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2019 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, AND REQUESTS FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, MODIFICATION OF PERFORMANCE CRITERIA, AND EXTENSION AND REPHASING OF THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE, STAFF REPORT AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGER

In the context of the Article IV Consultation and fourth review 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 June 26, 2019 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 June 26, 2019 following discussions that ended on May 28, 2019 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 June 13, 2019.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- 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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FOR IMMEDIATE RELEASE
June 26, 2019

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IMF Executive Board Completes the Fourth Review Under the Extended Credit Facility Arrangement for Niger, Approves a US$ 47.0 Million Disbursement, and Concludes the 2019 Article IV Consultation with Niger

- Program implementation as been broadly satisfactory with public finances strengthening as planned, progress with the implementation of the structural reform agenda, and some slippages in the clearance in domestic payment arrears.

- Economic growth strengthened in 2018 and the outlook is promising thanks to the start of several large-scale projects by private investors and development partners.

- The formal local private sector needs strengthening to ensure sustainably higher living standards and provide jobs for Niger's rapidly growing labor force.

On June 26, 2019, the Executive Board of the International Monetary Fund (IMF) completed the fourth review of Niger's economic and financial program supported under the Extended Credit Facility (ECF) framework. The completion of the review enables the disbursement of SDR33.84 million (about US$ 47.0 million), bringing total disbursements under the arrangement to SDR90.24 million (about US$125.4 million).

The Executive Board also approved the authorities' request for a waiver of the nonobservance of the performance criterion on domestic payments arrears clearance, the modification of a performance criterion, the extension of the arrangement to April 22, 2020, and a rephasing of disbursements.

Niger's three-year arrangement was approved on January 23, 2017 for SDR 98.7 million (about US$134.04 million) in support of the authorities' national plan for economic development. It aims to enhance macroeconomic stability and foster high and equitable growth, boost incomes and create jobs, while strengthening the foundations for sustainable development. On December 10, 2018, the IMF Executive Board agreed to augment the overall amount of the ECF arrangement to SDR 118.44 million (about US$164.1 million, or 90 percent of Niger quota).

Following the Executive Board's discussion on Niger, Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

``Niger's performance under the ECF-supported program has been broadly satisfactory despite a tense security situation and daunting development challenges. The authorities remain committed to implementing their reform agenda.

``The strengthening of public finances has been advancing largely as planned and the authorities are determined to continue along this path to comply with the West African Economic and Monetary Union's fiscal convergence criterion next year. These efforts will help further entrench macroeconomic stability and the sustainability of public debt.

``The structural agenda underpinning fiscal strengthening is being implemented with a view to better mobilize revenues and lift the efficiency of public spending. However, there is room to go forward faster. It is also essential to take full advantage of better administrative arrangements to realize the new potential.

``The authorities are addressing the slippage in the clearance of domestic payment arrears. Much ground has been made up in recent weeks. Assurances are in place to complete the clearance program by this October.

``Implementing the authorities' structural reform agenda should continue with vigor to support sustainably higher living standards and inclusive growth. Niger's welcome efforts to foster good governance and step up the fight against corruption should also be strongly pursued.''

The Executive Board also concluded the 2019 Article IV Consultation with Niger.[1]

Niger faces daunting development challenges, aggravated by terrorist incursions, low uranium export prices, and climate change. Nonetheless, GDP growth picked up to 6.5 percent last year and should average above 7 percent over the next five years thanks to reforms, substantial donor support, several large-scale projects, and a one-time boost from the projected commencement of crude oil exports in 2022.

Fiscal policy remains on consolidation course to keep public debt in check and with a view to complying with the West African Economic and Monetary Union's ceiling of 3 percent of GDP for the fiscal deficit in 2020. The external deficit is large, reflecting Niger's pressing development and security needs and donor support. It is set to widen further during the construction phase of major import-intensive projects but will decline sharply once they come on stream.

[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.

Executive Board Assessment [2]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the authorities' progress in implementing their reform program, as well as their strong commitment, despite the difficult security situation. They were encouraged by the good economic growth performance last year and noted that the large projects underway should continue to drive economic growth in the period ahead. Directors highlighted the importance of structural reforms to tackle Niger's difficult challenges, as well as continued support from the international community to help address its development and security needs, and well-sequenced and coordinated technical assistance and capacity-building.

Directors commended the authorities' determination to meet the WAEMU convergence criterion on the fiscal deficit. In this context, they encouraged the speedy and rigorous execution of the fiscal structural agenda, to realize larger tangible gains in revenue mobilization, spending efficiency, and public financial management. They encouraged the authorities to carefully consider the planned foreign borrowing and strengthen public debt management and transparency. They also placed strong emphasis on the clearance of domestic arrears.

Directors encouraged the authorities to stay the course in implementing their broader structural reform agenda. They recommended prioritizing the development of the formal local private sector, which holds the key for sustainably higher living standards and inclusive growth and providing jobs for Niger's rapidly growing labor force. Improving the business environment, supporting private sector development, and deepening the financial sector and enhancing financial inclusion will all be crucial.

Directors welcomed Niger's efforts to foster good governance and step up the fight against corruption and urged bold efforts. They noted that many of the measures under Niger's reform program, such as more competitive public procurement and reducing tax exemptions, should help reduce vulnerabilities to corrupt practices. Directors took positive note of the progress in strengthening the legal and institutional framework and urged the authorities to tackle implementation challenges. They highlighted the importance of transparency in the oil sector. They also encouraged the authorities to implement the recommendations of the recent National Risk Assessment Report on AML/CFT.

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[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.

Niger: Selected Economic and Financial Indicators, 2016-24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
				(Annual percentage change)					
National income and prices									
GDP at constant prices	4.9	4.9	6.5	6.3	6.0	5.6	11.9	6.1	6.8
Export volume	-3.3	19.2	-3.8	14.0	5.5	2.7	81.1	10.1	12.4
Import volume	-14.3	7.3	12.8	14.7	15.0	-7.2	3.7	0.3	6.2
CPI (annual average)	0.2	0.2	2.7	1.6	2.5	2.0	2.0	2.0	2.0
CPI (end-of-period)	-2.2	1.8	1.6	2.9	2.0	2.2	2.0	2.0	2.0
Money and credit									
Broad money	8.7	-4.9	-2.1	8.4	5.0	8.9	17.7	16.8	13.6
Domestic credit	14.2	11.4	11.4	10.4	6.1	12.3	10.0	9.0	8.3
Credit to the government (net)	605.7	48.1	127.8	8.0	-14.2	10.3	-2.0	-10.9	-20.2
Credit to the economy	5.5	7.7	-4.5	11.2	12.5	12.8	12.8	13.1	12.9
				(Percent of GDP)					
Government finances									
Total revenue	14.3	14.4	16.7	16.0	17.2	17.8	19.3	19.7	19.9
Total expenditure and net lending	26.3	26.8	29.2	28.9	28.4	27.6	28.1	28.0	27.7
Current expenditure	14.0	14.1	13.7	13.5	12.9	13.3	13.9	14.2	14.3
Capital expenditure	12.3	12.7	15.5	15.4	15.5	14.3	14.2	13.7	13.5
Basic balance (excl. grants)	-4.2	-5.0	-4.0	-3.0	-1.1	-1.0	-0.7	-0.9	-0.7
Overall balance (incl. grants)	-6.1	-5.7	-4.1	-4.1	-3.0	-2.7	-2.4	-2.3	-2.0
Gross investment	38.4	40.0	42.9	45.3	47.9	44.4	36.3	34.1	33.0
Non-government investment	26.0	27.3	27.5	30.0	32.4	30.1	22.1	20.4	19.6
Government investment	12.3	12.7	15.5	15.4	15.5	14.3	14.2	13.7	13.5
External current account balance (incl. grants)	-15.5	-15.7	-18.2	-19.8	-22.4	-19.4	-14.5	-12.9	-11.8
External current account balance (excl. grants)	-17.4	-18.5	-20.9	-22.8	-24.8	-21.6	-16.4	-14.9	-13.7
Total public and publicly-guaranteed debt	44.6	54.4	53.8	54.2	52.7	51.0	47.0	45.3	43.3
Public and publicly-guaranteed external debt	33.5	35.3	35.0	36.5	37.1	37.1	35.3	35.1	34.7
NPV of external debt	25.5	23.1	24.5	26.2	26.4	26.3	24.9	24.7	24.4
Public domestic debt	11.1	19.1	18.8	17.8	15.6	13.9	11.7	10.2	8.6
				(Billions of CFA francs)					
GDP at current market prices	4,511	4,726	5,163	5,571	6,056	6,527	7,402	8,011	8,721

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

INTERNATIONAL MONETARY FUND

NIGER

June 13, 2019

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, AND REQUESTS FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, MODIFICATION OF PERFORMANCE CRITERIA, AND EXTENSION AND REPHASING OF THE EXTENDED CREDIT FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context. Niger faces daunting development challenges, aggravated by terrorist incursions, low uranium export prices, and climate change. Nonetheless, GDP growth picked up to 6.5 percent last year- and should average above 7 percent over the next five years thanks to reforms, substantial donor support, several large-scale projects, and a one-time boost from the projected commencement of crude oil exports in 2022.

Economic developments. Fiscal policy remains on consolidation course to keep public debt in check and with a view to complying with the WAEMU ceiling of 3 percent of GDP for the fiscal deficit in 2020. The external deficit is large, reflecting Niger's pressing development and security needs and donor support. It is set to widen further during the construction phase of major import-intensive projects but will decline sharply once they come on stream.

Program performance. Program implementation has been broadly satisfactory. All quantitative targets for end-December 2018 and end-March 2019 were met, except for clearing all domestic payment arrears at end-December and also the continuous domestic arrears target for 2019, reflecting intermittent tightness in regional bond markets. A substantial down-payment came in June and a revised treasury plan to clear all remaining arrears by October is a prior action. The structural reform agenda is advancing reasonably well, but implementation of revenue enhancing reforms should be reinforced. Formalization of performance plans for revenue administrations is also a prior action.

Policy discussion. Improving public finances, mobilizing revenues, and improving spending quality remain high on the agenda. The Article IV consultation focused on ways to jump-start Niger's still embryonic local formal private sector and how to best foster good governance.

Risks. Results could be undermined by implementation challenges and deteriorating security conditions. On the upside, the confluence of reforms, scaled-up donor support, and the start of several large-scale projects could set off a stronger-than-projected virtuous cycle.

Staff views. Staff supports the conclusion of the fourth review, which will result in the disbursement of SDR 33.84 million.

Approved By
David Owen and Johannes Wiegand

Discussions were held in Niamey from May 15-28, 2019. The mission comprised Mr. Klingen (head), Mr. Keller, Mr. Staines, Ms. Woldemichael, Mr. Cangul (Resident Representative), Mr. Abdou (local economist) (all AFR), and Mr. de Bidegain (FAD). Ms. Pilouzoue (AFR) provided administrative assistance at headquarters.

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ECONOMIC DEVELOPMENTS, PROGRAM PERFORMANCE AND OUTLOOK

1. **The government enjoys a strong parliamentary majority but faces rising external security threats**. The 2016 elections gave President Issoufou a strong reform mandate for his final term through early 2021. Progress with improving Niger's low level of human development is an uphill struggle in the face of mounting cross-border terrorist incursions, climate change, and labor-force growth well ahead of job creation. Determined action has largely prevented terrorist networks from taking root but the tide has yet to be turned and public finances and economic growth are suffering. Social discontent with low living standards, tax hikes, and the electoral code, led to sporadic demonstrations, which drew a resolute government response.

Niger and Selected Regions: Key Development Indicators in Perspective

	Life expectancy at birth	Expected years of schooling	Gross national income (GNI) per capita	Fertility	Poverty headcount ratio	Agriculture employment	Gender parity index
	(years, 2017)	(years, 2017)	(2011 PPP $, 2017)	(births per woman, 2016)	(percent of population living below $1.9, 2014)	(percent of total employment, 2017)	(school enrollment, primary and secondary gross, 2017)
Niger	60	5.4	906	7.2	45	76	0.8
WAEMU	60	9.5	1,930	5.3	44	53	0.9
SSA	62	10.5	4,700	4.5	39	54	1.0

Sources: Human Development Index, UNDP; and World Development Inidcators, World Bank.

2. **Niger receives large-scale donor support**. Financial support is equivalent to some 40 percent of public expenditure, mostly for project support. Much technical assistance is provided, for which absorption capacity is a bottleneck. Niger is a high-intensity user of Fund technical assistance (Annex I). The focus is on revenue mobilization, with quarterly expert visits to tax and customs departments, and on public financial management with a resident advisor on the implementation of a Treasury Single Account (TSA) based in Niger. Officials attend regional seminars and workshops, but the uptake of IMF training courses is limited.

A. Recent Developments and Program Performance

3. **Economic developments in 2018 were encouraging**. Real GDP growth rose to 6.5 percent supported by bountiful harvests, surging artisanal gold production, and strong activity in the construction and service sectors, which benefitted from the launch of several large projects and preparations for the African Union (AU) summit this July. However, unfavorable international prices and a maintenance stoppage at the oil refinery slowed the uranium and petroleum sectors. The local formal private sector struggles, but has little impact on economic aggregates due to its small size. The unwinding of a food price spike in late 2017 eased inflation to below 3 percent. Financial deepening has remained elusive, with private credit barely keeping pace with economic growth. Large development needs held the current account at an elevated 18.2 percent of GDP,

predominantly financed by donors and FDI. Niger has recourse to WAEMU's pooled foreign reserves, equivalent to 4.3 months of union imports at end-2018.

4. **Fiscal consolidation made further headway in 2018 and the first quarter of 2019**. The deficit fell from 5.7 percent of GDP in 2017 to 4.1 percent of GDP in 2018, with a fiscal effort of 1 percent of GDP as measured by the improvement in the basic balance.[1] Strict control of domestically-financed cash spending and a shift from loan to grant financing in donor-supported investment spending were chiefly responsible. Cash revenues stagnated as a percent of GDP, but this disguises underlying gains from a series of measures and administrative reforms that yielded an estimated 0.6 percent of GDP. Gains were swamped by revenue losses of 0.9 percent of GDP associated with the abolition of a major telecom tax and declines in resource-related revenues, despite a one-off boost to non-tax revenues of 0.3 percent of GDP. Fiscal developments in the first quarter of 2019 broadly matched expectations but reinforcing revenue mobilization efforts would be advisable to keep up with program targets for the remainder of the year.

Niger: Fiscal Developments. 2017–18

	2017	2018	Change
	(Percent of GDP)		
Revenue	14.4	16.7	2.3
Cash	13.7	13.7	0.0
Non-cash	0.7	3.0	2.3
Grants	6.7	8.3	1.6
Expenditure	26.8	29.2	2.3
Current	14.1	13.7	-0.4
Capital	12.7	15.5	2.8
Domestic	5.3	7.0	1.7
Cash	4.5	3.9	-0.6
Non-cash	0.7	3.0	2.3
Foreign	7.4	8.5	1.1
Loan-financed	3.2	2.6	-0.5
Grant-financed	4.3	5.9	1.6
Balance	-5.7	-4.1	1.5

Sources: Niger, Ministry of Finance; and IMF staff calculations.

5. **The clearance of domestic payment arrears progressed little**. Their complete elimination was envisaged during 2018, but CFAF 43.6 billion (0.8 percent of GDP) remained at the end of the year, just CFAF 10.8 billion (0.2 percent of GDP) less than 12 months earlier. The authorities attributed it to tightness in regional financial markets. Staff acknowledged an unexpected drying up of liquidity last December when Niger cancelled two scheduled auctions. However, markets had been relatively favorable since the fall of 2018 and the arrears problem could have been avoided with nimbler rearrangement of the emission schedule, larger liquidity buffers, and a smaller stock of

[1] The basic balance is the domestic cash revenues less domestically-financed cash spending.

unpaid bills. In this context, the authorities expressed interest in a Policy Backed Guaranteed (PBG) operation with the World Bank, which would allow Niger to borrow up to US$500 million (5.2 percent of GDP) from foreign banks with a partial guarantee, thereby securing long-term funding at favorable terms. Staff appreciates the benefits of extending maturities but it is essential that the substitution of foreign for domestic debt does not jeopardize Niger's moderate rating for external debt distress in the debt sustainability analysis (DSA) and that fiscal discipline is maintained. The authorities intend to operate within these constraints.

6. **The public debt ratio remained largely flat in 2018 but was revised up relative to the previous review**. At 53.8 percent of GDP, it remains manageable and the marginal decline from 2017 is reassuring. Historical debt data were revised up by 3.8 percent of GDP, reflecting the inclusion of four external loans that had previously been inadvertently omitted from the official debt management reports.

7. **Program implementation on the quantitative targets has progressed well, albeit with some delays**.

- **Three of the four performance criteria (PCs) and all indicative targets (ITs) at end-December 2018 were met**. Niger did not incur external payment arrears, the contracting of new external public debt remained below the program ceiling, and the net domestic budget financing target was observed with a wide margin. The targets on the basic fiscal deficit (with and without grants), total revenues, poverty-related spending, and exceptional expenditures were all met. However, the clearance of domestic payment arrears by end-2018 run into challenges in the face of tight financing conditions and was missed by 0.9 percent of GDP (resulting in the continuous target on domestic arrears for 2019 also being missed). The authorities have committed to a major paydown financed through an additional bond emission, funding authorization in a supplementary budget for arrears clearance, and a revised treasury plan consistent with the revised schedule for arrears clearance (*prior action*). They will also upgrade their monitoring of the evolution of arrears and set up a dedicated debt management unit in the Treasury to better integrate debt and cash management.

- **Finally, performance against the ITs for end-March 2019 was also good**. All indicative targets were met.

8. **Implementation of the structural agenda progressed well, despite some delays due to the breadth of the reform program and limited capacity**.

- **Four out of five SBs were met and the fifth is subject to a prior action**. The Treasury Single Account was rolled out as planned, cash payments of tax and custom duties was discontinued, and a white paper on further bankification of fiscal payments was furnished. The preparation of the 2019 performance plans for customs and tax administrations was delayed, but they are being formalized and refined on the basis of the experience with the 2018 plans (*prior action*).

- **Five of the six recurrent SBs were observed in the fourth quarter of 2018 and the first quarter of 2019 and the sixth one was implemented with delay**. Targets related to regular monitoring of budget execution, commitment and cash planning, and debt management were respected. The tallying of discretionary tax exemptions granted since the beginning of 2018 has been completed, though behind schedule.

- **The authorities are also making progress toward end-June 2019 structural targets**. The financial inclusion strategy has already been adopted and preparations for a donor-round table are at an advanced stage. The authorities explained that the envisaged tracking system for the main social protection programs can be easily set up, considering the switch to program budgeting in 2018. Internal deliberations on the streamlining of tax exemptions are shifting into high gear, but submission of reform legislation to parliament will likely be delayed.

B. Outlook and Risks

9. The authorities and staff agreed that economic growth will remain strong over the next several years. A marginal slowdown to 6.3 percent is likely in 2019 as agricultural production normalizes following last year's bumper crop. The construction and services sectors should take over as the main engines of growth as several large projects ramp up, such as airport refurbishment, the Kandadji dam construction, activities by the Millennium Challenge Cooperation, and a cement factory. They are predominantly privately or donor financed. The AU summit in July 2019 in Niamey adds further momentum. Growth is projected to average 7.3 percent annually over the next five years, in large part due to two pipeline projects. One carries refined petroleum products to the border with Burkina Faso. More importantly, a pipeline to the coast of Benin would allow Niger to become a crude oil exporter and a much bigger producer. Growth would jump to some 12 percent in 2022 when it is projected to become operational. Artisanal gold mining is expanding rapidly and could soon overtake uranium as the second largest export earner. Barring droughts, inflation should remain comfortably below the WAEMU's 3 percent convergence criterion throughout the projection period.

10. The current account seems set to deteriorate further before improving over the medium term. Imports for the large projects will push it from 18.2 percent of GDP in 2018 to a peak of 22.4 percent of GDP in 2020. Once construction winds down and projects come on stream, exports will rise sharply, imports will increasingly be replaced by domestic production, and foreign inputs for construction will decline. By 2024, the current account deficit should have narrowed to about 12 percent of GDP.

11. Niger's large external deficit reflects primarily large development needs, the authorities and staff concurred. It certainly warrants caution and is weaker than suggested by fundamentals and desirable policy settings (Annex II). However, it can also be seen as the flipside of large capital inflows from donors and foreign investors that respond to the economy's large development needs. Interlocutors of the private local formal sector expressed competitiveness concerns, but these were more related to structural issues, such as Niger's unfavorable geographical position, poor infrastructure, pervasive smuggling, and shortcomings in the business environment, rather than any exchange rate misalignment.

12. The authorities are pursuing fiscal consolidation under challenging circumstances. The effort faces strong headwinds that have added over 3½ percent of GDP to the deficit: the fight against terrorism has added at least 2 percent of GDP in security spending since 2011, while weighing down on economic activity and on revenues (Annex III), and weak commodity prices have curtailed revenues by about 1½ percent of GDP since 2014 (Annex IV). But the authorities are committed to making a strong fiscal effort in 2019 and reducing the basic fiscal deficit by about 1 percent of GDP as set out in the budget and backed by a package of measures. A largely deficit-neutral supplementary budget is under preparation, which takes unanticipated foreign aid of 1.2 percent of GDP into account, raises security spending by 0.6 percent of GDP, slightly increases and reshuffles other expenditures, and sets aside substantial funds for arrears clearance. As a result, the fiscal deficit is slight smaller and the basic deficit, which does not take into account grant revenues, slightly larger relative to the third program review. The authorities also expressed their determination to meet the WAEMU convergence criterion of 3 percent of GDP for the overall fiscal deficit in 2020. Extra revenues related to the prospective expansion of crude oil production will allow a further deficit reduction from 2022 in addition to higher development spending.

Niger: Fiscal Measures, 2019

	CFAF billion	Percent of GDP
Telecommunication tax (TATTIE)	23.4	0.41
Tax arrears collection	15.0	0.26
VAT threshold and presumptive taxation	5.8	0.10
Integrating telecom regulator	5.2	0.09
Banking tax in lieu of VAT (FATI)	5.0	0.09
Marking of petroleum products	3.0	0.05
Total	57.4	1.01

Source: IMF staff estimates.

13. Public debt dynamics remain generally benign, but Niger's soft export base limits its capacity to take on external debt.[2] The macroeconomic framework agreed between the authorities and staff implies a cumulative reduction of public debt relative to GDP of some 10 percentage points over the next five years. The new public DSA carried out for this review is qualitatively unchanged from the December 2018 vintage: all indicators remain well below applicable thresholds in the baseline, but the debt-to-exports ceiling would be surpassed in case of adverse commodity price shocks. Accordingly, Niger is rated "moderate" for risk of debt distress. Based on the new DSA, the PBG operation as previously requested by the authorities would likely bring the debt-to-exports indicator to applicable thresholds though 2021 before Niger's export base strengthens with the projected onset of crude oil exports in 2022. All other indicators would remain

[2] See Niger: Debt Sustainability Analysis, June 2019.

benign. A discussion based on the new DSA between all stakeholders on the benefits, costs, risks, viability, and suitable design of the operation is needed.

14. Risks to the baseline outlook are tilted to the downside (Annex V). In economic terms, an aggravation of the security situations could take a toll on growth and public finances. The authorities stressed their determination to keep the situation manageable and gradually turn the tide, making adequate security spending the number one priority in the budget with ongoing efforts to raise spending efficiency to help make the most of limited resources. Disappointing implementation of the large projects, especially the pipeline for crude oil exports, could also cloud the outlook (Box). On the upside, a comprehensive big-bang effort to jumpstart the private sector could trigger a virtuous cycle beyond what is incorporated in baseline projections.

POLICY DISCUSSIONS

Regarding the review of the Fund-supported program, discussions focused on the assessment of fiscal performance and the fiscal structural reform agenda going forward. The Article IV consultation was centered on steps to spur private-sector development, which holds the key for Niger's medium-term economic success, and on how to reinforce the government's governance reforms, in particular in terms of better application. Niger's implementation record of past Article IV recommendations has been satisfactory (Annex VI).

A. Program Issues

15. Sound public finances as the linchpin for macroeconomic stability remain the principal program objective, the authorities and staff agreed. The 2019 budget and the commitment to reduce the fiscal deficit to no more than 3 percent of GDP in 2020 provide an adequate framework to guide policy in this regard. Staff noted that reaching the 2020 target required a stepped-up fiscal effort, making it imperative to build a strong revenue base by fully implementing reforms already underway and to be bold in streamlining exemptions. Staff also stressed the need to better guard against domestic payment arrears, which hurt the private sector and undermine the government's credibility. The authorities agreed in principle but pointed to the practical challenge of raising funds on time in sometimes capricious local markets. A debt reprofiling operation in the context of the PBG would usher in a period of more stable funding. There was also consensus on the two-pronged fiscal strategy of stepping up revenue mobilization and raising spending quality. Staff cautioned that excessive fiscal pressure on the local formal private sector risks undermining economic performance. With a mere 550 large and medium-size enterprises registered with tax authorities, there is an urgent need to broaden the tax base.

Box 1. Macroeconomic Significance of the Oil Export Pipeline

Prospects for Niger's oil sector are positive. The baseline projections incorporate plans by CNPC to construct a pipeline that will allow Niger to export crude oil. Oil production started in 2011 when CNPC developed an oil field and built a local refinery. However, crude oil output and exports of refined petroleum products are currently constrained by the refinery's capacity of 20,000 barrels per day and transport logistics. The proposed pipeline, traversing Benin to the coast would be capable of transporting up to 185,000 barrels per day with an initial expansion of production capacity to 90,000 barrels per day. Project construction is expected to start this year and take three years to complete, at a cost of US$5.7 billion for the pipeline and further oil-field development.

The expansion of crude oil production and its export will have a large economic impact. They are expected to start in 2022 and reach full capacity by 2025. It would boost real GDP growth to some 12 percent in 2022, and also lift growth in subsequent years though by lesser amounts. GNI growth would also rise by the amount of local content and additional fiscal revenues. The project will draw in large imports during the construction phase but would benefit the external and domestic balances substantially once crude oil exports flow. Using WEO international oil price projections, export receipts and budget revenues would both peak in 2025 at 9 and 2 percent of GDP, respectively.

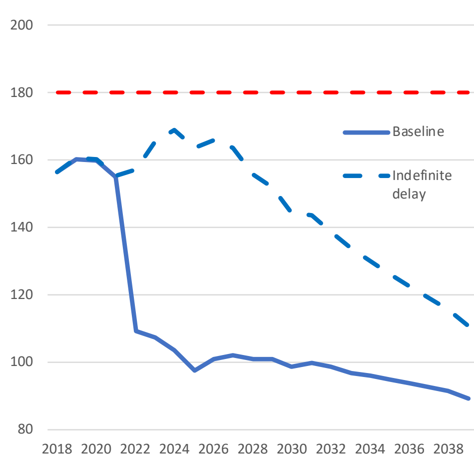
However, the project also carries risks. While financially viable under current oil price projections, the project implies negotiating a transit route through Benin and factoring in elevated regional security risks. Consequently, projections need to account for the risks of implementation delays, including for debt.

The project's economic impact is large. Its indefinite postponement would substantially alter projections for real GDP growth, exports and budget revenues, and key public debt indicators (assuming the objectives for the overall balance in the baseline remain valid). Specifically, an indefinite delay in the crude oil project would temporarily push the present value of external public debt nearer to the 180 percent of exports threshold, threatening Niger's "moderate" risk rating for public debt distress in the DSA. Fiscal policy needs to take these risks into account and avoid spending future oil receipts before they materialize.

Niger: Impact of Indefinite Delay in Crude Oil Project

	2018-21	2022-25	2026-30	2031-39
Real GDP growth, %				
Baseline	6.1	8.1	5.8	5.9
Indefinite delay	6.1	5.6	6.3	6.2
Exports of goods and services, % GDP				
Baseline	16.4	23.5	23.6	22.4
Indefinite delay	16.4	16.1	16.3	17.4
Budget revenues, % GDP				
Baseline	16.9	19.8	20.8	21.6
Indefinite delay	16.9	18.6	19.6	20.8
PV Public debt, % GDP				
Baseline	42.0	33.8	29.4	27.7
Indefinite delay	42.0	36.0	30.7	27.7
PV External debt, % exports of goods and services				
Baseline	157.9	104.5	100.8	94.8
Indefinite delay	157.9	163.9	156.3	126.7

Niger: Present Value of External PPG Debt
(Percent of exports)



Sources: Nigerien authorities; and IMF staff calculations.

Public Financial Management

16. **Staff advocated further building on recent progress in public debt management**. Since the establishment of the Inter-Ministerial Committee on Public Debt and Budget Support in mid-2016, the contracting of debt is much better controlled, but the recent revision of debt data and persistent arrears point to room for further improvement. The authorities agreed to have all legal and organizational arrangements in place for establishing a dedicated debt management unit in the Treasury with a modern front-middle-back office structure in line with technical assistance advice from the Fund by year-end (*proposed SB* for end-December 2019). Considering the rising use of public-private partnerships (PPPs) and some opaqueness surrounding state-owned enterprises' (SOEs) internal debt, the authorities agreed with staff's suggestion to widen the remit of the inter-ministerial committee to cover the associated fiscal risks. Moreover, they assured staff that, contrary to common perception, only four PPP conventions had been signed since the adoption of new legislation in March 2018. They were all structured as build-operate-transfer (BOT) operations and therefore carried little fiscal risk.

17. **Implementation of the TSA is at an advanced stage**. With almost all accounts of public entities in commercial banks closed, it remains to strengthen the Treasury's banking functions. Staff also suggested that the accounts of three important entities that were granted a derogation be transferred as soon as possible. The authorities should also investigate the considerable gap of around 1 percent of GDP between entities' initial commercial bank balances and amounts received in the TSA. They agreed but cautioned that public entities had legitimate spending needs since the survey was conducted in December 2016. Support from the Fund's resident technical advisor will continue and also cover cash management issues.

Revenue Mobilization

18. **Revenue mobilization is essential for achieving both fiscal consolidation and fiscal space for priority spending**. The authorities and staff shared this view, with staff urging an acceleration of administrative measures, not least to establish a strong base for the 2020 budget. On tax policy, meeting the end-June 2019 SB on legislating a reduction of tax exemptions has drifted out of reach. But a committee will present its proposals for discussion in June and legal changes will be part of the 2020 budget law (*SBs proposed to be reset* for end-June 2019 and end-September 2019). The authorities also underlined scope for improving management of exemptions, especially by better guarding against leakage of tax-exempt imports into the domestic market. In 2022, revenues should get a boost of some 2 percent of GDP from the expected start of crude-oil exports.

19. **Important reforms of tax and customs administrations are underway**:

- **A dedicated vehicle to collect tax arrears** has been established. Staff urged a faster reduction of the arrears stock, which has remained broadly unchanged since the last review, following the quantitative targets in the performance plan for tax administration.

- **Molecular marking of petroleum products** would be a highly effective tool in fighting smuggling, which is still rampant despite some success of enforcement measures. The identification of a cost-effective vendor took longer than expected. Marking should be applied from end-2019 according to the authorities.

- **The WTO valuation regime for imports** is being implemented with technical assistance from the Fund. Significant revenue gains have already been realized. The ongoing build-up of the valuation database and full application of the valuation regime hold significant further revenue potential.

- The **IT systems** of the tax and customs administrations have been linked. Significant results should start to show once the tax intelligence unit ramps up risk-based cross-checking. Technical assistance from the Fund will accompany this reform effort in the context of general support to strengthen tax administration.

- **Performance plans** for tax and customs administrations are being finalized (*prior action*). Authorities and Fund staff agreed on indicators that capture the main undertakings—increasing the number of fiscally active tax payers and widening the application of transaction valuation of imports, based on technical assistance advise from the IMF.

Quality and Efficiency of Government Spending

20. Despite revenue mobilization efforts, Niger's resource envelope remains tight, putting a premium on high quality and efficiency in government spending. The authorities fully subscribe to this imperative. They stressed, that spending efficiency is particularly important to make room for vital security spending, which itself is closely scrutinized for efficiency, for example by strictly monitoring prices for equipment purchases. Specifically:

- **Program budgeting**, first introduced in 2018 with technical assistance advice from the Fund, will be refined for the 2020 budget by better attributing overhead costs to programs and outcome indicators.

- The **double authorization framework** (AE/CP) for expenditures will be rolled out for selected ministries with the 2020 budget. Voting three-year spending plans with annual confirmations will help ensure continuity of ongoing programs and facilitate planning. This reform is also supported by technical assistance from the Fund.

- Improving the **efficiency of the public investment program** is a high priority for the authorities. The double authorization framework will help, but based on the findings of the recent PIMA report, staff also suggested to better applying the requirement that investment proposals be evaluated before consideration by the selection committee. The coherence of the public investment plan would benefit from fuller integration of PPPs.

- The authorities have set themselves ambitious targets to reform **public procurement**. They closely monitor the share of competitive awards with a view to raising it from around two-thirds currently to the WAEMU norm of 95 percent. The backlog of procurement audits is being addressed and the IT system is being upgraded.

- The authorities assured the mission that **fiscal risks associated with PPPs** are small. Nonetheless they agreed to bring them under the purview of the Inter-Ministerial Committee on Public Debt and Budget Support and to cover them in its quarterly reports. Staff counseled to reduce recourse to unsolicited PPP offers and contract awards without competition where appropriate.

Public Sector Efficiency

21. Additional reforms to improve public sector efficiency are in train.

- As part of reforming government's **human resource** management processes, a functional review of ministries and preparation of a biometric database for civil servants and government employees are underway.

- The authorities are undertaking a **governance reform of state-owned enterprises (SOEs) and public administrative entities**. Performance audits of key SOEs and public administrative entities have been conducted and are currently being evaluated by the Ministry of Finance. The findings will form the basis for improving governance frameworks, including financial oversight, selection of board members, auditing, and processing of financial information. Staff underlined the importance of sound SOEs to guard against fiscal risks and ensure that the private sector is provided with services of sufficient quality. The audits should be evaluated quickly and shared with staff.

- The authorities will address the **proliferation of government agencies** in the context of a review of government functions. Staff registered its concerns about the complex and growing apparatus, which is costly, spreads resources thin, ties up talent in bureaucratic processes, complicates finding appropriate counterparts for donors, and ultimately impinges on the quality of services delivered to the population. Interim measures should be considered while the functional review is underway.

- A review of the **effectiveness of social support programs** is ongoing. The authorities are instituting a tracking mechanism for major social programs (*SB* for end-June 2019), which should strengthen program effectiveness, such as for school lunches.

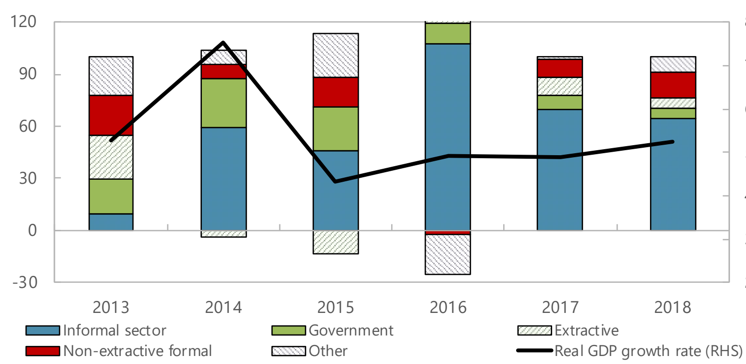
B. Private Sector Development[3]

22. Niger's economic future hinges on developing its still embryonic local formal private sector. The informal and government sectors currently deliver the bulk of GDP growth. The local formal private sector accounts for less than 10 percent of GDP. While its share has been rising slowly

[3] See forthcoming IMF Working Paper "Constructing a Positive Shock to Unlock the Private Sector in Niger."

over recent years, it faces unfair competition from the informal sector and smuggled goods. With low productivity in the informal sector and limits to the size of government, formalizing the economy and growing the local formal private sector are key for lifting living standards and creating jobs. Indeed, with the world's highest population growth, Niger needs to complement job creation effort with steps to reduce population growth as set out in its Social and Economic Development Plan 2017-21.

Niger: Sectoral Contributions to Real GDP Growth, 2013-18[1]



Sources: Niger Statistical Agency; and IMF staff estimates.
1/ Extractive includes refinery. Government includes production and distribution of electricity, water, and gas, which are mainly crarried out by SOEs.

23. The authorities and staff agreed that a critical mass of structural reforms could jolt the private sector into higher gear. The authorities are making progress, but an ambitious and comprehensive push focused on private sector development could set a virtuous cycle in motion. The challenge is to provide leadership to frame an effective strategy.

24. The authorities and Fund staff also agreed that it is for the authorities to initiate a broad push by all stakeholders for private sector development. It would be important for the authorities to demonstrate their commitment by proposing a priority list of concrete and attainable measures. Timebound consultations with the private sector and donors would help pin down the government's agenda. The consultations would also extract commitments from the private sector, such as building infrastructure, and from donors, such as consolidating and focusing their support. Staff cautioned not to create new platforms for the needed dialogue but to combine and consolidate existing ones, which according to private sector interlocutors currently do not allow for much of a two-way dialogue.

25. Limited financial resources and human capacity necessitate a focused approach. The strategy should aim at reforms geared to benefiting the private sector generally. However, where sectoral prioritization is needed, the strategy could reap low-hanging fruits already identified in existing studies: value chain extensions, agricultural productivity, import-substituting activities, and the natural resource sector. High local content, fair fiscal contributions, and contained incentives would maximize benefits from FDI.

26. Priorities for structural reforms are well-known from existing studies. The main obstacles are:

- **Access to financing**. Niger's banks are stable but, at 14 percent of GDP, private sector credit is feeble. Measures are needed to enhance financial intermediation and encourage banks to extend more credit to the private sector. The ongoing bankification of government financial operations should help grow deposits and banks' lending space. Fiscal consolidation would also help. The now fully functional credit bureau is another boon. Staff recommended making new financing vehicles fully operational and promoting them better. Leasing and warrantage are not yet used in practice, neither the regional BCEAO lending scheme nor the special vehicle FISAN for lending to the rural sector are ready, and donor-supported lending at a special window at the Maison de l'Entreprise is hampered by co-financing requirements.

- **Microfinance**. The largely dysfunctional microfinance sector adds 0.7 percent of GDP to credit to the private sector. Building on the new financial inclusion strategy, microfinance should be resuscitated, including by organizing a donor round table for its financing, consolidating institutions, financial literacy programs, and by building capacity in microfinance institutions. The regulator should step up screening of new applicants and supervision of incumbent MFIs.

- **Electricity**. Access to reliable electricity is a major concern. Benefitting from recent tariff increases and the findings of a new audit report, the state electricity company should be urgently reformed and held accountable for reliable service delivery and financial sustainability, with donors helping to expand access. Consumer prices are now at par with those in the U.S., yet power cuts are pervasive even in the capital city.

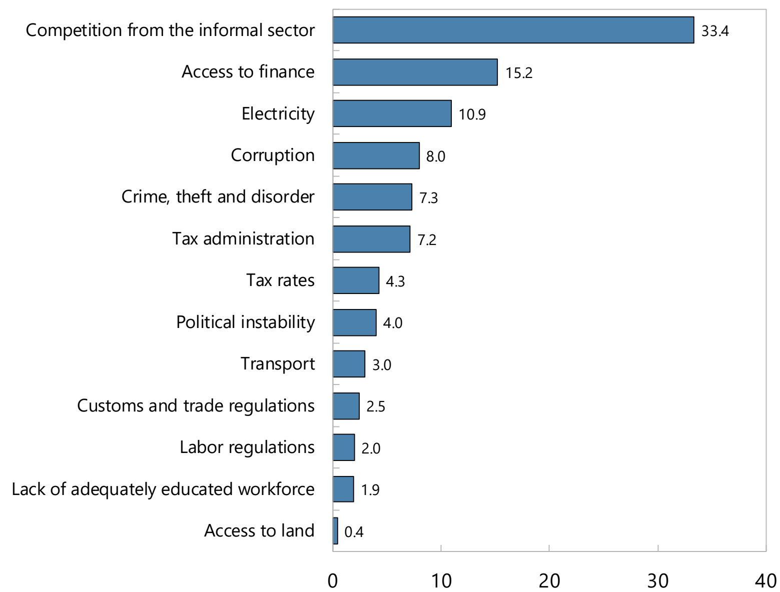
- **Informal sector**. Difficult-to-control borders, poor enforcement of regulation and taxation, and the small-size of businesses all breed informality. With little accreditation services, difficult contract enforcement, and limited access to credit among several constraints, even for the formal sector, there a few incentives for firms to be formally established. Both costs and benefits need to be tilted to encourage businesses to enter the formal sector. Benefits could include access to special financing vehicles, the services of a revived agencies for standards and norms, which are critical for exporters, and simplified customs procedures. On the over hand, informal firms above a certain size should be subject to adequate enforcement actions. It would also be important to widen the tax base to level the playing field between firms and reduce the burden on those that are already in the formal sector.

C. Fostering Good Governance and Tackling Corruption[4]

27. Weak governance takes a toll on Niger's private sector. Corruption in Niger is pervasive, with 86 percent of survey respondents characterizing it as "widespread." Customs and tax administrations are perceived as the worst offenders, followed by the police and public procurement. Corruption ranks fourth among obstacles for businesses and Fund staff analysis finds a large negative effect of bribery on sales and productivity growth, especially for young firms and exporters.

Niger: Business Environment Obstacles for Firms

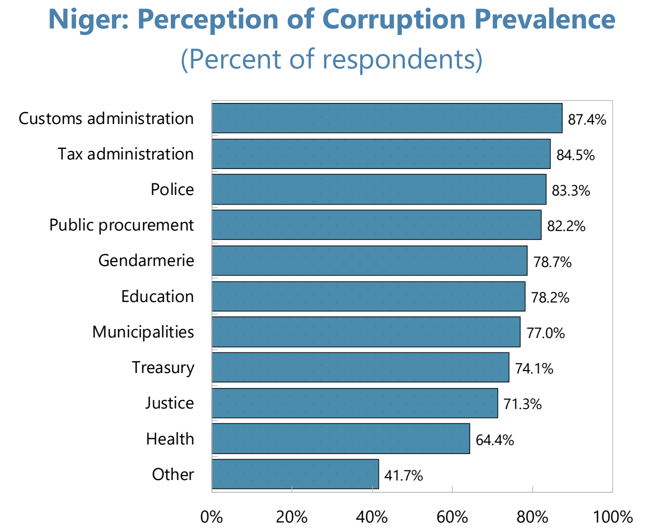
(Percent of firms)



Source: IMF staff calculations based on World Bank Enterprise Survey.

28. The authorities have embarked on welcome reforms but more needs to be done. Niger is party to the anti-corruption conventions of the UN, the AU, and ECOWAS. It established an anti-corruption agency (HALCIA) in 2011 and further strengthened it in 2016. The Ministry of Justice instituted a complaint hotline in 2011 and the government adopted a new anti-corruption strategy last year. The AML/CFT framework has also been substantially strengthened. Moreover, Niger is in the process of reversing its retrograde withdrawal from the Extractive Industry Transparency Initiative, which it is on track to rejoin by year end. However, gaps remain in the institutional and legal frameworks, and implementation remains a major challenge. The independence of HALCIA needs to be strengthened. Deficiencies in the rule of law are prominent with more progress needed, particularly in contract enforcement.

[4] See Selected Issues Paper "Navigating the Challenges of Governance in Niger."



Sources: Nigerien authorities, National Anti-corruption strategy.

29. The authorities and Fund staff agreed on the need to revamp Niger's asset declaration regime for public officials as a direct anti-corruption measure. The constitution mandates asset disclosure of high-ranking officials. Nevertheless, because of missing subordinate legislation specifying the other high-level officials subjected to asset disclosure and setting the coverage of assets to be declared, and insufficient enforcement, only the declaration of the President's personal assets is current and publicly available. The authorities are preparing legislation on asset declaration that corresponds to good international practice in consultation with the Fund's Legal Department (*SB* for end-September 2019). Staff indicated key elements to include: defining a reasonable remit of government officials subjected to asset declaration requirements; laying out the classes of assets to be declared, including those held by close family members and associates; setting clear deadlines for submission of declaration and fines for non-compliance; and risk-based verification and comprehensive publication of declarations.

30. In parallel to strengthening the legal and institutional frameworks, bolstering efforts toward better implementation will be key. The authorities will review the funding of key institution, such as the audit court, encourage better follow-through by tracking cases, and raise the profile of anti-corruption agencies by better publicizing their work, such as posting HALCIA's annual reports on its website.

31. The authorities also acknowledged the importance of addressing corruption indirectly by reducing opportunities for corruption. Several reforms already envisaged are helpful in this regard, primarily by streamlining procedures to limit the points of direct contact between public officials with scope for discretionary behavior. These include promoting competitive procurement, improving the governance of SOEs and extractive industries, scaling-back discretionary exemptions, bankification of fiscal payments, establishing a TSA, risk-based inspection regimes at customs, more online automation of administrative processes, and simplification of administrative procedures more generally.

32. The authorities and Fund staff agreed that expanding fiscal transparency would help improve accountability to the public. Enhancing transparency would help contain corrupt practices by empowering civil society to help scrutinize public finances that public officials are too overstretched to carry out on their own. The publication of the 2019 draft budget submitted to Parliament was a first step. The effort will now be broadened by introducing legal requirements for publication of key documents, such as budget outturns on a timely basis, draft and approved budgets, including supplementary ones, a citizen budget, major conventions with foreign investors, PPP contracts, and tender awards. The Government Gazette should be made available online free of charge.

PROGRAM MODALITIES

33. The authorities request a 3-month extension of the program to April 2020 and a re-phasing of disbursements, to retain the semi-annual spacing for the final reviews and give more time to complete key reforms, including domestic arrears clearance and debt management, which would otherwise fall outside the program period. The test date for the completion of the sixth program review would be pushed back to December 2019. New quantitative PCs, SBs, and ITs are proposed for end-December 2019 in line with third-review projections. A new SB is proposed for end-December 2019. Proposed quantitative PC and ITs for March-December 2019 appear in Table 2 of the MEFP. Existing, proposed to be reset, and newly proposed SBs and recurrent SBs for June to December 2019 are set out in Tables 4 and 6 of the MEFP. The revised disbursement schedule appears in Table 7 of the MEFP.

34. The authorities expressed their commitment to redress shortfalls in program implementation. A plan to clear domestic payment arrears and to guard against their reemergence, and the adoption of performance plans for tax and revenue administrations are proposed prior actions. Because of the delayed arrears clearance, the authorities request and staff supports (i) a waiver for the non-observance of the periodic PC on the arrears stock ceiling at end-December 2018 and on the continuous PC on domestic arrears for 2019 in light of the corrective action under the prior action for this review, (ii) a modification of the continuous PC on the arrears stock ceiling going forward, and (iii) a modification of the adjuster to the PC on the domestic financing ceiling for end-June 2019. Moreover, the authorities request and staff supports introducing a new capped upward and downward adjuster to the PCs on the domestic financing ceiling and the contracting of external debt ceiling, respectively, to accommodate debt reprofiling under a potential Policy Based Guarantee operation with the World Bank.

35. Niger's capacity to repay the IMF remains adequate, but subject to risk, which program measures seek to mitigate. Considering the strength and implemention of the program so far, Niger should have sufficient capacity to repay the Fund, including when repayments peak at 1.5 percent of tax revenues in 2025 and 1.4 percent of exports in 2021 (Table 8). Key risks are security developments, climatic shocks, and implementation capacity. The program remains fully financed.

36. An updated safeguards assessment of the BCEAO was completed in 2018. It found that the regional central bank had maintained a strong control environment; audit arrangements were in broad conformity with international standards; and the financial statements were prepared in accordance with the International Financial Reporting Standards. The BCEAO has recently enhanced the oversight role of its audit committee in line with the recommendations of the assessment.

STAFF APPRAISAL

37. The authorities' implementation of the ECF-supported program remains broadly satisfactory amid challenging circumstances. All periodic quantitative targets for end-December 2018 and end-March 2019 were met, except the end-December target and the continuous PC on clearing domestic payment arrears. The authorities' commitment to clear all remaining ones by the third quarter of 2019, with a large down-payment in June 2019, and to avoid incurring new ones is welcome. Structural reforms advanced reasonably well, albeit with some delays. The commitment to finalize performance plans for revenue administrations, to guide the process of systematically building capacity for better revenue mobilization, is important. Staff encourages the authorities to push ahead with the full breadth of fiscal structural reforms, especially the reduction of tax exemptions.

38. Niger's recent growth performance is encouraging. Several large-scale projects financed by the private sector or donors are gathering steam, giving the economy strong momentum. The prospective oil-export pipeline would be an important boon to the economy to the extent that it can capture local content and generate resources for the budget. To sustain momentum, the local formal private sector needs to become part of the success story. It currently faces multiple difficulties that need to be urgently addressed by government and donors alike with an emphasis on solutions for tangible near-term progress on the ground.

39. Niger needs external support to decisively deal with a difficult security environment. The authorities rightly attach the highest priority to security as a prerequisite for development. But limited resources complicate their best efforts. Additional external, non-debt creating support for the security services would be a good investment not only for Niger but the entire region and beyond.

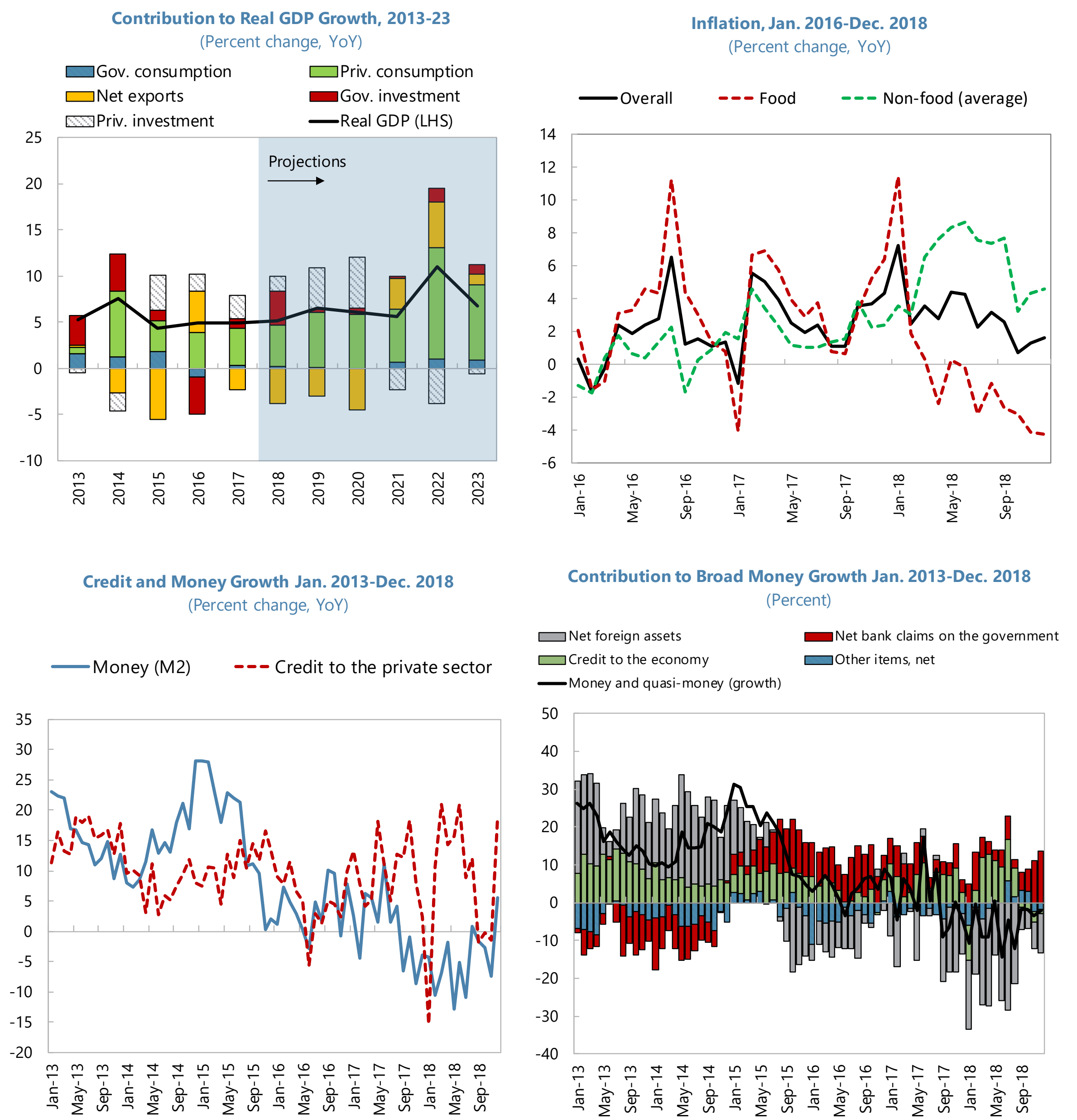
40. Niger has made much progress in strengthening its public finances. The fiscal deficit has been greatly reduced over the past few years with a big step forward in 2018. The authorities remain determined to meet the WAEMU convergence criterion for an overall fiscal deficit of no more than 3 percent of GDP. Prospective oil exports and rising oil production would be an important further boost for public finances, which remain the linchpin for macroeconomic stability.

41. Staff encourages the authorities to keep the course with implementing its broader structural reform agenda. Addressing remaining legislative gaps and efforts to ensure the effective implementation of the frameworks for good governance and the fight against corruption should be the main priority. Moreover, the government's reform agenda has many elements with the side benefit of reducing the scope for corruption, such as SOE reform, more competitive public procurement, phasing-out cash payments in the public sector, and reducing tax exemptions.

42. Staff supports the authorities' requests for (i) a waiver for the non-observance of the performance criterion on domestic payment arrears clearance at end-December 2018 and of the continuous performance criterion for 2019, considering the corrective actions under the prior action, (ii) the proposed modifications to performance criteria, (iii) the conclusion of the fourth ECF review, and (iv) the extension of the ECF arrangement. The attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) set out appropriate policies to achieve the 2019 program objectives.

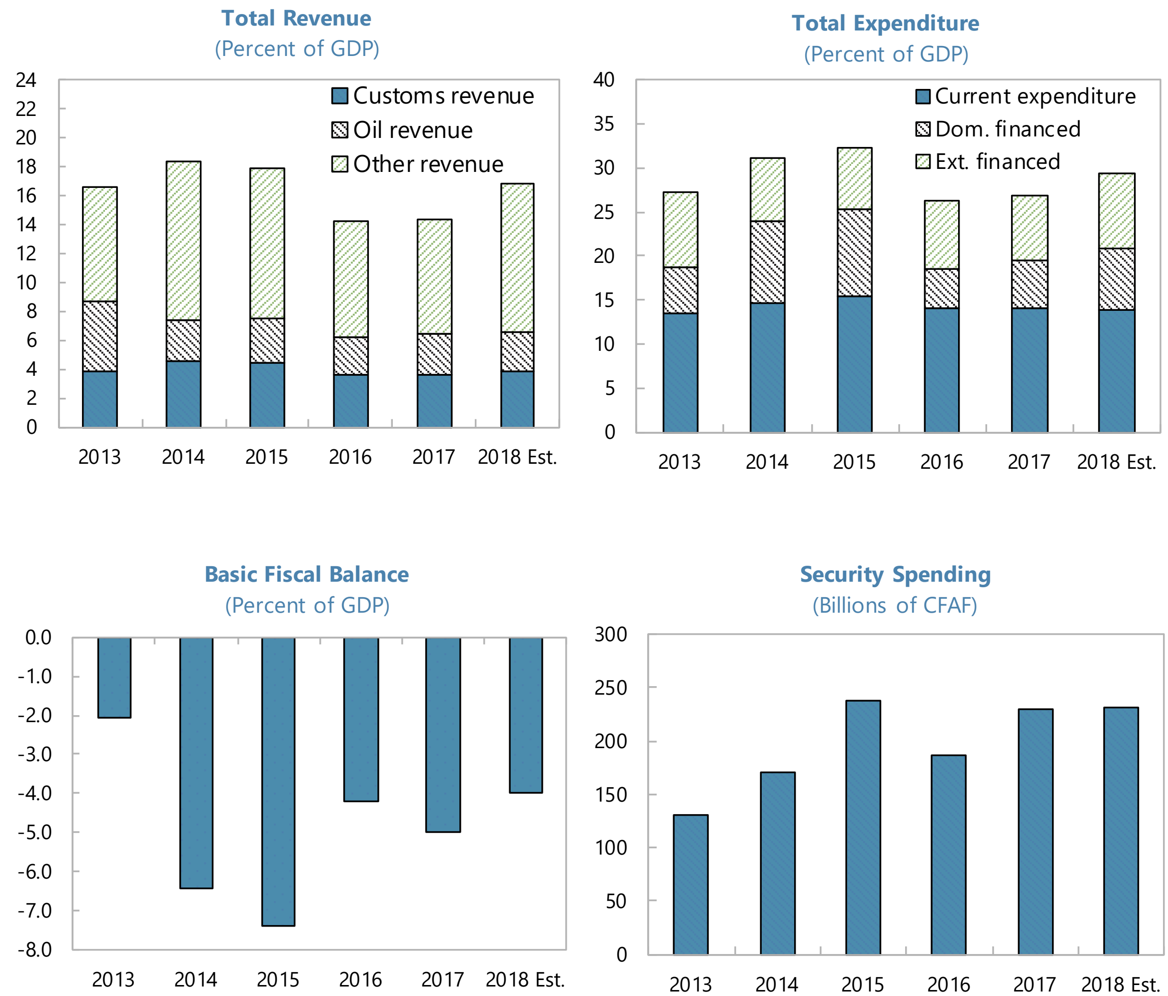
43. It is proposed that the next Article IV Consultation be held on the 24-month cycle.

Figure 1. Niger: Recent Economic Developments and Outlook



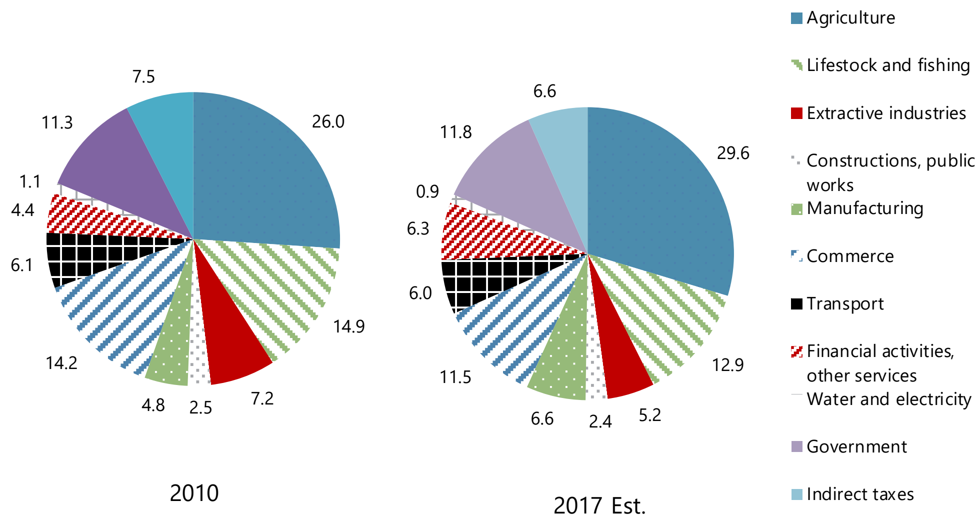
Sources: Nigerien authorities; and IMF staff calculations.

Figure 2. Niger: Fiscal Developments 2013–18



Sources: Nigerien authorities; and IMF staff calculations.

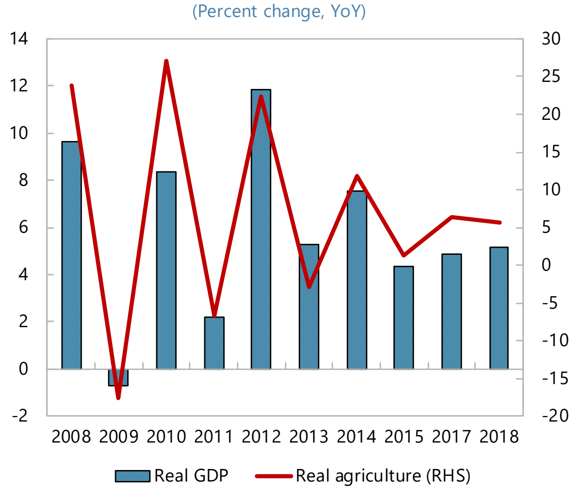
Figure 3. Niger: GDP Composition and Output Volatility



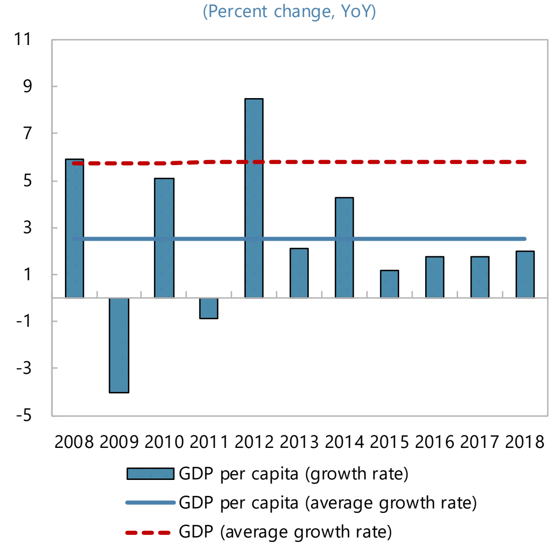
As a consequence, GDP growth is highly volatile and is driven by the impact of climatic shocks on agriculture.

Per capita GDP growth is highly volatile and, due to high population growth, is on average low.

Real GDP growth
(Percent change, YoY)

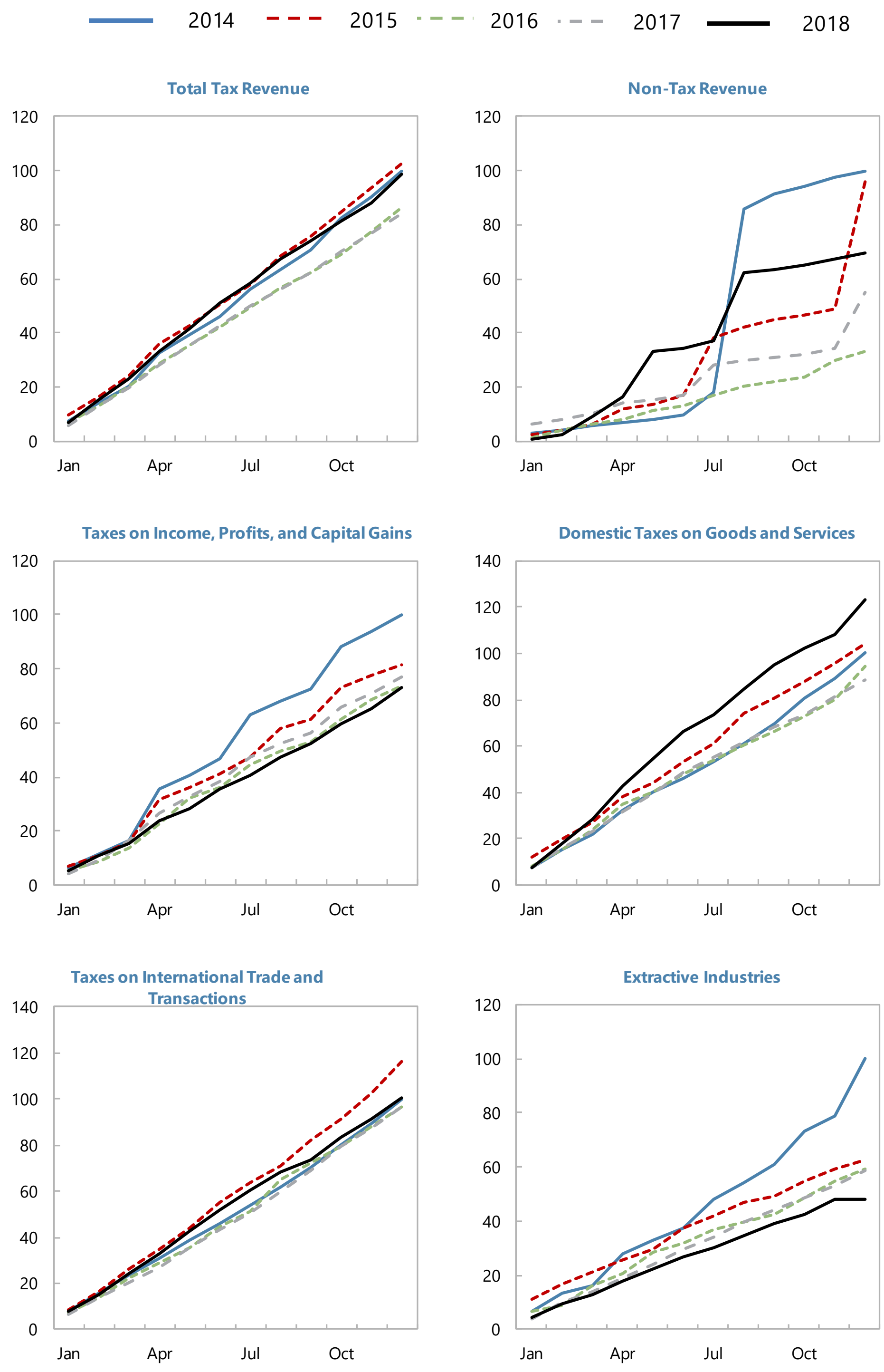


Real per capita GDP growth
(Percent change, YoY)



Sources: Nigerien authorities; and IMF staff calculations.

Figure 4. Niger: Tax Performance, 2014–18
(Cumulative values, December 2014 = 100, nominal GDP discounted)



Sources: Nigerien authorities; and IMF staff calculations.

Figure 5. Niger: Indicators of Financial Inclusion

(Cumulative values, December 2014 = 100, nominal GDP discounted)

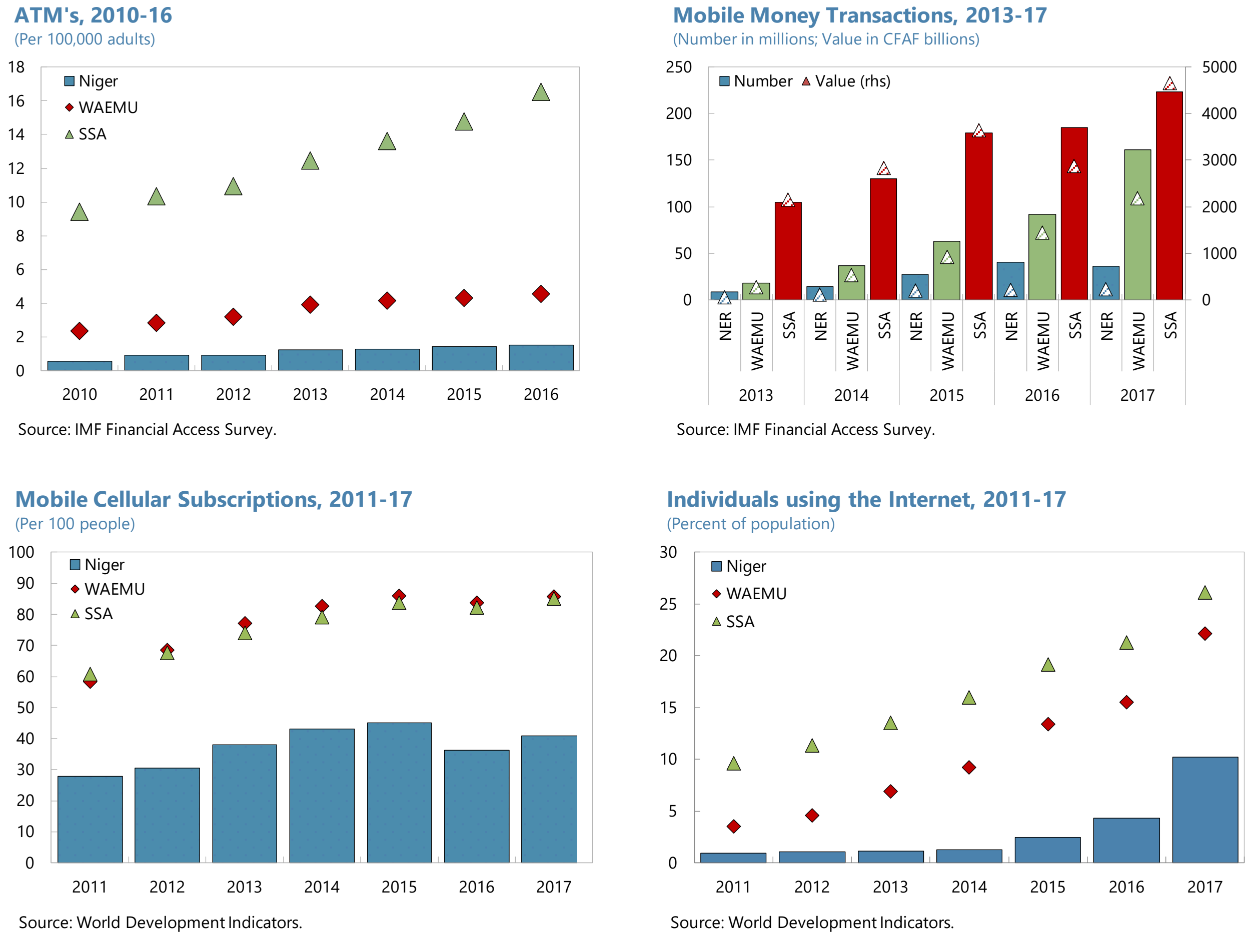
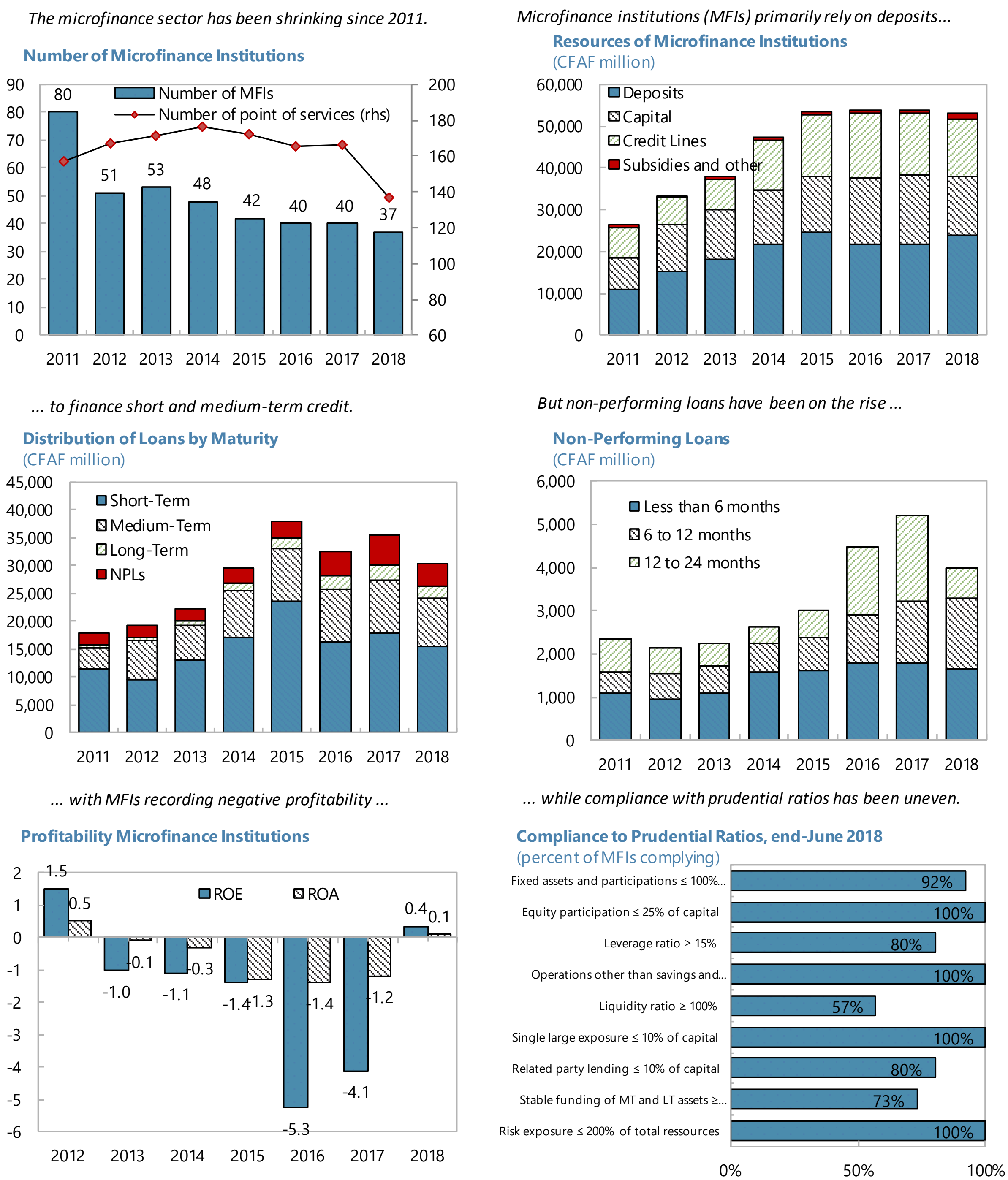


Figure 6. Niger: Key Indicators of the Microfinance Sector, 2011–18

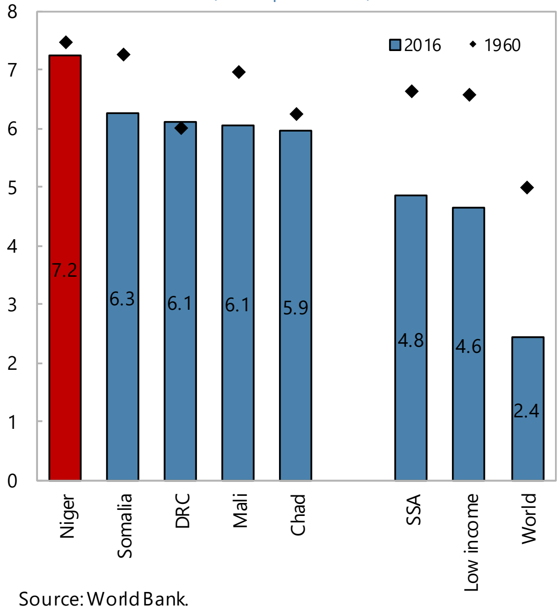


Sources: ARSM; and IMF staff calculations.
2018 data refer to June 2018.

Figure 7. Niger: Demographics

Niger has the world's highest fertility rate, and at 3.9 percent one of the highest population growth rates.

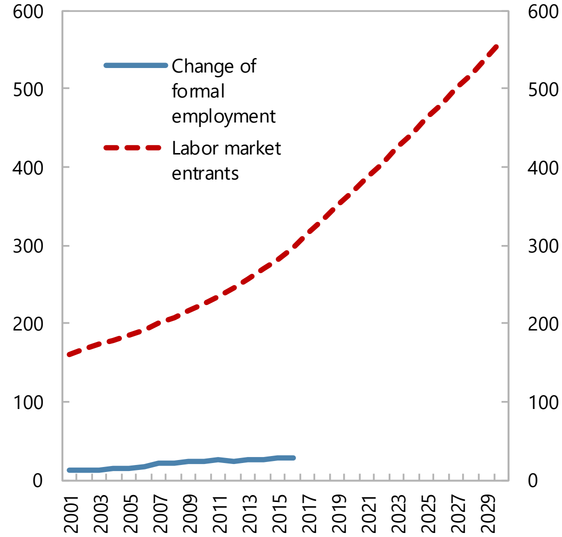
Fetility Rates
(Births perwoman)



Source: World Bank.

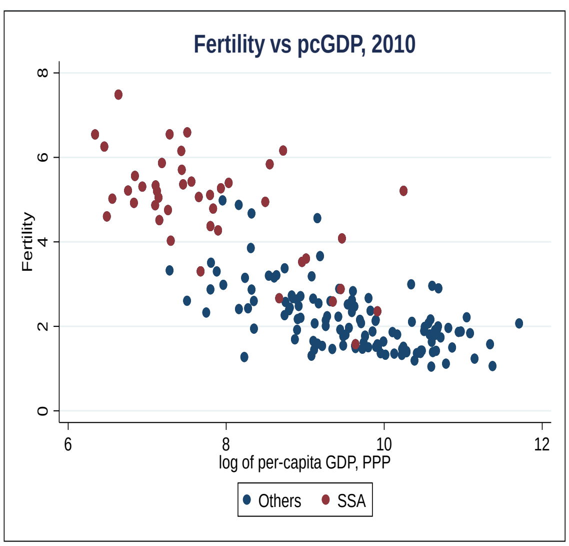
This exacerbates the challenge of providing formal sector jobs for the growing wave of labor market entrants.

Labor Market Entrants and Formal Employment Creation
(In thousands)



Sources: World Bank; ILO; and IMF staff estimates.

High fertility is associated with low per-capita income, as well as low per-capita real GDP growth.



Lifting women's education levels is one way of lowering fertility rates. Lower child mortality is also effective.

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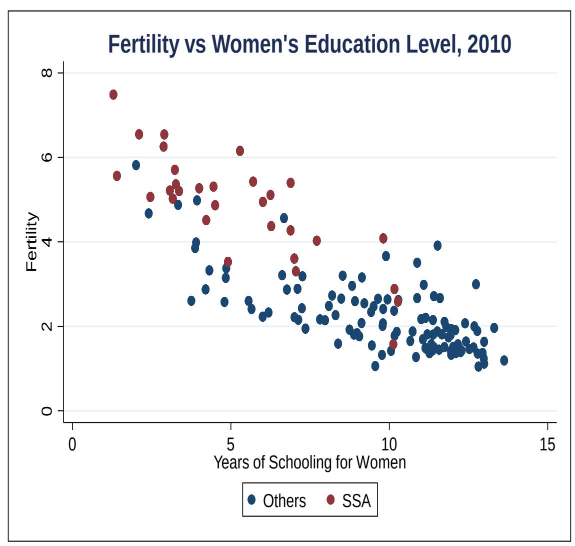


Source: IMF staff estimates.

Table 1. Niger: Selected Economic and Financial Indicators, 2016–24

	2016	2017	2018		2019		2020	2021	2022	2023	2024
			3rd Review	Est.	3rd Review	Prog.	Projections				
			(Annual percentage change, unless otherwise indicated)								
National income and prices											
GDP at constant prices	4.9	4.9	5.2	6.5	6.5	6.3	6.0	5.6	11.9	6.1	6.8
Oil production (thousand barrels per day)	17	18	18	17	20	20	20	20	70	83	97
GDP deflator	0.2	-0.1	3.3	2.6	2.4	1.5	2.5	2.1	1.4	2.0	2.0
Consumer price index											
Annual average	0.2	0.2	3.3	2.7	2.4	1.6	2.5	2.0	2.0	2.0	2.0
End-of-period	-2.2	1.8	2.9	1.6	2.2	2.9	2.0	2.2	2.0	2.0	2.0
External sector											
Exports, f.o.b. (CFA francs)	-4.9	14.4	6.3	-3.7	11.7	14.6	8.3	6.1	62.5	10.4	12.8
Of which: non-uranium exports	7.9	22.6	18.5	3.3	15.2	16.4	9.7	9.3	72.1	14.5	13.5
Imports, f.o.b (CFA francs)	-13.0	11.7	15.8	15.0	17.7	15.9	16.4	-4.8	5.5	2.4	8.2
Export volume	-3.3	19.2	2.1	-3.8	11.8	14.0	5.5	2.7	81.1	10.1	12.4
Import volume	-14.3	7.3	12.7	12.8	16.4	14.7	15.0	-7.2	3.7	0.3	6.2
Terms of trade (deterioration -)	-3.2	-7.7	-1.7	-1.7	-0.7	-0.5	1.4	0.8	-11.9	-1.7	-1.6
Government finances											
Total revenue	-16.2	5.7	23.8	26.7	5.6	3.7	16.4	11.6	22.8	10.4	10.5
Total expenditure and net lending	-14.4	6.7	15.5	18.8	8.9	6.9	7.0	4.6	15.5	7.7	8.0
Current expenditure	-4.5	5.6	4.7	6.0	8.4	6.4	4.0	10.6	19.2	10.4	9.2
Capital expenditure	-23.4	7.8	27.4	33.0	9.3	7.3	9.6	-0.4	12.1	5.1	6.8
			(Annual percentage change, unless otherwise indicated)								
Money and credit											
Domestic credit	14.2	11.4	20.7	11.4	14.7	10.4	6.1	12.3	10.0	9.0	8.3
Credit to the government (net)	605.7	48.1	49.1	127.8	10.5	8.0	-14.2	10.3	-2.0	-10.9	-20.2
Credit to the economy	5.5	7.7	16.9	-4.5	15.5	11.2	12.5	12.8	12.8	13.1	12.9
Net domestic assets	22.8	10.7	29.6	13.5	19.6	17.9	11.4	14.5	11.2	9.0	6.3
Broad money	8.7	-4.9	12.0	-2.1	7.4	8.4	5.0	8.9	17.7	16.8	13.6
Velocity of broad money (ratio)	3.7	4.1	4.0	4.6	4.0	4.6	4.7	4.7	4.5	4.2	4.0
			(Percent of GDP, unless otherwise indicated)								
Government finances											
Total revenue	14.3	14.4	16.4	16.7	15.9	16.0	17.2	17.8	19.3	19.7	19.9
Total expenditure and net lending	26.3	26.8	28.5	29.2	28.4	28.9	28.4	27.6	28.1	28.0	27.7
Current expenditure	14.0	14.1	13.6	13.7	13.5	13.5	12.9	13.3	13.9	14.2	14.3
Capital expenditure	12.3	12.7	14.9	15.5	14.9	15.4	15.5	14.3	14.2	13.7	13.5
Basic balance (excl. grants)[1]	-4.2	-5.0	-2.8	-4.0	-2.8	-3.0	-1.1	-1.0	-0.7	-0.9	-0.7
Overall balance (commitment basis, incl. grants)[2]	-6.1	-5.7	-4.4	-4.1	-4.5	-4.1	-3.0	-2.7	-2.4	-2.3	-2.0
Gross investment	38.4	40.0	43.0	42.9	45.5	45.3	47.9	44.4	36.3	34.1	33.0
Non-government investment	26.0	27.3	28.1	27.5	30.5	30.0	32.4	30.1	22.1	20.4	19.6
Government investment	12.3	12.7	14.9	15.5	14.9	15.4	15.5	14.3	14.2	13.7	13.5
Gross national savings	22.8	24.3	23.8	24.8	24.4	25.5	25.5	25.0	21.7	21.2	21.2
Of which: non-government	20.0	20.3	18.2	18.0	18.8	19.0	17.8	17.2	13.6	12.9	12.6
Domestic savings	21.3	21.5	22.0	21.8	22.2	22.3	22.8	22.6	22.0	21.8	21.8
External current account balance											
Excluding official grants	-17.4	-18.5	-21.2	-20.9	-23.6	-22.8	-24.8	-21.6	-16.4	-14.9	-13.7
External current account balance (incl. grants)	-15.5	-15.7	-19.2	-18.2	-21.1	-19.8	-22.4	-19.4	-14.5	-12.9	-11.8
Debt-service ratio as percent of:											
Exports of goods and services	7.6	5.1	7.9	7.1	9.2	9.6	11.4	13.6	9.4	8.9	8.0
Government revenue	8.6	6.2	8.0	6.7	9.8	9.8	10.9	12.9	11.1	10.4	9.5
Total public and publicly-guaranteed debt[3]	44.6	54.4	50.5	53.8	50.8	54.2	52.7	51.0	47.0	45.3	43.3
Public and publicly-guaranteed external debt	33.5	35.3	34.0	35.0	34.9	36.5	37.1	37.1	35.3	35.1	34.7
NPV of external debt	25.5	23.1	22.5	24.5	23.7	26.2	26.4	26.3	24.9	24.7	24.4
Public domestic debt[3]	11.1	19.1	16.5	18.8	15.8	17.8	15.6	13.9	11.7	10.2	8.6
Foreign aid	10.5	10.6	12.0	11.5	12.9	13.9	13.1	11.6	10.7	10.0	9.7
			(Billions of CFA francs)								
GDP at current market prices	4,511	4,726	5,135	5,163	5,600	5,571	6,056	6,527	7,402	8,011	8,721
GDP at current prices (annual percentage change)	5.2	4.8	8.6	9.2	9.1	7.9	8.7	7.8	13.4	8.2	8.9

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

[1] Revenue excluding grants minus expenditure excluding foreign-financed capital expenditure.

[2] Revenue including grants minus expenditure; WAEMU anchor.

[3] Includes from 2017 onward debt associated with commercial PPPs, standing at some 4.7 and 4.2 percent of GDP in 2017 and 2018 respectively, and gradually being paid off through 2033.

Table 2. Niger: Financial Operations of the Central Government, 2016–24
(In billions of CFA francs)

	2016	2017	2018 3rd Review	2018 Est.	2019 3rd Review	2019 Prog.	2020	2021	2022	2023	2024
							Projections				
Total revenue	643.8	680.8	842.8	862.4	889.8	894.0	1,040.6	1,160.8	1,426.1	1,574.3	1,739.4
Of which: non-cash revenue	36.1	35.0	125.0	156.1	75.3	75.3	…	…	…	…	…
Tax revenue	606.9	619.9	766.5	787.7	834.0	834.0	960.6	1,068.3	1,299.6	1,431.2	1,584.7
International trade	164.7	172.2	215.9	194.1	244.4	244.4	283.8	318.9	372.8	419.5	456.6
Goods and services	239.0	233.8	307.3	354.2	323.8	323.8	346.2	374.8	461.0	485.8	552.0
Income	156.2	170.8	178.0	175.8	206.1	206.1	265.7	298.1	379.1	432.2	473.7
Other	47.0	43.1	65.3	63.5	59.7	59.7	64.9	76.4	86.7	93.8	102.4
Nontax revenue	27.9	48.6	65.7	66.8	39.0	43.2	60.3	64.8	95.1	109.1	117.6
Special accounts revenue	8.9	12.3	10.6	7.9	16.8	16.8	19.7	27.7	31.4	34.0	37.1
Total expenditure and net lending	1,187.9	1,267.1	1,462.9	1,505.3	1,592.8	1,608.9	1,720.9	1,799.7	2,079.4	2,239.4	2,419.0
Of which: domestically financed	832.7	916.5	987.2	1,066.9	1,047.6	1,063.7	1,108.2	1,229.1	1,476.9	1,642.9	1,797.9
Of which: domestically financed, cash	796.7	881.4	862.2	910.7	972.4	988.5	…	…	…	…	…
Total current expenditure	631.3	666.9	698.1	707.1	756.6	752.6	782.5	865.0	1,031.3	1,138.3	1,243.6
Budgetary expenditure	609.5	642.7	674.2	688.0	731.0	727.0	761.1	845.5	1,009.1	1,114.3	1,217.4
Wages and salaries	265.1	269.7	276.4	273.5	284.7	284.7	295.3	330.0	400.7	445.7	489.6
Goods and services	107.1	112.0	115.0	134.9	130.1	120.5	124.9	139.7	169.6	188.6	207.2
Transfers and subsidies	197.6	215.3	219.6	212.8	241.9	247.5	256.7	286.9	348.3	387.4	425.6
Interest	41.9	47.0	63.2	67.6	74.3	74.3	84.3	88.9	90.6	92.7	95.1
Of which: external debt	18.4	16.4	23.1	21.2	26.8	26.8	35.6	41.5	44.4	47.3	50.4
Adjustments to fiscal expenditure	-2.4	-1.4	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure [1]	21.8	24.2	23.9	19.1	25.6	25.6	21.4	19.6	22.2	24.0	26.1
Capital expenditure and net lending	556.6	600.2	764.8	798.2	836.2	856.3	938.4	934.7	1,048.1	1,101.1	1,175.4
Capital expenditure	556.6	600.2	764.8	798.2	836.2	856.3	938.4	934.7	1,048.1	1,101.1	1,175.4
Domestically-financed	201.4	249.6	289.1	359.8	291.0	311.1	325.7	364.1	445.7	504.6	554.3
Of which: domestically-financed, cash	165.4	214.6	164.1	203.7	215.7	235.8	…	…	…	…	…
Externally-financed	355.2	350.6	475.7	438.5	545.2	545.2	612.7	570.6	602.5	596.5	621.1
Of which: grants	204.0	201.0	307.5	303.3	334.7	334.7	364.4	331.5	347.5	336.2	348.2
loans	151.2	149.6	168.2	135.2	210.5	210.5	248.3	239.1	255.0	260.3	272.9
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitments, WAEMU anchor)	-273.9	-267.4	-228.1	-214.0	-249.9	-226.0	-183.2	-176.3	-179.0	-187.4	-175.7
Basic balance [2]	-188.9	-235.7	-144.4	-204.5	-157.9	-169.8	-67.6	-68.3	-50.9	-68.6	-58.5
Change in payment arrears and float	19.0	-53.7	-54.3	-10.8	0.0	-43.6	0.0	0.0	0.0	0.0	0.0
Of which: change in payment arrears	19.0	-53.7	-54.3	-10.7	0.0	-43.6	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-525.1	-640.1	-674.4	-653.7	-703.1	-758.6	-680.3	-638.9	-653.3	-665.1	-679.6
Financing	525.1	640.1	674.4	653.7	687.6	758.6	680.3	638.9	653.3	665.1	679.6
External financing	441.2	480.4	574.0	563.1	649.6	717.9	723.1	653.8	682.0	696.8	744.0
Grants	270.3	319.0	392.0	428.9	453.2	489.0	497.1	462.6	474.3	477.7	503.9
Of which: budget financing	66.2	118.0	84.5	125.7	118.5	154.3	132.7	131.1	126.9	141.5	155.7
Loans	203.4	182.9	222.4	166.4	252.1	284.6	299.0	293.9	314.8	326.9	345.8
Of which: budget financing	52.2	33.3	54.1	31.2	41.6	74.1	50.7	54.8	59.8	66.7	73.0
Amortization	-32.5	-21.5	-40.3	-32.2	-55.7	-55.7	-73.0	-102.6	-107.2	-107.8	-105.8
Debt relief (incl. debt under discussion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	84.0	159.7	100.4	90.6	38.0	40.7	-42.8	-14.9	-28.7	-31.7	-64.4
Banking sector	11.6	105.1	59.8	47.3	19.0	22.2	-42.5	26.5	-5.7	-30.4	-50.1
IMF	6.6	19.2	20.7	18.1	16.1	32.1	3.3	-16.4	-18.4	-21.0	-21.7
Statutory advances (including other advances)	-8.2	-8.4	0.0	-8.7	0.0	0.0	-3.6	-1.0	0.0	0.0	0.0
Deposits with BCEAO	31.0	-65.3	12.6	62.3	-1.1	-1.1	0.0	0.0	-5.0	-10.0	-15.0
Government securities net and others	-17.8	159.6	26.5	-24.4	4.0	-8.8	-42.3	43.9	17.7	0.6	-13.3
Nonbanking sector	72.4	54.6	40.6	43.4	18.9	18.5	-0.3	-41.4	-22.9	-1.3	-14.3
Financing gap (+)	0.0	0.0	0.0	0.0	15.5	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.

Table 3. Niger: Financial Operations of the Central Government, 2016–24

(In percent of GDP)

	2016	2017	2018		2019		2020	2021	2022	2023	2024
			3rd Review	Est.	3rd Review	Prog.	Projections				
Total revenue	14.3	14.4	16.4	16.7	15.9	16.0	17.2	17.8	19.3	19.7	19.9
Of which: non-cash revenue	0.8	0.7	2.4	3.0	1.3	1.4	…	…	…	…	…
Tax revenue	13.5	13.1	14.9	15.3	14.9	15.0	15.9	16.4	17.6	17.9	18.2
International trade	3.7	3.6	4.2	3.8	4.4	4.4	4.7	4.9	5.0	5.2	5.2
Goods and services	5.3	4.9	6.0	6.9	5.8	5.8	5.7	5.7	6.2	6.1	6.3
Income	3.5	3.6	3.5	3.4	3.7	3.7	4.4	4.6	5.1	5.4	5.4
Other	1.0	0.9	1.3	1.2	1.1	1.1	1.1	1.2	1.2	1.2	1.2
Nontax revenue	0.6	1.0	1.3	1.3	0.7	0.8	1.0	1.0	1.3	1.4	1.3
Special accounts revenue	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Total expenditure and net lending	26.3	26.8	28.5	29.2	28.4	28.9	28.4	27.6	28.1	28.0	27.7
Of which: domestically financed	18.5	19.4	19.2	20.7	18.7	19.1	18.3	18.8	20.0	20.5	20.6
Of which: domestically financed, cash	17.7	18.6	16.8	17.6	17.4	17.7	…	…	…	…	…
Total current expenditure	14.0	14.1	13.6	13.7	13.5	13.5	12.9	13.3	13.9	14.2	14.3
Budgetary expenditure	13.5	13.6	13.1	13.3	13.1	13.0	12.6	13.0	13.6	13.9	14.0
Wages and salaries	5.9	5.7	5.4	5.3	5.1	5.1	4.9	5.1	5.4	5.6	5.6
Goods and services	2.4	2.4	2.2	2.6	2.3	2.2	2.1	2.1	2.3	2.4	2.4
Transfers and subsidies	4.4	4.6	4.3	4.1	4.3	4.4	4.2	4.4	4.7	4.8	4.9
Interest	0.9	1.0	1.2	1.3	1.3	1.3	1.4	1.4	1.2	1.2	1.1
Of which: external debt	0.4	0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Adjustments to fiscal expenditure	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure [1]	0.5	0.5	0.5	0.4	0.5	0.5	0.4	0.3	0.3	0.3	0.3
Capital expenditure and net lending	12.3	12.7	14.9	15.5	14.9	15.4	15.5	14.3	14.2	13.7	13.5
Capital expenditure	12.3	12.7	14.9	15.5	14.9	15.4	15.5	14.3	14.2	13.7	13.5
Domestically-financed	4.5	5.3	5.6	7.0	5.2	5.6	5.4	5.6	6.0	6.3	6.4
Of which: domestically financed, cash	3.7	4.5	3.2	3.9	3.9	4.2	…	…	…	…	…
Externally-financed	7.9	7.4	9.3	8.5	9.7	9.8	10.1	8.7	8.1	7.4	7.1
Of which: grants	4.5	4.3	6.0	5.9	6.0	6.0	6.0	5.1	4.7	4.2	4.0
loans	3.4	3.2	3.3	2.6	3.8	3.8	4.1	3.7	3.4	3.2	3.1
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitments, WAEMU anchor)	-6.1	-5.7	-4.4	-4.1	-4.5	-4.1	-3.0	-2.7	-2.4	-2.3	-2.0
Basic balance [2]	-4.2	-5.0	-2.8	-4.0	-2.8	-3.0	-1.1	-1.0	-0.7	-0.9	-0.7
Change in payment arrears and float	0.4	-1.1	-1.1	-0.2	0.0	-0.8	0.0	0.0	0.0	0.0	0.0
Of which: change in payment arrears	0.4	-1.1	-1.1	-0.2	0.0	-0.8	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-11.6	-13.5	-13.1	-12.7	-12.6	-13.6	-11.2	-9.8	-8.8	-8.3	-7.8
Financing	11.6	13.5	13.1	12.7	12.3	13.6	11.2	9.8	8.8	8.3	7.8
External financing	9.8	10.2	11.2	10.9	11.6	12.9	11.9	10.0	9.2	8.7	8.5
Grants	6.0	6.7	7.6	8.3	8.1	8.8	8.2	7.1	6.4	6.0	5.8
Of which: budget financing	1.5	2.5	1.6	2.4	2.1	2.8	2.2	2.0	1.7	1.8	1.8
Loans	4.5	3.9	4.3	3.2	4.5	5.1	4.9	4.5	4.3	4.1	4.0
Of which: budget financing	1.2	0.7	1.1	0.6	0.7	1.3	0.8	0.8	0.8	0.8	0.8
Amortization	-0.7	-0.5	-0.8	-0.6	-1.0	-1.0	-1.2	-1.6	-1.4	-1.3	-1.2
Debt relief (incl. debt under discussion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	1.9	3.4	2.0	1.8	0.7	0.7	-0.7	-0.2	-0.4	-0.4	-0.7
Banking sector	0.3	2.2	1.2	0.9	0.3	0.4	-0.7	0.4	-0.1	-0.4	-0.6
IMF	0.1	0.4	0.4	0.4	0.3	0.6	0.1	-0.3	-0.2	-0.3	-0.2
Statutory advances (including other advances)	-0.2	-0.2	0.0	-0.2	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
Deposits with BCEAO	0.7	-1.4	0.2	1.2	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.2
Government securities net and others	-0.4	3.4	0.5	-0.5	0.1	-0.2	-0.7	0.7	0.2	0.0	-0.2
Nonbanking sector	1.6	1.2	0.8	0.8	0.3	0.3	0.0	-0.6	-0.3	0.0	-0.2
Financing gap (+)	0.0	0.0	0.0	0.0	0.3	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.

Table 4. Niger: Monetary Survey, 2016–24

	2016	2017	2018		2019		2020	2021	2022	2023	2024
			3rd Review	Est.	3rd Review	Prog.	Projections				
	(Billions of CFA francs)										
Net foreign assets	569.8	441.8	370.2	322.0	286.1	272.6	225.6	187.2	299.2	454.5	623.5
BCEAO	458.4	357.7	286.1	261.0	201.9	211.7	164.7	126.3	238.3	393.6	562.6
Commercial banks	111.4	84.1	84.1	60.9	84.1	60.9	60.9	60.9	60.9	60.9	60.9
Net domestic assets	640.9	709.3	919.4	805.0	1,099.5	948.7	1,056.9	1,209.9	1,345.1	1,465.7	1,558.4
Domestic credit	909.5	1,012.8	1,222.9	1,128.4	1,402.9	1,246.2	1,322.1	1,484.8	1,632.9	1,779.4	1,927.1
Net bank claims on government	82.2	121.8	181.5	277.4	200.6	299.6	257.1	283.5	277.8	247.4	197.4
BCEAO	58.1	4.7	38.0	75.4	53.0	106.4	106.1	88.7	65.2	34.2	-2.5
Claims	119.9	130.6	151.4	140.1	167.5	172.1	171.9	154.4	136.0	115.0	93.3
Of which: statutory advances	12.5	9.7	6.8	6.8	3.8	3.8	0.8	0.0	0.0	0.0	0.0
Deposits	-61.7	-125.9	-113.3	-64.7	-114.4	-65.8	-65.8	-65.8	-70.8	-80.8	-95.8
Commercial banks	24.1	117.0	143.5	202.0	147.5	193.2	150.9	194.9	212.6	213.2	199.9
Claims	168.6	261.2	287.7	343.8	291.7	335.0	292.8	336.7	354.4	355.0	341.7
Deposits	-144.5	-144.2	-144.2	-141.8	-144.2	-141.8	-141.8	-141.8	-141.8	-141.8	-141.8
Credit to other sectors	827.3	891.0	1,041.4	851.0	1,202.4	946.7	1,065.1	1,201.2	1,355.1	1,532.0	1,729.7
Of which: credit to the private sector	707.4	741.4	826.2	727.5	925.0	816.9	927.5	1,056.0	1,200.5	1,369.0	1,556.6
Other items, net	-268.7	-303.5	-303.5	-323.4	-303.5	-297.5	-265.2	-274.9	-287.8	-313.7	-368.7
Money and quasi-money	1,210.7	1,151.1	1,289.7	1,126.9	1,385.5	1,221.3	1,282.6	1,397.1	1,644.3	1,920.2	2,181.9
Currency outside banks	598.7	490.1	549.1	480.4	589.9	520.6	546.7	595.6	700.9	818.6	930.1
Deposits with banks	612.0	661.0	740.6	646.5	795.6	700.7	735.8	801.5	943.3	1,101.7	1,251.8
	(Annual percentage change, unless otherwise indicated)										
Net foreign assets	-3.6	-22.5	-16.2	-27.1	-22.7	-15.3	-17.2	-17.0	59.8	51.9	37.2
BCEAO	-5.1	-22.0	-20.0	-27.0	-29.4	-18.9	-22.2	-23.3	88.7	65.2	42.9
Commercial banks	3.1	-24.5	0.0	-27.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net domestic assets	22.8	10.7	29.6	13.5	19.6	17.9	11.4	14.5	11.2	9.0	6.3
Domestic credit	14.2	11.4	20.7	11.4	14.7	10.4	6.1	12.3	10.0	9.0	8.3
Net bank claims on the government	605.7	48.1	49.1	127.8	10.5	8.0	-14.2	10.3	-2.0	-10.9	-20.2
BCEAO	96.1	-91.9	707.3	1,499.9	39.5	41.1	-0.2	-16.4	-26.4	-47.5	-107.3
Of which: statutory advances	-17.9	-22.4	-29.7	-29.7	-43.6	-43.6	-79.7	-100.2	0.0	0.0	0.0
Commercial banks	-233.8	386.2	22.6	72.6	2.8	-4.3	-21.9	29.1	9.1	0.3	-6.3
Claims	42.9	54.9	10.1	31.6	1.4	-2.6	-12.6	15.0	5.3	0.2	-3.8
Deposits	6.3	-0.3	0.0	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to other sectors	5.5	7.7	16.9	-4.5	15.5	11.2	12.5	12.8	12.8	13.1	12.9
Of which: credit to the private sector	9.6	4.8	11.4	-1.9	12.0	12.3	13.5	13.9	13.7	14.0	13.7
Other items, net	-2.0	13.0	0.0	6.6	0.0	-8.0	-10.9	3.7	4.7	9.0	17.5
Broad money	8.7	-4.9	12.0	-2.1	7.4	8.4	5.0	8.9	17.7	16.8	13.6
Memorandum items:											
Velocity of broad money (ratio)	3.7	4.1	4.0	4.6	4.0	4.6	4.7	4.7	4.5	4.2	4.0
Credit to the economy (percent of GDP)	18.3	18.9	20.3	16.5	21.5	17.0	17.6	18.4	18.3	19.1	19.8
Credit to the private sector (percent of GDP)	15.7	15.7	16.1	14.1	16.5	14.7	15.3	16.2	16.2	17.1	17.8
GDP at current prices (annual percent change)	5.2	4.8	8.6	9.2	9.1	7.9	8.7	7.8	13.4	8.2	8.9

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Balance of Payments, 2016–24
(In billions of CFA francs, unless otherwise indicated)

	2016	2017	2018		2019		2020	2021	2022	2023	2024
			3rd Review	Est.	3rd Review	Prog.	Projections				
Current account balance	-700.2	-741.6	-985.5	-938.3	-1,181.6	-1,102.6	-1,357.6	-1,266.8	-1,075.8	-1,037.1	-1,029.1
Balance on goods, services, and income	-865.1	-981.1	-1,190.1	-1,208.5	-1,424.4	-1,406.4	-1,656.4	-1,569.7	-1,384.8	-1,367.3	-1,422.3
Balance on goods	-405.3	-435.8	-616.7	-631.7	-769.5	-741.5	-925.4	-789.0	-326.6	-219.5	-164.5
Exports, f.o.b	611.9	700.2	734.5	674.3	820.8	772.7	836.7	888.0	1,442.8	1,593.0	1,797.1
Uranium	177.7	168.0	117.0	124.3	109.2	132.3	134.0	120.1	121.3	80.4	79.9
Oil	91.3	151.4	208.8	129.0	238.0	162.1	152.0	141.2	621.4	738.4	864.8
Other products	342.8	380.8	408.7	421.0	473.6	478.3	550.7	626.7	700.2	774.3	852.4
Imports, f.o.b	1,017.2	1,136.0	1,351.2	1,306.0	1,590.3	1,514.2	1,762.1	1,676.9	1,769.4	1,812.5	1,961.5
Food products	207.6	262.9	294.9	273.5	318.2	304.1	319.1	336.5	347.4	358.5	388.4
Petroleum products	57.8	74.0	77.9	67.4	81.8	70.7	74.3	78.0	81.9	86.0	90.3
Capital goods	280.0	293.9	394.1	364.5	492.0	463.5	576.6	494.3	540.1	583.6	635.3
Other products	471.8	505.2	584.4	600.6	698.2	675.9	792.1	768.2	800.0	784.4	847.6
Services and income (net)	-459.8	-545.3	-573.4	-576.7	-654.9	-664.9	-731.0	-780.7	-1,058.2	-1,147.9	-1,257.8
Services (net)	-363.1	-439.9	-463.2	-461.5	-534.8	-540.6	-595.9	-635.1	-727.0	-765.7	-819.8
Income (net)	-96.7	-105.5	-110.2	-115.2	-120.2	-124.3	-135.1	-145.6	-331.2	-382.2	-438.0
Of which: interest on external public debt	-18.4	-16.4	-23.1	-21.2	-26.8	-26.8	-35.6	-41.5	-44.4	-47.3	-50.4
Unrequited current transfers (net)	164.9	239.5	204.6	270.2	242.8	303.8	298.8	302.9	308.9	330.2	393.2
Private (net)	82.1	107.4	100.1	130.6	104.6	135.8	152.6	158.5	169.1	176.1	225.2
Public (net)	82.8	132.1	104.5	139.6	138.2	168.0	146.3	144.4	139.8	154.2	168.1
Of which: grants for budgetary assistance	66.2	118.0	84.5	125.7	118.5	154.3	132.7	131.1	126.9	141.5	155.7
Capital and financial account	684.1	610.0	913.9	818.4	1,082.0	1,053.2	1,310.6	1,228.4	1,187.8	1,192.4	1,198.1
Capital account	229.6	237.0	354.6	350.3	411.8	411.2	473.9	459.9	459.6	465.2	421.3
Private capital transfers	25.9	33.1	47.1	47.0	49.8	49.2	53.9	63.3	65.3	67.2	73.1
Project grants	204.0	201.0	307.5	303.3	362.0	362.0	420.1	396.6	394.3	398.0	348.2
Nonproduced, nonfinancial assets	-0.3	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	454.5	373.0	559.3	468.1	670.2	642.0	836.7	768.5	728.2	727.2	776.7
Direct investment	154.7	179.8	270.8	269.1	385.7	371.8	539.0	487.8	426.3	415.3	434.0
Portfolio investment	99.1	31.0	34.4	54.2	37.5	29.2	44.5	52.7	59.8	61.5	63.6
Other investment	200.6	162.2	254.2	144.9	247.0	241.1	253.2	228.0	242.1	250.5	279.2
Public sector (net)	170.9	161.4	182.1	134.2	196.4	228.9	226.0	191.2	207.7	219.1	240.1
Disbursements	203.4	182.9	222.4	166.4	252.1	284.6	299.0	293.9	314.8	326.9	345.8
Loans for budgetary assistance	52.2	33.3	54.1	31.2	41.6	74.1	50.7	54.8	59.8	66.7	73.0
Project loans	151.2	149.6	168.2	135.2	210.5	210.5	248.3	239.1	255.0	260.3	272.9
Amortization	32.5	21.5	40.3	32.2	55.7	55.7	73.0	102.6	107.2	107.8	105.8
Other (net)	29.7	0.8	72.1	10.7	50.6	12.1	27.1	36.7	34.4	31.3	39.1
Errors and omissions	-5.4	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-21.5	-128.0	-71.6	-119.9	-99.7	-49.3	-47.0	-38.4	112.0	155.3	169.0
Financing	21.5	128.0	71.6	119.9	84.2	49.3	47.0	38.4	-112.0	-155.3	-169.0
Net foreign assets (BCEAO)	24.9	100.7	71.6	96.7	84.2	49.3	47.0	38.4	-112.0	-155.3	-169.0
Of which: net use of Fund resources	6.6	19.2	20.7	18.1	16.1	32.1	3.3	-16.4	-18.4	-21.0	-21.7
Net foreign assets (commercial banks)	-3.4	27.3	0.0	23.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling obtained	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	15.5	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Current account balance, excluding grants	-783.0	-873.7	-1,090.0	-1,077.9	-1,319.8	-1,270.6	-1,503.8	-1,411.2	-1,215.7	-1,191.3	-1,197.1
Exports of goods and services	729.2	830.2	859.3	807.8	950.6	911.4	1,000.2	1,106.4	1,681.0	1,840.0	2,054.4
Pooled gross international reserves, WAEMU (in USD billion)	10.5	13.0	…	15.1	…	…	…	…	…	…	…
Pooled gross international reserves, WAEMU (in CFAF billion)	6,529	7,184	…	8,384	…	…	…	…	…	…	…
In months of next year's imports of goods and services	3.9	4.1	…	4.3	…	…	…	…	…	…	…
In percent of broad money	37.7	38.7	…	39.7	…	…	…	…	…	…	…
GDP at current prices	4,511	4,726	5,135	5,163	5,600	5,571	6,056	6,527	7,402	8,011	8,721

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

Table 6. Niger: Balance of Payments, 2016–24
(In percent of GDP)

	2016	2017	2018		2019		2020	2021	2022	2023	2024
			3rd Review	Est.	3rd Review	Prog.	Projections				
Current account balance	-15.5	-15.7	-19.2	-18.2	-21.1	-19.8	-22.4	-19.4	-14.5	-12.9	-11.8
Balance on goods, services, and income	-19.2	-20.8	-23.2	-23.4	-25.4	-25.2	-27.4	-24.0	-18.7	-17.1	-16.3
Balance on goods	-9.0	-9.2	-12.0	-12.2	-13.7	-13.3	-15.3	-12.1	-4.4	-2.7	-1.9
Exports, f.o.b	13.6	14.8	14.3	13.1	14.7	13.9	13.8	13.6	19.5	19.9	20.6
Uranium	3.9	3.6	2.3	2.4	2.0	2.4	2.2	1.8	1.6	1.0	0.9
Oil	2.0	3.2	4.1	2.5	4.3	2.9	2.5	2.2	8.4	9.2	9.9
Other products	7.6	8.1	8.0	8.2	8.5	8.6	9.1	9.6	9.5	9.7	9.8
Imports, f.o.b	22.6	24.0	26.3	25.3	28.4	27.2	29.1	25.7	23.9	22.6	22.5
Food products	4.6	5.6	5.7	5.3	5.7	5.5	5.3	5.2	4.7	4.5	4.5
Petroleum products	1.3	1.6	1.5	1.3	1.5	1.3	1.2	1.2	1.1	1.1	1.0
Capital goods	6.2	6.2	7.7	7.1	8.8	8.3	9.5	7.6	7.3	7.3	7.3
Other products	10.5	10.7	11.4	11.6	12.5	12.1	13.1	11.8	10.8	9.8	9.7
Services and income (net)	-10.2	-11.5	-11.2	-11.2	-11.7	-11.9	-12.1	-12.0	-14.3	-14.3	-14.4
Services (net)	-8.0	-9.3	-9.0	-8.9	-9.5	-9.7	-9.8	-9.7	-9.8	-9.6	-9.4
Income (net)	-2.1	-2.2	-2.1	-2.2	-2.1	-2.2	-2.2	-2.2	-4.5	-4.8	-5.0
Of which: interest on external public debt	-0.4	-0.3	-0.4	-0.4	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6
Unrequited current transfers (net)	3.7	5.1	4.0	5.2	4.3	5.5	4.9	4.6	4.2	4.1	4.5
Private (net)	1.8	2.3	1.9	2.5	1.9	2.4	2.5	2.4	2.3	2.2	2.6
Public (net)	1.8	2.8	2.0	2.7	2.5	3.0	2.4	2.2	1.9	1.9	1.9
Of which: grants for budgetary assistance	1.5	2.5	1.6	2.4	2.1	2.8	2.2	2.0	1.7	1.8	1.8
Capital and financial account	15.2	12.9	17.8	15.8	19.3	18.9	21.6	18.8	16.0	14.9	13.7
Capital account	5.1	5.0	6.9	6.8	7.4	7.4	7.8	7.0	6.2	5.8	4.8
Private capital transfers	0.6	0.7	0.9	0.9	0.9	0.9	0.9	1.0	0.9	0.8	0.8
Project grants	4.5	4.3	6.0	5.9	6.5	6.5	6.9	6.1	5.3	5.0	4.0
Nonproduced, nonfinancial assets	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	10.1	7.9	10.9	9.1	12.0	11.5	13.8	11.8	9.8	9.1	8.9
Direct investment	3.4	3.8	5.3	5.2	6.9	6.7	8.9	7.5	5.8	5.2	5.0
Portfolio investment	2.2	0.7	0.7	1.0	0.7	0.5	0.7	0.8	0.8	0.8	0.7
Other investment	4.4	3.4	5.0	2.8	4.4	4.3	4.2	3.5	3.3	3.1	3.2
Public sector (net)	3.8	3.4	3.5	2.6	3.5	4.1	3.7	2.9	2.8	2.7	2.8
Disbursements	4.5	3.9	4.3	3.2	4.5	5.1	4.9	4.5	4.3	4.1	4.0
Loans for budgetary assistance	1.2	0.7	1.1	0.6	0.7	1.3	0.8	0.8	0.8	0.8	0.8
Project loans	3.4	3.2	3.3	2.6	3.8	3.8	4.1	3.7	3.4	3.2	3.1
Amortization	0.7	0.5	0.8	0.6	1.0	1.0	1.2	1.6	1.4	1.3	1.2
Other (net)	0.7	0.0	1.4	0.2	0.9	0.2	0.4	0.6	0.5	0.4	0.4
Errors and omissions	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.5	-2.7	-1.4	-2.3	-1.8	-0.9	-0.8	-0.6	1.5	1.9	1.9
Financing	0.5	2.7	1.4	2.3	1.5	0.9	0.8	0.6	-1.5	-1.9	-1.9
Net foreign assets (BCEAO)	0.6	2.1	1.4	1.9	1.5	0.9	0.8	0.6	-1.5	-1.9	-1.9
Of which: net use of Fund resources	0.1	0.4	0.4	0.4	0.3	0.6	0.1	-0.3	-0.2	-0.3	-0.2
Net foreign assets (commercial banks)	-0.1	0.6	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling obtained	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Current account balance, excluding grants (in percent of GDP)	-17.4	-18.5	-21.2	-20.9	-23.6	-22.8	-24.8	-21.6	-16.4	-14.9	-13.7
Exports of goods and services (in percent of GDP)	16.2	17.6	16.7	15.6	17.0	16.4	16.5	17.0	22.7	23.0	23.6
Pooled gross international reserves, WAEMU (in USD billion)	10.5	13.0	…	15.1	…	…	…	…	…	…	…
Pooled gross international reserves, WAEMU (in CFAF billion)	6,529	7,184	…	8,384	…	…	…	…	…	…	…
In months of next year's imports of goods and services	3.9	4.1	…	4.3	…	…	…	…	…	…	…
In percent of broad money	37.7	38.7	…	39.7	…	…	…	…	…	…	…

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

Table 7. Niger: Indicators of Financial Soundness, Dec. 2012–Jun. 2018
(In percent)

	2012 Dec.	2013 Dec.	2014 Dec.	2015 Dec.	2016 Dec.	2017 Jun.	2017 Dec.	2018 Jun.[1/]
Solvency Ratios								
Regulatory capital to risk-weighted assets	17.5	16.2	16.2	13.5	13.9	12.5	16.8	13.3
Tier 1 capital to risk-weighted assets	17.5	15.7	14.4	7.7	13.5	12.2	16.4	13.2
CET1 capital to risk-weighted assets	…	…	…	…	…	…	…	13.2
Provisions to risk-weighted assets	10.4	12.1	13.0	12.6	12.1	14.1	14.0	11.9
Capital to total assets	10.5	9.6	9.0	7.6	8.9	7.4	9.4	9.1
Composition and quality of assets								
Total loans to total assets	60.0	57.5	54.2	57.0	58.1	54.8	55.4	56.6
Concentration[2/]	130.8	126.1	108.8	170.9	144.5	123.9	98.8	96.0
Gross NPLs to total loans	17.1	16.4	17.6	15.5	17.7	19.0	18.8	19.0
Provisioning rate	54.6	67.4	66.8	71.4	66.5	69.7	66.1	65.9
Net NPLs to total loans	8.6	6.0	6.6	5.0	6.7	6.6	7.3	7.4
Net NPLs to capital	49.2	36.1	39.9	37.5	43.7	48.9	42.8	46.3
Earnings and profitability								
Average cost of borrowed funds	2.2	2.0	2.0	1.3	2.2	…	2.2	…
Average interest rate on loans	10.5	10.1	9.7	6.1	8.8	…	8.4	…
Average interest rate (after taxes on financial operations)	8.3	8.1	7.7	4.8	6.6	…	6.3	…
After-tax return on average assets (ROA)	0.8	1.4	1.8	2.5	1.8	…	1.6	…
After-tax return on average equity (ROE)	7.4	12.6	20.5	26.0	19.5	…	15.4	…
Non-interest expenses to net banking income	54.5	51.5	49.8	51.8	56.5	…	59.3	…
Salaries and wages to net banking income	23.3	23.5	22.2	23.6	25.9	…	25.5	…
Liquidity								
Liquid assets to total assets	32.5	30.3	29.2	31.4	30.0	27.6	29.2	29.9
Liquid assets to total deposits	51.4	49.7	46.0	50.9	51.1	47.9	53.4	55.6
Total loans to total deposits	104.7	105.8	96.7	104.0	112.3	109.4	116.0	120.3
Total deposits to total liabilities	63.2	61.0	63.5	61.7	58.7	57.7	54.6	53.8
Sight deposits to total liabilities	42.0	40.1	41.1	37.9	36.6	36.8	35.3	33.1
Term deposits to total liabilities	21.2	21.0	22.4	23.8	22.0	20.8	19.3	20.7

Source: BCEAO.
1/ Compilation according to Basel II/III. Not comparable to earlier years.
2/ Credit to the 5 biggest borrowers to regulatory capital.

Table 8. Niger: Indicators of Capacity to Repay the Fund, 2018–28

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	(In millions of SDRs, unless otherwise indicated)										
Fund obligations based on existing credit											
Principal	5.8	4.8	11.6	19.1	21.8	25.2	26.1	21.6	13.8	9.9	4.2
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
Fund obligations based on existing and prospective credit											
Principal	5.8	4.8	11.6	19.1	21.8	25.2	26.1	32.6	26.2	22.3	16.6
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
Total obligations based on existing and prospective credit											
SDR millions	5.8	4.8	11.6	19.1	21.8	25.2	26.1	32.6	26.2	22.3	16.6
CFAF billions	4.6	3.9	9.3	15.2	17.4	20.2	20.9	26.1	20.9	17.8	13.3
Percent of exports of goods and services	0.6	0.4	0.9	1.4	1.0	1.1	1.0	1.1	0.8	0.7	0.5
Percent of debt service[1]	5.2	1.9	4.4	5.9	6.3	7.0	7.1	9.3	7.3	5.6	3.8
Percent of GDP	0.1	0.1	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.1
Percent of tax revenue	0.6	0.5	1.0	1.4	1.3	1.4	1.3	1.5	1.1	0.9	0.6
Percent of quota	4.4	3.7	8.8	14.5	16.6	19.2	19.8	24.7	19.9	16.9	12.6
Outstanding IMF credit based on existing and prospective drawings											
SDR millions	160.6	201.1	203.6	184.5	162.7	137.5	111.4	78.9	52.7	30.5	13.8
CFAF billions	126.2	161.2	162.6	147.4	130.0	110.0	89.2	63.2	42.2	24.4	11.1
Percent of exports of goods and services	15.6	17.7	16.3	13.3	7.7	6.0	4.3	2.7	1.7	0.9	0.4
Percent of debt service[1]	144.3	80.4	77.2	57.1	47.0	38.1	30.4	22.6	14.8	7.7	3.2
Percent of GDP	2.4	2.9	2.7	2.3	1.8	1.4	1.0	0.7	0.4	0.2	0.1
Percent of tax revenue	16.0	19.3	16.9	13.8	10.0	7.7	5.6	3.6	2.2	1.2	0.5
Percent of quota	122.1	152.8	154.7	140.2	123.6	104.5	84.7	59.9	40.1	23.1	10.5
Net use of IMF credit (SDR millions)	22.4	40.5	2.5	-19.1	-21.8	-25.2	-26.1	-32.6	-26.2	-22.3	-16.6
Disbursements	28.2	45.4	14.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	5.8	4.8	11.6	19.1	21.8	25.2	26.1	32.6	26.2	22.3	16.6
Memorandum items:											
Exports of goods and services (CFAF billions)	808	911	1,000	1,106	1,681	1,840	2,054	2,353	2,465	2,616	2,826
External debt service (CFAF billions)[1]	87	201	211	258	277	289	293	280	285	316	349
Nominal GDP (CFAF billions)	5,163	5,571	6,056	6,527	7,402	8,011	8,721	9,560	10,276	11,086	11,966
Tax revenue (CFAF billions)	788	834	961	1,068	1,300	1,431	1,585	1,768	1,939	2,084	2,268
Quota (SDR millions)	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6

Source: IMF staff estimates and projections.

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

Annex I. Capacity Development Strategy Note

Strategy

1. **The strategy for Niger in FY20 broadly extends the previous strategy**. (1) It continues to prioritize revenue mobilization as a key program objective by strengthening both tax policy and revenue administration, including simplifying tax policy in line with administrative capacity. (2) It puts more emphasis on strengthening budget preparation and execution in the context of the introduction of program budgeting, with greater attention to quality control, including a public investment management assessment and public expenditure review. (3) The strategy will support Niger's capacity to manage natural resource revenues in light of the large projected increase in oil output. (4) It also continues to support improving macroeconomic and financial statistics, especially the nexus of government finance and monetary statistics in the context of rolling-out the treasury single account.

Overall Priorities Going Forward

Priorities	Objectives
Tax policy and revenue administration	Domestic revenue mobilization. This objective would be helped by simplifying tax policy in line with revenue administration.
Public financial management and debt management	Strengthen budget preparation, execution and control, including expenditure quality. This objective would be helped by a broad public expenditure review.
Natural resource revenue management	Strengthen the capacity to management natural resource revenues in view of the impending increase in oil output.
Macroeconomic and financial statistics	Improve national accounts, government finance statistics and balance of payments.

Main Risks and Mitigation

2. **The authorities welcome technical assistance (TA) from the Fund and have exhibited a strong determination to absorb and implement this assistance**. However, absorption faces human resource constraints accentuated by a bunching of TA delivery, an over-centralization of the reform effort, and high turnover of senior staff. The authorities could make greater use of training opportunities offered by the Fund's Institute for Capacity Development and by Afritac West, the regional center for TA and training.

Authorities' Views

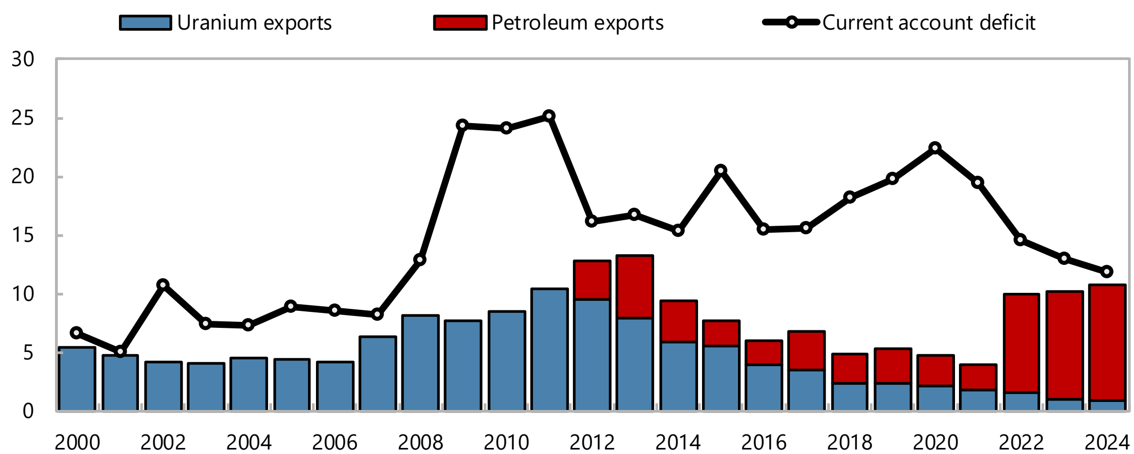
3. **The authorities welcome Fund TA and thought it appropriately targeted**. They welcome diagnostic TA from HQ and appreciate ongoing operational TA from Afritac West. They have expressed a concern that the TA mission timetable is over-crowded at times.

Annex II. External Sector Assessment

Niger's external position was weaker than implied by fundamentals and desirable policy settings in 2018. However, the sizable current account deficit is largely driven and financed by donors and foreign direct investors, which is desirable in view of Niger's daunting development needs. Going forward, large foreign investment and donor support are set to widen the external deficit further in the construction phase and to substantially narrow it in the subsequent production phase. The solution to Niger's external weakness lies in developing a meaningful private sector in the medium run rather than near-term exchange rate depreciation.

1. **Niger's current account deficit is large. At 18.2 percent of GDP, it is estimated to have been the second largest in Africa and the largest in the WAEMU**. Indeed, even though Niger accounts for only 7½ percent of the union's GDP, its current account was responsible for nearly one fifth of the external deficit of 6.8 percent of GDP. Deficits increased sharply from 2008 onward, averaging 18.6 percent of GDP over the last ten years. The collapse of international prices for key uranium exports following the Fukushima nuclear accident in 2011 put pressure on Niger's external accounts, but commodity exports are not the main driver.

Niger: Current Account Deficit and Natural Resources, 2000–18
(Percent of GDP)

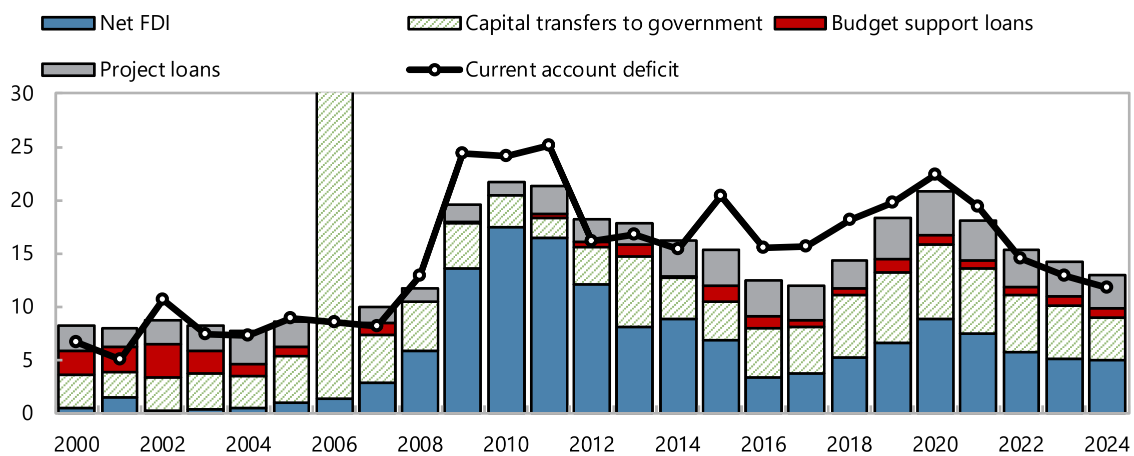


Sources: Nigerien authorities; and IMF staff calculations.

2. **Niger's external deficit is the flip-side of donor loans and foreign direct investment**. Over the past decade they financed some 90 percent of the current account deficit, fluctuating in a range of 75-100 percent over the years. The completion of the HIPC program with Niger in 2016 opened the door to more donor support in the form of loans and capital transfers, and the deterioration of the security situation from around 2012 gave further impetus. Even more importantly, the HIPC completion point coincided with the advent of sizable foreign direct investment, primarily by CNPC to develop oil fields and build a refinery. Given Niger's modest GDP of just US$9 billion in 2018, such projects quickly correspond to a large percentage of GDP.

Niger: Financing of Current Account Deficits, 2000–18

(Percent of GDP)



Sources: Nigerien authorities; and IMF staff calculations.

3. **The Fund's EBA-lite current account model assesses Niger's current account as substantially weaker than fundamentals would suggest**. Concretely, Niger's current account deficit is 9.5 percent of GDP larger than the norm calculated from the model's key fundamental variables. Deviations of economic policies from their medium-term desired levels play a negligible role in explaining this gap – the deficit-enhancing effects of a relatively large fiscal deficit and relatively stringent capital controls are largely neutralized by the deficit reducing-effects of insufficient accumulation of external reserves and relatively low private-sector credit growth. Closing the gap by exchange rate adjustment alone would require a large depreciation of 17 percent, assuming an export elasticity of 0.47 and an import elasticity of 1.32 as calibrated for Niger by Tokarick (IMF WP/10/180). However, these results need to be interpreted with caution considering that the EBA-lite model does not take all factors pertinent to the case of Niger into account. For example, it disregards large capital grants of 5.9 percent of GDP in 2018. If these were considered a fundamental instead and deducted from the current account deficit, overvaluation would decline to 6 percent.

Niger: Results EBA-lite Model

CA-actual (percent of GDP)	-18.2
Cyclically adjusted actual CA (percent of GDP)	-17.8
CA-norm (percent of GDP)	-9.3
Cyclically adjusted CA norm (percent of GDP)	-8.8
Multilaterally consistent cyclically adjusted CA norm (percent	-8.3
CA-gap (percent of GDP)	-9.5
o/w policy gap (percent of GDP)	-0.1
Elasticity	-55.2
REER gap (overvaluation in percent)	17.2
CA-fitted (percent of GDP)	-9.1
Residual	-9.1

Source: IMF staff calculations.

4. The Fund's equilibrium real exchange rate model finds a considerably smaller exchange rate overvaluation. It estimates a real exchange rate that would be in line with fundamental directly and assesses the gap to the actual exchange rate. In contrast to the EBA-lite model, the current account balance is not explicitly considered but it considers foreign aid and puts more emphasis on demographics and per-capita income. This approach finds a more modest overvaluation of Niger's real effective exchange rate of 3.9 percent.

Niger: Results REER Model

Ln(REER) actual	4.60
Ln(REER) fitted	4.58
Ln(REER) norm	4.56
Residual	0.02
REER gap (overvaluation in percent)	3.88
Policy gap	2.01

Source: IMF staff calculations.

5. On balance, staff assesses Niger's external position as weaker than suggested by fundamentals and desirable policy settings. The less favorable results of the EBA-lite current account model need to be qualified by this approach not accounting for capital transfers, which are important in Niger's case, and balanced against the moderate overvaluation identified in the exchange rate model. Perhaps most importantly, there are good reasons for Niger's large current account deficits for the time being, considering its enormous development needs as the world's most underdeveloped country and record high population growth. Both require investment well beyond domestic financing capacities. In this sense, foreign direct investment and donor support are welcome and, by extension, the implied external deficit. That said, the flags raised by the models and the sheer size of the current account deficit warrant close monitoring of Niger's external position. It will be paramount to put the external resources to good use, ensure high-quality investment, seek out external grants rather than loans, and, most importantly, develop Niger's still embryonic domestic private sector so that it can better substitute for imports and export more going forward.

Annex III. Economic Impact of Security Tensions

1. Niger's stability is vulnerable to security pressures largely from external sources. They mostly take the form of cross-border terrorist incursions from Nigeria, Mali, and Burkina Faso. While terrorist networks have generally not taken root on its soil, Niger is nevertheless at risk to get embroiled in the broader regional security tensions. Niger's position, straddling a key transit route through the Sahel, has also exposed it to organized crime related to human and drug trafficking toward Europe. The number of terrorist-related incidents in Niger rose sharply from 2015 to reach 2 incidents per 1 million population in 2018, with 250 related casualties. Nonetheless, this remains relatively modest compared to Mali, which suffered 7 times as many incidences. The deteriorated regional security situation has also been accompanied by a surge of refugees and internally displaced persons in Niger, currently about 350,000, or 1.8 percent of the population.[1]

2. The regional dimension of the security threat has attracted a broad international response. Niger's strategic importance and vulnerability has brought donor support and military assistance through foreign troops, hardware based in Niger for regional and domestic purposes, and limited equipment for Nigerien forces. In addition, US$600 million have been pledged toward the 'G5 Sahel' joint fighting force, comprising Niger, Burkina Faso, Chad, Mali, and Mauritania, although it is not yet fully operational and much of the funds remain to be disbursed.

3. Niger's heightened vulnerability has obliged the Government to increase security spending significantly while addressing large development needs. Starting the decade at around 2 percent of GDP, security spending has since broadly doubled, peaking at 5.2 percent in 2015. The increase has been largely geared toward defense and related investment. Comparable cross-country data is scant, but military spending in a narrower sense indicates that Niger's is comparable to its peers: Niger, Mali and Chad have each allocated 2 percent of GDP, while Nigeria and Cameroon have spent around 1.3 percent of GDP.[2]

4. Security spending in the budget is predominantly financed by domestic resources and has contributed to higher domestic deficits and domestic debt. Pressures from security spending came at a time when domestic revenues were adversely affected by weak commodity prices and economic disruption from the security tensions. As a result, the deficit on the domestic budget (the basic balance deficit) deteriorated over the decade, from 3.3 percent of GDP in 2010–11 to 5.5 percent of GDP over 2015-17 and peaked at 7.4 percent of GDP in 2015. The larger part of the domestic budget deficit was financed by domestic debt, which rose from 4 to 17 percent of GDP between 2010 and 2017, broadly matching the additional security spending.

5. Higher donor financing helped sustain social spending, but at the cost of higher external debt. Security spending doubled its share of the domestic budget to 22 percent—a shift

[1] United Nations High Commissioner for Refugees and United Nations Office for Coordination of Humanitarian Affairs.

[2] Data from the Stockholm International Peace Research Institute (SIPRI).

that, though not necessarily detrimental to development with security a pre-requisite, threatened other spending priorities in the domestic budget, including social spending. This included social and development spending needed in areas affected by the security threat. But a sharp increase in donor financing of about 4 percent of GDP alleviated the fiscal pressures. The overall budget envelope expanded by 8 percent of GDP and social spending, if anything, rose relative to GDP. However, the additional donor support for social spending was not costless as about half came in the form of loans that doubled external debt through the decade to over 30 percent of GDP.

6. The impact of security threats on economic activity is difficult to discern, but Fund staff analysis suggests that it may be sizable in the case of Niger. A recent IMF cross-country study found that conflict reduces real per-capita GDP growth by 1 to 3 percent in each conflict year depending on conflict intensity.[3] Applying the model to Niger suggests that growth was reduced by under 1 percent during 2012-14 but by 2.7 percent during 2015-18 when conflict intensity picked up, for a cumulative negative impact of about 12 percent. This is consistent with the pronounced slowdown in growth observed from 2015. The results are also comparable to the cumulative impact over the same period in Chad but are well below those for Mali and Nigeria of over 20 percent.

7. The study found that the impact runs primarily through productivity, investment, and exports, as well as through pressures on public finances. These channels appear to have been operating in Niger. One clear indication of the impact on economic activity is that inbound travel fell sharply in 2012, reducing GDP growth by 0.3 percentage points in that year.[4] Merchandise exports were similarly affected: exports to Nigeria, Burkina Faso, and Mali, which were worth about 5 percent of GDP in 2012-13, fell 80 percent. The higher fiscal deficit might have provided some offsetting economic stimulus, but it was probably limited to the extent that deficits widened because of security spending, which has a high import content.

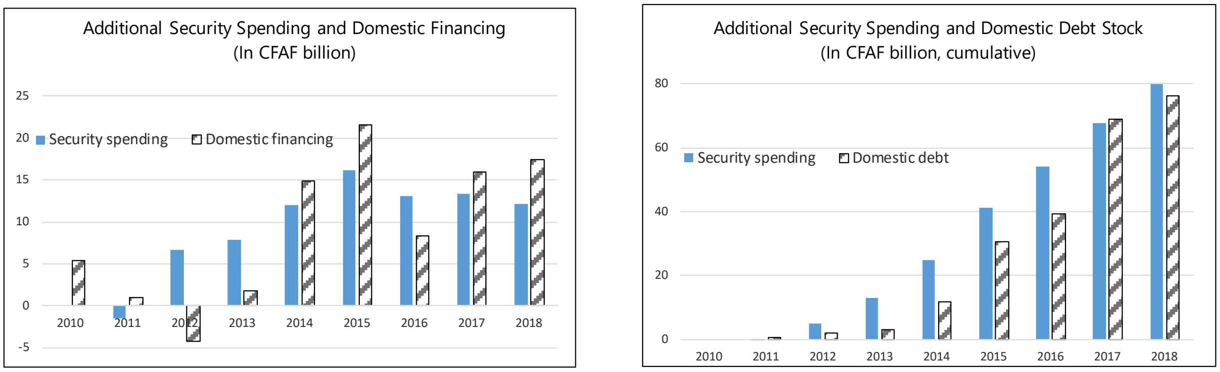
8. The necessary security outlays make it important to mobilize revenues and improve spending efficiency, including in security spending itself. The 2019 budget took a first step in this direction by reviewing spending programs and applying selected cuts, including in the allocations for the Defense and Interior Ministries, but efforts to raise spending quality have further to go. Transparency International's Defense Anti-Corruption Index for 2015 rated Niger poorly. An EU security expenditure review in 2016 noted extra-budgetary revenues and expenditures and scope to improve budget forecasts and spending execution.[5]

[3] IMF Sub-Saharan African Regional Economic Outlook: "The Economic Consequences of Conflict", Spring 2019.

[4] UN World Travel and Tourism Council: 'Niger: Travel and Tourism Economic Impact Report, 2018'.

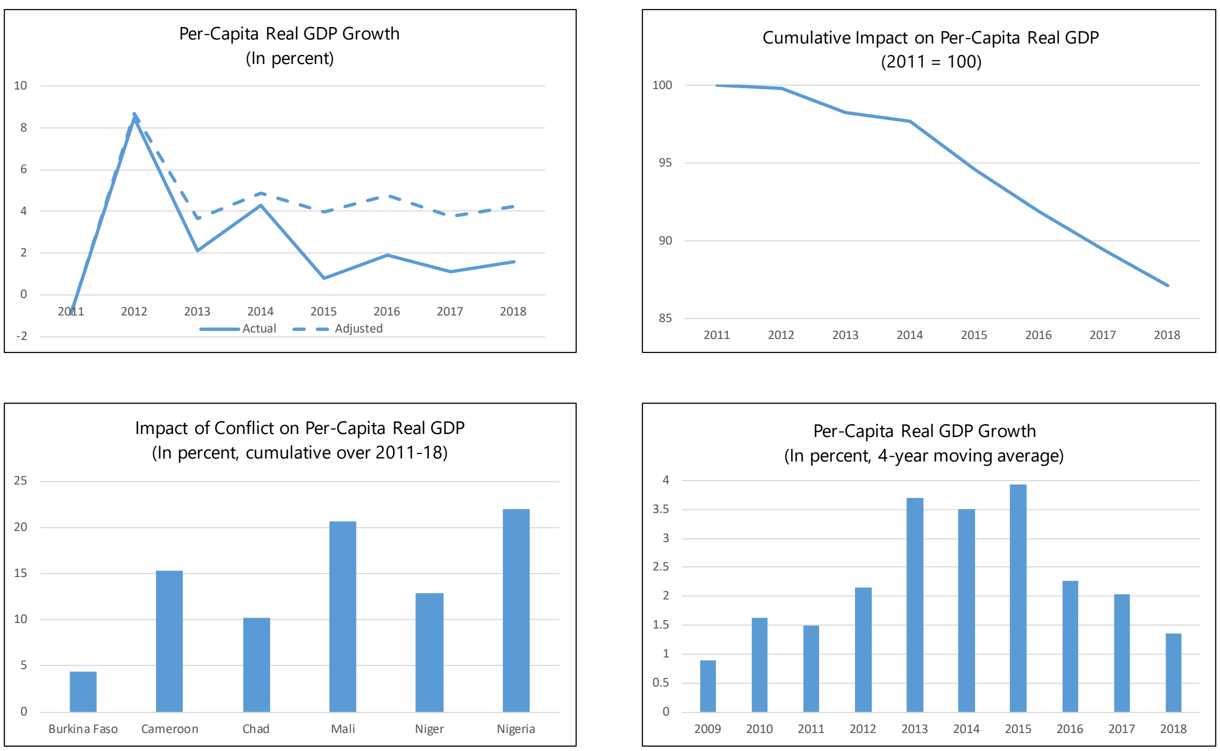
[5] Union Européenne: 'Revue des dépenses publiques du secteur de la sécurité au Niger, 2014–16'.

Niger: Security Spending, Domestic Budget Financing, and Domestic Public Debt



Source: IMF staff calculations.

Niger: Impact of Security Tensions on Economic Activity



Source: IMF staff calculations.

Sahel Countries: Terrorism Incidents

(Per 1 million of population)

	Burkina Faso	Cameroon	Chad	Cote d'Ivoire	Mali	Mauritania	Niger	Nigeria	Senegal
2011	0.0	0.0	0.0	0.1	0.1	0.3	0.0	0.4	0.1
2012	0.0	0.0	0.0	1.2	0.6	0.0	0.0	2.6	0.8
2013	0.0	1.9	0.0	0.0	3.7	0.0	0.3	2.0	0.0
2014	0.0	1.9	0.0	0.0	3.6	0.0	0.3	1.9	0.0
2015	0.1	1.9	1.6	0.2	4.7	0.0	1.4	2.0	0.1
2016	0.5	2.9	0.3	0.1	6.2	0.0	1.5	1.2	0.1
2017	3.1	4.4	0.3	0.0	11.2	0.0	1.1	1.4	0.0
2018	6.6	11.9	2.1	0.1	14.2	0.3	1.9	1.2	0.3

Sources: Control Risk; and IMF staff calculations.

Niger: Security Expenditure in Perspective, 2010–17

	2010	2011	2012	2013	2014	2015	2016	2017	2010-11	2015-17	Change	2012-17	Change
Percent of GDP													
Security	2.1	1.5	3.6	3.7	4.4	5.2	4.3	4.1	1.8	4.5	2.7	4.2	2.4
Salaries	1.1	0.7	1.2	1.2	1.3	1.5	1.9	1.9	0.9	1.8	0.9	1.5	0.7
Materials	0.6	0.5	0.6	0.7	0.8	0.7	0.7	0.6	0.5	0.7	0.1	0.7	0.2
Subsidies	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Administrative	0.1	0.2	1.6	1.5	1.9	2.8	1.5	1.4	0.1	1.9	1.7	1.8	1.6
Investment, domestically financed	0.3	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.2	0.0	-0.2	0.1	-0.2
Investment, foreign financed	0.1	0.0	0.0	0.1	0.2	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Percent of security spending													
Salaries	49.9	44.2	34.4	33.1	29.1	29.9	44.5	46.9	47.0	40.4	-6.6	36.3	-10.7
Materials	27.9	31.5	17.6	20.2	18.9	14.5	15.9	15.0	29.7	15.1	-14.6	17.0	-12.7
Subsidies	0.7	1.6	0.8	3.2	1.8	1.4	2.0	2.0	1.1	1.8	0.7	1.9	0.8
Administrative	5.5	11.1	43.4	41.0	42.7	53.6	36.0	33.2	8.3	40.9	32.6	41.6	33.3
Investment, domestically financed	13.4	11.6	3.0	0.9	2.8	0.0	0.9	0.3	12.5	0.4	-12.1	1.3	-11.2
Investment, foreign financed	2.6	0.0	0.7	1.6	4.6	0.6	0.7	2.7	1.3	1.3	0.0	1.8	0.5
Percent of GDP													
O/w: domestically financed spending[2]	16.4	16.4	17.0	18.6	24.0	23.1	17.7	18.6	16.4	19.8	3.4	19.9	3.5
Total budget[1]	20.6	20.9	22.5	27.2	31.1	32.4	26.3	26.8	20.8	28.5	7.7	27.7	6.9
Security	2.1	1.5	3.6	3.7	4.4	5.2	4.3	4.1	1.8	4.5	2.7	4.2	2.4
Non-security	18.5	19.4	19.0	23.5	26.6	27.2	22.1	22.7	19.0	24.0	5.0	23.5	4.6
Social	8.0	9.2	10.0	11.4	16.4	10.6	9.1	12.1	8.6	10.6	2.0	11.6	3.0
Health	1.4	1.8	1.7	2.0	1.9	1.7	1.4	1.7	1.6	1.6	0.0	1.7	0.2
Infrastructure	1.4	1.0	1.7	1.7	3.1	1.7	1.6	2.8	1.2	2.1	0.9	2.1	0.9
Education	3.9	4.2	4.3	4.9	7.1	5.8	5.0	4.8	4.0	5.2	1.2	5.3	1.3
Rural development	1.3	2.3	2.3	2.7	4.3	1.5	1.1	2.7	1.8	1.8	-0.1	2.4	0.6
Other	10.5	10.2	8.9	12.1	10.2	16.5	13.0	10.6	10.4	13.4	3.0	11.9	1.5
Percent of total budget spending[1]													
O/w: domestically financed spending[2]	79.4	78.3	75.5	68.5	77.2	71.5	67.1	69.6	78.9	69.4	-9.5	71.6	-7.3
Security	10.3	7.1	15.9	13.5	14.3	16.0	16.1	15.3	8.7	15.8	7.1	15.2	6.5
Non-security	89.7	92.9	84.1	86.5	85.7	84.0	83.9	84.7	91.3	84.2	-7.1	84.8	-6.5
Social	38.8	44.0	44.6	41.9	53.0	32.9	34.5	45.2	41.4	37.5	-3.9	42.0	0.6
Health	6.6	8.4	7.6	7.4	6.0	5.1	5.2	6.3	7.5	5.5	-2.0	6.3	-1.2
Infrastructure	6.9	4.6	7.7	6.3	10.1	5.3	6.2	10.6	5.8	7.3	1.6	7.7	1.9
Education	19.0	19.9	18.9	18.2	23.0	17.9	19.2	18.1	19.4	18.4	-1.1	19.2	-0.2
Rural development	6.3	11.1	10.3	10.1	13.9	4.5	4.0	10.2	8.7	6.3	-2.4	8.8	0.1
Other	50.9	48.9	39.6	44.5	32.8	51.1	49.4	39.5	49.9	46.7	-3.2	42.8	-7.1
Percent of GDP													
Domestically financed spending[2]	16.4	16.4	17.0	18.6	24.0	23.1	17.7	18.6	16.4	19.8	3.4	19.9	3.5
Security	2.1	1.5	3.6	3.7	4.4	5.2	4.3	4.1	1.8	4.5	2.7	4.2	2.4
Non-security	14.2	14.9	13.4	15.0	19.5	18.0	13.4	14.6	14.6	15.3	0.7	15.6	1.1
Percent of domestially financed spending													
Security	13.0	9.1	21.0	19.7	18.5	22.3	24.1	22.0	11.0	22.8	11.7	21.3	10.2
Non-security	87.0	90.9	79.0	80.3	81.5	77.7	75.9	78.0	89.0	77.2	-11.7	78.7	-10.2
Percent of security spending													
Interior	35.4	38.1	23.3	25.3	31.8	28.8	24.4		36.8	26.6	-10.2	26.7	-10.1
Defense	48.5	48.4	43.8	43.4	33.1	36.7	46.3		48.5	41.5	-7.0	40.7	-7.8
Investment	16.1	13.4	32.9	31.3	35.1	34.5	29.3		14.7	31.9	17.2	32.6	17.9
Memorandum items:													
Budget revenues, percent of GDP[4]	13.6	14.2	15.3	16.6	17.6	15.8	13.5	13.7	13.9	14.3	0.4	15.4	1.5
Trade tax receipts, percent of GDP	4.8	5.4	3.5	3.9	3.8	4.4	3.7	3.6	5.1	3.9	-1.2	3.8	-1.3
Basic fiscal balance, percent of GDP	-2.9	-3.7	-1.7	-2.1	-6.4	-7.4	-4.2	-5.0	-3.3	-5.5	-2.2	-4.5	-1.2
Net external financing, percent of GDP[3]	5.6	6.5	8.2	10.7	8.4	9.7	9.8	10.2	6.0	9.9	3.9	9.5	3.5
External grant financing, percent of GDP	4.6	3.8	6.1	8.0	5.5	5.4	6.0	6.7	4.2	6.1	1.9	6.3	2.1
External loan financing, percent of GDP	1.2	3.0	2.5	3.1	3.5	4.9	4.5	3.9	2.1	4.4	2.3	3.7	1.6
External amortization payments, percent of GDP	-0.4	-0.3	-0.5	-0.4	-0.5	-0.6	-0.7	-0.5	-0.4	-0.6	-0.2	-0.5	-0.2
Net external budget financing, percent of GDP[3]	1.3	1.9	2.6	2.2	1.3	2.7	1.9	2.7	1.6	2.4	0.9	2.2	0.7
Net external budget loan financing, percent of GDP[3]	-0.4	0.0	0.0	0.8	-0.3	0.9	0.4	0.2	-0.2	0.5	0.7	0.3	0.5
Domestic financing, percent of GDP	1.9	0.3	-1.2	0.5	3.7	5.0	1.9	3.4	1.1	3.4	2.3	2.2	1.1
Domestic debt, percent of GDP	3.7	3.8	3.5	3.6	5.5	9.6	11.1	16.8	3.7	12.5	8.8	8.4	4.6
General government net debt, percent of GDP	20.1	24.0	21.9	20.5	25.6	35.9	41.6	47.2	22.1	41.6	19.5	32.1	10.0
Government spending, CFAF billion	584	632	799	1,030	1,264	1,388	1,188	1,267					
Domesticaly financed spending, CFAF billion	464	496	604	706	976	992	797	881					
Nominal GDP, CFAF billion	2,832	3,024	3,544	3,788	4,069	4,289	4,511	4,726					

Sources: Nigerien authorities; and IMF staff estimates.

1/ Total budget spending, excluding debt repayments.

2/ Total budget spending not financed by external project aid, excluding debt repayments and ordres de paiements.

3/ Net of amoritzation payments on external debt.

4/ Excluding ordres de paiements.

Annex IV. Economic Significance of the Natural Resource Sector

1. **Niger's resource sector is passing through a transition period**. Uranium, oil, and gold currently accounts for 8 percent of GDP and half of export receipts. Uranium mining long dominated but faces an uncertain future following the collapse of international prices. It could be supplanted by a large expansion in oil and possibly gold output. These developments could more than double commodity GDP and export receipts in the medium term. Fiscal revenues would also benefit greatly.

Sectoral Developments

2. **The outlook for the uranium sector is fragile**. Uranium's strategic value has attracted substantial foreign investment since the early 1970s, mainly from France with the government as minority shareholder, making Niger the world's fourth largest producer. But the sector is under pressure from prolonged weak international demand and prices following the Fukushima nuclear accident in 2011. Output volumes and export receipts have halved since their peak in 2012. The loss of budgetary revenues has been even more pronounced. Investments were delayed, operations in one of Niger's three mines was suspended, development of a new mine, which would have been the world's second largest, has been put on ice, and, more recently, mines started incurring losses. But indications of recently recovering prices give cautious hope.

3. **Prospects for the oil sector are positive**. Oil production commenced in 2011 when CNPC developed an oil field and built a refinery, of which the government owns just under half. Absent a pipeline for crude oil exports, production is constrained to around 20,000 barrels per day, which serves the local market and allows for modest exports of refined products. Long-standing plans to build an export pipeline via Benin finally seem to be coming to fruition, with MOUs and some conventions signed in late 2018. If realized, this would make Niger a crude oil exporter from 2022, producing around 100,000 barrels per day, comparable to Cameroon, Chad, or Ghana. Large investments would be required (US$2.1 billion for the pipeline and US$3.6 billion for additional production capacity), which will likely be borne almost entirely by CNPC. The expansion in oil output could have a significant impact: the level of real GDP could rise by 12 percent, annual export receipts by about US$1 billion, and direct fiscal revenues by some 2 percent of GDP.

4. **The gold sector in Niger is experiencing a large expansion**. There is only one formal company which produced 1.3 tons of gold in 2017 with an export value of 0.5 percent of GDP but negligible budget revenues. However, much of gold production is artisanal which is not properly captured in official statistics. Unofficial estimates range from 4 to 10 tons, compared to 28 tons in Burkina Faso and 40 tons in Mali, which would arguably make gold Niger's largest resource export. The projections in the Annex Table adopt a more conservative stance. The World Bank estimates that the artisanal sector directly employs between 100,000 to 500,000 people with large revenue benefits for local jurisdictions.

Macroeconomic Implications

5. **The resource sector's economic contribution has weakened in recent years**. This follows the decline in export prices, especially for uranium. Export receipts fell, the contribution to real GDP growth weakened, and fiscal revenues suffered. The decline in direct budget revenues from the resource sector by 2 percent of GDP from 2014 to 2018 has been particularly pronounced and came at a time when security tensions and cross border smuggling were chipping away at border revenues. The decline in resource sector revenues has contributed to Niger's lackluster revenue performance, plausibly adding up to 10 percent of GDP to Niger's domestic debt since 2014.

6. **Looking ahead, the resource sector is expected to make a strong positive economic contribution**. This is largely because of the anticipated expansion in crude oil production and exports but also because of a projected recovery in uranium prices. Under cautious assumptions, the resource sector could add some 12 percent to overall growth in 2022-23, more than double export receipts by 2024 and raise budget revenues by some 2 percent of GDP. The outcome is sensitive to price assumptions and, for example, with the international oil price around US$70 instead of US$60 per barrel projected through the medium term, the fiscal revenue yield from higher oil exports could reach 4 percent of GDP within the decade.

Resource Sector Management

7. **Niger needs to strengthen natural resource governance to formalize the artisanal sector, reduce illicit untaxed exports, and strengthen budget receipts**. The Natural Resource Governance Institute rates Niger within the top third of 89 countries reviewed but nevertheless as weak and points to a large gap between the legal framework and practice. The WAEMU's directives lay out principles that are not yet fully transposed. The emergence of the artisanal gold sector motivated a revision of the Mining Code in 2017, but the control mechanisms established have yet to be implemented. An important step would be Niger rejoining the EITI as early as this year.

8. **It will be important to ensure that Niger benefits adequately through two channels**. The first is through the budget. The authorities could strengthen capacity to monitor operations to ensure transparency and compliance with tax regulations. Firmer control of fiscal arrangements, especially tax exonerations, is needed. The second is through local content. Ensuring domestic spillovers will require further effort to strengthen the business environment to support domestic suppliers and human capital formation to provide the skilled labor needed. It is important to maximize benefits through these channels to avoid that only GDP, but not national income, gets a big boost.

9. **The expansion of the resource sector raises difficult policy challenges**. The authorities will need to consider the macroeconomic ramifications of a large expansion in resource exports receipts and budget revenues. Specifically, the authorities will need to consider whether to use the additional budget revenues to add to savings, and thereby reduce domestic debt; or else whether to use the additional revenues to finance spending and, if so, what sort of spending and at what pace.

Niger: Natural Resource Sector, 2012–24

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2012-18	2019-21	2022-24
				Est.	Proj.						Average		
Production and export volumes													
Uranium, tonnes	4,334	2,924	3,525	2,870	3,054	2,983	2,689	2,733	1,819	1,819	3,886	2,909	2,124
Gold, kg	1,301	1,109	1,347	1,190	1,520	2,160	2,940	2,885	3,919	4,748	1,466	2,207	3,851
Crude oil production, million barrels	5.5	6.1	6.6	6.1	7.3	7.3	7.3	25.6	30.3	35.4	6.0	7.3	30.4
Oil exports, million barrels	1.8	2.2	3.4	2.6	3.4	3.2	3.0	20.8	25.3	30.2	2.6	3.2	25.4
Crude oil exports, million barrels	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.3	23.0	28.1	0.0	0.0	23.1
Refined oil exports, million barrels	1.8	2.2	3.4	2.6	3.4	3.2	3.0	2.6	2.3	2.1	2.6	3.2	2.3
Resource export receipts, CFAF billion	346	291	350	272	324	334	328	810	917	1,065	389	329	930
Mining	265	202	194	143	162	182	187	188	178	200	255	177	189
Uranium	241	178	168	124	132	134	120	121	80	80	228	129	94
Gold	25	25	26	19	30	48	67	67	98	121	27	48	95
Oil	81	89	156	129	162	152	141	621	738	865	134	152	741
Resource export receipts, percent of GDP	8.1	6.4	7.4	5.3	5.8	5.5	5.0	10.9	11.4	12.2	9.4	5.5	11.5
Mining	6.2	4.5	4.1	2.8	2.9	3.0	2.9	2.5	2.2	2.3	6.2	2.9	2.4
Oil	1.9	2.0	3.3	2.5	2.9	2.5	2.2	8.4	9.2	9.9	3.2	2.5	9.2
Resource budget revenues, broad, CFAF billion[1]	118	117	122	107	…	…	…	…	…	…	127	…	…
Mining	19	12	22	15	…	…	…	…	…	…	23	…	…
Oil	99	105	100	92	…	…	…	…	…	…	104	…	…
Resource budget revenues, broad, percent of GDP[1]	2.8	2.6	2.6	2.1	…	…	…	…	…	…	2.8	…	…
Mining	0.4	0.3	0.5	0.3	…	…	…	…	…	…	0.5	…	…
Oil	2.3	2.3	2.1	1.8	…	…	…	…	…	…	2.3	…	…
Resource budget revenues, direct, CFAF billion[1]	59	62	56	44	…	…	…	…	…	…	64.0	…	…
Mining[2]	19	14	10	9	…	…	…	…	…	…	19.7	…	…
Royalties	…	13	9	7	…	…	…	…	…	…	9.7	…	…
Land royalties	…	1.0	1.1	1.5	…	…	…	…	…	…	1.2	…	…
Artisanal exploitation tax	…	0.0	0.0	0.2	…	…	…	…	…	…	0.1	…	…
Oil	40	48	46	35	…	…	…	…	…	…	43.9	…	…
Land royalties	2.8	3.1	3.1	3.0	…	…	…	…	…	…	1.8	…	…
Ad valorem royalties	19	23	20	18	…	…	…	…	…	…	22.6	…	…
Tax oil	14	19	19	11	…	…	…	…	…	…	17.4	…	…
Profit oil	4.3	3.7	3.8	2.8	…	…	…	…	…	…	3.7	…	…
Resource budget revenues, direct, percent of GDP[1]	1.4	1.4	1.2	0.9	…	…	…	…	…	…	1.4	…	…
Mining[2]	0.4	0.3	0.2	0.2	…	…	…	…	…	…	0.5	…	…
Oil	0.9	1.1	1.0	0.7	…	…	…	…	…	…	1.0	…	…
Memorandum items													
Total merchandise exports, CFAF billion	643	612	700	674	773	837	888	1,443	1,593	1,797	695	832	1,611
Nominal GDP, CFAF billion	4,289	4,511	4,726	5,163	5,571	6,056	6,527	7,402	8,011	8,721	4,299	6,052	8,045
Price, uranium international, 1000 CFAF/Kg	22	16	13	11	17	17	17	17	17	17	17	17	17
Export price, uranium for Niger, 1000 CFAF/Kg	56	61	48	43	43	45	45	44	44	44	57	44	44
Export price, gold 1000 CFAF/gram	19	22	19	16	19	22	23	23	25	25	19	22	25
Export price, crude oil, 1000 CFAF/barrel	26	22	26	32	29	28	28	27	27	27	34	28	27
Export price, refined oil, 1000 CFAF/barrel	43	38	44	48	48	47	47	46	46	46	51	47	46

Sources: Nigerien authorities; and IMF staff estimates.

1/ Direct resource budget revenues includes only royalties, tax oil, profit oil, and artisanal exploitation tax. The broader definition includes corporate and employee income tax, property tax, and border taxes. In the case of the oil sector, these other revenue items are also sourced from the refinery and domestic distributers.

2/ Excludes State dividends from its holdings in the uranium mining sector.

Annex V. Risk Assessment Matrix

Sources of Risks	Relative Likelihood	Impact if realized	Recommended Policy Response
Risks from the Global Environment			
Sharp tightening of global financial conditions.	**Low to Medium** **(in view of potential for tighter US monetary policy and sustained rise in risk premiums for emerging and developing countries)**	**High** Tighter global financial conditions could prompt WAEMU countries that currently have access to international markets to rely more on financing in regional markets. Niger would face higher borrowing costs and reduced availability of funding.	Keep fiscal consolidation on course, prepare by lengthening maturities, and mobilize external financing with the support from donors.
Rising protectionism and retreat from multilateralism.	**High**	**Low** Niger's key exports of uranium to France and petroleum and agricultural products to neighbors should be rather insulated.	
Risks from the Domestic Environment			
Deterioration of security situation.	**Medium** **(in view of cross border spillovers from security tensions in neighboring countries)**	**High** High impact on social welfare, growth and balance of payments because of humanitarian crisis and disruption of economic activity and reduced FDI. Pressure on public finances from higher security expenditures, as well as lower revenues.	Increase engagement with neighboring countries and international community on security issues.
Delays in the realization of extractive industry projects and unfavorable commodity prices.	**High** **(in view of continued weak uranium prices and regional insecurity)**	**High** Negative impact on economic activity, current account, and fiscal position. Concerns about commodity price swings are alleviated by Niger not yet exporting crude oil and a negotiated sales price formula for uranium that insulates from short-term market gyrations.	Enhance oversight and transparency of the sector. Strengthen resources management to contain pro-cyclicality of the fiscal position, adjust fiscal plans, and improve spending quality. Create conditions to foster private sector growth and increase non-resource revenue over medium run.
Continued debt accumulation due to weak policy implementation and debt management capacity.	**Medium to High**	**High** Deteriorated and possibly unsustainable debt dynamics.	Continued efforts to enhance debt management capacities. Careful selection of projects financed with debt to ensure high returns.
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.	Build agricultural resilience. Further upgrade the emergency response system. Rebuild fiscal buffers to accommodate well-targeted spending and support measures.
Reduced donor support.	**Low** **(in view of Niger's growing importance in the fight against errorism and illegal immigration)**	**High** Negative impact on development projects and fiscal pressures from reduced budget support.	Enhance engagement with traditional and new donors. Enhance implementation capacity to ensure high return from the projects financed by donors. Reduce aid dependency over the medium run.

Annex VI. Status of Key 2016 Article IV Consultation Recommendations

Recommendation	Status
Advancing the growth agenda	
Measures are needed to harness the demographic dividend and reduce Niger's high gender inequality. The authorities should pursue proven economic, legal, and institutional reforms to permit women's full participation in the labor force. Greater prioritization of investment in human capital is needed, to improve women's and vocational education.	In 2017, the authorities adopted the new Social and Economic Development Plan, 2017–21 and they updated the National Gender Policy. Both target a reduction of gender inequality, fertility, and population growth.
Strengthen the framework for preventing and managing disasters. Institutional coordination could be strengthened. The information system for the early warning system and the geographical coverage of the disaster management framework could be extended.	The authorities have stepped up implementation of the 3N initiative (Nigeriens feed Nigeriens).
Preserving sustainability while enhancing inclusive growth	
Enhance fiscal space. Mobilizing revenues by broadening the tax base, strengthening the efficiency of tax and customs administration, and streamlining tax exemptions. Strengthen expenditure by prioritizing public spending and enhancing expenditure control and liquidity management.	A host of measures to strengthen revenue administration have been implemented, including the installation of IT systems, phasing-out of cash payments, performance plans, transaction valuation at customs, and the opening of new tax offices. Streamlining of tax exemptions is under preparation. Spending quality should benefit from program budgeting since 2018 and a Public Investment Management Assessment conducted in early 2019.
Strengthen debt management. Enhancing the capacity of the inter-ministerial committee on debt management. Strengthen the framework for PPPs. Update the external borrowing plan.	New PPP legislation is in place. The inter-ministerial committee validates quarterly debt management reports. A revised borrowing plan is being prepared. Consolidating debt management in the treasury remains pending.
Natural resource management. Strengthening the institutional framework for natural resource management including stronger revenue evaluation, forecasting, and audit capacities.	The authorities have backtracked by quitting the EITI. The process of rejoining is underway.
Support growth by improving the business climate and making a more inclusive financial development.	The authorities are focusing on areas covered by the World Bank's 'Doing Business'. Tax treatment of leasing has been clarified in 2019 budget law. The BCEAO's support scheme for lending to SMEs was launched. The anti-corruption agency, HALCIA, has stepped up awareness campaigns as part of the rollout of the National Anti-Corruption Strategy.
Macro-financial linkages: Make credit available to small businesses, especially those run by women and young entrepreneurs. Establish steering committee to implement the National Financial Sector Development Strategy.	Microfinance has failed to take off with the largest provider now under receivership. The authorities have finalized a new strategy on financial inclusion.

Appendix I. Letter of Intent

Niamey, June 13, 2019

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

Madame Managing Director,

1. **Niger continues to make notable economic progress in the context of its reform program supported by the ECF arrangement**. Real GDP growth picked up to an estimated 6.5 percent in 2018 and should average at least 7 percent annually over the next five years with the economy developing new dynamism, catalyzed by several large private and public investment projects, notably the development of a pipeline for crude oil exports, and the hosting of the African Union summit this July. Inflation has fallen well below the 3 percent WAEMU norm. Fiscal consolidation in 2018 outperformed the program with the fiscal deficit declining to 4.2 percent of GDP. This progress was achieved despite a tense security situation, low prices for uranium exports, and daunting development challenges.

2. **Implementation of our ECF-supported reform program is broadly on track**. All performance criteria and indicative targets for end-December 2018 and end-March 2019 were met, except the clearance of domestic payment arrears owing to intermittently tight conditions in regional financial markets and pressing security spending needs. However, a substantial paydown is a prior action for the completion of this review. Structural reforms also advanced. All but one structural benchmark through end-March 2019 have been met. Achieving this objective is also a prior action. Progress toward the end-June 2019 structural benchmarks is well advanced.

3. **The Government of Niger remains fully committed to the objectives of the program**. Sound public finances for macroeconomic stability is a top priority. No efforts will be spared to meet the WAEMU convergence criterion for a fiscal deficit of at most 3 percent of GDP in 2020, to ensure debt sustainability, and to preserve Niger's moderate risk rating for public debt distress. The critical drive to mobilize more revenues will continue, flanked by steps to improve spending quality and debt management. The government also recognizes the importance of developing a stronger local private sector, of further improving governance, and of advancing girls' education.

4. **The government's program for the remainder of 2019 and the medium-term is detailed in the attached Memorandum of Economic and Financial Policies (MEFP)**. The government believes that the measures and policies set forth therein will serve to achieve the

established objectives. It stands ready to take any additional measures that may prove necessary and will consult with the IMF on the adoption of such measures and before making changes to the policies set out in the MEFP in accordance with the IMF's policies on consultations. Timely information needed to monitor the economic situation and implementation of policies relevant to the program will be provided, as agreed under the attached Technical Memorandum of Understanding (TMU), or at the IMF's request.

5. The Government of Niger requests a 3-month extension of the ECF arrangement to April 2020. This way the semi-annual spacing of program targets can be retained for the sixth and final program review, providing a more realistic timeframe for completing the implementation of envisaged reforms.

6. Considering the prior actions—reducing domestic payment arrears together with reassurances on the government's commitment and adopting performance plans for tax and customs administrations—and the resolve to implement the program, the Government of Niger requests (i) a waiver for the non-observance of the end-December 2018 performance criterion on domestic payment arrears clearance, (ii) a waiver for the non-observance of the continuous performance criterion on keeping domestic arrears below the CFAF 5 billion ceiling in 2019; (iii) the modification of the continuous performance criterion on the stock of domestic arrears from the date of completion of the fourth review onward and modification of the arrears adjuster to the domestic financing performance criterion at end-June 2019; (iv) the completion of the fourth program review; (v) the disbursement of the fifth tranche of SDR 33.84 million under the ECF arrangement; and (vi) a 3-month extension of the ECF arrangement through April 22, 2020 and the rephasing of disbursements as detailed in Table 7 of the MEFP. Performance criteria, indicative targets, and structural benchmarks for 2019 are set out in Tables 2, 4, and 6 of the MEFP.

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

Sincerely yours,

/s/
Mamadou Diop
Minister of Finance

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

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

INTRODUCTION

1. **This memorandum of economic and financial policies (MEFP) supplements and updates the MEFPs signed on December 21, 2016, November 30, 2017, May 15, 2018, and November 21, 2018**. It describes recent economic developments, the macroeconomic outlook, progress with program implementation, and policies for the remainder of 2019, and the medium-term. The program supported by the Extended Credit Facility (ECF) arrangement is in line with the government's Economic and Social Development Plan 2017-21 (PDES 2017-2021). Program priorities are focused on: (i) maintaining macroeconomic stability; (ii) creating fiscal space through better revenue mobilization and higher efficiency in public spending; (iii) improving public financial management, including cash and debt management; (iv) supporting private sector and financial development; (v) increasing transparency and governance, including in the mining and oil sectors; (vi) poverty alleviation; and (vii) managing demographic challenges, including by increasing school attendance of girls.

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS

2. **Recent economic developments are broadly in line with projections established at the time of the previous program review**. Real GDP growth rose to an estimated 6.5 percent in 2018, driven by agriculture, construction and service sector. Inflation started to recede quickly late in the year, bringing the 2018 annual average to 2.7 percent. The external current account deficit widened further, mainly on account of weak natural resource exports and increasing imports of capital and intermediate goods. It is mostly financed by donors and foreign investors, but an overall deficit of 2.3 percent of GDP remains. As a WAEMU member, Niger has recourse to the union's pooled reserves currently standing at 4.3 months of union imports. Financial deepening remains weak, with private sector credit expanding by only 6.9 percent for the year on average and hence less than the 9.2 percent increase in nominal GDP.

3. **Fiscal consolidation is progressing**. The overall fiscal balance declined somewhat more than programmed from 5.7 percent of GDP in 2017 to 4.1 percent of GDP in 2018, reflecting restraint in current expenditure and domestically-cash-financed investment, as well as a shift from loans to grants in foreign-financed investment. Revenue mobilization efforts began to bear fruit thanks to new measures, such as performance plans for revenue administrations, the gradual rollout of transaction valuation for imports in customs, the removal of some tax exemptions, and efforts to strengthen the taxation of the informal sector. However, weak contributions from the resource sector and the abolition of a telecom tax weighed on this performance. The clearance of domestic payment arrears stalled in the face of intermittently tight conditions in the regional financial markets and demands from security-related events.

PERFORMANCE UNDER THE ECF-SUPPORTED PROGRAM

4. Program implementation has progressed well, despite some implementation delays.

5. All performance criteria (PCs) and all indicative targets (ITs) through end-March 2019 were met, except the clearance of domestic payment arrears, a substantial paydown of which has been set as a *prior action* for this review. Most importantly, the domestic financing PC was respected, as were the ITs on revenues, basic fiscal balances, social spending, and exceptional spending. But the plan to eliminate domestic payment arrears by end-2018 and keep them below a minimal technical threshold thereafter run into implementation challenges in the face of intermittently tight financing conditions. Arrears clearance was thus delayed into June 2019 when market tightness had eased.

6. Implementation of the structural agenda covered by structural benchmarks (SBs) also progressed well, despite some slippages in the timetable due to the breadth of Niger's reform program and limited capacity. The phasing-out of cash payments in the public sector went beyond program commitments to do so in the main tax and custom offices and prepare a plan for further bankification. Salary payments of contractual civil servants have been bankarized since January 2019 and the salaries of other civil servants, hitherto paid in cash, since March 2019. Almost all bank accounts of pertinent public entities were transferred to the Treasury Single Account (TSA) as envisaged. The electronic interconnection between tax and customs administration was established within the March 2019 deadline. However, finalization of the 2019 performance plans for customs and tax administration are addressed only as a *prior action* for this review. Preparation for the structural reforms covered by end-June 2019 SBs is on track, except for delays in the preparation of legislation to reduce tax exemptions.

7. The government complied with all but one recurrent SB in the fourth quarter of 2018 and the first quarter of 2019. Quarterly spending allocations are released within the first month, based on the decisions of the Inter-Ministerial Budget Regulation Committee. Quarterly commitment plans with corresponding cash and debt management plans were prepared. The Inter-Ministerial Debt Management Committee met quarterly. However, establishing the status of newly granted discretionary tax exemptions since the beginning of 2018 also took longer than expected but is now completed and has been shared with IMF staff.

THE MACROECONOMIC FRAMEWORK FOR THE REMAINDER OF 2019 AND THE MEDIUM TERM

8. The economic outlook for 2019 and the medium-term remains favorable. As explained in the context of the preview program review, GDP growth should receive a jolt in 2019 from hosting the African Union summit and the launch of many large projects by private investors, donors, the government, and public-private partnerships (PPPs). For the most part, projects will be executed over several years, spurring economic activity in their construction phase and contributing to Niger's productive capacity thereafter. Most importantly, the construction of a pipeline for crude oil exports through Benin is set to boost GDP, exports, and fiscal revenues when it becomes operational in

2022. Against this backdrop, real GDP growth should average at least 7 percent annually over the next five years, but will diminish slightly to 6.3 percent in 2019 as agricultural production normalizes after the surge in 2018. Inflation is likely to remain moderate, below the WAEMU norm. Niger's external position is bound to move further into deficit as execution of the large projects pushes up imports, but it should improve over the medium term, especially when crude oil exports commence. Private sector credit and broad money growth are projected to outpace nominal GDP growth as the financial sector starts to deepen.

9. Regarding public finances, the goal is to comply with the WAEMU deficit criterion by 2020. Following the consolidation efforts in 2019, the overall fiscal deficit will be brought in line with the 3 percent of GDP threshold in 2020 and gradually decline over the medium term to 2 percent of GDP. Consolidation relies primarily on revenue mobilization, but expenditure restraint remains a second line of defense in case revenue performance were not satisfactory. Throughout, the government will make efforts to raise the quality of spending with a view to making the most of limited resources. The likely revenue boost from crude oil exports will be used to reduce the deficit further to some 2 percent of GDP, replace donor-funded spending, and finance priority spending. This will keep public finances on a sustainable path, with public debt gradually declining from 54 percent of GDP currently to 43 percent of GDP by 2024 and Niger preserving its "moderate" rating for public debt distress risk.

FISCAL POLICIES AND REFORMS FOR 2019 AND 2020

10. The government remains committed to implement fiscal policies for 2019 as agreed in the previous program review. This means following the budget adopted by the National Assembly in December 2018, except for holding back CFAF 17.1 billion (0.3 percent of GDP) in appropriations unless revenues overperform program targets and except for some largely deficit-neutral reshuffling in the June 2019 supplementary budget to account for higher foreign aid and military spending needs. Unused budget allocations from 2018 have been cancelled. More generally and in line with the corresponding recurrent *SB*, spending allocations will be released as appropriate in the first month of each quarter, after consideration by the Inter-Ministerial Budget Regulation Committee. The 2019 budget is backed by a variety of strong measures:

- The partial reinstatement of the tax on incoming international calls, **TATTIE**, with a discount for companies that purchase a 4G license, strikes a balance between revenue needs and sector development. It is expected to yield CFAF 23.4 billion (0.4 percent of GDP).

- Substituting a dedicated financial sector tax, **TAFI**, for the VAT on banking services should generate CFAF 5 billion (0.1 percent of GDP) in additional revenues. This reform also implements a WAEMU directive.

- Revenue gains of at least CFAF 5.8 billion (0.1 percent of GDP) are expected from better taxing the informal sector. Raising the **VAT threshold** and subjecting more small businesses to **lump sum taxation** makes better use of scarce tax administration resources. In addition, lump sum taxes are raised, and VAT under-reporters will be subjected to a **turnover tax**.

- Integrating the receipts of the telecommunication regulator, **ARCEP**, into the general budget is expected to yield another CFAF 5.2 billion (0.1 percent of GDP).

11. The government will redouble its efforts to strengthen tax administration reforms to help underpin revenue mobilization in 2019 and beyond. The focus will be on expanding the tax base and combatting fraud, while avoiding putting further pressure on compliant firms in the small formal private sector.

- The drive to **collect tax arrears** will be stepped up and the names of the major delinquents will be published on the DGI's website. A reduction of the stock of arrears deemed collectable by 40 percent, equivalent to CFAF 30 billion or 0.6 percent of GDP), is envisaged for 2019.
- **Molecular marking of petroleum products** has fallen behind the scheduled launch date of January 2019, but an international firm is being identified and implementation is likely to start before end-2019. It should generate at least CFAF 3 billion (0.05 percent of GDP).
- Formal communication by the Minister of Finance of the **2019 performance plans for DGI and DGD**, as described in the previous program review and based on the lessons from the 2018 performance plans, is a *prior action* for this review, including in particular indicators tracking the breadth of DGI's tax base. The plans should help systematically build administrative capacities over time, thereby complementing high-frequency quantitative revenue targets.
- Revenue performance should also benefit from **better cooperation between DGD and DGI**. The link between the administrations' IT systems, ASYCUDA and SISIC, is established, which will facilitate cross-checks to detect tax evasion and fraud. While it is being made fully made operational, the DGI will post a live database of fiscally active tax identification numbers on its website, allowing DGD to quickly identify delinquents and block their imports.
- The streamlining of the **tax exemption regime** holds important revenue potential. The government will provide IMF staff with concrete proposals for reductions with substantial revenue impact for discussion (*SB proposed to be reset* for end-June 2019). Legislation to this effect will be submitted to the National Assembly as part of the 2020 draft budget law (*SB proposed to be reset* for end-September 2019). In addition, the administration of exemptions will be strengthened by upgrading the functionality of IT systems and concentrating control efforts in a dedicated unit.
- The implementation of **transaction valuation of imports** will be stepped up with the help of a newly established working group. The immediate goal is to codify more goods for inclusion in the valuation database and adjust the IT system so that processing cannot proceed without valuation checks. The gradual shift to a more risk-based inspection regime at DGD with heightened emphasis on post-clearance audits is continuing.

12. Regarding public expenditure, the government will strive to improve spending quality. In the context of the 2019 draft, several spending items were reviewed and streamlined, but more far-reaching reforms are envisaged:

- To improve the **efficiency of public investment**, the inter-ministerial selection committee in charge of the public investment plan will henceforth consider proposals only if they have been properly vetted.

- The successful introduction of **program budgeting** in 2018 has provided a solid basis to sharpen program targets and to apportion the wage bill across programs and actions. This is a critical tool to better assess and improve the effectiveness of government spending.

- The **double authorization framework** (AE/CP) for budget allocations will be piloted in selected ministries starting with the 2020 budget to improve long-term planning and guard against disruptions of ongoing programs and investment projects.

- **Public procurement** will be overhauled: the share of competitive purchases will be targeted to gradually rise from around two-thirds to the WAEMU norm of 95 percent and the backlog of procurement audits will be addressed. Procurement audits will also cover key **public administrative entities** that receive large government subsidies and transfers, such as CAIMA and OPVN.

- The government will strive to consolidate and streamline **administrative entities** following a functional review.

- **PPPs** will be strictly controlled to contain fiscal risks and ensure value for money. In this framework, new projects will be considered outside the public investment plan only on an exceptional basis. Going forward, the mandate of the Inter-Ministerial Committee on Public Debt and Budget Support will cover PPPs. The government will furnish copies of all conventions to IMF staff on a timely basis.

- The drive for spending efficiency will not impede the government's **anti-poverty and social protection** drive. As per the end-June 2019 *SB*, a tracking system for the major social spending programs has been set up. Together with the ongoing review of social spending, it should help raise efficiency and scale up promising programs, such as the school lunch program or the cash transfer program.

13. The government remains committed to improving debt and cash management.

- The clearance and prevention of **domestic payment arrears** will be underpinned by strong measures. As a *prior action* for this review the government: (i) schedules an additional emission of government paper in the amount of at least CFAF 30 billion to finance arrears clearance; (ii) requests the national assembly to authorize funding of some CFAF 56 billion for arrears clearance in the context of a cabinet-approved supplementary budget for 2019; (iii) provides IMF staff with proof of arrears payments of at least CFAF 30 billion; and (iv) prepares and shares with IMF staff an updated treasury plan consistent with the PC on arrears reduction in the second half of 2019. To keep better track of arrears and float, the treasury will compile data on a monthly basis with a one-month lag and share them with IMF staff. The government is also committed to keeping the stock of arrears below CFAF 25 billion throughout the third quarter of

2019 (*adjusted ceiling for the continuous PC* on domestic arrears) and below CFAF 5 billion throughout the fourth quarter of 2019.

- **TSA implementation** is entering its final stretch. The accounts of public administrative entities that have received a derogation, notably ARCEP, will have their accounts transferred from commercial banks to the TSA before end-September 2019. Those of CAIMA and OPVN will be transferred before end- 2019. The banking functions of the Treasury will be further strengthened. The government is analyzing the large gap of some CFAF 60 billion (1.2 percent of GDP) between the initial balances of the transferred accounts and the amounts received by the TSA. A copy of the final report will be shared with IMF staff by end-September 2019.

- The government remains committed to preserving the upgraded functionality of the **Inter-Ministerial Committee on Public Debt and Budgetary Support**. Quarterly meetings will continue to be held to assess and pronounce on public debt and guarantees. It will also validate compliance with established selection procedures for debt-financed projects. Its remit will be widened from mid-2019 to also cover PPPs, debt of major SOEs and public administrative entities, and local governments. In line with the *recurrent SB*, quarterly debt management reports will be prepared and shared with IMF staff. They report on the decisions taken by the committee and describe and analyze the evolution of public debt and guarantees within its remit and PPPs.

- To further improve debt and cash management, institutional arrangements will be strengthened by **consolidating the management of all public debt** in a dedicated unit at the Treasury with a front-middle-back office structure. All legal and organizational arrangements will be in place for the unit to start operating by year end (*proposed SB for end-December 2019*). The unit will also serve as the secretariat for the Technical Committee on Public Debt and Budget Support.

14. Additional reforms to improve public sector efficiency are also being pursued. This notably includes civil service reform and governance reform of state-owned enterprises and public administrative entities. A review of the government's human resource management processes, a functional review of ministries, and preparation of a biometric database for civil servants and government employees are underway. Following performance audits of five large SOEs and public administrative entities, an action plan to improve the governance framework, including financial oversight, board member section, auditing, and processing of financial information, is being developed.

15. Reaching the fiscal objective for 2020 will make budget preparation challenging. Every effort will be made to start a broad consultative process early on with a view to building consensus around the difficult measures that will be required to reduce the budget deficit to at most 3 percent of GDP as per WAEMU requirements.

STRUCTURAL REFORMS

16. Developing a strong private sector is indispensable for a lasting increase in living standards and job creation. Beyond its existing efforts to improve the business environment, the government plans to kick off later this year a concerted effort on one of the existing consultation platforms to develop a stronger private sector in partnership with the private sector and donors, with a view to set a self-sustaining dynamism into motion, while respecting fiscal constraints. It will take the first step by putting a critical mass of concrete, measurable, and time-bound reforms on the table, challenging the private sector and donors to do the same. Implementation will be monitored, and subsequent consultation rounds will correct course as needed and extend the agenda. The government will also strive to strengthen incentives for the local private sector to formalize.

17. Financial deepening and financial inclusion are key ingredients to private sector development. The government will push ahead with developing to full potential new financing vehicles, such as leasing, warrantage, the regional financing scheme under the BCEAO, and lending co-financed through the Maison de l'Entreprise. The framework for mobile banking and payments is in place, but the new possibilities need to be popularized further, interconnectivity improved, and infrastructure gaps addressed. Reducing domestic financing for the budget would give banks more space to lend to the private sector. The government is determined to revive microfinance. The new microfinance strategy is an important step in this context. It will be swiftly implemented once the donor round table has been held. Legacy issues in the microfinance sector will be addressed.

18. Improving governance and fighting corruption remains high on the reform agenda. The effort proceeds along several tracks:

- Follow the strengthening of the legal and institutional framework, **better implementation** is now key. The government will review the funding of key institutions, such as the audit court, encourage better follow-through by tracking cases. It will also better publicize the work of anti-corruption agencies by, for example, posting HALCIA's annual reports on its website.

- The **asset declaration regime for high-level government officials** will be improved by strengthening legal obligations and improving compliance. The government is working with IMF staff to better align it with good international practice, regarding the appropriate remit of government officials subject to the regime; a suitable list of assets to be declared; the plugging of loopholes; clear deadlines for the submission of declaration and sanctions in case of non-compliance; and publication of declarations. The associated necessary legal changes will be submitted to National Assembly or issued by decree by end-September 2019 in line with the *SB*.

- The government will also redouble its effort to rejoin the **Extractive Industry Transparency Initiative (EITI)**, with a target date of end-2019.

- Regarding **AML/CFT**, Niger will adopt the just completed National Risk Assessment Report required by the 2012 FATF standard and act upon the its recommendations.

- The government recognizes that a number of its broader reforms have **positive side effects** on governance by reducing vulnerabilities to corruption. This includes competitive procurement, scaling-back of discretionary exemptions, bankification of fiscal payments, establishing a TSA, risk-based inspection regimes at customs, and simplification of administrative procedures more generally.

19. To improve accountability and communication with the public, the government will prepare a fiscal transparency package. The publication of the 2019 budget as submitted to the National Assembly was a first step. The government will continue to respect legal requirements for publication of key documents, such as budget outturns on a regular and timely basis, draft and approved budgets, including supplementary ones, a citizen budget, major conventions with foreign investors, PPP contracts, and tender awards. The Government Gazette will be made available online and free of charge.

20. The government is committed to addressing Niger's demographic challenges to attain the objectives laid out in the PDES 2017-2021. Leveraging the updated National Gender Policy and the decree on the Education of Girls, awareness campaigns, geared toward religious leaders and the public at large, will be stepped up. The donor community will be invited to expand various projects in the areas of gender and demographics. There are also important synergies between social protection spending on the one hand and demographic and gender issues on the other. For example, an expanded school lunch program would help keep girls in school longer, thereby discouraging early marriage and child bearing.

PROGRAM MONITORING

21. In view of the progress made in implementing the ECF-supported program and the policies envisaged under the MEFP, the government requests a waiver for non-observance of the end-December 2018 target on the clearance of domestic payment arrears, as well as on the continuous performance criterion on keeping arrears below the CFAF 5 billion ceiling in 2019; the modification of the continuous performance criterion on the stock of domestic arrears from the date of the completion of the fourth review onward and the arrears adjuster to the domestic financing performance criterion at end-June 2019; the approval of the fourth review under the arrangement; the disbursement of SDR 33.84 million; and an extension of the ECF arrangement through April 22, 2020 to retain the semi-annual spacing of program targets between the final program reviews and give more time for reform implementation.

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

23. The program will be monitored through semiannual reviews. The fifth and sixth program reviews are expected to take place at or after end-October 2019 and April 8, 2020, respectively.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (March–December 2018)

(Billions CFA Francs)

	End-Mar. 2018 Indicative Targets			End-Jun. 2018 Performance Criteria			End-Sept. 2018 Indicative Targets			End-Dec. 2018 Performance Criteria		
	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status
A. Quantitative performance criteria and indicative targets [1]												
(Ceiling on the cumulative from beginning of year)												
Net domestic financing of the government, without IMF net financing	46.1			70.6			140.4			123.8		
Adjustment for shortfall in external budget support	...	0.0		...	0.0		...	8.3		...	0.0	
Adjustment for shortfall/excess of arrears clearance in 2018	...	-3.3		...	-7.4		...	-9.5		...	-43.7	
Adjusted net domestic financing criteria [2]	42.8	-1.3	Met	63.2	27.0	Met	139.2	114.8	Met	80.1	69.0	Met
Change in domestic payment arrears of government obligations [3]	-15.0			-30.0			-45.0			-64.7		
Adjustment for overperformance in 2017	...	10.3		...	10.3		...	10.3		...	10.3	
Adjusted domestic payment arrears of government obligations	-4.7	-1.4	Not met	-19.7	-12.3	Not met	-34.7	-25.2	Not met	-54.4	-10.7	Not met
Memorandum items:												
External budget support [4]	0.0	23.2		23.0	26.7		68.4	60.1		146.9	156.8	
B. Continuous quantitative performance criteria [1]												
(Ceiling)												
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
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						
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						
Present Value (PV) of new public and publicly-guaranteed external debt contracted from January 1, 2018		...			75.4		225.0	122.0	Met	225.0	203.8	Met
C. Indicative Targets												
(cumulative for each fiscal year)												
Basic budget balance (commitment basis, excl. grants), floor	-61.2	12.4	Met	-123.5	-6.3	Met	-169.7	-101.9	Met	-210.0	-204.4	Met
Basic budget balance (commitment basis, incl. budget grants), floor	-61.2	35.6	Met	-100.5	20.4	Met	-132.4	-41.8	Met	-100.3	-78.8	Met
Total fiscal revenue, floor	172.7	192.2	Met	369.5	440.0	Met	567.0	657.8	Met	803.3	862.4	Met
Spending on poverty reduction, floor	108.0	115.3	Met	237.9	300.1	Met	345.9	368.9	Met	538.4	557.7	Met
Ratio of exceptional expenditures on authorized spending (percent), ceiling [7]	5.0	4.4	Met	5.0	2.8	Met	5.0	2.5	Met	5.0	1.5	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-June and end-December; 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 program forecasts, the quarterly ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion. Net domestic financing of the government will also be adjusted up (down) for any excess (shortfall) in domestic payment arrears clearance. The upward adjustment is capped at CFAF 30 billion.

[3] Minimum; for the PC/IT on the reduction in domestic payments arrears, negative sign means a reduction and positive sign means an accumulation. Targets will be adjusted for over- and underperformance in 2017, subject to a cap of zero. Updated adjustment amount to account for revisions to 2017 data after the second review of the ECF arrangement.

[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] Exceptional expenditures refer to payment made by the treasury without prior authorization, excluding debt service payments and expenditures linked to exemptions.

Table 2. Niger: Quantitative Performance Criteria and Indicative Targets (March–December 2019)

(Billions CFA Francs)

	End-Mar. 2019 Indicative Targets			End-Jun. 2019 Performance Criteria			End-Sept. 2019 Indicative Targets			End-Dec. 2019 Performance Criteria		
	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status
A. Quantitative performance criteria and indicative targets [1]												
(Ceiling on the cumulative from beginning of year)												
Net domestic financing of the government, without IMF net financing	69.7			74.0			113.1			21.9		
Adjustment for shortfall in external budget support [2]	…	0.0		…			…			…		
Adjustment for the reduction of stock of unpaid payment obligations below the level at end-2018 [3]												
Adjustment for borrowing under PGB operation [4]												
Adjusted net domestic financing of the government, without IMF net financing	69.7	29.0	Met	…			…			…		
Memorandum items:												
External budget support [5]	0.0	16.0		28.2			28.2			160.1		
B. Continuous quantitative performance criteria [1]												
(Ceiling)												
Accumulation of external payments arrears	0.0	0.0	Met	0.0			0.0			0.0		
Stock of outstanding domestic payment arrears on government obligations [6]	5.0	43.0	Not met	5.0			25.0			5.0		
Present Value (PV) of new public and publicly-guaranteed (PPG) external debt contracted from January 1, 2019	225.0	11.9	Met	225.0			225.0			225.0		
Adjustment for borrowing under PGB operation [7]												
Adjusted criteria on the PV of new external PPG debt contracted from Jan. 1, 2019												
C. Indicative Targets												
(Cumulative from beginning of year)												
Basic budget balance (commitment basis, excl. grants), floor	-56.1	-51.0	Met	-99.0			-124.7			-157.9		
Basic budget balance (commitment basis, incl. budget grants), floor	-56.1	-43.0	Met	-70.8			-96.5			-39.4		
Total fiscal revenue, floor	195.2	205.6	Met	417.6			652.1			889.8		
Spending on poverty reduction, floor	150.7	152.2	Met	301.4			452.2			602.9		
Ratio of exceptional expenditures on authorized spending (percent), ceiling [8]	5.0	3.2	Met	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-June and end-December, and indicative targets for end-March and for end-September.

[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 5 falls short of program forecasts, the quarterly ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion.

[3] From end-June 2019, the ceiling on domestic financing of the budget will be increased/reduced by the reduction/increase in the stock of outstanding domestic payment obligations since end-2018, excluding the supplementary period adjustment. Domestic payment obligations comprise arrears and float and stood at CFAF 95.8 billion at end-2018. This adjuster will be reduced by the amount of any external budget support in excess of the program amount as quantified in the memorandum item of this table and will be capped at CFAF 50 billion.

[4] From October 1, 2019 onward, the ceiling on net domestic financing will be lowered by the amount of borrowing under the PBG operation.

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

[6] The stock increases to CFAF 25 billion effective on the date of completion of the fourth review and remains continuously at this level until September 30, 2019. On October 1, 2019 the continuous PC stock is reduced to CFAF 5 billion until the end of the arrangement.

[7] From October 1, 2019 onward, the ceiling on the PV of newly-contracted external PPG debt will be raised by the amount of borrowing under the PBG operation up to an amount of CFAF140 billion.

[8] Exceptional expenditures refer to payments made by the treasury without prior authorization, excluding debt service payments and expenditures linked to exemptions.

Table 3. Niger: Recurrent Structural Benchmarks for the Program, December 2018–March 2019			
Measure	**Timetable**		**Macroeconomic Rationale**
Release the quarterly budget allocation in the first month of each quarter based on the proposal of the regulation committee.	Quarterly	Met for 2018Q4 and 2019Q1	Improve budget and cash flow management.
Prepare a quarterly commitment plan consistent with the corresponding cash plan.	Quarterly	Met for 2018Q4 and 2019Q1	Improve budget and cash flow management.
Prepare quarterly debt management reports to be validated by the National Public Debt Management Committee.	Quarterly	Met for 2018Q4	Improve debt management.
Hold at least quarterly meetings of the Inter-Ministerial Debt Management Committee. Publish its decisions, a list of newly approved loans, and the view taken by the Ministry of Finance in the quarterly debt management reports.	Quarterly	Met for 2018Q4	Safeguard control over the contracting of new public debt.
Provide Fund staff with a tally of newly granted tax exemptions.	Quarterly	Not met for 2019Q1	Protect revenue base.

Table 4. Niger: Recurrent Structural Benchmarks for the Program June–December 2019

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 reports to be validated by the National Public Debt Management Committee.	Quarterly	Improve debt management.
Hold quarterly meetings of the Inter-Ministerial Debt Management Committee. Publish its decisions, the list of newly approved loans, and the view taken by the Ministry of Finance in the quarterly debt management reports.	Quarterly	Safeguard control over the contracting of new public debt.
Provide Fund staff with a tally of newly granted tax exemptions.	Quarterly	Protect revenue base.
Prepare a revised borrowing plan.	At end-June 2019	Improve debt management.

Table 5. Niger: Structural Benchmarks, December 2018–March 2019

Measure	Timetable	Progress	Macroeconomic Rationale
Fiscal Policy and Revenue Administration			
Assess compliance with 2018 performance plans of DGD and DGI, take corrective actions as needed, and establish 2019 performance plans for DGD and DGI. New plans should feature at least five indicators covering administrations' key functions, set ambitious numerical quarterly targets for the indicators, and assign responsibility within the administrations at the functional level.	End-January 2019	Not met	Support revenue generation through systematic strengthening of tax and customs administrations.
Link the IT systems of DGI and DGD and make the access to pertinent information operational.	End-March 2019	Met	Support revenue generation.
Public Financial Management			
Regarding TSA implementation, reduce still-to-be-transferred balances of public administration and public entities to less than 10 percent of the level established in the BCEAO study; digitalize Treasury's banking services.	End-December 2018	Met	Improve liquidity management and expenditure control.
Other Structural Reforms			
Provide IMF staff with a whitepaper on the bankification of fiscal payments, including action plan for next steps.	End-December 2018	Met	Improve governance in public administration and promote financial deepening.
Discontinue tax and customs duty payments to the DME and the twenty largest customs offices in cash by issuing a circular.	End-December 2018	Met	Improve governance in public administration and promote financial deepening.

Table 6. Niger: Prior Actions and Structural Benchmarks, June–December 2019			
Measure	**Timetable**	**Progress**	**Macroeconomic Rationale**
Prior Actions			
Reduce domestic payment arrears and strengthen the framework. Concretely: (i) schedule an additional emission of government paper in the amount of at least CFAF 30 billion to finance arrears clearance; (ii) request the National Assembly to authorize funding of some CFAF 56 billion for arrears clearance in the context a cabinet-approved supplementary budget for 2019; (iii) provide IMF staff with a tally of arrears payments of at least CFAF 30 billion; and (iv) prepare and share with IMF staff an updated treasury plan consistent with the PC on arrears reduction in the second half of 2019.			Maintain sound public financial management.
Assess compliance with 2018 performance plans of DGD and DGI, take corrective actions as needed, and establish 2019 performance plans for DGD and DGI. New plans should feature at least five indicators covering administrations' key functions, set ambitious numerical quarterly targets for the indicators, and assign responsibility within the administrations at the functional level.			Support revenue generation through systematic strengthening of tax and customs administrations.
Fiscal Policy and Revenue Administration			
<u>Proposed to be reset:</u> Provide IMF staff with concrete proposals for reductions of tax exemptions with substantial revenue impact for discussion	End-June 2019		Support revenue generation.
<u>Proposed to be reset:</u> Submit legislation on reducing tax exemptions with substantial revenue impact to the National Assembly.	End-September 2019		Support revenue generation.
Public Financial Management			
<u>Newly proposed:</u> Put all required legal and organizational arrangements in place for a debt management unit, inside the Treasury, in charge of all public debt, and with a front-middle-back office structure to start operating by the end-2019.	End-December 2019		Improve the management of public debt.

Table 6. Niger: Prior Actions and Structural Benchmarks, June–December 2019 (concluded)

Other Structural Reforms			
Establish tracking system for major social programs, including spending and progress toward meeting objectives.	End-June 2019		Improve effectiveness of social protection.
Publish new strategy on financial inclusion and hold donor round table.	End-June 2019		Improve access to financing and the business environment.
Submit to the National Assembly draft legislation in consultation with IMF staff on asset declaration requirements for high-ranking government officials and introduce sanctioning non-compliance with asset-declaration requirements.	End-September 2019		Improve governance and transparency.

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

Amount (Millions)	Conditions Necessary for Disbursement	Date Available[1/]
SDR 14.1	Executive Board Approval of the ECF Arrangement	January 23, 2017
SDR 14.1	Observance of continuous and end-June 2017 performance criteria, and completion of the first review under the arrangement	December 15, 2017
SDR 14.1	Observance of continuous and end-December 2017 performance criteria, and completion of the second review under the arrangement	June 1, 2018
SDR 14.1	Observance of continuous and end-June 2018 performance criteria, and completion of the third review under the arrangement	December 10, 2018
SDR 33.84	Observance of continuous and end-December 2018 performance criteria, and completion of the fourth review under the arrangement	April 30, 2019
SDR 14.1	Observance of continuous and end-June 2019 performance criteria, and completion of the fifth review under the arrangement	October 31, 2019
SDR 14.1	Observance of continuous and end-December 2019 performance criteria, and completion of the sixth and last review under the arrangement	April 8, 2020
SDR 118.44	Total	

[1/] With respect to previously completed reviews, the date indicated refers to the date of the Executive Board meeting.

Source: International Monetary Fund.

Attachment II. Technical Memorandum of Understanding

Niamey, June 13, 2018

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 Q2-2018 to Q1-2020. The performance criteria and indicative targets for 2018 and for 2019 are set out in Tables 1 and 2 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent of November 21, 2018. Structural benchmarks appear in Tables 3 to 6. This technical memorandum of understanding also sets out data-reporting requirements for program monitoring.

DEFINITIONS

2. For the purposes of this technical memorandum, the following definitions of "government," "debt," "payment 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) Present value (PV) of new public and publicly-guaranteed external debt contracted discounts at a five percent annual rate the future payment stream, except for loans with a negative grant element, in which case the PV is set equal to the value of the loan. The calculation of the PV is based on the loan amount contracted in a given year, independent on when disbursements take place.

d) **Domestic payment 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 payment arrears** are external payments due but not paid.

e) 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 2018 and 2019 quarterly targets are based on the change between the end-December 2017 and end-December 2018 levels, respectively, and the date selected for the performance criterion or indicative target.

Adjustments

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 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 30 billion. From October 1, 2019 onward, the ceiling on domestic financing will be reduced by the amount of borrowing under the World Bank's Policy Based Guarantee operation.

11. For 2018, but not 2019, the ceiling on net domestic financing will also be adjusted for deviations from programmed domestic payment arrears clearance. Specifically, the ceiling on domestic financing will be adjusted up (down) one-for-one for arrears clearance in excess (in deficit) of programmed levels. The upward adjustment is capped at CFAF 30 billion. From end-June 2019, the ceiling on domestic financing of the budget will be increased/reduced by the reduction/increase in the stock of outstanding domestic payment obligations since end-2018, excluding the supplementary period adjustment. Domestic payment obligations comprise arrears and float and stood at CFAF 95.8 at end-2018. This adjuster will be reduced by the amount of any external budget support in excess of the program amount as quantified in the memorandum item of the PC table and will be capped at a maximum of CFAF 50 billion.

Reporting Requirement

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

Stock of Domestic Payment Arrears

Definition

13. For 2018, the reduction of domestic payment arrears is equal to the difference between the stock of arrears at end-2017 and the stock of arrears on the reference date. For 2019, there is a continuous ceiling on the stock of outstanding domestic payment arrears. The ceiling is set at CFAF 25 billion from the date of the completion of the fourth review to September, 30 2019, inclusive, and starting on October 1, 2019is reduced to CFAF 5 billion through the end of the arrangement period.

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

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

Adjustments

16. Programmed arrears clearance in 2018 will be adjusted up (down) one-for-one for any shortfall (excess) relative to programmed arrears clearance programmed for end-2017. The adjusted target on domestic payment arrears clearance shall not be negative.

17. For the purpose of evaluating performance against the end-December 2018 target, domestic payment arrears clearance includes arrears' reduction during the supplementary budget period.[1]

18. For the purpose of evaluating performance against the targets in 2019, the stock of outstanding domestic arrears will be assessed excluding the arrears' reduction during the supplementary period.

[1] The fiscal accounts for the current year are revised to incorporate transactions for expenditure engagements made in the current fiscal year but not finalized until the supplementary period (January and February) in the subsequent fiscal year.

External Payment Arrears

Definition

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

Reporting Requirement

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

Short-Term External Debt of the Central Government

Definition

21. 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

22. 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.

Present Value of Public and Publicly-Guaranteed External Debt

Definition

23. For program purposes, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board Decision No. 15688-(14/107), adopted on December 5, 2014.
(http://www.imf.org/external/pp/longres.aspx?id=4927)

(a) For the purpose of these guidelines, the term "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, at some future point(s) in time; these payments will discharge 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 which 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 these guidelines, 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 that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt set out in this paragraph, 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.

24. 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).

25. 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.

26. For the purpose 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).*

27. External debt is defined as debt contracted or serviced in a currency other than the franc of the Financial Community of Africa (CFAF).

28. The performance criterion (PC) is a ceiling and applies to the present value of all new external debt (concessional or non-concessional) contracted or guaranteed by the central government, including commitments contracted or guaranteed for which no value has been received. This performance criterion does not apply to:

(a) Short-term supplier or trade-related credit with a maturity of up to three months;

(b) rescheduling agreements; and

(c) IMF disbursements.

29. Applicable contractual date. For program monitoring purposes, external debt is deemed to be contracted or guaranteed at the date of effectiveness of the contract, including its approval, where required, by the member(s) of the government of Niger with authority to do so.

30. Currency Denomination. For program purposes, the value in CFAF of new external debt of 2018 is calculated using the average exchange rate for January 2018 in the IMF's International Financial Statistics (IFS) database.

31. PV Calculation. Present Value of new external debt is calculated by discounting all projected disbursements and debt service payments (principal and interest) on the basis of a program discount rate of 5 percent and taking account of all loan conditions, including projected disbursements, the maturity, grace period, payment schedule, front-end fees and management fees. The PV is calculated using the IMF "DSA template," which is based on the amount of the loan and the above parameters. In the case of loans for which the grant element is zero or less than zero, the PV is set at an amount equal to the face value.

Adjustment

32. The ceiling on the PV of new PPG external debt will be raised by the amount of borrowing under the World Bank's Policy Based Guarantee operation up to an amount of CFAF140 billion from October 1, 2019 onward.

Reporting Requirement

33. The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government and will consult with staff on any potential debt management operations.

B. Quantitative Targets

Definitions

34. 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.

35. The basic fiscal deficit is defined as the difference between (i) total tax revenue, as defined in paragraph 36; and (ii) total fiscal expenditure excluding externally financed investment expenditure but including HIPC-financed expenditure.

36. According to the WAEMU definition, the basic fiscal deficit is defined as the basic balance described under paragraph 37 plus budgetary grants.

37. 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.

38. 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

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

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

41. 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

42. 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

43. 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

44. 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

45. 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

46. 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, 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

Summary of Data to be Reported (concluded)			
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

June 13, 2019

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, AND REQUESTS FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, MODIFICATION OF PERFORMANCE CRITERIA, AND EXTENSION AND REPHASING OF THE EXTENDED CREDIT FACILITY ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By

African Department
(In consultation with other Departments)

CONTENTS

RELATIONS WITH THE FUND

(As of April 30, 2019)

Membership Status Joined: April 24, 1963

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

General Resources Account	**SDR Million**	**%Quota**
Quota	131.60	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	70.52	112.5

Outstanding Purchases and Loans	**SDR Million**	**%Quota**
ECF Arrangements	158.36	120.34

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Jan 23, 2017	Jan 22, 2020	118.44	56.40
ECF	Mar 16, 2012	Dec 31, 2016	120.09	107.75
ECF[1]	Jun 02, 2008	Jun 01, 2011	23.03	13.16

Projected Payments to Fund[2]

(SDR Million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2019	2020	2021	2022	2023
Principal	5.17	11.61	19.08	21.83	25.22
Charges/Interest	0.00	0.00	0.00	0.00	0.00
Total	5.17	11.61	19.08	21.83	25.22

[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

I. Commitment of HIPC assistance	Enhanced Framework
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 2018. The assessment found that the central bank has maintained a strong control environment since the last assessment in 2013 and its governance arrangements are broadly appropriate. In addition, audit arrangements have been strengthened, International Financial Reporting Standards (IFRS) were adopted as the accounting framework beginning with the 2015 financial statements, and a 2016 external quality review of the internal audit function found broad conformity with international standards. The BCEAO's risk management framework established in 2014 is also progressing well with implementation of its work across the bank.

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 = FF 1. Effective January 1, 2007, the exchange arrangement of the WAEMU countries has been classified to the category of conventional pegged arrangement from the category of exchange arrangement with no separate legal tender. Niger 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 2016. The staff report (Country Report No. 17/59) was discussed by the Executive Board, and the 2016 Article IV consultation concluded, on January 23, 2017.

Technical Assistance from January 2017 to March 2019

Department	Purpose	Time of Delivery
FAD	Real Sector Statistics	March 25-April 5, 2019
FAD	Treasury Management	March 5-16, 2019
FAD	Public Investment Management Assessment 1(PIMA)	Feb 27-March 12, 2019
FAD	Budget Execution	January 7-18, 2019
FAD	Single Treasury Account	December 1-15, 2018
FAD	Public Financial Management Functions	Nov 22-Dec 4, 2018
STA/AFRITAC-W	National Accounts Statistics	October 1-5, 2018
FAD/AFRITAC-W	Fiscal Exemptions and Tax Expenditures	August 22-Sept 5, 2018
FAD/AFRITAC-W	Fiscal Functions – Tax Department	July 30-August 17, 2018
STA/AFRITAC-W	Government Financial Statistics	July 10-20, 2018
STA/JSA	External Sector Statistics	April 23-May 4, 2018
FAD/AFRITAC-W	Customs Evaluation	April 2-6, 2018
FAD/AFRITAC-W	Customs and Tax Administrations	March 13-23, 2018
FAD	Implementation of Public Treasury	March 5-17, 2018
STA/AFRITAC-W	National Accounts Statistics	March 5-16, 2018
FAD	Public Debt Management	FAD
FAD	TA needs in PFM	January 16-25, 2018
FAD/AFRITAC-W	Fiscal Functions – Tax Department	January 4-19, 2018
MCM/AFRITAC-W	Developing Debt Policy	Nov 29-Dec 6, 2017
FAD/AFRITAC-W	Treasury Accounting	November 6-17, 2017
FAD/AFRITAC-W	Fiscal Functions – Tax Department	September 18-29, 2017
STA/AFRITAC-W	Quarterly National Accounts	July 31-August 11, 2017
FAD	Fiscal Management of Public-Private Partnerships	April 26-May 10, 2017

STA	External Sector Statistics	June 12-23, 2017
STA/AFRITAC-W	Public Financial Statistics	June 13-23, 2017
FAD	Fiscal and Customs Reform	Feb 20-March 3, 2017

Resident Representative

Mr. Mehmet Cangul, since July 2018.

Resident Technical Assistance Advisor

Mr. Matthieu Sarda, Long-Term Resident Advisor at the Treasury Department.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank: https://www.worldbank.org/en/country/niger
- African Development Bank: https://www.afdb.org/en/countries/west-africa/niger/
- Regional Technical Assistance Center for West Africa 1: https://www.afritacouest.org

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 national 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. With the assistance of AFRITAC West, the INS has rebased its national accounts (2015 will be the new base year) according to the System of National Accounts 2008. The INS has started working on quarterly national accounts and plans to start publishing them in 2020.

The INS has been compiling and publishing a national harmonized consumer price index (CPI) with 2014 as the base year using weights from the survey on living conditions and agriculture (ECVMA) conducted in 2011 and updated in 2014.

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 nº10/2009/CM/UEMOA on the TOFE, which will imply migrating to the GFSM 2001. Niger does not report GFS data to STA.

Monetary and financial statistics: Monthly Monetary and Financial Statistics (MFS) are compiled and disseminated by the Central Bank of West African States (BCEAO). In August 2016, the BCEAO completed the migration of Niger's MFS to the standardized report forms (SRFs) for the central bank and other depository corporations. Since November 2016, the BCEAO has continuously transmitted Niger's SRF-based MFS to the IMF's Statistics Department for publication in International Financial Statistics. Niger reports data on some key series and indicators of the financial access survey (FAS), including mobile money and the two indicators of the U.N. Sustainable Development Goals.

Financial Sector Surveillance: With technical assistance from the IMF's Statistics Department, the BCEAO has compiled a set of FSIs for deposit takers with quarterly frequency. However, while the BCEAO has used FSIs for its internal purposes, it has not yet granted approval to publish the data on the IMF's FSI website.

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. Niger has caught up with the backlog of unpublished balance of payments and IIP statistics, which are now available both on the BCEAO website and in IFS and the Balance of Payments Statistics Yearbook (BOPSY). Niger has participated in the Coordinated Direct Investment Survey (CDIS) since 2012.

B. Data Standards and Quality

Niger has participated in the GDDS/e-GDDS since 2002.
A data ROSC was published in 2006.

Niger: Table of Common Indicators Required for Surveillance
(as of May 3, 2019)

	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]	02/2019	04/2019	M	M	M
Reserve/Base Money	02/2019	04/2019	M	M	M
Broad Money	09/2016	11/2016	M	M	M
Central Bank Balance Sheet	02/2019	04/2019	M	M	M
Consolidated Balance Sheet of the Banking System	02/2019	04/2019	M	M	M
Interest Rates[2]	11/2016	11/2016	M	M	M
Consumer Price Index	03/2019	3/2019	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	12/2017	1/2019	S	S	A
Exports and Imports of Goods and Services	12/2017	1/2019	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]	12/2017	1/2019	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

June 13, 2019

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, AND REQUESTS FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, MODIFICATION OF PERFORMANCE CRITERIA, AND EXTENSION AND REPHASING OF THE EXTENDED CREDIT FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

Approved By
David Owen (AFR), Johannes Wiegand (SPR), and Marcello Estevao (IDA)

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

Niger: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Moderate risk tool: Limited space to absorb shocks*
Application of judgement	*No*

Niger's risk of external and overall public debt distress is rated "moderate" as in the previous DSA. While all thresholds are observed in the baseline, the PV of PPG external debt-to-exports ratio breaches its threshold under stress test scenarios. Debt-carrying capacity continues to be rated "medium." The analysis shows that Niger has limited space to accommodate negative shocks and remains vulnerable to adverse developments of its exports. The DSA is predicated on the government continuing to implement its reform program: fiscal consolidation; structural reforms, including revenue mobilization efforts; contain expenditures and improve spending quality; and timely completion of several large-scale projects, in particular the construction of a pipeline for crude oil exports. Identified weaknesses call for further strengthening of debt management, including by broadening the coverage of public debt, prioritizing concessional borrowing, and strengthening private-sector development to support economic diversification and mitigate the risks associated with commodity price fluctuations.

PUBLIC DEBT COVERAGE

1. The coverage of the public sector in the DSA is in line with fiscal accounts (Text Table 1). It covers the central government but excludes local governments, the social security fund, and extra budgetary funds. State guarantees extended to the private and public sectors for external borrowing are included. Publicly-guaranteed private debt is limited to the guarantee issued to the China National Petroleum Company (CNPC) for the construction of the refinery SORAZ.[1] SOEs do not directly borrow from abroad but benefit from debt contracted by central government and on lent to them. This includes electricity (NIGELEC), water (SPEN), and telecom (Niger Telecom) companies, and ABK, a public administrative entity set up for implementing the Kandadji dam project. Domestic debt of SOEs is excluded due to data constraints, but the authorities are working with the World Bank to improve the availability and quality of financial information for SOEs. External debt is defined on a currency basis.[2]

Text Table 1. Niger: Coverage of Public-Sector Debt and Design of Contingent Liability Stress Test

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	X
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

1	**The country's coverage of public debt**	The central government plus extra budgetary funds, central bank, government-guaranteed debt		
		Default	**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4	PPP	35 percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		7.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

2. The contingent liability tailored stress test is calibrated to account for the debt coverage gaps highlighted above (Text Table 1). First, the default shock of 0 percent of GDP is kept for other elements of the general government not captured in the baseline stock of debt since (i) the authorities indicated that the strong financial position of the social security fund (CNSS) removes material fiscal risks; (ii) the authorities confirmed the absence of extra-budgetary funds; and (iii) local governments solely contract short-term debt with the domestic banking sector. Second, the contingent liabilities shock from SOE debt is set at the default value of 2 percent to reflect risks associated with domestic borrowing by SOEs. Third, with the stock of public-private partnerships (PPPs) signed under the new PPP law of May 2018 well below the 3 percent-of-GDP limit according to the authorities and PPPs under the previous PPP law

[1] CNPC extended a US$880 million (9.5 percent of GDP) loan for the construction of SORAZ refinery in 2008, of which US$352 million (3.8 percent of GDP) is guaranteed by the government. The outstanding stock of US$161 million (1.7 percent of GDP) at end-December 2018 is included in the baseline stock of debt and is expected to be fully repaid by 2023.

[2] Niger's DSA follows a hybrid approach, with financing from BOAD, the regional development bank, considered as foreign despite being local-currency-denominated.

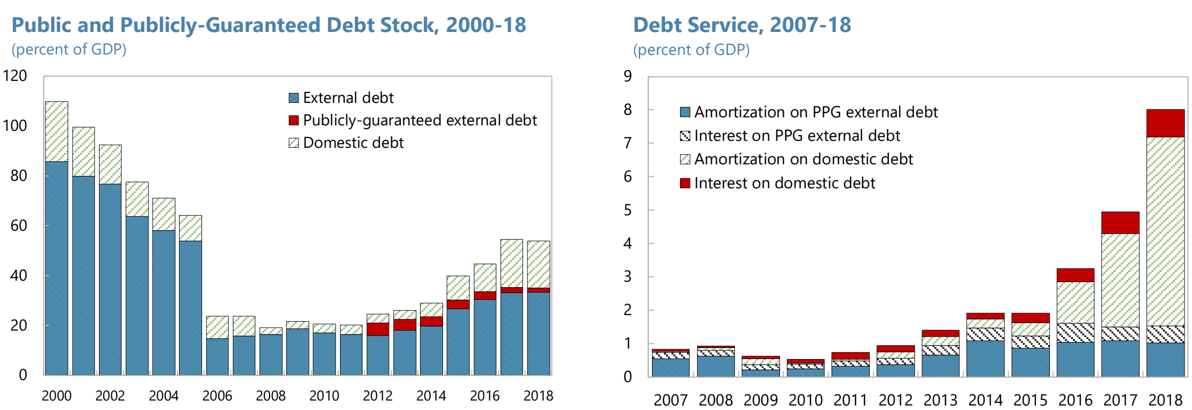
already counted as part of the public debt stock in the baseline,[3] no contingent liability stress test for PPPs is necessary. Fourth, given the small size and depth of the financial sector in Niger, it does not exhibit significant vulnerabilities warranting an upward adjustment of the default minimum value of 5 percent of GDP.

BACKGROUND

A. Evolution and Composition of Debt

3. **Niger's public and publicly-guaranteed (PPG) debt stood at 53.8 percent of GDP at end-2018** (Text Figure 1). This is somewhat higher than in the previous DSA owing to the revision of historical debt stock data by about 5.1 percent of GDP.[4] External debt dropped from an average of 70 percent of GDP during 2000–05 to 14.7 percent of GDP in 2006 following debt relief granted under the HIPC initiative. It hovered around 20–25 percent of GDP in the following years, before increasing markedly from 2015. Domestic debt has also been on a declining trend since 2000 and averaged 4 percent of GDP over 2008–14, before starting to rise in 2015. Debt service follows a similar pattern, with principal and interest payment on domestic debt surpassing debt service on PPG external borrowing from 2016.

Text Figure 1. Niger: Public and Publicly-Guaranteed Debt, 2000–18



Sources: Nigerien authorities, and IMF staff estimates.

Note: Domestic debt includes debt associated with commercial PPPs in 2017 (4.7 percent of GDP) and 2018 (4.2 percent of GDP).

4. **Niger's PPG external debt accounted for 65 percent of the total debt stock in 2018** (Text Table 2). Multilateral creditors represent the lion's share of external debt, with Niger borrowing most from the World Bank (IDA) and the West African Development Bank (BOAD). Official bilateral debt is

[3] These so-called commercial PPPs amounted to CFAF 218.8 billion (4.2 percent of GDP) at end-December 2018. They are expected to be fully repaid by 2033.

[4] The authorities had inadvertently omitted some domestic loans from commercial banks, as well as concessional external loans contracted in the past. Also, the previous debt stock figures did not reflect ongoing securitization operations with commercial banks to clear domestic payment arrears. To avoid such lapse in the future, the authorities are setting up a dedicated debt management unit in the Treasury.

dominated by China and France (AFD). While external debt is mainly foreign-currency denominated, exposure to exchange rate risk is relatively low given the CFAF's peg to the euro. External debt is generally on concessional terms, with an average weighted interest rate of 1.6 percent and remaining maturity of 21 years at end-2018.

Text Table 2. Niger: Public and Publicly-Guaranteed Debt, 2016–18

	2016		2017		2018	
	CFAF billion	percent of GDP	CFAF billion	percent of GDP	CFAF billion	percent of GDP
PPG External Debt	**1,513**	**33.5**	**1,668**	**35.3**	**1,808**	**35.0**
Multilateral	1,071	23.8	1,271	26.9	1,394	27.0
of which: IMF	91	2.0	110	2.3	128	2.5
of which: World Bank	444	9.8	564	11.9	634	12.3
of which: BOAD	204	4.5	240	5.1	245	4.7
Official Bilateral	295	6.5	293	6.2	323	6.3
Paris Club (France)	46	1.0	54	1.1	62	1.2
Non-Paris Club	250	5.5	239	5.1	261	5.0
of which: China	108	2.4	116	2.5	119	2.3
Publicly-guaranteed private debt	146	3.2	104	2.2	92	1.8
Domestic debt	**501**	**11.1**	**902**	**19.1**	**971**	**18.8**
Tbills and bonds	422	9.4	519	11.0	679	13.2
Bank loans	2	0.0	50	1.1	19	0.4
Domestic arrears	44	1.0	89	1.9	42	0.8
Other	32	0.7	244	5.2	231	4.5
Total PPG debt	**2,014**	**44.6**	**2,570**	**54.4**	**2,780**	**53.8**

Source: Nigerien authorities, and IMF staff calculations.

Note: Domestic debt includes debt associated with commercial PPPs in 2017 (4.7 percent of GDP) and 2018 (4.2 percent of GDP).

5. **Domestic debt consists mostly of short and medium-term Treasury securities**, with the share of arrears and statutory advances from the regional central bank declining over time as Niger clears its domestic payments arrears and gradually repays loans from the BCEAO. From 2017 onward, the stock includes debt related to commercial PPPs contracted before the 2018 PPP law, and representing 4.7 and 4.2 percent of GDP in 2017 and 2018, respectively.[5] The average weighted interest rate on domestic debt was 6.4 percent in 2018.

[5] In the government publication, PPPs enter the domestic debt stock only when the goods and services are delivered to the State. Instead, staff included the entire stock of PPPs contracted before the new law was adopted to capture risks associated with PPPs.

6. The estimation and analysis of private external debt is complicated by data issues and requires further follow up. The regional central bank (BCEAO) does not yet compile external debt stock statistics. Efforts to gather information on the coverage and composition of private external debt will continue, with technical support from the IMF's Statistics Department.

B. Macroeconomic Forecast

7. The baseline scenario is predicated on macroeconomic assumptions reflecting recent economic developments and expected effects of ongoing and new policy measures (Text Table 3). The framework remains broadly unchanged from the previous DSA. It assumes fiscal consolidation in line with the government's ongoing reform program, including the goal to meet the deficit target of 3 percent of GDP of the West African Economic and Monetary Union (WAEMU) by 2020. The fiscal deficit is projected to average 2 percent of GDP from 2024 onward. Similar to the previous DSA, the commencement of crude-oil exports and the resumption of activities at the Imouraren uranium site are projected for 2022 and 2025, respectively. Annual economic growth should pick up to average 7 percent over 2018-24 on the back of privately-financed projects catalyzed by the hosting of AU summit this July, and large donor-financed projects. As in the previous DSA, revenue mobilization is expected to gather steam with the implementation of performance plans for revenue administrations, the collection of tax arrears, the consolidation of tax exemptions, the fight against petroleum smuggling, computerization of revenue authorities, and improved cooperation between tax and customs administrations. On average, inflation is projected to remain at 2 percent in the longer-term.

8. Financing assumptions imply a gradual shift from domestic funding sources to foreign ones. In the short and medium term, Niger is expected to benefit from continued foreign support, including from the pledges made during the December 2017 donor roundtable and investors' forum in Paris.[6] With fiscal consolidation reducing overall financing needs, the domestic debt ratio is thus projected to decline from 17.8 percent of GDP in 2019 to 5.4 percent of GDP in 2029.

9. The composition of foreign and domestic borrowing is also assumed to change over time. For foreign debt, new disbursements are expected to be covered by external funding sources based on historical financing patterns. Over the longer term, the weights of external creditors are adjusted so that external borrowing moves toward less concessional financing and toward commercial loans. For domestic borrowing, debt instruments are assumed to gradually shift from T-bills to medium- and long-term bonds. Consistent with the borrowing terms of recent government securities issuances on the regional market, the average interest rate on domestic debt is assumed at 6.25, 6.5 and 7.5 percent for bonds maturing in 1 to 3, 4 to 7 years and beyond 7 years, respectively. The interest rate on T-bills is set to 6 percent.

[6] Niger obtained more funding than sought for its five-year economic and social development plan (PDES 2017–2021), with a total of US$12.7 billion pledged by official bilateral and multilateral donors while private investors expressed a commitment of US$10.3 billion.

Text Table 3. Niger: Key Macroeconomic Assumptions, 2016–39

	2016-2017	2018-2024	2025-2039 [1]
Real GDP growth (percent)			
DSA 2019	4.9	7.0	6.0
Previous DSA	4.9	6.7	6.0
Inflation (CPI)			
DSA 2019	0.2	2.1	2.0
Previous DSA	1.3	1.8	2.0
Primary fiscal balance (percent of GDP)			
DSA 2019	-4.9	-1.7	-1.2
Previous DSA	-4.9	-1.9	-1.3
Total revenue excluding grants (percent of GDP)			
DSA 2019	14.3	18.1	21.1
Previous DSA	14.3	17.7	19.7
Exports of goods and services (percent of GDP)			
DSA 2019	16.9	19.2	23.0
Previous DSA	16.7	19.7	25.6
Oil export price (US dollars per barrel)			
DSA 2019	42.8	50.7	57.4
Previous DSA	45.4	58.5	60.2
Uranium price (Thousands of CFAF per kg)			
DSA 2019	54.2	44.1	43.9
Previous DSA	54.2	38.5	71.2

Source: IMF staff calculations.

[1] Averages for the previous DSA are up to 2038.

10. Realism tools do not flag significant deviations from historical experience.

a. **Drivers of debt dynamics (Figure 3)**. The contributions of past and projected debt-creating flows remain broadly unchanged, although prices and exchange rates are expected to negatively contribute to external debt accumulation relative to historical experience. The projected contribution of real GDP growth to public debt reduction is higher than what the past five years would suggest, due to an upward revision of medium- and long-run growth. Continued fiscal consolidation should curb the contribution of the primary deficit to public debt accumulation more than in the past. For PPG external debt, past forecast errors were mainly driven by unexpected price changes and the residual. For public debt, unexpected changes in the primary deficit and prices were chiefly responsible for past forecast errors. A comparison with the distribution of past forecast errors for LICs shows that unexpected changes to Niger's debt are within the interquartile range for both public and PPG external debt.

b. **Realism of planned fiscal adjustment (Figure 4)**. The projected 3-year fiscal adjustment in the primary balance (1.5 percentage points of GDP) lies below the top quartile of the distribution of past adjustments to the primary fiscal deficit (above 2 percentage points of GDP) derived from the sample of LICs, hence alleviating possible concerns about the credibility of baseline assumptions. The realism of the expected adjustment is predicated on the authorities' commitment to boost revenue mobilization through the implementation of existing and new measures, to clear domestic payments arrears, to contain expenditures, and increase spending quality.

c. **Consistency between fiscal adjustment and growth (Figure 4)**. The projected growth path for 2019 and 2020 is broadly in line with the multiplier-based projections.

d. **Consistency between public investment and growth (Figure 4)**. The tool shows a similar contribution of public investment to growth in the previous and the current DSAs. Public investment is expected to remain at around 15 percent of GDP over the medium term.

C. Country Classification and Determination of Stress Test Scenarios

11. Niger's debt-carrying capacity remains rated "medium" according to the April 2019 vintage of the World Economic Outlook (WEO). The methodology relies on a composite indicator (CI) combining the CPIA score, external conditions as captured by world economic growth, and country-specific factors. Based on data from the April 2019 WEO vintage, it yields a CI value of 2.94, reflecting positive contributions from the CPIA (44 percent) but also international reserves (33 percent), and country and world real growth rates (6 and 16 percent, respectively) (Text Table 4). This score falls within the medium debt-carrying capacity thresholds defined as 2.69 < CI ≤ 3.05.

Text Table 4. Niger: CI Score

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.388	1.30	44%
Real growth rate (in percent)	2.719	6.280	0.17	6%
Import coverage of reserves (in percent)	4.052	39.075	1.58	54%
Import coverage of reserves^2 (in percent)	-3.990	15.269	-0.61	-21%
Remittances (in percent)	2.022	0.727	0.01	0%
World economic growth (in percent)	13.520	3.559	0.48	16%
CI Score			2.94	100%
CI rating			Medium	

Source: IMF staff calculations. The CI cutoff for medium debt-carrying capacity is 2.69 < CI ≤ 3.05.

12. The debt sustainability analysis relies on the six standardized stress tests and a tailored commodity price shock stress test. The standardized stress tests use the default settings. While Niger does not qualify for the market financing shock stress test, the commodity price shock stress test is relevant and helps assess the sensitivity of projected debt burden indicators to unfavorable developments in commodity export prices.

DEBT SUSTAINABILITY

A. External Debt Sustainability

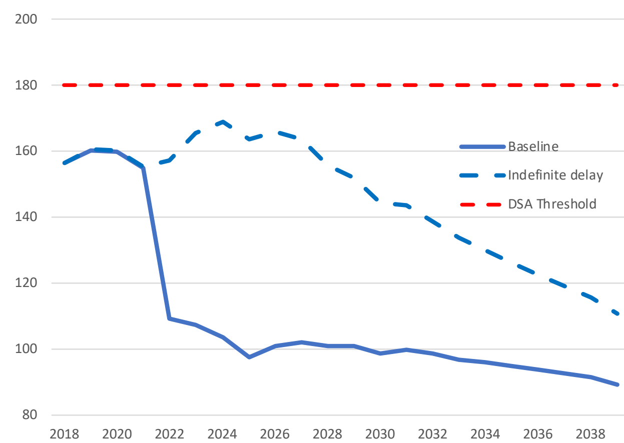
13. External debt is projected to fall gradually, with public and private debt both declining in the long run (Table 1). Under the baseline scenario, PPG external debt is expected to increase from 35 to 37.1 percent of GDP over 2018-21 owing to significant foreign borrowing to finance Niger's economic and social development agenda, before easing to 26.4 percent of GDP by 2039. The non-interest current account deficit remains the main driver of external debt dynamics, with the goods and services balance likely deteriorating in the short term due to high imports related to the construction boom ahead of the 2019 AU summit. In the medium term, large investment projects, including the Kandadji dam, a cement factory and the oil export pipeline, and MCC-funded investments in the agricultural sector likely entail higher current account deficits. Once the non-interest current account deficit, net FDI, and endogenous debt dynamics are accounted for, remaining drivers of external debt accumulation/reduction, such as components of the capital account, reserves accumulation, valuation adjustments, as well as price and exchange rate changes, are subsumed into the residual.

14. None of Niger's PPG external debt indicators breaches thresholds in the baseline scenario (Figure 1 and Table 3). Similar to the previous DSA results, all indicators remain below applicable debt thresholds throughout the projection period. The PV of debt-to-GDP ratio is expected to hover around 24 percent of GDP in the longer term. After peaking in 2021, the PV of debt-to-exports ratio is projected to decline with the commencement of crude-oil exports following the completion of the export pipeline, and the expected resumption of the Imouraren uranium project after 2025. Both the debt service-to-exports and debt service-to-revenue ratios display similar patterns, declining in 2020 and picking up in 2021 owing to principal repayment on IDA and IMF loans, and decreasing gradually thereafter. For these indicators, the baseline scenario yields a debt path relatively close to that in the historical scenario. But longer-term projections of the PV of debt-to-GDP and PV of debt-to-exports ratios suggest rapidly accumulating debt if key macroeconomic variables remained at their historical averages.

15. However, the PV of external debt-to-exports ratio breaches its applicable threshold under the export shock stress test scenario, thereby signaling a moderate risk of external debt distress. The indicator peaks at 273 percent in 2021 before progressively receding below its prescribed threshold, helped by the anticipated large boost to oil exports. This outcome is consistent across DSA vintages and underscores Niger's narrow export base concentrated on uranium and oil, generating structural vulnerability to unfavorable commodity prices and unstable export revenues. The threshold is also breached under the stress test combining adverse shocks to the current transfers-to-GDP and FDI-to-GDP ratios, albeit only in 2020 and 2021; the stress test combining the five standardized stress tests in 2020–21; and the tailored commodity price shock stress test over 2010-21. For the PPG external debt service-to-exports ratio, the one-off breach resulting from the export shock scenario can be ignored for the debt distress ratings.

16. Niger's "moderate" rating for debt distress is preserved in an alternative scenario where crude oil exports do not materialize (Text Figure 2)**.** If the crude oil pipeline construction is not completed over the DSA horizon and the expected boost to exports does not materialize, the PV of PPG external-debt-to-exports ratio remains below its debt threshold applicable under the baseline scenario, so that the rating of external debt distress would remain "moderate." The scenario involves lower economic growth in 2022 and subsequent years, lowered government revenue, and less space for expenditure increases.

Text Figure 2. Niger: PV of PPG External-Debt-to-Exports Ratio Under Indefinite Delay of Crude Oil Exports



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

B. Total Public Debt Sustainability

17. Public sector debt is projected to decline gradually, driven by both PPG external and domestic debt dynamics (Table 2). Public debt is expected to recede with the government's commitment to fiscal consolidation and meeting the WAEMU deficit target by 2020. Accordingly, the primary deficit is projected to decline over time with the improvement of domestic revenue mobilization, enhancement of spending quality, and continued expenditure control, further helped by favorable automatic debt dynamics.

18. The PV of public debt-to-GDP ratio breaches its benchmark neither under the baseline, nor the stress test scenarios (Figure 2 and Table 4). Similar to the previous DSA, public debt indicators in the baseline scenario remain below their levels suggested in the historical scenario. Again, the commodity price shock emerges as the most extreme stress test among all alternative scenarios, emphasizing the vulnerability of the public debt path to commodity price fluctuations.

C. Debt Sustainability in a Debt-Reprofiling Scenario

19. The authorities requested a Policy-Based Guarantee (PBG) operation with the World Bank to reduce roll-over risk, which is being carefully assessed. The request is to set aside US$50 million in IDA funds for Niger to support a World Bank guarantee for borrowing from foreign commercial banks up to US$500 million, equivalent to 5.2 percent of GDP. These proceeds would retire one-for-one T-bills and obligations currently held by commercial banks in other WAEMU countries. The operation would substantially lengthen maturities and also lower the government's interest bill. However, the substitution of foreign debt for domestic debt will worsen indicators of external debt sustainability. This underscores the need to carefully assess the associated benefits, costs, risks, and viability in close consultation with all stakeholders to ensure that any operation is compatible with maintaining Niger's "moderate" rating for external debt distress.

D. Risk Rating and Vulnerabilities

20. Niger's debt sustainability analysis finds a moderate risk of external and overall debt distress. This mirrors the results from the previous DSA, with current external and public debt trajectories remaining very close to those of the previous DSA (Figure 3). The baseline scenario indicates a sustainable debt path for both PPG external debt and public debt, but the prescribed thresholds are breached in the event of a negative shock to export growth or commodity prices.

21. A granular assessment of the moderate risk rating shows that Niger has limited space to absorb shocks (Figure 5). This result is due to the PV of debt-to-exports ratio, which resides in the "limited space" region over 2019–21. The remaining indicators are in the "some space" region, albeit to different degrees.

22. Debt sustainability is contingent on the reforms built into the baseline being implemented. Commitment to fiscal consolidation and steadfast implementation of the structural reforms are instrumental to contain debt accumulation and preserve macroeconomic stability. The baseline also presumes that Niger's large projects are successfully completed on time, especially the construction of the crude-oil pipeline for exports. Diversification and economic transformation supported by private-sector development and financial deepening is crucial for expanding the export base and mitigating the risks associated with commodity price fluctuations. Identified weaknesses call for further strengthening of debt management and sticking to a prudent borrowing strategy that prioritizes concessional borrowing. Public-sector debt coverage should also be broadened to allow for a better monitoring of borrowing by SOEs and local governments and of fiscal risks associated with PPPs.

E. Authorities' Views

23. The authorities broadly agreed with the thrust of the DSA. They acknowledged the importance of diversifying the export base by raising the value-added content of existing exports but noted the challenges posed by informal trade of agricultural products and minerals. Developing manufacturing agro-industries and modernizing existing value chains would allow exporting transformed products instead of low value-added primary commodities. While highlighting the mitigating role of Niger's access to WAEMU's pooled international reserves, they also concurred that the timely completion of the crude-oil pipeline is instrumental for supporting public finances and better underpinning debt sustainability going forward. The authorities also intend to further strengthen debt management by establishing a dedicated debt management unit within the Treasury with a modern front-middle-back office structure by the end of 2019.

24. However, they emphasized a few points, especially regarding the tailoring of the contingent liabilities stress test.

- First, they affirmed staff that the stock of PPPs contracted und the 2018 PPP law stood at a mere CFAF 33 billion (0.6 percent of GDP). Corroboration documentation would be provided. They also noted the difference in the recording of PPPs concluded under the previous PPP law, which the DSA counts toward in the debt stock, as they have the nature of installment payment plans, but the authorities so far do not in the debt management reports. They agreed to include a section discussing PPP arrangements in their quarterly debt reports, including the associated fiscal risks.

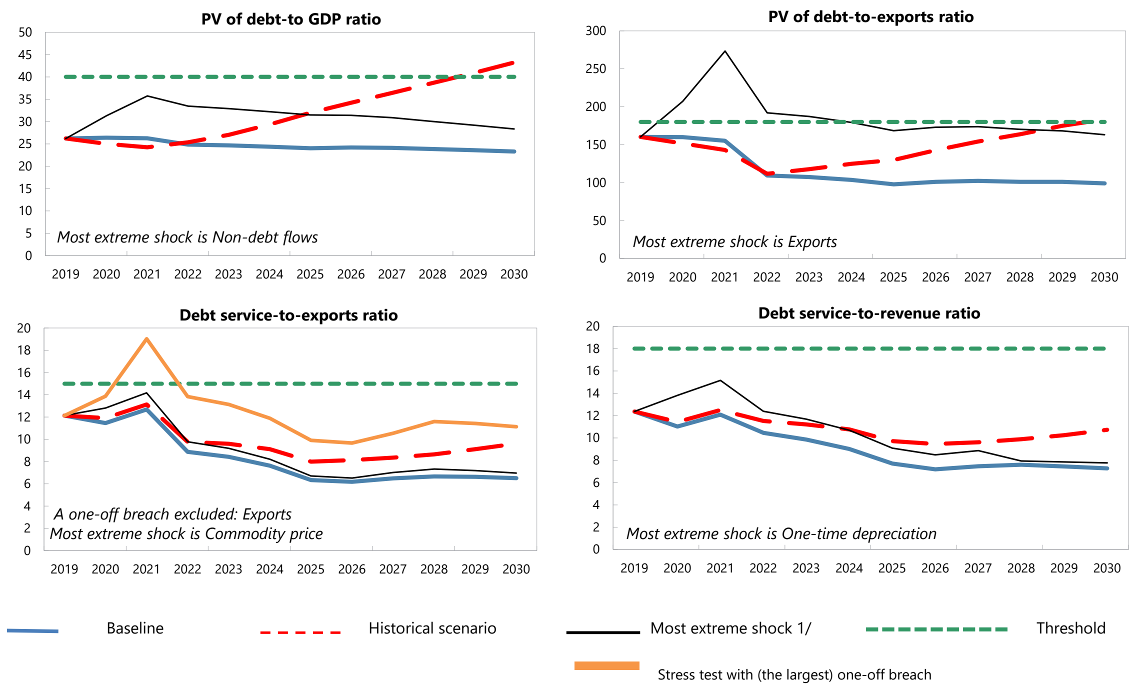
- Second, they noted that the contingent liabilities stress test shock for SOE borrowing should be less than 2 percent of GDP. They argued that the much higher estimate of 25 percent of GDP from the World Bank report on the governance of SOEs covers the entire stock of liabilities of SOEs, including taxes owed to the central government, on-lending from the central government, and other cross-debts. Such debt was within the public sector and should therefore be disregarded in the DSA. While agreeing with the need to improve data on SOE debt to be able to allow for separating out debt to banks and arrears to suppliers. They underscored that SOEs are generally unable to contract external debt due to their small size and poor capacity to produce reliable financial statements.

- Third, authorities explained that although the law allows local governments to contract debt directly, in practice borrowing is well contained as it requires approval by the municipal council and the Ministry of Finance. It is limited to short-term debt with the domestic banking sector, with only a handful of local governments having overdraft facilities to pay salaries and current expenditures.

- Fourth, the authorities assured staff that they remain firmly committed to keep Niger's "moderate" rating for external debt distress.

25. The authorities also communicated that they may wish to conduct a debt reprofiling operation. It involves repaying T-bills and obligations currently held by regional banks, which are recorded as domestic debt in this DSA as they are denominated in CFAF, with funds raised from foreign banks. The operation would be supported by a Policy Based Guarantee from the World Bank. Staff stressed that this would deteriorate the DSA indicator for external PPG debt relative to exports. The authorities assured staff that they would tailor the operation so that Niger's risk rating for external debt distress would remain at "moderate."

Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2019–30



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	No	
Natural Disasters	n.a.	n.a.
Commodity Prices [2/]	No	No
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	6	6

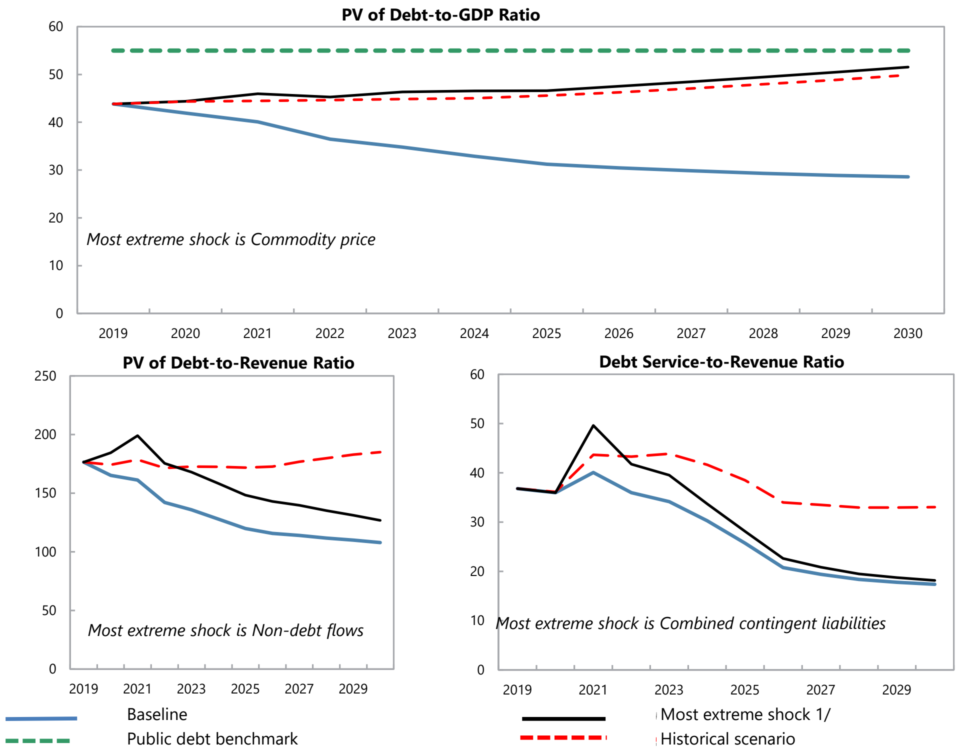
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Niger: Indicators of Public Debt Under Alternative Scenarios, 2019–30



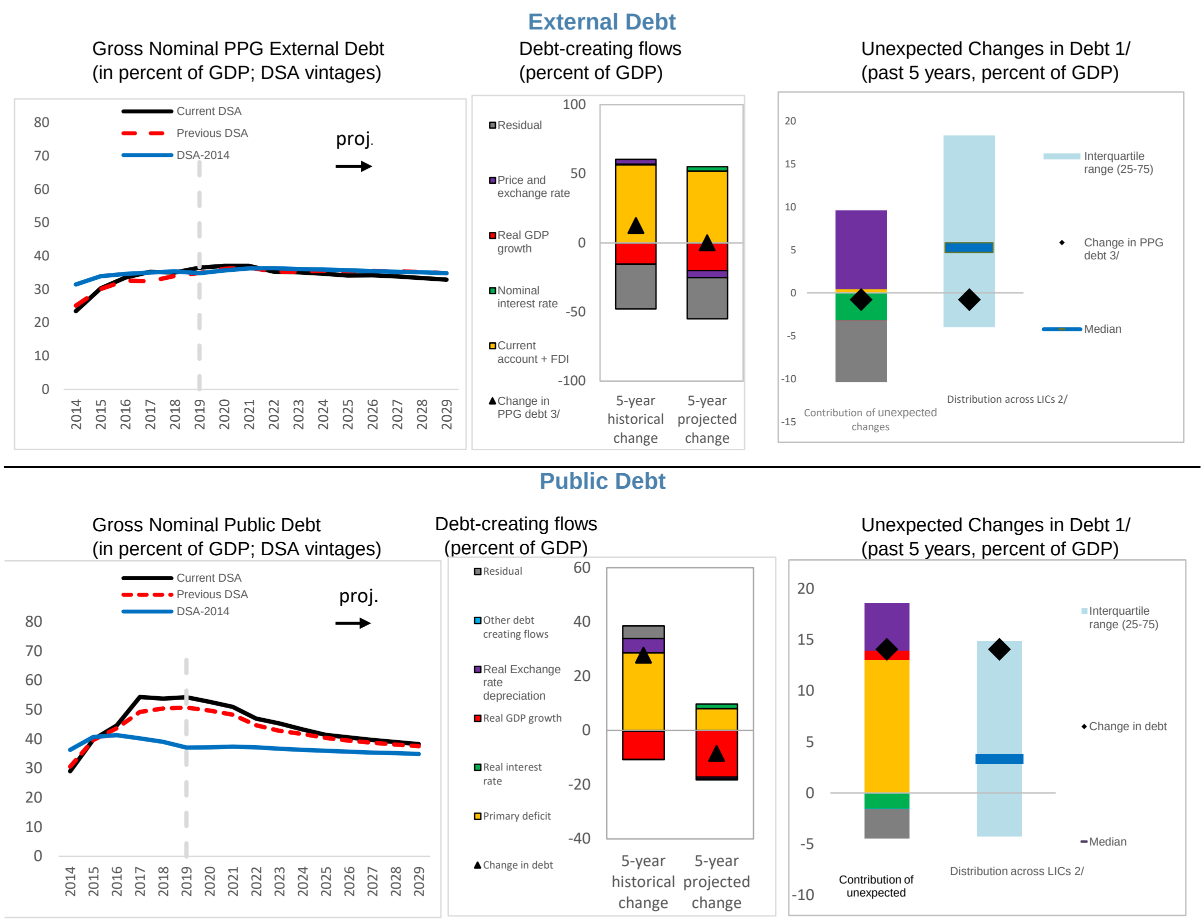
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	47%	47%
Domestic medium and long-term	21%	21%
Domestic short-term	32%	32%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.5%	4.5%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	4%	4.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Niger: Drivers of Debt Dynamics—Baseline Scenario



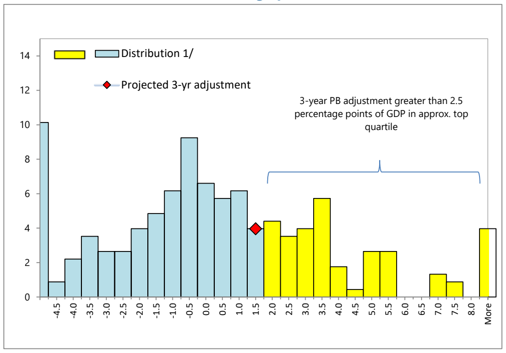
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

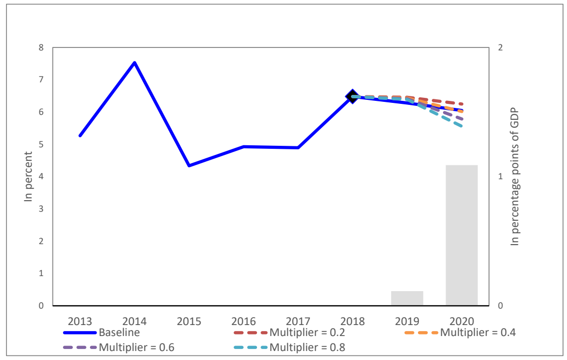
Figure 4. Niger: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



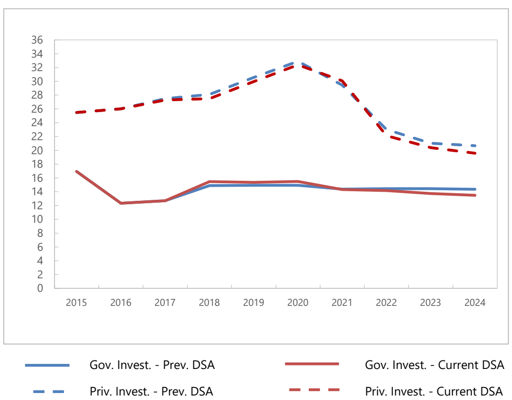
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(% of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

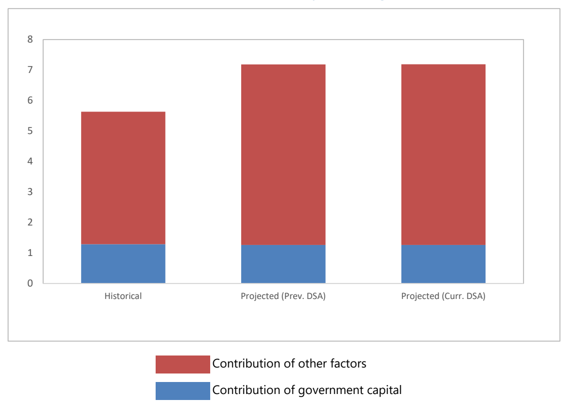
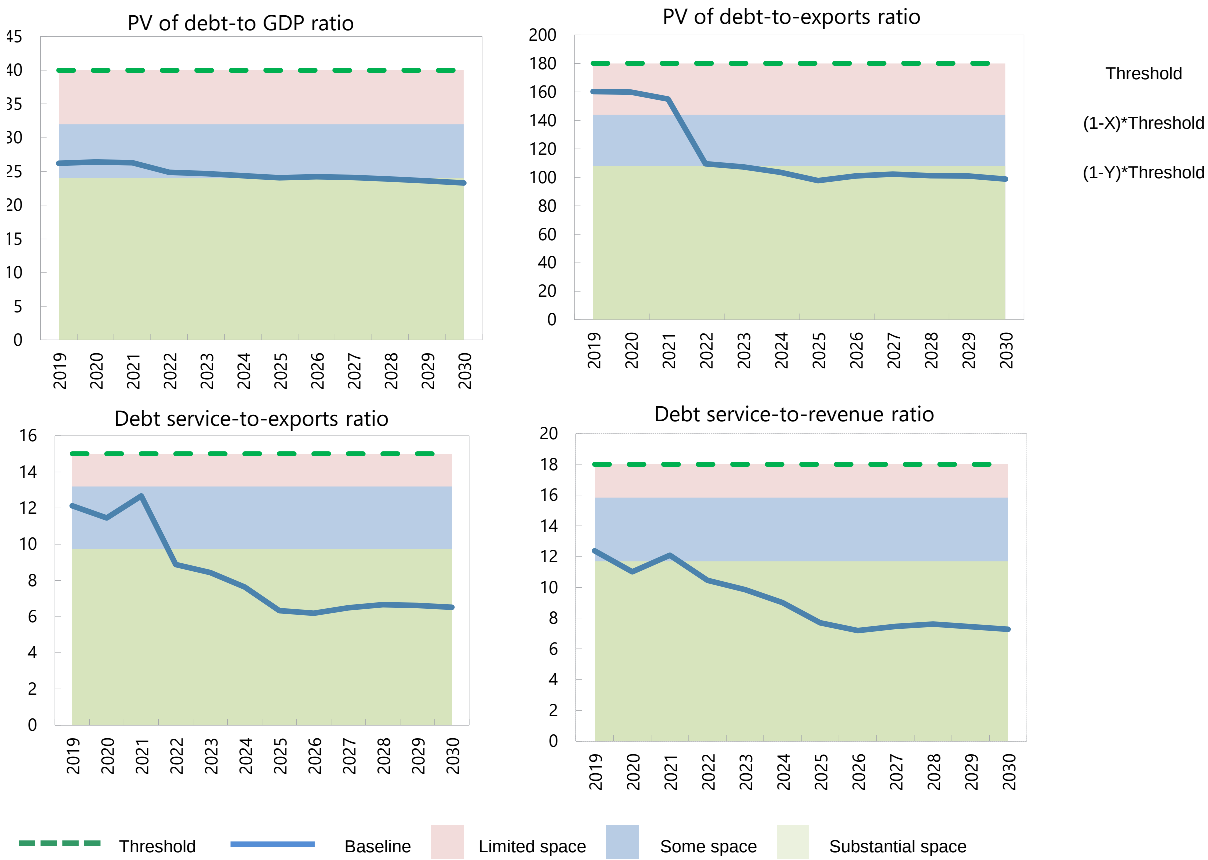


Figure 5. Niger: Qualification of the Moderate Category, 2019–30[1/]



Sources: Country authorities; and staff estimates and projections.

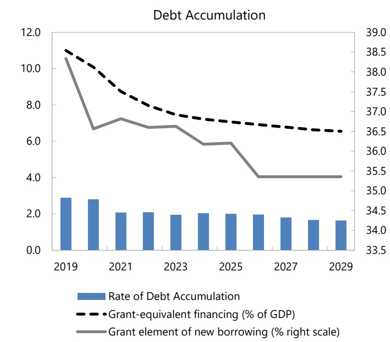
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

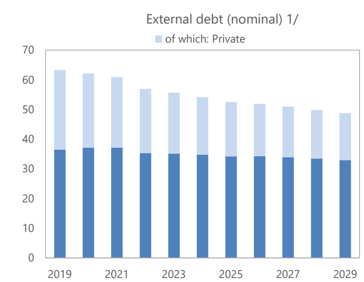
Table 1. Niger: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	**65.3**	**65.6**	**62.5**	**63.3**	**62.1**	**60.9**	**56.9**	**55.7**	**54.1**	**48.7**	**38.0**	**53.9**	**55.2**
of which: public and publicly guaranteed (PPG)	**33.5**	**35.3**	**35.0**	**36.5**	**37.1**	**37.1**	**35.3**	**35.1**	**34.7**	**32.9**	**26.4**	**25.3**	**35.0**
Change in external debt	3.8	0.3	-3.1	0.8	-1.1	-1.2	-4.0	-1.2	-1.5	-1.1	-1.1		
Identified net debt-creating flows	**9.2**	**7.7**	**4.7**	**9.4**	**10.0**	**8.7**	**2.4**	**4.5**	**3.4**	**3.5**	**2.9**	**6.8**	**5.1**
Non-interest current account deficit	**15.4**	**15.6**	**18.1**	**19.1**	**21.8**	**18.8**	**13.9**	**12.4**	**11.2**	**10.7**	**9.7**	**18.9**	**13.8**
Deficit in balance of goods and services	22.4	24.5	25.5	29.4	25.5	25.2	15.6	15.2	14.5	13.3	-21.5	**23.3**	**17.4**
Exports	16.2	17.6	15.6	16.4	16.5	17.0	22.7	23.0	23.6	23.4	21.5		
Imports	38.6	42.1	41.1	45.7	42.0	42.2	38.3	38.2	38.0	36.6	0.0		
Net current transfers (negative = inflow)	-3.7	-5.1	-5.2	-5.5	-4.9	-4.6	-4.2	-4.1	-4.5	-3.7	-2.9	**-4.1**	**-4.3**
of which: official	-1.8	-2.8	-2.7	-3.0	-2.4	-2.2	-1.9	-1.9	-1.9	-1.9	-1.8		
Other current account flows (negative = net inflow)	-3.3	-3.9	-2.1	-4.8	1.2	-1.8	2.5	1.3	1.3	1.1	34.1	**-0.3**	**0.7**
Net FDI (negative = inflow)	**-3.4**	**-3.8**	**-5.2**	**-6.7**	**-8.9**	**-7.5**	**-5.8**	**-5.2**	**-5.0**	**-5.0**	**-5.0**	**-9.6**	**-5.8**
Endogenous debt dynamics 2/	**-2.8**	**-4.1**	**-8.2**	**-3.1**	**-2.8**	**-2.6**	**-5.7**	**-2.6**	**-2.9**	**-2.2**	**-1.8**		
Contribution from nominal interest rate	0.1	0.1	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.4		
Contribution from real GDP growth	-2.9	-3.0	-3.7	-3.8	-3.5	-3.2	-6.3	-3.2	-3.4	-2.7	-2.2		
Contribution from price and exchange rate changes	0.0	-1.2	-4.5	...	...	...	...	...	...	...	...		
Residual 3/	**-5.4**	**-7.4**	**-7.9**	**-8.6**	**-11.2**	**-9.9**	**-6.4**	**-5.8**	**-4.9**	**-4.6**	**-4.0**	**-3.1**	**-6.4**
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		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**24.5**	**26.2**	**26.4**	**26.3**	**24.9**	**24.7**	**24.4**	**23.6**	**19.2**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**156.5**	**160.2**	**159.9**	**155.0**	**109.4**	**107.4**	**103.4**	**101.0**	**89.2**		
PPG debt service-to-exports ratio	**3.3**	**3.2**	**4.5**	**12.1**	**11.5**	**12.7**	**8.9**	**8.4**	**7.6**	**6.6**	**6.8**		
PPG debt service-to-revenue ratio	**3.7**	**3.9**	**4.2**	**12.4**	**11.0**	**12.1**	**10.5**	**9.9**	**9.0**	**7.4**	**6.8**		
Gross external financing need (Million of U.S. dollars)	999.9	1055.6	1300.4	1438.5	1612.0	1591.4	1382.4	1344.4	1302.4	1697.7	3175.3		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.9	4.9	6.5	6.3	6.0	5.6	11.9	6.1	6.8	5.9	6.1	**5.5**	**6.7**
GDP deflator in US dollar terms (change in percent)	0.0	1.9	7.3	-1.7	3.6	2.6	2.0	2.4	2.6	2.0	2.4	**0.3**	**1.9**
Effective interest rate (percent) 4/	0.2	0.2	0.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2	**0.6**	**1.1**
Growth of exports of G&S (US dollar terms, in percent)	-7.1	16.2	1.8	9.2	10.9	11.2	52.9	9.9	12.4	6.9	8.4	**4.1**	**13.4**
Growth of imports of G&S (US dollar terms, in percent)	16.2	16.6	11.7	16.2	0.9	8.8	3.7	8.2	9.1	7.7	-100.0	**4.9**	**7.6**
Grant element of new public sector borrowing (in percent)	...	...	...	38.3	36.6	36.8	36.6	36.6	36.2	35.4	35.4	**...**	**36.2**
Government revenues (excluding grants, in percent of GDP)	14.3	14.4	16.7	16.0	17.2	17.8	19.3	19.7	19.9	20.8	21.6	**15.5**	**19.3**
Aid flows (in Million of US dollars) 5/	799.0	863.9	1072.2	1220.1	1245.7	1185.3	1234.5	1260.6	1333.2	1742.7	3498.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	11.0	10.1	8.7	8.0	7.5	7.2	6.5	6.0	**...**	**7.9**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	75.5	75.6	75.5	74.7	74.3	74.0	77.0	78.9	**...**	**75.6**
Nominal GDP (Million of US dollars)	7,610	8,136	9,300	9,713	10,672	11,567	13,203	14,347	15,718	23,299	51,506		
Nominal dollar GDP growth	4.9	6.9	14.3	4.4	9.9	8.4	14.1	8.7	9.6	8.0	8.7	**5.8**	**8.7**
Memorandum items:													
PV of external debt 7/	...	...	52.0	53.0	51.4	50.1	46.4	45.2	43.8	39.4	30.8		
In percent of exports	...	...	332.1	323.9	311.4	295.5	204.5	196.9	185.9	168.5	143.0		
Total external debt service-to-exports ratio	7.1	6.8	6.8	14.3	13.5	14.6	10.1	9.6	8.7	6.8	6.9		
PV of PPG external debt (in Million of US dollars)			2277.6	2545.9	2817.9	3039.3	3281.0	3538.3	3830.4	5501.0	9896.7		
(PVt-PVt-1)/GDPt-1 (in percent)				2.9	2.8	2.1	2.1	1.9	2.0	1.6	1.1		
Non-interest current account deficit that stabilizes debt ratio	11.6	15.3	21.2	18.4	22.9	20.0	17.9	13.6	12.7	11.8	10.7		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





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

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

6/ 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).

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

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

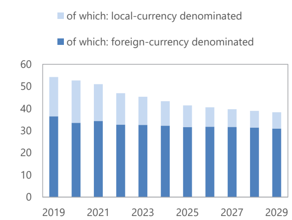
Table 2. Niger: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–39

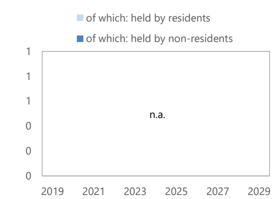
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	**44.6**	**54.4**	**53.8**	**54.2**	**52.7**	**51.0**	**47.0**	**45.3**	**43.3**	**38.3**	**34.1**	**33.5**	**44.8**
of which: external debt	**33.5**	**35.3**	**35.0**	**36.5**	**37.1**	**37.1**	**35.3**	**35.1**	**34.7**	**32.9**	**26.4**	**25.3**	**35.0**
Change in public sector debt	4.8	9.7	-0.5	0.4	-1.6	-1.7	-4.0	-1.6	-2.0	-0.7	-0.4		
Identified debt-creating flows	**4.5**	**-0.3**	**0.3**	**-0.2**	**-1.6**	**-1.3**	**-3.8**	**-1.4**	**-1.8**	**-0.8**	**-0.7**	**-0.1**	**-1.4**
Primary deficit	**5.1**	**4.7**	**2.8**	**2.7**	**1.6**	**1.3**	**1.2**	**1.2**	**0.9**	**1.2**	**1.2**	**4.2**	**1.3**
Revenue incl. grants	20.3	21.2	25.0	24.8	25.4	24.9	25.7	25.6	25.7	26.3	26.7	**21.4**	**25.7**
of which: grants	6.0	6.7	8.3	8.8	8.2	7.1	6.4	6.0	5.8	5.5	5.1		
Primary (noninterest) expenditure	25.4	25.8	27.8	27.5	27.0	26.2	26.9	26.8	26.6	27.5	27.9	**25.5**	**27.1**
Automatic debt dynamics	**-0.7**	**-4.9**	**-2.5**	**-2.9**	**-3.2**	**-2.6**	**-5.0**	**-2.6**	**-2.8**	**-2.0**	**-1.8**		
Contribution from interest rate/growth differential	-1.8	-2.0	-3.7	-2.6	-2.8	-2.5	-5.1	-2.5	-2.7	-2.1	-1.8		
of which: contribution from average real interest rate	0.1	0.1	-0.4	0.5	0.3	0.3	0.3	0.2	0.2	0.1	0.2		
of which: contribution from real GDP growth	-1.9	-2.1	-3.3	-3.2	-3.1	-2.8	-5.4	-2.7	-2.9	-2.2	-2.0		
Contribution from real exchange rate depreciation	1.2	-2.9	1.2	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-3.1**	**0.0**
Privatization receipts (negative)	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (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		
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 debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**0.3**	**10.0**	**-0.9**	**0.3**	**-0.4**	**-0.5**	**-0.1**	**-0.3**	**-0.3**	**0.2**	**0.2**	**3.6**	**-0.1**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**44.2**	**43.8**	**41.9**	**40.1**	**36.5**	**34.8**	**32.9**	**28.9**	**26.9**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**176.9**	**176.6**	**165.2**	**161.2**	**142.0**	**135.9**	**127.8**	**109.9**	**100.7**		
Debt service-to-revenue and grants ratio 3/	**10.7**	**18.9**	**28.7**	**36.8**	**36.0**	**40.1**	**36.0**	**34.2**	**30.3**	**17.8**	**18.2**		
Gross financing need 4/	6.9	8.0	10.0	11.9	10.8	11.3	10.4	9.9	8.7	5.9	6.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.9	4.9	6.5	6.3	6.0	5.6	11.9	6.1	6.8	5.9	6.1	**5.5**	**6.7**
Average nominal interest rate on external debt (in percent)	0.0	0.0	0.0	1.8	1.7	1.6	1.6	1.6	1.6	1.7	1.7	**1.0**	**1.6**
Average real interest rate on domestic debt (in percent)	4.0	6.2	2.0	3.2	2.3	2.9	3.6	3.2	3.4	4.0	4.0	**2.7**	**3.4**
Real exchange rate depreciation (in percent, + indicates depreciation)	4.0	-9.1	3.6	...	...	...	...	...	...	...	...	**1.5**	**...**
Inflation rate (GDP deflator, in percent)	0.2	-0.1	2.6	1.5	2.5	2.1	1.4	2.0	2.0	2.0	2.4	**2.3**	**1.9**
Growth of real primary spending (deflated by GDP deflator, in percent)	-16.0	6.6	14.9	5.1	4.0	2.4	14.7	5.9	6.2	6.2	5.5	**8.6**	**6.6**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.4	-5.1	3.4	2.3	3.2	3.0	5.2	2.8	3.0	1.8	1.6	**-0.4**	**2.7**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

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

4/ 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 and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–30

	Projections 1/											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio												
Baseline	26	26	26	25	25	24	24	24	24	24	24	23
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2019-2039 2/	26	25	24	25	27	29	32	34	36	39	**41**	**43**
B. Bound Tests												
B1. Real GDP growth	26	28	29	28	28	27	27	27	27	27	27	26
B2. Primary balance	26	28	30	29	29	29	29	29	29	28	28	27
B3. Exports	26	29	32	30	30	29	29	29	28	28	27	27
B4. Other flows 3/	26	31	36	33	33	32	31	31	31	30	29	28
B6. One-time 30 percent nominal depreciation	26	33	27	26	26	26	25	26	26	26	26	26
B6. Combination of B1-B5	26	34	35	33	32	32	31	31	31	30	29	29
C. Tailored Tests												
C1. Combined contingent liabilities	26	29	29	28	28	28	27	27	27	27	27	26
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	26	28	29	27	27	26	26	25	25	24	24	23
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio												
Baseline	160	160	155	109	107	103	98	101	102	101	101	99
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2019-2039 2/	160	152	143	112	118	125	130	143	154	164	175	**183**
B. Bound Tests												
B1. Real GDP growth	160	160	155	109	107	103	98	101	102	101	101	99
B2. Primary balance	160	169	176	127	127	123	117	121	122	120	119	116
B3. Exports	160	**207**	**273**	**192**	**187**	179	168	173	174	170	168	163
B4. Other flows 3/	160	**190**	**211**	147	143	137	128	131	131	127	125	120
B6. One-time 30 percent nominal depreciation	160	160	127	90	89	87	82	86	87	88	89	88
B6. Combination of B1-B5	160	**212**	**183**	165	161	155	145	149	150	147	145	141
C. Tailored Tests												
C1. Combined contingent liabilities	160	173	171	122	121	117	111	114	115	114	114	111
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	160	**186**	**185**	126	121	114	105	107	107	104	103	99
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio												
Baseline	12	11	13	9	8	8	6	6	6	7	7	7
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2019-2039 2/	12	12	13	10	10	9	8	8	8	9	9	10
B. Bound Tests												
B1. Real GDP growth	12	11	13	9	8	8	6	6	6	7	7	7
B2. Primary balance	12	11	13	9	9	8	7	7	7	8	8	8
B3. Exports	12	14	**19**	14	13	12	10	10	11	12	11	11
B4. Other flows 3/	12	11	13	10	9	8	7	7	8	9	9	8
B6. One-time 30 percent nominal depreciation	12	11	13	8	8	7	6	6	6	6	6	6
B6. Combination of B1-B5	12	13	**17**	12	11	10	9	8	10	10	10	10
C. Tailored Tests												
C1. Combined contingent liabilities	12	11	13	9	9	8	7	6	7	7	7	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	12	13	14	10	9	8	7	7	7	7	7	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio												
Baseline	12	11	12	10	10	9	8	7	7	8	7	7
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2019-2039 2/	12	11	13	12	11	11	10	9	10	10	10	11
B. Bound Tests												
B1. Real GDP growth	12	12	14	12	11	10	9	8	8	9	8	8
B2. Primary balance	12	11	12	11	10	10	8	8	8	9	9	9
B3. Exports	12	11	13	11	11	10	8	8	8	9	9	9
B4. Other flows 3/	12	11	13	12	11	10	9	8	9	10	10	9
B6. One-time 30 percent nominal depreciation	12	14	15	12	12	11	9	8	9	8	8	8
B6. Combination of B1-B5	12	12	14	12	12	11	9	8	10	10	10	9
C. Tailored Tests												
C1. Combined contingent liabilities	12	11	12	11	10	9	8	8	8	8	8	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	12	12	13	12	11	10	8	8	8	8	8	8
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Niger: Sensitivity Analysis for Key Indicators of Public Debt, 2019–30

	Projections											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						PV of Debt-to-GDP Ratio						
Baseline	**44**	**42**	**40**	**36**	**35**	**33**	**31**	**30**	**30**	**29**	**29**	**29**
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	44	44	44	45	45	45	46	46	47	48	49	50
B. Bound Tests												
B1. Real GDP growth	44	45	48	45	45	44	44	44	45	46	46	47
B2. Primary balance	44	46	48	44	41	39	37	36	35	34	33	32
B3. Exports	44	44	45	41	39	37	35	34	34	33	32	31
B4. Other flows 2/	44	47	50	45	43	41	39	38	37	35	34	34
B6. One-time 30 percent nominal depreciation	44	47	43	38	34	31	28	26	24	22	21	20
B6. Combination of B1-B5	44	45	44	38	36	33	31	30	29	29	28	28
C. Tailored Tests												
C1. Combined contingent liabilities	44	48	45	41	39	37	35	34	33	32	31	31
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	44	44	46	45	46	47	47	48	48	49	50	52
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**
						PV of Debt-to-Revenue Ratio						
Baseline	177	165	161	142	136	128	120	116	114	112	110	108
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	177	174	179	172	173	172	172	173	177	180	183	185
B. Bound Tests												
B1. Real GDP growth	177	176	185	170	170	167	163	163	167	169	172	174
B2. Primary balance	177	182	194	170	161	151	141	135	132	129	126	123
B3. Exports	177	172	182	161	154	145	136	131	129	125	122	119
B4. Other flows 2/	177	184	199	176	168	158	148	143	140	135	131	127
B6. One-time 30 percent nominal depreciation	177	191	178	150	137	122	109	100	94	87	81	76
B6. Combination of B1-B5	177	178	177	148	139	129	120	114	112	109	107	105
C. Tailored Tests												
C1. Combined contingent liabilities	177	188	182	160	152	142	133	128	125	122	120	117
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	177	182	193	184	186	184	180	180	184	188	191	194
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
						Debt Service-to-Revenue Ratio						
Baseline	37	36	40	36	34	30	26	21	19	18	18	17
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	37	36	44	43	44	42	39	34	33	33	33	33
B. Bound Tests												
B1. Real GDP growth	37	38	45	43	43	40	36	32	31	31	31	31
B2. Primary balance	37	36	47	47	43	37	30	24	22	21	20	20
B3. Exports	37	36	40	36	35	31	26	21	20	19	19	18
B4. Other flows 2/	37	36	41	37	35	31	26	21	21	20	20	19
B6. One-time 30 percent nominal depreciation	37	36	41	36	35	31	26	21	20	19	18	18
B6. Combination of B1-B5	37	35	40	41	37	33	27	22	20	18	18	17
C. Tailored Tests												
C1. Combined contingent liabilities	37	36	50	42	40	34	28	23	21	20	19	18
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	37	38	45	45	47	45	41	36	35	34	34	35
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

2/ Includes official and private transfers and FDI.

Statement by Mr. Raghani, Executive Director for Niger, Mr. Bah, Advisor to the Executive Director and Mr. Diakite, Advisor to the Executive Director
June 26, 2019

Introduction

On behalf of our Nigerien authorities, we would like to thank staff, management and the Executive Board for their continued support to Niger's efforts in implementing its ECF-supported program to sustain macroeconomic stability and foster strong, broad-based and inclusive growth. The authorities highly value the constructive policy dialogue held with staff in Niamey last May in the context of the 2019 Article IV consultation and the fourth review under the ECF arrangement. They broadly concur with staff's assessment and policy recommendations, which are in line with their economic and social development plan (PDES) over 2017-2021.

During the period under review, macroeconomic performance continued to be good, and program implementation remained overall satisfactory. It is worth noting that this program performance has been achieved amid a tense security situation in the country and the region, negative terms of trade and daunting development challenges, including climate change.

The tense security situation facing Niger and the region has adversely impacted the economic activity and fiscal performance. This challenging environment has also compelled the authorities to increase security spending while remaining fully committed to achieving the objectives of their ECF-supported program. In this regard, they have recently taken the needed measures to address domestic arrears including a substantial paydown to facilitate the completion of this fourth review.

Recent Economic Developments, Program Performance and Outlook

Recent Economic Developments

In 2018, the growth of Niger's economy reached 6.5 percent, up from 4.9 percent in 2017, driven mainly the agriculture, gold extraction, construction and services sectors.

Average inflation estimated at 2.7 percent has fallen below the 3 percent convergence criterion of the WAEMU. Credit to private sector grew by 6.9 percent.

Fiscal consolidation is progressing, and the overall deficit was reduced more than expected from 5.7 percent of GDP in 2017 to 4.1 percent in 2018, thanks to the controls on current expenditures, and the transition from loans to grants for externally-financed investments. Domestic resource mobilization was strengthened by the introduction of performance plans for tax and customs administrations, the elimination of some tax exemptions and taxation of the informal sector. However, revenue performance was affected by the low contribution of natural resources and the elimination of a telecommunication tax.

In the external sector, the current account deficit widened from 15.7 percent of GDP in 2017 to 18.2 percent of GDP, due mainly to the weak natural resource exports and the increases in imports of intermediary and capital goods. While it was largely financed by donors' assistance and foreign direct investments, the overall balance of payments deficit stood at 2.3 percent of GDP. Niger being a member of WAEMU uses the CFA franc pegged to the Euro and it serves the economy well.

The authorities welcome the findings of the new public debt sustainability analysis conducted for this review, highlighting that Niger's risks for debt distress continues to be rated as moderate.

Program Performance

The implementation of Niger's ECF-supported program is broadly on track. All quantitative performance criteria and indicative targets for end-December 2018 and end- March 2019 were met except for the clearance of domestic payments arrears owing to tight conditions in regional financial markets and pressing security spending needs. The authorities resumed the clearance process in June 2019 following an emission of bonds to the tune of CFA 30 billion as conditions have improved in the regional financial market. Moreover, they are committed to make further efforts under the supplementary budget for about CFA 56 billion to clear the domestic arrears clearance and implement required policy measures to avoid their re-occurrence. In this regard, they appreciate staff's advice and will better monitor payment arrears, notably by creating a debt management unit at the Treasury to ensure the integration of cash and debt management.

Regarding the structural benchmarks, good progress was made despite some delays due to limited capacities Niger is facing. Nevertheless, the authorities have advanced in their efforts to formalize the performance plans between the tax and customs administrations, as well as in streamlining discretionary exemptions.

Outlook

Niger's economic prospects for the medium term remain favorable. Growth is expected to reach at least 7 percent over the next five years and will be driven among others by the renovation of major infrastructure, construction of the crude oil pipeline with Benin which should boost exports and fiscal revenue and by the important public works undertaken under the hosting of the African Union Summit in July 2019.

Policies for the Remainder of 2019 and the Medium Term

The policy priorities will remain centered on maintaining macroeconomic stability, increasing fiscal revenue while improving the quality of public expenditure and debt management, promoting the development of a vibrant private sector, strengthening governance and fostering girls' education

Fiscal policy

The authorities are committed to the budget measures agreed under the program with a view to reducing the fiscal deficit to 3.0 percent in 2020. In this regard, they will pursue their fiscal consolidation efforts. Over the medium-term, the fiscal deficit will be progressively reduced to 2 percent of GDP through the continued implementation of measures to boost domestic revenue mobilization and increase the efficiency of public spending. Oil exports are also expected to contribute significantly to increasing fiscal revenue, and this will help address priority spending. Public debt should also decrease gradually from 53.8 percent of GDP in 2018 to 43.3 percent of GDP by 2024.

With regard to boosting revenue, the authorities remained determined to implement strong tax policy and administration measures. These measures will include the partial reinstatement of the tax on international calls, the implementation of the VAT on banking services and the broadening of the tax base to cover the informal sector notably through a lump sum taxation and reduce the tax burden on the formal private sector. The authorities will also continue to prioritize the streamlining of tax exemptions, the collection of tax arrears, the molecular marking of petroleum products to tackle fraud, and the implementation of the performance plans of the tax and customs administrations. The Ministry of Finance has formally communicated these performance plans to the Fund, thereby meeting this prior action for the review. Efforts to boost revenue will also entail the implementation of transaction valuation of imports, the collection of tax arrears and streamlining of tax exemptions. On this last point, a committee has been set to work on means to reduce exemptions by looking into the various codes, and legislation will be submitted to the National Assembly which will be included in the 2020 budget.

The authorities are cognizant of the need to use scarce public resources in an effective, efficient and transparent manner. In this regard, they will continue their efforts to achieve better outcomes and services from public spending, notably by pursuing the implementation of program budgeting introduced in 2018. They also acknowledge the need to improve the quality of public investment expenditures. To enhance the efficiency of public investment, the inter-ministerial selection committee implementing the public investment plan will only consider projects that have been duly appraised. Needed measures will also be taken to monitor the fiscal risks associated with Public Private Partnerships (PPPs) and ensure the highest returns for Niger

Public financial management reforms will be pursued to improve public procurement by increasing the share of competitive bidding to reach the WAEMU norm in this area. The procurement audits, including those of public administrative agencies recipient of important subsidies and transfers from the central government will be accelerated.

Further efforts are envisaged to improve public sector efficiency notably through the reform of the civil service, the operations and governance of public enterprises, and human resource management.

While continuing to streamline expenditures, the authorities will continue to address poverty and social issues, by strengthening safety nets through cash transfer programs and school lunch. In this regard, a tracking system of social spending has been established with a view to increasing efficiency and scaling up such programs.

Debt Management

The authorities are determined to further improve debt and cash management. To this end, the institutional coordination for debt management will be reinforced by enhancing the effectiveness of the *Inter-Ministerial Committee on Public Debt and Budgetary Support.* Good progress has also been made in implementing the Single Treasury Account (TSA) and the process of transferring all eligible accounts from commercial banks should be completed by end-September 2019. In this context, the banking functions of the Treasury will be strengthened.

Financial Sector

The promotion of the development and inclusion of the financial sector also remains a high priority to support the private sector. In this vein, steps will be taken to promote new financing mechanisms such as leasing and warrantage, the financing mechanism developed by the regional central bank BCEAO, and co-financing through the *"Maison de l'Entreprise"*. The strategy for rehabilitating the microfinance sector and address legacy issues will also be steadfastly implemented following the roundtable that the authorities envisage to organize to this effect.

Structural Reforms

Structural reforms will be steadfastly pursued to improve the business environment to ensure private sector development and foster job creation. The national development plan (PDES) for the period 2017-21 clearly focuses on the private sector as one the main drivers for accelerating economic growth in the medium to long term. Notwithstanding the progress made in recent years to improve Niger's position in the World Bank's "Doing Business", the authorities will further sustain their efforts including to promote a strong local private sector. To this end, they will revitalize the consultation platforms with the private sector and donors to propose a critical mass of concrete, measurable and time-bound reforms.

On governance and the fight against corruption, the authorities renew their commitment to pursue their efforts to strengthen the institutional and legal framework. In this regard, they will take steps to review the funding of essential institutions such as the audit court, and ensure their effectiveness, as well as publish their work. They are working with the Fund on ways to improve the process of asset declarations of civil servants according to best international practices to make it more inclusive and improve compliance. Going forward, the authorities plan to submit the revision of the legal framework to the National Assembly or adopt them by decree by end-September 2019. Other measures to improve governance will be pursued, including rejoining the EITI initiative by the end of 2019, and implementing the recommendations of the recent National Risk Assessment Report under the 2012 FATF standard on AML/CFT.

The authorities will continue to address the country's demographic challenges in compliance with the PDES objectives. They will act on the basis of their National Gender Policy and the Decree on Education of Girls to advance public awareness on gender and demographic issues. In this regard, the continued support of the international community will be critical to successfully implement various projects in this area.

Conclusion

Our Nigerien authorities are firmly determined to achieve the objectives of the ECF-supported program. In view of their good performance under the program and continued efforts to preserve macroeconomic stability, and address development challenges in a difficult security context, we would appreciate Directors' support for the completion of the fourth review and the extension and rephasing of the ECF arrangement. We also seek Directors' approval of the authorities' requests for waiver of nonobservance of a performance criterion and modification of performance criteria.