

Niger: Third Review Under the Poverty Reduction and Growth Facility Arrangement and Requests for Modification and Waiver of Performance Criteria—Staff Report and News Brief on the Executive Board Discussion

In the context of the Third Review Under the Poverty Reduction and Growth Facility Arrangement and Requests for Modification and Waiver of Performance Criteria, the following documents have been released:

- the staff report for the third review under the poverty reduction and growth facility arrangement and requests for modification and waiver of performance criteria, prepared by a staff team of the IMF, following discussions that ended on **June 6, 2002**, 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 August 9, 2002.** The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- a News Brief summarizing the **views of the Executive Board as expressed during the August 26, 2002 Executive Board discussion** of the staff report that completed the review.

The document(s) listed below have been or will be separately released

Letter of Intent*
Memorandum of Economic and Financial Policies*
Technical Memorandum of Understanding*

*May also be included in Staff Report.

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NIGER

**Third Review Under the Poverty Reduction and Growth Facility Arrangement
and Requests for Modification and Waiver of Performance Criteria**

Prepared by the African Department

(In consultation with Fiscal, Legal, Monetary and Exchange Affairs,
Policy Development Review, Statistics, and Treasurer's Departments)

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August 9, 2002

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EXECUTIVE SUMMARY

Recent developments

- **After two years of recession, economic activity rebounded in 2001 as a result of favorable climatic conditions and a record cereals crop in the second half of the year.** Economic growth reached 7.6 percent, and the external current account deficit (excluding grants for budgetary assistance) was contained at its 2000 level of 7.5 percent of GDP, despite a surge of food imports in the wake of the drought at end-2000. Privatization receipts and late disbursements of foreign assistance spurred a significant accumulation of net foreign assets, equivalent to US\$45 million at end-2001. As a result, broad money grew by 32 percent in 2001. However, the rate of inflation (on a 12-month, end-of-period basis) declined from 4.7 percent at end-2000 to 3.2 percent at end-2001 and has remained subdued in 2002.
- **Performance under the program at end-December 2001 was broadly satisfactory,** despite delays in foreign assistance disbursements and recurring weaknesses in program implementation owing to limited institutional capacity. At end-December 2001, eight of the eleven quantitative and structural benchmarks were met. The exceptions were a slight overshooting of the target on the wage bill, a smaller-than-programmed reduction of domestic payments arrears, and a delay in observing the benchmark on the closing of the 2000 budgetary accounts and on the preparation of the related final budget law to be submitted to the National Assembly.
- **The program remained on track at end-March 2002** as the authorities took expenditure-reducing measures to correct for budgetary slippages that occurred in the last quarter of 2001. Accordingly, six of the ten performance criteria and benchmarks covering the period October 2001-March 2002 were met. The remaining four program conditions, including the two performance criteria for monitoring the reduction of domestic payments arrears and the nonaccumulation of external payments arrears, were missed by small margins, and corrective actions were taken. In addition, on May 22, 2002, the continuous performance criterion on the requirement of a 50 percent grant element for new external debt was breached in the context of a new loan agreement signed with the Organization of Petroleum Exporting Countries (OPEC) Fund. The authorities will not draw on this loan until its terms are renegotiated in line with the program requirement. In light of the corrective measures taken, the authorities are requesting a waiver for the nonobservance of three performance criteria.

Policies for the remainder of 2002

- **The revised program for 2002 preserves the main objectives of the original program while taking into account a shortfall of external budgetary assistance, new expenditure pressures on the budget, and recent economic developments.**

Prudent economic and financial policies will continue to be pursued, together with the timely implementation of structural reforms, including the privatization program.

- **Economic growth for 2002 has been revised downward to 2.7 percent** (from 4.1 percent) on account of a stagnation of agricultural output. In line with regional objectives and the implementation of prudent financial policies, the rate of inflation (on a 12-month, end-of-period basis) is still targeted to fall to 2.3 percent at end-2002. Money growth is targeted to be broadly in line with nominal GDP growth. The external current account deficit (excluding grants for budgetary assistance) should widen to a lesser extent than originally envisaged, reflecting in part larger unrequited transfers that are not related to budgetary assistance. The financing gap would be covered by the level of identified external budgetary assistance, that is, about 3.6 percent of GDP, compared with 4.9 percent of GDP in the original program.
- **The revised budget for 2002 aims at preserving the original fiscal policy stance envisaged in the program.** The basic budget deficit, on a commitment basis and excluding grants, is still targeted at about 2 percent of GDP, compared with 3.4 percent of GDP in 2001. The shortfall of external budgetary assistance and new expenditure commitments for, inter alia, the retrenchment program of the telecommunications company SONITEL, the regularization of some personnel-related outlays, and spending under special accounts, are compensated for by (i) a freeze in nonpriority expenditure and a lower target for the reduction of domestic payments arrears (for a total equivalent to 0.8 percent of GDP); and (ii) net savings on external debt service of about 0.7 percent of GDP, pending the finalization of negotiations with non-Paris Club bilateral creditors. The level of net bank credit to the government at end-2002 will remain in line with the original program target. On the revenue side, measures aimed at combating fraud on petroleum products and reinforcing corporate income taxes are being implemented to correct for a shortfall of tax revenue in the first quarter of 2002.
- **The authorities have adopted a results-oriented approach for the implementation of their structural reform program.** To this end, and taking into account a limited institutional capacity, they have defined the following priorities for end-2002: the implementation of a new public accounting and budget nomenclature system, the restructuring of the National Postal and Savings Office (ONPE), the establishment of an operational multisectoral regulatory agency, the privatization of the electricity company, NIGELEC, and the strengthening of the financial sector, including strategic decisions regarding the future of the public banks placed under temporary management by the Central Bank of West African States (BCEAO).

The staff recommends that the Executive Board approve the requested waivers and complete the third review under the Poverty Reduction and Growth Facility (PRGF) arrangement.

I. INTRODUCTION

1. **A mission visited Niamey during the period May 23-June 6, 2002 to conduct discussions on the third review under Niger's Poverty Reduction and Growth Facility (PRGF) arrangement.**¹ This arrangement, covering the period October 2000-September 2003, was approved by the Executive Board in an amount equivalent to SDR 59.2 million (90 percent of quota) on December 14, 2000 (EBS/00/244, 11/29/00; and EBS/00/235, 11/21/00). On the same date, Niger's decision point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) was approved, with a common reduction factor for all creditors estimated at 53.5 percent (EBS/00/256, 12/06/00). As of end-June 2002, Niger's outstanding use of Fund resources amounted to SDR 71.75 million (109.04 percent of quota; Table 5). Relations with the Fund and the World Bank Group are presented in Appendices I and II, respectively, and a work program under the PRGF arrangement is proposed in Appendix III. Appendix IV contains core statistical indicators.

2. **The Fund completed the second review under the arrangement and the 2001 Article IV consultation on February 8, 2002.** Executive Directors welcomed the satisfactory implementation of the program at end-September 2001 and the positive macroeconomic outlook for end-2001.² Directors also approved the second annual program under the PRGF arrangement and considered the poverty reduction strategy paper (PRSP) (EBD/02/8, 01/17/02) a realistic and credible instrument to reduce poverty in Niger. Noting the delays in the disbursement of external budgetary assistance, Directors urged the authorities to persevere with the implementation of prudent financial policies and the reduction of domestic payments arrears. They also encouraged the authorities to continue implementing sound structural reforms; developing adequate monitoring and evaluation systems for the implementation of the PRSP; and strengthening Niger's institutional capacity. Finally, Directors urged the authorities to strengthen the financial sector, to seek contributions from non-Paris Club bilateral creditors on similar terms to those agreed under

¹ The Nigerien representatives included Mr. Gamatié, Minister of Finance and Economy; Mr. Soumana, National Director of the Central Bank of West African States (BCEAO); and other senior government officials. President Tandja and Prime Minister Hama Amadou met with the mission. The mission also presented its conclusions and recommendations in a meeting of the Cabinet of Ministers. The staff team comprised Mr. Maret (head), Mr. Caupin (AFR), Mr. House, Ms. Maechler (EPs, AFR), Ms. Guillé (Assistant, AFR) and Mr. N'guiamba, the Fund Resident Representative in Niger.

² All end-September 2001 quantitative performance criteria and benchmarks were met, except for a small and temporary accumulation of external payments arrears. For further details, see EBS/02/7 (01/18/02).

the HIPC Initiative, and to refine the sectoral policies of the PRSP, such as the rural development strategy.

3. **In the attached letter of intent, memorandum of economic and financial policies (MEFP), and technical memorandum of understanding (Appendix V), updating the previous set of documents dated January 16, 2002, the authorities review the performance under the program at end-December 2001 and end-March 2002, and present their revised program for 2002, for which they request Fund support.**

II. BACKGROUND AND RECENT ECONOMIC DEVELOPMENTS

4. **Economic activity rebounded markedly in 2001 after two years of recession (Table 1).** As noted by the authorities (MEFP, para. 5), Niger recorded a GDP growth rate of 7.6 percent, some 2.5 percentage points higher than initially estimated. Nearly 40 percent of Niger's GDP is dependent on agriculture and animal husbandry, whose outputs can vary sharply from year to year. Climatic conditions were particularly favorable in 2001, and farmers produced a bumper crop of grains and vegetables: the agricultural sector grew by 25 percent in real terms, which accounted for almost two-thirds of Niger's economic growth in the year. Growth in the remainder of the economy was driven by an improved investment and business climate, reflecting the government's efforts to settle outstanding arrears and restore relations with the donor community. This rebound of economic activities was accompanied by a decline in the rate of inflation (on a 12-month, end-of-period basis) from 4.7 percent at end-2000 to 3.2 percent at end-2001. The impact of falling world oil prices on domestic petroleum product prices was partly offset by the depreciation of the CFA franc vis-à-vis the U.S. dollar. Prices of food products remained high despite the good harvest, due to farmers' efforts to rebuild their stocks as well as excess demand from drought-stricken Nigeria.

5. **The external current account deficit (excluding grants for budgetary assistance) was lower than anticipated at 7.5 percent of GDP (Table 4).** The decline in international petroleum prices and an increase in the prices of agricultural exports to neighboring countries led to a 3.8 percent improvement in the terms of trade in 2001. Increased prices of livestock, cowpeas, and onion exports resulted in a stronger export performance, while a lower petroleum bill helped to contain imports despite the improvement in investment conditions and increased consumer demand. Another notable development is that, with the lowering of intra-regional trade tariffs throughout the West African Economic and Monetary Union (WAEMU), African countries have replaced Europe both as the principal destination for Niger's exports and the main source of its imports (see Box 1, "Tariff Reform and Trade Patterns").

Box 1. Niger: Tariff Reform and Trade Patterns

Niger has pursued the implementation of a common trade policy and a customs union in concert with the other members of the West African Economic and Monetary Union (WAEMU). This has involved (i) the adoption of a common classification of goods; (ii) the implementation of a common external tariff (CET), with four tariff rates (0, 5, 10, and 20 percent) and a uniform statistical duty of 1 percent; (iii) the abolition of tariff barriers between Niger and the other WAEMU member states for local primary and eligible industrial goods; and (iv) the adoption of common rules for customs valuations and safeguard measures.

As detailed in SM/01/246, Niger has lagged other WAEMU members in the elimination of surtaxes, the application of the agreed safeguard measures, and the adoption of the union's common nomenclature and product categorization. Nevertheless, Niger's implementation of the CET has slashed its maximum tariff by 10 percentage points, reduced its simple average tariff from 18.3 percent to 12.1 percent, and rendered some imports tariff exempt. As a result, Niger's trade restrictiveness rating has been reduced to 2 on a scale of 1 to 10 in the Fund's classification of trade regimes (10 is the most restrictive), on par with the most open of the other WAEMU member states.

Intraregional trade appears to have increased following the abolition of trade tariffs between WAEMU countries. Intra-WAEMU trade increased from 10 percent of the union's total recorded trade in 1998 to 12 percent in 1999; preliminary data point to even faster growth in 2000 (see SM/01/246). Trade with the rest of Africa has also accounted for a progressively larger proportion of Niger's exports and imports. As Figure 1 shows, Europe has become a gradually less important destination for Niger's exports over the last decade; in fact, led by Nigeria (not a WAEMU member) and, to a lesser extent, the WAEMU countries, Africa became the most important recipient of Niger's exports for the first time in 2000 and marginally remained so in 2001, taking 48.8 percent and 41.8 percent of Niger's exports, respectively, in those years. Figure 2 shows that Africa, led this time by the WAEMU countries, has also become the greatest source of Niger's imports, providing 38.1 percent of the total in 2000 and 36.0 percent in 2001, as European imports fell to 31.3 percent of the total in 2001. Asia, principally Japan and China, has also become an important source of Niger's imports, rising from 12.7 percent in 1993 to 25.4 percent in 2001. Nevertheless, France, the former colonial power, remains the greatest single recipient of Niger's exports and provider of imports, at 36.9 percent and 20.1 percent of the respective totals in 2001.

Figure 1. Destination of Niger's Exports, 1990-2001
(In percent of value of total exports)

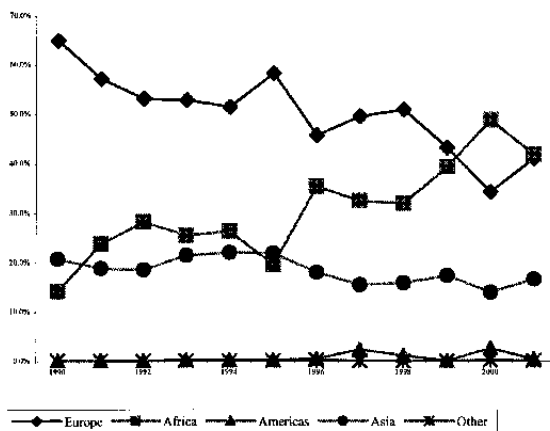
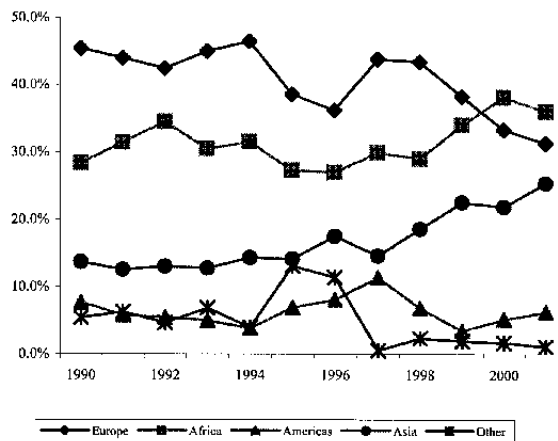


Figure 2. Origins of Niger's Imports, 1990-2001
(In percent of value of total imports)



6. **Performance under the program at end-December 2001 was broadly satisfactory**, despite delays in foreign assistance disbursements and recurring weaknesses in program implementation owing to limited institutional capacity. At end-December 2001, eight of the eleven quantitative and structural benchmarks were met. The exceptions were a slight overshooting of the target on the wage bill of 1 percent (equivalent to 0.02 percent of GDP), a smaller reduction of domestic payments arrears that was limited to 1.2 percent of GDP, compared with 2.4 percent in the program, and delays in the transmission of the 2000 budgetary accounts to the Audit Court and in the preparation of the related final budget law to be submitted to the National Assembly (MEFP, Tables 1 and 3, and Box 2). As explained below, the authorities took measures to bring the amount of the reduction of domestic payments arrears back on track at end-March 2002. In addition, the authorities prepared a 2000 final budget law and transmitted the related budgetary accounts to the Audit Court by end-April 2002.

7. **The 2001 fiscal outcome was in line with the revised program (EBS/01/123, 7/20/01).** The basic fiscal deficit was limited to 3.4 percent of GDP, or 0.2 percent of GDP less than the program objective (Table 2).³ This outcome was due to a better performance of budgetary revenue, which reflected strong improvements in tax collection and the higher economic growth recorded in 2001. Consequently, revenue reached the equivalent of 9.2 percent of GDP in 2001, an increase of 0.6 percent of GDP from 2000. Basic expenditure was limited to the program target of 12.6 percent of GDP, as cuts in current expenditure during the fourth quarter of 2001 were offset by higher domestic capital outlays and an increase in spending under special accounts (especially related to the national retirement pension fund). With delays and a shortfall in aid disbursements, the reduction of domestic payments arrears was limited to 1.2 percent of GDP, about half of the amount targeted. Consequently, domestic financing was less than programmed by 0.3 percent of GDP, with net bank credit to the government increasing (4.9 percent of beginning-of-period money stock) much less than programmed (13.5 percent).

8. **Monetary developments at end-2001 reflected a surge in net foreign assets during the last quarter of the year.**⁴ The surge in net foreign assets was split equally between the central bank and the commercial banks, and resulted in broad money growth that

³ The basic fiscal balance is defined as the overall fiscal balance (on a commitment basis, excluding grants) excluding foreign financed capital expenditure.

⁴ Difficulties in estimating cross-border flows of national banknotes within the CFA franc zone of the WAEMU can lead to large, unexplained monthly fluctuations in Niger's statistics for money in circulation and net foreign assets, such as those at end-2001. These fluctuations require caution in assessing Niger's monetary developments and their contribution to the international reserves of the Central Bank of West African States (BCEAO).

Box 2. Niger: Structural Conditionality Under the PRGF Arrangement

Coverage of structural conditionality in the current program

The structural areas covered by conditionality in the 2002 program include the following: (i) the continuous implementation of the petroleum product pricing system; (ii) the strengthening of the external debt unit; (iii) the introduction of the new budgetary nomenclature and public accounts charter, to be used in preparing the 2003 budget; (iv) the transmittal of the fiscal year 2001 accounts to the Audit Court, the preparation of a draft final budget law for 2001, and the issue of the related declaration of conformity by the Audit Court; (v) the selection of a consultant for an actuarial study of the National Retirement Fund; and (vi) the completion of an independent study on the remunerations of the petroleum sector operators. The continuous implementation of the petroleum product pricing system will contribute substantially to the attainment of the revenue targets for 2002 and beyond. The strengthening of the external debt unit will allow for improved debt management. The introduction of the new budgetary nomenclature and public accounts charter, in line with the WAEMU guidelines, will allow the government to record and monitor budgetary operations more efficiently. The 2001 final budget law will be prepared in the context of ongoing efforts to raise transparency and good governance.

Relevant structural conditions not included in the current program

Reforms related to the strengthening of the financial sector and the privatization of public enterprises are conducted under the leadership of the World Bank and are not included as structural conditions under the current program. The Fund's Executive Board has expressed support for efforts to strengthen the financial sector.

Status of structural conditionality included in earlier programs

Niger's past track record of structural reform implementation has not been very satisfactory as a result of weaknesses in its implementation capacity and several interruptions related to the two coups d'état that have taken place since 1995. The main areas of reform in the last program supported by the Enhanced Structural Adjustment Facility (ESAF) arrangement (1996-98) included civil service reforms to control the wage bill, the privatization of public enterprises, the restructuring of the banking sector, and governance actions related to the transparency of budgetary operations and the need to clear domestic payments arrears. During the first year of the current PRGF arrangement, structural conditionality focused on strengthening the budgetary execution and reporting processes, as well as improving governance.

Structural areas covered by HIPC Initiative completion point conditionality

Key conditions for reaching a floating completion point under the enhanced HIPC Initiative include the following measures regarding governance that are of relevance to the PRGF-supported program: (i) ensuring full budgeting of poverty reduction programs financed by the HIPC Initiative assistance, and publishing semiannual reports on the execution of these programs; and (ii) submitting final budget laws to the National Assembly and the corresponding treasury accounts to the Supreme Court's Accounting Office for fiscal years 1998-2000. The authorities' track record in terms of fulfilling these key conditions has been satisfactory.

Structural areas covered by World Bank lending and conditionality

The World Bank approved and disbursed a single-tranche adjustment credit in 2000 to support the government's financial stabilization efforts and the resumption of the structural reform program in the following areas: (i) public sector reform, particularly public expenditure management and settlement of domestic payments arrears; and (ii) liberalization and privatization in key sectors (telecommunications, water distribution, power distribution, and petroleum product distribution), including the establishment of an adequate regulatory framework. The Executive Board of the World Bank approved on November 20, 2001 a follow-up structural adjustment operation to support the completion of reforms in these areas and the implementation of the financial sector reform program that targets the restructuring and consolidation of the commercial banking sector, as well as its insurance, pension, and microfinance sectors. The second-tranche of this adjustment credit should be disbursed in August 2002.

was estimated to exceed 30 percent in 2001 (Table 3). The monetary authorities were not very concerned by this recent surge of money supply in Niger, arguing that money demand had increased. While agreeing with the staff that they should remain vigilant, they cited the following two factors in explaining their position. First, some growth in money demand had followed the introduction of the euro, which led Nigeriens to exchange European currency notes for CFA franc banknotes; the counterpart of this increase in currency demand accounted for a part of the rise in net foreign assets.⁵ Second, there was a marked rise in the GDP growth rate and a decline in the rate of inflation. In April 2002, the inflation rate (on a 12-month basis) had declined to 2.1 percent on an end-of-period basis and 3.5 percent on a period-average basis, compared with 4.7 percent and 4.3 percent, respectively, at end-September 2001.⁶ Broad money fell slightly in the first quarter of 2002 when an increase in net bank credit to the government was accompanied by a fall in net foreign assets (of 10.1 percent of beginning-of-period money stock).

9. **The program remained on track at end-March 2002** as the authorities took expenditure-reducing measures to correct for budgetary slippages in the last quarter of 2001. Of the ten performance criteria and benchmarks covering the period October 2001-March 2002, six were met (MEFP, Tables 2 and 3). As described below, the remaining four program conditions (two performance criteria and two benchmarks) were missed by small margins, and corrective actions were taken.

- Notwithstanding delays in foreign assistance disbursements, the settlement of cross debts between the government and public sector enterprises resulted in a net reduction of domestic payments arrears of CFAF 24.1 billion over the period, or 1.5 percent of GDP, which was short of the performance criterion by only CFAF 0.3 billion. In addition to the settlement of cross debts, the authorities took measures to ensure the payment of all pending expenditure commitments of fiscal year 2001. The authorities are committed to the targets of their revised program for 2002 and have taken steps to ensure the attainment of these objectives, including an update of their strategy for the reduction of domestic payments arrears.
- A delay in debt-service payments to Japan led to the nonobservance of the continuous performance criterion on the nonaccumulation of external payments arrears. The overdue amount was cleared after one month in March 2002.

⁵ The increase in net foreign assets also reflected the late disbursements of external assistance and receipts from the privatization of the telecommunications company, SONITEL.

⁶ The increase in the consumer price index at end-April 2002 reflected mainly pressures on the food component of the index, which, in turn, were explained by excess demand for food items in the region.

- The benchmark on the wage bill was overshot by 2 percent at end-March 2002 because of an overestimation of the envisaged savings from the early retirement measures taken in 2000. Despite this overshooting of the target, between 2000 and 2001, the wage bill was reduced from 47 percent to 38 percent of revenue, in line with the program objectives.⁷ The authorities remain committed to a prudent wage and civil service recruitment policy.
- Finally, a report on the 2001 implementation of the poverty reduction program (a structural benchmark) was transmitted with a delay of three weeks.

In light of the corrective actions taken, the authorities are requesting a waiver for the nonobservance of the two performance criteria at end-March 2002.

10. The authorities are also requesting a waiver for the nonobservance of the continuous performance criterion on the requirement of a 50-percent grant element for new external debt. This criterion was breached because the authorities signed, on May 22, 2002, a new loan agreement with the Organization of Petroleum Exporting Countries (OPEC) Fund that includes a grant element of only 45 percent. To justify their request for a waiver, the authorities have indicated their decision not to draw on this loan until its terms are renegotiated and brought in line with the program requirements.

11. **The basic fiscal balance turned positive in the first quarter of 2002, as the authorities took decisive measures to keep the program on track.** The measures included a temporary freeze on expenditure commitments until the end of the first quarter of 2002 and the settlement of cross debts with public enterprises.⁸ Meanwhile, the authorities effected all remaining payments on 2001 expenditure commitments (MEFP, para. 15). At the same time, tax revenue remained below target, mainly on account of an increase in smuggling of petroleum products from Nigeria, where petroleum prices are heavily subsidized.

12. **Although there was progress in implementing structural reforms, its pace slowed in the first quarter of 2002.** While reforms in public finance management, including the strengthening of budgetary execution and monitoring, moved forward, the administrative measures to support these reforms were delayed. Corrective actions have been taken to speed up the process and to ensure the implementation of the new budgetary nomenclature and

⁷ As a ratio to GDP, the wage bill declined from 4.1 percent of GDP in 2000 to 3.5 percent of GDP in 2001.

⁸ The settlement of cross debts with the public sector is part of the strategy to reduce domestic arrears and was included in the original 2002 program. Implementing this operation and tightening expenditure in the first quarter of 2002 allowed the authorities to keep the overall fiscal program on track despite a shortfall in external foreign assistance.

public accounts charter for the 2003 budget. The creation of a multisectoral agency for regulating the water, electricity, telecommunications, and petroleum sectors was also delayed. In the financial sector, progress in the restructuring of the National Postal and Savings Office (ONPE) was limited. Similarly, the decision concerning the future of two financial institutions placed under temporary management by the BCEAO, Crédit du Niger (CDN) and Caisse des Prêts aux Collectivités Territoriales (CPCT), stalled because of delays in the finalization of two related studies financed by the World Bank; these studies were submitted to the authorities at end-July 2002.

III. REVISED PROGRAM FOR 2002

13. **In reviewing the implementation of the program in 2001 and during the first quarter of 2002, the authorities were satisfied with** (i) the restoration of social and political stability, accompanied by improving economic conditions; (ii) the successful implementation of the poverty reduction program launched at the initiative of the President (see Boxes 3 and 4); and (iii) the success of the broad consultative process pursued in the articulation of the poverty reduction strategy. Nevertheless, the authorities and the staff agreed that the economic recovery remained very fragile, and that greater vigilance was required to prevent slippages in program implementation.

14. **In line with recent developments and the progress achieved so far, the program for 2002 was revised to take into account a shortfall of external budgetary assistance and new expenditure pressures on the budget, while preserving the main objectives of the original program (EBS/02/7, 1/18/02).** Prudent economic and financial policies will continue to be pursued, together with the timely implementation of structural reforms, including the privatization program and the strengthening of institutional capacity. The staff and the authorities were in broad agreement about the challenges facing the program in 2002 and the corrective policy measures needed to keep the program on track. Discussions for the revised program focused on (i) preserving a sound macroeconomic framework by bringing the level of budgetary expenditure in line with financing available, so as to avoid any accumulation of payments arrears; (ii) maintaining the efforts to increase budgetary revenue in order to progressively lower the government's reliance on external assistance; and (iii) taking decisive steps on public finance and financial sector reforms. The revised program for 2002 remains fully consistent with the priorities set in the PRSP, as stated for the original program in the previous MEFP (EBS/02/07, 1/18/02; Appendix V, Attachment I, Section III-C).

15. **The macroeconomic framework was updated to reflect a slower growth forecast and revised estimates of inflows of external budgetary assistance.** Economic growth for 2002 has been revised downward to 2.7 percent (from 4.1 percent) on account of a stagnation in agricultural output. In line with regional objectives and in light of the prudent financial policies to be implemented, the rate of inflation (on a 12-month, end-of-period basis) is still targeted to fall to about 2-2.5 percent at end-2002. The external current account deficit (excluding grants for budgetary assistance) should widen to a lesser extent than originally

Box 3. Niger: The Special Program for Poverty Reduction

Following the restoration of multiparty democracy in 1999, the President of the Republic proposed a comprehensive investment program designed to attack the roots of poverty in Niger. Instituted in 2001, the Special Program of the President of the Republic is in line with the interim poverty reduction strategy and has been fully financed under the enhanced HIPC Initiative. It is intended specifically to strengthen the country's rural education, health, food security, and water systems.

At end-April 2002, CFAF 9.8 billion had been spent under the program, producing a 70 percent execution rate for the program's first phase, which covers fiscal years 2001 and 2002. As shown in the table below, substantial achievements have been made in all of the program's priority areas. The program's impact on living conditions is also already evident: classroom construction has facilitated a 3 percentage point increase in enrollment rates, from 34.1 percent to 37.3 percent, in only one year; access to health units has expanded; and local governments have been revitalized. By the end of the first phase, which will be completed in the second half of 2002, it is anticipated that health care coverage, measured as the percentage of the national population living within 5 kilometers of a health clinic, will have increased from 47.2 percent to 66.8 percent. Similarly, the rate of school enrollment is expected to increase by another 3 percentage points, to about 40 percent, as classroom construction proceeds. It is also hoped that the program's dam and irrigation projects, which have already increased the country's cultivable land under irrigation by 8 percent, will reduce the year-to-year volatility of agricultural production.

Although much has been achieved under the President's special program, some problems have been encountered. Several planned irrigation dams have proved impossible to build, and the construction of farm wells for livestock use has been unexpectedly slow, owing to digging difficulties. Looking to the near future, it is also not clear whether the government will be able to staff and supply all of the classrooms and health centers it is constructing.

The second phase of the program will commence in 2002 with an expanded work program. Improvements to rural roads, more extensive electrification, the creation of agricultural extension centers, and enhancements in animal husbandry will be given priority. With the advent of the participatory process underpinning Niger's poverty reduction strategy, the President has committed himself to aligning his program with the aims of the poverty reduction strategy paper (PRSP). Similarly, the government intends to apply the key factors that ensured the success of the President's special program to the implementation of the PRSP: the active participation of the program's beneficiaries in its design, implementation, and management; strong cost controls; close monitoring of results by local and regional governments; and active involvement by the country's highest authorities. Niger's experience with the President's special program sets an encouraging precedent for the implementation of its PRSP.

Execution of the President's Special Program at end-April 2002¹

Item	Planned	Completed		In Progress	To Be Started
		Units	Percent of total		
Health units	955	406	43	355	194
Classrooms	1,010	467	46	307	236
Small dams	72	11	15	17	44
Manure & water stores	23	47	204	10	0
Farm pumps	119	64	54	55	0
Village pumps	127	38	30	68	21

Source: Nigerien authorities.

¹ Manure stores, water retainers, and dykes have been substituted for dams in some cases, thereby accounting for the fact that the number of completed stores is greater than those planned.

Box 4. Niger: Status of Actions to Strengthen Tracking of Poverty-Reducing Public Spending

	Actions	Timing (S/M)¹	Status (FI/II/NS)²	Date Achieved	Comments
Actions to strengthen budget formulation					
1	Identify poverty reducing items in budget	S	FI	06/01	
2	Improve accounting for external disbursements	S	II		
3	Include table showing poverty reducing expenditures in 2002-03 budget	S	NS		
4	Improve classification with Government Financial Statistics economic object basis	S	II		New nomenclature to be introduced in 2003
5	Apply Classification of the Functions of Government (COFOG) to recurrent and development budget	M	II		New nomenclature to be introduced in 2003
6	Compile fiscal accounts of general government	M	NS		
7	Include two year projections in 2003-04 budget	M	NS		
Actions to strengthen budget execution					
8	Strengthen internal audit	M	II		
9	Finalize terms of reference for public expenditure tracking surveys	M	NS		
Actions to strengthen budget reporting					
10	Template for local government reporting	M	NS		
11	Issue circular requiring local government quarterly reports	M	NS		
12	Training and enforcement measures for timely submission of local government reports	M	NS		
13	Quarterly monitoring reports created	S	NS		
14	Strengthen external audit	M	NS		
¹ S=Short term action; M = medium term action. ² FI=fully implemented; II= Implementation initiated; NS=Not started.					

envisaged and reach 8.6 percent of GDP, reflecting in part larger unrequited transfers that are not related to budgetary assistance. Taking into account grants and the operations of the capital and financial account, as well as an increase in the net foreign assets of the BCEAO of US\$22 million at year's end, the financing gap would be limited to the level of identified external budgetary assistance, that is, about 3.6 percent of GDP, compared with 4.9 percent of GDP in the original program.⁹ The African Development Bank (AfDB) and Belgium provided assistance of CFAF 9.1 billion in the first half of 2002, and the remaining financing gap of CFAF 45 billion is to be closed by disbursement commitments of the World Bank, the European Commission (EC), and the AfDB, as well as assistance from France.

A. Fiscal Policy

16. **The revised budget for 2002 aims at preserving the original fiscal policy stance envisaged in the program.** The basic budget deficit, on a commitments basis and excluding grants, is still targeted at about 2 percent of GDP in 2002, compared with an outcome of 3.4 percent of GDP in 2001. Including grants for budgetary assistance, this deficit is targeted at 0.8 percent of GDP in 2002, compared with an outcome of 1.6 percent of GDP in 2001. The revised program takes into account the shortfall of external assistance available for closing the financing gap (see footnote 9) and new expenditure pressures on the budget totaling about 2.0 percentage points of GDP.

17. **The lower level of external budgetary assistance reflects the difficulties of the authorities in securing donor assistance on a timely and adequate basis.** In particular, budgetary support of the EC, which has been frozen since June 2001 in the wake of an audit of EC-financed expenditures, is not expected to resume before the fourth quarter of 2002, pending satisfactory implementation of a set of measures to strengthen public finance management.¹⁰ Even without this delay, EC assistance would be lower than envisaged, by

⁹ The shortfall of external budgetary assistance refers to the financing assurances provided for closing the financing gap. It does not take into account new budgetary aid in 2002 that is earmarked for external debt relief and provided by (i) the European Commission (EC), in an amount of EUR 13.5 million, for clearing external payments of Niger vis-à-vis the EC and the European Investment Bank (EIB); and (ii) the OPEC Fund, in an amount of US\$15.5 million for clearing external payments arrears and providing HIPC Initiative assistance through an escrow account set up for future government debt service. This escrow account at the central bank increases the level of net foreign assets and lowers the stock of net bank credit to the government. These disbursements of the EC and the OPEC Fund are recorded, in the revised 2002 program, under grants and loans for budgetary assistance, respectively, leaving the financing gap on a basis comparable with the original program.

¹⁰ The EC commissioned an audit on the health and education expenditures that it had financed over the period 1996-2001. The audit triggered a freeze of EC budgetary assistance (including funds already disbursed but remaining in central bank accounts). The audit's findings were reviewed in January 2002 by the authorities and the EC delegation in Niger; as
(continued)

about 0.4 percent of GDP, as the authorities decided in February 2002 not to refund to the EC the amount of ineligible spending resulting from the audit and to accept, accordingly, a protanto reduction in upcoming EC assistance. To review issues concerning timely and adequate financing of their economic program and poverty reduction strategy, as well as to improve coordination among donors, the authorities are organizing a donor forum at the end of 2002. This forum should be a first step toward ensuring more predictable financing of the program and a smoother implementation of budgetary policies. The authorities also intend to use the forum to obtain technical assistance for strengthening their institutional capacity and the implementation of the PRSP, including for the poverty and social impact assessment of policy measures.

18. **On the expenditure side, new commitments equivalent to 0.7 percent of GDP have also arisen since the adoption of the 2002 budget (see table below).** These budget pressures result from the following: (i) the cost of audits and studies to strengthen public finance management that are related to the resumption of EC budgetary support; (ii) a subsidy to ONPE to balance its 2002 accounts, pending its restructuring in early 2003; (iii) the implementation of the social plan in the wake of the privatization of SONITEL; (iv) a larger deficit of the operations of the special accounts, to reflect the 2001 outcomes; and (v) a technical correction to take into account personnel-related expenses, such as survivor benefits and separation bonuses, not previously budgetized (for more details, see MEFP, para. 25).

Niger: Budgetary Pressures in 2002 and Financing
(In percent of GDP)

Additional Financing Requirement	2.0	Financing	2.0
Shortfall of external budgetary aid	1.3	Freeze of nonpriority expenditure	0.6
New budget pressures	0.7	Smaller reduction of domestic payments arrears	0.2
		Savings on external debt service	0.7
		Additional domestic financing	0.5

19. **To compensate for these developments, the authorities have taken expenditure-reducing measures equivalent to 0.8 percent of GDP.** These measures include a freeze and cuts of nonpriority expenditure, as well as a smaller reduction of domestic payments arrears

a result, an amount of CFAF 6.5 billion of ineligible spending (most of it pertaining to governments in power prior to the current government) was determined.

in 2002.¹¹ Social expenditure and projects implemented under the poverty reduction strategy were excluded from the freeze in order to maintain the momentum of the strategy and deepen the results achieved so far (see Box 3). In addition, excluding the clearing of external payments arrears with the EC and the OPEC Fund, net savings on external debt service of about 0.7 percent of GDP have been identified, because of delays in finalizing negotiations with non-Paris Club bilateral creditors. Finally, the level of net bank credit to the government at end-2002 (excluding the impact of the OPEC Fund financing for debt relief) was kept in line with the original program, which, given the improved government position at end-2001, will contribute to a higher domestic financing than originally programmed in 2002 by 0.5 percent of GDP.

20. On the revenue side, measures aimed at combating fraud on petroleum products and reinforcing corporate income taxes were taken to correct for the shortfall of tax revenue in the first quarter of 2002 and ensure the achievement of the original program targets. Moreover, in light of a surge of tax relief requests (including for an ambitious real estate project in the context of the Games of La Francophonie, scheduled to take place in 2005), the authorities have agreed to a stricter control over the granting of tax exonerations and a thorough review of the tax incentives under the investment code by year's end.

B. Monetary Policy

21. Money growth is projected to be broadly in line with nominal GDP growth in 2002. Net foreign assets are expected to increase by about 8 percent of beginning-of-period money stock, with the accumulation occurring mainly at the central bank. Net bank credit to the government will slightly decrease by 2.7 percent of the beginning-of-period money stock, while credit to the economy is projected to grow by almost 10 percent. The government intends to comply with the general guidelines of the monetary authorities and, as originally programmed, will use budgetary resources to reduce its end-December 2001 stock of statutory advances by CFAF 10 billion.

C. Structural Reforms

22. The authorities will continue to implement structural reforms in 2002 in collaboration with the World Bank (MEFP, paras. 28-36, and Box 2). Given the slow progress in implementing structural reforms in the first quarter of 2002, the authorities will focus on a few issues for which clear results can be expected before the end of the year. In addition to their ongoing budgetary reforms, the authorities plan to (i) restore ONPE to

¹¹ Ministries (excluding the health and education ministries) made proposals to freeze or cut allocations for nonpriority current expenditure (including travel expenses and spending on nonessential goods and services) that are not related to wages and spending on services of public utilities. Additional expenditure-reducing measures relate to the postponement of some domestically financed capital outlays and subsidies, as well as to some reduction in road maintenance spending, in consultation with the World Bank.

financial health in order to prepare it for restructuring in early 2003; (ii) finalize, in consultation with the Bretton Woods institutions, their decisions for the future of both the CDN and the CPCT; and (iii) promote the healthy and sustainable development of microfinance institutions. The authorities also plan to privatize the electricity company, NIGELEC, through the identification of a successful bidder before the end of 2002. The multisectoral regulatory authority will also begin operation before the end of the year.

23. **Budgetary reforms will focus on a further strengthening of the expenditure process, the restructuring of the treasury, and the implementation of the new budgetary nomenclature and public accounts charter in time for the preparation and adoption of the 2003 budget.** These new instruments will strengthen budgetary management, monitoring, and reporting significantly, with a view to preventing the recurrence of budgetary slippages. In addition, corrective measures have been taken to achieve a strengthening of the debt management unit by year's end, through implementing a new debt management software and training personnel, with technical assistance from the Commonwealth Secretariat and the Agence de la Francophonie.

24. **Following a review of the implementation of the petroleum-product pricing system introduced one year ago, and as envisaged under the current legislation, some elements of the pricing formula will be slightly modified in September 2002** (MEFP, para. 36). These modifications preserve the accountability and transparency of the formula, do not affect the revenue target for 2002, and would increase retail prices of the various petroleum products by 2 percent at most. The formula will continue to be implemented on a monthly basis, but the international reference prices for petroleum products will be averaged over a period of 2 months. In addition, the importer will be compensated for the customer credit it grants to the distributors. An independent study to review the profitability issues raised by the sector operators will be conducted by year's end. Its conclusions will be taken into account in the context of the next revision of the pricing formula to ensure the long-term development of the sector.

D. External Debt

25. **New debt relief under the enhanced HIPC Initiative has been secured from the OPEC Fund, the Islamic Development Bank (IsDB) and the Kuwait Fund for Arab Economic Development.**¹² The authorities continue to pursue actively debt relief from other

¹² On February 26, 2002, the OPEC Fund granted US\$6.5 million in net present value (NPV) terms in HIPC Initiative assistance through (i) the restructuring of a commodity import program loan of November 17, 1998, and (ii) the disbursement of a US\$9.5 million concessional loan for clearing US\$4.5 million of external payments arrears and financing the setup of an escrow account for future debt service payments of Niger to the OPEC Fund. On July 22, 2002, the Executive Board of the IsDB decided to grant US\$21 million of HIPC Initiative assistance in NPV terms to Niger through a rescheduling of debt over a 30-year period. Under the agreement to be approved by the Board of the Kuwait Fund for Arab Economic Development, the amounts withdrawn and unpaid of 7 loans on June 15, 2002,

(continued)

non-Paris Club bilateral creditors on terms equivalent to those provided under the enhanced HIPC Initiative (Table 6). In this context, an agreement was signed with Libya and approved by Niger's parliament at end-2001; the agreement cancels liens on prime agricultural land that were attached to a Libyan loan and allows for the resumption of negotiations on debt relief (MEFP, para. 41). Regarding multilateral donors, the EC will approve financing to clear past external payments arrears of Niger vis-à-vis itself and the European Investment Bank (EIB) before year's end, and the authorities are still negotiating debt relief agreements under the HIPC Initiative with the Economic Community of West African States (ECOWAS) and the Conseil de l'Entente. Finally, the authorities were unable to obtain debt relief from a commercial bank on a 1999 loan that had a maturity of less than one year and was in arrears; to avoid legal action, Niger agreed to pay the full amount of these arrears in 2002.

IV. STAFF APPRAISAL

26. **The authorities should be commended for the significant improvement in Niger's economic and social situation.** Aside from the strong agricultural performance in 2001, the economy benefited from a decline in the inflation rate as the authorities maintained sound macroeconomic policies in the face of significant expenditure pressures. Nonetheless, Niger's economy remains very fragile, and vulnerable to poor rainfall or a drop in external assistance.

27. **The program is broadly on track, despite the nonobservance of three performance criteria.** The staff considers that the nonobservance of the continuous performance criterion on the nonaccumulation of external payments arrears was small and temporary. The planned strengthening of the external debt unit should help the authorities in the timely fulfillment of their debt service obligations. Nonetheless, further efforts by the authorities to improve their debt management are required. Similarly, while the authorities missed the end-March 2002 performance criterion on the reduction of domestic payments arrears, it was missed by a small margin (only 1 percent), and steps have been taken to reduce expenditures and exercise stricter control over them to maintain the overall track record satisfactory. Regarding the breach of the performance criterion on the concessionality of new external debt in the context of the loan agreement that was signed on May 22, 2002 with the OPEC Fund, the authorities have committed themselves not to draw on this loan until its terms are brought in line with the program's concessionality requirement.

28. **Despite the slight overshooting of the end-December target, the staff welcomes the reduction of the wage bill, as a percentage of GDP and budgetary revenue, that was achieved in 2001.** The staff urges the authorities to pursue their efforts to bring the wage bill further in line with regional directives, in particular through a prudent wage policy and a strict control over the size of the civil service.

equivalent to US\$41.8 million, will be rescheduled over a period of 30 years, inclusive of 10 years of grace, with an administrative fee of 0.5 percent per annum.

29. **While maintaining the broad objectives of the original program for 2002, the revised program realistically builds on the progress made so far and recent developments.** It attempts to address the main difficulties encountered in achieving the 2002 objectives, while taking into account a shortfall of external financing and new budgetary expenditure pressures. The staff believes that this revised program is well balanced. In particular, the staff is of the view that the authorities' decision to freeze and undertake well-targeted cuts in expenditure in order to cover supplementary outlays identified for 2002 is appropriate in the context of the financing constraints. Similarly, the downward revision in the floor on the reduction of domestic payments arrears is justified by the lower level of external assistance in 2002.

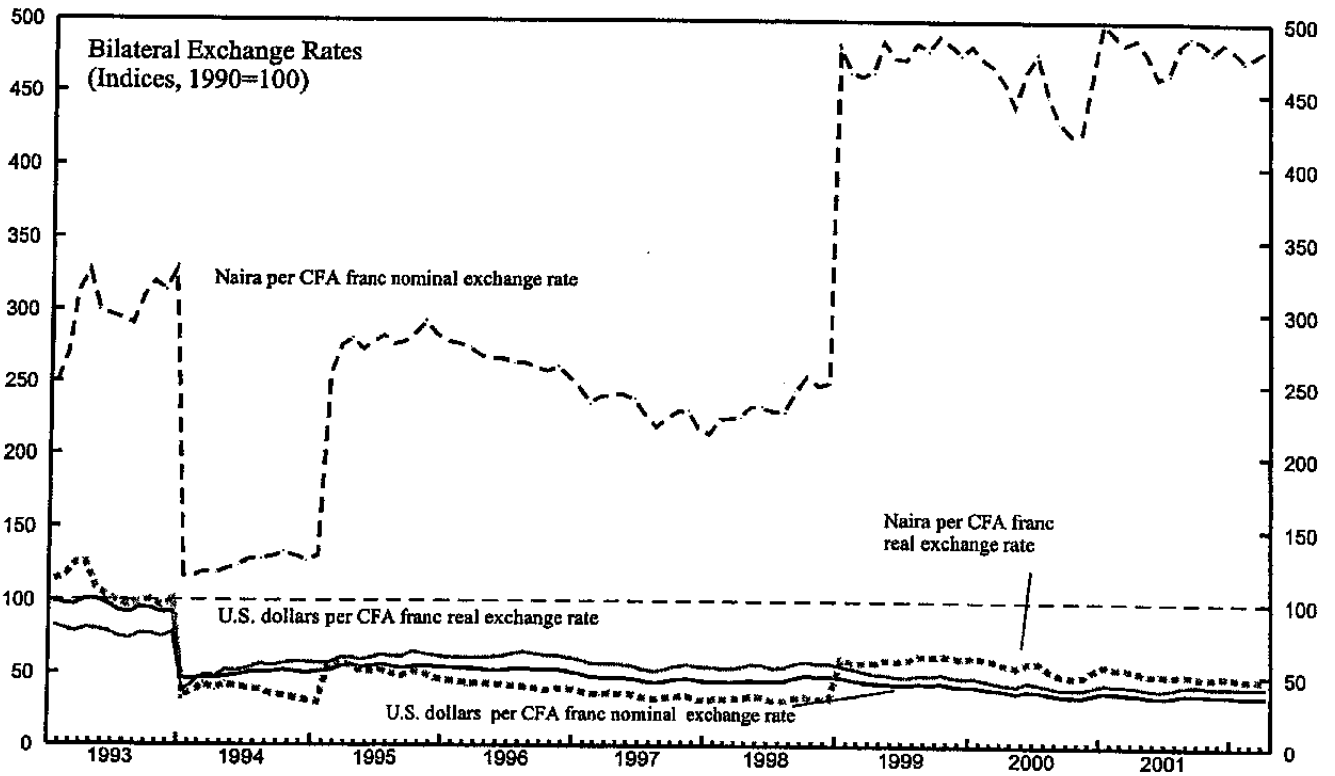
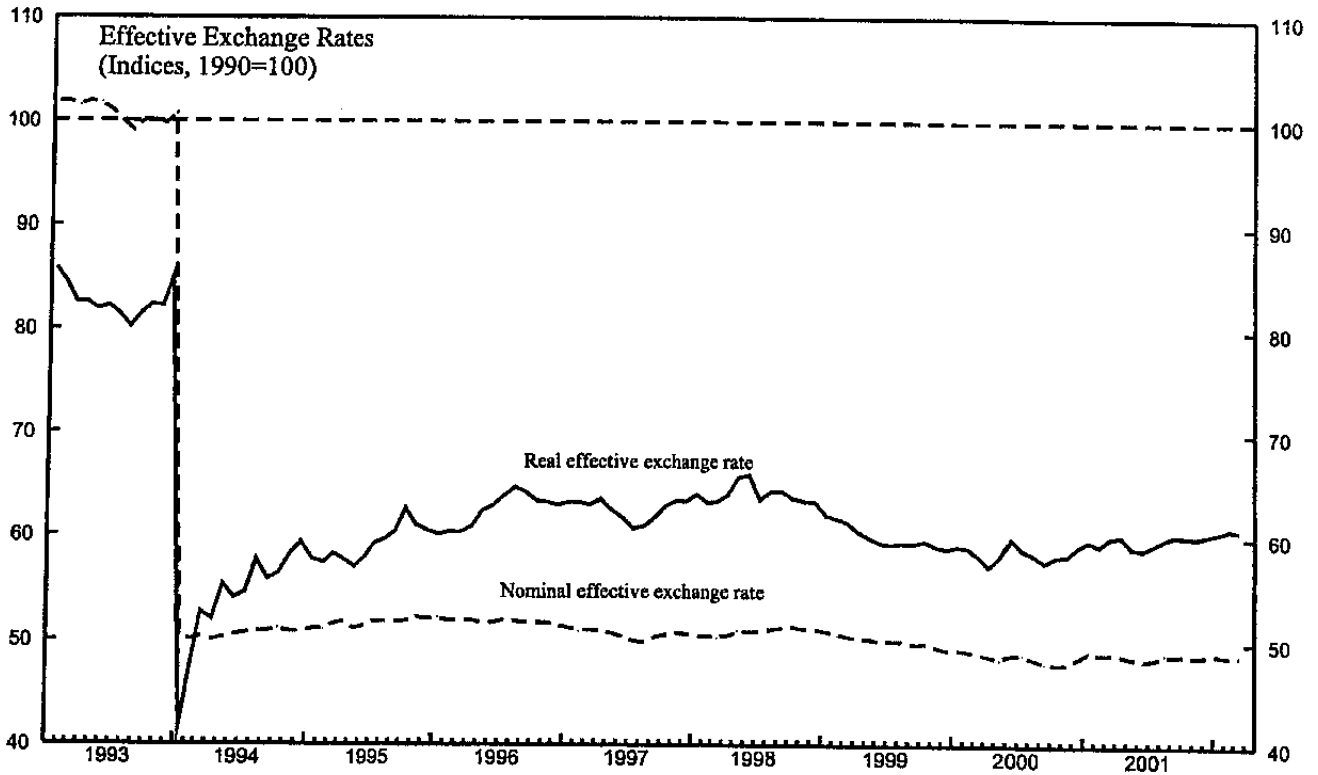
30. **Following the recent delays in implementing structural reforms, the staff encourages the authorities to strengthen the implementation of the structural reform program.** In this regard, the steps taken to ensure that the new budgetary nomenclature and public accounts charter are implemented on time for the 2003 budget are welcome. The staff also encourages the authorities to pursue, as scheduled, the privatization of NIGELEC and the restructuring of ONPE, and to make a final decision on the future of the CDN and CPCT before end-2002.

31. **The staff commends the authorities for the success already achieved in implementing the special program for poverty reduction initiated by the President.** The staff believes that the Nigerien authorities are committed to the poverty reduction strategy that they have articulated through a broad consultative and participatory process. They deserve the continued support of the donor community. The forum of donors will provide an appropriate environment for enhancing the coordination among the various donors and mobilizing financing for the poverty reduction strategy.

32. **Finally, the authorities should continue to implement a prudent external debt policy to ensure debt sustainability.** In particular, the staff encourages the authorities to continue their efforts to reach debt relief agreements with non-Paris Club bilateral creditors on terms comparable to those provided by Paris Club members under the enhanced HIPC Initiative.

33. **The staff recommends the completion of the third review under the PRGF arrangement** and, in view of the authorities' corrective actions, the granting of three waivers for the nonobservance of (i) the continuous performance criterion on the nonaccumulation of external payments arrears; (ii) the quantitative performance criterion on the reduction of domestic payments arrears at end-March 2002; and (iii) the continuous performance criterion on the requirement of a 50-percent grant element for new external debt

Figure 1. Niger: Exchange Rate Indices, January 1993 - April 2002



Source: IMF, Information Notice System.

Table 1. Niger: Selected Economic and Financial Indicators, 2000-03

	2000	2001		2002		2003 Projections	
		Rev. Prog. EBS/01/123	Proj EBS/02/7	Est.	Prog. EBS/02/7		Rev. Prog.
(Annual percentage change, unless otherwise indicated)							
National income and prices							
GDP at constant prices	-1.4	4.1	5.1	7.6	4.1	2.7	3.9
GDP deflator	4.5	5.0	4.0	4.0	3.0	3.0	2.0
Consumer price index							
Annual average	2.9	4.2	3.9	4.0	2.7	3.2	2.6
End of period	4.7	3.6	3.2	3.2	2.1	2.3	3.2
External sector							
Exports, f.o.b.	14.2	1.8	-0.7	2.8	2.5	2.4	3.7
Imports, f.o.b.	11.6	16.0	5.9	10.5	6.2	7.2	3.5
Export volume	21.9	3.0	3.8	0.4	3.2	0.1	2.3
Import volume	7.0	11.3	8.6	12.2	7.3	6.3	7.0
Terms of trade (deterioration -)	-12.8	-5.2	-4.2	3.8	1.3	1.4	0.2
Nominal effective exchange rate (depreciation -)	-3.1	...	...	0.0	...	...	...
Real effective exchange rate (depreciation -)	-2.6	...	...	2.2	...	...	...
Government finances							
Total revenue	0.5	16.0	20.3	20.2	21.5	21.3	6.5
Total expenditure and net lending 1/	-6.8	22.7	12.8	15.0	18.4	14.4	10.9
Current budgetary expenditure	-6.7	13.9	6.8	9.5	11.7	7.1	6.7
Capital expenditure	-4.4	42.1	21.8	22.7	31.0	28.7	17.7
Money and credit							
Domestic credit 2/	-8.1	5.7	11.0	2.3	2.8	2.0	...
Credit to the government (net) 2/	-30.1	13.5	13.5	4.9	-2.0	-2.7	...
Credit to the economy	43.8	-11.8	-3.8	-3.8	8.9	9.6	...
Net domestic assets 2/	-5.5	6.1	11.1	0.1	2.8	-0.2	...
Money and quasi money	8.9	8.1	18.3	32.3	9.7	8.3	...
Interest rate (money market, in percent; end of period)	5.0	...	5.0	5.0	...	...	...
(In percent of GDP, unless otherwise indicated)							
Government finances							
Budgetary revenue	8.6	9.0	9.5	9.2	10.7	10.6	10.6
Current expenditure	11.2	11.3	11.0	11.0	11.4	11.1	11.2
Capital expenditure	5.2	6.6	5.8	5.7	7.0	6.9	7.7
Total expenditure and net lending	16.2	17.9	16.7	16.6	18.4	18.0	18.8
Primary budget balance 3/	-5.9	-6.9	-5.3	-5.6	-5.9	-5.7	-6.7
Basic balance (excluding grants) 4/	-3.0	-3.6	-2.9	-3.4	-2.1	-1.9	-1.9
Overall balance (commitment basis, excluding grants)	-7.6	-8.9	-7.2	-7.4	-7.7	-7.4	-8.2
Overall balance (commitment basis, including grants)	-3.5	-5.5	-3.4	-3.8	-5.1	-4.2	-5.6
Gross investment	10.8	12.6	11.7	11.5	13.5	13.3	14.9
Gross domestic savings	3.3	2.8	3.5	3.2	4.7	4.1	5.2
External current account balance							
Excluding grants for budgetary assistance	-7.5	-10.4	-8.4	-7.5	-9.5	-8.6	-9.5
Including grants for budgetary assistance	-5.8	-10.4	-6.9	-5.7	-9.5	-8.0	-9.5
External public debt (end of period) 5/	90.3	87.4	86.0	85.5	86.0	86.2	...
(In percent)							
Debt-service ratio (before debt relief) in percent of:							
Exports of goods and services 6/	24.7	34.1	29.0	27.8	26.7	33.1	25.8
Government revenue 6/	51.1	55.4	49.6	50.2	38.3	50.2	37.6
(In billions of CFA francs)							
GDP at current market prices	1280.4	1421.5	1399.1	1432.3	1500.1	1515.7	1607.1
Government payments arrears (reduction -)							
Domestic	-112.0	-34.0	-34.0	-17.0	-28.0	-24.7	-25.0
External	3.6	-34.0	-34.0	-17.0	-28.0	-24.7	-25.0
Overall balance of payments 7/	-115.6	0.0	0.0	0.0	0.0	0.0	0.0
	-21.7	-115.3	-37.8	-25.5	-87.6	-74.8	-65.4

Sources: Nigerien authorities; and staff estimates and projections.

1/ Commitment basis as per payment orders issued.

2/ In percent of beginning-of-period money stock.

3/ Budget revenue minus expenditure, excluding interest payments.

4/ Budget revenue, excluding grants, minus total expenditure, excluding foreign-financed investment projects.

5/ Including obligations to IMF.

6/ For 2002, the revised program includes payments of arrears resulting from debt-relief agreements.

7/ Before debt relief. For projections, including the financing gap.

Table 2. Niger: Financial Operations of the Central Government, 2000-03

	2000		2001		2002		2003
	Est.	Rev. Prog.	Prog.	Est.	Prog.	Rev. Prog.	Prog.
		HBS/01/123	HBS/02/7		HBS/02/7		
(In billions of CFA francs)							
Budgetary revenue	110.1	127.7	132.5	132.3	160.9	160.4	170.8
Tax revenue	102.8	122.4	124.2	125.0	143.9	143.9	162.3
Nontax revenue	3.8	2.4	4.4	4.1	4.0	4.0	4.3
Compensation revenue	...	...	...	...	8.0	8.3	...
Annexed budget/special accounts	3.5	2.9	3.8	3.2	5.0	4.2	4.2
Total expenditure and net lending	206.9	253.9	233.3	238.0	276.2	272.3	302.1
Total current expenditure	143.8	160.7	153.6	157.5	171.5	168.6	179.9
Current budgetary expenditure	138.5	155.2	145.2	147.1	163.1	160.3	171.3
Wages and salaries	51.8	50.1	50.1	50.4	52.1	53.8	54.9
Goods and services	41.0	46.9	41.8	43.2	47.2	47.6	51.6
Of which: HIPC resources	...	0.0	0.0	0.0	0.0	0.0	3.8
Subsidies and transfers	24.0	30.2	27.4	28.1	37.2	33.9	41.1
Of which: HIPC resources	...	1.6	1.6	0.3	0.9	0.9	3.8
Interest, scheduled	21.6	27.9	26.0	25.4	26.6	25.0	23.7
External debt	19.6	25.9	24.0	24.1	23.9	22.3	21.0
Domestic debt	2.0	2.0	2.0	1.3	2.7	2.7	2.7
Annexed budget/special accounts	5.3	5.5	8.4	10.3	8.4	8.3	8.7
Capital expenditure and net lending	63.1	93.2	79.7	80.5	104.7	103.7	122.2
Capital expenditure	66.3	94.2	80.7	81.3	105.6	104.6	123.2
Domestically financed	8.1	19.8	19.9	24.6	22.0	21.0	22.2
Externally financed	58.2	74.4	60.7	56.7	83.6	83.6	101.0
Of which: HIPC resources	...	7.2	7.2	7.9	9.3	9.3	30.3
Net lending	-3.1	-1.0	-1.0	-0.8	-1.0	-1.0	-1.0
Overall balance (commitment basis excl. grants)	-96.8	-126.2	-100.8	-105.7	-115.3	-111.8	-131.3
Basic fiscal balance 1/	-38.6	-51.8	-40.1	-48.9	-31.6	-28.2	-30.3
Change in payments arrears	-112.0	-34.0	-34.0	-17.0	-28.0	-24.7	-25.0
Domestic arrears (net)	3.6	-34.0	-34.0	-17.0	-28.0	-24.7	-25.0
External arrears (net)	-115.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash, excl. grants)	-208.8	-160.2	-134.8	-122.7	-143.3	-136.5	-156.3
Financing	208.8	66.6	134.8	122.7	69.3	82.4	80.0
External financing	229.0	52.7	120.0	113.4	71.8	86.8	79.7
Grants	52.0	47.4	53.2	51.9	38.7	47.6	41.8
Budget financing 2/	22.2	0.0	21.3	25.7	0.0	8.9	0.0
Project financing	29.8	47.4	31.9	26.2	38.7	38.7	41.8
Loans	54.6	19.7	57.2	53.1	35.6	47.2	28.9
Budget financing 3/	26.3	0.0	35.6	30.4	0.0	11.6	0.0
Project financing	28.3	19.7	21.6	22.7	35.6	35.6	28.9
Amortization 4/	-35.4	-43.1	-40.8	-41.3	-34.8	-55.4	-37.3
Debt relief obtained	157.7	28.6	33.7	33.1	32.3	34.9	46.3
Current debt	4.6	19.8	25.0	25.0	22.1	24.7	8.4
Arrears	153.1	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Initiative assistance 5/	0.0	8.8	8.8	8.1	10.2	10.2	37.8
Debt under discussion	...	...	16.6	16.6	0.0	12.5	0.0
Domestic financing	-20.2	13.9	14.9	9.3	-2.5	-4.4	0.3
Banking sector 6/	-28.6	13.9	13.9	5.0	-2.5	-3.6	0.3
Of which: IMF (net)	6.7	14.9	6.9	6.9	12.9	12.9	10.3
Nonbanking sector	0.0	0.0	1.0	-0.7	0.0	2.3	0.0
Privatization receipts (net)	8.5	0.0	0.0	5.0	0.0	-3.0	0.0
Financing gap (1)	0.0	93.6	0.0	0.0	73.9	54.1	76.3
(In percent of GDP)							
Total revenue	8.6	9.0	9.5	9.2	10.7	10.6	10.6
Total expenditure and net lending	16.2	17.9	16.7	16.6	18.4	18.0	18.8
Of which: current expenditure	11.2	11.3	11.0	11.0	11.4	11.1	11.2
capital expenditure	5.2	6.6	5.8	5.7	7.0	6.9	7.7
Overall balance, commit. basis, excl. grants	-7.6	-8.9	-7.2	-7.4	-7.7	-7.4	-8.2
Overall balance, cash basis, excl. grants	-16.3	-11.3	-9.6	-8.6	-9.6	-9.0	-9.7
Basic fiscal balance 1/	-3.0	-3.6	-2.9	-3.4	-2.1	-1.9	-1.9
Current budget balance 7/	-2.6	-2.3	-1.5	-1.8	-0.7	-0.5	-0.6
Memorandum items:	(In billions of CFA francs)						
Current and capital social expenditure							
Education	35.9	...	38.8	38.8	52.4	52.4	...
Health	26.5	...	23.7	23.7	35.5	35.5	...
Stock of external payments arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of domestic payments arrears	132.2	98.2	98.2	115.2	70.2	90.5	65.5
GDP at market prices	1,280	1,421	1,399	1,432	1,500	1,516	1,607

Sources: Nigerien authorities; and staff estimates and projections.

1/ Budgetary revenue, excluding grants, minus total expenditure, and excluding foreign-financed investment projects.

2/ In the fourth quarter of 2002, a grant of CFAF 8.856 billion will be provided by the European Commission (EC) for settlement of external payments arrears to the European Investment Bank and the EC.

3/ In 2002, two budgetary loans of CFAF 4.9 billion and CFAF 6.7 billion, respectively, have been provided by the OPEC Fund. The first one was used to pay Niger's arrears to the OPEC Fund. The second one was transferred (i) for CFAF 3.5 billion into an escrow account at the central bank to provide for Niger's debt service to the OPEC Fund and (ii) for CFAF 3.2 billion to replenish the government deposit 'privatization proceeds' at the BCEAO from which resources have been previously taken to pay arrears to the OPEC Fund.

4/ In 2001, includes payment of external arrears to the African Development Bank and the OPEC Fund as agreed in the rescheduling agreements.

In 2002, includes payment of 1999 external arrears whose settlements were finalized with the OPEC Fund, the European Investment Bank, Libya, the Saudi Fund for Development, and a commercial bank.

5/ For 2001-02, includes assistance from the IMF, IDA, the African Development Bank, and Paris Club creditors; for 2003, includes full benefits from the enhanced HIPC Initiative.

6/ In 2002, bank financing includes the impact of the OPEC Fund financing for the settlement of external payment arrears and delivery of HIPC Initiative assistance (see footnote 3).

7/ Budgetary revenue minus current expenditure.

Table 3. Niger: Monetary Survey, 2000-02

	2000		2001			2002		
	Dec.	Rev. Prog. EBS/01/123	Dec.	Proj.	Est.	March	Est.	Dec.
	Actual		EBS/02/7		EBS/02/7	EBS/02/7		EBS/02/7	Rev. Prog.
(In billions of CFA francs)								
Net foreign assets	-1.3	0.7	6.2	31.9	11.1	18.1	14.6	43.4
Central Bank of West African States (BCEAO)	2.5	0.7	6.2	18.5	11.2	9.1	14.7	35.0
Commercial banks	-3.7	0.0	0.0	13.4	-0.1	9.0	0.0	8.4
Net domestic assets	104.4	110.7	115.9	104.6	117.2	112.8	119.2	104.3
Domestic credit	111.6	117.4	122.9	114.0	121.5	125.2	126.3	116.7
Net bank claims on government	43.0	56.9	56.9	48.0	53.0	57.1	54.4	44.4
BCEAO 1/	41.8	54.2	53.4	47.6	51.9	58.8	50.9	44.0
Of which: statutory advances	25.8	15.8	25.8	32.2	23.3	33.4	15.8	22.2
IMF resources	45.8	60.8	52.8	53.0	60.6	60.9	65.7	66.0
Commercial banks	-0.3	1.2	1.9	-1.3	0.7	-3.9	1.9	-1.3
Other	1.6	1.5	1.6	1.6	0.4	2.2	1.6	1.6
Credit to the economy	68.6	60.6	66.0	66.0	68.5	68.1	71.9	72.4
Other items, net	-7.2	-6.7	-7.0	-9.4	-4.3	-12.4	-7.0	-12.4
Money and quasi money	103.2	111.5	122.1	136.5	128.3	130.9	133.9	147.7
Currency outside banks	32.2	42.0	40.1	49.3	43.2	45.9	44.7	55.0
Private deposits with ONPE (postal savings)	1.6	1.5	1.6	1.6	0.4	2.2	1.6	1.6
Deposits with banks	69.5	68.0	80.3	85.5	84.6	82.8	87.6	91.0
Private sector	65.1	64.5	77.3	82.2	81.6	79.7	84.6	87.7
Public institutions	4.3	3.5	3.0	3.4	3.0	3.1	3.0	3.4
Financial institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)								
Net foreign assets	14.4	2.0	7.2	32.2	12.0	-10.1	6.9	8.4
BCEAO	21.5	-1.7	3.7	15.6	8.5	-6.9	6.9	12.1
Commercial banks	-7.2	3.7	3.6	16.6	3.5	-3.2	0.0	-3.7
Net domestic assets	-5.5	6.1	11.1	0.1	12.4	6.1	2.8	-0.2
Domestic credit	-8.1	5.7	11.0	2.3	9.6	8.2	2.8	2.0
Net bank claims on the government	-30.1	13.5	13.5	4.9	9.7	6.7	-2.0	-2.7
BCEAO	-24.9	12.0	11.3	5.7	9.8	8.2	-2.0	-2.7
Of which: statutory advances	-4.9	-9.7	0.0	6.2	-2.4	0.9	-8.2	-7.3
Commercial banks	-3.8	1.5	2.2	-0.9	1.0	-1.9	0.0	0.0
Other	-1.4	0.0	0.0	0.1	-1.1	0.4	0.0	0.0
Credit to the economy	22.1	-7.8	-2.6	-2.5	-0.1	1.5	4.8	4.6
Other items, net	2.6	0.5	0.1	-2.2	2.8	-2.2	0.0	-2.2
Money and quasi money	8.9	8.1	18.3	32.3	24.4	-4.0	9.7	8.3
Memorandum items:								
Velocity of circulation of money (GDP/broad money)	12.6	12.7	11.5	10.5	11.1	11.1	11.2	10.3
Credit to the economy (Change from beginning of year, in percent)	43.8	-11.8	-3.8	-3.8	-0.2	3.1	8.9	9.6

Sources: BCEAO; and staff estimates and projections.

1/ In 2002, bank financing includes the impact of the OPEC Fund financing for the settlement of external payment arrears and delivery of HIPC Initiative assistance.

Table 4. Niger: Balance of Payments, 2000-03
(In billions of CFA francs, unless otherwise indicated)

	2000	2001		Est.	2002		2003 Proj.
		Rev. Progr. EBS/01/123	Proj. EBS/02/7		Proj. EBS/02/7	Proj.	
Current account balance, including grants for budgetary assistance	-74.1	-147.9	-96.0	-81.1	-142.5	-121.2	-153.3
Current account balance, excluding grants for budgetary assistance	-96.3	-147.9	-117.3	-106.8	-142.5	-130.1	-153.3
Balance on goods and services	-96.0	-158.9	-114.9	-117.7	-132.1	-138.5	-156.0
Balance on goods	-28.8	-62.7	-44.3	-47.4	-54.6	-60.7	-62.3
Exports, f.o.b	201.6	183.0	199.8	207.2	204.7	212.2	220.0
Uranium	64.0	62.2	63.0	63.0	63.0	62.5	63.1
Cattle	37.0	...	37.6	39.6	37.0	41.9	44.8
Cowpeas	13.4	...	11.0	15.1	12.8	16.3	16.9
Onions	11.8	...	10.7	13.3	12.7	14.3	14.9
Other exports	75.3	...	77.4	76.2	79.1	77.2	80.2
<i>Of which: reexports</i>	26.1	...	...	27.0	...	27.0	27.0
Imports, f.o.b	230.4	245.7	244.1	254.6	259.2	272.9	282.3
Food products	62.6	...	70.5	69.9	66.6	61.1	62.0
Petroleum products	47.8	...	45.7	45.3	40.4	45.1	42.6
Intermediate goods	17.4	...	18.2	19.3	19.7	22.8	22.7
Capital goods	46.0	...	49.3	57.0	64.5	74.0	84.2
Other products	56.6	...	60.4	63.2	67.9	69.9	70.8
Services and income (net)	-78.9	-96.2	-83.4	-81.3	-93.4	-88.1	-103.9
Services (net)	-67.2	-70.3	-70.5	-70.3	-77.5	-77.9	-93.7
Income (net)	-11.8	...	-12.9	-10.9	-15.8	-10.2	-10.2
<i>Of which: interest on external public debt</i>		-25.9	-24.0	-24.1	-23.9	-22.3	-21.0
Unrequited current transfers (net)	33.7	11.0	31.7	47.5	5.4	27.6	12.9
Private (net)	2.7	...	-3.0	2.8	-3.5	2.9	3.3
Public (net)	31.0	...	34.7	44.7	9.0	24.6	9.7
<i>Of which: grants for budgetary assistance 1/</i>	22.2	0.0	21.3	25.7	0.0	8.9	0.0
Capital and financial account	52.4	32.6	58.2	55.6	54.9	46.4	87.9
Capital account	39.6	47.4	33.9	27.7	40.1	40.2	43.3
Private capital transfers	1.3	...	2.0	1.5	1.4	1.5	1.5
Project grants	29.8	47.4	31.9	26.2	38.7	38.7	41.8
Debt cancellation	0.0	...	0.0	0.0	0.0	0.0	0.0
Acquisition/disposal of nonproduced, nonfinancial assets	8.5	...	0.0	0.0	0.0	0.0	0.0
Financial account	12.7	-14.8	24.2	27.9	14.8	6.2	44.6
Direct investment	6.4	3.5	4.6	20.6	6.0	2.0	6.4
Portfolio investment	6.5	-3.7	0.5	3.5	1.0	1.0	2.0
Other investment	14.3	-23.4	14.1	9.8	-2.4	-12.0	-1.8
<i>Of which: public sector (net)</i>	19.2	-23.4	16.4	11.8	0.8	-8.2	-8.3
Disbursements	54.6	19.7	57.2	53.1	35.6	47.2	28.9
Loans for budgetary assistance 2/	26.3	0.0	35.6	30.4	0.0	11.6	0.0
Project loans	28.3	19.7	21.6	22.7	35.6	35.6	28.9
Amortization 3/	35.4	43.1	40.8	41.3	34.8	55.4	37.3
Commercial banks' net foreign assets	6.8	...	-3.7	-17.1	0.0	5.0	0.0
Errors and omissions	-21.3	0.0	0.0	3.0	0.0	0.0	0.0
HIPC assistance 4/	0.0	8.8	8.8	8.1	10.2	10.2	37.8
Overall balance	-21.7	-115.3	-37.8	-25.5	-87.6	-74.8	-65.4
Financing	21.7	21.6	37.8	25.5	13.7	20.7	-10.8
Net foreign assets (Central Bank of West African States)	-20.4	1.8	-3.8	-16.1	-8.4	-16.5	-19.3
<i>Of which: Net use of Fund resources</i>	6.7	14.9	6.9	6.9	12.9	12.9	10.3
Rescheduling obtained 5/	157.7	19.8	41.6	41.6	22.1	37.2	8.4
Change in arrears	-115.6	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	93.7	0.0	0.0	73.9	54.1	76.3
Memorandum items:							
External current account balance							
Including grants (in percent of GDP)	-5.8	-10.4	-6.4	-5.7	-9.5	-8.0	-9.5
Excluding grants (in percent of GDP)	-7.5	-10.4	-8.2	-7.5	-9.5	-8.6	-9.5
GDP	1280.4	1421.0	1399.1	1432.3	1500.1	1515.7	1607.1
Petroleum price (U.S. dollars per barrel)	28.2	28.0	25.0	24.3	21.0	23.0	22.0
Exchange rate (CFA francs per U.S. dollar)	710.0	...	729.0	732.5	...	...	...

Sources: Nigerian authorities; and staff estimates and projections.

1/ In 2002, a grant of CFAF 8.856 billion is to be provided by the European Commission (EC) for settlement of external payment arrears to the European Investment Bank and the EC.

2/ In 2002, two budgetary loans of CFAF 4.9 billion and CFAF 6.7 billion, respectively, have been provided by the OPEC Fund. The first one was used to pay Niger's arrears to the OPEC Fund. The second one was transferred (i) for CFAF 3.5 billion into an escrow account at the central bank to provide for Niger's debt service to the OPEC Fund and (ii) for CFAF 3.2 billion to replenish the government deposit 'privatization proceeds' at the BCEAO from which resources have been previously taken to pay arrears to the OPEC Fund.

3/ In 2001, includes payment of arrears to the African Development Bank and the OPEC Fund as agreed in the rescheduling agreements.

In 2002, includes payment of 1999 external arrears whose settlements were finalized with the OPEC Fund, the European Investment Bank, Libya, the Saudi Fund for Development, and a commercial bank.

4/ For 2001-02, includes assistance from the IMF, IDA, the African Development Bank, and Paris Club creditors; for 2003 includes full benefits from the enhanced HIPC Initiative.

5/ Include debt under discussion for CFAF 16.6 billion in 2001 and CFAF 12.5 billion in 2002.

Table 5. Niger: Fund Position, 2000-11

	Outstanding Sep. 30, 2000	2000 Oct.-Dec.	2001	2002				2003				2004	2005	2006	2007	2008	2009	2010	2011
				Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.								
(In millions of SDRs)																			
Total transactions (net)		8.34	-1.46	8.41	-1.20	7.44	-1.22	6.48	-1.23	6.48	-2.21	-1.84	-10.30	-10.90	-11.50	-10.90	-11.40	-12.10	-10.50
Disbursements		8.46	0.00	8.46	0.00	8.46	0.00	8.46	0.00	8.46	0.00	8.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repurchases/repayments																			
Repurchases		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ESAF/PRGF repayments		0.00	0.97	0.00	0.97	0.97	0.97	1.93	0.97	1.93	1.93	9.70	9.70	10.40	11.00	10.50	11.00	11.80	10.20
Charges and interest		0.12	0.49	0.05	0.23	0.05	0.25	0.05	0.26	0.05	0.28	0.60	0.60	0.50	0.50	0.40	0.40	0.30	0.30
Total Fund credit outstanding 1/	48.30	56.76	63.29	72.71	71.75	79.24	78.28	84.80	83.84	90.37	88.43	87.19	77.49	67.09	56.09	45.59	34.59	22.79	12.59
Outstanding purchases under ESAF/PRGF	48.30	56.76	63.29	72.71	71.75	79.24	78.28	84.80	83.84	90.37	88.43	87.19	77.49	67.09	56.09	45.59	34.59	22.79	12.59
(In percentage of quota, unless otherwise indicated)																			
Total Fund credit outstanding 1/	73.40	86.26	96.18	110.51	109.04	120.43	118.96	128.88	127.41	137.33	134.40	132.51	117.77	101.97	85.25	69.29	52.57	34.64	19.14
Outstanding purchases Under ESAF/PRGF	73.40	86.26	96.18	110.51	109.04	120.43	118.96	128.88	127.41	137.33	134.40	132.51	117.77	101.97	85.25	69.29	52.57	34.64	19.14
Memorandum item:																			
Quota (in millions of SDRs)	65.80																		

Source: IMF, Treasurer's Department.

1/ End of period.

Table 6. Niger: Tracking Delivery of HIPC Initiative Assistance
(As of July 22, 2002)

	Agreement to Provide HIPC Relief	Agreement to Provide Interim Assistance	Has Begun to Deliver Interim Assistance	Has Begun to Deliver Comp.Point Assistance	Amount of Interim Assistance	Modalities/ Comments
Multilateral creditors						
IMF	yes	yes	yes			Approval by Board on December 13, 2000.
IDA	yes	yes	yes			Approval by Board on December 20, 2000.
AfDB/AfDF	yes	yes	yes			Approval by Board in March 2001.
BADEA	limited	limited	no			
IFAD	yes	yes	no			Approval by Board in April 2001.
EU/EIB	yes	yes	no			
Islamic Development Bank	yes	yes	yes			Decision of the IsDB Board of July 22, 2002.
BOAD/WAEMU	limited	limited	no			
ECOWAS	no	no	no			
OPEC Fund	yes	yes	yes			Agreement of February 26, 2002.
Conseil de l'entente	no	no	no			
Paris Club creditors						
France	yes	yes	yes			Paris Club agreement of January 25, 2001. Excludes postal and hospital debts.
Japan	yes	yes	yes			
Spain	yes	yes	yes			
United Kingdom	yes	yes	yes			
United States	yes	yes	yes			
Non-Paris Club bilateral creditors						
Algeria	no	no	no			Agreement finalized; to be approved by Algerian Parliament. May benefit from China's African Initiative.
China	no	no	no			
Iraq	no	no	no			
Kuwait	yes	yes	no			Agreement being finalized.
Libya	no	no	no			
Saudi Arabia	no	no	no			
Taiwan Province of China	n/a	n/a	n/a			
United Arab Emirates	no	no	no			
	Agreement to Provide HIPC Relief	Agreement to Provide Interim Assistance	Has Begun to Deliver Interim Assistance	Participated in IDA Buyback		Original Creditor Holding Claim
Commercial Creditors						
Only one Belgian creditor (moderate \$5 million)	no	no	no	1991 (@ 18 cents)		Yes. Short-term loan in arrears since 1999. To be paid back in 2002.

Sources: Nigerien authorities; and staff estimates.

Niger: Relations with the Fund

(As of June 30, 2002)

I. Membership Status: Joined: 04/24/1963; Article VIII

II. General Resources Account:	SDR Million	%Quota
Quota	65.80	100.0
Fund holdings of currency	57.24	87.0
Reserve position in Fund	8.56	13.0

III. SDR Department:	SDR Million	%Allocation
Net cumulative allocation	9.41	100.0
Holdings	1.94	20.57

IV. Outstanding Purchases and Loans:	SDR Million	%Quota
Enhanced Structural Adjustment Facility (ESAF) arrangements	71.75	109.04

V. Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Poverty Reduction Growth Facility (PRGF)				
ESAF	12/14/2000	12/21/2003	59.20	25.38
Stand-By Arrangement	06/12/1996	08/27/1999	57.96	48.30
	03/04/1994	03/03/1995	18.60	11.11

VI. Projected Obligations to Fund (SDR Million; based on existing use of resources and present holdings of SDRs):

	Overdue		Forthcoming			
	<u>06/30/2002</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Principal	0.0	1.9	6.8	9.7	9.7	10.4
Charges/interest	<u>0.0</u>	<u>0.3</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.4</u>
Total	0.0	2.2	7.3	10.2	10.2	10.8

VII. Implementation of HIPC Initiative:

	<u>Enhanced framework</u>
Commitment of HIPC assistance	
Decision point date ¹	12/14/00
Assistance committed (NPV terms) ²	End-1999
Total assistance (US\$ million)	521.0
<i>Of which:</i> Fund assistance (SDR million)	21.56
Completion point date [indicate actual/expected]	Floating
Delivery of Fund assistance (SDR million)	
Amount disbursed	1.51
Interim assistance	1.51
Completion point	0.00
Amount applied against member's obligations (cumulative)	0.80

VIII. Safeguards Assessments:

The Central Bank of the West African States (BCEAO) is the common central bank of the west African states, which includes Niger. An on-site safeguards assessment of the BCEAO proposed specific remedies to alleviate vulnerabilities that were identified by staff. Although Fund staff and BCEAO authorities disagreed on the initial modalities of the recommendations, the following specific understandings were subsequently reached regarding the key remedies.

Financial reporting framework. Fund staff recommended that the BCEAO formally adopt International Accounting Standards (IAS) and publish a complete set of financial statements, including detailed explanatory notes. It was agreed between the BCEAO and Fund staff that the **BCEAO will strive to improve its financial and accounting reporting by aligning its practices with those recommended by IAS**, as adopted internationally by other central banks.

¹ Decision was approved in principle by the Fund

² Net present value (NPV) terms at the decision point under the enhanced framework.

Internal controls system. The staff noted that the absence of oversight of the bank's governance, financial reporting, and internal control practices by an entity external to the management of the BCEAO represented a significant risk. It was agreed between the BCEAO and Fund staff that, after seeking the opinion of the external auditor (Commissaire Contrôleur), BCEAO staff will propose to the BCEAO Board of Directors that it adopt a resolution whereby **the external auditor will be required to apprise the Board of Directors, during its annual review and approval of the financial statements, of the state and quality of internal controls within the bank.**

The staff will follow up on the progress of the BCEAO in implementing the proposed recommendations as part of the ongoing safeguards monitoring process.

IX. Exchange Arrangements:

Niger is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the WAEMU, is free of restrictions on the making of payments and transfers for current international transactions. The union's common currency, the CFA franc, is pegged to the French franc. On January 12, 1994, the CFA franc was devalued by 50 percent in foreign currency terms, and the exchange rate was adjusted from CFAF 50 = F 1 to CFAF 100 = F 1. Effective December 31, 1998, the parity was switched to the euro at a rate of CFAF 655.96 = EUR 1. On July 31, 2002, the rate of the CFA franc in SDR terms was SDR 1 = CFAF 886.73.

X. Article IV Consultation:

Niger is on the standard 12-month consultation cycle, and the last Article IV consultation discussions were held in Niamey in November 2001. The staff report (EBS/02/7, 01/18/02) was discussed by the Executive Board and the consultation concluded on February 8, 2002.

XI. Technical Assistance:

Dept.	Type of Assistance	Time of Delivery	Responsibility
FAD	Staff	October 1998	Mission to review progress on implementation of the tax reform program, evaluate the impact of the TEC and suggest measures to widen the tax base

FAD	Staff	November-December 1998	Review of public expenditure process
FAD	Staff	August-September 1999	Review of implementation of recommendations of 1998 FAD public expenditure review
FAD	Staff	September 1999	Follow-up of FAD mission of October 1998
FAD	Staff	June 2000	Data fiscal review and improvement of budgetary procedure
FAD	Staff	February 2001	Tax and customs administration
FAD	Staff	April 2001	Public accounting, public expenditure process, and budget clarification
FAD	Resident expert	April 2001 to date	Budget preparation, public accounting, and automation of budget execution.
FAD	Resident expert	June 2001 to date	Assistance for tax and customs administrations
FAD	Staff	May 2002	Public accounting and fiscal operations table

XII. Resident Representative:

The post of Resident Representative was created in 2000, and Mr. Simon N’guiamba took up the post in September 2000.

Niger: Relations with the World Bank Group

1. Statement of IDA Credits as of May 30, 2002

Credit Number	Calendar Year	Purpose	Amount (Net of cancellations)	
			Total commitments 1/	<i>Of which:</i> undisbursed
			(In millions of US\$)	
Forty-nine credits closed			704.28	
27960	1996	Natural resources management	26.70	2.20
29150	1997	Health II	40.00	11.10
29570	1997	Urban Infrastructure Rehabilitation	20.00	7.50
30260	1998	Transport Infrastructure Rehabilitation	28.00	7.50
31300	1999	Privatization/Regulatory Reform	18.60	11.40
33630	2000	Agro-Pastoral Export Promotion Project	10.35	8.10
35050	2001	Water Sector Project	48.00	46.40
35760	2001	Public Expenditure Adjustment Credit	70.00	40.00
36210	2002	Private Irrigation Promotion	38.70	38.70
Total			1,004.63	
<i>Of which:</i> has been repaid			60.37	
Total outstanding commitments			944.26	

2. Statement of IFC investment as of May 30, 2002

There is no existing portfolio for Niger.

Source: World Bank.

¹Less cancellations of IDA credit amounts. SDR-denominated credits are expressed in terms of their U.S. dollar equivalents, as established at the time of credit negotiations and as subsequently presented to the Board.

**Niger: Tentative Work Program Under the
PRGF Arrangement, 2000-03**

Action	Date
2000 Article IV consultation and three year PRGF arrangement (2000-03) discussions.	July 2000
Continuation of 2000 Article IV consultation discussions and finalization of three-year PRGF arrangement and preliminary HIPC Initiative decision point document	September 2000
Executive Board consideration of 2000 Article IV consultation report, request for PRGF arrangement, preliminary and final HIPC Initiative decision point documents, and interim PRSP	November-December 2000
First review mission under the PRGF arrangement	May 2001
Finalization of the first review under the PRGF arrangement	June 2001
Executive Board consideration of first review under the PRGF arrangement	August 2001
Second review mission under the PRGF arrangement, discussion of second year of PRGF arrangement, and 2001 Article IV consultation discussions	November 2001
Executive Board consideration of second review under the PRGF arrangement, second year of PRGF arrangement, full PRSP, joint staff assessment, and Article IV consultation for 2001	February 2002
Staff visit	March 2002
Third review mission under the PRGF arrangement	May 2002
Executive Board consideration of third review under the PRGF arrangement.	August 2002
Fourth review mission under the PRGF arrangement, discussion of third year of PRGF arrangement, and 2002 Article IV consultation discussions	November 2002
Executive Board consideration of fourth review under the PRGF arrangement, third year of PRGF arrangement, and Article IV consultation for 2002	February 2003
Fifth review mission under PRGF arrangement and enhanced HIPC Initiative completion point discussions	May 2003
Executive Board consideration of fifth review under the PRGF arrangement and enhanced HIPC Initiative completion point document	August 2003
Sixth review mission under the PRGF arrangement and 2003 Article IV consultation discussions	November 2003
Executive Board consideration of sixth review under the PRGF arrangement and Article IV consultation for 2003	February 2004 ¹

¹ The PRGF arrangement is expected to be extended in due time.

Niger: Core Statistical Indicators

(As of July 15, 2002)

	Exchange Rates	International Reserves	Reserve/ Base Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP/GNP	External Debt/ Debt Service
Date of latest observation	Current	March 2002	March 2002	March 2002	March 2002	June 2002	June 2002	Dec. 2001	Dec. 2001	March 2002	Dec. 2001	March 2002
Date received	Current	May 2002	May 2002	May 2002	May 2002	July 2002	July 2002	May 2002	May 2002	May 2002	May 2002	May 2002
Frequency of data	Daily	Monthly	Monthly	Monthly	Monthly	Variable	Monthly	Annually	Annually	Monthly	Annually	Quarterly
Frequency of reporting	Monthly	Variable	Variable	Variable	Variable	Variable	Monthly	Variable	Variable	Variable	Variable	Variable
Source of update	EIS/TRE <u>1/</u>	BCEAO <u>2/</u>	BCEAO <u>2/</u>	BCEAO <u>2/</u>	BCEAO <u>2/</u>	BCEAO <u>2/</u>	Statistics directorate	BCEAO <u>2/</u>	BCEAO <u>2/</u>	Ministry of Finance	Ministry of Finance	Ministry of Finance
Mode of reporting	On-Line	e-mail	e-mail	e-mail	e-mail	e-mail	Staff	Staff	Staff	Staff	Staff	Staff
Confidentiality	No	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
Frequency of publication	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Annually	Annually	Monthly	Annually	Annually

1/ EIS = Economic Information System (IMF); TRE = Treasurer's Department (IMF).

2/ BCEAO = Central Bank of West African States.

3/ Preliminary data for staff use only; actual data unrestricted.

TRANSLATED FROM FRENCH

Niamey, August 8, 2002

Mr. Horst Köhler
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Köhler:

1. On behalf of the government of Niger, I am pleased to send you the memorandum of economic and financial policies for 2002. This memorandum was prepared in the context of the third review of the government of Niger's three-year program covering 2000-03, which is supported by the International Monetary Fund under the Poverty Reduction and Growth Facility (PRGF). This memorandum updates my earlier memorandum of January 16, 2002 on the government's economic and financial policies for 2002. It describes the results of the program's implementation in 2001 and through March 31, 2002, presents the revised targets for 2002, and details the policies that will be pursued to achieve these targets.

2. Program implementation through December 31, 2001 was satisfactory overall. Six out of the eight quantitative benchmarks for the program at end-December 2001 were observed. The benchmark on the wage bill was slightly overshot, by about one percent, reflecting the smaller-than-anticipated impact of the early retirement program instituted in December 2000. Similarly, the end-December 2001 benchmark on the reduction in domestic payments arrears could not be achieved, owing to delayed disbursements of some external assistance. Regarding the structural benchmarks, the petroleum product pricing formula was implemented as envisaged, and the computerization of the central government's expenditure process was operational at end-December 2001. However, the benchmark on the transmittal of the 2000 budgetary accounts to the Audit Court and the preparation of the related final budget law to be submitted to the National Assembly was only observed in April 2002.

3. By implementing a rigorous policy of monitoring budgetary expenditure, the government was able to achieve a satisfactory performance under the program at end-March 2002. The ten quantitative performance criteria and program benchmarks covering the period October 2001-March 2002 were met, apart from the following four conditionalities which were missed by small margins and for which corrective actions have been taken: (i) the performance criterion on the reduction of domestic payments arrears, the CFAF 24.4 billion target of which was missed by CFAF 0.3 billion; (ii) the continuous performance criterion on the nonaccumulation of external payments arrears, owing to a slight delay in servicing a post-cutoff-date loan from Japan; (iii) the benchmark on the wage bill, which was exceeded by CFAF 300 million; and (iv) the structural benchmark regarding the transmittal of a report on

the implementation of the President's special program for poverty reduction to the staff of the International Monetary Fund, as this report was forwarded with a delay of three weeks. Moreover, on May 22, 2002, the performance criterion on a 50-percent grant element requirement for new external financing was breached when the government signed a new loan agreement with the Organization of Petroleum Exporting Countries (OPEC) Fund that provided a grant element of only 45 percent. As soon as it was confirmed that this loan was not consistent with the conditionality of the program, the government decided not to draw on this loan until its terms are renegotiated to be brought in line with the program requirements. In light of the corrective actions it has taken, the government of Niger would like to be granted waivers by the Executive Board of the International Monetary Fund for the nonobservance of the three performance criteria mentioned above.

4. The main goals for 2002 described in the memorandum of January 16, 2002 remain the same. Nevertheless, the economic and financial program was revised to take account of recent national and international developments. The economic and financial outlook for 2002 remains favorable. While the economic growth rate has been revised downward to 2.7 percent, as against 4.1 percent in the initial program, this is simply a technical adjustment to compensate for the upward revision of GDP growth in 2001 generated by that year's substantial agricultural output. Inflation is expected to be close to 2 percent. The external current account deficit (excluding grants for budgetary assistance) is projected at around 8.5 percent of GDP. With respect to budgetary concerns, and in view of its external financing constraints, the government has adopted a package of budgetary measures, described in the attached memorandum, to ensure the attainment of the program objectives; accordingly, the basic budget deficit remains targeted at approximately 2 percent of GDP. A reduction in domestic payments arrears continues to be one of the government's priorities, even though the financing constraints have resulted in a slight downward revision of the target for 2002.

5. The government is counting on the International Monetary Fund's continued support in order to meet the objectives of this revised program, and it seeks completion of the third review under the PRGF. It is understood that the Fund will complete by February 15, 2003, the end of the second year of the PRGF-supported program, the next review under the PRGF arrangement to assess the progress achieved in the program's implementation. As it has done in the past, the government consents to the Fund's publication of this letter of intent, the memorandum of economic and financial policies for 2002, the technical memorandum of understanding, and the staff report.

6. The government considers that the reforms and measures described in the attached memorandum are such as to permit achievement of the objectives of the revised program for 2002; the government is prepared to take any additional measures required for this purpose. Moreover, the government of Niger will, on its own initiative or at the Managing Director's request, consult with the International Monetary Fund on the adoption of any measure that may prove necessary.

Sincerely yours,

/s/

Ali Badjo Gamatié
Minister of Finance and Economy
Ministry of Finance and Economy
Niamey, Niger

Attachments: memorandum of economic and financial policies, and
technical memorandum of understanding

TRANSLATED FROM FRENCH

NIGER

Memorandum of Economic and Financial Policies

August 8, 2002

I. INTRODUCTION

1. **The discussions under the third review of Niger's economic and financial program, covering the period October 2000–September 2003, took place in Niamey during May 24–June 6, 2002.** This program has been supported by the International Monetary Fund (IMF) since December 14, 2000, under the Poverty Reduction and Growth Facility (PRGF), in the amount of SDR 59.2 million. Three drawings have already been made under this PRGF arrangement for a total disbursement of SDR 25.38 million. The second review under the PRGF arrangement, completed by the IMF Executive Board on February 8, 2002, established the performance criteria and benchmarks for 2002.

2. **The third program review constitutes a midterm assessment of the annual program presented in the memorandum of economic and financial policies (MEFP) dated January 16, 2002.** This program is part of the poverty reduction strategy underpinning government policy. This strategy was prepared with the active participation of the civil society and presented in the poverty reduction strategy paper (PRSP) that was officially submitted to the IMF Executive Board in February 2002. The macroeconomic targets envisaged under the program for 2002 included a rate of real growth of 4.1 percent, an average annual inflation rate of 2.1 percent, and an external current account deficit (excluding grants for budgetary assistance) of 9.5 percent of GDP.

3. **This MEFP, prepared in the context of the third review of the PRGF arrangement, reviews the results for 2001 and program implementation in the first quarter of 2002, and outlines a revised program for 2002.** This revised program includes a lower level of external budgetary assistance, undertakes reallocations within budgetary expenditures, and attempts to give fresh impetus to structural reforms after the delays observed in recent months. Tables 1–4 cover the performance criteria and benchmarks of the program for 2001–02.

II. RECENT DEVELOPMENTS

A. 2001

4. **During 2001, the government steadfastly adhered to its commitment to restore sound economic performance and focused on implementing the reforms necessary for**

Niger's economic development. While performance has been generally in line with objectives, this first year of the program was nonetheless also characterized by implementation difficulties, notably budgetary slippages in the first and last quarters of 2001. These difficulties are accounted for by, inter alia, (i) lingering institutional weaknesses, although considerable progress has been made in this area; (ii) persistent social constraints, as well as political and trade union pressures, which limit the government's room for maneuver; and (iii) the irregular and unpredictable behavior of external budgetary assistance, in a context of difficult liquidity constraints, which hinders the proper execution of budgetary expenditure and the optimal functioning of the government.

5. **After two years of recession, the economic situation in Niger improved appreciably in 2001.** Real growth reached 7.6 percent, or 2.5 points more than indicated by earlier estimates. The agriculture sector, which represents 23 percent of overall GDP, performed exceptionally well (at constant prices, the rate of agricultural sector growth was 25 percent), owing to satisfactory rainfall, which was well distributed both seasonally and regionally. Moreover, the rate of inflation (on a 12-month, end-of-period basis) declined, with the change in the consumer price index falling from 4.7 percent in December 2000 to 3.2 percent in December 2001. This fall is due mainly to the significant decrease in the cost of transportation, which, in turn, is attributable to the reduction in fuel prices. In spite of the good grain harvest, cereal prices remained quite high at the end of 2001, owing to (i) the rebuilding of stocks by producers after two years of poor harvests, which thereby limited the supply of grain brought to the market; and (ii) heightened demand from Nigeria, which had a poor crop of grain in 2001.

6. **In view of the favorable performance of rural sector exports, the external current account deficit (excluding grants for budgetary assistance) was lower than anticipated in 2001, at 7.5 percent of GDP.** The export volumes and prices of livestock and onions increased to meet the growing demand of the regional market. These increased exports, combined with a rise in public transfers, offset the upturn observed in imports resulting from strong economic growth and the revival in investment. Taking into account capital transactions and financial operations, the accumulation of the net foreign assets of the Central Bank of West African States (BCEAO) was substantial, reaching CFAF 16.1 billion at year's end.

7. **The substantial increase in net foreign assets also affected commercial banks and accounted for the sizable growth in the money supply,** which rose by approximately 32 percent in 2001. This upsurge in net foreign assets is attributable to (i) the advent of the euro and the concomitant disappearance of Europe's related national currencies, which led households holding European banknotes to exchange them for CFA francs; (ii) the disbursement at year's end of a substantial volume of external assistance; and (iii) the privatization of the telecommunications company, SONITEL, entailing its takeover by a foreign investor. The money supply thus returned to its 1995-96 level, that is, its level before the government assumed responsibility for the liquidation of a number of banks and before cumulative economic difficulties triggered a sizable money supply contraction. The level of net domestic assets at end-2001 was comparable to the level reached at end-2000, with an

increase in net bank credit to the government offset by a decline in credit to the economy resulting from the debt-reduction operations of the petroleum and mining sectors. The worsening of the net government position results from an increase in liabilities of CFAF 13.0 billion, including CFAF 6.2 billion in BCEAO advances under Article 16 of the BCEAO charter and CFAF 7.2 billion in IMF resources; however, this decline was cushioned by a CFAF 8 billion increase in deposits, particularly at the BCEAO, following the receipt of external budgetary resources.

8. **Fiscal policy in 2001 was conducted with greater adherence to the fundamental principles of fiscal discipline.** In particular, the government prevented the accumulation of new domestic payments arrears and effected most of the work for the closing of the fiscal year 2000 accounts in 2001.

9. **Throughout 2001, budgetary performance was broadly in line with program targets.** The basic budget deficit reached CFAF 48.9 billion (3.4 percent of GDP), or CFAF 3 billion less than the target set in the program based on the supplementary budget adopted in July 2001. However, this deficit is higher than that suggested by the projections made at end-2001, owing to larger-than-anticipated outlays under the special accounts and for domestically financed investment.

10. **Budgetary revenues reached CFAF 132.3 billion in 2001 (9.2 percent of GDP, a ratio not achieved since the early 1990s), that is, CFAF 4.5 billion higher than the program targets.** Conversely, basic budgetary expenditures (total outlays, excluding externally financed capital expenditure) exceeded program targets by CFAF 1.7 billion, reaching CFAF 181.2 billion, in spite of the year-end decision to suspend CFAF 8 billion in expenditure in light of the reduction in external financing. This outcome is primarily attributable to two factors. First, the deficit in the special accounts and supplementary budgets was larger than anticipated, mainly as a result of the worsening financial position of the National Retirement Pension Fund (FNR), which is itself explained in part by the implementation of an early retirement scheme at end-2000. Second, sizable overruns in domestically financed capital expenditures occurred, indicative of a low level of control over such outlays. Moreover, the wage bill exceeded the program target by CFAF 0.3 billion, as the savings generated by retirements were less than anticipated. Capital expenditure amounted to 5.7 percent of GDP, or 0.9 percentage point of GDP below program projections, because of a lower-than-programmed implementation rate of externally financed investment projects.

11. **During 2001, the stock of domestic payments arrears was reduced by CFAF 17 billion (1.2 percentage points of GDP), 53 percent of which went to settling civil service wage arrears.** Only half of the programmed target could be achieved, chiefly because lower-than-anticipated levels of external assistance (by approximately 1 percentage point of GDP) resulted in liquidity constraints. In particular, the stock of domestic payments arrears was down by only CFAF 3.4 billion in the fourth quarter, as against the programmed CFAF 23.1 billion. The reduced level of external assistance was due (i) principally to the suspension, from June 2001 onwards, of disbursements from the European Commission (EC)

following the audit of expenditure financed by the EC (and in anticipation of the signature of a memorandum of understanding between the government and the EC to resolve the problem of ineligible expenditures; see below); and (ii) to a lesser extent, to the postponement of a disbursement by the African Development Bank (AfDB) to the first half of 2002.

12. Net use of bank financing in 2001 amounted to a mere CFAF 5 billion, compared with the programmed CFAF 13.9 billion, largely as a result of (i) the freezing of EC budgetary assistance accounts, pending completion of the audit process; and (ii) the receipt in December 2001 of CFAF 5 billion, representing the proceeds from the privatization of SONITEL, which was deposited into an account at the BCEAO.

13. The government maintained its focus in the area of structural reforms during the last quarter of 2001. The privatization of SONITEL was completed in December 2001. The government also implemented the automatic formula for the retail pricing of petroleum products, thereby contributing to the success of this reform, which is now well accepted by consumers. The computerization of the expenditure process at the central government level has been operational henceforth. However, the draft of the 2000 final budget law to be submitted to the National Assembly and the closing of the related budgetary accounts could not be completed as scheduled at end-December 2001. This delay is primarily attributable to the fact that the treasury teams in charge of this project also had to work on the reconciliation process triggered by the audit of expenditure financed by the EC.

B. Performance at End-March 2002

14. In a context of persistent external financing problems, the results achieved at end-March 2002 were broadly satisfactory from the budgetary standpoint; however, some delays were recorded with respect to structural reforms.

15. The quantitative performance criteria for the program at end-March 2002 covered the period October 1, 2001–March 31, 2002 and took into account a freeze during the fourth quarter of 2001 of CFAF 8 billion in expenditure. While the two main performance criteria—dealing with the basic budget balance and the net government position in the banking system—were observed, the results point to two distinct developments:

- During the last quarter of 2001, there was a degree of fiscal slippage, in the course of which the basic budgetary deficit reached CFAF 13.7 billion over the quarter and exceeded the program target by CFAF 8.9 billion. While budgetary revenues were in line with the program's objectives, the measures taken in November 2001 to freeze a number of current expenditure allocations were not sufficient. Moreover, they were accompanied by the above-mentioned slippages which occurred in the special accounts and supplementary budgets, as well as by the slippages in domestically financed capital expenditure that were largely clustered in the fourth quarter.
- During the first quarter of 2002, the authorities reacted forcefully to offset the fiscal slippage observed in the last quarter of 2001. Over the first quarter of 2002, the

government generated a basic budgetary surplus of CFAF 5.7 billion, compared with a programmed deficit of CFAF 4.4 billion. This result simultaneously reflects (i) the better-than-anticipated budgetary revenue performance; and (ii) a lower level of current expenditure. The favorable budgetary revenue performance is due mainly to the generation of revenues in the amount of CFAF 8.3 billion by offsetting fiscal crossdebts. To clear up the relationships between the government and the various public enterprises, the government pushed ahead with an operation for offsetting cross-debts. Nonetheless, tax receipts fell below target by CFAF 2.6 billion because of a delay in the payment of corporate income taxes (BIC) and a shortfall in oil tax receipts. The oil tax revenue shortfall can be explained by a 30 percent drop in the official marketing of petroleum products, in comparison with the first quarter of 2001, an outcome that points to the rapid rise of illegal imports of these products. Following the expenditure restrictions adopted to offset the budgetary slippage recorded in the last quarter of 2001, current expenditure in the first quarter of 2002 fell CFAF 4.7 billion short of program levels. The decision, effective since January 2002, to account for the reinstatement of suspended promotions has had the expected financial effect. However, the wage bill once again overshot the program target by CFAF 0.3 billion, partly because the overruns observed at end-2001 were carried forward.

16. The stock of domestic payments arrears was reduced by CFAF 20.8 billion during the first quarter of 2002. This outcome was achieved thanks to arrangements for offsetting crossdebts with public enterprises and determined action to settle all outstanding items payable under fiscal year 2001. During the first quarter of 2002, the government paid one month's wage arrears, as planned, and continued to implement the operation for offsetting wage arrears through transfers of plots of land, started in 2001. The performance criterion for the reduction of domestic payments arrears, which covered the period October 2001-March 2002, was nonetheless missed by a very narrow margin (CFAF 0.3 billion).

17. During the first quarter of 2002, the money supply remained high, falling by only 4 percent to stabilize at CFAF 130.9 billion. This outcome reflects mainly a reversal of the trend in net foreign assets, which, after registering a very sharp increase at end-December 2001, fell back to a more modest level by end-March 2002. This decline in net foreign assets was partially compensated by a deterioration in the net government position with the banking system, which is explained, despite the basic fiscal surplus, by the significant reduction of domestic payments arrears.

18. The implementation of the structural reform program was somewhat delayed during the first quarter of 2002. In particular, in the context of the financial sector reforms, the two market studies that should have enabled the authorities to make their final decision on the Crédit du Niger (CDN) and the Caisse de Prêts aux Collectivités Territoriales (CPCT), which have been put under temporary management by the BCEAO, were started only in the second quarter of 2002; as a result, no decision could be reached in April, as initially intended.

19. The program of regulatory and privatization reforms and the work involved in the privatization of SONITEL continued, leading to the finalization of the social plan for voluntary resignations and early retirement. The departure of 354 employees will result in a total cost of CFAF 4.273 billion, of which CFAF 3 billion have been covered by the privatization receipts and CFAF 313 million by the new owner. The World Bank will also provide CFAF 960 million in financing for the legal and statutory separation allowances. In the case of the urban water supply program, the authorities have fulfilled the commitments they assumed when a management contract was signed for the former National Water Company; accordingly, they made a 10 percent rate adjustment in March 2002, pursuant to the program, which aims to restore the financial equilibrium of this sector by 2006. In the electricity sector, a bill on the electricity code is being completed and will be submitted to the National Assembly for approval by end-2002. The call for expressions of interest in the concession for the electricity company (NIGELEC) was launched on April 16, 2002. The process of selecting a consulting firm in charge of the establishment of the multisectoral regulatory authority (ARM) is ongoing.

20. **The administrative reform program, intended to improve the efficiency and transparency of government spending, continued through the first quarter.** Apart from the effective introduction of the integrated computerization of the expenditure process referred to above, the technical work of finalizing the new government budgetary nomenclature and public accounts charter was completed. However, the process of administrative endorsement for the nomenclature and public accounts charter was delayed. Therefore, a number of corrective measures have been taken to ensure that the target of implementing the nomenclature and the public accounts charter by January 1, 2003 is reached. Moreover, a government contract reform program also got under way with the revival of the Central Contracts Commission, the introduction of a consultation and reporting process on the redrafting of the public procurement code, and the completion of the preliminary draft of the new code. Finally, despite delays, the final budget law for fiscal year 2000 was prepared by end-March 2002, and the related budgetary accounts submitted to the Audit Court in April 2002.

III. POLICIES AND MEASURES FOR IMPLEMENTATION IN 2002

21. **While the basic objectives of the 2002 program were maintained, the 2002 macroeconomic framework was revised to incorporate the 2001 economic and financial results and to take into account recent international developments.** As a result of the record-breaking agricultural production in 2001, the projected growth of the primary sector in 2002 has been revised downward, so that the real growth rate of the Nigerien economy is currently projected within a range of 2.5-3 percent (a 2.7 percent rate was adopted in the macroeconomic framework), against the initially projected rate of 4.1 percent. Inflation, as measured by the Niamey consumer price index, should, according to a prudent estimate, settle around 2.3 percent on a year-to-year basis. This rate is, however, most likely to be lower if there is a second consecutive bumper grain harvest. Given higher-than-envisaged public transfers that are not related to budgetary assistance and the increase in imports of capital goods that is anticipated because of the resumption of investment, the current account

deficit (excluding grants for budgetary assistance) should reach 8.6 percent of GDP in 2002, compared with the initial projection of 9.5 percent and the 7.5 percent recorded in 2001. With the inclusion of capital account and financial account transactions, the accumulation of net foreign assets at the central bank is projected to reach CFAF 16.5 billion.

22. The government stands by the objectives of its economic and financial program and will implement all the policies necessary for its success. The updating of the 2002 program thus takes into account the government's decision to cancel or freeze some nonpriority spending to compensate for additional expenditures and an envisaged reduction in foreign financing. This update also takes into account delays in the implementation of structural reforms and aims to refocus the strategy in this area with a view to achieving very specific objectives by year's end. As with the initial program, the revised 2002 program is based on the government's poverty reduction strategy, as described in the poverty reduction strategy paper. The revised program maintains the government program's fiscal priorities, namely, (i) to improve medium-term fiscal sustainability and progressively move toward meeting the West African Economic and Monetary Union (WAEMU) convergence criteria; (ii) to contribute to the real success of the poverty reduction strategy by ensuring the quality of expenditure and by giving priority to spending in the social sectors; (iii) to reduce liquidity constraints; and (iv) to maintain the policy of reducing domestic payments arrears.

A. Fiscal Policy

23. The revised 2002 fiscal program aims mainly to cover CFAF 8.9 billion in supplementary spending and takes account of the fact that identified external financing ought to be CFAF 7 billion less than initially projected. The new external financing projections mainly reflect the financial implications of the agreement that was signed by the government and the European Commission (EC) in February 2002 and completed the process, started in June 2001, of auditing EC-financed expenditure. The revised program thus projects a slight reduction in the basic deficit of 0.2 percentage point from the initial program figure to 1.9 percent of GDP.

24. The budgetary revenue targets for fiscal year 2002 have been maintained, except for the target on receipts of the special accounts, which has been slightly lowered to take account of performance in 2001. To offset the shortfalls in tax revenue in the first quarter of 2002, surveillance operations of the tax and customs administrations have been stepped up. In particular, a vast operation that was launched to combat illegal imports of petroleum products will make it possible to reach the targets set for petroleum product taxation in 2002. Furthermore, after a wave of challenges from the private sector, the government, with the agreement of the economic operators, decided to revise the corporate income tax (BIC) withholding rate that is levied at customs and within the country, while maintaining the thresholds of CFAF 300 million in turnover for buying and selling activities and of CFAF 100 million for the provision of services. Thus, for imports, exports, reexports, and transits, the rate is set at 3 percent. Within the country, the rate is set at 2 percent on purchases from manufacturers, wholesalers, and semiwholesalers, and on services supplied to

the government, its subdivisions, and public and private enterprises. The government will ensure that these measures are implemented beginning of August 2002.

25. Since the adoption of the 2002 budget law, several new factors have arisen that require supplementary spending by the government: (i) payroll expenditure will have to be revised upward to cover both the CFAF 0.3 billion overrun detected at end-December 2001, which will have an impact on 2002, and spending on cash vouchers (such as death payments and retirement-related benefits) in the amount of CFAF 1.4 billion, which has not hitherto been included in the budget (even though the vouchers involved expenditure for the government); (ii) all the measures to be adopted to reinforce fiscal transparency and to finance the studies included in the agreement with the EC involve expenditure of about CFAF 1.6 billion; (iii) the financial difficulties of the National Postal and Savings Office (ONPE) following the elimination of the implicit subsidy from SONITEL necessitate a subsidy of CFAF 750 million to balance its budget; (iv) the revision of projections for the special accounts, justified by the large deficit reported in 2001, have led to additional expenditure of CFAF 0.9 billion; (v) as mentioned above, the government has also undertaken to cover the cost of SONITEL's social plan in the amount of CFAF 3 billion, which it will finance from the receipts obtained from the privatization; and (vi) adjustments to be made under the sectoral program for basic education (PROSEF), financed by the World Bank, following ineligible expenditure and payment delays to a number of suppliers, are expected to cost CFAF 1 billion.

26. In the context of lower external budgetary assistance, the revised program provides for the absorption of the resource deficit generated by these additional expenditures in three ways: the freezing and canceling of nonessential spending; a smaller reduction of domestic payments arrears; and greater use of bank financing. The government, taking advantage of a broad spirit of cooperation among its ministries, has identified (i) CFAF 2 billion in spending deemed as nonessential that is now definitively cancelled, and (ii) CFAF 6.8 billion, temporarily frozen and to be released only if supplementary financing is found by year's end. The freeze on nonpriority expenditure comprises CFAF 2.7 billion in goods and services, CFAF 3.1 billion in subsidies and CFAF 1 billion in domestically financed capital expenditure. The objective set for 2002 under the updated strategy for domestic payments arrears has been scaled down by CFAF 3.3 billion because the level set in the initial program required substantial external support that has not materialized. Finally, excluding the impact of financing provided by the Organization of Petroleum Exporting Countries (OPEC) Fund for the settlement of external payment arrears and the delivery of Heavily Indebted Poor Countries (HIPC) Initiative assistance, the original objective for the end-2002 net government position with the banking system was preserved, thus allowing for an increased use of bank financing in 2002, in light of the lower than programmed position at end-December 2001. The objective of reducing the statutory advances of the central bank by CFAF 10 billion by year's end has been maintained.

B. Monetary Policy and Financial System

27. **The expansion of the money supply in 2002 is projected at about 8 percent, slightly above the nominal GDP growth, and pursuant to the BCEAO's monetary policy targets of consolidating the external reserves of the Union and keeping inflation consistent with that of the anchor currency.** Consistent with developments in the balance of payments, net foreign assets should continue to increase, attaining CFAF 43.4 billion by end-December 2002, an increase of 8 percent. Most of this increase will result from the mobilization of BCEAO external resources. Net domestic credit should rise by 2 percent, basically reflecting the fiscal policy envisaged for 2002. Credit to the economy is expected to increase by about 10 percent.

C. Structural Reforms

28. **The strengthening of the financial sector, supported by the World Bank, is a key element of the government's development and poverty reduction strategy.** To offset the delays incurred during the first quarter of 2002, the authorities will focus on a series of specific reforms, the concrete results of which are expected by year's end. These reforms will mainly focus on (i) accelerating the reconstruction of the banking and insurance sector; (ii) strengthening the sound development of microfinance; (iii) promoting a climate of trust and stable financial foundations for a sustainable restructuring of the ONPE; and (iv) initiating studies for the restructuring of the welfare sector.

29. The reinforcement of the banking system will continue with the close monitoring of the Banque Islamique du Niger pour le Commerce et l'Investissement (BINCI) and the three institutions currently under temporary management by the BCEAO and being restructured: the Banque Commerciale du Niger (BCN), the Crédit du Niger (CDN), and the Caisse de Prêts aux Collectivités Territoriales (CPCT). The underlying problem with the BINCI relates to its earlier losses, estimated at CFAF 1.824 billion, which brought the actual capital of the bank down to CFAF 165 million, compared with the required minimum of CFAF 1 billion. Confronted with this situation, the main shareholders, who include the Dar Al Maal al Islami (DMI) and the Islamic Development Bank (IsDB), have agreed to offset the losses sustained. The Nigerien state, in contrast, does not intend to provide any direct or indirect financial support for a recapitalization of the bank. The Ministry of Finance and Economy is closely monitoring this institution's recovery, and the government stands ready to enforce any decision by the Banking Commission in this matter. Concerning the temporary management of the BCN, the government will implement the decisions of the Banking Commission, based on a new restructuring plan submitted by the bank's temporary administrator. With regard to the restructuring of the CDN and the CPCT, the authorities have sought to identify the factors that are holding up the growth of real estate and local government financing before determining the future of these two institutions. The government has, therefore, decided to conduct two studies, one on real estate financing and the other on local government financing. However, delays have occurred in preparing the two studies and the final studies were only transmitted to the government at end-July 2002. In view of these delays, the government has asked for an extension, through September 2002, of the mandate of the

temporary administrator of the CDN and the CPCT, which expired on April 30, 2002. This extension would allow the authorities to look at the conclusions of these studies and consult with the Bretton Woods institutions before coming to any decision regarding the future of these two banks.

30 The insurance sector has been partially rehabilitated with the recapitalization, by the private sector, of Société Nigérienne d'Assurance et de Réassurance (SNAR)-Leyma. The restructuring plan for SNAR-Leyma was approved by the Interafrican Conference on Insurance Markets (CIMA) in March 2002 and is currently being implemented. The long-term health of the company will depend on its ability to effectively implement a number of wide-ranging measures defined in the restructuring plan. To ensure the oversight of developments in this sector and to be in a position to make timely recommendations, the government plans to enhance the capacities of the Insurance Directorate within the Ministry of Finance and Economy.

31. The microfinance sector is currently in a very precarious position, mainly because of serious shortcomings in the internal financial management of the microfinance institutions and their supervision. Consequently, a financial and organizational audit of the main microfinance institutions is planned for early September 2002. This audit will analyze the vulnerabilities of these institutions, particularly with respect to their internal controls, liquidity, loan quality, and provisioning. The results of this audit, which are expected by October 30, 2002 at the latest, will allow the authorities to identify the weaknesses in the microfinance sector and to monitor the most fragile institutions in order to avoid a further weakening of the sector. Furthermore, the government will (i) enhance the capacity of the unit in the Ministry of Finance and Economy that is responsible for oversight of the microfinance institutions; (ii) introduce a training program for professionals in the unit; and (iii) improve the production and reliability of the microfinance institutions' financial data.

32. The government plans to step up the restructuring of the ONPE. In this connection, the authorities approved a new 2002 budget that is intended to balance the ONPE's accounts by end-2002. This budget, which is supported by a government subsidy, does not include the reduction in the wage bill that was envisaged to result from the implementation of a staff retrenchment program originally scheduled for June 2002. This downsizing will not take place until the restructuring has been completed and the human resources needs for the new ONPE have been identified. The government and the ONPE will also implement a series of complementary measures:

- The government will introduce a monthly system to track the actual outturn of ONPE's operating account for submission to the Ministry of Finance and Economy and the Ministry of Transportation and Telecommunications.
- The ONPE will begin an analysis of postal and financial flows in the 66 post offices, to better understand the traffic in each office and determine the scope of the need for universal postal service.

- The government will establish the legal and financial frameworks for the new ONPE and its financial subsidiary. These financial and legal frameworks are the backbone for the separation and the restructuring of the ONPE into two branches that will be set up with the support of technical assistance, that is, the postal services and the financial savings services. The financial framework will involve, in particular, the preparation of financial statements and the production of an opening balance sheet for each entity as of December 31, 2002.

33. Moreover, an actuarial audit of the National Social Security Fund (CNSS) will be conducted in 2002, with a view to restructuring this institution and defining a reform strategy for the social security sector. Regarding the National Retirement Pension Fund (FNR), the government will develop, in cooperation with the World Bank, the terms of reference for a study on the medium-term financial projections for the institution and choose, before end-2002, a consultant to complete this study. This represents a structural benchmark of the program.

34. **The government finance reform program will give priority to the actual implementation, within the original time frame, of the new government budgetary nomenclature and public accounts charter.** Following the delays incurred in the administrative validation process for these documents, the authorities have identified a way forward that will make it possible to achieve the objective of implementation by January 1, 2003. A significant effort will have to be made in at least three areas: (i) preparation and adoption of implementation instructions; (ii) mobilization of information technology expertise to update the software monitoring the budgetary expenditure process and to develop a software for the new public accounts system; and (iii) training of officials in the new budgetary and accounting frameworks. Furthermore, the statistical consolidation work done in the context of the third review of the program showed that the unified database on the civil service should be updated more regularly, particularly the administrative data collected by the Ministry of Civil Service and the sectoral ministries. To this end, the government has decided to immediately update the database and introduce appropriate procedures for its regular maintenance. The reorganization of the Treasury into directorates with a view to increasing efficiency will also be completed by end-2002. In addition, the new public procurement code is to be approved by the government and submitted to the National Assembly for discussion before the end of the year. Finally, the Audit Court will submit its first budget execution report on fiscal year 1997 by end-December 2002. The 2001 budgetary accounts will be closed and transmitted to the Audit Court in order for this institution to complete by end-December 2002, the certificate of conformity of the related 2001 draft final budget law by year's end.

35. **The key objectives of the privatization and regulatory reform program for 2002 involve the establishment of the multisectoral regulatory authority (ARM) and the finalization of a concession contract for NIGELEC.** With respect to the ARM, the necessary measures will be taken to secure financing for its operating budget, in accordance with the applicable laws and regulations (financing by means of royalties on the utilities subject to regulation). In addition, senior management of the ARM and its technical

directorates will be established in consultation with the World Bank, so that the ARM can begin operation before the end of the year. A transitional regulatory committee for the water and telecommunications sectors was created by Decree 13/MP/RE/CCPP of October 26, 2001. The purpose of this committee is to assume the ARM's responsibilities, pending its creation. The committee has already reviewed and issued its opinion on the agreement on the interconnection between SONITEL and CELTEL-NIGER. Regarding the concession for NIGELEC, the investors selected for consideration will be invited to submit financial bids by September, and a provisional successful bidder will be identified by the end of the year.

36. The implementation of an automatic and transparent mechanism for the adjustment of retail petroleum product prices will be continued on a monthly basis. Supported by the experience gained in the first year of its operation and in the context of the current legislation that allows for periodic modifications of the values of the various items used in the pricing formula, the items of the pricing formula will be adjusted on September 1, 2002 as follows: (i) the average of the relevant international prices of petroleum products and of the exchange rate over the two preceding months will henceforth be used (rather than that of the last month alone), in order to smooth out fluctuations in the international market; and (ii) the petroleum product import and storage company (SONIDEP) will be compensated for the financing costs it bears on the customer credit it grants to distributors at a rate of 1.25 percent of the cost price at the exit of customs warehouses. Furthermore, the Ministry of Commerce and Promotion of the Private Sector will contract with an independent consulting firm to study the remunerations of the petroleum sector operators in order to determine if these payments ensure the medium-term profitability of these operators. The outcome of this study will be available at end-December 2002, a structural benchmark in the program, and taken into consideration for a new revision of the pricing formula, if necessary, at the time of the fourth review of the PRGF arrangement.

D. Poverty Reduction Strategy and HIPC Initiative

37. Designed during the initial months following the restoration of democracy, the poverty reduction program initiated by the Office of the President of the Republic led the way for the government's poverty reduction strategy, which was then being prepared. This special program has been fully financed with interim assistance under the Initiative for Heavily Indebted Poor Countries (HIPC Initiative). The achievements of the first phase of the program have been noteworthy. By end-April 2002, 467 school classrooms, 406 village health units, 11 mini-dams, 47 weirs, 64 pastureland wells, and 38 village wells had been constructed, at a cost of CFAF 9.8 billion. This represented an execution rate of close to 70 percent for the first phase of the program, which covers fiscal-years 2001 and 2002. The remainder will be constructed during the second half of 2002. The positive impact of the program on living conditions is already tangible: the construction of classrooms has made it possible to increase the enrollment ratio by 3 points in one year, health coverage has increased, and the program has revitalized local governments as well as the many small local companies that performed the constructions. A study will be undertaken to analyze the practical impact of the construction of wells, mini-dams, and weirs on the agricultural sector.

38. **The special program is continuing in 2002 and is being extended to include new projects.** Among the projects to be given priority are the improvement of rural roads, the creation of agricultural extension centers, and enhancements in animal husbandry. For implementation purposes, the special program projects will be integrated within the poverty reduction strategy in 2003. The government intends to take the key factors behind the success of the first phase of the special program initiated by the President and broadly apply them to the entire poverty reduction strategy. These key factors include (i) the active participation of the program beneficiaries in all stages of the program (i.e., identification, construction, and monitoring); (ii) an excellent price-quality ratio for the completion of the projects; (iii) the close tracking of results by local and regional governments, which are accountable when difficulties arise; and (iv) the involvement of the country's highest authorities.

39. **The government will be organizing a meeting of donors during the last quarter of 2002** in cooperation with the World Bank and the United Nations Development Program (UNDP). Using the PRSP as a basis for the discussions, the meeting has four aims: (i) to allow the donors to indicate the level of their financial commitments to Niger in the coming years; (ii) to improve coordination among the various donors; (iii) to finalize a program of technical assistance for the implementation of the strategy and development of institutional capacities in Niger; and (iv) to establish a system for tracking and assessing implementation of the strategy.

IV. EXTERNAL DEBT

40. **During the first half of 2002, two continuous performance criteria on debt conditionality were breached.** A slight delay in servicing a post-cutoff-date loan from Japan led to the nonobservance of the continuous performance criterion on the nonaccumulation of external payments arrears; and, on May 22, 2002, the performance criterion on a 50 percent grant element requirement for new external financing was not observed when the government signed with the OPEC Fund a new loan agreement providing a grant element of only 45 percent. A miscalculation of the grant element (by excluding the loan administrative fee in the calculation of the grant element) was at the origin of this instance of nonobservance of the performance criterion. As soon as it was confirmed that this loan was not consistent with the conditionality of the program, the government decided not to draw on it until its terms are renegotiated and brought in line with the program requirements. The end-June 2002 structural benchmark on the improvement of the external debt unit, through the implementation of a new debt-management software and staff training, could not also be observed owing to delays in obtaining the latest version—in French—of the software selected by Niger (the Commonwealth Secretariat's Debt Recording and Management System). Given the critical nature of this function under the HIPC Initiative and the above mentioned problems encountered in recent months, the Ministry of Finance has decided to make it a key priority for end-2002. To this effect, the government has contacted the Agence de la Francophonie (ACCT), which has been selected by the Commonwealth Secretariat for the distribution of this software, to speed up the process of acquiring the software. The latest version of the software, which is being translated in French, will be presented in the Fall of 2002 in the context of a regional workshop that will be attended by Nigerien representatives.

Measures have been taken to ensure the purchase and installation of this software by end-2002, and to make it operational in early 2003.

41. **The government will continue to follow a highly cautious external borrowing policy and avoid any accumulation of payments arrears.** The government has continued its discussions with its creditors. France remains the only Paris Club creditor with which a bilateral agreement has not yet been signed, following the multilateral Paris Club agreement of January 25, 2001. This multilateral agreement granted Niger Cologne terms for the treatment of flows and Naples terms for the treatment of arrears. A bilateral agreement should be signed between France and Niger by the end of the third quarter of 2002. The government has also actively maintained its contacts and continued negotiations with bilateral creditors who are not members of the Paris Club to obtain debt relief under the HIPC Initiative. An agreement has been signed to remove the liens on Nigerien farmlands associated with a post-cutoff-date loan by Libya; this should make it possible to resume negotiations for debt relief from Libya. Finally, to avoid legal proceedings, the government has signed an agreement to reduce the external payments arrears on a commercial loan with a maturity of less than one year granted by a private bank in 1999; as a result total debt service of CFAF 2.5 billion will be paid in 2002 to clear this loan. Regarding debt relief under the HIPC Initiative, the OPEC Fund and the Islamic Development Bank (IsDB) granted assistance to Niger in February 2002 and July 2002, respectively, while understandings were reached with the Kuwait Fund for Arab Economic Development. Negotiations are continuing with the other creditors.

V. PROGRAM MONITORING

42. The program will be monitored through end-June 2002 using the quantitative and structural performance criteria and benchmarks defined in the MEFP of January 16, 2002 (Tables 3 and 4) and its technical memorandum of understanding.

43. Monitoring of the revised 2002 program will be based on quarterly quantitative performance criteria and benchmarks (evaluated from December 31, 2001, onwards), a structural performance criterion and structural benchmarks for the 2002 calendar year, and a review. The quantitative performance criteria and benchmarks are set out in Table 2 and defined in the attached technical memorandum of understanding; the structural performance criterion and the structural benchmarks are defined in Table 4. The quantitative performance criteria and benchmarks include (i) a ceiling on net bank credit to the government; (ii) a ceiling on the basic budget deficit (on a commitments basis, excluding grants and excluding revenue resulting from the settlement of crossdebts); (iii) a reduction of the stock of the government's domestic payments arrears and the nonaccumulation of new domestic payments arrears; (iv) the nonaccumulation of new external payments arrears by the government; (v) a limitation on new nonconcessional loans contracted or guaranteed by the government with maturities exceeding one year; and (vi) a limitation on new short-term external borrowing. The above variables (i) through (iii) constitute performance criteria under the program for end-September 2002 and indicators for program monitoring purposes for end-December 2002; the variables (iv) through (vi) are continuous performance criteria.

In addition, quarterly quantitative benchmarks are set for tax receipts and the wage bill. The quarterly ceilings on net bank credit to the government and on the basic fiscal deficit will be adjusted on the basis of the gap between projected net amounts of exceptional external assistance and the amounts actually received, within the limits set out in Table 2.

44. The revised program for 2002 also includes a structural performance criterion on the continuous implementation of the pricing formula for petroleum products. This formula which was adopted on August 1, 2001, will be slightly modified in September 2002 as specified in the paragraph 36. The revised program also contains the following structural benchmarks, as indicated in Table 4: (i) submission of the budgetary accounts for fiscal year 2001 to the Audit Court and transmission of the 2001 draft final budget law to the IMF accompanied with the certificate of conformity established by the Audit Court; (ii) introduction of the new budgetary nomenclature and the new public accounts charter, and their use in preparing the 2003 budget; (iii) a strengthening of the external debt unit through the introduction of a new debt-management software and training of staff; (iv) the selection of a consultant to prepare a study on the medium-term financial projections of the National Retirement Pension Fund; and (v) the submission to the government of a study on the remunerations of the petroleum sector operators included in the petroleum product pricing formula.

45. The authorities will continue to comply with the statistical reporting requirements set out in the technical memorandum of understanding

Table 1. Niger: Quantitative Performance Criteria and Benchmarks for the Period December 31, 2000-December 31, 2001
(In billions of CFA francs)

	Balance at December 31, 2000	End -March 2001 Performance Criteria 1/			End -June 2001 Benchmarks			End-September 2001 Performance Criteria 1/			End-Dec. 2001 Benchmarks		
		Program	Adjusted	Real	Program	Adjusted	Real	Rev. Prog.	Adjusted	Real	Rev. Prog.	Adjusted	Est.
A. Quantitative performance criteria and benchmarks													
(In stock)													
Net bank credit to the government 2/ 3/	43.0	69.8	50.6	38.5	71.3	76.3	51.6	49.0	63.4	61.6	56.9	68.2	48.0
(Change from January 1, 2001 to the point in time considered)													
Reduction in government domestic payments arrears 4/		3.7	3.7	1.0	10.0	10.0	6.9	10.9	10.9	13.6	34.0	34.0	17.0
Changes in government external payments arrears 5/		0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed by the government with maturities of:													
0-1 year 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Over 1 year 7/	0.0	0.0	0.0	15.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Quantitative benchmarks													
Budgetary revenue 4/ 8/	110.1	26.3	26.3	31.4	55.6	55.6	63.4	93.7	93.7	97.0	127.7	127.7	132.3
Wage bill 3/	51.8	13.0	13.0	12.9	25.7	25.7	25.1	38.6	38.6	37.7	50.1	50.1	50.4
Basic budget deficit (commitments basis, excl.grants) 3/ 9/	38.6	5.1	5.1	17.8	19.8	19.8	26.5	43.0	43.0	35.3	51.8	51.8	48.9
Memorandum item:													
Exceptional external assistance (cumulative) 10/	42.3	-1.0	18.2	18.2	17.3	12.3	12.3	25.6	11.2	11.2	43.6	32.3	32.3

Note: The term "debt" has the meaning set forth in point number 9 of the Guidelines on Performance Criteria with Regard to Foreign Debt, adopted on August 24, 2000, and also to commitments contracted or guaranteed for which value has not been received.

1/ Performance criteria for program indicators under A; benchmarks otherwise.

2/ This ceiling on net bank credit to government will be adjusted if the amount of disbursements of external budgetary assistance, defined in footnote 10, exceeds or falls short of program forecasts.

If disbursements are less than the programmed amounts, the ceilings will be raised pro tanto in line with the observed shortfalls up to a maximum of CFAF 7.5 billion at end-December 2000 and end-March 2001, and CFAF 15.0 billion at end-June, end-September, and end-December 2001. If disbursements of assistance exceed programmed amounts, the ceilings will be lowered pro tanto unless the excess assistance is used for a reduction of domestic payments arrears in excess of the programmed reduction.

3/ Maximum.

4/ Minimum.

5/ New payments arrears are monitored on a continuous basis.

6/ Except for ordinary credit for imports or debt relief.

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

8/ Excluding revenue from privatization, which is included in financing.

9/ Total revenue, excluding grants, minus total expenses, excluding foreign-financed investment expenditures.

10/ External budgetary assistance (including traditional debt relief, but excluding IMF financing and HIPC Initiative interim assistance) net of external debt service (excluding IMF repayment) and payments of external arrears.

Table 2. Niger: Quantitative Performance Criteria and Benchmarks for the Period December 31, 2001-December 31, 2002
(in billions of CFA francs)

	Stock at-End September 2001	End-March 2002 Perf. Criteria 1/			End-June 2002 Benchmarks	Stock at-End December 2001	End-Sep. 2002 Perf. Criteria 1/	End-Dec. 2002 Benchmarks	
		Prog.	Adjusted	Est.	Prog.		Rev. Prog.	Rev. Prog.	
A. Quantitative performance criteria and benchmarks		(Changes from September 30, 2001 to the point in time considered)					(Changes from December 31, 2001 to the point in time considered)		
Variation of net bank credit to the government 2/ 3/	61.6	0.1	2.7	-4.4	-17.5	48.0	1.5	-3.6	
Basic budget deficit (commitments basis, excl. grants) 3/ 4/ 5/		9.2	9.2	8.0	18.6		26.4	36.5	
Reduction in government domestic payments arrears 6/		24.4	24.4	24.1	34.4		24.1	24.7	
Memorandum item:									
Exceptional external assistance (cumulative) 7/		19.6	17.0	17.0	50.5		22.9	34.0	
B. Continuous quantitative performance criteria									
Accumulation of external payments arrears		0.0	0.0	0.0	0.0		0.0	0.0	
External debt contracted or guaranteed									
by the government with maturities of 0-1 year 8/		0.0	0.0	0.0	0.0		0.0	0.0	
Nonconcessional external debt contracted or guaranteed									
by the government with maturities over 1 year 9/		0.0	0.0	7.1	0.0		0.0	0.0	
C. Quantitative benchmarks (From December 31, 2001)									
Budgetary revenue 6/ 10/		37.1	37.1	42.1	79.7		120.8	160.4	
Wage bill 3/ 11/		13.0	13.0	13.3	26.0		40.3	53.8	

Note: The term "debt" has the meaning set forth in point number 9 of the Guidelines on Performance Criteria with Regard to Foreign Debt, adopted on August 24, 2000 and also to commitments contracted or guaranteed for which value has not been received.

1/ Performance criteria for program indicators under A and B; benchmarks otherwise.

2/ This ceiling on net bank credit to government will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 7, exceeds or falls short of program forecasts. If disbursements are less than the programmed amounts, the ceilings will be raised pro tanto in line with the observed shortfalls up to a maximum of CFAF 7.5 billion at end-March 2002, CFAF 15.0 billion at end-June 2002, CFAF 5.0 billion at end-September 2002, and CFAF 6.0 billion at end-December 2002. If disbursements of assistance exceed programmed amounts by more than CFAF 6.8 billion, the ceilings will be lowered pro tanto of any additional amount beyond these CFAF 6.8 billion unless the excess assistance is used for a reduction of domestic payments arrears in excess of the programmed reduction.

3/ Maximum.

4/ Total revenue, excluding grants, minus total expenses excluding foreign-financed investment expenditures. For the revised program, total revenue also exclude compensation revenue.

5/ For end-September 2002 and end-December 2002, this ceiling on the basic fiscal deficit will be adjusted upward pro tanto if the amount of disbursements of external budgetary assistance, as defined in footnote 7, exceeds program forecasts up to a maximum of CFAF 6.8 billion.

6/ Minimum.

7/ External budgetary assistance (including traditional debt relief, but excluding IMF financing and HIPC Initiative interim assistance) net of external debt service (excluding IMF repayment) and payments of external arrears.

8/ Except for ordinary credit for imports or debt relief.

9/ Excluding debt relief obtained in the form of rescheduling or refinancing. The outcome at end-March 2002 reflects the breach of the continuous performance criterion following the signature on May 22, 2002 of a loan agreement with the OPFEC Fund with an insufficient concessionality.

10/ Excluding revenue from privatization, which is included in financing.

11/ The scope of the wage bill is defined in the technical memorandum of understanding.

Table 3. Niger: Structural Performance Criterion, and Structural Benchmarks Under the the Poverty Reduction and Growth Facility-Supported Program,
(October 1, 2001—March 31, 2002)

	Program	Status April 30, 2002
Prior action for completion of the second review		
Clearing of external payments arrears accumulated at end-September 2001 vis-à-vis Paris Club creditors.		Cleared on December 24, 2001.
Continuous structural performance criterion		
Continuous implementation of the pricing system for petroleum products adopted on August 1, 2001.		Met.
Structural benchmarks		
Computerization of the budgetary expenditure processes of the government at the central level.	End-December 2001	Met.
Preparation of a final budget law (<i>Loi de règlement</i>) for 2000 to be submitted to the National Assembly and transmittal of the 2000 budgetary accounts to the Audit Court.	End-December 2001	The government prepared a draft final budget law at end-March 2002 and transmitted the 2000 budgetary accounts to the Audit Court on April 10, 2002.
Submission of a report on (i) the execution of the presidential program to reduce poverty and (ii) the use of resources freed by the HIPC Initiative in 2001.	End-March 2002	Report transmitted to the IMF staff on April 17, 2002.

Table 4. Niger: Structural Performance Criterion, and Structural Benchmarks for
the Second Year of the Poverty Reduction and Growth Facility-Supported Program
April 1, 2002—December 31, 2002

	Program	Revised Program
Structural performance criterion		
Continuous implementation of the pricing system for petroleum products adopted on August 1, 2001	Using the formula adopted on August 1, 2001.	Beginning in September 2002, using the modified formula as specified in para. 36 of the MEFP
Structural benchmarks		
Strengthening of the external debt unit through the introduction of a new debt management software and training of staff.	End-June 2002	End-December 2002
Introduction of the new budget nomenclature and the new public accounts charter, and their use in preparing the 2003 budget law.	End-September 2002	End-September 2002
Transmittal to the IMF staff of a draft final budget law for 2001 together with the declaration of conformity established by the audit court, and transmittal of the fiscal-year 2001 accounts to the audit court.	End-December 2002	End-December 2002
Selection of a consultant to prepare a study on the medium-term financial projections of the National Retirement Pension Fund (FNR).		End-December 2002
Transmittal to the government of a study prepared by an independent consulting firm on the remunerations of the petroleum sector operators included in the pricing formula of the petroleum products		End-December 2002

INTERNATIONAL MONETARY FUND

NIGER

Technical Memorandum of Understanding

Niamey, August 8, 2002

1. This technical memorandum of understanding provides the definitions of the revised quantitative performance criteria and quantitative benchmarks for the second year of Niger's program supported under the Poverty Reduction and Growth Facility (PRGF). The targets for these quantitative performance criteria and benchmarks for September and December 2002 are set out in Table 2 attached to the government's memorandum of economic and financial policies (MEFP) dated August 8, 2002. This technical memorandum also sets out the data-reporting requirements for monitoring the program.

VI. DEFINITION OF TERMS

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

(a) As specified in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted by the Executive Board of the IMF on August 24, 2000, **debt** will be understood to mean a current, that is, 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, that is, 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, that is, contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and (iii) leases, that is, 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 the 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 that cover 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. The external debt excludes treasury bills and bonds issued in CFA francs on the regional financial market of the West African Economic and Monetary Union (WAEMU).

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

(c) **External payments arrears** are external payments due but not paid. **Domestic payments arrears** are domestic payments due (following the expiration of a 60-day grace period, excluding obligations with a specific grace period and for which this grace period applies) but not paid.

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

VII. QUANTITATIVE PERFORMANCE CRITERIA

A. Net Bank Credit to Government

Definition of the performance criterion

3. **Net bank credit to the government** is defined as the balance of the government's claims and debts vis-à-vis national banking institutions. Government claims include the cash holdings of the Nigerien Treasury, deposits with the central bank, deposits with commercial banks, and secured obligations. Government debt to the banking system includes funding from the central bank (essentially IMF assistance and refinancing of secured obligations), government securities held by the central bank, funding from commercial banks (including government securities held by commercial banks), and deposits with the postal checking system.

4. Government securities held outside the Nigerien banking system are not included in the net bank credit to government.

5. The net bank credit to government is calculated by the Central Bank of West African States (BCEAO), whose figures are those deemed valid within the context of the program. The scope of the net bank credit to government as defined by the BCEAO includes all central government administrations. The end-September 2002 performance criterion and the end-December 2002 benchmark are based on the variation of stock in net bank credit to the government from December 31, 2001 to the date considered for the benchmark.

Adjustment

6. The **ceiling on net bank credit to the government** will be subject to adjustment if disbursements of external budgetary assistance (excluding IMF financing and the assistance to be provided under the Initiative for Heavily Indebted Poor Countries, but including traditional debt relief), net of debt-service obligations (excluding IMF repayment obligations) and payments of external arrears, exceed or fall short of program forecasts. In the event of disbursements in excess by more than CFAF 6.8 billion at end-September 2002 and end-December 2002, the ceiling will be adjusted downward pro tanto by the amount of the excess disbursements beyond these CFAF 6.8 billion, unless they are used to absorb domestic payments arrears. In contrast, if at the end of each quarter disbursements are less than the programmed amounts, the ceiling will be raised pro tanto by the amount of the shortfalls up to the limit (on a noncumulative basis) of CFAF 5 billion at end-September and CFAF 6 billion at end-December 2002. For the end-September 2002 performance criterion and the end-December 2002 benchmark, the amount of external assistance provided is calculated from end-December 2001 onward.

7. If HIPC Initiative assistance is granted to Niger, the debt-service savings will be transferred to a central bank account and used to finance new poverty reduction programs that have been approved in the budget law and are in line with the poverty reduction strategy paper (PRSP).

Reporting requirement

8. Detailed data on net bank credit to government will be provided monthly within six weeks following the end of each month.

B. Basic Budget Balance

9. The basic budget balance is defined as the difference between total budgetary revenue, excluding grants and compensation revenue, and total expenditure, excluding externally financed capital expenditures (including investment expenditures financed by resources freed up as a result of the HIPC Initiative assistance). The end-September 2002 performance criterion and the end-December 2002 benchmark are based on the cumulative basic budget balance since end-December 2001.

Reporting requirement

10. This information will be provided to the IMF monthly within six weeks following the end of each month.

Adjustment

11. If the amount of external assistance is higher than scheduled in the revised program, the end-September 2002 performance criterion and the end-December 2002 benchmark will be adjusted pro tanto, thereby allowing a higher level of expenditure, up to CFAF 6.8 billion.

C. Reduction of Domestic Payments Arrears on Government Obligations

Definition of the performance criterion

12. **Domestic payments arrears** on government obligations are reduced through the payment of these obligations as defined under 2c and 2d above. The government undertakes not to accumulate any new domestic payments arrears on government obligations, except for arrears on obligations other than government debt, in which case the government undertakes not to accumulate beyond six months. The Centre d'Amortissement de la Dette Intérieure de l'Etat (CADIE – the government domestic debt amortization center) keeps and updates the inventory of domestic payments arrears on government obligations and maintains records of their repayments.

Reporting requirement

13. Data on the outstanding balance, accumulation, and repayment of domestic payments arrears on government obligations will be provided monthly within six weeks following the end of each month.

D. Nonaccumulation of External Payments Arrears

Definition of the performance criterion

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

15. In addition, the government undertakes to attempt in good faith and without delay to sign agreements that would confirm the preliminary understandings reached on the settlement of its external payments arrears before the consideration by the Executive Board of the IMF, on December 14, 2000, of the authorities' request for a new three-year arrangement under the Poverty Reduction and Growth Facility.

Reporting requirement

16. Data on the outstanding balance, accumulation, and repayment of external payments arrears will be provided monthly within four weeks following the end of each month.

**E. External Nonconcessional Loans Contracted or Guaranteed
by the Government of Niger**

Definition of the performance criterion

17. The government will not contract or guarantee external debt with original maturity of one year or more with a grant element of less than 50 percent. Nonconcessional external debt is defined as all debt with a concessionality level of less than 50 percent. To calculate the level of concessionality for loans with a maturity of at least 15 years, the discount rate to be used is the ten-year average commercial interest reference rate (CIRR), calculated by the IMF on the basis of the rates published by the OECD; for loans of less than 15 years, the six-month average CIRR is to be used.

18. This performance criterion applies not only to debt as defined in Point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. However, this performance criterion does not apply to financing provided by the Fund, to debt rescheduling in the form of new loans and to treasury notes and bonds issued in CFA francs on the WAEMU regional financial market.

Reporting requirement

19. Details on any external government debt will be provided monthly within four weeks following the end of each month. The same requirement applies to guarantees extended by the central government.

F. Short-Term External Debt of the Central Government

Definition of the performance criterion

20. The government will not contract or guarantee external debt with original maturity of less than one year. This performance criterion applies not only to debt as defined in Point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. Excluded from this performance criterion are short-term import-related trade credits and short-term treasury notes issued in CFA francs on the regional financial market.

Reporting requirement

21. Details on any external government debt will be provided monthly within four weeks following the end of each month. The same requirement applies to guarantees extended by the central government.

VIII. QUANTITATIVE BENCHMARKS

A. Definitions

22. Budgetary revenue is a quantitative benchmark for the program. It includes tax, nontax, compensation and special accounts revenue.
23. The civil service wage bill is another benchmark of the program. For the benchmarks at end-September 2002 and end-December 2002, the wage bill data are provided by the budgetary accounts and exclude the salaries paid for the reinstatement of former rebellion members, the medical and training indemnities, the contributions from the budget to the national retirement fund (line 390-1-34 of the budget), and the wage refunds. The wage bill includes cash vouchers.

B. Reporting Requirement

24. This information will be provided to the IMF monthly within six weeks following the end of each month.

IX. ADDITIONAL INFORMATION FOR PROGRAM-MONITORING PURPOSES

A. Public Finances

25. The government will report to IMF staff the following:
- detailed monthly estimates of revenue and expenditure, including social expenditure and the payment of domestic and external arrears;
 - complete monthly data on domestic budgetary financing, to be provided monthly within six weeks following the end of each month;
 - quarterly data on implementation of the public investment program, including details on financing sources, to be provided quarterly within eight weeks following the end of each quarter; and
 - monthly data on debt service, to be provided within four weeks following the end of each month.

B. Monetary Sector

26. The government will provide the following information within eight weeks following the end of each month:
- consolidated balance sheet of monetary institutions and, as appropriate, the balance sheets of selected individual banks;
 - the monetary survey, eight weeks after the end of each month, for provisional data;
 - borrowing and lending interest rates; and

- customary banking supervision indicators for bank and nonbank financial institutions. As needed, indicators for individual institutions may also be provided.

C. Balance of Payments

27. The government will provide the following information:

- any revision to balance of payments data (including services, private transfers, official transfers, and capital transactions) whenever they occur; and
- preliminary annual balance of payments data, within six months following the end of the year concerned.

D. Real Sector

28. The government will provide the following information:

- disaggregated monthly consumer price indices, monthly within two weeks following the end of each month;
- preliminary national accounts, no later than six months after the end of the year; and
- any revision in the national accounts.

E. Structural Reforms and Other Data

29. The government will provide the following information:

- any study or official report on Niger's economy, within two weeks following its publication; and
- 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.

F. Summary of Main Data Requirements

Type of Data	Tables	Frequency	Reporting Lag
Real sector	National accounts	Annual	Six months
	Revisions of national accounts	Irregular	Eight weeks following revision
	Consumer price indexes, disaggregated	Monthly	End of month + two weeks
Public finances	Net government position	Monthly	End of month + six weeks
	Table of indicators, including breakdown of revenue, expenditure, and repayment of domestic wage and nonwage arrears	Monthly	End of month + six weeks
	Provisional table of government operations (TOFE)	Monthly	End of month + six weeks
	Investment budget execution	Quarterly	End of quarter + eight weeks
	Petroleum products pricing formula, tax receipts, and pricing differentials	Monthly	End of month + four weeks
Monetary and financial data	Monetary survey	Monthly	End of month + six weeks (provisional) End of month + ten weeks (final)
	Consolidated balance sheet of monetary institutions and, as appropriate, balance sheets of certain individual banks	Monthly	End of month + eight weeks
	Borrowing and lending interest rates	Monthly	End of month + eight weeks
	Banking supervision ratios	Quarterly	End of quarter + eight weeks
Balance of payments	Balance of payments	Annual	Six months

Type of Data	Tables	Frequency	Reporting Lag
	Revised balance of payments data	Irregular	When revisions occur
External debt	Outstanding external payments arrears and repayments	Monthly	End of month + four weeks
	Terms of new external loans		End of month + four weeks

NEWS  BRIEF

FOR IMMEDIATE RELEASE

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International Monetary Fund
700 19th Street, NW
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**IMF Completes Third Review of Niger's PRGF Arrangement,
Approves Modification and Waiver of Performance Criteria, and
US\$11 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) today completed the third review of Niger's economic performance under the Poverty Reduction and Growth Facility (PRGF) arrangement and approved its request for modification and waiver of performance criteria.

The Executive Board also approved the disbursement of an amount equivalent to SDR 8.46 million (about US\$11 million) under the arrangement.

Niger's three-year arrangement was approved on December 14, 2000 (see Press Release No. 00/69), for SDR 59.2 million (about US\$78 million). So far, Niger has drawn SDR 25.38 million (about US\$33 million).

The PRGF is the IMF's concessional facility for low-income countries. It is intended that PRGF-supported programs will in time be based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners, and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that each PRGF-supported program is consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty.

PRGF loans carry an annual interest rate of 0.5 percent, and are repayable over 10 years with a 5 1/2-year grace period on principal payments.

EXTERNAL RELATIONS DEPARTMENT

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After the Executive Board's discussion on Niger, Eduardo Aninat, Deputy Managing Director and Acting Chairman, said:

"After two years of recession, Niger's economic activity rebounded markedly in 2001 as a result of a record cereals crop favored by good climatic conditions. Economic growth reached 7.6 percent of GDP, and the external current account deficit (excluding grants for budgetary assistance) was contained at 7.5 percent of GDP. The rate of inflation declined to 3.2 percent, on a year-end basis, and the fiscal deficit, excluding grants and externally financed capital expenditure, was slightly lower than programmed, reaching 3.4 percent of GDP.

"Overall performance under the program was broadly satisfactory in 2001, and the authorities took strong actions to keep the program on track at end-March 2002 and to correct for a budgetary slippage that occurred in the last quarter of 2001. Most of the performance criteria and benchmarks were met. In those areas where there were small deviations from program conditions, the Board welcomed the corrective measures taken and granted waivers for their nonobservance.

"The authorities have achieved commendable success in implementing the special program for poverty reduction. The authorities intend to build on these achievements and fully integrate this program in their poverty reduction strategy articulated via a broad and participatory process.

"The authorities' revised economic and financial program for 2002 preserves the main objectives of the original program and continues to be based on the authorities' poverty reduction strategy, while taking into account a shortfall of external budgetary assistance and new expenditure pressures on the budget. The conduct of prudent financial policies and the implementation of a cautious external debt policy remain pillars of the program, together with the strengthening of Niger's institutional capacity and the setting up of an enabling environment for faster economic growth and development.

"The authorities have adopted a result-oriented approach in implementing their structural reform program, following some delays in early 2002. Before end-2002, the government intends to implement a new public accounting and budget nomenclature system, complete the preparation of the financial restructuring of the National Postal and Savings Office, establish an operational multisectoral regulatory agency, privatize the electricity company, and decide on the future of two banks under temporary management by the central bank," Mr. Aninat said.