INTERNATIONAL MONETARY FUND

IMF Country Report No. 11/357

NIGER

2011 ARTICLE IV CONSULTATION

December 2011

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2011 Article IV consultation with Niger, the following documents have been released and are included in this package:

- **Staff Report** for the 2011 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on October 23, 2011, with the officials of Niger on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 16, 2011. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- **Informational Annex** prepared by the IMF.
- **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- **Public Information Notice** (PIN) summarizing the views of the Executive Board as expressed during its December 2, 2011 discussion of the staff report that concluded the Article IV consultation.
- **Statement by the Executive Director** for Niger.

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

- **Ex Post Assessment of Longer-Term Program Engagement**

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

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Washington, D.C.

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STAFF REPORT FOR THE 2011 ARTICLE IV CONSULTATION

November 16, 2011

KEY ISSUES

Economic developments. Economic activity has recovered from the 2009 drought and the effects of the military coup in February 2010. Notwithstanding the fallout from the Libyan crisis, GDP growth could reach almost 4 percent in 2011. Thanks to an excellent harvest in 2010, inflation remains well contained.

Medium-term prospects. Niger's medium-term prospects are favorable, given its mineral resources endowment. A new oil project is expected to turn Niger into a net exporter of petroleum products in 2012, while ongoing mining investments will double uranium production by 2016. Natural resource revenue is expected to increase by 3½ percentage points of GDP between 2011 and 2016.

The government's development strategy. The government has adopted an ambitious development plan, based on use of oil and mining revenue for public investment in infrastructure, agriculture, health, and education. Staff underlined the need to step up efforts to improve the business climate in Niger to attract more job creating private investment in the non-natural resources sector of the economy.

Natural resources management. Expanded reliance on revenues from natural resources will increase Niger's vulnerability to commodity price fluctuations, augmenting the already high vulnerability to climatic shocks. Staff discussed with the authorities various options for a medium-term fiscal policy aimed at smoothing public expenditure and bolstering the country's ability to deal with exogenous shocks.

The budgetary framework for 2012. Staff discussed with the authorities a budgetary framework for 2012 that gives substantial room for increased public investment while maintaining a sound fiscal position. The 2012 budget is currently under discussion in Niamey; the authorities anticipate the approved budget will be broadly along the lines described in this report.

Debt sustainability. As a result of recent government involvement in the financing of oil and mining projects, Niger has moved from low risk to moderate risk of debt distress.

Approved By
Seán Nolan and Thomas Dorsey

Discussions took place in Niamey from August 17-28, and in Washington from October 20-23. The staff team comprised Messrs. Harmsen (head), Zejan, and Mmes Mira and Bova (all AFR).

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I. BACKGROUND

1. Niger's three-year program supported by the Extended Credit Facility (ECF) expired in June 2011. Program implementation had initially been satisfactory, but was interrupted by the military coup in February 2010. Following the recognition of the transitional government in September 2010, staff resumed normal engagement with the authorities; but efforts to complete further reviews under the ECF were constrained by the complex political situation. Relations with donors began to normalize in late 2010.

2. A democratically elected government took office in April 2011. The new government's priorities include a strong commitment to face rising security threats in the region, accelerate economic development, reduce corruption, and improve governance in the mining sector. The authorities have expressed a strong interest in entering a new ECF-supported arrangement.

3. The last Article IV Consultation was conducted in December 2008. The follow-up on recommendations is summarized in Box 1.

Box 1. Status of Selected 2008 Article IV Recommendations

In the Article IV Consultation conducted in December 2008, policy discussions focused on medium-term growth prospects, the impact of a possible scaling up of aid, and the fallout of the financial crisis. Concerning the specific recommendations:

- The authorities made progress in improving public financial management. In line with staff´s recommendation, they started preparing the budget in the context of a medium-term fiscal framework, aligned with PRSP priorities. They also improved the budget preparation and implementation process,

- Some measures to improve the business climate were introduced, including the reduction of fees for registering a new enterprise. They also reduced the corporate profit tax rate from 35 percent to 30 percent.

- Debt management was strengthened, with the preparation of periodic analyses of recent borrowing and prospects.

- Staff advised the authorities to be ready to raise petroleum product retail prices if needed, to protect revenues. The government followed up in 2010 and 2011, but price adjustments were discontinued in September 2011.

- At the time, the authorities committed to ensuring that the sale of petroleum to the new refinery (Soraz) and of refined products would be done on commercial terms.

II. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM PROSPECTS

A. Developments in 2010 and 2011

4. **Following a year of serious food shortages and stagnating growth, economic activity recovered quickly in the second half of 2010, thanks to an excellent harvest and the expansion of trade and transport related to agriculture.** For the year as a whole, GDP growth reached 8 percent, following a contraction of almost 1 percent in 2009. The recovery in economic activity was also supported by investments in an oil project and new uranium mines (Figure 1 and Table 1).

5. **Despite the fallout from the Libyan crisis, growth remained strong in the first half of 2011.** The expansion of mining, trade, and services offset the impact of declining remittances following the return of tens of thousands of Nigerien workers from Libya. Although agricultural production in 2011 is projected to be well below the 2010 bumper crop, GDP growth could still reach almost 4 percent in 2011. Notwithstanding the disappointing harvests in some parts of the country in recent months, the impact of rising global food prices on inflation has remained modest (Figure 1).

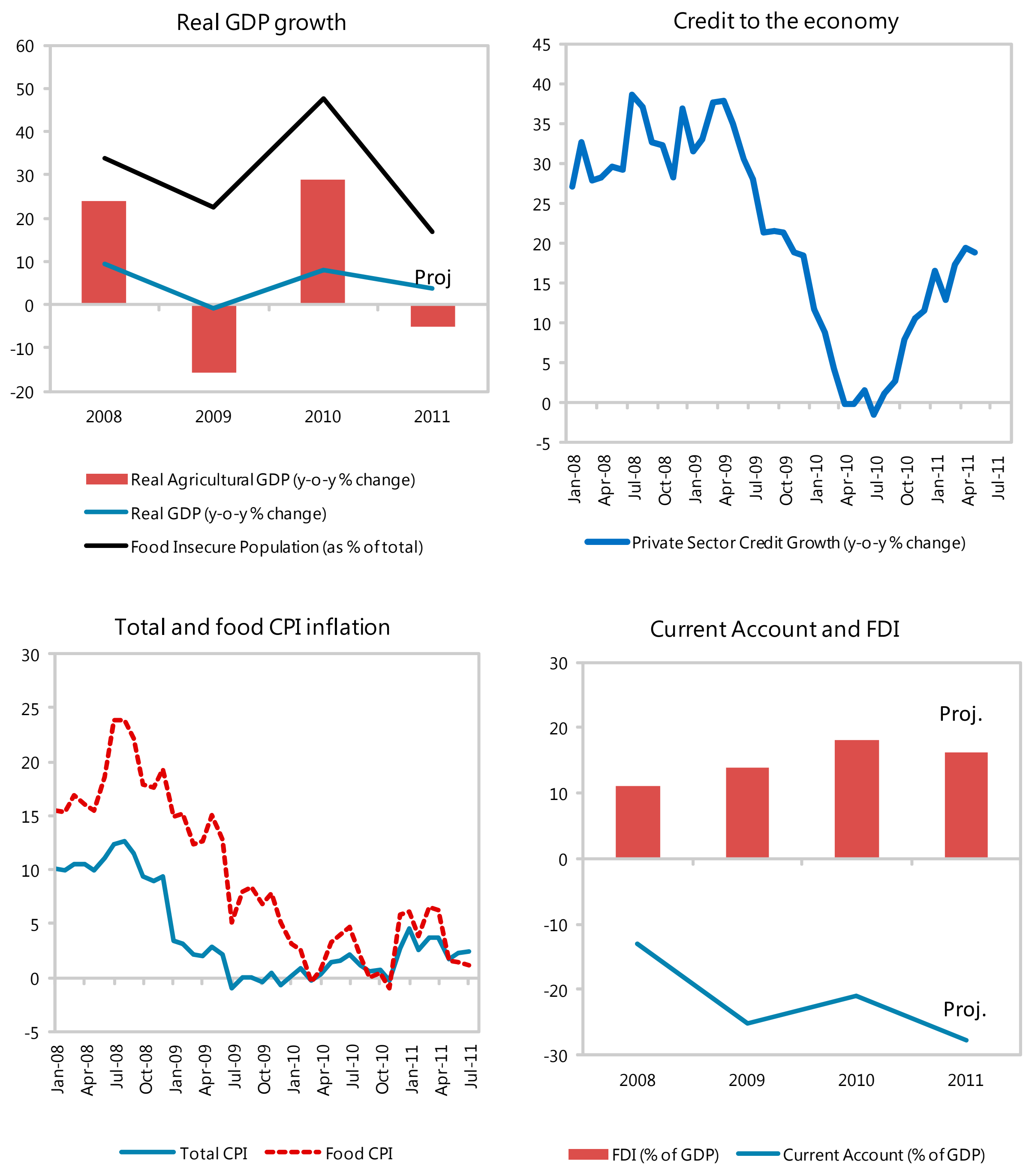
6. **Fiscal performance was broadly on track in 2010, with the basic fiscal deficit reaching 3 percent of GDP.**[1] Revenue growth was supported by the widening of the tax base and efforts to improve taxpayers' compliance, while total expenditure was kept in line with program objectives. However, the composition of expenditure was negatively affected by rising outlays on ill-targeted fuel subsidies (Figure 2 and Tables 2a and 2b).

7. **Budget implementation remained satisfactory through August 2011, with revenues exceeding targets and expenditure in line with projections.** In May 2011, the newly-elected government adopted a revised budget, aiming for a basic fiscal deficit of 4 percent of GDP. On current trends, it is expected that this objective will be achieved. In the revised budget, the government also committed to phasing out the fuel subsidies by 2012. Since June 2011, substantial progress has been made in reducing outlays on the subsidy.

8. **Staff's estimates, based on the methodologies of the Consultative Group on Exchange Rate Issues (CGER) approach, indicate that the real effective exchange rate (REER) is in line with fundamentals (Appendix I).** The REER depreciated by about 7 percent in 2010 (annual average), mainly driven by a depreciation of the nominal effective exchange rate. The country's external competitiveness is, however, largely hampered by non-price factors, especially a weak business environment.

[1] The basic fiscal balance is equivalent to domestic revenue minus expenditure (excluding foreign-financed capital expenditure).

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



Sources: Nigerien authorities, and IMF staff estimates.

9. Niger meets most of the convergence criteria of the WAEMU. It does not meet the targets on the current account deficit and the basic fiscal balance, although both balances are sustainable given the volume of foreign aid and, for the current account, also FDI inflows. It also does not meet the tax revenue target (Text Table 1).

10. The authorities have made important progress with their reform agenda since mid-2010. Following initial delays, the authorities have moved to strengthen public financial management, budget planning, and debt management; and to enhance transparency in natural resources management.

Text Table 1. Niger: WAEMU Convergence Criteria, 2010–12

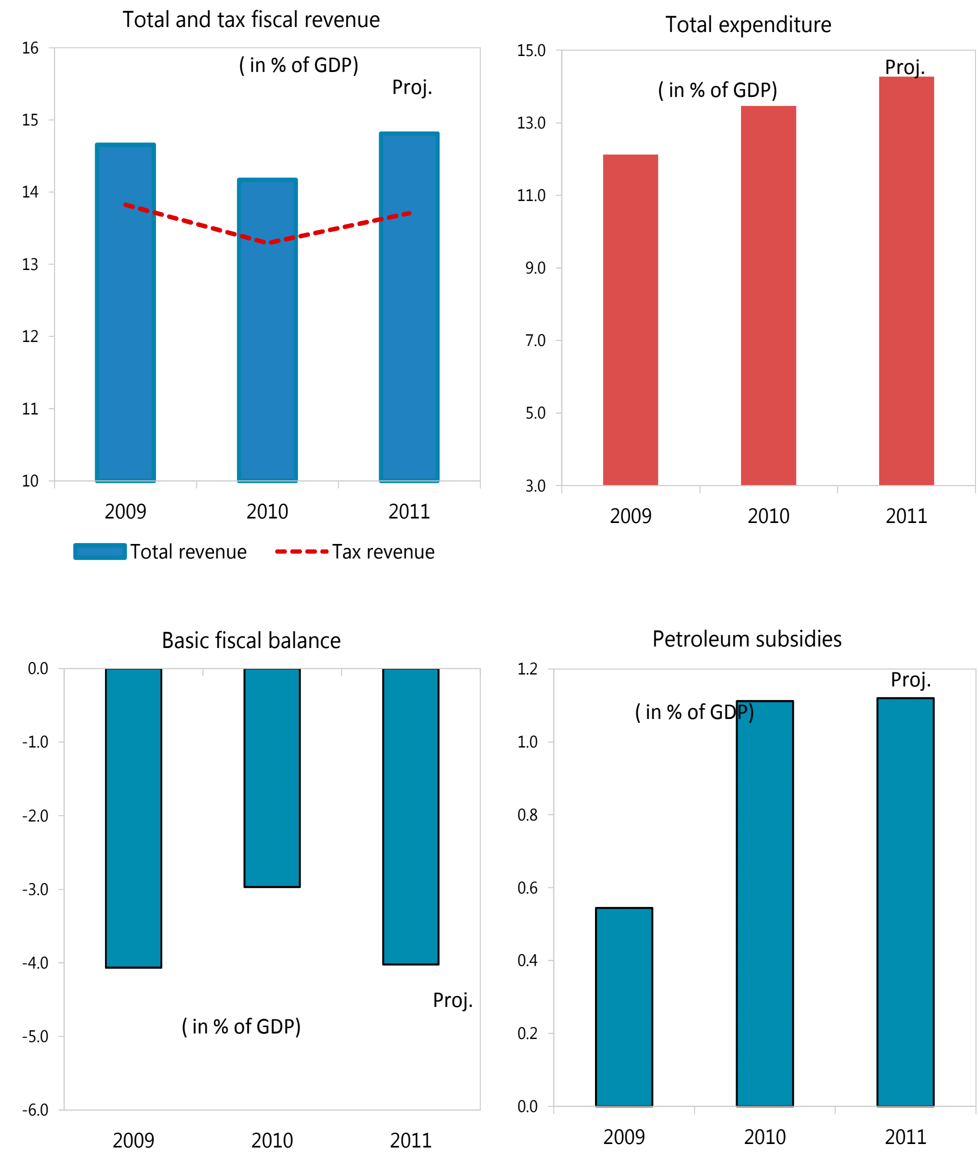
	Criterion	2010	2011	2012
		Est.	Proj.	Budget.
Primary criteria		(Ratios in percent)		
Basic fiscal balance/GDP	>=0	-3.0	-4.0	-0.7
Inflation (annual average percentage change)	<=3	0.9	3.7	2
Total nominal debt/GDP	<=70	24.5	32.1	32.3
Domestic arrears accumulation (CFAF billions)	<=0	-12.4	-10	-10
External arrears accumulation (CFAF billions)	<=0	0.0	0.0	0.0
Secondary criteria				
Wages/tax revenue	<=35	28.5	30.4	24.7
Domestically financed investment/tax revenue	>=20	27.6	20.8	37.9
Current acct. deficit, exc. current official transfers/GDP	<=5	-26.9	-27	-29.7
Tax revenue/GDP	>=17	13.3	14.4	16.6

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

B. The Medium-Term Outlook

11. Thanks to investments in the oil and mining sectors, medium-term prospects are favorable. A new, relatively small uranium mine began operating in 2011. Two large projects are expected to come onstream in the next few years: an integrated oil project (including an oil field and a refinery) in 2012; and a new uranium mine, in 2014 (Box 2). As a result, oil and mining exports are projected to triple between 2011 and 2016, while total government revenue from natural resources is expected to increase by about 3½ percent of GDP (Figure 3 and Tables 2a and 2b).

Figure 2. Niger: Fiscal Developments, 2009–11



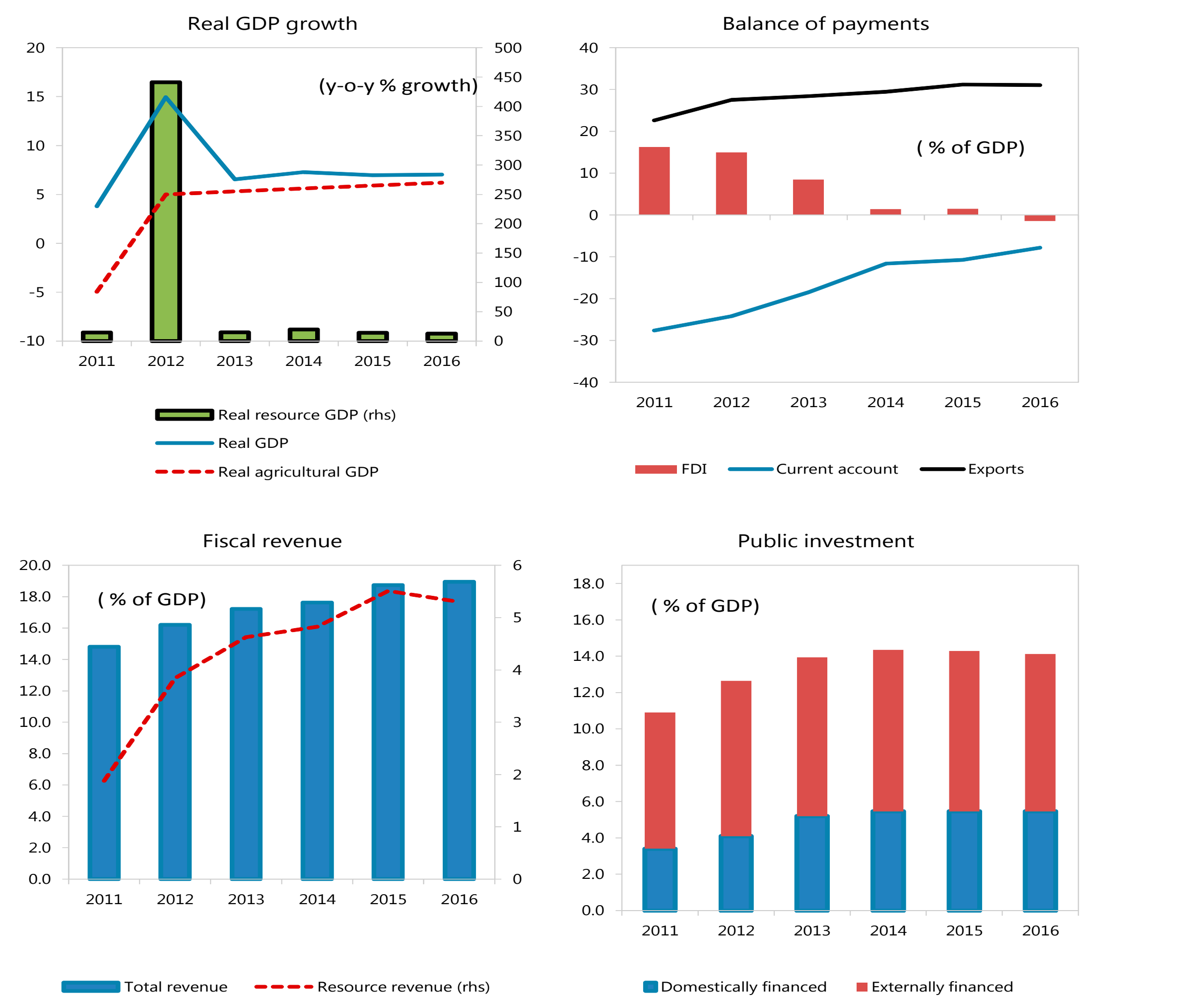
Source: Nigerien authorities; and IMF staff estimates

Box 2. Large Projects in Niger

Uranium: The new Azelik uranium mine, developed with a Chinese investor, began operating in 2011. It is expected to reach a maximum capacity of 700 tons per year in 2012. The new Imouraren mine, developed with a French investor, will reach its maximum capacity of 5,000 tons per year in 2016, doubling current total production.

Agadem integrated oil project: Niger will start producing oil in 2012. The project, developed in collaboration with a Chinese investor, includes the Agadem oil field, a refinery in Zinder, and a 460 kilometer pipeline linking the two sites. The field's output capacity is estimated at 20,000 barrels a day, to be sold exclusively to the refinery. One third of the refinery's output will be domestically marketed by the public oil company (SONIDEP), and the remainder will be exported. The field is likely to yield more crude oil, which would be exported.

Figure 3. Niger: Medium Term, 2011–16



Source: Nigerien authorities; and IMF staff estimates

12. Given the coming onstream of the oil project, real GDP growth could reach 14 percent in 2012. Assuming a normal harvest, economic activity in sectors other than natural resources is projected to expand by about 6 percent in 2012 and to remain at elevated levels over the medium term (Table 1). With the expansion of natural resource exports, the current account deficit of the balance of payments is projected to decline in the coming years, from about 27½ percent of GDP in 2011 to 10½ percent in 2016. Inflation is expected to remain well under control.

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

III. POLICY DISCUSSIONS

The policy discussions with the authorities focused on the following main themes: (i) promoting inclusive economic growth, diversification, and job creation; (ii) creating a fiscal strategy to deal with exogenous shocks; (iii) managing natural resources, including pricing policy in the oil sector; (iv) developing a budgetary framework for 2012 and beyond; (v) strengthening budget execution and revenue performance; (vi) maintaining debt sustainability; and (vii) strengthening the financial sector.

A. Promoting Inclusive Economic Growth, Diversification, and Job Creation

14. Niger faces daunting development challenges (Table 5). With per capita GDP at US$381, more than 40 percent of its population lives on less than $1.25 a day. The primary sector, the main engine of the economy, is subject to frequent climatic shocks, especially drought, which cause food insecurity. Rapid population growth and increased instability in Northern Africa complicate the pursuance of a long-term development strategy.

15. The increase in oil and mining revenue will be critical for Niger's development. If properly used, these resources could help promote inclusive and sustainable growth. The government adopted in 2011 an ambitious medium-term development plan, encompassing substantial increases in public investment in infrastructure, agriculture, health, and education, intending to increase Niger's growth rate to at least 7 percent a year. Acknowledging that public security is crucial for economic development, the authorities are also stepping up measures to face rising security threats in the region.

16. Staff welcomed the growth strategy outlined in the government's development program, but underlined the need to give more attention to policies aimed at improving the business climate. Private investment in the non-natural resource sector is very low. The World Bank's 2011 Doing Business report for Niger has identified several areas where fundamental reforms are needed to make Niger a more attractive place to invest, including strengthening the judiciary system and fighting corruption, simplifying business regulations and procedures for international trade, and improving the efficiency of the tax and customs administrations (Appendixes I and II).

17. The authorities concurred with the need to step up efforts to improve the business climate. They pointed out that many elements of the government's development plan would help improve the business climate, such as infrastructure investment, but acknowledged that this issue should receive more emphasis.

B. Fiscal Strategy to Deal with Exogenous Shocks

18. To deal with Niger's vulnerabilities, staff suggested that the authorities consider creation of a fiscal buffer when the mining investments have been completed. A buffer would help the authorities to stabilize public expenditure and economic activity over the medium term, mitigating the negative effects shocks can have on employment, poverty, and other social indicators.

19. Staff discussed several possible options for a buffer. One option would be to estimate the cost of addressing a serious food crisis and build a buffer that would cover part of the financing needs. On the basis of the financing needs during the 2010 famine, preliminarily estimated at CFAF 100 billion, the authorities could consider accumulating a reserve of CFAF 20 billion a year (about ½ percent of GDP), steadily working toward a target. The buffer would be used during adverse shocks—primarily food crises, but also other shocks. Once the country has recovered from the shock, the buffer would be steadily replenished with additional resources at a pace of accumulation dependent on the initial level of the buffer. A second option would be to formulate the budget taking into account a moving average of past revenues from the petroleum and uranium sectors. When the actual revenue from natural resources is above the reference level, the extra amount of revenue would be saved. Withdrawals would be allowed when actual revenue falls below the reference level. A specific rule for accumulation and withdrawals could be supported by targeting the non natural resource balance.

20. Although the authorities concurred with the need to enhance their ability to respond to unforeseen events, they pointed to high financing needs related to their development plan. They argued that the creation of a fiscal buffer could be difficult to achieve, given the need to step up public investment and outlays for social programs. Staff took the view that in light of the rapid growth in natural resource revenue in the coming years, the creation of a fiscal buffer should not be incompatible with substantial increases in public investment and social spending.

C. Strengthening the Management of Petroleum and Mining Projects

21. Niger has made important progress in enhancing the transparency of the natural resource sector. The new Constitution, adopted in 2010, requires publication of all contracts for the exploration and exploitation of natural resources and payments to the state. Niger was recently declared compliant with the Extractive Industries Transparency Initiative (EITI).

22. The development of the petroleum and mining sector presents opportunities but also risks, especially because the state is involved directly in all projects. In addition to direct exposure as a shareholder, the state also carries risks as a result of the recent guarantee of 40 percent of a US$880 million loan (about 5 percent of GDP) to the oil refinery (Soraz), proportionate to the state's participation in the company. The state has also assumed liability for a 650 million yuan (1½ percent of GDP) loan for the uranium mine that came onstream in 2011 (Box 3).

23. Staff urged the authorities to strengthen government oversight of the petroleum and mining sectors. In particular, staff recommended strengthening the functioning of the Interministerial Steering and Assessment Committee for the petroleum and mining sectors, which was set up in 2010 to deepen the analysis of the projects and ensure consistency of the government's actions in this area. The authorities agreed that there was a need to enhance the monitoring and supervision of the mining sector. They requested more technical assistance to strengthen their capacity. This could be provided under the Managing Natural Resources Topical Trust Fund, for which Niger is eligible.

24. Staff advised the authorities to carefully consider the role of government equity in future projects. Equity ownership is not required for effective project monitoring, which could also be achieved through exercise of regulatory powers, such as a strong oversight by the Interministeral Steering and Assessment Committee and sufficient reporting requirements. An appropriate fiscal regime would allow the state to get an equitable share of revenue without the risks associated with participation in the projects.

25. In October 2011, the authorities concluded an agreement with the foreign investor in the petroleum sector on the pricing of crude oil for the refinery and refined products. To pass on part of the benefits of the new oil production to domestic consumers in the form of lower prices at the pump, the agreement plans ex-refinery prices of about 14 to 17 percent below import prices. The financial viability of the refinery is ensured because of a similar discount on the transfer price of crude oil. Staff noted that the agreed price structure would reduce revenue from the oil project for the state, and entail risks of informal exports of petroleum products to neighboring countries with higher pump prices. Regarding export production exceeding domestic consumption, staff encouraged the government to finalize export contracts as soon as possible.

Box 3. New Projects: Fiscal Terms and Financing Arrangements

Uranium

Government revenue: The state will collect royalties, corporate income tax, a mining fee, and dividends as a shareholder in the new mines.

Financing: China's Exim Bank has provided to the state a loan of 650 million yuan for the financing of the state's 33 percent participation in the capital costs of the Azelik mine. The loan carries an interest rate of 1 percent, has a grace period of 5 years, and a maturity of 15 years.

The Imouraren mine is expected to get 1.4 billion euro in financing from an Areva affiliated company, covering the total capital investment in the mine. The loan is expected to carry an interest rate of Euribor+4.5 percent.

Oil

Government revenue: The state will receive from the upstream and pipeline royalties, a share of profit oil (which is deemed to meet income tax obligations) and an additional share of cost and profit oil as a 15 percent shareholder. The state is entitled to 40 percent of the Zinder refinery's dividends. The state also received a US$300 million signature bonus in 2008. The Zinder refinery has a ten- year tax exemption in line with Niger's fiscal regime for large projects.

Financing: The share of the state in the total capital cost of the oil field and pipeline has been financed by the Chinese partner. As of 2012, the government will forego its share of cost oil to repay the financing of its share. This "carried interest" arrangement is subject to an interest rate of Libor+3.5 percent a year.

Regarding the Zinder refinery, the first US$100 million was disbursed in 2009, of which the state provided US$40 million from its budgetary resources, and the Chinese partner the remaining US$60 million. In addition, the Chinese partner granted a US$880 million loan to the refinery, of which 40 percent (US$352 million) was guaranteed by the state.

Kandaji Dam

Government revenue: no direct revenue is expected

Financing: Several multilateral lending agencies participate in the concessional financing of the Kandaji Dam, together with the government. The government has so far provided 27 percent of the financing needs initially identified for the first phase of the project (US$367 million).

D. Budgetary Framework for the Medium Term and 2012

26. Staff proposed during the August mission a medium-term fiscal framework that would create room for increased development spending while maintaining debt sustainability. The rise in natural resources revenue in the coming years would allow the government to keep the basic fiscal deficit below 1½ percent of GDP in 2012–15, and move to small surpluses after 2016, when the new Imouraren uranium mine will have come fully onstream. At the same time, the framework expects a steady rise in public investment and social expenditure, taking into account the constraints to Niger's administrative implementation capacity.

27. In early October, the government submitted a 2012 budget proposal to parliament that was substantially more expansionary than the discussed budgetary framework. The budget proposal planned a 61 percent spending increase compared with 2011, and a widening of the basic fiscal balance to 5½ percent of GDP. The authorities argued that the sharp expansion in expenditure and deficits were justified by Niger's development needs. Staff pointed out that the revenue projections underlying the expenditure increase were overly optimistic, and that projected external financing would not be sufficient to cover the deficit.

28. During a new round of discussions in late October, the authorities agreed with staff advice on a revised budget proposal for 2012 broadly in line with the framework proposed in August. The revised budget proposal was subsequently presented to parliament to replace the earlier proposal. A key objective for 2012 is to build up the government's cash balances to enhance resilience to exogenous shocks and help ensure a smooth execution of the budget. To achieve an increase in cash balances by CFAF 20 billion, the basic fiscal deficit will be kept below ¾ percent of GDP in 2012.

29. Government revenue is projected to rise by about 2½ percentage points of GDP, to about 17½ percent in 2012. This improvement is supported by higher revenue from natural resources, increases in various tax rates, the expiration of some exemptions, and the continued strengthening of the tax and customs administrations.

30. The favorable outlook for revenue growth creates significant space for increased development spending. In order to provide additional resources for development spending, the government intends to discontinue the fuel subsidy in January 2012. The budget plans a doubling of domestically financed capital expenditure compared with 2011.

E. Strengthening the Budget Process and the Revenue Effort

Budget Preparation and Execution

31. Staff welcomed progress made in strengthening budget processes in recent years. Staff discussed with the authorities the following priority reforms:

- *Medium-term planning:* To better align the budget on development priorities, a medium-term fiscal framework for 2011-13 was used to guide the 2011 budget preparation. The methods used for revenue projections and the identification of projects financed from external resources could be improved, and the cost of programs should be better aligned to the medium-term expenditure framework.

- *Budget implementation:* The authorities have made substantial progress in recent years in reducing delays in the release of budget allocations. Staff encouraged the authorities to avoid delays in 2012 by establishing a quarterly commitment plan for 2012, taking into account the seasonality of outlays as well as specific procurement plans of line ministries. In the course of the year, the quarterly projections should be adjusted on a monthly basis, and closely aligned with quarterly cash plans. In addition, it is important to simplify the expenditure chain and limit the use of exceptional procedures. The distinction between administrative and accounting phases of the expenditure chain could be further strengthened, and staff encouraged the authorities to continue to enhance the monitoring of expenditure flows, to reduce the time needed for the preparation of a monthly table of financial operations (TOFE). Staff pointed to the need to make further progress in the sharing of real time information on budget execution between the budget and treasury departments.

- *Cash Management:* Staff encouraged the authorities to establish a quarterly cash plan for 2012 and to update the plan on a monthly basis. In addition, to facilitate tighter cash management, it will be important to reduce the large number of government accounts at commercial banks and begin the process of establishing a single treasury account.

32. The authorities concurred with the need to make further progress in these areas. They confirmed their intention to continue to strengthen medium-term budget planning, and had taken steps to ensure that the budget for 2012 would be executed on the basis of realistic quarterly commitment and cash plans. Also, they are well advanced in improving the monitoring of expenditure flows.

Tax Reforms and Strengthening Revenue Administration

33. Niger has made important progress in recent years in strengthening domestic revenue. Further strengthening of the tax and customs administrations remains a high priority for the authorities, as shown by the strengthening in 2011 of collaboration between the collection agencies and the introduction of modern technology by customs. Staff discussed with the authorities several other measures aimed at enhancing revenue collection, including better auditing of enterprises (including in natural resources); stricter controls on statutory exemptions and VAT refunds; and modernization of risk management in the tax and customs administrations. Staff encouraged the authorities to strictly enforce legislation that makes any exemption subject to prior approval by the minister of finance.

34. Staff welcomed the submission to parliament of a new Tax Code, which is an important step forward. In the short term, staff discussed with the authorities several possible measures to enhance the tax system:

- *Limit the scope of exemptions under the Investment Code.* The total amount of tax exemptions granted in 2011 is projected at CFAF 149 billion (5 percent of GDP), most of which are related to the Investment Code. A recent FAD analysis of current beneficiaries under the code, including investors in the telecommunications sector, suggests that the code in its present form has only limited effectiveness in generating additional investment.

- *Review current regulations allowing foreign companies to give their Nigerian subsidiaries virtually all financing as debt.* The very high share of debt financing in new petroleum and mining projects will reduce future tax liabilities for the investors.
- *Alternatively, introduce a limitation on the deductibility of interest expenses.* In line with good practice in many advanced economies, interest deductions could be limited to a certain percentage of taxable income or linked to limitations for tax purposes on the capital structure and interest rates.

F. Maintaining Debt Sustainability

35. Debt ratios improved significantly after debt relief under the HIPC Initiative and the MDRI. At end-2010, public debt levels were moderate: total public debt (domestic and external) was about 24½ percent of GDP. The authorities made considerable efforts to establish a complete inventory of domestic debt. In addition, the signing in July 2010 of an agreement between Niger and the Central Bank of West African States (BCEAO) on the repayment of advances has clarified the financial position of the state vis-à-vis the central bank.

36. Debt exposure increased in 2011. The updated debt sustainability analysis shows a deterioration of debt ratios as a result of the government guarantee on the loan to the oil refinery (Soraz) and the contracting of a loan to finance the state's share in the new uranium mine. As a result, Niger's risk of debt distress has deteriorated.

37. In light of the increased vulnerabilities, staff underlined the need to continue to seek grant aid and concessional loans to finance public investment. Staff also encouraged the authorities to minimize the granting of state guarantees for new natural resource investment projects. It noted that funding of the new uranium mining project, expected to come onstream in 2014, will not benefit from such a guarantee.

38. While the monitoring of public debt has improved, further measures to strengthen debt management are warranted. In the medium term, consideration could be given to establishing a unit at the Ministry of Finance responsible for managing all internal and external debt. Also, the authorities should submit to the National Debt Management Committee all proposals for new borrowing and guarantees, including in natural resources, to ensure proper analysis of new financing proposals.

39. The authorities noted that the government borrowing projected in the updated debt sustainability analysis might be insufficient to finance the government's development plans. Also, concessional financing from donors in the coming years might not fully meet financing needs. For this reason, they would not exclude the possibility of borrowing more on nonconcessional terms.

G. Strengthening the Financial Sector

40. Niger's banking system in general is sound. Nonetheless, four relatively small banks, out of a total of eleven banks, do not respect the minimum liquidity ratio (in one case by a wide margin), and one is not in compliance with the regulatory minimum capital requirement of CFAF 5 billion. Staff encouraged the authorities to collaborate with the regional supervisor to accelerate compliance with prudential ratios and to ensure that governance arrangements conducive to sound lending behavior are in place for the recently established state-owned agricultural bank (BAGRI).

41. Significant progress was made in addressing weaknesses in the microfinance sector. A new regulatory framework for microfinance was put in place in 2010, and many weak institutions were restructured or closed.

42. The financial system is still very shallow. In spite of recent progress in credit expansion, financial intermediation remains lower than WAEMU averages in 2010. The authorities are formulating a comprehensive strategy for the development of the financial sector, in collaboration with external consultants.

43. For a sustained deepening of the financial system, staff pointed to the need to improve access to credit to small and medium-sized enterprises and to the agricultural sector in existing banking institutions (rather than in new specialized state-owned banks) by accelerating structural reforms, such as establishing a credit registry, streamlining procedures for obtaining land titles, and strengthening the judicial system.

IV. STAFF APPRAISAL

44. Staff welcomes the government's ambitious medium-term development strategy to raise GDP growth to 7 percent a year. If well managed, the implementation of the strategy—including measures to increase investment in infrastructure, agriculture, health, and education—could make crucial contributions to raising the living standards and improving the social conditions of the Nigerien people.

45. Niger's economic prospects are affected positively by the large investments in the petroleum and mining sectors. Large investment projects in natural resources are expected to have positive effects on other sectors of the economy and are expected to contribute importantly to government revenue.

46. The government's growth strategy, however, should not focus exclusively on the development of natural resources and public investment. Niger is facing high unemployment and the need to create jobs for a rapidly increasing labor pool. Because the employment effects of new projects in natural resources are limited, it will be important to improve the business climate to make Niger a more attractive place for job-creating private investment outside natural resources.

47. Staff encourages the authorities to consider adopting a medium-term fiscal

strategy to create a buffer to help manage adverse shocks. There is a strong case for adopting a fiscal rule to stabilize expenditure over the medium term and create space for social emergency spending.

48. The favorable outlook for revenue growth provides significant space for growth in development spending in 2012 and beyond. It will be important, however, that spending growth be carefully prioritized and that it leaves space for a buildup of the government's cash reserves.

49. Staff urges the authorities to base its public investment program on careful medium-term planning. The plan should identify available financing, administrative implementation constraints, and, importantly, future current expenditure associated with new investment projects. At the same time, further progress should be made in bolstering the domestic revenue effort, including by limiting tax exemptions.

50. Reflecting new borrowing and loan guarantees, Niger has moved from the category of countries with low risk of debt distress to moderate risk. This underlines the need to minimize borrowing on commercial terms for public investment projects, and limit as much as possible the government's involvement in the financing of natural resources projects.

51. Finally, it will be important to continue to strengthen debt management capacity. Staff recommends that the functioning of the National Committee for the Management of Public Debt be strengthened.

52. Staff recommends that the next Article IV consultation be held under the 12 month consultation cycle.

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

	2009	2010	2011	2012	2013	2014	2015	2016
		Prel.			Proj.			
	(Annual percentage change, unless otherwise indicated)							
National income and prices								
GDP at constant prices	-0.9	8.0	3.8	14.1	6.5	7.2	6.9	7.0
Non-agricultural GDP at constant prices	5.5	0.7	7.6	17.6	6.9	7.8	7.3	7.2
Non-oil and mineral GDP				5.9	5.6	5.8	6.0	6.2
GDP deflator	4.1	1.5	4.3	2.2	1.9	2.1	2.0	2.0
Consumer price index								
Annual average	1.1	0.9	3.7	2.0	2.0	2.0	2.0	2.0
End of period	-0.6	2.7	3.4	2.0	2.0	2.0	2.0	2.0
External sector								
Exports, f.o.b. (CFA francs)	15.2	8.1	19.7	37.4	12.0	14.2	16.7	9.3
Of which: non-uranium exports	31.0	-3.3	15.4	54.8	21.8	3.5	3.2	11.4
Imports, f.o.b (CFA francs)	40.2	4.7	19.6	17.0	-0.3	-1.3	9.4	4.9
Export volume	13.6	0.0	12.5	34.4	13.1	11.9	12.8	8.9
Import volume	35.3	-10.3	23.7	26.2	-3.0	-4.0	7.0	2.1
Terms of trade (deterioration -)	3.9	-3.6	8.7	12.4	-2.4	1.6	0.3	0.6
Government finances								
Total revenue	-17.7	6.1	15.4	36.2	13.5	11.2	13.2	10.7
Total expenditure and net lending	11.3	-4.2	32.0	29.0	15.4	10.8	9.2	6.8
Of which: current expenditure	0.0	21.8	14.8	-1.9	21.5	14.1	12.3	6.3
Of which: capital expenditure	25.1	-29.5	43.1	86.7	11.1	8.2	6.9	7.5
	(Annual change as percent of beginning-of-period)							
Money and credit								
Domestic credit	41.0	9.1	11.4	13.6	10.4	13.1	10.0	9.2
Credit to the government (net)	28.9	1.4	-0.4	-4.6	1.0	1.2	-1.5	-4.6
Credit to the economy	12.1	7.7	11.8	18.2	9.4	12.0	11.5	13.8
Net domestic assets	41.2	1.6	11.4	13.6	10.4	13.1	10.0	9.2
Broad money	18.3	22.6	8.2	16.6	8.5	11.8	14.0	9.1
Velocity of broad money (in percent)	5.3	4.7	4.7	4.7	4.7	4.6	4.4	4.4
	(Percent of GDP, unless otherwise indicated)							
Government finances								
Total revenue	14.7	14.2	15.1	17.6	18.5	18.8	19.5	19.8
Total expenditure and net lending	24.6	21.5	26.2	28.9	30.8	31.2	31.2	30.5
Current expenditure	12.1	13.5	14.3	12.0	13.4	14.0	14.4	14.1
Capital expenditure	12.5	8.0	10.6	16.9	17.4	17.2	16.8	16.6
Basic balance (excluding grants)[1]	-4.1	-3.0	-4.0	-0.7	-1.5	-1.5	-0.8	-0.1
Overall balance (commitment basis, including grants)	-5.5	-2.5	-3.5	-3.5	-4.7	-5.0	-4.5	-3.8
Gross investment	33.0	45.9	38.9	34.9	29.1	26.7	26.4	26.3
Of which: non-government investment	25.2	41.1	32.6	25.4	19.0	16.4	16.4	16.4
government	7.8	4.8	6.3	9.5	10.1	10.3	10.1	9.9
Change in stocks	-0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Gross national savings	7.9	24.9	11.4	8.5	8.6	13.2	14.0	15.9
Of which: non-government	1.6	19.4	5.3	0.3	0.5	5.1	6.1	7.7
Domestic savings	5.7	17.4	7.1	6.8	8.0	12.6	14.4	16.8
External current account balance (including grants)	-25.0	-21.0	-27.5	-26.3	-20.5	-13.4	-12.4	-10.4
Debt-service ratio as percent of:								
Exports of goods and services	2.5	2.6	4.1	3.0	2.8	2.6	2.3	2.0
Government revenue	3.5	3.9	6.2	4.4	4.2	3.9	3.6	3.1
NPV of external debt	10.9	11.8	25.5	23.6	23.4	23.4	23.5	23.8
Foreign aid	6.1	6.1	12.1	12.9	12.9	12.9	12.7	12.3
	(Billions of CFA francs)							
GDP at current market prices	2,481	2,722	2,946	3,434	3,725	4,078	4,447	4,852
Overall balance of payments	-89.8	99.1	-19.4	17.9	-14.8	-11.1	34.2	-2.2

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

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

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

	2009	2010	2011	2011	2012	2013	2014	2015	2016
		Prel.	Budget	Proj.	Budget		Proj.		
	(Billions of CFA francs)								
Total revenue	363.6	385.6	438.9	445.0	606.0	687.7	765.0	865.8	958.6
Tax revenue	343.0	361.8	403.8	423.6	571.8	650.9	725.2	824.8	915.6
Nontax revenue	20.6	23.8	35.0	21.4	34.2	36.8	39.8	41.0	43.1
Total expenditure and net lending	609.9	584.1	764.7	770.9	994.2	1146.9	1270.6	1387.2	1482.2
Of which: domestically financed	464.5	466.4	557.9	564.1	629.1	744.7	824.5	903.2	964.1
Total current expenditure	300.8	366.4	414.2	420.4	412.2	500.9	571.4	641.9	682.5
Budgetary expenditure	276.5	346.3	384.3	390.5	381.9	466.5	532.1	597.1	633.6
Wages and salaries	93.6	103.2	126.7	126.7	141.1	160.1	183.3	209.0	228.1
Materials and supplies	83.9	94.3	99.2	99.2	110.0	121.0	133.1	150.1	153.0
Subsidies and transfers	97.2	135.5	147.7	147.7	119.5	170.7	199.2	219.6	232.2
Of which: fuel subsidies	13.5	30.3	33.0	33.0	0.0				
Interest	5.8	6.0	10.7	10.7	11.2	14.7	16.5	18.4	20.3
Of which: external debt	4.5	3.8	6.4	6.4	6.9	7.3	8.1	9.0	10.0
Adjustments and fiscal expenditures	-4.0	7.3	0.0	6.2	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[1]	24.3	20.1	29.9	29.9	30.4	34.3	39.3	44.8	48.9
Capital expenditure and net lending	309.1	217.7	350.5	350.5	581.9	646.1	699.2	745.3	799.7
Capital expenditure	309.1	217.7	311.7	311.7	581.9	646.5	699.6	747.6	803.9
Domestically financed	163.7	100.0	104.8	104.8	216.9	244.2	253.4	263.6	285.8
Externally financed	145.4	117.7	206.8	206.8	365.0	402.2	446.2	484.0	518.2
Of which: grants	105.0	83.0	145.8	145.8	199.3	214.1	232.2	251.9	271.0
loans	40.4	34.7	61.1	61.1	165.8	188.1	214.0	232.2	247.2
Net lending	0.0	0.0	38.9	38.9	0.0	-0.4	-0.4	-2.3	-4.2
Overall balance (commitment)	-246.3	-198.5	-325.9	-325.9	-388.2	-459.2	-505.7	-521.4	-523.6
Basic balance[2]	-100.9	-80.8	-119.0	-119.1	-23.2	-57.0	-59.5	-37.4	-5.4
Change in payments arrears and float	-13.9	-12.4	-10.0	-8.0	-10.0	-15.0	-15.0	-15.0	-15.0
Overall balance (cash)	-260.2	-210.9	-335.9	-333.9	-398.2	-474.2	-520.7	-536.4	-538.6
Financing	260.2	210.9	335.9	333.9	398.2	474.2	520.7	536.4	538.6
External financing	146.2	157.4	340.8	340.8	430.1	467.2	511.6	549.5	585.1
Grants	110.9	130.1	222.0	222.0	268.5	283.3	301.4	321.1	340.2
Budget financing	5.9	47.2	76.2	76.2	69.2	69.2	69.2	69.2	69.2
Project financing	105.0	83.0	145.8	145.8	199.3	214.1	232.2	251.9	271.0
Loans	40.4	34.7	134.5	134.5	175.8	198.1	224.0	242.2	257.2
Of which: Budget financing	0.0	0.0	34.5	34.5	10.0	10.0	10.0	10.0	10.0
Amortization	-8.4	-11.2	-18.9	-18.9	-16.7	-17.3	-16.9	-16.8	-15.3
Debt relief (incl. debt under discussion)	3.3	3.7	3.2	3.2	2.6	3.0	3.0	3.0	3.0
Domestic financing	114.0	53.5	-4.8	-6.8	-32.0	7.0	9.1	-13.0	-46.5
Banking sector	115.2	24.8	-9.3	-9.3	-28.7	7.0	9.1	-13.0	-46.5
IMF	2.4	2.3	-2.2	-2.2	-3.2	-4.1	-4.9	-5.5	-4.1
Statutory advances	-0.5	-4.2	-1.8	-1.8	-5.4	-9.1	-6.8	-6.9	-5.2
Deposits with BCEAO	113.3	18.1	-7.9	-7.9	-20.1	20.2	20.8	-0.6	-37.2
Government securities net		8.6	2.5	2.5	0.0	0.0	0.0	0.0	0.0
Nonbanking sector	-1.3	28.8	4.5	2.5	-3.3	0.0	0.0	0.0	0.0
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Natural resources revenue	43.6	45.5	55.4	55.4	129.5	162.6	188.4	237.3	257.7
Of which: Oil revenue				0.0	59.0	71.5	72.5	73.6	82.5
Of which: Uranium revenue	43.6	45.5	55.4	55.4	70.4	91.1	115.8	163.7	175.3
Non-natural resources revenue	320.0	340.1	383.4	389.6	476.5	525.1	576.6	628.5	700.9
Deposits with BCEAO (months of domestically financed expenditure)	1.9	1.4	1.4	1.3	1.6	1.0	0.6	0.6	1.0

Sources: Nigerien authorities; and IMF staff estimates.

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

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

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

	2009	2010	2011	2011	2012	2013	2014	2015	2016
		Prel.	Budget	Proj.	Budget	Proj.			
	(In percent of GDP)								
Total revenue	14.7	14.2	14.9	15.1	17.6	18.5	18.8	19.5	19.8
Tax revenue	13.8	13.3	13.7	14.4	16.6	17.5	17.8	18.5	18.9
Nontax revenue	0.8	0.9	1.2	0.7	1.0	1.0	1.0	0.9	0.9
Total expenditure and net lending	24.6	21.5	26.0	26.2	28.9	30.8	31.2	31.2	30.5
Of which: domestically financed	18.7	17.1	18.9	19.1	18.3	20.0	20.2	20.3	19.9
Total current expenditure	12.1	13.5	14.1	14.3	12.0	13.4	14.0	14.4	14.1
Budgetary expenditure	11.1	12.7	13.0	13.3	11.1	12.5	13.1	13.4	13.1
Wages and salaries	3.8	3.8	4.3	4.3	4.1	4.3	4.5	4.7	4.7
Materials and supplies	3.4	3.5	3.4	3.4	3.2	3.2	3.3	3.4	3.2
Subsidies and transfers	3.9	5.0	5.0	5.0	3.5	4.6	4.9	4.9	4.8
Of which: fuel subsidies	0.5	1.1	1.1	1.1	0.0	0.0	0.0	0.0	
Interest, scheduled	0.2	0.2	0.4	0.4	0.3	0.4	0.4	0.4	0.4
Of which: external debt	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Adjustments and fiscal expenditures	-0.2	0.3	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure	1.0	0.7	1.0	1.0	0.9	0.9	1.0	1.0	1.0
Capital expenditure and net lending	12.5	8.0	11.9	11.9	16.9	17.3	17.1	16.8	16.5
Capital expenditure	12.5	8.0	10.6	10.6	16.9	17.4	17.2	16.8	16.6
Domestically financed	6.6	3.7	3.6	3.6	6.3	6.6	6.2	5.9	5.9
Externally financed	5.9	4.3	7.0	7.0	10.6	10.8	10.9	10.9	10.7
Of which: grants	4.2	3.0	4.9	4.9	5.8	5.7	5.7	5.7	5.6
Net lending	0.0	0.0	1.3	1.3	0.0	0.0	0.0	-0.1	-0.1
Overall balance (commitment)	-9.9	-7.3	-11.1	-11.1	-11.3	-12.3	-12.4	-11.7	-10.8
Basic balance	-4.1	-3.0	-4.0	-4.0	-0.7	-1.5	-1.5	-0.8	-0.1
Change in payments arrears and float	-0.6	-0.5	-0.3	-0.3	-0.3	-0.4	-0.4	-0.3	-0.3
Overall balance (cash)	-10.5	-7.8	-11.4	-11.3	-11.6	-12.7	-12.8	-12.1	-11.1
Financing	10.5	7.7	11.4	11.3	11.6	12.7	12.8	12.1	11.1
External financing	5.9	5.8	11.6	11.6	12.5	12.5	12.5	12.4	12.1
Grants	4.5	4.8	7.5	7.5	7.8	7.6	7.4	7.2	7.0
Budget financing	0.2	1.7	2.6	2.6	2.0	1.9	1.7	1.6	1.4
Project financing	4.2	3.0	4.9	4.9	5.8	5.7	5.7	5.7	5.6
Loans	1.6	1.3	4.6	4.6	5.1	5.3	5.5	5.4	5.3
Of which: budget financing	0.0	0.0	1.2	1.2	0.3	0.3	0.2	0.2	0.2
Amortization	-0.3	-0.4	-0.6	-0.6	-0.5	-0.5	-0.4	-0.4	-0.3
Debt relief (incl. debt under discussion)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Domestic financing	4.6	2.0	-0.2	-0.2	-0.9	0.2	0.2	-0.3	-1.0
Banking sector	4.6	0.9	-0.3	-0.3	-0.8	0.2	0.2	-0.3	-1.0
IMF	0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Statutory advances	0.0	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1
Deposits with BCEAO	4.6	0.7	-0.3	-0.3	-0.6	0.5	0.5	0.0	-0.8
Government securities net		0.3	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Nonbanking sector	-0.1	1.1	0.2	0.1	-0.1	0.0	0.0	0.0	0.0
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Natural resources revenue	1.8	1.7	1.9	1.9	3.8	4.4	4.6	5.3	5.3
Of which: Oil revenue					1.7	1.9	1.8	1.7	1.7
Of which: Uranium revenue	1.8	1.7	1.9	1.9	2.1	2.4	2.8	3.7	3.6
Non-natural resources revenue	12.9	12.5	13.0	13.2	13.9	14.1	14.1	14.1	14.4
Deposits with BCEAO (months of domestically financed expenditure)	1.9	1.4	1.4	1.3	1.6	1.0	0.6	0.6	1.0

Sources: Nigerien authorities; and IMF staff estimates.

Table 3. Niger: Balance of Payments, 2009-16

	2009	2010	2011	2012	2013	2014	2015	2016
		Prel.	Proj.					
	(Billions of CFA Francs; unless otherwise indicated)							
Current account balance	-621.3	-570.9	-810.9	-903.9	-763.7	-546.7	-552.3	-504.5
Balance on goods, services and income	-692.6	-796.9	-965.9	-1059.9	-927.2	-719.0	-734.0	-696.5
Balance on goods	-376.5	-378.6	-452.1	-405.1	-300.6	-151.8	-88.2	-37.4
Exports, f.o.b	470.7	508.7	608.9	836.6	936.9	1070.1	1248.5	1364.2
Uranium	195.1	242.3	301.3	360.5	356.9	469.8	629.1	674.0
Oil	0.0			157.8	240.7	228.0	208.6	203.8
Other products	275.6	266.4	307.6	318.3	339.3	372.4	410.7	486.4
Imports, f.o.b	847.2	887.3	1061.0	1241.6	1237.5	1221.9	1336.7	1401.5
Food products	206.4	243.5	229.4	236.0	238.5	238.9	240.2	249.0
Petroleum products	126.5	143.5	143.0	16.7	15.5	15.7	15.6	15.6
Capital goods	301.5	335.1	355.6	460.0	435.6	410.6	467.3	477.0
Other products	212.7	165.2	332.9	528.9	547.9	556.8	613.6	659.9
Services and income (net)	-316.1	-418.3	-513.8	-654.9	-626.6	-567.3	-645.8	-659.1
Services (net)	-299.7	-397.1	-487.2	-560.1	-486.1	-422.6	-446.1	-422.0
Income (net)	-16.3	-21.2	-26.6	-94.8	-140.5	-144.6	-199.7	-237.1
Of which: interest on external public debt	-4.8	-3.8	-6.4	-6.9	-7.3	-8.1	-9.0	-10.0
Unrequited current transfers (net)	71.2	226.1	155.0	156.1	163.4	172.3	181.7	191.9
Private (net)	53.9	72.9	37.5	38.8	42.1	46.0	50.2	54.8
Public (net)	17.3	153.2	117.4	117.3	121.4	126.3	131.5	137.1
Of which: grants for budgetary assistance	5.9	47.2	76.2	69.2	69.2	69.2	69.2	69.2
Capital and financial account	538.6	670.0	791.5	921.7	748.9	535.6	586.5	502.3
Capital account	120.3	95.8	162.8	218.4	234.6	254.4	275.8	296.8
Private capital transfers	11.1	12.8	13.9	16.2	17.5	19.2	20.9	22.8
Project grants	105.5	83.0	145.8	199.3	214.1	232.2	251.9	271.0
Nonproduced, nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt cancellation	3.7	0.0	3.2	3.0	3.0	3.0	3.0	3.0
Financial account	418.3	574.2	628.6	703.3	514.3	281.2	310.7	205.6
Direct investment	345.4	495.3	478.3	509.1	306.5	47.1	55.4	-71.7
Portfolio investment	7.4	17.9	1.3	4.5	4.5	4.5	4.5	4.9
Other investment	65.5	61.0	149.1	189.8	203.3	229.7	250.9	272.4
Public sector (net)	32.6	26.9	115.6	157.3	180.8	207.2	225.4	241.9
Disbursements	43.7	34.7	134.5	175.8	198.1	224.0	242.2	257.2
Loans for budgetary assistance	3.3	0.0	34.5	10.0	10.0	10.0	10.0	10.0
Project loans	40.4	34.7	99.9	165.8	188.1	214.0	232.2	247.2
Amortization	11.1	11.2	18.9	18.5	17.3	16.9	16.8	15.3
Other (net)	32.9	34.1	33.5	32.5	22.5	22.5	25.5	30.5
Errors and omissions	-7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-89.8	99.1	-19.4	17.9	-14.8	-11.1	34.2	-2.2
Financing	89.8	-99.1	19.4	-17.9	14.8	11.1	-34.2	2.2
Net foreign assets (BCEAO)[1]	86.4	-102.8	16.2	-20.5	11.8	8.1	-37.2	-0.8
Net use of Fund resources	2.4	7.3	0.3	-3.2	-4.1	-4.9	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Current Account (in percent of GDP)	-25.0	-21.0	-27.5	-26.3	-20.5	-13.4	-12.4	-10.4
Current Account (excluding grants; in percent of GDI	-25.7	-26.9	-31.5	-29.7	-23.8	-16.5	-15.4	-13.2
Trade balance (in percent of GDP)	-15.2	-13.9	-15.3	-11.8	-8.1	-3.7	-2.0	-0.8
Overall balance (in percent of GDP)	-3.6	3.6	-0.7	0.5	-0.4	-0.3	0.8	0.0
Net Foreign Assets (months of imports)	2.2	1.8	2.1	3.0	4.1	5.0	5.5	5.8
GDP (in CFAF billions)	2,481.1	2,721.5	2,945.9	3,434.3	3,725.2	4,077.6	4,446.7	4,852.1

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

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

Table 4. Niger: Monetary Survey, 2009-16

	2009	2010	2011	2012	2013	2014	2015	2016
		Prel.	Proj.					
	(Billions of CFA Francs; end-of-period)							
Net foreign assets	193.8	292.9	274.7	293.1	279.3	269.2	304.4	303.2
BCEAO	224.2	292.6	276.4	296.8	285.0	276.9	314.1	314.9
Commercial banks	-30.4	0.3	-1.7	-3.7	-5.7	-7.7	-9.7	-11.7
Net domestic assets	278.5	286.2	352.2	437.7	513.4	617.3	706.3	799.7
Domestic credit	311.4	354.3	420.3	505.8	581.5	685.4	774.4	867.8
Net bank claims on government	0.5	7.2	5.1	-23.5	-16.4	-7.3	-20.3	-66.8
BCEAO	19.0	35.9	31.3	2.7	9.8	19.0	6.0	-40.5
Claims	93.3	91.5	94.7	86.2	73.1	61.5	49.1	39.7
Of which: statutory advances	31.3	27.0	25.3	23.3	17.8	14.5	0.0	0.0
Deposits	74.3	55.5	63.4	83.5	63.3	42.5	43.1	80.3
Commercial banks	-20.3	-33.3	-30.8	-30.8	-30.8	-30.8	-30.8	-30.8
Other	1.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Credit to the economy	310.9	347.2	415.2	529.3	597.9	692.7	794.7	934.6
Other items, net	-32.9	-68.1	-68.1	-68.1	-68.1	-68.1	-68.1	-68.1
Money and quasi-money	472.3	579.1	626.9	730.8	792.7	886.6	1010.8	1102.9
Currency outside banks	187.0	234.9	263.7	296.6	333.7	382.1	437.5	501.0
Deposits with banks	285.3	298.6	358.1	530.6	614.2	723.7	772.3	888.2
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)							
Net foreign assets	-22.8	21.0	-3.1	2.9	-1.9	-1.3	4.0	-0.1
BCEAO	-18.3	14.5	-2.8	3.3	-1.6	-1.0	4.2	0.1
Commercial banks	-4.5	6.5	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2
Net domestic assets	41.2	1.6	11.4	13.6	10.4	13.1	10.0	9.2
Domestic credit	41.0	9.1	11.4	13.6	10.4	13.1	10.0	9.2
Net bank claims on the government	28.9	1.4	-0.4	-4.6	1.0	1.2	-1.5	-4.6
BCEAO	28.8	3.6	-0.8	-4.6	1.0	1.2	-1.5	-4.6
Of which: statutory advances	-0.5	-0.9	-0.3	-0.3	-0.8	-0.4	-1.6	0.0
Commercial banks	0.0	-2.7	0.4	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	12.1	7.7	11.8	18.2	9.4	12.0	11.5	13.8
Other items, net	0.2	-7.5	0.0	0.0	0.0	0.0	0.0	0.0
Broad money	18.3	22.6	8.2	16.6	8.5	11.8	14.0	9.1
Memorandum items:								
Velocity of broad money								
(in percent)	5.3	4.7	4.7	4.7	4.7	4.6	4.4	4.4
Credit to the economy								
(Change, in percent)	18.4	11.7	19.6	27.5	13.0	15.9	14.7	17.6
(in percent of GDP)	12.5	12.8	14.1	15.4	16.1	17.0	17.9	19.3
(in percent of non-agricultural GDP)	17.3	18.9	19.7	20.8	21.4	22.4	23.3	24.9

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Millennium Development Goals

	1990	1995	2000	2005	2009
Goal 1: Eradicate extreme poverty and hunger					
Employment to population ratio, 15+, total (%)	*59*	59	60	60	60
Employment to population ratio, ages 15-24, total (%)	*50*	51	51	51	52
GDP per person employed (constant 1990 PPP $)	1,286	1,011	979	1,084	1,170
Income share held by lowest 20%	*7*	*6*	..	6	8
Malnutrition prevalence, weight for age (% of children under 5)	*41*	..	44	40	..
Poverty gap at $1.25 a day (PPP) (%)	*30*	*39*	..	28	12
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	*73*	*78*	..	66	43
Goal 2: Achieve universal primary education					
Literacy rate, youth female (% of females ages 15-24)	..	..	*14*	23	..
Literacy rate, youth male (% of males ages 15-24)	..	..	*14*	52	..
Persistence to last grade of primary, total (% of cohort)	..	..	69	70	62
Primary completion rate, total (% of relevant age group)	16	13	18	29	40
Total enrollment, primary (% net)	23	*24*	27	42	54
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliaments (%)	5	..	1	12	12
Ratio of female to male primary enrollment (%)	60	63	69	72	80
Ratio of female to male secondary enrollment (%)	37	50	60	62	60
Ratio of female to male tertiary enrollment (%)	13	..	..	33	34
Share of women employed in the nonagricultural sector (% of total nonagr.employment)	..	..	..	25.4	36.1
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	25	40	37	47	73
Mortality rate, infant (per 1,000 live births)	144	129	107	88	76
Mortality rate, under-5 (per 1,000)	305	274	227	187	160
Goal 5: Improve maternal health					
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	..	219	187	152
Births attended by skilled health staff (% of total)	*15*	..	16	33	..
Contraceptive prevalence (% of women ages 15-49)	*4*	..	14	11	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,400	1,300	1,100	910	820
Pregnant women receiving prenatal care (%)	*30*	..	41	46	..
Unmet need for contraception (% of married women ages 15-49)	*19*	..	*17*	16	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	48	33	..
Incidence of tuberculosis (per 100,000 people)	125	138	152	168	181
Prevalence of HIV, total (% of population ages 15-49)	0.1	0.6	1.0	0.9	0.8
Tuberculosis case detection rate (%, all forms)	53	15	28	36	36
Goal 7: Ensure environmental sustainability					
Forest area (% of land area)	1.5	..	1.0	1.0	1.0
Improved sanitation facilities (% of population with access)	5	5	7	9	9
Improved water source (% of population with access)	35	39	42	45	48
Net ODA received per capita (current US$)	49	29	19	40	31
Goal 8: Develop a global partnership for development					
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	7	8	8	6	3
Internet users (per 100 people)	0.0	*0.0*	0.0	0.2	0.8
Mobile cellular subscriptions (per 100 people)	0	0	0	2	17
Fertility rate, total (births per woman)	8	8	7	7	7
GNI per capita, Atlas method (current US$)	300	190	170	260	340
GNI, Atlas method (current US$) (billions)	2.4	1.8	1.9	3.3	5.2
Gross capital formation (% of GDP)	8.1	7.3	11.4	22.6	..
Life expectancy at birth, total (years)	42	43	46	50	52
Literacy rate, adult total (% of people ages 15 and above)	..	..	*9*	29	..
Trade (% of GDP)	37.0	41.5	43.5	39.3	..

Source: UN-stats 2011

Appendix I—Assessing Competitiveness in Niger

1. **This note analyzes Niger's external competitiveness, through an assessment of the country's real exchange rate in 2010 and an examination of selected indicators from survey studies.** While the real exchange rate assessment finds Niger's exchange rate broadly in line with the fundamentals, a finding consistent with the exchange rate assessment conducted for the 2011 WAEMU Article IV consultation, survey indicators reveal a substantial gap between indicators of competitiveness in Niger and in the rest of sub-Saharan Africa (SSA).

I. Real Exchange Rate Assessment

2. **The real exchange rate assessment for Niger is here conducted using the three approaches advocated by the IMF's Consultative Group on Exchange Rate Issues (CGER):** the macroeconomic balance (MB) approach, the external sustainability (ES) approach, and the equilibrium real effective exchange rate (EREER) approach.

3. **In 2010, Niger's nominal effective exchange rate (NEER) depreciated by 6.3 percent while the real effective exchange rate (REER), based on the Consumer Price Index (CPI), depreciated by 7.3 percent.** These movements in the exchange rates resulted primarily from the depreciation of the Euro (to which the CFAF is pegged) vis-à-vis the currencies of Niger's major trading partners, most notably the U.S. dollar (Figure 1).

4. **The MB approach estimates a current account norm using some of the fundamental determinants of the current account balance to GDP ratio (CAB**). In this exercise, the determinants considered are the fiscal balance, the old-age dependency ratio, population growth, the oil balance, relative GDP per capita growth, and output growth. The current account norm is obtained by combining these variables with coefficients from the Unrestricted Estimation for Africa provided in Aydin (2010). Given an elasticity of the CAB to the REER of 0.63,[1] the REER adjustment required to close the gap between the norm and the underlying CAB in 2017 is estimated to be 2.3 percent (Table 2).[2]

5. **The external sustainability approach estimates the CAB to GDP ratio needed to stabilize the net foreign asset (NFA) position of the country.**[3] In this case, it is assumed that Niger's NFA position in 2007, which amounted to -18 percent of GDP,

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[1] The elasticity of 0.63 is the trade balance elasticity from Tokarick (2010). We selected the small country case for Niger, given that the country is unable to affect the foreign prices of the goods it imports and exports. The value is consistent with the elasticity obtained for the WAEMU region and used in the 2011 WAEMU exchange rate assessment.

[2] While studies usually consider the end of the WEO projection period for the calculation of the underlying CAB, in this study we selected 2017, since it is by this year that FDI-related imports stabilize and that full capacity is reached in domestic production of refined oil products.

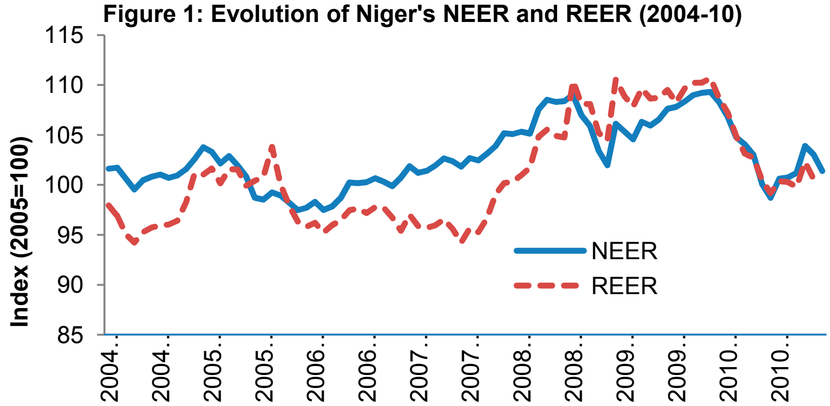
[3] The NFA position is for the Nigerien economy as a whole and NFA values are from Lane and Milesi-Ferretti (2007), updated and extended recently by the IMF's Research Department (WEO, October 2010). Arguably, the usefulness of calculating a current account consistent with a constant level of NFA is questionable for an economy that relies on exhaustible resources, and hence, where one would expect the level of NFA to move in line with the mineral life cycle.

corresponds to its approximate equilibrium level.[4] The approach then calculates the corresponding NFA-stabilizing current account, estimated here at -1.2 percent. Using the elasticity of the current account balance with respect to the REER, the results suggest an exchange rate misalignment of 5.5 percent (Table 1).

6. **In the equilibrium exchange rate approach the degree of misalignment of the real effective exchange rate is calculated as the deviation of the actual rate from its equilibrium value.** To obtain the equilibrium real exchange rate, the REER is modeled with its fundamentals through an error correction model so as to capture long run equilibrium relationships. The fundamentals included are the terms of trade, public consumption to GDP, investment to GDP ratio, trade openness, and the relative real GDP per capita as proxy for the productivity differential between Niger and its major trading partners.[5] To obtain the equilibrium rate the long term cointegrating coefficients are subsequently multiplied to the fundamentals filtered by the Hodrick-Prescott filter. Based on this approach, the estimates suggest that Niger's REER is slightly below the equilibrium level, by 6 percent (Table 1)

7. **These findings are broadly in line with the results obtained for the WAEMU region.** The exchange rate assessment conducted in the context of the 2011 Article IV regional consultation concluded that the WAEMU REER is broadly in line with macroeconomic fundamentals in 2010. No evidence of misalignment is found under the equilibrium real exchange rate approach, and the other two approaches point to some modest overvaluation of up to 7 percent.

Figure 1: Evolution of Niger's NEER and REER (2004-10)



Source: Institute, International Monetary Fund.

[4] While other studies chose 2009 as the norm year, we here considered 2007 since many variables in 2009 were affected by the shock of the food crisis.

[5] Four dummies have been included in the model to account for i) political instability in 1984; ii) the 1994 devaluation; iii) the 2005 food crisis, and iv) the impact of the global financial crisis in 2008.

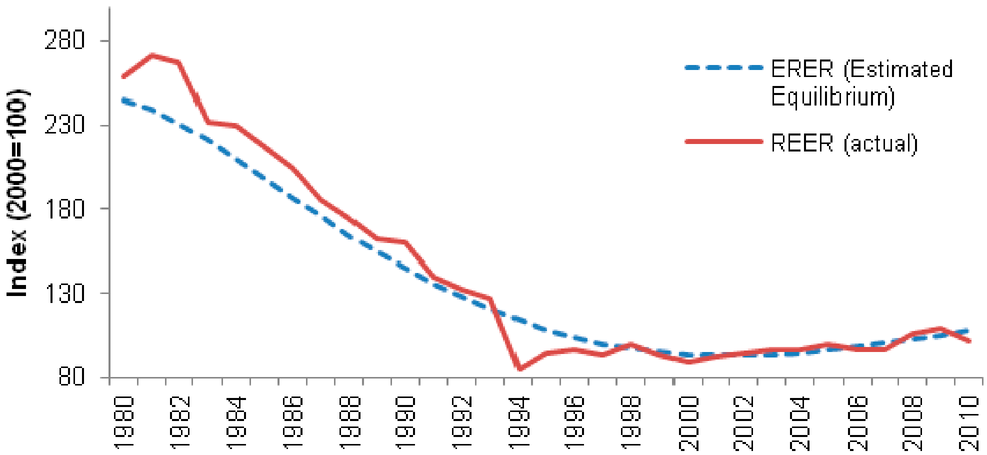
Table 1: Exchange Rate Assessments for Niger 2010

	CA Norm	NFA*	NFA-stabilizing CA	Underlying CA	Gap	Elasticity	Misalignment
Macroeconomic Balance 1/	-3.2%			-4.7%	-1.5%	-0.63	**2.3%**
External Sustainability 2/		-18%	-1.2%	-4.7%	-3.5%	-0.63	**5.5%**
Equilibrium Exchange Rate							**-6.0%**

[1] Current account norm calculated on 2017
[2] Underlying CA calculated on 2017

Source: Staff estimates.

Figure 2: Actual vs. Estimated Equilibrium REER (1980-2010)



Source: World Economic Outlook, International Monetary Fund and staff estimates.

Survey Data Analysis

8. Traditional methods for the exchange rate assessment have been here complemented with a range of survey data that can better illustrate structural constraints to competitiveness.

9. According to the 2011 World Bank Doing Business Indicators, Niger's ranking slightly deteriorated, from 171 in 2010 to 173 out of 183 countries. More specifically, the country's business environment worsened due to difficulties in trading across borders and dealing with construction permits (Table 2). According to the World Bank Enterprise Survey (2009), most Nigerien firms surveyed identify corruption, access to finance and crime and instability as major constraints to business, to a much higher extent than in the rest of the region (Table 3).

10. Access to infrastructure is hampered by limited endowment and high costs. The country's road density is lower than the SSA average (Figure 3) and Niger lies well below the average SSA for telephone lines (both mobile and landline), and for internet access, with fares for internet and telephone much higher than in the SSA region (Table 4).

11. Data from the 2009 World Governance Indicators report weaknesses in the country for voice and accountability

and for political stability. In both cases, Niger ranks below SSA and WAEMU; however, the country performs better than the two benchmarks for regulatory quality and rule of law (Figure 4).

12. **Overall, most of these survey data show that Niger's business environment is holding back its competitiveness more than the exchange rate performance.**

Table 2. Doing Business Indicators 2011 (Ranking out of 183)

	Niger	SSA
Ease of Doing Business	173	137
Starting a Business	159	126
Dealing with Construction Permits	162	117
Registering Property	84	121
Getting Credit	152	120
Protecting Investors	154	113
Paying Taxes	144	116
Trading Across Borders	174	136
Enforcing Contracts	138	118
Closing a Business	136	128

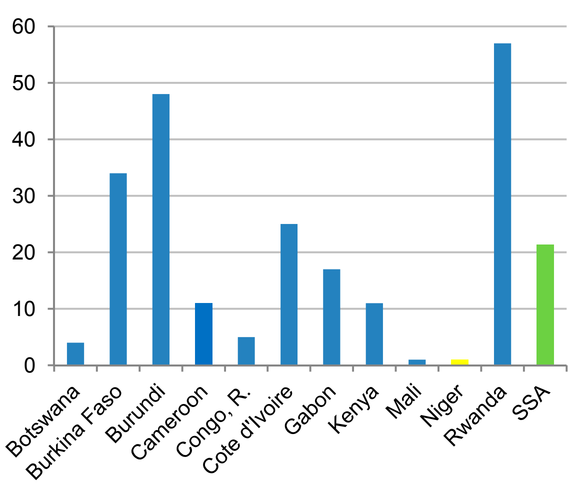
Source: World Bank, Doing Business Indicators, 2011

Table 3. Enterprise Survey (2009). Percentage of firms....

	Niger	SSA
...identifying corruption as a major constraint	84	35
...identifying access to finance as a major constraint	62	45
...identifying crime, theft and disorder as major constraints	44	29
...identifying tax administration as major constraint	30	27
...identifying customs and trade regulation as a major constraint	32	22

Source: World Bank Enterprise Survey (2009)

Figure 3. Road density (km per 100 square km)



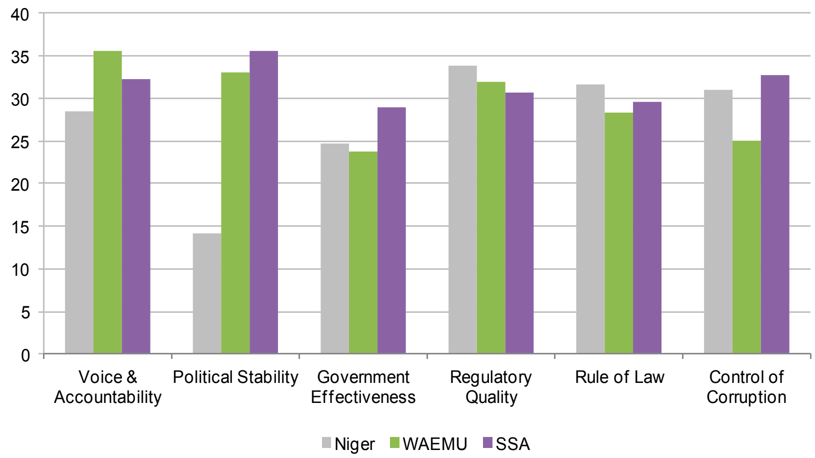
Source: World Bank, WDI (2010)

Table 4: Infrastructure Access and Costs

Indicators	Niger	SSA
Internet subscribers (per 100 people)	0.8	4.5
Internet subscription (US$ per month)	84.5	42.3
Mobile subscribers 2009 (per 100 people)	17	32
Mobile subscription (US$ per month)	7.6	9.7
Telephone landlines 2009 (per 100 people)	0.4	0.9
Telephone subscription (US$ per month)	7.5	6.3

Source: World Bank, World Development Indicators & African Development Indicators 2011

Figure 4. Governance Indicators 2009. Ranking over 100[1]



[1] 0=worst performer; 100=best performer
Source : World Bank, World Governance Indicators, 2009

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APPENDIX II—Factors for sustained diversification: where does Niger stand?

1. **This note investigates the factors underlying sustained diversification processes for developing and emerging economies, and then examines Niger's situation with respect to these factors.**

2. **As a measure for diversification, this study uses the Herfindahl-Hirschmann concentration index (HH), which captures the degree of concentration of exports on several products.**[1] For a diversification episode to be sustained over time, we set the two following conditions: i) an increase in the level of diversification should take place over four consecutive years, and ii) in the year following the end of the episode, the level of diversification should be higher than the one in the initial year of the episode.

3. **Within a panel of 114 developing and emerging economies examined over the period 1996-2009, 34 countries experienced episodes of sustained diversification** (Table 1). Diversification episodes have been more common in Africa (13 episodes), in the Asia- Pacific region (12), and less common in America (8) and Europe (3). Overall, diversification has been more common in the mid 2000s than in the late 90s. Seven Episodes of sustained diversification took place in landlocked economies, while nine involved commodity dependent economies.[2]

Table 1. Sustained Diversification Episodes

Number of episodes per region and starting year					
Region	1996-98	1999-01	2002-04	2005-06	Total
Africa	1	3	7	2	13
Asia-Pac.	3	3	4	2	12
Americas	2	...	1	3	6
Europe	...	...	2	1	3
Total	6	6	14	8	34

Sources: Staff estimates; and UNCTAD data.

4. **Drawing on the methodology adopted in studies on growth acceleration**, we identify the factors that could increase the probability for sustained diversification through a probit panel, where the diversification episodes are expressed by dummy variables that take value 1, for the timing of the episodes, and 0 when the episodes do not take place. These dummies are regressed on the following exogenous variables:

- Credit to the private sector as percentage of GDP,
- Total trade (export plus imports) as a share of GDP,
- Gross capital formation in constant 2000 US$,
- The nominal effective exchange rate, where a positive increase is an appreciation,

[1] The index is: $HH=\sqrt{(\Sigma (xi/X)}$ for i going from 1 to N., xi is the export value of a specific ith commodity, X is the country's total exports, and N is the number of commodity groups. It can be normalized to take values between 0 and 1, with 0 reflecting an equal distribution of market shares among exporters and 1 indicating the maximum degree of market concentration.

[2] The commodity dependence is identified here with primary commodity exports equal to 60 percent or more of the total exports.

- The year-on-year period average inflation index,
- Landlocked and resource dependent countries, expressed through dummy variables.

5. All variables, except inflation, are expressed in logarithms and to avoid endogeneity, the independent variables are included in the model with a lag of two years.[3] The probit has been estimated with a random effects and a population average model (Table 2).

Table 2: Panel Probit Estimation Results				
	Random Effects	Population Average	Mg. effects	Means[1]
Credit	0.21	-0.05	-0.01	3.19
Trade	0.94**	0.46***	0.03**	4.32
GCF	0.19*	0.10**	0.01**	5.43
NEER	-1.38	-0.86	-0.06	4.78
Inflation	-0.01	-0.01	-0.001	21.78
Resource	-1.47	-0.97	-0.05	0.28
Landlocked	-1.56	-0.56	-0.03	0.24
Constant	-5.29	-1.23		
Prob chi2	0.000	0.000		

*Indicates significance at the 90%, ** 95% and 99%.

[1]Means are for logarithms of the variables, except for inflation.

6. In both estimations, the probability of the Likelihood Ratio test on the overall significance of the model is zero, indicating that the hypothesis that the variables are all jointly equal to zero can be rejected. In the two models, the probability of a diversification event is positively and significantly associated with expansion of trade and increases in gross capital formation; and, it is negatively associated with currency appreciations, resource dependency and being a landlocked country. Inflation has a negative impact on the probability of a diversification event in the population average model, while it has a statistically insignificant impact in the random effects model. The coefficient for credit is insignificant in both models. Marginal effects at variables' means, derived from the population average model, show the same significance and signs.

7. For Niger, the predicted probability of diversification, calculated on the means of Niger's specific variables' values, amounts to 0.6 percent, far below the average estimate for those economies that experienced a diversification episode (diversifiers), and for the SSA average, (Table 3). The lower predicted probability for Niger stems partly from its conditions of being a landlocked country and a resource dependent economy, and partly from low levels of gross capital formation and trade. By contrast, the country performs better than the other countries, even the diversifiers, for inflation and for the nominal effective exchange rate.

Table 3: Means and Predicted Probabilities				
Variables	Panel	Niger	Diversifiers	SSA
Credit	3.192	1.878	3.224	2.492
Trade	4.322	3.679	4.475	4.166
GCF	5.435	0.72	2.678	1.581
NEER	4.781	4.694	4.743	4.801
Inflation	21.781	3.724	13.737	9.282
Resource	0.283	1	0.178	0.371
Landlocked	0.249	1	0.178	0.401
Prob(div=1)	0.033	0.006	0.035	0.009

[3] Gross capital formation has been scaled before the logarithms to obtain the same scale for all the variables.

8. While exchange rate instability and inflation pose no challenges in Niger, more could be done for trade and investment. To enhance trade, advancements in trade openness should be continued on a regional level and specific non-tariff barriers should be reduced. Data from the World Bank 2011 Doing Business Report show that the number of days for imported and exported merchandise to leave and enter the country is higher than in other SSA countries. Furthermore, the costs associated with the administrative procedures, transport and handling of cargo are extremely high, for both exports and imports (Table 4).

Table 4: Constraints to Trade

	Niger	Mali	Cameroon	Ghana	Tanzania
Time to export (days)	59	26	23	19	24
Time to import (days)	64	31	26	29	31
Costs for exports (US$ per cargo container)	3,545	2,202	1,379	1,203	1,262
Costs for imports (US$ per cargo container)	3,545	3,067	1,978	1,013	1,475

Source: World Bank, Doing Business Report 2011.

9. With respect to investment, efforts should be directed towards both public and private capital mobilization. A successful public investment strategy should be primarily oriented towards the removal of those bottlenecks that limit private sector initiative.

10. It is also important to improve the environment for private sector activity. According to the 2011 World Bank Doing Business Indicators, Niger scores very poorly, ranking 173rd out of 183 countries. In particular, the country lags behind for trading across borders and dealing with construction permits. Costs to obtain building permits from the municipality and costs to re-assess the property value are much higher than in other countries. Similarly, the costs of starting a business are high, especially for registration fees and the publishing of the company formation notice (Table 5). According to the World Bank Enterprise Survey, most Nigerien firms surveyed identify corruption (83.7 percent of firms), and access to finance (61.98 percent of firms) as key problems. More than 32 percent of firms are expected to give gifts for an operating license, while 43 percent to secure a government contract.

Table 5. Starting a new business

	Niger	Mali	Cameroon	Ghana	Tanzania
Time (days)	17	8	19	12	29
Costs (% of income per capita)	118	80	51	20	31
Capital minimum (% income per capita)	613	307	192	11	0

Source: World Bank, Doing Business Report 2011

APPENDIX III—New Medium and Long-Term Projection

I. INTRODUCTION AND BACKGROUND

1. The staff's medium- and long-term projections have been updated in light of new information on the financing of the oil and mining projects (Box 3 of the Article IV Staff report).[1] This note presents the key features of a Niger-specific natural resources revenue model and discusses the updated medium- and long-term projections.

II. NATURAL RESOURCES REVENUE PROJECTIONS

The Natural Resources Model

2. The financial impact of oil production is estimated using a model developed by the IMF's Fiscal Affairs Department. The model is based on the FARI model (Fiscal Analysis of Resource Industries), a standard cash-flow model that has been used in several countries, tailored to Niger's specific requirements. The model takes into account the various components of projects in resource industries (prices, expected production, costs, financing arrangements) and the expected fiscal regime provisions. It provides carefully calibrated estimates of fiscal revenue projections, and it also feeds into GDP and external accounts projections. It evaluates the profitability of each project component, of the overall industry, and the benefits for each investor.

3. Model projections indicate that the integrated oil project would generate rising revenue for Niger, particularly its upstream component. Assuming a price structure aligned with the currently agreed (below market) prices, annual fiscal revenue from the whole integrated project could reach some US$500 million by 2026 (Figure 1). The bulk of this revenue stems from the profit oil the state will receive in lieu of corporate income tax, while the benefits it is expected to receive as a shareholder would be less significant. The refinery would significantly increase its positive contribution to fiscal revenue from 2023, once the investment loan contracted to finance its investment costs would have been fully repaid.[2]

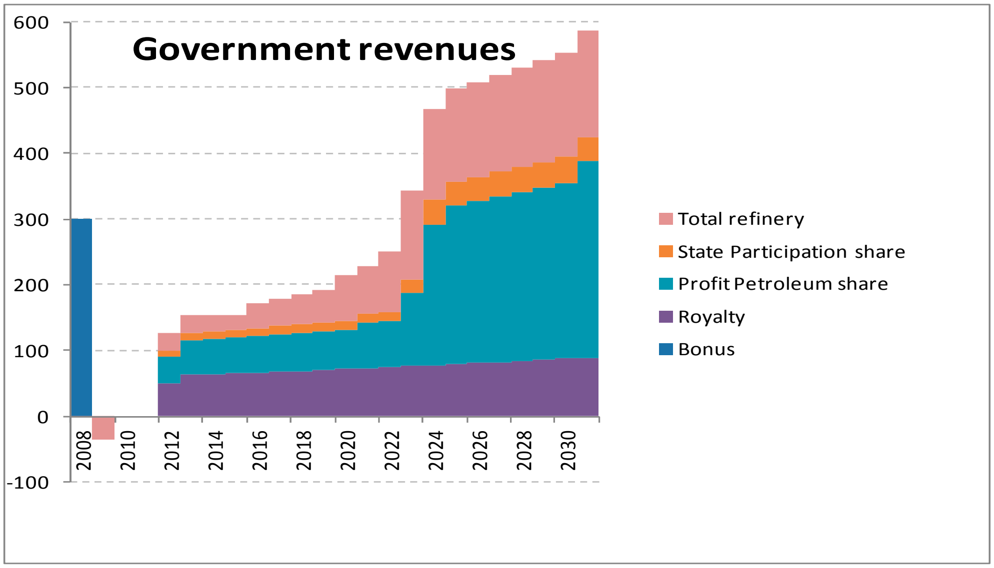
Uranium Revenue

4. A uranium version of the FARI model has been prepared to examine the impact on government revenue of the new large Imouraren uranium mine. Total budgetary revenue for all the mines is expected to reach some US$600 million annually by 2031. Corporate taxes account for about fifty percent of mining revenue, with dividends and royalties as the other main components.

[1] The previous medium-term scenario was prepared at the time of the conclusion of the third review under the ECF arrangement (Country Report No. 10/146, May, 2010).

[2] Exploration is ongoing for petroleum with a view to defining sufficient resources for an export project, which might have an important impact on revenue. Nonetheless, prospects are still uncertain, so it is still too early to include it in the analysis.

Figure 1. Niger: Government Expected Revenues from oil Production



III. THE REVISED MEDIUM- AND LONG-TERM SCENARIO

5. Three periods can be distinguished in the medium- and long-term projections: (i) 2012-2016, when oil production starts, uranium production expands, and public expenditure starts to rise; (ii) 2017-2024, a period in which the economy diversifies; and (iii) 2025-2031, when the steady state is reached (Figure 2, Tables 1, 2 and 3).

6. The fiscal strategy embedded in the macroeconomic framework aims at smoothing spending over time and protecting it from possible shocks. The baseline scenario includes a surplus in the basic fiscal balance (in line with the regional convergence criterion of the WAEMU) while allowing for a significant growth in domestically financed investment. This results in an accumulation of deposits at the BCEAO mainly during the second period, which would provide a buffer equivalent to about 3 months of expenditure (excluding foreign financed investment) by 2021.

2012-2016: production of natural resources expands

- The current account would register a sizeable improvement over this period with the deficit shrinking from about 27½ percent in 2011 to 10½ percent of GDP in 2016 as a result of rising natural resource exports and a marked slowdown in FDI-related and oil imports. The income account deteriorates, owing to the repatriation of dividends by foreign investors; similarly, FDI flows are significantly reduced and turn negative as amortization of the investment financing received by the foreign partners starts (Box 3 in the Staff Report). With public grants declining gradually as a percent of GDP and loans broadly stable, the overall balance of payments is in balance in 2016.

- **Natural resource fiscal revenue increases by about 3½ percent of GDP, to reach 5¼ percent in 2016 (Figure 2).** Non-resources fiscal revenues are also expected to increase gradually, reflecting continued efforts to improve domestic revenue mobilization. As a result, the total fiscal revenue-to-GDP ratio rises from 15 percent in 2011 to about 19¾ percent in 2016.

- Total expenditure increases by about 4 ½ percent of GDP, with capital expenditure growing from 12 percent of GDP in 2011 to 16 ½ percent in 2016. This makes it possible to meet Niger's significant investment needs while taking into account the country's limited administrative implementation capacity. The substantial increase in investment is aimed at increasing productive capacity in the non-resource sectors and removing bottlenecks, thus raising the economy's growth potential.

2017-2024: the economy diversifies

- **With existing oil and uranium projects reaching maximum production capacity, their impact on GDP growth falls substantially.** Still, the projected launching of new natural resources projects would allow the sector to contribute about 1 percent to GDP growth. Improvements in productive capacity, stemming from investments in the previous period, are projected to lead to higher non-resource GDP growth.

- Economic diversification and rising domestic incomes are expected to lead to a more open economy, with both exports and imports increasing. FDI outflows persist until 2021, as the repayments of loans for the megaprojects continue. Project loans remain broadly stable at about 5 percent of GDP. As the economy develops, external financing declines gradually with grants dropping more markedly than external loans. Altogether, these developments allow the overall balance of payments to remain in a mild surplus.

- Total fiscal revenue increases by 2½ percentage points of GDP, as the diversification process leads to higher non-natural resource revenue. Total capital expenditure increases by about 1½ percent of GDP, reaching about 17¾ percent of GDP.

2025-2031: the economy reaches a steady state

- **Annual GDP growth stabilizes at about 6 percent to 6½ percent.** The volumes of oil and uranium production remain stable at their peak levels. As domestic consumption continues to increase, exports of refined oil products drop, while the current account shows deficits of around 12 percent of GDP. With the amortization of the loans linked to oil and mineral projects completed, FDI flows turn positive again, while external official financing stabilizes at around 9 percent of GDP. As a result, the balance-of-payments exhibits a small surplus of about ½ percent of GDP.

- Total revenue as percent of GDP stabilizes at 21¾ percent of GDP, reflecting the slowdown in resource revenue growth, partially compensated by higher growth in non-natural resource revenue. Total expenditure and capital expenditure become stable at about 30 and 17 percent of GDP, respectively.

Figure 2. Niger: Evolution of Key Variables in the Medium Term

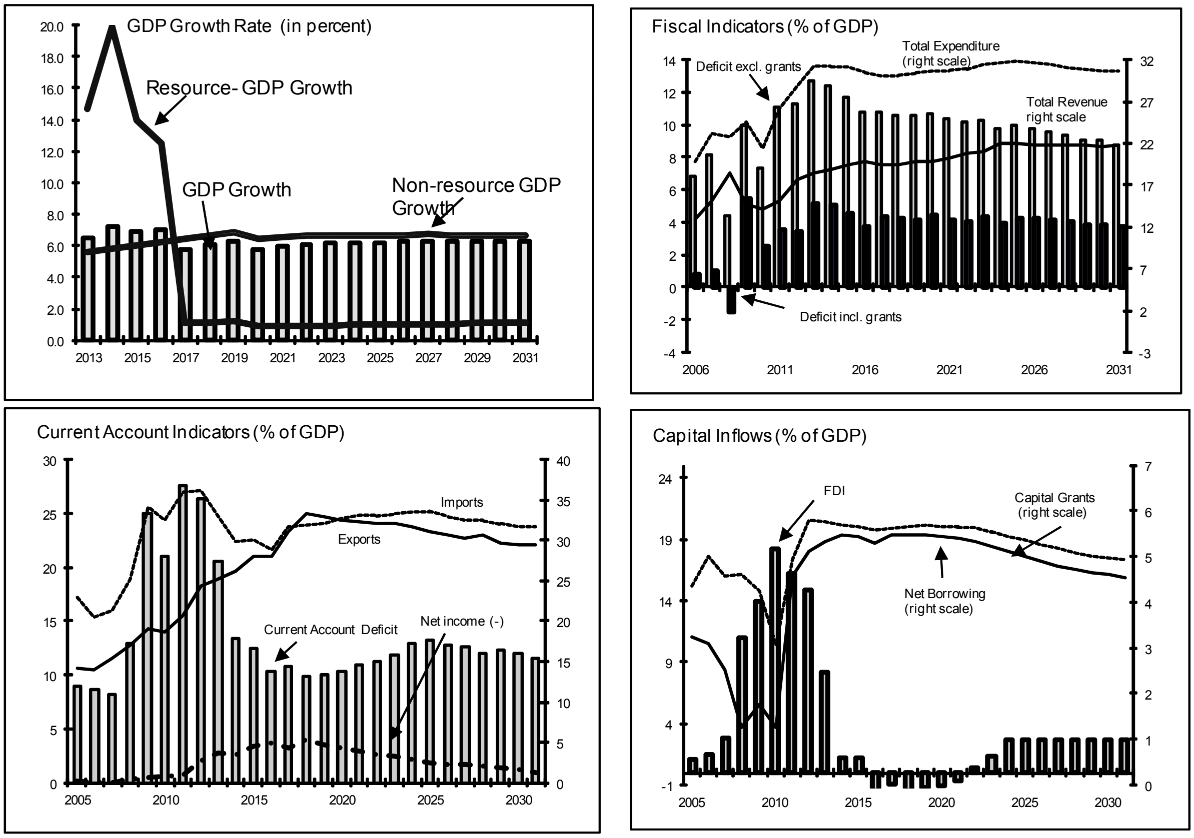


Table 1. Niger: Selected Economic and Financial Indicators, 2011-31

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
											Proj.										
											(Annual percentage change, unless otherwise indicated)										
National income and prices																					
GDP at constant prices	3.8	14.1	6.5	7.2	6.9	7.0	5.8	6.0	6.3	5.8	6.0	6.1	6.2	6.2	6.2	6.2	6.3	6.3	6.3	6.3	6.3
Non-agricultural GDP at constant prices	7.6	17.6	6.9	7.8	7.3	7.2	5.6	5.8	6.0	5.3	5.4	5.5	5.5	5.5	5.6	5.6	5.7	5.7	5.7	5.7	5.7
Non-oil and mineral GDP		5.9	5.6	5.8	6.0	6.2	6.5	6.7	6.9	6.4	6.5	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.6	6.6	6.6
GDP deflator	4.3	2.2	1.9	2.1	2.0	2.0	1.9	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Consumer price index																					
Annual average	3.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
End of period	3.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
External sector																					
Exports, f.o.b. (CFA francs)	19.7	37.4	12.0	14.2	16.7	9.3	19.6	15.5	7.2	6.7	7.3	7.5	7.8	7.2	6.5	6.7	6.6	9.9	4.8	7.7	8.4
Of which: non-uranium exports	15.4	54.8	21.8	3.5	3.2	11.4	35.5	10.1	11.0	9.8	10.6	10.5	10.8	9.7	7.9	8.0	8.1	5.0	9.8	9.8	10.7
Imports, f.o.b (CFA francs)	19.6	17.0	-0.3	-1.3	9.4	4.9	18.6	8.6	9.1	10.0	9.0	8.1	8.9	9.1	8.5	6.3	6.8	8.1	7.2	7.0	8.3
Export volume	12.5	34.4	13.1	11.9	12.8	8.9	22.5	12.4	6.5	5.7	6.5	6.6	6.9	6.1	5.0	5.2	5.1	6.1	4.2	6.1	7.1
Import volume	23.7	26.2	-3.0	-4.0	7.0	2.1	16.7	6.5	7.1	7.8	6.8	6.0	6.7	6.9	6.4	4.1	4.7	5.9	5.0	4.8	33.4
Terms of trade (deterioration -)	8.7	12.4	-2.4	1.6	0.3	0.6	-0.9	-1.0	-1.1	-1.2	-0.6	-0.8	-0.7	-0.7	-0.6	-0.6	-0.6	-0.7	-0.6	0.1	0.1
Government finances																					
Total revenue	15.4	36.2	13.5	11.2	13.2	10.7	5.8	8.7	10.5	7.8	10.4	10.6	9.9	12.8	8.0	8.2	7.9	7.9	8.7	8.0	8.8
Total expenditure and net lending	32.0	29.0	15.4	10.8	9.2	6.8	6.3	8.1	9.4	8.4	8.6	8.9	9.8	9.4	8.9	7.7	7.3	7.3	7.6	8.0	8.0
Of which: current expenditure	14.8	-1.9	21.5	14.1	12.3	6.3	5.8	7.6	8.3	7.7	8.0	8.2	9.2	9.1	8.2	7.6	7.3	7.4	7.9	7.9	8.0
Of which: capital expenditure	43.1	86.7	11.1	8.2	6.9	7.5	6.8	8.4	10.2	8.9	9.1	9.4	10.1	9.6	9.4	7.5	7.3	7.2	7.4	8.0	8.0
											(Annual change as percent of beginning-of-period)										
Money and credit																					
Domestic credit	11.4	13.6	10.4	13.1	10.0	9.2	12.1	6.4	5.6	6.2	6.9	4.8	5.0	4.8	7.5	6.5	7.2	6.5	8.8	7.8	6.9
Credit to the government (net)	-0.4	-4.6	1.0	1.2	-1.5	-4.6	-2.9	-4.0	-4.5	-3.2	-3.7	-4.1	-2.3	-3.1	-0.8	-0.2	0.0	0.0	-0.3	-0.1	-0.6
Credit to the economy	11.8	18.2	9.4	12.0	11.5	13.8	15.0	10.4	10.1	9.4	10.6	8.9	7.3	8.0	8.3	6.7	7.2	6.5	9.1	7.9	7.4
Net domestic assets	11.4	13.6	10.4	13.1	10.0	9.2	12.1	6.4	5.6	6.2	6.9	4.8	5.0	4.8	7.5	6.5	7.2	6.5	8.8	7.8	6.9
Broad Money	8.2	16.6	8.5	11.8	14.0	9.1	12.7	9.1	8.6	8.1	7.8	8.2	8.2	8.3	8.3	8.3	8.4	9.4	9.4	9.8	9.8
Velocity of broad money (in percent)	4.7	4.7	4.7	4.6	4.4	4.4	4.2	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.1	4.1	4.0	4.0
											(Percent of GDP, unless otherwise indicated)										
Government finances																					
Total revenue	15.1	17.6	18.5	18.8	19.5	19.8	19.4	19.5	19.9	19.9	20.3	20.8	21.1	22.0	21.9	21.9	21.8	21.7	21.8	21.7	21.8
Total expenditure and net lending	26.2	28.9	30.8	31.2	31.2	30.5	30.1	30.1	30.4	30.6	30.7	30.9	31.3	31.7	31.8	31.7	31.4	31.0	30.8	30.7	30.6
Current expenditure	14.3	12.0	13.4	14.0	14.4	14.1	13.8	13.7	13.7	13.7	13.7	13.7	13.8	14.0	13.9	13.8	13.7	13.6	13.5	13.5	13.4
Capital expenditure	10.6	16.9	17.4	17.2	16.8	16.6	16.4	16.5	16.7	16.9	17.1	17.3	17.6	17.8	17.9	17.8	17.6	17.4	17.3	17.2	17.1
Basic balance (excluding grants)[1]	-4.0	-0.7	-1.5	-1.5	-0.8	-0.1	0.0	0.2	0.3	0.1	0.4	0.6	0.3	0.7	0.3	0.3	0.3	0.4	0.5	0.5	0.7
Overall balance (commitment basis, including grants)	-3.5	-3.5	-4.7	-5.0	-4.5	-3.8	-4.3	-4.2	-4.2	-4.4	-4.2	-4.0	-4.3	-3.9	-4.3	-4.3	-4.2	-4.1	-3.9	-3.9	0.0
Gross investment	38.9	34.9	29.1	26.7	26.4	26.3	26.2	26.2	26.4	26.5	26.7	26.9	27.6	28.3	28.4	28.3	28.2	28.1	28.0	27.9	27.9
Of which: non-government investment	32.6	25.4	19.0	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.5	16.6	17.1	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6
government	6.3	9.5	10.1	10.3	10.1	9.9	9.8	9.9	10.0	10.1	10.2	10.4	10.5	10.7	10.8	10.7	10.6	10.5	10.4	10.3	10.3
Change in stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross national savings	11.4	8.5	8.6	13.2	14.0	15.9	15.5	16.4	16.4	16.2	15.8	15.7	15.7	15.3	15.1	15.5	15.5	16.0	15.7	16.0	16.3
Of which: non-government	5.3	0.3	0.5	5.1	6.1	7.7	7.2	8.2	8.4	8.4	15.8	15.7	15.7	15.3	15.1	15.5	15.5	16.0	15.7	16.0	16.3
Domestic savings	7.1	6.8	8.0	12.6	14.4	16.8	16.4	18.4	17.9	17.3	16.6	16.1	15.9	15.3	14.8	15.0	15.0	15.4	14.8	15.0	15.0
External current account balance (including grants)	-27.5	-26.3	-20.5	-13.4	-12.4	-10.4	-10.7	-9.8	-10.0	-10.4	-10.9	-11.2	-11.9	-12.9	-13.2	-12.8	-12.7	-12.1	-12.3	-11.9	-11.6
Debt-service ratio as percent of:																					
Exports of goods and services	4.1	3.0	2.8	2.6	2.3	2.0	2.1	1.6	1.5	1.6	1.8	1.8	1.9	2.1	2.3	2.5	2.6	2.6	2.8	2.9	2.9
Government revenue	6.2	4.4	4.2	3.9	3.6	3.1	3.7	3.0	2.7	2.7	3.0	3.0	3.0	3.2	3.5	3.7	3.8	4.0	4.1	4.2	4.2
NPV of external debt	25.5	23.6	23.4	23.4	23.5	23.8	24.4	25.1	25.9	27.0	28.0	29.3	30.4	31.4	32.2	32.9	33.5	34.1	34.5	34.8	35.1
Foreign Aid	12.1	12.9	12.9	12.9	12.7	12.3	11.9	11.9	11.8	11.7	11.6	11.5	11.2	10.9	10.6	10.4	10.2	10.0	9.8	9.7	9.6
											(Billions of CFA francs)										
GDP at current market prices	2,946	3,434	3,725	4,078	4,447	4,852	5,233	5,656	6,127	6,608	7,139	7,725	8,362	9,053	9,805	10,621	11,509	12,470	13,512	14,649	15,882
Overall balance of payments	-19.4	17.9	-14.8	-11.1	34.2	-2.2	9.1	36.2	42.2	29.6	15.4	60.6	63.1	71.2	19.6	45.4	32.9	81.7	21.3	65.2	108.4

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

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

Table 2. Niger: Financial Operations of the Central Government, 2011-31

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
											Proj.										
										(In percent of GDP)											
Total revenue	14.9	17.6	18.5	18.8	19.5	19.8	19.4	19.5	19.9	19.9	20.3	20.8	21.1	22.0	21.9	21.9	21.8	21.7	21.8	21.7	21.8
Tax revenue	13.7	16.6	17.5	17.8	18.5	18.9	18.5	18.7	19.2	19.1	19.5	19.9	20.2	21.1	21.1	21.0	20.9	20.9	20.9	20.8	20.9
Nontax revenue	1.2	1.0	1.0	1.0	0.9	0.9	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total expenditure and net lending	26.0	28.9	30.8	31.2	31.2	30.5	30.1	30.1	30.4	30.6	30.7	30.9	31.3	31.7	31.8	31.7	31.4	31.0	30.8	30.7	30.6
Of which: domestically financed	18.9	18.3	20.0	20.2	20.3	19.9	19.4	19.3	19.6	19.8	19.9	20.2	20.8	21.3	21.6	21.6	21.4	21.3	21.2	21.2	21.1
Total current expenditure	14.1	12.0	13.4	14.0	14.4	14.1	13.8	13.7	13.7	13.7	13.7	13.7	13.8	14.0	13.9	13.8	13.7	13.6	13.5	13.5	13.4
Budgetary expenditure	13.0	11.1	12.5	13.1	13.4	13.1	12.8	12.8	12.8	12.8	12.8	12.9	13.0	13.1	13.1	13.1	13.0	12.9	12.8	12.8	12.8
Wages and salaries	4.3	4.1	4.3	4.5	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.8	4.8	4.8	4.8	4.7	4.7	4.7	4.7	4.7
Materials and supplies	3.4	3.2	3.2	3.3	3.4	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.4	3.5	3.5	3.5	3.5	3.4	3.4	3.4	3.3
Subsidies and transfers	5.0	3.5	4.6	4.9	4.9	4.8	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.5	4.5	4.5	4.5	4.5
Interest, scheduled	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Of which: External debt	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Special accounts expenditure	1.0	0.9	0.9	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Capital expenditure and net lending	11.9	16.9	17.3	17.1	16.8	16.5	16.3	16.4	16.7	16.8	17.0	17.2	17.5	17.7	17.9	17.8	17.6	17.4	17.3	17.2	17.1
Capital expenditure	10.6	16.9	17.4	17.2	16.8	16.6	16.4	16.5	16.7	16.9	17.1	17.3	17.6	17.8	17.9	17.8	17.6	17.4	17.3	17.2	17.1
Domestically financed	3.6	6.3	6.6	6.2	5.9	5.9	5.7	5.7	5.9	6.1	6.3	6.5	7.0	7.3	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Externally financed	7.0	10.6	10.8	10.9	10.9	10.7	10.7	10.8	10.9	10.8	10.8	10.7	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.5	9.4
Of which: Grants	4.9	5.8	5.7	5.7	5.7	5.6	5.6	5.6	5.7	5.6	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.0	5.0	4.9
Net lending	1.3	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-11.1	-11.3	-12.3	-12.4	-11.7	-10.8	-10.7	-10.6	-10.5	-10.7	-10.4	-10.2	-10.3	-9.7	-9.9	-9.8	-9.6	-9.3	-9.1	-9.0	-8.8
Basic balance	-4.0	-0.7	-1.5	-1.5	-0.8	-0.1	0.0	0.2	0.3	0.1	0.4	0.6	0.3	0.7	0.3	0.3	0.3	0.4	0.5	0.5	0.7
Change in payments arrears and float	-0.3	-0.3	-0.4	-0.4	-0.3	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-11.4	-11.6	-12.7	-12.8	-12.1	-11.1	-10.8	-10.6	-10.5	-10.7	-10.4	-10.2	-10.3	-9.7	-9.9	-9.8	-9.6	-9.3	-9.1	-9.0	-8.8
Financing	11.4	11.6	12.7	12.8	12.1	11.1	10.8	10.6	10.5	10.7	10.4	10.2	10.3	9.7	9.9	9.8	9.6	9.3	9.1	9.0	8.8
External financing	11.6	12.5	12.5	12.5	12.4	12.1	11.5	11.5	11.5	11.4	11.2	11.1	10.8	10.4	10.1	9.8	9.6	9.3	9.1	9.0	8.9
Grants	7.5	7.8	7.6	7.4	7.2	7.0	6.4	6.4	6.4	6.3	6.2	6.1	6.0	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.1
Budget financing	2.6	2.0	1.9	1.7	1.6	1.4	0.8	0.7	0.7	0.6	0.6	0.5	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1
Project financing	4.9	5.8	5.7	5.7	5.7	5.6	5.6	5.6	5.7	5.6	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.0	5.0	4.9
Loans	4.6	5.1	5.3	5.5	5.4	5.3	5.5	5.5	5.5	5.4	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.6
Of which: Budget financing	1.2	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Amortization	-0.6	-0.5	-0.5	-0.4	-0.4	-0.3	-0.4	-0.4	-0.3	-0.3	-0.4	-0.4	-0.4	-0.5	-0.5	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7
Debt relief (incl. debt under discussion)	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	-0.2	-0.9	0.2	0.2	-0.3	-1.0	-0.6	-0.9	-1.0	-0.7	-0.8	-0.9	-0.5	-0.7	-0.2	0.0	0.0	0.0	-0.1	0.0	-0.1
Banking sector	-0.3	-0.8	0.2	0.2	-0.3	-1.0	-0.6	-0.9	-1.0	-0.7	-0.8	-0.9	-0.5	-0.7	-0.2	0.0	0.0	0.0	-0.1	0.0	-0.1
IMF	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory advances	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with BCEAO	-0.3	-0.6	0.5	0.5	0.0	-0.8	-0.5	-0.8	-0.9	-0.7	-0.8	-0.9	-0.5	-0.7	-0.2	0.0	0.0	0.0	-0.1	0.0	-0.1
Government securities net	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonbanking sector	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:																					
Revenues from natural resources	1.9	3.8	4.4	4.6	5.3	5.3	5.1	4.9	4.1	4.0	4.0	4.0	4.3	4.9	4.7	4.5	4.2	4.0	3.8	3.6	3.6
Of which: oil revenues		1.7	1.9	1.8	1.7	1.7	1.6	1.6	1.5	1.5	1.5	1.6	2.0	2.5	2.4	2.3	2.2	2.0	1.9	1.8	1.8
Of which: revenues from uranium	1.9	2.1	2.4	2.8	3.7	3.6	3.5	3.3	2.6	2.5	2.5	2.4	2.3	2.4	2.3	2.2	2.0	1.9	1.9	1.8	1.8
Non-Natural resources revenue	13.0	13.9	14.1	14.1	14.1	14.4	14.3	14.6	15.8	15.8	16.3	16.8	16.8	17.0	17.2	17.4	17.6	17.7	18.0	18.1	18.2
Deposits with BCEAO (balance)	2.2	2.4	1.7	1.0	1.0	1.7	2.0	2.7	3.4	3.8	4.3	4.9	5.1	5.4	5.1	4.8	4.4	4.1	3.8	3.6	3.4
Deposits with BCEAO (months of domestically financed expenditure)	1.4	1.6	1.0	0.6	0.6	1.0	1.3	1.7	2.1	2.3	2.6	2.9	2.9	3.0	2.8	2.7	2.5	2.3	2.2	2.0	1.9

Sources: Nigerien authorities; and IMF staff estimates.

Table 3. Niger: Balance of Payments, 2011-31

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
											Proj.										
										(In percent of GDP)											
Current account balance	-27.5	-26.3	-20.5	-13.4	-12.4	-10.4	-10.7	-9.8	-10.0	-10.4	-10.9	-11.2	-11.9	-12.9	-13.2	-12.8	-12.7	-12.1	-12.3	-11.9	-11.6
Balance on goods, services and income	-32.8	-30.9	-24.9	-17.6	-16.5	-14.4	-14.0	-13.1	-13.2	-13.5	-14.0	-14.2	-14.9	-15.8	-16.1	-15.5	-15.4	-14.8	-15.0	-14.6	-14.3
Balance on goods	-15.3	-11.8	-8.1	-3.7	-2.0	-0.8	-0.6	1.4	0.8	-0.2	-0.7	-0.9	-1.2	-1.8	-2.4	-2.3	-2.3	-1.8	-2.5	-2.2	-2.2
Exports, f.o.b	20.7	24.4	25.2	26.2	28.1	28.1	31.2	33.3	33.0	32.6	32.4	32.2	32.0	31.7	31.2	30.7	30.2	30.6	29.6	29.5	29.5
Uranium	10.2	10.5	9.6	11.5	14.1	13.9	13.3	15.1	14.3	13.6	13.0	12.3	11.7	11.1	10.7	10.3	9.8	10.9	9.6	9.2	8.8
Oil		4.6	6.5	5.6	4.7	4.2	4.7	4.3	4.0	3.7	3.4	3.1	2.7	2.5	2.2	2.0	1.8	1.6	1.5	1.3	1.1
Other products	10.4	9.3	9.1	9.1	9.2	10.0	13.2	13.9	14.7	15.3	16.0	16.8	17.6	18.1	18.3	18.4	18.6	18.1	18.5	19.0	19.5
Imports, f.o.b	36.0	36.2	33.2	30.0	30.1	28.9	31.8	31.9	32.1	32.8	33.1	33.1	33.3	33.5	33.6	33.0	32.5	32.4	32.1	31.7	31.7
Food products	7.8	6.9	6.4	5.9	5.4	5.1	5.1	5.1	5.1	5.2	5.3	5.4	5.4	5.5	5.6	5.6	5.7	5.7	5.8	5.8	5.9
Petroleum products	4.9	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Capital goods	12.1	13.4	11.7	10.1	10.5	9.8	12.1	12.1	12.1	12.9	13.1	13.0	13.3	13.9	13.9	13.3	12.9	12.8	12.8	12.8	12.8
Other products	11.3	15.4	14.7	13.7	13.8	13.6	14.2	14.5	14.7	14.5	14.5	14.5	14.3	13.9	13.9	13.9	13.8	13.7	13.4	12.9	12.9
Services and income (net)	-17.4	-19.1	-16.8	-13.9	-14.5	-13.6	-13.4	-14.5	-14.1	-13.3	-13.3	-13.3	-13.6	-14.0	-13.7	-13.3	-13.1	-13.0	-12.6	-12.4	-12.0
Services (net)	-16.5	-16.3	-13.1	-10.4	-10.0	-8.7	-9.2	-9.2	-9.3	-9.0	-9.5	-9.9	-10.4	-11.2	-11.2	-11.0	-10.9	-10.9	-10.8	-10.7	-10.7
Income (net)	-0.9	-2.8	-3.8	-3.5	-4.5	-4.9	-4.3	-5.3	-4.7	-4.3	-3.8	-3.4	-3.2	-2.8	-2.5	-2.3	-2.2	-2.0	-1.8	-1.6	-1.3
Of which: interest on external public debt	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Unrequited current transfers (net)	5.3	4.5	4.4	4.2	4.1	4.0	3.3	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.7	2.7	2.7
Private (net)	1.3	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Public (net)	4.0	3.4	3.3	3.1	3.0	2.8	2.2	2.1	2.1	2.0	2.0	1.9	1.8	1.7	1.7	1.6	1.6	1.6	1.6	1.5	1.5
Of which: grants for budgetary assistance	2.6	2.0	1.9	1.7	1.6	1.4	0.8	0.7	0.7	0.6	0.6	0.5	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1
Capital and financial account	26.9	26.8	20.1	13.1	13.2	10.4	10.9	10.5	10.7	10.8	11.1	12.0	12.7	13.7	13.4	13.2	12.9	12.7	12.5	12.4	12.3
Capital account	5.5	6.4	6.3	6.2	6.2	6.1	6.1	6.2	6.2	6.2	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.5	5.5	5.4
Private capital transfers	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Project grants	4.9	5.8	5.7	5.7	5.7	5.6	5.6	5.6	5.7	5.6	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.0	5.0	4.9
Nonproduced, nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt cancellation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	21.3	20.5	13.8	6.9	7.0	4.2	4.7	4.3	4.5	4.6	5.0	5.8	6.6	7.8	7.6	7.4	7.3	7.1	7.0	6.9	6.8
Direct investment	16.2	14.8	8.2	1.2	1.2	-1.5	-1.0	-1.4	-1.2	-1.0	-0.6	0.4	1.3	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Portfolio investment	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other investment	5.1	5.5	5.5	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.4	5.3	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.1	4.0
Public sector (net)	3.9	4.6	4.9	5.1	5.1	5.0	5.0	5.1	5.2	5.1	5.0	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	3.8
Disbursements	4.6	5.1	5.3	5.5	5.4	5.3	5.5	5.5	5.5	5.4	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.6
Loans for budgetary assistance	1.2	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Project loans	3.4	4.8	5.0	5.2	5.2	5.1	5.1	5.2	5.2	5.2	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.5
Amortization	0.6	0.5	0.5	0.4	0.4	0.3	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7
Other (net)	1.1	0.9	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.7	0.5	-0.4	-0.3	0.8	0.0	0.2	0.6	0.7	0.4	0.2	0.8	0.8	0.8	0.2	0.4	0.3	0.7	0.2	0.4	0.7
Financing	0.7	-0.5	0.4	0.3	-0.8	0.0	-0.2	-0.6	-0.7	-0.4	-0.2	-0.8	-0.8	-0.8	-0.2	-0.4	-0.3	-0.7	-0.2	-0.4	-0.7
Net foreign assets (BCEAO)[1]	0.6	-0.6	0.3	0.2	-0.8	0.0	-0.2	-0.6	-0.7	-0.4	-0.2	-0.8	-0.8	-0.8	-0.2	-0.4	-0.3	-0.7	-0.2	-0.4	-0.7
Of which:																					
Net use of Fund resources	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:																					
Foreign Assets of BCEAO (months of imports)	2.1	2.3	2.3	2.0	2.2	1.8	1.7	1.8	1.8	1.7	1.6	1.7	1.7	1.8	1.7	1.7	1.6	1.7	1.6	1.6	
GDP (in CFAF billions)	2945.9	3434.3	3725.2	4077.6	4446.7	4852.1	5233.1	5656.2	6127.1	6607.9	7139.0	7724.6	8361.5	9052.8	9805.2	10620.9	11509.4	12470.3	13512.4	14648.7	15882.2

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

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

INTERNATIONAL MONETARY FUND

NIGER

November 16, 2011

STAFF REPORT FOR THE 2011 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITYANALYSIS

Approved By
Marcelo Giugale and Jeffrey Lewis (IDA) & Seán Nolan and Thomas Dorsey (IMF)

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

Since the previous Debt Sustainability Analysis, conducted at the time of the third ECF review (Country Report No. 10/146, May, 2010), Niger's risk of debt distress has moved from a low to a moderate level. The medium-term economic framework underpinning the analysis has been revised to reflect new information on the financing of large oil and mining projects, including the contracting of a public guarantee on a large loan to finance the state's share in an oil refinery. While the various debt measures lie below the relevant thresholds for the baseline scenario, the present value (PV) of debt to exports, to revenue, and to GDP breach the thresholds under the most extreme stress test.

I. BACKGROUND

1. This joint IMF-World Bank debt sustainability analysis (DSA) updates the 2009 DSA of the external and total public debt of Niger. It is based on estimated end-2010 data, using the standard debt dynamics template for low-income countries. The debt data covers external and domestic debt of the central government, debt of public enterprises and parastatals, and a state guarantee.[1] Domestic debt includes arrears, debt to the central bank (BCEAO) for statutory advances and the SDR allocation, and government securities.

2. As discussed in the 2009 DSA, Niger's debt ratios have been significantly reduced by debt relief, most recently under the MDRI. Niger reached the completion point under the Enhanced HIPC Initiative in April 2004 and in 2006 benefited from Multilateral Debt Relief Initiative (MDRI) assistance from the African Development Fund, IDA, and the IMF. Nominal external debt has thus fallen from more than 90 percent of GDP at end-2000 to about 17½ percent of GDP at end-2010.

II. UNDERLYING DSA ASSUMPTIONS

3. Staff has updated the medium- and long-term projections for Niger (Box 1, and Appendix III of the Article IV Staff Report). Revenue projections have been revised upward to reflect the results of a new Niger-specific revenue model for natural resources and ongoing improvements in revenue collection. Assuming the higher revenue will be used for productive public investment, overall GDP growth projections for 2012–31 have been raised compared with the 2009 DSA by about ½ to 1½ percentage points a year (Text Table 1).

4. External public borrowing is projected to rise in 2012 and remain broadly stable, with a moderate decline, during the projection period. Besides debt-creating flows and foreign direct investment, (FDI), the current account deficit is expected to be financed by significant flows of project grants and private capital flows.

Text Table 1. Niger: Key Macroeconomic Assumptions (1)
2010-2031 (DSA 2011 vs DSA 2009)

	2010-11	2012-15	2016-31
Real GDP growth (percent)			
DSA 2011	5.9	8.7	6.2
DSA 2009	4.8	7.1	5.6
Total Revenue (percent of GDP) /2			
DSA 2011	14.6	18.6	20.9
DSA 2009	13.7	14.4	14.8
Exports of goods and services (percent of GDP)			
DSA 2011	21.8	28.0	33.2
DSA 2009	19.7	24.5	25.1

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

1. Previous DSA covers the period 2009-29
2. Total revenue, excluding grants

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

[1]A description of the large investment projects in oil and uranium and information related to their financing arrangements can be found in the accompanying Article IV Staff Report, Boxes 2 and 3.

III. EXTERNAL DSA

6. Niger's debt exposure has increased significantly since 2009 as a result of government involvement in the financing of projects in natural resources. In 2011, the government contracted a 650 million yuan loan for the financing of its share in the construction of the new Azelik uranium mine, followed by a state guarantee of 40 percent of a US$880 million loan to the Soraz refinery. As a result, the stock of external debt (including guarantees) has moved from 19.2 percent of GDP at end-2009 to a projected 25.8 percent of GDP at end-2011. The inclusion of the guarantee is also projected to lead to a sharp deterioration of the grant element of financing in 2011. In 2012, the grant element would return to its highly concessional pre-2011 level, and then gradually decline over time (Figure 1a).

7. In the baseline scenario, the external debt ratios remain below their policy-dependent thresholds throughout the projection period (2011–31). The present value (PV) of debt-to-GDP, debt-to-exports, and debt-to-revenue ratios are forecast to decline somewhat initially, before increasing over the medium term. They are projected to remain below the relevant thresholds (Figure 1).[2]

8. The stress test built on the historical scenario shows a very substantial improvement in debt ratios. The scenario shows that if the current account deficit and FDI inflows were to stay at their historical averages, the capital grants forecasted in the current baseline scenario would lead to a significant reduction in debt.

9. The thresholds for all the three indicators used to measure solvency (debt to GDP, debt to exports, debt to revenue) are breached in the case of a combination shock. This scenario assumes that in 2012 and 2013, key macroeconomic variables (including real GDP growth, exports, net official transfers, net FDI) are fixed at one-half standard deviation below their historical levels (Figures 1a, 1b, 1c). The combined shock would result in a higher current account deficit, which would have to be financed in the context of substantially lower FDI flows, resulting in about a doubling of debt indicators in 2021 relative to the baseline. The PV of debt to GDP and to exports remains above the thresholds for the projection period.

10. A Niger-specific alternative scenario has been built, to analyze the impact on debt of lower GDP growth. In this scenario (Figure 1), GDP growth is set at 5 percent from 2017, assuming a return to the pre-oil historical trend after the initial resource-led higher growth period. At the same time, the external borrowing and imports related to the megaprojects are kept at their baseline levels. This scenario shows a modest deterioration of the key indicators (debt-to-GDP; debt-to-revenue, debt-to-export ratios) relative to the baseline.

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[2] The large residuals shown in Table 1a and 1b reflect capital grants that the country is projected to receive thanks to the more stable political and economic environment.

IV. PUBLIC DSA

11. As was the case in previous DSA, the consideration of total public debt, including domestic debt, does not significantly alter the assessment. Niger's domestic debt is low (7.1 percent of GDP at end-2010, see Table 1.b) and is projected to fall over the medium term under the baseline scenario. The nominal interest rate on domestic debt is also low, because the bulk of domestic debt is non-interest bearing arrears, which are projected to be fully repaid by 2017.

12. Public debt ratios remain relatively low under most sensitivity tests, except for the most extreme shock. Under the most extreme shock, real GDP growth is set at the historical average minus one standard deviation in 2012–13. In this scenario, the PV of debt to GDP nearly doubles during the projection period.

13. The historical scenario in the public debt exercise assumes the primary fiscal deficit and GDP growth are kept at historical levels. Because the historical primary deficit is higher than projected in the baseline, and average GDP growth was lower in the past 10 years, the debt-to-GDP ratio would increase over time, and the debt to revenue would also have an upward trend, particularly in the second part of the projection period.

14. The bound tests also show that public debt becomes unsustainable in the case of a GDP growth shock. With real GDP growth at one standard deviation below the historical average in the first two years of projections, 2012–2013, the debt-to-GDP ratio increases by 120 percent, while the debt-to-revenue ratio increases by more than 80 percent. Furthermore, all five bound tests for debt to GDP and debt to revenue show an increase in the last 10 years (Table 2.b).

V. CONCLUSION

15. New financing arrangements for large oil and uranium projects in 2010 and 2011 have led to a deterioration of debt ratios compared to the 2009 DSA. Although the projects are expected to generate net revenue and lead to an improvement in the fiscal and external accounts, the increased debt levels have made Niger more vulnerable to adverse shocks. In light of this, Niger is now classified as at moderate risk of debt distress.

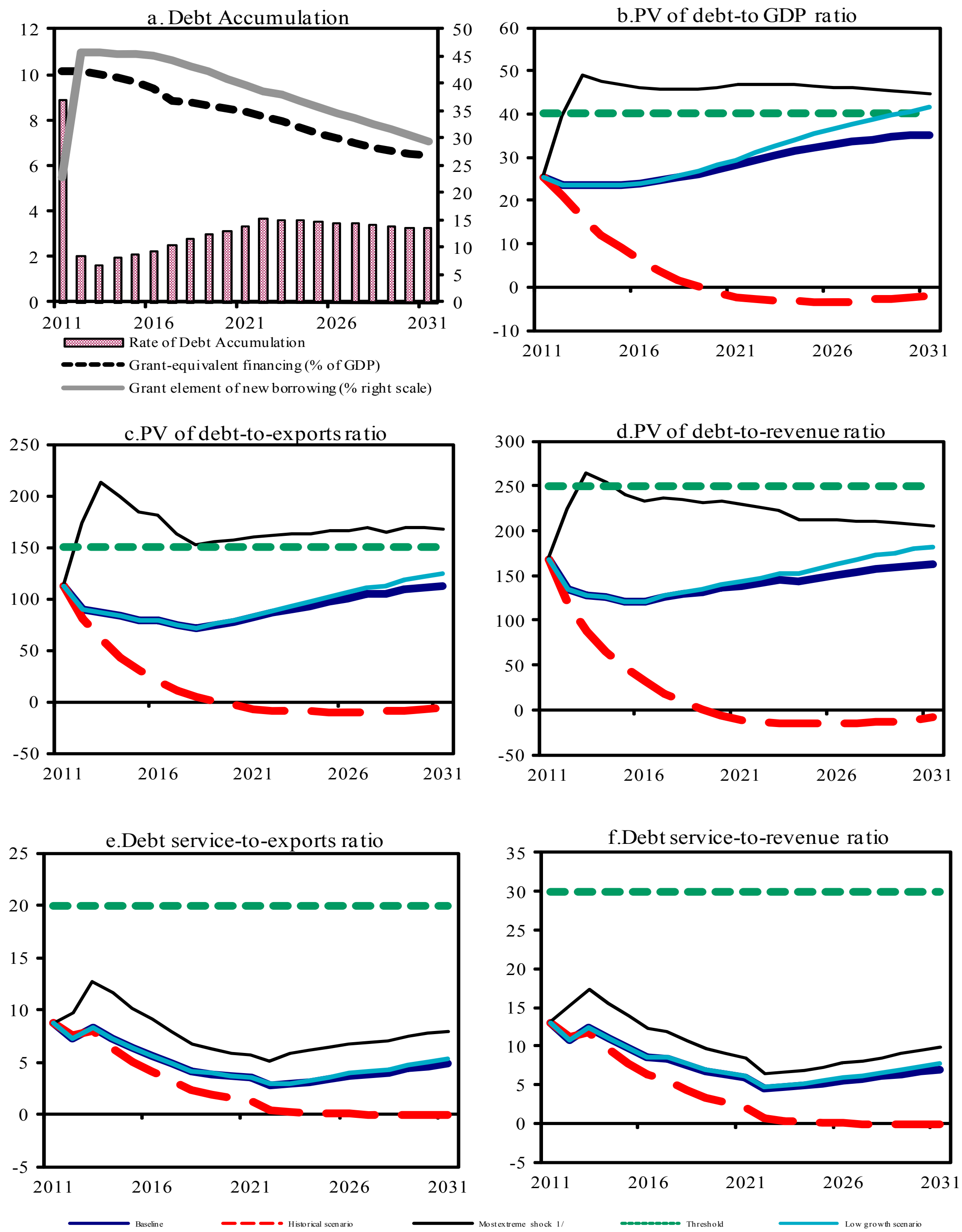
16. Niger's increased risk of debt distress underlines the need to minimize borrowing on commercial terms for public investment projects and limit, as much as possible, the government's involvement in the financing of natural resources projects.

Box 1. Baseline Scenario Assumptions

The baseline macroeconomic scenario for 2011−31 is based on the following assumptions:

- Real GDP growth is projected to increase to an average of about 6¾ percent a year in 2012-31, reflecting growing production of minerals and higher non-resource GDP growth, as Niger steps up public investment and makes progress in improving the business climate. Inflation is projected to remain stable at 2 percent over the projection period.
- The revenue-to-GDP ratio is projected to rise from about 15 percent in 2011 to 21¾ percent in 2031, reflecting rising revenue from natural resources and ongoing improvements in the revenue collection effort.
- Expenditure is expected to increase from 26 percentage points of GDP in 2011, to more than 30 ½ percent of GDP in 2031, driven by higher current and capital expenditure. The basic balance (the fiscal balance net of grants and externally-financed capital expenditure) remains in surplus from 2017 onward (complying with the WAEMU regional convergence criterion).
- The current account deficit is projected to decline from 27½ percent of GDP in 2011 to about 11½ percent at the end of the projection period. Exports would increase, before stabilizing at around 29½ percent of GDP at the end of the period, as a result of increasing oil and uranium production and the expected impact of gradual economic diversification. Imports would slow initially, in line with the decline of foreign direct investment (FDI)-related imports, before rebounding as imports increase with higher GDP per capita.
- Net FDI is projected to decrease from a peak of 16 percent of GDP in 2011 as the large investment projects come to completion, and the newly established natural resource companies reimburse FDI loans received from their parent companies; these payments lead to an FDI outflow from 2016 to 2021.
- The average interest rate on new external borrowing is projected at 1.5 percent. Total external financing is expected to gradually decrease, from 12½ percent of GDP in 2012 to 9 percent by 2031. This decline relates to the reduction in Niger's borrowing needs and the expected increase in per capita GDP. Grants would represent about 65 percent of total external financing on average during the period.
- The domestic debt profile assumes the outstanding stock of domestic arrears is paid off by 2017, and there is no new accumulation of arrears.

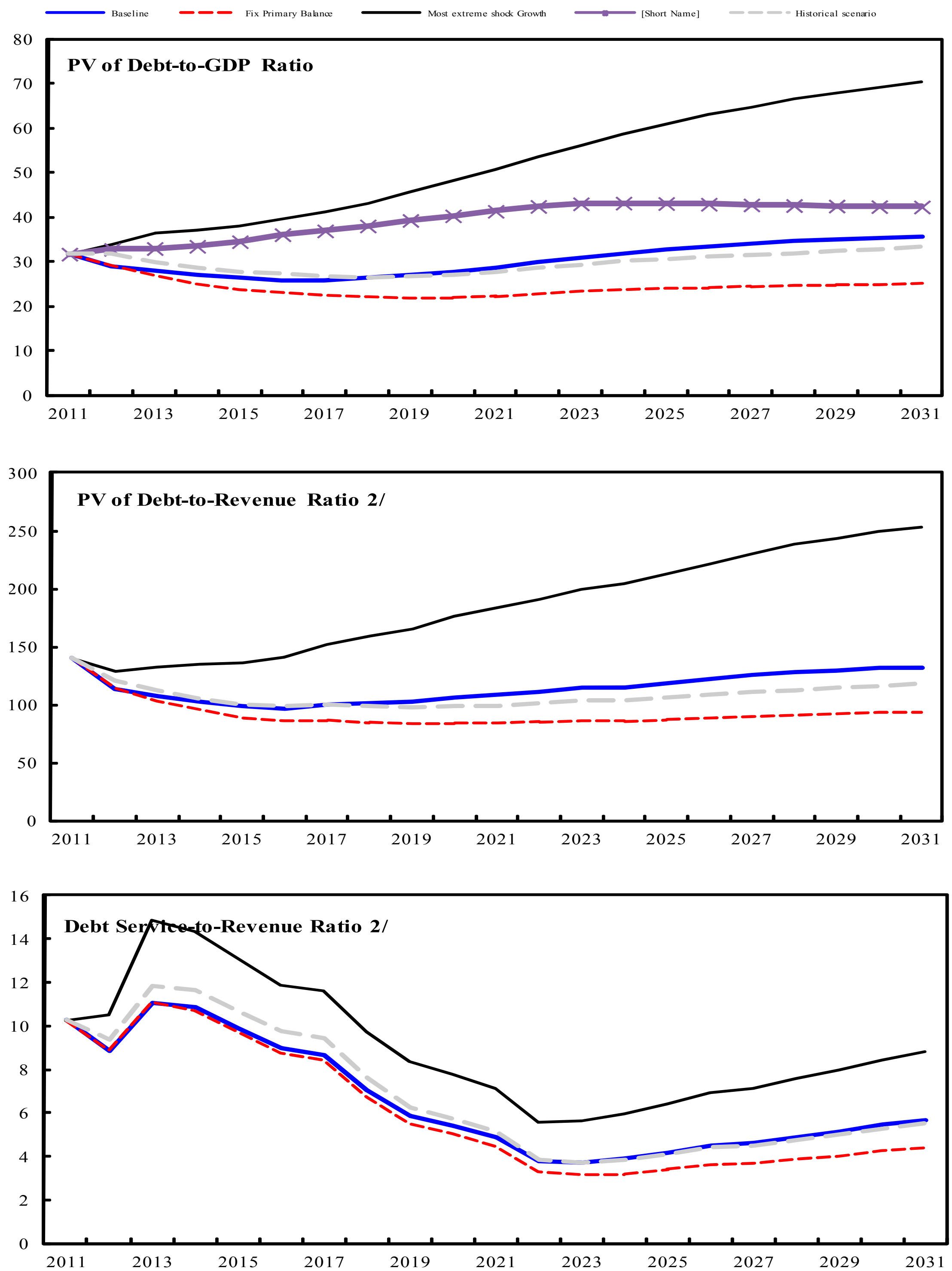
Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2011-2031 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2021. In figure b. it corresponds to a Combination shock; in c. to a Combination shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 2.Niger: Indicators of Public Debt Under Alternative Scenarios, 2011-2031 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2021.
2/ Revenues are defined inclusive of grants.

Table 1a.: External Debt Sustainability Framework, Baseline Scenario, 2008-2031 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2011-2016 Average	2021	2031	2017-2031 Average
External debt (nominal) 1/	**15.1**	**19.2**	**17.4**			**25.8**	**27.1**	**29.5**	**31.8**	**34.1**	**36.1**		**45.0**	**51.0**	
o/w public and publicly guaranteed (PPG)	15.1	19.2	17.4			25.8	27.1	29.5	31.8	34.1	36.1		45.0	51.0	
Change in external debt	0.1	4.1	-1.8			8.4	1.3	2.5	2.3	2.2	2.0		1.6	-0.1	
Identified net debt-creating flows	-1.1	11.5	1.9			10.7	8.4	10.7	10.3	9.1	9.7		9.1	6.0	
Non-interest current account deficit	**12.6**	**24.9**	**20.8**	**10.2**	**7.5**	**26.1**	**24.8**	**19.2**	**12.2**	**11.3**	**9.4**		**10.3**	**10.8**	10.9
Deficit in balance of goods and services	16.9	23.8	28.5			31.9	28.1	21.1	14.1	12.0	9.5		10.2	12.9	
Exports	19.4	20.9	21.0			22.6	26.4	27.2	28.3	30.1	30.2		34.5	31.5	
Imports	36.3	44.7	49.5			54.5	54.5	48.3	42.4	42.2	39.6		44.7	44.5	
Net current transfers (negative = inflow)	-4.3	-2.9	-8.8	-4.5	1.8	-5.3	-4.5	-4.4	-4.2	-4.1	-4.0		-3.1	-2.7	-2.9
o/w official	-2.2	-0.7	-5.9			-4.0	-3.4	-3.3	-3.1	-3.0	-2.8		-2.0	-1.5	
Other current account flows (negative = net inflow)	0.0	4.0	1.2			-0.5	1.3	2.5	2.4	3.4	3.9		3.2	0.5	
Net FDI (negative = inflow)	**-11.0**	**-13.9**	**-18.2**	**-5.1**	**6.7**	**-16.2**	**-14.8**	**-8.2**	**-1.2**	**-1.2**	**1.5**		**0.6**	**-2.7**	-1.2
Endogenous debt dynamics 2/	**-2.7**	**0.6**	**-0.7**			**0.9**	**-1.6**	**-0.3**	**-0.8**	**-0.9**	**-1.2**		**-1.8**	**-2.2**	
Contribution from nominal interest rate	0.4	0.2	0.1			1.4	1.5	1.3	1.2	1.1	1.0		0.6	0.8	
Contribution from real GDP growth	-1.1	0.1	-1.5			-0.6	-3.1	-1.6	-2.0	-2.0	-2.2		-2.4	-3.0	
Contribution from price and exchange rate changes	-1.9	0.2	0.6			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**1.2**	**-7.4**	**-3.7**			**-2.3**	**-7.1**	**-8.2**	**-8.0**	**-6.9**	**-7.7**		**-7.5**	**-6.1**	
o/w exceptional financing	-0.2	-0.3	-0.3			-0.2	-0.2	-0.2	-0.1	-0.1	-0.1		0.0	0.0	
PV of external debt 4/	...	...	20.6			25.4	23.7	23.5	23.5	23.6	23.9		28.1	35.2	
In percent of exports	...	...	97.8			112.0	89.9	86.6	83.0	78.4	79.3		81.5	111.7	
PV of PPG external debt	**...**	**...**	**20.6**			**25.4**	**23.7**	**23.5**	**23.5**	**23.6**	**23.9**		**28.1**	**35.2**	
In percent of exports	**...**	**...**	**97.8**			**112.0**	**89.9**	**86.6**	**83.0**	**78.4**	**79.3**		**81.5**	**111.7**	
In percent of government revenues	**...**	**...**	**145.3**			**167.9**	**134.4**	**127.5**	**125.2**	**121.4**	**121.1**		**138.4**	**161.8**	
Debt service-to-exports ratio (in percent)	**3.8**	**2.5**	**2.6**			**8.7**	**7.2**	**8.3**	**7.3**	**6.3**	**5.6**		**3.5**	**4.8**	
PPG debt service-to-exports ratio (in percent)	**3.8**	**2.5**	**2.6**			**8.7**	**7.2**	**8.3**	**7.3**	**6.3**	**5.6**		**3.5**	**4.8**	
PPG debt service-to-revenue ratio (in percent)	**4.0**	**3.5**	**3.9**			**13.0**	**10.8**	**12.3**	**11.0**	**9.8**	**8.6**		**5.9**	**6.9**	
Total gross financing need (Billions of U.S. dollars)	0.1	0.6	0.2			0.8	0.9	1.1	1.1	1.1	1.3		1.8	3.2	
Non-interest current account deficit that stabilizes debt ratio	12.5	20.7	22.6			17.7	23.5	16.7	9.9	9.1	7.4		8.7	11.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	9.6	-0.9	8.0	5.4	3.8	3.8	14.1	6.5	7.2	6.9	7.0	7.6	6.0	6.3	6.1
GDP deflator in US dollar terms (change in percent)	14.6	-1.5	-3.2	7.2	7.5	11.1	2.1	1.1	1.3	1.2	1.2	3.0	2.0	2.0	2.0
Effective interest rate (percent) 5/	3.0	1.3	0.7	2.3	2.0	9.5	6.8	5.2	4.4	3.8	3.2	5.5	1.5	1.6	1.6
Growth of exports of G&S (US dollar terms, in percent)	39.9	4.9	5.3	14.3	12.9	24.1	35.7	10.9	13.0	15.3	8.4	17.9	7.4	8.4	8.6
Growth of imports of G&S (US dollar terms, in percent)	54.7	20.0	15.9	20.1	14.4	26.9	16.4	-4.6	-4.8	7.7	1.8	7.2	9.8	8.4	9.1
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	22.9	45.7	45.6	45.5	45.5	45.1	41.7	39.7	29.5	36.8
Government revenues (excluding grants, in percent of GDP)	18.4	14.7	14.2			15.1	17.6	18.5	18.8	19.5	19.8		20.3	21.8	21.0
Aid flows (in Billions of US dollars) 7/	0.4	0.3	0.3			0.8	1.0	1.0	1.1	1.2	1.2		1.6	2.5	
o/w Grants	0.3	0.2	0.3			0.5	0.6	0.6	0.6	0.7	0.7		0.9	1.7	
o/w Concessional loans	0.1	0.1	0.1			0.3	0.4	0.4	0.5	0.5	0.5		0.7	0.8	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			10.2	10.2	10.0	9.9	9.7	9.4		8.4	6.4	7.7
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			53.5	78.5	77.6	76.8	76.6	76.3		72.0	66.7	70.4
Memorandum items:															
Nominal GDP (Billions of US dollars)	5.4	5.3	5.5			6.3	7.4	8.0	8.6	9.3	10.1		14.9	33.1	
Nominal dollar GDP growth	25.5	-2.4	4.5			15.3	16.5	7.6	8.6	8.2	8.2	10.7	8.0	8.4	8.2
PV of PPG external debt (in Billions of US dollars)			1.1			1.6	1.7	1.9	2.0	2.2	2.4		4.2	11.6	
(PVt-PVt-1)/GDPt-1 (in percent)						8.9	2.0	1.6	2.0	2.1	2.3	3.1	3.3	3.2	3.3
Gross workers' remittances (Billions of US dollars)	…	…	…			…	…	…	…	…	…		…	…	
PV of PPG external debt (in percent of GDP + remittances)	...	...	20.6			25.4	23.7	23.5	23.5	23.6	23.9		28.1	35.2	
PV of PPG external debt (in percent of exports + remittances)	...	...	97.8			112.0	89.9	86.6	83.0	78.4	79.3		81.5	111.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.6			8.7	7.2	8.3	7.3	6.3	5.6		3.5	4.8	

Sources: Country authorities; and staff estimates and projections.

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

Table 1b.Niger: Public Sector Debt Sustainability Framework, Baseline Scenario, 2008-2031
(In percent of GDP, unless otherwise indicated)

	Actual			Average 5/	Standard Deviation 5/	Estimate	Projections								
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2011-16 Average	2021	2031	2017-31 Average
Public sector debt 1/	22.0	27.3	24.5			32.1	32.3	33.9	35.3	36.7	38.0		45.6	51.2	
o/w foreign-currency denominated	15.1	19.2	17.4			25.8	27.1	29.5	31.8	34.1	36.1		45.0	51.0	
Change in public sector debt	-2.1	5.3	-2.8			7.7	0.2	1.6	1.4	1.4	1.3		1.5	-0.2	
Identified debt-creating flows	-4.0	3.8	1.9			0.6	-0.9	2.8	2.3	1.8	1.0		0.9	-0.3	
Primary deficit	-2.0	5.2	2.3	2.5	2.4	2.0	1.8	3.6	3.6	3.2	2.6	2.8	3.5	2.9	3.4
Revenue and grants	24.3	19.1	19.0			22.6	25.5	26.1	26.2	26.7	26.8		26.5	26.9	
of which: grants	5.9	4.5	4.8			7.5	7.8	7.6	7.4	7.2	7.0		6.2	5.1	
Primary (noninterest) expenditure	22.3	24.3	21.2			24.6	27.3	29.7	29.8	29.9	29.3		30.1	29.8	
Automatic debt dynamics	-2.0	-1.4	-0.4			-1.4	-2.7	-0.8	-1.3	-1.4	-1.6		-2.6	-3.2	
Contribution from interest rate/growth differential	-2.4	0.0	-2.1			0.2	-2.7	-0.8	-1.2	-1.4	-1.7		-2.6	-3.2	
of which: contribution from average real interest rate	-0.2	-0.2	-0.1			1.1	1.3	1.2	1.1	0.9	0.7		-0.2	-0.2	
of which: contribution from real GDP growth	-2.1	0.2	-2.0			-0.9	-4.0	-2.0	-2.3	-2.3	-2.4		-2.5	-3.0	
Contribution from real exchange rate depreciation	0.3	-1.4	1.8			-1.6	-0.1	0.0	-0.1	0.0	0.1		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	1.9	1.5	-4.8			7.1	1.0	-1.2	-0.9	-0.4	0.3		0.6	0.1	
Other Sustainability Indicators															
PV of public sector debt	...	...	27.7			31.7	28.9	27.9	26.9	26.3	25.8		28.7	35.5	
o/w foreign-currency denominated	...	...	20.6			25.4	23.7	23.5	23.5	23.6	23.9		28.1	35.2	
o/w external	...	...	20.6			25.4	23.7	23.5	23.5	23.6	23.9		28.1	35.2	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	0.0	4.4	3.2			4.3	4.1	6.5	6.5	5.8	5.0		4.8	4.5	
PV of public sector debt-to-revenue and grants ratio (in percent)	…	…	146.0			140.0	113.6	107.2	103.0	98.4	96.6		108.0	132.0	
PV of public sector debt-to-revenue ratio (in percent)	…	…	195.3			209.9	164.0	151.3	143.5	134.9	130.8		141.1	162.8	
o/w external 3/	…	…	145.3			167.9	134.4	127.5	125.2	121.4	121.1		138.4	161.8	
Debt service-to-revenue and grants ratio (in percent) 4/	8.1	-4.1	5.0			10.3	8.8	11.1	10.8	9.9	9.0		4.9	5.7	
Debt service-to-revenue ratio (in percent) 4/	10.7	-5.4	6.7			15.4	12.8	15.6	15.1	13.6	12.2		6.4	7.0	
Primary deficit that stabilizes the debt-to-GDP ratio	0.1	0.0	5.1			-5.7	1.7	2.0	2.3	1.8	1.3		2.0	3.1	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	9.6	-0.9	8.0	5.4	3.8	3.8	14.1	6.5	7.2	6.9	7.0	7.6	6.0	6.3	6.1
Average nominal interest rate on forex debt (in percent)	3.0	1.3	0.7	2.3	2.0	9.5	6.8	5.2	4.4	3.8	3.2	5.5	1.5	1.6	1.6
Average real interest rate on domestic debt (in percent)	...	-3.2	-0.5	-1.9	1.9	-2.0	0.1	2.2	3.0	4.6	6.7	2.4	4.5	4.8	4.9
Real exchange rate depreciation (in percent, + indicates depreciation)	2.5	-9.4	10.0	-4.3	9.0	-8.8	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	6.7	4.1	1.6	3.2	2.5	4.3	2.2	1.9	2.1	2.0	2.0	2.4	2.0	2.0	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.1	-0.1	0.1	0.2	0.2	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	…	…	22.9	45.7	45.6	45.5	45.5	45.1	41.7	39.7	29.5	...

Sources: Country authorities; and staff estimates and projections.

1/ Includes the general government and the main public enterprises.

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

3/ Revenues excluding grants.

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

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

Table 2a.Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2011-2031
(In percent)

	Projections							
	2011	2012	2013	2014	2015	2016	**2021**	2031
PV of debt-to GDP ratio								
Baseline	25	24	24	23	24	24	**28**	35
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	25	21	16	12	9	6	**-3**	-2
A2. New public sector loans on less favorable terms in 2011-2031 2	25	26	28	29	31	33	**43**	57
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	25	27	28	28	28	28	**33**	41
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	25	28	33	33	32	32	**35**	38
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	25	24	24	24	24	25	**29**	36
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	25	35	42	41	41	40	**41**	40
B5. Combination of B1-B4 using one-half standard deviation shocks	25	40	49	48	47	46	**47**	45
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	25	33	33	33	33	34	**40**	50
PV of debt-to-exports ratio								
Baseline	112	90	87	83	78	79	**81**	112
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	112	80	60	43	31	20	**-7**	-6
A2. New public sector loans on less favorable terms in 2011-2031 2	112	99	102	104	103	109	**125**	181
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	112	90	86	83	78	79	**81**	111
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	112	142	178	169	157	156	**147**	175
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	112	90	86	83	78	79	**81**	111
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	112	134	155	146	134	133	**119**	127
B5. Combination of B1-B4 using one-half standard deviation shocks	112	174	213	199	184	181	**160**	167
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	112	90	86	83	78	79	**81**	111
PV of debt-to-revenue ratio								
Baseline	168	134	127	125	121	121	**138**	162
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	168	120	88	65	47	31	**-13**	-9
A2. New public sector loans on less favorable terms in 2011-2031 2	168	148	150	156	159	166	**213**	263
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	168	150	149	147	142	142	**162**	189
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	168	158	180	174	166	163	**171**	173
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	168	137	132	130	126	125	**143**	167
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	168	201	228	220	208	203	**201**	184
B5. Combination of B1-B4 using one-half standard deviation shocks	168	225	265	254	241	234	**230**	204
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	168	190	180	177	171	171	**195**	228

Table 2a.Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2011-2031 (continued)
(In percent)

	Projections							
	2011	2012	2013	2014	2015	2016	2021	2031
Debt service-to-exports ratio								
Baseline	9	7	8	7	6	6	3	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	9	7	8	6	5	4	1	0
A2. New public sector loans on less favorable terms in 2011-2031 2	9	7	6	6	5	5	5	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	9	7	8	7	6	6	3	5
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	9	10	13	12	10	9	6	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	9	7	8	7	6	6	3	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	9	7	9	9	8	7	4	6
B5. Combination of B1-B4 using one-half standard deviation shocks	9	9	12	11	10	9	6	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	9	7	8	7	6	6	3	5
Debt service-to-revenue ratio								
Baseline	13	11	12	11	10	9	6	7
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	13	11	12	10	8	6	2	0
A2. New public sector loans on less favorable terms in 2011-2031 2	13	11	9	9	8	8	8	12
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	13	12	14	13	12	10	7	8
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	13	11	13	12	11	10	7	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	13	11	13	11	10	9	6	7
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	13	11	14	13	12	10	7	9
B5. Combination of B1-B4 using one-half standard deviation shocks	13	12	15	15	13	12	8	10
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	13	15	17	16	14	12	8	10
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	35	35	35	35	35	35	35	35

Sources: Country authorities; and staff estimates and projections.

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

Table 2b.Niger: Sensitivity Analysis for Key Indicators of Public Debt 2011-2031

	Projections							
	2011	2012	2013	2014	2015	2016	2021	2031
PV of Debt-to-GDP Ratio								
Baseline	32	29	28	27	26	26	29	35
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	32	32	30	28	28	27	27	33
A2. Primary balance is unchanged from 2011	32	29	27	25	24	23	22	25
A3. Permanently lower GDP growth 1/	32	29	29	28	28	28	36	59
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	32	34	36	37	38	39	51	70
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	32	31	31	29	29	28	30	36
B3. Combination of B1-B2 using one half standard deviation shocks	32	33	32	33	34	35	44	61
B4. One-time 30 percent real depreciation in 2012	32	38	35	33	31	29	28	33
B5. 10 percent of GDP increase in other debt-creating flows in 2012	32	36	34	32	32	31	33	38
PV of Debt-to-Revenue Ratio 2/								
Baseline	140	114	107	103	98	97	108	132
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	140	121	112	105	100	98	99	118
A2. Primary balance is unchanged from 2011	140	114	103	96	89	86	84	94
A3. Permanently lower GDP growth 1/	140	115	109	107	104	104	132	212
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	140	128	133	135	136	141	183	253
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	140	122	118	112	107	105	115	136
B3. Combination of B1-B2 using one half standard deviation shocks	140	126	120	121	122	125	161	223
B4. One-time 30 percent real depreciation in 2012	140	150	136	126	115	109	105	123
B5. 10 percent of GDP increase in other debt-creating flows in 2012	140	140	130	124	118	115	123	140
Debt Service-to-Revenue Ratio 2/								
Baseline	10	9	11	11	10	9	5	6
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	10	9	12	12	11	10	5	6
A2. Primary balance is unchanged from 2011	10	9	11	11	10	9	4	4
A3. Permanently lower GDP growth 1/	10	9	11	11	10	9	5	8
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	10	10	13	12	12	11	7	10
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	10	9	11	11	10	9	5	6
B3. Combination of B1-B2 using one half standard deviation shocks	10	9	12	12	11	10	6	9
B4. One-time 30 percent real depreciation in 2012	10	10	15	14	13	12	7	9
B5. 10 percent of GDP increase in other debt-creating flows in 2012	10	9	12	11	10	9	5	6

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

NIGER

STAFF REPORT FOR THE 2011 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

November 16, 2011

Prepared By

Messrs. Harmsen (head), Zejan, and Mmes Mira and Bova (all AFR).

CONTENTS

I. FUND RELATIONS

I. Membership Status

Joined: April 24, 1963

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

II. General Resources Account	**SDR Million**	**%Quota**
Quota	65.80	100.00
Fund Holdings of Currency	57.17	86.89
Reserve Tranche Position	8.64	13.13

III. SDR Department	**SDR Million**	**%Allocation**
Net Cumulative Allocation	62.94	100.00
Holdings	54.27	86.23

IV. Outstanding Purchases and Loans	**SDR Million**	**%Quota**
ECF Arrangements	38.12	57.93

V. Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF[1]	Jun 02, 2008	Jun 01, 2011	23.03	13.16
PRGF	Jan 31, 2005	May 31, 2008	26.32	26.32
PRGF	Dec 22, 2000	Jun 30, 2004	59.20	59.20

1. Formerly PRGF

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

	Forthcoming				
	2010	2011	2012	2013	2014
Principal	1.67	4.21	5.50	6.91	7.47
Charges/Interest	0.01	0.12	0.11	0.09	0.08
Total	1.68	4.33	5.60	7.00	7.55

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

VII. Implementation of HIPC Initiative

		Enhanced
I. Commitment of HIPC assistance		Framework
Decision point date		Dec 2000
Assistance committed		

by all creditors (US$ million) [1]		663.10
Of which: IMF assistance (US$ million)		42.01
(SDR equivalent in millions)		31.22
Completion point date		Apr 2004
[1] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.		
II. Disbursement of IMF assistance (SDR million)		
Assistance disbursed to the member		31.22
Interim assistance		6.68
Completion point balance		24.55
Additional disbursement of interest income [2]		2.74
Total disbursements		33.96

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

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI)

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

II. Debt Relief by Facility (SDR Million)

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

[1]The MDRI provides 100 percent debt relief to eligible member countries that qualify for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief. **Decision point:** point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to commit. **Interim assistance**: amount disbursed to a country between decision and completion points, up to 20 percent annually and 60 percent in total assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances). **Completion point:** point at which a country receives the remaining balance of assistance committed at the decision point, with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

IX. Safeguards Assessments

The Central Bank of West African States (BCEAO) is the common central bank of the countries of the West African Economic and Monetary Union, which includes Niger. The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework needed nonetheless to be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. The Institutional Reform of the WAEMU and the BCEAO completed after the approval of the safeguards report stipulated creation of the Audit Committee, which should now start working. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

X. Exchange Arrangements
Niger is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all WAEMU countries, is free of restrictions on the making of payments and transfers for current international transactions. The union's common currency, the CFA franc, is pegged to the euro at a rate of CFAF 655.957 = EUR 1, consistent with the official conversion rate of the French franc to the euro and the previous fixed rate of the CFA franc to the French franc of CFAF 100= F 1. On January 12, 1994, the CFA was devalued by 50 percent in foreign currency terms, and the exchange rate was adjusted from CFAF 50 = F 1 to CFAF 100 = F 1. Effective December 31, 1998, the parity was switched to the euro. In September 2011, the rate of the CFA franc in SDR terms was SDR 1 = CFA 755. The exchange arrangement of the WAEMU countries has been reclassified to the category of conventional pegged arrangement from the category of exchange arrangement with no separate legal tender.

XI. Article IV Consultation

Niger is on the 12-month consultation cycle.

XII. Technical Assistance

Dept.	Type of Assistance	Time of Delivery
STA/AFRITAC W	National Account Statistics	May 2010
STA/AFRITAC W	Government Finance Statistics	June 2010
FAD/AFRITAC W	Public Expenditure	July 2010
STA	National Account Statistics	August 2010
FAD/AFRITAC W	Budget Execution	October 2010
FAD/AFRITAC W	Revenue Administration	November 2010
FAD/AFRITAC W	MTEF	November 2010
STA	National Account Statistics	January 2011
FAD/AFRITAC W	MTEF	January 2011
FAD/AFRITAC W	Budget Execution	January 2011
FAD/AFRITAC W	MTEF	March 2011
FAD/AFRITAC W	Budget Execution	March 2011
FAD	Revenue Administration	April 2011
FAD/AFRITAC W	Public Financial Management	May 2011
FAD/AFRITAC W	Customs Administration	May 2011
FAD/AFRITAC W	Tax Administration	May 2011
FAD	Public Financial Management	May 2011
FAD	Tax Policy	June 2011
FAD	Budget Execution	September 2011
STA/AFRITAC W	Real Sector Statistics	September 2011
AFRITAC W	Treasury Accounts	September 2011

XIII. Resident Representative: Vacant since May 2011

II. BANK-FUND JOINT MANAGERIAL ACTION PLAN, 2011–12

Products	Mission Timing	Expected Delivery
A. Mutual Information on Relevant Work Programs		
The Fund work program		
Strategy: Fund's policy advice and technical assistance will focus on helping Niger preserve fiscal sustainability and economic stability, while expanding priority spending to accelerate growth and poverty reduction.		
2011 Article IV Consultation and Ex Post Program Assessment	August 2011	Board discussion in November 2011
ECF consultation	December 2011	Board discussion in February 2012
Program review	June 2012	
TA by FAD/AFRITAC		
Missions on budget execution	October and November 2011	
Tax administration	November 2011	
Missions on public financial management	January 2012	
Mission on the budget	January 2012	
TA by STA/AFRITAC		
Missions on real sector statistics	September 2011 and April 2012	
Missions on government finance statistics	October and December 2011	

The World Bank program

Strategy: The Bank's strategy is laid out in the country assistance strategy covering FY08–11 focusing on two pillars: (i) accelerating equitably shared sustained growth and (ii) increasing access to basic services and developing human capital; and two cross cutting issues that cover demographics and good governance. Preparation of a new CAS will start in 2012 aligned with the preparation of a new PRSP. In addition to the implementation of the Bank's existing portfolio, a number of new operations for Board approval in FY12 and FY13 will be prepared, including a new multiyear DPO series, a sources of growth project, an education enhancement and skills project, the Kandadji multisector growth pole project, and the CAP climate resilience project. Analytic work will include a public expenditure review, policy notes on economic growth, a PSIA of tax policy reforms; reviews of the energy, telecoms, and mining sectors; studies on weather-based insurance feasibility, conflict ,and security; GAC strategy and institutional development; and technical assistance on the poverty assessment, local development (Kandadji), ROSC audit and procurement implementation support, and EITI follow up and CSO capacity building.

DPO pre-appraisal	October 2011	Aide-mémoire
DPO appraisal	February 2012	Aide-mémoire
Public expenditure review missions	December 2011, April 2012	PER report
Economic growth policy missions	Several	Policy notes
Sectoral, ESW, TA missions	Several	
B. Requests for Work Program Inputs		
Fund request to Bank		
Periodic update on World Bank program in Niger		
Periodic economic update		
Bank request to Fund		
Periodic update of the macroframework		
C. Agreement on Joint Products and Missions		
DSA	September 2011	Board discussion in November 2011

III. NIGER: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE

(As of October 2011)

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

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

INTERNATIONAL MONETARY FUND
Public Information Notice
EXTERNAL RELATIONS DEPARTMENT

Public Information Notice (PIN) No. 11/159
FOR IMMEDIATE RELEASE
December 19, 2011

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2011 Article IV Consultation and Discusses the Ex Post Assessment of Longer-Term Program Engagement with Niger

On December 2, 2011, the Executive Board of the International Monetary Fund (IMF) concluded the 2011 Article IV consultation[1] and discussed the Ex Post Assessment of Longer-Term Program Engagement (EPA)[2] with Niger.

Background

The last Article IV consultation with Niger took place in December 2008. Since then, the country experienced a period of political instability, including a military coup in February 2010, followed by a year-long transition to democracy. A democratically elected government took office in April 2011. The new government has announced firm actions to face rising security threats in the region, accelerate economic development, reduce corruption, and improve governance in the mining sector.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summing ups can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

[2] An EPA is required for all members having longer-term program engagement with the Fund. EPAs are intended to provide an opportunity to step back from continuing program relations to consider an analysis of the economic problems facing the country, review progress under Fund-supported programs, and draw forward-looking lessons for future Fund engagement.

The outlook for the medium term is favorable, thanks to large investments in new oil and uranium mining projects. Rising government revenue from these projects represents a significant opportunity to boost development spending and reduce poverty. At the same time, government involvement in the financing of natural resources projects increases risks for public debt sustainability, while rising revenues from natural resources will increase vulnerability to commodity price fluctuations.

Macroeconomic performance was satisfactory in 2010. Thanks to an excellent harvest, economic activity expanded by 8 percent, recovering strongly from the serious food shortages and sluggish growth in the previous year. While fiscal performance remained broadly on track, the composition of expenditure was affected negatively by a reallocation of outlays for capital investment to ill-targeted fuel subsidies.

Notwithstanding the fallout from the Libyan crisis, economic activity remained buoyant in the first eight months of 2011; for the year as a whole, gross domestic product (GDP) growth could reach almost 4 percent. Although the 2011 harvest has been lower than expected in parts of the country, the impact of rising global food prices on inflation has remained modest. Budget implementation was satisfactory during the first eight months of 2011, and progress was made in reducing fuel subsidies.

The economic prospects for 2012 are favorable. Thanks to the coming onstream of a new oil project and its positive effects on the nonresource sectors of the economy, real GDP growth could reach about 14 percent. The government's budget for 2012 envisages a basic fiscal deficit on the order of one percent of GDP. The projected revenue from a new oil project and an increased domestic revenue effort should create ample fiscal space for considerable increases in outlays for public investment and social spending in 2012.

The Ex Post Assessment (EPA) analyzed the Fund´s involvement in Niger from 2005 through 2010, under the 2005–08 Poverty Reduction and Growth Facility (PRGF) arrangement and the 2008–11 Extended Credit Facility (ECF) arrangement. The EPA concludes that macroeconomic performance in the period under review was generally satisfactory. Despite the many shocks that affected the economy during this period, including weather-related shocks and political instability, macroeconomic stability was maintained, and prudent fiscal policies allowed for steady increases in priority spending. Progress was made in improving public financial management and debt management, though weaknesses remained in budget execution and revenue mobilization.

Executive Board Assessment

Executive Directors welcomed Niger's economic recovery since mid 2010 and its favorable medium-term outlook underpinned by the coming onstream of new natural resource projects.

Notwithstanding the positive prospects, the country faces significant challenges, including a high poverty rate and vulnerability to weather-related and commodity price shocks. To address these challenges and to secure sustainable growth, Directors stressed the need for continued implementation of institutional and policy reforms.

Directors considered that the authorities' development strategy rightly targets investment in infrastructure, agriculture, health, and education. At the same time, they underscored that improvements in the business climate will be essential to stimulate inclusive growth and employment. Although higher revenue would provide significant space for development spending in the coming years, it will be important to plan public investment programs carefully, taking into account the implications for future current spending, available financing, and implementation capacity constraints.

Directors called for a strengthening of the medium-term fiscal framework to help align the budget with development priorities, while maintaining debt sustainability. They encouraged the authorities to consider creating a fiscal buffer to mitigate the negative effects of exogenous shocks and stabilize expenditure over time. Directors looked forward to continued efforts to further strengthen revenue mobilization and public financial management, and better targeting of subsidies.

Directors noted that Niger's debt distress indicators had recently shifted from low to moderate risk as a result of public involvement in the financing of natural resources projects. To preserve debt sustainability, they encouraged the authorities to minimize nononcessional borrowing, prioritize the selection of public investments, and further strengthen their debt management.

Directors welcomed the steps taken to increase transparency in the petroleum and mining sectors, including the compliance with the Extractive Industries Transparency Initiative. They encouraged the authorities to continue to strengthen government oversight of the petroleum and mining sectors.

Directors supported the conclusions of the EPA. They agreed that Fund's engagement in Niger since 2005 has been constructive and contributed to macroeconomic stability. Directors emphasized that continued Fund engagement should be based on key reform priorities which include strengthening public finance management and revenue mobilization; ensuring maximum return to the economy from extractive industries; developing the financial sector in line with Financial Sector Assessment Program (FSAP) recommendations; and improving the incentives for private investment and business activity.

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case. The staff report (use the free Adobe Acrobat Reader to view this pdf file) for the 2011 Article IV Consultation with Niger and the EPA report are also available.

Niger: Selected Economic and Financial Indicators, 2009-16

	2009	2010	2011	2012	2013	2014	2015	2016
		Prel.	Proj.					
	(Annual percentage change, unless otherwise indicated)							
National income and prices								
GDP at constant prices	-0.9	8.0	3.8	14.1	6.5	7.2	6.9	7.0
Non-agricultural GDP at constant prices	5.5	0.7	7.6	17.6	6.9	7.8	7.3	72
Non-oil and mineral GDP				5.9	5.6	5.8	6.0	6.2
GDP deflator	4.1	1.5	4.3	2.2	1.9	2.1	2.0	2.0
Consumer price index								
Annual average	1.1	0.9	3.7	2.0	2.0	2.0	2.0	2.0
End of period	-0.6	2.7	3.4	2.0	2.0	2.0	2.0	2.0
External sector								
Exports, f.o.b. (CFA francs)	15.2	8.1	19.7	37.4	12.0	14.2	16.7	9.3
Of which : non-uranium exports	31.0	-3.3	15.4	54.8	21.8	3.5	3.2	11.4
Imports, f.o.b. (CFA francs)	40.2	4.7	19.6	17.0	-0.3	-1.3	9.4	4.9
Exports volume	13.6	0.0	12.5	34.4	13.1	11.9	12.8	8.9
Imports volume	35.3	-10.3	23.7	26.2	-3.0	-4.0	7.0	2.1
Terms of trade (deterioration -)	3.9	-3.6	8.7	12.4	-2.4	1.6	0.3	0.6
Government finances								
Total revenue	-17.7	6.1	15.4	36.2	13.5	11.2	13.2	10.7
Total expenditure and net lending	11.3	-4.2	32.0	29.0	15.4	10.8	9.2	6.8
Of which: current expenditure	0.0	21.8	14.8	-1.9	21.5	14.1	12.3	6.3
Of which: capital expenditure	25.1	-29.5	43.1	86.7	11.1	8.2	6.9	7.5
	(Annual change as percent of beginning of period)							
Money and credit								
Domestic credit	41.0	9.1	11.4	13.6	10.4	13.1	10.0	9.2
Credit to the government (net)	28.9	1.4	-0.4	-4.6	1.0	1.2	-1.5	-4.6
Credit to the economy	12.1	7.7	11.8	18.2	9.4	12.0	11.5	13.8
Net domestic assets	41.2	1.6	11.4	13.6	10.4	13.1	10.0	9.2
Broad money	18.3	22.6	8.2	16.6	8.5	11.8	14.0	9.1
Velocity of broad money (in percent)	5.3	4.7	4.7	4.7	4.7	4.6	4.4	4.4
	(Percent of GDP, unless otherwise indicated)							
Government finances								
Total revenue	14.7	14.2	15.1	17.6	18.5	18.8	19.5	19.8
Total expenditure and net lending	24.6	21.5	26.2	28.9	30.8	31.2	31.2	30.5
Current expenditure	12.1	13.5	14.3	12.0	13.4	14.0	14.4	14.1
Capital expenditure	12.5	8.0	10.6	16.9	17.4	17.2	16.8	16.6
Basic balance (excluding grants)[1]	-4.1	-3.0	-4.0	-0.7	-1.5	-1.5	-0.8	-0.1
Overall balance (commitment basis, including grants)	-5.5	-2.5	-3.5	-3.5	-4.7	-5.0	-4.5	-3.8
Gross investment	33.0	45.9	38.9	34.9	29.1	26.7	26.4	26.3
Of which: non-government investment	25.2	41.1	32.6	25.4	19.0	16.4	16.4	16.4
government	7.8	4.8	6.3	9.5	10.1	10.3	10.1	9.9
Change in stocks	-0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Gross national savings	7.9	24.9	11.4	8.5	8.6	13.2	14.0	15.9
Of which: non-government	1.6	19.4	5.3	0.3	0.5	5.1	6.1	7.7
Domestic savings	5.7	17.4	7.1	6.8	8.0	12.6	14.4	16.8
External current account balance (including grants)	-25.0	-21.0	-27.5	-26.3	-20.5	-13.4	-12.4	-10.4
Debt service ratio as percent of:								
Exports of goods and services	2.5	2.6	4.1	3.0	2.8	2.6	2.3	2.0
Government revenue	3.5	3.9	6.2	4.4	4.2	3.9	3.6	3.1
NPV of external debt	10.9	11.8	25.5	23.6	23.4	23.4	23.5	23.8
Foreign aid	6.1	6.1	12.1	12.9	12.9	12.9	12.7	12.3
	(Billions of CFA francs)							
GDP at current market prices	2,481	2,722	2,946	3,434	3,725	4,078	4,447	4,852
Overall balance of payments	-89.8	99.1	-19.4	17.9	-14.8	-11.1	34.2	-2.2

Sources: Nigerien authorities; and IMF staff estimates and projections.
[1]Rvenue minus expenditure net of externally-financed capital expenditure.

Statement by Kossi Assimaidou, Executive Director for Niger

December 2, 2011

My Nigerien authorities would like to express their appreciation to the Fund Executive Board and Management for their continued support. They also greatly value Fund staff's policy advice, in particular the fruitful policy discussions held in Niamey and Washington, respectively in August and September 2011, in the context of the 2011 Article IV consultation.

Niger has come out of a period of uncertainty marked by the 2009 drought—which has had a considerable impact on economic activity—and the effects of the military coup in early 2010. While risks have not waned, with notably external vulnerabilities associated with crises in the region, Niger's medium-term prospects have improved. This improvement is due in large part to the acceleration in the realization of the country's potential stemming from its natural resource endowment and the strong commitment of the new government that took office in April 2011 to implement sound economic and financial policies.

To meet their development objectives, and building on the progress achieved under the recently-concluded ECF-supported program, my authorities have designed a medium-term development strategy aimed at boosting GDP growth to at least 7% a year, over the medium-term. This strategy will include measures aimed at increasing public investment in infrastructure, agriculture, health and education. At the same time, my authorities will take steps to strengthen public finance management and enhance the governance of natural resources projects. The implementation of the required reforms calls for easing Niger's existing capacity constraints. In this regard, my authorities have requested technical assistance in a number of areas, which they view as crucial to their development strategy.

As an indication of their commitment to reforms, my authorities have already taken important steps toward reducing fuel subsidies with the view to put in place a full pass-through of international oil prices. They have also adopted a new general tax code, whose main objectives rest on expanding the tax base, raising overall revenues and improving the basic fiscal balance, in line with the WAEMU convergence criteria.

RECENT ECONOMIC DEVELOPMENTS

A combination of favorable weather conditions and expansion in agriculture-related trade and transportation has contributed to Niger's strong macroeconomic performance in 2010. Real GDP grew by 8%, against a contraction of 1% in 2009 following a severe drought. Investments in oil and uranium sectors have also been a contributing factor to the 2010 performance. Annual average inflation was contained below 1%. Fiscal performance was in line with the program objectives in 2010, thanks to successful efforts to improve tax compliance and a better control of expenditures.

In 2011, despite a number of adverse conditions, including disappointing harvest and spillover effects of the Libyan crisis, GDP growth rate is expected to reach 4%. Inflation is projected to remain moderate at just over 3.5%. Preliminary data covering the period to end-August indicate satisfactory budget implementation, as revenues were higher than expected and expenditure remained in line with objectives. On the reform agenda, in spite of some delays, important progress has been made notably in the areas of PFM strengthening, budget planning, debt management and transparency in natural resources management. Niger has recently been declared compliant with the Extractive Industries Transparency Initiative (EITI).

MEDIUM-TERM PROSPECTS AND POLICY CHALLENGES

With the addition of the two large projects entering into production in 2012 and 2014, oil and mining exports are projected to triple between 2011 and 2016 and revenue from natural resources could increase by 3.5% of GDP. As a result, the GDP growth rate could attain 14% in 2012 and activity outside natural resource sectors could remain elevated over the medium term; the current account deficit will be reduced significantly while inflation would remain under control provided favorable weather conditions prevail.

Promoting inclusive economic growth and diversification

To address the basic infrastructure and social needs, the government has elaborated an ambitious medium-term development strategy which is focused on substantial increases in investment in infrastructure, agriculture, health and education. My authorities agree with staff's recommendations, notably on the need to ensure a better use of the resources expected from oil and mining sectors and to put more emphasis on improving the business environment.

On creating a fiscal buffer to deal with exogenous shocks

My authorities share the view that they need to put in place a mechanism to respond to exogenous shocks. However, in light of the considerable investment and social needs facing the country, setting aside a portion of fiscal resources in the form of reserve may prove difficult, at the present time. However, they remain fully open to considering such a mechanism over the medium term. In the meantime, their efforts to develop the agriculture sector and enhance agricultural product management, coupled with the progressive elimination of fuel subsidies, will help them better cope with potential shocks associated with weather conditions and fluctuations in oil prices.

Strengthening the management of petroleum and mining projects

Significant progress has been made in the process of enhancing transparency in the extractive sectors. The authorities have amended the Constitution and added an article according to which all contracts for the exploration and exploitation of natural resources, and the payments to the state ought to be published. The authorities agree with staff on the need to strengthen the monitoring and supervision of the mining sector, and have requested technical assistance in the areas of natural resources management.

Stronger fiscal framework, budget process and revenue performance

The 2012 budget is in line with the medium-term fiscal framework as recommended by staff. My authorities have welcomed the staff proposal which would create space for increased development spending while preserving debt sustainability. My authorities also remain committed to making further progress in the areas of budget preparation and execution, tax reform, and revenue administration.

Debt sustainability

My Nigerien authorities share the view that a prudent debt policy is key to preserving Niger's debt sustainability while encouraging the efficient use of available fiscal space. They remain committed to cautious debt management. In this regard, they will continue to seek grants and concessional borrowing, as far as possible, so as to maintain debt sustainability.

Strengthening financial sector

My authorities recognize that a strong financial sector has an important role to play in the development of diverse private activities. In collaboration with the regional institutions and development partners, efforts are underway to put in place a comprehensive strategy for the development of this sector. My authorities also welcome staff advice on institutional and regulatory reforms towards a sustained deepening of the financial system.

EX-POST ASSESSMENT OF LONG-TERM ENGAGEMENT

Following a careful analysis of the 2005-2010 *Ex post assessment* report, my Nigerien authorities find that its conclusions are broadly relevant and balanced, as they reflect the economic and financial developments that occurred during the period under review. They recognize that Fund involvement during this period has helped weather several crises stemming from exogenous shocks, maintain macroeconomic stability and ensure public finance viability. However, my authorities would like to make the following additional comments:

The subsidy associated with the hydrocarbon price

With the current level of international oil prices, my authorities have admitted that the level reached by the subsidy became unsustainable. Since June 2011, they have taken steps toward a progressive reduction of this subsidy through the introduction of a full pass-through mechanism. In this vein, the authorities have first reached an agreement with the civil society and all other stakeholders. Drawing lessons from the 2005 social unrest associated with food price increases, my authorities decided to base their efforts on dialogue and consensus building.

In conclusion, Niger's medium and longer term outlook has improved significantly. It is my authorities' intention to implement strong, prudent and sustainable policies to ensure that the country can move swiftly to a higher level of per capita income which is enjoyed by the whole population. In their effort they will continue to rely heavily on Fund's staff for advice and technical assistance. As noted above, my Nigerien authorities have greatly appreciated the assistance provided by the Fund and look forward to continued close relationship in the form of a new ECF-supported program in the near future.