

## International Monetary Fund

[Niger](#) and the IMF

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

**Press Release:**

[IMF Executive Board Approves Three-Year US\\$120.97 Million Extended Credit Facility Arrangement and US\\$ 17.28 Million Disbursement for Niger](#)

March 16, 2012

February 28, 2012

The following item is a Letter of Intent of the government of Niger, which describes the policies that Niger intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Niger, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

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## APPENDIX I—LETTER OF INTENT

February 28, 2012

Madam Christine Lagarde  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Madam Lagarde:

1. The government of Niger hereby requests approval of a three-year arrangement under the Extended Credit Facility (ECF) covering 2012 – Q1 2015, in an amount equivalent to SDR 78.96 million (120 percent of Niger's quota), and the first disbursement under the arrangement of SDR 11.28 million. We recently concluded discussions with staff of the International Monetary Fund on a new economic and financial program. The three-year program, the main components of which are described in the attached Memorandum of Economic and Financial Policies (MEFP), will help us make significant progress toward a stable and sustainable macroeconomic position, enhanced growth prospects, transparent natural resources management, and a stronger financial sector. This program is an important part of our development strategy, which is intended to reduce poverty on a lasting basis.

2. The government believes that the policies set forth in the attached MEFP are sufficient to achieve the objectives of its program, but it stands ready to take any additional measures that may be necessary to that end. We will consult with the IMF on the adoption of such measures in advance of any revision of the policies contained in the MEFP, in accordance with the Fund's policies on such consultation. We intend to provide timely information necessary for monitoring economic developments and the implementation of policies defined in the program, as agreed under the attached Technical Memorandum of Understanding, or upon request.

3. In line with our commitment to transparency, we hereby request that the staff report, this letter of intent, and the attached MEFP and TMU (including all annexes and attachments) be published on the IMF website.

Sincerely yours,

/s/

Mahamadou Ouhoumoudou  
Minister of 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 FOR 2012-Q1 2015**

**I. INTRODUCTION**

1. **This memorandum describes the economic and financial policies that the government plans to implement with the support of a new three-year Extended Credit Facility (ECF) arrangement.** The government's program is based on the policies set out in the Accelerated Development and Poverty Reduction Strategy (DPRS) for 2008–2012, the Program of the President of the Republic, and the Statement of General Government Policy. The program emphasizes the following components: (i) maintaining macroeconomic stability and increasing resilience to shocks; (ii) strengthening tax revenue efforts and improving budget execution; (iii) enhancing transparency in the mining and petroleum sectors; (iv) improving debt management; and (v) supporting private and financial sector development. The government has also initiated discussions on the preparation of a Sustainable Development and Inclusive Growth Strategy.

**PERFORMANCE UNDER THE 2008–2011 PROGRAM AND  
RECENT ECONOMIC DEVELOPMENTS**

2. **The last ECF-supported program for Niger expired on June 1, 2011.** Performance under the three-year program was initially satisfactory, as all performance criteria and indicative targets for the first three reviews were observed. However, program implementation was interrupted by the military coup of February 2010, which prevented conclusion of the remaining reviews under the arrangement.

3. **Macroeconomic performance during the period 2008–11 was affected by large swings in agricultural production.** The poor harvest in 2009 triggered a severe food crisis and a contraction in trade and services, a situation from which the economy began to recover only in the second half of 2010. Economic activity remained buoyant during the first half of 2011, supported by large investments in the oil and mining sectors. Exports developed favorably, but the current account deficit widened owing to a surge in imports of capital goods related to the mining and oil sectors financed by foreign direct investment (FDI). Higher food and energy prices on the international market pushed prices up sharply in 2008. Inflation declined in 2009–2010 and remained moderate in 2011 despite the disappointing harvest in the second half of the year.

4. **The basic fiscal balance showed steady improvements through 2010, but the deficit widened slightly in 2011.** Total revenue increased substantially, largely owing to the performance of the customs and tax administrations. Progress was made in improving public finance management (PFM), and nearly all the PFM program benchmarks were met. Expenditure on wages and goods and services was restrained to create room for higher spending on health, education, and social protection, in line with the DPRS priorities. Fiscal discipline also enabled the government to gradually reduce the stock of longstanding domestic arrears.

## II. MACROECONOMIC FRAMEWORK AND PROGRAM OBJECTIVES

### Macroeconomic framework

5. **The government's medium-term policy framework is based on a favorable growth outlook.** With the startup of a new petroleum project, GDP is projected to expand by 13.4 percent in real terms in 2012. Ongoing investments in a large new uranium mine and the development of the petroleum sector should sustain economic activity in the years after 2012, with real GDP growth projected at about 7 percent per year through 2014, while non-resource GDP could expand by about 6 percent per year. Oil and mining exports could increase by 7 percentage points of GDP from 2011 to 2014, with the current account deficit narrowing from 28.3 percent of GDP in 2011 to 12.5 percent in 2015. Inflation is expected to accelerate to 4.5 percent in 2012 as a result of food shortages, and then fall to below 3 percent in the coming years.

6. **Our country's short- and medium-term prospects are nevertheless subject to various risks.** Niger is vulnerable to exogenous shocks, including recurrent, weather-related food crises and fluctuations in commodity prices. The deteriorating security situation in the region is another factor adding to our country's vulnerabilities.

### Fiscal policy and external financing

7. **Medium-term fiscal policy will aim at maintaining debt sustainability while creating room for increased development spending.** At the same time, it is our objective to strengthen government cash balances to increase the resilience of the budget to unexpected shocks. In light of these objectives and the current projections for external donor aid, we intend to keep the basic fiscal deficit below 1.5 percent of GDP during the program period. Enhanced domestic revenue efforts and increased revenue from natural resources would raise annual revenue by 3.6 percent of GDP from 2011 through 2014. Domestically financed capital expenditure is expected to increase by 3.2 percent of GDP over the same period.

8. **For 2012, a basic fiscal deficit of 0.7 percent of GDP is projected, and a build-up of cash reserves at the central bank (BCEAO) of about CFAF 37 billion.** Thanks to enhanced revenue mobilization efforts, revenue is expected to rise by about 2.3 percentage points of GDP starting in 2011. The government's ambitious development plan calls for a sharp increase in domestically financed capital expenditure, up from 3.7 percent of GDP in 2011 to 6.5 percent in 2012, while keeping a tight cap on lower-priority spending. Accordingly, we eliminated the subsidy on petroleum products (*différé*) effective January 1, 2012, and reduced allocations to other budget items considered less important to Niger's development efforts. This will allow us to increase social spending by 19 percent in comparison with 2011. We also plan to accelerate the execution of externally financed capital expenditure, from 7.3 percent of GDP to 10.8 percent, for which we have identified sufficiently concessional financing.

9. **In 2012, the government expects to mobilize about CFAF 79 billion in external budget financing** in the form of grants and concessional loans, including from the World Bank, the European Union, and other multilateral and bilateral donors. The remaining financing gap of CFAF 16.7 billion could be covered by the IMF.

### **Public financial management**

10. **The Ministry of Finance will implement the public financial management program recently adopted by the government.** The action plan for 2011–2014, prepared with support from the World Bank, incorporates recommendations from our financial and technical partners and IMF technical assistance received in 2011 in tax and customs administration, budget and cash management, and tax policy. The action plan is organized around 10 strategic pillars and aims to modernize the legal framework; increase resource mobilization; improve budget preparation, execution, and reporting; enhance cash and debt management; and strengthen public procurement practices.

### **Budget preparation/execution and cash management**

11. **Building on progress made in recent years, the government will continue efforts to ensure closer alignment of the budget with the priorities identified in the DPRS.** As a first step in this direction, the government used three-year medium-term expenditure frameworks (MTEF) to guide the preparation of the 2011 and 2012 budgets. The next phase, expected to begin in 2013, will consist of gradually producing medium-term expenditure frameworks for different sectors, consistent with the global MTEF, particularly for ministries receiving technical assistance under that framework. Ministries will receive support and training to implement this reform. The government will also continue to allocate sufficient funds for the priority sectors and for tracking poverty-reducing expenditure.

12. **The government will enhance efforts to improve administrative, parliamentary, and jurisdictional oversight of the budget in 2012 and over the medium term.** Budget review laws will be prepared on a timely basis and submitted to the Audit Office and the National Assembly. In 2012, the production and auditing of the government's annual accounts will be expedited. As a step in the process of preparing the 2011 budget review law, we will promptly submit to the Audit Office the accounts of the Central Accountant of the Treasury, the General Spending Accountant, and the General Revenue Accountant. The government will also promptly submit to Parliament a draft law validating the FY 2011 accounts. Training for Audit Office auditors and inspectors will be supported with technical assistance from development partners. The Inspectorate General of Finance is being strengthened. Inspection missions will focus more closely on physically verifying results in the priority sectors and preparing detailed periodic reports.

13. **In 2012, the government will pursue its efforts to improve budget execution, cash flow management, and budget reporting.** Our efforts will be based on the following actions:

- Compiling comprehensive quarterly budget reports on a commitment, payment order, and payment basis, to be submitted to Fund staff within a period of 6 weeks (structural benchmark for each quarter).
- Completing the interface between the Directorate General of the Budget and the Directorate General of the Treasury and Government Accounting to improve monitoring of the expenditure chain (structural benchmark for end-December).
- Expediting procedures for the release of budget allocations to ensure that they are available to line ministries at the beginning of each quarter.
- Establishing quarterly cash and commitment plans taking into account the procurement plans of line ministries; the cash and commitment plans will be aligned with each other and updated monthly.
- Limiting expenditure not authorized in advance to a maximum of 5 percent of committed expenditure, with the exception of debt service payments and fiscal expenditures related to exemptions (structural benchmark for each quarter).
- Completing an inventory of bank accounts held by government entities and agencies (structural benchmark for end-June).
- Closing irregular and dormant bank accounts (structural benchmark for end-September), as a step in the process of establishing a Treasury single account.

#### **Tax and customs administration**

14. **Reform of the revenue agencies will continue.** The directorates general of taxes and customs will continue implementing their three-year strategies and update them in 2013. Efforts in both directorates will aim at broadening the tax base, improving taxpayer compliance, reducing exemptions, and strengthening risk management. In particular, the Directorate General of Taxes will improve the monitoring of large taxpayers, the operations of small and medium-sized enterprises, and the quality and scope of the audit program, including more effective control of VAT credits. Initiatives in the Directorate General of Customs will focus essentially on the processing of pre-shipment data and ex-post controls. We will also enhance synergies between the tax and customs administrations, particularly through systematic data exchanges and more joint controls.

15. **In 2012**, efforts will focus in particular on the following:

Tax administration:

- Strengthening tax controls by increasing the number of audits of mining and petroleum companies, including with the assistance of external experts.
- Strengthening the control of tax exemptions and VAT credits.

Customs administration:

- Strengthening the control of exemptions.
- Comparing valuations in customs declarations with those assessed by the pre-shipment inspection company.
- Increasing the level of penalties for noncompliance with the pre-inspection carried out by the pre-shipment inspection company.
- Enhancing ex-post controls, including site visits and verifying warehouse inventories.
- All known importers will be given a tax identification number (TIN) and the code for operators without a tax identification number will be reserved exclusively for occasional operators (the submission of a report on the implementation of this measure will be a structural benchmark for end-June).
- Taxpayers without a TIN will be required to present a bank guarantee or make a cash payment to obtain customs clearance.

### **Tax policy**

16. **Tax system reforms were already under way in early 2012.** Effective January 1, 2012, the rate of the *impôt minimum forfaitaire* (fixed minimum tax) was increased from 1 percent to 2 percent for commercial activities and service providers. Excise duties were extended to coffee and tourism vehicles rated 13 hp or above in accordance with WAEMU Directives. Restrictions were imposed on profit tax (ISB) credits linked to cattle exports because the system lent itself to fraud. The business license tax (*patente synthétique*) was reformed with a view to increasing revenue. The end of the ISB exemption for some mobile telephone companies will also have a positive impact on tax revenue.

17. **A key objective for the medium term will be to bring the Investment Code into line with best practices.** In collaboration with the World Bank, we will undertake a comprehensive review of the Code in 2012; the timetable for its completion will partly depend on progress in transposing the new WAEMU guidelines for investment codes. The review will include the possibility of introducing floors on the capitalization of externally financed companies (to limit excessive borrowing) and a withholding tax on interest

payments. Awaiting this comprehensive review, we intend—as a first step—to revise the Code in the first half of 2012 to exclude the possibility of granting exemptions to already-established telecommunication companies when they introduce new technologies (adoption by the Council of Ministers will be a structural benchmark for end-June).

### **Public debt management**

18. **We have made significant progress in strengthening debt management and monitoring in recent years.** The Minister of Finance is the only authority authorized to sign agreements obligating the government financially, unless he delegates this authority. A medium-term debt strategy was formulated, and we will continue publishing semi-annual reports on new debt contracted or under negotiation and on the projected borrowing program for the next six months. In line with the changes in the IMF policy on debt ceilings, we included the key public enterprises in the scope of our analyses and supervision. The capacities of the Debt Directorate of the Ministry of Finance will be enhanced to enable it to manage all external and domestic debt (including domestic debt managed by the *Centre d'amortissement de la dette intérieure de l'État-CAADIE*). Also, we will strengthen the role of the National Debt Management Committee to ensure appropriate analysis of new government loans and guarantees; all proposals for new loans and guarantees (including in the natural resources sector) will be submitted for review by this committee by January 2012.

19. **In light of the risk of debt overhang indicated in the World Bank and IMF Debt Sustainability Analysis, the government intends to pursue a prudent external debt policy.** We will minimize the provision of government guarantees and carefully assess the impact of new borrowing decisions on debt sustainability. We are committed to continue seeking external financing in the form of grants and highly concessional loans, and will consult with IMF staff to ensure that the grant element of loans is at least 35 percent. Nonetheless, given Niger's significant investment needs and the ambitious investment program of the new government, we may have to consider borrowing on non-concessional terms. This type of borrowing would be strictly limited to well-assessed, high-yield commercial and infrastructure projects that will generate sufficient government revenue to cover debt service related to the project. We will inform IMF staff when the negotiation of a non-concessional borrowing project begins and will provide feasibility studies and assessments of the profitability of such projects.

### **Financial sector**

20. **Major financial sector reforms were undertaken in 2008–2011:** in compliance with the monetary authorities' regulations, the minimum capital requirement for banks was increased to CFAF 5 billion. In this context, the license of Crédit du Niger (CDN) was revoked, and a liquidator was appointed. In addition, the shareholding structure of other credit establishments was modified (BIA, BIN, and BOA) and the banking network was expanded with the creation of Banque Agricole du Niger (BAGRI).

21. **Given the relevance of this sector for Niger’s development, more efforts are needed to enhance financial intermediation.** For this reason, we produced—with assistance from the World Bank and donors—a financial sector development strategy in line with the 2008 IMF-WB FSAP recommendations. Before the strategy is ratified by the Council of Ministers and a timetable for its implementation is adopted, we will discuss this plan with IMF staff.

### **Mining and petroleum issues**

22. **Enhancing transparency and accountability in extractive industries continues to be regarded as a key priority by the government.** Important steps have already been taken in this direction, and further efforts are under way. Our 2010 Constitution states that all new mining exploration and exploitation contracts must be published in the *Journal officiel* (Official Gazette). Niger was declared compliant with the Extractive Industries Transparency Initiative (EITI) in March 2011. The second EITI report, reconciling mining and petroleum revenues for 2007, 2008, and 2009, was published in January 2011, and another report covering 2010 is currently under preparation. The implementation of these reforms led to improvement of the country’s governance indicators, compiled by the World Bank.

23. **The government is committed to further strengthening public oversight of the natural resources sector in 2012 through the Interministerial Committee for natural resources assessment,** which will ensure appropriate information flows and coordination between government representatives in each natural resource company. In addition, the government intends to undertake a study on its overall strategy and policy in the petroleum and mining sector, including the policy to maximize the government’s petroleum resources and the structure of government oversight in that sector, in which all options will be examined. We plan to complete this study by end-December 2012 and to discuss the conclusions with IMF staff before launching initiatives in this area.

24. **In the context of the above-mentioned study, we will also review the role and responsibilities of the state-owned mining company (SOPAMIN).** We will consider whether a separate state-owned company is needed to carry out its current function of managing the government’s holdings in the mining sector. In any event, SOPAMIN’s mandate will remain limited to the existing activities and will not be expanded to include new activities, such as exploration and trading. Starting in 2013, SOPAMIN’s operations will be financed with a separate budget allocation.

25. **In the medium term, we plan to strengthen our capacity to negotiate agreements and conduct tax audits of natural resource companies.** We are counting on the support of our technical partners, including the IMF and the World Bank, and have requested assistance under the IMF’s Topical Trust Fund for natural resource wealth management.

26. **We realize that it will take several years to strengthen our technical capacity to negotiate contracts and conduct tax audits in the mining sector.** In 2012, the government intends to obtain professional assistance in the negotiation of uranium prices for 2013, which

is expected to begin in December 2012, and in conducting a comprehensive tax audit of the mining companies.

27. **In 2012, we will undertake a review of the Petroleum and Mining Codes** and the related tax provisions to ensure that our legal framework and tax regime conform to best practices, especially with regard to the design of exemptions. In the medium term, we plan to devote a separate chapter of the income tax code to mining operations, setting out all tax procedures.

28. **Our country recently became an oil producer.** We will closely monitor developments and make certain that the Soraz refinery's price structure is appropriate, to ensure the viability of the project and its profitability for the government. In cooperation with the co-investor in the refinery, we will also enter into agreements to export the remainder of production on commercial terms. The state-owned petroleum distribution company (SONIDEP) will be responsible for exporting petroleum products in 2012.

### **Improvement of the business climate**

29. **Improving the business climate is a key factor for ensuring sustained growth over the medium term and for diversifying the economy.** Measures recently implemented to improve the business environment include reduction of the corporate tax rate (from 35 percent to 30 percent) and the fees for registering new businesses, and elimination of the ceiling on the reimbursement of VAT credits to all exporters. To consolidate these steps, we will (i) further simplify the procedures for creating new businesses by improving the operations of the *Centre de formalités des entreprises*; (ii) establish special courts for international trade litigation; (iii) continue reform of the judiciary; and (iv) continue fighting corruption.

30. **In this regard, the government has formulated an action plan, which was discussed with World Bank representatives and private investors.** For 2012, the plan provides the following measures: (i) revamping the activities of the *Conseil national des investisseurs privés* (CNIP), which provides advice to the government on how to promote the private sector; (ii) revising the Investment Code; (iii) reducing the number of documents required for imports; and (iv) preparing public-private partnership frameworks for the transport, energy and water sectors.

### **Program Monitoring**

31. **Program monitoring in 2012 will be based on performance criteria and benchmarks (Table 1), as well as structural benchmarks (Table 2).** The government will provide IMF staff with the statistical data and information listed in the attached Technical Memorandum of Understanding, and any other information it deems necessary or that IMF staff requests for program monitoring purposes. During the program period, the government will not introduce or increase restrictions on payments and transfers for international current transactions without the IMF's prior approval, introduce or modify any multiple-currency

practices, conclude bilateral payment agreements that are incompatible with Article VIII of the IMF's Articles of Agreement, or introduce or strengthen import restrictions for balance of payments reasons.

32. **The program includes semi-annual reviews.** The first review will take place in November 2012 and the second in May 2013.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2012–December 31, 2012

(Billions of CFA francs)

	End-March	End-June	End-September	End-December
	Indicative Targets	Performance Criteria	Indicative Targets	Performance Criteria
	Program			
<b>A. Quantitative performance criteria and indicative targets</b>				
(cumulative from December 31, 2011)				
Net domestic financing of the government <sup>1,2</sup>	-8.4	-8.4	-35.6	-45.0
Reduction in domestic payment arrears of government obligations <sup>3</sup>	-1.9	-4.8	-7.2	-10.0
Memorandum item:				
Budget support (excluding IMF financing)	0.0	0.0	60.5	79.2
<b>B. Continuous quantitative performance criteria</b>				
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 less than 1 year <sup>4</sup>	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed				
by the government and public enterprises with maturities of 1 year or more <sup>5</sup>	0.0	0.0	0.0	0.0
<b>C. Indicative Targets</b>				
(Cumulative from December 31, 2011)				
Basic budget balance (commitment basis, excl. grants) <sup>6</sup>	5.0	12.5	-14.8	-23.6
Total revenue <sup>7</sup>	116.4	275.6	440.5	606.0
Spending on poverty reduction <sup>8</sup>	58.2	139.8	243.2	335.2

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

<sup>1</sup>Performance criteria for program indicators under A and B; indicative targets otherwise.

<sup>2</sup>The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2012.

<sup>3</sup>Minimum.

<sup>4</sup>Excluding ordinary credit for imports or debt relief.

<sup>5</sup>Excluding debt relief obtained in the form of rescheduling or refinancing.

<sup>6</sup>Minimum.

<sup>7</sup>Minimum.

<sup>8</sup>Minimum.

Table 2. Niger: Structural benchmarks, January 1, 2012-December 31, 2012

Measures	Timing	Macroeconomic Rationale
Compile comprehensive quarterly budget reports on a commitment, payment order, and payment basis, to be submitted to Fund staff within a period of 6 weeks.	Quarterly	Improve budget and cash management
Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditure, with the exception of debt-service payments and fiscal expenditure related to exemptions.	Quarterly	Improve budget and cash management
Complete an inventory of bank accounts held by government entities and agencies.	30-June-12	Improve cash management
Give all known importers a tax identification number (TIN) and reserve the code for operators without a tax identification number exclusively for occasional operators, and submit a report on the implementation of this measure.	30-June-12	Increase tax revenue
Adoption by the Council of Ministers of a revision of the Investment Code to exclude the possibility of granting exemptions to already-established telecommunication companies when they introduce new technologies.	30-Sept-12	Increase tax revenue
Close irregular and dormant bank accounts.	30-Sept-12	Improve cash management
Complete the interface between the Directorate General of the Budget and the Directorate General of the Treasury and Government Accounting to improve monitoring of the expenditure chain. Complete an inventory of bank accounts held by government entities and agencies.	31-Dec-12	Improve budget and cash management

**ATTACHMENT II—TECHNICAL MEMORANDUM OF UNDERSTANDING**

Niamey, December 20, 2011

1. This technical memorandum of understanding defines the performance criteria and indicative targets of Niger's program Under the Extended Credit Facility (ECF) for the period 2012–Q1 2015. The performance criteria and indicative targets for end-June and end-December 2012 are set out in Table 1 of the attached Memorandum of Economic and Financial Policies (MEFP) dated December 20, 2011. This technical memorandum of understanding also sets out data-reporting requirements for program monitoring.

**I. DEFINITIONS**

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

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

b) As specified in 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, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual

obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

- c) **External payments arrears are payments due but not paid. Domestic payments arrears** are domestic payments owed by the government but not paid. They include authorized fiscal year expenditure that is not paid within 90 days.
- 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**; (ii) **net nonbank domestic financing of the government**, including government securities issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks, proceeds from the sale of government assets, and privatization receipts.
4. **Net bank credit to the government** is equal to the balance of government claims and debts vis-à-vis national banking institutions. Government claims include cash holdings of the Nigerien Treasury, secured obligations, deposits with the central bank, and deposits of the Treasury (including regional offices) with commercial banks. Government deposits with commercial banks are excluded from government claims insofar as they are used solely to finance externally financed capital expenditure.
5. Government debt to the banking system includes assistance from the central bank (excluding net IMF financing under the ECF and the CFAF counterpart of the 2009 General SDR Allocation), assistance from commercial banks (including government securities held by the central bank and commercial banks), and deposits with the CCP (postal checking system).
6. The scope of net bank credit to the government as defined by the BCEAO includes all central government administrations. Net bank credit to the government and the amount of Treasury bills and bonds issued in CFAF on the WAEMU regional financial market are calculated by the BCEAO.
7. **Net nonbank domestic financing** includes (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of Treasury correspondents' deposit accounts; (iii) the change in the balance of various deposit accounts at the Treasury; and (iv) the change in the stock of claims on the government forgiven by the

private sector. Net nonbank financing of the government is calculated by the Nigerien Treasury.

8. The 2012 quarterly targets are based on the change between the end-December 2011 level and the date selected for the performance criterion or indicative target.

### **Adjustment**

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

10. If, at the end of each quarter of 2012, disbursements of external budgetary support fall short of the projected amounts at the end of each quarter, the corresponding quarterly ceilings will be raised pro tanto, up to a maximum of CFAF 15 billion.

### **Reporting requirement**

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

## **B. Reduction of Domestic Payments Arrears**

### **Definition**

12. The reduction of domestic payments arrears is equal to the difference between the stock of arrears at end-2011 and the stock of arrears on the reference date.

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

### **Reporting requirement**

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

## **C. Domestic Payments Arrears**

### **Definition**

15. **Government debt** is outstanding debt owed or guaranteed by the government. For the program, the government undertakes not to accumulate external payments arrears on its debt (including Treasury bills and bonds issued in CFAF on the WAEMU regional financial

market), with the exception of external payments arrears arising from debt being renegotiated with external creditors, including Paris Club creditors.

### **Reporting requirement**

16. Data on the stock, 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 Public Sector**

### **Definition**

17. The government and the public enterprises listed in ¶21 will not contract or guarantee external debt with an original maturity of one year or more and having a grant element of less than 35 percent. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.<sup>1</sup> The discount rates used for this purpose are the currency specific commercial interest reference rates (CIRRs), published by the Organization for Economic Cooperation Development (OECD).<sup>2</sup> For debt with a maturity of at least 15 years, the ten-year-average CIRR will be used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR will be used. To both the ten-year and six-month averages, the same margins for differing repayment periods as those used by the OECD need to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 years to 19 years, 1.15 percent for 20 years to 29 years, and 1.25 percent for 30 years or more).

18. 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 Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009, but also to any obligation contracted or guaranteed for which no value has been received. However, this performance criterion does not apply to financing provided by the IMF and to debt rescheduling in the form of new loans.

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<sup>1</sup> The calculation of concessionality will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

<sup>2</sup> For debts in foreign currencies for which the OECD does not calculate a CIRR, calculation of the grant element should be based on the composite CIRR (weighted average) of the currencies in the SDR basket.

19. For the purposes of the relevant assessment criteria, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or kind).
20. For the purposes of the relevant performance criterion, external debt is defined as debt borrowed or serviced, or requiring repayment, in a currency other than the CFA franc. This definition also applies to debt among WAEMU countries.
21. For the purposes of this performance criterion, the public sector includes the government, as defined in ¶2 above, and the following public enterprises: (i) Société Nigérienne d'Electricité (Nigelec); (ii) Société de Construction et de Gestion des Marchés (Socogem); (iii) Société de Patrimoine des Eaux du Niger (SPEN), (iv) Société Nigérienne de Charbon (Sonichar), (v) Société Nigérienne des Produits Pétroliers (Sonidep), (vi) Société Nigérienne des Télécommunications (Sonitel), (vii) Société de Patrimoine des Mines du Niger (Sopamin); and (viii) Société Hôtel Gaweye (SPEG).

### **Reporting Requirement**

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

## **E. Short-Term External Debt of the Central Government**

### **Definition**

23. The government will not accumulate or guarantee new external debt with an original maturity of less than one year. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009, but also to any obligation contracted or guaranteed for which no value has been received. Short-term loans related to imports are excluded from this performance criterion, as are short-term securities issued in CFAF on the regional financial market.

### **Reporting requirement**

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

### III. QUANTITATIVE TARGETS

#### A. Definitions

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

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

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

#### B. Reporting Requirement

28. Information on revenue and expenditure will be provided to the IMF monthly, within six weeks after the end of each month.

29. Information on UPL expenditure will be provided to the IMF monthly, within six weeks after the end of each quarter.

### IV. ADDITIONAL INFORMATION FOR PROGRAM MONITORING

#### A. Government finance

30. The government will forward the following to IMF staff:

- Detailed monthly estimates of revenue and expenditure, including priority expenditure, the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue;
- The Table of Government Financial Operations with comprehensive monthly data on domestic and external financing of the budget, and changes in arrears and Treasury balances outstanding. These data are to be provided monthly, within six weeks following the end of each month;
- Comprehensive monthly data on net nonbank domestic financing: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of Treasury correspondents' deposit accounts; (iii) the change in the balance of various deposit accounts at the Treasury; (iv) the change in the stock of claims on the government forgiven by the private sector;

- Quarterly data on expenditure for UPL lines (statement of appropriations approved, disbursed, and used);
- Quarterly reports on budget execution, including the rate of execution of poverty-reducing expenditure and, in particular, the use of appropriations by the line ministries concerned (National Education, Public Health, Equipment, Agriculture, Livestock);
- Monthly data on the balances of accounts of the Treasury (Treasury trial balance) and of other public accounts at the BCEAO;
- Monthly data on Treasury balances outstanding, by reference fiscal year, with a breakdown of maturities of more than and less than 90 days;
- Monthly data on effective debt service (principal and interest) compared with the programmed maturities provided within four weeks after the end of each month; and
- List of external loans contracted or in process of negotiation and projected borrowing in the next six months, including the financial terms and conditions.

### **B. Monetary Sector**

31. The authorities will provide the following information each month, within eight weeks following the end of each month:
- Consolidated balance sheet of monetary institutions and, in applicable cases, the balance sheets of individual banks;
  - Monetary survey, within eight weeks after the end of the month (provisional data);
  - Borrowing and lending interest rates; and
  - Customary banking supervision indicators for banks and nonbank financial institutions (if necessary, these same indicators for individual institutions may also be provided).

### **C. Balance of Payments**

32. The government will give IMF staff the following information:
- Any revision of 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 reference year.

### **D. Real Sector**

33. The government will provide IMF staff with the following information:
- Disaggregated monthly consumer price indexes, within two weeks following the end of each month;
  - The national accounts, within six months after the end of the year; and
  - Any revision of the national accounts.

### **E. Structural Reforms and Other Data**

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

## Summary of Data to be Reported

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

	Treasury accounts trial balance.	Monthly	End-month plus 6 weeks
	Monthly statement of the balances of accounts of the Treasury and of other public accounts at the BCEAO.	Monthly	End-month plus 2 weeks
	Petroleum products pricing formula, petroleum products tax receipts, and pricing differentials.	Monthly	End-month + 4 weeks
Monetary and financial data	Monetary survey.	Monthly	End-month + 6 weeks (provisional) End-month + 10 weeks (final)
	Consolidated balance sheet of monetary institutions and, in applicable cases, balance sheets of individual banks.	Monthly	End-month + 8 weeks
	Borrowing and lending interest rates.	Monthly	End-month + 8 weeks
	Banking supervision prudential indicators.	Quarterly	End-quarter + 8 weeks
Balance of payments	Balance of payments.	Annual	End-year + 6 months
	Balance of payments revisions.	Variable	At the time of the revision.
External debt	Stock and repayment of external arrears.	Monthly	End-month + 6 weeks
	Breakdown of all new external loans contracted and projected borrowing, including financial terms and conditions.		End-month + 6 weeks
	Table on the monthly effective service of external debt (principal and interest) compared with programmed maturities.	Monthly	End-month + 4 weeks