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Niger: 2004 Article IV Consultation, Sixth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver of Performance Criterion, and Ex Post Assessment of Performance Under IMF-Supported Programs—Staff Reports; Staff Statement; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for Niger

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of a combined discussion of the 2004 Article IV consultation with Niger and sixth review under the three-year arrangement under the Poverty Reduction and Growth Facility, and request for a waiver of a performance criterion, the following documents have been released and are included in this package:

- the staff report for the combined 2004 consultation and 2004 Article IV consultation, sixth review under the three-year arrangement under the Poverty Reduction and Growth Facility, and request for waiver of a performance criterion, prepared by a staff team of the IMF, following discussions that ended on **April 26, 2004**, with the officials of Niger on economic developments and policies. **Based on information available at the time of these discussions, the staff report was completed on June 15, 2004**. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- a staff report on ex post assessment of performance under IMF-fund supported programs, which was completed on **June 15, 2004**
- a staff statement of **June 28, 2004** updating information on recent economic developments.
- a Public Information Notice (PIN) and Press Release, **summarizing the views of the Executive Board as expressed during its June 28, 2004, discussion** of the staff report on issues related to the Article IV consultation and the review and request, respectively.
- a statement by the Executive Director for Niger.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Niger*
Statistical Annex
*May also be included in Staff Report

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

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

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NIGER

Staff Report for the 2004 Article IV Consultation, Sixth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver of a Performance Criterion

Prepared by the African Department

(In consultation with other departments)

Approved by Juan Carlos Di Tata and Anthony Boote

June 15, 2004

- Discussions on the 2004 Article IV consultation, the sixth and final review under the arrangement supported by the Poverty Reduction and Growth Facility (PRGF), and the ex post assessment of Niger's performance under Fund supported programs, were held in Niamey during April 12 -26, 2004. The Nigerien representatives included Mr. Zeine, Minister of Finance and Economy, Mr. Soumana, the National Director of the Central Bank of West African States (BCEAO), other ministers, and senior government officials. The mission also met with President Tanja and Prime Minister Hama Amadou, and representatives of the private sector, the donor community, and non governmental organizations.

- The staff team comprised Messrs. Matungulu (head), Fontaine, Krichene, Nachega, and Yao, and Ms. Perez (Assistant). The mission was assisted by Mr. Dridi, the IMF Resident Representative in Niger.

- On December 14, 2000, the Executive Board approved a three-year PRGF arrangement for Niger in an amount equivalent to SDR 59.2 million (90 percent of quota), and declared Niger eligible for debt relief under the Enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative). The arrangement was extended to end-June 2004 at the time of the fifth review on November 24, 2003. On April 12, 2004, the Executive Board approved Niger's Enhanced HIPC Initiative completion point and request for topping up. Niger's outstanding use of Fund resources at end-April 2004 amounted to SDR 84.6 million (128.5 percent of quota); SDR 21.6 million of interim and completion point assistance was disbursed through end-April 2004 under the enhanced HIPC Initiative. The authorities have expressed strong interest in continued financial and technical support from the Fund after the expiration of the current PRGF arrangement (Appendix I).

- Niger is on the 24-month consultation cycle, and the last Article IV consultation was completed on February 8, 2002.

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I. Introduction

1. **Niger is on the 24-month consultation cycle for program countries, and the last Article IV consultation was completed on February 8, 2002**. On that occasion, Directors welcomed a rebound in economic growth following two years of declining output and encouraged the authorities to pursue structural reforms, particularly the privatization program, and to restructure the financial sector. In concluding the fifth review under the PRGF arrangement on November 24, 2003, Directors welcomed the authorities' continued efforts to keep the economic program on track and carry out their poverty reduction strategy. They stressed the need to implement the procurement code, establish a multisector regulatory agency, move ahead with privatization, and develop a technical assistance program to strengthen the country's institutional capacity.

2. **On April 12, 2004, the Executive Board approved Niger's enhanced HIPC Initiative completion point and request for topping up.** Including topping-up, Niger will receive debt relief amounting to US$663 million in net present value (NPV) terms, of which US$42 million is from the Fund. This will bring the ratio of NPV of debt to exports down from 209 percent to 150 percent at end-2002. On May 12, 2004, Paris Club creditors cancelled all of Niger's debt (US$185 million in NPV terms) (Box 1).

Box 1. Niger: External Debt and Enhanced HIPC Initiative Assistance

Debt estimates

Niger's total outstanding external public debt at end-2002 was estimated at US$1,758 million (about 81 percent of GDP). Approximately 84½ percent of the debt is owed to multilateral creditors, 15 percent to official creditors, and the remainder to commercial creditors.

Paris Club

Following Niger reaching the completion point in the context of the Enhanced HIPC Initiative in April 2004, Paris Club creditors agreed on May 12, 2004 to cancel the country's entire debt, in line with assistance expected under the Enhanced HIPC Initiative, topping up relief, and additional bilateral debt cancellation. Participant creditors included the governments of France, Japan, Spain, the United Kingdom, and the United States.

The key terms of the agreement are as follows:

- Paris Club creditors agreed to cancel US$104 million in NPV terms, which represents their share of the Completion Point debt relief to Niger under the Enhanced HIPC initiative, including topping up, as agreed by the Boards of the Fund and the World Bank.
- All maturities were cancelled, except for a small share of maturities falling due under the 1996 and 2001 Paris Club rescheduling agreements.
- Going beyond their HIPC commitments, participating Paris Club creditors pledged to cancel all of the remaining maturities, or an additional US$48 million in NPV terms, on a bilateral basis.
- As a result, and taking into account the assistance already provided during the interim period (US$33 million in NPV terms), the entire debt of Niger with Paris Club creditors will be cancelled. The bilateral agreements are to be concluded no later than October 31, 2004.

Non-Paris club creditors are expected to provide debt relief to Niger on at least comparable terms to those provided multilaterally by the Paris Club creditors.

3. **The political situation remains calm, as Niger settles into a long electoral period.** Local elections will take place in the third quarter of 2004; parliamentary and presidential elections are scheduled for November 2004. The continuing crisis in Côte d'Ivoire and possible budgetary slippages during the long election period are a risk to strong program implementation in 2004.

4. Relations with the Fund are presented in Table 1 and Appendix II; while those with the World Bank Group are described in Table 1 and Appendix III. Statistical issues are reviewed in Appendix IV.

II. Recent developments and Performance Under the PRGF-Supported Program

A. Economic Developments and Structural Reforms

5. **Niger has continued to make progress toward restoring macroeconomic stability and putting the economy on a stronger growth path.** Real GDP growth rose to 5.3 percent in 2003 (3 percent in 2002), owing to a bumper crop made possible by favorable rainfall, and to buoyant activity in the construction and trade sectors (Table 2). Cereal production increased by an estimated 8.6 percent in 2003, allowing for a large build-up of the strategic reserves stock. Under these conditions, and against the backdrop of the appreciating CFA franc vis-à-vis the U.S. dollar, price pressures remained subdued, with consumer prices declining by 1.6 percent during the year.[1]

6. **Economic activity has remained buoyant in early 2004,** with the agriculture and construction sectors benefiting from continued favorable weather conditions and the implementation of HIPC-funded investment projects in the social sectors and rural areas. Consumer prices declined in the 12 months ended in April 2004, as food prices continued to fall.

7. **Niger made further progress toward fiscal consolidation in 2003.** The basic fiscal deficit[2] was contained at 2 percent of GDP, as programmed, and the overall fiscal deficit (before grants), at 7.5 percent of GDP, was lower than targeted. As revenue was weaker than envisaged, the fiscal outcome was achieved by keeping spending under strict control. Total revenue was lower than programmed, owing to smaller transfers from the West African Economic and Monetary Union (WAEMU), a decline in customs receipts because of the repeated closing of the border with Nigeria, and weaknesses in VAT collection. With the exception of the wage bill (3.6 percent of GDP), all other spending items were kept below the

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[1] Excluding food prices, the consumer price index rose by 0.5 percent.

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

program's projections. Total spending on health and education was equivalent to 5.2 percent of GDP in 2003, compared with 6.1 percent envisaged in the program, reflecting mainly shortfalls in external assistance for projects in these sectors, owing to administrative delays on the part of both the authorities and donors. Taking into account the reduction in domestic arrears, the government's net financing requirement was more than covered with external resources, including from the World Bank and the European Union. As a result, the government was able to reduce slightly its domestic debt (Table 3).

Niger: Fiscal Performance, 2002-03
(in percent of GDP)

	2002	2003	
	Actual	Prog.	Actual
Total revenue	10.6	10.6	9.9
In percent of tax revenue	9.6	10	9.6
Total expenditure	18.4	19.2	17.4
Current expenditure	10.7	10.5	10.1
of which :wages	3.7	3.6	3.6
Capital expenditure	7.7	8.7	7.3
Externally financed	5.9	6.6	5.5
Domestically financed	1.8	2.1	1.8
Basic balance 1/	-1.8	-2.0	-2.0
Basic balance 2/	3.1	1.4	2.8
Memorandum items:			
Spending on education and health	5.8	6.1	5.2
Of which:			
Foreign financed	1.6	2.0	1.4

1/ Before grants (- deficit)
2/ After grants

8. **While no indicative targets were established for end-March 2004 and beyond, government revenue mobilization remained weak in the first quarter of 2004, with revenue collection declining slightly relative to the same period of 2003.** At the same time, expenditures rose by an estimated 0.4 percent of GDP compared to the first quarter of 2003, with current outlays accounting for most of the increase. As no external budgetary support was disbursed, the authorities drew heavily on their deposits at the Central Bank for West African States (BCEAO) to meet the government's financing requirement (Box 2).

9. **The external current account deficit (including official transfers) narrowed slightly to 6.2 percent of GDP in 2003,** as an increase in the trade deficit was offset by lower interest payments and higher official transfers for budgetary assistance (Table 4)**.** The terms of trade deteriorated in 2003, reflecting increases in prices of food imports. Export volume rose by 4.0 percent owing to increased shipments of uranium, cowpeas, and onions, while import volume grew in line with real GDP. The current account deficit was mostly financed by official foreign assistance. Preliminary balance of payments data show a decline in Niger's contribution to the reserves of the regional central bank (BCEAO), as explained in paragraph 11 below relating to monetary developments.[3]

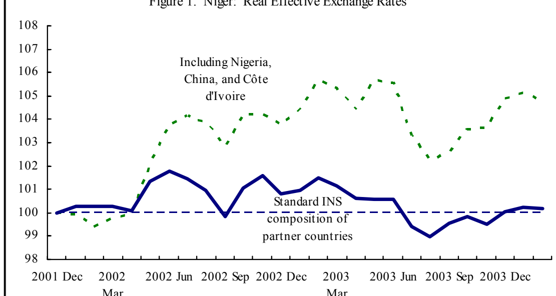
[3] At end-2003, Niger's imputed gross international reserves were equivalent to 2 months of imports.

Box 2. Niger: Budgetary Outturn for the First Quarter of 2004
(in billions of CFA francs)

	Actual Q1, 2004	Actual Q1, 2003	Difference
Revenue	35.2	38.2	-3.0
Total expenditure	63.6	57.1	6.5
Current expenditure	37.1	33.7	3.4
Budget	35.3	31.4	3.9
Primary expenditure	33.2	27.5	5.7
Interest due	2.1	3.9	-1.8
Annexed budgets and special accounts	1.8	2.3	-0.5
Capital expenditure	26.5	23.4	3.1
Overall budget balance (payment order basis)	-28.4	-18.9	-9.5
Variation of domestic payments arrears	-3.2	-4.0	0.8
Variation of external payments arrears	0.0	0.0	0.0
Overall budget balance (cash basis)	-31.6	-22.9	-8.7
Financing	31.6	22.9	8.7
External	18.7	15.7	3.0
Internal	12.9	7.2	5.7
Bank	15.6	9.1	6.5
Nonbank	-2.7	-1.9	-0.8

10. **The real effective exchange rate appreciated by 5 percent from end-2001 to end-2003** (Figure 1),[4] consistent with the strong appreciation of the euro (to which the CFA franc is pegged) against the U.S. dollar. A favorable inflation differential dampened the impact of a strengthening of the nominal effective exchange rate over the past two years.

Figure 1. Niger: Real Effective Exchange Rates



11. **Based on very preliminary information, broad money is reported to**

[4] Niger trades predominantly with the European Union. The INS computation of Niger's effective exchange rate, which does not include Nigeria, Côte d'Ivoire, and China as trading partners, shows no significant change in the real exchange rate over this period. When these three countries are included (with trade shares of 15 percent, 10 percent, and 8 percent, respectively), the real effective exchange rate shows an appreciation of 5 percent since end-2001.

have declined by 13½ percent in 2003, owing to a large contraction of currency in circulation. [5] While net foreign assets (NFA) of the banking system are estimated to have fallen by 15 of beginning-of-period broad money (M2), net domestic assets rose by 2 percent. Credit to the private sector and to the government rose by 5 percent and 3 percent of beginning of period M2, respectively, with most of the credit to the private sector being allocated to the telecommunications and trade sectors (Table 8). Since July 2003, the BCEAO reduced the discount rate by 150 basis points to 5 percent, in light of the decline in inflation and the high level of international reserves in the monetary union. The health of Niger's banking system is broadly satisfactory, with the majority of the local banks effectively complying with most of the Regional Banking Commission's prudential regulations (Box 3).

Box 3. Niger: Compliance with Prudential Norms, End-December 2003

Prudential Rations	Compliance Limits and Ratios	December 2003 1/
Minimum capital requirement	>CFAF 1 billion	8/8
Risk-weighted capital adequacy ratio	>8 percent	7/8
Transformation ratio 2/	>75 percent	7/8
Liquidity coefficient ratio 3/	>75 percent	7/8
Participation in nonbank companies effective capital	<15 percent	7/8
Fixed assets/effective capital	<100 percent	8/8
Credit to management/effective capital	<20 percent	8/8

Source: BCEAO
1/ Number of complying banks out of the total number of banks.
2/ Measured as the ratio of medium- and long-term resources over fixed assets and medium- and long-term loans.
3/ Ratio of liquid assets to short-term liabilities.

[5] Currency in circulation is reported to have contracted by two thirds during 2003. Against the backdrop of unexplained erratic swings in currency in circulation in several other WAEMU countries, this indicates that the BCEAO continues to experience difficulties in measuring that aggregate for individual countries of the monetary union. The authorities have noted that steps are being taken to address this problem. The staff has been following up on this issue in the context of the regional Article IV consultations with the WAEMU.

12. **In 2003, the authorities continued with their efforts to improve public expenditure management.** The operations of the external debt unit were strengthened through training and the installation of new software, and two regional treasury offices were computerized for the implementation of the new charter of public accounts. In November 2003, the authorities successfully finalized the budget for 2004 using the new budget nomenclature and charter of public accounts, following extensive training programs.[6] The authorities also completed an actuarial audit of the National Retirement Pension Fund (NRPF) and a financial audit of the wage bill.[7] However, the implementation of the new public procurement code was postponed owing to delays in the provision of technical assistance.

13. **During 2003 the authorities set up successfully a multisector regulatory agency (MRA), but the privatization of the State's electricity and petroleum enterprises (NIGELEC and SONIDEP) was further delayed.** Unable to attract investors to take over SONIDEP in late 2003, the authorities launched a new tender offer in 2004. The privatization of NIGELEC has proven difficult owing to the need to mobilize US$60-100 million in funding for its rehabilitation and expansion, as well as the company's dependence on the Nigerian Electrical Power Authority (NEPA), which faces its own financial difficulties. Discussions are under way with Nigerian and French companies to set up a consortium that would take a 51 percent stake in NIGELEC (Box 4).

B. Program Implementation in 2003

14. **The implementation of the 2003 PRGF-supported program was broadly satisfactory.** All of the quantitative and structural performance criteria for December 2003 were observed, with the exception of the performance criterion on the reduction of domestic arrears, owing to the shortfall in revenue and delays in receiving external financial assistance (Tables 6 and 7).[8] Staff reached understandings with the authorities on a revised schedule for

[6] At end-2002, the Organic Law was amended by decree to take into account the new budget nomenclature and charter of public accounts, while ratifying the merger of the capital budget with the recurrent budget.

[7] The actuarial audit of the National Pension Fund was conducted in an effort to determine the Fund's financial viability and the effectiveness of its management. The audit revealed several weaknesses in management practices, including incomplete information on the documents used for determining payments of benefits and difficulties in determining eligible pension beneficiaries. The audit of wages and salaries did not uncover evidence of ghost workers but recommended a physical count of the civil servants.

[8] The net reduction in domestic arrears amounted to CFAF 12.2 billion, instead of the programmed CFAF 18 billion.

Box 4. Niger: Structural Conditionality Under the PRGF Arrangement

Coverage of structural conditionality in the current program

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

Relevant structural measures not included in the current program

Reforms related to the strengthening of the financial sector and the privatization of public enterprises are the main responsibility of the World Bank and are not included as structural conditions under the current program.

Status of structural conditionality included in earlier programs

Niger's past track record of structural reform implementation was not very satisfactory as a result of weaknesses in implementation capacity and several interruptions related to the two coups d'état that took place since 1995. The main areas of reform in the last program, supported by the Enhanced Structural Adjustment Facility (ESAF) arrangement (1996-98), included civil service reform to control the wage bill, the privatization of public enterprises, the restructuring of the banking sector, and governance measures to strengthen the transparency of budgetary operations and clear domestic payments arrears. During the current Poverty Reduction and Growth Facility (PRGF) arrangement, structural conditionality focused on strengthening the budgetary execution and reporting processes, as well as improving governance. The track record of reform implementation has improved.

Structural areas covered by HIPC Initiative completion point conditionality

Key conditions for reaching a floating completion point under the enhanced HIPC Initiative included the following measures: (i) ensuring full budgeting of poverty reduction programs financed by HIPC Initiative assistance, and publishing semiannual reports on the execution of these programs; and (ii) submitting budget review laws (loi de règlement) to the National Assembly and the corresponding treasury accounts to the Supreme Court's Chamber of Accounts and Budgetary Discipline for fiscal years 1998-2000. The authorities fulfilled these conditions.

Structural areas covered by World Bank lending and conditionality

A two-tranche Public Expenditure Adjustment Credit (PEAC I) was approved by the World Bank Board in November 2001 to support the fiscal management and structural reform programs in the period 2001-02. The PEAC I was fully disbursed in amounts of US$30 million in December 2001 and US$40 million in August 2002. The PEAC I focused on the following policy areas: (i) public sector reform, particularly public expenditure and budget management reforms, procurement reform, and domestic arrears reduction; (ii) social sector reforms, including key reforms in education and health; (iii) financial sector reform; and (iv) privatization and regulatory reforms. A follow-up operation, the PEAC II, was approved by the World Bank Board on October 23, 2003 in an amount of US$65 million, of which US$40 million was disbursed in December 2003, and the outstanding balance is due to be disbursed before end-June 2004. The financial sector reform program, which targets the restructuring and consolidation of the commercial banking sector, as well as of the insurance, pension, and microfinance sectors, will be supported by a forthcoming World Bank financial sector technical assistance project.

clearing a portion of the unsettled arrears during the 18-month period to end-June 2005. In addition, as indicated above (paragraph 9), the indicative target on total government revenue was missed. Regarding structural reforms, the benchmarks on the actuarial audit of the NRPF and the wage bill audit were observed in November 2003, instead of by end-September 2003; and the benchmark on the preparation of a Medium-Term Expenditure Framework (MTEF) for the education and health sectors was met in May 2004, instead of December 2003. The authorities have requested a waiver for the nonobservance of the performance criterion on the reduction of domestic arrears (Appendix 1).

III. Policy Discussions

15. **Niger's main challenges are to preserve macroeconomic stability and bring the economy to a higher and sustainable growth path, with a view to further reducing poverty.** This will require improving competitiveness, raising savings and investment, and diversifying the economy to reduce its vulnerability to exogenous shocks. Against this background, discussions focused on the implementation of the PRGF-supported program and the medium-term policies to consolidate the gains made in the macroeconomic and structural areas.

16. **In this context, the Article IV consultation discussions revolved around the following themes**: (i) the policies to be pursued during the remainder of 2004 and an assessment of macroeconomic prospects for the medium term; (ii) the structural reform agenda, including policy initiatives to promote private sector savings and investment and improve the competitiveness of the economy; and (iii) the authorities' capacity to deal with potential shocks. In addition, the staff discussed with the authorities the preliminary Ex Post Assessment of Niger's Performance under Fund-supported Programs, and the recent progress made in implementing the country's poverty reduction strategy (PRS). Encouraged by the positive results over the last three years, the authorities expressed a keen interest in a successor PRGF arrangement to help implement their unfinished reform agenda.

A. Discussions on Medium-Term Macroeconomic Prospects and Challenges

17. **The authorities target average real GDP growth of slightly over 4 percent a year during 2004-06,** based on substantial increases in investment and a strengthening of nonmining activities, mostly in the agriculture and services sectors, including tourism. The medium-term macroeconomic framework also aims to contain inflation below the WAEMU target of less than 3 percent; narrow the external current account deficit; and increase the investment-to-GDP ratio to 16½ percent by 2006.

18. **The achievement of Niger's medium-term macroeconomic objectives is predicated on the continuation of prudent financial policies, especially fiscal consolidation, and the acceleration of the structural reform program**. The authorities recognized the need to further strengthen revenue, pursue a prudent public wage policy, and carry on with the reform of the public enterprise and financial sectors. Government revenue is projected to rise to 11.5 percent of GDP by 2006, and expenditure will be contained below 19 percent of GDP. As a result, the basic fiscal balance will be brought to near balance and

the current budget deficit will shift to surplus, rising to 1.5 percent of GDP by the latter year (Table 3).

19. **The staff expects Niger's balance of payments to remain sustainable over the medium term, with continued support from the donor community**. With the coming on stream of gold production in 2005[9] and assuming continuation of strong export performance for agricultural products, overall export growth is projected to average 7 percent a year during 2004-06. The growth of imports would be relatively moderate, sustained by demand for capital and intermediate goods in the public and private sectors. With the terms of trade remaining broadly stable, the external current account deficit would narrow to below 6 percent of GDP in 2006. The overall balance of payments position would strengthen steadily during the period, reflecting in part substantial external assistance and private investment inflows, including in gold mining. As a result, Niger's contribution to the international reserves of the BCEAO will improve over the medium term.

20. **The crisis in Côte d'Ivoire has resulted in increased transport costs for some of Niger's supply lines and export activities. Coupled with the appreciation of the real effective exchange rate over the last two years, these developments have eroded Niger's competitiveness.** The country's investment performance is further frustrated by difficulties in attracting foreign direct investment because of high energy and transportation costs, a low-skill labor force and a narrow resource base, as well as a small domestic market. Moreover, Niger's attempts to break the heavy dependence of its economic performance on weather conditions have been hindered by its low savings rate. Over the past five years, gross domestic savings averaged a mere 4 percent of GDP, with private savings accounting for about half of the total. Private domestic investment is also constrained by a lack of long-term funding, as the financial market is undeveloped and commercial banks have a conservative attitude toward lending.

21. **The authorities agreed that continued strict adherence to ongoing macroeconomic and structural reforms was essential to addressing Niger's weak savings and investment performance (Box 5)**. In view of the country's low income and consumption levels, they stressed the regional dimension of their economic policy within the WAEMU. They noted that with its more than 60 million inhabitants and open intra-zone trade regulations, the Union offered significant prospects for investment opportunities in agriculture and manufacturing. The staff encouraged the authorities to examine the extent to which the investment potential could also be developed in the context of the U.S.-sponsored African Growth and Opportunity Act (AGOA).

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[9] Gold production is expected to last for about five years, with a total extraction of the metal estimated at 23.5 tons over the five-year period.

Box 5. Niger: Efforts at Enhancing Competitiveness

Since the devaluation of the CFA franc in 1994, economic activity and export growth have been led, to a large extent, by agriculture and livestocks, reflecting prevailing rainfall conditions, a rapid growth of the labor force in rural areas, and successful price and trade liberalization.

The increase in agricultural exports (mainly cowpeas and onions) has contributed to export diversification. Nevertheless, Niger's trade remains heavily concentrated in a few commodities, with uranium and cattle accounting for about 60 percent of total exports (excluding reexports) in 2002. Given the secular decline in uranium prices and the moderate growth of cattle production that is expected in the coming years, the authorities are seeking to capture new market shares and increase those traditional exports in which Niger has a comparative advantage (cowpeas, onions, and groundnuts). At the same time, they strive to promote nontraditional exports (including industrial products, meats, and tourism) in order to sustain growth and reduce Niger's vulnerability to exogenous shocks. In particular, the government aims at (i) doubling exports of cowpeas; and (ii) tripling the number of international tourists by 2005-06. With the starting of gold operations in 2005, the share of uranium and cattle exports is expected to fall to less than 27 percent over 2006-07.

The government's goals are ambitious, given the challenges to attract private investment, including poor institutional, human and physical resources; inadequate property rights and a weak judicial system; and the high costs of energy, communications and transportation. In addition, the level of financial deepening remains very low; bank lending is mostly limited to short-term trade finance; and the spread between lending and deposit rates remains wide, owing to insufficient competition, a high level of nonperforming loans, difficulties in recovering overdue loans, and high operating costs. In addition, water management is a major constraint.

To achieve economic diversification and promote growth, the authorities are endeavoring to improve infrastructure and reduce public utility and transportation costs, notably in the context of the privatization program (paragraph 31). They are determined to promote private sector investment by simplifying the regulatory framework, strengthening the judicial system and governance, and deepening financial intermediation. At the same time, the government is seeking to expand the tax base rather than increase marginal rates of taxation, and to streamline tax exemptions and subsidies with a view to curtailing existing distortions and preventing further expansion of the informal sector. The authorities consider that these reforms are crucial to furthering fiscal consolidation and increasing the level of resources available for poverty reduction.

22. **The authorities have rightly identified the rural sector as the main source of growth, given its dominant role in the economy.** In close collaboration with the World Bank, they are developing a strategy for the sector, which seeks to raise the growth of agricultural output from an average of 2 percent a year to 6 percent. To achieve this objective, the authorities intend to reduce the dependency of agricultural output on rainfall by promoting small scale irrigated agriculture and other nonfarm income generating activities. To dampen the effects of droughts, the government has also created an early warning agency set up within the Prime Minister's Office—The Service d'Alerte Precoce (SAP)—which monitors closely climatic and food conditions and deploys contingency plans for managing

food crises. In addition, the authorities indicated that they will continue to pursue mineral and oil explorations; so far, results in these areas have been modest (Box 6).

Box 6. Niger: Contribution of Gold to the Economy

In 2003, the Société des Mines du Liptako (SML) was given the rights to exploit Niger's gold deposits for export under the Samira project. The SML is jointly owned by a parastatal company (ONAREM), with a 20 percent minority share, and Canada's African Geomining Development Corporation (AGDC) with an 80 percent equity participation. Under the project, which is expected to last five years, production would amount to 23.5 tons out of the estimated 93.4 tons of Niger's gold reserves.

The contribution of gold to the economy will be modest, accounting for about 0.6 percent of GDP during 2005-09 and 9.2 percent of total exports in 2005. Gold export receipts would decline to about 6 percent of total exports earnings per annum thereafter. Because of the exemptions granted under the mining code, revenue accruing to the government would total US$19.1 million in the form of royalties and dividends, accounting for less than 1 percent of projected total government revenue during 2005-09

B. Policies for 2004

Macroeconomic policies

23. **Within the macroeconomic framework spelled out above, real GDP is expected to grow by 4.1 percent in 2004, assuming good rainfall and continuing growth in agricultural production.** Non-agricultural real GDP growth would rise to 4.3 percent, driven by manufacturing and construction of additional schools, health centers and other basic infrastructure in the rural areas, in line with the PRSP. Other construction activities will also be undertaken to revamp sports infrastructure for the 2005 Francophonie games, mostly with donor financing. Consumer prices are projected to increase moderately in 2004, with inflation remaining well below the 3 percent WAEMU convergence target.

Fiscal policy

24. **The authorities' fiscal program for 2004 is consistent with the medium-term objectives of the PRSP and seeks to continue the process of fiscal consolidation**. The fiscal target is to narrow the basic deficit (on a commitment basis and before grants) from 2 percent of GDP in 2003 to 1.4 percent in 2004. This is to be realized by increasing total government revenue from 9.9 percent of GDP in 2003 to 10.3 percent in 2004 and limiting expenditure—other than externally financed investment outlays—to below 12 percent of GDP (Box 7 and Table 3). In order to increase revenue, the authorities have introduced the following measures: (i) suspension of tax-free imports of rice for reexport, which had encouraged tax evasion; (ii) introduction of the value added tax on cooking oil, in addition to the existing excise tax; and (iii) imposition of a 12 percent excise tax on tea. Consideration is also been given to increasing the domestic tax on premium gasoline by 5 percent. At the same time, to strengthen tax administration, the government has appointed a new Deputy Finance Minister in charge of informal sector taxation issues.

Box 7. Niger: Revenue Measures Proposed by FAD for FY 2004

An FAD mission that visited Niamey in early October 13, 2003 proposed a series of measures to broaden the tax base, with a total revenue impact estimated at CFAF 5.8 billion (0.35 percent of GDP). These included: (i) the extension of the VAT on all processed food products; (ii) elimination of VAT exemptions on water and electricity consumption; and (iii) imposition of an excise tax on soft drinks and tea. In November 2003, an AFR team urged the authorities to speedily implement the measures in early 2004, and to initiate the collection of the license fee that had been instituted earlier in the year on the reexport of tobacco and cigarettes, with a potential revenue impact of CFAF 0.5-1 billion (0.1 percent of GDP). The team also reviewed prospects with regard to the return of WAEMU transfers to levels prevailing before the crisis in Côte d'Ivoire, which would bring CFAF 3-4 billion in additional revenue (0.2 percent of GDP) in 2004. Finally, the team urged the authorities to begin taxing imports on the basis of actual values, with technical assistance from the pre-shipment inspection agency (COTECNA).

Citing the politically sensitive nature of the main revenue measures noted above, the authorities decided to undertake alternative revenue-enhancing actions, as spelled out in paragraph 24. The authorities indicated readiness to consider other measures, if needed, to ensure the realization of the revenue objective for the year.

25. **On the expenditure side, current outlays are programmed to increase by 0.2 percent of GDP in 2004,** mainly because of (i) a budgetary allocation for the local, parliamentary and presidential elections (0.5 percent of GDP); and (ii) a 3.5 percent increase in the wage bill.[10] Over half of the increase in the wage bill is to be allocated to merit pay raises, against the backdrop of an effective freeze on civil service employment. External interest payments would decline relative to the 2003 level, following Niger's reaching the completion point under the enhanced HIPC Initiative. After stagnating in 2003, capital expenditure is expected to increase by more than 20 percent in 2004, largely financed by foreign resources. The authorities expect to reduce domestic payment arrears by an additional 1.1 percentage point of GDP in 2004, including a portion of unsettled claims from FY 2003 (see paragraph 14).[11]

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[10] Wage payments would be limited to CFAF 59 billion in 2004, or 36.3 percent of tax receipts, broadly in line with the relevant WAEMU convergence criterion.

[11] Under the current PRGF arrangement, domestic arrears were to be reduced from an initial stock of CFAF 132.2 billion (10.3 percent of GDP) in 2000 to CFAF 63.8 billion (4 percent of GDP) at end-2003. It was anticipated that the remaining balance would be cleared over several years beyond 2003. In the event, the actual stock of domestic arrears outstanding at end-2003 amounted to CFAF 69.6 billion, or 0.4 percent of GDP higher than programmed; these arrears are expected be cleared over the five-year period through end-2008 (see Table 5).

26. **The authorities indicated that the 2004 budget allocations for the social sectors were consistent with the PRSP objectives in these areas.** Spending in education and health sectors is expected to rise to 5.6 percent of GDP in 2004, from 5.2 percent in 2003, owing to increased HIPC resources and higher project financing for these sectors (Table 8). This would contribute to increasing the number of classrooms and teachers as part of the special volunteer teachers program, the staffing of rural health centers, and national immunization rates for infants aged 12-14 months.

27. **The financing gap amounting to CFAF 58 billion (3.4 percent of GDP) is expected to be fully covered in 2004.** The authorities have already received financing assurances from the European Union (CFAF 19.1 billion), the World Bank (CFAF 13.2 billion), the African Development Bank (CFAF 3 billion) and other donors (CFAF 16.4 billion), including France and Belgium. A residual financing gap estimated at CFAF 6.4 billion (0.4 percent of GDP) is expected to be mostly covered with additional bilateral assistance in the second half of the year.

Monetary policy

28. **Monetary policy in 2004 continues to be conducted at the regional level, and is aimed at maintaining price stability and strengthening the external position.** Net bank credit to the government is projected to increase moderately, permitting the allocation of adequate financial resources to the private sector. The authorities will begin complying with the general guidelines of the monetary authorities requiring the settlement of outstanding statutory advances to the central bank. They also intend to issue government bonds on the regional financial market. In consultation with the World Bank, the authorities are implementing the reform of the financial sector and intensifying consultations with the BCEAO on the supervision of microfinance institutions. Consistent with the low levels of foreign interest rates, in January 2004 the rediscount rate was eased by a further 50 basis points, to 4 percent.

Regional integration

29. **The authorities noted that despite the improvement in Niger's overall economic performance, the country will not meet all the convergence criteria set in the WAEMU's regional Convergence, Stability, Growth and Solidarity Pact for 2004**.[12]

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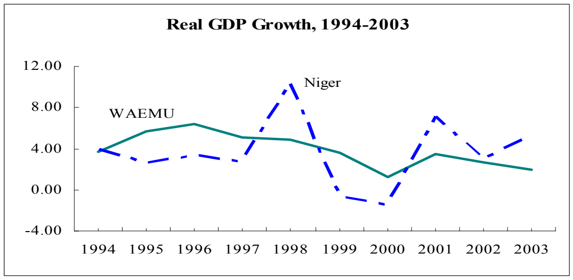
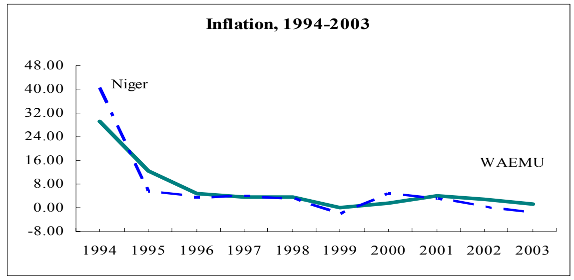
[12] The WAEMU's 1999 Growth and Solidarity Pact is based on the observance by member states of 8 convergence indicators pertaining to the public finances, the real sector, the balance of payments, and the common currency. Indicators viewed as essential are known as convergence criteria.





The authorities reiterated, however, their commitment to the continued implementation of the policies required to meet these objectives. In particular, they recognized the need to continue broadening the tax base to progressively move toward meeting the regional revenue-to-GDP threshold of 17 percent. Realization of the latter remains, nevertheless, a long-term challenge, and the authorities noted that improvements in revenue mobilization are bound to be gradual.[13] They also underscored their intention to adhere to prudent demand management policies and to rely on grant financing in order to reach and maintain the targeted debt-to-GDP ratio (Box 8).

Box 8. Niger and WAEMU Convergence Criteria

	WAEMU		Niger	
	Targets	2001	2002	2003
Primary criteria				
Basic fiscal balance (as percent of GDP)	≥ 0	-3.4	-1.8	-2.0
Domestic and external debt (as percent of GDP)	≤ 70	96.0	85.3	76.1
Annual average inflation rate (in percent)	≤ 3	4	2.7	-1.6
Nonaccumulation of domestic and external payments arrears	√	X	X	√
Secondary criteria				
Wage bill (as percent of revenue)	≤ 35	37.9	38.2	36.2
Domestically financed investment (as percent of tax revenue)	≥ 20	18.9	18.7	22.3
External current account deficit, excluding grants (as percent of GDP)	≤ 5	-6.6	-8.4	-8.8
Tax revenue (as percent of GDP)	≥ 17	9.3	9.6	9.6

Structural reforms

30. **Niger's structural reform program for 2004 focuses on further improving budget management, continuing the privatization process in coordination with the World Bank, and finalizing the restructuring of the financial sector**. The government has

[13] Under the baseline scenario underpinning Niger's completion point DSA, the revenue-to-GDP ratio reaches the 17 percent threshold by 2022.

made major strides over the past several years in budget management reform, with efforts focusing on modernizing the chain of expenditure, both in terms of management procedures and the information system. Improvements in budget management will also be consolidated in 2004 with: (i) an audit of the HIPC-funded poverty reduction program; and (ii) the implementation of the recommendations of a Public Expenditure and Financial Accountability Review (PEMFAR) recently completed with technical assistance from the World Bank.

31. **The authorities reiterated their commitment to pursuing their privatization and financial sector reform programs, with technical assistance from the World Bank and other donors**. However, they expressed concern over the difficult privatization process in some sub-Saharan African countries and called for steps to avoid similar experiences in Niger.[14] With the recent sale of SONITEL (the telecommunications company), the focus is on SONIDEP and NIGELEC, as well as on the privatization of the CDN and the restructuring of the National Post and Savings Institution (ONPE). In early 2004, the World Bank approved a new credit for US$5.5 million in support of the reform of the latter two institutions.

32. **The government has been implementing a comprehensive financial sector reform program since 1999 aimed at rehabilitating and restructuring ailing banking institutions, restoring confidence in the banking system, and deepening financial intermediation**.[15] The authorities have successfully conducted an audit of the national pension fund and are taking steps toward improving the environment for the operation and expansion of the financial sector, including the development of microfinance entities.[16] The financial sector reform project is to be financed by a credit from the World Bank.

33. **The restructuring of the banking system has focused on the rehabilitation and/or liquidation of four banking institutions:** the CDN; the Caisse de Prêts aux Collectivités Territoriales (CPCT); the Banque Commerciale du Niger (BCN); and the Banque Islamique du Niger pour le Commerce et l'Investissement (BINCI). The CPCT ceased operations in

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[14] In some well publicized cases, privatization has been accompanied by substantial price increases, deterioration in the quality of services (including in the form of frequent power outages), and failure on the part of new private sector operators to commit the resources needed to modernize and expand capacity. The authorities stressed the need to avoid such post-privatization difficulties.

[15] The financial system in Niger comprises nine institutions, three of which account for 79 percent of total deposits and 77 percent of outstanding credit.

[16] Efforts have been made to harmonize the judicial system and the business laws according to the guidelines of the African Organization for the Harmonization of Business Laws (OHADA).

1999, and a restructuring plan has been prepared for CDN's privatization. The BCN and the BINCI are no longer under the administrative oversight of the monetary authorities, and have resumed normal operations while continuing implementation of their restructuring plans.

34. **Niger maintains a relatively liberal exchange and trade system.** Niger is an Article VIII country and its exchange system, which is common to all members of WAEMU, has remained free of restrictions on the making of payments or transfers for current international transactions. In addition, Niger does not engage in multiple currency practices. The trade regime is rated as 2 on the ten-point Fund scale of trade restrictiveness. The country shares a common trade regime with other members of the WAEMU. As a result of the gradual introduction of the common external tariff (CET) between 1998 and January 2000, the maximum customs duty rate was set at 20 percent and the number of rates was reduced to four (0, 5, 10, and 20 percent). Imports to Niger are not subject to quantitative restrictions.

35. **Niger is a signatory of the Cotonou Convention,[17] and as such its exports to the European Union generally enjoy nonreciprocal preferential treatment in the form of exemption from import duties.** Likewise, Nigerien goods enjoy nonreciprocal preferential access to the markets of developed countries, other than the European Union member states, under the Generalized System of Preferences. The country is also eligible for the benefits of the United States' AGOA.[18]

C. Ex Post Assessment and Possible Successor PRGF Arrangement

36. **Niger is still at a relatively early stage of its reform agenda.** With the notable exception of the current PRGF Arrangement, performance under Fund-supported programs has lacked in perseverance and continuity, due to repeated bouts of political and social instability, as well as to limited institutional and human capital capacity. Because of the ensuing stop-go pattern of policy implementation, the extent of effective adjustment has been moderate, and real GDP growth has remained highly dependent on weather conditions (Box 9).

37. **The authorities emphasized their commitment to breaking the heavy dependence of Niger's economy on rainfall**. In their view, setting Niger's economy on a long-term

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[17] The convention, signed June 23, 2000 in Cotonou (Benin), regulates relations between the European Union and the African, Caribbean, and Pacific (ACP) countries in the areas of trade cooperation and development aid. The agreement replaces the Lomé Convention, which had been in effect since 1975 and whose fourth extension expired at the end of February 2000.

[18] Niger is also a founding member of the Economic Community of West African States (ECOWAS), whose Treaty was revised in 1993 to include the objective of economic and monetary union.

sustainable growth path would require a modernization of the informal sector and important investments in infrastructure to ensure a better management of water. This, they stressed, was critical to significantly enhancing the performance of the agricultural and rural sectors, in which 80 percent of the population make a living effectively working only four months per year.[19]

38. **An area of continuing concern for the authorities is the technical and institutional weaknesses that hinder program implementation.** While the government has taken steps to improve institutional capacity, much remains to be done, particularly in the areas of tax and customs administration, debt management, and statistical data management. Fund technical assistance has focused largely on the fiscal area, especially on strengthening the tax and treasury administration, as well as the expenditure management process. Assistance in tax and customs administration remains critical to ensuring that Niger's revenue bounces back from the weak performance experienced in 2003. The authorities called for the posting of new tax and customs resident experts in the country (possibly with support from France) to replace those that were reassigned last year, notably to AFRITAC West. The staff indicated that the Fund will continue to assist Niger in developing its institutional capacity.

39. **Looking forward, the authorities underscored that Niger will remain dependent on concessional external financing.** Indeed, prospects for domestic financing of the poverty reduction program remain limited, despite the recent progress in improving the public finances. The authorities concurred that financing needs should be mostly covered with grants, and only if necessary with highly concessional loans.[20] They requested continued Fund assistance in implementing their reform agenda and securing adequate resources in the context of a new PRGF arrangement. The staff stressed that Niger's debt sustainability analysis should guide the authorities' borrowing policy in the medium term, and more importantly, that the level of assistance would continue to depend on the implementation of sound macroeconomic policies and good governance.

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[19] Section VI of the ex post assessment report provides a detailed discussion of Niger's policy options based on the lessons from the EPA.

[20] Even under concessional terms of at least 50 percent, and notwithstanding the assumption of a smooth pattern of long term exports and GDP growth, the NPV of debt-to-export ratio is expected to remain above the 150 percent threshold in the long run, despite HIPC Initiative topping-up assistance. The ratios of the debt service to both exports and government revenue would, however, remain relatively low (below 7 percent).

Box 9. Niger: Overview of the Ex Post Assessment of Niger's Performance Under Fund-Supported Programs

Overall performance under Fund-supported programs

- Performance under Niger's adjustment programs was weak in the early 1990s, became mixed during the latter part of the decade, and clearly improved during the period 2000-03. With the notable exception of the three years to 2003, program implementation in the last decade lacked in perseverance and continuity, owing to political and social instability, as well as limited institutional and human resource capacity.
- Niger's stop-go pattern of policy implementation has limited the extent of effective adjustment and reform. Real GDP growth has remained weak and dependent on weather conditions, and the revenue-to-GDP ratio is the lowest in the WAEMU, making it difficult to considerably reduce the country's dependence on external aid.
- Steady trade liberalization under Fund-supported programs has resulted in increased openness of the economy. Program approach to export promotion progressively shifted away from reforming of specific sectors toward improving the investment climate, along with attaining macroeconomic stability. While uranium remains the single most important export, there has been some progress in export diversification.
- The volatility of foreign aid flows presented significant challenges to successive programs. It resulted in the interruption of projects and programs, and reduced the effectiveness of macroeconomic policies.
- Program projections were sometimes overly optimistic and staff did not always fully take into account in program design Niger's weaknesses in capacity implementation, despite extensive provision of technical assistance over the program period.

The way forward: Niger's medium-term challenges, objectives, and policies

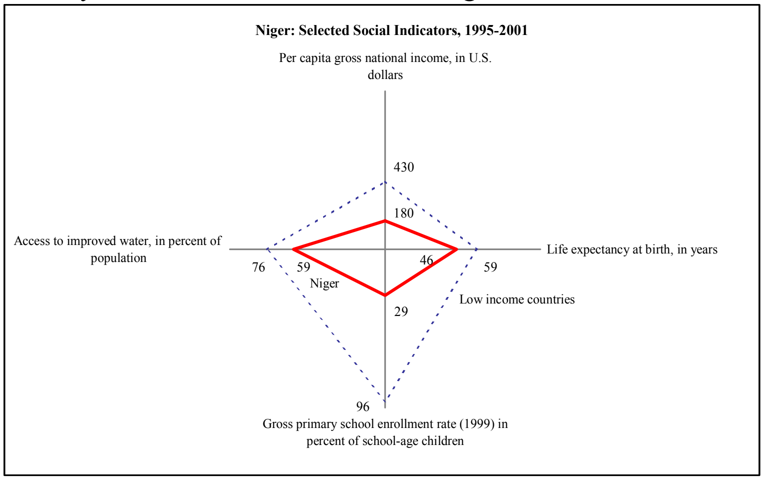
- The overriding task of the authorities is to place the economy on the path to stronger and sustained growth, for effective poverty reduction. This will require continued fiscal consolidation and expenditure reorientation toward increased investment, as well as a further strengthening of Niger's structural reform agenda, both of which are essential to ensuring that the economy becomes progressively less dependent on weather conditions.
- The implementation of the reform agenda will continue to impose a heavy burden on Niger's administrative resources, requiring extensive technical assistance. The Government needs to develop a well targeted program for strengthening capacities in many areas of the public administration.

Role of the Fund and collaboration with other donors

- The authorities have indicated their determination to work with the Fund to ensure that the needed external financing requirements are met, recognizing that the financing needs will have to be covered with grants, and only if necessary with highly concessional loans. Given the reform challenges that lie ahead, especially in the fiscal area, the staff is of the view that Niger is not ready to move to a relationship with the Fund based only on surveillance and technical assistance, and that Fund involvement should continue in the form of a new PRGF arrangement, possibly with a low level of access. The Fund is also expected to play a catalytic role in securing financial and technical support from other development partners, with future conditionality designed to take into account progress in addressing capacity constraints.

D. Poverty Reduction Strategy

40. **Poverty is widespread in Niger.** Based on a 1993 household survey, two thirds of the population lives below the poverty line and one-third is considered extremely poor. The country's social indicators are among the weakest in the world. Niger's first progress report on the implementation of the PRSP was presented to the Fund's Board in November 2003. The report stressed the overall success of the poverty projects financed through HIPC Initiative assistance, as well as some of the shortcomings in program implementation. The best results have been achieved in the health and education sectors. In particular, primary school enrollment rates have increased substantially and medical coverage has expanded in the rural areas (see IMF Country Report No. 04/161). The authorities have recently initiated an audit of HIPC-funded programs to improve their effectiveness.



41. **Looking ahead, the achievement of the Millennium Development Goals (MDGs) by 2015 remains a major challenge** (Table 13). Under the growth scenario outlined above (paragraph 16), poverty is expected to be reduced further by 5 percent by 2015. Hence, Niger would fall short of the MDG goal of halving poverty by 2015 (relative to poverty rate in 1995).[21] Measuring progress toward other social objectives has been complicated by the lack of reliable indicators. Substantive work needs to be done to assess the required financing and technical assistance, as well as structural and institutional reforms and capacity building to attain the MDGs.

42. **The authorities expressed their continued commitment to fighting poverty by using HIPC resources**. In reporting on the key issues raised in the Joint Staff Assessment (EBD/03/94), they indicated that the update of the poverty analysis through a household survey was delayed owing to lack of funds (an estimated US$3 million). The authorities have begun a study on the incidence of public spending in the health sector and completed an analysis of the sources of growth.[22] In addition, they are furthering preparations for a

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[21] These estimates assume an elasticity of poverty reduction with respect to growth of 0.5, as estimated in T. Besley and R. Burges (2003), Halving Global poverty (Journal of Economic Perspectives, Vol.17, and No.3.

[22] The study underscores the predominant role of agriculture, animal breeding, and tourism in determining Niger's growth prospects.

comprehensive population policy. The second annual PRSP progress report is due to be completed by end-June 2004; work is under way for updating the first PRSP by June 2005.

43. **The staff discussed the authorities' priorities for conducting Poverty and Social Impact Analysis (PSIA).** The authorities concurred that the recent privatization of the water company is a key reform warranting a PSIA; however, no funds are presently available for such an analysis.

IV. Staff Appraisal

44. **Niger has been implementing satisfactorily the PRGF-supported program.** Especially noteworthy has been the progress accomplished in restoring macroeconomic stability and putting the economy on a path to stronger growth. Against the backdrop of a weak overall revenue performance, fiscal consolidation has required expenditure restraint, especially in 2003. Nonetheless, significant advances have been made in implementing the government's poverty reduction strategy, which has resulted in increased school enrollment rates and improved medical coverage in the rural areas. In recognition of these efforts, in early April Niger reached the completion point under the enhanced HIPC Initiative.

45. **Looking to the medium term, Niger's main challenge is to sustain and broaden economic growth in a low inflation environment, in order to achieve a substantial reduction in poverty**. Beyond the pursuit of prudent macroeconomic policies, a vigorous implementation of the structural reform agenda, especially in the public enterprise and financial sectors, and the development of a much needed dialogue with the private sector on economic policy making, constitute important elements for the success of the government's growth strategy.

46. **Niger has entered into a long electoral period, with presidential elections expected to be held in the latter part of 2004.** These elections represent a potential risk to effective budget management. Under these circumstances, strict adherence to the key fiscal objectives for 2004 would be critical to preserving macroeconomic stability. In particular, there is a need to ensure that the revenue target is met and that spending is maintained under strict control, especially the wage bill and election-related outlays.

47. **Niger continues to experience delays in implementing its structural reform agenda.** The authorities are encouraged to move ahead decisively with their privatization and financial sector reform programs to strengthen competitiveness and improve the quality of services. In particular, there is a need to complete promptly the privatization of SONIDEP and NIGELEC, as well as the restructuring of the CDN and the ONPE, with technical assistance from the World Bank.

48. **The staff welcomes the broadly satisfactory implementation of the PRSP since the issuance of the first annual progress report in June 2003**. Although progress has been made in addressing some of the issues raised in the JSA, difficulties have also emerged. Specifically, while preparations for developing a population policy have started, work on the household survey has been put on hold, owing to lack of resources. Looking ahead, it is

important that the survey be carried out, and that the HIPC Initiative savings be used effectively to further advance the poverty reduction program. The authorities should be commended for their efforts to complete the second annual progress report and update the PRSP.

49. **The authorities agreed with the thrust of the ex post assessment of past Fund-supported programs.** They stressed that substantial investments in water management infrastructure and irrigation systems are essential to reduce the continued dependence of growth performance on weather conditions. They also concurred with the staff on the importance of limiting external financing to grants and highly concessional loans to prevent a deterioration of debt sustainability.

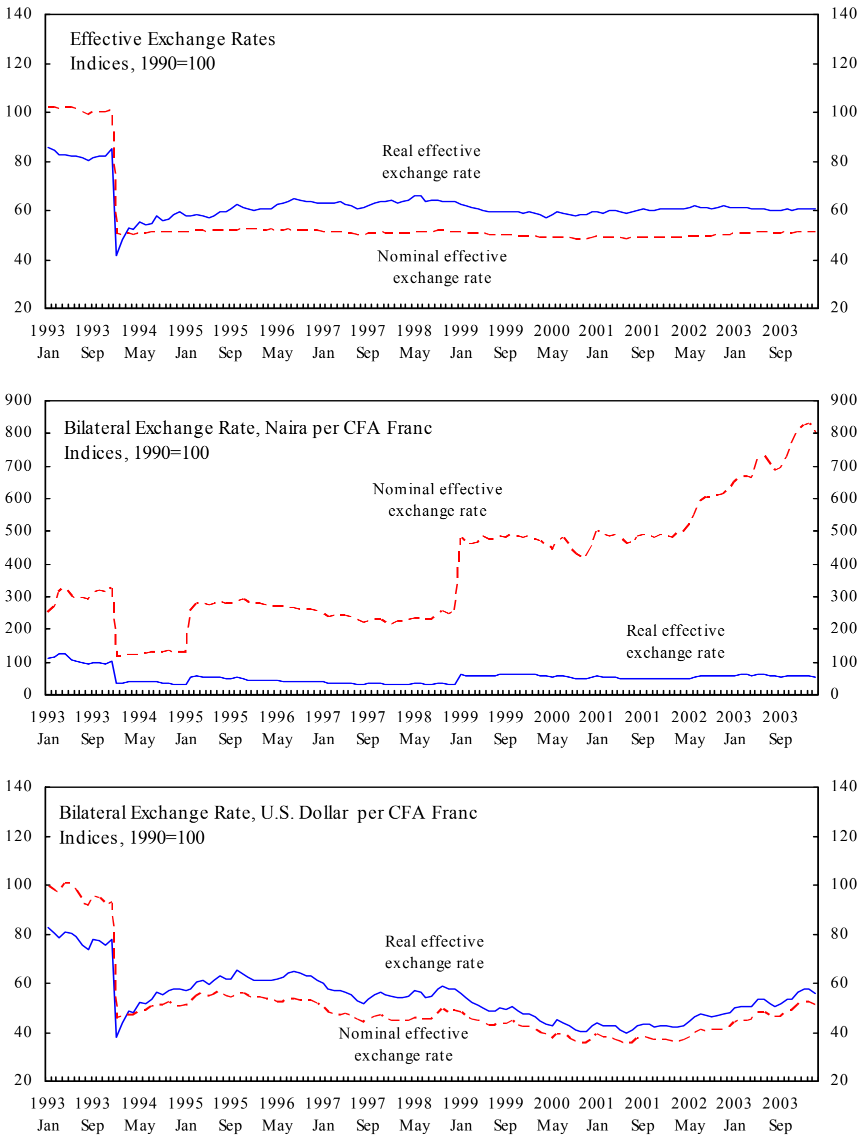
50. **Niger provides adequate data to the Fund, although timeliness, quality, and coverage need to be improved**. In particular, data sources and the methodology employed in deriving the national accounts and balance of payments data are in need of substantial improvement. In addition, there are serious weaknesses in the monetary data owing to large swings in currency in circulation in several WAEMU countries that need to be addressed at the regional level. Staff will continue to assist the authorities in securing the necessary technical assistance to help in the overall improvement of the statistics used for policy formulation and program monitoring.

51. **Finally, the staff encourages the authorities to closely monitor the key potential risks to effective implementation of their reform agenda.** These pertain to Niger's weak revenue performance, its dependence on donor support, and the country's weak institutional capacity. Addressing these risks requires continued strengthening of revenue mobilization, securing the timely disbursement of adequate external assistance, and developing and implementing a well-targeted technical assistance program.

52. **The staff recommends the completion of the sixth and final review under the PRGF arrangement.** Considering the government's stated commitment to pursuing the ongoing reform efforts, and in view of the steps taken to preserve Niger's medium term objectives with regard to the reduction of domestic payments arrears, the staff supports the authorities' request for a waiver for the nonobservance of the missed performance criterion for end-December 2003.

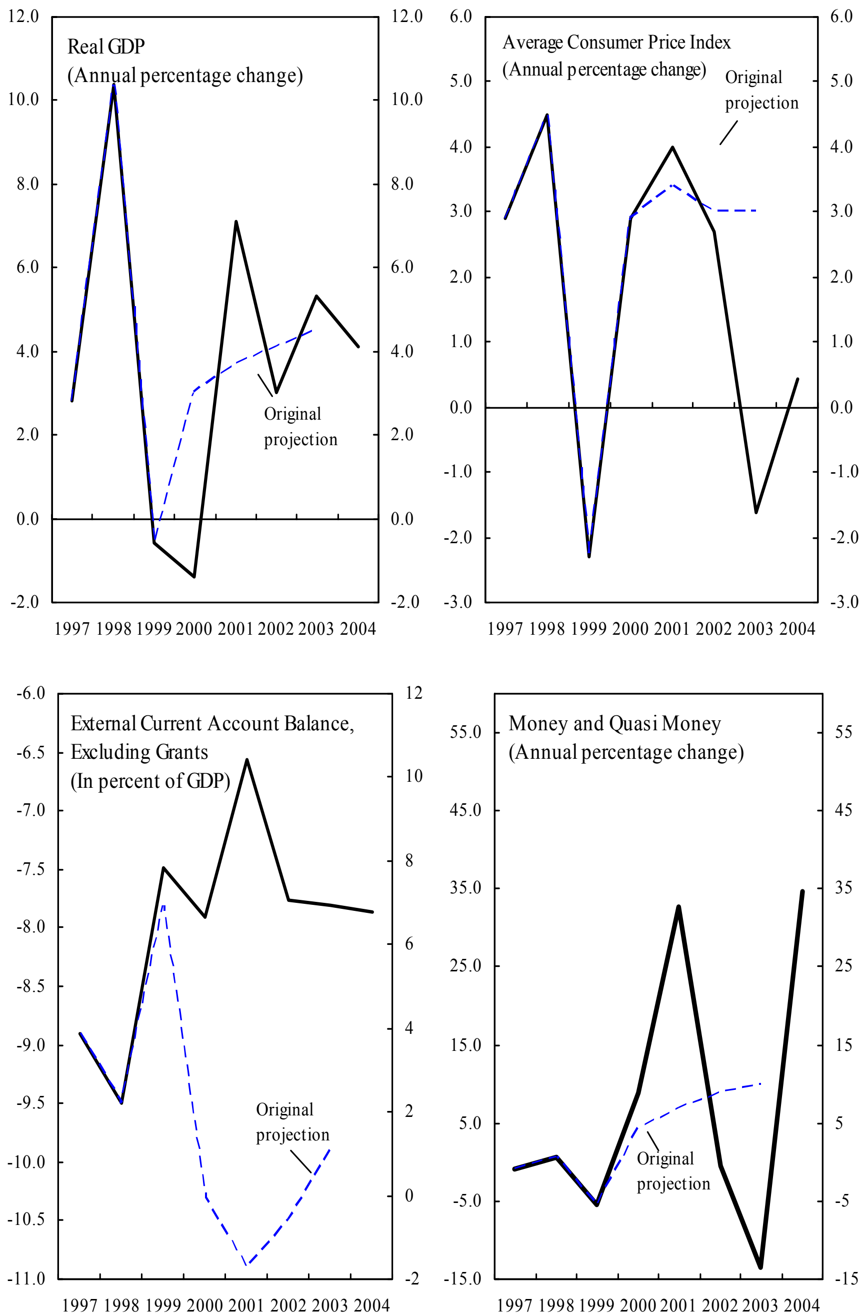
53. It is proposed that the next Article IV consultation with Niger be held in accordance with the provisions of the Executive Board Decision No. 12854-(02/96), 9/12/02.

Figure 1. Niger: Exchange Rate Indices, January 1993-March 2004



Sources: IMF, Information Notice System.

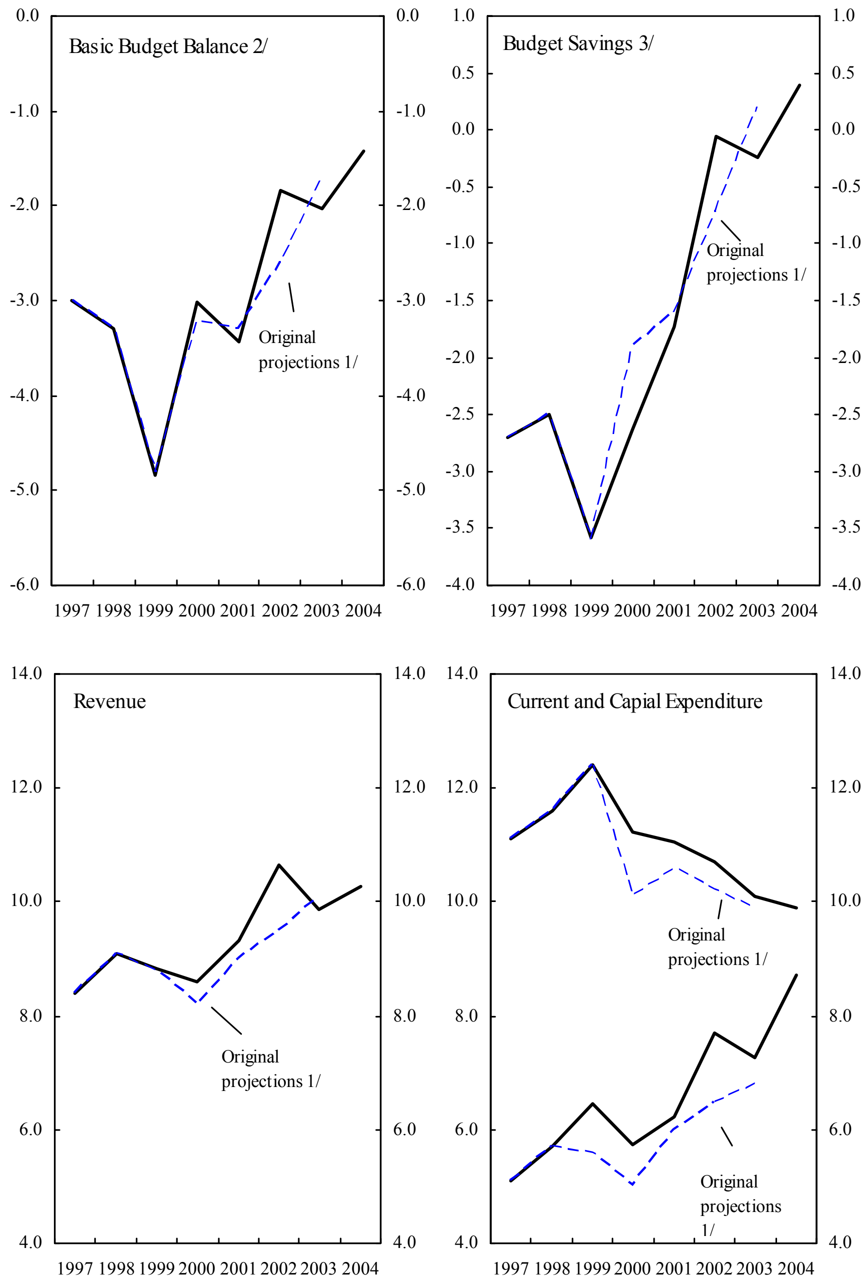
Figure 2. Niger: Selected Economic Indicators, 1997-2004



Sources: Nigerien authorities; and staff estimates and projections.

Dashed line corresponds to original projections under the PRGF arrangement approved in December 2000 (IMF Country Report No. 01/15). Solid line corresponds to actual data until 2002, estimates for 2003 and current projections for 2004.

Figure 3. Niger: Selected Fiscal Indicators, 1997-2004
(In percent of GDP)



Sources: Nigerien authorities; and staff estimates and projections.

1/ Dashed line corresponds to original projections under the PRGF arrangement approved in December 2000 (IMF Country Report No. 01/15). Solid line corresponds to actual data until 2002, estimates for 2003 and current projections for 2004.

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

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

	Outstanding Sep. 30, 2000	2000 Oct.-Dec.	2001 Oct.-Dec.	2002 Oct.-Dec.	2003 Oct.-Dec.	2004	2005	2006	2007	2008
					(In millions of SDRs)					
Total transactions (net)		8.23	6.86	-1.20	2.90	0.12	-10.17	-10.85	-11.39	-11.20
Disbursements		8.46	8.46	0.00	5.08	8.44	0.00	0.00	0.00	0.00
Repurchases/repayments										
Repurchases		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PRGF repayments		0.00	0.97	0.97	1.93	7.73	9.66	10.39	10.99	10.85
Charges and interest		0.23	0.63	0.24	0.25	0.59	0.51	0.46	0.40	0.35
Total Fund credit outstanding 2/	48.30	56.76	64.25	78.28	88.43	89.14	79.48	69.10	58.11	47.26
Outstanding purchases under PRGF	48.30	56.76	64.25	78.28	88.43	89.14	79.48	69.10	58.11	47.26
					(In percentage of quota, unless otherwise indicated)					
Total Fund credit outstanding 2/	73.40	86.26	97.65	118.96	134.40	135.48	120.80	105.01	88.31	71.82
Outstanding purchases Under PRGF	73.40	86.26	97.65	118.96	134.40	135.48	120.80	105.01	88.31	71.82
Memorandum item:										
Quota (in millions of SDRs)	65.80									

Source: IMF, Finance Department.

1/ End of period.

Table 2. Niger: Selected Economic and Financial Indicators, 2001-07

	2001	2002	2003			2004	2005	2006	2007
			Prog.	Rev. Prog.	Est.	Projections			
			IMF Country Report Nos.						
			03/110	04/12					
			(Annual percentage change, unless otherwise indicated)						
National income and prices									
GDP at constant prices	7.1	3.0	4.0	4.0	5.3	4.1	4.1	4.1	4.2
GDP deflator	4.0	3.0	2.5	0.8	-0.4	1.1	2.0	2.0	2.0
Consumer price index									
Annual average	4.0	2.7	0.5	-0.7	-1.6	0.4	2.0	2.0	2.0
End of period	3.2	0.6	2.2	0.4	-1.5	1.8	2.0	2.0	2.0
External sector									
Exports, f.o.b. (units, CFA francs)	-0.7	-2.5	3.5	7.5	4.4	4.8	16.9	3.9	4.9
Imports, f.o.b (units, CFA francs)	3.4	6.4	12.3	8.6	6.6	12.9	5.5	-0.3	2.7
Export volume	-7.0	-4.0	1.7	6.5	4.0	3.9	15.6	2.5	3.4
Import volume	9.1	4.4	14.8	7.7	5.1	12.2	4.5	1.4	2.9
Terms of trade (deterioration -)	10.0	-0.4	-0.7	-0.1	-2.0	-0.5	0.1	0.1	0.0
Nominal effective exchange rate (depreciation -)	0.4	1.4	…	…	2.5	…	…	…	…
Real effective exchange rate (depreciation -)	2.2	2.1	…	…	-0.8	…	…	…	…
Gross official reserves (in months of imports)	2.8	2.8	3.2	2.5	2.0	2.1	2.2	2.4	2.6
Government finances									
Total revenue	20.6	21.1	6.9	4.2	-2.6	9.6	12.8	11.0	10.9
Total expenditure and net lending 1/	14.6	13.2	22.7	9.6	-0.8	12.6	2.4	7.9	3.1
Of which: current expenditure	9.5	2.8	5.6	3.2	-0.8	3.0	2.9	3.9	5.1
Capital expenditure	20.9	31.0	50.7	18.2	-0.9	25.9	1.8	12.6	0.9
Money and credit									
Domestic credit 2/	2.3	10.9	6.0	9.0	8.3	3.5	…	…	…
Credit to the government (net) 2/	4.9	3.7	1.9	4.5	3.0	3.6	…	…	…
Credit to the economy 2/	-2.5	7.1	4.1	4.5	5.3	-0.1	…	…	…
Net domestic assets 2/	-0.5	5.9	6.0	12.2	2.0	21.9	…	…	…
Money and quasi money	32.8	-0.4	8.7	13.7	-13.4	34.7	…	…	…
Interest rate (money market, in percent; end of period)	5.0	5.0	5.0	5.0	5.0	…	…	…	…
			(In percent of GDP, unless otherwise indicated)						
Government finances									
Total revenue	9.3	10.6	10.6	10.6	9.9	10.3	10.9	11.4	11.9
Total expenditure and net lending	17.2	18.4	19.7	19.2	17.4	18.6	17.9	18.2	17.7
Of which: current expenditure	11.0	10.7	10.5	10.5	10.1	9.9	9.6	9.4	9.3
Capital expenditure	6.2	7.7	9.1	8.7	7.3	8.7	8.3	8.8	8.4
Primary budget balance 3/	-6.1	-6.3	-7.9	-7.5	-6.4	-7.7	-6.4	-6.2	-5.2
Basic balance (excluding grants) 4/	-3.4	-1.8	-2.1	-2.0	-2.0	-1.4	-0.2	0.4	1.2
Overall balance (commitment basis, excluding grants)	-7.9	-7.7	-9.1	-8.6	-7.5	-8.3	-7.0	-6.8	-5.7
Overall balance (commitment basis, including grants)	-3.2	-2.8	-5.7	-5.2	-2.7	-4.5	-3.6	-2.7	-1.6
Gross investment	12.1	14.2	16.2	15.8	14.2	16.1	15.9	16.6	16.3
Gross national savings	7.4	7.6	7.7	7.0	8.0	8.2	9.5	10.7	11.2
External current account balance									
Excluding grants for budgetary assistance	-6.6	-7.8	-8.5	-8.8	-7.8	-7.9	-6.4	-5.9	-5.1
Including grants for budgetary assistance	-4.8	-6.5	-8.5	-8.8	-6.2	-7.9	-6.4	-5.9	-5.1
External public debt (end of period)	86.9	76.4	75.0	68.4	62.7	62.7	62.9	62.0	60.2
			(In percent)						
Debt-service ratio (before debt relief) in percent of :									
Exports of goods and services	27.5	30.4	24.4	22.1	23.6	12.4	8.9	9.5	9.8
Government revenue	50.0	43.7	37.2	36.1	39.2	21.0	15.1	15.1	14.7
			(In billions of CFA francs)						
GDP at current market prices	1,426.0	1,512.8	1,613.2	1,586.4	1,587.5	1,670.8	1,774.1	1,884.5	2,003.6
Government payments arrears (reduction -)	-17.0	-33.4	-18.0	-18.0	-12.2	-18.5	-18.4	-15.0	-10.0
Domestic	-17.0	-33.4	-18.0	-18.0	-12.2	-18.5	-18.4	-15.0	-10.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance of payments 5/	-24.3	-43.0	-87.7	-85.5	-39.5	-58.4	-32.4	-18.5	-7.8

Sources: Nigerien authorities; and staff estimates and projections.

1/ Commitment basis as per payment orders issued.

2/ In percent of beginning-of-period money stock.

3/ Total revenue, excluding grants, minus expenditure, excluding interest payments.

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

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

Table 3. Niger: Financial Operations of the Central Government, 2001-07 (continue)

	2002	2003		2004	2004	2005	2006	2007
	Act.	Rev. Prog.	Est.	Budget				
		IMF Country Report No. 04/12						
			(In billions of CFA francs)					
Total revenue	160.9	167.7	156.7	185.2	171.8	193.8	215.2	238.8
Tax revenue	144.6	158.4	152.1	179.0	162.7	184.4	203.9	225.5
Nontax revenue	3.8	2.3	1.2	2.2	11.9	4.4	5.6	7.0
Settlement of reciprocal debts 2/	8.4	3.0	0.0	0.0	0.0	…	…	…
Annexed budgets/special accounts	4.1	4.0	3.4	4.0	2.1	5.1	5.7	6.3
Total expenditure and net lending	278.1	304.7	276.0	322.0	310.6	318.0	343.2	353.9
Total current expenditure	161.8	166.9	160.5	172.5	165.2	170.0	176.7	185.7
Budgetary expenditure	153.7	158.4	151.9	164.6	158.3	162.0	168.6	177.3
Wages and salaries	55.3	57.3	57.1	59.1	59.0	61.9	65.0	68.3
Goods and services	45.5	43.7	39.5	49.6	43.0	45.4	47.0	49.3
Of which : HIPC resources	0.0	0.0	0.0	3.0	0.0	1.9	2.2	2.2
Subsidies and transfers	30.3	40.0	37.9	44.4	46.1	44.5	45.6	48.2
Of which : HIPC resources	1.9	1.7	1.7	3.0	3.5	3.2	3.0	3.0
Interest, scheduled	22.6	17.5	17.4	11.5	10.2	10.2	10.9	11.6
External debt	21.2	16.1	16.1	9.6	9.2	8.0	8.5	8.9
Domestic debt	1.5	1.4	1.3	1.9	1.0	2.2	2.4	2.7
Annexed budget/special accounts	8.1	8.5	8.6	7.9	6.9	8.0	8.1	8.5
Capital expenditure and net lending	116.3	137.7	115.5	149.5	145.4	148.0	166.6	168.1
Capital expenditure	116.5	137.7	115.5	149.5	145.4	148.0	166.6	168.1
Domestically financed	27.1	32.6	28.5	36.5	30.5	27.9	30.9	28.4
Externally financed	89.4	105.1	87.0	113.0	114.9	120.1	135.7	139.7
Of which : HIPC resources	9.8	16.6	12.0	22.9	24.7	35.8	36.0	36.1
Net lending	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis excl. grants)	-117.2	-137.0	-119.3	-136.7	-138.8	-124.2	-128.0	-115.1
Change in payments arrears	-33.4	-18.0	-12.2	-15.0	-18.5	-18.4	-15.0	-10.0
Domestic arrears (net)	-33.4	-18.0	-12.2	-15.0	-18.5	-18.4	-15.0	-10.0
External arrears (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash, excl. grants)	-150.6	-155.0	-131.5	-151.7	-157.3	-142.6	-143.0	-125.1
Financing	150.6	155.0	131.5	151.7	157.3	142.6	143.0	125.1
External financing	139.9	92.1	134.2	94.5	98.0	89.9	103.9	106.1
Grants	74.6	54.3	76.0	63.9	63.5	59.5	77.0	83.9
Budget financing	18.6	0.0	25.1	0.0	0.0	0.0	0.0	0.0
Project financing	45.8	43.5	39.4	50.1	50.1	43.8	60.7	68.1
HIPC Initiative assistance	10.3	10.7	11.5	13.8	13.4	15.7	16.3	15.8
Loans	78.0	45.0	68.4	40.0	40.1	40.5	39.0	35.5
Budget financing	44.2	0.0	32.8	0.0	0.0	0.0	0.0	0.0
Project financing	33.8	45.0	35.6	40.0	40.1	40.5	39.0	35.5
Amortization 3/	-46.2	-37.7	-38.6	-19.8	-17.3	-11.6	-13.6	-15.2
Debt relief obtained	18.8	21.6	20.3	1.6	1.8	1.5	1.5	1.9
Current debt	18.8	17.2	16.6	0.4	0.4	0.0	0.0	0.0
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Initiative assistance 4/	0.0	4.4	3.7	1.2	1.4	1.5	1.5	1.9
Debt under discussion	14.7	8.9	8.1	8.8	9.8	0.0	0.0	0.0

Table 3. Niger: Financial Operations of the Central Government, 2001-07 (concluded)

	2002	2003		2004	2004	2005	2006	2007
	Act.	Rev. Prog.	Est.	Draft Budget	Projections			
		IMF Country Report No. 04/12						
Domestic financing	10.7	3.6	-2.7	0.2	1.2	3.2	2.7	-6.7
Banking sector	5.1	6.2	4.2	0.7	4.3	1.2	0.7	-6.7
Of which : IMF (net)	12.9	8.3	8.2	-1.0	0.6	-7.5	-8.1	-8.5
Nonbanking sector	8.6	-2.6	-4.3	-0.5	-3.1	2.0	2.0	0.0
Privatization receipts (net)	-3.0	0.0	-2.5	0.0	0.0	0.0	0.0	0.0
Financing gap (+) 5/	0.0	59.3	-0.1	57.1	58.1	49.5	36.4	25.8
Financing assurances	0.0	59.3	0.0	50.3	51.7	...	...	...
Loans for budgetary assistance	0.0	33.3	0.0	22.9	23.2	...	...	...
Grants for budgetary assistance	0.0	25.9	0.0	27.4	28.5	...	...	...
Residual financing gap	0.0	0.0	0.0	6.8	6.4	49.5	36.4	25.8
			(In percent of GDP)					
Total revenue	10.6	10.6	9.9	11.1	10.3	10.9	11.4	11.9
Total expenditure and net lending	18.4	19.2	17.4	19.3	18.6	17.9	18.2	17.7
Overall balance, commit. basis, excl. grants	-7.7	-8.6	-7.5	-8.2	-8.3	-7.0	-6.8	-5.7
Overall balance, cash basis, excl. grants	-10.0	-9.8	-8.3	-9.1	-9.4	-8.0	-7.6	-6.2
Basic fiscal balance 6/	-1.8	-2.0	-2.0	-1.4	-1.4	-0.2	0.4	1.2
Current budget balance	-0.1	0.0	-0.2	0.8	0.4	1.3	2.0	2.6
			(In billions of CFA franc unless otherwise indicated)					
Memorandum items:								
Basic fiscal balance 6/	-27.8	-31.9	-32.3	-23.7	-23.9	-4.1	7.7	24.6
Total HIPC Initiative assistance 7/	10.3	18.3	18.4	28.9	28.3	40.9	41.2	41.3
Wage bill in percent of tax revenue	38.3	36.2	37.5	33.0	36.3	33.6	31.9	30.3
Stock of domestic payments arrears	81.8	63.8	69.6	48.8	51.1	32.7	17.7	7.7
GDP at market prices	1,512.8	1,586.4	1,586.7	1,669.8	1,670.8	1,774.1	1,884.5	2,003.6

Sources: Nigerien authorities; and staff estimates and projections.

1/ Based on interim assistance under the HIPC Initiative in 2003.

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

3/ In 2001, includes payment of end-1999 external payments arrears vis-à-vis the African Development Bank (AfDB) and the OPEC Fund, as agreed in the rescheduling agreements. In 2002, includes payment of end-1999 external payments arrears vis-à-vis the OPEC Fund, Libya, the Saudi Fund for Development, and a commercial bank. In 2003, includes payment of external arrears vis-à-vis the European Investment Bank.

4/ Includes in the 2002 program assistance from IDA and the AfDB that are now classified as grants; for 2003-05, includes assistance provided through a rescheduling of current maturities by Paris Club creditors (up to the completion point), China, and a portion of the relief from the Islamic Development Bank (IsDB), and the OPEC Fund.

5/ The revised program for 2003 is on the premise that the World Bank and the AfDB intended to disburse CFAF 33.4 billion of loans for budgetary assistance, and the European Union was expected to disburse CFAF 19.6 billion of grants for budgetary assisance; the remaining gap (CFAF 9.1 billion) was expected to be financed by grants from bilateral donors.

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

7/ In 2003, includes CFAF 3.2 billion of HIPC assistance granted on a stock of debt operation.

Table 3b. Niger: Quarterly Cumulative Financial Operations of the Central Government, 2003
(In billions of CFA francs)

	March 2003		June 2003		Sep. 2003		Dec. 2003		
	Prog.	Est.	Prog.	Est.	Prog.	Est.	Prog.	Rev. Prog.	Est.
IMF Country Report Nos.:	03/110		03/110		03/110		03/110	04/12	
Total revenue	36.9	38.1	80.1	75.8	124.6	115.2	171.1	167.7	156.7
Tax revenue	35.9	37.3	77.5	74.0	118.9	111.8	161.8	158.4	152.1
Nontax revenue	0.2	0.2	0.7	0.4	1.7	0.7	2.3	2.3	1.2
Special accounts revenue	0.8	0.6	1.9	1.4	2.9	2.7	4.0	4.0	3.4
Settlement of reciprocal debts	0.0	0.0	0.0	0.0	1.0	0.0	3.0	3.0	0.0
Total expenditure and net lending	64.3	57.9	139.7	125.9	229.4	201.4	317.4	304.7	275.9
Total current expenditure	38.0	34.8	80.7	78.4	125.5	120.2	170.1	166.9	160.5
Budgetary expenditure	36.6	33.0	76.9	74.4	119.3	114.0	161.6	158.4	151.9
Wages and salaries	14.1	14.0	28.4	28.4	42.8	42.6	57.3	57.3	57.1
Materials and supplies	9.3	6.5	20.6	17.3	32.6	28.9	44.7	43.7	39.5
Subsidies and transfers	8.8	6.5	18.5	15.8	30.2	23.9	41.0	40.0	37.9
Interest, scheduled	4.4	3.9	9.5	9.3	13.8	13.3	18.6	17.5	17.4
External debt	3.9	3.6	8.7	8.1	12.6	12.0	17.2	16.1	16.1
Domestic debt	0.4	0.2	0.7	1.2	1.2	1.3	1.4	1.4	1.3
Adjustments	0.0	2.1	0.0	**3.7**	0.0	5.3	0.0	0.0	0.0
Special accounts expenditure	1.5	1.9	3.8	4.0	6.2	6.1	8.5	8.5	8.6
Capital expenditure and net lending	26.3	23.1	58.9	47.5	103.9	81.2	147.3	137.7	115.4
Capital expenditure	26.3	23.1	58.9	47.5	103.9	81.2	147.3	137.7	115.4
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	-27.4	-19.8	-59.5	-50.1	-104.8	-86.2	-146.3	-137.0	-119.2
Change in payments arrears	-3.0	-3.9	-3.0	-6.9	-12.0	-10.0	-18.0	-18.0	-12.2
Domestic arrears	-3.0	-3.9	-3.0	-6.9	-12.0	-10.0	-18.0	-18.0	-12.2
External arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-30.4	-23.7	-62.5	-57.0	-116.8	-96.2	-164.3	-155.0	-131.5
Financing	30.4	23.7	62.5	57.0	116.8	96.2	164.3	155.0	131.5
External financing	9.1	11.6	32.8	23.1	64.1	45.1	96.8	92.1	134.2
Grants	9.9	8.7	21.8	19.0	37.2	37.3	54.5	54.3	76.0
Loans	9.6	7.8	20.0	15.5	36.9	21.8	51.0	45.0	68.4
Amortization	-17.0	-10.6	-24.4	-25.6	-33.1	-34.3	-39.7	-37.7	-38.6
Debt relief	3.9	3.3	10.8	10.2	15.7	13.9	21.6	21.6	20.3
Debt under discussion	2.7	2.4	4.6	4.0	7.4	6.4	9.3	8.9	8.1
Treasury bills held in WAEMU 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	10.2	8.8	18.6	30.7	8.7	35.3	2.2	3.6	-2.7
Banking sector	11.0	10.6	19.4	34.5	11.8	41.1	2.8	6.2	4.2
Nonbanking sector	-0.8	-1.8	0.2	-3.8	-0.6	-5.8	-0.6	-2.6	-4.3
Financing gap (+)	11.1	3.3	11.1	3.3	44.0	15.8	65.3	59.3	0.0
Financing assurances	11.1	3.3	11.1	3.3	44.0	8.9	65.3	59.3	0.0
World Bank	0.0	0.0	0.0	0.0	18.7	0.0	18.7	22.9	0.0
African Development Bank	3.4	3.3	3.4	3.3	3.4	3.3	11.8	10.5	0.0
European Union	7.7	0.0	7.7	0.0	17.9	0.0	25.8	16.9	0.0
Others	0.0	0.0	0.0	0.0	4.0	5.6	9.0	9.1	0.0
Residual gap	0.0	0.0	0.0	0.0	0.0	6.9	0.0	0.0	0.0
Memorandum items:									
Basic budget balance									
Incl. revenue of reciprocal debts settlement	-7.4	-1.7	-15.7	-14.3	-27.2	-26.4	-34.4	-31.9	-32.2
Excl. revenue of reciprocal debts settlement	-7.4	-1.7	-15.7	-14.3	-28.2	-26.4	-37.4	-34.9	-32.2
Total budgetary aid, including IMF	11.1	3.3	21.2	12.8	58.4	18.4	79.7	72.9	71.4

Sources: Nigerien authorities; and staff estimates and projections.

1/ West African Economic and Monetary Union.

Table 4. Niger Balance of Payments, 2001 - 07 (continue)
(In billions of CFA francs, unless otherwise indicated)

	2001	2002	2003 Rev. Prog. IMF Country Report No. 04/12	2003 Est.	2004	2005	2006	2007
					Projections			
Current account balance								
Incl. grants for budgetary assistance	-67.9	-99.0	-138.9	-98.7	-131.3	-112.9	-111.2	-102.6
Excl. grants for budgetary assistance	-93.6	-117.5	-138.9	-123.8	-131.3	-112.9	-111.2	-102.6
Balance on goods	-43.3	-63.8	-93.5	-72.3	-98.1	-79.4	-68.7	-65.0
Exports, f.o.b	199.7	194.8	220.3	203.3	213.0	248.9	258.6	271.3
Uranium	63.0	62.5	62.1	65.5	61.8	61.5	61.1	60.8
Cattle	40.3	38.9	44.6	35.5	39.8	44.5	49.4	54.5
Cowpeas	6.9	7.6	10.1	10.8	11.3	12.6	14.0	15.4
Onions	10.8	13.8	17.6	15.6	19.7	22.0	24.4	26.9
Gold	0.0	0.0	0.0	0.0	0.0	23.0	18.9	16.7
Other exports	78.7	72.2	85.9	75.9	80.5	85.4	90.9	96.9
Of which : reexports	36.7	24.0	42.1	36.3	38.5	40.9	43.5	46.3
Imports, f.o.b	243.1	258.7	313.8	275.7	311.1	328.4	327.4	336.3
Food products	76.9	83.0	75.1	78.9	78.3	83.5	84.4	84.6
Petroleum products	25.8	28.4	31.9	31.7	38.1	49.7	50.3	50.8
Intermediate goods	16.1	14.4	27.1	18.5	24.0	28.5	24.7	31.1
Capital goods	45.2	64.9	79.7	72.6	85.9	88.8	88.4	88.6
Other products 1/	79.1	68.0	100.0	73.9	84.9	77.9	79.5	81.2
Services and income (net)	-77.3	-87.7	-82.9	-85.2	-74.2	-78.5	-90.0	-86.5
Services (net)	-66.3	-70.9	-75.9	-77.3	-78.0	-83.6	-85.1	-88.1
Income (net)	-11.0	-16.8	-7.0	-7.9	3.7	5.1	-4.9	1.6
Of which: interest on external public debt	-24.1	-21.2	-16.1	-16.1	-9.2	-8.0	-8.5	-8.9
Unrequited current transfers (net)	52.7	52.5	37.4	58.8	41.0	45.1	47.5	48.9
Private (net)	10.5	8.6	11.2	7.0	12.6	13.4	14.3	15.2
Public (net)	42.2	43.9	26.2	51.8	28.4	31.6	33.2	33.7
Of which: grants for budgetary assistance 2/	25.7	18.6	0.0	25.1	0.0	0.0	0.0	0.0
HIPC assistance initiative	8.1	10.3	10.7	11.5	13.4	15.7	16.3	15.8
Capital and financial account	43.6	56.0	53.5	59.2	72.9	80.5	92.7	94.7
Capital account	34.2	53.8	45.1	42.6	51.6	45.3	62.2	69.7
Private capital transfers	1.5	8.0	1.5	3.2	1.5	1.5	1.6	1.6
Project grants	32.7	45.8	43.5	39.4	50.1	43.8	60.7	68.1
Debt cancellation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/disposal of nonproduced, nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	9.4	2.2	8.4	16.6	21.3	35.2	30.5	25.0
Direct investment	19.4	2.9	7.7	1.5	7.6	8.6	9.0	9.8
Portfolio investment	2.7	1.0	1.0	1.0	1.1	1.2	1.3	1.3
Other investment	-3.5	19.9	-0.3	21.5	12.6	25.4	20.3	13.8
Public sector (net)	12.4	31.8	7.3	29.8	22.8	28.9	25.4	20.3
Disbursements	53.7	78.0	45.0	68.4	40.1	40.5	39.0	35.5
Loans for budgetary assistance 3/	30.4	44.2	0.0	32.8	0.0	0.0	0.0	0.0
Project loans	23.3	33.8	45.0	35.6	40.1	40.5	39.0	35.5
Amortization 4/	41.3	46.2	37.7	38.6	17.3	11.6	13.6	15.2
Other (net)	-16.0	-11.9	-7.6	-8.3	-10.3	-3.5	-5.1	-6.5
Commercial banks' net foreign assets	-17.1	-0.8	-2.1	6.2	-4.9	-5.4	-5.7	-5.9
HIPC assistance 5/	0.0	0.0	4.4	3.7	1.4	1.5	1.5	1.9
Errors and omissions	-9.2	-21.6	0.0	-7.4	0.0	0.0	0.0	0.0

Table 4. Niger Balance of Payments, 2001 - 07 (concluded)
(In billions of CFA francs, unless otherwise indicated)

	2001	2002	2003		2004	2005	2006	2007
			Rev. Prog. IMF Country Report No. 04/12	Est.	Projections			
Overall balance	-24.3	-43.0	-85.5	-39.5	-58.4	-32.4	-18.5	-7.9
Financing	24.3	43.0	85.5	39.5	58.4	32.4	18.5	7.9
Net foreign assets (Central Bank of West African States)	-17.3	9.5	0.0	14.8	-10.2	-17.1	-17.9	-17.9
Of which : Net use of Fund resources	6.9	12.4	8.2	8.2	0.6	-7.5	-8.1	-8.5
Purchases	7.9	15.2	13.6	13.7	7.0	0.0	0.0	0.0
Repurchases	-0.9	-2.6	-5.5	-5.5	-6.4	-7.5	-8.1	-8.5
Rescheduling obtained 6/	41.6	33.5	26.1	24.7	10.3	0.0	0.0	0.0
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	59.3	0.0	58.3	49.5	36.4	25.8
Financing assurances	0.0	0.0	59.3	0.0	51.9	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	6.4	49.5	36.4	25.8
Memorandum items:								
Balance on goods and services	-109.6	-134.7	-169.3	-149.6	-176.1	-163.1	-153.8	-153.1
Total HIPC Initiative assistance	8.1	10.3	18.3	18.4	28.3	40.9	41.2	41.3
of which assistance delivered on stock-of-debt operation 7/	...	...	3.2	3.2	13.5	23.7	23.4	23.6
External current account balance								
Including grants for budg. Assistance (in percent of GDP)	-4.8	-6.5	-8.8	-6.2	-7.9	-6.4	-5.9	-5.1
Excluding grants for budget. Assistance (in percent of GDP)	-6.6	-7.8	-8.8	-7.8	-7.9	-6.4	-5.9	-5.1
GDP	1426	1513	1586	1587	1671	1774	1884	2004
Exchange rate (CFA francs per U.S. dollar, annual average)	732	695	577	581	…	…	…	…

Sources: Nigerien authorities; and staff estimates and projections.

1/ Includes purchases of goods in ports and airports by carriers, in line with the 5th manual.
2/ In 2002, a grant of CFAF 8.9 billion was provided by the European Commission (EC) for the settlement of external payments arrears to the European Investment Bank and the EC.
3/ In 2002, two loans of CFAF 9.4 billion and CFAF 13.7 billion were disbursed by the OPEC Fund for (i) the settlement of Niger's external payments arrears at end 1999 vis-à-vis the OPEC Fund; and (ii) the OPEC Fund's contribution to the HIPC Initiative.
4/ In 2001, includes settlement of end-1999 external payments arrears vis-à-vis the African Development Bank (AfDB) and the OPEC Fund, as agreed in the rescheduling agreements .In 2002, includes payment of end-1999 external payments arrears, whose setltlements were agreed with the OPEC Fund, Libya, the Saudi Fund for Development and a commercial bank.
5/ Includes in the 2002 program assistance from IDA and the AfDB that are now classified as grants; for 2003-05, includes assistance provided through a rescheduling of current maturities by Paris Club creditors, the Islamic Development Bank (IsDB), the Opec Fund, the Kuwait Fund for Arab Economic Development.
6/ Includes debt under discussion for CFAF 16.6 billion in 2001, CFAF 14.7 billion in 2002, and CFAF 8.1 billion in 2003.
7/ Includes assistance from the IsDB, the Opec Fund, the West African Economic and Monetary Union (WAEMU), the Arab Bank for Development in Africa (BADEA) and the Kuwait Fund for Arab Economic Development (KFAED).

Table 5. Niger: Monetary Survey, 2001-04

	2001	2002	2003		2004
	Dec.	Dec.	Dec.		Dec.
			Rev. Prog. IMF Country Report No. 04/12	Est.	
	(In billions of CFA francs)				
Net foreign assets	33.1	24.4	26.5	3.4	18.5
Central Bank of West African States (BCEAO)	19.7	10.2	10.2	-4.6	5.6
Commercial banks	13.4	14.2	16.2	8.0	12.9
Net domestic assets	103.9	112.0	128.7	114.7	140.6
Domestic credit	114.0	128.9	141.2	140.3	144.4
Net bank claims on government	48.0	53.1	59.2	57.2	61.5
BCEAO 1/	47.6	54.5	55.9	56.8	58.3
Of which : statutory advances	32.2	33.1	33.1	33.1	25.1
IMF resources	53.0	66.2	74.5	74.4	75.0
Commercial banks	-1.3	-3.1	1.3	-2.0	1.0
Other	1.6	1.7	2.0	2.4	2.2
Credit to the economy	66.0	75.8	82.0	83.0	82.9
Other items, net	-10.1	-16.9	-12.5	-25.5	-3.8
Of which : revaluation account	0.0	-8.0	0.0	0.0	0.0
Money and quasi money	137.0	136.4	155.1	118.2	159.2
Currency outside banks	49.8	39.3	47.5	9.1	45.4
Private deposits with ONPE (postal savings institution)	1.6	1.7	1.7	2.4	2.2
Deposits with banks	85.5	95.4	105.9	106.6	111.6
Private sector	82.2	92.6	103.1	104.0	108.2
Public institutions	3.4	2.8	2.8	2.6	3.3
Financial institutions	0.0	0.0	0.0	0.0	0.0
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)				
Net foreign assets	33.3	-6.3	1.5	-15.4	12.8
BCEAO	16.7	-6.9	0.0	-10.9	8.6
Commercial banks	16.6	0.6	1.5	-4.5	4.1
Net domestic assets	-0.5	5.9	12.2	2.0	21.9
Domestic credit	2.3	10.9	9.0	8.3	3.5
Net bank claims on the government	4.9	3.7	4.5	3.0	3.6
BCEAO	5.7	5.0	1.1	1.7	1.3
Of which : statutory advances	6.2	0.7	0.0	0.0	-6.8
Commercial banks	-0.9	-1.3	3.2	0.8	2.5
Other	0.1	0.1	0.2	0.5	-0.2
Credit to the economy	-2.5	7.1	4.5	5.3	-0.1
Other items, net	-2.8	-4.9	3.2	-6.3	18.4
Money and quasi money	32.8	-0.4	13.7	-13.4	34.7
Memorandum items:					
Velocity of circulation of money (GDP/broad money)	10.4	11.1	10.2	13.4	10.5
Credit to the economy (Change from beginning of year, in percent)	-3.8	14.8	8.1	9.5	-0.2

Sources: BCEAO; and staff estimates and projections.

1/ In 2002, bank financing includes the impact of the OPEC Fund financing for the settlement of external payment arrears and delivery of HIPC Initiative assistance.

Table 6. Niger: Quantitative Performance Criteria and Indicative Targets for the Period December 31, 2002-December 31, 2003

(In billions of CFA francs)

	Stock at End Dec. 2002	End-March 2003			End-June 2003			End-Sep. 2003 Indicative targets			End-Dec. 2003 Performance criteria 1/			
		Adjusted	Est.	Status 2/	Adjusted	Est.	Status 2/	Rev Program IMF Country Report No. 04/12	Est.	Status	Program IMF Country Report No. 03/110	Rev. Program	Est.	Status
A. Quantitative performance criteria and indicative targets (cumulative from December 31, 2002)														
Variation of net bank credit to the government 1/ 3/	53.1	12.6	10.6	√	26.9	34.5	X	6.1	4.3	√	2.8 N/A	N/A		N/A
Domestic financing of the budget 1/ 3/		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	3.6	-2.7	√
Basic budget deficit (commitment basis, excl.grants) 4/ 5/		7.4	1.7	√	15.7	14.3	√	24.0	26.4	√	37.4	34.9	32.3	√
Reduction in government domestic payments arrears 6/		3.0	3.9	√	3.0	6.9	√	7.9	10.0	√	18.0	18.0	12.2	X
Memorandum item:														
Exceptional external budgetary assistance 7/			-5.9			-18.0		-18.5	-12.2		34.8	31.7	38.0	
B. Continuous quantitative performance criteria														
Accumulation of external payments arrears		0.0	0.0	√		0.0	√	0.0		√	0.0	0.0	0.0	√
External debt contracted or guaranteed by the government with maturities of 0-1 year 8/		0.0	0.0	√		0.0	√	0.0		√	0.0	0.0	0.0	√
Nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year 9/		0.0	0.0	√		0.0	√	0.0		√	0.0	0.0	0.0	√
C. Inidicative targets (cumulative from December 31, 2002)														
Total revenue 6/ 10/		36.9	38.1	√		75.8	X	118.7	115.2	X	168.1	167.7	156.7	X
Wage bill 4/ 11/		14.1	14.0	√		28.4	√	42.8	42.6	√	57.3	57.3	57.1	√

Note: The term "debt" has the meaning set forth in point number 9 of the Guidelines on Performance Criteria with Regard to Foreign Debt, adopted on August 24, 2000, and also applies to commitments contracted or guaranteed for which value has not been received.

1/ Performance criteria for program indicators under A and B; indicative targets otherwise. The performance criterion on net bank credit to government is replaced by a performance criterion on domestic financing for December 2003 (N/A = not applicable).

2/ √ and X reflect the observance or the nonobservance, respectively, of a performance criterion or indicative target.

3/ The ceiling on net bank credit to government or domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 6, exceeds or falls short of program forecasts. If disbursements are less than the programmed amounts, the ceiling will be raised pro tanto in line with the observed shortfalls up to a maximum of CFAF 7.5 billion at end-March 2003, CFAF 7.5 billion at end-June 2003, CFAF 15.0 billion at end-September 2003, and CFAF 7.0 billion at end-December 2003. If disbursements of assistance exceed programmed amounts by more than CFAF 3.0 billion, the ceilings will be lowered pro tanto by any additional amount beyond this CFAF 3.0 billion unless the excess assistance is used for a reduction of domestic payments arrears in excess of the programmed reduction.

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

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

6/ Minimum.

7/ External budgetary assistance (including traditional debt relief, but excluding IMF financing and HIPC Initiative interim assistance) net of external debt service (excluding IMF repayment) and payments of external arrears.

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

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

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

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

Table 7. Niger: Structural Performance Criterion and Structural Benchmarks Under the Poverty Reduction and Growth Facility-Supported Program for the Period January 1, 2003–December 31, 2003

	Date	Status on March 31, 2003
Structural performance criterion		
Continuous implementation of the pricing system for petroleum products adopted on August 1, 2001	2003	Observed.
Structural benchmarks		
Transmittal to the IMF staff of a draft final budget law for 2001, together with the declaration of conformity established by the Audit Court, and transmittal of the fiscal-year 2001 accounts to the audit court	December 2002	Completed as prior action on August 26, 2003. Transmittal of draft final budget law and budgetary accounts for 2001 done on January 29, 2003; declaration of conformity established by the Audit Court on August 26, 2003.
Strengthening of the external debt service unit through the introduction of a new debt-management and recording software and training of staff	End-June 2003	Completed as prior action on September 8, 2003.
Transmittal to the government of a study prepared by an independent consulting firm on the remuneration of the petroleum sector operators	End-June 2003	Completed as prior action on August 15, 2003.
Completion of an actuarial audit of the National Retirement Pension Fund	End-September 2003	Completed in November 2003 with a copy of the Report made available to Staff.
Completion of a financial audit of the wage bill	End-September 2003	Completed in November 2003 with a copy of the Report made available to Staff.
Preparation of a medium-term expenditure framework for two key social sectors	End-December 2003	Completed during the second quarter of 2004.
Computerization of two regional treasury offices for the implementation of the government's new charter of public accounts	End-December 2003	Completed.

Table 8. Niger: Public Expenditure for Health and Education, 2001-04

	2001				2002				2003				2004
	Budget	Execution	*of which:* HIPC assistance	Rate of execution (in percent) 1/	Budget	Execution	*of which:* HIPC assistance	Rate of execution (in percent)	Budget	Execution	*of which:* HIPC assistance	Rate of execution (in percent)	Budget
	(In billions of CFA francs)												
Health	36.6	33.4	2.1	91.3	38.9	34.9	2.8	89.7	39.7	31.5	3.7	79.3	28.7
Current outlays	16.6	12.7	0.0	76.6	16.8	13.9	0.0	82.7	15.3	11.4	0	74.5	16.3
Personnel	4.5	4.5	0.0	100.0	4.8	4.6	0.0	97.7	5.2	4.7	0	90.4	4.9
Nonpersonnel	12.1	8.2	0.0	67.8	12.1	9.3	0.0	76.5	10.1	6.7	0	66.3	11.4
Investment program	20.0	20.7	2.1	103.4	22.1	21.0	2.8	94.9	24.4	20.1	3.7	82.4	12.4
Domestically financed 2/	5.3	7.7	2.1	147.6	6.3	6.7	2.8	105.9	7.2	5.2	3.7	72.2	6.3
Financed from abroad 3/	14.8	12.9	0.0	87.5	15.7	14.3	0.0	90.9	17.2	14.9	0	86.6	6.1
Education	39.0	38.4	1.7	98.6	55.9	52.6	1.9	94.1	57.9	51.4	2.6	88.8	65.1
Current outlays	32.7	30.0	0.0	91.8	38.5	38.4	0.0	99.7	37.7	39	0	103.4	43.4
Personnel	21.2	21.2	0.0	100.0	20.9	22.6	0.0	108.1	20.5	23.1	0	112.7	24.1
Nonpersonnel	11.5	8.8	0.0	76.6	17.6	15.8	0.0	89.9	17.2	15.9	0	92.4	19.3
Investment program	6.3	8.4	1.7	134.2	17.4	14.2	1.9	81.6	20.2	12.4	2.6	61.4	21.7
Domestically financed 2/	4.0	3.5	1.7	88.8	6.1	5.0	1.9	81.8	5.6	4.3	2.6	76.8	4.3
Financed from abroad 3/	2.3	4.9	0.0	211.8	11.4	9.3	0.0	81.5	14.6	8.1	0	55.5	17.4
	(In percent of GDP)												
Total expenditure on health and education	5.3	5.0	0.3	...	6.3	5.8	0.3	...	6.1	5.2	0.4	...	5.6
Current outlays	3.5	3.0	0.0	...	3.7	3.5	0.0	...	3.3	3.2	0.0	...	3.6
Personnel	1.8	1.8	0.0	...	1.7	1.8	0.0	...	1.6	1.8	0.0	...	1.7
Nonpersonnel	1.7	1.2	0.0	...	2.0	1.7	0.0	...	1.7	1.4	0.0	...	1.8
Investment program	1.8	2.0	0.3	...	2.6	2.3	0.3	...	2.8	2.0	0.4	...	2.0
Domestically financed	0.6	0.8	0.3	...	0.8	0.8	0.3	...	0.8	0.6	0.4	...	0.6
Financed from abroad	1.2	1.2	0.0	...	1.8	1.6	0.0	...	2.0	1.4	0.0	...	1.4

Sources: Nigerien authorities; and staff estimates.

1/ Execution rates may not strictly reflect budget execution because off-budget expenditures are also included in the calculation of the execution rates.

2/ Includes HIPC Initiative assistance.

3/ All off-budget expenditures are assumed to be financed from abroad as most of these are related to projects directly managed by foreign donors which are not known to the authorities at the time when the investment budget is elaborated.

Table 9. Niger: External Debt Indicators, 2002-22 (continue)
(In percent, unless otherwise indicated)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Actual	Est.	Projections						
I. After traditional debt-relief mechanisms 1/									
NPV of debt-to-GDP ratio	54.0	45.2	43.9	42.3	40.5	38.8	37.3	35.5	34.0
NPV of debt-to-exports ratio 2/	407.2	379.0	333.4	292.9	273.4	260.9	252.4	243.1	235.3
NPV of debt-to-revenue ratio 3/	508.1	427.7	395.7	364.9	335.2	307.5	283.0	259.8	240.0
Debt service-to-exports ratio 4/	…	20.9	19.5	18.2	18.5	18.5	17.5	16.8	14.7
Debt service-to-revenue ratio 3/	…	28.2	26.9	24.8	23.9	22.8	20.5	18.9	15.8
II. After enhanced HIPC Initiative assistance									
NPV of debt-to-GDP ratio	54.8	24.8	25.7	26.2	26.5	26.7	26.8	26.6	26.3
NPV of debt-to-exports ratio 2/	412.9	207.7	195.5	181.7	178.8	179.3	181.3	182.1	182.1
NPV of debt-to-exports ratio (existing debt at end-2002 only) 2/	412.9	185.1	161.1	141.0	130.5	122.7	116.0	109.7	103.6
NPV of debt-to-exports ratio after hypothetical full delivery in 2002 2/	208.7	207.7	195.5	181.7	178.8	179.3	181.3	182.1	182.1
NPV of debt-to-revenue ratio 3/	515.1	234.3	232.0	226.4	219.3	211.4	203.2	194.7	185.8
Debt service-to-exports ratio 4/	…	9.3	5.6	5.7	6.6	7.4	7.8	7.8	8.0
Debt service-to-revenue ratio 3/	…	12.6	7.7	7.8	8.5	9.1	9.2	8.7	8.6
III. After bilateral debt relief beyond HIPC Initiative assistance 5/									
NPV of debt-to-GDP ratio	51.9	23.9	24.9	25.5	25.8	26.1	26.2	26.1	25.9
NPV of debt-to-exports ratio 2/	391.2	200.3	189.3	176.5	174.1	175.0	177.4	178.6	178.9
NPV of debt-to-exports ratio (existing debt at end-2002 only) 2/	391.2	177.7	154.9	135.8	125.8	118.4	112.1	106.1	100.4
NPV of debt-to-exports ratio after hypothetical full delivery in 2002 2/	199.3	200.3	189.3	176.5	174.1	175.0	177.4	178.6	178.9
NPV of debt-to-revenue ratio 3/	488.0	226.0	224.7	219.8	213.5	206.3	198.8	190.9	182.5
Debt service-to-exports ratio 4/	…	8.1	5.3	5.4	6.3	7.1	7.6	7.5	7.8
Debt service-to-revenue ratio 3/	…	10.9	7.3	7.4	8.1	8.7	8.9	8.5	8.3
IV. After topping-up of assistance at the completion point									
NPV of debt-to-GDP ratio	51.9	18.4	19.6	20.5	21.2	21.8	22.3	22.5	22.5
NPV of debt-to-exports ratio 2/	391.2	154.1	148.8	141.9	143.0	146.7	151.3	154.0	155.8
NPV of debt-to-exports ratio (existing debt at end-2002 only) 2/	391.2	131.5	114.4	101.2	94.7	90.1	86.0	81.6	77.3
NPV of debt-to-exports ratio after hypothetical full delivery in 2002 2/	150.0	154.1	148.8	141.9	143.0	146.7	151.3	154.0	155.8
NPV of debt-to-revenue ratio 3/	488.0	173.9	176.6	176.8	175.4	172.9	169.6	164.6	159.0
Debt service-to-exports ratio 4/	…	7.9	4.4	3.5	4.2	4.8	5.5	6.2	6.5
Debt service-to-revenue ratio 3/	…	10.6	6.0	4.8	5.4	6.0	6.4	7.0	7.0
Memorandum items (in millions of U.S. dollars):									
NPV of debt after enhanced HIPC Initiative assistance	1,192.7	669.9	731.6	782.8	833.4	883.0	932.8	984.9	1,034.9
Of which: existing debt at end-2002	1,192.7	597.0	602.7	607.4	608.1	604.2	597.0	593.2	588.8
Debt service after enhanced HIPC Initiative assistance	…	35.9	24.3	26.9	32.2	37.9	42.2	44.1	47.9
Gross domestic product	2,177.3	2,705.2	2,843.6	2,985.8	3,143.5	3,308.5	3,483.8	3,699.3	3,930.4
Exports of goods and services 4/	303.1	385.2	434.4	472.8	490.9	513.6	539.2	569.3	596.5
Exports of goods and services 2/	288.9	322.6	374.2	430.8	466.0	492.4	514.6	540.7	568.3
Government revenue 3/	231.5	285.9	315.3	345.8	380.1	417.7	459.0	505.9	557.1

Sources: Nigerien authorities; and staff estimates and projections.

1/ Assumes a stock-of-debt operation on Naples terms at end-1999, and at least comparable treatment by non-Paris Club creditors.

2/ Based on a three-year backward-looking moving average of exports of goods and services.

3/ Revenue is defined as central government revenue, excluding grants.

4/ Current-year exports, as defined in IMF, *Balance of Payments Manual*, 5th ed., 1993, and excluding transit trade.

5/ Reflects debt relief provided by some bilateral creditors, on a voluntary basis, in addition to the assistance provided under the HIPC Initiative.

Table 9. Niger: External Debt Indicators, 2002-22 (concluded)
(In percent, unless otherwise indicated)

	2011	2012	2014	2015	2016	2018	2020	2022	2003-12	2013-22
				Projections					Averages	
I. After traditional debt-relief mechanisms 1/										
NPV of debt-to-GDP ratio	32.6	31.3	29.2	28.2	27.2	25.4	23.6	22.2	38.1	26.0
NPV of debt-to-exports ratio 2/	227.9	221.7	211.7	205.7	199.6	186.5	174.3	164.1	272.0	190.1
NPV of debt-to-revenue ratio 3/	222.0	209.7	189.5	180.0	171.1	154.4	141.7	130.5	304.6	161.3
Debt service-to-exports ratio 4/	14.1	13.0	10.6	10.2	9.9	9.8	9.3	8.5	17.2	9.7
Debt service-to-revenue ratio 3/	14.4	13.0	10.0	9.5	9.1	8.6	8.0	7.3	20.9	8.8
II. After enhanced HIPC Initiative assistance										
NPV of debt-to-GDP ratio	26.0	25.7	25.2	24.9	24.6	23.9	23.2	22.0	26.1	24.0
NPV of debt-to-exports ratio 2/	181.9	182.2	182.6	181.5	179.9	175.8	171.0	162.5	185.3	175.4
NPV of debt-to-exports ratio (existing debt at end-2002 only) 2/	97.6	92.2	82.4	77.4	72.3	62.9	53.9	42.1	125.9	65.2
NPV of debt-to-exports ratio after hypothetical full delivery in 2	181.9	182.2	182.6	181.5	179.9	175.8	171.0	162.5	185.3	175.4
NPV of debt-to-revenue ratio 3/	177.2	172.3	163.4	158.8	154.2	145.6	138.9	129.2	205.6	148.4
Debt service-to-exports ratio 4/	7.9	7.4	6.5	6.3	6.4	6.1	6.6	8.0	7.4	6.7
Debt service-to-revenue ratio 3/	8.1	7.4	6.2	5.8	5.8	5.4	5.7	6.8	8.8	6.0
III. After bilateral debt relief beyond HIPC Initiative assistance 5/										
NPV of debt-to-GDP ratio	25.6	25.3	24.8	24.5	24.2	23.5	22.8	21.6	25.5	23.6
NPV of debt-to-exports ratio 2/	179.0	179.4	179.7	178.6	177.0	173.0	168.3	160.0	180.8	172.6
NPV of debt-to-exports ratio (existing debt at end-2002 only) 2/	94.7	89.4	79.6	74.5	69.5	60.0	51.2	39.6	121.5	62.4
NPV of debt-to-exports ratio after hypothetical full delivery in 2	179.0	179.4	179.7	178.6	177.0	173.0	168.3	160.0	180.8	172.6
NPV of debt-to-revenue ratio 3/	174.3	169.6	160.9	156.3	151.8	143.2	136.7	127.3	200.6	146.1
Debt service-to-exports ratio 4/	7.7	7.4	6.7	6.4	6.5	6.2	6.6	8.0	7.0	6.8
Debt service-to-revenue ratio 3/	7.9	7.4	6.3	5.9	5.9	5.5	5.7	6.8	8.3	6.1
IV. After topping-up of assistance at the completion point										
NPV of debt-to-GDP ratio	22.5	22.6	22.7	22.7	22.6	22.5	22.2	21.3	21.4	22.3
NPV of debt-to-exports ratio 2/	157.7	160.0	164.4	165.4	165.8	165.3	164.0	157.5	151.3	163.6
NPV of debt-to-exports ratio (existing debt at end-2002 only) 2/	73.4	70.0	64.2	61.3	58.2	52.4	46.9	37.0	92.0	53.4
NPV of debt-to-exports ratio after hypothetical full delivery in 2	157.7	160.0	164.4	165.4	165.8	165.3	164.0	157.5	151.3	163.6
NPV of debt-to-revenue ratio 3/	153.6	151.3	147.2	144.7	142.1	136.8	133.3	125.2	167.4	138.3
Debt service-to-exports ratio 4/	6.2	5.8	4.9	4.7	4.8	4.9	5.1	7.4	5.5	5.4
Debt service-to-revenue ratio 3/	6.4	5.7	4.6	4.4	4.4	4.3	4.4	6.3	6.5	4.9
Memorandum items (in millions of U.S. dollars):										
NPV of debt after enhanced HIPC Initiative assistance	1,087.5	1,145.3	1,278.4	1,347.8	1,422.1	1,586.8	1,767.8	1,932.6	908.6	1,557.1
Of which: existing debt at end-2002	583.4	579.7	577.0	574.7	571.7	567.6	557.4	500.4	596.1	559.2
Debt service after enhanced HIPC Initiative assistance	49.9	49.2	48.4	49.6	53.5	59.1	72.6	102.3	39.0	65.0
Gross domestic product	4,183.0	4,454.9	5,071.3	5,416.2	5,790.1	6,637.6	7,630.1	8,795.9	3,473.8	6,559.4
Exports of goods and services 4/	627.7	661.8	739.8	789.0	842.7	963.9	1,105.8	1,276.2	529.1	953.5
Exports of goods and services 2/	597.8	628.7	700.2	742.6	790.5	902.5	1,033.9	1,189.2	493.6	893.9
Government revenue 3/	613.8	664.9	782.2	849.0	922.0	1,090.2	1,272.3	1,495.2	454.6	1,068.7

Sources: Nigerien authorities; and staff estimates and projections.

1/ Assumes a stock-of-debt operation on Naples terms at end-1999, and at least comparable treatment by non-Paris Club creditors.

2/ Based on a three-year backward-looking moving average of exports of goods and services.

3/ Revenue is defined as central government revenue, excluding grants.

4/ Current-year exports, as defined in IMF, *Balance of Payments Manual* , 5th ed., 1993, and excluding transit trade.

5/ Reflects debt relief provided by some bilateral creditors, on a voluntary basis, in addition to the assistance provided under the HIPC Initiative.

Table 10. Niger: Tracking Delivery of HIPC Initiative Assistance
(As of December 31, 2003)

	Agreement to Provide HIPC Relief	Agreement to Provide Interim Assistance	Has Begun to Deliver Interim Assistance	Has Begun to Deliver Completion Point Assistance	Amount of Interim Assistance	Modalities/ Comments
ltilateral creditors						
International Monetary Fund (IMF)	yes	yes	yes			Approval by Board on December 13, 2000.
International Development Association (IDA)	yes	yes	yes			Approval by Board on December 20, 2000.
African Development Bank (AfDB)/African Development Fund (AfDF)	yes	yes	yes			Approval by Board in March 2001.
Arab Bank for Economic Development in Africa (BADEA)	yes but limited	yes	yes			Approval by the Board in March 2001.
International Fund for Agricultural Development (IFAD)	yes	yes	no			Approval by Board in April 2001.
European Union (EU)/European Investment Bank (EIB)	yes	yes	yes			
Islamic Development Bank (IsDB)	yes	yes	yes			Approval by the Board on July 22, 2002.
West African Development Bank (BOAD) and West African Economic and Monetary Union (WAEMU)	yes but limited	yes	yes			Agreement signed on October 9, 1999.
Economic Community of West African States (ECOWAS)	no	no	no			Has not responded to authorities request.
OPEC Fund	yes	yes	yes			Agreement of February 26, 2002.
Conseil de l'entente	no	no	no			Has not responded to authorities request.
is Club creditors						Paris Club agreement of January 25, 2001.
France	yes	yes	yes			Excludes postal and hospital debts, which were rescheduled under different terms. Agreement signed in April 2003.
Japan	yes	yes	yes			
Spain	yes	yes	yes			
United Kingdom	yes	yes	yes			
United States	yes	yes	yes			
ı-Paris Club bilateral creditors						
Algeria	no	no	no			Agreement finalized; to be approved by Algerian Parliament.
China	yes but limited	yes	yes			Agreement was signed on June 5, 2001 for the partial write-off of debt stock (US$18 million).
Iraq	no	no	no			
Kuwait	yes	yes	yes			Agreement of June 3, 2003.
Libya	no	no	no			Libya has agreed in general to participate in the Initiative.
Saudi Arabia	no	no	no			Agreement on a rescheduling of arrears payments in 1999 that will allow debt relief negotiations to resume.
Taiwan Province of China	no	no	no			
United Arab Emirates	no	no	no			

	Agreement to Provide HIPC Relief	Agreement to Provide Interim Assistance	Has Begun to Deliver Interim Assistance	Participated in IDA Buyback		Original Creditor Holding Claim
nmercial creditors						
One Belgian creditor	no	no	no	1991		Short-term loan in arrears since 1999.
(represented 0.4% of total debt in NPV terms at the decision point)				(@ 18 cents)		Paid back fully in 2002. No debt relief granted.

Sources: Nigerien authorities; and staff estimates.

Table 11. Niger: Selected Social and Demographic Indicators

	Latest Single Year			Same Region/Income Group	
	1970-75	1980-85	1995-2001	Sub-Saharan Africa	Low income
Population					
Total population, midyear (in millions)	4.8	6.6	11.2	673.9	2,505.9
Growth rate (annual average for period in percent)	2.9	3.2	3.4	2.5	1.9
Urban population (in percent of population)	10.6	14.3	21.1	32.3	30.8
Total fertility rate (births per woman)	8.0	8.0	7.2	5.1	3.5
Income					
GNI per capita (in U.S. dollars)	250.0	230.0	180.0	460.0	430.0
Consumer price index (1995=100)	31.2	89.0	118.5	...	...
Food price index (1995=100)	...	101.6	131.2	...	...
Share of income or consumption					
Gini index	...	...	50.5	...	...
Lowest quintile (percentage of income or consumption)	...	...	2.6	...	...
Highest quintile (percentage of income or consumption)	...	...	53.3	...	...
Social Indicators					
Public expenditure (in percent of GDP)					
Health	...	...	1.8	2.5	1.1
Education	2.3	3.1	2.7	3.4	2.8
Social security and welfare	...	0.31	...	...	...
Net primary school enrollment rate (in percent of age group)					
Total	...	24.6	30.4	...	...
Male	...	32.2	36.3	...	...
Female	...	17.0	24.4	52.0	...
Access to an improved water source (in percent of population)					
Total	...	...	59.0	58.1	76.1
Urban	...	...	70.0	82.7	90.2
Rural	...	...	56.0	46.4	70.1
Immunization rate (percent under 12 months)					
Measles	...	27.0	51.0	57.8	59.8
DPT	...	4.0	31.0	52.9	61.5
Child malnutrition (percent under 5 years)	...	49.4	40.0	...	...
Life expectancy at birth (in years)					
Total	39.9	43.7	45.7	46.2	58.9
Male	38.4	42.1	44.0	45.4	57.9
Female	41.5	45.3	47.5	47.0	60.0
Mortality					
Infant (per 1,000 live births)	194.0	191.0	156.0	105.4	80.4
Under 5 (per 1,000 live births)	325.0	320.0	265.0	170.6	120.6
Adult (15-59)					
Male (per 1,000 population)	610.7	561.9	473.0	519.9	311.9
Female (per 1,000 population)	490.2	452.9	308.0	461.3	255.7
Maternal (modeled, per 100,000 live births)	...	...	920.0	...	...
Births attended by skilled health staff (in percent)	...	20.0	15.7	...	...

Source: World Bank; *World Development Indicators* 2003.

Table 12. Niger: Millennium Development Goals

	1995	2001	2002
1 Eradicate extreme poverty and hunger (2015 target = $1 a day poverty and malnutrition rates)			
Population below $1 a day (%)	61.4	..	..
Poverty gap at $1 a day (%)	33.9	..	..
Percentage share of income or consumption held by poorest 20%	2.6	..	..
Prevalence of child malnutrition (% of children under 5)	..	40.1	..
Population below minimum level of dietary energy consumption (%)	43	34	..
2 Achieve universal primary education (2015 target = net enrollment to 100)			
Net primary enrollment ratio (% of relevant age group)	24.5	34.2	..
Percentage of cohort reaching grade 5 (%)	72.6	71	..
Youth literacy rate (% ages 15-24)	19.8	23.8	24.5
3 Promote gender equality (2015 target = education ratio to 100)			
Ratio of girls to boys in primary and secondary education (%)	58.4	67.2	..
Ratio of young literate females to males (% ages 15-24)	39.7	43.6	44.4
Share of women employed in the nonagricultural sector (%)	..	..	..
Proportion of seats held by women in national parliament (%)	4	..	..
4 Reduce child mortality (2015 target= reduce 1990 under 5 mortality by two-thirds)			
Under 5 mortality rate (per 1,000)	295	270	264
Infant mortality rate (per 1,000 live births)	176	159	155
Immunization, measles (% of children under 12 months)	40	51	48
5 Improve maternal health (2015 target = reduce 1990 maternal mortality by three-fourths)			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	1,600.00	..
Births attended by skilled health staff (% of total)	..	15.7	..
6 Combat HIV/AIDS, malaria and other diseases (2015 target = halt, and begin to reverse AIDS etc.			
Prevalence of HIV, female (% ages 15-24)	..	1.5	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..
Number of children orphaned by HIV/AIDS	..	31,000.00	..
Incidence of tuberculosis (per 100,000 people)	..	182	193.4
Tuberculosis cases detected under DOTS (%)	13	22	..
7 Ensure environmental sustainability			
Forest area (% of total land area)	..	1	..
Nationally protected areas (% of total land area)	7.6	7.7	7.7
GDP per unit of energy use (PPP $ per kg oil equivalent)	..	..	..
CO2 emissions (metric tons per capita)	0.1	0.1	..
Access to an improved water source (% of population)	..	59	..
Access to improved sanitation (% of population)	..	20	..
Access to secure tenure (% of population)	.. ..		..
8 Develop a Global Partnership for Development			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..
Fixed line and mobile telephones (per 1,000 people)	1.5	2.1	3.3
Personal computers (per 1,000 people)	0.2	0.5	0.6

Source: *World Development Indicators database, April 2004.*

Niamey, June 15, 2004

Mr. Rodrigo Rato
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Mr. Rato:

1. The government of Niger has successfully implemented the PRGF-supported program covering the period 2000-03. During the discussions with the staff on the sixth and last review of the program held in April 2004, it was concluded that all but one of the quantitative and structural performance criteria for the end-December 2003 were met, and that one quantitative indicative target and one structural benchmark were not observed. The missed quantitative performance criterion pertained to the reduction of domestic payments arrears, with only CFAF 12.2 billion being cleared, instead of the programmed CFAF 18 billion for the period. The quantitative indicative target on government revenue mobilization was missed by CFAF 11 billion (0.7 percent of GDP); and the medium-term expenditure framework (MTEF) for the health and education sectors was finalized in June 2004, instead of end-December 2003.

2. The government has reached satisfactory understandings with Fund staff on a revised schedule for the clearance of domestic payments arrears that preserves Niger's medium-term objectives in this area, and would like to ask for a waiver for the nonobservance of the relating performance criterion. Having fulfilled the conditions agreed upon under the PRGF arrangement, the government requests, thus, completion of the sixth review and release of the final disbursement.

3. Niger achieved strong growth in 2003 driven by the agricultural sector and the government maintained prudent macroeconomic policies. Early indications are that economic growth in 2004 is likely to remain relatively strong, mainly due to the continued expansion of the agricultural sector and strong activity in the construction sector.

4. The government remains determined to foster growth and reduce poverty, and wishes to continue to benefit from financial and technical support from the Fund under a new PRGF arrangement.

5. The government authorizes the Fund to publish the staff report.

Sincerely yours,

/s/

Ali Lamine Zeine
Minster of Economy and Finance

Niger: Relations with the Fund
(As of April 30, 2004)

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

II. General Resources Account:	**SDR Million**	**%Quota**
Quota	65.80	100.00
Fund holdings of currency	57.24	86.99
Reserve position in Fund	8.56	13.01
III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	9.41	100.0
Holdings	0.16	1.71
IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
Enhanced Structural Adjustment Facility (ESAF) Arrangements	84.57	128.53

V. Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Poverty Reduction and Growth Facility (PRGF)	12/22/2000	06/30/2004	59.20	50.76
ESAF	06/12/1996	08/27/1999	57.96	48.30
Stand-By Arrangement	03/04/1994	03/03/1995	18.60	11.11

VI. Projected Payments to Fund, without HIPC Assistance (SDR Million; based on existing use of resources and present holdings of SDRs.):

	Forthcoming				
	2004	2005	2006	2007	2008
Principal	5.80	9.66	10.39	10.99	10.85
Charges/interest	0.53	0.52	0.47	0.41	0.36
Total	6.33	10.18	10.86	11.40	11.21

VII. Projected Obligations to Fund, with Board-approved HIPC Assistance (SDR Million; based on existing use of resources and present holdings of SDRs.):

	Forthcoming				
	2004	2005	2006	2007	2008
Principal	3.22	6.32	6.18	7.44	9.22
Charges/interest	0.53	0.52	0.47	0.41	0.36
Total	3.74	6.84	6.65	7.85	9.59

VIII. Implementation of HIPC Initiative

Completion of HIPC assistance	Enhanced framework
Decision point date[1]	12/14/00
Assistance committed (NPV terms)[2]	End-1999
Total assistance (US$ million)	521.00
Of which: Fund assistance (US$ million)	27.80
(SDR equivalent in millions)	21.56[3]
Completion point date	Floating

Delivery of Fund assistance (SDR million)

Amount disbursed	21.56
Interim assistance	6.68
Completion point balance	14.88

IX. Safeguards Assessments:

The Central Bank of the West African States (BCEAO) is the common central bank of the West African states, which includes Niger. An on-site safeguards assessment of the BCEAO proposed specific remedies to alleviate vulnerabilities that were identified by staff. Although Fund staff and BCEAO authorities disagreed on the initial modalities of the recommendations, the following specific understandings were subsequently reached regarding the key remedies:

- **Financial reporting framework.** The Fund staff recommended that the BCEAO formally adopt International Accounting Standards (IAS) and publish a complete set of financial statements, including detailed explanatory notes. It was agreed between the BCEAO and Fund staff that the **BCEAO will strive to improve its financial and accounting reporting by aligning its practices**

[1] Decision was approved in principle by the Fund.

[2] Net present value (NPV) terms at the decision point under the enhanced framework.

[3] Excludes commitment of additional enhanced HIPC assistance of SDR 9.664 million subject to receipt of satisfactory financial assurances from other creditors.

with those recommended by the IAS, as adopted internationally by other central banks.

- **Internal controls system.** The staff noted that the absence of oversight of the bank's governance, financial reporting, and internal control practices by an entity external to the management of the BCEAO represented a significant risk. It was agreed between the BCEAO and Fund staff that, after seeking the opinion of the external auditor (commissaire contrôleur), the BCEAO staff will propose to the BCEAO Board of Directors that it adopt a resolution whereby **the external auditor will be required to apprise the Board of Directors, during its annual review and approval of the financial statements, of the state and quality of internal controls within the bank.**

Based on the 2002 financial statements, the staff noted that the BCEAO has improved the explanatory notes to the financial statements and further changes are scheduled for the next fiscal year, with a view toward a graduate alignment with IAS accounting to the extent applicable to central banks by 2005. The external auditor has apprised the Board of Directors of the BCEAO of the quality of internal controls in June 2003, and the financial statements for the year 2001 were published on the bank's website. The staff will continue its follow up on the progress of the BCEAO in implementing the proposed recommendations as part of the ongoing safeguard-monitoring process.

X. Exchange Arrangements:

Niger is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the WAEMU, is free of restrictions on the making of payments and transfers for current international transactions. The union's common currency, the CFA franc, is pegged to the French franc. On January 12, 1994, the CFA franc was devalued by 50 percent in foreign currency terms, and the exchange rate was adjusted from CFAF 50 = F 1 to CFAF 100 = F 1. Effective December 31, 1998, the parity was switched to the euro at a rate of CFAF 655.96 = EUR 1. On December 31, 2003, the rate of the CFA franc in SDR terms was SDR 1 = CFAF 771.76.

XI. Article IV Consultation:

Niger is on the standard 24-month consultation cycle, and the last Article IV consultation discussions were held in Niamey in April 2004. The staff report will be discussed by the Executive Board in June 2004.

XII. Technical Assistance:

Dept.	Type of Assistance	Time of Delivery	Responsibility
FAD	Staff	June 2000	Fiscal review of data and

			improvement of budgetary procedure
FAD	Staff	February 2001	Tax and customs administration
FAD	Staff	April 2001	Public accounting, public expenditure process, and budget classification
FAD	Resident expert	April 2001 to date	Budget preparation, public accounting, and automation of budget execution
FAD	Resident expert	June 2001 to date	Assistance for tax and customs administration
FAD	Staff	May 2002	Public accounting and fiscal operations table
FAD	Staff	January 2003	Multisector statistical mission
FAD	Staff	October 2003	Tax and Customs policy administration

XIII. Resident Representative:

The position was filled in January 2004.

Niger: Relations with the World Bank Group

(As of December 31, 2003)

Partnership in Niger's development strategy

1. Niger's poverty reduction strategy paper (PRSP), which was adopted in January 2002, presents a thorough poverty diagnosis and identifies key development challenges. The government reconfirmed the main thrust of the PRSP through a progress report that was validated via a national workshop in July 2003 and will be discussed at the Bank and Fund Boards in late 2003. The PRSP outlines a sound strategy for poverty reduction centered around four strategic pillars: (i) a macroeconomic framework ensuring economic and financial stability while promoting sustained and sustainable economic growth; (ii) the development of productive sectors, especially in rural areas; (iii) the development of basic social services; and (iv) the promotion of good governance and the strengthening of human and institutional capacities. The government has begun using the PRSP to improve coordination of development efforts in the country, including donor-supported activities. To that end, a donors' forum was held in Niamey on June 7-8, 2003. At this forum, donors reaffirmed their endorsement of the PRSP as a strategic anchor for their assistance, and agreed on a progressive shift from project to program financing, and the need for further coordination and harmonization of policies and procedures. In this regard, the signing of a protocol relating to coordination among all donors supporting the education sector is a positive outcome and a great step forward.

2. The IMF is in the lead in helping Niger maintain macroeconomic stability through a three year Poverty Reduction Growth Facility (PRGF) arrangement approved in December 2000. The PRGF arrangement addresses fiscal imbalances and issues relevant to macroeconomic stability and economic growth. The PRGF arrangement's structural conditionality has addressed areas related to budgetary and debt management, petroleum pricing, utilization of Initiative for Heavily Indebted Poor Countries (HIPC Initiative) resources, pension reforms, and transparency in public finances (preparation of budget review laws).

3. The Bank leads the policy dialogue on structural reforms relevant to economic growth and poverty reduction, including privatization and regulatory reforms, education, health and rural development. The Bank and Fund share joint responsibility in supporting financial sector and public expenditure reforms. The Bank and the Fund have also jointly assisted the government in the preparation of the PRSP and the first progress report assessing its implementation. They have also been providing assistance to Niger for reaching the completion point under the enhanced HIPC Initiative.

IMF-World Bank collaboration in specific areas

54. Common objectives and joint support for Niger's PRSP and HIPC Initiative processes have increased collaboration between Fund and Bank in recent years. The Bank

and Fund teams are closely coordinating their policy advice to the authorities and work closely together in the determination of structural conditionality. In general, the Bank leads the policy dialogue on key structural aspects of Niger's reform program while the Fund is in the lead on policy dialogue on macroeconomic, particularly fiscal elements of the reform (see Table 1).

Table 1. Bank-Fund Collaboration on Niger (Ongoing or Planned)

Area	**Specialized Advice from Fund**	**Specialized Advice from Bank**	**Key Instruments/Conditionality**
Economic framework/ management	Fiscal policy, debt management, arrears reduction, monetary policy, economic statistics	Arrears reduction, debt management, study on the sources of growth, PRSP macroeconomic framework	Fund: PRGF performance criteria and benchmarks. Bank: PEAC II support for reforms. Jointly: PRSP progress report, HIPC completion point.
Budgetary and public expenditure reforms	Preparation of budget laws, computerization of budget management, account closure, tax administration, treasury reform	Framework and steps in budget preparation, budget execution in priority sectors, treasury allocation plan, medium-term expenditure framework (MTEF), account closure and auditing, public expenditure reviews (PERs), procurement code	Fund: PRGF benchmarks, technical assistance (TA) on tax and treasury reforms. Bank: PEAC II support for reforms: budget preparation, program budgets and MTEF (general and in education and health sectors), Public Expenditure Management /Country Financial Accountability Assessment (PEMFAR), Country Procurement Assessment Report (CPAR). PHRD Grant support for budgetary reforms.
Civil service reform and privatization	Civil service wage bill, National Retirement Pension Fund	Decentralization, public sector reforms	Fund: Benchmarks on wage bill and Retirement Pension Fund in PRGF. Bank: Stocktaking study on fiscal aspects of decentralization, Community Action Program (CAP).
Social sector reforms/poverty monitoring	Utilization of HIPC resources	Household survey and poverty analysis; reforms in education, health; support for community-driven development (CAP); support to strategy for addressing population growth	Bank: New lending in health and education. PEAC II support for health and education sector reforms. CAP. Analytical and Advisory Activities (AAA) on poverty and social development issues. Jointly: PRSP progress report, HIPC completion point
Privatization and private sector development	Petroleum pricing	Development and implementation of privatization and regulatory reform, financial sector reform	Fund: PRGF performance criteria on petroleum pricing. Bank: PEAC II support for privatization and regulatory reforms. Privatization and regulatory reform project, private irrigation project, and financial sector project.
Rural development		Rural development strategy, agricultural export promotion, irrigation	Bank: Project support (water sector, private irrigation, agricultural export promotion); AAA, support for formulation of rural development strategy; PEAC II support for rural development. Jointly: PRSP progress report.

Areas in which the Bank leads

4. **Privatization and regulatory reform**. Privatization and regulatory reforms in Niger, supported by a Bank credit, have experienced delays in recent months, after having gained important momentum in 2000 and 2001. Currently, the Bank is assisting the authorities in the privatization of SONIDEP (petroleum) and NIGELEC (electricity) and strengthening the Multi-Sector Regulatory Agency (ARM). The Bank's policy dialogue with the government on structural reforms is also being conducted in the context of adjustment operations (Public Expenditure Adjustment Credit I, PEAC I, and the Second Public Expenditure Adjustment Credit, PEAC II, approved by the Board in October 2003). The Fund is also a key partner in this policy dialogue and has included elements of the public enterprise reform agenda, such as the continuous implementation of a petroleum pricing system, as structural benchmarks for the PRGF arrangement.

5. **Rural development**. The Bank is providing support for developing and implementing a comprehensive rural development strategy, which aims at mitigating vulnerability and stimulating income generation, especially in rural areas. A draft rural development strategy has been recently completed. Bank assistance in this sector is provided through two ongoing (Private Irrigation and Agro-Pastoral Export Promotion) and one new (Community Action Program) investment projects. Decreasing the dependence of the vast majority of Niger's population on rain-fed subsistence agriculture is a key objective of this strategy. Bank support in this area emphasizes the promotion of small-scale irrigated agriculture, livestock, farm and nonfarm income-generating activities and cereal bank construction. In addition, a prior action for PEAC II ensured an adequate allocation of budgetary resources to the rural development sector in Niger's fiscal-year (FY) 04 budget. The disbursement of the second tranche of this credit is also conditional to the preparation of a multi-year budget program covering 2005, 2006, and 2007 in the rural development sector and complying with the MTEF for said fiscal years.

6. **Social sector reforms.** Improvement of access for the poor to social services is one of the strategic pillars in the PRSP. The Bank supports this objective through ongoing and new lending operations, which combine project assistance with program support, as well as analytical work, notably on population, gender, and poverty. There has also been close collaboration between the Bank and the government in the design and implementation of reforms in the education and health sectors, such as the introduction of decentralized recruitment of teachers ("volunteer teachers") and health workers on a contractual basis. This contractual recruitment program has helped address issues of human resource shortages and supply-side constraints while keeping payroll costs sustainable. PEAC II supports the continuation of the contractual recruitment program. The Bank has also assisted the government in the preparation of a ten-year development plan in the education sector that is based on the PRSP and includes a medium-term expenditure framework for the basic education sector. It has also provided assistance and played a key role in Niger's eligibility for participation in the Education for All—Fast-Track Initiative. In the health sector, the Bank has worked with the government on the preparation of the Strategic Orientations for Health Sector Development for 2001-11. The PEAC II has a specific measure related to the

allocation of adequate budgetary resources to the education and health sectors in Niger's FY 04 budget. In addition, the release of the second tranche of PEAC II is conditional to the preparation of multi-year budget programs for the Education and Health sectors covering FY2005-2007 and complying with the MTEF for said fiscal years.

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

Areas where Bank and Fund share the lead

8. **Poverty reduction strategy**. Together with other external development partners, the Bank and Fund have jointly provided assistance to the government in the preparation of the PRSP. Since its completion, both institutions have jointly advised the authorities on the refinement and implementation of the strategy. The first progress report on the implementation of the PRSP has been prepared with the assistance of the Bank and the Fund. A second progress report is being prepared by the authorities with the assistance of both institutions.

9. **Debt sustainability**. The Bank and Fund have supported the government's efforts to reach the HIPC completion point in April 2004. The need to build technical and institutional capacity for managing Niger's external debt has been stressed by the Fund and the Bank. Measures to strengthen the external debt unit have figured as a structural benchmark under the PRGF.

10. **Budgetary and public expenditure reforms.** Strengthening public finances is a prerequisite for success of Niger's broader reform agenda. The Bank and Fund share the lead in this area. Both institutions have played key roles in helping the government reduce domestic and external arrears. While the Fund is leading the dialogue on revenue-enhancing measures, the Bank is concentrating its efforts on budgetary reforms, in particular in the area of public expenditure. The Fund is also making key contributions to improving budgetary processes: a number of important measures, such as preparation of budget review laws and computerization of budgetary expenditure, have been included as structural benchmarks in the PRGF arrangement. The Bank has supported budgetary reforms through PEAC I. Consolidation and deepening of these reforms are currently supported by PEAC II. Several measures, such as the issuance of a circular on budget preparation, the establishment of a cash allocation plan, the closing of budgetary accounts, the preparation of bidding documents for the privatization of SONIDEP, and the issuance of circulars on the implementation of the

procurement code are up-front actions undertaken by the government in the context of the ongoing PEAC II. In addition, the Bank intends to help strengthen Niger’s fiduciary framework through analytical work on public finance issues, in particular a Public Expenditure Management and Country Financial Accountability Assessment (PER/CFAA) and a Country Procurement Assessment Report (CPAR), both to be completed in FY 04.

11. **Financial sector reform**. Key elements of the reform agenda in Niger’s financial sector are as follows: (i) restructuring of the banks that remain under government control (the CDN and the CPCT); (ii) restructuring of the Islamic Trade and Investment Bank (BINCI), (iii) restructuring of the National Postal and Savings Office (ONPE), which involves the reorganization of the postal branch and the creation of a financial services affiliate of the Post Office and a National Savings Fund (CNE); (iv) an actuarial audit of the social security fund (CNSS); (v) reform of the insurance sector; and (vi) promotion and supervision of the microfinance sector and reforming of the social security system. The Bank has been playing a lead role in these reforms through its forthcoming financial sector technical assistance credit. This project, and in particular the studies on CDN and CPCT, have been prepared in close consultation with the Fund.

12. **Civil service reform and decentralization.** The reform and modernization of the civil service is an important element of Niger’s PRSP, yet there has been little progress in this area so far. The authorities are currently making an effort to put in place an integrated civil service database. By allowing a more transparent and effective management of the civil service, this database should improve control over the wage bill. Controlling the wage bill is important for maintaining fiscal balance, as recognized by the PRGF arrangement, which has set quantitative benchmarks for the wage bill. Planning for the implementation of the legal framework for political decentralization of 1996 has recently gained momentum, and local elections are scheduled for late 2003. However, important concerns regarding this reform remain, such as the lack of capacity at the local level and the fiscal implications of decentralization. To help the government address some of these concerns, the Community Action Program will help build capacities in rural communities in planning, implementing, and monitoring micro-development projects.

Areas in which the Fund leads

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

14. **Fiscal policy**. Fiscal consolidation is a key objective of the PRGF and is supported by a number of performance criteria and benchmarks. Increasing budgetary revenue in order to progressively lower the government's reliance on external assistance is particularly important, given Niger's low level of revenues, compared with regional partners in WAEMU. In terms of expenditures, the Fund is mainly concerned with overall budget envelopes, while the Bank focuses on inter- and intrasectoral allocations, in particular in the key sectors of education, health, and rural development.

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

World Bank Group strategy

16. The Bank's new Country Assistance Strategy (CAS) for the period 2003 to 2005 was approved by the Bank Board in January 2003. Its main objective is to support the implementation and further refinement of the PRSP. The strategic focus of the CAS is based on the four pillars of Niger's poverty reduction strategy. The CAS outlines a lending and nonlending program that, in line with the Bank's comparative advantage, will selectively provide assistance in areas relevant to these PRSP priorities.

17. As of September 30, 2003, the World Bank lending portfolio in Niger consisted of eight IDA operations, with a total commitment of US$245 million, out of which US$187 million was undisbursed. The CAS includes a base-case IDA lending program of US$238 million for FY 03 to FY 05. The Bank's nonlending program for the CAS period is designed with a view to further assisting Niger in refining its Poverty Reduction Strategy and building capacity for a gradual transition toward programmatic lending.

Table 2. Niger: Status of World Bank Portfolio (all IDA)
(In millions of U.S. dollars, as of September 30, 2003)

Total disbursements (active and closed operations) to date		938.8	
Repayments		76.9	
Operation	**Original Principal**	**Disbursed**	**Closing Date**
Health II	40.00	36.09	Dec 2003
Privatization/Regulatory Reform	18.60	9.22	Dec 2003
Agro-Pastoral Export Promotion	10.35	4.94	Oct 2005
Water Sector	48.00	6.44	Dec 2006
Private Irrigation	38.72	1.96	Dec 2007
Community Action Program	35.00	--	June 2007
Multisectoral STI/HIV/Aids Support	25.00	--	June 2008
Basic Education	30.00	--	Dec 2007
Total	245.67	58.65	

18. The CAS outlines the Bank's Analytical and Advisory Activities (AAA) for the coming years. The AAA program will help the government refine the PRSP by designing policy responses to issues raised in the joint staff assessments of the PRSP and PRSP progress report, such as poverty analysis, gender, population growth, and sources of growth. The AAA program also aims at reinforcing public sector capacity in pursuit of the PRSP's objectives and in preparing Niger for the transition to consolidated programmatic lending. In support of these objectives, sector work on population and rural development is being completed. Others are ongoing, including a Public Expenditure Review/CFAA, a Poverty Analysis (FY 04), and a CPAR (FY 04) or planned, Development Policy Review (FY 05).

19. The Bank is committed to enhancing external partnerships in the framework of the government's current efforts to mobilize and coordinate donor support for PRSP implementation. Besides the strong partnership with the Fund, the Bank is collaborating with a number of donors in different areas, including the European Union, the African Development Bank (AfDB), the United Nations Development Program (UNDP), and key bilateral donors involved in development issues in Niger.

Prepared by World Bank staff. Questions may be addressed to Mr. Pedro Alba, Country Director for Niger, at 458 2246; or Emmanuel Pinto Moreira, Country Economist for Niger, at 458-1834.

Niger: Core Statistical Indicators
(As of June 9, 2004)

	Exchange Rates	International Reserves	Reserve/ Base Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP/GNP	External Debt/ Debt Service
Date of latest Observation	Current	Mar. 2004	Mar. 2004	Mar. 2004	Mar. 2004	Apr. 2004	Mar. 2004	Dec 2003	Dec. 2003	Sep. 2003	Dec. 2003	Dec. 2003
Date received	Current	6/2/04	6/2/04	6/2/04	6/2/04	5/7/04	May 2004	May 2004	May 2004	May 2004	May 2004	May 2004
Frequency of data	Daily	Monthly	Monthly	Monthly	Monthly	Variable	Monthly	Annually	Annually	Monthly	Annually	Quarterly
Frequency of reporting	Monthly	Variable	Variable	Variable	Variable	Variable	Monthly	Variable	Variable	Variable	Variable	Variable
Source of update	EIS/FIN 1/	BCEAO 2/	BCEAO2/	BCEAO2/	BCEAO2/	BCEAO2/	Statistics directorate	BCEAO2/	BCEAO2/	Ministry of Finance	Ministry of Finance	Ministry of Finance
Mode of reporting	On-line	e-mail	e-mail	e-mail	e-mail	e-mail	Staff	Staff	Staff	Staff	Staff	Staff
Confidentiality	No	3/	3/	3/	3/	3/	3/	3/	3/	3/	3/	3/
Frequency of Publication	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Annually	Annually	Monthly	Annually	Annually

1/ EIS = Economic Information System (IMF); FIN = Finance Department (IMF).
2/ BCEAO = Central Bank of West African States.
3/ Preliminary data for staff use only; actual data unrestricted.

Niger: Scheduled Work Program Under the PRGF Arrangement, 2004

Action	Date
Executive Board consideration of the enhanced HIPC Initiative completion point document	April 2004
Sixth review mission under the PRGF arrangement, 2004 Article IV consultation discussions, and Ex-Post assessment of IMF supported programs	April 2004
Executive Board consideration of sixth review under the PRGF arrangement and 2004 Article IV consultation discussions, and Ex-Post assessment of IMF supported programs	June 2004
Negotiations for a new three-year PRGF arrangement	August 2004 (Tentative)
Executive Board consideration of new PRGF arrangement and PRSP progress report.	October 2004 (Tentative)

INTERNATIONAL MONETARY FUND

NIGER

Ex Post Assessment of Performance Under IMF-Supported Programs

Prepared by a Team from AFR, FAD, and PDR

June 15, 2004

I. Introduction

1. **Niger's economic growth has consistently been lacking in vigor, falling far short of levels that would make possible substantial improvements in living standards.** The lackluster performance is attributable to several key factors, including recurrent droughts, deterioration in the terms of trade, social and political disturbances and severance of external financial assistance in the aftermath of sometimes bloody military coups.

2. **In addressing its deep-seated economic problems over the last decade, Niger has benefited from support from the IMF**. Fund involvement during the period has taken the form of: a Stand-By Agreement (SBA, 1994-95); an Enhanced Structural Adjustment Facility (ESAF, 1996-99); and a Poverty Reduction and Growth Facility (PRGF, 2000-03). This report reviews the country's economic performance and reform efforts in the ten-year period to end-2003[1] (Section II), and makes an overall assessment of Niger's adjustment experience and program design (Section III). On the basis of this evaluation, the report looks at the challenges the authorities face over the medium-term as they strive to move Niger toward achievement of the Millennium Development Goals (Section IV); finally, the report draws lessons for future Fund involvement with Niger (Section V) and provides the authorities' views on the ex post assessment (VI).

II. Economic Developments and Reforms During 1994-2003

The devaluation of the CFA franc

3. **In early 1994, in the face of persistent macroeconomic imbalances, the government put in place a comprehensive Fund supported-adjustment program involving for the first time ever the use of the exchange rate**.[2] In addition to Fund

[1] The report was prepared by a staff team comprised of Messrs. Matungulu (head) and Fontaine (AFR), Ms. Simard (FAD) and Mr. Walsh (PDR).

[2] On January 12, 1994, the exchange rate was realigned from CFA 50 to CFA 100 per French franc.

resources,[3] the program benefited from a fast-disbursing World Bank loan and substantive debt relief from Niger's Paris Club creditors.

4. **On the macroeconomic front, the program aimed to substantially raise the revenue-to-GDP ratio, reduce the wage bill in relation to revenue, and increase the investment-to-GDP ratio.** Revenue was to be raised to 9 percent of GDP in 1994, from 7.3 percent a year earlier; while gross domestic investment was expected to increase from 5.7 percent in 1993 to 12 percent of GDP in 1994. Several key revenue measures were introduced, including a major overhaul of the tariff structure.[4] On the structural front, the program called for restructuring key public enterprises (electricity, water, and telecommunications), liberalizing the labor market, developing primary school education, and continuing efforts to restructure the banking system, notably, the liquidation of the Caisse Nationale de Crédit Agricole (CNCA).

5. **The devaluation of the CFA franc, along with above-average rainfall, brought about a record agricultural production and a recovery in livestock and agricultural exports**. Real GDP growth reached 4 percent in 1994; consumer prices, on an end-year basis, increased by 40.5 percent, compared with an inflation objective of 37 percent; and the external current account deficit (excluding official grants) deteriorated by over 6 percentage points, to 13.8 percent of GDP. In the budgetary area, the revenue-to-GDP ratio fell from 7.3 percent in 1993 to an all-time-low of 6 percent in 1994, reflecting notably delayed implementation or postponement of the programmed revenue measures and weaknesses and fraud in the customs administration; new internal and external payments arrears were accumulated (due partly to a lack of new donor assistance caused by the absence of a "legitimate" government) and there was a substantial overrun in the wage bill caused by recruitment and discretionary merit pay decisions by the outgoing government.[5] As a result, expenditures on health, education and other social services were compressed. In the monetary area, credit to the private sector remained weak, reflecting a slow pace of activity in the nonfarm formal economy. Broad money fell sharply in real terms.

6. **On the structural front, important foreign trade and price liberalization measures were taken.** All import and export licensing requirements were eliminated (except those relating to petroleum products), and existing price control measures lifted. However, no

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[3] A Stand-By Arrangement (SBA) in an amount equivalent to SDR 18.596 million (38.5 percent of quota) was approved on March 4, 1994.

[4] The number of taxes levied on imports was reduced to two (customs duty and statistical tax) and the range of taxes brought down to three (10 percent for essential goods, 15 percent for intermediate and capital goods, and 35 percent for consumer goods; all inclusive of the statistical tax).

[5] The change in government followed a military coup in February 1995.

progress was made with regard to the reform of the public enterprise sector and the liberalization of the labor market,[6] as Niger experienced a continued lack of political legitimacy and a consequent power vacuum in central administration.

Economic developments and reforms after the devaluation

7. **Against the backdrop of continuing political and civil unrest, the broad-based national consensus needed to address Niger's deep-seated crisis could not be mustered**. As a result, no significant reduction of the macroeconomic imbalances was achieved in the year following the devaluation (Table 2). In fact, the SBA-supported program went considerably off-track, and no purchases were made beyond the one effected upon Executive Board approval of the loan (SDR 11.1 million, or 23 percent of quota).

8. **In a bid to restore macroeconomic stability, the new military authorities established in early 1995 a dialogue with the labor union and effected personnel changes at key fiscal agencies.** In support of their efforts, the International Monetary Fund (IMF) approved on June 12, 1996 a new three-year loan under the enhanced structural adjustment facility (ESAF) equivalent to SDR 57.96 million (about $83 million), for the period 1996-99.

9. **In the context of a difficult domestic and external environment, program implementation was mixed under the first and second annual ESAF arrangements.** Important performance criteria and quantitative and structural benchmarks under the 1996-99 program (pertaining to arrears, the wage bill and civil service reform) were not observed. Economic activity remained generally sluggish, with real GDP increasing in 1996 and 1997 at rates below that of population growth (mainly due to inadequate rainfall in many areas of the country), rebounding to 10.4 percent in 1998, reflecting favorable weather. Inflation remained moderate, in part because of food imports. On the fiscal front, the revenue-to-GDP ratio rose by a yearly average of 0.6 percentage point, reaching 8.9 percent in 1998 due to the successful implementation of important tax measures included in the program. Against the backdrop of improved control over spending, this revenue performance helped reduce the overall budget deficit to an annual average of 7 percent of GDP during 1996-99, down from 9.4 percent in 1994-95. The external current account deficit (on a commitment basis, excluding official transfers) declined in 1996-98 to an annual average of 6.5 percent of GDP, from 7.1 percent during 1994-95.

10. **Although some progress was made under the government's economic program for 1996-98, Niger's macroeconomic imbalances were still large**. Economic growth continued to be critically dependent on weather conditions and the availability of external

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[6] The Fund actively supported the programmed reforms in the public enterprise and labor market areas, which were viewed as essential to enhancing the overall competitiveness of the economy.

assistance; government revenue as a ratio of GDP remained low, even by regional standards. These weaknesses were aggravated following a military coup in April 1999 that caused the country's major donors to withdraw financial assistance. In 1999, real GDP growth turned negative (-0.6 percent); inflation declined substantially (-1.9 percent); and some of the gains made earlier in the fiscal area were reversed, with the revenue-to-GDP ratio receding further, expenditure picking up somewhat in relation to GDP, and the overall budget deficit edging up to the equivalent of 9 percent of GDP.

Reform under PRGF-supported programs

11. **Transparent and democratic elections took place at end-1999. With support from the Fund and World Bank, the newly elected authorities quickly established a new economic agenda, while maintaining social and political stability.** The government resumed financial relations with its development partners and prepared an interim PRSP[7] articulating an explicitly affirmed commitment to fight poverty. In support of the government's ambitious program of economic reform and poverty reduction and following its adoption of fundamental prior actions in the fiscal area,[8] the Executive Board approved, on December 14, 2000, a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) in an amount equivalent to SDR 59.20 million (about US$76 million).

12. **The PRGF program aimed to more directly fight poverty, seeking to invigorate economic activity in a context of financial stability, and high, sustainable growth**. To this end, real GDP growth was expected to increase to at least 4.5 percent by 2003 and the investment rate would gradually be increased to about 14 percent of GDP, with a view to achieving a per capita GDP growth rate of close to 1.5 percent in 2003. Inflation would remain subdued and kept at less than 3 percent over the period of the program.

13. **In support of these macroeconomic objectives, fiscal policy would seek to strengthen revenue performance and upgrade the quality of public spending to support the authorities' interim poverty reduction strategy**. The current budget would rebound from a deficit equivalent to about 4 percent of GDP in 1999 to equilibrium by 2003, generating thereafter the savings needed to bolster the public sector's contribution to investment. In the structural area, the privatization program would continue, but would no

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[7] All major stakeholders were involved in the preparation of the poverty reduction strategy; they contributed in the analysis and in determining the actions to be undertaken to reduce or alleviate poverty. The people were consulted from village communities' right up to the national level.

[8] Such as adopting a supplementary budget law for 2000, increasing the price of petroleum products and liberalizing their transportation, auditing the 1997 Treasury accounts, verifying whether expenditures undertaken at end-1999 were in conformity with budget procedures, and closing the accounts for fiscal years 1998 and 1999 (Table 3).

longer be included in the list of the PRGF program's explicit structural measures. Also, progress was expected in the reform of the oil sector, the liberalization of prices of goods and services still subject to controls, and the finalization of a strategy for rehabilitating and expanding the financial sector.

14. **Niger's macroeconomic performance was broadly satisfactory during 2000-03,** largely helped by good weather conditions, which spurred strong growth in the rural sector, but supported also by improved public finances; increased capital expenditure on infrastructure; and a broadly satisfactory implementation of programmed structural reform measures. Per capita real GDP growth averaged close to 1.5 percent per annum during the 2001-03 period, while end-year inflation declined to -1.5 percent at end-2003. The overall budget deficit (on a commitment basis, excluding official budgetary grants) which stood at an annual average of 9 percent in the previous two years, declined to 7.7 percent per annum between 2001 and 2003. Furthermore, government savings moved closer to becoming positive, with the current budget deficit declining to an annual average of 0.7 percent of GDP in 2001-03, from a yearly average deficit equivalent to 3.1 percent of GDP in the previous two years. The external current account deficit (excluding grants for budgetary assistance) deteriorated somewhat, to an annual average of 7.8 percent of GDP over the 2001-03 period from 6.5 percent in 1996-2000, reflecting in part higher investment spending in both the government and private sectors.

15. **Progress in the structural reform area was mixed**. The privatization agenda encountered delays, while limited progress was achieved in strengthening the financial sector. Also, the timing of the reform of the petroleum pricing system was revisited several times. The telecommunications company, SONITEL, was privatized through the sale of 51 percent of its capital and further liberalization of the sector was achieved with the awarding in November 2000, through an open bidding process, of licenses to two new cellular telephone networks. In January 2001, a ten-year leasing contract was signed for the production, transport, and distribution of safe water in the 51 centers previously managed by the state water utility. The privatization of the petroleum importing firm, SONIDEP, was initiated, with the company expected to be brought to the point of sale in the second quarter of 2004. However, the privatization of the electricity company, NIGELEC, proved difficult, owing to, inter alia, the substantial amount of financing needed for rehabilitation and expansion[9] and the heavy dependence of Niger on the Nigerian Electrical Power Authority (NEPA).[10] Also, several key aspects of the financial sector reform agenda remain pending, especially concerning the restructuring of the banks that are still under government control

[9] The financial requirements for rehabilitation and expansion are estimated at between US$60 and US$110 million for the low- and high-case scenarios, respectively.

[10] NEPA, itself under a privatization plan in Nigeria, is in an extremely weak financial position; its role in the privatization of NIGELEC has yet to be determined.

(Crédit du Niger, CDN, and the Caisse des Prêts aux Collectivités Territoriales, CPCT); the reform of the insurance sector; and the restructuring of the postal financial services.

16. **By and large, transparency and accountability in the awarding of public contracts improved** and efforts were made to ensure equal treatment of bidders and facilitate sound competition among them. In 2002, a new Code of Public Procurement was approved, and its implementation begun in late 2003. Against this background, expenditure tracking has considerably been enhanced.

17. **In the context of its PRGF-supported reform program, Niger has implemented since 2000, a series of policy initiatives specifically aimed at addressing the widespread prevalence of poverty.** The poverty reduction and social sector policies are articulated in a full PRSP that was completed in January 2002, using an extensive participatory approach. A recent joint Bank/Fund staff assessment (JSA) of the PRSP's first progress report underscored several substantive achievements made over the last years in the areas of education and health (see IMF Country Report Nos. 04/61 and 03/387).

III. Assessment of Niger's Adjustment Experience and Fund Program Design

General characteristics

18. **Performance under Niger's adjustment programs was clearly poor in the early 1990s, becoming mixed during the latter part of the decade, before decisively improving during the period 2000-03**. With the notable exception of the three years to 2003, Niger's program implementation in the last decade had lacked in perseverance and continuity, due to political and social instability, as well as to limited institutional and human capital capacity. Even during the latter period, the authorities were unable to fulfill in a timely manner program commitments with regard to the reform of the petroleum products pricing system.

19. **The resulting stop-go pattern of policy implementation had limited the extent of effective adjustment.** In fact, successive governments pursuing Fund-supported policies have not engendered fundamental changes in Niger's economic prospects. Not surprisingly therefore:

- Real GDP growth has remained weak and extremely dependent on weather conditions;[11]

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[11] The primary sector contributes nearly half of GDP; mining (mostly uranium) accounts for about 7 percent of GDP, compared with a mere 1 percent for manufacturing. Under these conditions, and in the face of rudimentary irrigation facilities and extension services, performance in the key sectors of agriculture, livestock breeding, forestry and fishing, which are the backbone of the economy, has been extremely vulnerable to changes in weather conditions.

- Government revenue mobilization remains weak, making it difficult for Niger to considerably reduce its dependence on external aid;
- The external current account situation has remained fragile and vulnerable, in the face of continued deterioration of the terms of trade linked to the persistent downward trend of uranium prices; and
- The overall poverty levels have remained high, while indicators of access to health, education, material consumption, and environmental protection have continued to be among the weakest in sub-Saharan Africa.

20. **Until the late 1990s, the authorities' inability to improve the lot of the average Nigerien had created adjustment pessimism, limiting the extent of program ownership.** Several general lessons can be drawn from the shortcomings of Niger's adjustment experience, including:

- First, successful adjustment requires the existence of a stable government, as well as a broad-based national consensus in support of reform. The conspicuous absence of these crucial factors in Niger, especially before the democratization in 1999 of the state apparatus, considerably limited the extent of program effectiveness. The recent advent of elected and stable government, together with the adoption of the PRSP-inspired participatory approach to program design and implementation, has raised program ownership and effectiveness.
- Second, the adjustment process necessarily requires a sustained effort in which perseverance and continuity are critical. Before the initiation of the current PRGF program, Niger's Fund-supported programs went systematically off track before reaching their intended term; this negatively affected program outcomes.
- Third, a successful reform effort in Niger requires a major revenue increase, notably by strengthening tax administration and incorporating the informal economy into the tax net; it also hinges on a determined expenditure reorientation in favor of the social services and infrastructure building; as well as a sustained commitment to far-reaching structural reforms. Progress in these areas had been painfully slow for far too long, indicating that much remains to be accomplished, even though prospects have improved lately.
- Fourth, program performance has been affected by two main types of shocks in the last decade, pertaining to weather conditions and disruptions in external aid flows in the aftermath of military coups. Niger's policy responses have for the most part failed to mitigate the negative growth impact of droughts. However, the authorities have been more successful in preserving their broad fiscal objectives when faced with external assistance shortfalls. They have done so by effecting consequent spending cuts, especially during the 2000-03 period.

- Fifth, Niger's limited institutional and human capital capacity contributed to the delays encountered in the execution of the reform agenda, notwithstanding generous external technical assistance, including from the Bretton Woods institutions.
- Sixth, the staffs of the IMF and World Bank have generally complemented each other well in providing assistance to Niger, and collaboration has been close. In so doing, they have improved the consistency and effectiveness of the policy advice they offer to the authorities. Nevertheless, there have been instances where delays in the intervention of one of the two institutions have led to breaches in the performance indicators of country programs supported by the other. In 2003, the preparation of the medium-term expenditure framework (MTEF) for health and education (a structural benchmark under the annual PRGF arrangement) could not be completed in a timely manner because technical assistance from the World Bank became available only late in the year.
- Seventh, the Nigerien experience shows that after new governments took power, the Fund generally resumed lending before most other donors. In hindsight, in some instances, the Fund should have taken a more cautious approach in resuming financial support, especially when the authorities' political commitment to reform was not fully established.

Specific lessons from Niger's adjustment experience and for program design in the fiscal and external sectors are described more fully below.

Adjustment in the fiscal area

21. **The most problematic areas of Niger's fiscal adjustment experience pertained to revenue mobilization, management of the wage bill, and clearance of government payments arrears**. In hindsight, it appears that the setting of stringent indicative targets on the wage bill may have been inconsistent with the objective of clearing government domestic expenditure arrears during the 1994-99 period. Indeed, in the absence of sufficient public expenditure management safeguards, overly aggressive indicative targets on the wage bill likely resulted in increased wage expenditure arrears. The reduction in civil service compensation introduced to contain the wage bill may have contributed to social unrest during the 1994-99 period, further aggravating revenue shortfall potentials and increasing expenditure payments arrears.

22. **In some instances, especially in 1997, the revenue impact of the reforms was overestimated**. Although they are desirable, reforms in fiscal administration are known not to generate much revenue in the short term. Revenue projections should therefore not have attributed a significant quantitative impact to the revenue administration measures introduced under the program, particularly considering Niger's weak administrative capacities. Along the same lines, it was important that the tax revenue impact of reducing civil servants' wages be fully accounted for, which was not the case. Like in many other program countries, real GDP growth projections were sometimes overly optimistic (Table 2).

23. **Program implementation has consistently suffered from repeated shortfalls in foreign budgetary support.** In many instances, the rationalization for over optimism in external assistance delivery is far from convincing. For instance, following the military coup of January 1996, it should have become quickly apparent that foreign budgetary support would be curtailed, a development that the program failed to anticipate.

24. **The use of prior actions has proven effective in securing expeditious implementation of potentially difficult reform measures,** in particular in the 1999-2000 period preceding the adoption of the current PRGF program. Resort to such measures in the face of government failure to comply with agreed conditionality has helped prevent weakening of the reform agenda.

25. **In view of Niger's limited institutional and human capacities, streamlining of structural conditionality is essential to effective program implementation**. This has not always been the case, which explains some of the most publicized program failures. In the context of the 2002 program for instance, the authorities failed to meet all of the structural conditionalities pertaining to public expenditure management, while successfully implementing the retained key public expenditure management measures.

26. **Ambitious reform measures often end up being watered down and ultimately reduced to weakened conditionality if the appropriate safeguards are not in place from the beginning.** Such a development featured prominently in the area of domestic petroleum products pricing, which underwent successive revisions in 2001 and 2002. The Fund's credibility may have been undermined in the process. A better approach could have been for the Fund to push for a timely implementation of the initial phase of the reform and related conditionality, ensuring however that its main negative effects are dealt with through institution of an appropriate social safety net.

Adjustment in the external sector

27. **During much of the last decade, steady trade liberalization under the West African Economic and Monetary Union (WAEMU) auspices has resulted in increased openness of the economy.** While uranium remains the single most important export, there has been some progress in export diversification.

28. **The critical problem of dependence on highly concessional external financing remains.** Against this background, the treatment of Niger's foreign indebtedness received very high priority in Fund policies after 2000, when the country reached the decision point under the enhanced HIPC initiative. In this context, Niger's external payments arrears have, at long last, been cleared.

Trade policies and export promotion

29. **Although Niger's trade policies were not highly restrictive in the early 1990s, liberalization of the sector featured prominently in successive Fund programs during 1994-96, in accordance with WAEMU requirements on harmonization of external**

policies. Over the years, program approach to export promotion has progressively shifted away from reforming of specific sectors toward a focus on improvements in the investment climate, along with the attainment of macroeconomic stability.

30. **In 1996, the country's trade openness rating fell to 2 on the IMF's 10-point scale.**[12] However, Niger experienced revenue difficulties in 1998-99 and, more recently, in 2003, at least in part due to the fact that transfers from WAEMU (to compensate for lower customs revenue linked to lower import barriers) did not materialize. Thus, while WAEMU support for import-policy liberalization improved the climate for imports in Niger, the union's inability to police its membership and ensure revenue transfers to Niger following these policy shifts later worsened existing fiscal pressures. By 2002, Niger's rating on the IMF's scale of trade openness had declined to 1. This opening led to an increase in intra-WAEMU trade, as trade with Africa surpassed that with Europe for the first time in 2001.

31. **Despite generally adverse terms of trade changes, the volume of non-uranium exports increased substantially between 1994 and 1998**. Uranium, which accounted for 61 percent of exports in 1994, declined to 40 percent of total exports by 2000, with export revenue falling from CFAF 78.4 billion to CFAF 64.2 billion; non-uranium exports grew from CFAF 47.8 billion in 1994 to CFAF 115.3 billion in 2000. This export growth was led by goods such as cotton, groundnut products, Arabic gum, and other agricultural products, which probably benefited from the price advantage afforded by the devaluation and Fund-supported programs. Niger's success in export diversification over the last decade has nevertheless been too modest to have a significant impact on poverty.

External debt and arrears

32. **Niger had maintained a large stock of external, as well as domestic, arrears through the late 1990s.** Despite successive programs emphasizing the importance of external arrears clearance, a stock of CFAF 236 billion (19 percent of GDP) was still outstanding at end-1999. In the 1990s, most of this performance has been due to poor public expenditure management (an area in which both the World Bank and Fund were involved), though much of the arrears were accumulated during periods of political instability and consequent delays in aid disbursements, including debt relief, from creditors.

33. **The treatment of Niger's high level of external indebtedness was given high priority status in the 2000-03 program, just as the country reached the decision point under the enhanced HIPC Initiative**. A performance criterion under the program stipulated that loans have grant elements in excess of 50 percent, 15 percent higher than the usual threshold for low-income countries. This performance criterion was generally observed

[12] The lower the ranking on the 10-point scale, the higher the level of trade openness.

during the period analyzed.[13] During debt negotiations shortly following the decision point, including a Paris Club meeting in January 2001, Niger's outstanding external arrears were rescheduled. The authorities have been diligent since then in honoring their external commitments, and there are now no outstanding arrears. As arrears during the 1990s accumulated largely during periods of political uncertainty, this improvement is in some measure due to the comparatively extended period of political stability since 2000. However, the authorities also deserve credit for improved debt management.

34. **The variability and unpredictability of foreign aid flows to Niger presented significant challenges to successive government programs.** Reflecting donors' reaction to repeated domestic political disturbances and policy slippages, external aid volatility contributed to program discontinuities and accumulation of payments arrears.This underscores the need for: (i) strong policy commitment and program implementation to ensure greater predictability of donor assistance; and (ii) greater flexibility in budget execution[14] to avoid accumulation of large arrears when external assistance falls short of program projections.

Poverty reduction strategy

35. **Niger's poverty reduction strategy aims to foster strong and sustainable economic growth and poverty reduction**, as spelled out in the poverty reduction strategy paper (PRSP). The latter was completed in January 2002 using an extensive participatory approach that has helped raise understanding and ownership of key government policies. This undoubtedly contributed to improving policy implementation under the PRGF. Niger's poverty reduction program rests on four strategic pillars: (i) the creation of a macroeconomic environment conducive to economic growth; (ii) the development of the productive sectors, especially in the rural areas; (iii) improvements in access to quality social services by the poor; and (iv) the strengthening of human and institutional capacities, governance, and decentralization. The PRSP remains the overarching instrument of policy making in Niger.

IV. THE WAY FORWARD: NIGER'S MEDIUM-TERM CHALLENGES, OBJECTIVES, AND POLICIES

Economic policy considerations

36. **The overriding task of the authorities is to place and keep the economy on the path to strong and sustained growth, for effective poverty reduction**. This will require continued fiscal consolidation and expenditure reorientation towards increased investment, as well as a further strengthening of Niger's structural reform agenda, both of which are

[13] One loan in violation of this PC was contracted in 2002. The authorities elected not to draw from the loan until new terms had been agreed.

[14] In the form of contingency revenue-enhancing and expenditure-reducing measures.

essential to ensuring that the economy's aggregate supply response becomes progressively less dependent on weather conditions. Such a development is especially needed in the rural sector where the bulk of the population resides and will continue to be employed. If anything, the successful implementation of the current PRGF-supported program, within the framework of the Poverty Reduction Strategy,[15] has shown these goals can be realized.

37. **Consistent with the above, and as spelled out in its Poverty Reduction Strategy, Niger should work toward achieving the following key macroeconomic objectives over the medium term**. First, it should strive to maintain real GDP growth at a level higher than that of population growth, which is estimated at 3.1 percent a year. The potential growth poles lie in agriculture, stockbreeding, non-uranium exports, and enhanced specialization in export sectors as favored by the emerging regional WAEMU market, as well as tourism. Second, efforts should be directed toward maintaining the inflation rate at the existing low levels. Third, the authorities should aim to progressively reduce the current account deficit of the balance of payments (excluding official transfers).

38. **In order to achieve these objectives, a significant increase in the investment-to-GDP and savings ratios will be needed, requiring a steady rise in public saving**. In this perspective, the government should reinforce the viability of the public finances by achieving a surplus on the current budget balance starting in 2004; over time, the revenue-to-GDP ratio will have to be raised to at least the WAEMU threshold of 17 percent. While attainment of this budgetary outlook would be facilitated by Niger being granted "topping up" at the enhanced HIPC Initiative completion point,[16] realization of the regional revenue target remains a long-term challenge, especially considering the country's relatively high tax rates and its commitments in the area of fiscal legislation under the WAEMU. Against this background, the planned increase in revenue is bound to be gradual, reflecting a strengthening of the tax and customs agencies (particularly at the local level) and the reform of the tax system, with a view to widening the tax base and eliminating exemptions.

39. **In the period ahead, structural and sectoral policies should aim to effectively minimize direct involvement of the public sector in the economy**. It is indeed essential that commercial and industrial activities that can profitably be carried out by the private

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[15] Niger's poverty reduction strategy is built on four pillars: (i) a macroeconomic framework ensuring economic and financial stability while promoting sustainable and robust growth; (ii) the development of productive sectors, especially in rural areas; (iii) improvement in the access for the poor to quality social services; and (iv) the promotion of good governance and the strengthening of institutional and individual capacity.

[16] As a result of the topping up of enhanced HIPC relief granted to Niger, debt service, in terms of both exports of goods and nonfactor services and government revenue, would decline to below 10 percent starting in 2004, despite the ratio of NPV of debt-to-GDP remaining relatively high.

sector are left to the latter. Consequently, the privatization of the electricity and petroleum importing companies will have to be finalized, which should help improve the overall competitiveness of the economy.

40. **Beyond state disengagement from industry and commerce, promotion of the private sector will be achieved through the creation of conditions that motivate businesses to invest, including a significant strengthening of the financial sector.** The measures to be taken to that effect should aim to facilitate the emergence of a more predictable and transparent economic environment, as well as higher business profitability. Against the backdrop of the existing, broadly adequate pricing policies, the focus should be on continued improvement of the judiciary and increased accountability in public sector resource management, drawing from progress accomplished in the area over the last years. The overhaul of the judiciary is to be achieved in the context of the Judicial Reforms Support Program (PARJ). In the financial sector, priority should be given to: (i) strengthening Niger's links to the regional financial market; (ii) effectively restructuring the Credit du Niger and the Caisse des Prets aux Collectivités Territoriales; and (iii) reforming the insurance sector.

41. **Niger's PRSP gives special consideration to economic sectors that have a strong growth potential.** In the authorities' view, such sectors include agriculture, tourism and mining. In this context, considering the country's susceptibility to drought, the government is strengthening the food security program and developing income-generating activities, notably through credit programs to support rural women-financed initiatives and IDA-funded projects in the areas of extension services, agricultural research and small-scale private irrigation projects. Tourism is being revitalized, with the government improving existing accommodations and beefing up infrastructure. Efforts are also being made to diversify mining production, beyond uranium and gold, through intensification of prospecting activities for petroleum and other minerals.

Institutional and political considerations

42. **As noted earlier, political instability and social unrest explain to an important extent Niger's past difficulties in realizing a timely and steady implementation of its reform agenda.** Beyond the need to ensure an effective execution of the policy framework spelled out above, the country's success in securing a durable revival of the economy and sustained poverty reduction will hinge on Niger becoming politically more stable. In this respect, 2004 will be a crucial year, in view of the local and presidential elections that are scheduled to take place in the third and last quarters, respectively.

43. **The implementation of the reform agenda will continue to impose a heavy burden on Niger's administrative resources, requiring extensive technical assistance.** With the support of the Bretton Woods institutions and other donors, including France, the Government will have to introduce a well-targeted program for strengthening capacities in many areas of public administration, especially for revenue monitoring and collection, and expenditure management, macroeconomic data collection and management for effective economic policy implementation.

44. **The Fund's technical assistance should primarily focus on strengthening performance in the revenue agencies, including with measures promoting good governance, so as to make possible the achievement of the government's medium-term revenue objectives.** Niger has made significant progress over the last years in simplifying its tax system; Fund technical assistance in the fiscal area should henceforth mostly aim at further strengthening the tax/customs administration, either with direct FAD involvement, or through the Mali-based regional technical assistance center (AFRITAC West). The Fund would also be expected to assist in the authorities' efforts to strengthen their macroeconomic data management capacity, particularly in the area of national accounts.

V. Future Role of the Fund and Collaboration with Other Donors

45. **Niger is still probably best categorized as an "early stabilizer" under the Fund's typology of low-income members.** Until very recently, the authorities have often faced substantial domestic opposition to some of their economic agenda, specifically privatization. Under the circumstances, with repeated bouts of political instability, Fund-supported programs have for the most part been founded on the need for macroeconomic stabilization.

46. **Since the 1994 devaluation of the CFA franc, Fund involvement with Niger has provided a framework for macroeconomic reform, helping to enhance Niger's macroeconomic stability**. Fund programs focused largely on fiscal issues, particularly revenue mobilization, throughout the period. Despite the disruptions caused by political instability and high variability of growth rates, government revenue increased from an average of 6.6 percent of GDP in 1994-95 to 9.5 percent of GDP during 2000-02, while the overall budget balance also declined marginally. However, the current account position deteriorated during the same period, as imports, financed by external loan and grant disbursements, grew faster than the export base; the increase in external loans has led to high debt ratios for Niger. The willingness of successive Nigerien governments to engage in Fund-supported programs has unquestionably been a valuable anchor for macroeconomic policy and external financing.

47. **In the period ahead, Niger will need to make further progress towards macroeconomic stability and is likely to remain dependent on concessional external financing.** Indeed, despite the recently approved HIPC topping-up assistance, NPV of debt-to-export ratios are expected to remain close to or above 150 percent in the long term, due to new borrowing,[17] and notwithstanding an assumed smooth pattern of long-term export and GDP growth.

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[17] In these projections, grants are assumed to represent 60 percent of total needed external financing (including project assistance). The remaining external assistance requirement is assumed to be covered with loans contracted with a 60 percent grant element (see IMF Country Report No. 04/161).

48. **The authorities have indicated their determination to work with the Fund to ensure that needed external financing requirements are met**, recognizing that to the extent possible the financing needs will have to be covered with grants, and only if necessary with highly concessional loans. Considering the potential financing gaps over the medium term[18] and the need to ensure continued progress on the economic policy front, Niger does not yet appear ready to move to a relationship with the Fund based on surveillance and technical assistance. Rather, Fund financial involvement would be expected to continue in the form of a new PRGF arrangement, most likely with a low level of access. The Fund would also be expected to play a catalytic role in securing financial and technical support from other development partners. The authorities have expressed satisfaction with the Fund's past performance in this key area, and called for the institution to stay the course over the medium term. In addition to Fund support, grant-based financing must necessarily also involve such key multilateral agencies as IDA and the AfDF that are among Niger's largest creditors. With continued political and macroeconomic stability, access to more diversified sources of financing will eventually be facilitated. In this perspective, the broadly effective Bank-Fund collaborative approach to providing policy advice to Niger should not only continue over the medium term, it should be extended to other donors as well, in the context of the post-Monterrey Enhanced Donor Harmonization Initiatives that are presently being developed.

VI. The Views of the Authorities

49. **The authorities prepared their own evaluation of performance under Fund-supported programs, concurring with the thrust of the staff's ex post assessment of Fund long-term engagement**. They noted the continued dependence of growth performance on weather conditions despite years of donor support, which they attributed to the predominant economic role of the rural sector and to a failure to significantly improve water management infrastructure and irrigation systems in the last decades. They viewed the realization of substantial investments in these areas as critical to improving Niger's growth prospects over time. The authorities also assigned a key role to the private sector in bringing about stronger and sustained growth in the medium term. They indicated their readiness to develop a more formal dialogue with the business community on economic policymaking.

50. **Considering Niger as a relatively early stabilizer, the authorities were of the view that the country would need continued financial and technical backing from the Fund and its development partners in the period ahead.** Prospects for domestic financing of the poverty reduction program remain indeed limited, despite expected improvements in the public finances. With a view to preventing a deterioration of debt sustainability, the authorities indicated they would seek mostly grants and highly concessional loans. They asked for Fund support in ensuring that the donor community would make such resources

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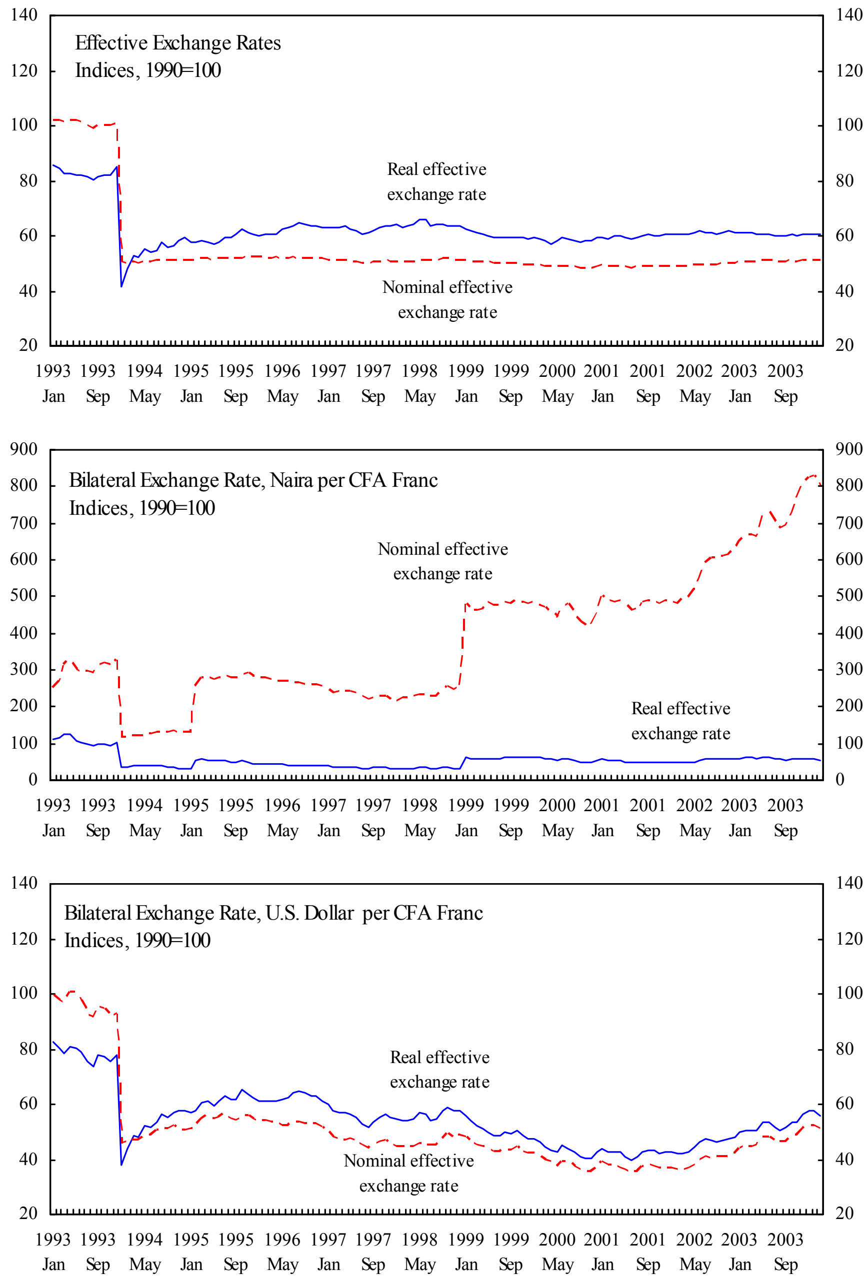
[18] The total financing gap is projected at about SDR 120 million (at end-2003 exchange rates) for the period 2004-06, equivalent to 199 percent of quota.

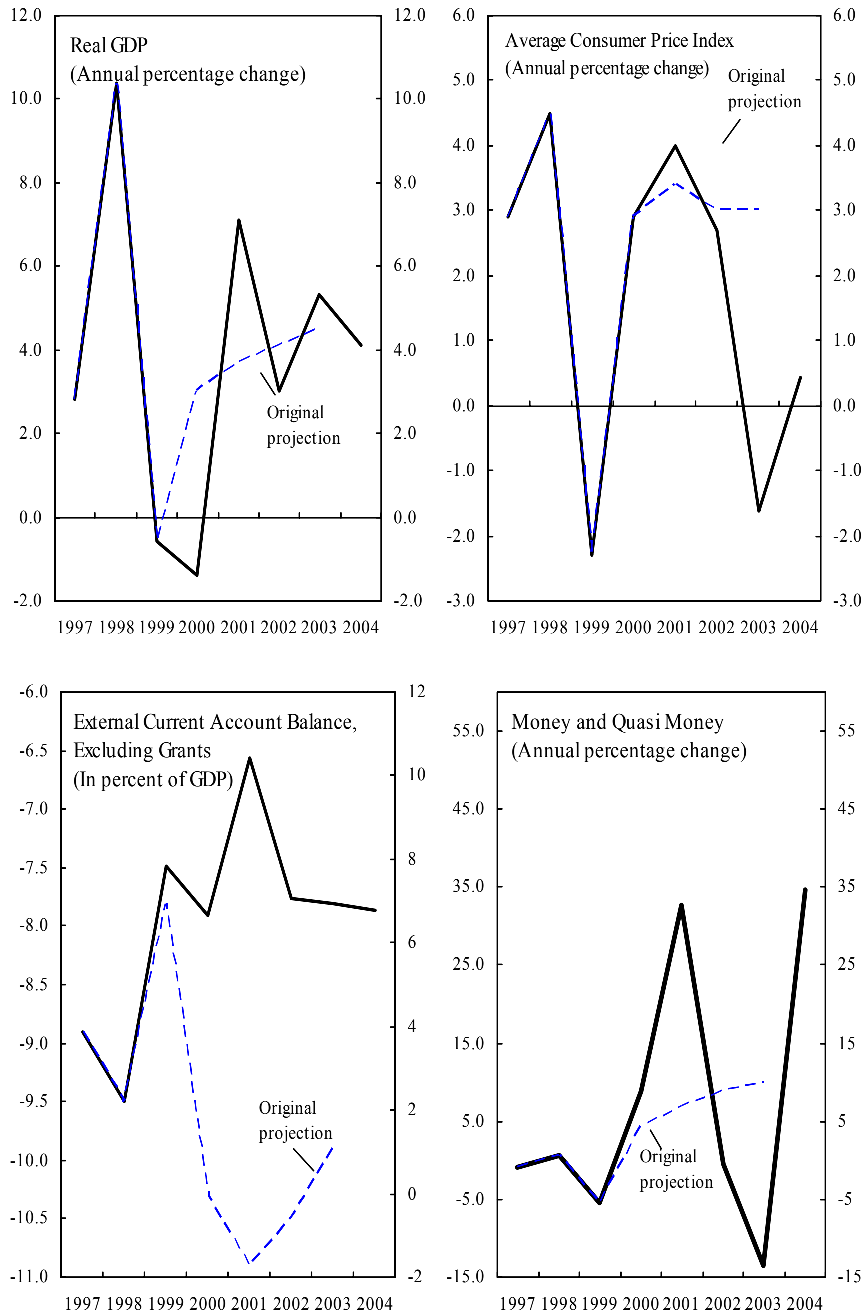
available to Niger. Beyond helping the country secure donor financial assistance, the Fund, in the authorities' views, should continue to contribute to strengthening domestic technical and institutional capacity for effective policy and program design and implementation. In addition, the authorities indicated they see the Fund as a key player in further rationalizing donor interventions, including with respect to the streamlining of program conditionality.

Figure 1. Niger: Exchange Rate Indices, January 1993-March 2004



Sources: IMF, Information Notice System.

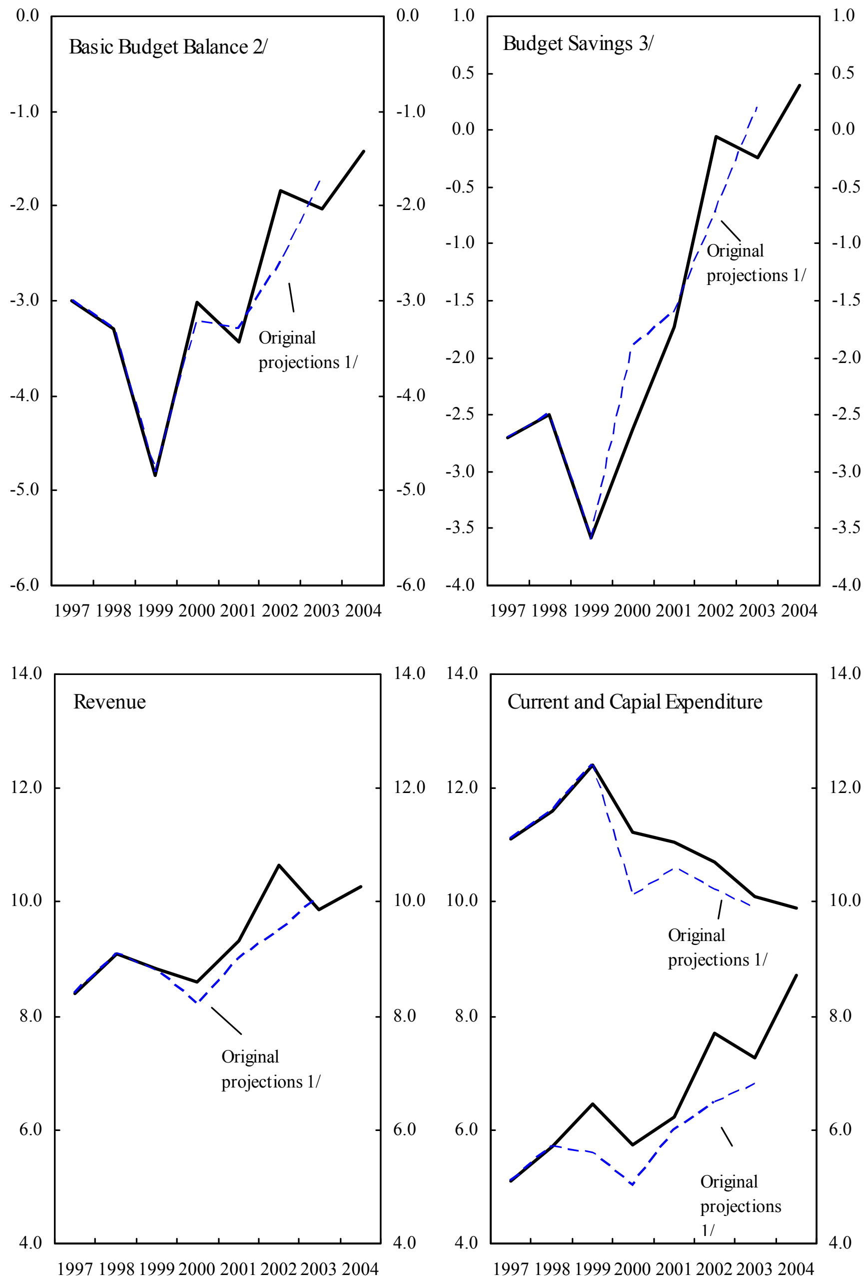
Figure 2. Niger: Selected Economic Indicators, 1997-2004



Sources: Nigerien authorities; and staff estimates and projections.

Dashed line corresponds to original projections under the PRGF arrangement approved in December 2000 (IMF Country Report No. 01/15). Solid line corresponds to actual data until 2002, estimates for 2003 and current projections for 2004.

Figure 3. Niger: Selected Fiscal Indicators, 1997-2004
(In percent of GDP)



Sources: Nigerien authorities; and staff estimates and projections.

1/ Dashed line corresponds to original projections under the PRGF arrangement approved in December 2000 (IMF Country Report No. 01/15). Solid line corresponds to actual data until 2002, estimates for 2003 and current projections for 2004.

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

Table 1. Niger: Selected Social and Demographic Indicators

	Latest Single Year			Same Region/Income Group	
	1970-75	1980-85	1995-2001	Sub-Saharan Africa	Low income
Population					
Total population, midyear (in millions)	4.8	6.6	11.2	673.9	2,505.9
Growth rate (annual average for period in percent)	2.9	3.2	3.4	2.5	1.9
Urban population (in percent of population)	10.6	14.3	21.1	32.3	30.8
Total fertility rate (births per woman)	8.0	8.0	7.2	5.1	3.5
Income					
GNI per capita (in U.S. dollars)	250.0	230.0	180.0	460.0	430.0
Consumer price index (1995=100)	31.2	89.0	118.5	...	...
Food price index (1995=100)	...	101.6	131.2	...	...
Share of income or consumption					
Gini index	...	...	50.5	...	...
Lowest quintile (percentage of income or consumption)	...	...	2.6	...	...
Highest quintile (percentage of income or consumption)	...	...	53.3	...	...
Social Indicators					
Public expenditure (in percent of GDP)					
Health	...	...	1.8	2.5	1.1
Education	2.3	3.1	2.7	3.4	2.8
Social security and welfare	...	0.31	...	...	...
Net primary school enrollment rate (in percent of age group)					
Total	...	24.6	30.4	...	...
Male	...	32.2	36.3	...	...
Female	...	17.0	24.4	52.0	...
Access to an improved water source (in percent of population)					
Total	...	...	59.0	58.1	76.1
Urban	...	...	70.0	82.7	90.2
Rural	...	...	56.0	46.4	70.1
Immunization rate (percent under 12 months)					
Measles	...	27.0	51.0	57.8	59.8
DPT	...	4.0	31.0	52.9	61.5
Child malnutrition (percent under 5 years)	...	49.4	40.0	...	...
Life expectancy at birth (in years)					
Total	39.9	43.7	45.7	46.2	58.9
Male	38.4	42.1	44.0	45.4	57.9
Female	41.5	45.3	47.5	47.0	60.0
Mortality					
Infant (per 1,000 live births)	194.0	191.0	156.0	105.4	80.4
Under 5 (per 1,000 live births)	325.0	320.0	265.0	170.6	120.6
Adult (15-59)					
Male (per 1,000 population)	610.7	561.9	473.0	519.9	311.9
Female (per 1,000 population)	490.2	452.9	308.0	461.3	255.7
Maternal (modeled, per 100,000 live births)	...	...	920.0	...	...
Births attended by skilled health staff (in percent)	...	20.0	15.7	...	...

Table 2: Niger - Selected Economic and Financial Indicators, 1994-2003

	1994-95		1996-2000		2001-2003	
	Prog.	Act.	Prog.	Act.	Prog.	Act.
	(Average annual variation, in percent)					
National Income and Prices						
Real GDP	3.6	3.3	4.3	2.9	3.7	5.1
Inflation, end-of-period	24.7	23.0	3.0	2.8	1.5	0.8
Broad money	6.2	5.2	2.5	-4.4	10.3	17.3
	(In percnt of GDP, annual average, unless otherwise indicated)					
Central Government Finance						
Government revenue	6.7	6.6	10.7	8.5	10.5	9.9
Total Expenditure & Net Lending 1/	17.0	16.9	18.9	16.4	18.1	17.7
Current Expenditure	11.7	11.9	11.1	9.5	10.8	10.6
Capital Expenditure	5.3	5.2	7.2	6.8	7.3	7.0
Overall fiscal balance 2/						
(excluding official budgetary grants)	-9.4	-10.2	-9.2	-7.8	-8.0	-7.7
Basic Fiscal Deficit	-2.0	-2.7	-0.2	-3.4	-2.4	-2.4
Wages (In percent of Revenue)	85.8	81.5	43.0	44.9	37.6	35.4
Gross Investment	9.0	8.9	14.0	10.6	13.7	13.4
Gross Domestic Savings	2.4	0.1	6.5	3.2	4.4	4.1
External current account balance						
(excluding official budgetary grants)	-6.3	-7.1	-5.4	-6.5	-8.6	-7.8

Sources: Nigerien authorities; and staff estimates.
1/ Commitment basis as per payment orders issued.
2/ Program data include grants for projects and HIPC Initiative assistance. Actual data also includes grants.

Table 3. Niger: Observance of Quantitative and Structural Performance Criteria, 2001-03

	2001	2002		2003		
	September	March	September	March	September	December
Quantitative performance criteria						
Variation of net bank credit to the government	Met	Met	Met	Met	Met	N/A
Basic budget deficit (commitments basis, excluding grants)	Met	Met	Met	Met	Met	Met
Reduction in government domestic payments arrears	Met	Not met	Met	Met	Met	Not met
Domestic financing of the budget		N/A	N/A	N/A	N/A	Met
Continuous quantitative performance criteria						
Accumulation of external payments arrears	Not met	Not met	Not met	Met	Met	Met
External debt contracted or guaranteed by the government with maturities of 0-1 year	Met	Met	Met	Met	Met	Met
Nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year	Met	Not met	Not met	Met	Met	Met
Quantitative indicative targets						
Budgetary revenue	Met	Met	Met	Met	Not met	Not met
Wage bill	Met	Not met	Not met	Met	Met	Met

Table 3. Niger: Observance of Quantitative and Structural Performance Criteria, 2001-03 (concluded)

	Test Date	Status
Structural Performance Criteria and Benchmarks		
Structural Benchmarks		
Transmittal to the IMF staff of a draft final budget law for 2001, together with the declaration of conformity established by the Audit Court, and transmittal of the fiscal-year 2001 accounts to the Audit Court	End-December 2002	Met . Completed as prior action on August 26, 2003. Declaration of conformity established by the Audit Court on August 26, 2003.
Strengthening of the External Debt Service Unit through the introduction of a new debt-management software and training of staff	End-June 2002	Met. Completed as prior action on September 8, 2003.
Transmittal to the government of a study prepared by an independent consulting firm on the remuneration of the petroleum sector operators included in the pricing formula	End-December 2002	Met. Completed as a prior action on August 15, 2003.
Completion of an actuarial audit of the National Retirement Pension Fund	End-September 2002	Met. Completed in November 2003 with a copy of the report
Completion of a financial audit of the wage bill	End-September 2003	Met. Completed in November 2003 with a copy of the report made available to staff.
Preparation of a medium-term expenditure framework for two key social sectors	End-December 2003	Work was started with assistance from the World Bank. Completion expected in first
Computerization of two regional treasury offices for the implementation of the government's new charter of public accounts	End-December 2003	Met
Selection of a consultant to prepare the study of the medium-term financial projections of the National Retirement Pension Fund (FNR)	End-December 2002	Met in April, 2003.
Introduction of the new budget nomenclature and the new public accounts charter, and their use in preparing the 2003 budget law	End-September 2002	Met
Submission of a report on (i) the execution of the presidential program to reduce poverty and (ii) the use of resources freed by the HIPC Initiative in 2001	End-March 2002	Met in April, 2002.
Preparation of a final budget law (*Loi de règlement*) for 2000 to be submitted to the National Assembly and transmittal of the 2000 budgetary accounts to the Audit Court	End-December 2001	Met in April, 2002.
Computerization of the budgetary expenditure processes of the government at the central level	End-September 2001	Met in December, 2001.
Preparation of a new budget and public accounting nomenclature that would improve the recording of government operations and ensure consistency between the	End-June 2001	Met in September 2001.
Approval of an automatic, transparent, and flexible pricing system for petroleum products	End-June 2001	Met in August, 2001.
Establishment of the opening balances for 2001 accounts on	End-March 2001	Met in September, 2001.
Structural performance criterion		
Implementation of an automatic, transparent, and flexible	Continuously	Done, beginning August 1, 2001;

Sources: IMF Country Report Nos. 01/15, 01/138, 02/35, 02/192, 03/110, and 04/12).

Statement by the IMF Staff Representative
June 28, 2004

1. At the last Board meeting on Niger's enhanced HIPC completion point, several Directors raised issues pertaining to the freeze of European Union financial assistance between the decision and completion points. The freeze contributed to a shortfall in grant disbursements. While the bulk of the shortfall was covered by adjustment, the authorities contracted external loans not envisaged in the program, resulting in a considerable deterioration of Niger's debt sustainability. Specifically, two issues were raised by Directors: (i) whether the freeze of EU assistance was a cancellation or a postponement of the disbursement of grants; and (ii) if the shortfall in donor financing was due to circumstances outside the control of the authorities. This notes provides additional information on the above-mentioned issues.

2. The main facts are as follows:

- Problems in the utilization of EU funds in Côte d'Ivoire (1999 and 2000) led the EU to tighten its audit practices.

- Thus, in 2001, the EU hired an auditing firm to audit a sample of EU grants used to fund education and health outlays in Niger during 1996-2000. In a preliminary report, the auditors found irregularities and concluded that CFAF 6.5 billion of expenditures in the sample did not meet requirements for payments with EU grants. This sample amount was then extrapolated to all bills paid with EU funds to arrive at an estimated CFAF 14-18 billion of ineligible payments.

- On the basis of the preliminary report, the EU immediately suspended all disbursements. According to the EU, irregularities reflected violation of spending procedures and poor record keeping. The staff is unaware of a misuse of funds.

3. In response to the above developments, the EU offered two options to the government to redress the violation:

- One, the authorities could pay the estimated amount of ineligible payments into the EU counterpart account and agree with the EU on how those funds would be spent.

- Two, the EU could reduce future grants for budgetary support by the same amount.

4. The authorities contested both the estimated amount of ineligible payments and the extrapolation methodology used by the auditors. To resolve the alleged irregularities, the authorities initiated negotiations with the EU in the fall of 2001, and the two parties agreed

(in early 2002) that ineligible payments amounted to the initial estimate of CFAF 6.5 billion, and that the EU would reduce future assistance accordingly.[1]

5. The authorities did not choose the first option proposed by the EU because:

- The government did not have the resources to do so. In particular, as a member of the CFA franc zone with the BCEAO as the common central bank, the authorities could not borrow such an amount from the central bank, and Niger's creditworthiness did not permit it to issue bonds on the regional capital market.

- The Minister of Finance was concerned that repayments of EU funds would be interpreted as a sanction of the government's management of public resources, a responsibility he was unwilling to accept since the irregularities occurred under the regime of the former President.

6. The result was that the EU curtailed disbursements. Budgetary assistance from the EU was resumed in the last quarter of 2002 after the Nigerien authorities implemented a set of measures to strengthen public finance management. However, the foregone amount was no longer available because of the expiration of the EU program.

7. The issue of the freeze was discussed by the staff with the EU in Brussels in 2001 and reported in the staff reports for the second and third reviews under the current PRGF arrangement and in the completion point document (EBS/03/170, footnote 30).[2] The staffs of the Fund and World Bank considered that the shortfall in EU assistance was exogenous since it was not foreseen at the time of the decision point under the enhanced HIPC Initiative in December 2000, and did not reflect policy slippages or delays in implementing reforms between the decision and completion points. Also, once the audit was completed, borrowing was unavoidable given Niger's particular circumstances; even though, as it turned out, new loans worsened the country's debt sustainability. In retrospect, this particular outcome should have been more fully discussed between the Fund and the EU when the problem emerged in 2001 to determine if an alternative solution was available and whether this episode could have been avoided.

[1] The EU conducted similar audits in several countries, including Guinea, Malawi, Zambia, and Senegal, where irregularities were also found. However, those countries were able to deposit funds in counterpart accounts, sometimes with the assistance of disbursements from the EU.

[2] See IMF Country Report No. 02/35, p.7 paragraph 7 and footnote 5; and IMF Country Report No. 02/192, p. 15 and 16, paragraph 17 and footnote 10.

INTERNATIONAL MONETARY FUND
Public Information Notice
EXTERNAL RELATIONS DEPARTMENT

Public Information Notice (PIN) No.04/71
FOR IMMEDIATE RELEASE
July 19, 2004

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

IMF Concludes 2004 Article IV Consultation with Niger

On June 28, 2004, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Niger.[1]

Background

Since the mid-1990s, Niger has been implementing reforms supported by the Fund through successive Enhanced Structural Adjustment Facility (ESAF) and Poverty Reduction and Growth Facility (PRGF) arrangements.[2] The last PRGF arrangement with Niger was approved in December 2000 in support of a program covering the period 2000-03. At the time of the fifth review in November 2003, the arrangement was extended to June 2004. In early April 2004, the Executive Boards of the Fund and World Bank concluded that Niger had fulfilled the conditions

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

[2] On November 22, 1999, the IMF’s concessional facility for low-income countries, the Enhanced Structural Adjustment Facility, was renamed the Poverty Reduction and Growth Facility, and its purposes were redefined. It is intended that PRGF-supported programs will in time be based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners, and articulated in a poverty reduction strategy paper. This is intended to ensure that each PRGF-supported program is consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an interest rate of 0.5 percent a year, and are repayable over ten years with a 5½ year grace period.

for reaching the completion point under the enhanced Heavily Indebted Poor Countries Initiative (HIPC), including topping up, and that the government's Poverty Reduction Strategy Paper (PRSP) provided an appropriate analysis of poverty in Niger and of the authorities' strategy to alleviate it. On May 12, 2004, Paris Club creditors agreed to cancel Niger's total external debt with these creditors, in line with the debt relief expected under the enhanced HIPC, topping up relief, and additional bilateral debt cancellation. Non-Paris Club creditors are expected to provide debt relief on comparable terms. Total debt relief is estimated at US$663.1 million in net present value (NPV) terms, of which the Fund will provide US$42.0 million.

Niger's macroeconomic performance has been satisfactory in 2002 and 2003, notwithstanding the adverse impact of the crisis in Côte d'Ivoire and large fluctuations in agricultural output owing to uneven rainfalls. Real GDP growth is estimated to have increased to 5.3 percent in 2003, from 3.0 percent in 2002, owing to a bumper crop made possible by favorable weather conditions and increased activity in the construction and trade sectors. The very good foodcrop recorded during the year contributed to a decline in the consumer price index of 1.6 percent in 2003, compared with an increase of 2.7 percent in 2002. Economic activity has remained buoyant in early 2004, with the agricultural and construction sectors benefiting from continued favorable weather conditions and the implementation of HIPC-funded investment projects in the social sectors and rural areas.

The external current account deficit, after official transfers, narrowed slightly to 6.2 percent of GDP in 2003, as an increase in the trade deficit was offset by lower interest payments and higher official transfers for budgetary assistance. Since end-2001, the real effective exchange rate has appreciated by 5 percent, reflecting the strengthening of the euro (to which the CFA franc is pegged) against the U.S. dollar. Fiscal performance was broadly satisfactory in 2002 and 2003, although revenue collection weakened in 2003, owing mainly to the impact of the crisis in Côte d'Ivoire. The overall fiscal deficit, before grants, is estimated to have fallen by 0.2 percentage point of GDP, to 7.5 percent of GDP in 2003.

Monetary policy, which is conducted at the regional level by the Central Bank for West African States (BCEAO), has remained prudent. The BCEAO reduced the discount rate by 150 basis points to 5.0 percent between July and October 2003 in response to the fall in inflation, the decline in interest rates in the euro area, and its high level of international reserves. The health of Niger's banking system is broadly satisfactory, with the majority of the local banks effectively complying with most of the Regional Banking Commission's prudential regulations.

There has been progress in implementing structural reforms since 2002. Improvements in public expenditure management have made possible modernization of the chain of expenditure, both in terms of management procedures and the information system, and have facilitated enhanced monitoring of the HIPC-funded budget spending that contributes to poverty reduction. At the same time, the authorities have strengthened medium-term budget programs.
Significant advances have also been made in implementing the government's poverty reduction strategy, which has resulted in increased school enrollment rates and improved medical coverage in the rural areas. There have been some delays, however, in the area of privatization.

The authorities agreed with the thrust of the staff's assessment of performance under past Fund-supported programs. Notwithstanding the progress made in restoring macroeconomic stability and laying the foundations for sustainable growth, Niger faces many challenges and remains vulnerable to exogenous shocks, especially poor weather conditions, and terms of trade fluctuations. The authorities have expressed interest in a successor PRGF arrangement to help them implement their pending reform agenda and mobilize external assistance.

Executive Board Assessment

Directors commended the authorities for the significant strengthening of policy implementation under Niger's PRGF-supported program, which resulted in encouraging progress toward macroeconomic stability, higher economic growth, and poverty reduction. GDP growth is expected to remain robust in 2004, supported by continuing favorable weather conditions and strong domestic demand underpinned by investment in the social sectors.

Directors considered Niger's medium-term economic prospects to be generally favorable, provided the authorities continue to take strong action to address the considerable economic and social challenges that Niger still faces. These include: the need to boost economic growth rates and improve social indicators; a reduction in the economy's heavy dependence on foreign aid and vulnerability to exogenous shocks; and a continued lowering of the still-high debt burden. Accordingly, Directors highlighted the importance of continued progress toward fiscal consolidation, along with appropriately prioritized reforms to lower production costs, diversify the production and export base of the economy, and improve competitiveness and the business climate.

Directors stressed that long-term fiscal sustainability will be crucial to preserve economic growth and poverty reduction. They commended the authorities' continued sound fiscal management, and encouraged them to maintain fiscal prudence, particularly in the run-up to the presidential elections. Noting Niger's low tax effort by regional standards, Directors underscored the importance of deeper and broader tax reform, including efforts to widen the tax base and bring at least part of the informal sector into the tax system. This will be critical to increasing the resources available for investment and poverty reduction while reducing the dependence on foreign aid. Directors also urged strict control over expenditure, including wage restraint, as well as continued emphasis on priority spending and the provision of an adequate safety net for the more vulnerable groups. It will also be important that the authorities adhere strictly to the schedule for clearing arrears over the next five years. Directors looked forward to the audit of HIPC spending, which will help ensure that HIPC assistance is used effectively.

Directors noted that Niger's external debt will remain high despite HIPC topping up, and that Niger will continue to rely on external financing for some time. They therefore supported the authorities' prudent debt-management strategy of seeking only grants and — exceptionally— highly concessional loan financing. Close collaboration with the donor community will remain key in this regard.

Directors welcomed the continued absence of inflationary pressures, and the prudent easing of monetary policy by the Central Bank for West African States since 2003. They encouraged the authorities to move ahead with the settlement of outstanding statutory advances to the central bank.

Directors welcomed the authorities' commitment to their structural reform agenda. Noting the delays experienced in this area in 2003, they encouraged the authorities to expedite the privatization of the electricity and petroleum importing companies (NIGELEC and SONIDEP) to help lower energy costs and boost private investment. Directors acknowledged the importance of ensuring that the economic and social costs of the privatization process are adequately addressed. They welcomed the improvement in the overall health of Niger's financial institutions, which are generally complying with prudential norms. Going forward, efforts to improve the competitiveness of the banking sector will enhance financial intermediation, while the development of microfinance institutions will help improve access to credit country-wide. Directors encouraged the authorities to press ahead with the privatization of the state-owned Credit du Niger and the restructuring of the National Post and Saving Institution (ONPE). They also encouraged the authorities to implement promptly the recommendations of the recently completed Public Expenditure Management and Financial Accountability Review (PEMFAR) conducted by the World Bank.

Directors welcomed the broadly satisfactory implementation of the PRSP, particularly the progress in expanding health coverage and improving Niger's low primary school enrollment rates, although a further strengthening of efforts in these areas will remain critical. They underscored the importance of carrying out the household survey, and supported the authorities' focus on agricultural and rural development as a vital channel for poverty reduction.

Directors welcomed the ex post assessment of Niger's performance under Fund-supported programs. Going forward, they supported the priority emerging from the assessment on the need to increase investment and savings, including by strengthening public savings through increased revenue mobilization. They also underscored the importance of minimizing direct involvement of the public sector in the economy, establishing adequate conditions for private sector development, and improving infrastructure to ensure a better management of water. Directors emphasized the need to strengthen institutional capacity, particularly in the areas of tax and customs administration, debt management, and statistics. Technical assistance will continue to play a key role to support Niger's reform efforts in these areas.

Directors encouraged the authorities to improve the timeliness, quality, and coverage of Niger's economic data. Particular efforts are needed to strengthen the national accounts and balance of payments statistics and, at the regional level, to address weaknesses in the monetary data.

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

Niger: Selected Economic and Financial Indicators, 2001-07

	2001	2002	2003	2004	2005	2006	2007
					Projections		
National income and prices							
GDP at constant prices	7.1	3.0	5.3	4.1	4.1	4.1	4.2
GDP deflator	4.0	3.0	-0.4	1.1	2.0	2.0	2.0
Consumer price index							
Annual average	4.0	2.7	-1.6	0.4	2.0	2.0	2.0
End of period	3.2	0.6	-1.5	1.8	2.0	2.0	2.0
External sector							
Exports, f.o.b. (units. CFA francs)	-0.7	-2.5	4.4	4.8	16.9	3.9	4.9
Imports, f.o.b (units. CFA francs)	3.4	6.4	6.6	12.9	5.5	-0.3	2.7
Export volume	-7.0	-4.0	4.0	3.9	15.6	2.5	3.4
Import volume	9.1	4.4	5.1	12.2	4.5	1.4	2.9
Terms of trade (deterioration -)	10.0	-0.4	-2.0	-0.5	0.1	0.1	0.0
Nominal effective exchange rate (depreciation -)	0.4	1.4	2.5	…	…	…	…
Real effective exchange rate (depreciation -)	2.2	2.1	-0.8	…	…	…	…
Gross official reserves (in months of imports)	2.8	2.8	2.0	2.1	2.2	2.4	2.6
Government finances							
Total revenue	20.6	21.1	-2.6	9.6	12.8	11.0	10.9
Total expenditure and net lending 1/	14.6	13.2	-0.8	12.6	2.4	7.9	3.1
Of which: Current expenditure	9.5	2.8	-0.8	3.0	2.9	3.9	5.1
Capital expenditure	20.9	31.0	-0.9	25.9	1.8	12.6	0.9
Money and credit							
Domestic credit 2/	2.3	10.9	8.3	3.5	4.4	3.8	0.0
Credit to the government (net) 2/	4.9	3.7	3.0	-1.1	0.8	0.4	-3.3
Credit to the economy 2/	-2.5	7.1	5.3	4.6	3.7	3.4	3.3
Net domestic assets 2/	-0.5	5.9	2.0	21.9	-1.0	-0.6	-4.0
Money and quasi money	32.8	-0.4	-13.4	34.7	13.2	12.5	7.7
Interest rate (money market. In percent: end of period)	5.0	5.0	…	…	…	…	…
Government finances		(In percent of GDP. Unless other wise indicated)					
Total revenue 3/	9.3	10.6	9.9	10.3	10.9	11.4	11.9
Total expenditure and net lending	17.2	18.4	17.4	18.6	17.9	18.2	17.7
Of which: Current expenditure	11.0	10.7	10.1	9.9	9.6	9.4	9.3
Capital expenditure	6.2	7.7	7.3	8.7	8.3	8.8	8.4
Primary budget balance 3/	-6.1	-6.3	-6.4	-7.7	-6.4	-6.2	-5.2
Basic balance (excluding grants) 4/	-3.4	-1.8	-2.0	-1.4	-0.2	0.4	1.2
Overall balance (commitment basis, excluding grants)	-7.9	-7.7	-7.5	-8.3	-7.0	-6.8	-5.7
Overall balance (commitment basis, including grants)	-3.2	-2.8	-2.7	-4.5	-3.6	-2.7	-1.6
Gross investment	12.1	14.2	14.2	16.1	15.9	16.6	16.3
Gross national savings	4.4	7.6	8.0	8.2	9.5	10.7	11.2
External current account balance							
Excluding grants for budgetary assistance	-6.6	-7.8	-7.8	-7.9	-6.4	-5.9	-5.1
Including grants for budgetary assistance	-4.8	-6.5	-6.2	-7.9	-6.4	-5.9	-5.1
External public debt (end of period)	86.9	76.4	62.7	62.7	62.9	62.0	60.2
Debt-service ratio (before debt relief) in percent of :							
Exports of goods and services	27.5	30.4	23.6	12.4	8.9	9.5	9.8
Government revenue	50.0	43.7	39.2	21.0	15.1	15.1	14.7
			(In billion of CFA francs)				
GDP at current market prices	1426.0	1512.8	1587.5	1670.8	1774.1	1884.5	2003.6
Government payments arrears (reduction -)	-17.0	-33.4	-12.2	-18.5	-18.4	-15.0	-10.0
Domestic	-17.0	-33.4	-12.2	-18.5	-18.4	-15.0	-10.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance of payments 5/	-24.3	-43.0	-39.5	-58.4	-32.4	-18.5	-7.8

Sources: Nigerien authorities; and IMF Staff estimates and projections.
1/ Commitment basis as per payment orders issues.
2/ In percent of beginning-of-period money stock.
3/ Total revenue, excluding grants, minus expenditure, excluding interest payments.
4/ Total revenue, excluding grants, minus total expenditure, excluding foreign financed investment project.
5/ Before debt relief. For projections, including the financing gap.

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FOR IMMEDIATE RELEASE
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International Monetary Fund
Washington, D.C. 20431 USA

IMF Completes Sixth and Final Review Under Niger's PRGF Arrangement and Approves US$12.4 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) has completed the sixth and final review of Niger's performance under a three-year, SDR 59.2 million (about US$86.8 million) Poverty Reduction and Growth Facility (PRGF) arrangement (see Press Release No. 00/69). This decision enables Niger to receive the final loan disbursement of SDR 8.44 million (about US$12.4 million).

In completing the review on June 28, 2004, the Executive Board also waived the nonobservance of the missed performance criterion for end-December 2003.

The Poverty Reduction and Growth Facility is the IMF's concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners, and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that each PRGF-supported program is consistent with a comprehensive framework for macroeconomic, structural, and social policies, to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent, and are repayable over 10 years with a 5 ½-year grace period on principal payments.

Following the Executive Board's discussion of Niger's economic program, Agustín Carstens, Deputy Managing Director and Acting Chairman, made the following statement:

"The Nigerien authorities are to be commended for their overall strong policy performance under their three-year program supported by the Fund. Economic activity continued to be strong in 2003, with GDP growth benefiting from a good agricultural crop and sustained activity in the construction and trade sectors, along with improved economic policies. Inflation was below one percent for the second year in a row, and the external current account deficit was lower than envisaged in the program. There were some delays, however, in implementing structural and financial sector reforms.

"Looking ahead, Niger's main challenge is to sustain broad-based growth in a low inflation environment, in order to achieve a substantial reduction in poverty. This will require the pursuit of prudent macroeconomic policies, vigorous implementation of the structural reform agenda—

especially in the public enterprise and financial sectors—and the development of a close dialogue with the private sector on economic policymaking.

"Against this background, the authorities' program for 2004 seeks to preserve macroeconomic stability and sustain strong growth, with a view to further reducing poverty. Continued fiscal consolidation is an essential element of the program. Achievement of the fiscal targets will require determined efforts to strengthen revenue mobilization and to closely monitor non-essential expenditure, so as to allow for adequate resources for the social sectors.

"The authorities also intend to expedite the privatization of the electricity and petroleum importing companies (NIGELEC and SONIDEP) and the state-owned Credit du Niger. Moreover, their structural reform agenda for 2004 includes measures to strengthen fiscal management, following the completion of a Public Expenditure Management and Financial Accountability Review with technical assistance from the World Bank. The authorities have reiterated their strong commitment to using the HIPC savings to further advance their poverty reduction program," Mr. Carstens said.

Statement by Damian Ondo Mañe, Executive Director for Niger
June 28, 2004

Niger's macroeconomic performance under the current PRGF program was satisfactory, due in part to good weather conditions, but also to sound macroeconomic policies and an improvement in the country's structural reforms implementation. Per capita real GDP growth averaged 1.5 percent per year during the 2001-03 period, while inflation declined.

Progress was also achieved on the structural front despite the delays encountered in the privatization of the petroleum and the electricity companies. The telecommunications company was privatized, and further liberalization of the sector was achieved with the awarding of licenses to two new cellular telephone networks. A ten-year leasing contract was signed for the production, transport, and distribution of safe water in the 51 centers previously managed by the state water utility.

With regard to the debt issue, my authorities are thankful to Paris Club creditors for canceling all of Niger's bilateral debt, on May 12, 2004. Paris Club's decision came one month after Niger reached the completion point under the enhanced HIPC Initiative, and was granted full topping-up by the Executive Boards of the IMF and the World Bank. My authorities have reiterated their commitment to use the resources freed by the debt relief, to fight poverty and to implement the policies outlined in Niger's Poverty Reduction Strategy Paper (PRSP).

Nevertheless, Niger faces significant challenges ahead (see below). As such, they are requesting a new PRGF arrangement, to secure adequate financing that will allow Niger to satisfactorily implement and strengthen its unfinished reform agenda. My authorities recognize the need to reinforce macroeconomic stability and reduce the dependency of the country's economic performance on weather conditions. The country will also have to reach higher and sustainable levels of growth to further reduce poverty, as the Millennium Development Goal of halving poverty by 2015 is not likely to be met. On the fiscal front, and despite the election year, my authorities will adhere strictly to the fiscal target of reducing the deficit and improving public expenditure management. But weaknesses in VAT collection contributed to a weak revenue performance, which in turn, led to the nonobservance of the performance criterion on the reduction of domestic arrears, for which Niger is requesting a waiver. Regarding the clearance of these arrears, my authorities have reached satisfactory understandings with Fund staff on a revised schedule for their reduction that preserves Niger's medium term objectives.

Recent Macroeconomic Developments

A combination of sound macroeconomic policies and favorable weather conditions have contributed to Niger's strong macroeconomic performance in 2003. Real GDP grew by 5.3 percent, –higher than the 2002 level of 3 percent, and than the projected level of 4 percent. This strong performance was mainly driven by three sectors, namely, agriculture, construction, and trade.

In the agricultural sector, a good rainfall led to a record cereal harvest in 2003. As a result of the increased supply of food products, inflation remained low, particularly food prices. But other factors also contributed to the low level of inflation, i.e., the appreciation of the CFA franc, and the sound policies conducted by the regional central bank (BCEAO). The construction sector was boosted by the implementation of HIPC-funded investment projects in social sectors and rural areas (additional schools were built, along with health centers and other basic infrastructure in line with the PRSP). These favorable trends continued in the first quarter of 2004.

By the end of the year, the economy should be further boosted by the rehabilitation of the road network, along with investments in sports infrastructures, in preparation for the Francophone games to be held in Niger in 2005.

Challenges

Niger nevertheless faces significant challenges ahead. The authorities recognize the need to reinforce macroeconomic stability and reduce the dependency of the country's economic performance on weather conditions. The country will also have to reach higher and sustainable levels of growth to further reduce poverty, as the population of Niger is one of the fastest growing in the region. Addressing these challenges will require, i) improving the economy's competitiveness and raising investment, and ii) diversifying the economy.

Raising investment. High energy costs, a low skill labor force and a small domestic market further constrained investment performance. My authorities intend to increase their investment substantially by 2006. The bulk of the increase will go to agriculture and tourism. In the agricultural sector, for example, one objective is to double exports of cowpeas –for which Niger has a comparative advantage–, and to significantly increase the production of onions and groundnuts. In tourism, the objective is to triple the number of tourists by 2006. My authorities have also taken good note of the staff's suggestion to examine the extent to which the investment potential could also be developed in the context of AGOA.

Notwithstanding a sound banking sector, my authorities recognize that private domestic investment is also constrained by a lack of long-term funding. However, efforts are being made to increase long-term financing. As such, in December 2003, Bank of Africa Niger has become the first Nigerien company to be listed on the regional stock exchange in Abidjan, Côte d'Ivoire. Furthermore, a branch of the Sahel-Saharan States Bank for Investment and Trade also opened in Niger to encourage small and medium enterprises.

Diversification. Niger's trade is concentrated on a few commodities, –uranium and cattle mainly–, that are highly vulnerable to exogenous shocks. My authorities are making considerable efforts to extend and diversify the exports base and promote new exports to reduce the country's vulnerability to exogenous shocks. As such, gold production will start in 2005, and mineral and oil exploration are being pursued. But in a country where 86 percent of the working population is involved in farming, it is in the agriculture that my authorities' efforts will be concentrated. A scheme to improve the water supply to Niger's towns is currently being implemented. The state water company Société de Patrimoine des Eaux du

Niger, in charge of Niger's water resources should complete the installation of 41 bore holes, ten reservoirs, and 550 supply stations in towns and villages across the country by early 2005. The authorities have also created an agency which monitors closely climatic and food conditions.

Promoting exports will also require an improvement in the investment climate and efforts have been made to harmonize the country's business law in accordance to the guidelines of the African Organization for the Harmonization of Business Laws (OHADA).

Fiscal Policy

Niger's overall fiscal deficit was contained at 7.5 percent of GDP in 2003, –lower than the projected level of 8.2 percent. Exogenous factors explain the weak revenue performance in 2003, including smaller transfers from the WAEMU, and a decline in customs receipts because of repeated border closure with Nigeria. Weaknesses in VAT collection also contributed to the weak revenue performance, which in turn, led to the nonobservance of the performance criterion on the reduction of domestic arrears, for which my authorities are requesting a waiver. The Nigerien government has reached satisfactory understandings with Fund staff on a revised schedule for the clearance of domestic payments arrears that preserves Niger's medium term objectives in this area.

My authorities recognize that revenue collection is an area of weakness with regard to fiscal revenue management. A tax revenue of 9.6 percent of GDP is indeed far below the WAEMU target of 17 percent for member countries. Niger's government has highlighted revenue collection as a major area for technical assistance in the future. To increase fiscal consolidation, my authorities are meanwhile considering a broadening of the tax base, a streamlining of tax exemptions and subsidies and measures to prevent further expansion of the informal sector. Niger has introduced concrete measures to increase revenue namely, i) a suspension of tax-free imports of rice for reexport, which had encouraged tax evasion, ii) an introduction of the VAT on cooking oil in addition to the existing excise tax, iii) an imposition of a 12 percent excise tax on tea. But my authorities are willing to consider other measures to ensure the realization of the revenue objective for the year.

In anticipation of the 2004 elections, current fiscal spending is expected to rise slightly. Such an increase is justified by the number of elections scheduled during the year (three) and their significance (local, legislative, and presidential). My authorities consider that after a decade of social and political instability no effort should be spared to consolidate the democratic process and to allow the forthcoming elections to pass off peacefully.

As revenue was weaker than envisaged my authorities kept strict control on spending. Current expenditures were projected to decline from 10.7 of GDP, in 2002 to 10.5 in 2003 but they were actually reduced to 10.1 percent. Capital expenditure was also reduced from 7.7 percent, in 2002, to 7.3 percent, in 2003, –below the projected level of 8.7 percent. All spending items were kept below the 2002 levels and below the projected levels for 2003 (except for "wages", which hit the projected target). Health and education spending also declined, reflecting shortfalls in external assistance for projects in these sectors. But spending on education and health is expected to rise in 2004, in light of the increased HIPC resources available for priority sectors.

As a result of these developments, revenue is expected to increase to 11.5 percent of GDP by 2006, and expenditure will be contained below 19 percent of GDP. The overall budget balance will therefore decline from an estimated deficit of 7.5 percent of GDP, to 6.8 percent by 2006.

Structural Reforms

The authorities initiated the implementation of public expenditure management reforms to improve institutional weaknesses. These include a strengthening of the operations of the external debt unit, the finalizing of the budget for 2004, using the new budget nomenclature and charter of public accounts, the completion of an actuarial audit of the National Retirement Pension Fund (NRPF), and a financial audit of the wage bill. In 2004, the authorities have also launched an audit of the HIPC-funded poverty reduction program to improve its effectiveness, and they will implement the recommendations of a Public Expenditure and Financial Accountability Review (PEMFAR), recently completed with technical assistance from the World Bank.

My authorities will also continue their efforts to finalize the privatization of the petroleum company (SONIDEP), and the electricity company (NIGELEC), which were further delayed due to difficulties with potential investors. For the petroleum company, the privatization is straightforward and advanced (a new tender offer was initiated in 2004). However, the privatization of the electricity company should take more time because of the reluctance of the two potential buyers to take on its planned investment program.

In the financial sector, my authorities are moving ahead with the privatization of the CDN, and the restructuring of the National Post and Savings Institution (ONPE). The World Bank recently approved a credit of USD5.5 million for the reform of these two institutions.

Monetary policy and Financial Sector

The authorities have announced that they will begin complying with the general guidelines of the monetary authorities requiring the settlement of outstanding statutory advances to the central bank. Monetary policy is in the hands of the regional central bank which follows tight policy to maintain the CFA franc's fixed exchange rate with the euro and to control inflation.

The performance and the health of the banking sector is satisfactory. All but one local bank are complying with the main Regional Banking Commission's prudential regulations.
In consultation with the World Bank, the authorities are also implementing the reform of the financial sector (see structural reforms), and intensifying consultations with the regional central bank on the supervision of microfinance institutions.

External Sector

The current account deficit has deteriorated in recent years. However, the trade deficit will fall gradually because of higher agricultural exports and the coming of stream of gold production. The import bill is nevertheless expected to increase –though slower than exports– reflecting the rising demand for imported intermediate and capital goods for Niger's ongoing infrastructure projects. The current account balance should decline in 2005, and narrow to below 6 percent of GDP in 2006, further helped by lower debt service payments (HIPC) and sustained external assistance.

Conclusion

My authorities are thankful to the international community for their financial support and the recent debt cancellations, both at the multilateral level, and more recently at the bilateral level, through the Paris Club meeting. These debt cancellations will contribute to reinforce the sound policies that my authorities are currently implementing and that are aimed at preserving macroeconomic stability and attaining higher and sustainable levels of growth, necessary to reduce poverty. Furthermore, the government of Niger will seek external aid in the form of grants and loans with high concessional terms whenever possible, in order to ensure that Niger's debt remains sustainable.

My authorities are requesting a new PRGF arrangement to secure adequate financing that will allow Niger to satisfactorily implement its unfinished reform agenda. Niger is still, indeed, at an early stage of its reform process and the IMF's financial support will play a catalytic role in securing financial and technical support from other development partners. My authorities have the intention to conduct a Poverty and Social Impact Analysis (PSIA), for which the privatization of the water company has been considered a key reform warranting a PSIA. However, such an analysis will require funding and we call on the international community to contribute to the realization of the PSIA.

Finally, my authorities would like to call on the development partners to initiate a deeper analysis of Niger's sources of growth and to launch an action plan to attract private investments. It is only through the creation of a strong private sector that Niger will be able to increase its government revenue on a permanent basis, and reduce its dependency on foreign aid.