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Niger: Third Review Under the Three-Year Arrangement Under the Extended Credit Facility — Staff Report; Supplement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Niger

In the context of a **Third Review Under the Three-Year Arrangement Under the Extended Credit Facility** with Niger, the following documents have been released and are included in this package:

- The staff report for the **Third Review Under the Three-Year Arrangement Under the Extended Credit Facility**, prepared by a staff team of the IMF, following discussions that ended on September 4, 2009 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 January 22, 2010. 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 supplement on Debt Sustainability Analysis;

- A Press Release; and

- A statement by the Executive Director for Niger.

The documents listed below have been separately released.

Letter of Intent sent to the IMF by the authorities of Niger*
Memorandum of Economic and Financial Policies by the authorities of Niger*
Technical Memorandum of Understanding*
*Also included in Staff Report

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

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NIGER

Third Review Under the Three-Year Arrangement Under the Extended Credit Facility

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

Approved by Seán Nolan and Thomas Dorsey

January 22, 2010

Fund relations	The Executive Board approved a three-year Extended Credit Facility (ECF) arrangement (SDR 23.03 million, 35 percent of quota) on May 28, 2008. The second review was concluded by the Board on May 13, 2009. Outstanding Fund credit amounts to SDR 36.19 million (55 percent of quota).
Staff team	Ms. Allain (head), Messrs. Gueye, Koulet-Vickot and Salinas (all AFR). Mario Zejan (Resident Representative) assisted the mission.
Mission	Discussions for the third review under the ECF arrangement took place in Niamey during August 24-September 4, 2009. The mission met with the Minister of Economy and Finance, Mr. Ali Lamine Zeine; other senior officials; and representatives of the private sector, civil society and development partners. Further discussions took place during December 2009.

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Executive Summary

Despite the good economic performance of the last decade, **Niger remains one of the poorest countries in the world**. Ensuring that the ongoing expansion of the oil and mining sectors translates into higher overall growth and faster poverty reduction is a key challenge for the years ahead.

The political situation remains tense following the August referendum which extended the President's mandate by three years and lifted the two-term limit. Key development partners have suspended their budget support pending the resolution of the political crisis. Crisis resolution talks between the main stakeholders started in late December.

Niger's economy has largely been spared from the global economic and financial turmoil. Non-agricultural growth is buoyant and inflation is coming down from its 2008 peak. The sizeable current account deficit, reflecting high imports linked to ongoing projects in the oil and uranium sectors, is largely financed by foreign direct investment. Niger is at low risk of debt distress.

Program implementation to date is satisfactory and all quantitative performance criteria at end-June 2009 were met. The revenue performance is strong and domestic arrears repayment higher than anticipated. **All indicative targets at end-September were also observed, confirming these trends.** On the structural front, the authorities implemented measures to strengthen debt management, improve budget monitoring, and enhance the business environment.

The authorities expect to have met their fiscal objectives for the rest of 2009, in spite of the shortfall in budget financing. Under prudent financing assumptions, continued strong revenue performance would obviate the need for sharp expenditure cuts in 2010. The authorities have prepared contingency measures which would enable them to close the financing gap that may arise in the event of further delays in the disbursement of external assistance in 2010.

Strengthening the balance sheet of the banking system is crucial to ensure that the financial system can fully support growth. Fast credit growth has led to a deterioration of bank liquidity ratios. New external credit lines and the prompt restructuring of the banking sector should help alleviate early signs of strain. In the longer run, banks should be encouraged to explore options for lengthening the maturity of their funding sources.

Staff initiated a dialogue on the key policy challenges faced by low-income commodity exporters. Discussions focused on the need to further strengthen public financial management and transparency, and formulate a comprehensive strategy for the macroeconomic management of their oil and mining resources well ahead of their coming on-stream.

Staff recommends the completion of the third review under the ECF arrangement. While the uncertain financing outlook poses clear risks to program implementation, Niger's good track record lends credibility to the authorities' commitment to maintain a financeable fiscal position in the face of temporary external financing shortfalls.

I. Economic and Political Background

1. **Niger's economic performance has improved over the last decade.** Political stability, sound macroeconomic policies, and structural reforms have enabled a pick-up in economic growth, reversing the previously downward trend in per-capita income. Political stability over the last few years has facilitated the return of external financial support, and extensive debt relief under the HIPC and Multilateral Debt Relief Initiatives has substantially reduced the external debt burden and increased fiscal space. Significant progress was made in liberalizing trade, restructuring the financial sector and strengthening public financial management.

2. **In spite of this progress, Niger made only modest inroads in poverty reduction.** It remains one of the poorest countries in the world, ranking 177th out of 179th in the 2008 UN Human Development Index. While indicators for education, health, and access to safe water have substantially improved in the last few years, Niger is unlikely to meet the Millennium Development Goals, except for the one aiming at a two-third reduction in child mortality.

3. **In reaction to the ongoing political crisis, some development partners have decided to scale back their financial support.** Opposition parties, civil society, and external partners contest the legality of the August referendum, which approved a three-year extension of the President's mandate and lifted the two-term limit. Key development partners have put their budget support on hold pending the resolution of the political crisis, and the Economic Community of West African States (ECOWAS) has suspended Niger's membership in the regional body. After several months of stalemate, crisis resolution talks between the government and the main opposition parties started in Niamey in late December 2009.

4. **The expected gradual increase in oil and uranium production is a unique opportunity to increase growth and more decisively reduce poverty.** Oil production will start in 2012 and uranium exports will pick up gradually after 2013. Ensuring that the development of the oil and mining sectors translates into higher overall growth and faster poverty reduction is a key challenge for the years ahead.

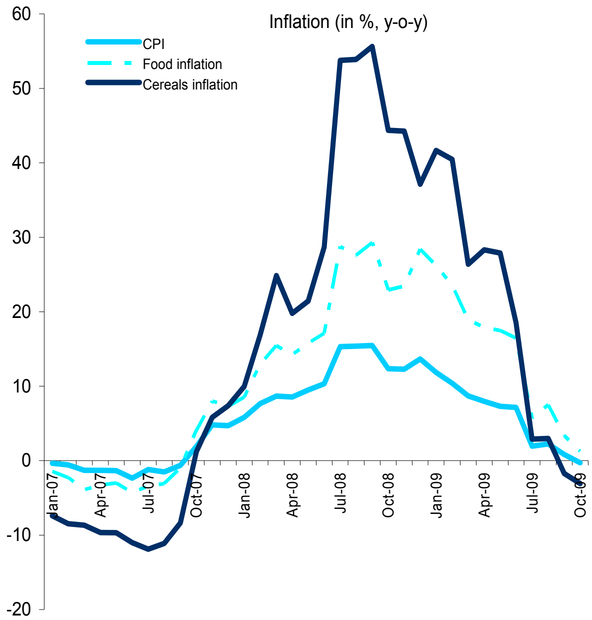
II. Recent Developments and Program Performance

5. **Niger's economy has largely been spared from the global economic and financial turmoil.** Available high frequency indicators, such as brisk credit growth and robust tax collection, point to continued buoyancy of non-agricultural growth, particularly in the mining, telecommunication, construction, and transport sectors.

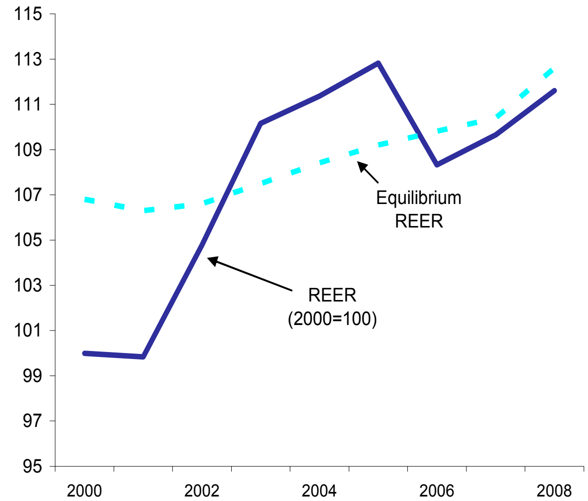
6. **Inflation is coming down from its 2008 peak.** The year-on-year inflation rate declined to -3.1 percent in December 2009, from about 14 percent in December 2008, in line with the reduction in international food and fuel prices, and helped by the excellent 2008/09 harvest.

Figure 1: Recent Economic Developments

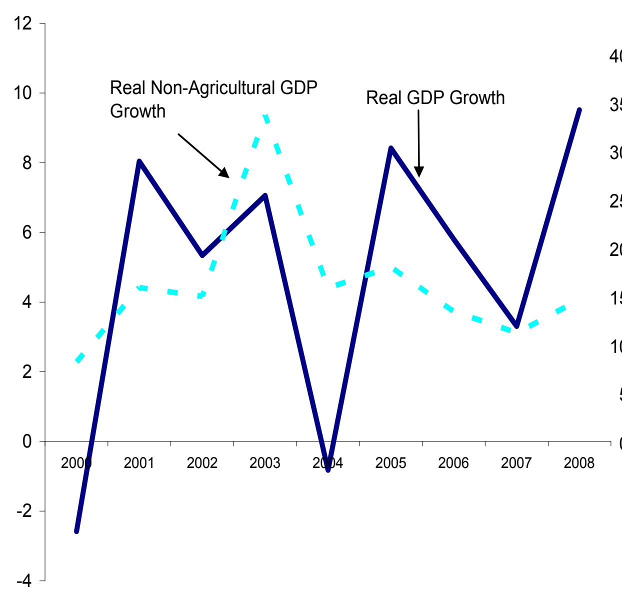
Inflationary pressures have declined in the last few months...



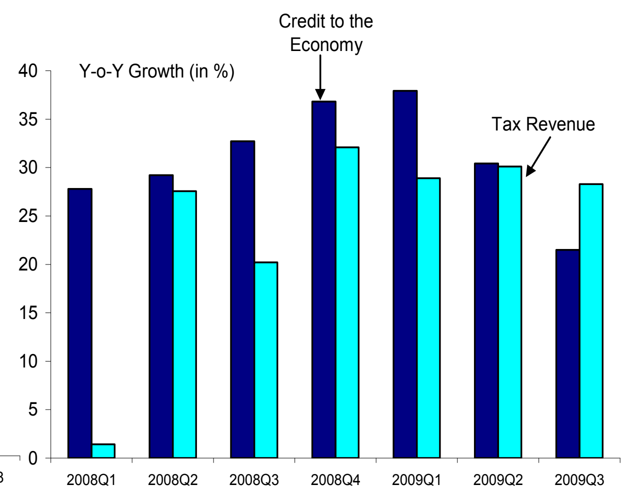
...and the real effective exchange rate is still aligned with its fundamentals.



Growth remained high in 2008 in spite of the global financial crisis...



...and available indicators suggest it remained strong in the first nine months of 2009.



Sources: Nigerien authorities; and IMF staff calculations.

7. **Domestic credit increased sharply in the first nine months of 2009, reflecting the drawdown in government deposits at the central bank and the robust growth of credit to the private sector.** As a result, broad money rose by 17 percent year-on-year at end-October. In the context of reduced access to external credit lines, the fast-paced increase in credit to the economy has led to a deterioration in liquidity ratios.

8. **Niger's real exchange rate remains consistent with fundamentals.** The real appreciation of 22 percent between 2001 and 2008 is in line with the favorable movement of Niger's terms of trade, reflecting higher uranium prices. This assessment was still valid during the first nine months of 2009, as the terms of trade have been relatively stable.

9. **All quantitative performance criteria at end-June were met (MEFP, Table 1).** In particular, the revenue performance was strong, with tax revenue exceeding program targets by more than 1 percent of GDP at end-June. Net domestic arrears reduction was also higher than anticipated. The basic budgetary deficit was below program target, reflecting the good revenue performance and continued prudent expenditure. End-September data confirmed these trends, and all indicative targets were also observed. On the structural front, the authorities implemented measures to strengthen debt management, improve budget monitoring, and enhance the business environment.

III. The Macroeconomic Outlook and Risks

A. Outlook for 2009-2010

10. **Real GDP growth is estimated to have slowed down to 1 percent in 2009, reflecting the fall in agricultural production after the excellent harvest in 2008.** Nevertheless, non-agricultural growth should continue to be buoyant, particularly in the mining, transport, construction, and telecommunications sectors. As noted, 12-month inflation fell to -3.1 percent at end-2009. The current account deficit is projected to have been sizeable, reflecting strong import flows linked to large projects in the oil and uranium sectors that are largely financed by foreign direct investment. The magnitude of these imports, which are expected to have reached 11 percent of GDP in 2009, dominates other balance-of-payment developments, particularly the good performance of uranium and agricultural exports and the decrease in the value of oil and food imports.

11. **Macroeconomic prospects for 2010 appear broadly favorable.** With agricultural growth returning to trend and continued expansion of the telecommunications, transport and mining sectors, economic growth could reach 5 percent in 2010. The current account deficit would remain broadly stable, reflecting continued strong import flows and the expected increase in uranium exports. Assuming an average harvest and stability in international prices of food and oil, inflation is expected to remain at around 2 percent.

B. Medium-Term Outlook

12. **The expansion of the oil and mining sectors will transform the macroeconomic picture.** The entry of the oil and uranium projects into their production phase (in 2012 and 2014, respectively) is expected to double total exports and triple mining GDP between 2012 and 2016. In addition, the start of oil production will likely cut down oil imports by half between 2011 and 2012. Reflecting these positive developments, by 2015 annual fiscal revenues could increase by 2 percent of GDP.

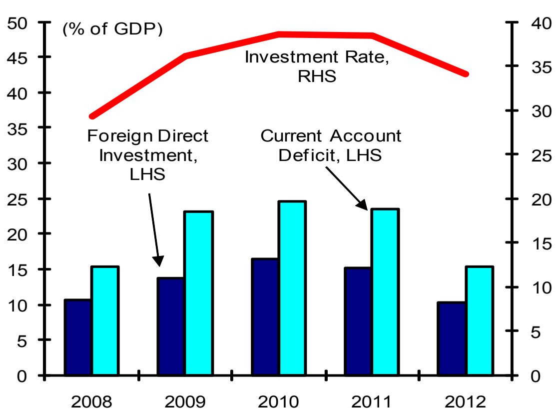
13. **Niger's debt outlook is favorable, and the country has moved from moderate to low risk of debt distress, as the impact of the global crisis on its economy and debt profile has not been as severe as feared.** The results of the debt sustainability analysis indicate that the present value of external debt is expected to stabilize below 25 percent of GDP and 105 percent of total exports in the long run. The main external debt ratios remain below the policy-based thresholds under all plausible scenarios. The incorporation of domestic debt in the analysis does not significantly alter the assessment. This analysis takes into account the authorities' decision to use part of the CFAF counterpart of the general SDR allocation on-lent by the regional central bank.

C. Risks

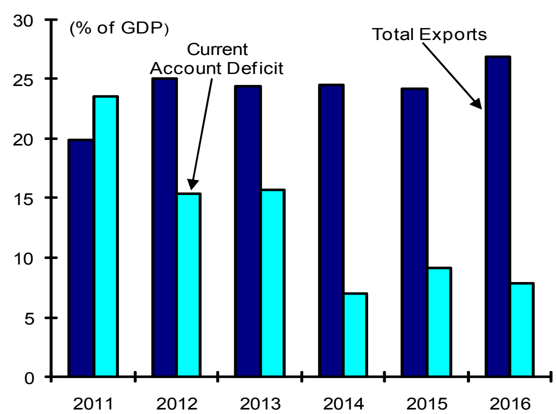
14. **The balance of risks is tilted to the downside.** Protracted political stalemate could result in a prolonged dearth of external financial support, which in turn could require further sharp compression of expenditure, including in the priority sectors, and a drawdown of external reserves. Prolonged political uncertainty would also affect private investment decisions and delay planned large investments in the oil and mining sectors, which are the key drivers of the medium-term economic outlook. Climatic conditions could also adversely affect agricultural production, which is still the bedrock of growth.

Figure 2: Medium-Term Economic Outlook

Investment in oil and uranium will boost the investment rate and widen the current account deficit.



And in the long run, higher oil and uranium production will boost total exports and narrow the current account deficit.



Source: Nigerien authorities; and IMF staff calculations.

IV. Policy Discussions

A. Fiscal Policy

Outlook for 2009

15. **Strong revenue performance and prudent expenditure plans have led to a significant downward revision of the projected 2009 deficit target.** The revenue projection has been revised upward by about 1.5 percent of GDP, reflecting the buoyancy of the tax base—particularly for the VAT, income and mining taxes—and the improved efficiency of the tax administration. In order to ensure continued adherence to the program's fiscal objectives in the face of severe external financing shortfalls, the authorities have aligned the pace of budget execution with available resources. As a result, total expenditure is expected to be 1 percentage point of GDP lower than foreseen in the program (MEFP,¶ 8).

16. **Increased domestic financing is projected to have partly offset the external financing shortfall.** For the year as a whole, external budget support was 3.5 percentage points of GDP below program projections. The projected increase in domestic financing (1.2 percent of GDP) was financed by a sovereign bond issued on the regional market in the last quarter of 2009, the use of part of the CFAF counterpart of the SDR allocation on-lent by the regional central bank, and a drawdown of government deposits at the central bank.[1] As a result, the crowding-out effect on the private sector is likely to have been quite limited.

Budget for 2010

17. **In the absence of macroeconomic stability and debt sustainability concerns, available financing is driving the choice of fiscal targets for 2010.** Total expenditure is projected to decrease by 1.6 percent of GDP between 2009 and 2010, leading to a narrowing of the overall deficit by the equivalent of 1.7 percentage points of GDP. The main priorities for the 2010 budget include the recruitment of 8,000 civil servants mainly in the health and education sectors, and investment programs in the social, infrastructure and mining sectors (MEFP, ¶11).

[1] In July 2009, a decision was taken at the regional level to on-lend the CFAF counterpart of the general SDR allocation to national treasuries. A follow-up agreement signed in September 2009 lays out the financial terms of the loan (ten-year repayment period, with a 3-year grace period, and 3 percent interest rate) and stipulates that the loaned resources should be mainly used to pay down domestic arrears.

Text Table 1. Niger: 2009 Fiscal Developments

	End-June		End-Sept.		End-Dec.	
	(CR No. 09/172)*	Est.	(CR No. 09/172)	Est.	(CR No. 09/172)	Rev. Proj.
			(In percent of GDP)			
Revenue	5.7	7.0	9.1	10.6	12.2	13.7
Of which: Tax revenue	5.5	6.7	8.7	10.1	11.7	13.0
Total expenditure	12.3	11.1	18.6	17.2	24.6	23.6
Of which: Capital expenditure	6.1	5.1	9.3	8.0	12.3	11.4
Change in payment arrears	-0.2	-0.3	-0.3	-0.5	-0.7	-0.8
Overall Balance	-6.8	-4.4	-9.9	-7.1	-13.1	-10.7
Financing	6.8	4.4	9.9	7.1	13.1	10.7
External Financing	4.5	2.6	6.5	4.1	10.0	6.4
Of which: Budget Support	1.3	0.2	1.6	0.2	3.6	0.2
Domestic Financing	2.2	1.7	3.4	3.0	3.1	4.3

Sources: Nigerien authorities; and staff estimates.

*Country Report (CR).

18. **The projected increase in revenue collection would come from continued efforts to strengthen tax administration.** The revenue collection agencies have designed detailed action plans, which focus on broadening the tax base, increasing tax compliance, and strengthening risk management, particularly at customs (MEFP, ¶18-20).

19. **The financing program for the 2010 budget envisages that budget support from key development partners will resume in the second semester of the year,** in an amount equivalent to 1.3 percent of GDP (MEFP, ¶11-12). The authorities have developed contingency plans to handle the situation where such funding is not resumed in 2010, involving a mix of expenditure cuts outside the priority social and infrastructure sectors (0.7 percent of GDP) and increased recourse to domestic financing (0.6 percent of GDP). Domestically-financed investment spending constitutes roughly two-thirds of the identified contingent expenditures. Higher domestic financing would imply a combination of a run-down in government deposits at the regional central bank and higher net borrowing levels.

20. **In the event that budget support does not resume by end-2010 as expected, the fiscal projections for 2011 will need to be revisited.** But financing pressures should gradually ease as tax receipts from oil and uranium production pick up from 2012.

B. Structural Reform Agenda

Public financial management

21. **The authorities have taken important steps to further strengthen budget formulation, execution, and reporting (MEFP, ¶14-17)**. Key reforms include designing a medium-term expenditure framework to improve strategic budget planning and better align the budget with PRSP priorities, with technical assistance from the Fund; enhancing the

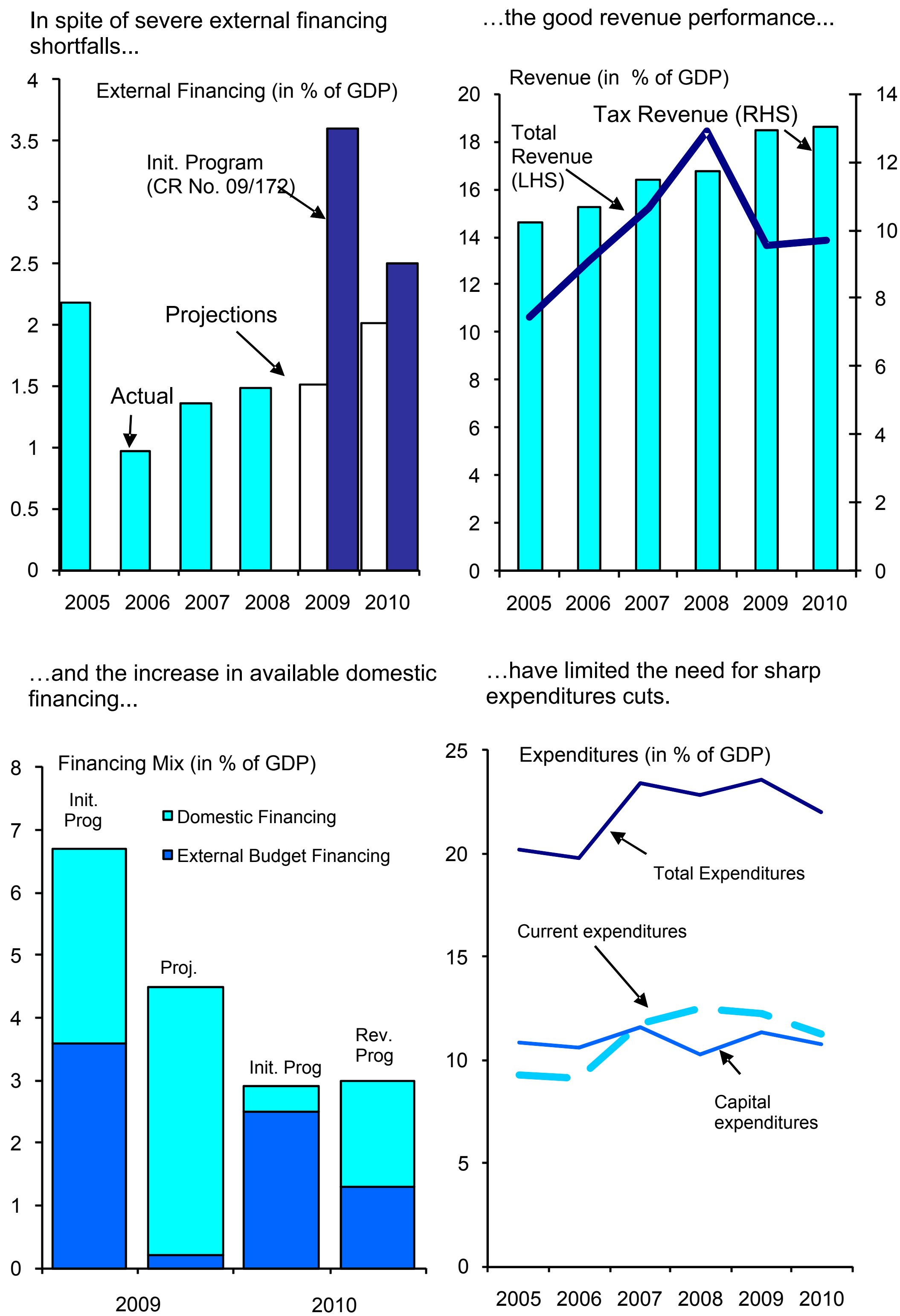
quality and transparency of financial information by further integrating budget and treasury functions and strengthening treasury operations; reinforcing expenditure controls; and ensuring broader availability of budget execution data through dissemination of budget execution reports. The quarterly clearing of Treasury suspense accounts will constitute a structural benchmark for program monitoring (MEFP, Table 2).

22. **The authorities are strengthening the debt management process to ensure that Niger's large investment needs are met without jeopardizing debt sustainability (MEFP, ¶21-22)**. Successive debt relief operations and fiscal consolidation have opened up fiscal space, which the authorities are determined to use for much-needed investment to boost growth and further reduce poverty. The authorities are equally determined to avoid returning to the unsustainable debt situation which Niger experienced at the end of the last decade. To reconcile these objectives, the authorities have decided to strengthen the debt management process by involving the Ministry of Finance upstream of new indebtedness decisions and bolstering the analytical underpinnings of such decisions by carrying out a formal debt sustainability analysis and formulating a medium-term debt strategy. In line with the recent changes in the Fund's policy on debt limits, the authorities intend to extend the analysis, currently limited to debt contracted or guaranteed by the central government, to debt contracted or guaranteed by all public entities. The authorities are requesting technical assistance from the Fund to support this reform. Preparation of semi-annual reports on new debt contracted and the borrowing program for the next six months, and of a report on the sustainability of public debt, broadening its coverage to debt contracted by state-owned enterprises, will constitute structural benchmarks for program monitoring (MEFP, Table 2).

Natural resources management

23. **The authorities are committed to managing their natural resources transparently (MEFP, ¶ 23-24)**. Niger is a candidate country for the Extractive Industries Transparency Initiative, and work on the technical prerequisites for validation is almost complete. Audited reports reconciling the amounts paid by oil and uranium companies with those received by the Treasury will be published annually; the report on revenues received in 2007-08 will be published by end-June 2010. To further strengthen the transparency of the management of their natural resources, the authorities intend to put in place a unified revenue framework accounting for all oil and mining revenues paid to public entities, and ensure that public investment in the mining sector is fully reflected in budget documents. Box 1 presents an overview of the institutional arrangements governing public participation in the oil and mining sectors. Publishing the 2008 certified accounts of the public company created to manage public participation in the uranium sector; preparing a report on the government's investment plans in the petroleum and mining sectors; and publishing a report on the implementation of the Extractive Industries Transparency Initiative in 2007-08 will constitute structural benchmarks for program monitoring (MEFP, Table 2).

Figure 3. Niger: Fiscal Developments



Sources: Nigerien authorities; and staff estimates.

Financial sector reform

24. **Higher bank capital and increased access to medium- and long-term resources will help ensure that the increased demand for credit can be met without undermining prudential ratios (MEFP, ¶ 26)**. Most of Niger's ten commercial banks are expected to have met the new regional minimum capital requirement of CFAF 5 billion at end-2009, one year ahead of the formal deadline. Efforts to clean up banks' books continue, albeit at a slower pace in light of the slow recovery process of non-performing loans. Access to new medium-term credit facilities from multilateral institutions currently under negotiations would provide a welcome addition to short-term deposits as a funding source for the banking system, and should help relieve early signs of strain on the system's liquidity position.

25. **The authorities are committed to accelerating the restructuring of the banking system (MEFP, ¶ 27-30)**. Two of the newly-restructured banks are expected to submit their request for a banking license to the regional banking commission in early 2010. The authorities remain committed to ensuring that all ongoing restructuring operations will be conducted in accordance with the rules set out by the regional banking commission.

Box 1: Public Involvement in the Oil and Mining Sector

Uranium

The state is involved in all stages of the uranium production—in the development and exploitation of mines and the commercialization of uranium—through several joint-ventures with private partners. The *Société du Patrimoine des Mines du Niger* (SOPAMIN) was created in 2007 to manage the state's participation in the mining sector. Through SOPAMIN, the state holds a substantial minority stake in the two mines already in production phase and in the two mines under development. SOPAMIN takes a share of uranium production commensurate with its equity stake, and is responsible for its commercialization.

On the fiscal side, the state levies corporate income tax, a mining fee and royalties on uranium companies. SOPAMIN is expected to contribute to non-tax revenue through the payment of dividends.

Oil

The state has entered in a production-sharing contract with a private Chinese partner to develop the Agadem oil field, which is expected to enter in production phase in 2012. It is involved, through joint-ventures, in all components of the project: the development of the oil field, the construction of a mini-refinery and of a pipeline linking the field to the refinery, and the operation of the field. The government will create a company, Nigerpétrole, whose role in the oil sector is expected to mirror the SOPAMIN's role in the uranium sector.

Coal

A state-owned coal producing company is already in operation, and a predominantly public company was set up recently to start exploiting a new coal mine.

Business climate

26. **The authorities are stepping up efforts to simplify the tax system and increase its transparency (MEFP, ¶ 31-32).** Measures in this area seek to encourage investment by bringing the corporate income tax rate down to levels observed elsewhere in the region, favor employment creation by reducing the marginal personal income tax rate, and improving the integrity of the VAT chain. Effective with the 2010 finance law, the corporate income tax rate has been reduced from 35 percent to 30 percent and the ceiling for the reimbursement of VAT credit to exporters eliminated. Both these measures constitute structural benchmarks for program monitoring at end-December 2009 (MEFP, Table 2).

C. Challenges Faced by Low-Income Commodity Exporters

27. **Staff initiated a dialogue with the authorities on the key policy challenges faced by low-income commodity exporters (Box 2)**. The authorities welcomed the discussion, and agreed on the need to formulate a comprehensive strategy for the macroeconomic management of their oil and mining resources well ahead of their coming on-stream.

Box 2: Macroeconomic Challenges Faced by Low-Income Commodity Exporters

The volatile, uncertain and exhaustible nature of natural resources poses specific challenges for macroeconomic management, particularly in countries with a relatively low administrative capacity.

The main challenges are to:

- *Preserve short-term macroeconomic stability and the long-term sustainability of the macroeconomic framework*. For Niger, a member of the West African Economic and Monetary Union, fiscal policy is the main macroeconomic management tool. Fiscal policy should be designed to (i) prevent negative short-term macroeconomic dynamics, such as high inflation and excessive real exchange rate appreciation; (ii) ensure long-term fiscal sustainability by smoothing expenditure over time and avoiding over-borrowing; and (iii) increase human and physical capital to foster economic diversification.
- *Strengthen institutional capacity*. Strong institutions and a robust public financial management framework are key to ensuring the optimal use of natural resource revenues. Increased transparency can also help buttress internal decision-making processes and reinforce financial accountability. Some countries have put in special fiscal institutions to help strengthen institutional capacity, transparency and the credibility of fiscal policy. Examples of such institutions include fiscal rules, oil price rules, and stabilization funds.
- *Boost economic growth through economic diversification*. Countries that have achieved economic diversification from a natural resource base have massively invested in education, infrastructure and Research & Development (R&D) to enhance their economic potential, strengthened their public financial management systems to increase the efficiency of public spending, and fostered an institutional environment conducive to private-sector growth, notably by improving governance and transparency.

V. Program Monitoring

28. **The quantitative performance criteria and benchmarks for 2010 are presented in the authorities' MEFP.** It is proposed to add a new indicative target to monitor the execution of poverty-reducing expenditure. Table 2 of the MEFP presents the structural measures that are being proposed to be monitored under the ECF arrangement for 2010.

VI. Staff Appraisal

29. **In spite of the difficult environment, budget execution in the first nine months of 2009 demonstrates the authorities' determination to maintain a prudent fiscal position.** Particularly noteworthy are the strong revenue performance, the higher-than-anticipated net reduction of domestic arrears at end-September and the prompt adjustment of the pace of budget execution to the new financing environment to avoid the accumulation of new arrears. The fiscal program is expected to have remained on track through the end of the year, and the authorities have prepared contingency plans that would enable them to close the financing gap that may arise in the event of sustained delays in the disbursement of external assistance in 2010.

30. **Building on the achievements of the previous ECF arrangement, the reform effort is starting to bear fruit in key areas.** In particular, significant progress has been achieved in the modernization of revenue collection agencies, the streamlining of the tax system, and the strengthening of public financial management. On the latter, the preparation of a medium-term budget framework and of a medium-term debt sustainability analysis and debt strategy are critical steps to ensure the judicious use of the fiscal space created by past debt relief operations and fiscal consolidation efforts. Staff encourages the authorities to step up their efforts in this area, particularly by publishing the medium-term budget framework and the medium-term debt sustainability analysis and debt strategy alongside budget documents starting with the 2011 finance law, accelerating the full integration of budget and treasury functions and strengthening treasury operations to ensure that budget execution can be tracked along the whole expenditure chain.

31. **Strengthening the balance sheet of the banking system is crucial to ensure that the financial system can fully support growth.** The new credit lines from multilateral institutions will help the banking system respond to the increased demand for credit in the short run. Prompt restructuring of ailing banks will contribute to strengthening the financial system. In the medium term, banks should be encouraged to explore options for lengthening the maturity of their resources, for example by issuing bonds on the regional market. Supervisory efforts should be intensified to ensure that the sharp increase in credit does not undermine the quality of banks' loan portfolios.

32. **Ensuring that Niger fully seizes the development opportunities offered by the expected increase in oil and uranium receipts requires a strong macroeconomic framework and robust institutions.** International experience shows that transparent management of these resources plays an important role in ensuring their efficient use. Staff strongly encourages the authorities to follow through on their commitment to account transparently for all mining and oil revenues, and to start formulating a comprehensive strategy for the macroeconomic management of these resources.

33. **The uncertain financing outlook is an important risk to program implementation.** To ensure that it is fully financed, the program for 2010 includes contingency measures to close the financing gap that could arise in the event of deferral of the programmed external assistance in 2010. The program also includes a ceiling on the domestic financing target, which will trigger an adjustment in expenditure in the event of a more drastic reduction in external financing than currently foreseen. Staff and the authorities agreed to carefully reexamine external financing assumptions at the time of the fourth review of the ECF arrangement and adjust the fiscal program as necessary.

34. **Staff recommends the completion of the third review.** On balance, staff is of the view that Niger's good track record, the satisfactory implementation of the program in the first nine months of 2009 and the agreements reached on a fiscal program and a set of contingency measures for 2010 and the planned package of important structural measures lend credibility to the authorities' commitment to stay on course with their ECF-supported program.

Table 1. Niger: Selected Economic and Financial Indicators, 2006-14

	2006	2007	2008	2009		2010	2011	2012	2013	2014
		Est.		2nd Rev.[1]	Proj.	Projections				
	(Annual percentage change, unless otherwise indicated)									
National income and prices										
GDP at constant prices	5.8	3.3	9.5	3.0	1.0	5.2	4.5	12.9	5.4	5.8
Non-agricultural GDP at constant prices	3.7	3.1	4.1	5.3	5.3	5.3	4.3			
GDP deflator	1.4	3.3	7.6	3.8	4.9	2.3	2.0	1.7	2.0	2.0
Consumer price index										
Annual average	0.1	0.1	11.3	5.0	4.8	2.3	2.0	2.0	2.0	2.0
End of period	0.4	4.7	13.6	2.0	0.0	2.0	2.0	2.0	2.0	2.0
External sector										
Exports, f.o.b. (CFA francs)	5.4	19.7	27.3	-2.0	4.9	12.7	8.7	47.0	4.6	8.4
Of which: non-uranium exports	7.3	-6.0	18.2	2.4	12.6	2.4	6.5	94.5	4.4	6.5
Imports, f.o.b (CFA francs)	-3.6	9.7	37.7	30.9	14.3	9.2	7.2	11.2	6.9	-4.1
Export volume	2.4	-4.4	-2.5	5.7	3.6	9.9	6.3	52.0	2.4	5.5
Import volume	-1.5	9.2	27.3	38.6	18.3	6.3	5.7	13.0	4.3	-6.5
Terms of trade (deterioration -)	0.8	22.3	24.0	-3.3	4.5	0.2	1.0	-2.4	-0.1	0.5
Nominal effective exchange rate (depreciation -)	3.6	2.6	0.8	…	…	…	…	…	…	…
Real effective exchange rate (depreciation -)	1.5	3.9	9.8	…	…	…	…	…	…	…
Government finances										
Total revenue	30.8	25.0	43.0	-29.3	-21.4	8.9	6.4	14.2	17.2	3.6
Total expenditure and net lending[2]	5.1	26.4	15.1	15.1	9.4	0.5	8.8	11.1	7.5	4.9
Of which: current expenditure[3]	5.4	37.4	25.7	5.0	3.2	-0.7	3.0	8.4	7.3	3.0
capital expenditure	4.8	16.9	4.4	27.4	16.8	1.9	14.8	13.5	7.8	6.6
	(Annual change as percent of beginning-of-period broad money)									
Money and credit										
Domestic credit[4]	-16.1	-3.6	1.8	30.5	39.3	21.1	10.6	7.6	8.0	10.9
Credit to the government (net)[4]	-31.6	-14.7	-18.1	21.4	28.0	9.2	0.9	0.5	-5.6	-4.4
Credit to the economy[4]	15.4	11.2	19.9	9.1	11.3	11.9	9.7	7.1	13.7	15.2
Net domestic assets[4]	-17.3	-0.9	-3.4	28.0	39.3	21.1	10.6	7.6	8.0	10.9
Broad Money	16.2	23.0	12.2	23.8	25.4	20.0	16.8	27.0	20.3	22.6
Velocity of broad money (in percent)	6.6	5.7	6.0	5.2	5.1	4.6	4.2	3.8	3.4	3.0
	(Percent of GDP, unless otherwise indicated)									
Government finances										
Total revenue	13.0	15.2	18.4	12.2	13.7	13.8	13.8	13.7	15.0	14.4
Nontax revenue[5]	2.0	3.5	6.6	…	…	…	…	…	…	…
Total expenditure and net lending	19.8	23.4	22.8	24.6	23.6	22.0	22.5	21.7	21.7	21.1
Current expenditure[3]	9.1	11.8	12.5	12.3	12.2	11.3	10.9	10.3	10.3	9.8
Capital expenditure	10.6	11.6	10.3	12.3	11.4	10.7	11.6	11.5	11.5	11.3
Basic balance (excluding grants)[6]	0.30	-0.9	1.29	-5.8	-3.5	-2.2	-1.8	-1.08	0.2	0.1
Overall balance (commitment basis, excluding grants)	-6.8	-8.2	-4.4	-12.4	-9.9	-8.2	-8.7	-8.0	-6.8	-6.9
Overall balance (commitment basis, including grants)	-0.8	-1.0	1.50	-4.4	-5.3	-4.1	-2.6	-2.2	-1.1	-1.3
Gross investment	23.6	23.2	29.3	36.1	36.1	38.6	38.3	34.0	33.2	24.2
Of which: non-government investment	16.8	16.8	22.6	28.7	29.2	32.1	31.4	27.0	26.3	17.3
government	6.8	6.4	6.7	7.4	6.8	6.4	6.9	7.0	7.0	6.9
Gross national savings	15.0	15.4	16.0	14.9	13.8	15.0	17.2	20.7	19.6	19.0
Of which: non-government	11.2	12.0	10.1	8.8	7.6	7.9	9.7	12.5	11.4	10.4
Domestic savings	10.5	11.0	12.1	11.6	12.7	14.3	14.8	18.8	17.9	16.4
External current account balance										
Excluding official grants	-10.9	-10.0	-15.3	-24.0	-23.2	-24.2	-23.5	-15.4	-15.6	-7.0
Including official grants	-8.6	-7.8	-13.3	-21.2	-22.2	-23.5	-21.1	-13.3	-13.6	-5.1
Debt-service ratio as percent of:										
Exports of goods and services[7]	252.8	2.9	2.7	3.0	2.6	2.3	3.4	2.8	2.9	2.9
Government revenue[7]	320.1	3.4	2.8	4.2	3.6	3.3	5.0	5.2	4.7	4.7
NPV of external debt	10.2	10.5	9.2	10.9	10.9	11.8	12.7	12.4	13.1	14.1
Foreign Aid	9.1	9.8	7.2	10.2	6.7	6.0	9.2	8.9	8.8	8.7
	(CFA francs billions)									
GDP at current market prices	1,906	2,035	2,399	2,564	2,542	2,736	2,915	3,346	3,597	3,883
Overall balance of payments	97.6	67.9	54.7	-9.2	-50.7	-40.6	36.1	137.8	111.5	127.5

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

[1]The report on the 2nd review was issued as CR No. 09/172.

[2]On a commitment basis.

[3]Including budget reserve.

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

[5]Includes exceptional mining receipts.

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

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

Table 2a. Niger: Financial Operations of the Central Government, 2006-14

	2006	2007	2008	2009		2010	2011	2012	2013	2014
	Est.			2nd Rev[1]	Proj.	Projections				
	(Billions of CFA francs)									
Total revenue	247.2	309.0	442.0	312.3	347.6	378.6	402.7	459.8	539.0	558.5
Tax revenue	203.8	233.2	281.1	299.3	329.4	356.1	387.4	440.8	515.7	536.5
Of which: International trade	95.8	100.7	110.7	107.5	116.1	121.1	135.9	151.3	180.5	179.0
Nontax revenue	38.5	71.2	158.8	10.1	15.3	20.0	12.0	15.2	19.2	17.5
Of which: Exceptional uranium receipts	30.4	27.5	123.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts revenue	4.9	4.6	2.1	2.9	2.9	2.5	3.3	3.8	4.1	4.4
Total expenditure and net lending	376.6	476.0	547.9	630.8	599.2	602.4	655.1	727.5	782.4	820.8
Of which: Domestically financed	241.4	326.9	411.1	460.8	435.9	439.3	454.9	496.1	531.8	548.2
Total current expenditure	174.2	239.4	300.8	316.0	310.5	308.3	317.5	344.3	369.4	380.4
Budgetary expenditure	163.8	199.3	254.8	285.6	278.7	283.9	301.4	326.7	350.5	360.3
Wages and salaries	68.0	72.2	83.8	93.3	93.3	107.0	113.8	116.4	125.2	132.6
Materials and supplies	47.4	61.7	63.4	87.6	65.3	77.5	78.0	85.5	90.0	88.0
Subsidies and transfers	43.5	58.3	102.1	98.4	114.5	91.9	97.9	110.9	119.3	121.6
Interest, scheduled	4.9	7.1	5.5	6.3	5.6	7.5	11.7	13.8	16.0	18.1
Of which: External debt	3.7	4.4	3.7	4.5	4.0	4.0	7.2	8.2	9.3	10.4
Special accounts expenditure	10.4	39.8	36.7	30.4	31.8	24.4	16.2	17.6	18.9	20.1
Capital expenditure and net lending	202.3	236.6	247.1	314.8	288.7	294.1	337.6	383.2	413.0	440.4
Capital expenditure	202.3	236.6	247.1	314.8	288.7	294.1	337.6	383.2	413.0	440.4
Domestically financed	51.5	73.7	96.7	132.5	113.1	119.1	126.9	141.3	151.8	157.3
HIPC Initiative resources	15.6	13.8	13.6	12.3	12.3	11.9	10.5	10.5	10.5	10.5
Externally financed	135.2	149.1	136.8	170.0	163.3	163.1	200.2	231.4	250.6	272.6
Of which: Grants	95.7	119.0	106.3	120.0	111.1	111.1	127.4	146.2	157.2	169.7
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-129.4	-167.0	-105.9	-318.5	-251.6	-223.8	-252.4	-267.7	-243.4	-267.2
Basic balance	5.8	-17.9	30.9	-148.5	-88.3	-60.7	-52.2	-36.3	7.2	5.4
Change in payments arrears and float	-14.0	-8.4	-15.7	-18.0	-20.6	-15.0	-15.0	-15.0	-15.0	-15.0
Of which: Domestic arrears	-14.0	-14.8	-15.7	-17.8	-20.4	-15.0	-15.0	-15.0	-15.0	-15.0
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Overall balance (cash)	-143.8	-175.4	-121.8	-336.3	-272.1	-238.8	-267.4	-282.7	-258.4	-282.2
Financing	143.8	175.4	121.8	336.3	272.1	203.8	267.4	282.7	258.4	282.2
External financing	235.0	197.1	167.6	256.8	163.9	157.8	262.2	289.8	305.4	326.0
Grants	898.6	146.5	141.9	206.3	117.0	111.1	175.6	193.7	204.4	215.9
Budget financing	18.6	27.5	35.6	86.3	5.9	0.0	48.2	47.5	47.2	46.2
Project financing	95.7	119.0	106.3	120.0	111.1	111.1	127.4	146.2	157.2	169.7
MDRI assistance[2]	784.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	59.3	53.1	30.5	55.3	52.2	52.0	93.4	105.2	113.4	122.7
Of which: Budget financing	19.8	23.0	0.0	5.3	0.0	0.0	20.7	20.0	20.0	19.8
Amortization	-726.0	-6.1	-8.8	-8.5	-8.5	-8.5	-10.1	-12.3	-12.4	-12.6
Debt relief (incl. debt under discussion)	3.1	3.5	4.0	3.7	3.2	3.2	3.2	0.0	0.0	0.0
Domestic financing	-91.2	-21.7	-45.9	79.5	108.2	46.0	5.2	-7.1	-47.0	-43.8
Banking sector	-82.8	-31.6	-56.4	85.8	111.5	46.0	5.2	-7.1	-47.0	-43.8
Of which: IMF	-61.4	5.8	5.3	5.0	2.4	7.1	0.3	-3.1	-4.0	-4.8
Nonbanking sector	-8.4	9.9	10.5	-6.3	-3.3	0.0	0.0	0.0	0.0	0.0
Financing gap[3]	0.0	0.0	0.0	0.0	0.0	35.0	0.0	0.0	0.0	0.0

Sources: Nigerien authorities; and staff estimates.

[1]The report on the 2nd review was issued as CR. No. 09/172.

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

[3]The financing gap is assumed to be filled by external budget support in the second half of the year (see paragraph 19).

Table 2b. Niger: Financial Operations of the Central Government, 2006-14

	2006	2007	2008	2009		2010	2011	2012	2013	2014
		Est.		2nd Rev [1]	Proj.	Projections				
	(In percent of GDP)									
Total revenue	13.0	15.2	18.4	12.2	13.7	13.8	13.8	13.7	15.0	14.4
Tax revenue	10.7	11.5	11.7	11.7	13.0	13.0	13.3	13.2	14.3	13.8
Of which: International trade	5.0	4.9	4.6	4.2	4.6	4.4	4.7	4.5	5.0	4.6
Nontax revenue	2.0	3.5	6.6	0.4	0.6	0.7	0.4	0.5	0.5	0.5
Of which: Exceptional uranium receipts	1.6	1.4	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts revenue	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditure and net lending	19.8	23.4	22.8	24.6	23.6	22.0	22.5	21.7	21.7	21.1
Of which: Domestically financed	12.7	16.1	17.1	18.0	17.1	16.1	15.6	14.8	14.8	14.1
Total current expenditure	9.1	11.8	12.5	12.3	12.2	11.3	10.9	10.3	10.3	9.8
Budgetary expenditure	8.6	9.8	11.0	11.1	11.0	10.4	10.3	9.8	9.7	9.3
Wages and salaries	3.6	3.5	3.5	3.6	3.7	3.9	3.9	3.5	3.5	3.4
Materials and supplies	2.5	3.0	2.6	3.4	2.6	2.8	2.7	2.6	2.5	2.3
Subsidies and transfers	2.3	2.9	4.3	3.8	4.5	3.4	3.4	3.3	3.3	3.1
Interest, scheduled	0.3	0.3	0.2	0.2	0.2	0.3	0.4	0.4	0.4	0.5
Of which: External debt	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.3	0.3
Special accounts expenditure	0.5	2.0	1.5	1.2	1.3	0.9	0.6	0.5	0.5	0.5
Capital expenditure and net lending	10.6	11.6	10.3	12.3	11.4	10.7	11.6	11.5	11.5	11.3
Capital expenditure	10.6	11.6	10.3	12.3	11.4	10.7	11.6	11.5	11.5	11.3
Domestically financed	2.7	3.6	4.0	5.2	4.4	4.4	4.4	4.2	4.2	4.0
HIPC Initiative resources	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.3
Externally financed	7.1	7.3	5.7	6.6	6.4	6.0	6.9	6.9	7.0	7.0
Of which: Grants	5.0	5.8	4.4	4.7	4.4	4.1	4.4	4.4	4.4	4.4
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-6.8	-8.2	-4.4	-12.4	-9.9	-8.2	-8.7	-8.0	-6.8	-6.9
Basic balance	0.3	-0.9	1.3	-5.8	-3.5	-2.2	-1.8	-1.1	0.2	0.1
Change in payments arrears and float	-0.7	-0.4	-0.7	-0.7	-0.8	-0.5	-0.5	-0.4	-0.4	-0.4
Of which: Domestic arrears	-0.7	-0.7	-0.7	-0.7	-0.8	-0.5	-0.5	-0.4	-0.4	-0.4
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-7.5	-8.6	-5.1	-13.1	-10.7	-8.7	-9.2	-8.4	-7.2	-7.3
Financing	7.5	8.6	5.1	13.1	10.7	7.4	9.2	8.4	7.2	7.3
External financing	12.3	9.7	7.0	10.0	6.4	5.8	9.0	8.7	8.5	8.4
Grants	47.1	7.2	5.9	8.0	4.6	4.1	6.0	5.8	5.7	5.6
Budget financing	1.0	1.4	1.5	3.4	0.2	0.0	1.7	1.4	1.3	1.2
Project financing	5.0	5.8	4.4	4.7	4.4	4.1	4.4	4.4	4.4	4.4
MDRI assistance [2]	41.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	3.1	2.6	1.3	2.2	2.1	1.9	3.2	3.1	3.2	3.2
Of which: Budget financing	1.0	1.1	0.0	0.2	0.0	0.0	0.7	0.6	0.6	0.5
Amortization	-38.1	-0.3	-0.4	-0.3	-0.3	-0.3	-0.3	-0.4	-0.3	-0.3
Debt relief (incl. debt under discussion)	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Domestic financing	-4.8	-1.1	-1.9	3.1	4.3	1.7	0.2	-0.2	-1.3	-1.1
Banking sector	-4.3	-1.6	-2.4	3.3	4.4	1.7	0.2	-0.2	-1.3	-1.1
Of which: IMF	-3.2	0.3	0.2	0.2	0.1	0.3	0.0	-0.1	-0.1	-0.1
Nonbanking sector	-0.4	0.5	0.4	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0
Financing Gap [3]	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0

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

[1] The report on the 2nd review was issued as CR No. 09/172.

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

[3] The financing gap is assumed to be filled by external budget support in the second half of the year (see paragraph 19).

Table 2c. Niger: Central Government Financial Operations—Quarterly Program 2009-2010

	2008	2009					2010				
		Annual	March	June	Sept.	Dec.	Annual	March	June	Sept.	Dec.
			Cumulative					Cumulative			
	Actual	Prog.	Actual	Actual	Actual	Prog.	Prog.	Prog.	Prog.	Prog.	Prog.
					(In billions of CFA francs)						
Total revenue	442.0	347.6	76.8	177.1	269.4	347.6	378.6	77.1	162.4	269.2	378.6
Tax revenue	281.1	329.4	75.6	169.3	256.2	329.4	356.1	74.8	157.9	255.7	356.1
International trade	110.7	116.1	28.3	55.3	84.2	116.1	121.1	25.0	52.2	85.8	121.1
Goods and services	79.3	92.5	22.6	50.3	73.4	92.5	105.0	21.2	48.3	77.3	105.0
Income	67.9	99.8	19.2	52.4	80.4	99.8	102.0	22.1	45.3	73.7	102.0
Other	15.7	17.8	4.2	9.1	13.5	17.8	28.0	6.5	12.0	19.0	28.0
Nontax revenue	158.8	15.3	0.4	6.0	10.3	15.3	20.0	1.7	3.4	12.0	20.0
Special accounts revenue	2.1	2.9	0.8	1.8	2.8	2.9	2.5	0.6	1.1	1.5	2.5
Total expenditures and net lending	547.9	599.2	133.2	281.4	438.0	599.2	602.4	123.8	254.6	401.0	602.4
Current expenditures	300.8	310.5	76.0	151.3	233.7	310.5	308.3	66.4	143.1	221.3	308.3
Of which: Budgetary current expenditures	256.6	275.5	62.7	127.2	199.0	275.5	283.9	61.0	135.3	209.4	283.9
Wages and salaries	83.8	93.3	24.0	46.3	71.3	93.3	107.0	36.8	70.2	84.6	107.0
Materials and supplies	63.4	65.3	13.8	34.8	60.3	65.3	77.5	10.9	28.2	58.5	77.5
Subsidies and transfers	94.6	111.3	21.0	47.9	72.2	111.3	91.9	12.8	34.3	62.9	91.9
Interests scheduled	5.5	5.6	0.8	3.2	3.8	5.6	7.5	0.6	2.7	3.4	7.5
External Debt	3.7	4.0	0.6	3.2	4.7	4.0	4.0	0.4	1.9	2.4	4.0
Domestic Debt	1.8	1.6	0.2	1.0	1.0	1.6	3.5	0.2	0.8	1.0	3.5
Special Accounts Expenditures	36.7	31.8	11.8	20.9	30.0	31.8	24.4	5.4	7.7	11.9	24.4
Investment Expenditures and net lending	247.1	288.7	57.2	130.1	204.3	288.7	294.1	57.4	111.5	179.7	294.1
Investment Expenditures	247.1	288.7	57.2	130.1	204.3	288.7	294.1	57.4	111.5	179.7	294.1
Domestically financed	96.7	113.1	18.1	57.8	91.2	113.1	119.1	24.8	42.3	77.6	119.1
Grants	106.3	111.1	21.4	44.1	75.3	111.1	111.1	20.5	37.3	64.3	111.1
Loans	30.5	52.2	13.2	20.5	26.4	52.2	52.0	9.9	25.3	29.3	52.0
HIPC resources	13.6	12.3	4.6	7.7	11.4	12.3	11.9	2.3	6.6	8.5	11.9
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	-105.9	-251.6	-56.4	-104.3	-168.6	-251.6	-223.8	-46.8	-92.2	-131.8	-223.8
Basic balance (excluding HIPC)	44.5	-76.0	-17.2	-32.0	-55.5	-76.0	-48.8	-14.1	-23.0	-29.6	-48.8
Basic balance	30.9	-88.3	-21.9	-39.7	-66.9	-88.3	-60.7	-16.4	-29.7	-38.1	-60.7
Change in payment arrears and float (reduction -)	-15.9	-20.4	0.8	-7.1	-12.8	-20.4	-15.0	-2.0	-8.0	-12.0	-15.0
Domestic arrears	-15.7	-20.4	-0.6	-10.7	-12.8	-20.4	-15.0	-2.0	-8.0	-12.0	-15.0
External arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-121.8	-272.1	-55.7	-111.4	-181.4	-272.1	-238.8	-48.8	-100.2	-143.8	-238.8
Financing	121.8	272.1	55.7	111.4	181.4	272.1	203.8	48.8	100.2	143.8	203.8
External Financing	167.6	163.9	35.2	67.4	104.5	163.9	157.8	29.7	56.1	93.2	157.8
Grants	141.9	117.0	22.7	49.4	81.2	117.0	111.1	20.5	33.1	60.2	111.1
Budget Financing	35.6	5.9	1.3	5.2	5.9	5.9	0.0	0.0	0.0	0.0	0.0
Project Financing	106.3	111.1	21.4	44.1	75.3	111.1	111.1	20.5	33.1	60.2	111.1
MDRI Financing[1]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	30.5	52.2	13.2	20.5	26.4	52.2	52.0	9.9	25.2	36.3	52.0
Budget Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Financing	30.5	52.2	13.2	20.5	26.4	52.2	52.0	9.9	25.2	36.3	52.0
Amortization	-8.8	-8.5	-1.8	-4.3	-6.1	-8.5	-8.5	-1.8	-4.3	-6.0	-8.5
Debt relief	4.0	3.2	1.1	1.8	3.0	3.2	3.2	1.1	2.1	2.7	3.2
Debt under discussion	0.0	3.2	1.1	1.8	3.0	3.2	3.2	1.1	2.1	2.7	3.2
Domestic Financing	-45.9	108.2	20.5	44.0	76.9	108.2	46.0	19.1	44.1	50.6	46.0
Banking sector	-56.4	111.5	16.1	31.5	67.2	111.5	46.0	19.1	39.1	45.6	46.0
IMF	5.3	2.4	0.0	2.4	2.4	2.4	7.1	2.4	2.3	2.3	7.1
Repurchases	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.1
Purchases	5.3	2.4	0.0	2.4	2.4	2.4	7.2	2.4	2.4	2.4	7.2
Statutory advances	-0.5	-10.9	0.0	-2.0	-2.0	-10.9	-4.4	0.0	-0.7	-2.3	-4.4
Government securities owned by the banking sector	0.0	-2.3	0.0	0.0	0.0	-2.3	0.0	0.0	10.0	10.0	0.0
Others	-61.2	112.7	16.1	31.1	66.8	112.7	28.2	14.7	19.5	23.6	28.2
Non-banking sector	10.5	-3.3	4.5	12.6	9.7	-3.3	0.0	0.0	5.0	5.0	0.0
Financing Gap[2]	0.0	0.0	0.0	0.0	0.0	0.0	35.0	0.0	0.0	0.0	35.0

Sources: Nigerien authorities; and IMF staff estimates.

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

[2]The financing gap is assumed to be filled by external budget support in the second half of the year (see paragraph 19).

Table 3a. Niger: Balance of Payments, 2006-14

	2006	2007	2008	2009		2010	2011	2012	2013	2014
		Est.		2nd Rev [1]	Proj.	Projections				
	(CFAF billions, unless otherwise indicated)									
Current account balance	-163.7	-159.4	-318.1	-542.6	-565.5	-643.4	-615.5	-446.2	-490.6	-198.6
Balance on goods and services	-249.1	-248.2	-417.3	-670.9	-641.9	-718.7	-744.3	-583.2	-636.9	-351.6
Balance on goods	-125.7	-111.5	-186.6	-358.7	-251.4	-259.8	-271.2	-114.9	-140.2	-33.8
Exports, f.o.b	265.6	317.9	404.8	390.1	424.7	478.6	520.2	764.7	800.0	867.4
Uranium	79.6	143.1	198.2	188.4	192.0	240.3	266.3	270.9	284.6	318.5
Cattle	35.5	37.8	49.7	44.1	50.5	54.8	59.0	63.4	69.5	76.4
Cowpeas	18.5	19.2	41.8	33.5	58.8	47.9	51.3	55.0	58.9	64.8
Onions	37.7	42.1	40.9	46.6	44.8	48.0	51.4	55.1	59.1	64.9
Gold	24.3	25.5	26.4	27.9	34.7	39.7	40.8	42.1	36.9	38.3
Oil								222.9	230.5	238.0
Other exports	70.0	50.1	47.8	49.6	44.0	47.8	51.4	55.3	60.5	66.6
Imports, f.o.b	391.3	429.4	591.4	748.8	676.1	738.4	791.4	879.6	940.2	901.2
Food products	97.7	83.8	121.7	111.8	102.6	104.7	109.7	115.4	122.1	131.8
Petroleum products	48.4	76.3	96.1	62.5	81.8	113.6	124.3	86.7	100.5	99.7
Intermediate goods	21.4	26.6	35.2	84.3	57.4	60.0	66.2	129.5	146.6	143.2
Capital goods	151.1	176.5	259.2	393.6	318.9	338.3	358.1	407.9	422.3	387.6
Other products	72.7	66.2	79.3	96.7	115.4	121.6	133.0	140.1	148.7	138.9
Services and income (net)	-123.4	-136.7	-230.7	-312.1	-390.5	-458.9	-473.1	-468.3	-496.7	-317.8
Services (net)	-124.1	-136.5	-224.6	-269.2	-341.8	-404.1	-416.0	-394.2	-412.3	-266.2
Income (net)	0.6	-0.2	-6.0	-42.9	-48.7	-54.8	-57.1	-74.1	-84.4	-51.5
Of which : interest on external public debt	-3.7	-4.4	-3.7	-4.5	-4.0	-4.0	-7.2	-8.2	-9.3	-10.4
Unrequited current transfers (net)	85.4	88.8	99.1	128.3	76.4	75.3	128.9	137.1	146.3	153.0
Private (net)	41.6	44.0	49.3	55.4	52.3	56.2	59.9	68.8	73.9	79.8
Public (net)	43.9	44.8	49.8	73.0	24.1	19.1	68.9	68.3	72.3	73.2
Of which: grants for budgetary assistance	18.6	27.5	35.6	86.3	5.9	0.0	48.2	47.5	47.2	46.2
Capital and financial account	270.7	231.0	372.8	533.4	514.8	602.8	651.6	580.7	602.1	326.1
Capital account	912.0	153.4	113.4	128.4	118.6	119.2	136.0	156.1	167.9	181.2
Private capital transfers	7.1	6.9	7.1	8.4	7.5	8.1	8.6	9.9	10.6	11.5
Project grants	95.7	119.0	106.3	120.0	111.1	111.1	127.4	146.2	157.2	169.7
Nonproduced, nonfinancial assets	30.4	27.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt cancellation [2]	778.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-641.2	77.6	259.4	405.0	396.1	483.6	515.5	424.6	434.3	144.9
Direct investment	26.9	58.0	253.4	348.9	347.3	447.1	440.9	343.5	346.7	50.3
Portfolio investment	-2.0	-3.0	-3.2	2.0	17.1	9.8	9.8	9.8	9.8	9.8
Other investment	-666.2	22.6	9.2	54.1	31.7	26.7	64.8	71.3	77.7	84.8
Public sector (net)	-666.7	47.1	21.7	46.8	43.7	43.5	83.3	92.9	101.0	110.1
Disbursements	59.3	53.1	30.5	55.3	52.2	52.0	93.4	105.2	113.4	122.7
Loans for budgetary assistance	19.8	23.0	0.0	5.3	0.0	0.0	20.7	20.0	20.0	19.8
Project loans	39.5	30.1	30.5	50.0	52.2	52.0	72.8	85.2	93.4	102.9
Amortization	726.0	6.1	8.8	8.5	8.5	8.5	10.1	12.3	12.4	12.6
Other (net)	0.5	-24.5	-12.5	7.3	-12.0	-16.8	-18.5	-21.5	-23.3	-25.3
Errors and omissions	-9.4	-3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	97.6	67.9	54.7	-9.2	-50.7	-40.6	36.1	137.8	111.5	127.5
Financing	-97.6	-67.9	-54.7	9.0	50.7	5.6	-36.1	-137.8	-111.5	-127.5
Net foreign assets (BCEAO)	-100.7	-71.5	-58.7	9.0	47.6	2.4	-39.3	-137.8	-111.5	-127.5
Of which										
Net use of Fund resources	4.5	5.7	5.3	5.0	2.4	7.1	0.3	-3.1	-4.0	-4.8
Purchases	4.5	5.7	5.3	5.0	2.4	7.2	2.4	0.0	0.0	0.0
Repurchases	0.0	0.0	0.0	0.0	0.0	-0.1	-2.1	-3.1	-4.0	-4.8
SDR allocation	...	...	...	...	40.0	...	...	...	...	...
Rescheduling obtained	3.1	3.5	4.0	3.7	3.2	3.2	3.2	3.2	0.0	0.0
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap [3]	0.0	0.0	0.0	0.0	0.0	35.0	0.0	0.0	0.0	0.0
	(Percent of GDP, unless otherwise indicated)									
Memorandum items:										
External current account balance										
Including official grants (percent of GDP)	-8.6	-7.8	-13.3	-21.2	-22.2	-23.5	-21.1	-13.3	-13.6	-5.1
Excluding official grants (percent of GDP)	-10.9	-10.0	-15.3	-24.0	-23.2	-24.2	-23.5	-15.4	-15.6	-7.0
Gross official reserves (imputed reserves, millions of US$)	351.4	548.4	747.7	603.2	603.2	628.8	710.4	991.0	1208.3	1450.1
(percent of broad money)	63.5	73.8	83.5	57.6	57.6	48.7	47.4	52.4	53.6	53.1
WAEMU gross official reserves (billions of US$)	8.1	10.7	10.5	…	…	…	…	…	…	…
(percent of broad money)	57.5	57.8	56.0	…	…	…	…	…	…	…
(months of WAEMU imports of GNFS)	5.5	5.9	6.4	…	…	…	…	…	…	…
GDP (in CFAF billions)	1906.4	2034.8	2398.7	2564.0	2542.3	2735.8	2915.1	3345.9	3597.4	3883.4
Petroleum price (US$ per barrel)	0.0	0.0	0.0	44.0	0.0	0.0	0.0	0.0	0.0	0.0
Uranium price (000's FCFA/kg.)	79.6	143.1	198.2	56.9	192.0	240.3	266.3	270.9	284.6	318.5
Uranium price (US$/lb)	58.6	115.0	171.0	...	...	...	...	...	...	...
NPV of external debt (percent of exports)	62.6	60.4	47.9	57.4	57.4	59.6	65.2	49.9	45.5	45.5
Exchange rate (CFAF per US$, annual average)	522.4	478.6	445.7	...	...	...	…	…	…	…

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

[1] The report on the 2nd review was issued as CR No. 09/172.

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

[3] The financing gap is assumed to be filled by external budget support in the second half of the year (see paragraph 19).

Table 3b. Niger: Balance of Payments, 2006-14

	2006	2007	2008	2009		2010	2011	2012	2013	2014
		Est.		2nd rev[1]	Proj.	Projections				
					(In percent of GDP)					
Current account balance	-8.6	-7.8	-13.3	-21.2	-22.2	-23.5	-21.1	-13.3	-13.6	-5.1
Balance on goods and services	-13.1	-12.2	-17.4	-26.2	-25.2	-26.3	-25.5	-17.4	-17.7	-9.1
Balance on goods	-6.6	-5.5	-7.8	-14.0	-9.9	-9.5	-9.3	-3.4	-3.9	-0.9
Exports, f.o.b	13.9	15.6	16.9	15.2	16.7	17.5	17.8	22.9	22.2	22.3
Uranium	4.2	7.0	8.3	7.3	7.6	8.8	9.1	8.1	7.9	8.2
Cattle	1.9	1.9	2.1	1.7	2.0	2.0	2.0	1.9	1.9	2.0
Cowpeas	1.0	0.9	1.7	1.3	2.3	1.8	1.8	1.6	1.6	1.7
Onions	2.0	2.1	1.7	1.8	1.8	1.8	1.8	1.6	1.6	1.7
Gold	1.3	1.3	1.1	1.1	1.4	1.5	1.4	1.3	1.0	1.0
Oil										
Other exports	3.7	2.5	2.0	1.9	1.7	1.7	1.8	1.7	1.7	1.7
Imports, f.o.b	20.5	21.1	24.7	29.2	26.6	27.0	27.1	26.3	26.1	23.2
Food products	5.1	4.1	5.1	4.4	4.0	3.8	3.8	3.5	3.4	3.4
Petroleum products	2.5	3.8	4.0	2.4	3.2	4.2	4.3	2.6	2.8	2.6
Intermediate goods	1.1	1.3	1.5	3.3	2.3	2.2	2.3	3.9	4.1	3.7
Capital goods	7.9	8.7	10.8	15.3	12.5	12.4	12.3	12.2	11.7	10.0
Other products	3.8	3.3	3.3	3.8	4.5	4.4	4.6	4.2	4.1	3.6
Services and income (net)	-6.5	-6.7	-9.6	-12.2	-15.4	-16.8	-16.2	-14.0	-13.8	-8.2
Services (net)	-6.5	-6.7	-9.4	-10.5	-13.4	-14.8	-14.3	-11.8	-11.5	-6.9
Income (net)	0.0	0.0	-0.3	-1.7	-1.9	-2.0	-2.0	-2.2	-2.3	-1.3
Of which: [1] Interest on external public debt	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-0.3	-0.3
Unrequited current transfers (net)	4.5	4.4	4.1	5.0	3.0	2.8	4.4	4.1	4.1	3.9
Private (net)	2.2	2.2	2.1	2.2	2.1	2.1	2.1	2.1	2.1	2.1
Public (net)	2.3	2.2	2.1	2.9	0.9	0.7	2.4	2.0	2.0	1.9
Of which: Grants for budgetary assistance	1.0	1.4	1.5	3.4	0.2	0.0	1.7	1.4	1.3	1.2
Capital and financial account	14.2	11.4	15.5	20.8	20.2	22.0	22.4	17.4	16.7	8.4
Capital account	47.8	7.5	4.7	5.0	4.7	4.4	4.7	4.7	4.7	4.7
Private capital transfers	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Project grants	5.0	5.8	4.4	4.7	4.4	4.1	4.4	4.4	4.4	4.4
Nonproduced, nonfinancial assets	1.6	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt cancellation[2]	40.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-33.6	3.8	10.8	15.8	15.6	17.7	17.7	12.7	12.1	3.7
Direct investment	1.4	2.8	10.6	13.6	13.7	16.3	15.1	10.3	9.6	1.3
Portfolio investment	-0.1	-0.1	-0.1	0.1	0.7	0.4	0.3	0.3	0.3	0.3
Other investment	-34.9	1.1	0.4	2.1	1.2	1.0	2.2	2.1	2.2	2.2
Public sector (net)	-35.0	2.3	0.9	1.8	1.7	1.6	2.9	2.8	2.8	2.8
Disbursements	3.1	2.6	1.3	2.2	2.1	1.9	3.2	3.1	3.2	3.2
Loans for budgetary assistance	1.0	1.1	0.0	0.2	0.0	0.0	0.7	0.6	0.6	0.5
Project loans	2.1	1.5	1.3	2.0	2.1	1.9	2.5	2.5	2.6	2.6
Amortization	38.1	0.3	0.4	0.3	0.3	0.3	0.3	0.4	0.3	0.3
Other (net)	0.0	-1.2	-0.5	0.3	-0.5	-0.6	-0.6	-0.6	-0.6	-0.7
Errors and omissions	-0.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	5.1	3.3	2.3	-0.4	-2.0	-1.5	1.2	4.0	3.1	3.3
Financing	-5.1	-3.3	-2.3	0.4	2.0	0.2	-1.2	-4.0	-3.1	-3.3
Net foreign assets (BCEAO)	-5.3	-3.5	-2.4	0.4	1.9	0.1	-1.3	-4.1	-3.1	-3.3
Of which										
Net use of Fund resources	0.2	0.3	0.2	0.2	0.1	0.3	0.0	-0.1	-0.1	-0.1
Purchases	0.2	0.3	0.2	0.2	0.1	0.3	0.1	0.0	0.0	0.0
Repurchases	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1
SDR allocation	..	..	..	..	1.6	..	..			
Rescheduling obtained	0.2	0.2	0.2	0.0	0.1	0.1	0.1	0.1	0.0	0.0
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap[3]	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0

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

[1] The report on the 2nd review was issued as CR No. 09/172.

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

[3] The financing gap is assumed to be filled by external budget support in the second half of the year (see paragraph 19).

Table 4. Niger: Monetary Survey, 2006-11

	2006	2007	2008	2009		2010	2011
			Est.	2nd Rev[1]	Proj.	Projections	
			(CFAF billions; end-of-period)				
Net foreign assets	162.5	231.8	287.3	270.3	231.8	226.4	263.7
BCEAO	168.4	240.7	299.6	290.6	252.1	249.6	289.0
Commercial banks	-5.8	-9.0	-12.3	-20.3	-20.3	-23.3	-25.3
Net domestic assets	126.5	123.9	111.9	225.9	268.7	374.2	437.9
Domestic credit	151.7	141.4	147.8	270.2	304.6	410.1	473.8
Net bank claims on government	-7.9	-50.5	-114.8	-28.9	-3.0	43.1	48.5
BCEAO	0.6	-31.2	-96.1	-13.2	17.7	63.7	68.9
Of which: statutory advances	35.2	33.7	33.3	30.0	22.3	17.9	14.9
IMF resources	13.8	19.6	24.8	32.2	27.2	34.3	34.6
Commercial banks	-10.4	-20.7	-20.3	-20.3	-22.6	-22.6	-22.6
Other	1.8	1.4	1.5	4.6	1.8	2.0	2.2
Credit to the economy	159.6	191.9	262.6	299.1	307.6	367.0	425.2
Other items, net	-25.2	-17.5	-35.9	-44.3	-35.9	-35.9	-35.9
Money and quasi-money	289.1	355.7	399.2	496.2	500.5	600.6	701.6
Currency outside banks	132.9	132.8	147.7	169.4	170.6	200.8	225.5
Private deposits with ONPE (Postal savings institution)	1.8	1.4	1.5	4.6	1.8	2.0	2.2
Deposits with banks	154.4	221.5	250.0	322.2	328.1	397.7	473.9
		(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)					
Net foreign assets	33.6	23.9	15.6	-4.2	-13.9	-1.1	6.2
BCEAO	40.7	25.0	16.6	-2.2	-11.9	-0.5	6.5
Commercial banks	-7.1	-1.1	-0.9	-2.0	-2.0	-0.6	-0.3
Net domestic assets	-17.3	-0.9	-3.4	28.0	39.3	21.1	10.6
Domestic credit	-16.1	-3.6	1.8	30.5	39.3	21.1	10.6
Net bank claims on the government	-31.6	-14.7	-18.1	21.4	28.0	9.2	0.9
BCEAO	-30.0	-11.0	-18.3	21.2	28.5	9.2	0.9
Of which: statutory advances	1.3	-0.5	-0.1	-0.8	-2.7	-0.9	-0.5
Commercial banks	-1.3	-3.6	0.1	0.0	-0.6	0.0	0.0
Other	-0.3	-0.1	0.0	0.2	0.1	0.0	0.0
Credit to the economy	15.4	11.2	19.9	9.1	11.3	11.9	9.7
Other items, net	-1.2	2.7	-5.2	-2.5	0.0	0.0	0.0
Broad money	16.2	23.0	12.2	23.8	25.4	20.0	16.8
Memorandum items:							
Velocity of broad money							
(In percent)	6.6	5.7	6.0	5.2	5.1	4.6	4.2
Credit to the economy							
(Change, in percent)	31.7	20.2	36.8	13.9	17.1	19.3	15.9
(In percent of GDP)	8.4	9.4	10.9	11.8	12.1	13.4	14.6
(In percent of non-agricultural GDP)	11.3	12.4	15.1	16.1	16.5	17.0	18.5

Sources: BCEAO; and IMF staff estimates and projections.

[1] The report on the 2nd review was issued as CR No. 09/172.

Table 5: Niger: Selected Financial Sector Indicators, 2006-08
(In percent)

	Standard	2006 (WAEMU)	2006	2007	2008
Capital adequacy ratio					
Capital /Risk weighted assets	>8percent	8.5	13.7	12.8	11.6
Asset quality					
Gross non-performing loans to gross loans		18.5	21.8	21.2	16.46
Net non-performing loans to gross loans		7.8	8.4	10.7	7.52
Sectoral distribution of loans					
Agriculture			0.6	1.4	1.4
Mining			8.2	7.3	7.3
Manufacturing			9.7	9.9	9.9
Construction & Public works			8.9	8.8	8.8
Trade & Restaurants			38.2	36.2	36.2
Transportation & Telecommunications			12.4	13.9	13.9
Insurance and Real estate			21.9	22.5	22.5
Earnings and Profitability					
Return on equity		23.4	3.8	14.8	
Average intermediation margin		7.4	9.3	9	
Liquidity					
Liquidity ratio	>75percent		75.6	90.1	70.8
Reserve/Demand deposits			72.2	46.7	31.9
Transformation ratio	>75percent	85.7	105.8	144.9	69.9

Source: Regional FSAP, and staff estimates, 2009.

Table 6. Niger: Indicators of Capacity to Repay the Fund, 2008-2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Actual	Projections								
Fund obligations based on existing credit										
(SDR million)										
Principal	0.0	0.0	0.1	2.9	4.2	5.5	6.91	7.14	4.3	3.03
Charges and interest	0.4	0.2	0.2	0.2	0.2	0.2	0.13	0.1	0.06	0.05
Fund credit based on existing and propective credit										
(SDR million)										
Principal	0.0	0.0	0.1	2.9	4.2	5.5	6.91	8.13	6.6	5.66
Charges and interest	0.4	0.2	0.2	0.3	0.3	0.2	0.2	0.16	0.12	0.09
Total obligations based on existing and prospective credit										
SDR (million)	0.4	0.2	0.3	3.2	4.5	5.7	7.11	8.29	6.72	5.75
CFAF (billion)	0.3	0.2	0.2	2.3	3.3	4.2	5.25	6.12	4.96	4.24
Percent of export of goods and services	0.1	0.0	0.0	0.4	0.4	0.5	0.55	0.61	0.40	0.31
Percent of debt service	2.3	1.4	1.9	13.5	15.9	19.5	22.86	24.39	18.04	14.15
Percent of GDP	0.0	0.0	0.0	0.1	0.1	0.1	0.14	0.15	0.11	0.08
Percent of tax revenue	0.0	0.1	0.1	0.6	0.7	0.8	0.98	1.02	0.71	0.57
Percent of quota	0.0	0.4	0.5	4.9	6.8	8.7	10.81	12.60	10.21	8.74
Outstanding Fund credit										
Outstanding Fund credit SDR (million)	32.9	39.5	46.0	46.3	42.1	36.6	29.7	21.57	14.97	9.31
Outstanding Fund credit CFAF (billion)	23.2	28.9	33.3	33.7	30.8	27.0	21.91	15.91	11.04	6.87
Percent of exports of goods and services	5.1	6.1	6.2	5.8	3.7	3.1	2.31	1.59	0.89	0.50
Percent of debt service	185.5	231.3	266.5	194.2	149.9	124.7	95.50	63.45	40.18	22.91
Percent of nominal GDP	1.0	1.1	1.2	1.2	0.9	0.8	0.56	0.38	0.24	0.14
Percent of tax revenue	8.2	8.8	9.4	8.7	7.0	5.2	4.08	2.65	1.59	0.92
Percent of quota	50.0	60.0	69.9	70.4	64.0	55.6	45.1	32.8	22.8	14.1
Net use of Fund credit (SDR million)	7.5	3.3	6.5	0.4	-4.2	-5.5	-6.9	-7.1	-4.3	-3.0
Disbursements	7.5	3.3	6.6	3.3	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	0.0	0.0	0.1	2.9	4.2	5.5	6.9	7.1	4.3	3.0
Memorandum items										
Exports of goods and services (CFAF billion)	455.9	477.3	535.3	580.8	836.1	876.5	950.1	1001.4	1241.8	1379.9
Debt service (CFAF billion)	12.5	12.5	12.5	17.3	20.6	21.7	22.9	25.1	27.5	30.0
Nominal GDP (CFAF billion)	2398.7	2542.3	2735.8	2915.1	3345.9	3597.4	3883.4	4134.5	4633.2	5018.3
Tax revenue (CFAF billion)	281.1	329.4	356.1	387.4	440.8	515.7	536.5	600.6	695.4	742.7
Quota (SDR million)	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8
Exchange rate (CFAF/SDR)	704.6	731.8	724.7	726.8	731.8	737.7	737.7	737.7	737.7	737.7

Source: IMF staff estimates and projections, 2009.

Table 7. Niger: Proposed Scheduled Disbursements Under the ECF Arrangement, 2008–11

Amount (Millions)	Date Available	Conditions Necessary for Disbursement[1]	Disbursement Date
SDR 3.29	June 2, 2008	Executive Board approval of the three year ECF arrangement.	June 18, 2008
SDR 3.29	September 30, 2008	Observance of the June 30, 2008 and continuous quantitative performance criteria, the end-September structural performance criterion, and completion of the first review under the arrangement.	January 2, 2009
SDR 3.29	March 31, 2009	Observance of the December 31, 2008, and continuous quantitative performance criteria, the end-November 2008 structural performance criterion, and completion of the second review under the arrangement.	May 13, 2009
SDR 3.29	September 30, 2009	Observance of the June 30, 2009 and continuous quantitative performance criteria, and completion of the third review under the arrangement.	
SDR 3.29	March 31, 2010	Observance of the December 31, 2009 and continuous quantitative performance criteria, the end-December 2009 structural performance criteria, and completion of the fourth review under the arrangement.	
SDR 3.29	September 30, 2010	Observance of the June 30, 2010 and continuous performance criteria, and completion of the fifth review under the arrangement.	
SDR 3.29	March 31, 2011	Observance of the December 31, 2010 and continuous performance criteria, and completion of the sixth review under the arrangement.	

Source: IMF.

[1]In addition to the generally-applicable conditions under the ECF arrangement.

APPENDIX I—LETTER OF INTENT

Niamey, January 21, 2010

Mr. Dominique Strauss-Kahn
Managing Director
IMF
Washington, D.C.

Dear Mr. Strauss-Kahn:

1. The second review of our economic and financial program supported by the Extended Credit Facility (ECF) arrangement was concluded on May 13, 2009. The attached Memorandum of Economic and Financial Policies (MEFP) describes recent economic developments, the economic outlook for 2009 and 2010, and the progress achieved in implementing structural reforms. It also sets out the main objectives for our program through 2010.

2. Niger's economy was largely spared the direct effects of the global economic upheaval. However, preliminary indications suggest that tourism activity has slowed to some extent and that migrant remittances are falling. We are continuing to pay particularly close attention to possible channels through which the global crisis might be transmitted. Furthermore, the changes in Niger's economic environment have prompted us to review our macroeconomic framework.

3. In the first nine months of 2009 implementation of our ECF-supported program was generally satisfactory. All quantitative performance criteria for end-June and all indicative targets at end-September 2009 were met. In spite of the non-disbursement of some of the budget support expected in the finance law, the objectives related to repaying domestic arrears at end-June and end-September were surpassed, and government domestic financing stayed below its ceiling, thanks to the combined effect of the favorable performance of the revenue-collecting agencies and a slower rate of expenditure than was anticipated. Five of the seven structural benchmarks have been implemented. The two measures pertaining to the completion of the medium-term expenditure framework for the infrastructure and transport sector and the inclusion in the 2010 finance law of a projection of the main revenue and expenditure aggregates for 2010-12 have not been implemented because of the difficulties encountered in integrating the sectoral frameworks prepared by line ministries into the global medium term budgetary framework.

4. To support implementation of the economic and financial program described in the attached MEFP, the government of Niger is requesting completion of the third review of the ECF-supported program and the fourth disbursement, in the amount equivalent to SDR 3.29 million.

5. The government believes that the policies set out in the attached MEFP are adequate to achieve the objectives of our program, and we will take any additional measures that may be necessary to do so. Niger will consult with the IMF on the adoption of such measures and before any change to the policies specified in the MEFP, consistent with the policies of the IMF.

6. As in the past, the government authorizes the IMF to publish this Letter of Intent, the MEFP, the TMU, and the IMF Staff Report.

Sincerely yours,

/s/

Ali Mahaman Lamine Zeine
Minister of Economy and Finance

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

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

Niamey, January 21, 2010

1. This Memorandum of Economic and Financial Policies describes progress achieved in implementing the macroeconomic and structural policies supported by the arrangement under the IMF Extended Credit Facility (ECF). It also presents our main policy objectives for 2009 and for 2010. The goal of our reform program is to promote strong and sustainable growth and to expedite poverty reduction.

I. Economic Framework in 2009

2. The global economic crisis has so far had no significant impact on Niger's economic performance. Although tourism has slowed to some extent and migrant remittances have fallen, Niger's economy has been largely spared upheaval from the global economic crisis. The anticipated slowdown in overall growth to 1 percent in 2009 reflects disparate trends in the agriculture sector, which is heavily dependent on rainfall, and the non-agriculture sector, where the rate of expansion is expected to reach 5.3 percent in 2009. Mining, telecommunications, and construction remain the principal engines of growth.

3. The balance of payments current account deficit is expected to worsen under the impact of rising imports connected with petroleum and mining projects. Such imports have increased since 2007 and are expected to reach 11 percent of GDP in 2009, largely financed by the growth in foreign direct investment. The worsening current account deficit fails to give an adequate picture of the resiliency of exports, particularly uranium and agricultural products, or to reflect the decline in oil and food imports connected with the decline in world prices. The overall deficit of the balance-of-payments is expected to widen only slightly, even though a large portion of the signing bonus received in 2008 was used to finance public investment.

4. The increase in domestic credit continues to drive growth in the money supply. The anticipated acceleration in credit to the government during the second half of 2009 is expected to promote this trend. The strong growth in credit to the economy is primarily benefiting mining, oil, transport, telecommunications, construction and public works, and commerce.

5. After peaking in 2008, inflation has been trending down in 2009. The slowdown in price increases reflects the adjustment of international food and oil prices since 2008 as well as excellent harvests in the 2008/09 agricultural year.

II. 2009 Budget Outlook

Budget outturn at end-June and end-September 2009

6. The budget outturn at the end of June recorded a deficit well within program objectives, reflecting both the resiliency of revenues and a slower than anticipated rate of capital expenditure. The favorable performance of revenues results from the combined effect of broadening the revenue base and making tax administration more efficient. Prudent management of public expenditure ensured that current expenditures were kept within program objectives.

7. All the quantitative performance criteria through June 2009 were observed. The improvement in the budget balance relative to projections helped to keep domestic financing within the ceiling set for the program, despite the non-disbursement of some of the budgetary assistance anticipated in the finance law. The government has also made a substantial effort to reduce domestic arrears, surpassing program objectives by about 0.1 percent of GDP.

8. Budgetary outturn at end-September further validates these trends. In light of the uncertain external financing environment, the government has used budgetary regulation to ensure that budget execution remains in line with program objectives. Through this mechanism, the pace of budget execution is adjusted on a quarterly basis to align it with available resources. Budgetary regulation excludes priority sector spending in the health, education and infrastructure sectors. Together with buoyant tax revenue, this mechanism has allowed domestic financing of the deficit to remain below the program's indicative target. All other quantitative targets at end-September were also met.

Outlook for 2009

9. Revenue and expenditure trends since the beginning of the year have made it necessary to revise the public deficit objective for 2009 downward. Financing projections have also been revised to take account, on the one hand, of the non-disbursement of some of the budgetary assistance anticipated in the finance law, and, on the other, of the on-lending of the CFA F counterpart of the general SDR allocation as well as of the sovereign bond issue that took place in the fourth quarter. The government intends to use a portion of the CFA F counterpart of the general SDR allocation to partially clear its arrears of consolidated statutory advances on the books of the BCEAO. The government plans to continue adapting the pace of budget execution to available resources.

III. Macroeconomic Framework in 2010 and Budget Projections

Macroeconomic framework

10. With agricultural growth returning to trend, continued dynamism in the telecommunications and transport sectors and the anticipated increase in uranium production are expected to allow the Nigerien economy to grow by about 5 percent in 2010. The balance of payments current account is forecast to stay at about 22 percent of GDP, reflecting the combination of projected increase in uranium exports and the sustained pace of imports connected with mining and petroleum projects. After several years of strong expansion, credit to the economy is expected to grow in line with economic activity, which would entail a slight slowdown in the growth of the money supply. Assuming an average agricultural year and if there are no further increases in international oil and food prices, price increases should be limited to 2 percent.

The 2010 Budget Law

11. The expenditure side of the 2010 budget law focuses on integration into the civil service of 8,000 contractual employees in the education and health sectors, further social and infrastructure investments, the financing of activities to support the private sector, and the State's involvement in the exploitation of the Agadem oil field (completing construction of the Zinder refinery and building a pipeline connecting the oil field to the refinery) and in banking system restructuring. The anticipated increase in tax revenues, reflecting efforts to enhance the efficiency of the tax and customs administrations and buoyancy in the non-agricultural sectors, is expected to allow the basic budget balance to improve by approximately 1.3 point of GDP.

12. Financing for the 2010 budget is based on the resumption of external budget support. However, in light of the uncertain external financing outlook, the government will close the financing gap that may arise (CFA F 35 billion) by (i) freezing CFAF 20 billion in expenditure, the bulk of which would come from domestically-financed investment spending, through the budgetary regulation mechanism; and (ii) increasing recourse to domestic financing. External financing assumptions will be reviewed during the fourth review of the ECF-supported program, scheduled for March 2010.

IV. Structural Reforms

A. Reforms of Public Financial Management

13. Our public financial management reform agenda focuses on strengthening the budget process, further reforming revenue-collecting agencies, and improving the management of public debt and of mining and petroleum resources. These reforms aim to ensure that our key policy priorities can be financed in an efficient, transparent and sustainable manner.

Budget preparation

14. Major progress has been made in preparing a comprehensive medium-term expenditure framework. This effort, supported by IMF technical assistance, made it possible to prepare a fiscal strategy paper for the next three years that served as a basis for discussions of the 2010 budget law. The methodology for preparing harmonized sectoral expenditure frameworks is also being prepared. More generally, the legislation governing budget preparation will be revised in accordance with the deadlines established in order to ensure that the legislation is consistent with the new WAEMU community directives.

Budget execution

15. Rigorous management of expenditure commitments has made it possible to align the pace of budget execution with the non-disbursement of some of the budgetary assistance anticipated in the finance law. Budget execution nonetheless has been affected by overlapping fiscal periods. Significant efforts have been made to catch up on delays in preparing the budget review laws since 1997—delays that have now been almost completely overcome, since the latest draft settlement law sent to Parliament pertained to 2007 budget execution. An additional problem for expeditious closeout of the year-end budget and treasury accounts has been the slow pace of reporting information on the execution of expenditure pursuant to appropriations. This problem is caused by manual processing of the information pending computerization of the decentralized budget offices (*centres des sous-ordonnancements—CSO*) and the belated clearance of Treasury suspense accounts. Although computerization of the CSO offices is a government priority for strengthening public financial management, the technical difficulties inherent in completing this process and the procurement times involved mean that this cannot realistically be done before year-end. In line with its objective to improve budget execution in the short term, the government is committed to strictly limiting use of fast-track expenditure procedures to those cases envisaged in the regulations, and to clearing suspense accounts at least at the end of each quarter starting in end-December 2009.

Monitoring and supervision of expenditure

16. The budget nomenclature allows for satisfactory monitoring of poverty-reducing expenditure commitments and payment authorizations. The budget/treasury interface is nearing completion with respect to expenditures executed by the central government; completing computerization of the CSO offices should make it possible to broaden the monitoring of expenditures to appropriations. To ensure proper monitoring of poverty-reducing expenditures, the government is reaffirming its commitment to ensuring broad-based dissemination of quarterly execution of these expenditures when they are committed and to including the phases of coverage (*prise en charge*) and payment once the CSO computerization is complete.

17. The role of financial controls in budget supervision has been strengthened to enhance the effectiveness of internal controls.

Reforms of revenue-collecting agencies

18. The General Directorate of Taxes is currently engaged in a major reform process designed to improve its control over the tax base, reduce taxpayer noncompliance, strengthen and modernize the tax system, and enhance its efficiency. These efforts have led to a significant increase in tax returns filed voluntarily, an improvement in tax supervision, and finally a clear increase in revenue. The action plan for the next three years, currently being approved, identifies the investments required to deepen the reforms.

19. The General Customs Directorate (DGD) has updated its action plan for 2009–11 in collaboration with the World Customs Organization. This plan focuses on, among other things, facilitating trade by modernizing customs controls, use of scanners and risk analysis, and more effective control of flows of merchandise. Accordingly, the DGD plans to finalize by year-end the interconnection of the main customs offices in Niger with headquarters and with Benin’s customs services. Use of the full range of ASYCUDA++ functionalities will also allow for more effective control of risky operations, and by extension more effective targeting of customs controls. Exemptions for imports related to petroleum and mining projects, as well as those granted under the investment code and other conventions, will continue to be scrutinized. Last but not least, closer collaboration with the preshipment inspection company and the system’s migration to inspection at destination are expected to help enhance the quality of the data in the customs valuation database.

20. Because of their crucial role in improving the efficiency of the tax and customs system, securing financing for these action plans will lay a solid foundation for public financial management reform.

Public debt management

21. Better public debt management is essential if Niger is to make the investments needed to expedite the country’s development while keeping its fiscal and public debt sustainable. Preparation of a debt sustainability analysis and of a borrowing strategy for the next three years is a major stride toward the implementation of the new WAEMU provisions on budget laws.

22. So that it can play its role fully, the public debt management system will be strengthened in three key areas: First, the government intends to enforce the provision making the Minister of Economy and Finance the only party authorized to sign agreements obligating the government financially. Second, to ensure that the impact of any new borrowing on public debt sustainability is taken into consideration, the National Public Debt Management Committee (CNGDP) will be consulted on every domestic or foreign borrowing project or request for public guarantees. Under current rules, the CNGDP will

issue a substantiated opinion on any borrowing project, taking account among other things of the loan's importance for Niger, the impact of new borrowing on public debt service and sustainability, and whether the project is compatible with the public borrowing strategy. Third, in line with the recent change in IMF policy on public debt limits, the CNGDP's prerogatives will be broadened to cover the full range of public enterprises, public entities, and public offices. The government of Niger is requesting IMF technical assistance to support this reform.

Management of mining and petroleum resources

23. The government reaffirms its commitment to ensuring transparent management of its mining and petroleum resources—a prerequisite if such resources are to be used optimally. Significant progress has been made in the process of having Niger's membership in the Extractive Industries Transparency Initiative (EITI) approved. The report reconciling mining and petroleum revenues for 2005 and 2006 has been completed, and revenues paid by the mining and oil companies and revenues declared by the government have been found to be generally consistent. The report was validated by the Committee for Dialogue in October 2009 and published in a major local newspaper. This vital step paves the way for Niger's candidacy for the EITI Initiative to be approved in the first quarter of 2010. At the same time, preparations for reconciling revenues paid and received in 2007 and 2008 have begun, and that report is expected to be approved at the national level by the end of March 2010. Furthermore, to ensure comprehensive monitoring of the revenues generated by State involvement in the mining and petroleum sectors, the certified accounts of *Société du Patrimoine des Mines du Niger* and *Nigerpétrole* will be annexed each year to the draft budget law forwarded to the National Assembly.

24. The development of the petroleum and mining sectors requires a major financial effort by the State. Reflecting its commitment to transparency in financial management, the government undertakes to continuously monitor the full range of financial commitments deriving from the government's commitments in these sectors in its medium-term budget programming activities. To strengthen strategic planning, a report presenting the government's plan for investment in these sectors and the relevant financing arrangements will be prepared by the end of the first half of 2010.

B. Financial Sector Reform

25. The reform of the financial sector needs to be accelerated to ensure that it can fully support growth. In the short run, a key objective is to ensure that banks can meet the expected increase in the demand for credit associated with mining and oil activities without detrimental effects on asset quality.

Strengthening the balance sheets of banks

26. Three of the ten commercial banks in Niger already meet the regional banking commission requirement for minimum capital of CFAF 5 billion. Most of the other seven banks have made provision for raising their capital to achieve the new minimum by the end of 2009—one year before the deadline of December 31, 2010. After the decline recorded since 2007, the net rate of impairment of doubtful claims has stopped decreasing, reflecting the difficulties banks are facing in recovering nonperforming loans that are still in their portfolios. The strong expansion of credit to the economy—in an environment in which the terms for obtaining credit facilities from foreign correspondents have been tightening—has had an impact on bank liquidity, as evidenced by the deterioration in the liquidity ratio. BCEAO continues to scrutinize trends in this indicator. The new credit facilities currently being negotiated with multilateral institutions should help banks to accommodate the rising demand for medium-term and long-term credits. In the medium term some banks are also planning bond issues so as to lengthen the maturity of their resources.

Restructuring of the banking system

27. Efforts to restructure the financial sector continue. In accordance with the commitments made to set up *Finaposte*, the repayment of accounts (frozen since 1992) of CNE depositors began in July 2009, and the government has converted half of its deposits with the CCP into time deposits. The government intends to allocate a portion of the proceeds from the sovereign bond issued in the fourth quarter 2009 to meet the minimum capital requirement of CFAF 5 billion and to issue nonnegotiable debt instruments to balance the opening balance sheet of *Finaposte*. The government is also determined to press ahead with finalizing the agreement on the interest applicable to the frozen deposits and with implementing the remaining measures needed for *Finaposte* to begin operating effectively.

28. Agreement had been reached on the new capital structure for *Crédit du Niger*. This agreement provided for raising the government's share in the capital of the new institution to 44 percent, including 10 percent on the basis of an on-selling arrangement. For this purpose the government has appropriated CFAF 2.2 billion in the 2010 budget, and it will be reviewing the terms on which the new institution may make subsidized loans to facilitate access to housing, particularly low-cost housing. A study of the strategy for financing social housing is currently in progress. However, the banking commission has made its preliminary authorization conditional on the provision of additional information by the potential new investor. The deadline for the latter to provide the requested information is January 15, 2010.

29. The government is determined to create an agricultural bank to facilitate access to financial services for agricultural producers who lack the collateral required by traditional banks. The feasibility study for creation of this bank is now being finalized. The government is committed to consulting with IMF staff on its operating arrangements.

30. A strategic partner has been found to buy the stake in the capital of the BIA—the second largest domestic bank in terms of deposits—that is now held by a major European bank. The government is confirming its commitment to ensuring that the BIA is restructured in accordance with regional banking commission rules.

C. Business Climate

31. Improving Niger's business environment is crucial to attracting investment beyond the mining sector and fostering economic diversification.

32. Key measures to simplify and modernize the tax system have come into force with the 2010 budget law. These include a reduction in the corporate income tax rate from 35 to 30 percent, a decrease in the marginal rate on the single tax on wages and salaries and reform of its scale, a reduction in stamp duty on enrollment in the Register of Commerce and the abolition of signing fees, and elimination of the ceiling on VAT credit repayment for all exporters. The General Tax Code, which incorporates all the laws governing the tax system, is now being completed; it is expected that the government will adopt it during the first half of 2010.

V. Program Monitoring

33. Quantitative performance criteria and indicative targets for 2009 and 2010 are presented in Table 1a and Table 1b, respectively. Table 2 presents the structural benchmarks for 2010. The government is proposing to add an indicative target related to quarterly execution of poverty-reducing expenditures. The fifth and sixth program reviews are scheduled to take place by end-November 2010 and May 15, 2011 respectively.

Table1.a. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2009-December 31, 2009

(Billions of CFA francs)

	End-March Indicative Targets		End-June Performance Criteria		End-September Indicative targets		End-December Performance criteria
	Prog.	Est.	Prog.	Est.	Prog.	Est.	Prog.
A. Quantitative performance criteria and indicative targets							
(cumulative from December 31, 2008)							
Domestic financing of the budget[1, 2]	12.1	20.5	54.8	41.6	83.4	74.5	74.5
Reduction in domestic payment arrears on government obligations [3]	-2.0	-0.6	-6.0	-10.7	-8.0	-12.8	-15.0
Memorandum item:							
Exceptional external budgetary assistance [4]	20.6	0.0	29.7	-0.4	34.0	-1.9	82.3
Gross budget support	23.0	1.3	34.4	5.2	41.0	5.9	91.6
Debt service	2.4	1.3	4.7	5.6	7.0	7.8	9.3
B. Continuous quantitative performance criteria							
Accumulation of external payments arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of 0-1 year[5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year[6]: grant element lower than 35 percent	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Indicative Targets							
(cumulative from December 31, 2008)							
Basic budget balance (commitment basis, excl. grants)[7]	-30.3	-21.9	-83.3	-39.7	-115.3	-66.9	-148.5
Total revenue[8]	79.3	76.8	147.1	177.1	230.3	269.4	312.3

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

[1]Performance criteria for program indicators under A and B; indicative targets otherwise. Domestic financing in this table excludes IMF financing (TMU).

[2]The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of program forecasts. If disbursements are less than the programmed amounts, the ceiling will be raised pro tanto, up to a maximum of CFAF 35 billion at the end of each quarter of 2009.

[3]Minimum.

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

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

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

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

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

Table 1b. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2010–December 31, 2010

(Billions of CFA francs)

	End-March Indicative Targets	End-June Performance Criteria	End-September Indicative Targets	End-December Performance Criteria
	Prog.	Prog.	Prog.	Prog.
A. Quantitative performance criteria and indicative targets				
(cumulative from December 31, 2009)				
Domestic financing of the budget[1, 2]	16.7	41.8	48.3	38.8
Reduction in domestic payment arrears on government obligations [3]	-2.0	-8.0	-12.0	-15.0
Memorandum item:				
Exceptional external budgetary assistance [4]	-1.1	-4.1	-5.7	25.7
Gross budget support	0.0	0.0	0.0	35.0
Debt service	1.1	4.1	5.7	9.3
B. Continuous quantitative performance criteria				
Accumulation of external payments arrears	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of 0-1 year[5]	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year[6]: grant element lower than 35 percent	0.0	0.0	0.0	0.0
C. Indicative Targets				
(cumulative from December 31, 2009)				
Basic budget balance (commitment basis, excl. grants)[7]	-16.4	-29.7	-38.1	-60.7
Total revenue[8]	77.1	162.4	269.2	378.6
Spending on poverty reduction[9]	45.5	94.2	151.2	211.1

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

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

[2]The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of program forecast. If disbursements are less than the programmed amounts, the ceiling will be raised pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2010.

[3]Minimum.

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

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

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

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

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

[9]Minimum.

Table 2. Structural Benchmarks for Program Monitoring

Measures	Macroeconomic Rationale	Date	Status
Existing Structural benchmarks (Country Report No. 09/172)			
1. Presentation in the budget law for 2009 of the investment programs for the priority sectors of the PRSP for 2009-2012.	Improve alignment of the budget and the PRSP	End-December 2008	Not met
2. Production by the Ministry of Finance of semiannual reports on the foreign debt contracted and its terms, and on the borrowing program for the next six months and the terms specified.	Strengthen external debt management	End-December 2008 and the end of each successive half-year period	Met
3. Issue data on budget outturn for 2008, and for 2009 on a quarterly basis, including for the unified list of priority expenditures and the President's Special Program.	Improve monitoring of budget execution, in particular priority spending	End-March 2009 for end 2008 budgetary outturn, and end of each 2009 quarter for quarterly 2009 data	Budgetary execution data for end-September 2009 issued
4. Adoption by the Council of Ministers of the MTEF for the infrastructure and transport sectors	Improve strategic budget planning	End- June 2009	Not Met
5. Reduction of the fees for registering a new business in the Register of Commerce at the courts.	Improve business environment	End-June 2009	Met
6. The Budget Law for 2010 will include a production of the main budget aggregates (revenue and expenditure) for the period 2010-12.	Strengthen strategic budget planning	End-December 2009	Not met
7. Elimination of the ceiling for reimbursement of VAT credits to all exporters (originally set as performance criterion).	Improve business environment	End-December 2009	Met
8. Reduction of the rate of profit tax from 35 to 30 percent, applicable to profits reported for FY 2009 and for following years (originally set as performance criterion).	Improve business environment	End-December 2009	Met

Table 2. Structural Benchmarks for Program Monitoring (concluded)

Measures	Macroeconomic Rationale	Date
New Structural benchmarks		
9. Quarterly clearing of Treasury suspense accounts	Improve treasury operations and transparency of budget execution	At the end of each quarter, starting at end-December 2009
10. Publication of the Certified accounts of the Société du Patrimoine des Mines du Niger (SOPAMIN) for FY 2008 in the Official Journal.	Increase transparency in the management of oil and mining revenue	January 15, 2010
11. Preparation by the National Public Debt Management Committee of a report on the sustainability of public debt, including debt contracted or guaranteed by the State and debt contracted by public enterprises, public entities, and public offices.	Improve debt management	End-March 2010
12. Completion of a report presenting the plan for government investment in the petroleum and mining sectors and related financing arrangements	Strengthen public financial management and strategic budget planning	End- June 2010
13. Publication of the report on the implementation of the Extractive Industries Transparency Initiative reconciling mining and petroleum revenues for 2007—08, after approval by the Committee for Dialogue (Comité de Concertation)	Increase transparency in the management of oil and mining revenue	End-June 2010
14. The Budget Law for 2011 will include a production of the main budget aggregates (revenue and expenditure) for the period 2011-13.	Strengthen strategic budget planning	End-December 2010

ATTACHMENT II—TECHNICAL MEMORANDUM OF UNDERSTANDING

Niamey, January 21, 2010

1. This technical memorandum of understanding defines the performance criteria and indicative targets for Niger's program under the Extended Credit Facility (ECF) for the period 2008-11. The performance criteria and indicative targets for 2009 and 2010 are set out in Table 1.a and Table 1.b, respectively, of the government's Memorandum of Economic and Financial Policies (MEFP) dated January 21, 2010 and attached hereto. This technical memorandum of understanding also sets out data-reporting requirements for monitoring the program.

I. DEFINITION OF TERMS

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

(a) As specified in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009, **debt** will be understood to mean a current, that is, not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, that is, advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, that is, contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and (iii) leases, that is, arrangements under which property is provided that the lease holder has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lease grantor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (for example, payment on delivery) will not give rise to debt.

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

(c) **External payment arrears** are external payments due but not paid. **Domestic payment arrears** are domestic payments due but not paid. For 2009, they include (i) arrears outstanding at end-1999 identified by the audit conducted by the Ministry of Finance in 2005; (ii) the *restes à payer* at the Treasury related to the budgetary years 2004, 2005, 2006, and 2007 remaining due at December 31, 2008. For 2010, they include (i) arrears outstanding at end-1999 identified by the audit conducted by the Ministry of Finance in 2005; (ii) the *restes à payer* at the Treasury related to the budgetary years 2004, 2005, 2006, 2007, and 2008 remaining due at December 31, 2009.

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

II. Quantitative Performance Criteria

A. Net Domestic Financing of the Government

Definition

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

4. **Net bank credit to the government** is equal to the balance of the government's claims and debts vis-à-vis national banking institutions. Government claims include cash holdings by the Nigerien Treasury, secured obligations, and deposits with the central bank. Government deposits in commercial banks are excluded from government claims insofar as they only finance externally-financed investments. Government debt to the banking system includes debt vis-à-vis the central bank (excluding net financing from the IMF's Extended Credit Facility (ECF), but including the CFAF counterpart of the 2009 General SDR allocation and government securities) and the commercial banks (including government securities held by commercial banks), and deposits with the postal checking system.

5. The scope of the net bank credit to the government as defined by the BCEAO includes all central government administrations. Net bank credit to the government and the amounts of government treasury bills and bonds issued in CFA francs on the regional financial market of the WAEMU are calculated by the BCEAO, and the net nonbank financing of the government is calculated by the Nigerien Treasury.

6. **Nonbank net domestic financing** includes (i) the change in the stock of government treasury bonds and bills held by WAEMU banks outside of Niger and by the non bank private sector (iii) the change in the stock of the consignment accounts at the Treasury (iv) the change in the stock of forgiven private sector claims on the government (*abandon de créances sur l'Etat du secteur privé*).

7. The 2009 quarterly targets are based on the change in stock between end-December 2008 and the date considered for the performance criterion or the indicative target. The 2010 targets are based on the change in stock between end-December 2009 and the date considered for the performance criterion or the indicative target.

Adjustment

8. The **ceiling on net domestic financing** will be subject to adjustments if disbursements of external budgetary support less external debt service and arrears payments, including disbursements under the ECF, fall short of projected amounts. For 2009, external budget support is calculated from end-December 2008, and for 2010, from end-December 2009.

9. If disbursements fall short of projected external budgetary assistance for each quarter in 2009, the corresponding quarterly ceilings on net domestic financing will be raised pro tanto, up to a maximum of CFAF 35 billion. If disbursements fall short of projected external budgetary assistance for each quarter in 2010, the corresponding quarterly ceilings on net domestic financing will be raised pro tanto, up to a maximum of CFAF 15 billion

Reporting requirement

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

B. Reduction of Domestic Payments Arrears

Definition

10. **Domestic payments arrears** comprise (i) arrears identified at end-1999 on the basis of the audit conducted by the Ministry of Finance in 2005; (ii) the *restes à payer (RAP)* at the Treasury for budget years 2004, 2005, 2006 and 2007 outstanding at end-2008. The stock of arrears will be reduced by the minimum amounts indicated in Table 1.a annexed to the MEFP. The quarterly objectives for 2009 are based on the change in the stock of arrears from end-December 2008, and the date selected for the performance criterion or indicative target. The stock of RAP at end-2009 for the 2009 budget year will not exceed the stock of RAP outstanding at end-2008 for the 2008 budget year; any excess will be considered an increase in arrears that will be deducted from the reduction of arrears as defined in the beginning of this paragraph.

11. Domestic arrears, for 2010, comprise (i) arrears identified at end-1999 on the basis of the audit conducted by the Ministry of Finance in 2005; (ii) the *restes à payer (RAP)* at the Treasury for budget years 2004, 2005, 2006, 2007, 2008 outstanding at end-2009. The stock of arrears will be reduced by the minimum amounts indicated in Table 1.b annexed to the MEFP. The quarterly objectives for 2010 are based on the change in the stock of arrears from end-December 2009, and the date selected for the performance criterion or indicative target. The stock of RAP at end-2010 for the 2010 budget year will not exceed the stock of RAP

outstanding at end-2009 for the 2009 budget year; any excess will be considered an increase in arrears that will be deducted from the reduction of arrears as defined in the beginning of this paragraph.

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

Reporting requirement

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

C. Reduction of External Payments Arrears

Definition

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

Reporting requirement

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

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

Definition

16. The government will not contract or guarantee external debt with original maturity of one year or more with a grant element of less than 35 percent. Nonconcessional external debt is defined as all debt with a concessionality level of less than 35 percent. To calculate the level of concessionality for loans with a maturity of at least 15 years, the discount rate to be used is the 10-year average commercial interest reference rate (CIRR), calculated by the IMF on the basis of the rates published by the OECD; for loans of less than 15 years, the six-month average CIRR is to be used. The Ministry of Finance will communicate regularly to Fund staff the list of loans under negotiations, and, in case of objections, the Fund staff will have to express any objections within two weeks.

17. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended

effective December 1, 2009, but also to commitments contracted or guaranteed for which value has not been received. However, this performance criterion does not apply to financing provided by the Fund, to debt rescheduling in the form of new loans, and to treasury notes and bonds issued in CFA francs on the WAEMU regional financial market.

Reporting requirement

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

E. Short-Term External Debt of the Central Government

Definition of the performance criterion

19. The government will not accumulate or guarantee new external debt with original maturity of less than one year. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009, but also to commitments contracted or guaranteed for which value has not been received. Excluded from this performance criterion are short-term, import-related trade credits and short-term treasury notes issued in CFA francs on the regional financial market.

Reporting requirement

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

III. Quantitative Targets

A. Definitions

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

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

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

24. The floor on poverty-reducing expenditure is an indicative target for the program. Poverty-reducing expenditure comprises all budget lines included in the government's Unified Priority List (UPL), which includes spending under the Special Program of the President, and spending on HIPC resources.

25. This information will be provided to the IMF quarterly within six weeks after the end of each quarter.

IV. Additional Information for Program-Monitoring Purposes

A. Public Finances

26. The government will report to IMF staff the following:

- detailed monthly estimates of revenue and expenditure, including priority expenditure, the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue;
- the table of government financial operations with comprehensive monthly data on domestic and external financing, and the changes in arrears (arrears outstanding at end-1999) and *restes à payer (RAP)* at the Treasury. These data are to be provided monthly within six weeks following the end of each month;
- comprehensive data on monthly non-bank financing items: (i) the change in the stock of government treasury bonds and bills held by WAEMU banks outside of Niger and the non bank private sector; (ii) the change in the deposits of Treasury correspondents; (iii) the change in the stock of the consignment accounts at the Treasury (iv) the change in the stock of forgiven private sector claims on the government (*abandon de créances sur l'Etat du secteur privé*).
- quarterly data expenditures of the Unified Priority List;
- quarterly data on implementation of the Public Investment Program, including details on financing sources, to be provided quarterly within eight weeks following the end of each quarter;
- monthly data on the balances of the accounts of the Treasury and of other public accounting officers at the BCEAO;
- monthly data on the *restes à payer* at the Treasury, by reference fiscal year with an itemization of maturities of more than, and less than, 120 days;
- monthly data on effective debt service (principal and interest) compared with the planned schedules. These data are to be provided within four weeks after the end of each month.

B. Monetary Sector

27. The government will provide the following information within eight weeks following the end of each month:

- the consolidated balance sheet of monetary institutions and, as appropriate, the balance sheets of selected individual banks;
- the monetary survey within eight weeks after the end of the month (provisional data);
- borrowing and lending interest rates; and
- customary banking supervision indicators for bank and nonbank financial institutions (if necessary, the same indicators for individual institutions may also be provided).

C. Balance of Payments

28. The government will provide IMF staff with the following information:

- any revision to balance of payments data (including services, private transfers, official transfers, and capital transactions) whenever they occur; and
- preliminary annual balance of payments data, within six months after the end of the year concerned.

D. Real Sector

29. The government will provide IMF staff with the following information:

- disaggregated monthly consumer price indices, monthly within two weeks following the end of each month;
- national accounts, within six months after the end of the year; and
- any revision in the national accounts.

E. Structural Reforms and Other Data

30. The government will provide the following information:

- any study or official report on Niger's economy, within two weeks after its publication; and
- any decision, order, law, decree, ordinance, or circular with economic or financial implications, upon its publication or, at the latest, when it enters into force.

Summary of Main Data Requirements

Type of Data	Tables	Frequency	Reporting Requirement
Real sector	National accounts	Annual	End of year + six months
	Revisions of national accounts	Irregular	Eight weeks following revision
	Consumer price indexes, disaggregated	Monthly	End of month + two weeks
Public finances	Net government position in the banking sector	Monthly	End of month + six weeks
	Non bank financing position: (i) the change in the stock of government treasury bonds and bills held by WAEMU banks outside of Niger and by the non bank private sector; (ii) the change in the deposits of Treasury correspondents; (iii) the change in the stock of the consignment accounts at the Treasury (iv) the change in the stock of forgiven private sector claims on the government (*abandon de créances sur l'Etat du secteur privé*)	Monthly	End of month + six weeks
	Provisional table of government financial operations, including breakdown of revenue (DGI, DGD, and Treasury) and expenditure, including repayments of domestic wage and non-wage arrears outstanding at end-1999 and the change in the *restes à payer* (RAP) at the Treasury	Monthly	End of month + six weeks
	Data on the stock of *reste à payer* at the Treasury, by reference fiscal year (total and RAP older than 120 days)	Monthly	End of month + six weeks

	Monthly data on the deposits of the correspondents with the Treasury	Monthly	End of month + six weeks
	Investment expenditure execution	Quarterly	End of quarter + eight weeks
	Table of execution of budgetary expenditures, of the expenditures in the priority unified list, and of expenditures on HIPC resources	Quarterly	End of quarter + six weeks
	General balance of Treasury accounts	Monthly	End of month + six weeks
	Monthly data on Treasury account balances and other public entities at the BCEAO.	Monthly	End of month + two weeks
	Petroleum product pricing formula, tax receipts, and pricing differentials	Monthly	End of month + four weeks
Monetary and financial data	Monetary survey	Monthly	End of month + six weeks (for provisional data) End of month + ten weeks (for final data)
	Consolidated balance sheet of monetary institutions and, as appropriate, balance sheets of selected individual banks	Monthly	End of month + eight weeks
	Lending and deposit interest rates	Monthly	End of month + eight weeks
	Banking prudential ratios	Quarterly	End of quarter + eight weeks

Balance of payments	Balance of payments	Annual	End of year + six months
	Revised balance of payments data	Irregular	Following the revision
External debt	Outstanding external payments arrears and repayments	Monthly	End of month + six weeks
	Terms of new external loans		End of month + six weeks
	Table of effective monthly external debt service (principal and interest) compared with planned schedule	Monthly	End of month + four weeks

INTERNATIONAL DEVELOPMENT ASSOCIATION AND
INTERNATIONAL MONETARY FUND

NIGER

Joint Fund-Bank Debt Sustainability Analysis

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

Approved by Carlos A. Primo Braga and Sudhir Shetty (IDA) and Roger Nord and Dominique Desruelle (IMF)

January 22, 2010

Niger has moved from moderate to low risk of debt distress. Results from the analysis based on end-2008 data confirm the improvement in the debt outlook which was already apparent in the 2008 DSA. Furthermore, the impact of the ongoing global crisis on its economy has not been as severe as feared, removing a key source of uncertainty for the debt outlook. In particular, there are no major delays in the implementation of the large uranium and oil projects, which are expected to boost exports and government revenues significantly. While recent political events pose some risk of a slowdown in aid flows and foreign investment, the main external debt ratios remain below their thresholds under the baseline and all plausible stress scenarios. Enhanced public financial management and a prudent debt policy are key to preserving debt sustainability and ensuring the efficient use of available fiscal space.

I. Background

1. This joint IMF-World Bank debt sustainability analysis evaluates both the external and the total public debt of Niger based on end-2008 data, using standard debt dynamics templates for low-income countries.

2. **The economy has largely been resilient to the global economic and financial crisis.** Available high frequency indicators, such as brisk credit growth and robust tax collection, indicate continued dynamism of non-agricultural sectors, such as mining, telecommunication, construction, and transport. Furthermore, the large projects in the oil and mining sectors are proceeding without major delays. Recent political events are likely to have some short-term impact on official aid flows but for the time being there is no reason to believe that they will affect long-term growth.

3. **Debt ratios have been significantly reduced by debt relief, most recently under the MDRI.** Niger reached the HIPC Initiative completion point in April 2004 and in 2006 benefited from MDRI assistance from the African Development Fund, IDA, and IMF.

Nominal external debt has thus fallen from over 90 percent of GDP at end-2000 to about 15 percent of GDP at end-2007. By end-2008, debt to the ADF, IDA and the IMF accounted for 9.2 percent, 41 percent and 7 percent of external debt, respectively, while the remainder was constituted by borrowing from other multilateral lenders.

II. Underlying DSA Assumptions

4. **The results of the current exercise do not differ substantially from those of the 2008 exercise**, which already incorporated the expected rise of FDI and imports starting from 2008 onward following the launch of an oil production project as well as significant developments in the uranium sector. Box 1 describes the two largest oil and uranium projects in Niger, along with some smaller investments, while Box 2 presents in detail the main macroeconomic assumptions used for the baseline debt burden ratio calculations. The projected export growth in real terms (9 percent per year in 2008-2016) is similar to the projection made last year but represents a break from the past (3.4 percent per year in 1998-2007) when mining exports were stagnant.

Box 1: Large Investment Projects

The two very large investments and several smaller ones planned over the next five years will play an important role in improving the sustainability of Niger's debt. Beyond boosting exports, they are expected to increase government revenues by about 2 percent of GDP from 2012, derived from royalties, corporate tax, dividends and tax on dividends. Hence the government's capacity to repay debt will increase.

Agadem Oil Field: A production-sharing contract with a private Chinese partner was approved in June 2008. The project has three components: the development of the Agadem oil field to extract an estimated 320 million barrels, the construction of a mini-refinery with a capacity of 20,000 barrels per day, and a 470 km pipeline linking the Agadem field to the refinery. As the capacity of the refinery largely exceeds local consumption needs, much of the production will be exported. Total estimated investment cost is about US$1.3 billion. Investment is proceeding ahead of schedule and the refinery is likely to begin operating in 2011, one year ahead of plans.

Imouraren Uranium Mine: The development of this mine will require a US$1.6 billion investment in the next five years. The production will start gradually by 2013 and reach 5,000 tons (about 160 percent of current national output) by 2018; total reserves are estimated at about 150,000 tons. According to the convention that regulates this project, the government will hold a 33.35 percent stake in the mine. Annual revenue from Imouraren is expected to contribute the equivalent of 0.5 percent of GDP to the budget. The investment scheduled for 2009 has been delayed, but its pace is expected to pick up in 2010.

Other uranium projects: The largest existing uranium mine is expected to expand its output by roughly 35 percent in the next couple of years. The other main uranium mine is investing in improved processing technology to raise its yield. Other exploration activity is ongoing. Taken together, these projects are expected to result in some short term improvement in uranium output and a 40 percent increase in current national output by 2012.

In total, the above investments are projected to increase uranium production to 9,600 tons by 2018, more than triple the current level. While the spot price of uranium has fallen with the recent global economic slowdown, it remains well above the average of the last 20 years and similar to the price set in current contracts in Niger. The long-term prospects for uranium remain strong given the renewed interest in nuclear energy.

III. External DSA

5. **In the baseline scenario, all external debt ratios remain below their policy-dependent indicative thresholds throughout the projection period (2009-29)**. The net present value (NPV) of debt-to-GDP ratio rises gradually and stabilizes below 25 percent by 2029, and the NPV of debt-to-exports ratio levels off at about 102 percent (Table 1a and Figure 1)[2]. The gradual rise in these indicators results from Niger's high financing requirements, critical for promoting growth and achieving the Millennium Development Goals. It is assumed that one third of total project financing is in the form of concessional loans and the rest in grants.

Policy-Based Thresholds and External Debt Burden Indicators

	Thresholds 1/	Niger: Baseline Scenario Ratios		
		2008	2009-29 2/	Peak
NPV of external debt in percent of:				
GDP	40	11.5	17.9	23.0
Exports	150	60.4	73.7	103.8
Revenue	250	62.2	123.2	170.0
External debt service in percent of:				
Exports	20	3.6	2.9	4.1
Revenue	30	3.7	4.8	6.7

1/ Policy-dependent thresholds as used in the joint IMF-WB LIC DSA framework for a medium policy performance. Niger received an average rating of 3.30 in 2006-2008 in the World Bank's Country Policy and Institutional Assessment (CPIA), which qualifies it as a medium policy performer.

2/ Simple Average.

6. **Given the uncertainties in the international environment, there are some risks that the oil and uranium projects could be delayed.** The risk is compounded by the current political uncertainty, which could affect private investment decisions and external donor flows (notably budget support) if no resolution is found in the coming months. The fiscal projections in the baseline scenario make conservative assumptions about the level of budget support expected to be disbursed until mid-2010. Updated information on the pace of execution of the largest projects—such as the slight delay in the entry of the Imourarem

[2] Debt-to-exports and debt-to-revenue do not fully stabilize by 2029. This reflects the projected profile of uranium production, which is projected to plateau after reaching its peak in 2018. The slowdown in export growth not only reduces the denominators of both debt ratios, but also increases the current account deficit and debt-creating flows (as evidenced by the growth of residuals in Table 1a). However, by the mid-2030s, both debt ratios stabilize at levels well below their thresholds.

project into production phase—has already been incorporated in the analysis, without significant impact on its conclusions.

7. **Sensitivity tests show that although Niger's external debt burden would worsen in the event of plausible adverse macroeconomic shocks, the ratios would remain below their threshold levels in all realistic scenarios**. If key variables remain at the historical average of the previous 10 years (scenario A1), the NPV of debt-to-GDP and debt-to-exports ratios would rise to 14 percent and 63 percent respectively by 2029, remaining below the baseline (see Table 2a). This lower debt profile in the historical scenario reflects lower borrowing needs and smaller current account deficits than are assumed going forward. The B1 scenario of lower growth can be used to illustrate the potential downside risks emanating from current political uncertainty, but, even in this scenario, debt indicators remain well below all thresholds. Two other scenarios in the DSA template—a temporary but substantial reduction in export growth (scenario B2), and a sizeable deterioration of the terms for new borrowing (scenario A2)[3] would significantly worsen Niger's NPV of debt to exports ratio, but still not lead to a violation of the thresholds.

8. **Thresholds are breached under two stress tests (scenarios B4 and B5) that consider two unrealistic scenarios.** Scenarios B4 and B5 assume that in 2010 and 2011 all non-debt creating flows (including foreign direct investment) are significantly below their historical levels, while other current account components (including imports) are kept as in the baseline scenario. Under these assumptions, the overall balance of payments turns into a large deficit because high imports related to oil and uranium investments are no longer financed by FDI flows. However, these scenarios are not credible since oil and uranium related imports are a direct function of the corresponding FDI. In scenario A3 in Table 2a and Table 3, which assumes that oil and uranium projects are not implemented (i.e. the reduction in imports is commensurate to the reduction in FDI), no debt threshold violation is observed[4].

IV. PUBLIC DSA

9. **As was the case in the 2008 DSA, consideration of total public debt, including domestic debt, does not significantly alter the assessment.** Domestic debt stood at 5.7 percent of GDP at end-2008, but is projected to fall under the baseline scenario (Table 1b**)**. This pattern is explained by relatively small primary fiscal deficits, averaging 2.9 percent of GDP in the projection period. The nominal interest rate on domestic debt is

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

[4] Assuming that oil and uranium projects are not implemented implies lower FDI and FDI-related imports than under the baseline scenario. This assumption also translates into a reduction of total exports and exports-related fiscal revenues, as well as a reduction in GDP. Lower GDP has second-round effects on imports, government revenues, and several monetary aggregates.

low (0.7 percent) because the bulk of the debt comprises non-interest bearing arrears, which are projected to be fully repaid by 2015.

10. **A significant proportion of domestic debt as of end-2008 is accounted for by domestic arrears.** The baseline analysis therefore takes into account the ongoing implementation of a domestic arrears reduction plan, which eliminates them by 2015, bring domestic debt down to around 1 percent of GDP. Total public sector debt (PV terms) would decline from 17.2 percent of GDP in 2008 to 15.7 by 2010, would remain at between 15 percent and 16 percent of GDP until 2018, and then gradually increase, driven by new external debt.

11. **Public debt ratios remain relatively low under most sensitivity tests (Table 2b)**. Public debt accelerates significantly only if we assume that the primary balance is unchanged from its 2009 level (scenario A2). Under this scenario, the PV of public debt reaches 50 percent of GDP and 278 percent of revenue by the end of the projection period (Figure 2). However, this scenario is unrealistic, as the primary deficit in 2009 is unusually high due to a sharp increase in capital expenditures financed by exceptional non-fiscal revenues in 2008. The primary deficit is projected to decline from 2010 onward.

V. Conclusion

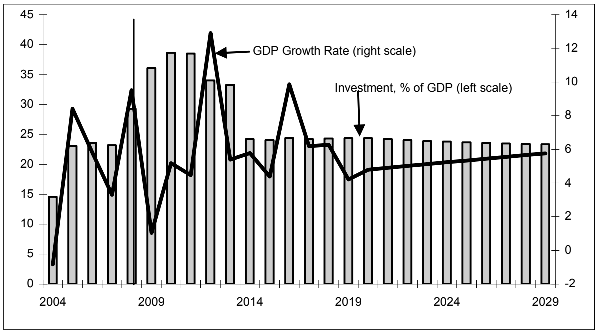
12. **Niger has moved from moderate to low risk of debt distress, reflecting the projected improvement of the fiscal and external positions and continued prudent public debt policies.** Furthermore, the impact of the ongoing global crisis has not been as severe as feared, removing a key source of uncertainty for the outlook. Except in the case of highly implausible scenarios, the debt situation appears robust to macroeconomic shocks. To preserve debt sustainability, the authorities should further strengthen the debt management process and bolster the analytical underpinnings of their indebtedness decisions. Accelerating public financial management reform would also help ensure the efficient use of available fiscal space to increase investment, thereby boosting growth and reducing poverty.

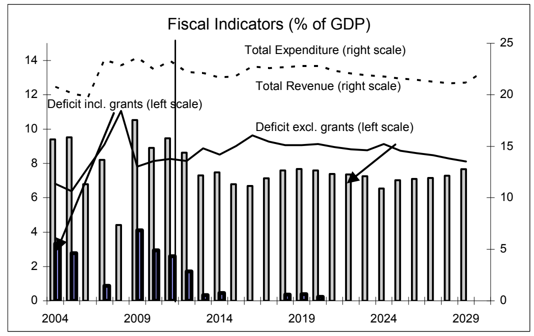
Box 2. Baseline scenario assumptions

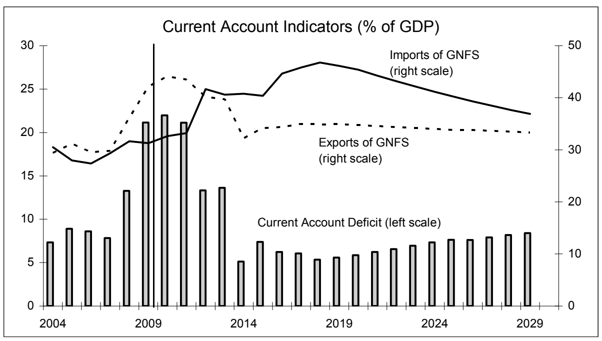
The baseline macroeconomic scenario for 2009–29 hinges on the following assumptions:

- Real GDP growth is expected to rise from its historical average (1998-2008) of 4.5 percent to an average of 6 percent in 2009–18, as a result of increased investment in and production of oil and uranium. In 2018-29, with oil and uranium production stabilizing, annual GDP growth is expected to moderate to about 5.6 percent. This level is similar to the historical average, although Niger's growth potential could rise significantly as a result of ongoing investments in irrigation and infrastructure, as well as reforms to improve the investment climate.
- The investment rate is projected to be high in 2008-13, around 35.1 percent of GDP, largely as a result of planned oil and uranium-related investments. Investment would hold steady between 23 and 24 percent of GDP in 2014-29, as mining-related investment declines.
- After the 2008 peak, the GDP deflator is expected to decrease gradually to about 2 percent by 2011.
- The revenue-to-GDP ratio is projected to rise from 13.5 percent of GDP in 2009-12 to 14.8 percent of GDP between 2013-29 due to higher tax revenues from oil and uranium exports and improved efficiency of the revenue collecting agencies. Public expenditure would remain between 21 and 24 percent of GDP.
- The evolution of total exports in the medium term will be largely determined by developments in oil and uranium exports resulting from investments to expand production. Indeed, exports in constant prices are projected to rise from 16.7 percent of GDP in 2009 to about 25 percent of GDP between 2016-2020, before decreasing gradually to 20 percent of GDP by 2029.
- Oil and uranium-related activity will also boost other items of the current account because of increased imports of equipment and capital goods, higher repatriation of profits, and larger compensation to foreign employees. Hence, total imports in constant prices would grow by 7 percent on average during 2009-15, with the current account deficit-to-GDP ratio peaking in 2011. Afterwards, imports are projected to grow broadly in line with GDP.
- The average interest rate on new external borrowing is projected at 1.2 percent, assuming half of new external debt is contracted on IDA terms and half at an interest rate of about 2 percent. Project financing in the form of external grants and loans is projected to rise in line with nominal GDP, with grants being two thirds of the total. These assumptions imply a grant element slightly above 40 percent in 2009 that increases slightly until 2013, as borrowing from the IMF (which carries a lower grant element) is gradually repaid, before decreasing again as the share of new loans available on IDA terms is expected to be reduced. External budgetary financing is expected to reach 3 percent of GDP by 2011 up to 2029, after remaining around 2 percent in 2009-10.
- The domestic debt profile assumes a reduction of domestic arrears in 2009-15 and no domestic financing of the deficit after 2015. The average interest rate on the stock of debt is very low (2.2 percent) because arrears do not incur interest charges. The interest rate of new short term domestic financing up to 2029 is assumed at 5 percent.
- Following the regional central bank's decision to on-lend the CFAF counterpart of Niger's general SDR allocation (SDR 48.8 million) to the Treasury, use of the SDR allocations is recorded in both the external and the public debt templates. The external template reflects projected interest payments on the difference between Niger's SDR allocation and holdings, which differs from the on-lent amount, as the central bank loan does not automatically trigger a drawdown of Niger's SDR holdings. The domestic template records the projected debt service associated with the central bank loan, which has a grace period of 3 years, an interest rate of 3 percent and a 10-year repayment period.

Box 2 (continued). Baseline scenario assumptions







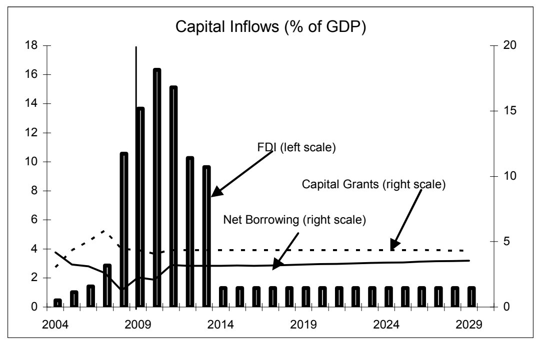


Table 1a.: External Debt Sustainability Framework, Baseline Scenario, 2006-2029 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average	Standard Deviation	Projections									
	2006	2007	2008			2009	2010	2011	2012	2013	2014	2009-2014 Average	2019	2029	2015-2029 Average
External debt (nominal) 1/	**15.0**	**15.1**	**15.1**			**15.5**	**16.9**	**18.7**	**19.2**	**20.7**	**21.9**		**26.6**	**33.6**	
o/w public and publicly guaranteed (PPG)	15.0	15.1	15.1			15.5	16.9	18.7	19.2	20.7	21.9		26.6	33.6	
Change in external debt	-39.3	0.1	0.0			0.4	1.4	1.9	0.4	1.5	1.2		1.3	0.0	
Identified net debt-creating flows	3.1	2.8	-0.5			7.4	4.9	5.3	1.0	3.0	2.7		3.3	5.3	
Non-interest current account deficit	**8.2**	**7.4**	**12.9**	**6.7**	**3.4**	**20.9**	**21.8**	**20.9**	**13.1**	**13.4**	**4.8**		**5.3**	**8.0**	6.5
Deficit in balance of goods and services	13.1	12.2	17.1			23.3	24.5	23.6	15.2	15.4	7.7		7.2	11.2	
Exports	16.4	17.6	19.0			18.8	19.6	19.9	25.0	24.4	24.5		27.7	22.1	
Imports	29.5	29.8	36.1			42.1	44.1	43.5	40.2	39.7	32.2		34.9	33.4	
Net current transfers (negative = inflow)	-4.5	-4.4	-4.1	-3.8	1.1	-4.1	-4.6	-4.4	-4.1	-4.1	-3.9		-3.5	-2.9	-3.3
o/w official	-2.3	-2.2	-2.1			-2.0	-2.5	-2.4	-2.0	-2.0	-1.9		-1.4	-0.9	
Other current account flows (negative = net inflow)	-0.4	-0.5	-0.1			1.7	1.8	1.7	2.0	2.1	1.1		1.5	-0.3	
Net FDI (negative = inflow)	**-1.4**	**-2.8**	**-10.6**	**-1.9**	**3.2**	**-13.7**	**-16.3**	**-15.1**	**-10.3**	**-9.6**	**-1.3**		**-1.3**	**-1.3**	-1.3
Endogenous debt dynamics 2/	**-3.7**	**-1.7**	**-2.9**			**0.1**	**-0.5**	**-0.5**	**-1.9**	**-0.7**	**-0.9**		**-0.7**	**-1.4**	
Contribution from nominal interest rate	0.4	0.5	0.3			0.3	0.2	0.2	0.2	0.3	0.3		0.3	0.4	
Contribution from real GDP growth	-2.9	-0.4	-1.1			-0.2	-0.7	-0.7	-2.1	-1.0	-1.1		-1.0	-1.8	
Contribution from price and exchange rate changes	-1.2	-1.7	-2.0			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**-42.4**	**-2.7**	**0.5**			**-6.9**	**-3.6**	**-3.4**	**-0.5**	**-1.5**	**-1.5**		**-2.0**	**-5.3**	
o/w exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	11.5			11.6	12.3	13.4	13.4	14.2	14.9		17.8	23.0	
In percent of exports	...	...	60.4			61.6	62.9	67.0	53.6	58.4	60.8		64.3	103.8	
PV of PPG external debt	**...**	**...**	**11.5**			**11.6**	**12.3**	**13.4**	**13.4**	**14.2**	**14.9**		**17.8**	**23.0**	
In percent of exports	**...**	**...**	**60.4**			**61.6**	**62.9**	**67.0**	**53.6**	**58.4**	**60.8**		**64.3**	**103.8**	
In percent of government revenues	**...**	**...**	**62.2**			**88.7**	**90.8**	**96.9**	**98.7**	**96.1**	**104.8**		**117.8**	**170.0**	
Debt service-to-exports ratio (in percent)	**234.4**	**4.4**	**3.6**			**3.2**	**2.7**	**3.3**	**2.7**	**3.0**	**2.8**		**2.1**	**4.1**	
PPG debt service-to-exports ratio (in percent)	**234.4**	**4.4**	**3.6**			**3.2**	**2.7**	**3.3**	**2.7**	**3.0**	**2.8**		**2.1**	**4.1**	
PPG debt service-to-revenue ratio (in percent)	**296.7**	**5.1**	**3.7**			**4.6**	**3.8**	**4.8**	**5.0**	**5.0**	**4.9**		**3.9**	**6.7**	
Total gross financing need (Billions of U.S. dollars)	1.7	0.2	0.2			0.4	0.3	0.4	0.2	0.3	0.3		0.5	1.9	
Non-interest current account deficit that stabilizes debt ratio	47.5	7.3	12.9			20.5	20.4	19.0	12.7	11.9	3.7		4.0	8.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.8	3.3	9.5	4.5	4.1	1.0	5.2	4.5	12.9	5.4	5.8	5.8	4.2	5.8	5.6
GDP deflator in US dollar terms (change in percent)	2.2	12.8	15.6	6.2	9.2	-2.1	5.0	1.5	0.9	1.1	0.9	1.2	2.0	2.0	2.0
Effective interest rate (percent) 5/	0.8	3.5	2.5	2.3	1.9	1.9	1.5	1.5	1.5	1.4	1.4	1.5	1.3	1.3	1.3
Growth of exports of G&S (US dollar terms, in percent)	5.8	25.0	36.6	11.6	15.1	-2.3	15.1	8.0	42.9	3.9	7.2	12.5	4.9	5.7	7.1
Growth of imports of G&S (US dollar terms, in percent)	2.5	17.6	53.5	14.9	18.6	15.2	15.6	4.6	5.3	5.3	-13.5	5.4	6.4	7.4	8.0
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	39.6	40.0	40.1	40.2	40.9	40.8	40.3	40.2	39.1	39.9
Government revenues (excluding grants, in percent of GDP)	13.0	15.2	18.4			13.0	13.6	13.8	13.6	14.8	14.2		15.1	13.5	14.8
Aid flows (in Billions of US dollars) 7/	0.3	0.4	0.3			0.3	0.3	0.4	0.4	0.4	0.5		0.7	1.4	
o/w Grants	0.2	0.2	0.2			0.2	0.2	0.3	0.3	0.3	0.4		0.5	1.1	
o/w Concessional loans	0.1	0.1	0.1			0.1	0.1	0.1	0.1	0.1	0.1		0.2	0.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			5.2	5.1	5.7	5.6	5.7	5.7		5.6	5.5	5.6
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			80.0	76.1	74.7	75.0	75.2	75.1		75.3	75.6	74.9
Memorandum items:															
Nominal GDP (Billions of US dollars)	3.6	4.3	5.4			5.3	5.9	6.2	7.1	7.6	8.1		12.0	24.5	
Nominal dollar GDP growth	8.1	16.5	26.6			-1.1	10.4	6.1	13.9	6.6	6.7	**7.1**	6.3	7.9	7.7
PV of PPG external debt (in Billions of US dollars)			0.6			0.6	0.7	0.8	0.9	1.1	1.2		2.1	5.6	
(PVt-PVt-1)/GDPt-1 (in percent)						1.1	1.7	1.8	1.9	1.7	1.8	1.7	2.0	1.9	2.0

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

Table 1b.Niger: Public Sector Debt Sustainability Framework, Baseline Scenario, 2006-2029
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate					Projections				
	2006	2007	2008			2009	2010	2011	2012	2013	2014	2009-14 Average	2019	2029	2015-29 Average
Public sector debt 1/	26.4	25.1	20.8			19.9	20.3	21.4	21.1	22.2	23.0		27.3	33.9	
o/w foreign-currency denominated	15.0	15.1	15.1			15.5	16.9	18.7	19.2	20.7	21.9		26.6	33.6	
Change in public sector debt	-42.6	-1.2	-4.3			-0.9	0.3	1.1	-0.3	1.1	0.8		1.3	-0.1	
Identified debt-creating flows	-49.0	-0.6	-2.9			4.5	3.5	3.9	1.6	1.6	1.5		1.8	0.8	
Primary deficit	1.3	1.7	-0.5	2.9	2.4	5.8	4.5	4.7	3.9	2.5	2.6	4.0	2.8	2.9	2.4
Revenue and grants	18.0	21.0	22.9			17.4	17.6	18.2	17.9	19.2	18.6		19.5	17.9	
of which: grants	5.0	5.8	4.4			4.4	4.1	4.4	4.4	4.4	4.4		4.4	4.4	
Primary (noninterest) expenditure	19.3	22.8	22.4			23.2	22.1	22.9	21.8	21.7	21.2		22.3	20.8	
Automatic debt dynamics	-9.4	-2.4	-2.4			-1.4	-1.0	-0.8	-2.2	-0.9	-1.2		-1.0	-2.1	
Contribution from interest rate/growth differential	-5.1	-1.0	-2.6			-0.4	-1.0	-0.8	-2.4	-1.0	-1.2		-1.0	-2.1	
of which: contribution from average real interest rate	-1.3	-0.1	-0.4			-0.2	0.0	0.1	0.1	0.1	0.1		0.0	-0.2	
of which: contribution from real GDP growth	-3.8	-0.8	-2.2			-0.2	-1.0	-0.9	-2.4	-1.1	-1.2		-1.1	-1.9	
Contribution from real exchange rate depreciation	-4.3	-1.4	0.2			-1.0	0.0	0.0	0.2	0.2	0.0		...	...	
Other identified debt-creating flows	-40.9	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-40.9	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	6.4	-0.6	-1.4			-5.4	-3.2	-2.8	-1.9	-0.6	-0.7		-0.5	-0.9	
Other Sustainability Indicators															
PV of public sector debt	11.4	10.1	17.2			16.0	15.7	16.0	15.4	15.8	16.0		18.5	23.3	
o/w foreign-currency denominated	0.0	0.0	11.5			11.6	12.3	13.4	13.4	14.2	14.9		17.8	23.0	
o/w external	...	...	11.5			11.6	12.3	13.4	13.4	14.2	14.9		17.8	23.0	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	42.3	4.1	3.6			8.1	6.4	6.6	5.5	4.1	4.2		3.8	3.9	
PV of public sector debt-to-revenue and grants ratio (in percent)	63.3	47.8	75.3			91.9	89.2	88.3	85.6	82.1	86.3		95.1	130.4	
PV of public sector debt-to-revenue ratio (in percent)	87.8	66.3	93.4			122.6	115.9	116.2	113.2	106.4	112.9		122.6	172.6	
o/w external 3/	…	…	62.2			88.7	90.8	96.9	98.7	96.1	104.8		117.8	170.0	
Debt service-to-revenue and grants ratio (in percent) 4/	227.7	11.1	15.0			9.7	7.7	7.4	6.7	6.4	6.3		4.0	5.0	
Debt service-to-revenue ratio (in percent) 4/	315.9	15.4	18.6			12.9	10.0	9.7	8.9	8.3	8.2		5.2	6.7	
Primary deficit that stabilizes the debt-to-GDP ratio	43.9	3.0	3.8			6.7	4.2	3.6	4.1	1.4	1.8		1.5	2.9	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.8	3.3	9.5	4.5	4.1	1.0	5.2	4.5	12.9	5.4	5.8	5.8	4.2	5.8	5.6
Average nominal interest rate on forex debt (in percent)	0.8	3.5	2.5	2.3	1.9	1.9	1.5	1.5	1.5	1.4	1.4	1.5	1.3	1.3	1.3
Average real interest rate on domestic debt (in percent)	-0.9	-2.0	-5.4	-2.2	2.3	-3.5	0.6	2.7	5.4	8.0	11.9	4.2	25.3	-1.2	8.7
Real exchange rate depreciation (in percent, + indicates depreciation)	-8.6	-9.8	1.5	-5.4	8.2	-6.6	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	1.4	3.3	7.6	2.9	2.8	4.9	2.3	2.0	1.7	2.0	2.0	2.5	2.0	2.0	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.2	0.1	0.2	0.2	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	…	…	39.6	40.0	40.1	40.2	40.9	40.8	40.3	40.2	39.1	...

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Revenues excluding grants.

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

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

Table 2a.Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2009-2029
(In percent)

	Projections							
	2009	2010	2011	2012	2013	2014	**2019**	2029
				PV of debt-to GDP ratio				
Baseline	12	12	13	13	14	15	**18**	23
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	12	12	12	14	15	16	**18**	14
A2. New public sector loans on less favorable terms in 2009-2029 2	12	13	15	16	18	19	**26**	36
A3. No implementation of oil and uranium projects	12	12	13	14	15	16	**21**	27
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	12	13	15	15	15	16	**19**	25
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	12	14	18	18	19	19	**21**	24
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	12	13	15	15	16	17	**20**	26
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	12	24	36	34	34	35	**33**	29
B5. Combination of B1-B4 using one-half standard deviation shocks	12	26	40	37	37	38	**36**	32
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	12	17	19	19	20	21	**25**	32
				PV of debt-to-exports ratio				
Baseline	62	63	67	54	58	61	**64**	104
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	62	61	59	54	60	64	**64**	64
A2. New public sector loans on less favorable terms in 2009-2029 2	62	67	75	63	72	79	**92**	164
A3. No implementation of oil and uranium projects	62	65	70	74	80	83	**102**	123
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	62	63	67	53	58	61	**64**	104
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	62	87	122	95	101	105	**102**	146
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	62	63	67	53	58	61	**64**	104
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	62	125	182	137	141	141	**120**	132
B5. Combination of B1-B4 using one-half standard deviation shocks	62	138	211	159	163	163	**139**	152
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	62	63	67	53	58	61	**64**	104
				Debt service-to-exports ratio				
Baseline	3	3	3	4	4	4	**3**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	3	3	3	3	3	3	**2**	3
A2. New public sector loans on less favorable terms in 2009-2029 2	3	3	3	3	4	4	**4**	8
A3. No implementation of oil and uranium projects	3	3	4	4	5	5	**3**	2
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	3	3	3	3	3	3	**2**	4
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	3	3	5	4	4	4	**3**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	3	3	3	3	3	3	**2**	4
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	3	3	5	4	5	4	**3**	6
B5. Combination of B1-B4 using one-half standard deviation shocks	3	3	5	5	5	5	**4**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	3	3	3	3	3	3	**2**	4
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	38	38	38	38	38	38	**38**	38

Sources: Country authorities; and staff estimates and projections.

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

Table 2b.Niger: Sensitivity Analysis for Key Indicators of Public Debt 2009-2029

	Projections							
	2009	2010	2011	2012	2013	2014	2019	2029
	PV of Debt-to-GDP Ratio							
Baseline	16	16	16	15	16	16	19	23
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	16	15	14	14	14	15	20	28
A2. Primary balance is unchanged from 2009	16	17	18	18	20	23	34	50
A3. Permanently lower GDP growth 1/	16	16	17	16	17	18	24	42
A4. No implementation of new oil and uranium projects	16	16	16	17	17	17	21	28
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	16	17	19	19	20	21	27	36
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	16	16	17	16	17	17	19	24
B3. Combination of B1-B2 using one half standard deviation shocks	16	16	16	16	17	17	22	30
B4. One-time 30 percent real depreciation in 2010	16	20	20	18	18	18	18	21
B5. 10 percent of GDP increase in other debt-creating flows in 2010	16	22	22	21	21	21	23	26
	PV of Debt-to-Revenue Ratio 2/							
Baseline	92	89	88	86	82	86	95	130
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	92	83	76	75	74	79	99	145
A2. Primary balance is unchanged from 2009	92	94	97	101	107	121	173	281
A3. Permanently lower GDP growth 1/	92	90	91	90	88	95	122	223
A4. No implementation of new oil and uranium projects	92	89	89	94	92	94	116	143
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	92	95	101	102	101	110	135	199
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	92	92	93	90	86	90	98	132
B3. Combination of B1-B2 using one half standard deviation shocks	92	89	87	87	86	92	111	163
B4. One-time 30 percent real depreciation in 2010	92	114	109	101	94	95	93	118
B5. 10 percent of GDP increase in other debt-creating flows in 2010	92	127	122	116	110	114	116	143
	Debt Service-to-Revenue Ratio 2/							
Baseline	10	8	7	7	6	6	4	5
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	10	8	7	7	7	6	4	6
A2. Primary balance is unchanged from 2009	10	8	8	7	7	7	5	10
A3. Permanently lower GDP growth 1/	10	8	7	7	7	7	5	8
A4. No implementation of new oil and uranium projects	10	8	7	7	7	7	5	5
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	10	8	8	7	7	7	5	7
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	10	8	7	7	6	6	4	5
B3. Combination of B1-B2 using one half standard deviation shocks	10	8	8	7	7	7	4	6
B4. One-time 30 percent real depreciation in 2010	10	8	9	8	8	8	5	8
B5. 10 percent of GDP increase in other debt-creating flows in 2010	10	8	8	7	7	7	4	6

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

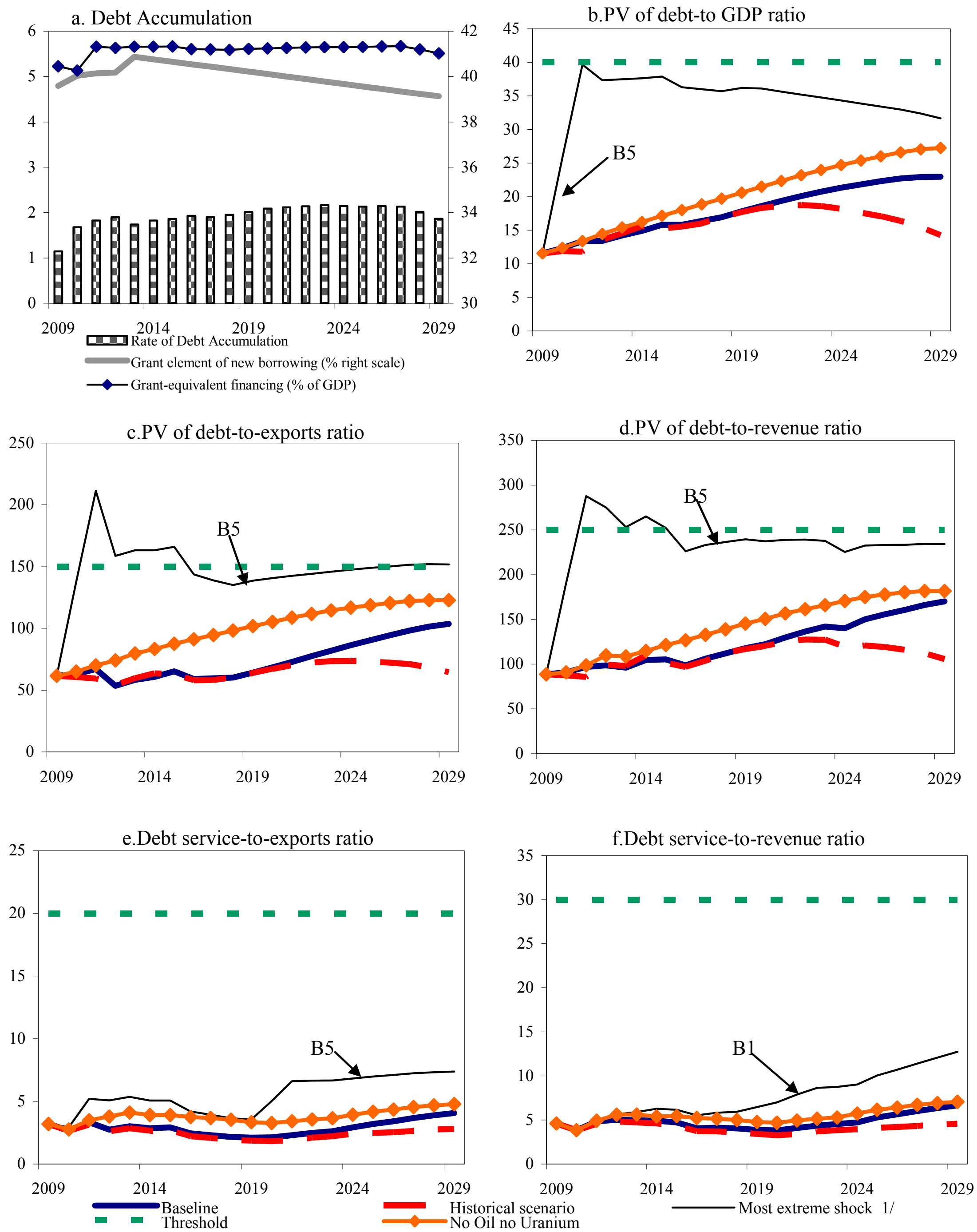
Table 3.Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2009-2029
(Not Including New Oil and Uranium Projects)
(In percent)

	Projections							
	2009	2010	2011	2012	2013	2014	**2019**	2029
				PV of debt-to GDP ratio				
Alternative Baseline	12	12	13	14	15	16	**21**	27
Alternative B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 1/	12	16	20	21	22	23	**26**	30
Alternative B5. Combination of B1-B4 using one-half standard deviation shocks	12	16	21	22	23	24	**28**	32
				PV of debt-to-exports ratio				
Alternative Baseline	62	65	70	74	80	83	**102**	123
Alternative B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 1/	62	84	107	110	114	118	**129**	133
Alternative B5. Combination of B1-B4 using one-half standard deviation shocks	62	88	115	117	122	126	**139**	145
				PV of debt-to-revenue ratio				
Alternative Baseline	89	91	99	110	109	115	**145**	182
Alternative B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 1/	89	118	151	162	156	162	**185**	197
Alternative B5. Combination of B1-B4 using one-half standard deviation shocks	89	121	159	171	165	171	**196**	212
				Debt service-to-exports ratio				
Alternative Baseline	3.2	2.8	3.5	3.8	4.1	3.9	**3.3**	4.8
Alternative B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 1/	3.2	2.8	3.9	4.5	4.8	4.5	**3.8**	5.6
Alternative B5. Combination of B1-B4 using one-half standard deviation shocks	3.2	2.9	4.2	4.8	5.2	4.9	**4.1**	6.1
				Debt service-to-revenue ratio				
Alternative Baseline	4.6	3.8	4.9	5.6	5.6	5.4	**4.8**	7.1
Alternative B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 1/	4.6	3.8	5.4	6.6	6.5	6.3	**5.4**	8.4
Alternative B5. Combination of B1-B4 using one-half standard deviation shocks	4.6	4.1	5.8	7.1	7.0	6.7	**5.8**	8.9

Source: Staff projections and simulations.

1/ Includes official and private transfers and FDI.

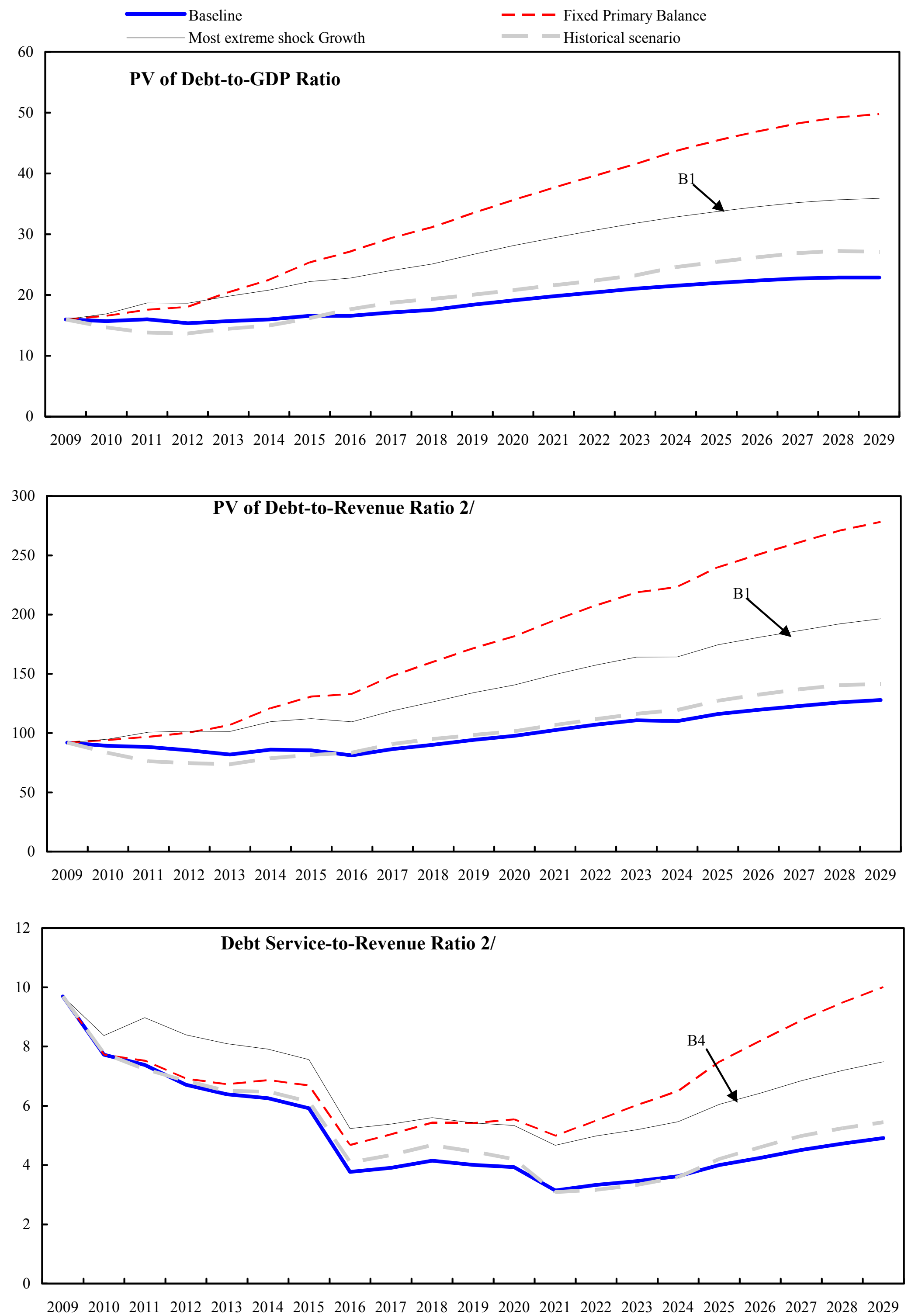
Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2009-2029 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019. In figure b. it corresponds to a Combination shock; in c. to a Combination shock; in d. to a Combination shock; in e. to a Combination shock and in figure f. to a Terms shock

Figure 2.Niger: Indicators of Public Debt Under Alternative Scenarios, 2009-2029 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019.

2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 10/36
FOR IMMEDIATE RELEASE
February 12, 2010

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Third Review Under the Extended Credit Facility Arrangement for Niger and Approves US$5 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed its third review of Niger's economic performance under a program supported by the Extended Credit Facility (ECF)[5]. Completion of the third review allows the disbursement of an amount equivalent to SDR 3.29 million (about US$5.0 million), bringing total disbursements under the arrangement to an amount equivalent to SDR 13.16 million (about US$20.2 million).

The Executive Board approved a three-year arrangement for Niger in May 2008 in the sum of an amount equivalent to SDR 23.03 million (about US$35.3 million), equivalent to 35 percent of the country's quota in the IMF (see Press Release No. 08/127).

Following the Executive Board's discussion on Niger, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, made the following statement:

"Niger has weathered the external environment relatively well because of the buoyant non-agricultural growth, declining inflation and high foreign direct investment related to the expansion of the oil and uranium sectors. Macroeconomic prospects for 2010 appear broadly favorable. The medium term outlook is also positive, with oil and mining projects coming into their production phase after 2012.

[5] The Extended Credit Facility (ECF) has replaced the Poverty Reduction and Growth Facility (PRGF) as the Fund's main tool for medium-term financial support to low-income countries by providing a higher level of access to financing, more concessional terms, enhanced flexibility in program design features, and more focused streamlined conditionality. Financing under the ECF currently carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

"The authorities have maintained a prudent fiscal position in the face of severe shortfalls in budget support. Combined with the strong revenue performance, the authorities' efforts to align the pace of budget execution with available resources have kept the ECF-supported program on track. They have also prepared contingency measures for 2010 in the event of further delays in external support. The authorities are strongly encouraged to take all necessary steps to mobilize the external financing included in the program.

"Progress in the implementation of the structural reform agenda has been broadly satisfactory. Measures to simplify and increase the transparency of the tax system are welcome. Deeper public financial management reform is needed to further improve budgetary formulation, execution and reporting. The authorities have also taken significant steps to ensure the transparent accounting of all mining and oil revenues. Sound management of natural resources will be critical to ensure higher overall growth and faster poverty reduction, and the authorities are encouraged to start formulating a comprehensive strategy for the macroeconomic management of these resources. Stepping up efforts to complete the restructuring of the financial sector will also be necessary to ensure that the financial system can fully support growth."

Statement by Laurean W. Rutayisire, Executive Director for Niger

February 3, 2010

I – Introduction

My Nigerien authorities would like to express their deep appreciation to the Executive Board, Management and Staff for their continued support and fruitful policy dialogue in the context of Niger's ECF-supported program. My authorities are strongly determined to pursue their reform efforts and sound policies to achieve the objectives of the current ECF-supported program. Niger's economic performance under the ECF has been on track, and all quantitative performance criteria at end-June 2009 were met.. Based on my authorities' strong commitment to the program and the Niger's good track record, I would like to request the support of the Executive Board for the completion of the third review under the ECF-supported program.

The impact of the global financial turmoil on the Nigerien economy was relatively limited. However, due to the 2009 political crisis key development partners have suspended their budget support until the resolution of the crisis. Strongly determined to solve the crisis and create conducive environment for reform implementation and sustained growth, the authorities have started negotiating with main opposition parties in December 2009. In the context of a dearth external support, my authorities determined to meet the program's fiscal objectives, have not only aligned the pace of spending execution with available resources but have also improved the efficiency of tax administration.

II – Recent Economic Developments and Performance under the ECF-Supported

Program

Reflecting the sharp fall in agricultural production due to the poor weather, the real GDP substantially fell down in 2009. However, activity in the mining, transport, construction and telecommunication has continued to be buoyant. The non-agriculture sector's expansion is expected to reach 5.3 percent. Inflation declined to -3.1 percent in December 2009 from 14 percent in December 2008 thanks to the reduction in world food and fuel prices and to the excellent 2008/09 crop harvest. The current account deficit increased due to the strong import flows linked to ongoing projects in the oil and uranium sectors. This increase was largely financed by the foreign direct investments. In spite of the shortfall in external budgetary financing, 2009 fiscal objectives were observed, helped in particular by a strong revenue performance.

Tax revenue exceeded program targets by more that 1 percent of GDP. This favorable record is the result of combined effect of broadening the revenue base and making the tax administration more efficient. Net domestic arrears reduction was also higher than projected. The authorities implemented a prudent management of public expenditure that kept current expenditure within program objectives. This policy led also to a basic budgetary deficit below program's target. In the face of the uncertain external financing, the authorities used budgetary regulation to ensure that budget execution remains in line with program objectives notably aligning on a quarterly basis, the budget execution with available resources. This mechanism, has allowed the domestic financing of the deficit to remain below the program's indicative target. With regard to structural reforms, the authorities implemented measures needed to strengthen debt management, improve budget monitoring and enhance the business environment. In addition, it is worth noting that end-September data indicated that all quantitative targets were also met.

III – Economic Outlook and Policy Measures for 2010

Niger's economic outlook for 2010 appears broadly favorable. The continued expansion of telecommunications, transport and mining sectors in addition to the strong return of agricultural production will result in an economic growth of 5 percent. The current account deficit would remain stable in the wake of increases in uranium exports and continued imports flows for the mining sector. Inflation is projected at around 2 percent based on a good average harvest and stability in world prices of food and fuel.

On the medium-term, the start of oil and the increase in uranium production scheduled in 2012 and 2014 respectively will help strengthen Niger's macroeconomic prospects. Between 2012 and 2016, exports are projected to double and mining as a share of GDP will triple. Moreover, following the start of oil production, oil imports will be reduced by half by 2012. On the fiscal front, these encouraging developments should lead by 2015 to a significant increase in annual fiscal revenues. Furthermore, Niger's debt outlook is also favorable with a low risk of debt distress. The Niger's DSA conducted by Staff has shown that in the long-term, the present value of external debt is expected to stabilize below 25 percent of GDP and 105 percent of total exports.

My Nigerien authorities are strongly committed to pursue their reform agenda and implement sound policies in order to promote strong and sustainable economic growth and expedite poverty reduction.

Fiscal policy

In the fiscal sector, my authorities intend to continue their efforts to further improve tax administration and broaden the tax base with a view to increase revenues. In this context, the public expenditure will focus on education with the integration into the civil service of 8000 contractual employees as well as on health and infrastructure sectors. Priority will also be intended to activities supporting the private sector, the state' s involvement in the exploitation of the Agadem oil field and the restructuring of the banking system. Based on continued efforts to increase revenue collection and subdued expenditure, the overall fiscal deficit for 2010 is projected to narrow at 1.7 percent of GDP. My authorities are hopeful that the external support will resume in 2010 to help finance the budget.

Efforts to further strengthen the budget process will be intensified under the public financial management reform. In this regard, the legislation governing budget preparation will be revised with a view to ensure that the legislation is consistent with the new WAEMU community directives. To further improve the budget execution, the use of fast-track expenditure procedures will be strictly limited in accordance to regulations. The computerization of the decentralized budget offices will help to broaden the monitoring of expenditures to appropriations. Moreover, the authorities remain committed to ensure a broad-based dissemination of quarterly execution of poverty-reducing spending.

With regard to improving the revenue collection, my authorities are engaged in implementing measures to enhance control over the tax base, reduce taxpayer noncompliance, strengthen and modernize tax system. In collaboration with the World Customs Organization, the authorities are updating the 2009-11 action plan for the customs with a view to facilitate trade flows by modernizing customs controls, use of scanners and risk analysis. Exemptions for imports related to oil, mining projects as well as those granted under the investment code, and other conventions will continue to be scrutinized.

Debt Sustainability

My authorities welcome Niger's DSA conducted by Staff and agree with their findings and recommendations. In particular, they share the view that a prudent debt policy and an enhanced public financial management are key to preserve Niger's debt sustainability and ensure the efficient use of available fiscal pace. They remain committed to prudent debt management, which is essential in their efforts to make the investments needed to accelerate the country's development notably through a judicious exploitation of its natural resources. To further strengthen the public debt management system, the authorities intend to enforcer the provision making the Ministry of economy and Finance the sole entity empowered to sign agreements on behalf of the state and obligating it financially. The National Public debt management Committee (CNGDP) will be consulted on every domestic or foreign borrowing project or request for public guarantees with a view to take in to examine and take into account the impact of any new borrowing on public debt sustainability. Moreover, given the recent change in IMF policy on public debt limits, the CNGDP' s prerogatives will be extended to cover the full range of public enterprises, public entities and public offices. In order to meet the objectives set out in the debt management reform, the authorities are requesting a technical assistance from the Fund.

Financial Sector Reform

Reform in the financial sector will be pursued to enable the sector to fully support economic growth. In this context and given the need to strengthen the balance sheets of banks operating in Niger, efforts are underway to meet before end-December 2010, the requirement for minimum capital set by the regional banking commission. In order to help banks to accommodate the rising demand for medium-term and long-term credits, negotiations for new credit facilities are underway with multilateral institutions. Some banks are also planning to issue bonds in the medium-term to lengthen the maturity of their resources. In addition, the authorities are implementing their commitments regarding *Finaposte* with the repayment of accounts of CNE depositors and the conversion of half of the government deposits with the CCP into time deposits. The authorities have also reached an agreement on the new capital structure for *Crédit du Niger*. Mindful of the need to promote the social housing, the authorities are finalizing a study of the strategy for financing a social housing for which a preliminary authorization has been obtained from the banking commission.

Management of Mining and Petroleum Resources

My Nigerien authorities are strongly committed to implement transparent management policy of the country's mining and petroleum resources with a view to boost the economic growth and alleviate poverty. To this end, significant progress has been made in the process of Niger's participation in the Extractive Industries Transparency Initiative (EITI). In particular, a report reconciling mining and petroleum revenues for 2005 and 2006 has been completed, validated by the Committee for Dialogue in October 2009 and largely published including in the local newspaper. Preparations for the report on 2007 and 2008 are ongoing and the report will be approved by the end of the first quarter of 2010. The authorities intend also to annex, the certified accounts of *Société du Patrimoine des Mines du Niger and Nigerpétrole* to the draft budget law forwarded each year to the National Assembly. In addition, the authorities intend to put in place a unified revenue framework accounting for all oil and mining revenues paid to public entities and ensure that public investment in the mining sector is fully reflected in budget documents.

Improvement of Business Environment

The authorities are mindful on the need to further improving Niger's business environment in order to increase domestic and foreign private investment and foster economic diversification. In this regard, they continue to press ahead with structural reforms needed to promote a vibrant private sector beyond the mining exploitation and sustain strong economic growth. With the 2010 budget law, measures intended to simplify and modernize the tax system have been put in place. The corporate income tax rate is reduced to 30 percent from 35 percent. Stamp duty on enrollment in the Register of Commerce was reduced. The ceiling on VAT credit repayment for all exporters was abolished. The authorities plan also to adopt during the first half of 2010 the new General Tax Code that incorporates all the laws governing the tax system.

IV – Conclusion

My Nigerien authorities have demonstrated a good track record in implementing sound polices, pursuing structural reforms and enhancing transparency in mineral resources management. They have demonstrated strong determination to meet all the objectives agreed under the ECF-supported program. Based on these performances, my authorities would like to request the Board's support for the completion of the third review. They are also hopeful that the international community will continue supporting their efforts to further preserve macroeconomic stability, increase economic growth and reduce poverty.