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Niger: 2008 Article IV Consultation and First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waivers and Modification of Performance Criteria—Staff Report; Staff Supplement; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for Niger

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of a combined discussion of the 2008 Article IV consultation with Niger and the first review under the three-year arrangement under the Poverty Reduction and Growth Facility, and request for waivers and modification of performance criteria, the following documents have been released and are included in this package:

- The staff report for the combined 2008 Article IV Consultation and First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waivers and Modification of Performance Criteria, prepared by a staff team of the IMF, following discussions that ended on October 2, 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 December 5, 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 supplement on the joint IMF/World Bank debt sustainability analysis.

- A Public Information Notice (PIN) and Press Release, summarizing the views of the Executive Board as expressed during its December 19, 2008 discussion of the staff report on issues related to the Article IV consultation and the IMF arrangement, respectively.

- 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*
*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

Staff Report for the 2008 Article IV Consultation, First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waivers and Modification of Performance Criteria

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

Approved by Sharmini Coorey and Anthony Boote

December 5, 2008

Discussions and interlocutors: Discussions were held in Niamey from September 17 to October 2, 2008, and continued in Washington from October 9 to 13, 2008. The staff team comprised Mr. Sacerdoti (head), Mr. Callier, Mr. Gueye, Mr. Salinas (all AFR), Mr. Mansour (FAD) and Mr. Laporte, resident representative for Niger. The mission liaised with the World Bank Resident Mission. The staff team met with Mr. Zeine, the Minister of Finance and Economy; Mr. Gagere, the National Director of the Central Bank of West African States (BCEAO); and other senior government officials. It also met with civil society and donor representatives.

PRGF arrangement and program review: A three-year PRGF arrangement was approved on May 28, 2008, for an amount of SDR 23.03 million (35 percent of quota). Performance under the PRGF-supported program is broadly satisfactory. Corrective actions have been taken for the two PCs that were not observed. On the basis of the authorities satisfactory record of program implementation, staff recommends completion of the first review under the current PRGF arrangement, approval of the request for waivers and modification of performance criteria.

Political developments: The domestic political situation is stable, despite some low-intensity conflict in the North. Presidential and legislative elections are scheduled for 2009.

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EXECUTIVE SUMMARY

Economic developments. Niger's GDP growth is expected to accelerate in 2008 due to a good harvest and to stay close to 5 percent over the next few years due to large investments in mining, petroleum, and irrigation. Twelve-month inflation accelerated to 15 percent in mid-year, but abated to 12 percent in October, and is expected to further decline by end-year.

Response to the food and fuel crisis. The authorities initially suspended taxes on critical foodstuffs but also relied on targeted interventions for vulnerable groups, which made it possible to end the tax suspensions in September. They also froze the retail price of petroleum products, in effect suspending part of the tax on fuel.

Program performance. Budgetary performance was better than expected in the first part of the year. One quantitative performance criterion (PC) for end-June related to domestic arrears reduction was missed. A structural PC was also missed relating to the adoption of modalities for repaying deposits frozen at the postal bank. Corrective action have been taken for both, justifying the request for waivers.

Policy discussions. The staff discussed medium-term growth prospects and the impact of a possible scaling up of aid Annual GDP growth could exceed 5 percent in the medium term, which is not enough for Niger to reach the Millennium Development Goals (MDGs). An increase in foreign aid equivalent to 5 percent of GDP would boost GDP growth by slightly more than 1 percentage point. Such a scaling up would be consistent with maintaining macroeconomic equilibrium, though again it will not be enough to reach the MDGs. The authorities agreed with staff's assessment that the real exchange rate is in line with fundamentals, but efforts are needed to improve competitiveness and reduce the cost of doing business. Although the mining and petroleum projects increase fiscal space, staff suggested that the annual budgetary exercise be set in the context of a medium-term fiscal framework.

Impact of the recent international financial crisis. Downside risk is that a prolonged crisis would affect future telecommunication and mining investments, although investment projects already underway should be secure.

The budget for 2009. The budget is using the exceptional petroleum signature bonus received in mid-2008 to increase investment expenditures in priorrity sectors such as roads, rural development, and electricity generation. As a result the deficit in 2009 is higher than originally programmed. This is justified because the Poverty Reduction Strategy Paper (PRSP) is not fully financed.

I. BACKGROUND

1. **Niger's main challenge continues to be boosting economic growth to sustainably reduce poverty.** The landlocked country, heavily dependent upon drought-prone subsistence agriculture, ranks 174th out of 177 countries on the United Nations Human Development Index. The population is not only among the poorest but also one of the fastest growing in the world (3.3 percent a year). The main source of income for the 80 percent of the population who live in rural areas is subsistence agriculture, traditional cattle raising, and fishing, which account for over 40 percent of GDP. The incidence of poverty is estimated at 62.1 percent; it is higher in rural areas (65.7 percent) than in Niamey (27.1 percent) and other urban centers (55.5 percent).[1]

2. **Since 2000, political stability has been restored; the authorities have followed prudent macroeconomic policies, supported by three successive PRGF arrangements; and GDP growth (averaging 4.4 percent per year) has kept ahead of population growth, except during two devastating droughts.** During the previous PRGF arrangement (2005–2008), which expired in May 2008, significant progress was achieved in macroeconomic stability, revenue mobilization, expenditure management, and restoration of creditworthiness (Country Report # 08/211).[2] Debt relief from the Heavily Indebted Poor Countries (HIPC) and the Multilateral Debt Relief Initiative (MDRI) granted in 2004–06 and prudent borrowing policies have greatly relieved the debt burden and increased fiscal space (see Table 2). Critical factors required to achieve higher growth and reduce poverty, in line with the Poverty Reduction Strategy for 2008–12, are (i) continued prudent macroeconomic management; (ii) improvements in the investment climate; and (iii) considerable external assistance on very concessional terms.

II. RECENT DEVELOPMENTS AND PERFORMANCE UNDER THE PROGRAM

3. **Macroeconomic performance was satisfactory in 2007, although growth decelerated.** It slowed to 3.3 percent in 2007 as the harvest returned to normal after two years of exceptional growth and averaged 5.8 percent for 2005–07. Since 2000, when political stability was restored, average GDP growth in Niger has been higher than in the WAEMU zone as a whole, although lower than in sub-Saharan Africa (see table below). GDP growth was supported by significant increases in the investment ratio, which rose from an average of 13.7 percent of GDP in 2000–04 to 23.4 percent in 2005–2007.

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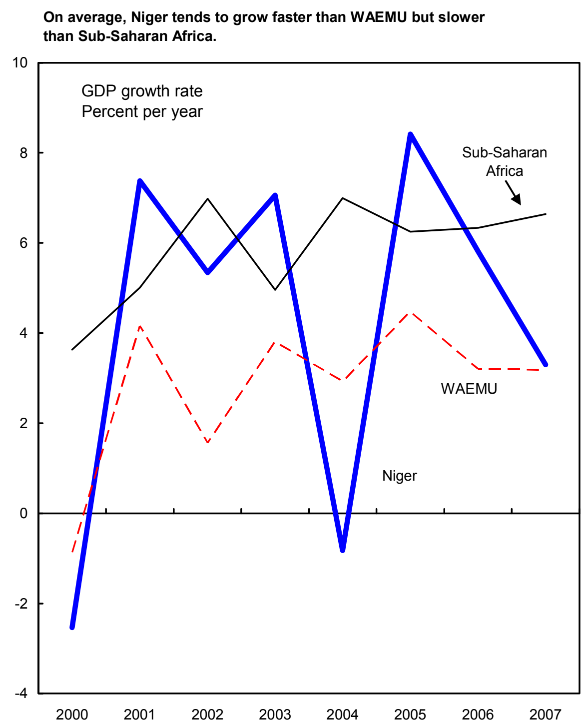
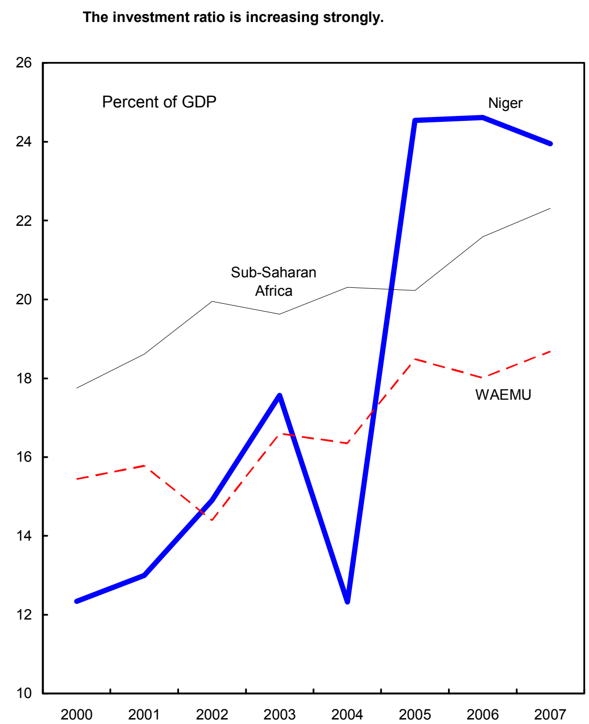
[1] See *Accelerated Development and Poverty Reduction Strategy 2008-2012,* issued in August 2007 (Country Report (CR) No. 08/167).

[2] The 2005-08 PRGF arrangement expired on May 31, 2008. The final review was completed on May 28, 2008, when the Executive Board also approved a successor three-year arrangement effective on June 2, 2008.

4. **Growth accelerated in 2008, to an expected 5.9 percent, supported by major investments in mining and petroleum and an agricultural campaign that benefited from good rains.** However, power distribution has been disrupted by shortages in Nigeria, the source of most of the electricity used in Niger, which slowed industrial activity in early 2008; the authorities have contracted with Chinese suppliers to put in place new power plants to alleviate the problem, at a moderate cost to the capital budget.





Source: IMF REO

5. **As a result of higher world prices for food and fuel, inflation accelerated to 15 percent in the first eight months of 2008, from 4.7 percent at end-2007.** However, inflation is moderated in the last months of the year as a result of the ongoing weakening of worldwide economic activity and the decline in commodity prices on world markets since mid-2008, combined with the good harvests in Niger and the neighboring countries. Inflation, on a 12-month basis, is projected to reach 8.5 percent at the end of 2008 but is expected to decline below 3 percent by end-2009.

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

Performance on WAEMU Convergence Criteria was Satisfactory, 2007[1]

(Percent, unless otherwise indicated)

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

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

7. **Budget performance was satisfactory in 2007 and the first half of 2008.** In 2007, both tax and nontax revenue[3] performed well. Despite a strong increase in current expenditures[4] and domestically-financed public investment, the basic budget deficit remained moderate and below target (at 0.9 percent of GDP). The reduction of domestic arrears, which has been ongoing since 2001, was broadly on track at 0.7 percent of GDP.[5] Public expenditures on education, health, and the rural sector amounted to 9 percent of GDP (marginally below the level of 2006). In the first half of 2008 the basic budget deficit, excluding an exceptional petroleum signature bonus received in June (US$300 million or CFAF 123.4 billion, 5.3 percent of GDP, see below) was lower than programmed, as revenue was in line with the program and domestically-financed expenditure remained well below programmed level. Nontax revenue increased massively in June 2008, with the payment of a signature bonus following the signing of a petroleum production sharing contract (PSC) with China National Oil and Gas Exploration and Development Corporation (CNODC), a subsidiary of the China National Petroleum Corporation (CNPC).

[3] Nontax revenue were boosted by the sale of a telecom licence.

[4] Including purchases of military equipment, which are classified as consumption expenditures.

[5] The stock of domestic arrears is estimated at 6.6 percent of GDP at end-2007. Most of these arrears were accumulated before the restoration of political stability with the 1999 presidential election.

8. **In 2007, the external current account deficit excluding grants widened to 11.1 percent of GDP, despite the increase in the export price of uranium, Niger's main export, and a further increase in the deficit is expected in 2008, to about 12.3 percent of GDP.**[6] The large increase in imports of equipment and petroleum products, as well as the increase in services and payment of income abroad, more than offset the higher export revenue from uranium. In the years ahead, the structure of the balance of payments is likely to be modified significantly as a result of two large oil and mining projects announced in 2008, which will imply a major increase in foreign direct investment and a corresponding widening of the current account deficit. First, as mentioned earlier, in June 2008, the government approved a PSC with CNODC for the exploration and exploitation of petroleum in the Agadem block. Second, the French mining company AREVA confirmed its commitment to develop the large Imourarem uranium mine over the next few years, with an investment of about €1 billion (Box 1).

Fiscal Performance in the First Semester of 2008 was Satisfactory
January to June 2008
(Billions of CFAF)

	CR/08/211 [1]	Prel. Est.
Revenue	148.8	280.8
Of which: signature bonus	0.0	123.4
Total expenditure	268.2	226.1
Of which: domestically financed	*191.4*	*170.6*
Current expenditures	142.0	140.5
Capital expenditures	126.2	85.7
Of which: domestically financed	*49.4*	*30.1*
Overall balance	-119.4	54.7
Basic balance	-42.6	110.3
Basic balance, without signature bonus	-42.6	-13.1

[1]Country Report (CR).

9. **Credit to the economy was buoyant in 2007 and in the first eight months of 2008, reflecting loans to the mining, telecommunication, and transportation sectors.** Boosted by the disbursement late in 2007 of external budget support and the collection of exceptional government revenue (sale of a new telecom license to a foreign operator), the net foreign assets of the central bank attributed to Niger increased in 2007 by 43 percent, and the net claims of the central bank on the government fell. Net foreign assets increased further in

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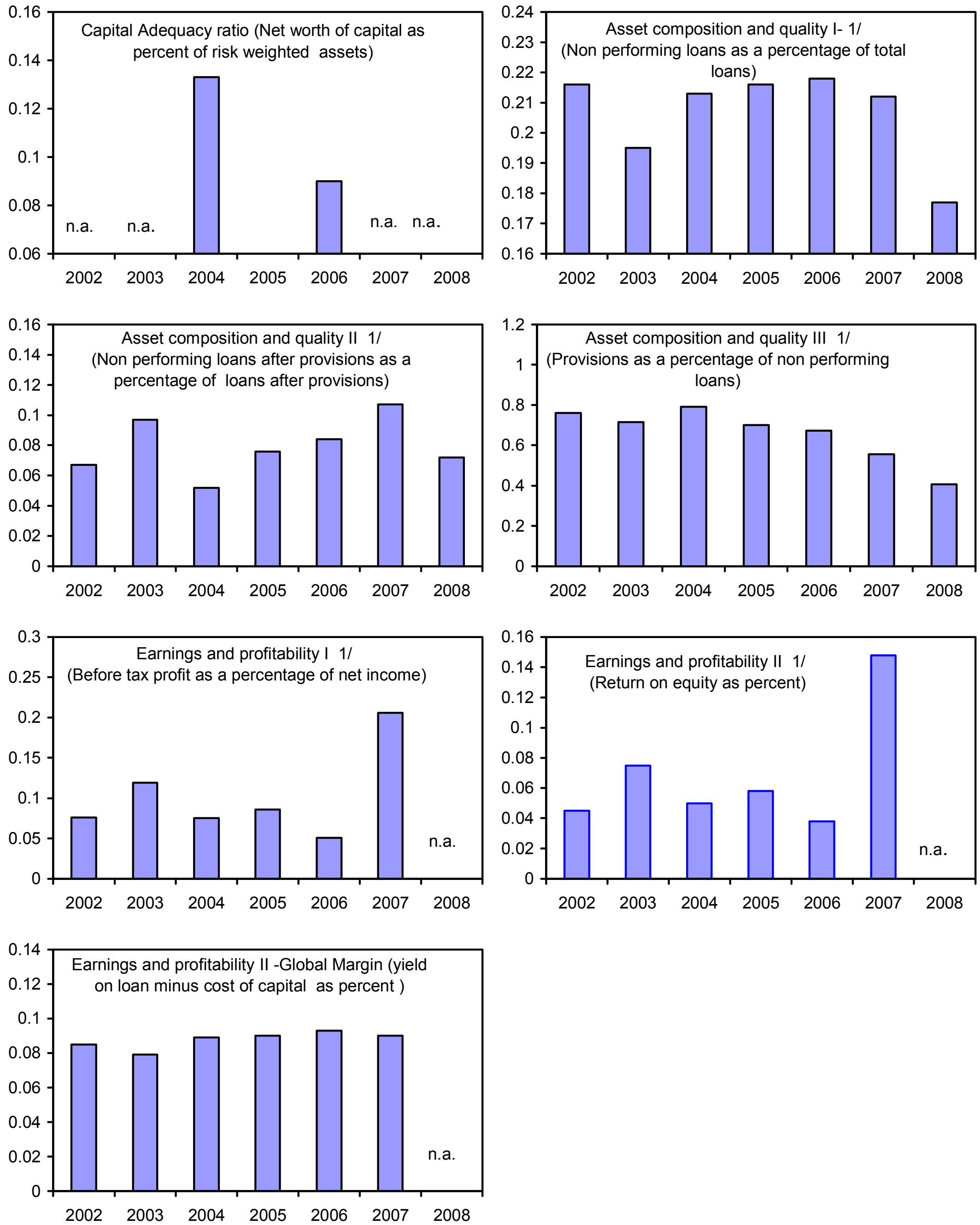
[6]In early 2008 the main shareholder of the two uranium operating companies reached an agreement with the government increasing by 37.5 percent the export price of uranium for 2008 (following a 50 percent increase in 2007).

Banks are profitable, but portfolio quality needs careful monitoring
2002-2008 [1/]



Source: BCEAO.
1/ 2008 figures displays values as of June 2008.

the first eight months of 2008. The banks' nonperforming loans, net of provisions, reached 10.7 percent of net total credit at the end of 2007, with a gradual increase since 2004, but the trend reversed in 2008, with preliminary end-June 2008 data indicating a decline in this ratio to 7.2 percent. Broad money grew by 23 percent in 2007 and is expected to continue to increase at about this rate in 2008.

Box 1: Large Investment Projects

Three very large investments are planned over the next five years: (i) the development of the Imourarem uranium mine; (ii) the exploitation of petroleum in the Agadem field and construction of a refinery; and (iii) the construction of the Kandadji dam and the related irrigation and hydropower developments.

Imourarem: Although the formal negotiations have not yet reached closure, the French mining company AREVA confirmed in early 2008 its commitment to develop the large Imourarem uranium mine over the next few years, with an investment of about €1 billion. This would increase uranium production by about 5,000 tons around 2015; taking into account other, smaller, investments production would then reach 9,600 tons, more than tripling the current level.

Agadem: A production-sharing contract with China National Oil and Gas Exploration and Development Corporation (CNODC) was approved in June 2008. The project has three components: the development of the Agadem oil field to extract reserves estimated at 324 million barrels, the construction of a mini-refinery in Zinder with a capacity of 20,000 barrels per day, and a 580 km pipeline linking the Agadem field to the refinery. The estimated cost is about US$ 1.3 billion. The refinery will be organized as a corporation, with a government capital participation of 40 percent. Production is scheduled to begin in early 2012. Since the capacity of the refinery exceeds the local consumption (7, 000 barrels per day), much of the production will be exported. The operator will also conduct further exploration and if sufficient new discoveries are made, exports of crude through a new pipeline is envisaged.

Kandadji: The project, managed by an agency reporting to the Prime Minister, is part of a program aiming at protecting the ecosystem of the entire Niger Valley and developing its economic potential. Its main function will be to regulate water flow for the benefit of areas downstream. It involves construction of a dam and a power generating plant, and the development of irrigated areas. The overall investment, excluding the hydro electrical plant, is estimated at CFAF 140 billion (about $280 million). It is financed by the government budget and loans from a number of multilateral agencies, including the African Development Bank, the Islamic Development Bank, the OPEC Fund, the Arab Bank for Economic Development in Africa (BADEA), the Kuwaiti Fund, the Saudi Fund, the West African Development Bank (BOAD), all at concessional terms. The related borrowing agreements have already been signed or are close to finalization. The construction of the dam will begin in 2009 and be completed in 2014. Equipping the power plant and constructing the high tension power line are planned for 2011-2014, and are expected to be financed through a combination of public and private resources under a public-private partnership. The development of irrigated areas would proceed at about 1,000 ha to 2, 000 ha per year, up to a maximum of 45,000 ha.

10. **Despite some improvements in some key social indicators, Niger is unlikely to reach the MDGs by 2015** (see Figure 1). Partly as a result of the allocation of more resources to the social sectors, the primary school enrollment increased from 37 percent in 2002 to 62 percent in 2007, and child mortality fell significantly from 1998 to 2006.

11. **Except for a small slippage in the reduction of domestic arrears, the program to June 2008 is on track.** The quantitative performance criterion (PC) on domestic financing for end-June 2008 was met, but the reduction of domestic arrears fell short of the CFAF 7 billion target by CFAF 1.2 billion; the target was reached in July 2008. The basic budget balance indicative target for June was met, on the basis of provisional data. The end-September 2008 structural performance criterion on defining the modalities for the repayment of frozen savings deposits at the former National Post Office was not met on time, but this measure was implemented in early December.

III. Medium-Term Outlook and Policy Discussions

12. **The policy discussions for the Article IV consultations focused on the challenges and opportunities to sustain healthy growth over the medium term, while preserving a viable balance of payments and a sustainable debt position.** The authorities' strategy over the past two years yielded macroeconomic stability and reasonable growth. Progress was achieved in reforms aiming at public finance management (both on revenue mobilization and expenditure management) and strengthening the financial sector. However, the challenge of making a significant dent in poverty is daunting. The PRSP indicates that cutting poverty levels by half by 2015 would require a sustained annual GDP growth rate of 7 percent, which currently does not seem achievable. The discussions covered the following themes: (i) growth prospects over the medium term in comparison to the PRSP objectives; (ii) assessment of the real exchange rate, international competitiveness, and debt sustainability; (iii) food security and short- and medium-term policy responses to the higher prices of food and fuel; (iv) the public finance implications of developments in the mining and petroleum sectors; (v) financial sector reform and the cost of doing business; and (vi) the possible impact of the international financial crisis. Policy discussions related to the program review focused on (i) the budget for 2009; (ii) the implementation of public finance management and tax policy reforms; and (iii) structural reforms related to the financial sector and the cost of doing business.

A. Medium-Term Macroeconomic Framework and Growth Prospects

13. **Staff expects GDP growth to average 5 percent for the next five years, which is below the high growth scenario in the PRSP** (7 percent). It is based on a pick up in agricultural growth and mining, and implementation of large investment projects in mining, petroleum, and irrigation (Box 1). The downturn in industrial countries is not expected to affect exports and growth in the short term, because the main export, uranium, is sold on long-term contracts, and other exports, mainly cattle and foodstuff, are sold on the regional market. However, (Box 2), the downturn could have effects on mining exploration and therefore on growth and government revenue in the medium term.

14. **As they are implemented, these large investments are expected to sustain activity, boost the construction and transportation sectors, and increase current account deficits.** However, in the medium term, the effect on the current account would be reversed as exports increase and import needs shrink. Meanwhile, tax and nontax revenue would increase.

15. **The PSC signature bonus collected in 2008 will allow higher spending; the authorities intend to spend the bonus in the remaining months of 2008 and in 2009, mainly on investments and goods and services for priority PRSP sectors,** because the PRSP is underfinanced. Staff agreed with this accelerated use of the resources, which will be allocated to rural development, roads, electricity generation, and government participations in the refinery and a modern slaughterhouse. The World Bank is also in broad agreement with these allocations. While the outlays are broadly in line with PRSP priorities, staff urged further improvements in the coordination between the ministry of finance and the PRSP unit in order to address effectively the needs of the social sectors and remove infrastructure bottlenecks.

16. **In 2012 new oil revenue and increased revenue from uranium will push the revenue-GDP ratio to about 14.3 percent of GDP, allowing a stepping up of expenditure, while eliminating the basic fiscal deficit.** Because the additional mineral revenues are expected to be a relatively modest 3 percent of GDP annually over 20 years, staff did not recommend that a fund for future generations be established, but instead encouraged the authorities to formulate a medium-term expenditure plan aligned with PRSP priorities. The authorities agreed that anchoring the budget decisions in a multi-year framework is indeed essential. Although steps towards that goal have been taken with the preparation of such frameworks for key sectors, they judged that further efforts are needed, and requested Fund technical assistance to help integrate the budget preparation process with the PRSP in a multi-year framework. Over the long run, the government overall deficit, including grants, should remain moderate, in the range of 2 to 3 percent of GDP, which is equivalent to the flow of concessional loans, expected to finance approximately one third of the investment effort. This is consistent with the sustainable debt path (Supplement on Debt Sustainability Analysis, Box 1).

17. **Staff discussed in detail the revised balance of payments projections and the new debt sustainability analysis (DSA), which is more favorable because of new refined petroleum exports after 2012.** The current account deficit of the balance of payments is expected to widen substantially in 2009-2011 as a result of a large increase in imports financed by foreign direct investments in the uranium and petroleum sectors, but to decline sharply from 2012. The new DSA, presented in the supplement to this staff report, shows an improvement in the NPV of debt-to-exports indicator, which in the baseline scenario reaches only 95 percent in 2028 (see text figure). Moreover, under all but two of the stress tests, the indicators remain below the policy thresholds; the two scenarios where the thresholds are broken are somewhat unrealistic, as foreign direct investment is cut, without curtailing the corresponding imports. On the basis of this analysis, Niger remains rated at moderate risk of debt distress, despite the improvement in debt indicators. The authorities remain committed

to maintaining a prudent debt policy, with careful attention to the terms of new borrowing (MEFP, paragraph 27).

18. **The main risks to the growth and balance of payments scenarios are that** (i) adverse weather would undermine agriculture; (ii) adverse developments in the world economy could push down mineral prices (Box 2); and (iii) political instability and insurgency in the North could intensify.

19. **Staff and authorities also discussed the policy responses to rising food and fuel prices in the first half of the year** (Box 3). The comprehensive arrangements to help vulnerable groups through targeted interventions were commendable. These arrangements made it possible to end in September the suspension of taxes on sensitive food products introduced earlier in the year. As for petroleum products, while the recent decline in international prices allowed the government to stabilize retail prices without much loss in revenue, staff noted that the authorities should be ready to adjust retail prices upward to protect the revenue target if the recent decline of world prices should reverse.

20. **Staff discussed the prospects for scaled-up aid which the authorities are keen to obtain to fund their ambitious PRSP.** Staff presented the preliminary results of staff simulations developed in a Selected Issues Paper, which suggest that a sustained increase of aid of 5 percent of GDP would lead to an increase in growth of about 1-2 percent per year after 4 years, and a reduction in the poverty level by about 25 percent by 2015, though that

Box 2. Niger and the World Financial Crisis

The impact of the world financial crisis on Niger is expected to be limited in the short term, because uranium is sold on long-term contracts. In fact, in the short run, the country would actually benefit from a decline in oil prices. However, if the downturn is steeper or more prolonged than expected, it could seriously affect mining exploration and mining revenues.

The two major mining and oil projects that have started in 2008, to bring the Imourarem uranium field into production in 2014 and the Agadem oil field in 2012, are proceeding, and there is currently no indication that they are being slowed down. However, smaller mining exploration activity may be slowed or delayed. The export price of uranium is negotiated annually with the parent of the Nigerien operating companies, and the downturn in the spot price will likely lead to a stabilization of the export price next year, after sharp increases in 2007 and 2008. The decline in the international petroleum price has a favorable impact on import costs and the budget, but, if prices remain depressed for many years, the Agadem field might be less profitable.

The financial crisis is not expected to affect the activity of the Nigerien banking system, because the banks rely only very modestly on resources from their parent companies abroad. As for major investments, the crisis may slow expansion of the mobile telecom network, which relies heavily on financing from foreign parent companies; but it should have no effect on the Kandaji dam project, which is funded by multilateral agencies, or the expansion of electricity production and transmission, which is mostly funded from the budget and bilateral export agencies.

is still below the MDG target (Box 4).[7] Higher growth could be accompanied by relatively moderate appreciation of the real exchange rate (3-5 percent), suggesting that for Niger the risk of Dutch disease would be manageable and not a deterrent to aid scaling up. The case for scaling up for Niger is compelling: The country, which has had a satisfactory macroeconomic management track record since 2000, is among the poorest in the world, its development indicators are similarly poor, and the 10 percent of GDP of aid it currently receives is well below that of several other sub-Saharan African countries with better development indicators.

Box 3. Niger: Policy Response to Rising Food and Fuel Prices

- The response of the authorities to rising food and fuel prices has been two-pronged. First, they suspended taxes on imported food and fuel, beginning in March with the VAT and import duties on rice, and a number of excise taxes on fuel. Then in June the tax suspension measures were extended to import duties on milk and the excise on edible oil, also the taxable basis for import taxes on sugar and flour was reduced. The cost of the measures for food products was estimated at 0.6 percent of GDP.

- At the same time, the authorities reinforced the wide-ranging targeted food security operations they have carried out for a number of years, which are funded partly by donors, such as (i) nutritional programs; (ii) programs of food for work and cash for work; (iii) food distribution to vulnerable populations at moderate prices and free distribution in the lean season; and (iv) funding and setting up cereal banks. Food was distributed at moderate prices in July and August, peaking during the September Ramadan period; moderate-price distribution totaled 24,000 tons and free distribution about 16,000 tons. These distributions were carried out by the Office des Produits Vivriers du Niger (OPVN), which has a network of cereal storage facilities throughout the country, using the national security stock, which must now be replenished, and special imports.

- The comprehensiveness of these targeted programs and the prospects for an excellent harvest starting in late September convinced the authorities at the end of September to reimpose the taxes on food products, thus saving the equivalent of 0.25 percent of GDP.

- The amount of deferred taxes on petroleum products plunged in November, and the deferment is expected to end in December, given the decline in international prices.

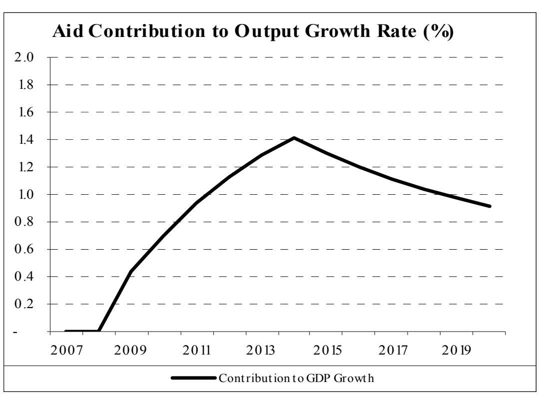
[7] While the simulation has been carried out assuming that all additional aid is in the form of grants, the impact on growth would be only marginally lower if part of the aid was in the form of concessional loans.

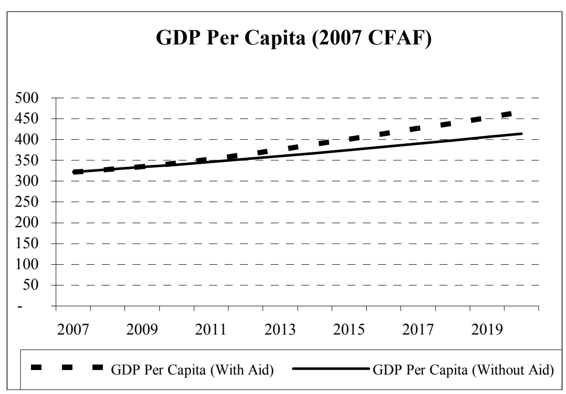
Box 4: The Macroeconomic Impact of Scaled-up Aid in Niger

As stated at the G8 summit in Gleneagles in 2005, there is a need to scale-up aid to low-income countries in order to reduce poverty and make significant progress toward meeting the 2015 Millennium Development Goals (MDGs). A Special Issues Paper outlines a simple macroeconomic framework to assess the effect of aid on growth and apply it to Niger. In particular, it analyzes the growth impact of aid through its effect on physical and human capital accumulation, taking into account the effect of aid on domestic demand and the real exchange rate.

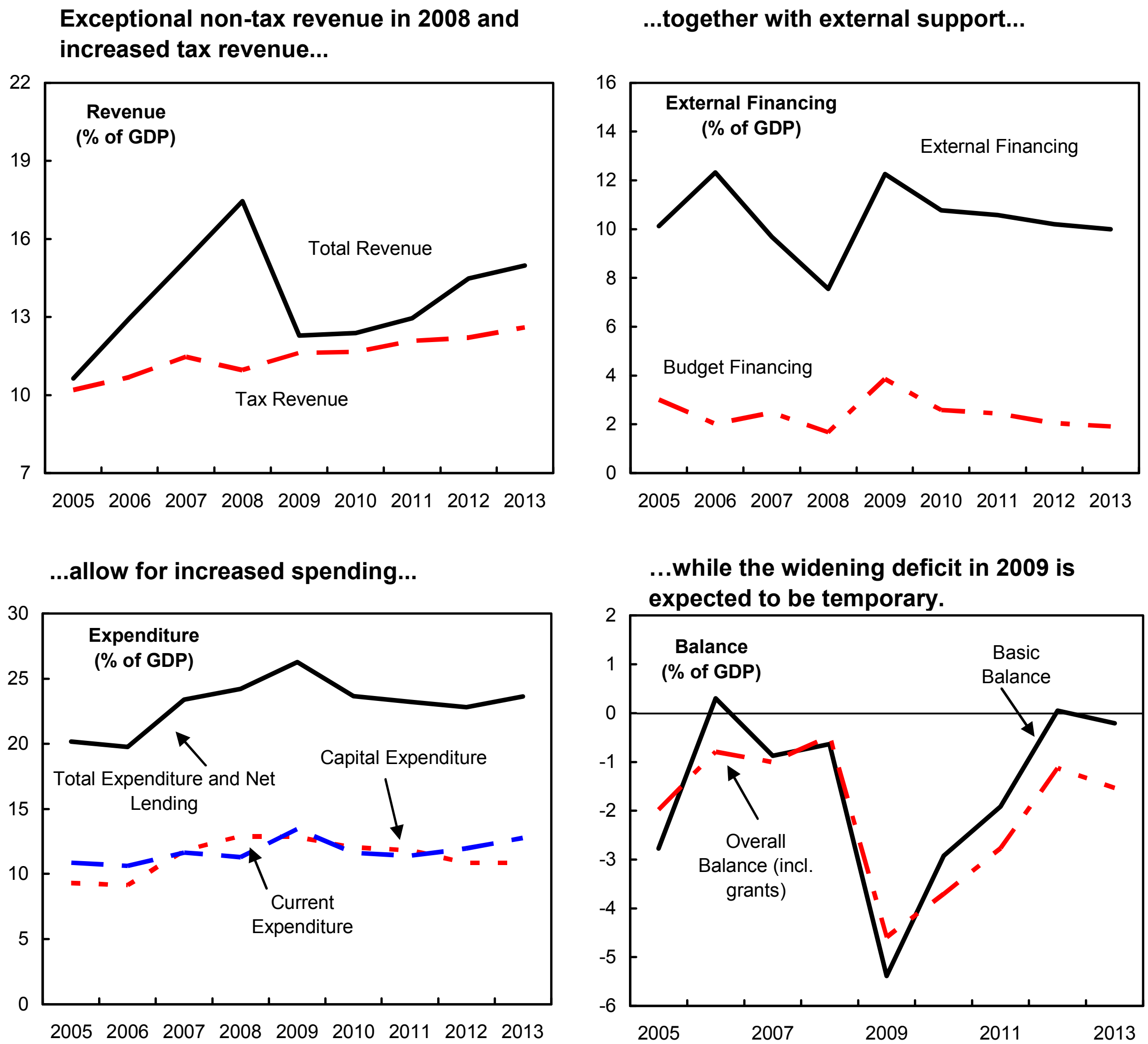
Results from the model simulation suggest that if foreign aid as a share of GDP were to be permanently increased from a level equivalent to 10 percent of GDP in 2007 to 15 percent in 2008, annual economic growth would accelerate by more than 1 percentage point (see figures below), without generating significant risks for macroeconomic stability. In this scenario, by 2020 Niger's income per capita would be an estimated 12.5 percent higher than it would be without increased foreign aid.

Such an augmentation in aid would make it possible to cut poverty reduction 25 percent by 2015, though Niger would still be well below the MDG poverty reduction objective (MDG 1). Indeed, the model implies that Niger requires an increase of aid of almost 20 percent of GDP to reach MDG 1. However, such an increase would fuel inflation (by about 10 percentage points in 2009–10). Foreign assistance would be more efficient in boosting income per capita and reducing poverty if the execution capacity of the public administration is improved to better manage the increased expenditures funded by scaled-up aid.





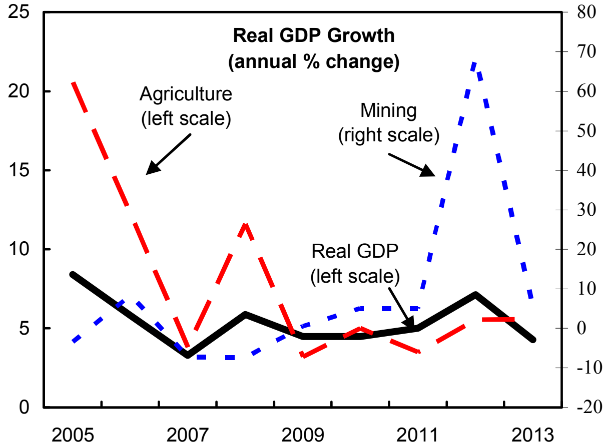
The fiscal position is sound, 2005-2012



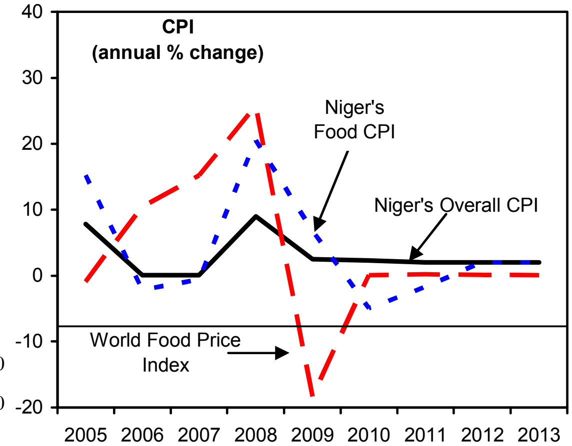
Sources: Nigerien authorities; and IMF staff estimates and projections.

The current challenges are sustaining growth and reining in inflation

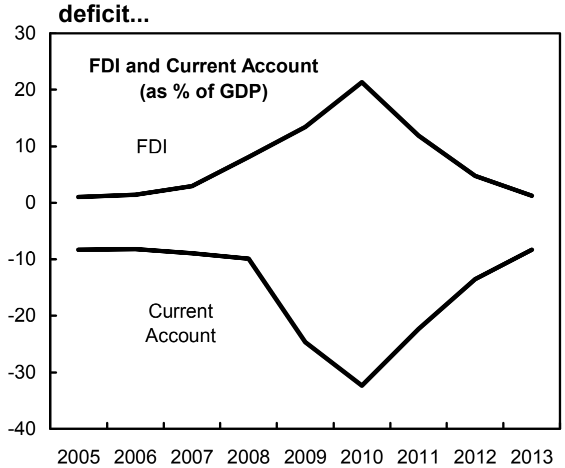
After slowing in 2007, growth is expected to accelerate.



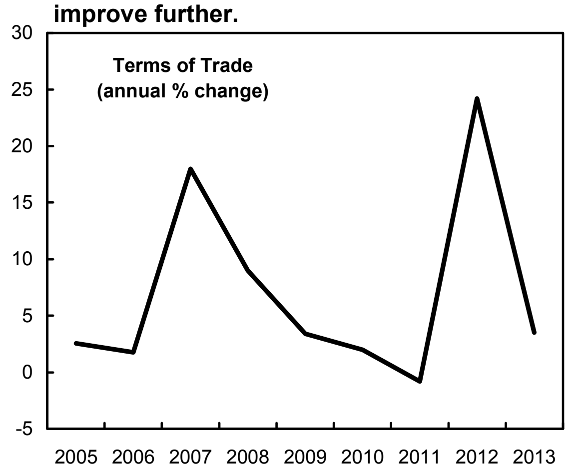
International food prices fuel inflation.



FDI will finance a large current account deficit...

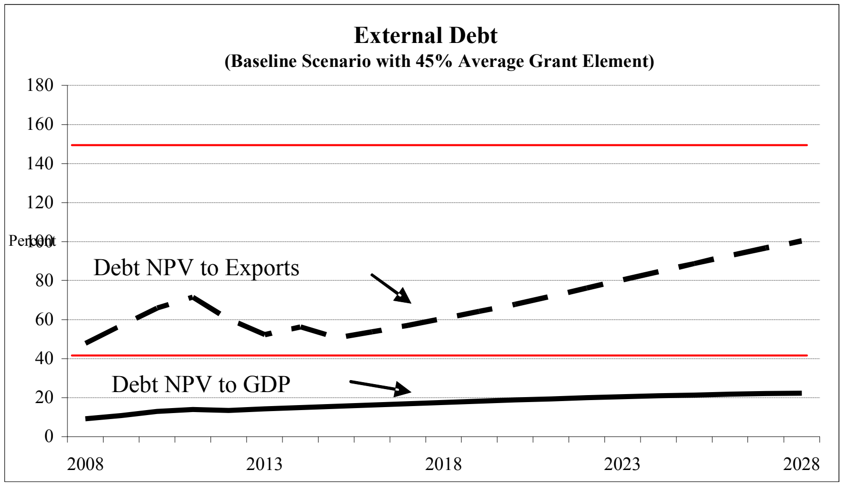


...while the terms of trade are expected to improve further.

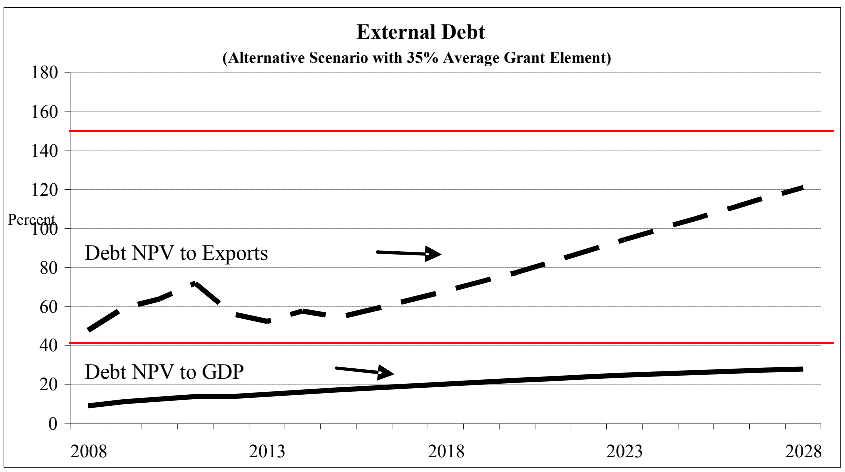


Sources: Nigerien authorities; and IMF staff estimates and projections.

External debt is sustainable...

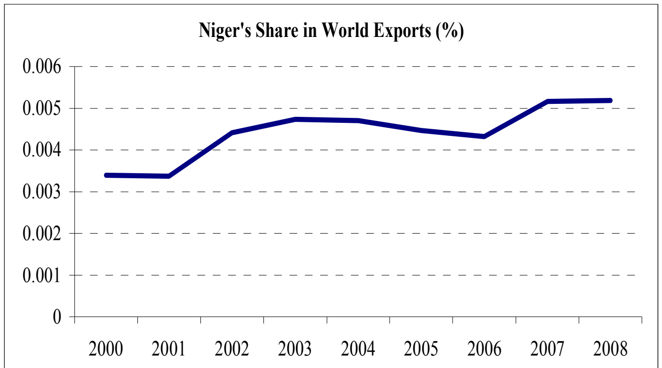


...but remains sensitive to borrowing terms.



Source: IMF staff estimates and projections.

B. Exchange Rate Assessment and International Competitiveness



Source: IMF WEO

21. **The present level of the real effective exchange rate appears consistent with fundamentals** and should not be a hindrance to growth (see Box 5 and Selected Issues Paper). Its appreciation of 23.8 percent since 2001 is consistent with macro-equilibrium, in view of the favorable movement of Niger's terms of trade in recent years, reflecting higher prices for uranium. Moreover, projected increases in foreign direct investment, and the prospects for petroleum production are likely to lead to a further appreciation of the equilibrium real exchange rate in the next few years. For 2000-08 total exports of Niger in U.S. dollars are projected to have risen by 214 percent, partly because the export price of uranium doubled in 2007-08. This compares with an increase in world exports of 170 percent for the same period. The favorable prospects suggest that over the next five years Niger could continue to increase its share of world exports.

22. **Staff also reviewed competitiveness indicators**, **such as productivity growth and the ranking of Niger on the "cost of doing business"** (see below) and argued that while the exchange rate seems to be aligned with fundamentals, other indicators of competitiveness highlight the need for Niger to improve the business climate and productivity, including through improved training of the labor force, better access to finance, reduction in the cost of doing business, and improved transport infrastructure.

23. **The authorities agreed with the exchange rate assessment,** and also recognized the need to improve the business climate and lowering the cost of doing business to attract investment and diversify the economy.

C. Food Security

24. **Staff reviewed with the authorities the monitoring and emergency intervention mechanisms in place to protect vulnerable groups and regions against food shortages.** The mechanisms are comprehensive, as described in Box 3, but need continued donor support. The authorities are committed to disburse before end-year the related budgetary allocations (MEFP, paragraph 6).

Box 5. Assessing External Competitiveness in Niger

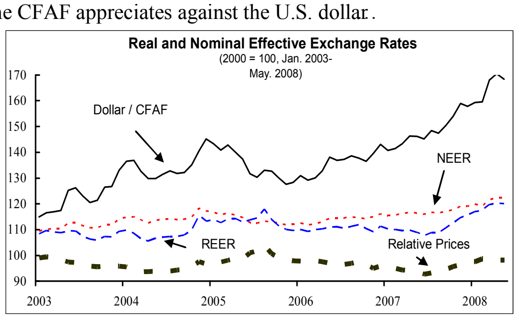
Niger's real exchange rate (RER) in 2007 is assessed using three CGER approaches: (i) macroeconomic balance (MB); (ii) external sustainability; (ES), and (iii) equilibrium real exchange rate (ERER). These three methods yield estimates ranging from a modest undervaluation (8 percent) to a very slight overvaluation (2 percent). These results indicate that the RER does not hinder competitiveness. In addition, the staff has analyzed other indicators of competitiveness.

Macroeconomic Balance (MB) and the underlying current account (UCA). The MB approach estimates a current account norm of –9.6 percent, compared with the underlying current account of –8.1 percent, indicating an undervaluation of about 8 percent.

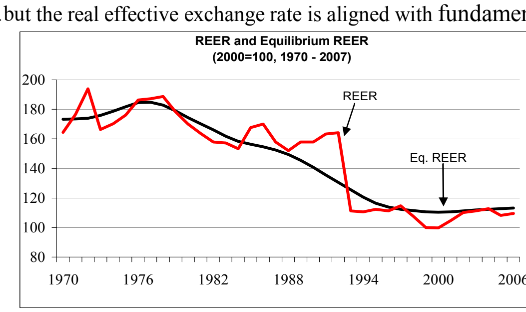
E**xternal Sustainability (ES).** The ES approach estimates the current account balance-to-GDP ratio that would stabilize the net foreign asset-to-GDP ratio at a benchmark chosen because of the sustainability of its component. Taking into account projected FDI over the next five years, portfolio investment, external debt set at a prudent margin below the policy-dependent threshold, and a target level of reserves, the benchmark was set at –86 percent of GDP. Based on estimated elasticities, the Nigerien real exchange rate would need to depreciate by just 2 percent to bring the underlying current account deficit down to the level needed to stabilize the NFA-to-GDP ratio at this level.

Equilibrium Real Exchange Rate (ERER). Three alternative econometric methods were used to estimate the equilibrium real exchange rate index. The significant determinants are external terms of trade, productivity relative to trading partners, and government consumption. The ERER shows a slight undervaluation of between 0.7 and 3.7 percent in 2007.

The CFAF appreciates against the U.S. dollar.

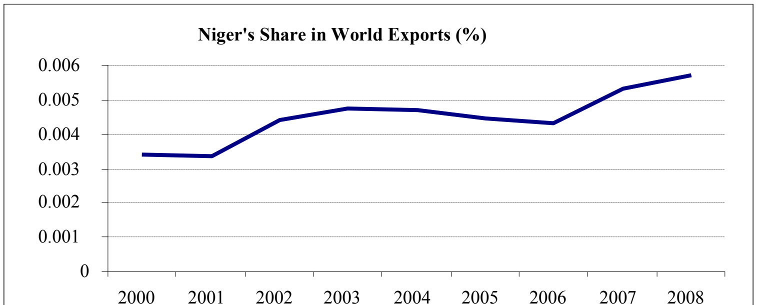


…but the real effective exchange rate is aligned with fundamentals



Source: Nigerien authorities and IMF staff estimates and projections.

Niger export performance since 2000 has been relatively favorable, with the average export growth in U.S. dollars of 7.8 percent in the 1999-2004 period and 18.3 percent in 2004-2007, boosted by higher uranium prices. While survey-based indicators show improvement in the business climate, there is still room for further improvements and in particular to reduce the cost of doing business. These evolutions do not point towards an overvaluation.



Source: IMF WEO.

D. Budget for 2009, Public Finance Management, and Taxation Issues

25. **The authorities discussed with the staff the 2009 budget submitted to Parliament, which takes into account the improved fiscal outlook resulting from the July signature bonus and projected revenue for 2009** (MEFP, paragraphs 17 to 22)**.** While the staff had put forward the option of phasing the additional expenditure financed by the bonus over the next few years, the authorities decided to allocate the additional resources entirely to the 2009 budget to finance the development of priority sectors, as called for in the PRSP. However, the actual rate of execution of the domestically-financed expenditure investment will likely imply that some of the funds will be spent in 2010. As a result, the basic budget deficit for 2009 is now targeted at 5.4 percent of GDP, compared with 2.7 percent of GDP in the program approved in May 2008 (CR/08/211). However, over the two-years 2008-09, the basic budget deficit as a percent of GDP is reduced from an average of 3.7 percent in the original program to 3 percent. Parliament approved the budget law on November 14.

26. **The original program tax revenue target of 12.3 percent of GDP in 2009 has been revised downward to 11.5 percent,** mainly due to an upwards revision of GDP as a result of inflation; several tax components such as mining profit taxes and royalties are not closely related to current-year GDP.[8] Tax revenue targets for 2010 and 2011 have also been revised downwards relative to the initial program (CR/08/211), because of more prudent projections of mining revenue. However, the efforts underway to strengthen tax administration should reinforce the non-mining components of tax revenue.

27. **Staff encouraged the authorities to continue to improve the budget preparation process and coordination between the budget directorate and the PRSP coordinating unit.** It also underscored the need to provide resources for the future recurrent costs implied by the large public investment projects now underway. Other areas where progress is needed are better information to the public on budgetary outcomes[9] and further strengthening of control and audits, particularly at the levels of the Audit Court (*Cour des Comptes*) and the Directorate General of Procurement. The authorities agreed and have identified measures to be implemented in 2009 (MEFP, paragraph 26).

[8] For the same reason, and also because of the temporary suspension of taxes on sensitive foodstuff, the target for 2008 as a whole was revised from 11.5 percent of GDP to 11.0 percent of GDP.

[9] Publication of the 2008 budget outcome by end-March 2009 has been set as a new structural benchmark.

28. **The authorities are strengthening debt management** through the revamping of the Public Debt Directorate, which is now tasked to prepare periodic analysis of recent borrowing, debt trends, and debt sustainability analyses (MEFP, paragraph 27).

29. **Authorities and staff agreed that reform of corporate taxation is an important element of the program to improve the business climate and promote growth.** The authorities expressed their intention to implement in 2009 several reforms related to the VAT reimbursement to exporters and the profit tax (MEFP, paragraph 23), including reduction of the corporate profit tax rate from 35 percent to 30 percent (payable in 2010 on 2009 profits), at a cost of 0.15 percent of GDP. This will be a structural PC, which is justified because it is key to improve the investment climate, attract foreign direct investment, and promote economic diversification. Studies will also be conducted as a basis for reform of the tax on investment income, the real estate tax, and tax concessions in the investment code (MEFP, paragraphs 24 and 25). The authorities request that the original PC for end-December 2008 concerning full reimbursement of VAT credits to all exporting enterprises be modified[10] and shifted to end-2009, out of concerns that taxpayers would take undue advantage of the reform if it is not well prepared. The staff concurs with this request. Another important measure to reinforce the investment climate is the reduction of the registration fees for new businesses at the courts registrar, which is a structural benchmark for end-2009.

E. Public Finance and the Mining and Petroleum Sectors

30. **Staff discussed the institutional and fiscal arrangements for the large mining projects (like the Imourarem project) and petroleum production.** The broad framework is established by the Investment Code, the Mining Law of 2006, the Petroleum Law of 2007, and a new law for large mining projects approved by the National Assembly in 2008. Concerning the petroleum production sharing contract (PSC) signed with CNODC, the authorities stated that the government share amounts to 20 percent of the interest in the Agadem block. The government will also take a participation of 40 percent (US$40 million) in the capital of the company established to operate the refinery.[11] The necessary allocation

[10] The authorities explained that the principle of reimbursement of VAT credit to exporters is already included in the tax code, but is subject to a ceiling (Article 34, section 1, title 2 of the tax code). Therefore the PC is now formulated as an elimination of that ceiling, rather than the taking of a new decree establishing the principle of the reimbursement of VAT credits to all exporters.

[11] The construction of the refinery would be financed by the capital and a loan from Exim Bank of China at 3.5 percent interest. The government will not guarantee the loan, although the service of the loan will reduce the dividends to the shareholders.

is included in the draft budget law for 2009. The authorities confirmed that 15 percent of the royalties will be allocated to the budget of municipalities of the producing region, as the Petroleum Code requires.

31. **Staff emphasized the importance of transparency in the petroleum sector.** It strongly encouraged the authorities to inform the public on the key elements of the PSC, although the full publication is barred by a confidentiality agreement with the investor. The authorities are committed to ensure that the sale of petroleum to the refinery and the sale of refined products to the public be done on commercial terms, with no subsidies to the refinery (MEFP, paragraph 28). The definition of the pricing mechanism for the refinery output could be an area for future conditionality.

F. Financial Sector Reform and the Cost of Doing Business

32. **Financial sector reforms were assessed, in the context of the FSAP for Niger, conducted in September 2008.** While the banking system is relatively sound and profitable, financial intermediation is still underdeveloped and the deposit-to-GDP ratio is among the lowest in the WAEMU. Staff and authorities discussed in detail the FSAP recommendations (Box 6). The authorities intended to promote housing and agricultural credit (MEFP, paragraph 29). They were also envisaging the establishment of an agricultural bank, but staff encouraged them to review all the options before deciding on the most effective way to proceed, because experience with specialized banks in the region has been unsatisfactory. The authorities are preparing to submit before February 2009 to the regional Banking Commission a request for a banking license for the restructured FINAPOSTE, which is to takeover the financial activities formerly carried out through the national post office. The authorities have also defined in early December the terms for the repayment of the saving deposits frozen by the former National Post Office, with a small delay in relation to the end-September target, which is a performance criterion under the program.

The cost of doing business is relatively high in Niger

Doing Business Ranking Averages

Niger and Comparator Groups

	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Niger	172	159	157	75	145	150	120	169	134	138
Sub-Saharan Africa countries										
Sub-Saharan Africa	137	127	113	127	118	111	109	133	117	123
Landlocked, non-resource rich countries	147	135	119	121	120	137	103	162	123	123
Non-oil-resource rich countries	122	114	130	123	106	100	111	134	112	94
WAEMU countries	163	151	129	133	145	147	144	131	142	114
African and non African countries										
Low income countries[1]	139	118	121	118	126	113	115	135	114	130

Source: World Bank—Doing Business 2009 (ranking among 181 countries).
[1]World Bank definition.

33. **Progress in reducing the cost of doing business has been achieved in recent years on property registration, payment of taxes, and contract enforcements;** however, Niger lags behind the WAEMU average in many dimensions (see text table below). The authorities confirmed their commitment to steadfast efforts to improve the business environment, and in 2009 will reduce the fee for registering a new enterprise (MEFP, paragraph 30).

Box 6. Summary of FSAP Main Recommendations [1]

Recommendations	Term
General	
Formulate a financial sector development strategy. In so doing, focus the government's role on improvements to the business environment, supervision, and regulation, rather than public ownership of banks and the creation of new specialized institutions.	ST
Government cash flow and debt management	
Develop a debt management strategy which could lead to a more flexible use of the large buffer of Treasury deposits at the central bank to avoid the accumulation of short term payment delays.	ST
Commercial banks	
Ensure timely compliance with the new regulatory minimum capital	ST
Should the authorities establish the new postal bank (FINAPOSTE), restrict its operations to savings collection and prohibit lending activities;	ST
Follow WAEMU rules regarding the offer of a regional group to inject capital and restructure a large undercapitalized bank.	ST
Settle the last Government arrears to commercial banks	ST
Ensure that banks practice sound risk management and maintain the quality of their portfolio given their expected increase in credit capacity, minimum regulatory capital, and projected cash inflows.	MT
Microfinance	
Upgrade MFI capacities to remedy the lack of professionalism and qualified staff, strengthen the governance and internal and external control mechanisms of MFIs, and promote the mobilization of savings	MT
Adopt the new microfinance law and prudential guidelines	ST
Effective establishment of the regulatory and supervisory agency and provision of adequate resources	ST
For MFIs placed under provisional administration or enhanced surveillance, limit the duration of provisional administration to no more than two years, restructure or liquidate institutions.	ST
SMEs and micro enterprises	
Expand the loan guarantee model by seeking additional funding from financial institutions, IFC, European Investment Bank, bilateral aid agency	ST
Assist SMEs and micro enterprises in preparing business plans and reliable financial statements	ST/on-going
Rural financing	
Strengthen banks and MFIs through technical assistance with the processing of loan applications	MT
Housing	
Upgrade the capacities of the land registry and land conservation agency	MT
Promote a regional mechanism for the refinancing of housing loans	ST

[1] ST: short term; MT: medium term.

IV. PROGRAM MONITORING

34. **The program is monitored against quantitative performance criteria and indicative targets listed in the original program (Appendix I, Tables 1a and 1b) and structural performance criteria and structural benchmarks (Appendix I, Table 2).** The two structural performance criteria for 2009 (elimination of the ceiling on the reimbursement of VAT credits to exporters and the reduction of the corporate tax rate) are critical to meeting the program's objective of improving the business environment to foster growth and reduce poverty. The next review of the program is expected to be completed by end-May 2009.

V. STAFF APPRAISAL

35. **Niger's economic performance has been favourable so far in 2008, with an acceleration of growth, high investment, and progress in economic diversification.** The outlook for economic growth in 2009 remains favourable despite the current downturn in industrial countries as the significant investment underway in a number of sectors, including mining, transportation, irrigation and telecommunication are expected to support economic activity. While economic prospects for 2009 are still positive, if prolonged, the downturn in the world economy could deter future mining exploration, and therefore dampen medium-term growth. In this climate of uncertainty, continued, and possibly increased, foreign financed investment and budgetary aid in support of priority sectors are essential for Niger to achieve its growth objectives and secure steady improvement in social indicators. As the scaling up simulations suggest, aid increase as envisaged in the Gleneagles scenario would not adversely impact macroeconomic stability. But growth must also be supported by comprehensive efforts to make the economy more competitive; improvements in the investment climate and reductions in the cost of doing business would attract investment and promote economic diversification. This is all the more necessary in a world environment were private investment financing is becoming scarcer and more costly.

36. **While the international downturn is now bringing a correction of the earlier sharp rise in food and fuel prices, the authorities are to be commended for responding to the food crisis in the first half of 2008 by firming up already comprehensive mechanisms of targeted interventions in favour of vulnerable groups**, and for having maintained costly tax suspensions only for a limited period. It is important that the targeted assistance mechanisms continue to be well funded, and that the government promptly releases its own contributions to these arrangements, supplementing those of the donor community.

37. **The authorities program for 2009 appropriately focuses on better management of the public finances, closely aligning the budget to PRSP priorities, streamlining company taxation to improve the investment climate, and furthering reforms of the financial sector.** Allocation of the exceptional resources from the petroleum sector to infrastructure and the social sectors is appropriate, and the basic budget deficit over the two

years 2008-2009 is lower than in the original program. The comprehensive actions taken to strengthen public financial management are welcome. Efforts must now focus on casting the budget preparation in a medium-term framework, with a careful integration of the recurrent costs implied by the expansion of public investment. The reform in corporate taxation planned for 2009 is necessary to improve the investment climate, attract FDI, and diversify the economy.

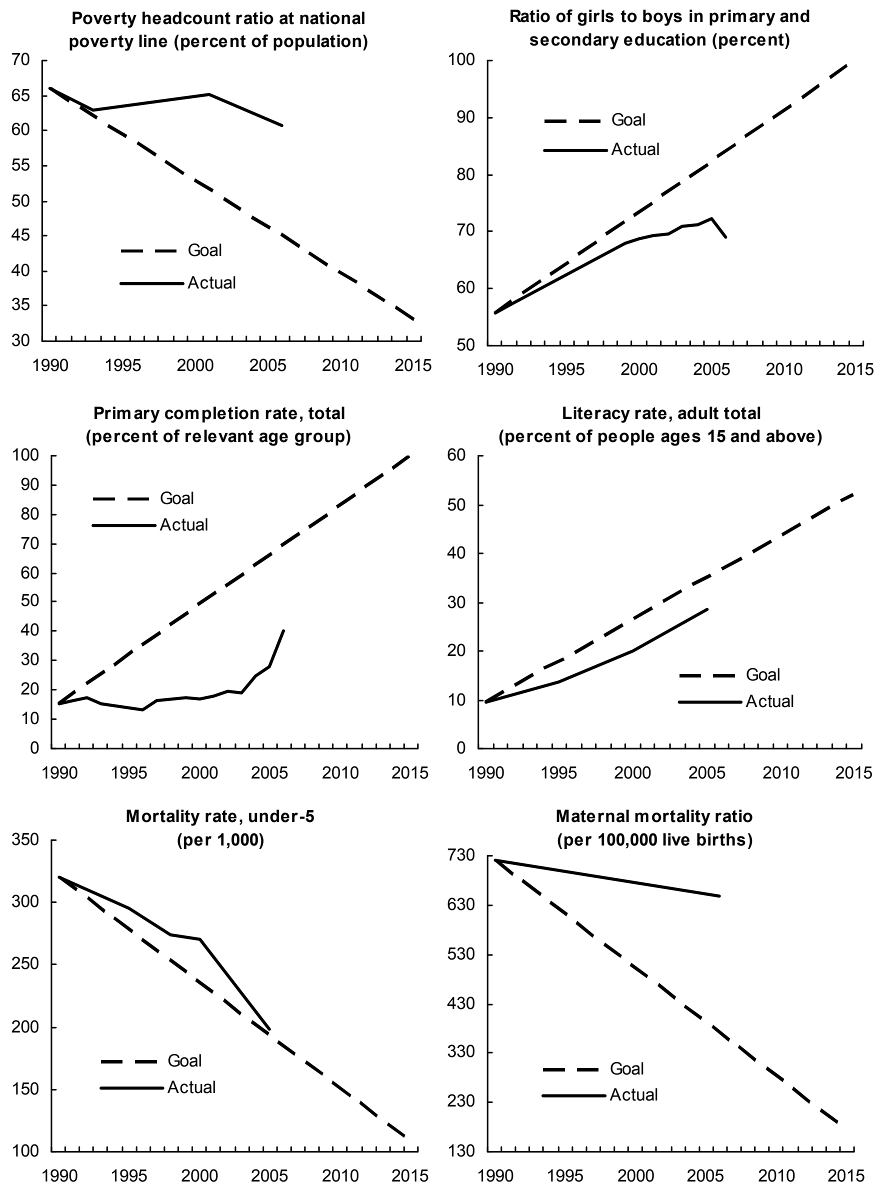
38. **The efforts to reinforce debt management are welcome**; the authorities remain attentive that the debt contracted for ambitious infrastructure projects, including a major dam on the Niger river, are at largely concessional terms and consistent with debt sustainability.

39. **Deepening financial intermediation is crucial to support economic activity.** While the authorities are keen to promote credit to housing and agriculture, it is important to avoid establishing narrowly-based institutions that could carry excessive risks.

40. **Given the strength of the program and the corrective actions taken by the authorities, the staff recommends Board approval** of the authorities' request for a waiver for the non observance of two PCs, modification of PCs, and completion of the first review under the PRGF arrangement.

41. Staff recommends that the next Article IV consultation be held under the 24 month consultation cycle, subject to the Board decision on consultation cycles (Decision No. 12794-(02/7) dated July 15, 2002, as amended).

Figure 1. Niger: Selected MDG Indicators



Source: Nigerien authorities.

Table 1. Niger: Selected Economic and Financial Indicators, 2006-13

	2006	2007	2008		2009	2010	2011	2012	2013
		Est.	CR/08/211	Rev. proj.	Projections				
	(Annual percentage change, unless otherwise indicated)								
National income and prices									
GDP at constant prices	5.8	3.3	4.4	5.9	4.5	4.5	5.0	7.1	4.3
GDP deflator	1.4	3.3	5.7	8.3	2.2	2.3	1.9	9.1	2.2
Consumer price index									
Annual average	0.1	0.1	5.1	9.0	2.5	2.3	2.0	2.0	2.0
End of period	0.4	4.7	2.2	8.5	2.0	2.0	2.0	2.0	2.0
External sector									
Exports, f.o.b. (CFA francs)	6.0	24.7	17.9	15.3	6.5	12.4	4.3	52.1	25.6
Of which: non-uranium exports	8.0	2.1	8.1	8.6	5.3	6.2	6.5	90.7	3.8
Imports, f.o.b (CFA francs)	-0.9	14.5	22.4	20.7	60.3	20.7	-14.5	-13.8	7.8
Export volume	3.2	3.7	0.1	0.0	7.5	7.9	3.2	23.2	18.4
Import volume	-1.1	11.6	16.9	13.8	64.8	18.2	-16.4	-13.4	5.7
Terms of trade (deterioration -)	1.8	18.0	13.2	9.0	2.1	2.0	-0.9	24.0	3.9
Nominal effective exchange rate (depreciation -)	3.6	2.6	…	…	…	…	…	…	…
Real effective exchange rate (depreciation -)	1.5	3.9	…	…	…	…	…	…	…
Government finances									
Total revenue	30.8	25.0	-8.8	31.8	-25.2	8.1	10.9	30.6	10.3
Total expenditure and net lending[1]	5.1	26.4	20.1	18.6	15.5	-3.4	4.0	14.9	10.4
Of which: current expenditure[2]	5.4	37.4	18.6	25.8	5.7	0.7	4.1	7.2	6.7
capital expenditure	4.8	16.9	21.9	11.3	26.6	-7.4	4.0	22.8	13.7
	(Annual change as percent of beginning-of-period broad money)								
Money and credit									
Domestic credit[3]	-16.1	-3.5	18.5	4.5	22.6	15.2	11.3	4.1	7.3
Credit to the government (net)[3]	-31.6	-14.7	11.7	-1.6	13.8	5.4	1.0	-7.1	-4.3
Credit to the economy[3]	15.4	11.2	6.8	6.1	8.9	9.9	10.3	11.2	11.6
Net domestic assets[3]	-17.3	-0.9	18.5	4.5	22.6	15.2	11.3	4.1	7.3
Broad Money	16.2	23.0	14.9	24.1	18.7	12.2	10.8	16.5	12.5
Velocity of broad money (in percent)	6.6	5.7	5.4	5.3	4.8	4.6	4.4	4.4	4.2
	(Percent of GDP, unless otherwise indicated)								
Government finances									
Total revenue	13.0	15.2	12.8	17.5	12.2	12.3	12.8	14.3	14.8
Of which: exceptional mining receipts	1.6	1.4	...	5.3	...	...	...	...	...
Total expenditure and net lending	19.8	23.4	24.3	24.2	26.0	23.4	23.0	22.6	23.4
Current expenditure[2]	9.1	11.8	12.9	12.9	12.7	11.9	11.7	10.7	10.7
Capital expenditure	10.6	11.6	11.4	11.3	13.3	11.5	11.3	11.8	12.6
Basic balance (excluding grants)[4]	0.30	-0.9	-4.6	-0.64	-5.3	-2.9	-1.9	0.1	-0.2
Overall balance (commitment basis, excluding grants)	-6.8	-8.2	-11.5	-6.7	-13.8	-11.1	-10.1	-8.3	-8.6
Overall balance (commitment basis, including grants)	-0.8	-1.0	-3.3	-0.47	-4.5	-3.7	-2.7	-1.1	-1.5
Gross investment	23.6	23.6	21.3	26.3	36.6	44.1	35.0	27.0	23.1
Of which : non-government investment	16.8	17.2	14.4	19.4	28.6	37.2	28.3	19.8	15.5
government	6.8	6.4	6.9	6.8	8.0	6.9	6.8	7.1	7.6
Gross national savings	15.4	14.7	11.7	16.4	14.0	13.5	14.4	16.0	14.3
Of which: non-government	11.6	11.3	7.6	11.9	9.3	8.0	8.7	9.3	7.5
Domestic savings	11.9	11.6	8.9	13.4	7.8	10.8	11.2	17.2	17.0
External current account balance									
Excluding official grants	-10.5	-11.1	-13.5	-12.3	-26.9	-33.2	-23.1	-13.1	-11.0
Including official grants	-8.2	-8.9	-9.6	-9.9	-22.5	-30.6	-20.6	-10.9	-8.8
Debt-service ratio as percent of:									
Exports of goods and services[5]	246.5	2.7	2.9	2.8	2.8	2.8	3.5	2.8	2.4
Government revenue[5]	320.1	3.4	4.9	3.1	4.4	4.6	5.5	5.0	4.8
NPV of external debt	10.2	10.5	11.1	9.2	10.7	11.6	12.6	12.2	13.0
Foreign Aid	9.1	9.8	10.6	7.8	12.3	10.8	10.7	10.3	10.2
	(CFA francs billions)								
GDP at current market prices	1,906	2,035	2,207	2,333	2,508	2,689	2,851	3,331	3,551
Overall balance of payments	98.2	69.0	14.2	96.5	-15.2	-13.9	-0.4	82.7	41.2

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

[1]Commitment basis per payment orders issued.

[2]Including budget reserve.

[3]Percent of beginning-of-period broad money stock.

[4]Total revenue, excluding grants, minus total expenditure, excluding foreign-financed investment projects.

[5]After HIPC and MDRI debt relief starting in 2006.

Table 2a. Niger: Financial Operations of the Central Government, 2006-13

	2006	2007	2008		2009	2010	2011	2012	2013
		Est.	CR/08/211	Rev. proj.			Projections		
				(Billions of CFA francs)					
Total revenue	247.2	309.0	281.7	407.4	304.8	329.6	365.5	477.3	526.4
Tax revenue	203.8	233.2	252.7	255.8	288.4	310.1	340.9	402.2	443.0
Of which: International trade	95.8	100.7	103.3	100.7	105.9	117.5	119.9	124.7	141.4
Nontax revenue	38.5	71.2	26.5	149.0	14.1	17.0	22.0	72.0	80.1
Of which: exceptional mining receipts	30.4	27.5	20.4	123.4	0.0	0.0	0.0	0.0	0.0
Special accounts revenue	4.9	4.6	2.6	2.6	2.3	2.5	2.6	3.1	3.3
Total expenditure and net lending	376.6	476.0	536.4	564.5	651.7	629.4	654.6	752.1	830.3
Of which: domestically financed	241.4	326.9	382.8	422.3	438.4	407.4	419.3	475.5	533.6
Total current expenditure	174.2	239.4	283.9	301.2	318.3	320.5	333.4	357.6	381.6
Budgetary expenditure	163.8	199.3	252.0	278.5	292.9	305.4	317.3	340.3	363.2
Wages and salaries	68.0	72.2	89.9	86.3	93.3	99.8	106.8	114.3	121.8
Materials and supplies	47.4	61.7	69.7	71.5	88.2	90.2	92.0	98.9	105.4
Subsidies and transfers	43.5	58.3	85.7	105.3	104.8	107.2	109.4	117.0	124.7
of which: Transfers to other levels of government	…	…	…	7.1	0.0	0.0	0.0	0.0	0.0
Interest, scheduled	4.9	7.1	6.7	7.4	6.6	8.1	9.1	10.1	11.2
Of which: External debt	3.7	4.4	3.9	4.5	4.9	6.3	7.2	8.2	9.3
Adjustments and fiscal expenditures	…	0.3	0.0	8.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure	10.4	39.8	32.0	22.7	25.4	15.1	16.2	17.3	18.4
Capital expenditure and net lending	202.3	236.6	252.5	263.3	333.4	308.9	321.2	394.5	448.7
Capital expenditure	202.3	236.6	252.5	263.3	333.4	308.9	321.2	394.5	448.7
Domestically financed	51.5	73.7	88.3	107.5	107.7	76.4	75.4	107.4	141.4
HIPC Initiative resources	15.6	13.8	10.5	13.6	12.4	10.5	10.5	10.5	10.5
Externally financed	135.2	149.1	153.6	142.2	213.3	222.0	235.3	276.6	296.8
Of which: grants	95.7	119.0	107.2	107.2	143.3	153.7	162.9	190.3	202.9
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-129.4	-167.0	-254.7	-157.1	-346.9	-299.7	-289.1	-274.9	-303.9
Basic balance	5.8	-17.9	-101.0	-14.9	-133.6	-77.8	-53.8	1.8	-7.1
Change in payments arrears and float	-14.0	-8.4	-15.2	-15.2	-18.0	-15.0	-15.0	-15.0	-15.0
Of which : Domestic arrears	-14.0	-14.8	-15.2	-15.2	-18.0	-15.0	-15.0	-15.0	-15.0
Errors and omissions	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-143.8	-175.4	-269.9	-172.3	-364.9	-314.7	-304.1	-289.9	-318.9
Financing	143.8	175.4	269.9	172.3	364.9	314.7	304.1	289.9	318.9
External financing	235.0	197.1	228.0	176.3	304.2	286.7	298.5	336.2	351.5
Grants	898.6	146.5	182.0	146.2	233.0	201.2	211.1	237.8	250.1
Budget financing	18.6	27.5	74.8	38.9	89.7	47.5	48.2	47.5	47.2
Project financing	95.7	119.0	107.2	107.2	143.3	153.7	162.9	190.3	202.9
HIPC Initiative assistance	...	…	…	…	…	…	…	…	…
MDRI assistance [1]	784.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	59.3	53.1	52.4	35.0	76.0	89.8	93.1	106.3	113.8
Of which: Budget financing	19.8	23.0	6.0	0.0	6.0	21.5	20.7	20.0	20.0
Amortization	-726.0	-6.1	-9.8	-8.2	-8.7	-8.7	-10.1	-12.3	-12.4
Debt relief (incl. debt under discussion)	3.1	3.5	3.4	3.4	3.9	4.4	4.4	4.4	0.0
Domestic financing	-91.2	-21.7	41.8	-4.0	60.7	28.1	5.6	-46.3	-32.6
Banking sector	-82.8	-31.6	41.8	-5.6	60.7	28.1	5.6	-46.3	-32.6
Of which: IMF	-61.4	5.8	5.0	5.3	4.8	4.7	0.3	-3.1	-3.9
Nonbanking sector	-8.4	9.9	0.0	1.6	0.0	0.0	0.0	0.0	0.0
				(Billions of CFA francs, unless otherwise indicated)					
Memorandum items:									
NGDP	1,906	2,035	2,207	2,333	2,508	2,689	2,851	3,331	3,551
MDRI Flow Relief	5.4	8.9	11.9	11.9	14.3	14.3	15.3	16.3	17.3
Domestic financing, excluding IMF	-29.8	-27.5	36.8	-9.3	55.9	23.4	5.5	-43.1	-28.6

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 2b. Niger: Financial Operations of the Central Government, 2006-13

	2006	2007	2008		2009	2010	2011	2012	2013
		Est.	CR/08/211	Proj.	Program	Projections			
	(Percent of GDP)								
Total revenue	13.0	15.2	12.8	17.5	12.2	12.3	12.8	14.3	14.8
Tax revenue	10.7	11.5	11.5	11.0	11.5	11.5	12.0	12.1	12.5
Of which: International trade	5.0	4.9	4.7	4.3	4.2	4.4	4.2	3.7	4.0
Nontax revenue	2.0	3.5	1.2	6.4	0.6	0.6	0.8	2.2	2.3
Of which: exceptional mining receipts	1.6	1.4	0.9	5.3	0.0	0.0	0.0	0.0	0.0
Special accounts revenue	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditure and net lending	19.8	23.4	24.3	24.2	26.0	23.4	23.0	22.6	23.4
Of which: domestically financed	12.7	16.1	17.3	18.1	17.5	15.2	14.7	14.3	15.0
Total current expenditure	9.1	11.8	12.9	12.9	12.7	11.9	11.7	10.7	10.7
Budgetary expenditure	8.6	9.8	11.4	11.9	11.7	11.4	11.1	10.2	10.2
Wages and salaries	3.6	3.5	4.1	3.7	3.7	3.7	3.7	3.4	3.4
Materials and supplies	2.5	3.0	3.2	3.1	3.5	3.4	3.2	3.0	3.0
Subsidies and transfers	2.3	2.9	3.9	4.5	4.2	4.0	3.8	3.5	3.5
Interest, scheduled	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Of which: External debt	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3
Adjustments and fiscal expenditures	…	0.0	…	0.3	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure	0.5	2.0	1.4	1.0	1.0	0.6	0.6	0.5	0.5
Capital expenditure and net lending	10.6	11.6	11.4	11.3	13.3	11.5	11.3	11.8	12.6
Capital expenditure	10.6	11.6	11.4	11.3	13.3	11.5	11.3	11.8	12.6
Domestically financed	2.7	3.6	4.0	4.6	4.3	2.8	2.6	3.2	4.0
HIPC Initiative resources	0.8	0.7	0.5	0.6	0.5	0.4	0.4	0.3	0.3
Externally financed	7.1	7.3	7.0	6.1	8.5	8.3	8.3	8.3	8.4
Of which: grants	5.0	5.8	4.9	4.6	5.7	5.7	5.7	5.7	5.7
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-6.8	-8.2	-11.5	-6.7	-13.8	-11.1	-10.1	-8.3	-8.6
Basic balance	0.3	-0.9	-4.6	-0.6	-5.3	-2.9	-1.9	0.1	-0.2
Change in payments arrears and float	-0.7	-0.4	-0.7	-0.7	-0.7	-0.6	-0.5	-0.5	-0.4
Of which: Domestic arrears	-0.7	-0.7	-0.7	-0.7	-0.7	-0.6	-0.5	-0.5	-0.4
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-7.5	-8.9	-12.2	-7.4	-14.6	-11.7	-10.7	-8.7	-9.0
Financing	7.5	8.6	12.2	7.4	14.6	11.7	10.7	8.7	9.0
Privatisations/sales of assets	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External financing	12.3	9.7	10.3	7.6	12.1	10.7	10.5	10.1	9.9
Grants	47.1	7.2	8.2	6.3	9.3	7.5	7.4	7.1	7.0
Budget financing	1.0	1.4	3.4	1.7	3.6	1.8	1.7	1.4	1.3
Project financing	5.0	5.8	4.9	4.6	5.7	5.7	5.7	5.7	5.7
HIPC Initiative assistance	…	…	…	…	…	…	…	…	…
MDRI assistance [1]	41.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	3.1	2.6	2.4	1.5	3.0	3.3	3.3	3.2	3.2
Of which: Budget financing	1.0	1.1	0.3	0.0	0.2	0.8	0.7	0.6	0.6
Amortization	-38.1	-0.3	-0.4	-0.4	-0.3	-0.3	-0.4	-0.4	-0.3
Debt relief (incl. debt under discussion)	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.1	0.0
Domestic financing	-4.8	-1.1	1.9	-0.2	2.4	1.0	0.2	-1.4	-0.9
Banking sector	-4.3	-1.6	1.9	-0.2	2.4	1.0	0.2	-1.4	-0.9
Of which: IMF	-3.2	0.3	0.2	0.2	0.2	0.2	0.0	-0.1	-0.1
Nonbanking sector	-0.4	0.5	0.0	0.1	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.

Table 3. Niger: Monetary Survey, 2006-12

	2006	2007	2008			2009	2010	2011	2012
			CR/08/211	August	Rev. proj.	Projections			
	(CFAF billions; end-of-period)								
Net foreign assets	162.5	231.8	219.0	312.1	301.3	284.1	268.1	265.7	346.4
BCEAO	168.4	240.7	255.0	340.7	337.3	322.0	308.1	307.7	390.3
Commercial banks	-5.8	-9.0	-36.0	-28.6	-36.0	-38.0	-40.0	-42.0	-44.0
Net domestic assets	126.5	123.9	193.2	60.7	140.0	239.9	319.7	385.8	412.7
Domestic credit	151.7	141.6	210.8	86.7	157.7	257.5	337.3	403.5	430.4
Net bank claims on government	-7.9	-50.4	-5.5	-169.7	-56.0	4.8	32.8	38.5	-7.8
BCEAO	0.6	-31.2	12.8	-146.5	-34.7	20.9	48.7	54.1	7.3
Of which : statutory advances	35.2	33.7	30.5	33.3	30.5	27.3	24.1	20.9	17.7
IMF resources	13.8	19.6	24.6	22.5	24.9	29.7	34.4	34.6	31.6
Commercial banks	-10.4	-20.6	-23.2	-25.1	-23.2	-18.4	-18.4	-18.4	-18.4
Other	1.8	1.4	5.0	1.9	1.9	2.3	2.6	2.8	3.3
Credit to the economy	159.6	191.9	216.3	256.4	213.7	252.8	304.5	365.0	438.2
Other items, net	-25.2	-17.6	-17.6	-26.0	-17.6	-17.6	-17.6	-17.6	-17.6
Money and quasi-money	289.1	355.7	412.2	372.9	441.3	523.9	587.8	651.5	759.1
Currency outside banks	132.9	132.8	149.1	132.0	156.1	175.7	193.3	211.6	238.1
Private deposits with CCP									
(Postal deposit institution)	1.8	1.4	5.0	1.9	1.9	2.3	2.6	2.8	3.3
Deposits with banks	154.4	221.5	258.1	239.0	283.3	346.0	392.0	437.1	517.8
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)								
Net foreign assets	33.6	23.9	-3.6	22.6	19.6	-3.9	-3.0	-0.4	12.4
BCEAO	40.7	25.0	4.0	28.1	27.1	-3.5	-2.7	-0.1	12.7
Commercial banks	-7.1	-1.1	-7.5	-5.5	-7.6	-0.5	-0.4	-0.3	-0.3
Net domestic assets	-17.3	-0.9	18.5	-17.8	4.5	22.6	15.2	11.3	4.1
Domestic credit	-16.1	-3.5	18.5	-15.4	4.5	22.6	15.2	11.3	4.1
Net bank claims on the government	-31.6	-14.7	11.7	-33.5	-1.6	13.8	5.4	1.0	-7.1
BCEAO	-30.0	-11.0	12.2	-32.4	-1.0	12.6	5.3	0.9	-7.2
Of which : statutory advances	1.3	-0.5	-0.9	-0.1	-0.9	-0.7	-0.6	-0.5	-0.5
Commercial banks	-1.3	-3.5	-0.7	0.8	-0.8	1.1	0.0	0.0	0.0
Other	-0.3	-0.1	0.2	-1.3	0.2	0.1	0.1	0.0	0.1
Credit to the economy	15.4	11.2	6.8	18.1	6.1	8.9	9.9	10.3	11.2
Other items, net	-1.2	2.6	0.0	-2.4	0.0	0.0	0.0	0.0	0.0
Broad money	16.2	23.0	14.9	4.8	24.1	18.7	12.2	10.8	16.5
Memorandum items:									
Velocity of broad money									
(In percent)	6.6	5.7	5.4	5.5	5.3	4.8	4.6	4.4	4.4
Credit to the economy									
(Change, in percent)	31.7	20.2	12.7	33.6	11.3	18.3	20.5	19.9	20.1

Sources: BCEAO; and IMF staff estimates and projections.

Table 4. Niger: Balance of Payments, 2006-13

	2006	2007	2008		2009	2010	2011	2012	2013
		Est.	CR/08/211	Proj.	Program	Projections			
	(CFAF billions, unless otherwise indicated)								
Current account balance	-156.2	-181.1	-211.9	-230.2	-564.8	-822.7	-587.7	-364.6	-313.6
Balance on goods and services	-241.6	-267.7	-325.5	-330.0	-726.8	-947.9	-719.2	-500.5	-463.9
Balance on goods	-117.8	-107.0	-108.3	-147.7	-448.4	-576.0	-403.8	-25.2	105.4
Exports, f.o.b	273.5	341.0	414.1	393.1	418.5	470.2	490.4	745.9	936.9
Uranium	79.6	143.1	178.3	178.2	192.2	229.9	234.5	258.0	430.5
Cattle	35.5	36.7	35.2	37.8	39.1	42.2	44.5	46.5	48.8
Gold	24.3	25.5	52.1	26.0	25.2	25.7	26.3	27.2	24.1
Other exports	134.1	135.7	148.5	151.1	162.0	172.4	185.1	414.2	433.5
Imports, f.o.b	391.3	448.0	522.4	540.8	866.8	1046.2	894.2	771.1	831.5
Of which : food products	87.8	73.8	94.5	94.7	85.2	92.5	98.0	99.3	103.1
Petroleum products	43.7	63.3	79.5	82.7	90.0	116.1	105.3	57.9	65.8
Capital goods	135.8	159.8	210.8	193.8	503.4	642.9	482.6	343.0	346.2
Services and income (net)	-123.8	-160.7	-217.3	-182.2	-278.5	-371.9	-315.4	-475.3	-569.4
Services (net)	-124.4	-144.1	-165.7	-172.6	-269.5	-322.3	-277.0	-301.0	-318.5
Income (net)	0.6	-16.6	-51.6	-9.7	-9.0	-49.6	-38.4	-174.2	-250.9
Of which : interest on external public debt	-3.7	-4.4	-3.9	-4.5	-4.9	-6.3	-7.2	-8.2	-9.3
Unrequited current transfers (net)	85.4	86.6	113.6	99.8	162.0	125.2	131.5	135.8	150.4
Private (net)	41.6	42.8	27.1	43.5	52.4	56.3	60.4	64.0	74.8
Public (net)	43.9	43.8	86.5	56.3	109.6	68.9	71.2	71.8	75.6
Of which: grants for budgetary assistance	18.6	27.5	74.8	38.9	89.7	47.5	48.2	47.5	47.2
Capital and financial account	254.4	253.6	226.2	326.7	549.6	808.8	587.2	447.3	354.7
Capital account	887.7	153.6	114.2	114.5	151.7	162.7	172.6	200.6	214.9
Private capital transfers	3.0	7.2	2.0	7.3	8.4	9.0	9.6	10.2	11.9
Project grants	75.5	119.0	107.2	107.2	143.3	153.7	162.9	190.3	202.9
Nonproduced, nonfinancial assets	30.4	27.4	5.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt cancellation[1]	778.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-623.9	100.1	112.0	212.2	397.9	646.1	414.7	246.7	139.9
Direct investment	26.9	61.0	65.8	188.3	333.6	568.4	335.4	157.4	43.5
Portfolio investment	-2.0	4.9	2.0	1.8	2.0	2.0	2.0	2.0	2.0
Other investment	-648.8	34.2	44.1	22.1	62.3	75.8	77.3	87.3	94.4
Public sector (net)	-665.8	47.1	42.6	26.8	67.3	81.1	83.0	94.0	101.4
Disbursements	59.3	53.1	52.4	35.0	76.0	89.8	93.1	106.3	113.8
Loans for budgetary assistance	19.8	23.0	6.0	0.0	6.0	21.5	20.7	20.0	20.0
Project loans	39.5	30.1	46.4	35.0	70.0	68.3	72.4	86.3	93.8
Amortization	725.1	6.1	9.8	8.2	8.7	8.7	10.1	12.3	12.4
Other (net)	17.0	-12.9	1.5	-4.7	-5.0	-5.4	-5.7	-6.6	-7.1
Errors and omissions	-9.4	-3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	98.2	69.0	14.2	96.5	-15.2	-13.9	-0.4	82.7	41.2
Financing	-98.2	-69.0	-14.2	-96.5	15.2	13.9	0.4	-82.7	-41.2
Net foreign assets (BCEAO)	-101.2	-72.4	-14.2	-96.5	15.2	13.9	0.4	-82.7	-41.2
Of which : net use of Fund resources	-56.4	5.7	5.0	5.3	4.8	4.7	0.3	-2.9	-3.6
Rescheduling obtained	3.0	3.4	0.0	0.0	0.0	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	0.0
	(Percent of GDP, unless otherwise indicated)								
Memorandum items:									
External current account balance									
Including official grants (percent of GDP)	-8.2	-8.9	-9.6	-9.9	-22.5	-30.6	-20.6	-10.9	-8.8
Excluding official grants (percent of GDP)	-10.5	-11.1	-13.5	-12.3	-26.9	-33.2	-23.1	-13.1	-11.0
Net Foreign Assets of BCEAO (months of imports)	3.6	4.5	4.1	5.3	3.2	2.6	3.0	4.1	4.2
GDP (in CFAF billions)	1906.4	2034.8	2206.6	2333.1	2507.6	2689.0	2850.8	3330.8	3550.9
Petroleum price (US$ per barrel)	64.3	71.1	95.5	99.8	68.0	75.0	79.3	82.0	83.0
NPV of external debt (percent of exports)	62.6	60.4	64.7	47.9	57.4	59.6	65.2	49.9	45.5
Exchange rate (CFAF per US $, annual average)	522.4	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.

Table 5. Niger: Millennium Development Goals, 1990-2007[1]

	1990	1995	2000	2007
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (%)	*78*	79	79	*79*
Employment to population ratio, ages 15-24, total (%)	*68*	70	70	*71*
Income share held by lowest 20%	*7.5*	2.6	..	..
Malnutrition prevalence, weight for age (% of children under 5)	*41.0*	..	43.6	*39.9*
Poverty headcount ratio at national poverty line (% of population)	..	*63.0*	..	..
Prevalence of undernourishment (% of population)	*41*	*42*	..	..
Vulnerable employment, total (% of total employment)	..	..	..	..
Goal 2: Achieve universal primary education				
Literacy rate, youth female (% of females ages 15-24)	..	..	..	*23*
Literacy rate, youth male (% of males ages 15-24)	..	..	..	*52*
Persistence to last grade of primary, total (% of cohort)	..	..	69	*53*
Primary completion rate, total (% of relevant age group)	15	*13*	18	*33*
Total enrollment, primary (% gross)	..	..	37	*62*
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliament (%)	5	..	1	12
Ratio of female to male enrollments in tertiary education	..	..	..	*29*
Ratio of female to male primary enrollment	*61*	..	69	*73*
Ratio of female to male secondary enrollment	*37*	..	61	*63*
Ratio of young literate females to males (% ages 15-24)	..	..	..	*44*
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	11.0	..	..	..
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12-23 months)	25	40	34	*47*
Mortality rate, infant (per 1,000 live births)	191	176	159	*81*
Mortality rate, under-5 (per 1,000)	320	295	270	*196*
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	*229*	224	*201*
Births attended by skilled health staff (% of total)	*15*	..	16	*18*
Contraceptive prevalence (% of women ages 15-49)	*4*	..	14	*11*
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	*648*
Pregnant women receiving prenatal care (%)	*30*	..	41	*46*
Unmet need for contraception (% of married women ages 15-49)	*19*	..	*17*	*16*
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	48	*33*
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	124	137	153	*174*
Prevalence of HIV, female (% ages 15-24)	..	..	..	0.5
Prevalence of HIV, total (% of population ages 15-49)	..	..	*0.7*	0.8
Tuberculosis cases detected under DOTS (%)	..	*31*	40	*49*
Goal 7: Ensure environmental sustainability				
Annual freshwater withdrawals, total (% of internal resources)	..	..	*62.3*	..
CO2 emissions (kg per PPP $ of GDP)	0.3	0.3	0.2	..
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	..
Forest area (% of land area)	2	..	1	*1*
Improved sanitation facilities (% of population with access)	3	5	5	*7*
Improved water source (% of population with access)	..	..	..	*68.7*
Marine protected areas, (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..
Goal 8: Develop a global partnership for development				
Aid per capita (current US$)	50	29	19	*29*
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	6.6	7.8	7.9	*2.3*
Internet users (per 100 people)	0.0	*0.0*	0.0	*0.3*
Mobile phone subscribers (per 100 people)	0.0	0.0	0.0	6.3
Telephone mainlines (per 100 people)	0.1	0.1	0.2	*0.2*
Other				
Fertility rate, total (births per woman)	7.9	7.7	7.5	*7.0*
GNI per capita, Atlas method (current US$)	300	190	170	280
GNI, Atlas method (current US$) (billions)	2.4	1.8	1.9	4.0
Gross capital formation (% of GDP)	8.1	7.3	11.4	*23.1*
Life expectancy at birth, total (years)	47	50	53	*56*
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	*29*
Population, total (millions)	7.8	9.3	11.1	14.2
Trade (% of GDP)	37.0	41.5	43.5	*40.1*

Sources: Nigerien authorites; and World Bank, World Development Indicators (2008).

[1]Figures in italics refer to periods other than those specified.

Table 6. Niger: Proposed Scheduled Disbursements Under the PRGF Arrangement, 2008–11

Amount (Millions)	Date Available	Conditions Necessary for Disbursement[1]	Disbursement Date
SDR 3.29	June 2, 2008	Executive Board approval of the three year PRGF arrangement.	June 18, 2008
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 quantitative performance criteria, the end-November 2008 structural performance criterion, and completion of the second review under the arrangement.	
SDR 3.29	September 30, 2009	Observance of the June 30, 2009 and continuous quantitative 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 quantitative performance criteria, the end-December 2009 structural 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.

APPENDIX I—LETTER OF INTENT

Niamey, December 3, 2008

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

Dear Mr. Strauss-Kahn:

1. The government is continuing to implement the policies and reforms envisaged in the PRGF-supported program which was approved at end-May 2008. By end-October 2008, all the quantitative and structural performance criteria were met, with the exception of two: the quantitative criterion on the reduction of domestic arrears by end-June 2008, for which I request a waiver, as corrective steps have already been taken; and the structural criterion on the adoption before end-September of the procedures for repayment of the frozen deposits of the former National Post and Savings Office (ONPE). Those procedures were established in early December 2008, and therefore I also request a waiver for this criterion.

2. With regard to the structural benchmarks, the adoption of the medium-term expenditure framework for infrastructure and transport, planned for end-November 2008, was postponed to end-June 2009, in view of the need for technical assistance in this area.

3. Economic activity during 2008 was favorable, and GDP growth in 2008 is expected to be driven by an excellent harvest and by activity in the mining, telecommunications, and construction sectors. Consumer prices continued to rise until end-July 2008, with a sharp increase in food prices, but prices stabilized thereafter. The government has made significant efforts to support the most vulnerable segments of the population, with free distribution of foodstuffs, moderate-priced sales, and nutritional programs undertaken by the food security mechanism, which receives lender support.

4. Basic budgetary expenditure in the first nine months of 2008, excluding externally financed investment, remained below program objectives, whereas revenue greatly exceeded the projections, thanks also to nonrecurring revenue derived from the conclusion of an oil agreement. 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 first review of the PRGF-supported program. The program for the last part of 2008 and for 2009 aims 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.

6. As in the past, the government consents to the publication by the International Monetary Fund of this letter of intent, the memorandum on economic and financial policies, the technical memorandum of understanding, and the IMF staff report. The government believes that the policies set out in the attached MEFP are sufficient to ensure attainment of the objectives of its program and will take any additional measures that may be necessary to that end. 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 2008-09

I. MACROECONOMIC FRAMEWORK FOR 2008 AND 2009

1. Economic trends in the first nine months of 2008 saw an upsurge in food and fuel prices until August, reflecting the fact that international prices had been rising sharply since the latter months of 2007. Beginning in August 2008, however, the prices of cereals and other food products began to decline, because the harvest has begun well, thanks to highly favorable rainfall. In the 12 month to August 2008, inflation measured on the basis of the consumer price index reached 15 percent, but the index fell slightly between July and August. The prices of cereal prices on domestic markets began to decline in August and September. To soften the impact of the price increases, in March and in June the government adopted tax relief measures on sensitive foodstuffs. Thus in March, the VAT and customs duties in rice were suspended; in June the suspension of customs duties was extended to include milk, excise taxes on edible oil were also suspended, while reference values for customs taxation purposes for sugar and wheat flour were reduced (by 17 percent). However, the impact of these measures on price levels has been disappointing. Accordingly, in August the government decided to carry out direct imports of rice and sugar to offer for sale at reduced prices throughout the country through the national agency OPVN (Niger Foodstuffs Office), (3000 tons for each product). The government's actions were combined with the interventions made by the national food security system in using the strategic (buffer) stock; sales were made at reduced prices in June-July (15,000 tons of cereals), as were free targeted distributions amounting to approximately 14,000 tons. These interventions made it possible to discontinue the suspension of import duties and taxes in mid-September. In light of the good harvest, the price index may decline by approximately 3 percent between August and the end of the year, bringing inflation by year-end on a year on year basis to approximately 8.5 percent. The GDP deflator is projected to increase by 8.3 percent between 2007 and 2008. For 2009, the consumption index is expected to increase at an annual average rate of 2.5 percent and the GDP deflator by 2.2 percent.

2. GDP growth at constant prices in 2008 is expected to reach 5.9 percent based on the latest estimates, compared to 3.3 percent in 2007, thanks to an 11.6 percent increase in value added in agriculture, substantial growth in construction and public works, and favorable performance by industry and services. Conversely, mining production is expected to remain stable. The investment GDP ratio is expected to remain at a high level, of about 26.3 percent, reflecting sizable investments in the sectors of telecommunications, energy, and mines.

3. In 2009, GDP growth may attain 4.5 percent; investment should be supported by a set of key initiatives in the agriculture, mining, roads, and energy sectors. These include the initiation of work on the Kandadji dam, the rehabilitation and development of irrigation

systems, the development of a new coal mine in Tahoua, and the related construction of an electricity power station, the launching of investments for the full development of the Imourarem uranium mine and of the Agadem oil field, further prospecting in Agadem, and work on an oil refinery and a pipeline of approximately 580 kilometers connecting the oil field to the refinery.

4. The external current account deficit is projected to increase to 11 percent of GDP in 2008 (9.1 percent in 2007) in spite of a 25 percent increase in uranium exports, on account of the upward revision of export prices, which more than compensates for a decline in volumes. Exports of agricultural products are also rising sharply, thanks to a good harvest. Imports in value terms are expected to increase by approximately 21 percent, because of a substantial upturn in prices of hydrocarbons and rice during a big part of the year, as well as the significant increase in capital goods reflecting the growth in private and public investment. The anticipated rise in direct investment and external project financing for projects should lead to a slight upturn in net foreign assets of the central bank.

5. In 2009 the current account deficit is expected to increase further to 24 percent of GDP, because of higher imports related to the execution of investments in the mining, petroleum, telecommunications, energy, and services sectors. At the same time, export volumes for uranium and gold are projected to pick up again. The current account will be largely financed by private direct investment, estimated at approximately 13 percent of GDP.

6. The national buffer stock of cereals, currently standing at 12,000 tons after the sales in recent months, will be brought back to 50,000 tons by March 2009, through purchasing operations financed through budget appropriations scheduled for 2007 and 2008 (CFAF 2.2 billion) but not yet disbursed, and support from donors and lenders. The national system for the management and prevention of food crises, constituted by the OPVN, the food crisis unit (CCA), and the early warning system (SAP), will continue to play a key role in efforts to combat food insecurity, with support from donors and international organizations, through the nutrition program, targeted free distributions, cash-for-work programs, and the creation of cereal banks. To ensure that this role can be effectively discharged, the continuous support of donors is necessary, coupled with contributions from the national budget. The budget appropriations in the amount of CFAF 2.2 billion in favor of the national food security system will be disbursed in December 2008.

II. Program Implementation and Fiscal Outlook for the Remainder of 2008

7. During the first nine months of 2008, program implementation has been satisfactory—however, two performance criteria were not observed in timely fashion although corrective measures were rapidly adopted. Thus, at end-June 2008 the reduction in domestic arrears amounted to CFAF 5.8 billion against a programmed amount of CFAF 7 billion, but further reductions were made in July (CFAF 2.9 billion). The other

quantitative performance criteria and indicators for end-June were all met. Steps are being taken to ensure that the target of CFAF 15 billion for the reduction of arrears at year-end is achieved. The programming of this reduction has already been completed; inter alia, it includes the full settlement of Treasury arrears dating from 2004 to 2006, the repayment of arrears to private suppliers, and additional repayments of the arrears of embassies and to international organizations. The performance criterion regarding the establishment of procedures for repaying the frozen deposits of the former ONPE (National Postal and Savings Office) before end-September 2008 was not complied with, but the necessary regulations have been adopted in early December.

8. During the first nine months of the year, revenues comfortably overshot the program target, chiefly reflecting the collection at end-June of a signing bonus for a petroleum production sharing contract (CFAF 123.4 billion, equivalent to 5.5 percent of GDP). The revenue target for end-June was achieved, even without taking into account these exceptional revenues. On the expenditure side, outlays remained below projections in the first six months of the year.

9. The supplementary budget approved at end-May was in line with program projections. This supplementary budget allocates the bulk of the nonrecurring revenues to priority expenditures. These nonrecurring revenues originate from the sale of mining assets and of a telecom license (respectively CFAF 12 and CFAF 32 billion) and were collected at end-2007 but not included in the initial budget for 2008; nonrecurring dividends of uranium enterprises collected in early 2008 (CFAF 15 billion); upward revision of tax receipts on the same enterprises; and budgetary assistance from the WAEMU and the BCEAO, for a total of CFAF 76 billion (3.7 percent of GDP). The supplementary budget also took into account the revenue shortfall attributable to the suspension of duties and taxes on rice and milk, the excise tax on oils, and the reduction of the taxable base on sugar and flour, estimated at CFAF 11.3 billion.

10. For the whole of 2008, tax receipts are forecast at CFAF 256 billion (11.6 percent of GDP, as in 2007) as against CFAF 260 billion in the program (including revenues for the account of local governments and Community institutions), while nontax receipts are projected at CFAF 25 billion, excluding the one-time signing bonus, compared to CFAF 30 billion under the program. The shortfall in tax receipts is primarily due to the exemptions on food products, which was extended beyond the three months initially planned. The shortfall in nontax receipts is attributable to lower-than-anticipated dividends from a mining company.

11. Domestically financed expenditures are projected to remain in line with program forecasts, with the exception of a government participation in the capital of the new refinery company to be established before year-end (CFAF 19 billion) and a supplementary transfer to OPVN of CFAF 11 billion (funded through the signing bonus) for interventions to purchase cowpeas, after the good harvest, in order to take advantage of the favorable

developments on the international market for this product. The remainder of the bonus will be used in 2009 in accordance with the 2009 budget's specifications. In 2008, the basic budget surplus, which excludes externally funded investment, is expected to record a deficit of 0.6 percent of GDP. Externally funded investments should be slightly below initial forecasts (CFAF 142 billion, as against CFAF 154 billion).

12. External budgetary assistance is expected to reach CFAF 38.9 billion in 2008, as against CFAF 80.8 billion under the initial program. The shortfall is attributable to the delays in finalizing a new program with the AfDB, lower-than-anticipated disbursements related to EU assistance, in addition to a delay in the disbursement of budgetary assistance for 2008 from the World Bank and France. The year will record a substantial increase in central government deposits at the central bank, on account of the signing bonus. Discussions will be held with the central bank to amend the two agreements of July 2006 for the consolidation of the advances to the Treasury.

13. With respect to strengthening fiscal management, the most significant progress in 2008 has to do with the establishment of the pilot unit (*salle pilote*), which is expected to accelerate expenditure commitment procedures for all ministries; the general directorate for the supervision of public procurement will be strengthened by raising its staffing levels; heightened supervision will be exercised over flows of imports to ports and the collection of port revenues will increase. The interconnection between customs border offices and regional customs offices is in progress, thanks to substantial assistance from the EU, which should facilitate efforts to improve imports monitoring. It is, however, necessary to strengthen the human and physical resources of the general directorate of customs (DGD) and of the general directorate of taxes (DGI) (recruitment, training, vehicles, office space) through adequate budget funding. For this purpose, the 2009 budget law allocates additional resources for these directorates.

14. Data on budget outturn for 2008—including figures on the unified list of priority expenditures and on the President's Special Program—will be published by end-March 2009 on a website or in a government publication to allow for a higher degree of transparency in expenditure management (structural benchmark). The end-year Treasury accounts (*comptes de gestion*) for 2006 were examined by the Audit Office and the 2006 budget review law (*loi de règlement*) has been adopted by the National Assembly.

15. The reform of the financial system has continued with the launching of the privatized Crédit du Niger, which is designed to provide housing credit; the commencement of operations of the microfinance regulatory agency; and the rehabilitation of certain microfinance networks. With reference to the postal bank Finaposte, the mobilization of capital in the amount of CFAF 5 billion will be completed shortly, and its licensing as a banking institution will be rapidly requested from the regional Banking Commission. The government has defined in early December the modalities for the repayment of the frozen deposits of the former ONPE, which amount to CFAF 4.8 billion.

16. The expansion of credit to the economy maintained its momentum during the first six months of the year (20 percent increase), thanks to the demand for credit, primarily from the mining and telecommunication sectors; the expansion of the money supply was 3 percent. Over the entire year, growth in credit to the economy is projected at 22 percent and growth in the money supply is projected at 24 percent. The foreign assets of the central bank increased substantially in the first half of the year, reflecting the receipt of the signing bonus in June; they may increase by CFAF 100 billion over the year as a whole.

III. The 2009 Program

A. The 2009 Budget and Fiscal Reforms

17. The budget for 2009 is primarily designed to support the Accelerated Development and Poverty Reduction Strategy (SDRP) for 2008-12 and to use the resources from the signing bonus collected in 2008 to strengthen priority sectors. The preparation of the 2009 budget was strengthened thanks to closer cooperation with the permanent secretariat of the SDRP and the action plans for priority sectors. Taking account of the utilization of the bonus, the basic budget deficit should amount to CFAF 134 billion (5.4 percent of GDP). Total revenues, which are expected to attain CFAF 284 billion excluding the bonus (12.2 percent of GDP) in 2008, are expected to rise to CFAF 305 billion (12.2 percent of GDP) in 2009, including CFAF 288 billion in tax receipts. Tax receipts are projected to rise from 11 percent of GDP in 2008 to 11.6 percent of GDP in 2009. The highest growth should involve the VAT, registration taxes for government contracts, and profit taxes. Customs receipts are also forecast to increase by approximately 5 percent.

18. Nontax receipts are expected to reach CFAF 14.1 billion, including substantial dividends from SOPAMIN, which should turn a profit of around CFAF 14 billion in 2008.

19. The total amount of domestic expenditures, excluding externally funded capital expenditure, is provisionally established at CFAF 438 billion (17.6 percent of GDP), compared to CFAF 422 billion in 2008 (18.1 percent of GDP), with current expenditure amounting to 12.8 percent of GDP (12.9 percent of GDP in 2008), including 0.6 percent of GDP for the organization of elections. The increase in personnel-related outlays (8 percent of GDP) reflects recruitments in education and health. Domestically funded capital expenditure, including HIPC resources, should reach CFAF 120 billion, equivalent to 4.8 percent of GDP (5.2 percent of GDP in 2008) reflecting a reasonable rate of execution of budget appropriations. This is attributable to sizable allocations for rural roads and highways, irrigation, the Kandadji dam, medical equipment, as well as for electricity, in an effort to reduce the country’s dependence on external supplies (CFAF 10 billion).

20. Externally funded projects are expected to grow noticeably and to reach CFAF 213 billion in 2009 (8.6 percent of GDP) as against CFAF 142 billion (6.1 percent of GDP) anticipated in 2008, reflecting the planned disbursements of the Global Fund for

AIDS, Tuberculosis and Malaria, the US Millennium Challenge Account, the acceleration of the road and agricultural development program, and the start of work on the Kandadji dam.

21. External budget assistance is expected to amount to CFAF 91.7 billion, including assistance in respect of a new structural adjustment program of the AfDB, as well as an IDA disbursement in the amount of US$40 million initially scheduled for December 2007. On the basis of these projections, domestic financing of the budget is projected to amount to CFAF 65 billion, chiefly accounted for by the utilization of deposits at the Central Bank created as a result of the signing bonus received in June 2008.

22. Domestic arrears will be reduced by CFAF 15 billion, on the basis of a program designed to settle in priority the arrears to the private sector, the suppliers to the embassies, the arrears to the international organizations, the rents, and the arrears on investments.

23. Major reforms of the tax system will take place in 2009, as envisaged in the initial program, to simplify the system and to eliminate those features that hamper the development of the private sector. Regarding the reimbursement of VAT credits to exporters, during 2009 the Tax Directorate (DGI) will review its technical and institutional aspects and assess the impact of the full reimbursement. Before end-2009 the provisions of article 34 of the tax code pertaining to the reimbursement of VAT export credits will be reformulated, in order to eliminate any ceiling to these reimbursements to exporting firms, while ensuring that no reimbursement is effected on domestic sale (performance criterion for end-December 2009). The rate of the profit tax will be reduced from 35 to 30 percent before end-December 2009 (performance criterion), to be applied to profits reported for FY 2009 and following years (performance criterion) Effective January 1, 2009, the profit tax (ISB) withholding at customs will be lowered from 7 to 5 percent for those taxpayers lacking a tax identification number (NIF), to ensure alignment with the rules set forth in the WAEMU directive.

24. A review of the IRVM (*impôts sur les revenus des valeurs mobilières*—tax on investment income) will be carried out in 2009, with a view to standardize the rates, and to align them to the UEMOA guidelines. Similarly a review of the real estate tax (*taxe immobilière)* will be carried out in 2009 to prepare its simplification.

25. Furthermore, other reforms are currently under consideration with a view to further simplify corporate and personal income taxes. Discussions on the reform of the investment code have been initiated. The purpose of this reform will be to eliminate non essential tax advantages, whereas the ordinary tax code should eliminate the penalizing impact on investors resulting from the VAT on capital goods, and allow accelerated amortization instead of the five-year exemption on the profit tax. In the meantime, the tax advantages set forth in the investment code should be strictly limited in time, without extension, in order to limit tax losses.

26. With respect to public finance management, in 2009 efforts will focus on: (i) strengthening financial controls, by increasing the number of controllers and their training; to support the decentralization process, it is envisaged to appoint one financial controller for each region; (ii) strengthening the DGCMP (General Directorate for the Supervision of Public Procurement), and lowering the threshold for contracts subject to its supervision from CFAF 300 million to CFAF 100 million; (iii) expediting the reporting of information between decentralized budget offices (*centres de sous ordonnancement*) in the regions and the general budget directorate. The updating of action plans of the development and poverty reduction strategy (SDRP), which will be completed in November 2008, and the updating of the medium-term expenditure frameworks (MTEFs) for priority sectors will make it possible to strengthen the preparation of the 2010 budget in a medium-term framework. Thus, the presentation memorandum for the 2010 Budget Law will include projections for the main budgetary revenue and expenditure aggregates for the period 2010-2012 (structural benchmark). Technical assistance from the IMF will be requested to assist in the preparation of a comprehensive MTEF. The MTEF for the infrastructure and transport sectors is currently being prepared with assistance from the World Bank.

B. Debt Management

27. As envisaged under the initial program, the authorities have strengthened the Debt Directorate with external assistance. Semiannual reports on recent borrowing, and prospective debt trends resulting from planned borrowing agreements, have begun to be produced since the first such report in October 2008. Loan disbursements should accelerate in 2009–10 reflecting the finalization of the loan agreements for the construction of the Kandadji dam, which during its initial phase will result in approximately US$210 million of new drawings. Close attention will be paid to the terms of these loans, which will in no circumstances have a grant element lower than 35 percent (continuous performance criterion); the authorities will endeavor to obtain terms implying a grant element higher than this floor. The Debt Directorate is in a position to conduct the periodic analysis of debt sustainability. Thanks to the favorable trends in exports, the debt ratio over the next 20 years is expected to remain well within the accepted thresholds (150 percent for the NPV ratio of debt-exports, and 40 percent for the NPV ratio of debt-GDP). However, these ratios are highly sensitive to the terms of borrowing, thus requiring heightened vigilance over borrowing terms.

C. Management of Petroleum Resources

28. The government has entered into an oil production sharing contract and it has granted an operating permit (*permis d'exploitation*) to the firm CNPC pertaining to the Agadem block, and it has signed an agreement with the same company to construct a 20,000 barrel per day refinery in Zinder as well as a pipeline of approximately 580 kilometers from the oil field to the refinery. The refinery and the pipeline should be in operation by 2012. The refinery will be managed by a company in which the state will hold a 40 percent equity stake.

Domestic consumption will absorb about one third of output, and the remainder will be exported. A petroleum products purchase contract (*contrat d'enlèvement*) is scheduled to be signed with the national company SONIDEP (*Société Nigérienne des Produits Pétroliers*). The sale of crude oil to the refinery and the sale of refined products will be made on a commercial basis. The government will offer no guarantees for any loans which the refinery company may take out to finance the investment.

D. Money, Credit, and the Financial System

29. In 2009, the expansion of credit to the economy should hold steady, reflecting the continuation of major investment projects. The foreign assets of the central bank may decline, following the sharp upturn in 2008, and the growth in the money supply may reach 18 percent. The strengthening of the financial system will continue. Efforts are being made to strengthen housing credit, the specialty of Crédit du Niger, and credit for agriculture. Regarding credit for agriculture, further analysis is needed to identify the most effective options for increasing the supply of credit to the sector, in light of the difficulties which the agricultural banks have experienced in other countries of the subregion. In order to promote housing credit, steps will be taken to expedite real estate titling, through rapid strengthening of land registry services. Microfinance networks will be further strengthened through support from donors and the State. The newly established Microfinance Regulation Agency will play a key role in supervising and strengthening the sector.

E. Other Structural Reforms

30. Concerted efforts will be made to achieve further improvements in the business climate. The numbers of procedures and days necessary to create a business have been considerably reduced in recent years. However, the cost of setting up a business remains high, primarily on account of fees for enrollment in the Register of Commerce at the courts; the government has pledged to reduce these fees by end-June 2009 (structural benchmark).

IV. Program Monitoring

31. Program monitoring is based on semiannual and continuous quantitative performance criteria, structural performance criteria, quantitative and structural benchmarks (Tables 1 and 2) as well as standard continuous PCs. The performance criteria and benchmarks are presented in the TMU. The quarterly ceilings on domestic financing, net of the position in the IMF, will be adjusted upward in the event of a shortfall in external budgetary assistance (net of external debt service) in relation to program forecasts, for up to a maximum of CFAF 30 billion. It is also requested that the performance criterion on the net domestic financing of the government for end-December 2008 be modified to take into account the signature bonus, and that the performance criterion on the reimbursement of VAT credits be modified and set for end-2009. The second, third, and fourth program review will be conducted with the IMF respectively by end-May 2009, end-November 2009, and end-May 2010.

Table 1a. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2008-December 31, 2008

(Billions of CFA francs)

	End-March Indicative Targets			End-June Performance Criteria			End-September Indicative Targets	End-December Performance Criteria	
	Prog.	Prog. Adj.	Est.	Prog.	Prog. Adj.	Est.	Prog.	CR/08/211	Revised Prgr.
A. Quantitative performance criteria and indicative targets									
(cumulative from December 31, 2007)									
Domestic financing of the budget[1, 2]	1.4	12.4	3.6	18.1	21.5	-128.2	38.7	36.8	-9.3
Reduction in government domestic payments arrears [3]	4.0	4.0	2.1	7.0	7.0	5.8	8.0	15.2	15.2
Memorandum item:									
Exceptional external budgetary assistance [4]	13.5	…	2.5	24.5	...	21.1	33.7	70.4	29.6
Gross budget support	16.0	…	5.0	29.6	...	25.2	41.4	80.8	38.9
Debt service	2.6	…	2.5	5.2	...	4.2	7.7	10.3	9.3
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
New nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year[6]:									
grant element lower than 35 percent	0.0		0.0	0.0		0.0	0.0	0.0	0.0
C. Indicative Targets									
(cumulative from December 31, 2007)									
Basic budget balance (commitment basis, excl. grants)[7]	-11.8	…	3.5	-42.6	...	110.3	-72.4	-101.0	-14.9
Total revenue[8]	83.9	…	81.7	148.8	...	280.8	214.7	281.7	407.4

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

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

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

If disbursements are less than the programmed amounts, the ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion at the end of each quarter of 2008.

[3]Minimum.

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

[5]Excluding ordinary credit for imports or debt relief.

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

[7]Minimum, 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.

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

Table 1b. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2009-December 31, 2009
(Billions of CFA francs)

	End-March Indicative Targets	End-June Performance Criteria	End-September Indicative Targets	End-December Performance Criteria
	Prog.	Prog.	Prog.	Prog.
A. Quantitative performance criteria and indicative targets				
(cumulative from December 31, 2008)				
Domestic financing of the budget[1, 2]	12.1	62.5	67.2	55.9
Reduction in government domestic payments arrears[3]	2.0	6.0	8.0	15.0
Memorandum item:				
Exceptional external budgetary assistance[4]	20.6	5.7	37.9	86.0
Gross budget support	23.0	10.5	45.2	95.7
Debt service	2.4	4.8	7.3	9.7
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] grant element lower than 35 percent	0.0	0.0	0.0	0.0
C. Indicative Targets				
(Cumulative from December 31, 2008)				
Basic budget balance (commitment basis, excl. grants)[7]	-30.3	-66.9	-101.0	-133.6
Total revenue[8]	79.3	152.3	227.8	304.8

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

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

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of program forecasts. If disbursements are less than the programmed amounts, the ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion at the end of each quarter of 2008.

[3] Minimum.

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

[5] Excluding ordinary credit for imports or debt relief.

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

[7] Minimum, 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.

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

Table 2. Niger: Structural Performance Criteria and Structural Benchmarks for the Program September 2008-December 2009

Measures	Date	Status
Structural performance criteria		
Adoption of the decree specifying the terms for repayment of the savings deposits frozen by the former ONPE.	End-September 2008	Not met. Decree adopted in early December 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.	End-Décembre 2008	Modified (see below)
Elimination of the ceiling for reimbursement of VAT credits to all exporters.	End-December 2009	
Reduction of the rate of profit tax from 35 to 30 percent, applicable to profits reported for FY 2009 and for following years.	End-December 2009	
Structural benchmarks		
Adoption by the Council of Ministers of the MTEF for the infrastructure and transport sectors.	End-November 2008	Not met. Reprogrammed for end-June 2009
Presentation in the budget law for 2009 of the investment programs for the priority sectors of the PRSP for 2009-2012.	End-December 2008	
Production by the Ministry of Finance of semiannual reports on the foreign debt contracted and its terms, and on the borrowing program for the next six months and the terms specified.	End-December 2008 and the end of each successive half-year period	
Publish data on budget outturn for 2008, including for the unified list of priority expenditures and the President's Special Program.	End-March 2009	
Reduction of the fees for registering a new business in the Register of Commerce at the courts.	End-June 2009	
The Budget Law for 2010 will include a production of the main budget aggregates (revenue and expenditure) for the period 2010-12.	End-December 2009	

Appendix I—Attachment II

Technical Memorandum of Understanding

Niamey, December 3, 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-December 2008 and for 2009 are set out in Table 1 of the government's Memorandum of Economic and Financial Policies (MEFP) dated December 3, 2008 and attached hereto. This technical memorandum of understanding also sets out 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 payment arrears** are external payments due but not paid. **Domestic payment arrears** are domestic payments due but not paid. They 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. 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 stock between end-December 2007 and the date considered for the performance criterion or the indicative target. Those for 2009 are based on the change in stock between end-December 2008 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, and for 2009 from end-December 2008.

9. If disbursements fall short of projected external budgetary assistance for each quarter in 2008 and 2009, 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 after 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 *reste à payer(RAP)* at the Treasury for budget years 2004, 2005, 2006 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 and 2009 are based on the changes in the stock of arrears from end-December 2007, and from end-December 2008, respectively, and the date selected for the performance criterion or indicative target. The stock of RAP at end-2008 for the 2008 budget year will not exceed the stock of RAP outstanding at end-2007 for 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. Similarly , the stock of RAP at end-2009 for the 2009 budget will not exceed the stock of RAP at end-2008 for the 2008 budget year.

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 *reste 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. Reduction of External Payments Arrears

Definition

14. **Government debt** is outstanding debt owed or guaranteed by the government. For the program, the government undertakes not to accumulate external 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 10-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 Fund staff the list of loans under negotiations, and, in case of objections, the Fund staff will have to express any objections within two weeks.

17. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Dept 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 after 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 after 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, 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 *reste à payer (RAP)* at the Treasury. These data are to be provided monthly within six weeks following the end of each month;
- quarterly data on expenditures of the unified priority list, and 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 *reste 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 after the end of each month.

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 after 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 after 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 after 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 after 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 *reste à payer* (RAP) at the Treasury.	Monthly	End of month + six weeks
	Data on the stock of *reste à payer* 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 new external loans		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

Staff Report for the 2008 Article IV Consultation, First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waivers and Modification of Performance Criteria

Informational Annex

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

Approved by Sharmini Coorey and Anthony Boote

December 5, 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 May 28, 2008.
- **Relations with the World Bank.** Describes the World Bank Group's strategy and portfolio.
- **Statistical Issues**. Describes data limitation and recent improvements.

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I. Relations with the Fund

(As of September 30, 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	1.05	11.21

IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
PRGF Arrangements	29.61	45.00

V. Latest Financial Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
PRGF	Jun 2, 2008	Jun 1, 2011	23.03	3.29
PRGF	Jan 31, 2005	May 31, 2008	26.32	26.32
PRGF	Dec 22, 2000	Jun 30, 2004	59.20	59.20

VI. Projected Payments to Fund [1/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2008	2009	2010	2011	2012
Principal			0.09	2.94	4.21
Charges/Interest	0.13	0.36	0.36	0.36	0.34
Total	0.13	0.36	0.46	3.29	4.55

[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 Framework
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.

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 November 7, 2008, the rate of the CFA franc in SDR terms was SDR 1 = CFAF 764.25. 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
AFRITAC W	Advisor	May-June 2008	Public finance statistics
AFRITAC W	Advisor	June 2008	Real sector statistics

FAD	Staff	September 2008	Tax policy
AFRITAC W	Adivor and experts	October 2008	Customs/Tax administration
AFRITAC W	Advisor	October 2008	Tax administration

XIII. Resident Representative:

Mr. Pierre Laporte has been resident representative in Niger from December 2005 to early November 2008. A new representative is being selected.

II. Relations with the World Bank: IMF/WB—Joint Monitoring Action Plan

Title	Products (For example)	Provisional Timing of Missions (if relevant)	Expected Delivery Date
	A. Mutual Information on Relevant Work Programs		
Bank work program in next 12 months	Growth DPL	December 2008	March 2009
	ESW on Skills Development and Growth		June 2009
	PEMFAR II	February 2009	July 2009
	ESW on Rural Finance	To be determined	June 2009
	ESW on Political Economy of mining		April 2009
	TA on MEF Capacity Building		March 2009
IMF work program in next 12 months	Staff visit/program review		March 2009
	Staff visit/program review		September 2009
	B. Requests for Work Program Inputs (as needed)		
Fund request to Bank (with summary justification)	PER top-up to provide quantitative inputs for budget framework		
	Analysis of supply-side implications of sectoral composition of aid		
	ESW on Trade (DTIS)		
Bank request to Fund (with summary justification)	Assessment letter		
	Macroeconomic scenarios associated with scaling up of aid		
	C. Agreement on Joint Products and Missions (as needed)		
Joint products in next 12 months	Debt sustainability analysis		December 2008
	PRS feedback		
	TA		March 2009

List of acronyms

DPL	Development Policy Loan
DTIS	Diagnostic Trade Integration Study
ESW	Economic and Sector Work
MEF	Ministry of Economy and Finance
PEMFAR	Public Expenditure Management and Accountability Report
PER	Public Expenditure Review
PRS	Poverty Reduction Strategy

III—STATISTICAL ISSUES

(As of October 31, 2008)

1. While the economic database is broadly adequate for surveillance and programming purposes, there are deficiencies in the statistical system that complicate the monitoring of certain economic developments. The common indicators for surveillance are generally provided to the Fund on a timely basis. Weaknesses mainly affect the national accounts and the public finance statistics. Niger participates in the General Data Dissemination System (GDDS), and its metadata were posted on the Fund's Dissemination Standards Bulletin Board on February 26, 2002. The metadata refer to January 2003 and need to be updated. Metadata for the health and population data categories have not been updated since June 2001, and there are no plans for improvement for the poverty and education data categories. As a follow-up to GDDS participation, STA technical assistance (funded by the Japanese government) is being offered to eight member countries of the Western African Economic and Monetary Union (WAEMU) to assist with implementation of plans for the improvement of their statistical systems. A Fund regional statistical advisor initiated a program of assistance in government finance statistics, which is now managed by the West Africa Regional Technical Assistance Center (AFRITAC West).

2. A mission visited Niamey in March 2005 to prepare the data module of the Report on the Observance of Standards and Codes (ROSC). It carried out a review of data dissemination practices against the GDDS, as well as an in-depth assessment of the quality of national accounts, consumer price, monetary, balance of payments and government finance statistics. The data ROSC, which was published on June 9, 2006, found that: (i) Niger does not meet the recommendations of the GDDS for timeliness of all data categories; (ii) improvements need to be made in data coverage (especially national accounts by institutional sectors), periodicity (especially quarterly government financial statistics), and timeliness (especially national accounts, government finance statistics, balance of payments); and (iii) plans for improvement in these areas should address resource constraints, reinforce the legal framework for data collection and coordination, and clarify the responsibilities for dissemination of government operations and public debt data.

3. Law No 2004-011 of March 2004 transformed the Statistical and National Accounts Directorate of the Ministry of Economy and Finance into a National Statistical Office (INS), and created a new unit responsible for statistical coordination, the National Council on Statistics. Both the institute and the council initiated operations in June 2005.

Real sector

4. Niger participates in WAEMU's harmonization of statistical methodologies through the multilateral surveillance process, currently seeking regional improvements in the area of national accounts. Ongoing work on overhauling the national accounts and the resulting change in the base year are based on the recommendations of the ROSC mission and technical assistance from AFRISTAT. Under the GDDS project for the AFRITAC West countries, a statistical register and an industrial production index have been established, and a

series of missions have taken place to assist in the implementation of the *System of National Accounts, 1993* (*SNA 1993*).

5. While the national accounts compilation generally follows best methodological practice, the data ROSC found that some gaps remain for the full adoption of the *SNA 1993*. In addition, national accounts data originate mainly from administrative sources, with many shortcomings, and the household and informal sector surveys are not up-to-date. This paucity of data sources has compelled compilers to use some questionable statistical techniques. GDP is estimated using the production and expenditure approaches, but is based on largely obsolete ratios for many line items. In the absence of appropriate price indices, deflators are mostly derived from the Harmonized Consumer Price Index (HCPI). The national accounts at constant prices are established on an obsolete-base year, 1987. GDP validation possibilities are limited because the same calculation methods are used for estimates and final data. Efforts are being made to improve and widen data collection procedures, and reduce delays in data dissemination. In 2007, the National Statistics Office (NSO) has decided to resume the implementation of the 1993 System of National accounts (1993 SNA) using the ERETES software. AFRITAC TA assessed in 2008 the reliability of source data used to compile the NA for 2006.

6. The new WAEMU's HPCI was introduced in January 1998. However, the coverage is limited to Niamey, the weights are based on a household budget survey conducted during only three months in 1996. As noted, work is under way to revise the HPCI.

Public finances

7. Monthly government finance statistics are compiled by the Ministry of Economy and Finance (MEF) with a one- to four-month lag, based on information provided by the budget, customs, tax, and treasury directorates. The MEF prepares a monthly reconciliation of spending commitments made by the budget directorate and payments made by the treasury, but the data are not disseminated to the general public. Data are limited to the operation of the budgetary central government, that is covering the general budget, special funds, and operations of the treasury special accounts. They do not cover the social security administration. No final budget or treasury accounts are published at the end of the fiscal year.

8. Following their participation in the AFRITAC-WEST seminar on the *GFSM 2001,* held in Lomé, Togo in November 2005, MEF has approved a strategy for migrating from the methodology of the *Government Finance Statistics Manual 1986* (*GFSM 1986*) to the new *GFSM 2001*. No data are reported for publication in *International Financial Statistics (IFS).*

Monetary data

9. The monetary statistics are generally based on the *Guide to Money and Banking Statistics in IFS* (*1984 Guide*), but use an incomplete sectorization of assets and liabilities. Implementation of the new *Monetary and Financial Statistics Manual* (*MFSM*) has started, but without a precise timetable. The source data for monetary statistics are generally reliable, though they may be reported late. However, the free circulation of banknotes within

countries of the zone complicates the estimation of currency in circulation. Preliminary monetary data are compiled by the national agency of the Central Bank of West African States (BCEAO) and released officially by BCEAO headquarters. There has been an improvement in the timeliness of data provided on interest rates, monetary institutions, and deposit money banks. The authorities are now reporting monetary data to STA on a regular basis, with a reduction in the lag from about six months to about three to four months. Most of the key monetary statistical issues have been resolved.

Balance of payments data

10. The balance of payments statistics are compiled in conformity with the *Balance of Payments Manual, Fifth Edition (BPM5).* Since December 1998, the responsibility for compiling and disseminating balance of payments statistics has been formally assigned to the BCEAO by area-wide legislation adopted by the countries participating in the WAEMU. The national agency of the BCEAO in Niamey is responsible for compiling and disseminating the balance of payments statistics, and the BCEAO headquarters in Dakar for delineating the methodology and calculating the international reserves managed on behalf of the participating countries.

11. Data consistency has significantly improved over the past few years, with a full transition to the *BPM5*. The BCEAO national agency disseminates balance of payments statistics with a seven month lag, exceeding GDDS guidelines. The BCEAO also compiles and disseminates the annual data of the international investment position data with an 18-month lag.

12. Further improvement in the data for services and transfers (especially workers' remittances) will depend on the intensification of the contacts with reporting bodies. Concerning the financial account, the foreign assets of the private nonbanking sector are still not well covered, especially the assets of WAEMU residents, which are obtained through partial surveys of residents' foreign assets. The organization of an exhaustive annual survey of foreign direct investment transactions is still at a very preliminary stage. The BCEAO has recently updated the compilation of commercial bank data on payments involving nonresidents (settlement reports). In principle, these settlement reports should be used to produce a quarterly balance of payments. In practice, a tentative quarterly statement is produced but not published, and these data are not used to produce annual balance of payments estimates, but rather to assess existing information.

III—Appendix I. Niger: Table of Common Indicators Required for Surveillance

(As of November 17, 2008)

	Date of latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]	Memo Items: Data Quality – Methodological soundness[7]	Memo Items: Data Quality – Accuracy and reliability[8]
Exchange Rates	Current	Current	D	M	M		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Aug. 2008	Oct. 2008	M	I	M		
Reserve/Base Money	Aug. 2008	Oct. 2008	M	I	M	LO, LO, LNO, LO	LO, O, O, O, NA
Broad Money	Aug. 2008	Oct. 2008	M	I	M		
Central Bank Balance Sheet	Aug. 2008	Oct. 2008	M	I	M		
Consolidated Balance Sheet of the Banking System	Aug. 2008	Oct. 2008	M	I	M		
Interest Rates[2]	Aug. 2008	Sept. 2008	I	I	M		
Consumer Price Index	Oct. 2008	Nov. 2008	M	M	M	O, LNO, O, O	LNO, O, O, LO, NA
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]						LO, LNO, O, LO	LO, O, O, O, NO
Revenue, Expenditure, Balance and Composition of Financing[3] – Central Government	June 2008	Sept. 2008	M	I	I		
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec. 2007	Sept. 2008	A	I	I		
External Current Account Balance	Dec. 2007	Sept. 2008	A	I	A	O, O, O, LO	LO, LO, LO, O, LO
Exports and Imports of Goods and Services	Dec. 2007	Sept. 2008	A	I	A		
GDP/GNP	Dec. 2007	Sept. 2008	A	I	A	LO, LO, LNO, LO	LNO, LO, LNO, LO, NO
Gross External Debt	Dec. 2007	Sept. 2008	A	I	A		

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).
7 Reflects the assessment provided in the data ROSC published on June 9, 2006, based on the findings of the mission that took place during March1–18, 2005. For the dataset corresponding to the variable in each row, the assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).
[8] Same as footnote 7, except referring to international standards concerning source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs and revision studies.

INTERNATIONAL DEVELOPMENT ASSOCIATION AND
INTERNATIONAL MONETARY FUND

NIGER

Joint Fund-Bank Debt Sustainability Analysis

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

Approved by Carlos A. Primo Braga and Sudhir Shetty (IDA) and Anthony Boote and Sharmini Coorey (IMF)

December 8, 2008

Niger remains at moderate risk of debt distress, although debt indicators have improved compared with the 2007 DSA. The improvement is on account of projected increases in oil and uranium exports predominantly financed through foreign direct investment (FDI).

I. Background

1. This joint IMF-World Bank debt sustainability analysis evaluates both the external and the total public debt of Niger based on end-2007 data, using standard debt dynamics templates for low-income countries.[1]

2. **Niger's debt ratios have been significantly reduced by debt relief, most recently under the MDRI.** Niger reached the HIPC Initiative completion point in April 2004 and in 2006 benefited from MDRI assistance from the IMF, IDA, and the African Development Fund. Nominal external debt has thus fallen from over 90 percent of GDP at end-2000 to about 15 percent of GDP at end-2007. By end-2007, debt to the AfDB, IDA and the IMF accounted for 5 percent, 27 percent and 2 percent of external debt, respectively, while the remainder was constituted by borrowing from other multilateral lenders.

II. Underlying DSA Assumptions

3. The result of the current exercise differs from that of the 2007 DSA mainly because of an expected acceleration of FDI and exports in 2008-15 resulting from the launch of an oil production project as well as significant developments in the uranium sector. Box 1 describes the two largest oil and uranium projects in Niger, along with some smaller investments, while Box 2 presents in detail the main macroeconomic assumptions used for the baseline debt

[1] The DSA was produced jointly by staffs of the IMF and the World Bank.

burden ratio calculations. The projected faster export growth in real terms (9 percent per year in 2008–16) represents a break from the past (3.4 percent per year in 1998-2007) when mining exports were stagnant.

Box 1: Large Investment Projects

Two very large investments and several smaller ones are planned over the next five years which will generate significant government revenues: (i) the exploitation of petroleum in the Agadem field and construction of a refinery; (ii) the development of the Imourarem uranium mine; and (iii) expansion of the existing uranium mines and development of the Teguida mine. These play an important role in improving the sustainability of Niger's debt.

Agadem: A production-sharing contract with China National Oil and Gas Exploration and Development Corporation (CNODC) was approved in June 2008. The project has three components: the development of the Agadem oil field to extract reserves estimated at 324 million barrels, the construction of a mini-refinery in Zinder with a capacity of 20,000 barrels per day, and a 580 km pipeline linking the Agadem field to the refinery. The estimated cost is about US$1.3 billion. Production is scheduled to begin in early 2012. Since the capacity of the refinery exceeds the local consumption, much of the production will be exported. The operator will also conduct further exploration and if sufficient new discoveries are made, exports of crude through a new pipeline are envisaged. An initial payment of US$300 million has already been made to the Government, and construction has started on the refinery.

Imourarem: The development of this new mine would involve an investment of about €1 billion over the next five years and increase uranium production by about 5,000 tons by 2015, almost double current national output of 2,900 tons. Formal negotiations have not yet reached closure, although they are at an advanced stage.

Smaller uranium projects: The largest existing uranium mine, Somair, is in the process of expanding its output by roughly 35 percent. The other main uranium mine, Cominak, is investing in improved processing technology to raise its yield. A new mine at Teguida is being developed with Chinese investment. These investments are already under way and together they will result in some short term improvement in uranium output and a 40 percent increase in national output by 2012.

In total the above investments are projected to increase uranium production to 9,600 tons by 2015, more than triple the current level. While the spot price of uranium has fallen with the recent global economic slowdown, it remains well above the average for the last 20 years and similar to the price set in current contracts in Niger. The long-term prospects for uranium remain strong given the renewed interest in nuclear energy. There is no evidence to date that the financial crisis is affecting the above investments, but some delays are not out of the question given the current global economic slowdown.

III. EXTERNAL DSA

4. **In the baseline scenario, all external debt ratios remain below their policy-dependent indicative thresholds throughout the projection period (2008-28)**. The present value (NPV) of debt-to-GDP ratio rises gradually and stabilizes below 25 percent by 2028, and the NPV of debt-to-exports ratio levels off at about 95 percent (Table 1a and Figure 1). The gradual rise in these indicators results from Niger's high financing requirements, critical for promoting growth and achieving the Millennium Development Goals: it is assumed that one third of total project financing is in the form of concessional loans and the rest in grants.

Policy-Based Thresholds and External Debt Burden Indicators

	Thresholds 1/	Niger: Baseline Scenario Ratios		
		2007	2008-28 2/	Peak
NPV of external debt in percent of:				
GDP	40	10.6	16.4	22.0
Exports	150	55.4	64.1	94.5
Revenue	250	69.8	108.8	152.0
External debt service in percent of:				
Exports	20	2.8	2.8	4.3
Revenue	30	3.5	4.7	6.9

1/ Policy-dependent thresholds as used in the joint IMF-WB LIC DSA framework for a medium policy performance. Niger received an average rating of 3.29 in 2005-2007 in the World Bank's Country Policy and Institutional Assessment (CPIA), which qualifies it as a medium policy performer..

2/ Simple average.

5. **Given the uncertainties in the international environment, there are significant risks to the oil and uranium projects due to their externally-financed nature.** The risk is further increased by the downward trend in oil prices and the fact that the Imourarem project agreement remains to be finalized.

6. **Sensitivity tests show that although Niger's external debt burden would worsen if there were plausible adverse macroeconomic shocks, the ratios would remain below their threshold levels in most scenarios**. If key variables remain at the historical average of the previous 10 years (scenario A1), the NPV of debt-to-GDP and debt-to-exports ratios would rise to 14 percent and 59 percent respectively by 2028, remaining below the baseline (see Table 2a). This lower debt profile in the historical scenario reflects less borrowing and smaller current account deficits than are assumed going forward. Two other scenarios—a temporary but substantial reduction in export growth (scenario B2), and a sizeable

deterioration of the terms for new borrowing (scenario A2)[2] —would significantly worsen Niger's NPV of debt to exports ratio, but still not violate the thresholds. Thresholds are however, breached under two stress tests (scenarios B4 and B5).[3]

7. **The external debt situation of the country is also resilient to alternative scenarios particularly relevant to the case of Niger.** In view of the recent lowering of the minimum grant element for Niger to 35 percent, and the significance of the expected increase in oil exports, alternative scenarios consider an average grant element of 35 percent for future borrowing (scenario A3), a decline in oil prices to US$ 50 per barrel by 2012 (scenario A4), the cancellation of new oil and uranium projects (scenario A5), and a low growth scenario (A6 - GDP growth of 3.5 percent throughout the projection period). Under all these scenarios, the debt indicators remain below the threshold levels.

IV. PUBLIC DSA

8. **As was the case in the 2007 DSA, consideration of total public debt, including domestic debt, does not significantly alter the assessment.** Domestic debt stood at approximately 11 percent of GDP (43 percent of total public debt) at end-2007, but is projected to fall under the baseline scenario, to about 4 percent of GDP by 2013 and continuing to decline thereafter (Table 1b). This pattern is explained by relatively low primary fiscal deficits, averaging 1.3 percent of GDP in the projection period. The average interest rate on domestic debt is very low (1.4 percent) because the bulk of the debt is constituted by non-interest bearing arrears, which are projected to be fully repaid by 2015.

9. **A significant proportion of domestic debt as of end-2007 is accounted for by domestic arrears.** The baseline analysis therefore takes into account the ongoing implementation of a domestic arrears reduction plan, which reduces domestic debt to 15 percent of total public debt by 2013, and nearly eliminates it by 2017. Total public sector debt (NPV) would remain stable at about 19 percent of GDP up to 2018 and then gradually increase, driven solely by new external debt. Two sensitivity tests generate a significant rise of public debt (Table 2b). The first is an alternative scenario that incorporates a slightly and permanently lower GDP growth (scenario A3), and the second is a bound test (scenario B1)

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[2] Under scenario A2, interest costs are 2 percentage points above the baseline.

[3] These stress tests reflect somewhat unlikely scenarios. Scenario B4 assumes that in 2009 and 2010 all non-debt creating flows (including foreign direct investment) are significantly below their historical levels, while other current account components (including imports) are kept as in the baseline scenario. Under these assumptions, the current account deficit widens substantially because of high imports related to oil and uranium investments with no matching FDI flows. However, this scenario is unlikely because the investment related imports will occur only if foreign investment flows into the country to finance the oil and uranium projects.

of strong, temporary lower growth in 2009-2010[4]. In the first case (A3), total public debt (NPV) reaches about 43 percent of GDP and about 200 percent of forecast revenue by the end of the projection period (Figure 2). In the second case (B1), the NPV of total public debt grows up to 35 percent of GDP and 169 percent of revenue by 2028.

V. Conclusion

10. **With the expected increase in oil and uranium exports due to continuing investments financed by FDI, Niger's debt outlook has improved from the previous DSA. However, the debt situation remains vulnerable to macroeconomic shocks, particularly in an uncertain international environment. For this reason, Niger remains at a moderate risk of external debt distress**. Despite the recent improvement in the debt sustainability outlook, the authorities should continue to pursue prudent debt policies, combining maximum concessionality in new borrowing with sound macroeconomic management and export diversification. Policies should aim at boosting growth and diversifying the productive base of the economy, particularly exports, while continuing to access grants and highly concessional loans.

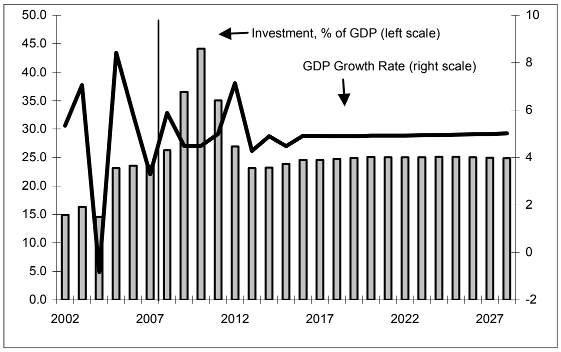
[4] Scenario A3 assumes that GDP growth is at baseline minus one standard deviation divided by the length of the projection period. Scenario B1 assumes real GDP growth at the historical average minus one standard deviation in 2009-10.

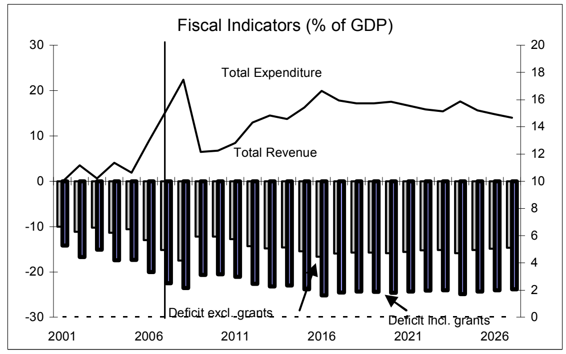
Box 2. Baseline scenario assumptions

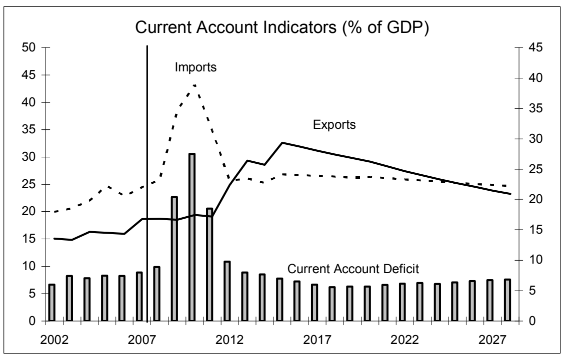
The baseline macroeconomic scenario for 2008–28 hinges on the following assumptions:

- Real GDP growth is expected to rise from its historical average (1998-2007) of 4.8 percent to an average of 5.2 percent in 2008–13, fostered mainly by increased investment in and production of oil and uranium. In 2014-28, with oil and uranium production stabilizing, annual GDP growth is expected to moderate to about 4.9 percent. This level is similar to the historical average, although Niger's growth potential could rise considerably due to current investments in irrigation and infrastructure, as well as ongoing reforms to improve the investment climate.
- The investment rate is projected to be high in 2008-12, between 27 and 44 percent of GDP, largely as a result of planned oil and uranium-related investments. Investment would hold steady at around 23 percent of GDP in 2013-28, as mining-related investment declines.
- The GDP deflator is expected to rise by 2.5 percent after 2008. In 2012, the introduction of oil into Niger's GDP would create a one-year, purely statistical, increase in the calculated deflator.
- The revenue-to-GDP ratio is projected to remain around 15 percent in 2008-28, with a temporary increase in 2014-16 due to higher tax revenues from oil and uranium exports. Public expenditures would remain high, between 23 and 24 percent of GDP through the rest of the projection period, reflecting the authorities' efforts to increase social spending and promote growth.
- The evolution of total exports in the medium term will be largely determined by developments in oil and uranium exports resulting from investments to expand production and from higher prices. Between 2009 and 2011 investments to bring into production oil from the Agadem field would be equivalent to 30 percent of 2008 GDP. Its production could increase exports and reduce imports to narrow the current account deficit by 8 percent of GDP between 2011 and 2012, assuming currently projected prices by the IMF's World Economic Outlook. Investments related to uranium in 2008-2012 are projected at about 30 percent of 2008 GDP, leading to a tripling of current production by 2014 mainly because of the new Imourarem project. Uranium prices have increased by 50 percent from 2007 to 2008, and are conservatively projected to increase by 2 percent per year in the medium term, in line with projected world inflation.
- With the sharp increase in oil and uranium exports, overall export growth in constant prices is projected at about 9 percent per year in 2008-16, which compares to 3.4 percent in the last 10 years when mining exports were stationary. The stabilization of oil and uranium exports and a projected drop in gold production (expected to peak in 2010) would result in a significant slowdown of exports after 2015, to a growth rate in volume of about 2.5 percent per year in 2016-28.
- Oil and uranium-related activity will also boost other items of the current account because of increased imports of equipment and capital goods, higher repatriation of profits, and larger compensation to foreign employees. Hence, total imports in constant prices would grow about 8 percent on average during 2008-15, with the current account deficit-to-GDP ratio peaking in 2011. Afterwards, imports are projected to grow broadly in line with GDP growth, with the current account deficit as a share to GDP declining gradually.
- The average interest rate on new external borrowing is projected at 1.2 percent, assuming half of new external debt is contracted on IDA terms and half at an interest rate of about 2 percent. Project financing in the form of external grants and loans is projected to rise in line with nominal GDP, with grants being two thirds of the total. External budgetary financing will gradually fall as a share of GDP after reaching a peak in 2009, with grants also about two-thirds of the total.
- The domestic debt profile assumes a reduction of domestic arrears in 2007-13 and no domestic financing of the deficit after 2017. The average interest rate on the stock of debt is very low (1.4 percent) because arrears do not incur interest charges. The interest rate of new domestic financing up to 2017 is assumed at 4 percent.

Box 2 (continued). Baseline scenario assumptions







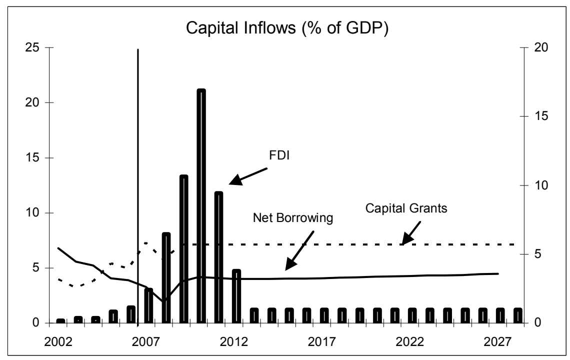


Table 1a.: External Debt Sustainability Framework, Baseline Scenario, 2005-2028 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average	0 Standard 0 Deviation	Projections									
	2005	2006	2007			2008	2009	2010	2011	2012	2013	2008-2013 Average	2018	2028	2014-2028 Average
External debt (nominal) 1/	**54.3**	**15.0**	**15.1**			**15.2**	**17.0**	**18.8**	**20.6**	**20.4**	**21.9**		**28.4**	**37.1**	
o/w public and publicly guaranteed (PPG)	54.3	15.0	15.1			15.2	17.0	18.8	20.6	20.4	21.9		28.4	37.1	
Change in external debt	-0.3	-39.3	0.1			0.2	1.8	1.8	1.8	-0.2	1.5		1.2	0.4	
Identified net debt-creating flows	-0.4	2.7	3.8			1.1	10.5	10.2	9.5	7.5	6.4		4.0	5.0	
Non-interest current account deficit	**7.8**	**8.0**	**8.7**	**6.4**	**1.8**	**9.7**	**24.5**	**32.1**	**22.1**	**13.3**	**8.2**		**6.2**	**7.5**	7.0
Deficit in balance of goods and services	13.4	12.7	12.3			13.7	30.8	35.1	25.6	12.4	5.6		5.4	9.0	
Exports	17.1	16.8	19.1			19.2	18.9	19.7	19.5	24.8	28.9		29.9	23.2	
Imports	30.5	29.5	31.5			33.0	49.7	54.8	45.0	37.1	34.4		35.3	32.2	
Net current transfers (negative = inflow)	-5.4	-4.5	-4.3	-3.6	1.0	-4.3	-6.5	-4.7	-4.6	-4.1	-4.2		-3.8	-3.1	-3.6
o/w official	-3.3	-2.3	-2.2			-2.4	-4.4	-2.6	-2.5	-2.2	-2.1		-1.7	-1.0	
Other current account flows (negative = net inflow)	-0.2	-0.2	0.6			0.2	0.2	1.7	1.2	5.1	6.9		4.5	1.6	
Net FDI (negative = inflow)	**-1.0**	**-1.4**	**-3.0**	**-0.9**	**0.9**	**-8.1**	**-13.4**	**-21.4**	**-11.9**	**-4.8**	**-1.2**		**-1.2**	**-1.2**	-1.2
Endogenous debt dynamics 2/	**-7.2**	**-3.9**	**-1.9**			**-0.5**	**-0.5**	**-0.5**	**-0.7**	**-1.0**	**-0.6**		**-0.9**	**-1.3**	
Contribution from nominal interest rate	0.4	0.2	0.2			0.2	0.2	0.2	0.2	0.2	0.2		0.3	0.4	
Contribution from real GDP growth	-3.9	-2.9	-0.4			-0.7	-0.7	-0.7	-0.9	-1.3	-0.8		-1.2	-1.7	
Contribution from price and exchange rate changes	-3.7	-1.2	-1.7			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**0.1**	**-42.0**	**-3.7**			**-0.9**	**-8.8**	**-8.4**	**-7.8**	**-7.7**	**-4.9**		**-2.8**	**-4.5**	
o/w exceptional financing	-0.2	-0.2	-0.2			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	10.6			9.2	10.9	11.8	12.7	12.4	13.1		16.6	22.0	
In percent of exports	...	...	55.4			47.9	57.4	59.6	65.2	49.9	45.5		55.5	94.5	
PV of PPG external debt	**...**	**...**	**10.6**			**9.2**	**10.9**	**11.8**	**12.7**	**12.4**	**13.1**		**16.6**	**22.0**	
In percent of exports	**...**	**...**	**55.4**			**47.9**	**57.4**	**59.6**	**65.2**	**49.9**	**45.5**		**55.5**	**94.5**	
In percent of government revenues	**...**	**...**	**69.8**			**52.8**	**88.4**	**95.0**	**97.9**	**85.4**	**87.7**		**104.3**	**151.9**	
Debt service-to-exports ratio (in percent)	**6.5**	**227.1**	**2.8**			**2.9**	**2.8**	**2.7**	**3.0**	**2.4**	**2.0**		**2.2**	**4.3**	
PPG debt service-to-exports ratio (in percent)	**6.5**	**227.1**	**2.8**			**2.9**	**2.8**	**2.7**	**3.0**	**2.4**	**2.0**		**2.2**	**4.3**	
PPG debt service-to-revenue ratio (in percent)	**10.4**	**294.9**	**3.5**			**3.2**	**4.3**	**4.3**	**4.5**	**4.1**	**3.9**		**4.1**	**6.9**	
Total gross financing need (Billions of U.S. dollars)	0.3	1.6	0.3			0.1	0.6	0.6	0.6	0.6	0.6		0.6	1.5	
Non-interest current account deficit that stabilizes debt ratio	8.1	47.3	8.6			9.5	22.7	30.2	20.3	13.6	6.7		5.0	7.1	
Key macroeconomic assumptions															
Real GDP growth (in percent)	8.4	5.8	3.3	4.8	4.6	5.9	4.5	4.5	5.0	7.1	4.3	5.2	4.9	5.0	4.9
GDP deflator in US dollar terms (change in percent)	7.3	2.2	12.8	4.9	8.6	17.2	-5.7	3.1	1.4	9.5	2.7	4.7	2.0	2.0	2.0
Effective interest rate (percent) 5/	0.9	0.4	1.7	1.4	0.5	1.6	1.3	1.3	1.3	1.2	1.2	1.3	1.2	1.2	1.2
Growth of exports of G&S (US dollar terms, in percent)	11.3	6.3	32.4	10.8	13.4	24.7	-3.0	12.3	4.9	49.5	24.7	18.9	4.8	4.6	5.6
Growth of imports of G&S (US dollar terms, in percent)	23.1	4.7	24.1	12.2	13.6	30.0	48.7	18.7	-12.5	-3.2	-0.8	13.5	6.1	6.2	6.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	47.3	49.1	49.4	49.5	50.5	50.6	49.4	50.6	50.6	50.6
Government revenues (excluding grants, in percent of GDP)	10.6	13.0	15.2			17.5	12.3	12.4	13.0	14.5	15.0		15.9	14.5	15.5
Aid flows (in Billions of US dollars) 7/	0.3	0.3	0.4			0.3	0.4	0.5	0.5	0.6	0.7		1.0	1.9	
o/w Grants	0.1	0.2	0.2			0.2	0.3	0.3	0.3	0.4	0.4		0.6	1.2	
o/w Concessional loans	0.1	0.1	0.1			0.1	0.1	0.2	0.2	0.2	0.2		0.3	0.7	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			5.3	7.3	7.4	7.4	7.4	7.4		7.5	7.5	7.5
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			87.0	82.3	81.3	81.6	82.3	82.2		82.0	81.5	81.7
Memorandum items:															
Nominal GDP (Billions of US dollars)	3.4	3.6	4.3			5.3	5.2	5.6	6.0	7.0	7.5		10.5	20.7	
Nominal dollar GDP growth	16.3	8.1	16.5			24.1	-1.5	7.7	6.5	17.3	7.1	10.2	7.0	7.1	7.0
PV of PPG external debt (in Billions of US dollars)			0.5			0.5	0.6	0.7	0.8	0.9	1.0		1.7	4.6	
(PVt-PVt-1)/GDPt-1 (in percent)						0.8	1.5	1.8	1.7	1.8	1.7	1.6	1.9	1.8	1.9

Source: Staff simulations. 0

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

Table 1b.Niger: Public Sector Debt Sustainability Framework, Baseline Scenario, 2005-2028
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate					Projections				
	2005	2006	2007			2008	2009	2010	2011	2012	2013	2008-13 Average	2018	2028	2014-28 Average
Public sector debt 1/	70.4	28.6	25.7			23.5	26.3	27.8	28.7	25.6	25.6		28.7	37.9	
o/w foreign-currency denominated	54.3	15.0	15.1			15.2	17.0	18.8	20.6	20.4	21.9		28.4	37.1	
Change in public sector debt	-3.7	-41.9	-2.8			-2.3	2.8	1.5	0.9	-3.1	0.0		1.2	0.4	
Identified debt-creating flows	1.1	-49.1	-0.8			-0.3	6.7	3.7	2.8	-1.7	1.2		1.7	0.4	
Primary deficit	4.6	1.5	2.0	3.8	1.3	1.8	7.9	5.2	4.2	2.3	2.6	4.0	3.2	2.5	2.8
Revenue and grants	15.0	18.0	21.0			22.1	18.1	18.2	18.7	20.3	20.8		21.7	20.2	
of which: grants	4.3	5.0	5.8			4.6	5.8	5.8	5.8	5.8	5.8		5.8	5.8	
Primary (noninterest) expenditure	19.6	19.5	23.0			23.9	26.0	23.4	22.9	22.5	23.3		24.9	22.7	
Automatic debt dynamics	-3.5	-9.7	-2.8			-2.1	-1.2	-1.6	-1.4	-3.9	-1.4		-1.4	-2.0	
Contribution from interest rate/growth differential	-8.0	-5.4	-1.3			-2.2	-1.1	-1.3	-1.4	-2.6	-1.2		-1.4	-2.0	
of which: contribution from average real interest rate	-2.2	-1.5	-0.4			-0.7	-0.1	-0.2	-0.1	-0.7	-0.2		-0.2	-0.2	
of which: contribution from real GDP growth	-5.8	-3.9	-0.9			-1.4	-1.0	-1.1	-1.3	-1.9	-1.1		-1.3	-1.8	
Contribution from real exchange rate depreciation	4.4	-4.3	-1.4			0.0	-0.1	-0.2	0.1	-1.3	-0.1		...	...	
Other identified debt-creating flows	0.0	-40.9	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	-40.9	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	-4.8	7.2	-2.1			-2.0	-3.9	-2.1	-1.9	-1.5	-1.2		-0.5	0.0	
Other Sustainability Indicators															
PV of public sector debt	16.2	13.6	20.6			18.2	20.1	20.7	20.8	17.5	16.7		16.9	22.7	
o/w foreign-currency denominated	0.0	0.0	10.0			10.0	10.8	11.7	12.7	12.3	13.1		16.6	21.9	
o/w external	...	...	10.0			10.0	10.8	11.7	12.7	12.3	13.1		16.6	21.9	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	6.0	40.0	3.6			3.3	9.3	6.5	5.5	3.5	3.7		4.2	3.6	
PV of public sector debt-to-revenue and grants ratio (in percent)	108.0	75.5	98.0			82.5	111.3	113.9	110.9	86.5	80.6		77.8	112.4	
PV of public sector debt-to-revenue ratio (in percent)	152.2	104.7	135.7			104.2	163.6	167.1	160.4	120.9	111.6		106.1	157.3	
o/w external 3/	…	…	65.6			57.1	88.2	94.8	97.7	85.2	87.5		104.1	151.5	
Debt service-to-revenue and grants ratio (in percent) 4/	9.5	214.0	4.0			4.0	4.3	4.0	4.0	3.6	3.5		3.2	5.1	
Debt service-to-revenue ratio (in percent) 4/	13.4	296.9	5.5			5.1	6.3	5.8	5.8	5.0	4.8		4.4	7.1	
Primary deficit that stabilizes the debt-to-GDP ratio	8.4	43.4	4.8			4.1	5.1	3.7	3.2	5.4	2.6		2.0	2.1	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	8.4	5.8	3.3	4.8	4.6	5.9	4.5	4.5	5.0	7.1	4.3	5.2	4.9	5.0	4.9
Average nominal interest rate on forex debt (in percent)	0.9	0.4	1.7	1.4	0.5	1.6	1.3	1.3	1.3	1.2	1.2	1.3	1.2	1.2	1.2
Average real interest rate on domestic debt (in percent)	-6.0	-1.0	-2.2	-1.9	2.0	-6.4	-0.8	-1.8	-0.2	-7.5	-1.1	-3.0	13.4	1.2	3.7
Real exchange rate depreciation (in percent, + indicates depreciation)	9.0	-8.6	-9.9	-4.3	9.8	0.3	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	7.1	1.4	3.3	2.5	2.3	8.3	1.8	2.6	1.0	9.1	2.2	4.2	2.0	2.0	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.1	0.2	0.1	0.1	0.1	0.1	-0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	…	…	47.3	49.1	49.4	49.5	50.5	50.6	49.4	50.6	50.6	...

Sources: Country authorities; and Fund staff estimates and projections.

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

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

3/ Revenues excluding grants.

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

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

Table 2a.Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2008-2028
(In percent)

		Projections						
	2008	2009	2010	2011	2012	2013	**2018**	2028
PV of debt-to GDP ratio								
Baseline	9	11	12	13	12	13	**16**	22
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008-2028 1/	9	7	5	4	3	3	**7**	14
A2. New public sector loans on less favorable terms in 2008-2028 2	9	11	12	13	13	14	**18**	25
A3. New public sector loans with 35% grant element in 2008-2028	9	11	13	14	14	15	**20**	28
A4. Exports value growth assuming an oil price of US$ 50 in 2012-2028	9	11	13	14	13	14	**17**	22
A5. No implementation of new oil and uranium projects	9	11	12	13	12	13	**17**	22
A6. Average real GDP growth of 3.5 percent per year in 2009-28	9	11	12	13	13	14	**19**	29
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	9	11	13	14	13	14	**18**	24
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	9	11	13	14	13	14	**17**	22
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	9	11	12	13	13	14	**17**	23
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	9	20	32	33	30	30	**32**	28
B5. Combination of B1-B4 using one-half standard deviation shocks	9	18	31	32	29	29	**31**	28
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	9	16	17	18	18	19	**24**	32
PV of debt-to-exports ratio								
Baseline	48	57	60	65	50	46	**55**	95
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008-2028 1/	48	37	27	20	13	12	**22**	61
A2. New public sector loans on less favorable terms in 2008-2028 2	48	58	62	69	53	49	**62**	108
A3. New public sector loans with 35% grant element in 2008-2028	48	60	64	72	56	53	**68**	121
A4. Exports value growth assuming an oil price of US$ 50 in 2012-2028	48	57	66	72	60	52	**61**	100
A5. No implementation of new oil and uranium projects	48	57	60	65	69	73	**90**	114
A6. Average Real GDP growth of 3.5 percent per year in 2009-28	48	57	60	65	50	46	**55**	95
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	48	57	60	65	50	45	**55**	95
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	48	57	76	82	62	56	**67**	111
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	48	57	60	65	50	45	**55**	95
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	48	105	166	171	123	107	**107**	123
B5. Combination of B1-B4 using one-half standard deviation shocks	48	92	158	163	118	102	**103**	121
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	48	57	60	65	50	45	**55**	95
Debt service-to-exports ratio								
Baseline	2.9	2.8	2.7	3.0	2.4	2.0	**2.2**	4.3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008-2028 1/	2.9	2.5	2.1	2.0	1.6	1.2	**1.3**	2.0
A2. New public sector loans on less favorable terms in 2008-2028 2	2.9	2.8	2.9	3.5	3.0	2.7	**3.4**	6.0
A3. New public sector loans with 35% grant element in 2008-2028	2.9	2.8	2.9	3.6	3.1	2.9	**3.7**	6.6
A4. Exports value growth assuming an oil price of US$ 50 in 2012-2028	2.9	2.8	2.7	3.1	2.7	2.2	**2.3**	4.7
A5. No implementation of new oil and uranium projects	2.9	2.8	2.7	3.0	3.3	3.3	**3.5**	5.2
A6. Average Real GDP growth of 3.5 percent per year in 2009-28	2.9	2.8	2.7	3.0	2.4	2.0	**2.2**	4.3
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	2.9	2.8	2.7	3.0	2.4	2.0	**2.2**	4.3
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	2.9	2.7	3.1	3.6	2.8	2.4	**2.6**	5.1
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	2.9	2.8	2.7	3.0	2.4	2.0	**2.2**	4.3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	2.9	2.8	3.7	5.4	4.0	3.3	**3.1**	6.8
B5. Combination of B1-B4 using one-half standard deviation shocks	2.9	2.6	3.6	5.2	3.9	3.2	**3.1**	6.7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	2.9	2.8	2.7	3.0	2.4	2.0	**2.2**	4.3
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	48	48	48	48	48	48	**48**	48

Source: Staff projections and simulations.
1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2b.Niger: Sensitivity Analysis for Key Indicators of Public Debt 2008-2028

	Projections							
	2008	2009	2010	2011	2012	2013	2018	2028
PV of Debt-to-GDP Ratio								
Baseline	18	20	21	21	18	17	17	23
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	18	18	18	18	16	16	19	29
A2. Primary balance is unchanged from 2008	18	16	15	15	12	11	9	13
A3. Permanently lower GDP growth 1/	18	20	21	22	19	19	23	43
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2009-2010	18	21	23	24	21	21	24	35
B2. Primary balance is at historical average minus one standard deviations in 2009-2010	18	18	19	19	16	15	16	22
B3. Combination of B1-B2 using one half standard deviation shocks	18	18	19	20	17	16	18	27
B4. One-time 30 percent real depreciation in 2009	18	24	23	23	19	17	15	18
B5. 10 percent of GDP increase in other debt-creating flows in 2009	18	26	26	26	22	21	21	25
PV of Debt-to-Revenue Ratio 2/								
Baseline	83	111	114	111	86	81	78	112
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	83	98	97	95	79	76	85	142
A2. Primary balance is unchanged from 2008	83	91	85	78	58	52	42	66
A3. Permanently lower GDP growth 1/	83	112	117	115	92	88	103	200
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2009-2010	83	116	126	125	102	98	109	169
B2. Primary balance is at historical average minus one standard deviations in 2009-2010	83	102	105	103	80	74	73	109
B3. Combination of B1-B2 using one half standard deviation shocks	83	101	103	103	82	78	83	132
B4. One-time 30 percent real depreciation in 2009	83	131	129	121	92	83	69	90
B5. 10 percent of GDP increase in other debt-creating flows in 2009	83	144	142	137	108	101	95	123
Debt Service-to-Revenue Ratio 2/								
Baseline	4	4	4	4	4	3	3	5
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	4	4	3	4	3	3	3	6
A2. Primary balance is unchanged from 2008	4	4	3	3	3	3	3	3
A3. Permanently lower GDP growth 1/	4	4	4	4	4	4	4	8
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2009-2010	4	4	4	4	4	4	4	7
B2. Primary balance is at historical average minus one standard deviations in 2009-2010	4	4	4	4	3	3	3	5
B3. Combination of B1-B2 using one half standard deviation shocks	4	4	4	4	4	3	3	6
B4. One-time 30 percent real depreciation in 2009	4	5	5	5	5	5	5	8
B5. 10 percent of GDP increase in other debt-creating flows in 2009	4	4	5	5	4	4	4	6

Sources: Country authorities; and Fund staff estimates and projections.

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

2/ Revenues are defined inclusive of grants.

Table 3.Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2008-2028
(Not Including New Oil and Uranium Projects)
(In percent)

	Projections							
	2008	2009	2010	2011	2012	2013	**2018**	2028
PV of debt-to GDP ratio								
Alternative Baseline	9	11	12	13	12	13	**17**	22
Alternative B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 1/	9	14	16	17	16	17	**20**	23
Alternative B5. Combination of B1-B4 using one-half standard deviation shocks	9	12	15	15	15	15	**19**	23
PV of debt-to-exports ratio								
Alternative Baseline	48	57	60	65	69	73	**90**	114
Alternative B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 1/	48	72	82	88	90	94	**108**	121
Alternative B5. Combination of B1-B4 using one-half standard deviation shocks	48	61	74	80	83	87	**102**	119
PV of debt-to-revenue ratio								
Alternative Baseline	53	88	95	98	85	88	**104**	152
Alternative B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 1/	53	111	131	132	112	113	**125**	162
Alternative B5. Combination of B1-B4 using one-half standard deviation shocks	53	96	118	119	102	103	**117**	158
Debt service-to-exports ratio								
Alternative Baseline	2.9	2.8	2.7	3.0	3.3	3.3	**3.5**	5.2
Alternative B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 1/	2.9	2.8	3.0	3.5	3.8	3.7	**3.9**	5.8
Alternative B5. Combination of B1-B4 using one-half standard deviation shocks	2.9	2.6	2.9	3.3	3.6	3.6	**3.8**	5.6
Debt service-to-revenue ratio								
Alternative Baseline	3.2	4.3	4.3	4.5	4.1	3.9	**4.1**	6.9
Alternative B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 1/	3.2	4.3	4.8	5.2	4.7	4.4	**4.5**	7.8
Alternative B5. Combination of B1-B4 using one-half standard deviation shocks	3.2	4.1	4.6	5.0	4.4	4.2	**4.3**	7.5

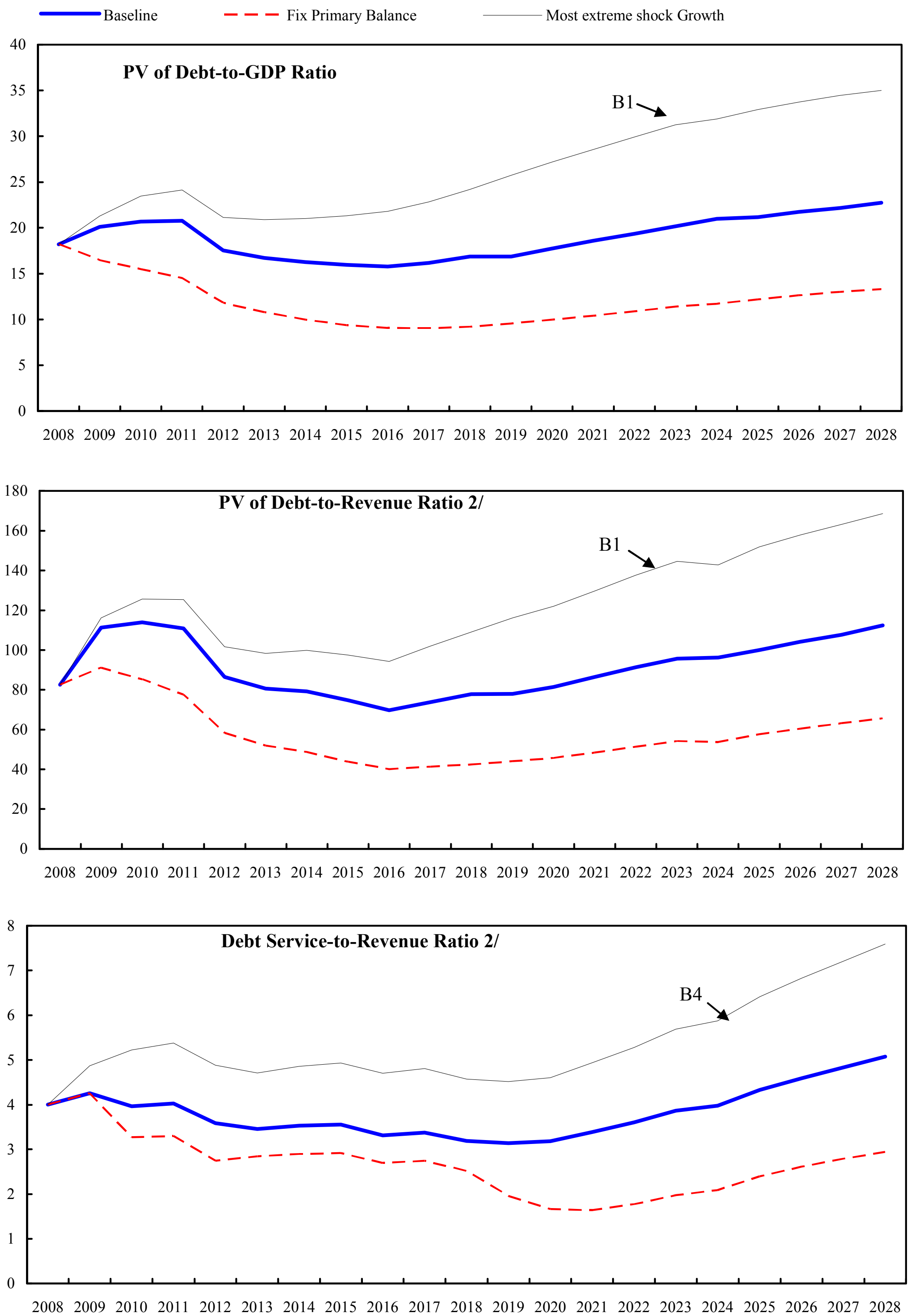
Source: Staff projections and simulations.

1/ Includes official and private transfers and FDI.

Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2008-2028

Source: Staff projections and simulations.

Figure 2.Niger: Indicators of Public Debt Under Alternative Scenarios, 2008-2028 1/



Sources: Country authorities; and Fund staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2018.

2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND
Public Information Notice
EXTERNAL RELATIONS DEPARTMENT

Public Information Notice (PIN) No. 09/17
FOR IMMEDIATE RELEASE
February 10, 2009

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2008 Article IV Consultation with Niger

On December 19, 2008, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Niger.[1] It also completed the first review of Niger's performance under a three-year Poverty Reduction and Growth Facility (PRGF) arrangement approved on May 28, 2008.

Background

Niger's main challenge continues to be boosting economic growth to sustainably reduce poverty. The landlocked country, heavily dependent upon drought-prone subsistence agriculture, ranks 174th out of 177 countries on the United Nations Human Development Index. The population is not only among the poorest but also one of the fastest growing in the world (3.3 percent a year).

Since 2000, political stability has been restored; the authorities have followed prudent macroeconomic policies, supported by three successive PRGF arrangements; and GDP growth (averaging 4.4 percent per year) has kept ahead of population growth, except during two devastating droughts. During the previous PRGF-supported program (2005-2008), which expired in May 2008, significant progress was achieved in macroeconomic stability, revenue mobilization, expenditure management, and restoration of creditworthiness. Debt relief from the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) granted in 2004–06 and prudent borrowing policies have greatly relieved the debt burden and increased fiscal space. Critical factors required to achieve higher growth and reduce

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities.

poverty, in line with the Poverty Reduction Strategy for 2008–12, are (i) continued prudent macroeconomic management; (ii) improvements in the investment climate; and (iii) considerable external assistance on very concessional terms.

Macroeconomic performance was satisfactory in 2007, although growth decelerated. It slowed to 3.3 percent in 2007 as the harvest returned to normal after two years of exceptional growth and averaged 5.8 percent for 2005–07. Growth rebounded in 2008, to an expected 5.9 percent, supported by major investments in mining and petroleum and a harvest that benefited from good rains. As a result of higher world prices for food and fuel, inflation accelerated in the first eight months of 2008 but is now decelerating. Although exports increased in 2007 and 2008 because of higher uranium export prices, the external current account deficit widened, reflecting investment-related imports.

As a member of the CFA franc zone, Niger has no independent monetary policy. Credit to the economy was buoyant in 2007 and the first eight months of 2008, reflecting loans to the mining, telecommunication and transportation sectors. As evidenced by the recent Financial System Stability Assessment, the banking system is relatively sound, but the regional supervisor should ensure that banks increase their capital to comply with the new regional regulations. Also, microfinance institutions should be strengthened. The focus of the government in strengthening the financial system should be on improving the business environment, supervision and regulation, rather than creating specialized banks.

Budget performance was satisfactory in 2007 and the first half of 2008. In 2007, both tax and nontax revenue performed well. Despite a strong increase in current expenditures and domestically-financed public investment, the basic budget deficit remained moderate and below target (at 0.9 percent of GDP). The reduction of domestic arrears, which has been ongoing since 2001, was broadly on track at 0.7 percent of GDP. Public expenditures on education, health, and the rural sector amounted to 9 percent of GDP (marginally below the level of 2006). In the first half of 2008 the basic budget deficit, excluding an exceptional petroleum signature bonus received in June (US$300 million or CFAF 123.4 billion, 5.3 percent of GDP) was lower than programmed, as revenue was in line with the program and domestically-financed expenditure remained well below programmed level. Public financial management has been strengthened through closer monitoring of budgetary execution, and stronger expenditure controls and auditing.

Executive Board Assessment

Executive Directors commended the Nigerien authorities on the overall favorable performance of the economy since the last Article IV consultation in 2006. GDP growth, albeit slowing, kept ahead of population growth in 2007, and rebounded in 2008 underpinned by high investment and progress in economic diversification. Following two years of relative stability, inflation fluctuated in 2008, moving broadly in step with first the sharp rise and then the easing in global food and fuel prices during the year.

Directors commended the authorities' response to the major challenge posed by the food and fuel crisis earlier this year, noting the reactivation of well-targeted food security operations and the resort to costly tax suspensions for only a limited time. It will be important to ensure that the targeted assistance mechanisms continue to be well funded, and that the authorities release in a timely manner the government contributions to these arrangements, supplementing those of the donor community.

Directors noted that Niger faces many challenges, given its susceptibility to external shocks and widespread poverty. They therefore welcomed the significant investments under way in a number of sectors—including mining, transportation, irrigation, and telecommunication—which are expected to bolster activity in 2009. However, a prolonged global downturn could deter future mining exploration and dampen Niger's medium-term prospects.

Directors stressed that the present climate of heightened uncertainty makes it even more important to support Niger's growth by comprehensive efforts to enhance competitiveness. In this context, Directors noted that the exchange rate is broadly aligned with fundamentals but structural reforms—such as improved training of the labor force, better access to finance, reduction in the cost of business, and improved transport infrastructure—are needed to improve the business climate and productivity. Budgetary aid in support of priority sectors remains essential to achieve Niger's growth objectives and improve its social indicators.

Directors considered the authorities' economic program for 2009 appropriate, with its focus on better managing the public finances, closely aligning the budget to Poverty Reduction Strategy Paper (PRSP) priorities, streamlining company taxation to improve the investment climate, and furthering reforms of the financial sector. They welcomed the comprehensive actions taken to strengthen public financial management, and supported the authorities' efforts to cast budget preparation in a medium-term framework. The planned reform in corporate taxation should help improve the investment climate, attract foreign direct investment, and further diversify the economy. The allocation of the exceptional resources from the petroleum sector to infrastructure and the social sectors is appropriate.

Directors commended the efforts undertaken to strengthen debt management. Noting that the updated Debt Sustainability Analysis still rates Niger as at moderate risk of debt distress, they underscored that the debt contracted for ambitious infrastructure projects, including a major dam on the Niger river, should be at very concessional terms and consistent with debt sustainability.

Directors agreed that deepening financial intermediation is crucial to support economic activity, including in housing and agriculture. They encouraged the authorities to promote credit to these sectors but emphasized the need to avoid establishing narrowly based institutions that could carry excessive risks, as indicated in the recent Financial Sector Stability Assessment report. Directors endorsed the Financial Sector Assessment Program recommendations and welcomed the authorities' intention to carry forward financial sector reforms aimed at strengthening banks and microfinancial institutions, and improving financial sector supervision.

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.

Niger: Selected Economic Indicators, 2006-10

	2006	2007 Est.	2008 Proj.	2009 Projections	2010
	(Annual percentage changes, unless otherwise indicated)				
National income and prices					
GDP at constant prices	5.8	3.3	5.9	4.5	4.5
4GDP deflator	1.4	3.3	8.3	2.2	2.3
Consumer price index					
Annual average	0.1	0.1	9.0	2.5	2.3
End of Period	0.4	4.7	8.5	2.0	2.0
Money and credit					
Credit to the government (net)[1]	-31.6	-14.7	-1.6	13.8	5.4
Credit to the economy[1]	15.4	11.2	6.1	8.9	9.9
Broad money	16.2	23.0	24.1	18.7	12.2
	(Percent of GDP, unless otherwise indicated)				
Government finances					
Total revenue	13.0	15.2	17.5	12.2	12.3
Of which: exceptional mining receipts	1.6	1.4	5.3	...	...
Total expenditure and net lending	19.8	23.4	24.2	26.0	23.4
Capital expenditure	10.6	11.6	11.3	13.3	11.5
Basic balance (excluding grants)[2]	0.30	-0.9	-0.64	-5.3	-2.9
Overall balance (commitment basis, excluding grants)	-6.8	-8.2	-6.7	-13.8	-11.1
Investment/saving					
Gross investment	23.6	23.6	26.3	36.6	44.1
Of which: non-government investment	16.8	17.2	19.4	28.6	37.2
government	6.8	6.4	6.8	8.0	6.9
Gross national savings	15.4	14.7	16.4	14.0	13.5
Of which: non-government	11.6	11.3	11.9	9.3	8.0
Domestic savings	11.9	11.6	13.4	7.8	10.8
External sector					
Exports, f.o.b. (in CFA francs), annual percentage changes	6.0	24.7	15.3	6.5	12.4
Imports, f.o.b (in CFA francs), annual percentage changes	-0.9	14.5	20.7	60.3	20.7
External current account balance					
Excluding official grants	-10.5	-11.1	-12.3	-26.9	-33.2
Including official grants	-8.2	-8.9	-9.9	-22.5	-30.6
Overall balance of payments (billions of CFA francs)	98.2	69.0	96.5	-15.2	-13.9
NPV of external debt	10.2	10.5	9.2	10.7	11.6
Foreign Aid	9.1	9.8	7.8	12.3	10.8

Sources: Nigerien authorities; and IMF staff estimates and projections.
[1]Percent of beginning-of-period broad money stock.
[2]Total revenue, excluding grants, minus total expenditure, excluding foreign-financed investment projects.

INTERNATIONAL MONETARY FUND — EXTERNAL RELATIONS DEPARTMENT

Press Release No. 08/335
FOR IMMEDIATE RELEASE
December 22, 2008

International Monetary Fund
Washington, D.C. 20431 USA

IMF Completes First Review Under the PRGF Arrangement for Niger and Approves US$5 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) has completed the first review of Niger's economic performance under a three-year Poverty Reduction and Growth Facility (PRGF) arrangement. The completion of the review enables the disbursement of SDR 3.29 million (about US$5 million), which will bring total disbursements under the arrangement to SDR 6.58 million (about US$10.1 million).

In completing this review, the Executive Board granted waivers for the non-observance of the end-June 2008 quantitative performance criterion on the reduction in domestic payment arrears and the end-September 2008 structural performance criterion on the adoption of a decree establishing the modalities for repayment of frozen savings deposits.

The PRGF arrangement became effective June 2, 2008, for a total amount of SDR 23.03 million (about US$35.3 million) (see Press Release No. 08/127).

The Executive Board today also concluded the Article IV consultation with Niger and will issue its full assessment of economic developments in due course.

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 programs since the 2006 Article IV consultations. Although economic growth weakened somewhat in 2007, it remained above the rate of growth of population, and rebounded in 2008, on the strength of a good harvest, higher investment, and progress in economic diversification. Inflation flared up in the first half of 2008, reflecting the sharp increase in food and fuel prices on world markets, but is now abating and is expected to decline further. The authorities have appropriately responded to the food crisis in the first half of 2008 by firming up already comprehensive mechanisms of targeted interventions in favor of vulnerable groups, and have maintained the costly tax suspensions on selected commodities for only a limited time. It is important that the targeted assistance mechanisms continue to be well funded.

“The budgetary performance was satisfactory in 2007 and the first half of 2008. The basic budget deficit in the first semester of 2008 was lower than programmed, as revenue (abstracting from an exceptional petroleum contract signature bonus received in June 2008) was in line with the program and domestically-financed expenditure remained below the programmed level. The budget for 2009 allocates large exceptional revenue received in June to priority development expenditures.

“The outlook for growth in 2009 remains favorable despite the current downturn in industrial countries as the significant investments under way in a number of sectors, including mining, transportation, irrigation and telecommunication, are expected to continue to support economic activity. While economic prospects for 2009 are positive, the downturn in the world economy, if prolonged, could deter future mining exploration and dampen medium-term growth.

“Growth must be supported by comprehensive efforts to make the economy more competitive. Improvements in the investment climate and reductions in the cost of doing business will be needed to attract investment and promote further economic diversification. In addition, continued, and possibly increased, foreign financed investment and budgetary aid in support of priority sectors are essential for Niger to achieve its growth objective and secure steady improvement in social indicators. A scaling up of aid as envisaged in the Gleneagles scenario would be compatible with macroeconomic stability. To preserve debt sustainability, it is essential that debt management remains prudent, with emphasis on grants and borrowing on highly concessional terms for highly productive projects.

“The authorities program for 2009 appropriately focuses on better management of the public finances, closely aligning the budget to PRSP priorities, streamlining corporate taxation to improve the investment climate, and furthering reforms in the financial sector. The comprehensive actions taken to strengthen public financial management are welcome. Efforts must now focus on casting the budget preparation in a medium-term framework, with a careful integration of the recurrent costs implied by the expansion of public investment,” Mr. Portugal said.

Statement by Laurean W. Rutayisire, Exective Director for Niger

December 19, 2008

On behalf on my Nigerien authorities, I thank staff for the constructive dialogue they had during the Article IV consultations and the first review under the PRGF arrangement 2008-11. I would also like to thank the Executive Board and Management for the continued support to the Republic of Niger. My authorities appreciate the set of reports, which highlight the key challenges facing the country over the medium-term. In particular, they share the staff's analysis on the macroeconomic impact of scaling-up aid, which put emphasis on the positive effects of increasing aid on growth and the pace of poverty reduction. For the period ahead, they look forward to continue benefiting from Fund's policy advice, as it contributed over the three last successive PRGF arrangements to enhance the macroeconomic stability, strengthen revenue mobilization, and restore Niger's creditworthiness.

My authorities intend to build upon the positive outcomes obtained since 2000, continuing thereby to extend their program's ownership. They are committed to pursue their reform agenda, despite the existing gaps of human and institutional capacity, for which they rely on continuous Fund's engagement on technical assistance. Their determination for a steadfast reform implementation has been deepened and the lessons drawn from their positive experience of revenue mobilization were instrumental in strengthening the country's financial position. In this regard, while pursuing their strategy of diversifying the economy, through mining, irrigation, and transportation programs, my authorities attach value to a better management of public finances, as well as the need for aligning the budget to PRSP priorities, with the aim to enhancing public expenditure efficiency.

Based on their track record of policy implementation, as well as their commitment to reforms, my authorities request waivers for the two missed performance criteria, modification for two performance criteria, and the completion of the first review under the PRGF arrangement.

I. Recent Economic Developments and Performance Under the Program

Macroeconomic performance over recent years was strong, reflecting a growing interest to Nigerien economy from external investors, attracted by mining and petroleum sectors opportunies. At the same time, exceptional weather conditions contributed to boost the agricultural production, with record levels attained in 2006, 2007 and 2008. The combined effects of these factors have had a positive impact on GDP, pushing higher the growth rate of this aggregate over this period. Accordingly, Niger appeared as the best performer among WAEMU member countries with regard to the GDP, its average growth rate reaching 5.8 percent in 2005-07. The investment ratio, slightly below 14 percent in 2000-04, rose roughly to an average of 23.4 percent in 2005-07, a level much higher than the average of Sub-Saharan African countries, but close to that of industrial economies. In their strategy to design an adequate policy response to world-wide rising food and fuel prices, my Nigerien authorities have put in place a range of measures, including not only the suspension of taxes on imported food and fuel, but also the reactivation of existing targeted programs such as (i) *the programs of food for work and cash for work; (ii) food distribution to vulnerable people at moderate prices and free distribution in the lean season ; (iii) funding and setting up cereal banks; and (iv) the nutritional programs*. With the benefits of hindsight, my authorities recognized the positive role played by the targeted programs, in contributing to contain the demand pressures and curb the rising inflation trend, but remained skeptical about the fiscal measures effectiveness. Inflation, which mounted to 15 percent at end-August 2008, from 4.7 percent at end-December 2007, is expected to decline to 8.5 percent at end-December 2008, and come back to its historical trend of 2 percent by end-December 2009.

Cognizant of the importance of public finance management with regard to the macroeconomic stability, my Nigerien authorities focused their efforts on the revenue mobilization, as well as on the expenditure management, with the aim to ensure a better use of hardly collected fiscal resources. Consequently, revenue performed well, on account of good performance in 2007 and in the first half of 2008 on tax and nontax revenue collection. Even if the exceptional revenue pertaining to the signature bonus received from petroleum sector has not been included in the total, the revenue target for June 2008 could have been observed easily. As regards the expenditure side, close attention was given to education, health, and rural sectors, in line with the priorities set in their respective medium-term expenditure frameworks. Though with some delays, the program of domestic arrears clearance remains on track, evolving successfully since 2001.

Due to the increasing imports of mining equipment and petroleum products, the external current account deficit widened in 2007, and my authorities expect so in 2008 and the coming years, as far as the expected exports from the development of uranium and oil begin to offset the impact of imports on the external accounts. In the meanwhile, the increase in uranium revenue following the recent price revision could just soften the deteriorating effects of imports on the external current account.

On the monetary and financial front, positive developments reflected increased credit to economy, as well as banking sector's holding of substantial external assets. While the expansion trend of credit to the economy has continued, the ratio of nonperforming loans was declining. This development could prove that the ongoing reforms aiming at improving the soundness of banking institutions were bearing fruit. My authorities welcome the Financial System Stability Assessment (FSSA), which underscored the soundness of Nigerien financial sector, while stressing the low access to financial services in Niger, seen as one of the lowest in the world. They also believe that given the small size of banking system, the costs of a systemic crisis would be limited, and could not exceed anytime 2.25 perecent of GDP. Against this backdrop, my authorities are committed to pursue steadfastly their efforts to strengthen controls and supervision over the financial sector institutions, while seeking an appropriate way to promote financial services in a healthy and more dynamic environment.

The program performance has been broadly satisfactory. All quantitative performance criteria and indicators for end-June 2008 were met, except that related to the reduction of domestic arrears and the one pertaining to the establishment of procedures for repaying the frozen deposits of the former ONPE (National Postal and Savings Office). The criterion on domestic arrears reduction was missed by a margin of 1.2 billion, which has been cleared in July 2008, thanks to government's further efforts of reduction. Steps are being taken to reach the total objective of 15 billion of arrears reduction set for end-December 2008. Likewise, regarding the criterion on the adoption of procedures for repayment of the frozen deposits, the needed efforts have been made in early December 2008.

II. Medium-term Outlook and Policy Discussions

My Nigerien authorities appreciated the quality of the discussions they had with staff last September, which focused on the challenges and opportunities to sustain growth over the medium-term, make noticeable progress in reducing poverty, preserve the balance payments position in the current context of rising imports for mining equipment and petroleum products, and put debt in a sustainable path. In this connection, they expressed their agreement with the analysis outlined in Box 4 of the staff report, which underscores the critical importance of scaling-up aid to Niger, as it could help make faster and significant progress in poverty reduction (***1-2 percent increase of annual GDP and a reduction poverty level of 25 percent by 2015***), compared to what have been made so far. The model, from which staff drew its findings, suggests that a sustained aid attaining 15 percent of GDP from the current level of 10 percent of GDP is just sufficient to help achieve such an important progress, without incurring any risk of jeopardizing the macroeconomic stability.

As regards the financing of PRSP priorities, my authorities' decision to allocate the signature bonus of 5.3 percent of GDP, collected in 2008 from petroleum sector, to rural development, roads, electricity generation, shows their commitment to the success of PRSP, as well as their determination to accomplish their part of efforts, by promoting a policy of better use of their scarcely resources. They have also reached an agreement with staff on the need to anchoring the future budget decisions in a multi-year perspective, and steps have been taken towards the elaboration of these frameworks. Turning to the impact of increased imports on the balance of payments account and debt sustainability, my authorities agreed with the staff's findings showing that Niger remains at moderate risk of debt distress and the impact on the balance of payments could be reversed after 2012, once expected export flows from mining and oil sectors get started.

III. The 2009 program

Fiscal Policy

The authorities' program for 2009 places the public finance management on the centerpiece of their strategy.

On the revenue side, several measures are envisaged, in particular the reduction of corporate tax designed to attract foreign investment and promote economic diversification, and further simplification of corporate and personal income tax, with the aim to eliminate nonessential tax advantages and limit in time, without extension, some advantages set forth in the investment Code. Moreover, some revisions related to real estate tax and income tax on securities, stock and shares will be undertaken in 2009.

In light of the need for designing a multi-year budget framework, consistent with the PRSP priorities, the 2009 budget was prepared in a closer coordination between the Directorate of budget, the PRSP coordinating unit, and the action plans for priority sectors. In the same vein, the authorities decided that the preparation for 2010 budget law will include projections for the main budgetary revenue and expenditure aggregates for the period 2010-2012, and agreed with staff that this measure be raised as a structural benchmark. Given the need for strengthening institutional capacity, my authorities have requested technical assistance from IMF aiming at helping them in the preparation of MTEF document. After those on education, health and rural sectors, the MTEF for the infrastructure and transport sectors are currently being elaborated. In order to improve public finance management, several actions are underway, including *(i) the strengthening of financial controls, by increasing the numbers of controllers and their training, (ii)the strengthening of General Directorate for the supervision of public procurement (DCGMP), (iii) the revamping of information circulation network between general Directorate and decentralized budget office in the regions.* As positive effects of authorities' efforts to strengthen debt management, semiannual reports on recent borrowing and debt prospects are already produced. Although the current debt ratio trends seem appropriate and do not raise any matters of concerns, my Nigerien authorities pay close attention to debt dynamics, as well as the occurrence of any exogenous shock, from which could emerge any risks of debt distress.

Exchange Rate, Monetary and Financial Sector Policies

My authorities gave due consideration to the assessment made by staff, suggesting that the present level of exchange rate is consistent with fundamentals, and does not constitute a threat for international competitiveness, in view of the current FDI inflows, as well as the expected receipts from mining and petroleum exports. While pursuing their policy of keeping inflation under check, with regard to the growing credit demand, they intend to continue implementing the ongoing financial sector reforms, with the view to strengthen banks and microfinance institutions.

Other structural reforms
The authorities are determined to move ahead with the reforms aiming at improving the business environment. After the progress made in the simplification of procedures and the reduction of the number of days necessary to create a business, they intend to focus their efforts on the reduction of costs, notably those related to the enrollment fees in the register of commerce at the courts. My authorities reached an agreement with staff, which enabled to retain this measure, as a structural benchmark for end-June 2009.

IV. Conclusion

Niger has made important strides over the last decade, as evidenced by the significant progress achieved since 1979 in macroeconomic stability, revenue mobilization, expenditure management, and restoration of country's creditworthiness. However, my Nigerien authorities are aware of the challenges laying ahead, in particular the need for achieving a sustained healthy growth, which could help meet the MDGs, while making a decisive turn in their fight against poverty. They have also taken steps to address the challenge of reconciling the increasing movements of FDI over the coming years with the need to maintain the current sustainable debt path. This is why my authorities have focused their efforts on the implementation of their new strategy for poverty reduction, the PRSP with the view to fostering the development of priority sectors, through the promotion of agriculture, mining, petroleum, and irrigation projects. The allocation of the entire amount of signature bonus windfall to PRSP priority sectors, besides normal appropriations for these sectors, show the authorities' determination to accomplish their part of efforts in the financing of poverty reduction strategy. More predictable and timely support is expected from donors in order to ensure an effective implementation of this strategy, if we are to meet the country's economic and developmental goals. In this regard, the authorities rely on the continuous support of the Fund, in particular through its technical assistance as well as its catalytic role in mobilizing development partners' assistance. They will continue to aim at contracting debt with a grant element as high as possible, but not below 35 percent in 2008 and beyond. As for the management of existing debt, they continue to apply a prudent approach, and building capacity to develop a medium-term debt strategy and to analyze debt sustainability.

Based on their demonstrated track record of policy and 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 first review under the current PRGF arrangement and 2008 Article consultation.