

**Niger: Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Requests for Waiver of Performance Criterion and for Additional Interim Assistance Under the Enhanced Initiative for Heavily Indebted Poor Countries—Staff Report; and Press Release on the Executive Board Discussion**

In the context of the fourth review under the three-year arrangement under the Poverty Reduction and Growth Facility, and requests for waiver of performance criterion and for additional interim assistance under the enhanced Initiative for Heavily Indebted Poor Countries, the following documents have been released and are included in this package:

- the staff report for the fourth review under the three-year arrangement under the Poverty Reduction and Growth Facility, and requests for waiver of performance criterion and for additional interim assistance under the enhanced Initiative for Heavily Indebted Poor Countries, prepared by a staff team of the IMF, following discussions that ended on **November 21, 2002**, 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 March 31, 2003.** 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 Press Release summarizing the **views of the Executive Board as expressed during its April 21, 2003 discussion** of the staff report that completed the review.

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

Letter of Intent sent to the IMF by the authorities of Niger\*  
Memorandum of Economic and Financial Policies by the authorities of Niger\*  
Technical Memorandum of Understanding\*

\*May also be included in Staff Report

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

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NIGER

**Fourth Review Under the Three-Year Arrangement  
Under the Poverty Reduction and Growth Facility, and  
Requests for Waiver of Performance Criterion and for  
Additional Interim Assistance Under the Enhanced  
Initiative for Heavily Indebted Poor Countries**

Prepared by the African Department

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

Approved by Menachem Katz and Martin Fetherston

March 31, 2003

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## EXECUTIVE SUMMARY

### Recent developments

- The implementation of the program in the second half of 2002 took place in a difficult sociopolitical environment, including labor strikes and a mutiny in August 2002. The political unrest in Côte d'Ivoire since mid-September 2002 has also had an impact on the economic environment, but the resulting external shock did not affect severely the Nigerien economy in 2002.
- Program implementation remained on track at end-September 2002. All nine performance criteria and benchmarks were observed, except for a small and temporary accumulation of external payments arrears and a slight overshooting of wage bill benchmark of 2 percent. Corrective measures to strengthen debt management and reinforce the control of the wage bill were taken.
- Preliminary information points to a broadly satisfactory economic performance under the program at end-2002. The rate of economic growth is estimated to have reached 3.0 percent in real terms; inflation, on a 12-month, end-of-period basis, declined sharply to 0.6 percent at end-2002; and the external current account deficit (excluding grants for budgetary assistance) was limited to 6.7 percent of GDP.
- In the area of structural reforms, the introduction of a new budget nomenclature and a new charter of public accounts, as well as the adoption of a new procurement code, were major achievements by the end of 2002. A limited institutional capacity and weaknesses in the monitoring of other reforms contributed to mixed outcomes. On the one hand, some progress was made in the strengthening of the financial sector, including the recapitalization of the Banque Commerciale du Niger. On the other hand, the opening of an operational multisectoral regulatory agency (MRA), the privatization of the electricity and petroleum product import companies (NIGELEC and SONIDEP), and the measures envisaged as benchmarks under the program were delayed to the first half of 2003.

### Policy discussions

- The discussions focused on the policy challenges faced by Niger and the need for the authorities to continue macroeconomic adjustment policies, while implementing the poverty reduction strategy. The delay in completing discussions on the 2003 program reflects the decision of the authorities to revise an envisaged fiscal policy that was too expansionary. To this end, the staff emphasized the need to raise more internal revenue and expressed some concern about the extent of the measures taken in response to the sociopolitical pressures that had surfaced in the second half of 2002.
- The authorities asserted their ownership of the program, and reaffirmed their commitment to sound public finances and sustainable fiscal and debt-management policies. They consequently adopted revenue-enhancing and expenditure-reducing measures to bring the budget in line with financing resources and strengthen its quality, in particular its link with the poverty reduction strategy.

### **Program for 2003**

- The economic and financial program for 2003 is in line with the objectives of the PRGF arrangement and the poverty reduction strategy. The macroeconomic objectives underlying this program include a rate of economic growth reaching 4.0 percent; a containment of inflation, on a 12-month, end-of-period basis, at 2.2 percent; and a deficit of the external current account (excluding grants for budgetary assistance) limited to 8.5 percent of GDP.
- Fiscal policy in 2003 aims at achieving further adjustment while imparting greater momentum to the implementation of the poverty reduction strategy. The basic fiscal deficit (excluding grants) is limited to 2.1 percent of GDP, and the balance of current budgetary operations is slightly positive, while protecting the social sectors. An increase in capital outlays to 9.1 percent of GDP from 6.5 percent in 2002 reflects an acceleration in the implementation of the PRSP. A further reduction of domestic payments arrears is also targeted by the end of 2003.
- A prudent monetary policy will continue to be pursued in 2003 at the regional level. Broad money growth in Niger is projected at 8.7 percent. The monetary authorities will closely monitor developments in the banking sector and step up surveillance activities.
- Central bank advances to the government are to be reduced in line with the agreed policy at the regional level, and the government is to start auctioning treasury bills on the regional securities market to alleviate its cash constraints and finance the budget.
- The government will continue to pursue a prudent external debt-management policy. With a view to reaching the floating completion point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) in the third quarter of 2003, it has taken measures to accelerate the observance of the few remaining conditions. The HIPC Initiative debt relief secured at the end of 2002 amounts to 80 percent of total relief required in net present value terms.
- Structural reforms in the area of public finance will continue to focus in 2003 on strengthening the tax and customs administration, as well as on reinforcing budgetary and treasury management. An acceleration of other structural reforms in the first half of 2003 will aim at achieving substantial progress in the privatization of NIGELEC and SONIDEP, as well as in the establishment of the MRA and the strengthening of the financial sector.

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The staff recommends the completion of the fourth review under the PRGF arrangement and the granting of a waiver for the nonobservance of the continuous performance criterion on the nonaccumulation of external payments arrears. The staff also supports the reprofiling of Fund disbursements linked to the completions of the fourth and fifth reviews, and the request for additional interim assistance under the HIPC Initiative until end-September 2003.

## I. INTRODUCTION

1. **The discussions for the fourth review under the Poverty Reduction and Growth Facility (PRGF) arrangement were held in Niamey during the period November 7-21, 2002 and in Washington during the period February 6-10, 2003.**<sup>1</sup> This arrangement, covering the period December 22, 2000-December 21, 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). As of end-December 2002, Niger's outstanding use of Fund resources amounted to SDR 78.28 million (119.0 percent of quota; Table 1). The decision point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) was also approved on December 14, 2000. The total amount of assistance required under this Initiative to bring the ratio of debt to exports to a sustainable level of 150 percent at end-1999 was estimated at US\$520.6 million in net present value (NPV) terms, with a common reduction factor for all creditors estimated at 53.5 percent (EBS/00/256, 12/06/00). Niger finalized its poverty reduction strategy paper (PRSP) in early 2002, and the Executive Board considered this PRSP a realistic and credible instrument to reduce poverty in Niger on February 8, 2002 (EBD/02/8, 01/17/02).

2. 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, and the status of key conditions for reaching the floating completion point under the HIPC Initiative is presented in Appendix V. The STA mission that visited Niger during January/February 2003 concluded that Niger's statistical databases suffer from serious shortcomings with the exception of the monetary statistics and, to a lesser extent, the balance of payments statistics. These shortcomings include lack of comprehensiveness in the coverage of institutions and economic sectors, poor cooperation among statistical agencies, limited exploitation of data sources, the application of questionable statistical practices, inadequate training of technical staff in statistical methodologies, and long delays in the production and dissemination of data. The STA mission made recommendations for improving the compilation of the macroeconomic statistics used for program design and monitoring. The mission also reviewed and updated the GDSS metadata and prepared revised plans for improvement, which have been incorporated into a work program.

3. **In concluding the third review of the program on August 26, 2002, Directors welcomed the authorities' actions to keep the program on track and endorsed the revised program for 2002.** Directors nevertheless urged the authorities to strengthen external debt management, avoid external payments arrears, and implement a cautious

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<sup>1</sup> 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. The staff team comprised Mr. Maret (head), Messrs. Caupin and Benoit, Ms. Le Manchec (all AFR), Mr. Schulte (SEC), and Mr. N'guiamba, the Fund Resident Representative in Niger.

borrowing policy consistent with Niger's debt sustainability. Directors also noted the importance of raising further the revenue-to-GDP ratio, with a view to lowering the budget's dependence on external assistance. They encouraged the authorities to contain the wage bill through a prudent wage policy and a strict control over the size of the civil service.

4. **In the attached letter of intent (LOI) and memorandum of economic and financial policies (MEFP), dated March 28, 2003 (Appendix VI), the Minister of Finance and Economy reviews program implementation during 2002 and presents the program for 2003.** Niger benefited from interim assistance under the HIPC Initiative in the amounts of SDR 0.43 million and 1.08 million in 2001 and 2002, respectively. The authorities are requesting additional interim assistance under the HIPC Initiative from the date of Board decision to September 30, 2003. The staff supports this request to extend the interim HIPC Initiative assistance.<sup>2</sup> Proposed performance criteria and indicative targets have been set for end-March 2003 to serve as the basis for the fifth review under the PRGF; data regarding the performance criteria and indicative targets at this test date will not be available before end-April 2003.

5. **The fourth review under the PRGF arrangement had been scheduled to take place in early 2003, less than one year after the Board presentation of the PRSP.** On this basis, the authorities intended to proceed with the preparation of a progress report on the implementation of the poverty reduction strategy and to present it in the context of the fifth review under the PRGF and the completion point under the HIPC Initiative, in compliance with Fund policies on PRSP progress reports. However, because of delays in finalizing the 2003 program, the Board's consideration of the fourth review is taking place more than one year after the presentation of the PRSP. Although the preparation of a progress report on the implementation of the PRSP has been accelerated, it could not be finalized in time for the Board's consideration of the fourth review. Fearing that a further delay in the conclusion of the fourth review and in the related disbursement would severely affect Niger, and that further expediting the progress report would be detrimental to its quality, the authorities have requested that the progress report be presented, as originally planned, in the context of the Board meeting that will consider Niger's completion point under the HIPC Initiative and the fifth review under the PRGF arrangement (LOI, para. 2). In light of the actions taken by the government to complete the progress report by end-June 2003 and the importance of Fund assistance to the country, the staff supports the authorities' request that the Board exercise flexibility in its policy regarding the presentation of progress reports on the implementation of PRSPs under the PRGF.

6. **In view of the protracted crisis in Côte d'Ivoire, the authorities are requesting a front-loading of Fund disbursements in 2003, with the disbursement linked to the**

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<sup>2</sup> Satisfactory assurances of contributions in the HIPC Initiative have been received from Niger's creditors constituting 80 percent of the stock of debt (in net present value terms) at the decision point.

fourth review increasing from SDR 8.46 million to SDR 11.84 million.<sup>3</sup> This reprofiling of Fund assistance would help the authorities to cope with a larger-than-usual financing gap of the balance of payments in early 2003. By preventing a greater tightening of the policy stance and the implementation of stop-and-go policies in the first half of 2003, the requested reprofiling would allow for a smoother implementation of the program and the poverty reduction strategy.

## II. BACKGROUND AND RECENT ECONOMIC DEVELOPMENTS

### A. Program Environment in 2002

7. **The implementation of the program in the second half of 2002 took place in a difficult social and political environment.** On the social front, labor unions launched an active campaign, including strikes, to support various social claims, such as a reduction of the income tax burden on individuals. Similarly, the private business sector openly rejected the extension of the prepayment of corporate income taxes to reexport activities. University students demonstrated against the tightening of scholarship eligibility conditions. Finally, the government had to rely in early August 2002 on the support of the majority of the army to quickly control a mutiny in the eastern region of the country and a related military coup attempt in Niamey. Thus, despite a significant improvement in economic conditions since the democratically held elections at end-1999, the sociopolitical environment in Niger remained tense in 2002, and the authorities engaged in a proactive policy dialogue with the labor unions and the private sector to alleviate pressures and ensure a greater ownership of the program.

8. **The external shock resulting from the political crisis in Côte d'Ivoire since September 2002 has also had an impact on the economic environment of the West African Economic and Monetary Union (WAEMU) region, including Niger.** However, the crisis did not affect strongly the Nigerien economy in 2002. There was a slight weakening of international taxes collection and some pressures on the prices of products usually imported from Côte d'Ivoire. Moreover, the return of Nigerien citizens from Côte d'Ivoire was limited to less than 1,000 at end-2002. Although Niger is not directly dependent on Côte d'Ivoire for its import and export markets, the authorities remain concerned about the impact of a protracted crisis on the region. They are monitoring the situation very closely and have initiated studies to estimate more precisely the consequences of the crisis. The program for 2003 relies on an early resolution of the crisis and assumes a rapid resumption of economic ties and development activities in the region (Box 1). The program includes, nevertheless, some contingent measures (MEFP, para. 25), and the authorities are studying alternative scenarios under the assumption of a prolonged crisis. The moderately optimistic

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<sup>3</sup> The disbursement linked to the fifth review would be reduced to SDR 5.08 million, thus maintaining a total amount of programmed disbursements of SDR 16.92 million in 2003. The quarterly program for the budgetary operations, whose external financing requirement parallels the balance of payments financing gap, is presented in Table 5.



macroeconomic framework that underlies the program for 2003 will be reviewed by midyear and revised, if needed.

**Box 1. Niger: Impact of the Crisis in Côte d'Ivoire on Niger's Economy**

**Côte d'Ivoire is Niger's second-largest trading partner after France, and about 1 million Nigeriens are reported to reside in Côte d'Ivoire.** Imports from Côte d'Ivoire represent 15 percent of total imports and are mainly concentrated in cooking and mineral oil, processed food, chemical products, and steel products. Exports to Côte d'Ivoire, mainly onions, account for 1½ percent of total exports of Niger and about one-third of its exports of onions. Niger does not depend critically on Abidjan harbor for its imports and exports, but tax revenue on imports passing through Côte d'Ivoire were estimated at CFAF 13 billion in 2002, equivalent to 9 percent of tax revenue.

**Current events in Côte d'Ivoire are hurting Niger's economy on two fronts: directly as a result of the trade and economic relations with Côte d'Ivoire; and indirectly through the economic consequences of the crisis on the region, particularly the West African Economic and Monetary Union (WAEMU).** In 2002, the impact on Niger was, however, limited to pressures on the collection of international trade taxes and on prices of products usually imported from Côte d'Ivoire. Import substitution already started to take place, with greater reliance placed on Nigeria and Ghana, and few Nigeriens returned from Côte d'Ivoire to Niger.

**Against this background, the government is nevertheless concerned that a protracted crisis in 2003 might induce a greater negative external shock on the economy.** A crisis-induced recession at the regional level would affect the economic prospects of Niger in terms of growth, balance of payments, and public finance, and have deep social implications. The economic sectors that would suffer the most include the agricultural and livestock sectors, with the onion sector being the most vulnerable. These sectors and the balance of trade would be strongly affected insofar as a diversification of export markets and imports does not materialize. Another concern of the authorities has been the possible drying up of private transfers from Côte d'Ivoire to Niger; despite the absence of accurate data on these financial flows between the two countries, the amount is assumed to be large, and it mainly supports rural areas, where the loss of such transfers would induce additional reliance on public services. This situation could be exacerbated by a large influx of returning refugees, which would require public intervention and the provision of basic public services. Taking into account a lesser performance of domestic revenue, these expenditure pressures would jeopardize the fiscal objectives of the program.

**The Nigerien authorities are thus closely monitoring the effects of the crisis on the economy and are assessing its financial impact.** The staff estimates that under the assumption of a prolongation of the crisis beyond end-June 2003, real GDP growth could be lower by at least 1 percentage point, and the basic budget deficit (overall deficit, excluding foreign-financed capital expenditure) could increase by close to 1 percent of GDP.

## **B. Performance at End-September 2002**

9. **Program implementation remained on track at end-September 2002 (MEFP, paras. 6-14).** All nine performance criteria and benchmarks at end-September 2002 were observed, except for the continuous performance criterion on the nonaccumulation of external payments arrears and the benchmark on the wage bill (MEFP, Tables 1 and 2). The continuous implementation of a prudent budgetary policy resulted in a smaller basic deficit (overall deficit, excluding foreign-financed projects, on a commitment basis and excluding grants), as well as a lesser recourse to domestic bank financing.
10. **The delayed payment of debt service on four IDA loans, due on August 1, 2002 (US\$120,000), caused the World Bank to send a notice of impending suspension to the government of Niger on September 17, 2002.** Other delays (in excess of 30 days of the due date) were also recorded in September 2002 for the payment of debt service vis-à-vis the Overseas Economic Cooperation Fund (OECF), the International Fund for Agricultural Development (IFAD), and the Spanish Institute for Official Assistance (ICO-Spain). While all these payments arrears were cleared by end-September 2002, they constituted nonobservances of the continuous performance criterion on the nonaccumulation of external payments arrears. These incidents of external payments arrears resulted from problems in reconciling debt maturities and lengthy administrative procedures that had prevented their early resolution (MEFP, para. 13). It also reflected delays in strengthening debt management within the Ministry of Finance and Economy, in part as a result of delays in the release of the latest version of the debt-management and recording software selected by the authorities, and difficulties in obtaining technical assistance for the installation of this software.
11. **Given the resurgence of external payments arrears, the government introduced measures to strengthen the monitoring of external debt payments within the Ministry of Finance and Economy.** In particular, collaboration and coordination issues between the Treasury and the debt management unit were resolved; and a monthly reconciliation of the effective debt payments with the payments orders issued by the debt management unit has been implemented. In addition, a technical assistance mission from the Commonwealth Secretariat is scheduled to visit Niamey in May 2003, with a view to implementing the new debt-management and recording software by end-June 2003. In light of these corrective measures, the government requests a waiver of nonobservance of the continuous performance criterion on the nonaccumulation of external payments arrears.
12. **As for the wage bill, its overshooting of the target of CFAF 1 billion (or 0.07 percent of GDP) reflects a much larger than originally envisaged impact of the December 2001 decision to regularize the wage bill.** As a result of this decision, the payment of salary increases related to automatic advancement, which had been frozen since March 1999, was gradually implemented in 2002. The annual cost of this measure came to about 0.2 percent of GDP, or double the initial estimate. Despite this small overshooting, the wage bill declined to 39 percent of tax revenue in 2002, in line with the objectives of the program.

### C. Performance at End-December 2002

13. **Preliminary information points to a broadly satisfactory economic performance at end-2002.** Good climatic conditions boosted economic activities in 2002, and real GDP growth is estimated to have reached 3.0 percent (Table 2). The bumper crop in the second half of 2002 also resulted in a substantial decline of inflation, on a 12-month, end-of-period basis, from 3.2 percent at end-2001 to 0.6 percent at end-2002.

14. **The current account deficit of the balance of payments (excluding grants for budgetary assistance) was limited to 6.7 percent of GDP,** slightly higher than in 2001 (6.3 percent of GDP) and compared with a projection of 8.6 percent of GDP in the revised program (Table 3). This outcome reflects mainly a 41 percent increase in intermediate and capital goods imports from their 2001 levels. Compared with the program, a weaker performance of agricultural exports was partly linked to regional tensions, while a higher demand for, and stock rebuilding of, food and consumption products resulted in greater imports of these products, mainly in the first half of the year. These pressures on the trade balance were compensated for by lower-than-projected imports of petroleum, intermediate and capital goods, which benefited from the appreciation of the CFA franc against the U.S. dollar (Figure 1). Finally, the current account balance benefited from larger private transfers.

15. **Program implementation at end-December 2002 suffered from delays in structural reforms, and provisional data points to some slippages in the budgetary outcome,** despite the determination of the authorities to build up a satisfactory track record and to take necessary measures to avoid or correct slippages. In particular, the authorities maintained fiscal discipline and fully implemented the expenditure-reducing measures described in their MEFP of August 8, 2002. These policy actions were complemented by a satisfactory execution of the poverty reduction projects financed by the HIPC Initiative, and by a further reduction of domestic payments arrears. Preliminary information on the budget outcome indicates that five of the eight quantitative benchmarks at end-December 2002 were met (Table 4; and MEFP, Table 1). In particular, the ceiling on the basic budget deficit was observed despite a slight shortfall of total revenue, equivalent to ¼ percent of the target, and the overrun of the wage bill, as explained above. However, a shortfall in net external financing (excluding project financing), equivalent to 0.4 percent of GDP, and larger cash outlays for the reduction of domestic payments arrears (by 0.2 percent of GDP) resulted in a higher recourse to domestic bank financing by 0.6 percent of GDP.<sup>4</sup> The program for 2003 takes into account these developments and a comprehensive assessment of the 2002 outcome will be made in the context of the fifth review under the PRGF.

16. **In the area of structural reforms, the introduction of a new budget nomenclature and a new charter of public accounts, as well as the adoption of a new procurement**

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<sup>4</sup> As the adjustor for a shortfall of external financing was limited to 0.4 percent of GDP, the benchmark on net bank credit to government was not observed.

**code, were major achievements in 2002 (MEFP, paras. 21-23).** These reforms will enhance transparency and good governance in public finances (Box 2). The 2003 budget law was prepared using this nomenclature and is being executed in the new accounting framework. Achieving this outcome, however, stretched the institutional capacity of the Ministry of Finance and Economy to its limit. As a result, other measures in the area of public finance had to be delayed. The four structural benchmarks of the program at end-December 2002 were not observed, but corrective measures have been taken to accelerate the completion of the related measures in the first half of 2003.<sup>5</sup> Similarly, the privatization of the electricity company, NIGELEC, was delayed, as an unsuccessful call for interested parties in April 2002 made it necessary to launch a new call for potential investors in November 2002. The privatization of the petroleum product import company, SONIDEP, and the implementation of the multisectoral regulatory agency (MRA) were also delayed, as weaknesses in the monitoring of these reforms necessitated further consultations with the World Bank on the best way to proceed.

17. **As regards the strengthening of the banking sector, the Banque Commerciale du Niger (BCN) was recapitalized,** and its placement under temporary management of the Central Bank of West African States (BCEAO) should end in 2003. Understandings that would include a limited contribution of the state to the restructuring of the Banque Islamique du Niger pour le Commerce et l'Investissement (BINCI) were also reached at end-2002 with the other bank shareholders. Finally, following the conclusion of two studies on the financing of housing and local governments, the government has decided (i) to privatize the Crédit du Niger (CDN), or to liquidate it if it cannot be privatized, by end-June 2003; and (ii) to suspend the operations of the Caisse de Prêts aux Collectivités Territoriales (CPCT) while a new framework of local government finances is being defined. The other reforms that were contemplated in this area have been slowed by difficulties in getting timely technical assistance and expertise; as a result, little progress was made in 2002 in the actuarial audit of the Caisse Nationale de Sécurité Sociale (CNSS), the financial and organizational audit of microfinance institutions, the restructuring of the postal branch of the Office National de la Poste et de l'Épargne (ONPE), and the creation of a financial subsidiary of ONPE.

18. **Despite these mixed results, the commitment of the authorities to the structural reform program remains strong.** In consultation with the World Bank, they have agreed to accelerate its implementation, with a view to achieving irreversible progress by end-June 2003 in the privatization of NIGELEC and SONIDEP, the establishment of the MRA, and the strengthening of the financial sector, particularly the resolution of the Crédit du Niger case.

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<sup>5</sup> The four benchmarks at end-December 2002 were related to (i) the strengthening of the debt unit; (ii) the closing of the 2001 budgetary accounts; (iii) the selection of a consultant for an actuarial audit of the civil service pension fund; and (iv) a study on the profit margins of petroleum product marketers.

<b>Box 2. Niger: Status of Actions to Strengthen Tracking of Poverty-Reducing Public Spending</b>				
<b>Actions</b>	<b>Indicators</b>	<b>Measures to Strengthen from Agreed Action Plan <sup>1/</sup></b>	<b>Status <sup>2/</sup></b>	<b>Progress to Date</b>
Budget formulation	Composition of budget entity	Budget law 2003 to include an annex with the financial statements of local governments.	NS	Implementation of decentralization process has been delayed.
		Budget law 2004 to include an annex with the financial statements of parastatals.	NS	To be initiated with preparation of 2004 budget law.
Budget formulation	Limitations to use of off-budget transactions	N/A	...	N/A
Budget formulation	Reliability of budget as guide to outturn level	N/A	...	Not in action plan, yet judged as broadly satisfactory.
Budget formulation	Data on donor financing	N/A	...	Not in action plan, yet judged as generally satisfactory
Budget formulation	Classification of budget transactions	Introduction of new budget nomenclature in budget law 2003.	II	Done.
		Preparation of new charter of public accounts and use for implementation of budget 2003.	II	Done.
Budget formulation	Identification of poverty-reducing expenditures	Finalization of poverty reduction strategy paper (PRSP).	FI	PRSP discussed by Bank/Fund Boards in February 2002.
Budget formulation	Quality of multiyear expenditure projections	Preparation of a medium term expenditure framework (MTEF) for 2002-04 with clear link to PRSP priorities.	II	Basic MTEF prepared for PRSP. Preparations of sectoral expenditure frameworks initiated in 3 sectors (Education, Health, Rural Development).
Budget execution	Level of payment arrears	Domestic arrears settlement plan to be adopted in 2001;	FI	Domestic arrears settlement plan finalized in November 2001.
		Settlement of domestic arrears in line with objectives for each fiscal year.	II	Quantitative target of domestic arrears settlement plan for 2001 met in January 2002. Targets for 2002 met.
Budget execution	Quality of internal audit	Assessment of effectiveness of existing internal control mechanisms at different stages of the expenditure chain and implementation of recommendations (from 2002 onward).	II	To be undertaken in 2003 in the context of the public expenditure review.

<b>Box 2. Niger: Status of Actions to Strengthen Tracking of Poverty Reducing Public Spending (concluded)</b>				
<b>Actions</b>	<b>Indicators</b>	<b>Measures to Strengthen from Agreed Action Plan <sup>1/</sup></b>	<b>Status <sup>2/</sup></b>	<b>Progress to Date</b>
		Introduction of new methodology for control of service provided (from 2002 onward).	II	To be implemented in 2003.
Budget execution	Use of tracking surveys	N/A	II	No activity originally planned; tracking survey in education sector to be conducted in 2003.
Budget execution	Quality of fiscal/banking data reconciliation	Monthly reconciliation of budgetary data from 2001 onwards.	FI	Done.
Budget reporting	Timeliness of internal budget reports	Introduction of Management Information System (FMIS) and use for regular production of reports about budget execution.	II	FMIS introduced in 2001; so far, only limited use for production of execution reports.
Budget reporting	Timeliness of accounts closure	Compliance with schedule.	II	Closure of budgetary accounts of 2001 in early 2003.
Budget reporting	Timeliness of final audited accounts	Adequate staffing of Audit Court and preparation of work program (2001). Submission of treasury accounts to Audit Court, preparation of audit reports by court (from 2002 onward). Audit reports for budgets 1997-99 prepared by Audit Court.	II FI II	Work program completed, strengthening of human resources under way. Accounts for 1997-2001 submitted to Audit Court. Draft audit report for 1997 completed.

<sup>1/</sup> Actions plans were agreed by the government, the IMF, and the World Bank (N/A refers to not applicable).  
<sup>2/</sup> Progress to date includes short description of progress and improvements and note degree of implementation, i.e., whether implementation has been initiated (II), is not yet started (NS), or is fully implemented (FI)

### III. POLICY DISCUSSIONS

19. **The discussions for the fourth review under the PRGF arrangement focused on the policy challenges facing Niger and the need for the authorities to continue their macroeconomic adjustment policies, while implementing policies to achieve the Millennium Development Goals (MDGs).** The authorities and the staff agreed that the main policy challenges facing Niger continued to be (i) ensuring a stable macroeconomic framework; (ii) achieving higher levels of sustainable growth through the development of an

enabling environment for private sector activities; and (iii) implementing an effective poverty reduction strategy (see joint staff assessments of the interim and final poverty reduction strategy papers, EBD/00/107, 12/01/00; and EBD/02/9, 1/17/02). It was also agreed that encouraging progress had been achieved under the PRGF-supported program in terms of economic stabilization, but that more had to be done to liberalize the economy, achieve the MDGs, and reduce poverty. Fiscal adjustment had contributed to this outcome, but the restoration of sound and sustainable public finances had yet to be achieved (Box 3). The vision of fiscal policy remained built on the following four pillars: (i) a higher mobilization of internal revenue to generate positive budget savings and reduce dependence on external financing; (ii) a greater quality of expenditure, particularly in the context of implementing the poverty reduction strategy; (iii) the pursuit of a prudent debt-management policy to ensure its sustainability; and (iv) the elimination of past domestic payments arrears and the nonaccumulation of new arrears.

**Box 3. Niger: Budgetary Aggregates in Percent of GDP, 1999-2003**

	1999	2000	2001	2002		2003
				Rev. Prog. EBS/02/146	Est.	
Total revenue	8.8	8.6	9.3	10.6	10.6	10.6
Tax and nontax revenue	8.4	8.3	9.1	9.8	9.8	10.2
Special accounts	0.4	0.3	0.2	0.3	0.3	0.2
Settlement of reciprocal debts	0.0	0.0	0.0	0.5	0.6	0.2
Total expenditure	17.9	16.2	16.7	18.0	17.1	19.7
Base expenditure	13.7	11.6	12.7	12.5	12.3	12.7
Current	12.4	11.2	11.0	11.1	10.7	10.5
Budgetary	11.8	10.8	10.3	10.6	10.1	10.0
Primary	10.3	9.1	8.5	8.9	8.6	8.9
Of which: wage bill	4.1	4.0	3.5	3.6	3.7	3.5
Interest due	1.6	1.7	1.8	1.7	1.5	1.2
Special accounts	0.6	0.4	0.7	0.5	0.5	0.5
Investment (domestically financed)	1.4	0.6	1.7	1.4	1.7	2.2
Net lending	-0.1	-0.2	-0.1	-0.1	0.0	0.0
Investment (foreign financed)	4.2	4.5	4.0	5.5	4.8	6.9
Overall budget balance (commitment basis)	-9.0	-7.6	-7.4	-7.4	-6.5	-9.1
Variation of domestic payments arrears	1.9	0.3	-1.2	-1.6	-2.3	-1.1
Variation of external payments arrears	2.1	-9.0	0.0	0.0	0.0	0.0
Overall budget balance (cash basis)	-5.1	-16.3	-8.6	-9.0	-8.9	-10.2
Financing	5.1	16.3	8.6	9.0	8.9	10.2
External 1/	4.5	17.9	7.9	5.7	8.2	6.0
Grants	3.8	4.1	4.2	3.2	4.2	3.4
Loans (net)	0.1	1.5	0.8	-0.5	1.7	0.7
Debt relief	0.6	12.3	2.9	3.1	2.2	1.9
Domestic	0.6	-1.6	0.7	-0.3	0.7	0.2
Banking sector	0.6	-2.2	0.3	-0.2	0.3	0.2
Nonbanking sector	0.0	0.7	0.3	0.0	0.4	0.0
Financing gap	0.0	0.0	0.0	3.6	0.0	4.0
Identified financing 1/	0.0	0.0	0.0	3.6	0.0	4.0
Remaining gap	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:						
Current budget balance (excl. settlement of reciprocal debts)	-3.6	-2.6	-1.8	-1.1	-0.6	-0.1
Basic budget balance (excl. settlement of reciprocal debts)	-4.8	-3.0	-3.4	-2.4	-2.3	-2.3
Total investment	5.6	5.2	5.7	6.9	6.5	9.1

1/ For program purposes, the grants and loans that donors intend to disburse for budgetary assistance are recorded in the identified financing of the financing gap; actual disbursements are recorded in external financing.

20. **The delay in completing the discussions for the fourth review under the PRGF arrangement was caused by problems in finalizing the 2003 program.**<sup>6</sup> The draft budget law for 2003 reflected an expansionary fiscal stance that resulted in a large, unfinanced gap. In this context, the staff expressed some concern about the cuts in income taxes and the additional spending on security that the authorities had decided to make in response to the sociopolitical pressures that had surfaced in the second half of 2002 (MEFP, para. 5). While welcoming the government's willingness to engage in a constructive dialogue with the social partners and understanding the rationale for each measure,<sup>7</sup> the mission questioned their timing and extent. To minimize the budgetary impact of these measures, the staff argued for a gradual approach in their implementation, such as a preannounced reduction of the corporate income tax rate over a three-year period. It highlighted the need to take compensatory measures to preserve the gains made in fiscal adjustment and ensure a sustainable fiscal policy. To this end, the staff stressed the need to raise the ratio of tax and nontax revenue to GDP above 10 percent, in line with the original objective of the PRGF-supported program.<sup>8</sup>

21. **The authorities asserted their ownership of the program objectives and reaffirmed their commitment to sound public finances and a sustainable fiscal policy.** They agreed with the staff's assessment of the envisaged fiscal stance for 2003, and embarked on a revision of the draft budget law for 2003 to bring it in line with identified resources, reinforce its quality, and strengthen its link to the poverty reduction strategy objectives. They decided against the staff's recommendation of a gradual implementation of the measures they had agreed upon with the social partners, but took instead compensatory revenue-enhancing and expenditure-reducing measures to ensure the full financing of the budgetary program while preserving the social sectors. The budget law was approved on December 16, 2002 and the economic and financial program finalized in early February 2003.

22. **Looking ahead, the authorities have requested technical assistance from the Fund, with a view to (i) raising the ratio of total revenue to GDP beyond the current 10.6 percent of GDP in the medium term; and (ii) improving further budget and treasury management, while strengthening the expenditure process and its quality**

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<sup>6</sup> The introduction of the new budget nomenclature also complicated and delayed the preparation of the draft budget law.

<sup>7</sup> The reduction of the corporate income tax rate brings Niger in line with regional rates and promotes private sector activities, thereby contributing to PRSP objectives in this regard. The harmonization of all profit taxes on the corporate income tax eliminates a previous bias in favor of individual companies.

<sup>8</sup> The staff also noted that, over the period 2003-06, Niger will gradually lose compensatory transfers (equivalent to 0.5 percent of GDP in 2003). These transfers from the WAEMU were to compensate for losses resulting from the implementation of the common external tariff.



**through the preparation and implementation of a medium-term expenditure framework.** The authorities have also expressed their satisfaction with the two FAD resident experts, who have effectively contributed to the development of the institutional capacity of the country in the areas of tax administration and treasury management.

#### IV. PROGRAM FOR 2003

23. **The economic and financial program of the authorities for 2003 is in line with the objectives of the three-year program and the PRSP.**<sup>9</sup> It aims essentially at consolidating the progress achieved in restoring public finances, supporting the economic recovery, and implementing the poverty reduction strategy. The current program is predicated on a small negative impact on Niger of the crisis in Côte d'Ivoire and the absence of adverse external shocks linked to a deterioration of the international economic environment beyond recent World Economic Outlook (WEO) projections. If, however, the crisis in Côte d'Ivoire were to continue beyond the first half of 2003 and the world economy to deteriorate further, the program would be revised in the context of the midyear review.

24. **The macroeconomic objectives underlying the 2003 program include the following: real GDP growth of 4.0 percent, leading to a 1 percent increase in per capita income; a containment of inflation, on a 12-month, end-of-period basis, at 2.2 percent; and an external current account deficit (excluding grants for budgetary assistance) limited to 8.5 percent of GDP (Figure 2).** The prudent economic and financial policies to be implemented under the program will support the attainment of these objectives. While the projections assume average levels of rainfall, the agricultural and livestock sectors are expected to benefit from recent public spending on rural development, including investments in irrigation systems and the management of water resources. The rural and construction sectors are, accordingly, projected to grow by 2.6 and 10.2 percent, respectively, in 2003. This performance will help to sustain a high level of commercial and transportation activities, as well as services. Inflationary pressures will remain subdued, as a result of the prudent policies to be implemented by the BCEAO and by a good performance of the rural sector, despite an expected increase in petroleum product prices. In this regard, Niger will benefit from the dampening effect of the appreciation of the CFA franc against the U.S. dollar. However, the Nigerien government remains committed to implementing the formula for the automatic, transparent, and flexible pricing of these products in Niger. The deterioration of the external current account balance (excluding grants for budgetary assistance), from an estimated deficit of 6.7 percent of GDP in 2002 to one of 8.5 percent in 2003, reflects conservative estimates of export performance and a large increase in imports of capital and

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<sup>9</sup> As stated in the MEFP (para. 29), the program includes some minor changes of the approved budget law that will be regularized in the context of a revised budget law to be presented to the National Assembly in the second half of 2003. These improvements of the budget law should be approved by the National Assembly and do not affect the capacity of the authorities to deliver on the program before the revised budget law.

intermediate goods, the latter of which is mainly linked to a 50 percent increase of the public investment program.

#### A. Fiscal Policy

25. **The 2003 budget law approved by parliament on December 16, 2002 is consistent with the objectives of the PRGF-supported program and the PRSP (MEFP, paras. 27-36; Figure 3).** In terms of fiscal adjustment, and excluding resources from grants, it aims at a slightly positive current budget balance, compared with the deficit of 3.6 percent of GDP recorded in 1999. It also limits the basic budget deficit to 2.1 percent of GDP, compared with a deficit of 4.8 percent of GDP in 1999.<sup>10</sup> This fiscal program is accompanied by efforts to improve the quality of expenditure and preserve the current spending of the social sectors; it also reflects an acceleration in the implementation of the poverty reduction strategy. Moreover, the authorities intend to reduce the stock of domestic payments arrears by 1.1 percentage points of GDP, to a level equivalent to 3.8 percent of GDP at end-2003, or half of its nominal value at end-2000 (MEFP, para. 35). As a result, the overall budget deficit (excluding grants and on a cash basis) is targeted at 10.2 percent of GDP in 2003. Domestic financing will be limited to 0.2 percent of GDP, while reflecting the impact of a gradual repayment of statutory advances granted by the BCEAO, in line with a recent decision taken by the WAEMU. Taking into account external debt relief and amortization, as well as project financing, the residual financing gap of 4.0 percent of GDP is expected to be fully financed by the donor community (Table 5).<sup>11</sup>

26. **On the revenue side, the 2003 program aims at a level of total revenue equal to 10.6 percent of GDP, reflecting an improvement of 0.4 percentage point in tax and nontax revenue compared with 2002.** This outcome reflects the first phase of a programmed reduction of individual income taxes on wages and salaries, as well as the harmonization of individual and corporate profit tax rates at 35 percent. These revenue-reducing measures are more than compensated for by the implementation of new tax measures and improvements in tax and customs administration (MEFP, paras 30-31; and Box 4). The settlement of reciprocal debts between the government and public enterprises—that is, the simultaneous payments of reciprocal liabilities, such as, on the one hand, the government's domestic payments arrears vis-à-vis enterprises and, on the other hand, tax arrears of these enterprises vis-à-vis the government—will result in additional revenue equivalent to 0.2 percent of GDP in 2003, compared with 0.6 percent of GDP in 2002.

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<sup>10</sup> Including the projected level of grants for budgetary assistance, the basic budget operations would be nearly balanced in 2003. Compared with 2002, and excluding revenue from the settlement of reciprocal debts between the government and public enterprises, the level of the basic deficit is projected to remain constant at 2.3 percent of GDP.

<sup>11</sup> Loan disbursements of CFAF 30.6 billion are expected from the World Bank and the African Development Bank (AfDB), while the remaining financing gap of CFAF 34.7 billion will be covered by grants of the European Union (CFAF 25.7 billion) and bilateral donors.

<b>Box 4. Niger: Budgetary Impact of Revenue Measures, 2003</b>				
	Counterfactual 1/	New Measures	Program	New Measures
	(In billions of CFA francs)			(In percent of GDP)
Tax and nontax revenue	154.7	9.4	164.1	0.58
Tax revenue	153.0	8.8	161.8	0.55
International trade taxes, <i>of which:</i>	76.9	4.3	81.2	0.27
Value-added tax (VAT) on rice to replace import tax	0.0	3.5	3.5	0.22
Excise tax on coffee instead of tea	0.0	0.3	0.3	0.02
Revised taxes on cattle	0.0	0.5	0.5	0.03
Taxes on goods and services, <i>of which:</i>	37.5	2.6	40.1	0.16
Licensing fee on reexports of cigarettes	0.0	0.5	0.5	0.03
Broadening of tax base to previously exonerated projects	0.0	1.0	1.0	0.06
Administrative measures to increase VAT collection	0.0	1.1	1.1	0.07
Income taxes, <i>of which:</i>	25.1	1.9	26.9	0.12
Reduction of corporate income tax rate from 42.5% to 35% and increase in individual profits tax rates from 30% to 35%	0.0	-0.5	-0.5	-0.03
Reduction of individual income taxation	0.0	-0.6	-0.6	-0.04
Reduction in registration fees for new companies	0.0	-0.4	-0.4	-0.02
Tax on lottery gains and revenues	0.0	1.0	1.0	0.06
Administrative measures to increase real estate tax collection	0.0	0.8	0.8	0.05
Extension of prepayment of corporate income tax on reexports	0.0	1.6	1.6	0.10
Other	13.4	0.1	13.5	0.01
<i>Of which:</i> administrative measures	0.0	0.1	0.1	0.01
Nontax revenue	1.7	0.6	2.3	0.04
<i>Of which:</i> administrative measures	0.0	0.6	0.6	0.04

1/ Revenue projections for 2003 assuming the absence of new measures.

27. **On the expenditure side, current primary outlays have been capped at 8.9 percent of GDP, while capital spending is targeted to increase from 6.9 percent of GDP in the 2002 program to 9.1 percent of GDP in 2003.**<sup>12</sup> With the reduction of interest payments as a result of recent debt-relief agreements, this program reflects the determination of the authorities to preserve their fiscal adjustment objectives in the context of implementing the poverty reduction strategy (MEFP, paras. 32-34). The quality of the expenditure program will also benefit from the ongoing reforms to strengthen expenditure management, as well as the implementation of a new procurement code.

<sup>12</sup> The new budget nomenclature has, however, reclassified some budget allocations from current to capital spending. Without this reclassification, current noninterest expenditure in 2003 would be higher by 0.4 percent of GDP (with a corresponding reduction in domestically financed capital expenditure). The subsequent analysis of the budget is cast in terms of base expenditure, i.e., total expenditure excluding foreign-financed projects, so as to remove the impact of the reclassification.

28. **Compared with the 2002 program, the budget for 2003 targets a slight increase of basic expenditure (total expenditure, excluding foreign-financed projects) to 12.7 percent of GDP.** Given the containment of the wage bill at 3.5 percent of GDP, the projected decline in interest payments of 0.5 percent of GDP in 2003 allows for an increase in other basic expenditure of 0.9 percent of GDP. The constancy of the wage-to-GDP ratio reflects a nominal increase of 3.6 percent, which takes into account not only wage drift but also the final impact of the 2001 decision to pay the salary increases that were linked to automatic promotions, but had been frozen since March 1999. As in previous years, new hiring of civil servants will be limited to replacing departures, and base wages have not been increased. In addition, the government has taken measures to ensure a greater control over the wage bill in 2003, such as a financial audit of the salaries, a strengthening of the civil service management, and a greater recourse to payments through the banking sector (MEFP, para. 34). The growth of nonwage noninterest basic expenditure results from a 15 percent nominal increase in these budgetary outlays. This budget envelope has allowed for increased security spending in the wake of the August 2002 mutiny, more effective support for some public entities, such as the National Assembly, and higher outlays for small projects and rehabilitation of public buildings, as well as some increases for the basic social sectors (education, health, and rural development), in line with the PRSP.<sup>13</sup>

29. **The increase of externally financed capital outlays from 5.5 percent in the 2002 program to 6.9 percent in 2003 results from an acceleration in the implementation of the poverty reduction strategy.** Of this amount, the assistance under the HIPC Initiative amounts to 1.2 percent of GDP (equivalent to US\$30.6 million). It finances a special program that is fully targeted to poverty reduction projects (construction of classrooms, basic health centers, and mini-dams, as well as projects regarding rural electrification, rural access roads, and the development of veterinary services). This new program builds on the success of the previous program initiated by the President of Niger in 2000. The remaining foreign-financed projects will focus on the education, health and water resources sectors, in line with the priorities set in the PRSP. As a result, these social sectors will account for half of these projects, compared with a share of one-third in 2002. The staff noted the large increase in capital outlays projected by the authorities and its implications for the overall budget deficit, absorptive capacity, external financing requirement, and debt sustainability. While acknowledging the staff's concerns, the authorities emphasized the sizable investment needs of the country, particularly for the implementation of the poverty reduction strategy, and were confident that the 2003 program was within Niger's implementation capacity, which had improved over the years. The authorities, however, agreed that issues pertaining to fiscal

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<sup>13</sup> An exact quantification of these increases is not available as a result of the implementation of the new budget nomenclature, and of the centralization in 2003 of (i) the allocations for the payment of all water, electricity, and telephone bills of the government within the Ministry of Finance and Economy; and (ii) the allocations for large repairs within the Ministry of Equipment.

and debt sustainability were crucial, underscoring the importance of the analyses of these topics, as initially planned, for the completion point under the HIPC Initiative.

### **B. Monetary Policy and Financial Sector Issues**

30. **As in other member countries of the WAEMU, monetary and credit policies are conducted at the regional level and aim at containing inflationary pressures, while ensuring an appropriate level of foreign exchange reserves to support the fixed parity of the CFA franc vis-à-vis the euro and its convertibility.**<sup>14</sup> In this context, broad money growth will be limited to 8.7 percent in 2003, reflecting increases in net foreign assets and domestic credit of 2.7 and 6.0 percent of beginning-of-period broad money, respectively (Table 6; and MEFP, paras. 37-38). Credit to the economy is targeted to grow by 8.1 percent in 2003, compared with 14.8 percent in 2002, as a result of the slowdown of lending activities in light of the regional uncertainties. Net credit to government will concurrently rise by 5.3 percent, mainly through the use of Fund assistance and despite a programmed reduction of the statutory advances granted by the BCEAO in line with regional agreements. The government is also considering the issuance of government bonds or treasury bills on the regional financial market, initially with a view to building deposits for precautionary purposes and smoothing the seasonal cash constraints.

31. **The monetary authorities will monitor closely developments in the banking sector and step up their surveillance activities.** They will also contribute to the implementation of the reform program that was elaborated in collaboration with the World Bank to strengthen the financial sector. In this context, the BCEAO will continue to monitor the restructuring of the banking and financial institutions, such as the CDN, the BCN, and the BINCI.

### **C. External Debt and HIPC Initiative**

32. **The government will continue to implement a prudent external debt-management policy.** In this context, it remains committed not to draw on a US\$10 million loan of the OPEC Fund until the terms of this loan are renegotiated to comply with the 50 percent grant element required under the PRGF-supported program. In the context of a donors' forum to take place in mid-2003,<sup>15</sup> the government will also seek higher levels of grants for financing its economic and financial program and its poverty reduction strategy. In

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<sup>14</sup> Recent banking and financial sector issues at the regional level, as well as broader policy issues within the WAEMU, were reviewed in SM/03/75 (02/21/03).

<sup>15</sup> The donor forum was initially scheduled to convene on April 5-6, 2003, but it has been postponed in light of the war in Iraq.

addition, it will urge foreign donors to try to harmonize and coordinate their disbursements of budgetary assistance, in order to alleviate the recurrent cash management problems that the government has experienced in recent years.<sup>16</sup>

33. **The amount of debt relief obtained by the government from its creditors at end-December 2002 in the context of the HIPC Initiative represents approximately 80 percent of total relief in NPV terms (Table 7).** New debt-relief agreements, consistent with the principle of the burden sharing approach under Niger's decision point, were signed in 2002 with the OPEC Fund, the Islamic Development Bank (IsDB), and the Kuwait Fund for Arab Economic Development (KFAED). The European Union started to grant HIPC Initiative assistance to Niger in 2002, and the outstanding bilateral Paris Club agreement with France is expected to be signed by end-April 2003. The government will continue seeking in 2003 the participation of other donors in the HIPC Initiative, including the remaining two multilateral institutions, the Economic Consortium of West African States (ECOWAS) Fund and the Conseil de l'Entente. With respect to bilateral creditors who are not Paris-Club members, the government will seek to finalize formal agreements with Algeria and China, and to reach appropriate debt-relief agreements with the others (Iraq, Libya, Saudi Arabia, Taiwan Province of China, and the United Arab Emirates). In this regard, it will propose the use of the International Development Association (IDA) debt buyback mechanism, with a view to purchasing back its debt at a significant discount, corresponding to the creditor's contribution under the HIPC Initiative.

34. **The government is also actively preparing for reaching the completion point under the HIPC Initiative.** Satisfactory progress has been achieved in observing most of the floating completion point conditions, and the government has taken measures to speed up the fulfillment of the remaining three conditions and the preparation of a progress report of the PRSP implementation (Annex V; and MEFP, para. 42). In addition, the authorities have sent letters to their creditors for a reconciliation of the stock of debt at end-2002, and a debt sustainability analysis will be prepared in the context of an upcoming staff mission to discuss the fifth review under the PRGF arrangement and the HIPC Initiative completion point.

#### **D. Structural Reforms**

35. **Structural reforms in the area of public finance will continue to focus in 2003 on strengthening the tax and customs administration, as well as reinforcing budgetary and treasury management (Box 5).** The priority in the first semester will be to ensure the successful implementation of the budget nomenclature and charter of public accounts.

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<sup>16</sup> The authorities also intend to discuss the contributions of the international community to the strengthening of Niger's institutional capacity and to the implementation and refining of its poverty reduction strategy, in particular the conduct of poverty and social impact analyses, the strengthening of the database underlying the poverty diagnosis, the establishment of a monitoring and evaluation mechanism, and conducting further analysis on the sources of growth as well as gender and population growth issues.

### **Box 5. Niger: Structural Conditionality Under the PRGF Arrangement**

#### **Coverage of structural conditionality in the current program**

The structural areas covered by conditionality in the 2003 program include the following: (i) the continuous implementation of the petroleum product pricing system; (ii) introduction and use of a new debt-management and recording software; (iii) completion of an actuarial study of the National Retirement Pension Fund; (iv) completion of a financial audit of the wage bill; (v) computerization of the regional treasury offices for the implementation of the new government charter of public accounts; and (vi) preparation of a medium-term expenditure framework for two key social sectors. The continuous implementation of the petroleum product pricing system will contribute substantially to the attainment of the revenue targets for 2003 and beyond. The strengthening of the External Debt-Service Unit will allow for improved debt management. The computerization of the regional treasury offices for the implementation of the new government charter of public accounts will allow the government to record and monitor budgetary operations more efficiently, while the medium-term expenditure framework will make it possible to improve the budget preparation.

#### **Relevant structural measures 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 was not 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 two years of the current Poverty Reduction and Growth Facility (PRGF) arrangement, structural conditionality focused on strengthening the budgetary execution and reporting processes, as well as improving governance, and the track record of reform implementation has improved.

#### **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 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 Public Finance Recovery Credit (PFRC) in September 2000 to support the government's financial stabilization efforts and the resumption of the structural reform program. This credit was supplemented by an additional credit in January 2001 to alleviate the financing requirements caused by the surge of oil prices in 2000. A two-tranche Public Expenditure Adjustment Credit (PEAC I) was approved by the World Bank Board in November 2001 to support the fiscal management and structural reform programs in the period 2001-02 and was fully disbursed with respectively, amounts of US\$30 million in December 2001 and US\$40 million in August 2002. The PEAC I focused on the following policy areas: (i) public sector reforms, particularly public expenditure and budget management reforms, procurement reform and domestic arrears reduction; (ii) social sector reforms, particularly key reforms in education and health; (iii) financial sector reforms; and (iv) privatization and regulatory reforms. A follow-up operation, the PEAC II, is currently under preparation and scheduled for presentation to the World Bank Board in the third quarter of 2003. The financial sector reform program, which targets the restructuring and consolidation of the commercial banking sector, as well as of the insurance, pension, and microfinance sectors, will be supported by a forthcoming World Bank financial sector technical assistance project.

36. **An acceleration of other structural reforms in the first half of 2003 will aim at achieving substantial progress in the privatization of NIGELEC and SONIDEP, as well as in the establishment of the multisectoral regulatory agency and the privatization or liquidation of the CDN.** Performance in these various areas will be a determinant in the upcoming discussions regarding the 2003 budgetary assistance of the World Bank, which has the leadership in monitoring these reforms. The approval of the financial sector technical assistance credit will also accelerate reforms in this area, in particular with respect to the audit of microfinance institutions and the restructuring of the ONPE.

#### V. STAFF APPRAISAL

37. **The authorities should be commended for their satisfactory track record of policy implementation for the second year in a row,** despite a more difficult sociopolitical environment and the external shock created by the unrest in Côte d'Ivoire to the WAEMU region. The staff welcomes the preliminary information pointing to a broadly satisfactory economic performance, despite some slippages in program implementation at end-2002.

38. **The program was on track at end-September 2002, except for the nonobservance of the continuous performance criterion on the nonaccumulation of external payments arrears and a slight overshooting of the quantitative benchmark on the wage bill.** The temporary and small accumulation of external payments arrears vis-à-vis the World Bank and other creditors in September 2002 reflects continuing weaknesses in Niger's institutional capacity and delays in the envisaged strengthening of the debt unit. These delays were caused in part by the postponement of the introduction of the latest debt-management and recording software of the Commonwealth Secretariat. In addition to settling quickly its arrears with the creditors, the government has implemented corrective measures to strengthen debt management and ensure the timely payment of external debt service, as well as to implement the new software by end-June 2003.

39. **The program for 2003 is in line with the objectives of the PRSP and the three-year program supported by the PRGF arrangement.** The two pillars of this program are the consolidation of the fiscal adjustment process begun in 2000 and the imparting of greater momentum to the poverty reduction strategy. The staff believes that this program for 2003 is well balanced. However, given the risk of external shocks related to the crisis in Côte d'Ivoire and a deterioration in the world economic environment, the staff urges the authorities to monitor closely Niger's performance under the program and to consult early with the Fund if a revision of the program is warranted.

40. **The staff commends the authorities for the successful implementation of the new budget nomenclature and the new charter of public accounts in the context of the 2003 budget law.** These reforms will reinforce transparency and good governance. Following the recent delays in implementing other structural reforms, the staff encourages the authorities to reinforce their institutional capacity and to pursue actively the privatization of NIGELEC and SONIDEP, the establishment of the multisectoral regulatory agency, and the strengthening of the financial sector in the first half of 2003.



41. **The staff welcomes the authorities' commitment to finalize their progress report on the implementation of the PRSP by end-June 2003, with a view to being considered for the completion point under the HIPC Initiative in the third quarter of 2003.** In this context, the government should pursue its efforts to meet all the floating completion point conditions and address the issues raised in the joint staff assessment of the PRSP, such as an in-depth analysis of the sources of growth and the need to update poverty profile knowledge in Niger. The authorities should continue to implement a prudent external debt policy and to reach debt-relief agreements in line with the conclusions of the HIPC Initiative decision point, particularly with the non-Paris Club bilateral creditors.

42. **The staff recommends the completion of the fourth review under the PRGF arrangement** and, in view of the authorities' corrective actions, the granting of a waiver for the nonobservance of the continuous performance criterion on the nonaccumulation of external payments arrears. The staff also supports the reprofiling of Fund disbursements linked to the completions of the fourth and fifth reviews under the PRGF arrangement, and the request for additional interim assistance under the HIPC Initiative until end-September 2003.

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

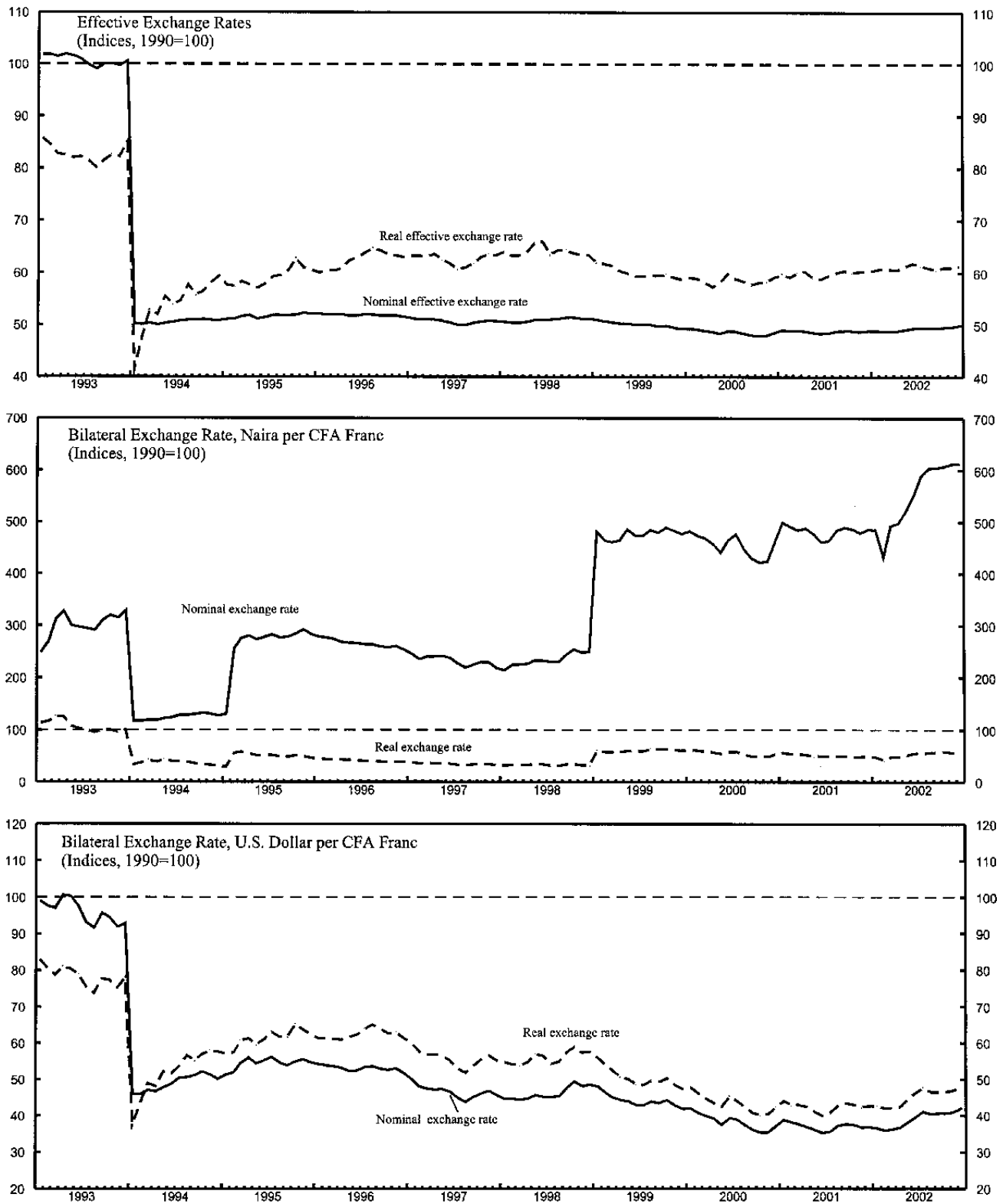
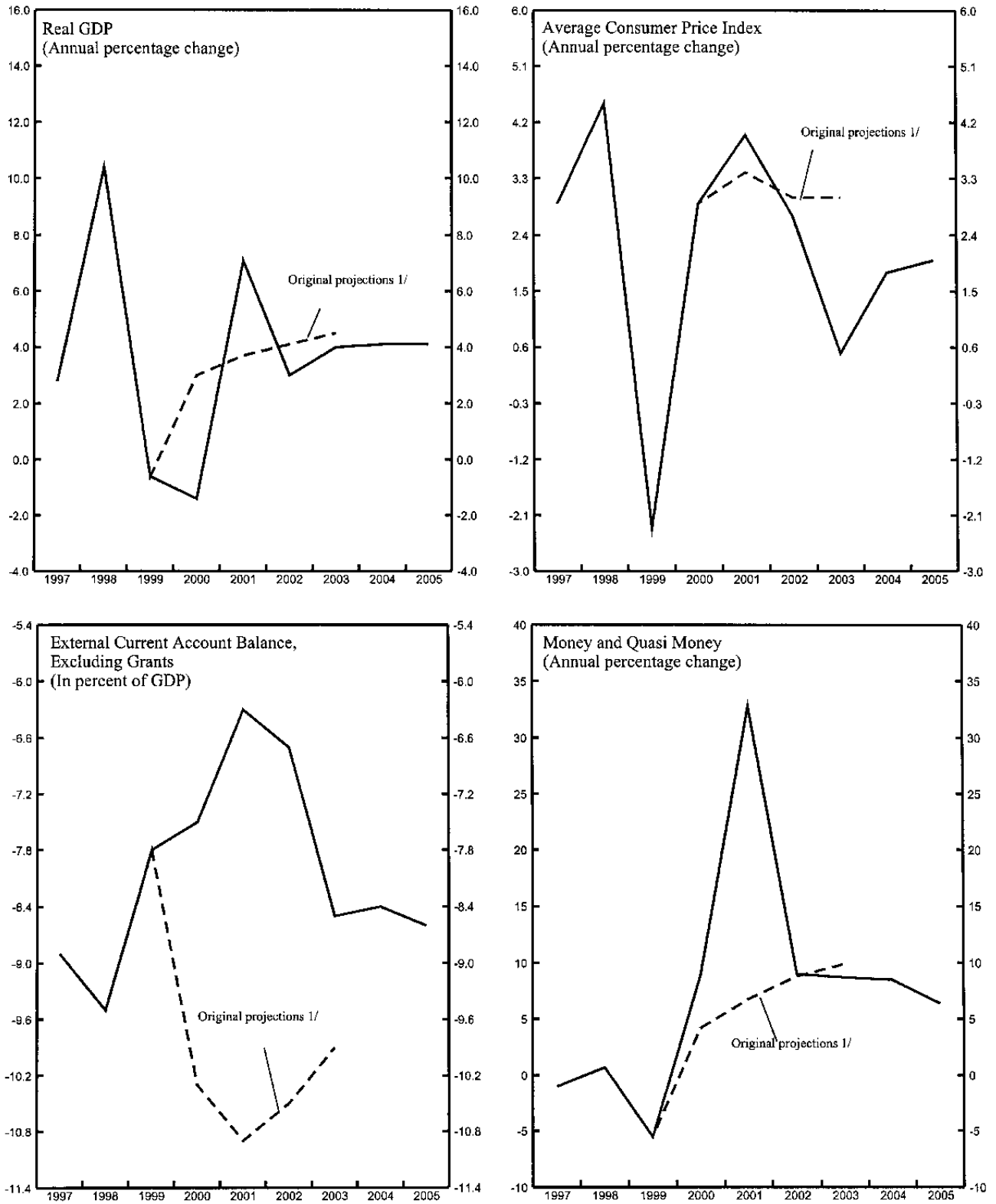


Figure 2. Niger: Selected Economic Indicators, 1997-2003 1/

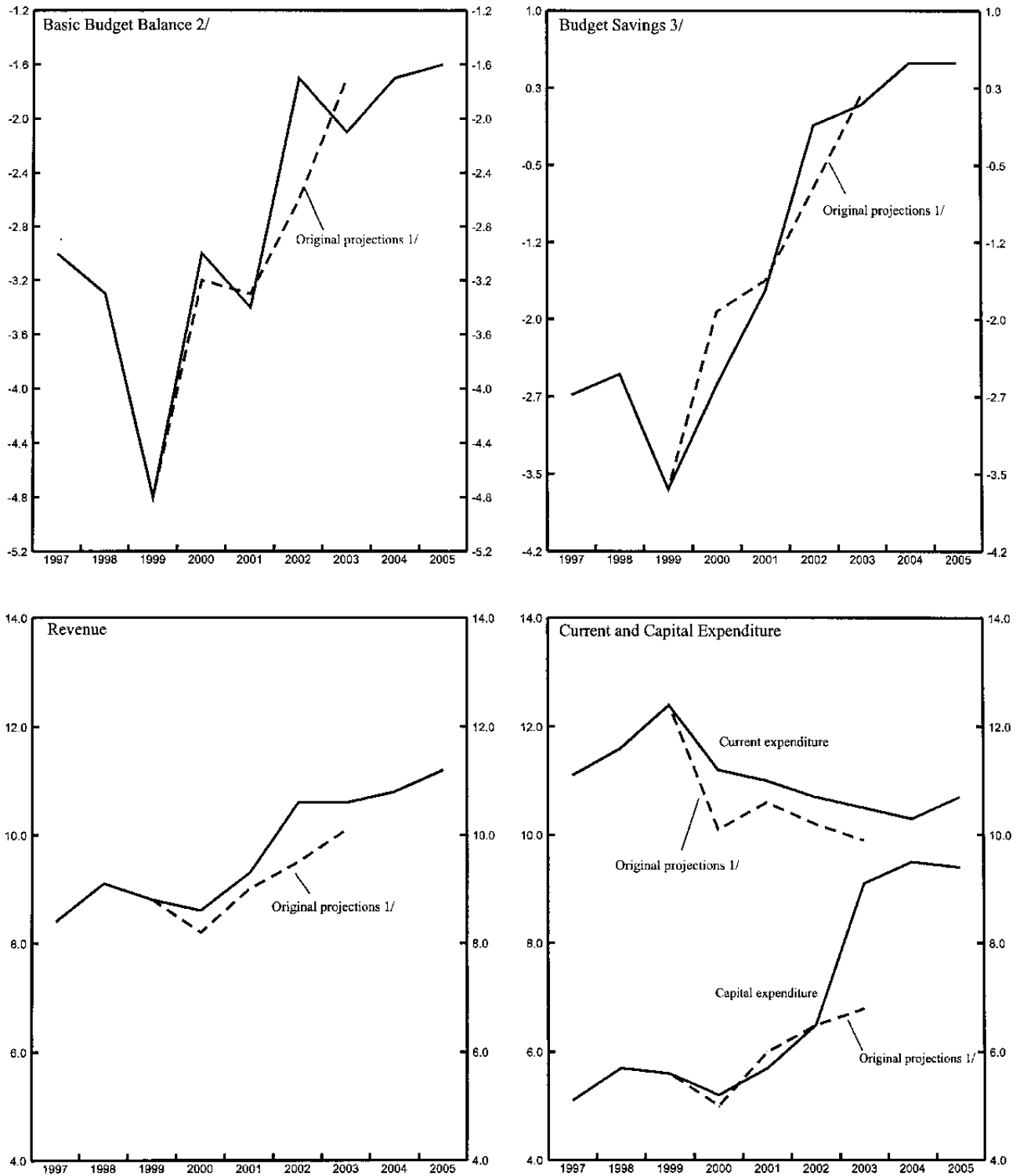


Sources: Nigerien authorities; and staff estimates and projections.

1/ Dashed line corresponds to original projections under the PRGF arrangement approved in December 2000 (EBS/00/244, November 24, 2000). Solid line corresponds to actual data until 2001, estimates for 2002, and current projections for 2003-05.

Figure 3. Niger: Selected Fiscal Indicators, 1997-2003 1/

(In percent of GDP)



Sources: Nigerien authorities; and staff estimates and projections.

1/ Dashed line corresponds to original projections under the PRGF arrangement approved in December 2000 (EBS/00/244, November 24, 2000). Solid line corresponds to actual data until 2001, estimates for 2002, and current projections for 2003-05.

2/ Overall budget balance, excluding foreign-financed capital expenditure.

3/ Total revenue minus current expenditure.

Table 1. Niger: Fund Position, 2000-08 1/

	Outstanding Sep. 30, 2000	2000 Oct.-Dec.	2001	2002				2003				2004	2005	2006	2007	2008
				Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.					
(In millions of SDRs)																
Total transactions (net)		8.23	6.86	8.41	-1.20	7.44	-1.21	-1.98	10.68	3.09	-2.17	-1.84	-10.30	-10.90	-11.40	-11.30
Disbursements		8.46	8.46	8.46	0.00	8.46	0.00	0.00	11.84	5.08	0.00	8.46	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	0.09	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	10.90
Charges and interest		0.23	0.63	0.05	0.23	0.05	0.24	0.05	0.20	0.05	0.24	0.60	0.60	0.50	0.40	0.40
Total Fund credit outstanding 2/	48.30	56.76	71.75	72.71	71.75	79.24	78.28	76.34	87.22	90.37	88.43	87.19	77.49	67.09	56.09	45.19
Outstanding purchases under ESAF/PRGF	48.30	56.76	71.75	72.71	71.75	79.24	78.28	76.34	87.22	90.37	88.43	87.19	77.49	67.09	56.09	45.19
(In percentage of quota, unless otherwise indicated)																
Total Fund credit outstanding 2/	73.40	86.26	109.04	110.51	109.04	120.43	118.96	116.02	132.56	137.33	134.40	132.51	117.77	101.97	85.25	68.68
Outstanding purchases Under ESAF/PRGF	73.40	86.26	109.04	110.51	109.04	120.43	118.96	116.02	132.56	137.33	134.40	132.51	117.77	101.97	85.25	68.68
Memorandum item:																
Quota (in millions of SDRs)	65.80															

Source: IMF, Treasurer's Department.

1/ End of period.

Table 2. Niger: Selected Economic and Financial Indicators, 2000-05

	2000	2001	2002		2003	2004	2005
			Rev. Prog. EBS/02/146	Est.			
(Annual percentage change, unless otherwise indicated)							
<b>National income and prices</b>							
GDP at constant prices	-1.4	7.1	2.7	3.0	4.0	4.1	4.1
GDP deflator	4.5	4.0	3.0	3.0	2.5	2.3	2.0
<b>Consumer price index</b>							
Annual average	2.9	4.0	3.2	2.7	0.5	1.8	2.0
End of period	4.7	3.2	2.3	0.6	2.2	1.6	2.0
<b>External sector</b>							
Exports, f.o.b.	14.2	-3.1	2.4	2.8	3.5	3.8	4.3
Imports, f.o.b.	11.6	1.7	7.2	11.1	12.3	6.4	5.7
Export volume	21.9	-8.8	0.1	2.6	1.7	2.4	2.8
Import volume	7.0	4.6	6.3	9.8	14.8	6.8	5.5
Terms of trade (deterioration -)	-12.8	9.1	1.4	-1.0	-0.7	1.8	1.3
Nominal effective exchange rate (depreciation -)	-3.1	0.4	...	1.4	...	...	...
Real effective exchange rate (depreciation -)	-2.6	2.2	...	2.1	...	...	...
Gross official reserves (in months of imports)	2.1	2.8	3.4	3.1	3.2	3.2	3.1
<b>Government finances</b>							
Total revenue	0.5	20.2	21.3	21.0	6.9	8.6	10.0
Total expenditure and net lending 1/	-6.8	15.0	14.4	8.7	22.7	7.4	7.3
<i>Of which:</i> Current expenditure	-6.7	9.5	7.1	2.4	5.6	4.0	10.3
Capital expenditure	-4.4	22.7	28.7	20.2	50.7	11.3	4.1
<b>Money and credit</b>							
Domestic credit 2/	-8.1	2.3	2.0	10.9	6.0	1.1	-0.4
Credit to the government (net) 2/	-30.1	4.9	-2.7	3.8	1.9	-4.8	-7.7
Credit to the economy 2/	22.1	-2.5	4.6	7.1	4.1	5.9	7.3
Net domestic assets 2/	-5.5	-0.5	-0.2	5.7	6.0	1.1	-0.4
Money and quasi money	8.9	32.8	8.3	9.0	8.7	8.5	6.4
Interest rate (money market, in percent; end of period)	5.0	5.0	...	5.0	...	...	...
(In percent of GDP, unless otherwise indicated)							
<b>Government finances</b>							
Total revenue 3/	8.6	9.3	10.6	10.6	10.6	10.8	11.2
Total expenditure and net lending	16.2	16.7	18.0	17.1	19.7	19.8	20.0
<i>Of which:</i> Current expenditure	11.2	11.0	11.1	10.7	10.5	10.3	10.7
Capital expenditure	5.2	5.7	6.9	6.5	9.1	9.5	9.4
Primary balance 4/	-5.9	-5.6	-5.7	-5.0	-7.9	-8.2	-8.0
Basic balance (excluding grants) 3 / 5/	-3.0	-3.4	-1.9	-1.7	-2.1	-1.7	-1.6
Overall balance (commitment basis, excluding grants) 6/	-7.6	-7.4	-7.4	-6.5	-9.1	-9.0	-8.8
Overall balance (commitment basis, including grants) 6/	-3.5	-3.2	-4.2	-2.3	-5.7	-4.6	-4.4
Gross investment	10.8	11.5	13.3	12.8	16.2	16.8	16.8
Gross domestic savings	3.3	4.1	4.1	4.2	6.2	6.2	6.2
<b>External current account balance</b>							
Excluding grants for budgetary assistance	-7.5	-6.3	-8.6	-6.7	-8.5	-8.4	-8.6
Including grants for budgetary assistance	-5.8	-4.5	-8.0	-5.5	-8.5	-8.4	-8.6
External public debt (end of period) 7/	90.3	87.0	86.2	74.4	75.0	75.8	76.4
(In percent)							
<b>Debt-service ratio (before debt relief) in percent of :</b>							
Exports of goods and services 8/	24.7	28.0	33.1	28.4	24.4	12.8	13.7
Government revenue 8/	51.1	50.2	50.2	43.9	37.2	19.4	19.7
(In billions of CFA francs)							
GDP at current market prices	1,280.4	1,426.0	1,515.7	1,512.8	1,613.2	1,718.1	1,824.8
Government payments arrears (reduction -)	-112.0	-17.0	-24.7	-35.5	-18.0	-15.0	-15.0
Domestic	3.6	-17.0	-24.7	-35.5	-18.0	-15.0	-15.0
External	-115.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance of payments 9/	-21.7	-24.3	-74.8	-29.8	-87.7	-54.7	-59.6

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/ In 2002, includes 0.6 percent of GDP of revenue from the settlement of reciprocal debts between the government and public enterprises.

4/ Total revenue, excluding grants, minus total expenditure, excluding interest payments.

5/ Total revenue, excluding grants, minus total expenditure, excluding foreign-financed investment projects.

6/ Program data and projections include grants for projects and HIPC Initiative assistance. Actual data also include grants for budgetary assistance that are disbursed by Niger's development partners, such as the European Union and bilateral donors.

7/ Including obligations to IMF.

8/ For 2001-02, debt service data includes payments of arrears resulting from debt-relief agreements.

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

Table 3. Niger: Balance of Payments, 2000-05  
(In billions of CFA francs, unless otherwise indicated)

	2000	2001	2002		2003	2004	2005	
			Est.	Prog.				Est.
			EBS/02/146					
<b>Current account balance,</b>								
Incl. grants for budgetary assistance	-74.1	-63.6	-121.2	-83.4	-137.3	-145.1	-156.1	
Excl. grants for budgetary assistance	-96.2	-89.3	-130.1	-101.9	-137.3	-145.1	-156.1	
<b>Balance on goods</b>	-28.9	-39.0	-60.7	-59.6	-84.9	-95.6	-103.9	
Exports, f.o.b	201.6	195.3	212.2	200.8	207.8	215.7	225.0	
Uranium	64.0	63.0	62.5	62.5	63.1	63.7	64.3	
Cattle	37.0	40.3	41.9	41.8	44.1	46.8	50.1	
Cowpeas	13.4	6.9	16.3	8.4	8.8	9.2	9.7	
Onions	11.8	10.8	14.3	11.0	11.5	12.0	12.7	
Other exports	75.3	74.3	77.2	77.2	80.3	84.0	88.2	
Of which: reexports	26.1	36.7	27.0	36.7	38.5	40.4	42.5	
Imports, f.o.b	230.4	234.3	272.9	260.4	292.6	311.3	328.9	
Food products	62.6	76.7	61.1	74.7	75.8	78.1	80.5	
Petroleum products	47.8	30.3	45.1	30.4	32.6	28.5	27.8	
Intermediate goods	17.4	11.5	22.8	16.9	23.4	26.8	30.3	
Capital goods	44.8	45.1	74.0	63.0	82.3	93.5	100.7	
Other products	56.6	70.7	69.9	75.5	78.5	84.4	89.6	
Services and income (net)	-78.9	-77.3	-88.1	-78.7	-85.4	-91.2	-94.6	
Services (net)	-67.2	-66.3	-77.9	-69.4	-77.2	-87.3	-89.8	
Income (net)	-11.8	-11.0	-10.2	-9.3	-8.2	-3.9	-4.8	
Of which: interest on ext. public debt	-19.6	-24.1	-22.3	-21.2	-17.2	-11.9	-13.7	
Unrequited current transfers (net)	33.7	52.7	28.6	55.0	33.0	41.7	42.4	
Private (net)	2.7	10.5	2.9	11.1	6.9	8.5	10.3	
Public (net)	31.0	42.2	25.6	43.9	26.1	33.1	32.1	
Of which: grants for budgetary assistance 1/	22.2	25.7	8.9	18.6	0.0	0.0	0.0	
HIPC Initiative assistance	0.1	8.1	1.0	10.3	11.0	18.1	17.4	
<b>Capital and financial account</b>	52.3	39.3	45.4	53.6	49.6	90.4	96.5	
Capital account	39.6	27.8	40.2	36.2	45.1	59.9	65.4	
Private capital transfers	1.3	1.5	1.5	1.5	1.5	1.5	1.5	
Project grants	29.8	26.2	38.7	34.7	43.5	58.4	63.9	
Acquisition/disposal of nonproduced, nonfinancial assets	8.5	0.0	0.0	0.0	0.0	0.0	0.0	
Financial account	12.7	11.6	5.2	17.4	4.5	30.4	31.1	
Direct investment	6.4	19.4	2.0	2.0	2.9	3.6	3.9	
Portfolio investment	6.5	2.7	1.0	1.0	2.4	2.9	3.9	
Other investment, of which:	14.1	-3.5	-12.0	14.4	-0.8	23.9	23.3	
Public sector (net)	19.2	11.8	-8.2	26.3	11.4	28.5	28.7	
Disbursements	54.6	53.1	47.2	72.5	51.0	43.0	45.6	
Loans for budgetary assistance 2/	26.3	30.4	11.6	44.2	0.0	0.0	0.0	
Project loans	28.3	22.7	35.6	28.3	51.0	43.0	45.6	
Amortization 3/	35.4	41.3	55.4	46.2	39.7	14.5	16.9	
Commercial banks' net foreign assets	6.8	-17.1	5.0	-0.8	0.0	-2.0	-2.0	
HIPC Initiative assistance 4/	0.0	0.0	9.2	0.0	4.5	7.5	7.2	
Errors and omissions	-14.4	-7.0	0.0	0.0	0.0	0.0	0.0	
<b>Overall balance</b>	-21.7	-24.3	-74.8	-29.8	-87.7	-54.7	-59.6	
<b>Financing</b>	21.7	24.3	74.8	29.8	87.7	54.7	59.6	
Net foreign assets (Central Bank of West African States)	-20.4	-17.3	-16.5	-3.7	-4.0	-10.0	-10.0	
Of which: net use of Fund resources	6.7	6.9	12.9	12.4	8.2	-1.0	-7.8	
Rescheduling obtained 5/	157.7	41.6	37.2	33.5	26.4	0.0	0.0	
Change in arrears	-115.6	0.0	0.0	0.0	0.0	0.0	0.0	
Financing gap	0.0	0.0	54.1	0.0	65.3	64.7	69.6	
Financing assurances	0.0	0.0	54.1	0.0	65.3	...	...	
Residual financing gap	0.0	0.0	0.0	0.0	0.0	64.7	69.6	
<b>Memorandum items:</b>								
Balance on goods and services	-96.0	-105.3	-138.5	-129.1	-162.1	-182.8	-193.7	
Total HIPC Initiative assistance	0.1	8.1	10.2	10.3	19.1	31.4	30.1	
Of which: assistance on stock-of-debt operations 6/	...	...	...	...	3.5	5.8	5.6	
External current account balance								
Incl. grants for budget assistance (in percent of GDP)	-5.8	-4.5	-8.0	-5.5	-8.5	-8.4	-8.6	
Excl. grants for budget assistance (in percent of GDP)	-7.5	-6.3	-8.6	-6.7	-8.5	-8.4	-8.6	

Sources: Nigerien authorities; and staff estimates and projections.

1/ In 2002, a grant of CFAF 8.9 billion was provided by the European Commission (EC) for the settlement of external payments arrears to the European Investment Bank and the EC.

2/ In 2002, two loans of CFAF 9.4 billion and CFAF 13.7 billion were disbursed by the OPEC Fund for (i) the settlement of Niger's external payments arrears at end 1999 vis-à-vis the OPEC Fund; and (ii) the OPEC Fund's contribution to the HIPC Initiative.

3/ In 2001, includes settlement of end-1999 external payments arrears vis-à-vis the African Development Bank (AfDB) and the OPEC Fund, as agreed in the rescheduling agreements. In 2002, includes payment of end-1999 external payments arrears, whose settlements were agreed with the OPEC Fund, Libya, the Saudi Fund for Development, and a commercial bank.

4/ Includes in the 2002 program assistance from IDA and the AfDB that are now classified as grants; for 2003-05, includes assistance provided through a rescheduling of current maturities by Paris Club creditors, the Islamic Development Bank (IsDB), the Opec Fund, the Kuwait Fund for Arab Economic Development (KFAED) and China.

5/ Includes debt under discussion for CFAF 16.6 billion in 2001 and CFAF 9.3 billion in 2002.

6/ Includes assistance from the IsDB, the Opec Fund, the West African Economic and Monetary Union (WAEMU), the Arab Bank for Development in Africa (BADEA) and the KFAED.

Table 4. Niger: Financial Operations of the Central Government, 2000-05

	2000	2001	2002		2003			2004	2005
			Rev. Prog.	Est.	Proj.	Proj.	Prog.	Proj.	Proj.
			EBS/02/146		EBD/02/8	PRGF EBS/02/146	1/		
(In billions of CFA francs)									
Total revenue	110.1	132.3	160.4	160.0	171.6	170.8	171.1	185.7	204.3
Tax revenue	102.8	125.0	143.9	143.8	161.4	162.3	161.8	177.9	194.9
International trade taxes	58.5	64.8	78.3	83.9	...	85.2	81.2	87.3	93.2
Taxes on goods and services	20.6	30.4	32.7	28.9	...	37.8	40.1	46.2	51.8
Income taxes	18.0	22.6	24.4	23.1	...	28.1	27.0	29.1	32.8
Other	5.7	7.3	8.6	7.9	...	11.2	13.5	15.3	17.1
Nontax revenue	3.8	4.1	4.0	3.8	4.8	4.3	2.3	3.3	4.4
Settlement of reciprocal debts 2/	0.0	0.0	8.3	8.3	0.0	0.0	3.0	...	...
Annexed budgets/special accounts	3.5	3.2	4.2	4.1	5.3	4.2	4.0	4.5	5.1
Total expenditure and net lending	206.9	237.9	272.3	258.6	299.7	302.1	317.4	340.8	365.7
Total current expenditure	143.8	157.4	168.6	161.1	179.6	179.9	170.1	176.8	195.1
Budgetary expenditure	138.5	147.1	160.3	153.1	170.9	171.3	161.6	167.9	185.7
Wages and salaries	51.8	50.4	53.8	55.4	53.1	54.9	57.3	58.7	67.5
Goods and services	41.1	43.2	47.6	45.2	52.3	51.6	44.7	49.9	53.3
<i>Of which</i> : HIPC resources	0.0	0.0	0.0	0.0	0.0	3.8	0.0	46.9	49.3
Subsidies and transfers	24.0	28.1	33.9	30.1	41.8	41.1	41.0	45.7	49.3
<i>Of which</i> : HIPC resources	0.0	-7.9	0.9	1.9	0.0	3.8	1.7	42.7	45.3
Interest, scheduled	21.6	25.4	25.0	22.5	23.7	23.7	18.6	13.6	15.6
External debt	19.6	24.1	22.3	21.2	21.0	21.0	17.2	11.9	13.7
Domestic debt	2.0	1.3	2.7	1.3	2.7	2.7	1.4	1.7	1.9
Annexed budget/special accounts	5.3	10.3	8.3	8.1	8.7	8.7	8.5	8.9	9.4
Capital expenditure and net lending	63.1	80.5	103.7	97.5	120.0	122.2	147.3	164.0	170.7
Capital expenditure	66.3	81.3	104.6	97.7	121.0	123.2	147.3	164.0	170.7
Domestically financed	8.1	24.6	21.0	25.4	22.0	22.2	35.4	37.2	39.1
Externally financed	58.2	56.7	83.6	72.4	99.1	101.0	111.9	126.7	131.6
<i>Of which</i> : HIPC resources	0.0	7.9	9.3	9.4	29.0	30.3	17.3	25.4	22.1
Net lending	-3.1	-0.8	-1.0	-0.2	-1.0	-1.0	0.0	0.0	0.0
Overall balance (commitment basis, excl. grants )	-96.9	-105.6	-111.8	-98.5	-128.1	-131.3	-146.3	-155.1	-161.4
Change in payments arrears	-112.0	-17.0	-24.7	-35.5	-25.0	-25.0	-18.0	-15.0	-15.0
Domestic arrears (net)	3.6	-17.0	-24.7	-35.5	-25.0	-25.0	-18.0	-15.0	-15.0
External arrears (net)	-115.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash, excl. grants)	-208.8	-122.7	-136.5	-134.0	-153.1	-156.3	-164.3	-170.1	-176.4
Financing	208.8	122.7	136.5	134.0	153.1	156.3	164.3	170.1	176.4
External financing	229.0	113.4	86.8	123.3	77.5	79.7	96.8	113.7	118.3
Grants	52.1	60.0	48.5	63.5	41.4	41.8	54.5	76.5	81.2
Budget financing	22.2	25.7	8.9	18.6	0.0	0.0	0.0	0.0	0.0
Project financing	29.8	26.2	38.7	34.7	41.4	41.8	43.5	58.4	63.9
HIPC Initiative assistance	0.1	8.1	1.0	10.3	0.0	0.0	11.0	18.1	17.4
Loans	54.6	53.1	47.2	72.5	28.7	28.9	51.0	43.0	45.6
Budget financing	26.3	30.4	11.6	44.2	0.0	0.0	0.0	0.0	0.0
Project financing	28.3	22.7	35.6	28.3	28.7	28.9	51.0	43.0	45.6
Amortization 3/	-35.4	-41.3	-55.4	-46.2	-37.3	-37.3	-39.7	-14.5	-16.9
Debt relief obtained	157.7	25.0	33.9	18.8	44.7	46.3	21.6	7.5	7.2
Current debt	4.6	25.0	24.7	18.8	8.4	8.4	17.1	0.0	0.0
Arrears	153.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Initiative assistance 4/	0.0	0.0	9.2	0.0	36.3	37.8	4.5	7.5	7.2
Debt under discussion	...	16.6	12.5	14.7	0.0	0.0	9.3	1.2	1.2
Domestic financing	-20.2	9.3	-4.4	10.7	0.2	0.3	2.2	-8.3	-11.5
Banking sector	-28.6	5.0	-3.6	5.1	0.2	0.3	2.8	-7.7	-13.5
<i>Of which</i> : IMF (net)	6.7	6.9	12.9	12.9	10.3	10.3	9.1	-1.0	-7.8
Nonbanking sector	0.0	-0.7	2.3	8.6	0.0	0.0	-0.6	-0.6	2.0
Privatization receipts (net)	8.5	5.0	-3.0	-3.0	0.0	0.0	0.0	0.0	0.0
Financing gap (+) 5/	0.0	0.0	54.1	0.0	75.5	76.3	65.3	64.7	69.6
Financing assurances	0.0	0.0	54.1	0.0	...	...	65.3	...	...
Loans for budgetary assistance	0.0	0.0	...	0.0	...	...	30.6	...	...
Grants for budgetary assistance	0.0	0.0	...	0.0	...	...	34.7	...	...
Residual financing gap	0.0	0.0	0.0	0.0	75.5	76.3	0.0	64.7	69.6



Table 4. Niger: Financial Operations of the Central Government, 2000-05 (concluded)

	2000	2001	2002		2003			2004	2005
			Rev. Prog.	Est.	Proj.	Proj.	Prog.	Proj.	Proj.
			EBS/02/146		PRSP EBD/02/8	PRGF EBS/02/146	1/		
(In percent of GDP)									
Total revenue	8.6	9.3	10.6	10.6	10.8	10.6	10.6	10.8	11.2
Tax and nontax revenue	8.3	9.1	9.8	9.8	10.4	10.4	10.2	10.5	10.9
Total expenditure and net lending	16.2	16.7	18.0	17.1	18.8	18.8	19.7	19.8	20.0
Overall balance, commitment basis, excl. grants	-7.6	-7.4	-7.4	-6.5	-8.0	-8.2	-9.1	-9.0	-8.8
Overall balance, cash basis, excl. grants	-16.3	-8.6	-9.0	-8.9	-9.6	-9.7	-10.2	-9.9	-9.7
Basic budget balance 6/	-3.0	-3.4	-1.9	-1.7	-1.8	-1.9	-2.1	-1.7	-1.6
Current budget balance	-2.6	-1.8	-0.5	-0.1	-0.5	-0.6	0.1	0.5	0.5
(In billions of CFA francs, unless otherwise indicated)									
Memorandum items:									
Basic budget balance 6/	-38.7	-48.9	-28.2	-26.2	-29.1	-30.3	-34.4	-28.4	-29.8
Total HIPC Initiative assistance 7/	0.0	8.1	10.2	10.3	36.3	37.8	19.1	31.4	30.1
Wage bill in percent of tax revenue	50.4	40.3	37.4	38.5	32.9	33.8	35.4	33.0	34.6
Stock of domestic payments arrears	132.2	115.2	90.5	79.7	...	65.5	61.7	46.7	31.7
GDP at market prices	1,280	1,426	1,516	1,513	1,592	1,607	1,613	1,718	1,825

Sources: Nigerien authorities; and staff estimates and projections.

1/ Based on interim assistance under the HIPC Initiative in 2003. A revised budget with the impact of additional assistance under the completion point is expected in mid-2003 at the time of the fifth review

2/ Revenue from the settlement of reciprocal liabilities between the government and enterprises, such as settlement of tax arrears.

3/ In 2001, includes payment of end-1999 external payments arrears vis-à-vis the African Development Bank (AfDB) and the OPEC Fund, as agreed in the rescheduling agreements. In 2002, includes payment of end-1999 external payments arrears vis-à-vis the OPEC Fund, Libya, the Saudi Fund for Development, and a commercial bank.

4/ Includes in the 2002 program assistance from IDA and the AfDB that is now classified as grants; for 2003-05, includes assistance provided through a rescheduling of current maturities by Paris Club creditors, the Islamic Development Bank (IsDB), the Opec Fund, the Kuwait Fund for Arab Economic Development (KFAED) and China.

5/ In 2003, the World Bank and the AfDB intend to disburse CFAF 30.6 billion of loans for budgetary assistance, and the European Union is expected to disburse CFAF 25.7 billion of grants for budgetary assistance; the remaining gap (CFAF 9 billion) is expected to be financed by grants of bilateral donors.

6/ Total revenue, excluding grants, minus total expenditure, and excluding foreign-financed investment projects.

7/ In 2003, includes CFAF 3.5 billion of HIPC assistance granted on a stock of debt operation.

Table 5. Niger: Quarterly Financial Operations of the Central Government, 2003  
(in billions of CFA francs)

	End- March	End- June	End- Sep.	End- Dec.	Quarter I	Quarter II	Quarter III	Quarter IV
Total revenue	36.9	80.1	124.6	171.1	36.9	43.2	44.4	46.5
Tax revenue	35.9	77.5	118.9	161.8	35.9	41.6	41.4	42.9
Nontax revenue	0.2	0.7	1.7	2.3	0.2	0.6	1.0	0.5
Special accounts revenue	0.8	1.9	2.9	4.0	0.8	1.1	1.1	1.1
Settlement of reciprocal debts	0.0	0.0	1.0	3.0	0.0	0.0	1.0	2.0
Total expenditure and net lending	64.3	139.7	229.4	317.4	64.3	75.3	89.7	88.0
Total current expenditure	38.0	80.7	125.5	170.1	38.0	42.7	44.7	44.6
Budgetary expenditure	36.6	76.9	119.3	161.6	36.6	40.4	42.4	42.3
Wages and salaries	14.1	28.4	42.8	57.3	14.1	14.3	14.4	14.5
Goods and services	9.3	20.6	32.6	44.7	9.3	11.3	12.0	12.1
Subsidies and transfers	8.8	18.5	30.2	41.0	8.8	9.7	11.7	10.8
Interest, scheduled	4.4	9.5	13.8	18.6	4.4	5.1	4.3	4.9
External debt	3.9	8.7	12.6	17.2	3.9	4.8	3.9	4.6
Domestic debt	0.4	0.7	1.2	1.4	0.4	0.3	0.4	0.3
Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure	1.5	3.8	6.2	8.5	1.5	2.4	2.4	2.3
Capital expenditure and net lending	26.3	58.9	103.9	147.3	26.3	32.6	45.0	43.4
Capital expenditure	26.3	58.9	103.9	147.3	26.3	32.6	45.0	43.4
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	-27.4	-59.5	-104.8	-146.3	-27.4	-32.1	-45.3	-41.5
Change in payments arrears	-3.0	-3.0	-12.0	-18.0	-3.0	0.0	-9.0	-6.0
Domestic arrears	-3.0	-3.0	-12.0	-18.0	-3.0	0.0	-9.0	-6.0
External arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-30.4	-62.5	-116.8	-164.3	-30.4	-32.1	-54.3	-47.5
Financing	30.4	62.5	116.8	164.3	30.4	32.1	54.3	47.5
External financing	9.1	32.8	64.1	96.8	9.1	23.7	31.3	32.7
Grants	9.9	21.8	37.2	54.5	9.9	11.9	15.4	17.4
Loans	9.6	20.0	36.9	51.0	9.6	10.3	16.9	14.1
Amortization	-17.0	-24.4	-33.1	-39.7	-17.0	-7.4	-8.7	-6.6
Debt relief	3.9	10.8	15.7	21.6	3.9	6.9	4.9	5.9
Debt under discussion	2.7	4.6	7.4	9.3	2.7	1.9	2.8	1.9
Domestic financing	10.2	18.6	8.7	2.2	10.2	8.4	-10.0	-6.5
Banking sector (incl. IMF)	11.0	19.4	11.8	2.8	11.0	8.4	-7.7	-9.0
Nonbanking sector	-0.8	0.2	-0.6	-0.6	-0.8	1.0	-0.8	0.0
Privatization (net)	0.0	-1.0	-2.5	0.0	0.0	-1.0	-1.5	2.5
Financing gap (+)	11.1	11.1	44.0	65.3	11.1	0.0	32.9	21.3
Financing assurances	11.1	11.1	44.0	65.3	11.1	0.0	32.9	21.3
World Bank	0.0	0.0	18.7	18.7	0.0	0.0	18.7	0.0
African Development Bank	3.4	3.4	3.4	11.8	3.4	0.0	0.0	8.4
European Union	7.7	7.7	17.9	25.8	7.7	0.0	10.2	7.9
Others	0.0	0.0	4.0	9.0	0.0	0.0	4.0	5.0
Residual gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Basic budget balance								
Incl. revenue of reciprocal debts settlement	-7.4	-15.7	-27.2	-34.4	-7.4	-8.4	-11.5	-7.2
Excl. revenue of reciprocal debts settlement	-7.4	-15.7	-28.2	-37.4	-7.4	-8.4	-12.5	-9.2
Budgetary aid (including IMF)	11.1	21.2	58.4	79.7	11.1	10.1	37.2	21.3

Sources: Nigerien authorities; and staff estimates and projections.

Table 6. Niger: Monetary Survey, 2000-05

	2000	2001	2002						2003	2004	2005
	Dec.	Dec.	March	June	Rev. Prog.	Actual	Rev. Prog.	Dec. Est.	Dec. Prog.	Dec. Proj.	
					EBS/02/146		EBS/02/146				
(in billions of CFA francs)											
Net foreign assets	-1.3	33.1	18.1	20.9	37.5	32.8	43.4	37.6	41.6	53.6	65.6
Central Bank of West African States (BCEAO)	2.5	19.7	9.1	2.1	28.6	12.0	35.0	23.4	27.4	37.4	47.4
Commercial banks	-3.7	13.4	9.0	18.8	8.9	20.8	8.4	14.2	14.2	16.2	18.2
Net domestic assets	104.4	103.9	112.9	113.9	109.9	101.0	104.3	111.7	120.7	122.6	121.9
Domestic credit	111.6	114.0	125.2	126.4	120.2	115.4	116.7	129.0	137.9	139.8	139.1
Net bank claims on government	43.0	48.0	57.1	61.6	49.5	45.0	44.4	53.1	55.9	48.2	34.7
BCEAO 1/	41.8	47.6	58.8	62.1	49.8	47.1	44.0	54.5	57.3	49.6	36.1
Of which: statutory advances	25.8	32.2	33.4	33.1	28.4	25.9	22.2	33.1	26.4	21.8	18.6
IMF resources	45.8	53.0	60.9	60.2	67.0	67.0	66.0	66.2	75.1	74.0	65.6
Commercial banks	-0.3	-1.3	-3.9	-2.9	-2.4	-3.7	-1.3	-3.1	-3.1	-3.1	-3.1
Other	1.6	1.6	2.2	2.4	2.1	1.7	1.6	1.7	1.7	1.7	1.7
Credit to the economy	68.6	66.0	68.1	64.8	70.7	70.4	72.4	75.8	82.0	91.5	104.4
Other items, net	-7.2	-10.1	-12.4	-12.6	-10.3	-14.4	-12.4	-17.2	-17.2	-17.2	-17.2
Money and quasi money	103.2	137.0	131.0	134.8	147.4	133.8	147.7	149.3	162.3	176.1	187.5
Currency outside banks	32.2	49.8	45.9	42.0	58.2	39.3	55.0	52.3	57.8	60.3	55.1
Private deposits with ONPE (postal savings institution)	1.6	1.6	2.2	2.4	1.6	1.7	1.6	1.7	1.7	1.7	1.7
Deposits with banks	69.5	85.5	82.8	90.4	87.6	92.8	91.0	95.2	102.8	114.1	130.6
Private sector	65.1	82.2	79.8	87.9	84.2	89.6	87.7	92.4	99.9	110.9	127.8
Public institutions	4.3	3.4	3.1	2.5	3.4	3.2	3.4	2.8	2.8	3.2	2.8
Financial institutions	0.0	0.0	0.0	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	33.3	-10.9	-8.9	3.2	-0.2	8.4	3.3	2.7	7.4	6.8
BCEAO	21.5	16.7	-7.8	-12.9	6.4	-5.7	12.1	2.7	2.7	6.2	5.7
Commercial banks	-7.2	16.6	-3.2	4.0	-3.2	5.5	-3.7	0.6	0.0	1.2	1.1
Net domestic assets	-5.5	-0.5	6.5	7.3	4.4	-2.1	-0.2	5.7	6.0	1.1	-0.4
Domestic credit	-8.1	2.3	8.2	9.1	4.5	1.0	2.0	10.9	6.0	1.1	-0.4
Net bank claims on the government	-30.1	4.9	6.7	9.9	1.1	-2.2	-2.7	3.8	1.9	-4.8	-7.7
BCEAO	-24.9	5.7	8.2	10.6	1.6	-0.4	-2.7	5.1	1.9	-4.8	-7.7
Of which: statutory advances	-4.9	6.2	0.9	0.7	-2.7	-4.6	-7.3	0.7	-4.5	-2.9	-1.8
Commercial banks	-3.8	-0.9	-1.9	-1.2	-0.8	-1.8	0.0	-1.3	0.0	0.0	0.0
Other	-1.4	0.1	0.4	0.6	0.4	0.0	0.0	0.1	0.0	0.0	0.0
Credit to the economy	22.1	-2.5	1.5	-0.9	3.4	3.2	4.6	7.1	4.1	5.9	7.3
Other items, net	2.6	-2.8	-1.7	-1.8	-0.1	-3.1	-2.2	-5.2	0.0	0.0	0.0
Money and quasi money	8.9	32.8	-4.4	-1.6	7.6	-2.3	8.3	9.0	8.7	8.5	6.4
Memorandum items:											
Velocity of circulation of money (GDP/broad money)	12.6	10.4	11.1	10.9	10.1	11.1	10.3	10.1	9.9	9.8	9.7
Credit to the economy (Change from beginning of year, in percent)	43.8	-3.8	3.1	-1.8	7.1	6.6	9.6	14.8	8.1	11.7	14.1

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 payments arrears and delivery of HIPC Initiative assistance.

Table 7. Niger: Tracking Delivery of HIPC Initiative Assistance  
(As of February 28, 2003)

	Agreement to Provide HIPC Relief	Agreement to Provide Interim Assistance	Has Begun to Deliver Interim Assistance	Has Begun to Deliver Completion Point Assistance	Amount of Interim Assistance	Modalities/ Comments
<b>Multilateral creditors</b>						
International Monetary Fund (IMF)	yes	yes	yes			Approval by Board on December 13, 2000.
International Development Association (IDA)	yes	yes	yes			Approval by Board on December 20, 2000.
African Development Bank (AfDB)/African Development Fund (AfDF)	yes	yes	yes			Approval by Board in March 2001.
Arab Bank for Development in Africa (BADEA)	yes but limited	yes	yes			Approval by the Board in March 2001.
International Fund for Agricultural Development (IFAD)	yes	yes	no			Approval by Board in April 2001.
European Union (EU)/European Investment Bank (EIB)	yes	yes	yes			
Islamic Development Bank (IsDB)	yes	yes	yes			Approval by the Board on July 22, 2002.
West African Development Bank (BOAD) and West African Economic and Monetary Union (WAEMU)	yes but limited	yes	yes			Agreement signed on October 9, 1999.
Economic Community of West African States (ECOWAS)	no	no	no			Has not responded to authorities request
OPEC Fund	yes	yes	yes			Agreement of February 26, 2002.
Conseil de l'entente	no	no	no			Has not responded to authorities request
<b>Paris Club creditors</b>						
France	yes	yes	yes			Paris Club agreement of January 25, 2001. Excludes postal and hospital debts. Agreement: expected to be signed in April 2003.
Japan	yes	yes	yes			
Spain	yes	yes	yes			
United Kingdom	yes	yes	yes			
United States	yes	yes	yes			
<b>Non-Paris Club bilateral creditors</b>						
Algeria	no	no	no			Agreement finalized; to be approved by Algerian Parliament.
China	yes but limited	yes	yes			Agreement was signed on June 5, 2001 for the partial write-off of debt stock (US\$18 million).
Iraq	no	no	no			
Kuwait	yes	yes	yes			Agreement of June 3, 2003.
Libya	no	no	no			Libya has agreed in general to participate in the Initiative.
Saudi Arabia	no	no	no			Agreement on a rescheduling of arrears payments in 1999 that will allow to resume debt relief negotiations.
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
<b>Commercial Creditors</b>						
One Belgian creditor (moderate \$5 million)	no	no	no	1991 (@ 18 cents)		Short-term loan in arrears since 1999. Paid back fully in 2002. No debt relief granted.

Sources: Nigerien authorities; and staff estimates.

**Niger: Relations with the Fund**

(As of February 28, 2003)

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

<b>II. General Resources Account:</b>	<b>SDR Million</b>	<b>%Quota</b>
Quota	65.80	100.00
Fund holdings of currency	57.24	86.99
Reserve position in Fund	8.56	13.01

<b>III. SDR Department:</b>	<b>SDR Million</b>	<b>%Allocation</b>
Net cumulative allocation	9.41	100.0
Holdings	1.57	16.66

<b>IV. Outstanding Purchases and Loans:</b>	<b>SDR Million</b>	<b>%Quota</b>
Enhanced Structural Adjustment Facility (ESAF) Arrangements	76.34	116.02

**V. Latest Financial Arrangements:**

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Poverty Reduction Growth Facility (PRGF)	12/22/00	12/21/03	59.20	33.84
Enhanced Structural Adjustment Facility (ESAF)	06/12/96	08/27/99	57.96	48.30
Stand-By Arrangement	03/04/94	03/03/95	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>09/31/2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Principal	0.0	4.83	9.66	9.66	10.39	10.99
Charges/interest	<u>0.0</u>	<u>0.48</u>	<u>0.48</u>	<u>0.43</u>	<u>0.38</u>	<u>0.32</u>
Total	0.0	5.31	10.14	10.09	10.76	11.31

**VII. Implementation of HIPC Initiative:**

	<u>Enhanced framework</u>
Commitment of HIPC assistance	
Decision point date <sup>17</sup>	12/14/00
Assistance committed (NPV terms) <sup>18</sup>	End-1999
Total assistance (US\$ million)	521.0
<i>Of which:</i> Fund assistance (SDR million)	21.56
Completion point date	Floating
Delivery of Fund assistance (SDR million)	
Amount disbursed	1.51
Interim assistance	1.51
Completion point	0.00

**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 the staff. Although the 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.** The 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 by 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.

**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

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<sup>17</sup> Decision was approved in principle by the Fund.

<sup>18</sup> Net present value (NPV) terms at the decision point under the enhanced framework.

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 BCEAO.**

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 February 28, 2003, the rate of the CFA franc in SDR terms was SDR 1 = CFAF 834.0.

**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:**

<b>Dept.</b>	<b>Type of Assistance</b>	<b>Time of Delivery</b>	<b>Responsibility</b>
FAD	Staff	October 1998	Mission to review progress on implementation of the tax reform program, evaluate the impact of the common external tariff (TEC) and suggest measures to widen the tax base
FAD	Staff	November-December	Review of public expenditure process

FAD	Staff	August- September 1999 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 classification
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 administration
FAD	Staff	May 2002	Public accounting and fiscal operations table
STA	Staff	January 2003	Multisector statistical mission

## **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**

(As of March 19, 2003)

### **Partnership in Niger's development strategy**

1. Niger's poverty reduction strategy paper (PRSP), approved by Bank and Fund Boards in February 2002, presents a thorough poverty diagnosis, identifies key development challenges, and outlines a sound strategy for poverty reduction and economic growth. The government intends to use the PRSP to improve coordination of development efforts in the country, including donor-supported activities. To that end, a donor forum is planned for the first semester of 2003.
2. The IMF is in the lead in helping Niger maintain macroeconomic stability through a three-year Poverty Reduction Growth Facility (PRGF) framework approved in December 2000. The PRGF arrangement addresses fiscal imbalances and issues relevant to macroeconomic stability and economic growth. The PRGF arrangement's structural conditionality has addressed areas related to budgetary and debt management, petroleum pricing, utilization of resources freed up under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative), pension reforms, and transparency in public finances (preparation of final budget laws).
3. The Bank leads the policy dialogue on structural reforms relevant to economic growth and poverty reduction, including privatization and regulatory reforms, education, health and rural development. Bank and Fund share responsibility in supporting financial sector and public expenditure reforms. The Bank and the Fund have jointly assisted the government in the preparation of the PRSP and are providing assistance for its implementation, as well as for reaching the HIPC Initiative completion point, scheduled for the third quarter of 2003.

### **IMF-World Bank collaboration in specific areas**

4. Common objectives and joint support to Niger's PRSP and HIPC Initiative processes have increased collaboration between Fund and Bank in recent years. The Bank and Fund teams are closely coordinating their policy advice to the authorities. There is also close coordination in the determination of structural conditionality. In general, the Bank is leading the policy dialogue on key structural aspects of the reform program. The Fund is in the lead on policy dialogue on macroeconomic, and particularly fiscal elements of the reform. As summarized in the table above and described in more detail below, there are several specific areas in Niger's reform program where the Bank and Fund are sharing the lead in assisting the government, and others where one or the other institutions is in the lead.

### **Areas in which the Bank leads**

5. **Privatization and regulatory reform.** Privatization and regulatory reforms in Niger, supported by a Bank credit, have experienced delays in recent months, after having gained important momentum in 2000 and 2001. Currently, the Bank is assisting the authorities in the

privatization of SONIDEP (petroleum) and NIGELEC (electricity) and in establishing a Multi-Sector Regulatory Agency (ARM). The Bank's policy dialogue with the government on structural reforms is also being conducted in the context of adjustment operations (PEAC I and PEAC II, the latter under preparation). The Fund is a key partner in this policy dialogue and has included elements of the public enterprise reform agenda, such as the continuous implementation of a petroleum pricing system, as structural benchmarks for the PRGF arrangement.

Bank-Fund Collaboration on Niger (Ongoing or Planned)

Area	Specialized Advice from Fund	Specialized Advice from Bank	Key Instruments/Conditionality
<b>Economic framework/management</b>	Fiscal policy, debt management, arrears reduction, monetary policy, economic statistics	Arrears reduction, debt management, sources of growth study, PRSP macroeconomic framework	Fund: PRGF performance criteria and benchmarks Bank: Public expenditure adjustment credit (PEAC) II support to reforms Jointly: PRSP progress report, HIPC completion point
<b>Budget</b>	Preparation of budget laws, budget classification and charter of public accounts, computerization of budget management, account closure, tax administration, treasury reform	Medium-term expenditure framework (MTEF), budget classification and charter of public accounts, account closure and audit, public expenditure reviews (PERs), procurement code	Fund: PRGF benchmarks, technical assistance (TA) on tax and treasury reforms. Bank: PEAC II support to reforms, TA on MTEF preparation (general and in education and health sectors), PER/Country Financial Accountability Assessment (CFAA), Country Procurement Assessment Report (CPAR)
<b>Public sector reform</b>	Civil service wage bill, National Retirement Pension Fund	Decentralization, public sector reforms	Fund: Benchmarks on wage bill and Retirement Pension Fund in PRGF Bank: Stocktaking study on fiscal aspects of decentralization, PEAC II
<b>Social/poverty</b>	Utilization of HIPC resources	Household survey and poverty analysis; reforms in education health; support for community-driven development	Fund: Benchmark on utilization of HIPC resources Bank: Ongoing and new lending in health and education, PEAC II support to health and education sector reforms, Analytical and Advisory Activities (AAA) on poverty and social development issues Jointly: PRSP progress report, HIPC Completion Point
<b>Privatization and private sector development</b>	Petroleum pricing	Development and implementation of privatization and regulatory reform, financial sector reform	Fund: PRGF performance criteria on petroleum pricing Bank: PEAC II support to reforms, financial sector project, privatization and regulatory reform project, private irrigation project
<b>Rural development</b>		Rural development strategy, agricultural export promotion, irrigation	Bank: Project support (water sector, private irrigation, agricultural export promotion); AAA, support for formulation of rural development strategy Jointly: PRSP progress report

6. **Rural development.** The Bank is providing support for the development and implementation of a comprehensive Rural Development Strategy, which aims at mitigating vulnerability and stimulating income generation, especially in rural areas. Decreasing the dependence of the vast majority of Niger's population on rain-fed subsistence agriculture is a key objective of this strategy. Bank assistance in this area emphasizes the promotion of irrigated agriculture focused on smallholders, non-farm income generating activities and cereal bank construction. It supports rural development in Niger through two ongoing (Private Irrigation and Agro-Pastoral Export Promotion) project and one new (Community Action Program) investment project.

7. **Social sector reforms.** Improvement of access for the poor to social services figures is one of the strategic pillars in the PRSP. The Bank supports this objective through ongoing and new lending operations, which will combine both project assistance with program support, as well as analytical work, notably on population, gender, and poverty. There has also been close collaboration between the Bank and the government in the design and implementation of reforms in the education and health sectors, such as the introduction of decentralized recruitment of teachers and health workers on a contract basis. This contractual recruitment program has proven to be an innovative delivery mechanism to address the issue of human resources shortage, while keeping payroll costs sustainable. The Bank has also assisted the government in the preparation of a 10-year development plan in the education sector, which is based on the PRSP and includes a medium-term sectoral expenditure framework. A similar exercise is under way in the health sector.

8. **Poverty monitoring.** The Bank worked closely with the government in preparing a poverty profile, which served as the basis for the PRSP poverty diagnosis. While this diagnosis has been judged as thorough and comprehensive by the joint staff assessment (JSA), it is based on household survey data from 1993. Updating the existing database is therefore an important concern of the government. A nationwide census has been completed recently, and preparations for a new household survey are under way, with technical assistance from the Bank. The Bank, together with other donors, is also advising the authorities on strengthening institutional arrangements for monitoring and evaluating poverty in the context of the PRSP. In addition, the Bank is preparing a Poverty Analysis, to be completed in fiscal year (FY) 04, as a contribution to the government's efforts to update and strengthen the knowledge base on poverty and social development.

#### **Areas in which the Bank and Fund share the lead**

9. **Poverty reduction strategy.** Together with other external development partners, the Bank and Fund have jointly provided assistance to the government in the preparation of the PRSP. The PRSP was discussed at the Bank and Fund Boards in February 2002, together with a (JSA) prepared by Bank and Fund staff. Since then, both institutions have jointly advised the authorities on the refinement and implementation of the strategy. The PRSP progress report is due in the first half of 2003 and is expected to address the areas of weakness in the PRSP, such as the shortcoming of the database underlying the poverty diagnosis, the lack of a reliable mechanism for monitoring and evaluation, and the insufficient analysis on sources of growth, as well as on gender and population growth issues.

In order to learn from achievements so far of the President's Special Program for Poverty Reduction, the Bank and Fund staff have encouraged the authorities to present the results of an independent evaluation in the PRSP progress report.

10. **Debt sustainability.** The Bank and Fund are partners in supporting the government's efforts to reach the HIPC Initiative completion point, expected in the third quarter of 2003. The need to build technical and institutional capacity for managing Niger's external debt has been stressed by the Fund and the Bank. Measures to strengthen the External Debt Unit have figured as a structural benchmark under the PRGF arrangement.

11. **Budgetary and public expenditure reforms.** Strengthening public finances is a prerequisite for the success of Niger's broader reform agenda. The Bank and Fund share the lead in this area. Both institutions have played key roles in helping the government reduce domestic and external arrears. While the Fund is leading the dialogue on revenue-enhancing measures, the Bank is concentrating its efforts on budgetary reforms, in particular in the area of public expenditure. The Fund is also making key contributions to improving budgetary processes: a number of important measures, such as the preparation of budget laws and computerization of budgetary expenditure have been included as structural and performance benchmarks in the PRGF arrangement. The Bank is supporting budgetary reforms mainly through the PEAC. Several measures, such as the closing of budgetary accounts, introduction of a new budget nomenclature, and preparation of a procurement code, have been satisfactorily completed as prior actions for the release of the second tranche of the PEAC I. Consolidation and deepening of these reforms will be supported by PEAC II and PEAC III. In addition, the Bank intends to help strengthen Niger's fiduciary framework through analytical work on public finance issues, in particular a Public Expenditure Management and Country Financial Accountability Assessment (PER/CFAA) and a Country Procurement Assessment Report (CPAR), both to be completed in FY 04.

12. **Financial sector reform.** Key elements of the reform agenda in Niger's financial sector are restructuring of the banks remaining under government control (the CDN and the CPCT), the restructuring of the National Post Office (ONPE) and its separation into postal and financial savings services, the promotion and supervision of the microfinance sector, and the reform of the social security system. The Bank has been playing a leading role in these reforms through its forthcoming financial sector technical assistance credit. This project, and in particular the studies on the CDN and CPCT, have been prepared in close consultation with the Fund.

13. **Civil service reform and decentralization.** Reform and modernization of the civil service is the important element of Niger's PRSP, yet there has been little progress in this area so far. The authorities are making an effort to put in place an integrated civil service database. By allowing a more transparent and effective management of the civil service, this database should improve control over the wage bill. Controlling the wage bill is important for maintaining fiscal balance, as recognized by the PRGF arrangement which has set quantitative benchmarks for the wage bill. Planning for the implementation of the legal framework for the political decentralization of 1996 has recently gained momentum, and local elections are scheduled for late 2003. Important concerns regarding this reform remain, however, such as the lack of capacity at the local level and the fiscal implications of

decentralization. To help the Government address some of these concerns, the Bank is providing a grant for the Community Action Program, which aims at building capacities in rural communities in planning, implementing and monitoring micro-development project. In addition, the Bank is initiating a study on decentralization, to be completed in 2003.

#### **Areas in which the Fund leads**

14. **Macroeconomic stability.** The main objectives of Niger's macroeconomic program, as stated in the PRSP, are to ensure economic and financial stability while promoting sustainable and robust growth. The Fund is supporting this program through its PRGF framework by providing financial and technical assistance, as well as through a dialogue on macroeconomic policy reforms. The program has made satisfactory progress since approval of the PRGF arrangement in 2000 by achieving most of its benchmarks and overall positive fiscal performance. In the context of the macroeconomic framework underlying the PRSP, the Bank has provided technical assistance in building capacity in the Ministry of Finance and Economy to monitor economic performance and macroeconomic modeling.

15. **Fiscal policy.** Fiscal consolidation is a key objective of the PRGF arrangement and is supported by a number of performance criteria and benchmarks. Increasing budgetary revenue in order to progressively reduce the government's reliance on external assistance is particularly important, given Niger's low level of revenues in regional comparison. In terms of expenditures, the Fund is mainly concerned with overall budget envelopes, while the Bank is focusing on intersector and intrasector allocations, in particular in the key sectors of education, health, and rural development.

16. **Monetary Policy.** The Fund leads the policy dialogue on monetary policy, which is set by the regional monetary authorities (BCEAO). The PRGF arrangement includes quantitative benchmarks for net bank credit to the government.

#### **World Bank Group strategy**

17. The Bank's new Country Assistance Strategy (CAS) for the period 2003 to 2005 was approved by the Bank Board in January 2003. Its main objective is to support the implementation and further refinement of the PRSP. Through the new CAS, the Bank will work with the government to expand opportunities and build capacity for poverty reduction and economic growth. The strategic focus of the CAS is based on the four pillars<sup>19</sup> of Niger's poverty reduction strategy. The CAS outlines a lending and nonlending program that, in line

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<sup>19</sup> These four pillars are (i) a macroeconomic framework ensuring economic and financial stability while promoting sustainable and robust growth; (ii) the development of productive sectors, especially in rural areas, to mitigate vulnerability and stimulate income generation; (iii) improvement in the access of the poor to quality social services, including basic education, primary health care, reproductive health services, HIV/AIDS prevention, water and sanitation, and adequate urban habitat; and (iv) the strengthening of institutional and individual capacity within and outside government, at the central and local levels.

with the Bank's comparative advantage, will selectively provide assistance in areas relevant to these PRSP priorities.

18. As of January 31, 2003, the World Bank lending portfolio in Niger consisted of 7 IDA lending operations with a total commitment of US\$204 million, out of which US\$112 million were undisbursed. The new CAS includes a base case IDA lending program of US\$238 million for FY03 to FY05. The Bank's non-lending program for the coming CAS period is designed with a view to further assisting Niger in refining its Poverty Reduction Strategy and building capacity for a gradual transition towards programmatic lending.

Niger: Status of World Bank Portfolio (all IDA)  
(In millions of U.S. dollars; as of January 31, 2003)

Total Disbursements (active and closed operations) to date		925	
Repayments		72	
<b>Operation</b>	<b>Original Principal</b>	<b>Disbursed</b>	<b>Closing Date</b>
Health II	40	31.6	Dec. 2003
Urban Infrastructure Rehabilitation	20	18.8	Mar. 2003
Transport Infrastructure Rehabilitation	28	23.5	May 2003
Privatization/Regulatory Reform	18.6	8.8	Dec. 2003
Agro-Pastoral Export Promotion	10.35	3.6	Oct. 2005
Water Sector	48	3.6	Dec. 2006
Private Irrigation	38.72	1.4	Dec. 2007
<b>Total</b>	<b>203.67</b>	<b>91.3</b>	

19. The CAS outlines the Bank's analytical and advisory activities (AAA) for the coming years. The AAA program will help the government refine the PRSP by designing policy responses to issues raised in the JSA of the PRSP, such as gender, population growth, and sources of growth. The AAA program also aims at reinforcing public sector capacity in pursuit of the PRSP's objectives and in preparing Niger for the transition to consolidated programmatic lending. In support of these objectives, core diagnostic economic and sector work is planned, including sector work on population and rural development (FY03), a Public Expenditure Review/CFAA (FY 04), a Poverty Analysis (FY 04), a CPAR (FY 04), and a Development Policy Review (FY 05).

20. The Bank is committed to enhancing external partnerships in the framework of the Government's current efforts to mobilize and coordinate donor support of PRSP implementation. In partnership with The United Nations Development Program (UNDP), the Bank is assisting the government in the preparation of a donor conference planned for April 2003. Besides its strong partnership with the Fund, the Bank is collaborating with a number of donors in different areas, including with the European Union.

Prepared by World Bank staff. Questions may be addressed to Ms. Antoinette Sayeh, Country Director, at 473-4719; or Peter Siegenthaler, Economist, at 473-8011
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## Niger: Tentative Work Program Under the PRGF Arrangement, 2000-04

Action	Date
2000 Article IV consultation and three-year Poverty Reduction and Growth Facility (PRGF) arrangement (2000-03) discussions.	July 2000
Continuation of 2000 Article IV consultation discussions and finalization of three-year PRGF arrangement and preliminary Initiative for the Heavily Indebted Poor Countries (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 poverty reduction strategy paper (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 and discussion of third year of PRGF arrangement	November 2002 February 2003
Executive Board consideration of fourth review under the PRGF arrangement and third year of PRGF arrangement	April 2003
Fifth review mission under PRGF arrangement and enhanced HIPC Initiative completion point discussions	June 2003
Executive Board consideration of fifth review under the PRGF arrangement and enhanced HIPC Initiative completion point document	September 2003
Sixth review mission under the PRGF arrangement and 2003 Article IV consultation discussions	December 2003
Executive Board consideration of sixth review under the PRGF arrangement and Article IV consultation for 2003	March 2004 <sup>1</sup>

<sup>1</sup> The PRGF arrangement is expected to be extended in due time.

## Niger: Core Statistical Indicators

(As of March 15, 2003)

	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	Dec. 2002	Dec. 2002	Dec. 2002	Dec. 2002	Feb. 2003	Jan. 2003	Dec. 2001	Dec. 2001	Sep. 2002	Dec. 2001	Sep. 2002
Date received	Current	Mar 2003	Mar 2003	Mar 2003	Mar 2003	Mar 2003	Mar.2003	Dec. 2002	Dec 2002	Dec. 2002	Nov. 2002	Dec. 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.



**Niger: Key Conditions for Reaching a Floating Completion Point  
(As of January 2003)**

Conditions	Status
<b>Poverty reduction</b>	
<p>Prepare a full poverty reduction strategy paper (PRSP) through a participatory process and satisfactorily implement it for at least one year, as evidenced by the joint staff assessment of the country's annual progress report.</p>	<p><b>Achieved.</b> PRSP prepared by the government through an extensive and comprehensive consultation process, adopted by the government in January 2002, and discussed by the Bank and Fund Boards in February 2002.</p> <p><b>To be done.</b> PRSP progress report to be prepared in first semester 2003.</p>
<b>Macroeconomic stability</b>	
<p>Continue to maintain macroeconomic stability, as evidenced by satisfactory implementation of the Poverty Reduction and Growth Facility (PRGF)-supported program.</p>	<p>Ongoing.</p>
<b>Governance</b>	
<p>Ensure full budgeting of poverty reduction programs financed with Initiative for Heavily Indebted Poor Countries (HIPC Initiative) assistance, and publish semiannual reports of the budget execution of these programs.</p>	<p><b>Achieved.</b> HIPC Initiative programs are fully budgeted (also for 2003), as part of sectoral programs (with separate budget lines).</p> <p><b>Under way.</b> Budget execution report presented to recent macroeconomic and IMF missions. Possibility of independent audit and assessment is being discussed with the government.</p>
<p>Evaluate the impact of public spending on the poor through a pilot analysis of beneficiary incidence in the health sector.</p>	<p><b>Under way.</b> This analysis is being conducted as part of an ongoing public expenditure review in the health sector.</p>
<p>Submit budget review laws to the National Assembly and the corresponding treasury accounts to the Supreme Court's Accounting Office for fiscal years 1998-2000.</p>	<p><b>Achieved.</b> Treasury accounts for 1997-2000 submitted to Audit Court.</p>
<b>Social sector reforms – education</b>	
<p>Construct at least 1,000 new classrooms, 85 percent of which will be located in rural areas (baseline: 12,359 classrooms in 1998/99).</p>	<p><b>Achieved.</b> As of November 2002, 1296 new classrooms had been constructed in 2001/02, out of which 996 as part of the Special Program of the President (financed by HIPC Initiative resources). 85 percent of these are located in rural areas.</p>

**Niger: Key Conditions for Reaching a Floating Completion Point  
(As of January 2003)**

Conditions	Status
Recruit 1,200 new volunteer primary school teachers, 75 percent of whom will be placed in rural schools (baseline: 2,367 primary volunteer teachers in 1999/2000).	<b>Achieved.</b> During the 2001/02 school year, a cohort of 7869 contractual teachers was active (75 percent in rural areas). In October 2002, the government recruited an additional 2,550 contractual teachers for the new school year of which 476 of these contractual teachers were recruited as part of the Special Program of the President.
Complete a countrywide school map and a report on demand- and supply-side impediments to primary school enrollment.	<b>Under way.</b> Preparations for putting in place equipment and manpower required to execute the school map project have started, supported by the Bank (PROSEF) and the European Union. <b>No information</b> received on progress regarding report on demand- and supply-side impediments.
Limit grade 6 repetition rates to 15 percent or lower (baseline: 37 percent in 1999/2000).	<b>Not yet achieved.</b> The target is rather high and there is strong skepticism as to whether it can be achieved by mid-2003. Different measures are employed to reduce the rate, such as enhancing pedagogical skills of teachers, improving classroom accessibility and quality, revising rules regarding repetition, and delegating of resources and decision-making capacity to school districts (COGES).
<b>Social sector reforms – health</b>	
Increase the staffing of rural health centers through the redeployment and/or recruitment of at least 300 multipurpose nurses and auxiliary midwives.	<b>Under way.</b> The government has set itself a target of recruiting 546 health workers (doctors, lab technicians, nurses, and midwives) in a regional recruitment process over two years, starting September 2001. A first round of recruitment has led to the recruitment of 180 nurses. A second round was organized in November 2002, in which 186 candidates (doctors, nurses, midwives, laboratory technicians, etc.) were admitted. They will subsequently be deployed in the field.
Adopt a plan to improve the availability of essential drugs in rural health centers.	<b>Under way.</b> While no specific plan has been adopted by the government so far, the Department of Pharmacies of the Ministry of Health has reviewed the availability of essential drugs in the rural health centers during its regular supervision. The last health sector mission of the World Bank noted an improvement in the number of essential drugs on the ground, yet also states that the high costs of these drugs limit demand for them.

**Niger: Key Conditions for Reaching a Floating Completion Point  
(Status as of January 2003)**

Conditions	Status
Increase national immunization rates of children aged 12-24 months for DPT3 to 40 percent (baseline: 25 percent in 1998).	<b>Not yet achieved.</b> According to the Ministry of Public Health, the target has not yet been achieved. This was partly due to a problem with vaccine supply during 2001, which has since been solved. The government has recently relaunched routine vaccination services in the health centers (PEV).
<b>Social sector reforms – HIV/AIDS</b>	
Establish a baseline of qualitative (e.g., behavioral patterns of high-risk populations) and quantitative data to serve as basis for the finalization and adoption of a strategy to fight HIV/AIDS.	<b>Done.</b> A quantitative survey of HIV prevalence in Niger has been conducted. According to the results, Niger's prevalence rate of HIV/AIDS is 0,87 percent. A participatory survey among the high-risk population was finalized in June 2002.

**Translated from French**

Niamey, March 28, 2003

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 (MEFP) for 2003. This memorandum was prepared in the context of the fourth review of the government of Niger's three-year program, which covers the period October 2000-September 2003 and is supported by the International Monetary Fund (IMF) under the Poverty Reduction and Growth Facility (PRGF). It describes the government's performance in implementing the program at end-September 2002, sets the targets for the 2003 program, and presents the policies to be carried out to achieve these targets.
2. The government requests, on an exceptional basis, flexibility in the application of the policy of the IMF Executive Board that requires a progress report on the implementation of the strategy outlined in the poverty reduction strategy paper (PRSP) one year after its presentation to the Board. The government aimed for a conclusion of the fourth review within less than one year from the presentation of its PRSP on February 8, 2002, and, therefore, intended to prepare the progress report in the context of the fifth review under the PRGF arrangement and the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) completion point. However, problems in finalizing the economic and financial program for 2003 have delayed the Board consideration of the fourth review beyond February 8, 2003, and, because of a limited institutional capacity, the government has not been able to complete the progress report for this review. Expediting further the preparation of the progress report would hamper its quality, while delaying the fourth review and the related disbursement would affect severely the country. Consequently, the government requests that the fourth review proceed without consideration of the PRSP progress report; it also commits to finalizing the progress report by end-June 2003, so that it can be presented as soon as possible thereafter to the Executive Boards of the IMF and the World Bank.
3. Program implementation at end-September 2002 was satisfactory as a result of the government's commitment and steps taken in connection with the third program review (see my letter of intent of August 8, 2002). This performance enabled Niger to continue the successful implementation of the economic recovery program and the poverty reduction strategy that the government undertook at the end of 1999. All performance criteria and

benchmarks at end-September 2002 were met, except for the continuous quantitative criterion on nonaccumulation of new external payments arrears and the quantitative benchmark in respect of the wage bill.

4. Despite the government's efforts to avoid external payments arrears, problems in reconciling repayment schedules and monitoring debt service payments led to temporary and small accumulations of external payments arrears vis-à-vis certain creditors, including the World Bank, in September 2002. These arrears were corrected as soon as they were identified. To avoid their recurrence, the government has enhanced internal monitoring of external debt-service payments and accelerated efforts to strengthen the External Debt-Service Unit. To this effect, the Commonwealth secretariat will provide technical assistance in May 2003 to (i) prepare for the installation by end-June 2003 of the Secretariat's new debt-management and recording software, CS-DRMS 2000+; and (ii) reinforce the institutional capacity of the External Debt-Service Unit. Accordingly, and in light of the corrective steps that have been taken, the government is requesting a waiver for nonobservance of the continuous performance criterion on nonaccumulation of external payments arrears. As for the wage bill, the overrun of its target is attributable to an initial underestimation of the decision to start paying in January 2002 the salary increases related to automatic advancement that had been frozen since March 1999. The government adjusted the level of the wage bill in the program for 2003 and took steps, as detailed in the attached memorandum, to gain more effective control over it.

5. Economic and financial developments at end-2002 remained positive. The GDP growth rate is estimated at 3 percent, and inflation declined to 2.7 percent on average for the year, owing in part to a bumper crop related to a second consecutive year of favorable rainfall levels. The external current account deficit (excluding official transfers) did not deteriorate as much as programmed and is estimated to have reached 6.7 percent of GDP. In the budget area, the government maintained its expenditure regulation system to achieve the program targets, and successfully carried out budget reforms involving the implementation of a new budget nomenclature and a new charter of public accounts. These budgetary reforms stretched to the limit the institutional capacity and delays were observed in achieving other structural reforms, such as the privatization of NIGELEC, Niger's electricity supply company. However, the government has taken steps to correct these delays by the end of the first half of 2003.

6. Niger's economic and financial outlook in 2003 will depend on a resolution of the crisis in Côte d'Ivoire, which began in September 2002, and on developments in the international situation—particularly in petroleum product prices. Although the impact of the crisis in Côte d'Ivoire on Niger was limited in 2002, the government remains concerned that a persistent crisis might affect negatively Niger. It is closely monitoring developments, while participating actively in initiatives to resolve this crisis. The implications of the crisis are still difficult to quantify, and Niger's economic and financial program for 2003 was designed under the assumptions of a crisis resolution by end-March and a relatively optimistic, albeit prudent macroeconomic framework. The macroeconomic targets for the 2003 program will be reassessed in connection with the midterm review of the program. Regarding the potential

impact of an increase in international prices for petroleum products, the government intends to continue to implement the formula for setting domestic prices of these products in a flexible, automatic and transparent way.

7. The government's efforts are intended to consolidate in 2003 the progress made since end-1999, particularly in fiscal adjustment, and to accelerate the implementation of the poverty reduction strategy. The economic and financial program includes the following macroeconomic objectives for 2003: (i) a real GDP growth rate of 4.0 percent; (ii) a containment of inflation (on a 12-month, end-of-period basis) to less than 3 percent; and (iii) a current account deficit of the balance of payments (excluding official transfers) of 8.5 percent of GDP. To restore economic activity, the government will also implement structural reforms, including the restructuring of the financial system.

8. The 2003 budget law is consistent with program targets and confirms the willingness of the authorities to pursue their fiscal adjustment policy while continuing the reduction of domestic payments arrears and intensifying their fight against poverty. The basic fiscal deficit (on a commitment basis, excluding grants for budgetary assistance) is therefore limited to CFAF 34.4 billion, that is, 2.1 percent of GDP. The projected substantial increase in capital expenditure (almost 50½ percent) reflects an accelerated implementation of the poverty reduction strategy, supported by an increase in resources released under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

9. The government is counting on the IMF's continued support to meet the program objectives, and seeks completion of the fourth review under the PRGF and approval of its program for the third year. In this context, the government of Niger requests an increase in the disbursement related to the fourth review to SDR 11.84 million and a corresponding reduction in the disbursement under the fifth review to SDR 5.08 million, thereby maintaining the annual total of SDR 16.92 million in 2003. This adjustment would enable the authorities to more effectively address the deterioration envisaged in the balance of payments during the first half of 2003 owing to the impact of the crisis in Côte d'Ivoire and the absence of adequate balance of payments assistance for the first half of year.

10. The government also requests additional IMF interim assistance under the HIPC Initiative up to September 30, 2003. It is understood that the Fund, together with the government of Niger, will conduct the two midterm reviews—the first is scheduled to be completed by September 30, 2003, and the second to be completed by March 30, 2004, at the end of the third year of the program—in order to assess program implementation. As in the past, the government consents to the Fund's publication of this letter of intent, the memorandum of economic and financial policies for 2003, the technical memorandum of understanding, and the staff report.

11. The government considers that the reforms and measures described in the attached memorandum are such as to permit achievement of the program targets for 2003. It is prepared to take any additional steps that may be required for that purpose. Moreover, the government of Niger will, on its own initiative or at the Managing Director's request,

consults with the International Monetary Fund on the adoption of any measure that may prove necessary.

Sincerely yours,

/s/  
Hama Amadou  
Minister of Finance and Economy, a.i.  
Ministry of Finance and Economy  
Niamey, Niger

Attachments: Memorandum of economic and financial policies for 2003, and  
Technical memorandum of understanding

Translated from French

## NIGER

### Memorandum of Economic and Financial Policies

March 28, 2003

#### I. INTRODUCTION

1. **The discussions under the fourth review of Niger's three-year economic and financial program, covering the period October 2000 to September 2003, took place in Niamey on November 7-21, 2002 and in Washington on February 6-10, 2003.**

International Monetary Fund (IMF) support under the Poverty Reduction and Growth Facility (PRGF) was approved on December 14, 2000, in the amount of SDR 59.2 million. The approval on the same date of the decision point under the enhanced Heavily Indebted Poor Countries Initiative (HIPC Initiative) has enabled Niger to receive additional assistance from the international community. This assistance is estimated at approximately 1.2 percent of GDP in 2003, or nearly US\$32 million. It will increase upon approval of the HIPC Initiative completion point, which is expected in the third quarter of 2003. It has been earmarked for the implementation of the government's poverty reduction strategy, as presented to the IMF Executive Board in the poverty reduction strategy paper (PRSP) in February 2002. The government is preparing a progress report on the implementation of the strategy in 2002, to be finalized by end-June 2003 and submitted to the IMF Executive Board in connection with the fifth review of the PRGF program and the completion point under the HIPC Initiative.

2. **The third review under the three-year program was completed by the IMF Executive Board in August 2002,** and Niger obtained the fourth drawing of SDR 8.46 million under the PRGF arrangement, bringing total disbursements to date to SDR 33.84 million. This third review led to revisions in the program for 2002 in order to take into account economic and financial developments in 2001 and in the first quarter of 2002. The revised 2002 program thus aimed at maintaining real GDP growth in the range of 2½ percent to 3 percent, following the exceptional growth of 7.1 percent recorded in 2001; reducing the average annual inflation rate from 4 percent in 2001 to about 3 percent in 2002; and containing the external current account deficit (excluding grants for budgetary assistance) at 8.6 percent of GDP.

3. This memorandum of economic and financial policies (MEFP), prepared in the context of the fourth review of the three-year program, describes the satisfactory results obtained in program implementation as at September 30, 2002 and presents the government's economic and financial program for 2003. Tables 1 through 4 set forth the program performance criteria and indicative targets for 2002 and 2003.



## II. RECENT DEVELOPMENTS

### A. Performance Under the Program at End-September 2002

4. **The government's program for 2002 was implemented in a sociopolitical environment that was more difficult than anticipated.** This hardening of the political environment was the outgrowth of the recovery in economic activity and the partial rehabilitation of public finances since 1999. The good performance in this regard led to greater demands on the part of the various social partners and the public administration itself. In 2002, these demands were reflected primarily in (i) the active protest of business operators against the extension of the prepayment of the corporate income tax to reexport activities, a new tax measure taken under the 2002 Budget Law; (ii) numerous strikes called by labor unions in the private sector, with a view to obtaining income tax relief; and (iii) the mutiny of some army officials in August 2002.

5. **In response to these pressures, the government initiated a process of dialogue and negotiation with the social partners, and established a committee in charge of reviewing the status of the armed forces.** The government's initiation of constructive dialogue does not alter its endorsement of the three-year program and its poverty reduction strategy, but it has required greater flexibility in policy making with a view to addressing certain social demands and enhancing program ownership by the population. It will also necessitate a strengthening of the government's exchanges of views and information with the international community, in order to ensure the latter's support for the government's decisions. The negotiations with economic agents and labor unions thus led to measures to reduce direct taxes, such as the tax on business profits and the income tax on wages and salaries, which were incorporated into the 2003 Budget Law and offset by new revenue-enhancing tax measures. Furthermore, the recommendations of the committee on the armed forces resulted in moderate additional expenditure in the 2003 budget in order to improve conditions in the armed forces. This dialogue process has also enabled the government to heighten the understanding of the social partners as regards the government's persistent financial problems and, consequently, to reduce their demands. In this context, the government announced the possibility of delays in making wage payments in the fourth quarter of 2002. It did in fact delay the payment of September 2002 wages until early October, but it has avoided any wage payment delays since then.

6. **Niger's performance in implementing its economic and financial program was largely satisfactory at end-September 2002.** All the program performance criteria and benchmarks as of that date were observed, with the exception of the continuous performance criterion on the nonaccumulation of external payments arrears and the benchmark on the wage bill. This positive overall result is attributable for the most part to (i) the strengthening of fiscal discipline, beginning with the first quarter of 2002 following the fiscal slippages observed at end-2001; and (ii) the measures taken to reduce and reallocate expenditure in the second half of the year, with a view to maintaining the fiscal targets for 2002 despite the shortfall in external financing and the appearance of new unavoidable expenditures (MEFP of August 8, 2002). Implementation of the special

program financed by the resources freed up by the HIPC Initiative, which is an important element of the poverty reduction strategy, also proceeded satisfactorily.

7. **As for structural reforms, significant progress was made in the budgetary area in particular**, including observance of the structural benchmark for end-September 2002 on the introduction of a new budget nomenclature and a new government charter of public accounts, and their use in preparing the 2003 Budget Law. **The structural reform program was nonetheless affected by limited institutional capacity**, which contributed to additional delays in the implementation of some other reforms. Accordingly, the planned strengthening in debt management could not be introduced, owing to delays in the mobilization of the technical assistance planned to this end. Similarly, problems in monitoring the implementation of reforms supported by the World Bank led to delays in the introduction of the multisectoral regulatory agency (MRA) and the expected privatization operations. The continuing weaknesses of the institutional capacity are a reflection in particular of the problems experienced by the government in recruiting, motivating, and retaining high-quality supervisory personnel. However, the government continues to regard institutional capacity building as a priority and will request the active support of the international community in addressing this issue at the donors' forum that will take place in mid-2003. The government has also taken steps, in consultation with the World Bank, to reinvigorate the structural reform program and achieve concrete results in the introduction of the MRA, the privatization of NIGELEC (electricity supply company) and SONIDEP (petroleum distribution company), and the strengthening of the banking system by end-June 2003.

8. **The prudent fiscal policy pursued by the government since the first quarter of 2002 was maintained throughout the year, making it possible to observe the end-September 2002 performance criteria on the basic budget deficit (overall deficit excluding foreign-financed capital expenditure) and on the net government position vis-à-vis the banking system.** Thanks to enhanced control of current expenditure, the basic budget deficit, on a payment order basis and excluding revenue resulting from the settlement of reciprocal debts between the government and enterprises, was thus limited to CFAF 22 billion, as against the ceiling of CFAF 26.4 billion set forth in the revised program. Similarly, the government's net position vis-à-vis the banking system improved by CFAF 3.0 billion, compared with an expected deterioration of CFAF 1.5 billion.

9. **Fiscal revenue of CFAF 121.7 billion slightly exceeded the revised program's quantitative benchmark for end-September 2002 (CFAF 120.8 billion).** The shortfalls observed in petroleum taxation receipts, business profit taxes, and taxes on goods and services were more than offset by sizable receipts from taxes on international trade, the statistical tax on reexports, and transfers from the West African Economic and Monetary Union (WAEMU).

10. **The regulation of budgetary expenditure made it possible to limit total expenditure, excluding foreign-financed capital expenditure, to CFAF 135.3 billion, compared with a ceiling of CFAF 138.9 billion.** This performance reflects a strict control

of current expenditure, excluding interest payments and wages, to CFAF 58.4 billion, compared with a ceiling of CFAF 65.4 billion in the revised program. However, this gain was partially offset by an overrun of CFAF 3.5 billion—beyond the ceiling of CFAF 15.8 billion—in domestically financed capital expenditure. Wage payments also exceeded the indicative target under the program by CFAF 1.0 billion and totaled CFAF 41.3 billion. This overspending is largely attributable to an underestimation of the financial impact of the measure to lift the freeze on the payment of salary increases linked to automatic advancement and, to a lesser extent, to the regularization of promotions to positions within the hierarchy that entitle the incumbents to bonuses. For 2002 as a whole, the wage bill, despite exceeding the annual target by 0.1 percent of GDP, amounted to only 38.5 percent of tax receipts and 3.7 percent of GDP, as against 50.4 percent and 4.1 percent, respectively, in 2000. Despite this satisfactory performance in containing the wage bill while regularizing the financial impact of the automatic increases that were frozen between March 1999 and December 2001, the government is still vigilant in monitoring the evolution of the wage bill and in guarding against an overshooting of the target, like in 2002. In 2003 it will adopt measures aimed at improving control over the wage bill, thereby confirming its commitment to meet as soon as possible the convergence criterion of the WAEMU (wage bill not to exceed 35 percent of tax receipts).

**11. The government actively pursued its policy to reduce domestic payments arrears in 2002, and the end-September performance criterion was exceeded by CFAF 3.5 billion (equivalent to 0.2 percent of GDP).** This solid performance stems for the most part from the implementation in August 2002 of the third phase of the operation to settle wage arrears in exchange for public land in the amount of CFAF 3.6 billion. In addition, the arrears of the National Center for University Works (CNOU) were eliminated in the amount of CFAF 4.6 billion—of which CFAF 2 billion in cash payments and CFAF 2.6 billion in claims forgone on the part of CNOU creditors. However, as indicated above in the context of its negotiations with labor unions, the government accumulated, on an exceptional and temporary basis, CFAF 1.85 billion in wage arrears at end-September 2002, which were cleared in early October 2002.

**12. External financing was broadly in line with the revised program projections at end-September 2002.** As for domestic financing, a higher-than-expected level of nonbank financing (the operation of settling wage arrears in exchange for public land, as well as the waiver of claims by CNOU creditors) enabled the government to limit its recourse to bank financing and to achieve a net position vis-à-vis the banking sector that was lower by CFAF 3.0 billion at end-September 2002 than at end-December 2001.

**13. The satisfactory fiscal performance at end-September 2002 was nevertheless marked by the failure to observe the continuous performance criterion on the nonaccumulation of external payments arrears,** owing to temporary lags in the payments to certain creditors, including the World Bank. Despite the efforts made, institutional weaknesses persist in the area of external debt management. On the one hand, coordination difficulties between the External Debt Service Unit and the Nigerien Treasury prevented effective monitoring of the timely settlement of all of the government's external

debt-service obligations. On the other hand, the planned strengthening of the External Debt-Service Unit did not progress as expected, owing to delays in marketing the French version of the Commonwealth Secretariat's debt management software (CS-DRMS) and in obtaining technical assistance for its implementation. In response to the failure to observe the continuous performance criterion on the nonaccumulation of external payments arrears, the government introduced a monthly monitoring system on external debt payments—a system designed so as to prevent in the future any delays or defaults in external debt-service payments. Likewise, in view of the continuing problems with observing the program's structural benchmark on strengthening the External Debt-Service Unit, the government approached its partners again at end-2002, particularly the Commonwealth Secretariat, regarding the implementation of the new debt-management software (initially scheduled for end-June and then set for end-December 2002 in the revised program). Thus, three senior staff received CS-DRMS training in Douala in Cameroon in October 2002. A regional seminar on debt analysis and the CD-DRMS software was also organized by the Agence Internationale de la Francophonie and the Commonwealth Secretariat during the period March 24–28, 2003, in Niamey. Furthermore, a technical assistance mission is scheduled to arrive in Niger in May 2003 to install the software by end-June 2003 and to advise on an institutional framework for improved debt management.

**14. Monetary developments from December 2001 to September 2002 for the most part mirrored the decrease in net foreign assets of the Central Bank of West African States (BCEAO), despite a sizable disbursement in external assistance recorded during the third quarter.** The increase in the net foreign assets of commercial banks was not sufficient to offset the decrease in those of the BCEAO, leading to a drop in the level of net foreign assets in the whole banking sector. That decline, combined with the improvement in the government's net position, accounted for the contraction of the money supply by 2.3 percent during the first nine months of 2002.

#### **B. Developments at End-2002**

**15. The external shock of the crisis since mid-September 2002 in Côte d'Ivoire, as well as the risk of economic and social destabilization in the other WAEMU countries, has been and remains a major concern of the Nigerien government.** Economically, Côte d'Ivoire is Niger's second-largest trading partner after France and accounts for 15 percent and 1½ percent of Niger's imports and exports, respectively. Imports from Côte d'Ivoire consist primarily of mass consumer goods, semifinished goods, and petroleum products. Onions account for some 85 percent of Niger's exports to Côte d'Ivoire. There are almost 1 million nationals of Niger residing in Côte d'Ivoire, and their remittances to Niger, although sizable, are underestimated in the country's balance of payments.

**16. The crisis in Côte d'Ivoire had a limited impact on Niger in the last quarter of 2002.** The most perceptible signs of the crisis were found in the customs receipts recorded in the last quarter of the year. Few of Niger's nationals residing in Côte d'Ivoire returned home, and Niger's dependence on the port of Abidjan as a source of its imports and outlet for its exports is quite limited. The disruption of trade channels with Côte d'Ivoire

nevertheless resulted in shortages of certain products, such as personal care products, but the increases in their prices did not prevent a substantial reduction in inflation at the end of the year. In addition, onion exports declined in the last quarter of 2002, but the impact of the conflict threatens to assume greater significance in 2003 if it is not resolved rapidly and if new markets are not found.

17. **Niger's real economic growth in 2002 is estimated at 3 percent, slightly higher than the initial projection of 2.7 percent.** For the second consecutive year, the rainfall level was satisfactory and well distributed over time and space, making it possible to increase agricultural production from the previous year's level (1.0 percent). The construction and public works sector was particularly dynamic, thanks to the recovery in public and private investment. The inflation rate (on a 12-month, end-of-period basis) declined from 3.2 percent in December 2001 to 0.6 percent in December 2002. This performance is attributable to a pronounced drop in the cost of fresh produce, which accounts for 25 percent of the index, despite a significant increase in the last quarter of 2002 in the prices of certain products traditionally imported from Côte d'Ivoire.

18. **The external current account deficit is estimated to have been limited to 6.7 percent of GDP (excluding grants for budgetary assistance) in 2002, as against a projection of 8.6 percent of GDP.** The lower level of exports resulting from declines in the export volumes of onions and cowpeas was offset by lower-than-projected imports of capital goods and petroleum products. Taking into account capital and financial operations, the accumulation of net foreign assets of the BCEAO is estimated at CFAF 3.7 billion.

19. **Preliminary monetary survey data at end-December 2002 indicate money supply growth of 9.0 percent in 2002,** slightly exceeding the increase of 8.3 percent projected in the revised program. This reflects a smaller improvement in net foreign assets of the banking system and a more sizable increase in domestic credit. The increase in net foreign assets was limited to 3.3 percent of the beginning-of-period money stock, as against a forecast of 8.4 percent. These assets are estimated at CFAF 37.6 billion at end-December 2002, largely owing to an increase in net foreign assets of the BCEAO. As regards net domestic assets, their increase in 2002 represented 5.7 percent of the beginning-of-period money stock, compared with a projected decrease of 0.2 percent. The larger-than-expected increase in domestic credit, which shows both a deterioration in the net government position and an increase in credit to the economy, explains the increase in net domestic assets. The deterioration in the net government position reflects a greater-than-anticipated recourse to the BCEAO, as statutory advances to the government amounted to CFAF 33.1 billion at end-2002, compared with the program's projected decline to CFAF 22.2 billion. Credit to the economy increased with the recovery in economic activity and grew by almost 15 percent in 2002, largely benefiting the manufacturing, construction and public works, trade, and services sectors.

20. **In the overall context of the crisis in Côte d'Ivoire, the government maintained strict fiscal discipline during the last quarter of 2002.** According to preliminary data available on budget execution in 2002, budget receipts amounted to CFAF 160.0 billion,

compared with the target of CFAF 160.4 billion. This sound revenue performance, in conjunction with the regulation and effective control over expenditure before November 21, 2002, the final date for commitments, made it possible to limit the basic deficit at end-December 2002 to CFAF 26.2 billion, slightly below the revised program target. The deterioration in the net government position vis-à-vis the banking system reflects a shortfall in net foreign financing at end-2002 and a greater-than-projected reduction in domestic payments arrears.

**21. These preliminary indications of satisfactory financial performance were complemented at end-2002 by the introduction of the new harmonized government budget nomenclature and charter of public accounts, which were adopted by decrees dated July 26, 2002.** These wide-ranging reforms will enhance transparency and good governance in public finances, as well as fiscal management overall. Despite limited resources, these efforts were undertaken successfully within the deadlines established by the staffs of the Budget Directorate and the Nigerien Treasury. They included not only the development of new software for the expenditure process and government accounting, but also steps to improve the information technology system at the Ministry of Finance and Economy, as well as staff training. The 2003 Budget Law could thus be prepared using the new classification, and it will be executed in keeping with the new charter of public accounts. The Directorate-General of the Budget and the Treasury will devote the first half of 2003 to supplementary training activities and to the ongoing monitoring of the implementation of these new tools, so as to ensure their proper use by the staff concerned.

**22. Most of the other structural reforms suffered implementation delays in 2002, attributable for the most part to problems of institutional capacity and insufficient monitoring.** The government is determined to correct these delays in 2003. Nevertheless, four structural benchmarks of the program were not observed at end-December:

- Strengthening of the External Debt Unit through the introduction of the new debt-management software. As indicated above, corrective measures have been adopted, and the system is expected to become operational by end-June 2003 with the help of technical assistance from the Commonwealth Secretariat.
- Submission to the Audit Court of the 2001 budgetary accounts and preparation of the 2001 draft Final Budget Law with its certificate of conformity. The draft Final Budget Law and the 2001 budgetary accounts were transmitted on January 29, 2000, to the Audit Court which is to issue the certificate of conformity before end-April 2003.
- The terms of references of a study on the medium-term financial projections of the National Retirement Fund were completed in January 2003, and the selection of a consultant to prepare the study will be made before end-April 2003. The study is expected to be finalized by end-September 2003.
- The submission to the government of an independent firm's study on the compensation of the stakeholders in the petroleum sector included in the formula for

determining petroleum prices was not completed by end-2002. The selected consultant is expected to convey the results of the study to the government in June 2003.

23. As regards the **other structural reforms**, principally supported by the World Bank, there have been the following developments:

- The in-depth reform of the government procurement system led to the preparation of a government procurement code and its ratification by the National Assembly in October 2002. Enforcement of this new framework will require a six-month transitional period to allow for the adoption of the implementing regulations on the preparation of various standard bidding documents. Alongside the adoption of the implementing provisions, short-term technical assistance will be used to build capacity at the central procurement committee.
- The privatization of NIGELEC through a concession arrangement has been delayed, owing to the insufficient number of companies listed for the prequalification exercise initiated in April 2002. A new prequalification profile based on less restrictive criteria was issued on November 19, 2002, and two prequalification applications have been registered.
- The prior studies for the privatization of SONIDEP through the opening up of its capital began in July 2002 and were discussed in the interministerial committee in November 2002. The committee approved the option of privatizing by opening the majority of capital to professionals in the oil sector and private sector operators; it requested an additional study on the valuation of SONIDEP. Since that time, and with a view to speeding up the privatization process, the government has consulted the World Bank on the possibility of simply opening the majority of capital to the private sector, which could occur in the first half of 2003.
- The process of hiring an outside firm to help set up a MRA was initiated in February 2002 and led to the selection of the SNC Lavalin Consortium in November 2002. Moreover, the government has appointed the Chairman of the MRA in March 2003, in order to ensure that he can monitor the performance of the consultant's work in 2003.
- Concerning the strengthening of the financial sector, progress was made in a number of areas in 2002. First, the financial situation of the Banque Commerciale du Niger (BCN) was normalized following the release in October 2002 by the Libyan Arab Foreign Bank of CFAF 1.5 billion, representing the capital share granted to it by the government of Niger as nominee. The procedures for lifting the bank's temporary management under the BCEAO have been initiated in early 2003. Second, following the two studies on the financing of housing and local governments, the government decided to divest itself of 90 percent of the capital in Crédit du Niger (CDN) before the end of the first half of 2003 and to freeze the activities (other than loan collection)

of the Caisse de Prêts aux Collectivités Territoriales (CPCT), pending improvement in market conditions that could ultimately lead to a reorganization of local governments. Third, as regards the restructuring of the Banque Islamique du Niger pour le Commerce et l'Investissement (BINCI), no significant progress was made in 2002 because of delays in reaching agreement with the major shareholders (DMI-Geneva and the Islamic Development Bank). Fourth, in the area of neighborhood financial intermediation, the financial and organizational audit of the major microfinance institutions, which was scheduled to begin in early September 2002, finally started in March 2003. Likewise, the actuarial audit of the National Social Security Fund (CNSS) could not be carried out in 2002, but will be conducted in 2003 with support from the International Labor Office (ILO). Lastly, the implementation of the restructuring of the National Postal and Savings Office (ONPE) has been postponed to the first quarter of 2003, owing to delays in completing the studies on the restructuring of postal activities and the creation of a postal financial services branch.

### III. POLICIES AND MEASURES TO BE IMPLEMENTED IN 2003

24. The government's program for 2003 reflects (i) further progress in achieving the objectives included in the three-year economic and financial program supported by the IMF under the PRGF; (ii) implementation of regional integration efforts; and (iii) sustained implementation of the policy orientations set forth in the Declaration of General Government Policy and the poverty reduction strategy paper adopted in January 2002. The government will be pursuing the following objectives:

- In the economic sphere, the government will be promoting the revitalization of the economy through increased public investment and continuing the reduction in domestic payments arrears.
- In the social sphere, the government will aim at improving the standard of living and well-being of the population by implementing the poverty reduction strategy, on the one hand, and, on the other hand, by enforcing the rule of law and continuing its dialogue with the social partners.
- In the financial sphere, the government will be pursuing a fiscal policy aimed at maintaining expenditure at a level compatible with available resources, continuing the adjustment of public finances, and contributing to regional objectives for revitalizing the macroeconomic framework.

25. **The 2003 program is being carried out in an uncertain regional climate caused by the social and political crisis in Côte d'Ivoire.** The government of Niger has thus initiated studies on the potential economic, financial, and social impact of a protracted crisis beyond the first half of 2003. As matters now stand, Niger's relative distance and its ability to diversify its sources of supply and export markets have prompted the government to base the 2003 program on moderately positive macroeconomic prospects. Should



economic and financial developments prove to be more negative than expected, the Nigerien government will consult with the IMF on the changes to be made in the program. In the period prior to such a consultation, the government will consider a number of adjustment measures to address this external shock, such as an enhanced control of budgetary expenditure, use of the budget reserve, recourse to the regional market for government securities and bonds, and the use of food security stocks.

#### **A. Macroeconomic Framework**

26. The macroeconomic objectives targeted by the program in 2003 are as follows: (i) a real GDP growth rate of 4 percent; (ii) an inflation rate (on a twelve-month, end-of-period basis) of less than 3 percent; and (iii) an external current account deficit (excluding grants for budgetary assistance) that is contained to 8.5 percent of GDP. The economic growth projections assume normal climatic conditions that will permit good harvests as well as a continuation of the trends observed since 1999, thanks to the impetus from the promotion of the private sector and the resumption of investment, in particular the rehabilitation and construction of public infrastructures. The economic and financial policies that the government will be implementing in 2003 in order to achieve these objectives thus aim at enhancing the integration of the national economy into the regional economy through the WAEMU and the Economic Community of West African States (ECOWAS).

#### **B. Fiscal Policy**

27. **The 2003 Budget Law approved by the National Assembly on December 16, 2002 closely reflects the budgetary objectives of the three-year program and the poverty reduction strategy paper adopted in September 2000 and January 2002, respectively.** It was prepared using the new budget nomenclature and incorporates in a single budget all the government's current and capital expenditure. Considering the economic and financial climate, which is characterized by the persistence of cash-flow pressures and the scarcity of external resources, the budget aims not only at continuing the fiscal adjustment process under way since the new government came to power, but also accelerating the implementation of the poverty reduction strategy. This acceleration will be made possible by the larger amounts of funds available in 2003 under the HIPC Initiative and by the substantial increase in the investment program in the social sectors.

28. **Taking into account the normal rate of execution of budgeted capital expenditure and a number of adjustments made since its promulgation, the 2003 Budget Law seeks to stabilize the basic budget deficit at 2.1 percent of GDP.** This maintenance of the basic deficit at the level envisaged for 2002 in fact constitutes an improvement in the basic balance, when the exceptional revenues from clearing reciprocal debts between the government and enterprises are excluded. The 2003 budget also aims at restoring budgetary saving to a slightly positive level; this was among the objectives of the three-year program and results in part from reclassifications of expenditure in accordance with the new nomenclature. The anticipated increase in foreign-financed investment and

investment financed by HIPC Initiative resources, from 4.8 percent of GDP in 2002 to 6.9 percent in 2003, will thus boost total capital expenditure and the overall deficit (on a payment order basis and excluding grants) to 9.1 percent of GDP in 2003. The 2003 reduction in domestic payments arrears has been defined in light of foreseeable financing; targeted at 1.1 percent of GDP, it will increase the deficit on a cash basis to 10.2 percent of GDP. The net external financing of this deficit, excluding budgetary assistance, is estimated at 6.1 percent of GDP, stemming from project financing, external debt amortization, and debt relief, including proceeds under the HIPC Initiative. Domestic financing takes into account the agreements on eliminating the statutory advances from the BCEAO and the requirements of a prudent monetary policy, and has been limited to 0.2 percent of the GDP in 2003. The remaining financing requirement amounts to 4.0 percent of GDP and is covered by anticipated budgetary assistance from Niger's development partners, principally the World Bank (US\$30 million), the European Union (€39 million), the African Development Bank (SDR 15 million), and certain bilateral partners, such as France and Belgium.

29. **The adjustments to the 2003 Budget Law, which will take the form of a revised Budget Law, take into account recent developments since it was prepared and adopted, but do not significantly modify the financing requirement.** The adjustments primarily (i) update the level of the wage bill in light of the actual spending in 2002 and the initial underestimation of the budgetary impact of the automatic salary increases, which were frozen from March 1999 to December 2001 (0.1 percent of GDP); (ii) incorporate the measures to improve the situation within the armed forces in goods and services instead of wages, as initially envisaged (0.1 percent of GDP); (iii) establish a budgetary reserve and more sizable government deposits in order to address, should the need arise, any unforeseen consequences of the crisis in Côte d'Ivoire (0.1 percent of GDP); (iv) integrate measures aimed at offsetting these identified additional expenditures; and (v) reflect revenue from new settlement operations of reciprocal debts (0.2 percent of GDP).

30. **The budgetary revenue target, excluding receipts from clearing reciprocal debts between the government and enterprises, is CFAF 168.1 billion in 2003, or 10.4 percent of GDP, and equivalent to an increase of 0.4 percentage point of GDP over the 2002 level.** This objective, which is in line with the initial objectives of the three-year program despite the tax relief measures negotiated with social partners, relies on ongoing improvements in the tax and customs administration and on new revenue-enhancing tax measures. Reducing the formalities required for the incorporation of businesses and the rate of the corporate income tax (BIC), which is reduced from 42.5 percent to 35 percent, will enable Niger to move closer to regional averages for tax rates and will promote investment. In addition, the tax burden on wages and salaries has been eased by introducing a 5 percent exemption for the calculation of the taxable income and making tax bracket adjustments that will be implemented gradually in 2003 and 2004. To offset these tax relief measures and achieve the revenue target of 10.4 percent of GDP, the following measures have been adopted: (i) an increase in the individual income tax on industrial and commercial profits and in the income tax on noncommercial profits (BNC) from 30 percent to 35 percent, thereby harmonizing the BIC and BNC rates; (ii) the introduction of a tax on lottery

winnings and an increase in the rate of the tax on lottery receipts; (iii) an extension of the collection of prepayments of the corporate income tax to reexport activities and introduction of a flat-rate fee for authorizing such activities in respect of tobacco and cigarettes; (iv) the application of the VAT to rice, replacing the temporary 10 percent import levy that was not in line with WAEMU community directives; (v) application of excise duties to coffee instead of tea; (vi) a broadening of the tax base by adjusting the rate schedule for the comprehensive business license; (vii) the introduction of a special tax for environmental protection; and (viii) the introduction of measures to improve the collections of miscellaneous revenue, such as mining receipts.

31. **These tax measures are accompanied by the continuing reform of the tax and financial administration with a view to enhancing the efficiency of resource mobilization.** The Directorate-General of Customs will, in 2003, expand its activities to improve its coverage of the national territory and strengthen the fight against customs fraud, in particular as regards petroleum products. The Directorate-General of Taxes will continue to strengthen its capacities in all areas, be it management, auditing, or collections. Concomitantly with communications and taxpayer information operations, the action plan for 2003 is focused principally on the following:

- **Strengthening the tax administration of major enterprises** through the creation of a Large Enterprise Directorate (DGE) in Maradi to deal with enterprises whose turnover exceeds CFAF 50 million.
- **Strengthening the tax administration of small and medium-sized enterprises (SMEs)** through the creation of an SME Directorate in Niamey, which will supervise enterprises situated in Niamey that are subject to taxation on the basis of actual income and are not covered by the DGE (approximately 1,000 firms).
- **Strengthening the tax administration of sole proprietorships.** With the creation of the SME Directorate, the activities of the Niamey tax centers will be limited to working with the comprehensive business license and real property taxes. This situation should enable them to improve the yield of these taxes considerably (collections currently are no greater than 25 percent of the amounts assessed). In addition, computerization of these tax centers will also play a part in improving their performance.
- **Broadening the tax base.** The activities to be carried out in 2003 in order to continue strengthening the auditing of enterprises will consist of (i) increasing the number of auditors in the DGE inspection unit; (ii) assigning staff to the investigation unit; and (iii) revising the reporting requirement that makes it possible to carry out inquiries and cross-checks at enterprises.
- **Reducing the scope of exemptions.** Most of the major enterprises in Niger come under one kind or another of special exemption arrangement (investment code, mining code, individual agreement, etc.). Auditing these arrangements will be intensified in 2003, in particular through the establishment of a joint taxes/customs team to monitor the actual destination of exempted goods. At the same time, work will be continued on revising the list of products eligible for exemptions and on

adopting the WAEMU investment code, so as to reduce the tax benefits of the existing code.

32. **The government intends to enhance the tax adjustment effort through the pursuit of a prudent expenditure policy.** Budgetary expenditure other than externally financed investment will be limited to 12.7 percent of GDP in 2003, or CFAF 206 billion, compared with 12.3 percent of GDP in the revised 2002 program. Given the drop in external interest payments as a result of debt-relief agreements signed in 2002, this slight increase corresponds to an increase of about 0.9 percent of GDP in domestically financed capital expenditure and current expenditure other than debt service and wages. It thus permits the government to continue to implement the poverty-reduction strategy through an increase in social spending, as well as to strengthen activities in the areas of security (Ministries in charge of Justice, the Interior, and the Armed Forces), improve the operations of the public authorities (National Assembly and Office of the Prime Minister), contribute to a number of important cultural and social activities, and finance certain investment projects for which external assistance could not be lined up (such as the rehabilitation of 50 kilometers of sewer lines in Niamey).

33. **The extent of the implementation of the poverty reduction strategy is measured nonetheless in the context of capital expenditure, where the envisaged execution of foreign-financed projects will increase by 55 percent in 2003 to 6.9 percent of GDP.** On the one hand, the resources freed by the HIPC Initiative will increase from 0.6 percent of GDP in 2002 to 1.1 percent of GDP in 2003. They will continue to be allocated entirely to meeting the objectives of the strategy and hence, make it possible to intensify the activities carried out with success since 2000. A new program covering 1,000 classrooms, 1,000 basic health centers, and 1,000 wells will be initiated and complemented by projects involving dams and weirs, rural roads, and support for livestock farming through the development of local veterinary services. The programming, execution, monitoring, and sustainability of these projects will continue to require the involvement and participation of the local population. On the other hand, the share of capital expenditure devoted to the social sectors (education, health, and water resources), excluding those financed by the HIPC Initiative, will represent nearly one-half of the total in 2003, compared with a share of one-third in 2002. Education-related projects will thus increase by nearly 50 percent, health projects double, and water projects increase by a factor of four. Programs to finance rural development and the productive sectors will remain stable, representing 1.2 percent of GDP in 2003, while road infrastructure projects will decline by one-third in 2003 following the completion of the Niamey-Dosso road project. The government will take all steps necessary to ensure that this ambitious capital budget is executed and to accelerate poverty reduction in Niger.

34. **The wage policy to be followed in 2003 will remain prudent, and measures to keep it under control will be continued.** No net civil service recruiting is planned, no adjustments have been made in base wages and benefits, and two months of wage payments arrears will be settled in 2003. The 2003 wage bill is, hence, projected to amount to 3.5 percent of GDP, or 35 percent of tax receipts in line with WAEMU criteria and

compares favorably to the over 50 percent of tax receipts in 2000, taking into account the habitual rise in personnel costs and the final settlements to be paid in connection with the unfreezing of the automatic raises that were blocked between March 1999 and December 2001. Nevertheless, in light of the slippages observed in 2002 and to ensure better control over the wage bill, the government has decided to implement the following measures: (i) conduct a financial audit of government personnel expenditure in 2003; (ii) strengthen the management of the civil service by improving the monitoring of promotions and transferring complete responsibility for managing the civil service master file to the Ministry of the Civil Service; (iii) complete a study on the decision to start paying in January 2002 the salary increases that are linked to automatic advancement and had been frozen between March 1999 and December 2001; and (iv) use more extensively the banking system for paying wages, so as to limit banknote handling and cash payments, which were used for almost 80 percent of wage payments until 2002. The government thus anticipates that its control over the wage bill will be improved and the bill will be financially rehabilitated by end-2003. In addition, in 2003 it will relaunch the civil service reforms aimed at modernizing the administration and controlling staffing levels and the wage bill. Other activities planned for 2003 will improve the preparations for the envisaged decentralization of the government and study the problems of recruitment, motivation, career management, and training as raised by the implementation of the poverty reduction strategy. In this vein, the government will require support from the international community to help it devise a sustainable and comprehensive civil service policy.

**35. The reduction in domestic payments arrears will be continued in 2003, with CFAF 18 billion allocated to this end.** This amount, which will be revised upward in the event budgetary assistance exceeds projections, will allow a reduction of the stock of domestic arrears to less than CFAF 62 billion (or 3.8 percent of GDP) by end-2003, thereby bringing the nominal stock of identified arrears down to half its end-2000 level. The 2003 objective includes a reduction of two months' wage arrears of CFAF 6.7 billion as well as operations to eliminate reciprocal debts between the government and its partners in the amount of CFAF 3 billion. Wage arrears will thus be reduced from CFAF 45.3 billion at end-1999 to less than CFAF 12 billion at end-2003. The government will also examine the feasibility of clearing additional wage arrears by granting land. The rest of the reduction in payments arrears envisaged for 2003 will relate first to small-claims holders (claims lower or equivalent to CFAF 5 million) and creditors from sectors related to the privatization program.

**36. The continuation of administrative reforms aimed at improving the expenditure process and the Nigerien Treasury will seek to ensure the successful implementation of the new budget nomenclature and the new government charter of public accounts, particularly during the first half of 2003.** Teams have been put in place to monitor these reforms and to ensure the reliability and timeliness of the budget and account entries relating to the 2003 Budget Law. Concomitantly, several steps will be taken to improve the quality of expenditure, budget preparation, and the automation of services. The computerization of the regional treasury offices will be the subject of a study in the last semester of 2003 that will aim for an effective implementation by end-December 2003.

Operations to implement the government procurement code will be complemented by an improved computerization of the expenditure process. Similarly, the budget preparation process will be strengthened by developing a methodology and suitable timetable. The actual preparation of the budget will be improved by conducting a review of public expenditure, principally in cooperation with the World Bank and the European Union, and by preparing a medium-term budgetary expenditure framework by the end of the year.

### C. Monetary and Financial System Issues

37. **The BCEAO will continue in 2003 to pursue a prudent regional monetary policy aimed at supporting the objectives of economic growth and price stability in the WAEMU, while ensuring a high degree of coverage of currency issues by external reserves.** Such prudence is all the more necessary because the crisis that started in Côte d'Ivoire on September 19, 2002 has not yet been fully resolved and its impact on socioeconomic developments throughout the region remains uncertain. In this regard, the BCEAO will strengthen its surveillance of the banking system and its monitoring of economic and financial developments in the region, including the absorption of statutory advances to governments in the region. In the context of intensifying its auditing activities, the BCEAO adopted a new directive on combating money laundering in September 2002, and the member states have committed themselves to enforcing it. In these circumstances, Niger's indicative monetary program, adopted during the fourth quarter of 2002, envisaged money supply growth of about 6.1 percent in 2003. This projection reflected an improvement in the BCEAO's net foreign assets and a 4.3 percent reduction in domestic credit, largely because the net government position vis-à-vis the monetary system would improve through the reduction in statutory advances from the BCEAO over the course of the year (CFAF 5.9 billion). This amount represents the coverage of overruns over the ceiling on assistance to the government, or CFAF 4.1 billion, and the coverage of the BCEAO's consolidation of the outstanding balance of statutory advances to the government of Niger.

38. **In view of the economic and financial developments at end-December 2002 and the finalization of the budget program, the 2003 monetary program has been modified, and the expansion of the money supply is now projected at 8.7 percent, a rate slightly exceeding that of the growth of GDP.** The revised program takes into account a slight deterioration in the 2003 balance of payments and a projected deterioration in the net government position following the payment of external arrears to the European Investment Bank (EIB). Net foreign assets are projected to rise by only CFAF 4 billion to CFAF 41.6 billion at end-December 2003, an increase of 11 percent. Expressed as a percentage of the beginning-of-period money stock, net domestic credit is expected to increase by 6 percent, as a 4.1 percent expansion in credit to the economy and an increase in the government's net position vis-à-vis the banking system of 1.9 percent will more than offset a 4.5 percent decrease in statutory advances.

#### D. Structural Reforms

**39. In addition to the administrative reforms pursued in the budget area and described above, the government seeks to accelerate the structural reform program.** The government is committed to achieving concrete results by end-June 2003 in the following areas: (i) the establishment of the multisectoral regulatory agency; (ii) the privatization of NIGELEC and SONIDEP; (iii) the restructuring and privatization of the CDN; (iv) the implementation of the decision to freeze CPCT activities (except for loan collection); (v) the implementation an agreement on BINCI between the government of Niger and the other shareholders; and (vi) the restructuring of the ONPE, including the establishment of its postal and financial services subsidiaries. The government, in consultation with the World Bank, will take all steps necessary to ensure that these reforms are carried out on schedule. Additional reforms, to be implemented in the second half of 2003, will also be discussed with the World Bank in the context of its forthcoming budgetary support for Niger and the effective implementation of its credit to strengthen the financial system.

#### IV. EXTERNAL DEBT

**40. The government continues to follow a prudent policy as regards external borrowing.** In this context, it places special emphasis on seeking grants and concessional loans. The government is continuing its discussions with the OPEC Fund to renegotiate the terms of the US\$10 million loan, that do not meet the required grant element under the program supported by the PRGF. The government remains committed to refraining from drawing on this loan for as long as the grant element of 50 percent is not achieved.

**41. In the context of the HIPC Initiative, the amount of debt relief obtained by the government from its creditors at end-December 2002 represents approximately 80 percent of total relief in net present value (NPV) terms.** During the year, the government signed three new debt-relief agreements with the OPEC Fund, the Islamic Development Bank (IsDB), and the Kuwait Fund for Arab Economic Development (KFAED), for total debt relief of US\$46 million in NPV terms. In addition, in late 2002, the European Commission conveyed to the government its modalities for debt relief in the context of the interim period, thereby taking upon itself the payment of certain maturities falling due in 2002 and 2003. Its contribution for the two years consequently amounts to €3.8 million in nominal terms. In addition, the government is contacting the ECOWAS Fund and the Conseil de l'Entente in order to obtain their participation in and contribution to the HIPC Initiative. Also, it is contacting the bilateral non-Paris Club creditors to either finalize agreements for securing HIPC Initiative relief (Algeria and China) or gathering their effective participation (Saudi Arabia, United Arab Emirates, Iraq, Libya, and Taiwan Province of China). In this context, the government will propose the use of the IDA debt-buyback mechanism, which would enable these creditors to repurchase their debt at a significant discount and cancel all interest arrears. This discount would correspond to the creditor's contribution under the HIPC Initiative.

42. **Virtually all measures pertaining to Niger's access to the HIPC Initiative completion point have been implemented.** The remaining measures relate to the increase in the immunization rate for children aged 12 to 24 months, the reduction in grade repetition at the sixth grade, and the pilot beneficiary incidence analysis on the impact of public spending on the poor. The government has taken steps to achieve these aforementioned conditions and hopes to be able to reach the completion point during the third quarter of 2003, at the same time as the submission of the fifth review of the three-year program, and after more than a year of implementation of the poverty reduction strategy. In order to carry out a new analysis of the external debt burden, which will serve as the basis for the HIPC Initiative completion point document, the government has already sent to their creditors letters requesting a reconciliation of the figures at end-December 2002.

## V. PROGRAM MONITORING

43. **Monitoring of the 2003 program will be based on quarterly quantitative performance criteria and indicative targets (evaluated beginning December 31, 2002), one structural performance criterion and several structural benchmarks for 2003, and a review.** The quantitative performance criteria and indicative targets are specified in Table 3 and defined in the attached technical memorandum of understanding; the structural criteria and benchmarks are defined in Table 4. The quantitative performance criteria and indicative targets include (i) a ceiling on net bank credit to the government; (ii) a ceiling on the basic budget deficit (on a commitment basis, excluding grants and excluding receipts from the settlement of reciprocal debts between the government and enterprises); (iii) a reduction in the government's outstanding domestic payments arrears; (iv) the nonaccumulation of new external payments arrears by the government; (v) a limit on new nonconcessional external borrowing or loan guarantees at maturities of more than one year contracted or guaranteed by the government; and (vi) a limit on new short-term external borrowing to finance imports. Variables (i) to (iii) constitute performance criteria under the program for end-March and end-September 2003, and indicative targets at end-June and end-December 2003. Variables (iv) to (vi) represent continuous performance criteria. In addition, quarterly indicative targets are set for revenue (excluding receipts from the settlement of reciprocal debts) and the wage bill. The quarterly ceilings on net bank credit to the government 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 3.

44. The 2003 program also includes a structural performance criterion on the continuous implementation of the pricing formula for petroleum products, as well as a number of structural benchmarks as set forth in Table 4. These include (i) introduction and use of a new debt-management and recording software by end-June 2003; (ii) completion of a study on the remuneration of the petroleum sector operators by end-June 2003; (iii) completion of an actuarial study of the National Retirement Pension Fund by end-September 2003; (iv) completion of a financial audit of the wage bill by end-September 2003; (v) computerization of the regional treasury offices for the implementation of the



new government charter of public accounts by end-December 2003; and (vi) preparation of a medium-term expenditure framework for two key social sectors by end-December 2003.

45. The government 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, 2001-December 31, 2002  
(In billions of CFA francs)

	Stock at-End	End-March 2002				End-June 2002				Stock at-End	End-Sep. 2002				End-Dec. 2002			
	September 2001	Performance Criteria				Benchmarks				December 2001	Performance Criteria				Benchmarks			
		1/									1/							
	Actual	Status	Prog.	Adjusted	Actual	Status	Prog.	Adjusted	Actual	Status	Revised Prog.	Adjusted	Actual	Status	Revised Prog.	Adjusted	Prcl.	Status
		2/				2/				2/				2/				2/
<b>A. Quantitative performance criteria and benchmarks</b>																		
		(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 3/ 4/	61.6	-4.4	√	-17.5	-2.5	0.1	X		48.0	1.5	2.1	-3.0	√	-3.6	1.5	5.1	X	
Basic budget deficit (commitments basis, excl.grants) 4/ 5/ 6/		7.9	√	18.6	18.6	16.5	√			26.4	26.4	22.0	√	36.5	36.5	34.5	√	
Reduction in government domestic payments arrears 7/		24.1	X	34.4	34.4	30.1	X			24.1	24.1	27.6	√	24.7	24.7	35.5	√	
<b>Memorandum item:</b>																		
Exceptional external assistance (cumulative) 8/		17.0		50.5		23.7				22.9		22.3		34.0		28.9		
<b>B. Continuous quantitative performance criteria</b>																		
Accumulation of external payments arrears 9/		0.0	X	0.0	0.0	0.0	√			0.0	0.0	0.0	X	0.0	0.0	0.0	√	
External debt contracted or guaranteed																		
by the government with maturities of 0-1 year 10/		0.0	√	0.0	0.0	0.0	√			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 11/		7.1	X	0.0	0.0	0.0	√			0.0	0.0	0.0	√	0.0	0.0	0.0	√	
<b>C. Benchmarks</b>																		
Budgetary revenue 7/ 12/		42.1	√	79.7	79.7	80.2	√			120.8	121.7	121.7	√	160.4	160.0	160.0	X	
Wage bill 4/ 13/		13.3	X	26.0	26.0	26.8	X			40.3	41.3	41.3	X	53.8	55.4	55.4	X	

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 applies 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/ √ and X reflect the observance or the nonobservance, respectively, of a performance criterion or benchmark.

3/ This ceiling on net bank credit to government will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 8, exceeds or falls short of program forecasts. If disbursements are less than the programmed amounts, the ceiling 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 by any additional amount beyond this CFAF 6.8 billion unless the excess assistance is used for a reduction of domestic payments arrears in excess of the programmed reduction.

4/ Maximum.

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

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

7/ Minimum.

8/ 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.

9/ The outcome at end-September 2002 reflects the breach of the continuous performance criterion following temporary and small external payments arrears vis-à-vis some creditors.

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

11/ 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 OPEC Fund with an insufficient concessionality.

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

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

Table 2. Niger: Structural Performance Criterion, and Structural Benchmarks Under the the Poverty Reduction and Growth Facility-Supported Program for the Period September 1, 2002—December 31, 2002 <sup>1/</sup>

	Program	Status March 1, 2003
<b>Structural performance criterion</b>		
Continuous implementation of the pricing system for petroleum products adopted on August 1, 2001.	Beginning in September 2002, using the modified formula.	Met.
<b>Structural benchmarks</b>		
Introduction of the new budget nomenclature and the new public accounts charter, and their use in preparing the 2003 Budget Law.	End-September 2002	Met.
Strengthening of the External Debt Service Unit through the introduction of a new debt-management software and training of staff.	End-December 2002	Training of staff done; installation of software delayed to June 2003.
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	Transmittal of draft final budget law and budgetary accounts for 2001 done on January 29, 2003; declaration of conformity to be established by the Audit Court by April 30, 2003.
Selection of a consultant to prepare a study on the medium-term financial projections of the National Retirement Pension Fund (FNR).	End-December 2002	Selection to be completed by April 30, 2003.
Transmittal to the government of a study prepared by an independent consulting firm on the remuneration of the petroleum sector operators included in the pricing formula of the petroleum products.	End-December 2002	Study to be completed by June 30, 2003.

<sup>1/</sup> Revised program.

Table 3. Niger: Quantitative Performance Criteria and Indicative Targets for the Period December 31, 2002-December 31, 2003  
(In billions of CFA francs)

	Stock at-End December 2002	End-March 2003 Performance Criteria 1/	End-June 2003 Indicative Targets	End-Sep. 2003 Performance Criteria 1/	End-Dec. 2003 Indicative Targets
<b>A. Quantitative performance criteria and indicative targets</b> (cumulative from December 31, 2002)					
Variation of net bank credit to the government 2/ 3/	53.1	11.0	19.4	11.8	2.8
Basic budget deficit (commitment basis, excl.grants) 3/ 4/		7.4	15.7	28.2	37.4
Reduction in government domestic payments arrears 5/		3.0	3.0	12.0	18.0
Memorandum item:					
Exceptional external budgetary assistance 6/		-4.3	-8.7	18.1	34.8
<b>B. Continuous quantitative performance criteria</b>					
Accumulation of external payments arrears		0.0	0.0	0.0	0.0
External debt contracted or guaranteed by the government with maturities of 0-1 year 7/		0.0	0.0	0.0	0.0
Nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year 8/		0.0	0.0	0.0	0.0
<b>C. Indicative targets</b> (cumulative from December 31, 2002)					
Total revenue 5/ 9/		36.9	80.1	123.6	168.1
Wage bill 3/ 10/		14.1	28.4	42.8	57.3

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 applies to commitments contracted or guaranteed for which value has not been received.

1/ Performance criteria for program indicators under A and B; indicative targets 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 6, exceeds or falls short of program forecasts. If disbursements are less than the programmed amounts, the ceiling will be raised pro tanto in line with the observed shortfalls up to a maximum of CFAF 7.5 billion at end-March 2003, CFAF 7.5 billion at end-June 2003, CFAF 15.0 billion at end-September 2003, and CFAF 15.0 billion at end-December 2003. If disbursements of assistance exceed programmed amounts by more than CFAF 3.0 billion, the ceilings will be lowered pro tanto by any additional amount beyond this CFAF 3.0 billion unless the excess assistance is used for a reduction of domestic payments arrears in excess of the programmed reduction.

3/ Maximum. If external budgetary assistance defined in footnote 6 exceeds the amounts programmed by up to CFAF 3.0 billion, the basic budget balance will be decreased pro tanto by that amount.

4/ Total revenue, excluding grants and revenue from settlement of reciprocal debts, minus total expenditure excluding foreign-financed investment outlays.

5/ Minimum.

6/ 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.

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

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

9/ Excluding (i) revenue from the settlement of reciprocal debts between the government and Nigerien enterprises; and (ii) revenue from the privatization of public enterprises that is included in financing.

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

Table 4. Niger: Structural Performance Criterion, and Structural Benchmarks Under the  
the Poverty Reduction and Growth Facility-Supported Program for the  
Period January 1, 2003–December 31, 2003

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<b>Structural performance criterion</b>	
Continuous implementation of the pricing system for petroleum products adopted on August 1, 2001	2003
<b>Structural benchmarks</b>	
Strengthening of the External Debt Service Unit through the introduction of a new debt-management and recording software and training of staff	End-June 2003
Transmittal to the government of a study prepared by an independent consulting firm on the remuneration of the petroleum sector operators	End-June 2003
Completion of an actuarial audit of the National Retirement Pension Fund	End-September 2003
Completion of a financial audit of the wage bill	End-September 2003
Preparation of a medium-term expenditure framework for two key social sectors	End-December 2003
Computerization of the regional treasury offices for the implementation of the new government charter of public accounts	End-December 2003

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Translated from French

INTERNATIONAL MONETARY FUND

NIGER

Technical Memorandum of Understanding

Niamey, March 28, 2003

12. This technical memorandum of understanding provides the definitions of the quantitative performance criteria and indication targets for the third year of Niger's program supported under the Poverty Reduction and Growth Facility (PRGF). The quantitative performance criteria and indicative targets for March, June, September and December 2003 are set out in Table 3 attached to the government's memorandum of economic and financial policies (MEFP) dated March 28, 2003. This technical memorandum also sets out the data-reporting requirements for monitoring the program.

**VI. DEFINITION OF TERMS**

13. 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

14. **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.

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

16. 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 targets are based on the variation of stock in net bank credit

to the government from December 31, 2002 to the date considered for the performance criterion or benchmark.

### **Adjustment**

17. 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 3.0 billion, the ceiling will be adjusted downward pro tanto by the amount of the excess disbursements beyond these CFAF 3.0 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 7.5 billion at end-March and end-June 2003, and 15.0 billion CFAF at end-September and end-December 2003. The amount of external assistance provided is calculated from end-December 2002 onward.

18. 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**

19. 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**

20. The basic budget balance is defined as the difference between total revenue, excluding grants and revenue from the settlement of reciprocal debts between the government and enterprises, 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 performance criterion and indicative targets are based on the cumulative basic budget balance since end-December 2002.

### **Reporting requirement**

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



## **Adjustment**

22. If the amount of external assistance is higher than scheduled in the revised program, the performance criterion and indicative targets will be adjusted pro tanto up to CFAF 3.0 billion.

### **C. Reduction of Domestic Payments Arrears on Government Obligations**

#### **Definition of the performance criterion**

23. **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**

24. 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**

25. **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.

26. 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**

27. 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**

28. 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.

29. 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**

30. 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**

31. 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**

32. 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. INDICATIVE TARGETS**

### **A. Definitions**

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

34. The civil service wage bill is another indicative target of the program. 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, and the wage refunds. The wage bill includes cash vouchers.

### **B. Reporting Requirement**

35. 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**

36. 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**

37. 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**

38. 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**

39. 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**

40. 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 expenditure 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
	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



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International Monetary Fund  
Washington, D.C. 20431 USA

### **IMF Completes Fourth Review Under Niger's PRGF Arrangement**

The Executive Board of the International Monetary Fund (IMF) today completed the fourth review of Niger's performance under a three-year, SDR 59.2 million (about US\$81 million) Poverty Reduction and Growth Facility (PRGF) arrangement (see [Press Release No. 00/69](#)). This decision entitles Niger to receive a further SDR 11.84 million (about US\$16 million), which will bring total disbursements thus far under the arrangement to SDR 45.68 million (about US\$62 million).

In completing the review, the Executive Board granted waivers of Niger's nonobservances of the performance criterion pertaining to the non-accumulation of external payments arrears. The Executive Board also agreed to provide Niger additional interim assistance under the enhanced HIPC Initiative.

The Poverty Reduction and Growth Facility is the IMF's concessional facility for low-income countries. PRGF-supported programs are 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 ½-year grace period on principal payments.

Following the Executive Board's discussion, Eduardo Aninat, Deputy Managing director and Acting Chairman, made the following statement:

"Niger benefited in 2002 from good climatic conditions that led to a bumper crop for the second year in a row. Economic growth rebounded, inflation declined to less than one percent per annum, and the external current account deficit was contained. Improved policy implementation contributed to the generally good economic outturn.

"The program supported by the Poverty Reduction and Growth Facility was confronted in the second half of 2002 by a difficult sociopolitical environment, including labor strikes and a mutiny by part of the military. Nevertheless, program implementation remained broadly on track

at end-September 2002. The authorities are encouraged to strengthen further their institutional capacity and reinforce their monitoring of program implementation.

“The authorities’ economic and financial program for 2003 is broadly in line with the objectives of the three-year arrangement under the Poverty Reduction and Growth Facility and the poverty reduction strategy. The program’s underlying macroeconomic objectives include sustaining the rate of economic growth, containing inflation, and limiting the external current account deficit. Achievement of program objectives will be helped by a lasting resolution of the crisis in Côte d’Ivoire.

“Fiscal policy in 2003 aims at achieving further adjustment while imparting greater momentum to implementing the poverty reduction strategy and protecting the social sectors. At the same time, it will be important that the planned large increase in capital outlays be supported by strengthened domestic spending implementation and monitoring capacity, and with attention paid to the ongoing current spending commitments that capital spending typically generates.

“The authorities will continue to pursue a prudent monetary and credit policy in the context of Niger’s membership in the Central Bank of the West African States and the West African Economic and Monetary Union. Developments in the banking sector will be monitored closely, and surveillance activities stepped up. Central bank advances to the government are to be reduced in line with the agreed policy at the regional level. The government will begin auctioning treasury bills on the regional securities market.

“Structural reforms to be implemented in 2003 include the opening of an operational multisectoral regulatory agency, and the privatization of the electricity and petroleum product import companies. Tax and customs administration and treasury and budget management are to be reinforced. Efforts to strengthen institutional capacity and monitoring, including through Fund technical assistance, will support the structural reforms going forward.

“The government will need to continue to pursue a prudent external debt-management policy, and to make strong efforts to reach the floating completion point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) in the third quarter of 2003. The HIPC Initiative debt relief secured by Niger to the end of 2002 amounts to 80 percent of the total relief required in net present value terms to put Niger’s debt burden on a sustainable footing,” Mr. Aninat said.