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

December 21, 2016

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.

Appendix I. Letter of Intent

Niamey, December 21, 2016

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

Madame Managing Director,

1. **Over the past five years, the government of Niger has been implementing economic and social policies that have made it possible to maintain macroeconomic stability coupled with sustained growth in economic activity.** These policies are based on the 2012-15 Economic and Social Development Plan (PDES), reflected in the 2012–16 economic and financial program supported by the International Monetary Fund (IMF) under the Extended Credit Facility (ECF). Program implementation was affected by government spending pressures driven partly by the impact of security and climatic shocks, a decline in trade flows with neighboring countries, and the price-depressed oil and mining sectors. The impact of these shocks undermined the achievement of the objectives of our development program. The ensuing fiscal deficits were financed largely by the accumulation of domestic payments arrears and the increased use of borrowing on the regional financial market.

2. **The new economic and financial program (2017-20), which we are requesting, takes into account the achievements and lessons learned from the previous program to establish sustainable objectives.** Its primary objective is the preservation of a sound macroeconomic framework, in particular through a prudent debt policy. The program also seeks to broaden the tax base, strengthen public financial and debt management, enhance the monitoring of developments in the natural resources sector, consolidate the financial sector, and improve the business environment. Given the severity of the exogenous shocks, special emphasis is placed on domestic revenue mobilization, the streamlining of spending, and diversification of the production base, with a view to increase the resilience of the economy and to create a sustainable basis for financing our development programs, while maintaining a sustainable debt level.

3. **To achieve these objectives, we are determined to implement new reforms, while continuing those in progress.** The new reforms will mainly aim at raising tax revenues and controlling spending, but also at facilitating the development objectives outlined in the 2016-19 Economic Policy Paper, which draws on the Renaissance Act II Program for 2016-19. Consequently, our actions will aim at strengthening the performance of the revenue agencies so as to increase revenues while controlling and improving the quality of public spending.

4. Tax policy will also play an important role. Over the years, the advantages granted by our various codes (investment codes, mining code, and petroleum code) have steadily increased in terms of revenue opportunity costs. The same applies to our public enterprises, some of which are a source of revenues losses for the government. In order to increase revenue and better manage spending, the government is committed to rationalizing the tax exemptions policy currently in effect while also introducing bold reforms in the management of public enterprises by taking a closer look at the concessions granted.

5. Economic diversification will be stepped up. To that end we will pursue economic diversification policies conducive to a strong, inclusive growth and a more resilient economy capable of providing employment to a fast-growing youth population, thereby helping to achieve the Sustainable Development Goals (SDGs), including through policies to reduce gender inequality and to reap the potential of the demographic dividend of Niger's fast growing population.

6. The government remains firmly committed to pursuing a prudent debt policy that will enable the financing of investment plans while maintaining debt sustainability. The government will, therefore, limit loans contracted or guaranteed on non-concessional terms as prescribed in the Fund's Debt Limits policy.

7. In regard to the program objectives, we are convinced that the policies contained in the attached Memorandum of Economic and Financial Policies (MEFP) should help achieve the program objectives. The government stands ready to take any additional measures that prove necessary to this end. The government will consult with Fund staff on the adoption of such measures, on its own initiative or at the request of the IMF Managing Director, before adopting such measures or before any revisions to the policies contained in the MEFP, in accordance with Fund policies on such consultations. In particular, the government will discuss with Fund staff (including in the context of program reviews) any unforeseen circumstances that could affect the program, so as to conduct a joint analysis of their impact and identify appropriate actions to be taken without jeopardizing the achievement of program objectives. Lastly, the government is committed to provide the IMF with any information that may be necessary for monitoring the implementation of the measures and the achievement of program objectives, as agreed in the annexed Technical Memorandum of Understanding (TMU).

8. The government requests IMF support for its three-year economic and financial program under the Extended Credit Facility (ECF). It is requesting financial assistance of SDR 98.7 million, equivalent to 75 percent of quota, and an initial disbursement of SDR 14.1 million (10.7 percent of quota) following approval of the arrangement by the Executive Board.

9. The government consents to the publication of this Letter of Intent, the Memorandum of Economic and Financial Policies and the Technical Memorandum of Understanding attached hereto, as well as the IMF staff report on the Article IV Consultation and the request for an arrangement under the ECF. The government hereby authorizes their publication and posting on the IMF website, after the adoption of the three-year ECF arrangement by the IMF Executive Board.

Very truly yours,

/s/

Massoudou Hassoumi
Minister of Finance

Attachments:

I. Memorandum of Economic and Financial Policies

II. Technical Memorandum of Understanding

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

Niamey, December 21, 2016

A. Introduction

1. **During the period from 2012 to 2016, the government of Niger implemented the economic and financial program supported by the IMF under the Extended Credit Facility (ECF).** Despite many shocks, this program helped maintain macroeconomic stability, made progress possible within the structural reforms and helped achieve the objectives in the 2012-15 Economic and Social Development Plan (PDES), thanks also to support from our economic and financial partners. To consolidate the positive results and achieve the Sustainable Development Goals (SDGs), the government prepared a new economic and financial program for the period 2017-20. The program reflects the aspirations of the government's Renaissance II Program for the period 2016-21 subject to new security, climatic, and economic environment constraints. The purpose of this program, for which we are requesting IMF support under a new ECF arrangement, is to lay the groundwork for faster poverty reduction by mobilizing more revenue from the non-natural resource sector and a rapid diversification of our economy to make it stronger and more resilient to shocks.

2. **This Memorandum of Economic and Financial Policies (MEFP) describes recent developments and the economic and structural policies**. It presents the results of implementing the previous program, describes recent economic developments, the state of implementation of structural reforms, the short and medium-term economic outlook, and the macroeconomic policies, and structural reforms planned for the period 2017-20. The priorities and objectives of the program supported by the ECF are consistent with the thrust of the government's Economic Policy Paper (EDD) for the period 2016-20 and the guidance note for preparing the Sustainable Development and Inclusive Growth Strategy (SDDCI, Niger 2035). These priorities focus on: (i) maintaining macroeconomic stability; (ii) improving public financial management with the priority to increasing tax revenue by expanding the tax base and strengthening tax supervision, better controlling public expenditures, and strengthening cash management; (iii) improving debt management; (iv) increasing transparency in the management of the mining and oil sectors; and (v) supporting the development of the private and financial sectors.

B. Results of Implementing the 2012-16 Extended Credit Facility

3. The performance of the program supported by the previous ECF arrangement were broadly not in line as expected. Therefore, following delays in completing some reviews, in part due of the impact of exogenous shocks, the three-year arrangement concluded in March 16, 2012, for a period of three years, was extended to 2016. Indeed, in recent years, Niger has undergone repeated terrorist attacks by the Boko-Haram group. While causing problems in production and slowdowns in border trade, these attacks resulted in additional military expenditures and humanitarian spending related to the massive inflows of refugees and displaced persons.

4. Moreover, the ongoing drop in uranium prices and the fall in international oil prices since end 2014 have impacted adversely program performance. The development strategy was based on windfalls from increase in exports of natural resources. But, the decline in exports of several products that are re-exported to Nigeria and fewer exports of traditional products due to the recent economic difficulties in Nigeria led to substantial revenue losses. These revenue losses due to these shocks affected budget execution and the achievement of some fiscal targets, in particular those related to domestic payment arrears and domestic financing. Therefore, various reviews' conclusions required waivers, changes in performance criteria or extensions of the period covered by the program. Also, there were delays in implementing structural reforms, in particular the process of setting-up the Treasury Single Account (TSA).

5. However, results were encouraging. Niger was able to maintain macroeconomic stability, growth was sustained and inflation was contained. The coverage of foreign reserves remained at a satisfactory level and the program indicative target for poverty reduction spending was observed in some reviews. The incidence of poverty was continuously falling and estimated to 45.4 percent in 2014 versus 48.2 percent in 2011. Child mortality declined as well. Progress was also noted, though slow, in implementing the structural reforms, particularly with regards to the modernization of tax and customs administrations, the management of public expenditure, especially with the adoption of regulations required to implement the program budget, the framework for inclusive finance development, the supervision of the natural resources sectors, and the improvement of the business climate.

6. But more efforts remain to be done. The different shocks pointed out the vulnerability of the economy. Budget deficits led to a rising debt, though the debt risk rating remains moderate. It has become critical to strengthen the economy's resilience by diversifying the production base and to improve on fiscal management. It is also imperative to improve the mobilization of domestic revenue to reduce the dependence on natural resources. All of the above should go hand-in-hand with better management of public expenditure. Finally, despite the improved poverty situation, many MDG targets were not met, and the Human Development Index remains at a very low level.

C. Recent Economic Trends

7. **Growth increased in 2016 and inflation remained moderate**. Agriculture production was up by nearly 8 percent, reflecting a good yield for irrigated crops. At the same time, the positive results expected from the 2016 raining season could trigger a rise in this growth rate. However, the recovery in the oil production was slower and government spending was constrained by low revenue. Thus, the growth rate is expected to rise from 3.5 percent in 2015 to 4.6 percent in 2016. At end-September, inflation was contained at an annual average of 1 percent, reflecting the good results of the last two crop seasons and the various measures taken by the government took to control price increases including the free distribution of food and the sale of grains at moderate prices. The average inflation rate for 2016 is expected to be around 1.1 percent.

8. **Broad money in the nine months through September 2016 increased by 9 percent, which is in line with estimates of economic activity**. Official net foreign assets decreased by 20 percent, as the external budget support envisaged for the second half of the year will only be disbursed at the end of the year. Credit to the private sector also increased by 9 percent in the first three quarters of 2016, a deceleration relative to the previous year. Credit to the government increased by FCFA 98 billion in the same period as the government turned to domestic financing in the absence of foreign support.

9. **The external accounts in 2016 were negatively affected by lower exports and re-exports**. The deficit of the current account of the balance of payments, which amounted to 18.1 percent of GDP in 2015, should however decrease to 15.4 percent of GDP in 2016. This improvement reflects lower imports, which more than offset the drop in uranium exports, and the downturn in exports and re-exports to Nigeria, despite higher food imports due to the security shocks. Thus, the overall balance of the balance of payments is projected to be positive with a slight increase in international reserves of CFAF 40 billion in 2016. Niger's external position would remain comfortable and covers 4.2 months of next year imports of goods and services.

10. **Budget execution in 2016 was characterized by weak revenue mobilization**. At end-June 2016, budget execution was lower than programmed, resulting into a basic deficit and a domestic financing below program targets. However, at end-September 2016, strong pressures on security and social spending led to a basic deficit of 1.4 percent of GDP higher than projected. The deficit was financed by more domestic resources (by 1 percent of GDP) a larger accumulation of domestic payment arrears (by 0.2 percent of GDP). The difficulties in the mining, oil, and telecommunications sectors and lower trade flows (exports and re-exports values were down by 30.1 percent) led to significant revenue losses. At end-September, the shortfall in revenue compared to the program amounted to CFAF 87 billion (2 percent of GDP), and revenue was down by CFAF 79.1 billion compared to 2015. The government responded to the revenue shock by freezing planned spending in accordance with the new mechanism put in place, through the Inter-Ministerial Budgetary Regulation Committee.

11. Tax revenue recorded significant shortfall. Tax revenue declined substantially at end-September 2016. The shortfall, valued at CFAF 11.9 billion (0.3 percent of GDP) at end-June 2016, reached CFAF 87 billion (2 percent of GDP) in end-September 2016. Revenue mobilization suffered from weakening economic activity in Niger and Nigeria, and from the depreciation of the Naira, which leads to considerable informal parallel market in oil products and drastic decline in exports and re-exports to Nigeria. In the Tax Administration (DGI), the shortfalls are explained by weaknesses in the collection of taxes on goods and services (CFAF 32.9 billion) due to low collection of VAT, mining royalty, superficial royalty, the domestic tax on petroleum products, excise taxes, and the income tax (CFAF 20.5 billion), due to low corporate income tax in nearly all sectors that are suffering from weak economic activities. The shortfall in the customs (DGD) (CFAF 26.2 billion) arises from the decline of VAT and other customs duties. Non-tax revenue was in line with projections.

12. Despite security pressures, spending was contained at end-June 2016. Current expenditures were lower than projected by CFAF 13.8 billion, with savings recorded in all spending categories except wages. Despite the streamlining measures, there was a CFAF 3.2 billion overrun in the wage bill, due to new hiring in the priority sectors, security and back pay. The streamlining measures that were taken included eliminating fictitious employees and dualism identified by the audit conducted by the High Authority to Combat Corruption and Similar Violations (HALCIA), streamlining back pay and stopping unsubstantiated payments of allowances (responsibility, family, desert area, etc.). Capital expenditures executed on domestic resources were also lower than projections by CFAF 13.4 billion.

13. At end-September 2016, despite the strengthening of budget execution leading to an improvement in the government financing situation, there was spending pressures. During the first and second quarters, the government was able to contain spending to make less use of domestic financing and lower accumulation of domestic arrears. However, with the impact of pressures due to intensified terrorist attacks and social and humanitarian needs, the decrease in spending only partially offset the revenue shortfall. Thus, the level of domestic financing was higher by CFAF 35.3 billion at end-September. The government paid off the outstanding balance of arrears accumulated before end-2014 (CFAF 17.4 billion) that it was not possible to pay by end-2015 as required in the program, but it accumulated about CFAF 10 billion more in arrears. Budget support mobilization amounted to roughly CFAF 28.6 billion at end-September, CFAF 7.4 billion lower than projected. This amount includes grants of CFAF 17.6 billion from Saudi Arabia and CFAF 1.8 billion from Nigeria, as well as loans of CFAF 9.2 billion from the French Development Agency (AFD). Most of the scheduled financing will be disbursed in the last quarter of 2016.

D. Medium-Term Outlook and Risks

14. The medium-term macroeconomic outlook is favorable. Growth is projected to increase to 5.2 percent in 2017. Average growth over the 2017-20 period is expected to reach 5.9 percent, supported mainly by investments in the agriculture sector (increase in irrigated areas, upgraded crops, mini-dams, hydro-agricultural facilities, hydraulic structures, and increase in livestock), the start of other major road infrastructure projects, including the third bridge over the Niger River, the construction of the

Cotonou-Niamey-Ouagadougou-Abidjan railway loop, the construction work on the oil pipeline for exporting crude oil, scheduled in 2020, the Salkadamna energy project, the Garadawa and Kao cement plants, the resumption in 2017 of construction work on the Kandadji hydroelectric and agricultural dam, and the upgrades of the Diori Hamani International Airport. Niger is expected to benefit also from the gradual improvement of the economic situation in Nigeria. Inflation should remain contained below the WAEMU convergence criterion, at less than 3 percent annual average. The current account is projected to deteriorate slightly in 2017-19 and then improve gradually. The current account deficit would increase to 18.3 percent of GDP in 2017 and remain high until 2019 because exports would remain low in the absence of higher prices for uranium, oil, and gold.

15. However, this outlook is subject to various risks. While this outlook would benefit from expected more peaceful environment and socio-political stability, it remains subject to risks linked to climate shocks, shocks on crude oil export price and possible delays in the oil pipeline construction project, as well as deteriorating security tensions in the sub-region.

E. Medium-Term Objectives and Policies

16. Government policies aim at maintaining macroeconomic stability and achieve the objectives of the Economic Development Document (EDD, 2016-20). Those objectives aim at fostering strong and inclusive economic growth that could create jobs and income and strengthen the foundations of sustainable development. They pertain to: (i) strengthening spending management and domestic revenue mobilization in order to make the financing of development projects secure and safeguard the viability of the debt position; (ii) sustaining investment as part of the 3N Initiative to increase and diversify agriculture production and make it resilient to natural disasters, while ensuring food security and promoting export development; (iii) investing in priority infrastructure such as energy and transportation in order to overcome our landlocked situation and improve competitiveness; (iv) diversifying production, mainly by enhancing the business environment; and (v) boosting technical skills as well as strengthening institutional and administrative capacities.

17. The execution of realistic budgets will prevent the problems observed over the last years, characterized by the accumulation of arrears and resorting more to domestic financing. Spending will remain elevated in the medium term due to security and humanitarian needs. Because revenue is not expected to improve in the mining and oil sectors, the government will strengthen policies aimed at domestic revenue mobilization and improved budget management, based on the reforms from the 2017-19 fiscal management reform plan. Budgetary revenue must be based on realistic projections, with increases justified by well-defined tax measures or yields resulting from administrative reforms of revenue agencies. In the event of shocks, the government will have recourse to budgetary regulation and cash flow management mechanisms to meet budgetary targets. Owing to ongoing difficulties in the mining and oil sectors, budgetary revenue is expected to level from 15.3 percent of GDP in 2016 to 17.5 percent of GDP in 2019. However, as crude oil exports begin, a sizable increase in domestic revenue is expected starting in 2020 (19.1 percent of GDP).

18. The government is determined to continue streamlining spending launched in 2016 and would enhance further the effectiveness of investment. Therefore, current spending would stabilize at an average of 14 percent of GDP in the period 2017-20. By contrast, investment spending using domestic resources should rise from 5.3 percent of GDP in 2016 to an average of 6.5 percent of GDP over the period 2017-20. Fiscal projections reflect the EDD's development spending priorities, including security expenditures and those of the Plan to Support Persons Vulnerable to Disasters and Food and Nutritional Crises. After the basic deficit widened to 4.9 percent of GDP in 2017, it should decrease gradually to 0.9 percent of GDP in 2020. Over the same period, the overall balance, including grants, will decline from 7.4 to 2.9 percent of GDP, so that the WAEMU convergence criteria can be observed and financial viability can be safeguarded. The government's financial position is expected to improve significantly thereafter.

F. Program Performance in 2016

19. All program performance criteria were met at end-June 2016, including the continuous performance criteria for non-accumulation of external arrears and nonrecourse to non-concessional external loans or guarantees, and the quantitative performance criteria on net domestic government financing, and net reductions in domestic arrears. However, the indicative target for domestic revenue was not achieved at end-June 2016. The indicative target for the basic balance was observed. Because spending was curtailed, it was impossible to fully meet the poverty reduction targets at end-June 2016.

20. Some of the structural benchmarks for the period under review were observed. The Directorate General of Budget (DGB) regularly produced quarterly budget execution reports and quarterly debt management reports were prepared and submitted to the Inter-Ministerial Committee for Monitoring Debt Policy and Negotiating Budgetary Aid. The level of payments by anticipation remained below the target of 5 percent, at 2.9 percent of spending authorized at end-March 2016, 2 percent at end-June, and 2.9 percent at end-September 2016. The government also prepared the borrowing plan for 2017-20.

21. Some structural benchmarks were delayed. Measures planned under the implementation of the Treasury Single Account were delayed. In fact, the statutory framework for closing the government accounts to be consolidated in the TSA was not finalized as scheduled in late-June 2016, but the preparation of the required documents has advanced. The draft convention for managing the TSA has not been signed, but the comments from the BCEAO have already been incorporated, and the selection by the Procurement Directorate of banks to serve as government cashier offering banking services in areas not covered by the BCEAO is in progress. Although the terms of reference were drafted, the impact assessment study on commercial banks for transferring government accounts from the private banks to the TSA has not yet been started. The annual benchmark for preparing the procurement plan to be consistent with the commitment and cash plans was not observed due to weak capacity, but commitment and cash plans for the third and fourth quarters were elaborated.

22. In addition, the benchmark for end-2016 on the preparation of a biometric database for all civil servants with the support of the World Bank was delayed as well. The expert who was supposed to assist in this effort was hired on October 15, 2016 and began working in November by preparing a roadmap along with specifications for the consultants to be hired.

23. The reforms to modernize the customs (DGD) are ongoing. The migration to ASYCUDA World, effective since April 2016 for the first six interconnected offices (four in Niamey, one in Torody and one in Gaya), was expanded to all other fully operational offices, except for the offices in Agadez and Arlit, where there is no fiber optic coverage. Discussions are under way with SONITEL to cover localities that are not yet served. The offices covered by ASYCUDA World, which collect 90 to 95 percent of customs revenue, are now interconnected and electronic transit is operational. Customs also began transferring the management of bonded warehouses to the private sector, beginning with the transfer of the Niamey Rive Droite office to Bolloré in July 2016. The contract for transferring management of other warehouses to the Chamber of Commerce was also signed. Measures to speed up other reforms are being taken, in particular those that pertain to the tracking systems (a PPP contract was signed and the equipment was ordered), the interconnection with the customs systems of the region (Togo and Benin), and the implementation of the one-stop shop for customs clearance for vehicles.

24. Steps are taken to improve relations between tax administration and taxpayers and to improve revenues collection. The Arbitration Committee for Tax Appeals (CARFI) became operational in August 2016, following its launch on May 31, 2016. Communication with taxpayers is being strengthened, mainly by holding the Third National Taxpayer Day and publishing the newsletter entitled *Le Fisc*, which provides practical information on tax obligations. Also, measures are being taken to make operational the VAT credit reimbursement system in line with the May 6, 2016 order taken by the Minister of Finance. A "refundable VAT" escrow account was opened at the BCEAO, and funds should be added each month by withholding 5-10 percent of VAT revenue collected by the office of the large enterprises (DGE). On this basis, the DGI will review requests for reimbursement of VAT credit and design a reimbursement plan after consulting with creditors. Finally, the DGI is strengthening the audit of tax declarations in some sectors such as banking and telecommunications.

25. The General Directorate of Treasury and Public Accounting (DGTCP) continues to enhance measures for more efficient collection of non-tax revenue. The survey of non-tax revenue collection potentials has identified 134 niches, 37 of which were already established as collection agencies. The managers of these collection agencies were appointed, and with funding from the French cooperation, training on the legal framework, the operation and the auditing of the collection agencies will take place in November 2016. Tamper-proof booklets were made available, and this will increase the revenue collected by the police, gendarmes, and water and forests. Inspections of the revenue agencies were also strengthened. Finally, the DGTCP is strengthening the monitoring of domestic payments arrears and other outstanding due payments. In this regard, the second phase of the securitization operation of the 2014 arrears, which consisted in converting short-term securities with local banks in the amount of CFAF 38.8 billion into five-year Treasury notes, was completed in early November 2016. Also, discussions with local banks to securitize a portion of the 2015 domestic payment arrears (CFAF 40 billion) are under way.

26. Public financial management reforms are continuing. The Government is pursuing the implementation of the terms of the 2009 WAEMU **public financial** management directives and the 2012 organic law on budget. In particular, are in progress preparations for introducing the program budget starting in 2018 in accordance with the roadmap prepared by the Directorate General of the Budget (DGB). The government is backed by the European Union to acquire the information technology hardware and software needed. Moreover, in April 2016, the National Assembly adopted the 2012, 2013 and 2014 budget review laws and the 2015 budget review law was submitted to the National Assembly for adoption. Finally, with a European Union financing, a review of government finances according to the new Public Expenditure and Financial Accountability (PEFA) methodology was carried out. The PEFA report, which was finalized in December 2016, serves as a basis for the ongoing development of a new public financial management reform strategy.

27. To break the vicious cycle of arrears accumulation, the government is strengthening the budget regulation and cash management framework. The government prepared realistic commitment and cash plans for third and fourth quarters of 2016. Also, the Inter-Ministerial Budget Regulation Committee was established by Order No. 0094/PM of the Prime Minister of June 15, 2016 backed by a Technical Committee for Budget Regulation and Cash Management. These committees are in charge of regulating the pace at which appropriations, commitments, and payment authorizations are released in a manner consistent with available cash and revenue projections, in line with government priorities.

G. Fiscal Policy for 2016 and 2017

Fiscal policy for the rest of 2016

28. The government has taken steps to contain the basic deficit to 4.4 percent of GDP in 2016. Based on the performance at end-September, the revenue level for 2016 was considerably reduced to CFAF 676.6 billion (15.3 percent of GDP). This corresponds to a decline of CFAF 92.1 billion compared to 2015 and CFAF 114.5 billion (2.6 percent of GDP) compared to the initial projections. Because of these revenue losses, the government held a Cabinet meeting bringing together all the ministers for a budgetary regulation, which resulted to the signing, on November 1, 2016, of an order to freeze budgetary credits amounting in a net CFAF 89.6 billion, including CFAF 48.2 billion in current expenditures. Thus, the basic deficit at end-2016 would deteriorate only by CFAF 24.3 billion (0.6 percent of GDP), financed by an increase of domestic financing by CFAF 14.3 billion and an additional accumulation of domestic payment arrears of CFAF 10 billion.

29. The arrears clearance program will continue in 2017. The program projected that the stock of domestic payment arrears accumulated in 2015 (CFAF 71.7 billion) should be cleared in 2016 through securitization with local banks (CFAF 40 billion) and by bond in the regional financial market. The securitization process was delayed, and the arrears will only be cleared in the first half of 2017. Consequently, the net reduction in domestic arrears at end-2016 is projected at about CFAF 8.4 billion.

Fiscal Policy for 2017

30. The fiscal framework for 2017 takes into account the weak performance of domestic revenue and the necessity to meet priority spending. The fiscal framework for 2017 takes into account the poor revenue performance observed in 2015 and 2016, new expenses that cannot be compressed (security and humanitarian) and the priorities in the Economic Development Document (EDD). A 2017 draft budget law coherent with the macroeconomic framework was submitted to the National Assembly for adoption on November 4, 2016 (**prior action**).

31. The agreed macroeconomic framework provides for a basic deficit of CFAF 235.9 billion (4.9 percent of GDP). This deficit level is consistent with debt sustainability. Domestic revenue is projected at CFAF 770.8 billion (16.1 percent of GDP) and domestically financed spending projected at CFAF 1,006.7 billion (21.1 percent of GDP). Thus total revenue would increase by 0.8 percent of GDP compared to 2016, with an increase in tax revenue that is 0.6 percent of GDP. Tax revenue would represent CFAF 721.3 billion (15.1 percent of GDP), an increase of 12.4 percent over 2016 (up 0.6 percent of GDP). This increase reflects the result of measures to strengthen tax and customs administrations, the revival of economic activities with a recovery in Nigeria and the unwavering fight against fraud:

- For the Directorate General of Customs, the requirement to certify value for the admissibility of customs declarations will help limit fraud, whereas the requirement for a Tax Identification Number (NIF) for all importers will limit fraud related to so-called occasional imports. The recent transfer of the management of bonded warehouses to the private sector would also reduce fraud and broaden the revenue base. Other activities are in progress: the start of the single automobile window (GUAN) with SONILOGA and the tracking system with GEOTRACK, combined with the interconnections with the customs in Benin and Togo. These measures would help limit revenue losses resulting from the misrepresentation of imported used cars as well as cargo losses.

- For the General Directorate of Tax: the finalization of measures to strengthen the reimbursement of VAT credit initiated in 2016, would allow the involved companies to apply the deduction system and strengthen VAT effectiveness. Moreover, the measures taken by the DGI to streamline taxpayer management in the Directorate of Large Enterprises (DGE), and improve collection, are expected to increase tax collection efficiency and improve yields.

- For the General Directorate of the Treasury and Public Accounting, non-tax revenue would increase by CFAF 11.3 billion (0.2 percentage of GDP) compared to 2016, mainly because of the steps the DGTCP has taken to strengthen inspections, expand revenue collection agencies and put in place Treasury prepayment facility managers in the registry offices.

32. The 2017 draft budget law introduces other measures to strengthen the tax administration in the area of control and fight against fraud. In particular, it requires branches of foreign companies to prepare their accounts, and like all other companies, to be subject to the income tax (ISB). To demonstrate the government's resolve to strengthen revenue collection, revenue targets will be assigned to the revenue agencies. In the event the revenue collected exceeds the projected amount, the government will discuss with the IMF staff the possibility to take into account the higher revenue into a revised budget.

33. Domestically financed spending is set to increase by 1.5 percentage of GDP. This level of increase reflects in large part interest charges and investment expenses in the priority sectors. Current expenditures are projected to increase by 0.2 percentage of GDP, to 14.6 percent of GDP compared to 2016, reflecting mostly the increase in interest on the domestic debt (0.1 percentage of GDP) issued in the regional financial market in recent years. Current primary expenditures are expected to stabilize with a 0.3 percent of GDP increase in spending on goods and services to take into account some items related to security spending. Wages and salaries are expected to decline by 0.3 percent following measures to control the wage bill.

34. There are other measures taken to further stabilize expenditures. These include curtailing the water and electricity supplies and telephone consumption, eliminating ghost workers, as well as unjustified allowances and streamlining the back pay that cost CFAF 9 billion at end-October 2016.

35. Investment spending is expected to increase substantially. Domestically financed capital spending is projected at 6.5 percent of GDP. This represents an increase of 1.2 percent of GDP over 2016. This increase reflects current investments in the infrastructure and social sectors. Investments using external financing is projected to increase by 0.1 percent of GDP due to efforts to collect external resources and improve absorption capacity. The priorities are those reaffirmed in the new development strategy contained in the EDD, namely: (i) the security of goods and persons; (ii) urban, village and rural water systems; (iii) continuation of the 3N initiative and food security; (iv) infrastructure and energy; and (v) education and health.

36. The budget framework for 2017 is fully funded. The basic budget deficit (CFAF 235.9 billion) and the net decrease in arrears (CFAF 43.4 billion) projected in 2017 will be fully financed through budget support and the issuance of securities in the regional market. Budget support, projected to be CFAF 92.4 billion, includes grants from the European Union (CFAF 43.1 billion), France (CFAF 6.5 billion), and other donors (CFAF 5 billion) as well as concessional loans from the World Bank (CFAF 29.1 billion) and the African Development Bank (CFAF 8.7 billion). Net Treasury bond issuances would be limited to CFAF 116.7 billion and CFAF 40 billion in bonds will be issued with local banks to absorb the arrears from 2015. In addition, CFAF 60 billion resulting from the implementation of PPP contracts are included in non-banking domestic financing. IMF resources under the ECF should cover the residual financing gap.

H. Medium-Term Tax Policy

37. The level of exemptions has increased significantly in recent years. The level of exemptions granted by the tax administration and customs climbed from CFAF 194 billion in 2012 to CFAF 300 billion in 2015, an increase of around 50 percent. While between 2012 and 2015, on average, a high level of CFAF 86 billion was observed at the DGI, their level has more than doubled at the customs, going from CFAF 85 billion to CFAF 222 billion, including exemptions granted in connection with the security operations. Also, with the advent of public-private partnership contracts, the scope of exemptions broadened markedly, leading to even higher revenue losses for the government. Moreover, although there has been considerable progress in monitoring exemptions, management of exemptions is still highly problematic: imputations and flows are difficult to trace.

38. Different frameworks regulate exemptions and beneficiaries are diverse, including public enterprises. The investment code is the most common framework. In addition, there are the 2006 mining code and the petroleum code, agreements signed by the government in the natural resources sector, and others such as those with NGOs. The various frameworks make it difficult to manage exemptions and makes the evaluation of tax expenditure and revenue losses more complex. Public enterprises are among the beneficiaries of tax advantages. In general, they are in sectors in which private initiative is still undeveloped given the absence of a competitive market. These enterprises are in the energy, water, and distribution sectors.

39. To broaden the tax base, the government is committed to reviewing the tax policy on exemptions. First the government is committed to take stock of the situation through an effective assessment of tax expenditures. The tax policy should be geared toward repatriating tax provisions in the sectoral codes in the General Tax Code and General Customs Code for better consistency and interpretation. For public enterprises, more transparent management is necessary, which would help improve liquidity management. The government is committed to improving the availability and quality of their financial information and their governance. In that context, the government is committed to conducting a full audit of the situation of some large public enterprises. To that end, it intends to request support from its partners.

40. Other activities could be planned to strengthen the management of public enterprises. For 2017, the following activities will be carried out:

- Prepare a list of all public enterprises by end-March 2017.
- Evaluate the direct and indirect subsidies given to public enterprises by end-June 2017.
- Prepare an action plan for the financial and operational audits of key public enterprises by end-July 2017(**structural benchmark**).
- Finalize the study on electricity pricing and proposals to the government by June 2017.

I. Structural Reforms

The structural reforms under the new program aimed at: improving domestic tax collection; strengthen public financial management, debt and natural resources management; strengthen the financial sector; and improve the business climate.

Domestic revenue mobilization

41. The government will take steps to strengthen governance and secure revenue. As tax payment in cash entails significant risk, the government agrees to take steps so that taxpayers can meet their obligations using more secure instruments, for instance through the banking system. Given the limited access to those instruments, the measure will be applied first to large taxpayers before being expanded gradually. The DGI will prepare a roadmap to extend the measure to the other taxpayers (February 2017).

42. For customs, the reforms will aim at further strengthening the governance and control of customs operations, including:

- Reducing the time needed for customs tax operations clearance. The recent migration to ASYCUDA World and the ensuing expansion of the interconnection between the main customs posts would be helpful in that regard. The practice to delay the clearance of customs cases is incompatible with the functionality of ASYCUDA World and will therefore be outlawed as it may perpetuate dualism, IT procedures/manual procedures and the maintenance of various and sundry registers whose importance seems much less obvious.

- Strengthening customs cooperation and regular information exchange between customs administrations in the sub-region. Given the delay in the interconnection between Nigerien customs and the partner ports, the customs administration agrees to conduct a monthly check of selected operations based on risk, using the possibility offered to it of obtaining customs information on goods headed to Niger under international customs cooperation arrangements. The DGD will take the steps necessary to operationalize the interconnections with Togo and Benin customs by end-July 2017 (**structural benchmark**).

- The requirement for all importers to have a tax identification number (NIF). Some importers clear their merchandises through the occasional importer status. This minimizes their turnover, and thus limits the tax administration's ability to manage them. The DGD will take measures to restrict occasional imports to importers who have no relationship to commercial or industrial activities (such as personal belongings).

43. Meanwhile customs administration will continue to implement its strategic reform plan, through the development of institutional and organizational capacities. Some of the reforms have already been initiated, in particular: (i) the revision of the General Customs Code, which is awaiting validation and adoption by the National Assembly; (ii) the drafting, now in progress, of a manual of procedures to be finalized after the adoption of the General Customs Code by parliament during its second regular session, scheduled from September to December 2017; (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 (iv) the restructuring order, signed in August 2015, was revised after the new cabinet reshuffling.

44. The upgrade of the information processing capacities will be sustained. The objective of the reforms is to speed up the implementation of an automated information system, in particular: (i) the implementation of the IT development plan, for which were already awarded the contracts for the interconnection and the acquisition of the systems (hardware and software) to be completed by end-March 2017; (ii) the interconnection of all customs units to the single server beginning July 2017; (iii) the extension of electronic customs transit to all main full-service customs posts by end-July 2017 (**structural benchmark**) once interconnection is completed; (iv) the full migration from ASYCUDA++ to ASYCUDA World is in progress and will be completed at end-December 2017 with the financial support of the World Bank to acquire software and with the technical support from the United Nations Conference on Trade and Development (UNCTAD); and with hardware financing provided by the government of Niger through its computer royalty funds; and (v) the strengthening of the computer monitoring of exemption management and other economic regimes that contain exemptions from the government budget, offered by the migration to ASYCUDA World.

45. 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) resumption of the study on release with the support of the Millennium Challenge Corporation (MCC) to reduce customs clearance delays; (ii) advance customs clearance of goods following the migration to ASYCUDA World; (iii) strengthening administrative assistance with Benin and Togo, through interconnection; (iv) adopting a risk-based approach in scheduling inspections and strengthening inspection teams, to be implemented by end-March 2017; (v) starting up operations of the single customs clearance window for vehicles (GUAN) starting in November 2016 in Niamey; (vi) better monitoring of cargo made possible by tracking system, in particular as part of operations of selling oil to prevent products intended for export from returning to the domestic market and to prevent fraud; (vii) expanding the activities of Bolloré to the management of the Dosso's bonded warehouses and implementing the convention signed with the Chamber of Commerce for managing the other bonded warehouses starting January 2017; and (viii) 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.

46. The DGI will implement the following major reforms to quickly improve the collection of tax revenue:

- Enhancing capacity-building through ongoing training of staff.
- Strengthening territorial coverage by setting up tax services, mainly by establishing two new tax centers and two tax revenue facilities in Niamey by end-June 2017.
- Expanding the authority of the DGE and to some extent the Directorate of the Medium-sized Enterprises (DME) to all businesses eligible for their control, regardless of where they are located in Niamey, by end-March 2017. It was found that the DGE manages only mining companies located in the interior of Niamey; all others, regardless of their size, except those covered by the Maradi office, are managed at the regional office level with limited capacities. Starting in September 2016, the DGI has been assessing the tax records of companies operating in the regions and to gradually

transfer to the DGE all taxpayers who have reached the threshold of CFAF 500 million yearly turnover, estimated at about 120 companies. Those companies will be transferred to the DGE by end-January 2017 (**structural benchmark**). Subsequently, the other companies of the size of the companies managed at the DME level will be transferred to the DGE. The DGI will also transfer the management of NGOs to the DME from the DGE to ease its workload.

- 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. Pursuant to the May 6, 2016 order of the Minister of Finance on the procedures for reimbursing VAT credits, an escrow account for reimbursing VAT credits was opened at the BCEAO, and it should be funded by withholding 5-10 percent of the VAT paid to the DGE. The DGI took steps to fund the account and to begin to clear the stock of VAT credits, estimated at CFAF 22.1 billion at end-October 2016. The stock of VAT credit at end-2016 will be prepared and the reimbursement mechanism of made operational by end-march 2017 by end-January 2017 (**structural benchmark**). Also, in consultation with the VAT creditor companies, a schedule for quarterly reimbursements will be prepared.

- The implementation of SISIC (Computerized Tax and Taxpayer Monitoring System) will continue. In September 2015, the DGI 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 the upcoming system. The DGI will also receive support from the World Bank through the Project to Support Competitiveness and Growth (PRAAC) to clean up the NIF file.

- Revitalize the DGI-DGD inspection teams and decentralize tax auditing.

47. The DGI will also continue the reforms to simplify and adapt the tax law framework and expand the tax base. Several measures are under way, including: (i) full computerization of the services through the installation of the Computerized System for Monitoring Taxes and Taxpayers (SISIC); (ii) monitoring the activities of the Tax Appeal Arbitration Committee (CARFI), launched officially in May 2016 and made operational in August 2016; (iii) carrying out the study to strengthen the statistical framework and administrative circuit of the tax base; (iv) improving the taxpayer file and strengthening monitoring; (v) strengthening research and investigations and regularly updating the NIF; (vi) making more use of ASYCUDA World information on taxpayers imports; and (vii) publishing the results of the DGI/DGD joint control team.

48. The DGI will also accelerate organizational reforms. On April 29, 2015, the Minister of Finance issued an order (No. 0157) defining the organization scheme of the central and local DGI offices, and in November 2015, 117 staff were also assigned to the DGI. The reorganization will smooth the segmentation of the files processed by the various DGI services. The objective is to improve the targeting and monitoring of different categories of taxpayers, in accordance with the provisions 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.

49. The new organizational architecture is being implemented. 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 tax categories and a rise in the spontaneous tax declaration rate, in particular with regard to the VAT. The default rate in the DGE remains at about 2 percent, after declining from 17.5 percent in 2014 to 12.1 percent in 2015 in the DME. Nevertheless, despite these results, the rate of following up with taxpayers in default is still low, as well as yields from spontaneous reporting, since returns with payment amount to just 18 percent for the DGE and 4 percent for the DME. Thus, there is still room for improvement to further lower the default rate and control exemptions in order to raise the share of revenue from medium-sized enterprises in total DGI revenue. 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 average default rate to a standard of around 10 percent compared to 12 percent at end-2016 and 20 percent at end-2015. Inspections will be conducted to identify issues for significant default payments.

50. The government will continue to reorganize the tax audit processes and operations. A new organization chart of the services has been put in place with the aim of making the various units more dynamic, in particular for those responsible for investigations, and establishing the principle of risk-based auditing. A joint customs and the 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 to management units, with the Directorate of Tax Audit (DCF) taking on a strategic management role going forward, establishing the risk areas and the timeline for audits. A pilot experiment initiated at the DME was conclusive, and it will be widely rolled out by end-December 2017.

51. Finally, we will strengthen the internal control and audit functions. The government is reinforcing staff resources to improve internal control and audit. The strengthening of the partnership between the DGTCP and Court of Auditors (with a view to better monitoring the activity of revenue collectors and to publish procedural manuals) should bring about a higher level of professionalism among the inspection units. With regard to internal audit, pilot projects aimed at improving the operational efficiency have been put in place at the DGE, Niamey 2 center, and Niamey 3 revenue office, which will be gradually extended to all DGI offices.

52. The DGTCP will improve accounting procedures for better revenue collection. The DGTCP will regularly monitor the newly established revenue collection agencies in order to increase the collection of non-tax revenue for the government budget. The DGTCP will update dormant and/or inactive accounts and will accelerate prior actions for establishing the Treasury Single Account. The DGTCP will also strengthen activities for reducing the balance of the provisional accounts for budgetary operations, catch up on the delays in producing government annual financial statements (management accounts of the senior Treasury accounting officials) and monitor domestic payment arrears and outstanding balances. For 2017, the DGTCP intends to take the following actions:

- Regularly monitor and update dormant or inactive accounts. Close dormant accounts and transfer credit balances to the TSA.
- Regularly monitor and update the balances of government accounts in commercial banks.
- Implement the legal framework for putting in place the TSA, including: (i) signing the account management agreement with the BCEAO by end-June 2017; (ii) signing the three-party convention with the government's cashier bank(s) selected to offer services in areas not covered by the BCEAO by end-June 2017; (iii) close all the accounts in the commercial bank that are covered by the TSA; (**structural benchmark**) and (iv) acquire hardware for the interconnection BCEAO-DGTCP (SICA and TSAR).
- Finalize the securitization operation for arrears accumulated in 2015 (CFAF 40 billion) by end-September 2017.
- Put in place Treasury payment facilities managers in the registry offices to improve the collection of non-tax revenue.

Public financial management, and control of government spending

53. Budget execution regulation and cash management will be enhanced. To eliminate recurrent slippages in managing public spending and the accumulation of arrears, the budgetary regulation and cash management system was strengthened in June 2016 by establishing the Inter-Ministerial Budgetary Regulation Committee and the Technical Budgetary Regulation Committee and Monitoring of the Government Treasury. This arrangement is aimed to tackle the thorny matter of matching the immense spending needs with limited and often very uncertain resources. The goal is to provide the system with a sound decision-making base by establishing realistic commitment and cash plans that the different stakeholders involved in the execution of government spending would concur. The government will continue to ensure that the procurement plan is prepared in sufficient time for the budget to be put in place at the beginning of the year. The government will make the preparation of these plans systematic, as they are essential tools for regulating the expenditure chain.

54. This system will be strengthened with the availability of better information on the expenditure chain. From now on, an integrated table on the execution of budgetary expenditures will show in quantitative terms the movement of the credits voted by the Parliament, by nature, between the DGB and the DGTCP. It should ultimately ensure consistency and facilitate the reconciliation of the information produced by the two entities. The DGB will prepare this table in conjunction with the DGTCP.

55. The following measures will be implemented as a matter of priority in 2017.

- Adopt the 2017 draft budget law in accordance with the budgetary program for 2017 described in paragraphs 30 and 31 (prior action). The government has adopted and send to the National

Assembly the amendments necessary for aligning to the program the draft budget law submitted to the National Assembly in October 2017 **(prior action)**.

- Validate by the Directorate General of Procurement Supervision and Financial Commitments the procurement plan for 2017.
- Produce the commitment plans and quarterly cash plans for the Inter-Ministerial Budgetary Regulation Committee and send it to the IMF staff **(structural benchmark)**.
- Eliminate the duplicates and fictitious employees identified by HALCIA and eliminate unjustified allowances.
- Select two firms to assist with the civil service reform by June 2017. Both firms will carry out the following activities: (i) reform of the statutory framework for managing the public service; and (ii) develop integrated Pay-Civil Service databases based on a comprehensive biometric census of civil servants. The final reports will be produced by end-December 2017.
- Identify procedures of paying wages through the financial system in agreement with the bank and microfinance institutions by end-June 2017.

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

- Continue implementing the 2009 WAEMU public financial management directives. In this context, the DGB has prepared a roadmap to implement the program budget that is expected to be implemented with the 2018 budget law. The preparatory stages for implementing the program budget include: (i) the preparation in 2017 of the 2018 budget in program format; and (ii) implementing the 2018 budget in program format. To this end, the Multiyear Budgetary and Economic Programming Paper (2018-20 DPBEP) (structural benchmark) will be prepared by end-May 2017 and submitted to the National Assembly by end-June 2017, supplemented by the Multiyear Expenditures Programming Papers (2018-20 DPPD) (**structural benchmark**). The other measures will follow as part of the new fiscal reform program. A dedicated unit for implementing the public finance reform was established in the DGB in December 2016.
- Strengthen budgetary procedures in the public expenditure chain. Traditionally, the budget has been executed in a centralized system in which the Minister of Finance is the main payment authorization officer for the budget. Nonetheless, recently efforts to deconcentrate the budget have been made in many ministries and institutions, in line with the March 2012 organic law. Within this framework, the public expenditure chain was deployed in the main ministries that execute about 80 percent of public expenditures, thus helping to reduce spending delays and the to enhance budget deconcentration. Several regulations were enacted to allow the effective implementation of the organic law.

- Budgetary transparency will be strengthened, mainly through the regular publication of the budgetary execution report. Quarterly budgetary execution reports will continue to be produced regularly **(structural benchmark)** as well as the implementation status of the pro-poor expenditures. Moreover, the budget review laws will continue to be produced on time so that they provide information on the implementation of the budget laws.

- Limit expenditures with no prior authorization to a maximum of 5 percent of total authorized expenditures (**indicative target** for each quarter). These expenditures are in large part expenditures for missions and health evacuations.

- The government will avoid overlap between fiscal years. It will continue to make every effort to ensure: (i) the implementation of the provisions for stopping commitments in relation with the complementary period; (ii) the shortening of the complementary period from three months to one, in line with the WAEMU directives; and (iii) the preparation by line ministries of procurement plans and flexible credit commitment plans so that the Ministry of Finance can prepare comprehensive procurement and commitment plans and a government cash plan in order to prevent the concentration of expenditures toward the end of the year.

- Control the wage bill and improve government human resources management will increase productivity. From 2010 to 2015, the number of civil servants rose from 48,237 to 75,597, for a 56.7 percent increase. This reflects the need to provide basic services for an ever-growing population. These enrollments were essentially allocated to the education, security and health services. However, the government is aware of the necessity to streamline hiring in the civil service in order to control the impact on the wage bill.

- Implement a Treasury Single Account (TSA). The government is continuing to implement the TSA in accordance with the conceptual blueprint it adopted in September 2015 to establish the TSA by end-September 2016, but with some capacity constraints. In this regards, an IMF expert, using European Union funding, will be hired to support the unit in charge of implementing the TSA.

- Computerize the expenditure chain. In implementing the WAEMU directives, the government initiated a program to adapt the computer systems for the budget preparation, management and execution as well as for the public accounting. In this respect, the government receives a technical assistance funded by the European Union to update or revamp the public finance computer system managed by the Financial Data Processing Directorate in the Ministry of Finance. In the first phase, this project foresees 8 major deliverables (in budget programming, sectoral program budgets, and public accounting). The budget execution aspects will be covered after a detailed analysis of the issue of deconcentrating authorization. In this context, the government will set up an interface between the DGTCP and the DGB, which will improve the monitoring of payment arrears.

Debt management

57. Recognizing the pace at which Niger's public debt is increasing, the government is strengthening the institutional measures to its better management. Steps have been taken to improve coordination in the preparation of loan agreements to eliminate the risks of over-indebtedness. In this case, the government put in place the institutional framework for implementing the June 18, 2015 decree on procedures for monitoring public debt policy and negotiating budgetary aid to strengthen procedures for managing the public debt, eliminate the risks of noncompliance with the criterion on new non-concessional loan agreements and contain the impact of new loans on the sustainability of the public debt. In accordance with the reform debt limits policy in the programs supported by the IMF, the government will update the medium-term external borrowing plan after the adoption of the action plan of the PDES 2017-21. This plan will include: (i) the investment strategy and a list of investment projects; (ii) sources of funding; (iii) uses of financing; and (iv) the debt management strategy, taking into account considerations of debt, fiscal, and external sustainability. Borrowing plans will continue to be prepared, in line with the national debt policy established with the technical assistance from the World Bank and the IMF.

58. To preserve debt sustainability, the government is in the process of restructuring the debt stock portfolio. For monitoring the stock and debt flows, the Inter-Ministerial Committee for Monitoring Debt Policy and Budgetary Support Negotiation will continue to express its opinion on all new loan agreements or guarantees by the government, including financing in the natural resources sector and all PPP agreements to ensure a detailed analysis of the sustainability of the public debt. The Committee's review of loan agreements and CPPPs is a prerequisite for the Council of Ministers to approve them. The government plans to continue to provide to the IMF staff a detailed quarterly reports on the outstanding public debt, new commitments and borrowing (including disbursements) and public debt service **(structural measure)**.

59. Rigorous actions will be undertaken to clear 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 is expected to finance major infrastructure projects and high-yield industrial projects. However, there are continuing delays in implementing the conditions for its entry into force. Steps have been taken to restructure the debt. Meanwhile, the government will present the procedures required for these restructuring by June 2017.

60. The government remains committed to conduct a prudent debt policy that will allow the financing of investment plans while ensuring debt sustainability. In this context, the government will continue to limit government guarantees and 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.

61. **In this context, the government requested technical assistance from the IMF to strengthen the institutional framework that governs PPPs**, while ensuring that this framework is consistent with the other laws and regulations, in particular the investment code. Meanwhile, the government will refrain from engaging into new PPPs that require fiscal contributions.

62. **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 bills and bonds.

Natural resources management

63. **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 continue**. The policy of expanding the mining export base consists of encouraging operators to orient towards the exploration of mines 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 such as 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 now arrange a 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.

64. **The government took steps to strengthen the contribution of the mining and oil sectors country's development effort.** Activity in the uranium sector continues to be depressed by low price levels. The principal mines of the AREVA group decided to maintain a low production level pending the implementation of the Imouraren Project that has been delayed until 2021, while one of the mining companies shut down production in 2015 pending decisions on the full liberation and increase of the company's capital. New mining agreements based on the new mining code have been signed. However, due to low levels of uranium prices, the tax benefits of the new conventions will only be marginal. The government is benefitting from a technical assistance of France to strengthening capacities for evaluation, projection, and control of mining revenue.

65. **The government is now bolstering the means of regulation, negotiation and implementation of contracts**. In this regard, steps were taken to ensure that the Inter-Ministerial Committee seeks to make the large projects efficient and to maximize competition. This is especially important since the contractual price of uranium, which will expire this year (2016), must be renegotiated. 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 the mining companies, is being strengthened, primarily with World Bank support through the Project to

Support Competitiveness and Growth (PRAAC), which is also supporting the refurbishing of the national laboratory.

66. The government plans to strengthen the organization of gold production. In the last four years, there has been renewed interest in small-scale gold production, not only in the Liptako region in the southwest, but also in northern Niger. A governmental committee was set up to implement a system to supervise producers, collect information on the activities, provide better security, minimize the impact on the environment, and increase the sector's contribution to government revenue. In April 2016, SOPAMIN transferred 75 percent of the capital of *Société des Mines du Liptako* (SML) to a private operator.

67. The drop in oil prices and the impact of the depreciation of the CFAF against the dollar are affecting the oil industry. In particular, the cost of the inputs necessary for refining has risen significantly due to the sharp depreciation of the CFAF against the dollar and the relative decline in prices of crude oil and its derivatives in the international market. Moreover, the drop in export price 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 in January 2015, to US$47 in January 2016, and finally to $US45 in July 2016.

68. In addition to the impact of low international prices, the oil industry continues to face technical constraints. In 2016, the Agadem-Zinder pipeline that supplied SORAZ was plugged, hindering SORAZ production for ten days. After the production resume, the level has reached 20,000-21,000 barrels per days since September 2016. In order to limit the degradation of the road network and secure the distribution of refined products, a project to build a pipeline to ship refined oil products to inland Niger and the Burkina Faso and Mali markets, will be implemented as a PPP, of BOOT type, with no government guarantee, at a cost of about US$800 million. The government has asked the private developer to conduct a feasibility study to better assess its impact on the profitability of companies in the sector. The government will share the results of the study with the IMF staff and keep them informed about the negotiation process.

69. Efforts to improve the management of the oil industry will continue. The technical committee in charge of 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 to make the refinery more efficient while minimizing revenue losses for the government and keeping the pump price steady. The government also negotiated with CNPC the terms that govern exports of refined products. Thus, on May 11, 2016, the government decided: (i) to increase the SORAZ selling price to the government-owned distribution company, *Société Nigérienne de Distribution des Produits Pétroliers* (SONIDEP), for domestic consumption; and (ii) that SORAZ and SONIDEP would be authorized to export refined products jointly, equitably sharing the production on excess to local consumption needs, based on an export floor price set monthly. The 2008 Production Sharing Agreement (PSA) addendum taking into account these new terms, was signed on August 15, 2016, and SORAZ began the export operations immediately. The government is also open to proposals from SORAZ for measures to lower the refinery's costs.

70. In view of the level of finalization of the negotiations for the construction of the oil pipeline, crude oil exports are only expected to begin in 2020. The discovery of additional oil reserves in the Agadem oil field, allowing for the production of 80,000 barrels per day, of which 60,000 barrels per day for export, over an estimated time horizon of 25 years. This has made 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 connect to the existing Chad-Cameroon pipeline. 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 sustainability. Work could begin in 2017. Discussions are also under way with regard to the Chad Cameroon section of the pipeline.

71. The government is determined to continue strengthening the institutional framework and to ensure transparency in the energy and extractive industries. In April 2015, the government approved the electricity code that was adopted in May 2016 by the National Assembly. The code opens access to the power transmission grids. In September 2016 the government adopted the implementing regulations, including the decree on the attributions, organization, and functioning of the regulatory agency for the energy sector (ARSE) and the decree that establishes the requirements for third parties to access the power transmission grid. Projects to build solar power plants are now being financed through the French Development Agency, the EU, and India, which is expected to increase substantially the supply of electricity throughout Niger and ease supply problems from Nigeria that provide 65 percent of Niger's consumption. With a capacity of 100 MW, the Gourou-Banda thermal power plant is expected to be up and running in early 2017. Tests are being performed on the four generators of this standby power plant. To increase the efficiency of the electricity sector, an audit of the national electricity company, NIGELEC, was conducted in 2015 with the assistance of the World Bank, and a study on the pricing mechanism will be finalized by June 2017. In 2011, Niger was declared "compliant country" under the Extractive Industries Transparency Initiative (EITI). The latest report on royalties and tax revenue generated by the extractive industries for fiscal year 2014 was published in 2016. The two ministries have mining and petroleum registries that are regularly updated and accessible to the public.

Financial sector

72. 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 is among the lowest in the world. It was 27 percent in 2015 compared to 37 percent for the average of the Sub-Saharan Africa countries. Overall, the banking sector is well capitalized, with 11 of Niger's 12 banks fulfilling the minimum capital requirement. The Banking Commission placed the bank that failed to observe this criterion under close monitoring, with restriction on its credit operations until the recovery of outstanding loans, and an order to increase its capital.

73. Implementation of the financial sector development strategy could strengthen the sector's contribution to economic development. This is why the government is committed to pursuing the implementation of the strategy with the support from the technical and financial partners on priority interventions already identified. On the basis of the action plan defined in the 2014-19 financial sector development strategy document, in March 2016 the government established a steering committee in charge of the reform that will be extended to the various entities concerned (the Ministry of Finance, BCEAO, and the Professional Association of Banks, among others). The Committee is attached to the Ministry of Finance.

74. In July 2015, the government adopted the National Strategy for Financial Inclusion (SNFI). This document represents an important step in the implementation of the financial inclusion policy and it could ***help consolidate*** the results of the 2012 National Strategy for the Microfinance Sector (SNMF). The overall cost for the five years (2016-20) implementation of the program is CFAF 34 billion, 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 classes that do not have access to basic financing to start up income-generating activities.

75. Finally, the government will continue its withdrawal from the banking system. The process of the government's withdrawal from the capital of banks is ongoing. The West African Development Bank (BOAD) acquired 44 percent of BRS and the Raban Group (ORAGROUP) acquired 56 percent. The restructuring of BIA will be completed with the acquisition of the government shares by the Banque Centrale Populaire du Maroc (BCP). However, the takeover of the bank by the strategic shareholder was delayed by the negotiation under way with a one of the private minority shareholder. As for BAGRI (the agricultural bank), the temporary 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 some domestic and foreign private investors regarding the transfer of the 65 percent stake that it holds in a portage operation.

Business climate

76. The government is committed to promote the development of a vibrant 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 a key to private sector development. 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) under the authority of the Prime Minister, and the Permanent Consultative 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 one is in charge of improving a *doing business* indicator. Thanks to the reforms implemented in 2015 and 2016, Niger moved up 10 positions in the 2017 Doing Business ranking, going from 160th in 2016 to 150th out of 190 countries assessed.

77. The government is implementing measures to improve the business climate. Measures already taken include: (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 (LLCs) and another decree of the same date on the implementation of the provisions of the Uniform Act of the Organization for the Harmonization of Business Law (OHADA) related to Commercial Companies and Economic Interest Groups; (iii) the adoption of the law regulating credit information bureaus (BICs) and set up Niger's first BIC in March 2016; (iv) the facilitation of cross-border trade by signing two orders in December 2014. One for the documents required for import and export of goods, and the other for the public transportation of goods, the types of roadside inspections, checkpoints and redress mechanism to minimize abnormal practices in transportation of goods in Niger; and (v) the strengthening of the legal framework for settling commercial disputes through the creation and operationalization of the Niamey Commercial Court and the Niamey Mediation and Arbitration Center, led by the Chamber of Commerce and Industry.

78. In this context, the government is continuing to put in place reforms aim at improving Niger's ranking in the 10 "doing business" indicators. This is done in accordance with the action plan adopted by the CNIP to improve the business climate. For 2017, particular importance will be placed on the following activities: (i) the government domestic arrears payment program; (ii) the clearance of the stock of VAT credits and the improvement of the VAT credits reimbursement mechanism to avoid accumulating new credits; (iii) the access and pricing of electricity; (iv) the adoption by end-March 2017, with World Bank assistance, the implementing regulations for the law on land tenure to streamline the establishment of real estate titles and transfers of ownership; and (v) the study on para-fiscal and other taxes in the telecommunications and information and communication technologies sector in Niger, with the World Bank support.

Demographic dividend and gender

79. Action was taken to maximize the demographic dividend of a rapidly growing young population. The government took steps to curtail early marriage by increasing the enrollment rate of girls and lengthening the number of years they attend school. In 2013, during a visit by officials from the United Nations, the World Bank, the AFDB, the AU and the AEC, the Head of State called for a coordinated solution to the demographic challenges in the Sahel. In response to this call, known as the "Niamey Appeal," a regional project, "Sahel Women's Empowerment and Demographic Dividend (SWEDD)," covering six countries (Burkina Faso, Côte d'Ivoire, Mali, Mauritania, Niger and Chad), was set up with World Bank financing and UNFPA technical support. The prime minister launched the project in Niamey in November 2015. It aims to empower girls and women in decision-making (including through education), and to improve the demand for family planning and quality medical services for mothers and children. The project coordination team will be put in place by end-December 2016. Activities are also being carried out to promote gender in line with the 2008 national gender policy (now being revised with UNFPA assistance). The government will elaborate a new national gender policy to be shared with staff by end-December 2017 (**structural benchmark**).

J. Program Monitoring

80. The government is committed to implement all the program measures outlined in this memorandum. The IMF Executive Board will monitor the program every six months based on the quantitative monitoring indicators (Table 1) and structural benchmarks (Table 2 and 3). The first and the second reviews of the program will be based on the PCs and ITs of end-June 2017 and end-December 2017 respectively, and are expected to be completed by end-December 2017 and end-June 2018 respectively. 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 and end-December, and the indicative targets at end-March and end-September. The authorities will submit to the IMF the statistical data and information in the Technical Memorandum of Understanding, and all other information they deem necessary or that IMF requests for monitoring purposes. 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 any multiple exchange rate practices whatsoever, entering into bilateral agreements that do not comply with Article VIII of the IMF's Articles of Agreement, or from introducing or strengthening restrictions on imports for balance of payments reasons. The first semi-annual review of the program will be based on the performance criteria at end-June 2017.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (March 2017–December 2017)

(Billions of CFAF)

	End-December 2016 For information Proj.	End-March 2017 IT Prog.	End-June 2017 PC Prog.	End-September 2017 IT Prog.	End-December 2017 PC Prog.
A. Quantitative performance criteria and indicative targets[1]					
(cumulative for each fiscal year)					
Net domestic financing of the government	113.8	62.0	120.3	186.6	207.0
Adjusted criteria [2]		…	…	…	…
Reduction in domestic payment arrears of government obligations[3]	-8.4	10.0	20.0	10.0	-43.4
Memorandum item:					
External budgetary assistance [4]					
Budget support	114.3	0.0	0.0	0.0	92.4
New external debt contracted or guaranteed by the government on concessional terms (ceiling)[7]	800.0	350.0	350.0	350.0	350.0
B. Continuous quantitative performance criteria					
Accumulation of external payments arrears	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	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	0.0	0.0	0.0
C. Indicative Targets					
Basic budget balance (commitment basis, excl. grants)[3]	-194.3	-71.2	-130.7	-186.6	-235.9
Basic budget balance (commitment basis, incl. budget grants)[3]	-130.7	-71.2	-130.7	-186.6	-181.3
Total revenue[3]	676.6	160.7	353.4	554.5	770.8
Spending on poverty reduction[3]	356.8	103.8	222.2	348.4	487.5
Ratio of exceptional expenditures on authorized spending (percent)[8]	5.0	5.0	5.0	5.0	5.0

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 are performance criteria at end-December and end-June; indicative targets otherwise.

[2]The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of 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 2017.

[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 piolicy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf. The end-December 2016 the ceilling is cumulative from January 1, 2015.

[8] Maximum, exceptional expenditures refer to payment made by the treasury without prior authorisation, excluding debt service payments and expenditures linked to exemptions.

Table 2. Niger: Proposed Repetitive Structural Benchmarks for the Program		
Measure	**Timetable**	**Macroeconomic Rationale**
Release the quarterly budget allocation in the first month of each quarter based on the proposal of the regulation committee.	Quarterly	Improve budget and cash flow management.
Prepare a quarterly commitment plan consistent with the corresponding cash plan.	Quarterly	Improve budget and cash flow management.
Prepare quarterly debt management report to be validated by the National Public Debt Management Committee.	Quarterly	Improve debt management.
Produce a quarterly report on VAT credit reimbursement.	Quarterly	Improve efficiency of the VAT.
Prepare a Revised Borrowing Plan.	Each year at end-June	Improve debt management.

Table 3. Niger: Proposed Structural Benchmarks, 2017		
Measure	**Timetable**	**Progress and/or Macroeconomic Rationale**
Prior Action		
Amend the 2017 budget already sent to the National Assembly, adjusting downward revenue in line with the program.	Prior	Met Improve public financial management.
Fiscal Policy and Revenue Administrations		
Broaden the jurisdiction of the large enterprises Directorate (DGE) of the DGI by transferring to the DGE the control of the identified 120 large companies previously under the competency of regional tax offices outside Niamey.	End-January	Improve tax collection and the expand the tax base.
Estimate the stock of VAT credits arrears and launch the VAT reimbursement mechanism using a share of the VAT collected by the DGE.	End-March	Improve fiscal management.
Finalize the interconnection of the ASYCUDA world central server with all the main customs offices and the interconnection of the Niger customs office with those of Benin and Togo.	End-July	Improve tax collection.
Public Financial Management		
Launch the process of establishing the 2018 budget under the program format by finalizing the required documents (DPBEP and DPPD).	End-June	Improve public financial management enhance spending efficiency and control.
Finalize the framework of the TSA by signing the agreements with the BCEAO and the Commercial Bank on the management of the TSA, and close all the outstanding public accounts covered by the TSA.	End-June	Improve liquidity management.
Other Structural Reforms		
Elaborate and submit to staff an action plan for the audit of the major public enterprises.	End-July	Improve the management of public enterprises.
Send to The National Assembly a new law on public private partnership (PPP) consistent with the investment code and the 2012 budget law.	End-December	Align with existing laws.
Submit to Staff the update of the 2008 national policy on gender.	End-December	Enhance gender equality.

Table 4. Niger: Disbursements to Date and Proposed Scheduled Disbursements under the ECF Arrangement, 2017–20

Amount (Millions)	Conditions Necessary for Disbursement	Date Available
SDR 14.1	Executive Board Approval of the ECF Arrangement	January 23, 2017
SDR 14.1	Observance of June 30, 2017 performance criteria, and completion of the first review under the arrangement	October 31, 2017
SDR 14.1	Observance of December 31, 2017 performance criteria, and completion of the second review under the arrangement	April 30, 2018
SDR 14.1	Observance of June 30, 2018 performance criteria, and completion of the third review under the arrangement	October 31, 2018
SDR 14.1	Observance of December 31, 2018 performance criteria, and completion of the fourth review under the arrangement	April 30, 2019
SDR 14.1	Observance of June 30, 2019 performance criteria, and completion of the fifth review under the arrangement	October 31, 2019
SDR 14.1	Observance of September 30, 2019 performance criteria, and completion of the sixth and last review under the arrangement	January 8, 2020
SDR 98.7	Total	

Source: International Monetary Fund.

Attachment II. Technical Memorandum of Understanding

Niamey, December 21, 2016

1. This technical memorandum of understanding defines the performance criteria and indicative targets of Niger's program under the Extended Credit Facility (ECF) arrangement for the period Q1-2017 to Q1-2020. The performance criteria and indicative targets for 2017 are set out in Table 3 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent of December 2016. This technical memorandum of understanding also sets out data-reporting requirements 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 paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by the Decision No. 15688-(14/107) of the Executive Board of the IMF of December 5, 2014, **debt** will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets, that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until 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 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) **Domestic payments arrears** are domestic payments owed by the government but not paid. They include committed and authorized fiscal year expenditures that are not paid within 90 days. **External payments arrears** are payments due but not paid.

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 resident commercial banks, proceeds from the sale of government assets, and privatization receipts.

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

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

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

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

8. The 2017 quarterly targets are based on the change between the end-December 2016 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 2017, disbursements of external budgetary support fall short of the projected amounts at the end of each quarter, the corresponding quarterly ceilings will be raised pro tanto, up to a maximum of CFAF 15 billion.

Reporting requirement

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

Reduction of Domestic Payments Arrears

Definition

12. The reduction of domestic payments arrears is equal to the difference between the stock of arrears at end-2016 and the stock of arrears on the reference date.

13. The Centre d'amortissement de la dette intérieure de l'Etat (CAADIE) and the Treasury are responsible for calculating the stock of domestic payments arrears on government obligations and recording 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 after the end of each month.

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

Reporting requirement

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

External Nonconcessional Loans Contracted or Guaranteed by the Government

Definition

17. The government and the public enterprises listed in paragraph 21 undertake 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 concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element (the difference between the present value (PV) of debt and its nominal value) expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for that purpose is 5 percent.[1]

18. This performance criterion applies not only to debt, as defined in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by the Decision No. 15688-(14/107) of the Executive Board of the IMF 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.

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 debt contracted among WAEMU member countries and with WAEMU financial institutions.

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 (Nigelec);* (ii) *Société de Construction et de Gestion des Marchés (Socogem)*; (iii) *Société Nigérienne des Produits Pétroliers (Sonidep)* ; (iv) *Société Nigérienne des Télécommunications (Sonitel)*; (v) *Société de Patrimoine des Mines du Niger (Sopamin)*; and (vi) *Société propriétaire et exploitante de l'Hotel Gaweye (SPEG).*

[1] 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).

Reporting requirement

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

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 paragraph 8 of the Guidelines Public Debt Conditionality in Fund Arrangements, adopted by the Decision No. 15688-(14/107) of the Executive Board of the IMF 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. Details on all external government debt will be provided monthly, within six weeks after the end of each month. The same requirement applies to guarantees granted by the government.

B. Quantitative Targets

Definitions

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

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

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.

29. A limit is set on the amount of expenditures paid through exceptional procedures (without prior commitment) excluding debt service payments and expenditures linked to tax exemptions. The limit is 5 percent of total authorized expenditures during the quarter for which the target is assessed.

Reporting requirement

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

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

32. Information on exceptional expenditure will be provided to the IMF quarterly after six weeks after the end of the quarter.

Additional Information for Program Monitoring

A. Government Finance

33. The authorities will forward the following to IMF staff:

- Detailed monthly estimates of revenue and expenditure, including priority expenditure, the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue.
- The Table of Government Financial Operations with comprehensive monthly data on domestic and external financing of the budget, and changes in arrears and Treasury balances outstanding. These data are to be provided monthly, within six weeks after the end of each month.
- Comprehensive monthly data on net nonbank domestic financing: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of 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 expenditure for UPL lines (statement of appropriations approved, disbursed, and used).
- Quarterly reports on budget execution, including the rate of execution of poverty-reducing expenditure and, in particular, the use of appropriations by the line ministries concerned (National Education, Public Health, Equipment, Agriculture, Livestock).
- Monthly data on Treasury balances outstanding, by reference fiscal year, with a breakdown of maturities of more than and less than 90 days.

- Monthly data on effective debt service (principal and interest) compared with the programmed maturities provided within four weeks after the end of each month; and
- List of external loans contracted in process of negotiation and projected borrowing in the next six months, including the financial terms and conditions.

B. Monetary Sector

34. 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, where applicable, the consolidated balance sheets of individual banks;
- Monetary survey, within eight weeks following the end of each month, for provisional data;
- Borrowing and lending interest rates; and
- Customary banking supervision indicators for banks and nonbank financial institutions (where applicable, these same indicators for individual institutions may also be provided).

C. Balance of Payments

35. 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;
- Preliminary annual balance of payments data, within six months after the end of the reference year.

D. Real Sector

36. 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.

E. Structural Reforms and Other Data

37. 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	Table	Frequency	Reporting Deadline
Real sector	National accounts.	Annual	End-year + 6 months
	Revisions of the national accounts.	Variable	8 weeks after the revision
	Disaggregated consumer price indexes.	Monthly	End-month + 2 weeks
Government finance	Net government position vis-à-vis the banking system.	Monthly	End-month + 6 weeks
	Complete monthly data on net nonbank domestic financing: (i) change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) change in the balance of various deposit accounts at the Treasury; (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

Type of Data	Table	Frequency	Reporting Deadline
	Table of fiscal expenditure execution, unified list expenditure, and HIPC-financed expenditure.	Monthly	End-month + 6 weeks
	Treasury accounts trial balance.		
	Monthly statement of the balances of accounts of the Treasury and of other public accounts at the BCEAO.	Monthly	End-month + 6 weeks (provisional) End-month + 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, where applicable, 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 signed and projected borrowing, including the financial terms and conditions.		End-month + 6 weeks
	Table on the monthly effective service of external debt (principal and interests), compared with the programmed maturities.	Monthly	End-month + 4 weeks