policy Response**
Deterioration of security situation	**Medium**	**High** High impact on growth and balance of payments because of disruption of economic activity and reduced FDIs. Negative impact on the fiscal position because of both reduced fiscal intake and higher security expenditures.	Allow a moderate and temporary relaxation of the fiscal stance in 2014 to accommodate higher security spending while safeguarding other priority areas. Increase engagement with neighboring countries and international community on security issues.
Delays in the realization of extractive industry projects	**Medium to High**	**High** Major impact on medium-term economic activity, current account, and fiscal position.	Enhance oversight and transparency of the sector.
Continued accumulation of debt due to weak policy implementation and debt management capacity	**Medium to High**	**High** Major impact on debt sustainability	Continued efforts to enhance debt management. Careful selection of projects financed with debt to ensure cost recovery.
Unfavorable weather conditions/natural disasters	**High**	**High** Unfavorable weather conditions would reduce agricultural output, increase food insecurity and cause inflationary pressures.	Rebuild fiscal buffers to accommodate well-targeted spending in case of shocks due to natural disaster.
Lower oil/uranium prices	**Medium**	**High** Negative impact on growth, balance of payments, and fiscal position.	Enhance resources management to avoid excessive pro-cyclicality of the fiscal position (fiscal rule, resources fund) and improve spending quality. Over the medium to long-term create conditions to foster private sector growth and increase non-resource revenue
Reduced donor support	**Medium**	**High** Negative impact on development projects and on social safety net and program execution	Enhance engagement with traditional and new donors. Enhance implementation capacity to ensure high return from the projects financed by donors
Significant outbreak of Ebola	**Low**	**High**	Seek financing to overcome the additional medical costs.

Appendix I. Letter of Intent

Niamey, December 03, 2014

Madam Christine Lagarde
Managing Director
International Monetary Fund
Washington D.C., 20431

Madam,

1. Niger continues to perform well despite the security situation in the sub-region and unstable performance of the agricultural sector as a result of changing rainfall patterns. The security situation in neighboring countries and the terrorist activities in Niger in 2013 exerted considerable pressure on the country's socio-economic stability. As a result, the country was forced to commit troops to support military interventions in the sub-region and enhance security within the country and its borders. The military involvement weighed on the level of spending at the expense of social priorities. Furthermore, a deficit agro-pastoral season, combined with these security developments, had a direct impact on economic activities. Nonetheless, security measures undertaken by the government, short-term remedial economic policies, the implementation of the *Plan de Développement Economique et Social* (PDES) programs, as well as policies aimed at enhancing irrigated agricultural production as part of the 3N Initiative (Nigeriens Nourish Nigeriens), continued to support economic growth, estimated at 4.1 percent in 2013 and projected at 6.5 percent in 2014.

2. Despite these difficult situations, the implementation of the ECF-supported program progressed. Owing to security related spending in the context where external grants and loans were lower than initially anticipated under the program, it was necessary to mobilize additional domestic resources particularly on the regional financial market. Consequently, the performance criterion on net domestic financing was not observed at end-December 2013 and end-June 2014. Nevertheless, at end-December 2013 and end-June 2014, the performance criteria on payment of domestic arrears and on new agreements for external loans were met. On the other hand, indicative targets regarding the basic balance and total revenue were only met at end-December 2013 mainly due to a shortfall in customs revenue. Similarly, the poverty reduction expenditure indicator was also missed at end-December 2013 and end-June 2014, although the gap was low at end 2013.

3. The government is determined to achieve the program objectives. The policies and measures outlined in the Memorandum of Economic and Financial Policies (MEFP) hereto appended should help achieve the program's objectives. In particular, structural reforms in revenue policy and administration, and budget execution, the gradual normalization of the security situation, and the

conclusion of the negotiations with AREVA, and the subsequent signing of agreements governing mining operations for the next five years providing more visibility to mining activities. These factors are expected to enhance program implementation.

4. The government is also committed to enhance debt management to ensure its sustainability. In this regard, the government will implement measures required to develop an annual external borrowing plan based on the status of preparation of ongoing projects. Furthermore, to strengthen institutional coordination of loan agreements and investment program management, the government will continue to improve the functioning of the Inter-Ministerial Committee on Debt Management (where the offices of the President, Prime Minister, Ministry of Finance and Ministry of Planning are represented) to review and approve prior to signing, all external loan contracts with non-traditional creditors, as well as non-concessional loans. In this regard, the government will continue to implement the recommendation that calls for all new non-concessional loan agreements to be signed jointly by the Minister of Finance and Minister of Planning. Close adherence to these measures should foster compliance with the continuous criterion on non-concessional borrowing.

5. Improving budget execution will be strengthened. Considerable progress in budget execution has been achieved with the deployment of financial comptrollers to various ministries, the submission of 2012 and 2013 financial discharge bills to the National Assembly, and timely release of budget allocations. The government is committed to undertake within the next three years, the necessary steps for effective implementation of program budgeting as required by the 2012 organic law and a number of other laws in order to enhance budget efficiency and transparency and to support the government's program to accelerate public investments. The government will request technical assistance in this area from the IMF.

6. In light of the corrective measures adopted to address the exogenous shocks that led to the non-compliance with the performance criterion on net domestic financing at end-December 2013 end-June 2014, we request a waiver. The implementation of the measures outlined in the Memorandum of Economic and Financial Policies should improve domestic resource mobilization, which will in turn minimize recourse to bank financing.

7. The Government of Niger appeals to the IMF to conclude the fourth and fifth reviews of the ECF program so as to release the fifth and sixth disbursements under the ECF agreement for an amount of SDR 11.28 million. We will consult with the IMF on our own initiative or upon request prior to adopting any additional measures and if any changes were to be made to the policies contained in this Memorandum. The Government of Niger will continue to cooperate with the IMF in order to achieve the objectives of the ECF program.

8. We agree to make public this Letter of Intent, the Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding as well as the IMF report on the review of the ECF-supported program. We hereby authorize their publication and posting on the IMF website, after the conclusion of the fourth and fifth reviews by the IMF Executive Board.

Please accept, Madam Managing Director, the assurances of our highest consideration.

/s/
Gilles Baillet
Minister of Finance

Attachments: I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies of the Government of Niger

INTRODUCTION

1. **The present Memorandum of Economic and Financial Policies (MEFP) updates the Memorandum of the second and third reviews conducted in March 2014**. It describes recent economic developments, implementation of the ECF-supported program, macroeconomic outlook and policies. The priorities and objectives of the ECF program focused on: (i) maintaining macroeconomic stability; (ii) replenishing deposits in the Central Bank to enhance the economy's resilience to shocks; (iii) improving budget execution, including stepping up efforts to collect tax revenue, and improving debt management; (iv) increasing transparency in the mining and oil sectors; and (v) supporting private and financial sector development. These objectives are in line with the Renaissance Program, the Government's General Policy Statement, the 2012-15 *Plan de Développement Economique et Social* (PDES) and the main objectives of the PDES 2016-20 which will be specified after the formulation of the Niger Vision 2035 (SDDCI).

ECONOMIC DEVELOPMENTS

2. **The poor crop harvests experienced in the 2013/2014 crop year and the security situation in the sub-region adversely affected economic performance in 2013, but the situation improved considerably in 2014**. In 2012, impressive real economic growth was recorded at 11.1 percent, largely driven by macroeconomic stability, the start of oil production and the vitality of the primary sector including subsistence agriculture and livestock. However in 2013, less favorable rainfall combined with the security situation in the region and the effects of the terrorist attacks on the Somair uranium production facilities, had a direct impact on economic growth estimated at 4.1 percent. Inflation was contained at 2.3 percent in 2013, in part due to the government food program of selling cereals at moderate prices contributing to limit the increase of food prices. Therefore, during the first semester of 2014 the price evolution was contained. Year on year inflation was around minus 1.3 percent at end-June 2014. With a better distribution of rainfall in 2014, agricultural production is expected to rebound and economic growth is projected at 6.5 percent in 2014 with an annual inflation of minus 0.8 percent, on average, and 0.9 percent, year on year.

3. **External sector accounts performed relatively well**. In 2013, the current account balance (including grants) was expected to record a deficit of 15.7 percent of GDP, a deterioration of about 0.4 percentage point of GDP, compared to 2012. This deterioration is largely due to deficits in the balances of primary and secondary income. Growth in exports outstripped the growth in imports in 2013, resulting in a slight improvement in the trade balance. Preliminary data suggest a stronger deterioration in the current account balance in 2014, arising from increased public works and construction of the Niamey-Cotonou railway line.

4. **Following a decline in economic activity, monetary expansion decelerated in 2013**. In 2013, the evolution of monetary aggregates was marked by strong growth in net foreign assets, expansion of broad money, and a decline growth in domestic credit. Net foreign assets increased by

CFAF 102.4 billion driven by the net foreign assets of the Central Bank (CFAF 46.2 billion) and banks (CFAF 56.2 billion). Net domestic assets fell by 5.8 percent, as a result of an improvement in the Net Position of the Government (NPG), offset by an increase in credit to the economy.

5. **During the first half of 2014, the evolution of monetary aggregates maintained the trend recorded in 2013**. By end-June 2014, broad money grew by 10.7 percent compared to end 2013. This was due to a CFAF 43.3 billion accumulation in foreign assets, combined with a CFAF 51.2 billion increase in net domestic assets arising out of increased credit to the economy and an improvement in NPG.

IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL PROGRAM AS AT END-DECEMBER 2013 AND END-JUNE 2014

6. **Faced with numerous shocks to the budget execution, the implementation of the program was mixed**. Budget execution was impacted by additional security spending, shortfall in customs revenue and low disbursement of external aid. The poor performance of customs revenue was explained by among others, the return to administrative values in February 2013, the security situation, especially in Nigeria, Mali, and Libya, as well as the slow pace in implementing reforms in the customs administration. The former negatively affected trade flows and led to the reduction of imports of certain high revenue generating products such as cigarettes and building materials. Uranium production was also temporarily halted at the beginning of 2014. This situation of budget execution required further recourse to domestic financing.

7. **However, all performance criteria at end-December 2013 and end-June 2014 were met, except the one on net domestic financing (Tables 1, 2)**. The criterion on the reduction of domestic arrears was met with a large margin throughout the period. At end-December 2013 and end-June 2014, the government met its commitments regarding foreign debt, the continuous performance criterion on external arrears accumulation and the continuous performance criterion on new agreements on external loans contracted or guaranteed by the government with a maturity of less than one year. Indicative targets on the basic balance and total revenue were met at end-December 2013, but were missed at end-June 2014.

8. **Nevertheless, budget execution as at end 2013 remained broadly satisfactory**. The overall fiscal balance (commitment basis, including grants) recorded a deficit of 2.7 percent of GDP, against the program target of 5.6 percent. Expenditures on net lending to refinance the *Société de Raffinage de Zinder* (SORAZ) refinery, amounting to CFAF 437.4 billion (or 11.1 percent of GDP), for which the approval of the Chinese authorities was not obtained by end 2013, were postponed to 2014. Accordingly, the basic balance, excluding grants, stood at minus 2.1 percent of GDP.

9. **Part of the 2013 budget execution included the purchase of a presidential plane**. An amount of CFAF 21 billion (0.5 percent of GDP) was included in the 2013 budget for this purpose. In line with our procurement code, the process selected for the purchase was to award a direct contract after reviewing competitive tenders. Four suppliers were thus consulted. The tenders were examined by an ad hoc tender evaluation commission. All expenditure related to the plane went

through the required phases (commitment, clearing and authorization). After the authorization had been issued, because delivery of the plane was delayed, the funds were transferred into a holding account on the books of the Treasury at the Central bank (BCEAO), in line with existing regulations. A portion of the payment was made in 2013. The remainder was settled in two payments made in 2014. The use of this budgetary procedure to finalize payments in 2014 was justified by the fact that certain provisions of the 2012 organic law on finance laws are not yet in force. With the assistance of the IMF's Fiscal Affairs Department (FAD), we have already drafted an action plan that is currently being implemented to improve our investment management system, by enforcing the organic law on finance laws (see structural reforms and benchmarks). In addition, technical assistance is provided by the World Bank to help strengthen our ability to select investment projects, financing sources, debt sustainability and planning. Technical assistance also aims to support several reforms in investment planning for the country. It also includes mechanisms for managing and monitoring investments. In this context, a project to strengthen the capacity and the service delivery of US$40 million was negotiated with the World Bank.

10. **Spending on poverty reduction fell below the program objectives**. Thus, at the end 2013, the indicative benchmark was missed by a margin of 1.8 percent of the program target (0.18 percent of GDP); the spending specifically targeted the sectors of agriculture, infrastructure, health, and education, as part of the government's policy to support vulnerable groups. The target was missed by 12.5 percent of the program objective (0.75 percent of GDP) at end June-2014 as a result of delays in the disbursement of some budget support and project aids, below target revenue performance and the continued demands for security spending.

11. **Furthermore, measures have also been taken to accelerate the implementation of the structural reform program** (Table 3). We have drafted quarterly budget execution and debt management reports. Budget allocations for each quarter are now released before the end of the first month of the quarter. Regarding the quarterly debt management report, the first and second reports for end June 2014 and end-September 2014 have already been published. In line with the circular issued by the Prime Minister, aimed at limiting expenditures executed without prior authorization in all ministries, the ratio of such expenditures to total authorized expenditures has stabilized at around 5.3 percent at end-December 2013, compared to a target of 5 percent and 1.5 percent at end June-2014.

12. **In the oil sector, the study to determine the route of the pipeline has been completed and the option to go through Chad was chosen**.

13. **Considerable progress has been made in implementing measures to establish a Treasury Single Account (TSA):** (i) identification of 1,954 accounts held in various commercial banks (including 1,787 accounts of public administrative entities and 167 for public industrial entities), representing total assets equivalent to CFAF 52.9 billion; (ii) issuance of an order by the Ministry of Finance calling for the closure of irregular and dormant accounts; (iii) continuation of the ongoing case-by-case review, in order to meet the benchmark regarding a Treasury Single Account. The order concerning the transfer of these accounts to the BCEAO is yet to be taken (see section on reforms). The survey of public bank accounts in the banking system needs to be updated, since the

last survey was carried out in 2012. We therefore intend in the coming months, to update the survey using the experience of other West African Economic and Monetary Union (WAEMU) countries.

14. **We also intend to accelerate reforms in customs administration**. While acknowledging that the customs reform has been delayed, steps have been taken to accelerate the migration to ASYCUDA WORLD and thus allow for improved revenue collection and oversight of exemptions. We have obtained a no-objection of the World Bank, which will enable us to begin to work with UNCTAD to implement the project before the end of 2016. Nevertheless, towards the middle of 2015, we shall deploy an intermediate, locally developed application for the control of exemptions; and enhance the electronic transit system and cooperation with transit countries.

OUTLOOK FOR 2014 AND 2015

15. **The ECF program objectives are in line with the 2012-15 PDES**. Indeed, the program will allow the government to (i) provide basic infrastructure in energy and transport sectors, which would help Niger overcome challenges associated with being landlocked and boost competitiveness; (ii) implement public policies geared towards diversifying production, including the establishment of development zones/centers; and (iii) build human and institutional capacities. In line with the three-year economic and financial program for 2012-15, the ECF-supported program in 2014 has focused largely on ensuring macroeconomic stability, restoring economic growth and job creation.

A. Implementation of the Program in the Third Quarter of 2014

16. **Program implementation improved somewhat in the third quarter of 2014, compared to the first two quarters and we intend to continue with these efforts during the rest of the year**. Through improved mobilization of nontax revenue, improved tax collection by the tax directorate (DGI) and customs authorities, total revenue amounted to CFAF 523.4 billion at end-September 2014, against a program target of CFAF 522.8 billion. During the same period, expenditure and net lending amounted to CFAF 820 billion against the program target of CFAF 782.7 billion. Compared to the expenditure in the revised budget law, there is an under-performance of 7 percent at end-September. This consists of current expenditure amounting to CFAF 444.1 billion and capital expenditure amounting to CFAF 375.9 billion.

17. **Consequently, the overall deficit (cash basis) deteriorated compared to the program objective, standing at CFAF 300.7 billion against CFAF 263.6 billion in the program**. The deficit was mainly financed by external resources amounting to CFAF 214.9 billion and domestic resources of CFAF 85.9 billion. For all external financing, grants accounted for CFAF 92.9 billion, including CFAF 6.6 billion of budget support. Loans amounted to CFAF 131.5 billion, consisting primarily of project loans. Domestic financing amounted to CFAF 85.9 billion, consisting of domestic bank financing amounting to CFAF -11.1 billion and non-banking financing amounting to CFAF 96.9 billion.

18. **We also fast-tracked the implementation of structural reforms**. The implementation of the structural reforms continues and the government is committed to fast-track the implementation of the action plans to improve the execution of the reform program (see section D below): the third quarter 2014 report on debt was published in November. Budget allocations were released before July 14, while allocations for the last quarter of 2014 were released on October 10. The call for international tenders for the selection of a company to construct the pipeline has been delayed as negotiations on the terms of construction and operation are ongoing between Chad, Cameroon, Niger, Exxon, and CNPC.

B. Macroeconomic Outlook for End 2014 and 2015

19. **The short and medium term macroeconomic prospects are positive, even though subject to various internal and external risks**. The macroeconomic framework for 2014 and beyond is based on an assumption of strong economic growth, underpinned by continued expansion in the natural resource sector, increased public investment in infrastructure, and implementation of the plan to accelerate the 3N Initiative (Nigeriens Nourish Nigeriens) all in the context of an improved security situation. Thus, real GDP growth is expected to be around 6.5 percent in 2014 and 4.6 percent in 2015, and should reach an average of 5.6 percent in 2014-16 before accelerating to an average of around 8.5 percent over 2017-19. This growth dynamic reflects the delay in the start of uranium production and exportation under the Imouraren project, which is now expected in 2019 (when uranium prices are expected to recover) following the recent agreement between the Government of Niger and AREVA.

20. **The current account is expected to deteriorate in 2015-18 as a result of the increase in imports of goods and services related to the extractive industry and other development projects**. In terms of inflation, the continued decline in food prices following recent good harvests is expected to bring down inflation to an average of about minus 0.8 percent in 2014. Inflation is however expected to rise to about 1.6 percent in 2015. The macroeconomic outlook however remains vulnerable to risks related to the regional security environment and climate shocks.

C. Fiscal Policy and External Financing for 2014

21. **The 2014 budget adopted by the government aimed at supporting economic growth**. This budget orientation should help speed up the implementation of poverty reduction policies by creating jobs and generating additional income. It should also help accelerate the implementation of the PDES 2012-15. On the revenue side, the budget took into account additional revenue expected from the telecommunication sector, estimated at CFAF 216 billion. Spending on priority sectors such as education, health, and agriculture was expected to increase by nearly 47 percent, while spending on infrastructure projects was expected to increase by 22.7 percent, based on the initial budget. However, the budget does not take into account expenditure on net lending amounting to CFAF 437.4 billion for refinancing the SORAZ refinery, initially scheduled for 2013 but deferred to 2014, pending approval by the Chinese authorities. The overall fiscal deficit including grants, but excluding the SORAZ loan is 5.6 percent of GDP, down from 2.7 percent of GDP in 2013.

22. **The non-realization of revenue from the telecommunications sector led us to adopt a supplementary budget in order to neutralize and adjust expenditure.** The expenditure neutralization is consistent with our commitments in the second and third reviews. Nonetheless, based on the technical progress made so far in the implementation of the project, we revised the expected amount of revenue from the telecommunications sector downward to CFAF 40 billion. We had undertaken to carry out this capital expenditure exclusively and only within the limits of the revenue generated by the telecommunications sector. Accordingly, quarterly budgetary appropriations to the various governmental agencies will be strictly based on revenue, excluding that from the telecommunications sector. The supplementary budget also took into account the CFAF 437.4 billion project loan for refinancing of SORAZ. It will still remain focused on the government's objective of devoting a substantial share of resources to capital investments to drive a dynamic economic recovery. The overall balance (commitment basis, including grants but excluding the refinancing of the SORAZ refinery) should represent 5.6 percent of GDP with an increase in government deposits at the central bank amounting to CFAF 38.7 billion to increase Niger's resilience to shocks.

23. **Under the revised budget law, we have also launched our bond issuance plan for the 2014-16 period**. In recent years, due to the security threats, the government has had to cut down spending on priority sectors such as health, education, and infrastructure in favor of spending on military equipment to support efforts to enhance security within the country and at our borders. We intend to increase spending to priority sectors in the rest of 2014 and in the medium to long-term. Consequently, like other members of the WAEMU, and with the support of the WAEMU's unit in charge of bond issuance, we have drafted a program to issue medium to long-term bonds amounting to CFAF 275.6 billion spread over 2014-16. For 2014, we increased the Treasury bond issuance from CFAF 25 billion (in the second and third reviews) to CFAF 93.3 billion to meet additional capital expenditures and food security spending following poor harvests, and to cushion the shortfall in customs revenue (see section on fiscal revenue). In 2015 and 2016 in line with a sustainable path of the basic balance, domestic financing will include bond issuances of CFAF 121 billion and CFAF 61.3 billion, respectively.

24. **The bond issuance plan will be in line with the debt sustainability thresholds; we will speed up reforms to improve project management and absorptive capacity**. In preparation for the implementation of the bond issuance plan, we are undertaking reforms with support from various partners to enhance our capacity to design, select, implement and evaluate investment projects. Future bond issuance will depend on the success of implementation of these reforms. We will speed up ongoing reforms to improve public procurement procedures and public finance management, in order to enhance the capacities of our administration in project management.

25. **With the increased bond issuance in 2014, neutralization of revenue from the telecommunications sector and increased efficiency in tax collection by the revenue administration agencies, the revised budget will be consistent with the objectives of the ECF-supported program**. In the 2014 budget, fiscal revenue is estimated at 19.1 percent of GDP. At the DGI, a significant improvement in revenue is expected with the organizational reforms and the

policy to reduce tax exemptions. The control of exemptions has already started to bear fruit: in 2013, the level achieved was CFAF 73.6 billion against a target of CFAF 99 billion and a noticeable improvement has been realized in the first half of 2014 (CFAF 45.2 billion against the target of CFAF 108 billion). Combined with the organizational reforms of the tax administration, which is already underway, the implementation of regulations for enforcing administrative measures should significantly increase revenue generated by the DGI. For the DGD, the shocks arising from the security situation in the sub-region on trade flows should result in revenue losses, estimated at CFAF 10 billion.

26. **The underperformance of customs revenue observed during the first half of 2014 is expected to be contained through the ongoing reforms**: (i) the implementation of an electronic customs transit system would increase revenue by approximately CFAF 1.8 billion; (ii) the strengthening of ex-post control of customs declarations; (iii) the establishment of a customs office at SORAZ; (iv) the improvement in customs cooperation with Togo, Burkina Faso, Benin, Côte d'Ivoire and Ghana should strengthen the control of rules of origin within and outside the Union. Taxes on goods and services should also increase significantly with the adoption of the new threshold for VAT and the implementation of tax audits.

27. **For 2014, we expect to mobilize CFAF 137.6 billion in external budgetary financing in the form of grants and concessional loans**. CFAF 104.2 billion will be mobilized in the form of grants including: CFAF 36 billion will be provided by the World Bank, CFAF 40.3 billion by the European Union (including CFAF 8.2 billion for food security), CFAF 6 billion by the French Development Agency, CFAF 13 billion by AREVA and CFAF 6 billion by other multilateral and bilateral donors. Loans represent CFAF 33.4 billion, including CFAF 8.4 billion from the African Development Bank and CFAF 25 billion from the Republic of Congo.

D. The 2015 Budget

28. **For 2015, the Council of Ministers has adopted a budget aimed at supporting investment, while containing current expenditure**. The Government thus intends to continue to speed up implementation of its poverty reduction program through job creation. In terms of revenue, the budget includes exceptional revenue expected from the renewal of a 2G license and the sale of a 3G license to one telecommunications operator and bonus from the sale of an oil exploration permit.

29. **In terms of expenditure, emphasis has been put on priority sectors, including infrastructure**. The budget is geared towards enhancing the living standards of the population by allocating resources to priority sectors such as (i) security of persons and property, (ii) urban, village, and pastoral water supply, (iii) the 3N Initiative, including food security, (iv) infrastructure and energy, and (v) education and health. Spending on education, health and agriculture is expected to increase by 6.5 percent, while spending on infrastructure projects is expected to remain at about the same level as in 2014. The overall budget deficit, (including grants but excluding net lending) would be 6.6 percent of GDP, compared to 5.5 percent of GDP in 2014, the basic fiscal balance, excluding grants will be 3.7 percent of GDP, and including grants will be 1.8 percent of GDP. Given that this is

in line with the agreed fiscal framework and we (the Government) commit to execute the 2015 budget in line with the program. We will adjust expenditure in line with the realization of exceptional fiscal revenue, taking into account the absorption capacity.

30. **We hope to obtain grants and concessional loans from our development partners**. Budget support is thus estimated at CFAF 109.4 billion. Of this total grants amount to CFAF 92.1 billion, comprising of the following: CFAF 37.3 billion from the European Union, of which CFAF 8.5 billion to support food security, CFAF 6.5 billion from the AFD, CFAF 3.3 billion from the ARTP Investment Fund, CFAF 35 billion from the World Bank and CFAF 10 billion from other multilateral and bilateral donors. Loans, particularly from the African Development Bank (AfDB) are estimated at CFAF 17.3 billion.

31. **The government commits to execute the budget using the basic balance as the anchor in line with the framework agreed with the IMF**. In order to meet the program target and in the light of the concerns raised by the IMF regarding uncertainty related to the CFAF 49 billion (CFAF 34 billion from a telecoms license and CFAF 15 billion from the sale of a petroleum block) in exceptional revenue, the government commits to neutralize these revenues and an equivalent amount of investment expenditure pending the realization of the exceptional revenue. Thus, of the expected CFAF 49 billion, the government commits to carry out investment expenditure only to the tune of the amounts actually collected. The materialization of these windfalls will be confirmed by the BCEAO and the Treasury department upon receipt, to the IMF before its incorporation into the TOFEs.

STRUCTURAL REFORMS

32. **The achievement of the aforementioned macroeconomic objectives will require enhancing the implementation of the ongoing structural reforms and the implementation of new structural reform measures.** The public policies that we intend to put in place will focus on strengthening domestic revenue mobilization, improving public finance management and the business climate.

33. **In terms of fiscal revenue efforts, we intend to mobilize additional resources equivalent to 0.8 percentage point of GDP in 2015**. To achieve this objective, we will implement a comprehensive restructuring of the revenue collection and administration agencies. One of the key measures will include an establishment of a Performance Contract (PC) between the Minister of finance on one side and authorities of the Budget Directorate (DGB), Treasury and Public Accounting Directorate (DGTCP), Tax Directorate (DGI) and Customs Directorate (DGD) on the other.

34. **The established PC will outline the responsibilities of each party, setting specific revenue and budget execution targets.** This reform is principally aimed at overhauling the expenditure chain and enhancing the efficiency of revenue collection agencies. In implementing these measures, we shall seek technical assistance from the IMF. For example, the tax administration reforms will include streamlining of the income tax system, making it more efficient and appropriate for medium-sized businesses and for the control of exemptions. Reforms of the customs directorate

should result in improved governance, better monitoring of the flow of goods and exemptions, and enhanced control.

Public Finance Management

35. **The implementation of the action plan for public finance management will be pursued, including through the following actions:**

- **Limiting expenditure without prior authorization to a maximum of 5 percent of authorized expenditure (This is a structural benchmark for each quarter)**: In the first half of 2014, this expenditure was 1.5 percent of total expenditure compared to the target of 5 percent. These exceptional expenditures are mostly related to travel and medical evacuation. We shall continuously remind all government departments and agencies to strictly comply with this requirement.

- **Accelerating the pace of budget execution**: The execution of expenditure, particularly capital expenditure tends to be slow because of delays in procurement procedures and other bottlenecks related to the project cycle. The government will accelerate the implementation of measures to address constraints in the execution of the investment budget, undertake reviews of expenditure programs, consolidate the activities of the budget regulation and government cash flow monitoring committee, and establish a budget committee to select priority expenditure items in order to improve efficiency of budget allocations. Already during the 2014 fiscal year, significant progress has been made in the release of credits; the credits for the first quarter were made available on January 16, in the second and third quarters, credits were made available on April 14 and July 14 respectively. For the last quarter credits were made available on October 10. In addition, the government will take the necessary measures for the implementation of the plan to speed up the utilization of investment credit allocations.

- **Implementing a Treasury Single Account (TSA):** Progress has been made in this area: the case-by-case review of dormant and irregular bank accounts will continue, with a view to gradually closing them. To this end, following the inventory[1] and the order of the Ministry of Finance, the government had started to close some public bodies' accounts in commercial banks. In addition, the government has developed administrative capacities (by training officials in charge of the TSA project) to accelerate the implementation of the TSA. Nonetheless, there are challenges related to the absence of a legal framework for transferring of the account balances to the BCEAO.

- **Establishing a single account, updating the inventory of accounts and designing the structure of the Treasury Single Account**: The inventory of accounts is now obsolete and

[1]The survey identified 1,954 accounts in different banks locally (including 1,787 for Public Administration Organizations (EPAs) and 167 for Industrial Public Organizations (EPI) with a total asset value of CFAF 52.9 billion.

will need updating, given that the first inventory of accounts was conducted in March 2012. The government commits to update the inventory of accounts based on the experience of other African countries.

- **Improving the budgetary process**: Parliament has approved the bill on fiscal transparency to improve and strengthen expenditure tracking. In addition, we will continue to prepare quarterly reports on budget execution on the basis of commitments, authorizations and payments (quarterly structural benchmark) and a schedule of poverty reduction expenditures. These documents will be submitted to the IMF within six weeks after the end of each quarter.

- **Strengthening institutional coordination between the Ministry of Planning and the Ministry of Finance**: We expect significant progress in improving the flow of information between the two ministries, particularly by making the Inter-Ministerial Debt Management Committee operational, and ensuring the proper functioning of the budget regulation and cash flow monitoring committee and the joint macroeconomic framework and budget committee.

- **Improving liquidity management**: Following our commitment to develop quarterly liquidity management and commitments plans, (the first and second quarter plans will be submitted to the IMF) the government adopted a decree transforming all divisions in charge of public procurement into Public Procurement Directorates within the various ministries. Similarly, to improve the rates of credit use, during the December 20, 2013 meeting of the Council of Ministers, the government adopted as specific measures, the recommendations arising from the study on bottlenecks in the execution of the public capital spending (quarterly structural benchmark). Liquidity management plans have already been developed in Q1 and Q2 of 2014 and copies will be made available to the IMF.

36. **In line with the general reform plan, we shall continue to build capacities at the customs administration to ensure implementation of its strategic plan**. The customs administration is fine-tuning the reforms that have already been initiated: including (i) the establishment of two regional directorates at Diffa and Agadez and creation of three fully fledged offices at key mining and oil production locations. The office at the SORAZ refinery has officially been commissioned. The offices for the Agadem oilfield and Imouraren uranium mine will be set up when these units become operational; (ii) the adoption of the Information Technology Development Plan; (iii) tracking the management of exemptions and other economic regimes. The customs administration intends to deploy an application for managing exemptions around June 2015.

37. **The customs administration intends to implement the following reforms aimed at improving its performance**: (i) the establishment of an electronic transit system; (ii) early clearance of goods; (iii) making customs documentation secure, (iv) establishment of a single interconnection server linking up various offices; (v) enhancing administrative assistance with Benin, Togo and Burkina Faso through interconnection and secondment of customs staff at ports level; and (vi) the migration from ASYCUDA++ to ASYCUDA World. In February 2014, a funding request was

submitted to the World Bank, with a favorable opinion. The World Bank recently issued a no-objection to the draft terms of reference and the customs administration will proceed to work on the effective migration with UNCTAD. The process is expected to last 24 months.

38. **During the 2015 fiscal year, the DGI will enhance reforms in the area of regulations and establish partnerships with economic agents with a view to simplifying tax legislation**. The reforms included in the 2015 finance law are aimed at meeting the following three objectives: (i) consolidate existing legal instruments; and (ii) harmonize the fiscal framework with new provisions of the West African accounting system, SYSCOA. The DGI also wishes to modernize its partnership with civil society. In addition to organizing seminars on streamlining legislation, taxation litigation will be reorganized with the imminent establishment of a tax arbitration committee (CARF), aimed at enhancing and accelerating the efficiency of taxation processes. In terms of income tax (ISB), a new measure has been introduced to take into account SYSCOA accounting framework. It enables companies to breakdown the components of fixed assets for purposes of depreciation. In terms of excise duties, we will raise tax rates on alcoholic beverages and tobacco from 45 percent and 40 percent to 50 percent and 45 percent, respectively.

39. **Organizational reforms are also underway in the directorates of the General Tax Administration (DGI)**. The categories of taxpayers managed by the various bodies of the DGI have been reviewed to better define the target population covered by each directorate. A circular was issued setting out the thresholds for categorizing businesses as small, medium and large-sized. The 2013 Finance Law raised the turnover threshold from CFAF 30 million to CFAF 50 million for a company to be liable for VAT. Nevertheless, there is still room for improvement with regard to the control of exemptions. The government recently reorganized the Small and Medium Enterprises Directorate into a Medium Enterprises Directorate (for businesses with a turnover between CFAF 50 million and CFAF 500 million) with regional directorates (for businesses whose turnover is less than CFAF 50 million), while maintaining a Large Enterprises Directorate for businesses with a turnover above CFAF 500 million (up from the previous CFAF 300 million threshold). This will allow for specific focus on medium-sized businesses that can help generate tax income.

40. **A number of other measures are planned to reorganize the DGI's fiscal control office**. A new organizational structure is aimed at boosting the efficiency of the units, in particular those in charge of research. The establishment of regional investigation and research brigades in the eight regional directorates will ensure effective control throughout the national territory. The entire administration is to be fully computerized, with the deployment of a new integrated application called computerized taxes and taxpayers monitoring system (SISIC). All these organizational measures are expected to generate at least CFAF 12 billion in revenue during the year.

41. **The DGI will continue with its efforts to improve internal controls as follows**: improve quality of accounting in partnership with the Treasury (DGTCP) and the Court of Accounts, monitor the activities of tax collectors, publish procedural guides, and professionalization of the inspectorate unit.

Improving public investments management and observance of the complementary period

42. **The government intends to enhance public investment management on the basis of the reform program suggested by the IMF Fiscal Affairs Department (FAD) mission in April 2013 and taking into account other existing initiatives, including at the World Bank and GIZ**.[2] The government is therefore committed—on the basis of the conclusions of the 2013 IMF technical assistance mission and the constraints identified in the areas of existing public investment projects selection, budgeting, implementation monitoring and ex-post evaluation processes, and following the suggested action plan— to design and implement a specific action plan to deal with identified constraints and develop budget management capacities between 2015 and 2017. The government will thus implement the following measures:

- In the short term: (i) the Ministry of Finance will issue a circular[3] recalling the provisions regarding the termination of commitments in relation to the complementary period; (ii) line ministries will draft scalable public procurement and credit commitment plans, to enable the Ministry of Finance to prepare more realistic commitment and cash flow plans, thus avoiding concentrating expenditure towards the end of the year; (iii) the DGB will meet with the line ministries at the end of each quarter to prepare the release of credits;

- In the medium term, the government will request technical assistance from the IMF to help with the establishment of the institutional mechanism of the 2012 budget law and preparing an action plan for effective implementation of budget programs by 2017 with the objective to ensure compliance with the 2012 organic law so that authorization commitments and payment credits are budgeted under the finance law (structural benchmark).

Debt Management

43. **We are committed to improving the management of the public debt.** In that framework, we will improve the information sharing and data transmission. To this end, we will revitalize and strengthen the status and role of the National Committee on Public Debt Management (CNGDP) within the administration. We are now, also committed to provide it with any new agreements regarding government loans and guarantees, including funding in the natural resource sector to ensure detailed analysis of public debt sustainability. We intend to continue to send to the IMF semi-annual detailed reports on outstanding public debt, new commitments and borrowings (including disbursements), and public debt service. These reports will also provide an analysis of the costs and risks associated with the external and domestic public debt portfolio.

44. **We remain committed to pursuing a prudent debt policy to fund our investment plans while ensuring debt sustainability.** In this context, we will continue to limit government

[2] GIZ supports the German government in achieving its objectives in the field of international cooperation.

[3] A copy of the letter will be sent to the IMF.

guarantees and carefully assess the impact of new borrowing on debt sustainability. We intend to finance investment projects with concessional resources. The loans will be limited to high-return and properly-assessed projects. Where concessional resources would not be sufficient to finance high-return projects, we will consult with the IMF to consider the scope for amending the financial program to include non-concessional loans, provided that such loans meet the requirements of debt sustainability.

45. **We are currently negotiating with China EximBank to secure a loan of US$880 million (CFAF 437.4 billion) on more favorable terms to replace the current loan for the SORAZ oil refinery.** A credit line amounting to US$1 billion with EximBank of China (about 13 percent of GDP) was contracted in September 2013 and approved by the National Assembly in June 2014 and the legal non-objection from the Constitutional Council was issued on October 10, 2014. This credit line will be used to finance major infrastructure projects and highly profitable industrial projects. The general terms of this credit line—earmarked for specific transformative projects—are 25 years maturity, with a grace period of 8 years and an interest rate of 2 percent.

46. **Steps are being taken to improve coordination of loan agreements**. By order of the Prime Minister dated December 17, 2013, we set up an Inter-Ministerial Committee to enhance public debt management procedures and eliminate the risk of non-compliance with the criterion for new agreements on non-concessional loans and containing the impact of new loans on public debt sustainability. This order also established joint signatures by the Minister of Finance and Minister of Planning for non-concessional loans and loans with non-traditional partners. The Inter-Ministerial Committee's mandate is to ensure effective debt policy and review terms and conditions of non-concessional loans and loans from non-traditional partners. The order of the Prime Minister also defined mechanisms for information sharing among all partners, including the IMF. The government will take steps to improve and enhance the full functioning of the Inter-Ministerial Committee. The Committee has held two meetings in the last four months and is currently drafting its rules of procedure and considering a debt management strategy, with the support of partners.

Natural Resources Management

47. **We shall continue to implement measures aimed at enhancing sound natural resource management**. In May 2013, the findings of the recent audit of the refinery were made public. Like the audit of the production of the Agadem block, the audit showed that costs could be significantly reduced. Based on these findings, the refinery's control committee is implementing cost reduction measures to enhance performance control. Moreover, the process of refinancing the US$880 million (CFAF 437.4 billion) loan to the SORAZ refinery at better terms is about to be completed.

48. **In the uranium sector, we will continue to implement measures to increase the government's share of income derived from the uranium mining.** The mining agreements between the companies of the AREVA group and the government will be renewed as per the Mining Code contained in the Mining Act No. 2006-26 of August 9, 2006. The decree authorizing the signing of new agreements between the government and SOMAIR and COMINAK was adopted by the Council of Ministers on October 10, 2014. Two audits contributed greatly to pushing the

negotiations ahead. One was financed by AREVA and assessed the impact of enforcing the 2006 mining code tax regime and the other was funded by development partners. In order to increase the government's share of incomes from mining, we are striving to diversify the investor base and to this end, a number of exploration permits have been granted to new companies. To better defend the interests of Niger in mining projects, we are enhancing the role of *the Société des Patrimoines des Mines du Niger* (SOPAMIN), which is in charge of managing the public investment portfolio in mining companies. We will ensure that international best practices are observed and that the total amount of dividends is paid back to the Treasury.

49. **In 2013, production of the SORAZ refinery and exports increased.** The technical challenges that affected production in the first year of operation were resolved and production reached 18,000 barrels/day in 2013. Nevertheless, while it was expected that the refinery would reach full capacity of 20,000 barrels/day in 2014, because of the maintenance work in late 2014, production will only reach about 18,000 barrels a day. Commercialization of refined petroleum products by the *Société Nigérienne de Produits Pétroliers* (SONIDEP) has improved and exports to neighboring countries have increased.

50. **We have conducted feasibility studies to assess both the feasibility and the profitability of the project to export crude oil, which is expected to come on stream in 2017.** A recent study conducted by CNPC has revised estimates of oil reserves in the Agadem block in favor of production of 80,000 barrels/day for an estimated 25 years including 60,000 barrels/day for export. The government and CNPC expect to be able to begin exporting crude oil from 2017. We also conducted a comparative cost analysis of various export projects. Of the five (5) potential routes identified for transporting crude oil, the Government of Niger has selected the route through Chad. A restricted tender will be launched among CNPC subsidiaries to recruit an operator in charge of constructing the pipeline. At the same time, the government plans to set up a company in charge of managing the pipeline. Niger's participation in the project is expected to be in the form of a holding company whose terms are being defined.

51. **The government is determined to continue to ensure transparency in the extractive industries sector**. The report of the Extractive Industries Transparency Initiative (EITI) on tax revenues generated by extractive industries for 2011 was published in November 2013.

Financial Sector

52. **Despite progress made in the recent years, financial sector development remains inadequate, compared to other countries in the region.** Overall, the banking sector is appropriately capitalized and prudential indicators have improved in recent years. However, heterogeneity between banks still exists.

53. **We will pursue our efforts to develop the financial system with a view to ensuring that it effectively contributes to the development of the Nigerien economy.** The government's development program for this sector, which takes the form of a document entitled "Financial Sector Development Strategy 2014-19", was revised in July 2014 to include comments from the Council of

Ministers and development partners. This version was adopted on October 13, 2014 by the Cabinet Council and has been approved by the Council of Ministers on November 14, 2014. This plan is a comprehensive framework that aims to: i) improve stability and transparency; ii) deepen financial intermediation in every sector of the economy; iii) strengthen the legal and judicial system, and iv) improve regulation and supervision of the sector.

54. **To ensure business continuity for a number of banks deemed important or playing a strategic role, the government has invested equity in three institutions under restructuring**. According to the government, the survival of these banks is vital to the economy. Contacts have therefore been established with private investors who have expressed interest in acquiring the government's shares in BIA (*Banque International pour l'Afrique*). Following these contacts, the government has identified a strategic partner, namely the Morrocan *Banque Centrale Populaire* (BCP) Group. BAGRI (*Banque Agricole*), which had been placed under temporary administration for a period of 9 months ending on April 1, 2014, is now undergoing restructuring. A new board of directors has been established with a new Managing Director appointed. The government continues to seek buyers for its shares. The *Banque Régionale de Solidarité* (BRS) has been restructured through a merger and acquisition by BRS Côte d'Ivoire. BRS Côte d'Ivoire was then sold to the West African Development Bank (BOAD) 44 percent of the shares and to the ORABANK Group (ORAGROUP) for the remaining 56 percent of shares.

Business Climate

55. **We acknowledge the need to diversify our economy beyond agriculture and natural resources**. To this end, it is necessary to create an enabling environment for the private sector and attract more foreign direct investment. In our efforts to improve the business climate, we have created a dedicated Ministry of Trade and Private Sector Promotion to promote the private sector.

56. **We shall also continue to implement the following measures:** (i) the renewed activities of the National Council for Private Investors (CNIP), which provides advice to the authorities on ways to promote the private sector and provides a framework for dialogue between the government and the private sector; (ii) the establishment of a permanent dialogue and framework for cooperation between the private sector (represented by the Chamber of Commerce) and the Ministry in charge of trade; (iii) the creation of a Business Promotion Center (*Maison de l'Entreprise*) with a one-stop-shop whose mission is to facilitate business creation and to support the *Centre des Formalités des Entreprises* (CFE) and the Center for Investment Promotion (CPI); (iv) the establishment of an institutional structure (the Doing Business committee) to improve business climate indicators; (v) the launch of a program to integrate trade into development strategies (integrated framework) together with the establishment of a management unit; (vi) the drafting of a decree establishing a one-stop-shop dealing with the advantages enshrined in the investment code; (vii) the adoption of a public-private partnership law, as well as the establishment of a technical coordination unit. In this context, the government has already adopted the law on the tax and accounting system governing public-private partnerships and the consultation on business access to financing.

PROGRAM MONITORING

57. **The IMF Board of Directors will continue to monitor the program biannually, based on** quantitative monitoring indicators (Tables 1, 2), the structural benchmarks and prior actions (Tables 3, 5). These indicators are defined in the attached Technical Memorandum of Understanding (TMU). The biannual reviews will be supported by data at end-June and end-December. The authorities will send to the IMF statistical data and information contained in the attached Technical Memorandum of Understanding, as well as any other information deemed necessary or asked by staff for monitoring purposes. During the program period, the government will refrain not only from introducing or increasing restrictions on payments and transfers on the current international transactions without prior approval by the IMF, but also from introducing any practices of multiple exchange rates whatsoever; from concluding bilateral agreements that are not compliant with Article VIII of the Articles of Agreements of the IMF, and from introducing or tightening restrictions on imports for balance of payment purposes.

58. **The program will be subject to biannual reviews, and performance will be assessed on the basis of the performance criteria and the indicative targets included in the fiscal framework agreed with the IMF**. The sixth and seventh reviews are scheduled to be completed respectively on or after June 2015 and on or after November 2015 on the basis of the targets at end-December 2014 and end-June 2015 respectively.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (December 2012–December 2013)

(Billions CFA francs)

	End-March 2013 Indicative Targets			End-June 2013 Performance Criteria			End-September 2013 Indicative Targets			End-December 2013 Performance Criteria		
	Program	Actual	Status	Program	Actual	Status	Program	Actual	Status	Program	Actual	Status
A. Quantitative performance criteria and indicative targets[1]												
(cumulative for each fiscal year)												
Net domestic financing of the government	0.0	53.7		-19.0	49.9		-24.7	1.0		-25.4	13.1	
Adjusted criteria [2]	-5.1	53.7	Not Met	-4.0	49.9	Not Met	-9.7	1.0	Not Met	-12.7	13.1	Not Met
Reduction in domestic payment arrears of government obligations[3]	-1.3	-23.5	Met	-2.5	-27.8	Met	-3.8	-9.0	Met	-5.0	-22.4	Met
Memorandum item:												
External budgetary assistance [4]												
Budget support	9.9	15.0		66.2	15.0		86.9	63.8		110.1	97.4	
B. Continuous quantitative performance criteria[1]												
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New external debt contracted or guaranteed												
by the government with maturities of less than 1 year[5]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New nonconcessional external debt contracted or guaranteed												
by the government and public enterprises with maturities of 1 year or more [6]	0.0	8.0	Not Met	0.0	8.0	Not Met	0.0	8.0	Not Met	0.0	8.0	Not Met [7]
C. Indicative Targets												
(cumulative for each fiscal year)												
Basic budget balance (commitment basis, excl. grants)[8]	-12.1	-42.4	Not Met	-44.5	-36.5	Met	-54.7	-52.2	Met	-522.1	-77.7	Met
Total revenue[9]	125.7	115.3	Not Met	280.5	272.6	Not Met	439.7	455.6	Met	617.8	628.5	Met
Spending on poverty reduction[9]	72.0	51.3	Not Met	170.3	162.1	Not Met	259.2	250.9	Not Met	366.6	359.9	Not Met

Note: The terms in this table are defined in the TMU.

[1] Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise.

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2013.

[3] Minimum.

[4] External budgetary assistance (excluding net financing from the IMF).

[5] Excluding ordinary credit for imports or debt relief.

[6] Excluding debt relief obtained in the form of rescheduling or refinancing.

[7] Non-observance of the criteria was waived at the 2nd and 3rd review.

[8] Minimum. Including the loan for the construction of the SORAZ refinery.

[9] Minimum.

Table 2. Niger: Quantitative Performance Criteria and Indicative Targets (March 2014–June 2015)

(Billions CFA francs)

	End-March 2014 IT			End-June 2014 PC			End-September 2014 IT			End-December 2014 PC		End-March 2015 IT	End-June 2015 PC
	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Proj.	Status	Prog.	Rev. Prog.	Prog.	Prog.
A. Quantitative performance criteria and indicative targets[1]													
(cumulative for each fiscal year)													
Net domestic financing of the government	0.2	66.6		0.3	97.3		0.5	72.2		0.6	54.5	19.6	41.3
Adjusted criteria [2]	15.2	66.6	Not Met	15.3	97.3	Not Met	15.5	72.2	Not Met	…	…	…	…
Reduction in domestic payment arrears of government obligations[3]	-1.3	-8.4	Met	-2.5	-9.5	Met	-3.8	-4.2	Met	-5.0	-10.0	-1.8	-3.5
Memorandum item:													
External budgetary assistance [4]													
Budget support	29.1	6.6		62.0	13.9		89.9	48.1		120.2	116.4	12.6	26.2
B. Continuous quantitative performance criteria[1]													
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of less than 1 year[5]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more [6]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0
C. Indicative Targets													
(cumulative for each fiscal year)													
Basic budget balance (commitment basis, excl. grants)[7]	-26.9	-62.1	Not Met	-47.0	-108.9	Not Met	-100.0	-120.3	Not Met	-112.5	-161.6	-25.9	-55.9
Basic budget balance (commitment basis, incl. grants)[7]	…	…		…	…		…	…		…	-78.6	-17.6	-38.4
Total revenue[8]	178.9	135.9	Not Met	357.6	303.3	Not Met	522.8	523.4	Met	731.0	753.3	193.9	388.9
Spending on poverty reduction[8]	120.1	70.2	Not Met	236.0	206.4	Not Met	363.3	329.3	Not Met	492.0	507.6	114.3	231.4

Note: The terms in this table are defined in the TMU.

[1] Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise.

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2014 and 2005.

[3] Minimum.

[4] External budgetary assistance (excluding net financing from the IMF).

[5] Excluding ordinary credit for imports or debt relief.

[6] Excluding debt relief obtained in the form of rescheduling or refinancing.

[7] Minimum. Excluding the loan for the construction of the SORAZ refinery.

[8] Minimum.

Table 3. Niger: Prior Actions and Structural Benchmarks, 2013

Measures	Timetable	Macroeconomic Rationale	Progress
Prepare comprehensive quarterly budget reports on a commitment, payment order, and payment basis to be submitted to IMF staff within six weeks.	Quarterly	Improve budget and cash flow management	Met
Limit unauthorized expenditure to a maximum of 5 percent of spending commitments, with the exception of debt service payments and budget expenditure associated with exemptions.	Quarterly	Improve budget and cash flow management	Met
Establish a Treasury Single Account.	End-December 2013	Improve cash flow management	Not met *Proposed to be reset to end-June 2014*
Quarterly budget allocations will be released no later than four weeks after the start of the first, second, and third quarters.	Quarterly	Improve budget execution	Not Met *Proposed to be reset to end-March 2014*
Prepare quarterly cash management and commitment plans to take account of spending ministries' plans for contract awards; the plans will be aligned with one another and updated monthly.	Quarterly (Q2-Q4)	Improve cash flow management	Not met *Proved to be a too complex reform (more time is necessary)*

Table 4. Niger: Prior Actions and Structural Benchmarks, 2014

Measures	Timetable	Progress and/or Macroeconomic Rationale
Finalize the study to select the path of the pipeline.	Prior Action for the second and third review	Met
Launch an international tender for the selection of the company that will build the pipeline.	End-September 2014	Not Met Implications for fiscal and debt sustainability. Ongoing discussions to secure all the authorizations
Publish a formal annual borrowing plan detailing the government's planned external borrowing for the year.	End-December 2014	Not Met Ensure that borrowing is consistent with the debt management strategy (Intermediary steps identified)
Introduce a quarterly reporting of debt management activities to the National Public Debt Management Committee (MEFP, ¶11).	Quarterly starting with June 2014	Met Assess compliance of the borrowing activities with the plans set in the debt management strategy (and with IMF conditionality). (June and September reports released).
Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditures, with the exception of debt-service payments and fiscal expenditure related to exemptions.	Quarterly	Met Improve budget and cash management
Progress in implementing customs reform with respect to declarations, tax exemptions, customs controls on oil products, and better use of ASYCUDA	End-June 2014	Not Met Speed up the customs reform and enhance revenue collection
Quarterly budget allocations will be released no later than four weeks after the start of the first, second, and third quarters.	Quarterly, from March 2014	Met Improve budget execution
Establish a Treasury Single Account.	End-June 2014	Not met Improve cash flow management (Intermediary steps identified)
Approve the decree to implement the financial sector reform plan.	End-December 2014	Met Support the development of the financial market

Table 5. Niger: Newly Proposed Structural Benchmarks, 2015

Measures	Timetable	Macroeconomic Rationale
Census of Accounts for the TSA.	End-March 2015	Improve cash flow management
Adopt the design of the TSA.	End-September 2015	Improve cash flow management
Put in place the one stop shop for the investment code.	End-September 2015	Improve business environment
Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditure, with the exception of debt-service payments and fiscal expenditure related to exemptions.	Quarterly	Improve budget and cash management
Operationalize the custom electronic transit.	End-September 2015	Improve custom revenue collection
Finalize a study on the introduction of the investment budgeting in commitment authorization and payment credit.	End-September 2015	Improve the management of investments through the implementation of the program budgeting system
Prepare a comprehensive procurement plan to match a commitment plan and a cash plan.	Annually	Improve budget management, avoid the pile-up spending toward the end of the year

Table 6. Niger: Proposed Scheduled Disbursements under the ECF Arrangement, 2012-15

Amount (Millions)	Conditions Necessary for Disbursement	Date Available
SDR 11.28	Executive Board Approval of the ECF Arrangement	March 16, 2012
SDR 11.28	Observance of June 30, 2012 and continuous performance criteria, and completion of the first review under the arrangement	November 1, 2012
SDR 11.28	Observance of December 31, 2012 and continuous performance criteria, and completion of the second review under the arrangement	May 1, 2013
SDR 11.28	Observance of June 30, 2013 and continuous performance criteria, and completion of the third review under the arrangement	November 1, 2013
SDR 5.64	Observance of December 31, 2013 and continuous performance criteria, and completion of the fourth review under the arrangement	December 23, 2014
SDR 5.64	Observance of June 30, 2014 and continuous performance criteria, and completion of the fifth review under the arrangement	December 23, 2014
SDR 11.28	Observance of December 31, 2014 and continuous performance criteria, and completion of the sixth review under the arrangement	June 1, 2015
SDR 11.28	Observance of June 30, 2015 and continuous performance criteria, and completion of the seventh review under the arrangement	November 30, 2015

Source: International Monetary Fund.

Attachment II. Technical Memorandum of Understanding

1. **This technical memorandum of understanding defines the performance criteria and indicative targets of Niger's program under the Extended Credit Facility (ECF) arrangement for the period 2012–Q1 2015.** The performance criteria and indicative targets for end-June and end-December 2013 are set out in Table 1 of the attached Memorandum of Economic and Financial Policies (MEFP) dated December 17, 2013. This technical memorandum of understanding also sets out data-reporting requirements for program monitoring.

DEFINITIONS

2. **For the purposes of this technical memorandum, the following definitions of "government," "debt," "payments arrears," and "government obligations" "will be used:"**

a) **Government** refers to the central government of the Republic of Niger; it does not include any political subdivision, public entity, or central bank with separate legal personality.

b) As specified in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009, **debt** will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being are as follows: (i) loans, i.e. advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lesser retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

c) **External payments arrears are payments due but not paid. Domestic payments arrears** are domestic payments owed by the government but not paid. They include authorized fiscal year expenditure that is not paid within 90 days.

d) **Government obligation** is any financial obligation of the government accepted as such by the government (including any government debt).

Quantitative Performance Criteria

A. Net Domestic Financing of the Government

Definition

3. **Net domestic financing of the government** is defined as the sum of (i) **net bank credit to the government;** (ii) **net nonbank domestic financing of the government**, including government securities issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks, proceeds from the sale of government assets, and privatization receipts.

4. **Net bank credit to the government** is equal to the balance of government claims and debts vis-à-vis national banking institutions. Government claims include cash holdings of the Nigerien Treasury, secured obligations, deposits with the central bank, and deposits of the Treasury (including regional offices) with commercial banks. Government deposits with commercial banks are excluded from government claims insofar as they are used solely to finance externally financed capital expenditure.

5. **Government debt to the banking system includes assistance from the central bank (excluding net IMF financing under the ECF arrangement and the CFAF counterpart of the 2009 General SDR Allocation), assistance from commercial banks (including government securities held by the central bank and commercial banks), and deposits with the CCP (postal checking system)**.

6. **The scope of net bank credit to the government as defined by the BCEAO includes all central government administrations.** Net bank credit to the government and the amount of Treasury bills and bonds issued in CFAF on the WAEMU regional financial market are calculated by the BCEAO.

7. **Net nonbank domestic financing** includes (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of Treasury correspondents' deposit accounts; (iii) the change in the balance of various deposit accounts at the Treasury; and (iv) the change in the stock of claims on the government forgiven by the private sector. Net nonbank financing of the government is calculated by the Nigerien Treasury.

8. **The 2014 quarterly targets are based on the change between the end-December 2013 level and the date selected for the performance criterion or indicative target.**

Adjustment

9. The **ceiling on net domestic financing of the government** will be subject to adjustment if disbursements of external budgetary support net of external debt service and external arrears payments, including disbursements under the ECF arrangement, fall short of program projections.

10. **If, at the end of each quarter of 2014, disbursements of external budgetary support fall short of the projected amounts at the end of each quarter, the corresponding quarterly ceilings will be raised pro tanto, up to a maximum of CFAF 15 billion.**

Reporting requirement

11. **Detailed data on domestic financing of the government will be provided monthly, within six weeks after the end of each month.**

B. Reduction of Domestic Payments Arrears

Definition

12. **The reduction of domestic payments arrears is equal to the difference between the stock of arrears at end-2013 and the stock of arrears on the reference date.**

13. **The *Centre d'amortissement de la dette intérieure de l'État* (CAADIE) and the Treasury are responsible for calculating the stock of domestic payments arrears on government obligations and recording their repayment.**

Reporting requirement

14. **Data on the stock, accumulation (including the change in Treasury balances outstanding), and repayment of domestic arrears on government obligations will be provided monthly, within six weeks following the end of each month.**

C. External Payments Arrears

Definition

15. **Government debt** is outstanding debt owed or guaranteed by the government. For the program, the government undertakes not to accumulate external payments arrears on its debt (including Treasury bills and bonds issued in CFAF on the WAEMU regional financial market), with the exception of external payments arrears arising from debt being renegotiated with external creditors, including Paris Club creditors.

Reporting requirement

16. **Data on the stock, accumulation, and repayment of external payments arrears will be provided monthly, within six weeks following the end of each month.**

D. External Nonconcessional Loans Contracted or Guaranteed by the Public Sector

Definition

17. **The government and the public enterprises listed in ¶21 will not contract or guarantee external debt with an original maturity of one year or more and having a grant element of less than 35 percent.** For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[1] The discount rate used for this purpose is 5 percent.[2]

18. **This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by Decision No. 6230 (79/140) of the Executive Board of the IMF, as amended effective December 1, 2009, but also to any obligation contracted or guaranteed for which no value has been received**. However, this performance criterion does not apply to financing provided by the IMF and to debt rescheduling in the form of new loans.

19. **For the purposes of the relevant criteria, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or kind).**

20. **For the purposes of the relevant performance criterion, external debt is defined as debt borrowed or serviced, or requiring repayment, in a currency other than the CFA franc.** This definition also applies to debt among WAEMU countries.

21. **For the purposes of this performance criterion, the public sector includes the government, as defined in ¶2 above, and the following public enterprises:** (i) Société Nigérienne d'Electricité (Nigelec); (ii) Société de Construction et de Gestion des Marchés (Socogem); (iii) Société de Patrimoine des Eaux du Niger (SPEN), (iv) Société Nigérienne de Charbon (Sonichar), (v) Société Nigérienne des Produits Pétroliers (Sonidep), (vi) Société Nigérienne des

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[1] The calculation of concessionality will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

[2] On October 11, 2013, the Executive Boards of the IMF and the World Bank adopted a new methodology setting a single, unified discount rate to calculate the grant element of individual loans. The new unified discount rate is set at 5 percent (see http://www.imf.org/external/np/pdr/conc/calculator/.)

Télécommunications (Sonitel), (vii) Société de Patrimoine des Mines du Niger (Sopamin); and (viii) Société Hôtel Gaweye (SPEG).

Reporting Requirement

22. **Details on all external public sector debt will be provided monthly, within six weeks after the end of each month. The same requirement applies to guarantees granted by the central government**. The Ministry of Finance will regularly forward to Fund staff a list of loans in process of negotiation. It will also prepare semiannual reports on any external debt contracted or in process of negotiation and the terms thereof, as well as on the borrowing program for the next six months, including the terms thereof, and will forward them to Fund staff.

E. Short-Term External Debt of the Central Government

Definition

23. **The government will not accumulate or guarantee new external debt with an original maturity of less than one year.** This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009, but also to any obligation contracted or guaranteed for which no value has been received. Short-term loans related to imports are excluded from this performance criterion, as are short-term securities issued in CFAF on the regional financial market.

Reporting requirement

24. **Details on all external government debt will be provided monthly, within six weeks following the end of each month. The same requirement applies to guarantees granted by the government**.

Quantitative Targets

F. Definitions

25. **Total revenue is an indicative target for the program.** It includes tax, nontax, and special accounts revenue, but excludes proceeds from the settlement of reciprocal debts between the government and enterprises.

26. **The basic fiscal deficit is defined as the difference between: (i) total tax revenue as defined in ¶22; and (ii) total fiscal expenditure excluding externally financed investment expenditure but including HIPC-financed expenditure.**

27. **The basic fiscal deficit, WAEMU definition, is defined as the basic balance defined in paragraph 26 increased by the budgetary grants.**

28. **The floor on poverty-reducing expenditure is an indicative target for the program.** This expenditure comprises all budget lines included in the Unified Priority List (UPL) of poverty-reducing and HIPC-financed expenditure.

G. Reporting Requirement

29. **Information on revenue and expenditure will be provided to the IMF monthly, within six weeks after the end of each month**.

30. **Information on UPL expenditure will be provided to the IMF monthly, within six weeks after the end of each quarter**.

Additional Information For Program Monitoring

H. Government finance

31. **The government will forward the following to IMF staff**:

- Detailed monthly estimates of revenue and expenditure, including priority expenditure, the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue;
- The Table of Government Financial Operations with comprehensive monthly data on domestic and external financing of the budget, and changes in arrears and Treasury balance outstanding. These data are to be provided monthly, within six weeks following the end of each month;
- Comprehensive monthly data on net nonbank domestic financing: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of Treasury correspondents' deposit accounts; (iii) the change in the balance of various deposit accounts at the Treasury (iv) the change in the stock of claims on the government forgiven by the private sector;
- Quarterly data on expenditure for UPL lines (statement of appropriations approved, disbursed, and used);
- Quarterly reports on budget execution, including the rate of execution of poverty-reducing expenditure and, in particular, the use of appropriations by the line ministries concerned (National Education, Public Health, Equipment, Agriculture, Livestock);
- Monthly data on the balances of accounts of the Treasury (Treasury trial balance) and of other public accounts at the BCEAO;
- Monthly data on Treasury balances outstanding, by reference fiscal year, with a breakdown of maturities of more than and less than 90 days;

- Monthly data on effective debt service (principal and interest) compared with the programmed maturities provided within four weeks after the end of each month; and
- List of external loans contracted or in process of negotiation and projected borrowing in the next six months, including the financial terms and conditions.

I. Monetary Sector

32. **The authorities will provide the following information each month, within eight weeks following the end of each month:**

- Consolidated balance sheet of monetary institutions and, in applicable cases, the balance sheets of individual banks;
- Monetary survey, within eight weeks after the end of the month (provisional data);
- Borrowing and lending interest rates; and
- Customary banking supervision indicators for banks and nonbank financial institutions (if necessary, these same indicators for individual institutions may also be provided).

J. Balance of Payments

33. **The government will give IMF staff the following information**:

- Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions) whenever they occur; and
- Preliminary annual balance of payments data, within six months after the end of the reference year.

K. Real Sector

34. **The government will provide IMF staff with the following information:**

- Disaggregated monthly consumer price indexes, within two weeks following the end of each month;
- The national accounts, within six months after the end of the year; and
- Any revision of the national accounts.

L. Structural Reforms and Other Data

35. **The government will provide the following information**:

- Any study or official report on Niger's economy, within two weeks after its publication;

- Any decision, order, law, decree, ordinance, or circular with economic or financial implications, upon its publication or, at the latest, when it enters into force;
- Any draft contract in the mining and petroleum sectors involving the direct financial participation or guarantee of the government;
- Any new information on the mining and petroleum sectors, including production and sales volumes, prices, and foreign investment; and
- Any agreement with private sector stakeholders having economic or financial repercussions for the government, including in the natural resources sector.

Summary of Data to be Reported			
Type of Data	**Tables**	**Frequency**	**Reporting Requirement**
Real sector	National accounts.	Annual	End-year + 6 months
	Revisions of the national accounts.	Variable	8 weeks after the revision
	Disaggregated consumer price indexes.	Monthly	End-month + 2 weeks
Government finance	Net government position vis-à-vis the banking system.	Monthly	End-month + 6 weeks
	Complete monthly data on net nonbank domestic financing: (i) change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) change in the balance of Treasury correspondents' deposit accounts; (iii) change in the balance of various deposit accounts at the Treasury; and (iv) change in the stock of claims on the government forgiven by the private sector.	Monthly	End-month + 6 weeks
	Provisional TOFE, including a breakdown of revenue (DGI, DGD, and Treasury) and expenditure, including the repayment of domestic wage and nonwage arrears as at end-1999, and the change in Treasury balances outstanding.	Monthly	End-month + 6 weeks
	Data on Treasury balances outstanding (RAP), by reference fiscal year (total and RAP at more than 90 days).	Monthly	End-month + 6 weeks
	Monthly statement of Treasury correspondents' deposit accounts.	Monthly	End-month + 6 weeks
	Execution of the investment budget.	Quarterly	End-quarter + 8 weeks

Summary of Data to be Reported (concluded)			
Type of Data	**Tables**	**Frequency**	**Reporting Requirement**
	Table of fiscal expenditure execution, unified list expenditure, and HIPC-financed expenditure.	Quarterly	End-quarter + 6 weeks
	Treasury accounts trial balance.	Monthly	End-month plus 6 weeks
	Monthly statement of the balances of accounts of the Treasury and of other public accounts at the BCEAO.	Monthly	End-month plus 2 weeks
	Petroleum products pricing formula, petroleum products tax receipts, and pricing differentials.	Monthly	End-month + 4 weeks
Monetary and financial data	Monetary survey.	Monthly	End-month + 6 weeks (provisional) End-month + 10 weeks (final)
	Consolidated balance sheet of monetary institutions and, in applicable cases, balance sheets of individual banks.	Monthly	End-month + 8 weeks
	Borrowing and lending interest rates.	Monthly	End-month + 8 weeks
	Banking supervision prudential indicators.	Quarterly	End-quarter + 8 weeks
Balance of payments	Balance of payments.	Annual	End-year + 6 months
	Balance of payments revisions.	Variable	At the time of the revision.
External debt	Stock and repayment of external arrears.	Monthly	End-month + 6 weeks
	Breakdown of all new external loans contracted and projected borrowing, including financial terms and conditions.		End-month + 6 weeks
	Table on the monthly effective service of external debt (principal and interest) compared with programmed maturities.	Monthly	End-month + 4 weeks

NIGER

December 3, 2014

STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION AND FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by the Staffs of the International Monetary Fund and the International Development Association.

The previous Debt Sustainability Analysis was conducted at the time of the First Review under the Three-Year Arrangement under the Extended Credit Facility (Country Report No. 13/104, April 2013). The medium-term economic framework underpinning the analysis has been updated to reflect recent developments, consistent with the baseline scenario in the 2014 Article IV and Fourth and Fifth Reviews Under the Extended Credit Facility Arrangement. The large additional oil revenues that are expected after 2017 will significantly strengthen the fiscal and external accounts. As a result, the various debt measures remain below the relevant thresholds in the baseline scenario, but the present value (PV) of the debt-to-export and the PV of debt-to-GDP ratios breach the threshold under the most extreme stress test. On this basis, Niger's risk of debt distress continues to be considered as moderate.[1]

[1] Niger's three-year average CPIA (2011-13) is estimated at 3.4, which is in the average performance category.

BACKGROUND

1. **This joint IMF-World Bank debt sustainability analysis (DSA) updates the DSA of the external and total public debt of Niger completed at the time of the first review under the ECF**. It is based on preliminary end-2013 data, using the standard debt dynamics template for low-income countries. The debt data cover external and domestic debt of the central government, debt of public enterprises and parastatals, state guarantees and private external debts. Domestic debt includes arrears, debt to the central bank (Banque Centrale des Etats de l'Afrique de l'Ouest-BCEAO) resulting from statutory advances and the special drawing rights (SDR) allocation and government securities.

2. **The previous DSA assessed Niger's risk of debt distress to be at a moderate level, largely on account of the government's debt contracts to support the development of the natural resource sector**. Niger reached the completion point under the Enhanced HIPC Initiative in April 2004 and in 2006 benefited from MDRI assistance from the African Development Fund, International Development Association (IDA), and the International Monetary Fund (IMF). The debt relief contributed to a reduction of nominal external debt from over 90 percent of GDP at end-2000 to about 17 percent of GDP at end-2010. Niger's public external debt exposure has increased significantly after 2010, up to 22.8 percent of GDP at end-2013, as a result of government's involvement in the financing of projects in natural resources.[1]

UNDERLYING DSA ASSUMPTIONS

3. **Staff has updated the medium- and long-term projections for Niger**. Revenue projections have been revised upward to reflect new developments in the petroleum sector and ongoing improvements in revenue collection. The higher oil revenue is expected after 2017 when the new crude oil project will come on stream. The increased revenues will enable an expansion in public investment, while current expenditures should be gradually contained.[2] The average GDP growth projection is revised downward in the short-term and stabilizes to its steady state growth rate at 5.5 percent, lower than projected in the 2013 DSA. The 2014 DSA assumes conservative growth of exports of goods and services in particular for non-resource export compared with the

[1] In 2011, the government contracted a Yuan 650 million loan for the financing of its share in the construction of the new Azelik uranium mine, followed by a state guarantee of 40 percent of a US$880 million loan to the SORAZ refinery.

[2] This expenditure rationalization objective requires stepping up efforts in the reform of public financial management (PFM) as suggested in the latest PEFA assessment (March 2013) and in IMF technical assistance reports on PFM. The authorities approved the law on fiscal transparency in March 2014 and efforts are underway to strengthen institutional coordination between the Ministry of Planning and the Ministry of Finance to improve the flow of information and to enhance expenditure monitoring. The ECF program also envisages improvements in expenditure controls by limiting resort to the use of exceptional procedures for authorizing spending, accelerating the pace of budget execution, and developing quarterly cash and commitment plans as the structural benchmark to strengthen the capacity in budget planning and execution.

2013 DSA. However, public investments in agriculture and infrastructure are expected to help promote export-oriented growth and efficiency gains in the long-run.

4. **External public grants and loans are projected to decline gradually as natural resource revenues increase.** Besides debt creating flows and FDI, the current account deficit is expected to be financed by significant flows of project grants, and private capital flows.

Text Table 1. Niger: Key Macroeconomic Assumptions
(DSA 2014 vs. DSA 2014)

	2012-13	2014-17	2018-34
Real GDP growth (percent)			
DSA 2014	7.6	6.2	5.5
DSA 2013	8.7	6.3	6.2
Total Revenue (percent of GDP) /2			
DSA 2014	16.5	19.8	22.4
DSA 2013	16.5	18.1	20.4
Exports of goods and services (percent of GDP)			
DSA 2014	23.2	23.5	31.3
DSA 2013	25.6	26.3	34.3

Sources: Nigerien authorities; and IMF staff estimate.

1. DSA 2013 covers the period until 2032. See Box 1 for details on baseline scenario assumptions.
2. Total revenue, excluding grants.

5. **The macroeconomic outlook remains subject to various risks**. The country is very vulnerable to exogenous shocks, including frequent weather-related food crises and fluctuations in commodity prices. The deteriorating security situation in the region is another factor adding fiscal costs and economic vulnerability to Niger.

EXTERNAL DSA

6. **Niger's debt exposure has increased significantly since 2009 as a result of government involvement in the financing of projects in the natural resources sectors**. The refinancing loan for the construction of the SORAZ refinery (in amount of CFAF 437.4 billion), if approved by the Chinese authorities in 2014, would replace the existing private non-concessional funding of the refinery (which was 40 percent guaranteed by the State), as a result, the stock of external public debt (including guarantees) will increase from 22.8 percent of GDP at end-2013 to a projected 32.7 percent of GDP at end-2014. Total external debt (including private debt) will increase from 49.5 percent of GDP at end-2013 to 53.7 percent of GDP at end-2014. The rate of external public debt accumulation is expected to remain broadly stable but then decline gradually in the outer years after the new natural resource projects are operational and planned key infrastructure investments are completed (Figure 1).

7. **In the baseline scenario, the external debt ratios remain below their policy-dependent thresholds throughout the projection period (2014–34)**. The present values (PV) of debt-to-GDP, debt-to-exports and debt-to-revenue ratios are expected to remain at levels below the relevant thresholds over the medium term.[3] As in the previous DSA, upon the approval of the refinancing loan for the SORAZ, the existing non-concessional loan with a 40 percent state guarantee will be terminated, causing a one-off spike in the debt service ratio in 2014. After 2014, debt service indicators would remain well below their thresholds for the entire projection period. The stress test under the historical scenario also shows sustainable trends of external debt ratios (Figure 1).

8. **The baseline scenario assumes that the US$1 billion credit line from EximBank of China[4] will be disbursed in the period of 2015-22**. US$50million of the Chinese master facility is assumed to be disbursed in 2015, US$100 million in 2016, US$100 million in 2017, and the rest of US$750 million is assumed to be equally disbursed in the following years. Given that the credit line is fully used by 2022, the PV of public external debt to export ratio will approach the threshold in the medium-term.

9. **Under the most extreme scenario, the debt-to-export and the debt-to-GDP ratios breach the relevant thresholds**. (Figure 1). For both indicators, the most extreme stress test assumes lower level of non-debt capital flows (FDI) in 2015 and 2016, kept at historical average minus one standard deviation, which results in higher debt indicators relative to the baseline. However, even in this scenario, the debt burden indicators are expected to stabilize at sustainable levels over the medium term.

10. **In the alternative and customized scenarios, the external debt ratios mostly remain below the threshold level although a fast accumulation of less concessional external debt could elevate the level of debt distress**. Two alternative scenarios are performed (Table 2a). Under historical scenario (A1 key variables are fixed at their historical averages throughout the projection period), the debt indicators remain at the level far below the relevant thresholds. Another scenario assuming fast accumulation of less concessional external debt (A2), could elevate the risk of external debt distress, which calls for the authorities' action in limiting the accumulation of non-concessional external debt. In light of the uncertainties about prospects for crude oil production and exports, a customized scenario with lower crude oil production and exports was also added, which

[3] See IMF (2013) "Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework:" for details on relevant debt thresholds and benchmarks.

[4] This line of credit, considered as a facility in total of US$1 billion, was signed in September 2013 and several loan agreements could be negotiated under the facility between the government of Niger and China. Under the master facility agreement, individual loans are subject to 2 percent interest rate, 25 years maturity, and 5 years grace period. Any contracts under the facility are tied to the Chinese supplier and are earmarked for infrastructure projects with higher economic rate of return. Any potential projects need the preliminary approval of Eximbank of China about their eligibility.

demonstrates that external debt indicators will remain at sustainable level under the lower oil export scenario.[5]

PUBLIC DSA

11. **The increase in bond financing from the regional market would raise domestic debt stock in the short-term**. Niger's domestic debt is currently at a low level (3.5 percent of GDP at end-2013, see Table 1b) which is projected to rise in 2014 to 5 percent of GDP due to the new issuance of regional bonds in the amount of CFAF 93.3 billion.[6] The baseline scenario assumes that the authorities continue to cover fiscal financing needs through the issuance of government securities on similar terms as the 2014 regional bonds, but with lower amounts issued annually in the medium-term. Consequently, domestic public debt is projected to fall over the medium term. In 2013, the bulk of domestic debt is comprised of non-interest bearing arrears, which are projected to be fully repaid by 2017, so that the average nominal interest rate on domestic debt is low.

12. **Public debt ratios remain below the relevant threshold level, but can approach the policy-dependent threshold level under alternative scenarios with higher primary fiscal deficit and lower GDP growth**. Under the extreme case with no improvement in fiscal situation, the primary fiscal balance remains at the 2014 level of -4.8 percent of GDP, which leads to the accumulation of public debt. Consequently, the PV of debt-to-GDP ratio would approach the policy-dependent threshold level of 56 percent (Figure 2, Table 2b). When the permanently lower GDP growth shock is assumed, the PV of debt to GDP will reach 58 percent. The PV of public debt-to-GDP ratio and the PV of public debt-to-revenue ratios will stabilize to sustainable levels under baseline and other stress tests including the one with 30 percent real depreciation of exchange rate (i.e., the most extreme shock scenario).

PRIVATE EXTERNAL DEBT DYNAMICS

13. **The current DSA includes identified private debt flows, linked to the large natural resource projects.** The main private debt flows are related to the large oil and uranium projects. It incorporates the contracts of a loan by the refinery SORAZ (60 percent privately owned) and a loan of about 1.4 billion euro to finance the new uranium mine Imouraren. Including this debt, the stock of external private debt is 26.7 percent of GDP in 2013 (amortization of this loan is projected to start from 2017).

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[5] The assumptions are that the value of oil exports would increase by 80 percent (about a half of the baseline growth rate of 165 percent) in 2017 and then would increase by 8.3 percent in 2018 and 4 percent in 2019; crude oil production is adjusted accordingly. This has also been done for the public DSA.

[6] The terms of the regional bonds are a 6.25 percent interest rate, 5 years maturity and 1 year grace period. By August 2014, CFAF 93.3 billion was already issued, among which CFAF 19 billion was taken up by domestic banks and CFAF 74.3 billion was taken up by banks in the West African Economic and Monetary Union (UEMOA).The authorities intend to additionally issue new regional bonds (CFAF 121 billion and CFAF 61.3 billion of bonds are expected in 2015 and 2016, followed by continuous issuance of bonds over the medium-term to diversify the financing sources) which is also captured in the baseline scenario.

CONCLUSION

14. **On the basis of the updated DSA, Niger remains subject to a moderate risk of debt distress.** In comparison with the previous DSA, the large oil project is expected to generate net revenue and lead to an improvement in the fiscal and external accounts. In the baseline scenario, the external and public debt indicators remain below their policy-dependent thresholds throughout the projection period. However, the expected refinancing loan to SORAZ refinery, individual loans contracted under the Chinese master facility, and the uptick in borrowing from regional market would increase the public debt stock. Consequently, the PV of debt-to-export and debt-to-GDP ratios could breach the threshold level under the most extreme scenario. The country's level of external debt keep Niger vulnerable to adverse shocks, as demonstrated by the deterioration of the debt indicators in the most extreme scenario.

15. **Niger's continued risk of debt distress calls for the authorities' continued commitment to strengthen debt management.** The Inter-Ministerial Committee, which was created by order of the prime minister in December 2013, must play an active role in preventing the recurrence of non-concessional borrowing and in limiting the accumulation or external and public debt to maintain fiscal and debt sustainability. Any loans contracted under the Chinese master facility agreement should be used for high-yield infrastructure projects that will generate sufficient government revenue to cover debt service related to the projects. Implicit earmarking of specific project fiscal revenues, however, should not justify exception in contracting loans, because it is not guaranteed that such revenues will necessarily contribute to improving spending allocations or reducing debt ratios. The authorities also need to build buffers to cope with exogenous shocks, and strengthen revenue administration and expenditure prioritization to align with short-term and long-term spending needs.

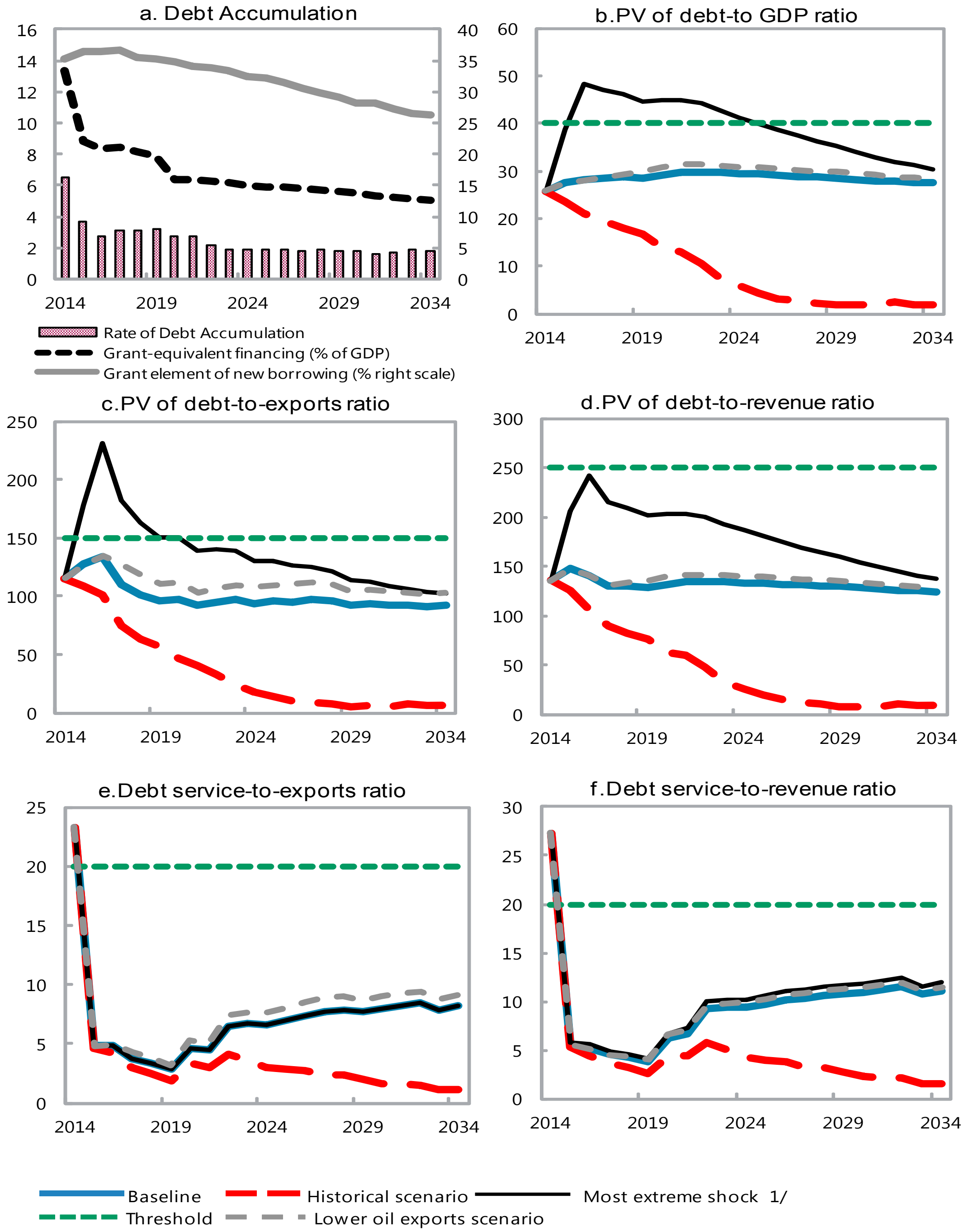
16. **The Nigerian authorities have indicated their agreement with the conclusions reached in this DSA.** They provided inputs on the disbursement profile of the master facility; this information has been incorporated. The authorities have also stated that the result of moderate debt distress level, as well as staff recommendation in strengthening debt management, are consistent with their regular debt sustainability analysis conducted by the Inter-Ministerial Debt Committee.

Box 1: Baseline Scenario Assumptions

The baseline macroeconomic scenario for 2013−34 is based on the following assumptions:

- Real GDP growth will increase to an average of 7.8 percent a year in 2016-19, higher than assumed in the 2013 DSA, reflecting production developments in oil sector. The growth rate remains at an average of 5 percent a year in 2020-34, reflecting higher non-resource GDP growth, as Niger continues public investment and makes progress in improving the business climate. Inflation is projected to remain stable at about 2 percent over the projection period, as own agricultural and oil production will keep inflationary pressures in check. The export price of crude oil is assumed to be 85 percent of the international oil price that follows declining price trend during 2017-19 as assumed in the World Economic Outlook (October 2014), followed by gradual price increase afterwards.
- Total revenue-to-GDP ratio will rise from about 17.2 percent in 2013 to 22.1 percent in 2034, higher than assumed in the 2013 DSA, reflecting rising revenue from natural resources, ongoing improvements in the revenue collection effort, and higher custom revenues from export-oriented growth.
- Primary fiscal expenditure (excluding interest payments) is expected to reach about 31 percent of GDP in 2019, driven by large spending needs for security expenditure and expenditure in priority sectors such as food security, infrastructure, and education. While current expenditure is expected to be gradually contained from about 15 percent of GDP in 2014 to 13 percent of GDP in 2034, capital expenditure is expected to remain at high level due to an increase in infrastructure spending, and as a result, primary fiscal expenditure will be at 29.5 percent of GDP in 2034. The basic balance (the fiscal balance net of grants and externally-financed capital expenditure) will gradually converge to zero (complying with the WAEMU regional convergence criterion). The overall fiscal deficit (cash basis) will also decline from 11.6 percent of GDP in 2013 to 7.6 percent of GDP in 2034.
- The non-interest current account deficit is projected to gradually decline to 8.5 percent at the end of the projection period. Export volume would increase, mainly driven by much larger export volume growth of crude oil (after oil production comes on stream in 2017) than was assumed in the 2013 DSA. The export volume of non-resource products is also expected to grow as a result of the expected impact of gradual economic diversification. Imports would slow down initially, in line with the decline of FDI-related imports, before rebounding as imports increase with higher GDP per capita. An improvement in overall fiscal balance and higher private saving contributes to the decline in current account deficit.
- Net FDI is projected to increase from about 9 percent of GDP in 2013 to about 14 percent of GDP in 2016 for the construction of new oil pipeline. As assumed in the 2013 DSA, it is expected to decrease over the medium-term as large investment projects come to completion, and the newly-established natural resource companies reimburse FDI loans received from their parent companies; these payments lead to an FDI outflow.
- The average interest rate on external debt is projected be around 2 percent. Total external financing is expected to decrease during the high growth period of 2017-19 due to the reduction in borrowing needs and the expected increase in per capita GDP. Total external financing needs are expected to decline to 9 percent of GDP in the medium term reflecting higher domestic revenues. The analysis assumes continuous inflow of grants and loans from donors of about 5 percent and 4 percent of GDP on average, respectively. Grants represent about 60 percent of total external financing amount over the period. The discount rate is 5 percent, a higher rate compared to the previous DSA rate of 3 percent.
- The domestic debt profile assumes that the outstanding stock of domestic arrears is paid off by 2017 and that there is no new accumulation of arrears. It includes the issuance of regional bonds in April 2014 in an amount of CFAF 93.3 billion followed by further issuance of new bonds under same terms (i.e., 6.25 percent interest rate, 5 years maturity and 1 year grace period).

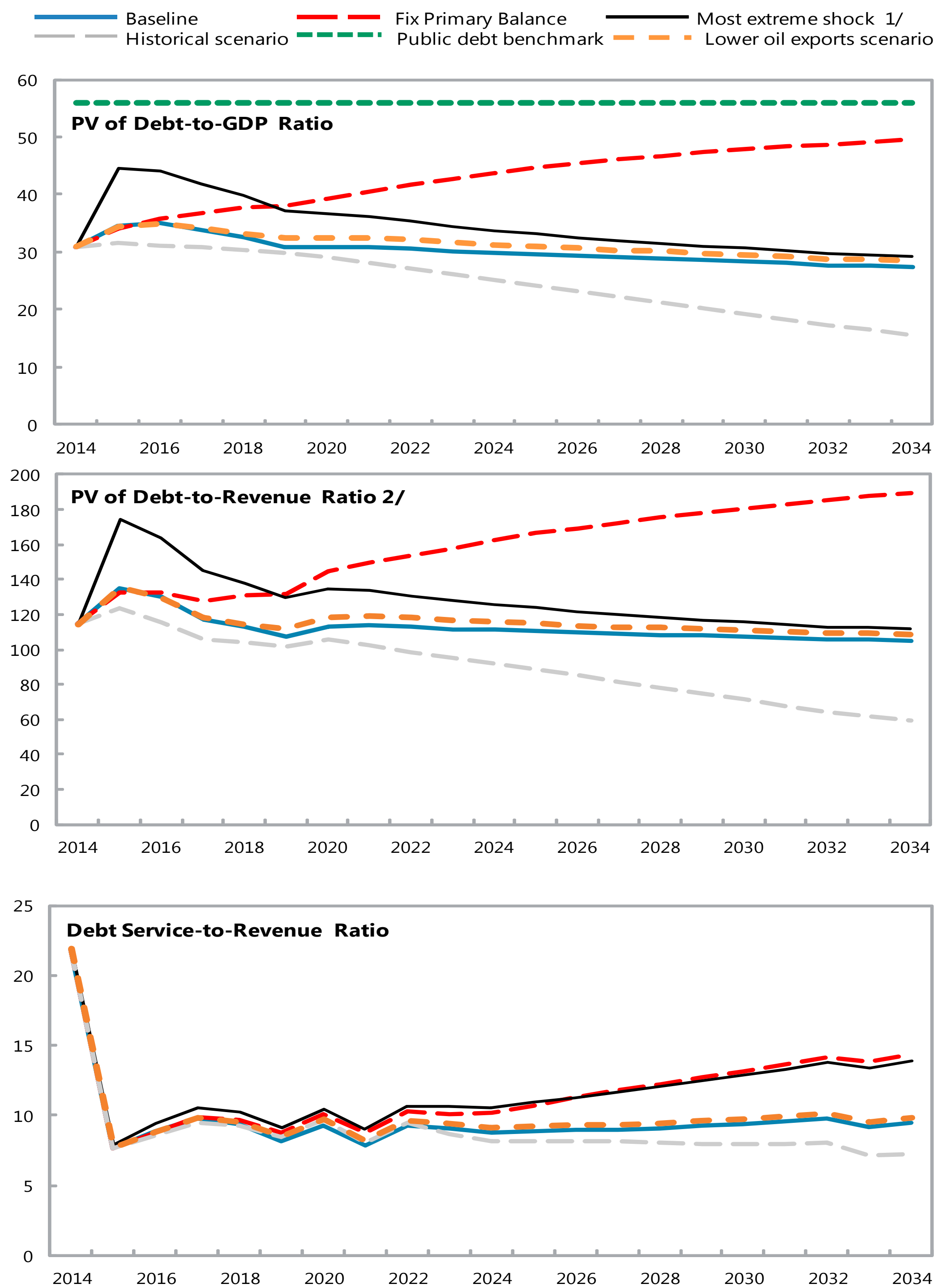
Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios. 2014-34 [1]/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a Non-debt flows shock; in c. to a Non-debt flows shock; in d. to a Non-debt flows shock; in e. to a Growth shock and in figure f. to a Growth shock

Figure 2. Niger: Indicators of Public Debt Under Alternative Scenarios, 2014-34 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2024.
2/ Revenues are defined inclusive of grants.

Table 1a. Niger: External Debt Sustainability Framework, Baseline Scenario, 2011-34 [1]/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical [6/] Average	Standard [6/] Deviation	Projections									
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-2019 Average	2024	2034	2020-2034 Average
External debt (nominal) 1/	**49.9**	**52.0**	**49.5**			**53.7**	**58.3**	**56.6**	**52.8**	**49.7**	**46.0**		**38.2**	**35.0**	
of which: public and publicly guaranteed (PPG)	22.1	22.5	22.8			32.7	35.3	36.0	36.4	36.7	36.2		37.3	34.8	
Change in external debt	0.0	2.1	-2.5			4.2	4.6	-1.7	-3.7	-3.1	-3.7		-1.6	-0.3	
Identified net debt-creating flows	0.5	0.7	2.4			18.9	8.5	7.0	5.7	5.8	4.7		7.6	7.0	
Non-interest current account deficit	**22.2**	**15.1**	**15.6**	**13.9**	**6.5**	**20.7**	**26.4**	**23.7**	**21.5**	**17.3**	**10.4**		**11.9**	**10.1**	12.0
Deficit in balance of goods and services	26.9	18.2	17.2			21.8	28.7	22.7	20.1	16.4	10.2		13.5	12.9	
Exports	20.9	22.7	23.7			22.4	21.6	20.9	25.9	28.4	29.6		31.6	29.5	
Imports	47.8	40.9	40.9			44.2	50.3	43.6	46.0	44.8	39.8		45.1	42.4	
Net current transfers (negative = inflow)	-5.4	-4.9	-4.0	-4.8	1.3	-3.0	-4.5	-3.8	-3.7	-3.7	-3.4		-2.5	-2.2	-2.5
of which: official	-2.6	-3.5	-2.2			-1.3	-2.7	-2.1	-1.9	-2.0	-1.7		-0.8	-0.4	
Other current account flows (negative = net inflow)	0.7	1.8	2.3			1.9	2.2	4.8	5.1	4.6	3.6		0.9	-0.6	
Net FDI (negative = inflow)	**-16.5**	**-12.6**	**-8.4**	**-8.0**	**6.6**	**0.4**	**-16.4**	**-14.4**	**-12.5**	**-8.6**	**-1.9**		**-3.2**	**-2.2**	-3.6
Endogenous debt dynamics 2/	**-5.2**	**-1.8**	**-4.8**			**-2.2**	**-1.5**	**-2.2**	**-3.4**	**-2.9**	**-3.8**		**-1.2**	**-0.9**	
Contribution from nominal interest rate	0.1	0.2	0.2			0.7	0.8	0.8	0.7	0.7	0.6		0.7	0.7	
Contribution from real GDP growth	-1.0	-5.3	-1.9			-2.9	-2.4	-3.0	-4.1	-3.6	-4.4		-1.9	-1.6	
Contribution from price and exchange rate changes	-4.3	3.3	-3.1			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-0.5**	**1.5**	**-4.9**			**-14.7**	**-4.0**	**-8.7**	**-9.4**	**-8.9**	**-8.4**		**-9.1**	**-7.3**	
of which: exceptional financing	-0.1	-0.1	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	47.5			46.8	50.5	48.7	44.9	41.8	38.3		30.4	27.6	
In percent of exports	...	...	200.6			209.1	233.6	232.7	173.3	147.1	129.4		96.0	93.6	
PV of PPG external debt	**...**	**...**	**20.9**			**25.8**	**27.5**	**28.1**	**28.4**	**28.8**	**28.5**		**29.5**	**27.4**	
In percent of exports	**...**	**...**	**88.1**			**115.3**	**127.2**	**134.4**	**109.7**	**101.4**	**96.2**		**93.2**	**92.7**	
In percent of government revenues	**...**	**...**	**121.4**			**135.1**	**147.1**	**140.8**	**130.0**	**130.3**	**128.8**		**133.4**	**124.0**	
Debt service-to-exports ratio (in percent)	**3.8**	**1.3**	**3.1**			**72.1**	**5.5**	**9.6**	**12.5**	**10.5**	**9.0**		**10.6**	**9.0**	
PPG debt service-to-exports ratio (in percent)	**3.8**	**0.4**	**2.4**			**23.3**	**4.8**	**4.9**	**3.8**	**3.3**	**2.8**		**6.6**	**8.3**	
PPG debt service-to-revenue ratio (in percent)	**5.6**	**0.5**	**3.2**			**27.3**	**5.5**	**5.1**	**4.5**	**4.3**	**3.8**		**9.4**	**11.0**	
Total gross financing need (Billions of U.S. dollars)	0.4	0.2	0.6			3.0	1.0	1.0	1.3	1.3	1.4		2.2	3.8	
Non-interest current account deficit that stabilizes debt ratio	22.2	12.9	18.1			16.5	21.9	25.4	25.2	20.4	14.1		13.5	10.4	
Key macroeconomic assumptions															
Real GDP growth (in percent)	2.3	11.1	4.1	5.1	4.2	6.5	4.6	5.6	8.0	7.6	10.0	7.1	5.0	5.0	5.0
GDP deflator in US dollar terms (change in percent)	9.5	-6.1	6.3	5.7	7.0	3.3	1.2	1.7	2.5	2.5	2.1	2.2	2.0	2.1	2.0
Effective interest rate (percent) 5/	0.3	0.4	0.4	1.4	1.1	1.5	1.6	1.4	1.5	1.6	1.5	1.5	1.8	2.3	2.0
Growth of exports of G&S (US dollar terms, in percent)	4.6	13.3	15.4	16.0	11.4	4.0	2.2	3.8	37.1	20.8	17.3	14.2	10.7	5.0	7.1
Growth of imports of G&S (US dollar terms, in percent)	8.6	-10.8	10.8	17.2	16.7	18.9	20.4	-6.8	16.8	7.2	-0.1	9.4	5.9	5.3	7.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	35.3	36.4	36.6	36.7	35.5	35.2	35.9	32.4	26.2	30.5
Government revenues (excluding grants, in percent of GDP)	14.2	15.9	17.2			19.1	18.7	20.0	21.9	22.1	22.1		22.1	22.1	22.1
Aid flows (in Billions of US dollars) 7/	0.4	0.6	0.9			0.8	0.8	0.8	0.9	0.9	1.0		1.1	1.7	
of which: Grants	0.2	0.4	0.6			0.6	0.6	0.7	0.7	0.8	0.8		0.9	1.4	
of which: Concessional loans	0.2	0.2	0.2			0.1	0.2	0.1	0.2	0.1	0.2		0.2	0.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			13.4	8.8	8.3	8.5	8.2	7.9		6.0	5.0	5.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			57.1	72.4	78.6	77.1	77.0	76.6		70.4	64.2	68.3
Memorandum items:															
Nominal GDP (Billions of US dollars)	6.4	6.7	7.4			8.1	8.6	9.3	10.3	11.3	12.7		17.9	35.6	
Nominal dollar GDP growth	12.0	4.3	10.7			10.0	5.9	7.3	10.8	10.2	12.4	9.4	7.1	7.2	7.1
PV of PPG external debt (in Billions of US dollars)			1.6			2.1	2.4	2.6	2.9	3.2	3.6		5.2	9.6	
(PVt-PVt-1)/GDPt-1 (in percent)						6.5	3.7	2.7	3.1	3.1	3.2	3.7	1.9	1.8	1.9
Gross workers' remittances (Billions of US dollars)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	20.9			25.8	27.5	28.1	28.4	28.8	28.5		29.5	27.4	
PV of PPG external debt (in percent of exports + remittances)	...	...	88.1			115.3	127.2	134.4	109.7	101.4	96.2		93.2	92.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.4			23.3	4.8	4.9	3.8	3.3	2.8		6.6	8.3	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 1b. Niger: Public Sector Debt Sustainability Framework, Baseline Scenario, 2011-34

(In percent of GDP, unless otherwise indicated)

	Actual			Average 5/	Standard Deviation 5/	Estimate	Projections								
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
Public sector debt 1/	28.3	26.9	26.3			37.7	42.3	42.9	41.8	40.5	38.6		37.7	34.8	
of which: foreign-currency denominated	22.1	22.5	22.8			32.7	35.3	36.0	36.4	36.7	36.2		37.3	34.8	
Change in public sector debt	4.3	-1.4	-0.6			11.4	4.6	0.6	-1.1	-1.2	-2.0		-0.4	-0.2	
Identified debt-creating flows	0.0	-2.0	0.0			4.2	4.0	0.9	-1.3	-1.4	-2.2		0.5	1.2	
Primary deficit	1.3	1.0	2.6	1.4	1.8	4.8	5.6	2.9	1.6	1.4	1.6	3.0	2.3	2.8	2.6
Revenue and grants	17.9	22.2	25.5			27.0	25.6	27.0	28.9	28.9	28.7		26.9	26.1	
of which: grants	3.8	6.3	8.3			7.9	6.9	7.0	7.0	6.8	6.6		4.8	4.1	
Primary (noninterest) expenditure	19.2	23.3	28.1			31.8	31.2	29.9	30.4	30.3	30.3		29.2	28.9	
Automatic debt dynamics	-1.2	-3.0	-2.6			-0.7	-1.6	-1.9	-2.9	-2.7	-3.7		-1.8	-1.6	
Contribution from interest rate/growth differential	-0.9	-3.1	-1.4			-1.3	-1.3	-2.0	-3.0	-2.8	-3.4		-1.5	-1.2	
of which: contribution from average real interest rate	-0.4	-0.3	-0.4			0.3	0.4	0.3	0.2	0.1	0.3		0.4	0.4	
of which: contribution from real GDP growth	-0.5	-2.8	-1.1			-1.6	-1.7	-2.2	-3.2	-2.9	-3.7		-1.8	-1.7	
Contribution from real exchange rate depreciation	-0.3	0.1	-1.2			0.6	-0.3	0.0	0.1	0.1	-0.4		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	4.3	0.6	-0.6			7.3	0.5	-0.3	0.2	0.1	0.2		-0.9	-1.4	
Other Sustainability Indicators															
PV of public sector debt	...	...	24.3			30.9	34.5	35.0	33.8	32.6	30.9		29.9	27.4	
of which: foreign-currency denominated	...	...	20.9			25.8	27.5	28.1	28.4	28.8	28.5		29.5	27.4	
of which: external	...	...	20.9			25.8	27.5	28.1	28.4	28.8	28.5		29.5	27.4	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	2.4	1.3	4.2			10.7	7.6	5.2	4.4	4.1	3.9		4.7	5.2	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	95.3			114.4	135.0	129.7	117.1	112.6	107.5		111.2	105.0	
PV of public sector debt-to-revenue ratio (in percent)	...	...	141.6			161.5	184.6	175.4	154.7	147.5	139.5		135.3	124.2	
of which: external 3/	...	...	121.4			135.1	147.1	140.8	130.0	130.3	128.8		133.4	124.0	
Debt service-to-revenue and grants ratio (in percent) 4/	6.3	1.2	6.4			21.9	7.7	8.8	9.8	9.3	8.2		8.8	9.5	
Debt service-to-revenue ratio (in percent) 4/	7.9	1.7	9.5			30.9	10.5	11.9	12.9	12.2	10.6		10.7	11.2	
Primary deficit that stabilizes the debt-to-GDP ratio	-3.1	2.4	3.2			-6.6	1.1	2.3	2.7	2.6	3.5		2.7	3.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	2.3	11.1	4.1	5.1	4.2	6.5	4.6	5.6	8.0	7.6	10.0	7.1	5.0	5.0	5.0
Average nominal interest rate on forex debt (in percent)	0.8	0.0	0.0	1.6	1.3	2.5	2.2	1.9	1.9	1.9	1.7	2.0	1.8	2.2	1.9
Average real interest rate on domestic debt (in percent)	-2.7	0.5	-0.8	-2.6	2.4	3.8	5.3	3.8	3.6	3.7	3.3	3.9	13.8	51.4	27.9
Real exchange rate depreciation (in percent, + indicates depreciation	-2.0	0.7	-5.6	-2.5	7.5	2.9	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	4.4	1.6	2.9	3.9	2.4	1.3	2.0	1.2	1.7	1.8	2.1	1.7	2.0	2.1	2.0
Growth of real primary spending (deflated by GDP deflator, in percer	-3.8	34.9	25.5	5.7	13.2	20.6	2.6	1.0	10.1	7.0	10.1	8.6	4.7	4.7	4.7
Grant element of new external borrowing (in percent)	...	...	... ...	...		35.3	36.4	36.6	36.7	35.5	35.2	35.9	32.4	26.2	...

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2a. Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014-34

(In percent)

		Projections						
	2014	2015	2016	2017	2018	2019	**2024**	2034
PV of debt-to GDP ratio								
Baseline	26	28	28	28	29	28	**29**	27
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	26	24	21	19	18	17	**6**	2
A2. New public sector loans on less favorable terms in 2014-2034 2	26	29	30	31	32	32	**37**	41
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	26	29	31	31	31	31	**32**	29
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	26	27	27	28	28	28	**29**	27
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	26	28	30	30	30	30	**31**	29
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	26	39	48	47	46	45	**41**	30
B5. Combination of B1-B4 using one-half standard deviation shocks	26	35	41	40	40	39	**37**	30
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	26	39	40	40	40	40	**41**	38
PV of debt-to-exports ratio								
Baseline	115	127	134	110	101	96	**93**	93
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	115	109	101	75	63	57	**18**	6
A2. New public sector loans on less favorable terms in 2014-2034 2	115	133	144	120	112	109	**117**	139
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	115	128	135	109	100	95	**92**	92
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	115	123	127	103	95	90	**88**	88
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	115	128	135	109	100	95	**92**	92
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	115	179	230	182	163	151	**130**	103
B5. Combination of B1-B4 using one-half standard deviation shocks	115	149	166	132	119	111	**100**	85
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	115	128	135	109	100	95	**92**	92
PV of debt-to-revenue ratio								
Baseline	135	147	141	130	130	129	**133**	124
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	135	126	106	89	82	76	**26**	8
A2. New public sector loans on less favorable terms in 2014-2034 2	135	154	151	142	144	145	**167**	186
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	135	153	153	140	140	138	**143**	133
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	135	146	137	126	126	124	**130**	122
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	135	151	149	137	136	135	**139**	129
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	135	207	241	215	209	202	**186**	137
B5. Combination of B1-B4 using one-half standard deviation shocks	135	187	204	183	180	174	**167**	134
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	135	210	201	184	183	181	**187**	174

Table 2a. Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014-34 (concluded)

(In percent)

		Projections						
	2014	2015	2016	2017	2018	2019	**2024**	2034
Debt service-to-exports ratio								
Baseline	23	5	5	4	3	3	**7**	8
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	23	5	4	3	2	2	**3**	1
A2. New public sector loans on less favorable terms in 2014-2034 2	23	5	4	4	3	3	**7**	10
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	23	5	5	4	3	3	**7**	8
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	23	5	5	4	3	3	**6**	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	23	5	5	4	3	3	**7**	8
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	23	5	6	6	5	4	**10**	10
B5. Combination of B1-B4 using one-half standard deviation shocks	23	4	5	4	4	3	**8**	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	23	5	5	4	3	3	**7**	8
Debt service-to-revenue ratio								
Baseline	27	6	5	4	4	4	**9**	11
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	27	5	4	4	3	3	**4**	2
A2. New public sector loans on less favorable terms in 2014-2034 2	27	6	5	4	4	4	**10**	13
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	27	6	6	5	5	4	**10**	12
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	27	6	5	4	4	4	**9**	11
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	27	6	5	5	4	4	**10**	12
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	27	6	7	7	6	6	**15**	14
B5. Combination of B1-B4 using one-half standard deviation shocks	27	6	6	6	6	5	**13**	13
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	27	8	7	6	6	5	**13**	16
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	31	31	31	31	31	31	**31**	31

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2b. Niger: Sensitivity Analysis for Key Indicators of Public Debt 2014-34

(In percent)

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
PV of Debt-to-GDP Ratio								
Baseline	31	35	35	34	33	31	30	27
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	31	31	31	31	30	30	25	16
A2. Primary balance is unchanged from 2014	31	34	36	37	38	38	44	50
A3. Permanently lower GDP growth 1/	31	35	36	35	35	34	39	58
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	31	36	40	39	39	38	43	48
B2. Primary balance is at historical average minus one standard deviations in 2015-201	31	33	34	32	31	30	29	27
B3. Combination of B1-B2 using one half standard deviation shocks	31	33	34	33	33	31	34	36
B4. One-time 30 percent real depreciation in 2015	31	45	44	42	40	37	34	29
B5. 10 percent of GDP increase in other debt-creating flows in 2015	31	41	42	40	38	36	34	30
PV of Debt-to-Revenue Ratio 2/								
Baseline	114	135	130	117	113	107	111	105
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	114	123	115	106	104	102	92	59
A2. Primary balance is unchanged from 2014	114	133	133	128	131	132	163	189
A3. Permanently lower GDP growth 1/	114	136	133	122	120	117	145	215
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	114	140	144	134	133	131	156	180
B2. Primary balance is at historical average minus one standard deviations in 2015-201	114	128	124	112	108	103	108	103
B3. Combination of B1-B2 using one half standard deviation shocks	114	127	123	114	111	109	124	135
B4. One-time 30 percent real depreciation in 2015	114	174	164	145	138	130	126	112
B5. 10 percent of GDP increase in other debt-creating flows in 2015	114	162	154	139	133	127	128	116
Debt Service-to-Revenue Ratio 2/								
Baseline	22	8	9	10	9	8	9	9
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	22	8	9	10	9	8	8	7
A2. Primary balance is unchanged from 2014	22	8	9	10	10	9	10	14
A3. Permanently lower GDP growth 1/	22	8	9	10	10	9	10	15
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	22	8	9	11	10	9	11	14
B2. Primary balance is at historical average minus one standard deviations in 2015-201	22	8	9	10	9	8	8	9
B3. Combination of B1-B2 using one half standard deviation shocks	22	8	9	10	9	8	9	11
B4. One-time 30 percent real depreciation in 2015	22	9	10	11	11	10	13	15
B5. 10 percent of GDP increase in other debt-creating flows in 2015	22	8	10	11	10	9	10	11

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

NIGER

December 3, 2014

STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION AND FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA—INFORMATIONAL ANNEX

Prepared By

African Department
(In consultation with Other Departments)

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RELATIONS WITH THE FUND

(As of October 31, 2014)

Membership Status Joined: April 24, 1963

Accepted Obligations of Article VIII, Sections 2, 3, and 4: June 1, 1996

General Resources Account	**SDR Million**	**%Quota**
Quota	65.80	100.00
Fund holdings of currency	57.17	86.89
Reserve Tranche Position	8.64	13.13

SDR Department	**SDR Million**	**%Allocation**
Net cumulative allocation	62.94	100.00
Holdings	54.25	86.20

Outstanding Purchases and Loans	**SDR Million**	**%Quota**
ECF Arrangements	67.89	103.18

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Mar 16, 2012	Dec 31, 2015	78.96	45.12
ECF[1]	Jun 02, 2008	Jun 01, 2011	23.03	13.16
ECF[1]	Jan 31, 2005	Mar 31, 2008	26.32	26.32

Projected Payments to Fund[2]

(SDR Million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2014	2015	2016	2017	2018
Principal	2.94	7.47	4.96	4.82	5.78
Charges/Interest	0.00	0.16	0.14	0.13	0.12
Total	2.94	7.63	5.10	4.95	5.90

[1]Formerly PRGF.

[2]When a member has overdue financial obligations outstanding for more than three months the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	December 2000
Assistance committed	
by all creditors (US$ million)[1]	663.10
Of which: IMF assistance (US$ million)	42.01
(SDR equivalent in millions)	31.22
Completion point date	April 2004
II. Disbursement of IMF assistance (SDR million)	
Assistance disbursed to the member	31.22
Interim assistance	6.68
Completion point balance	24.55
Additional disbursement of interest income[2]	2.74
Total disbursements	**33.96**

[1]Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence, these two amounts cannot be added.

[2]Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

Implementation of Multilateral Debt Relief Initiative (MDRI)

I. MDRI-eligible debt (SDR million)[1]	77.55
Financed by: MDRI Trust	59.82
Remaining HIPC resources	17.73

II. Debt Relief by Facility (SDR million)

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
January 2006	N/A	77.55	77.55

[1]The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

Implementation of Post-Catastrophe-Debt-Relief (PCDR)

Not Applicable

Safeguards Assessments

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). In accordance with safeguards policy requirements for regional central banks, a quadrennial safeguards assessment of the Central Bank of West African States (BCEAO) was completed in December 2013. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to International Financial Reporting Standards (IFRS) implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure its adequacy.

Exchange Arrangement

Niger is a member of the WAEMU and has no separate legal tender. The union's common currency, the CFA franc, is pegged to the Euro at a rate of CFAF 655.957 = EUR 1, consistent with the official conversions rate of the French franc to the Euro and the previous fixed rate of the CFA franc to the French franc of CFAF 100= F 1. Effective January 1, 2007, the exchange arrangement of the WAEMU countries has been reclassified to the category of conventional pegged arrangement from the category of exchange arrangement with no separate legal tender. The new classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The new classification thus only reflects a definitional change, and is not based on a judgment that there has been a substantive change in the exchange regime or other policies of the currency union or its members. The exchange system common to all member countries of the WAEMU is free of restrictions on payments and transfers for current international transactions subject to Fund jurisdiction.

Article IV Consultations

The last completed Article IV consultation discussions were held in Niamey in October 2011. The staff report (Country Report No. 11/357) was discussed by the Executive Board, and the 2011 Article IV consultation concluded, on December 2, 2011.

Technical Assistance over the period July 2013-October 2014

Department	Purpose	Time of Delivery
FAD	Macro-fiscal function TTF [1/3]	2013-08-08
FAD	Chain of expenditures	2013-08-12
FAD	IFMIS, MTFF, MTEF, medium-term fiscal rule and its legal framework	2013-08-13
FAD/AFRITAC W	Customs administration	2013-10-14
FAD/AFRITAC W	Public financial management (PFM)	2013-10-28
FAD/AFRITAC W	Tax administration	2014-02-24
FAD	Macro-fiscal function TTF [2/3]	2014-03-24
FAD	Tax administration: TA to tax auditors	2014-04-14
FAD	Macro-fiscal function TTF [3/3]	2014-06-18
STA/AFRITAC W	Real sector statistics	2014-06-30
FAD	Fiscal reporting (2/2)	2014-07-01
FAD	PFM: follow-up on macro-fiscal framework	2014-08-18
FAD	Tax and customs administration: STX visit	2014-09-01
FAD	Budget classification	2014-09-01
FAD/AFRITAC W	Tax administration	2014-09-15
MCM/AFRITAC W	Public debt management	2014-09-22
STA/AFRITAC W	Government finance statistics	2014-10-13

Resident Representative

Mr. Zorome assumed his position in Niamey as Resident Representative in April 2012.

JMAP BANK–FUND MATRIX

Title	Products	Timing of mission	Expected delivery
A. Mutual information on relevant work programs			
Bank work program	Budget support series 2015-17: US$50 million annually for three years	September 2014	April 2015
IMF work program in the next 12 months	1. Fourth and Fifth ECF review and Article IV consultation	October 2014	December 2014
	2 Sixth ECF review	March 2015	June 2015
B. Requests for work program inputs			
Fund request to Bank	Assessment of economic impact of selected public investment projects	May 2014	June 2015
Bank request to Fund	Macroeconomic assessment that can be reported in the budget support program document	October 2014	December 2014
C. Agreement on joint products and missions			
Joint products in the next 12 months	Debt Sustainability Analysis	October 2014	December 2014

STATISTICAL ISSUES

A. Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings, but is broadly adequate for surveillance. Niger participates in the WAEMU's harmonization of statistical methodologies through the multilateral surveillance process, seeking regional improvements in national accounts, with the support of the WAEMU Commission and AFRITAC West.
Real sector statistics: The economic accounts are compiled on an annual basis by the National Institute of Statistics (INS), in accordance with the System of National Accounts 1993 (SNA93). Although the national accounts compilation follows best methodological practice, the ROSC assessment found that national accounts data originate mainly from administrative sources and the household and informal sector surveys are not up-to-date. For several years, the INS has been engaged in a process of renovation of its national accounts, following the SNA93 methodology and using the ERETES software, with the assistance of AFRITAC West. This project is behind schedule as the new base year 2006 was finalized in 2009, and national accounts for 2010 have been finalized in 2013 only. Work has just started on the 2011 national accounts. Meanwhile, the INS is continuing to issue an up-to-date series of national accounts with a methodology adjusted to the SNA93. In concert with other WAEMU member countries, the INS has been compiling and publishing a harmonized consumer price index (CPI) for Niamey on a monthly basis since early 1998. The CPI was rebased in 2008, with a new basket of products and revised weights.
Government finance statistics: Monthly government finance statistics are compiled by the Ministry of Finance (MF) with a one- to four-month lag, based on information provided by the budget, customs, tax, and treasury directorates. The MF prepares a monthly reconciliation of spending commitments made by the budget directorate and payments made by the treasury, but the data are not disseminated to the general public. Data are limited to the operation of the budgetary central government that covers the general budget, special funds, and operations of the treasury special accounts, but not the social security administration. As part of the process of economic integration within the WAEMU, the country has made significant progress in bringing its fiscal data in line with the common framework that has been developed with technical assistance from the IMF (the harmonized table of government financial operations—TOFE). The authorities plan to adopt the Directive n°10/2009/CM/UEMOA on the TOFE, which will imply migrating from Government Finance Statistics Manual 1986 (GFSM 1986) to the GFSM 2001.
Monetary and financial statistics: Monetary statistics are generally based on the Guide to Money and Banking Statistics in IFS (1984 Guide). Preliminary monetary data are compiled by the national agency of the Central Bank of West African States (BCEAO) and released officially by BCEAO headquarters. The authorities report monetary data on a regular basis, with a lag of about three months.
Balance of payments: The balance of payments statistics are compiled in conformity with the Balance of Payments Manual, Sixth Edition (BPM6). The national agency of the BCEAO is responsible for compiling and disseminating the balance of payments statistics, and the BCEAO headquarters for delineating the methodology and calculating the international reserves managed on behalf of the participating countries. Since the statistics in this area are published with a significant lag, the quantitative analysis in this sector should be taken with caution.

Niger: Table of Common Indicators Required for Surveillance					
	Date of latest observation	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of publication[7]
Exchange Rates	Current	Current	D	D	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	09/14	11/14	M	M	M
Reserve/Base Money	09/14	11/14	M	M	M
Broad Money	09/14	11/14	M	M	M
Central Bank Balance Sheet	09/14	11/14	M	M	M
Consolidated Balance Sheet of the Banking System	09/14	11/14	M	M	M
Interest Rates[2]	09/14	11/14	M	M	M
Consumer Price Index	10/14	11/14	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	09/14	11/14	M	M	NA
Stocks of Central Government and Central Government-Guaranteed Debt[5]	06/14	10/14	S	S	NA
External Current Account Balance	12/13	11/14	S	S	A
Exports and Imports of Goods and Services	2013	11/14	A	Q	A
GDP/GNP	2013	11/14	A	A	A
Gross External Debt	2013	10/14	A	I	A
International Investment Position[6]	2010	9/10	A	A	A

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes, and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability position vis-à-vis nonresidents.
[7] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Semiannually (S); Irregular (I); Not Available (NA).

Press Release No.14/585
FOR IMMEDIATE RELEASE
December 18, 2014

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fourth and Fifth ECF Reviews, Approves US$16.52 Million Disbursement and Concludes 2014 Article IV Consultation with Niger

On December 17, 2014 the Executive Board of the International Monetary Fund completed the fourth and the fifth reviews of Niger's economic performance under a program supported by an Extended Credit Facility (ECF) arrangement. The decision enables the disbursement of SDR 11.28 million (about US$16.52 million, 17 percent of quota), bringing total disbursements under the ECF arrangement to SDR 56.40 million (about US$82.62 million, 86 percent of quota)

In completing the reviews, the Executive Board approved the authorities' request for waivers for the performance criterion related to net domestic financing at the end of December 2013 and June 2014, and the modification of performance criteria of the end of December 2014.

The ECF arrangement for Niger was approved on March 16, 2012 (see Press Release No. 12/90).

Following the Executive Board's discussion, Mr. Naoyuki Shinohara, Deputy Managing Director and Acting Chair, made the following statement:

"Niger's overall macroeconomic performance has been broadly satisfactory. After the economic slowdown in 2013 due to the regional security situation and adverse climatic conditions, economic growth has rebounded in 2014. Inflation has been contained, in part due to the government's efforts to improve food security and the functioning of food markets. However, program performance has been mixed, as a combination of unexpected security and food expenditures and a shortfall in external financing have strained fiscal management. The structural reform agenda is advancing, although with delays in implementing some key public financial management measures. Significant progress has been made on the limitation of exceptional expenditure and timely release of quarterly budget allocations.

"In the near term, containing the fiscal deficit through measures to improve tax policy and administration, reform customs administration, and reduce exemptions is essential to ensure sustainability. Medium-term prospects appear favorable, but depend critically on the authorities' ability to leverage Niger's natural resource wealth into sustained inclusive growth. Critical in this regard will be further strengthening debt and public financial management, the management of natural resource wealth, and the business climate. The Inter-Ministerial Committee on Debt Management is an important step forward and should play an increasing role in ensuring the public investment efficiency. Establishing a treasury single account would significantly improve cash management and budget execution.

"Further structural reforms to improve the business environment are critical. In this context, swift implementation of the recently approved financial sector development strategy would support economic growth by increasing financial stability and transparency as well as financial deepening. Strengthening the resilience of the economy through steps to enhance food security; removing trade barriers, including for food products; and improvements in the legislative environment could all promote stronger and more inclusive growth and alleviate poverty."

The Executive Board also completed the 2014 Article IV Consultation[1] with Niger.

Niger's overall macroeconomic performance has been satisfactory. Economic growth slowed to 4.1 percent in 2013 largely due to the regional security situation and adverse climatic conditions on agricultural production despite a significant increase in oil production. Inflation was contained at 2.3 percent in 2013 as food prices fell thanks to the government's efforts to improve food security and the functioning of food markets. Growth is estimated to rebound to 6.5 percent in 2014, driven by agriculture and inflation to remain subdued. Reflecting continued expenditure pressures and weak revenues, the basic fiscal deficit has widened but arrears were significantly reduced. The external current account is expected to widen in 2014 because the growth of exports was outpaced by the rise in imports of goods and services related to investment projects in the extractive industries and public works. Limited government resources and project implementation capacity continued to weigh on public investment.

Macroeconomic prospects look favorable. Growth is expected to average 5.6 percent in 2014-16 and 8.5 percent in 2017-19 as two large natural resource projects—crude oil export and uranium production—are expected to begin in 2017/18 and 2019, respectively. On the external side, the decline in oil prices in the second half of 2014 will lower the current account over the medium term, resulting in a lower but still significant accumulation of

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

reserves. The main near-term risks relate to further deterioration in the regional security situation, which could severely impact foreign direct investment, trade flows, and fiscal outcomes. The economy also remains vulnerable to climatic shocks, commodity price volatility, and limited predictability of donor support. The timing, financing, and feasibility of government involvement in projects in the extractive industry pose particular risks, due their inherent elevated uncertainty and the authorities' limited implementation capacity.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They noted that despite the unfavorable security situation and adverse climate shocks, which have complicated program implementation, Niger's economy delivered positive growth in 2013 and rebounded in 2014. While the medium-term outlook is favorable, it is vulnerable to domestic and external risks, and poverty remains high. Against this backdrop, Directors welcomed the authorities' commitment to their economic program and stressed the importance of continued efforts to improve the resilience of the economy, strengthen fiscal sustainability, and foster inclusive growth.

Directors underscored the importance of further strengthening the fiscal framework to ensure fiscal sustainability while addressing development needs and security challenges. They called for measures to improve tax policy and administration, reform customs administration, and reduce exemptions. Welcoming the authorities' intention to prioritize spending in key sectors, Directors encouraged prudence in budget planning and continued efforts to improve budget execution. Investment spending should be scaled up prudently, supported by reforms to improve the efficiency of spending and absorptive capacity. Directors welcomed the authorities' commitment to undertake additional capital spending only as revenue materializes.

Directors acknowledged the authorities' efforts to strengthen the debt management framework through better coordination of relevant ministries and regular reporting of debt stocks and flows. They urged the authorities to develop a medium-term debt management strategy to guide prudent borrowing plans and safeguard debt sustainability.

Directors noted that the medium-term economic outlook will depend critically on the authorities' ability to leverage expected natural resource revenues for advancing the inclusive growth agenda. In this context, they emphasized the importance of further strengthening the fiscal and institutional frameworks. Priorities are the enhancement of public financial management, including the establishment of a treasury single account, and improved

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

governance and transparency of natural resource management in order to provide room for increased social and infrastructure spending.

Directors emphasized the need for further structural reforms to improve the business environment. They welcomed the recent approval of the decree to implement the financial sector development strategy and encouraged the authorities to speed up its implementation. The strategy aims at increasing financial stability and transparency as well as financial deepening and inclusion, and would improve the legal and judicial framework. Directors also noted that enhancing food security through investments in agriculture and fostering regional trade would promote stronger and more inclusive growth and faster poverty reduction.

Statement by Mr. Ngueto Tiraina Yambaye, Executive Director for Niger And Mr. Ousmane Mamadou, Alternate Executive Director for Niger December 17, 2014

On behalf of my Nigerien authorities, I would like to express my deep appreciation to the Executive Board and Management for their continuous support to Niger's policy efforts. I also wish to thank staff for the constructive dialogue with my authorities held in Niamey during the fourth and fifth reviews under the ECF arrangement and the 2014 Article IV Consultations discussions. Despite the challenging regional security situation compounded by the continued effects of the 2013 poor agricultural production, the Nigerien economy delivered a positive growth in 2013, and rebounded in 2014. The Nigerien authorities have also proven their commitment to the objectives of the program and to the underlying reforms, in particular, in the areas of public financial management, revenue mobilization and debt and natural resources management.

Program performance remains broadly satisfactory in spite of the distorting effects of the two unforeseen shocks mentioned above. Based on the corrective measures taken by my authorities in order to contain expenditures and strengthen revenue collection, they request waivers for the missed performance criteria on domestic financing at end-December 2013 and end-June 2014, as well as the completion of the fourth and fifth reviews under the ECF program.

Recent Developments, Outlook, Risks and Program performance

After a strong economic performance in 2012, with real GDP growth rate reaching two digits (11.1%), the economic activities contracted sharply to an estimated GDP growth of 4.1 percent in 2013. This was due to a turnaround in agriculture production due to poor weather conditions led to a sizeable decline in economic activities in 2013. Likewise, unexpected developments in the regional security situation led to a significant increase in expenditure to address, security, humanitarian and refugee issues. However, the economy rebounded in 2014 with real GDP estimated to grow by 6.5 percent on account of better weather conditions for agriculture production, spending on infrastructure projects, as well as expansion of oil production. Inflation was kept under control at 2.3 percent in 2013 and at 1.3 percent at end June 2014, thanks to the government's successful food programs, which helped contain the strong food demand pressures.

Fiscal developments were positive. However, these outcomes reflect to some extent expenditure restraints aimed at accommodating security and food related spending. The fiscal deficit was reduced by more than half in 2013, and was contained far below the program target of 5.6 percent. However, the estimated data for the first semester of 2014 point to continued expenditures pressures and weak revenue, which led to an increased basic fiscal deficit. However to strengthen the record of public financial management, my authorities have reduced domestic arrears by CFAF9.5 billion, mostly in favor of private sector entities. For the coming years, my authorities envisage to make similar budget efforts each year until the complete clearance of the existing stock of arrears.

Developments on the monetary and financial front in 2013 and 2014 reflect broadly the aforementioned rebounding of the economy. There was a contraction of broad money and credit in relation to the poor performance of the agriculture sector in 2013, and an expansion of monetary aggregates reflecting a pick up in the mining and oil sector during the first semester of 2014 along with a mobilization of funds in the regional financial market.

The current account deficit, as expected, increased in 2013 reflecting the growing import activities in the extractive sector as well as the progressive implementation of some of the important infrastructure projects described in the authorities' development program, including that pertaining to the construction of the railway system. However, strong foreign direct investments, and the positive impact of export expansion for oil and uranium caused the overall external balance to show a significant surplus, leading to an increase of Niger's contribution to the net foreign assets of the West African Economic and Monetary Union (WAEMU).

OUTLOOK AND RISKS

My Nigerien authorities agree with the staff's assumptions, which should lead to a rebound of economic growth, and sustained growth going forward. These assumptions are based on the positive outlook for the natural resources sector, the greater emphasis on the strategy to address food insecurity and increased irrigated agricultural production through the 3 N initiative and the authorities' resolve to pursue steadfastly the implementation of their public investment infrastructure projects, which are consistent with the priorities set out in the PRSP and in their *Plan de Development Economique et Social(PDOES)*.

While they take good note of the favorable medium-term outlook, my authorities are fully aware of the significant challenges facing the country, notably with regard to the risks associated with the regional security situation, and that pertaining to weather conditions. As regards the security situation, my Nigerien authorities believe that progress in this matter requires a two-stage response to be conducted at both the international level and the regional level. At the international level, several security and defense cooperation initiatives have already produced successful results in terms of strengthening peace and security at the three most affected Nigerien borders. At the regional level, my authorities are cooperating with others in peace keeping initiatives, and this is also having positive result. With regard to the recurrent vulnerability of Niger to climate shocks, my authorities consider that the best alternative to overcome the issue of food insecurity is to increase investment in agriculture. In this regard, while they agree with the need to address the structural dimension of food insecurity in Niger, as suggested by staff, they share staff's view recommending to leverage natural resource revenues to increase investments in agriculture sector.

Program implementation

As noted above, program implementation is broadly satisfactory. All PCs at end December 2013 and also at end June 2014 were met. The only exception is related to the PC on domestic financing, which was breached because of the negative impact of insecurity on the revenue collection, shortfalls in external financing, and the need for emergency food assistance. Apart from the floor on poverty reduction, all indicative targets for end 2013 were observed. This target was also missed at end June 2014 along with the basic fiscal balance and the total revenue. Despite some delays in the area of public finance management reform measures, the structural reform agenda is advancing, as highlighted in paragraph 13 of the main report by the progress recorded in budget execution, debt management and exceptional spending limitation.

A - Fiscal Policy

The fiscal framework for 2014 has been adjusted to accommodate for higher spending due to the unexpected shocks. To that end, the basic balance has been relaxed by 1.3percent of GDP compared to the previous reviews. For 2015, the authorities' conservative approach, which targets a basic fiscal deficit of 3.7 percent of GDP with the goal of attaining gradually a zero basic balance over the medium-term, is a clear indication of their commitment to fiscal consolidation. In this regard, steps will be taken to raise the total revenue from 16.8 percent in 2014 to 17.6% of GDP in 2015. To that end, my authorities will implement all the envisaged revenue administration measures notably, the reinforcement of tax audits and tax registration at the General Tax Administration, the establishment of a single interconnection server linking up offices, a better control of exemptions and a limitation of loopholes of tax exoneration at the custom administration.

In order to enhance accountability with the view to meet the fiscal objectives, my authorities subscribe to the proposal of setting performance contracts between the ministry of finance and all the Directorates having in charge revenue collection and expenditure execution. Drawing from the lesson of 2014, my authorities agree with staff's suggestion not to include the identified exceptional revenues in the framework until they materialize. On the expenditure side, my authorities are making further efforts to increase capital spending in health, education and infrastructure while decreasing current expenditure. They are also exploring ways, including technical assistance, to improve the efficiency of spending. They remain also favorable to the recommendation aimed at exerting a more realistic external-financed capital expenditure estimate, in line with the trend of an effective disbursement of external aid.

B - Management of Natural Resources

Regarding the management of resources, my authorities are exploring ways to help reconcile the projected natural resource wealth, on one side, and the pressing development needs and the establishment of a fiscal framework, which sets up gradual objectives toward a zero basic balance over the medium-term, on the other side. A number of actions aimed at maximizing the returns from natural resource sector are being implemented. These include the recent decision compelling all mining companies to operate under the new mining code, which raised mining royalties from 5.5 to 12 percent, the initiation of cost reduction measures, including the revision of the pricing of domestic refined petroleum sales, the replacement of foreign workers with Nigerien workers and the refinancing of the loan to build the refinery on concessional terms. The initiatives underway aimed at starting crude oil export, including the establishment of the transportation company and the participation in the capital of this company are other additional steps toward achieving the objective of increasing natural resource returns.

C - Debt Management

In spite of their determination to use the unique opportunity given by the country's natural resource endowment to speed up the economic transformation, my Nigerien authorities remain cognizant of the impact of their investment decisions on debt dynamics. In this regard, they highly appreciate the valuable advice given by the Fund staff on the need to adopt a more cautious approach, suggesting a deeper prior analysis on future public financial burden before embarking on any new debt contract. This advice has helped improve the monitoring of loan agreements, in particular with regard to the loan for the construction of the refinery, SORAZ and that related to the master facility agreed with Eximbank of China. The stable qualification of moderate risk of debt distress for Niger's 2014 DSA, despite the recent developments on debt, reflects the authorities' efforts in debt management and commitment to ensure debt sustainability. The ministerial committee created last year is a concrete illustration of their commitment to strengthen and improve their debt management strategy.

Inclusive Growth Agenda

My authorities' ultimate goal is to remove the numerous obstacles constraining the development of economic activities, while creating favorable conditions to promote inclusive and broad-base growth, consistent with the need to build infrastructures, improve social indicators and meet the MDGs. Niger's social indicators are among the lowest in sub-Saharan Africa, and Niger's middle class is small. Its financial system lags behind peers and its annual fiscal cost of government food support is among the highest in a group of 31 countries. Food security remains a major problem. These different constraints call for decisive policy-actions which are being implemented or designed currently by the authorities. With regard to the financial sector, a development strategy has been prepared since 2012 with its main strategic targets designed to increase stability and transparency in the financial sector, deepen the sector and improve the legal and judicial framework.. The action plan designed to facilitate the implementation of that strategy was recently updated and will be approved by the authorities shortly. As regards agriculture, the authorities are seeking ways to increase agriculture production to an extent that outpace the outcomes recorded with the 3N initiative. To that end, the Plan de Development Economique et Social (PDOES) 2016-2020, which is being finalized, will include this objective as a priority. Finally, in order to foster regional trade, several actions are being implemented, including the reduction of custom check points and supporting documents for exports and imports and the definition of categories of control at check points. Over the medium-term, these actions will support any initiative tending to move forward with the implementation of the proposed regional trade buffer by ECOWAS.

Conclusion

Niger’s medium and long term outlook have improved significantly in light with the expected returns from the development of the natural resource sector. Important achievements have been made over the recent years in terms of macroeconomic stability, revenue mobilization, public finance, and debt management. However, considerable challenges still lay ahead, in particular, the need to achieve sustained growth, less dependent on weather conditions and consistent with their poverty reduction strategy and development needs. My authorities are taking steps to address these challenges, in particular, by paying close attention to the implementation of structural reforms in the areas of natural resources management and public finance management.

Based on the strong commitment shown and the corrective actions taken by the authorities, I would request Directors’ support for the requested waivers and the proposed decisions.