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FIRST REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION—STAFF REPORT; STAFF SUPPLEMENTS; AND PRESS RELEASE

In the context of the first review under the three-year arrangement under the Extended Credit Facility and request for a waiver of nonobservance of performance criterion with Niger, the following documents have been released and are included in this package:

- **Staff Report** for the first review under the three-year arrangement under the Extended Credit Facility and request for a waiver of nonobservance of performance criterion, prepared by a staff team of the IMF, following discussions that ended on November 12, 2012, 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 13, 2013. 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 Debt Sustainability Analysis,** a supplement prepared by the staffs of the IMF and the World Bank.
- **An Informational Annex,** a supplement prepared by the IMF.
- **A Press Release** issued at the completion of the First Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for A Waiver of Nonobservance of Performance Criterion.

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*
Joint Staff Advisory Note of the Poverty Reduction Strategy Paper
Poverty Reduction Strategy Paper

*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
Washington, D.C.

NIGER

March 13, 2013

FIRST REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Economic activity was buoyant in 2012, but a revenue shortfall has impacted budget implementation. Economic growth is estimated at over 11 percent, thanks to the coming onstream of a new oil project, higher uranium production, and a rebound in agricultural production. Fiscal revenues increased relative to 2011, but are likely to fall short of program targets for 2012 due to weaknesses in customs and oil revenue. All end-June performance criteria were met, but at the expense of expenditure constraint. Several end-September fiscal targets were missed as spending increased in order to bring poverty-reducing spending back in line with program targets and due to an increase in military spending following a deterioration in the regional security situation. Additional measures were taken to limit spending during the remaining months of 2012. The continuous performance criterion on non-concessional borrowing was breached because of the contracting of a non-concessional loan with the Republic of Congo, but this loan was cancelled before disbursing. The majority of the structural reforms under the program were implemented, albeit with delays, and a plan to stem the losses at the oil refinery has been developed for implementation in 2013.

The program for 2013 builds on the government's medium-term strategy set out in the Memorandum of Economic and Financial Policies (MEFP) of March 2, 2012. A key goal of the 2013 program is to tackle the revenue weaknesses—by advancing the plan to strengthen the financial position of the oil refinery and the implementation of measures already taken to strengthen customs. Other elements of the program include (i) creating fiscal space for development spending while maintaining debt sustainability; (ii) rebuilding government deposits at the central bank to facilitate budget execution and enable response to shocks; (iii) implementing structural reforms to strengthen budget execution, treasury management, and domestic revenue collection; (iv) enhancing the oversight of the natural resource sector; and (v) continuing ongoing reforms aimed at financial development and improving the business environment.

Staff supports the completion of the first review.[1] Program implementation has been mixed, but significant fiscal adjustment is estimated to have been achieved in 2012, and will be consolidated in 2013 as steps to further strengthen revenue mobilization and improve the financial footing of the oil refinery have been taken as prior actions. Given the authorities' decision to cancel the loan contract with the Republic of Congo, staff also supports their request for a waiver for the breach of the performance criterion on non-concessional external debt.

[1] The three-year Extended Credit Facility (ECF) arrangement was approved by the Executive Board on March 16, 2012 in the amount of SDR 78.96 million (120 percent of quota).

Approved By
David Robinson and Peter Allum

Discussions were held in Washington D.C. during September 21-22, 2012 and in Niamey during November 5-12, 2012. The team comprised Messrs. Harmsen (head), Ms. Mira, Ms. Viseth, and Mr. Weber (all AFR), and was assisted by Mr. Zoromé, Resident Representative. Mr. Mamadou (OED) participated in key meetings. The team met with the Prime Minister, 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.

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RECENT DEVELOPMENTS AND THE MEDIUM-TERM OUTLOOK

1. **Economic activity was buoyant in 2012, with GDP growth estimated at 11¼ percent**, thanks to the coming onstream of oil production, higher uranium production, and a good harvest in August/September (Table 1, Figure 1). Oil production, however, remained well below capacity, because exports of petroleum products did not take off as projected (Box 1). Average inflation is estimated to have remained slightly below 1 percent in 2012, as upward pressures on food prices caused by food shortages in the first part of the year were largely offset by lower energy prices.

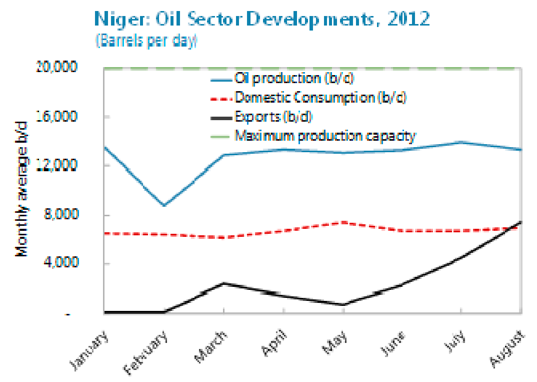
2. **Economic developments, however, remained vulnerable to climatic shocks and the fragile security situation in the region.** Niger was hit by extensive floods in the third quarter of 2012, causing high loss of human life and extensive destruction of infrastructure and agricultural lands. Also, the country was affected by the instability in Mali. In January 2013, the government announced Niger's participation in the military operation aimed at restoring sovereignty in northern Mali.

3. **Fiscal developments were affected by shortfalls in oil and customs revenue (equivalent to 2 percent of GDP).** Thanks to cuts in domestically- and foreign-financed public investment, however, the overall fiscal deficit in 2012 (commitment basis, including grants) is projected to reach 3½ percent of GDP, very close to the deficit targeted under the program (Tables 2 and 3, Figure 2, MEFP ¶3).

4. **Credit to the private sector expanded by 24 percent (12-month rate) through November 2012, driven by high credit demand from public enterprises and trading firms (Table 4).** The rise in credit demand was partly related to the higher transaction volume in the petroleum sector. This expansion, together with a significant increase in net foreign assets since April, resulted in an increase in broad money of about 33½ percent during this period (Figure 1). Velocity of circulation has been on a downward trend in recent years, reflecting the development of the financial sector.

5. **The current account deficit excluding official transfers is projected to decline, from 28 percent of GDP in 2011 to 20 percent of GDP in 2012** (Table 5), reflecting the coming onstream of petroleum production resulting in exports of petroleum products and a sharp reduction in the import of petroleum products. As a result, Niger's contribution to the net foreign assets of the monetary union (WAEMU) is projected to increase by CFAF 99 billion in 2012. Gross international reserves in the WAEMU stood at the equivalent of about 5 months' of imports at end-November 2012.

Box 1. Update on Oil Developments



Source: Nigerien authorities.

Petroleum production averaged about 13,000 barrels per day (bpd) in 2012, well below the projected 16,000 bpd. This shortfall contributed to losses for the refinery equal to about 1 percent of GDP. The factors that explain the unsatisfactory performance of the sector include difficulties related to exporting the refined products (on average 6,000 bpd instead of the projected 9,000 bpd) caused by:

- Inadequate export price setting: until June, export prices were set at uncompetitive levels. Since then, the refinery has lowered prices and seen a pickup in sales.

- Start-up difficulties in concluding export contracts: the original production-sharing agreement envisaged the refinery (SORAZ) having responsibility for exports, the government decided to entrust this solely to the state-owned oil distribution company (SONIDEP) which resulted in a delay in securing export contracts.

- Shortcomings in the planning for the transition from net fuel importer to fuel exporter: during the first quarter of 2012, SONIDEP continued to import petroleum products for the domestic market, notwithstanding the fact that domestic production was more than sufficient to cover domestic demand. As a result, inventories increased to a level that ultimately necessitated a temporary closure of the refinery.

- Technical and administrative issues: the refinery had to be briefly closed for technical reasons. Also, inconsistencies in the agreed payment schedules in the production and export chain created liquidity shortages and payment arrears.

The shortfall in government oil revenue in 2012 is estimated at CFAF 13 billion (0.4 percent of GDP). This revenue shortfall does not include the government's share in the losses of the refinery (tentatively estimated at 1 percent of GDP), which have been covered thus far by the foreign investor, and potentially represent a contingent liability of the government. There are no direct budgetary transfers to the refinery.

Assuming a recovery of production to an average of 16,000 bpd, the refinery should generate a cash-flow surplus in 2013. The refinery receives its crude oil from the Agadem oil field through a pipeline. The authorities and the foreign investor have agreed on an input price for the crude oil and prices for petroleum products destined for the domestic market. Export prices for petroleum products are set at levels close to international prices. With current ex-refinery domestic prices, export price projections, and input prices for crude oil, the refinery is projected to produce at a positive operating margin.

6. Negotiations to refinance a key loan on concessional terms are at an advanced stage, but Niger's risk of debt distress remains moderate. The authorities have reached understandings with EXIM Bank of China on the contracting of a concessional loan of US$880 million (CFAF 435 billion, or 12 percent of GDP). This loan will refinance the existing non-concessional financing of the new refinery, which was initially provided by the Chinese investment partner (CNPC), with 40 percent guaranteed by the state. The new loan will be fully taken on the books of the state, but CNPC will guarantee the repayment of 60 percent of the loan.[1] Assuming that the loan agreement is ratified in 2013, external public debt will increase to 33½ percent of GDP at end-2013, from 24 percent at end-2012. Nonetheless, debt ratios are projected to remain below the thresholds in the baseline scenario from 2013 onward. In the event of a one-time shock in the form of a 30 percent currency depreciation, the debt-to-GDP ratio would rise above the 40 percent threshold, leading to the conclusion that Niger's risk of debt distress should continue to be considered as moderate.

7. The short- and medium-term economic prospects remain positive (Table 1), thanks to ongoing investment in the natural resource sector, but are subject to downside risks. GDP growth is projected at 6¼ percent in 2013, in line with the initial projection under the program, but growth projections for 2014 and later years have been revised downward to reflect a two-year delay in the development of a large new uranium mining project in Imouraren. Inflation is projected to remain low in 2013, because the good harvest in 2012 will keep a lid on food prices in the next six months. Economic growth has so far been resilient to the global economic slowdown, but given the key role of commodities in the development strategy (and investment by foreign firms) a further weakening of global growth that led to a sustained decline in commodity prices would affect Niger's economic prospects. Additional downside risks stem from the fragile security situation in the region, including the as yet uncertain budgetary effects of Niger's participation in the military operation in Mali; the frequent climatic shocks and longstanding concerns over food security; and further delays in the implementation of natural resource sector projects.

PROGRAM IMPLEMENTATION IN 2012 AND PRIOR ACTIONS FOR THE FIRST REVIEW

8. Program implementation has been mixed. While all end-June performance criteria were met (Table 6), fiscal revenues have fallen short of targets and the structural agenda was delayed. Revenue weaknesses meant that the budget could not be fully implemented as initially envisaged—reflected in the missing of several indicative targets at end-September—but measures have now been taken as prior actions to address the source of the revenue weaknesses, and the majority of the structural benchmarks have been implemented, albeit with delays.

[1] The loan is shown in the fiscal accounts above the line as CFAF 435 billion of net lending to the refinery and is recorded below the line as a project loan. At the current discount rate, the loan would have a grant element of 38.4 percent.

9. Implementation of the fiscal program has been constrained by a 10 percent shortfall in revenues. During the first six months of the year, the basic budget balance (excluding grants),[2] an indicative target under the program, reached a surplus of CFAF 12.4 billion (equivalent to about 0.4 percent of annual GDP), against a surplus of CFAF 12.5 billion targeted under the program. Revenues were about 1 percent of annual GDP below target, mainly reflecting lower-than-projected oil revenue (Box 1), and weak customs revenue due to delays in customs administration reforms. The revenue shortfalls were more than offset by delays in the execution of the investment budget, including spending on projects for poverty reduction (an indicative target). Fiscal performance deteriorated during the third quarter, however, as current and capital expenditure accelerated—mainly reflecting higher spending on education and the military—revenue performance remained below expectations. As a result, the basic budget deficit in the third quarter reached CAF 49.2 billion (about 1½ percent of annual GDP), against CFAF 14.8 billion targeted under the program, and several other indicative targets were missed. The overall fiscal balance (including grants) was, however, stronger than targeted, recording a deficit of about ¾ percent of GDP rather than a deficit of 1¾ percent under the program, reflecting the slow pace of externally financed capital spending. Fiscal data for end-2012 are not yet available, but revenues are expected to remain below the program target. With a view to minimizing potential fiscal slippages, the authorities have taken measures to limit current and capital spending in the fourth quarter of the year.

10. In July 2012, the authorities contracted a CFAF 50 billion (1½ percent of GDP) non-concessional budget loan from the Republic of Congo, thereby breaching the performance criterion on the contracting of non-concessional loans. Following attempts to renegotiate the terms of the loan, the authorities decided in December 2012 to cancel the loan, with no disbursements having taken place (MEFP, ¶9). In light of this, staff supports the authorities' request for a waiver of the breach of the performance criterion on non-concessional borrowing.

11. The structural reform agenda is being implemented, but with delays, in part due to weaknesses in administrative capacity (Table 7). Following corrective action by the authorities, the majority of the measures constituting benchmarks through September 2012 have now been implemented, including the submission of quarterly budget reports, the completion of an inventory of bank accounts held by government entities and agencies, and the assignment of tax identification numbers to importers. The objective to limit non-authorized expenditure to 5 percent of committed expenditure (excluding debt-service payments and fiscal expenditure related to exceptions) was not achieved, reflecting the high levels of expenditure on medical evacuations. In response to this, the authorities have strengthened the monitoring of non-authorized spending. There were also delays in the closure of irregular and dormant bank accounts: the authorities adopted a new timetable for the closure of the bank accounts, which is now envisaged to take place by end-March 2013. (MEFP, ¶8). The December 2012 benchmark on establishing a new budget interface to improve budget and cash management was completed at the central level, with regional implementation still ongoing.

[2] Revenues minus expenditure net of externally financed capital expenditure.

12. In response to the serious revenue shortfalls during the first nine months of 2012, the authorities implemented two prior actions for issuance of the staff report (MEFP Table 2). First, to deal with the revenue shortfalls in the oil sector, the government has adopted an action plan to put the refinery and the oil well on a sound financial footing (MEFP, ¶ 27). Second, the authorities have taken the decision to assign a tax identification number to all regular importers for all import transactions after January 1, 2013, aimed at strengthening the fight against fraud. This measure was initially envisaged for end-June 2012, but was delayed due to resistance from importers.

POLICY DISCUSSIONS AND THE PROGRAM FOR 2013

A. Building on the Government's Development Strategy

13. The program for 2013 builds on the government's broad development strategy, which was elaborated in the poverty reduction strategy adopted in August 2012 (EBD/13/13). As discussed in the Memorandum of Economic and Financial Polices (MEFP) that was discussed by the Board in March 2012, Niger's growth strategy rests on several pillars, including substantial increases in public investment in infrastructure, agriculture, health, and education; measures to face the security threats in the region; and financial and private sector development. This strategy will be supported by medium-term tax and customs administration reforms aimed at raising domestic revenue.

14. The main elements of the program for 2013 reflect these objectives by giving priority to (i) creating fiscal space for development spending while maintaining debt sustainability; (ii) rebuilding government deposits at the central bank to facilitate budget execution and enhance resilience to shocks; (iii) implementing structural reforms aimed at strengthening budget execution, treasury management, and domestic revenue collection; (iv) enhancing the oversight of the natural resource sector to maximize revenue for development spending; and (v) continuing ongoing reforms aimed at financial development and improving the business environment.

B. The Budgetary Framework for 2013

15. In December 2012, the parliament adopted the government's budget proposal for 2013. The budget continues to place a strong emphasis on capital spending to accelerate growth, with the overall targets broadly consistent with the projections and policies in line with the policy discussions with IMF staff (MEFP, ¶10–12):

- Total revenue in 2013 is projected to rise by about 1 percentage point of GDP, reflecting the projected recovery of oil revenue and higher customs revenue.

- Total expenditure (excluding net lending related to the new refinery) is projected to rise by 3¼ percentage points of GDP. The public wage bill is projected to increase by about a ¼ percent of GDP, reflecting, among other things, new recruitment for health care, education and rural development.

- As a result, the fiscal deficit on a commitment basis, excluding grants and net lending is projected to rise from 10 percent of GDP in 2012 to 12 percent of GDP. The basic fiscal deficit, which measures the balance of domestic fiscal operations, is projected to increase slightly from about 2 percent of GDP in 2012 to 2½ percent of GDP in 2013.

16. The authorities are planning to improve within-year budget execution by continuing to build cash holdings at the central bank (BCEAO), by CFAF 15 billion in 2013 (equivalent to about one week of domestically-financed spending). At end-September 2012, the freely available government cash holdings at the BCEAO stood at CFAF 12.6 billion. Additional cash reserves will also facilitate a more rapid response to exogenous shocks.

17. Gross external financing needs in 2013 are projected at some CFAF 480 billion (13 percent of GDP), up from a budgeted CFAF 430 billion in 2012. Concessional project loans and grants are projected at CFAF 345 billion. Budget aid for 2013 is projected at CFAF 110 billion. Assuming conclusion of the first program review in March 2013, and of the second and third program reviews according to schedule, the IMF would disburse CFAF 25 billion in 2013, closing the remaining financing gap (MEFP, ¶13).

18. Given Niger's moderate risk of debt distress, the authorities agreed with staff that non-concessional 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 for 2013 maintains a zero ceiling on medium-term non-concessional borrowing. Staff noted that a non-zero ceiling could be considered at the time of the second program review, if justified by information provided by the authorities on new projects and financing terms.

C. Structural Reforms

19. The authorities' program for 2013 aims at a further strengthening of budget and cash-flow management. As in 2012, the authorities will aim to limit expenditure implemented through exceptional procedures to a maximum of 5 percent of total expenditure; expedite procedures for the release of budget allocations and the production and publication of detailed budget execution reports; produce quarterly cash and commitment plans; and establish a Single Treasury Account (Table 7) (MEFP, ¶14–19).

20. The authorities noted that they will continue their efforts to strengthen customs revenue collection. They discussed an ambitious action plan with staff, including measures to increase the computerization of the customs administration, reinforce controls, step up the fight against fraud, and increase the operational capacity of the customs administration (MEFP, ¶20).

21. Strengthening debt management remains essential. Progress is being made in concentrating all debt management activities at the Debt Directorate of the Ministry of Finance. The authorities have also committed to ensuring that all new public loans and guarantees will be consistently analyzed by the National Debt Management Committee, a measure initially envisaged for 2012 (MEFP, ¶22–23).

D. Management of Natural Resources

22. The government recently adopted an action plan to put the new refinery on a sound financial footing (prior action). As part of the action plan, the authorities have committed to maintaining commercially-viable pricing for both exports and domestic refined petroleum sales, given the oil transfer price from the upstream well operation. To identify scope for productivity improvements and cost savings to strengthen financial viability, the refinery will be subject to an audit by an international accountancy firm which should be completed by May 2013. An audit of the upstream operations was recently completed. Parallel steps are being taken to reduce the refinery's debt service costs and settle overdue payments that it is owed (MEFP, ¶27–28).

23. The authorities underlined the need to strengthen public oversight of the natural resources sector. The authorities have opened a customs office at the refinery to improve the verification of production and sales, and the state-owned mining holding company (SOPAMIN) has strengthened its representation in mining companies (MEFP, ¶30).

E. Financial Sector Reforms and Private Sector Development

24. The authorities adopted in 2012 a new five-year financial sector development strategy. The main objectives of the strategy are to increase the transparency and stability of the sector, deepen financial intermediation, improve legal structures, and develop and reinforce human capital (MEFP, ¶33).

25. Although the Nigerien banking sector is in general stable, prudential indicators for the sector have shown mixed progress in 2012 (MEFP, ¶34). Also, the growing importance of regionally active banks in Niger has increased exposure to external shocks owing to increased international linkages (Box 2). The regional Banking Commission is conducting a study on how to move toward consolidated supervision.

26. Niger's medium-term strategy to improve the business climate and promote private sector development is being implemented. In 2013, the reform program includes the establishment of an agency for the development of small- and medium-sized businesses, the simplification of procedures to start up a business, and the adoption of a law on private-public partnerships (MEFP, ¶36–37).

THE POVERTY REDUCTION STRATEGY PAPER

27. World Bank and IMF staffs have prepared a Joint Staff Advisory Note on Niger's Poverty Reduction Strategy for 2012–2015, which has been issued to the IMF's Executive Board (EBD/13/14). While the growth figures in the baseline scenario are broadly consistent

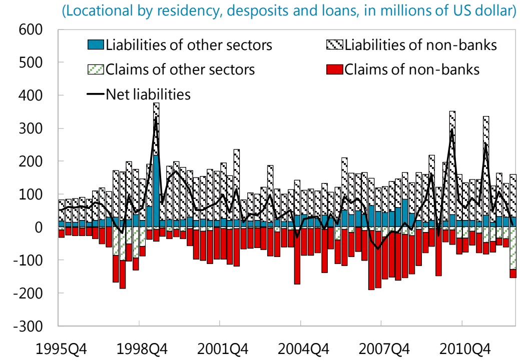
Box 2. Niger´s Banking Sector: Foreign Actors and Cross-Border Linkages

Dominated by foreign-owned banks, the Nigerien banking sector has expanded significantly in the last 10 years, though starting from a very low base. Bank branches have increased sixfold and the number of accounts more than quintupled. Majority foreign-owned banks account for about 80 percent of total assets, deposits, credit to the economy, and offices.

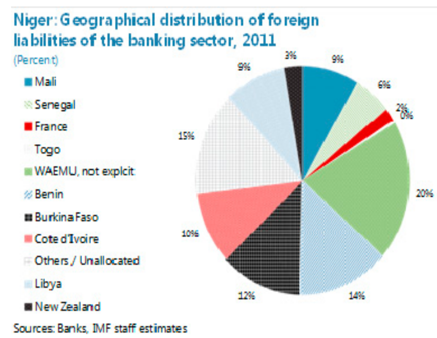
Linkages with African countries[1] increased in the last two years and are stronger than with the Bank for International Settlements (BIS) reporting countries. Foreign liabilities account for approximately 20 percent of total liabilities of Niger's banking sector. About 70 percent of these foreign liabilities are toward other WAEMU members, particularly Benin, Togo, Burkina Faso, and Cote d'Ivoire.[2] Foreign claims of Nigerien banks have increased in the last two years from about 5 percent to close to 20 percent of total assets, largely because of the increased scale of operations of regionally active banks such as Ecobank and Bank of Africa. By contrast, at around 12 percent of Niger's deposits, claims of BIS reporting banks on the Nigerien economy are moderate. Nigerien banks hold more claims on foreign BIS reporting banks than vice-versa.

Niger: BIS-reporting banks' liabilities, 1995–2012

(Locational by residency, desposits and loans, in millions of US dollar)



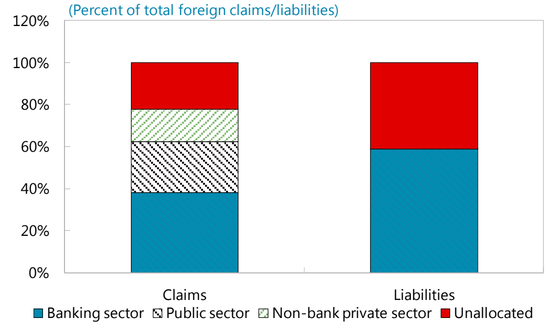
Sources: BIS



Most financial linkages of Nigerien banks are with foreign banks, while exposure to the foreign nonbank sector is limited. In 2011, about half of Nigerien banks' foreign claims were on banks in other countries, followed by the public sector (about 25 percent) and the non-bank private sector (10 percent). On the liability side, banks dominate with 60 percent of total foreign liabilities to other banks.

Niger: Banking sector claims on and liabilities to foreign sectors, 2011

(Percent of total foreign claims/liabilities)



Sources: Nigerien banks, IMF staff calculations

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[1]Staff conducted a survey to complement the BIS data with cross-border exposure to African banks. Seven out of the 10 Nigerien banks responded to the questionnaire. This sample covers about 65–70 percent of the banking sector depending on whether total deposits, assets or credit is used as a measure of size. Some banks also reported only the distribution of deposits as opposed to total liabilities and the distribution of loans as opposed to total assets. Thus the results should be interpreted with caution.

[2]The role of Togo is likely understated, because 20 percent of total foreign liabilities are reported as aggregate liabilities to WAEMU. This includes the liabilities of Ecobank which has its mother company in Togo.

with the projections in the IMF-supported program, the fiscal framework in the poverty reduction strategy assumes much larger budget deficits over the medium term, reflecting higher capital investment. The strategy does not include a discussion of the implications for debt sustainability of this scenario.

PROGRAM MODALITIES AND RISKS

28. The second review of the ECF will be based on the established PCs and the structural benchmarks for end-December 2012. The third and fourth reviews will be based on the PCs and structural benchmarks shown in MEFP (Tables 1 and 2).

29. Niger's capacity to repay the IMF remains adequate (Table 8), but there are risks to program implementation. The regional security situation and Niger's participation in the military operation in Mali, climatic shocks, and the evolution of the new refinery constitute major uncertainties. The potential budgetary implications of these risks will be addressed in the context of the second review under the program.

STAFF APPRAISAL

30. Economic activity in 2012 was strong. Growth accelerated through both the coming onstream of a new oil project, contributing to a strengthened external account and a rebound in agricultural production**.**

31. Fiscal performance during the first nine months of 2012 was affected by significant shortfalls in oil and customs revenue. Accordingly, staff welcomes the steps the authorities have taken to address the causes of the revenue shortfalls, including the adoption of an action plan to put the new oil refinery on a sound financial footing, and to reform customs administration. The authorities are urged to implement these plans on a timely and forceful basis. The delays in the execution of the investment budget remain a source of concern. Staff welcomes the continuing efforts to strengthen public financial management. Without measures to increase the government's capacity to select and execute projects, the realization of Niger's ambitious development strategy will remain elusive.

32. The delays in implementing structural reforms in 2012 underscore the need to enhance capacity in key ministries. In the view of staff, these delays are not a reflection of a lack of ownership in the government, but the need to strengthen program monitoring and build capacity at the technical level.

33. The government budget for 2013 is consistent with the objective of maintaining macroeconomic stability while advancing development objectives. Given the uncertainties related to the budgetary effects of Niger's support for the international military involvement in Mali, budget execution will need to be monitored carefully. Once greater clarity on the likely level of defense spending is attained, together with any financial assistance, a supplementary budget should be submitted later in the year. Staff stands ready to assist the authorities in the preparation of a revised budgetary framework, and expects to address the implications for program design in the context of the second review under the ECF.

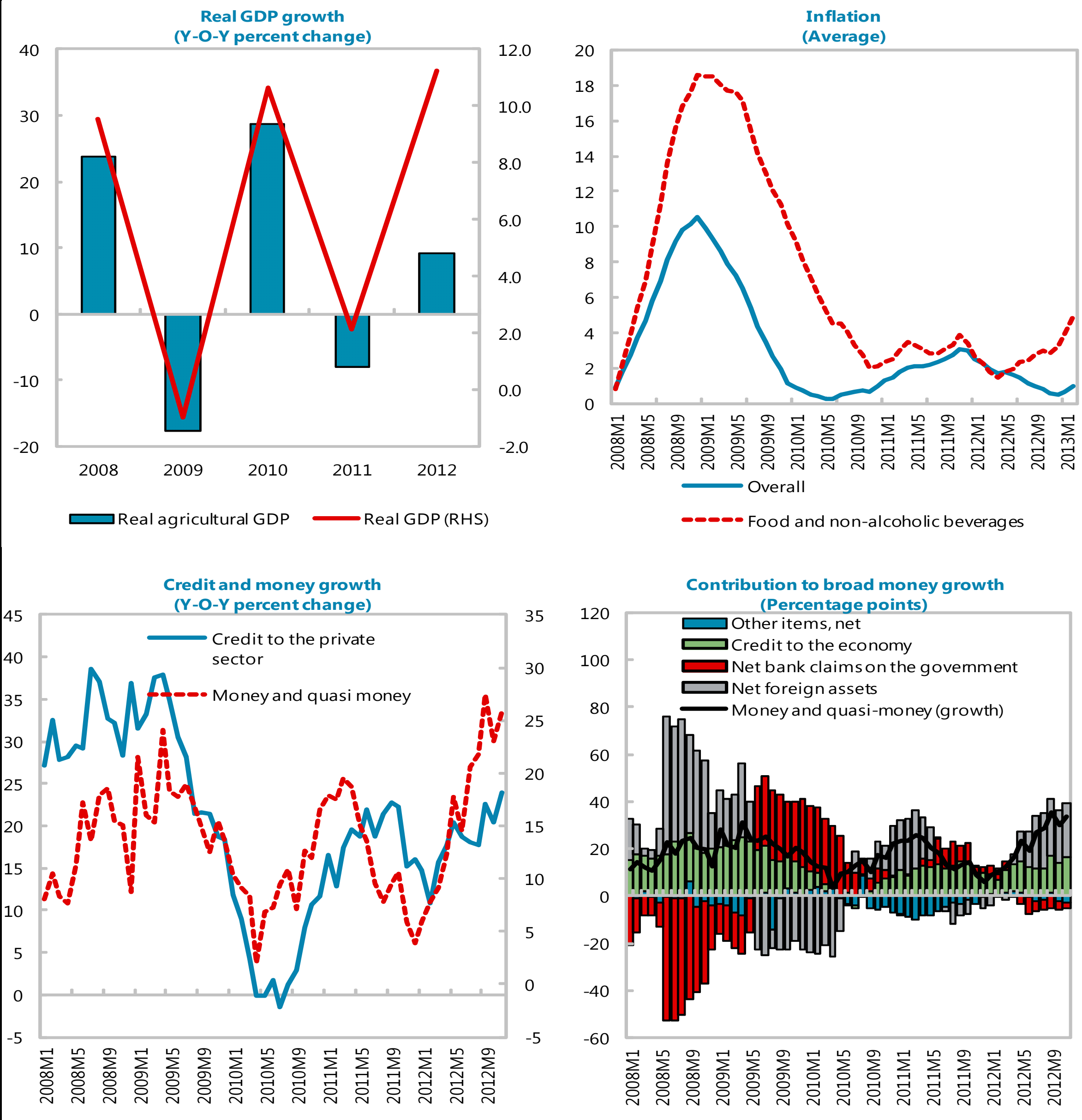
34. The expansion of development spending in 2013 will be financed primarily from higher domestic revenue and concessional project financing. Non-concessional loans should be considered only for the financing of well-assessed, high-yield commercial and infrastructure projects that will generate sufficient government revenue to cover debt service related to the projects. Given that Niger is facing moderate risk of debt distress, it will be important to prevent a deterioration of debt sustainability indicators.

35. The implementation of the financial sector development strategy needs to be further advanced to ensure that the ongoing financial deepening benefits all sectors of the economy. Current initiatives to improve the business climate are adequate steps to ensure that resource-led growth can translate into growth of other sectors and facilitate the diversification of the economy.

36. The government has set ambitious goals in its new poverty reduction strategy. The plan elaborates on the development strategy adopted by the government in 2011. Staff urges the authorities, however, to clarify the fiscal projections in the poverty reduction strategy. The costing of the strategy should be linked more clearly to the fiscal scenarios. Also, the poverty reduction strategy assumes much higher budget deficits than in the medium-term IMF-supported program, raising questions about debt sustainability and the consistency of government policies.

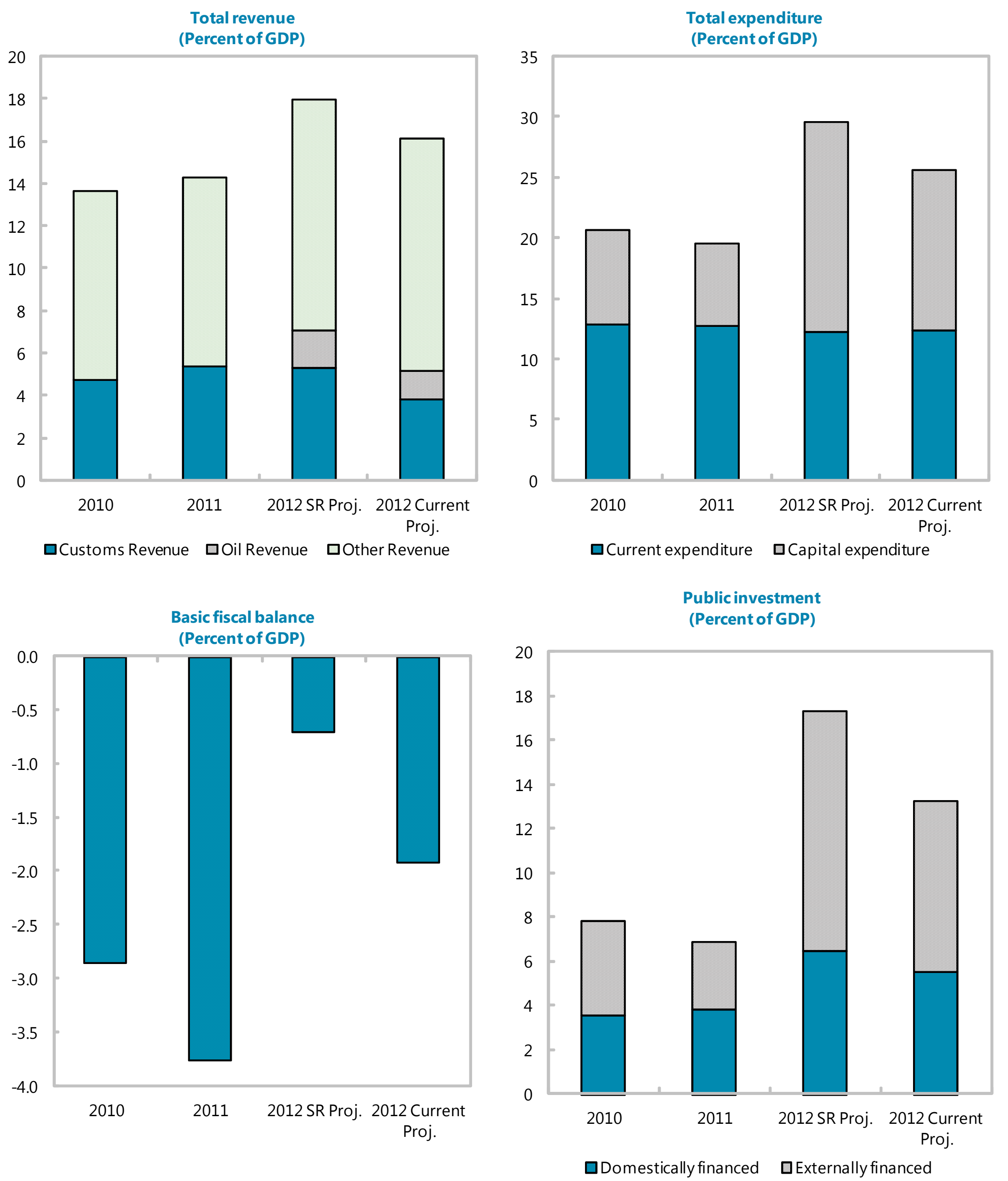
37. Given program achievements in 2012 and the corrective measures adopted by the authorities, staff supports the completion of the first review, the request for a waiver for the missed continuous PC on non-concessional borrowing, and the disbursement of the second tranche under the arrangement of SDR 11.28 million.

Figure 1. Niger: Recent Economic Developments, 2008–2012



Sources: BCEAO; Nigerien authorities; and IMF staff calculations.

Figure 2. Niger: Fiscal Developments, 2010–2012



Sources: Nigerien authorities; and IMF staff calculations.

Table 1. Niger: Selected Economic and Financial Indicators, 2010–17

	2010	2011	2012	2012	2013	2014	2015	2016	2017
		Prel.	Prog.	Projections					
	(Annual percentage change, unless otherwise indicated)								
National income and prices									
GDP at constant prices	10.7	2.2	13.4	11.2	6.2	6.4	6.0	5.9	6.8
Non-agricultural GDP at constant prices	4.5	6.4	15.8	12.0	5.9	6.2	5.3	5.1	6.3
Non-oil and mineral GDP	...	...	5.1	6.2	5.6	5.7	6.0	6.2	6.1
GDP deflator	1.5	3.6	4.5	0.8	1.6	1.7	1.3	1.6	1.7
Consumer price index									
Annual average	0.9	2.9	4.5	0.5	1.7	1.6	1.3	1.5	1.7
End of period	2.7	1.4	4.5	0.7	1.6	1.2	1.4	1.7	1.7
External sector									
Exports, f.o.b. (CFA francs)	21.1	5.4	39.1	31.1	8.2	11.3	4.8	7.5	15.1
Of which: non-uranium exports	19.2	-8.6	58.7	49.6	25.4	16.8	4.5	9.0	5.5
Imports, f.o.b (CFA francs)	14.8	8.1	17.0	4.2	7.2	7.4	3.8	3.7	-0.3
Export volume	14.9	-4.2	38.0	21.0	18.3	12.3	4.8	7.7	12.4
Import volume	1.9	6.3	28.0	3.0	9.3	5.0	1.1	1.0	-2.5
Terms of trade (deterioration -)	-10.3	10.5	22.2	7.0	-6.7	-3.1	-2.5	-2.8	0.0
Government finances									
Total revenue	6.1	11.2	41.3	24.8	15.4	11.8	8.7	9.6	11.0
Total expenditure and net lending	-4.2	8.3	57.3	36.1	72.5	-22.4	5.7	7.2	8.1
Of which: current expenditure	21.8	4.0	8.2	8.9	13.2	9.4	6.2	9.4	9.8
Of which: capital expenditure	-29.5	-5.4	182.7	116.2	30.0	10.2	5.7	5.8	6.6
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)								
Money and credit									
Domestic credit	8.4	11.7	14.2	8.8	7.5	7.8	8.2	4.9	6.8
Credit to the government (net)	0.8	2.1	-6.5	-5.3	0.5	1.0	-1.7	-1.2	-1.1
Credit to the economy	7.7	9.6	20.7	14.1	7.0	6.8	9.9	6.1	7.9
Net domestic assets	1.0	11.3	14.7	7.6	8.4	7.8	8.2	4.9	6.8
Broad money (percent)	22.0	6.2	19.5	28.1	11.3	9.6	9.0	8.6	10.0
Velocity of broad money (ratio)	4.9	4.9	4.6	4.3	4.2	4.1	4.0	4.0	4.0
	(Percent of GDP, unless otherwise indicated)								
Government finances									
Total revenue	13.6	14.3	18.0	16.0	17.1	17.6	17.9	18.2	18.6
Total expenditure and net lending	20.7	21.1	29.6	25.7	41.0	29.4	29.0	28.9	28.8
Current expenditure	13.0	12.7	12.3	12.4	13.0	13.1	13.0	13.2	13.3
Capital expenditure	7.7	6.9	17.3	13.3	16.0	16.3	16.0	15.8	15.5
Basic balance (excluding grants)[1,2]	-2.9	-3.8	-0.7	-1.9	-14.4	-2.1	-1.4	-1.2	-0.9
Overall balance (commitment basis, including grants) [2]	-2.4	-3.0	-3.6	-3.5	-16.3	-4.0	-3.5	-3.3	-3.3
Gross investment	45.4	45.7	41.4	39.3	37.7	37.5	35.8	32.8	26.6
Of which: non-government investment	37.7	38.8	31.0	26.0	21.7	21.2	19.8	17.0	11.1
government	7.7	6.9	10.4	13.3	16.0	16.3	16.0	15.8	15.5
Gross national savings	25.5	21.0	14.9	21.6	18.8	17.6	16.4	16.3	16.0
Of which: non-government	19.3	16.1	5.3	16.2	12.8	11.2	9.7	9.6	9.3
Domestic savings	18.4	17.2	13.2	18.8	17.6	17.2	16.6	16.1	15.8
External current account balance									
Excluding official grants	-25.4	-28.0	-30	-20.9	-22.2	-23.3	-22.7	-19.6	-13.4
External current account balance (including grants)	-19.9	-24.7	-26.5	-17.7	-18.9	-19.9	-19.5	-16.5	-10.6
Debt-service ratio as percent of:									
Exports of goods and services	2.4	3.1	3.0	3.2	4.0	3.6	3.5	3.1	3.4
Government revenue	3.9	4.7	4.4	5.1	6.0	5.3	5.1	4.4	4.9
	(Billions of CFA francs)								
GDP at current market prices	2,827	2,991	3,364	3,353	3,619	3,917	4,205	4,523	4,913
Non-oil non-uranium GDP	2,751	2,907	3,057	3,112	3,276	3,501	3,789	4,104	4,456

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

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

[2] In 2013, this includes a new project loan of 435bn CFAF (12 percent of GDP) to refinance the loan for the construction of the refinery Soraz. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery.

Table 2. Niger: Financial Operations of the Central Government, 2010-17

	2010	2011	2012	2012	2012	2013	2014	2015	2016	2017
		Prel.	Prog.	Jan-Sep.	Projections					
					(Billions of CFA francs)					
Total revenue	385.6	428.8	606.0	393.1	535.2	617.8	690.7	751.0	823.4	914.0
Tax revenue	361.8	399.9	539.8	364.2	491.9	550.3	619.2	685.6	758.8	846.8
Nontax revenue	19.8	19.4	62.1	24.5	37.4	62.1	65.8	59.3	57.9	60.4
Special Accounts revenue	4.0	9.5	4.1	4.4	5.9	5.3	5.7	6.1	6.6	6.8
Total expenditure and net lending	584.1	632.5	994.7	549.5	860.5	1484.6	1152.4	1218.6	1306.9	1412.9
Of which: domestically financed	466.4	541.0	629.7	442.3	599.6	1139.9	771.5	809.8	878.2	960.2
Total current expenditure	366.4	381.0	412.2	339.3	415.1	470.0	514.2	546.1	597.2	655.7
Budgetary expenditure	346.3	356.3	381.9	331.4	397.5	455.3	494.4	520.9	566.9	619.8
Wages and salaries	103.2	134.6	146.1	109.9	138.2	160.4	172.0	185.0	199.8	228.9
Materials and supplies	94.3	115.4	110.0	77.5	91.6	92.0	102.1	105.2	124.4	133.8
Other current expenditure	135.5	96.8	114.5	137.3	156.1	184.6	202.2	211.6	222.7	236.0
Interest	6.0	10.2	11.2	6.3	11.6	18.3	18.0	19.0	20.1	21.1
Of which: external debt	3.8	6.9	6.9	4.8	7.2	15.4	15.1	16.0	17.1	18.1
Adjustments and fiscal expenditure	7.3	-0.7	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[1]	20.1	24.6	30.4	7.8	17.6	14.7	19.8	25.3	30.3	36.0
Capital expenditure and net lending	217.7	251.5	582.4	210.3	445.5	1014.6	638.2	672.5	709.7	757.1
Capital expenditure	217.7	206.0	582.4	210.3	445.5	579.0	638.2	674.5	713.7	761.2
Domestically financed	100.0	114.5	217.4	103.0	184.5	234.3	257.3	265.7	285.0	308.5
Externally financed	117.7	91.5	365.0	107.3	260.9	344.7	380.9	408.7	428.7	452.6
Of which: grants	83.0	57.0	199.3	85.4	146.0	211.9	230.8	246.3	256.3	265.4
loans	34.7	34.5	165.8	21.9	114.9	132.8	150.1	162.5	172.5	187.3
Net lending [2]	0.0	45.5	0.0	0.0	0.0	435.6	0.0	-2.0	-4.0	-4.0
Overall balance (commitment)	-198.5	-203.7	-388.7	-156.5	-325.3	-866.9	-461.7	-467.6	-483.6	-498.9
Basic balance[3]	-80.8	-112.2	-23.7	-49.2	-64.4	-522.2	-80.8	-58.9	-54.8	-46.3
Change in payments arrears and float	-12.4	-1.9	-10.0	16.7	-10.0	-5.0	-5.0	-5.0	-5.0	-5.0
Overall balance (cash)	-210.9	-205.7	-398.7	-139.8	-335.3	-871.9	-466.7	-472.6	-488.6	-503.9
Financing	210.9	205.7	382.0	139.8	335.3	871.9	466.7	472.6	488.6	503.9
External financing	157.4	195.9	430.1	155.5	358.7	875.8	458.0	485.9	507.3	521.3
Grants	130.1	113.5	268.5	133.4	207.9	278.2	306.7	322.2	332.2	335.9
Of wich: Project financing	83.0	57.0	199.3	85.4	146.0	211.9	230.8	246.3	256.3	265.4
Loans	34.7	90.6	175.8	29.5	165.3	612.1	165.1	177.5	187.5	205.3
Of which: budget financing	0.0	10.6	10.0		50.3	43.8	15.0	15.0	15.0	18.0
Amortization	-11.2	-10.1	-16.7	-9.4	-17.0	-17.6	-16.9	-16.8	-15.3	-22.9
Debt relief (incl. debt under discussion)	3.7	1.9	2.6	2.1	2.6	3.0	3.0	3.0	3.0	3.0
Domestic financing	53.5	9.8	-48.2	-15.7	-23.4	-3.9	8.7	-13.3	-18.8	-17.3
Banking sector	24.8	23.7	-44.9	-8.3	-20.1	-0.6	8.7	-13.3	-18.8	-17.3
IMF	2.3	-2.3	-3.2	6.7	5.3	21.4	11.6	2.8	-3.1	0.0
Statutory advances	-4.2	2.2	-5.4	-1.8	-5.4	-7.1	-6.8	-6.9	-5.2	-7.0
Deposits with BCEAO	18.1	18.5	-36.3	-12.1	-20.0	-15.0	3.9	-9.1	-10.4	-10.4
Government securities net	8.6	5.3	0.0	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
Nonbanking sector	28.8	-13.8	-3.3	-7.5	-3.3	-3.3	0.0	0.0	0.0	0.0
Financing gap (+)	0.0	0.0	16.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Overall balance (commitment basis, including grants)		-90.2	-121.1	-83.1	-117.5	-588.7	-155.0	-145.4	-151.4	-163.1
Natural resources revenue	45.5	55.4	129.5	…	119.6	150.2	162.4	153.7	153.8	162.5
Of which: oil revenue	…	…	59.0	30.5	45.9	79.0	105.0	97.4	95.6	94.0
Of which: uranium revenue	45.5	55.4	70.4	…	81.2	71.2	57.4	56.3	58.3	68.5
Non-natural resources revenue	340.1	373.3	476.5	…	415.6	467.6	528.3	597.3	669.5	751.5

Sources: Nigerien authorities; and IMF staff estimates.

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

[2] In 2013, this includes a new project loan of 435bn CFAF (12 percent of GDP) to refinance the loan for the construction of the refinery Soraz. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery.

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

Table 3. Niger: Financial Operations of the Central Government, 2010–17

	2010	2011	2012	2012	2012	2013	2014	2015	2016	2017
		Prel.	Prog.	Jan-Sep. (*)	Projections					
	(Percent of GDP)									
Total revenue	13.6	14.3	18.0	11.7	16.0	17.1	17.6	17.9	18.2	18.6
Tax revenue	12.8	13.4	16.0	10.9	14.7	15.2	15.8	16.3	16.8	17.2
Nontax revenue	0.7	0.6	1.8	0.7	1.1	1.7	1.7	1.4	1.3	1.2
Special Accounts Revenue	0.1	0.3	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Total expenditure and net lending	20.7	21.1	29.6	16.4	25.7	41.0	29.4	29.0	28.9	28.8
Of which: domestically financed	16.5	18.1	18.7	13.2	17.9	31.5	19.7	19.3	19.4	19.5
Total current expenditure	13.0	12.7	12.3	10.1	12.4	13.0	13.1	13.0	13.2	13.3
Budgetary expenditure	12.2	11.9	11.4	9.9	11.9	12.6	12.6	12.4	12.5	12.6
Wages and salaries	3.7	4.5	4.3	3.3	4.1	4.4	4.4	4.4	4.4	4.7
Materials and supplies	3.3	3.9	3.3	2.3	2.7	2.5	2.6	2.5	2.8	2.7
Other current expenditure	4.8	3.2	3.4	4.1	4.7	5.1	5.2	5.0	4.9	4.8
Interest	0.2	0.3	0.3	0.2	0.3	0.5	0.5	0.5	0.4	0.4
Of which: external debt	0.1	0.2	0.2	0.1	0.2	0.4	0.4	0.4	0.4	0.4
Adjustments and fiscal expenditure	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[1]	0.7	0.8	0.9	0.2	0.5	0.4	0.5	0.6	0.7	0.7
Capital expenditure and net lending	7.7	8.4	17.3	6.3	13.3	28.0	16.3	16.0	15.7	15.4
Capital expenditure	7.7	6.9	17.3	6.3	13.3	16.0	16.3	16.0	15.8	15.5
Domestically financed	3.5	3.8	6.5	3.1	5.5	6.5	6.6	6.3	6.3	6.3
Externally financed	4.2	3.1	10.8	3.2	7.8	9.5	9.7	9.7	9.5	9.2
Of which: grants	2.9	1.9	5.9	2.5	4.4	5.9	5.9	5.9	5.7	5.4
loans	1.2	1.2	4.9	0.7	3.4	3.7	3.8	3.9	3.8	3.8
Net lending[2]	0.0	1.5	0.0	0.0	0.0	12.0	0.0	0.0	-0.1	-0.1
Overall balance (commitment)	-7.0	-6.8	-11.6	-4.7	-9.7	-24.0	-11.8	-11.1	-10.7	-10.2
Basic balance[3]	-2.9	-3.8	-0.7	-1.5	-1.9	-14.4	-2.1	-1.4	-1.2	-0.9
Change in payments arrears and float	-0.4	-0.1	-0.3	0.5	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1
Overall balance (cash)	-7.5	-6.9	-11.8	-4.2	-10.0	-24.1	-11.9	-11.2	-10.8	-10.3
Financing	7.5	6.9	11.4	4.2	10.0	24.1	11.9	11.2	10.8	10.3
External financing	5.6	6.5	12.8	4.6	10.7	24.2	11.7	11.6	11.2	10.6
Grants	4.6	3.8	8.0	4.0	6.2	7.7	7.8	7.7	7.3	6.8
Loans	1.2	3.0	5.2	0.9	4.9	16.9	4.2	4.2	4.1	4.2
Amortization	-0.4	-0.3	-0.5	-0.3	-0.5	-0.5	-0.4	-0.4	-0.3	-0.5
Debt relief (incl. debt under discussion)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Domestic financing	1.9	0.3	-1.4	-0.5	-0.7	-0.1	0.2	-0.3	-0.4	-0.4
Banking sector	0.9	0.8	-1.3	-0.2	-0.6	0.0	0.2	-0.3	-0.4	-0.4
IMF	0.1	-0.1	-0.1	0.2	0.2	0.6	0.3	0.1	-0.1	0.0
Statutory advances	-0.1	0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1
Deposits with BCEAO	0.6	0.6	-1.1	-0.4	-0.6	-0.4	0.1	-0.2	-0.2	-0.2
Government securities net	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonbanking sector	1.0	-0.5	-0.1	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0
Financing gap (+)	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Overall balance (commitment basis, including grants)		-3.0	-3.6	-2.5	-3.5	-16.3	-4.0	-3.5	-3.3	-3.3
Natural resources revenue	1.6	1.9	3.8	…	3.6	4.2	4.1	3.7	3.4	3.3
Of which: oil revenue	…	…	1.8	0.9	1.4	2.2	2.7	2.3	2.1	1.9
Of which: uranium revenue	1.6	1.9	2.1	…	2.4	2.0	1.5	1.3	1.3	1.4
Non-natural resources revenue	12.0	12.5	14.2	…	12.4	12.9	13.5	14.2	14.8	15.3

Sources: Nigerien authorities; and IMF staff estimates.

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

[2] In 2013, this includes a new project loan of 435bn CFAF (12 percent of GDP) to refinance the loan for the construction of the refinery Soraz. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery.

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

(*) In percent of the total year's GDP.

Table 4. Niger: Monetary Survey, 2010–2017

	2010	2011	2012	2012	2013	2014	2015	2016	2017
			Prog.	Projections					
	(Billions of CFA francs)								
Net foreign assets	292.9	263.5	293.1	388.7	411.4	426.8	434.0	472.6	509.1
BCEAO	292.6	265.2	296.8	363.8	390.2	415.7	423.8	463.2	500.4
Commercial banks	0.3	-1.7	-3.7	24.9	21.1	11.1	10.2	9.4	8.7
Net domestic assets	283.1	348.1	437.7	394.8	460.6	528.5	606.9	658.1	734.7
Domestic credit	351.2	418.8	505.8	472.5	531.3	599.1	677.6	728.7	805.3
Net bank claims on government	4.1	16.2	-23.5	-16.2	-12.1	-3.5	-19.5	-31.9	-44.1
BCEAO	35.9	50.6	2.7	36.7	30.7	42.1	31.0	16.4	2.2
Claims	91.5	91.4	86.2	91.2	105.6	110.4	109.8	104.9	101.4
Of which: statutory advances	27.0	25.9	23.3	20.5	13.4	6.6	0.0	0.0	0.0
Deposits	55.5	40.8	83.5	54.5	74.9	68.3	78.8	88.5	99.2
Commercial banks	-33.3	-36.2	-30.8	-54.7	-44.6	-47.4	-52.2	-50.1	-48.1
Other	1.4	1.8	4.5	1.8	1.8	1.8	1.8	1.8	1.8
Credit to the economy	347.2	402.6	529.3	488.7	543.4	602.6	697.0	760.7	849.5
Other items, net	-68.1	-70.7	-68.1	-77.7	-70.7	-70.7	-70.7	-70.7	-70.7
Money and quasi-money	576.0	611.6	730.8	783.5	871.9	955.3	1040.9	1130.7	1243.8
Currency outside banks	234.9	269.9	296.6	344.6	379.0	426.4	434.9	456.7	474.9
Deposits with banks	341.2	341.6	434.2	438.9	492.9	528.9	606.0	674.0	768.8
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)								
Net foreign assets	21.0	-5.1	4.8	20.5	2.9	1.8	0.8	3.7	3.2
BCEAO	14.5	-4.8	5.2	16.1	3.4	2.9	0.9	3.8	3.3
Commercial banks	6.5	-0.3	-0.3	4.3	-0.5	-1.1	-0.1	-0.1	-0.1
Net domestic assets	1.0	11.3	14.7	7.6	8.4	7.8	8.2	4.9	6.8
Domestic credit	8.4	11.7	14.2	8.8	7.5	7.8	8.2	4.9	6.8
Net bank claims on the government	0.8	2.1	-6.5	-5.3	0.5	1.0	-1.7	-1.2	-1.1
BCEAO	3.6	2.5	-7.8	-2.3	-0.8	1.3	-1.2	-1.4	-1.3
Of which: statutory advances	-0.9	-0.2	-0.4	-0.9	-0.9	-0.8	-0.7	0.0	0.0
Commercial banks	-2.7	-0.5	0.9	-3.0	1.3	-0.3	-0.5	0.2	0.2
Other	-0.1	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	7.7	9.6	20.7	14.1	7.0	6.8	9.9	6.1	7.9
Other items, net	-7.5	-0.4	0.4	-1.1	0.9	0.0	0.0	0.0	0.0
Broad money	22.0	6.2	19.5	28.1	11.3	9.6	9.0	8.6	10.0
Memorandum items:									
Velocity of broad money									
(Ratio)	4.9	4.9	4.6	4.3	4.2	4.1	4.0	4.0	4.0
Credit to the economy									
(Change, in percent)	11.7	16.0	31.5	21.4	11.2	10.9	15.7	9.1	11.7
(Percent of GDP)	12.3	13.5	15.7	14.6	15.0	15.4	16.6	16.8	17.3
(Percent of non-agricultural GDP)	15.5	16.5	21.3	17.7	18.2	18.6	20.1	20.4	21.0

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Balance of Payments, 2010–17

	2010	2011	2012	2013	2014	2015	2016	2017
		Prel.	Projections					
	(Billions of CFA francs; unless otherwise indicated)							
Current account balance	-561.5	-738.4	-592.1	-685.5	-780.2	-818.5	-744.6	-519.0
Balance on goods, services, and income	-783.5	-875.9	-744.7	-849.7	-962.2	-1008.3	-943.0	-722.5
Balance on goods	-402.8	-451.3	-309.2	-323.6	-314.5	-316.3	-290.0	-125.2
Exports, f.o.b	570.1	600.9	787.7	852.6	948.6	994.2	1068.8	1230.2
Uranium	242.3	301.3	339.5	290.4	291.7	307.7	320.2	440.7
Oil		0.0	101.8	177.4	254.2	243.1	234.1	224.2
Other products	327.9	299.6	346.5	384.8	402.7	443.4	514.5	565.2
Imports, f.o.b	972.9	1052.2	1096.9	1176.3	1263.1	1310.5	1358.9	1355.4
Food products	182.3	227.6	236.6	228.8	231.2	237.7	243.6	262.4
Petroleum products	133.3	140.2	15.7	15.1	15.2	15.1	15.1	15.2
Capital goods	289.5	343.6	424.0	426.4	476.3	494.3	513.7	483.1
Other products	367.8	340.7	420.5	505.9	540.4	563.4	586.5	594.7
Services and income (net)	-380.7	-424.7	-435.5	-526.1	-647.7	-692.0	-653.0	-597.3
Services (net)	-358.9	-401.2	-375.5	-402.9	-481.6	-490.1	-464.5	-403.1
Income (net)	-21.8	-23.4	-60.0	-123.2	-166.1	-201.9	-188.5	-194.2
Of which: interest on external public debt	-3.2	-6.9	-7.2	-15.4	-15.1	-16.0	-17.1	-18.1
Unrequited current transfers (net)	222.1	137.5	152.6	164.3	182.0	189.8	198.4	203.5
Private (net)	65.4	38.4	43.1	46.5	50.3	54.0	58.1	63.1
Public (net)	156.7	99.1	109.6	117.8	131.6	135.7	140.3	140.4
Of which: grants for budgetary assistance	47.2	56.5	61.9	66.3	75.9	75.9	75.9	70.5
Capital and financial account	664.5	710.0	688.1	708.9	802.6	823.6	781.1	553.2
Capital account	97.0	75.0	165.6	232.9	253.2	270.2	281.7	292.8
Private capital transfers	14.0	14.8	16.6	18.0	19.4	20.9	22.4	24.4
Project grants	83.0	57.0	146.0	211.9	230.8	246.3	256.3	265.4
Food Aid			27.4	8.0	5.0	5.0	5.0	5.0
Nonproduced, nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt cancellation	0.0	3.2	3.0	3.0	3.0	3.0	3.0	3.0
Financial account	567.6	635.0	522.5	476.0	549.5	553.5	499.3	260.4
Direct investment [1]	495.3	499.4	280.7	-153.9	363.4	351.7	280.7	30.9
Portfolio investment	9.6	8.2	4.5	4.9	5.3	5.6	6.1	6.6
Other investment	62.7	127.5	237.3	625.1	180.8	196.2	212.6	222.9
Public sector (net)	28.6	80.5	146.8	594.6	148.3	160.7	172.1	182.4
Disbursements	34.7	90.6	165.3	612.1	165.1	177.5	187.5	205.3
Loans for budgetary assistance	0.0	10.6	50.3	43.8	15.0	15.0	15.0	18.0
Project loans [1]	34.7	80.0	114.9	568.4	150.1	162.5	172.5	187.3
Amortization	11.2	10.1	18.5	17.6	16.9	16.8	15.3	22.9
Other (net)	34.1	47.0	90.5	30.5	32.5	35.5	40.5	40.5
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	103.1	-28.4	96.0	23.4	22.4	5.1	36.4	34.2
Financing	-103.1	28.4	-96.0	-23.4	-22.4	-5.1	-36.4	-34.2
Net foreign assets (BCEAO)	-106.8	26.5	-98.6	-26.4	-25.4	-8.1	-39.4	-37.2
Of which: net use of Fund resources	2.3	-2.3	5.3	21.4	11.6	2.8	-3.1	0.0
Rescheduling obtained	3.7	1.9	2.6	3.0	3.0	3.0	3.0	3.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Current account (in percent of GDP)	-19.9	-24.7	-17.7	-18.9	-19.9	-19.5	-16.5	-10.6
Current account (excluding grants; in percent of GDP)	-25.4	-28.0	-20.9	-22.2	-23.3	-22.7	-19.6	-13.4
Trade balance (in percent of GDP)	-14.2	-15.1	-9.2	-8.9	-8.0	-7.5	-6.4	-2.5
Overall balance (in percent of GDP)	3.6	-0.9	2.9	0.6	0.6	0.1	0.8	0.7
Net foreign assets (months of imports)	2.5	2.1	2.8	2.8	2.7	2.7	2.9	3.2
Gross international reserves, BCEAO (in CFAF billions)	6,770.8	7,293.5	6,895.2	6,945.2	7,045.2	...	...	...
In percent of next year's months of imports of goods and services	6.5	5.9	5.2	4.9	4.8	...	...	...
GDP (in CFAF billions)	2,827	2,991	3,353	3,619	3,917	4,205	4,523	4,913

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

[1] In 2013, this includes a new project loan of 435bn CFAF (12 percent of GDP) to refinance the loan for the construction of the refinery Soraz. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery.

Table 6. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2012-December 31, 2012

(Billions CFA Francs)

	End-March Indicative Targets			End-June Performance Criteria			End-September Indicative Targets			End-December Performance Criteria
	Prog.	Est.	Status	Prog.	Est.	Status	Prog.	Est.	Status	Prog.
A. Quantitative performance criteria and indicative targets										
(cumulative from December 31, 2011)										
Net Domestic Financing of the Government[1, 2]	-8.4	10.0	Not met	-8.4	-31.2		-35.6	-22.4		-45.0
Adjusted criteria				-23.4	-31.2	Met	-25.7	-22.4	Not met	
Reduction in domestic payment arrears of government obligations[3]	-1.9	-12.3	Met	-4.8	-18.4	Met	-7.2	16.7	Not met	-10.0
Memorandum item:										
External budgetary assistance [4]										
Budget support	0.0	0.0		0.0	30.9		60.5	50.6		79.2
B. Continuous quantitative performance criteria										
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0
New external debt contracted or guaranteed by the government with maturities of less than 1 year[5]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0
New nonconcessional external debt contracted or guaranteed by the government and public enterprises with maturities over 1 year [6]:	0.0	0.0	Met	0.0	0.0	Met	0.0	50	Not met	0.0
C. Indicative Targets										
(cumulative from December 31, 2011)										
Basic budget balance (commitment basis, excl. grants)[7]	5.0	-16.9	Not met	12.5	12.4	Not met	-14.8	-49.2	Not met	-23.6
Total revenue[8]	116.4	98.0	Not met	275.6	247.3	Not met	440.5	393	Not met	606.0
Spending on poverty reduction[9]	58.2	27.0	Not met	139.8	86.3	Not met	243.2	303	Met	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]External budgetary assistance (excluding net financing from the IMF).

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

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

[7]Minimum.

[8]Minimum.

[9]Minimum.

Table 7. Niger: Structural Benchmarks, 2012

Measures	Macroeconomic Rationale	Timing	Progress
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.	Improve budget and cash management	Quarterly	Met with delay.
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.	Improve budget and cash management	Quarterly	Not met. Committee has been put in place to enhance monitoring.
Complete an inventory of bank accounts held by government entities and agencies.	Improve cash management	30-June-2012	Met with delay.
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.	Increase tax revenue	30-June-2012	Met with delay. A comprehensive set of short- and medium-term anti-fraud measures was taken. The TIN has been granted in January 2013 (*new prior action*).
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.	Increase tax revenue	30-Sept-2012	Met. No need to review the Investment Code; for 3 of the 4 companies exemptions have expired and were not renewed; for the 4th one it will expire within 3 months.
Close irregular and dormant bank accounts.	Improve cash management	30-Sept-12	Not met. Will be done by end-March 2013.
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.	Improve budget and cash management	31-Dec-12	Completed at the central level; establishment of regional connections in progress.

Table 8: Niger: Indicators of Capacity to Repay the IMF, 2013–25

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
						Projections							
Fund obligations based on existing credit						(SDR millions)							
Principal	4.91	6.91	7.47	4.96	4.82	4.65	3.24	2.59	2.26	1.13	0.00	0.00	0.00
Charges and interest	0.01	0.01	0.08	0.06	0.05	0.04	0.03	0.02	0.01	0.01	0.01	0.01	0.01
Fund obligations based on existing and prospective credit													
Principal	4.91	6.91	7.47	4.96	4.82	6.91	11.14	14.99	15.79	14.66	11.28	5.64	1.13
Charges and interest	0.01	0.01	0.24	0.23	0.22	0.20	0.18	0.15	0.11	0.07	0.04	0.02	0.01
Total obligations based on existing and prospective credit													
SDR millions	4.92	6.92	7.71	5.19	5.04	7.11	11.32	15.14	15.90	14.73	11.32	5.66	1.14
CFAF billions	3.7	5.3	5.9	4.0	3.9	5.5	8.7	11.7	12.3	11.4	8.7	4.4	0.9
Percent of exports of goods and services	0.4	0.5	0.5	0.3	0.3	0.4	0.5	0.6	0.6	0.5	0.3	0.1	0.0
Percent of debt service[1]	0.4	6.3	7.0	2.5	1.3	1.8	2.9	3.8	3.9	3.5	2.3	1.1	0.2
Percent of GDP	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.0
Percent of tax revenue	0.7	0.9	0.9	0.5	0.5	0.6	0.8	1.0	1.0	0.8	0.6	0.3	0.0
Percent of quota	7.5	10.5	11.7	7.9	7.7	10.8	17.2	23.0	24.2	22.4	17.2	8.6	1.7
Outstanding IMF credit based on existing and prospective drawings													
SDR millions	71.9	87.5	91.3	86.4	81.6	74.6	63.5	48.5	32.7	18.1	6.8	1.1	0.0
CFAF billions	54.6	66.8	70.0	66.6	62.9	57.5	48.9	37.4	25.2	13.9	5.2	0.9	0.0
Percent of exports of goods and services	5.9	6.5	6.5	5.7	4.7	3.7	2.8	1.9	1.2	0.6	0.2	0.0	0.0
Percent of debt service[1]	5.7	80.1	83.2	41.9	21.6	18.7	16.0	12.2	8.1	4.2	1.4	0.2	0.0
Percent of GDP	1.5	1.7	1.7	1.5	1.3	1.1	0.8	0.6	0.4	0.2	0.1	0.0	0.0
Percent of tax revenue	9.9	10.8	10.2	8.8	7.4	6.2	4.7	3.3	2.0	1.0	0.3	0.1	0.0
Percent of quota	109.2	133.0	138.8	131.2	123.9	113.4	96.5	73.7	49.7	27.4	10.3	1.7	0.0
Net use of IMF credit (SDR millions)	28.7	15.2	3.6	-5.0	-4.8	-6.9	-11.1	-15.0	-15.8	-14.7	-11.3	-5.6	-1.1
Disbursements	33.6	22.1	11.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	4.9	6.9	7.5	5.0	4.8	6.9	11.1	15.0	15.8	14.7	11.3	5.6	1.1
Memorandum items:													
Exports of goods and services (CFAF billions)	929.8	1032.4	1083.9	1165.3	1335.7	1559.1	1739.3	1929.7	2125.9	2510.5	2747.4	3034.5	3352.6
External Debt service (CFAF billions)[1]	964.2	83.4	84.2	159.0	291.1	308.5	306.1	307.4	312.3	327.9	380.2	389.2	407.4
Nominal GDP (CFAF billions)	3,619	3,917	4,205	4,523	4,913	5,329	5,784	6,257	6,776	7,354	7,966	8,632	9,358
Tax revenue (CFAF billions)	550.3	619.2	685.6	758.8	846.8	934.5	1033.4	1123.6	1256.0	1396.8	1529.2	1702.5	1895.1
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

Source: IMF staff estimates and projections.

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

Table 9. 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.

APPENDIX—LETTER OF INTENT

February 28, 2013

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington DC, 20431

Madame Managing Director,

1. **Despite a challenging environment, the government of Niger made progress in implementing its program supported by the Extended Credit Facility arrangement (ECF). Economic developments were positive with a good harvest, the start of oil production, and substantial investments in uranium extraction**. However, the country faced a serious food crisis in the first part of the year due to the poor 2011 harvest, followed by devastating floods in 2012 and the effects of the deteriorating regional security situation.

2. **Program implementation was mixed**. Delays in customs administration reforms and lower oil exports than projected are expected to result in a revenue shortfall of roughly 2 percent of GDP in 2012. However, the performance criteria at end-June relating to domestic financing and the reduction of domestic arrears were met. Pro-poor spending was also impacted by delays in budget execution. The implementation of the structural reform agenda also met with delays, and the quantitative performance criterion relating to non-concessional financing was not met in light of a non-concessional budgetary loan of CFAF 50 billion contracted from the Republic of Congo but not disbursed.

3. **The government of Niger has taken firm corrective action to ensure that the program remains on track.** In particular, we began implementation of an action plan to increase customs revenue collection by resolving the key problems identified; we substantially expedited the implementation of the structural reform program, and we forwent the bilateral loan contemplated with the Republic of Congo.

4. **The main components of the program for 2013 are described in the attached Memorandum of Economic and Financial Policies (MEFP).** The authorities believe that the measures and policies set forth in the MEFP will serve to achieve the established objectives of their program. We stand ready to take any additional measures that may prove necessary. We will consult with the IMF on the adoption of such measures and before making changes to the policies set out in the MEFP, in accordance with the Fund's policies on consultations. We will provide timely

information needed to monitor the economic situation and implementation of policies relevant to the program, as agreed under the accompanying Technical Memorandum of Understanding, or at the Fund's request.

5. In light of the progress achieved, the measures envisioned, and its resolve to implement the program, the Nigerien government requests (i) the completion of the first review, (ii) a waiver of nonobservance of the criterion relating to non-concessional borrowing, and (iii) the disbursement of the second tranche of SDR 11.28 million under the arrangement. The prior actions, performance criteria, and structural benchmarks for 2013 are included in Tables 1 and 2 of the MEFP.

6. In keeping with our longstanding commitment to transparency, we agree to the publication of the staff report, this letter of intent, and the MEFP and TMU on the IMF website.

Sincerely yours,

/s/

Gilles Baillet
Minister of Finance

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

ATTACHMENT I—MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES OF THE GOVERNMENT OF NIGER

INTRODUCTION

1. **This memorandum of economic and financial policies (MEFP) supplements and updates the MEFP signed by the authorities on February 28, 2012.** It describes recent economic developments, program implementation, the macroeconomic outlook, and the policies to be conducted in 2013. The program supported by the Extended Credit Facility arrangement (ECF) remains focused on the same core elements: maintaining macroeconomic stability, increasing resilience to shocks, redoubling tax collection efforts, improving budget execution, enhancing transparency in the mining and petroleum sectors, improving debt management, and increasing support for development of the private and financial sectors. These objectives are consistent with the recently adopted 2012–2015 Economic and Social Development Plan (PDES) and based on the progress achieved under the 2008–2012 Accelerated Growth and Poverty Reduction Strategy, the Program of the President of the Republic, and the Statement of General Government Policy.

RECENT DEVELOPMENTS AND OUTLOOK

2. **Economic trends were positive as a whole in 2012**. According to projections, the economy is expected to grow by about 11¼ percent, buoyed by the start of oil production and a good harvest. Although the food shortages following the 2011 drought drove up food prices, headline inflation remained low in 2012. Our food support programs continued to contain food prices, and their impact on inflation remained limited.

3. **Fiscal policy has remained broadly on track.** During the first six months of the year, the overall fiscal balance (commitment basis, including grants) reached a surplus equivalent to ½ percent of annual GDP, against a deficit of 1½ percent of annual GDP projected under the program. Revenue, however, was 1 percent of annual GDP below target, mainly reflecting lower-than-projected oil revenue and weak customs revenue due to delays in customs administration reforms. The lower revenue was more than offset by reduced expenditures on projects. Fiscal performance deteriorated during the third quarter, reflecting, inter alia, higher outlays for education and the military. We have taken measures to limit spending in the fourth quarter of the year.

4. The balance of payments position in 2012 was marked by a significant improvement in the current account balance, associated with rising natural resource exports. As a result, net foreign assets are expected to increase by roughly CFAF 99 billion.

5. Growth of broad money accelerated to 33½ percent in November 2012 (12-month basis) and credit growth stood at 24 percent in November 2012, driven by high credit demand from firms in the petroleum and trade sectors. The velocity of circulation has been on a downward trend in recent years, reflecting the deepening of the financial sector.

6. The short- and medium-term macroeconomic outlook is positive, albeit subject to various risks. Economic growth in 2013 will be supported by the continued expansion of the natural resource sector. The fruits of investment activities are expected to contribute to real GDP growth of around 6¼ percent in 2013. With lower food prices following the arrival of new harvests on the market, inflation is expected to remain low in 2013. The fragile security situation in the region and Niger's vulnerability to natural disasters, as demonstrated by the recent floods, represent risks for the macroeconomic outlook.

A. Program Performance in 2012

7. Implementation of the program was mixed. Delays in customs administration reforms and low oil exports relative to projections are expected to produce a revenue shortfall of about 2 percent of GDP in 2012. However, delays in executing the investment budget enabled us to meet the end-June performance criteria relating to domestic financing and the reduction of domestic arrears. Poverty-reducing expenditures was also affected by delays in budget execution and the priority given to security expenditure. The implementation of the structural reform program also met with delays, and the quantitative performance criterion relating to non-concessional financing was not observed because of the contracting of a CFAF 50 billion non-concessional budget loan with the Republic of Congo, although it was not disbursed.

8. Measures were taken to speed the implementation of the structural reform program. Following certain delays, we prepared quarterly budget execution reports for the first three quarters of the year; work is under way to limit expenditure committed without payment order (DENO) to a maximum of 5 percent of spending commitments; and a set of short- and medium-term anti-fraud measures, described in Paragraph 19 below, are expected to improve performance at the customs administration. Known importers are issued tax identification numbers in 2013 (prior action). A timetable was established for the closing of irregular and inactive bank accounts, which will take place by end-March 2013. We also had agreed to revise the Investment Code to eliminate the possibility of established telecommunications companies being granted exemptions when they introduce new technologies (benchmark for 30 September). However, there is no need to revise the Investment Code to achieve this aim; the current exemptions are due to expire in 2012–13 and will not be renewed.

9. **Regarding the non-concessional budget loan from the Republic of Congo** in the amount of CFAF 50 billion (1.5 percent of GDP), we devoted significant efforts to renegotiating the financial terms of the loan to satisfy the program concessionality requirements. In light of delays in concluding the negotiations, the government decided to forgo the loan contemplated with the Republic of Congo.

ECONOMIC OBJECTIVES AND POLICIES FOR 2013

A. Fiscal Policy and External Financing

10. **The 2013 budget proposal was recently adopted by the National Assembly.** The overall balance (excluding refinancing of the SORAZ[1] refinery) is expected to represent roughly 4 percent of GDP, a slightly lower percentage than the original program, with cash reserves on the order of CFAF 15 billion (roughly one week of domestically financed government expenditures) accumulated at the central bank to increase Niger's resilience to shocks.

11. **With lower revenue than anticipated in 2012, budgeted revenue for 2013 is expected to total about 17.1 percent of GDP** rather than the 19 percent projected under the initial program. Customs duties are expected to increase by 19 percent with the adoption of the new action plan to strengthen customs administration capacities. The petroleum sector is expected to produce at 80 percent of capacity, or 16,000 barrels a day, resulting in projected government revenue of CFAF 61 billion.

12. **The 2013 budget continues to be driven by the government's goal of devoting substantial resources to capital investment.** At 16.3 percent of GDP, more than half of total spending in 2013 will be allocated to investment projects—of which 6.8 percent of GDP will be domestically financed. These projects are expected to pave the way for the medium-term growth essential to poverty reduction.

[1] We expect to sign a new project loan equivalent to CFAF 435 billion in 2013 to refinance the existing loan for construction of the refinery. The existing loan was contracted by the refinery with a partial guarantee provided directly by the government. The government will onlend the loan to the refinery.

13. We expect to mobilize roughly CFAF 110 billion in external budget financing in the form of grants and concessional loans, of which CFAF 26 billion will be from the World Bank, CFAF 37 billion from the European Union, and CFAF 47 billion from other multilateral and bilateral donors. We have identified about CFAF 345 billion in project financing.

Public Financial Management

14. In December 2011, the government began implementing its program of medium-term public financial management reforms for the period 2012–2014. In this context, a new framework law governing budget laws was adopted that provides enhanced transparency and disclosure requirements. In accordance with the new framework law, the government published the 2013 budget documents on the website of the National Statistics Institute (INS). The current procurement code served to increase transparency and oversight of contract awards, consistent with WAEMU directives. The 2013 budget was based on the three-year global medium-term expenditure framework (MTEF).

15. In the interest of improved budget execution, we prepared comprehensive quarterly budget reports and submitted them to the IMF. It was initially difficult to present the reports on a commitment category, payment order, and payment basis, and production of the reports was delayed. Once finalized, however, the reports served to improve transparency and expenditure monitoring. In accordance with the new framework law, budget execution reports will be published and submitted to the National Assembly. An initial simplified report is currently available to the public on the INS website. In 2013, we will continue to prepare quarterly budget execution reports on a commitment, payment order, and payment basis (quarterly structural benchmark) and submit them to the IMF within six weeks after the end of the quarter.

16. We are determined to redouble efforts to limit expenditure executed through exceptional procedures to 5 percent of total spending commitments (structural benchmark for each quarter). We established a committee, which includes the Directorate General of the Budget, the Directorate General of the Treasury and Public Accounting, and the Directorate General of Financial Control, to improve the monitoring of expenditure executed under exceptional procedures. Moreover, the Prime Minister sent all the ministers a letter reminding them of the need to adhere to standard procedures and avoid the use of exceptional procedures, which should be used only for expenditure associated with medical evacuations, mission expenditure, external debt, and urgent, essential expenditure, as provided by Article 61 of the General Public Accounting Regulations.

17. We made tangible progress in implementing a Treasury single account (TSA). An inventory of the 1,954 bank accounts held by public entities (structural benchmark for end-June 2012) indicates a total balance of roughly CFAF 55 billion (1.5 percent of GDP). To implement the TSA, we plan to close (i) all the commercial bank accounts of administrative public entities that have already established accounts at the Treasury; and (ii) all the accounts of ministries and central government institutions, the balances of which will be transferred to the TSA at the BCEAO. Based on the proposed program, consultation is under way with the units owning 397 accounts already identified for closing.

18. We are committed to increasing the pace of budget execution. Budget execution reports indicate that expenditure execution, particularly for the investment budget, is slowed by delays in releasing appropriations. In 2013, we will expedite budget execution by releasing quarterly appropriations no more than four weeks after January 1 for the first quarter and within two weeks after the start of the other quarters.

19. We will continue our efforts to improve cash flow management. In particular, we intend to develop quarterly cash and commitment plans that take account of spending ministries' plans for contract awards; the cash plans and commitment plans will be aligned with one another and updated monthly (structural benchmarks for each quarter except first quarter).

B. Tax and Customs Administration

20. We prepared a comprehensive action plan to correct problems at the customs administration. The main causes of the problems include weaknesses in ex post inspections, the irregular use of exemptions, and other administrative and technical irregularities. The action plan includes measures to monitor exempt transactions, ensure that documents cannot be falsified, strengthen the units responsible for ex post inspections, and in general intensify anticorruption efforts and strengthen the operational capacities of the customs administration. As of January 1, 2013, all known importers are assigned a tax identification number to reduce fraud and increase tax revenue (report on implementation of this measure to be submitted as a prior action). Additional measures that will support the achievement of customs revenue objectives for 2013 include: (i) the implementation of scanners; (ii) the establishment of customs offices at mining and petroleum production sites (the refinery SORAZ, the Agadem oil field, and the Azelik and Imouraren uranium mines); and (iii) the automation of customs procedures (warehouse and exemption management).

C. Tax Policy

21. The 2013 budget law includes certain tax-related changes. In particular, certain exceptions will be introduced to the highest rate of 2 percent for the minimum flat tax introduced in January 2012; the compensations paid to workers laid off for economic reasons, and voluntary departures proposed by employers will be exempt from the unified tax on wages and salaries (IUTS). The domestic fuel tax (TIPP) will be reduced from 15 percent to 12 percent in response to citizen demands.

D. Debt-Related Issues

22. We remain committed to strengthening public debt management to ensure that the financing of our investment plans does not compromise long-term debt sustainability. Staff of the Directorate of Debt of the Ministry of Finance received training, including from AFRITAC West. We will continue to submit semiannual reports to the IMF staff on existing debt, new debt contracted, and new loans under negotiation. We recently enhanced the status and role of the National Public Debt Management Committee (CNGDP) within the administration. We will submit any new loan or government guarantee, including financing in the natural resource sector, for its review. Also, the CNGDP produced its first report on debt sustainability in October 2012 without assistance from external experts.

23. Progress is under way to consolidate the Ministry of Finance debt management authority. Responsibility for the management of domestic and external debt and arrears is currently divided between the Directorate of Debt and the Autonomous Center for Repayment of Domestic Public Debt (CAADIE). A proposed order to dissolve the CAADIE is pending adoption by the government. Meanwhile, we are determined to resolve the problem of arrears and the debt owed by public enterprises. We intend to prepare an inventory of arrears associated with public enterprises and develop a plan to clear them before the end of first quarter 2013, while also ensuring that no new arrears are accumulated.

24. We intend to continue conducting a prudent debt policy. We will continue to limit government guarantees and carefully assess the impact of any new borrowing on debt sustainability. Non-concessional borrowing will continue to be limited to high-yield, properly evaluated commercial and infrastructure projects that will generate sufficient revenue for the government to cover the associated debt service. We will advise the IMF staff at the start of negotiation of any proposed non-concessional loan and provide the relevant feasibility and profitability evaluations.

25. We negotiated a loan in the amount of US$880 million (13 percent of GDP) with the Exim Bank of China to replace the current oil refinery (SORAZ) financing. Our aim is to ensure that the loan terms are concessional and that the government's financial guarantees for the refinery are limited to 40 percent.

E. Reforms in Natural Resource Management

26. In November 2011, the Zinder refinery started operations, and Niger became an oil-producing country. During the first year in operation, production from the refinery was below forecasts, at roughly 66 percent of its 20,000-barrels-per-day capacity. Exports of refined products were limited due to the lack of clients during the initial months of the year and other technical and administrative difficulties. As a result, the refinery could accumulate a substantial financial deficit in 2012.

27. We are aware of the critical importance of measures to ensure the refinery's short- and medium-term profitability. A technical committee was established with responsibility for the refinery's performance. In addition, two audits (upstream and downstream processes) are under way. The provisional results of the audit of upstream costs are already available, and the final report is scheduled to be submitted in mid-February 2013. For the refinery audit, an international firm was selected on December 19, 2012 and is now conducting its work. In addition, the committee completed a revaluation of SORAZ expenses, certain of which were determined to be unjustified and were disallowed. Simulations conducted on that basis indicate the possibility of significantly reduced production costs. Accordingly, the action plan proposed by the committee overseeing the refinery's performance will be enhanced by the results of the audit in progress and additional measures, including (i) refinancing of the SORAZ loan, (ii) harmonizing the terms of supplier credits between SORAZ and the national petroleum distribution company SONIDEP, (iii) clearing the SONIDEP arrears vis-à-vis SORAZ, for which the final payment will be made on February 19, 2013, and (iv) the implementing effectively a customs bureau to verify SORAZ inputs and outputs.

28. While awaiting completion of the refinery audit, it will be important to ensure that petroleum sector revenue collection remains compatible with the 2013 budget and to prevent further losses at the refinery. To achieve these aims, the selling price of crude oil and the ex-refinery prices of petroleum products destined for the local market will be set to allow the refinery to at least balance its own accounts during the first half of 2013.

29. Prospecting is under way to identify a sufficient level of reserves for a crude export project. Negotiations are currently ongoing with Chad and Cameroon to use the pipeline running through the two countries.

30. The government will continue to expand government oversight of the natural resource sector. This will facilitate the flow of information and adequate coordination between government representatives at each natural resource development enterprise. In addition, the state-owned mining company SOPAMIN recently dispatched engineers to mining companies to supervise the sector.

31. Reflection on SOPAMIN's strategic focus is continuing, and a report will be produced to that effect. We will ensure that the full amount of all dividends is remitted to the Treasury. SOPAMIN will retain its role as the government's portfolio manager for mining projects.

32. The government is determined to continue ensuring transparency in the extractive industries. Niger remains a member of the Extractive Industries Transparency Initiative (EITI), and petroleum receipts for 2012 and thereafter will be included in the EITI reporting process. We plan to enhance the transparency of refinery operations and exports through the publication of monthly statistics for the petroleum sector.

F. Financial Sector

33. We remain intent on improving financial intermediation. Financial sector development has progressed well; but because it started from a low baseline, access to credit remains limited to certain key sectors. The financial sector development strategy, prepared with assistance from the World Bank and other donors, provides the key framework for reforms in this area. We intend to adopt the relevant orders to implement the financial sector reform program without delay. We are convinced that the implementation of the reform program will ensure that financial deepening benefits all sectors.

34. Prudential indicators for the sector showed mixed progress. The transition to the new minimum capital standard was completed, with all but one bank—which is currently being restructured—meeting the requirement. However, not all prudential ratios have been met; for example, several banks' liquidity ratios are below the current minimum. Two banks are currently being restructured: one bank and one financial institution in liquidation. We will continue to monitor closely the banking sector, take the measures needed to ensure the sector's viability, and strengthen supervision in cooperation with the BCEAO.

35. The government recently acquired a 43.2 percent interest in Niger's Banque Internationale pour l'Afrique (BIA) from Coris Bank of Burkina Faso, and made a commitment to the Banking Commission to sell all the shares acquired to substantial shareholders within a maximum of one year.

G. Business Climate

36. We remain committed to improving the business climate to allow the private sector to fulfill its key role of ensuring sustained, job-creating growth and medium-term diversification. A special ministry was created with responsibility for private sector promotion. In the context of the action plan prepared to that end, the government issued an order instituting a charter for small and medium-size enterprises (order 2010-88 of December 16, 2010). We also began implementation of the following measures: (i) the simplification of procedures for starting a business; (ii) revision of the activities of the National Private Investors Board (CNIP), which provides opinions to the authorities on approaches to private sector promotion; (iii) the institution of ongoing dialogue and a framework for cooperation between the private sector (represented by the Chamber of Commerce) and the ministry; (iv) the establishment of a new entity (the Maison de l'Entreprise) to support the business formality center (CFE) and the investment promotion center (CPI); (v) the implementation of an institutional structure to improve business climate indicators; (vi) the launch of a program to integrate trade in development strategies (Integrated Framework), together with the implementation of a management unit; (vii) the adoption of a law on public-private partnerships and the implementation of a technical coordination unit; and (viii) consultation on access to financing for enterprises. Also, regarding the activities of the Multisector Regulatory Authority and efforts to contain the rising cost of living, we plan to revise order 92-02 of July 7, 1992, the pricing and competition regulations, notably by drafting a law on competition and the protection of consumer rights. Also planned for the beginning of 2013 is the development of a commercial policy based on the strategic objectives of the 2012–2015 Economic and Social Development Plan, national sector strategies, and the WAEMU Common Commercial Policy.

37. Niger joined the Multilateral Investment Guarantee Agency (MIGA), the political risk insurance arm of the World Bank Group. Foreign direct investment in the country is now eligible for the agency's political risk insurance. MIGA guarantees are expected to help attract private sector investors and lenders and assist investors in obtaining access to sources of financing under more favorable financial terms.

PROGRAM MONITORING

38. Program monitoring will be based on performance criteria (Table 1) and structural benchmarks and prior actions (Table 2). The authorities will provide IMF staff with the statistical data and information identified in the attached Technical Memorandum of Understanding, and any other information they deem necessary or that IMF staff may request for monitoring purposes.

During the program period, the government will refrain from introducing or tightening restrictions on payments and transfers pertaining to current international transactions without prior approval from the IMF; introducing or modifying any multiple exchange rate practices; concluding bilateral agreements not in compliance with Article VIII of the IMF Articles of Agreement; and introducing or tightening import restrictions for balance of payments purposes.

39. The 2013 program will be monitored through semiannual reviews. The second, third, and fourth program reviews are expected to take place in May and November 2013, and May 2014, respectively.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2013–December 31, 2013

(Billions of CFA francs)

	End-March Indicative Targets	End-June Performance Criteria	End-September Indicative Targets	End-December Performance Criteria
	Prog.			
A. Quantitative performance criteria and indicative targets				
(cumulative from December 31, 2012)				
Net Domestic Financing of the Government[1, 2]	0.0	-19.0	-24.7	-25.4
Reduction in domestic payment arrears of government obligations[3]	-1.3	-2.5	-3.8	-5.0
Memorandum item:				
External budgetary assistance[4]	9.9	66.2	86.9	110.1
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[5]	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed by the government and public enterprises with maturities over 1 year[6]:	0.0	0.0	0.0	0.0
C. Indicative Targets				
(cumulative from December 31, 2012)				
Basic budget balance (commitment basis, excl. grants)[7]	-12.1	-44.5	-54.7	-522.1
Total revenue[8]	125.7	280.5	439.7	617.8
Spending on poverty reduction[9]	72.0	170.3	259.2	366.7

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 2013.

[3] Minimum.

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

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

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

[7] Minimum. The indicative target assumes that a new project loan of 435bn CFAF (to refinance the loan for the construction of the refinery Soraz) will be disbursed in the fourth quarter.

[8] Minimum.

[9] Minimum.

Table 2. Niger: Prior Actions and Structural Benchmarks, 2013

Measure	Timetable	Macroeconomic Rationale	Progress
Adoption by the Council of Ministers of an action plan discussed with IMF staff to provide a sound financial footing for the refinery, including a decision to set ex-refinery prices of petroleum products and crude oil input prices at levels that ensure the profitability of the refinery and the petroleum sector.	Prior action	Increase revenues from petroleum production; reduce risks for the government budget	Met
Adopt a decision to issue a tax identification number to all known commercial importers in order to reduce fraud and increase tax revenue (submission of a report on implementation of this measure).	Prior action	Increase tax revenue	Met
Prepare comprehensive quarterly budget reports on a commitment, payment order, and payment basis, to be submitted to IMF staff within six weeks.	Quarterly	Improve budget and cash flow management	
Limit unauthorized expenditures to a maximum of 5 percent of spending commitments, with the exception of debt service payments and budget expenditure associated with exemptions.	Quarterly	Improve budget and cash flow management	
Establish a Treasury single account.	End-December 2013	Improve cash flow management	
Quarterly budget allocations will be released no later than four weeks after January 1, 2013 for the first quarter and within two weeks after the start of other quarters.	Quarterly	Improve budget execution	
Prepare quarterly cash management and commitment plans that take account of spending ministries' plans for contract awards; the plans will be aligned with one another and updated monthly.	Quarterly (Q2-Q4)	Improve cash flow management	

ATTACHMENT II—TECHNICAL MEMORANDUM OF UNDERSTANDING

Niamey, February 28, 2013

1. **This technical memorandum of understanding defines the performance criteria and indicative targets of Niger's program under the Extended Credit Facility arrangement (ECF) for the period 2012–Q1 2015.** The performance criteria and indicative targets for end-June and end-December 2013 are set out in Table 1 of the attached Memorandum of Economic and Financial Policies (MEFP) dated February 28, 2013. This technical memorandum of understanding also sets out data-reporting requirements for program monitoring.

DEFINITIONS

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

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

b) As specified in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009, **debt** will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being are as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until 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).

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 2013 quarterly targets are based on the change between the end-December 2012 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 2013, 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-2012 and the stock of arrears on the reference date.

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

Reporting requirement

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

C. External Payments Arrears

Definition

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

Reporting requirement

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

D. External Non-concessional 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).

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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.

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

19. For the purposes of the relevant 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.

QUANTITATIVE TARGETS

F. Definitions

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

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

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

G. Reporting Requirement

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.

ADDITIONAL INFORMATION FOR PROGRAM MONITORING

H. 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.

I. 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).

J. 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.

K. 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.

L. 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	Quarterly	End-quarter + 6 weeks

Type of Data	Tables	Frequency	Reporting Requirement
	expenditure.		
	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

FIRST REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS

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Prepared by the staffs of the International Monetary Fund and the International Development Association.

The previous Debt Sustainability Analysis was conducted at the time of the 2011 Article IV Consultation (Country Report No. 11/357, December, 2011). The medium-term economic framework underpinning the analysis has been revised to reflect new information on the financing of large oil and mining projects, including the contracting of a new concessional loan to refinance an oil refinery. While the various debt measures remain below the relevant thresholds for the baseline scenario, the present value (PV) of debt to GDP ratio breach the threshold under the most extreme stress test. On the basis of this, Niger's risk of debt distress should continue to be considered as moderate.

BACKGROUND

1. **This debt sustainability analysis (DSA) was jointly prepared by the IMF and the World Bank and updates the 2011 DSA of the external and total public debt of Niger.** It uses the standard debt dynamics template for low-income countries and is based on end-2011 data. The debt data cover external and domestic debt of the central government, debt of public enterprises and parastatals, a state guarantee, and private external debt, derived from the projected debt flows linked to large oil and mining projects. Domestic debt includes arrears, debt to the central bank (BCEAO) for statutory advances and the SDR allocation, and government securities.

2. **Niger's debt ratios have been significantly reduced by debt relief, as discussed in the previous DSA.** The Enhanced HIPC Initiative, whose completion point was reached in 2004, together with the Multilateral Debt Relief Initiative (MDRI) assistance in 2006 from the African Development Fund, IDA, and the IMF, resulted in a significant decline in public nominal external debt, from more than 80 percent of GDP in 2002 to about 17 percent in 2010. In 2011, the government contracted a 650 million yuan loan for the financing of its share in the construction of the new Azelik uranium mine, and extended a guarantee of 40 percent of a US$880 million loan to the Soraz oil refinery. As a result, the stock of public external debt, including guarantees, moved to 22 percent of GDP at end-2011. Looking ahead, the authorities' ambitious economic development program includes increased infrastructure spending in the next few years.

UNDERLYING DSA ASSUMPTIONS

3. **Medium- and long-term projections for Niger have been updated since the last DSA in the light of recent developments and discussions with the authorities (Text Table 1).** The key differences from the previous analysis stem from the fact that a bad agricultural harvest in 2011, together with important start-up difficulties encountered in the new oil project and a significant shortfall in custom revenues in 2012 led to downward revisions in GDP growth, fiscal revenue and exports for both 2011 and 2012. At the same time, the start of operations of the new Imouraren uranium mine, currently under development and expected to double current uranium production capacity, has been postponed by about two years, resulting in the expected impact of this new project shifting from the medium to the longer term. Macroeconomic assumptions for the long-term in GDP growth, revenue, and exports, remain close to those made in the last DSA.

Text Table 1. Niger: Key Macroeconomic Assumptions (1)

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	2011-12	2013-16	2017-32
Real GDP growth (percent)			
DSA 2012	6.7	6.1	6.3
DSA 2011	8.9	6.9	6.2
Total Revenue (percent of GDP) /2			
DSA 2012	15.1	17.7	20.3
DSA 2011	16.4	19.1	21.1
Exports of goods and services (percent of GDP)			
DSA 2012	23.8	25.9	33.8
DSA2011	24.5	28.9	33.3

Sources: Nigerien authorities; and IMF and World Bank staffs estimates

1. Previous DSA covers the period 2011-31
2. Total revenue, excluding grants

4. Natural resources are expected to continue playing a key role in GDP growth in the longer term, together with a greater contribution from other sectors of the economy as the economy diversifies. Our assumption remains that higher revenue will be used for productive public investment, which, together with progress in improving the business climate, will allow the economy to diversify. The inflation rate is projected to remain low and stable, averaging 1.9 percent over the projection period.

5. The exports-to-GDP ratio is projected to increase through 2028 as the economy diversifies and develops. A crude oil export project is currently under development, which might have an important impact on revenue and exports, but there is still too much uncertainty at this point in time to include it in the baseline framework.

6. The current account deficit, excluding official transfers, is projected to improve, reflecting the coming onstream of petroleum production. The current account deficit is financed by debt creating flows, foreign direct investment, and capital grants, which account for about 17 percent of exports of goods and services on average over the projection period in Niger.

7. The macroeconomic outlook continues to be subject to various risks. The country remains vulnerable to exogenous shocks, including climatic shocks that frequently result in food crises, commodity price fluctuations including through their impact on the return on public sector investment projects, and the security situation in the region, as demonstrated by the recent flooding and continued arrivals of migrants from neighboring countries.

PUBLIC EXTERNAL DSA

8. Niger's public debt exposure is expected to increase significantly due to the government's involvement in natural resource projects. In particular, the authorities have reached understandings with EXIM Bank of China on the contracting of a concessional loan of US$880 million (CFAF 435 billion, or 12 percent of GDP). This loan will refinance the existing non-concessional financing of the new refinery, which was initially provided by the Chinese investment partner (CNPC), with 40 percent guaranteed by the state. While the non-concessional 40 percent state guarantee will thus be terminated, causing a one-off spike in debt service ratios in 2013, the government is expected to assume liability for the total amount of the new loan, which will be on-lent to the refinery. As a result, the stock of public external debt is expected to reach about 33.5 percent of GDP in 2013, from 24 percent in 2012. As private external debt is expected to decrease by 60 percent in counterpart, as the previously contracted loan is terminated, the stock of total (public and private) external debt (in nominal terms) is not expected to be affected by this transaction. The rate of external public debt accumulation is subsequently expected to remain broadly stable over time (Figure 1a). While the grant element of the new borrowing in the short term has improved compared to the previous DSA, because the new loan for the refinery is now concessional,[1] it is expected to gradually decline over time, as the country develops and thus will have less access to new borrowing on highly concessional terms.

9. **In the baseline scenario the external debt ratios remain below their policy-dependent thresholds throughout the projection period (2012-32),** as in the previous DSA. The present value (PV) of debt-to-GDP ratio is projected to increase sharply from 2012 to 2013 and will continue to move upward for the rest of the period. The PV of debt-to-export and debt-to-revenue ratios adopt similar trajectories, with a relatively more benign path for the PV of debt-to-export ratio thanks to the increasing projected exports over the projection period.[2] Because of the assumed termination of the 40 percent state guarantee of the SORAZ loan in 2013, the present value of debt service to export and debt service to revenue ratios breach their thresholds in 2013.

10. **As in the previous DSA, the historical scenario shows a relative improvement in debt ratios.** The scenario underlines that if the current account deficit, FDI inflows, real GDP growth and GDP deflator were at their historical averages, debt ratios would significantly improve. In comparison to the baseline scenario, lower debt ratios in this scenario mainly stem from a higher historical GDP deflator at about 8.5 percent compared to 2 percent in the projection period (Box 1).

11. **The debt-to-GDP threshold is breached in the case of a one-time 30 percent depreciation of the CFA franc.** Following a one-time 30 percent nominal depreciation relative to the baseline in 2013, the PV of debt-to-GDP ratio would breach its threshold as early as 2016, and remain above it until 2032. The breach of thresholds is large and protracted. In addition to a one-time nominal depreciation, Niger is also vulnerable to a worsening in its financing terms during the projected period, as the PV of debt-to-GDP ratio would also breach its threshold from 2020 onwards.

PUBLIC DSA INCLUDING DOMESTIC DEBT

12. **As in the previous DSA, considering public debt does not change the analysis.** Domestic debt includes arrears, debt to the central bank (BCEAO) for statutory advances and the SDR allocation, and government securities. The public debt ratios remain relatively low under the different scenarios except for the most extreme shock. The most extreme shock (real GDP growth being set at its historical average minus one standard deviation in 2013-2014) is assumed to negatively affect nominal revenue while keeping the level of government spending the same as in the baseline, consequently leading to an increase in primary deficit and financing needs. This is

[1] The terms are expected to be 1.5 percent interest rate, 20 years maturity and 9 years grace period, compared to a 3 percent interest rate margin over LIBOR, 10 year maturity and one year grace period for the guarantee.

[2] As in the previous DSA, the large residuals shown in table 1a and 1b reflect capital grants that the country is projected to receive thanks to the more stable political and economic environment. The large 2013 residuals also result from the amortization of the previously non-concessional contracted debt from CNPC, a, transaction reflected by large FDI outlows in that particular year.

reflected by the PV of debt-to-GDP and the PV of debt-to-revenue ratios more than doubling during the projection period.

PRIVATE DEBT DYNAMICS

13. The current DSA includes preliminary information on private debt provided by the authorities. The main flows related to this category are linked to the large ongoing oil and uranium projects. The estimates incorporate the impact of the contracting of a loan by the refinery Soraz (60 percent privately owned) in 2011, and the expected gradual disbursement and subsequent repayment of a loan of about 1.4 billion euro from a foreign investor to finance the new uranium mine Imouraren. Including this debt, the stock of external debt would reach 56 percent of GDP in 2013. Amortization of this loan is projected to start from 2017 onwards, thus gradually decreasing the stock of private external debt.

CONCLUSION

14. On the basis of the updated DSA, Niger remains subject to moderate risk of debt distress. Although the grant element of new borrowing is projected to improve compared to the previous DSA in the short run, the stock of public external debt is expected to increase significantly, following the refinancing of the $880 million Soraz loan in 2013. This loan will replace the existing private non-concessional financing of the refinery, which was 40 percent guaranteed by the State, thereby substantially increasing the stock of public debt. The country's level of debt and the government's involvement in the financing of natural resources projects keep Niger very much vulnerable to adverse shocks, as demonstrated by the deterioration of the debt indicators in the extreme shock scenarios.

15. Niger's continued risk of debt distress calls for a limited government involvement in financing natural resource projects. It also underlines the need to remain vigilant in terms of seeking concessional new borrowing. Non-concessional borrowing should only be considered for well-assessed, high-yield commercial and infrastructure projects that will generate sufficient government revenue to cover debt service related to the projects.

16. The Nigerian authorities have indicated their agreement with the conclusions reached in this DSA. In particular, the authorities have stated that the result of moderate debt distress level, as well as staff recommendations in terms of limiting government involvement in financing natural resources projects, are consistent with a debt sustainability analysis the Technical Commission from the National Public Debt Committee conducted in October 2012.

Box 1: Baseline Scenario Assumptions

The baseline macroeconomic scenario for 2012-32 is based on the following assumptions:

- Real GDP growth is projected to increase to an average of about 6.2 percent a year during 2013-32, reflecting increasing production developments in the extractive industries and higher non-resource GDP growth as private sector expands and business climate is improved. Inflation is projected to remain stable at 1.8 percent over the projection period; compared to historical values, the lower projected inflation reflects lower expected international food price inflation and the recent average inflation of around 2 percent.[1]
- The revenue-to-GDP ratio is projected to rise from 16 percent in 2012 to 21.5 percent in 2032, reflecting revenue generating developments in the extractive industries, further structural reforms aiming at improving revenue collection and a more diversified private sector.
- Primary Expenditure is expected to increase from 25.3 percentage points of GDP in 2012 to 29.8 percent of GDP in 2032, mostly driven by capital expenditure that is projected to increase from 13.3 percent of GDP in 2012 to stabilize at around 17.2 in 2032. The ambitious government investment program is expected to result in an increase in infrastructure spending, including large transport and irrigation projects in the pipeline. Infrastructure projects that would be financed by non-concessional lending were assumed to be occurring only in the cases where sufficient government revenue can cover debt service related to the projects, but there is still too much uncertainty at this point in time to include it in the present DSA. The basic balance (the fiscal balance net of grants and externally-financed capital expenditure) remains in surplus from 2022 onward (complying with the WAEMU regional convergence criterion).
- The current account deficit is projected to significantly decline from 17.2 percent of GDP in 2012 to about only 9.5 percent of GDP in 2032. Exports are projected to increase from 25.4 percent of GDP to 34.7 percent in 2032, as oil and uranium exports expand and the economy diversifies. After a brief decline, imports would increase again before stabilizing, in line with foreign direct investment patterns.
- Following a few years of substantial FDI inflows linked mostly to the oil investment, net FDI is projected to decline from a peak of 17.5 percent of GDP in 2010 as the large investment projects come to completion, and in line with the delay in the large investment project related to Imouraren. A large FDI outlow in 2013 will be recorded due to the reclassification of the Soraz loan in that same year, previously considered an FDI, intra-company inflow now defined as public debt. Assuming the start of repayment of the Imouraren debt-creating FDI, FDI is reduced in 2018.
- Total external financing is expected to gradually decrease, from 10.7 percent of GDP in 2012 to about 8.8 percent of GDP in 2032. As in the previous DSA, this assumption relates to the reduction in Niger´s borrowing needs and the expected increase in per capita GDP. Grants would represent about 62 percent of total external financing on average during the period. The discount rate is 3 percent, a lower rate compared to the previous DSA rate of 4 percent.

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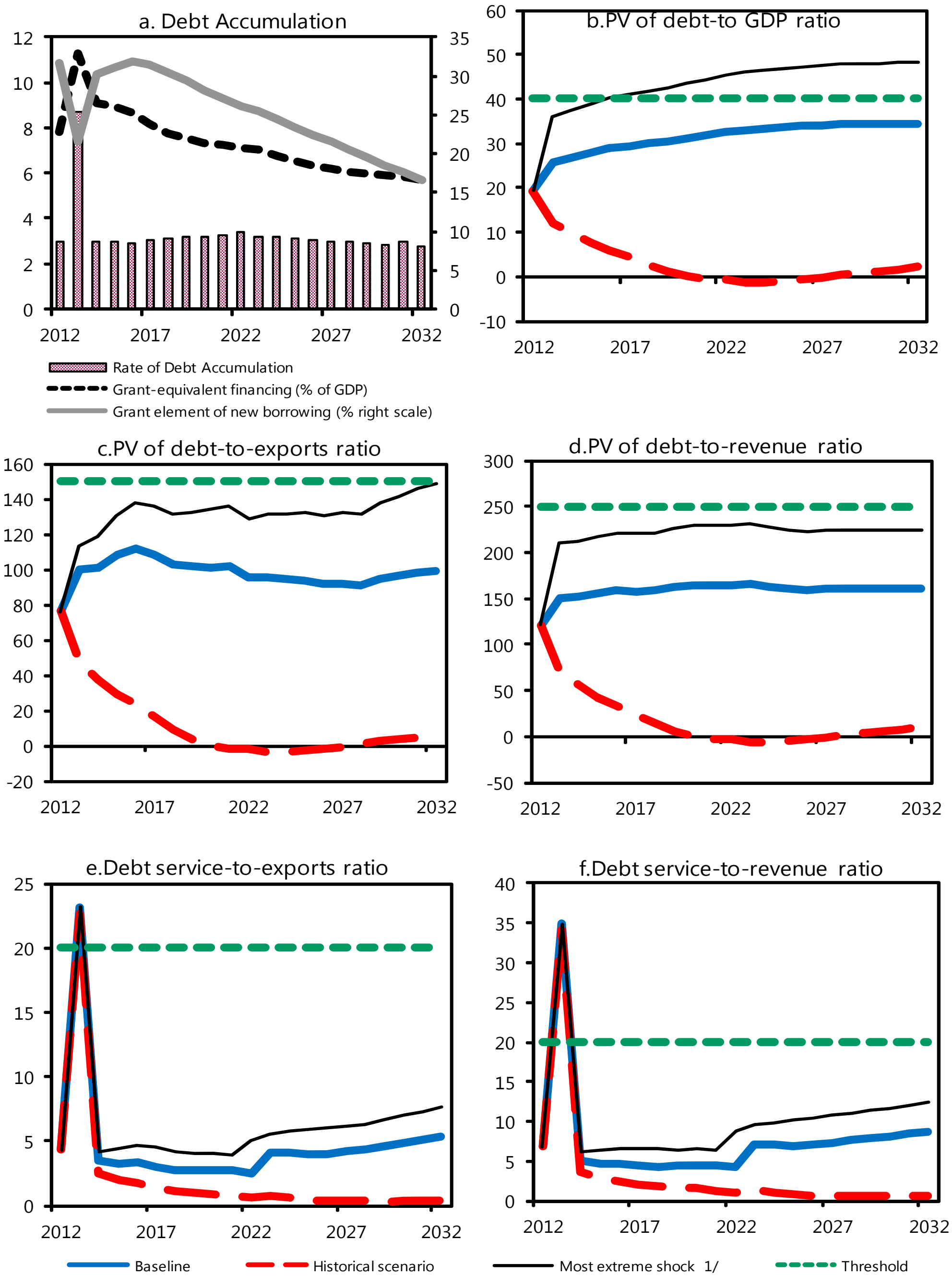
[1]The drop in GDP deflator in 2012 results from a depreciation of the exchange rate in that year.

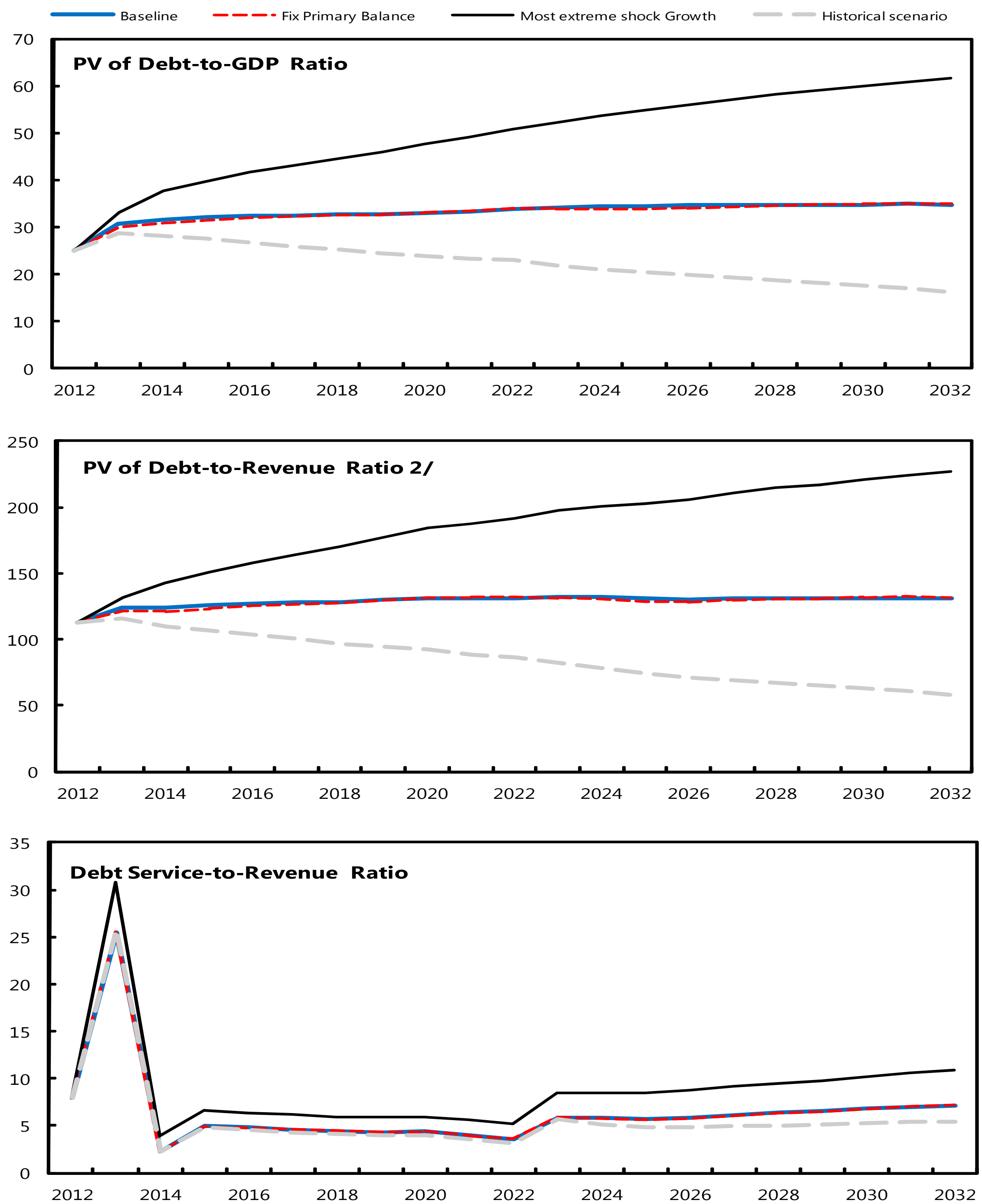
Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2012-2032 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2022. In figure b. it corresponds to a One-time depreciation shock; in c. to a Terms shock; in d. to a One-time depreciation shock; in e. to a Terms shock and in figure f. to a Terms shock

Figure 2.Niger: Indicators of Public Debt Under Alternative Scenarios, 2012-2032 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2022.
2/ Revenues are defined inclusive of grants.

Table 1a. Niger: External Debt Sustainability Framework, Baseline Scenario, 2009-2032 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical 6/ Average	Standard 6/ Deviation	Projections									
	2009	2010	2011			2012	2013	2014	2015	2016	2017	2012-2017 Average	2022	2032	2018-2032 Average
External debt (nominal) 1/	**39.5**	**50.0**	**50.4**			**54.0**	**56.0**	**58.5**	**61.2**	**62.6**	**59.2**		**48.0**	**40.9**	
of which: public and publicly guaranteed (PPG)	18.9	17.0	22.4			24.0	33.5	34.8	36.4	37.8	38.6		41.7	42.1	
Change in external debt	15.6	10.5	0.4			3.6	2.0	2.5	2.7	1.4	-3.5		-1.6	-0.5	
Identified net debt-creating flows	11.2	-0.3	3.1			3.8	20.2	7.3	7.8	6.9	6.0		6.1	5.5	
Non-interest current account deficit	**24.4**	**19.7**	**24.6**	**12.2**	**7.8**	**17.2**	**18.5**	**19.4**	**18.9**	**15.9**	**10.0**		**9.9**	**9.5**	10.3
Deficit in balance of goods and services	26.9	26.9	28.5			20.4	20.1	20.3	19.2	16.7	10.8		9.4	11.1	
Exports	20.6	22.2	22.2			25.4	25.7	26.4	25.8	25.8	27.2		34.1	34.7	
Imports	47.5	49.2	50.7			45.9	45.8	46.7	44.9	42.4	37.9		43.5	45.9	
Net current transfers (negative = inflow)	-2.8	-7.9	-4.6	-4.4	1.5	-4.6	-4.5	-4.6	-4.5	-4.4	-4.1		-2.8	-1.8	-2.5
of which: official	-0.7	-5.5	-3.3			-3.3	-3.3	-3.4	-3.2	-3.1	-2.9		-1.5	-0.6	
Other current account flows (negative = net inflow)	0.3	0.6	0.7			1.4	2.9	3.7	4.3	3.6	3.4		3.3	0.2	
Net FDI (negative = inflow)	**-13.8**	**-17.5**	**-16.7**	**-6.5**	**7.3**	**-8.4**	**4.3**	**-9.3**	**-8.4**	**-6.2**	**-0.6**		**-1.4**	**-2.3**	-1.8
Endogenous debt dynamics 2/	**0.6**	**-2.5**	**-4.8**			**-5.0**	**-2.5**	**-2.8**	**-2.7**	**-2.8**	**-3.4**		**-2.4**	**-1.7**	
Contribution from nominal interest rate	0.4	0.2	0.1			0.4	0.5	0.5	0.5	0.5	0.5		0.5	0.6	
Contribution from real GDP growth	0.2	-3.9	-1.0			-5.5	-3.0	-3.3	-3.3	-3.4	-3.9		-2.9	-2.3	
Contribution from price and exchange rate changes	0.0	1.3	-4.0			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**4.4**	**10.8**	**-2.6**			**-0.3**	**-18.2**	**-4.8**	**-5.1**	**-5.5**	**-9.5**		**-7.7**	**-5.9**	
of which: exceptional financing	-0.1	-0.1	-0.1			-0.1	-0.1	-0.1	-0.1	-0.1	-0.1		0.0	0.0	
PV of external debt 4/	...	...	46.6			49.3	48.3	50.4	52.7	53.7	50.0		38.7	33.2	
In percent of exports	...	...	209.5			194.0	188.1	191.2	204.3	208.3	184.0		113.5	95.7	
PV of PPG external debt	**...**	**...**	**18.6**			**19.4**	**25.7**	**26.7**	**27.9**	**28.9**	**29.4**		**32.4**	**34.5**	
In percent of exports	**...**	**...**	**83.5**			**76.2**	**100.2**	**101.3**	**108.1**	**112.0**	**108.1**		**95.1**	**99.3**	
In percent of government revenues	**...**	**...**	**129.6**			**121.4**	**150.8**	**151.4**	**156.0**	**158.5**	**158.0**		**164.4**	**160.8**	
Debt service-to-exports ratio (in percent)	**3.3**	**2.5**	**3.2**			**5.1**	**70.7**	**4.1**	**3.9**	**7.3**	**11.8**		**7.1**	**6.1**	
PPG debt service-to-exports ratio (in percent)	**3.3**	**2.5**	**3.2**			**4.3**	**23.2**	**3.4**	**3.3**	**3.3**	**3.0**		**2.4**	**5.4**	
PPG debt service-to-revenue ratio (in percent)	**4.6**	**4.1**	**5.0**			**6.9**	**34.9**	**5.1**	**4.7**	**4.7**	**4.4**		**4.2**	**8.7**	
Total gross financing need (Billions of U.S. dollars)	0.6	0.2	0.5			0.7	3.0	0.9	1.0	1.0	1.2		1.6	3.0	
Non-interest current account deficit that stabilizes debt ratio	8.7	9.2	24.1			13.7	16.4	16.9	16.2	14.5	13.5		11.5	10.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	-1.0	10.7	2.2	4.8	4.3	11.2	6.2	6.4	6.0	5.9	6.8	7.1	6.4	6.0	6.2
GDP deflator in US dollar terms (change in percent)	0.0	-3.1	8.6	8.5	7.2	-6.8	4.7	1.1	0.6	0.8	1.7	0.3	2.0	2.0	2.0
Effective interest rate (percent) 5/	1.7	0.4	0.3	2.2	2.1	0.9	1.0	1.1	1.0	0.9	0.9	1.0	1.2	1.6	1.3
Growth of exports of G&S (US dollar terms, in percent)	4.9	15.7	11.0	16.2	11.8	18.5	12.4	10.3	4.3	6.7	14.6	11.1	18.1	6.5	10.1
Growth of imports of G&S (US dollar terms, in percent)	29.4	10.9	14.5	21.6	13.2	-6.4	11.0	9.7	2.7	0.8	-2.9	2.5	18.3	5.0	9.7
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	31.6	21.5	30.3	31.1	31.8	31.5	29.7	26.1	16.7	23.4
Government revenues (excluding grants, in percent of GDP)	14.5	13.6	14.3			16.0	17.1	17.6	17.9	18.2	18.6		19.7	21.5	20.4
Aid flows (in Billions of US dollars) 7/	0.3	0.3	0.4			0.6	0.7	0.8	0.8	0.8	0.9		1.1	1.9	
of which: Grants	0.2	0.3	0.2			0.4	0.6	0.6	0.6	0.7	0.7		0.9	1.6	
of which: Concessional loans	0.1	0.1	0.2			0.2	0.1	0.1	0.2	0.2	0.2		0.2	0.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			7.8	11.3	9.1	9.0	8.7	8.1		7.1	5.7	6.6
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			69.3	46.1	75.7	75.6	75.5	74.1		69.7	62.4	66.7
Memorandum items:															
Nominal GDP (Billions of US dollars)	5.3	5.7	6.3			6.6	7.3	7.9	8.4	9.0	9.7		14.6	32.2	
Nominal dollar GDP growth	-1.0	7.2	11.0			3.6	11.2	7.6	6.6	6.7	8.6	7.4	8.5	8.1	8.3
PV of PPG external debt (in Billions of US dollars)			1.1			1.3	1.9	2.1	2.3	2.6	2.8		4.7	11.1	
(PVt-PVt-1)/GDPt-1 (in percent)						3.0	8.7	2.9	3.0	2.9	3.1	3.9	3.4	2.7	3.1
Gross workers' remittances (Billions of US dollars)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	18.6			19.4	25.7	26.7	27.9	28.9	29.4		32.4	34.5	
PV of PPG external debt (in percent of exports + remittances)	...	...	83.5			76.2	100.2	101.3	108.1	112.0	108.1		95.1	99.3	
Debt service of PPG external debt (in percent of exports + remittances	...	...	3.2			4.3	23.2	3.4	3.3	3.3	3.0		2.4	5.4	

Sources: Country authorities; and staff estimates and projections.

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

Table 1b. Niger: Public Sector Debt Sustainability Framework, Baseline Scenario, 2009-2032

(Percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2009	2010	2011	Average 5/	Standard Deviation 5/	2012	2013	2014	2015	2016	2017	2012-17 Average	2022	2032	2018-32 Average
Public sector debt 1/	27.2	24.0	28.9			29.7	38.3	39.7	40.7	41.5	41.6		43.0	42.5	
of which: foreign-currency denominated	18.9	17.0	22.4			24.0	33.5	34.8	36.4	37.8	38.6		41.7	42.1	
Change in public sector debt	4.8	-3.2	4.8			0.9	8.6	1.4	0.9	0.8	0.2		0.4	-0.3	
Identified debt-creating flows	3.4	1.1	0.2			0.4	2.0	1.3	1.0	0.8	0.1		0.3	0.7	
Primary deficit	5.0	2.2	1.3	0.9	2.2	3.2	3.9	3.5	3.0	3.0	2.9	3.2	3.2	3.3	3.1
Revenue and grants	18.9	18.2	18.1			22.2	24.8	25.5	25.5	25.6	25.4		25.8	26.5	
of which: grants	4.4	4.6	3.8			6.2	7.7	7.8	7.7	7.3	6.8		6.0	5.0	
Primary (noninterest) expenditure	23.8	20.4	19.4			25.3	28.6	29.0	28.6	28.5	28.4		28.9	29.8	
Automatic debt dynamics	-1.5	-1.0	-1.0			-2.8	-1.8	-2.2	-2.0	-2.1	-2.8		-2.9	-2.6	
Contribution from interest rate/growth differential	0.2	-2.7	-0.9			-3.0	-1.7	-2.4	-2.4	-2.5	-3.0		-2.9	-2.6	
of which: contribution from average real interest rate	-0.1	-0.1	-0.3			-0.1	0.0	-0.1	-0.2	-0.2	-0.3		-0.3	-0.2	
of which: contribution from real GDP growth	0.2	-2.6	-0.5			-2.9	-1.7	-2.3	-2.2	-2.3	-2.7		-2.6	-2.4	
Contribution from real exchange rate depreciation	-1.7	1.7	-0.2			0.2	-0.1	0.2	0.4	0.4	0.1		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	1.4	-4.3	4.6			0.5	6.6	0.2	-0.1	0.0	0.1		0.1	-1.1	
Other Sustainability Indicators															
PV of public sector debt	...	...	25.0			25.1	30.6	31.6	32.1	32.5	32.5		33.8	34.8	
of which: foreign-currency denominated	...	...	18.6			19.4	25.7	26.7	27.9	28.9	29.4		32.4	34.5	
of which: external	...	...	18.6			19.4	25.7	26.7	27.9	28.9	29.4		32.4	34.5	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	4.7	3.5	2.0			4.9	10.2	4.1	4.3	4.2	4.1		4.1	5.2	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	138.1			113.1	123.6	124.1	125.7	127.2	127.6		131.1	131.5	
PV of public sector debt-to-revenue ratio (in percent)	...	...	174.6			157.0	179.2	179.2	179.7	178.5	174.5		171.2	162.3	
of which: external 3/	...	...	129.6			121.4	150.8	151.4	156.0	158.5	158.0		164.4	160.8	
Debt service-to-revenue and grants ratio (in percent) 4/	-1.2	7.2	4.0			8.0	25.5	2.3	5.0	4.8	4.6		3.6	7.1	
Debt service-to-revenue ratio (in percent) 4/	-1.5	9.6	5.1			11.0	37.0	3.3	7.2	6.7	6.3		4.7	8.8	
Primary deficit that stabilizes the debt-to-GDP ratio	0.2	5.4	-3.6			2.3	-4.7	2.1	2.1	2.2	2.8		2.8	3.7	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	-1.0	10.7	2.2	4.8	4.3	11.2	6.2	6.4	6.0	5.9	6.8	7.1	6.4	6.0	6.2
Average nominal interest rate on forex debt (in percent)	2.7	0.9	0.8	2.4	2.0	1.0	1.4	1.2	1.2	1.2	1.1	1.2	1.2	1.5	1.3
Average real interest rate on domestic debt (in percent)	-4.7	-0.6	-1.9	-2.7	2.5	1.5	-0.1	0.0	0.2	0.1	0.2	0.3	0.2	2.0	0.8
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.9	10.0	-1.1	-4.7	9.2	0.8	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	5.7	1.7	3.6	3.6	2.9	0.8	1.6	1.7	1.3	1.6	1.7	1.5	2.0	2.0	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	-0.1	0.0	0.1	0.1	0.5	0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	31.6	21.5	30.3	31.1	31.8	31.5	29.7	26.1	16.7	...

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Revenues excluding grants.

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

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

Table 2a. Niger: Sensitivity Analysis for Key Indicators of Public- and Publicly-Guaranteed External Debt, 2012-2032
(Percent)

	Projections							
	2012	2013	2014	2015	2016	2017	**2022**	2032
PV of debt-to GDP ratio								
Baseline	19	26	27	28	29	29	**32**	34
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	19	12	10	8	6	4	**-1**	2
A2. New public sector loans on less favorable terms in 2012-2032 2	19	29	31	34	36	37	**44**	52
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	19	27	30	31	32	33	**36**	38
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	19	27	30	31	32	33	**35**	35
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	19	27	27	29	30	30	**33**	35
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	19	24	34	35	36	36	**37**	36
B5. Combination of B1-B4 using one-half standard deviation shocks	19	22	30	31	32	32	**35**	36
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	19	36	37	39	40	41	**45**	48
PV of debt-to-exports ratio								
Baseline	76	100	101	108	112	108	**95**	99
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	76	47	37	29	23	16	**-2**	6
A2. New public sector loans on less favorable terms in 2012-2032 2	76	113	119	130	138	136	**129**	149
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	76	100	101	108	112	108	**95**	99
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	76	114	131	139	143	137	**116**	115
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	76	100	101	108	112	108	**95**	99
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	76	94	130	136	139	132	**110**	103
B5. Combination of B1-B4 using one-half standard deviation shocks	76	85	111	118	122	117	**101**	102
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	76	100	101	108	112	108	**95**	99
PV of debt-to-revenue ratio								
Baseline	121	151	151	156	158	158	**164**	161
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	121	71	56	42	33	24	**-4**	10
A2. New public sector loans on less favorable terms in 2012-2032 2	121	170	177	188	196	199	**222**	241
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	121	159	169	174	177	176	**183**	179
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	121	159	173	176	177	175	**177**	163
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	121	156	156	161	163	163	**169**	165
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	121	142	195	197	197	194	**190**	167
B5. Combination of B1-B4 using one-half standard deviation shocks	121	129	168	172	174	173	**177**	168
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	121	211	212	218	221	221	**230**	224

Table 2a. Niger: Sensitivity Analysis for Key Indicators of Public- and Publicly-Guaranteed External Debt, 2012-2032 (concluded)
(Percent)

	Projections							
	2012	2013	2014	2015	2016	20117	2022	2032
Debt service-to-exports ratio								
Baseline	4	23	3	3	3	3	**2**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	4	23	2	2	2	1	**1**	0
A2. New public sector loans on less favorable terms in 2012-2032 2	4	23	4	4	5	4	**5**	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	4	23	3	3	3	3	**2**	5
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	4	25	4	4	4	4	**3**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	4	23	3	3	3	3	**2**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	4	23	3	4	4	3	**3**	6
B5. Combination of B1-B4 using one-half standard deviation shocks	4	24	3	3	4	3	**3**	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	4	23	3	3	3	3	**2**	5
Debt service-to-revenue ratio								
Baseline	7	35	5	5	5	4	**4**	9
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	7	34	4	3	2	2	**1**	1
A2. New public sector loans on less favorable terms in 2012-2032 2	7	35	6	6	7	7	**9**	12
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	7	37	6	5	5	5	**5**	10
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	7	35	5	5	5	5	**4**	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	7	36	5	5	5	5	**4**	9
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	7	35	5	5	5	5	**5**	10
B5. Combination of B1-B4 using one-half standard deviation shocks	7	36	5	5	5	5	**4**	9
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	7	49	7	7	7	6	**6**	12
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	23	23	23	23	23	23	**23**	23

Sources: Country authorities; and staff estimates and projections.

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

Table 2b. Niger: Sensitivity Analysis for Key Indicators of Public Debt 2012-2032

		Projections						
	2012	2013	2014	2015	2016	2017	2022	2032
PV of Debt-to-GDP Ratio								
Baseline	25	31	32	32	32	32	34	35
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	25	29	28	28	27	26	23	16
A2. Primary balance is unchanged from 2012	25	30	31	31	32	32	34	35
A3. Permanently lower GDP growth 1/	25	31	33	34	35	36	43	66
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	25	33	38	40	42	43	51	61
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	25	30	31	31	32	32	33	35
B3. Combination of B1-B2 using one half standard deviation shocks	25	30	31	33	34	35	41	50
B4. One-time 30 percent real depreciation in 2013	25	37	37	37	37	36	36	35
B5. 10 percent of GDP increase in other debt-creating flows in 2013	25	38	39	39	39	39	39	37
PV of Debt-to-Revenue Ratio 2/								
Baseline	113	124	124	126	127	128	131	132
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	113	115	110	107	103	100	86	58
A2. Primary balance is unchanged from 2012	113	121	121	123	125	126	132	132
A3. Permanently lower GDP growth 1/	113	125	127	131	135	139	165	240
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	113	131	143	151	158	164	192	227
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	113	121	121	122	124	125	129	130
B3. Combination of B1-B2 using one half standard deviation shocks	113	120	119	125	131	136	158	185
B4. One-time 30 percent real depreciation in 2013	113	148	145	144	144	142	138	133
B5. 10 percent of GDP increase in other debt-creating flows in 2013	113	154	153	153	153	153	150	141
Debt Service-to-Revenue Ratio 2/								
Baseline	8	26	2	5	5	5	4	7
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	8	26	2	5	5	4	3	5
A2. Primary balance is unchanged from 2012	8	26	2	5	5	5	4	7
A3. Permanently lower GDP growth 1/	8	26	2	5	5	5	4	10
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	8	26	3	6	6	5	5	10
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	8	26	2	5	5	5	4	7
B3. Combination of B1-B2 using one half standard deviation shocks	8	26	2	5	5	5	4	9
B4. One-time 30 percent real depreciation in 2013	8	31	4	7	6	6	5	11
B5. 10 percent of GDP increase in other debt-creating flows in 2013	8	26	3	6	5	5	4	8

Sources: Country authorities; and staff estimates and projections.

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

2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

NIGER

FIRST REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION—INFORMATIONAL ANNEX

March 13, 2013

Prepared By

African Department
(In Consultation with Other Departments)

CONTENTS

FUND RELATIONS

(As of January 2013)

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

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

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

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF arrangements	42.93	65.25

Latest Financial Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
ECF	Mar 16, 2012	Mar 15, 2015	78.96	11.28
ECF 1/	Jun 02, 2008	Jun 01, 2011	23.03	13.16
ECF 1/	Jan 31, 2005	May 31, 2008	26.32	26.32

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

	Forthcoming				
	2013	2014	2015	2016	2017
Principal	4.19	6.91	7.47	4.96	4.82
Charges/Interest	0.01	0.01	0.08	0.06	0.05
Total	4.92	6.92	7.55	5.02	4.87

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

Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	Dec. 2000
Assistance committed	
by all creditors (US$ million)[3]	663.10
Of which: IMF assistance (US$ million)	42.01
(SDR equivalent in millions)	31.22
Completion point date	Apr. 2004

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[4]	2.74
Total disbursements	33.96

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR million)[5]

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

[3]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.

[4]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.

[5]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 IMF as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Decision point: point at which the IMF and the World Bank determine whether a country qualifies.

Safeguards Assessments:

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework needed nonetheless to be strengthened 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. Such committee was established after the completion of the assessment following the Institutional Reform of the WAMU and the BCEAO. Efforts to implement fully the International Financial Reporting Standards should also be pursued. An update assessment was initiated in February 2013.

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 February 2013, the rate of the CFA franc in SDR terms was SDR 1 = CFA 740. 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.

Article IV Consultation:

Niger is on the 24-month consultation cycle.

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[5] (*cont*) 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).

Technical Assistance:

Dept.	Type of Assistance	Time of Delivery
MCM/AFRITAC W	Public Debt	March 2012
FAD	Budget Execution	March 2012
FAD/AFRITAC W	Customs Administration	May 2012
STA/AFRITAC W	National Accounts	August 2012
FAD	TTF Mission—MNRW	September 2012
FAD	Medium-term expenditure framework	October 2012
FAD	PEFA assessment	October 2012
FAD	Tax Administration	December 2012
FAD/AFRITAC W	Customs Administration	December 2012
FAD/AFRITAC W	Public Financial Management	January 2013
FAD	PEFA assessment and reform strategy	January 2013
FAD	Medium-term budget framework medium-term expenditure framework	January 2013
FAD	Fiscal Reporting—Accounting	January 2013
STA/AFRITAC W	Government Finance Statistics	January 2013

Resident Representative: Mr. Ahmed Zoromé. Took up his post in April 2012.

BANK-FUND JOINT MANAGERIAL ACTION PLAN, 2013

(As of February 2013)

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 focuses on helping Niger preserve fiscal sustainability and economic stability, while expanding priority spending to accelerate growth and poverty reduction.		
First Program Review	November 2012	Board discussion March 2013
Second Program Review	April 2013	Board discussion May 2013
TA by FAD/AFRITAC		
MTBF/MTEF missions		
MNRW/TTF missions	Summer/Winter 2013	
TA by STA/AFRITAC		
Tax administration mission		
Cash management mission		
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. A new Country Partnership Strategy for the period 2012 to 2016 is expected to be presented to IDA's Board during the second quarter of 2013. The new CPS proposes that support of the World Bank Group to Niger focuses on three strategic objectives, namely: (i) promote resilient growth; (ii) reduce vulnerability; and (iii) strengthen governance and capacity for public service delivery. During FY13, the Second Shared Growth Credit, the Community Action Program III, Additional Financing for Transport Sector Support, and an Education Enhancement project are expected to be submitted to IDA's Board for approval. Non-lending work during FY13 includes technical assistance on local development (Kandadji), and the preparation of a Governance and Anti-corruption strategy as well as the preparation of the annual Public Expenditure Review report and policy notes including a poverty update, a study on the macroeconomic impact of the expanding extractive industries sector, a Poverty and Social Impact Assessment of Business Income Tax reforms, and work on gender issues.		

DPO appraisal/negotiation	March 2013	Aide-mémoire
Public expenditure review missions	April 2013	PER report
Debt management reform program mission	April 2013	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		
Periodic update on IMF program in Niger and sharing of data		
C. Periodic Economic Update		
Agreement on Joint Products and Missions		
DPO appraisal/negotiation	March 2013	Aide-mémoire
Public expenditure review missions	April 2013	PER report
Debt management reform program mission	April 2013	Draft report
Economic growth policy missions	Several	Policy notes
Sectoral, ESW, TA missions	Several	
D. Requests for Work Program Inputs (as needed)		
Periodic update on World Bank program in Niger		
Periodic update on IMF program in Niger and sharing of data		
E. Periodic Economic Update		
Agreement on Joint Products and Missions		

STATISTICAL ISSUES

(As of February 2013)

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). The authorities plan to adopt the Directive nº10/2009/CM/UEMOA on the TOFE, from june 2009, which will imply migrating from 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 lag of 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. Since the statistics in this area are published with a significant lag, the quantitative analysis in this sector should be taken with caution.

Niger: Table of Common Indicators Required for Surveillance

(As of February, 2013)

	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. 2012	Jan. 2012	M	I	M
Reserve/Base Money	Nov. 2012	Jan. 2012	M	I	M
Broad Money	Nov. 2012	Jan. 2012	M	I	M
Central Bank Balance Sheet	Nov. 2012	Jan. 2012	M	I	M
Consolidated Balance Sheet of the Banking System	Nov. 2012	Jan. 2012	M	I	M
Interest Rates[2]	Nov. 2012	Jan. 2012	I	I	M
Consumer Price Index	Jan. 2013	Feb. 2012	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	Dec. 2012	Nov. 2012			
Revenue, Expenditure, Balance and Composition of Financing[3] – Central Government	Dec. 2012	Nov. 2012	M	I	I
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2012	Nov. 2012	A	I	I
External Current Account Balance	2010	Nov. 2012	A	I	A
Exports and Imports of Goods and Services	2010	Nov. 2012	A	I	A
GDP/GNP	2011	Nov. 2012	A	I	A
Gross External Debt	2011	Nov. 2012	A	I	A
International Investment Position	2010	Nov. 2012	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).

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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes First Review Under ECF Arrangement for Niger and Approves US$16.9 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the first review of Niger's economic performance under the program supported by a three-year, SDR 78.96 million (about US$118.3 million) Extended Credit Facility (ECF) arrangement approved by the IMF's Executive Board on March 16, 2012 (see Press Release No. 12/90). The decision enables an immediate disbursement of an amount equivalent to SDR 11.28 million (about US$16.9 million), bringing total disbursements under the arrangement to an amount equivalent to SDR 22.56 million (US$33.8 million).

In completing the review, the Executive Board approved the request for a waiver for nonobservance of the performance criterion on new non-concessional external debt with maturities of one year or more. The Executive Board's decision on the first review was taken on a lapse of time basis.[1]

Economic activity was buoyant in 2012, with economic growth estimated at over 11 percent, thanks to the coming onstream of a new oil project and a rebound in agricultural production. Average inflation is estimated to have remained slightly below 1 percent, as upward pressures on food prices caused by food shortages in the first part of the year were largely offset by lower energy prices. Credit to the private sector expanded significantly, driven by high credit demand from public enterprises and trading firms. The current account deficit is projected to decline, reflecting the coming onstream of petroleum production resulting in net exports of petroleum products.

Fiscal revenues in 2012 increased relative to 2011, but are likely to fall short of program targets for 2012 due to weaknesses in customs and oil revenue. All end-June quantitative performance criteria were met, but at the expense of expenditure constraint. Several end-September fiscal targets were missed as spending increased in order to bring poverty-reducing spending back in line with program targets and due to an increase in

[1] The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

military spending following the deterioration in the regional security situation. Additional measures were taken to limit spending during the remaining months of 2012. The continuous performance criterion on non-concessional borrowing was breached because of the contracting of a non-concessional loan with the Republic of Congo, but a waiver was granted by the Executive Board, as the loan was cancelled before disbursing. The majority of the structural reforms under the program were implemented, albeit with delays, and a plan to stem the losses at the oil refinery has been developed for implementation in 2013.

Medium-term prospects remain positive, thanks to ongoing investment in the natural resource sector, with growth projected at 6¼ percent in 2013 and inflation projected to remain moderate. However, risks remain tilted to the downside given the fragile security situation in the region; the frequent climatic shocks, as evidenced by the August 2012 floods; the uncertainty regarding commodity prices; and potential delays in the implementation of natural resource sector projects.

The ECF-supported program for 2013 builds on the government's medium-term strategy set out in the Memorandum of Economic and Financial Policies of March 2, 2012. It also takes into account the authorities' newly adopted ambitious poverty reducing strategy paper, the Plan for Economic and Social Development. A key goal of the 2013 program is to tackle the revenue weaknesses by advancing the plan to strengthen the financial position of the oil refinery and the implementation of measures already taken to strengthen customs. Other elements of the program include (i) creating fiscal space for development spending while maintaining debt sustainability; (ii) rebuilding the government deposits at the central bank; (iii) implementing structural reforms to strengthen budget execution, treasury management, and domestic revenue collection; (iv) enhancing the oversight of the natural resource sector; and (v) continuing ongoing reforms aimed at financial development and improving the business environment.