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STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION AND FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS

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The previous Debt Sustainability Analysis was conducted at the time of the First Review under the Three-Year Arrangement under the Extended Credit Facility (Country Report No. 13/104, April 2013). The medium-term economic framework underpinning the analysis has been updated to reflect recent developments, consistent with the baseline scenario in the 2014 Article IV and Fourth and Fifth Reviews Under the Extended Credit Facility Arrangement. The large additional oil revenues that are expected after 2017 will significantly strengthen the fiscal and external accounts. As a result, the various debt measures remain below the relevant thresholds in the baseline scenario, but the present value (PV) of the debt-to-export and the PV of debt-to-GDP ratios breach the threshold under the most extreme stress test. On this basis, Niger's risk of debt distress continues to be considered as moderate.[1]

[1] Niger's three-year average CPIA (2011-13) is estimated at 3.4, which is in the average performance category.

BACKGROUND

1. **This joint IMF-World Bank debt sustainability analysis (DSA) updates the DSA of the external and total public debt of Niger completed at the time of the first review under the ECF**. It is based on preliminary end-2013 data, using the standard debt dynamics template for low-income countries. The debt data cover external and domestic debt of the central government, debt of public enterprises and parastatals, state guarantees and private external debts. Domestic debt includes arrears, debt to the central bank (Banque Centrale des Etats de l'Afrique de l'Ouest-BCEAO) resulting from statutory advances and the special drawing rights (SDR) allocation and government securities.

2. **The previous DSA assessed Niger's risk of debt distress to be at a moderate level, largely on account of the government's debt contracts to support the development of the natural resource sector**. Niger reached the completion point under the Enhanced HIPC Initiative in April 2004 and in 2006 benefited from MDRI assistance from the African Development Fund, International Development Association (IDA), and the International Monetary Fund (IMF). The debt relief contributed to a reduction of nominal external debt from over 90 percent of GDP at end-2000 to about 17 percent of GDP at end-2010. Niger's public external debt exposure has increased significantly after 2010, up to 22.8 percent of GDP at end-2013, as a result of government's involvement in the financing of projects in natural resources.[1]

UNDERLYING DSA ASSUMPTIONS

3. **Staff has updated the medium- and long-term projections for Niger**. Revenue projections have been revised upward to reflect new developments in the petroleum sector and ongoing improvements in revenue collection. The higher oil revenue is expected after 2017 when the new crude oil project will come on stream. The increased revenues will enable an expansion in public investment, while current expenditures should be gradually contained.[2] The average GDP growth projection is revised downward in the short-term and stabilizes to its steady state growth rate at 5.5 percent, lower than projected in the 2013 DSA. The 2014 DSA assumes conservative growth of exports of goods and services in particular for non-resource export compared with the

[1] In 2011, the government contracted a Yuan 650 million loan for the financing of its share in the construction of the new Azelik uranium mine, followed by a state guarantee of 40 percent of a US$880 million loan to the SORAZ refinery.

[2] This expenditure rationalization objective requires stepping up efforts in the reform of public financial management (PFM) as suggested in the latest PEFA assessment (March 2013) and in IMF technical assistance reports on PFM. The authorities approved the law on fiscal transparency in March 2014 and efforts are underway to strengthen institutional coordination between the Ministry of Planning and the Ministry of Finance to improve the flow of information and to enhance expenditure monitoring. The ECF program also envisages improvements in expenditure controls by limiting resort to the use of exceptional procedures for authorizing spending, accelerating the pace of budget execution, and developing quarterly cash and commitment plans as the structural benchmark to strengthen the capacity in budget planning and execution.

2013 DSA. However, public investments in agriculture and infrastructure are expected to help promote export-oriented growth and efficiency gains in the long-run.

4. **External public grants and loans are projected to decline gradually as natural resource revenues increase.** Besides debt creating flows and FDI, the current account deficit is expected to be financed by significant flows of project grants, and private capital flows.

Text Table 1. Niger: Key Macroeconomic Assumptions

(DSA 2014 vs. DSA 2014)

	2012-13	2014-17	2018-34
Real GDP growth (percent)			
DSA 2014	7.6	6.2	5.5
DSA 2013	8.7	6.3	6.2
Total Revenue (percent of GDP) /2			
DSA 2014	16.5	19.8	22.4
DSA 2013	16.5	18.1	20.4
Exports of goods and services (percent of GDP)			
DSA 2014	23.2	23.5	31.3
DSA 2013	25.6	26.3	34.3

Sources: Nigerien authorities; and IMF staff estimate.

1. DSA 2013 covers the period until 2032. See Box 1 for details on baseline scenario assumptions.
2. Total revenue, excluding grants.

5. **The macroeconomic outlook remains subject to various risks**. The country is very vulnerable to exogenous shocks, including frequent weather-related food crises and fluctuations in commodity prices. The deteriorating security situation in the region is another factor adding fiscal costs and economic vulnerability to Niger.

EXTERNAL DSA

6. **Niger's debt exposure has increased significantly since 2009 as a result of government involvement in the financing of projects in the natural resources sectors**. The refinancing loan for the construction of the SORAZ refinery (in amount of CFAF 437.4 billion), if approved by the Chinese authorities in 2014, would replace the existing private non-concessional funding of the refinery (which was 40 percent guaranteed by the State), as a result, the stock of external public debt (including guarantees) will increase from 22.8 percent of GDP at end-2013 to a projected 32.7 percent of GDP at end-2014. Total external debt (including private debt) will increase from 49.5 percent of GDP at end-2013 to 53.7 percent of GDP at end-2014. The rate of external public debt accumulation is expected to remain broadly stable but then decline gradually in the outer years after the new natural resource projects are operational and planned key infrastructure investments are completed (Figure 1).

7. **In the baseline scenario, the external debt ratios remain below their policy-dependent thresholds throughout the projection period (2014–34)**. The present values (PV) of debt-to-GDP, debt-to-exports and debt-to-revenue ratios are expected to remain at levels below the relevant thresholds over the medium term.[3] As in the previous DSA, upon the approval of the refinancing loan for the SORAZ, the existing non-concessional loan with a 40 percent state guarantee will be terminated, causing a one-off spike in the debt service ratio in 2014. After 2014, debt service indicators would remain well below their thresholds for the entire projection period. The stress test under the historical scenario also shows sustainable trends of external debt ratios (Figure 1).

8. **The baseline scenario assumes that the US$1 billion credit line from EximBank of China[4] will be disbursed in the period of 2015-22**. US$50million of the Chinese master facility is assumed to be disbursed in 2015, US$100 million in 2016, US$100 million in 2017, and the rest of US$750 million is assumed to be equally disbursed in the following years. Given that the credit line is fully used by 2022, the PV of public external debt to export ratio will approach the threshold in the medium-term.

9. **Under the most extreme scenario, the debt-to-export and the debt-to-GDP ratios breach the relevant thresholds**. (Figure 1). For both indicators, the most extreme stress test assumes lower level of non-debt capital flows (FDI) in 2015 and 2016, kept at historical average minus one standard deviation, which results in higher debt indicators relative to the baseline. However, even in this scenario, the debt burden indicators are expected to stabilize at sustainable levels over the medium term.

10. **In the alternative and customized scenarios, the external debt ratios mostly remain below the threshold level although a fast accumulation of less concessional external debt could elevate the level of debt distress**. Two alternative scenarios are performed (Table 2a). Under historical scenario (A1 key variables are fixed at their historical averages throughout the projection period), the debt indicators remain at the level far below the relevant thresholds. Another scenario assuming fast accumulation of less concessional external debt (A2), could elevate the risk of external debt distress, which calls for the authorities' action in limiting the accumulation of non-concessional external debt. In light of the uncertainties about prospects for crude oil production and exports, a customized scenario with lower crude oil production and exports was also added, which

[3] See IMF (2013) "Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework:" for details on relevant debt thresholds and benchmarks.

[4] This line of credit, considered as a facility in total of US$1 billion, was signed in September 2013 and several loan agreements could be negotiated under the facility between the government of Niger and China. Under the master facility agreement, individual loans are subject to 2 percent interest rate, 25 years maturity, and 5 years grace period. Any contracts under the facility are tied to the Chinese supplier and are earmarked for infrastructure projects with higher economic rate of return. Any potential projects need the preliminary approval of Eximbank of China about their eligibility.

demonstrates that external debt indicators will remain at sustainable level under the lower oil export scenario.[5]

PUBLIC DSA

11. **The increase in bond financing from the regional market would raise domestic debt stock in the short-term**. Niger's domestic debt is currently at a low level (3.5 percent of GDP at end-2013, see Table 1b) which is projected to rise in 2014 to 5 percent of GDP due to the new issuance of regional bonds in the amount of CFAF 93.3 billion.[6] The baseline scenario assumes that the authorities continue to cover fiscal financing needs through the issuance of government securities on similar terms as the 2014 regional bonds, but with lower amounts issued annually in the medium-term. Consequently, domestic public debt is projected to fall over the medium term. In 2013, the bulk of domestic debt is comprised of non-interest bearing arrears, which are projected to be fully repaid by 2017, so that the average nominal interest rate on domestic debt is low.

12. **Public debt ratios remain below the relevant threshold level, but can approach the policy-dependent threshold level under alternative scenarios with higher primary fiscal deficit and lower GDP growth**. Under the extreme case with no improvement in fiscal situation, the primary fiscal balance remains at the 2014 level of -4.8 percent of GDP, which leads to the accumulation of public debt. Consequently, the PV of debt-to-GDP ratio would approach the policy-dependent threshold level of 56 percent (Figure 2, Table 2b). When the permanently lower GDP growth shock is assumed, the PV of debt to GDP will reach 58 percent. The PV of public debt-to-GDP ratio and the PV of public debt-to-revenue ratios will stabilize to sustainable levels under baseline and other stress tests including the one with 30 percent real depreciation of exchange rate (i.e., the most extreme shock scenario).

PRIVATE EXTERNAL DEBT DYNAMICS

13. **The current DSA includes identified private debt flows, linked to the large natural resource projects.** The main private debt flows are related to the large oil and uranium projects. It incorporates the contracts of a loan by the refinery SORAZ (60 percent privately owned) and a loan of about 1.4 billion euro to finance the new uranium mine Imouraren. Including this debt, the stock of external private debt is 26.7 percent of GDP in 2013 (amortization of this loan is projected to start from 2017).

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[5] The assumptions are that the value of oil exports would increase by 80 percent (about a half of the baseline growth rate of 165 percent) in 2017 and then would increase by 8.3 percent in 2018 and 4 percent in 2019; crude oil production is adjusted accordingly. This has also been done for the public DSA.

[6] The terms of the regional bonds are a 6.25 percent interest rate, 5 years maturity and 1 year grace period. By August 2014, CFAF 93.3 billion was already issued, among which CFAF 19 billion was taken up by domestic banks and CFAF 74.3 billion was taken up by banks in the West African Economic and Monetary Union (UEMOA).The authorities intend to additionally issue new regional bonds (CFAF 121 billion and CFAF 61.3 billion of bonds are expected in 2015 and 2016, followed by continuous issuance of bonds over the medium-term to diversify the financing sources) which is also captured in the baseline scenario.

CONCLUSION

14. **On the basis of the updated DSA, Niger remains subject to a moderate risk of debt distress.** In comparison with the previous DSA, the large oil project is expected to generate net revenue and lead to an improvement in the fiscal and external accounts. In the baseline scenario, the external and public debt indicators remain below their policy-dependent thresholds throughout the projection period. However, the expected refinancing loan to SORAZ refinery, individual loans contracted under the Chinese master facility, and the uptick in borrowing from regional market would increase the public debt stock. Consequently, the PV of debt-to-export and debt-to-GDP ratios could breach the threshold level under the most extreme scenario. The country's level of external debt keep Niger vulnerable to adverse shocks, as demonstrated by the deterioration of the debt indicators in the most extreme scenario.

15. **Niger's continued risk of debt distress calls for the authorities' continued commitment to strengthen debt management.** The Inter-Ministerial Committee, which was created by order of the prime minister in December 2013, must play an active role in preventing the recurrence of non-concessional borrowing and in limiting the accumulation or external and public debt to maintain fiscal and debt sustainability. Any loans contracted under the Chinese master facility agreement should be used for high-yield infrastructure projects that will generate sufficient government revenue to cover debt service related to the projects. Implicit earmarking of specific project fiscal revenues, however, should not justify exception in contracting loans, because it is not guaranteed that such revenues will necessarily contribute to improving spending allocations or reducing debt ratios. The authorities also need to build buffers to cope with exogenous shocks, and strengthen revenue administration and expenditure prioritization to align with short-term and long-term spending needs.

16. **The Nigerian authorities have indicated their agreement with the conclusions reached in this DSA.** They provided inputs on the disbursement profile of the master facility; this information has been incorporated. The authorities have also stated that the result of moderate debt distress level, as well as staff recommendation in strengthening debt management, are consistent with their regular debt sustainability analysis conducted by the Inter-Ministerial Debt Committee.

Box 1: Baseline Scenario Assumptions

The baseline macroeconomic scenario for 2013–34 is based on the following assumptions:

- Real GDP growth will increase to an average of 7.8 percent a year in 2016-19, higher than assumed in the 2013 DSA, reflecting production developments in oil sector. The growth rate remains at an average of 5 percent a year in 2020-34, reflecting higher non-resource GDP growth, as Niger continues public investment and makes progress in improving the business climate. Inflation is projected to remain stable at about 2 percent over the projection period, as own agricultural and oil production will keep inflationary pressures in check. The export price of crude oil is assumed to be 85 percent of the international oil price that follows declining price trend during 2017-19 as assumed in the World Economic Outlook (October 2014), followed by gradual price increase afterwards.

- Total revenue-to-GDP ratio will rise from about 17.2 percent in 2013 to 22.1 percent in 2034, higher than assumed in the 2013 DSA, reflecting rising revenue from natural resources, ongoing improvements in the revenue collection effort, and higher custom revenues from export-oriented growth.

- Primary fiscal expenditure (excluding interest payments) is expected to reach about 31 percent of GDP in 2019, driven by large spending needs for security expenditure and expenditure in priority sectors such as food security, infrastructure, and education. While current expenditure is expected to be gradually contained from about 15 percent of GDP in 2014 to 13 percent of GDP in 2034, capital expenditure is expected to remain at high level due to an increase in infrastructure spending, and as a result, primary fiscal expenditure will be at 29.5 percent of GDP in 2034. The basic balance (the fiscal balance net of grants and externally-financed capital expenditure) will gradually converge to zero (complying with the WAEMU regional convergence criterion). The overall fiscal deficit (cash basis) will also decline from 11.6 percent of GDP in 2013 to 7.6 percent of GDP in 2034.

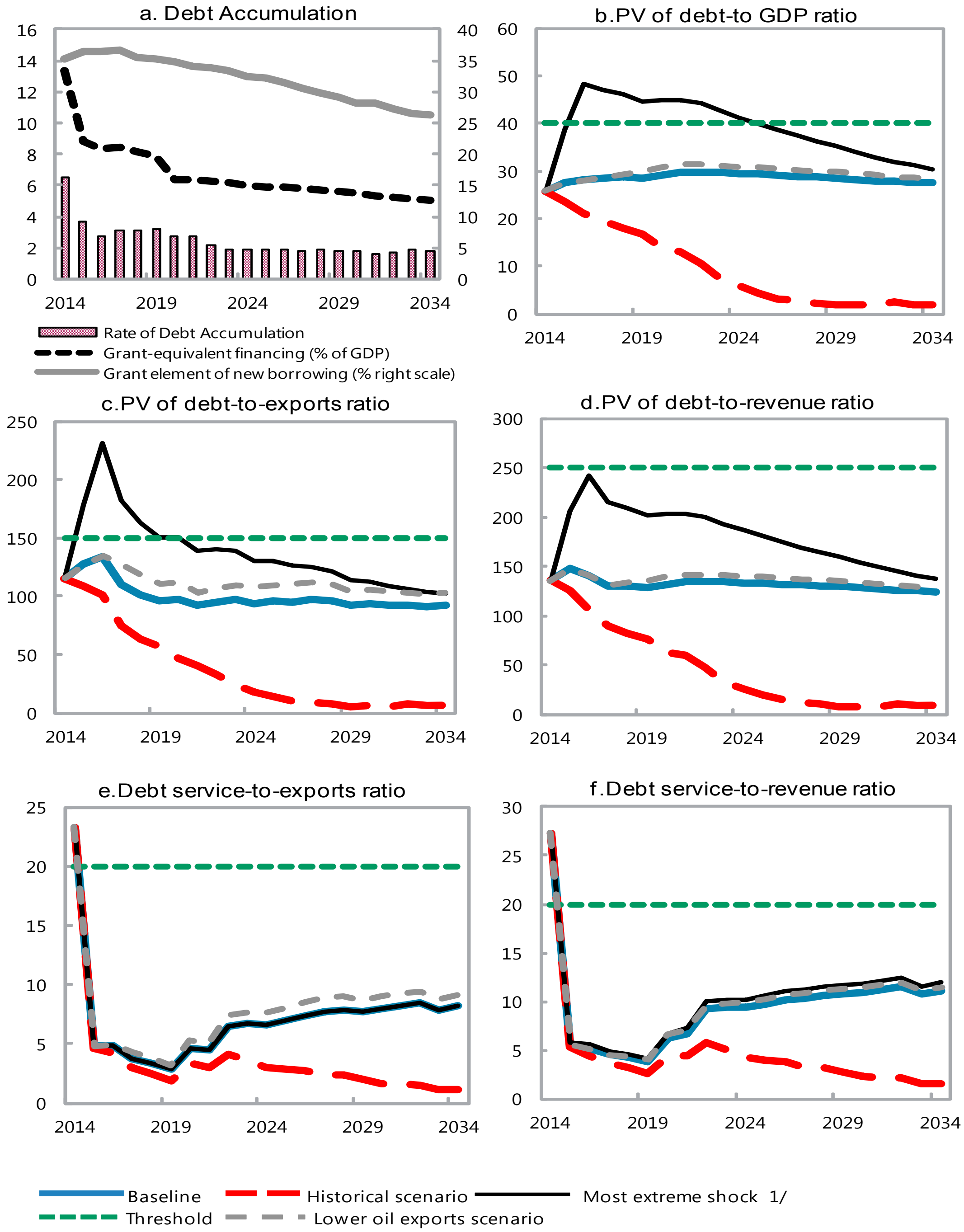
- The non-interest current account deficit is projected to gradually decline to 8.5 percent at the end of the projection period. Export volume would increase, mainly driven by much larger export volume growth of crude oil (after oil production comes on stream in 2017) than was assumed in the 2013 DSA. The export volume of non-resource products is also expected to grow as a result of the expected impact of gradual economic diversification. Imports would slow down initially, in line with the decline of FDI-related imports, before rebounding as imports increase with higher GDP per capita. An improvement in overall fiscal balance and higher private saving contributes to the decline in current account deficit.

- Net FDI is projected to increase from about 9 percent of GDP in 2013 to about 14 percent of GDP in 2016 for the construction of new oil pipeline. As assumed in the 2013 DSA, it is expected to decrease over the medium-term as large investment projects come to completion, and the newly-established natural resource companies reimburse FDI loans received from their parent companies; these payments lead to an FDI outflow.

- The average interest rate on external debt is projected be around 2 percent. Total external financing is expected to decrease during the high growth period of 2017-19 due to the reduction in borrowing needs and the expected increase in per capita GDP. Total external financing needs are expected to decline to 9 percent of GDP in the medium term reflecting higher domestic revenues. The analysis assumes continuous inflow of grants and loans from donors of about 5 percent and 4 percent of GDP on average, respectively. Grants represent about 60 percent of total external financing amount over the period. The discount rate is 5 percent, a higher rate compared to the previous DSA rate of 3 percent.

- The domestic debt profile assumes that the outstanding stock of domestic arrears is paid off by 2017 and that there is no new accumulation of arrears. It includes the issuance of regional bonds in April 2014 in an amount of CFAF 93.3 billion followed by further issuance of new bonds under same terms (i.e., 6.25 percent interest rate, 5 years maturity and 1 year grace period).

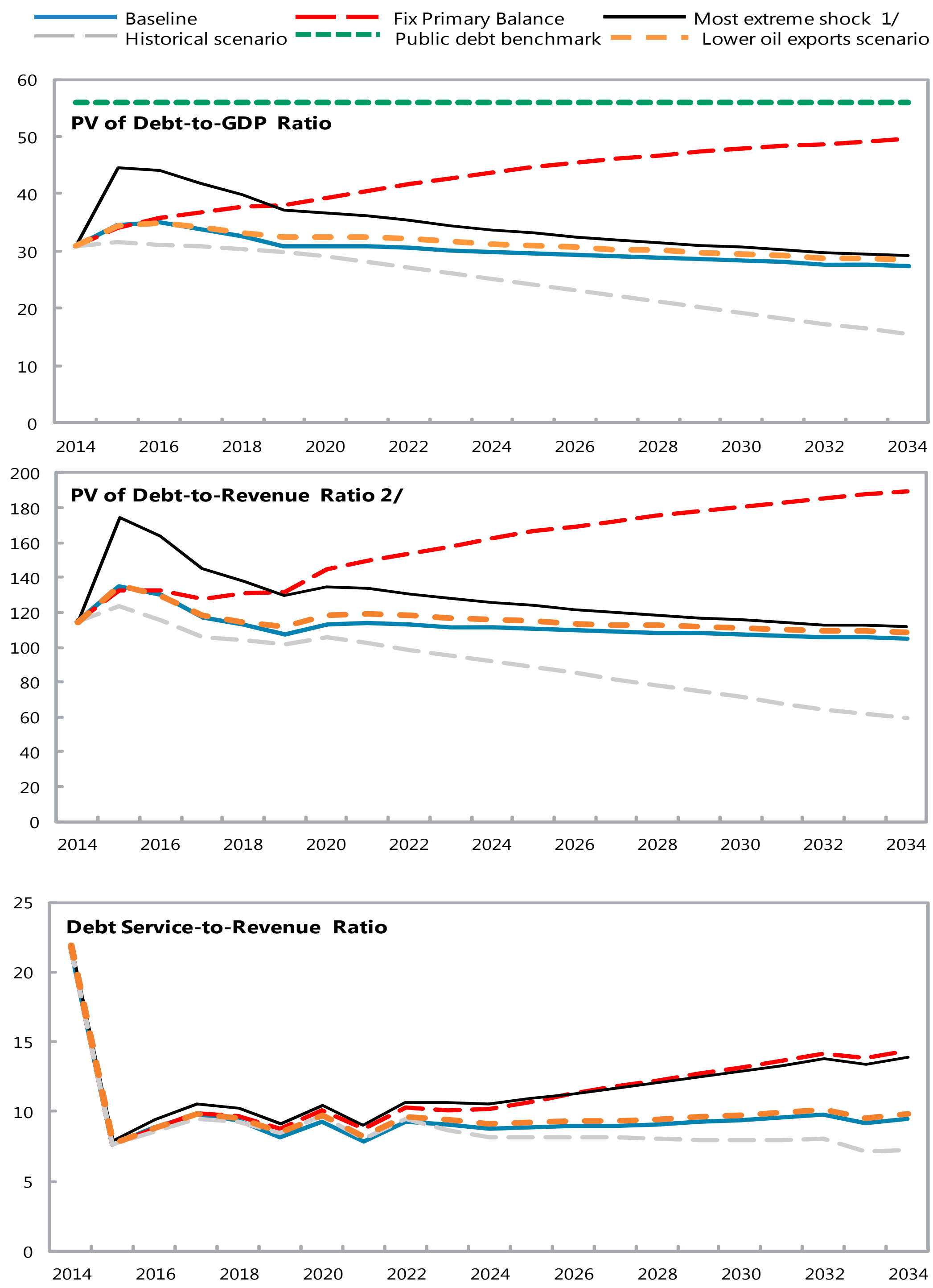
Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios. 2014-34 [1]/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a Non-debt flows shock; in c. to a Non-debt flows shock; in d. to a Non-debt flows shock; in e. to a Growth shock and in figure f. to a Growth shock

Figure 2. Niger: Indicators of Public Debt Under Alternative Scenarios, 2014-34 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2024.
2/ Revenues are defined inclusive of grants.

Table 1a. Niger: External Debt Sustainability Framework, Baseline Scenario, 2011-34 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical 6/	Standard 6/	Projections									
	2011	2012	2013	Average	Deviation	2014	2015	2016	2017	2018	2019	2014-2019 Average	2024	2034	2020-2034 Average
External debt (nominal) 1/	**49.9**	**52.0**	**49.5**			**53.7**	**58.3**	**56.6**	**52.8**	**49.7**	**46.0**		**38.2**	**35.0**	
of which: public and publicly guaranteed (PPG)	22.1	22.5	22.8			32.7	35.3	36.0	36.4	36.7	36.2		37.3	34.8	
Change in external debt	0.0	2.1	-2.5			4.2	4.6	-1.7	-3.7	-3.1	-3.7		-1.6	-0.3	
Identified net debt-creating flows	0.5	0.7	2.4			18.9	8.5	7.0	5.7	5.8	4.7		7.6	7.0	
Non-interest current account deficit	**22.2**	**15.1**	**15.6**	**13.9**	**6.5**	**20.7**	**26.4**	**23.7**	**21.5**	**17.3**	**10.4**		**11.9**	**10.1**	12.0
Deficit in balance of goods and services	26.9	18.2	17.2			21.8	28.7	22.7	20.1	16.4	10.2		13.5	12.9	
Exports	20.9	22.7	23.7			22.4	21.6	20.9	25.9	28.4	29.6		31.6	29.5	
Imports	47.8	40.9	40.9			44.2	50.3	43.6	46.0	44.8	39.8		45.1	42.4	
Net current transfers (negative = inflow)	-5.4	-4.9	-4.0	-4.8	1.3	-3.0	-4.5	-3.8	-3.7	-3.7	-3.4		-2.5	-2.2	-2.5
of which: official	-2.6	-3.5	-2.2			-1.3	-2.7	-2.1	-1.9	-2.0	-1.7		-0.8	-0.4	
Other current account flows (negative = net inflow)	0.7	1.8	2.3			1.9	2.2	4.8	5.1	4.6	3.6		0.9	-0.6	
Net FDI (negative = inflow)	**-16.5**	**-12.6**	**-8.4**	**-8.0**	**6.6**	**0.4**	**-16.4**	**-14.4**	**-12.5**	**-8.6**	**-1.9**		**-3.2**	**-2.2**	-3.6
Endogenous debt dynamics 2/	**-5.2**	**-1.8**	**-4.8**			**-2.2**	**-1.5**	**-2.2**	**-3.4**	**-2.9**	**-3.8**		**-1.2**	**-0.9**	
Contribution from nominal interest rate	0.1	0.2	0.2			0.7	0.8	0.8	0.7	0.7	0.6		0.7	0.7	
Contribution from real GDP growth	-1.0	-5.3	-1.9			-2.9	-2.4	-3.0	-4.1	-3.6	-4.4		-1.9	-1.6	
Contribution from price and exchange rate changes	-4.3	3.3	-3.1			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-0.5**	**1.5**	**-4.9**			**-14.7**	**-4.0**	**-8.7**	**-9.4**	**-8.9**	**-8.4**		**-9.1**	**-7.3**	
of which: exceptional financing	-0.1	-0.1	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	47.5			46.8	50.5	48.7	44.9	41.8	38.3		30.4	27.6	
In percent of exports	...	...	200.6			209.1	233.6	232.7	173.3	147.1	129.4		96.0	93.6	
PV of PPG external debt	**...**	**...**	**20.9**			**25.8**	**27.5**	**28.1**	**28.4**	**28.8**	**28.5**		**29.5**	**27.4**	
In percent of exports	**...**	**...**	**88.1**			**115.3**	**127.2**	**134.4**	**109.7**	**101.4**	**96.2**		**93.2**	**92.7**	
In percent of government revenues	**...**	**...**	**121.4**			**135.1**	**147.1**	**140.8**	**130.0**	**130.3**	**128.8**		**133.4**	**124.0**	
Debt service-to-exports ratio (in percent)	**3.8**	**1.3**	**3.1**			**72.1**	**5.5**	**9.6**	**12.5**	**10.5**	**9.0**		**10.6**	**9.0**	
PPG debt service-to-exports ratio (in percent)	**3.8**	**0.4**	**2.4**			**23.3**	**4.8**	**4.9**	**3.8**	**3.3**	**2.8**		**6.6**	**8.3**	
PPG debt service-to-revenue ratio (in percent)	**5.6**	**0.5**	**3.2**			**27.3**	**5.5**	**5.1**	**4.5**	**4.3**	**3.8**		**9.4**	**11.0**	
Total gross financing need (Billions of U.S. dollars)	0.4	0.2	0.6			3.0	1.0	1.0	1.3	1.3	1.4		2.2	3.8	
Non-interest current account deficit that stabilizes debt ratio	22.2	12.9	18.1			16.5	21.9	25.4	25.2	20.4	14.1		13.5	10.4	
Key macroeconomic assumptions															
Real GDP growth (in percent)	2.3	11.1	4.1	5.1	4.2	6.5	4.6	5.6	8.0	7.6	10.0	7.1	5.0	5.0	5.0
GDP deflator in US dollar terms (change in percent)	9.5	-6.1	6.3	5.7	7.0	3.3	1.2	1.7	2.5	2.5	2.1	2.2	2.0	2.1	2.0
Effective interest rate (percent) 5/	0.3	0.4	0.4	1.4	1.1	1.5	1.6	1.4	1.5	1.6	1.5	1.5	1.8	2.3	2.0
Growth of exports of G&S (US dollar terms, in percent)	4.6	13.3	15.4	16.0	11.4	4.0	2.2	3.8	37.1	20.8	17.3	14.2	10.7	5.0	7.1
Growth of imports of G&S (US dollar terms, in percent)	8.6	-10.8	10.8	17.2	16.7	18.9	20.4	-6.8	16.8	7.2	-0.1	9.4	5.9	5.3	7.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	35.3	36.4	36.6	36.7	35.5	35.2	35.9	32.4	26.2	30.5
Government revenues (excluding grants, in percent of GDP)	14.2	15.9	17.2			19.1	18.7	20.0	21.9	22.1	22.1		22.1	22.1	22.1
Aid flows (in Billions of US dollars) 7/	0.4	0.6	0.9			0.8	0.8	0.8	0.9	0.9	1.0		1.1	1.7	
of which: Grants	0.2	0.4	0.6			0.6	0.6	0.7	0.7	0.8	0.8		0.9	1.4	
of which: Concessional loans	0.2	0.2	0.2			0.1	0.2	0.1	0.2	0.1	0.2		0.2	0.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			13.4	8.8	8.3	8.5	8.2	7.9		6.0	5.0	5.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			57.1	72.4	78.6	77.1	77.0	76.6		70.4	64.2	68.3
Memorandum items:															
Nominal GDP (Billions of US dollars)	6.4	6.7	7.4			8.1	8.6	9.3	10.3	11.3	12.7		17.9	35.6	
Nominal dollar GDP growth	12.0	4.3	10.7			10.0	5.9	7.3	10.8	10.2	12.4	9.4	7.1	7.2	7.1
PV of PPG external debt (in Billions of US dollars)			1.6			2.1	2.4	2.6	2.9	3.2	3.6		5.2	9.6	
(PVt-PVt-1)/GDPt-1 (in percent)						6.5	3.7	2.7	3.1	3.1	3.2	3.7	1.9	1.8	1.9
Gross workers' remittances (Billions of US dollars)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	20.9			25.8	27.5	28.1	28.4	28.8	28.5		29.5	27.4	
PV of PPG external debt (in percent of exports + remittances)	...	...	88.1			115.3	127.2	134.4	109.7	101.4	96.2		93.2	92.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.4			23.3	4.8	4.9	3.8	3.3	2.8		6.6	8.3	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = 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, 2011-34

(In percent of GDP, unless otherwise indicated)

	Actual			Average 5/	Standard Deviation 5/	Estimate	Projections								
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
Public sector debt 1/	28.3	26.9	26.3			37.7	42.3	42.9	41.8	40.5	38.6		37.7	34.8	
of which: foreign-currency denominated	22.1	22.5	22.8			32.7	35.3	36.0	36.4	36.7	36.2		37.3	34.8	
Change in public sector debt	4.3	-1.4	-0.6			11.4	4.6	0.6	-1.1	-1.2	-2.0		-0.4	-0.2	
Identified debt-creating flows	0.0	-2.0	0.0			4.2	4.0	0.9	-1.3	-1.4	-2.2		0.5	1.2	
Primary deficit	1.3	1.0	2.6	1.4	1.8	4.8	5.6	2.9	1.6	1.4	1.6	3.0	2.3	2.8	2.6
Revenue and grants	17.9	22.2	25.5			27.0	25.6	27.0	28.9	28.9	28.7		26.9	26.1	
of which: grants	3.8	6.3	8.3			7.9	6.9	7.0	7.0	6.8	6.6		4.8	4.1	
Primary (noninterest) expenditure	19.2	23.3	28.1			31.8	31.2	29.9	30.4	30.3	30.3		29.2	28.9	
Automatic debt dynamics	-1.2	-3.0	-2.6			-0.7	-1.6	-1.9	-2.9	-2.7	-3.7		-1.8	-1.6	
Contribution from interest rate/growth differential	-0.9	-3.1	-1.4			-1.3	-1.3	-2.0	-3.0	-2.8	-3.4		-1.5	-1.2	
of which: contribution from average real interest rate	-0.4	-0.3	-0.4			0.3	0.4	0.3	0.2	0.1	0.3		0.4	0.4	
of which: contribution from real GDP growth	-0.5	-2.8	-1.1			-1.6	-1.7	-2.2	-3.2	-2.9	-3.7		-1.8	-1.7	
Contribution from real exchange rate depreciation	-0.3	0.1	-1.2			0.6	-0.3	0.0	0.1	0.1	-0.4		...	...	
Other identified debt-creating flows	0.0	0.0	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	0.0	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	4.3	0.6	-0.6			7.3	0.5	-0.3	0.2	0.1	0.2		-0.9	-1.4	
Other Sustainability Indicators															
PV of public sector debt	...	...	24.3			30.9	34.5	35.0	33.8	32.6	30.9		29.9	27.4	
of which: foreign-currency denominated	...	...	20.9			25.8	27.5	28.1	28.4	28.8	28.5		29.5	27.4	
of which: external	...	...	20.9			25.8	27.5	28.1	28.4	28.8	28.5		29.5	27.4	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	2.4	1.3	4.2			10.7	7.6	5.2	4.4	4.1	3.9		4.7	5.2	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	95.3			114.4	135.0	129.7	117.1	112.6	107.5		111.2	105.0	
PV of public sector debt-to-revenue ratio (in percent)	...	...	141.6			161.5	184.6	175.4	154.7	147.5	139.5		135.3	124.2	
of which: external 3/	...	...	121.4			135.1	147.1	140.8	130.0	130.3	128.8		133.4	124.0	
Debt service-to-revenue and grants ratio (in percent) 4/	6.3	1.2	6.4			21.9	7.7	8.8	9.8	9.3	8.2		8.8	9.5	
Debt service-to-revenue ratio (in percent) 4/	7.9	1.7	9.5			30.9	10.5	11.9	12.9	12.2	10.6		10.7	11.2	
Primary deficit that stabilizes the debt-to-GDP ratio	-3.1	2.4	3.2			-6.6	1.1	2.3	2.7	2.6	3.5		2.7	3.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	2.3	11.1	4.1	5.1	4.2	6.5	4.6	5.6	8.0	7.6	10.0	7.1	5.0	5.0	5.0
Average nominal interest rate on forex debt (in percent)	0.8	0.0	0.0	1.6	1.3	2.5	2.2	1.9	1.9	1.9	1.7	2.0	1.8	2.2	1.9
Average real interest rate on domestic debt (in percent)	-2.7	0.5	-0.8	-2.6	2.4	3.8	5.3	3.8	3.6	3.7	3.3	3.9	13.8	51.4	27.9
Real exchange rate depreciation (in percent, + indicates depreciation	-2.0	0.7	-5.6	-2.5	7.5	2.9	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	4.4	1.6	2.9	3.9	2.4	1.3	2.0	1.2	1.7	1.8	2.1	1.7	2.0	2.1	2.0
Growth of real primary spending (deflated by GDP deflator, in percer	-3.8	34.9	25.5	5.7	13.2	20.6	2.6	1.0	10.1	7.0	10.1	8.6	4.7	4.7	4.7
Grant element of new external borrowing (in percent)	...	...	...	...	...	35.3	36.4	36.6	36.7	35.5	35.2	35.9	32.4	26.2	...

Sources: Country authorities; and 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, 2014-34

(In percent)

	Projections							
	2014	2015	2016	2017	2018	2019	**2024**	2034
PV of debt-to GDP ratio								
Baseline	26	28	28	28	29	28	**29**	27
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	26	24	21	19	18	17	**6**	2
A2. New public sector loans on less favorable terms in 2014-2034 2	26	29	30	31	32	32	**37**	41
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	26	29	31	31	31	31	**32**	29
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	26	27	27	28	28	28	**29**	27
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	26	28	30	30	30	30	**31**	29
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	26	39	48	47	46	45	**41**	30
B5. Combination of B1-B4 using one-half standard deviation shocks	26	35	41	40	40	39	**37**	30
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	26	39	40	40	40	40	**41**	38
PV of debt-to-exports ratio								
Baseline	115	127	134	110	101	96	**93**	93
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	115	109	101	75	63	57	**18**	6
A2. New public sector loans on less favorable terms in 2014-2034 2	115	133	144	120	112	109	**117**	139
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	115	128	135	109	100	95	**92**	92
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	115	123	127	103	95	90	**88**	88
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	115	128	135	109	100	95	**92**	92
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	115	179	230	182	163	151	**130**	103
B5. Combination of B1-B4 using one-half standard deviation shocks	115	149	166	132	119	111	**100**	85
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	115	128	135	109	100	95	**92**	92
PV of debt-to-revenue ratio								
Baseline	135	147	141	130	130	129	**133**	124
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	135	126	106	89	82	76	**26**	8
A2. New public sector loans on less favorable terms in 2014-2034 2	135	154	151	142	144	145	**167**	186
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	135	153	153	140	140	138	**143**	133
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	135	146	137	126	126	124	**130**	122
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	135	151	149	137	136	135	**139**	129
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	135	207	241	215	209	202	**186**	137
B5. Combination of B1-B4 using one-half standard deviation shocks	135	187	204	183	180	174	**167**	134
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	135	210	201	184	183	181	**187**	174

Table 2a. Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014-34 (concluded)

(In percent)

	Projections							
	2014	2015	2016	2017	2018	2019	**2024**	2034
Debt service-to-exports ratio								
Baseline	23	5	5	4	3	3	**7**	8
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	23	5	4	3	2	2	**3**	1
A2. New public sector loans on less favorable terms in 2014-2034 2	23	5	4	4	3	3	**7**	10
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	23	5	5	4	3	3	**7**	8
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	23	5	5	4	3	3	**6**	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	23	5	5	4	3	3	**7**	8
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	23	5	6	6	5	4	**10**	10
B5. Combination of B1-B4 using one-half standard deviation shocks	23	4	5	4	4	3	**8**	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	23	5	5	4	3	3	**7**	8
Debt service-to-revenue ratio								
Baseline	27	6	5	4	4	4	**9**	11
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	27	5	4	4	3	3	**4**	2
A2. New public sector loans on less favorable terms in 2014-2034 2	27	6	5	4	4	4	**10**	13
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	27	6	6	5	5	4	**10**	12
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	27	6	5	4	4	4	**9**	11
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	27	6	5	5	4	4	**10**	12
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	27	6	7	7	6	6	**15**	14
B5. Combination of B1-B4 using one-half standard deviation shocks	27	6	6	6	6	5	**13**	13
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	27	8	7	6	6	5	**13**	16
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	31	31	31	31	31	31	**31**	31

Sources: Country authorities; and staff estimates and projections.

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 2014-34
(In percent)

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
PV of Debt-to-GDP Ratio								
Baseline	31	35	35	34	33	31	30	27
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	31	31	31	31	30	30	25	16
A2. Primary balance is unchanged from 2014	31	34	36	37	38	38	44	50
A3. Permanently lower GDP growth 1/	31	35	36	35	35	34	39	58
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	31	36	40	39	39	38	43	48
B2. Primary balance is at historical average minus one standard deviations in 2015-201	31	33	34	32	31	30	29	27
B3. Combination of B1-B2 using one half standard deviation shocks	31	33	34	33	33	31	34	36
B4. One-time 30 percent real depreciation in 2015	31	45	44	42	40	37	34	29
B5. 10 percent of GDP increase in other debt-creating flows in 2015	31	41	42	40	38	36	34	30
PV of Debt-to-Revenue Ratio 2/								
Baseline	114	135	130	117	113	107	111	105
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	114	123	115	106	104	102	92	59
A2. Primary balance is unchanged from 2014	114	133	133	128	131	132	163	189
A3. Permanently lower GDP growth 1/	114	136	133	122	120	117	145	215
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	114	140	144	134	133	131	156	180
B2. Primary balance is at historical average minus one standard deviations in 2015-201	114	128	124	112	108	103	108	103
B3. Combination of B1-B2 using one half standard deviation shocks	114	127	123	114	111	109	124	135
B4. One-time 30 percent real depreciation in 2015	114	174	164	145	138	130	126	112
B5. 10 percent of GDP increase in other debt-creating flows in 2015	114	162	154	139	133	127	128	116
Debt Service-to-Revenue Ratio 2/								
Baseline	22	8	9	10	9	8	9	9
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	22	8	9	10	9	8	8	7
A2. Primary balance is unchanged from 2014	22	8	9	10	10	9	10	14
A3. Permanently lower GDP growth 1/	22	8	9	10	10	9	10	15
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	22	8	9	11	10	9	11	14
B2. Primary balance is at historical average minus one standard deviations in 2015-201	22	8	9	10	9	8	8	9
B3. Combination of B1-B2 using one half standard deviation shocks	22	8	9	10	9	8	9	11
B4. One-time 30 percent real depreciation in 2015	22	9	10	11	11	10	13	15
B5. 10 percent of GDP increase in other debt-creating flows in 2015	22	8	10	11	10	9	10	11

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

NIGER

December 3, 2014

STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION AND FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA—INFORMATIONAL ANNEX

Prepared By

African Department
(In consultation with Other Departments)

CONTENTS

RELATIONS WITH THE FUND

(As of October 31, 2014)

Membership Status Joined: April 24, 1963

Accepted Obligations of Article VIII, Sections 2, 3, and 4: June 1, 1996

General Resources Account	**SDR Million**	**%Quota**
Quota	65.80	100.00
Fund holdings of currency	57.17	86.89
Reserve Tranche Position	8.64	13.13

SDR Department	**SDR Million**	**%Allocation**
Net cumulative allocation	62.94	100.00
Holdings	54.25	86.20

Outstanding Purchases and Loans	**SDR Million**	**%Quota**
ECF Arrangements	67.89	103.18

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Mar 16, 2012	Dec 31, 2015	78.96	45.12
ECF[1]	Jun 02, 2008	Jun 01, 2011	23.03	13.16
ECF[1]	Jan 31, 2005	Mar 31, 2008	26.32	26.32

Projected Payments to Fund[2]
(SDR Million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2014	2015	2016	2017	2018
Principal	2.94	7.47	4.96	4.82	5.78
Charges/Interest	0.00	0.16	0.14	0.13	0.12
Total	2.94	7.63	5.10	4.95	5.90

[1]Formerly PRGF.
[2]When a member has overdue financial obligations outstanding for more than three months the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative

	Enhanced
I. Commitment of HIPC assistance	Framework
Decision point date	December 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	April 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 cannot 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.

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**	**PRGT**	**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.

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).

Implementation of Post-Catastrophe-Debt-Relief (PCDR)

Not Applicable

Safeguards Assessments

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). In accordance with safeguards policy requirements for regional central banks, a quadrennial safeguards assessment of the Central Bank of West African States (BCEAO) was completed in December 2013. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to International Financial Reporting Standards (IFRS) implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure its adequacy.

Exchange Arrangement

Niger is a member of the WAEMU and has no separate legal tender. The union's common currency, the CFA franc, is pegged to the Euro at a rate of CFAF 655.957 = EUR 1, consistent with the official conversions rate of the French franc to the Euro and the previous fixed rate of the CFA franc to the French franc of CFAF 100= F 1. Effective January 1, 2007, the exchange arrangement of the WAEMU countries has been reclassified to the category of conventional pegged arrangement from the category of exchange arrangement with no separate legal tender. The new classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The new classification thus only reflects a definitional change, and is not based on a judgment that there has been a substantive change in the exchange regime or other policies of the currency union or its members. The exchange system common to all member countries of the WAEMU is free of restrictions on payments and transfers for current international transactions subject to Fund jurisdiction.

Article IV Consultations

The last completed Article IV consultation discussions were held in Niamey in October 2011. The staff report (Country Report No. 11/357) was discussed by the Executive Board, and the 2011 Article IV consultation concluded, on December 2, 2011.

Technical Assistance over the period July 2013-October 2014

Department	Purpose	Time of Delivery
FAD	Macro-fiscal function TTF [1/3]	2013-08-08
FAD	Chain of expenditures	2013-08-12
FAD	IFMIS, MTFF, MTEF, medium-term fiscal rule and its legal framework	2013-08-13
FAD/AFRITAC W	Customs administration	2013-10-14
FAD/AFRITAC W	Public financial management (PFM)	2013-10-28
FAD/AFRITAC W	Tax administration	2014-02-24
FAD	Macro-fiscal function TTF [2/3]	2014-03-24
FAD	Tax administration: TA to tax auditors	2014-04-14
FAD	Macro-fiscal function TTF [3/3]	2014-06-18
STA/AFRITAC W	Real sector statistics	2014-06-30
FAD	Fiscal reporting (2/2)	2014-07-01
FAD	PFM: follow-up on macro-fiscal framework	2014-08-18
FAD	Tax and customs administration: STX visit	2014-09-01
FAD	Budget classification	2014-09-01
FAD/AFRITAC W	Tax administration	2014-09-15
MCM/AFRITAC W	Public debt management	2014-09-22
STA/AFRITAC W	Government finance statistics	2014-10-13

Resident Representative

Mr. Zorome assumed his position in Niamey as Resident Representative in April 2012.

JMAP BANK–FUND MATRIX

Title	Products	Timing of mission	Expected delivery
A. Mutual information on relevant work programs			
Bank work program	Budget support series 2015-17: US$50 million annually for three years	September 2014	April 2015
IMF work program in the next 12 months	1. Fourth and Fifth ECF review and Article IV consultation	October 2014	December 2014
	2 Sixth ECF review	March 2015	June 2015
B. Requests for work program inputs			
Fund request to Bank	Assessment of economic impact of selected public investment projects	May 2014	June 2015
Bank request to Fund	Macroeconomic assessment that can be reported in the budget support program document	October 2014	December 2014
C. Agreement on joint products and missions			
Joint products in the next 12 months	Debt Sustainability Analysis	October 2014	December 2014

STATISTICAL ISSUES

A. Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings, but is broadly adequate for surveillance. Niger participates in the WAEMU's harmonization of statistical methodologies through the multilateral surveillance process, seeking regional improvements in national accounts, with the support of the WAEMU Commission and AFRITAC West.
Real sector statistics: The economic accounts are compiled on an annual basis by the National Institute of Statistics (INS), in accordance with the System of National Accounts 1993 (SNA93). Although the national accounts compilation follows best methodological practice, the ROSC assessment found that national accounts data originate mainly from administrative sources and the household and informal sector surveys are not up-to-date. For several years, the INS has been engaged in a process of renovation of its national accounts, following the SNA93 methodology and using the ERETES software, with the assistance of AFRITAC West. This project is behind schedule as the new base year 2006 was finalized in 2009, and national accounts for 2010 have been finalized in 2013 only. Work has just started on the 2011 national accounts. Meanwhile, the INS is continuing to issue an up-to-date series of national accounts with a methodology adjusted to the SNA93. In concert with other WAEMU member countries, the INS has been compiling and publishing a harmonized consumer price index (CPI) for Niamey on a monthly basis since early 1998. The CPI was rebased in 2008, with a new basket of products and revised weights.
Government finance statistics: Monthly government finance statistics are compiled by the Ministry of Finance (MF) with a one- to four-month lag, based on information provided by the budget, customs, tax, and treasury directorates. The MF 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 covers the general budget, special funds, and operations of the treasury special accounts, but not the social security administration. As part of the process of economic integration within the WAEMU, the country has made significant progress in bringing its fiscal data in line with the common framework that has been developed with technical assistance from the IMF (the harmonized table of government financial operations—TOFE). The authorities plan to adopt the Directive n°10/2009/CM/UEMOA on the TOFE, which will imply migrating from Government Finance Statistics Manual 1986 (GFSM 1986) to the GFSM 2001.
Monetary and financial statistics: Monetary statistics are generally based on the Guide to Money and Banking Statistics in IFS (1984 Guide). Preliminary monetary data are compiled by the national agency of the Central Bank of West African States (BCEAO) and released officially by BCEAO headquarters. The authorities report monetary data on a regular basis, with a lag of about three months.
Balance of payments: The balance of payments statistics are compiled in conformity with the Balance of Payments Manual, Sixth Edition (BPM6). The national agency of the BCEAO is responsible for compiling and disseminating the balance of payments statistics, and the BCEAO headquarters for delineating the methodology and calculating the international reserves managed on behalf of the participating countries. Since the statistics in this area are published with a significant lag, the quantitative analysis in this sector should be taken with caution.

Niger: Table of Common Indicators Required for Surveillance					
	Date of latest observation	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of publication[7]
Exchange Rates	Current	Current	D	D	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	09/14	11/14	M	M	M
Reserve/Base Money	09/14	11/14	M	M	M
Broad Money	09/14	11/14	M	M	M
Central Bank Balance Sheet	09/14	11/14	M	M	M
Consolidated Balance Sheet of the Banking System	09/14	11/14	M	M	M
Interest Rates[2]	09/14	11/14	M	M	M
Consumer Price Index	10/14	11/14	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	09/14	11/14	M	M	NA
Stocks of Central Government and Central Government-Guaranteed Debt[5]	06/14	10/14	S	S	NA
External Current Account Balance	12/13	11/14	S	S	A
Exports and Imports of Goods and Services	2013	11/14	A	Q	A
GDP/GNP	2013	11/14	A	A	A
Gross External Debt	2013	10/14	A	I	A
International Investment Position[6]	2010	9/10	A	A	A

[1]Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[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] Includes external gross financial asset and liability position vis-à-vis nonresidents.
[7] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Semiannually (S); Irregular (I); Not Available (NA).

INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fourth and Fifth ECF Reviews, Approves US$16.52 Million Disbursement and Concludes 2014 Article IV Consultation with Niger

On December 17, 2014 the Executive Board of the International Monetary Fund completed the fourth and the fifth reviews of Niger's economic performance under a program supported by an Extended Credit Facility (ECF) arrangement. The decision enables the disbursement of SDR 11.28 million (about US$16.52 million, 17 percent of quota), bringing total disbursements under the ECF arrangement to SDR 56.40 million (about US$82.62 million, 86 percent of quota)

In completing the reviews, the Executive Board approved the authorities' request for waivers for the performance criterion related to net domestic financing at the end of December 2013 and June 2014, and the modification of performance criteria of the end of December 2014.

The ECF arrangement for Niger was approved on March 16, 2012 (see Press Release No. 12/90).

Following the Executive Board's discussion, Mr. Naoyuki Shinohara, Deputy Managing Director and Acting Chair, made the following statement:

"Niger's overall macroeconomic performance has been broadly satisfactory. After the economic slowdown in 2013 due to the regional security situation and adverse climatic conditions, economic growth has rebounded in 2014. Inflation has been contained, in part due to the government's efforts to improve food security and the functioning of food markets. However, program performance has been mixed, as a combination of unexpected security and food expenditures and a shortfall in external financing have strained fiscal management. The structural reform agenda is advancing, although with delays in implementing some key public financial management measures. Significant progress has been made on the limitation of exceptional expenditure and timely release of quarterly budget allocations.

"In the near term, containing the fiscal deficit through measures to improve tax policy and administration, reform customs administration, and reduce exemptions is essential to ensure sustainability. Medium-term prospects appear favorable, but depend critically on the authorities' ability to leverage Niger's natural resource wealth into sustained inclusive growth. Critical in this regard will be further strengthening debt and public financial management, the management of natural resource wealth, and the business climate. The Inter-Ministerial Committee on Debt Management is an important step forward and should play an increasing role in ensuring the public investment efficiency. Establishing a treasury single account would significantly improve cash management and budget execution.

"Further structural reforms to improve the business environment are critical. In this context, swift implementation of the recently approved financial sector development strategy would support economic growth by increasing financial stability and transparency as well as financial deepening. Strengthening the resilience of the economy through steps to enhance food security; removing trade barriers, including for food products; and improvements in the legislative environment could all promote stronger and more inclusive growth and alleviate poverty."

The Executive Board also completed the 2014 Article IV Consultation[1] with Niger.

Niger's overall macroeconomic performance has been satisfactory. Economic growth slowed to 4.1 percent in 2013 largely due to the regional security situation and adverse climatic conditions on agricultural production despite a significant increase in oil production. Inflation was contained at 2.3 percent in 2013 as food prices fell thanks to the government's efforts to improve food security and the functioning of food markets. Growth is estimated to rebound to 6.5 percent in 2014, driven by agriculture and inflation to remain subdued. Reflecting continued expenditure pressures and weak revenues, the basic fiscal deficit has widened but arrears were significantly reduced. The external current account is expected to widen in 2014 because the growth of exports was outpaced by the rise in imports of goods and services related to investment projects in the extractive industries and public works. Limited government resources and project implementation capacity continued to weigh on public investment.

Macroeconomic prospects look favorable. Growth is expected to average 5.6 percent in 2014-16 and 8.5 percent in 2017-19 as two large natural resource projects—crude oil export and uranium production—are expected to begin in 2017/18 and 2019, respectively. On the external side, the decline in oil prices in the second half of 2014 will lower the current account over the medium term, resulting in a lower but still significant accumulation of

[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.

reserves. The main near-term risks relate to further deterioration in the regional security situation, which could severely impact foreign direct investment, trade flows, and fiscal outcomes. The economy also remains vulnerable to climatic shocks, commodity price volatility, and limited predictability of donor support. The timing, financing, and feasibility of government involvement in projects in the extractive industry pose particular risks, due their inherent elevated uncertainty and the authorities' limited implementation capacity.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They noted that despite the unfavorable security situation and adverse climate shocks, which have complicated program implementation, Niger's economy delivered positive growth in 2013 and rebounded in 2014. While the medium-term outlook is favorable, it is vulnerable to domestic and external risks, and poverty remains high. Against this backdrop, Directors welcomed the authorities' commitment to their economic program and stressed the importance of continued efforts to improve the resilience of the economy, strengthen fiscal sustainability, and foster inclusive growth.

Directors underscored the importance of further strengthening the fiscal framework to ensure fiscal sustainability while addressing development needs and security challenges. They called for measures to improve tax policy and administration, reform customs administration, and reduce exemptions. Welcoming the authorities' intention to prioritize spending in key sectors, Directors encouraged prudence in budget planning and continued efforts to improve budget execution. Investment spending should be scaled up prudently, supported by reforms to improve the efficiency of spending and absorptive capacity. Directors welcomed the authorities' commitment to undertake additional capital spending only as revenue materializes.

Directors acknowledged the authorities' efforts to strengthen the debt management framework through better coordination of relevant ministries and regular reporting of debt stocks and flows. They urged the authorities to develop a medium-term debt management strategy to guide prudent borrowing plans and safeguard debt sustainability.

Directors noted that the medium-term economic outlook will depend critically on the authorities' ability to leverage expected natural resource revenues for advancing the inclusive growth agenda. In this context, they emphasized the importance of further strengthening the fiscal and institutional frameworks. Priorities are the enhancement of public financial management, including the establishment of a treasury single account, and improved

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[2] 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. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

governance and transparency of natural resource management in order to provide room for increased social and infrastructure spending.

Directors emphasized the need for further structural reforms to improve the business environment. They welcomed the recent approval of the decree to implement the financial sector development strategy and encouraged the authorities to speed up its implementation. The strategy aims at increasing financial stability and transparency as well as financial deepening and inclusion, and would improve the legal and judicial framework. Directors also noted that enhancing food security through investments in agriculture and fostering regional trade would promote stronger and more inclusive growth and faster poverty reduction.

Statement by Mr. Ngueto Tiraina Yambaye, Executive Director for Niger And Mr. Ousmane Mamadou, Alternate Executive Director for Niger December 17, 2014

On behalf of my Nigerien authorities, I would like to express my deep appreciation to the Executive Board and Management for their continuous support to Niger's policy efforts. I also wish to thank staff for the constructive dialogue with my authorities held in Niamey during the fourth and fifth reviews under the ECF arrangement and the 2014 Article IV Consultations discussions. Despite the challenging regional security situation compounded by the continued effects of the 2013 poor agricultural production, the Nigerien economy delivered a positive growth in 2013, and rebounded in 2014. The Nigerien authorities have also proven their commitment to the objectives of the program and to the underlying reforms, in particular, in the areas of public financial management, revenue mobilization and debt and natural resources management.

Program performance remains broadly satisfactory in spite of the distorting effects of the two unforeseen shocks mentioned above. Based on the corrective measures taken by my authorities in order to contain expenditures and strengthen revenue collection, they request waivers for the missed performance criteria on domestic financing at end-December 2013 and end-June 2014, as well as the completion of the fourth and fifth reviews under the ECF program.

Recent Developments, Outlook, Risks and Program performance

After a strong economic performance in 2012, with real GDP growth rate reaching two digits (11.1%), the economic activities contracted sharply to an estimated GDP growth of 4.1 percent in 2013. This was due to a turnaround in agriculture production due to poor weather conditions led to a sizeable decline in economic activities in 2013. Likewise, unexpected developments in the regional security situation led to a significant increase in expenditure to address, security, humanitarian and refugee issues. However, the economy rebounded in 2014 with real GDP estimated to grow by 6.5 percent on account of better weather conditions for agriculture production, spending on infrastructure projects, as well as expansion of oil production. Inflation was kept under control at 2.3 percent in 2013 and at 1.3 percent at end June 2014, thanks to the government's successful food programs, which helped contain the strong food demand pressures.

Fiscal developments were positive. However, these outcomes reflect to some extent expenditure restraints aimed at accommodating security and food related spending. The fiscal deficit was reduced by more than half in 2013, and was contained far below the program target of 5.6 percent. However, the estimated data for the first semester of 2014 point to continued expenditures pressures and weak revenue, which led to an increased basic fiscal deficit. However to strengthen the record of public financial management, my authorities have reduced domestic arrears by CFAF9.5 billion, mostly in favor of private sector entities. For the coming years, my authorities envisage to make similar budget efforts each year until the complete clearance of the existing stock of arrears.

Developments on the monetary and financial front in 2013 and 2014 reflect broadly the aforementioned rebounding of the economy. There was a contraction of broad money and credit in relation to the poor performance of the agriculture sector in 2013, and an expansion of monetary aggregates reflecting a pick up in the mining and oil sector during the first semester of 2014 along with a mobilization of funds in the regional financial market.

The current account deficit, as expected, increased in 2013 reflecting the growing import activities in the extractive sector as well as the progressive implementation of some of the important infrastructure projects described in the authorities' development program, including that pertaining to the construction of the railway system. However, strong foreign direct investments, and the positive impact of export expansion for oil and uranium caused the overall external balance to show a significant surplus, leading to an increase of Niger's contribution to the net foreign assets of the West African Economic and Monetary Union (WAEMU).

OUTLOOK AND RISKS

My Nigerien authorities agree with the staff's assumptions, which should lead to a rebound of economic growth, and sustained growth going forward. These assumptions are based on the positive outlook for the natural resources sector, the greater emphasis on the strategy to address food insecurity and increased irrigated agricultural production through the 3 N initiative and the authorities' resolve to pursue steadfastly the implementation of their public investment infrastructure projects, which are consistent with the priorities set out in the PRSP and in their *Plan de Development Economique et Social(PDOES)*.

While they take good note of the favorable medium-term outlook, my authorities are fully aware of the significant challenges facing the country, notably with regard to the risks associated with the regional security situation, and that pertaining to weather conditions. As regards the security situation, my Nigerien authorities believe that progress in this matter requires a two-stage response to be conducted at both the international level and the regional level. At the international level, several security and defense cooperation initiatives have already produced successful results in terms of strengthening peace and security at the three most affected Nigerien borders. At the regional level, my authorities are cooperating with others in peace keeping initiatives, and this is also having positive result. With regard to the recurrent vulnerability of Niger to climate shocks, my authorities consider that the best alternative to overcome the issue of food insecurity is to increase investment in agriculture. In this regard, while they agree with the need to address the structural dimension of food insecurity in Niger, as suggested by staff, they share staff's view recommending to leverage natural resource revenues to increase investments in agriculture sector.

Program implementation

As noted above, program implementation is broadly satisfactory. All PCs at end December 2013 and also at end June 2014 were met. The only exception is related to the PC on domestic financing, which was breached because of the negative impact of insecurity on the revenue collection, shortfalls in external financing, and the need for emergency food assistance. Apart from the floor on poverty reduction, all indicative targets for end 2013 were observed. This target was also missed at end June 2014 along with the basic fiscal balance and the total revenue. Despite some delays in the area of public finance management reform measures, the structural reform agenda is advancing, as highlighted in paragraph 13 of the main report by the progress recorded in budget execution, debt management and exceptional spending limitation.

A - Fiscal Policy

The fiscal framework for 2014 has been adjusted to accommodate for higher spending due to the unexpected shocks. To that end, the basic balance has been relaxed by 1.3percent of GDP compared to the previous reviews. For 2015, the authorities' conservative approach, which targets a basic fiscal deficit of 3.7 percent of GDP with the goal of attaining gradually a zero basic balance over the medium-term, is a clear indication of their commitment to fiscal consolidation. In this regard, steps will be taken to raise the total revenue from 16.8 percent in 2014 to 17.6% of GDP in 2015. To that end, my authorities will implement all the envisaged revenue administration measures notably, the reinforcement of tax audits and tax registration at the General Tax Administration, the establishment of a single interconnection server linking up offices, a better control of exemptions and a limitation of loopholes of tax exoneration at the custom administration.

In order to enhance accountability with the view to meet the fiscal objectives, my authorities subscribe to the proposal of setting performance contracts between the ministry of finance and all the Directorates having in charge revenue collection and expenditure execution. Drawing from the lesson of 2014, my authorities agree with staff's suggestion not to include the identified exceptional revenues in the framework until they materialize. On the expenditure side, my authorities are making further efforts to increase capital spending in health, education and infrastructure while decreasing current expenditure. They are also exploring ways, including technical assistance, to improve the efficiency of spending. They remain also favorable to the recommendation aimed at exerting a more realistic external-financed capital expenditure estimate, in line with the trend of an effective disbursement of external aid.

B - Management of Natural Resources

Regarding the management of resources, my authorities are exploring ways to help reconcile the projected natural resource wealth, on one side, and the pressing development needs and the establishment of a fiscal framework, which sets up gradual objectives toward a zero basic balance over the medium-term, on the other side. A number of actions aimed at maximizing the returns from natural resource sector are being implemented. These include the recent decision compelling all mining companies to operate under the new mining code, which raised mining royalties from 5.5 to 12 percent, the initiation of cost reduction measures, including the revision of the pricing of domestic refined petroleum sales, the replacement of foreign workers with Nigerien workers and the refinancing of the loan to build the refinery on concessional terms. The initiatives underway aimed at starting crude oil export, including the establishment of the transportation company and the participation in the capital of this company are other additional steps toward achieving the objective of increasing natural resource returns.

C - Debt Management

In spite of their determination to use the unique opportunity given by the country's natural resource endowment to speed up the economic transformation, my Nigerien authorities remain cognizant of the impact of their investment decisions on debt dynamics. In this regard, they highly appreciate the valuable advice given by the Fund staff on the need to adopt a more cautious approach, suggesting a deeper prior analysis on future public financial burden before embarking on any new debt contract. This advice has helped improve the monitoring of loan agreements, in particular with regard to the loan for the construction of the refinery, SORAZ and that related to the master facility agreed with Eximbank of China. The stable qualification of moderate risk of debt distress for Niger's 2014 DSA, despite the recent developments on debt, reflects the authorities' efforts in debt management and commitment to ensure debt sustainability. The ministerial committee created last year is a concrete illustration of their commitment to strengthen and improve their debt management strategy.

Inclusive Growth Agenda

My authorities' ultimate goal is to remove the numerous obstacles constraining the development of economic activities, while creating favorable conditions to promote inclusive and broad-base growth, consistent with the need to build infrastructures, improve social indicators and meet the MDGs. Niger's social indicators are among the lowest in sub-Saharan Africa, and Niger's middle class is small. Its financial system lags behind peers and its annual fiscal cost of government food support is among the highest in a group of 31 countries. Food security remains a major problem. These different constraints call for decisive policy-actions which are being implemented or designed currently by the authorities. With regard to the financial sector, a development strategy has been prepared since 2012 with its main strategic targets designed to increase stability and transparency in the financial sector, deepen the sector and improve the legal and judicial framework.. The action plan designed to facilitate the implementation of that strategy was recently updated and will be approved by the authorities shortly. As regards agriculture, the authorities are seeking ways to increase agriculture production to an extent that outpace the outcomes recorded with the 3N initiative. To that end, the Plan de Development Economique et Social (PDOES) 2016-2020, which is being finalized, will include this objective as a priority. Finally, in order to foster regional trade, several actions are being implemented, including the reduction of custom check points and supporting documents for exports and imports and the definition of categories of control at check points. Over the medium-term, these actions will support any initiative tending to move forward with the implementation of the proposed regional trade buffer by ECOWAS.

Conclusion

Niger's medium and long term outlook have improved significantly in light with the expected returns from the development of the natural resource sector. Important achievements have been made over the recent years in terms of macroeconomic stability, revenue mobilization, public finance, and debt management. However, considerable challenges still lay ahead, in particular, the need to achieve sustained growth, less dependent on weather conditions and consistent with their poverty reduction strategy and development needs. My authorities are taking steps to address these challenges, in particular, by paying close attention to the implementation of structural reforms in the areas of natural resources management and public finance management.

Based on the strong commitment shown and the corrective actions taken by the authorities, I would request Directors' support for the requested waivers and the proposed decisions.