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Niger: Request for a New Three-Year Arrangement Under the Extended Credit Facility—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Niger

In the context of the request for a new three-year arrangement under the Extended Credit Facility, the following documents have been released and are included in this package:

- The staff report for the request for a new three-year arrangement under the Extended Credit Facility, prepared by a staff team of the IMF, following discussions that ended on December 20, 2011, 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 March 2, 2012. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A Press Release summarizing the views of the Executive Board as expressed during its March 16, 2012 discussion of the staff report that completed the request.

- A statement by the Executive Director for Niger.

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

Letter of Intent sent to the IMF by the authorities of Niger*
Memorandum of Economic and Financial Policies by the authorities of Niger*
Technical Memorandum of Understanding*

*Also included in Staff Report

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

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INTERNATIONAL MONETARY FUND

NIGER

Request for a New Three-Year Arrangement Under the Extended Credit Facility

Prepared by the African Department
(In consultation with other departments)

Approved by Seán Nolan and Tom Dorsey

March 2, 2012

Discussions. The discussions were held in Niamey December 12–20, 2011. The staff team comprised Mr. Harmsen (head), Mr. Zejan, and Ms. Bova (all AFR); Ms. Mira (AFR) provided support from headquarters. The team met with the Minister of Finance, the Minister of Planning, the National Director of the regional central bank (BCEAO), other government officials, and representatives from the private sector, civil society, and the donor community. The Managing Director visited Niger December 21–22, 2011.

ECF arrangement. The three-year ECF arrangement approved on June 2, 2008 expired on June 1, 2011. In the attached Letter of Intent and Memorandum of Economic and Financial Policies, the authorities are requesting approval of a new three-year arrangement under the ECF, in the amount equivalent to SDR 78.96 million (120 percent of quota) in support of their new strategy to increase growth and reduce poverty and the first disbursement under the arrangement (SDR 11.28 million).

Staff views. Based on the authorities' policy intentions, the staff recommends approval of the authorities' request for a new three-year ECF arrangement.

Contents Page

EXECUTIVE SUMMARY

Following a military coup in early 2010, a democratically-elected government took office in April 2011. The new government has adopted an ambitious medium-term development program, which envisages using rising natural resource revenue for the financing of public investment in infrastructure, agriculture, health care, and education. The government is also preparing comprehensive plans for financial and private sector development.

The authorities' new three-year program builds on the government's medium-term development strategy, and draws on the lessons of the Ex Post Assessment discussed by the Executive Board on December 2, 2011. The main elements of this government's program, which are presented in more detail in the attached Letter of Intent and Memorandum of Economic and Financial Policies (Appendix), include the following:

- Creating fiscal space for rising development spending while maintaining external debt sustainability. The authorities will consider nonconcessional borrowing only for well-assessed, high-yield commercial and infrastructure projects that will generate sufficient government revenue to cover debt service related to the projects.
- Rebuilding government deposits at the central bank to facilitate budget execution and enhance resilience to exogenous shocks.
- Strengthening public finance and debt management, in particular, through improvements in budget execution and treasury management; measures to strengthen domestic revenue; and a reform of the institutional framework for debt management. The authorities are to strengthen their technical and analytical debt management capacities.
- Establishing a sound, transparent supervisory and legal framework for the natural resource sector.
- Improving the business environment, including reforms aimed at sustaining the stability of the financial sector and increasing access to financial services.

The authorities are requesting approval of a three-year arrangement under the Extended Credit Facility (ECF), in the amount equivalent to SDR 78.96 million (120 percent of quota), in support of their economic and financial program for 2012–Q1 2015.

Based on the authorities' policy intentions, the staff recommends approval of a new three-year ECF arrangement.

I. Background

1. **The three-year ECF-supported program for Niger expired on June 1, 2011.** Performance under the program was initially satisfactory. Program implementation, however, was interrupted by the military coup in February 2010, which prevented the conclusion of the fourth review under the arrangement.

2. **A democratically-elected government came into power in April 2011.** Building on the 2008–12 poverty reduction strategy, the government has adopted an ambitious development program for Niger, envisaging large increases in public investment in infrastructure, agriculture, health, and education. Niger's medium-term prospects are favorable thanks to ongoing investments in the natural resource sector.

3. **The Board meeting for the 2011 Article IV Consultation and the Ex Post Assessment (EPA) was held on December 2, 2011.** Directors welcomed Niger's development strategy. They emphasized that continued IMF engagement should be based on the recommendations in the EPA, including strengthening public finance management and revenue mobilization; ensuring maximum return to the economy from extractive industries; developing the financial sector; and improving the business environment.

II. Recent Developments and the Medium-Term Outlook

4. **Economic activity in recent years has been affected by large swings in agricultural production** (Table 1; MEFP ¶3). Following a year of serious food shortages, economic growth recovered quickly in late 2010, and remained elevated during the first half of 2011, driven by an excellent harvest and the expansion of services related to agriculture.

5. **Economic activity slowed in the second half of 2011, mainly reflecting the impact of a new downturn in agricultural production.** Owing to less-than-normal rainfall in the Sahel region, the harvest of subsistence crops was well below expectations in many parts of the country. GDP growth for 2011 is now estimated to be about 2½ percent, down from the 4 percent projection during the Article IV consultation.

6. **Almost half of the Nigerien population may be affected by food shortages this year.** Niger has relatively efficient mechanisms to distribute food aid to the poorest, including food-for-work programs (Box 1). The authorities have actively sought donor support to cover the cost of domestic food aid programs, estimated at CFAF 110 billion (3¼ percent of GDP).

7. **Notwithstanding upward pressures on domestic food prices, consumer price inflation remained stable during 2011,** amounting to1½ percent (end-of-period) for the year. Inflation is expected to rise in the coming months as shortages in the domestic food market become more pressing. Assuming a normal harvest in 2012, CPI inflation is projected to accelerate to 4½ percent (end-of-period) for the year as a whole, falling in 2013.

Box 1. Food Shortages

Niger's population will face food shortages this year. Niger is caught in an unrelenting cycle of food insecurity. In 2010, approximately 50 percent of the population required emergency food assistance. The country is now facing a crisis in parts of the country, which is expected to escalate in 2012. The cereal deficit, the result of late and poor rains, is estimated at 692,000 metric tons (about 20 percent of production). Food prices are expected to rise throughout the first three quarters of 2012, until the 2012 harvest reaches the market.

A government-led vulnerability survey was recently carried out. Preliminary results indicate that in November 2011 more than half of the population suffered food insecurity or were at risk of food insecurity. The vulnerable geographic regions have already been identified and cover not only rural areas but also the periphery of cities including Niamey.

The authorities are already implementing a "Temporary Response Plan for Vulnerable People, 2011-12" covering a six-month period from October 2011. The plan focuses on meeting the immediate needs of 750,000 vulnerable people. Humanitarian agencies have stepped up targeted cash and food-for-work activities to identify and treat moderately malnourished children.

Based on the final results of the vulnerability survey, the authorities will prepare an action plan for discussions with donors. It will cover different types of activities to mitigate the impact of the crisis, including a cash-for-work program; the replenishment of cereal stocks; sale of subsidized cereals; and targeted distribution of free food. Its implementation will be coordinated by the *Dispositif National de Prévention et Gestion des Crises Alimentaires* (jointly managed and funded by the authorities and external donors), and carried out by the parastatal *Office des Produits Vivriers du Niger*, specialized UN agencies (e.g. World Food Program), and civil society organizations.

8. **Fiscal policy remained on track in 2011.** (Tables 2 and 3; MEFP ¶4). Preliminary data show that revenue performance and expenditure was in line with projections, and that the target for the basic fiscal deficit (4¼ percent of GDP) was achieved. As of January 1, 2012, the authorities discontinued the explicit price subsidies for most petroleum products when the sale of domestically-produced petroleum products started (Box 2).

9. **Broad money growth in 2011 is estimated at 6½ percent, in line with the growth of economic activity.** The rapid expansion of bank credit to the private sector, mostly to enterprises in the mining and telecommunication sectors, was accompanied by a weakening of the external position, as shown by the steady decline in net foreign assets of the banking system during the year (Tables 4 and 5). The pressures on the balance of payments increased during the last months of the year, following devaluation rumors in the CFA franc zone.

10. **Notwithstanding slow growth in Niger's main export markets, medium-term prospects remain favorable** (MEFP ¶5). As discussed in the recent staff report for the Article IV consultation (SM/11/309), ongoing mining investments are projected to lead to a doubling of uranium exports by 2016. Domestic oil production came onstream in late 2011, and the country started exporting petroleum products in January 2012. Also, the foreign investor in the oil sector has made substantial progress in developing the Agadem oil field, which could turn Niger into an exporter of crude oil by 2015 (Box 2). Given these activities, real GDP growth is projected to increase to about 13½ percent in 2012 and remain at around 7 percent per year over the medium term. The current account deficit is projected to decline gradually in the coming years as foreign direct investment (FDI)-related imports level off, from about 28½ percent of GDP in 2011 to some 10½ percent of GDP in 2016. Assuming normal harvests, inflation is projected to hover around 2 percent in 2013 and the years thereafter.

III. Discussions for a New ECF-Supported Program

A. The Government's Medium-Term Growth Strategy

11. **The program for 2012–Q1 2015 is based on the government's broad growth strategy, and incorporates the key recommendations of the EPA.** Niger's growth strategy, set out in the President's development program and the government's General Policy Declaration of June 16, 2011, rests on several pillars, including substantial increases in public investment in infrastructure, agriculture, health, and education; measures to face rising security threats in the region; and a comprehensive program for financial and private sector development. The authorities are also working on a progress report on the 2008–12 poverty reduction strategy, which should be completed within the coming weeks. The preparation of a Sustainable Development and Inclusive Growth Strategy—the government's new poverty reduction strategy—should be completed by end-2012 (MEFP ¶1)

12. **The main objectives of the ECF-supported program are** maintaining macroeconomic stability while increasing resilience to shocks; strengthening public finance and debt management; putting in place a transparent legal and supervisory framework for the mining and petroleum sectors; and supporting private and financial sector development.

B. Fiscal Policy

13. **Medium-term fiscal policy aims to support the growth strategy by creating fiscal space for increasing development spending, while maintaining external debt sustainability** (MEFP ¶7 and ¶8). To achieve this objective, the government intends to cap the overall fiscal deficit (commitment basis) at about 12½ percent of GDP, while seeking as much as possible grants and concessional loans to cover its financing needs. Thanks to

rising receipts from oil production and the strengthening of domestic revenue, total revenue is projected to rise by about 3½ percentage points of GDP to more than 19 percent of GDP in 2014. This will allow the authorities to substantially increase outlays to support their medium-term development plan. The authorities also plan to step up efforts to attract foreign financing for investment in infrastructure and other projects.

Box 2. Update on Oil Production and Pricing

The production of crude oil from the Agadem oil field started towards the end of 2011. The crude oil is pumped through a pipeline to the Soraz refinery at Zinder. About one third of the petroleum products produced by Soraz will find their way to the domestic market; the remainder will be exported. The state-owned petroleum company (SONIDEP) has been charged with the marketing of the petroleum products.

In November 2011, the authorities reached agreement with the foreign investor in the petroleum sector on the pricing of the crude oil and petroleum products. The crude is currently priced at $67 a barrel. This price will be in place for three months, and no decision has yet been made on the price or pricing mechanism to be applied as of March. The refined products are sold at CFAF 336 per liter for gasoline, and CFAF 340 for diesel. These prices have been fixed for six months. After this period, the price of refined products will be set by a formula linked to world market prices. The production of refined products could attain full capacity (20,000 barrels a day) in 2012, depending on the finalization of the export contracts.

The new prices for domestically-produced petroleum products are about 14 percent to 17 percent below equivalent import prices. The implicit subsidy inherent to the new price levels, as measured by the foregone revenue for the state, is projected in 2012 at about CFAF 4 billion a year (less than 0.1 percent of GDP). This subsidy replaces the explicit subsidy on petroleum products in the form of special indirect tax cuts (totaling CFAF 33 billion in 2011, or 1¼ percent of GDP), with the exception of the subsidy on imported lamp oil.

Starting in 2015, Niger could produce and export an additional 60,000 barrels of crude a day. Given the available reserves, production would remain at this level for 3–5 years, and then gradually decline over 50 years. The foreign investor in the petroleum sector is exploring the possibility of exporting the crude oil through the Chad-Cameroon pipeline. If this option is chosen, a 600 km connection would need to be built between the Agadem oil field and the existing pipeline in Chad.

14. **In November 2011, the parliament adopted the government's budget proposal for 2012, broadly aligned with the policy advice provided by IMF staff in the recent Article IV consultation:**

- *Total revenue in 2012 is projected to rise by more than 2¼ percent of GDP*, reflecting the new receipts from oil production, measures to strengthen tax and customs administration, and the expiration of costly profit tax exemptions.

- *Total expenditure in 2012 is projected to rise by a similar amount.* The government plans a comprehensive restructuring of expenditures in 2012. The discontinuation of the subsidy on fuel products (equivalent to 1.2 percent of GDP) has created room for a 19 percent increase in social spending, with particular emphasis on investment in education. The public wage bill will increase to accommodate the recruitment of 4,000 teachers in 2012.[1]

- *As a result, the overall fiscal deficit in 2012 is projected to remain unchanged from 2011, at 11½ percent of GDP.* The basic fiscal deficit, which measures the balance of domestic fiscal operations of the government, is projected to decline to less than 1 percent of GDP, from 4 percent in 2011.

15. **The authorities are planning a build-up of reserves at the central bank (BCEAO) in 2012 of about CFAF 37 billion (about 1 percent of GDP).** At end-2011, freely available government reserves at the BCEAO stood at only CFAF 20 billion. The low level of reserves has forced the authorities to conduct their treasury management in 2011 on the basis of weekly projections of revenue inflows, leading to uncertainties in the execution of the budget. The expected restitution of cash balances will facilitate expenditure planning within the budget year.

16. **Higher reserves will also bolster Niger's resilience to unexpected shocks.** As discussed in more detail in Box 3, Niger is highly vulnerable to climatic and other exogenous shocks. A higher level of reserves will strengthen the capacity of the government to support the poorest during adverse conditions, such as droughts.

17. **Over time, the authorities will consider the introduction of a fiscal stabilization mechanism to address fluctuations in revenue from the natural resource sector.** This will become especially important when the new petroleum and uranium projects come onstream, currently envisaged for 2015.

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[1] Following the adoption of the budget for 2012, the government awarded a 5 percent to 10 percent wage increase to public servants as of January 1, 2012. The budgetary impact of this increase, projected at CFAF 5 billion (0.15 percent of GDP), will be offset by a reduction in the allocation to transfers.

C. Budget Financing

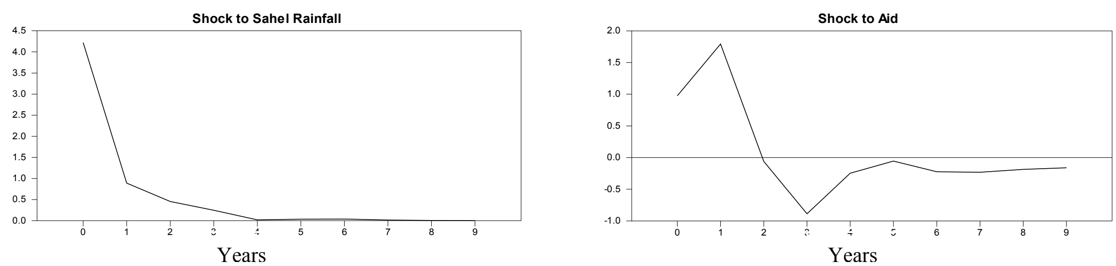
18. **The government's medium-term fiscal framework is based on the assumption of a steady rise in foreign financing in the coming years.** While budget aid from multilateral and bilateral donors in 2012–14 is assumed to remain roughly stable at the level realized in 2011, the authorities expect a substantial increase in external financing for public infrastructure projects, including in transportation, electricity generation, and agricultural irrigation.

Box 3. Niger's Vulnerability to Shocks[1]

Assessing the role played by shocks in macroeconomic fluctuations is essential to the design of policy responses to increase Niger's resilience to shocks.

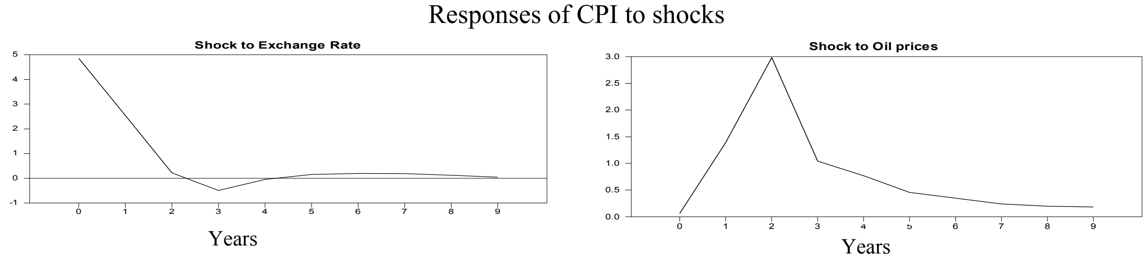
Empirical research suggests that climatic and external shocks explain 60 percent of real GDP fluctuations in Niger. A one-standard deviation climatic shock has an immediate and large impact on output in the first year, with the effect vanishing after four to five years. A positive one-standard deviation aid shock leads to an expansion of output in the first three years, with the highest effect occurring during the second year.

Responses of Real GDP to Shocks



Exchange rate shocks appear to be the key drivers of consumer price fluctuations, explaining more than 50 percent of their variance. A one standard deviation positive shock to the exchange rate (a depreciation of the currency) triggers a strong but short-lived increase in inflation. Oil price shocks take three years to become a significant driver of consumer price fluctuations. Oil shocks are persistent, and last about seven to eight years before fading away. Climatic shocks have a relatively small impact on consumer prices, maybe as a result of mitigating and administrative measures in case of drought.

Responses of CPI to shocks



[1]This box is based on a working paper under preparation by Mesmin Koulet-Vickot (IMF African Department).

19. **Gross external financing needs in 2012 are projected at some CFAF 462 billion, up from a budgeted CFAF 357 billion in 2011.** Project aid and sectoral assistance (including aid to relieve food shortages) are projected at CFAF 366 billion. Budget aid for 2012 is projected at CFAF 79 billion, including CFAF 30 billion from the World Bank, CFAF 26 billion from the European Union, and CFAF 23 billion from other multilateral and bilateral donors. The remaining financing gap of some CFAF 17 billion could be covered by the IMF under the ECF.

20. **The authorities agreed with staff that nonconcessional borrowing would be warranted only for well-assessed, high-yield commercial and infrastructure projects that will generate sufficient government revenue to cover debt service related to the projects.** As the authorities have not yet fully documented projects that meet this requirement, the program plans a zero ceiling on medium-term nonconcessional borrowing. Staff intends to propose a non-zero ceiling at the time of the first review if justified by information provided by the authorities on new projects and financing terms, and will regularly reassess the space for nonconcessional borrowing with the help of updated debt sustainability analyses.

D. Strengthening of Public Finance and Debt Management

21. **The authorities' ambitious development strategy and revenue mobilization objectives are supported by a comprehensive action plan for public finance management reforms in 2012–14.** The plan, which was prepared with support from the World Bank, reflects the recommendations of the IMF's Fiscal Affairs Department (FAD) technical assistance missions in 2011 on budget and treasury management; tax and custom administration; and tax policy. The authorities are also planning to strengthen the institutional framework for debt management.

Budget execution and treasury management

22. **The authorities will continue their efforts in the coming years to ensure alignment of the medium-term budget framework with the priorities of their poverty reduction and growth strategy** (MEFP ¶11). The preparations for the 2012 budget were guided by a three-year medium-term expenditure framework. The next step will be to prepare sectoral medium-term expenditure plans. The program also envisages further steps in the coming years to enhance administrative, parliamentary, and judicial budget controls, including through the timely presentation to parliament of the budget review laws.

23. **For 2012, the government's reform program includes several specific measures aimed at improving public finance management** (MEFP ¶13). These include measures aimed at expediting quarterly expenditure authorizations for line ministries on the basis of cash management and commitment plans; limiting the use of exceptional expenditure

procedures; closing irregular and dormant government bank accounts as a step towards establishing a single treasury account; improving the monitoring of the expenditure chain; and compiling comprehensive quarterly budget reports.

Tax and customs administrations

24. **The program plans continued efforts to strengthen the revenue collection agencies** (MEFP ¶14). In 2010, the authorities adopted three-year reform programs for the tax and customs administrations aimed at broadening the tax base, improving taxpayers' compliance, reducing exemptions, and strengthening risk management. The authorities intend to update these programs in 2013.

25. **The measures planned for 2012 are prioritized on the basis of their expected positive impact on revenue performance** (MEFP ¶15). Regarding the tax administration, efforts will focus on strengthening controls of tax exemptions and value-added tax (VAT) credits and stepping up the number of audits of mining and petroleum companies, initially with support from an auditing firm. The performance of the customs administration is expected to benefit significantly from a more active application of existing control mechanisms and a better use of the product valuation data provided by a trade pre-inspection company. A recent contract with this company also provides for installation of scanners, which should facilitate customs controls.

Tax policy

26. **A key objective for the medium term will be to bring the tax exemptions under the Investment Code in line with best practices** (MEFP ¶17). Although some of these exemptions are effective in attracting new investment, a recent analysis conducted by FAD shows that the exemptions are not always necessary to promote additional investment, in particular in the telecommunications sector. In light of this, the authorities intend to revise the code in 2012 to exclude the possibility of extending exemptions to already-established telecommunication companies when they introduce new technologies. In collaboration with the World Bank, the authorities will also start a comprehensive review of the code in 2012.

Debt management

27. **The program plans an overhaul of the institutional framework for debt management in 2012** (MEFP ¶18). At present, the management of external and internal government debt and arrears is the responsibility of the Debt Directorate at the Ministry of Finance (external and domestic debt) and the Center for Amortization of Domestic Debt (arrears accumulated before 2009). The authorities intend to concentrate all debt management activities at the Debt Directorate, and its technical and analytical debt management capacities will be strengthened. In addition, all proposals for new government loans or guarantees are, as of January 2012, subject to approval by the National Debt Management Committee.

E. Natural Resources Management

28. **The government gives high priority to transparency in all exploration, exploitation and trading activities** (MEFP ¶22). As a first step, a clause was included in the 2010 Constitution requiring publication of all new exploration and exploitation contracts in the mining sector. Also, the authorities made important progress in meeting the standards of the Extractive Industries Transparency Initiative (EITI); Niger was declared compliant in March 2011.

29. **The rapid development of mining and oil production requires further strengthening of the management of the natural resource sector. Accordingly, the authorities intend to take the following steps:**

- *The authorities will complete by end-2012 a strategic study on the role of the state in the natural resource sector* (MEFP ¶23 and ¶24). Drawing on the experiences of other resource-rich countries, the study will analyze different options for state involvement in, and supervision of, the natural resource sector. The authorities will discuss its conclusions with IMF staff before taking any new initiatives in this area. The authorities will also review the tax regime (including exemptions) for the natural resource sector contained in the petroleum and mining codes.

- *To improve policy coordination, the authorities will reactivate in 2012 the Interministerial Committee for the oversight of the natural resource* sector (MEFP ¶23). Supervisory functions are currently assigned to various bodies, including the Ministry of Finance; the Ministry of Petroleum; the Ministry of Mines, and the state holding company for the mining sector (SOPAMIN). Awaiting the outcomes of the strategic study on the role of the state, the Interministerial Committee should ensure a better information flow and consistency of policy positions within the government.

- *The authorities will strengthen their capacity to negotiate contracts and conduct tax audits in the natural resource sector over the medium term* (MEFP ¶25). The complexity of contract negotiations and tax auditing in the natural resource sector requires a specialized knowledge that needs continuous development. The authorities have requested technical assistance from the IMF to build up their in-house capacity in these areas.

- *While working on enhancement of their in-house capacity, the authorities plan to seek outside expertise for contract negotiation and tax audits in 2012* (MEFP ¶26). In particular, they intend to hire the services of reputable firms to help them negotiate uranium prices for 2013 and conduct comprehensive fiscal audits of the mining companies.

F. Financial Sector Reforms and Private Sector Development

30. **Financial intermediation in Niger is low by international standards** (MEFP, ¶20-21). Private sector bank credit in percent of GDP is well below the averages for sub-Saharan Africa, and the use of bank accounts by the general public is uncommon. Access to longer-term bank credit (including real estate financing) is limited. Niger has a large number of microfinance institutions, but their market penetration is limited.

31. **In February 2012, the authorities completed a comprehensive five-year development plan for the financial sector (Box 4).** The plan, which was drafted in close collaboration with financial sector representatives, draws on the recommendations of the 2008 FSAP report prepared by World Bank and IMF staffs. It envisages, among other things, improvements in the legal framework (including for mortgages and guarantees); steps to simplify the recovery of loans; measures to improve the functioning of the judicial system; training for bank employees to build expertise; and a publicity campaign to bring the financial sector closer to the general population. Donor assistance will be sought to finance longer-term bank credits to small- and medium-sized companies.

Box 4. Financial Sector Strategy

Following the recommendations of the 2008 FSAP, the Nigerien authorities and financial institutions have embarked on a financial sector reform program, which will be implemented with support from donors. The reform has five main objectives: (i) increase financial sector stability and transparency; (ii) enhance financial sector deepness; (iii) facilitate access to housing; (iv) improve the legal system; and (v) reinforce technical capacity and information. To attain these objectives, the strategy relies on several operational targets to be achieved by 2016.

- To increase stability, the program aims to reduce portfolio risk in the banking sector, by strengthening the capacity to assess the risk via stress tests, and enhance the supervision of microfinance institutions (MFIs).

- To deepen the financial sector, the strategy intends to promote credit to the rural sector and to small and medium enterprises (SMEs) by measures such as (i) the development of new financial products, including agricultural risk insurance; (ii) the introduction of phone-banking and electronic banking; and (iii) the provision of technical assistance on accounting, business planning and in writing dossiers for banks.

- To facilitate financing of housing, the strategy includes several measures, including (i) legal reforms to facilitate the provision of land titles (including a reduction of fees) and the issuance of mortgages; (ii) the strengthening of the legal framework for mortgage guarantees; and (iii) steps to improve the efficiency of the land registry. Other legal reforms include the adoption of new codes for civil and commercial procedures, and the introduction of a law for the protection of customers.

- To reinforce capacity, the strategy entails training for banks and MFIs employees and sensitivity campaigns for the public on the payment system.

32. **The plan also calls for measures to consolidate the stability of the banking system.** At end-November 2011, six out of the ten commercial banks did not meet minimum liquidity standards, and two banks did not meet capital requirements (Table 6).[2] The plan recommends further steps to ensure that all banks meet prudential criteria. In particular, the program aims to reduce portfolio risk in the banking sector, and strengthen the supervision of microfinance institutions.

33. **Niger's strategy to improve the business climate complements the financial development plan** (MEFP, ¶¶29–30). With Niger ranking at 173 out of 183 countries in the World Bank's Doing Business Indicators (2011), the authorities give high priority to eliminating impediments to job-creating private sector development. In collaboration with the World Bank and representatives of private investors, they have developed a medium-term reform program aimed at making Niger a more attractive place to invest. For 2012, the plan envisages a reorganization of the activities of the National Council of private investors; a revision of the Investment Code; the introduction of trade-facilitating measures; and the preparation of a framework for public-private partnerships.

34. **The government will also continue to give high priority to strengthening governance.** In response to recent allegations of corruption, the government has replaced a large number of officials in the public administration. They also intend to strengthen the application of regulations for public procurement.

IV. PROGRAM MODALITIES AND RISKS

35. **The authorities' new three-year program would be supported by access to SDR 78.96 million (120 percent of quota), to be disbursed in seven installments** (Table 7)**.** IMF support would help the government to build reserves and bolster its resilience to external shocks, such as the pressures from rising food shortages in the first half of 2012. The proposed new arrangement would become effective in March 2012, and have semi-annual reviews. The program for 2012 will be evaluated on the basis of performance criteria (PCs) at end-June and end-December 2012, continuous PCs, indicative targets for end-March and end-September 2012; and structural benchmarks in areas critical for the success of the program. The PCs and indicative targets are defined in the Technical Memorandum of Understanding (Appendix).

36. **The proposed structural conditionality for 2012 takes into account the timeframe for the government's reform agenda** (MEFP Table 2). The authorities are well advanced in the preparation of these measures, which aim to strengthen budget operations and the revenue effort with a view to creating resources for their development strategy.

[2] Of the ten banks, one has exclusively Nigerien ownership; the remaining banks are subsidiaries of regional and other foreign institutions.

Program conditionality in the other key areas of the government's reform program (including natural resource management and financial sector development) could be considered for the second year of the program; the World Bank intends to have conditionality on measures aimed at improving the business climate in the context of the development policy operations currently under preparation.

37. **Niger's capacity to repay the IMF is adequate but program implementation has downside risks.** Although debt service to the IMF will absorb a small fraction of government revenue (Table 8), fiscal policy implementation during the program could be affected by unexpected shocks, including weather-related shocks and sharp declines in uranium and petroleum prices. Also, a worsening of the fragile security situation in the region could affect Niger's prospects for growth and investment.

V. Staff Appraisal

38. **The government's economic and financial program for 2012–14 builds on the key elements the growth strategy adopted in 2011.** The program also draws on the recommendations of the recent EPA. Many of the reforms planned under the program, especially in public financial management and the financial sector are in an advanced stage of preparation.

39. **The authorities' reform-oriented approach gives confidence that significant progress in implementing the reform agenda can be made in the coming years.** Nonetheless, current administrative capacity constraints may delay timely implementation of reforms and the government's ambitious public investment program. This underlines the need to step up capacity-building efforts with the assistance from international financial institutions and donors. IMF staff stands ready to continue its technical assistance in the coming years, including in public financial management and natural resource management.

40. **The fiscal policy stance under the program strikes the right balance between expanding development spending and maintaining debt sustainability.** The expansion of public investment planned for the coming years should be financed primarily from higher domestic revenue (including from natural resources) and concessional project financing. This underscores the need to make rapid progress in strengthening tax and customs administration and implementing tax reforms. The program envisages steps to ensure that only projects with a high return will be included in the investment program.

41. **Some large projects, however, may need to be financed with nonconcessional loans.** The government accepts that nonconcessional loans should be considered only for the financing of well-assessed, high-yield commercial and infrastructure projects that will generate sufficient government revenue to cover debt service related to the projects. Given Niger's recent move from low risk to moderate risk of debt distress, it will be important to prevent further deterioration of debt sustainability indicators.

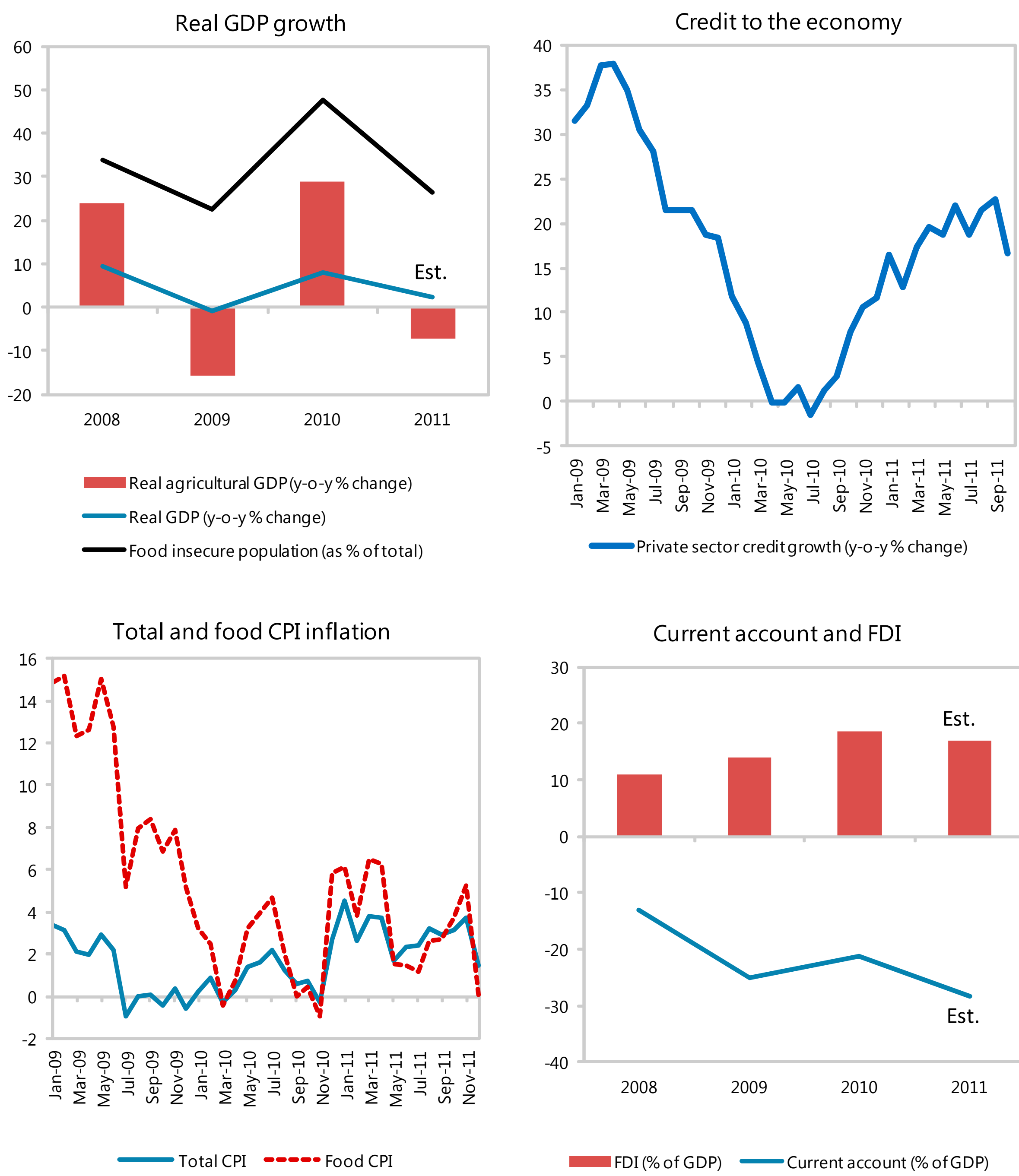
42. **The program plans a significant build-up of government reserves at the central bank in 2012.** This is important to provide more flexibility in the execution of the budget and to bolster Niger's resilience to exogenous shocks. As shown by recent swings in agricultural production, Niger remains exceptionally vulnerable to exogenous shocks. This vulnerability may rise over time when natural resource exports gain importance.

43. **Effective exploration of natural resources requires an overhaul of the supervisory and legal framework for this sector.** The new framework should clarify the future role of the state in natural resource projects; ensure optimal revenue collection from this sector; and ensure full transparency in regulation. Staff welcomes the authorities' plan to flash out reform proposals in 2012 and is ready to provide technical assistance.

44. **Staff welcomes the authorities' plans to develop the financial sector and improve the business climate, which are mutually reinforcing.** Although ongoing investments in the natural resource sector will significantly increase exports and government revenue, their direct employment effects are expected to remain limited. Rapid progress in implementing reforms aimed at developing the financial sector and improving the business climate will be crucial to diversifying the economy outside the traditional sectors and creating private sector jobs in sufficient numbers to absorb the rising supply of labor in Niger.

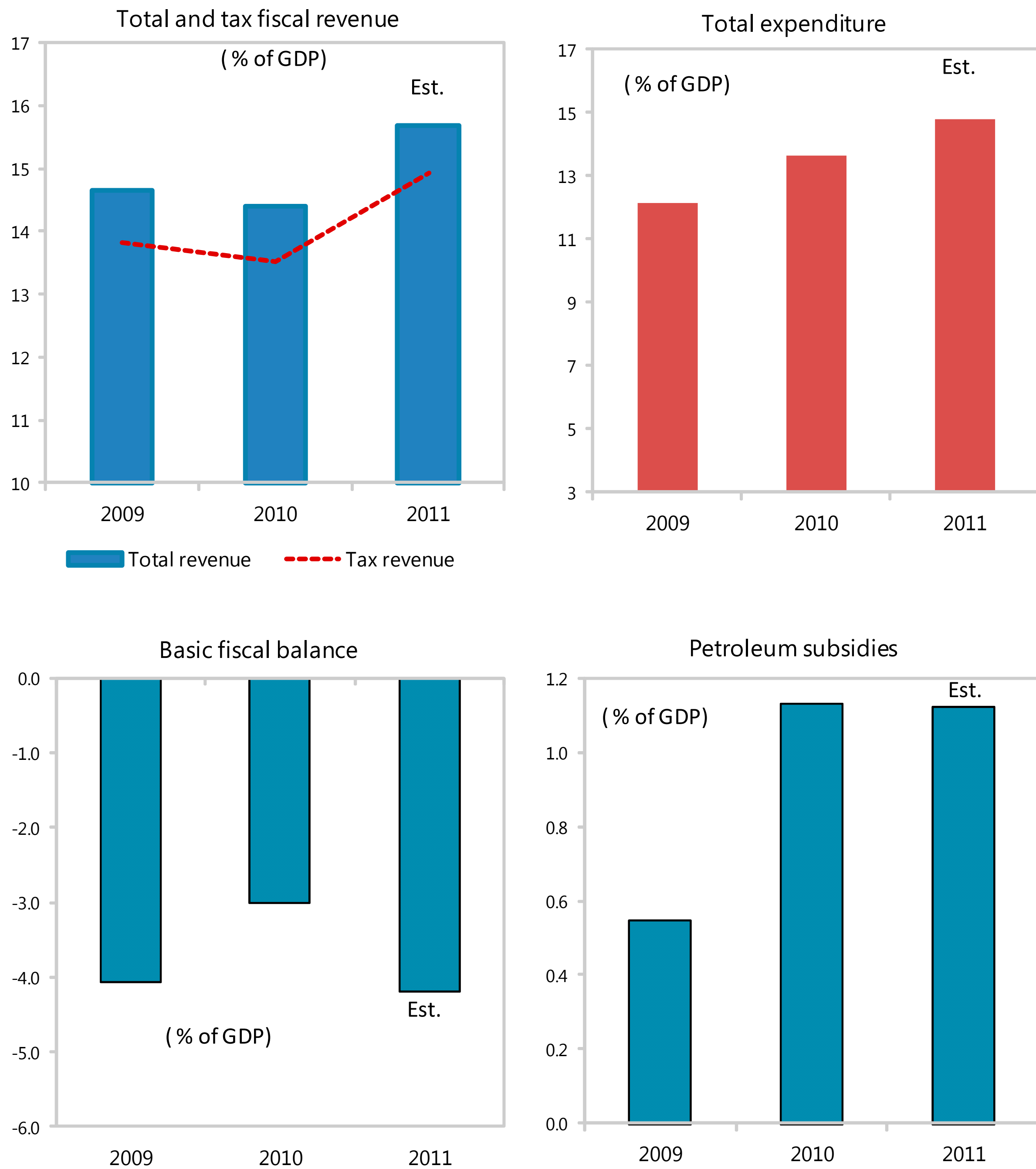
45. **Based on the authorities' policy intentions, the staff recommends approval of the authorities' request for a new three-year ECF arrangement**.

Figure 1. Niger: Main Economic Developments, 2008–11



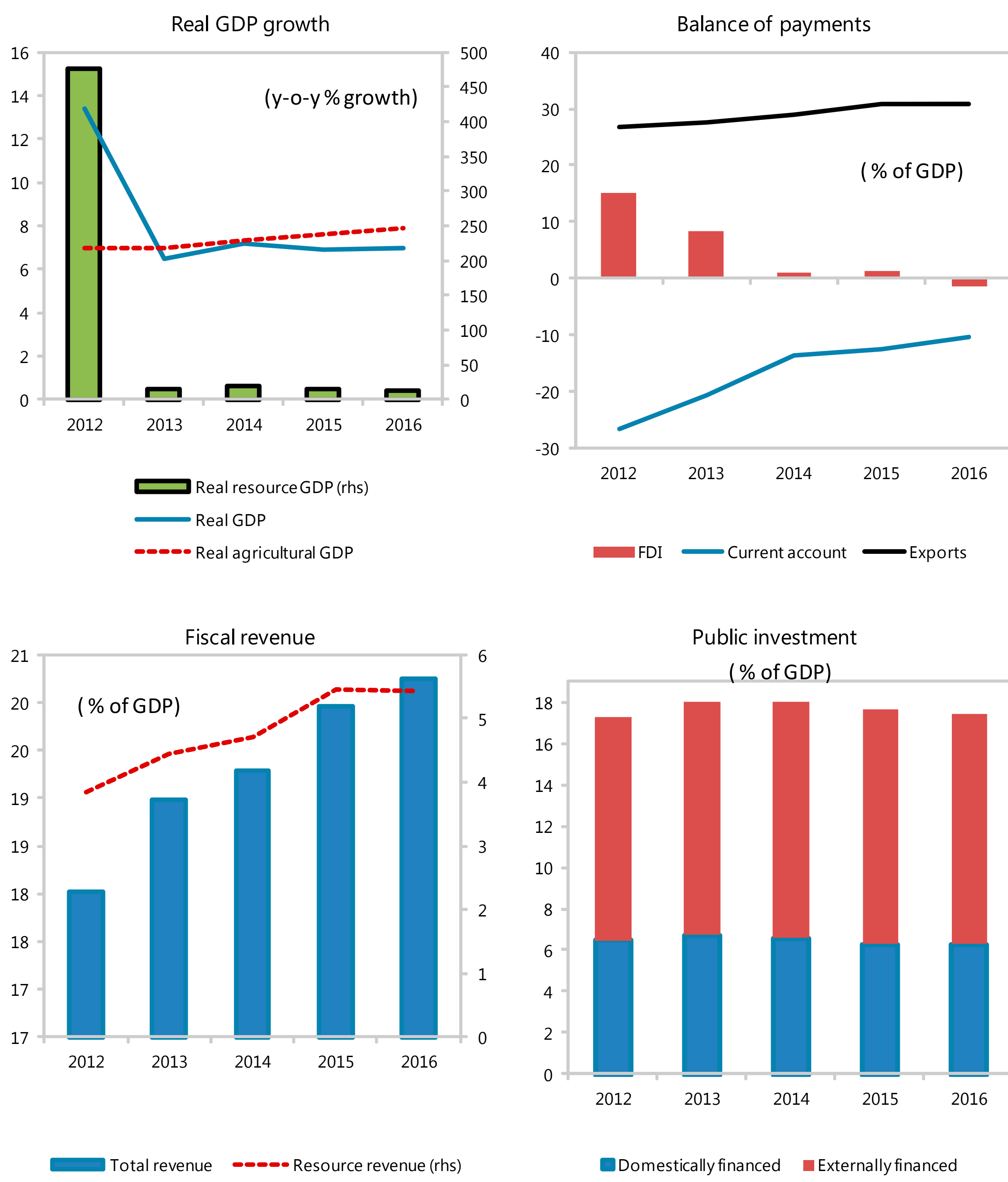
Sources: Nigerien authorities; and IMF staff estimates.

Figure 2. Niger: Fiscal Developments, 2009–11



Sources: Nigerien authorities; and IMF staff estimates.

Figure 3. Niger: Medium Term, 2012–16



Sources: Nigerien authorities; and IMF staff estimates.

Table 1. Niger: Selected Economic and Financial Indicators, 2009-16

	2009	2010	2011	2012	2013	2014	2015	2016
			Projections					
	(Annual percentage change, unless otherwise indicated)							
National income and prices								
GDP at constant prices	-0.9	8.0	2.3	13.4	6.5	7.2	6.9	7.0
Non-agricultural GDP at constant prices	5.5	0.7	6.5	15.8	6.3	7.2	6.6	6.6
Non-oil and mineral GDP				5.1	5.6	5.8	6.0	6.2
GDP deflator	4.1	1.5	3.6	4.5	1.9	2.1	2.0	2.0
Consumer price index								
Annual average	1.1	0.9	2.9	4.5	2.0	2.0	2.0	2.0
End of period	-0.6	2.7	1.4	4.5	2.0	2.0	2.0	2.0
External sector								
Exports, f.o.b. (CFA francs)	15.2	8.1	19.0	38.1	12.0	14.2	16.7	9.3
Of which: non-uranium exports	31.0	-3.3	14.1	56.3	21.9	3.5	3.1	11.4
Imports, f.o.b (CFA francs)	40.2	4.7	18.3	17.3	-0.4	-1.0	9.5	5.1
Export volume	13.6	0.0	11.7	34.9	13.1	11.9	12.8	8.9
Import volume	35.3	-10.5	22.4	26.6	-3.1	-3.7	7.0	2.3
Terms of trade (deterioration -)	3.9	-3.6	8.7	12.4	-2.4	1.6	0.3	0.6
Government finances								
Total revenue	-17.7	6.1	15.4	36.2	14.4	11.2	12.8	10.8
Total expenditure and net lending	11.3	-4.2	32.0	29.0	15.8	10.8	9.0	8.8
Of which: current expenditure	0.0	21.8	14.8	-1.9	19.7	12.7	12.1	8.6
Of which: capital expenditure	25.1	-29.5	43.1	86.9	13.1	9.4	6.8	9.1
	(Annual change as percent of beginning-of-period)							
Money and credit								
Domestic credit	41.0	9.1	12.9	11.1	6.6	10.4	8.7	9.1
Credit to the government (net)	28.9	1.4	-0.4	-7.3	-1.3	-1.0	-2.4	-2.0
Credit to the economy	12.1	7.7	13.3	18.3	7.9	11.4	11.1	11.1
Net domestic assets	41.2	1.6	12.9	11.1	6.6	10.4	8.7	9.1
Broad money	18.3	22.6	6.6	18.5	8.5	11.9	14.1	9.1
Velocity of broad money (percent)	5.3	4.6	4.6	4.6	4.6	4.5	4.3	4.3
	(Percent of GDP, unless otherwise indicated)							
Government finances								
Total revenue	14.7	14.4	15.7	18.0	19.0	19.3	20.0	20.3
Total expenditure and net lending	24.6	21.8	27.2	29.6	31.6	31.9	31.9	31.8
Current expenditure	12.1	13.7	14.8	12.3	13.5	13.9	14.3	14.3
Capital expenditure	12.5	8.1	11.0	17.3	18.0	18.0	17.7	17.7
Basic balance (excluding grants)[1]	-4.1	-3.0	-4.2	-0.7	-1.6	-1.5	-0.9	-0.7
Overall balance (commitment basis, including grants)	-5.5	-2.6	-3.7	-3.6	-4.8	-5.1	-4.6	-4.4
Gross investment	33.0	38.6	39.0	41.4	36.1	28.6	27.0	25.9
Of which: non-government investment	25.2	33.8	32.5	31.0	25.3	17.7	16.4	15.3
government	7.8	4.9	6.6	10.4	10.8	10.8	10.6	10.6
Gross national savings	7.9	17.5	10.7	14.9	15.5	15.0	14.4	15.3
Of which: non-government	1.0	7.3	3.1	5.3	7.4	7.4	7.4	8.4
Domestic savings	5.7	9.7	6.4	13.2	15.0	14.4	14.9	16.4
External current account balance								
Excluding official grants	-25.7	-27.1	-32.4	-30.0	-23.9	-16.7	-15.5	-13.4
External current account balance (including grants)	-25.0	-21.1	-28.3	-26.5	-20.6	-13.5	-12.5	-10.6
Debt-service ratio as percent of:								
Exports of goods and services	2.5	2.6	4.2	3.0	2.8	2.6	2.3	2.0
Government revenue	3.5	3.9	6.2	4.4	4.2	3.9	3.6	3.1
NPV of external debt	10.9	11.8	26.4	24.1	23.9	23.9	24.0	24.3
Foreign aid	6.1	6.2	12.6	13.2	13.2	13.1	12.9	12.6
	(Billions of CFA francs)							
GDP at current market prices	2,481	2,680	2,839	3,364	3,651	3,996	4,356	4,752

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

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

Table 2. Niger: Financial Operations of the Central Government, 2009–16

	2009	2010	2011	2012	2013	2014	2015	2016
			Proj.	Prog.		Projections		
				(Billions of CFA francs)				
Total revenue	363.6	385.6	445.0	606.0	693.0	771.0	870.0	963.2
Tax revenue	343.0	361.8	423.6	539.8	657.0	732.2	830.0	921.2
Nontax revenue	20.6	23.8	21.4	66.2	35.9	38.9	39.9	41.9
Total expenditure and net lending	609.9	584.1	770.9	994.7	1152.1	1276.6	1391.2	1512.8
Of which: domestically financed	464.5	466.4	564.1	629.7	749.9	830.4	907.4	994.9
Total current expenditure	300.8	366.4	420.4	412.2	493.6	556.4	623.6	677.5
Budgetary expenditure	276.5	346.3	390.5	381.9	458.7	516.5	578.1	627.9
Wages and salaries	93.6	103.2	126.7	146.1	165.2	188.3	214.0	233.0
Materials and supplies	83.9	94.3	99.2	110.0	121.0	133.1	150.1	153.1
Subsidies and transfers	97.2	135.5	147.7	114.5	158.7	180.4	198.3	224.2
Of which: fuel subsidies	13.5	30.3	33.0	0.0				
Interest	5.8	6.0	10.7	11.2	13.8	14.7	15.7	17.6
Of which: external debt	4.5	3.8	6.4	6.9	7.3	8.1	9.0	10.0
Adjustments and fiscal expenditure	-4.0	7.3	6.2	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[1]	24.3	20.1	29.9	30.4	34.9	39.9	45.5	49.6
Capital expenditure and net lending	309.1	217.7	350.5	582.4	658.5	720.2	767.6	835.3
Capital expenditure	309.1	217.7	311.7	582.4	658.9	720.5	769.9	839.5
Domestically financed	163.7	100.0	104.8	217.4	256.8	274.4	286.0	321.6
Externally financed	145.4	117.7	206.8	365.0	402.1	446.1	483.9	517.8
Of which: grants	105.0	83.0	145.8	199.3	214.0	232.2	251.8	270.8
loans	40.4	34.7	61.1	165.8	188.1	214.0	232.1	247.1
Net lending	0.0	0.0	38.9	0.0	-0.4	-0.4	-2.3	-4.2
Overall balance (commitment)	-246.3	-198.5	-325.9	-388.7	-459.1	-505.6	-521.2	-549.6
Basic balance[2]	-100.9	-80.8	-119.1	-23.7	-57.0	-59.4	-37.4	-31.7
Change in payments arrears and float	-13.9	-12.4	-8.0	-10.0	-15.0	-15.0	-15.0	-15.0
Overall balance (cash)	-260.2	-210.9	-333.9	-398.7	-474.1	-520.6	-536.2	-564.6
Financing	260.2	210.9	333.9	382.0	457.3	503.7	527.8	564.7
External financing	146.2	157.4	340.8	430.1	467.1	511.5	549.3	584.7
Grants	110.9	130.1	222.0	268.5	283.3	301.4	321.0	340.0
Budget financing	5.9	47.2	76.2	69.2	69.2	69.2	69.2	69.2
Project financing	105.0	83.0	145.8	199.3	214.0	232.2	251.8	270.8
Loans	40.4	34.7	134.5	175.8	198.1	224.0	242.1	257.1
Of which: budget financing	0.0	0.0	34.5	10.0	10.0	10.0	10.0	10.0
Amortization	-8.4	-11.2	-18.9	-16.7	-17.3	-16.9	-16.8	-15.3
Debt relief (incl. debt under discussion)	3.3	3.7	3.2	2.6	3.0	3.0	3.0	3.0
Domestic financing	114.0	53.5	-6.8	-48.2	-9.7	-7.8	-21.5	-20.1
Banking sector	115.2	24.8	-9.3	-44.9	-9.7	-7.8	-21.5	-20.1
IMF	2.4	2.3	-2.2	-3.2	-4.1	-4.9	-5.5	-4.1
Statutory advances	-0.5	-4.2	-1.8	-5.4	-9.1	-6.8	-6.9	-5.2
Deposits with BCEAO	113.3	18.1	-7.9	-36.3	3.4	3.9	-9.1	-10.8
Government securities net		8.6	2.5	0.0	0.0	0.0	0.0	0.0
Nonbanking sector	-1.3	28.8	2.5	-3.3	0.0	0.0	0.0	0.0
Financing gap (+)	0.0	0.0	0.0	16.7	16.8	16.8	8.5	0.0
Memorandum items:								
Natural resources revenue	43.6	45.5	55.4	129.5	162.6	188.4	237.3	257.7
Of which: oil revenue				59.0	71.5	72.5	73.6	82.5
Of which: uranium revenue	43.6	45.5	55.4	70.4	91.1	115.8	163.7	175.3
Non-natural resources revenue	320.0	340.1	389.6	476.5	530.4	582.6	632.7	705.4

Sources: Nigerien authorities; and IMF staff estimates.

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

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

Table 3. Niger: Financial Operations of the Central Government, 2009–16

	2009	2010	2011	2012	2013	2014	2015	2016
			Proj.	Prog.	Projections			
				(Percent of GDP)				
Total revenue	14.7	14.4	15.7	18.0	19.0	19.3	20.0	20.3
Tax revenue	13.8	13.5	14.9	16.0	18.0	18.3	19.1	19.4
Nontax revenue	0.8	0.9	0.8	2.0	1.0	1.0	0.9	0.9
Total expenditure and net lending	24.6	21.8	27.2	29.6	31.6	31.9	31.9	31.8
Of which: domestically financed	18.7	17.4	19.9	18.7	20.5	20.8	20.8	20.9
Total current expenditure	12.1	13.7	14.8	12.3	13.5	13.9	14.3	14.3
Budgetary expenditure	11.1	12.9	13.8	11.3	12.6	12.9	13.3	13.2
Wages and salaries	3.8	3.9	4.5	4.3	4.5	4.7	4.9	4.9
Materials and supplies	3.4	3.5	3.5	3.3	3.3	3.3	3.4	3.2
Subsidies and transfers	3.9	5.1	5.2	3.4	4.3	4.5	4.6	4.7
Interest, scheduled	0.2	0.2	0.4	0.3	0.4	0.4	0.4	0.4
Of which: external debt	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Adjustments and fiscal expenditures	-0.2	0.3	0.2	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure	1.0	0.7	1.1	0.9	1.0	1.0	1.0	1.0
Capital expenditure and net lending	12.5	8.1	12.3	17.3	18.0	18.0	17.6	17.6
Capital expenditure	12.5	8.1	11.0	17.3	18.0	18.0	17.7	17.7
Domestically financed	6.6	3.7	3.7	6.5	7.0	6.9	6.6	6.8
Externally financed	5.9	4.4	7.3	10.8	11.0	11.2	11.1	10.9
Of which: grants	4.2	3.1	5.1	5.9	5.9	5.8	5.8	5.7
Net lending	0.0	0.0	1.4	0.0	0.0	0.0	-0.1	-0.1
Overall balance (commitment)	-9.9	-7.4	-11.5	-11.6	-12.6	-12.7	-12.0	-11.6
Basic balance	-4.1	-3.0	-4.2	-0.7	-1.6	-1.5	-0.9	-0.7
Change in payments arrears and float	-0.6	-0.5	-0.3	-0.3	-0.4	-0.4	-0.3	-0.3
Overall balance (cash)	-10.5	-7.9	-11.8	-11.8	-13.0	-13.0	-12.3	-11.9
Financing	10.5	7.9	11.8	11.4	12.5	12.6	12.1	11.9
External financing	5.9	5.9	12.0	12.8	12.8	12.8	12.6	12.3
Grants	4.5	4.9	7.8	8.0	7.8	7.5	7.4	7.2
Budget financing	0.2	1.8	2.7	2.1	1.9	1.7	1.6	1.5
Project financing	4.2	3.1	5.1	5.9	5.9	5.8	5.8	5.7
Loans	1.6	1.3	4.7	5.2	5.4	5.6	5.6	5.4
Of which: budget financing	0.0	0.0	1.2	0.3	0.3	0.3	0.2	0.2
Amortization	-0.3	-0.4	-0.7	-0.5	-0.5	-0.4	-0.4	-0.3
Debt relief (incl. debt under discussion)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Domestic financing	4.6	2.0	-0.2	-1.4	-0.3	-0.2	-0.5	-0.4
Banking sector	4.6	0.9	-0.3	-1.3	-0.3	-0.2	-0.5	-0.4
IMF	0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Statutory advances	0.0	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1
Deposits with BCEAO	4.6	0.7	-0.3	-1.1	0.1	0.1	-0.2	-0.2
Government securities net		0.3	0.1	0.0	0.0	0.0	0.0	0.0
Nonbanking sector	-0.1	1.1	0.1	-0.1	0.0	0.0	0.0	0.0
Financing gap (+)	0.0	0.0	0.0	0.5	0.5	0.4	0.2	0.0
Memorandum items:								
Natural resources revenue	1.8	1.7	2.0	3.8	4.5	4.7	5.4	5.4
Of which: oil revenue				1.8	2.0	1.8	1.7	1.7
Of which: uranium revenue	1.8	1.7	2.0	2.1	2.5	2.9	3.8	3.7
Non-natural resources revenue	12.9	12.7	13.7	14.2	14.5	14.6	14.5	14.8
Deposits with BCEAO (months of domestically-financed expenditure)	1.9	1.4	1.3	1.6	1.0	0.6	0.6	1.0

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

Table 4. Niger: Balance of Payments, 2009–16

	2009	2010	2011	2012	2013	2014	2015	2016
		Prel.			Projections			
	(Billions of CFA francs, unless otherwise indicated)							
Current account balance	-621.3	-565.5	-803.8	-893.0	-751.6	-540.3	-546.5	-502.1
Balance on goods, services, and income	-692.6	-791.5	-956.2	-1047.5	-913.4	-710.9	-726.2	-691.8
Balance on goods	-376.5	-378.6	-443.8	-394.9	-289.4	-144.4	-81.1	-32.7
Exports, f.o.b	470.7	508.7	605.4	836.0	936.4	1069.5	1247.7	1363.1
Uranium	195.1	242.3	301.3	360.5	356.9	469.8	629.1	674.0
Oil	0.0			157.8	240.7	228.0	208.6	203.8
Other products	275.6	266.4	304.1	317.7	338.7	371.7	409.9	485.4
Imports, f.o.b	847.2	887.3	1049.3	1230.9	1225.8	1213.9	1328.7	1395.9
Food products	206.4	243.5	229.4	236.0	238.5	238.9	240.2	249.0
Petroleum products	126.5	143.5	143.3	17.0	15.6	15.7	15.6	15.6
Capital goods	301.5	335.1	349.3	454.8	430.0	407.3	463.5	474.2
Other products	212.7	163.3	327.3	523.1	541.7	552.1	609.5	657.0
Services and income (net)	-316.1	-412.9	-512.3	-652.6	-624.0	-566.5	-645.1	-659.1
Services (net)	-299.7	-397.1	-483.2	-556.6	-482.4	-419.8	-443.3	-419.2
Income (net)	-16.3	-15.8	-29.2	-95.9	-141.7	-146.6	-201.9	-239.9
Of which: interest on external public debt	-4.3	-3.8	-6.4	-6.9	-7.3	-8.1	-9.0	-10.0
Unrequited current transfers (net)	71.2	226.1	152.4	154.5	161.8	170.6	179.7	189.7
Private (net)	53.9	72.9	36.5	38.2	41.5	45.4	49.5	54.0
Public (net)	17.3	153.2	116.0	116.3	120.3	125.2	130.2	135.8
Of which: grants for budgetary assistance	5.9	47.2	76.2	69.2	69.2	69.2	69.2	69.2
Capital and financial account	538.6	670.0	765.7	921.6	747.8	534.4	585.0	500.6
Capital account	120.3	95.8	162.5	218.3	234.5	254.2	275.6	296.5
Private capital transfers	11.1	12.8	13.6	16.1	17.4	19.1	20.8	22.7
Project grants	105.5	83.0	145.8	199.3	214.0	232.2	251.8	270.8
Nonproduced, nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt cancellation	3.7	0.0	3.2	3.0	3.0	3.0	3.0	3.0
Financial account	418.3	574.2	603.1	703.3	513.3	280.1	309.5	204.1
Direct investment	345.4	495.3	478.3	509.1	305.5	46.0	54.2	-73.0
Portfolio investment	7.4	17.9	1.3	4.5	4.5	4.5	4.5	4.9
Other investment	65.5	61.0	123.6	189.8	203.3	229.6	250.8	272.2
Public sector (net)	32.6	26.9	115.6	157.3	180.8	207.1	225.3	241.7
Disbursements	43.7	34.7	134.5	175.8	198.1	224.0	242.1	257.1
Loans for budgetary assistance	3.3	0.0	34.5	10.0	10.0	10.0	10.0	10.0
Project loans	40.4	34.7	99.9	165.8	188.1	214.0	232.1	247.1
Amortization	11.1	11.2	18.9	18.5	17.3	16.9	16.8	15.3
Other (net)	32.9	34.1	8.0	32.5	22.5	22.5	25.5	30.5
Errors and omissions	-7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-89.3	104.5	-38.1	28.7	-3.9	-6.0	38.5	-1.5
Financing	89.3	-104.5	38.1	-45.4	-12.9	-10.9	-47.0	1.5
Net foreign assets (BCEAO)[1]	86.4	-108.2	34.9	-48.0	-15.9	-13.9	-50.0	-1.5
Of which: net use of Fund resources	2.4	7.3	0.3	-3.2	-4.1	-4.9	0.0	0.0
Rescheduling obtained	3.3	3.7	3.2	2.6	3.0	3.0	3.0	3.0
Financing gap	0.0	0.0	0.0	16.7	16.8	16.9	8.5	0.0
Memorandum items:								
Current account (percent of GDP)	-25.0	-21.1	-28.3	-26.5	-20.6	-13.5	-12.5	-10.6
Current account (excluding grants; in percent of GDP)	-25.7	-27.1	-32.4	-30.0	-23.9	-16.7	-15.5	-13.4
Trade balance (percent of GDP)	-15.2	-14.1	-15.6	-11.7	-7.9	-3.6	-1.9	-0.7
Overall balance (percent of GDP)	-3.6	3.9	-1.3	0.9	-0.1	-0.1	0.9	0.0
Net foreign assets (months of imports)	2.2	1.8	2.1	3.0	4.1	5.0	5.5	5.8
GDP (CFAF billions)	2,481.1	2,679.7	2,839.2	3,364.5	3,650.9	3,996.0	4,356.4	4,752.3

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

[1]Includes net use of the CFA F counterpart of the general SDR allocation on-lent by the BCEAO in September 2009.

Table 5. Niger: Monetary Survey, 2009–16

	2009	2010	2011	2012	2013	2014	2015	2016
			Proj.	Progr.	Proj.			
	(CFAF billions; end-of-period)							
Net foreign assets	193.8	292.9	274.7	293.1	279.3	269.2	304.4	303.2
BCEAO	224.2	292.6	276.4	296.8	285.0	276.9	314.1	314.9
Commercial banks	-30.4	0.3	-1.7	-3.7	-5.7	-7.7	-9.7	-11.7
Net domestic assets	278.5	286.2	352.2	437.7	513.4	617.3	706.3	799.7
Domestic credit	311.4	354.3	420.3	505.8	581.5	685.4	774.4	867.8
Net bank claims on government	0.5	7.2	5.1	-23.5	-16.4	-7.3	-20.3	-66.8
BCEAO	19.0	35.9	31.3	2.7	9.8	19.0	6.0	-40.5
Claims	93.3	91.5	94.7	86.2	73.1	61.5	49.1	39.7
Of which: statutory advances	31.3	27.0	25.3	23.3	17.8	14.5	0.0	0.0
Deposits	74.3	55.5	63.4	83.5	63.3	42.5	43.1	80.3
Commercial banks	-20.3	-33.3	-30.8	-30.8	-30.8	-30.8	-30.8	-30.8
Other	1.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Credit to the economy	310.9	347.2	415.2	529.3	597.9	692.7	794.7	934.6
Other items, net	-32.9	-68.1	-68.1	-68.1	-68.1	-68.1	-68.1	-68.1
Money and quasi-money	472.3	579.1	626.9	730.8	792.7	886.6	1010.8	1102.9
Currency outside banks	187.0	234.9	263.7	296.6	333.7	382.1	437.5	501.0
Deposits with banks	285.3	298.6	358.1	530.6	614.2	723.7	772.3	888.2
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)							
Net foreign assets	-22.8	21.0	-3.1	2.9	-1.9	-1.3	4.0	-0.1
BCEAO	-18.3	14.5	-2.8	3.3	-1.6	-1.0	4.2	0.1
Commercial banks	-4.5	6.5	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2
Net domestic assets	41.2	1.6	11.4	13.6	10.4	13.1	10.0	9.2
Domestic credit	41.0	9.1	11.4	13.6	10.4	13.1	10.0	9.2
Net bank claims on the government	28.9	1.4	-0.4	-4.6	1.0	1.2	-1.5	-4.6
BCEAO	28.8	3.6	-0.8	-4.6	1.0	1.2	-1.5	-4.6
Of which: statutory advances	-0.5	-0.9	-0.3	-0.3	-0.8	-0.4	-1.6	0.0
Commercial banks	0.0	-2.7	0.4	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	12.1	7.7	11.8	18.2	9.4	12.0	11.5	13.8
Other items, net	0.2	-7.5	0.0	0.0	0.0	0.0	0.0	0.0
Broad money	18.3	22.6	8.2	16.6	8.5	11.8	14.0	9.1
Memorandum items:								
Velocity of broad money								
(In percent)	5.3	4.6	4.5	4.6	4.6	4.5	4.3	4.3
Credit to the economy								
(Change, in percent)	18.4	11.7	19.6	27.5	13.0	15.9	14.7	17.6
(In percent of GDP)	12.5	13.0	14.6	15.7	16.4	17.3	18.2	19.7
(In percent of non-agricultural GDP)	17.3	19.3	20.8	21.3	22.0	23.0	24.0	25.6

Sources: BCEAO; and IMF staff estimates and projections.

Table 6. Niger: Banking sector indicators

	Reference value	2007	2008	2009	2010	Sept.2011
Capital adequacy ratio[1]	8%=min	11.0	4.9	9.1	6.5	20.3
Liquidity ratio[2]	75%=min	90.1	70.8	77.16	74.6	75.9
Quality of assets						
Gross NPLs		21.8	16.7	16.0	14.7	20.7
Net NPLs[3]		8.4	9.1	6.3	8.2	11.4

Sources: BCEAO; and IMF staff calculations.

[1] Regulatory capital to risk-weighted assets.

[2] Banks liquidity plus short-term credits over short-term liabilities.

[3] Net of banking provisions.

Table 7. 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 three-year ECF arrangement	March 16, 2012
SDR 11.28	Observance of the June 30, 2012 performance criteria, and completion of the first review under the agreement	November 1, 2012
SDR 11.28	Observance of the December 31, 2012 performance criteria, and completion of the second review under the agreement	May 1, 2013
SDR 11.28	Observance of the June 30, 2013 performance criteria, and completion of the third review under the agreement	November 1, 2013
SDR 11.28	Observance of the December 31, 2013 performance criteria, and completion of the fourth review under the agreement	May 1, 2014
SDR 11.28	Observance of the June 30, 2014 performance criteria, and completion of the fifh review under the agreement	November 1, 2014
SDR 11.28	Observance of the December 31, 2014 performance criteria and completion of the sixth review under the agreement	March 10, 2015

Source: International Monetary Fund.

Table 8: Niger: Indicators of Capacity to Repay the Fund, 2010–23

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
								Projections						
Fund obligations based on existing credit								(SDR millions)						
Principal	0.1	0.59	4.21	5.50	6.91	7.47	4.96	3.69	2.40	0.99	0.33	0.00	0.00	0.00
Charges and interest	0.2	0.0	0.1	0.09	0.08	0.06	0.04	0.03	0.02	0.02	0.02	0.02	0.02	0.02
Fund obligations based on existing and prospective credit														
Principal	0.1	0.59	4.21	5.50	6.91	7.47	4.96	4.82	8.04	11.14	14.99	15.79	14.66	10.15
Charges and interest	0.2	0.00	0.10	0.17	0.21	0.25	0.24	0.23	0.21	0.19	0.16	0.12	0.08	0.05
Total obligations based on existing and prospective credit														
SDR millions	0.3	0.59	4.31	5.67	7.12	7.72	5.20	5.05	8.25	11.33	15.15	15.91	14.74	10.20
CFAF billions	0.2	0.4	3.2	4.2	5.3	5.8	3.9	3.8	6.3	8.6	11.5	12.1	11.2	7.7
Percent of exports of goods and services	0.0	0.1	0.4	0.4	0.5	0.4	0.3	0.2	0.3	0.4	0.5	0.5	0.4	0.3
Percent of debt service[1]	1.3	1.5	9.0	11.2	13.1	13.7	7.9	9.3	14.4	18.2	20.0	19.4	16.8	10.6
Percent of GDP	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1
Percent of tax revenue	0.1	0.1	0.6	0.6	0.7	0.7	0.4	0.4	0.6	0.7	0.9	0.9	0.7	0.5
Percent of quota	0.5	0.9	6.6	8.6	10.8	11.7	7.9	7.7	12.5	17.2	23.0	24.2	22.4	15.5
Outstanding IMF credit based on existing and prospective drawings														
SDR millions	46.0	36.5	54.8	71.9	87.5	91.3	86.4	81.6	73.5	62.4	47.38	31.58	16.92	6.77
CFAF billions	33.3	26.9	40.6	53.5	65.5	68.8	65.4	61.8	55.7	47.3	35.9	23.9	12.8	5.1
Percent of exports of goods and services	5.8	4.0	4.5	5.3	5.7	5.1	4.5	3.6	2.8	2.2	1.6	1.0	0.5	0.2
Percent of debt service[1]	191.6	92.1	114.9	141.8	161.3	162.5	130.5	149.6	128.6	99.9	62.6	38.5	19.3	7.0
Percent of GDP	1.2	0.9	1.2	1.4	1.6	1.5	1.3	1.2	1.0	0.8	0.6	0.3	0.2	0.1
Percent of tax revenue	9.2	6.3	7.1	8.2	9.0	8.3	7.1	6.4	5.3	4.0	2.8	1.7	0.8	0.3
Percent of quota	69.9	55.4	83.3	109.2	133.0	138.8	131.2	123.9	111.7	94.8	72.0	48.0	25.7	10.3
Net use of IMF credit (SDR millions)	3.2	-0.6	18.4	17.1	15.7	3.8	-5.0	-4.8	-8.0	-11.1	-15.0	-15.8	-14.7	-10.2
Disbursements	3.3	0.0	22.6	22.6	22.6	11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	0.1	0.6	4.2	5.5	6.9	7.5	5.0	4.8	8.0	11.1	15.0	15.8	14.7	10.2
Memorandum items:														
Exports of goods and services (CFAF billions)	572.5	667.2	906.0	1,012.6	1,153.4	1,340.2	1,464.2	1,735.7	1,996.5	2,137.7	2,284.1	2,455.0	2,642.6	2,852.7
External Debt service (CFAF billions)[1]	17.4	29.2	35.3	37.7	40.6	42.3	50.2	41.3	43.3	47.3	57.3	62.2	66.5	73.0
Nominal GDP (CFAF billions)	2,722	2,946	3,434	3,725	4,078	4,447	4,852	5,112	5,509	5,949	6,432	6,968	7,563	8,212
Tax revenue (CFAF billions)	361.8	423.6	571.8	650.9	725.2	824.8	915.6	972.9	1,055.3	1,168.3	1,263.0	1,400.2	1,553.6	1,711.1
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	65.8	65.8

Source: IMF staff estimates and projections.

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

APPENDIX I—LETTER OF INTENT

February 28, 2012

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

Dear Madam Lagarde:

1. The government of Niger hereby requests approval of a three-year arrangement under the Extended Credit Facility (ECF) covering 2012 – Q1 2015, in an amount equivalent to SDR 78.96 million (120 percent of Niger's quota), and the first disbursement under the arrangement of SDR 11.28 million. We recently concluded discussions with staff of the International Monetary Fund on a new economic and financial program. The three-year program, the main components of which are described in the attached Memorandum of Economic and Financial Policies (MEFP), will help us make significant progress toward a stable and sustainable macroeconomic position, enhanced growth prospects, transparent natural resources management, and a stronger financial sector. This program is an important part of our development strategy, which is intended to reduce poverty on a lasting basis.

2. The government believes that the policies set forth in the attached MEFP are sufficient to achieve the objectives of its program, but it stands ready to take any additional measures that may be necessary to that end. We will consult with the IMF on the adoption of such measures in advance of any revision of the policies contained in the MEFP, in accordance with the Fund's policies on such consultation. We intend to provide timely information necessary for monitoring economic developments and the implementation of policies defined in the program, as agreed under the attached Technical Memorandum of Understanding, or upon request.

3. In line with our commitment to transparency, we hereby request that the staff report, this letter of intent, and the attached MEFP and TMU (including all annexes and attachments) be published on the IMF website.

Sincerely yours,

/s/
Mahamadou Ouhoumoudou
Minister of Finance

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

ATTACHMENT I—MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES OF THE GOVERNMENT OF NIGER FOR 2012-Q1 2015

I. INTRODUCTION

1. **This memorandum describes the economic and financial policies that the government plans to implement with the support of a new three-year Extended Credit Facility (ECF) arrangement.** The government's program is based on the policies set out in the Accelerated Development and Poverty Reduction Strategy (DPRS) for 2008–2012, the Program of the President of the Republic, and the Statement of General Government Policy. The program emphasizes the following components: (i) maintaining macroeconomic stability and increasing resilience to shocks; (ii) strengthening tax revenue efforts and improving budget execution; (iii) enhancing transparency in the mining and petroleum sectors; (iv) improving debt management; and (v) supporting private and financial sector development. The government has also initiated discussions on the preparation of a Sustainable Development and Inclusive Growth Strategy.

II. PERFORMANCE UNDER THE 2008–2011 PROGRAM AND RECENT ECONOMIC DEVELOPMENTS

2. **The last ECF-supported program for Niger expired on June 1, 2011.** Performance under the three-year program was initially satisfactory, as all performance criteria and indicative targets for the first three reviews were observed. However, program implementation was interrupted by the military coup of February 2010, which prevented conclusion of the remaining reviews under the arrangement.

3. **Macroeconomic performance during the period 2008–11 was affected by large swings in agricultural production.** The poor harvest in 2009 triggered a severe food crisis and a contraction in trade and services, a situation from which the economy began to recover only in the second half of 2010. Economic activity remained buoyant during the first half of 2011, supported by large investments in the oil and mining sectors. Exports developed favorably, but the current account deficit widened owing to a surge in imports of capital goods related to the mining and oil sectors financed by foreign direct investment (FDI). Higher food and energy prices on the international market pushed prices up sharply in 2008. Inflation declined in 2009–2010 and remained moderate in 2011 despite the disappointing harvest in the second half of the year.

4. **The basic fiscal balance showed steady improvements through 2010, but the deficit widened slightly in 2011.** Total revenue increased substantially, largely owing to the performance of the customs and tax administrations. Progress was made in improving public finance management (PFM), and nearly all the PFM program benchmarks were met. Expenditure on wages and goods and services was restrained to create room for higher spending on health, education, and social protection, in line with the DPRS priorities. Fiscal discipline also enabled the government to gradually reduce the stock of longstanding domestic arrears.

III. Macroeconomic Framework and Program Objectives

Macroeconomic framework

5. **The government's medium-term policy framework is based on a favorable growth outlook.** With the startup of a new petroleum project, GDP is projected to expand by 13.4 percent in real terms in 2012. Ongoing investments in a large new uranium mine and the development of the petroleum sector should sustain economic activity in the years after 2012, with real GDP growth projected at about 7 percent per year through 2014, while non-resource GDP could expand by about 6 percent per year. Oil and mining exports could increase by 7 percentage points of GDP from 2011 to 2014, with the current account deficit narrowing from 28.3 percent of GDP in 2011 to 12.5 percent in 2015. Inflation is expected to accelerate to 4.5 percent in 2012 as a result of food shortages, and then fall to below 3 percent in the coming years.

6. **Our country's short- and medium-term prospects are nevertheless subject to various risks.** Niger is vulnerable to exogenous shocks, including recurrent, weather-related food crises and fluctuations in commodity prices. The deteriorating security situation in the region is another factor adding to our country's vulnerabilities.

Fiscal policy and external financing

7. **Medium-term fiscal policy will aim at maintaining debt sustainability while creating room for increased development spending.** At the same time, it is our objective to strengthen government cash balances to increase the resilience of the budget to unexpected shocks. In light of these objectives and the current projections for external donor aid, we intend to keep the basic fiscal deficit below 1.5 percent of GDP during the program period. Enhanced domestic revenue efforts and increased revenue from natural resources would raise annual revenue by 3.6 percent of GDP from 2011 through 2014. Domestically financed capital expenditure is expected to increase by 3.2 percent of GDP over the same period.

8. **For 2012, a basic fiscal deficit of 0.7 percent of GDP is projected, and a build-up of cash reserves at the central bank (BCEAO) of about CFAF 37 billion.** Thanks to enhanced revenue mobilization efforts, revenue is expected to rise by about 2.3 percentage points of GDP starting in 2011. The government's ambitious development plan calls for a sharp increase in domestically financed capital expenditure, up from 3.7 percent of GDP in 2011 to 6.5 percent in 2012, while keeping a tight cap on lower-priority spending. Accordingly, we eliminated the subsidy on petroleum products (*différé*) effective January 1, 2012, and reduced allocations to other budget items considered less important to Niger's development efforts. This will allow us to increase social spending by 19 percent in comparison with 2011. We also plan to accelerate the execution of externally financed capital expenditure, from 7.3 percent of GDP to 10.8 percent, for which we have identified sufficiently concessional financing.

9. **In 2012, the government expects to mobilize about CFAF 79 billion in external budget financing** in the form of grants and concessional loans, including from the World Bank, the European Union, and other multilateral and bilateral donors. The remaining financing gap of CFAF 16.7 billion could be covered by the IMF.

Public financial management

10. **The Ministry of Finance will implement the public financial management program recently adopted by the government.** The action plan for 2011–2014, prepared with support from the World Bank, incorporates recommendations from our financial and technical partners and IMF technical assistance received in 2011 in tax and customs administration, budget and cash management, and tax policy. The action plan is organized around 10 strategic pillars and aims to modernize the legal framework; increase resource mobilization; improve budget preparation, execution, and reporting; enhance cash and debt management; and strengthen public procurement practices.

Budget preparation/execution and cash management

11. **Building on progress made in recent years, the government will continue efforts to ensure closer alignment of the budget with the priorities identified in the DPRS.** As a first step in this direction, the government used three-year medium-term expenditure frameworks (MTEF) to guide the preparation of the 2011 and 2012 budgets. The next phase, expected to begin in 2013, will consist of gradually producing medium-term expenditure frameworks for different sectors, consistent with the global MTEF, particularly for ministries receiving technical assistance under that framework. Ministries will receive support and training to implement this reform. The government will also continue to allocate sufficient funds for the priority sectors and for tracking poverty-reducing expenditure.

12. **The government will enhance efforts to improve administrative, parliamentary, and jurisdictional oversight of the budget in 2012 and over the medium term.** Budget review laws will be prepared on a timely basis and submitted to the Audit Office and the National Assembly. In 2012, the production and auditing of the government's annual accounts will be expedited. As a step in the process of preparing the 2011 budget review law, we will promptly submit to the Audit Office the accounts of the Central Accountant of the Treasury, the General Spending Accountant, and the General Revenue Accountant. The government will also promptly submit to Parliament a draft law validating the FY 2011 accounts. Training for Audit Office auditors and inspectors will be supported with technical assistance from development partners. The Inspectorate General of Finance is being strengthened. Inspection missions will focus more closely on physically verifying results in the priority sectors and preparing detailed periodic reports.

13. **In 2012, the government will pursue its efforts to improve budget execution, cash flow management, and budget reporting.** Our efforts will be based on the following actions:

- Compiling comprehensive quarterly budget reports on a commitment, payment order, and payment basis, to be submitted to Fund staff within a period of 6 weeks (structural benchmark for each quarter).

- Completing the interface between the Directorate General of the Budget and the Directorate General of the Treasury and Government Accounting to improve monitoring of the expenditure chain (structural benchmark for end-December).

- Expediting procedures for the release of budget allocations to ensure that they are available to line ministries at the beginning of each quarter.

- Establishing quarterly cash and commitment plans taking into account the procurement plans of line ministries; the cash and commitment plans will be aligned with each other and updated monthly.

- Limiting expenditure not authorized in advance to a maximum of 5 percent of committed expenditure, with the exception of debt service payments and fiscal expenditures related to exemptions (structural benchmark for each quarter).

- Completing an inventory of bank accounts held by government entities and agencies (structural benchmark for end-June).

- Closing irregular and dormant bank accounts (structural benchmark for end-September), as a step in the process of establishing a Treasury single account.

Tax and customs administration

14. **Reform of the revenue agencies will continue.** The directorates general of taxes and customs will continue implementing their three-year strategies and update them in 2013. Efforts in both directorates will aim at broadening the tax base, improving taxpayer compliance, reducing exemptions, and strengthening risk management. In particular, the Directorate General of Taxes will improve the monitoring of large taxpayers, the operations of small and medium-sized enterprises, and the quality and scope of the audit program, including more effective control of VAT credits. Initiatives in the Directorate General of Customs will focus essentially on the processing of pre-shipment data and ex-post controls. We will also enhance synergies between the tax and customs administrations, particularly through systematic data exchanges and more joint controls.

15. **In 2012,** efforts will focus in particular on the following:

Tax administration:

- Strengthening tax controls by increasing the number of audits of mining and petroleum companies, including with the assistance of external experts.

- Strengthening the control of tax exemptions and VAT credits.

Customs administration:

- Strengthening the control of exemptions.

- Comparing valuations in customs declarations with those assessed by the pre-shipment inspection company.

- Increasing the level of penalties for noncompliance with the pre-inspection carried out by the pre-shipment inspection company.

- Enhancing ex-post controls, including site visits and verifying warehouse inventories.

- All known importers will be given a tax identification number (TIN) and the code for operators without a tax identification number will be reserved exclusively for occasional operators (the submission of a report on the implementation of this measure will be a structural benchmark for end-June).

- Taxpayers without a TIN will be required to present a bank guarantee or make a cash payment to obtain customs clearance.

Tax policy

16. **Tax system reforms were already under way in early 2012.** Effective January 1, 2012, the rate of the *impôt minimum forfaitaire* (fixed minimum tax) was increased from 1 percent to 2 percent for commercial activities and service providers. Excise duties were extended to coffee and tourism vehicles rated 13 hp or above in accordance with WAEMU Directives. Restrictions were imposed on profit tax (ISB) credits linked to cattle exports because the system lent itself to fraud. The business license tax (*patente synthétique*) was reformed with a view to increasing revenue. The end of the ISB exemption for some mobile telephone companies will also have a positive impact on tax revenue.

17. **A key objective for the medium term will be to bring the Investment Code into line with best practices.** In collaboration with the World Bank, we will undertake a comprehensive review of the Code in 2012; the timetable for its completion will partly depend on progress in transposing the new WAEMU guidelines for investment codes. The review will include the possibility of introducing floors on the capitalization of externally financed companies (to limit excessive borrowing) and a withholding tax on interest

payments. Awaiting this comprehensive review, we intend—as a first step—to revise the Code in the first half of 2012 to exclude the possibility of granting exemptions to already-established telecommunication companies when they introduce new technologies (adoption by the Council of Ministers will be a structural benchmark for end-June).

Public debt management

18. **We have made significant progress in strengthening debt management and monitoring in recent years.** The Minister of Finance is the only authority authorized to sign agreements obligating the government financially, unless he delegates this authority. A medium-term debt strategy was formulated, and we will continue publishing semi-annual reports on new debt contracted or under negotiation and on the projected borrowing program for the next six months. In line with the changes in the IMF policy on debt ceilings, we included the key public enterprises in the scope of our analyses and supervision. The capacities of the Debt Directorate of the Ministry of Finance will be enhanced to enable it to manage all external and domestic debt (including domestic debt managed by the *Centre d'amortissement de la dette intérieure de l'État*–CAADIE). Also, we will strengthen the role of the National Debt Management Committee to ensure appropriate analysis of new government loans and guarantees; all proposals for new loans and guarantees (including in the natural resources sector) will be submitted for review by this committee by January 2012.

19. **In light of the risk of debt overhang indicated in the World Bank and IMF Debt Sustainability Analysis, the government intends to pursue a prudent external debt policy.** We will minimize the provision of government guarantees and carefully assess the impact of new borrowing decisions on debt sustainability. We are committed to continue seeking external financing in the form of grants and highly concessional loans, and will consult with IMF staff to ensure that the grant element of loans is at least 35 percent. Nonetheless, given Niger's significant investment needs and the ambitious investment program of the new government, we may have to consider borrowing on non-concessional terms. This type of borrowing would be strictly limited to well-assessed, high-yield commercial and infrastructure projects that will generate sufficient government revenue to cover debt service related to the project. We will inform IMF staff when the negotiation of a non-concessional borrowing project begins and will provide feasibility studies and assessments of the profitability of such projects.

Financial sector

20. **Major financial sector reforms were undertaken in 2008–2011**: in compliance with the monetary authorities' regulations, the minimum capital requirement for banks was increased to CFAF 5 billion. In this context, the license of Crédit du Niger (CDN) was revoked, and a liquidator was appointed. In addition, the shareholding structure of other credit establishments was modified (BIA, BIN, and BOA) and the banking network was expanded with the creation of Banque Agricole du Niger (BAGRI).

21. **Given the relevance of this sector for Niger's development, more efforts are needed to enhance financial intermediation.** For this reason, we produced—with assistance from the World Bank and donors—a financial sector development strategy in line with the 2008 IMF-WB FSAP recommendations. Before the strategy is ratified by the Council of Ministers and a timetable for its implementation is adopted, we will discuss this plan with IMF staff.

Mining and petroleum issues

22. **Enhancing transparency and accountability in extractive industries continues to be regarded as a key priority by the government.** Important steps have already been taken in this direction, and further efforts are under way. Our 2010 Constitution states that all new mining exploration and exploitation contracts must be published in the *Journal officiel* (Official Gazette). Niger was declared compliant with the Extractive Industries Transparency Initiative (EITI) in March 2011. The second EITI report, reconciling mining and petroleum revenues for 2007, 2008, and 2009, was published in January 2011, and another report covering 2010 is currently under preparation. The implementation of these reforms led to improvement of the country's governance indicators, compiled by the World Bank.

23. **The government is committed to further strengthening public oversight of the natural resources sector in 2012 through the Interministerial Committee for natural resources assessment**, which will ensure appropriate information flows and coordination between government representatives in each natural resource company. In addition, the government intends to undertake a study on its overall strategy and policy in the petroleum and mining sector, including the policy to maximize the government's petroleum resources and the structure of government oversight in that sector, in which all options will be examined. We plan to complete this study by end-December 2012 and to discuss the conclusions with IMF staff before launching initiatives in this area.

24. **In the context of the above-mentioned study, we will also review the role and responsibilities of the state-owned mining company (SOPAMIN).** We will consider whether a separate state-owned company is needed to carry out its current function of managing the government's holdings in the mining sector. In any event, SOPAMIN's mandate will remain limited to the existing activities and will not be expanded to include new activities, such as exploration and trading. Starting in 2013, SOPAMIN's operations will be financed with a separate budget allocation.

25. **In the medium term, we plan to strengthen our capacity to negotiate agreements and conduct tax audits of natural resource companies**. We are counting on the support of our technical partners, including the IMF and the World Bank, and have requested assistance under the IMF's Topical Trust Fund for natural resource wealth management.

26. **We realize that it will take several years to strengthen our technical capacity to negotiate contracts and conduct tax audits in the mining sector.** In 2012, the government intends to obtain professional assistance in the negotiation of uranium prices for 2013, which

is expected to begin in December 2012, and in conducting a comprehensive tax audit of the mining companies.

27. **In 2012, we will undertake a review of the Petroleum and Mining Codes** and the related tax provisions to ensure that our legal framework and tax regime conform to best practices, especially with regard to the design of exemptions. In the medium term, we plan to devote a separate chapter of the income tax code to mining operations, setting out all tax procedures.

28. **Our country recently became an oil producer.** We will closely monitor developments and make certain that the Soraz refinery's price structure is appropriate, to ensure the viability of the project and its profitability for the government. In cooperation with the co-investor in the refinery, we will also enter into agreements to export the remainder of production on commercial terms. The state-owned petroleum distribution company (SONIDEP) will be responsible for exporting petroleum products in 2012.

Improvement of the business climate

29. **Improving the business climate is a key factor for ensuring sustained growth over the medium term and for diversifying the economy.** Measures recently implemented to improve the business environment include reduction of the corporate tax rate (from 35 percent to 30 percent) and the fees for registering new businesses, and elimination of the ceiling on the reimbursement of VAT credits to all exporters. To consolidate these steps, we will (i) further simplify the procedures for creating new businesses by improving the operations of the *Centre de formalités des entreprises*; (ii) establish special courts for international trade litigation; (iii) continue reform of the judiciary; and (iv) continue fighting corruption.

30. **In this regard, the government has formulated an action plan, which was discussed with World Bank representatives and private investors**. For 2012, the plan provides the following measures: (i) revamping the activities of the *Conseil national des investisseurs privés* (CNIP), which provides advice to the government on how to promote the private sector; (ii) revising the Investment Code; (iii) reducing the number of documents required for imports; and (iv) preparing public-private partnership frameworks for the transport, energy and water sectors.

Program Monitoring

31. **Program monitoring in 2012 will be based on performance criteria and benchmarks (Table 1), as well as structural benchmarks (Table 2).** The government will provide IMF staff with the statistical data and information listed in the attached Technical Memorandum of Understanding, and any other information it deems necessary or that IMF staff requests for program monitoring purposes. During the program period, the government will not introduce or increase restrictions on payments and transfers for international current transactions without the IMF's prior approval, introduce or modify any multiple-currency

practices, conclude bilateral payment agreements that are incompatible with Article VIII of the IMF's Articles of Agreement, or introduce or strengthen import restrictions for balance of payments reasons.

32. **The program includes semi-annual reviews.** The first review will take place in November 2012 and the second in May 2013.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2012–December 31, 2012

(Billions of CFA francs)

	End-March Indicative Targets	End-June Performance Criteria	End-September Indicative Targets	End-December Performance Criteria
	Program			
A. Quantitative performance criteria and indicative targets				
(cumulative from December 31, 2011)				
Net domestic financing of the government[1, 2]	-8.4	-8.4	-35.6	-45.0
Reduction in domestic payment arrears of government obligations[3]	-1.9	-4.8	-7.2	-10.0
Memorandum item:				
Budget support (excluding IMF financing)	0.0	0.0	60.5	79.2
B. Continuous quantitative performance criteria				
Accumulation of external payments arrears	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of less than 1 year[4]	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[5]	0.0	0.0	0.0	0.0
C. Indicative Targets				
(Cumulative from December 31, 2011)				
Basic budget balance (commitment basis, excl. grants)[6]	5.0	12.5	-14.8	-23.6
Total revenue[7]	116.4	275.6	440.5	606.0
Spending on poverty reduction[8]	58.2	139.8	243.2	335.2

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

[1]Performance criteria for program indicators under A and B; 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 2012.

[3]Minimum.

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

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

[6]Minimum.

[7]Minimum.

[8]Minimum.

Table 2. Niger: Structural benchmarks, January 1, 2012-December 31, 2012

Measures	**Timing**	**Macroeconomic Rationale**
Compile comprehensive quarterly budget reports on a commitment, payment order, and payment basis, to be submitted to Fund staff within a period of 6 weeks.	Quarterly	Improve budget and cash management
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
Complete an inventory of bank accounts held by government entities and agencies.	30-June-12	Improve cash management
Give all known importers a tax identification number (TIN) and reserve the code for operators without a tax identification number exclusively for occasional operators, and submit a report on the implementation of this measure.	30-June-12	Increase tax revenue
Adoption by the Council of Ministers of a revision of the Investment Code to exclude the possibility of granting exemptions to already-established telecommunication companies when they introduce new technologies.	30-Sept-12	Increase tax revenue
Close irregular and dormant bank accounts.	30-Sept-12	Improve cash management
Complete the interface between the Directorate General of the Budget and the Directorate General of the Treasury and Government Accounting to improve monitoring of the expenditure chain.	31-Dec-12	Improve budget and cash management

ATTACHMENT II—TECHNICAL MEMORANDUM OF UNDERSTANDING

Niamey, December 20, 2011

1. This technical memorandum of understanding defines the performance criteria and indicative targets of Niger's program Under the Extended Credit Facility (ECF) for the period 2012–Q1 2015. The performance criteria and indicative targets for end-June and end-December 2012 are set out in Table 1 of the attached Memorandum of Economic and Financial Policies (MEFP) dated December 20, 2011. This technical memorandum of understanding also sets out data-reporting requirements for program monitoring.

I. 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 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 some time 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 lessor 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).

II. 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 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 2012 quarterly targets are based on the change between the end-December 2011 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, fall short of program projections.

10. If, at the end of each quarter of 2012, 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-2011 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. Domestic 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 rates used for this purpose are the currency specific commercial interest reference rates (CIRRs), published by the Organization for Economic Cooperation Development (OECD).[2] For debt with a maturity of at least 15 years, the ten-year-average CIRR will be used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR will be used. To both the ten-year and six-month averages, the same margins for differing repayment periods as those used by the OECD need to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 years to 19 years, 1.15 percent for 20 years to 29 years, and 1.25 percent for 30 years or more).

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.

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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] For debts in foreign currencies for which the OECD does not calculate a CIRR, calculation of the grant element should be based on the composite CIRR (weigthed average) of the currencies in the SDR basket.

19. For the purposes of the relevant assessment 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 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.

III. QUANTITATIVE TARGETS

A. 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 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.

B. Reporting Requirement

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

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

IV. ADDITIONAL INFORMATION FOR PROGRAM MONITORING

A. Government finance

30. 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 balances 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.

B. Monetary Sector

31. 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).

C. Balance of Payments

32. 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.

D. Real Sector

33. 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.

E. Structural Reforms and Other Data

34. 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
	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

INTERNATIONAL MONETARY FUND

NIGER

Request for a New Three-Year Arrangement Under the Extended Credit Facility

Informational Annex

Prepared by the African Department
(In consultation with other departments)

Approved by Seán Nolan and Tom Dorsey

March 2, 2012

- **Relations with the Fund.** Describes financial and technical assistance by the IMF, and provides information on the exchange rate system. Niger's PRGF arrangement was approved on May 28, 2008.
- **Bank-Fund Joint Managerial Action Plan, 2012.** Describes the World Bank Group's strategy and portfolio.
- **Statistical Issues Appendix.**

Contents Page

I. Relations with the Fund

(As of February 2012)

I. Membership Status: Joined: April 24, 1963;
Accepted Obligations of Article VIII, Sections 2, 3, and 4: June 1, 1996

II. General Resources Account	**SDR Million**	**%Quota**
Quota	65.80	100.00
IMF holdings of currency	57.17	86.89
Reserve position	8.64	13.13

III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	62.94	100.00
Holdings	54.27	86.22

IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF arrangements	36.45	55.39

V. Latest Financial Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
ECF[1]	Jun 2, 2008	Jun 1, 2011	23.03	13.16
PRGF	Jan 31, 2005	May 31, 2008	26.32	26.32
PRGF	Dec 22, 2000	Jun 30, 2004	59.20	59.20

[1] Formerly PRGF.

VI. Projected Payments to Fund [2]
(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2012	2013	2014	2015	2016
Principal	4.21	5.50	6.91	7.47	4.96
Charges/Interest	0.01	0.01	0.07	0.05	0.04
Total	4.22	5.51	6.98	7.53	4.99

[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.

VII. Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	Dec. 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	Apr. 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, corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR million)[1]

Financed by: MDRI Trust	59.82
Remaining HIPC resources	17.73

II. Debt relief by facility (SDR million)

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

[1]The MDRI provides 100 percent debt relief to eligible member countries that qualify 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 IMFas 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 commit. **Interim assistance**: amount disbursed to a country between decision and completion points, up to 20 percent annually and 60 percent in total 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 assistance committed at the decision point, 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).

IX. Safeguards Assessments:

The Central Bank of West African States (BCEAO) is the common central bank of the countries of the West African Economic and Monetary Union, which includes Niger. The most recent safeguards assessment of the BCEAO was completed in March 2010. The 2010 update assessment found that while there were adequate controls in place at the operational level, the overall governance framework required strengthening, by the addition of an audit committee to ensure that the board of directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. The Institutional Reform of the WAEMU and the BCEAO completed after the approval of the safeguards report stipulated the creation of an Audit Committee, now operational, which is in charge of evaluating the quality of the supervisory system of the BCEAO.

Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

X. Exchange Arrangements:

Niger is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all WAEMU countries, is free of restrictions on the making of payments and transfers for current international transactions. 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 conversion 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. On January 12, 1994, the CFA was devalued by 50 percent in foreign currency terms, and the exchange rate was adjusted from CFAF 50 = F 1 to CFAF 100 = F 1. Effective December 31, 1998, the parity was switched to the euro. In September 2011, the rate of the CFA franc in SDR terms was SDR 1 = CFA 755. 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.

XI. Article IV Consultation:

Niger is on the 12-month consultation cycle.

XII. Technical Assistance:

Dept.	**Type of Assistance**	**Time of Delivery**
FAD/AFRITAC W	MTEF	January 2011
FAD/AFRITAC W	Budget Execution	January 2011
FAD/AFRITAC W	MTEF	March 2011
FAD/AFRITAC W	Budget Execution	March 2011
FAD	Revenue Administration	April 2011
FAD/AFRITAC W	Public Financial Management	May 2011
FAD/AFRITAC W	Customs Administration	May 2011
FAD/AFRITAC W	Tax Administration	May 2011
FAD	Public Financial Management	May 2011
FAD	Tax Policy	June 2011
FAD	Budget Execution	September 2011
STA/AFRITAC W	Real Sector Statistics	September 2011
AFRITAC W	Treasury Accounts	September 2011
FAD	Public Financial Management	October 2011
FAD	Budget Execution	January 2012
FAD	Tax Administration	January 2012
FAD	MT-Expenditure Framework	January 2012
FAD	Public Financial Management	February 2012
STA/AFRITAC W	Tofe Implementation	February 2012
STA/AFRITAC W	GFS Statistics	February 2012

XIII. Resident Representative: Mr. Ahmed Zoromé.

II. BANK-FUND JOINT MANAGERIAL ACTION PLAN, 2012

(As of February 2012)

Products	Missions Timing	Expected Date
A. **Mutual Information on Relevant Work Programs**		
The IMF work program		
Strategy: The IMF's ECF program and technical assistance will focus on helping Niger preserve fiscal sustainability and economic stability, while expanding priority spending to accelerate growth and poverty reduction.		
Request for an ECF	December 2011	Board discussion March 2012
Program review	June 2012	Board discussion August 2012
TA by FAD/AFRITAC	February–March 2012	
Three missions on public financial management		
TA by MCM Mission on public debt management		
TA by STA/AFRITAC	March 2012	
Mission on GFS	March 2012	
Mission on real sector statistics	March 2012	
The World Bank program		
Strategy: The Bank's strategy is laid out in the country assistance strategy covering FY08–11, focusing on two pillars: (i) accelerating equitably shared sustained growth and (ii) increasing access to basic services and developing human capital; and two cross-cutting issues that cover demographics and good governance. Preparation of a new CAS will start in 2012, aligned with the preparation of a new PRSP. In addition to the implementation of the Bank's existing portfolio, a number of new operations for Board approval in FY12 and FY13 will be prepared, including a new multiyear DPO series, a sources of growth project, an education enhancement and skills project, and the Kandadji multisector growth pole project. In response to the impact of the Libyan crisis on Niger and the poor 2011/12 harvest, the Bank has prepared a supplemental financing operation to be considered by the Bank's Board on February 23, 2012. Analytic work will include a public expenditure review, a Debt Management Performance Assessment, policy notes on economic growth, a PSIA of tax policy reforms; reviews of the energy, telecoms, and mining sectors; studies on weather-based insurance feasibility, conflict ,and security; GAC strategy and institutional development; and technical assistance on the poverty assessment, local development (Kandadji), ROSC audit and procurement implementation support, and EITI follow up and CSO capacity building.		

DPO appraisal	March 2012	Aide-mémoire
Public expenditure review missions	February 2012 and May 2012	PER report
DeMPA mission	April 9-20, 2012	Draft report
Economic growth policy missions	Several	Policy notes
Sectoral, ESW, TA missions	Several	
B. Requests for Work Program Inputs (as needed)		
Periodic update on World Bank program in Niger		
C. Periodic Economic Update		
Agreement on Joint Products and Missions		
DSA	2013	DSA Report

III. STATISTICAL ISSUES APPENDIX

(As of February, 2012)

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.

National accounts: 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 data ROSC 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 SNA1993 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 2007 have been finalized in 2011 only. Work has just started on the 2008 national accounts.

Price statistics: 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 Economy and Finance (MEF) with a one- to four-month lag, based on information provided by the budget, customs, tax, and treasury directorates. The MEF 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). Following their participation in the AFRITAC-WEST seminar on the *GFSM 2001,*held in Lomé in November 2005, MEF has approved a strategy for migrating the *Government Finance Statistics Manual 1986* (*GFSM 1986*) to the *GFSM 2001*.

Monetary data: 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 reduction in the lag from about six months to about three months.

Balance of payments data: The balance of payments statistics are compiled in conformity with the *Balance of Payments Manual, Fifth Edition (BPM5).* 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.

IV. Niger: Table of Common Indicators Required for Surveillance

(As of February, 2012)

	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Nov. 2011	Feb. 2012	M	I	M
Reserve/Base Money	Nov. 2011	Feb. 2012	M	I	M
Broad Money	Nov. 2011	Feb. 2012	M	I	M
Central Bank Balance Sheet	Nov. 2011	Feb. 2012	M	I	M
Consolidated Balance Sheet of the Banking System	Nov. 2011	Feb. 2012	M	I	M
Interest Rates[2]	Nov. 2011	Feb. 2012	I	I	M
Consumer Price Index	Jan. 2012	Feb. 2012	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	Dec. 2011	Feb. 2011			
Revenue, Expenditure, Balance and Composition of Financing[3] – Central Government	Dec. 2011	Feb. 2011	M	I	I
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec. 2010	Dec. 2011	A	I	I
External Current Account Balance	Dec. 2010	Dec. 2011	A	I	A
Exports and Imports of Goods and Services	Dec. 2010	Dec. 2011	A	I	A
GDP/GNP	Dec. 2011	Dec. 2012	A	I	A
Gross External Debt	Dec. 2010	Dec. 2011	A	I	A

[1] Includes reserve assets pledged or otherwise encumbered and net derivative positions.
[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, social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

Press Release No. 12/90
FOR IMMEDIATE RELEASE

International Monetary Fund
Washington, D.C. 20431 USA

March 16, 2012

IMF Executive Board Approves Three-Year US$120.97 Million Extended Credit Facility Arrangement and US$ 17.28 Million Disbursement for Niger

The Executive Board of the International Monetary Fund (IMF) today approved a new arrangement for Niger under the Extended Credit Facility (ECF) in an amount equivalent to SDR 78.96 million (about about US$120.97 million). The Board's decision will enable an immediate disbursement equivalent to SDR 11.28 million (about US$17.28 million).

The authorities' program is aimed at maintaining macroeconomic stability while increasing resilience to shocks; strengthening public finance and debt management; putting in place a transparent legal and supervisory framework for the mining and petroleum sectors; and supporting private and financial sector development.

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

"The authorities' new ECF-supported economic program aims at addressing the development challenges ahead, maintaining macroeconomic stability, and increasing resilience to shocks. Policies under the program will focus on strengthening public finance and debt management, putting in place a transparent legal and supervisory framework for the natural resources sector, and supporting private and financial sector development.

"The 2012 budget is well aligned with the authorities' growth and poverty reduction program. Medium-term fiscal policy is rightly geared towards creating the fiscal space for increased development spending, while maintaining debt sustainability. Rising receipts from oil production and strengthened domestic revenue should primarily finance the planned investment. It will also be important to step up efforts to seek grants and concessional financing for large infrastructure investment and other projects. Non-concessional loans should only be contracted for well-assessed, high-yield projects.

"A significant build-up of government reserves at the central bank will provide flexibility in budget execution and bolster Niger's resilience to exogenous shocks.

"Important structural reforms are underway. Measures to strengthen budget execution, reduce the number of tax exemptions, and modernize tax and customs administration will help maintain fiscal stability. At the same time, steps to strengthen and develop the financial system and improve the business climate will promote private sector development and diversify the economy," Mr. Shinohara added.

Recent economic developments

Niger is emerging from a prolonged period of social unrest and from military rule. A democratically-elected government came into power in April 2011. Building on the poverty reduction strategy, the government has adopted an ambitious development program.

Economic activity in recent years has been affected by large swings in agricultural production. Following a year of serious food shortages, economic growth recovered quickly in late 2010, driven by an excellent harvest and the expansion of services related to agriculture

The authorities' medium-term policy framework is based on a favorable growth outlook driven mainly by the oil and mining sectors. With the startup of a new petroleum project, GDP is projected to expand by13.4 percent in real terms in 2012. Investments in a large new uranium mine and the development of the petroleum sector should sustain economic activity in the years after 2012.

Niger's medium-term prospects are nevertheless subject to various risks. The country is vulnerable to exogenous shocks, including recurrent, weather-related food crises and fluctuations in commodity prices. The deteriorating security situation in the region is another factor adding to Niger's vulnerabilities.

Program objectives

The authorities' new three-year program builds on the government's medium-term development strategy, and draws on the lessons of the Ex Post Assessment discussed by the Executive Board of the IMF on December 2, 2011. It is aimed at:

- Creating fiscal space for rising development spending while maintaining external debt
- Sustainability;
- Rebuilding government deposits at the central bank to facilitate budget execution and
- enhance resilience to exogenous shocks;
- Strengthening public finance and debt management,
- Establishing a sound, transparent supervisory and legal framework for the natural resource sector
- Improving the business environment, including reforms aimed at sustaining the stability of the financial sector and increasing access to financial services.

Medium-term fiscal policy will aim at maintaining debt sustainability while creating room for increased development spending. At the same time, the objective to strengthen government cash balances to increase the resilience of the budget to unexpected shocks. In light of these objectives and the current projections for external donor aid, the authorities intend to keep the basic fiscal deficit below 1.5 percent of GDP during the program period.

The government is committed to further strengthening public oversight of the natural resources sector in 2012 through the Interministerial Committee for natural resources assessment, which will ensure appropriate information flows and coordination between government representatives in each natural resource company. In addition, the government intends to undertake a study on its overall strategy and policy in the petroleum and mining sector, including the policy to maximize the government's petroleum resources and the structure of government oversight in that sector. This study is to be completed by end-December 2012. A key objective for the medium term will be to bring the Investment Code into line with best practices. In collaboration with the World Bank, the authorities are planning to undertake a comprehensive review of the Code in 2012.

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Statement by Kossi Assimaidou, Executive Director for Niger
March 16, 2012

My Nigerien authorities would like to express their deep appreciation to the Fund for its continuous support of Niger's reform efforts. They are thankful to the Managing Director for her visit last December, which gave an opportunity to members of the Nigerien government and parliament to have precious exchanges with her on a wide range of issues. My authorities also value the Fund staff's policy advice, in particular during the fruitful discussions held in Niamey, in December 2011, focused on the design of a successor program to the 2008-2011 ECF arrangement.

The democratically-elected government that took office in April 2011 has expressed its clear intention to address in a lasting way Niger's recurring economic and financial problems. In this regard, working closely with staff, they have adopted an ambitious program of macroeconomic and structural reforms that take advantage of the expected increase in natural resources revenue to ensure financial stability and pave the way for strong sustainable growth and poverty reduction. In support of the comprehensive program of reforms, my authorities are requesting Fund's assistance under an ECF arrangement.

Medium-term objectives

The new ECF-supported program draws largely on the authorities' growth strategy set out in the DRSP (Poverty Reduction Strategy Paper) and the President's Development Program. It also takes into account the lessons drawn from the Ex Post Assessment. The strategy puts emphasis on measures aimed at increasing public investment in infrastructure, agriculture, health and education, and is expected to increase real GDP growth by an annual average of 7 percent over the medium term, with inflation averaging about 3 percent, and improvement in the fiscal and external current accounts. The program will also aim at enhancing macroeconomic stability, increasing the resilience of the Nigerien economy to shocks, and strengthening the public finance and debt management, as well as the promotion of a vibrant private sector.

Fiscal policy

The strategy adopted by my Nigerien authorities is to take advantage not only of the external financing, but mostly of the strengthening of domestic revenue and rising receipts from oil and mining production in order to build a solid financial position for the country consistent with its development needs. The authorities will pursue their efforts to strengthen government finances, and to increase its resilience to shocks. In this regard, the measures being implemented will help to ensure that the basic fiscal deficit remains below 1.5 percent of GDP. This will be achieved through enhanced revenue from natural resources and a tight control over government expenditure. However, capital expenditure to address infrastructure needs will be increased. The authorities will rely as much as possible on concessional financing for their development projects, however, if this is not available, my authorities will consult with staff on the use of non-concessional financing. My authorities would like to point out that non concessional borrowing, if warranted, will be used only for high-yield commercial and infrastructure projects that will generate the needed revenue to cover debt service of the projects.

For 2012, the Budget approved by parliament, projects a basic fiscal deficit of less than 1 percent of GDP, from 4 percent in 2010. The overall deficit, however, will remain unchanged at 11.5 percent of GDP. Revenue is projected to increase by about 2.3 percent of GDP mainly from receipts from oil production, and measures to strengthen tax and customs administration. Expenditure will also increase by about 2.3 percent of GDP. Social spending, especially as regard education will be increased. However, it is to be noted that the government has discontinued the subsidy on fuel products. There will also be an acceleration of externally financed capital expenditure for which concessional financing has been identified.

On the strengthening of Nigerien economy's resilience to exogenous shocks, my authorities agreed on the need to earmark an amount of reserves of about 1% of GDP at the regional central bank, the BCEAO. To that end, they have, by end 2011, secured CFA francs 20 billion, which represents more than half of the needed reserve amount. Over the time, they stand ready to consider the proposed stabilization mechanism aimed at preserving the budget and its components, particularly the spending for vulnerable people, from unexpected price fluctuations of natural resources.

Public finance and debt management

Drawing from the recommendations of the FAD technical assistance missions made in 2011, my authorities have prepared, in collaboration with World Bank, a comprehensive action plan aimed at strengthening public finance and debt management.

On the budget execution and treasury management, my Nigerien authorities have already identified a set of reform measures whose implementation should start in 2012. These measures include the limitation of recourse to exceptional expenditure procedures, the submission of quarterly authorizations for line ministries on the basis of cash management and commitment plans, the closing of irregular and dormant government bank accounts, the improvement in the monitoring of expenditure chain and the compilation of quarterly budget reports. In their efforts to align the medium-term budget framework with their other main priorities, my authorities have, in the preparation for 2012 budget, taken into account the medium-term expenditure framework. As a next goal in the process of better reflecting the medium-term budget framework in other government priorities, my authorities envisage to start the preparation of sectoral medium-term expenditure plans.

Turning to the tax and customs administrations, several measures focused on the broadening of the tax base, improving compliance for taxpayers, and reduction of exemptions are included in the three-year ECF program. Some of these measures, including the strengthening of controls of tax exemptions and VAT, the stepping up of number of audits of mining and petroleum companies, and a better use of pre-inspection company services will be implemented in 2012. Important efforts toward the revision of investment code aimed at making it more consistent with best international practices are underway.

Taking into consideration Fund recommendations on the need to strengthen debt management, my authorities are exploring ways to centralize all debt activities on the responsibility of a unique entity, the debt Directorate, instead of two actually. They are also planning to enhance the technical and analytical capabilities of this new entity. A new committee, “the National Debt Management Committee” having in charge the proposals for new government loans and guarantees is already operational.

Natural Resource Management

To ensure full transparency in all segments of mining and oil activities notably exploration, exploitation and trading, a clause has been inserted in the in the 2010 Constitution requiring the publication of new exploration and exploitation contracts in the mining sector. My authorities also underscore the recent declaration of Niger compliance to the standards of the Extractive Industries Transparency Initiative (EITI).

The following steps intended to help strengthen the natural resource management have been taken:

- The government will conduct a strategic study on the role of the state in the natural resource sector. This study will consider different options of state involvement or supervision of the sector.

-In the meantime, to avoid any disruption of information flow usually delivered to the authorities, the existing interministerial committee for the oversight of natural resources will be reactivated with the view to enhance policy coordination;

-With technical assistance from IMF, the authorities’ capacity to negotiate contracts and conduct tax audits in this sector will be strengthened over the medium-term. In the near-term, they are planning to hire the services of reputable firms to help them negotiate uranium prices for 2013 and conduct tax audits.

Financial Sector Reforms and Private Sector Development

Given the low level of financial intermediation and the crucial contribution expected from this sector in helping finance their growth strategy, my Nigerien authorities, in close collaboration with financial sector representatives, have completed a comprehensive five-year development plan for the financial sector. The plan which draws from the 2008 FSAP recommendations, envisages several aspects to improve financial intermediation, in particular the measures to increase financial sector stability, enhance financial sector deepness, simplify the recovery of loans and improve the legal framework.

With the emphasis put on the employment of youth in their development strategy, my authorities give a high priority to actions aimed at removing obstacles to job-creation initiatives. In collaboration with the World Bank and private sector representatives, they have elaborated a medium-term reform plan aimed at making Niger a more attractive place to invest. The part of reforms scheduled for 2012, including the revision of investment code and the preparation of a framework for public-private partnerships, is already being implemented.

Conclusion

My authorities' policy intentions reflect broadly the need to make significant breakthroughs in poverty reduction with the view to improving the living standards for the population. To that end, they are fully determined to implement the reform measures described in the three-year-ECF program, which drew mainly on their development strategy. Already, several reform measures are at an advance stage of preparation, indicating my authorities' commitment to the reform process.

Based on their good track record of policy implementation over the two last programs and taking into account their commitment to pursue needed reforms, I would appreciate Directors' support for my Nigerien authorities' request for a three-year program under Extended Credit Facility.