Niger: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

May 15, 2018

Appendix I. Letter of Intent

Niamey, May 15, 2018

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

Madame Managing Director,

1. **Niger continues to make progress under its program supported by the Extended Credit Facility (ECF) arrangement, despite security challenges and weak commodity prices.** Despite a less-favorable-than expected 2017/18 crop season, real GDP growth reached an estimated 4.9 percent in 2017 and inflation has remained contained, a transitory uptake in late 2017 and early 2018 notwithstanding. Growth performance would have been stronger had it not been for the vagaries of rain, a tense security situation, which affected trade with Nigeria and absorbed scarce fiscal resources, and low commodity prices, especially for our key uranium exports.

2. **Program implementation is broadly on track, except for revenue mobilization.** All performance criteria for end-December 2017 were met, as well as most indicative targets. The revenue target was missed by a large margin, reflecting adverse transitory shocks in 2017. In the first quarter of 2018 revenue were robust though, exceeding the first review target. We see domestic revenue mobilization more as a priority than ever. Important progress has been made on the structural reform agenda, but some projects fell behind schedule due to capacity constraints.

3. **The Government of Niger remains fully committed to the objectives of its program.** Expanding the revenue base, improving public financial management, and fiscal consolidation are key tenets. Structural reforms to diversify the economy, strengthen the private sector, and steps to tackle high population growth and gender inequality are equally important. These goals are also enshrined in our Social and Economic Development Plan 2017-21 (PDES 2017-21) that attracted large financial support at the donor round table in December 2017. With determined implementation efforts and the continued technical and financial support from our partners, we are confident to achieve the goal of progressively lifting economic growth and meaningfully reducing poverty.

4. The Government of Niger's program for 2018 and the remainder of the ECF period is detailed in the attached Memorandum of Economic and Financial Policies (MEFP). We believe that the measures and policies set forth therein will serve to achieve the established objectives. We stand ready to take any additional measures that may prove necessary. We will consult with the IMF on the adoption of such measures and before making changes to the policies set out in the MEFP in accordance with the Fund's policies on consultations. We will provide timely information needed to monitor the economic situation and implementation of policies relevant to the program, as agreed under the accompanying Technical Memorandum of Understanding (TMU), or at the Fund's request.

5. Following the upgrading in the assessment of the Niger's debt management capacity, the government requests a modification of program conditionality on external debt. In particular, we ask for public and publicly-guaranteed external debt to henceforth be monitored through a performance-criterion ceiling on the present value of the contracting of such debt.

6. Considering the progress achieved, the fulfillment of the prior actions on performance plans for revenue administrations and submission of new public private partnership legislation to cabinet, the measures put forward, and our resolve to implement the program, the Government of Niger requests (i) the completion of the second review, and (ii) the disbursement of the third tranche of SDR 14.1 million under the ECF arrangement. Performance criteria, indicative targets, and structural benchmarks for 2018 are included in Tables 2, 4, and 7 of the MEFP.

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

Sincerely yours,

/s/

Massoudou Hassoumi
Minister of Finance

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

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

INTRODUCTION

1. **This memorandum of economic and financial policies (MEFP) supplements and updates the MEFPs signed on December 21, 2016 and November 30, 2017.** It describes recent economic developments, the macroeconomic outlook, progress with program implementation, and policies for the remainder of 2018. The program supported by the Extended Credit Facility (ECF) arrangement is in line with the government's Economic and Social Development Plan 2017-21 (PDES 2017-21) adopted in September 2017 and presented at the donor round-table of December 13-14, 2017. Program priorities remain focused on: (i) maintaining macroeconomic stability; (ii) improving public financial management (iii) expanding fiscal space by increasing tax revenue, including broadening the base and strengthening tax administration, better controlling public expenditures, and strengthening cash management; (iv) improving debt management; (v) increasing transparency in the management of the mining and oil sectors; and (vi) supporting the development of the private and financial sectors, with a view to diversifying the economy and overcoming demographic challenges.

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS

2. **Recent economic trends have been broadly as expected, except for a temporary uptick in inflation.** Due to an early stop of rains at a critical stage of the crop cycle, agricultural output rose only moderately. Real GDP growth reached 4.9 percent, driven by buoyant oil production, robust construction activities, and a strong telecommunication sector. Annual average inflation rose to 2.4 percent, from 0.2 percent in 2016, reflecting both the base effects of the previous year and increased direct purchases from cereal producers in the final quarter of 2017 for the government's food security programs. Private sector credit grew at almost 10 percent for most of the year. The current account deficit narrowed significantly to some 14 percent of GDP, thanks to the completion of several import-intensive investment projects, donor financing, and reduced needs for food imports. Available indicators for 2018 point to activity continuing to expand apace, temporarily higher inflation partly due to tax and administrative price hikes in January 2018, and opportunistic price increases related to the 2018 budget, and reasonably strong credit and money growth.

3. **The targets for the overall fiscal deficit, domestic budget financing, and domestic arrears reduction were achieved, but government revenue disappointed.** At 14.2 percent of GDP in 2017, revenue collection remained 0.2 percent of GDP below that in 2016 and 1.9 percent of GDP short of target. A strike of importers throughout the second half of 2017, the cut of a telecommunication tax, difficulties in tax administration, and delays in selling telecommunication licenses were chiefly responsible. The revenue shortfall was however offset, protecting the fiscal bottom line. Higher-than-expected external budget support allowed us to clear substantially more

domestic arrears than envisaged, staying comfortably below the program ceiling for domestic budget financing, and reducing the overall budget deficit to 5 percent of GDP from 6.1 percent of GDP in 2016.

PERFORMANCE UNDER THE ECF-SUPPORTED PROGRAM

4. **All performance criteria for end-December 2017 were met.** In addition to net domestic government financing and domestic arrears reduction, the continuous performance criteria on the avoidance of external payments arrears and the contracting of short-term and long-term non-concessional external debt were observed.

5. **All indicative targets for end-December 2017 were respected, except for the ones related to government revenue.** Targets for spending on poverty reduction and on the ratio of exceptional expenditure to total spending were also met. However, government revenue underperformed by 1.9 percent of GDP. We also overran the indicative end-March 2018 target for the reduction of domestic payment arrears, but by less than the overperformance in 2017.

6. **Good progress was made toward a number of structural benchmarks planned for the period under review:**

- **The updated National Gender Policy was adopted in August 2017**, well ahead of the end-December 2017 target date.

- **The goal to have performance plans for revenue collection agencies fully in place by end-January 2018 was partially met**, with the one for tax administration (DGI) still in the process of being further strengthened and the one for customs administration (DGD) still under development at the time. However, strong plans were put in place and communicated to DGI and DGD in the first half of May 2018 as a *prior action*. Each plan targets more than five operational indicators covering the administrations' key functions, sets ambitious numerical quarterly targets for each, assigns responsibility for achieving them at the functional level within the administrations, and applies from the beginning of July 2018.

- **Important steps envisaged for end-March 2018 to advance the Treasury Single Account (TSA) project have been taken.** The interface between the IT systems of the BCEAO and the treasury department (DGTCP) is much improved; the BCEAO's financial impact study has been finalized; and the account structure of the TSA at the BCEAO has been clarified. A number of active public-entity accounts have already been transferred. However, not all dormant accounts might have been closed and the implementation of the new TSA account structure is delayed.

- **As a *prior action* for the completion of this review, new legislation on PPPs has been submitted to the Council of Ministers.** It is consistent with the 2014 investment code and the 2012 budget law, incorporating key recommendations of IMF-provided technical assistance. Most importantly, PPPs are now defined in line with international standards, they are fully integrated into the budget cycle, their adoption requires the consent of the Ministry of Finance, unsolicited PPP offers are subject to the same scrutiny as government-initiated offers, and scope for tax exemptions is limited.

- **Key steps of our project to bankify government payments were taken by end-March 2018.** We have drafted a masterplan for comprehensive bankification. Payments to and from several key customs offices are also already on a non-cash basis and so are most tax payments to the Large Taxpayer Unit (DGE).

7. All but one recurrent structural benchmarks were observed on time. As committed, we released quarterly spending allocations within the first month, based on the decisions of the Inter-Ministerial Regulation Committee and have prepared quarterly commitment plans with corresponding cash plans to improve budget and cash flow management. Quarterly debt management reports were also prepared, validated by the National Public Debt Management Committee, and furnished on time. A revised borrowing plan for 2018-21, which also reflects the financing pledged at the donor round-table in December 2017, was communicated to IMF staff in draft form with a delay in mid-April.

8. More generally, we are holding firm and steadily advancing on our broad-based reform agenda. The 2018 budget measures, as well as the new electricity tariffs, went into effect in January 2018. In customs administration, we continue to roll out transaction price valuation of imports for tax and customs duty purposes. The interconnections with custom administrations in Benin and Togo are technically ready for operation. Tax administration continues to provide various training sessions to its staff on management, leadership, ethics, communication, transfer prices, accounting, IT, and risk management. At DGE, we have recently strengthened arrears collection capacities by triaging the arrears stock, establishing procedures for collecting them, and putting in place a dedicated oversight committee. DGE is also successfully piloting the Computerized Tax and Taxpayer Monitoring System (SISIC).

9. Improving Niger's business climate remains a key priority and is flanked by efforts to strengthen governance and to promote access to credit. The push for a better business environment is overseen by the President of the Republic and the Prime Minister through monthly meetings to monitor progress. Most recently, we have strengthened the credit bureau and streamlined procedures at the Commercial Court.

10. The government has been strengthening the legal framework on governance and corruption. Combatting corruption is mandatory under the 2010 constitution. Graft, trading in influence, and misappropriation of public funds are criminalized. The High Authority to Combat Corruption and Related Infractions (HALCIA), first established in 2011, was substantially strengthened in 2016, anchoring it in organic law, increasing its investigative powers, allowing it to directly refer cases to the courts, and putting in place a protective mechanism for witnesses, informers, and experts. In January 2018, the government renewed its pledge to tackle corruption and adopted the National Anti-Corruption Strategy, with a three-year action plan focused on reinforcing prevention, repression, and coordination in the fight against corruption. Niger is also equipped with regulations that promote transparency in public procurement and a financial intelligence unit (CENTIF) to combatting money laundering and the financing of terrorism. The legal framework for AML/CFT was aligned with the WAEMU uniform law.

11. **Steps are being taken to promote financial inclusion.** In January 2018, the government adopted legislation allowing microfinance institutions in Niger to conduct activities in line with the principles of Islamic finance, thereby broadening the class of financial products and services offered by microfinance institutions, in line with the National Strategy for Financial Inclusion. In March 2018, we adopted a decree that simplifies access to regulated professions under the law on the National Order of Certified Public Accountants and Chartered Accountants, which should also help boost the provision of services to small and middle-sized enterprises and their access to bank credit. We are also revising and updating our national financial inclusion strategy.

12. **Finally, we have put in place policies to help tackle high population growth and gender inequality.** These challenges feature prominently in our PDES 2017-21. Following adoption of the updated National Gender Policy, stakeholders have been developing a five-year action plan expected to be finalized before end-June 2018. In December 2017, we adopted a decree aimed at keeping girls in school longer with a view to delaying marriage and child bearing. A forceful campaign for its implementation is underway. The implementation of the Sahel Women's Empowerment and Demographic Dividend (SWEDD) project is also moving ahead.

ECONOMIC OUTLOOK AND POLICIES FOR THE REMAINDER OF 2018

13. **The economic outlook remains satisfactory.** Our reform agenda, which includes efforts to raise agricultural productivity and food security under our home-grown Nigeriens Nourish Nigeriens Initiative (I3N), and the utilization of pledged donor funds augur well for 2018. We expect GDP growth to rise to 5.2 percent as construction and the services sectors gather steam, which should more than offset headwinds resulting from the maintenance shutdown of the oil refinery and unfavorable prices for our uranium exports. Reflecting price developments in late 2017 and in early 2018, annual average inflation will likely be initially elevated this year, but recede rapidly thereafter, mostly thanks to food security measures by the government. Credit to the private sector and broad money should continue to expand by around 10 percent. We foresee a deterioration in the current account as donor-financed projects are scaled up, but the overall external balance would remain positive thanks to the associated donor financing.

14. **In the medium run, growth is projected to rise to close to 6 percent thanks to economic reforms, strong donor support and the expected boost to oil production.** Inflation will quickly fall, complying with WAEMU's convergence criterion of 3 percent, thanks to the exchange rate peg and prudent fiscal policy. We will step up our fiscal effort, achieving near basic fiscal balance in 2021, compared to a deficit of 4.9 percent of GDP in 2017. However, to allow Niger to absorb the increase in external financial support that has come from the donor roundtable, the overall balance will comply with the 3 percent of GDP overall deficit anchor of the WAEMU member countries with a two-year delay in 2021. Public debt would stabilize at under 50 percent of GDP. Donor-fund absorption will also keep the current account deficit high, until oil exports surge from

2022. The fragile regional security situation, global commodity price developments, possible delays in the construction of the pipeline for oil exports, and weather conditions remain notable risks to this outlook.

FISCAL POLICY FOR THE REMAINDER OF 2018

15. We remain committed to deliver on the fiscal parameters projected at the time of the first program review, which reflect our consolidation efforts and increased donor support. Specifically, we target a basic deficit of CFAF 210 billion (4 percent of GDP), an overall deficit including grants of CFAF 308 billion (5.9 percent of GDP), and domestic financing of CFAF 141 billion (2.7 percent of GDP), including from the IMF. Nominal targets projected at the time of the first program review would largely remain, though ratios to GDP are now lower because of the upward revision to nominal GDP. These targets remain within reach, despite the 2017 revenue shortfall because of reinforced revenue measures, the washing out of the transitory adverse shocks of 2017, and tailwinds for tax collections from higher nominal GDP growth.

16. Revenue collections in the first quarter of 2018 already attest to our efforts, with the end-March indicative target met. In keeping with the thrust of the program, the improvement of public finances will be primarily revenue driven. Fiscal revenues will benefit from strict implementation of the measures included in the 2018 budget (0.6 percent of GDP), the sale of telecom licenses (0.2 percent of GDP), a tax-arrears collection drive (0.3 percent of GDP), and a crackdown on petroleum smuggling. We stick to our ambitious goal to strongly boost foreign-financed investment by nearly 2 percent of GDP to 9.2 percent of GDP. Efforts to tighten public debt management and improve the quality of public spending will continue. The government stands ready to review fiscal developments in mid-year and include any revisions into a supplementary budget agreed with IMF staff.

17. The government reaffirms current debt management practices and is committed to make further strides going forward. The Inter-Ministerial Debt Management Committee (CISPENAB) will operate as set out in Decree No. 2015-311/CAB/PM. It will resume regular meetings, its technical support committee will be fully staffed, and all loan conventions and government guarantees will be approved by the Minister of Finance to be valid. It will also certify that proper procedures for project selection will have been followed. The holding of quarterly meetings and reporting of decisions taken in quarterly debt management reports will be a *recurrent structural benchmark* starting end-June 2018. Later this year, we will put delegation of responsibilities to the technical committee on a sound legal basis, start publishing debt management reports and debt statistics, and adopt debt management policy guidelines. For the more medium term, we are committed to overcome the current institutional fragmentation of debt management and centralize it under the Ministry of Finance, as required by WAEMU directives, and reorganize it into a front-middle-back-office structure.

18. Public debt accumulation will also be contained by implementing infrastructure projects through PPP arrangements. In this context, the focus will be on Build-Operate-Transfer projects that are free of government debt guarantees. We will submit the new PPP legislation to parliament no later than end-June 2018 to have a solid framework in place in due course (*structural benchmark reset to end-June 2018 from end-March 2018*).

19. We take note of the recent upgrading of Niger's debt management capacity to "sufficient" by the IMF and the World Bank and welcome the associated change in conditionality on external public debt under the program. As of the date of the completion of the second review, it will be primarily monitored through a *performance criterion* on the present value of the contracting of new public and publicly-guaranteed external debt.

20. To decisively break with revenue underperformance, we intend to take strong underpinning actions. In particular:

- **2018 budget measures.** We will fully implement the budget measures, which should yield at least 0.6 percent of GDP. Tax measures include (i) applying the reduced VAT rate of 5 percent to previously exempted items in line with WAEMU standards; (ii) subjecting previously exempted industrial inputs and packaging under the investment code and transport services to the standard VAT rate of 19 percent; (iii) introducing a progressive housing tax; (iv) overhauling the property transfer tax; and (iv) strengthening presumptive taxation of informal activities, such as higher proxy taxes for small merchants, a new minimum tax for capital gains in real estate transactions, and the introduction of cable network subscription taxes. Moreover, all individuals and legal entities with activities that give rise to fiscal liabilities are now strictly required to get tax identification numbers—a measure that DGD helps enforce for importers.

- **Tax exemptions.** We remain committed to overhauling and streamlining tax exemptions in new legislation to be submitted to Parliament by end-September as per the structural benchmark set in the first review. By end-June 2018, we will furnish a white paper for the rationalization of tax exemptions for discussion with IMF staff *(structural benchmark)*. In the meantime, we will tightly manage new discretionary tax exemptions and keep Fund staff informed.

- **Short-term revenue boost.** To further secure the 2018 revenue targets, we will move ahead with aggressive collection of tax arrears—the stock of recoverable tax arrears at DGE amounts to CFAF 64 billion (1.3 percent of GDP). DGD and DGI will fully roll out their crackdown on petroleum smuggling, including molecular marking of fuels produced for the domestic market as soon as possible and stiffer sanctions for offenders. The sales of telecommunication licenses, originally scheduled for 2017, will also be accelerated. This should yield 0.5 percent of GDP in additional revenues at a minimum.

- **Revenue administration performance plans.** To ensure that our many reform efforts are seen through until the end, we have put in place ambitious and detailed plans for DGI and DGD ahead of the completion of this program review as a *prior action*. More generally, we expect past reforms to increasingly translate into tangible revenue gains, including the single window for car imports (GUAN) and computerization of DGI with SISIC and the DGD with ASYCUDA world.

21. Regarding public expenditure, we will make every effort to make the most of Niger's limited resources. While the government remains committed to hold back expenditure should revenue performance fall behind program targets, the focus will be on lifting the quality of spending and efficiently absorbing donor financing, while keeping public debt in check. Efforts to strengthen public financial management will continue. Specifically,

- **Program budgeting.** With its introduction in the 2018 budget, the tools are in place to better monitor performance. We will assess outcomes in mid-year and use the findings to update line ministries' and overall medium-term expenditure plans (DPPD and DPBEP).

- **Efficient absorption of donor funds.** The financing pledged at the December 2017 donor round table in support of the PDES 2017-21 opens an important window of opportunity for Niger's economic development. A specific road map for implementing the plan has been adopted and coordination cells put in place. To protect the sustainability of Niger's external public debt in the coming years, highly concessional financing will be prioritized. The Ministry of Finance will oversee that PDES implementation steers clear of unsustainable public debt developments.

- **TSA implementation.** As a key element of public expenditure management reform, we have pinned down the next implementation steps. We will establish, and share with Fund staff, a timetable for account closures that reduces still-to-be-transferred balances of public administration and public entities to less than 10 percent of the level of CFAF 65 billion established in the BCEAO study, and implement the new TSA account structure at the BCEAO (*structural benchmark for end-June 2018*). By end-2018, we intend to reduce still-to-be-transferred balances to less than 10 percent of the level of CFAF 65 billion established in the BCEAO study, and digitalize Treasury's banking services for transferred accounts of public administration and public entities (*structural benchmark for end-December 2018*). To support this effort, we will separate banking and accounting functions in the Treasury in a timely manner and ensure operational continuity of banking services throughout.

- **Bankification.** In line with the government's plan to progressively phase out fiscal payments in cash, we will discontinue cash tax and customs-duty payments to the DGE and the ten largest customs offices by end-June 2018, along with providing a white paper for bankification (*structural benchmark for end-June 2018*). In a next step, we will discontinue cash tax and customs-duty payments to the Medium Taxpayer Unit (DME) and the twenty largest customs offices (*structural benchmark for end-December 2018*).

- **Computerization.** In addition to DGI and DGD, the objective remains to computerize public procurement with SIGMAP and debt management with CS-DRMF+. SIGIB is to interconnect DGTCP and the Directorate General of the Budget (DGB) and DGTCP to be linked to the payment systems SICA and STAR. The ultimate goal is a fully-integrated IT system for all financial agencies.

22. The fiscal framework for 2018 is fully financed and includes our firm commitment to clear all outstanding domestic payment arrears by end-2018. The basic budget deficit (CFAF 210 billion), the clearance of all domestic payment arrears remaining at end-2017 (CFAF 29 billion), and the amortization of external debt (CFAF 49 billion) will be financed through budget support (CFAF 147 billion) and net domestic financing (CFAF 141 billion), including financing from the Fund (CFAF 17 billion).

23. To further improve public finances and management beyond 2018, we are pushing ahead with the overhauling state-owned enterprises and public entities, while improving public administration. Specifically:

- Regarding, the reform of **state-owned enterprises and public entities**, we have initiated the audit of six large public entities and secured World Bank financing. Tenders have been opened. We will also finalize and transmit to the Fund a study on subsidies for state-owned enterprises, conduct and publish an inventory of all public entities and state-owned enterprises, and publish the key financial indicators, and make available audit reports of state-owned enterprises and public entities whenever they are audited by the Court of Audit.

- The **management of the civil service** is undergoing a complete overhaul. Improvements will be guided by World Bank recommendations on civil service reform initiated in 2017. In particular, we plan to conduct a comprehensive biometric census of civil servants and establish an integrated pay-civil service database.

STRUCTURAL REFORMS FOR PRIVATE SECTOR DEVLOPMENT AND DEMOGRAPHIC ABATEMENT

24. For medium-term economic development of Niger and the envisaged reduction of poverty, it is essential to develop a strong private sector and address demographic challenges. Donor financing will support the economy in the nearer term, but it needs to translate into self-sustained improvements to be successful in the long run. To this end, we will continue to strengthen the business climate, improve access to credit, address governance issues, and implement our gender and population policies.

25. We have made progress in improving the business climate, but recognize that much remains to be done. Reforms of the business climate will also continue to benefit from the World Bank Project to Support Competitiveness and Growth (PRAAC). We will address the bottlenecks identified by the business community, such as frequent power outages, competition from the informal sector, overly complicated customs procedures, a weak judiciary, and generally insufficient infrastructure and human capital. Regarding VAT refunds, even though we have found solutions for the largest exporters, the goal remains to put in place a proper system, not least to ease pressures by foreign investors for exemptions. Finally, we remain committed to clear the remaining domestic government payment arrears no later than end-December 2018, which remains a performance criterion under the program. To encourage investment in the mining sector, we will continue our efforts to rejoin the Extractive Industry Transparency Initiative (EITI) this year.

26. Better access to credit remains a work in progress. While the bankification of fiscal payments should contribute to financial deepening, we need to push ahead with implementing our financial inclusion agenda. Every effort will be made to mobilize donor-funding for reforms in the area of microfinance, which include consolidation of the sector, furnishing training for providers, establishing a refinance mechanism, and setting up a deposit guarantee and resolution funds. Moreover, we will make sure that missing regulations that still stand in the way of getting leasing off the ground are put in place as soon as possible and that a legal framework for warrantage is developed.

27. Better governance helps not only safeguarding public resources, but is also key for a more conducive business environment. Niger has made a lot of headway in putting in place institutional and legal framework and the fight against corruption is high on the agenda of the current administration. However, gaps remain in the legal framework and implementation is a challenge. For example, the asset declaration legislation needs to be clarified and brought in line with best practices in order to facilitate its effective implementation and help address corruption. We are committed to strengthening the resources of the Court of Audit, HALCIA and Ligne Verte. In the area of AML/CFT, the financial intelligence unit has been strengthened, but cases referred to the judiciary have only led to one conviction so far, and reports of suspicious transactions referred to CENTIF remain rare, especially from non-banks. Niger is in the process of carrying out an ML/TF National Risk Assessment as required by the 2012 FATF standard.

28. Fiscal transparency will also be improved, with a view to furthering the business community's understanding of fiscal policy. This includes, publishing an end-year report and an audit report for the 2017 budget, a performance report for 2018, and a citizen budget for 2019. The government will also make an effort to better prepare the public for forthcoming fiscal changes and make the Government Gazette freely available online.

29. The government is committed to pushing ahead with reforms on gender equality and demographic containment. We will pursue the policies laid out in the updated National Gender Strategy, the recent decree on the education of girls, and the PDES 2017-21. As with our policies on governance, the challenge is to step up implementation to achieve tangible results. We will seek donor funds, supplemented by our own resources, to put in place and expand concrete programs, and continue our ongoing efforts to implement the decree.

PROGRAM MONITORING

30. In view of the progress made in implementing the ECF-supported program and the policies envisaged under the MEFP, the government requests the approval of the second review under the arrangement, and the disbursement of SDR 14.1 million.

31. Program monitoring will be based on performance criteria (Tables 2) and structural benchmarks (Tables 4 and 7). The authorities will provide IMF staff with the statistical data and information identified in the attached Technical Memorandum of Understanding, and any other information they deem necessary or that IMF staff may request for monitoring purposes.

32. In application of the IMF's debt limits policy, there will be a change to performance criteria on external public debt. As of the date of completion of the second review, 2018, a new performance criterion on the present value (PV) of the contracting of new public and publicly-guaranteed external debt will be applied, to replacing the current performance criteria on the contracting and guaranteeing of long-term non-concessional external public debt and short-term external public debt.

33. The program will be monitored through semiannual reviews. The third and fourth program reviews are expected to take place after end-October 2018 and end-April 2019, respectively.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (Dec. 2016 – Dec. 2017)

(In billions of CFAF)

	End-December 2016 For information		End-March 2017 IT			End-June 2017 PC			End-September 2017 IT			End-December 2017 PC		
	Proj.	Act.	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status
A. Quantitative performance criteria and indicative targets[1]														
(cumulative for each fiscal year)														
Net domestic financing of the government	113.8		62.0			120.3			186.6			207.0		
Adjustment for shortfall in budget support up to CFA 15 billion max	-4.1		0.0			-15.0			-15.0			-15.0		
Adjusted net domestic financing of the government[2]	109.7	77.4	62.0	27.5	Met	105.3	66.2 [3]	Met	171.6	147.9 [3]	Met	192.0	113.9	Met
Change in domestic payment arrears of government obligations[4]	-8.4	19.0	10.0	-40.0	Met	20.0	-44.9 [3]	Met	10.0	-47.6 [3]	Met	-43.4	-78.9	Met
Memorandum items:														
External budgetary assistance[5]														
Budget support	114.3	118.4	0.0	0.0		0.0	43.8		0.0	50.4		92.4	174.5	
New external debt contracted or guaranteed by the government on concessional terms (ceiling)[8]	800.0	490.1	350.0	60.8		350.0	88.8		350.0	...		350.0	...	
B. Continuous quantitative performance criteria														
Accumulation of external payments arrears	0.0	0.0	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New external debt contracted or guaranteed by the government with maturities of less than 1 year[6]	0.0	0.0	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New non concessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more[7]	0.0	0.0	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
C. Indicative Targets														
Basic budget balance (commitment basis, excl. grants)[4]	-194.3	-188.9	-71.2	2.5	Met	-130.7	-74.3 [3]	Met	-186.6	-155.3 [3]	Met	-235.9	-232.4	Met
Basic budget balance (commitment basis, incl. budget grants)[4]	-130.7	-122.7	-71.2	2.5	Met	-130.7	-30.5 [3]	Met	-186.6	-104.9 [3]	Met	-181.3	-91.3	Met
Total revenue[4]	676.6	643.8	160.7	157.7	Not Met	353.4	331.7	Not Met	554.5	496.4	Not Met	770.8	680.7	Not met
Spending on poverty reduction[4]	356.8	447.2	103.8	104.1	Met	222.2	223.8	Met	348.4	351.4	Met	487.5	488.8	Met
Ratio of exceptional expenditures on authorized spending (percent)[9]	5.0	1.8	5.0	3.4	Met	5.0	3.0	Met	5.0	2.7	Met	5.0	5.0	Met

Sources: Nigerien authorities; and IMF staff estimates and projections. Note: The terms in this table are defined in the TMU.

1 Program indicators under A are performance criteria at end-December and end-June; 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 or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2017. From December 2017 onward, net domestic financing of the government will be also adjusted up (down) for any excess (shortfall) in domestic payment arrears clearance.

[3] Slightly revised actuals, from those reported in the context of the first review (EBS 17/394), to reflect updated outcomes.

[4] Minimum; for the PC/IT on the reduction in domestic payments arrears, negative sign means a reduction and positive sign means an accumulation.

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

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

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

[8] On a contracting basis in accordance with the IMF's debt limits policy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf. Cumulative from the of the beginning of the year.

[9] Maximum, exceptional expenditures refer to payment made by the treasury without prior authorisation, excluding debt service payments and expenditures linked to exemptions.

Table 2. Niger: Quantitative Performance Criteria and Indicative Targets (Mar. – Dec. 2018)

(In billions of CFAF)

	End-Mar. 2018 Indicative Targets		End-Jun. 2018 Perf. Criteria	End-Sept. 2018 Indic. Targets	End-Dec. 2018 Perf. Criteria
	Prog.	Actual	Prog.	Prog.	Prog.
A. Quantitative performance criteria and indicative targets[1]					
(cumulative for each fiscal year)					
Net domestic financing of the government	46.1		70.6	140.4	123.8
Adjustment for shortfall in budget support	0.0				
Adjustment for extra arrears clearance in 2018 up to a cap of FCFA 30 billion	30.0		30.0		
Adjusted net domestic financing criteria [2]	76.1		100.6		
Change in domestic payment arrears of government obligations[3]	-15.0		-30.0	-15.0	
Adjusted for FCFA 35.5 billion over-performance in 2017 up to a cap of zero net accumulation	0.0	23.7	0.0		-29.2
Memorandum items:					
External budget support[4]	0.0	0.0	23.0	68.4	146.9
B. Continuous quantitative performance criteria					
Accumulation of external payments arrears	0.0	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of less than 1 year[5]	0.0		0.0	…	…
New non concessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more [6]	0.0		0.0	…	…
Present Value (PV) of new public and publicly-guaranteed external debt contracted from January 1, 2018	…		…	…	225.0
C. Indicative Targets					
(cumulative for each fiscal year)					
Basic budget balance (commitment basis, excl. grants)[3]	-61.2		-123.5	-169.7	-210.0
Basic budget balance (commitment basis, incl. budget grants)[3]	-61.2		-100.5	60.0	-100.3
Total revenue[3]	172.7	189.2	369.5	567.0	803.3
Spending on poverty reduction[3]	108.0		237.9	345.9	538.4
Ratio of exceptional expenditures on authorized spending (percent)[7]	5.0		5.0	5.0	5.0

Sources: Nigerien authorities; and IMF staff estimates and projections. Note: The terms in this table are defined in the TMU.

1 Program indicators under A and B are performance criteria at end-June and end-December; indicative targets otherwise.

2 The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 30 billion at the end of each quarter of 2018. From the beginning of 2018, net domestic financing of the government will be also adjusted up (down) for any excess (shortfall) in domestic payment arrears clearance.

3 Minimum; for the PC/IT on the reduction in domestic payments arrears, negative sign means a reduction and positive sign means an accumulation. Targets will be adjusted for over- and underperfomance in 2017, subject to a cap of zero.

4 External budgetary assistance (excluding net financing from the IMF).

5 Excluding ordinary credit for imports or debt relief.

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

7 Maximum, exceptional expenditures refer to payment made by the treasury without prior authorisation, excluding debt service payments and expenditures linked to exemptions.

Table 3. Niger: Recurrent Structural Benchmarks for the Program, 2017

Measure	Timetable		Macroeconomic Rationale
Release the quarterly budget allocation in the first month of each quarter based on the proposal of the regulation committee.	Quarterly	Met for Q1, Q2, Q3, and Q4	Improve budget and cash flow management.
Prepare a quarterly commitment plan consistent with the corresponding cash plan.	Quarterly	Met for Q1, Q2, Q3, and Q4	Improve budget and cash flow management.
Prepare quarterly debt management report to be validated by the National Public Debt Management Committee.	Quarterly	Met for Q1 and Q3. Furnished with delay for Q2. Met for Q4	Improve debt management.
Produce a quarterly report on VAT credit reimbursement.	Quarterly	Not met	Improve efficiency of the VAT.
Prepare a revised borrowing plan.	Each year at end-June	Not met	Improve debt management.

Table 4. Niger: Recurrent Structural Benchmarks for the Program, 2018			
Measure	**Timetable**	**Progress**	**Macroeconomic Rationale**
Release the quarterly budget allocation in the first month of each quarter based on the proposal of the regulation committee.	Quarterly	Met for Q1	Improve budget and cash flow management.
Prepare a quarterly commitment plan consistent with the corresponding cash plan.	Quarterly	Met for Q1	Improve budget and cash flow management.
Prepare quarterly debt management report to be validated by the National Public Debt Management Committee.	Quarterly	Met for Q1	Improve debt management.
Hold at least quarterly meetings of the Inter-Ministerial Debt Management Committee. Publish its decisions, a list of newly approved loans and grants, and the view taken by the Ministry of Finance in the quarterly debt management reports.	Quarterly from Q3 onward		Safeguard control over the contracting of new public debt.
Prepare a revised borrowing plan.	Each year at end-June, but end-March for 2018	Not met for Q1, draft plan furnished in mid-April	Improve debt management.

Table 5. Niger: Structural Benchmarks, 2017

Measure	Timetable	Progress	Comment
Fiscal Policy and Revenue Administration			
Broaden the jurisdiction of the large enterprises Directorate (DGE) of the DGI by transferring to the DGE the control of the identified 120 large companies previously under the competency of regional tax offices outside Niamey.	End-January	Met	
Estimate the stock of VAT credits arrears and launch the VAT reimbursement mechanism using a share of the VAT collected by the DGE.	End-March	Not met	As a stop-gap measure, mining companies were allowed to offset VAT refund claims against VAT withheld from supplies.
Finalize the interconnection of the ASYCUDA world central server with all the main customs offices and the interconnection of the Niger customs office with those of Benin and Togo.	End-July	Not met	All domestic offices are connected to the central server. The connection to the Benin and Togo office is not yet operational, as the contract with UNCTAD for the second phase of migration to ASYCUDA was signed only in September 2017.
Public Financial Management			
Launch the process of establishing the 2018 budget under the program format by finalizing the required documents (DPBEP and DPPD).	End-June	Met	The DPBEP helped underpin the medium-term fiscal framework discussions held at the by the National Assembly in June 2017.
Finalize the framework of the TSA by signing the agreements with the BCEAO and the Commercial Bank on the management of the TSA, and close all the outstanding public accounts covered by the TSA.	End-June	Not met	Agreement with the BCEAO has been signed, but the impact study on the banking system was not conducted. Only a few dormant accounts have been closed.

Table 5. Niger: Structural Benchmarks, 2017 (concluded)

Other Structural Reforms			
Elaborate and submit to staff an action plan for the audit of the major public enterprises.	End-July	Met	Action plan has been sent and TORs for auditors drafted.
Send to The National Assembly a new law on public private partnership (PPP) consistent with the investment code and the 2012 budget law.	End-December	Not met	Technical assistance has been provided. Submission of legislation is proposed to be reset to March 2018.
Submit to staff the update of the 2008 national policy on gender.	End-December	Met	Completed ahead of schedule.

Table 6. Niger: Prior Actions and Structural Benchmarks, January – May 2018

Measure	Timetable	Progress	Macroeconomic Rationale
Prior Actions			
Adopt high-quality plans for tax administration and customs administration, each with at least five indicators covering all the administrations' key functions, ambitious numerical quarterly targets for the indicators, assign responsibility within the administrations at the functional level, and apply from the beginning of July 2018.	Prior Action	Met	Improve tax collection and the expand the tax base.
Submit new legislation on public private partnerships (PPP) to cabinet.	Prior Action	Met	Align with existing laws.
Fiscal Policy and Revenue Administrations			
Formulate and share with Fund staff performance plans for revenue collection agencies to be cascaded through directorates. These plans will set revenue targets and benchmarks for operational indicators, such as the number of filers with the DGE, the number of zero-liability VAT filers, and the number of TINs).	End-January	Not met	Improve tax collection and the expand the tax base.
Public Financial Management			
Regarding TSA implementation, complete and share with Fund staff a study on the impact on the banking system with the help of the BCEAO, make operational an interface between the IT systems of the BCEAO and the DGTCP, establish a clear account and subaccount structure of the TSA, and close all dormant accounts covered by the TSA and transfer their balances).	End- March	Not met	Improve liquidity management and expenditure control.
Other Structural Reforms			
Send to The National Assembly a new law on public private partnership (PPP) consistent with the investment code and the 2012 budget law, and in line with good international standards as laid out in the 2017 IMF TA report.	End-March	Not met	Align with existing laws.
Put in place legal requirements that all payments to and from the Large Taxpayer Unit (DGE) are made through the financial system. An action plan for the bankification of fiscal payments will be finalized and shared with Fund staff).	End-March	Not met	Improve governance in public administration and promote financial deepening.

Table 7. Niger: Structural Benchmarks, June – December 2018

Measure	Timetable	Progress	Macroeconomic Rationale
Fiscal Policy and Revenue Administration			
New SB: Provide Fund staff with white paper on the streamlining of tax exemption for discussion. In the meantime, provide Fund staff with monthly data on newly-granted discretionary tax exemptions.	End-June		Support revenue generation and simplify tax and customs administration.
Send legislation overhauling tax and customs exemptions to the National Assembly.	End-September		Support revenue generation and simplify tax and customs administration.
Public Financial Management			
New SB: Regarding TSA implementation, establish, and share with Fund staff, a timetable for account closures of public administration and public entities that reduces still-to-be-transferred balances to less than 10 percent of the level established in the BCEAO study; implement new TSA account structure at the BCEAO.	End-June		Improve liquidity management and expenditure control.
New SB: Regarding TSA implementation, reduce still-to-be-transferred balances of public administration and public entities to less than 10 percent of the level established in the BCEAO study; digitalize Treasury's banking services.	End-December		Improve liquidity management and expenditure control.
Other Structural Reforms			
Reset SB: Send to The National Assembly a new law on public private partnership (PPP) consistent with the investment code and the 2012 budget law, and in line with good international standards as laid out in the 2017 IMF TA report.	End-June		Align with existing laws.
New SB: Discontinue tax and customs duty payments to the DGE and the ten largest customs offices in cash by issuing a circular; transform bankification plan into a white paper.	End-June		Improve governance in public administration and promote financial deepening.
New SB: Discontinue tax and customs duty payments to the DME and the twenty largest customs offices in cash by issuing a circular.	End-December		Improve governance in public administration and promote financial deepening.

Table 8. Niger: Proposed Disbursements Scheduled Under the New ECF Arrangement, 2017–20

Amount (Millions)	Conditions Necessary for Disbursement	Date Available
SDR 14.1	Executive Board Approval of the ECF Arrangement	January 23, 2017
SDR 14.1	Observance of continuous and June 30, 2017 performance criteria, and completion of the first review under the arrangement	December 15, 2017
SDR 14.1	Observance of continuous and December 31, 2017 performance criteria, and completion of the second review under the arrangement	April 30, 2018
SDR 14.1	Observance of continuous and June 30, 2018 performance criteria, and completion of the third review under the arrangement	October 31, 2018
SDR 14.1	Observance of continuous and December 31, 2018 performance criteria, and completion of the fourth review under the arrangement	April 30, 2019
SDR 14.1	Observance of continuous and June 30, 2019 performance criteria, and completion of the fifth review under the arrangement	October 31, 2019
SDR 14.1	Observance of continuous and September 30, 2019 performance criteria, and completion of the sixth and last review under the arrangement	January 8, 2020
SDR 98.7	Total	

Source: International Monetary Fund.

Attachment II. Technical Memorandum of Understanding

Niamey, May 15, 2018

1. **This technical memorandum of understanding defines the performance criteria and indicative targets of Niger's program under the Extended Credit Facility (ECF) arrangement for the period Q1-2017 to Q1-2020**. The performance criteria and indicative targets for 2017 and the first half of 2018 are set out in Tables 1 and 2 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent of November 30, 2017. Structural benchmarks appear in Tables 3 to 6. This technical memorandum of understanding also sets out data-reporting requirements for program monitoring.

DEFINITIONS

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

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

b) As specified in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by the Decision No. 15688-(14/107) of the Executive Board of the IMF of December 5, 2014, **debt** will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets, that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property , while the lessor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

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

d) **Domestic payments arrears** are domestic payments owed by the government but not paid. They include committed and authorized fiscal year expenditures that are not paid within 90 days. **External payments arrears** are payments due but not paid.

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

A. Quantitative Performance Criteria

Net Domestic Financing of the Government

Definition

3. Net domestic financing of the government is defined as the sum of (i) **net bank credit to the government**; (ii) **net nonbank domestic financing of the government**, including government securities issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks, proceeds from the sale of government assets, and privatization receipts.

4. Net bank credit to the government is equal to the balance of government claims and debts vis-à-vis national banking institutions. Government claims include cash holdings of the Nigerien Treasury, secured obligations, deposits with the central bank, and deposits of the Treasury (including regional offices) with commercial banks. Government deposits with commercial banks are excluded from government claims insofar as they are used solely to finance externally financed capital expenditure.

5. Government debt to the banking system includes assistance from the central bank (excluding net IMF financing under the ECF), the CFAF counterpart of the 2009 General SDR Allocation, assistance from commercial banks (including government securities held by the central bank and commercial banks) and deposits with the CCP (postal checking system).

6. The scope of net bank credit to the government, as defined by the BCEAO, includes all central government administrations. Net bank credit to the government and the amount of Treasury bills and bonds issued in CFAF on the WAEMU regional financial market are calculated by the BCEAO.

7. Net nonbank domestic financing includes: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of Treasury correspondents' deposit accounts; (iii) the change in the balance of various deposit accounts at the Treasury; and (iv) the change in the stock of claims on the government forgiven by the private sector. Net nonbank financing of the government is calculated by the Nigerien Treasury.

8. The 2017 quarterly targets are based on the change between the end-December 2016 level and the date selected for the performance criterion or indicative target.

Adjustment

9. The ceiling on net domestic financing of the government will be subject to adjustment if disbursements of external budgetary support net of external debt service and external arrears payments, including disbursements under the ECF, fall short of program projections.

10. If, at the end of each quarter of 2017, disbursements of external budgetary support fall short of the projected amounts at the end of each quarter, the corresponding quarterly ceilings will be raised pro tanto, up to a maximum of CFAF 15 billion in 2017 and CFAF 30 from 2018 onward.

11. From 2018 onward, the ceiling on net domestic financing will also be adjusted for deviations from programmed domestic payment arrears clearance. Specifically, the ceiling on domestic financing will be adjusted up (down) one-for-one for arrears clearance in excess (in deficit) of programmed levels.

Reporting Requirement

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

Reduction of Domestic Payments Arrears

Definition

13. The reduction of domestic payments arrears is equal to the difference between the stock of arrears at end-2016 and the stock of arrears on the reference date.

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

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

Adjustment

16. Programmed arrears clearance in 2018 will be adjusted up (down) one-for-one for any shortfall (excess) relative to programmed arrears clearance programmed for end-2017.

17. Arrears clearance shall not be negative.

External Payments Arrears

Definition

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

Reporting Requirement

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

External Non-Concessional Loans Contracted or Guaranteed by the Government

Definition

20. The government and the public enterprises listed in paragraph 21 undertake not to contract or guarantee external debt with an original maturity of one year or more, and having a grant element of less than 35 percent. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element (the difference between the present value (PV) of debt and its nominal value) expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for that purpose is 5 percent.[1]

21. This performance criterion applies not only to debt, as defined in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by the Decision No. 15688-(14/107) of the Executive Board of the IMF of December 5, 2014, but also to any obligation contracted or guaranteed for which no value has been received. However, this performance criterion does not apply to financing provided by the IMF and to debt rescheduling in the form of new loans.

22. For the purposes of the relevant performance criteria, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or kind).

23. For the purposes of the relevant performance criterion, external debt is defined as debt denominated, or requiring repayment, in a currency other than the CFA franc. This definition also applies to debt contracted among WAEMU member countries and with WAEMU financial institutions.

24. For the purposes of this performance criterion, the public sector includes the government, as defined in paragraph 2 above, and the following public enterprises: (i) *Société Nigérienne d'Electricité (Nigelec);* (ii) *Société de Construction et de Gestion des Marchés (Socogem)*; (iii) *Société Nigérienne des Produits Pétroliers (Sonidep)* ; (iv) *Société Nigérienne des Télécommunications (Sonitel)*; (v) *Société de Patrimoine des Mines du Niger (Sopamin)*; and (vi) *Société propriétaire et exploitante de l'Hotel Gaweye (SPEG).*

Reporting Requirement

25. Details on all external public sector debt will be provided monthly, within six weeks after the end of each month. The same requirement applies to guarantees granted by the central government. The Ministry of Finance will regularly forward to Fund staff a list of loans in process of negotiation. It will also prepare semiannual reports on any external debt contracted or in process of negotiation and the terms thereof, as well as on the borrowing program for the next six months including the terms thereof, and will forward them to Fund staff.

[1] On October 11, 2013, the Executive Boards of the IMF and of the World Bank adopted a new methodology setting a single, unified rate to calculate the grant element of individual loans. The new unified rate is set at 5 percent (see http://www.imf.org/external/np/pdr/conc/calculator/gecalcf.aspx).

Short-Term External Debt of the Central Government

Definition

26. The government will not accumulate or guarantee new external debt with an original maturity of less than one year. This performance criterion applies not only to debt as defined in paragraph 8 of the Guidelines Public Debt Conditionality in Fund Arrangements, adopted by the Decision No. 15688-(14/107) of the Executive Board of the IMF of December 5, 2014, but also to any obligation contracted or guaranteed for which no value has been received. Short-term loans related to imports are excluded from this performance criterion, as are short-term securities issued in CFAF on the regional financial market.

Reporting Requirement

27. Details on all external government debt will be provided monthly, within six weeks after the end of each month. The same requirement applies to guarantees granted by the government.

Present Value of Public and Publicly-Guaranteed External Debt

Definition

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

(a) For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

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

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

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

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

(b) rescheduling agreements; and

(c) IMF disbursements.

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

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

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

Reporting Requirement

34. The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government.

B. Quantitative Targets

Definitions

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

36. The basic fiscal deficit is defined as the difference between (i) total tax revenue, as defined in paragraph 25; and (ii) total fiscal expenditure excluding externally financed investment expenditure but including HIPC-financed expenditure.

37. According to the WAEMU definition, the basic fiscal deficit is defined as the basic balance described under paragraph 26 plus budgetary grants.

38. The floor on poverty-reducing expenditure is an indicative target for the program. This expenditure comprises all budget lines included in the Unified Priority List (UPL) of poverty-reducing and HIPC-financed expenditures.

39. A limit is set on the amount of expenditures paid through exceptional procedures (without prior commitment) excluding debt service payments and expenditures linked to tax exemptions. The limit is 5 percent of total authorized expenditures during the quarter for which the target is assessed.

Reporting Requirement

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

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

42. Information on exceptional expenditure will be provided to the IMF quarterly after six weeks after the end of the quarter.

ADDITIONAL INFORMATION FOR PROGRAM MONITORING

A. Government Finance

43. The authorities will forward the following to IMF staff:

- Detailed monthly estimates of revenue and expenditure, including priority expenditure, the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue.

- The Table of Government Financial Operations with comprehensive monthly data on domestic and external financing of the budget, and changes in arrears and Treasury balances outstanding. These data are to be provided monthly, within six weeks after the end of each month.
- Comprehensive monthly data on net nonbank domestic financing: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of various deposit accounts at the Treasury; (iii) the change in the stock of claims on the government forgiven by the private sector.
- Quarterly data on expenditure for UPL lines (statement of appropriations approved, disbursed, and used).
- Quarterly reports on budget execution, including the rate of execution of poverty-reducing expenditure and, in particular, the use of appropriations by the line ministries concerned (National Education, Public Health, Equipment, Agriculture, Livestock).
- Monthly data on Treasury balances outstanding, by reference fiscal year, with a breakdown of maturities of more than and less than 90 days.
- Monthly data on effective debt service (principal and interest) compared with the programmed maturities provided within four weeks after the end of each month; and
- List of external loans contracted in process of negotiation and projected borrowing in the next six months, including the financial terms and conditions.

B. Monetary Sector

44. The authorities will provide the following information each month, within eight weeks following the end of each month:

- Consolidated balance sheet of monetary institutions and, where applicable, the consolidated balance sheets of individual banks;
- Monetary survey, within eight weeks following the end of each month, for provisional data;
- Borrowing and lending interest rates; and
- Customary banking supervision indicators for banks and nonbank financial institutions (where applicable, these same indicators for individual institutions may also be provided).

C. Balance of Payments

45. The authorities will provide IMF staff with the following information:

- Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions3) whenever they occur;
- Preliminary annual balance of payments data, within six months after the end of the reference year.

D. Real Sector

46. The authorities will provide IMF staff with the following information:

- Disaggregated monthly consumer price indexes, within two weeks following the end of each month;
- The national accounts, within six months after the end of the year; and
- Any revision of the national accounts.

E. Structural Reforms and Other Data

47. The authorities will provide IMF staff with the following information:

- Any study or official report on Niger's economy, within two weeks after its publication;
- Any decision, order, law, decree, ordinance, or circular with economic or financial implications, upon its publication or, at the latest, when it enters into force.
- Any draft contract in the mining and petroleum sectors, including production and sales volumes, prices, and foreign investment; and
- Any agreement with private sector stakeholders having economic or financial repercussions for the government, including in the natural resources sector.

Summary of Data to be Reported			
Type of Data	**Table**	**Frequency**	**Reporting Deadline**
Real sector	National accounts.	Annual	End-year + 6 months
	Revisions of the national accounts.	Variable	8 weeks after the revision
	Disaggregated consumer price indexes.	Monthly	End-month + 2 weeks
Government finance	Net government position vis-à-vis the banking system.	Monthly	End-month + 6 weeks
	Complete monthly data on net nonbank domestic financing: (i) change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) change in the balance of various deposit accounts at the Treasury; (iii) change in the stock of claims on the government forgiven by the private sector.	Monthly	End-month + 6 weeks
	Provisional TOFE, including a breakdown of revenue (DGI, Monthly DGD and DGTCP) and expenditure, including the repayment of domestic wage and nonwage arrears, as at end-1999, and the change in Treasury balances outstanding.	Monthly	End-month + 6 weeks
	Data on Treasury balances outstanding (RAP), by reference fiscal year (total and RAP at more than 90 days).	Monthly	End-month + 6 weeks
	Monthly statement of Treasury correspondents' deposit accounts.	Monthly	End-month + 6 weeks
	Execution of the investment budget.	Quarterly	End-quarter + 6 weeks

Type of Data	Table	Frequency	Reporting Deadline
	Table of fiscal expenditure execution, unified list expenditure, and HIPC-financed expenditure.	Monthly	End-month + 6 weeks
	Treasury accounts trial balance.		
	Monthly statement of the balances of accounts of the Treasury and of other public accounts at the BCEAO.	Monthly	End-month + 6 weeks (provisional) End-month + 10 weeks (final)
	Petroleum products pricing formula, petroleum products tax receipts, and pricing differentials.	Monthly	End-month + 6 weeks
	Monetary survey		
Monetary and financial data	Consolidated balance sheet of monetary institutions and, where applicable, consolidated balance sheets of individual banks.	Monthly	End-month + 8 weeks
	Borrowing and lending interest rates.	Monthly	End-month + 8 weeks
	Banking supervision prudential indicators.	Quarterly	End-quarter + 8 weeks
Balance of payments	Balance of payments	Annual	End-year + 6 months
	Balance of payments revisions	Variable	At the time of the revision.
External debt	Stock and repayment of external arrears.	Monthly	End-month + 6 weeks
	Breakdown of all new external loans signed and projected borrowing, including the financial terms and conditions.		End-month + 6 weeks
	Table on the monthly effective service of external debt (principal and interests), compared with the programmed maturities.	Monthly	End-month + 4 weeks