INTERNATIONAL MONETARY FUND
INTERNATIONAL DEVELOPMENT ASSOCIATION

NIGER

Enhanced Heavily Indebted Poor Countries (HIPC) Initiative – Preliminary Document

Prepared by the Staffs of the IMF and
the World Bank[1]

November 14, 2000

Contents

---

[1] Approved by Jean Clément and Jesús Seade (IMF) and Callisto Madavo and Kemal Dervis (IDA).

Box

Text Tables

Tables

Annexes

I. INTRODUCTION

1. This paper presents a preliminary assessment of Niger's eligibility for assistance under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative). The preliminary results of the debt sustainability analysis (DSA) show that Niger's external debt situation would remain unsustainable even after application of traditional debt-relief mechanisms. The NPV of debt-to-exports ratio would remain above 150 percent through 2018. This note is organized as follows. Section II reviews Niger's eligibility in terms of its IDA and PRGF status, provides background information on poverty and social development, and summarizes the country's adjustment record to date. Section III presents the preliminary debt sustainability analysis, including possible assistance under the enhanced HIPC Initiative. Section IV outlines the proposed timeline for preparation of the decision point document and the proposed measures to be taken in order to achieve the completion point. The section also reports on the interim Poverty Reduction Strategy Paper (interim PRSP) prepared by the authorities. Section V includes issues for discussion by the Boards of Executive Directors.

II. ELIGIBILITY FOR HIPC INITIATIVE ASSISTANCE

PRGF and IDA Status

2. Niger is currently a Poverty Reduction and Growth Facility (PRGF)-eligible and IDA-only country. In 1999, Niger's per capita GDP was US$ 197[2], with more than 60 percent of the population estimated to live in poverty. Twenty-year projections, assuming real GDP growth of 5.0 percent and average annual population growth of 2.9 percent, suggest that Niger's per capita GDP would reach about US$ 410 in nominal terms by 2019 (see Annex 1 for DSA assumptions). It is expected that Niger will require significant highly concessional and grant assistance over the medium term to help the country reduce widespread poverty.

Poverty and Social Development

3. Niger remains one of the poorest countries in the world, with real GDP per capita estimated to have declined by more than 40 percent over the past twenty years due to economic stagnation and a population growing at about 3.3 percent per annum. According to the 2000 Human Development Index (HDI) of the United Nations Development Program (UNDP), Niger ranks 173rd out of 174 countries listed, and its social development indicators are among the weakest of sub-Saharan Africa, illustrated by a low life expectancy (46 years), high adult illiteracy (over 90 percent), low primary enrollment rates (26 percent overall, and

[2] Equivalent to a GNP per capita of US$ 200, using the World Bank Atlas method.

21 percent for girls), high infant mortality (118 per thousand live births), and severe deficiencies in basic health and nutrition (see Annex 2 for selected poverty and social development indicators). The burden of poverty and low social development falls disproportionately on women, whose access to land, credit, technology and social services remains limited. Widespread unemployment and low labor productivity are major constraints to development.

4. The last poverty assessment was completed in 1996 with the support of the World Bank, based on a 1993 household income/expenditure survey. The main factors explaining poverty included large family sizes, lack of education, deficient diets, low access to basic health services, volatile food security, and inadequate access to arable land and water resources. Living standards, especially in rural areas, are highly vulnerable to exogenous shocks such as adverse climatic conditions (see Text Table 1). The incidence of poverty varied widely among urban and rural areas, as well as among geographic regions. Using the official poverty threshold (less than a dollar a day in 1993), it was estimated that 63 percent of the population was living below the poverty line, while 34 percent was considered as extremely destitute.[3] The average GDP growth rate of 3.5 percent recorded between 1993 and 1999 is slightly higher than the population growth, and falls short of the annual 5 percent estimated to be necessary for a decline in relative and absolute poverty. Real consumption per capita increased by a total of only 2.8 percent between 1993 and 1999. Thus, the pervasiveness of poverty has persisted, if not deepened, in recent years.

5. The government is firmly engaged in the fight against poverty as illustrated by the adoption of a poverty reduction action plan elaborated with the assistance of the UNDP and discussed with donors in 1998. Building on this action plan, which was prepared after a broad-based consultation, the government has recently formulated an interim PRSP. In addition to a higher and more stable economic growth, particularly in the rural sector, poverty reduction will require improved access to health and education services, and the development of basic infrastructure and the rural economy. In this context the interim PRSP represents a major step forward and should lead to a full PRSP by end 2001, including an updating of the household income and expenditure data. Governance is also among the government’s priorities outlined in the interim PRSP, particularly with respect to the use of public resources, as reflected in the proposed key policy measures to be implemented before reaching the HIPC Initiative completion point (see Box 2). The interim PRSP also highlights the additional hardship and vulnerability faced by women and young girls in Niger and calls for the systematic integration of the gender dimension in the poverty reduction strategy. However, the various sector policies described in the document do not explicitly address the gender imbalance, with the exception of the education sector which specifically targets higher female enrollment rates. This issue will be given particular attention in the advice to the government on the preparation of the full PRSP.

---

[3] The extreme poverty line was set roughly at two thirds of the poverty line.

Text Table 1: Niger, Summary Poverty Rates, 1993
(in percent)

	Population share	Poverty Rate	Extreme Poverty Rate
Urban areas	16.6	52	26
Niamey	5.9	42	18
Other urban	10.7	58	31
Rural	83.4	66	36
Niger	100.0	63	34

Source: *Enquête Nationale Budget Consommation*, 1993.

Policy Track Record

6. During the period 1996-99, the authorities adopted a reform program supported by an IMF Enhanced Structural Adjustment Facility, as well as by two IDA adjustment credits. Performance was broadly satisfactory until the political events of 1999. Economic growth averaged about 4 percent, a significant improvement as compared with the previous decade, albeit insufficient to make a real dent in poverty. Important structural reforms were implemented, particularly in the areas of fiscal management, civil service reform, and the implementation of the liberalization and privatization program. Revenue mobilization was relatively successful but overall fiscal performance was weak (see Table 1 and Text Table 2).

7. Macroeconomic performance and the implementation of key structural reforms suffered as a result of a military coup in April 1999. Significant reductions in the level of external assistance, as well as slippage in macroeconomic management led to the deterioration of the fiscal situation during 1999. Domestic and external payments arrears accumulated significantly and reached the equivalent of 10.4 percent of GDP and 8.2 percent of GDP respectively at end 1999.

8. Since January 2000, a new government, democratically elected, has implemented a strict cash management system limiting expenditure commitments to available resources and preventing any further accumulation of domestic payments arrears. However, with the slow resumption of external assistance, external payments arrears have continued to accumulate. In spite of these difficulties, the new government has been able to: defuse social tensions by ensuring the regular payment of salaries, revive structural reforms, including implementation of an early retirement scheme for the civil service, and resume the privatization program and opening of certain key sectors to competition. In particular, the authorities have completed the transfer to the private sector of public works maintenance operations, and formally launched international tenders for the telephone company (SONITEL) and the water distribution company (SNE). In addition, two cellular phone licenses have been attributed in October 2000 to private operators. The new government also initiated a reform of the administrative pricing system for petroleum products distribution by liberalizing the

transportation system for such products.[4] Furthermore, the government took steps to strengthen transparency and accountability in public expenditure management, by re-establishing the process of budgetary auditing by the Supreme Court, as well as restoring discipline in government accounting procedures. Finally, as mentioned above, the government prepared an interim PRSP, which summarizes key elements of on-going poverty reduction policies and lays out a road map for the preparation of a comprehensive PRSP by the end of 2001.

Text Table 2: Niger, Key Macroeconomic Indicators, 1995-2000

	1995	1996	1997	1998	1999 Est.	2000 Proj.
	(Annual percentage change)					
Real GDP at market prices	2.6	3.4	2.8	10.4	-0.6	3.0
GDP deflator	5.4	4.7	3.1	3.0	2.0	3.5
Consumer price index (end of period)	5.5	3.6	4.1	3.4	-1.9	4.1
	(In percent of GDP, unless otherwise indicated)					
Budget revenue	7.2	7.8	8.4	8.9	8.5	8.2
Overall fiscal balance (excluding grants)	-8.0	-5.4	-7.5	-8.1	-9.7	-7.3
Overall fiscal balance (including grants)	-3.9	-0.4	-3.0	-2.8	-5.9	-3.4
External current account (excluding official grants)	-11.1	-9.2	-10.4	-10.0	-7.6	-10.3
External current account (including official grants)	-4.7	-3.3	-4.3	-3.8	-2.9	-5.1
Gross official reserves (months of imports of goods and nonfactor services)	2.5	2.1	1.5	1.5	1.1	1.4

Sources: Nigerien authorities and staff estimates and projections

III. SUMMARY DEBT SUSTAINABILITY ANALYSIS AND POSSIBLE HIPC INITIATIVE ASSISTANCE

Procedures and Reconciliation Status

9. The debt sustainability analysis (DSA) presented below was prepared jointly by the authorities and staffs of the IMF and the World Bank, based on loan-by-loan data provided by the authorities and creditors for the debt outstanding at end-1999. An agreement was reached on the assumptions and the results of the analysis. Full reconciliation of multilateral debt was achieved, with the exception of the Conseil de l'Entente for which discussions are

[4] A system of competitive bidding replaced the former quota mechanism for the transportation of petroleum products.

ongoing. Reconciliation on bilateral debt is advanced, although data on debt owed to some non-Paris Club creditors requires further clarification. The baseline projections for the period 2000-20 and beyond simulate the hypothetical impact of a stock-of-debt operation from Paris Club creditors on Naples terms (67 percent NPV reduction) at end-1999, and comparable treatment from all other official bilateral and commercial creditors (see Tables 2 to 8).

Structure of External Debt

10. Prior to the assumption of a hypothetical Naples stock-of-debt reduction operation, Niger's public and publicly guaranteed external debt was estimated at US$1.6 billion in nominal terms at end-1999. This amount includes external arrears of US$165.5 million, of which US$82.7 million are owed to multilateral institutions and US$82.9 million to bilateral and commercial creditors. In net present value (NPV) terms and after assuming full use of traditional debt relief mechanisms, the debt was estimated at US$973.3 million, equivalent to 48.2 percent of GDP, or 322.4 percent of exports of goods and services.[5] Of the total nominal debt, US$1.1 billion or 67 percent was owed to multilateral creditors, and US$534.4 million or 33 percent to bilateral and commercial creditors.[6] IDA is by far the largest single creditor accounting for 43.2 percent of the total outstanding debt. Other prominent multilateral creditors include the African Development Bank/Fund, (AfDB/F, 8.7 percent) and the IMF (4.2 percent). France is the largest Paris Club creditor with 12.4 percent of the outstanding debt, while other Paris Club creditors account for 4.8 percent, and non-Paris Club bilateral creditors for 15.9 percent.

11. **External payments arrears.** A detailed breakdown of external payments arrears at end-December 1999 is presented in Table 7. Arrears of US$82.7 million were owed to multilateral creditors, of which US$35.9 million have since been cleared through

---

[5] The NPV of debt-to-exports ratio is measured on the basis of a backward looking three-year average of exports of goods and services (including the current year). The debt-service ratio is calculated on the basis of current-year exports. Discounting is based on currency-specific CIRR (commercial interest reference rate) for the six month period ended December 1999. Transit trade, which amounted to 8.9 percent of 1997-99 total exports as reported by the authorities in their balance of payments, has been excluded for the calculation of this ratio.

[6] On the bilateral debt side, Niger has benefited from nine debt relief operations with the Paris Club. The first five agreements were on non-concessional terms. The two subsequent agreements signed respectively in December 1988 and September 1990 provided for concessional restructurings of maturities on Toronto terms (33 percent NPV reduction). The March 1994 flow rescheduling on London terms (50 percent NPV reduction) covered arrears at end-1993 and maturities falling due between January 1994 and March 1995. The latest Paris Club agreement, signed in December 1996, covered arrears at end-November 1996 and maturities falling due between December 1996 and June 1999; it provided for a 67 percent reduction in NPV on eligible maturities. Niger has also benefited from two other debt forgiveness initiatives in 1994. Under the Agreement of Dakar II, Niger was granted a cancellation of all concessional and non-concessional non-Paris Club debt owed to the "Caisse Française de Développement". Under the Initiative of La Baule, France cancelled 50 percent of eligible maturities and arrears at end-December 1993. These two initiatives provided a total relief of US$23.6 million in 1994.

rescheduling agreements with the West African Development Bank (BOAD)[7] and the Arab Bank for Economic Development in Africa (BADEA)[8] in the context of the HIPC Initiative. Of the remaining US$46.7 million, 48.2 percent is owed to the Islamic Development Bank (IsDB), 19.4 percent to the OPEC Fund, and 16.5 percent to the European Union (EU) and European Investment Bank (EIB). Niger agreed on an interim payments arrangement with the IsDB in 2000.[9] On October 31, 2000, the Nigerien authorities held a meeting with their multilateral creditors in Paris.[10] In this meeting it was agreed that the government of Niger and the Multilateral Development Banks (MDBs) would work together to arrive at an appropriate solution to outstanding arrears. Concessionality granted in arrears clearance operations by multilateral banks would count toward assistance required under the HIPC Initiative in line with a methodology agreed with MDBs.[11] Arrears owed to bilateral creditors at end-1999 comprised US$16.4 million owed to the Paris Club and US$66.4 million to other bilateral creditors. Regarding the bilateral payment arrears, the authorities have been seeking debt relief on terms comparable to those granted by the Paris Club for pre-cutoff payments arrears, and will seek additional relief for the settlement of post-cutoff arrears.

Debt Sustainability

12. The macroeconomic projections used in this analysis and agreed upon with the authorities are based on continued implementation of sound macroeconomic policies, structural reforms, and further development of human resources, in particular through the implementation of the government's poverty reduction strategy. As indicated in Annex 1, baseline macroeconomic projections are predicated upon a medium-term growth rate averaging 5 percent per annum in real terms. The external current account deficit (excluding

---

[7] In March and October 1999, the West African Economic and Monetary Union (WAEMU) agreed with Niger in the context of the enhanced HIPC Initiative to buy back Niger's principal and interest arrears at end-March 1999 vis-à-vis BOAD. WAEMU paid US$ 12.5 million to BOAD in October 1999, and signed with Niger an agreement on the repayment of this amount on concessional terms, with an equivalent grant element of 38%.

[8] At end 1999, Niger rescheduled its payment arrears with BADEA amounting to US$ 23.4 million, on concessional terms which could be considered under the enhanced HIPC Initiative (grant element of 21%).

[9] In 1997, Niger reached understandings with the IsDB to restructure its accumulated arrears per end-1996. Although Niger maintained payments under the agreement in the initial period, it subsequently defaulted. As of end 1999, Niger's arrears to the IsDB stand at US$ 22.5 million. In May 2000, the IsDB agreed to an interim arrangement with the country covering a period of two years ending December 2001, or earlier if the enhanced HIPC Initiative is implemented.

[10] The meeting was hosted by the World Bank and attended by the IMF, BADEA, EU, EIB, the OPEC Fund, and the International Fund for Agricultural Development (IFAD).

[11] See "HIPC Debt Initiative: the Chairman's Summary of the Multilateral Development Banks' Meeting", March 6, 1998, IDA/Sec M98-90, Attachment.

transfers) is projected to narrow from 10.3 percent of GDP in 2000 to 6.5 percent of GDP in 2019, and export growth is expected to exceed import growth in real terms, although uranium exports remain constant from 2003 onward.

13. A critical assumption of the DSA is that 70 percent of external financing (including budgetary assistance and investment program financing) will be covered by grants, and the balance by highly concessional loans. Even on the basis of these assumptions, Niger's external debt situation would remain unsustainable after full application of traditional debt-relief mechanisms. The NPV of debt-to-exports ratio was at 322.4 percent in the base year (1999) and would remain above 150 percent through 2018, qualifying Niger for assistance under the export criterion.

Possible HIPC Initiative Assistance

14. Niger would require debt relief of an estimated US$520.6 million in NPV terms to reduce its debt burden to 150 percent of exports at the decision point. Assistance to be provided by multilaterals is estimated to be US$309.2 million, while US$211.3 million would be provided by Niger's bilateral and commercial creditors. The implied common reduction factor for all creditors would be 53.5 percent of their exposure at the decision point (in NPV terms), after full use of traditional debt-relief mechanisms. Based on proportional burden sharing, multilateral creditors would provide 59.4 percent of overall assistance. Bilateral and commercial creditors would provide the remaining 40.6 percent of relief.

Impact of HIPC Initiative Assistance

15. Niger's external debt burden will be reduced significantly with the delivery of assistance under the enhanced HIPC Initiative. The ratio of debt service to exports would decline from 23.2 percent in 1999 to 7.9 percent by 2003, and decrease further to about 5 percent in the outer years; the ratio of debt service to revenue would fall from 43.7 percent in 1999 to 10.3 in 2003 and average 4.1 percent during 2010-2019. Debt-service savings would amount to US$ 40.3 million per year on average (1.1 percent of GDP on an annual average basis) during the projection period. After the HIPC assistance, debt service payments would amount to an average US$47.6 million in the first two years (2001-02) and an average of US$28 million for 2003-2010, which compares with an average debt service actually paid of US$57.7 million in 1997-98.[12].

16. The DSA shows that the NPV of debt-to-exports ratio after the delivery of enhanced HIPC Initiative assistance would reach 183 percent in 2002 (the expected year of the completion point) and 189 percent by 2003, before declining gradually below 150 percent in

[12] Following the political events of April, external payments arrears accumulated in 1999, resulting in low cash payments.

2013 and reaching 133 percent in 2019. This profile of the NPV ratio for the projected period can be explained by several factors. First, the three-year export average used in the denominator of the ratio is affected by: (i) a secular decline in the value of Niger's main export commodity, uranium, which declines from the average of CFA franc 73 billion recorded in 1997-99 (or 40 percent of total exports) to a projected average of CFA franc 61 billion after 2004 (see Box 1); and (ii) the exceptional export performance of 1998, fueled by an agricultural bumper crop. Second, the projected appreciation of the US$ against the CFA franc of about 14 percent on average between 1999 and 2000-03 depresses significantly the US$ value of the exports which are predominantly to Europe, the CFA franc zone, and Nigeria.[13] Finally, the first half of the projection period is also affected by external financing requirements for the settlement of domestic payments arrears estimated at more than 10 percent of GDP at end-2000. Nevertheless, as noted above, other indebtedness indicators, such as debt service indicators, the NPV of debt-to-GDP ratio, and the NPV of debt-to-revenues show substantial relief early on.

17. A greater concessionality of future gap financing, beyond the 70 percent of grant financing currently assumed, could improve the profile of the NPV of debt-to-export ratio, but may not be realistic. In addition, the current HIPC Initiative framework provides for the possibility of a comprehensive assessment of the debt situation at the completion point. If Niger at that time is facing a high NPV of debt-to-exports ratio, e.g. as evidenced by a long-term projection of the NPV of debt remaining at above 150 percent of exports, the Boards could consider a topping up of the committed debt relief.[14] In the case of Niger, this could arise not from the long-term change in the country's uranium exports.

[13] In contrast, the NPV of external debt used in the numerator of the ratio is not affected by the actual appreciation of the US$ as it is calculated on the basis of constant end-of-period 1999 exchange rates.

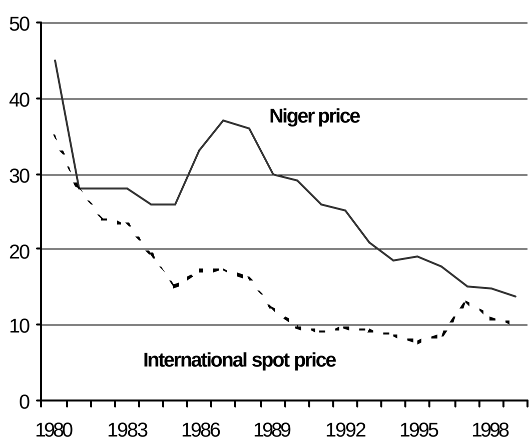
[14] See " Modifications to the Heavily Indebted Poor Countries (HIPC) Initiative", EBS/99/138 (07/23/99) and IDA/SecM99-475 (07/26/99). The option to reconsider at the completion point the amount of debt relief for countries seriously affected by exceptional adverse shocks was recently reaffirmed by the IMFC and Development Committee, see "Communiqué – Joint Session – IMFC and Development Committee on HIPC and PRSP Implementation", Prague, September 24, 2000.

Box 1: The Secular Decline of Uranium Exports in Niger

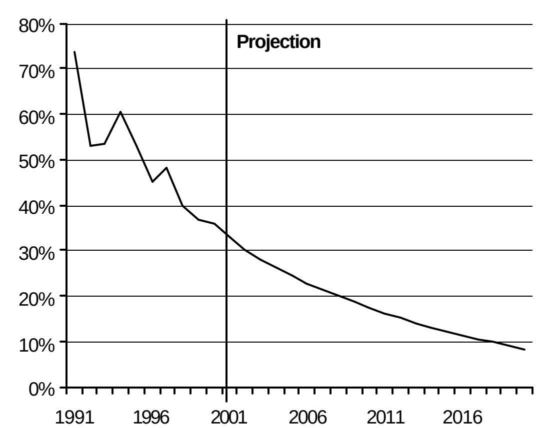
Uranium mining operations in Niger began in 1971. Two mines (one open-pit, one underground) are currently operated by companies with minority government ownership, which have long-term joint-venture contracts with a major European partner. After a short-lived boom, the uranium sector experienced difficulties due to stalling world demand and an expansion of secondary supply sources (reduction in inventories, recycling of processed nuclear material, surplus materials from scaled-down military nuclear programs). The resulting price decline observed on international markets from the early 1980's on, affected Niger's negotiated price despite the existence of multi-annual contracts. As can be seen in the chart below, the prices negotiated for Nigerien uranium ore have tended to gradually adjust to world spot prices, although a premium has persisted due to high production costs (energy, transport, etc.).

Prospects for an expansion in Niger's uranium production and trade remain poor, as the country's competitive position in the sector has been eroding steadily vis-à-vis large, low-cost mines which are increasingly concentrated in a limited number of countries (e.g. Canada or Australia). Projections from the uranium industry foresee an annual increase in uranium demand of at most one percent through 2020. For the DSA, a stabilization of Nigerien production at the current level appears to be a reasonable assumption because of the long-standing arrangement with Niger's main client. As for prices, it is expected that the Nigerien negotiated price will decrease moderately in the short-term to approach international spot prices, before stabilizing. This scenario forms the basis of the DSA long-term balance of payments projections which show a decline in uranium exports from about US$ 133 million in 1998 to about US$ 87 million in 2002 and remain at about that level throughout the rest of the projection period.

Niger negotiated price and international spot price
in US$/lb



Share of uranium in Niger's total merchandise exports
in percent



IV. Decision and Floating Completion Points

PRSP Process

18. The interim PRSP process was officially launched, during a joint World Bank-Fund mission in April 2000, with the organization of a three-day workshop which brought together participants from government agencies, the National Assembly, non-government developmental organizations and other civil society associations, as well as representatives from the donor community and the private sector. Based on the recommendations of the workshop, the government appointed a team, anchored jointly at the Ministry of Finance and the Ministry of Planning, to draft the interim PRSP. Several development partners, have offered to provide support to the government in the preparation and implementation of the full PRSP.

19. The interim PRSP was officially adopted by the government in mid-October 2000, and could be presented to the IMF and IDA Boards before the end of the year, along with the HIPC Initiative Decision Point document. It includes a preliminary proposal for the use of resources freed by debt relief. A full PRSP is planned to be completed by end-2001. Given the needs to collect more complete data to finalize the PRSP, the deadline represents a challenge for the government and the donors who have expressed interest in providing support for this endeavor.

Possible Decision Point Timing

20. In the staff's view, and notwithstanding the interruption of the track record, during most of 1999, **the decision point for debt reduction could be reached as early as December 2000**, in view of: Niger's achievements with respect to macroeconomic stabilization and reforms between 1996 and April 1999, the commitment to policy reform and poverty reduction and actions taken by the newly elected government since the beginning of 2000 (including the preparation of the interim PRSP), and the current status of data reconciliation and the DSA. Timing of the decision point would be conditional upon the support by the Boards of the interim PRSP, and the Fund Board approval of a new PRGF arrangement. Other considerations for a decision point at this time include:

- *Use of HIPC Initiative interim relief*: Although the magnitude of debt relief available for additional expenditure was not known with precision when it finalized the interim PRSP, the government has proposed a framework for the allocation of resources freed by HIPC interim debt relief in that document. These additional resources would allow the government to increase its financing for primary education, basic health care, access to safe water, and the provision of rural infrastructure (rural roads and irrigation). The resources would also enable the government to finance the establishment of a poverty reduction information system necessary for the monitoring and evaluation of the PRSP's implementation;

- *PRGF status*. The Fund mission of September 2000 has reached ad referendum understandings on a program that could be supported by the new three year PRGF arrangement. It is expected that the arrangement could be considered by the Fund Board in December 2000.

Floating Completion Point

21. Although a comprehensive poverty reduction strategy will be spelled out in the full PRSP, the interim PRSP indicates the most likely areas to be given priority . These include rural development, basic education, primary health care (including the fight against HIV/AIDS), rural transport and infrastructure (roads and water resources), as well as the promotion of private sector development. In addition, the interim PRSP highlights the need to improve the poverty monitoring system, in order to support the formulation and implementation of a full PRSP. This agenda provides the rationale for the proposed triggers for the HIPC Initiative completion point (see Box 2). These include: (i) the preparation and satisfactory implementation of a full participatory PRSP and one annual progress report thereunder; (ii) continued maintenance of macroeconomic stability; (iii) satisfactory progress in strengthening public expenditure management; and (iv) implementation of specific reforms in the health and education sectors. For the latter in particular, the rural areas are given priority.

22. The proposed triggers also include the establishment of a poverty monitoring system which would provide adequate data for the monitoring of the outcomes of poverty reduction programs. Such a system would need to address the current shortcomings of non-existent or outdated data, as well as of insufficient integration and analysis of existing data. With respect to governance, the triggers focus on strengthening transparency and accountability in the use of public resources. In the education sector, the measures singled out would address both supply and demand constraints to increasing coverage in primary schooling for rural children (especially girls). For health, the proposed triggers focus on two major priorities of the government: increasing immunization rates, and improving the supply of essential medication. Increased community involvement in the management and the monitoring of programs is a cross-cutting objective in both sectors. With respect to HIV/AIDS, the authorities at the highest level have recently expressed their commitment to adopt and implement a strategy urgently. While a medium-term action program remains to be finalized and officially reported prevalence rates are relatively low, the immediate needs in terms of information and prevention are identified and reflected in the proposed trigger for the completion point. Final agreement on these measures could be shortly finalized with the authorities, and explicit targets to monitor progress would also be specified in the final decision point document.

23. While HIPC Initiative completion point triggers would focus in particular on selected measures to be taken in the social sectors, the reform agenda proposed in the interim PRSP is much broader and encompasses, next to targeted poverty reduction and social development measures, a number of critical structural reforms, including the privatization of public utilities, the restructuring of key financial institutions, the liberalization of petroleum

distribution and marketing activities, and the modernization of civil service management. Progress in the implementation of these reforms will be an integral part of program review and the policy dialogue with the Fund and the Bank.

Box 2: Possible Triggers for the Floating Completion Point

1. Poverty Reduction Strategy Paper (PRSP)

- Prepare a full PRSP through a participatory process and satisfactorily implement it for at least one year as evidenced by the joint staff assessment of the country's annual progress report.
- Establish a poverty-monitoring system, including a set of selected socio-economic indicators for evaluating the implementation of the poverty reduction strategy.

2. Macroeconomic Stability

- Continue to maintain macroeconomic stability as evidenced by satisfactory implementation of the PRGF-supported program.

3. Governance

- Strengthen public expenditure management to improve the monitoring of public expenditure (regular, timely and accurate reconciliation of budgetary and accounting information) and the evaluation of the impact of public spending on poverty reduction (complete a first beneficiary incidence analysis for one pilot sector).
- Submit budget review laws and corresponding treasury accounts for fiscal years 1998-2000 to the Supreme Court's Chamber of Accounts for auditing purpose.

4. Social Sectors and Structural Reforms

Education

- Expand schooling opportunities for rural children (especially girls) by increasing classrooms and teachers in rural areas.
- Improve service delivery in primary education by completing an evaluation of demand- and supply-side impediments to enrollment, and reducing repetition rates.
- Initiate the transition to decentralized management of primary schools by formalizing a mechanism for block grant transfers to rural communities, which will be empowered to manage and monitor service delivery.

Health

- Make progress in the staffing of rural health centers with multipurpose female nurses and auxiliary midwives according to national standards, using decentralized recruitment and budgeting, as well as contracting-out procedures.
- Adopt a plan to ensure continuous availability of essential drugs in rural health centers (including vaccines, contraceptives and micro-nutrients such as vitamin A and iron).
- Increase immunization rates (specific targets to be finalized).

HIV/AIDS

- Launch information and social marketing campaigns to encourage behavioral change and promote condom use, and establish a baseline of qualitative and quantitative data to monitor progress.

Monitoring the Use of the HIPC Initiative Resources

24. The government intends to monitor expenditures made possible by the HIPC initiative within an overall reform program aimed at improving public financial management, reporting and accountability (see Annex 3). Because the magnitude of the relief available for additional spending on poverty reduction programs was not precisely known at the time the government prepared the 2001 Budget Law, it is proposed that these resources be secured during fiscal year 2001 into a temporary separate bank account, until a supplementary budget has been prepared, that will provide for the use of these incremental resources. A monitoring mechanism for tracking poverty-related expenditure is expected to be operational by the time the supplementary budget is approved. At this point, the resources—secured in the separate bank account—would be made available to the treasury for regular budget execution. As mentioned above, indicative areas for the budgetary use of these resources are identified in the interim PRSP. In 2002 and beyond, the use of resources freed through the HIPC Initiative will be fully integrated in the budget. With the support of the staffs, the government intends to closely scrutinize budget execution for items affected by the allocation of these resources.

V. Issues for Discussion

25. This paper presents a preliminary assessment of Niger's eligibility for assistance under the Enhanced HIPC Initiative. Executive Directors' views and guidance are sought on the following issues:

Eligibility: Do Directors consider Niger eligible for assistance under the enhanced HIPC Initiative?

Debt sustainability. What are Directors' views on Niger's increased requirements for grant financing? Directors' views are sought on the profile of the NPV of debt-to-exports ratio after HIPC Initiative assistance. What are the Directors' views on the option of a reassessment of the amount of assistance at the completion point to take account of the projected continued secular decline in Niger's uranium exports?

Timing of the decision point. Do Directors agree that Niger could reach its decision point before the end of 2000, provided that: (i) it presents a satisfactory interim PRSP to the Boards of the Fund and the Bank; and (ii) a PRGF is approved by the Fund Board?

Floating completion point. What are Directors' views on the proposed triggers and key policy measures (for which satisfactory performance has to be achieved) linked to the floating completion point?

Table 1. Niger: Selected Economic and Financial Indicators, 1996-2000

	1996	1997	1998	1999 Est.	2000 Proj.
	(Annual percentage change, unless otherwise specified)				
National income and prices					
GDP at constant prices	3.4	2.8	10.4	-0.6	3.0
GDP deflator	4.7	3.1	3.0	2.0	3.5
Consumer price index					
Annual average	5.3	2.9	4.5	-2.3	2.9
End of period	3.6	4.1	3.4	-1.9	4.1
.					
External sector					
Exports, f.o.b.	8.0	2.8	24.2	-9.9	1.2
Imports, f.o.b	5.5	11.7	33.6	-16.5	14.4
Export volume	13.8	2.3	14.2	-10.4	0.7
Import volume	1.6	2.1	30.7	-21.1	-2.7
Terms of trade (deterioration -)	-8.7	-7.6	5.8	-5.0	-14.6
Nominal effective exchange rate					
(period average; depreciation -)	0.4	-2.2	0.5	-1.6	-2.6
Real effective exchange rate					
(period average; depreciation -)	3.3	0.2	2.4	-6.3	-2.4
Government finances					
Total revenue	16.4	15.0	19.4	-3.0	2.9
Total expenditure and net lending 1/	-6.8	28.8	21.0	8.9	-9.2
Current budgetary expenditure	-11.1	31.2	19.3	11.7	-10.8
Capital expenditure	-3.6	32.8	25.8	0.7	-4.1
Money and credit					
Domestic credit 2/	9.0	10.1	-0.1	6.3	5.9
Credit to the government (net) 2/	14.2	6.9	-11.1	7.8	-4.6
Credit to the economy	-16.3	9.1	28.5	-3.0	20.9
Net domestic assets 2/	-19.2	11.1	1.7	9.1	7.9
Money and quasi money	-24.9	-1.0	0.7	-5.5	4.2
Interest rate (money market; end of period)	5.0	4.5	5.0	5.0	5.0
	(In percent of GDP, unless otherwise indicated)				
Budgetary revenue	7.8	8.4	8.9	8.5	8.2
Current expenditure	8.5	10.5	11.0	12.1	10.1
Capital expenditure	4.1	5.1	5.6	5.6	5.0
Total expenditure	13.1	16.0	17.0	18.2	15.5
Primary budget balance 3/	-3.7	-6.0	-6.6	-8.2	-5.7
Basic budget balance (excluding grants) 4/	-1.7	-3.0	-3.2	-5.6	-3.2
Overall budget balance (excluding grants)	-5.4	-7.5	-8.1	-9.7	-7.3
Overall budget balance (including grants)	-0.4	-3.0	-2.8	-5.9	-3.4

Table 1 (concluded). Niger: Selected Economic and Financial Indicators, 1996-2000

	1996	1997	1998	1999 Est.	2000 Proj.
	(In percent of GDP, unless otherwise indicated)				
Gross domestic investment	9.7	10.9	11.3	10.2	10.4
Private	5.0	5.1	4.9	3.9	4.7
Public	4.6	5.8	6.4	6.4	5.7
Gross national savings	6.3	6.5	7.5	7.3	5.4
Gross domestic savings	3.1	3.2	2.7	3.8	1.8
Private	2.0	2.9	1.5	4.1	0.3
Public	1.1	0.3	1.2	-0.3	1.5
Resource gap	6.5	7.6	8.6	6.4	8.7
External current account balance					
Excluding official transfers	-9.2	-10.4	-10.0	-7.6	-10.3
Including official transfers	-3.3	-4.3	-3.8	-2.9	-5.1
External public debt (end of period)5/ 6/	63.0	84.0	76.2	78.9	87.9
Debt-service ratio in percent of :					
Exports of goods and nonfactor services					
Before debt relief	23.8	24.4	23.8	23.2	30.8
Government revenue					
Before debt relief	51.9	47.5	47.7	43.7	57.0
	(In billions of CFA francs)				
GDP at current market prices	1,017	1,077	1,225	1,243	1,325
Government payments arrears (reduction -)	-36.5	-11.9	7.6	58.4	-129.6
Domestic	-18.0	-13.8	-1.3	36.9	-14.0
External	-18.5	1.9	8.9	21.5	-115.6
Overall balance of payments 6/	-31.5	-34.8	-36.4	-43.0	-61.7

Source: Nigerien authorities and staff estimates.

1/ Commitment basis as per payment orders issued.
2/ In percent of beginning-of-period money stock.
3/ Budget revenue minus expenditure, excluding interest payments
4/ Budget revenue minus expenditure, excluding foreign financed investment projects
5/ Including obligations to the IMF.
6/ Before debt relief.

Table 2. Niger: Nominal Stocks and Net Present Value of Debt at end-1999 by Creditor Groups

	Nominal Debt Stock 1/		NPV of Debt 1/		NPV of Debt After Traditional Debt Relief 2/	
	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total
Total	1603.9	100.0	1088.9	100.0	973.3	100.0
Multilateral	1069.5	66.7	578.1	53.1	578.1	59.4
IDA	692.9	43.2	317.9	29.2	317.9	32.7
IMF	67.2	4.2	52.0	4.8	52.0	5.3
AfDB/AfDF	139.9	8.7	69.6	6.4	69.6	7.2
BADEA 3/	24.6	1.5	24.5	2.2	24.5	2.5
IFAD	32.0	2.0	16.5	1.5	16.5	1.7
EU/EIB	39.4	2.5	27.7	2.5	27.7	2.8
OPEC Fund	12.8	0.8	12.4	1.1	12.4	1.3
Islamic Development Bank	42.4	2.6	39.3	3.6	39.3	4.0
BOAD/WAEMU 4/	12.5	0.8	12.5	1.2	12.5	1.3
ECOWAS	1.2	0.1	1.2	0.1	1.2	0.1
Conseil de l'Entente	4.5	0.3	4.5	0.4	4.5	0.5
Bilateral	529.8	33.0	506.7	46.5	391.1	40.2
Paris Club:	275.2	17.2	286.9	26.4	196.2	20.2
Post-cutoff date	52.6	3.3	49.0	4.5	49.0	5.0
Pre-cutoff date	222.7	13.9	237.9	21.8	147.2	15.1
ODA	9.3	0.6	7.6	0.7	3.4	0.3
Non-ODA	213.4	13.3	230.3	21.2	143.9	14.8
France 5/	198.5	12.4	213.2	19.6	140.3	14.4
Japan	28.1	1.7	26.2	2.4	26.2	2.7
Spain	19.0	1.2	17.3	1.6	10.8	1.1
United Kingdom	18.4	1.1	18.5	1.7	12.1	1.2
United States	11.4	0.7	11.7	1.1	6.9	0.7
Other Official Bilateral:	254.6	15.9	219.8	20.2	194.9	20.0
Post-cutoff date	210.9	13.2	177.6	16.3	177.6	18.2
Pre-cutoff date	43.6	2.7	42.2	3.9	17.3	1.8
ODA	37.6	2.3	36.2	3.3	15.3	1.6
Non-ODA	6.0	0.4	6.0	0.5	2.0	0.2
Abu Dhabi	4.7	0.3	4.7	0.4	3.6	0.4
Algeria	17.6	1.1	14.2	1.3	14.2	1.5
China	10.5	0.7	7.6	0.7	7.6	0.8
Iraq	0.2	0.0	0.2	0.0	0.1	0.0
Kuwait	46.2	2.9	36.1	3.3	34.4	3.5
Libya	27.8	1.7	22.9	2.1	18.9	1.9
Saudi Arabia	61.7	3.8	56.6	5.2	38.7	4.0
Taiwan, Province of China	85.7	5.3	77.5	7.1	77.5	8.0
Commercial (Belgium)	4.6	0.3	4.0	0.4	4.0	0.4

Sources: Nigerien authorities; and Fund and World Bank staff estimates.

1/ These figures are "before traditional debt relief" and include arrears at end-1999 (for a breakdown of arrears see table 7).
2/ These figures are "after traditional debt relief", i.e., a stock-of-debt operation on Naples terms at end 1999; and at least comparable action by other official bilateral and commercial creditors on eligible debt (pre-cutoff and non-ODA).
3/ At end-1999, Niger agreed with BADEA in the context of the HIPC Initiative to reschedule its payment arrears toward BADEA amounting to US$ 23.4 million, with a grant element of 21%.
4/ In March 1999, WAEMU has agreed with Niger to buy back Niger's principal and interest arrears vis-à-vis the BOAD at end-March 1999 amounting of CFAF 8.2 billion, with repayment under concessional terms (a grant element of 38%).
5/ Includes postal and hospital debts.

Table 3. Niger: HIPC Initiative-- Assistance Under a Proportional Burden-Sharing Approach 1/ 2/

NPV of debt-to-exports-target (in percent)	Total	Bilateral 3/	Multilateral 4/	Common Reduction Factor 5/ (Percent)	Required NPV debt Reduction on Comparable Treatment of Bilateral Debt Based on Overall Exposure 6/ (Percent)
	(In millions of US dollars in NPV terms at end 1999)				
150	520.6	211.3	309.2	53.5	
Memorandum items:					
NPV of debt 7/	973.3	395.2	578.1		
Multilateral institutions	578.1				
Paris Club	196.2				
Of which: pre-cutoff non-ODA	144.0				91.0
Non-Paris Club bilaterals	194.9				
Of which: pre-cutoff non-ODA	2.0				
pre-cutoff ODA	15.3				
Commercial creditors	4.0				
3-year average of exports 8/	301.9				
Current-year exports 8/	303.7				
NPV of debt-to-exports ratio 8/ 9/	322.5				

Sources: Nigerien authorities and staff estimates and projections.

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).

2/ Completion point assumed in December 2002. Includes a hypothetical stock-of-debt operation on Naples terms (December 1999) and appropriate comparable treatment by other official bilateral creditors.

3/ Includes official bilateral creditors and commercial debt.

4/ Multilateral relief includes the assistance provided by BOAD/WAEMU and BADEA through arrears clearance on concessional terms, with a grant element of 38 percent and 21 percent respectively

5/ Each creditor's NPV reduction in percent of its exposure at the decision point.

6/ Includes traditional debt relief; a hypothetical stock-of-debt operation on Naples terms at end-December 1999.

7/ Based on latest data available at decision point after full application of traditional debt relief mechanisms.

8/ Exports figures excluding transit trade.

9/ Based on the three-year export average (backward-looking average) ending in the year preceding the decision point (i.e., 1997-1999).

Table 4. Niger: Discount and Exchange Rate Assumptions

Currency Name	1999 Discount Rate 1/ (In percent)	1999 Exchange Rate 2/
United Arab Emirates Dirham	5.59	3.7
Algerian Dinar	5.59	69.3
Austrian Schillings	5.47	13.6
Belgian Franc	5.47	40.2
Canadian Dollar	6.67	1.4
CFA Franc	5.47	653.0
Swiss Franc	4.27	1.6
Chinese Yuan	5.59	8.3
German Mark	5.47	1.9
Danish Krone	5.32	7.4
European Currency Unit	5.47	1.0
Spanish Peseta	5.47	164.6
Finnish Markaa	5.47	5.9
French Franc	5.47	6.5
Great Britain Sterling	6.70	0.6
Iraqi dinar	5.59	3.2
Islamic Development Bank Unit of currency (SDR)	5.59	0.7
Italian Lira	5.47	1927.4
Japanese Yen	1.98	102.2
Kuwaiti Dinar	5.59	0.3
Luxembourg Franc	5.47	40.2
Norwegian Krone	6.64	8.0
Netherland Guilders	5.47	2.2
Portugese Escudo	5.59	200.3
Saudi Arabian Riyal	5.59	3.7
Special Drawing Rights	5.59	0.7
Swedish Krone	5.80	8.5
Russian Ruble	5.59	0.6
United States Dollar	7.04	1.0
Memorandum item:		
Paris Club cutoff date	July 1, 1983	

Sources: OECD and IMF, International Financial Statistics.

1/ The discount rates used are the average commercial interest reference rates over the six month period prior to end-December 1999, i.e., the end of the period for which actual debt and export data are available.

2/ The exchange rates are expressed as national currency per US dollar at end-December 1999.

Table 5. Niger: Net Present Value of External Debt After Full Use of Traditional Debt Relief Mechanisms, 1999-2019 1/

(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Averages 2011–13	2014–16	2017–19
BASELINE SCENARIO															
NPV of total debt 2/	973.3	987.4	1,014.5	1,043.1	1,066.9	1,065.5	1,067.4	1,066.2	1,063.6	1,062.3	1,061.7	1,065.2	1,108.4	1,210.0	1,325.3
NPV of old debt	973.3	965.0	950.1	932.7	907.5	868.8	830.7	790.4	750.4	714.0	679.6	646.6	602.9	541.6	464.7
Official bilateral and commercial	395.2	379.7	362.8	346.0	327.4	311.6	298.2	285.1	272.2	258.8	244.3	231.2	205.6	176.7	140.9
Paris Club	196.2	191.3	185.4	180.0	174.4	171.2	168.0	164.6	160.9	157.0	151.9	146.2	132.1	107.4	73.4
post-cutoff date	48.9	44.0	39.2	34.7	30.2	27.3	24.4	21.9	19.8	18.5	17.2	15.9	12.7	8.3	5.1
of which: ODA	34.5	32.6	30.6	28.5	26.4	24.3	22.1	20.2	18.7	17.4	16.1	14.8	11.6	7.2	4.0
pre-cutoff date	147.3	147.2	146.2	145.3	144.2	144.0	143.6	142.6	141.1	138.4	134.7	130.4	119.4	99.1	68.3
of which: ODA	3.4	3.5	3.6	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.5	4.7	4.9	4.9
Other official bilateral	194.9	184.9	174.4	163.6	151.2	139.1	129.5	120.5	111.3	101.8	92.4	84.9	73.5	69.3	67.5
nonreschedulable 3/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
reschedulable	194.9	184.9	174.4	163.6	151.2	139.1	129.5	120.5	111.3	101.8	92.4	84.9	73.5	69.3	67.5
post-cutoff date	177.6	167.4	156.6	145.5	132.7	120.3	110.3	101.0	91.4	81.5	71.7	63.8	51.5	46.0	43.9
of which: ODA	87.8	82.7	76.8	70.7	63.2	55.8	51.0	46.0	40.7	35.1	29.7	26.3	21.9	18.1	16.1
pre-cutoff date	17.3	17.6	17.8	18.1	18.5	18.8	19.1	19.5	19.9	20.3	20.7	21.1	22.0	23.3	23.6
of which: ODA	15.3	15.6	15.8	16.1	16.5	16.8	17.2	17.5	17.9	18.3	18.8	19.2	20.3	21.8	22.6
Commercial	4.0	3.5	3.0	2.4	1.8	1.2	0.6	-	-	-	-	-	-	-	-
nonreschedulable 3/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
reschedulable	4.0	3.5	3.0	2.4	1.8	1.2	0.6	-	-	-	-	-	-	-	-
post-cutoff date	4.0	3.5	3.0	2.4	1.8	1.2	0.6	-	-	-	-	-	-	-	-
pre-cutoff date	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral	578.1	585.3	587.3	586.7	580.1	557.2	532.6	505.4	478.2	455.2	435.3	415.4	397.3	364.8	323.8
IDA	317.9	323.4	328.4	332.7	336.3	339.1	341.2	340.4	337.7	333.2	327.9	322.3	308.8	283.4	250.7
AfDF	69.4	70.1	70.9	71.6	72.4	72.7	72.4	71.8	71.1	70.3	69.3	68.0	65.8	61.5	55.9
IMF	52.0	52.3	53.6	52.3	45.6	34.7	23.2	12.4	3.8	-	-	-	-	-	-
WAEMU	12.5	13.2	13.1	13.1	13.0	11.1	9.2	7.3	5.5	3.6	1.8	-	-	-	-
Others	126.3	126.3	121.2	117.0	112.7	99.6	86.6	73.5	60.3	48.1	36.3	25.1	22.7	19.9	17.2
NPV of new debt	-	22.3	64.4	110.4	159.4	196.8	236.7	275.8	313.2	348.3	382.1	418.6	505.5	668.4	860.6
Multilateral	-	22.3	64.4	110.4	159.4	196.8	236.7	275.8	313.2	348.3	382.1	418.6	505.5	668.4	860.6
Of which: Identified in BOP	-	14.9	41.9	71.8	103.6	137.7	174.1	212.1	252.9	296.2	343.1	393.5	499.8	668.4	860.6
Of which: IMF/PRGF 2000-2002	-	7.4	22.5	38.6	55.8	59.1	62.6	63.7	60.3	52.1	39.0	25.1	5.7	-	-
Bilateral	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Memorandum items:															
Exports of goods and nonfactor services 4/	303.7	261.2	273.0	289.9	310.4	336.1	364.2	390.7	419.7	450.2	483.4	519.6	603.0	754.1	948.1
Three-year export average 5/	301.9	301.5	279.3	274.7	291.1	312.1	336.9	363.7	391.5	420.2	451.1	484.4	561.3	701.0	879.7
Government revenues 6/	171.0	154.7	180.1	206.1	238.8	267.5	299.4	332.0	368.1	408.2	452.6	501.8	457.3	570.3	711.2
GDP	2,020.8	1,894.9	2,007.6	2,178.7	2,368.8	2,575.6	2,796.4	3,008.3	3,221.6	3,467.5	3,732.3	4,017.3	4,662.5	5,814.1	7,250.0
NPV of debt-to-exports ratio 7/	322.4	327.5	363.3	379.7	366.5	341.4	316.8	293.2	271.7	252.8	235.4	219.9	198.0	173.0	151.0

Sources: Nigerien authorities and staff estimates and projections.

1/ Refers to public and publicly guaranteed external debt only and assumes full use of traditional debt relief mechanisms, i.e. a hypothetical Paris Club stock of debt operation on Naples terms (67 percent NPV reduction) at end-1999, and at least comparable action by other official bilateral and commercial creditors. This is before any debt relief under the HIPC Initiative.

2/ Discounted on the basis of the average Commercial Interest Reference Rate for the respective currency, derived over the six-month period prior to the latest date for which actual data are available, i.e end 1999. The conversion of currency-specific NPVs in U.S. dollars occurs for all years at the end 1999 exchange rate.

3/ Refers to debt that has already been subject to a substantial reduction and that is not expected to be reduced further.

4/ As defined in IMF Balance of Payments Manual, 5th edition, 1993. Excludes transit trade.

5/ Backward-looking average (e.g., average over 1997-99 for exports in 1999). Excludes transit trade.

6/ Revenues are defined as central government revenues, excluding grants.

7/ NPV of debt in percent of three-year average of exports of goods and nonfactor services. Excludes transit trade.

Table 6. Niger: External Debt Service, 2000–2019 1/
(in millions of U.S. dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Averages 2011-13	2014-16	2017-19
Before traditional debt relief 2/														
Total	93.7	98.9	92.1	96.2	106.0	97.6	92.2	89.4	81.2	75.8	72.8	61.0	64.0	64.5
Existing debt	93.5	98.3	91.0	94.7	104.0	95.2	89.4	86.0	77.4	71.4	67.9	52.2	47.6	39.8
Multilaterals	25.4	31.1	33.7	39.7	55.6	55.9	57.1	55.4	49.8	45.3	44.1	31.8	32.6	33.4
IDA	13.0	13.7	14.7	15.6	16.6	17.5	20.4	22.3	23.9	24.4	24.4	25.1	26.0	26.7
IMF	2.7	1.7	4.3	9.6	13.5	13.4	12.0	9.3	4.0	0.0	0.0	0.0	0.0	0.0
AfDF	2.3	2.3	2.4	2.4	3.0	3.5	3.9	4.0	4.0	4.3	4.5	4.2	4.6	4.7
Others	7.5	13.4	12.3	12.1	22.5	21.5	20.7	19.8	17.8	16.7	15.2	2.5	2.0	1.9
Official bilateral	67.4	66.5	56.6	54.3	47.8	38.6	31.6	30.6	27.7	26.1	23.8	20.4	15.0	6.4
Paris Club	39.9	39.3	37.4	34.3	28.8	22.9	17.5	17.2	14.5	13.6	14.0	14.2	13.5	6.0
Non Paris Club	27.5	27.1	19.2	20.1	19.0	15.7	14.1	13.4	13.1	12.5	9.8	6.2	1.5	0.5
Commercial	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New debt	0.2	0.6	1.1	1.5	1.9	2.4	2.8	3.3	3.8	4.4	4.9	8.9	16.4	24.7
After traditional debt relief 3/														
Total	60.8	67.5	69.5	76.7	89.2	86.7	87.2	85.1	79.7	76.0	73.2	62.1	66.5	76.9
Existing debt	60.6	66.9	68.5	75.2	87.3	84.3	84.4	81.7	75.9	71.7	68.3	53.2	50.1	52.2
Multilaterals	25.4	31.1	33.7	39.7	55.6	55.9	57.1	55.4	49.8	45.3	44.1	31.8	32.6	33.4
Official bilateral	34.5	35.1	34.1	34.8	31.0	27.7	26.6	26.3	26.1	26.4	24.1	21.4	17.5	18.8
Commercial	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New debt	0.2	0.6	1.1	1.5	1.9	2.4	2.8	3.3	3.8	4.4	4.9	8.9	16.4	24.7
After enhanced HIPC assistance														
Total	93.6	48.1	47.0	24.5	27.9	28.1	28.6	34.2	28.8	25.8	25.9	25.7	34.9	47.1
Existing debt	93.3	47.5	45.9	23.0	25.9	25.8	25.8	30.9	25.0	21.4	21.0	16.8	18.5	22.4
Multilaterals	25.4	17.0	17.1	12.4	18.1	18.0	18.1	23.5	17.8	13.6	13.1	8.6	11.0	14.6
Official bilateral	67.2	29.7	28.1	10.6	7.8	7.7	7.6	7.4	7.2	7.8	7.9	8.1	7.4	7.7
Commercial	0.7	0.74	0.72	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.06	0.07	0.08
New debt	0.2	0.6	1.1	1.5	1.9	2.4	2.8	3.3	3.8	4.4	4.9	6.7	13.8	21.8
Reduction in debt service as a result of HIPC Initiative Assistance	...	19.4	22.6	52.2	61.3	58.6	58.6	50.8	50.9	50.3	47.2	36.4	31.6	29.8
Memorandum items:														
Exports of goods and nonfactor services 4/	261.2	273.0	289.9	310.4	336.1	364.2	390.7	419.7	450.2	483.4	519.6	603.0	754.1	948.1
Debt service to exports ratio after traditional debt relief	23.3	24.7	24.0	24.7	26.5	23.8	22.3	20.3	17.7	15.7	14.1	10.3	8.8	8.1
Debt service to exports ratio after HIPC assistance	35.8	17.6	16.2	7.9	8.3	7.7	7.3	8.2	6.4	5.3	5.0	4.3	4.6	5.0
Debt service to revenue ratio after traditional debt relief 5/	39.3	37.5	33.7	32.1	33.4	29.0	26.3	23.1	19.5	16.8	14.6	10.1	7.9	6.7
Debt service to revenue ratio after HIPC assistance 5/	60.5	26.7	22.8	10.3	10.4	9.4	8.6	9.3	7.1	5.7	5.2	4.2	4.1	4.1

Sources: Nigerien authorities; and staff estimates.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.
2/ Scheduled debt service reflecting the impact of previous reschedulings granted by Paris Club creditors.
3/ Assumes a hypothetical stock of debt operation on Naples terms.
4/ As defined in IMF, *Balance of Payments Manual* , 5th edition, 1993. Excludes transit trade.
5/ Revenues are defined as central government revenues, excluding grants.

Table 7. Niger: Nominal External Debt and Payments Arrears at end-1999 by Creditor Groups

	Total 1/		Arrears	Regular Debt
	US$ million	Percent of total	US$ million	US$ million
Total	1,603.9	100.0	160.4	1,443.5
Multilateral	1,069.5	66.7	82.7	986.8
IDA	692.9	43.2	-	692.9
IMF	67.2	4.2	-	67.2
AfDB/AfDF	139.9	8.7	1.4	138.5
BADEA 2/	24.6	1.5	23.4	1.2
IFAD	32.0	2.0	0.4	31.6
EU/EIB	39.4	2.5	7.7	31.6
OPEC Fund	12.8	0.8	9.1	3.8
Islamic Development Bank	42.4	2.6	22.5	19.9
BOAD/WAEMU 3/	12.5	0.8	12.5	-
ECOWAS	1.2	0.1	1.2	-
Conseil de l'Entente	4.5	0.3	4.4	0.1
Bilateral	529.8	33.0	77.7	452.1
Paris Club:	275.2	17.2	16.0	259.3
France 4/	198.5	12.4	13.2	185.3
Japan	28.1	1.7	1.0	27.0
Spain	19.0	1.2	1.0	18.0
United Kingdom	18.4	1.1	0.8	17.6
United States	11.4	0.7	0.5	10.9
Other Official Bilateral:	254.6	15.9	61.8	192.8
Abu Dhabi	4.7	0.3	4.7	-
Algeria	17.6	1.1	0.8	16.8
China	10.5	0.7	-	10.5
Iraq	0.2	0.0	0.2	-
Kuwait	46.2	2.9	-	46.2
Libya	27.8	1.7	8.1	19.8
Saudi Arabia	61.7	3.8	26.9	34.9
Taiwan, Province of China	85.7	5.3	25.7	60.0
Commercial (Belgium)	4.6	0.3	-	4.6

Sources: Nigerien authorities; and Fund and World Bank staff estimates.

1/ These figures are "before traditional debt relief" and include arrears at end-1999.
2/ At end-1999, Niger agreed with BADEA in the context of the HIPC Initiative to reschedule its payment arrears toward BADEA amounting US$ 23.4 million, with a grant element of 21%.
3/ In March 1999, WAEMU has agreed with Niger to buy back Niger's principal and interest arrears vis-à-vis BOAD at end-March 1999 amounting CFAF 8.2 billion, with repayment under concessional terms (a grant element of 38%).
4/ Includes postal and hospital debts; they are all treated as post cutoff debts.

Table 8. Niger: Net Present Value of External Debt After Traditional Debt-Relief and HIPC Assistance, 1999-2019
(in millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Averages 1999-2008	Averages 2009-2019
I. After traditional debt-relief 1/														
1. NPV of total debt (2+5) 2/	973.3	987.4	1014.5	1043.1	1066.9	1065.5	1067.4	1066.2	1063.6	1062.3	1061.7	1065.2	1042.9	1199.6
2. NPV of outstanding debt (3+4)	973.3	965.0	950.1	932.7	907.5	868.8	830.7	790.4	750.4	714.0	679.6	646.6	851.1	547.4
3. Official bilateral and commercial	395.2	379.7	362.8	346.0	327.4	311.6	298.2	285.1	272.2	258.8	244.3	231.2	316.5	180.1
3a. Paris Club	196.2	191.3	185.4	180.0	174.4	171.2	168.0	164.6	160.9	157.0	151.9	146.2	172.8	108.5
3b. Other official bilateral	194.9	184.9	174.4	163.6	151.2	139.1	129.5	120.5	111.3	101.8	92.4	84.9	142.1	71.6
3c. Commercial	4.0	3.5	3.0	2.4	1.8	1.2	0.6	0.0	0.0	0.0	0.0	0.0	1.5	0.0
4. Multilateral	578.1	585.3	587.3	586.7	580.1	557.2	532.6	505.4	478.2	455.2	435.3	415.4	534.7	367.3
5. NPV of new borrowing	-	22.3	64.4	110.4	159.4	196.8	236.7	275.8	313.2	348.3	382.1	418.6	191.8	652.2
Memorandum items:														
NPV of debt-to-GDP ratio (percent)														
Total debt (2+5)	48.2	52.1	50.5	47.9	45.0	41.4	38.2	35.4	33.0	30.6	28.4	26.5	41.0	21.6
Outstanding debt (3+4)	48.2	50.9	47.3	42.8	38.3	33.7	29.7	26.3	23.3	20.6	18.2	16.1	34.5	10.3
NPV of debt-to-exports ratio (percent) 3/														
Total debt (2+5)	322.4	327.5	363.3	379.7	366.5	341.4	316.8	293.2	271.7	252.8	235.4	219.9	315.5	178.6
Outstanding debt (3+4)	322.4	320.1	340.2	339.5	311.7	278.3	246.6	217.4	191.7	169.9	150.7	133.5	262.6	85.0
NPV of debt-to-revenue ratio (percent)														
Total debt (2+5)	569.1	638.1	563.4	506.0	446.8	398.4	356.5	321.1	288.9	260.2	234.6	212.3	416.7	153.2
Outstanding debt (3+4)	569.1	623.7	527.7	452.4	380.1	324.8	277.4	238.1	203.8	174.9	150.2	128.8	356.6	74.1
II. After enhanced HIPC assistance 4/														
1. NPV of total debt (2+5) 2/	1088.8	1043.3	1023.9	503.4	549.4	580.8	614.7	647.3	672.8	701.2	731.6	764.8	741.6	995.9
2. NPV of outstanding debt (3+4)	1088.8	1021.0	959.5	392.9	390.0	384.1	378.0	371.5	359.6	353.0	349.5	346.2	549.8	343.7
3. Official bilateral and commercial	510.7	435.7	384.9	121.6	115.9	112.6	109.3	106.0	102.8	99.6	95.7	91.5	199.5	67.8
3a. Paris Club	286.9	251.4	211.7	98.4	92.7	89.5	86.2	82.8	79.6	76.5	72.7	68.6	129.9	47.5
3b. Other official bilateral	219.8	180.7	170.3	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	21.9	68.0	19.4
3c. Commercial	4.0	3.5	3.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.7	0.9
4. Multilateral	578.1	585.3	574.6	271.4	274.2	271.5	268.7	265.6	256.9	253.3	253.8	254.7	350.3	275.9
5. NPV of new borrowing	-	22.3	64.4	110.4	159.4	196.8	236.7	275.8	313.2	348.3	382.1	418.6	191.8	652.2
Memorandum items:														
NPV of debt-to-GDP ratio (percent)														
Total debt (2+5)	53.9	55.1	51.0	23.1	23.2	22.6	22.0	21.5	20.9	20.2	19.6	19.0	30.3	17.6
Outstanding debt (3+4)	53.9	53.9	47.8	18.0	16.5	14.9	13.5	12.3	11.2	10.2	9.4	8.6	23.8	6.3
NPV of debt-to-exports ratio (percent) 3/														
Total debt (2+5)	360.7	346.0	366.6	183.2	188.7	186.1	182.5	178.0	171.8	166.9	162.2	157.9	226.6	145.8
Outstanding debt (3+4)	360.7	338.6	343.6	143.0	134.0	123.0	112.2	102.2	91.9	84.0	77.5	71.5	173.7	52.2
NPV of debt-to-revenue ratio (percent) 3/														
Total debt (2+5)	636.7	674.2	568.7	244.2	230.1	217.2	205.3	195.0	182.8	171.8	161.6	152.4	317.0	124.2
Outstanding debt (3+4)	636.7	659.8	532.9	190.6	163.3	143.6	126.2	111.9	97.7	86.5	77.2	69.0	257.0	45.1
III. After enhanced HIPC assistance assumed committed unconditionally 5/														
1. NPV of total debt (2+5) 2/	452.7	460.0	489.0	517.2	549.4	580.8	614.7	647.3	672.8	701.2	731.6	764.8	583.3	995.9
2. NPV of outstanding debt (3+4)	452.7	437.7	424.6	406.7	390.0	384.1	378.0	371.5	359.6	353.0	349.5	346.2	391.6	343.7
3. Official bilateral and commercial	183.8	163.0	151.5	135.4	115.9	112.6	109.3	106.0	102.8	99.6	95.7	91.5	125.0	67.8
3a. Paris Club	91.3	82.4	80.5	75.0	92.7	89.5	86.2	82.8	79.6	76.5	72.7	68.6	82.7	47.5
3b. Other official bilateral	90.7	79.2	70.2	59.4	22.1	22.1	22.1	22.1	22.1	22.1	22.1	21.9	41.3	19.4
3c. Commercial	1.9	1.4	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	0.9
4. Multilateral	268.9	274.6	273.2	271.4	274.2	271.5	268.7	265.6	256.9	253.3	253.8	254.7	266.5	275.9
5. NPV of new borrowing	-	22.3	64.4	110.4	159.4	196.8	236.7	275.8	313.2	348.3	382.1	418.6	191.8	652.2
Memorandum items:														
NPV of debt-to-GDP ratio (percent)														
Total debt (2+5)	22.4	24.3	24.4	23.7	23.2	22.6	22.0	21.5	20.9	20.2	19.6	19.0	22.2	17.6
Outstanding debt (3+4)	22.4	23.1	21.2	18.7	16.5	14.9	13.5	12.3	11.2	10.2	9.4	8.6	15.8	6.3
NPV of debt-to-exports ratio (percent) 3/														
Total debt (2+5)	150.0	152.6	175.1	188.3	188.7	186.1	182.5	178.0	171.8	166.9	162.2	157.9	172.9	145.8
Outstanding debt (3+4)	150.0	145.2	152.0	148.1	134.0	123.0	112.2	102.2	91.9	84.0	77.5	71.5	120.0	52.2
NPV of debt-to-revenue ratio (percent) 3/														
Total debt (2+5)	264.7	297.3	271.6	250.9	230.1	217.2	205.3	195.0	182.8	171.8	161.6	152.4	222.6	124.2
Outstanding debt (3+4)	264.7	282.9	235.8	197.3	163.3	143.6	126.2	111.9	97.7	86.5	77.2	69.0	162.5	45.1

Sources: Nigerien authorities; and World bank and Fund staff estimates and projections.

1/ Shows the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors.
2/ Discounted on the basis of currency-specific average commercial interest reference rates (CIRRs) over the six-month period June-December 1999.
3/ In terms of simple historical three-year average of exports of goods and nonfactor services. Excludes transit trade.
4/ Assumes interim relief under the enhanced Initiative in December 2000-December 2002 and full delivery of assistance from January 2003.
5/ NPV of debt shows the results of the (hypothetical) unconditional commitment of enhanced HIPC assistance at end 1999.

Annex 1: Main Assumptions for the Debt Sustainability Analysis (DSA)

The following macroeconomic assumptions are used for the 20-year baseline DSA projections:

- Annual real GDP growth is expected to pick up from an estimated 3 percent in 2000 to about 6 percent in the outer years as a result of a steady increase in investment, the sustained implementation of structural reforms, and the gradual strengthening of exports. Inflation is projected to remain low, at around 2 percent per annum, reflecting Niger's membership in the CFA zone and economic policies supportive of the pegging arrangement.

- The fiscal reforms envisaged under the new PRGF-supported program and beyond are expected to lead to a doubling of the country's revenue-to-GDP ratio in the next twenty years (from about 8 percent of GDP in 2000 to 17 percent in 2019). This projected strengthening of revenue performance will allow for a commensurate increase of the expenditure program from 15½ percent of GDP in 2000 to 22½ percent of GDP in 2019 in the context of the reinforcement of the social sectors and the public services, the rebuilding and maintenance of the country's infrastructure, and the implementation of an envisaged decentralization. Niger's overall fiscal deficit, excluding grants, is thus projected to decrease from 7½ percent of GDP in 2000 to 5½ percent in 2019.

- Export volume of goods is projected to grow at an annual average rate near 4 percent in the next ten years and 5½ thereafter, spurred by the strengthening of non-uranium exports (6½ percent per annum in real terms on average), while the volume of uranium exports is expected to remain constant after 2003.

- The volume of imports of goods is expected to grow in line with real GDP.

- Expressed as a percentage of GDP, the external current account deficit, excluding grants, is expected to narrow over the period (from a projected 10½ percent of GDP in 2000 to 6½ percent of GDP in the outer years), reflecting a narrowing of the resource gap on account of increased public and private savings.

- Gross domestic investment is expected to increase steadily, from an estimated 10½ percent of GDP in 2000 to 18 percent in 2019. The ratio of private investment to GDP is expected to double over the period, from 4½ percent of GDP in 2000 to 9½ percent in 2019. The share of foreign-financed investment in public investment is expected to remain stable at about 67 percent; 70 percent of the externally financed investment program would be funded by grants, and the remainder by loans contracted on IDA terms.

Niger is expected to continue requiring concessional assistance in order to meet its financing needs, 70 percent of which would be covered by grants and the remainder by loans on IDA terms. The financing gaps are expected to decline steadily from 5 percent of GDP in 2003 to 1½ percent of GDP in the outer years.

Annex 2: Niger: Selected Poverty and Social Development Indicators

	Latest single year			Same region/income group	
	1970-75	**1980-85**	**1994-99**	**Sub-Saharan Africa**	**Low-income**
POPULATION					
Total population, mid-year (millions)	4.8	6.6	10.5	642.3	2,417.0
Growth rate (percent annual average)	2.9	3.3	3.4	2.4	1.9
Urban population (percent of population)	10.6	14.3	20.1	33.9	31.4
Total fertility rate (births per woman)	7.2	7.5	7.3	5.4	3.8
POVERTY					
(percent of population)					
National headcount index	..	..	63.0	..	..
Urban headcount index	..	..	52.0	..	..
Rural headcount index	..	..	66.0	..	..
INCOME					
GNP per capita (US$)	250	230	190	500	410
Consumer price index (1995=100)	31	89	111	130	137
Food price index (1995=100)	..	..	..	..	..
				..	..
SOCIAL INDICATORS					
Public expenditure					
Health (percent of GDP)	..	..	1.3	1.3	1.1
Education (percent of GNP)	2.4	3.2	2.3	4.1	3.3
Social security and welfare (percent of GDP)	..	0.3	..	..	..
Net primary school enrollment rate					
(percent of age group)					
Total	..	25	24	..	76
Male	..	33	30	..	81
Female	..	17	19	..	71
Access to safe water					
(percent of population)					
Total	..	37	53	..	47
Urban	..	48	46	61	69
Rural	..	34	55	26	39
Immunization rate					
(percent under 12 months)					
Measles	..	19	42	58	75
DPT	..	6	28	53	77
Child malnutrition (percent under 5 years)	..	49	50	..	..
Life expectancy at birth					
(years)					
Total	39	42	46	50	60
Male	38	41	44	49	59
Female	41	44	48	52	61
Mortality					
Infant (per thousand live births)	166	137	118	92	77
Under 5 (per thousand live births)	320	322	250	151	107
Adult (15-59)					
Male (per 1,000 population)	611	562	453	432	277
Female (per 1,000 population)	490	453	352	383	248
Maternal (per 100,000 live births)	..	..	..	..	..

Source: World Bank, 2000 World Development Indicators

Annex 3: Monitoring of Public Expenditures Financed by Resources Freed by the Enhanced HIPC Initiative

Current issues in Expenditure Monitoring

Fiscal management, particularly with respect to monitoring, is problematic in Niger. Currently, it is difficult to obtain timely and comprehensive data on budget execution. These difficulties relate mainly to inconsistent budgetary and accounting nomenclatures, a cumbersome expenditure-recording system, especially for deconcentrated expenditures, and remaining fragmentation of the budgetary information systems. However, several reforms are ongoing in such areas as nomenclature revision, integration of fiscal information systems, and modernization of the government accounting framework. In its initial efforts to resolve the financial crisis, the current government has already improved the transparency of cash management planning. In addition, the government has also completed the formal reconciliation of the whole budget for a complete fiscal year (1997), for the first time in about 15 years, resulting in the preparation of a budget review law. Similar reconciliation for fiscal years 1998 and 1999 is expected to be completed shortly. With respect to specific tracking of poverty-related expenditure, there is no permanent mechanism in place to track expenditures for poverty reduction or delivery of basic social services. However, the social sector ministries have initiated programs to involve communities in the monitoring and management of some public resources, such as the hiring of contractual teachers or the management of cost-recovery funds in the health system. Finally, the European Union, in the framework of its adjustment support which is earmarked to finance non-wage recurrent spending for health and education, has established an *ad hoc* expenditure monitoring and control mechanism.

Current measures and future programs to strengthen overall expenditure monitoring

In the framework of the preparation of the full PRSP, as well as to be in compliance with the sub-regional harmonization agenda, several measures have been implemented or foreseen, specifically targeting fiscal management and monitoring. In this context, the government prepared a Letter of Development Policy for fiscal management to accompany the recently approved IDA public finance recovery credit. Specific measures include the following:

- harmonization of the budget nomenclature and public accounting, according to the WAEMU guidelines which foresee detailed economic and functional classification;
- introduction of financial programming at the level of the main sector ministries, the Ministry of Education being the most advanced in this respect;
- improved integration of investment and recurrent budgets;
- capacity building for the formulation of a medium-term macro-economic framework and related aggregate expenditure ceilings;
- the expansion of the financial information system, both upstream (spending agencies) and downstream (treasury), and improvement in the timeliness and format of budgetary reporting;

- strengthening of the auditing capacity of the judiciary;
- further improvement of financial recording at the treasury, and compliance with basic accounting requirements (same day accounting, etc.); and
- reform of the system of deconcentrated expenditures.

Monitoring resources freed by the Enhanced HIPC Initiative

The draft interim PRSP identifies four areas of priority intervention for the use of HIPC Initiative resources, namely health, education, rural development, and rural roads. A poverty reduction information system is meant to be established with the support of the UNDP to consolidate the available data, and fill the remaining data gaps. In addition, a beneficiary incidence analysis is foreseen in the health sector, to better track how public expenditure is affecting the poor in that sector. Given the current status of expenditure monitoring described above, and the HIPC Initiative timetable, the authorities intend to take a simple and transparent approach for monitoring the use of debt relief resources in the very short term, while striving for the medium-term objective of establishing an improved monitoring mechanism for the whole budget. While public sector management will require major strengthening, the government intends to prioritize the monitoring of resources in poverty-related expenditure programs. This monitoring mechanism is expected to be operational by the time a supplementary budget is approved, which would integrate the resources freed by the HIPC initiative. In particular, this mechanism would need to include an adequate system to execute and monitor the use of deconcentrated expenditures. In the longer run, the mechanism would cover the whole budget and , address the monitoring of transfers that would be provided to local governments in the framework of the decentralization process. In the meantime, the interim arrangements would include the following:

- <u>Monitoring the composition of public expenditure</u>: HIPC Initiative resources would be placed into a special account at the Central Bank once interim assistance has been provided, until a budget revision for FY 2001 proposes incremental spending programs consistent with poverty reduction objectives. The ongoing measures to improve budgetary and accounting information, would allow for the monitoring of the status of functional line items in terms of commitments (*engagements*), payment orders (*ordonnancements*) and actual payments on a monthly basis of selected poverty-related expenditure programs.
- <u>Impact of public expenditure</u>: Specific studies such as beneficiary incidence surveys or expenditure tracking surveys would be conducted to provide information about the use and impact of programmed expenditure in key sectors.