

Niger: Sixth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Request for Waiver of Nonobservance of Performance Criteria, and Request for a New Three-Year Arrangement Under the Poverty Reduction and Growth Facility—Staff Report; Staff Statement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Niger

In the context of the sixth review under the three-year arrangement under the Poverty Reduction and Growth Facility, request for waiver of nonobservance of performance criteria, and request for a new three-year arrangement under the Poverty Reduction and Growth Facility, the following documents have been released and are included in this package:

- The staff report for Sixth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Request for Waiver of Nonobservance of Performance Criteria, and Request for a New Three-Year Arrangement Under the Poverty Reduction and Growth Facility, prepared by a staff team of the IMF, following discussions that ended on March 11, 2008, with the officials of Niger on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 13, 2008. 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 staff statement of May 28, 2008 updating information on recent developments.
- A Press Release summarizing the views of the Executive Board as expressed during its May 28, 2008 discussion of the staff report that completed the review and requests.
- A statement by the Executive Director for Niger.

The documents listed below have been 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*
Poverty Reduction Strategy Paper
Joint Staff Advisory Note of the Poverty Reduction Strategy Paper
*Also 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

Sixth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Request for Waiver of Nonobservance of Performance Criteria, and Request for a New Three-Year Arrangement Under the Poverty Reduction and Growth Facility

Prepared by the African Department
(In consultation with other departments)

Approved by Jean A. P. Clément and Anthony Boote

May 13, 2008

- **Discussions:** Discussions for the sixth and final review of the current arrangement and for a successor Poverty Reduction and Growth Facility (PRGF) arrangement were held in Niamey February 26–March 11, 2008. Staff met with Minister of Finance Ali Lamine Zeine, National Director of the Central Bank of West African States Oumarou Gagere, and other senior officials, and with donors and private sector representatives. The mission comprised Mr. Sacerdoti (head), Mr. Callier, Mr. Gueye, Mr. Salinas (all AFR), and Mr. Laporte, resident representative. The mission coordinated with the World Bank Resident Mission.
- **Sixth Review:** All quantitative and structural performance criteria were met except for a slight slippage in the reduction of domestic arrears at end-2007, which was corrected in February 2008, and for the reduction in May 2008 of the tax take on petroleum products below the agreed floor, to dampen the effect of price increases on the purchasing power of the population. The authorities therefore request waivers for nonobservance of these two performance criteria.
- **New PRGF Arrangement:** The authorities are requesting a three-year PRGF arrangement for SDR 23.03 million, 35 percent of quota. Niger's outstanding purchases and loans from the Fund at the end of March 2008 amounted to SDR 25.38 million, 38.6 percent of quota.

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Executive Summary

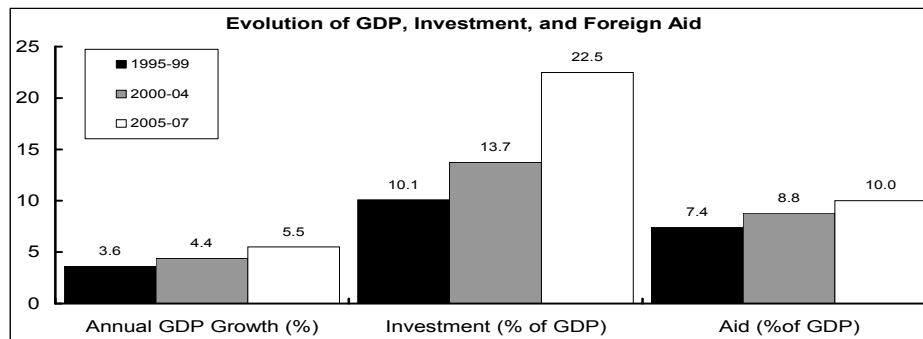
- Performance on the 2005–08 PRGF-supported program was satisfactory. Significant progress has been achieved in stabilizing the economy, mobilizing revenue, and managing expenditure. Creditworthiness was restored through the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).
- All quantitative and structural performance criteria were met except for a slight slippage in the reduction of domestic arrears at end-2007, which was corrected in February 2008, and for the reduction in May 2008 of the tax take on petroleum products below the agreed floor to dampen the effect of price increases on the purchasing power of the population. However, over the past six months, the average monthly tax take on petroleum products was significantly above the floor because of significant retail price increases. All indicative targets were met.
- Three structural benchmarks were missed, and another was met with delay. The three still not implemented are (i) the finalization of arrears settlement with commercial banks, for which negotiations have been protracted; (ii) the reduction of the threshold for contracts requiring approval by the General Directorate of Public Procurement, which has been rescheduled to September 2008; and (iii) the arrears compensation with the main telephone company, which is still under discussion. The regularization of depository accounts with the Treasury, and closing of inactive accounts, was completed with a three month delay.
- A successor PRGF-supported program would support the authorities' efforts to move toward meeting the MDGs while preserving economic stability. The new program emphasizes improving public expenditure management through better integrating annual budgets with the PRSP, increasing transparency and controls, mobilizing more revenue, building up the financial sector, and enhancing the investment climate.
- Among the risks to the new program are adverse climatic shocks, higher food and international oil prices, and the insurgency in the North.
- Given the corrective actions taken and the solid track record of the authorities in implementing the program, staff supports the requests for the waivers for nonobservance of two performance criteria, and the request for a new PRGF arrangement.

I. PROGRAM PERFORMANCE AND RECENT DEVELOPMENTS

A. The Economy Is More Stable and Creditworthiness Is Being Restored

1. Niger has recently made significant progress in stabilizing the economy, mobilizing revenue, managing expenditure (see table), and restoring creditworthiness. For 2005–07, facilitated by political stability and reasonable rainfall, annual growth averaged 5.6 percent with low inflation. Fiscal space increased considerably from 2003, by about 5 percent of GDP because of higher government revenue and debt relief from the Heavily Indebted Poor Countries Initiative (HIPC) in 2004 and the Multilateral Debt Relief Initiative (MDRI) in 2006.¹ This made it possible to spend more on priority sectors and still keep the basic budget deficit (which excludes foreign-financed expenditure) moderate, at 1.1 percent of GDP on average in 2005–07, with no recourse to domestic financing. Meanwhile, the external current account deficit increased after a major increase in investment. After Niger reached the HIPC completion point in April 2004, MDRI debt relief in January 2006 reduced its debt-to-GDP ratio from 52 percent at the end of 2005 to 14 percent; as agreed, new loans contracted by the authorities have been on highly concessional terms, with a grant component of at least 50 percent, except for one that had a 46 percent grant component.²

GDP Growth, Investment and Aid are all Increasing



Sources: Nigerien authorities; and IMF staff estimates.

¹ From 2003 to 2007 the decrease in external debt service was equivalent to 2.3 percent of GDP and the increase in government revenue to 2.7 percent of GDP.

² A waiver for this loan was granted at the time of the fourth review under the arrangement (IMF Country Report (CR# 07/261)).

Macroeconomic and Fiscal Performance is Satisfactory

(Average, percent of GDP, unless otherwise indicated)

	2002-04	2005-07	2007
Growth, percent per year	4.1	5.3	3.2
Inflation, percent per year	0.4	2.7	0.1
Total government revenue	10.9	13.1	15.5
Tax revenue	10.3	11.0	11.7
Total expenditure	19.3	21.0	22.3
<i>of which: capital expenditure</i>	8.3	10.7	10.4
Basic budget deficit	2.9	1.1	0.9
Balance of payments current account deficit	7.6	8.5	7.7
Debt/GDP ratio (end of period)	72.5	28.2	16.3
Debt service ratio	2.4	13.2	0.3

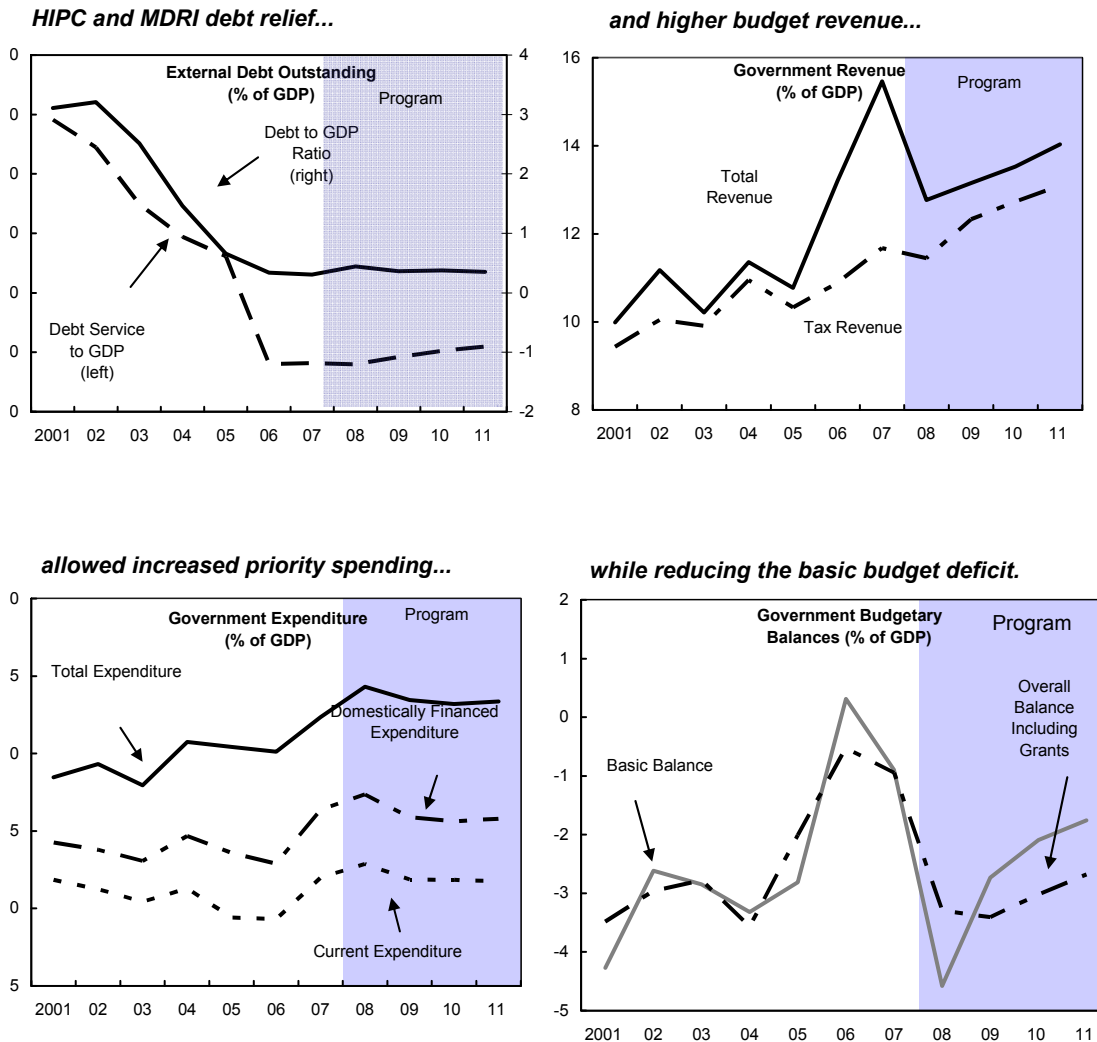
Source: Nigerien authorities

2. **Public finances are being managed more effectively**, with technical assistance from the Fund, the World Bank, and other donors. The Ministry of Finance and Economy has been reorganized, the taxation and customs directorates were reinforced, and the tax code was simplified for smaller taxpayers. Broadening the domestic tax base and improving compliance compensated for trade liberalization and the abolition of customs duties for ECOWAS intraregional trade.³ There was progress in reducing the number of nonfilers, monitoring exonerations, and tightening customs controls through better transmission of data between the border offices and Niamey. New budget classifications were adopted to make it easier to identify and monitor poverty-related spending. Better monitoring of budget execution made possible more timely reporting to donors. After financial mismanagement was identified at the Ministry of Education in 2006, procurement and control procedures were tightened and a Directorate General for Control of Public Procurement established. In 2006 and 2007 substantial payments were made to reduce domestic arrears (6 percent of GDP) incurred when public finances were under strain during political upheavals in the 1990s.⁴

³ Although between 2000 and 2007 the tax revenue/GDP ratio rose by 3.1 percentage points of GDP, it remains below the WAEMU average. Compared to other landlocked Sahelian countries, the ratio for Niger is in line with Burkina (12.2 percent of GDP), better than Chad (10.1 percent of nonoil GDP), but lower than Mali (15.1 percent of GDP).

⁴ This amount includes frozen deposits at the former postal savings bank.

Creating Fiscal Space, 2001 - 2011



3. **The financial sector is being reformed and the cost of doing business reduced.** The banking system is profitable and relatively sound, although capitalization has declined somewhat in recent years and nonperforming loans (which are largely provisioned) have risen. Although credit to the economy has been expanding rapidly, financial intermediation is still underdeveloped; the deposit-to-GDP ratio is among the lowest in the WAEMU. Reform measures have included restructuring microfinance networks in difficulties; establishing a microfinance supervisory authority; launching the privatization of *Crédit du Niger*; and restructuring the post office to separate postal from financial services. The cost of doing business has been reduced by a one-stop window for new businesses, simpler procedures for registration at the social security agency, deferral of payment of the license tax for new businesses, and cuts in fees for registering contracts.

Financial Soundness Needs to Improve

(Percent)

	12/31/2004	12/31/2005	12/31/2006	12/31/2007
NPL/Total gross credit	17.8	18.1	19.3	21.8
NPL net of provision/Net total credit	3.4	7.3	8.0	10.7
Rate of return on equity	5.0	9.2	22.5	n.a.
Rate of return on assets	0.6	0.7	1.4	n.a.
Capital/Risk-weighted assets ratio	13.3	n.a.	15.1	12.0

Source: BCEAO and UMEOA Banking Commission.

4. **Although the MDG objective of halving poverty may not be met in 2015, Niger is moving ahead in education** (higher primary school enrolment) **and health** (reduction in infant mortality, increased access to safe water) (Figure 1). According to the November 2007 UNDP *Human Development Report*, Niger has moved up three positions in the human development indicators table since the previous edition.⁵

5. **Regional integration is progressing:** At the beginning of 2007 customs duties on intra-ECOWAS trade were abolished, increasing Niger's trade with Nigeria and Ghana. This has led to some trade diversion and to revenue losses of about 0.7 percent of GDP, but these are being offset by more effective controls. Discussions on an Economic Partnership Agreement (EPA) with the European Union (EU), which are coordinated at the ECOWAS level, are ongoing.

6. **The progress achieved is in line with the recommendations of the June 2004 Ex-Post Assessment report**, which urged increases in investment and savings ratios, a more forceful revenue effort, more public sector accountability, revamping the financial sector, and enhancing the investment climate to create a solid foundation for sustained growth (Box 1).

B. Performance in 2007 Was Satisfactory

7. **Macroeconomic performance was satisfactory, although growth decelerated:**

- In 2007 economic growth slowed to 3.2 percent (the harvest was disappointing after two years of exceptional growth), and average inflation (for the consumer price index as a whole and for core inflation⁶) was close to zero (Table 2). However, higher oil and food prices in the last quarter brought end-of-year inflation to 4.7 percent on a 12-month basis. In the first three months of 2008, food prices continued to increase.

⁵ Results published in 2007 are based on 2005 data.

⁶ Core inflation is defined here as nonfood inflation.

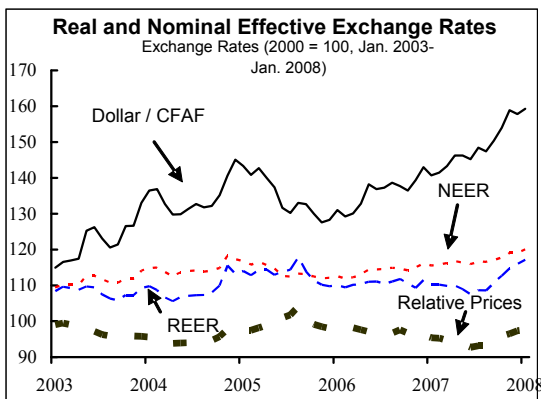
Box 1. Main Findings of the 2004 Ex-Post Assessment of Performance Under IMF-Supported Programs and Developments After 2004

- Niger's performance on adjustment programs was poor in the early 1990s, became mixed in the latter part of the decade, and improved decisively in 2000–03. *Performance on the 2005-08 program was satisfactory.*
- Weak policies in the 1990s were to a large extent explained by the lack of a stable government and of a broad-based consensus for reform. With the advent of a stable, democratically-elected government in 1999 and adoption of a PRSP based on a participatory approach, program ownership and effectiveness increased. *The participatory approach and implementation benefited from a stable government. A new PRSP for 2008-12 was adopted in 2007.*
- Successful reform requires a major revenue increase through improved tax administration and bringing the informal sector into the tax net; it also hinges on redirecting expenditures toward social services and infrastructure, and commitment to far-reaching structural reforms. Progress accelerated in 2000–03. *After 2004 tax revenue increased markedly, as did allocation of expenditures to priority sectors and related monitoring.*
- Program performance was affected by adverse weather and disruptions in external aid flows after military coups. Repeated shortfalls in foreign budgetary support affected the program negatively. *Although there were some delays in foreign aid disbursements after 2004, they were relatively minor.*
- Limited institutional and human capital capacity slowed the reform agenda, despite generous technical assistance from Bretton Woods institutions and others. With limited institutional and human capacities, streamlining structural conditionality is essential to an effective program. *Since 2004 institutional capacity has been strengthened, in particular in public financial management, thanks to coordinated technical assistance from donors.*
- IMF and World Bank staffs have complemented each other well in providing assistance to Niger, and collaboration has been close. *The close collaboration continues.*

- The present level of the exchange rate, staff estimates, is aligned with fundamentals and should not be a hindrance to growth (see Figure below).⁷ The appreciation of the real effective exchange rate (REER) since 2001 is consistent with the favorable movement of Niger's terms of trade resulting from higher prices for both uranium and agricultural and livestock exports.
- Broad money increased rapidly, reflecting foreign direct investment in mining and exploration; and credit to the economy remains buoyant.

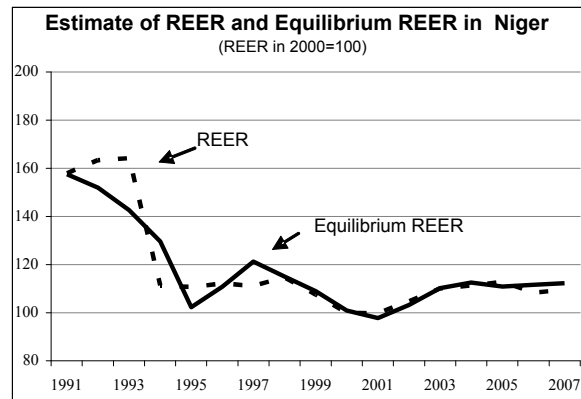
8. **After three consecutive years without droughts, the increase in the national stock of cereal provides a safeguard against food shortages** for the immediate future. However, a recent survey of vulnerable areas indicates that food security has become more

Despite the nominal appreciation of the CFAF against the U.S. dollar...



Sources: Nigerien authorities; and IMF staff estimates.

the real effective exchange rate remains aligned with fundamentals.



Source: Estimates based on methodology used in IMF Working Paper 07/194.

precarious than a year ago, with some regions at heightened risk. The government is taking actions to protect the most vulnerable populations, with donor assistance (MEFP, ¶4). In March 2008 higher imported-food prices (notably for rice and vegetable oil) that affected the urban population were addressed by suspending taxes on imported rice for three

⁷ The real effective exchange rate (REER) is 18 percent below its predevaluation level (staff estimates update the calculations of WP/07/194 using a similar methodology).

months.⁸ The authorities are also moving to boost local rice production and considering a revamping of groundnut production and oil refining to decrease reliance on imports.

9. **Budget performance in 2007 was satisfactory** (Table 3). Tax revenue exceeded the target by 0.6 percent of revised GDP, and in December the Treasury received the proceeds of the sale of a new telecom license (CFAF 31 billion, 1.6 percent of GDP) that the program did not envisage. Since aggregate domestically-financed expenditures were in line with the program, both the basic and overall budget deficits were smaller than expected. Outlays authorized by the 2007 supplementary budget law were mostly used to boost security (see Country Report # 07/388).

10. **The quantitative performance criteria and indicative targets through mid-May 2008 have been met, except for the performance criterion on reducing domestic arrears** (Appendix I, Table 1a), which fell short by a small margin (CFAF 1 billion). The December 2007 domestic arrears reduction target was met in February 2008.

11. **The structural performance criterion for December 2007 has been met** (Appendix I, Table 2a): the simplified tax regime for small- and medium-sized enterprises was adopted as part of the 2008 budget law. However, the continuous structural performance criterion on the pricing of petroleum products, which had been met consistently from November 2007 to April 2008, owing to retail price increases of 9 percent to 16 percent according to products, was not met in May 2008 when taxes were below the March 2007 floor, because of higher deferment. This was done in order to dampen the effect of further increases in international prices on the purchasing power of the population.⁹ The tax shortfall in May was minor; over the November 2007–May 2008 period the average monthly tax take on petroleum products was significantly higher than the March 2007 benchmark level (Table 9)¹⁰ Three structural benchmarks for December 2007 have not been met, and one was met with delay (Appendix I, Table 2a). The three still not implemented are (i) the finalization of arrears settlement with commercial banks, for which negotiations have been protracted; (ii) the reduction of the threshold for contracts requiring approval by the General Directorate of Public Procurement, which has been rescheduled to September 2008 to avoid bottlenecks while the new directorate begins operations; and (iii) the arrears compensation with SONITEL, which is still under discussion (that with NIGELEC was completed in December 2007).

⁸ In March 2008, the food component of the consumer price index was 15.5 percent above its March 2007 level; the prices of rice, unprocessed cereals, and vegetable oil were respectively 20 percent, 25 percent, and 27 percent higher.

⁹ Waivers for this PC were granted at the time of the fourth and fifth reviews to cover failure to eliminate tax deferments on petroleum products between April and October 2007.

¹⁰ Under the proposed new PRGF arrangement, the pricing of petroleum products—no longer a performance criterion—will be subject to a minimum tax take calculated on a rolling six-month period (MEFP ¶43).

12. **In early 2008 the three foreign shareholders of the two uranium operating companies reached an agreement with the government** increasing by 37.5 percent the export price of uranium for 2008, after a 50 percent increase in 2007. The principal shareholder, the French company AREVA, also confirmed its commitment to invest about €1 billion to develop the Imouraren uranium mine over the next few years. This would double uranium production by about 2014. The agreement allows the government company SOPAMIN to market about 10 percent of production at the higher spot price.

13. **Niger meets most of the convergence criteria of the WAEMU** (see table below). It does not meet the targets on the external current account deficit, and the basic balance, although both balances are sustainable given the high volume of foreign aid, and on the tax revenue (17 percent of GDP), which is very ambitious for a country at Niger's stage of development.

**Performance on WAEMU Convergence Criteria was Satisfactory,
2007¹**

(Percent, unless otherwise indicated)

Basic balance/GDP \geq 0%	-0.9
Inflation \leq 3%	0.1
Public debt/GDP \leq 70%	24.6
No arrears accumulation	0.0
Wage bill/tax revenue \leq 35%	31.0
Domestically-financed investment/tax revenue \geq 20%	31.6
Current account (excl. grants)/GDP \geq -5%	-10.0
Tax revenue/GDP \geq 17%	11.7

¹IMF staff estimates. Bold numbers indicate that the criteria was met.

**II. KEY CHALLENGES: CONSOLIDATE GROWTH, PRESERVE
MACROECONOMIC STABILITY, AND IMPROVE FURTHER
FISCAL MANAGEMENT**

14. **The main challenges for Niger now are to consolidate growth and reduce poverty while preserving fiscal sustainability.** It is also essential to further improve the composition of expenditures, increase revenue to provide resources for high-priority expenditure, and keep the fiscal deficit at a level that can be financed with foreign aid. Improvement in competitiveness and the investment climate is also needed to harness the growth potential of the private sector.

15. **An average annual medium-term growth rate of 5 percent is achievable,** assuming normal harvests, given the rapid expansion of the mining sector and the relatively high external aid projected for the next three years (10.5 percent of GDP). This scenario is close to the central scenario of the new PRSP (*Strategy for Acceleration of Growth and Poverty Reduction 2008–2012*).¹¹ While even this growth rate will not allow Niger to attain the MDG on poverty, it would be consistent with reaching other MDGs if the authorities channel adequate resources to priority sectors and emphasize delivery of quality social services (see Figure 1 for selected MDG indicators). Modernization of agriculture and full development of Niger's agricultural potential are essential to secure food self-sufficiency and reduce vulnerability to weather shocks and fluctuations of world food prices.

16. **Public investment and supporting current expenditures must be increased and aligned with PRSP priorities** to improve growth prospects, enhance the quality of social services, and attract the necessary external aid. This requires that (i) medium-term expenditure frameworks (MTEFs) be finalized especially for infrastructure and transportation, complementing those already prepared for the education, health, and rural sectors; and (ii) the annual state budget be formulated with a three-year horizon and systematically integrated with the MTEFs and the PRSP. Higher spending in priority sectors requires widening the tax base through further improvements in tax administration and some reforms in tax policy. Moderate tax cuts introduced in early 2008 to alleviate the increase in food prices are not expected to undermine the revenue effort.

17. Sustained growth and economic diversification also require a comprehensive strategy to improve competitiveness by reducing the cost of doing business over the medium term and improving access to financial services.¹² In consultation with the World Bank, the government has prepared an action plan to raise Niger's ranking in the World Bank Ease of Doing Business index (MEFP, ¶48). Niger lags the average for WAEMU countries in most dimensions (see the next table).¹³ To encourage investment, the government also plans to reduce the tax rate on profits in 2009 (MEFP, ¶41).

¹¹ The PRSP also contains a high-growth scenario of 7 percent average growth, which would make it possible to cut poverty in half by 2015, thus attaining the first MDG. However, this scenario requires a tripling of external aid from 11 percent of GDP in 2007. The Joint IDA-IMF Staff Advisory Note for the new PRSP was circulated to the Executive Board on March 18, 2008 (Country Report # 08/167).

¹² According to World Bank, *Doing Business 2007*, Niger ranks 160th out of 175 countries on ease of doing business.

¹³ Niger outperforms the WAEMU average in three dimensions: property registration, payment of taxes, and contract enforcement.

18. Timely and predictable disbursement of external aid is essential; scaling up would help accelerate growth. Hence it is necessary to maintain donor confidence with appropriate reforms. Staff simulations on scaled-up aid suggest that a sustained increase of aid of 5 percent of annual GDP would raise annual GDP growth by up to 1.3 percentage points (see figure below). However, the debt sustainability analysis conducted in October 2007 during the fifth PRGF review, as updated to reflect higher uranium prices, indicates that external aid would need to include a significant amount of grants. The staff baseline

The cost of doing business is relatively high in Niger

Doing Business Ranking Averages for 2007 ¹
Niger and Comparator Groups (excluding Niger)

	Ease of Doing Business	Starting a Business	Dealing with Licenses	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Niger	169	153	155	161	63	135	147	115	163	132	133
High growth Sub-Saharan countries ²	115	110	115	111	129	101	83	82	134	90	89
Low-income countries ³	136	116	119	104	114	122	107	109	133	113	128
Sub-Saharan Countries	135	125	112	115	124	113	110	105	130	115	121
Sub-Saharan low-income Countries	146	127	125	118	127	124	115	115	135	119	129
WAEMU countries	160	151	123	135	141	129	142	143	133	142	102

Source: World Bank.

Notes:

¹Rankings among 178 countries.

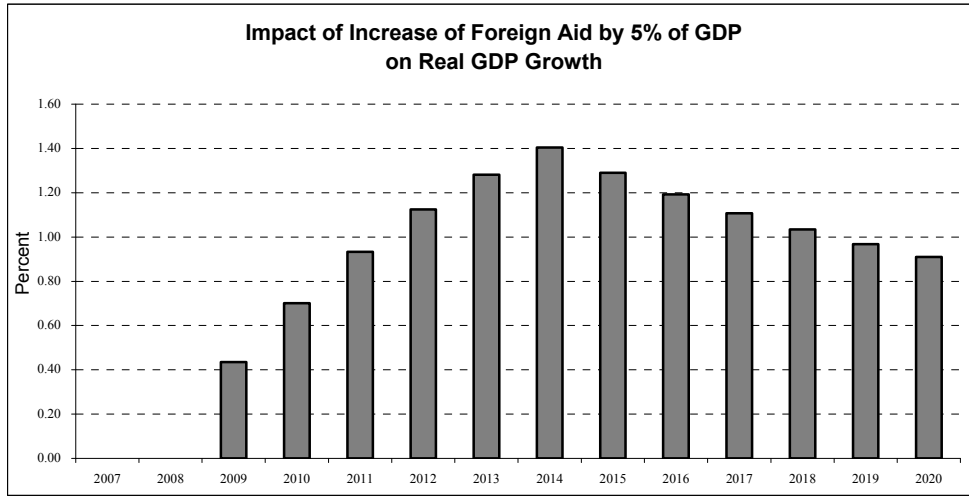
² Defined as Sub-Saharan countries with at least 6% real GDP growth for 2006-2007 that are not oil producers, not islands and not post-conflict. For 2007, countries included are: Burkina Faso, Ethiopia, Ghana, Kenya, Mozambique, Tanzania, Uganda and Zambia.

³ Includes African and non-African countries.

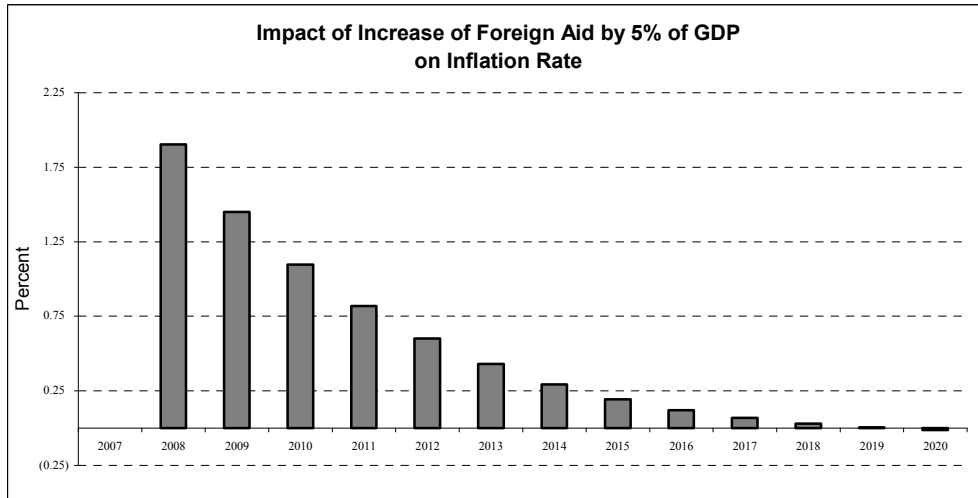
scenario assumes that grants will amount to 65 percent of external aid and that borrowing will combine loans on IDA terms with others on less concessional terms but still above 35 percent concessionality. An alternative scenario in which external loans are contracted with an average grant element of 35 percent would raise the NPV of debt-to-exports ratio significantly faster, though without breaching the policy-based 150 percent threshold (see figure).¹⁴ This shows the sensitivity of debt sustainability indicators to borrowing terms.

¹⁴ This result is different from that in the October 2007 DSA, when the NPV of debt-to-exports ratio threshold was breached when all loans contained a 35 percent grant element; the difference is due to the significantly-higher export profile resulting from the recent increase of uranium export prices.

Higher aid can lead to higher growth...

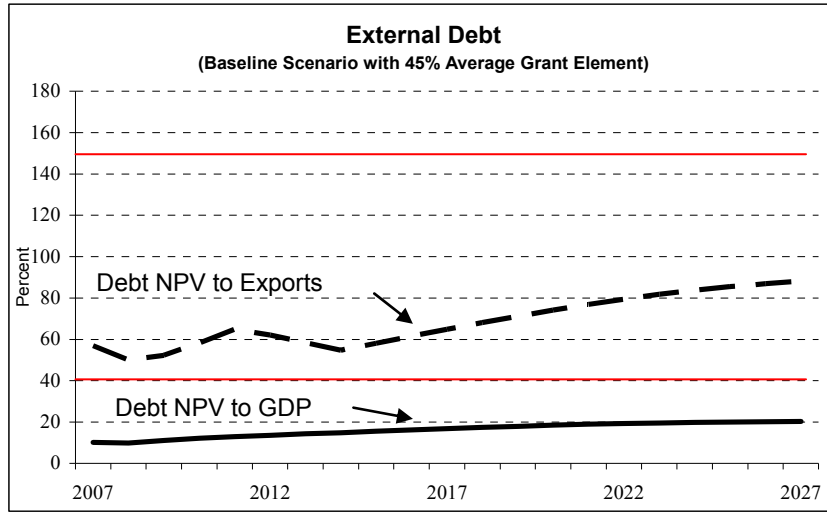


... without endangering economic stability.

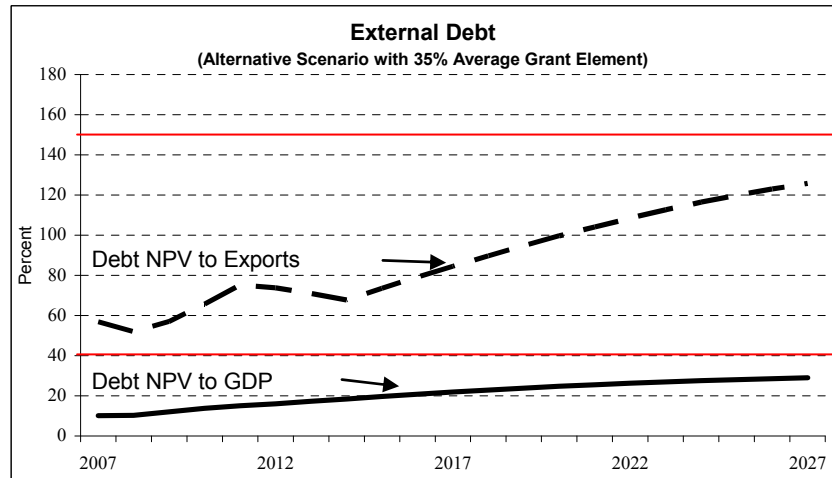


Source: IMF staff estimates and projections.

External debt is sustainable...



...but sensitive to borrowing terms.



Source: IMF staff estimates and projections.

III. THE NEW PRGF ARRANGEMENT

19. **A new PRGF arrangement will support the authorities in their efforts to accelerate progress toward the MDGs while keeping the economy stable.** Since 2000 the authorities have demonstrated a solid track record on two successive PRGF arrangements and a commitment to promoting growth and reducing poverty while maintaining fiscal discipline. Fiscal sustainability will remain the cornerstone of the program; the emphasis will be on further improving management of public expenditures to strengthen the effectiveness of government policies for poverty reduction, and promoting an environment conducive to growth. To meet the challenges outlined in Section II, the broad axes of the three-year program will be (i) a macroeconomic framework designed to fully absorb and spend aid and keep debt sustainable; (ii) better integration of budgetary expenditures with the PRSP and the MTEFs and widening of the tax base; and (iii) structural reforms to stimulate private investment and diversification of the economy by reducing the cost of doing business and facilitating access to financial services. A road map for reforms, policy measures, and structural conditionality is presented in Table 10.

A. Maintain Macroeconomic Stability

20. **The macroeconomic framework for the next three years assumes real GDP growth of about 5 percent a year, marginally lower than the PRSP intermediate growth target.** The current account deficit of the balance of payments would increase by about 9 percent of GDP between 2007 and 2011 because surging investment in mining will largely be financed by foreign direct investment. The fiscal targets are based on the assumption that budgetary aid will increase slightly, to an average of 3.1 percent of GDP, through 2011, and grants and concessional loans for external project financing will hold at about 7 percent of GDP. The basic budgetary deficit would temporarily increase in 2008, to 4.6 percent of GDP, as exceptional revenue received late in 2007 is spent, but would decline to about 1.7 percent in 2011. The program would substantially reduce domestic arrears. The medium-term basic deficit target could be revised upward to accommodate any sustained increase in external budgetary support. Fiscal objectives include a gradual increase of tax revenue from 11.7 percent of GDP in 2007 to 13.1 percent in 2011. Total revenue, including nontax mining and telecom revenue, would decline from the exceptional 15.5 percent of GDP in 2007 to 14 percent.¹⁵

¹⁵ The one-off revenue from mining is the result of exceptional dividends agreed during negotiations for a new export price and special fees for exploration rights in areas where discoveries had previously been made but not exploited. Although opportunities for similar revenue may arise again, the amounts are likely to be much lower.

B. Strengthen Public Finance Management and Improve Investment Climate

21. Management of public finances would be improved in five areas:

- **Medium-term alignment of annual budgets with PRSP priorities for 2008–12 and the MTEFs for health, education, and rural development.** The MTEFs for transport and infrastructure will be finalized. Annual state budgets will include a three-year projection of government spending, as is done in other WAEMU countries, with current and capital expenditures presented by sector. The budget for priority sectors as defined by the PRSP will remain at or above 13.3 percent of GDP throughout the program (MEFP, ¶25).
- **Consistency of budgetary execution with priorities.** Monitoring of timely execution of propoor expenditures will be reinforced, and funds allocated promptly to the decentralized units in charge of education and health services (MEFP, ¶24).
- **Further improvements in transparency and controls.** The new Directorate General of Procurement and the Audit Court are benefiting from technical assistance in these areas from a number of donors (MEFP, ¶27).
- **Broadening the tax base.** More detailed audits will curtail fraudulent practices, such as relatively large operators that stay in the informal sector. Exemptions under the investment code will be reviewed and would be accompanied by a reduction of the profit tax, currently 35 percent (MEFP, ¶31, ¶40, and ¶41). Petroleum products price adjustments will continue to be governed by the pass-through rule established in August 2001, with some flexibility; the average monthly tax take on these products, calculated on a rolling six-month period, should not fall short of the March 2007 level (MEFP, ¶43).
- **Reinforcing Finance Ministry capacity to manage debt.** The debt office will become a well-staffed monitoring and planning unit tasked with tracking closely how planned borrowing would affect long-term debt sustainability (MEFP, ¶32).

22. To keep debt sustainable, all new borrowings will be contracted on concessional terms, with a minimum grant element of at least 35 percent. While this floor is lower than under the previous program, it is in line with that of PRGF arrangements for other WAEMU countries with debt sustainability positions broadly similar to Niger's. It will give the authorities greater flexibility to contract loans for high-priority investments needed to sustain growth. The authorities will endeavor to seek terms as favorable as possible. They will keep in close contact with the staff to monitor external borrowing terms, and will prepare semi-annual reports on debt contracted and on the forthcoming borrowing program (structural benchmark, MEFP, ¶48).

23. Structural reforms will focus on the financial sector and measures to enhance the investment climate and reduce the cost of doing business. Specific elements of the

latter are being coordinated with the World Bank through a new Development Program Loan currently being appraised, and will build on Bank analytical work (MEFP, ¶49).

C. The Program for 2008

24. **The main assumptions for 2008 are that GDP will grow at about 4.4 percent and the GDP deflator will increase by 5.7 percent**, reflecting the carryover to 2008 of the CPI increase in the last quarter of 2007 and the first months of 2008, as well as the increase in the contractual uranium export price. Despite the increase in exports in value terms, the external current account is projected to deteriorate slightly because of higher imports related to mining investment and more profit repatriation.¹⁶

25. **The basic fiscal deficit is expected to widen by about 3.7 percent of GDP** because of spending covered by privatization revenue and uranium sale proceeds received late in 2007 (see above, ¶20). The government is preparing a supplementary budget to be submitted to parliament in June 2008 to cover resources received late in 2007 and not taken into account in the original 2008 budget (see table below), and also additional mining revenue expected in 2008. It also takes into account the reduction in revenue (CFAF 4 billion) caused by the three-month suspension of the VAT and customs duties on rice (MEFP, ¶37). The supplementary spending will be CFAF 67 billion (3 percent of GDP), higher than projected during the fifth review; about 57 percent is allocated to development expenditures and the rest to salary increases and security outlays (MEFP, ¶38). The program for 2008 is fully financed, with budgetary support to be provided by IDA, the African Development Fund, the European Union, and bilateral donors.

26. **The authorities are committed to continuing improvement in budgetary transparency and reporting** (MEFP, ¶35). A Public Expenditure and Financial Accountability (PEFA) assessment and a fiscal ROSC will be undertaken in 2008. Execution of the budget throughout the year will be improved by timely transfers to the decentralized spending units (MEFP, ¶¶24 and 35).

27. **Total budgetary revenue** is programmed to decline by 2.7 percentage points of GDP in 2008, to 12.8 percent, because exceptional revenue was received in 2007. Tax revenue would decline marginally as a share of GDP, reflecting emergency tax relief measures to alleviate the increase of basic food prices.

28. **Efforts to combat fraud and control the tax base will continue.** The authorities will also prepare measures to be implemented in 2009, such as reimbursement of VAT credits to exporters and a new allocation of real estate and business taxes between central government and local authorities (MEFP, ¶¶ 40 and 42).

¹⁶ Exports in volume would remain stable in 2008 because of some decline in uranium production in existing mines, while new capacity is not yet operational, and a reconstitution of cattle herds after large drought-related exports in recent years.

Draft Supplementary Budget Law for 2008
Additional Resources to be Allocated
(CFAF billions)

Telecom license (December 2007 proceeds)	31.5
Sale of 100 tons of uranium (December 2007 proceeds)	1.8
New uranium permits	20.9
Exceptional uranium dividends (received by the Treasury in January 2008)	15.0
Revenue from higher contractual uranium export price	4.8
Suspension of taxes on rice	-4.0
Total	70.0
Percent of GDP	3.2

Source: Nigerien authorities.

29. **Financial sector reforms initiated in the previous program will continue.** A decree will spell out procedures for settling deposits frozen at the former postal savings office (September 2008 structural performance criterion). The network of microfinance institutions will be reinforced. With World Bank technical assistance the new postal bank will be operational in 2008 (MEFP, ¶¶ 44 and 47). An FSAP scheduled for September 2008 (MEFP, ¶ 34) will analyze factors that limit access to credit, such as insufficient availability of long-term financing, limited availability of collateral and land titling, and how the courts function.

30. **With World Bank support, an action plan has been drawn up to further reduce the cost of doing business.** It draws on the Investment Climate Assessment and the Diagnostic Trade Integration Study recently prepared by the Bank. The plan for 2008 is to significantly reduce the number of steps required to create businesses; shorten the delays required to transfer real estate ownership; and set up a fast-track procedure for recording titles to land (MEFP, ¶49).

D. Program Modalities, Monitoring, and Risks

31. **Access under the proposed arrangement is 35 percent of quota,** the norm for a fifth successive PRGF arrangement and consistent with Niger's need for external balance of payments support, given the large import content of the required investment in infrastructure and social sectors (Table 1).

32. **The program will be monitored against quantitative performance criteria and indicators (Appendix I, Table 1b); the structural performance criteria and benchmarks (Table 9 and Appendix I, Table 2b) are very streamlined.** The two proposed structural performance criteria and the structural benchmarks are critical to program objectives. Adoption of a decree on the procedures for reimbursing frozen postal

deposits is essential to give the private sector confidence that the authorities are seriously committed to reducing domestic arrears and restructuring the financial sector. Drawing up procedures to reimburse exporting companies for the VAT is vital to making the tax environment more attractive to private firms. The proposed structural benchmarks focus on improving expenditure execution, aligning the budget with the PRSP, and strengthening debt management, all critical program objectives.

33. **There are three main risks to the program:** (i) The economy is vulnerable to natural shocks (droughts, locusts) and terms of trade swings, such as a decline in uranium prices that would reduce revenue, and increase in prices of imported food and petroleum products; (ii) the continuing insurgency in the North could require additional military expenditures and disrupt mining and agriculture; and (iii) the presidential and legislative elections scheduled for 2009 could cause fiscal discipline to relax.

IV. STAFF APPRAISAL

34. **Niger is at a critical stage of its development.** For the last three years it has maintained commendable economic stability, the rate of growth has accelerated, and until the last few months of 2007 inflation declined. The authorities appropriately supplemented the fiscal space provided by debt relief with revenue mobilization and allocated significantly more resources to the social sectors and infrastructure. Progress was achieved in budget preparation, monitoring of budgetary execution, transparency, and controls.

35. **The financial sector was also reformed,** and significant steps were taken to improve the business climate and reduce the cost of doing business.

36. **Nevertheless, Niger faces daunting challenges,** given rapid population growth, very low social indicators, and the need for major investments in agriculture and infrastructure to sustain growth and improve food security. International food price increases make the need to fully tap Niger's agricultural potential more urgent. On present and projected trends, it is unlikely that all the MDGs will be reached.

37. **The proposed program appropriately focuses on promoting growth within a stable macroeconomic framework.** This calls for fiscal discipline—especially more forceful budget preparation, execution, and controls so as to align the composition of budget expenditures closely to the new PRSP. The boost to security expenditures in 2008 is modest; it is hoped that such expenditures can be contained in the future. The authorities expect that better financial management will induce donors to increase their assistance to Niger, and to that end they have recently strengthened coordination with donors and accepted a PEFA assessment.

38. **A key challenge is to preserve debt sustainability, while attracting adequate external financial support.** That support must be on favorable terms, such as grants or highly concessional loans. The authorities should strengthen their debt management capacity to ensure that borrowing on less concessional terms does not jeopardize debt sustainability.

39. **Growth demands continuous reforms to improve the investment climate.** The proposed program would reduce the profit tax, reform other business taxes, further reduce the cost of doing business, and modernize the financial sector.

40. **Staff recommends completion of the sixth review of the current PRGF arrangement and approval of the request for two waivers and supports the request of the authorities for a new PRGF arrangement.** Niger's solid track record of program implementation and ownership augurs well for good performance in a new program. Nevertheless, there are risks to the program, especially adverse climatic conditions affecting agriculture and further increases in international food and oil prices.

Table 1. Niger: Proposed Scheduled Disbursements Under the Successor PRGF, 2008–11

Amount (Millions)	Date Available	Conditions Necessary for Disbursement ¹
SDR 3.29	June 2, 2008	Executive Board approval of the three-year PRGF arrangement.
SDR 3.29	September 30, 2008	Observance of the June 30, 2008, and continuous quantitative performance criteria, the end-September structural performance criterion, and completion of the first review under the arrangement.
SDR 3.29	March 31, 2009	Observance of the December 31, 2008, and continuous performance criteria, and completion of the second review under the arrangement.
SDR 3.29	September 30, 2009	Observance of the June 30, 2009, and continuous performance criteria, and completion of the third review under the arrangement.
SDR 3.29	March 31, 2010	Observance of the December 31, 2009, and continuous performance criteria, and completion of the fourth review under the arrangement.
SDR 3.29	September 30, 2010	Observance of the June 30, 2010, and continuous performance criteria, and completion of the fifth review under the arrangement.
SDR 3.29	March 31, 2011	Observance of the December 31, 2010, and continuous performance criteria, and completion of the sixth review under the arrangement.

Source: IMF.

¹ In addition to the generally applicable conditions under the PRGF arrangement.

Table 2. Niger: Selected Economic and Financial Indicators, 2005-11

	2005	2006	2007		2008	2009	2010	2011
	Est.		CR# 07/388	Est.		Projections		
(Annual percentage change, unless otherwise indicated)								
National income and prices								
GDP at constant prices	7.4	5.2	4.2	3.2	4.4	4.5	5.0	5.2
GDP deflator	6.8	1.4	3.1	3.5	5.7	1.9	2.0	1.9
Consumer price index								
Annual average	7.8	0.1	0.0	0.1	5.1	2.0	2.0	2.0
End of period	4.2	0.4	0.9	4.7	2.2	2.0	2.0	2.0
External sector								
Exports, f.o.b. (CFA francs)	8.2	10.9	19.4	30.4	17.9	6.5	14.8	4.2
<i>Of which:</i> non-uranium exports	6.5	15.5	5.5	14.9	8.1	7.5	5.5	6.1
Imports, f.o.b. (CFA francs)	30.3	-0.9	23.8	9.1	22.4	22.2	14.0	7.1
Export volume	-4.5	9.8	1.4	7.2	0.1	6.3	11.0	3.3
Import volume	23.1	0.8	20.7	7.3	16.9	21.6	14.2	6.6
Terms of trade (deterioration -)	4.9	2.5	15.0	19.8	13.2	-0.4	3.6	0.5
Nominal effective exchange rate (depreciation -)	-4.5	3.6	...	6.1	...	...	...	...
Real effective exchange rate (depreciation -)	-3.1	1.5	...	3.9	...	...	...	...
Government finances								
Total revenue	8.8	30.8	4.7	25.0	-8.8	9.7	10.2	11.2
Total expenditure and net lending ¹	12.8	5.1	37.8	18.6	20.1	2.7	5.9	8.0
<i>Of which:</i> current expenditure ²	-4.3	5.4	28.9	37.4	18.6	-1.8	7.0	6.3
capital expenditure	34.1	4.8	46.2	2.3	21.9	7.9	4.9	9.7
(Annual change as percent of beginning-of-period broad money)								
Money and credit								
Domestic credit ³	2.4	-16.1	18.0	-2.5	18.5	10.0	5.8	5.8
Credit to the government (net) ³	-6.3	-31.6	5.9	-13.6	11.7	3.4	1.6	-0.1
Credit to the economy ³	8.6	15.4	12.1	11.2	6.8	6.7	4.2	5.9
Net domestic assets ³	1.8	-17.3	12.5	0.2	18.5	10.0	5.8	5.8
Money and quasi-money	6.6	16.2	14.0	24.1	14.9	14.5	10.8	10.3
Velocity of money (GDP/M)	7.1	6.5	6.1	5.6	5.4	5.0	4.8	4.7
(Percent of GDP, unless otherwise indicated)								
Government finances								
Total revenue	10.8	13.2	12.8	15.5	12.8	13.2	13.5	14.0
<i>Of which:</i> exceptional mining receipts	...	1.6	...	1.4	...	...	...	...
Total expenditure and net lending	20.4	20.1	24.3	22.3	24.3	23.5	23.2	23.4
Current expenditure ²	9.4	9.3	11.1	12.0	12.9	11.9	11.8	11.8
Capital expenditure	11.0	10.8	13.2	10.4	11.4	11.6	11.3	11.6
Basic balance (excluding grants) ⁴	-2.8	0.3	-3.7	-0.9	-4.6	-2.7	-2.1	-1.8
Overall balance (commitment basis, excluding grants)	-9.6	-6.9	-11.5	-6.9	-11.5	-10.3	-9.7	-9.3
Overall balance (commitment basis, including grants)	-2.0	-0.8	-3.4	-0.9	-3.3	-3.4	-3.0	-2.7
Gross investment								
Total	23.1	21.6	23.2	21.7	21.3	26.4	28.3	28.9
<i>Of which:</i> fixed non-government investment	16.7	15.9	15.3	15.4	14.4	19.5	21.5	22.0
government	6.4	5.7	7.9	6.2	6.9	7.0	6.8	7.0
Gross national savings								
Total	13.8	13.0	12.2	14.0	11.7	11.8	12.1	12.3
<i>Of which:</i> non-government	10.1	6.5	6.8	7.2	7.6	7.5	7.5	7.5
Domestic savings	6.0	8.4	8.2	10.5	8.9	10.5	11.6	11.6
External current account balance								
Excluding official grants	-12.2	-10.9	-14.4	-10.0	-13.5	-17.1	-18.5	-18.9
Including official grants	-9.3	-8.6	-11.0	-7.7	-9.6	-14.6	-16.2	-16.6
Debt-service ratio as percent of:								
Exports of goods and services ⁵	10.4	249.8	2.9	2.6	2.9	2.8	2.8	3.2
Government revenue ⁵	15.9	320.1	4.0	3.4	4.9	4.5	4.7	5.2
NPV of external debt								
Foreign Aid	21.8	10.2	10.5	10.5	11.1	11.9	12.6	12.6
	10.9	9.3	11.5	8.5	10.6	10.6	10.2	10.1
(CFA francs billions)								
GDP at current market prices	1,755	1,871	2,021	1,998	2,207	2,350	2,517	2,699
Overall balance of payments	15.1	98.2	16.0	69.0	14.2	20.5	25.7	25.4

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

¹Commitment basis per payment orders issued.²Including budget reserve.³Percent of beginning-of-period money stock.⁴Total revenue, excluding grants, minus total expenditure, excluding foreign-financed investment projects.⁵After HIPC and MDRI debt relief starting in 2006.

Table 3a. Niger: Financial Operations of the Central Government, 2005-11

	2005	2006	2007		2008	2009	2010	2011
	Est.		CR# 07/388	Est.		Projections		
	(Billions of CFA francs)							
Total revenue	189.0	247.2	258.7	309.0	281.7	309.1	340.6	378.8
Tax revenue	181.3	203.8	222.2	233.2	252.7	289.8	320.5	353.4
<i>Of which: International trade</i>	93.9	95.8	98.8	100.7	103.3	118.1	128.6	139.9
Nontax revenue	4.9	38.5	33.9	71.2	26.5	16.5	17.0	22.0
<i>Of which: exceptional uranium receipts</i>	0.0	30.4	24.8	27.5	20.4	2.3	0.0	0.0
Special accounts revenue	2.8	4.9	2.6	4.6	2.6	2.9	3.1	3.3
Settlement of reciprocal debts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	358.4	376.6	491.6	446.4	536.4	551.1	583.9	630.5
<i>Of which: domestically financed</i>	238.4	241.4	333.4	326.9	382.8	373.4	393.3	426.1
Total current expenditure	165.3	174.2	224.5	239.4	283.9	278.8	298.3	317.1
Budgetary expenditure	148.7	163.8	210.8	199.3	252.0	264.5	283.2	301.1
Wages and salaries	63.0	68.0	73.3	72.2	89.9	95.2	101.0	107.0
Materials and supplies	43.6	47.4	63.0	61.7	69.7	75.5	81.1	86.1
Subsidies and transfers	31.9	43.5	68.3	58.3	85.7	85.9	92.3	98.2
Interest, scheduled	10.1	4.9	6.2	7.1	6.7	7.8	8.8	9.8
<i>Of which: External debt</i>	8.0	3.7	3.3	4.4	3.9	5.3	6.3	7.2
Special accounts expenditure	16.6	10.4	13.7	40.1	32.0	14.3	15.1	16.0
Capital expenditure and net lending	193.1	202.3	267.1	207.1	252.5	272.3	285.6	313.4
Capital expenditure	193.3	202.3	267.1	207.1	252.5	272.3	285.6	313.4
Domestically financed	51.0	51.5	90.2	73.7	88.3	84.1	84.5	98.5
HIPC Initiative resources	22.3	15.6	18.7	13.8	10.5	10.5	10.5	10.5
Externally financed	120.0	135.2	158.2	119.6	153.6	177.8	190.6	204.3
<i>Of which: grants</i>	77.2	95.7	109.9	91.0	107.2	114.2	122.3	131.1
Net lending	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budget reserve	...	...	0.0	0.0	...	...	...	...
Overall balance (commitment)	-169.3	-129.4	-233.0	-137.4	-254.7	-242.0	-243.3	-251.7
Basic balance	-49.3	5.8	-74.8	-17.9	-101.0	-64.2	-52.7	-47.4
Change in payments arrears	-12.4	-14.0	-15.8	-14.8	-15.2	-15.2	-15.0	-15.0
<i>Of which: Domestic arrears</i>	-12.4	-14.0	-15.8	-14.8	-15.2	-15.2	-15.0	-15.0
Errors and omissions	...	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-181.7	-143.8	-248.8	-152.3	-269.9	-257.2	-258.3	-266.7
Financing	181.6	143.8	248.8	145.8	269.9	257.2	258.3	266.7
External financing	180.1	235.0	231.6	167.5	228.0	243.4	250.9	267.2
Grants	134.1	898.6	164.3	118.5	182.0	162.0	167.2	179.4
Budget financing	38.7	18.6	54.4	27.5	74.8	47.8	44.9	48.2
Project financing	77.2	95.7	109.9	91.0	107.2	114.2	122.3	131.1
HIPC Initiative assistance	18.2	...	...	...	...	...	...	...
MDRI assistance ¹	0.0	784.3	0.0	0.0	0.0	0.0	0.0	0.0
Loans	57.6	59.3	71.0	51.6	52.4	86.6	89.8	93.9
<i>Of which: Budget financing</i>	14.8	19.8	22.7	23.0	6.0	23.0	21.5	20.7
Amortization	-14.6	-726.0	-7.1	-6.1	-9.8	-8.6	-9.5	-9.5
Debt relief (incl. debt under discussion)	3.0	3.1	3.4	3.5	3.4	3.4	3.4	3.4
Domestic financing	1.5	-91.2	17.2	-21.7	41.8	13.8	7.4	-0.4
Banking sector	-14.8	-82.8	17.2	-31.6	41.8	13.8	7.4	-0.4
<i>Of which: IMF</i>	1.7	-61.4	5.7	5.8	5.0	4.4	4.3	0.2
Nonbanking sector	16.3	-8.4	0.0	9.9	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	(Billions of CFA francs, unless otherwise indicated)							
Memorandum items:								
NGDP	1,755	1,871	2,049	1,998	2,207	2,350	2,517	2,699
MDRI Flow Relief	...	5.4	8.9	8.9	11.9	14.3	14.3	15.3
Education, Health, & Rural Sector Exp.	142.8	177.1	...	179.9	...	...	...	...
Domestic financing, excluding IMF	-0.2	-29.8	11.4	-27.5	36.8	9.4	3.1	-0.6

Sources: Nigerien authorities; and staff estimates.

¹ Multilateral Debt Relief Initiative stock estimates including cancellation of debt treated under the HIPC Initiative, shown on accrual basis.

Table 3b. Niger: Financial Operations of the Central Government, 2005-11 (percent of GDP)

	2005	2006	2007	2008	2009	2010	2011	
	Est.	CR# 07/388	Est.	Projections				
	(Percent of GDP)							
Total revenue	10.8	13.2	12.6	15.5	12.8	13.2	13.5	14.0
Tax revenue	10.3	10.9	10.8	11.7	11.5	12.3	12.7	13.1
<i>Of which:</i> International trade	5.3	5.1	4.8	5.0	4.7	5.0	5.1	5.2
Nontax revenue	0.3	2.1	1.7	3.6	1.2	0.7	0.7	0.8
<i>Of which:</i> exceptional uranium receipts	0.0	1.6	1.2	1.4	0.9	0.1	0.0	0.0
Special accounts revenue	0.2	0.3	0.1	0.2	0.1	0.1	0.1	0.1
Settlement of reciprocal debts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	20.4	20.1	24.0	22.3	24.3	23.5	23.2	23.4
<i>Of which:</i> domestically financed	13.6	12.9	16.3	16.4	17.3	15.9	15.6	15.8
Total current expenditure	9.4	9.3	11.0	12.0	12.9	11.9	11.8	11.8
Budgetary expenditure	8.5	8.8	10.3	10.0	11.4	11.3	11.2	11.2
Wages and salaries	3.6	3.6	3.6	3.6	4.1	4.1	4.0	4.0
Materials and supplies	2.5	2.5	3.1	3.1	3.2	3.2	3.2	3.2
Subsidies and transfers	1.8	2.3	3.3	2.9	3.9	3.7	3.7	3.6
Interest, scheduled	0.6	0.3	0.3	0.4	0.3	0.3	0.4	0.4
<i>Of which:</i> External debt	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Special accounts expenditure	0.9	0.6	0.7	2.0	1.4	0.6	0.6	0.6
Capital expenditure and net lending	11.0	10.8	13.0	10.4	11.4	11.6	11.3	11.6
Capital expenditure	11.0	10.8	13.0	10.4	11.4	11.6	11.3	11.6
Domestically financed	2.9	2.8	4.4	3.7	4.0	3.6	3.4	3.7
<i>Of which:</i> Priority Investment Fund								
HIPC Initiative resources	1.3	0.8	0.9	0.7	0.5	0.4	0.4	0.4
Externally financed	6.8	7.2	7.7	6.0	7.0	7.6	7.6	7.6
<i>Of which:</i> grants	4.4	5.1	5.4	4.6	4.9	4.9	4.9	4.9
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budget reserve	...	...	0.0	0.0	...	...	...	...
Overall balance (commitment)	-9.6	-6.9	-11.4	-6.9	-11.5	-10.3	-9.7	-9.3
Basic balance	-2.8	0.3	-3.7	-0.9	-4.6	-2.7	-2.1	-1.8
Change in payments arrears	-0.7	-0.7	-0.8	-0.7	-0.7	-0.6	-0.6	-0.6
<i>Of which:</i> Domestic arrears	-0.7	-0.7	-0.8	-0.7	-0.7	-0.6	-0.6	-0.6
Errors and omissions	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-10.4	-7.7	-12.1	-7.6	-12.2	-10.9	-10.3	-9.9
Financing	10.3	7.7	12.1	7.3	12.2	10.9	10.3	9.9
Privatisations/sales of assets	...	...	...	0.0	0.0	0.0	0.0	0.0
External financing	10.3	12.6	11.3	8.4	10.3	10.4	10.0	9.9
Grants	7.6	48.0	8.0	5.9	8.2	6.9	6.6	6.6
Budget financing	2.2	1.0	2.7	1.4	3.4	2.0	1.8	1.8
Project financing	4.4	5.1	5.4	4.6	4.9	4.9	4.9	4.9
HIPC Initiative assistance	1.0	...	...	...	...	...	...	...
MDRI assistance ¹	0.0	41.9	0.0	0.0	0.0	0.0	0.0	0.0
Loans	3.3	3.2	3.5	2.6	2.4	3.7	3.6	3.5
<i>Of which:</i> Budget financing	0.8	1.1	1.1	1.2	0.3	1.0	0.9	0.8
Amortization	-0.8	-38.8	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4
Debt relief (incl. debt under discussion)	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Domestic financing	0.1	-4.9	0.8	-1.1	1.9	0.6	0.3	0.0
Banking sector	-0.8	-4.4	0.8	-1.6	1.9	0.6	0.3	0.0
<i>Of which:</i> IMF	0.1	-3.3	0.3	0.3	0.2	0.2	0.2	0.0
Nonbanking sector	0.9	-0.4	0.0	0.5	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

¹ Multilateral Debt Relief Initiative stock-of-debt operation, including cancellation of debt treated under the HIPC Initiative, shown on accrual basis.

Table 4. Niger: Monetary Survey, 2005-11

	2005	2006	2007		2008	2009	2010	2011
		Est.	CR# 07/388	Rev. prog.			Proj.	
(CFAF billions; end-of-period)								
Net foreign assets	79.1	162.5	166.9	231.8	219.0	237.5	261.2	284.6
BCEAO	67.1	168.4	187.8	240.7	255.0	275.5	301.2	326.6
Commercial banks	11.9	-5.8	-20.8	-9.0	-36.0	-38.0	-40.0	-42.0
Net domestic assets	169.7	126.5	162.6	127.0	193.2	234.6	261.8	292.2
Domestic credit	191.9	151.7	203.8	144.6	210.8	252.2	279.4	309.8
Net bank claims on government	70.7	-7.9	9.3	-47.3	-5.5	8.3	15.7	15.3
BCEAO	75.3	0.6	21.4	-31.2	12.8	20.9	27.4	26.1
Of which: statutory advances	32.1	35.2	26.5	33.7	30.5	27.3	24.1	20.9
IMF resources	75.2	13.8	19.5	19.6	24.6	29.0	33.4	33.6
Commercial banks	-7.1	-10.4	-14.2	-20.6	-23.2	-18.4	-18.4	-18.4
Other	2.5	1.8	2.1	4.4	5.0	5.9	6.7	7.6
Credit to the economy	121.2	159.6	194.5	191.9	216.3	243.9	263.7	294.5
Other items, net	-22.2	-25.2	-41.2	-17.6	-17.6	-17.6	-17.6	-17.6
Money and quasi-money	248.7	289.1	329.5	358.7	412.2	472.1	523.0	576.8
Currency outside banks	108.3	132.9	151.5	132.8	149.1	164.0	180.4	197.5
Private deposits with ONPE (Postal savings institution)	2.5	1.8	2.1	4.4	5.0	5.9	6.7	7.6
Deposits with banks	137.9	154.4	175.9	221.5	258.1	302.2	335.9	371.7
(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)								
Net foreign assets	4.8	33.6	1.5	23.9	-3.6	4.5	5.0	4.5
BCEAO	7.8	40.7	6.7	25.0	4.0	5.0	5.4	4.9
Commercial banks	-3.0	-7.1	-5.2	-1.1	-7.5	-0.5	-0.4	-0.4
Net domestic assets	1.8	-17.3	12.5	0.2	18.5	10.0	5.8	5.8
Domestic credit	2.4	-16.1	18.0	-2.5	18.5	10.0	5.8	5.8
Net bank claims on the government	-6.3	-31.6	5.9	-13.6	11.7	3.4	1.6	-0.1
BCEAO	-4.4	-30.0	7.2	-11.0	12.2	2.0	1.4	-0.3
Of which: statutory advances	-0.4	1.3	-3.0	-0.5	-0.9	-0.8	-0.7	-0.6
Commercial banks	-1.5	-1.3	-1.3	-3.5	-0.7	1.2	0.0	0.0
Other	-0.3	-0.3	0.1	0.9	0.2	0.2	0.2	0.2
Credit to the economy	8.6	15.4	12.1	11.2	6.8	6.7	4.2	5.9
Other items, net	-0.5	-1.2	-5.5	2.6	0.0	0.0	0.0	0.0
Money and quasi-money	6.6	16.2	14.0	24.1	14.9	14.5	10.8	10.3
<i>Memorandum items:</i>								
Velocity of money (GDP/Broad money)	7.1	6.5	6.1	5.6	5.4	5.0	4.8	4.7
Credit to the economy (Change, in percent)	20.0	31.7	21.9	20.2	12.7	12.8	8.1	11.7

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Balance of Payments, 2005-11

	2005	2006	2007		2008	2009	2010	2011
	Est.		CR# 07/388	Rev. prog.		Projections		
(CFAF billions, unless otherwise indicated)								
Current account balance	-162.4	-160.3	-222.9	-153.4	-211.9	-342.8	-408.4	-447.3
Balance on goods and services	-258.2	-245.7	-320.7	-237.8	-325.5	-428.8	-494.1	-539.1
Balance on goods	-152.1	-122.0	-183.0	-75.7	-108.3	-197.4	-221.6	-251.9
Exports, f.o.b	242.8	269.3	308.3	351.2	414.1	441.0	506.2	527.3
Uranium	78.5	79.6	120.0	133.1	178.3	187.5	238.7	243.5
Cattle	31.8	35.5	42.9	38.3	35.2	35.7	36.5	37.3
Gold	34.5	23.9	33.8	32.8	52.1	53.5	55.1	57.0
Other exports	97.9	130.3	111.6	147.0	148.5	164.3	175.9	189.5
Imports, f.o.b	394.8	391.3	491.3	426.9	522.4	638.4	727.7	779.2
Of which : food products	98.5	88.3	120.1	80.7	94.5	106.9	104.9	106.1
petroleum products	55.7	44.0	84.7	63.3	79.5	85.5	88.0	91.1
Services and income (net)	-106.2	-123.8	-137.7	-162.1	-217.3	-231.4	-272.5	-287.2
Services (net)	-101.2	-124.4	-119.4	-146.4	-165.7	-176.7	-200.2	-214.3
Income (net)	-5.0	0.6	-18.3	-15.7	-51.6	-54.7	-72.3	-72.8
Of which : interest on external public debt	-8.0	-3.7	-3.3	-4.4	-3.9	-5.3	-6.3	-7.2
Unrequited current transfers (net)	95.8	85.4	97.8	84.3	113.6	86.0	85.6	91.8
Private (net)	43.5	41.6	30.1	37.6	27.1	26.5	28.2	30.2
Public (net)	52.4	43.9	67.7	46.7	86.5	59.5	57.4	61.6
Of which: grants for budgetary assistance	38.7	18.6	54.4	27.5	74.8	47.8	44.9	48.2
Capital and financial account	170.6	267.9	238.9	222.4	226.2	363.3	434.1	472.7
Capital account	81.0	887.7	121.9	145.7	114.2	121.4	130.0	139.3
Private capital transfers	3.9	3.0	2.0	2.0	2.0	2.2	2.4	2.5
Project grants	77.1	75.5	109.9	91.0	107.2	114.2	122.3	131.1
Acquisition/disposal of nonproduced, nonfinancial assets	0.0	30.4	10.0	52.7	5.0	5.0	5.3	5.7
Debt cancellation ¹	0.0	778.8	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	89.6	-619.8	117.0	76.7	112.0	241.9	304.1	333.4
Direct investment	18.3	26.9	36.0	32.0	65.8	160.3	220.1	245.1
Portfolio investment	22.0	-2.0	5.5	2.0	2.0	2.0	2.0	2.0
Other investment	49.3	-644.7	75.5	42.7	44.1	79.6	82.0	86.3
Public sector (net)	46.0	-665.8	63.9	45.5	42.6	78.0	80.3	84.4
Disbursements	57.6	59.3	71.0	51.6	52.4	86.6	89.8	93.9
Loans for budgetary assistance	14.8	19.8	22.7	23.0	6.0	23.0	21.5	20.7
Project loans	42.8	39.5	48.3	28.6	46.4	63.6	68.3	73.2
Amortization	11.6	725.1	7.1	6.1	9.8	8.6	9.5	9.5
Other (net)	3.3	21.1	11.6	-2.8	1.5	1.6	1.7	1.9
Errors and omissions	6.9	-9.4	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	15.1	98.2	16.0	69.0	14.2	20.5	25.7	25.4
Financing	-15.2	-98.2	-16.0	-69.0	-14.2	-20.5	-25.7	-25.4
Net foreign assets (Central Bank of West African States)	-18.2	-101.2	-19.4	-72.4	-14.2	-20.5	-25.7	-25.4
Of which : net use of Fund resources	1.5	-56.4	5.8	5.7	5.0	4.4	4.3	0.2
Rescheduling obtained	3.0	3.0	3.4	3.4	0.0	0.0	0.0	0.0
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Percent of GDP, unless otherwise indicated)								
<i>Memorandum items:</i>								
External current account balance								
Including official grants (percent of GDP)	-9.3	-8.6	-11.0	-7.7	-9.6	-14.6	-16.2	-16.6
Excluding official grants (percent of GDP)	-12.2	-10.9	-14.4	-10.0	-13.5	-17.1	-18.5	-18.9
Net Foreign Assets of BCEAO (months of imports)	1.5	3.6	3.4	4.7	4.1	3.8	3.7	3.7
GDP	1755.1	1871.2	2020.6	1997.8	2206.6	2349.9	2517.0	2698.5
Petroleum price (US\$ per barrel)	53.4	64.3	68.5	71.1	95.5	94.5	93.3	92.8
NPV of external debt (percent of exports)	132.2	62.6	60.4	60.4	64.7	64.9	69.9	
Exchange rate (CFA francs per U.S. dollar, annual average)	626.6	522.4	486.0	478.6	...	...	...	...

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

¹ Multilateral Debt Relief Initiative stock-of-debt operation, including cancellation of debt treated under the enhanced HIPC initiative, on an accrual basis.

Table 6. Niger: Indicators of Capacity to Repay the Fund, 2006-15 1/

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Projections									
Fund obligations based on existing credit										
(in millions of SDRs)										
Principal	-	-	-	-	0.1	2.9	4.2	5.1	5.1	5.0
Charges and interest	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3
Fund obligations based on existing and prospective credit										
(in millions of SDRs)										
Principal	-	-	-	-	0.1	2.9	4.2	5.5	6.9	8.1
Charges and interest	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.4	0.4
Total obligations based on existing and prospective credit										
In millions of SDRs	0.4	0.5	0.4	0.4	0.6	3.4	4.7	6.0	7.3	8.5
In billions of CFAF	0.3	0.4	0.3	0.3	0.4	2.3	3.1	3.9	4.8	5.6
In percent of government revenue	0.1	0.1	0.1	0.1	0.1	0.6	0.8	0.9	1.0	1.1
In percent of exports of goods and services	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.5	0.5	0.5
In percent of debt service 2/										
In percent of GDP	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2
In percent of quota	0.6	0.8	0.6	0.7	0.8	5.2	7.1	9.0	11.1	12.9
Outstanding Fund credit 2/										
In millions of SDRs	17.6	25.4	32.9	39.5	46.0	46.3	42.1	36.6	29.7	21.6
In billions of CFAF	13.5	18.6	22.1	26.5	30.7	30.8	27.9	24.1	19.6	14.2
In percent of government revenue	5.5	6.0	7.8	8.6	9.0	8.1	6.8	5.5	4.1	2.7
In percent of exports of goods and services	4.3	4.7	4.7	5.3	5.4	5.2	3.8	2.8	1.9	1.3
In percent of debt service 2/										
In percent of GDP	0.7	0.9	1.0	1.1	1.2	1.1	1.0	0.8	0.6	0.4
In percent of quota	26.8	38.6	50.0	60.0	69.9	70.4	64.0	55.6	45.1	32.8
Net use of Fund credit (millions of SDRs)										
Disbursements	5.9	7.8	7.5	6.6	6.5	0.4	-4.2	-5.5	-6.9	-8.1
Repayments and Repurchases	-	-	-	-	0.1	2.9	4.2	5.5	6.9	8.1
Memorandum items:										
Nominal GDP (in billions of CFAF)	1,871	1,998	2,207	2,350	2,517	2,699	2,908	3,105	3,347	3,567
Exports of goods and services (in billions of CFAF)	317	397	465	495	565	590	731	869	1,025	1,077
Government revenue (in billions of CFAF)	247	309	282	309	341	379	408	435	480	521
Debt service (in billions of CFAF) 2/	729	10	14	14	16	19	20	19	21	23

Sources: IMF staff estimates and projections.

1/ Assumes access of 35 percent of quota for the prospective PRGF arrangement (SDR 23.03 million).

2/ Total debt service includes IMF repurchases and repayments.

Table 7. Niger: External Financing Requirements and Sources, 2005-11

	2005 Est.	2006 Est.	2007 Est.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.
	(US\$ millions)						
1. Gross financing requirements	481.7	1,981.3	594.0	734.3	981.7	1,146.9	1,251.4
External current account deficit (excluding official transfers)	407.9	390.8	418.2	669.2	906.2	1,057.1	1,166.3
Debt amortization	22.0	1,388.1	12.7	21.9	19.3	21.5	21.8
Medium- and long-term debt	22.0	1,388.1	12.7	21.9	19.3	21.5	21.8
Public sector ¹	22.0	1,388.1	12.7	21.9	19.3	21.5	21.8
Private sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross reserves accumulation	37.6	202.4	163.1	43.3	56.1	68.1	58.8
IMF repurchases and repayments	14.3	0.0	0.0	0.0	0.0	0.1	4.5
2. Available financing	481.6	1,981.4	594.0	734.3	981.7	1,146.9	1,251.4
Private creditors (net)	76.6	47.7	71.0	152.1	365.6	504.0	566.3
Official creditors ²	360.9	1,838.5	402.7	551.9	586.3	611.5	656.9
To public sector ¹	360.9	1,838.5	402.7	551.9	586.3	611.5	656.9
Of which: balance of payments financing ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0
To private sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF	17.4	8.6	11.9	11.3	9.9	10.0	5.0
Accumulation of arrears (exceptional)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other flows ⁴	26.7	86.4	108.4	19.1	19.9	21.4	23.1
<i>Memorandum item:</i>							
Total balance of payments financing ³	17.4	8.6	11.9	11.3	9.9	10.0	5.0

Sources: Nigerien authorities; and IMF staff estimates.

¹ Excluding the IMF; breakdown between multilateral and bilateral institutions is available.

² Includes both loans and grants; excluding the IMF; breakdown between multilateral and bilateral institutions is available.

³ Includes those transactions undertaken for the purpose of financing a balance of payments deficit or an increase in reserves.

⁴ Includes all other net financial flows, and errors and omissions.

Table 8. Niger: Budget Expenditure on Social and Rural Sectors, 2004-08
(Millions of CFA francs)

	2004		2005		2006		2007		2008
	Outturn	% of Budget Allocation	Outturn	% of Budget Allocation	Est. Outturn	% of Budget Allocation	Est. Outturn ¹	Budget Allocation	Budget (preliminary)
EDUCATION									
Total	53,590	81	63,071	79	65,046	82	70,147	73	101,904
Percent of GDP	3.5		3.6		3.5		3.5		4.6
Current Expenditure	37,640	84	48,910	96	50,859	91	55,392	89	74,897
Wage	23,440	97	23,790	98	25,904	93	38,147	88	53,014
Other	14,200	69	25,120	93	24,955	89	17,245	91	21,883
Investment Expenditure	15,950	76	14,161	50	14,187	61	14,755	43	27,007
Domestic financing	290		2,100	46	2,034	60	4,037	41	5,562
External financing	13,430	77	9,451	45	9,997	57	7,149	36	17,688
HIPC Resources	2,230	59	2,610	83	2,156	90	3,569	87	3,757
HEALTH									
Total	27,870	78	31,740	84	34,184	89	36,439	75	56,962
Percent of GDP	1.8		1.8		1.8		1.8		2.5
Current Expenditure	13,500	81	18,510	100	16,708	87	19,348	81	31,775
Wage	4,900	100	5,220	102	6,733	120	6,969	103	7,018
Other	8,600	73	13,290	99	9,975	74	12,379	73	24,757
Investment Expenditure	14,370	76	13,230	69	17,476	91	17,091	68	25,187
Domestic financing	870	82	1,370	54	1,635	80	1,507	70	1,511
External financing	10,540	80	7,340	61	11,633	91	11,657	62	21,757
HIPC Resources	2,960	65	4,520	98	4,208	98	3,927	96	1,919
EDUCATION AND HEALTH									
Total	81,460	81	84,140	72	99,230	84	106,586	73	152,766
Percent of GDP	5.3		4.8		5.3		5.3		6.9
Current Expenditure	51,140	83	56,870	81	67,567	90	74,740	87	100,572
Wage	28,340	98	29,010	99	32,637	97	45,116	90	60,032
Other	22,800	70	27,860	69	34,930	84	29,624	82	40,540
Investment Expenditure	30,320	77	27,270	57	31,663	74	31,846	54	52,194
Domestic financing	1,160	73	3,470	49	3,669	68	5,544	46	7,073
External financing	23,970	81	16,670	51	21,630	71	18,806	48	39,445
HIPC Resources	5,190	62	7,130	92	6,364	95	7,496	91	5,676
RURAL SECTOR									
Total	66,586	70	58,682	67	77,885	65	73,358	68	115,593
Percent of GDP	4.4		3.3		4.2		3.7		5.2
Current Expenditure	7,200	80	9,340	94	8,563	62	9,427	78	12,219
Wage	3,240	97	3,250	89	3,823	93	3,838	90	4,386
Other	3,960	69	6,090	97	4,740	48	5,589	72	7,833
Investment Expenditure	59,386	69	49,342	63	69,322	65	63,931	66	103,374
Domestic financing	1,270	69	1,150	80	1,854	10	9,572	70	26,263
External financing	52,776	73	43,342	64	58,642	80	45,583	65	72,793
HIPC Resources	5,340	47	4,850	53	8,826	62	8,776	72	4,318

Sources: Nigerien authorities; and IMF staff estimates.

^{1/} Outturn for externally financed investment provisional.

Table 9. Niger: Petroleum Products Taxation, November 2007-May 2008¹
(CFA francs per liter)

	Benchmark (Mar-07)	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Average Nov-May
Gasoline									
Gross taxes	180.10	200.44	204.87	209.62	212.54	209.56	211.69	216.05	209.25
Deferment	0.00	0.00	0.00	0.00	0.00	0.00	15.88	33.67	7.08
Net taxes	180.10	200.44	204.87	209.62	212.54	209.56	195.81	182.38	202.17
<i>Difference from March 2007</i>		<i>20.34</i>	<i>24.77</i>	<i>29.52</i>	<i>32.44</i>	<i>29.46</i>	<i>15.71</i>	<i>2.28</i>	<i>22.07</i>
Diesel									
Gross taxes	132.25	154.75	162.11	167.06	173.90	168.93	177.30	182.55	169.51
Deferment	0.00	0.00	0.00	0.00	0.00	0.00	41.66	68.90	15.79
Net taxes	132.25	154.75	162.11	167.06	173.90	168.93	135.64	113.65	153.72
<i>Difference from March 2007</i>		<i>22.50</i>	<i>29.86</i>	<i>34.81</i>	<i>41.65</i>	<i>36.68</i>	<i>3.39</i>	<i>-18.60</i>	<i>21.47</i>

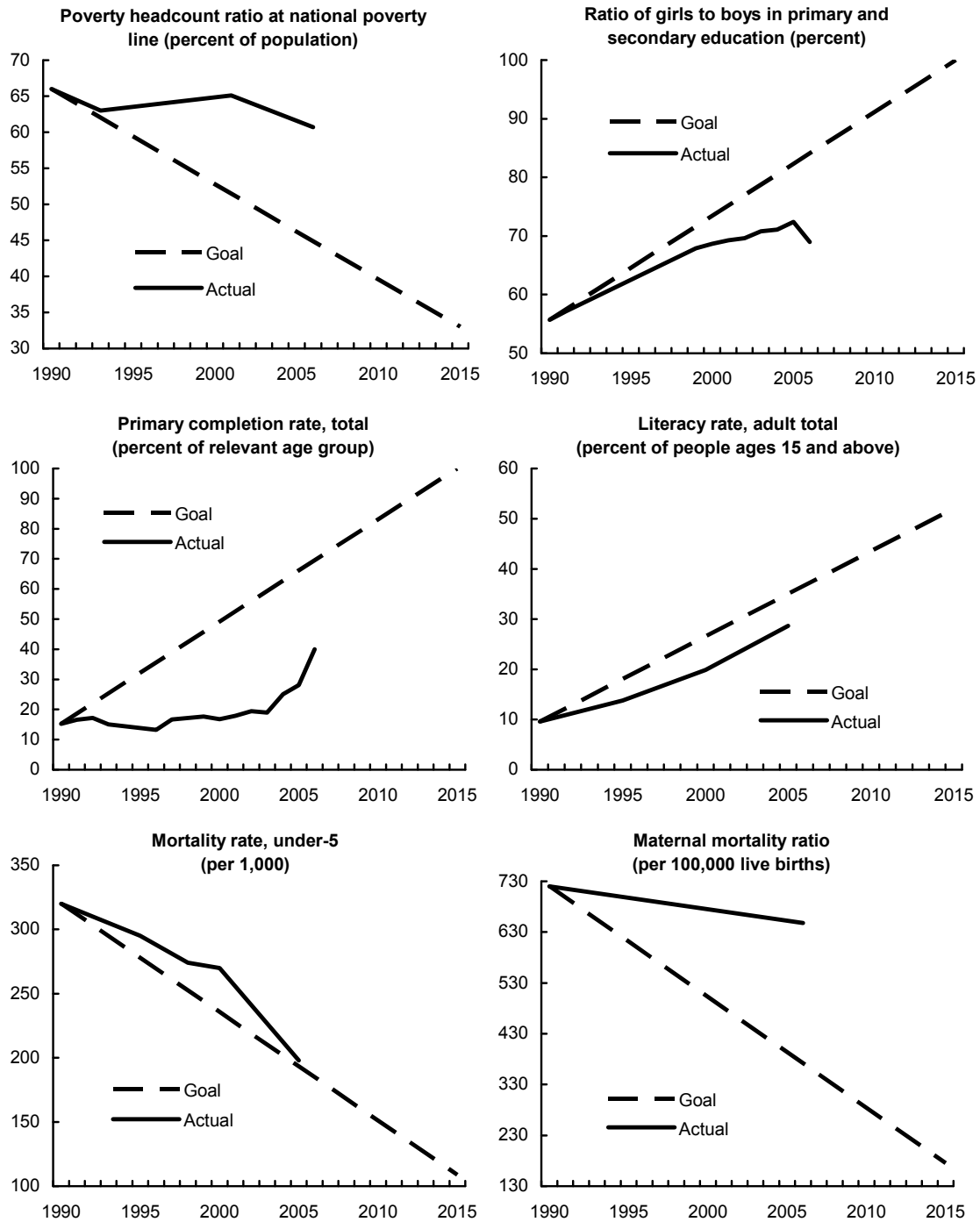
Source: Nigerien authorities.

1/ Ad valorem customs duties, ad valorem value-added tax, and specific excise tax (CFAF 75 per liter of gasoline and CFAF 29 per liter of diesel).

Table 10. Niger: Road Map for Structural Conditionality under the PRGF–Supported Program

Key strategic objectives	Policy measures	Structural conditionality
Strengthen public financial management and improve link between annual budget and PRSP objectives	Medium-term alignment of annual budgets with priorities of PRSP and medium-term expenditure frameworks.	Approval by the Council of Ministers of a MTEF for Infrastructure and Transport by November 30, 2008 (s.b).
	Presentation of annual budgets within a three-year framework.	Submit to the National Assembly before end-December 2008 a draft budget law for 2009 that includes investment projections over a three-year period (s.b).
	Improved monitoring of timely execution of propoor spending.	
	Improved allocation of funds to decentralized spending units.	
	Improved reporting of quarterly budgetary execution.	
Enhance public expenditure transparency and controls	Strengthen financial controllers, procurement directorate, and Audit Court.	
	Increase government revenue	Reinforce tax audits and increase staffing of investigative unit of tax department.
Increase government revenue	Improve VAT administration with prompt refunds, while tightening exonerations under the investment code.	Adopt ministerial decree to ensure the effective reimbursement of VAT credits by December 31, 2008 (p.c).
	Improve identification and assessment of importers.	
	Revise tax code, with some cut in the company profit tax, to promote compliance and stimulate enterprise creation.	
Strengthen debt management	Reinforce debt office to track closely how planned borrowing affects long-term debt sustainability.	Prepare semi-annual reports on debt contracted and on the forthcoming borrowing program with envisaged terms (s.b.).
Strengthen financial sector	Reinforce microfinance institutions, with better regulatory environment and technical assistance.	
	Strengthen rural financing, mainly relying on microfinance institutions.	
	Complete establishment of restructured postal bank Finaposte, and repay frozen postal deposits.	Adopt before end-September 2008 a regulatory text establishing the modalities for the repayment of frozen savings deposits at the former National Savings Bank (Caisse Nationale d'Epargne) (p.c).
Improve investment climate	Implement action plan, with World Bank assistance, to reduce cost of doing business. Priority should be on reducing time for obtaining licenses, including for public utility connections, improving vocational training, increasing labor market flexibility, and reducing processing time at customs.	

Figure 1. Niger: Selected MDG Indicators



Source: Nigerien authorities.

APPENDIX I

May 12, 2008

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C 20431

Dear Mr. Managing Director:

1. The government is continuing to implement the policies and reforms envisaged in the PRGF-supported program, which will expire at end-May 2008. By mid-May 2008 all the performance criteria were met, with the exception of two; firstly, the criterion on domestic arrears reduction for end-December 2007, in respect of which we have already taken corrective steps and for which we request a waiver; and second, the increase on the deferment of taxes on petroleum products in early May 2008 above the agreed limit, which was made necessary by the strong increase in international prices, and for which we also request a waiver.
2. Moreover, all the structural measures serving as benchmarks up to end-March 2008 were observed, with the exception of a few structural benchmarks, for which measures are in process of adoption.
3. Economic activity in 2007 was positive, with GDP growth driven by activity in the mining, telecommunications, and construction sectors. Consumer prices, after trending favorably until mid-2007, rose sharply at year-end as a result of increases in the prices of imported agricultural products and petroleum products, so that year-end inflation, on a rolling basis, stood at 4.7 percent.
4. Basic budgetary expenditure in 2007, excluding externally financed investment, remained below program estimates, whereas revenue exceeded the projections. As a result, the fiscal deficit and domestic financing were smaller than anticipated in the program.
5. The government of Niger requests completion of the sixth review under the PRGF-supported program and a new arrangement under the PRGF for the period 2008-11, in support of a program of reforms and measures aimed at sustainable growth and poverty reduction, in a context of macroeconomic stability. The reforms will aim in particular at

enhancing the efficiency of public expenditure, mobilizing domestic resources, and strengthening the financial system and the business environment. This program, the main components of which are described in the attached Memorandum on Economic and Financial Policies, is aligned with the objectives of the Accelerated Development and Poverty Reduction Strategy for 2008-12, which was adopted in October 2007. Given the scope of the policies to be implemented, the successful implementation of the 2005-08 program, and the substantial need for external resources in support of growth, the government requests that this new arrangement under the PRGF amount to SDR 23.03 million (35 percent of quota), with a possibility to augment this amount, should this be needed because of further increases in the import prices of hydrocarbon and food staples.

6. As in the past, the government consents to the publication by the IMF of this letter of intent, the MEFP, the technical memorandum of understanding, and the IMF staff report. The government believes that the policies set out in the attached MEFP are adequate to ensure attainment of the objectives of its program but will take any additional measures that may become appropriate for this purpose. Niger will consult the IMF on the adoption of such measures and prior to any change in the policies set out in the MEFP, in accordance with IMF policies on such consultations.

Sincerely yours,

/s/

Ali Mahaman Lamine Zeine

Minister of Economy and Finance

Attachments:

Memorandum on Economic and Financial Policies

Technical Memorandum of Understanding

APPENDIX I—ATTACHMENT I**MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES
OF THE GOVERNMENT OF NIGER FOR 2008-11****I. INTRODUCTION**

1. This memorandum describes the economic and financial policies that the government plans to implement with the support of a new three-year Poverty Reduction and Growth Facility (PRGF) arrangement. The government's program is based on the policies set out in the Accelerated Development and Poverty Reduction Strategy (DPRS) for 2008-12, which was adopted in October 2007 and is the reference for the assistance provided by Niger's technical and financial partners. The program emphasizes three components: (i) maintaining a stable macroeconomic framework to ensure that available resources, both internal and external, are used effectively, without having to resort to excessive monetary financing or an external borrowing that is unsustainable over the long term; (ii) improving consistency between budget programming and execution and DPRS priorities, combined with a strategy to expand the tax base to help mobilize the required resources; and (iii) a set of reforms to stimulate growth in the private sector and diversify the economy by reducing the cost of doing business and improving access to financial services.

2. The arrangement is the fifth since the Stand-By Arrangement of March 1994, and the third since the reestablishment of a civilian government in January 2000, following the 1999 elections. Niger made substantial progress in these successive programs. Real growth in GDP per capita was positive, except in 2004 due to the drought; the investment GDP ratio increased; inflation remained moderate; and fiscal revenues and priority public expenditures, including investments financed with own resources, rose significantly.

II. PERFORMANCE UNDER THE 2005-2008 PROGRAM AND RECENT ECONOMIC DEVELOPMENTS

3. These achievements were particularly significant during the 2005-2008 program. Average growth reached 5.3 percent from 2005 to 2007, reflecting solid performance in the agricultural, construction, transport, and telecommunications sectors. The investment ratio averaged 22 percent, and was characterized by robust performance in both private and public investment, the latter supported by external assistance. Inflation declined in 2006. Nevertheless, rising hydrocarbon and cereal prices in the second half of 2007 brought the inflation rate at end-2007 to 4.7 percent on a 12-month basis.

4. Food security increased in 2006 and 2007, owing to a record harvest in 2006 and to the reconstitution of the cereal security stocks, which reached 78,000 tons at end-2007. However, as the 2007 harvest was somewhat lower than expected, the vulnerability of the

population has increased in some areas. To address this, a plan of action is underway, based on the type of interventions of previous years. It includes food-for-work and cash-for-work programs, sales of food at reduced prices, and nutritional programs for infants and young children.

5. Exports developed favorably in 2005 and 2006, and particularly in 2007 (32 percent growth) following the upward adjustment of 50 percent in uranium export prices. Thus, the current account deficit fell from 9.3 percent of GDP in 2005 to 7.7 percent in 2007; from 2005 to 2007, the capital account recorded substantial surpluses, owing to external public financing and direct investment, and to strong sales of mining assets and of a telecom license in 2007. As a result, Niger's net international reserves increased substantially.

6. Fiscal revenue (which had stagnated at 8.4 percent of GDP on average throughout the 1990s) grew from 10.8 percent of GDP in 2005 to 15.5 percent in 2007. This increase together with the additional fiscal space resulting from external debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative in 2004 and the Multilateral Debt Relief Initiative (MDRI) in 2006, allowed for an increase in public expenditure from 20.4 percent of GDP in 2005 to 22.3 percent in 2007, and a substantial reduction in domestic arrears. Expenditure in the education, health, and rural development sectors, which rose to 7.8 percent of GDP in 2002, reached 8.1 percent in 2005 and 9 percent of GDP in 2007.

7. The overall fiscal deficit (on a commitment basis) was reduced from 9.6 percent of GDP in 2005 to 6.9 percent of GDP in 2007, and the basic deficit (which excludes public expenditure directly financed by foreign assistance) from 2.8 percent of GDP in 2005 to 0.9 percent in 2007. The outcome reflects a strong fiscal revenue performance in 2007 (11.7 percent of GDP, in comparison with 11 percent in 2006 and 10.3 percent in 2005), with strong growth in VAT and BIC (business profits tax) revenue, and very high nontax revenue (3.6 percent of GDP) from the sale of mining assets and the sale of a telecom license. In 2006 and 2007, the marked increase in nontax revenue helped to accumulate Treasury deposits in the central bank.

8. The money supply grew by 16 percent between 2005 and 2007, and the ratio to GDP increased from 14.2 percent to 18 percent, mainly as a result of increased deposits, reflecting deepening of bank intermediation. Credit to the economy grew from a relatively low starting point by an average of 24 percent per year. The net external assets of the banking system showed significant growth due to uranium mining revenue (issuance of licenses, and special dividends), and the sale of a telecom license in December 2007.

9. The reforms implemented have substantially improved fiscal management. Improvements in the tax and customs administrations have helped to increase revenues. The tax base was expanded and the number of delinquent taxpayers reduced. The monitoring of imports improved, thanks mainly to the establishment of a computer network linking offices in border areas and in Niamey, thereby increasing the effectiveness of oversight. The

government also took steps to improve the management of mining resources by amending the oil and mining laws and renegotiating contracts with uranium mining companies in 2007. This, together with the granting of new mining concessions, helped to substantially increase nontax revenue in 2007.

10. At the same time, significant progress was made in expenditure management. A new standardized list established in 2007 helps to identify and track public expenditure on poverty reduction. The improved IT structure of the expenditure system now allows budget execution to be monitored on a monthly and quarterly basis. Priority expenditure funds allocated to the President's Special Program were closely monitored. The Public Procurement Regulatory Agency regularly publishes the results of public tenders. Financial comptrollers were assigned to all ministries in 2007, and a procedures manual was prepared with technical assistance from the European Union and subsequently adopted. A general directorate for public procurement control, responsible for ex ante controls, was established in 2007, but its various units will not become fully operational until 2008.

11. The 2005 budget accounting law (*Loi de règlement*) was adopted by the National Assembly in November 2007, and the 2006 law is being reviewed by the Audit Court and will soon be submitted to the National Assembly. The amnesty law for validating the provisional opening balances of 1997 will be approved in 2008. The separation of accounting and administrative functions in the Treasury was established by a decree adopted in 2007.

12. An audit of arrears at end-1999 was conducted in 2005 and a plan to reduce arrears was formulated in April 2007. Since the plan's inception, arrears have been reduced by an average of CFAF 13.7 billion per year (0.7 percent of estimated GDP in 2007). From 2005 to 2007, priority was given to the payment of wage arrears and public and private supplier arrears.

13. In addition to the reforms aimed at enhancing fiscal management, the government launched initiatives to improve the business climate and commenced an in-depth overhaul of the financial sector. The privatization of Crédit de Niger has been completed. The creation of a new postal bank, Finaposte, is underway and the licensing application will be submitted to the Banking Commission by end September 2008; the microlending sector was reorganized by creating a regulatory authority and recapitalizing Taimako and the savings and loan association *Caisses Populaires d'Épargne et de Crédit* - MCPEC.

14. The results of the 2007 program show that since the last program review, all quantitative performance criteria and indicators at December 31, 2007 were observed, with the exception of the criterion for reducing domestic arrears (CFAF 14.8 billion were cleared, compared with a target of CFAF 15.8 billion)(Table 1a).

15. The following structural performance criteria and structural benchmarks were observed (Table 2a):

- Application of the agreed-upon formula for petroleum product pricing (performance criterion, applied from November 1, 2007 to date; a waiver had been obtained for the nonobservance of this criterion between April and October 2007).
- Monitoring of monthly performance indicators of the main customs offices and transmission of monthly reports to the IMF (continuous performance criterion).
- Introduction of a simplified taxation regime for small and medium-sized enterprises (performance criterion for end-December 2007).
- Disbursement of the annual universal service subsidy to Niger Poste.
- Adoption of the decree on the organization and responsibilities of the General Directorate for Control of Government Procurement.
- Completion of cross-arrears settlement between the Treasury and Nigelec.

16. Regarding the structural benchmark on the regularization of Treasury depositors' overdrawn accounts and the closure of inactive accounts, the largest account receivable was closed in December 2007 (Francophone Games account), and inactive accounts were closed in March 2008. The reduction of the threshold amount for public procurement projects to be submitted to the General Directorate for Control of Government Procurement, from CFAF 300 million to CFAF 100 million, was postponed until September 30, 2008 to avoid disrupting the implementation phase of this new directorate.

17. Cross-arrears settlement between the Treasury and the telephone company Sonitel is still under discussion. Agreements to settle Treasury arrears with banks could not be reached, due to:

- The disagreement on penalties to be charged on interest arrears.
- The need to validate the 1995 bonds held by the banks.

III. MEDIUM-TERM OBJECTIVES AND MACROECONOMIC FRAMEWORK FOR 2008–11

18. The government's main challenge is to consolidate economic growth and reduce poverty while maintaining the fiscal equilibrium required for macroeconomic stability. In accomplishing this, the government's strategy is to maintain the budget deficit at a level that can be financed using external assistance; increase domestic tax revenue to allocate more resources to priority spending, while improving the effectiveness of public spending; and

promote the development of the private sector, which is essential for long-term growth, by systematically improving the business climate.

Macroeconomic framework

19. The macroeconomic framework of the 2008–11 program is based on an average annual growth rate of about 5 percent, which is compatible with the intermediate scenario of the DPRS, and which corresponds to the average of the past three years. Growth will be supported by investments in the agricultural sector in the context of the implementation of the rural sector strategy (increasing irrigated lands, building new dams and hydraulic facilities, and improving livestock), highway infrastructure, transport, energy, and the mining sector (development of new uranium mines). Uranium production should more than double by 2012. The growth rate could be higher if external financing exceeds the current projections of a flow of external aid remaining at about 10 percent of GDP. As for inflation, the objective is to limit the average annual rate to 2 percent for the duration of the program, in compliance with WAEMU convergence criteria.

20. The external current account deficit may rise, despite increases in both the volume and the value of uranium exports, due to substantial investments in the mining sector and infrastructure, with a significant import component. Large amounts of private capital inflows, as well as official development assistance, should finance this deficit and lead to some increase in net foreign assets.

21. The basic fiscal deficit for 2009–11 is expected to remain at close to 2 percent of GDP to be financed by external budgetary assistance. The deficit will rise in 2008, reflecting additional priority expenditures financed by special nontax revenue received in 2007.

22. One of the primary objectives of the program is to improve fiscal management in terms of budget preparation, execution, and oversight, in particular to ensure that the annual government budget is consistent with DPRS priorities and the Medium-Term Expenditure Frameworks (MTEF) for priority ministries (education, health, and rural development, whose MTEFs are being updated, as well as equipment and transport, whose MTEF is being prepared). The annual DPRS implementation reports will be prepared in July each year, so that the status of priority programs is taken into account in the preparation of the budget for the following year.

23. The 2009 budget law will include as an annex the investment programs for 2009–12 for priority sectors of the DPRS and the MTEFs for these sectors; nevertheless, these MTEFs should be validated according to the macroeconomic framework in order to ensure their compatibility with available resources. To meet additional needs for implementing the DPRS, efforts will be made to mobilize donor assistance and fiscal resources. The 2009 budget will also include in an annex a presentation by programs of DPRS priority actions,

and list the available internal and external resources and the remaining gaps. An overall public expenditure framework will be prepared by 2010.

Fiscal management

24. The government is currently reinforcing the tracking of poverty-reducing expenditures to prevent any delays in implementation. To this end, (i) funds have been disbursed more rapidly at the beginning of the year; (ii) procedures for expenditure commitments and authorizations will be expedited through the new pilot unit, of the Ministry of Finance expected to begin operations on June 1, 2008. In the long term, in common with other countries in the subregion, the main line ministries should gradually assume responsibility for payment orders. Reports on physical and budgetary execution will be prepared at semiannual intervals for the health and education sectors, and will be sent to development partners, who provide budgetary support to the various sectors. The release of funds for the decentralized budgetary units will be accelerated so that these units can effectively fulfill their duties. The computerization of the decentralized centers (*centres de sous-ordonnements*), which is already underway, will help to expedite the monitoring of the execution of these outlays.

25. Budget allocations to DPRS priority sectors (health, education, rural development, equipment, water resources, the environment) have increased in recent years, and also in the 2008 supplementary budget law, and will account for 13.2 percent of GDP in 2008. This ratio will remain at this level or be increased from 2008 to 2011. Resources for road maintenance will be substantially increased from just CFAF 3 billion in 2007 to at least CFAF 5.5 billion in 2009.

26. Given the burden of domestic arrears on the production sector, we established specific targets for reducing these arrears by creditor type have been established from 2008 to 2011.

27. The government will continue to strengthen the transparency and oversight of fiscal management. In particular, it will increase the resources available to the General Directorate of Government Procurement (DGCMP) and the Audit Court, which were recently created and which benefit from technical assistance from a number of donors. The law transforming the accounts chamber into an independent Audit Office was promulgated on October 15, 2007 and published in the Official Gazette dated March 27, 2008. Training for verifiers and auditors in the Audit Court will benefit from the technical assistance from development partners, including the partners who helped to develop the manual of procedures. This training will be enhanced.

28. The General Inspectorate of Finance is being strengthened. Government inspections will focus on physically verifying results in the priority sectors by preparing detailed and periodic reports, which will facilitate the monitoring of DRPS implementation.

29. Inspections of the implementation and results of the President's Special Program, funded with HIPC resources, are programmed for 2008.
30. The public finance and expenditure accountability assessment (Public Expenditure and Financial Accountability Program–PEFA) will be carried out in 2008 in coordination with the development partners. To this end, a technical committee was created in February 2008 to monitor this assessment. The team of international experts will be selected by end-April 2008 and will conduct the assessment by end-September 2008.
31. The tax base will be expanded by enhancing the research and inspection units, in particular by increasing the number of economic agents subject to the account based taxation regime and by improving audits. Real estate taxation will be reinforced, mainly to increase revenues from local governments. Initiatives in the customs administration will focus on using data on cargos at the port of embarkation and on ex post controls. target goal is to increase fiscal revenue by 1.5 percent of GDP in three years so as to attain 13.1 percent of GDP in 2011.
32. External debt management will continue to be monitored carefully to avoid any accumulations that could compromise debt sustainability. The Public Debt Directorate will be strengthened by providing adequate training for staff so that it can effectively discharge its duties of analyzing the impact of the new loans being negotiated on long-term debt sustainability.
33. Given the importance of avoiding unsustainable debt levels, the government encourages its external partners to scale up their financial aid through grants or highly concessional loans so as to proceed more rapidly toward achieving the MDGs. The macroeconomic framework for 2008-11 could be updated to account for the additional commitments made by our partners, which we hope will surpass 2007 levels (8.5 percent of GDP). The government expects that Niger could absorb much more aid inflows than in 2007 without threatening macroeconomic stability.

Improvement in the business climate and the financial sector

34. Efforts are needed to improve the business climate and facilitate access to financial services to support growth. A series of measures was developed (see below), as a continuation of those already taken over the past few years, which included lowering the business registration tax and startup costs. To improve access to financial services, the government will complete the reforms underway to establish FINAPOSTE and unfreeze deposits in the former savings bank (performance criterion for end-September 2008). One of the government's priorities for the development of financial services is to enhance credit to agriculture. In this regard, emphasis will be put on the development of finance networks, which are less developed in Niger as they are in other WAEMU countries. Following the WAEMU financed sector regional assessment conducted in 2007, the government will

participate in the Financial Sector Assessment Program (FSAP) for Niger and use the conclusions and recommendations of that assessment to develop the most useful reforms.

IV. 2008 PROGRAM

A. Macroeconomic framework and fiscal policy

35. The main objectives of the 2008 program are to support the growth of GDP, which should surpass 4 percent as a result of continued structural reforms, and to maintain fiscal balance by allocating additional resources from the mining sector and the sale of the telecom license to priority sectors in compliance with DPRS objectives. Growth in GDP should be supported by the impact of investments in the mining sector and infrastructure, both private and public, and by growth in the construction, energy, and transport sectors. The current account deficit is expected to increase in comparison with 2007 and reach 9.7 percent of GDP, despite surging uranium export prices, due to the sharp increase in the price of imported food products and petroleum products and to investment-related imports.

36. Efforts to improve the quality and transparency of fiscal management will be reinforced as part of the PEMFAR (Public Expenditure Management and Fiscal Accountability Review) initiative. Particular attention was given to the more rapid consumption of budget envelopes for priority sectors, thanks to the fact that competitive bidding procedures for procurement were launched in 2008 without waiting for appropriations. The establishment of a pilot unit, planned for mid-2008, will expedite expenditure procedures, particularly appropriation commitments. Eventually, in 2009, financial comptrollers in the ministries can be given responsibility for confirming expenditure commitments, thereby reducing the centralization of expenditure in the Ministry of Finance.

37. In addition to the initial budget for 2008, approved in December 2007, a supplementary budget will be submitted to the National Assembly in June 2008 to allocate additional resources of CFAF 70 billion (3.2 percent of GDP). The bulk of these resources were obtained at end-2007, and includes 15 billion from extra dividends of mining companies, 20 billion from the sale of mining assets, and 31 billion from the sale of a telecom license. Moreover, in order to dampen the strong increase of prices of imported food staples, the government has proposed, in the context of the supplementary budget for 2008 presently under consideration by the National Assembly, some detaxation of key products (rice, vegetable oil, sugar, and wheat flour). These would bring about a shortfall of tax revenue of CFAF 12.4 billion (0.56 percent of GDP), and would be offset by a projected increase of revenue from the profit tax on mining companies and mining royalties, as a result of the renegotiation of the export price of uranium for 2008, and tax compensation from the WAEMU and the ECOWAS, for a total of CFAF 11.9 billion (0.53 percent of GDP), with a net shortfall of CFAF 0.6 billion. These measures complement those underway in the rural areas to increase food security for the most vulnerable groups. Over the medium-term, the actions undertaken to strengthen agricultural production in the context

of the rural development strategy should increase the country's self-sufficiency and reduce its exposure to international food price fluctuations.

38. The supplementary budget increases expenditures by CFAF 78.4 billion (3.6 percent of GDP). It allocates more funds for security and development expenditures (CFAF 10 billion and CFAF 45.5 billion, respectively), and includes an adjustment of CFAF 11 billion for wage allowances. Development expenditures include an additional allocation of CFAF 3.8 billion to ensure free health care for children and expectant mothers, bringing the total of CFAF 7.8 billion. Substantial funding is provided for agricultural and livestock development (irrigated lands, land management, animal vaccinations, purchase of fertilizers, modern slaughterhouse, improvement of livestock, modernization of rice ginning by Riz du Niger).

39. Expenditures will be managed more rigorously by (i) enhancing financial oversight and the procurement units in the ministries through training programs supported by the Public Procurement Regulation Authority (ARMP); (ii) increasing staff in the General Directorate for Control of Government Procurement; (iii) improving the functioning of the decentralized spending units centers; and (iv) further to strengthening the Audit Court by recruiting additional staff. In addition, the ARMP will conduct procurement audits, with the assistance of the European Union. In the Treasury, the computerization of General Fund (*Caisse Générale*) operations, essential for improving its functioning and transparency, is underway and should be completed in the first half of 2009.

40. Tax revenue is projected to 11.5 percent of GDP in 2008. CFAF 15 billion arises. Nontax revenue is expected to reach CFAF 26.5 billion (1.2 percent of GDP), of which special dividends from uranium companies received by the Treasury in January 2008. The tax and customs administration will pursue their efforts to combat tax evasion and monitor the tax base. The key measures being taken in the tax directorate are to: (i) enhance the investigation and research unit and the audit unit by recruiting more personnel; the primary objective should be to increase the number of registered economic agents with a tax identification number to cover unregistered economic agents, of taxpayers registered erroneously under the regime of the synthetic tax (regime NIF P, designed for small operators); (ii) improve tax audit, especially for businesses outside Niamey; (iii) prepare an effective VAT credit refund system for exporters, and monitor exemptions under the investment law more carefully; to this end, a law or decree will be adopted by end-December 2008 to spell out the principles and modalities for the full refund of VAT credits to all exporting enterprises, including mining companies (performance criterion); (iv) increase the collection of real estate taxes, particularly from individuals in 2008, by hiring more registry personnel. The distribution of revenue from real estate taxes and the global business license tax (*patente synthétique*) between central government and the local authorities will be reviewed in the 2009 budget law with a view to increasing revenue for the latter.

41. Additional taxation reforms will be launched as part of the current overhaul of the Tax Code, which should include a review of the tax advantages granted under the investment law. Thus, a reduction of the business profits tax (BIC), as in the other countries of the region, together with a review of the tax advantages granted under the investment code, appears appropriate. Regarding the real estate tax on the fixed capital formation of corporations, an assessment of this tax' possible disincentive effect on investment will be made. The government will request a technical assistance from the Fiscal Affairs Department of the Fund before finalizing these reforms.

42. Efforts in the customs administration will focus on: (i) introducing measures to monitor cargos en route to Niger from their ports of embarkation using cargo tracking forms; this form became mandatory in a joint decree issued by the Ministries of Finance and Transport and adopted in February 2008; (ii) linking the main border offices and regional customs offices to allow for more rigorous monitoring of merchandise undergoing customs clearance; (iii) improving valuation controls with the assistance of the inspection company; and (iv) enhancing ex post controls, including site visits and warehouse inventories.

43. In addition, to protect fiscal revenue, the government will continue to apply the monthly pricing mechanism with respect to retail prices of petroleum products, in accordance with the provisions set forth in the August 2001 decree. The overall tax per liter in CFA francs on an average monthly basis, calculated on a rolling six month period, will not fall below the level of March 2007. In the event of an emergency situation necessitating a review of this policy, the government will consult with Fund staff on the adoption of appropriate measures.

44. The target for reducing domestic arrears in 2008 has been set at CFAF 15.2 billion, which includes the reduction of outstanding Treasury balances (*Restes à payer*–RAP) for the 2006 fiscal year and previous years. This reduction was broken down by sector, and focuses on eliminating arrears with private suppliers and finalizing the agreement with commercial banks and the National Social Security Fund (CNSS). The frozen deposits of the former National Post and Savings Office (ONPE) will be paid back gradually, in accordance with the procedures to be defined by end-June 2008 (performance criterion). Reductions in arrears for 2009 and 2010 should help to clear virtually all arrears. The balances of RAPs at end-2008 for the 2008 fiscal year should not exceed those recorded at end-2007 for the 2007 fiscal year. Any excess will be considered as an accumulation of arrears to be deducted from the reduction of arrears as defined at the beginning of this paragraph.

45. Following the substantial accumulation of CFAF 36 billion in deposits (1.8 percent of GDP) in the BCEAO in 2007, some CFAF 47 billion of these deposits are expected to be used in the 2008.

B. Money, credit, and reforms in the financial sector

46. In 2008, monetary policy will continue to be pursued at the regional level with the aim to containing inflation and maintaining a sufficient level of international reserves. Growth in credit to the economy is projected at about 12 percent, and the money stock could increase faster than nominal GDP, as it did in 2007. The central bank's foreign assets should continue to grow at a moderate rate.

47. Financial sector reforms will continue, with the beginning of Finaposte operations expected in the second quarter, the resumption of the activity of the Crédit du Niger, and the enhancement of microfinance networks, supported by technical assistance from a number of donors. The monetary authorities will remain vigilant to ensure compliance with prudential ratios and safeguard the good quality of loans to stem the increase in the rate of nonperforming loan observed in 2006-2007 (nonperforming loans ratio was 21.8 percent at end-2007).

C. External Financing

48. The amount of budgetary assistance is expected to reach CFAF 80.8 billion in 2008, including the disbursement of the amounts already programmed for EU (CFAF 10.5 billion) and World Bank (CFAF 12 billion) budgetary assistance in 2007. The government will not contract loans with a grant element of less than 35 percent. Moreover, the government will endeavor to contract new loans at the most favorable terms, with grant elements higher than this floor. It will consult with IMF staff on any borrowing under consideration when the grant element, although higher than 35 percent, is close to this minimum. In addition, the government will enhance public debt service to improve debt planning and verify debt sustainability; to that end, it will conduct yearly a debt sustainability assessment. The Ministry of Finance will prepare semi-annual reports on debt contracted and terms, and on the forthcoming borrowing program for the next six months, with envisaged terms (structural benchmark).

D. Other Structural Reforms

49. Improving the business climate is a key factor for ensuring sustained growth over the medium term and for diversifying the economy. In this regard, the government has formulated action plan, which was discussed with the World Bank and representatives of private investors. The plan emphasizes the following measures: (i) reducing the number of procedures required to set up a business from 11 to 8 by end-2008; (ii) reducing the number of days required for property transfers from 49 in 2006 to 19 in 2008; and (iii) streamlining procedures for registering land titles, through improvements in the management of the land registry. In terms of essential business services, the provision of electricity improved in 2007 following completion of the grid interconnection with Nigeria by Nigelec.

50. The government is committed to making the mining sector transparent and attractive to investors, in compliance with WAEMU rules. The mining law adopted in 2006 was amended in early 2008 to make the institutional framework more attractive for large investments.

51. Niger endorsed the principles of the Extractive Industries Transparency Initiative (EITI) in 2005. The first report on the reconciliation of payment data by mining operators and government revenues for 2005-06 will be prepared by an independent consultant in 2008, and will be followed by a second report for 2007. Using the resources in the EITI Trust Fund, an action plan will be implemented in 2008 to (i) boost the capacity of the various actors (Ministry of Finance, Ministry of Mines, civil society, businesses) and (ii) improve the communications system.

V. PROGRAM MONITORING

52. Program monitoring will be based on continuous and semiannual quantitative performance criteria, structural performance criteria (including some continuous criteria), and quantitative and structural benchmarks (Tables 1b and 2b). The performance criteria and benchmarks are defined in the Technical Memorandum of Understanding. The quarterly ceiling on domestic financing—net of the position with the IMF—will be adjusted upwards in case external budgetary assistance (net of external debt service) falls short of program projections, up to a maximum of CFAF 30 billion. This should allow for execution of the program of priority expenditures for poverty reduction and—in the event of an overrun—facilitate more rapid execution of this program.

53. Niger will conduct two reviews with the Fund to evaluate the progress made during the first year of program implementation; the first review will be carried out by end-November 2008, and the second by end-April 2009.

Table 1a. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2007-December 31, 2007
(CFAF billions)

	End-March			End-June			End-September			End-December		
	Prog.	Prog. Adj.	Est.	Prog.	Prog. Adj.	Est.	Prog.	Prog. Adj.	Est.	Prog.	Prog. Adj.	Est.
A. Quantitative performance criteria and indicative targets (cumulative from December 31, 2006)												
Domestic financing of the budget ^{1,2}	-7.0	-10.8	-21.2	7.9	20.9	-19.5	6.4	15.5	-10.1	11.4	31.4	-27.5
Reduction in government domestic arrears ³	1.0	1.0	6.6	5.0	5.0	8.6	6.0	6.0	11.8	15.8	15.8	14.8
<i>Memorandum item:</i>												
Exceptional external budgetary assistance ⁴	15.8	...	19.6	30.8	...	17.8	51.9	...	42.8	70.1	...	43.8
Gross budget support	17.1	...	20.0	33.5	...	20.0	56.0	...	44.1	77.1	...	50.7
Debt service	1.4	...	0.4	2.7	...	2.2	4.2	...	1.3	6.9	...	6.9
B. Continuous quantitative performance criteria												
Accumulation of external payments arrears	0.0	...	...	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0
New external debt contracted or guaranteed by the government with maturities of 0-1 year ⁵	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0
New nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year ⁶	0.0	...	0.0	8.5	...	8.5	8.5	...	8.5	8.5	...	8.5
C. Indicative Targets (cumulative from December 31, 2006)												
Basic budget balance (commitment basis, excl. grants) ⁷	-14.0	...	3.3	-42.6	...	0.9	-62.6	...	-31.4	-74.8	...	-17.9
Total revenue ⁸	56.2	...	59.8	112.7	...	128.4	170.2	...	191.4	258.7	...	309.0
Accumulation of domestic arrears	...	...	...	...	...	...	...	...	...	0.0	...	0.0

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

¹Performance criteria for program indicators under A and B; indicative targets otherwise.

²The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, exceeds or falls short of program forecasts.

If disbursements are less than programmed, the ceiling will be raised pro tanto up to a maximum of CFAF 20 billion at the end of each quarter of 2007.

If disbursement exceeds programmed amounts ceilings will not be adjusted downwards for the first CFAF 5.0 billion.

³Minimum.

⁴External budgetary assistance (including traditional debt relief and HIPC initiative assistance, but excluding net financing from the IMF) less external debt service and payments of external arrears.

⁵Excluding ordinary credit for imports or debt relief.

⁶Excluding debt relief obtained in the form of rescheduling or refinancing; 50 percent minimum concessionality for new loans from 2006.

⁷Minimum, defined as the difference between total revenue, excluding grants and revenue from the settlement of reciprocal debts between the government and enterprises, and total expenditures, excluding externally financed capital expenditures.

If external budgetary assistance (defined in footnote 4), exceeds the amounts programmed, the basic budget balance will be decreased by no more than CFAF 5.0 billion, CFAF5.0 billion.

⁸Minimum. Excluding (i) revenue from the settlement of reciprocal debts between the government and Nigerian enterprises, and (ii) revenue from the privatization of public enterprises that is included in financing.

Table 1b. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2008-December 31, 2008
(CFAF billions)

	End-March	End-June	End-September	End-December
	Indicative Targets Prog.	Performance Criteria Prog.	Indicative Targets Prog.	Performance Criteria Prog.
A. Quantitative performance criteria and indicative targets (cumulative from December 31, 2007)				
Domestic financing of the budget ^{1,2}	1.4	18.1	38.7	36.8
Reduction in government domestic payments arrears ³	4.0	7.0	8.0	15.2
<i>Memorandum item:</i>				
Exceptional external budgetary assistance ⁴	13.5	24.5	33.7	70.4
Gross budget support	16.0	29.6	41.4	80.8
Debt service	2.6	5.2	7.7	10.3
B. Continuous quantitative performance criteria				
Accumulation of external payments arrears	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of 0-1 year ⁵	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year ⁶	0.0	0.0	0.0	0.0
grant element lower than 35 percent				
C. Indicative Targets (cumulative from December 31, 2007)				
Basic budget balance (commitment basis, excl. grants) ⁷	-11.8	-42.6	-72.4	-101.0
Total revenue ⁸	83.9	148.8	214.7	281.7

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

¹Performance criteria for program indicators under A and B; indicative targets otherwise.

²The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, exceeds or falls short of program forecasts.

³Minimum.

⁴External budgetary assistance (including traditional debt relief, HIPC initiative assistance, but excluding net financing from the IMF) less external debt and payments of external arrears.

⁵Excluding ordinary credit for imports or debt relief.

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

⁷Minimum, defined as the difference between total revenue, excluding grants and revenue from the settlement of reciprocal debts between the government and enterprises, and total expenditures, excluding externally financed capital expenditures.

⁸Minimum. Excluding (i) revenue from the settlement of reciprocal debts between the government and Nigerian enterprises; and (ii) revenue from the public enterprises that is included in financing.

Table 2a . Structural Performance Criteria and Benchmarks under the
January 2007–January 2008 Program

Measures	Date	Status
Structural performance criteria		
Apply the pricing system for petroleum products, adopted on August 1, 2001, as described in paragraph 22 of the Technical Memorandum of Understanding of November 8, 2007).	Continuous	Not met in May 2008
Adopt new monthly performance indicators for the main customs offices and consistently track compliance with these indicators by producing monthly implementation reports for submission to the IMF.	Continuous	Met
Establish the overall balance of the consolidated government accounts including the interim balances from 1997 to December 31, 2002.	End-June 2007	Met
Introduce a simplified tax regime with quarterly tax declarations for small- and medium-sized enterprises to replace monthly declarations.	End-December 2007	Met
Structural benchmarks		
Adopt the decree on the establishment of a regulatory agency for the microfinance sector.	End-December 2006	Met in April 2007
Establish an action plan for the clearance of domestic arrears inventoried at end-1999.	End-December 2006	Met in April 2007
Disburse the annual universal service subsidy of CFAF 380 million to Niger Poste for 2006 and 2007.	End-December 2006 and end-December 2007	Met in March 2007
Issue a call for bids for the privatization of Crédit du Niger to investors selected following the call for expressions of interest.	End-February 2007	Met in September 2007
Update the file of the large taxpayers unit (DGE) consistent with the turnover threshold of CFAF 100 million.	End-March 2007	Met
Publish 2006 data on national budget execution and on expenditure execution under the unified list of priority expenditures on a payment order basis.	End-March 2007	Partially met; data available but not published
Regularize Treasury depositors accounts that are in overdraft and close inactive deposits accounts.	End-December 2007	Met in March 2008
Provide for the adoption of the decree on the organization and mandate of the Directorate General for Control of Public Procurement by the Council of Ministers.	End-December 2007	Met
Finalize compensation arrangements between the Treasury, NIGELEC, and SONATEL.	End-December 2007	Not met. Compensation completed for NIGELEC, but still under discussion for SONATEL
Finalize agreements for the settlement of Treasury arrears with banks.	End-December 2007	Not met. Negotiations ongoing
Reduce the threshold for contracts requiring approval by the General Directorate for Control of Public Procurement from CFAF 300 to CFAF 100 million.	End-December 2007	Not met

Table 2b. Structural Performance Criteria and Benchmarks under the
March 2008–March 2009 Program

Measures	Date
Structural performance criteria	
Adopt a decree establishing the modalities for repayment of frozen savings deposits at the former National Savings Bank (MEFP ¶24).	End-September 2008
Adopt a law or decree establishing a principle for, and defining the modalities of, the full reimbursement of VAT credits to all exporting enterprises (MEFP ¶40).	End-December 2008
Structural benchmarks	
Adoption by the Council of Ministers of the Medium-Term Framework for Equipment and Transportation (MEFP ¶22).	End-November 2008
Presentation in the budget law for 2009 of the investment programs for the priority sectors of the PRSP for 2009-2012 (MEFP ¶23).	End-December 2008
Preparation of semi-annual reports on debt contracted and terms, and on the forthcoming borrowing program for the next six months, with envisaged terms (MEFP ¶48).	End-December 2008

APPENDIX I—ATTACHMENT II**TECHNICAL MEMORANDUM OF UNDERSTANDING**

Niamey, May 12, 2008

1. This technical memorandum of understanding defines the performance criteria and indicative targets for Niger's program under the Poverty Reduction and Growth Facility (PRGF) for the period 2008–11. The performance criteria and indicative targets for end-June and end-December 2008 are set out in Table 1 of the government's Memorandum of Economic and Financial Policies (MEFP) dated May 12, 2008 and attached hereto. This technical memorandum of understanding also sets out the data-reporting requirements for monitoring the program.

I. DEFINITION OF TERMS

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

(a) As specified in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted by the Executive Board of the IMF on August 24, 2000, **debt** will be understood to mean a current, that is, not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, 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 lease holder 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 lease grantor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or

maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (for example, payment on delivery) will not give rise to debt.

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

(c) **External payments arrears** are external payments due but not paid. **Domestic payments arrears** include (i) arrears outstanding at end-1999 identified by the audit conducted by the Ministry of Finance in 2005; (ii) the *reste à payer* at the Treasury related to the budgetary years 2004, 2005 and 2006, remaining due at December 31, 2007.

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

II. QUANTITATIVE PERFORMANCE CRITERIA

A. Net Domestic Financing of the Government

Definition

3. Net domestic financing of the government is defined as the sum of (i) net bank credit to the government, as defined below; (ii) net nonbank domestic financing of the **Government**, including government securities issued in CFA francs on the WAEMU regional financial market and not held by resident commercial banks, proceeds from the sale of government assets, and privatization receipts net of the cost of structural reforms to which these proceeds are earmarked.

4. **Net bank credit to the government** is equal to the balance of the government's claims and debts vis-à-vis national banking institutions. Government claims include cash holdings by the Nigerien Treasury, deposits with the central bank and commercial banks, and secured obligations. Government debt to the banking system includes debt vis-à-vis the central bank (excluding net financing from the IMF's Poverty Reduction and Growth Facility (PRGF), but including government securities) and to commercial banks (including government securities held by commercial banks), and deposits with the postal checking system.

5. The scope of the net bank credit to the government as defined by the BCEAO includes all central government administrations. The net bank credit to the government and the amounts of government treasury bills and bonds issued in CFA francs on the regional

financial market of the WAEMU are calculated by the BCEAO, and the net nonbank financing of the government is calculated by the Nigerien Treasury, whose figures are those deemed valid within the context of the program.

6. **Nonbank net domestic financing** includes: (i) the change in the amount of government bonds issued in the regional WAEMU market and not held by Niger's commercial banks; (ii) the change in the deposits of Treasury correspondents; (iii) the change in "*comptes de consignations*" at the Treasury.

7. The 2008 quarterly targets are based on the change in the level of stock between end-December 2007 and the date considered for the performance criterion or the indicative target.

Adjustment

8. The **ceiling on net domestic financing** will be subject to adjustments if disbursements of external budgetary support less external debt service and arrears payments, including disbursements under the PRGF, fall short of projected amounts. For 2008, external budget support is calculated from end-December 2007.

9. In the event disbursements fall short of projected external budgetary assistance for each end of quarter in 2008, the corresponding quarterly ceilings on net domestic financing will be raised pro tanto, up to a maximum of CFAF 30 billion.

Reporting requirement

10. Detailed data on domestic financing to government will be provided monthly within six weeks following the end of each month.

B. Reduction of Domestic Payments Arrears

Definition

11. **Domestic payments arrears** comprise: (i) arrears identified at end-1999 on the basis of the audit conducted by the Ministry of Finance in 2005; (ii) the *restes à payer (RAP)* at the Treasury regarding the budget years 2006 and earlier, outstanding at end-2007. The stock of arrears will be reduced to the minimum of the amounts indicated in Table 1 annexed to the MEFP. The quarterly objectives for 2008 are based on the changes in the stock of arrears at end-December 2007 and the date selected for the performance criterion or indicative target. The stock of RAP at end-2008 regarding the 2008 budget year will not exceed the stock of RAP outstanding at end-2007 regarding the 2007 budget year; any excess will be considered an increase in arrears, that will be deducted from the reduction of arrears as defined as the beginning of this paragraph.

12. The *Centre d'Amortissement de la Dette Intérieure de l'Etat* (CADDIE) and the Treasury are responsible for calculating the stock of domestic arrears, and recording their repayments.

Reporting requirement

13. Monthly data on the outstanding balance, accumulation (including changes in the *restes à payer* at the Treasury), and repayment of domestic payments arrears on government obligations will be provided monthly within six weeks following the end of each month.

C. External Payments Arrears

Definition

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

Reporting requirement

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

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

Definition

16. The government will not contract or guarantee external debt with original maturity of one year or more with a grant element of less than 35 percent. Nonconcessional external debt is defined as all debt with a concessionality level of less than 35 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. The Ministry of Finance will communicate regularly to the Fund staff the list of loans under negotiations. It will prepare semi-annual reports on external debt contracted and its financial terms, and on the borrowing program for the next six months and the envisaged financial terms, and will transmit these reports to Fund staff.

17. 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 by the Executive

Board 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

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

E. Short-Term External Debt of the Central Government

Definition of the performance criterion

19. The government will not accumulate or guarantee new 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

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

III. QUANTITATIVE TARGETS

A. Definitions

21. 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.

22. The basic fiscal deficit is defined as the difference between: (i) total fiscal revenue as defined in paragraph 23; and (ii) total fiscal expenditure excluding foreign financed investment (but including HIPC-financed investment).

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

IV. ADDITIONAL INFORMATION FOR PROGRAM-MONITORING PURPOSES

A. Public Finances

24. The government will report to IMF staff the following:
- detailed monthly estimates of revenue and expenditure, including priority expenditure and the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue;
 - the table of government financial operations with comprehensive monthly data on domestic and external financing, and the changes in arrears (arrears outstanding at end-1999) and *restes à payer* at the Treasury. These data are to be provided monthly within six weeks following the end of each month;
 - quarterly data on the expenditures of the unified priority list, and the data on expenditures on HIPC resources and the President's Special Program, on a payment order basis;
 - 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;
 - monthly data on the balances of the accounts of the Treasury and of other public accounting officers at the BCEAO;
 - monthly data on the *restes à payer* at the Treasury, by reference fiscal year with an itemization of maturities of more than, and less than, 120 days;
 - monthly data on effective debt service (principal and interest) compared with the planned schedules. These data are to be provided within four weeks following the end of each month;
 - documentation on external debt contracted, with financial terms. This documentation is to be provided within four weeks of the signing of the loan agreement.

B. Monetary Sector

25. The government will provide the following information within eight weeks following the end of each month:
- the consolidated balance sheet of monetary institutions and, as appropriate, the balance sheets of selected individual banks;
 - the monetary survey within eight weeks following the end of the month (provisional data);

- borrowing and lending interest rates; and
- customary banking supervision indicators for bank and nonbank financial institutions (if necessary, the same indicators for individual institutions may also be provided).

C. Balance of Payments

26. The government will provide IMF staff with 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

27. The government will provide IMF staff with the following information:
- disaggregated monthly consumer price indices, monthly within two weeks following the end of each month;
 - national accounts, within six months following the end of the year; and
 - any revision in the national accounts.

E. Structural Reforms and Other Data

28. 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.

Summary of Main Data Requirements

Type of Data	Tables	Frequency	Reporting Requirement
Real sector	National accounts	Annual	End of year + 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 in the banking sector	Monthly	End of month + six weeks
	Provisional table of government financial operations, including breakdown of revenue (DGI, DGD, and Treasury) and expenditure, including repayments of domestic wage and non-wage arrears outstanding at end-1999 and the change in the <i>restes à payer</i> (RAP) at the Treasury.	Monthly	End of month + six weeks
	Data on the stock of <i>restes à payer</i> at the Treasury, by reference fiscal year (total and RAP older than 120 days)	Monthly	End of month + six weeks
	Monthly data on the deposits of the correspondents with the Treasury	Monthly	End of month + six weeks
	Investment expenditure execution	Quarterly	End of quarter + eight weeks
	Table of execution of budgetary expenditures, of the expenditures in the priority unified list, and of expenditures on HIPC resources	Quarterly	End of quarter + six weeks
	General balance of Treasury accounts	Monthly	End of month + six weeks

	Monthly data on Treasury account balances and other public entities at the BCEAO.	Monthly	End of month + two weeks
	Petroleum product 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 (for provisional data) End of month + ten weeks (for final data)
	Consolidated balance sheet of monetary institutions and, as appropriate, balance sheets of selected individual banks	Monthly	End of month + eight weeks
	Lending and deposit interest rates	Monthly	End of month + eight weeks
	Banking prudential ratios	Quarterly	End of quarter + eight weeks
Balance of payments	Balance of payments	Annual	End of year + six months
	Revised balance of payments data	Irregular	Following the revision
External debt	Outstanding external payments arrears and repayments	Monthly	End of month + six weeks
	Terms of newly contracted external loans and list of envisaged new loans, with financial terms		End of month + six weeks
	Table of effective monthly external debt service (principal and interest) compared with planned schedule	Monthly	End of month + four weeks

INTERNATIONAL MONETARY FUND

NIGER

**Sixth Review Under the Three-Year Arrangement Under the Poverty
Reduction and Growth Facility, Request for Waiver of Nonobservance of Performance
Criteria, and Request for a New Three-Year Arrangement
Under the Poverty Reduction and Growth Facility**

Informational Annex

Prepared by the African Department
(In consultation with other departments)

Approved by Jean A. P. Clément and Anthony Boote

May 14, 2008

- **Relations with the Fund.** Describes financial and technical assistance by the IMF, and provides information on the exchange rate system. Niger's PRGF arrangement was approved on January 31, 2005.
- **Relations with the World Bank.** Describes the World Bank Group's strategy and portfolio.

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RELATIONS WITH THE FUND

(As of March 31, 2008)

I. Membership Status: Joined: April 24, 1963;
Accepted Obligations of Article VIII, Sections 2, 3 and 4: June 1, 1996

II. General Resources Account:	SDR Million	%Quota
Quota	65.80	100.00
Fund Holdings of Currency	57.19	86.92
Reserve Position	8.61	13.09
Holdings Exchange Rate		

III. SDR Department:	SDR Million	%Allocation
Net Cumulative Allocation	9.41	100.00
Holdings	0.04	0.45

IV. Outstanding Purchases and Loans:	SDR Million	%Quota
PRGF Arrangements	25.38	38.57

V. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
PRGF	Jan 31, 2005	May 31, 2008	26.32	25.38
PRGF	Dec 22, 2000	Jun 30, 2004	59.20	59.20
PRGF	Jun 12, 1996	Aug 27, 1999	57.96	48.30

VI. Projected Payments to Fund ^{1/}

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

	<u>Forthcoming</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Principal			0.09	2.94	4.21
Charges/Interest	<u>0.32</u>	<u>0.37</u>	<u>0.37</u>	<u>0.37</u>	<u>0.35</u>
Total	<u>0.32</u>	<u>0.37</u>	<u>0.47</u>	<u>3.31</u>	<u>4.56</u>

^{1/}When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

VII. Implementation of HIPC Initiative:

	Enhanced <u>Framework</u>
I. Commitment of HIPC assistance	
Decision point date	Dec. 2000
Assistance committed by all creditors (US\$ million) ^{1/}	663.10
Of which: IMF assistance (US\$ million)	42.01
(SDR equivalent in millions)	31.22
Completion point date	Apr. 2004
II. Disbursement of IMF assistance (SDR million)	
Assistance disbursed to the member	31.22
Interim assistance	6.68
Completion point balance	24.55
Additional disbursement of interest income ^{2/}	2.74
Total disbursements	33.96

^{1/} Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts can not be added.

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

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

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

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

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):

I.	MDRI-eligible debt (SDR million) ^{1/}				77.55
	Financed by: MDRI Trust				59.82
	Remaining HIPC resources				17.73
II.	Debt Relief by Facility (SDR million)				
			Eligible Debt		
		Delivery Date	GRA	PRGF	Total
		January 2006	N/A	77.55	77.55

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

IX. Safeguards Assessments:

The Central Bank of West African States (BCEAO) is the common central bank of the countries of the West African Economic and Monetary Union, which includes Niger. The most recent safeguards assessment of the BCEAO was completed on November 4, 2005. The assessment indicated progress has been made in strengthening the bank's safeguards framework since the 2002 assessment and identified some areas where further steps would help solidify it. An update safeguards assessment for BCEAO is expected to be conducted during 2009.

The BCEAO now publishes a full set of audited financial statements and improvements have been made to move financial reporting closer to International Financial Reporting Standards (IFRS). Furthermore, an internal audit charter has been put in place, mechanisms for improving risk management have been established, and follow up on internal and external audit recommendations has been strengthened.

The results of continuous safeguards monitoring indicate that while certain vulnerabilities remain in internal control systems and legal structure, there has been some progress in other areas, including through: (i) improving the external audit process by adopting a multi-year audit program; (ii) establishing an audit committee; (iii) expanding disclosures on financial positions of WAEMU countries with the Fund in the notes to the annual financial statements; and (iv) further strengthening of the effectiveness of the internal audit function.

X. 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 WAEMU's common currency, the CFA franc, was originally 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 April 28, 2008, the rate of the CFA franc in SDR terms was SDR 1 = CFAF 684.07. The exchange arrangement of the WAEMU countries is classified as a conventional pegged arrangement.

XI. Article IV Consultation:

Niger is on the 24-month consultation cycle. The last Article IV consultation discussions were held in Niamey in September–October 2006, and discussed by the Executive Board on December 20, 2006.

XII. Technical Assistance:

Dept.	Type of Assistance	Time of Delivery	Responsibility
FAD	Resident expert	June 2001 to May 2003	Assistance for tax administration
FAD	Staff	May 2002	Public accounting and fiscal operations table
STA	Staff	January 2003	Multisector statistical mission
FAD	Staff	October 2003	Tax policy and revenue administration
AFRITAC W	Advisor	April 2004	Tax administration
AFRITAC W	Advisor	August 2004	Customs administration
AFRITAC W	Advisor	October-November 2004	Tax administration
STA	Staff	March 2005	ROSC
AFRITAC W	Advisor and expert	March 2005	Customs administration
AFRITAC W	Advisor	March 2005	Macroeconomic statistics
AFRITAC W	Advisor	March-April 2005	Microfinance
AFRITAC W	Advisor	May-June 2005	Macroeconomic statistics
FAD	Staff	September 2005	Tax policy and revenue administration

FAD	Expert	September/October 2006 and January/February 2007	Tax policy and revenue administration
AFRITAC W	Advisor	October 2005	Customs administration
AFRITAC W	Advisor	March 2006	Microfinance
AFRITAC W	Advisor and expert	May 2006	Macroeconomic statistics
AFRITAC W	Advisor	May 2006	Public debt management
AFRITAC W	Advisor	June-July 2006	Macroeconomic statistics
AFRITAC W	Advisor	November 2006	Customs administration
AFRITAC W	Advisor	December 2006	Macroeconomic statistics
AFRITAC W	Advisor	January 2007	Tax administration
AFRITAC W	Advisor	February-March 2007	Microfinance
AFRITAC W	Advisor	June 2007	Macroeconomic statistics
AFRITAC W	Advisor and expert	June 2007	Customs administration
AFRITAC W	Advisor and expert	July 2007	Tax administration
AFRITAC W	Expert	September 2007	Public expenditure management
AFRITAC W	Advisor	November 2007	Macroeconomic statistics
AFRITAC W	Advisor	February 2008	Tax administration
AFRITAC W	Advisor	February 2008	Statistics
AFRITAC W	Advisor	February-March 2008	Microfinance
AFRITAC W	Advisor	March 2008	Public expenditure management
AFRITAC W	Advisor	March 2008	External debt management
AFRITAC W	Advisor	April 2008	Customs administration

XIII. Resident Representative:

Mr. Pierre Laporte has been resident representative in Niger since December 2005.

RELATIONS WITH THE WORLD BANK GROUP

(As of April 28, 2008)

A. Partnership in Niger's Development Strategy

1. Niger's first Poverty Reduction Strategy Paper (PRSP) was adopted in January 2002 and centered on four strategic pillars: (i) a macroeconomic framework ensuring economic and financial stability while promoting sustainable economic growth; (ii) the development of productive sectors, especially in rural areas; (iii) the development of basic social services; and (iv) the promotion of good governance and the strengthening of human and institutional capacities. The PRSP was based on a thorough poverty diagnosis and key development challenges. The Government reconfirmed the main thrust of the PRSP through four progress reports. Bank and Fund staff prepared a Joint Staff Advisory Note (JSAN) which was discussed at the IMF Board in December 2006 and distributed to the Bank's Board on January 11, 2007. The Government has been using the PRSP to improve coordination of development efforts in the country, including donor-supported activities.
2. At a donors' forum in Niamey on June 7 and 8, 2003, donors reaffirmed their endorsement of the PRSP as a strategic anchor for their assistance, and agreed on a progressive shift from project to program financing, and the need for further coordination and harmonization of policies and procedures. The forum resulted in the signing of a protocol agreement by all donors to coordinate their aid to the education sector.
3. Following delays in launching the preparation of analytical background papers, the Government's second PRSP was completed and approved on October 10, 2007 by decree. The PRSP Secretariat visited Washington in early March 2007 for technical discussions on the second PRSP draft and benefited from global knowledge on PRSP and advice for improving the quality of the document from Bank staff together with IMF, UNDP, EU, UNECA and Belgium counterparts. Based on comments received, the government has updated the PRSP and held a national validation workshop in early April to discuss the strategy with parliamentarians, representatives from donor agencies, civil society and local government representatives from various regions of Niger. The second PRSP is built around seven strategic pillars (against four for the previous one) and includes all the main objectives of the first PRSP. The three new pillars are: (i) control of demographic growth; (ii) reduction of Inequity and Enhancement of Social Protection for Vulnerable Groups; and (iii) effective Implementation of the PRSP. A donors Round Table for the financing of the revised PRSP took place in Brussels on October 25-26, 2007 and bilateral and multilateral donors pledged about CFAF 1,334 billions to finance the implementation of the PRS II.

B. Areas in which the Bank leads

4. **Privatization and regulatory reform.** Key utility sectors, such as telecommunications and water supply have been liberalized and privatized with support from an IDA credit. However, the privatization of the electricity company (NIGELEC) has been delayed mainly due to the difficulty in finding private companies ready to invest US\$60-100 million required for expansion and rehabilitation of the power system. The privatization of the wholesale petroleum product distribution company (SONIDEP) has failed in part because of difficulties in finding sound foreign private partners interested in investing in Niger. With the Bank's assistance, the authorities revisited their objectives and approach to the private provision of infrastructure as they seek to enhance corporate governance for selected state-owned companies (NIGELEC, SONIDEP) and create a Government unit to implement the necessary reforms. The Bank supports also the strengthening of the regulatory body (ARM¹⁷), throughout building its capacity for issuing licenses and managing universal access. ARM successfully conducted the granting of a global telephony license to France telecoms (which bided CFAF 30 billion) in November 2007 following a fair and transparent process. The Fund is also a key partner in the policy dialogue in this area, for example through the continuous implementation of a petroleum pricing system.

5. **Rural development.** The Bank has provided support to Niger to develop and implement a comprehensive rural development strategy (SDR). This strategy aims at mitigating vulnerability and stimulating income generation and is centered on three pillars: (i) improving the access of rural populations to economic opportunities; (ii) protecting rural populations against risks and improving food security and managing natural resources sustainability; and (iii) enhancing the capacity of public institutions and rural organizations to improve the management of the rural sector. An SDR action plan covering the 14 programs of the rural development strategy has been adopted by decree in October 2006. The transition to a budget-program approach for the rural sector was finally completed with the adoption in October 2006, by decree, of a rural sector MTEF, recently updated to cover all line ministries. Bank assistance in this sector is provided through ongoing operations directly linked to the SDR action plan, including: the Private Irrigation Promotion Project II, which aims at increasing production and profitability of high-value, irrigated crops by private, smallholder farmers with simple, low-cost technologies; the Emergency Locust Project aimed at reducing Niger's vulnerability to future desert locust infestations by supporting improved strategies for prevention early warning systems, reactions, and mitigation at both the national and regional levels; and the Community Action Program (CAP), which supports decentralized local financing mechanisms for village groups and communes, as well as promotes an integrated community-based ecosystem management. To enhance its existing investment program, the Bank also supports the GoN in the preparation of an agro-pastoral

¹⁷ Autorité de Régulation Multisectorielle.

export promotion project and the second phase of the CAP, both scheduled for Board discussion before end-December 2008. Also, in terms of knowledge generating and analytical activities, the Bank provides support to the SDR sustainable land management agenda with activities financed through the TerrAfrica partnership platform, and is also preparing with the GoN an irrigation sector review. The Bank also supports the SDR through the series of Rural and Social Reform Credits (RSRCs), IDA's Development Policy Credits to Niger, approved in June 2006 and 2007. More specifically, the RSRCs help the GoN (i) improve local governance of natural resources through further decentralization of land administration; (ii) reduce household vulnerability to food insecurity and improve the country's capacity to manage and prevent food crisis; and (iii) increase contribution of irrigation to agriculture GDP.

6. Education sector. Within the framework of the Fast Track Initiative (FTI), Government has prepared a ten-year development plan in the education sector (PDDE) for 2003-2013 in collaboration with the Bank and other donors. The key objectives of the government program, which focuses mainly on primary education, are: (i) increasing access to both formal and non-formal basic education, in particular for children in rural areas, girls, and the poor; (ii) improving the quality and relevance of education; and (iii) developing capacities for the strategic and operational management of the sector at both the central and regional levels and increasing responsibilities assumed at the community level. The post-primary education program was adopted on January 16, 2008 and will help to define a strategic framework to ensure sustainable expansion of the secondary and other segments of the system as a response to the growing demands from the primary education leavers. The Bank's Basic Education Project (US\$30 million) supports improved access of the poor to primary education services. In addition, the first and second Rural and Social Reform Credits (RSRC-I and RSRC-II), are helping the government to (i) implement reforms to increase access of the population to basic education of acceptable quality; (ii) improve personnel management and budget allocations to the education sector; and (iii) foster governance and accountability through information sharing and empowering the community in the education sector. In the context of the FTI, the Bank facilitated the establishment of a Pooled Fund supplied by several donors to finance the PDDE. This Pooled Fund had been frozen following findings of an audit which revealed mismanagement of resources. Government, in earlier 2007, agreed with donors on fiduciary corrective measures to address this issue allowing the resuming of funding by external partners for this sector.

7. Health sector. The Bank has worked with government on the preparation of the Strategic Orientations for Health Sector Development. In 2002, Government adopted a ten-year health policy strategy (2002-2011). Its main objectives are to further improve access to health services facilities (from 47 percent in 2000 to 80 percent in 2011) and to reduce the incidence of infectious diseases, by promoting new approaches, including preventative behaviors. To make this strategy more operational, Government adopted a five-year development plan for the sector in January 2006 and the Bank approved a US\$35 million IDA credit for the Institutional Strengthening and Health Sector Support project to support a sector-wide

approach project (SWAP) that also covers reproductive health and malaria services. Through the RSRCs, the Bank is also working with Government to consolidate and enhance its reform efforts in the health sector designed to contribute to the following three strategic areas:

(i) improve the effectiveness of health services provided through appropriate management of human resources; (ii) improve the efficiency of basic health services provided through appropriate financing of the sector; and (iii) improve the access to basic health services. The Bank has also provided to Niger a \$25 million IDA Grant for a multi-sector HIV/AIDS project approved in April 2003.

8. **Population.** Niger's ability to reduce poverty levels and to meet the MDGs is constrained by its high rate of population growth, estimated at 3.3 percent per annum. Aware of the need to manage demographic dynamics, the government created in March 2007, a new Ministry of Population and Social Reform. The government also adopted in February 2007 a National Population Policy¹⁸. At the government's request, a multi-sector demographics operation was prepared and negotiated by the Bank to address the challenge of rapid population growth. The Project was approved by the Board on June 19, 2007 for an amount of US\$10 millions. As part of the project, the government would launch a communication and sensitization strategy to build national consensus on issues related to improve the status and protection of women and to reduce fertility rates. In addition, the RSRCs will also promote the: (i) launch of information and awareness campaigns on premature marriage and family planning; and (ii) the implementation of action plans to improve the status of women, including organizing a national forum to build consensus.

9. **Poverty monitoring.** The Bank worked closely with the government to prepare a poverty profile that served as the basis for the PRSP poverty diagnosis. While this diagnosis was considered thorough and comprehensive by the Joint Staff Advisory Note (JSAN), it is outdated as it is based on household survey data from 1993. Updating the existing database is a priority for the Government which recently completed a nationwide census. Preparation of a new household survey, to be partially funded by the government and the Bank, was launched in April 2007 and is expected to be completed in May 2008. A Demographic and Health survey was completed in February 2007. Results showed encouraging improvement of health indicators (infant and child mortality decreased by 34 percent and 28 percent respectively). The Bank-financed Core Welfare Indicators Survey (CWIQ) was completed in May 2006 with a validation workshop held in Niamey. It provides updated social indicators which are needed for the PRSP update and assessment of progress towards PRSP targets.

10. The Bank, together with other donors, is also advising the authorities on strengthening institutional arrangements for the monitoring and evaluation of poverty trends in the context of the PRSP, especially by enhancing the capacity of the National Statistics Institute (INS).

¹⁸ Déclaration du Gouvernement en matière de Politique de Population (DGPP).

In that context, under the RSRC-1, the legal framework required for INS functioning was strengthened last December 2006 with the adoption of personnel status by a Bill signed by the Minister of Economy and Finance following the appointment by decree of the INS Board President. With this new legal framework, the INS now has an autonomous personnel payroll scheme in place and the authority to select and hire technical staff without MEF approval. Finally, the INS has prepared the multi-year statistical development plan (2008-2012) to program its activities in the medium-term and secure the requisite financing which was validated by the National Statistical Council in September 2007 and adopted by government Decree on January 16, 2008.

11. In addition, the Bank has financed the revision of the 2001 Participatory Poverty Assessment (PPA) as a contribution to the government's efforts to update and strengthen the knowledge base on poverty and social development.

C. Areas where Bank and Fund share the lead

12. **Poverty reduction strategy.** Together with other external development partners, the Bank and Fund have jointly provided assistance to the government in the preparation and updating of its PRSP and the preparation of the Brussels Round Table on PRS financing. Since its completion, both institutions have jointly advised the authorities on the refinement and implementation of the strategy. The four progress reports on the implementation of the PRSP have been prepared with the assistance of the Bank, the Fund and other development partners.

13. **Food Price Increase.** Food prices increased by 15.5 percent in March 2008 compared to the previous year; of which cereal prices increased by about 25 percent and cooking oil by about 27 percent. Niger has suspended the VAT and customs duties on rice imports for three months in an effort to alleviate the impact of the increase in food prices on consumers. Niger imports annually about 160,000 tons of rice, with fiscal revenues estimated at CFAF 9 billion (US\$21 million). The Bank is working with the government to restructure the ongoing projects in relevant sectors to help mitigate the short-term impact of the food price increases and support community efforts to increase agriculture production over the medium-term.

14. **Debt sustainability.** In April 2005, the Executive Boards of the Bank and Fund endorsed a joint framework for Debt Sustainability Analysis (DSA) in low income countries. A joint Bank/Fund DSA under this framework was completed in December 2006 and updated in October 2007. The DSA indicates that Niger's risk of debt distress is moderate thanks to significant debt reduction achieved in the context of the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI). Niger is receiving 100 percent debt cancellation from the IMF and IDA under the MDRI, which will free up some US\$30 million per year over the next decade. Staff assessed that despite low current levels of debt, Niger remains at moderate risk of debt distress over the medium and long term. The results of the DSA underscore the need for the authorities to pursue prudent debt policies, seeking maximum

concessionality, combined with sound macroeconomic management and export diversification. The urgent need to build technical and institutional capacity for debt management has been stressed by the Bank and the Fund. Several measures aiming to strengthen the external debt unit were implemented as structural benchmarks under the previous PRGF. Bank and Fund staffs have also supported the external evaluation of the use of HIPC resources under the President Special Program. As agreed in the Bank's Public Expenditure Reform operation (PERCG), the government integrated HIPC resources into the human development sectoral expenditures included in the 2006 Budget Law and is in the process of expanding this to rural development expenditures following completion of the rural sector MTEF in June 2006 and the elaboration of sector Program Budget.

15. **Budgetary and public expenditure reforms.** Strengthening public finances is a prerequisite for 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, accounting and cash management system. The Fund with the support of West AFRITAC is also providing key contributions to improve budgetary processes: a number of important measures, such as preparation of budget review laws and computerization of budgetary expenditure, have been included as structural benchmarks in the previous PRGF arrangement. In 2004, the Bank prepared jointly with the government, EU, AfDB and France a comprehensive assessment of Niger's Public Expenditure Management Systems and Capacities (Public Expenditure Management and Financial Accountability Review: PEMFAR). In addition, a "Code de Conduite" on Public Finance was adopted in March 2007 by the government. The Bank has supported budgetary reforms through five adjustment operations (PEAC I, PEAC II, PERCG, RSRC I and RSRC II). Consolidating and deepening these reforms (based on the PEMFAR priority action plan) was a critical objective of the RSRC I & II. The Country Procurement Assessment Report (CPAR) was updated in 2004. Also in March 2007, the government adopted a new procurement code consistent with the WAEMU guidelines and the Bank is providing TA in coordination with other donors to enhance the capacity of the different public procurement bodies.

16. **Financial sector reform.** The government launched a comprehensive financial sector reform program in 2002. Supported by the Financial Sector Technical Assistance Loan approved in February 2004, the program covers the regulatory and legal environment, the banking sector, micro-finance, postal financial services and social security. Some progress has already been realized. Two commercial banks, BCN and BINCI and three insurance companies were restructured and recapitalized. Audits of all major micro-finance institutions have been completed and restructuring plans for the post office have been drawn. Decision was made in September 2007 by the regional council of ministers to raise the minimum capital required for banks (from CFAF 1 billion to CFAF 5 billion) and quasi banks (from

CFAF 300 million to CFAF 1 billion) with the aim of improving the solvability of financial institutions and their resilience to crisis. In the next two to three years, measures will be taken to improve the legal and judicial environment (modification of legislation for the issuing of land titles, improvement of the legal framework for the taking of guarantees, training of magistrates, etc.). The privatization of the Housing Bank (CDN) should have been either privatized or liquidated by end December 2006 but the government requested to extend the deadline for the privatization process to be completed by end-March 2008. Some progress has been made in the process. Based on its adviser's assessment and proposed options for privatization, the government published in December 2006, an international tender to privatize CDN to a strategic investor. Five (5) bidders were qualified. The local Community Lending Bank (CPCT) should be restructured. Micro-finance institutions will be restructured on the basis of the results of the audits, and the supervisory unit at the Ministry of Finance and Economy will be strengthened with the creation of a Microfinance Institutions Regulation Authority by decree on April 6, 2007. The post office was split into two entities in 2005, Niger Post, for pure mail transactions, and FinaPoste, a financial services affiliate. Finally, an actuarial audit was conducted of the CNSS, the social security institution.

17. **Civil service reform and decentralization.** The reform and modernization of the civil service is an important element of Niger's PRSP, yet there has been little progress in this area so far. The authorities are currently 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 previous PRGF arrangement, which had set quantitative benchmarks for the wage bill. The planning for the implementation of the legal framework for the political decentralization of 1996 has recently gained momentum. Following the first local elections of July 2004, the government needs support with reforms to strengthen capacity at the local level and deal with the fiscal implications of decentralization. To help the government address some of these concerns, the Community Action Program and the forthcoming Local Urban Infrastructure Development Project (planned for FY08) will help build capacities in rural communities in planning, implementing, and monitoring micro-development projects.

18. **Extractive Industry Transparency Initiative (EITI):** Niger expressed its adhesion to EITI at the March 2005 London Conference after the endorsement of the initiative at the Council of Ministers. Niger has since been working on a draft institutional setup for EITI implementation which is expected to include: i) a management council composed of the main ministers involved in the administration of extractive industries in Niger and headed by the Prime Minister, ii) the consultative council including representatives of the partners for implementation i.e. the public institutions, the civil society and the companies, and iii) a permanent secretariat headed by the EITI implementation supervisor. A national workshop took place on September 6-7, 2006 to launch the initiative in Niger and was chaired by the Prime Minister. Niger is a full member of EITI since August 2007, with the appointment of the EITI Permanent Secretary and the validation of the action plan. The Bank plans to

support the country to broaden the focus on EITI revenue transparency agenda by covering the entire breadth of resource chain, from extraction, to other stages such as processing, managing revenues and promoting sustainable and efficient use of public resources.

D. Areas in which the Fund Leads

19. **Macroeconomic management.** 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 dialogue on macroeconomic policy reforms. The program has made satisfactory progress since approval of the first PRGF arrangement in 2000 by achieving most of its benchmarks and overall positive fiscal performance. A second PRGF was approved in January 2005 and five reviews were successfully completed to date. The sixth review will be discussed at the Fund Board by end-May 2008 together with a new PRGF arrangement. 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; elaborate MTEF and Program Budget in key sectoral ministries (Education, Health and Rural Development); and macroeconomic modeling.

20. **Fiscal policy.** Fiscal consolidation is a key objective of the PRGF and is supported by a number of performance criteria and benchmarks. Increasing budgetary revenue in order to progressively lower the government's reliance on external assistance is particularly important, given Niger's low level of revenues, compared with regional partners in WAEMU. In terms of expenditures, the Fund is mainly concerned with overall budget envelopes, while the Bank focuses on inter and intrasectoral allocations and protection of key expenditure items in Education, Health and Rural Development.

21. **Monetary policy.** The Fund leads the policy dialogue on monetary policy, which is set by the regional monetary authorities (BCEAO).

E. World Bank Group Strategy

22. The Bank's most recent Country Assistance Strategy (CAS) covered the period 2003 to 2005 and was approved by the Bank's Board in January 2003. It supports the implementation of the PRSP. A new CAS is under preparation and will be discussed at the Board on May 29, 2008.

23. As of April 28, 2008, the World Bank's lending portfolio in Niger consisted of eleven IDA active operations, with a total commitment of US\$315.9 million, of which US\$120.8 million is undisbursed. IDA assistance has helped reduce the volatility in ODA by compensating short-term declines in assistance from other partners, in particular throughout two Rural and Social Reform Credit and Grant. IDA has also been responsive to regional exogenous shocks that have implications for Niger. For instance, an Africa Emergency

Locust Project (AELP) aiming at fighting the locust's infestation in West Africa was delivered in FY05 and a Niger Avian Influenza Control and Human Pandemic Preparedness and Response Activities program (Component F of the Community Action Program) was approved by the Board on December 18, 2007. A Health sector SWAP and RSRC 1 were delivered in FY 06. IDA assistance to Niger in FY07 was 100 percent on non-repayable grant terms. Additional IDA Financing of \$10 million (Grant) was provided for the Water Sector project in July 2006. In FY07, the Bank has delivered two additional projects, RSRC 2 (\$50 million IDA Grant of which 25 millions were disbursed in August 2007) and the Multi-sector Demographic Project (\$10 million IDA Grant), both approved by the Board on June 19, 2007. Within a medium-term framework, and building on the previous three budget support operations as well as ongoing investment projects in agriculture, education, and health, the RSRC series focus on helping the government overcome policy constraints and institutional bottlenecks in: (i) public sector management; (ii) growth and agricultural development; and (iii) human development, including demographic growth and gender issues. Going forward, the RSRC series will shift to support the accelerated and shared growth agenda, in particular to support policy reforms in the area of infrastructure and private sector development, the Growth Support Budget Financing of about US\$30 millions will be delivered by end-October 2008.

Table 1: Niger Status of World Bank Portfolio (all IDA)

(In millions of U.S. dollars, as of April 28, 2008)

	Commitment Amount (US\$ millions)	Undisbursed	Approval Date	Closing Date
Rural and Social Sectors Reforms Grant II (RSRC II)	50.0	25.0	19-06-07	30-06-2008
Multi-Sector Demographic Project	10.0	9.9	19-06-07	31-03-2013
Niger Basin Water Resources Development and Sustainable Ecosystem Management project	15.0	14.9	03-07-07	31-01-2013
Instit. Strengthening & health Sector Support Program (ISHSS)	35.0	30.3	05-01-06	30-01-2011
Locust Emergency	9.9	5.0	16-12-04	30-06-2009
Water Sector	48.0	8.9	03-05-01	31-12-2008
Private Irrigation Promotion	38.7	2.3	19-03-02	31-12-07
Community Action Program	39.5	0.4	20-03-03	30-06-2010
Basic Education	30.0	7.5	17-07-03	31-12-2007
Multi-sector STI/HIV-AIDS	25.0	7.7	04-04-03	30-06-2008
Financial Sector TA	14.8	8.9	19-02-04	30-04-2008
TOTAL	315.9	120.8		

24. The Bank's AAA program helps the government in areas such as poverty analysis, gender, population growth, sources of growth, and the Millennium Development Goals (MDGs). The AAA program also aims at reinforcing public sector capacity in pursuit of the PRSP's objectives and in preparing Niger to transition to consolidate programmatic lending. In support of these objectives, sector work on population, rural development, public expenditure management and financial accountability review (PEMFAR), CPAR, and Participatory Poverty Assessment have been completed. A Country Economic Memorandum (CEM) focusing on accelerating growth and achieving the MDGs in Niger was prepared in FY06 and finalized with comments from the government of Niger and is expected to be disseminated in October 2007. The draft chapters of the Diagnostic Trade Integration Study were discussed together with the final report of the Investment Climate Assessment at a national workshop held in Niamey on June 26-27, 2007. The ICA report portrayed a negative environment for the private sector in Niger; however the government is taking corrective measures to improve the business environment with TA from donors. To help the government reduce vulnerability to food insecurity and develop a comprehensive social protection strategy, the Bank is preparing a sector work on food security and social protection for Niger. Finally, the Bank is preparing a Public Expenditure Tracking Survey (P.E.T.S.), initially in the education and health sectors. The objectives of the P.E.T.S. is to improve the efficiency of public spending in social sectors and enhance the social sector outcomes by tracking leakages, execution rate, and delays of public spending as well as document administrative procedures.

25. The Bank is committed to enhancing external partnerships and donor harmonization within the framework of the Government's efforts to mobilize and coordinate donor support under the PRSP. In addition to the strong partnership with the Fund, the Bank is collaborating with a number of donors in different areas, including the European Union (EU), the African Development Bank (AfDB), the United Nations Development Program (UNDP), and key bilateral donors.

Statement by the IMF Staff Representative
May 28, 2008

1. The following information has become available since the staff report (www.imf.org) was issued. It does not alter the thrust of the staff appraisal.

2. The Council of Ministers approved the supplementary budget in mid-May, and National Assembly approval is expected by the end of May. In addition to the CFAF 70 billion in spending shown in the staff report, the supplementary budget includes additional foreign-financed spending of CFAF 8 billion (0.4 percent of GDP) linked to Islamic Conference project aid for the agricultural sector, US Millennium Challenge grants for education and governance, and emergency budgetary support from the West African Economic and Monetary Union (WAEMU).

3. On the revenue side, new measures include (i) extension for the full year of the suspension of taxes on imported rice, which had been initially envisaged only for three months starting in March 2008; (ii) suspension for the full year of the VAT on domestically produced rice; (iii) suspension for the year of the excise tax on vegetable oils and the import tax on milk, and (iv) small reduction of the taxable base for sugar and flour for customs purposes. The cost of these measures is estimated at 0.6 percent of GDP, the bulk of which is generated by the measures on rice; the initial estimate given in the staff report was 0.2 percent of GDP for the three-month suspension of tax on imported rice. The revenue shortfall is offset by higher projected revenue from the re-export tax on transit trade to Nigeria and the profit tax on mining companies, and by refunds from the WAEMU of taxes on border trade. Corrections of the paragraphs of the MEFP related to the supplementary budget (¶¶ 37 and 38) have been issued (www.imf.org).

4. The authorities have indicated (www.imf.org) that they may request an augmentation of the arrangement should additional resources be needed to deal with the increase in international hydrocarbon and food prices.

5. The CPI fell by 0.2 percent in April, reflecting a welcome small decline in the price of rice and millet, which had increased significantly over the last six months. The suspension of taxes on rice in March 2008 presumably contributed to the decline.

6. The balance of payments projection for 2008 given in the staff report, indicating a current account deficit including grants of 9.6 percent of GDP, was calculated on the basis of recent price projections for refined petroleum products for 2008. Although the Research Department's latest oil price projections for 2008 indicate a further price increase of 17 percent, staff estimates that the impact of recent oil trends on the balance of payments of Niger in 2008 will be modest, on the order of 0.1 percent, for two reasons: First, the petroleum price most relevant to Niger's imports is that of refined products, Mediterranean origin, for which the increase from the average 2007 level has been lower than for the three main petroleum crudes. Second, the CFA franc has appreciated by another 5 percent against the US dollar from the level used in the staff report projections for 2008.

7. While the security stock of cereals is relatively high (68,000 tons), there are concerns that it would be inadequate for interventions for vulnerable populations should the September–October harvest be lower than expected. Donors are therefore seeking to accelerate imports of cereal for the reserve (120,000 tons), which should take place in the next few months. However, tensions in world cereal markets are making this more difficult.



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International Monetary Fund
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**IMF Executive Board Completes Sixth and Final Review Under the PRGF
Arrangement with Niger and Approves New US\$37.5 Million Successor PRGF
Arrangement**

The Executive Board of the International Monetary Fund (IMF) has completed the sixth and final review of Niger's economic performance under a three-year Poverty Reduction and Growth Facility (PRGF) arrangement approved on January 31, 2005 for SDR 6.58 million (about US\$10.7 million) (see [Press Release No. 05/20](#)). The arrangement was augmented to SDR 26.32 million (about US\$41.9 million) on November 14, 2005 (see [Press Release No. 05/251](#)), and extended to May 31, 2008.

In completing the sixth and final review of Niger's PRGF-supported program, the Executive Board granted waivers for the non observance of the end-December 2007 quantitative performance criterion on the reduction in domestic payments arrears on government obligations and the continuous structural performance criterion on the application of the pricing system for petroleum products.

The Executive Board also approved a successor SDR 23.03 million (about US\$37.5 million) PRGF arrangement to support Niger's efforts to move towards meeting the Millennium Development Goals (MDGs) while preserving economic stability. An initial disbursement of SDR 3.29 million (about US\$5.4 million) will become available on June 2, 2008.

At the conclusion of the discussion on Niger's economic performance, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, stated:

"The Nigerien authorities are to be commended on the overall satisfactory performance under the PRGF-supported program. Economic growth in 2007 has been sustained for the third year in a row, and prospects for growth in 2008 are encouraging. The authorities have appropriately supplemented the fiscal space provided by debt relief with revenue mobilization, and allocated significantly more resources to the social sectors and infrastructure. Important progress was achieved in budgetary preparation, execution, and controls. The recent acceleration of inflation, mainly due to higher import prices for staple goods and hydrocarbons, will require timely responses in the period ahead.

“The budgetary performance in 2007 was good, with higher than expected tax revenue, and expenditure in line with targets. The supplementary budget for 2008, which allocates large exceptional revenues received in late 2007 and higher mining revenues, appropriately focuses on priority development expenditures. It is important that recent tax measures aimed at dampening the price increase of imported food staples be targeted to benefit the most vulnerable groups.

“The new three-year program supported by a new arrangement under the PRGF aims at promoting growth within a stable macroeconomic framework. It appropriately focuses on improving the alignment of the budget with the priorities of the new PRSP, enhancing budgetary execution, boosting tax revenue, and further strengthening budgetary transparency and controls. Further improvements in budgetary management will enhance the effectiveness of government priority programs, and help mobilize additional donor resources to allow Niger to advance toward the Millennium Development Goals.

“To preserve debt sustainability, the authorities are committed to continue to implement a prudent debt management policy, with emphasis on grants and borrowing on highly concessional terms for highly productive projects.

“The program includes measures to enhance further the business environment and the investment climate, which are essential in order to achieve higher economic growth. Actions under way to strengthen the microfinance sector and reinforce existing financial institutions should facilitate access to credit and deepen financial intermediation,” Mr. Portugal said.

Recent Economic Developments

Niger made significant economic progress in recent years. Average growth reached 5.3 percent from 2005 to 2007, reflecting solid performance in agriculture, construction, transports and telecommunications. The investment ratio averaged 22 percent, and was characterized by robust performance in both private and public investment. Inflation declined in 2006. Nevertheless, rising oil and cereal prices in the second half of 2007 brought the inflation rate at end-2007 to 4.7 percent on a 12-month basis.

Fiscal revenue grew to 15.5 percent of GDP in 2007 from 10.8 percent in 2005. This increase, along with additional fiscal space resulting from external debt relief under the Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI) in 2006, allowed for an increase in public spending to 22.3 percent in 2007 from 20.4 percent in 2005. The overall fiscal deficit was reduced to 6.9 percent of GDP in 2007 from 9.6 percent in 2005.

The reform program has contributed to a substantial fiscal management improvement. At the same time, significant progress was made in expenditure management, with a focus to identifying and tracking public expenditure on poverty reduction.

Program Summary

The government program's main objective is to consolidate economic growth and reduce poverty while maintaining the fiscal equilibrium required for macroeconomic stability. The macroeconomic framework for 2008-11 program is based on an average annual growth of about 5 percent, mainly supported by investments in agriculture in the context of the implementation of the rural sector strategy. Additionally, uranium production should more than double by 2012.

With regard to the inflation, the objective is to limit the average annual rate to 2 percent for the duration of the program., which would be in compliance with West African Monetary Union (AEMU) convergence criteria. The basic fiscal deficit for 2009-11 is expected to remain close to 2 percent of GDP.

Improving the business climate is a key factor for ensuring sustained growth over the medium term and for diversifying the economy.

The PRGF 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 the country's Poverty Reduction Strategy Paper. This is intended to ensure that PRGF-supported programs are 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 5½-year grace period on principal payments.

Statement by Laurean W. Rutayisire, Executive Director for Niger
May 28, 2008

I would like to convey my Nigerien authorities' deep appreciation of the strong relationship and constructive dialogue that Niger maintains with the Fund. In particular, they thank staff for their collaborative engagement. The valuable policy advice of staff has been critical in contributing to maintain the PRGF program on track, particularly in a context of security concerns in the northern part of the country, which is compounded by the high—and still rising—oil and food prices, as well as cereal security concerns. My authorities appreciate staff's analysis on the key challenges facing the country over the medium term, and they look forward to continued dialogue on the policy priorities for the period ahead.

The successful implementation of the two consecutive PRGF arrangements over 2000-2004 and 2005-2008, as well as the lessons drawn from the satisfactory execution of the 2002-2005 PRSP, has enhanced my Nigerien authorities' program ownership. Such a positive development has contributed to improving their ability to manage Fund-supported programs, while enhancing the credibility of their commitment to future reforms. As many challenges still lie ahead, and given the remaining institutional and human capacity gaps, continuous Fund engagement in Niger is of critical importance. In this regard, in implementing a new Fund-supported program, my authorities intend to build upon the positive outcomes obtained during the current program, in particular by further improving the country's financial position through the strengthening of existing revenue mobilization measures and a better control of quality expenditures, while taking advantage of lessons drawn from weaknesses experienced throughout these years.

Based on their policy and reform track record since the last review, my authorities request waivers for the two missed performance criteria and the completion of the sixth review under the current PRGF program. They also request Board's approval of a successor PRGF program to enable them to tackle the remaining macroeconomic and structural reform challenges the country still faces.

I. Recent Economic Developments and Performance under the PRGF Program

Niger has made significant strides towards macroeconomic stabilization. GDP per capita has grown throughout the two PRGF-supported programs, with the exception of 2004 where drought shocks hit the economy with a significant adverse impact on agricultural production. Many social indicators, notably in the education and health areas have improved, enabling Niger to make progress among member countries in the UNDP Human Development ranking. Political stability, reflecting a good functioning of democratic institutions, and exceptional weather conditions are among the key reasons of these welcome developments.

Annual growth reached an average rate of 5.3 percent between 2005 and 2007 against 4.1 percent in 2002-2004. This reflects broad-based economic activities, stemming not only from the agriculture sector but also from construction, transport, and telecommunications

sectors. However, facing the high political and social risks (including risk of riots) of the continued trend of increasing food prices, my authorities have suspended taxes on imported rice. They have also taken this opportunity to strengthen adequately food security, by accelerating the replenishment of cereal security stocks, which reached 78,000 tons at end 2007 against 65,000 tons last August. Efforts are underway aiming at boosting local rice production, revamping groundnut production and increasing oil refining.

With technical assistance from the Fund, the World Bank and other donors, my Nigerien authorities have diligently implemented several reform measures aimed at improving public finance management. These include the reinforcement of tax and customs administration, the simplification of tax code, the reduction of the number of nonfilers, the adoption of new budget classifications, which could facilitate the identification of poverty-related spending, the tightening of custom controls and procedures for procurement, and a better monitoring of budget execution. As a result, the level of revenue collection increased steadily, along with that of priority spending, while the basic budget deficit was brought back to an average of 1.1 percent of GDP between 2005 and 2007 (from 2.9 percent of GDP in the period 2002-2004). The good track record of policy implementation helped Niger benefit from HIPC and MDRI debt relief, bringing thereby the debt-to-GDP ratio from 52 percent at end 2005 to 16.3 percent at end 2007.

Thanks to the growing interest of external investors in the mining and telecommunications sectors, as well as the positive effect of the upward adjustment of 50 percent in uranium export prices, the external current account improved markedly. As for the capital account, capital inflows originated from both public and private external sources, with the later comprising mainly direct investments.

On the monetary and financial front, positive developments reflected banking sector's holding of substantial external assets. Credit to the economy has also continued to expand, accompanied by several reforms aimed at improving the financial soundness of banking institutions. Other structural endeavors comprise efforts to ensure financial soundness of public enterprises and to improve the business environment.

The program performance since the last review has been broadly satisfactory. All quantitative performance criteria were met, except that related to the reduction of domestic arrears, which was missed by a small margin and was observed in February 2008. A preliminary assessment at mid-May 2008 shows continuous observance of these criteria up to date.

As regards structural performance criteria, all of them were met at end-2007. However, the continuous structural performance criterion on the pricing of petroleum products was missed in May 2008. This nonobservance is due to a recourse to tax deferment given that, with the current level of international oil prices, it became impossible to apply the full pass-through without incurring the risk of violent social unrests, similar to those experienced in March 2005 and recently experienced in many countries in the region. I have many times in the Board raised concerns over such real difficulties experienced by a number of countries in my constituency in the application of the automatic oil price adjustment mechanism. The

approach to this problem should be reconsidered more profoundly by the Fund with the aim to take into account the capacity and political economy constraints facing the individual countries, particularly in face of the current world oil and food price shocks. Regarding the structural benchmarks, 8 out of 11 of them were met. Regarding the two among the three missed benchmarks related to the settlement of arrears with local companies, my authorities are seeking a credible framework of negotiations, which could be acceptable by both parties. The completion of the third benchmark, which is related to the reduction of threshold of contracts on public procurement from CFAF 300 to CFAF 100 million, was rescheduled for September 2008.

II. Key challenges and Medium-term objectives

My Nigerien authorities are in full agreement with the staff on the key challenges they face going forward, which have been laid out in their Accelerated Development and Poverty Reduction Strategy. These include the need to consolidate growth and reduce poverty while preserving fiscal and debt sustainability.

Regarding the annual rate of 5 percent retained as medium-term growth objective under a new PRGF arrangement, my authorities recognize that it is not sufficient to meet all the MDGs by 2015. However, this objective has been set based on realistic assumptions which are consistent with the current economic and structural constraints facing the Nigerien economy, in particular the limited access to financing, the inadequate private sector support mechanisms in the country, and the weak business environment whose improvement requires several reforms currently underway. Other reforms aimed at boosting growth include measures to modernize agriculture, diversify the production and export bases, and enhance competitiveness.

In their new strategy of poverty reduction, my authorities have put emphasis on developing infrastructure. To this end, they have taken steps to finalize the medium-term expenditure framework (MTEF) for infrastructure and transportation, after those already achieved for education, health, and rural sectors. In their efforts to track priority spending, they have established since 2007 a standard list aimed to identify this category of expenditure, and envisage for the coming years to raise the level of these outlays beyond the current 13.2 percent of GDP. In their daunting endeavors to build infrastructure and reduce poverty, my authorities greatly appreciate the timeliness and predictability of external aid while highlighting the need to move ahead with appropriate reforms in order to maintain donor confidence. Timely external assistance is all the more critical as Niger is facing acute challenges with (i) tensions in world cereal markets, which makes it difficult to raise the country's security stock of cereals to a more comfortable level, and (ii) the sharp rise in international hydrocarbon and food prices, which may necessitate an augmentation of the PRGF arrangement going forward.

In order to maintain debt sustainability reached following debt relief under the HIPC and MDRI, my authorities remain committed to contract debt on concessional terms, on the same basis as during the ending program. They will also continue to strengthen public debt service to improve debt planning and monitor sustainability. I would like to take this opportunity to

reiterate my authorities' call to the Fund to contribute actively to the efforts they are making to address the aforementioned challenges and preserve the gains achieved in macroeconomic stability and debt sustainability going forward.

III. The 2008 program

Fiscal Policy

The fiscal policy envisaged in 2008 puts more emphasis on the financing of priority sectors, including health, education, agriculture and governance, complying thereby with the objectives set forth in the DRPS. In so doing, my authorities will pay closer attention to the quality and transparency of fiscal management, and to accelerating the implementation of the Public Expenditure Management and Fiscal Accountability Review (PEMFAR). Taking into account the difficult situation created by the high food and oil prices and also incorporating additional foreign financing and budgetary support, notably from the Islamic Conference, the US Millennium Challenge Account and the WAEMU, a supplementary budget has been approved by the Council of Ministers recently and should be passed by the National Assembly soon.

On the revenue side, efforts underway in tax and customs administration will be reinforced in order to attain the 2008 revenue collection objective of 11.5 of GDP. Key measures towards strengthening the Investigation and Research unit and the Audit unit, improving tax audit, preparing the investment law, and enhancing real estate tax collection are being adopted. Concerning the latter measure, my authorities request technical assistance from the Fiscal Affairs Department to assess its impact on investment decisions in this area. Higher-than-projected revenue at end-April helps offset the revenue shortfall expected from new tax-reducing measures to alleviate the burden on the populations of rising prices of rice, vegetable oils, milk, sugar and flour.

With regard to expenditure, the envisaged measures aim to enhance fiscal oversight and the procurement units in the ministries, increase staffing in the Directorate having in charge the control of government procurement, improve the functioning of spending units, and further strengthen the audit court. In order to speed up the consumption of budget appropriations, a pilot unit will be created by mid-2008 with the specific objective of accelerating spending procedures. My authorities are well aware of the need to clear domestic arrears. In this regard, they are committed to meet the target of eliminating CFAF 15.2 billion in 2008, by giving priority to private suppliers.

Monetary Policy and Financial Sector

While pursuing their policy of keeping inflation under control, in particular by channeling government financing towards the regional capital market, my authorities will continue to remove the existing obstacles to financial intermediation, particularly by favoring credit to the economy. Their goal is to reach the projected credit growth of 12 percent in 2008.

Regarding the financial sector, in spite of its relatively sound financial position, my authorities intend to pursue the reforms underway. In this regard, the decree organizing the procedures for settling deposits at the former postal savings office will be adopted before end-September 2008. The new postal institution is scheduled to start its operations in 2008, and World Bank's assistance is expected to support the process. Likewise, the microfinance network will be strengthened. My authorities welcome the scheduled FSAP mission for September 2008. Its program, which includes analyses of factors limiting access to credit, is consistent with the government's objectives of improving financial intermediation and the business climate.

Other Structural Reforms

My authorities are fully committed to press ahead with the implementation of the structural reform agenda. As regards the business climate, they have already put in place an action plan which is being enriched by World Bank and private sector's inputs. In order to render the mining sector more attractive, the mining law adopted two years ago has been revised in early 2008. With the acceptance of Niger as an EITI candidate country in September 2007 and taking into account the increasing interest shown by external investors in the mining sector, my authorities are making every effort to obtain a full EITI membership status.

IV. Conclusion

My Nigerien authorities have shown firm commitment to sound macroeconomic policies and reforms, as evidenced by the satisfactory implementation of the ending PRGF-supported program, as well as the important accomplishments made in the implementation of the PRSP, in particular in the health and education sectors. The finalization of a new poverty reduction strategy, largely supported by donors at the Conference held in Brussels last October, is also an important achievement. My authorities believe that an adequate approach to boost growth requires the firm implementation of their strategy, which supposes strengthening domestic revenue collection, maintaining macroeconomic stability, pursuing efforts to diversify production, executing steadfastly priority programs, and enhancing the business environment.

Maintaining a sustainable debt position while seeking additional financing needed to carry out their DPRS and make progress towards the MDGs remains an important challenge for my Nigerien authorities. More predictable and timely donor support is required to meeting the country's economic and developmental goals without endangering debt sustainability. In this regard, the authorities rely on the continuous support of the Fund, in particular through its catalytic role in mobilizing development partners' assistance. On their part, my authorities remain committed to pursuing a prudent external debt strategy in the post-HIPC and MDRI era. They will continue to aim at contracting debt only with a grant element of at least 35 percent in 2008 and beyond. As for the management of existing debt, they continue to apply a prudent approach, consisting of avoiding the accumulation of arrears and building capacity to develop a medium-term debt strategy and to analyze debt sustainability.

Based on their demonstrated track record of macroeconomic policy and structural reform implementation, and their commitment to a sound and realistic economic program going

forward, I would like to ask Directors' approval of two waivers for the nonobservance of performance criteria and their support for the completion of the sixth review under the current PRGF arrangement. In light of the remaining challenges and the shocks stemming from the rising world oil and food prices, I also request the Board's support of my authorities' request of a successor PRGF arrangement.