INTERNATIONAL MONETARY FUND

IMF Country Report No. 17/59

NIGER

February 2017

2016 ARTICLE IV CONSULTATION AND REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGER

In the context of the 2016 Article IV Consultation and Request for a Three-Year Arrangement Under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its January 23, 2017 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 23, 2017, following discussions that ended on November 7, 2016, with the officials of Niger on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 22, 2016.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Niger.

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

Letter of Intent sent to the IMF by the authorities of Niger*
Memorandum of Economic and Financial Policies by the authorities of Niger*
Technical Memorandum of Understanding*
Selected Issues
*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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Washington, D.C.

Press Release No. 17/26
FOR IMMEDIATE RELEASE
January 27, 2017

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Concludes 2016 Article IV Consultation with Niger

On January 23, 2017, the Executive Board of the International Monetary Fund concluded the Article IV consultation[1] with Niger. The Board also approved a new three-year Extended Credit Facility Arrangement for Niger; a press release on this was issued separately.

Niger's macroeconomic outcomes continue to be impacted by security and humanitarian shocks, weak commodity prices, and the reduction of trade flows to neighboring countries. For 2016, growth is projected at 4.6 percent, slightly higher than the 3.5 percent recorded in 2015, but still only just above the rate of population growth. Growth was driven by a strong harvest that also resulted in lower domestic food prices with consumer price inflation remaining subdued at around 1 percent a year, well below the West African Economic Monetary Union (WAEMU) convergence criterion.

Fiscal revenues have underperformed in 2016, reflecting weaknesses in tax and customs administrations, and difficulties in the mining, oil, and telecommunications sectors, as well as lower trade flows with Nigeria. Consequently, expenditures have been held below budget levels, while protecting priority spending.

The medium-term economic outlook is favorable, but remains subject to substantial external and domestic risks. Growth is projected to increase to 5.2 percent in 2017, and further to average 6.0 percent during 2018-21, mainly as a result of the expansion of the extractive industries sector and an increase in public and private investments. Key risks include negative externalities of regional conflicts, vulnerability to natural disasters, and the economic downturn in the sub-region.

Executive Board Assessment[2]

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Executive Directors commended the authorities for maintaining macroeconomic stability and advancing the reform agenda despite persistent security concerns, the regional economic slowdown, and weak commodity prices. Directors noted the progress made in strengthening debt management, the business climate, and key social indicators. While the medium term outlook is favorable, challenges and risks remain. Going forward, Directors highlighted the need for strong commitment to the Fund supported program which supports the authorities' Economic Development Document aimed at strengthening the macroeconomic framework, while creating fiscal space for the needed infrastructure and social spending. Progress on structural reforms will be key to reducing poverty and creating jobs.

Directors welcomed the approval of the 2017 budget which appropriately takes into account capacity constraints and sets a realistic basis for fiscal consolidation over the medium term. They highlighted the importance of improving revenue mobilization by broadening the tax base, including by reducing tax exemptions, and strengthening the efficiency of tax and customs administration. Directors also emphasized the importance of prioritizing public spending and enhancing expenditure control and liquidity management, while strengthening resilience to natural disasters.

Directors considered it important to strengthen capital project and debt management framework. They welcomed the authorities' continued commitment to undertake a prudent debt policy, while improving project evaluation based on cost effectiveness, and encouraged them to exercise caution with regard to scaling up debt financed investments. Strengthening the transparent management of natural resources and the public private partnership framework will also be vital.

Directors underscored that financial sector deepening will play an important role in making growth more inclusive. They encouraged the authorities to step up the implementation of their Financial Inclusion Strategy and the National Financial Sector Development Strategy. At the same time, banking supervision should be strengthened in line with regional agreements.

Directors emphasized that giving priority to gender equity, disaster risk management, and harnessing the demographic dividend is critical for achieving Niger's medium term growth potential, creating jobs, and reducing poverty. They welcomed recent initiatives in these areas and urged further actions, especially by passing swiftly the law on gender.

Niger: Selected Economic and Financial Indicators, 2014-21

	2014	2015	2016	2017	2018	2019	2020	2021
	Est.	Est.	Proj.	Program			Projections	
	(Annual percentage change, unless otherwise indicated)							
National income and prices								
GDP at constant prices	7.0	3.5	4.6	5.2	5.5	5.4	7.4	6.2
Non-resources GDP at constant prices	7.9	4.1	4.3	5.0	5.6	5.5	6.0	5.7
Oil production (thousand barrels per day)	17	13	16	18	19	19	40	50
GDP deflator	-0.5	0.5	2.0	2.4	2.1	1.8	1.6	1.9
Consumer price index								
Annual average	-0.9	1.0	1.1	2.0	2.1	2.0	2.0	2.0
End-of-period	-0.6	2.2	1.2	2.2	2.0	2.0	2.0	2.0
External sector								
Exports, f.o.b. (CFA francs)	-8.8	-10.1	-10.7	13.7	12.3	12.3	33.4	17.8
Of which: non-uranium exports	-1.5	-15.2	-8.6	10.3	13.4	21.1	49.0	22.5
Imports, f.o.b (CFA francs)	7.0	9.6	-11.7	19.5	11.2	9.3	9.0	6.7
Export volume	11.1	-4.5	-19.0	6.6	9.1	14.1	42.6	13.9
Import volume	5.5	7.3	-12.6	17.1	8.9	7.3	6.8	4.5
Terms of trade (deterioration -)	-19.4	-7.5	7.3	0.1	1.6	-3.6	-9.1	-1.8
Government finances								
Total revenue	13.6	7.6	-12.0	13.9	12.4	11.8	18.9	14.9
Total expenditure and net lending	22.7	9.8	-15.3	14.1	4.7	4.0	7.1	1.9
Of which: current expenditure	16.3	11.0	-3.5	9.2	5.1	5.1	5.3	6.1
Of which: capital expenditure	28.9	8.7	-25.9	19.9	4.2	2.9	9.1	-2.7
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)							
Money and credit								
Domestic credit	7.2	17.2	10.9	11.5	6.7	6.2	6.0	1.4
Credit to the government (net)	1.1	10.4	4.3	6.4	1.7	1.6	0.6	-3.5
Credit to the economy	6.1	6.8	6.6	5.1	5.0	4.6	5.4	4.9
Net domestic assets	5.2	15.9	7.9	11.9	7.0	6.5	6.2	1.7
Broad money (percent)	25.7	3.6	11.3	11.1	10.9	10.6	10.3	8.2
Velocity of broad money (ratio)	3.7	3.7	3.5	3.4	3.3	3.2	3.1	3.1
	(Percent of GDP, unless otherwise indicated)							
Government finances								
Total revenue	17.5	18.1	15.3	16.1	16.8	17.5	19.1	20.3
Total expenditure and net lending	31.0	32.7	26.5	28.1	27.3	26.4	26.0	24.4
Current expenditure	14.6	15.6	14.4	14.6	14.2	13.9	13.4	13.2
Capital expenditure	16.4	17.1	12.1	13.5	13.1	12.5	12.5	11.3
Basic balance (excluding grants)[1]	-6.4	-7.5	-4.4	-4.9	-4.0	-2.8	-0.9	1.5
Basic balance (WAEMU definition; including grants)[2]	-4.8	-5.7	-2.9	-3.8	-2.8	-1.7	0.0	2.1
Overall balance (commitment basis, including grants)	-8.0	-9.1	-6.5	-7.4	-6.0	-4.7	-2.9	-0.9
Gross investment	39.3	42.6	39.5	42.0	42.8	43.0	40.1	37.9
Of which: non-government investment	22.9	25.4	27.4	28.4	29.7	30.5	27.5	26.7
government	16.4	17.1	12.1	13.5	13.1	12.5	12.5	11.3
Gross national savings	23.8	24.5	24.1	24.0	24.3	24.5	24.6	24.6
Of which: non-government	18.7	20.3	21.3	20.9	20.2	19.4	17.7	16.5
Domestic savings	21.4	20.0	19.8	19.8	20.3	20.6	20.9	21.0
External current account balance								
Excluding official grants	-17.7	-19.7	-17.3	-19.5	-20.0	-20.0	-16.7	-14.3
External current account balance (including grants)	-15.4	-18.1	-15.4	-18.0	-18.5	-18.5	-15.4	-13.3
Debt-service ratio as percent of:								
Exports of goods and services	4.2	5.5	7.2	7.7	6.3	5.9	4.4	4.8
Government revenue	5.0	5.7	8.1	8.4	6.7	6.2	5.1	5.6
Total public and publicly guaranteed debt	33.7	41.9	47.0	51.1	53.0	53.9	52.4	50.3
Public and publicly guaranteed external debt	25.1	30.4	34.1	35.8	37.1	38.1	38.5	39.0
NPV of external debt	22.1	22.1	24.4	25.4	26.2	26.8	27.1	27.4
Public Domestic debt	8.7	11.5	12.9	15.3	15.9	15.8	13.9	11.4
Foreign aid	8.9	10.4	9.5	8.9	8.4	8.1	7.5	7.0
	(Billions of CFAF)							
GDP at current market prices	4,077	4,242	4,432	4,773	5,146	5,524	6,025	6,523

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.

Press Release No. 17/18
FOR IMMEDIATE RELEASE
January 24, 2017

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$134.04 Million under the ECF Arrangement for Niger

On January 23, 2017 the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF)[1] for Niger for an amount equivalent to SDR 98.7 million (about US$134.04 million, or 75 percent of Niger's quota) in support of the authorities' national plan for economic development.

The new program aims to enhance macroeconomic stability and foster high and equitable growth, boost incomes and create jobs, while strengthening the foundations for sustainable development. The program will build on the lessons from the previous ECF arrangements. The Executive Board's decision will enable an immediate disbursement of SDR 14.1 million (about US$19.15 million). The remaining amounts will be phased over the duration of the program, subject to semi-annual reviews.

During the same meeting, the Board also concluded the 2016 Article IV consultation. A separate press release will be issued shortly.

Following the Executive Board discussion on Niger, Deputy Managing Director Mr. Mitsuhiro Furusawa, and Acting Chair, said:

"Niger has been able to maintain macroeconomic stability despite major security challenges, continued low oil and uranium prices, and regional economic slowdown. Growth has improved and inflation remains subdued, well below the WAEMU convergence criterion. Significant progress was made under the 2012-16 Extended Credit Facility (ECF) Arrangement, including in strengthening public financial management, debt management and deepening the financial sector, but the impact of the adverse shocks, policy slippages and weak capacity limited the improvement in broader development indicators. Niger remains one of the least developed countries with numerous social and development challenges.

[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

"The new Arrangement under the ECF aims to sustain macroeconomic stability, make growth more inclusive, and reduce poverty, in line with the government's strategy as laid out in the Economic Development Document. Specific focus is given to enhancing fiscal space and further improving public financial management and the efficiency of spending to facilitate the attainment of Niger's development goals, in particular to finance infrastructure and social spending.

"The medium-term economic outlook is favorable, underpinned by improved agricultural production and a pick-up in natural resource exports. Nevertheless, to address the persisting challenges and risks, policy priorities ahead need to focus on preserving fiscal and debt sustainability. A strong reform agenda anchored on more efficient investment, improved business climate, more inclusive financial development, and a comprehensive strategy for addressing gender issues as well as harnessing the demographic dividend will be critical."

Annex

Recent Economic Developments

Niger's overall macroeconomic performance has remained satisfactory in 2016, despite the security and humanitarian shocks, the unfavorable commodity prices, and the reduction of trade flows to neighboring countries. Growth is projected to increase to 4.6 percent in 2016 from 3.5 percent in 2015, helped by a strong 2016-17 crop year and despite continued weakness in the oil and mining sectors. Inflation would be contained at 1.1 percent in 2016.

Budget execution has been impacted by lower-than-targeted revenue collection partly due to unfavorable developments in commodity sectors and continued economic problems in neighboring countries. At end-June 2016, most fiscal targets other than for government revenue were however met. Progress was made in implementing structural reforms, albeit with delays.

In response to a larger shortfall of revenue collection in the second half of 2016, the authorities curtailed commitments on nonpriority expenditures for the last quarter of 2016. This measure enacted by the inter-ministerial budget regulation committee will help avoid the accumulation of payments arrears and the resort to domestic financing.

The economic outlook for the medium-term is favorable, but remains subject to substantial external and domestic risks. Real GDP growth is projected to increase to 5.2 percent in 2017, driven by agriculture and an expected pick-up in oil production. Inflation is expected to remain contained below 2 percent. Real GDP growth is expected to average 6.1 percent during 2018-21, mainly as a result of the expansion of the extractive industries sector and an increase in public and private investments. Inflation is expected to remain below the 3 percent West African Economic Monetary Union (WAEMU) convergence criterion. Key risks include negative externalities of regional conflicts, vulnerability to natural disasters, and the economic turmoil in the sub-region

Program Summary

Building on progress made under previous arrangements (see Press Release No. 12/90), the new three-year program will support the broad objectives of the Economic Development Document and address impediments to enhanced macroeconomic stability, higher growth and job creation. The main objectives of the ECF-supported program are to maintain macroeconomic stability while creating fiscal space for infrastructure, accommodating permanently elevated security spending, and enhancing social spending. Preserving macroeconomic stability remains essential for attaining policy objectives aimed at reducing poverty, together with an improved business climate and enhanced financial access, all of which would contribute to the diversification of the economy and its enhanced resilience.

Fiscal policies will aim at broadening the tax base—to reduce dependence on volatile natural resource revenues—strengthening the efficiency of tax and customs administration, and improving tax collection. Expenditure management will focus on prioritizing public spending and enhancing expenditure control, including through the full implementation of the Treasury Single Account (TSA) helped by a strong framework for liquidity management to prevent domestic arrears accumulation and contain rising debt levels.

Background

Niger, which became a member of the IMF on April 14, 1963, has an IMF quota of SDR 131.6 million.

For additional information on the IMF and Niger, see:
http://www.imf.org/external/country/ner/index.htm.

Niger: Selected Economic and Financial Indicators, 2014-21

	2014	2015	2016	2017	2018	2019	2020	2021
	Est.	Est.	Proj.	Program			Projections	
	(Annual percentage change, unless otherwise indicated)							
National income and prices								
GDP at constant prices	7.0	3.5	4.6	5.2	5.5	5.4	7.4	6.2
Non-resources GDP at constant prices	7.9	4.1	4.3	5.0	5.6	5.5	6.0	5.7
Oil production (thousand barrels per day)	17	13	16	18	19	19	40	50
GDP deflator	-0.5	0.5	2.0	2.4	2.1	1.8	1.6	1.9
Consumer price index								
Annual average	-0.9	1.0	1.1	2.0	2.1	2.0	2.0	2.0
End-of-period	-0.6	2.2	1.2	2.2	2.0	2.0	2.0	2.0
External sector								
Exports, f.o.b. (CFA francs)	-8.8	-10.1	-10.7	13.7	12.3	12.3	33.4	17.8
Of which: non-uranium exports	-1.5	-15.2	-8.6	10.3	13.4	21.1	49.0	22.5
Imports, f.o.b (CFA francs)	7.0	9.6	-11.7	19.5	11.2	9.3	9.0	6.7
Export volume	11.1	-4.5	-19.0	6.6	9.1	14.1	42.6	13.9
Import volume	5.5	7.3	-12.6	17.1	8.9	7.3	6.8	4.5
Terms of trade (deterioration -)	-19.4	-7.5	7.3	0.1	1.6	-3.6	-9.1	-1.8
Government finances								
Total revenue	13.6	7.6	-12.0	13.9	12.4	11.8	18.9	14.9
Total expenditure and net lending	22.7	9.8	-15.3	14.1	4.7	4.0	7.1	1.9
Of which: current expenditure	16.3	11.0	-3.5	9.2	5.1	5.1	5.3	6.1
Of which: capital expenditure	28.9	8.7	-25.9	19.9	4.2	2.9	9.1	-2.7
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)							
Money and credit								
Domestic credit	7.2	17.2	10.9	11.5	6.7	6.2	6.0	1.4
Credit to the government (net)	1.1	10.4	4.3	6.4	1.7	1.6	0.6	-3.5
Credit to the economy	6.1	6.8	6.6	5.1	5.0	4.6	5.4	4.9
Net domestic assets	5.2	15.9	7.9	11.9	7.0	6.5	6.2	1.7
Broad money (percent)	25.7	3.6	11.3	11.1	10.9	10.6	10.3	8.2
Velocity of broad money (ratio)	3.7	3.7	3.5	3.4	3.3	3.2	3.1	3.1
	(Percent of GDP, unless otherwise indicated)							
Government finances								
Total revenue	17.5	18.1	15.3	16.1	16.8	17.5	19.1	20.3
Total expenditure and net lending	31.0	32.7	26.5	28.1	27.3	26.4	26.0	24.4
Current expenditure	14.6	15.6	14.4	14.6	14.2	13.9	13.4	13.2
Capital expenditure	16.4	17.1	12.1	13.5	13.1	12.5	12.5	11.3
Basic balance (excluding grants)[1]	-6.4	-7.5	-4.4	-4.9	-4.0	-2.8	-0.9	1.5
Basic balance (WAEMU definition; including grants)[2]	-4.8	-5.7	-2.9	-3.8	-2.8	-1.7	0.0	2.1
Overall balance (commitment basis, including grants)	-8.0	-9.1	-6.5	-7.4	-6.0	-4.7	-2.9	-0.9
Gross investment	39.3	42.6	39.5	42.0	42.8	43.0	40.1	37.9
Of which: non-government investment	22.9	25.4	27.4	28.4	29.7	30.5	27.5	26.7
government	16.4	17.1	12.1	13.5	13.1	12.5	12.5	11.3
Gross national savings	23.8	24.5	24.1	24.0	24.3	24.5	24.6	24.6
Of which: non-government	18.7	20.3	21.3	20.9	20.2	19.4	17.7	16.5
Domestic savings	21.4	20.0	19.8	19.8	20.3	20.6	20.9	21.0
External current account balance								
Excluding official grants	-17.7	-19.7	-17.3	-19.5	-20.0	-20.0	-16.7	-14.3
External current account balance (including grants)	-15.4	-18.1	-15.4	-18.0	-18.5	-18.5	-15.4	-13.3
Debt-service ratio as percent of:								
Exports of goods and services	4.2	5.5	7.2	7.7	6.3	5.9	4.4	4.8
Government revenue	5.0	5.7	8.1	8.4	6.7	6.2	5.1	5.6
Total public and publicly guaranteed debt	33.7	41.9	47.0	51.1	53.0	53.9	52.4	50.3
Public and publicly guaranteed external debt	25.1	30.4	34.1	35.8	37.1	38.1	38.5	39.0
NPV of external debt	22.1	22.1	24.4	25.4	26.2	26.8	27.1	27.4
Public Domestic debt	8.7	11.5	12.9	15.3	15.9	15.8	13.9	11.4
Foreign aid	8.9	10.4	9.5	8.9	8.4	8.1	7.5	7.0
	(Billions of CFAF)							
GDP at current market prices	4,077	4,242	4,432	4,773	5,146	5,524	6,025	6,523

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

December 22, 2016

STAFF REPORT FOR THE 2016 ARTICLE IV CONSULTATION AND REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

KEY ISSUES

Context. Economic growth is estimated to have increased to 4.6 percent in 2016 from 3.5 percent in 2015, helped by a strong 2016-17 crop year and despite continued weakness in the oil and mining sectors, adverse spillovers from the economic downturn in Nigeria and continued elevated security threats. Inflation remains subdued. Notwithstanding recent macroeconomic gains, Niger still ranks last on the UN's Human Development Index with growth barely above the estimated rate of population growth (4.1 percent a year). President Issoufou secured a second term in the presidential and legislative elections held in February-March 2016, with the new administration reaffirming a focus on reinvigorating growth to create more employment opportunities, including by addressing infrastructure gaps, while strengthening food security.

Article IV Consultation. Discussions focused on the key components of Niger's inclusive growth agenda, in particular: (i) reducing gender inequality; (ii) improving prevention and response to natural disasters; and (iii) harnessing the demographic dividend.

Request for an Extended Credit Facility arrangement. In the attached letter of intent, the authorities request a three-year arrangement under the Extended Credit Facility (ECF) in the amount of SDR 98.7 million (75 percent of quota) in support of their medium-term economic program as described in the government's Economic Development Document (EDD). While preserving macroeconomic stability remains a key objective, the program design acknowledges the protracted balance of payment needs and the likely continued elevated security spending and therefore the need to enhance fiscal space to ensure that development objectives can be attained. Fiscal space is to be enhanced by broadening the tax base and strengthening the efficiency of tax and customs administration. Expenditure management focuses on prioritizing public spending and enhancing expenditure control and liquidity management. A strong reform agenda buttresses the program, with the growth agenda anchored on more efficient investment, as well as an improved business climate and more inclusive financial development.

Outlook and risks. The medium-term outlook remains favorable despite uncertainty as to when major new projects in the uranium and crude oil sectors will come on-stream. There also remain significant regional security risks, as well as risks of adverse economic contagion from neighboring Nigeria. New borrowing will need to be managed prudently, as the DSA indicates that Niger is already at a moderate risk of debt distress.

Staff views. Staff supports the conclusion of the Article IV Consultation and the authorities' request for a new ECF-supported program. Approval by the Executive Board will result in a disbursement of SDR 14.1 million.

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

Discussions were held in Niamey from October 24 to November 7, 2016. The mission comprised Messrs. Gueye (head), Barry, Davies, Lopes, Ntamatungiro (Resident Representative), and Abdou (local Economist) (all AFR).

The mission met with President Issoufou, Prime Minister Rafini, Minister of Finance Hassoumi, Minister of Planning Aichatou Boulama, Minister of Petroleum Gado, Minister of Mining Moussa, Minister of Budget Jidoud, the National Director of the regional central bank Karim, *Banque Centrale des Etats de l'Afrique de l'Ouest* (BCEAO), other senior officials and representatives of civil society, the private sector, and development partners. World Bank representatives participated in key meetings.

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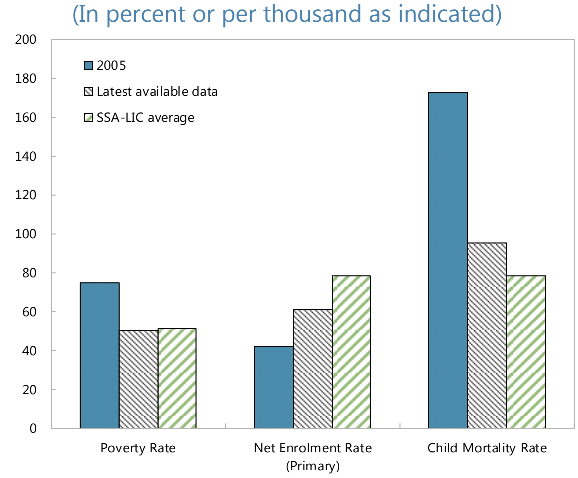
CONTEXT

1. Niger faces major development and security challenges, but the political situation is stable. Despite significant improvements in social indicators over the last two decades, more than half of the population lives below the poverty line of less than US$1.90 (PPP-adjusted) a day (Text Figure 1a). The economy is still dominated by subsistence agriculture, which is hampered by frequent floods and droughts, and the prevalence of rudimentary techniques that hold back productivity. Since 2012, heightened armed hostilities across Niger's borders have caused major humanitarian and economic crises. Such hostilities periodically claim lives, destroy property and infrastructure, disrupt domestic production and trade flows, and have resulted in an estimated 350,000 refugees and internally displaced persons (Text Figure 1b). As a result, security-related spending rose from 1.5 to 5.2 percent of GDP between 2011 and 2015, leading to higher budget deficits and diversion of spending from social priorities.

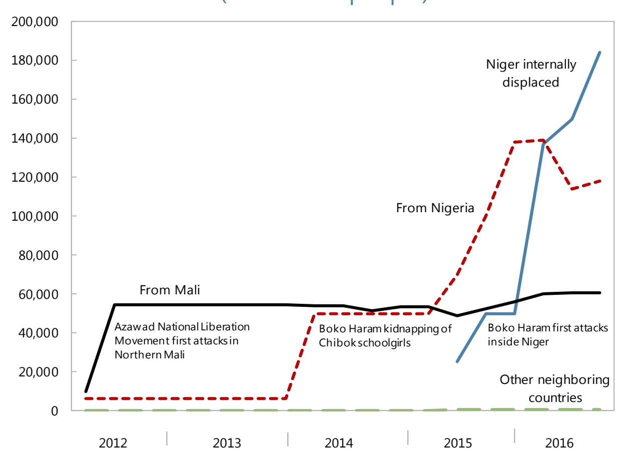
Text Figure 1a. Niger: Social Indicators, 2005-latest

(In percent or per thousand as indicated)



Text Figure 1b. Niger: Refugees from Neighboring Countries' Conflicts, 2012-16

(Number of people)



Source: United Nations High Commissioner for Refugees (UNHCR), and World Bank.
Notes: Poverty Rate is defined as the percentage of population below $1.90 (PPP) per day. The latest available data is from 2011. Net Enrolment Rate (Primary) refers to the enrolment rate in primary education of both male and female children. The latest available data is from 2014. Child Mortality Rate is defined as the mortality rate of children under five years-old per 1,000 live births. The latest available data is from 2015. SSA-LIC is the abbreviation for Sub-Saharan Africa - Low Income Countries. The average includes Niger and is for the latest available data for each country.

2. The authorities have advanced their reform agenda, drawing on recommendations from the 2014 Article IV Consultation and in the context of the ECF Arrangement that expires at end-December 2016. In line with staff's advice to adhere to a prudent debt management policy, the authorities launched the process of strengthening the debt management framework including by establishing an Inter-Ministerial Committee on Debt Management. This Committee is headed by a permanent secretariat which coordinates debt policy across all ministries and ensures that every debt contracted is consistent with debt sustainability. Progress has also been made on improving the business climate, as Niger moved up from a rank of 176th out of 189 countries in the 2014 World Bank Doing Business Report to 150th out of 190 countries on the 2017 Report. However, headway has been slow in customs and tax administration reforms, controlling spending and improving budget management.

RECENT DEVELOPMENTS, OUTLOOK

A. Recent Developments

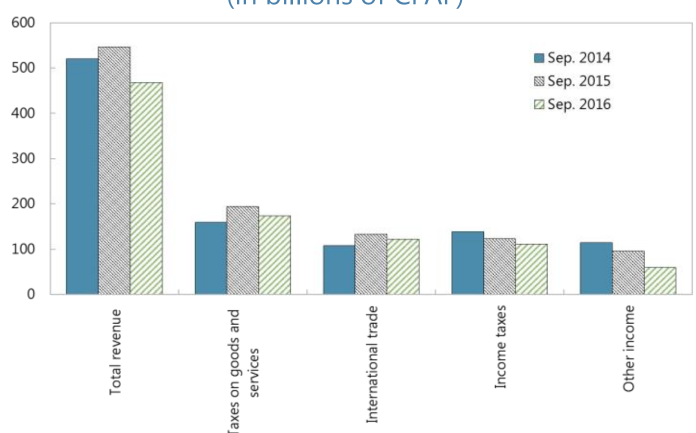
3. **Growth increased in 2016, but barely above population growth** (Table 1). Economic growth is estimated to have risen to 4.6 percent in 2016 (below the earlier projection of 5.2 percent), compared with 3.5 percent in 2015, helped by a good agricultural season and an expansion of crop irrigation that boosted agricultural production by nearly 8 percent. However, the resumption of oil production was slower than expected and government spending was constrained by lower revenue, in addition to adverse security developments, and the economic slowdown in neighboring countries affecting the services sector.

4. **Inflation remains well below the West African Economic Monetary Union's (WAEMU) "three percent" convergence criterion** (Table 2). Reflecting the good 2016-17 harvest and the government's food security programs that play a stabilizing role, domestic food prices declined and thus consumer price inflation remained subdued in 2015 and through October 2016 at around 1 percent annualized. Weak oil prices further contributed to price stability (Figure 2).

5. **The overall fiscal balance improved in the first half of 2016, with all end-June performance criteria (PC) met. But deepening revenue shortfalls at end-September 2016 have forced a scaling back in expenditures** (Tables 2 and 3).

- Revenues underperformed in 2016, reflecting weaknesses in tax and customs administrations but also difficulties in the mining, oil, and telecommunication sectors, as well as lower trade flows with Nigeria (30 percent decline in total trade compared to end-September 2015) driven mostly by security threats, lower commodity prices and regional spillovers. While revenue underperformance was minor up to end-June 2016 (total revenue was short of the program target by 0.3 percent of GDP), by end-September 2016, the shortfall had widened to 2 percent of GDP, with revenues 14.5 percent below the level of end-September 2015 (Text Figure 2).

Text Figure 2. Niger, Revenue Mobilization at end-September 2016
(in billions of CFAF)



Sources: Niger authorities; and IMF staff calculations.

- Revenue mobilization also suffered from weak non-agriculture activities in 2015 and lower-than-expected recovery in 2016, partly due to the impact of the 2016 elections and lower consumer confidence. The shortfall in corporate taxes was estimated at CFAF 20.5 billion in 2016 because advances paid in 2015 were higher than assessed taxes in 2016, permitting more deductions than projected. In addition, the depreciation of the Naira induced a diversion to the domestic parallel market of refined petroleum products.[1] This diversion and depreciation contributed also to the overall decline of exports and re-exports to Nigeria, and to higher imports from Nigeria. As a result, at end-September 2016, VAT collections fell short by CFAF 30 billion, the special tax on petroleum products by CFAF 5.4 billion, and customs taxes by CFAF 26.2 billion.

- At end-June, domestically financed spending was under-executed relative to program targets, resulting in a basic balance in line with the program target. The government also cleared all end-2014 arrears. But at end-September, security and social spending pressures led to a deterioration of fiscal outcomes.

- End-September outcomes suggested the need for a downward revision of the end-2016 revenue target to reflect a projected shortfall estimated at CFAF 114.5 billion (2.6 percent of GDP). To offset it, the government took strong measures to contain spending by freezing planned non-priority-expenditures (including CFAF 48.2 billion in current spending), while safeguarding salaries, debt service payments, and security spending.[2] The increase in the basic balance deficit was limited to CFAF 24.3 billion and to be financed domestically by CFAF 14.3 billion and by a slightly slower pace of reduction of domestic arrears.

6. **Broad money in the nine months through September 2016 increased by 9 percent, which is in line with estimates of economic activity** (Table 4). Official net foreign assets decreased by 20 percent compared to end 2015, as the external budget support envisaged for the second half of the year will only be disbursed at the end of the year. Credit to the private sector also increased by 9 percent in the first three quarters of 2016, a deceleration relative to the previous year. Credit to the government increased by CFAF 98 billion from end 2015 as the government, faced with lower foreign support, turned to domestic financing.

7. **The current account deficit is projected to decrease from 18.1 percent of GDP in 2015 to 15.4 percent in 2016** (Table 5). This reflects a reduction in imports that more than offsets the fall in goods exports due to low international prices for uranium and petroleum products, and the economic slowdown in Nigeria. At end-2015, gross official reserves remained at a comfortable level of 4.6 months of import of goods and services projected for 2016.

[1] The authorities are investigating the scale of the oil parallel market, while working on innovative measures to differentiate oil products destined to export and to the domestic market.

[2] Spending cuts were mostly related to office supplies, mission travel, maintenance, renovations, and infrastructure projects in some major cities.

B. Outlook and Risks

8. Niger's overall economic outlook remains positive. Growth is projected to rise to 5.2 percent in 2017, and to average 5.4 percent during 2017-19, driven by the expansion of irrigated agriculture under the national food security program (3N Initiative). The main natural resource projects—an oil pipeline through Chad and the Imouraren uranium mine—are now expected to be completed in 2020 and 2021, respectively, providing for a boost to growth beginning in 2020. The current account deficit is projected to rise to about an average of 18.6 percent of GDP in 2017-19 driven by capital and intermediate goods imports associated with FDI and the government's investment program. Exports are expected to improve from higher gold production and agricultural products boosted by investments under the recently signed compact between Niger and the Millennium Challenge Corporation (MCC). Inflation is expected to remain subdued at about 2 percent. Gross official reserves are projected to remain stable at 4 months of import of goods and services.

9. The exchange rate remains broadly in line with model-based estimates of fundamentals, but broader competitiveness indicators point to major challenges (Text Table 1). Consistent with the regional 2016 WAEMU external stability assessment, the EBA-lite methodology suggests that the real effective exchange rate (REER) during 2015 was broadly in line with macroeconomic fundamentals. But the recent Naira's depreciation could lead to a weakening of Niger's competitiveness. In addition, broader competitiveness indicators, such as the World Bank's Doing Business Indicators, highlight significant structural gaps in dealing with construction permits, getting credit, and paying taxes (Background note on External Stability Assessment).

Text Table 1. Niger: Exchange Rate Assessment, 2016[1]

	Initial Estimates		
	Current account/GDP		Real exchange rate gap
	Norm	Underlying	
CA model	-9.4	-18.1	15.0
External sustainability	-11.4	-15.4	6.4
IREER			-12.0

	Alternative scenario with an underlying CA level of -10.2 percent of GDP		
	Current account/GDP		Real exchange rate gap
	Norm	Underlying	
CA model	-9.4	-10.2	2.4
External sustainability	-11.3	-10.2	-1.9
IREER			-12.0

Source: IMF staff calculations.

1/Note:

- The current account elasticity used (-0.63) is based on the median trade elasticity for small countries reported in Tokarick (2010).
- In the initial estimates, the underlying-CA is the CA in 2015 for the CA-model and the underlying-CA is the CA in 2020 for the ES-model with the objective of stabilizing the NIIP at -79.6 percent of GDP consistent with the CA-norm of -9.4 percent of GDP obtained in the CA-model.
- The alternative scenario uses a lower current account that discounts for FDI driven investments and the large public investments.

10. Risks to the outlook are tilted to the downside (Table 13). Lingering security concerns could discourage foreign investment, disrupt domestic production, and force a further reprioritization of expenditures towards security. Persistent weak commodity prices could lead to further delays in implementing the resource projects underpinning growth prospects. On the upside, a rebound in uranium and oil prices or a pickup in the Nigerian economy would boost Niger's fiscal space and growth.

11. To illustrate some of these risks, staff developed two alternative scenarios. The scenarios simulate security and terms of trade shocks (Figure 5).[3] In both scenarios, staff assume that exports from the new resource projects will be delayed by one year as a result of the shock. The simulation results show, in 2017, a decline in GDP growth of 0.3 to 0.8 percentage points, and a deterioration of the current account of 0.8 to 1.7 percent of GDP, and a fall in reserves. The fiscal stance would also deteriorate as revenue would fall and security spending expand. From a DSA perspective, while under the security shock the debt ratios would remain under their respective thresholds, the large impact of the terms of trade shock on exports would cause the debt-to-export ratio to exceed the 150 percent threshold by 15.4 percent in 2017. In addition, based on earlier work, staff found that climatic shocks[4] have a large and persistent impact on Niger's economic activity, but with limited impact on consumer prices, inter alia due to the government's mitigating policies in place (IMF, 2012). Also, staff estimates that a natural disaster causing losses of 0.5 percent of GDP would have a weak fiscal impact but could be magnified in terms of economic growth and the current account deficit.

12. Niger has been adversely impacted by spillovers from its main trading partner, Nigeria (Box 1). The spread of terrorist attacks into Niger remains a key risk. The economic downturn in Nigeria, together with the sharp exchange rate depreciation and restrictions on access to foreign exchange since late 2014, have contributed to Niger's conventional exports to Nigeria falling by 16 percent in 2015, and re-exports by 17 percent resulting in significant customs revenue losses. Also, at end-June 2016 exports to Nigeria had fallen by 45.4 percent compared to end-June 2015.[5] Niger's growth prospects are also vulnerable to spillovers from neighboring Chad, as the construction of the crude oil pipeline connection depends on security conditions there.

[3] In the security shock scenario, staff consider an increase of security-related spending equivalent to 1 percent of GDP that affects trade and other economic activities. In the terms of trade shock scenario, staff envisage a 25 percent decrease of the baseline oil and uranium prices in 2017 and going forward.

[4] See Niger Country Report No. 12/109 and the October 16 SSA-REO on Enhancing Resilience to Natural Disasters in SSA).

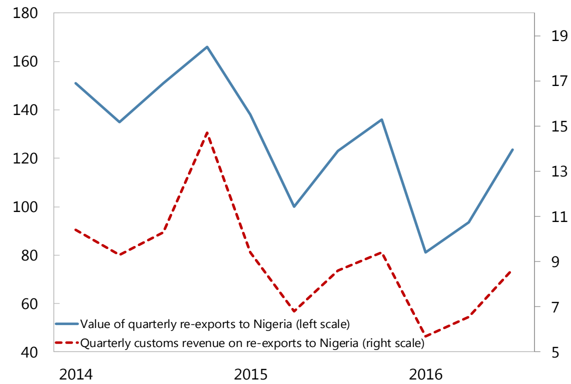
[5] Data are provided by the customs office. BOP data may be different because of retreatment and reclassification.

Box 1. Niger: Spillovers from the Economic Slowdown in Nigeria

Niger and Nigeria share a 1,500-kilometer-long border, on both sides of which commerce has flourished for centuries and opportunities for arbitrage abound. Nigeria's highly-subsidized fuel products find their way into Niger, which also serves as a transit route for imports debarked in Benin and destined for Nigeria, which Niger taxes at low rates (5-10 percent range), but yield non-negligible customs revenues (1 percent of GDP in 2014). Niger's trade with Nigeria was estimated at 3 percent of GDP in 2015, but excluding re-exports and transit merchandises, and informal trade in agriculture products, livestock, and fuel products.

Niger: Exports and Customs Revenue with Nigeria, 2014-16

(Billions of CFAF)



Source: Nigerien authorites.

The economic slowdown in Nigeria following the collapse in international oil prices in late 2014 has resulted in a sharp reduction in incomes and a large exchange rate depreciation (coupled with a shortage of foreign exchange) that have greatly reduced Nigeria's demand for Niger's products. In value terms, Niger's conventional exports to Nigeria fell by 16 percent in 2015, while the much larger volume of transit merchandises and re-exports fell by 17 percent. This trend continued during 2016 with re-exports falling by a further 15 percent, and export falling by 45.4 percent on an annual basis, at end-June, leading to a large loss in customs revenue. In the case of livestock, trade flows have reversed with Niger periodically importing from Nigeria. Total imports from Nigeria have increased by 36.6 percent in 2016, mostly primary and locally manufactured goods that generate little tax due to regional agreements.

ARTICLE IV POLICY DISCUSSIONS: ADVANCING THE GROWTH AGENDA

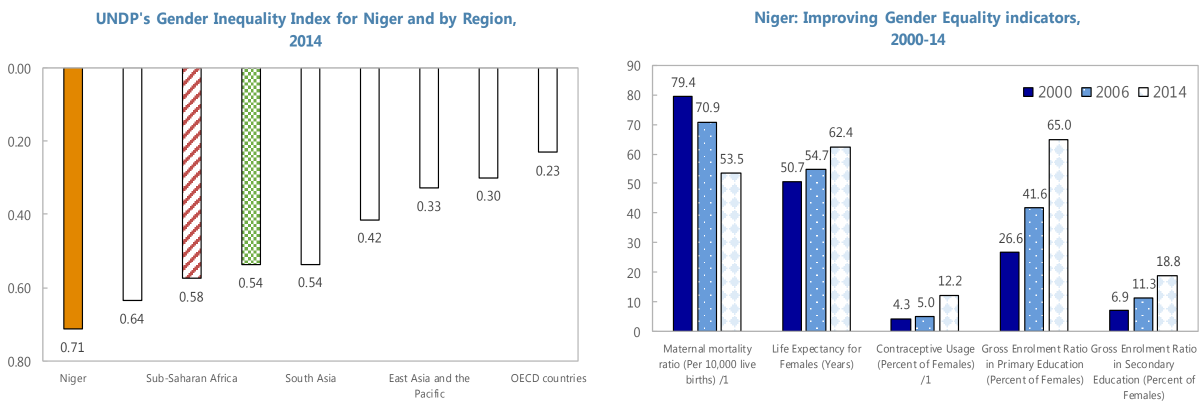
Discussions focused on some key aspects of Niger's inclusive growth agenda, in particular: (i) reducing gender inequality; (ii) managing the impact of natural disasters; and (iii) harnessing Niger's demographic dividend. There was full agreement on the need to address these issues within a time-bound strategic agenda and from a long-term perspective buttressed on scaling up investment in education and capacity development.

A. Reducing Gender Inequality

13. Gender inequality in Niger is among the highest in the world and policies to improve women's conditions are lagging (Background Paper on Gender Inequality in Niger). Some progress in women's welfare indicators has been achieved during the implementation of the *Programme de Développement Economique et Social* (PDES), that sought to attain the Millennium Development Goals

(Text Figure 2). However, Niger has the seventh lowest score in the world on the United Nation's Gender Inequality Index (GII) and also ranks at the bottom of the OECD's Social Institutions and Gender Index (SIGI). Poverty and social norms contribute to establish patterns of early marriage and a high fertility rate that take many women away from school and limits their participation in the workforce. Creating equal opportunities for women could contribute to boost development and growth outcomes, as gender inequality in Niger entails substantial economic costs[6] (Text Figure 3).

Text Figure 3. Niger: Indicators of Gender Equality and Regional Comparators, Latest Available Data



1/ Unweighted average score for Sahel Countries for which the index is available: Burkina Faso, Chad, The Gambia, Mali, Mauritania, Niger, Senegal, and Sudan.

1/ Last year available is 2012.

Sources: World Development Indicators, World Bank; and United Nations Development Program (UNDP, 2016).

14. The authorities consider gender inequality a major policy issue, and noted several affirmative action policies in recent years and plans going forward. The adoption of a National Gender Policy in 2008 laid out a four-pronged strategy: (i) supporting teenagers' school enrolment to discourage early marriages; (ii) providing guidance and maternal support to teenagers; (iii) expanding opportunities for revenue generating activities and improved access to finance; and (iv) promoting public awareness by strengthening partnership with non-governmental organizations and opinion leaders. The authorities also highlighted Niger's gender promoting institutions: the Ministry of Women Promotion, dedicated to providing vocational education and finance to women, and the National Gender Observatory. Also, through regional collaboration with neighboring countries (Burkina Faso, Côte d'Ivoire, Chad, Mali, and Mauritania), the authorities are implementing programs aimed at empowering women and adolescent girls and at providing better access to quality reproductive health services.

15. Staff agreed on the relevance of these policies and urged the authorities to continue to address gender-based legal restrictions. Staff acknowledged Niger's socio-cultural context, while stressing the economic opportunity costs of not enabling women to fully participate in the

[6] Cuberes, David, and Marc Teignier, 2015, "Aggregate Costs of Gender Gaps in the Labor Market: A Quantitative Estimate": Journal of Human Capital, forthcoming.

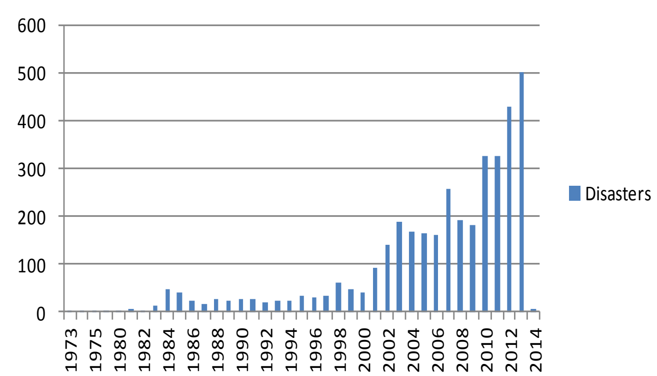
labor force because of legal gender-based restrictions. Staff noted that removing restrictions on ownership and inheritance of assets would provide women with access to collateral, as well as removing restrictions on women opening bank accounts would promote women's inclusion in the financial system and support small business entrepreneurship. Thus, drawing on other country experiences, staff urged the authorities to pursue proven economic, legal, and institutional reforms such as improved access to finance and revenue generating activities that improve income opportunities for women. Also staff called for increased opportunities for women to enter the formal sector through enhanced training programs.

B. Preventing and Managing Natural Disasters

16. More frequent natural disasters periodically inflict substantial economic and social losses in Niger (Background Paper on Managing and Preventing Natural Disasters, Text Figure 4). Such disasters are linked to geographical conditions, climate change and high population growth. Dependence on rain-fed agriculture based on rudimentary technology has left Niger vulnerable to droughts and locust plagues that result in periodic food shortages. Floods also continue to cause significant damage in riverside communities, claiming lives and properties. Recent food crises (2005 and 2010) showed that a timely response coordinated through monitoring system (Early Warning System-EWS) could mitigate the impact of basic cereal shortages.

Text Figure 4. Niger: Frequency of Disasters, 1973-2014

(Number of occurrences)



Source: DESINVENTAR.

17. The authorities presented the main features and highlighted the effectiveness of their disaster risk management framework. They have established a donor-supported framework for preventing and managing disasters (DNPGCCA), including famine outbreaks, which has responded effectively to recent disasters. The framework is grounded on a bottom-up information system, collecting data from villages and counties, to the national level. The system comprises the vulnerability monitoring observatories (OSV) and an early warning network at village level (SCAPRU), which collects information and guides relief efforts to the exposed populations. These programs are financed under the Support Plan to Vulnerable Populations (PSPV), an essentially donor-funded plan with annual budgets (4-5 percent of GDP) reflected in the overall government budget. Authorities and donors highlighted the effectiveness of the framework, indicating that it was strengthened by lessons from the 2005 and 2010 food crises.[7]

18. Staff concurred that existing contingent plans and the 3N Initiative were commendable achievements, but urged the authorities to improve institutional coordination. The disaster prevention and related risk management framework and the recent investments in agricultural irrigation and access, helped to reduce significantly the impact of natural disasters and thus improved food security. Staff urged building on the policies under the 3N Initiative's investment plan for 2016-20 and the recently signed Millennium Challenge Compact (MCC). Staff stressed that the information system under the early warning system could be expanded and the geographical coverage of the disaster management framework extended. Furthermore, staff highlighted the importance of coordination of all agencies involved in the framework to improve the response system.[8]

C. Harnessing the Demographic Dividend

19. Niger has the world's fastest growing population, offering a prospective demographic dividend that can be captured with well-designed policies (Background Note on Harnessing the Demographic Dividend in Niger: Opportunities and Challenges). The significant decline in the mortality rate indicates that Niger has started its demographic transition. However, with the highest fertility rate in the world of 7.6 children per woman, Niger's population growth rate has accelerated to 4.1 percent a year. The resulting young and growing labor force bodes well for economic growth, but adequate policies are needed to provide education and jobs for the youth to capture potential demographic dividend expected from 2020. Current projections suggest that the dividend could be low in terms of income per capita gains, but would last beyond 2100. Until then, the share of the working age population will be lower and the dependency ratio higher than the average levels reached by other regions that have already enjoyed large demographic dividends (Text Figure 5).

20. The authorities showed strong commitment to seizing the demographic transition opportunities, but foresee pressing and long-term challenges. To that end, they have been implementing policies to reduce the fertility rate, promote vocational education, and create more job opportunities. To reduce fertility, they have adopted a bottom-up approach (focusing on local communities) which, they noted, has proven effective in overcoming to some extent the resistance of religious leaders. Specific actions include: (i) launching in 2012 of informal education venues ("*école des maris*"), intended to promote and facilitate family planning through increased involvement of husbands; and (ii) initiating in November 2015 the Sahel Women's Empowerment and Demographic Dividend project (SWEDD), supported by the World Bank and the United Nations

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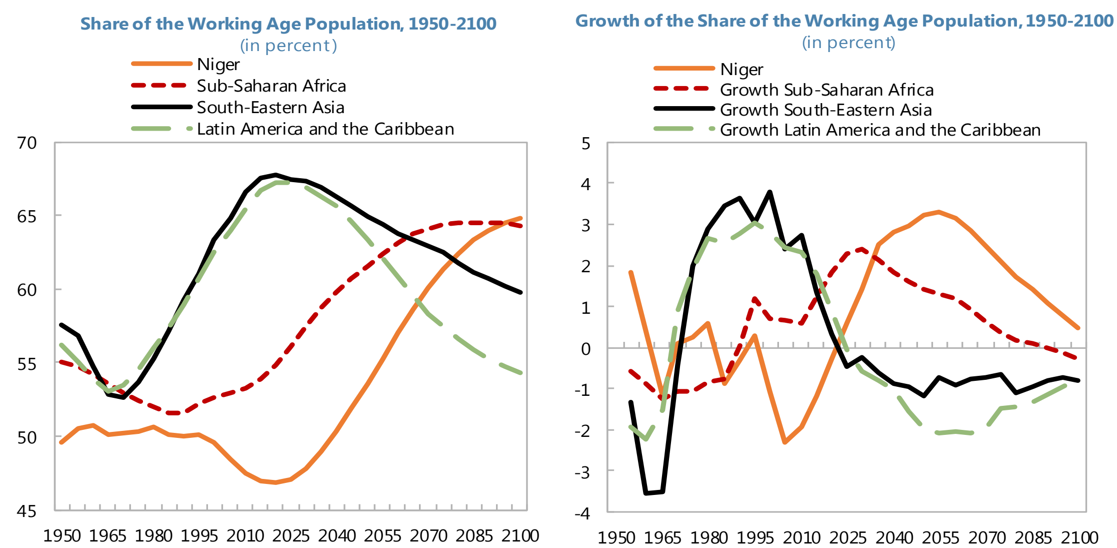
[7] The authorities informed that Niger subscribed to Africa Risk Capacity (ARC), a sovereign drought insurance for African Union member countries.

[8] In addition to the DNPGCCA and 3N Initiative, ad hoc structures were set up for specific missions; a Ministry in charge of Humanitarian Action and Disaster Management was created in May 2016. The authorities indicated that coordination issues will be addressed under the 2014-18 National Disaster Risk Reduction Strategy (SNRRC) currently being revised with the assistance of the United Nations Development Program (UNDP).

Population Fund. The priorities of enhancing vocational education and expanding job creation are identified in the EDD through the implementation of the Sectoral Program for Education and Training Development project (PSEF 2014-24). Another key challenge is ensuring quality universal education for all Nigeriens as education indicators remain low. To speed up job creation for graduates of vocational schools, the business environment is being improved to stimulate private sector initiative (see ¶ 39).

Text Figure 5. Niger: Share of the Working Age Population, 1950-2100



Sources: UN population prospects; and IMF staff calculations.

21. Staff welcomed the measures taken so far to harness the expected demographic dividend, but called for better coordination and greater priority to vocational education and economic diversification. Staff noted that the existence of multiple institutions mandated to address demographic challenges, could lead to an inefficient allocation of resources and stressed the need for better coordination. Staff also urged for enhanced prioritization of investment in human capital, with the goal of improving women education and enhancing vocational education to ensure the development of a more gender balanced and skilled workforce. Also, based on other countries' experience, staff showed that strong policies to curb population growth could shorten the duration of the demographic dividend window, and increase its size. With the goal of creating the needed jobs for the more than 250,000 young expected to join the labor force each year, staff called for the improvement of the business environment, sustained modernization of agriculture through the 3N Initiative, and leveraging resource revenues to promote economic diversification.

THE NEW ECF ARRANGEMENT: PRESERVING SUSTAINABILITY WHILE ENHANCING INCLUSIVE GROWTH

The ECF-supported program is anchored on the government's development strategy as set out in its Economic Development Document (EDD). With fiscal space likely to remain constrained over the medium term and security- and refugee-related spending likely to remain elevated, a successor ECF-supported policy framework is considered critical for sound policy implementation by both the government and its international partners who provide 60 percent of total budget financing.

22. The new ECF program seeks to build on lessons from previous arrangements (Annex 1 on Niger: Ex-Post Peer-Reviewed Assessment). Previous programs have, despite substantial adverse exogenous shocks, preserved macroeconomic stability while enabling progress with social and development indicators. There were, however, frequent slippages in performance resulting in delayed reviews. This was in part due to the government's inability to respond promptly to the shocks that often resulted in revenue shortfalls and, given weak public financial management, the incurrence of domestic arrears. There were also delays in implementing structural reforms.

23. The new program would support progress towards the broad objectives of the EDD, while building on progress and challenges in reducing poverty under the PDES:

- **Achievements and challenges**. Niger's development strategy under the ECF 2012-16—as laid out in the government's *PDES*—helped to preserve macro-economic stability and to sustain an inclusive growth process. Under the PDES, the poverty rate declined from 48.2 percent in 2011 to 45.4 percent in 2014. Food security indicators improved noticeably as a result of the 3N Initiative. Niger's educational system and health indicators showed significant strides, with primary school enrollment rising and under-five mortality falling. Remaining challenges revolve around: (i) improving the income level of households; (ii) boosting resilience of the communities faced with frequent disasters through appropriate food policies and strategies; (iii) financing of agriculture and infrastructure; and (iv) reinforcing best practices, with the aim of consolidating the proper functioning of public administration and delivery of public goods.

- **The PDES' successor, the EDD, laid out its objectives for 2016-19** building on the government's long-term economic and social programs (Renaissance II, and Niger Vision 2035) and on the achievements and challenges of Niger's PDES. The EDD aims first at further enhancing the macroeconomic environment to achieve accelerated growth and meet the dual objectives of improving incomes and job creation, while strengthening the foundations for sustainable development. The EDD estimates that annual growth of 7 percent is needed to achieve a significant sustained reduction in poverty and unemployment; and while the average rate of growth during the PDES 2012-15 was 6.6 percent, it was highly volatile, limiting its impact on reducing poverty.

24. The main objectives of the ECF-supported program are to maintain macroeconomic stability while creating fiscal space for infrastructure, for permanently elevated security spending, and for enhanced social spending:

- **Preserving macroeconomic stability** remains essential for attaining policy objectives aimed at reducing poverty and enhancing inclusive growth, while preserving debt sustainability by undertaking a prudent debt policy which limits non-concessional borrowing.

- **Broadening the tax base**—to reduce dependence on volatile natural resource revenues—while strengthening the efficiency of tax and customs administration, and improving tax collection. This will go hand in hand with improving governance in revenue generating agencies and with enhancing capacity through training supported by technical assistance.

- **Prioritizing public spending and improving expenditure control**, including through the full implementation of the Treasury Single Account (TSA) helped by a strong framework for liquidity management to prevent domestic arrears accumulation.

- **Diversifying the economy** away from uranium and oil by promoting private sector, entrepreneurship, with an improved business climate and enhanced financial access to create jobs for Niger's fast growing population.

A. Fiscal Policy

25. The 2017 fiscal program envisages a modest expansion in the expenditure envelope, compared to 2016, to provide space for priority spending. This would entail an increased deficit of the basic balance to 4.9 percent of GDP, compared to a projected 4.4 percent of GDP in 2016 (MEFP, ¶ 30 to 35),[9] (Text Table 2).[10]

- Total revenues would increase by 0.8 percent of GDP, driven by a rise of 0.6 percent of GDP in tax revenue from a higher VAT taxes (0.5 percent of GDP) which have significant scope for efficiency gains both at the tax and customs administration, where personnel changes were recently made.

- Spending will reflect social priorities in the EDD[11] in the health, education, and public infrastructure sectors. Domestically financed expenditures will increase by 1.5 percent of GDP, relative to the projected 2016 outcome, driven by interest payments and priority sector investments.

[9] The expenditure envelope already reached a high level under the 2015 budget execution with spending slippages as most investment planned were executed in advance and heightened security spending as the military personnel was strengthened.

[10] Large domestically funded capital spending in the draft 2017 budget priorities: infrastructure (54 percent); security (22 percent); and rural development and reconstruction of major cities, including school and health facilities (18 percent).

[11] The priorities established in the new development strategy contained in the EDD are: (i) security of properties and persons; (ii) urban, village, and farming water supply; (iii) continuation of the 3N Initiative and food security; (iv) infrastructure and energy; and (v) education and health.

- Financing would be sourced from donors and additional regional borrowing. Budget support is projected at CFAF 92.4 billion comprising both grants and highly concessional loans (MEFP, ¶ 36).

Text Table 2. Niger: Main Fiscal Indicators, 2015-21

(In percent of GDP)

	2015	2016		2017		2018	2019	2020	2021
	Act.[1]	Proj.	Rev. Proj.	Proj.	Prog.	Prog.		Proj.	
		8th rev.		8th rev.	Program Period				
Revenue	**18.1**	**17.7**	**15.3**	**17.8**	**16.1**	**16.8**	**17.5**	**19.1**	**20.3**
Excluding exceptional revenue	***16.9***	***17.7***	***15.3***	***17.8***	***16.1***	***16.8***	***17.5***	***19.1***	***20.3***
Tax revenue	16.1	16.9	14.5	17.0	15.1	15.7	16.0	17.3	18.2
Custom revenue	4.4	4.8	4.4	4.8	4.5	4.6	4.8	5.8	6.8
Tax administration	11.7	12.1	10.1	12.2	10.6	11.1	11.2	11.5	11.4
Non tax revenue	1.8	0.7	0.6	0.6	0.8	0.9	1.2	1.6	1.7
Special accounts	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.4
Total spending and net lending	**32.7**	**30.1**	**26.5**	**27.6**	**28.1**	**27.3**	**26.4**	**26.0**	**24.4**
Domestically financed spending	***25.6***	***21.6***	***19.6***	***20.8***	***21.1***	***20.8***	***20.3***	***20.0***	***18.8***
Current spending	***15.6***	*15.4*	*14.4*	*15.3*	***14.6***	***14.2***	***13.9***	***13.4***	***13.2***
Salaries	5.9	5.8	6.0	5.7	5.7	5.5	5.1	5.1	5.2
Capital spending	***17.1***	***14.7***	***12.1***	***12.3***	***13.5***	***13.1***	***12.5***	***12.5***	***11.3***
of which domestically financed	10.0	6.2	5.3	5.4	6.5	6.6	6.4	6.6	5.7
Basic balance	**-7.5**	**-3.8**	**-4.4**	**-3.0**	**-4.9**	**-4.0**	**-2.8**	**-0.9**	**1.5**
Overall balance (including grants)	**-9.1**	**-6.9**	**-6.5**	**-5.3**	**-7.4**	**-6.0**	**-4.7**	**-2.9**	**-0.9**
Net accumulation of domestic arrears	-0.3	-1.3	-0.2	-0.2	-0.9	-0.2	0.0	0.0	0.0
Domestic financing[2]	**5.1**	**3.3**	**2.7**	**1.5**	**4.8**	**2.9**	**1.5**	**-0.1**	**-2.1**
Financing gap[3]	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Sources: Niger authorities; and IMF staff calculations.

[1] 2015 revenue includes CFAF 49 billion (1.2 percent of GDP) of exceptional revenue from the telecom and petroleum sectors

[2] For the period 2017-20, domestic financing includes PPP contracts for building infrastructure. In 2017, those contracts represent 1.3 percent of GDP.

[3] The financing gap is calculated after accounting for budget support from traditional donors and the IMF ECF financing.

26. Over the medium term, the authorities are committed to fiscal consolidation to achieve the WAEMU convergence criterion of a deficit on the overall balance of no more than 3 percent of GDP:

- Revenues. Significant receipts from natural resource projects are expected to materialize once the projects come on stream from 2020 and these will enable large-scale investments to address Niger's massive social and development needs. In the interim, and given the regular adverse shocks, the authorities agreed that greater emphasis needed to be placed on non-resource sector revenues.

- Fiscal space and program targets. Assuming only a modest pickup in revenues during the program period, and with security spending likely to remain elevated for the foreseeable future, the program will accommodate continuing high fiscal deficits in 2017-18. Subsequently, as revenues expand, it was agreed that fiscal consolidation be stepped up as to converge toward the 3 percent of GDP overall deficit anchor for WAEMU member countries that would be consistent with placing debt on a declining path. Staff encouraged the authorities to reach understandings with the WAEMU Commission on a slight deferment of the budgetary convergence criterion.

27. Streamlining tax exemptions will be important to limit medium-term revenues losses (MEFP, ¶ 37 to 40). Over the last five years, tax exemptions have become sizeable, reaching about CFAF 80 billion in 2015 (1.7 percent of GDP) and CFAF 150 billion in 2015 (4.5 percent of GDP) for tax and customs revenues respectively. Thus going forward, the authorities are committed to bring tax exemptions currently under the Investment Code in line with best practices by reducing their number and streamlining their scope. To that end, a comprehensive review of the different allowances will lay out the necessary steps to combine overlapping fiscal advantages in sector-specific codes into the customs and tax codes.

28. Under the program, part of the fiscal space would be used to advance the inclusive growth agenda. In line with the broader strategy defined in the EDD, the authorities are committed to using part of the increased fiscal space under the new program to strengthen resilience to disasters and address issues in the areas of gender and demographics. Indeed, disasters affect longer term development through the damage of physical and human capital. On gender, while there has been strides in empowering women through education during the implementation of the PDES, gender inequality continues to lag. Accordingly, pro-poor spending is planned to increase by 36 percent in 2017 (Table 7).

B. Structural Reforms

29. A strong reform agenda would support the achievement of program objectives. A set of priority reform measures has been identified, drawing on recent FAD technical assistance. These measures would address past slippages in revenue and spending, and the broader issues with implementation of PFM and revenue administration reforms during the previous program.

Tax and Customs Administration

30. The program steps up efforts to strengthen revenue collection agencies (MEFP, ¶ 41 to 52). It targets an increase in revenues to 17.5 percent of GDP by 2019, after which the anticipated increases in natural resource revenues would materialize. A comprehensive reform program is already underway, drawing on technical assistance from the IMF’s Fiscal Affairs Department (FAD) and AFTRIAC-West to address capacity constraints (Box 2).

Box 2. Niger: Revenue Mobilization and Liquidity Management

A strategy is in place to modernize customs administration while strengthening transparency and governance, with a view to enhancing performance (MEFP, ¶ 42-45). Some operations are being contracted out to enhance efficiency. The finalization of the electronic inter-connection of all the customs offices will be key to combat fraud. The deployment of ASYCUDA World Software supported by the United Nations Conference on Trade and Development, to all main offices not covered so far will pave the way for electronic customs transit, helping to broaden the tax base. With the introduction of tax identification numbers for all importers, the customs office will be able to perform risk based tax audits. Also the customs office is deepening its collaboration with the customs of Benin and Togo.

Tax administration reforms aim at broadening the tax base and strengthening staff capacity through training. Reforms are supported by FAD technical assistance as well AFRITAC-West and focus mainly on continuing modernizing the management of tax administration's operations through the improvement of tax collection, and the decentralization of the tax audit and control functions (MEFP, ¶ 46-51). To that end, the tax office will expand the competency of the large enterprises Directorate (DGE) to all the companies that meet the threshold (CFAF 500 million annual cash flow) regardless of their location. Thus, 120 companies that were previously under the jurisdiction of regional tax offices will be transferred to the DGE before end-2016. In addition, to further improve the coverage of the rapidly expending city of Niamey, the tax office will establish two tax assessment centers and two tax payment centers by June 2017 in Niamey. The tax office will also: (i) strengthen the tax audit function by joint customs and tax administration staff and decentralize the tax control unit to the regions; (ii) continue the ongoing project to provide a full information system that will improve transparency and reduce the risk of fraud; and (iii) finalize the measures to strengthen the reimbursement of VAT credit initiated in 2016, to strengthen VAT effectiveness.

Enhanced management of tax exemptions will broaden the tax base. Improved monitoring and control of tax exemptions will be undertaken by revisiting existing exemption legislation and reinforcing the management of public enterprises (MEFP, ¶ 37-40). In that regard, the PPP framework will be reviewed and the government will consider transferring the tax provisions in the sector codes to the general tax and custom codes. Also, to limit the fiscal risks from public enterprises, an audit will be undertaken to clarify financial relations between the state and the main public enterprises.

The Treasury office will strengthen accounting procedures, and improve non-tax revenue collection and liquidity management (MEFP, ¶ 52). Further modernization of accounting procedures will facilitate TSA implementation, with expected financing support from the European Union and technical support from FAD, this process will be supported by a long term IMF resident expert funded by the European Union. By end-March 2017, the government will sign the account management agreements with the BCEAO and the selected commercial banks and close all inactive accounts (*compte dormants*) (MEFP, ¶ 52 and 56).

Public Financial Management and Liquidity Management

31. Public expenditure management and budget execution are being enhanced. The Inter-Ministerial Budgetary Committee that was created in Mid-2016 provides an effective mechanism for aligning expenditure commitments with resource availability, thereby preventing the incurrence of arrears. To strengthen planning and spending control, the preparation of annual budgets, starting from the 2018 budget, will be in line with the budget program framework under the 2012 budget law (MEFP, ¶ 56). On the basis of this framework, budget execution will be subject to commitment authorizations and payments credits, further enhancing investment efficiency. Full implementation of the TSA is expected during the program period (MEFP, ¶ 52).

State-owned enterprises reform

32. A comprehensive evaluation of state-owned enterprises will be launched to limit fiscal risks and generate cost savings (MEFP, ¶ 40). On the basis of that evaluation, an action plan will be established to audit the financial relations between the government and the main companies, to quantify implicit government subsidies, and inform policies for reducing exemptions.

C. Debt Management

33. Niger's risk of debt distress remains moderate (Debt Sustainability Analysis). Recently contracted loans, though concessional, have raised public debt levels from 25.6 percent of GDP in 2013 to 41.9 percent of GDP in 2015,[12] due in part to public investment in the natural resources sector and in infrastructure, and to the securitization of domestic arrears.

34. In light of the DSA results, staff and the authorities concurred on the need to preserve debt sustainability. With limited fiscal space, the government is exploring options for public private partnership (PPP) investments as an alternative means to address infrastructure financing gaps. In this regard, staff noted the importance of strengthening the PPP framework, while continuing to strengthen the overall debt management framework by enhancing the capacity of the inter-ministerial committee on debt management. Staff urged the authorities to carefully assess the fiscal impact of the PPP contracts to ensure consistency with the external borrowing plan under the Debt Limits Policy, while reconsidering debt agreements signed but not yet become operational.

35. Staff and the authorities agreed on the broader debt policy assessment and identified specific measures to strengthen debt management. The authorities agreed to suspend the conclusions of new PPP until the PPP framework is fully reviewed. To that end, they have requested FAD Technical Assistance. A mission is expected in early 2017 to help design a new framework based on an assessment of current risks. In updating the recent external borrowing plan prepared with the IMF's Monetary and Capital Markets Department and the World Bank support (Table 11), the authorities are planning to restructure the debt portfolio by reconsidering pending conventions that are yet to become operational.

D. Natural Resource Management

36. The decline in commodity prices has placed Niger's resource sector under considerable pressure. The government and its partners, the China National Petroleum Corporation and the state of Chad, have put on hold the construction of the pipeline to transport crude oil through the Chad-Cameroon pipeline, delaying its completion to around 2020 while considering other alternatives. Niger's third largest uranium producer (SOMINA) was not able to finance its expansion, and has now suspended production. Imouraren, the largest uranium project, has been delayed

[12] Niger owes a small amount of pre-HIPC Initiative arrears to non-Paris Club creditors which continue to be deemed away under the revised arrears policy for official creditors, as the underlying Paris Club agreement was adequately representative and the authorities have made best efforts to resolve remaining arrears to Iraq and Libya.

pending a recovery in uranium prices. Also, the financial situation of the public mine-holding company (SOPAMIN) has not improved, with most of its commercial contracts expiring this year and the company barely exporting its quota of uranium production. In the meantime, structural reforms in the oil sector are progressing with exports gradually liberalized, which is expected to better align incentives in the sector and improve its financial standing.

37. The government has taken steps to improve the financial status of the national refinery, SORAZ. It lowered the crude oil price from Niger's oil fields to US$45 per barrel from US$47, and increased the contractually determined price to the government-owned fuel distributor (SONIDEP) by CFAF 10 per liter. These measures are expected to restore a comfortable operating margin for the refinery.

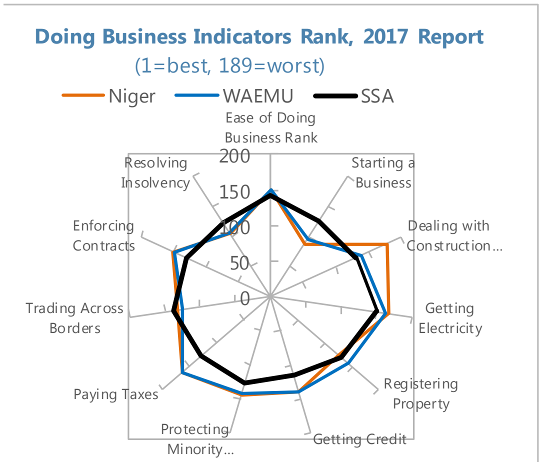
38. Despite the decline in commodity prices, staff noted that natural resource endowments will remain the major source to finance Niger's development. Accordingly, staff urged the authorities to enhance natural resource revenue mobilization by strengthening revenue evaluation, forecasting, and audit capacities. Drawing on peer country experiences and based on recent FAD technical assistance, staff advised pursuing a stronger institutional framework for natural resource management. To continue strengthening the existing overall framework, the authorities expressed interest in resuming the FAD Technical Assistance initiated two years ago. More specifically, in the energy sector, staff welcomed the recently created *Agence de Régulation du Secteur de l'Energie*, which the authorities agreed to operationalize promptly.

E. Business Environment

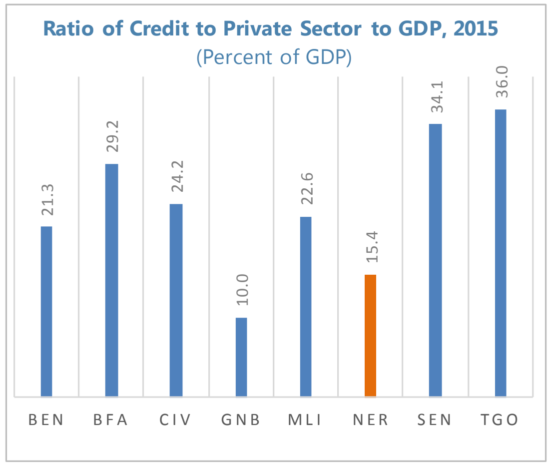
39. Niger's business environment remains difficult despite recent improvements. The World Bank's 2017 Doing Business Index ranked Niger 150th out of 190 countries, up from 176th out of 189 countries in 2014, but still below other WAEMU members and SSA averages for some indicators (Figure 1). While the business environment in most WAEMU countries is weak in many aspects, dealing with construction regulations, and paying taxes were identified as particularly problematic in Niger. Other specific concerns identified by the local business community include: declining activity in the telecommunications sector following the introduction of a tax on incoming calls in 2014 and delays in processing reimbursements of VAT credits and of tax exemptions refunds. Staff commended the authorities for shortening the time and procedures required to start a business, improving access to credit information by establishing a credit bureau, and making contracts enforcement easier by creating a specialized commercial court. However, staff urged an acceleration of efforts, in particular improvements in tax administration. To sustain the improvement of competitiveness, the authorities will speed up measures aimed at overcoming barriers identified in dealing with construction permits, getting credit, and paying taxes.

Figure 1. Niger: Business Environment and Financial Sector Development

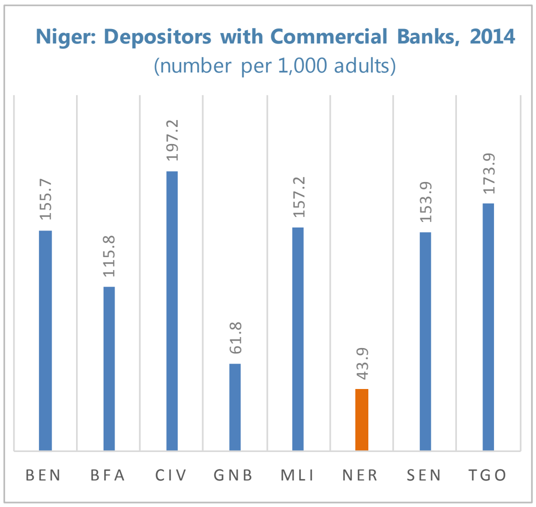
Niger has a challenging business environment, ...



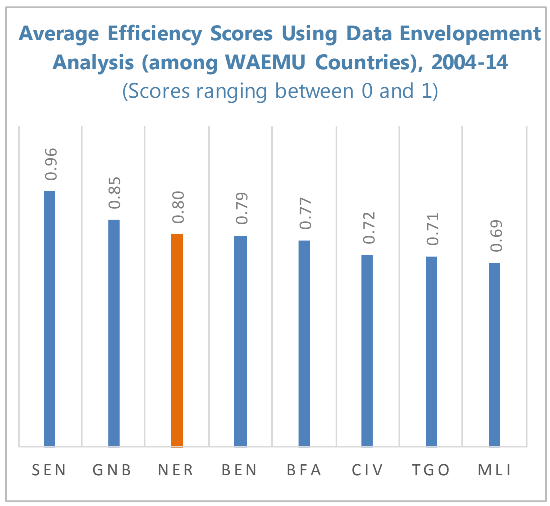
... a shallow banking system ...



... with limited financial access ....



.... However, its banking system seems to be more efficient than most of the countries in the region.



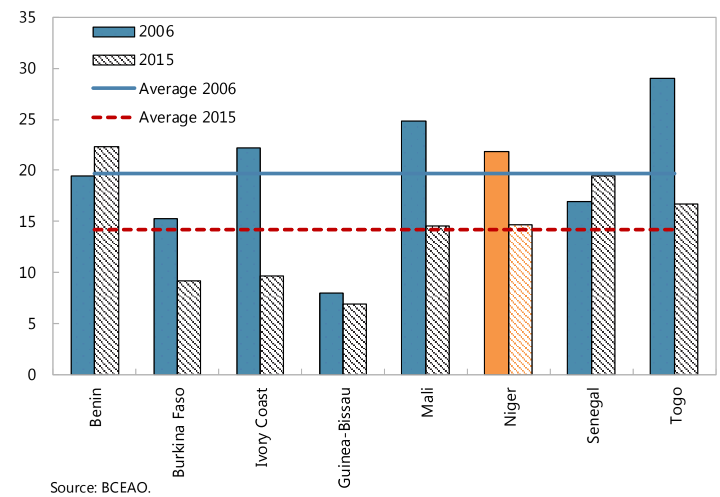
Sources: World Bank; and IMF Staff Calculations.

F. Macro-Financial Linkages

40. The banking system appears adequately capitalized and efficient relative to other countries in the region. At end-September 2016, prudential indicators (Table 6) suggest that capital adequacy ratios for most banks remain above the regulatory threshold of 8 percent. Although gross non-performing loans are at reasonable levels (18.5 percent of total loans at end-September 2016), they have risen slightly and are a source of concern for two banks (Text Figure 6).

Text Figure 6. WAEMU: Non-Performing Loans, 2006–15

(Percent of total loans)



Source: BCEAO.

[1] All values for 2015 are provisional.

41. A shallow financial system and increased exposure to the public sector could constrain growth and generate financial risks. Despite a significant improvement in the regional financial market, the domestic banking sector remains shallow, with limited financial instruments and four commercial banks controlling about 90 percent of total banking sector assets. The sectoral distribution of credit is skewed towards trade, services, and mining sectors, and Niger's underdeveloped capital market is dominated by banks and the government. Agriculture, the largest contributor to economic growth, benefits marginally from bank financing. Key risks stem from growing exposures to the public sector, both through holding of government bonds and the incurrence of domestic arrears. Such arrears also hamper banks' clients' capacity to repay their loans. The authorities and staff concurred on the need to establish a consultative platform with the banking association.

42. Staff highlighted the importance of strengthening Niger's microfinance network to foster financial inclusion. Following the adoption in July 2015 of the National Strategy for Financial Inclusion, CFAF 300 million were earmarked in the 2016 budget for its implementation and another CFAF 300 million for the National Financial Sector Development Strategy (NFSDS) that was approved in late 2014. The objective is to make available through 2021, CFAF 35 billion in credits to small businesses, in particular those run by women and young entrepreneurs. The government plans to ask for donor assistance with this microfinance program at a forthcoming Round Table to be held in 2017. Staff highlighted the role of microfinance as a means to deepening financial inclusion and therefore reducing poverty. The authorities and staff concurred on the need for the quick establishment of the steering committee in charge of implementing the NFSDS.

PROGRAM MODALITIES, RISKS, AND SAFEGUARDS

43. The authorities have requested a three-year arrangement under the ECF in an amount of SDR 98.7 million (75 percent of quota). The proposed access is above the norm for countries with Niger's level of outstanding drawings from the PRGT but it is in line with established limits and commensurate with the proposed program strength and identified financing needs. The program will comprise six reviews, with disbursements phased evenly throughout the arrangement (Table 12). The program will include semi-annual performance criteria (PC) and an agenda of structural reforms (Tables 9, 10, and 11). PC will be established for end-June and end-December 2017 and Indicative Targets (IT) for end-March and September-2017. As a prior action, an amended 2017 budget consistent with the program was approved on November 4, 2016.

44. Niger's capacity to repay the Fund remains adequate, but subject to risks which program measures will mitigate. Given the strength of the program, the favorable medium-term outlook, and the results of the DSA, Niger denotes sufficient capacity to repay the Fund (Table 10), with repayment obligations to the Fund peaking at 1.2 percent of export revenue in 2023-24. Key risks remain security developments, adverse spillovers from neighboring countries, climatic shocks, and capacity constraints, all of which could impair program implementation. These risks would be mitigated under the program, including through building fiscal space, strengthening key institutions, and boosting growth's resilience. Continued debt accumulation due to weak policy implementation and debt management capacity would have a major impact on debt sustainability.

45. 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. These include strengthening audit arrangements by appointing an international firm with international accounting standard experience for the audits of FY 2015-17, reinforcing the capacity of the audit committee with external expertise to oversee the audit and financial reporting processes, and adopting the International Financial Reporting System starting with financial year 2015.

STAFF APPRAISAL

46. Economic growth has been sustained despite major security, natural disaster, and terms of trade shocks. Niger recorded significant income per capita gains during the 2012-16 ECF and made progress toward the MDGs. Economic growth averaged 6.6 percent annually over the last five years, driven by agriculture, services, and the oil sector. Inflation remains under control and the external position has been stable with official reserves at comfortable levels. Social indicators show some improvement, but Niger remains one of the least developed countries in the world.

47. Niger's overall macroeconomic outlook remains positive, and the exchange rate remains broadly in line with fundamentals. Over the medium term, growth is projected at 5.9 percent, driven by agriculture and the resource sector. Inflation is expected to remain subdued, anchored on the regional exchange rate arrangement. The external stability assessment suggests that the exchange rate remained broadly in line with fundamentals, but the recent depreciation of the Naira could further affect Niger's competitiveness. Also, broader competitiveness indicators point to major challenges, though significant improvement has been recorded in the 2017 World Bank's Doing Business Indicators.

48. **Achieving Niger's medium-term growth potential and ensuring inclusiveness will require enhancing the management of natural disasters, creating jobs to harness the demographic dividend, and continuing efforts to address gender issues**. The government's natural disasters' risk management framework is sound, but more can be done to mitigate the impact of food insecurity through broadened implementation of the 3N Initiative. Staff welcome the policies being contemplated for harnessing the demographic dividend, but this will require a more comprehensive strategy to create jobs as an increasing number of youth enters the job market. Recent policies for alleviating gender inequality are welcomed but public resources for girls' education should be scaled up to discourage underage marriages, reduce birth rate, and improve future employment opportunities.

49. **Creating fiscal space and enhancing the efficiency of public spending are critical to enable Niger to achieve its development objectives.** With security spending likely to remain elevated for the foreseeable future, it is important that such spending does not crowd out other development priorities such as investment in the social sectors, agriculture, mining, and infrastructure. Public expenditure efficiency and control are being enhanced and other specific measures will aim at improving public finance management in line with Fund technical assistance recommendations. Budget processes will be more closely aligned with the WAEMU guidelines. The necessary steps are already being taken to prepare the 2018 budget in line with the 2012 budget law that aims at longer term planning of spending so as to increase its efficiency. On the revenue front, resource revenues are only anticipated to rise over the medium term, so that greater efforts will be needed to mobilize domestic revenues, including through strengthened tax administration and broadening the tax base.

50. **Institutional capacity building will support the implementation of the authorities' reform agenda**. Progress has been achieved in enhancing government accountability and transparency in some areas such as recording of natural resource revenues and debt management. However, there is room for improvement in some areas such as assessing the efficiency of investments, tax and customs administration, liquidity management, financial sector development, and national accounting. Prioritization of social expenditures could also be enhanced. Efforts will be sustained to strengthen policy implementation capacity, including in debt and PPP assessment and management.

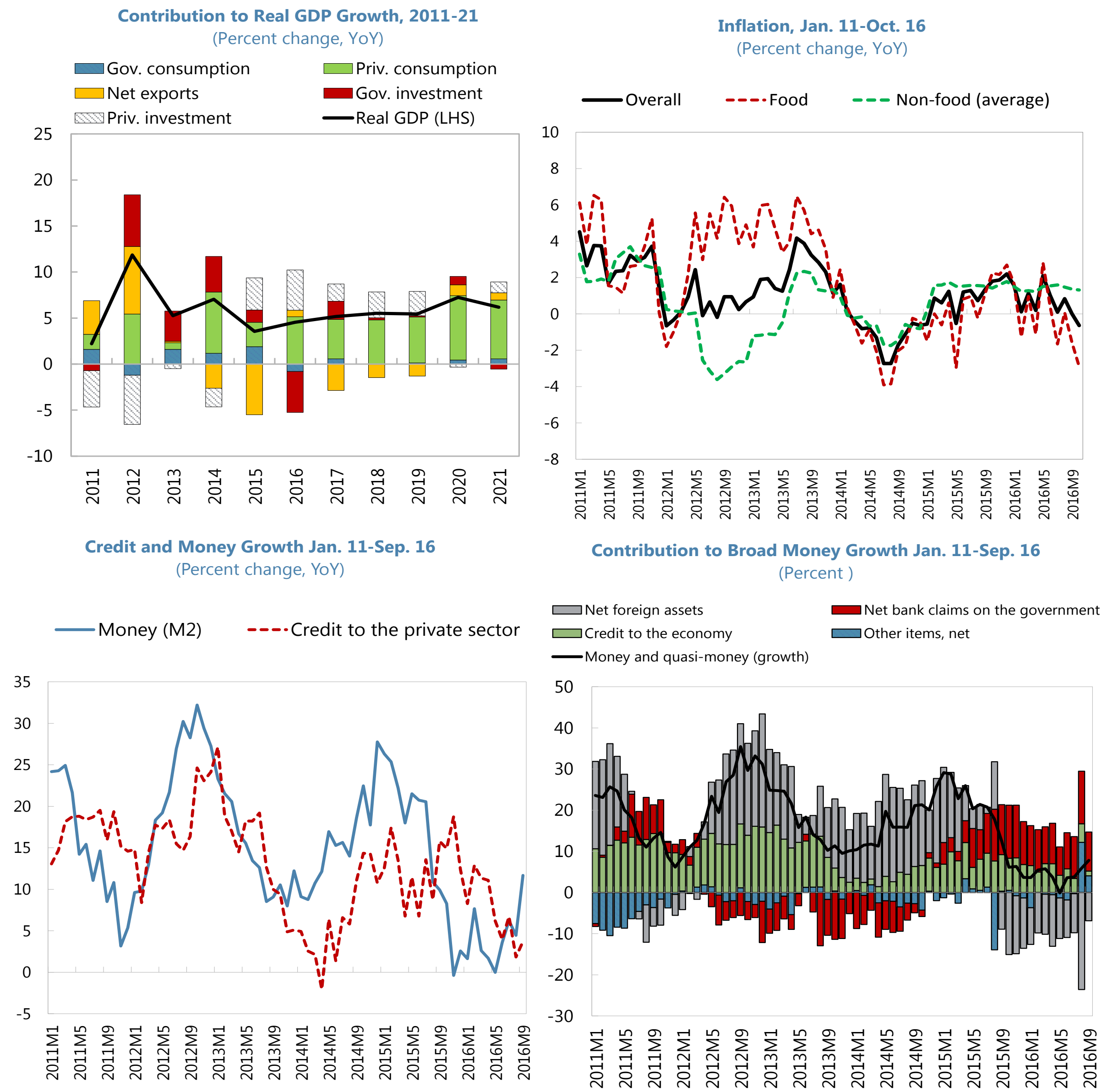
51. **Deepening financial access will play an important role in making growth more inclusive**. The government's Financial Inclusion Strategy approved in 2015 and targeted at Nigeriens marginalized by banks appropriately identifies key reforms, but the focus needs to be stepped on implementation. Banking supervision should be strengthened in line with regional protocols, including as regards concluding the recapitalization of the two banks that do not meet some of the prudential criteria.

52. Niger's macroeconomic statistics are broadly adequate for surveillance. Niger participates in the harmonization of WAEMU statistical methodologies and other regional processes to strengthen national statistics supported by the WAEMU Commission and AFRITAC-West. Data adequacy and timely provision lag for debt stocks and flows, and for financial flows, due to lack of capacity.

53. Staff supports the authorities' request for a three-year ECF arrangement with access equivalent to SDR 98.7 million (75 percent of quota). The Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) set out appropriate policies to achieve the program's objectives.

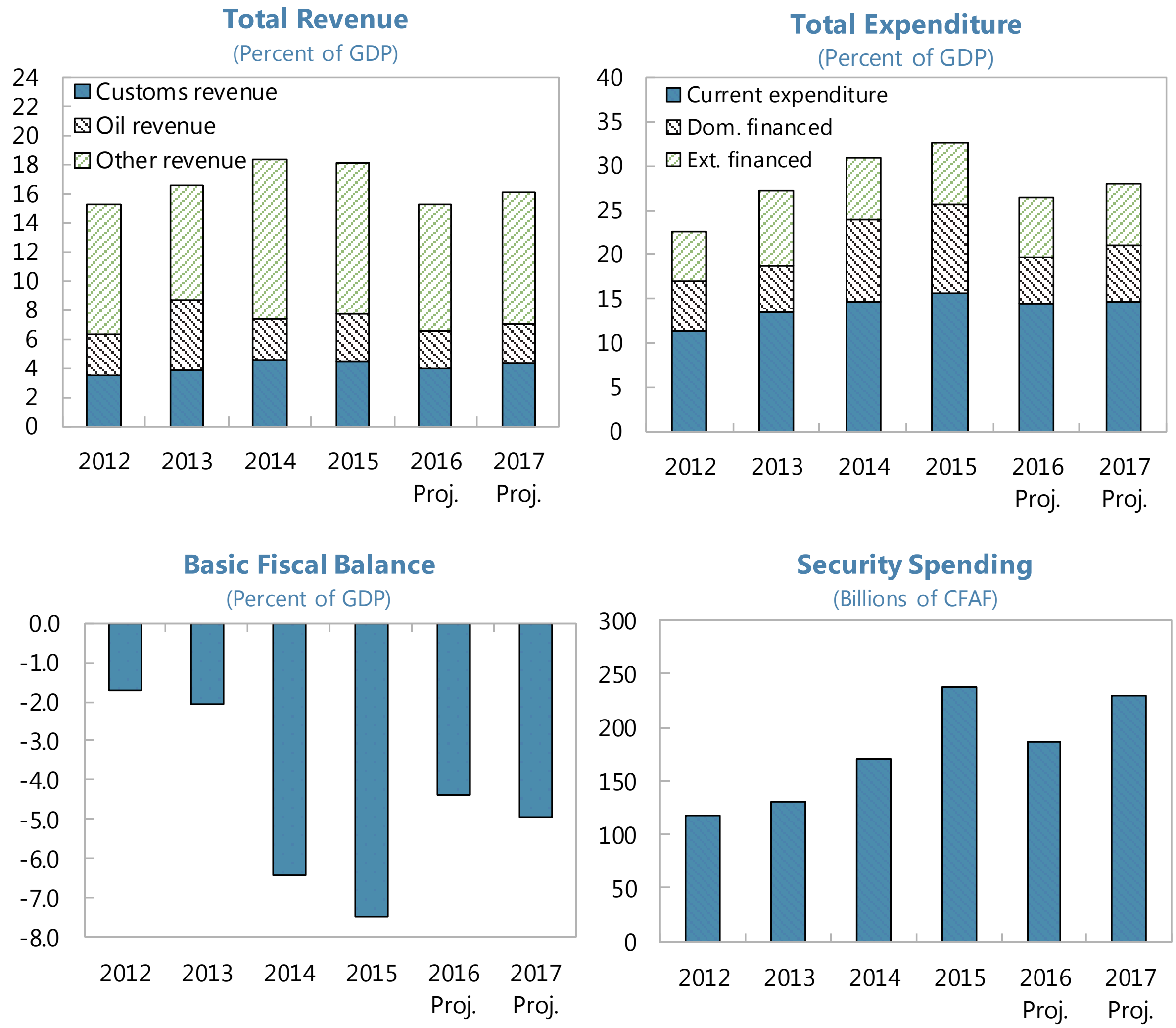
54. It is proposed that the next Article IV Consultation be held on the 24-month cycle.

Figure 2. Niger: Recent Economic Developments and Outlook



Sources: Nigerien authorities; and IMF staff calculations.

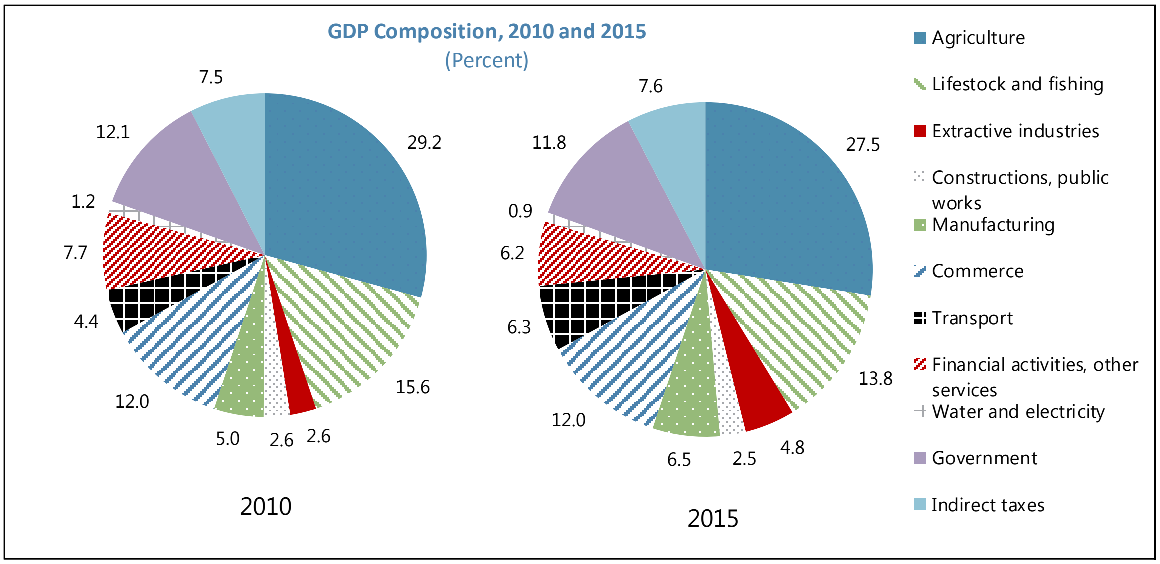
Figure 3. Niger: Fiscal Developments 2012–17



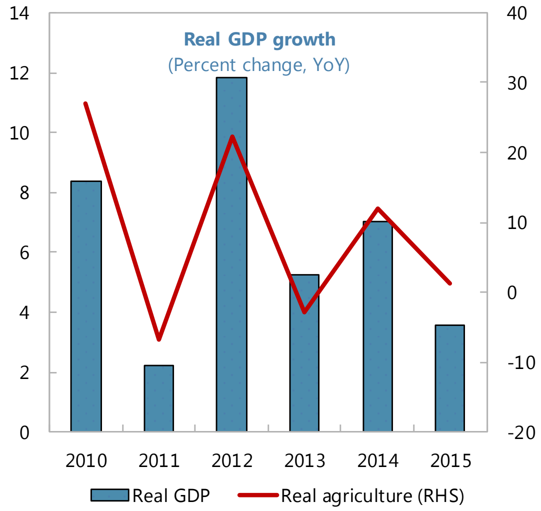
Sources: Nigerien authorities; and IMF staff calculations.

Figure 4. Niger: GDP Composition and Output Volatility

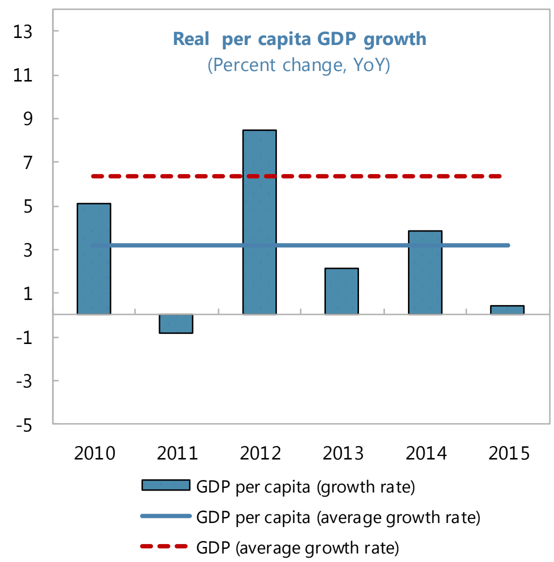
The share of the extractive industries to GDP has increased but remain very low overal. the share of agriculture and livestock being still dominant.



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

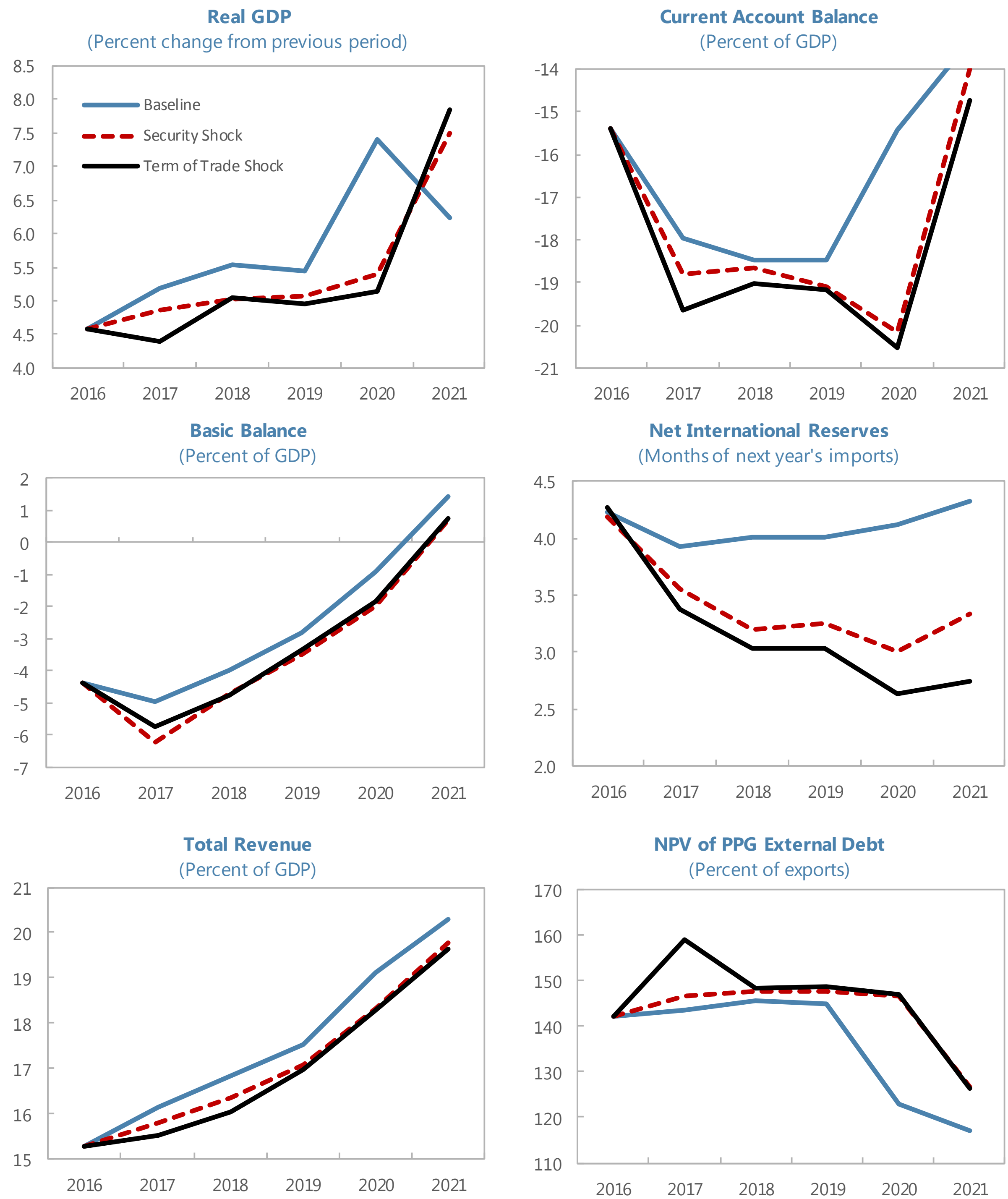


Per capita GDP growth is also higly volatile and, due to high population growth, it is on average very low.



Sources: Nigerien authorities; and IMF staff calculations.

Figure 5. Niger: Impacts of Terms of Trade and Security Shocks



Sources: Nigerien authorities; and IMF staff calculations.

Table 1. Niger: Selected Economic and Financial Indicators, 2014–21

	2014	2015	2016	2017	2018	2019	2020	2021
	Est.	Est.	Proj.	Program			Projections	
	(Annual percentage change, unless otherwise indicated)							
National income and prices								
GDP at constant prices	7.0	3.5	4.6	5.2	5.5	5.4	7.4	6.2
Non-resources GDP at constant prices	7.9	4.1	4.3	5.0	5.6	5.5	6.0	5.7
Oil production (thousand barrels per day)	17	13	16	18	19	19	40	50
GDP deflator	-0.5	0.5	2.0	2.4	2.1	1.8	1.6	1.9
Consumer price index								
Annual average	-0.9	1.0	1.1	2.0	2.1	2.0	2.0	2.0
End-of-period	-0.6	2.2	1.2	2.2	2.0	2.0	2.0	2.0
External sector								
Exports, f.o.b. (CFA francs)	-8.8	-10.1	-10.7	13.7	12.3	12.3	33.4	17.8
Of which: non-uranium exports	-1.5	-15.2	-8.6	10.3	13.4	21.1	49.0	22.5
Imports, f.o.b (CFA francs)	7.0	9.6	-11.7	19.5	11.2	9.3	9.0	6.7
Export volume	11.1	-4.5	-19.0	6.6	9.1	14.1	42.6	13.9
Import volume	5.5	7.3	-12.6	17.1	8.9	7.3	6.8	4.5
Terms of trade (deterioration -)	-19.4	-7.5	7.3	0.1	1.6	-3.6	-9.1	-1.8
Government finances								
Total revenue	13.6	7.6	-12.0	13.9	12.4	11.8	18.9	14.9
Total expenditure and net lending	22.7	9.8	-15.3	14.1	4.7	4.0	7.1	1.9
Of which: current expenditure	16.3	11.0	-3.5	9.2	5.1	5.1	5.3	6.1
Of which : capital expenditure	28.9	8.7	-25.9	19.9	4.2	2.9	9.1	-2.7
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indic							
Money and credit								
Domestic credit	7.2	17.2	10.9	11.5	6.7	6.2	6.0	1.4
Credit to the government (net)	1.1	10.4	4.3	6.4	1.7	1.6	0.6	-3.5
Credit to the economy	6.1	6.8	6.6	5.1	5.0	4.6	5.4	4.9
Net domestic assets	5.2	15.9	7.9	11.9	7.0	6.5	6.2	1.7
Broad money (percent)	25.7	3.6	11.3	11.1	10.9	10.6	10.3	8.2
Velocity of broad money (ratio)	3.7	3.7	3.5	3.4	3.3	3.2	3.1	3.1
	(Percent of GDP, unless otherwise indicated)							
Government finances								
Total revenue	17.5	18.1	15.3	16.1	16.8	17.5	19.1	20.3
Total expenditure and net lending	31.0	32.7	26.5	28.1	27.3	26.4	26.0	24.4
Current expenditure	14.6	15.6	14.4	14.6	14.2	13.9	13.4	13.2
Capital expenditure	16.4	17.1	12.1	13.5	13.1	12.5	12.5	11.3
Basic balance (excluding grants)[1]	-6.4	-7.5	-4.4	-4.9	-4.0	-2.8	-0.9	1.5
Basic balance (WAEMU definition; including grants)[2]	-4.8	-5.7	-2.9	-3.8	-2.8	-1.7	0.0	2.1
Overall balance (commitment basis, including grants)	-8.0	-9.1	-6.5	-7.4	-6.0	-4.7	-2.9	-0.9
Gross investment	39.3	42.6	39.5	42.0	42.8	43.0	40.1	37.9
Of which : non-government investment	22.9	25.4	27.4	28.4	29.7	30.5	27.5	26.7
government	16.4	17.1	12.1	13.5	13.1	12.5	12.5	11.3
Gross national savings	23.8	24.5	24.1	24.0	24.3	24.5	24.6	24.6
Of which: non-government	18.7	20.3	21.3	20.9	20.2	19.4	17.7	16.5
Domestic savings	21.4	20.0	19.8	19.8	20.3	20.6	20.9	21.0
External current account balance								
Excluding official grants	-17.7	-19.7	-17.3	-19.5	-20.0	-20.0	-16.7	-14.3
External current account balance (including grants)	-15.4	-18.1	-15.4	-18.0	-18.5	-18.5	-15.4	-13.3
Debt-service ratio as percent of:								
Exports of goods and services	4.2	5.5	7.2	7.7	6.3	5.9	4.4	4.8
Government revenue	5.0	5.7	8.1	8.4	6.7	6.2	5.1	5.6
Total public and publicly guaranteed debt	33.7	41.9	47.0	51.1	53.0	53.9	52.4	50.3
Public and publicly guaranteed external debt	25.1	30.4	34.1	35.8	37.1	38.1	38.5	39.0
NPV of external debt	22.1	22.1	24.4	25.4	26.2	26.8	27.1	27.4
Public Domestic debt	8.7	11.5	12.9	15.3	15.9	15.8	13.9	11.4
Foreign aid	8.9	10.4	9.5	8.9	8.4	8.1	7.5	7.0
	(Billions of CFA francs)							
GDP at current market prices	4,077	4,242	4,432	4,773	5,146	5,524	6,025	6,523

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.

Table 2. Niger: Financial Operations of the Central Government, 2014–21

(Billions of CFAF)

	2014	2015	2016	2017	2018	2019	2020	2021
	Act.	Act.[3]	Proj.	Program			Projections	
Total revenue	714.2	768.7	676.6	770.8	866.0	968.2	1151.6	1322.8
Tax revenue	633.2	684.8	641.6	721.3	807.5	886.2	1039.9	1185.8
Nontax revenue	76.3	77.0	26.4	37.7	44.8	67.3	95.6	113.0
Special accounts revenue	4.7	6.8	8.6	11.8	13.7	14.7	16.0	23.9
Total expenditure and net lending	1263.7	1387.7	1175.8	1341.4	1404.5	1460.7	1564.7	1593.7
Of which: domestically financed	976.0	1085.5	870.9	1006.7	1070.0	1122.8	1207.4	1228.1
Total current expenditure	595.2	660.9	637.6	696.0	731.9	768.9	809.6	858.8
Budgetary expenditure	580.9	639.1	617.6	671.1	705.0	740.1	778.1	824.8
Wages and salaries	214.5	250.2	268.0	273.0	281.3	281.2	310.1	338.6
Materials and supplies	127.4	157.9	110.4	131.6	130.2	141.2	135.5	137.5
Other current expenditure	221.0	204.5	200.0	216.5	233.5	250.6	260.3	278.0
Interest	16.0	26.6	39.2	50.0	60.0	67.0	72.1	70.7
Of which: external debt	10.0	11.9	15.8	20.6	19.1	19.2	19.1	19.6
Adjustments and fiscal expenditure	1.9	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[1]	14.3	21.8	20.0	24.9	26.8	28.8	31.4	34.0
Capital expenditure and net lending	668.5	726.8	538.2	645.4	672.6	691.9	755.1	734.9
Capital expenditure	668.5	726.8	538.2	645.4	672.6	691.9	755.1	734.9
Domestically financed	380.8	424.6	233.4	310.7	338.2	354.0	397.8	369.3
Externally financed	287.8	302.2	304.8	334.7	334.4	337.9	357.3	365.6
Of which: grants	154.3	156.0	142.3	164.2	168.4	171.9	186.5	171.3
loans	133.5	146.1	162.5	170.5	166.0	166.0	170.8	194.2
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-549.6	-619.0	-499.1	-570.6	-538.4	-492.5	-413.1	-270.9
Overall balance (commitment including grants)	-327.4	-386.4	-289.7	-351.8	-311.2	-257.4	-173.4	-56.4
Basic balance[2]	-261.8	-316.8	-194.3	-235.9	-204.0	-154.7	-55.8	94.6
Basic balance (WAEMU definition)	-193.9	-240.3	-127.2	-181.3	-145.1	-91.4	-2.6	137.8
Change in payments arrears and float	57.7	-13.0	-8.4	-43.4	-10.0	0.0	0.0	0.0
Overall balance (cash)	-491.8	-632.0	-507.5	-614.0	-548.4	-492.545	-413.1	-270.9
Financing	491.8	632.1	507.6	614.0	548.4	492.545	413.1	270.9
External financing	342.3	416.3	387.5	387.2	398.8	409.11	419.5	408.5
Grants	222.1	232.6	209.5	218.9	227.3	235.2	239.7	214.5
Of which : project financing	154.3	156.0	142.3	164.2	168.4	171.9	186.5	171.3
Loans	140.8	209.6	213.2	208.3	206.8	209.7	214.5	242.0
Of which: budget financing	7.3	63.5	50.7	37.8	40.8	43.8	43.8	47.7
Amortization	-20.6	-25.9	-35.1	-39.9	-35.2	-35.8	-34.7	-48.0
Debt relief (incl. debt under discussion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	149.5	215.8	120.0	226.8	149.6	83.44	-6.4	-137.6
Banking sector	54.9	132.0	13.1	77.3	41.3	20.6	18.0	-56.4
IMF	20.2	27.0	6.2	19.7	18.5	16.6	1.8	-15.9
Statutory advances (including other advances)	-7.5	-7.9	-8.2	-8.4	-8.7	-7.6	-3.6	-1.0
Deposits with BCEAO	-28.5	49.7	11.6	2.7	2.7	-10.0	20.0	-30.0
Government securities net and others	70.7	63.2	3.5	63.3	28.8	21.6	-0.2	-9.4
Nonbanking sector[4]	94.6	83.8	106.9	149.4	108.3	62.81	-24.4	-81.2
Financing gap (+)	**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] The special accounts include the financing on the National Retirement Fund, Priority Investments Fund, and Fund for Continuous Professional Development.

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

[3] In 2015, revenue includes in non-tax revenue CFAF 49 billion of exceptional revenues from the telecom and oil sectors.

[4] For the period 2017-20, nonbanking sector domestic financing includes PPP contracts for building infrastructure. In 2017, those contracts represent CFAF 60 billion.

Table 3. Niger: Financial Operations of the Central Government, 2014–21

(In percent of GDP)

	2014	2015	2016	2017	2018	2019	2020	2021
	Act.	Act.[3]	Proj.	Program			Projections	
Total revenue	17.5	18.1	15.3	16.1	16.8	17.5	19.1	20.3
Tax revenue	15.5	16.1	14.5	15.1	15.7	16.0	17.3	18.2
Nontax revenue	1.9	1.8	0.6	0.8	0.9	1.2	1.6	1.7
Special accounts revenue	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.4
Total expenditure and net lending	31.0	32.7	26.5	28.1	27.3	26.4	26.0	24.4
Of which: domestically financed	23.9	25.6	19.6	21.1	20.8	20.3	20.0	18.8
Total current expenditure	14.6	15.6	14.4	14.6	14.2	13.9	13.4	13.2
Budgetary expenditure	14.2	15.1	13.9	14.1	13.7	13.4	12.9	12.6
Wages and salaries	5.3	5.9	6.0	5.7	5.5	5.1	5.1	5.2
Materials and supplies	3.1	3.7	2.5	2.8	2.5	2.6	2.2	2.1
Other current expenditure	5.4	4.8	4.5	4.5	4.5	4.5	4.3	4.3
Interest	0.4	0.6	0.9	1.0	1.2	1.2	1.2	1.1
Of which: external debt	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.3
Adjustments and fiscal expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[1]	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Capital expenditure and net lending	16.4	17.1	12.1	13.5	13.1	12.5	12.5	11.3
Capital expenditure	16.4	17.1	12.1	13.5	13.1	12.5	12.5	11.3
Domestically financed	9.3	10.0	5.3	6.5	6.6	6.4	6.6	5.7
Externally financed	7.1	7.1	6.9	7.0	6.5	6.1	5.9	5.6
Of which: grants	3.8	3.7	3.2	3.4	3.3	3.1	3.1	2.6
loans	3.3	3.4	3.7	3.6	3.2	3.0	2.8	3.0
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-13.5	-14.6	-11.3	-12.0	-10.5	-8.9	-6.9	-4.2
Overall balance (commitment including grants)	-8.0	-9.1	-6.5	-7.4	-6.0	-4.7	-2.9	-0.9
Basic balance[2]	-6.4	-7.5	-4.4	-4.9	-4.0	-2.8	-0.9	1.5
Basic balance (WAEMU definition)	-4.8	-5.7	-2.9	-3.8	-2.8	-1.7	0.0	2.1
Change in payments arrears and float	1.4	-0.3	-0.2	-0.9	-0.2	0.0	0.0	0.0
Overall balance (cash)	-12.1	-14.9	-11.5	-12.9	-10.7	-8.9	-6.9	-4.2
Financing	12.1	14.9	11.5	12.9	10.7	8.9	6.9	4.2
External financing	8.4	9.8	8.7	8.1	7.8	7.4	7.0	6.3
Grants	5.4	5.5	4.7	4.6	4.4	4.3	4.0	3.3
Of which : project financing	3.8	3.7	3.2	3.4	3.3	3.1	3.1	2.6
Loans	3.5	4.9	4.8	4.4	4.0	3.8	3.6	3.7
Of which: budget financing	0.2	1.5	1.1	0.8	0.8	0.8	0.7	0.7
Amortization	-0.5	-0.6	-0.8	-0.8	-0.7	-0.6	-0.6	-0.7
Debt relief (incl. debt under discussion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	3.7	5.1	2.7	4.8	2.9	1.5	-0.1	-2.1
Banking sector	1.3	3.1	0.3	1.6	0.8	0.4	0.3	-0.9
IMF	0.5	0.6	0.1	0.4	0.4	0.3	0.0	-0.2
Statutory advances (including other advances)	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	0.0
Deposits with BCEAO	-0.7	1.2	0.3	0.1	0.1	-0.2	0.3	-0.5
Government securities net and others	1.7	1.5	0.1	1.3	0.6	0.4	0.0	-0.1
Nonbanking sector[4]	2.3	2.0	2.4	3.1	2.1	1.1	-0.4	-1.2
Financing gap (+)	**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] The special accounts include the financing on the National Retirement Fund, Priority Investments Fund, and Fund for Continuous Professional Development.

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

[3] In 2015, revenue includes in non-tax revenue 1.2 percent of GDP of exceptional revenues from the telecom and oil sectors.

[4] For the period 2017-20, nonbanking sector domestic financing includes PPP contracts for building infrastructure. In 2017, those contracts represent 1.3 percent of GDP.

Table 4. Niger: Monetary Survey, 2014–21

	2014	2015	2016	2017	2018	2019	2020	2021
	Act.	Act.	Proj.	Program			Projections	
				(Billions of CFA francs)				
			1.260					
Net foreign assets	715.2	579.0	618.6	609.3	665.1	730.8	802.1	927.9
BCEAO	578.7	475.1	515.1	505.1	560.1	625.1	695.1	815.1
Commercial banks	136.5	103.9	103.5	104.2	105.0	105.7	107.0	112.8
Net domestic assets	395.5	572.3	663.0	814.9	914.7	1017.1	1125.9	1157.8
Domestic credit	496.7	688.0	813.0	960.4	1055.8	1154.0	1258.7	1286.6
Net bank claims on government	-76.9	39.0	88.0	169.7	193.4	218.2	228.0	160.6
BCEAO	-39.8	29.3	64.6	92.6	98.6	110.7	132.1	81.5
Claims	102.5	121.5	126.0	142.9	158.5	172.1	170.9	154.2
Of which : statutory advances	17.8	15.2	13.5	10.7	7.8	4.8	1.8	1.0
Deposits	142.3	92.3	61.4	50.3	60.0	61.4	38.8	72.8
Commercial banks	-37.1	9.7	23.5	77.1	94.8	107.4	95.9	79.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	573.6	649.1	725.0	790.8	862.4	935.8	1030.8	1126.0
Other items, net	-101.1	-115.8	-150.0	-145.5	-141.1	-136.9	-132.8	-128.8
Money and quasi-money	1,110.7	1,151.3	1,281.6	1,424.2	1,579.8	1,747.8	1,928.0	2,085.6
Currency outside banks	504.3	535.3	562.1	605.3	652.5	700.5	764.0	827.2
Deposits with banks	604.8	613.6	719.5	818.9	927.2	1047.4	1164.0	1258.4
			(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)					
Net foreign assets	20.5	-12.3	3.4	-0.7	3.9	4.2	4.1	6.5
BCEAO	12.8	-9.3	3.5	-0.8	3.9	4.1	4.0	6.2
Commercial banks	7.8	-2.9	0.0	0.1	0.1	0.0	0.1	0.3
Net domestic assets	5.2	15.9	7.9	11.9	7.0	6.5	6.2	1.7
Domestic credit	7.2	17.2	10.9	11.5	6.7	6.2	6.0	1.4
Net bank claims on the government	1.1	10.4	4.3	6.4	1.7	1.6	0.6	-3.5
BCEAO	-1.4	6.2	3.1	2.2	0.4	0.8	1.2	-2.6
Of which : statutory advances	-0.3	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	0.0
Commercial banks	2.7	4.2	1.2	4.2	1.2	0.8	-0.7	-0.9
Other	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	6.1	6.8	6.6	5.1	5.0	4.6	5.4	4.9
Other items, net	-2.0	-1.3	-3.0	0.4	0.3	0.3	0.2	0.2
Broad money	25.7	3.6	11.3	11.1	10.9	10.6	10.3	8.2
Memorandum items:								
Velocity of broad money (Ratio)	3.7	3.7	3.5	3.4	3.3	3.2	3.1	3.1
Credit to the economy								
(Change, in percent)	10.4	13.2	11.7	9.1	9.1	8.5	10.1	9.2
(Percent of GDP)	14.1	15.3	16.4	16.6	16.8	16.9	17.1	17.3
(Percent of non-agricultural GDP)	17.1	18.5	19.9	20.0	20.2	20.3	20.4	20.5

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Balance of Payments, 2014–21

(Billions of CFAF; unless otherwise indicated)

	2014	2015	2016	2017	2018	2019	2020	2021
	Est.	Est.	Proj.	Program			Projections	
Current account balance	-628.5	-767.3	-681.9	-857.9	-949.9	-1019.3	-930.1	-869.5
Balance on goods, services, and income	-801.0	-947.0	-865.6	-1048.7	-1148.2	-1224.8	-1144.9	-1093.3
Balance on goods	-351.0	-525.4	-457.2	-579.2	-636.6	-674.4	-534.5	-448.9
Exports, f.o.b	715.2	643.2	574.5	653.3	734.0	824.2	1099.5	1295.3
Uranium	240.5	240.8	206.6	247.5	273.9	267.2	269.4	278.1
Oil	143.2	88.7	93.7	93.1	97.8	112.5	306.3	407.6
Other products	331.5	313.7	274.2	312.6	362.3	444.5	523.9	609.6
Imports, f.o.b	1066.2	1168.6	1031.6	1232.5	1370.6	1498.6	1634.0	1744.2
Food products	171.1	221.7	198.0	219.5	242.6	262.8	296.9	324.4
Petroleum products	42.2	60.7	30.4	31.9	33.5	35.2	37.0	38.8
Capital goods	329.1	337.1	305.9	409.3	490.9	537.8	576.4	616.8
Other products	523.7	549.1	497.3	571.7	603.6	662.8	723.7	764.2
Services and income (net)	-450.0	-421.6	-408.4	-469.5	-511.6	-550.4	-610.5	-644.3
Services (net)	-375.0	-430.1	-417.3	-479.0	-521.8	-561.4	-622.5	-657.3
Income (net)	-75.0	8.5	8.8	9.5	10.3	11.0	12.0	13.0
Of which: interest on external public debt	-10.0	-11.9	-15.8	-20.6	-19.1	-19.2	-19.1	-19.6
Unrequited current transfers (net)	172.5	179.7	183.7	190.8	198.3	205.5	214.9	223.7
Private (net)	80.7	109.7	96.6	116.2	119.4	122.3	141.6	160.5
Public (net)	91.8	70.0	87.2	74.6	78.9	83.2	73.2	63.2
Of which: grants for budgetary assistance	67.9	76.6	67.2	54.6	58.9	63.2	53.2	43.2
Capital and financial account	715.6	750.4	721.9	847.9	1004.9	1084.3	1000.1	989.5
Capital account	185.7	177.1	164.3	193.4	200.0	206.0	223.6	211.1
Private capital transfers	15.3	21.1	22.0	24.2	26.6	29.1	32.1	34.8
Project grants	154.3	156.0	142.3	164.2	168.4	171.9	186.5	171.3
Food Aid	0.0	0.0	0.0	5.0	5.0	5.0	5.0	5.0
Nonproduced, nonfinancial assets	16.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt cancellation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	529.9	573.3	557.5	654.4	805.0	878.3	776.5	778.5
Direct investment [1]	362.6	293.1	337.4	432.4	557.2	603.6	490.2	489.4
Portfolio investment	61.8	84.0	31.9	24.0	25.9	27.8	25.8	27.9
Other investment	105.5	196.2	188.3	198.0	221.9	246.8	260.5	261.2
Public sector (net)	120.2	183.7	178.0	168.4	171.6	174.0	179.8	194.0
Disbursements	140.8	209.6	213.2	208.3	206.8	209.7	214.5	242.0
Loans for budgetary assistance	7.3	63.5	50.7	37.8	40.8	43.8	43.8	47.7
Project loans	133.5	146.1	162.5	170.5	166.0	166.0	170.8	194.2
Amortization	20.6	25.9	35.1	39.9	35.2	35.8	34.7	48.0
Other (net)	-14.7	12.6	10.2	29.6	50.3	72.9	80.7	67.2
Errors and omissions	25.6	-86.7	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	112.7	-103.6	40.0	-10.0	55.0	65.0	70.0	120.0
Financing	-112.7	103.6	-40.0	10.0	-55.0	-65.0	-70.0	-120.0
Net foreign assets (BCEAO)	-112.7	103.6	-40.0	10.0	-55.0	-65.0	-70.0	-120.0
Of which: net use of Fund resources	20.2	27.0	6.2	19.7	18.5	16.6	1.8	-15.9
Rescheduling obtained	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**
Memorandum items:								
Current account (in percent of GDP)	-15.4	-18.1	-15.4	-18.0	-18.5	-18.5	-15.4	-13.3
Current account (excluding grants; in percent of GDP)	-17.7	-19.7	-17.3	-19.5	-20.0	-20.0	-16.7	-14.3
Trade balance (in percent of GDP)	-8.6	-12.4	-10.3	-12.1	-12.4	-12.2	-8.9	-6.9
Overall balance (in percent of GDP)	2.8	-2.4	0.9	-0.2	1.1	1.2	1.2	1.8
Gross Official Reserves (in months of next year's imports of goods and services)	4.8	4.6	4.2	3.9	4.0	4.0	4.1	4.4
Pooled gross international reserves, WAEMU (in CFAF billions)	7,033.6	7,487.0	...	...	...	...	...	...
In months of next year's imports of goods and services	4.9	...	...	...	...	...	...	...
GDP (in CFAF billions)	4,077	4,242	4,432	4,773	5,146	5,524	6,025	6,523

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

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

Table 6. Niger: Indicators of Financial Soundness, December 2011–September 2016

(Percent, unless otherwise indicated)

	2011 Dec.	2012 Dec.	2013 Dec.	2014 Dec.	2015 Dec.	2016 Sep.
Solvency Ratios						
Regulatory capital to risk-weighted assets	13.5	16.7	15.5	14.6	15.0	15.1
Tier 1 capital to risk-weighted assets	13.2	16.1	14.9	13.4	14.0	14.0
Provisions to risk-weighted assets	11.5	10.2	12.0	9.4	11.3	11.0
Capital to total assets	9.2	10.1	9.4	9.5	9.8	9.7
Compostion and quality of assets						
Total loans to total assets	61.2	60.0	58.6	55.7	58.8	58.3
Concentration: credit to the 5 biggest borrowers to regulatory capital	152.2	135.6	128.3	109.5	125.4	108.3
Gross NPLs to total loans	19.6	17.1	16.5	15.5	17.5	18.5
Provisioning rate	58.0	54.6	67.3	61.5	71.4	66.1
Net NPLs to total loans	9.3	8.6	6.1	6.6	5.0	6.0
Net NPLs to capital	61.6	51.0	34.3	38.6	30.1	37.5
Earnings and profitability						
Average cost of borrowed funds	2.2	2.2	2.0	2.0	...	...
Average interest rate on loans	10.4	10.5	10.1	9.7	...	...
Average interest rate (after taxes on financial operations)	8.2	8.3	8.1	7.7	...	...
After-tax return on average assets (ROA)	1.0	1.8	...	...	...	...
After-tax return on average equity (ROE)	7.3	16.2	...	...	...	...
Non-interest expenses to net banking income	55.9	54.5	51.5	49.8	...	...
Salaries and wages to net banking income	23.2	23.3	23.5	22.2	...	...
Liquidiy						
Liquidity assets to total assets	33.4	32.5	22.4	...	...	...
Liquidity assets to total deposits	52.6	51.4	36.2	...	...	...
Total loans to total deposits	108.8	104.7	93.7	85.3	92.4	92.5
Total deposits to total liabilities	63.5	63.2	62.6	65.3	63.6	63.6
Sight deposits to total liabilities	41.1	42.0	41.0	42.3	39.1	39.8
Term deposits to total liabilities	22.4	21.2	21.6	22.9	24.6	25.1

Source: BCEAO.

Table 7. Niger: Quantitative Performance Criteria and Indicative Targets (March 2017–December 2017)

(Billions of CFAF)

	End-December 2016 For information	End-March 2017 IT	End-June 2017 PC	End-September 2017 IT	End-December 2017 PC
	Proj.	Prog.	Prog.	Prog.	Prog.
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
Adjusted criteria [2]		…	…	…	…
Reduction in domestic payment arrears of government obligations[3]	-8.4	10.0	20.0	10.0	-43.4
Memorandum item:					
External budgetary assistance [4]					
Budget support	114.3	0.0	0.0	0.0	92.4
New external debt contracted or guaranteed					
by the government on concessional terms (ceiling)[7]	800.0	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	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	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	0.0
C. Indicative Targets					
Basic budget balance (commitment basis, excl. grants)[3]	-194.3	-71.2	-130.7	-186.6	-235.9
Basic budget balance (commitment basis, incl. budget grants)[3]	-130.7	-71.2	-130.7	-186.6	-181.3
Total revenue[3]	676.6	160.7	353.4	554.5	770.8
Spending on poverty reduction[3]	356.8	103.8	222.2	348.4	487.5
Ratio of exceptional expenditures on authorized spending (percent)[8]	5.0	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 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.

[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 piolicy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf. The end-December 2016 the ceilling is cumulative from January 1, 2015.

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

Table 8. Niger: Proposed Repetitive Structural Benchmarks for the Program		
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.
Produce a quarterly report on VAT credit reimbursement.	Quarterly	Improve efficiency of the VAT.
Prepare a Revised Borrowing Plan.	Each year at end-June	Improve debt management.

Table 9. Niger: Proposed Structural Benchmarks, 2017		
Measure	**Timetable**	**Progress and/or Macroeconomic Rationale**
Prior Action		
Amend the 2017 budget already sent to the National Assembly, adjusting downward revenue in line with the program.	Prior Action	Met Improve public financial management.
Fiscal Policy and Revenue Administrations		
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	Improve tax collection and the expand the tax base.
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	Improve fiscal management.
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	Improve tax collection.
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	Improve public financial management enhance spending efficiency and control.
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	Improve liquidity management.
Other Structural Reforms		
Elaborate and submit to staff an action plan for the audit of the major public enterprises.	End-July	Improve the management of public enterprises.
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	Align with existing laws.
Submit to staff the update of the 2008 national policy on gender.	End-December	Enhance gender equality.

Table 10. Niger: Indicators of Capacity to Repay the Fund, 2016–27

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Fund obligations based on existing credit												
Principal	0.8	4.8	5.8	7.8	11.6	19.1	20.4	18.2	14.8	10.3	2.5	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit												
Principal	0.8	4.8	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit												
SDR millions	0.8	4.8	5.8	7.8	11.6	19.1	21.8	25.2	27.5	28.6	22.2	18.3
CFAF billions	0.6	4.0	4.8	6.4	9.6	15.7	18.0	20.8	22.6	23.5	18.3	15.1
Percent of exports of goods and services	0.1	0.5	0.5	0.6	0.7	1.0	1.1	1.2	1.2	1.1	0.8	0.6
Percent of debt service[1]	0.7	3.7	4.1	5.8	8.2	12.7	10.9	10.8	11.1	11.1	8.5	7.0
Percent of GDP	0.0	0.1	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	0.6	0.6	0.7	0.9	1.3	1.3	1.4	1.4	1.4	1.0	0.8
Percent of quota	0.6	3.7	4.4	5.9	8.8	14.5	16.6	19.2	20.9	21.7	16.9	13.9
Outstanding IMF credit based on existing prospective drawings												
SDR millions	115.2	138.5	161.0	181.4	183.9	164.8	143.0	117.8	90.3	61.7	39.5	21.2
CFAF billions	94.8	114.1	132.5	149.3	151.4	135.7	117.7	97.0	74.3	50.8	32.5	17.4
Percent of exports of goods and services	12.4	13.5	14.3	14.6	11.4	8.9	7.1	5.4	3.8	2.4	1.4	0.7
Percent of debt service[1]	107.4	105.1	114.9	134.9	130.5	110.1	71.5	50.3	36.6	23.9	15.2	8.1
Percent of GDP	2.1	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	14.8	15.8	16.4	16.9	14.6	11.4	8.7	6.7	4.6	3.0	1.8	0.9
Percent of quota	87.5	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)	9.4	23.4	22.4	20.4	2.5	-19.1	-21.8	-25.2	-27.5	-28.6	-22.2	-18.3
Disbursements	10.2	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	0.8	4.8	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)	762.0	844.0	927.4	1020.1	1330.8	1530.0	1655.8	1786.3	1947.0	2105.9	2340.0	2474.7
External debt service (CFAF billions)[1]	88.3	108.5	115.4	110.7	116.1	123.3	164.5	192.7	203.1	212.2	214.1	216.2
Nominal GDP (CFAF billions)	4432.4	4773.4	5145.6	5523.6	6025.0	6523.3	7093.4	7628.6	8192.0	8783.7	9419.0	10104.7
Tax revenue (CFAF billions)	641.6	721.3	807.5	886.2	1039.9	1185.8	1348.4	1455.8	1621.4	1721.4	1855.3	2008.3
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	131.6

Source: IMF staff estimates and projections.

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

Table 11. Niger: Summary of the Government External Borrowing Program for 2015-17

(Billions of CFAF)

	2015		2016		2017
	Projections	Signed	Projections	Signed, end-June	Projections
Source of debt financing	**520.4**	**231.4**	**559.1**	**207.0**	**350.0**
Concesstional debt	**520.4**	**231.4**	**559.1**	**207.0**	**350.0**
Multilateral debt[1]	248.6	186.8	288.6	176.2	282.7
Bilateral Debt	271.8	44.5	270.5	30.8	67.3
To be indentified					
Non Concessional	**0**	**0**	**0**	**0**	**0**
Utilization of the amount borrowed	**520.4**	**231.4**	**559.1**	**207.0**	**350.0**
Budgetary assistance	78.5	63.4	51.0	13.1	95.9
Infrastructure (Road[2], Bridge,...)	235.8	11.8	235.8	11.8	44.3
Water and Energy	22.8	22.8	192.0	99.6	34.6
Agriculture	49.6	50.2	64.8	64.8	68.3
Social (Education, Health, ...)	90.2	47.4	5.9	0.0	60.9
Others (food security, Women empowerment, ..	43.5	35.7	9.6	17.7	45.9

Source: Nigerien authorities.

[1]The IMF financing is excluded.

[2]There is CFAF 235.8 billion road construction loan under negotiatiation with the Turkish government, which is still under negotiation in 2016.

Table 12. 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 June 30, 2017 performance criteria, and completion of the first review under the arrangement	October 31, 2017
SDR 14.1	Observance of December 31, 2017 performance criteria, and completion of the second review under the arrangement	April 30, 2018
SDR 14.1	Observance of June 30, 2018 performance criteria, and completion of the third review under the arrangement	October 31, 2018
SDR 14.1	Observance of December 31, 2018 performance criteria, and completion of the fourth review under the arrangement	April 30, 2019
SDR 14.1	Observance of June 30, 2019 performance criteria, and completion of the fifth review under the arrangement	October 31, 2019
SDR 14.1	Observance of 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 13. Niger: Risk Assessment Matrix (RAM), October 2016

Sources of Risks	Relative Likelihood	Impact if realized	Recommended Policy Response
Deterioration of security situation	**Medium (in view of the military gains made in 2016)**	**High** High impact on social welfare, growth and balance of payments because of humanitarian crisis and disruption of economic activity and reduced FDIs. Negative impact on the fiscal position because of both reduced fiscal intake and higher security expenditures.	Allow a relaxation of the fiscal stance in 2017 and onwards as needed to accommodate high priority security spending in response to developments on the ground. Increase engagement with neighboring countries and international community on security issues.
Delays in the realization of extractive industry projects	**High (in view of continued weak prices and regional insecurity)**	**High** Major impact on medium-term economic activity, current account, and fiscal position.	Enhance oversight and transparency of the sector.
Continued accumulation of debt due to weak policy implementation and debt management capacity	**Medium to High**	**High** Major impact on debt sustainability.	Continued efforts to enhance debt management. Careful selection of projects financed with debt to ensure cost recovery.
Unfavorable weather conditions/natural disasters	**High (in view of cyclical draught and locust plague occurrences)**	**High** Unfavorable weather conditions would reduce agricultural output, increase food insecurity and cause inflationary pressures.	Rebuild fiscal buffers to accommodate well-targeted spending in case of shocks due to natural disaster.
Lower oil/uranium prices	**High (in view of lack of prospects for a rebound in prices from their currently depressed levels)**	**High** Negative impact on growth, balance of payments, and fiscal position.	Enhance resources management to avoid excessive pro-cyclicality of the fiscal position (fiscal rule, resources fund) and improve spending quality. Over the medium to long-term create conditions to foster private sector growth and increase non-resource revenue.
Reduced donor support	**Low (in view of Niger's growing importance in the fight against terrorism and illegal immigration)**	**High** Negative impact on development projects and on social safety net and program execution.	Enhance engagement with traditional and new donors. Enhance implementation capacity to ensure high return from the projects financed by donors.

Annex. Niger: Ex-Post Peer Reviewed Assessment[1]

Introduction

1. **Over the last decade, two arrangements under the Extended Credit Facility (ECF) supported Niger's medium-term objectives of maintaining macroeconomic stability, promoting growth, and reducing poverty**. The first three reviews under the first ECF arrangement (2008-11; SDR 23.03 million) were completed, but a military coup in early 2010 interrupted the policy dialogue with the Fund pending international recognition of the transitional government. The second ECF arrangement (2012-16, SDR 120.09 million) was approved in March 2012 and was initially scheduled through the first quarter of 2015. It was twice extended, first to end-December 2015, and then to end-December 2016, because of delays in implementing the structural reform program and larger BOP needs from security and humanitarian situation. The second extension was accompanied by an augmentation of access of 62.5 percent of quota.

2. **This annex reviews progress during the 2012-16 ECF-supported program,[2] and draws lessons for future program design and Fund engagement**. The assessment is made from a staff perspective, and reflects the authorities' views collected during the 2016 Article IV discussions and negotiations of a new program supported by the ECF.

Program Objectives

3. **Niger's development strategy under the ECF 2012-16—as laid out in the government's *Plan de Development Economique et Social (PDES)*—envisaged leveraging its natural resource wealth into a sustained and inclusive growth process**. Implementation of the strategy required large-scale investments in two natural resource projects, Imouraren (uranium mine) and the oil pipeline Niger-Chad-Cameroon, were scheduled to be completed during this period, but were delayed as the international market prices fell. Challenges under the program were numerous and diverse, but four stand out: (i) food security; (ii) security and governance; (iii) development of human capital; and (iv) infrastructure development.

4. **The main objectives of the 2012-16 program were maintaining macroeconomic stability, promoting growth, and reducing poverty.** The 2012-16 program sought to consolidate the macroeconomic stability restored during the previous arrangement, while increasing Niger's resilience to shocks, strengthening public finances and debt management, establishing a transparent

[1] This note was prepared by Victor Davies and reviewed by Salifou Issoufou (Senegal team).

[2] The 2008-11 program was reviewed in SM/11/300. The following summarizes the key findings from that review: Macroeconomic performance under the 2008-11 program was satisfactory, although conditions deteriorated in 2009-10 following political instability and drought. The authorities maintained macro stability and average annual real GDP grew by 5.7 percent, above program projections. Both tax and non-tax revenues exceeded projections, thanks mainly to improvements in customs and revenue administration. Quantitative performance criteria and structural benchmarks were mostly met.

legal and supervisory framework for the mining and petroleum sectors, and supporting private and financial sector development. Fiscal policy aimed at supporting the growth strategy by creating fiscal space for increasing development spending, while preserving external debt sustainability. To that end, emphasis was placed on improving tax administration and expenditure control with the Fund technical assistance.

Program Performance

5. **Performance under the 2012-16 program was adversely impacted by a deterioration in security starting in 2012**, a collapse of export prices starting in 2013, droughts, floods, and negative spillovers from the economic slowdown in neighboring Nigeria starting in 2015. Due to domestic policy slippages, fiscal performance fell short of program targets, and the implementation of the structural reform agenda was delayed. This, in turn, led to delays in completing several reviews.

- Economic growth was generally lower than the initial projections. Average growth rate was 6.6 percent in 2012-16, compared with a projection of 8.2 percent. The economic growth under-performance was due to the above-mentioned external shocks, volatility in agricultural production which accounts for 35-40 percent of GDP, and delays in the implementation of the resource projects.

- Inflation in 2012-16 averaged 1.3 percent a year, well below the 3 percent WAEMU convergence criteria, in part due to the government's timely food and price stabilization programs for the years when harvests were not good.

- The current account deficit averaged 15.7 percent of GDP in 2012-16, compared with a projection of 16.7 percent. International reserves were kept at comfortable levels in excess of 4 months of imports of goods and services.

- The fiscal stance deteriorated as the budget deficits were higher than programmed. The overall balance averaged 5.5 percent of GDP over 2012-16 compared with projections of 4.5 percent, due to the exogenous shocks, repeated underperformance of revenue, shortfalls in external financing, and the failure to adjust spending in response to shocks. The deficits were financed by domestic arrears and external debt accumulation– with the external debt-to-GDP ratio rising from 21.3 to 34.1 percent of GDP between 2012 and 2016. Quantitative performance criteria on net domestic financing and net reduction in domestic arrears were missed for most of the reviews.

6. **Progress on structural reforms was uneven with delays in implementing the structural reform agenda.** The following key reforms have been effected:

- Revenue mobilization: Progress was recorded in modernizing customs administration with the migration to ASYCUDA World and interconnecting the main customs offices which collect more than 90 percent of customs revenue.

- Public financial management: An action plan for the 2012 organic budget law was adopted in 2013 that will lead to the full WAEMU-harmonized budget law in the preparation of the 2018 budget. Spending executed through exceptional procedures was kept below the benchmark 5 percent of total expenditures since the first quarter of 2013. An Inter-Ministerial Budgetary Committee was established in 2016 to provide a mechanism to align expenditure commitments with resource availability and thereby reduce the incurrence of arrears.

- Business environment: a new investment code was adopted and a one-stop-shop for investors was set up in 2015, after a one-stop-shop for starting business was operationalized in early-2014.

- Debt management: The Secretariat of the inter-ministerial committee on debt management was established in 2015, and has since produced regular reports on debt management.

- Financial sector reform and inclusion: a financial sector development strategy was adopted in November 2014 and was reinforced in 2015 with a financial inclusion strategy targeting Nigerien with limited access to financial services.

7. **The following are the main outstanding reforms envisaged under the 2017 program**:

- The establishment of a treasury single account (TSA), initially envisaged by end-December 2013, has not been completed and is now expected to be in place at end 2017. Implementation has been broken down into a number of well-defined steps that have been used as structural benchmarks and which have secured progress.

- Operationalization of customs electronic transit system.

- Preparation of the documents required for the establishment of 2018 budget in line with the 2012 budget law.

- Curtailing widespread fiscal exonerations.

Lessons from the 2012-16 ECF-Program

8. **Four key lessons can be drawn from the ECF supported program**:

- Some targets may have been too ambitious in contrast to capacity and incidence of shocks. Revenue targets were overly ambitious, especially after the good performance in 2013. These targets, which were missed by large margins, were in turn used to justify ambitious levels of spending, leading to breaches in performance criteria and missed targets. Staff assessment of domestic absorptive capacity for investment also turned out to be optimistic.

- More flexibility in adjusting macroeconomic targets and policies in response to shocks may have been warranted. The shocks rendered the ambitious spending plans incompatible with program objectives but adjustments were not made in good time. The failure to adjust timely highlighted the need for fiscal discipline and effective oversight over the expenditure chain, and for flexibility in the design of macroeconomic and development plans.

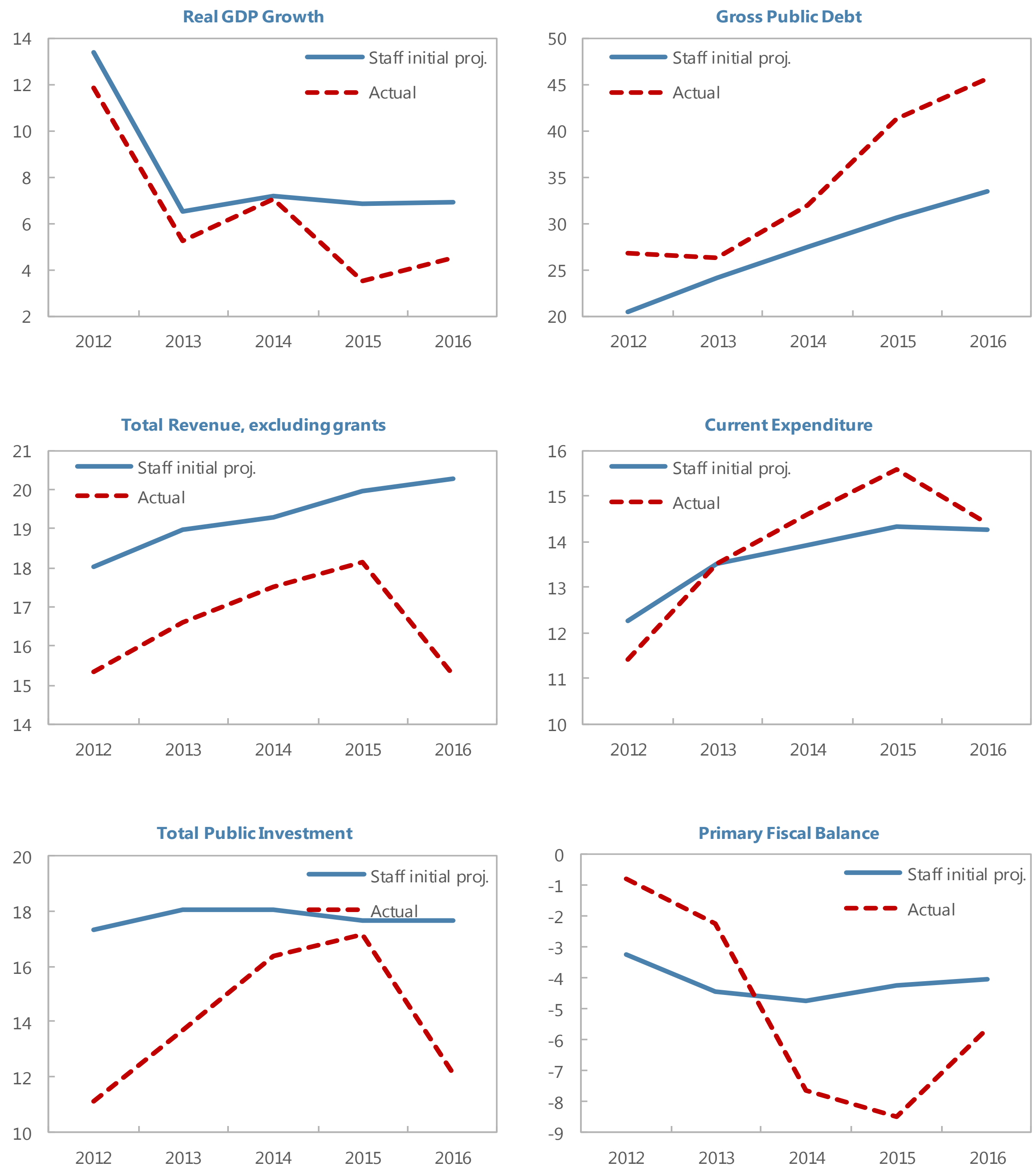
- Capacity building and strong ownership of TA recommendations are essential to make progress with reforms. Certain reform measures –such as customs administration and the TSA– were initiated without ensuring that the capacity to implement them existed or the political will was in place.

- Institutional stability and coordination are vital for program success. A high managerial turnover rate at the Ministry of Finance slowed reform implementation. The co-management of debt by the Ministry of Finance and the Ministry of Planning created difficulties in coordinating and monitoring debt operations.

9. The authorities broadly concurred with the staff's assessment of the Fund-supported program. The authorities were gratified to hear that staff shared their views on the adverse impacts of exogenous shocks on program performance and of the importance of flexibility in government policy to respond to such shocks. They stressed that they looked forward to incorporating the lessons learned in the proposed new program.

Annex Figure 1. Niger: Macroeconomic Performance (Request versus Actual), 2012-16

(Percent of GDP, unless otherwise indicated)



Sources: Country authorities; and IMF staff projections.

Annex Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (December 2014–December 2015)

(Billions of CFAF)

	End-December 2014 PC			End-March 2015 IT			End-June 2015 PC			End-September 2015 For Information			End-December 2015 PC		
	Rev. Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Proj.	Actual	Status	Prog.	Actual	Status
A. Quantitative performance criteria and indicative targets[1]															
(cumulative for each fiscal year)															
Net domestic financing of the government	54.5	129.3		19.6	44.4		41.3	123.9		201.0	170.5		130.7	188.8	
Adjusted criteria [2]	69.5	129.3	Not Met	32.2	44.4	Not Met	56.3	123.9	Not Met	201.0	170.5	Met	145.7	188.8	Not Met
Reduction in domestic payment arrears of government obligations [3]	-10.0	57.7	Not Met	-1.8	0.0	Not Met	-3.5	-38.8	Met	-38.8	7.7	Not met	-63.8	-13.0	Not Met
Memorandum item:															
External budgetary assistance [4]															
Budget support	116.4	75.2		12.6	0.0		26.2	0.0		6.6	20.4		160.4	140.0	
New external debt contracted or guaranteed															
by the government on concessional terms (ceiling)[7]													520.4	231.4	
B. Continuous quantitative performance criteria[1]															
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New external debt contracted or guaranteed															
by the government with maturities of less than 1 year[5]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
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	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
C. Indicative Targets															
Basic budget balance (commitment basis, excl. grants)[3]	-161.6	-261.8	Not Met	-25.9	-77.2	Not Met	-55.9	-118.0	Not Met	-155.5	-207.6	Not Met	-224.9	-316.8	Not Met
Basic budget balance (commitment basis, incl. grants)[3]	-78.6	-193.9	Not Met	-17.6	-77.2	Not Met	-38.4	-118.0	Not Met	-149.0	-187.2	Not Met	-142.9	-240.3	Not Met
Total revenue[3]	753.3	714.2	Not Met	193.9	168.0	Not Met	388.9	355.1	Not Met	564.6	546.5	Not Met	785.7	768.7	Not Met
Spending on poverty reduction[3]	507.6	489.9	Not Met	114.3	114.4	Met	231.4	232.3	Met	312.0	314.5	Met	442.8	449.5	Met

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-December and end-June; indicative targets otherwise except for end-September 2015 that are just for information.

[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 2015.

[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 piolicy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

Annex Table 2. Niger: Quantitative Performance Criteria and Indicative Targets (March 2016–June 2016) and Projections for September 2016–December 2016

(Billions of CFAF)

	End-March 2016 IT			End-June 2016 PC			End-September 2016[8] For information		End-December 2016[8] For information	
	Prog.	Actual	Status	Prog. 8th rev.	Actual	Statut	Proj. 8th rev.	Actual	Proj. 8th rev.	Rev. Proj.
A. Quantitative performance criteria and indicative targets[1]										
(cumulative for each fiscal year)										
Net domestic financing of the government	67.7	29.0	Met	89.0			106.6		129.4	113.8
Adjusted criteria [2]	…	…		92.9	92.2	Met	114.0	149.3	…	
Reduction in domestic payment arrears of government obligations[3]	10.3	0.0	Met	30.0	19.2	Met	5.0	15.4	-58.4	-8.4
Memorandum item:										
External budgetary assistance [4]										
Budget support	0.0	19.4		32.5	28.6		36.0	28.6	117.7	114.3
New external debt contracted or guaranteed by the government on concessional terms (ceiling)[7]	800.0	244.5		800.0	391.3		800.0		800.0	800.0
B. Continuous quantitative performance criteria[1]										
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	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	Met	0.0	0.0	Met	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	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0
C. Indicative Targets										
Basic budget balance (commitment basis, excl. grants)[3]	-73	-80.9	Not Met	-155.3	-140.8	Met	-157.5	-215.4	-169.7	-194.3
Basic budget balance (commitment basis, incl. budgetary grants)[3]	-73	-61.6	Met	-135.9	-121.5	Met	-134.6	-196.1	-102.5	-130.7
Total revenue[3]	174.9	147.9	Not Met	327.9	316.0	Not Met	554.4	469.3	791.1	676.6
Spending on poverty reduction[3]	77.8	79.4	Met	198.8	175.9	Not Met	314.1	249.0	445.8	356.8

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 except for end-September and end-December that are just for information.

[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 2016.

[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 piolicy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf. The ceiling is defined as cumulative from January 1, 2015.

[8] The end Sep 2016 end Dec 2016 projections do not represent conditionality and are reported for the government's own goals.

Annex Table 3. Niger: Structural Reforms under the 2012-16 Program

Description	Status of Conditionality
2012	
1. Compile comprehensive quarterly budget reports on a commitment, payment order, and payment basis, to be submitted to Fund with a period of six weeks	
2. Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditure, with the exception of debt-service payments and fiscal expendit related to exemptions.	
3. Complete an inventory of bank accounts held by government entities and agencies.	
4. Give all known importers a tax identification number (TIN) and reserve the code for operators without a tax identification number exclusively for occasional operators, and submit a report on the implementation of this measure.	
5. Adoption by the Council of Ministers of a revision of the Investment Code to exclude the possibility of granting exemptions to already-established telecommunications companies when they introduce new technologies.	
6. Close irregular and dormant bank accounts.	
7. Complete the interface between the Directorate General of the Budget and Directorate General of the Treasury and Government Accounting to improve moniotring of the expenditure chain.	
2013	
8. Prepare comprehenhsive quarterly budget reports on commitment, payment order, and payment basis to be submitted to IMF staff within six weeks.	
9. Limit unauthorized expenditure to a maximum of 5 percent of spending commitments with the exception of debt service payments and budget expenditure associated with exceptions.	
10. Establish a Treasury Single Account	
11. Quarterly budget allocations will be released no later than four weeks after the start of the first, second, and third quarters.	
12. Prepare quarterly cash management and commitment plans to take account of spending ministries' plans for contract awards; the plans will be aligned with one another and updated monthly.	
2014	
13. Finalize the study to select the path of the pipeline.	
14. Launch an international tender for the selection of the company that will build the pipeline.	
15. Publish a formal annual borrowing plan detailing the government's planned external borrowing for the year.	
16. Introduce a quarterly reporting of debt management activities to the National Public Debt Management Committee.	
17. Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditure, with the exception of debt-service payments and fiscal expendit related to exemptions.	
18. Progress in implementing customs reform with respect to declarations, tax exemptions, customs control on oil products and beter use of ASYCUDA.	
19. Quarterly budget allocations will be released no later than four weeks after the start of the first, second, and third quarters.	
20. Establish a Treasury Single Account.	
21. Approve the decree to implement the financial sector reform plan.	

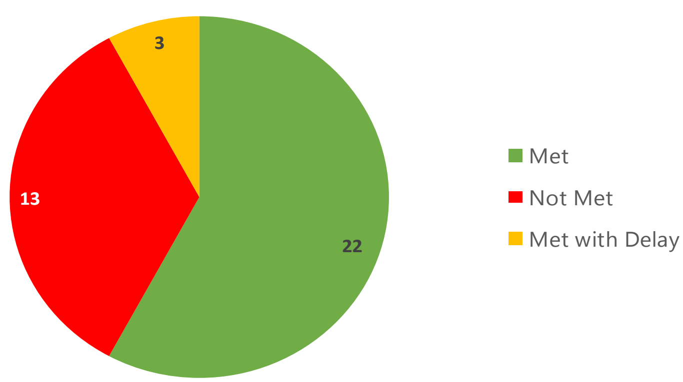
Annex Table 4. Niger: Structural Reforms under the 2012-16 Program (continued)

2015

22. Census of accounts for the TSA
23. Adopt the design of the TSA
24. Put in place the one-stop shop for the investment code
25. Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditure, with the exception of debt-service payments and fiscal expendit related to exemptions.
26. Operationalize the custom electronic transit.
27. Finalize a study on the introduction of the investment budgeting in commitment, authorization, and payment credit.
28. Prepare a comprehensive procurement plan to match a commitment plan anda a cash plan.

2016

29. Adopt and send to the parliament the draft revised budget for 2016 in line with the program.
30. Create an Interministerial budgetary regulation and cash management committee
31. Submit a draft report of the 2015 budget execution.
32. Submit the quarterly commitment plan for Q3 consistent with the corresponding cash plan
33. Migration to ASYCUDA (SYDONIA) World.
34. Establish a steering committee for implementation of the financial sector development plan
35. Introduce quarterly reports on debt mangemen activities to be submitted to the National Public Debt Management Committee.
36. Limit expenditures executred through exceptional proecedures to a maximum of 5 percent of authorized spending, with the exception of debt service payments and budget expenditure associated with exemptions.
37. Establish the legal framework for the closure of public accounts to be consolidated under the TSA.
38. Prepare a borrowing plan.
39. Completion of the civil service staff biometric census.

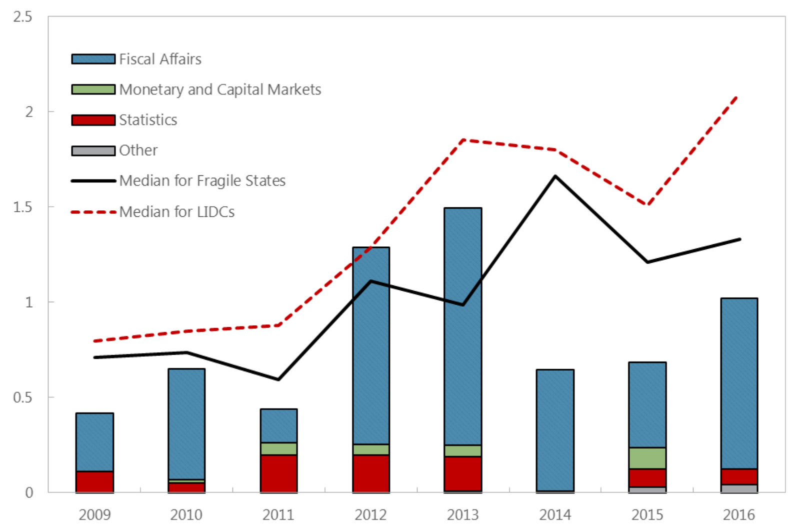


Annex Box 1. Niger: Capacity Building

IMF capacity building efforts supported effectively the authorities' macro-critical objectives. Technical assistance has focused on customs and tax administration and public financial management (PFM). Also, technical assistance aimed at enhancing capacity of the National Institute of Statistics and improve debt management for coverage and completeness. Fund technical assistance and training to Niger has however been moderate relative to the median for fragile states or LICs. IMF technical assistance increased significantly in 2012-13 (Figure), in support of the implementation of the 2009 WAEMU PFM directives, the taxation of natural resources, and the conduct of the 2012 Public Expenditure and Financial Accountability (PEFA) assessment.

Niger: Evolution and Composition of IMF Technical Assistance by Department, 2009-16

(In person years of field delivery)



Source: IMF.

Coordination with other capacity building providers was a critical part of Niger capacity building strategy. Under the 2012-15 PFM reform program**,** Niger received support from other technical assistance providers, namely the UNDP, the WB, the AfDB, and the EU. However, coordination has been weak in donors' support for the introduction of the medium-term expenditure framework (MTEF and the investment budgeting in commitment authorization and payment credit).

Implementation of technical assistance recommendations has been slower than expected. Recommendations in the areas of revenue administration were implemented loosely, while treasury management reforms have repeatedly been postponed, especially those related to the Treasury Single Account (TSA), reflecting mainly low capacity and a lack of clear strategy. A project for a FAD long-term resident advisor is being set up—this expert will be tasked to speed up treasury management reform, in particular the TSA implementation.

Technical assistance should continue to be in line with macro-critical objectives, but be more demand-driven and reflect implementation capacity. To support capacity building, resident advisors in a few key PFM reform areas could assist in the coordination of technical assistance, the transfer of knowledge, and the ownership of reforms. Also donor coordination in the PFM reform area, through the use of a donor technical assistance coordination matrix, would be helpful.

Appendix I. Letter of Intent

Niamey, December 21, 2016

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

Madame Managing Director,

1. **Over the past five years, the government of Niger has been implementing economic and social policies that have made it possible to maintain macroeconomic stability coupled with sustained growth in economic activity.** These policies are based on the 2012-15 Economic and Social Development Plan (PDES), reflected in the 2012–16 economic and financial program supported by the International Monetary Fund (IMF) under the Extended Credit Facility (ECF). Program implementation was affected by government spending pressures driven partly by the impact of security and climatic shocks, a decline in trade flows with neighboring countries, and the price-depressed oil and mining sectors. The impact of these shocks undermined the achievement of the objectives of our development program. The ensuing fiscal deficits were financed largely by the accumulation of domestic payments arrears and the increased use of borrowing on the regional financial market.

2. **The new economic and financial program (2017-20), which we are requesting, takes into account the achievements and lessons learned from the previous program to establish sustainable objectives.** Its primary objective is the preservation of a sound macroeconomic framework, in particular through a prudent debt policy. The program also seeks to broaden the tax base, strengthen public financial and debt management, enhance the monitoring of developments in the natural resources sector, consolidate the financial sector, and improve the business environment. Given the severity of the exogenous shocks, special emphasis is placed on domestic revenue mobilization, the streamlining of spending, and diversification of the production base, with a view to increase the resilience of the economy and to create a sustainable basis for financing our development programs, while maintaining a sustainable debt level.

3. **To achieve these objectives, we are determined to implement new reforms, while continuing those in progress.** The new reforms will mainly aim at raising tax revenues and controlling spending, but also at facilitating the development objectives outlined in the 2016-19 Economic Policy Paper, which draws on the Renaissance Act II Program for 2016-19. Consequently, our actions will aim at strengthening the performance of the revenue agencies so as to increase revenues while controlling and improving the quality of public spending.

4. Tax policy will also play an important role. Over the years, the advantages granted by our various codes (investment codes, mining code, and petroleum code) have steadily increased in terms of revenue opportunity costs. The same applies to our public enterprises, some of which are a source of revenues losses for the government. In order to increase revenue and better manage spending, the government is committed to rationalizing the tax exemptions policy currently in effect while also introducing bold reforms in the management of public enterprises by taking a closer look at the concessions granted.

5. Economic diversification will be stepped up. To that end we will pursue economic diversification policies conducive to a strong, inclusive growth and a more resilient economy capable of providing employment to a fast-growing youth population, thereby helping to achieve the Sustainable Development Goals (SDGs), including through policies to reduce gender inequality and to reap the potential of the demographic dividend of Niger's fast growing population.

6. The government remains firmly committed to pursuing a prudent debt policy that will enable the financing of investment plans while maintaining debt sustainability. The government will, therefore, limit loans contracted or guaranteed on non-concessional terms as prescribed in the Fund's Debt Limits policy.

7. In regard to the program objectives, we are convinced that the policies contained in the attached Memorandum of Economic and Financial Policies (MEFP) should help achieve the program objectives. The government stands ready to take any additional measures that prove necessary to this end. The government will consult with Fund staff on the adoption of such measures, on its own initiative or at the request of the IMF Managing Director, before adopting such measures or before any revisions to the policies contained in the MEFP, in accordance with Fund policies on such consultations. In particular, the government will discuss with Fund staff (including in the context of program reviews) any unforeseen circumstances that could affect the program, so as to conduct a joint analysis of their impact and identify appropriate actions to be taken without jeopardizing the achievement of program objectives. Lastly, the government is committed to provide the IMF with any information that may be necessary for monitoring the implementation of the measures and the achievement of program objectives, as agreed in the annexed Technical Memorandum of Understanding (TMU).

8. The government requests IMF support for its three-year economic and financial program under the Extended Credit Facility (ECF). It is requesting financial assistance of SDR 98.7 million, equivalent to 75 percent of quota, and an initial disbursement of SDR 14.1 million (10.7 percent of quota) following approval of the arrangement by the Executive Board.

9. The government consents to the publication of this Letter of Intent, the Memorandum of Economic and Financial Policies and the Technical Memorandum of Understanding attached hereto, as well as the IMF staff report on the Article IV Consultation and the request for an arrangement under the ECF. The government hereby authorizes their publication and posting on the IMF website, after the adoption of the three-year ECF arrangement by the IMF Executive Board.

Very truly 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

Niamey, December 21, 2016

A. Introduction

1. **During the period from 2012 to 2016, the government of Niger implemented the economic and financial program supported by the IMF under the Extended Credit Facility (ECF).** Despite many shocks, this program helped maintain macroeconomic stability, made progress possible within the structural reforms and helped achieve the objectives in the 2012-15 Economic and Social Development Plan (PDES), thanks also to support from our economic and financial partners. To consolidate the positive results and achieve the Sustainable Development Goals (SDGs), the government prepared a new economic and financial program for the period 2017-20. The program reflects the aspirations of the government's Renaissance II Program for the period 2016-21 subject to new security, climatic, and economic environment constraints. The purpose of this program, for which we are requesting IMF support under a new ECF arrangement, is to lay the groundwork for faster poverty reduction by mobilizing more revenue from the non-natural resource sector and a rapid diversification of our economy to make it stronger and more resilient to shocks.

2. **This Memorandum of Economic and Financial Policies (MEFP) describes recent developments and the economic and structural policies**. It presents the results of implementing the previous program, describes recent economic developments, the state of implementation of structural reforms, the short and medium-term economic outlook, and the macroeconomic policies, and structural reforms planned for the period 2017-20. The priorities and objectives of the program supported by the ECF are consistent with the thrust of the government's Economic Policy Paper (EDD) for the period 2016-20 and the guidance note for preparing the Sustainable Development and Inclusive Growth Strategy (SDDCI, Niger 2035). These priorities focus 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.

B. Results of Implementing the 2012-16 Extended Credit Facility

3. **The performance of the program supported by the previous ECF arrangement were broadly not in line as expected**. Therefore, following delays in completing some reviews, in part due of the impact of exogenous shocks, the three-year arrangement concluded in March 16, 2012, for a period of three years, was extended to 2016. Indeed, in recent years, Niger has undergone repeated terrorist attacks by the Boko-Haram group. While causing problems in production and slowdowns in border trade, these attacks resulted in additional military expenditures and humanitarian spending related to the massive inflows of refugees and displaced persons.

4. **Moreover, the ongoing drop in uranium prices and the fall in international oil prices since end 2014 have impacted adversely program performance**. The development strategy was based on windfalls from increase in exports of natural resources. But, the decline in exports of several products that are re-exported to Nigeria and fewer exports of traditional products due to the recent economic difficulties in Nigeria led to substantial revenue losses. These revenue losses due to these shocks affected budget execution and the achievement of some fiscal targets, in particular those related to domestic payment arrears and domestic financing. Therefore, various reviews' conclusions required waivers, changes in performance criteria or extensions of the period covered by the program. Also, there were delays in implementing structural reforms, in particular the process of setting-up the Treasury Single Account (TSA).

5. **However, results were encouraging**. Niger was able to maintain macroeconomic stability, growth was sustained and inflation was contained. The coverage of foreign reserves remained at a satisfactory level and the program indicative target for poverty reduction spending was observed in some reviews. The incidence of poverty was continuously falling and estimated to 45.4 percent in 2014 versus 48.2 percent in 2011. Child mortality declined as well. Progress was also noted, though slow, in implementing the structural reforms, particularly with regards to the modernization of tax and customs administrations, the management of public expenditure, especially with the adoption of regulations required to implement the program budget, the framework for inclusive finance development, the supervision of the natural resources sectors, and the improvement of the business climate.

6. **But more efforts remain to be done**. The different shocks pointed out the vulnerability of the economy. Budget deficits led to a rising debt, though the debt risk rating remains moderate. It has become critical to strengthen the economy's resilience by diversifying the production base and to improve on fiscal management. It is also imperative to improve the mobilization of domestic revenue to reduce the dependence on natural resources. All of the above should go hand-in-hand with better management of public expenditure. Finally, despite the improved poverty situation, many MDG targets were not met, and the Human Development Index remains at a very low level.

C. Recent Economic Trends

7. Growth increased in 2016 and inflation remained moderate. Agriculture production was up by nearly 8 percent, reflecting a good yield for irrigated crops. At the same time, the positive results expected from the 2016 raining season could trigger a rise in this growth rate. However, the recovery in the oil production was slower and government spending was constrained by low revenue. Thus, the growth rate is expected to rise from 3.5 percent in 2015 to 4.6 percent in 2016. At end-September, inflation was contained at an annual average of 1 percent, reflecting the good results of the last two crop seasons and the various measures taken by the government took to control price increases including the free distribution of food and the sale of grains at moderate prices. The average inflation rate for 2016 is expected to be around 1.1 percent.

8. Broad money in the nine months through September 2016 increased by 9 percent, which is in line with estimates of economic activity. Official net foreign assets decreased by 20 percent, as the external budget support envisaged for the second half of the year will only be disbursed at the end of the year. Credit to the private sector also increased by 9 percent in the first three quarters of 2016, a deceleration relative to the previous year. Credit to the government increased by FCFA 98 billion in the same period as the government turned to domestic financing in the absence of foreign support.

9. The external accounts in 2016 were negatively affected by lower exports and re-exports. The deficit of the current account of the balance of payments, which amounted to 18.1 percent of GDP in 2015, should however decrease to 15.4 percent of GDP in 2016. This improvement reflects lower imports, which more than offset the drop in uranium exports, and the downturn in exports and re-exports to Nigeria, despite higher food imports due to the security shocks. Thus, the overall balance of the balance of payments is projected to be positive with a slight increase in international reserves of CFAF 40 billion in 2016. Niger's external position would remain comfortable and covers 4.2 months of next year imports of goods and services.

10. Budget execution in 2016 was characterized by weak revenue mobilization. At end-June 2016, budget execution was lower than programmed, resulting into a basic deficit and a domestic financing below program targets. However, at end-September 2016, strong pressures on security and social spending led to a basic deficit of 1.4 percent of GDP higher than projected. The deficit was financed by more domestic resources (by 1 percent of GDP) a larger accumulation of domestic payment arrears (by 0.2 percent of GDP). The difficulties in the mining, oil, and telecommunications sectors and lower trade flows (exports and re-exports values were down by 30.1 percent) led to significant revenue losses. At end-September, the shortfall in revenue compared to the program amounted to CFAF 87 billion (2 percent of GDP), and revenue was down by CFAF 79.1 billion compared to 2015. The government responded to the revenue shock by freezing planned spending in accordance with the new mechanism put in place, through the Inter-Ministerial Budgetary Regulation Committee.

11. Tax revenue recorded significant shortfall. Tax revenue declined substantially at end-September 2016. The shortfall, valued at CFAF 11.9 billion (0.3 percent of GDP) at end-June 2016, reached CFAF 87 billion (2 percent of GDP) in end-September 2016. Revenue mobilization suffered from weakening economic activity in Niger and Nigeria, and from the depreciation of the Naira, which leads to considerable informal parallel market in oil products and drastic decline in exports and re-exports to Nigeria. In the Tax Administration (DGI), the shortfalls are explained by weaknesses in the collection of taxes on goods and services (CFAF 32.9 billion) due to low collection of VAT, mining royalty, superficial royalty, the domestic tax on petroleum products, excise taxes, and the income tax (CFAF 20.5 billion), due to low corporate income tax in nearly all sectors that are suffering from weak economic activities. The shortfall in the customs (DGD) (CFAF 26.2 billion) arises from the decline of VAT and other customs duties. Non-tax revenue was in line with projections.

12. Despite security pressures, spending was contained at end-June 2016. Current expenditures were lower than projected by CFAF 13.8 billion, with savings recorded in all spending categories except wages. Despite the streamlining measures, there was a CFAF 3.2 billion overrun in the wage bill, due to new hiring in the priority sectors, security and back pay. The streamlining measures that were taken included eliminating fictitious employees and dualism identified by the audit conducted by the High Authority to Combat Corruption and Similar Violations (HALCIA), streamlining back pay and stopping unsubstantiated payments of allowances (responsibility, family, desert area, etc.). Capital expenditures executed on domestic resources were also lower than projections by CFAF 13.4 billion.

13. At end-September 2016, despite the strengthening of budget execution leading to an improvement in the government financing situation, there was spending pressures. During the first and second quarters, the government was able to contain spending to make less use of domestic financing and lower accumulation of domestic arrears. However, with the impact of pressures due to intensified terrorist attacks and social and humanitarian needs, the decrease in spending only partially offset the revenue shortfall. Thus, the level of domestic financing was higher by CFAF 35.3 billion at end-September. The government paid off the outstanding balance of arrears accumulated before end-2014 (CFAF 17.4 billion) that it was not possible to pay by end-2015 as required in the program, but it accumulated about CFAF 10 billion more in arrears. Budget support mobilization amounted to roughly CFAF 28.6 billion at end-September, CFAF 7.4 billion lower than projected. This amount includes grants of CFAF 17.6 billion from Saudi Arabia and CFAF 1.8 billion from Nigeria, as well as loans of CFAF 9.2 billion from the French Development Agency (AFD). Most of the scheduled financing will be disbursed in the last quarter of 2016.

D. Medium-Term Outlook and Risks

14. The medium-term macroeconomic outlook is favorable. Growth is projected to increase to 5.2 percent in 2017. Average growth over the 2017-20 period is expected to reach 5.9 percent, supported mainly by investments in the agriculture sector (increase in irrigated areas, upgraded crops, mini-dams, hydro-agricultural facilities, hydraulic structures, and increase in livestock), the start of other major road infrastructure projects, including the third bridge over the Niger River, the construction of the

Cotonou-Niamey-Ouagadougou-Abidjan railway loop, the construction work on the oil pipeline for exporting crude oil, scheduled in 2020, the Salkadamna energy project, the Garadawa and Kao cement plants, the resumption in 2017 of construction work on the Kandadji hydroelectric and agricultural dam, and the upgrades of the Diori Hamani International Airport. Niger is expected to benefit also from the gradual improvement of the economic situation in Nigeria. Inflation should remain contained below the WAEMU convergence criterion, at less than 3 percent annual average. The current account is projected to deteriorate slightly in 2017-19 and then improve gradually. The current account deficit would increase to 18.3 percent of GDP in 2017 and remain high until 2019 because exports would remain low in the absence of higher prices for uranium, oil, and gold.

15. However, this outlook is subject to various risks. While this outlook would benefit from expected more peaceful environment and socio-political stability, it remains subject to risks linked to climate shocks, shocks on crude oil export price and possible delays in the oil pipeline construction project, as well as deteriorating security tensions in the sub-region.

E. Medium-Term Objectives and Policies

16. Government policies aim at maintaining macroeconomic stability and achieve the objectives of the Economic Development Document (EDD, 2016-20). Those objectives aim at fostering strong and inclusive economic growth that could create jobs and income and strengthen the foundations of sustainable development. They pertain to: (i) strengthening spending management and domestic revenue mobilization in order to make the financing of development projects secure and safeguard the viability of the debt position; (ii) sustaining investment as part of the 3N Initiative to increase and diversify agriculture production and make it resilient to natural disasters, while ensuring food security and promoting export development; (iii) investing in priority infrastructure such as energy and transportation in order to overcome our landlocked situation and improve competitiveness; (iv) diversifying production, mainly by enhancing the business environment; and (v) boosting technical skills as well as strengthening institutional and administrative capacities.

17. The execution of realistic budgets will prevent the problems observed over the last years, characterized by the accumulation of arrears and resorting more to domestic financing. Spending will remain elevated in the medium term due to security and humanitarian needs. Because revenue is not expected to improve in the mining and oil sectors, the government will strengthen policies aimed at domestic revenue mobilization and improved budget management, based on the reforms from the 2017-19 fiscal management reform plan. Budgetary revenue must be based on realistic projections, with increases justified by well-defined tax measures or yields resulting from administrative reforms of revenue agencies. In the event of shocks, the government will have recourse to budgetary regulation and cash flow management mechanisms to meet budgetary targets. Owing to ongoing difficulties in the mining and oil sectors, budgetary revenue is expected to level from 15.3 percent of GDP in 2016 to 17.5 percent of GDP in 2019. However, as crude oil exports begin, a sizable increase in domestic revenue is expected starting in 2020 (19.1 percent of GDP).

18. The government is determined to continue streamlining spending launched in 2016 and would enhance further the effectiveness of investment. Therefore, current spending would stabilize at an average of 14 percent of GDP in the period 2017-20. By contrast, investment spending using domestic resources should rise from 5.3 percent of GDP in 2016 to an average of 6.5 percent of GDP over the period 2017-20. Fiscal projections reflect the EDD's development spending priorities, including security expenditures and those of the Plan to Support Persons Vulnerable to Disasters and Food and Nutritional Crises. After the basic deficit widened to 4.9 percent of GDP in 2017, it should decrease gradually to 0.9 percent of GDP in 2020. Over the same period, the overall balance, including grants, will decline from 7.4 to 2.9 percent of GDP, so that the WAEMU convergence criteria can be observed and financial viability can be safeguarded. The government's financial position is expected to improve significantly thereafter.

F. Program Performance in 2016

19. All program performance criteria were met at end-June 2016, including the continuous performance criteria for non-accumulation of external arrears and nonrecourse to non-concessional external loans or guarantees, and the quantitative performance criteria on net domestic government financing, and net reductions in domestic arrears. However, the indicative target for domestic revenue was not achieved at end-June 2016. The indicative target for the basic balance was observed. Because spending was curtailed, it was impossible to fully meet the poverty reduction targets at end-June 2016.

20. Some of the structural benchmarks for the period under review were observed. The Directorate General of Budget (DGB) regularly produced quarterly budget execution reports and quarterly debt management reports were prepared and submitted to the Inter-Ministerial Committee for Monitoring Debt Policy and Negotiating Budgetary Aid. The level of payments by anticipation remained below the target of 5 percent, at 2.9 percent of spending authorized at end-March 2016, 2 percent at end-June, and 2.9 percent at end-September 2016. The government also prepared the borrowing plan for 2017-20.

21. Some structural benchmarks were delayed. Measures planned under the implementation of the Treasury Single Account were delayed. In fact, the statutory framework for closing the government accounts to be consolidated in the TSA was not finalized as scheduled in late-June 2016, but the preparation of the required documents has advanced. The draft convention for managing the TSA has not been signed, but the comments from the BCEAO have already been incorporated, and the selection by the Procurement Directorate of banks to serve as government cashier offering banking services in areas not covered by the BCEAO is in progress. Although the terms of reference were drafted, the impact assessment study on commercial banks for transferring government accounts from the private banks to the TSA has not yet been started. The annual benchmark for preparing the procurement plan to be consistent with the commitment and cash plans was not observed due to weak capacity, but commitment and cash plans for the third and fourth quarters were elaborated.

22. In addition, the benchmark for end-2016 on the preparation of a biometric database for all civil servants with the support of the World Bank was delayed as well. The expert who was supposed to assist in this effort was hired on October 15, 2016 and began working in November by preparing a roadmap along with specifications for the consultants to be hired.

23. The reforms to modernize the customs (DGD) are ongoing. The migration to ASYCUDA World, effective since April 2016 for the first six interconnected offices (four in Niamey, one in Torody and one in Gaya), was expanded to all other fully operational offices, except for the offices in Agadez and Arlit, where there is no fiber optic coverage. Discussions are under way with SONITEL to cover localities that are not yet served. The offices covered by ASYCUDA World, which collect 90 to 95 percent of customs revenue, are now interconnected and electronic transit is operational. Customs also began transferring the management of bonded warehouses to the private sector, beginning with the transfer of the Niamey Rive Droite office to Bolloré in July 2016. The contract for transferring management of other warehouses to the Chamber of Commerce was also signed. Measures to speed up other reforms are being taken, in particular those that pertain to the tracking systems (a PPP contract was signed and the equipment was ordered), the interconnection with the customs systems of the region (Togo and Benin), and the implementation of the one-stop shop for customs clearance for vehicles.

24. Steps are taken to improve relations between tax administration and taxpayers and to improve revenues collection. The Arbitration Committee for Tax Appeals (CARFI) became operational in August 2016, following its launch on May 31, 2016. Communication with taxpayers is being strengthened, mainly by holding the Third National Taxpayer Day and publishing the newsletter entitled *Le Fisc*, which provides practical information on tax obligations. Also, measures are being taken to make operational the VAT credit reimbursement system in line with the May 6, 2016 order taken by the Minister of Finance. A "refundable VAT" escrow account was opened at the BCEAO, and funds should be added each month by withholding 5-10 percent of VAT revenue collected by the office of the large enterprises (DGE). On this basis, the DGI will review requests for reimbursement of VAT credit and design a reimbursement plan after consulting with creditors. Finally, the DGI is strengthening the audit of tax declarations in some sectors such as banking and telecommunications.

25. The General Directorate of Treasury and Public Accounting (DGTCP) continues to enhance measures for more efficient collection of non-tax revenue. The survey of non-tax revenue collection potentials has identified 134 niches, 37 of which were already established as collection agencies. The managers of these collection agencies were appointed, and with funding from the French cooperation, training on the legal framework, the operation and the auditing of the collection agencies will take place in November 2016. Tamper-proof booklets were made available, and this will increase the revenue collected by the police, gendarmes, and water and forests. Inspections of the revenue agencies were also strengthened. Finally, the DGTCP is strengthening the monitoring of domestic payments arrears and other outstanding due payments. In this regard, the second phase of the securitization operation of the 2014 arrears, which consisted in converting short-term securities with local banks in the amount of CFAF 38.8 billion into five-year Treasury notes, was completed in early November 2016. Also, discussions with local banks to securitize a portion of the 2015 domestic payment arrears (CFAF 40 billion) are under way.

26. Public financial management reforms are continuing. The Government is pursuing the implementation of the terms of the 2009 WAEMU **public financial** management directives and the 2012 organic law on budget. In particular, are in progress preparations for introducing the program budget starting in 2018 in accordance with the roadmap prepared by the Directorate General of the Budget (DGB). The government is backed by the European Union to acquire the information technology hardware and software needed. Moreover, in April 2016, the National Assembly adopted the 2012, 2013 and 2014 budget review laws and the 2015 budget review law was submitted to the National Assembly for adoption. Finally, with a European Union financing, a review of government finances according to the new Public Expenditure and Financial Accountability (PEFA) methodology was carried out. The PEFA report, which was finalized in December 2016, serves as a basis for the ongoing development of a new public financial management reform strategy.

27. To break the vicious cycle of arrears accumulation, the government is strengthening the budget regulation and cash management framework. The government prepared realistic commitment and cash plans for third and fourth quarters of 2016. Also, the Inter-Ministerial Budget Regulation Committee was established by Order No. 0094/PM of the Prime Minister of June 15, 2016 backed by a Technical Committee for Budget Regulation and Cash Management. These committees are in charge of regulating the pace at which appropriations, commitments, and payment authorizations are released in a manner consistent with available cash and revenue projections, in line with government priorities.

G. Fiscal Policy for 2016 and 2017

Fiscal policy for the rest of 2016

28. The government has taken steps to contain the basic deficit to 4.4 percent of GDP in 2016. Based on the performance at end-September, the revenue level for 2016 was considerably reduced to CFAF 676.6 billion (15.3 percent of GDP). This corresponds to a decline of CFAF 92.1 billion compared to 2015 and CFAF 114.5 billion (2.6 percent of GDP) compared to the initial projections. Because of these revenue losses, the government held a Cabinet meeting bringing together all the ministers for a budgetary regulation, which resulted to the signing, on November 1, 2016, of an order to freeze budgetary credits amounting in a net CFAF 89.6 billion, including CFAF 48.2 billion in current expenditures. Thus, the basic deficit at end-2016 would deteriorate only by CFAF 24.3 billion (0.6 percent of GDP), financed by an increase of domestic financing by CFAF 14.3 billion and an additional accumulation of domestic payment arrears of CFAF 10 billion.

29. The arrears clearance program will continue in 2017. The program projected that the stock of domestic payment arrears accumulated in 2015 (CFAF 71.7 billion) should be cleared in 2016 through securitization with local banks (CFAF 40 billion) and by bond in the regional financial market. The securitization process was delayed, and the arrears will only be cleared in the first half of 2017. Consequently, the net reduction in domestic arrears at end-2016 is projected at about CFAF 8.4 billion.

Fiscal Policy for 2017

30. The fiscal framework for 2017 takes into account the weak performance of domestic revenue and the necessity to meet priority spending. The fiscal framework for 2017 takes into account the poor revenue performance observed in 2015 and 2016, new expenses that cannot be compressed (security and humanitarian) and the priorities in the Economic Development Document (EDD). A 2017 draft budget law coherent with the macroeconomic framework was submitted to the National Assembly for adoption on November 4, 2016 (**prior action**).

31. The agreed macroeconomic framework provides for a basic deficit of CFAF 235.9 billion (4.9 percent of GDP). This deficit level is consistent with debt sustainability. Domestic revenue is projected at CFAF 770.8 billion (16.1 percent of GDP) and domestically financed spending projected at CFAF 1,006.7 billion (21.1 percent of GDP). Thus total revenue would increase by 0.8 percent of GDP compared to 2016, with an increase in tax revenue that is 0.6 percent of GDP. Tax revenue would represent CFAF 721.3 billion (15.1 percent of GDP), an increase of 12.4 percent over 2016 (up 0.6 percent of GDP). This increase reflects the result of measures to strengthen tax and customs administrations, the revival of economic activities with a recovery in Nigeria and the unwavering fight against fraud:

- For the Directorate General of Customs, the requirement to certify value for the admissibility of customs declarations will help limit fraud, whereas the requirement for a Tax Identification Number (NIF) for all importers will limit fraud related to so-called occasional imports. The recent transfer of the management of bonded warehouses to the private sector would also reduce fraud and broaden the revenue base. Other activities are in progress: the start of the single automobile window (GUAN) with SONILOGA and the tracking system with GEOTRACK, combined with the interconnections with the customs in Benin and Togo. These measures would help limit revenue losses resulting from the misrepresentation of imported used cars as well as cargo losses.

- For the General Directorate of Tax: the finalization of measures to strengthen the reimbursement of VAT credit initiated in 2016, would allow the involved companies to apply the deduction system and strengthen VAT effectiveness. Moreover, the measures taken by the DGI to streamline taxpayer management in the Directorate of Large Enterprises (DGE), and improve collection, are expected to increase tax collection efficiency and improve yields.

- For the General Directorate of the Treasury and Public Accounting, non-tax revenue would increase by CFAF 11.3 billion (0.2 percentage of GDP) compared to 2016, mainly because of the steps the DGTCP has taken to strengthen inspections, expand revenue collection agencies and put in place Treasury prepayment facility managers in the registry offices.

32. The 2017 draft budget law introduces other measures to strengthen the tax administration in the area of control and fight against fraud. In particular, it requires branches of foreign companies to prepare their accounts, and like all other companies, to be subject to the income tax (ISB). To demonstrate the government's resolve to strengthen revenue collection, revenue targets will be assigned to the revenue agencies. In the event the revenue collected exceeds the projected amount, the government will discuss with the IMF staff the possibility to take into account the higher revenue into a revised budget.

33. **Domestically financed spending is set to increase by 1.5 percentage of GDP.** This level of increase reflects in large part interest charges and investment expenses in the priority sectors. Current expenditures are projected to increase by 0.2 percentage of GDP, to 14.6 percent of GDP compared to 2016, reflecting mostly the increase in interest on the domestic debt (0.1 percentage of GDP) issued in the regional financial market in recent years. Current primary expenditures are expected to stabilize with a 0.3 percent of GDP increase in spending on goods and services to take into account some items related to security spending. Wages and salaries are expected to decline by 0.3 percent following measures to control the wage bill.

34. **There are other measures taken to further stabilize expenditures**. These include curtailing the water and electricity supplies and telephone consumption, eliminating ghost workers, as well as unjustified allowances and streamlining the back pay that cost CFAF 9 billion at end-October 2016.

35. **Investment spending is expected to increase substantially**. Domestically financed capital spending is projected at 6.5 percent of GDP. This represents an increase of 1.2 percent of GDP over 2016. This increase reflects current investments in the infrastructure and social sectors. Investments using external financing is projected to increase by 0.1 percent of GDP due to efforts to collect external resources and improve absorption capacity. The priorities are those reaffirmed in the new development strategy contained in the EDD, namely: (i) the security of goods and persons; (ii) urban, village and rural water systems; (iii) continuation of the 3N initiative and food security; (iv) infrastructure and energy; and (v) education and health.

36. **The budget framework for 2017 is fully funded.** The basic budget deficit (CFAF 235.9 billion) and the net decrease in arrears (CFAF 43.4 billion) projected in 2017 will be fully financed through budget support and the issuance of securities in the regional market. Budget support, projected to be CFAF 92.4 billion, includes grants from the European Union (CFAF 43.1 billion), France (CFAF 6.5 billion), and other donors (CFAF 5 billion) as well as concessional loans from the World Bank (CFAF 29.1 billion) and the African Development Bank (CFAF 8.7 billion). Net Treasury bond issuances would be limited to CFAF 116.7 billion and CFAF 40 billion in bonds will be issued with local banks to absorb the arrears from 2015. In addition, CFAF 60 billion resulting from the implementation of PPP contracts are included in non-banking domestic financing. IMF resources under the ECF should cover the residual financing gap.

H. Medium-Term Tax Policy

37. **The level of exemptions has increased significantly in recent years.** The level of exemptions granted by the tax administration and customs climbed from CFAF 194 billion in 2012 to CFAF 300 billion in 2015, an increase of around 50 percent. While between 2012 and 2015, on average, a high level of CFAF 86 billion was observed at the DGI, their level has more than doubled at the customs, going from CFAF 85 billion to CFAF 222 billion, including exemptions granted in

connection with the security operations. Also, with the advent of public-private partnership contracts, the scope of exemptions broadened markedly, leading to even higher revenue losses for the government. Moreover, although there has been considerable progress in monitoring exemptions, management of exemptions is still highly problematic: imputations and flows are difficult to trace.

38. **Different frameworks regulate exemptions and beneficiaries are diverse, including public enterprises.** The investment code is the most common framework. In addition, there are the 2006 mining code and the petroleum code, agreements signed by the government in the natural resources sector, and others such as those with NGOs. The various frameworks make it difficult to manage exemptions and makes the evaluation of tax expenditure and revenue losses more complex. Public enterprises are among the beneficiaries of tax advantages. In general, they are in sectors in which private initiative is still undeveloped given the absence of a competitive market. These enterprises are in the energy, water, and distribution sectors.

39. **To broaden the tax base, the government is committed to reviewing the tax policy on exemptions**. First the government is committed to take stock of the situation through an effective assessment of tax expenditures. The tax policy should be geared toward repatriating tax provisions in the sectoral codes in the General Tax Code and General Customs Code for better consistency and interpretation. For public enterprises, more transparent management is necessary, which would help improve liquidity management. The government is committed to improving the availability and quality of their financial information and their governance. In that context, the government is committed to conducting a full audit of the situation of some large public enterprises. To that end, it intends to request support from its partners.

40. **Other activities could be planned to strengthen the management of public enterprises.** For 2017, the following activities will be carried out:

- Prepare a list of all public enterprises by end-March 2017.
- Evaluate the direct and indirect subsidies given to public enterprises by end-June 2017.
- Prepare an action plan for the financial and operational audits of key public enterprises by end-July 2017(**structural benchmark**).
- Finalize the study on electricity pricing and proposals to the government by June 2017.

I. Structural Reforms

The structural reforms under the new program aimed at: improving domestic tax collection; strengthen public financial management, debt and natural resources management; strengthen the financial sector; and improve the business climate.

Domestic revenue mobilization

41. The government will take steps to strengthen governance and secure revenue. As tax payment in cash entails significant risk, the government agrees to take steps so that taxpayers can meet their obligations using more secure instruments, for instance through the banking system. Given the limited access to those instruments, the measure will be applied first to large taxpayers before being expanded gradually. The DGI will prepare a roadmap to extend the measure to the other taxpayers (February 2017).

42. For customs, the reforms will aim at further strengthening the governance and control of customs operations, including:

- Reducing the time needed for customs tax operations clearance. The recent migration to ASYCUDA World and the ensuing expansion of the interconnection between the main customs posts would be helpful in that regard. The practice to delay the clearance of customs cases is incompatible with the functionality of ASYCUDA World and will therefore be outlawed as it may perpetuate dualism, IT procedures/manual procedures and the maintenance of various and sundry registers whose importance seems much less obvious.

- Strengthening customs cooperation and regular information exchange between customs administrations in the sub-region. Given the delay in the interconnection between Nigerien customs and the partner ports, the customs administration agrees to conduct a monthly check of selected operations based on risk, using the possibility offered to it of obtaining customs information on goods headed to Niger under international customs cooperation arrangements. The DGD will take the steps necessary to operationalize the interconnections with Togo and Benin customs by end-July 2017 (**structural benchmark**).

- The requirement for all importers to have a tax identification number (NIF). Some importers clear their merchandises through the occasional importer status. This minimizes their turnover, and thus limits the tax administration's ability to manage them. The DGD will take measures to restrict occasional imports to importers who have no relationship to commercial or industrial activities (such as personal belongings).

43. Meanwhile customs administration will continue to implement its strategic reform plan, through the development of institutional and organizational capacities. Some of the reforms have already been initiated, in particular: (i) the revision of the General Customs Code, which is awaiting validation and adoption by the National Assembly; (ii) the drafting, now in progress, of a manual of procedures to be finalized after the adoption of the General Customs Code by parliament during its second regular session, scheduled from September to December 2017; (iii) the adoption in April 2016 of the draft law amending and supplementing the Law No. 2013-31 of July 4, 2013 on the Autonomous Status of Customs Employees; and (iv) the restructuring order, signed in August 2015, was revised after the new cabinet reshuffling.

44. The upgrade of the information processing capacities will be sustained. The objective of the reforms is to speed up the implementation of an automated information system, in particular: (i) the implementation of the IT development plan, for which were already awarded the contracts for the interconnection and the acquisition of the systems (hardware and software) to be completed by end-March 2017; (ii) the interconnection of all customs units to the single server beginning July 2017; (iii) the extension of electronic customs transit to all main full-service customs posts by end-July 2017 (**structural benchmark**) once interconnection is completed; (iv) the full migration from ASYCUDA++ to ASYCUDA World is in progress and will be completed at end-December 2017 with the financial support of the World Bank to acquire software and with the technical support from the United Nations Conference on Trade and Development (UNCTAD); and with hardware financing provided by the government of Niger through its computer royalty funds; and (v) the strengthening of the computer monitoring of exemption management and other economic regimes that contain exemptions from the government budget, offered by the migration to ASYCUDA World.

45. The Directorate General of Customs will also continue its customs facilitation and anti-fraud program. The DGD plans to carry out the following measures: (i) resumption of the study on release with the support of the Millennium Challenge Corporation (MCC) to reduce customs clearance delays; (ii) advance customs clearance of goods following the migration to ASYCUDA World; (iii) strengthening administrative assistance with Benin and Togo, through interconnection; (iv) adopting a risk-based approach in scheduling inspections and strengthening inspection teams, to be implemented by end-March 2017; (v) starting up operations of the single customs clearance window for vehicles (GUAN) starting in November 2016 in Niamey; (vi) better monitoring of cargo made possible by tracking system, in particular as part of operations of selling oil to prevent products intended for export from returning to the domestic market and to prevent fraud; (vii) expanding the activities of Bolloré to the management of the Dosso's bonded warehouses and implementing the convention signed with the Chamber of Commerce for managing the other bonded warehouses starting January 2017; and (viii) improving the monitoring of re-exports to Nigeria by constructing a 49-hectare parking space in Maradi near the Nigeria border to accommodate all the trucks in transit.

46. The DGI will implement the following major reforms to quickly improve the collection of tax revenue:

- Enhancing capacity-building through ongoing training of staff.
- Strengthening territorial coverage by setting up tax services, mainly by establishing two new tax centers and two tax revenue facilities in Niamey by end-June 2017.
- Expanding the authority of the DGE and to some extent the Directorate of the Medium-sized Enterprises (DME) to all businesses eligible for their control, regardless of where they are located in Niamey, by end-March 2017. It was found that the DGE manages only mining companies located in the interior of Niamey; all others, regardless of their size, except those covered by the Maradi office, are managed at the regional office level with limited capacities. Starting in September 2016, the DGI has been assessing the tax records of companies operating in the regions and to gradually

transfer to the DGE all taxpayers who have reached the threshold of CFAF 500 million yearly turnover, estimated at about 120 companies. Those companies will be transferred to the DGE by end-January 2017 (**structural benchmark**). Subsequently, the other companies of the size of the companies managed at the DME level will be transferred to the DGE. The DGI will also transfer the management of NGOs to the DME from the DGE to ease its workload.

- Implementing the VAT credit refund mechanism. For a VAT payment system to run smoothly, a good framework is required to process applications for VAT refunds and to actually pay the refunds. Pursuant to the May 6, 2016 order of the Minister of Finance on the procedures for reimbursing VAT credits, an escrow account for reimbursing VAT credits was opened at the BCEAO, and it should be funded by withholding 5-10 percent of the VAT paid to the DGE. The DGI took steps to fund the account and to begin to clear the stock of VAT credits, estimated at CFAF 22.1 billion at end-October 2016. The stock of VAT credit at end-2016 will be prepared and the reimbursement mechanism of made operational by end-march 2017 by end-January 2017 (**structural benchmark**). Also, in consultation with the VAT creditor companies, a schedule for quarterly reimbursements will be prepared.

- The implementation of SISIC (Computerized Tax and Taxpayer Monitoring System) will continue. In September 2015, the DGI hired a company to computerize its operations and develop the information system, and another company was hired in March 2016 to train staff in the use of the upcoming system. The DGI will also receive support from the World Bank through the Project to Support Competitiveness and Growth (PRAAC) to clean up the NIF file.

- Revitalize the DGI-DGD inspection teams and decentralize tax auditing.

47. The DGI will also continue the reforms to simplify and adapt the tax law framework and expand the tax base. Several measures are under way, including: (i) full computerization of the services through the installation of the Computerized System for Monitoring Taxes and Taxpayers (SISIC); (ii) monitoring the activities of the Tax Appeal Arbitration Committee (CARFI), launched officially in May 2016 and made operational in August 2016; (iii) carrying out the study to strengthen the statistical framework and administrative circuit of the tax base; (iv) improving the taxpayer file and strengthening monitoring; (v) strengthening research and investigations and regularly updating the NIF; (vi) making more use of ASYCUDA World information on taxpayers imports; and (vii) publishing the results of the DGI/DGD joint control team.

48. The DGI will also accelerate organizational reforms. On April 29, 2015, the Minister of Finance issued an order (No. 0157) defining the organization scheme of the central and local DGI offices, and in November 2015, 117 staff were also assigned to the DGI. The reorganization will smooth the segmentation of the files processed by the various DGI services. The objective is to improve the targeting and monitoring of different categories of taxpayers, in accordance with the provisions establishing the thresholds for large, medium-sized, and small businesses, and the threshold at which payment of the VAT is required, established under the 2013 Budget Law.

49. The new organizational architecture is being implemented. The managers of the entities that were established have already been appointed. The improved management of the enterprises database is already starting to produce appreciable results, with a tangible decline in the default rate for all tax categories and a rise in the spontaneous tax declaration rate, in particular with regard to the VAT. The default rate in the DGE remains at about 2 percent, after declining from 17.5 percent in 2014 to 12.1 percent in 2015 in the DME. Nevertheless, despite these results, the rate of following up with taxpayers in default is still low, as well as yields from spontaneous reporting, since returns with payment amount to just 18 percent for the DGE and 4 percent for the DME. Thus, there is still room for improvement to further lower the default rate and control exemptions in order to raise the share of revenue from medium-sized enterprises in total DGI revenue. In order to do this, the DME will continue to improve the taxpayer file, strengthen the monitoring of taxpayers and send more reminders to taxpayers, in order to further reduce the average default rate to a standard of around 10 percent compared to 12 percent at end-2016 and 20 percent at end-2015. Inspections will be conducted to identify issues for significant default payments.

50. The government will continue to reorganize the tax audit processes and operations. A new organization chart of the services has been put in place with the aim of making the various units more dynamic, in particular for those responsible for investigations, and establishing the principle of risk-based auditing. A joint customs and the tax administration team has been put in place, which has begun to audit 40 files, the results of which are expected very soon. The creation of regional investigation and research teams at eight (8) regional directorates will allow for better territorial coverage of audit activities. Tax audits will be gradually decentralized to management units, with the Directorate of Tax Audit (DCF) taking on a strategic management role going forward, establishing the risk areas and the timeline for audits. A pilot experiment initiated at the DME was conclusive, and it will be widely rolled out by end-December 2017.

51. Finally, we will strengthen the internal control and audit functions. The government is reinforcing staff resources to improve internal control and audit. The strengthening of the partnership between the DGTCP and Court of Auditors (with a view to better monitoring the activity of revenue collectors and to publish procedural manuals) should bring about a higher level of professionalism among the inspection units. With regard to internal audit, pilot projects aimed at improving the operational efficiency have been put in place at the DGE, Niamey 2 center, and Niamey 3 revenue office, which will be gradually extended to all DGI offices.

52. The DGTCP will improve accounting procedures for better revenue collection. The DGTCP will regularly monitor the newly established revenue collection agencies in order to increase the collection of non-tax revenue for the government budget. The DGTCP will update dormant and/or inactive accounts and will accelerate prior actions for establishing the Treasury Single Account. The DGTCP will also strengthen activities for reducing the balance of the provisional accounts for budgetary operations, catch up on the delays in producing government annual financial statements (management accounts of the senior Treasury accounting officials) and monitor domestic payment arrears and outstanding balances. For 2017, the DGTCP intends to take the following actions:

- Regularly monitor and update dormant or inactive accounts. Close dormant accounts and transfer credit balances to the TSA.

- Regularly monitor and update the balances of government accounts in commercial banks.

- Implement the legal framework for putting in place the TSA, including: (i) signing the account management agreement with the BCEAO by end-June 2017; (ii) signing the three-party convention with the government's cashier bank(s) selected to offer services in areas not covered by the BCEAO by end-June 2017; (iii) close all the accounts in the commercial bank that are covered by the TSA; (**structural benchmark**) and (iv) acquire hardware for the interconnection BCEAO-DGTCP (SICA and TSAR).

- Finalize the securitization operation for arrears accumulated in 2015 (CFAF 40 billion) by end-September 2017.

- Put in place Treasury payment facilities managers in the registry offices to improve the collection of non-tax revenue.

Public financial management, and control of government spending

53. Budget execution regulation and cash management will be enhanced. To eliminate recurrent slippages in managing public spending and the accumulation of arrears, the budgetary regulation and cash management system was strengthened in June 2016 by establishing the Inter-Ministerial Budgetary Regulation Committee and the Technical Budgetary Regulation Committee and Monitoring of the Government Treasury. This arrangement is aimed to tackle the thorny matter of matching the immense spending needs with limited and often very uncertain resources. The goal is to provide the system with a sound decision-making base by establishing realistic commitment and cash plans that the different stakeholders involved in the execution of government spending would concur. The government will continue to ensure that the procurement plan is prepared in sufficient time for the budget to be put in place at the beginning of the year. The government will make the preparation of these plans systematic, as they are essential tools for regulating the expenditure chain.

54. This system will be strengthened with the availability of better information on the expenditure chain. From now on, an integrated table on the execution of budgetary expenditures will show in quantitative terms the movement of the credits voted by the Parliament, by nature, between the DGB and the DGTCP. It should ultimately ensure consistency and facilitate the reconciliation of the information produced by the two entities. The DGB will prepare this table in conjunction with the DGTCP.

55. The following measures will be implemented as a matter of priority in 2017.

- Adopt the 2017 draft budget law in accordance with the budgetary program for 2017 described in paragraphs 30 and 31 (prior action). The government has adopted and send to the National

Assembly the amendments necessary for aligning to the program the draft budget law submitted to the National Assembly in October 2017 **(prior action)**.

- Validate by the Directorate General of Procurement Supervision and Financial Commitments the procurement plan for 2017.
- Produce the commitment plans and quarterly cash plans for the Inter-Ministerial Budgetary Regulation Committee and send it to the IMF staff **(structural benchmark)**.
- Eliminate the duplicates and fictitious employees identified by HALCIA and eliminate unjustified allowances.
- Select two firms to assist with the civil service reform by June 2017. Both firms will carry out the following activities: (i) reform of the statutory framework for managing the public service; and (ii) develop integrated Pay-Civil Service databases based on a comprehensive biometric census of civil servants. The final reports will be produced by end-December 2017.
- Identify procedures of paying wages through the financial system in agreement with the bank and microfinance institutions by end-June 2017.

56. The government will continue to implement the action plan for public financial management:

- Continue implementing the 2009 WAEMU public financial management directives. In this context, the DGB has prepared a roadmap to implement the program budget that is expected to be implemented with the 2018 budget law. The preparatory stages for implementing the program budget include: (i) the preparation in 2017 of the 2018 budget in program format; and (ii) implementing the 2018 budget in program format. To this end, the Multiyear Budgetary and Economic Programming Paper (2018-20 DPBEP) (structural benchmark) will be prepared by end-May 2017 and submitted to the National Assembly by end-June 2017, supplemented by the Multiyear Expenditures Programming Papers (2018-20 DPPD) (**structural benchmark**). The other measures will follow as part of the new fiscal reform program. A dedicated unit for implementing the public finance reform was established in the DGB in December 2016.
- Strengthen budgetary procedures in the public expenditure chain. Traditionally, the budget has been executed in a centralized system in which the Minister of Finance is the main payment authorization officer for the budget. Nonetheless, recently efforts to deconcentrate the budget have been made in many ministries and institutions, in line with the March 2012 organic law. Within this framework, the public expenditure chain was deployed in the main ministries that execute about 80 percent of public expenditures, thus helping to reduce spending delays and the to enhance budget deconcentration. Several regulations were enacted to allow the effective implementation of the organic law.

- Budgetary transparency will be strengthened, mainly through the regular publication of the budgetary execution report. Quarterly budgetary execution reports will continue to be produced regularly **(structural benchmark)** as well as the implementation status of the pro-poor expenditures. Moreover, the budget review laws will continue to be produced on time so that they provide information on the implementation of the budget laws.

- Limit expenditures with no prior authorization to a maximum of 5 percent of total authorized expenditures (**indicative target** for each quarter). These expenditures are in large part expenditures for missions and health evacuations.

- The government will avoid overlap between fiscal years. It will continue to make every effort to ensure: (i) the implementation of the provisions for stopping commitments in relation with the complementary period; (ii) the shortening of the complementary period from three months to one, in line with the WAEMU directives; and (iii) the preparation by line ministries of procurement plans and flexible credit commitment plans so that the Ministry of Finance can prepare comprehensive procurement and commitment plans and a government cash plan in order to prevent the concentration of expenditures toward the end of the year.

- Control the wage bill and improve government human resources management will increase productivity. From 2010 to 2015, the number of civil servants rose from 48,237 to 75,597, for a 56.7 percent increase. This reflects the need to provide basic services for an ever-growing population. These enrollments were essentially allocated to the education, security and health services. However, the government is aware of the necessity to streamline hiring in the civil service in order to control the impact on the wage bill.

- Implement a Treasury Single Account (TSA). The government is continuing to implement the TSA in accordance with the conceptual blueprint it adopted in September 2015 to establish the TSA by end-September 2016, but with some capacity constraints. In this regards, an IMF expert, using European Union funding, will be hired to support the unit in charge of implementing the TSA.

- Computerize the expenditure chain. In implementing the WAEMU directives, the government initiated a program to adapt the computer systems for the budget preparation, management and execution as well as for the public accounting. In this respect, the government receives a technical assistance funded by the European Union to update or revamp the public finance computer system managed by the Financial Data Processing Directorate in the Ministry of Finance. In the first phase, this project foresees 8 major deliverables (in budget programming, sectoral program budgets, and public accounting). The budget execution aspects will be covered after a detailed analysis of the issue of deconcentrating authorization. In this context, the government will set up an interface between the DGTCP and the DGB, which will improve the monitoring of payment arrears.

Debt management

57. Recognizing the pace at which Niger's public debt is increasing, the government is strengthening the institutional measures to its better management. Steps have been taken to improve coordination in the preparation of loan agreements to eliminate the risks of over-indebtedness. In this case, the government put in place the institutional framework for implementing the June 18, 2015 decree on procedures for monitoring public debt policy and negotiating budgetary aid to strengthen procedures for managing the public debt, eliminate the risks of noncompliance with the criterion on new non-concessional loan agreements and contain the impact of new loans on the sustainability of the public debt. In accordance with the reform debt limits policy in the programs supported by the IMF, the government will update the medium-term external borrowing plan after the adoption of the action plan of the PDES 2017-21. This plan will include: (i) the investment strategy and a list of investment projects; (ii) sources of funding; (iii) uses of financing; and (iv) the debt management strategy, taking into account considerations of debt, fiscal, and external sustainability. Borrowing plans will continue to be prepared, in line with the national debt policy established with the technical assistance from the World Bank and the IMF.

58. To preserve debt sustainability, the government is in the process of restructuring the debt stock portfolio. For monitoring the stock and debt flows, the Inter-Ministerial Committee for Monitoring Debt Policy and Budgetary Support Negotiation will continue to express its opinion on all new loan agreements or guarantees by the government, including financing in the natural resources sector and all PPP agreements to ensure a detailed analysis of the sustainability of the public debt. The Committee's review of loan agreements and CPPPs is a prerequisite for the Council of Ministers to approve them. The government plans to continue to provide to the IMF staff a detailed quarterly reports on the outstanding public debt, new commitments and borrowing (including disbursements) and public debt service **(structural measure)**.

59. Rigorous actions will be undertaken to clear the stock of debt. The government is planning to restructure certain contracted debts that have not yet been used. This action will be based on the results of the AFRITAC West report showing that a significant stock of debt has been contracted, while the terms for its mobilization have not been met. Accordingly, the government is planning to review the US$1 billion loan contracted with the Export-Import Bank of China. The National Assembly approved this loan in June 2014. This line of credit is expected to finance major infrastructure projects and high-yield industrial projects. However, there are continuing delays in implementing the conditions for its entry into force. Steps have been taken to restructure the debt. Meanwhile, the government will present the procedures required for these restructuring by June 2017.

60. The government remains committed to conduct a prudent debt policy that will allow the financing of investment plans while ensuring debt sustainability. In this context, the government will continue to limit government guarantees and will carefully assess the impact of any new borrowing on debt sustainability. It intends to finance investment projects with concessional resources. Borrowing will continue to be limited to high-yield, properly evaluated projects. In the event that concessional resources will not be sufficient to finance the high-yield projects, the government will consult with IMF staff to examine the possibility of modifying the financial program so as to include non-concessional borrowing, on the understanding that this borrowing would be compatible with debt sustainability.

61. In this context, the government requested technical assistance from the IMF to strengthen the institutional framework that governs PPPs, while ensuring that this framework is consistent with the other laws and regulations, in particular the investment code. Meanwhile, the government will refrain from engaging into new PPPs that require fiscal contributions.

62. The government is aware that debt obligations continue to grow very rapidly with significant borrowing costs. This pace of borrowing could pose major risks to the banking system, with the important current program for issuing Treasury bills and bonds.

Natural resources management

63. The implementation of measures aimed at expanding the export base for mining products and at strengthening the transparent management of the natural resources sector will continue. The policy of expanding the mining export base consists of encouraging operators to orient towards the exploration of mines other than oil and uranium. In this context, the government is in the process of granting exploration permits not only for the traditional uranium and oil sectors, but also for other materials such as coal, limestone, and gold; with the aim of both allowing for the diversification of partners in these sectors, and also promoting expansion of the country's mineral export base. In order to secure signing bonus payments when mining permits are granted, all of the operators who wish to obtain a permit must now arrange a security deposit with a local bank. This security deposit, which covers a certain number of financial obligations, including the signing bonus, will be called as soon as the permit is published in the official journal.

64. The government took steps to strengthen the contribution of the mining and oil sectors country's development effort. Activity in the uranium sector continues to be depressed by low price levels. The principal mines of the AREVA group decided to maintain a low production level pending the implementation of the Imouraren Project that has been delayed until 2021, while one of the mining companies shut down production in 2015 pending decisions on the full liberation and increase of the company's capital. New mining agreements based on the new mining code have been signed. However, due to low levels of uranium prices, the tax benefits of the new conventions will only be marginal. The government is benefitting from a technical assistance of France to strengthening capacities for evaluation, projection, and control of mining revenue.

65. The government is now bolstering the means of regulation, negotiation and implementation of contracts. In this regard, steps were taken to ensure that the Inter-Ministerial Committee seeks to make the large projects efficient and to maximize competition. This is especially important since the contractual price of uranium, which will expire this year (2016), must be renegotiated. To better defend Niger's interests in mining projects, the role of *Société du Patrimoine des Mines du Niger* (SOPAMIN), which manages the public investment portfolio in the mining companies, is being strengthened, primarily with World Bank support through the Project to

Support Competitiveness and Growth (PRAAC), which is also supporting the refurbishing of the national laboratory.

66. The government plans to strengthen the organization of gold production. In the last four years, there has been renewed interest in small-scale gold production, not only in the Liptako region in the southwest, but also in northern Niger. A governmental committee was set up to implement a system to supervise producers, collect information on the activities, provide better security, minimize the impact on the environment, and increase the sector's contribution to government revenue. In April 2016, SOPAMIN transferred 75 percent of the capital of *Société des Mines du Liptako* (SML) to a private operator.

67. The drop in oil prices and the impact of the depreciation of the CFAF against the dollar are affecting the oil industry. In particular, the cost of the inputs necessary for refining has risen significantly due to the sharp depreciation of the CFAF against the dollar and the relative decline in prices of crude oil and its derivatives in the international market. Moreover, the drop in export price is causing additional losses to SORAZ. This is why the government and partners in the sector have made regular price adjustments by lowering the selling price from CNPC to SORAZ: from US$70 per barrel to US$57 per barrel in March 2015, to US$50 per barrel in January 2015, to US$47 in January 2016, and finally to $US45 in July 2016.

68. In addition to the impact of low international prices, the oil industry continues to face technical constraints. In 2016, the Agadem-Zinder pipeline that supplied SORAZ was plugged, hindering SORAZ production for ten days. After the production resume, the level has reached 20,000-21,000 barrels per days since September 2016. In order to limit the degradation of the road network and secure the distribution of refined products, a project to build a pipeline to ship refined oil products to inland Niger and the Burkina Faso and Mali markets, will be implemented as a PPP, of BOOT type, with no government guarantee, at a cost of about US$800 million. The government has asked the private developer to conduct a feasibility study to better assess its impact on the profitability of companies in the sector. The government will share the results of the study with the IMF staff and keep them informed about the negotiation process.

69. Efforts to improve the management of the oil industry will continue. The technical committee in charge of looking into the current situation of the oil industry, in particular the impact of price developments in the international market has made proposals to the government. These proposals converge on a review of output prices at each stage of the industry to make the refinery more efficient while minimizing revenue losses for the government and keeping the pump price steady. The government also negotiated with CNPC the terms that govern exports of refined products. Thus, on May 11, 2016, the government decided: (i) to increase the SORAZ selling price to the government-owned distribution company, *Société Nigérienne de Distribution des Produits Pétroliers* (SONIDEP), for domestic consumption; and (ii) that SORAZ and SONIDEP would be authorized to export refined products jointly, equitably sharing the production on excess to local consumption needs, based on an export floor price set monthly. The 2008 Production Sharing Agreement (PSA) addendum taking into account these new terms, was signed on August 15, 2016, and SORAZ began the export operations immediately. The government is also open to proposals from SORAZ for measures to lower the refinery's costs.

70. In view of the level of finalization of the negotiations for the construction of the oil pipeline, crude oil exports are only expected to begin in 2020. The discovery of additional oil reserves in the Agadem oil field, allowing for the production of 80,000 barrels per day, of which 60,000 barrels per day for export, over an estimated time horizon of 25 years. This has made crude oil export project viable for Niger. The studies performed by the Chinese partner, CNPC, led to the selection of a crude oil transport route via a pipeline running from Niger to connect to the existing Chad-Cameroon pipeline. The negotiations with Chad are expected to result in the establishment of NOTCO, responsible for the construction and management of the pipeline. The arrangements for Niger's participation in the project are currently being worked out in accordance with the aim of ensuring the country's external sustainability. Work could begin in 2017. Discussions are also under way with regard to the Chad Cameroon section of the pipeline.

71. The government is determined to continue strengthening the institutional framework and to ensure transparency in the energy and extractive industries. In April 2015, the government approved the electricity code that was adopted in May 2016 by the National Assembly. The code opens access to the power transmission grids. In September 2016 the government adopted the implementing regulations, including the decree on the attributions, organization, and functioning of the regulatory agency for the energy sector (ARSE) and the decree that establishes the requirements for third parties to access the power transmission grid. Projects to build solar power plants are now being financed through the French Development Agency, the EU, and India, which is expected to increase substantially the supply of electricity throughout Niger and ease supply problems from Nigeria that provide 65 percent of Niger's consumption. With a capacity of 100 MW, the Gourou-Banda thermal power plant is expected to be up and running in early 2017. Tests are being performed on the four generators of this standby power plant. To increase the efficiency of the electricity sector, an audit of the national electricity company, NIGELEC, was conducted in 2015 with the assistance of the World Bank, and a study on the pricing mechanism will be finalized by June 2017. In 2011, Niger was declared "compliant country" under the Extractive Industries Transparency Initiative (EITI). The latest report on royalties and tax revenue generated by the extractive industries for fiscal year 2014 was published in 2016. The two ministries have mining and petroleum registries that are regularly updated and accessible to the public.

Financial sector

72. In spite of the progress that has been made in recent years, the development of the financial sector remains weak compared to other countries in the region. In 2015, the financial penetration calculated by the ratio of money supply to GDP is among the lowest in the world. It was 27 percent in 2015 compared to 37 percent for the average of the Sub-Saharan Africa countries. Overall, the banking sector is well capitalized, with 11 of Niger's 12 banks fulfilling the minimum capital requirement. The Banking Commission placed the bank that failed to observe this criterion under close monitoring, with restriction on its credit operations until the recovery of outstanding loans, and an order to increase its capital.

73. Implementation of the financial sector development strategy could strengthen the sector's contribution to economic development. This is why the government is committed to pursuing the implementation of the strategy with the support from the technical and financial partners on priority interventions already identified. On the basis of the action plan defined in the 2014-19 financial sector development strategy document, in March 2016 the government established a steering committee in charge of the reform that will be extended to the various entities concerned (the Ministry of Finance, BCEAO, and the Professional Association of Banks, among others). The Committee is attached to the Ministry of Finance.

74. In July 2015, the government adopted the National Strategy for Financial Inclusion (SNFI). This document represents an important step in the implementation of the financial inclusion policy and it could ***help consolidate*** the results of the 2012 National Strategy for the Microfinance Sector (SNMF). The overall cost for the five years (2016-20) implementation of the program is CFAF 34 billion, to be covered in part by donors. In terms of the potential beneficiaries, priority will be given to small economic operators who are currently excluded from the traditional banking system, in particular women, young people, and other poor classes that do not have access to basic financing to start up income-generating activities.

75. Finally, the government will continue its withdrawal from the banking system. The process of the government's withdrawal from the capital of banks is ongoing. The West African Development Bank (BOAD) acquired 44 percent of BRS and the Raban Group (ORAGROUP) acquired 56 percent. The restructuring of BIA will be completed with the acquisition of the government shares by the Banque Centrale Populaire du Maroc (BCP). However, the takeover of the bank by the strategic shareholder was delayed by the negotiation under way with a one of the private minority shareholder. As for BAGRI (the agricultural bank), the temporary administration was lifted on April 1, 2014 after a period of nine months. A new board of directors was put into place and a new executive director was appointed. The government has made significant headway in its contacts with the BOAD and some domestic and foreign private investors regarding the transfer of the 65 percent stake that it holds in a portage operation.

Business climate

76. The government is committed to promote the development of a vibrant private sector. The aim is to make the private sector the driver behind diversification of the economy and sustainable economic growth. The government is firmly committed to improving the business climate, which is a key to private sector development. To this end, the government created an institutional framework to facilitate the dialogue between the administration and the private sector. To this end, it created the National Private Investors Board (CNIP) under the authority of the Prime Minister, and the Permanent Consultative Committee (CPC) between the Ministry of Commerce and Private Sector Development and the Chamber of Commerce and Industry. Also, the government has created an institutional design to improve the business climate indicators that consists of a technical committee and thematic groups. Each one is in charge of improving a *doing business* indicator. Thanks to the reforms implemented in 2015 and 2016, Niger moved up 10 positions in the 2017 Doing Business ranking, going from 160th in 2016 to 150th out of 190 countries assessed.

77. The government is implementing measures to improve the business climate. Measures already taken include: (i) the opening of the Business Center—*Maison de l'Entreprise*— to make it easier to start a business and the implementation of an online governance system (e-Regulations); (ii) the reduction of procedures, time, and cost of business creation through the implementation of several reforms, including the decree of July 2014 establishing a standard model of corporate bylaws for limited liability companies (LLCs) and another decree of the same date on the implementation of the provisions of the Uniform Act of the Organization for the Harmonization of Business Law (OHADA) related to Commercial Companies and Economic Interest Groups; (iii) the adoption of the law regulating credit information bureaus (BICs) and set up Niger's first BIC in March 2016; (iv) the facilitation of cross-border trade by signing two orders in December 2014. One for the documents required for import and export of goods, and the other for the public transportation of goods, the types of roadside inspections, checkpoints and redress mechanism to minimize abnormal practices in transportation of goods in Niger; and (v) the strengthening of the legal framework for settling commercial disputes through the creation and operationalization of the Niamey Commercial Court and the Niamey Mediation and Arbitration Center, led by the Chamber of Commerce and Industry.

78. In this context, the government is continuing to put in place reforms aim at improving Niger's ranking in the 10 "doing business" indicators. This is done in accordance with the action plan adopted by the CNIP to improve the business climate. For 2017, particular importance will be placed on the following activities: (i) the government domestic arrears payment program; (ii) the clearance of the stock of VAT credits and the improvement of the VAT credits reimbursement mechanism to avoid accumulating new credits; (iii) the access and pricing of electricity; (iv) the adoption by end-March 2017, with World Bank assistance, the implementing regulations for the law on land tenure to streamline the establishment of real estate titles and transfers of ownership; and (v) the study on para-fiscal and other taxes in the telecommunications and information and communication technologies sector in Niger, with the World Bank support.

Demographic dividend and gender

79. Action was taken to maximize the demographic dividend of a rapidly growing young population. The government took steps to curtail early marriage by increasing the enrollment rate of girls and lengthening the number of years they attend school. In 2013, during a visit by officials from the United Nations, the World Bank, the AFDB, the AU and the AEC, the Head of State called for a coordinated solution to the demographic challenges in the Sahel. In response to this call, known as the "Niamey Appeal," a regional project, "Sahel Women's Empowerment and Demographic Dividend (SWEDD)," covering six countries (Burkina Faso, Côte d'Ivoire, Mali, Mauritania, Niger and Chad), was set up with World Bank financing and UNFPA technical support. The prime minister launched the project in Niamey in November 2015. It aims to empower girls and women in decision-making (including through education), and to improve the demand for family planning and quality medical services for mothers and children. The project coordination team will be put in place by end-December 2016. Activities are also being carried out to promote gender in line with the 2008 national gender policy (now being revised with UNFPA assistance). The government will elaborate a new national gender policy to be shared with staff by end-December 2017 (**structural benchmark**).

J. Program Monitoring

80. The government is committed to implement all the program measures outlined in this memorandum. The IMF Executive Board will monitor the program every six months based on the quantitative monitoring indicators (Table 1) and structural benchmarks (Table 2 and 3). The first and the second reviews of the program will be based on the PCs and ITs of end-June 2017 and end-December 2017 respectively, and are expected to be completed by end-December 2017 and end-June 2018 respectively. These indicators are defined in the attached Technical Memorandum of Understanding (TMU). The semi-annual reviews will be based on the performance criteria at end-June and end-December, and the indicative targets at end-March and end-September. The authorities will submit to the IMF the statistical data and information in the Technical Memorandum of Understanding, and all other information they deem necessary or that IMF requests for monitoring purposes. During the program period, the government will refrain from introducing or increasing any restrictions on payments and transfers related to current international transactions without prior approval of the IMF. It will also refrain from introducing any multiple exchange rate practices whatsoever, entering into bilateral agreements that do not comply with Article VIII of the IMF's Articles of Agreement, or from introducing or strengthening restrictions on imports for balance of payments reasons. The first semi-annual review of the program will be based on the performance criteria at end-June 2017.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (March 2017–December 2017)

(Billions of CFAF)

	End-December 2016 For information Proj.	End-March 2017 IT Prog.	End-June 2017 PC Prog.	End-September 2017 IT Prog.	End-December 2017 PC Prog.
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
Adjusted criteria [2]		…	…	…	…
Reduction in domestic payment arrears of government obligations[3]	-8.4	10.0	20.0	10.0	-43.4
Memorandum item:					
External budgetary assistance [4]					
Budget support	114.3	0.0	0.0	0.0	92.4
New external debt contracted or guaranteed by the government on concessional terms (ceiling)[7]	800.0	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	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	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	0.0
C. Indicative Targets					
Basic budget balance (commitment basis, excl. grants)[3]	-194.3	-71.2	-130.7	-186.6	-235.9
Basic budget balance (commitment basis, incl. budget grants)[3]	-130.7	-71.2	-130.7	-186.6	-181.3
Total revenue[3]	676.6	160.7	353.4	554.5	770.8
Spending on poverty reduction[3]	356.8	103.8	222.2	348.4	487.5
Ratio of exceptional expenditures on authorized spending (percent)[8]	5.0	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 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.

[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 piolicy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf. The end-December 2016 the ceilling is cumulative from January 1, 2015.

[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: Proposed Repetitive Structural Benchmarks for the Program		
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.
Produce a quarterly report on VAT credit reimbursement.	Quarterly	Improve efficiency of the VAT.
Prepare a Revised Borrowing Plan.	Each year at end-June	Improve debt management.

Table 3. Niger: Proposed Structural Benchmarks, 2017		
Measure	**Timetable**	**Progress and/or Macroeconomic Rationale**
Prior Action		
Amend the 2017 budget already sent to the National Assembly, adjusting downward revenue in line with the program.	Prior	Met Improve public financial management.
Fiscal Policy and Revenue Administrations		
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	Improve tax collection and the expand the tax base.
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	Improve fiscal management.
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	Improve tax collection.
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	Improve public financial management enhance spending efficiency and control.
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	Improve liquidity management.
Other Structural Reforms		
Elaborate and submit to staff an action plan for the audit of the major public enterprises.	End-July	Improve the management of public enterprises.
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	Align with existing laws.
Submit to Staff the update of the 2008 national policy on gender.	End-December	Enhance gender equality.

Table 4. Niger: Disbursements to Date and Proposed Scheduled Disbursements under the 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 June 30, 2017 performance criteria, and completion of the first review under the arrangement	October 31, 2017
SDR 14.1	Observance of December 31, 2017 performance criteria, and completion of the second review under the arrangement	April 30, 2018
SDR 14.1	Observance of June 30, 2018 performance criteria, and completion of the third review under the arrangement	October 31, 2018
SDR 14.1	Observance of December 31, 2018 performance criteria, and completion of the fourth review under the arrangement	April 30, 2019
SDR 14.1	Observance of June 30, 2019 performance criteria, and completion of the fifth review under the arrangement	October 31, 2019
SDR 14.1	Observance of 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, December 21, 2016

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 are set out in Table 3 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent of December 2016. 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.

Reporting requirement

11. 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

12. 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.

13. 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.

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

External Payments Arrears

Definition

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

Reporting requirement

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

External Nonconcessional Loans Contracted or Guaranteed by the Government

Definition

17. 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]

18. 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.

19. 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).

20. 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.

21. 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).*

[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).

Reporting requirement

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

Short-Term External Debt of the Central Government

Definition

23. The government will not accumulate or guarantee new external debt with an original maturity of less than one year. This performance criterion applies not only to debt as defined in 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

24. 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

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

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

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

28. 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.

29. 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

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

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

32. 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

33. 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

34. 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

35. 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

36. 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

37. 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

INTERNATIONAL MONETARY FUND

NIGER

STAFF REPORT FOR THE 2016 ARTICLE IV CONSULTATION AND REQUEST FOR THREE YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—INFORMATIONAL ANNEX

December, 22 2016

Prepared By

African Department
(In consultation with other Departments)

CONTENTS

RELATIONS WITH THE FUND

(As of November 30, 2016)

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

Joined: April 24, 1963

General Resources Account	**SDR Million**	**%Quota**
Quota	131.6	100.00
Fund holdings of currency	106.52	80. 94
Reserve Tranche Position	25.09	19.07

SDR Department	**SDR Million**	**%Allocation**
Net cumulative allocation	62.94	100.00
Holdings	26.79	42.57

Outstanding Purchases and Loans	**SDR Million**	**%Quota**
ECF Arrangements	115.90	88.07

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Mar 16, 2012	Dec 31, 2016	120.09	107.75
ECF[1]	Jun 02, 2008	Jun 01, 2011	23.03	13.16
ECF[1]	Jan 31, 2005	Mar 31, 2008	26.32	26.32

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

	Forthcoming				
	2016	2017	2018	2019	2020
Principal	0.75	4.82	5.78	7.76	11.61
Charges/Interest		0.08	0.09	0.09	0.09
Total	0.75	4.90	5.87	7.85	11.70

[1] Formerly PRGF.

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

Implementation of HIPC Initiative

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	December 2000
Assistance committed	
by all creditors (US$ million)[1]	663.10
Of which: IMF assistance (US$ million)	42.01
(SDR equivalent in millions)	31.22
Completion point date	April 2004
II. Disbursement of IMF assistance (SDR million)	
Assistance disbursed to the member	31.22
Interim assistance	6.68
Completion point balance	24.55
Additional disbursement of interest income[2]	2.74
Total disbursements	**33.96**

[1] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence, these two amounts cannot be added.

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

Implementation of Multilateral Debt Relief Initiative (MDRI)

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

II. Debt Relief by Facility (SDR million)

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

[1] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

Implementation of Catastrophe Containment and Relief (CCR)

Not Applicable

Safeguards Assessments

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). In accordance with safeguards policy requirements for regional central banks, a quadrennial safeguards assessment of the Central Bank of West African States (BCEAO) was completed in December 2013. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to International Financial Reporting Standards (IFRS) implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure its adequacy.

Exchange Arrangement

Niger is a member of the WAEMU and has no separate legal tender. The union's common currency, the CFA franc, is pegged to the Euro at a rate of CFAF 655.957 = EUR 1, consistent with the official conversions rate of the French franc to the Euro and the previous fixed rate of the CFA franc to the French franc of CFAF 100= F 1. Effective January 1, 2007, the exchange arrangement of the WAEMU countries has been reclassified to the category of conventional pegged arrangement from the category of exchange arrangement with no separate legal tender. The new classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The new classification thus only reflects a definitional change, and is not based on a judgment that there has been a substantive change in the exchange regime or other policies of the currency union or its members. Niger, which is part of WAEMU, maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions subject to Fund jurisdiction.

Article IV Consultations

The last completed Article IV consultation discussions were held in Niamey in October 2014. The staff report (Country Report No. 15/63) was discussed by the Executive Board, and the 2014 Article IV consultation concluded, on December 17, 2014.

Technical Assistance during 2015 and 2016

Department	**Purpose**	**Time of Delivery (mission dates)**
FAD/AFRITAC-W	Public Expenditure Management	Nov. 21-Dec. 2, 2016
FAD/AFRITAC-W	Tax Administration	October 10-21, 2016
FAD/HQ led	Revenue Forecasting and Budget Execution	July 12-25, 2016
FAD/HQ led	Tax and Customs Administration: Short-Term Expert visit	June 6-7, 2016
FAD/HQ led	Strengthening Treasury Functions	April 26-May 9, 2016
FAD/HQ led	Revenue Administration Diagnostic Mission and Natural Resources	May 2016
FAD/AFRITAC-W	Cash Management and Single Account	December 2015
FAD/HQ led	Macroeconomic and Fiscal Management	August 2015
STA/AFRITAC-W	National Accounts Statistics	Sep. 26-Oct. 7, 2016
STA/AFRITAC-W	Government Finance Statistics	August 1-12, 2016
STA/AFRITAC-W	Regional Seminar on BOP Statistics Integration into National Accounts	Mar. 29-Apr. 1, 2016
STA/AFRITAC-W	National Account Statistics	December 2015
STA/AFRITAC-W	National Account Statistics	April 2015

Resident Representative

Mr. Joseph Ntamatatungiro since June 2015.

JMAP BANK-FUND MATRIX

Title	Products	Timing of mission	Expected delivery
A. Mutual information on relevant work programs			
Bank work program	Budget support series 2015-17: US$50 million annually for three years	July 2016	December 2016
	Second Public Investment Reform Support Credit (PIRSC-II)	--	December 2016
IMF work program in the next 12 months	2017 Article IV consultation and new ECF arrangement approval	October 2016	January 2017
	First ECF review	October 2017	December 2017
B. Requests for work program inputs			
Bank request to Fund	Macroeconomic assessment that can be reported in the budget support program document	September 2016	October 2016
C. Agreement on joint products and missions			
Joint products in the next 12 months	Debt Sustainability Analysis	October 2016	January 2017

STATISTICAL ISSUES

A. Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings, but is broadly adequate for surveillance.
Real sector statistics: The economic accounts are compiled on an annual basis by the National Institute of Statistics (INS), in accordance with the System of National Accounts 1993 (SNA93) and with 2006 as base year. Although the national accounts compilation follows best methodological practice, the ROSC assessment found that national accounts data originate mainly from administrative sources and the household and informal sector surveys are not up-to-date. With the assistance of AFRITAC West, the INS has been trying to in catch up on the production of up-to-date national accounts using the ERETES software. Progress has been slow due to staff mobility and the project, scheduled for completion in 2016, is behind schedule. The latest available final national accounts figures relate to 2013. The INS has started working on quarterly national accounts and has set up a strategy to rebase its national accounts using the SNA 2008. The INS has been compiling and publishing a harmonized consumer price index (CPI) for Niamey on a monthly basis since early 1998 with 2008 as the base year. In concert with other WAEMU member countries, work is under way to update the base year to 2014 and extend the coverage to other cities.
Government finance statistics: Monthly government finance statistics are compiled by the Ministry of Finance (MOF) with a one- to four-month lag, based on information provided by the budget, customs, tax, and treasury directorates. The MOF reconciles the monthly spending commitments made by the budget directorate with the payments made by the treasury, but the results are not disseminated to the general public. Data are limited to the operation of the budgetary central government that covers the general budget, special funds, and operations of the treasury special accounts, but not the social security administration. Niger currently produces the 1998 TOFE (the harmonized table of government financial operations) based on the *Government Finance Statistics Manual 1986* (*GFSM 1986*) with some inconsistencies between above and below the line data. However, the authorities are working toward implementing the Directive n°10/2009/CM/UEMOA on the TOFE, which will imply migrating to the *GFSM 2001*.
Monetary and financial statistics: Monetary and Financial Statistics (MFS) are compiled and reported to the Fund on a monthly basis by the Central Bank of West African States (BCEAO). In August 2016, BCEAO completed the migration of Niger's MFS to the standardized report forms (SRFs) for the central bank and other depository corporations. These SRF-based data are being processed by the IMF Statistics Department for publication in the November 2016 issue of *IFS*. Niger does not report financial soundness indicators (FSIs) to the IMF. A technical assistance mission on FSIs is scheduled to visit the BCEAO headquarters in Dakar, Senegal in 2017. This mission will assist the authorities in their efforts to develop a set of core and encouraged FSIs for deposit taking institutions for WAEMU member countries, including Niger.

A. Assessment of Data Adequacy for Surveillance (concluded)
External Sector Statistics: Since 2011, the balance of payments and international investment positions (IIP) statistics are compiled in conformity with the *Balance of Payments and International Investment Position Manual*, Sixth Edition (BPM6). The national agency of the BCEAO is responsible for compiling and disseminating these statistics, and the BCEAO headquarters for delineating the methodology and calculating the international reserves managed on behalf of the participating countries. Since balance and payments and IIP statistics are published with a significant lag—the latest data published in *IFS* and the *Balance of Payments Statistics Yearbook (BOPSY) are for 2013*— the quantitative analysis in this sector should be taken with caution. Niger participates in the Coordinated Direct Investment Survey (CDIS) since 2012.

B. Data Standards and Quality
Niger participates in e-GDDS/GDDS since 2002. A data ROSC was published in 2006.

Niger: Table of Common Indicators Required for Surveillance

(as of November 30, 2016)

	Date of latest observation	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of publication[7]
Exchange Rates	Current	Current	D	D	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	09/2016	11/2016	M	M	M
Reserve/Base Money	09/2016	11/2016	M	M	M
Broad Money	09/2016	11/2016	M	M	M
Central Bank Balance Sheet	09/2016	11/2016	M	M	M
Consolidated Balance Sheet of the Banking System	09/2016	11/2016	M	M	M
Interest Rates[2]	11/2016	11/2016	M	M	M
Consumer Price Index	09/2016	11/2016	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	09/2016 (to AFR Niger team)	10/2016	M	M	NA
Stocks of Central Government and Central Government-Guaranteed Debt[5]	09/2016 (to AFR Niger team)	10/2016	S	S	NA
External Current Account Balance	2015 (to AFR Niger team)	10/2016	S	S	A
Exports and Imports of Goods and Services	2015 (to AFR Niger team)	10/2016	A	Q	A
GDP/GNP	2015 (preliminary)	05/2016	A	A	A
Gross External Debt	2015	10/16	A	I	A
International Investment Position[6]	2010	9/10	A	A	A

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

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

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

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

[5] Including currency and maturity composition.

[6] Includes external gross financial asset and liability position vis-à-vis nonresidents.

[7] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Semiannually (S); Irregular (I); Not Available (NA).

INTERNATIONAL MONETARY FUND

NIGER

STAFF REPORT FOR THE 2016 ARTICLE IV CONSULTATION AND REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

December 22, 2016

Approved By
David Robinson and Peter Allum (IMF)
Paloma Anos-Casero (IDA)

Prepared by the Staffs of the International Monetary Fund and the World Bank.

Risk of external debt distress:	*Moderate*
Augmented by significant risks stemming from domestic public debt?	*yes*

Niger's risk of external debt distress continues to be assessed as moderate, but the heightened risk of overall debt distress requires close monitoring. This assessment is unchanged from the previous Debt Sustainability Analysis (DSA) conducted during the 2014 Article IV Consultation and updated during the sixth and seventh review of the 2012-16 ECF program. Debt sustainability is highly sensitive to shocks on exports stemming from fluctuations in commodity prices (oil and uranium) and severe drought. It is also vulnerable to a large reduction in combined FDI and project grants, and tightening of borrowing conditions. Niger's overall public debt dynamic also highlights vulnerabilities, with the rapid increase in domestic debt and debt-to-GDP ratio exceeding the benchmark under unchanged policies and larger deterioration of the fiscal balance due to significant loss in revenue or spending pressure. This result calls for continued efforts to improve debt management and macroeconomic policies to contain the recent increase in public debt while strengthening fiscal revenues and for infrastructure gaps to be filled through highly concessional funding and private sector involvement.

BACKGROUND

1. **This joint International Monetary Fund (IMF) and World Bank (WB) DSA, updates the DSA conducted in 2015 for the sixth and seventh reviews under the ECF**. The DSA is based on end-2015 data and the baseline scenario of the 2016 Article IV consultation and the new arrangement under the Extended Credit Facility. It uses the standard debt dynamics template for low-income countries. The debt data cover external and domestic debt of the central government, debt of public enterprises and parastatals, state guarantees and private external debts. Domestic debt includes government arrears, debt to the regional central bank (*Banque Centrale des Etats de l'Afrique de l'Ouest*-BCEAO) resulting from statutory advances, Niger's Special Drawing Rights (SDR) allocation, government issued securities, and government public-private-partnership contracts (PPP) to finance capital projects.

Text Table 1. Niger: Public Debt Composition, 2005–15

	End-2005[1]			End-2010			End-2013			End-2015		
	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP
Total Public Debt	**1,217.8**	**100**	**68.5**	**860.2**	**100**	**30.4**	**969.3**	**100**	**25.6**	**1,776.5**	**100**	**41.9**
External Debt	**956.9**	**78.6**	**53.9**	**651.2**	**75.7**	**23.0**	**799.9**	**82.5**	**21.1**	**1,290.7**	**72.7**	**30.4**
Central Government	**956.9**	**78.6**	**53.9**	**478.4**	**55.6**	**16.9**	**663.3**	**68.4**	**17.5**	**1,187.6**	**66.9**	**28.0**
Multilateral	848.6	69.7	47.8	364.9	42.4	12.9	505.6	52.2	13.3	968.9	54.5	22.8
Bilateral	108.4	8.9	6.1	113.5	13.2	4.0	157.6	16.3	4.2	218.7	12.3	5.2
Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	26.2	2.7	0.7	26.2	1.5	0.6
Non-Paris Club	108.4	8.9	6.1	113.5	13.2	4.0	137.7	14.2	3.6	192.5	10.8	4.5
Commercial Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public guarantee (SORAZ)	**0**	**0.0**	**0.0**	**172.8**	**20.1**	**6.1**	**136.6**	**14.1**	**3.6**	**103.1**	**5.8**	**2.4**
Domestic Debt	**260.9**	**21.4**	**14.7**	**209.0**	**24.3**	**7.4**	**169.4**	**17.5**	**4.5**	**485.8**	**27.3**	**11.5**
T-Bills + Bonds	14.5	1.2	0.8	35.6	4.1	1.3	71.0	7.3	1.9	352.4	19.8	8.3
Domestic Arrears	176.0	14.5	9.9	104.7	12.2	3.7	38.7	4.0	1.0	89.1	5.0	2.1
Others	70.4	5.8	4.0	68.7	8.0	2.4	59.7	6.2	1.6	44.3	2.5	1.0

Sources: Country authorities; and IMF staff calculations.

[1] Niger reaches the HIPC completion in April 2004 and benefitted from the MDRI in 2006.

2. **The previous DSA assessed Niger's risk of debt distress as moderate, largely on account of government debts contracted to support the development of the natural resource sector and to finance large infrastructure projects**. The ratio of nominal external debt to GDP declined from around 54 percent in 2005 to 23 percent in 2010. Niger reached the completion point under the Enhanced Highly Indebted Poor Countries (HIPC) Initiative in April 2004 and in 2006 benefited from Multilateral Debt Relief Initiative (MDRI) assistance from the African Development Fund, the International Development Association (IDA), and the International Monetary Fund (IMF). Niger's public external debt has increased significantly since 2010, as Niger has participated in developing natural resource projects[1] and launched an ambitious

[1] In 2011, the government contracted a Yuan 650 million loan for the financing of its share in the construction of the new Azelik uranium mine, adding to the state guarantee of 40 percent of a US$880 million loan to the SORAZ refinery.

public investment program largely financed by borrowing from multilaterals and domestic resources. Public external debt has since reached 30.4 percent of GDP in 2015 and is projected to reach 34 percent of GDP in 2016, partly due to government financing of public infrastructure. The composition of debt has also started to shift with the share of external debt declining slightly to 73 percent of total public debt in 2015, from about 76 percent in 2010, but with a significant increase in the share of obligations to multilateral creditors and a decline in the share of the government guarantee extended to the refinery.

3. **Large issuance of securities has increased public domestic debt which had declined in 2013 after arrears were cleared in the context of the previous ECF (Text Table 1)**. The domestic-debt-to-GDP ratio had declined from 7.4 percent in 2010 to 4.5 percent in 2013, but leapt to 11.5 percent in 2015 as the government issued CFAF 119.8 billion in regional bonds (CFAF 18.2 billion taken by local banks) and CFAF 38.8 billion (entirely issued to local banks) to repay domestic arears.[2] Consequently, the stock of government securities on the regional market has increased from 1.3 percent of GDP to 8.3 percent of GDP between 2010 and 2015. Domestic debt is expected to rise further over the medium-term reflecting the expected signing with domestic resident investors, of public-private-partnership contracts (PPP) amounting to around 6.5 percent of GDP mainly in the area of road construction to be implemented in the next 4 years.

4. **Debt management still faces low capacity, but efforts are being made to improve its framework.** A June 18, 2015 Prime-Ministerial decree elevates the profile of the Inter-Ministerial Debt Management Committee, which is now chaired by the Prime Minister and also, oversees overall budget support. The committee is supported by a permanent secretary which ensures the coordination of debt management across ministries and that contracted debts are in line with fiscal and debt sustainability. In addition, a quarterly report on debt management is now regularly published, along with the three year borrowing plan that defines the debt strategy and identifies the investment projects and the sources of financing.

5. **Niger is rated a medium policy performer for the purpose of determining the debt burden thresholds under the DSA framework.** Niger's rating on the World Bank's Country Policy and Institutional Assessment (CPIA) is 3.4 making it a medium policy performer. Accordingly, the external public debt burden thresholds are as shown in Text Table 2.

Text Table 2. Niger: External Debt Burden Thresholds

External Debt Burden Thresholds	Without Remittances
PV of debt in % of	
Exports	150
GDP	40
Revenue	250
Debt service in % of	
Exports	20
Revenue	20
Total Public Debt Benchmark	
PV of total public debt in percent of GDP	56

Source: DSA template.
The remittances are low in Niger; therefore, the analysis will not consider the scenario with remittance.

[2] The terms of the regional bonds are 6.25 percent interest rate, 5 years' maturity and 1-year grace period.

UNDERLYING DSA ASSUMPTIONS

6. **The medium-and long-term projections were updated to take into account recent developments.** In addition to the financing under the proposed successor ECF program, these developments include lower oil prices, the impact of the regional security situation, delays in the implementation of major natural resource projects, and the economic slowdown in Nigeria. The aforementioned shocks materialized during the current ECF (2012–16) program, and contributed to recurrent fiscal slippages. The proposed successor ECF 2017–19 program comes with a maximum access of 75 percent of quota. In the framework for the proposed program, the fiscal situation is expected to improve only gradually in the medium-term as, relative to the previous DSA, revenue projections have been revised down reflecting the delay in completing the large natural resource projects and with a slightly higher expenditure envelope (on top of the already anticipated elevated spending of 2016) to preserve room for development spending despite the anticipated continued elevated security spending (including assistance to refugees). The increase in resource revenue is projected only in 2020 because of delays in the implementation of the crude oil export project which is expected to be operational in 2020, while the completion date for the Imouraren uranium project is still kept at 2021. The basic fiscal balance will gradually improve during the course of the new program, turning to a surplus when revenue from crude oil exports becomes significant.[3]

7. **Growth and exports will be mainly affected by developments in the resource sector and spillovers from the economic downturn in Nigeria.** The GDP growth path has been revised downward to reflect the slightly weaker than expected growth outcomes and the delay in implementing the resource projects; but longer-term growth is expected to be marginally higher once those projects come on stream. The DSA assumes a more conservative growth in export of goods and services compared to the previous DSA, reflecting the economic difficulties in Nigeria, Niger's main regional trading partner; and low commodity prices that are adversely affecting the resources sector mainly uranium exports. This scenario results into a lower export-to-GDP ratio throughout the medium and long-term. However, public investment in agriculture and infrastructure are expected to help promote export-oriented growth and efficiency gains that could ultimately improve exports (Text Table 2).

8. **Reliance on external grants and loans to finance the current account deficit is projected to decline gradually as natural resource revenues increase**. Besides debt-creating flows and Foreign Direct Investment (FDI), the current account deficit is expected to be financed by substantial inflows of project grants and private capital.

[3] This expenditure rationalization objective will require stepping-up the implementation of the recommendations of the multiple technical assistance missions the country has benefitted recently including the completed 2016-public expenditure and financial assessment. The authorities have recently put in place a budget regulation committee under the aegis of the Prime minister to ensure spending is in line with revenue mobilization. Also the preparation of the implementation of the 2012 budget law is progressing with the 2018 budget law expected to be prepared in the form of program budgeting. The recruitment in the near future of a long-term technical assistant, will accelerate the implementation of Treasury single account that has been delayed due to lack of capacity. Finally, on the basis of the recommendation of the 2016-PEFA report, the government will elaborate a new medium-term public finance reform program supported by the donors to ensure budget execution is in line with best practices and compatible with the long-term fiscal sustainability objectives.

Text Table 3. Niger: Key Macroeconomic Assumptions
(DSA 2016 vs. DSA 2015)[1]

	2014-15	2016-19	2020-36
Real GDP growth (percent)			
DSA 2016	5.3	5.2	5.4
DSA 2015	5.6	6.6	5.3
Total revenue (percent of GDP)[2]			
DSA 2016	23.3	21.0	24.4
DSA 2015	24.2	24.1	24.0
Exports of goods and services (percent of GDP)			
DSA 2016	19.8	17.2	22.9
DSA 2015	19.3	21.4	24.6

Sources: Niger authorities; and IMF staff calculations.

[1] See Box 1 for details on baseline scenario assumptions. The DSA 2015 forecasting period stops in 2035.
[2] Total revenue excluding grants.

9. **The macroeconomic outlook remains subject to numerous risks mostly tilted to the downside.** The country remains vulnerable to the effects of exogenous shocks, including political tensions, fluctuations in commodity prices, and frequent weather-related shocks (drought and flooding) on economic activity and on food security. The continued low oil and uranium prices may cause further delays in implementing the natural resource projects. Also, the persistence or intensification of violent conflicts could divert resources from social needs and development projects. On the upside, a rebound in uranium and oil prices, and recovery in the Nigerian economy would substantially increase Niger's exports, and also improve fiscal space.

EXTERNAL DSA

Baseline

10. **The baseline scenario assumes that the US$1 billion credit line from EximBank of China[4] will be disbursed progressively over the period of 2020-27, when the export of crude oil starts**. The baseline scenario assumes that US$50 million of the Chinese master facility is disbursed in 2020, US$100

[4] This line of credit, considered as a facility in total of US$1 billion, was signed in September 2013 and several loan agreements could be negotiated under the facility between the governments of Niger and China. Under the master facility agreement, individual loans are subject to 2 percent interest rate, 25 years, maturity, and 5 years, grace period. Any contracts under the facility should be tied to a Chinese contractor and are earmarked for infrastructure projects with high economic rates of return. Any potential projects need the preliminary approval of Eximbank of China about their eligibility.

million in 2021 and the same amount in 2022, and the disbursement of the remaining US$750 million will be spread over the following years.[5]

11. In the baseline scenario, external debt ratios remain below their policy-dependent thresholds throughout the projection period (2016–36). The present values (PV) of debt-to-GDP, debt-to-exports and debt-to-revenue ratios are expected to remain below the relevant thresholds over the medium term. Those ratios will slightly increase in the next 3 years, should the government borrow to finance its infrastructure investment plans. The debt-to-export and debt-to-revenue ratios will decline starting 2020 when the export of crude oil is expected to start, boosting both exports and growth (Figure 1). However, further delay in the resource projects could lead the debt-to-exports ratio to breach the threshold putting significant pressures on debt and fiscal sustainability. As the baseline debt-to-exports ratio increases to less than 5 percent of breaching the threshold, the probability approach was applied, which highlighted all debt ratios remain well below their relevant thresholds during the entire projection period (Figure 3).

Alternative Scenarios and Stress Tests

12. Under the most extreme shock scenarios, only the present values (PV) of debt-to-export ratio breach the relevant thresholds; the other debt ratios and the debt service ratios remain under their relevant thresholds (Figure 1). Under the historical scenario, which sets key macroeconomic parameters at their historical values, the debt ratios increase in the long term leading the debt-to-GDP ratio to breach the threshold in 2032 and the debt-to-export ratio to breach the threshold in 2028 and stays above the threshold. The stress tests' results suggest:

- The most extreme shock that affects the PV of external debt-to-GDP ratio (Figure 1, Table 1b) is a 30 percent depreciation of the national currency in 2017. Under that shock, the ratio of debt-to-GDP will rise to almost reach the policy dependent threshold of 40 percent in 2014-25 before declining progressively to 31.7 percent at the end of the projection period.

- The most extreme shock that affects the PV of external debt-to-export ratio (Figure 1, Table 1c) is an export shock–that assumes export values grow at their historical average minus one standard deviation in 2017 and 2018, stemming from disruption in the oil industry, low uranium and oil prices, and severe drought, lowering the country's exports. In this case, the ratio breaches the threshold in 2017 and increases to a maximum of 230.5 in 2018 before starting to decline as crude oil exports boost aggregate exports. The debt-to-export ratio breaches also the threshold in case of: (i) a shock on non-debt creating flows; (ii) a combined shock on growth and non-debt creating flows; and (iii) a tightening of new borrowing terms.

[5] The refinancing loan for the construction of the SORAZ refinery (US$880 million), that was reflected in the previous DSA is not taken into account in this current DSA as negotiations have stalled over the last two years; the old debt is assumed to continue to be serviced normally.

- Finally, under the most extreme shocks, the PV of external debt-to-revenue and the debt service ratios[6] remain under their policy relevant thresholds. (Figure 1, Table 1d, 1e, and 1f).

13. Based on Niger's high vulnerability to shocks, staff developed two alternative scenarios. The scenarios simulate security and terms of trade shocks.[7] In both scenarios, staff assume also a one-year delay of the crude oil export project completion. The simulation results show a significant macroeconomic impact, with GDP growth declining by 0.3 to 0.8 percentage points, and the current account widening by 0.8 to 1.7 percent of GDP, causing reserves to fall. The fiscal stance would also deteriorate as revenue would fall and security spending expand. From a DSA perspective, while under the security shock the debt ratios would remain under their respective thresholds, the large impact of the terms of trade shock on exports would cause the debt-to-export ratio to exceed the threshold by 15.4 percent in 2017 (Figure 4).

PUBLIC DSA

Baseline

14. The baseline scenario assumes that the government will continue to rollover the outstanding stock of treasury bills, issuing on annual average CFAF 130 million in treasury bonds over the medium term and around CFAF 70 billion in the long-term, as revenue collection improves. Niger's domestic debt, 11.5 percent of GDP in 2015, is projected to peak at 15.9 percent of GDP in 2018 as the government implements the 6.5 percent of GDP of PPP contracts. The 2016 budget includes a planned bond issuance of CFAF 170 billion of which CFAF 40 billion to be issued to local banks to repay domestic arears. However, due to delays in making the arrangement with the banks, the CFAF 40 billion security issuance will only be completed in 2017. The domestic public debt-to-GDP ratio is projected to fall over the long-term, reaching 1.7 percent of GDP in 2036. However, this rapid buildup in domestic borrowing, expected to generate debt service equivalent to 4.7 percent of GDP in 2017, could engender significant risks to the government's financial position if regional liquidity conditions deteriorate.

15. The inclusion of Niger's domestic public debt in the analysis highlights the vulnerability of the baseline scenario, as the public debt-to-GDP ratio exceeds the benchmark under the extreme shock scenario. Under the extreme shock with the primary balance set at the historical average minus one standard deviation in 2017-18, the public debt to GDP ratio will exceed the benchmark between 2018 and 2021 and decline in the long term. Also with an assumption of no improvement in the fiscal situation—the primary fiscal balance remaining at the 2016 level, a deficit of 5.3 percent of GDP—public debt will rise continuously. Consequently, the PV of debt-to-GDP ratio will exceed the benchmark in 2025 and reach 79.6 percent in 2036, significantly above the threshold of 56 percent of GDP (Figure 2, Table 2b).

[6] The spike in debt service ratios in 2016 in the previous DSA was due to the SORAZ refinancing loan, which is now excluded for reasons provided in Footnote 5.

[7] The security shock considers a security situation that generates 1 percent of GDP security spending and affects trade and some economic activities. The terms of trade shock considers a 25 percent decrease of the baseline oil and uranium price in 2017.

PRIVATE EXTERNAL DEBT DYNAMICS

16. The current DSA includes identified private debt flows, linked to the large oil and uranium projects. It incorporates the contracts of a loan by the SORAZ refinery (60 percent privately owned), part of the FDI that will finance the Niamey-Cotonou railroad and the Imouraren uranium mine project. The stock of external private debt is estimated at 27.5 percent of GDP in 2015 and is projected to stabilize at just above 9 percent of GDP over the long run. This is lower than in the previous DSA, reflecting a downward revision in FDI due to persistent security challenges and lower commodity prices.

CONCLUSION

17. Niger continues to be assessed as being at moderate risk of external debt distress — unchanged from the previous DSA conducted during the 2014 Article IV and updated during the sixth and seventh reviews of the ECF 2012-16 program. Debt sustainability is highly sensitive to shocks on exports stemming from the collapse of commodity prices (oil and uranium) and severe drought. It is also vulnerable to a large reduction in the combined FDI and donor project supports and tightening of borrowing conditions. Niger's overall public debt dynamics also highlights vulnerabilities, with the rapid increase in domestic debt and total public debt-to-GDP ratio exceeding the benchmark under an assumption of unchanged policies and larger deterioration of the fiscal balance due to significant loss in revenue or spending pressures. In addition, further delay in the implementation of the resource projects could add significant pressures on debt and fiscal sustainability.

18. Niger's continued moderate risk of debt distress calls for the authorities' sustained commitment to strengthen debt management and moderate the amount of new borrowing. The Inter-Ministerial Debt Committee should play an active role in strengthening institutional coordination and streamlining debt approval processes. In addition, the committee should continue to be actively involved in the evaluation of PPP contracts to ensure they are in line with procurement standards, the government borrowing plan, and debt sustainability. Staff advises the government to refrain from signing new PPP contracts until a new legal framework for PPP is established. Furthermore, staff recommends restricting external financing to grants and concessional borrowing. Also, staff encourages the authorities to review the debt portfolio on the basis of the Afritac-West technical assistance's recommendations to address the large amount of debt signed but not yet disbursed including the Chinese master facility agreement signed in 2013. For the latter it is important to ensure that loans contracted under the facility finance self-sustaining development projects. The authorities are also encouraged to build buffers to cope with exogenous shocks, strengthen revenue administration, and prioritize spending needs. Finally, continued technical assistance in debt management is recommended to help build capacity in developing comprehensive borrowing plans on a regular basis, that are consistent with medium-term debt sustainability and aligned with development priorities.

19. Finally, containing government's borrowing to local banks could help to reinforce the stability of the banking system and limit crowding out of the private sector. Like in other WAEMU countries, banks' exposure to government debt raises concern over systemic financial risks from sovereign default as fiscal positions become tight. Reducing government debt will reduce risks to the banking system and free resources to finance private sector development, which is essential for strong and sustained long-term growth.

20. The Nigerien authorities welcomed the conclusions of the DSA that are broadly consistent with the previous DSA and also with their own assessment. The authorities reiterated their commitment to finance development projects primarily through grants and concessional loans. They also noted their intention to streamline the debt portfolio to ensure that contracted loans that have not been disbursed for many years are canceled to provide room for other priority projects. They also agreed to strengthen revenue mobilization and reinforce spending control to minimize the need for borrowing (including through bonds) to preserve fiscal sustainability. The authorities also noted the need to reinforce the debt management framework and to design a PPP framework that will minimize the budgetary risks from PPP implementation.

Box 1. Niger: Baseline Scenario Assumptions

The baseline macroeconomic scenario for 2016−36 is based on the following assumptions:

- Real GDP growth is projected to maintain 5.2 percent average growth over the medium-term, lower than assumed in the previous DSA, as the growth rebound expected from the resource sector is now expected only from 2020 due to the delays in completing the major uranium and crude oil projects. Consequently, average annual growth rate in the longer-run is higher at 5.4 percent. Continuation of steady agricultural production and of government food security program will help maintain inflation fairly stable at about 2 percent over the projection period in line with the WAEMU target. The export price for Niger's crude oil is assumed to be on average 85 percent of the international oil price projected in the current World Economic Outlook.

- Total revenue-to-GDP ratio (excluding grants) will decline from about 18.1 percent in 2015 (including 1.2 percent of GDP of exceptional revenue) to 15.3 percent in 2016 as a consequence of weak commodity prices and the slowdown in the Nigerian economy. This ratio will rise to average 21.8 percent in 2036 about the same level assumed in the previous DSA, reflecting the improvements expected from the ongoing tax administration reforms and the expected revenue boost from the natural resource sector.

- Primary fiscal expenditure was 32.4 percent of GDP in 2015 driven by large spending needs for security, humanitarian assistance and health, education, and transport infrastructure priorities envisaged in the *Plan de Developpement Economique et Social (PDES) 2012–15*. Current expenditure is expected to decline gradually from 15.6 percent of GDP in 2015 to 12 percent of GDP in 2036, while capital expenditure is expected to decline only gradually reflecting the large infrastructure needs of the country, and as a result, primary fiscal expenditure is projected at 24.1 percent of GDP in 2036. The basic balance (the fiscal balance net of grants and externally-financed capital expenditure) will gradually converge to zero and remain positive in the long run. The overall fiscal deficit (commitment basis excluding grants) will also decline from 14.6 percent of GDP in 2015 to 3 percent of GDP in 2036.

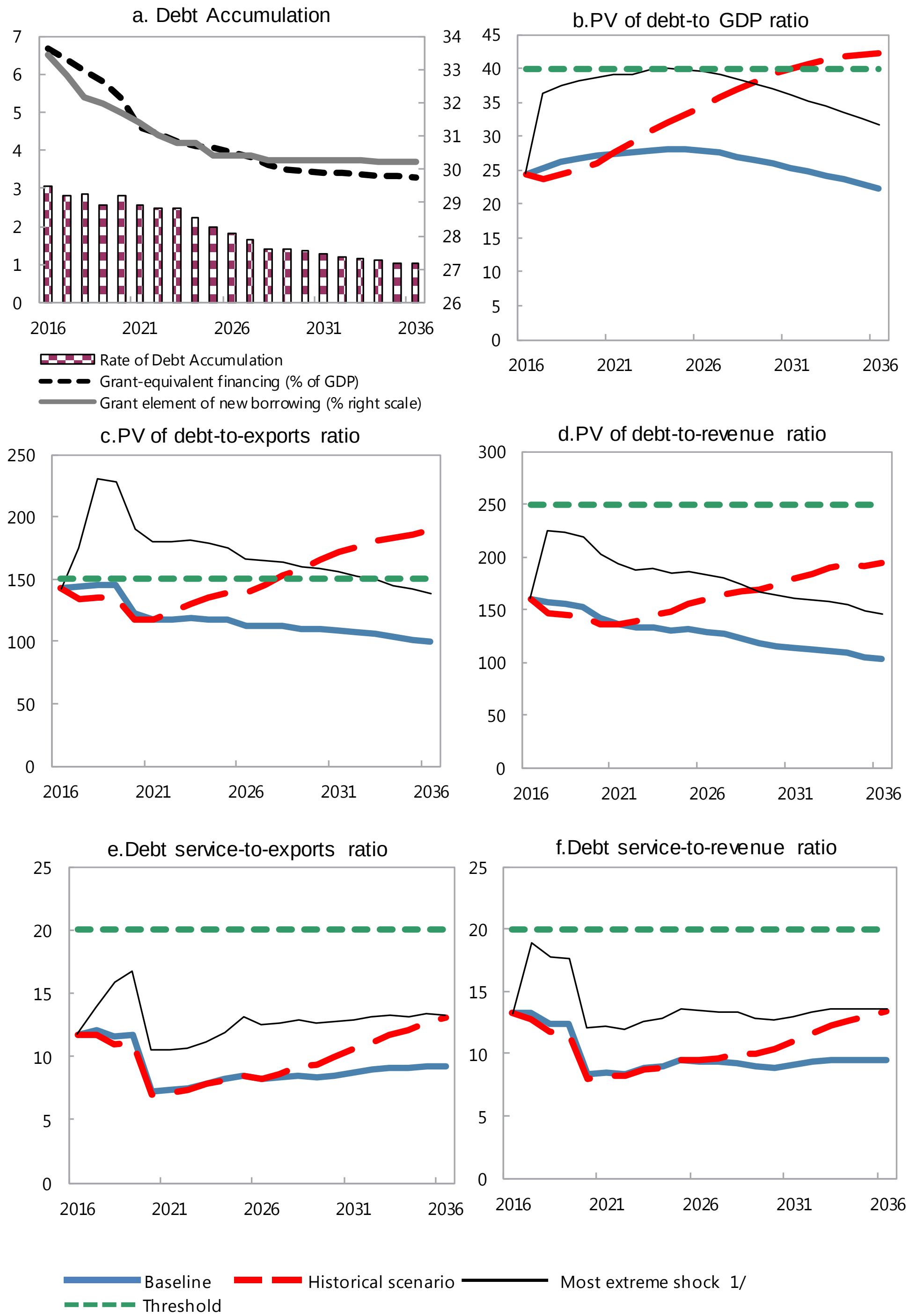
- The non-interest current account deficit is projected to gradually decline to 10.4 percent of GDP at the end of the projection period, from 17.9 percent of GDP in 2015. Export volumes would increase, mainly driven by much larger export growth of crude oil and uranium (after oil production comes on stream in 2020 and the Imouraren mine in 2021). The exports volume of non-resource products is also expected to grow as a result of the expected impact of gradual economic diversification and implementation of the second phase of the 3N (*Nigériens Nourissent les Nigériens*) initiative. Imports of goods and services, representing 41.1 percent of GDP in 2015, would slowdown initially, in line with the decline of FDI-related imports, before stabilizing at 35.6 percent of GDP in 2036.

- Net FDI is projected to increase in the medium-term from 6.9 percent of GDP in 2015 to above 10 percent of GDP in 2018-19 with the construction of the new oil pipeline. As assumed in the previous DSA, it is expected to decrease afterward as large investment projects come to completion, and earlier FDI loans are reimbursed. FDI is projected to average 7 percent of GDP in the long term.

- The average interest rate on external debt is projected to be around 2.1 percent. The rate of external debt accumulation is expected to decrease after the major resources projects are completed and the Chinese master facility is fully disbursed by 2026. The concessionality of new borrowing will decline from an average of 33.5 percent in 2016 to about 30.2 percent in 2036 as the share of commercial loans increases gradually to 10 percent of total loans. The analysis assumes continued inflow of grants and loans of about on average 3.1 percent and 3.3 percent of GDP, respectively. The discount rate remains at 5 percent.

- The domestic debt profile assumes no net accumulation of domestic arrears and that securitized domestic arrears will be repaid over the next 5 years. The baseline includes an average bond issuance of about CFAF 90 billion a year after 2017 under the present terms of regional bonds for Niger (i.e., 6.3 percent interest rate, 5 years' maturity and 1-year grace period) and 6.5 percent of GDP of PPP contracts to be implemented in the next four years starting 2017.

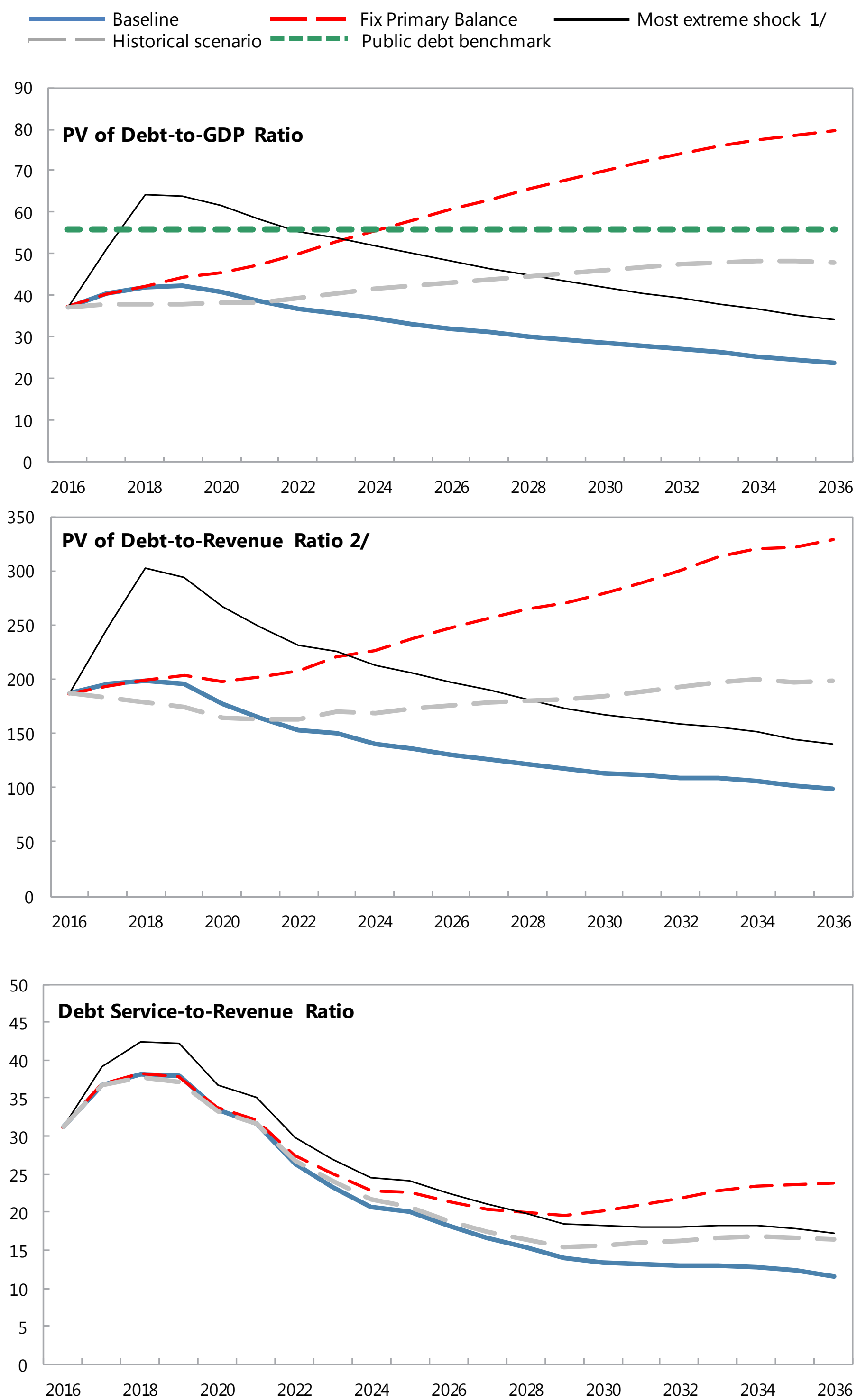
Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2016–36



Sources: Country authorities; and staff estimates and projections.

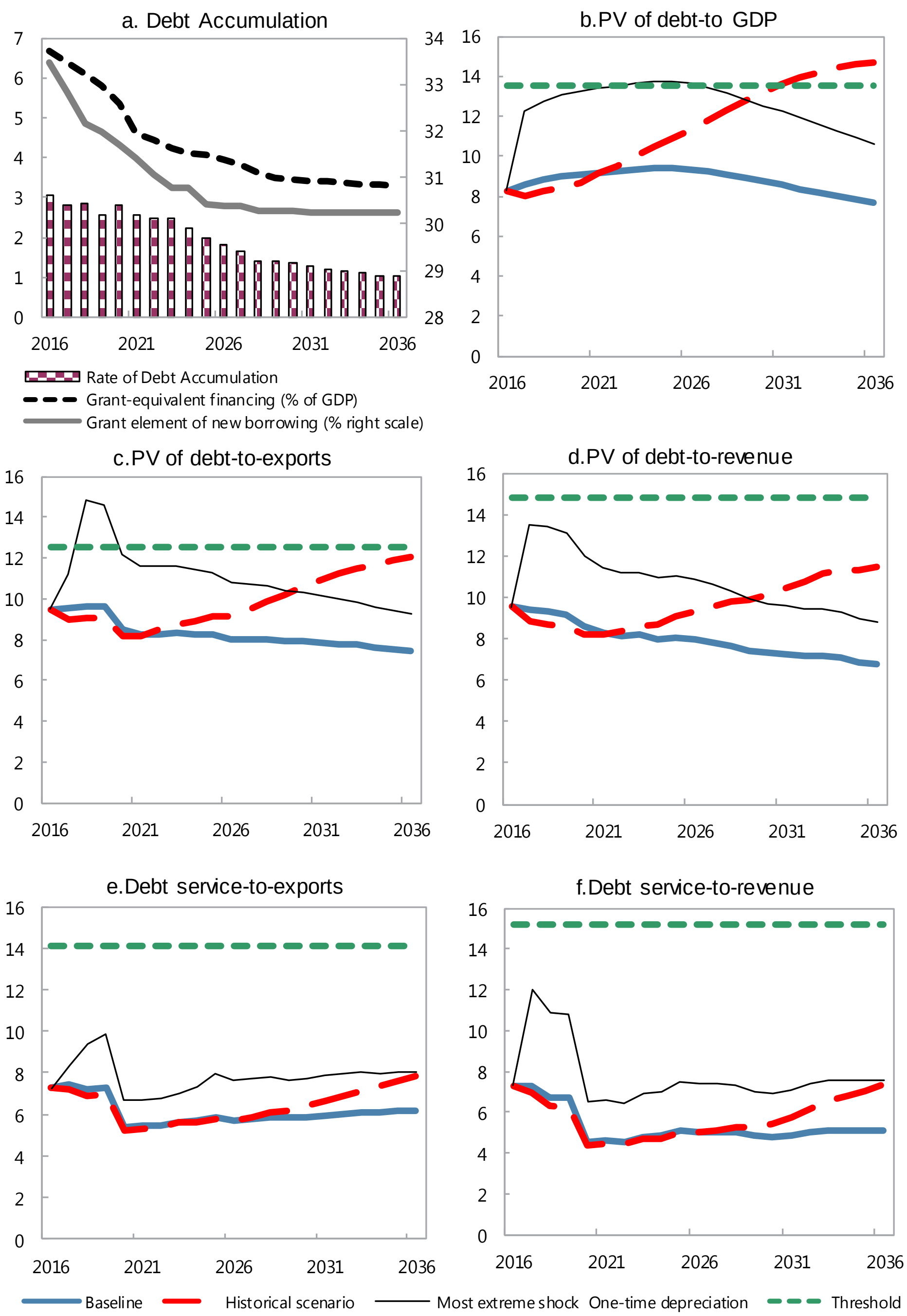
1/ The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 2. Niger: Indicators of Public Debt Under Alternative Scenarios, 2016–36



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2026.
2/ Revenues are defined inclusive of grants.

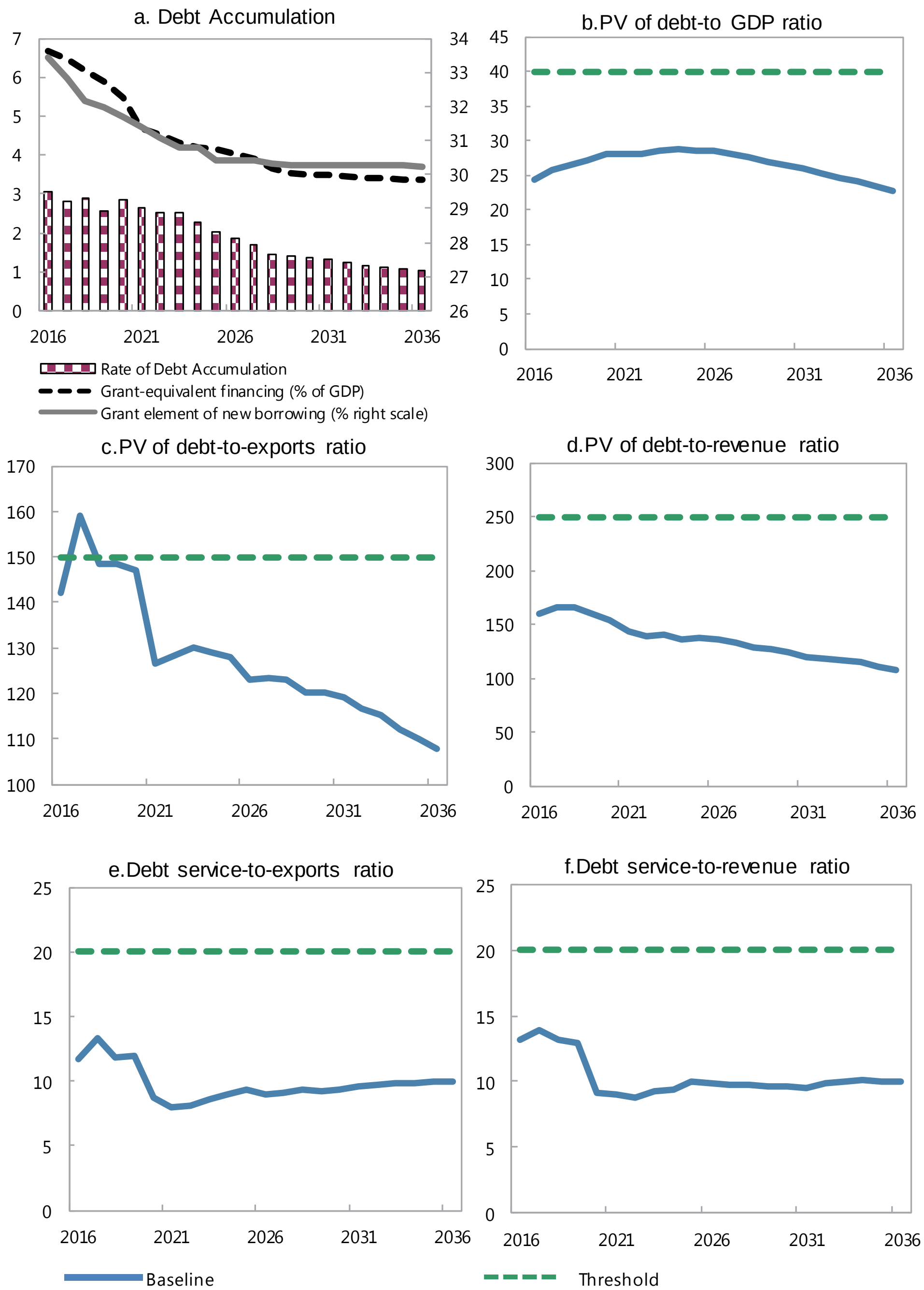
Figure 3. Niger: Probability of Debt Distress of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2016-2036 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 4. Niger: Indicators of Public and Publicly Guaranteed External Debt Under a Terms of Trade Shock, 2016–36



Sources: Country authorities; and staff estimates and projections.

Table 1a. Niger: External Debt Sustainability Framework, Baseline Scenario, 2013–36

(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2013	2014	2015			2016	2017	2018	2019	2020	2021	2016-2021 Average	2026	2036	2022-2036 Average
External debt (nominal) 1/	**46.8**	**48.9**	**57.9**			**61.0**	**62.0**	**61.9**	**61.6**	**60.4**	**59.5**		**54.8**	**40.1**	
of which: public and publicly guaranteed (PPG)	21.1	25.1	30.4			34.1	35.8	37.1	38.1	38.5	39.0		39.1	30.6	
Change in external debt	-2.9	2.1	9.0			3.1	0.9	-0.1	-0.3	-1.3	-0.8		-1.2	-1.3	
Identified net debt-creating flows	2.2	3.2	18.6			5.2	5.9	4.4	4.4	3.1	2.3		2.3	2.2	
Non-interest current account deficit	**14.8**	**15.3**	**17.9**	**16.1**	**5.9**	**14.5**	**17.1**	**17.5**	**17.5**	**14.5**	**12.3**		**10.2**	**10.4**	10.6
Deficit in balance of goods and services	16.4	17.8	22.5			19.7	22.2	22.5	22.4	19.2	17.0		14.1	13.2	
Exports	22.6	21.0	18.6			17.2	17.7	18.0	18.5	22.1	23.5		24.8	22.4	
Imports	39.1	38.8	41.1			36.9	39.8	40.5	40.8	41.3	40.4		38.9	35.6	
Net current transfers (negative = inflow)	-3.9	-4.2	-4.2	-4.6	1.3	-4.1	-4.0	-3.9	-3.7	-3.6	-3.4		-2.9	-2.0	-2.6
of which: official	-2.1	-2.3	-1.7			-2.0	-1.6	-1.5	-1.5	-1.2	-1.0		-0.8	-0.5	
Other current account flows (negative = net inflow)	2.2	1.7	-0.4			-1.0	-1.1	-1.1	-1.2	-1.2	-1.3		-1.0	-0.8	
Net FDI (negative = inflow)	**-8.1**	**-8.9**	**-6.9**	**-9.4**	**5.5**	**-7.6**	**-9.1**	**-10.8**	**-10.9**	**-8.1**	**-7.5**		**-6.0**	**-6.9**	-6.7
Endogenous debt dynamics 2/	**-4.5**	**-3.2**	**7.6**			**-1.7**	**-2.1**	**-2.3**	**-2.2**	**-3.2**	**-2.4**		**-1.9**	**-1.3**	
Contribution from nominal interest rate	0.2	0.1	0.2			0.8	0.9	0.9	1.0	1.0	1.1		0.8	0.6	
Contribution from real GDP growth	-2.4	-3.1	-2.0			-2.5	-3.0	-3.2	-3.1	-4.2	-3.5		-2.7	-2.0	
Contribution from price and exchange rate changes	-2.3	-0.3	9.4			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-5.1**	**-1.1**	**-9.6**			**-2.1**	**-5.0**	**-4.5**	**-4.7**	**-4.4**	**-3.2**		**-3.5**	**-3.5**	
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	49.6			51.4	51.6	51.0	50.3	49.0	48.0		43.6	31.8	
In percent of exports	...	...	266.6			298.8	291.7	282.8	272.3	221.7	204.6		175.3	142.0	
PV of PPG external debt	**...**	**...**	**22.1**			**24.4**	**25.4**	**26.2**	**26.8**	**27.1**	**27.4**		**27.8**	**22.3**	
In percent of exports	**...**	**...**	**118.8**			**142.2**	**143.5**	**145.4**	**145.1**	**122.8**	**117.0**		**112.0**	**99.6**	
In percent of government revenues	**...**	**...**	**121.9**			**160.1**	**157.2**	**155.7**	**152.8**	**141.9**	**135.3**		**128.7**	**102.2**	
Debt service-to-exports ratio (in percent)	**4.9**	**2.9**	**4.1**			**12.7**	**13.0**	**12.4**	**12.4**	**7.8**	**7.8**		**8.4**	**9.3**	
PPG debt service-to-exports ratio (in percent)	**2.4**	**2.2**	**3.2**			**11.8**	**12.1**	**11.6**	**11.7**	**7.3**	**7.3**		**8.2**	**9.2**	
PPG debt service-to-revenue ratio (in percent)	**3.2**	**2.6**	**3.3**			**13.2**	**13.2**	**12.4**	**12.3**	**8.4**	**8.5**		**9.4**	**9.5**	
Total gross financing need (Billions of U.S. dollars)	0.6	0.6	0.8			0.7	0.8	0.8	0.8	0.8	0.7		1.0	1.8	
Non-interest current account deficit that stabilizes debt ratio	17.7	13.2	8.9			11.4	16.1	17.6	17.8	15.7	13.1		11.4	11.7	
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.3	7.0	3.5	5.6	3.8	4.6	5.2	5.5	5.4	7.4	6.2	5.7	5.2	5.1	5.3
GDP deflator in US dollar terms (change in percent)	4.9	0.6	-16.1	2.5	9.2	-0.2	-0.6	2.0	2.0	1.9	1.8	1.2	2.0	2.2	2.0
Effective interest rate (percent) 5/	0.4	0.3	0.3	1.3	1.3	1.5	1.6	1.6	1.7	1.7	1.9	1.7	1.6	1.6	1.6
Growth of exports of G&S (US dollar terms, in percent)	14.3	-0.2	-23.0	10.1	16.4	-3.5	7.5	9.7	10.2	30.9	14.9	11.6	11.1	6.4	7.1
Growth of imports of G&S (US dollar terms, in percent)	9.6	6.9	-7.9	12.2	18.6	-6.3	12.8	9.5	8.4	10.6	5.9	6.8	8.9	6.3	6.5
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	33.5	32.8	32.1	32.0	31.7	31.4	32.2	30.4	30.2	30.4
Government revenues (excluding grants, in percent of GDP)	16.6	17.5	18.1			15.3	16.1	16.8	17.5	19.1	20.3		21.6	21.8	21.8
Aid flows (in Billions of US dollars) 7/	0.9	0.7	0.7			0.6	0.6	0.6	0.6	0.6	0.5		0.6	1.2	
of which: Grants	0.6	0.4	0.4			0.4	0.4	0.4	0.4	0.4	0.4		0.4	0.8	
of which: Concessional loans	0.2	0.3	0.4			0.2	0.2	0.2	0.2	0.2	0.2		0.2	0.4	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			6.7	6.4	6.1	5.8	5.3	4.6		4.0	3.3	3.7
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			63.4	63.4	63.1	63.7	64.6	61.7		62.0	62.7	62.2
Memorandum items:															
Nominal GDP (Billions of US dollars)	7.7	8.3	7.2			7.5	7.8	8.4	9.1	9.9	10.7		15.5	31.3	
Nominal dollar GDP growth	10.4	7.7	-13.1			4.4	4.5	7.6	7.6	9.4	8.2	7.0	7.2	7.4	7.4
PV of PPG external debt (in Billions of US dollars)			1.6			1.8	2.0	2.2	2.4	2.7	2.9		4.3	6.9	
(PVt-PVt-1)/GDPt-1 (in percent)						3.0	2.8	2.9	2.5	2.8	2.6	2.8	1.8	1.0	1.6
Gross workers' remittances (Billions of US dollars)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	22.1			24.4	25.4	26.2	26.8	27.1	27.4		27.8	22.3	
PV of PPG external debt (in percent of exports + remittances)	...	...	118.8			142.2	143.5	145.4	145.1	122.8	117.0		112.0	99.6	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	3.2			11.8	12.1	11.6	11.7	7.3	7.3		8.2	9.2	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

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

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 1b. Niger: Public Sector Debt Sustainability Framework, Baseline Scenario, 2013–36

(In percent of GDP, unless otherwise indicated)

	Actual			Average 5/	Standard Deviation 5/	Estimate	Projections								
	2013	2014	2015			2016	2017	2018	2019	2020	2021	2016-21 Average	2026	2036	2022-36 Average
Public sector debt 1/	25.6	33.7	41.9			47.0	51.1	53.0	53.9	52.4	50.3		43.3	32.3	
of which: foreign-currency denominated	21.1	25.1	30.4			34.1	35.8	37.1	38.1	38.5	39.0		39.1	30.6	
	4.5	8.7	11.5			12.9	15.3	15.9	15.8	13.9	11.4		4.2	1.7	
Change in public sector debt	-0.8	8.1	8.2			5.1	4.0	2.0	0.8	-1.5	-2.1		-1.4	-0.9	
Identified debt-creating flows	0.0	8.4	11.0			5.1	3.9	2.4	1.0	-1.6	-3.1		-3.1	-1.8	
Primary deficit	2.5	7.9	8.8	2.3	19.1	5.3	6.0	4.5	3.0	1.1	-0.9	3.2	-1.1	-0.1	-0.9
Revenue and grants	24.6	23.0	23.6			20.0	20.7	21.2	21.8	23.1	23.6		24.5	24.3	
of which: grants	8.0	5.4	5.5			4.7	4.6	4.4	4.3	4.0	3.3		2.9	2.4	
Primary (noninterest) expenditure	27.1	30.9	32.4			25.3	26.7	25.7	24.8	24.2	22.7		23.5	24.1	
Automatic debt dynamics	-2.5	0.5	2.3			-0.2	-2.0	-2.1	-1.9	-2.7	-2.3		-2.0	-1.6	
Contribution from interest rate/growth differential	-1.6	-1.9	-1.1			-1.0	-1.8	-2.1	-2.1	-2.5	-2.0		-1.6	-1.3	
of which: contribution from average real interest rate	-0.3	-0.2	0.0			0.8	0.5	0.5	0.7	1.2	1.1		0.6	0.3	
of which: contribution from real GDP growth	-1.3	-1.7	-1.2			-1.8	-2.3	-2.7	-2.7	-3.7	-3.1		-2.2	-1.6	
Contribution from real exchange rate depreciation	-0.8	2.4	3.4			0.8	-0.2	0.0	0.1	-0.2	-0.3		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			-0.1	-0.1	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			-0.1	-0.1	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	-0.8	-0.3	-2.8			0.1	0.1	-0.4	-0.2	0.1	1.0		1.6	0.8	
Other Sustainability Indicators															
PV of public sector debt	...	...	33.5			37.4	40.7	42.1	42.5	41.0	38.8		32.1	24.0	
of which: foreign-currency denominated	...	...	22.1			24.4	25.4	26.2	26.8	27.1	27.4		27.8	22.3	
of which: external	...	...	22.1			24.4	25.4	26.2	26.8	27.1	27.4		27.8	22.3	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	8.4	11.7	15.7			11.6	13.6	12.6	11.2	8.9	6.6		3.4	2.7	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	142.1			186.9	196.2	198.2	195.3	177.6	164.6		130.8	98.9	
PV of public sector debt-to-revenue ratio (in percent)	...	...	185.1			244.8	251.9	250.2	242.7	214.6	191.3		148.2	110.0	
of which: external 3/	...	...	121.9			160.1	157.2	155.7	152.8	141.9	135.3		128.7	102.2	
Debt service-to-revenue and grants ratio (in percent) 4/	23.9	16.6	29.3			31.1	36.8	38.2	37.8	33.5	31.6		18.2	11.5	
Debt service-to-revenue ratio (in percent) 4/	35.4	21.8	38.1			40.8	47.3	48.2	47.0	40.5	36.8		20.7	12.8	
Primary deficit that stabilizes the debt-to-GDP ratio	3.3	-0.3	0.6			0.2	2.0	2.5	2.1	2.6	1.2		0.3	0.8	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.3	7.0	3.5	5.6	3.8	4.6	5.2	5.5	5.4	7.4	6.2	5.7	5.2	5.1	5.3
Average nominal interest rate on forex debt (in percent)	0.0	0.0	0.0	1.5	1.5	2.4	2.4	2.3	2.4	2.5	2.6	2.4	2.0	2.1	2.1
Average real interest rate on domestic debt (in percent)	0.2	3.0	3.6	-1.5	3.1	4.9	2.7	3.4	4.0	4.5	4.1	3.9	3.8	0.7	3.3
Real exchange rate depreciation (in percent, + indicates depreciation)	-4.2	12.5	14.0	-0.2	9.4	2.8	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	1.5	0.5	0.5	3.4	2.4	-0.1	2.4	2.1	1.8	1.6	1.9	1.6	2.0	2.2	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	27.8	21.8	8.7	5.9	10.4	-18.2	11.1	1.5	1.5	5.1	-0.4	0.1	5.4	5.0	5.7
Grant element of new external borrowing (in percent)	...	...	...	...	...	33.5	32.8	32.1	32.0	31.7	31.4	32.2	30.4	30.2	...

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Revenues excluding grants.

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

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

Table 2a. Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2016–36
(In percent)

	Projections							
	2016	2017	2018	2019	2020	2021	**2026**	2036
PV of debt-to GDP ratio								
Baseline	24	25	26	27	27	27	**28**	22
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2016-2036 1/	24	24	24	25	26	28	**34**	42
A2. New public sector loans on less favorable terms in 2016-2036 2/	24	27	29	30	31	32	**36**	35
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	24	26	28	29	29	29	**30**	24
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	24	27	31	31	31	32	**31**	23
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	24	27	30	31	31	32	**32**	26
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	24	29	35	36	35	35	**34**	24
B5. Combination of B1-B4 using one-half standard deviation shocks	24	29	37	37	37	37	**35**	26
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	24	36	37	38	39	39	**40**	32
PV of debt-to-exports ratio								
Baseline	142	144	145	145	123	117	**112**	100
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2016-2036 1/	142	134	135	135	118	118	**139**	189
A2. New public sector loans on less favorable terms in 2016-2036 2/	142	150	158	163	141	138	**145**	155
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	142	143	145	144	122	116	**111**	99
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	142	174	230	228	190	180	**166**	138
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	142	143	145	144	122	116	**111**	99
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	142	166	197	193	161	151	**135**	107
B5. Combination of B1-B4 using one-half standard deviation shocks	142	166	212	209	174	164	**149**	120
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	142	143	145	144	122	116	**111**	99
PV of debt-to-revenue ratio								
Baseline	160	157	156	153	142	135	**129**	102
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2016-2036 1/	160	146	145	143	136	137	**159**	194
A2. New public sector loans on less favorable terms in 2016-2036 2/	160	164	170	172	163	159	**167**	159
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	160	162	166	163	151	144	**137**	109
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	160	167	184	179	164	155	**142**	106
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	160	167	181	177	164	156	**149**	118
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	160	182	211	203	186	175	**156**	110
B5. Combination of B1-B4 using one-half standard deviation shocks	160	178	218	211	193	182	**164**	118
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	160	224	223	218	202	193	**183**	145

Table 2a. Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2016–36 (concluded)

(In percent)

	Projections							
	2016	2017	2018	2019	2020	2021	**2026**	2036
Debt service-to-exports ratio								
Baseline	12	12	12	12	7	7	**8**	9
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2016-2036 1/	12	12	11	11	7	7	**8**	13
A2. New public sector loans on less favorable terms in 2016-2036 2/	12	12	11	12	8	8	**9**	13
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	12	12	12	12	7	7	**8**	9
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	12	14	16	17	11	11	**13**	13
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	12	12	12	12	7	7	**8**	9
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	12	12	12	13	8	8	**10**	11
B5. Combination of B1-B4 using one-half standard deviation shocks	12	13	14	15	9	9	**11**	12
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	12	12	12	12	7	7	**8**	9
Debt service-to-revenue ratio								
Baseline	13	13	12	12	8	8	**9**	9
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2016-2036 1/	13	13	12	12	8	8	**9**	13
A2. New public sector loans on less favorable terms in 2016-2036 2/	13	13	12	13	9	9	**11**	13
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	13	14	13	13	9	9	**10**	10
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	13	13	13	13	9	9	**11**	10
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	13	14	14	14	10	10	**11**	11
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	13	13	13	14	10	10	**12**	11
B5. Combination of B1-B4 using one-half standard deviation shocks	13	14	14	15	10	10	**13**	12
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	13	19	18	18	12	12	**13**	14
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	29	29	29	29	29	29	**29**	29

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2b. Niger: Sensitivity Analysis for Key Indicators of Public Debt 2016–36

(In percent)

	Projections							
	2016	2017	2018	2019	2020	2021	2026	2036
PV of Debt-to-GDP Ratio								
Baseline	37	41	42	43	41	39	32	24
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	37	38	38	38	38	38	43	48
A2. Primary balance is unchanged from 2016	37	40	42	44	46	48	61	80
A3. Permanently lower GDP growth 1/	37	41	43	44	43	42	41	50
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-2018	37	42	46	48	47	45	42	40
B2. Primary balance is at historical average minus one standard deviations in 2017-2018	37	51	64	64	61	58	48	34
B3. Combination of B1-B2 using one half standard deviation shocks	37	45	52	53	51	49	43	35
B4. One-time 30 percent real depreciation in 2017	37	50	50	50	48	45	36	26
B5. 10 percent of GDP increase in other debt-creating flows in 2017	37	48	49	49	47	45	37	27
PV of Debt-to-Revenue Ratio 2/								
Baseline	187	196	198	195	178	165	131	99
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	187	183	179	175	165	163	175	199
A2. Primary balance is unchanged from 2016	187	194	199	203	198	202	247	328
A3. Permanently lower GDP growth 1/	187	198	202	202	186	176	164	204
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-2018	187	203	214	215	200	190	171	165
B2. Primary balance is at historical average minus one standard deviations in 2017-2018	187	248	302	294	266	248	197	140
B3. Combination of B1-B2 using one half standard deviation shocks	187	218	245	242	221	208	174	144
B4. One-time 30 percent real depreciation in 2017	187	242	237	229	206	190	146	109
B5. 10 percent of GDP increase in other debt-creating flows in 2017	187	230	230	225	204	190	151	111
Debt Service-to-Revenue Ratio 2/								
Baseline	31	37	38	38	33	32	18	12
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	31	37	38	37	33	32	19	16
A2. Primary balance is unchanged from 2016	31	37	38	38	34	32	21	24
A3. Permanently lower GDP growth 1/	31	37	39	39	34	33	20	17
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-2018	31	38	40	40	36	34	20	15
B2. Primary balance is at historical average minus one standard deviations in 2017-2018	31	37	40	41	36	34	24	15
B3. Combination of B1-B2 using one half standard deviation shocks	31	37	40	40	36	34	21	15
B4. One-time 30 percent real depreciation in 2017	31	39	42	42	37	35	23	17
B5. 10 percent of GDP increase in other debt-creating flows in 2017	31	37	39	39	34	32	20	13

Sources: Country authorities; and staff estimates and projections.

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

2/ Revenues are defined inclusive of grants.

Statement by Mr. Sembene, Executive Director for Niger and Mr. Alle, Senior Advisor to Executive Director for Niger
January 23, 2017

1. Our Nigerien authorities greatly appreciate Fund's continuous support to the implementation of their economic and financial policies. They welcome the constructive policy dialogue that Management and staff continue to maintain with them as well as the Board's constant support.

2. Fund program engagement has been instrumental in helping Niger to maintain macroeconomic stability and advance the authorities' reform agenda amidst a challenging environment characterized by a succession of disruptive shocks, including security and climatic shocks, the fall in prices of oil and minerals, and a sharp drop in trade with neighboring countries. While delays in implementing some elements of the previous ECF arrangement were subsequently noted, major inroads were made in achieving the broad objectives of the Fund-supported program.

Recent Developments and Outlook

3. The recent period has been characterized by a benign macroeconomic environment challenged by exogenous shocks of different nature. Despite the authorities' efforts in maintaining macroeconomic stability, the economy was adversely affected both by low international prices for uranium and petroleum products, by security issues and the economic downturn in Nigeria, the main trading partner. As a result, real GDP improved markedly in 2016 compared to the previous year although the pace of growth was slower-than-anticipated pace. Inflation remains subdued and well below the regional target.

4. The fiscal stance in 2016 suffered from the revenue shortfalls induced by the difficulties in the mining, oil, and telecommunication sectors, lower trade flows with Nigeria, (exports and re-exports were down by 30.1 percent) as well as weakness in tax and customs administration. The authorities responded to the revenue shock by freezing planned non-priority-expenditures while safeguarding salaries, debt service payments, and security spending.

5. Our Nigerien authorities also implemented a number of structural reform measures. In the fiscal sector, they undertook important reforms to strengthen tax and customs administration. A major step was made in terms of revenue mobilization, with the interconnection of the main customs offices which collect more than 90 percent of customs revenue. In public financial management, budget procedures were enhanced; exceptional spending procedures have been reduced significantly and "an Inter-Ministerial Budgetary Committee was established in 2016 to provide a mechanism to align expenditure commitments with resource availability and thereby reduce the incurrence of arrears." A similar committee was created to oversee debt management and has been producing reports regularly. In the financial sector, a strategy has been adopted with an emphasis on financial inclusion for targeting populations with limited access to financial services. Progress was

also made in enhancing the business environment with the adoption of a new investment code and the operationalization of a one-stop-shop for starting a business.

6. Our authorities concur with staff on the overall positive outlook despite challenges and risks. Growth is projected to rise to 5.2 percent in 2017, and to average 5.4 percent during 2017-19. The expansion of irrigated agriculture under the national food security program (3N Initiative) should be the main driver of growth. Security issues and persistent weak commodity prices are downside risks while a rebound in uranium and oil prices or a recovery in the Nigerian economy would boost Niger's fiscal space and growth. The authorities are committed to conduct policies aimed at strengthening economic fundamentals and to continue their efforts of minimizing the impact of adverse developments.

Article IV Policy Consultation

7. Going forward, the authorities are determined to pursue steadfastly the reforms already initiated in the context of their new 2016-2019 development plan. The 2016 Article IV policy discussions provided a valuable opportunity for the authorities to discuss with Fund staff some of the key growth-promoting features of this plan, notably those aimed at increasing income-earning opportunities for women, mitigating the adverse impact of natural disasters, and reaping the potential demographic dividend.

8. It is the authorities' intention to continue to make progress in addressing gender inequality, notably by providing vocational education and finance to women with a view to making them become more economically active actors. The government will also scale up its investment in human capital with the aim at fully reaping the demographic dividend. In addition, the authorities' efforts to strengthen their disaster risk management framework will greatly benefit from the useful recommendations formulated by staff in their well-written report and Selected Issues paper.

Policies and Reforms under the New ECF Arrangement

9. The new ECF-supported program (2017-20) seeks to maintain macroeconomic stability while creating fiscal space for infrastructure development, meeting the new elevated security risks, and for enhancing social spending. The program will build on progress achieved over the past period in many areas, including in budget management, debt management, customs and tax administrations and the business climate. For the period ahead, our authorities are committed to further making progress in enhancing macroeconomic management, bolstering structural reforms, accelerating diversification for enhancing economic resilience, improving social indicators and reducing poverty. To this end, reforms envisaged under the new program are anchored on the authorities' overarching development goals as laid out in their *Economic Development Document* (EDD).

10. Under their new economic and financial program, our authorities will strengthen reforms underway and embark on new ones as well. The broad areas identified in this regard include the fiscal and financial sectors, debt management, natural resource management, business environment and economic diversification. For 2017 as well as the medium term,

the authorities have planned reforms which are based on the EDD's broad objectives of "enhancing the macroeconomic environment to achieve accelerated growth and meet the dual objectives of improving incomes and job creation, while strengthening the foundations for sustainable development." The authorities are confident that sustained reform efforts will lead to accelerating growth so as to significantly reduce poverty and curb unemployment.

Fiscal policy and debt management

11. Fiscal policy will emphasize broadening the tax base to enhance revenue mobilization, in line with the overarching program objective of creating fiscal space for infrastructure and security and social spending. To this end, the authorities are committed to strengthening the efficiency of tax and customs administrations, and improving tax collection, with the view to reducing dependence on volatile natural resource revenue. An increase in indirect tax revenues together with measures to improve governance in revenue generating agencies is expected to help boost revenue. Measures to modernize the customs administration and enhance transparency and governance include the finalization of the electronic inter-connection of all the customs offices; the deployment of ASYCUDA World Software to all main offices and the introduction of tax identification numbers for all importers.

12. With Fund technical assistance, the tax base will also be broadened by including more enterprises into the large enterprises Directorate. In the same vein, tax exemptions will be streamlined through improved monitoring and control and aligned with best practices. Overlapping fiscal advantages in sector-specific codes will also be brought into the customs and tax codes. A similar effort will be made to limit exemptions in the sector of SOEs; a thorough evaluation and an audit are planned to help clarify financial linkages of the state and SOEs to limit fiscal risks and reduce exemptions.

13. On the expenditure side, outlays will reflect priorities in the EDD, notably public infrastructure, health and education. Current primary expenditures are expected to stabilize while better control measures would help to reduce the wage bill by 0.3 percent owing to control measures. Other measures to contain spending, include curtailing the water, electricity and telephone consumption and eliminating ghost workers. Arrears clearance will also be continued. These efforts will make room for investment spending which is expected to increase substantially. Indeed, domestically financed capital spending is projected at 6.5 percent of GDP, which is 1.2 percent of GDP higher compared to 2016.

14. The authorities remain committed to maintaining debt sustainability going forward. They will continue to strengthen the debt management framework and implement prudent debt management policies. In this connection, they are cognizant that their efforts to contain the fiscal deficit will be key. On the basis of the fiscal measures being implemented, the deficit of the basic balance is projected at 4.9 percent of GDP in 2017. However, the authorities are confident that, with the major reforms they are undertaking, over the medium term the deficit will converge to the 3 percent of GDP convergence criterion.

Moreover, the authorities will work on a new framework for PPPs with the view to addressing fiscal risks and safeguarding debt sustainability. In this endeavor, Fund technical assistance will be of paramount importance.

Financial sector policy

15. Though the overall financial system is still shallow, the banking system is well capitalized. The authorities are committed to implement both the National Financial Sector Development Strategy (NFSDS) and the National Strategy for Financial Inclusion. Under these strategies, "the government's objective is to make available through 2021, CFAF 35 billion in credits to small businesses, in particular those run by women and young entrepreneurs." Donor assistance will also be mobilized for this microfinance program at a forthcoming Round Table to be held in 2017. The government will also continue its divesture from the banking system. In this regard, discussions are underway with private entities interested in the government's stakes that remain in banks.

Natural resource management

16. The authorities are committed to enhancing the management of natural resource endowments and bolster the contribution of the sector to the country's overall development. In this regard, efforts are being pursued in three directions. First, the government has strengthened the ties of investors with local banks to ensure that contract signing bonuses are paid when mining permits are granted. Second, the government is diversifying the mineral export base away from uranium and oil and investors as well. It is also taking steps to attract new investors and is in the process of granting exploration permits not only for the traditional uranium and oil but also for other minerals such as coal, limestone, and gold. Third, with technical assistance from France, the authorities are enhancing capacities for evaluation, projection, and control of mining revenue. In the same vein, the government is now revamping institutions for regulation, negotiation and implementation of contracts.

Business environment and economic diversification

17. Steady efforts have contributed to improve the business environment as evidenced by Niger's moving from the 176th place in 2014 to 150th in the World Bank 2017 Doing Business report. Achievements include the shortening of the time and procedures required to start a business, improved access to credit information with the establishment of a credit bureau, and the creation of a specialized commercial court which makes contracts enforcement easier. The authorities will continue their efforts to strengthen an enabling environment for business, with the aim of buttressing economic diversification. In this regard, their actions to further improve competitiveness, will encompass measures aimed at overcoming barriers identified in dealing with construction permits, getting credit, and paying taxes.

Conclusion

18. Notwithstanding the variety of severe shocks that hit Niger in recent years, the authorities' policy implementation has played a key role in maintaining macroeconomic stability. In this context, the predecessor ECF arrangement has helped the country cope successfully with the decline in international mineral prices, security challenges and the negative spillovers of the economic downturn in the main trading partner. These adverse developments are far from fading away and add to the structural bottlenecks facing the Nigerien economy, notably the infrastructure gap, narrow export base, gender inequality and high poverty.

19. Against this backdrop, Fund continued engagement under the ECF will provide an appropriate anchor for the policies set forth in the government's Economic Policy Paper for 2016-20. In this regard, the fiscal program aims to create the needed room for key infrastructure outlays and social spending. Moreover, implementation of the set of structural reforms envisaged in the program context will contribute to further improving macroeconomic stability and resilience and paving the way for economic diversification, sustained growth, and poverty reduction.

20. In this light, we would appreciate Directors' support to the authorities' request for a new arrangement under the Extended Credit Facility.