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NIGER

December 2017

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE AND STAFF REPORT

In the context of the First Review under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on November 6, 2017 with the officials of Niger on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on November 30, 2017.

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

Letter of Intent sent to the IMF by the authorities of Niger*
Memorandum of Economic and Financial Policies by the authorities of Niger*
Technical Memorandum of Understanding*
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Press Release No. 17/500
FOR IMMEDIATE RELEASE
December 15, 2017

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IMF Executive Board Completes First Review of Niger's ECF Arrangement and Approves US$19.9 Million

On December 15, 2017, the Executive Board of the International Monetary Fund (IMF) completed the first review of Niger's economic performance under the program supported by the Extended Credit Facility (ECF) arrangement, and considered and endorsed the staff appraisal without a meeting.[1]

Despite security challenges and unfavorable commodity prices, economic performance has been satisfactory against the backdrop of a good crop season, with real GDP growing by 5 percent in 2016 while inflation remained contained at 0.2 percent. Growth is expected to reach 5.2 percent in 2017, mainly on the back of strengthening hydrocarbon and services sectors, and robust credit growth. The current account deficit will likely decline to 13.4 percent of GDP, reflecting rising exports of oil products, a rebound in uranium exports, and the winding down of import-intensive infrastructure projects. Together with continued high donor support, the overall balance of payments should thus turn positive in 2017 with Niger starting to contribute to WAEMU's international reserves.

The main tenets of the ECF-supported program remain focused on (i) preserving macroeconomic stability by pursuing prudent fiscal and debt policies; (ii) broadening the revenue base; (iii) prioritizing public spending and improving expenditure control; and (iv) diversifying the economy and confronting the demographic challenge, with a strong emphasis on private and financial sector development. However, adverse external developments and high population growth, which dilutes investment and poses the challenge of job creation for the bulging labor force, pose risks to program performance and long-term development prospects.

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

Executive Board Assessment

In concluding the first review of Niger's economic performance under the ECF-supported program, Executive Directors endorsed the staff's appraisal, as follows:

The authorities have been implementing their ECF-supported program in a broadly satisfactory manner. All quantitative performance criteria and all but one indicative target have been met. Fiscal policy has been prudent thanks to strict expenditure control, while fiscal revenue mobilization remained lower than programmed. The structural reform agenda is progressing, but limited implementation capacity has led to some delays, notably in establishing a Treasury Single Account.

Adequate steps have been taken to advance the program through end-2017. A supplementary budget has cut the 2017 spending allocations to protect deficit and domestic budget financing targets in the face of revenue shortfalls that are to be expected for end-2017. Measures to strengthen revenues are showing first results, such as the valuation of imports with transaction prices for border tax purposes. Work on a broad agenda of structural reforms continues.

The program is underpinned by a realistically ambitious macroeconomic framework. GDP growth is set to rise to around 5.5 percent with attendant poverty reduction and despite headwinds. Policies to keep inflation moderate are in place and fiscal policy is headed toward meeting WAEMU convergence criteria by 2021. Strong donor support alleviates possible adverse growth effects from fiscal consolidation and helps turn the overall balance of payments positive.

The 2018 budget is in line with program objectives. It enshrines judicious fiscal consolidation with a reduction of the basic fiscal deficit to 3.9 percent of GDP from 4.6 percent in 2017, tax revenue gains of 0.5 percent of GDP underpinned by concrete measures, such as reductions in VAT exemption, tighter control of investment incentives, and minimum taxes, and expenditure restraint.

The authorities have articulated a comprehensive fiscal structural reform agenda. It includes a host of tax administration measures, improvements in public financial management, and efforts to raise the quality of public spending. Extensive technical assistance from donors, including the Fund, are at hand to support these efforts.

The authorities rightly recognize that developing Niger's private sector and diversifying the economy are indispensable for achieving development objectives. To this end, work to improve the business environment will continue. Banks' lending capacity will be strengthened by a swift completion of the government's arrears clearance program, by increasingly channeling fiscal payments through the financial system, and by implementing the new legal framework for leasing. But the recent decision to quit the Extractive Industry

Transparency Initiative (EITI) jeopardizes results from other commendable reforms in the mining sector and should be reconsidered.

The authorities deserve credit for putting demographic and gender issues high on the political agenda. Implementation for results on the ground will now be key, to avoid rapid population growth undermining progress toward development objectives. The envisaged formulation of a five-year gender action plan building on the updated National Gender Policy and draft legislation to keep girls in school longer and delay marriage and child-bearing are welcome.

Niger: Selected Economic and Financial Indicators, 2015-22

	2015	2016	2017		2018		2019	2020	2021	2022
		Est.	Prog.	Proj.	Prog.	Rev. Prog.	Projections			
	(Annual percentage change, unless otherwise indicated)									
National income and prices										
GDP at constant prices	4.0	5.0	5.2	5.2	5.5	5.2	5.4	5.6	7.2	6.1
Non-resources GDP at constant prices	4.5	5.1	5.0	4.8	5.6	5.1	5.5	5.9	4.6	5.2
Oil production (thousand barrels per day)	15	17	18	18	19	19	20	20	40	50
GDP deflator	0.5	-0.4	2.4	1.8	2.1	2.3	1.9	1.9	1.7	2.0
Consumer price index										
Annual average	1.0	0.2	2.0	2.0	2.1	2.5	2.0	2.0	2.0	2.0
End-of-period	2.2	-2.2	2.2	3.0	2.0	2.0	2.0	2.0	2.0	2.0
External sector										
Exports, f.o.b. (CFA francs)	-10.1	-4.9	13.7	9.7	12.3	8.2	10.4	7.3	31.2	5.8
Of which: non-uranium exports	-15.2	7.9	10.3	12.6	13.4	14.2	15.8	9.8	37.5	5.3
Imports, f.o.b (CFA francs)	9.6	-13.0	19.5	5.4	11.2	14.3	10.4	9.7	-3.8	6.5
Export volume	-4.5	-4.2	6.6	12.5	9.1	9.3	10.5	6.5	31.9	7.8
Import volume	7.3	-14.1	17.1	2.3	8.9	12.3	8.5	7.5	-6.2	4.2
Terms of trade (deterioration -)	-7.5	-2.3	0.1	-7.4	1.6	-5.6	-2.2	-1.2	-6.0	-0.3
Government finances										
Total revenue	7.6	-16.2	13.9	13.2	12.4	10.2	9.8	17.4	15.6	11.5
Total expenditure and net lending	9.8	-14.4	14.1	15.2	4.7	8.3	9.7	6.2	0.0	6.7
Of which: current expenditure	11.0	-4.5	9.2	7.9	5.1	6.1	5.9	3.1	4.2	6.7
Of which: capital expenditure	8.7	-23.4	19.9	23.4	4.2	10.5	13.3	9.0	-3.6	6.7
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)									
Money and credit										
Domestic credit	18.0	10.6	11.5	10.4	6.7	7.6	7.1	4.4	2.9	0.8
Credit to the government (net)	9.1	6.3	6.4	6.9	1.7	2.5	1.2	-1.5	-5.2	-6.3
Credit to the economy	8.9	4.3	5.1	3.5	5.0	5.1	5.8	5.9	8.1	7.1
Net domestic assets	15.1	10.7	11.9	9.7	7.0	9.8	7.1	4.4	2.9	0.8
Broad money (percent)	4.6	8.7	11.1	12.4	10.9	10.8	9.0	8.2	8.7	6.6
Velocity of broad money (ratio)	0.0	0.0	3.4	0.0	3.3	0.0	0.0	0.0	0.0	0.0
	(Percent of GDP, unless otherwise indicated)									
Government finances										
Total revenue	18.0	14.4	16.1	15.3	16.8	15.6	16.0	17.4	18.5	19.0
Total expenditure and net lending	32.5	26.6	28.1	28.6	27.3	28.8	29.4	29.0	26.6	26.3
Current expenditure	15.5	14.1	14.6	14.3	14.2	14.1	13.9	13.3	12.7	12.5
Capital expenditure	17.0	12.5	13.5	14.4	13.1	14.8	15.6	15.8	13.9	13.8
Basic balance (excluding grants)[1]	-7.4	-4.2	-4.9	-4.6	-4.0	-3.9	-3.4	-1.0	0.6	1.3
Overall balance (commitment basis, including grants)[2]	-9.1	-6.1	-7.4	-6.1	-6.0	-6.2	-5.7	-4.1	-2.3	-1.5
Gross investment	42.5	37.0	42.0	36.0	42.8	38.0	38.7	39.9	33.4	33.3
Of which: non-government investment	25.5	24.6	28.4	21.6	29.7	23.2	23.1	24.2	19.5	19.6
government	17.0	12.5	13.5	14.4	13.1	14.8	15.6	15.8	13.9	13.8
Gross national savings	22.0	21.6	24.0	22.6	24.3	22.1	22.3	22.2	22.1	22.2
Of which: non-government	17.2	19.4	20.9	18.5	20.2	18.4	18.1	16.3	14.9	14.2
Domestic savings	20.0	19.8	19.8	19.7	20.3	20.2	20.5	20.9	21.1	21.2
External current account balance										
Excluding official grants	-22.7	-17.3	-19.5	-16.5	-20.0	-18.1	-18.4	-19.4	-12.7	-12.6
External current account balance (including grants)	-20.5	-15.5	-18.0	-13.4	-18.5	-15.9	-16.4	-17.7	-11.3	-11.1
Debt-service ratio as percent of:										
Exports of goods and services	5.5	7.6	7.7	8.9	6.3	9.0	6.6	6.0	5.9	6.9
Government revenue	5.7	8.6	8.4	9.6	6.7	9.5	6.9	5.8	6.3	6.9
Total public and publicly guaranteed debt	41.6	46.7	51.1	49.7	53.0	51.9	53.4	54.2	53.7	53.3
Public and publicly guaranteed external debt	30.3	33.0	35.8	35.2	37.1	37.0	38.8	41.4	42.3	43.3
NPV of external debt	22.0	21.3	25.4	22.4	26.2	23.4	24.4	26.1	26.7	27.3
Public Domestic debt	11.4	13.7	15.3	14.6	15.9	14.8	14.6	12.8	11.3	10.1
Foreign aid	10.4	10.6	8.9	12.2	8.4	11.8	12.5	12.7	10.3	10.1
	(Billions of CFA francs)									
GDP at current market prices	4,269	4,464	4,773	4,778	5,146	5,143	5,523	5,942	6,479	7,013
GDP at current prices (annual percent change)	4.9	4.6	7.7	7.0	7.8	7.6	7.4	7.6	9.0	8.2

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

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

[2] Revenue (including budgetary grants) minus expenditure net of externally-financed capital expenditure.

NIGER

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

November 30, 2017

KEY ISSUES

Context. With the second lowest Human Development Index and the highest population growth rate in the world, Niger is facing a daunting development agenda. Despite terrorist incursions from abroad and depressed prices for key uranium exports, the economy is expected to expand by 5.2 percent in both 2017 and 2018. Growth should rise to 5.5 percent thereafter as reform efforts trump continued headwinds and Niger benefits from substantial donor support. The government enjoys a comfortable political majority but capacity remains a bottleneck for reform implementation.

Program performance. Implementation has been satisfactory, with all performance criteria and all indicative targets, except the one related to government revenue generation, met. Macroeconomic stability has been maintained with strict expenditure control delivering on fiscal deficit and financing targets. Progress on the structural reform front has been more mixed.

The 2018 program. It is centered around macroeconomic stability through prudent fiscal policies, with revenue augmentation underpinned by concrete measures, expenditure control and prioritization, and steady fiscal consolidation. A revamped structural reform agenda is in place. There is also a strong emphasis on private sector development, including through steps to improve access to bank financing, and a willingness on the part of the authorities to tackle demographic and gender issues.

Risks. Results could be threatened by poor implementation capacity or external developments, notably deteriorating security conditions and adverse commodity price shocks. More generally, fast population growth risks undermining economic development and poverty reduction through a dilution of investment and the uphill battle to generate jobs for the bulging labor force. On the upside, reform momentum and strong donor support could set in motion a virtuous circle of private sector development.

Staff views. Staff supports the conclusion of first review under the ECF, which will result in a disbursement of SDR 14.1 million.

Approved By
David Owen (AFR) and Johannes Wiegand (SPR)

Discussions were held in Niamey from October 23 to November 6, 2017. The mission comprised Messrs. Klingen (head), Lopes, Barry, Francisco, Ms. Woldemichael, and Messrs. Ntamatungiro (Resident Representative) and Abdou (local Economist) (all AFR).

CONTENTS

APPENDIX

CONTEXT

1. **The domestic political situation is stable, but economic reforms are up against important challenges**. The 2016 elections and the formation of a unity government gave President Issoufou a strong second-term mandate. A reform-minded economic team was installed, but implementation capacity and entrenched customs remain notable bottlenecks. Moreover, Niger continues to operate in a challenging external environment with low international prices for its key uranium exports and terrorist incursions across three of its borders, which inhibit trade with Nigeria, necessitate high fiscal outlays for security, brought tourism to a halt, and resulted in some 300,000 refugees and internally displaced people. Security concerns and its role as a major transit country for Europe-bound migrants have placed Niger high on the European external cooperation agenda.

2. **Niger faces a daunting development agenda**. Its Human Development Index is the second lowest globally, per-capita GDP stands at only US$412, population growth of 3.9 percent is a world record, and gender bias is high. The export base is narrow, with uranium and oil accounting for more than half. Agriculture, which is the livelihood of 80 percent of the population, is mostly of a subsistence nature and subject to periodic droughts. Job generation is highly concentrated in the public sector. Investment is high by regional standards at almost 40 percent of GDP, but needs to be seen against a backdrop of escalating infrastructure needs due to the rapidly rising population.

ECONOMIC DEVELOPMENTS, PROGRAM PERFORMANCE, AND OUTLOOK

A. Recent Developments

3. **Economic developments in 2016-17 were reasonably strong under the circumstances**. Thanks to a favorable crop season, real GDP growth reached 5 percent in 2016. With a strengthening of the hydrocarbon and parts of the service sectors, growth for 2017 is on track to nudge up to 5.2 percent, with record rains helping to keep agricultural growth up and despite stagnant uranium production. Support also comes from robust growth in bank credit to the private sector, which is growing at over 10 percent. Developments so far in 2017 suggest that the current account deficit will decline to 13.4 percent of GDP, reflecting rising exports of oil products, a rebound in uranium exports, and the winding down of import-intensive infrastructure projects. Together with continued high donor support, the overall balance of payments should thus turn positive in 2017, with Niger starting to help build WAEMU's international reserves, which are projected at 3.9 months of imports for 2017. Annual average inflation ran at a moderate pace of 1.3 percent in October.

4. **Fiscal balances in 2016 came in close to programmed levels**. Revenues underperformed by 0.7 percent of GDP, mainly because customs collections disappointed. But by substituting grant-financed for domestically-financed capital expenditure, the basic and overall fiscal balances were protected at -4.2 and -6.1 percent of GDP, respectively, compared to -4.4 and -6.5 percent of GDP

under the program. The planned reduction of the government's domestic payments arrears, through a securitization operation took somewhat longer than expected and slipped from late 2016 into the first half of 2017.

5. Through the first three quarters of 2017, fiscal deficits were somewhat smaller than programmed with expenditure under-execution exceeding revenue shortfalls. It was mainly revenues by the customs department that underperformed, reflecting subdued trade with Nigeria and slower-than-expected reform implementation (see below). Available revenue data for customs and tax administration collections for the third quarter suggest smaller shortfalls. The Inter-ministerial Budget Regulation Committee established in mid-2016 has proved effective in holding back expenditure allocations, thereby protecting deficit and domestic financing targets in the first half of 2017. The arrears clearance program is back on track with the reduction target for the year already surpassed in September 2017.

Niger: Fiscal Performance, Jan.-Sep. 2017

(In billions of CFAF unless otherwise indicated)

	2017 Jan.-Sep.		Deviation	
	Prog	Actual	Value	% of GDP
Total revenue	555	496	-58	-1.2
Tax revenue	519	459	-60	-1.3
Customs department	146	123	-24	-0.5
Tax department	373	337	-36	-0.8
Nontax and other revenues	35	37	2	0.0
Total expenditure	953	838	-115	-2.4
Current expenditure	522	480	-42	-0.9
Capital expenditure	431	358	-73	-1.5
Domestically financed	219	173	-46	-1.0
Externally financed	212	185	-26	-0.6
Overall balance (commitment)	-398	-342	57	1.2
Change in domestic arrears and float	33	-35	-67	-1.4
Overall balance (cash)	-366	-376	-11	-0.2
Financing	366	376	10	0.2
External financing	168	219	51	1.1
Domestic financing (incl. IMF)	198	157	-41	-0.9
Memorandum item:				
Basic budget balance	-187	-156	30	0.6

Sources: Nigerien authorities; and IMF staff calculations.

B. Program Performance

6. Program implementation was broadly satisfactory. All performance criteria were met, all but one indicative targets were observed, while structural reform implementation was mixed (MEFP Tables 1, 3, and 4). In particular:

- Domestic budget financing and domestic payment arrears reduction **complied with performance criteria**, as did the avoidance of external payment arrears and the non-contracting of short-term and long-term non-concessional external debt. The basic fiscal balance, minimum spending on poverty reduction, and the cap on "exceptional" expenditure conformed with their indicative targets, but fiscal revenues through September came in 1.2 percent of annual GDP short;[1]

- **Several structural benchmarks were met**: (i) coverage and functions of the Large Taxpayer Unit were extended; (ii) a medium-term fiscal framework (DPBEP) and ministerial outcome-oriented expenditure plans (DPPD) were prepared and discussed in the National Assembly in June 2017, setting the stage for the preparation of the 2018 budget on a program basis; and (iii) the National Gender Policy was updated. The authorities also formally complied with the requirement to prepare an action plan to audit state-owned enterprises (SoEs) and public entities, but the follow-on agenda ran into an impasse, with planned broad-based audits prohibitively expensive and envisaged donor financing unavailable;

- **Other reforms covered by structural benchmarks did not progress as planned**: (i) the electronic linkup of customs administration with offices in Togo and Benin is now expected to become operational only at end-2017; (ii) the establishing of a Treasury Single Account (TSA) has largely stalled and the sequencing of reform steps needs revisiting; (iii) adopting a full-fledged VAT refund system has run into capacity constraints, with the authorities instead allowing mining companies to self-deduct their refund claims from VAT collected from local suppliers as a stop-gap measure to address the largest cases; and (iv) the goal to submit new legislation on public-private companies by end-2017 has drifted out of reach; and

- **Recurrent structural benchmarks have been mostly observed**: (i) budget allocations have been released quarterly as per the decision of the regulation committed as envisaged; (ii) consistent quarterly commitment and cash management plans have been prepared as programmed; and (iii) quarterly debt management reports have been furnished, although the one for the second quarter of 2017 was behind schedule. The revision of the borrowing plan was also pushed back from end-June 2017 into early 2018 to take the new five-year development strategy PDES, 2017-2021 on board. Quarterly reports on VAT reimbursements could not be produced, as a refund system has yet to be established.

7. The authorities also advanced the structural reform agenda in areas not explicitly covered by program conditionality. In particular:

- In **tax administration**, arrears collection and the settlement of disputes should benefit from the rapidly increasing use of the Administrative Tax Recourse Committee and the reinvigoration of the Government Office of Legal Affairs, newly under the Ministry of Finance. The opening of two new tax offices in Niamey should also help;

- In **customs administration**, the key innovation is the introduction of transaction-price valuation of imports for border tax purposes in July 2017, backed by the newly adopted ASYCUDA world

[1] The basic fiscal balance is defined as the overall fiscal balance excluding foreign-financed capital expenditure and budget support grants.

software and a dedicated valuation unit, resulting in valuations substantially higher than the previously applied administrative list prices;

- In the **financial sector**, difficulties in accessing credit should ease somewhat in the wake of a new framework for leasing, the recapitalization of BIA following the sale of government shares to BCP of Morocco, the ongoing restructuring of the agricultural bank BAGRI, and newly mandatory reporting to the credit bureau;

- Regarding the **business climate**, efforts to simplify the establishment of new companies at a one-stop shop in the Niamey "Enterprise House," better processing of construction permits, and the introduction of installment payments for getting connected to electricity have been rewarded by moving Niger up 6 notches to rank 144 in the World Bank's Doing Business indicators. The commercial court that started operations in April 2016 is increasingly helping to settle commercial disputes, typically within a few weeks;

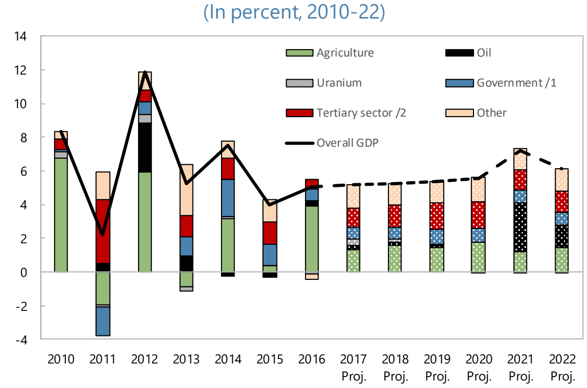
- Notoriously unreliable and limited **electricity supply** could improve in the context of the advancing electricity reform. Specifically, the decreed new tariff structure for 2018-22 is designed to put the finances of the public utility (NIGELEC) on a sustainable footing for the medium run and provide it with the resources for better upkeep of the grid and availability of supplies; and

- Amendments to the **mining code** will help reorganize small-scale mining, creating better opportunities for hitherto artisan mining to grow and diversify the sector.

C. Outlook and Risks

8. The authorities and Fund staff agreed on a macroeconomic framework with economic growth rising to 5.6 percent in 2020, inflation remaining low, and the overall external balance turning positive. Such growth rates are at the lower end of the authorities' expectations, considering population growth of nearly 4 percent, economic reforms, strong donor-financed investment, and gains in agricultural productivity under the national food security program "3N Initiative." While acknowledging these engines of growth, Fund staff also saw constraining factors: prospects for the uranium sector remain poor with the global trend away from nuclear energy; the hydrocarbon sector is limited by the capacity of the refinery until a pipeline for crude oil exports becomes operational in 2021 at the earliest; population growth will not translate into economic growth unless sufficient jobs are created or enough arable land is available; and record rains in 2017 are unlikely to be matched year after year. Both authorities and Fund staff saw

Niger: Contributions to Real GDP
(In percent, 2010-22)



Sources: Nigerien authorities; and IMF staff calculations.
1/ Includes construction and public works.
2/ Excludes construction and public works.

few inflation risks with continued prudent fiscal policy. They agreed that the current account balance was likely to deteriorate through 2020 on high imports related to donor projects and the pipeline construction, but that the overall balance of payments would be positive throughout on high financing from donor support and FDI. The current account is likely to improve sharply in 2021 as crude oil exports commence and project-related imports subside. The security situation, the potential for droughts, and commodity prices are the main risks to the outlook.

9. The envisaged fiscal consolidation program, domestic revenue mobilization, and expenditure streamlining remain achievable in the view of the authorities and Fund staff. Considerable efforts to strengthen revenue mobilization are underway and even if they were not to pay off in full on time, expenditure controls are proving a formidable second line of defense. Thus, the basic fiscal balance should continue improving. Niger is benefitting from increased donor support, including a doubling of resources available under IDA18 to US$1.2 billion, MCC funds of some US$450 million during 2018-20, a manifold increase of French project financing in recent years, and strong EU support. Budget support has also been stepped up, with more resources from the AfDB, Italy, and France. Strong donor-supported capital spending represents a valuable opportunity for Niger and its development prospects, but it also means that WAEMU's convergence criterion of an overall fiscal balance of -3 percent of GDP will likely only be met with a one-year delay in 2021. Program budgeting, review of subsidy programs, and the establishment of a biometric database for civil servants should improve the quality of spending.

POLICIES FOR THE REST OF 2017 AND 2018

Discussions focused on policies to support the objectives of the ECF-supported program: (i) preserving macroeconomic stability; (ii) broadening the revenue base; (iii) prioritizing public spending and improving expenditure control; and (iv) diversifying the economy and confronting the demographic challenge.

A. Preserving Macroeconomic Stability

10. The authorities appreciate that prudent fiscal and debt policies remain the linchpin for macroeconomic stability. In particular,

- **For 2017, they strive to keep deficits smaller than programmed**, with a basic fiscal deficit of 4.6 percent of GDP. Revenues are likely to remain below programmed levels, with tax collection shortfalls only partly compensated by an unexpected boost to nontax revenues related to transfers from the telecom regulator and receipts from the sales and renewal of telecom licenses. In an effort to economize on domestic borrowing, which has become more expensive and harder to come in the wake of monetary tightening in the WAMU, a supplementary budget that reduces domestic spending allocations even more was sent to the National Assembly and adopted in November 2017. At the same time, foreign-financed capital spending is being stepped up, supporting domestic demand and the medium-term growth potential of the economy;

- **For 2018, a budget was submitted and passed by the National Assembly that enshrines substantial further fiscal consolidation** based on expenditure containment, including a general wage and hiring freeze in government, and a surge in revenues related to new tax measures and the yield from ongoing administrative reforms. But in light of past difficulties to realize large revenue gains, the authorities and Fund staff agreed to use more conservative revenue estimates for program purposes and prepare a consistent borrowing plan. Overall, the 2018 program reduces the basic fiscal deficit to 3.9 percent of GDP. Domestic demand and medium-term growth prospects receive a boost from another increase of foreign-financed capital spending. To facilitate the unlocking of donor budget support, as well as making the most of technical assistance, the government is putting in place a framework agreement with the donor community that would harmonize the conditions for the release of budget support while ensuring consistency with the IMF-support program; and

- **The authorities will continue to refrain from contracting or guaranteeing new short-term or non-concessional external debt**. While some counterparts saw economic development merit in selected projects offered on non-concessional terms, Fund staff made the case against taking on such additional debt so as to keep Niger in the category of countries with moderate risk of external debt distress. Moreover, most of these projects are also offered by donors on better terms or projects are of a purely commercial nature. On this basis, public debt dynamics are little changed from the DSA carried out for the approval of the ECF-supported program and public debt remains sustainable.

B. Broadening the Revenue Base

11. The authorities expressed strong commitment to this key plank of the program. Higher domestic revenue mobilization remains essential for both fiscal consolidation and funding of critical poverty reduction spending and investment. The program targets an increase of the tax ratio by 0.5 percent of GDP underpinned by tax policy changes in the context of the 2018 budget, and new administrative measures, and yields from measures that are already being implemented.

- Regarding **tax policy measures**, VAT exemptions are harmonized with WAEMU standards, removing exemptions for goods and services ranging from produce to road transportation services and computer equipment in education, and fiscal incentives in the investment code are tightened. Moreover, from 2018 onward, there will be a housing tax, a higher proxy tax for small businesses, minimum taxes for capital gains and real estate transactions, and a levy on cable network subscriptions. On the other hand, there will also be a cut in an international telecommunication tax, which was considered highly distortionary and was increasingly circumvented.

- Regarding **ongoing administrative reforms**, the transaction valuation of imports for border tax purposes should net the largest gains. Positive contributions are also expected from effective implementation of the one-stop-shop for car imports, the connection with customs offices in Togo and Benin, new benchmarks for checking the plausibility of tax returns by retailers, and the work of the tax arbitration court and the Government Office of Legal Affairs.

- Regarding **new administrative reforms**, the authorities made it mandatory for all entities with fiscal liabilities to obtain a tax identification number and are stepping up enforcement for importers. Moreover, from early 2018 the Ministry of Finance will establish performance plans for tax and customs administration that set collection targets and structural goals to be cascaded though the directorates (*proposed structural benchmark for end-January 2018*).

Niger: Fiscal Measures, 2018
(In billions of CFAF unless otherwise indicated)

	2018 Proj.
Shift to transactional valuation of imports	29.5
VAT taxation at 5% of previously exempted products	6.3
Removal of investment code exemptions	2.0
Housing tax	2.0
Other tax measures[1]	10.0
Tax admin measures[2]	5.0
Cuts in telecom taxes	-24.0
Total	**30.8**
in percent of GDP	0.6

Sources: Nigerien authorities; and IMF staff calculations.
[1] Minimum taxes, real estate taxes, fees, etc.
[2] TIN requirements, computerization, recruitment of auditors, etc.

12. The authorities are also taking preparatory steps to secure additional revenue gains beyond 2018. This includes legislative amendments that consolidate all provisions for tax and customs exemptions into the tax and customs codes, with a view to streamlining them (*proposed structural benchmark for end-September 2018*). The authorities will also scrutinize the subsidies that SOEs receive, including indirectly, and improve the transparency and governance of SOEs and public entities by publishing an inventory, financial statements, and audit reports, and review their oversight.

C. Prioritizing Spending and Improving Expenditure Control

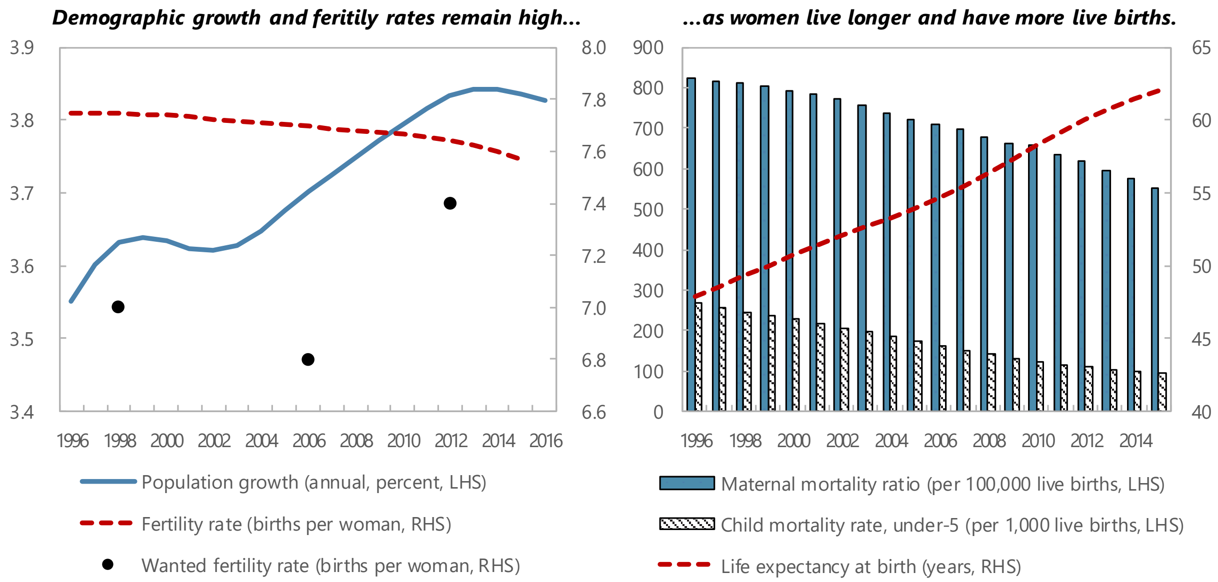
13. Effective expenditure and spending quality controls are essential to avoid spending overruns and to make the most of the tight expenditure envelope. The government plans to progress on both fronts.

14. Regarding expenditure control, the practice to release budget allocations quarterly based on the decision of the Inter-ministerial Budget Regulation Committee will continue, while safeguarding poverty-reduction spending and strictly limiting “exceptional spending.” The government has committed to push ahead with a revised work program to establish the TSA, which is realistic, ambitious, and well sequenced. First, the impact on the banking system will be assessed and the TSA will be operationally readied, then accounts in commercial banks will be gradually closed and their balances transferred to the TSA, starting with dormant accounts (*proposed structural benchmark of end-March 2018*). An FAD technical resident advisor is in place to assist these efforts.

Box 1. The Dual Plight of Childhood Marriage and Surging Population

Growth and poverty reduction prospects for Niger are hampered by the world's highest population growth rate (3.9 percent annually, with an average of 7.5 children per woman), which is closely linked to Niger also having the highest rates of underage girls' marriage and motherhood. Despite recent improvements in income and education levels, Niger still finds itself at the very beginning of demographic transition where public health advances reduce mortality rates, including maternal mortality, but fertility remains high as women live longer and become healthier.

Niger: Population Growth Dynamics, 1996-2016



Source: World Development Indicators, World Bank; and IMF staff calculations.

As of November 2017, the minimum legal marriage ages in Niger are 18 for boys and 15 for girls, but, according to the UNICEF (2016), the reality is that 28 percent of girls marry before that age, some as young as 10 years old. At 18 years of age, 75 percent of Nigerien girls are already married and 60 percent have had at least one pregnancy. The consequences of early child-bearing are severe in terms of maternal mortality (still 6 deaths per 1,000 live births) and lifelong handicaps from pregnancy complications. Early pregnancies and subsequent child care obligations also preclude girls from attending school and improve their prospects for overcoming poverty.

The government of Niger is well aware of the limited scope to provide social services and generate employment for such a rapidly growing population, as well as of the moral imperative of address gender inequities. In 2016, it launched a National Committee to End Child Marriage that includes also representatives from relevant international organizations. Population issues feature prominently in its Economic and Social Development Plan (PDES) 2017-21, including efforts to change social attitudes, family planning, girls' education, and legal and regulatory provision to barring marriages before the age of 17 (PDES 2017-21, p. 114). Those efforts were reaffirmed in August 2017 with an update of Niger's National Gender Policy.

Several mostly donor-financed projects are underway, such as the "Schools for Husbands," women empowerment program, help for girls who dropped out of school, and provision of safe spaces for teenage girls. However, they remain small in scale. For example, as of mid-2017, there were 160 safe spaces for teenage girls, each accommodating about 100 girls, nationwide.

The most promising reform effort has been the pushing for new legislation to raise girls' minimum school-leaving age to 18 and the marriage age along with it. Due to high societal sensitivities, the government is enlisting the support from different quarters of society ahead of submitting the law to Parliament later this year or in 2018 for final approval (two preliminary versions have been discussed at committee level and at pre-Cabinet level).

15. Regarding the quality of spending, the government has prepared the 2018 budget in program format, raising transparency of spending programs' performance. To improve expenditure planning, the double commitment system AE/CP will be fully operationalized and applied in the 2019 budget preparation.[2] Public procurement management is set to benefit from independent inspection teams checking to verify the delivery of goods and services in accordance with specification. Management of government wages and scholarships will be improved with a new integrated biometric database and the audit of the public entity charged with scholarship administration (ANAB). Finally, a new PPP law in line with good international practices, fully integrating PPPs into the budget cycle and rigorously scrutinizing value-for-money, is planned to be submitted to the National Assembly in March 2018 (*proposed structural benchmark for end-March 2018*).

D. Diversifying the Economy and Confronting the Demographic Challenge

16. Under the program, the government is taking welcome steps to deepen the financial sector and alleviate financing constraints for SMEs and new companies. It plans to clear all its remaining domestic payment arrears as soon as possible and no later than end-2018, thereby increasing banks' lending capacity and reducing non-performing loans, which have recently trended up reflecting challenges for companies doing business with Nigeria. The government has also committed to take the first steps toward bankification of fiscal payments, which should help develop the undersized banking sector, as well as help address governance issues in public administration. From March 2018, all payments to and from the Large Taxpayer Unit will be made exclusively through the financial system and the Ministry of Finance will finalize its bankification strategy as a basis for next steps *(structural benchmark for end-March 2018)*. Finally, operationalizing the new law on leasing will be a boon for credit access, especially if it were to be extended to also cover warrantage, as recommended by Fund staff.

17. The authorities deserve credit for their efforts to improve the business environment, but much remains to be done to succeed in the global competition for foreign investment. The authorities still plan to put in place a proper VAT refund system and Fund staff also recommended leveraging the new ASYCUDA world customs system to accelerate customs clearance. The government's efforts to seek donor funding to improve the infrastructure in the mining sector through basis research on the availability of natural resources, which could diversify and grow the sector, is commendable, but the recent government decision to end Niger's membership in the Extractive Industry Transparency Initiative (EITI) is a regrettable step backward in terms of governance and development prospects for the sector. Thematic groups under the auspice of the Prime Minister and the President continue to work toward improving each of the Doing Business indicators. The emphasis will be on expanding e-services and rolling out reforms proven effective in

[2] The double commitment system is described in the IMF's Fiscal Affairs Department Guidance Note "Expenditure Control: Key Features, Stages, and Actors" (https://www.imf.org/en/Publications/TNM/Issues/2016/12/31/Expenditure-Control-Key-Features-Stages-and-Actors-43809).

Niamey to other parts of the country. Nonetheless, it still takes close to one hundred days to obtain construction permits and getting connected to electricity. Power blackouts remain common.

18. The government's population and gender policies go in the right direction, but implementation needs stepping up (Box). Building on the updated National Gender Policy, the government is preparing a 5-year action plan by March 2018. Implementation of the regional Sahel Women Empowerment and Demographic Dividend (SWEDD) project began in 2017. Various mostly donor-financed projects seek to raise awareness about population issues, to empower women, and to provide safe spaces for teen-age girls, but their reach remains rather limited. They would need significant scaling up for impact. Legislation is under consideration to keep girls in school longer and delay marriage and child-bearing could make a real difference if adopted and fully implemented.

PROGRAM MODALITIES

19. Program performance will continue to be assessed semiannually. There are no prior actions for the completion of the first review, as the key actions—passage of a suitable supplementary 2017 budget and a suitable 2018 budget—have already been taken. For the second review, performance will be assessed against the end-December 2017 performance criteria and indicative targets, as well as continuous performance criteria and structural benchmarks. For the third review, performance will be assessed against the proposed performance criteria and proposed indicative targets end-June 2018, proposed continuous performance criteria, and proposed structural benchmarks. It is also proposed for 2018 (i) that the cap on the external-budget-support adjuster to the domestic financing target be doubled to CFAF 30 billion, considering the now larger amounts build into the projections; (ii) that the target for net domestic financing of the government be increased (decreased) for overachievement (underachievement) in the clearance of domestic payment arrears, to avoid domestic-financing limit standing in the way of desirable early arrears clearance; and (iii) that 2018 targets for domestic arrears clearance be relaxed (tightened) for any overachievement (underachievement) in 2017 arears clearance, in order not to dis-incentivize frontloading arrears clearance into 2017.

20. Niger's capacity to repay the Fund remains adequate, but subject to risks, which program measures seeks to mitigate. Niger should have sufficient capacity to repay the Fund, including when repayments peak at 1.2 percent of export earnings in 2023-24, considering the strength of the program, implementation so far, and a broadly unchanged DSA (Table 8). Key risks are security developments, climatic shocks, and implementation capacity.

21. Safeguard assessments are conducted at the level of the regional central bank (BCEAO). The most recent assessment was completed in December 2013 and found a continuing strong control environment. All recommendations from the assessment have been implemented. An updated safeguards assessment is planned to take place in the coming months, in line with a four-year cycle for regional central banks.

STAFF APPRAISAL

22. The authorities have been implementing their ECF-supported program in a broadly satisfactory manner. All quantitative performance criteria and all but one indicative target have been met. Fiscal policy has been prudent thanks to strict expenditure control, while fiscal revenue mobilization remained lower than programmed. The structural reform agenda is progressing, but limited implementation capacity has led to some delays, notably in establishing a Treasury Single Account.

23. Adequate steps have been taken to advance the program through end-2017. A supplementary budget has cut the 2017 spending allocations to protect deficit and domestic budget financing targets in the face of revenue shortfalls that are to be expected for end-2017. Measures to strengthen revenues are showing first results, such as the valuation of imports with transaction prices for border tax purposes. Work on a broad agenda of structural reforms continues.

24. The program is underpinned by a realistically ambitious macroeconomic framework. GDP growth is set to rise to around 5.5 percent with attendant poverty reduction and despite headwinds. Policies to keep inflation moderate are in place and fiscal policy is headed toward meeting WAEMU convergence criteria by 2021. Strong donor support alleviates possible adverse growth effects from fiscal consolidation and helps turn the overall balance of payments positive.

25. The 2018 budget is in line with program objectives. It enshrines judicious fiscal consolidation with a reduction of the basic fiscal deficit to 3.9 percent of GDP from 4.6 percent in 2017, tax revenue gains of 0.5 percent of GDP underpinned by concrete measures, such as reductions in VAT exemption, tighter control of investment incentives, and minimum taxes, and expenditure restraint.

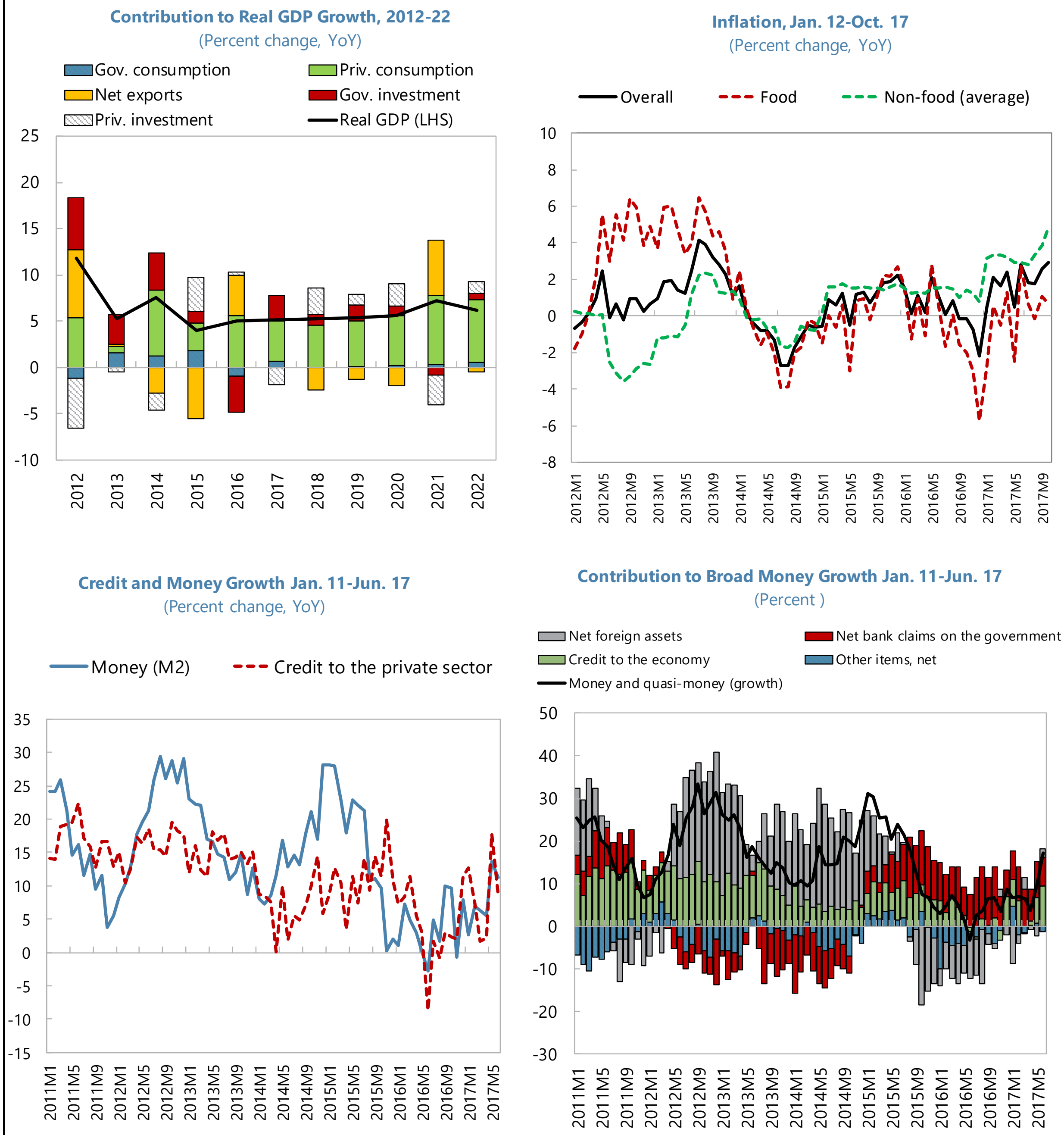
26. The authorities have articulated a comprehensive fiscal structural reform agenda. It includes a host of tax administration measures, improvements in public financial management, and efforts to raise the quality of public spending. Extensive technical assistance from donors, including the Fund, are at hand to support these efforts.

27. The authorities rightly recognize that developing Niger's private sector and diversifying the economy are indispensable for achieving development objectives. To this end, work to improve the business environment will continue. Banks' lending capacity will be strengthened by a swift completion of the government's arrears clearance program, by increasingly channeling fiscal payments through the financial system, and by implementing the new legal framework for leasing. But the recent decision to quit the Extractive Industry Transparency Initiative (EITI) jeopardizes results from other commendable reforms in the mining sector and should be reconsidered.

28. The authorities deserve credit for putting demographic and gender issues high on the political agenda. Implementation for results on the ground will now be key, to avoid rapid population growth undermining progress toward development objectives. The envisaged formulation of a five-year gender action plan building on the updated National Gender Policy and draft legislation to keep girls in school longer and delay marriage and child-bearing are welcome.

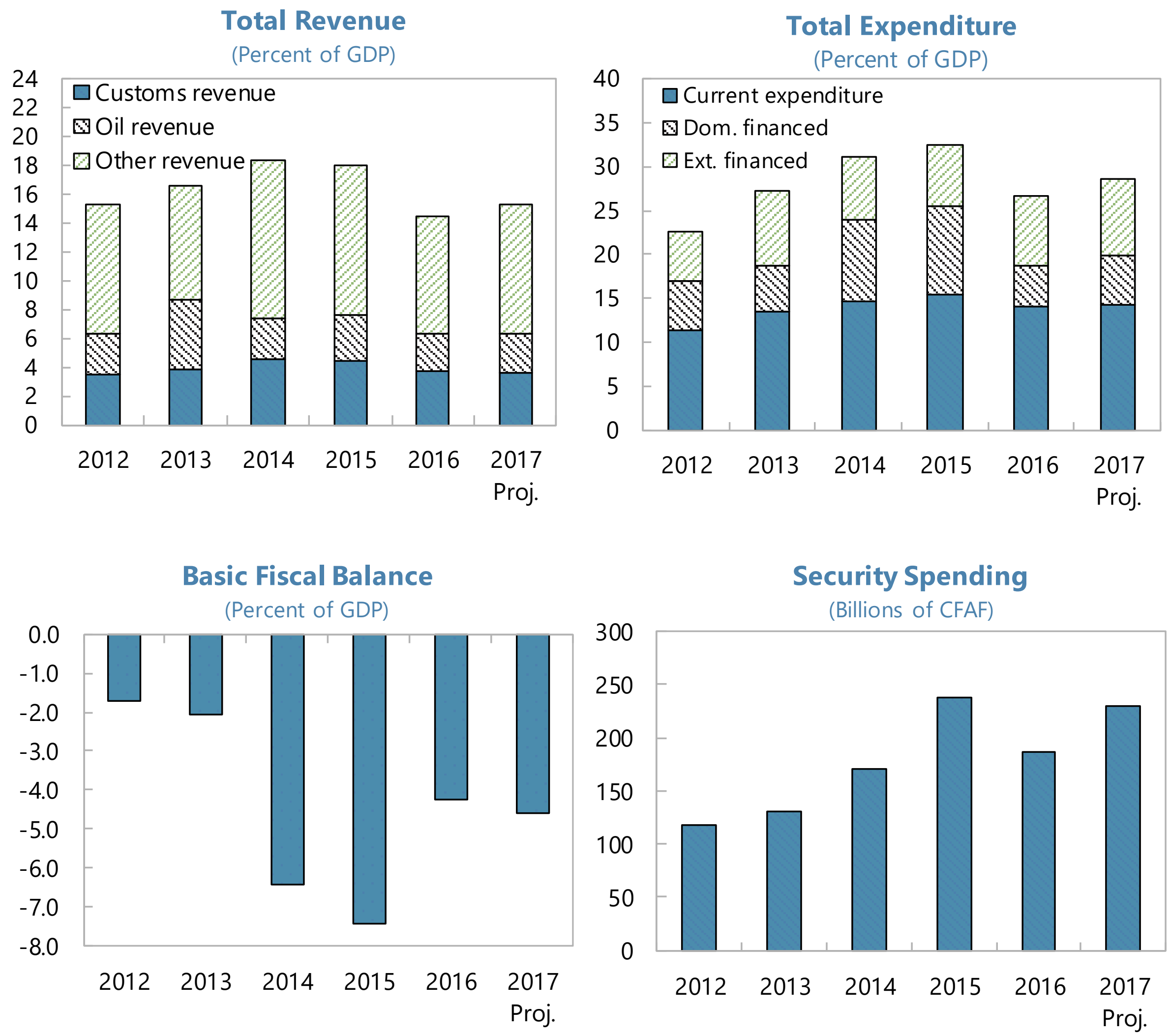
29. Staff supports the authorities' request for conclusion of the first ECF review and disbursement of the second tranche thereunder in an amount of SDR 14.1 million. The attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) set out appropriate policies to achieve the 2018 program objectives.

Figure 1. Niger: Recent Economic Developments and Outlook



Sources: Nigerien authorities; and IMF staff calculations.

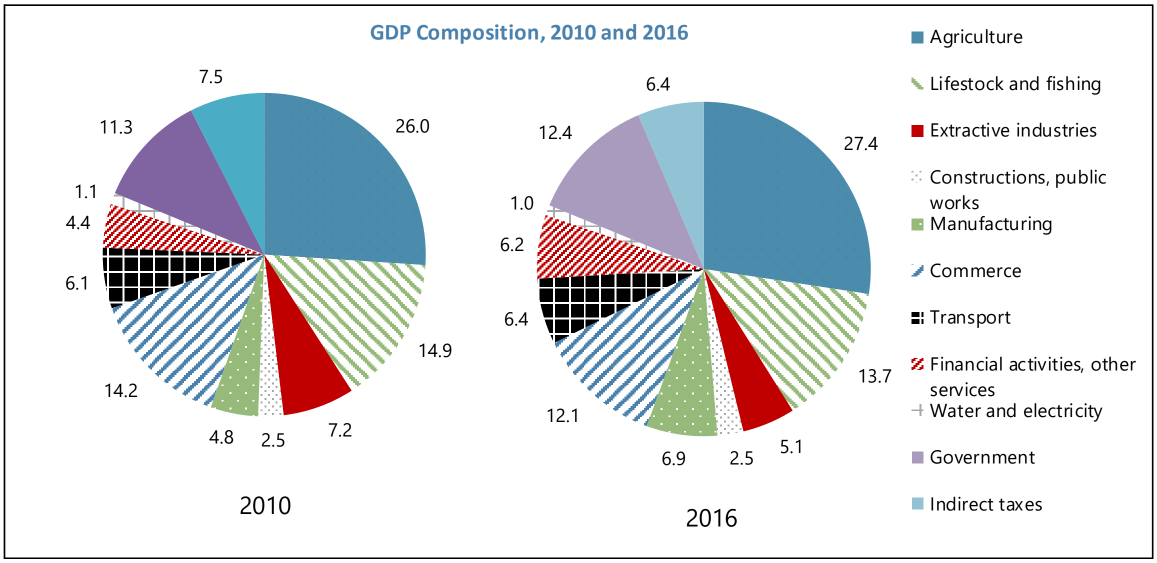
Figure 2. Niger: Fiscal Developments 2012–17



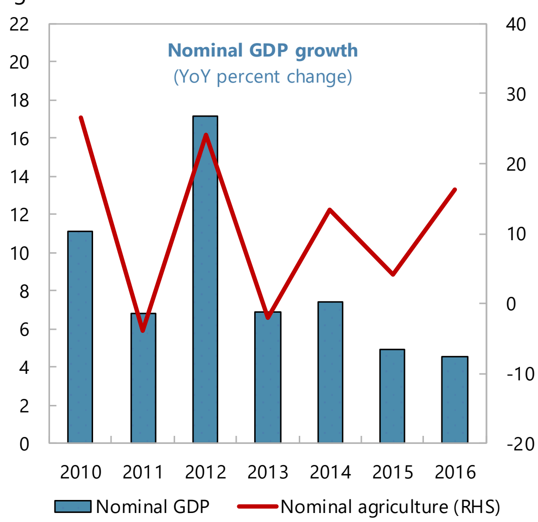
Sources: Nigerien authorities; and IMF staff calculations.

Figure 3. Niger: GDP Composition and Output Volatility

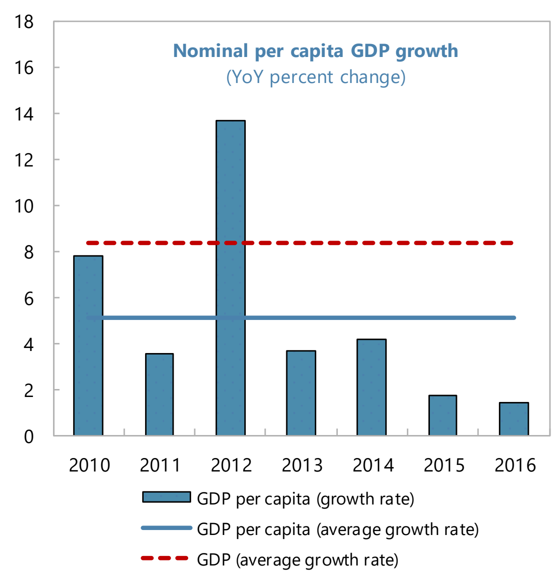
The share of the extractive industries to GDP remains low and has further declined in response to the lower international prices. The share of agriculture and livestock continues to dominate.



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



Per capita GDP growth is also higly volatile and, due to high population growth, it is on average very low.



Sources: Nigerien authorities; and IMF staff calculations.

Table 1. Niger: Selected Economic and Financial Indicators, 2015-22

	2015	2016	2017		2018		2019	2020	2021	2022
		Est.	Prog.	Proj.	Prog.	Rev. Prog.	Projections			
	(Annual percentage change, unless otherwise indicated)									
National income and prices										
GDP at constant prices	4.0	5.0	5.2	5.2	5.5	5.2	5.4	5.6	7.2	6.1
Non-resources GDP at constant prices	4.5	5.1	5.0	4.8	5.6	5.1	5.5	5.9	4.6	5.2
Oil production (thousand barrels per day)	15	17	18	18	19	19	20	20	40	50
GDP deflator	0.5	-0.4	2.4	1.8	2.1	2.3	1.9	1.9	1.7	2.0
Consumer price index										
Annual average	1.0	0.2	2.0	2.0	2.1	2.5	2.0	2.0	2.0	2.0
End-of-period	2.2	-2.2	2.2	3.0	2.0	2.0	2.0	2.0	2.0	2.0
External sector										
Exports, f.o.b. (CFA francs)	-10.1	-4.9	13.7	9.7	12.3	8.2	10.4	7.3	31.2	5.8
Of which: non-uranium exports	-15.2	7.9	10.3	12.6	13.4	14.2	15.8	9.8	37.5	5.3
Imports, f.o.b (CFA francs)	9.6	-13.0	19.5	5.4	11.2	14.3	10.4	9.7	-3.8	6.5
Export volume	-4.5	-4.2	6.6	12.5	9.1	9.3	10.5	6.5	31.9	7.8
Import volume	7.3	-14.1	17.1	2.3	8.9	12.3	8.5	7.5	-6.2	4.2
Terms of trade (deterioration -)	-7.5	-2.3	0.1	-7.4	1.6	-5.6	-2.2	-1.2	-6.0	-0.3
Government finances										
Total revenue	7.6	-16.2	13.9	13.2	12.4	10.2	9.8	17.4	15.6	11.5
Total expenditure and net lending	9.8	-14.4	14.1	15.2	4.7	8.3	9.7	6.2	0.0	6.7
Of which: current expenditure	11.0	-4.5	9.2	7.9	5.1	6.1	5.9	3.1	4.2	6.7
Of which : capital expenditure	8.7	-23.4	19.9	23.4	4.2	10.5	13.3	9.0	-3.6	6.7
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)									
Money and credit										
Domestic credit	18.0	10.6	11.5	10.4	6.7	7.6	7.1	4.4	2.9	0.8
Credit to the government (net)	9.1	6.3	6.4	6.9	1.7	2.5	1.2	-1.5	-5.2	-6.3
Credit to the economy	8.9	4.3	5.1	3.5	5.0	5.1	5.8	5.9	8.1	7.1
Net domestic assets	15.1	10.7	11.9	9.7	7.0	9.8	7.1	4.4	2.9	0.8
Broad money (percent)	4.6	8.7	11.1	12.4	10.9	10.8	9.0	8.2	8.7	6.6
Velocity of broad money (ratio)	0.0	0.0	3.4	0.0	3.3	0.0	0.0	0.0	0.0	0.0
	(Percent of GDP, unless otherwise indicated)									
Government finances										
Total revenue	18.0	14.4	16.1	15.3	16.8	15.6	16.0	17.4	18.5	19.0
Total expenditure and net lending	32.5	26.6	28.1	28.6	27.3	28.8	29.4	29.0	26.6	26.3
Current expenditure	15.5	14.1	14.6	14.3	14.2	14.1	13.9	13.3	12.7	12.5
Capital expenditure	17.0	12.5	13.5	14.4	13.1	14.8	15.6	15.8	13.9	13.8
Basic balance (excluding grants) [1]	-7.4	-4.2	-4.9	-4.6	-4.0	-3.9	-3.4	-1.0	0.6	1.3
Overall balance (commitment basis, including grants) [2]	-9.1	-6.1	-7.4	-6.1	-6.0	-6.2	-5.7	-4.1	-2.3	-1.5
Gross investment	42.5	37.0	42.0	36.0	42.8	38.0	38.7	39.9	33.4	33.3
Of which : non-government investment	25.5	24.6	28.4	21.6	29.7	23.2	23.1	24.2	19.5	19.6
government	17.0	12.5	13.5	14.4	13.1	14.8	15.6	15.8	13.9	13.8
Gross national savings	22.0	21.6	24.0	22.6	24.3	22.1	22.3	22.2	22.1	22.2
Of which: non-government	17.2	19.4	20.9	18.5	20.2	18.4	18.1	16.3	14.9	14.2
Domestic savings	20.0	19.8	19.8	19.7	20.3	20.2	20.5	20.9	21.1	21.2
External current account balance										
Excluding official grants	-22.7	-17.3	-19.5	-16.5	-20.0	-18.1	-18.4	-19.4	-12.7	-12.6
External current account balance (including grants)	-20.5	-15.5	-18.0	-13.4	-18.5	-15.9	-16.4	-17.7	-11.3	-11.1
Debt-service ratio as percent of:										
Exports of goods and services	5.5	7.6	7.7	8.9	6.3	9.0	6.6	6.0	5.9	6.9
Government revenue	5.7	8.6	8.4	9.6	6.7	9.5	6.9	5.8	6.3	6.9
Total public and publicly guaranteed debt	41.6	46.7	51.1	49.7	53.0	51.9	53.4	54.2	53.7	53.3
Public and publicly guaranteed external debt	30.3	33.0	35.8	35.2	37.1	37.0	38.8	41.4	42.3	43.3
NPV of external debt	22.0	21.3	25.4	22.4	26.2	23.4	24.4	26.1	26.7	27.3
Public Domestic debt	11.4	13.7	15.3	14.6	15.9	14.8	14.6	12.8	11.3	10.1
Foreign aid	10.4	10.6	8.9	12.2	8.4	11.8	12.5	12.7	10.3	10.1
	(Billions of CFA francs)									
GDP at current market prices	4,269	4,464	4,773	4,778	5,146	5,143	5,523	5,942	6,479	7,013
GDP at current prices (annual percent change)	4.9	4.6	7.7	7.0	7.8	7.6	7.4	7.6	9.0	8.2

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

[1] The 4th and 5th review data included a project loan of CFAF 437.4 billion (11.1 percent of GDP) to refinance the SORAZ refinery construction that had bee

[2] Revenue (including budgetary grants) minus expenditure net of externally-financed capital expenditure.

Table 2. Niger: Financial Operations of the Central Government, 2015-22

(In billions of CFA francs)

	2015	2016	2017		2018		2019	2020	2021	2022
		Est.	Prog	Proj.	Prog	Rev. Prog.	Projections			
Total revenue	768.7	643.8	770.8	729.0	866.0	803.3	882.2	1,035.9	1,197.3	1,335.3
Tax revenue	684.8	606.9	721.3	653.8	807.5	728.2	795.2	913.4	1,046.4	1,174.3
Nontax revenue[1]	77.0	27.9	37.7	63.5	44.8	61.8	71.7	105.9	126.4	134.5
Special accounts revenue	6.8	8.9	11.8	11.8	13.7	13.3	15.4	16.5	24.5	26.5
Total expenditure and net lending	1,387.7	1,187.9	1,341.4	1,368.2	1,404.5	1,481.6	1,625.2	1,726.0	1,725.7	1,841.5
Of which: domestically financed	1,085.5	832.7	1,006.7	949.4	1,070.0	1,003.6	1,068.1	1,094.4	1,160.9	1,246.4
Total current expenditure	660.9	631.3	696.0	681.4	731.9	722.9	765.4	788.9	822.1	877.2
Budgetary expenditure	639.1	609.5	671.1	656.5	705.0	699.1	739.8	761.3	792.0	844.6
Wages and salaries	250.2	265.1	273.0	271.0	281.3	276.4	276.4	286.0	299.3	323.3
Materials and supplies	157.9	107.1	131.6	131.7	130.2	136.0	146.0	149.8	157.4	164.1
Other current expenditure	204.5	197.6	216.5	207.3	233.5	232.4	249.6	255.6	266.7	286.0
Interest	26.6	41.9	50.0	46.5	60.0	54.2	67.7	69.8	68.7	71.3
Of which: external debt	11.9	18.4	20.6	19.8	19.1	23.4	19.9	20.4	21.6	26.5
Adjustments and fiscal expenditure	-0.1	-2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[2]	21.8	21.8	24.9	24.9	26.8	23.9	25.6	27.6	30.0	32.5
Capital expenditure and net lending	726.8	556.6	645.4	686.8	672.6	758.7	859.8	937.1	903.6	964.4
Capital expenditure	726.8	556.6	645.4	686.8	672.6	758.7	859.8	937.1	903.6	964.4
Domestically financed	424.6	201.4	310.7	268.0	338.2	280.7	302.7	305.5	338.8	369.2
Externally financed	302.2	355.2	334.7	418.8	334.4	478.0	557.2	631.5	564.7	595.1
Of which: grants	156.0	204.0	164.2	220.5	168.4	269.9	333.9	360.4	303.8	319.5
loans	146.1	151.2	170.5	198.3	166.0	208.1	223.3	271.2	260.9	275.6
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment including grants, WAEMU anchor)	-386.4	-273.9	-351.8	-289.7	-311.2	-317.1	-316.0	-246.5	-151.3	-106.8
Basic balance[3]	-316.8	-188.9	-235.9	-220.4	-204.0	-200.3	-185.8	-58.5	36.4	89.0
Change in payments arrears and float	-13.0	19.0	-43.4	-43.4	-10.0	-65.4	0.0	0.0	0.0	0.0
Overall balance (cash)	-632.0	-525.1	-614.0	-682.6	-548.4	-743.7	-743.0	-690.1	-528.3	-506.2
Financing	632.1	525.1	614.0	682.6	548.4	743.7	743.0	690.1	528.3	506.2
External financing	416.3	441.2	387.2	536.7	398.8	559.3	652.0	717.4	622.5	650.9
Grants	232.6	270.3	218.9	349.5	227.3	361.2	427.0	443.6	377.0	399.3
Of which : project financing	156.0	204.0	164.2	220.5	168.4	269.9	333.9	360.4	303.8	319.5
Loans	209.6	203.4	208.3	233.2	206.8	246.8	260.7	308.6	293.1	310.7
Of which: budget financing	63.5	52.2	37.8	34.9	40.8	38.7	37.4	37.4	32.2	35.1
Amortization	-25.9	-32.5	-39.9	-46.0	-35.2	-48.7	-35.8	-34.7	-47.6	-59.2
Debt relief (incl. debt under discussion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	215.8	84.0	226.8	145.9	149.6	184.4	91.0	-27.3	-94.2	-144.7
Banking sector	132.0	11.6	77.3	79.4	41.3	28.2	13.7	-24.7	-93.1	-121.9
IMF	27.0	6.6	19.7	19.7	18.5	18.5	16.6	1.8	-15.9	-25.1
Statutory advances (including other advances)	-7.9	-8.2	-8.4	-8.4	-8.7	-8.7	-7.6	-3.6	-1.0	0.0
Deposits with BCEAO	49.7	31.0	2.7	9.6	2.7	4.1	-10.0	-20.0	-70.0	-90.0
Government securities net and others	63.2	-17.8	63.3	58.4	28.8	14.3	14.6	-2.9	-6.1	-6.8
Nonbanking sector[4]	83.8	72.4	149.4	66.5	108.3	156.2	77.3	-2.6	-1.1	-22.8
Financing gap (+)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

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

[1] In 2015 revenue includes in non-tax revenue CFAF 49 billion of exceptional revenues from the telecom and oil sectors; and 2017 includes in non-tax revenue CFAF 26.6 billion of exceptional revenues from the telecom sector.

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

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

[4] For the period 2017-22, nonbanking sector domestic financing includes PPP contracts for building infrastructure. In 2017, those contracts represent CFAF 40 billion.

Table 3. Niger: Financial Operations of the Central Government, 2015-22
(In percent of GDP)

	2015	2016	2017		2018		2019	2020	2021	2022
		Est.	Prog.	Proj.	Prog.	Rev. Prog.	Projections			
Total revenue	18.0	14.4	16.1	15.3	16.8	15.6	16.0	17.4	18.5	20.6
Tax revenue	16.0	13.6	15.1	13.7	15.7	14.2	14.4	15.4	16.2	18.1
Nontax revenue[1]	1.8	0.6	0.8	1.3	0.9	1.2	1.3	1.8	2.0	2.1
Special accounts revenue	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Total expenditure and net lending	32.5	26.6	28.1	28.6	27.3	28.8	29.4	29.0	26.6	28.4
Of which: domestically financed	25.4	18.7	21.1	19.9	20.8	19.5	19.3	18.4	17.9	19.2
Total current expenditure	15.5	14.1	14.6	14.3	14.2	14.1	13.9	13.3	12.7	13.5
Budgetary expenditure	15.0	13.7	14.1	13.7	13.7	13.6	13.4	12.8	12.2	13.0
Wages and salaries	5.9	5.9	5.7	5.7	5.5	5.4	5.0	4.8	4.6	5.0
Materials and supplies	3.7	2.4	2.8	2.8	2.5	2.6	2.6	2.5	2.4	2.5
Other current expenditure	4.8	4.4	4.5	4.3	4.5	4.5	4.5	4.3	4.1	4.4
Interest	0.6	0.9	1.0	1.0	1.2	1.1	1.2	1.2	1.1	1.1
Of which: external debt	0.3	0.4	0.4	0.4	0.4	0.5	0.4	0.3	0.3	0.4
Adjustments and fiscal expenditure	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[2]	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Capital expenditure and net lending	17.0	12.5	13.5	14.4	13.1	14.8	15.6	15.8	13.9	14.9
Capital expenditure	17.0	12.5	13.5	14.4	13.1	14.8	15.6	15.8	13.9	14.9
Domestically financed	9.9	4.5	6.5	5.6	6.6	5.5	5.5	5.1	5.2	5.7
Externally financed	7.1	8.0	7.0	8.8	6.5	9.3	10.1	10.6	8.7	9.2
Of which: grants	3.7	4.6	3.4	4.6	3.3	5.2	6.0	6.1	4.7	4.9
loans	3.4	3.4	3.6	4.2	3.2	4.0	4.0	4.6	4.0	4.3
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment including grants, WAEMU anchor)	-9.1	-6.1	-7.4	-6.1	-6.0	-6.2	-5.7	-4.1	-2.3	-1.6
Basic balance[3]	-7.4	-4.2	-4.9	-4.6	-4.0	-3.9	-3.4	-1.0	0.6	1.4
Basic balance (WAEMU definition)	-5.6	-2.7	-3.8	-1.9	-2.8	-2.1	-1.7	0.4	1.7	2.6
Change in payments arrears and float	-0.3	0.4	-0.9	-0.9	-0.2	-1.3	0.0	0.0	0.0	0.0
Overall balance (cash)	-14.8	-11.8	-12.9	-14.3	-10.7	-14.5	-13.5	-11.6	-8.2	-7.8
Financing	14.8	11.8	12.9	14.3	10.7	14.5	13.5	11.6	8.2	7.8
External financing	9.8	9.9	8.1	11.2	7.8	10.9	11.8	12.1	9.6	10.0
Grants	5.4	6.1	4.6	7.3	4.4	7.0	7.7	7.5	5.8	6.2
Of which : project financing	3.7	4.6	3.4	4.6	3.3	5.2	6.0	6.1	4.7	4.9
Loans	4.9	4.6	4.4	4.9	4.0	4.8	4.7	5.2	4.5	4.8
Of which: budget financing	1.5	1.2	0.8	0.7	0.8	0.8	0.7	0.6	0.5	0.5
Amortization	-0.6	-0.7	-0.8	-1.0	-0.7	-0.9	-0.6	-0.6	-0.7	-0.9
Debt relief (incl. debt under discussion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	5.1	1.9	4.8	3.1	2.9	3.6	1.6	-0.5	-1.5	-2.2
Banking sector	3.1	0.3	1.6	1.7	0.8	0.5	0.2	-0.4	-1.4	-1.9
IMF	0.6	0.1	0.4	0.4	0.4	0.4	0.3	0.0	-0.2	-0.4
Statutory advances (including other advances)	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	0.0	0.0
Deposits with BCEAO	1.2	0.7	0.1	0.2	0.1	0.1	-0.2	-0.3	-1.1	-1.4
Government securities net and others	1.5	-0.4	1.3	1.2	0.6	0.3	0.3	0.0	-0.1	-0.1
Nonbanking sector[4]	2.0	1.6	3.1	1.4	2.1	3.0	1.4	0.0	0.0	-0.4
Financing gap (+)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

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

[1] In 2015, revenue includes in non-tax revenue 1.2 percent of GDP of exceptional revenues from the telecom and oil sectors; and 2017 includes in non-tax revenu 0.6 percent of GDP of exceptional revenues from the telecom sector.

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

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

[4] For the period 2017-22, nonbanking sector domestic financing includes PPP contracts for building infrastructure. In 2017, those contracts represent 0.9 percent of GDP.

Table 4. Niger: Monetary Survey, 2015-22

	2015	2016	2017		2018		2019	2020	2021	2022
		Est.	Prog.	Proj.	Prog.	Rev. Prog.	Projections			
	(Billions of CFA francs)									
Net foreign assets	591.3	569.8	609.3	601.8	665.1	614.8	643.8	706.8	810.8	923.8
BCEAO	483.3	458.4	505.1	524.4	560.1	539.4	577.4	637.4	732.4	812.4
Commercial banks	108.0	111.4	104.2	77.5	105.0	75.5	66.5	69.5	78.5	111.5
Net domestic assets	522.0	640.9	814.9	758.9	914.7	892.8	999.2	1,071.5	1,122.4	1,137.9
Domestic credit	701.7	819.9	960.4	945.5	1,055.8	1,049.5	1,155.8	1,228.2	1,279.1	1,294.6
Net bank claims on government	11.6	82.2	169.7	165.5	193.4	199.6	217.8	193.7	100.9	-21.0
BCEAO	29.6	58.1	92.6	84.7	98.6	104.4	108.0	86.8	0.1	-115.0
Claims	121.5	119.9	142.9	136.8	158.5	152.4	166.0	164.8	148.1	123.0
Of which : statutory advances	15.2	12.5	10.7	9.7	7.8	6.8	3.8	0.8	0.0	0.0
Deposits	-91.9	-61.7	-50.3	-52.1	-60.0	-48.0	-58.0	-78.0	-148.0	-238.0
Commercial banks	-18.0	24.1	77.1	80.8	94.8	95.2	109.8	106.9	100.8	94.0
Claims	118.0	168.6	219.8	227.1	248.7	241.4	256.1	253.1	247.0	240.2
Deposits	-136.0	-144.5	-142.8	-146.2	-153.9	-146.2	-146.2	-146.2	-146.2	-146.2
Credit to other sectors	690.1	737.7	790.8	780.0	862.4	849.9	938.0	1,034.5	1,178.2	1,315.6
Of which: credit to the private sector	594.5	670.0	790.8	722.2	862.4	809.2	894.4	987.6	1,102.2	1,232.4
Other items, net	-179.7	-179.1	-145.5	-186.7	-141.1	-156.7	-156.7	-156.7	-156.7	-156.7
Money and quasi-money	1,113.3	1,210.7	1,424.2	1,360.7	1,579.8	1,507.6	1,643.0	1,778.4	1,933.2	2,061.7
Currency outside banks	537.1	598.7	605.3	672.9	652.5	745.5	812.5	879.4	956.0	1,019.5
Deposits with banks	576.2	612.0	818.9	687.8	927.2	762.1	830.5	899.0	977.2	1,042.2
	(Annual change, in percent of beginning-of-period broad money,unless otherwise indicated)									
Net foreign assets	-10.6	-1.9	-0.7	2.6	3.9	1.0	1.9	3.8	5.8	5.8
BCEAO	-7.6	-2.2	-0.8	5.4	3.9	1.1	2.5	3.7	5.3	4.1
Commercial banks	-3.0	0.3	0.1	-2.8	0.1	-0.1	-0.6	0.2	0.5	1.7
Net domestic assets	15.1	10.7	11.9	9.7	7.0	9.8	7.1	4.4	2.9	0.8
Domestic credit	18.0	10.6	11.5	10.4	6.7	7.6	7.1	4.4	2.9	0.8
Net bank claims on the government	9.1	6.3	6.4	6.9	1.7	2.5	1.2	-1.5	-5.2	-6.3
BCEAO	6.4	2.6	2.2	2.2	0.4	1.4	0.2	-1.3	-4.9	-6.0
Of which : statutory advances	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.0	0.0
Commercial banks	2.6	3.8	4.2	4.7	1.2	1.1	1.0	-0.2	-0.3	-0.4
Claims	4.3	4.5	4.9	4.8	2.0	1.1	1.0	-0.2	-0.3	-0.4
Deposits	-1.6	-0.8	0.8	-0.1	0.8	0.0	0.0	0.0	0.0	0.0
Credit to other sectors	8.9	4.3	5.1	3.5	5.0	5.1	5.8	5.9	8.1	7.1
Of which: credit to the private sector	6.3	6.8	5.1	4.3	5.0	6.4	5.6	5.7	6.4	6.7
Other items, net	-2.8	0.1	0.4	-0.6	0.3	2.2	0.0	0.0	0.0	0.0
Broad money	4.6	8.7	11.1	12.4	10.9	10.8	9.0	8.2	8.7	6.6
Memorandum items:										
Velocity of broad money (Ratio)	3.7	3.7	3.4	3.5	3.3	3.4	3.4	3.3	3.4	3.4
Credit to the private sector										
(Change, in percent)	12.9	12.8	9.1	7.9	9.1	12.1	10.6	10.5	11.6	11.9
(Percent of GDP)	16.2	16.5	16.6	16.3	16.8	16.5	17.0	17.4	18.2	18.8
(Percent of non-agricultural GDP)	19.5	20.4	20.0	20.0	20.2	20.1	20.6	21.1	21.8	22.3
GDP at current prices (annual percent change)	4.9	4.6	7.7	7.0	7.8	7.6	7.4	7.6	9.0	8.2

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Balance of Payments, 2015-22

(In billions of CFA francs, unless otherwise indicated)

	2015	2016	2017		2018		2019	2020	2021	2022
		Est.	Prog.	Proj.	Prog.	Rev. Prog.	Projections			
Current account balance	-875.7	-691.1	-857.9	-638.9	-949.9	-818.1	-905.4	-1,052.6	-732.0	-781.2
Balance on goods, services, and income	-1,051.2	-856.0	-1,048.7	-872.8	-1,148.2	-1,017.6	-1,110.0	-1,250.7	-924.4	-984.3
Balance on goods	-525.4	-405.4	-579.2	-401.2	-636.6	-498.8	-550.4	-623.3	-298.7	-324.9
Exports, f.o.b	643.2	611.8	653.3	670.9	734.0	726.2	801.4	859.8	1,128.5	1,194.4
Uranium	240.8	177.7	247.5	182.1	273.9	167.9	154.7	149.9	152.4	167.0
Oil	88.7	91.3	93.1	96.1	97.8	101.9	108.1	114.6	296.7	337.1
Other products	313.7	342.8	312.6	392.7	362.3	456.5	538.7	595.3	679.5	690.4
Imports, f.o.b	1,168.6	1,017.2	1,232.5	1,072.1	1,370.6	1,225.0	1,351.8	1,483.1	1,427.2	1,519.4
Food products	221.7	208.0	219.5	218.9	242.6	239.4	254.6	283.6	311.9	340.3
Petroleum products	60.7	57.9	31.9	60.8	33.5	63.9	67.1	70.4	73.9	77.6
Capital goods	337.1	280.5	409.3	310.9	490.9	418.6	484.2	539.5	425.3	457.7
Other products	549.1	472.7	571.7	481.5	603.6	503.1	545.9	589.6	616.1	643.7
Services and income (net)	-525.9	-450.5	-469.5	-471.6	-511.6	-518.8	-559.6	-627.4	-625.7	-659.4
Services (net)	-435.4	-363.0	-479.0	-378.0	-521.8	-418.0	-451.4	-510.9	-498.7	-521.9
Income (net)	-90.5	-87.5	9.5	-93.6	10.3	-100.8	-108.2	-116.5	-127.0	-137.5
Of which: interest on external public debt	-11.9	-18.4	-20.6	-19.8	-19.1	-23.4	-19.9	-20.4	-21.6	-26.5
Unrequited current transfers (net)	175.6	164.9	190.8	233.9	198.3	199.5	204.6	198.1	192.4	203.1
Private (net)	81.1	82.1	116.2	85.0	119.4	88.2	91.5	94.9	99.2	103.3
Public (net)	94.5	82.8	74.6	148.9	78.9	111.3	113.2	103.1	93.1	99.8
Of which: grants for budgetary assistance	76.6	66.2	54.6	129.0	58.9	91.4	93.2	83.2	73.2	79.8
Capital and financial account	746.3	661.8	847.9	704.9	1,004.9	833.1	943.4	1,112.6	827.0	861.2
Capital account	174.0	229.6	193.4	248.4	200.0	300.5	367.3	396.7	343.5	362.5
Private capital transfers	19.0	25.9	24.2	28.2	26.6	30.9	33.7	36.7	40.0	43.3
Project grants	156.0	204.0	164.2	220.5	168.4	269.9	333.9	360.4	303.8	319.5
Food Aid	0.0	0.0	5.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0
Nonproduced, nonfinancial assets	-1.1	-0.3	0.0	-0.3	0.0	-0.3	-0.3	-0.3	-0.3	-0.3
Debt cancellation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	572.3	432.2	654.4	456.4	805.0	532.6	576.2	715.9	483.5	498.7
Direct investment [1]	292.9	155.7	432.4	160.5	557.2	233.5	290.2	383.5	175.9	181.3
Portfolio investment	84.0	99.1	24.0	44.6	25.9	48.0	51.6	47.2	51.4	55.7
Other investment	195.4	177.4	198.0	251.3	221.9	251.1	234.4	285.2	256.2	261.8
Public sector (net)	183.7	170.9	168.4	187.2	171.6	198.1	224.9	273.8	245.5	251.5
Disbursements	209.6	203.4	208.3	233.2	206.8	246.8	260.7	308.6	293.1	310.7
Loans for budgetary assistance	63.5	52.2	37.8	34.9	40.8	38.7	37.4	37.4	32.2	35.1
Project loans	146.1	151.2	170.5	198.3	166.0	208.1	223.3	271.2	260.9	275.6
Amortization	25.9	32.5	39.9	46.0	35.2	48.7	35.8	34.7	47.6	59.2
Other (net)	11.7	6.5	29.6	64.1	50.3	53.0	9.5	11.4	10.7	10.3
Errors and omissions	48.4	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-81.0	-24.9	-10.0	65.9	55.0	15.0	38.0	60.0	95.0	80.0
Financing	81.0	24.9	10.0	-65.9	-55.0	-15.0	-38.0	-60.0	-95.0	-80.0
Net foreign assets (BCEAO)	81.0	24.9	10.0	-65.9	-55.0	-15.0	-38.0	-60.0	-95.0	-80.0
Of which: net use of Fund resources	27.0	6.6	19.7	19.7	18.5	18.5	16.6	1.8	-15.9	-25.1
Rescheduling obtained	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**
Memorandum items:										
Current account (in percent of GDP)	-20.5	-15.5	-18.0	-13.4	-18.5	-15.9	-16.4	-17.7	-11.3	-11.1
Current account (excluding grants; in percent of GDP)	-22.7	-17.3	-19.5	-16.5	-20.0	-18.1	-18.4	-19.4	-12.7	-12.6
Trade balance (in percent of GDP)	-12.3	-9.1	-12.1	-8.4	-12.4	-9.7	-10.0	-10.5	-4.6	-4.6
Overall balance (in percent of GDP)	-1.9	-0.6	-0.2	1.4	1.1	0.3	0.7	1.0	1.5	1.1
Gross Official Reserves (in months of next year's imports of goods and services)	5.4	5.6	4.3	5.7	4.3	5.4	5.2	5.7	5.8	5.3
Pooled gross international reserves, WAEMU (in USD billions)	12.4	10.4	...	...	...	...	...	...	...	...
Pooled gross international reserves, WAEMU (in CFAF billions)	7,487	6,466	...	...	...	...	...	...	...	...
In months of next year's imports of goods and services	5.0	3.9	...	...	...	...	...	...	...	...
In percent of broad money	43.6	34.5	...	...	...	...	...	...	...	...
GDP at current prices	4,269	4,464	4,773	4,778	5,146	5,143	5,523	5,942	6,479	7,013

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

[1] Projections of FDI for 2017-19 in the program are based on the construction of a pipeline expected to come on stream in 2020. For the revised program, the construction is expected to come on stream in 2021.

Table 6. Niger: Indicators of Financial Soundness, Dec. 2012-Jun. 2017

(In percent)

	2012 Dec.	2013 Dec.	2014 Dec.	2015 Dec.	2016 Dec.	2017 Mar.	2017 Jun.
Solvency Ratios							
Regulatory capital to risk-weighted assets	16.7	15.5	14.6	15.0	17.5	14.9	14.3
Tier 1 capital to risk-weighted assets	16.1	14.9	13.4	14.0	17.0	14.4	13.9
Provisions to risk-weighted assets	10.2	12.0	9.4	11.3	15.4	14.8	15.2
Capital to total assets	10.1	9.4	9.5	9.8	8.4	11.5	10.0
Compostion and quality of assets							
Total loans to total assets	60.0	58.6	55.7	58.8	57.2	56.4	54.2
Concentration: credit to the 5 biggest borrowers to regulatory capital	135.6	128.3	109.5	110.2	151.9	129.3	85.7
Gross NPLs to total loans	17.1	16.5	15.5	17.5	19.8	21.9	21.8
Provisioning rate	54.6	67.3	61.5	71.4	66.6	68.8	69.7
Net NPLs to total loans	8.6	6.1	6.6	5.0	6.6	6.8	6.6
Net NPLs to capital	51.0	34.3	38.6	30.1	45.4	33.7	36.2
Earnings and profitability							
Average cost of borrowed funds	2.2	2.0	2.0	...	...	...	...
Average interest rate on loans	10.5	10.1	9.7	...	...	...	...
Average interest rate (after taxes on financial operations)	8.3	8.1	7.7	...	...	...	...
After-tax return on average assets (ROA)	1.8	...	...	...	...	...	...
After-tax return on average equity (ROE)	16.2	...	...	...	...	...	...
Non-interest expenses to net banking income	54.5	51.5	49.8	...	...	...	...
Salaries and wages to net banking income	23.3	23.5	22.2	...	...	...	...
Liquidiy							
Liquidity assets to total assets	32.5	22.4	...	...	...	...	...
Liquidity assets to total deposits	51.4	36.2	...	...	...	...	...
Total loans to total deposits	104.7	93.7	85.3	92.4	96.5	94.8	95.0
Total deposits to total liabilities	63.2	62.6	65.3	63.6	59.3	59.6	57.1
Sight deposits to total liabilities	42.0	41.0	42.3	39.1	37.4	36.8	36.5
Term deposits to total liabilities	21.2	21.6	22.9	24.6	22.0	22.8	20.6

Source: BCEAO.

Table 7. Niger: Proposed Disbursements Scheduled Under the New ECF Arrangement, 2017–20

Amount (Millions)	Conditions Necessary for Disbursement	Date Available
SDR 14.1	Executive Board Approval of the ECF Arrangement	January 23, 2017
SDR 14.1	Observance of continuous and June 30, 2017 performance criteria, and completion of the first review under the arrangement	October 31, 2017
SDR 14.1	Observance of continuous and December 31, 2017 performance criteria, and completion of the second review under the arrangement	April 30, 2018
SDR 14.1	Observance of continuous and June 30, 2018 performance criteria, and completion of the third review under the arrangement	October 31, 2018
SDR 14.1	Observance of continuous and December 31, 2018 performance criteria, and completion of the fourth review under the arrangement	April 30, 2019
SDR 14.1	Observance of continuous and June 30, 2019 performance criteria, and completion of the fifth review under the arrangement	October 31, 2019
SDR 14.1	Observance of continuous and September 30, 2019 performance criteria, and completion of the sixth and last review under the arrangement	January 8, 2020
SDR 98.7	Total	

Source: International Monetary Fund.

Table 8. Niger: Indicators of Capacity to Repay the Fund, 2017-27

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Fund obligations based on existing credit											
Principal	1.2	5.8	7.8	11.6	19.1	21.8	21.0	17.6	13.1	5.3	1.4
Charges and interest	0.0	0.0	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Fund obligations based on existing and prospective credit											
Principal	1.2	5.8	7.8	11.6	19.1	21.8	25.2	27.5	28.6	22.2	18.3
Charges and interest	0.0	0.0	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1
Total obligations based on existing and prospective credit											
SDR millions	1.2	5.8	8.1	12.0	19.5	22.2	25.5	27.7	28.8	22.3	18.4
CFAF billions	1.0	4.8	6.7	9.9	16.0	18.3	21.0	22.8	23.7	18.4	15.1
Percent of exports of goods and services	0.1	0.6	0.7	1.0	1.3	1.4	1.5	1.6	1.3	0.9	0.7
Percent of debt service[1]	0.9	3.3	4.6	7.7	11.6	10.0	9.7	9.8	9.5	7.2	5.8
Percent of GDP	0.0	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.1
Percent of tax revenue	0.1	0.7	0.8	1.1	1.5	1.6	1.6	1.6	1.5	1.1	0.9
Percent of quota	0.9	4.4	6.2	9.1	14.8	16.8	19.4	21.0	21.8	16.9	14.0
Outstanding IMF credit based on existing prospective drawings											
SDR millions	138.5	161.0	181.4	183.9	164.8	143.0	117.8	90.3	61.7	39.5	21.2
CFAF billions	114.1	132.6	149.4	151.5	135.8	117.8	97.0	74.4	50.8	32.5	17.4
Percent of exports of goods and services	14.5	15.7	16.2	15.0	10.6	8.8	7.1	5.1	2.9	1.6	0.8
Percent of debt service[1]	105.8	91.7	102.0	117.6	98.4	64.5	44.8	32.0	20.4	12.7	6.6
Percent of GDP	2.4	2.6	2.7	2.5	2.1	1.7	1.3	0.9	0.6	0.3	0.2
Percent of tax revenue	17.5	18.2	18.8	16.6	13.0	10.0	7.5	5.2	3.3	1.9	1.0
Percent of quota	105.3	122.3	137.8	139.7	125.2	108.6	89.5	68.6	46.9	30.0	16.1
Net use of IMF credit (SDR millions)	27.0	22.4	20.4	2.5	-19.1	-21.8	-25.2	-27.5	-28.6	-22.2	-18.3
Disbursements	28.2	28.2	28.2	14.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	1.2	5.8	7.8	11.6	19.1	21.8	25.2	27.5	28.6	22.2	18.3
Memorandum items:											
Exports of goods and services (CFAF billions)	789.2	845.1	920.9	1009.4	1280.7	1345.9	1359.3	1467.0	1761.8	2009.4	2203.2
External debt service (CFAF billions)[1]	107.9	144.5	146.6	128.9	138.0	182.6	216.5	232.3	249.7	256.1	263.2
Nominal GDP (CFAF billions)	4778.1	5143.3	5523.0	5942.4	6479.2	7013.0	7493.1	8046.2	8751.8	9423.5	10145.8
Tax revenue (CFAF billions)	653.8	728.2	795.2	913.4	1046.4	1174.3	1285.0	1441.9	1537.5	1722.4	1736.1
Quota (SDR millions)	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6

Source: IMF staff estimates and projections.

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

Appendix I. Letter of Intent

Niamey, November 30, 2017

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

Madame Managing Director,

1. **Niger is making good progress under its program supported by the Extended Credit Facility (ECF) arrangement, despite security challenges and unfavorable commodity prices**. Benefitting from a good crop year and our reform efforts, real GDP grew by 5 percent in 2016 and inflation remained contained. Performance would have been stronger had it not been for a tense security situation, which affected trade with Nigeria and absorbed scarce fiscal resources, and for low commodity prices, especially for our key uranium exports.

2. **Program implementation is broadly on track.** All performance criteria for end-June were met, and all indicative targets for end-March, end-June, and end-September were observed, except for those on government revenue. While important progress has been made in implementing structural reforms, some fell behind schedule due to capacity constraints.

3. **The Government of Niger remains fully committed to the objectives of its program.** Expanding the revenue base, improving public financial management, and fiscal consolidation are key tenets. Structural reforms to diversify the economy and steps to tackle high population growth are equally important. With determined implementation efforts and the continued technical and financial support from our partners, we are confident of achieving the goal of lifting economic growth to at least 6 percent over the medium term and progressing with poverty reduction.

4. **The Government of Niger's program for the remainder of 2017 and 2018 is detailed in the attached Memorandum of Economic and Financial Policies (MEFP).** We believe that the measures and policies set forth therein will serve to achieve the established objectives. We stand ready to take any additional measures that may prove necessary. We will consult with the IMF on the adoption of such measures and before making changes to the policies set out in the MEFP in accordance with the Fund's policies on consultations. We will provide timely information needed to monitor the economic situation and implementation of policies relevant to the

program, as agreed under the accompanying Technical Memorandum of Understanding (TMU), or at the Fund's request.

5. **Considering the progress achieved, the measures envisioned, and its resolve to implement the program**, the Government of Niger requests (i) the completion of the first review, and (ii) the disbursement of the second tranche of SDR 14.1 million under the ECF arrangement. Performance criteria, and structural benchmarks for the remainder of 2017 and 2018 are included in Tables 2, 4 and 6 of the MEFP.

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

Sincerely yours,

/s/

Massoudou Hassoumi
Minister of Finance

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

Attachment I. Memorandum of Economic and Financial Policies of the Government of Niger

INTRODUCTION

1. **This memorandum of economic and financial policies (MEFP) supplements and updates the MEFP signed on December 21, 2016.** It describes recent economic development progress with program implementation, the macroeconomic outlook, and policies for the remainder of 2017 and 2018. The program supported by the Extended Credit Facility (ECF) arrangement is in line with the government's Economic and Social Development Plan 2017-12 (PDES) adopted in September 2017. Program priorities remain focused on: (i) maintaining macroeconomic stability; (ii) improving public financial management with the priority to increasing tax revenue by expanding the tax base and strengthening tax supervision, better controlling public expenditures, and strengthening cash management; (iii) improving debt management; (iv) increasing transparency in the management of the mining and oil sectors; and (v) supporting the development of the private and financial sectors, with a view to diversifying the economy and overcoming demographic challenges.

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS

2. **Recent economic trends have been broadly as expected.** Thanks to a favorable crop season, agriculture output rose by 14.5 percent in 2016, lifting real GDP growth to 5 percent, from 4 percent in 2015. Annual average inflation ran at just 0.2 percent in 2016. Private sector credit grew robustly at almost 13 percent. The current account improved substantially to some 16 percent of GDP with the completion of several import-intensive investment projects. Available indicators for 2017 point to activity continuing to expand apace, driven importantly by a rebound in oil production, to inflation staying modest at some 2 percent, to robust credit and money growth, and to improvements in the overall external balance.

3. **Envisaged fiscal deficit targets have been achieved, even though revenues have fallen short.** In 2016, the basic and overall fiscal balances reached -4.3 and -6.2 percent of GDP, respectively. Revenue underperformance of 0.7 percent of GDP was offset through effective expenditure control by our newly established Inter-Ministerial Budget Regulation Committee. A similar pattern has emerged for 2017. In the first half, the basic and overall fiscal balance substantially outperformed our targets, allowing us to clear more outstanding domestic payment arrears than planned, while still observing the set envelop for domestic financing. Revenue shortfalls continued to afflict collections by the customs department partly reflecting depressed trade with Nigeria due to the security situation and delays reform implementation, such as setting up the interconnections with customs offices in Benin and Togo and the geo-tracking system for better monitoring of cargo. The single customs clearance window for vehicles (GUAN) established in November 2016 has yet to generate the hoped-for revenue gains, but the

valuation system of cars is being gradually put in place Effective expenditure control, especially underexecution of domestically-financed capital spending, has successfully shielded overall fiscal performance in the first half of 2017.

PERFORMANCE UNDER THE ECF-SUPPORTED PROGRAM

4. **All performance criteria for end-June 2017 were met.** Net domestic financing of the government and the reduction in domestic payment arrears of the government overperformed with large margins. The continuous performance criteria on the avoidance of external payments arrears and the contracting of short-term and long-term non-concessional external debt were also observed.

5. **All the indicative targets for end-March, end-June 2017, and end-September were respected, except for the ones related to government revenue.** The basic fiscal balance outperformed its indicative target by a considerable margin of 0.6 percent of GDP. Targets for spending on poverty reduction and on the ratio of exceptional expenditure to total spending were also respected. However, at end-September 2017, government revenue remained 1.2 percent of GDP below target for the reasons discussed above.

6. **A good number of the structural benchmarks planned for the period under review were observed.** The large taxpayer unit (DGE) was strengthened by expanding its coverage to an additional 125 large companies and acquiring all functions, including audit and enforcement. We prepared a schedule for the audit of ten state-owned enterprises and public entities and drafted terms of reference. A medium-term fiscal framework (DPBEP) and ministerial outcome-oriented expenditure plans (DPPD). The DPBEP helped underpin the medium-term fiscal framework discussions held at the National Assembly in June 2017, which facilitated presenting the 2018 budget on a program basis. The updated National Gender Policy was adopted in August 2017, well ahead of the end-2017 target date.

7. **We made good progress toward other structural benchmarks, although some were not fully met by the respective deadline.** The legal framework for the management of the treasury single account (TSA) is now in place, with the signing of agreements with the BCEAO in December 2016. However, only a handful of public accounts covered by the treasury single account had been closed by the end-June 2017 deadline. As to customs administration, all main customs offices were connected to the ASYCUDA world central server on time, but establishing the interconnection with customs offices in Benin and Togo is behind schedule as the contract with UNCTAD for the second phase of migration to ASYCUDA was signed only in September 2017. Limited capacity to properly ascertain VAT refund claims prevented us from establishing a reimbursement mechanism by end-June 2017, thereby missing the associated structural benchmark. But, as a stop-gap measure to address the largest refund claims, we reached agreement with mining companies, allowing them to net their credits against VAT collected from local suppliers.

8. Most recurrent structural benchmarks were also observed. As committed, we are releasing quarterly spending allocations within the first month, based on the decisions of the inter-ministerial regulation committee and are preparing quarterly commitment plans with corresponding cash plans to improve budget and cash flow management. Quarterly debt management plans prepared and validated by the National Public Debt Management Committee. The plans related to the first and third quarter of 2017 were furnished on time, but the one for the third quarter was provided with a delay. We postponed the revision of the borrowing plan from end-June 2017 to March 2018, in order to accommodate the donor round table for the PDES 2017-21 scheduled for December 2017. Finally, in the absence of an operational VAT refund system, envisaged quarterly reports were not produced.

9. In addition, more general progress has been made on the structural reform front since the approval of the ECF-supported program in January 2017. Beyond the structural benchmarks, we have pushed ahead with fiscal structural reforms in tax and customs administration. Other important reform areas comprise the performance of SOEs, the electricity sector, financial deepening, the business climate, and demographic and gender issues.

10. Actions were taken to strengthen the Tax Administration Directorate (DGI). Two new tax offices established in June 2017 in Niamey are now operational. The full computerization of DGI is advancing, with the development of the tax block under the Computerized Tax and Taxpayer Monitoring System (SISIC), which is currently in the test phase, with a view to becoming operational in January 2018. Following the restructuring of tax audit operations, the DGI is laying the foundations for more effective auditing by establishing presumptive profit margins for key economic activities. The joint customs and tax administration team is being revived and has audited 40 files so far in 2017. Efforts are underway to strengthen tax arrears collection with the operationalization of the Administrative Tax Recourse Committee (CARFI) and the Government Office of Legal Affairs, which was moved to the Ministry of Finance in April 2017. The DGI has also provided various training sessions to its staff on management, leadership, ethics, communication, transfer prices, accounting, IT, and risk management.

11. As its key reform, the Customs Administration Directorate (DGD) has introduced transaction valuation of imports for tax purposes. As part of the roll-out of ASYCUDA world, DGD has established a valuation data base accessible by all customs offices that has been applied since July 2017, with minimum prices substantially higher than previously applied administrative valuations. A valuation team has been established to keep the database up to date. Efforts to minimize the physical contact between importers and customs officials are also underway to improve governance.

12. We are stepping up efforts to improve the management of state-owned enterprises. To reduce subsidies and waste under food security programs, performance contracts were signed in September with OPVN and CAIMA, two state-owned enterprises managing the stock of cereals, providing fertilizers and seeds to farmers, and agricultural equipment. We have prepared a preliminary report on subsidies for state-owned enterprises as a first step toward streamlining them.

13. A fundamental reform of the electricity sector has been set in motion. To enable the public electricity company NIGELEC to cope with rising generation costs and investment needs, the government adopted in October 2017 a new tariff schedule for 2018-22 and strengthened NIGELEC's balance sheet. The new Electricity Law and the newly established electricity regulator have been made operational. A revamped electricity strategy is in place.

14. We are also reforming the oil and mining sectors. A new oil code was adopted, consolidating the legal framework regulating refining activity, distribution, transport, and importation and exportation. It improves standards and government control capacities, clarifies the rights and obligations of the public and private stakeholders, strengthens the position of local authorities in oil refining regions, and provides for the possibility to transport refined products by piping systems. We have also amended the Mining Code to boost production through a reorganization of artisan mining activity.

15. Efforts to improve Niger's business climate are a key priority. Underscoring the urgent need to develop a strong private sector, the push for improvement is overseen by the Prime Minister and, if needed, elevated further to the presidential level, with monthly meetings monitoring progress. Working groups tasked with improving each indicator covered by the World Bank's Doing Business Report have been set up. Great strides have already been made in facilitating the establishment of new enterprises with the increasing use of the Enterprise House in Niamey as a one-stop shop. In particular, the processing of construction permit applications in Niamey has being simplified. Paying the high costs associated with getting electricity and water can newly be spread over a three-month period. As a result of these reforms, Niger moved up 6 positions in the World Bank's 2018 Doing Business ranking.

16. The financial sector is being strengthened. Banque Centrale Populaire du Maroc (BCP) recapitalized BIA following the purchase of the government's shares in August 2017. The recapitalization and business restructuring of the public agricultural bank BAGRI is underway, setting the stage for better access to credit in agriculture. Access to credit should also benefit from a new leasing law approved by Parliament in October 2017, which is in line with WAEMU standards. Since May 2017, reporting to the credit bureau no longer requires customer consent.

17. Last but not least, we have put in place policies to address high population growth and gender inequality. Demographic challenges and gender issues, which dilute investment in physical and human capital and natural resources to the detriment of the advancement of living standards, feature prominently in our PDES 2017-21. In addition to the government having updated the National Gender Policy, our partners support a number of projects for women empowerment, educate girls dropped out of school, raise awareness of teenage girls, and sensitize husbands on population issues. After delays, we have begun to implement the Sahel Women's Empowerment and Demographic Dividend (SWEDD) project from early 2017.

ECONOMIC OUTLOOK AND POLICIES FOR THE REMAINDER OF 2017 AND 2018

18. The economic outlook remains satisfactory. The reform agenda described above, efforts to raise agricultural productivity and food security under the Nigeriens Nourish Nigeriens Initiative (I3N), and the improving economic prospects for neighboring Nigeria augur well for the outlook. For 2017, we expect real GDP to grow at 5.2 percent driven by strength in the hydrocarbon and parts of the service sectors, despite stagnant uranium production and limited room for agricultural production to improve upon the strong showing in 2016 even with the good rains in the 2017/18 crop season. Inflation should remain well contained and the current account deficit will likely improve in 2017. In the medium run, we see our reform efforts rewarded by a pickup in growth, with just over 5 percent expected for 2018. In the context of our prudent fiscal policy, inflation should remain below WAEMU's convergence criterion of 3 percent and the overall balance of payments should turn positive from 2017. The fragile regional security situation, global commodity price developments, and weather conditions remain notable risks to this outlook.

FISCAL POLICY FOR THE REMAINDER OF 2017

19. We remain confidently committed to deliver the programmed targets of -4.9 and -7.4 percent of GDP for the basic and overall fiscal balances. Considering the revenue underperformance in the first half of the year and reductions in distortionary telecommunication taxes, a revenue shortfall of 0.8 percent of GDP for the full year seems likely even as collections improve in the second half of the year, thanks to the efforts of DGD and DGI, as well as an unexpected sizable boost to non-tax revenues from the Telecom Regulatory Agency (ARTP) and the renewal and sale of telecommunication licenses. The expenditure underexecution in the first half of the year is more than sufficient to compensate any negative impact on the basic fiscal balance and we are firmly committed to avoid a spending surge toward year end and have cut spending appropriations accordingly in a supplementary budget passed by the National Assembly in November 2017. The budget also stands to benefit from additional grants by foreign donors, meaning that the overall fiscal balance could well be better than expected.

20. On the fiscal structural front, we are making further progress toward establishing a new framework for public-private partnerships (PPPs) and implementing the TSA. On both, the schedule has slipped somewhat owing to capacity constraints.

- Rather than by December 2017, we will be able to submit **new PPP legislation** to the National Assembly only by March 2018 (*structural benchmark for March 2018*). It will be consistent with the 2012 budget law and the investment code and in line with good international standards as laid out in the 2017 IMF TA report, including refraining from establishing tax exemptions. From 2019 onward, all PPPs will be fully integrated into the budget cycle. In the interim, PPPs will remain outside the budget cycle, but our focus will be to implement projects already included in the 2018 budget as PPPs. Any additional PPPs will be closely scrutinized for value-for-money, consistency with sectoral strategies, financial affordability, and subjected to parliamentary approval.

- We will proceed more gradually with fully **implementing the TSA**, to protect financial stability and operational continuity of entities whose accounts are transferred to the TSA, and improve the sequencing of reform. By end-March 2018, (i) we will complete a study on the impact on the banking system with the help of the BCEAO, (ii) an interface between the IT systems of the BCEAO and the DGTCP will be made operational, (iii) a clear account and subaccount structure of the TSA will be established, and (iv) all dormant accounts covered by the TSA will be closed and their balances transferred (*structural benchmark for end-March 2018)*. We will prepare a plan with a sequencing of account closures by end-2018 that takes account of financial stability concerns.

FISCAL POLICY FOR 2018

21. Our fiscal policy for 2018 retains the programmed targets for the overall and basic fiscal balances, keeping public finances on a path to reach the WAEMU convergence criterion for the overall fiscal balance of -3 percent of GDP by 2021. Fiscal consolidation is essential for maintaining macroeconomic stability and ensuring public debt sustainability, together with our continued commitment to refrain from short-term and non-concessional external borrowing. Our consolidation efforts rely in roughly equal measure on tax revenue augmentation and expenditure restraint, which goes hand in hand with further steps to raise the quality of public spending. Tax revenues are programmed to rise by 0.5 percent of GDP compared to the estimated 2017 outturn. Our program pegs current and domestically-financed capital expenditure under CFAF 1,005 billion, which is 1.6 percentage points of GDP below the programmed 2017 outturn. This puts the basic and overall fiscal balances at -3.9 and -6.2 percent of GDP, in line with targets envisaged at the time when the program was first approved in January 2017. We have prepared a borrowing plan consistent with these targets and shared it with IMF staff. The 2018 budget [approved by the National Assembly in November 2017] is consistent with programmed domestically-financed expenditure, but is even more ambitious in terms of revenue mobilization and deficit reduction, despite a larger envelop for foreign-financed capital expenditure. We will review fiscal developments in mid-2018 and seek additional borrowing authority in a supplementary budget if needed and subject to the ceilings established in the program.

22. The envisaged increase in tax revenue is predicated on a number of tax policy changes, the likely yield from revenue administration reforms implemented during 2016-17, and further administrative measures. Specifically,

- In the area of **tax policy**, we compensate the loss of revenue associated with the abolition of distortionary telecommunication taxes by harmonizing VAT exemptions with WAEMU standards and cutting exemptions under the investment code. In addition, we introduce a housing tax, raise the proxy tax for activities of small enterprises, institute a minimum tax for capital gains in real estate transactions, and start taxing cable network subscriptions.

- Regarding yields from **past reforms**, we count in particular on sizable additional revenue from basing border taxes on transactional values. We will strengthen further the DGD's valuation unit and closely monitor and analyze the evolution of valuations. Benefits from the effective implementation of the GUAN, and the interconnection with the customs offices in Benin and Togo should also come to fuller fruition. In the competence of the DGI, we expect revenue gains from better VAT taxation of retail activities, based on the study of profit margin of potential taxpayers in the retail sector, exploitation of the audit of 40 files by the joint customs and tax administration team, and higher collection of tax arrears based on decisions by the CARFI and the work of the Government Office of Legal Affairs.

- In terms **of new and continuing revenue administration measures**, the full roll-out of the SISIC should boost the DGI's effectiveness. In the context of the 2018 budget, we have also introduced the requirement that all individual and legal entities need to get tax identification numbers (TINs), provided their activity gives rise to fiscal liabilities—a measure that is being enforced by the DGD for importers. We are strengthening our focus on best reform implementation at the operational level at the DGI and the DGD. To this end, we will establish performance plans for revenue collection agencies to be cascaded through directorates. These plans will set revenue targets and benchmarks for operational indicators, such as the number of filers with the DGE, the number of zero-liability VAT filers, and the number of NIFs (*structural benchmark for end-January 2018*). To better address still widespread tax evasion on petroleum products the use of color coding is under consideration.

23. The 2018 budget tightly contains domestically-finance expenditure. This is primary supported by a general hiring and wage freeze in the public sector, with limited exceptions for strategic and security personnel. Domestically-financed capital spending will be held constant as a share of GDP compared to the projected 2017 outturn.

24. A vast array of measures to improve spending quality and control is in train. Specifically,

- The Directory of the Treasury and Public Accounting (DGTCP) will continue reforms aimed at **implementing the TSA** and the government will increasingly **channel its payments through the banking system**. Transition to a fully-fledged TSA will follow the schedule outlined in ¶ 20. We are moving ahead with the bankification of government payments. By March 2018, all payments to and from the Large Taxpayer Unit (DGE) will be made through the financial system. Before end-March an action plan for the bankification of fiscal payments will be finalized (*structural benchmark for end-March 2018*).

- Regarding **expenditure planning,** the program-based nature of the 2018 budget has already helped better prioritizing spending and linking it to outcomes. It will also serve as a useful tool to identify areas for spending cuts should they become necessary. We will ensure that the procurement plan for 2018 is prepared in a timely manner and will continue to prepare consistent commitment and cash plans on a quarterly basis. The practice to release quarterly budget allocations in the first month of each quarter based upon the proposals of the regulation committee will be maintained. As to enhance medium-term expenditure planning, we put in place AE/CP procedures for budgeting and execution of expenditures by mid-2018. Procedures will be fully operational for the 2019 budget cycle.

- **Management of civil service wages and scholarships** are undergoing a complete overhaul. Improvement in civil service management will be guided by World Bank recommendations on civil service reform initiated in 2017. In particular, we plan to conduct a comprehensive biometric census of civil servants and establish an integrated pay-civil service database. Regarding scholarships, the government has initiated the audit of the agency in charge of administrating scholarships (ANAB).

- In order to **improve public procurement management**, we plan to set up independent inspection teams to verify the delivery of goods and rendering of services, including whether prescribed specifications have been broadly met. Quarterly reports will be produced for the attention of the Minister of Finance.

- Regarding **PPPs**, we will proceed as per the schedule established in ¶ 20.

- Finally, we plan to **further strengthen public financial management** more generally by establishing a fully integrated information system, which should support spending quality, effective revenue administration, and good debt management alike. The objective is to move to interconnected IT systems for all financial agencies, including: (i) SISIC for DGI; (ii) ASYCUDA World at DGD; (iii) SIGMAP for public procurement; (iv) SIGIB for the interconnection between DGTCP and Directorate General of the Budget (DGB); (v) CS-DRMF+ for debt management; and (vi) the connection of the DGTCP to SICA and STAR.

25. The fiscal framework for 2018 is fully financed and includes our firm commitment to clear all outstanding domestic payment arrears by end 2018, while not accumulating any new ones. The basic budget deficit (CFAF 200 billion), the clearance of all remaining domestic payment arrears (CFAF 65 billion), and the amortization of external debt (CFAF 49 billion) will be financed through budget support (CFAF 130 billion) and net domestic financing (CFAF 184 billion), including financing from the Fund (CFAF 19 billion) and PPPs (CFAF 85 billion).

26. In preparation for further improvement of public finances in subsequent years, we are overhauling major state-owned enterprises and public entities and are streamlining tax exemptions.

- Regarding, the reform of **state-owned enterprises and public entities**, we will have to change track as the envisaged broad audits would be highly costly, donor financing is not readily forthcoming, and only ten out of over 150 state-owned enterprises and public entities would be covered. Instead, (i) the government will finalize and transmit to the Fund its study on subsidies for state-owned enterprises; (ii) we will conduct and publish an inventory of all public entities and state-owned enterprises, including their size by sales; (iii) publish the financial statements, audit reports, and management letters for the twenty largest state-owned enterprises and public entities; and (iv) conduct with the help of the World Bank a study on oversight and corporate governance of state-owned enterprises.

- Despite recent **streamlining of exemptions** under the investment code, ample room for further reform remains. In this context, we will consolidate the legal basis of all exemptions in the tax and customs codes, reduce discretion in granting exemptions, and scale back exemptions. Legislation to this effect will be submitted to the National Assembly no later than September 2018 (*structural benchmark for end-September 2018*).

27. The government is committed to making the most of rising donor support. Donor funding has already started to be augmented and we are hopeful to make further headway in the context of the donor round table scheduled for December 13-14, 2017 in Paris. The 2018 budget envisages an ambitious increase of foreign-financed investment. We are improving absorption capacity, including through the introduction of performance budgeting. We are putting in place a partnership framework agreement between the Government of Niger and our technical and financial partners to harmonize the conditions for releasing budget support, while ensuring consistence with our economic and financial program supported by the IMF.

STRUCTURAL REFORMS TO DIVERSITY THE ECONOMY AND ADDRESS DEMOGRAPHIC CHALLENGES

28. We recognize that a strong private sector is essential for reducing poverty, raising the living standards of the Nigerien population and achieving long-term economic stability. While this is a broader effort that receives support from many donors, this program highlights selected reforms in the areas of business climate, financial deepening, mining, and demographic and gender policies.

29. The government seeks to improve Niger's ranking in the 10 "Doing Business" indicators. Actions will continue in accordance with the action plan adopted by the Private Investors Board (CNIP). For 2017-18, particular emphasis will be placed on: (i) the clearance of domestic payments arrears; (ii) establishing an adequate VAT reimbursement mechanism; (iii) leveraging ASYCUDA world to expedite customs procedures; (iv) making it easier to get electricity and ensuring reliable supply; and (v) further facilitating the issuance of construction permits, including by implementing regulations for the law on land tenure. Reforms that proved successful in Niamey will be rolled out in other parts of the country and efforts will be made to computerize procedures. Reforms of the business climate will continue to benefit from the World Bank Project to Support Competitiveness and Growth (PRAAC).

30. Efforts to address Niger's low level of financial intermediation will continue. We will review the functioning of the credit bureau established in 2016, the new Niamey Commercial Court, and the new Niamey Mediation and Arbitration Center to ensure that they provide a safer environment for banks to lend. We will rapidly implement the new law on leasing and expand the legal framework to also cover warrantage. We will ensure that BAGRI shifts its lending activity firmly to the agricultural sector and also supports smaller scale operations. Bankification of government payments will grow the banking system and strengthen its capacity to lend.

31. Better regulations will help in diversifying the mining sector. Considering the continuing difficulties in the uranium sector, it is imperative to diversify activities in the mining sector and expand the mineral export base. In this context, the government seeks to encourage operators to orient toward the exploration of mines other than oil and uranium, such as copper, tin ore, gold, and lithium. To that effect, we plan to push ahead with establishing better public infrastructure for the exploration and exploitation of Niger's natural resources, for which we are seeking donor support.

32. Building on the momentum from the PDES 2017-21 and the updated National Gender Policy, we are taking the next steps. Regarding gender equality, we will finalize a five-year action plan in the first part of the year and increase the reach of existing projects, which currently operate on a small scale only. As to containing population growth, we are rolling out the SWEDD project and are considering legislation aimed at keeping girls in school, with a view to increase the marriage age and thus reduce fertility. Once adopted, we will push ahead with implementation.

PROGRAM MONITORING

33. In view of the progress made in implementing the ECF-supported program and the policies envisaged under the MEFP, the government requests the approval of the first review under the arrangement, and the disbursement of SDR 14.1 million.

34. Program monitoring will be based on performance criteria (Tables 2) and structural benchmarks (Tables 4 and 6). The authorities will provide IMF staff with the statistical data and information identified in the attached Technical Memorandum of Understanding, and any other information they deem necessary or that IMF staff may request for monitoring purposes.

35. The program will be monitored through semiannual reviews. The second and third program reviews are expected to take place after end-April and end-October 2018 , respectively.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (Dec. 2016 – Dec. 2017)
(In billions of CFAF)

	End-December 2016		End-March 2017			End-June 2017			End-September 2017			End-December 2017	
	For information		IT			PC			IT			PC	
	Proj.	Act.	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Proj.
A. Quantitative performance criteria and indicative targets[1]													
(cumulative for each fiscal year)													
Net domestic financing of the government	113.8		62.0			120.3			186.6			207.0	126.1
Adjusted criteria[2]	109.7	77.4	62.0	27.6	Met	105.3	66.3	Met	171.6	148.0	Met	...	
Change in domestic payment arrears of government obligations[3]	-8.4	19.0	10.0	-40.0	Met	20.0	-43.7	Met	10.0	-46.6	Met	-43.4	-43.4
Memorandum item:													
External budgetary assistance[4]													
Budget support	114.3	118.4	0.0	0.0		0.0	43.8		0.0	50.4		92.4	163.9
New external debt contracted or guaranteed													
by the government on concessional terms (ceiling)[7]	800.0	490.1	350.0	60.8		350.0	88.8		350.0	...		350.0	350.0
B. Continuous quantitative performance criteria													
Accumulation of external payments arrears	0.0	0.0	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
New external debt contracted or guaranteed													
by the government with maturities of less than 1 year[5]	0.0	0.0	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
New non concessional external debt contracted or guaranteed													
by the government and public enterprises with maturities of 1 year or more[6]	0.0	0.0	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
C. Indicative Targets													
Basic budget balance (commitment basis, excl. grants)[3]	-194.3	-188.9	-71.2	2.5	Met	-130.7	-75.5	Met	-186.6	-156.2	Met	-235.9	-220.4
Basic budget balance (commitment basis, incl. budget grants)[3]	-130.7	-122.7	-71.2	2.5	Met	-130.7	-31.6	Met	-186.6	-105.8	Met	-181.3	-91.4
Total revenue[3]	676.6	643.8	160.7	157.7	Not Met	353.4	331.7	Not Met	554.5	496.4	Not Met	770.8	729.0
Spending on poverty reduction[3]	356.8	447.2	103.8	104.1	Met	222.2	223.8	Met	348.4	351.4	Met	487.5	487.5
Ratio of exceptional expenditures on authorized spending (percent)[8]	5.0	1.8	5.0	3.4	Met	5.0	3.0	Met	5.0	2.7	Met	5.0	5.0

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

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

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

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts.
If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2017.
From December 2017 onward, net domestic financing of the government will be also adjusted up (down) for any excess (shortfall) in domestic payment arrears clearance.

[3] Minimum; for the PC/IT on the reduction in domestic payments arrears, negative sign means a reduction and positive sign means an accumulation.

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

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

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

[7] On a contracting basis in accordance with the IMF's debt limits policy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf. Cumulative from the of the beginning of the year.

[8] Maximum, exceptional expenditures refer to payment made by the treasury without prior authorisation, excluding debt service payments and expenditures linked to exemptions.

Table 2. Niger: Quantitative Performance Criteria and Indicative Targets (Mar. – Dec. 2018)
(In billions of CFAF)

	End-March 2018 IT	End-June 2018 PC	End-September 2018 IT	End-December 2018 PC
	Prog.	Prog.	Proj.	Proj.
A. Quantitative performance criteria and indicative targets[1]				
(cumulative for each fiscal year)				
Net domestic financing of the government	46.1	70.6	115.5	166.0
Adjusted criteria [2]				
Change in domestic payment arrears of government obligations[3]	-15.0	-30.0	-45.0	-65.4
Memorandum item:				
External budgetary assistance [4]				
Budget support	0.0	23.0	36.7	130.0
New external debt contracted or guaranteed by the government on concessional terms (ceiling)[7]	350.0	350.0	350.0	350.0
B. Continuous quantitative performance criteria				
Accumulation of external payments arrears	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of less than 1 year[5]	0.0	0.0	0.0	0.0
New non concessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more [6]	0.0	0.0	0.0	0.0
C. Indicative Targets				
Basic budget balance (commitment basis, excl. grants)[3]	-61.2	-123.5	-160.4	-200.3
Basic budget balance (commitment basis, incl. budget grants)[3]	-61.2	-100.5	-132.4	-109.0
Total revenue[3]	172.7	369.5	582.4	803.3
Spending on poverty reduction[3]	108.0	237.9	345.9	538.4
Ratio of exceptional expenditures on authorized spending (percent)[8]	5.0	5.0	5.0	5.0

Sources: Nigerien authorities; and IMF staff estimates and projections.
Note: The terms in this table are defined in the TMU.
[1] Program indicators under A and B are performance criteria at end-June; indicative targets otherwise.
[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 30 billion at the end of each quarter of 2018. From the beginning of 2018, net domestic financing of the government will be also adjusted up (down) for any excess (shortfall) in domestic payment arrears clearance.
[3] Minimum; for the PC/IT on the reduction in domestic payments arrears, negative sign means a reduction and positive sign means an accumulation. Targets will be adjusted for over- and underperfomance in 2017, subject to a cap of zero.
[4] External budgetary assistance (excluding net financing from the IMF).
[5] Excluding ordinary credit for imports or debt relief.
[6] Excluding debt relief obtained in the form of rescheduling or refinancing.
[7] On a contracting basis in accordance with the IMF's debt limits piolicy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf. Cumulative from the of the beginning of the year.
[8] Maximum, exceptional expenditures refer to payment made by the treasury without prior authorisation, excluding debt service payments and expenditures linked to exemptions.

Table 3. Niger: Recurrent Structural Benchmarks for the Program, 2017			
Measure	**Timetable**		**Macroeconomic Rationale**
Release the quarterly budget allocation in the first month of each quarter based on the proposal of the regulation committee.	Quarterly	Met for Q1, Q2 and Q3	Improve budget and cash flow management.
Prepare a quarterly commitment plan consistent with the corresponding cash plan.	Quarterly	Met for Q1, Q2, and Q3	Improve budget and cash flow management.
Prepare quarterly debt management report to be validated by the National Public Debt Management Committee.	Quarterly	Met for Q1 and Q3. Furnished with delay for Q2	Improve debt management.
Produce a quarterly report on VAT credit reimbursement.	Quarterly	Not met	Improve efficiency of the VAT.
Prepare a revised borrowing plan.	Each year at end-June	Not met	Improve debt management.

Table 4. Niger: Recurrent Structural Benchmarks for the Program, 2018

Measure	Timetable	Macroeconomic Rationale
Release the quarterly budget allocation in the first month of each quarter based on the proposal of the regulation committee.	Quarterly	Improve budget and cash flow management.
Prepare a quarterly commitment plan consistent with the corresponding cash plan.	Quarterly	Improve budget and cash flow management.
Prepare quarterly debt management report to be validated by the National Public Debt Management Committee.	Quarterly	Improve debt management.
Prepare a revised borrowing plan.	Each year at end-June, but end-March for 2018	Improve debt management.

Table 5. Niger: Structural Benchmarks, 2017

Measure	Timetable	Progress	Comment
Fiscal Policy and Revenue Administration			
Broaden the jurisdiction of the large enterprises Directorate (DGE) of the DGI by transferring to the DGE the control of the identified 120 large companies previously under the competency of regional tax offices outside Niamey.	End-January	Met	
Estimate the stock of VAT credits arrears and launch the VAT reimbursement mechanism using a share of the VAT collected by the DGE.	End-March	Not met	As a stop-gap measure, mining companies were allowed to offset VAT refund claims against VAT withheld from supplies.
Finalize the interconnection of the ASYCUDA world central server with all the main customs offices and the interconnection of the Niger customs office with those of Benin and Togo.	End-July	Not met	All domestic offices are connected to the central server. The connection to the Benin and Togo office is not yet operational, as the contract with UNCTAD for the second phase of migration to ASYCUDA was signed only in September 2017.
Public Financial Management			
Launch the process of establishing the 2018 budget under the program format by finalizing the required documents (DPBEP and DPPD).	End-June	Met	The DPBEP helped underpin the medium-term fiscal framework discussions held at the by the National Assembly in June 2017.
Finalize the framework of the TSA by signing the agreements with the BCEAO and the Commercial Bank on the management of the TSA, and close all the outstanding public accounts covered by the TSA.	End-June	Not met	Agreement with the BCEAO has been signed, but the impact study on the banking system was not conducted. Only a few dormant accounts have been closed.

Table 5. Niger: Structural Benchmarks, 2017 (concluded)			
Other Structural Reforms			
Elaborate and submit to staff an action plan for the audit of the major public enterprises.	End-July	Met	Action plan has been sent and TORs for auditors drafted.
Send to The National Assembly a new law on public private partnership (PPP) consistent with the investment code and the 2012 budget law.	End-December	Ongoing	Technical assistance has been provided. Submission of legislation is proposed to be reset to March 2018.
Submit to staff the update of the 2008 national policy on gender.	End-December	Met	Completed ahead of schedule.

Table 6. Niger: Proposed Structural Benchmarks, 2018

Measure	Timetable	Progress	Macroeconomic Rationale
Fiscal Policy and Revenue Administrations			
Formulate and share with Fund staff performance plans for revenue collection agencies to be cascaded through directorates. These plans will set revenue targets and benchmarks for operational indicators, such as the number of filers with the DGE, the number of zero-liability VAT filers, and the number of TINs (¶22).	End-January		Improve tax collection and the expand the tax base.
Send legislation overhauling tax and customs exemptions to the National Assembly (¶26).	End-September		Support revenue generation and simplify tax and customs administration.
Public Financial Management			
Regarding TSA implementation, complete and share with Fund staff a study on the impact on the banking system with the help of the BCEAO, make operational an interface between the IT systems of the BCEAO and the DGTCP, establish a clear account and subaccount structure of the TSA, and close all dormant accounts covered by the TSA and transfer their balances (¶20).	End- March		Improve liquidity management and expenditure control.
Other Structural Reforms			
Send to The National Assembly a new law on public private partnership (PPP) consistent with the investment code and the 2012 budget law, and in line with good international standards as laid out in the 2017 IMF TA report (¶20).	End-March		Align with existing laws.
Put in place legal requirements that all payments to and from the Large Taxpayer Unit (DGE) are made through the financial system. An action plan for the bankification of fiscal payments will be finalized and shared with Fund staff (¶24).	End-March		Improve governance in public administration and promote financial deepening.

Table 7. Niger: Proposed Disbursements Scheduled Under the New ECF Arrangement, 2017–20

Amount (Millions)	Conditions Necessary for Disbursement	Date Available
SDR 14.1	Executive Board Approval of the ECF Arrangement	January 23, 2017
SDR 14.1	Observance of continuous and June 30, 2017 performance criteria, and completion of the first review under the arrangement	October 31, 2017
SDR 14.1	Observance of continuous and December 31, 2017 performance criteria, and completion of the second review under the arrangement	April 30, 2018
SDR 14.1	Observance of continuous and June 30, 2018 performance criteria, and completion of the third review under the arrangement	October 31, 2018
SDR 14.1	Observance of continuous and December 31, 2018 performance criteria, and completion of the fourth review under the arrangement	April 30, 2019
SDR 14.1	Observance of continuous and June 30, 2019 performance criteria, and completion of the fifth review under the arrangement	October 31, 2019
SDR 14.1	Observance of continuous and September 30, 2019 performance criteria, and completion of the sixth and last review under the arrangement	January 8, 2020
SDR 98.7	Total	

Source: International Monetary Fund.

Attachment II. Technical Memorandum of Understanding

Niamey, November 30, 2017

1. This technical memorandum of understanding defines the performance criteria and indicative targets of Niger's program under the Extended Credit Facility (ECF) arrangement for the period Q1-2017 to Q1-2020. The performance criteria and indicative targets for 2017 and the first half of 2018 are set out in Tables 1 and 2 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent of November 30, 2017. Structural benchmarks appear in Tables 3 to 6. This technical memorandum of understanding also sets out data-reporting requirements for program monitoring.

DEFINITIONS

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

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

b) As specified in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by the Decision No. 15688-(14/107) of the Executive Board of the IMF of December 5, 2014, **debt** will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets, that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property , while the lessor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

c) **Domestic payments arrears** are domestic payments owed by the government but not paid. They include committed and authorized fiscal year expenditures that are not paid within 90 days. **External payments arrears** are payments due but not paid.

d) Government **obligation** is any financial obligation of the government accepted as such by the government (including any government debt).

A. Quantitative Performance Criteria

Net Domestic Financing of the Government

Definition

3. **Net domestic financing of the government** is defined as the sum of (i) **net bank credit to the government**; (ii) **net nonbank domestic financing of the government**, including government securities issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks, proceeds from the sale of government assets, and privatization receipts.

4. **Net bank credit to the government is equal to the balance of government claims and debts vis-à-vis national banking institutions**. Government claims include cash holdings of the Nigerien Treasury, secured obligations, deposits with the central bank, and deposits of the Treasury (including regional offices) with commercial banks. Government deposits with commercial banks are excluded from government claims insofar as they are used solely to finance externally financed capital expenditure.

5. **Government debt to the banking system includes assistance from the central bank (excluding net IMF financing under the ECF),** the CFAF counterpart of the 2009 General SDR Allocation, assistance from commercial banks (including government securities held by the central bank and commercial banks) and deposits with the CCP (postal checking system).

6. **The scope of net bank credit to the government, as defined by the BCEAO, includes all central government administrations**. Net bank credit to the government and the amount of Treasury bills and bonds issued in CFAF on the WAEMU regional financial market are calculated by the BCEAO.

7. **Net nonbank domestic financing includes**: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of Treasury correspondents'

deposit accounts; (iii) the change in the balance of various deposit accounts at the Treasury; and (iv) the change in the stock of claims on the government forgiven by the private sector. Net nonbank financing of the government is calculated by the Nigerien Treasury.

8. **The 2017 quarterly targets** are based on the change between the end-December 2016 level and the date selected for the performance criterion or indicative target.

Adjustment

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

10. **If, at the end of each quarter of 2017,** disbursements of external budgetary support fall short of the projected amounts at the end of each quarter, the corresponding quarterly ceilings will be raised pro tanto, up to a maximum of CFAF 15 billion in 2017 and CFAF 30 from 2018 onward.

11. **From 2018 onward, the ceiling on net domestic financing will also be adjusted for deviations from programmed domestic payment arrears clearance**. Specifically, the ceiling on domestic financing will be adjusted up (down) one-for-one for arrears clearance in excess (in deficit) of programmed levels.

Reporting requirement

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

Reduction of Domestic Payments Arrears

Definition

13. **The reduction of domestic payments arrears** is equal to the difference between the stock of arrears at end-2016 and the stock of arrears on the reference date**.**

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

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

Adjustment

16. Programmed arrears clearance in 2018 will be adjusted up (down) one-for-one for any shortfall (excess) relative to programmed arrears clearance programmed for end-2017.

17. Arrears clearance shall not be negative.

External Payments Arrears

Definition

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

Reporting requirement

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

External Nonconcessional Loans Contracted or Guaranteed by the Government

Definition

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

21. This performance criterion applies not only to debt, as defined in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by the Decision No. 15688-(14/107) of the Executive Board of the IMF of December 5, 2014, but also to any obligation contracted or guaranteed for which no value has been received. However, this performance criterion does not apply to financing provided by the IMF and to debt rescheduling in the form of new loans.

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

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

23. For the purposes of the relevant performance criterion, external debt is defined as debt denominated, or requiring repayment, in a currency other than the CFA franc. This definition also applies to debt contracted among WAEMU member countries and with WAEMU financial institutions.

24. For the purposes of this performance criterion, the public sector includes the government, as defined in paragraph 2 above, and the following public enterprises: (i) *Société Nigérienne d'Electricité (Nigelec);* (ii) *Société de Construction et de Gestion des Marchés (Socogem)*; (iii) *Société Nigérienne des Produits Pétroliers (Sonidep)* ; (iv) *Société Nigérienne des Télécommunications (Sonitel)*; (v) *Société de Patrimoine des Mines du Niger (Sopamin)*; and (vi) *Société propriétaire et exploitante de l'Hotel Gaweye (SPEG).*

Reporting requirement

25. Details on all external public sector debt will be provided monthly, within six weeks after the end of each month. The same requirement applies to guarantees granted by the central government. The Ministry of Finance will regularly forward to Fund staff a list of loans in process of negotiation. It will also prepare semiannual reports on any external debt contracted or in process of negotiation and the terms thereof, as well as on the borrowing program for the next six months including the terms thereof, and will forward them to Fund staff.

Short-Term External Debt of the Central Government

Definition

26. The government will not accumulate or guarantee new external debt with an original maturity of less than one year. This performance criterion applies not only to debt as defined in paragraph 8 of the Guidelines Public Debt Conditionality in Fund Arrangements, adopted by the Decision No. 15688-(14/107) of the Executive Board of the IMF of December 5, 2014, but also to any obligation contracted or guaranteed for which no value has been received. Short-term loans related to imports are excluded from this performance criterion, as are short-term securities issued in CFAF on the regional financial market.

Reporting requirement

27. Details on all external government debt will be provided monthly, within six weeks after the end of each month. The same requirement applies to guarantees granted by the government.

B. Quantitative Targets

Definitions

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

29. The basic fiscal deficit is defined as the difference between (i) total tax revenue, as defined in paragraph 25; and (ii) total fiscal expenditure excluding externally financed investment expenditure but including HIPC-financed expenditure.

30. According to the WAEMU definition, the basic fiscal deficit is defined as the basic balance described under paragraph 26 plus budgetary grants.

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

32. A limit is set on the amount of expenditures paid through exceptional procedures (without prior commitment) excluding debt service payments and expenditures linked to tax exemptions. The limit is 5 percent of total authorized expenditures during the quarter for which the target is assessed.

Reporting requirement

33. Information on basic budget revenue and expenditures will be provided to the IMF monthly, within six weeks after the end of each month.

34. Information on UPL expenditures will be provided to the IMF quarterly, within six weeks after the end of each quarter.

35. Information on exceptional expenditure will be provided to the IMF quarterly after six weeks after the end of the quarter.

ADDITIONAL INFORMATION FOR PROGRAM MONITORING

A. Government Finance

36. The authorities will forward the following to IMF staff:

- Detailed monthly estimates of revenue and expenditure, including priority expenditure, the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue.

- The Table of Government Financial Operations with comprehensive monthly data on domestic and external financing of the budget, and changes in arrears and Treasury balances outstanding. These data are to be provided monthly, within six weeks after the end of each month.

- Comprehensive monthly data on net nonbank domestic financing: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of various deposit accounts at the Treasury; (iii) the change in the stock of claims on the government forgiven by the private sector.
- Quarterly data on expenditure for UPL lines (statement of appropriations approved, disbursed, and used).

- Quarterly reports on budget execution, including the rate of execution of poverty-reducing expenditure and, in particular, the use of appropriations by the line ministries concerned (National Education, Public Health, Equipment, Agriculture, Livestock).

- Monthly data on Treasury balances outstanding, by reference fiscal year, with a breakdown of maturities of more than and less than 90 days.

- Monthly data on effective debt service (principal and interest) compared with the programmed maturities provided within four weeks after the end of each month; and

- List of external loans contracted in process of negotiation and projected borrowing in the next six months, including the financial terms and conditions.

B. Monetary Sector

37. The authorities will provide the following information each month, within eight weeks following the end of each month:

- Consolidated balance sheet of monetary institutions and, where applicable, the consolidated balance sheets of individual banks;

- Monetary survey, within eight weeks following the end of each month, for provisional data;

- Borrowing and lending interest rates; and
- Customary banking supervision indicators for banks and nonbank financial institutions (where applicable, these same indicators for individual institutions may also be provided).

C. Balance of Payments

38. The authorities will provide IMF staff with the following information:

- Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions) whenever they occur;
- Preliminary annual balance of payments data, within six months after the end of the reference year.

D. Real Sector

39. The authorities will provide IMF staff with the following information:

- Disaggregated monthly consumer price indexes, within two weeks following the end of each month;
- The national accounts, within six months after the end of the year; and
- Any revision of the national accounts.

E. Structural Reforms and Other Data

40. The authorities will provide IMF staff with the following information:

- Any study or official report on Niger's economy, within two weeks after its publication;
- Any decision, order, law, decree, ordinance, or circular with economic or financial implications, upon its publication or, at the latest, when it enters into force.
- Any draft contract in the mining and petroleum sectors, including production and sales volumes, prices, and foreign investment; and
- Any agreement with private sector stakeholders having economic or financial repercussions for the government, including in the natural resources sector.

Summary of Data to be Reported

Type of Data	Table	Frequency	Reporting Deadline
Real sector	National accounts.	Annual	End-year + 6 months
	Revisions of the national accounts.	Variable	8 weeks after the revision
	Disaggregated consumer price indexes.	Monthly	End-month + 2 weeks
Government finance	Net government position vis-à-vis the banking system.	Monthly	End-month + 6 weeks
	Complete monthly data on net nonbank domestic financing: (i) change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) change in the balance of various deposit accounts at the Treasury; (iii) change in the stock of claims on the government forgiven by the private sector.	Monthly	End-month + 6 weeks
	Provisional TOFE, including a breakdown of revenue (DGI, Monthly DGD and DGTCP) and expenditure, including the repayment of domestic wage and nonwage arrears, as at end-1999, and the change in Treasury balances outstanding.	Monthly	End-month + 6 weeks
	Data on Treasury balances outstanding (RAP), by reference fiscal year (total and RAP at more than 90 days).	Monthly	End-month + 6 weeks
	Monthly statement of Treasury correspondents' deposit accounts.	Monthly	End-month + 6 weeks
	Execution of the investment budget.	Quarterly	End-quarter + 6 weeks

Type of Data	Table	Frequency	Reporting Deadline
	Table of fiscal expenditure execution, unified list expenditure, and HIPC-financed expenditure.	Monthly	End-month + 6 weeks
	Treasury accounts trial balance.		
	Monthly statement of the balances of accounts of the Treasury and of other public accounts at the BCEAO.	Monthly	End-month + 6 weeks (provisional) End-month + 10 weeks (final)
	Petroleum products pricing formula, petroleum products tax receipts, and pricing differentials.	Monthly	End-month + 6 weeks
	Monetary survey		
Monetary and financial data	Consolidated balance sheet of monetary institutions and, where applicable, consolidated balance sheets of individual banks.	Monthly	End-month + 8 weeks
	Borrowing and lending interest rates.	Monthly	End-month + 8 weeks
	Banking supervision prudential indicators.	Quarterly	End-quarter + 8 weeks
Balance of payments	Balance of payments	Annual	End-year + 6 months
	Balance of payments revisions	Variable	At the time of the revision.
External debt	Stock and repayment of external arrears.	Monthly	End-month + 6 weeks
	Breakdown of all new external loans signed and projected borrowing, including the financial terms and conditions.		End-month + 6 weeks
	Table on the monthly effective service of external debt (principal and interests), compared with the programmed maturities.	Monthly	End-month + 4 weeks