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July 12, 2016

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

June 24, 2016

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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, 24th June, 2016

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

Madame Managing Director:

- 1. The economic and social policies of the government of Niger have maintained macroeconomic stability and have generated strong and inclusive growth, despite a difficult security situation and a worsening global economic environment.** The worsening security situation in the wake of terrorist attacks by Boko-Haram continues to place significant strains on the country's socioeconomic stability. This situation has resulted in a large influx of refugees and displaced persons, disruptions of border trade, lost revenue and pressure on public spending. The international environment marked by declining commodity prices and subsequently the difficult economic situation in Nigeria, has negatively impacted the budget execution in 2015 and in the first quarter of 2016. Budget deficits have been financed by the accumulation of domestic arrears and the government resorting more to resources from the regional financial market. For this reason, the performance criteria for end-December 2015 for net domestic financing and the net reduction of domestic arrears were not met, as well as several indicative targets. Despite some delays, structural reforms are advancing.
- 2. Macroeconomic performance was not as good as predicted.** Growth in agriculture was lower than projected due to late rains and a decline in irrigated production. Economic performances were also affected by the temporary halt of oil production, the cutbacks in the mining sector, and a substantial drop in trade flows with Nigeria. Thus, economic growth was estimated at 3.5 percent in 2015 against 7 percent in 2014.
- 3. The policies and measures in the attached Memorandum of Economic and Financial Policies (MEFP) should enable to achieve the program objectives.** In particular, in response to shortfall in revenue observed in 2015, which extended into 2016, and the overruns in wages and capital spending, the government has made the necessary trade-off decisions in spending priorities and took corrective measures in the context of a 2016 supplementary budget law. The government also resorted to adequate technical assistance to make the structural reforms more effective, especially in the tax and customs administrations. The government is also strengthening management of public finances, debt, and natural resources, redressing the financial sector, and improving the business climate. These reforms must be sustained given the nature of the major exogenous shocks to which the Nigerien economy is exposed.

4. The government will take measures to make the supervision of the public expenditure chain and control more effective. The creation of the regulation committee under the Prime Minister will help to better supervise the public expenditure chain. To make this committee's work more effective, the government will prepare a commitment plan and cash flow plan for each quarter for more clarity in scheduling Treasury payments. The Treasury committee will help to better program Treasury payments based on available resources. In this context, the government agrees to settle the remainder of arrears not paid as of end-2014 and to address those accumulated during 2015 to curb the negative effects of the arrears on the provision of critical services to the national economy.

5. The government will also continue to strengthen public debt management. To this effect, it will implement the measures necessary to establish an annual external borrowing plan based on the level of preparation of current projects. In addition, to strengthen institutional coordination in the management of the investment program and debt, the government will continue to improve the operation of the Inter-Ministerial Committee on Debt Management.

6. Given the corrective measures taken to address deviations from the program targets, the authorities are requesting waivers for the nonobservance of the end-December 2015 performance criteria, the modifications of the PC at end-June 2016, and the completion of the eighth review. Specifically, the measures outlined in the memorandum should help clear the domestic arrears while reducing the use of domestic financing. In implementing the program, the government will consult with IMF staff, on its own initiative or at their request, before adopting any other additional measures, or if any changes are to be made to the policies contained in the attached Memorandum.

7. The government agrees to publication of this Letter of Intent, along with the Memorandum of Economic and Financial Policies and the Technical Memorandum of Understanding attached hereto, as well as the IMF staff report reviewing the ECF-supported program. Accordingly, we hereby authorize their publication and posting on the IMF website, following completion of the eighth review of the program by the IMF Executive Board.

Sincerely yours,

/s/

Saidou Sidibe
Minister of Finance

Attachments: I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

INTRODUCTION

This Memorandum of Economic and Financial Policies (MEFP) updates that of the sixth and seventh reviews conducted in December 2015. It describes the most recent economic developments, program implementation, macroeconomic outlook, and the status of policies and structural reforms. The priorities and objectives of the program supported by the Extended Credit Facility (ECF) are in line with the core elements of the Economic Development Document (EDD) for the period 2016-19, the Renaissance II Program, and the guidance note for preparing the Niger 2035 Sustainable Development and Inclusive Growth Strategy (SDDCI). These priorities remain focused on: (i) maintaining macroeconomic stability; (ii) improving budget execution while limiting the accumulation of domestic payment arrears, in particular by strengthening tax collection and tax auditing, and better management of public spending and strengthening cash management; (iii) improving debt management; (iv) increasing transparency in the mining and oil sectors; and (v) supporting the development of the private and financial sectors.

ECONOMIC DEVELOPMENTS IN 2015 AND IMPLEMENTATION OF THE ECF-SUPPORTED PROGRAM

Economic developments in 2015

- 1. Growth slowed sharply in 2015 and inflation remains moderate.** Due to the deteriorating security situation in the sub-region and the decrease in export of certain products following the decline in prices, the growth of the Nigerien economy fell to 3.5 percent in 2015 against 7 percent in 2014. This reflects a smaller increase in agriculture production, a 17.3 percent drop in exports and re-exports to Nigeria, and lower mining and oil production in 2015, and this despite the continued strength of non-market services, trade and communication. Inflation remained moderate in 2015 and was contained to an annual average of 1 percent, which reflects the good results of the past two crop seasons and the government program of selling grains at moderate prices.
- 2. Following an acceleration in 2014, monetary expansion was weak in 2015.** Growth in the money supply that exceeded 25 percent in 2014, driven by a steep rise in net foreign assets (34 percent), was down sharply to 3.6 percent in 2015, reflecting lower external assets from the BCEAO (CFAF 103.6 billion) as well as from the commercial banks (CFAF 32.6 billion). Growth in domestic credit was very strong (38.4 percent), as a result of a strong demand for credit from the government, reflected in a deterioration of CFAF 115.9 billion in the government's net position vis-à-vis the banking system. Credit to the economy was up by 13.2 percent reflecting the support partly to the mining and oil companies, but especially to businesses in the trade and transportation sectors.
- 3. Lower exports, higher imports and a drop in direct foreign investments had a negative effect on the external accounts.** The current account deficit of the balance of payments, which

amounted to 15.1 percent of GDP in 2014, deteriorated by 2.4 percentage points in 2015 to reach 17.5 percent of GDP. This deterioration reflects the decline in both prices and volumes of exports of refined oil products and uranium, lower exports and re-exports to Nigeria, and higher imports due to security shocks and the implementation of infrastructure projects. Moreover, the suspension of major investments in mining and oil projects caused direct foreign investments to fall. Thus, the overall balance of payments ran a deficit. International reserves, with a net accumulation of CFAF 112.7 billion in end-2014, fell by CFAF 103.6 billion in 2015; however, Niger's net external position remains comfortable and covers more than three months (4.5) of imports of goods and services.

4. Higher than expected Security and investment spending and lower revenue negatively affected budget execution in 2015. The repeated attacks by Boko-Haram beginning in February 2015 in the Diffa region and the subsequent increase in the influx of refugees from Nigeria and displaced Nigeriens were sources of additional spending (payment of wages and bonuses for the defense and security forces and others) and disruptions of trade flows. There was also a large increase in domestically financed capital spending and spending incurred as a result of holding elections in the amount of CFAF 34 billion. In addition, lower prices and production volumes of key export products (oil and uranium as well as re-exports to Nigeria) caused a loss of revenue. Thus, the basic deficit worsened and was 7.5 percent of GDP, against a program target of 5.5 percent of GDP. Notwithstanding these financial constraints, the government was able to repay much of the stock of arrears as of end-2014, i.e. CFAF 83 billion out of CFAF 100.4 billion.

5. Wages continue to weigh on current spending. Niger had experienced in the past, a long period of freezing civil service staff which led to a significant lack of staff in the social sectors including education and health because of the high population growth linked to the high birth rate. That is why in 2011, a recruitment program covering up to the end of 2015 was put in place to address those needs. Moreover, the establishment of democratic institutions and the strong security pressures experienced by Niger in the recent years have led the government to make massive recruitment. Thus, the number of civil servant has increased by approximately 26,000 between 2011 and 2015 to reach a total workforce of 75,600 (of which 14,200 account of the education sector, 2,000 for the health sector, 2,000 for the institutions, and 3,500 for the security sector excluding military and gendarmerie). These recruitments have led to a sustained increase in the wage bill going from 4.5 percent of GDP in 2011 to 5.9 percent of GDP in 2015. To reverse the trend, the government intends to undertake a biometric census of civil servants with the support of the World Bank for the establishment of a modern staff and payroll management by linking recruitment to the real needs taking into account retirements and the need for public services. In addition it will undertake the banking of wages.

6. Expenditure overruns during the implementation of the 2015 budget were driven primarily by the acceleration of domestically financed investment projects. Total current expenditures were contained despite overruns in the wage bill (CFAF 8.2 billion-0.1 percent of GDP-absorbed by the national defense forces). By contrast, domestically financed capital expenditures surpassed projections by about CFAF 72.9 billion (1.7 percent of GDP). These overruns

are largely explained by the fact that the budgetary contribution to financing external investment projects under the uncollected taxes was underestimated by CFAF 47.4 billion, and by the accelerated execution of certain projects in the areas of infrastructure, security, education and rural development. Overall, externally financed capital spending was executed slightly below projections.

7. Thus, the budget deficit worsened. Budget execution resulted in basic deficit of 7.5 percent of GDP against a program target of 5.5 percent. Revenue was CFAF 16.2 billion lower than projected (0.4 percent of GDP) and capital spending on domestic resources was CFAF 72.9 billion more than projected (1.7 percent of GDP). Although tax revenue from sources other than natural resources increased by 1.7 percent in 2015 compared to 2014, tax resources were off by almost CFAF 39.7 billion (0.9 percent of GDP) compared to the program target. Tax revenue from income taxes and taxes on goods and services, in particular from the mining and oil sectors, were down by almost CFAF 39.3 billion compared to 2014 and were lower than expected. Revenue expected from the operation on outstanding unpaid taxes brought in only CFAF 4.4 billion, compared to a projection of about CFAF 12 billion, as many taxpayers experienced cash flow problems. In addition, there was a CFAF 17.5 billion drop in revenue from international trade, reflecting lower fuel exports and the unexpected difficulties of exporting and re-exporting to Nigeria, our largest trading partner in the region. The sizeable increase in imports in 2015 reflects the growth in imports related to security. Nontax regular revenue was down as well by almost CFAF 10.3 billion, mainly because the dividends expected from the mining and oil sectors were not forthcoming. The CFAF 3.5 billion in revenue from the privatization expected from the restructuring of a public bank (BIA Niger) was not collected. Total loss of tax revenue (CFAF 51.7 billion) was offset by collecting exceptional revenue of CFAF 34 billion from the sale of a 3G license to a telephone company.

8. This large deficit was financed by accumulating domestic arrears and resorting to domestic financing. A major effort was made to mobilize budget support. Thus, out of a projected CFAF 160.4 billion, the government was able to mobilize CFAF 140 billion. Also, the government made an effort to reduce domestic payment arrears, in part by issuing securities for CFAF 38.8 billion (0.9 percent of GDP). However, all the arrears prior to end-2014 could not be paid as scheduled in the program; as of end-2015, an unpaid stock of CFAF 17.4 billion remained. Moreover, there was a CFAF 71.7 billion accumulation of new arrears during 2015. Finally, the government resorted to more domestic financing than anticipated, by making a withdrawal that was larger than expected from the government's deposits with the BCEAO: CFAF 32.1 billion (0.8 percent of GDP).

Economic developments in the first quarter of 2016

9. The election period and the persistence of the security situation affected the economic situation in Niger in the first quarter of 2016. The involvement of the economic stakeholders in the election campaign and risks related to election issues contributed to a slowdown in economic activity. Inflation was contained at around 1.1 percent year-over-year as of end-March. The money supply increased by 3 percent since end-December, i.e. an annual increase of 5.8 percent. The level of lending to the private sector increased slightly.

10. Budget execution in the first quarter of 2016 was subject to the same pressures as in 2015. Revenue performances from the mining and oil sectors remained below par, and the wage bill rose more than expected; however, the other types of expenses were contained. As of end-March 2016, total revenue of CFAF 146.8 billion was mobilized, which represent a drop of 12.8 percent (CFAF 21.6 billion) compared to the same period in 2015. This fall in revenue was broken down as follows: CFAF 4.5 billion from customs due to lower import duties

11. ¹ and taxes from re-exports to Nigeria; and CFAF 15.9 billion from the DGI (Tax Administration) due to low collection rates of the income tax (ISB), VAT, the Domestic Tax on Oil Products (TIPP), the mining royalty, and the excise taxes. For the spending, security continued to place pressure on wages, as did the effect of paying for new civil servants in social sectors such as education and health. By contrast, the other types of expenditures, including domestically financed capital spending, had low execution, so that the basic deficit could be limited to just CFAF 2.3 billion more than its end-March 2015 level. Domestic financing was CFAF 20.1 billion below end-March 2015, or almost the equivalent of the budget support mobilized during the quarter, CFAF 19.4 billion (CFAF 17.6 billion from Saudi Arabia and the rest from Nigeria).

Performance of the Economic and Financial Program as of end-December 2015 and end-March 2016

12. Several program performance criteria of end-2015 were observed despite the persistence of various shocks and the shortfall in budgetary support mobilization. The continuous PC on the non-accumulation of external arrears and the avoidance of non-concessional loans and guarantees, and short-term loans (less than one year) were met (Table 1). By contrast, the quantitative performance criteria on net domestic financing from the government and the net reduction in domestic arrears were not met. Likewise, the indicative targets on revenue and the budget balance were not met. However, the indicative target on poverty reduction spending was met.

13. Program performances improved during the first quarter of 2016. The budgetary situation improved in the first quarter of 2016 reflecting the weak execution of domestically financed capital spending. Thus, end-March 2016 indicative targets on net domestic financing of the government, reduction of domestic arrears, and the external debt were met, despite the persistent problems on revenue mobilization. Indeed, the impact of lower prices of natural resources, combined with the economic situation in the sub-region, contributed to weigh on revenue mobilization, which was lower than projected by CFAF 28.1 billion. Efforts to contain public spending limited the deviation of the basic deficit to the end-March target to CFAF 6.4 billion.

14. Most of the structural benchmarks planned for the period under review were met. Quarterly debt management reports were regularly prepared and submitted to the Inter-Ministerial

¹ In the first quarter of 2016, imports were down by about 40 percent compared to the first quarter of 2015. The depreciation of the CFAF compared to the dollar and uncertainty surrounding elections in Niger and Benin, Niger's main import corridor, contributed to the slowdown in foreign trade.

Committee for Monitoring Debt Policy and Negotiating Budget Aid. The level of advance payments was 2.1 percent of authorized expenditures as of end-December 2015 and 2.9 percent as of end-March 2016, below the target of 5 percent. The Steering Committee for the Implementing the Financial Sector Development Plan was established by the decree of the Minister of the Economy and Finance of March 9, 2016 (scheduled for end-February 2016). The first phase of migration to ASYCUDA World to the six interconnected offices (four in Niamey, one in Torody and one in Gaya) took place on April 11, 2016 and the opening ceremony held on April 13, 2016 with some delay (essentially because of the delay in delivering the IT hardware and software). The six centralized offices already covered collect about 66 percent of the revenue of the Directorate General of Customs (DGD). The annual procurement benchmark was not met.

15. Other structural reforms continued. The Permanent Secretariat for Monitoring Government Debt Policy and Negotiating Budget Aid established a program of activities. The implementation of this program led in the last quarter of 2015 to a inventory of the public debt, the preparation of the guidance note on the national public debt policy, the adoption of the schedule of bond issuance for 2016, and a memorandum on the sustainability criteria of public-private partnership contracts (CPPP), and the issuance of opinions on the fiscal sustainability of several draft loan agreements and CPPP applications that were processed. The reforms to upgrade the Customs administration continued and will accelerate with the recent migration to ASYCUDA World.

16. Further progress is noted in the Customs Administration. A CPPP was awarded to a private firm (Geo-track) in March 2016 to improve customs escort by better pinpointing flows of merchandise in order to curtail losses. The DGD is also in the process of strengthening inspections of customs bonded warehouses by implementing the concession contract for the Niamey customs bonded warehouses with Bolloré and the other bonded warehouses with the Chamber of Commerce including the construction of the Maradi custom Park. Regarding the private bonded warehouses of Maradi, the custom administration has reduced their number from 15 to 3. However, the interconnection of the customs IT systems with border countries could not be completed by end-December 2015 as scheduled because it is contingent to the migration to ASYCUDA World. To expand ASYCUDA World to the outlying offices, the DGD began in April 2016, to interconnect all the customs units via internet and VSAT network to stabilize the interconnection between customs offices.

17. In term of public financial management, progress has been made in the implementation of the Treasury Single Account (TSA). The process of implementing the Treasury Single Account (TSA) is continuing. In particular, the process that should result in closing the accounts has continued, especially, two draft agreements were prepared, one with the BCEAO for bookkeeping and the other with some commercial banks that will be selected following a tender to perform the function of "Government Cashier" in the areas not covered by the BCEAO. With regard to the audit of the civil service and salaries scheduled for end-2016, the government submitted the terms of reference to the World Bank for the civil servant management reform. The assistance should lead to the establishment of a biometric file for all employees compensated by the government.

18. Progress has also been made to the implementation of program budgets. As part of implementing the 2009 WAEMU directives on public financial management and the 2012 organic law on budget laws, the Directorate General of the Budget (DGB) produced a roadmap for implementing program budgets in Niger. IMF technical assistance (FAD and AFRITAC) also continued in the preparation of investment budget in 2017 as commitment authorizations and payment credits. Moreover, the government prepared a report on the implementation of the Public Financial Management Reform Program (PRGFP III) and adopted an interim action plan reform program for 2016. Finally, with the assistance of the European Union, an evaluation of public finances using the PEFA methodology (Public Expenditure and Financial Accountability) has been initiated. The PEFA report will be finalized by July 2016 and will serve as a basis for preparing a new public financial management reform strategy before end-2016.

ECONOMIC OUTLOOK AND FISCAL POLICY FOR 2016

A. Economic outlook for 2016 and the medium term

19. The macroeconomic outlook for 2016 and the medium term are favorable, although subject to various risks. Growth should accelerate to 5.2 percent in 2016, reflecting a good harvest, the expected production increase at SORAZ, the continued implementation of major construction projects, the Kao cement factory, and the start of power generation of the Gorou-Banda thermal power plant. Medium-term growth should exceed 6 percent, supported by the start of construction of other major road infrastructure projects, the resumption of the Imouraren Project, and the start of the construction work on the oil pipeline for the crude oil exports expected for 2019. Inflation is expected to remain contained at an annual average of less than 2 percent. This outlook is subject to risks linked to climate shocks, price shocks for oil exports and possible delays in the oil pipeline construction project, uranium, and security tensions due to the ongoing conflict with Boko-Haram.

20. The current account (excluding grants) is expected to deteriorate slightly in 2016 and improve gradually afterward. For 2016, it should stay at 17.8 percent of GDP versus 17.5 percent in 2015. Exports will remain low in the absence of higher prices for uranium, oil and gold, while exports and re-exports to Nigeria will continue to be limited. However, imports should decrease as some major public investment projects end and as the major security imports of 2015 will not be repeated. A delay is expected in implementing the major projects that depend heavily on imports in the mining and transportation sectors (the Imouraren uranium mine, the Agadem oil field, the oil pipeline to export crude oil by Chad, and the Dosso-Cotonou segment of the railway line). The projected decrease in foreign aid may be offset by a resumption of direct foreign investments. Consequently, starting in 2016, the balance of payments would again have surpluses and net international reserves would increase more.

B. Fiscal policy for 2016

21. The fiscal framework for 2016 was revised to take into account the poor revenue performance in 2015 and in the first quarter of 2016, as well as the need to bring government spending back down to sustainable levels. The supplementary budget law seeks to begin the fiscal consolidation necessary to maintain medium- and long-term financial sustainability. The new fiscal framework takes into account fiscal and economic performances as of end-December 2015 and the first quarter of 2016 (for example, revenue losses and spending levels), and reflects the government's resolve to commit to making the required fiscal adjustments while preserving its priorities and taking into account the strategic objectives listed in the Economic Development Document (EDD). On May 29, 2016, the Council of Ministers approved the supplementary budget law for 2016, consistent with this new fiscal framework, and forwarded it to the National Assembly on May 30, 2016 (**prior action**). This draft budget provides a basic deficit of 3.8 percent of GDP, CFAF 49.9 billion less domestic revenue (1.1 percent of GDP) compared to the initial budget law, and a drop of CFAF 48.7 billion (1.1 percent of GDP) in domestically financed spending compared to the fiscal projections in the 2016 initial budget law.

22. Total revenue excluding exceptional revenue and tax revenue will continue to increase in 2016 despite the downward adjustment of revenue. Revenue was revised down by CFAF 49.9 billion (1.1 percent of GDP) to reflect expected losses in income taxes and the taxes on goods and services due to lower activities in 2015 and the growing difficulties in the mining and petroleum sectors, as well as lower export and re-export revenue. The acceleration of customs reforms and new initiatives should limit revenue losses to CFAF 20.1 billion compared to the 2016 initial budget law. Tax revenue should rise from CFAF 684.8 billion (16.1 percent of GDP) in 2015 to CFAF 752.7 billion (16.9 percent of GDP) in 2016. This performance is essentially the result of effective measures to strengthen the tax and customs administrations. Non-tax revenues should decline by CFAF 47.2 billion in 2016 since the exceptional revenue collected in 2015 will not be repeated in 2016. As of end-2016, a net reduction in arrears of CFAF 58.4 billion is projected. The basic budget deficit (CFAF 170.1 billion) and the net decline in arrears (CFAF 58.4 billion) will be financed by budget support (CFAF 118 billion). This amount includes grants from the European Union (CFAF 38 billion), Saudi Arabia (CFAF 17.6 billion), France (CFAF 6.5 billion) and other donors (CFAF 5 billion), as well as concessional loans from the World Bank (CFAF 29.5 billion), the French Development Agency (CFAF 13.1 billion) and the African Development Bank (CFAF 8.2 billion). Net Treasury bond issuances should be limited to CFAF 137.1 billion, including CFAF 70 billion to pay the arrears from 2015.

23. Fiscal consolidation will entail achieving better control of current expenditures and more efficient investment spending while safeguarding expenditures on priority sectors. Current expenditures will decrease by 0.2 percentage points of GDP to 15.4 percent of GDP compared to 2015 and salaries will also decline by 0.1 percent of GDP, despite an increase in nominal terms to accommodate security pressure and meet the needs of the health and education sectors. Subsidy and transfer expenses will increase by 0.3 percent of GDP but will be largely offset by the 0.7 percent of GDP decrease in goods and services. This lower amount of primary current

spending is part of government efforts to control this type of spending, mainly by rationalizing purchases of goods and services and eliminating non-priority expenses such as travel, and implementing the result of administrative audits of staff and salaries that began in 2015. Domestically financed capital expenditures will fall by 3.8 percent of GDP compared to 2015, a reduction of 1.1 percent of GDP compared to the 2016 initial budget law. This adjustment reflects the faster pace of multiyear investments in 2015 and the government's focus on fiscal consolidation. However, investments using external financing will increase by 1.4 percentage points of GDP due to efforts to raise external resources and improve absorption capacity. This budgetary guideline does not change the priorities in the initial budget law, which are reaffirmed in the new development strategy defined in the EDD, namely: (i) security of property and persons; (ii) urban, village and rural water supply systems; (iii) continuation of the 3N initiative and food security; (iv) infrastructure and energy; and (v) education and health.

24. The government continues to emphasize reducing domestic arrears. The new fiscal **framework** aims to pay the entire stock of existing arrears as of end-2015 (CFAF 89.1 billion) and to limit float to CFAF 30 billion, corresponding to fewer than two weeks of domestically financed expenditures. This means a net reduction of CFAF 58.4 billion as of end-2016. The end-2015 arrears will be cleared partly in cash (CFAF 17.4 billion, the outstanding arrears of the end-2014 stock), to be done before end-June 2016, and by issuing securities for CFAF 70 billion in which CFAF 30 billion regional bonds and FCFA 40 billion securities issued to the local banking system.

25. The issuance of these securities and payment supervision will require close monitoring. In this regard, the government is committed to set up a monitoring committee for the clearance of arrears as part of this operation. The committee will supervise the design of the program of emission of securities, and will participate in the identification of state creditors and in the effective and timely payment of the arrears. The IMF will have an observer role.

26. To break this vicious cycle of accumulation of arrears, the government intends to strengthen fiscal management. To prevent new arrears from emerging, measures have already been taken to apply budget execution procedures strictly and to meet budget closeout deadlines, in accordance with the 2014 circular of the Minister of Finance, while attempting to reduce the existing time periods involved in the supplementary fiscal period from three months to close to one month (2012 organic law). In particular, (i) the government will prepare a cash commitment plan for the third and fourth quarter (**prior action**); (ii) in the 2017 budget the government will begin to budget the investments that authorize commitment and allocate payment credits for four sectors (security, infrastructure, rural development, and education); (iii) a unit in the DGB centralizes the status of commitments every week and submits it regularly to the Regulation and Treasury Committee; and (iv) an instruction from the Prime Minister indicating the financial responsibility of credit managers who exceed their budgetary appropriations was issued.

27. Another priority of the supplementary budget law is the establishment of an effective system for expenditure control. As part of harnessing and controlling public spending, the government will take measures to make effectively operational the Budgetary Regulation and treasury Management Committee (CRGT), with emphasis on the budgetary regulation component

and enhancing communication on its operations and the results of its activities. This committee will be reinforced by the creation of an inter-ministerial regulation committee chaired by the Prime Minister (**prior action**). It will include the key departments providers of revenue and beneficiary of budget allocations that will guide and validate the work of the CRGT. This committee could meet quarterly before the quarterly budgetary allocations are released, to determine based on available and expected cash, the content and the level of credits allocations to be released. If necessary, the committee could meet once a month to readjust the commitment and cash flow plans if there is a significant gap in revenue relative to projections or if new spending priorities emerge. This committee should help strengthen the regulatory authority of the Minister of Finance and promote better programming of expenditures and payment at the Treasury, while limiting current pressures from line ministries due to their low ownership of the credits release program (even though they are key stakeholders in the execution of public spending). If the system works properly, it could help solve the recurring problem of arrears accumulation and eliminate their negative effects on the provision of critical services to the national economy.

C. Structural reforms

28. The purpose of structural reforms is to achieve the macroeconomic objectives of the Renaissance Act II Program as listed in the EDD for 2016-2019 while strengthening the economy's resilience to shocks. The government's development objectives remain focused on promoting strong, sustainable and inclusive growth, while maintaining fiscal sustainability and the ability to meet the basic needs of the population and eliminate poverty in the long run. Against this backdrop, the structural reforms for the 2016 period concentrate on domestic revenue mobilization, strengthening public financial management, debt and natural resources management, strengthening the financial sector, and improving the business climate.

Domestic revenue mobilization

29. The revenue mobilization reform will focus on strengthening governance and making revenue secure. Handling large sums of cash due to the predominance of payment of taxes in cash makes vulnerable both the revenue agency employees (temptation to commit fraud and a risk of attacks), and the collected revenue that is less secure. One of the reasons taxes are paid in cash is that the alternative to paying in cash requires the taxpayer to incur a financial expense (cost of bank transfers or checks certification). The government agrees to facilitate payment of taxes while avoiding the use of cash by eliminating as quickly as possible the requirement for certified checks as a method of paying taxes, and to have bank teller windows that take tax payments from taxpayers who prefer to pay in cash (such as the informal sector). With the BCEAO, we will discuss the possibility of collecting the funds generated at the revenue agencies to physically transfer them to the accounts of the Public Treasury.

30. For customs, three major reforms to strengthen governance and controls of customs operations will be continued to strengthen revenue mobilization. They are:

- Significantly reduce the time of clearance of customs files. The migration to ASYCUDA World and interconnection between the main customs posts should facilitate the customs circuit from the time goods arrive in the country and the customs formalities at the destination customs post. The practice to delay the clearance of customs cases is incompatible with the functionality of ASYCUDA World and should be outlawed because it risks of perpetuating dualism, IT procedures / manual procedures and the maintenance of divers and various registers whose utility seems somewhat less obvious.
- Strengthen customs cooperation and regular information sharing between customs administrations in the sub-region. Given the delay in the interconnection between Nigerien customs and the partner ports, the custom administration agrees to conduct a monthly control of selected files based on risk, using the opportunity offered to it of obtaining customs information on goods headed to Niger under the provision of the international customs cooperation arrangements.
- The requirement to certify value for customs declarations to be admissible. At several customs posts, values are set by office managers who do not refer to the values submitted by the company in charge of certifying the value. To limit cases of fraud, the DGD is putting in place a blocking field in the information system so that the value is systematically certified for all declarations of merchandise above a threshold of CFAF 3 million.

31. Customs will also continue to implement its strategic reform plan, one of the key elements of which is the development of institutional and organizational capacities. Some reforms have already been initiated, in particular: (i) the revision of the General Customs Code, which is awaiting validation and adoption; (ii) the drafting, now in progress, of a manual of procedures whose finalization will occur after the adoption of the General Customs Code by parliament during its second regular session scheduled from September to December 2016; (iii) the adoption in April 2016 of the draft law amending and supplementing the Law No. 2013-31 of July 4, 2013 on the Autonomous Status of Customs Employees; and (v) the restructuring of the DGD (the restructuring order was signed in August 2015).

32. The other important focus of the customs administration reforms aims at enhancing the information processing capacities. Reforms aimed at speeding up the implementation of a computerized information system. In particular, this program includes: (i) adopting the information technology development plan that has resulted in the award of contracts for the interconnection and the acquisition of computer equipment to be executed within six months; (ii) the interconnection of the other customs offices to the single server starting at end-September 2016; (iii) the extension of electronic transit for customs (currently available in Niamey, Torody and Gaya) to the main customs posts by end- September 2016 (structural benchmark) once the interconnection is completed; (iv) fully implementing the migration from ASYCUDA++ to ASYCUDA World, which is under way with financial support from the World Bank and technical support from the United Nations Conference on Trade and Development (UNCTAD); this has been operational in the six interconnected offices since April 11, 2016 and will be expanded to the other customs posts by end-September 2016; (v) the implementation of a one-stop shop for vehicle custom formalities

through a CPPP signed in 2014, which will be operational beginning in June 2016; (vi) the placement in consumption of certain products for which there are unlawful transit declarations, such as rice, vegetable oils, sugar, etc., to limit fraud; and (vii) computer monitoring of the management of exemptions and other economic regimes that include state budget exemptions. The migration to ASYCUDA World will strengthen the monitoring of exemptions, which, since July 2015, was provided by a computer application managing the records of tax calculations that customs staff developed with the financial support of donors. In addition, an inter-ministerial committee will be established to grant exemptions and ensure that they are properly reflected in the budget.

33. The Directorate General of Customs will also continue its customs facilitation and anti-fraud program. The DGD plans to carry out the following measures: (i) completion of a study on the merchandises release process with the support of the World Customs Organization and the Millennium Challenge Corporation (MCC), with the aim of reducing customs clearance delays (the study has been performed and a validation workshop was organized in July 2015; the MCC will assist in the implementation of the recommendations of the study); (ii) the possibility of advance customs clearance of goods following the migration to ASYCUDA World; (iii) strengthening administrative assistance with Benin and Togo, through interconnection before end-2016; (iv) adopting a risk-based approach in scheduling inspections and strengthening inspection teams, to be implemented before end-December 2016; (v) strengthening the monitoring of exemptions with the migration to ASYCUDA World; and (vi) improving the monitoring of re-exports to Nigeria by constructing a 49-hectare parking space in Maradi near the Nigeria border to accommodate all the trucks in transit and allow better management of the customs bonded warehouses in Maradi by the Niger Chamber of Commerce and Industry (CCIN).

34. The DGI will work to complete two major reforms to improve tax revenue mobilization. They are:

- Expanding the authority of the DGE and to some extent the DME to all businesses eligible for their control, regardless of where they are located in the country. It was found that the DGE manages only mining companies located in the interior; all others, regardless of their size, except that covered by Maradi office, are managed at the regional office level with limited capacities. Beginning in September 2016, the DGI will work to analyze the tax records of companies operating in the regions and to gradually transfer to the Large Enterprise Directorate (DGE) all taxpayers who have reached the threshold of 500 million in turnover. In a second step, the other businesses that are the size of the businesses the DME manages will be transferred to the DME.
- Implementing the VAT credit refund mechanism. For a VAT payment system to run smoothly, a good framework is required to process applications for VAT refunds and to actually pay the refunds. That is why, on May 6, 2016, the Minister of Finance issued an order to open the escrow account for VAT credit refunds; this was most of what remained to be done in the current system of refunding VAT credits. The government is committed to make the system operational by end-June 2016 and to clear the VAT credit refund files by end-December 2016, in particular for VAT credits in the mining sector, which is experiencing difficulties.

35. The DGI will also continue the reforms to simplify and adapt the tax law framework.

Several measures are under way. They are primarily: (i) implementing the Computerized Tax and Taxpayer Monitoring System (SISIC); (ii) making the Tax Appeal Arbitration Committee (CARFI) operational; (iii) performing the study to strengthen the statistical framework and administrative circuit of the tax base; (iv) strengthening territorial coverage by setting up tax services; (v) improving the taxpayer file and strengthening monitoring; and (vi) publishing the results of the joint DGI/DGD audit team. The Minister of Finance signed the orders implementing the CARFI, offices were provided, and consultations with the private sector have led to its official launch on May 31, 2016.

36. The DGI will also accelerate the implementation of organizational reforms. On April 29, 2015, the Minister of Finance issued an order (No. 0157) on the organization of central and local DGI offices, and in November 2015, 117 professionals were also assigned to the DGI. The reorganization will allow for a better breakdown of the matters handled by the various DGI services. The objective is to improve the targeting and monitoring of different categories of taxpayers, in accordance with the circular establishing the thresholds for large, medium-sized and small businesses, and the threshold at which payment of the VAT is required, established under the 2013 Budget Law. The managers of the entities that were established have already been appointed. The improved management of the enterprises database is already starting to produce appreciable results, with a tangible decline in the default rate for all categories of taxes and a rise in the self-reporting rates, in particular with regard to the VAT. The default rate in the Large Enterprises Department (DGE) remains at about 2 percent, after declining from 17.5 percent in 2014 to 12.1 percent in 2015 in the Department of Medium-Sized Businesses (DME). Nevertheless, despite these results, there is work to be done to lower the default rate further and control exemptions to raise the proportion of revenues from medium-sized enterprises in the total revenues of the DGI. In order to do this, the DME will continue to improve the taxpayer file, strengthen the monitoring of taxpayers and send more reminders to taxpayers, in order to further reduce the default rate to a standard of around 10 percent compared to 20 percent at end-2015 and 44 percent at end-2014.

37. The government will continue the measures to reorganize tax auditing. A new organization chart has been put in place with the aim of making the various units more dynamic, in particular those responsible for investigations, and establishing the principle of risk-based auditing. A joint customs and tax administration team has been put in place, which has begun to audit 40 files, the results of which are expected very soon. The creation of regional investigation and research teams at eight (8) regional directorates will allow for better territorial coverage of audit activities. Tax audits will be gradually decentralized and assigned to management units, with the Tax Audit Department taking on a strategic management role going forward. A pilot project has been launched at DME before a future generalization. Full computerization of the services is planned through the installation of a new integrated computer application called the Computerized System for Tracking Taxes and Taxpayers (SISIC). In September 2015 the DGI has hired a company to computerize its operations and develop the information system, and another company was hired in March 2016 to train staff in the use of this new tool. The DGI is receiving support from the World Bank through the Project to Support Competitiveness and Growth (PRAAC).

38. Finally, the internal control and audit functions will be strengthened. The government is in the process of strengthening human resources to improve internal control and audit. The strengthening of the partnership between the General Treasury and Public Accounting Administration and the Court of Auditor (with a view to better monitoring the activities of collectors and to publish procedural manuals) should bring about a higher level of professionalism among the inspection units. With regard to internal audit, pilot programs aimed at improving the operational efficiency have been put in place in the Large Enterprises Unit at the Niamey 2 center and the Niamey 3 revenue office, and these programs will soon be extended to all DGI offices.

39. The General Treasury and Public Accounting Directorate (DGTCP) is in the process of strengthening its accounting procedures to improve revenue collection. The government conducted an inventory of potential nontax domestic revenue sources and it put in place several revenue authorities in order to recover funds for the state budget. In addition, the DGTCP updated dormant and/or inactive accounts with a view to the establishment of the Treasury Single Account. Other DGTCP actions include a reduction of balances on provisional budget imputation accounts, catching up on the production of overdue government annual financial statements (management accounts of senior Treasury accounting officials), and better monitoring of domestic payments arrears and outstanding balances.

40. The General Administration of Government Assets is undertaking actions aimed at providing for better management of state assets and reliable inventory records. In addition, significant efforts have been undertaken to speed up the reform of physical accounting through the adoption of a basic decree on physical accounting, an order on the classification of public assets, and an order establishing the tool for physical accounting – the establishment of an inter-ministerial committee responsible for on-site inventories, and the recruitment of a firm to prepare a procedural manual on physical accounting. With regard to the monitoring of the state portfolio, the newly created Directorate of Public Enterprises and State Portfolio conducted an inventory of all the companies in which the state holds a stake, and government representatives on the various boards of directors are now required to submit reports in order to facilitate the monitoring of these enterprises.

Public financial management

41. In 2016 and in the medium term, the government will ensure that budget execution is strengthened in accordance with the relevant regulatory provisions. Budget execution requires solving the delicate issue of matching the immense needs for public spending with limited and often highly uncertain resources, hence the need for good and rigorous cash flow management, and fiscal regulation is the main instrument for doing so. Thus, to eliminate the recurrent slippage in managing public spending, with its corollaries of accumulations of arrears, the fiscal stakeholders will put in place a system for strong budgetary regulation.

42. Niger already has a fiscal regulation framework that should be strengthened by implementing the system to audit the management of public spending described in paragraph 26. An inter-ministerial budgetary regulation steering committee was established by

Order 11/PM/CAB of February 10, 1999. This order will be updated and the committee will be operational by end-July 2016. In 2013, Order No. 0041 of February 25, 2013 established a committee for budgetary regulation and treasury management (CRGT). Currently, the committee is addressing cash flow management issues only, and its regulation role should be strengthened. It should improve communication about its activities and should serve as a technical committee for the inter-ministerial committee. The goal is to prepare realistic commitment and cash flow plans that the various stakeholders involved in the execution of public expenditures will accept and comply with. To this end, its committees will be in charge of making all arrangements that regulate the pace of releasing credits allocations and the pace of commitments and authorizations that are aligned with available cash and revenue projections, as well as government priorities.

43. The government is committed to managing public finances rigorously and transparently, and to managing the slippages observed during budget execution over the last few years. This requires strong reforms in terms of preparing, executing and presenting the budgetary accounts. At this point, the government is strongly committed to implementing the prior actions that were listed (Table 4):

- Budget review laws (prior action). Budget review laws must be produced on time so that they provide information for the budget laws in preparation. Thus, the government will submit the draft 2015 budget review law to the IMF staff before end-June 2016.
- The commitment plan/cash flow plan (prior action) to be shared with IMF staff. The government will make systematic the preparation of these plans, as they are essential tools in the regulation of the expenditure chain.
- Regulation Committee (prior action). Put in place the regulation committee under the Prime Minister to here and now begin to supervise the release of credit allocations and play the regulation role, making all the arrangements that should regulate the pace at which funds are released and the pace of commitments and authorizations that are in line with revenue projections and government priorities. In addition to its work of programming payments, the responsibilities of the committee should be restructured and strengthened in order to supervise and regulate the entire expenditure chain;
- The 2016 supplementary budget will reflect the adjustments as described and analyzed in Section B on the 2016 budget policy (prior action). It will be shared with IMF staff during preparation for inputs and after the government has adopted it.

44. The government will continue to implement the public financial management action plan:

- ***Continued implementation of the WAEMU directives of 2009 regarding public financial management.*** In this context, the DGB has prepared a roadmap for the implementation of the program budget expected to take effect with the 2018 Budget Law. The preparatory stages for implementing the program budget include: (i) in 2016, preparation of the 2017 budget, to

include a budget in the traditional format and an experimental budget in program format for all ministries and institutions; (ii) in 2017, the preparation of the 2018 budget in program format; and (iii) the execution of the 2018 budget in program format.

- ***Strengthening of budgetary procedures in the public expenditure chain and the regular publication of budget execution reports.*** The budget has traditionally been executed within the framework of a centralized system in which the Minister of Finance is the principal authorizing officer for the budget. Efforts have recently been made nonetheless to decentralize the budget in many ministries and institutions in line with the March 2012 organic law. In this context, the public expenditure chain has been deployed in the key ministries, which account for roughly 80 percent of public spending, thereby allowing the reduction of the time needed for the execution of expenditures and the decentralization of the budget. A number of draft regulations are in the process of being prepared in order to provide for the effective implementation of most of the organic law before the 2017 deadline. Quarterly budget execution reports will continue to be produced regularly (structural benchmark for each quarter), as well as the status of the execution of pro-poor expenditures. The draft 2012, 2013 and 2014 budget laws were adopted in April and submitted to the National Assembly for adoption. The draft 2015 budget execution report was sent to the IMF before end-June 2016 (**prior action**).
- ***Limitation of expenditures without prior authorization to a maximum of 5 percent of authorized expenditures (structural benchmark for each quarter).*** These expenditures are tied largely to spending associated with missions and medical evacuations. To this end, the Ministry of Finance will continue to remind all the ministries that they need to comply strictly with this benchmark to ensure best fiscal management practices.
- ***Acceleration of the pace of budget execution, improvement of the management of public investment, and compliance with the supplementary period.*** The execution of investment spending tends to be slow owing to delays in the procurement process and various bottlenecks in the project cycle, including the ratification of agreements. In this context, in order to improve the pace of the use of credit allocations, the government has adopted measures aimed at improving the preparation, selection, and execution of investment projects, including:
 - Decree No. 2015-353 of July 10, 2015, on the institutional framework for the evaluation and selection of public investment projects;
 - Decree No. 2015-226 of April 27, 2015, on the standard competencies assigned to the study and planning departments of ministries and institutions and the definition of the profiles or their managers;
 - Circular No. 01279 of July 10, 2015, of the Prime Minister on the process for loan contracting and agreements.
- ***In addition, the government will continue to make every effort to ensure:*** (i) compliance with the provisions regarding closing out payments in connection with the supplementary fiscal

period will be shortened from 3 months to 1 month in line with the WAEMU directives; (iii) that the line ministries prepare procurement plans and flexible commitment plans to enable the Ministry of Finance to prepare general procurement and commitment plans and a more realistic government cash flow plan to avoid the concentration of spending toward the end of the year; and (iv) that regular DGB meetings are held at the end of each quarter in order to prepare the release of forthcoming credits allocations. In this context, a commitment plan for the third quarter of 2016, in line with the cash flow plan, was prepared and submitted to the ministries and institutions before July 1, 2016.

- **Implementation of a policy of government wage bill control and human resources management to enhance productivity.** From 2010 to 2015, the number of civil servants rose 56.7 percent, from 48,237 to 75,597. This reflects the necessity of providing basic services for a population that is constantly growing. These civil servants were assigned essentially to education, security, and health services. However, the government is aware of the need to manage hiring in the civil service to harness the impact on the wage bill. Therefore, the Ministry of Civil Service and Administrative Reforms will take the following action: (i) establishment of an integrated administrative database of government employees with the aim of bringing staff numbers and the wage bill under control by end-2016; (ii) preparation of a list of civil service jobs and skills with the aim of ensuring better management of human resources and jobs before June 2016; (iii) the introduction of a performance evaluation system for government employees through a reform of the civil service staff regulations before end-2016; (iv) establishment of forward planning of staffing and definition of line managers; and (v) undertaking a biometric census of government employees before end-2016. The government is receiving assistance from the World Bank under the capacity-building project. The assistance includes the reform of the management of civil servants, verifying and auditing the wage bill, and managing contractors. The hiring program was reviewed in light on the new budgetary constraints.
- **Implementation of a new Treasury Single Account (TSA).** The government is continuing the implementation of the TSA in accordance with the conceptual plan the government adopted in September 2015 to establish the TSA by end-September 2016, however with capacity constraints. In this context, an IMF expert, financed by the European Union will be hired for this purpose, to support the committee in charge of implementing the TSA.
- **Strengthen cash flow management.** Quarterly plans will be prepared regularly and sent to the IMF, and “weekly” cash flow meetings will be held regularly by the cash flow management committee, chaired by the Minister of Finance.
- **Computerization of the expenditure chain.** As part of the implementing the WAEMU directives, the government initiated a program to adapt the computer systems for the preparation, management, and execution of the budget as well as for public accounting. In this regard, the government is receiving technical assistance financed by the European Union to update or redesign the IT system of public finance managed by the Directorate of Financial Information in the Ministry of Finance. In the first phase, this project provides eight major deliverables (in term of budget programming, sectoral program budgets, and public

accounting). Aspects that pertain to budgetary execution will be covered following a detailed analysis of the matter of decentralizing authorization.

Debt management

45. Well aware of the rate of growth in Niger’s external public debt, the government is in the process of strengthening institutional measures for better debt management. Measures have been adopted to improve coordination in preparing loan agreements in order to eliminate the risks of over-indebtedness. To this end, the government put in place the institutional framework for the implementation of the decree of June 18, 2015, on processes for monitoring the government’s debt policy and the negotiation of budgetary support, aimed at improving public debt management procedures, eliminating the risks of noncompliance with the criterion on new non-concessional loan agreements, and containing the impact of new borrowing on the sustainability of public debt. In accordance with the reform of the policy on public debt limits, in programs supported by the IMF, the government will prepare a medium-term external borrowing plan before end-June 2016, to include: (i) the investment strategy and a list of investment projects; (ii) the sources of financing; (iii) the uses of financing; and (iv) the debt management strategy, taking into account the considerations of debt viability and fiscal and external sustainability. The borrowing plan will be prepared with technical assistance from the World Bank for the definition of a national debt policy.

46. To preserve debt sustainability, the government is in the process of restructuring the debt stock portfolio. In this context, in 2015 the government canceled the SUKUK bond issuance, as well as other non-concessional borrowing from the Islamic Development Bank. The government continued to postpone loan agreements until funds are obtained to subsidize the rate down to concessional levels. For the monitoring of the stock and flows of debt, the reinforced National Public Debt Management Committee issues an opinion on any new agreement on government borrowing or guarantees, including financing in the natural resources sector and all CPPP agreements, with the aim of providing a detailed analysis of the sustainability of public debt. The committee’s review of borrowing agreements and CPP is a prerequisite for their approval by the Council of Ministers. The government intends to continue to provide IMF staff with detailed quarterly reports on outstanding public debt, on new commitments and borrowing (including disbursements) and on public debt service.

47. Rigorous actions will be undertaken to clean up the stock of debt. The government is planning to restructure certain contracted debts that have not yet been used. This action will be based on the results of the AFRITAC West report showing that a significant stock of debt has been contracted, while the terms for its mobilization have not been met. Accordingly, the government is planning to review the US\$1 billion loan contracted with the Export-Import Bank of China. The National Assembly approved this loan in June 2014. This line of credit should finance major infrastructure projects and high-yield industrial projects. However, there are continuing delays in implementation the conditions for its entry into force.

48. The government remains determined to conduct a prudent debt policy that will allow for the financing of investment plans while ensuring debt sustainability. In this context, the

government will continue to limit state guarantees and it will carefully assess the impact of any new borrowing on debt sustainability. It intends to finance investment projects with concessional resources. Borrowing will continue to be limited to high-yield, properly evaluated projects. In the event that concessional resources will not be sufficient to finance the high-yield projects, the government will consult with IMF staff to examine the possibility of modifying the financial program so as to include non-concessional borrowing, on the understanding that this borrowing would be compatible with debt sustainability.

49. The government requested technical assistance from the IMF to strengthen the institutional framework that governs CPPPs, while ensuring that this framework is consistent with the other laws and regulations, in particular the investment code.

50. The government is aware that debt obligations continue to grow very rapidly with significant borrowing costs. This pace of borrowing could pose major risks to the banking system with the important current program for issuing Treasury bonds and Treasury bills.

Natural resource management

51. The implementation of measures aimed at expanding the export base for mining products and at strengthening the transparent management of the natural resources sector will be continued. The policy of expanding the mineral export base consists of encouraging operators to focus on the exploration of mineral resources other than oil and uranium. In this context, the government is in the process of granting exploration permits not only for the traditional uranium and oil sectors, but also for other materials, i.e. coal, limestone and gold, with the aim of both allowing for the diversification of partners in these sectors, and also promoting expansion of the country's mineral export base. In order to secure signing bonus payments when mining permits are granted, all of the operators who wish to obtain a permit must from now on arrange for a bank security deposit with a local bank. This security deposit, which covers a certain number of financial obligations, including the signing bonus, will be called as soon as the permit is published in the official journal.

52. The government took steps to strengthen the contribution of the mining and oil sectors to develop the country. Activity in the uranium sector continues to be depressed due to low price levels. The principal mines of the AREVA group decided to maintain a low level of production pending the implementation of the Imouraren Project that has been delayed until 2020-2021, while one of the mining companies shut down production in 2015 pending decisions on full liberation and increase of the company's capital. Following the signing of mining agreements with the companies of the AREVA group, the activities of the sector are now subject to the 2006 new mining code. Likewise, the new mining agreements based on the new mining code have been signed. However, due to the low levels of uranium prices, the tax benefits of the new agreements will be only marginal. Consequently, the government is requesting technical assistance in building capacities to evaluate project and audit mining revenue. It is also in the process of beefing up the means of regulation, negotiation, and enforcement of contracts. In this context, measures have been taken to ensure that the inter-ministerial committee seeks to make the large projects efficient and to

maximize competition. To better defend Niger's interests in mining projects, the role of Société du patrimoine des mines du Niger (SOPAMIN), which manages the public investment portfolio in mining companies, is in the process of being strengthened, primarily with World Bank support through the Project to Support Competitiveness and Growth (PRAAC).

53. The drop in oil prices and the impact of the depreciation of the CFA franc against the dollar are affecting the petroleum industry. In particular, the cost of the inputs necessary for refining has risen significantly due to the sharp depreciation of the CFA franc against the dollar and the relative decline in prices of crude oil and derivatives in the international market. Furthermore, the drop in export prices is causing additional losses to SORAZ. This is why the government and partners in the sector have made regular price adjustments by lowering the selling price from CNPC to SORAZ: from US\$70 per barrel to US\$57 per barrel in March 2015, to US\$50 per barrel as of June 2015, and to US\$47 in February 2016. The Technical Committee that was established has also made proposals calling for an increase in the transfer price that Société Nigérienne des Produits Pétroliers (SONIDEP), the public distribution company, is charged by SORAZ, while reducing its distribution margins so as to keep the price at the pump unchanged.

54. In addition to the impact of the international prices on the performance of the oil industry, production shutdowns in 2015 had an impact on the level of production. Thus, in 2015, output only reached 12,500 barrels per day, compared to a projection of 20,000 barrels per day in the 2015 budget. The sale of refined petroleum products by SONIDEP in the local market has also been hampered by the production difficulties at SORAZ, with a technical shutdown in July that lasted more than 3 months. Exports of petroleum products fell and SONIDEP had to resort to imports to meet part of the local demand.

55. The efforts to improve oil industry management will continue. The Technical Committee responsible for looking into the current situation of the oil industry, in particular the impact of price developments in the international market has made proposals to the government. These proposals converge on a review of output prices at each stage of the industry with the aim of making the refinery more cost-effective, while minimizing revenue losses for the government. The government is also open to proposals from SORAZ regarding measures to lower the refinery's costs. In this context, the government intends to pursue the hiring of more Nigerien personnel at SORAZ and the refinancing of the SORAZ construction loan under less burdensome terms (US\$880 million). The government is also open to negotiations of the terms regulating the export of refined products.

56. In view of the level of finalization of the negotiations for the construction of the oil pipeline, crude oil exports are expected to begin in 2019. The discovery of additional oil reserves in the Agadem oil field, allowing for the production of 80,000 barrels per day, 60,000 barrels per day of which would be destined for export over an estimated time horizon of 25 years, has made a crude oil export project viable for Niger. The studies performed by the Chinese partner, CNPC, led to the selection of a crude oil transport route via a pipeline running from Niger to Chad and Cameroon. The negotiations with Chad are expected to result in the establishment of NOTCO, responsible for the construction and management of the pipeline. The arrangements for Niger's participation in the project are currently being worked out, in accordance with the aim of ensuring the country's

external viability. Work could begin in 2017. Discussions are also under way with regard to the Chad-Cameroon section of the pipeline.

57. The government is determined to continue strengthening the institutional framework and to ensure transparency in the energy sector and extractive industries. In April 2015 the government approved the electricity code that was adopted in May 2016 by the National Assembly as well as the statutes concerning the creation and organization of the Energy Sector Regulatory Authority. The report of the Extractive Industries Transparency Initiative (EITI) on the tax revenues generated by the extractive industries in fiscal year 2011 was published in November 2013, and the reports for the other years will be produced. Finally, the Ministry of Mines and the one in charge of Petroleum will prepare official lists of mining and petroleum registries, indicating the mining and oil permits that have been granted, and these registries will be made public.

Financial sector

58. In spite of the progress that has been made in recent years, the development of the financial sector remains weak compared to other countries in the region. In 2015, the financial penetration calculated by the ratio of money supply to GDP, and is one of the lowest in the world. It was 27 percent in 2015 compared to 37 percent for countries in sub-Saharan Africa. On the whole, the banking sector is well capitalized with 11 of Niger's 12 financial institutions fulfilling the minimum capital requirement. The Banking Commission placed the bank that failed to observe this criterion under close monitoring, with its credit operations were restricted until the outstanding claims are collected, and require it to increase its capital.

59. Implementation of the financial sector development strategy could help to boost the sector's contribution to economic development. This is why the government is committed to pursuing the implementation of the strategy, with support from technical and financial partners, and with the intervention priorities already identified. On the basis of the action plan defined in the 2014–2019 financial sector development strategy document, the government put into place before February 2016 (structural benchmark) the steering committee that will be responsible for the reform and will coordinate with the various entities concerned (the Ministry of the Economy and Finance, BCEAO, and the Professional Association of Banks, among others). Due to its technical structure, the Committee attached to the Ministry of the Economy and Finance.

60. In July 2015 the government adopted the National Strategy for Financial Inclusion (NSFI). This document represents an important step in the implementation of the financial inclusion policy and it could help to consolidate the results of the 2012 National Strategy for the Microfinance Sector (SNMF). The overall cost is CFAF 34 billion for the five years (2016–20) covering the program's implementation, to be covered in part by donors. In terms of the potential beneficiaries, priority will be given to small economic operators who are currently excluded from the traditional banking system, in particular women, young people, and other poor segments of the population who do not have access to basic financing to start up income-generating activities.

61. Finally, the government will continue its disengagement from the banking system. The government's disengagement from the capital of the banks is continuing. The West African Development Bank (BOAD) acquired 44 percent of BRS and the Raban Group (ORAGROUP) acquired 56 percent. The restructuring of BIA was completed through the acquisition of the government's shares by the Banque centrale populaire du Maroc (BCP) Group. However, the takeover of the bank by the strategic shareholder was delayed by the negotiation under way with a private shareholder. As for BAGRI (the agricultural bank) the provisional administration was lifted on April 1, 2014, after a period of nine months. A new board of directors was put into place and a new executive director was appointed. The government has made significant headway in its contacts with the BOAD and certain local and foreign private investors regarding the transfer of the 65 percent stake that it holds in a *portage* operation.

Business climate

62. The government is determined to promote the development of a dynamic private sector. The aim is to make the private sector the driver behind diversification of the economy and sustainable economic growth. The government is firmly committed to improving the business climate, which is the key to development of the private sector. To this end, the government created an institutional framework to facilitate the dialogue between the administration and the private sector. To this end, it created the National Private Investors Board (CNIP) and placed it under the authority of the Prime Minister, and the Standing Dialogue Committee (CPC), between the Ministry of Commerce and Private Sector Development and the Chamber of Commerce and Industry. Also, the government has created an institutional design to improve the business climate indicators that consists of a technical committee and thematic groups, each responsible of improving a doing business indicator.

63. The government is in the process of implementing the measures taken to improve the business climate. Among the measures already taken, there is: (i) the opening of the Business Center—*Maison de l'entreprise*—to make it easier to start a business and the implementation of an online governance system (e-Regulations); (ii) the reduction of procedures, time, and cost of business creation through the implementation of several reforms, including the decree of July 2014 establishing a standard model of corporate bylaws for limited liability companies and the one of the same date on the implementation of the regulations arising from the provisions of the articles of the Uniform Act Relating to Commercial Companies and Economic Interest Groups of the Organization for the Harmonization of Business Law in Africa (OHADA); (iii) the adoption in June 2015 of the law governing the regulation of credit bureaus that will be established in all of the countries in the WAEMU area; (iv) Facilitating the cross-border trade through the signing of two orders in December 2014, one concerning the documents required for imports and exports of goods, and the other concerning the public transport of goods, the types of roadside inspections, inspection points, and mechanisms for redress to minimize irregular practices in the transport of goods into Niger; and (v) strengthening legal framework for settling trade disputes through the creation and making operational the Commerce Court of Niamey and the Mediation and Arbitration Center of Niamey.

64. In that regards, the government is continuing to implement the reforms aimed at improving Niger's ranking in terms of the 10 indicators in the World Bank's *Doing Business Index* and the CNIP Roadmap for Improving the Business Climate. Finally, in addition to the program of paying the government's domestic arrears, the DGI made arrangements to clear the stock of VAT credits (CFAF 26.1 billion in end-2015) and to avoid accumulating new credits.

PROGRAM MONITORING

65. In view of the progress made in implementing the ECF-supported program and the corrective measures taken for the rest of 2016, the government requests waivers of nonobservance of the performance criteria of end-December 2015, the approval of the eighth review under the arrangement, and the disbursement of 12.34 million SDRs.

66. Semi-annual monitoring of the program by the IMF Executive Board will continue, based on the quantitative monitoring indicators (Table 2) and structural benchmarks (Tables 3 and 4). These indicators are defined in the attached Technical Memorandum of Understanding (TMU). The semi-annual reviews will be based on the performance criteria at end-June 2016 and the performance indicators at end-September. For monitoring purposes, the authorities will provide IMF staff with the statistical data and information described in the Technical Memorandum of Understanding attached hereto, as well as any other information that they deem necessary, or that the IMF staff may request. During the program period, the government will refrain from introducing or increasing any restrictions on payments and transfers related to current international transactions without prior approval of the IMF. It will also refrain from introducing or amending any multiple currency practices; entering into bilateral agreements that do not comply with Article VIII of the IMF's Articles of Agreement; and introducing or enhancing restrictions on imports for balance of payments reasons. The ninth semi-annual review of the program will be based on the performance criteria at end-June 2016.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (Dec. 2014–December 2015)

(Billions of CFAF)

	End-December 2014			End-March 2015			End-June 2015			End-September 2015			End-December 2015						
	PC			IT			PC			For Information			PC						
	Rev.	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status			
A. Quantitative performance criteria and indicative targets¹																			
(cumulative for each fiscal year)																			
Net domestic financing of the government	54.5	129.3			19.6	44.4			41.3	123.9			201.0	170.5			130.7	188.8	
Adjusted criteria ²	69.5	129.3	Not Met		32.2	44.4	Not Met		56.3	123.9	Not Met		201.0	170.5	Met		145.7	188.8	Not Met
Reduction in domestic payment arrears of government obligations ³	-10.0	57.7	Not Met		-1.8	0.0	Not Met		-3.5	-38.8	Met		-38.8	7.7	Not met		-63.8	-13.0	Not Met
Memorandum item:																			
External budgetary assistance ⁴																			
Budget support	116.4	75.2			12.6	0.0			26.2	0.0			6.6	20.4			160.4	140.0	
New external debt contracted or guaranteed by the government on concessional terms (ceiling) ⁷																	520.4	231.4	
B. Continuous quantitative performance criteria¹																			
Accumulation of external payments arrears	0.0	0.0	Met		0.0	0.0	Met		0.0	0.0	Met		0.0	0.0	Met		0.0	0.0	Met
New external debt contracted or guaranteed by the government with maturities of less than 1 year ⁵	0.0	0.0	Met		0.0	0.0	Met		0.0	0.0	Met		0.0	0.0	Met		0.0	0.0	Met
New non concessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more ⁶	0.0	0.0	Met		0.0	0.0	Met		0.0	0.0	Met		0.0	0.0	Met		0.0	0.0	Met
C. Indicative Targets																			
Basic budget balance (commitment basis, excl. grants) ³	-161.6	-261.8	Not Met		-25.9	-77.2	Not Met		-55.9	-118.0	Not Met		-155.5	-207.6	Not Met		-224.9	-316.8	Not Met
Basic budget balance (commitment basis, incl. grants) ³	-78.6	-193.9	Not Met		-17.6	-77.2	Not Met		-38.4	-118.0	Not Met		-149.0	-187.2	Not Met		-142.9	-240.3	Not Met
Total revenue ³	753.3	714.2	Not Met		193.9	168.0	Not Met		388.9	355.1	Not Met		564.6	546.5	Not Met		785.7	768.7	Not Met
Spending on poverty reduction ³	507.6	489.9	Not Met		114.3	114.4	Met		231.4	232.3	Met		312.0	314.5	Met		442.8	449.5	Met

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

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

¹ Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise except for end-September 2015 that are just for information.² The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts.

If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2015.

³ Minimum; for the PC/IT on the reduction in domestic payments arrears, negative sign means a reduction and positive sign means an accumulation.⁴ External budgetary assistance (excluding net financing from the IMF).⁵ Excluding ordinary credit for imports or debt relief.⁶ Excluding debt relief obtained in the form of rescheduling or refinancing.⁷ On a contracting basis in accordance with the IMF's debt limits policy: <http://www.imf.org/external/np/pp/eng/2014/111414.pdf>.

Table 2. Niger: Quantitative Performance Criteria and Indicative Targets (March 2016–June 2016) and Projections for September 2016–December 2016
(Billions of CFAF)

	End-March 2016			End-June 2016		End-September 2016 ⁵		End-December 2016 ⁶	
	IT		Status	PC		For information		For information	
	Prog.	Actual		Prog.	Rev. Prog.	Proj.	Rev. Proj.	Proj.	Rev. Proj.
				6 th &7 th reviews		6 th &7 th reviews		6 th &7 th reviews	
A. Quantitative performance criteria and indicative targets¹ (cumulative for each fiscal year)									
Net domestic financing of the government	67.7	24.6	Met	99.7	89.0	109.5	106.6	100.4	129.4
Adjusted criteria ²
Reduction in domestic payment arrears of government obligations ³	10.3	0.0	Met	20.6	30.0	11.6	5.0	-10.0	-58.4
Memorandum item:									
External budgetary assistance ⁴									
Budget support	0.0	19.4		15.2	32.5	39.5	36.0	97.3	117.7
New external debt contracted or guaranteed by the government on concessional terms (ceiling) ⁷	800.0	244.5		800.0	800.0	800.0	800.0	800.0	800.0
B. Continuous quantitative performance criteria¹									
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of less than 1 year ⁵	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
New non concessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more ⁶	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
C. Indicative Targets									
Basic budget balance (commitment basis, excl. grants) ³	-73	-79.4	Not Met	-128.0	-155.3	-147.5	-157.5	-168.8	-169.7
Basic budget balance (commitment basis, incl. grants) ³	-73	-60.0	Met	-118.9	-135.9	-124.7	-134.6	-114.3	-102.5
Total revenue ³	174.9	146.8	Not Met	384.4	327.9	602.5	554.4	841.0	791.1
Spending on poverty reduction ³	77.8	79.4	Met	200.6	198.8	317.1	314.1	449.9	445.8

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

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

¹ Program indicators under A and B are performance criteria at end-June; indicative targets otherwise except for end-September and end-December that are just for information.

² The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts.

If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2016.

³ Minimum; for the PC/IT on the reduction in domestic payments arrears, negative sign means a reduction and positive sign means an accumulation.

⁴ External budgetary assistance (excluding net financing from the IMF).

⁵ Excluding ordinary credit for imports or debt relief.

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

⁷ On a contracting basis in accordance with the IMF's debt limits policy: <http://www.imf.org/external/np/pp/eng/2014/111414.pdf>. The ceiling is defined as cumulative from January 1, 2015.

⁸ The end Sep 2016 end Dec 2016 projections do not represent conditionality and are reported for the government's own goals

Table 3. Niger: Structural Benchmarks, 2015

Measures	Timetable	Progress and/or Macroeconomic Rationale
Census of Accounts for the TSA.	End-March 2015	Met Improve cash flow management
Adopt the design of the TSA.	End-September 2015	Met Improve cash flow management
Put in place the one stop shop for the investment code.	End-September 2015	Met Improve business environment
Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditure, with the exception of debt-service payments and fiscal expenditure related to exemptions.	Quarterly	Met in March, June, September, and December Improve budget and cash management
Operationalize the custom electronic transit.	End-September 2015	Not met, operational between the six interconnected custom offices and the other offices will be after the completion of the custom interconnection project Improve custom revenue collection
Finalize a study on the introduction of the investment budgeting in commitment authorization and payment credit.	End-September 2015	Met Improve the management of investments through the implementation of the program budgeting system
Prepare a comprehensive procurement plan to match a commitment plan and a cash plan.	Annually	Not Met Improve budget management, avoid the pile-up spending toward the end of the year

Table 4. Niger: Prior Actions and Structural Benchmarks, 2016

Measure	Timetable	Progress and/or Macroeconomic Rationale
Adopt and send to the parliament the draft revised budget for 2016 in line with the program	Prior Action	Met Improve public financial management (PFM)
Create an interministerial budgetary regulation and cash management committee	Prior Action	Met Improve budget execution
Submit a draft report of the 2015 budget execution.	Prior Action	Met. Improve public financial management (PFM)
Submit the quarterly commitment plan for Q3 consistent with the corresponding cash plan	Prior Action	Met Improve budget and cash flow management
Migration to ASYCUDA (SYDONIA) World	En January 2016	Met, in April 2016/ Improve revenue collection
Establish a steering committee for implementation of the financial sector development plan.	End February 2016	Met, in March 2016 Improve the business climate.
Introduce quarterly reports on debt management activities to be submitted to the National Public Debt Management Committee.	Quarterly	Met, Improve debt management.
Limit expenditures executed through exceptional procedures to a maximum of 5 percent of authorized spending, with the exception of debt service payments and budget expenditure associated with exemptions.	Quarterly	Met Improve budget and cash flow management
Establish the legal framework for the closure of public accounts to be consolidated under the TSA.	End-June 2016	Improve cash flow management.
Prepare a Borrowing Plan	End-June 2016	Improve debt Management
Completion of the civil service staff biometric census	End-December 2016	Improve the management of salaries and grants.

Table 5. Niger: Disbursements to Date and Proposed Scheduled Disbursements under the ECF Arrangement, 2012–16

Amount (Millions)	Conditions Necessary for Disbursement	Date Available ¹
SDR 11.28	Executive Board Approval of the ECF Arrangement	March 16, 2012
SDR 11.28	Observance of June 30, 2012 performance criteria, and completion of the first review under the arrangement	March 28, 2013
SDR 11.28	Observance of December 31, 2012 performance criteria, and completion of the second review under the arrangement	March 31, 2014
SDR 11.28	Observance of June 30, 2013 performance criteria, and completion of the third review under the arrangement	March 31, 2014
SDR 5.64	Observance of December 31, 2013 performance criteria, and completion of the fourth review under the arrangement	December 17, 2014
SDR 5.64	Observance of June 30, 2014 performance criteria, and completion of the fifth review under the arrangement	December 17, 2014
SDR 39.005 ²	Observance of December 31, 2014 and June 30, 2015 performance criteria, and completion of the combined sixth and seventh reviews under the arrangement	November 30, 2015
SDR 12.34	Observance of December 31, 2015 performance criteria, and completion of the eighth review under the arrangement	May 31, 2016
SDR 12.34	Observance of June 30, 2016 performance criteria, and completion of the ninth review under the arrangement	November 30, 2016
SDR 120.085	Total	

¹For reviews that have already been completed, the date refers to the actual Board date when the review was completed.
²In 2015, the disbursement schedule includes a 25 percent quota augmentation of the arrangement under the ECF, which is proposed to be approved at the completion of the combined sixth and seventh reviews.

Source: International Monetary Fund.

Attachment II. Technical Memorandum of Understanding

1. **This technical memorandum of understanding defines the performance criteria and indicative targets of Niger’s program under the Extended Credit Facility arrangement (ECF) for the period QI 2012 to 2016.** The performance criteria and indicative targets for end-June 2016 are set out in Table 2, of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent dated June 24, 2016. This technical memorandum of understanding also sets out the data-reporting requirements to IMF staff for program monitoring.

DEFINITIONS

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

- a) **Government** refers to the central government of the Republic of Niger; it does not include any political subdivision, public entity, or central bank with separate legal personality.
- b) As specified in the Guidelines on Public Debt Conditionality in Fund Arrangements, paragraph 8, adopted by of Executive Board Decision No. 15688-(14/107) of December 5, 2014, **debt** will be understood to mean a direct, i.e., not contingent, obligation, created under a contractual arrangement through the provision of securities in the form of assets (including monetary) or services, and through which the obligor agrees to make one or more payments in the form of assets (including monetary) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: i) loans, i.e., advances of money to the obligor by the lender made on the basis of a commitment 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 borrowed funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); ii) suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and iii) leases, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are also debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

c) **External payments arrears** are payments due but not paid. **Domestic payments arrears** are domestic payments owed by the government but not paid. They include authorized fiscal year expenditure that is not paid within 90 days.

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

A. QUANTITATIVE PERFORMANCE CRITERIA

Net domestic financing of the government

Definition

3. **Net domestic financing of the government** is defined as the sum of (i) **net bank credit to the government;** (ii) **net nonbank domestic financing of the government**, including government securities issued in CFAF on the WAEMU regional financial market and not held by Nigerien commercial banks, proceeds from the sale of government assets, and privatization receipts.

4. **Net bank credit to the government** is equal to the balance of government claims and debts vis-à-vis national banking institutions. Government claims include cash holdings of the Nigerien Treasury, secured obligations, deposits with the central bank, and deposits of the Treasury (including regional offices) with commercial banks. Government deposits with commercial banks are excluded from government claims insofar as they are used solely to finance externally financed capital expenditures.

5. **Government debt to the banking system includes lending from the central bank (excluding net IMF financing under the ECF) and the CFAF counterpart of the 2009 General SDR Allocation, lending from commercial banks (including government securities held by the central bank and commercial banks), and deposits with the CCP (postal checking system).**

6. **The scope of net bank credit to the government as defined by the BCEAO includes all central government administrations.** Net bank credit to the government and the amount of Treasury bills and bonds issued in CFAF on the WAEMU regional financial market are calculated by the BCEAO.

7. **Net nonbank domestic financing** includes i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by Nigerien commercial banks; ii) the change in the balance of Treasury correspondents' deposit accounts; iii) the change in the balance of various deposit accounts at the Treasury; and

iv) the change in the stock of claims on the government forgiven by the private sector. Net nonbank financing of the government is calculated by the Nigerien Treasury.

8. **The 2016 quarterly targets are based on the change between the end-December 2015 level and the date selected for the performance criterion or indicative target.**

Adjustment

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

10. **If, at the end of each quarter of 2016, disbursements of external budgetary support fall short of the projected amounts at the end of each quarter, the corresponding quarterly ceilings will be raised pro tanto, up to a maximum of CFAF 15 billion.**

Data reporting requirement

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

B. REDUCTION OF DOMESTIC PAYMENTS ARREARS

Definition

12. **The reduction of domestic payment arrears is equal to the difference between the stock of arrears at end-2015 and the stock of arrears on the reference date.**

13. **The *Centre d'amortissement de la dette intérieure de l'État* (Government Domestic Debt Amortization Center, or CAADIE) and the Treasury calculate the stock of domestic payment arrears on government obligations and record their repayment.**

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

C. EXTERNAL PAYMENTS ARREARS

Definition

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

Reporting requirement

16. **Data on the stock, accumulation, and repayment of external payments arrears will be provided monthly, within six weeks following the end of each month.**

D. EXTERNAL NON-CONCESSIONAL LOANS CONTRACTED OR GUARANTEED BY THE GOVERNMENT

Definition

17. **The government and the public enterprises listed in paragraph 21 agree not to contract or guarantee external debt with an original maturity of one year or more and having a grant element of less than 35 percent.** For program purposes, a debt is deemed concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt (the difference between the present value (PV) of the debt and its nominal value), expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.¹ The discount rate used for this purpose is 5 percent.²

18. **This performance criterion applies not only to debt as defined in the Guidelines on Public Debt Conditionality in Fund Arrangements, paragraph 8, adopted by of Executive Board Decision No. 15688-(14/107) of December 5, 2014, but also to any obligation contracted or guaranteed for which no value has been received.** However, this performance criterion does not apply to financing provided by the IMF and to debt rescheduling in the form of new loans.

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

² On October 11, 2013, the Executive Boards of the IMF and of the World Bank adopted a new methodology setting a single, unified rate to calculate the grant element of individual loans. The new unified rate is set at 5 percent (see <http://www.imf.org/external/np/pdr/conc/calculator/gecalcf.aspx>).

19. **For the purposes of the relevant performance criteria, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or kind).**
20. **For the purposes of the relevant performance criterion, external debt is defined as debt denominated, or requiring repayment, in a currency other than the CFA franc.** This definition also applies to debts contracted among WAEMU member countries.
21. **For the purposes of this performance criterion, the public sector includes the government, as defined in paragraph 2 above, and the following public enterprises:** (i) Société Nigérienne d'Electricité (Nigerien Electric Company, or Nigelec); (ii) Société de Construction et de Gestion des Marchés (Nigerien Construction and Contract Management Company, or Socogem); (iii) Société Nigérienne des Produits Pétroliers (Nigerien Petroleum Products Company, or Sonidep); (iv) Société Nigérienne des Télécommunications (Nigerien Telecommunications Company, or Sonitel); (v) Société de Patrimoine des Mines du Niger (Niger Mining Assets Company, or Sopamin); and (vi) Société propriétaire et exploitante de l'Hôtel Gaweye (Hotel Gaweye Ownership and Operating Company, or SPEG).

Reporting requirement

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

E. SHORT-TERM EXTERNAL DEBT OF THE CENTRAL GOVERNMENT

Definition

23. **The government will not accumulate or guarantee new external debt with an original maturity of less than one year.** This performance criterion applies not only to debt as defined in the Guidelines on Public Debt Conditionality in Fund Arrangements, paragraph 8, adopted by of Executive Board Decision No. 15688-(14/107) of December 5, 2014, but also to any obligation contracted or guaranteed for which no value has been received. Short-term loans related to imports are excluded from this performance criterion, as are short-term securities issued in CFAF on the regional financial market.

Reporting requirement

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

QUANTITATIVE TARGETS

F. DEFINITIONS

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

26. **The basic fiscal deficit is defined as the difference between: (i) total fiscal revenue as defined in paragraph 25; and (ii) total fiscal expenditure excluding externally financed investment expenditure but including expenditure financed under the HIPC.**

27. **According to the WAEMU definition, the basic fiscal deficit is defined as the basic balance described under paragraph 26 plus budgetary grants.**

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

G. REPORTING REQUIREMENTS

29. **Information on basic budget revenue and expenditures will be provided to the IMF monthly, within six weeks after the end of each month.**

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

ADDITIONAL INFORMATION FOR PROGRAM MONITORING

H. PUBLIC FINANCE

31. **The authorities will forward the following to IMF staff:**

- Detailed monthly estimates of revenue and expenditures, including priority expenditures, the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue;
- The Table of Government Financial Operations (TOFE) with comprehensive monthly data on domestic and external financing of the budget, and changes in arrears and Treasury balances outstanding. These data are to be provided monthly, within six weeks following the end of each month;

- Comprehensive monthly data on net nonbank domestic financing: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by Nigerien commercial banks; (ii) the change in the balance of various deposit accounts at the Treasury; (iii) the change in the stock of claims on the government forgiven by the private sector;
- Quarterly data on expenditures for UPL lines (statement of appropriations approved, disbursed, and used);
- Quarterly reports on budget execution, including the rate of execution of poverty-reducing expenditures and, in particular, the use of appropriations by the line ministries concerned (National Education, Public Health, Equipment, Agriculture and Livestock);
- Monthly data on Treasury balances outstanding, by reference fiscal year, with a breakdown of maturities of more than and less than 90 days;
- Monthly data on effective debt service (principal and interest) compared with the programmed maturities provided within four weeks after the end of each month; and
- The list of external loans contracted or in process of negotiation and projected borrowing in the next six months, including the financial terms and conditions.

I. MONETARY SECTOR

32. The authorities will provide the following information each month, within eight weeks following the end of each month:

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

J. BALANCE OF PAYMENTS

33. The authorities will provide IMF staff with the following information:

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

K. REAL SECTOR**34. The authorities will provide IMF staff with the following information:**

- Disaggregated monthly consumer price indexes, within two weeks following the end of each month;
- The national accounts, within six months after the end of the year; and
- Any revision of the national accounts.

L. STRUCTURAL REFORMS AND OTHER DATA**35. The authorities will provide IMF staff with the following information:**

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

Summary of Data to be Reported

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

Summary of Data to be Reported (concluded)

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