



NIGER

June 2014

SECOND AND THIRD REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND FOR EXTENSION OF THE PROGRAM PERIOD AND ARRANGEMENT, REPHRASING OF DISBURSEMENTS, AND MODIFICATION OF PERFORMANCE CRITERIA—STAFF REPORT; PRESS RELEASE; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGER

In the context of the second and third reviews under the Extended Credit Facility arrangement for Niger and its requests for waivers of nonobservance of performance criteria and for an extension of the program period and arrangement, rephrasing of disbursements, and modification of performance criteria, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on March 31, 2014, following discussions that ended on December 19, 2013, with the officials of Niger on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on March 13, 2014.
- A **Press Release** including a statement by the Chair of the Executive Board.
- A **Statement by the Executive Director** for Niger.

The following documents have been or will be separately released.

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

*Also included in Staff Report

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

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EXECUTIVE SUMMARY

Context: Niger's economic performance suffered from the harmful effects of several exogenous shocks in 2013. Below average rainfall in the second half of the year, along with the deterioration of the security situation in the region, adversely affected real GDP growth. The combination of these shocks also impacted the fiscal and external positions, owing to increased security-related spending and lower exports and FDIs, and put additional strains on the fragile socio-economic environment, characterized by high food insecurity and weak provision of social services. Inflation remains low.

Program: Despite these developments, the authorities have shown strong commitment to the Extended Credit Facility (ECF) program (approved on March 16, 2012 in an amount of SDR 78.96 million or 120 percent of quota). Program slippages in late 2012 resulted in three of the five performance criteria being missed. The implementation of key corrective measures, including strengthened revenue collections, has brought the program back on track, but overspending on current expenditures (half of which related to security) combined with temporary delays in receipt of external budgetary assistance, resulted in the end-June 2013 performance criterion on domestic financing being missed. In addition, reflecting insufficient coordination within the government, the performance criterion on the contracting of nonconcessional external debt was also missed. The authorities request waivers for the nonobservance of the missed performance criteria on the basis of corrective actions taken, including institutional changes to improve debt management. The prior action for the completion of this review was met, and progress continues to be made in implementing the structural benchmarks.

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

Staff views: Staff recommends the completion of the second and third reviews under the ECF. Completion of these reviews will result in disbursement of an amount equivalent to SDR 22.56 million under the ECF arrangement.

March 13, 2014

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

Discussions were held in Niamey from December 9-19, 2013. The mission comprised Mr. Kpodar (head), Mr. Yehoue, Ms. Marchettini, Ms. Viseth, Mr. Zorome (Resident Representative) (all AFR), and Mr. Nose (FAD). Mr. Robinson, Mr. Gueye (both AFR), and Mr. Mamadou (OED) participated in key meetings.

The mission was received by the President and the Prime Minister, and met with the Ministers of Finance, Planning, and Petroleum, the National Director of the regional central bank, and with other senior officials and representatives of civil society, the private sector, and development partners.

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RECENT DEVELOPMENTS

1. **The socio-political and security situation remains fragile and is placing significant strains on socio-political stability and development outcomes.** In the face of the regional security situation and its spillover terrorist and criminal activities within Niger, the authorities are increasing security-related spending to tighten security within the country and strive to secure the country's borders.¹ These external shocks are compounded by a fragile domestic environment characterized by widespread food insecurity, large inflows of refugees from neighboring countries, and weak provision of social services. Development indicators are improving somewhat, including a significant reduction in child mortality rates in the last several years, but poverty remains pervasive and Niger is ranked last in the UN Human Development Index.² A national unity government involving a coalition of several parties was formed in August 2013.
2. **Macroeconomic performance has been adversely affected by climatic shocks and spillovers from the regional security situation.** Real GDP growth reached exceptionally 11.1 percent in 2012, driven by the coming on-stream of oil production, a good harvest, and increased uranium production, but is projected to have decelerated significantly to 3.6 percent in 2013 — against an initial projection of 6.2 percent—because of a decline in agricultural output due to below average rainfall, the temporary closure of the largest uranium mine (SOMAIR) following a terrorist attack, and a long interruption in electricity supply from a neighboring country.³ The impacts of these negative shocks were partially offset by an increase in oil production to 19,000 barrels per day at the end of 2013 from 13,000 barrels per day in 2012. Average CPI inflation was contained to 2.3 percent in 2013 as the upward pressures on food prices were dampened by the government food program, and support from development partners (Table 1).⁴
3. **Fiscal performance was broadly in line with program targets.** Despite a shortfall in uranium fiscal receipts, total revenue increased by 1 percentage point of GDP to 17.1 percent of GDP in 2013 reflecting progress in revenue administration and exceptional revenue from the oil sector (approximately FCFA 20 billion or 0.6 percent of GDP).⁵ To compensate higher security-related spending (FCFA 38.9 billion in 2013 or 1.1 percent of GDP), the authorities contained the

¹ Niger suffered two suicide bomb attacks in May 2013, targeting military barracks and a uranium mine in the north-east, and a jail break in the capital in June.

² The population living under the poverty line declined marginally from about 63 percent in 1990 to 59.5 percent in 2007. Per capita GDP increased by US\$40 over the last five years to reach US\$370 in 2012 but remains well below the WAEMU average of US\$720 in 2012.

³ The electricity cut was caused by a storm that knocked out power lines in Western Nigeria.

⁴ The initiative 3N ("les Nigériens Nourrisent les Nigériens") seeks to promote agriculture through support for irrigation to increase the resilience of local food production to climatic shocks.

⁵ The government collected FCFA 59 billion (1.6 percent of GDP) from the sale of exploration rights in the Agadem Block, of which approximately FCFA 20 billion is fiscal revenue.

increase in capital expenditures. The authorities reduced domestic arrears by FCFA 30 billion or 0.8 percent of GDP, above the program target. Government deposits at the central bank also increased.

4. **Monetary expansion slowed in 2013, reflecting the weakened economic activity.** The annual growth rate of credit to the economy is estimated to have declined from 24.2 percent in 2012 to an estimated 6.6 percent in 2013. Together with the moderate increase in net foreign assets and an improvement in the government net position, this translated in an expansion in broad money of about 11.8 percent (Table 4 and Figure 2).

5. **The current account deficit (excluding grants) is estimated to have increased by 1 percentage point of GDP to 19.4 percent of GDP in 2013.** This reflects a small rise in exports, notably oil exports, which was more than compensated by the expansion in imports of goods and services related to investment projects associated with the extractive industries and public works. The current account deficit was outweighed by a surplus in the capital and financial account, resulting in an increase of Niger's contribution to the net foreign assets of the West African Economic and Monetary Union (WAEMU) by FCFA 76 billion in 2013 (Table 5). Gross international reserves in the WAEMU would remain at the equivalent of about 5 months of import of goods and services at end-December 2013.

6. **The authorities took steps to help diversify budget financing and deepen the regional financial market.** To diversify the financing sources of their ambitious economic and social development plan, the authorities issued a FCFA 25 billion bond on the regional financial market in November 2013. The bond has the following characteristics: (i) interest rate of 6.25 percent; (ii) maturity of five years; (iii) one-year grace period for repayment. The proceeds of this bond are to be used to finance basic infrastructure, including the construction of school classrooms. The auction outcome was highly successful, with an oversubscription of FCFA 32.4 billion and issuance terms similar to other sovereign in the region. Domestic banks (FCFA 13.440 billion) and regional banks (FCFA 6.510 billion) were the major subscribers, the rest (FCFA 5.050 billion) was allocated to local investors. Based on this successful issuance, the authorities plan to tap the regional market in 2014 with another bond issue of FCFA 25 billion.

7. **Significant concessional loans are under negotiation.** Understandings have been reached with Exim Bank China on the contracting of a concessional loan of US\$880 million (FCFA 437.4 billion or 12 percent of 2013 GDP), but the arrangement (originally expected to be agreed during 2013) awaits final approval. This loan was to refinance an existing nonconcessional financing of the refinery Société de raffinage de Zinder (SORAZ), which was initially provided by the China National Petroleum Company (CNPC, the Chinese investment partner) with 40 percent guarantee by the state. In addition, the authorities recently signed a US\$1 billion master facility agreement with Exim Bank China. Loans contracted under this facility, to be earmarked for infrastructure projects, will have a maturity of 25 years, a grace period of 8 years, and an interest rate of 2 percent (MEFP, ¶20). Based

on these terms, the master facility was concessional at the discount rate prevailing at the time of its signature (September 30, 2013).⁶

MEDIUM-TERM OUTLOOK AND RISKS

8. **The medium-term outlook remains favorable, but subject to significant external and domestic risks and uncertainty.** GDP growth is expected to rebound to 6.5 percent in 2014 and average 10 percent during 2015-18 owing to anticipated positive developments in the extractive industry with the coming in production phase of two large projects—crude oil export and a uranium mine—starting in 2015-16 (Box). As a result, beginning in 2016 oil and mining output and exports are projected to double, and natural resource-related fiscal revenue is expected to increase by more than 50 percent with respect to 2015 (Tables 1, 2, 3, 5 and Figure 4). However, the current account is set to deteriorate, in 2014-15 due to high imports and services related to the projects in the extractive industry and other development projects (Table 5). Inflation would remain moderate over the medium-term.

9. **Recently contracted external loans, albeit concessional, serve to raise the debt stock at end-2014.**⁷ The refinancing loan for the construction of the SORAZ refinery, now expected to be approved in 2014 rather than in 2013 as previously anticipated, would increase the external debt stock by about 6.6 percent of GDP; any loans contracted under the master facility agreement would add further to the debt stock, though borrowing under the facility is expected to be over a number of years, starting at relatively modest levels. The authorities stressed that the financing available under the master facility would be used to address infrastructure gaps identified in the Poverty Reduction Strategy Paper (PRSP, particularly in agriculture, such as irrigation) and already built into their medium-term program. Based on these indications and improved prospects for ongoing resource projects, staff's preliminary assessment shows that the fiscal accounts and export prospects would strengthen over the medium to long-term. Moreover, as these new loans carry higher grant elements than assumed in the previous DSA, the projected average interest rate of Niger's debt would decline. The overall impact on debt sustainability will depend, in part, on the pace of new borrowing under the master facility and on other projected financing being available on concessional terms. Given Niger's low administrative capacity, and the need to ensure the efficiency of such investments, staff urges the authorities to proceed cautiously in scaling up spending, seeking World Bank technical assistance in project monitoring, selection, and implementation. Staff also noted that the authorities' intention to issue further bonds on the West African Economic and Monetary Union (WAEMU) regional market highlighted the need to finalize a medium-term debt strategy and an annual borrowing plan consistent with it.

⁶ Staff estimated the grant element at 35.7 percent, using the discount rate of 5.47 percent, as of September 2013 and including an upfront commission of 0.25 percent.

⁷ An update to the DSA will be discussed in the upcoming combined fourth ECF review and Article IV consultation.

10. **Risks to the outlook stem from both internal and external sources.** The main near-term risk relates to a further deterioration in the security situation in the region and/or a weakening of political consensus. This could have severe negative consequences on the outlook given the expected impact on FDIs, private sector activity, and the fiscal outcome. Projected increases in debt and debt service burdens also pose risks, especially if debt-financed projects do not deliver value for money. The timing, financing, and feasibility of the projects in the extractive industry pose particular risks, as these are characterized by substantial uncertainty due notably to limited implementation capacity and past difficulties in the oversight of the sector. In the absence of mitigation measures, the recurrence of flooding and droughts would also have a strong negative impact given the large contribution of agriculture both to national GDP and in sustaining living standards (Figure 3).⁸ Finally, Niger remains vulnerable to commodity price volatility and limited predictability in donor support.

PROGRAM IMPLEMENTATION

11. **The program went off-track at end-December 2012.** The first review with end-June 2012 test date was completed with delay in March 2013. The program went off-track at the end of 2012 with end-December performance criteria (PC) for domestic financing and domestic arrears missed due to lower revenue and overspending on current expenditure, including security-related spending of FCFA 37.6 billion or 1.1 percent of GDP (Table 6). Also, the continuous PC on new nonconcessional external debt with maturities of one year or more contracted or guaranteed by the government and public enterprises was missed as in November 2012. Niger contracted through the Ministry of Planning two project loans amounting to FCFA 34.1 billion from the Economic Community of West African States (ECOWAS) Bank for Investment and Development that did not meet the 35 percent minimum grant element required under the ECF-supported program.⁹

12. **Corrective measures were then taken and the program has been brought back on track:**

- In August 2013, the authorities obtained subsidies from the WAEMU for the two loans, raising the concessionality level of the loans to 35.9 percent and 34.5 percent respectively.¹⁰ Further, the authorities refrained from drawing on the two loans until grant funding was

⁸ Although the contribution of natural resources to GDP is rapidly expanding, subsistence agriculture continues to be the major contributor to output, as well as the principal source of income for the population, exposing economic performance to high volatility due to the frequent climatic shocks.

⁹ As these loans were not reported to staff at the time of the completion of the first review, this triggered a misreporting procedure (¶12 and Report on Noncomplying Disbursement).

¹⁰ The new 5 percent uniform discount rate to be used going forward from this review was not yet applicable to the program at the time of the contracting of these loans.

identified to increase the level of concessionality of the loans means that the objectives of the ECF-supported program can still be met.

- To strengthen debt management and prevent the recurrence of nonconcessional borrowing, the authorities instituted a joint-signatory authority for nonconcessional loans and loans with non-traditional partners by the Minister of Finance and the Minister of Planning. In addition, an inter-ministerial committee, including both ministers, the National Director of the BCEAO, and representatives of concerned departments has been established to follow and monitor all aspects of nonconcessional loans and loans with non-traditional partners (MEFP, ¶121). The committee is responsible for monitoring Niger's indebtedness policy, examining the financing terms of all loans negotiated with nontraditional partners, as well as all nonconcessional loans, and keeping all partners, including the IMF, equally informed at each stage of the indebtedness process. Staff is working with the authorities to ensure better synergy between the inter-ministerial committee and the National Committee for Public Debt Management.
- Parliament adopted a revised budget in line with the understanding reached with staff during a staff visit in August. Tax revenue collection was broadly on track but overspending in current expenditures, half of which related to security, combined with a temporary delay in the receipt of budgetary support from the World Bank and the European Union, resulted in the end-June performance criterion on domestic financing being missed. The criterion relative to contracting nonconcessional external debt continued to be missed. Additional measures were taken to address the stock of domestic arrears, and the end-June PC was met with a wide margin. Reflecting stepped-up efforts to increase revenue mobilization and better control of expenditure commitments, most indicative targets for end-September were close to the targets established under the program—the exception is the floor on spending on poverty reduction which has been missed by a small margin as the government has had to reorient spending to meet the emerging needs related to the regional security situation; however, the authorities indicated to staff that they intend to meet the full-year target.

13. **The authorities request waivers for the nonobservance of the performance criteria on net domestic financing of the government at end-December 2012 and at end-June 2013 and on domestic arrears at end-December 2012.** Staff supports authorities' requests for waivers given the corrective measures that have been taken. The authorities are also requesting waivers for the nonobservance of the performance criteria on nonconcessional debt at end-December 2012 and end-June 2013. Staff supports also waivers on these PC given the corrective actions being taken and that the objectives of the ECF-supported program can still be met.

14. **The structural reform agenda is being implemented, albeit with delay.** Some of the reforms constituting structural benchmarks through the end of 2013 have not been completed by the end of the year but are progressing. To establish a Treasury Single Account (TSA) the authorities have been working to identify inactive or irregular bank accounts, some of which have already been closed. Steps have also been taken to produce quarterly cash and commitment plans, and strengthen custom revenue collections (MEFP, ¶16). To ensure the profitability of an upcoming oil

pipeline project for the transportation of crude oil, the government has conducted an assessment of different alternatives to better inform its decision (prior action) (MEFP, ¶24).

Box. Niger: Developments in the Resource Sector

Over the past few years large projects have been underway to expand and develop Niger's uranium and oil sectors.

Uranium

Niger is currently the world's fourth largest uranium producer. Ongoing mining investments are expected to double uranium production over the next few years.

1. **Somair' and Cominak's contracts renegotiations.** Negotiations with the French investor (Areva) on the renewal of the 10-year contracts for the mines Somair (the biggest mine currently in production) and Cominak are ongoing. The previous contracts, scheduled to expire on December 31, 2013, have been extended for three months to give more time to the parties to reach an agreement.
2. **Imuraren mine.** The project is a joint venture with Areva. The state has a participation of 33.35 percent. The mine is expected to enter into production in 2016. With a maximum capacity of 5,000 tons per year, the mine will double current total production, making Niger the world's second largest uranium producer. Production was originally due to start in 2012 but it has been postponed several times.

Petroleum Products

Niger has become an oil producer only recently. A Production Sharing Agreement (PSA) for the exploitation of the Agadem Block was signed with a Chinese investor (China National Petroleum Corporation) in 2008. The PSA envisages two major projects: (i) establishing a refinery; and (ii) the construction of a transportation system for the export of crude oil. Some uncertainty surrounds the production capacity of the block. Initially, the fields' output was estimated at 20,000 b/d, or 1 million metric tons per year, for a life span of about 40 years, but estimates on reserves have been recently revised up.

3. **Refinery in Zinder (*Société de raffinage de Zinder, (SORAZ)*).** The state has a 40 percent share in this joint venture. The total cost of the project amounted to US\$980 million of which US\$100 million were disbursed at the beginning of the construction and US\$880 million were financed through a loan contracted by CNPC with Exim Bank of China and on-lent to Soraz. The state guarantees the repayment of 40 percent of the loan, which has a maturity of 11 years and carries an interest of Libor +3.5 percent. The refinery entered into production in November 2011. In 2012, a shortfall in production combined with the high costs of the loan repayment contributed to losses for the refinery equal to about US\$40 million. Since then, performance has improved and the refinery is expected to record a small surplus in 2013. Production is expected to reach full capacity in 2014. Negotiations to refinance the US\$880 million loan on concessional terms are at an advanced stage.
4. **Crude Oil Project.** As the Agadem field reserves have been significantly revised upwards and the refinery capacity is limited to 20,000 b/d, the government is currently embarking on a project for the export of crude oil. In the first quarter of 2014 the government conducted an assessment of different exportation projects (prior action). The construction of a pipeline is expected to start in the last quarter of the year after the launch of an international tender. The project is expected to enter into the production stage in 2016. Niger's participation in the project would take the form of a Public Private Partnership (PPP) with CNPC. The PPP terms have yet to be clarified.

POLICY DISCUSSIONS

15. **The program builds on the government's broad development strategy as elaborated in the Poverty Reduction Strategy Paper adopted in August 2012 ([Country Report No: 13/105](#)).**

Discussions focused on policies and reforms to enhance macroeconomic stability, improve the country's institutional capacities, and promote broad-based and sustainable economic growth. Priorities were given to: (i) macro-budgetary framework consistent with rebuilding fiscal buffers; (ii) maintaining the momentum in public financial management (PFM) and revenue collection reforms; (iii) enhancing natural resource management; (iv) ensuring debt sustainability and strengthening debt management; and (v) removing constraints to private sector growth.

A. Fiscal Policy

16. **The fiscal strategy aims at containing the basic fiscal deficit (excluding external grants and net lending) to around 3 percent of GDP in 2014 and moving gradually to zero basic balance over the medium term, consistent with the WAEMU criterion.** The agreed budgetary framework for 2014 is more conservative than the budget approved in Parliament in November: growth was revised down to 6.5 percent from 7.5 percent; and total revenues lowered by FCFA 216 billion (5.4 percent of GDP), an amount that represents exceptional, but highly uncertain, revenue that the authorities expect from the telecommunication sector.¹¹ Expenditure allocations were revised accordingly. The authorities agreed to introduce a revised budget to Parliament to reflect agreed modifications if at least FCFA 36 billion, corresponding to two-month collection of this expected revenue, fails to materialize by end-February 2014 (MEFP, ¶9-11).

- Under the agreed framework, total revenue is projected to rise by 1.2 percentage points of GDP to 18.3 percent of GDP, reflecting higher custom revenues and other tax revenues as a result of the adoption of the new VAT threshold and the implementation of tax audits.
- Total expenditure (excluding net lending) is projected to decrease by 2.5 percentage point of GDP to 26.5 percent, reflecting a decrease in capital expenditures that more than compensates higher current expenditures due to new recruitment of security forces and higher spending on social sectors (education and health).
- The 2014 budget reflects the FCFA 437.4 billion of the SORAZ project loan, whose finalization is still pending, contingent on the approval of the loan by the Chinese Ministry of Trade.

As a result, the 2014 overall fiscal deficit (commitment basis, including grants but excluding net lending) is projected at 2.6 percent of GDP.

¹¹ Revenue of about FCFA 40 billion from the telecommunication sector was expected at end-December 2013 but did not materialize.

17. **The authorities expressed their firm commitment to the ECF-supported program and are likely to receive significant support from donors in 2014.** External financing needs are projected at some FCFA 755.9 billion (excluding amortization and debt relief), which includes FCFA 229.8 billion grants and FCFA 547.5 billion loans (including the refinancing of the project loan to the refinery). For budget support, the authorities expect to receive FCFA 78 billion in grants and FCFA 42 billion in loans from donors (MEFP, ¶12).

18. **The authorities agreed on the need to ensure full transparency in the use of natural resource revenues.** Nonrenewable resources have started playing an important role in the Nigerien economy (Figure 4), and the authorities are aware of the challenges for formulating fiscal policy that takes into consideration the exhaustibility and price volatility of natural resources. Strengthening the fiscal framework would require adopting formally an adequate fiscal anchor to ensure a sound management of the country's nonrenewable resources. This will also help enhance the predictability of public spending over the medium term while taking into account commodity price volatility and capacity constraints that may adversely impact the efficiency of spending. Formulating such a fiscal anchor in the context of large expenditure pressures to close the infrastructure and social gaps remains a challenge for the authorities.

B. Financial Sector Reforms

19. **Despite the recent expansion of the banking sector, its contribution to the economy remains low.** Niger's bank assets increased by 24 percent in 2012, albeit from a very low base, while credit to the private sector amounted only to 14 percent of GDP and the deposit-to-GDP ratio was 11.8 percent, the lowest in the WAEMU region. The shallow banking system is even more pronounced in terms of bank services and access to credit: it is estimated that only 1.5 percent of the population has a bank account and access to credit remains limited to sectors dominated by large companies (e.g. extractive industries, telecommunication, transport).

20. **Financial sector reforms are ongoing.** The authorities' financial sector development strategy, elaborated with the assistance of the World Bank and other donors, provides a key framework for reforms in this area, focusing on small- and medium-sized enterprises and rural credit. However, protracted delays in the approval of the related decree, which establishes the body in charge of the supervision of the strategy, have prevented its implementation to date. The draft decree has been recently revised, and is expected to be approved promptly by the government. (MEFP, ¶127).

21. **Sector-wide prudential indicators have shown significant improvement between 2010—2012 but some deterioration is noticeable in recent months.** At end-June 2013, capital adequacy ratios continue to largely exceed the regulatory threshold of 8 percent and, although gross non-performing loans are high, banks are on average well provisioned and highly profitable (Table 12). However, some deterioration in capital adequacy and asset quality has emerged in 2013 that needs to be monitored. In addition, sector-wide indicators mask significant variations among banks: three banks, of which two have state participation, are currently undergoing restructuring. The authorities consider the continuation of activity of those banks to be critical to the economy

because of their size or of their areas of activity (MEFP, ¶128). Other pockets of risk stem from large exposures to individual borrowers and the supervision of regional banks needs to be strengthened.¹²

C. Other Structural Reforms

Public Financial Management and Tax Administration

22. **The authorities continue to take actions to further strengthen budget and cash-flow management and improve tax administration.** The authorities aim to limit expenditure through special procedures to a maximum of 5 percent of total expenditure; expedite procedures for the release of budget allocations—particularly for the investment budget—establish a budgetary committee to select priority expenditure items; establish a Treasury Single Account (TSA); and produce quarterly cash and commitment plans (MEFP, ¶15). Further measures to improve customs administration are expected by end-June 2014 (MEFP, ¶16).

23. **The authorities adopted a new tax code in January 2013 and took steps to reduce tax exemptions.** However, further effort is necessary to limit fiscal expenditures and apply new VAT thresholds and an expanded tax audit program to large- and small-medium-sized enterprises (MEFP, ¶17).

Natural Resources Management

24. **Several steps were taken to enhance oversight in the petroleum sector.** The authorities commissioned firms of international standing to conduct an audit of the costs of the upstream and downstream processes. The audits revealed (i) inflated and undocumented costs by the Chinese investor in the case of the upstream (Agadem Block); and (ii) reasonable costs but significant space to improve efficiency in the case of the downstream (refinery SORAZ) (MEFP, ¶122). These findings have been critical to give leverage to the Nigerien authorities in the negotiations for the refinancing of the US\$880 million SORAZ loan, an essential step to ensuring the viability of the refinery. The refinery audit that was completed in May 2013 helped also identify unjustified expenses which have thus been disallowed.

25. **The authorities consider that the role of the state-owned company, the Société Nigérienne des Produits Pétroliers (SONIDEP), is critical in the oil sector, however pricing policies need to be revised and stepped-up efforts are needed to enhance efficiency and**

¹² As Niger is a member of the West African Economic and Monetary Union (WAEMU), the Central Bank of West African States (BCEAO) is responsible for Niger's monetary policy management and the Banking Commission for its banking regulation and supervision. Recently, governance problems in the pan-African group Ecobank have prompted an investigation on governance practices by the Nigerian Security Exchange Commission and raised concern about the Board's ability to manage its own activities, monitor management, evaluate performance and oversee ethical behavior.

transparency.¹³ SONIDEP has a monopoly on the marketing and distribution of petroleum products. As a result of a 2012 agreement between the authorities and the foreign investor in the petroleum sector (CNPC), SONIDEP sells refined products below market prices on the domestic market. Domestic prices were further reduced in 2013. This rebate represents an implicit subsidy that entails reduced revenue for the state and endangers the viability of the refinery. In addition, it is critical to address SONIDEP's recurrent payment delays to the refinery as these complicate its cash management.

PROGRAM DESIGN

26. **Extension of the arrangement and rephasing of disbursements.** In view of the weak performance during the first part of the program and of delays in implementing the structural reform program, staff supports the authorities' request to extend the program until December 31, 2015 and to rephase the remaining purchases under the current arrangement (Table 11). This will provide the authorities with additional time to stabilize the economy and move ahead with their structural reform agenda.
27. **The fourth review of the ECF arrangement will be based on the established PCs and the structural benchmarks for end-December 2013. The fifth and sixth reviews will be based on the continuous PCs, and proposed end-June 2014 PCs and end-December 2014 PCs respectively (Tables 6-9).** Indicative targets and structural benchmarks are also proposed through end-December 2014. With the proposed extension of the program period, the tranches for the fourth and fifth reviews would be reduced to SDR 5.64 million (8.6 percent of quota).
28. **Niger's capacity to repay the IMF remains adequate (Table 10), but there are risks to program implementation.** The major risks concern the regional security situation and its continued spillover on Niger, rising debt burdens, weather-related shocks, and a fragile political consensus.
29. **In accordance with safeguards policy requirements for regional central banks, a quadrennial safeguards assessment of the Central Bank of West African States (BCEAO) was completed in December 2013.** The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to International Financial Reporting Standards (IFRS) implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure its adequacy.

¹³ The government has entrusted the state-owned company SONIDEP as the sole entity responsible for the commercialization of the refined petroleum products, of which one third is domestically marketed and the remainder exported in neighboring countries.

STAFF APPRAISAL

30. **Despite the regional security situation's spillovers and the negative climatic shocks, the Nigerien economy delivered positive growth in 2013 and the medium-term growth prospects look favorable.** Economic activity has been somewhat resilient, given the very challenging and unfavorable security and climatic environment. Continued efforts to increase the resilience of the economy to these shocks are important to ensure lasting improvements in development outcomes. Inflation remains contained. The major challenge remains to make growth more inclusive so as to reduce unemployment and poverty over the medium term in the presence of a strongly growing natural resource sector.

31. **Ensuring fiscal sustainability over the medium term, while addressing infrastructure and social spending needs, will require further strengthening of the fiscal framework.** The government's continued commitment to further strengthening revenue collection is critical, including through the full implementation of the ongoing initiatives to improve tax policy and administration, reform customs administration, and curtail exemptions. Further steps to enhance public financial management are underway, including through reducing exceptional spending, but additional efforts are needed to significantly strengthen cash management and planning to better manage the bunching of domestic debt payments toward the end of the year.

32. **Establishing strong institutions and policy frameworks to manage revenues related to extractive industries is a key priority.** The challenge for the fiscal framework is to strengthen the prudent management of natural resources, taking into account commodity price cycles and the need to ensure the efficiency of spending. The framework will also need to respond to the need to devote more resources for infrastructure and reduce social gaps over time to help curb unemployment and poverty. Continued efforts to enhance transparency in the sector are crucial.

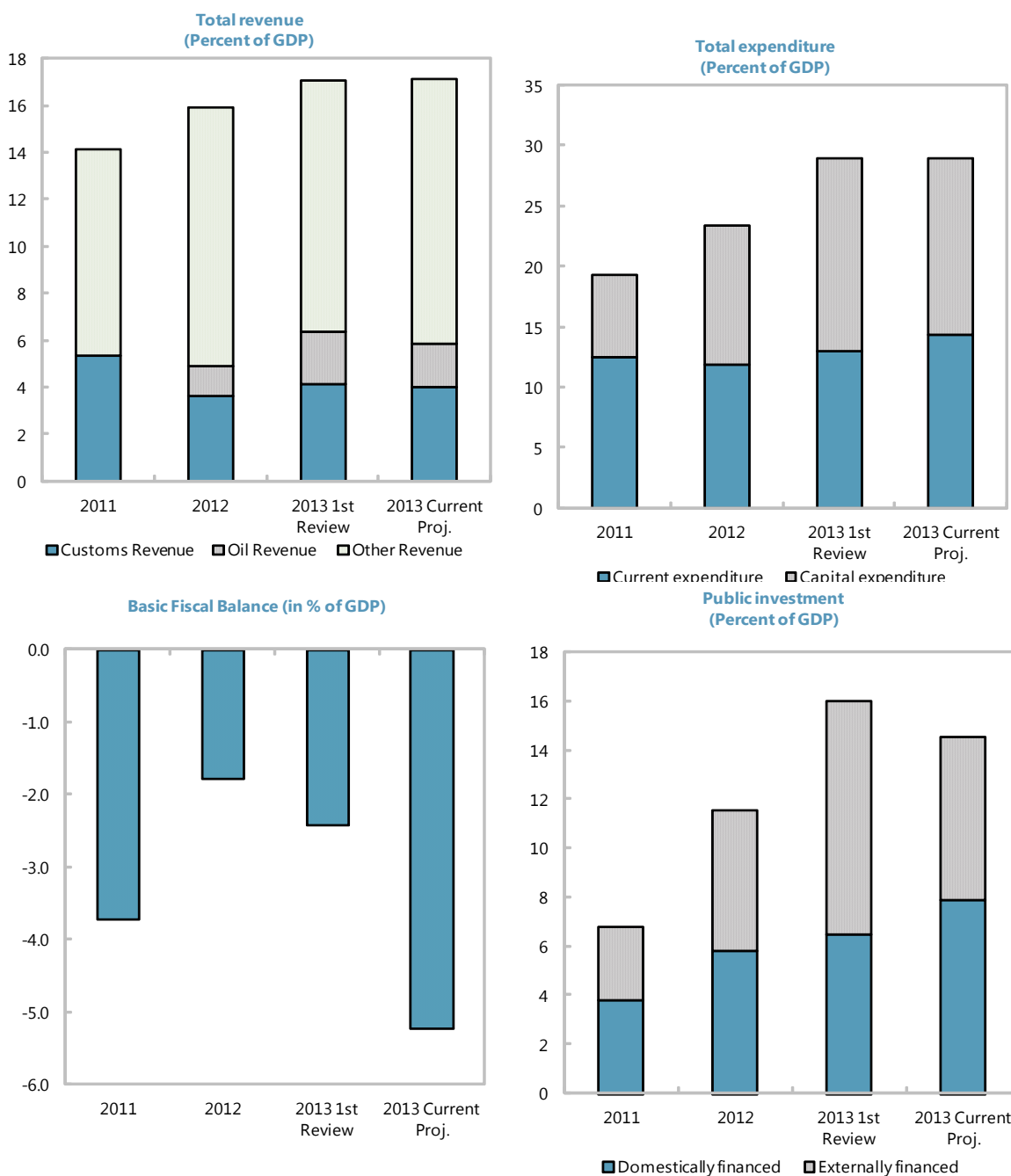
33. **Staff welcomes the authorities' commitment to implement the financial sector reform.** It encourages the government to approve swiftly the decree needed to implement the financial sector development strategy elaborated with the assistance of the World Bank and other donors.

34. **Given the increase of external borrowing, establishing sound debt management practices is fundamental.** Debt-financing investment spending should be scaled up cautiously, drawing on development partner support, in order to ensure value for money and to contain debt vulnerabilities. In this connection, recent institutional reforms to strengthen debt management are welcome steps that will help promote the efficiency of investment. Staff urges the authorities to urgently adopt a medium-term debt management strategy to guide its annual borrowing plan; this will be particularly important as Niger considers to float another regional bond in 2014. Investment spending should be closely aligned to the implementation of the Poverty Reduction Strategy.

35. **Given corrective actions taken by the authorities and stepped-up efforts that brought the program back on track, staff recommends the completion of the second and third reviews.** Based on the corrective actions that have been taken, staff supports the waivers for the

nonobservance of the performance criteria on net domestic financing and domestic arrears at end-December 2012, and on domestic financing at end-June 2013. Given the corrective measures being taken by the authorities, and that the program's objectives can still be met, staff also supports the authorities' request for waivers on the nonobservance of the continuous performance criterion on the non-contracting of nonconcessional debt, and the disbursement of the third and fourth tranches under the arrangement for a total amount of SDR 22.56 million.

Figure 1. Niger: Fiscal Developments, 2011–2013



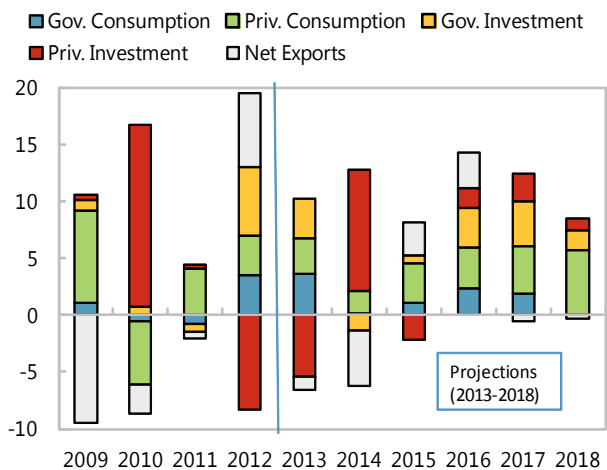
Sources: Nigerien authorities; and IMF staff calculations.

1/ Capital expenditure excludes net lending related to the SORAZ loan in 2013 IMF staff report projections.

Figure 2. Niger: Recent Economic Developments

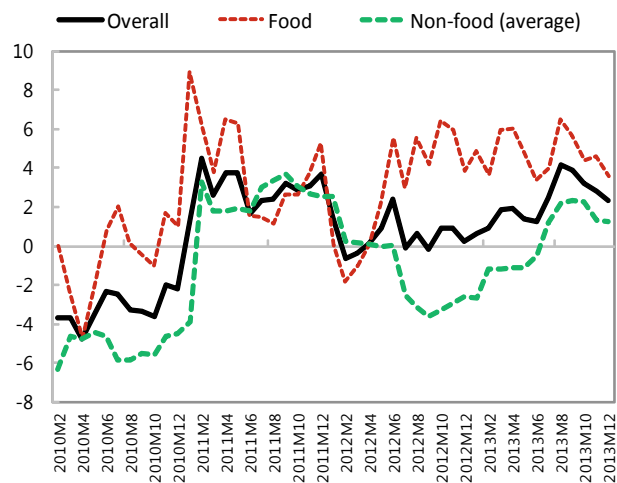
Contribution to real GDP growth

(percent change YoY)



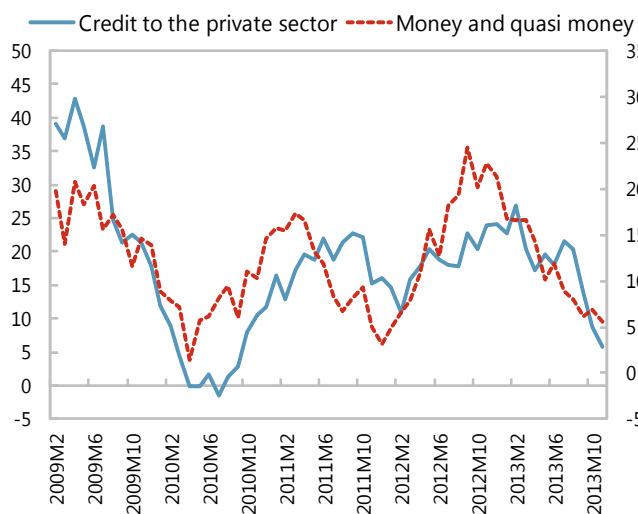
Inflation

(percent change YoY)



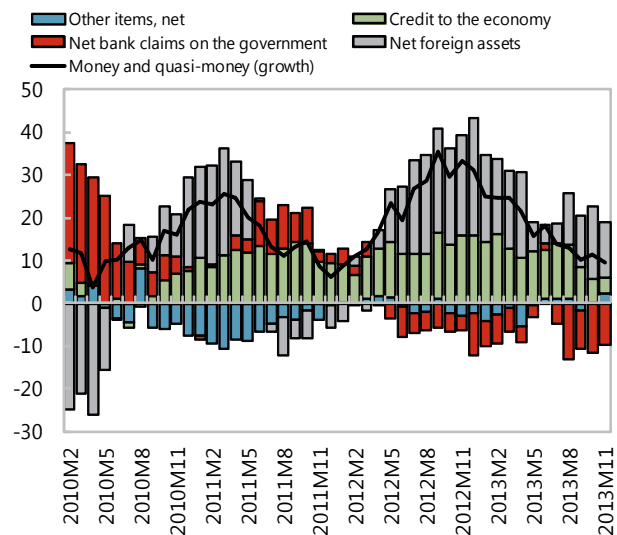
Credit and money growth

(Y-O-Y percent change)



Contribution to broad money growth

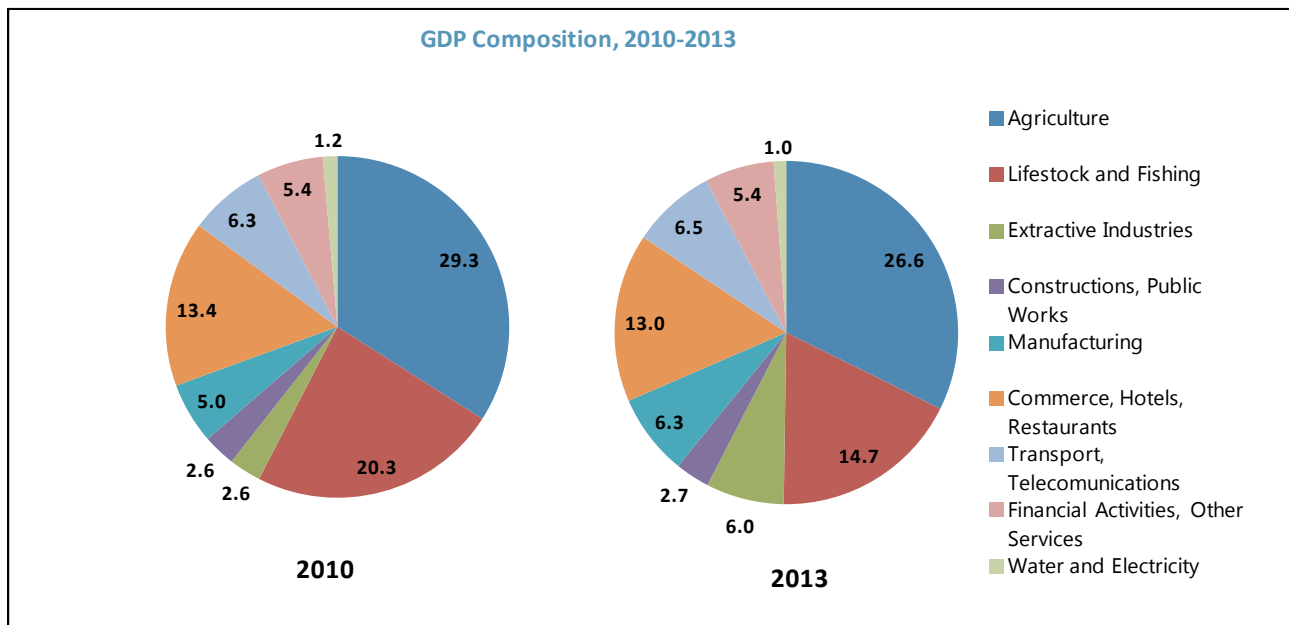
(Percentage points)



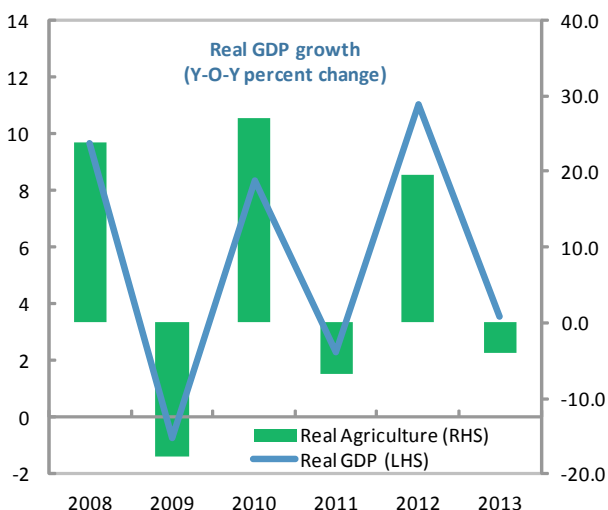
Sources: Nigerien authorities; and IMF staff calculations.

Figure 3. Niger: GDP Composition and Output Volatility

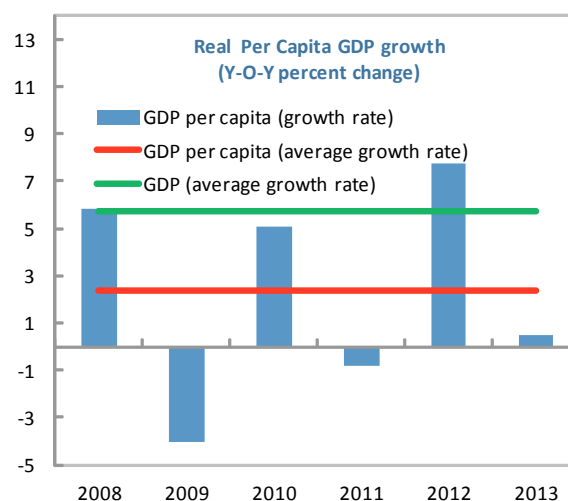
The contribution of extractive industries to GDP is rapidly increasing but the shares of agriculture and livestock are still dominant



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

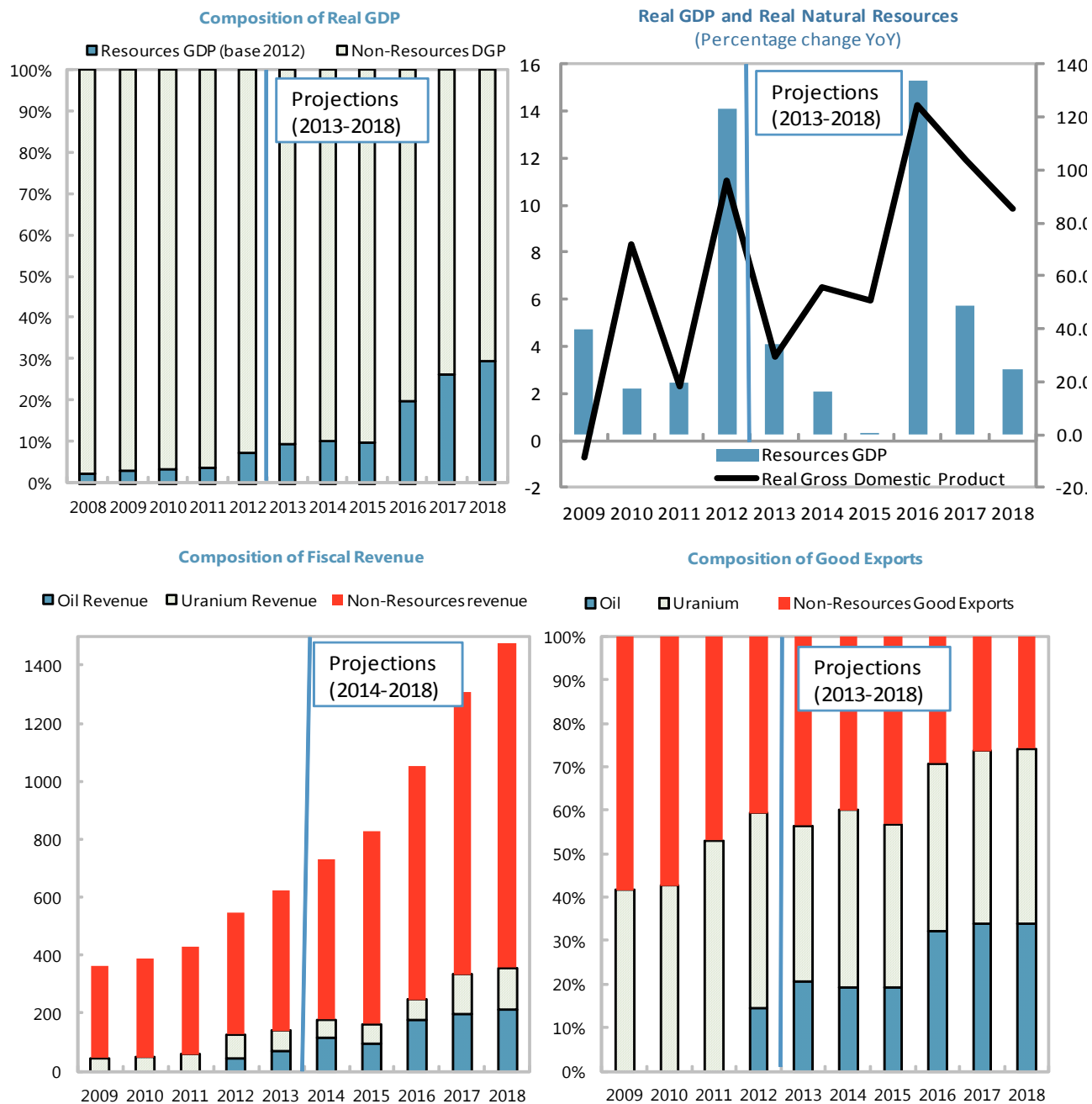


Per capita GDP is also highly volatile and, due to high population growth, it is on average inferior to real GDP growth



Sources: Nigerien authorities; and IMF staff calculations.

Figure 4. Niger: Contribution of the Natural Resources Sector to the Economy



Sources: Nigerien authorities; and IMF staff calculations.

Table 1. Niger: Selected Economic and Financial Indicators, 2011–18

	2011	2012	2013	2013	2014	2015	2016	2017	2018
		Prel.	1 st review			Projections			
(Annual percentage change, unless otherwise indicated)									
National income and prices									
GDP at constant prices	2.3	11.1	6.2	3.6	6.5	5.9	14.3	11.9	9.8
Non-resources GDP at constant prices	1.7	9.3	5.6	1.5	5.9	6.3	6.3	6.5	6.8
Oil production (thousand barrels per day)	...	13	...	18	20	20	50	60	65
GDP deflator	4.5	3.1	1.6	2.2	2.9	2.4	2.4	1.7	1.7
Consumer price index									
Annual average	2.9	0.5	1.7	2.3	2.5	2.1	2.0	1.5	1.8
End-of-period	1.4	0.7	1.6	1.1	2.6	1.2	1.0	1.5	2.0
External sector									
Exports, f.o.b. (CFA francs)	5.1	27.7	8.2	2.2	4.8	0.5	41.0	2.6	4.2
Of which: non-uranium exports	-13.9	49.2	25.4	18.8	-3.3	6.1	38.6	0.7	3.1
Imports, f.o.b. (CFA francs)	6.3	-4.6	7.2	7.7	19.3	-5.2	8.1	-2.3	1.9
Export volume	-8.5	17.0	17.9	10.9	9.9	5.6	43.0	5.0	6.2
Import volume	28.0	-5.0	9.3	2.5	5.1	2.0	-0.6	-2.7	1.2
Terms of trade (deterioration -)	28.4	-4.0	-6.7	-8.2	-0.6	-5.5	-1.2	-2.7	-2.6
Government finances									
Total revenue	11.2	26.7	15.4	14.7	17.3	12.7	27.4	24.5	12.7
Total expenditure and net lending ¹	8.3	26.4	72.5	31.7	42.7	-24.5	22.5	21.4	12.2
Of which: current expenditure	4.0	6.3	13.2	29.6	8.8	6.7	15.1	12.6	11.4
Of which: capital expenditure	-5.4	91.3	30.0	33.9	-6.8	6.6	31.1	30.4	12.9
(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)									
Money and credit									
Domestic credit	11.7	5.9	7.5	0.6	4.1	7.2	13.2	11.7	7.0
Credit to the government (net)	2.1	-10.0	0.5	-3.5	-6.1	-2.4	-1.7	-1.4	-6.0
Credit to the economy	9.6	15.9	7.0	4.1	10.2	9.6	14.8	13.1	13.0
Net domestic assets	11.3	3.8	8.4	2.3	4.0	7.3	13.1	11.8	7.0
Broad money (percent)	6.2	31.2	11.3	11.8	8.0	10.9	17.3	15.9	11.0
Velocity of broad money (ratio)	4.9	4.3	4.2	4.1	4.1	4.0	4.0	4.0	4.0
(Percent of GDP, unless otherwise indicated)									
Government finances									
Total revenue	14.2	15.9	17.1	17.1	18.3	19.0	20.6	22.6	22.8
Total expenditure and net lending ¹	20.9	23.4	41.0	29.0	37.5	26.1	27.3	29.2	29.3
Current expenditure	12.6	11.9	13.0	14.4	14.3	14.0	13.8	13.6	13.6
Capital expenditure	6.8	11.5	16.0	14.5	12.3	12.1	13.5	15.5	15.7
Basic balance (excluding grants) ^{1,2}	-3.7	-1.8	-14.4	-5.2	-13.8	-1.2	-0.8	-0.6	-0.6
Overall balance (commitment basis, including grants) ¹	-3.0	-1.2	-16.3	-5.6	-13.5	-2.1	-1.6	-1.6	-1.7
Gross investment	43.9	37.4	37.7	34.2	40.8	36.5	36.3	38.0	37.0
Of which: non-government investment	37.1	25.8	21.7	19.7	28.5	24.4	22.7	22.5	21.4
government	6.8	11.5	16.0	14.5	12.3	12.1	13.5	15.5	15.7
Gross national savings	21.6	22.0	18.8	17.0	19.0	18.8	21.6	24.0	24.3
Of which: non-government	17.4	15.2	12.8	12.8	13.0	12.6	13.5	14.0	14.2
Domestic savings	17.0	19.0	17.6	15.4	18.5	18.5	23.3	25.9	25.7
External current account balance									
Excluding official grants	-24.9	-18.4	-22.2	-19.4	-23.0	-19.2	-16.2	-15.3	-14.1
External current account balance (including grants)	-22.3	-15.4	-18.9	-17.2	-21.8	-17.7	-14.7	-14.0	-12.8
Debt-service ratio as percent of:									
Exports of goods and services	3.2	3.4	3.9	3.2	5.2	5.4	3.7	3.6	3.2
Government revenue	4.7	5.2	5.9	4.4	6.3	5.8	4.4	3.5	2.9
Public and publicly guaranteed external debt	22.1	30.2	34.4	29.6	39.7	37.8	33.5	31.4	30.1
NPV of external debt	25.2	26.1	...	25.3	24.1	23.8	21.9	20.3	17.9
Foreign aid	6.7	8.9	24.6	9.3	19.4	7.5	7.4	7.3	7.0
(Billions of CFA francs)									
GDP at current market prices	3,026	3,414	3,619	3,635	4,005	4,345	5,083	5,786	6,462

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

¹ In 2014, this includes a new project loan of CFAF 437.4 billion (10.9 percent of GDP) to refinance the loan for the construction of the refinery Soraz. The new loan was initially expected to be signed in 2013 but it has been delayed to 2014. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery.

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

Table 2. Niger: Financial Operations of the Central Government, 2011–18
(Billions of CFA francs)

	2011	2012	2013	2013	2014	2015	2016	2017	2018
		Prel.	1 st review			Projections			
(Billions of CFA francs)									
Total revenue	428.8	543.0	617.8	623.0	731.0	823.7	1049.6	1306.3	1472.0
Tax revenue	399.9	495.7	550.3	557.3	680.7	766.4	969.7	1205.7	1352.7
Nontax revenue	19.4	43.7	62.1	60.7	45.7	51.1	72.8	92.8	110.2
Special Accounts revenue	9.5	3.6	5.3	5.0	4.6	6.2	7.2	7.8	9.1
Total expenditure and net lending	632.5	799.2	1484.6	1052.6	1502.3	1134.0	1389.2	1686.7	1891.9
<i>Of which: domestically financed</i>	541.0	603.6	1139.9	813.0	1282.6	875.4	1088.6	1342.2	1511.4
Total current expenditure	381.0	405.0	470.0	524.8	571.1	609.1	701.1	789.6	879.3
Budgetary expenditure	356.3	391.6	455.3	510.2	571.1	609.1	701.1	789.6	879.3
Wages and salaries	134.6	155.2	160.4	188.2	207.1	220.4	257.1	294.6	329.5
Materials and supplies	115.4	80.4	92.0	113.4	121.4	132.1	150.1	165.3	186.0
Other current expenditure	96.8	149.6	184.6	196.5	218.5	233.4	271.4	307.6	342.2
Interest	10.2	10.9	18.3	11.5	24.0	23.3	22.6	22.1	21.5
<i>Of which: external debt</i>	6.9	6.9	15.4	8.4	20.0	19.2	18.4	17.9	17.3
Adjustments and fiscal expenditure	-0.7	-4.6	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure ¹	24.6	13.4	14.7	14.6	0.0	0.0	0.0	0.0	0.0
Capital expenditure and net lending	251.5	394.2	1014.6	527.8	931.2	524.9	688.0	897.1	1012.6
Capital expenditure	206.0	394.2	579.0	527.8	492.2	524.9	688.0	897.1	1012.6
Domestically financed	114.5	198.6	234.3	288.2	272.4	266.2	387.4	552.6	632.1
Externally financed	91.5	195.6	344.7	239.6	219.7	258.7	300.6	344.5	380.5
<i>Of which: grants</i>	57.0	123.4	211.9	173.6	151.6	169.8	197.0	229.0	252.3
loans	34.5	72.2	132.8	66.0	68.1	88.9	103.6	115.5	128.2
Net lending ²	45.5	0.0	435.6	0.0	439.1	0.0	0.0	0.0	0.0
Overall balance (commitment)	-203.7	-256.2	-866.8	-429.6	-771.3	-310.3	-339.6	-380.4	-419.9
Basic balance ³	-112.2	-60.6	-522.1	-190.0	-551.5	-51.7	-39.0	-35.9	-39.4
Change in payments arrears and float	-1.9	8.8	-5.0	94.5	-5.0	-10.0	-10.0	-5.3	0.0
Overall balance (cash)	-205.7	-247.3	-871.8	-335.1	-776.3	-320.3	-349.6	-385.7	-419.9
Financing	205.7	247.3	871.9	335.1	776.3	320.3	349.6	385.7	419.9
External financing	195.9	289.5	875.8	322.8	755.9	301.3	353.4	401.2	434.9
Grants	113.5	216.5	278.2	227.5	229.8	220.7	257.9	289.0	307.3
<i>Of which: Project financing</i>	57.0	123.4	211.9	173.6	151.6	169.8	197.0	229.0	252.3
Loans	90.6	88.6	612.1	109.5	547.5	103.9	118.6	135.5	148.2
<i>Of which: budget financing</i>	10.6	16.4	43.8	43.5	42.0	15.0	15.0	20.0	20.0
Amortization	-10.1	-17.9	-17.6	-14.6	-21.5	-23.3	-23.1	-23.4	-20.6
Debt relief (incl. debt under discussion)	1.9	2.4	3.0	0.4	0.0	0.0	0.0	0.0	0.0
Domestic financing	9.8	-42.2	-3.9	12.4	20.4	19.1	-3.8	-15.5	-15.0
Banking sector	23.7	-42.7	-0.6	-31.5	-1.3	4.1	-13.8	-20.5	-20.0
IMF	-2.3	5.3	21.4	4.3	19.8	11.0	-3.6	-3.5	-5.0
Statutory advances	2.2	-4.1	-7.1	-7.1	-7.5	-6.9	-5.2	-7.0	-5.0
Deposits with BCEAO	18.5	-44.1	-15.0	-29.4	-13.6	-5.0	-5.0	-10.0	-10.0
Government securities net	5.3	0.2	0.0	0.7	0.0	5.0	0.0	0.0	0.0
Nonbanking sector	-13.8	0.5	-3.3	43.8	21.7	15.0	10.0	5.0	5.0
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>									
Overall balance (commitment basis, including grants)	-90.2	-39.6	-588.7	-202.1	-541.5	-89.6	-81.7	-91.4	-112.6
Natural resources revenue	55.4	126.1	150.2	137.7	177.0	160.4	246.6	333.1	356.3
<i>Of which: oil revenue</i>	...	45.9	79.0	66.5	112.0	95.4	175.1	198.0	211.7
<i>Of which: uranium revenue</i>	55.4	81.2	71.2	71.2	65.0	65.0	71.5	135.1	144.6
Non-natural resources revenue	373.3	416.9	467.6	485.3	554.0	663.3	803.0	973.2	1115.8

Sources: Nigerien authorities; and IMF staff estimates.

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

² In 2014, this includes a new project loan of 437.4 billion CFA francs (10.9 percent of GDP) to refinance the loan for the construction of the refinery Soraz. The new loan was initially expected to be signed in 2013 but it has been delayed to 2014. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery.

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

Table 3. Niger: Financial Operations of the Central Government, 2011–18
(Percent of GDP)

	2011	2012	2013	2013	2014	2015	2016	2017	2018	
		Prel.	1 st review			Projections				
	(Percent of GDP)									
Total revenue	14.2	15.9	17.1	17.1	18.3	19.2	21.1	23.1	23.8	
Tax revenue	13.2	14.5	15.2	15.3	17.0	17.9	19.5	21.3	21.4	
Nontax revenue	0.6	1.3	1.7	1.7	1.1	1.2	1.5	1.6	1.7	
Special Accounts Revenue	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Total expenditure and net lending	20.9	23.4	41.0	29.0	37.5	26.5	27.9	29.8	29.9	
<i>Of which:</i> domestically financed	17.9	17.7	31.5	22.4	32.0	20.5	21.9	23.7	23.9	
Total current expenditure	12.6	11.9	13.0	14.4	14.3	14.2	14.1	13.9	13.9	
Budgetary expenditure	11.8	11.5	12.6	14.0	14.3	14.2	14.1	13.9	13.9	
Wages and salaries	4.4	4.5	4.4	5.2	5.2	5.2	5.2	5.2	5.2	
Materials and supplies	3.8	2.4	2.5	3.1	3.0	3.1	3.0	2.9	2.9	
Other current expenditure	3.2	4.4	5.1	5.4	5.5	5.5	5.5	5.4	5.4	
Interest	0.3	0.3	0.5	0.3	0.6	0.5	0.5	0.4	0.3	
<i>Of which:</i> external debt	0.2	0.2	0.4	0.2	0.5	0.4	0.4	0.3	0.3	
Adjustments and fiscal expenditure	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Special accounts expenditure ¹	0.8	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	
Capital expenditure and net lending	8.3	11.5	28.0	14.5	23.3	12.3	13.8	15.8	16.0	
Capital expenditure	6.8	11.5	16.0	14.5	12.3	12.3	13.8	15.8	16.0	
Domestically financed	3.8	5.8	6.5	7.9	6.8	6.2	7.8	9.8	10.0	
Externally financed	3.0	5.7	9.5	6.6	5.5	6.0	6.0	6.1	6.0	
<i>Of which:</i> grants	1.9	3.6	5.9	4.8	3.8	4.0	4.0	4.0	4.0	
loans	1.1	2.1	3.7	1.8	1.7	2.1	2.1	2.0	2.0	
Net lending ²	1.5	0.0	12.0	0.0	11.0	0.0	0.0	0.0	0.0	
Overall balance (commitment)	-6.7	-7.5	-24.0	-11.8	-19.3	-7.3	-6.8	-6.7	-6.6	
Basic balance ³	-3.7	-1.8	-14.4	-5.2	-13.8	-1.2	-0.8	-0.6	-0.6	
Change in payments arrears and float	-0.1	0.3	-0.1	2.6	-0.1	-0.2	-0.2	-0.1	0.0	
Overall balance (cash)	-6.8	-7.2	-24.1	-9.2	-19.4	-7.5	-7.0	-6.8	-6.6	
Financing	6.8	7.2	24.1	9.2	19.4	7.5	7.0	6.8	6.6	
External financing	6.5	8.5	24.2	8.9	18.9	7.0	7.1	7.1	6.9	
Grants	3.8	6.3	7.7	6.3	5.7	5.2	5.2	5.1	4.9	
Loans	3.0	2.6	16.9	3.0	13.7	2.4	2.4	2.4	2.3	
Amortization	-0.3	-0.5	-0.5	-0.4	-0.5	-0.5	-0.5	-0.4	-0.3	
Debt relief (incl. debt under discussion)	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	
Domestic financing	0.3	-1.2	-0.1	0.3	0.5	0.4	-0.1	-0.3	-0.2	
Banking sector	0.8	-1.3	0.0	-0.9	0.0	0.1	-0.3	-0.4	-0.3	
IMF	-0.1	0.2	0.6	0.1	0.5	0.3	-0.1	-0.1	-0.1	
Statutory advances	0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	
Deposits with BCEAO	0.6	-1.3	-0.4	-0.8	-0.3	-0.1	-0.1	-0.2	-0.2	
Government securities net	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	
Nonbanking sector	-0.5	0.0	-0.1	1.2	0.5	0.4	0.2	0.1	0.1	
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<i>Memorandum items:</i>										
Overall balance (commitment basis, including grants)	-3.0	-1.2	-16.3	-5.6	-13.5	-2.1	-1.6	-1.6	-1.8	
Natural resources revenue	1.8	3.7	4.2	3.8	4.4	3.7	5.0	5.9	5.6	
<i>Of which:</i> oil revenue	...	1.3	2.2	1.8	2.8	2.2	3.5	3.5	3.3	
<i>Of which:</i> uranium revenue	1.8	2.4	2.0	2.0	1.6	1.5	1.4	2.4	2.3	
Non-natural resources revenue	12.3	12.2	2.0	13.4	13.8	15.5	16.1	17.2	17.6	

Sources: Nigerien authorities; and IMF staff estimates.

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

² In 2014, this includes a new project loan of 437.4 billion CFAF (10.9 percent of GDP) to refinance the loan for the construction of the refinery Soraz. The new loan was initially expected to be signed in 2013 but it has been delayed to 2014. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The

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

Table 4. Niger: Monetary Survey, 2011–18

	2011	2012	2013	2014	2015	2016	2017	2018
		Prel.			Projections			
(Billions of CFA francs)								
Net foreign assets	263.5	431.4	507.4	543.5	578.1	623.7	675.4	733.0
BCEAO	265.2	419.8	448.4	483.3	518.3	562.0	612.2	669.0
Commercial banks	-1.7	11.6	72.3	60.2	59.8	61.8	63.2	64.0
Net domestic assets	348.1	371.2	389.6	425.4	496.0	636.5	785.2	886.0
Domestic credit	418.8	454.9	459.6	496.1	566.0	707.5	855.2	956.0
Net bank claims on government	16.2	-45.1	-73.4	-128.2	-151.2	-168.9	-186.7	-274.0
BCEAO	50.6	7.7	-29.2	-30.6	-28.0	-38.4	-55.3	-75.0
Claims	91.4	92.6	86.4	98.7	106.3	100.9	94.0	84.0
Of which: statutory advances	25.9	22.9	15.8	8.3	4.9	3.1	-0.4	-5.0
Deposits	40.8	84.9	115.6	129.3	134.2	139.3	149.3	159.0
Commercial banks	-36.2	-56.1	-47.5	-51.5	-54.5	-52.2	-50.0	-47.0
Other	1.8	3.3	3.3	3.3	3.3	3.3	3.3	3.0
Credit to the economy	402.6	500.0	533.0	624.3	717.1	876.4	1041.9	1231.0
Other items, net	-70.7	-83.7	-70.0	-70.7	-70.0	-71.0	-70.0	-70.0
Money and quasi-money	611.6	802.5	896.9	968.9	1074.1	1260.3	1460.6	1620.0
Currency outside banks	269.9	345.2	395.0	444.4	453.3	466.9	480.9	490.0
Deposits with banks	341.3	456.9	501.9	524.5	620.8	793.4	979.7	1130.0
(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)								
Net foreign assets	-5.1	27.5	9.5	4.0	3.6	4.3	4.1	4.0
BCEAO	-4.8	25.3	8.1	4.0	3.6	4.3	4.1	4.0
Commercial banks	-0.3	2.2	7.6	-1.4	0.0	0.2	0.1	0.0
Net domestic assets	11.3	3.8	2.3	4.0	7.3	13.1	11.8	7.0
Domestic credit	11.7	5.9	0.6	4.1	7.2	13.2	11.7	7.0
Net bank claims on the government	2.1	-10.0	-3.5	-6.1	-2.4	-1.7	-1.4	-6.0
BCEAO	2.5	-7.0	-4.6	-0.2	0.3	-1.0	-1.3	-1.0
Of which: statutory advances	-0.2	-0.5	-0.9	-0.8	-0.4	-0.2	-0.3	-0.0
Commercial banks	-0.5	-3.2	1.1	-0.4	-0.3	0.2	0.2	0.0
Other	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	9.6	15.9	4.1	10.2	9.6	14.8	13.1	13.0
Other items, net	-0.4	-2.1	1.7	-0.1	0.1	-0.1	0.1	0.0
Broad money	6.2	31.2	11.8	8.0	10.9	17.3	15.9	11.0
<i>Memorandum items:</i>								
Velocity of broad money (Ratio)	4.9	4.3	4.1	4.1	4.0	3.9	3.9	3.8
Credit to the economy (Change, in percent)	16.0	24.2	6.6	17.1	14.9	22.2	18.9	18.0
(Percent of GDP)	13.3	14.6	14.7	15.6	16.8	17.6	18.4	19.0
(Percent of non-agricultural GDP)	16.2	18.1	17.7	18.7	20.1	20.8	21.6	22.0

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Balance of Payments, 2011–18

	2011	2012	2013	2013	2014	2015	2016	2017	2018
		Prel.	1 st review			Projections			
(Billions of CFA francs; unless otherwise indicated)									
Current account balance	-675.2	-525.4	-685.5	-624.2	-872.2	-770.2	-745.6	-809.8	-821.1
Balance on goods, services, and income	-837.1	-693.0	-849.7	-770.3	-991.0	-907.7	-907.3	-984.5	-1011.1
Balance on goods	-435.0	-221.9	-323.6	-281.3	-448.9	-378.8	-138.7	-78.7	-51.1
Exports, f.o.b	599.5	765.3	852.6	781.9	819.7	823.9	1161.6	1191.5	1241.1
Uranium	317.1	343.9	290.4	281.1	335.5	310.1	449.2	474.0	501.1
Oil	0.0	108.8	177.4	159.2	156.1	156.4	370.5	401.2	411.1
Other products	282.4	312.6	384.8	341.7	328.1	357.5	341.9	316.3	321.1
Imports, f.o.b	1034.5	987.2	1176.3	1063.2	1268.6	1202.7	1300.3	1270.1	1291.1
Food products	182.9	226.5	228.8	244.3	222.0	233.1	243.4	254.2	271.1
Petroleum products	130.0	32.1	15.1	15.9	48.1	15.0	16.3	16.0	11.1
Capital goods	344.2	424.0	426.4	493.5	509.1	514.4	504.8	463.9	441.1
Other products	567.9	544.6	505.9	485.4	509.2	540.2	535.7	536.1	561.1
Services and income (net)	-402.1	-471.1	-526.1	-489.0	-542.0	-528.9	-768.6	-905.8	-961.1
Services (net)	-378.0	-404.3	-402.9	-403.8	-440.5	-400.6	-519.6	-617.8	-671.1
Income (net)	-24.1	-66.8	-123.2	-85.2	-101.5	-128.4	-249.0	-288.0	-291.1
Of which: interest on external public debt	-6.9	-6.9	-15.4	-8.4	-20.0	-19.2	-18.4	-17.9	-11.1
Unrequited current transfers (net)	161.9	167.6	164.3	146.1	118.8	137.6	161.7	174.7	191.1
Private (net)	82.9	64.2	46.5	66.3	69.0	73.7	85.7	97.6	101.1
Public (net)	79.0	103.4	117.8	79.8	49.8	63.8	76.0	77.1	89.1
Of which: grants for budgetary assistance	56.5	93.1	66.3	53.9	78.2	50.9	60.9	60.0	51.1
Capital and financial account	652.4	693.2	708.9	700.2	908.3	804.7	791.3	861.4	881.1
Capital account	68.6	139.3	232.9	185.4	169.7	189.1	219.5	254.6	281.1
Private capital transfers	14.7	15.9	18.0	16.4	18.1	19.3	22.4	25.6	21.1
Project grants	57.2	123.4	211.9	173.6	151.6	169.8	197.0	229.0	259.1
Food Aid		0.0	8.0	8.0	5.0	5.0	5.0	5.0	1.1
Nonproduced, nonfinancial assets	-3.3	0.0	0.0	-4.6	0.0	0.0	0.0	0.0	0.1
Debt cancellation	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.1
Financial account	583.8	553.9	476.0	514.8	738.6	615.6	571.8	606.9	600.1
Direct investment ¹	498.8	428.5	-153.9	367.5	197.7	489.0	428.1	449.2	431.1
Portfolio investment	8.7	4.8	4.9	16.3	18.0	19.2	16.3	13.6	11.1
Other investment	76.3	120.6	625.1	131.0	523.0	107.5	127.4	144.0	159.1
Public sector (net)	80.5	70.6	594.6	94.8	526.1	80.6	95.5	112.2	121.1
Disbursements	90.6	88.6	612.1	109.5	547.5	103.9	118.6	135.5	141.1
Loans for budgetary assistance	10.6	16.4	43.8	43.5	42.0	15.0	15.0	20.0	21.1
Project loans ¹	80.0	72.2	568.4	66.0	505.5	88.9	103.6	115.5	121.1
Amortization	10.1	17.9	17.6	14.6	21.5	23.3	23.1	23.4	21.1
Other (net)	-4.2	50.0	30.5	36.2	-3.1	26.9	31.9	31.9	31.1
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Overall balance	-22.8	167.8	23.4	76.0	36.1	34.6	45.7	51.6	51.1
Financing	22.8	-167.8	-23.4	-76.0	-36.1	-34.6	-45.7	-51.6	-51.1
Net foreign assets (BCEAO)	20.9	-170.2	-26.4	-76.4	-36.1	-34.6	-45.7	-51.6	-51.1
Of which: net use of Fund resources	-2.3	5.3	21.4	4.3	19.8	11.0	-3.6	-3.5	0.1
Rescheduling obtained	1.9	2.4	3.0	0.4	0.0	0.0	0.0	0.0	0.1
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<i>Memorandum items:</i>									
Current account (in percent of GDP)	-22.3	-15.4	-18.9	-17.2	-21.8	-18.0	-15.0	-14.3	-11.1
Current account (excluding grants; in percent of GDP)	-24.9	-18.4	-22.2	-19.4	-23.0	-19.5	-16.5	-15.7	-14.1
Trade balance (in percent of GDP)	-14.4	-6.5	-8.9	-7.7	-11.2	-8.9	-2.8	-1.4	-0.1
Overall balance (in percent of GDP)	-0.8	4.9	0.6	2.1	0.9	0.8	0.9	0.9	0.1
Net foreign assets (months of imports)	2.2	3.5	2.8	3.8	3.5	4.0	3.8	4.0	3.1
WAEMU pooled gross international reserves (in CFAF billions)	7,293.5	7,051.0	6,945.2	6,886.0	...	...	...	...	...
In percent of next year's months of imports of goods and services	5.9	5.0	4.9	4.7	...	...	...	...	...
GDP (in CFAF billions)	3,026	3,414	3,619	3,635	4,005	4,279	4,975	5,663	6,311

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

¹ In 2014, this includes a new project loan of 437.4 billion CFAF (10.9 percent of GDP) to refinance the loan for the construction of the refinery Soraz. The new loan was initially expected to be signed in 2013 but it has been delayed to 2014. The loan had previously been contracted by the refinery directly and partly guaranteed by the government. The government will on-lend it to the refinery. Projections of FDI for 2014-15 are based on the construction of a pipeline expected to come on stream in 2016.

Table 6. Niger: Quantitative Performance Criteria and Indicative Targets, (Dec. 2012–Dec. 2013)

(Billions CFA Francs)

	End-December 2012			End-March 2013			End-June 2013			End-September 2013			End-December 2013
	Performance Criteria			Indicative Targets			Performance Criteria			Indicative Targets			Performance Criteria
	Program	Actual	Status	1st Review	Actual	Status	1st Review	Actual	Status	1st Review	Preliminary	Status	1st Review
A. Quantitative performance criteria and indicative targets (cumulative for each fiscal year)													
Net Domestic Financing of the Government ¹	-45,0	-47,5		0,0	53,7		-19,0	49,9		-24,7	1,0		-25,4
Adjusted criteria ²	-60,0	-47,5	Not Met	-5,1	53,7	Not Met	-4,0	49,9	Not Met	-9,7	1,0	Not Met	-10,4
Reduction in domestic payment arrears of government obligations ³	-10,0	8,8	Not Met	-1,3	-23,5	Met	-2,5	-27,8	Met	-3,8	-34,9	Met	-5,0
Memorandum item:													
External budgetary assistance ⁴													
Budget support	79,2	109,5		9,9	15,0		66,2	15,0		86,9	63,8		110,1
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	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	0,0	Met	0,0
New nonconcessional external debt contracted or guaranteed													
by the government and public enterprises with maturities of 1 year or more ⁶	0,0	8,0	Not Met	0,0	8,0	Not Met	0,0	8,0	Not Met	0,0	8,0	Not Met	0,0
C. Indicative Targets (cumulative for each fiscal year)													
Basic budget balance (commitment basis, excl. grants) ⁷	-23,6	-60,6	Not Met	-12,1	-42,4	Not Met	-44,5	-36,5	Met	-54,7	-52,6	Met	-522,1
Total revenue ⁸	606,0	543,0	Not Met	125,7	115,3	Not Met	280,5	272,6	Not Met	439,7	451,8	Met	617,8
Spending on poverty reduction ⁸	335,2	338,8	Met	72,0	51,3	Not Met	170,3	162,1	Not Met	259,2	250,9	Not Met	366,6

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

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

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

³ Minimum.

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

⁵ Excluding ordinary credit for imports or debt relief.

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

⁷ Minimum. Including the loan for the construction of the refinery Soraz.

⁸ Minimum.

Table 7. Niger: Quantitative Performance Criteria and Indicative Targets (Mar. 2014–Dec. 2014)

(Billions CFA Francs)

	End-March 2014 Indicative Targets Prog.	End-June 2014 Performance Criteria Prog.	End-September 2014 Indicative Targets Prog.	End-December 2014 Performance Criteria Prog.
A. Quantitative performance criteria and indicative targets (cumulative for each fiscal year)				
Net Domestic Financing of the Government ¹	0,2	0,3	0,5	0,6
Adjusted criteria ²	...	...	...	...
Reduction in domestic payment arrears of government obligations ³	-1,3	-2,5	-3,8	-5,0
Memorandum item:				
External budgetary assistance ⁴				
Budget support	29,1	62,0	89,9	120,2
B. Continuous quantitative performance criteria				
Accumulation of external payments arrears	0,0	0,0	0,0	0,0
New external debt contracted or guaranteed				
by the government with maturities of less than 1 year ⁵	0,0	0,0	0,0	0,0
New nonconcessional external debt contracted or guaranteed				
by the government and public enterprises with maturities of 1 year or more ⁶	0,0	0,0	0,0	0,0
C. Indicative Targets (cumulative for each fiscal year)				
Basic budget balance (commitment basis, excl. grants) ⁷	-26,9	-47,0	-100,0	-112,5
Total revenue ⁸	178,9	357,6	522,8	731,0
Spending on poverty reduction ⁸	120,1	236,0	363,3	492,0

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

¹Performance criteria for program indicators under A and B; indicative targets otherwise.

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

³Minimum.

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

⁵Excluding ordinary credit for imports or debt relief.

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

⁷Minimum. Excluding the loan for the construction of the refinery Soraz.

⁸Minimum.

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

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

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

Measure	Timetable	Macroeconomic Rationale
Finalize the study to select the path of the pipeline	Prior Action	Met
Launch an international tender for the selection of the company that will build the pipeline	End-September 2014	Implications for fiscal and debt sustainability.
Publish a formal annual borrowing plan detailing the government's planned external borrowing for the year	End-December 2014	To ensure that borrowing is consistent with the debt management strategy.
Introduce a quarterly reporting of debt management activities to the National Public Debt Management Committee (MEFP, ¶18).	Quarterly starting with June 2014	To assess compliance of the borrowing activities with the plans set in the debt management strategy (and with IMF conditionality).
Progress in implementing customs reform with respect to declarations, tax exemptions, customs controls on oil products, and better use of SYDONIA	End-June 2014	To speed up the customs reform and enhance revenue collection.
Quarterly budget allocations will be released no later than four weeks after the start of the first, second, and third quarters.	Quarterly, as from March 2014	Improve budget execution
Establish a Single Treasury Account	End-June 2014	Improve cash flow management

Table 10. Niger: Indicators of Capacity to Repay the Fund, 2013–25

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Projections											
Fund obligations based on existing credit	(SDR millions)											
Principal	6.23	7.47	4.96	4.82	5.78	5.50	4.84	4.51	3.38	1.13	0.00	0.00
Charges and interest	0.01	0.11	0.09	0.08	0.07	0.05	0.04	0.03	0.02	0.01	0.01	0.01
Fund obligations based on existing and prospective credit												
Principal	6.23	7.47	4.96	4.82	5.78	7.76	12.74	15.79	14.66	12.41	9.02	3.38
Charges and interest	0.01	0.22	0.23	0.22	0.21	0.19	0.16	0.13	0.09	0.05	0.03	0.01
Total obligations based on existing and prospective credit												
SDR millions	6.24	7.69	5.19	5.04	5.99	7.95	12.90	15.92	14.75	12.46	9.05	3.39
CFAF billions	4.8	5.9	4.0	3.9	4.6	6.1	9.9	12.3	11.4	9.6	7.0	2.6
Percent of exports of goods and services	0.5	0.7	0.3	0.3	0.3	0.4	0.5	0.6	0.5	0.3	0.2	0.1
Percent of debt service ¹	4.9	5.3	2.1	1.2	1.4	1.9	3.0	3.6	3.3	2.5	1.8	0.7
Percent of GDP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.0
Percent of tax revenue	0.7	0.8	0.4	0.3	0.3	0.4	0.6	0.7	0.6	0.5	0.3	0.1
Percent of quota	9.5	11.7	7.9	7.7	9.1	12.1	19.6	24.2	22.4	18.9	13.8	5.2
Outstanding IMF credit based on existing prospective drawings												
SDR millions	76.2	91.3	86.4	81.6	75.8	68.0	55.3	39.5	24.8	12.4	3.4	0.0
CFAF billions	58.2	70.0	66.6	62.9	58.4	52.4	42.6	30.4	19.1	9.6	2.6	0.0
Percent of exports of goods and services	6.6	7.8	5.4	4.9	4.4	3.6	2.2	1.4	0.8	0.3	0.1	0.0
Percent of debt service ¹	60.3	62.8	34.5	19.3	17.8	16.0	12.7	9.0	5.6	2.5	0.7	0.0
Percent of GDP	1.5	1.6	1.3	1.1	0.9	0.8	0.6	0.4	0.2	0.1	0.0	0.0
Percent of tax revenue	8.5	9.1	6.9	5.2	4.3	3.5	2.7	1.7	1.0	0.5	0.1	0.0
Percent of quota	115.9	138.8	131.2	123.9	115.1	103.4	84.0	60.0	37.7	18.9	5.1	0.0
Net use of IMF credit (SDR millions)	18.6	9.0	-5.0	-4.8	-5.8	-7.8	-12.7	-15.8	-14.7	-12.4	-9.0	-3.4
Disbursements	24.9	16.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	6.2	7.5	5.0	4.8	5.8	7.8	12.7	15.8	14.7	12.4	9.0	3.4
<i>Memorandum items:</i>												
Exports of goods and services (CFAF billions)	887.7	895.8	1239.2	1271.5	1322.6	1450.7	1929.7	2125.9	2510.5	2747.4	3034.5	3352.6
External Debt service (CFAF billions) ¹	96.5	111.4	192.8	326.3	328.3	327.0	335.4	338.3	340.5	386.0	387.8	390.6
Nominal GDP (CFAF billions)	4,005	4,279	4,975	5,663	6,323	6,962	7,509	8,100	8,802	9,489	10,235	11,041
Tax revenue (CFAF billions)	680.7	766.4	969.7	1205.7	1352.7	1486.4	1604.9	1745.9	1897.0	2046.5	2208.5	2384.0
Quota (SDR millions)	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8

Source: IMF staff estimates and projections.

¹Total external debt service includes IMF repurchases and repayments.

Table 11. 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 June 30, 2012 performance criteria, and completion of the first review under the arrangement	April 11, 2013
SDR 11.28	Observance of December 31, 2012 performance criteria, and completion of the second review under the arrangement	May 1, 2013
SDR 11.28	Observance of June 30, 2013 performance criteria, and completion of the third review under the arrangement	November 1, 2013
SDR 5.64	Observance of December 31, 2013 performance criteria, and completion of the fourth review under the arrangement	July 10, 2014
SDR 5.64	Observance of June 30, 2014 performance criteria, and completion of the fifth review under the arrangement	December 5, 2014
SDR 11.28	Observance of December 31, 2014 performance criteria, and completion of the sixth review under the arrangement	June 1, 2015
SDR 11.28	Observance of June 30, 2015 performance criteria, and completion of the seventh review under the arrangement	November 30, 2015

Source: International Monetary Fund

Table 12. Niger: Indicators of Financial Soundness, December 2007–June 2013

	2007	2008	2009	2010	2011	2012	2013	2013
	Dec	Dec	Dec	Dec	Dec	Dec	Mar.	Jun.
Solvency ratios								
Regulatory capital to risk weighted assets	9.83	3.95	8.26	13.49	13.51	16.69	16.49	15.50
Tier I capital to risk-weighted assets	9.53	3.23	7.77	13.16	13.15	16.15	15.91	14.94
Provisions to risk-weighted assets	7.54	4.87	9.14	8.63	11.50	10.23	12.48	13.07
Capital to total assets	7.00	2.58	6.33	8.36	9.25	10.11	9.40	8.43
Composition and quality of assets								
Total loans to total assets	54.36	60.76	62.29	56.14	61.24	60.00	58.50	58.85
Concentration: credit to the 5 biggest borrowers to regulatory capital	188.47	748.59	219.10	123.82	152.16	135.59	127.48	143.42
Gross NPLs to total loans	16.70	16.00	14.70	18.24	19.63	17.15	17.57	17.36
Provisioning rate	50.34	50.34	64.94	47.65	58.03	54.61	61.70	62.05
Net NPLs to total loans	9.10	6.30	8.20	10.45	9.30	8.59	7.54	7.38
Net NPLs to capital	70.37	148.12	80.76	70.25	61.55	50.98	46.96	51.56
Earnings and profitability ¹								
Average cost of borrowed funds	1.90	2.10	2.00	2.60	2.20	2.10	...	...
Average interest rate on loans	10.90	10.40	10.10	11.20	10.40	10.50	...	...
Average interest margin ²	9.00	8.30	8.10	8.60	8.20	8.40	...	...
After-tax return on average assets (ROA)				2.31	0.96	1.78	...	...
After-tax return on average equity (ROE)	4.60	0.20	6.10	13.00	7.30	16.20	...	...
Noninterest expenses/net banking income	62.41	55.39	21.11	54.29	55.94	53.91	...	...
Salaries and wages/net banking income	24.03	20.67	18.75	20.62	23.21	23.50	...	...
Liquidity								
Liquid assets to total assets	34.26	35.26	33.31	29.66	33.40	32.51	31.76	32.22
Liquid assets to total deposits	46.83	49.91	49.77	46.01	52.59	51.43	49.68	50.92
Total loans to total deposits	74.30	86.00	95.65	93.96	108.83	104.72	102.62	104.22
Total deposits to total liabilities	73.15	70.65	65.12	65.44	63.50	63.21	63.93	63.28
Sight deposits to total liabilities	46.89	43.75	41.04	43.40	41.14	41.97	42.33	42.08
Term deposits to total liabilities	26.26	26.90	24.08	22.04	22.36	21.24	21.60	21.20

Source: BCEAO.

¹ Items reported with semestral periodicity.² Taxes on financial operations excluded.

Appendix I. Letter of Intent

Niamey, March 13, 2014

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

Madame Managing Director,

Niger continues to post positive results despite the security situation in the sub-region and low levels of rainfall. The conflict in neighboring Mali, and the terrorist and criminal activities arising there from in 2013, put the country's economic stability under heavy pressure. Niger was forced to deploy troops to sustain the military intervention in Mali and strengthen security on its own borders. These developments generated a significant increase in military spending, to the detriment of social priorities. This, combined with poor rainfall and the effects of terrorist attacks on the SOMAIR facilities, had a direct impact on economic activities. Thanks to the security measures adopted by the government, and the "Nigeriens Nourish Nigeriens" or "3N" initiative, the economy is gradually recovering from the effects of the shocks; and economic growth remains positive at an estimated at 3.6 percent in 2013.

Despite the difficult situation, progress was made in implementing the program supported by the Extended Credit Facility (ECF). Owing to security-related expenses, compounded by the fact that foreign grants and loans turned out to be lower than initially envisaged in the program, additional funds had to be raised from domestic sources, in particular the nonbanking sector. As a result, the end-June performance criterion for domestic financing could not be met. Nonetheless, additional measures were taken to reduce arrears, and the end-June performance criterion on payment arrears was met. Moreover, the criterion on the non-accumulation of external payment arrears was also satisfied, as well as that relating to new short-term loan agreements.

The government is determined to achieve the program objectives and believes the policies and measures included in the Memorandum of Economic and Financial Policies (MEFP) attached to this document will contribute towards this. In particular, the implementation of structural reforms in the financial authorities' area, together with budget execution consistent in line with actual revenue and the progressive normalization of the security situation, should make the future easier with respect to the domestic financing criterion. To improve coordination within the government, particularly on loan agreements, the government has set up a technical committee with representation from the Office of the President, the Office of the Prime Minister, the Ministry of Finance and the Ministry of Planning, to review and approve the financing terms of all loans negotiated with nontraditional partners, as well as all nonconcessional loans. It was also decided that any new agreement would be jointly signed by the Minister of Finance and the Minister of Planning. These measures should also make it easier to meet the criterion on nonconcessional loans.

Based on the corrective actions that are being taken, we are requesting waivers for the current failure to meet the criteria on domestic financing for end-December 2012 and end-June 2013, the criterion on domestic arrears for end-December 2012, and the non observance of the continuous criterion on nonconcessional external debt. We are convinced that the measures mentioned above should avoid a recurrence. Under the current programming, Niger is eligible for four disbursements in 2014. To be able to smooth the flow of disbursements more effectively, we are requesting a nine-month extension to the program, which would mean the ECF- supported program, would last until December 31 2015, as well as a rephasing of disbursements according to Table 5 of the MEFP.

The Nigerien government asks the IMF to complete the second and third reviews, so that the third and fourth disbursements, each of SDR 11.28 million, can be released under the arrangement. We will consult with IMF staff, on our own initiative or at the request of the Fund's Managing Director, before adopting any other additional measure that we may deem necessary, or if any changes are to be made to the policies contained in this Memorandum. The government is also committed to cooperating fully with the Fund to achieve the program's objectives.

The Nigerien authorities agree to publication of this Letter of Intent, along with the Memorandum of Economic and Financial Policies and the Technical Memorandum of Understanding, attached hereto, as well as the IMF staff report reviewing the ECF-supported program. We hereby authorize their publication and posting on the IMF website site, following completion of the second and third review of the program by the IMF Executive Board.

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

Niamey, March 13, 2014

INTRODUCTION

1. **This Memorandum of Economic and Financial Policies (MEFP) updates and completes that of March 2013.** It describes the most recent economic developments, program implementation, the macroeconomic outlook, and the policies to be implemented in 2014. The priorities and objectives of the Extended Credit Facility (ECF)-supported program remain focused on the main issues of (i) maintaining macroeconomic stability; (ii) rebuilding central bank reserves to strengthen the country's resilience against shocks; (iii) improving budget execution, in particular enhancing fiscal revenue collection efforts and improving debt management; (iv) increasing transparency in the mining and oil sectors; and (v) supporting the development of the private and financial sectors. These objectives are in line with the government's 2012-2015 Economic and Social Development Plan (*Plan de Développement Economique et Social* – PDES), which itself is based on the progress made under the 2008-2012 Accelerated Development and Poverty-Reduction Strategy, the Niger Rebirth Program (*Programme de Renaissance du Niger*) and the government's General Policy Statement.

RECENT ECONOMIC DEVELOPMENTS AND IMPLEMENTATION OF THE ECF-SUPPORTED PROGRAM IN 2013

A. Recent Economic Developments

2. **The economic recovery in 2012 was stymied by the poor results of the 2012/2013 agricultural harvest, and the negative externalities generated by the security situation in the subregion.** In 2012, economic activity rebounded strongly, posting growth of 11.1 percent, thanks to the country's macroeconomic stability, the start of oil production and the buoyancy of activity in the primary sector, particularly subsistence crops and livestock breeding. Nonetheless, the Libyan crisis, the conflict in Mali, and terrorist activities in the subregion all combined to undermine the country's socioeconomic stability in 2013. Niger deployed troops to sustain the military intervention in Mali and to strengthen security on its own borders; and this involved a significant increase in military spending, to the detriment of social priorities. The regional security situation, compounded by low rainfall and the effects of terrorist attacks against the SOMAIR uranium production facilities, directly impacted on economic growth, which is estimated at 3.6 percent in 2013. Inflation remained under control at 2.3 percent in 2013, thanks particularly to the government's food program, which has made it possible to attenuate the rise in food prices.

3. **Budget execution in 2013 has been generally satisfactory.** The estimated deficit at end-December 2013 is 5.6 percent of GDP compared to the 4.3 percent (excluding net loans) projected in the program. Net lending expenditure to refinance the SORAZ refinery (an amount of FCFA 437.4 billion or 12 percent of 2013 GDP), for which approval from the Chinese Ministry of Trade had been expected in 2013, has now been postponed to 2014. If this loan were taken into account, the 2013 deficit would be 17.6 percent of GDP, compared to a deficit of 16.3 percent projected in the program.

4. **The external accounts have behaved relatively well.** The current account balance (including grants) is expected to post a deficit of 17.2 percent of GDP, an improvement of roughly 1.5 percentage point of GDP compared to the program target— largely attributable to a reduction in imports.

B. Economic and Financial Program Implementation in 2013

5. **Following the corrective measures adopted after the July 2013 IMF mission, program implementation has improved.** Significant progress has been made in implementing structural reforms, although budget execution has been hit by high additional security expenses, underperforming revenue, and a weakness in foreign loan disbursements, albeit with a recovery towards the last quarter of the year. This situation required recourse to domestic financing, particularly the regional financial market and [a loan from the Republic of Congo]. Consequently, the performance criterion in respect of domestic financing at end-June was not met, as had been the case in December 2012 (Table 1). Furthermore, the government has contracted, but not yet drawn upon, two nonconcessional loans with the ECOWAS Bank for Investment and Development (BIDC), to strengthen capacities in road and energy infrastructures; and this made it impossible to meet the criterion on new nonconcessional loan agreements with a maturity of at least one year. The fact that these two loan agreements were not discussed with IMF staff in advance is not a deliberate desire by the government to conceal information, but rather a concern to complete the subsidy procedures undertaken to make these loans concessional before they were drawn upon. The government has since obtained subsidized funds from regional institutions, which have made one of these two loans concessional, with the second loan having a concessional level of 34.5 percent. The target on the reduction of domestic payment arrears was met both at end-June and at end-September, although not at end-December 2012. The government also honored its commitments with respect to foreign debt; and the ongoing performance criterion relating to the accumulation of external payment arrears was met at end-June and end-September. The same is true of the ongoing performance criterion relating to new external debt agreements contracted or guaranteed by the State with a

maturity of less than one year. Unlike the situation at end-December 2012, the basic budget balance (indicative target) was met at end-June 2013.

6. **Steps have been taken to speed up implementation of the structural reform program** (Table 3). We prepared quarterly budget execution reports, and the Prime Minister sent a circular to all ministries requesting them to limit expenditure executed through special procedures to a maximum of 5 percent of spending commitments. As at end-September 2013, this figure was 3 percent, but compliance with the legislation could be improved further. Among actions aimed at setting up a Single Treasury Account (*Compte Unique du Trésor* – CUT), we have already identified 1,954 accounts opened at various banks on the local market (of which 1,787 are for public administrative establishments (*Établissement public à caractère administratif* – EPA) and 167 for public industrial establishments (*Établissement public à caractère industriel* – EPI), involving total assets amounting to FCFA 52,907,054,044. The Ministry of Finance has issued an order to close irregular and dormant bank accounts. Nonetheless, a case-by-case analysis of claims to meet the CUT benchmark is currently ongoing. We are determined to raise the pace of necessary reforms in customs, as well as in the revenue and tax administrations (as indicated in Section III, C), in order to mobilize the tax revenues targeted under this program.

ECF-SUPPORTED PROGRAM FOR 2014

7. **The program's objectives are in line with the PDES.** Implementation of the latter should enable government to: (i) develop basic infrastructure in the energy and transportation sectors, to help Niger surmount the challenges it faces as a landlocked country and boost its competitiveness; (ii) implement public policies to diversify production, including by establishing development hubs; and (iii) enhance the country's human and institutional capacities. The 2014 program, which is consistent with the 2012-15 ECF-supported triennial program, is aimed mainly at ensuring macroeconomic stability and reviving a process of strong and sustained growth that will create jobs.

C. Economic Outlook for 2014

8. **Despite the existence of various domestic and external risks, the short- and medium-term macroeconomic outlook is favorable.** The macroeconomic framework for 2014 and beyond is based on an assumption of strong and sustained economic growth, in conjunction with the continued expansion of the natural resources sector (specifically the oil export project with a production level that is expected to grow from 20,000 barrels per day in 2014 to 65,000 barrels per day in 2018); an increase in public investments, particularly in infrastructures; and a broader implementation of the 3N initiative, all within a context of heightened security. Thus, real GDP

growth, which is forecast to be around 6.5 percent in 2014, should gather pace to attain an average of about 10 percent in 2014-2016. With food prices dropping following the marketing of produce from the recent harvest, inflation is expected to remain low (about 2.5 percent) in 2014. The risks that could affect the macroeconomic outlook relate to the sensitive security situation in the region and climate shocks.

D. Fiscal policy and external financing in 2014

9. **The government recently adopted a proactive budget for 2014 aimed at sustaining growth and strengthening poverty reduction.**

This budget, which includes an estimated FCFA 216 billion in royalties from the telecommunications sector, is 58.2 percent financed out of domestic resources, of which 55.6 percent consists of tax revenue. On the expenditure side, appropriations for investments have increased considerably. This budget does not include the amount of FCFA 437.4 billion in net lending expenditure for refinancing the SORAZ refinery, which was originally slated for 2013 but then postponed to 2014, pending approval of the loan from the Chinese Ministry of Trade. The overall budget deficit (including grants), not including this project loan, would be 2.5 percent of GDP, compared to 5.6 percent of GDP in 2013.

10. **The government aims to raise additional domestic resources, particularly in high-potential sectors such as telecommunications, from which FCFA 216 billion is expected to be raised.**

Should these resources not start to arrive by February 2014, everything will be done to introduce a supplementary budget to neutralize this revenue in the 2014 budget. The supplementary budget would also take account of the FCFA 437.4 billion of the project refinancing loan, and would still pursue the government objective of allocating a substantial part of resources to capital investments for the purpose of giving new impetus to the economic recovery. If the amount of 216 billion were raised, as much as around 55 percent of the financing for capital expenditure and net lending will come from domestic resources, representing 6.7 percent of GDP. These investments are expected to lay the foundation for medium-term growth, which is essential for reducing poverty. The overall balance (commitment basis, but excluding refinancing of the SORAZ refinery) is expected to represent 2.5 percent of GDP, with government deposits at the central bank growing by about FCFA 13.6 billion to increase Niger's resilience to shocks.

11. **With the neutralization of revenue from the telecommunications sector, the revised budget would be aligned with the targets of the ECF-supported program.**

Budgeted revenue for 2014 would rise to about 18.2 percent of GDP; and customs duties are expected to increase by 30 percent following the adoption of the new policies to strengthen customs administration

capacities. Taxes on goods and services are also expected to increase by 33 percent with the adoption of the new VAT threshold and the implementation of tax audits.

12. **We expect to raise FCFA 120.2 billion in external budget financing in the form of grants and concessional loans.** Of this amount, FCFA 33.4 billion will come from the World Bank, FCFA 28.8 billion from the European Union, FCFA 6 billion from *Agence Française pour le Développement*, FCFA 17 billion from the African Development Bank, FCFA 25 billion from the Republic of Congo, and FCFA 10 billion from other multilateral and bilateral donors.

E. Structural Reforms

13. **In order to meet our macroeconomic objectives, we must continue to consolidate the on-going reforms and implement new structural measures.** The public policies to be implemented under the program will focus on enhancing domestic revenue mobilization and public finance management, while also working to improve the business environment.

14. **We expect our revenue-raising efforts to generate additional resources representing about 2 percentage points of GDP in 2014.** To this end, we are currently undertaking a wide-ranging reform of the financial authorities. One of the main expectations of these initiatives is to achieve an in-depth reform of the tax office, and to enhance the effectiveness of the customs service, in line with the recommendations of the IMF technical assistance missions. The reform of the tax office also involves simplifying the income tax system, ensuring a more effective and more appropriate system of taxation for small enterprises, as well as strict control of tax exemptions.

Public finance management

15. **We will continue to implement the public financial management action plan, in particular through the following measures:**

- **Limiting expenditure executed through special procedures to a maximum of 5 percent of total spending commitments** (structural benchmark for each quarter). All line ministries will be reminded of the need to strictly adhere to this measure.
- **Accelerating the pace of budget execution.** Expenditure execution, particularly for the investment budget, tends to be slow because of delays in releasing appropriations and the various bottlenecks affecting the project cycle. Accordingly, the government will adopt a plan of action to ease constraints affecting the execution of the investment budget. We will also review

the expenditure programs and establish a budgetary committee to select priority expenditure items and improve efficiency in allocating our limited budget resources to priority sectors.

- **Implementation of a Treasury Single Account** (*Compte unique du Trésor – CUT*). Dormant and irregular bank accounts will be gradually closed following a case-by-case review of the accounts identified. As a result of the inventory of 1,954 accounts opened in the different banks on the domestic market (of which 1,787 are for EPAs and 167 are for EPIs) with total assets amounting to FCFA 52,907,054,044, the Ministry of Finance has already issued an order to close certain accounts held by public organizations in commercial banks; a case by case review of claims is ongoing, to attain the CUT benchmark (structural benchmark for end-June 2013).
- **Expediting the process for approving the draft law on fiscal transparency to enhance and strengthen expenditure monitoring.** We will continue to prepare quarterly budget execution reports on a commitment, payment order, and payment basis (quarterly structural benchmark) as well as a table of poverty reduction spending. These documents will be submitted to the IMF within six weeks after the end of the quarter.
- **Reinforcing institutional coordination** between the Ministry of Planning and the Ministry of Finance.
- **Improving cash flow management.** We shall draft 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 on a monthly basis. To reinforce this measure, the government has already issued a decree to turn all divisions responsible for procurement into public procurement directorates in the different ministries. Moreover, to improve the use of credits, the government adopted measures, at the Council of Ministers of December 20, 2013, to implement the recommendations made in the study of bottlenecks affecting the execution of the government investment budget (structural benchmark for each quarter).

16. **Implementation of the customs administration's strategic plan is dependent on the strengthening of its capacities.** Nevertheless, the following measures have been implemented: (i) establishment of two regional departments at the entry points in Diffa and Agadès and opening of three field offices with full powers in the principal mining and oil production sites namely the SORAZ refinery, the Agadem oilfield, and the Imuraren uranium mine; (ii) adoption of the information technology development plan, and (iii) monitoring of the exemptions management system, as well as other specific economic regimes. Furthermore, the customs administration is

committed to implementing performance enhancing reforms by the end of June 2014, including: (i) Implementation of an electronic transit system; (ii) Pre-clearing of goods; (iii) Use of secure customs documents; (iv) Establishment of the single interconnection server among the various offices; (v) Migration from SYDONIA++ to SYDONIA WORLD; and (vi) strengthening of administrative assistance services with Benin, Togo, and Burkina Faso in particular by putting in place the interconnection and detaching customs representatives to the various ports.

17. **Tax reforms are under way in the general tax administration.** The new general tax code entered into force in January 2013 and we have taken measures to reduce tax exemptions. A circular notice was published, establishing the thresholds for large, medium, and small sized enterprises. The 2013 Finance Law raised the sales threshold at which VAT may be applied to a business, from FCFA 30 million to FCFA 50 million. There is however still some way to go in controlling exemptions. The Council of Ministers recently adopted a decree on the organization of the Finance Ministry, which transforms the small and medium-sized enterprises department into the medium-sized enterprises department. Small enterprises are now under the responsibility of the regional departments. The enabling text of this decree is expected to enter into force at the start of 2014.

Debt management

18. **We undertake to ensure a transparent system of public debt management in which reporting and data transmission will continue, in coordination with all the ministries and departments concerned.** To this end, we are sustaining our efforts to consolidate the position and role of the National Public Debt Management Committee (CNGDP) within the administration. We will also inform the committee about all new loans and government guarantees, including financing in the natural resources sector, in order to enable a detailed debt sustainability analysis. We intend to continue to submit to IMF staff, the detailed semiannual reports on outstanding public debt, new commitments and borrowings (including disbursements), and public debt service. These reports will also include an analysis of the costs and risks related to both domestic and external public debt.

19. **We remain firm in our determination to implement a prudent debt policy that will enable us to finance our investment plans while maintaining debt sustainability.** In this context, we will continue to limit government guarantees and carefully assess the impact that any new loans might have on debt sustainability. It is our intention to finance investment projects with concessional resources. Loans will be limited to high return and properly evaluated industrial and infrastructure projects that can guarantee sufficient revenue for government, to cover the attendant debt servicing. In the event that concessional resources are not adequate to finance high return

projects, we will consult with IMF staff on the scope to modify the program to include nonconcessional borrowing provided that it remains consistent with debt sustainability.

20. **We are currently in negotiations with EXIM Bank of China for a US\$ 880 million loan (FCFA 437.4 billion) under more favorable conditions, to replace the current financing for the SORAZ oil refinery.** We have also negotiated a US\$ 1 billion master facility (13 percent of GDP) with EXIM Bank of China, which will be used to finance major infrastructure projects. The general conditions of this master facility, for which specific structuring projects will be eligible, are a 25-year amortization period, a grace period of eight years, and an interest rate of 2 percent.

21. **Steps are being taken to improve coordination within the government, particularly in relation to loan agreements.** To strengthen debt management procedures and avoid breaches of the performance criteria on nonconcessional loans, the authorities have established an Inter-Ministerial Committee adopted through an order of the Prime Minister. The order instituted a joint-signatory authority for nonconcessional loans and loans with traditional partners by the Minister of Finance and the Minister of Planning. The Inter-Ministerial Committee monitors also Niger's indebtedness policy and is responsible for examining the financing terms of all loans negotiated with nontraditional partners, as well as all nonconcessional loans. In addition, the order defines the mechanism for exchanging information for keeping all partners, including the IMF, equally informed at each stage of the indebtedness process.

Natural resource management

22. **We are persevering with actions to reinforce sound management of the natural resource sector.** The results of the recent audit of the refinery were made available in May 2013 and have shown that, as in the case of the audit of the upstream production in the Agadem block, costs could be reduced substantially. On the basis of these results the committee overseeing the refinery is enacting measures to revise costs and better monitor performance. In addition, the refinancing of the US\$ 880 million SORAZ loan at better conditions is close to finalization. In the uranium sector, we are in the process of renegotiating the terms of the fiscal regime of the Somair and COMINAK companies with our counterparty (strategic partner), Areva. To this end, an audit financed by Areva was conducted in October to gauge the impact of the introduction of the fiscal regime governed by the 2006 Mining Code. Another audit, financed by development partners, is expected to report results by the end of the year. To increase the share of mining revenue, we are also increasing investor diversification, and exploration permits were granted to new partners. To better defend Nigerien interests in mining projects, we are reinforcing the role of the Société du Patrimoine des Mines du Niger (SOPAMIN), the portfolio manager of government interests in mining companies.

We will ensure that best practices are followed and that the full amount of dividends is remitted to the Treasury.

23. **Production from the Zinder refinery increased in 2013, as also did exports.** The technical difficulties that affected production during the first year of operations have been overcome, and output has reached the level of 18,000 barrels-per-day. The refinery is expected to reach full capacity (20,000 b/d) in 2014. SONIDEP's commercialization of refined oil products has improved, and exports to neighboring countries have increased.

24. **We are conducting studies to assess the feasibility and profitability of a crude oil export project that should come on stream in 2016.** A recent study conducted by the China National Petroleum Corporation (CNPC) has revised estimates of the oil reserves in the Agadem block. Production of 80,000 b/d for an estimated life span of 25 years is forecast as from 2016, of which 60,000 b/d will be for export. The results of this study are expected very soon, along with the revaluation of gross reserves. We have also conducted a comparative analysis of the costs of different exportation projects. Alternative routes for transporting the crude oil are currently under consideration by the government. At this stage, five possible routes have been identified, four of which pass through Cameroon and Chad, and one through Bénin. Once the choice has been made, an international call for tenders will be launched to recruit an operator to construct the pipeline. At the same time, the government expects to set up a pipeline management company. Niger's participation in the project is expected to be in the form of a public-private partnership (PPP) with CNPC, the terms of which have yet to be defined.

25. **The government will continue to ensure transparency in the extractive industries sector.** The 2011 report of the Extractive Industries Transparency Initiative (EITI), on tax receipts from the extractive industries, was released in November 2013.

Financial sector

26. **Despite continued progress over the past few years, financial sector development and penetration remain very low compared those of other countries in the region.** Overall, the banking sector is well capitalized and prudential indicators have shown improvements in recent years. There is however a certain degree of heterogeneity among banks.

27. **We will continue efforts to develop the financial system and ensure that it can effectively contribute to the development of Niger's economy.** The government program for the development of the sector has been revised to include corrections suggested by the Council of Ministers and development partners and was recently submitted to the government for approval.

This plan is a comprehensive framework that aims at (i) improving stability and transparency, (ii) deepening financial intermediation in all sectors of the economy, (iii) improving the regulatory framework, and (iv) strengthen financial sector supervision.

28. **To ensure the continued activity of certain banks, given their importance or strategic role, the government has purchased shareholdings in three institutions currently under restructuring.** The government sees the survival of these banks as critical to the economy, owing to their size (BIA) or activity (BRS Niger and BAGRI). Contacts have been signed with a number of private investors that have expressed interest in buying the government's shares in the BIA and BAGRI.

Business climate

29. **We are well aware of the need to diversify our economy beyond agriculture and natural resources.** In order to achieve this, there is a need to establish an enabling environment for business and the private sector. We are therefore determined to improve the business environment and indeed a specialized ministry has just been created, with responsibility for promoting the private sector.

30. **We will continue to implement the following measures:** Already under way: (i) review of the activities of the National Council of Private Investors (CNIP), which advises the authorities on ways of promoting the private sector; (ii) establishment of an ongoing dialogue and cooperation framework between the private sector (represented by the Chamber of Commerce) and the ministry; (iii) creation of an enterprise center (*maison d'entreprise*), with a mission to support the Business Formalities Center (*Centre des formalités des entreprises* – CFE) and the Investment Promotion Center (*Centre de promotion des investissements* – CPI); (iv) implementation of an institutional structure to improve business climate indicators; (v) launch of a program to integrate trade into development strategies (integrated framework), along with the implementation of a management unit; (vi) adoption of a law on public-private partnerships, and implementation of a technical coordination unit. The government will continue efforts to pass legislation governing the tax and accounting regime of public-private partnerships and to reach an agreement on enterprise access to financing.

Program Monitoring

31. **The program will continue to be monitored on a quarterly basis by the IMF Executive Board, using quantitative monitoring indicators (Table 2), structural benchmarks, and prior**

actions (Table 4). These indicators are described in the appended Technical Memorandum of Understanding (TMU). Semiannual reviews will be based on data as at end-June and end-December 2014. For monitoring purposes, the authorities will provide IMF staff with the statistical data and information described in the technical memorandum of understanding, as well as any other information that they deem necessary, or that the IMF staff may request. During the period of the program, the government shall refrain from introducing or intensifying any restrictions on payments and transfers related to current international transactions without prior approval of the IMF. They shall also refrain from introducing or amending any multiple currency practices; entering into bilateral agreements that do not comply with article VIII of the IMF's Articles of Agreement, and introducing and intensifying restrictions on imports for balance of payments reasons.

32. **The program will be reviewed semiannually.** The fourth, fifth, and sixth reviews are scheduled for July 2014, December 2014, and June 2015 respectively.

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

(Billions CFA francs)

	End-December 2012			End-March 2013			End-June 2013			End-September 2013			End-December 2013
	Performance Criteria			Indicative Targets			Performance Criteria			Indicative Targets			Performance Criteria
	Program	Actual	Status	1st Review	Actual	Status	1st Review	Actual	Status	1st Review	Preliminary	Status	1st Review
A. Quantitative performance criteria and indicative targets (cumulative for each fiscal year)													
Net Domestic Financing of the Government ¹	-45.0	-47.5		0.0	53.7		-19.0	49.9		-24.7	1.0		-25.4
Adjusted criteria ²	-60.0	-47.5	Not Met	-5.1	53.7	Not Met	-4.0	49.9	Not Met	-9.7	1.0	Not Met	-10.4
Reduction in domestic payment arrears of government obligations ³	-10.0	8.8	Not Met	-1.3	-23.5	Met	-2.5	-27.8	Met	-3.8	-34.9	Met	-5.0
Memorandum item:													
External budgetary assistance ⁴													
Budget support	79.2	109.5		9.9	15.0		66.2	15.0		86.9	63.8		110.1
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	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	0.0	Met	0.0
New nonconcessional external debt contracted or guaranteed													
by the government and public enterprises with maturities of 1 year or more ⁶	0.0	8.0	Not Met	0.0	8.0	Not Met	0.0	8.0	Not Met	0.0	8.0	Not Met	0.0
C. Indicative Targets (cumulative for each fiscal year)													
Basic budget balance (commitment basis, excl. grants) ⁷	-23.6	-60.6	Not Met	-12.1	-42.4	Not Met	-44.5	-36.5	Met	-54.7	-52.6	Met	-522.1
Total revenue ⁸	606.0	543.0	Not Met	125.7	115.3	Not Met	280.5	272.6	Not Met	439.7	451.8	Met	617.8
Spending on poverty reduction ⁸	335.2	338.8	Met	72.0	51.3	Not Met	170.3	162.1	Not Met	259.2	250.9	Not Met	366.6

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

¹ Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise.² The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2013.³ Minimum.⁴ External budgetary assistance (excluding net financing from the IMF).⁵ Excluding ordinary credit for imports or debt relief.⁶ Excluding debt relief obtained in the form of rescheduling or refinancing.⁷ Minimum. Including the loan for the construction of the refinery Soraz.⁸ Minimum.

Table 2. Niger: Quantitative Performance Criteria and Indicative Targets (Mar 2014–Dec 2014)

(Billions CFA francs)

	End-March 2014 Indicative Targets	End-June 2014 Performance Criteria	End-September 2014 Indicative Targets	End-December 2014 Performance Criteria
	Prog.	Prog.	Prog.	Prog.
A. Quantitative performance criteria and indicative targets (cumulative for each fiscal year)				
Net Domestic Financing of the Government ¹	0.2	0.3	0.5	0.6
Adjusted criteria ²	...	...	...	...
Reduction in domestic payment arrears of government obligations ³	-1.3	-2.5	-3.8	-5.0
Memorandum item:				
External budgetary assistance ⁴				
Budget support	29.1	62.0	89.9	120.2
B. Continuous quantitative performance criteria				
Accumulation of external payments arrears	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed				
by the government with maturities of less than 1 year ⁵	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed				
by the government and public enterprises with maturities of 1 year or more ⁶	0.0	0.0	0.0	0.0
C. Indicative Targets (cumulative for each fiscal year)				
Basic budget balance (commitment basis, excl. grants) ⁷	-26.9	-47.0	-100.0	-112.5
Total revenue ⁸	178.9	357.6	522.8	731.0
Spending on poverty reduction ⁸	120.1	236.0	363.3	492.0

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

¹Performance criteria for program indicators under A and B; indicative targets otherwise.

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

³Minimum.

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

⁵Excluding ordinary credit for imports or debt relief.

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

⁷Minimum. Excluding the loan for the construction of the refinery Soraz.

⁸Minimum.

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

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

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

Measure	Timetable	Macroeconomic Rationale
Finalize the study to select the path of the pipeline .	Prior action	
Launch an international tender to select the firm that will build the pipeline.	End-September 2014	Implications for budgetary and debt viability
Publish a formal annual borrowing plan detailing the government's planned external borrowing for the year.	End-December 2014	To ensure that borrowing is consistent with the debt management strategy
Introduce a quarterly reporting of debt management activities to the National Public Debt Management Committee (MEFP, ¶18).	Quarterly, as from June 2014	To assess compliance of the borrowing activities with the plans set in the debt management strategy (and also with IMF conditionality)
Progress in implementing customs reform with respect to declarations, tax exemptions, customs controls on oil products, and better use of SYDONIA .	End-June 2014	To speed up customs reform and improve revenue collection.
Quarterly budget allocations will be released no later than four weeks after the start of the first, second, and third quarters.	Quarterly, as from March 2014	Improve budget execution
Establish a Single Treasury Account	End-June 2014	Improve cash flow management

Table 5. Proposed Scheduled Disbursements under the ECF Arrangement, 2012-15

Amount (Million)	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 June 30, 2012 performance criteria, and completion of the first review under the arrangement	April 11, 2013
SDR 11.28	Observance of December 31, 2012 performance criteria, and completion of the second review under the arrangement	March 30, 2014
SDR 11.28	Observance of June 30, 2013 performance criteria, and completion of the third review under the arrangement	March 30, 2014
SDR 5.64	Observance of December 31, 2013 performance criteria, and completion of the fourth review under the arrangement	July 10, 2014
SDR 5.64	Observance of June 30, 2014 performance criteria, and completion of the fifth review under the arrangement	December 5, 2014
SDR 11.28	Observance of December 31, 2014 performance criteria, and completion of the sixth review under the arrangement	June 1, 2015
SDR 11.28	Observance of June 30, 2015 performance criteria, and completion of the seventh review under the arrangement	November 30, 2015

Source: International Monetary Fund

Attachment II. Technical Memorandum of Understanding

1. **This technical memorandum of understanding defines the performance criteria and indicative targets of Niger’s program under the Extended Credit Facility 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 December 17, 2013. This technical memorandum of understanding also sets out data-reporting requirements for program monitoring.

DEFINITIONS

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

- a) **Government** refers to the central government of the Republic of Niger; it does not include any political subdivision, public entity, or central bank with separate legal personality.
- b) As specified in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009, **debt** will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being are as follows: (i) loans, i.e. advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lesser retains the title to the property. For the purpose of this guideline, the debt is the present value (at the

inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

- c) **External payments arrears are payments due but not paid. Domestic payments arrears** are domestic payments owed by the government but not paid. They include authorized fiscal year expenditure that is not paid within 90 days.
- d) **Government obligation** is any financial obligation of the government accepted as such by the government (including any government debt).

Quantitative Performance Criteria

A. Net Domestic Financing of the Government

Definition

3. **Net domestic financing of the government** is defined as the sum of (i) **net bank credit to the government;** (ii) **net nonbank domestic financing of the government**, including government securities issued in FCFA on the WAEMU regional financial market and not held by resident commercial banks, proceeds from the sale of government assets, and privatization receipts.
4. **Net bank credit to the government** is equal to the balance of government claims and debts vis-à-vis national banking institutions. Government claims include cash holdings of the Nigerien Treasury, secured obligations, deposits with the central bank, and deposits of the Treasury (including regional offices) with commercial banks. Government deposits with commercial banks are excluded from government claims insofar as they are used solely to finance externally financed capital expenditure.
5. **Government debt to the banking system includes assistance from the central bank (excluding net IMF financing under the ECF arrangement and the FCFA 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 FCFA 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 FCFA on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of Treasury correspondents' deposit accounts; (iii) the change in the balance of various deposit accounts at the Treasury; and (iv) the change in the stock of claims on the government forgiven by the private sector. Net nonbank financing of the government is calculated by the Nigerien Treasury.

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

Adjustment

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

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

Reporting requirement

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

B. Reduction of Domestic Payments Arrears

Definition

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

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

Reporting requirement

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

C. External Payments Arrears

Definition

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

Reporting requirement

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

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

Definition

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

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

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

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

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

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

21. **For the purposes of this performance criterion, the public sector includes the government, as defined in ¶2 above, and the following public enterprises:** (i) Société Nigérienne d'Electricité (Nigelec); (ii) Société de Construction et de Gestion des Marchés (Socogem); (iii) Société de Patrimoine des Eaux du Niger (SPEN), (iv) Société Nigérienne de Charbon (Sonichar), (v) Société Nigérienne des Produits Pétroliers (Sonidep), (vi) Société Nigérienne des 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 FCFA 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 FCFA 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 FCFA on the WAEMU regional financial market and not held by resident commercial banks; (ii) change in the balance of Treasury correspondents' deposit accounts; (iii) change in the balance of various deposit accounts at the Treasury; and (iv) change in the stock of claims on the government forgiven by the private sector.	Monthly	End-month + 6 weeks
	Provisional TOFE, including a breakdown of revenue (DGI, DGD, and Treasury) and expenditure, including the repayment of domestic wage and nonwage arrears as at end-1999, and the change in Treasury balances outstanding.	Monthly	End-month + 6 weeks
	Data on Treasury balances outstanding (RAP), by reference fiscal year (total and RAP at more than 90 days).	Monthly	End-month + 6 weeks
	Monthly statement of Treasury correspondents' deposit accounts.	Monthly	End-month + 6 weeks
	Execution of the investment budget.	Quarterly	End-quarter + 8 weeks

Summary of Data to be Reported

Type of Data	Tables	Frequency	Reporting Requirement	
Monetary and financial data	Table of fiscal expenditure execution, unified list expenditure, and HIPC-financed expenditure.	Quarterly	End-quarter + 6 weeks	
	Treasury accounts trial balance.	Monthly	End-month plus 6 weeks	
	Monthly statement of the balances of accounts of the Treasury and of other public accounts at the BCEAO.	Monthly	End-month plus 2 weeks	
	Petroleum products pricing formula, petroleum products tax receipts, and pricing differentials.	Monthly	End-month + 4 weeks	
	Monetary 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



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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Second and Thirds Reviews of Niger's Extended Credit Facility and Approves US\$ xx Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the second and third reviews of Niger's economic performance under the program supported by a three-year Extended Credit Facility (ECF) arrangement. The completion of these reviews enables an immediate disbursement of an amount equivalent to SDR 22.56 million (about US\$ 34.9 million), bringing total disbursements under the arrangement to an amount equivalent to SDR 45.12 million (US\$ 69.9 million).

In completing the review, the Executive Board approved the authorities' request for waivers for the nonobservance of the performance criteria on net domestic financing of the government at end-December 2012 and at end-June 2013 and on domestic arrears at end-December 2012. The Board also approved a request to extend the program until December 31, 2015 and the rephrasing of the remaining purchases under the current arrangement. The ECF arrangement for Niger was approved on March 16, 2012 (see [Press Release No. 12/90](#)).

Following the Executive Board's discussion, [Chair], Deputy Managing Director and Acting Chair issued the following statement:

"Niger's recent economic performance has been adversely impacted by below average rainfall in the second half of 2013 and the deterioration in the security situation in the region. Looking forward, macroeconomic prospects appear broadly favorable, with oil and mining projects coming into the production phase after 2015.

"The authorities have shown strong commitment to their program supported under the Extended Credit Facility. Key corrective measures, including strengthened revenue collection, closer spending controls, and improvements to the debt management framework, have brought the program back on track after slippages at end-2012.

"Progress in the implementation of the structural reform agenda has been broadly satisfactory. The production of a comprehensive quarterly budget report and the limitation of exceptional expenditure are welcome. Efforts to move toward establishing a Treasury Single Account and prepare quarterly cash management will significantly improve budget execution. Further

enhancing the debt management framework will be important to help ensure debt sustainability while investing in high-return infrastructure and social projects.

“Sound management of natural resources will be critical to ensure higher overall growth and faster poverty reduction. The authorities are encouraged to formulate a comprehensive strategy for the macroeconomic management of these resources. Stepping up efforts to complete the restructuring of the financial sector is also key to ensure that the financial system can support growth.

“Inaccurate data on public sector nonconcessional external debt had resulted in a noncomplying disbursement. In view of the corrective actions taken and planned to strengthen debt management and monitoring, the Executive Board decided to waive the nonobservance of the performance criterion that gave rise to the noncomplying disbursement.”

**Statement by Mr. Assimaidou on Niger
Executive Board Meeting
March 31, 2014**

On behalf of my Nigerien authorities, I would like to express my deep appreciation to the Executive Board and Management for the support to their policy efforts in Niger's current challenging environment. I also wish to thank staff for the constructive policy dialogue they held in Niamey in the context of the second and third reviews of the three year arrangement under the ECF supported program. During these meetings, including with the highest authorities, the commitment of Niger to the ECF-supported program, in particular, to reforms in the area of natural resources, has been reiterated. My authorities also underscored the need to continue benefitting from Fund's advice, as its effectiveness in helping in the program's implementation remains critical.

At the outset, I would like to indicate that my authorities have expressed their consent for the publication of all documents related to these reviews, including the staff report, the letter of Intent, as well as the memorandum of economic and financial policies.

Recent Developments, Medium-term Outlook and Risks

Two exogenous shocks, showing once again the vulnerability of the Nigerien economy, have compromised the positive outlook following the 2012 strong economic performance. The first relates to regional security instability with persistent risks of terrorists' attacks from northern borders of the country, and have led to an unforeseen increase in expenditure to address, security, humanitarian and refugee issues. The second one is in regards to the sharp fall in agriculture production due to poor weather conditions. Both have led to sizeable fluctuations in economic activities in 2013. In this context, real GDP growth fell to 3.6 percent of GDP against the initial projection of 6.2 percent of GDP and far below the exceptional level of 11.1 percent recorded in 2012. However, inflation was kept under control at 2.3 percent, thanks to the government successful food program, which helped to contain the strong food demand pressures.

Fiscal developments were broadly satisfactory, posting a reduction of arrears, beyond the program target, as well as an increased level of deposits at the central bank. The level of revenue reached 17.1 percent of GDP in 2013, increasing by 1 percent compared to 2012. This performance reflects the authorities' revenue-raising efforts along with the successful implementation of policy measures aimed at containing some expenditure in order to accommodate higher security-related spending. An indication of this good fiscal position is the positive response from the regional financial market to the bond issuance which was oversubscribed.

The positive trend noted in recent years with regard to the credit expansion slowed in 2013, owing to the tense security situation, and the poor performance of the agriculture sector. The authorities acknowledged the critical role of financial institutions in helping to achieve their

ambitious development program and are undertaking a number of measures to develop the financial sector. These include measures aimed at the expansion of credit to rural area and small sized enterprises.

MEDIUM-TERM OUTLOOK AND RISKS

My Nigerien authorities appreciate the discussions they had with staff last July and December on the medium-term prospects, focused broadly on the government priorities to develop basic infrastructure in the energy and transportation sectors, diversify production and enhance the country's human and institutional capacities.

They agree that with the coming on stream of the two megaprojects on crude oil and uranium mine, the production and exports of oil and uranium could double as of 2016. As a result, fiscal revenue from natural resources is expected to increase by more than 50 percent. However, significant challenges remain, mainly as regards the risks associated with the regional security situation, as well as that pertaining to weather conditions, with notably its negative impact on agriculture production. As regards the security situation, the Nigerien authorities are fully involved in the regional peace keeping initiatives. To address the impact of the uncertain weather on agriculture, which characterizes all Sahelian countries, including Niger, the authorities have put in place a large program of irrigation projects which are beginning to have a successful outcome. At the same time, my authorities have reactivated existing targeted programs, including food distribution to vulnerable people at moderate prices, free distribution in the lean season, food for work and cash for work, funding and setting up cereal banks and the nutritional programs.

Program implementation

Noticeable progress has been made in the implementation of the ECF-supported program over the two last years. Performance was mixed in 2012. The first review was successfully completed, but the program went off track at the end of the year, but corrective measures were taken. Aside from the corrective measures aimed at strengthening debt management and preventing the recurrence of non concessional borrowing, my authorities abstained from drawing on the two loans until the expected subsidies were granted. The second step in the authorities' efforts of policy implementation led to significant improvement in the program performance, with revenue collection brought back on track and some performance criteria met with wide margins. The departure is related to an overspending in current expenditures due to the budgetary impact of the country's involvement in the Malian conflicts. Likewise, the issue of non concessional external debt did not receive an appropriate solution until end June 2013. However, thanks to stepped up efforts, several indicators, including expenditures and revenue collection data improved markedly in 2013, as reported in the indicative targets of end-September2013. Despite some delays, there was progress in the implementation of Structural reforms.

A-Fiscal Policy

The authorities' conservative approach, which targets a basic fiscal deficit of 2.5 percent of GDP in 2014 with the goal of attaining gradually zero basic balance over the medium-term, is a clear indication of their commitment to fiscal consolidation. In this regard, they are taking steps to raise the total revenue to 18.3 percent of GDP in 2014. The actions underway to set up new VAT thresholds along with the extension of the existing positive experience in tax audits will help attain this objective. On the expenditure side, given the emphasis put on social sectors spending, and taking into account the impact of the lingering regional security, which calls for more attention to the borders, the total expenditure will increase to 26.4 percent of GDP. Building on the significant progress made in the process of enhancing transparency in the extractive sectors, my authorities reached an agreement with staff on the need to ensure an adequate use of natural resources. At the same time, to ensure predictability of public spending over the medium-term, the Nigerien authorities are exploring ways to set up an appropriate fiscal anchor.

B-Financial Sector

My authorities would like to make the financial sector play a deeper role in the development of the economy. Measures underway include steps on the restructuring of some banks experiencing prudential deterioration on one hand, and the reactivation of the process to adopt the new financial sector development strategy on the other. The authorities' insistence to let the three banks under restructuration continue their activities takes into consideration not only the size and the critical areas of agriculture and small enterprises in which these financial institutions are operating, but also the need to preserve the progress made in recent years notably with regard to credit expansion.

C-Structural Reforms

My authorities recognize the importance that structural reforms will play in the achievement of their macroeconomic objectives, in particular those related to the attainment of a growth rate of 10 percent a year between 2015 and 2018, consistent with the need to build infrastructures, improve social indicators and meet the MDGs. The authorities will continue to implement the public finance management plan, which includes accelerating the pace of budget execution, the drafting of quarterly report on commitment, payment order and payment, the inventory of dormant and irregular banking accounts with the goal of establishing a treasury single account, and the limitation of special procedures to a maximum of 5 percent of total commitments. As regards the natural resources management, a number of actions are being implemented by the authorities with the aim of improving the governance of the companies operating in this sector. With the petroleum company, some audits, which have already revealed inflated and unjustified costs, have been completed, and actions are underway to address these costs. Concerning the uranium area, about which negotiations are still underway, my authorities' intention goes beyond the replacement of existing mining regime to cover certain aspects of the corporate governance.

Noncomplying Disbursement

On this issue, I would like to reiterate my Nigerien authorities' explanation that the lack of timely communication with staff concerning the two loans was due to the intent of the authorities to complete the actions undertaken in order to make these loans concessional prior to their implementation. The letter of my authorities in annex to EBS/14/37 explains the steps they have taken to obtain subsidies to make these loans concessional. As of now, the government has not proceeded with any drawings on these two loans. The authorities, with staff's assistance, have taken steps to ensure that a similar situation does not recur. They have also taken corrective measures to improve the monitoring of loan agreement approval processes.

Conclusion

Niger's medium and long term outlook have improved significantly. Also important strides have been made over the last decade in macroeconomic stability, revenue mobilization and the restoration of the country's creditworthiness. However, considerable challenges still lay ahead, in particular, the need to achieve sustained growth, less dependent to weather vagaries and consistent with their poverty reduction strategy and development needs. My authorities are taking steps to address these challenges, in particular, by paying close attention to the implementation of structural reforms in the areas of natural resources management and public finance management.

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