

## Niger—Assessment Letter for the African Development Bank

October 18, 2012

*The new three-year ECF arrangement was approved by the Board on March 16, 2012. The economic outlook for 2012 and 2013 is broadly positive, thanks to the coming onstream of oil production and continuing investment in the natural resource sector. Downside risks to the outlook include the fragile regional security situation and climatic shocks. Program implementation in 2012 has been mixed. All end-June quantitative performance criteria were met other than the continuous performance criterion on non-concessional borrowing, but there were delays in the execution of the structural reform agenda.*

**The new three-year ECF arrangement was approved by the Board on March 16, 2012,** with total access equivalent to SDR 78.96 million (120 percent of quota).<sup>1</sup> The medium-term program builds on the government's ambitious development strategy, with an emphasis on (i) raising domestic revenue performance to create fiscal space for development spending; (ii) maintaining external debt sustainability; (iii) rebuilding government deposits at the central bank to facilitate budget execution and enhance resilience to shocks; (iv) strengthening public finance and debt management; (v) establishing a sound, transparent supervisory and legal framework for the natural resource sector; and (vi) improving the business environment, including reforms aimed at sustaining the stability of the financial sector and increasing access to financial services.

**The economic outlook for 2012 and 2013 is broadly positive.** The economy is projected to grow by about 12½ percent in 2012, reflecting the positive impact of the start of oil production and a good harvest. The prospects for 2013 are positive as well, with real GDP growth projected to reach around 6½ percent, supported by continuing investment in the natural resource sector. Despite upward pressures on domestic food prices, which increased by more than 4 percent in August (12-months' basis), headline consumer price inflation remains stable, and is expected to remain below the regional convergence criteria of 2 percent by end-2012.

**There are, however, downside risks to the outlook, emanating from the fragile security situation in the region and the frequent climatic shocks.** The capture of northern Mali by rebel forces and the intensification of terrorist activity in Nigeria have an impact on the security situation in neighboring Niger. Furthermore, Niger has been affected by devastating floods in August 2012 that, besides their significant human and social costs, are expected to affect rice production.

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<sup>1</sup> Available at <http://www.imf.org/external/pubs/cat/longres.aspx?sk=25909.0>

**Performance under the ECF-supported program is mixed in 2012.** Delays in customs administration reforms and lower-than-projected gasoline exports are expected to lead to a revenue shortfall of about CFAF 42 billion (1.1 percent of GDP) in 2012. The authorities have recently adopted an action plan to address the shortfalls in customs revenue. The revenue shortfalls are more than offset by delays in the execution of the investment budget. The authorities are preparing a revised budget proposal for 2012 that takes into account the lower revenue and expenditure levels.

**As a result of the delays in the execution of the investment budget, the end-June performance criterion on domestic financing was met.** The performance criterion on the reduction of domestic payment arrears was also met by a comfortable margin. The continuous performance criterion on non-concessional borrowing, however, was breached because of the contracting of a CFAF 50 billion non-concessional loan from the Republic of Congo; the authorities are currently renegotiating the terms of the loan.

**Progress in the implementation of the structural reform agenda has met some delays in relation to program benchmarks.** The authorities are working on the quarterly budget reports on a commitment, payment order, and payment basis that were due in May and August. Although expenditure not authorized in advance has not been kept below the maximum of 5 percent of committed expenditure, as expected under a structural benchmark, the monitoring of such expenditures has been strengthened. Progress has been made towards the establishment of a single Treasury account, with the completion of an inventory of bank accounts held by government entities and agencies. Finally, in the context of their plan to raise customs revenue, the authorities intend to give all known importers a tax identification number in 2013, a measure initially envisaged for end-June 2012. Progress in bringing the structural reform program back on track will be discussed in the next program review mission.

**The authorities have submitted to Parliament a budget proposal for 2013.** While the overall fiscal balance is projected to be broadly in line with the budgetary framework under the ECF program, revenue and expenditure levels will be lower to take into account the projected outcomes in 2012. The authorities intend to continue to build up reserves at the BCEAO to improve budget execution and enhance the country's resilience to shocks.

**The mission for the first ECF-supported program review is scheduled to take place in early November 2012.** This mission will offer an opportunity to discuss in detail the budget for 2013 and progress in bringing the structural reform program back on track, including the implementation of the action plan to address the shortfalls in customs revenue.

Table 1. Niger: Selected Economic and Financial Indicators, 2009–13

	2009	2010	2011	2012	2012	2013
			Prel.	Prog.	Projections	
(Annual percentage change, unless otherwise indicated)						
National income and prices						
GDP at constant prices	-0.9	8.0	2.3	13.4	12.3	6.4
Non-agricultural GDP at constant prices	5.5	0.7	6.5	15.8	14.4	6.2
Non-oil and mineral GDP	...	...	...	5.1	5.1	5.6
GDP deflator	4.1	1.5	3.6	4.5	4.5	1.9
Consumer price index						
Annual average	1.1	0.9	2.9	4.5	2.0	2.0
End of period	-0.6	2.7	1.4	4.5	2.0	2.0
External sector						
Exports, f.o.b. (CFA francs)	15.2	8.1	18.8	38.1	37.0	21.1
Of which: non-uranium exports	31.0	-3.3	13.7	56.3	49.1	38.1
Imports, f.o.b. (CFA francs)	40.2	4.7	11.5	17.3	20.3	1.4
Export volume	13.6	0.0	9.6	34.9	18.7	22.7
Import volume	35.3	-10.5	12.6	26.6	19.0	-2.7
Terms of trade (deterioration -)	3.9	-3.6	8.7	12.4	12.4	-2.4
Government finances <sup>1</sup>						
Total revenue	-17.7	6.1	11.0	36.2	31.7	14.7
Total expenditure and net lending	11.3	-4.2	6.6	29.0	46.2	16.9
Of which: current expenditure	0.0	21.8	13.7	-1.9	10.2	1.9
Of which: capital expenditure	25.1	-29.5	-5.4	86.9	119.0	32.2
(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)						
Money and credit						
Domestic credit	41.0	9.1	13.7	11.1	7.4	9.4
Credit to the government (net)	28.9	1.4	4.1	-7.3	-4.1	-3.6
Credit to the economy	12.1	7.7	9.6	18.3	11.6	13.0
Net domestic assets	41.2	1.6	13.2	11.1	7.4	5.3
Broad money (percent)	18.3	22.6	8.1	18.5	17.4	8.4
Velocity of broad money (percent)	5.3	4.6	4.5	4.6	4.5	4.5
(Percent of GDP, unless otherwise indicated)						
Government finances						
Total revenue	14.7	14.4	15.1	18.0	16.9	17.9
Total expenditure and net lending	24.6	21.8	21.9	29.6	27.3	29.5
Current expenditure	12.1	13.7	14.7	12.3	13.8	13.0
Capital expenditure	12.5	8.1	7.3	17.3	13.5	16.5
Basic balance (excluding grants) <sup>2</sup>	-4.1	-3.0	-3.6	-0.7	-1.8	-1.8
Overall balance (commitment basis, including grants)	-5.5	-2.6	-2.8	-3.6	-2.5	-3.7
Gross investment	33.0	38.6	36.8	41.4	39.2	35.1
Of which: non-government investment	25.5	33.0	32.5	31.0	31.1	25.2
government	7.8	4.9	4.4	10.4	8.1	9.9
Gross national savings	7.9	17.5	10.9	14.9	14.0	15.0
Of which: non-government	1.0	7.3	3.8	5.3	5.5	7.6
Domestic savings	5.7	9.7	6.8	13.2	11.7	16.0
External current account balance						
Excluding official grants	-25.7	-27.1	-29.3	-30	-29.1	-22.1
External current account balance (including grants)	-25.0	-21.1	-25.9	-26.5	-25.2	-20.1
Debt-service ratio as percent of:						
Exports of goods and services	2.5	2.6	3.1	3.0	2.9	2.3
Government revenue	3.5	3.9	4.7	4.4	4.6	3.8
(Billions of CFA francs)						
GDP at current market prices	2,481	2,680	2,839	3,364	3,333	3,613

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

<sup>1</sup>The 2013 fiscal data reflect the authorities' latest budget proposal for 2013.

<sup>2</sup>Revenue minus expenditure net of externally-financed capital expenditure.