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

December 3, 2008

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.

## LETTER OF INTENT

Niamey, December 3, 2008

Mr. Dominique Strauss-Kahn  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

1. The government is continuing to implement the policies and reforms envisaged in the PRGF-supported program which was approved at end-May 2008. By end-October 2008, all the quantitative and structural performance criteria were met, with the exception of two: the quantitative criterion on the reduction of domestic arrears by end-June 2008, for which I request a waiver, as corrective steps have already been taken; and the structural criterion on the adoption before end-September of the procedures for repayment of the frozen deposits of the former National Post and Savings Office (ONPE). Those procedures were established in early December 2008, and therefore I also request a waiver for this criterion.
2. With regard to the structural benchmarks, the adoption of the medium-term expenditure framework for infrastructure and transport, planned for end-November 2008, was postponed to end-June 2009, in view of the need for technical assistance in this area.
3. Economic activity during 2008 was favorable, and GDP growth in 2008 is expected to be driven by an excellent harvest and by activity in the mining, telecommunications, and construction sectors. Consumer prices continued to rise until end-July 2008, with a sharp increase in food prices, but prices stabilized thereafter. The government has made significant efforts to support the most vulnerable segments of the population, with free distribution of foodstuffs, moderate-priced sales, and nutritional programs undertaken by the food security mechanism, which receives lender support.
4. Basic budgetary expenditure in the first nine months of 2008, excluding externally financed investment, remained below program objectives, whereas revenue greatly exceeded the projections, thanks also to nonrecurring revenue derived from the conclusion of an oil agreement. As a result, the fiscal deficit and domestic financing were smaller than anticipated in the program.

5. The government of Niger requests completion of the first review of the PRGF-supported program. The program for the last part of 2008 and for 2009 aims at enhancing the efficiency of public expenditure, mobilizing domestic resources, and strengthening the financial system and the business environment. This program, the main components of which are described in the attached memorandum on economic and financial policies, is aligned with the objectives of the Accelerated Development and Poverty Reduction Strategy for 2008-12, which was adopted in October 2007.

6. As in the past, the government consents to the publication by the International Monetary Fund of this letter of intent, the memorandum on economic and financial policies, the technical memorandum of understanding, and the IMF staff report. The government believes that the policies set out in the attached MEFP are sufficient to ensure attainment of the objectives of its program and will take any additional measures that may be necessary to that end. Niger will consult the IMF on the adoption of such measures and prior to any change in the policies set out in the MEFP, in accordance with IMF policies on such consultations.

Sincerely yours,

/s/

Ali Mahaman Lamine Zeine  
Minister of Economy and Finance

Attachments:

Memorandum on Economic and Financial Policies  
Technical Memorandum of Understanding

## ATTACHMENT I

**Memorandum of Economic and Financial Policies of the Government of Niger  
for 2008-09****I. MACROECONOMIC FRAMEWORK FOR 2008 AND 2009**

1. Economic trends in the first nine months of 2008 saw an upsurge in food and fuel prices until August, reflecting the fact that international prices had been rising sharply since the latter months of 2007. Beginning in August 2008, however, the prices of cereals and other food products began to decline, because the harvest has begun well, thanks to highly favorable rainfall. In the 12 month to August 2008, inflation measured on the basis of the consumer price index reached 15 percent, but the index fell slightly between July and August. The prices of cereal prices on domestic markets began to decline in August and September. To soften the impact of the price increases, in March and in June the government adopted tax relief measures on sensitive foodstuffs. Thus in March, the VAT and customs duties in rice were suspended; in June the suspension of customs duties was extended to include milk, excise taxes on edible oil were also suspended, while reference values for customs taxation purposes for sugar and wheat flour were reduced (by 17 percent). However, the impact of these measures on price levels has been disappointing. Accordingly, in August the government decided to carry out direct imports of rice and sugar to offer for sale at reduced prices throughout the country through the national agency OPVN (Niger Foodstuffs Office), (3000 tons for each product). The government's actions were combined with the interventions made by the national food security system in using the strategic (buffer) stock; sales were made at reduced prices in June-July (15,000 tons of cereals), as were free targeted distributions amounting to approximately 14,000 tons. These interventions made it possible to discontinue the suspension of import duties and taxes in mid-September. In light of the good harvest, the price index may decline by approximately 3 percent between August and the end of the year, bringing inflation by year-end on a year on year basis to approximately 8.5 percent. The GDP deflator is projected to increase by 8.3 percent between 2007 and 2008. For 2009, the consumption index is expected to increase at an annual average rate of 2.5 percent and the GDP deflator by 2.2 percent.

2. GDP growth at constant prices in 2008 is expected to reach 5.9 percent based on the latest estimates, compared to 3.3 percent in 2007, thanks to an 11.6 percent increase in value added in agriculture, substantial growth in construction and public works, and favorable performance by industry and services. Conversely, mining production is expected to remain stable. The investment GDP ratio is expected to remain at a high level, of about 26.3 percent, reflecting sizable investments in the sectors of telecommunications, energy, and mines.

3. In 2009, GDP growth may attain 4.5 percent; investment should be supported by a set of key initiatives in the agriculture, mining, roads, and energy sectors. These include the initiation of work on the Kandadji dam, the rehabilitation and development of irrigation

systems, the development of a new coal mine in Tahoua, and the related construction of an electricity power station, the launching of investments for the full development of the Imourarem uranium mine and of the Agadem oil field, further prospecting in Agadem, and work on an oil refinery and a pipeline of approximately 580 kilometers connecting the oil field to the refinery.

4. The external current account deficit is projected to increase to 11 percent of GDP in 2008 (9.1 percent in 2007) in spite of a 25 percent increase in uranium exports, on account of the upward revision of export prices, which more than compensates for a decline in volumes. Exports of agricultural products are also rising sharply, thanks to a good harvest. Imports in value terms are expected to increase by approximately 21 percent, because of a substantial upturn in prices of hydrocarbons and rice during a big part of the year, as well as the significant increase in capital goods reflecting the growth in private and public investment. The anticipated rise in direct investment and external project financing for projects should lead to a slight upturn in net foreign assets of the central bank.

5. In 2009 the current account deficit is expected to increase further to 24 percent of GDP, because of higher imports related to the execution of investments in the mining, petroleum, telecommunications, energy, and services sectors. At the same time, export volumes for uranium and gold are projected to pick up again. The current account will be largely financed by private direct investment, estimated at approximately 13 percent of GDP.

6. The national buffer stock of cereals, currently standing at 12,000 tons after the sales in recent months, will be brought back to 50,000 tons by March 2009, through purchasing operations financed through budget appropriations scheduled for 2007 and 2008 (CFAF 2.2 billion) but not yet disbursed, and support from donors and lenders. The national system for the management and prevention of food crises, constituted by the OPVN, the food crisis unit (CCA), and the early warning system (SAP), will continue to play a key role in efforts to combat food insecurity, with support from donors and international organizations, through the nutrition program, targeted free distributions, cash-for-work programs, and the creation of cereal banks. To ensure that this role can be effectively discharged, the continuous support of donors is necessary, coupled with contributions from the national budget. The budget appropriations in the amount of CFAF 2.2 billion in favor of the national food security system will be disbursed in December 2008.

## **II. PROGRAM IMPLEMENTATION AND FISCAL OUTLOOK FOR THE REMAINDER OF 2008**

7. During the first nine months of 2008, program implementation has been satisfactory—however, two performance criteria were not observed in timely fashion although corrective measures were rapidly adopted. Thus, at end-June 2008 the reduction in domestic arrears amounted to CFAF 5.8 billion against a programmed amount of CFAF 7 billion, but further reductions were made in July (CFAF 2.9 billion). The other

quantitative performance criteria and indicators for end-June were all met. Steps are being taken to ensure that the target of CFAF 15 billion for the reduction of arrears at year-end is achieved. The programming of this reduction has already been completed; inter alia, it includes the full settlement of Treasury arrears dating from 2004 to 2006, the repayment of arrears to private suppliers, and additional repayments of the arrears of embassies and to international organizations. The performance criterion regarding the establishment of procedures for repaying the frozen deposits of the former ONPE (National Postal and Savings Office) before end-September 2008 was not complied with, but the necessary regulations have been adopted in early December.

8. During the first nine months of the year, revenues comfortably overshot the program target, chiefly reflecting the collection at end-June of a signing bonus for a petroleum production sharing contract (CFAF 123.4 billion, equivalent to 5.5 percent of GDP). The revenue target for end-June was achieved, even without taking into account these exceptional revenues. On the expenditure side, outlays remained below projections in the first six months of the year.

9. The supplementary budget approved at end-May was in line with program projections. This supplementary budget allocates the bulk of the nonrecurring revenues to priority expenditures. These nonrecurring revenues originate from the sale of mining assets and of a telecom license (respectively CFAF 12 and CFAF 32 billion) and were collected at end-2007 but not included in the initial budget for 2008; nonrecurring dividends of uranium enterprises collected in early 2008 (CFAF 15 billion); upward revision of tax receipts on the same enterprises; and budgetary assistance from the WAEMU and the BCEAO, for a total of CFAF 76 billion (3.7 percent of GDP). The supplementary budget also took into account the revenue shortfall attributable to the suspension of duties and taxes on rice and milk, the excise tax on oils, and the reduction of the taxable base on sugar and flour, estimated at CFAF 11.3 billion.

10. For the whole of 2008, tax receipts are forecast at CFAF 256 billion (11.6 percent of GDP, as in 2007) as against CFAF 260 billion in the program (including revenues for the account of local governments and Community institutions), while nontax receipts are projected at CFAF 25 billion, excluding the one-time signing bonus, compared to CFAF 30 billion under the program. The shortfall in tax receipts is primarily due to the exemptions on food products, which was extended beyond the three months initially planned. The shortfall in nontax receipts is attributable to lower-than-anticipated dividends from a mining company.

11. Domestically financed expenditures are projected to remain in line with program forecasts, with the exception of a government participation in the capital of the new refinery company to be established before year-end (CFAF 19 billion) and a supplementary transfer to OPVN of CFAF 11 billion (funded through the signing bonus) for interventions to purchase cowpeas, after the good harvest, in order to take advantage of the favorable

developments on the international market for this product. The remainder of the bonus will be used in 2009 in accordance with the 2009 budget's specifications. In 2008, the basic budget surplus, which excludes externally funded investment, is expected to record a deficit of 0.6 percent of GDP. Externally funded investments should be slightly below initial forecasts (CFAF 142 billion, as against CFAF 154 billion).

12. External budgetary assistance is expected to reach CFAF 38.9 billion in 2008, as against CFAF 80.8 billion under the initial program. The shortfall is attributable to the delays in finalizing a new program with the AfDB, lower-than-anticipated disbursements related to EU assistance, in addition to a delay in the disbursement of budgetary assistance for 2008 from the World Bank and France. The year will record a substantial increase in central government deposits at the central bank, on account of the signing bonus. Discussions will be held with the central bank to amend the two agreements of July 2006 for the consolidation of the advances to the Treasury.

13. With respect to strengthening fiscal management, the most significant progress in 2008 has to do with the establishment of the pilot unit (*salle pilote*), which is expected to accelerate expenditure commitment procedures for all ministries; the general directorate for the supervision of public procurement will be strengthened by raising its staffing levels; heightened supervision will be exercised over flows of imports to ports and the collection of port revenues will increase. The interconnection between customs border offices and regional customs offices is in progress, thanks to substantial assistance from the EU, which should facilitate efforts to improve imports monitoring. It is, however, necessary to strengthen the human and physical resources of the general directorate of customs (DGD) and of the general directorate of taxes (DGI) (recruitment, training, vehicles, office space) through adequate budget funding. For this purpose, the 2009 budget law allocates additional resources for these directorates.

14. Data on budget outturn for 2008—including figures on the unified list of priority expenditures and on the President's Special Program—will be published by end-March 2009 on a website or in a government publication to allow for a higher degree of transparency in expenditure management (structural benchmark). The end-year Treasury accounts (*comptes de gestion*) for 2006 were examined by the Audit Office and the 2006 budget review law (*loi de règlement*) has been adopted by the National Assembly.

15. The reform of the financial system has continued with the launching of the privatized Crédit du Niger, which is designed to provide housing credit; the commencement of operations of the microfinance regulatory agency; and the rehabilitation of certain microfinance networks. With reference to the postal bank Finaposte, the mobilization of capital in the amount of CFAF 5 billion will be completed shortly, and its licensing as a banking institution will be rapidly requested from the regional Banking Commission. The government has defined in early December the modalities for the repayment of the frozen deposits of the former ONPE, which amount to CFAF 4.8 billion.

16. The expansion of credit to the economy maintained its momentum during the first six months of the year (20 percent increase), thanks to the demand for credit, primarily from the mining and telecommunication sectors; the expansion of the money supply was 3 percent. Over the entire year, growth in credit to the economy is projected at 22 percent and growth in the money supply is projected at 24 percent. The foreign assets of the central bank increased substantially in the first half of the year, reflecting the receipt of the signing bonus in June; they may increase by CFAF 100 billion over the year as a whole.

### **III. THE 2009 PROGRAM**

#### **A. The 2009 Budget and Fiscal Reforms**

17. The budget for 2009 is primarily designed to support the Accelerated Development and Poverty Reduction Strategy (SDRP) for 2008-12 and to use the resources from the signing bonus collected in 2008 to strengthen priority sectors. The preparation of the 2009 budget was strengthened thanks to closer cooperation with the permanent secretariat of the SDRP and the action plans for priority sectors. Taking account of the utilization of the bonus, the basic budget deficit should amount to CFAF 134 billion (5.4 percent of GDP). Total revenues, which are expected to attain CFAF 284 billion excluding the bonus (12.2 percent of GDP) in 2008, are expected to rise to CFAF 305 billion (12.2 percent of GDP) in 2009, including CFAF 288 billion in tax receipts. Tax receipts are projected to rise from 11 percent of GDP in 2008 to 11.6 percent of GDP in 2009. The highest growth should involve the VAT, registration taxes for government contracts, and profit taxes. Customs receipts are also forecast to increase by approximately 5 percent.

18. Nontax receipts are expected to reach CFAF 14.1 billion, including substantial dividends from SOPAMIN, which should turn a profit of around CFAF 14 billion in 2008.

19. The total amount of domestic expenditures, excluding externally funded capital expenditure, is provisionally established at CFAF 438 billion (17.6 percent of GDP), compared to CFAF 422 billion in 2008 (18.1 percent of GDP), with current expenditure amounting to 12.8 percent of GDP (12.9 percent of GDP in 2008), including 0.6 percent of GDP for the organization of elections. The increase in personnel-related outlays (8 percent of GDP) reflects recruitments in education and health. Domestically funded capital expenditure, including HIPC resources, should reach CFAF 120 billion, equivalent to 4.8 percent of GDP (5.2 percent of GDP in 2008) reflecting a reasonable rate of execution of budget appropriations. This is attributable to sizable allocations for rural roads and highways, irrigation, the Kandadji dam, medical equipment, as well as for electricity, in an effort to reduce the country's dependence on external supplies (CFAF 10 billion).

20. Externally funded projects are expected to grow noticeably and to reach CFAF 213 billion in 2009 (8.6 percent of GDP) as against CFAF 142 billion (6.1 percent of GDP) anticipated in 2008, reflecting the planned disbursements of the Global Fund for



AIDS, Tuberculosis and Malaria, the US Millennium Challenge Account, the acceleration of the road and agricultural development program, and the start of work on the Kandadji dam.

21. External budget assistance is expected to amount to CFAF 91.7 billion, including assistance in respect of a new structural adjustment program of the AfDB, as well as an IDA disbursement in the amount of US\$40 million initially scheduled for December 2007. On the basis of these projections, domestic financing of the budget is projected to amount to CFAF 65 billion, chiefly accounted for by the utilization of deposits at the Central Bank created as a result of the signing bonus received in June 2008.

22. Domestic arrears will be reduced by CFAF 15 billion, on the basis of a program designed to settle in priority the arrears to the private sector, the suppliers to the embassies, the arrears to the international organizations, the rents, and the arrears on investments.

23. Major reforms of the tax system will take place in 2009, as envisaged in the initial program, to simplify the system and to eliminate those features that hamper the development of the private sector. Regarding the reimbursement of VAT credits to exporters, during 2009 the Tax Directorate (DGI) will review its technical and institutional aspects and assess the impact of the full reimbursement. Before end-2009 the provisions of article 34 of the tax code pertaining to the reimbursement of VAT export credits will be reformulated, in order to eliminate any ceiling to these reimbursements to exporting firms, while ensuring that no reimbursement is effected on domestic sale (performance criterion for end-December 2009). The rate of the profit tax will be reduced from 35 to 30 percent before end-December 2009 (performance criterion), to be applied to profits reported for FY 2009 and following years (performance criterion) Effective January 1, 2009, the profit tax (ISB) withholding at customs will be lowered from 7 to 5 percent for those taxpayers lacking a tax identification number (NIF), to ensure alignment with the rules set forth in the WAEMU directive.

24. A review of the IRVM (*impôts sur les revenus des valeurs mobilières*—tax on investment income) will be carried out in 2009, with a view to standardize the rates, and to align them to the UEMOA guidelines. Similarly a review of the real estate tax (*taxe immobilière*) will be carried out in 2009 to prepare its simplification.

25. Furthermore, other reforms are currently under consideration with a view to further simplify corporate and personal income taxes. Discussions on the reform of the investment code have been initiated. The purpose of this reform will be to eliminate non essential tax advantages, whereas the ordinary tax code should eliminate the penalizing impact on investors resulting from the VAT on capital goods, and allow accelerated amortization instead of the five-year exemption on the profit tax. In the meantime, the tax advantages set forth in the investment code should be strictly limited in time, without extension, in order to limit tax losses.

26. With respect to public finance management, in 2009 efforts will focus on: (i) strengthening financial controls, by increasing the number of controllers and their training; to support the decentralization process, it is envisaged to appoint one financial controller for each region; (ii) strengthening the DGCMP (General Directorate for the Supervision of Public Procurement), and lowering the threshold for contracts subject to its supervision from CFAF 300 million to CFAF 100 million; (iii) expediting the reporting of information between decentralized budget offices (*centres de sous ordonnancement*) in the regions and the general budget directorate. The updating of action plans of the development and poverty reduction strategy (SDRP), which will be completed in November 2008, and the updating of the medium-term expenditure frameworks (MTEFs) for priority sectors will make it possible to strengthen the preparation of the 2010 budget in a medium-term framework. Thus, the presentation memorandum for the 2010 Budget Law will include projections for the main budgetary revenue and expenditure aggregates for the period 2010-2012 (structural benchmark). Technical assistance from the IMF will be requested to assist in the preparation of a comprehensive MTEF. The MTEF for the infrastructure and transport sectors is currently being prepared with assistance from the World Bank.

### **B. Debt Management**

27. As envisaged under the initial program, the authorities have strengthened the Debt Directorate with external assistance. Semiannual reports on recent borrowing, and prospective debt trends resulting from planned borrowing agreements, have begun to be produced since the first such report in October 2008. Loan disbursements should accelerate in 2009–10 reflecting the finalization of the loan agreements for the construction of the Kandadji dam, which during its initial phase will result in approximately US\$210 million of new drawings. Close attention will be paid to the terms of these loans, which will in no circumstances have a grant element lower than 35 percent (continuous performance criterion); the authorities will endeavor to obtain terms implying a grant element higher than this floor. The Debt Directorate is in a position to conduct the periodic analysis of debt sustainability. Thanks to the favorable trends in exports, the debt ratio over the next 20 years is expected to remain well within the accepted thresholds (150 percent for the NPV ratio of debt-exports, and 40 percent for the NPV ratio of debt-GDP). However, these ratios are highly sensitive to the terms of borrowing, thus requiring heightened vigilance over borrowing terms.

### **C. Management of Petroleum Resources**

28. The government has entered into an oil production sharing contract and it has granted an operating permit (*permis d'exploitation*) to the firm CNPC pertaining to the Agadem block, and it has signed an agreement with the same company to construct a 20,000 barrel per day refinery in Zinder as well as a pipeline of approximately 580 kilometers from the oil field to the refinery. The refinery and the pipeline should be in operation by 2012. The refinery will be managed by a company in which the state will hold a 40 percent equity stake.

Domestic consumption will absorb about one third of output, and the remainder will be exported. A petroleum products purchase contract (*contrat d'enlèvement*) is scheduled to be signed with the national company SONIDEP (*Société Nigérienne des Produits Pétroliers*). The sale of crude oil to the refinery and the sale of refined products will be made on a commercial basis. The government will offer no guarantees for any loans which the refinery company may take out to finance the investment.

#### **D. Money, Credit, and the Financial System**

29. In 2009, the expansion of credit to the economy should hold steady, reflecting the continuation of major investment projects. The foreign assets of the central bank may decline, following the sharp upturn in 2008, and the growth in the money supply may reach 18 percent. The strengthening of the financial system will continue. Efforts are being made to strengthen housing credit, the specialty of Crédit du Niger, and credit for agriculture. Regarding credit for agriculture, further analysis is needed to identify the most effective options for increasing the supply of credit to the sector, in light of the difficulties which the agricultural banks have experienced in other countries of the subregion. In order to promote housing credit, steps will be taken to expedite real estate titling, through rapid strengthening of land registry services. Microfinance networks will be further strengthened through support from donors and the State. The newly established Microfinance Regulation Agency will play a key role in supervising and strengthening the sector.

#### **E. Other Structural Reforms**

30. Concerted efforts will be made to achieve further improvements in the business climate. The numbers of procedures and days necessary to create a business have been considerably reduced in recent years. However, the cost of setting up a business remains high, primarily on account of fees for enrollment in the Register of Commerce at the courts; the government has pledged to reduce these fees by end-June 2009 (structural benchmark).

### **IV. PROGRAM MONITORING**

31. Program monitoring is based on semiannual and continuous quantitative performance criteria, structural performance criteria, quantitative and structural benchmarks (Tables 1 and 2) as well as standard continuous PCs. The performance criteria and benchmarks are presented in the TMU. The quarterly ceilings on domestic financing, net of the position in the IMF, will be adjusted upward in the event of a shortfall in external budgetary assistance (net of external debt service) in relation to program forecasts, for up to a maximum of CFAF 30 billion. It is also requested that the performance criterion on the net domestic financing of the government for end-December 2008 be modified to take into account the signature bonus, and that the performance criterion on the reimbursement of VAT credits be modified and set for end-2009. The second, third, and fourth program review will be conducted with the IMF respectively by end-May 2009, end-November 2009, and end-May 2010.

Table 1a. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2008-December 31, 2008

(Billions of CFA francs)

	End-March			End-June			End-September	End-December	
	Indicative Targets			Performance Criteria			Indicative Targets	Performance Criteria	
	Prog.	Prog. Adj.	Est.	Prog.	Prog. Adj.	Est.	Prog.	EBS/08/56	Revised Prgr.
<b>A. Quantitative performance criteria and indicative targets</b>									
(cumulative from December 31, 2007)									
Domestic financing of the budget <sup>1,2</sup>	1.4	12.4	3.6	18.1	21.5	-128.2	38.7	36.8	-9.3
Reduction in government domestic payments arrears <sup>3</sup>	4.0	4.0	2.1	7.0	7.0	5.8	8.0	15.2	15.2
Memorandum item:									
Exceptional external budgetary assistance <sup>4</sup>	13.5	...	2.5	24.5	...	21.1	33.7	70.4	29.6
Gross budget support	16.0	...	5.0	29.6	...	25.2	41.4	80.8	38.9
Debt service	2.6	...	2.5	5.2	...	4.2	7.7	10.3	9.3
<b>B. Continuous quantitative performance criteria</b>									
Accumulation of external payments arrears	0.0	...	0.0	0.0	...	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of 0-1 year <sup>5</sup>	0.0	...	0.0	0.0	...	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year <sup>6</sup> : grant element lower than 35 percent	0.0	...	0.0	0.0	...	0.0	0.0	0.0	0.0
<b>C. Indicative Targets</b>									
(cumulative from December 31, 2007)									
Basic budget balance (commitment basis, excl. grants) <sup>7</sup>	-11.8	...	3.5	-42.6	...	110.3	-72.4	-101.0	-14.9
Total revenue <sup>8</sup>	83.9	...	81.7	148.8	...	280.8	214.7	281.7	407.4

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 program forecasts.

If disbursements are less than the programmed amounts, the ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion at the end of each quarter of 2008.

<sup>3</sup>Minimum.<sup>4</sup>External budgetary assistance (including traditional debt relief, HIPC Initiative assistance, but excluding net financing from the IMF) less external debt service and payments of external arrears.<sup>5</sup>Excluding ordinary credit for imports or debt relief.<sup>6</sup>Excluding debt relief obtained in the form of rescheduling or refinancing.<sup>7</sup>Minimum, defined as the difference between total revenue, excluding grants and revenue from the settlement of reciprocal debts between the government and enterprises, and total expenditures, excluding externally financed capital expenditures.<sup>8</sup>Minimum. Excluding (i) revenue from the settlement of reciprocal debts between the government and Nigerian enterprises; and (ii) revenue from the privatization of public enterprises that is included in financing.

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

(Billions of CFA francs)

	End-March Indicative Targets Prog.	End-June Performance Criteria Prog.	End-September Indicative Targets Prog.	End-December Performance Criteria Prog.
<b>A. Quantitative performance criteria and indicative targets</b> (cumulative from December 31, 2008)				
Domestic financing of the budget <sup>1,2</sup>	12.1	62.5	67.2	55.9
Reduction in government domestic payments arrears <sup>3</sup>	2.0	6.0	8.0	15.0
Memorandum item:				
Exceptional external budgetary assistance <sup>4</sup>	20.6	5.7	37.9	86.0
Gross budget support	23.0	10.5	45.2	95.7
Debt service	2.4	4.8	7.3	9.7
<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 0-1 year <sup>5</sup>	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year <sup>6</sup> : grant element lower than 35 percent	0.0	0.0	0.0	0.0
<b>C. Indicative Targets</b> (cumulative from December 31, 2008)				
Basic budget balance (commitment basis, excl. grants) <sup>7</sup>	-30.3	-66.9	-101.0	-133.6
Total revenue <sup>8</sup>	79.3	152.3	227.8	304.8

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 program forecasts.

If disbursements are less than the programmed amounts, the ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion at the end of each quarter of 2008.

<sup>3</sup>Minimum.<sup>4</sup>External budgetary assistance (including traditional debt relief, HIPC Initiative assistance, but excluding net financing from the IMF) less external debt service and payments of external arrears.<sup>5</sup>Excluding ordinary credit for imports or debt relief.<sup>6</sup>Excluding debt relief obtained in the form of rescheduling or refinancing.<sup>7</sup>Minimum, defined as the difference between total revenue, excluding grants and revenue from the settlement of reciprocal debts between the government and enterprises, and total expenditures, excluding externally-financed capital expenditures.<sup>8</sup>Minimum. Excluding (i) revenue from the settlement of reciprocal debts between the government and Nigerien enterprises; and (ii) revenue from the privatization of public enterprises that is included in financing.

**Table 2. Niger: Structural Performance Criteria and Structural Benchmarks for the Program September 2008-December 2009**

<b>Measures</b>	<b>Date</b>	<b>Status</b>
<b>Structural performance criteria</b>		
Adoption of the decree specifying the terms for repayment of the savings deposits frozen by the former ONPE.	End-September 2008	Not met. Decree adopted in early December 2008.
Adopt a law or decree establishing a principle for, and defining the modalities of, the full reimbursement of VAT credits to all exporting enterprises.	End-Décembre 2008	Modified (see below)
Elimination of the ceiling for reimbursement of VAT credits to all exporters.	End-December 2009	
Reduction of the rate of profit tax from 35 to 30 percent, applicable to profits reported for FY 2009 and for following years.	End-December 2009	
<b>Structural benchmarks</b>		
Adoption by the Council of Ministers of the MTEF for the infrastructure and transport sectors.	End-November 2008	Not met.  Reprogrammed for end-June 2009
Presentation in the budget law for 2009 of the investment programs for the priority sectors of the PRSP for 2009-2012.	End-December 2008	
Production by the Ministry of Finance of semiannual reports on the foreign debt contracted and its terms, and on the borrowing program for the next six months and the terms specified.	End-December 2008 and the end of each successive half-year period	
Publish data on budget outturn for 2008, including for the unified list of priority expenditures and the President's Special Program.	End-March 2009	
Reduction of the fees for registering a new business in the Register of Commerce at the courts.	End-June 2009	
The Budget Law for 2010 will include a production of the main budget aggregates (revenue and expenditure) for the period 2010-12.	End-December 2009	

**ATTACHMENT II****TECHNICAL MEMORANDUM OF UNDERSTANDING**

Niamey, December 3, 2008

1. This technical memorandum of understanding defines the performance criteria and indicative targets for Niger's program under the Poverty Reduction and Growth Facility (PRGF) for the period 2008-11. The performance criteria and indicative targets for end-December 2008 and for 2009 are set out in Table 1 of the government's Memorandum of Economic and Financial Policies (MEFP) dated December 3, 2008 and attached hereto. This technical memorandum of understanding also sets out data-reporting requirements for monitoring the program.

**I. DEFINITION OF TERMS**

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

(a) As specified in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted by the Executive Board of the IMF on August 24, 2000, **debt** will be understood to mean a current, that is, not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, that is, advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, that is, contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and (iii) leases, that is, arrangements under which property is provided that the lease holder has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lease grantor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment

on an obligation that is not considered debt under this definition (for example, payment on delivery) will not give rise to debt.

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

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

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

## II. QUANTITATIVE PERFORMANCE CRITERIA

### A. Net Domestic Financing of the Government

#### Definition

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

4. **Net bank credit to the government** is equal to the balance of the government's claims and debts vis-à-vis national banking institutions. Government claims include cash holdings by the Nigerien Treasury, deposits with the central bank and commercial banks, and secured obligations. Government debt to the banking system includes debt vis-à-vis the central bank (excluding net financing from the IMF's Poverty Reduction and Growth Facility (PRGF), but including government securities) and to commercial banks (including government securities held by commercial banks), and deposits with the postal checking system.

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



6. **Nonbank net domestic financing** includes (i) the change in the amount of government bonds issued in the regional WAEMU market and not held by Niger's commercial banks; (ii) the change in the deposits of Treasury correspondents; (iii) the change in "*comptes de consignations*" at the Treasury.

7. The 2008 quarterly targets are based on the change in stock between end-December 2007 and the date considered for the performance criterion or the indicative target. Those for 2009 are based on the change in stock between end-December 2008 and the date considered for the performance criterion or the indicative target.

### **Adjustment**

8. The **ceiling on net domestic financing** will be subject to adjustments if disbursements of external budgetary support less external debt service and arrears payments, including disbursements under the PRGF, fall short of projected amounts. For 2008, external budget support is calculated from end-December 2007, and for 2009 from end-December 2008.

9. If disbursements fall short of projected external budgetary assistance for each quarter in 2008 and 2009, the corresponding quarterly ceilings on net domestic financing will be raised pro tanto, up to a maximum of CFAF 30 billion.

### **Reporting requirement**

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

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

### **Definition**

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

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

### **Reporting requirement**

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

### **C. Reduction of External Payments Arrears**

#### **Definition**

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

#### **Reporting requirement**

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

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

#### **Definition**

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

17. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted by the Executive Board on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. However, this performance criterion does not apply to financing provided by the Fund, to debt rescheduling in the form of new loans, and to treasury notes and bonds issued in CFA francs on the WAEMU regional financial market.

**Reporting requirement**

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

**E. Short-Term External Debt of the Central Government****Definition of the performance criterion**

19. The government will not accumulate or guarantee new external debt with original maturity of less than one year. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. Excluded from this performance criterion are short-term, import-related trade credits and short-term treasury notes issued in CFA francs on the regional financial market.

**Reporting requirement**

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

**III. QUANTITATIVE TARGETS****A. Definitions**

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

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

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

**IV. ADDITIONAL INFORMATION FOR PROGRAM-MONITORING PURPOSES****A. Public Finances**

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

- detailed monthly estimates of revenue and expenditure, including priority expenditure,

- the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue;
- the table of government financial operations with comprehensive monthly data on domestic and external financing, and the changes in arrears (arrears outstanding at end-1999) and *reste à payer (RAP)* at the Treasury. These data are to be provided monthly within six weeks following the end of each month;
  - quarterly data on expenditures of the unified priority list, and data on expenditures on HIPC resources and the President's Special Program, on a payment order basis;
  - quarterly data on implementation of the Public Investment Program, including details on financing sources, to be provided quarterly within eight weeks following the end of each quarter;
  - monthly data on the balances of the accounts of the Treasury and of other public accounting officers at the BCEAO;
  - monthly data on the *reste à payer* at the Treasury, by reference fiscal year with an itemization of maturities of more than, and less than, 120 days;
  - monthly data on effective debt service (principal and interest) compared with the planned schedules. These data are to be provided within four weeks after the end of each month.

#### **B. Monetary Sector**

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

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

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

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

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

#### **D. Real Sector**

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

- disaggregated monthly consumer price indices, monthly within two weeks following the end of each month;

- national accounts, within six months after the end of the year; and
- any revision in the national accounts.

**E. Structural Reforms and Other Data**

28. The government will provide the following information:

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

## Summary of Main Data Requirements

Type of Data	Tables	Frequency	Reporting Requirement
Real sector	National accounts	Annual	End of year + six months
	Revisions of national accounts	Irregular	Eight weeks following revision
	Consumer price indexes, disaggregated	Monthly	End of month + two weeks
Public finances	Net government position in the banking sector	Monthly	End of month + six weeks
	Provisional table of government financial operations, including breakdown of revenue (DGI, DGD, and Treasury) and expenditure, including repayments of domestic wage and non-wage arrears outstanding at end-1999 and the change in the <i>reste à payer</i> (RAP) at the Treasury.	Monthly	End of month + six weeks
	Data on the stock of <i>reste à payer</i> at the Treasury, by reference fiscal year (total and RAP older than 120 days)	Monthly	End of month + six weeks
	Monthly data on the deposits of the correspondents with the Treasury	Monthly	End of month + six weeks
	Investment expenditure execution	Quarterly	End of quarter + eight weeks
	Table of execution of budgetary expenditures, of the expenditures in the priority unified list, and of expenditures on HIPC resources	Quarterly	End of quarter + six weeks
	General balance of Treasury accounts	Monthly	End of month + six weeks
	Monthly data on Treasury account	Monthly	End of month + two

	balances and other public entities at the BCEAO.		weeks
	Petroleum product pricing formula, tax receipts, and pricing differentials	Monthly	End of month + four weeks
Monetary and financial data	Monetary survey	Monthly	End of month + six weeks (for provisional data) End of month + ten weeks (for final data)
	Consolidated balance sheet of monetary institutions and, as appropriate, balance sheets of selected individual banks	Monthly	End of month + eight weeks
	Lending and deposit interest rates	Monthly	End of month + eight weeks
	Banking prudential ratios	Quarterly	End of quarter + eight weeks
Balance of payments	Balance of payments	Annual	End of year + six months
	Revised balance of payments data	Irregular	Following the revision
External debt	Outstanding external payments arrears and repayments	Monthly	End of month + six weeks
	Terms of new external loans		End of month + six weeks
	Table of effective monthly external debt service (principal and interest) compared with planned schedule	Monthly	End of month + four weeks

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