IMF Country Report No. 20/7

NIGER

January 2020

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGER

In the context of the Fifth Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 8, 2020, following discussions that ended on November 11, 2019, with the officials of Niger on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 23, 2019.
- A **Statement by the Executive Director** for Niger.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Niger*
Memorandum of Economic and Financial Policies by the authorities of Niger*
Technical Memorandum of Understanding*
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

Press Release No. 20/04
FOR IMMEDIATE RELEASE
January 8, 2020

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes the Fifth Review Under the Extended Credit Facility Arrangement for Niger and Approves a US$19.5 Million Disbursement

- Program implementation has been broadly satisfactory, with public finances strengthening and progress on the implementation of the structural reform agenda.
- The outlook for economic growth is promising thanks to several large-scale projects by development partners and private investors, notably a pipeline for oil exports.
- Mobilizing fiscal revenues, improving the quality of public spending, and containing fiscal risks from public-private partnerships remain reform priorities.

On January 8, 2020, the Executive Board of the International Monetary Fund (IMF) completed the fifth review of Niger's economic and financial program supported under the Extended Credit Facility (ECF) framework. The completion of the review enables the disbursement of SDR14.1 million (about US$19.5 million), bringing total disbursements under the arrangement to SDR104.34 million (about US$144.1 million).

The Executive Board also approved the authorities' request for the modification of performance criteria pertaining to domestic budget financing and the contracting of public or publicly guaranteed external public debt.

Niger's three-year arrangement was approved on January 23, 2017 for SDR98.7 million (about US$136.4 million) in support of the authorities' national plan for economic development. It aims to enhance macroeconomic stability and foster high and equitable growth, boost incomes and create jobs, while strengthening the foundations for sustainable development. On December 10, 2018, the IMF Executive Board agreed to augment the overall amount of the ECF arrangement to SDR118.44 million (about US$163.6 million, or 90 percent of Niger's quota).

Following the Executive Board's discussion on Niger, Mr. David Lipton, First Deputy Managing Director and Acting Chair, issued the following statement:

``Overall program performance was broadly satisfactory. All performance criteria and indicative targets were met for the first half of 2019, but fiscal results started to slip in the third quarter. The authorities are taking corrective measures. Nonetheless, program targets for end-December 2019 needed adjustment to account for revenue shortfalls and higher-than-expected foreign grants. Implementation of the structural reform agenda is progressing reasonably well.

``Economic activity is expected to develop favorably, with annual average growth topping 7 percent over the next five years. Large-scale donor-funded projects and foreign direct investment are important drivers. The construction of a pipeline for crude oil exports, which are scheduled to commence in 2022, is an important boon for the economy. The tense security situation in the Sahel region as well as challenges from climate change remain downside risks.

``It will be important to make the best of the prospective oil exports from 2022. The institutional framework for managing the oil sector should conform to good international standards and the prudent use of the additional revenues needs advance planning to secure their maximum development impact.

``The mobilization of fiscal revenues remains a significant challenge. While progress is being made, rigorous implementation holds the key to raising revenues further. In addition, it will be important to improve the quality and efficiency of spending to protect the poor. Fiscal risks from public-private partnerships need to be carefully assessed, including through rigorous cost-benefit analyses.

``Niger is making progress with improving the framework to fight corruption. The re-application to the Extractive Industries Transparency Initiative and advances with bringing the asset declaration regime for public officials closer to good practices are noteworthy. Efforts are needed to boost access to credit and enhance financial inclusion, as well as improving the business environment, enhancing human capital, and addressing gender inequality.''

INTERNATIONAL MONETARY FUND

NIGER

December 23, 2019

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context. Niger faces daunting development challenges, aggravated by terrorist incursions, climate change, and low uranium export prices. Presidential elections are due in late 2020. Reforms are advancing and economic activity is reasonably strong.

2019 program performance. Program implementation has been broadly satisfactory. All quantitative targets for end-June 2019 were met. But a subsequent weakening of revenues, partly due to Nigeria's closure of its borders to trade, as well as topped-up budget support, required mitigating policy measures and the adjustment of end-December 2019 targets. Structural reforms are advancing with delays. Tax exemption cuts are on track, the tracking of key social programs has been implemented as a prior action, and a strengthening of the asset declaration regime for senior public officials is in prospect under a structural benchmark proposed to be reset for end-December 2019.

Economic developments. Growth should average above 7 percent in the medium term thanks to several large-scale projects, the prospective crude oil exports from 2022, substantial donor support, and ongoing structural reforms. Fiscal policy rightly aims to reduce the deficit below 3 percent of GDP from 2020. Better revenue mobilization and higher spending quality remain an ongoing task. Substantial fiscal risks from public private partnerships need urgent attention by revisiting existing projects and guiding future projects by robust cost-benefit analyses. Developing Niger's still small formal private sector, including through better access to financing, remains a priority.

Oil exporter status. Niger can strengthen prospects for a successful transition by securing favorable contractual arrangements with foreign investors; establishing a framework for administering oil resources in line with good practices, notably channeling all revenues directly through the Treasury; and increasing spending on physical and human capital, while being mindful of the inherent volatility in natural-resource revenues.

Staff views. Staff supports the conclusion of the fifth review, the disbursement of SDR14.1 million, and the authorities' request for the modification of the performance criteria on domestic budget financing and the contracting of external public debt.

Approved By
David Owen (AFR) and Ashvin Ahuja (SPR)

Discussions were held in Niamey from October 26 to November 11. The mission comprised Mr. Klingen (head), Mr. Staines, Ms. Woldemichael, Mr. Cangul (Resident Representative), Mr. Abdou (local economist) (all AFR), and Mr. de Bidegain (FAD). Ms. Pilouzoue (AFR) provided administrative assistance at headquarters.

CONTENTS

APPENDIX

ECONOMIC DEVELOPMENTS, PROGRAM PERFORMANCE, AND OUTLOOK

1. **The government enjoys a strong parliamentary majority and is successfully pushing ahead with large-scale projects despite numerous challenges, notably from terrorism**. With President Issoufou's final term ending in early 2021, his government is accelerating efforts to generate economic momentum through implementing large-scale donor projects and attracting FDI. Nonetheless, challenges remain daunting, including a low level of human development, the world's highest fertility rate, climate change, and a deteriorating security situation.

2. **Recent macroeconomic developments remain encouraging**. Real GDP growth should reach 6.3 percent in 2019, benefitting from several large-scale projects financed by private foreign investors and donors. The drag from Nigeria's closure of its borders to trade since mid-August of some 0.4 percent of GDP should be offset by a better-than-expected harvest, which also has turned inflation negative. The current account deficit will likely widen further to 19.4 percent of GDP this year on account of the import intensive large-scale projects. The authorities broadly shared this assessment but saw upside potential to growth.

3. **The authorities are proceeding with their multi-year fiscal consolidation program**. According to data through September, the deficit should come down to 3.9 percent of GDP this year—a reduction by 2.2 percent of GDP since 2016, driven mainly by revenue mobilization, despite headwinds from the natural resource sector, and substantially higher budget support grants.

Text Table 1. Niger: Sources of Fiscal Consolidation, 2016–19

(Percent of GDP)

		2016	2017	2018	2019 prog.	Change 2016-19
(1)	Revenues natural resource sector (cash)	1.9	1.8	1.4	1.3	-0.6
(2)	Revenues other (cash)	11.6	11.8	12.3	12.6	1.0
(3)	Budget support grants	1.5	2.5	2.4	3.6	2.1
(4)	Current expenditure	14.0	14.1	13.7	13.4	-0.6
(5)	Domestically-financed investment (cash)	3.7	4.5	3.9	4.1	0.5
(6) = (1)+(2)+(3)-(4)-(5)	Domestic balance	-2.7	-2.5	-1.5	-0.1	2.7
(7)	Foreign loan-financed investment	3.4	3.2	2.6	3.8	0.5
(8) = (6) - (7)	Fiscal balance (WAEMU definition)	-6.1	-5.7	-4.1	-3.9	2.2
(9)	*Memo:* Foreign grant-financed investment	4.5	4.3	5.9	6.1	1.6

Sources: Ministry of Finances Niger; and IMF staff calculations.

4. As part of the WAEMU-wide migration to SNA2008, Niger is revising its national accounts. The Statistical Office has compiled a new GDP estimate for 2018 that is 38 percent higher than before, reflecting previously unrecorded education activity by contractional teachers, the inclusion of new agricultural crops, and the value added from research and exploration in the mining sector. The mission pressed for incorporating the recommendations made by a group of international experts in a validation workshop held in October in Niamey before finalizing the new national accounts. This program review remains based on the old national accounts but, for purposes of complying with the WAEMU convergence criterion for a fiscal deficit of no more than 3 percent of GDP, the 2020 budget anticipates some upward revision of GDP to avoid unwarranted expenditure compression.

5. The ECF-supported program remains broadly on track. All quantitative targets for end-June 2019 were met, but fiscal performance fell behind end-September 2019 indicative targets (ITs) on account of revenue shortfalls, partly due to Nigeria's border closure. The structural reform program is advancing with delays.

- **All four performance criteria (PCs) were met**. Niger did not incur external payment arrears, domestic budget financing and the contracting of new external public debt remained below program ceilings. Domestic payment arrears were kept below the program ceiling and were practically cleared entirely by end-October.

- **All ITs were observed for end-June 2019 but not for end-September 2019**. Targets for poverty-related spending and exceptional expenditure were met. Revenue mobilization, as well as the basic fiscal balances and domestic budget financing, stayed the course through June but could not keep up with the ambitious program targets and the headwind from Nigeria's border closure in the third quarter.

- **The authorities complied with two out of five structural benchmarks (SBs)**. Regarding tax exemption cuts, they provided proposals to staff and subsequently submitted legislation to parliament. A tracking system for major social programs has been put in place belatedly as a *prior action* for this review. The proposed legislation for Niger's asset declaration by government officials is a step forward but does not yet bring the regime to desirable standards. On financial inclusion, a new strategy has been finalized but a donor round table for its financing has yet to take place. The end-December SB for the reorganization of debt management has already been met.

- **Most recurrent SBs were met**. Targets related to regular monitoring of budget execution, commitment and cash planning, debt management, and the treasury plan update have been respected. The tally of newly granted discretionary tax exemptions for the third quarter ran into administrative bottlenecks. The report is now under preparation and a revamped tracking system for exemptions will be implemented for the next review.

A. Outlook and Risks

6. Authorities and staff agreed that economic activity will likely expand by at least 7 percent annually over the next five years on average. The pull from large-scale donor projects is set to continue and FDI is generating a degree of momentum. Most importantly, the long elusive plan to construct a pipeline for crude oil exports is finally coming to fruition (Box 1). If well-managed, becoming an oil exporter will provide a boost to GDP, exports, and fiscal revenues. Due to the import-intensive projects, the external deficit is set to rise further in the near term but fall sharply when they come on stream. Inflation should remain comfortably below the 3 percent WAEMU ceiling.

Box 1. Becoming an Oil Exporter

The project to eventually expand crude oil production ten-fold and construct a pipeline for its exportation is now proceeding. Oil production started in 2011 when the China National Petroleum Company (CNPC) developed an oil field and built a local refinery. However, oil output and exports of refined products are constrained by refining capacity of 20,000 bpd and transport logistics. The proposed pipeline to Benin's coast would be 2,000 km long and have a capacity of 185,000 bpd, of which roughly half would initially be utilized. By way of comparison, oil production amounts to 75,000 bpd in Cameroon, 100,000 bpd in Chad, and 200,000 bpd in Ghana. The current oil project is based on total production of 590 million barrels over 25 years, with output falling rapidly after 10 years, though recent explorations suggest that reserves might be substantially higher.

The existing production sharing agreement has been extended to the new oil fields in a new encompassing exclusive exploitation authorization. TA by the IMF's Fiscal Affairs Department estimated that Niger's effective return is currently comparable to that in other countries and satisfactory. Niger receives about 25 percent of the crude oil export receipts under current price projections. Oil field development is already underway.

Niger and CNPC signed a transport convention for the pipeline in September 2019, following a similar agreement between Benin and CNPC, and a transport agreement between Niger and Benin. Some supporting studies and authorizations remain to be completed. The convention sets third-party access rules, minimum local content shares, and transportation fees. Construction should ramp up in mid-2020 and conclude by end-2021, permitting oil exports in 2022. The project is expected to cost US$6.1 billion: US$4 billion for oil field development and US$2.1 billion for the pipeline and the oil terminal. The cost for just the Nigerien part of the pipeline runs at US$1.3 billion.

West African Oil Petroleum Company (WAPCO) was established in April 2019 to own and manage the pipeline. It will be majority owned by CNPC with the state of Niger having the option to buy into its equity. Such participation would entitle the state to a revenue stream in foreign currency that could be used to service any foreign debt that may be contracted to finance its investment.

7. The authorities aim to largely complete fiscal consolidation in 2020 by bringing the deficit below 3 percent of GDP and thus complying with the WAEMU convergence criterion. The 2020 fiscal program reduces the deficit by 0.2 percent of GDP to 2.7 percent of the provisionally revised GDP, thereby leaving a margin in case the final GDP revision is smaller. The fiscal effort is stronger, with the basic balance excluding grants improving by 0.8 percent of GDP. Further consolidation in 2021 is unwarranted, considering Niger's pressing spending needs, particularly for security, social protection, and development. Some 60 percent of the revenue windfall from the expansion of oil production from 2022 onward is projected to be spent. At some 55 percent of GDP, Niger's public debt remains sustainable, but due to feeble exports, the Debt Sustainability Analysis (DSA) for the fourth program review (June 2019) rates the risks of external and overall debt distress as 'moderate' with limited space to absorb shocks. The capacity to take on external debt remains accordingly limited. Earlier plans of a Policy Based Guarantee (PBG) operation with the World Bank, which would have guaranteed borrowing from foreign banks to retire domestic debt, have been dropped. Instead, budget support has been topped up by 1.6 percent of GDP.

8. **Risks to the baseline outlook are broadly balanced**. On the upside, the likelihood that the crude oil export pipeline project materializes has increased substantially and its economic impact could easily exceed baseline projections. Moreover, a stronger self-sustained dynamic from the many large projects with donors and foreign investors could well develop. However, Niger remains vulnerable to a deterioration in the security situation, slowing external support, downsides to global economic developments mostly via unfavorable commodity prices for Niger and neighboring Nigeria, and climate change. A closure of Nigeria's border beyond the baseline assumption of end-2019 would be a drag on growth and fiscal revenues.

POLICY DISCUSSIONS

The discussions focused on the implementation of the fiscal programs for 2019 and 2020, fiscal risks from public private partnerships (PPPs), and the structural reforms that remain until the program expires on April 22, 2020. The mission also initiated a dialogue with the authorities on policies that would help make Niger's prospective oil exporter status as beneficial as possible.

A. Fiscal Policies and Structural Reforms

9. **The 2019 fiscal program has been updated to reflect higher budget support and revenue shortfalls to date**. Cash tax revenues grew by a respectable 16 percent in the first three quarters, but short of the programmed 20 percent, partly due to the closure of the Nigerian border, which entails an estimated loss of 0.3 percent of GDP for 2019, and due to implementation delays in revenue administration reforms. To compensate, the authorities agreed to an additional collection drive for tax arrears, have published the names of non-compliant taxpayers, banned them from importing, and will hold back expenditure. Nonetheless, revenues will be lower and the basic balance worse than previously envisaged. Thanks to the top-up of World Bank budget support though, the overall fiscal deficit is now a lower than programmed at 3.9 percent of GDP. Domestic financing needs are also lower; indeed, they turn negative, allowing Niger to retire domestic debt equivalent to 0.9 percent of GDP (on a net basis and excluding IMF financing). The program ceiling on the contracting of public and publicly guaranteed external debt turned out to be too low due to higher and more front-loaded donor support. It is proposed that the PC on domestic financing be tightened and the one on external debt contracting be loosened accordingly.

10. Public and publicly guaranteed debt remains sustainable with a rating of "moderate" risk of external debt distress. The DSA for the fourth program review identified Niger's limited export earnings to service external debt as the weakest link. Despite the requested upward modification of the ceiling on the contracting of external public debt by CFAF100 billion, external debt sustainability is broadly unchanged relative to the fourth review where program targets accommodated an increase of external public debt by up to CFAF140 billion in the context of the aborted PBG operation with the World Bank. Overall public debt sustainability also benefits from the top-up of the World Bank's highly concessional budget support and from lower domestic financing more than offsetting higher foreign financing.

11. A final and moderate consolidation push in the 2020 fiscal program should bring Niger in compliance with the WAEMU convergence criterion for a deficit of no more than 3 percent of GDP. Thanks to revenue measures of some 1 percent of GDP and the bounce-back from the assumed reopening of Nigeria's border at the beginning of the year, the deficit will decline to 2.7 percent of the provisional revised GDP (3.7 percent of the old GDP) while allowing healthy spending growth to address security and development needs. Domestic spending in the draft budget law, together with the commitment to set 0.6 percent of GDP in allocations aside pending a final review of 2019 revenue performance, is in line with the fiscal program.

12. Revenue mobilization remains an important priority. While prospective oil revenues of some 2 percent of GDP from 2022 are helpful, development needs remain substantial and dependence on foreign aid is high, with 2020 projected budget and project aid at 3.3 and 10.2 percent of GDP, respectively. At the same time, vigilance is needed against excessively burdensome, ad-hoc and unequal pressure on compliant tax payers in the formal sector without more effort to reign in on non-compliant economic actors in the informal sector, especially those with large commercial activities. The authorities envisage the following measures:

- Reducing **tax exemptions** as per the end-September 2019 SB. The 2020 budget law eliminates VAT exemptions for services purchased by beneficiaries under the Investment, PPP, Petroleum, and Mining Codes; ends the renewability of fiscal advantages under the Investment Code; and subjects contracts with Nigerien providers in the context of donor or NGO-financed projects to registration fees and stamp duties. As benefits for existing projects phase out, the associated annual revenue yield should rise from 0.3 to 0.5 percent of GDP over time. The authorities are open to further exemption cuts going forward. Staff suggested a more systematic approach that (i) restricts exemptions from indirect taxes to projects' investment phase; (ii) eliminates the extension of tax incentives to subcontractors; (iii) abolishes the special fiscal regime for PPPs; and (iv) reduces scope for discretionary tax exemptions.

Text Table 2. Niger: Exemption Cuts in the 2020 Budget
(Percent of GDP)

	2020	medium-term
End registration fee and stamp duty exemptions on externally-funded and NGOs projects	0.11%	0.11%
Remove VAT exemptions for purchase of domestic service under several codes	0.05%	0.14%
End renewability of benefits under Investment Code	0.02%	0.05%
Abolish VAT exemptions for subcontractors under the Petroleum Code and introduce VAT withholding for suppliers to PPP projects	0.02%	0.04%
Apply statistical fee on imports of exempted goods	0.06%	0.06%
Other	0.03%	0.08%
Total	**0.28%**	**0.49%**

Sources: Nigerien authorities; and IMF staff calculations.

- Implementing additional **miscellaneous tax policy and tax administration measures** with an estimated yield of 0.4 percent of GDP as part of the 2020 budget law;

Text Table 3. Niger: Miscellaneous Measures in the 2020 Budget
(Percent of GDP)

	2020	medium-term
Introduction of VAT machines; new "lifestyle test" to tackle tax under-payment; tougher sanctions on non-cooperation; transfer tax on foreclosed real estate	0.07%	0.26%
Higher valuation of transportation services for border-tax purposes	0.25%	0.25%
Reexport tax on processing of imported gold	0.05%	0.05%
Customs clearance of car imports at border	0.03%	0.03%
Total	**0.40%**	**0.59%**

Sources: Nigerien authorities; and IMF staff calculations.

- Steadfastly pushing forward with the implementation of ongoing reforms, notably the application of **transaction valuation** for border-tax purposes and full exploitation of the new and recently interconnected **IT systems** of tax and customs administrations. Progress with administrative reforms will be monitored through new **performance plans**, which will be upgraded and ready for 2020 before end-2019. The authorities also plan to finalize the contract with a provider of **marking for petroleum products** in the next few weeks, which would allow the regime to be technically fully effective in the third quarter of 2020;

- Steadily expanding the tax base through **better cooperation** between tax and customs administrations, post-customs-clearance control, and identifying inactive tax payers; and

- Seeking IMF technical assistance to **review the tax system** with a view to making it easier to administer and more efficient.

13. Efforts to raise spending quality need stepping up and require strong progress on ongoing PFM reforms. A robust increase in spending in the 2020 budget is in principle welcome as it allows for a significant and necessary augmentation of security outlays by 16.4 percent without neglecting other important tasks. However, efforts to raise the efficiency of spending should be intensified and should build on improvements to the budgeting process. While refinement of program budgeting is welcome, the introduction of the double authorization framework (AE/CP) with the 2020 budget proved elusive, no tangible progress could be ascertained in the framework for public investment, and persistent discrepancies between budget allocations and execution add to the challenge of achieving tighter expenditure planning and control. Work to build further capacity in the Ministry of Finance's Budget Department is welcome and should be followed by improving the capacity in the Budget Departments of Line Ministries. The upgrade of the unit in the Ministry of Finance in charge of financial supervision of SOEs, and the implementation of a tracking system for the main social spending programs are welcome and the authorities should try to draw maximum benefit from the public expenditure review with the World Bank scheduled for early 2020.

Text Table 4. Niger: Expenditure Evolution in the 2020 Budget

	Total Spending			Domestically-Financed Spending		
	Growth	Share	%GDP	Growth	Share	%GDP
Education	11.4%	20.1%	5.1%	14.0%	29.5%	4.5%
Rural Development and Food Security	34.8%	19.4%	5.0%	-7.3%	5.4%	0.8%
Energy and Infrastructure	7.6%	17.1%	4.4%	34.0%	9.0%	1.4%
Security	16.4%	16.5%	4.2%	21.6%	25.4%	3.9%
Health	11.8%	9.5%	2.4%	0.2%	9.6%	1.5%
Consolidation of Democratic Institutions	0.8%	7.5%	1.9%	10.1%	11.3%	1.7%
Transfers	63.6%	4.7%	1.2%	46.3%	6.9%	1.0%
Hydraulic Projects	-25.8%	2.9%	0.8%	61.7%	1.3%	0.2%
Other 1/	-31.5%	2.4%	0.6%	-57.0%	1.6%	0.2%

1/ Does not include debt service, transfers to local government or supranational entities, and miscellaneous other items.

Sources: Nigerien authorities; and IMF staff calculations.

14. The process of concluding PPPs shows major shortcomings in practice. The PPP law requires subjecting all projects to cost-benefit analyses, but this was not done for a project currently being negotiated to build a pipeline for the distribution of refined petroleum products within Niger and to the border with Burkina Faso. Under the contract, a state-owned enterprise would commit to large annual payments over an extended period under seemingly unfavorable terms. The authorities have put the project on hold, pending the completion of a solid cost-benefit analysis to ensure a positive net public benefit and limited fiscal risks. Depending on the outcome, the project may be restructured or exited. They committed to publish in the future all cost benefit analyses before any contractual commitments with private partners are entered.

15. Cash and debt management are improving. Regarding the Treasury Single Account (TSA), the government instructed the telecom regulator (ARCEP) to move all its accounts to the TSA by end-2019. The two other remaining large public entities outside the TSA—the ones in charge of food security (OPVN) and agricultural inputs (CAIMA)—are being restructured into commercial state-owned enterprises, which will put them outside the TSA perimeter. Nonetheless, their financial performance will become part of the fiscal assessment going forward. The establishment of a dedicated debt management unit in the Treasury is underway. Future debt management reports will be published at least once a year and their coverage will be expanded to include debt of major SOEs and PPPs.

16. Niger is making headway in promoting good governance and reducing vulnerabilities to corruption. The anti-corruption agency HALCIA has recorded more cases than ever this year, increased its staffing, launched an awareness campaign on social media, and upgraded its website to better publicize its activities and enable electronic filing of complaints. Collaboration with the Audit Court and civil society has also been strengthened. In October 2019, Niger completed its application to rejoin the Extractive Industry Transparency Initiative (EITI) and is on track to publish all natural-resource related contracts on the EITI's website. The authorities have requested technical assistance from the IMF to design an institutional framework for the oil sector that adheres to good international practice. Regarding anti-money laundering and combatting the financing of terrorism (AML/CFT), Niger adopted the national risk assessment report in July 2019 and will implement the action plan. The mutual evaluation by the Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA) to assess compliance with the 2012 FAFT standards is scheduled for January 2020. Suspicious transactions reports continue to come predominantly from banks, but thanks to the financial intelligence unit's efforts there have recently also been filings from the NGO regulator, a microfinance institution, and an insurance company.

17. The authorities are taking a gradual approach to upgrading the asset declaration regime for high-ranking government officials. Legislation has been prepared that extends declaration requirements to officials beyond those required under the constitution (President, members of government, and agency presidents). However, gaps remain. Family members are not adequately included and, particularly, for personalities covered directly by the constitution, important implementation aspects, such as the submission process and sanctions for non-compliance, are missing. The new legislation therefore does not live up to the ambitions of the end-September 2019 SB. Nonetheless, together with the *structural benchmark,* proposed to be reset and modified for end-December 2019, to publish on an official website the list of the personalities subject to the constitutional requirement and their recent declarations, a step forward is being made.

18. Progress with improving access to financing and financial inclusion is slow. Financial soundness indicators point to continued stability, although banks expressed concern about the possible effect of a prolonged Nigerian border closure on the quality of working-capital loans to traders. Niger's main challenge remains better access to credit for the private sector, which stands at only 14 percent of GDP. Use of the credit bureau has improved, but leasing, warrantage, and regional BCEAO financing scheme for SMEs have not yet to be used and the FISAN fund for agricultural credit operates only on a small scale. Together with a host of other small schemes this makes for a fragmented effort with little tangible impact. A framework for mobile banking and payments exists, but the new possibilities need better promotion and backing by improved interconnectivity and infrastructure. The microfinance sector continues to struggle, with its largest institution under receivership since May 2018. Reinvigorating the sector requires consolidation, capacity building, a deposit guarantee and resolution funds, better screening by the microfinance regulator, and the holding of a donor roundtable to raise financing for the implementation of the national financial inclusion strategy.

B. Managing Oil Wealth

19. The oil export project can be a sizable boon for the economy if well managed. In the macroeconomic framework, the onset of crude oil production for export in 2022: (i) raises GDP by 6.1 percent through 2024, when total oil production reaches a projected 110,000 bpd, though the impact on national income through fiscal revenues and local content is only half; (ii) increases fiscal revenues by 2 percent of GDP, 60 percent of which is spent, with the rest reducing the deficit or cushioning a fall of oil prices below the baseline US$55 pb; (iii) jolts exports by 8.6 percent of GDP, or 50 percent, with a similar current account improvement; (iv) improves the external overall balance only modestly, as much of the export receipts service foreign loans for the oil project; and (v) does not entail significant inflation risks during both the construction and production phases because of the high import content of the operations and the ready availability of goods and services from abroad in an economy with a small local production base. However, if the oil project was mismanaged, it could cause governance problems and even hurt the economy.

Text Table 5. Niger: Economic Impact of Oil Exports

(Ppt change in ratio to GDP between 2021 and 2024)

GDP	6.1
GNDI	3.0
Fiscal revenues	2.0
Domestically-financed expenditure	1.2
Exports	8.6
Current account balance	8.2
Overall external balance	1.5

Source: IMF staff projections.

20. Making Niger's prospective oil exporter status as successful as possible requires careful consideration in three broad policy areas.

- **Contractual arrangements with foreign investors**. The signed pipeline transport convention already fixes most aspects (see Box 1) in a broadly satisfactory fashion, but the degree of state participation via equity, loans, or guarantees is still under discussion. The authorities are keen to secure influence over the project by taking a sizable stake. Staff took the point but underscored the need to contain fiscal risks, ensure a fair return, and be mindful of external indebtedness. A gradual equity build-up up to the threshold needed for better control but well below the 45 percent contractual maximum might be an option. Securing favorable terms for the marketing of the government's oil under the production sharing agreement, as well as for the use of the oil terminal, storage facilities, and post-terminal arrangements, is also important.

- **Institutional framework for resource management and governance**. The authorities are considering expanding the role of SONIDEP to act as the state's shareholder, guardian of commercial interests, manager of oil sector concessions, and seller of Niger's crude oil. Staff emphasized the need to carefully delineate the roles of state entities—the Ministry of Finance, the Ministry of Petroleum, and SONIDEP—in line with good practices to ensure efficiency, avoid conflicts of interest, and steer clear of governance issues that have plagued many other commodity exporters. The authorities agreed that the Ministry of Finance should play the lead role in oil revenue administration, with the support of technical expertise from the Ministry of Petroleum and SONIDEP. Staff advised that revenues should flow directly to the Treasury and that any revenues passing through SONIDEP as shareholder should be carefully monitored to ensure the timely transfer of dividends.

- **Fiscal policy**. Regarding the decision on whether to spend or save the oil revenues, Niger's large development needs and young population argue for spending, subject to bottlenecks in efficiently implementing projects quickly and dealing with the inherent volatility of natural resource revenues. The latter may be best addressed by building a buffer and, once in place, by attuning spending to long-term average revenues. Well-planned spending focused on investment in physical and human capital would seem to best serve Niger's development and the promotion of a diversified private sector beyond the oil industry. It would also support absorbing into the domestic economy the foreign resources earned from oil exports. The high import content of infrastructure projects alleviates pressures for the real exchange rate to appreciate, which should also be addressed by loosening domestic supply constraints, such as the availability of land.

PROGRAM MODALITIES

21. Program performance will continue to be assessed semi-annually. The prior action on the establishment of a tracking system for the main social spending programs has been met. Existing and proposed modified quantitative PCs and ITs for end-December 2019 appear in Table 1 of the MEFP. Tables 2 and 3 of the MEFP set out existing and proposed-to-be-reset SBs for end-December 2019. For the sixth review, program performance will be assessed against the end-December 2019 PCs and ITs, as well as all applicable SBs.

22. Niger's capacity to repay the IMF remains adequate, but subject to risk, which program measures seek to mitigate. Considering the strength and implementation of the program so far, Niger should have sufficient capacity to repay the IMF, including when repayments peak at 1.5 percent of tax revenues in 2025 and 1.4 percent of exports in 2021 (Table 8). Key risks are security developments, climatic shocks, slowing of external support, and implementation capacity. The program is fully financed for the remainder of the arrangement.

23. The last safeguards assessment of the BCEAO was completed in 2018. It found that the central bank had maintained a strong control environment, audit arrangements were in broad conformity with international standards, and the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The BCEAO enhanced the oversight role of its audit committee and is making progress to strengthen its risk management function in line with the recommendations of the assessment. The central bank's financial statements continue to be published on a timely basis.

STAFF APPRAISAL

24. The authorities have continued to implement the program in a satisfactory manner. All performance criteria and indicative-targets for end-June were met. The authorities have committed to corrective measures to address the subsequent weakening of fiscal performance. Implementation of the structural reform agenda is advancing, albeit with delays.

25. Economic growth is solid, despite a difficult security situation. Activity is benefitting from the several large-scale FDI and donor-financed projects, with good potential that the associated dynamism trickles down to the local economy. In this context, the authorities' continued effort to improve business-environment indicators should help growth, diversification, and formalization of the informal sector. Activating, consolidating, and supplementing schemes to improve access to credit is an important priority.

26. The construction of a pipeline for crude oil exports has the potential to spur future economic growth and lift Niger's national income through higher fiscal revenues and local-content contributions to the project. To make the prospective status of oil-exporter as successful as possible, it will be critical to remain vigilant on contract design, establish an institutional framework that puts the Ministry of Finance in control of financial flows, and prudently plan the use of the forthcoming additional resources.

27. Public finances need continued attention. The 2020 budget allows for significant spending growth, to address the tense security situation and large development needs, financed by revenue measures. Staff welcomes the authorities' commitment to set aside some planned expenditure in early 2020 to protect public finances should revenues fall short. More generally, revenue mobilization through tax-base expansion, and improved spending quality remain key.

28. Fiscal risks from PPPs are a concern. The pausing of the finalization of a large PPP, pending an in-depth review based on solid cost-benefit analyses, is a welcome stop-gap measure by the government. Going forward, the institutional framework and its practical application needs revisiting.

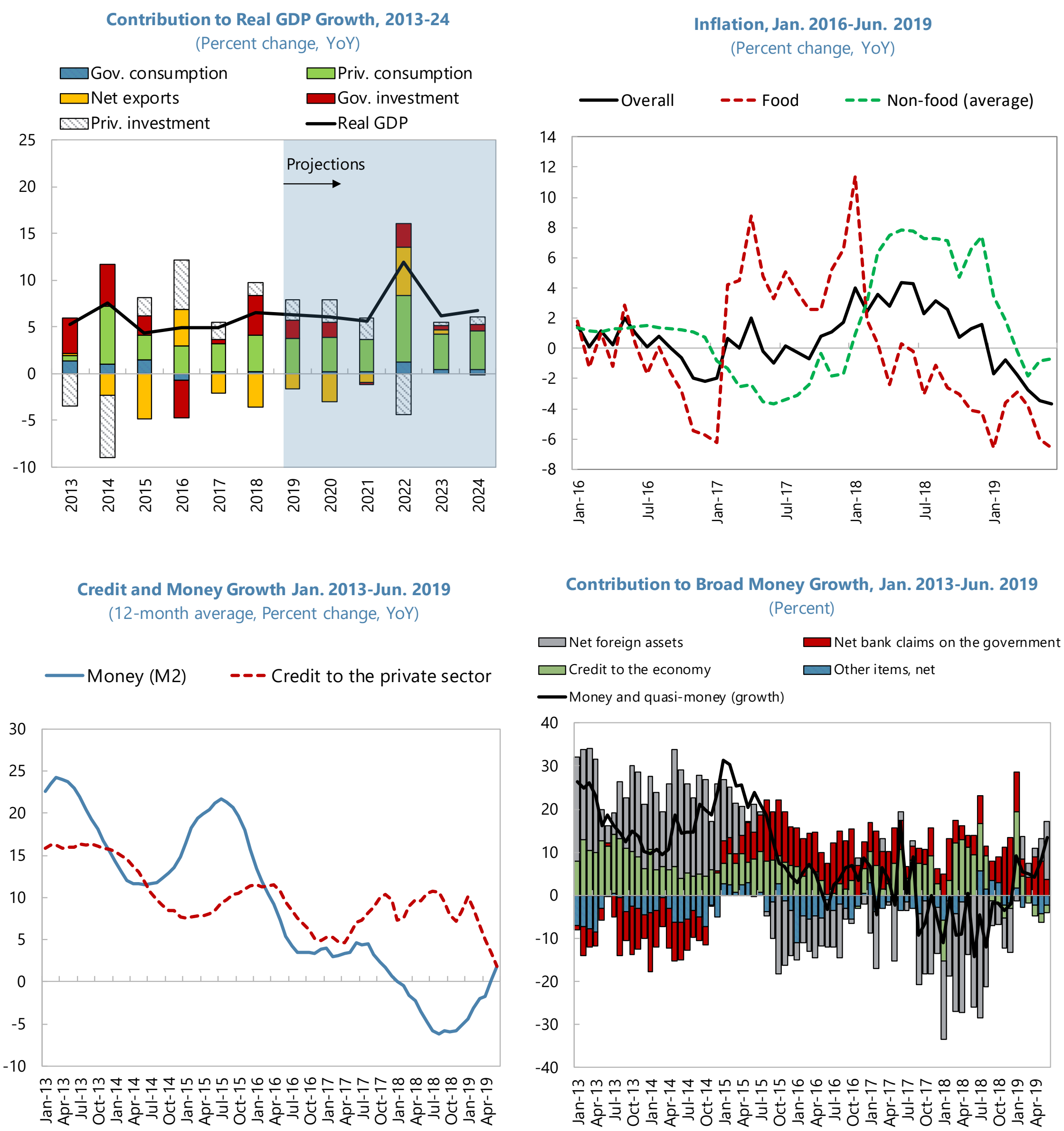
29. Progress with improving governance is encouraging. The anti-corruption agency is now better staffed and Niger's reapplication to the Extractive Industry Transparency Initiative completed. Improvements to the asset declaration regime for high-level government officials are useful steps toward eventually achieving an effective regime in line with good international practices. Ongoing efforts to improve fiscal governance, both on the revenue side and with respect to public financial management, will also help reduce vulnerabilities to corruption.

30. Staff calls on the authorities to take the advice of the international expert group into account when finalizing the revision of its national accounts.

31. Staff supports the authorities' request for the modification of the performance criterion on the contracting of new external public debt and the end-December 2019

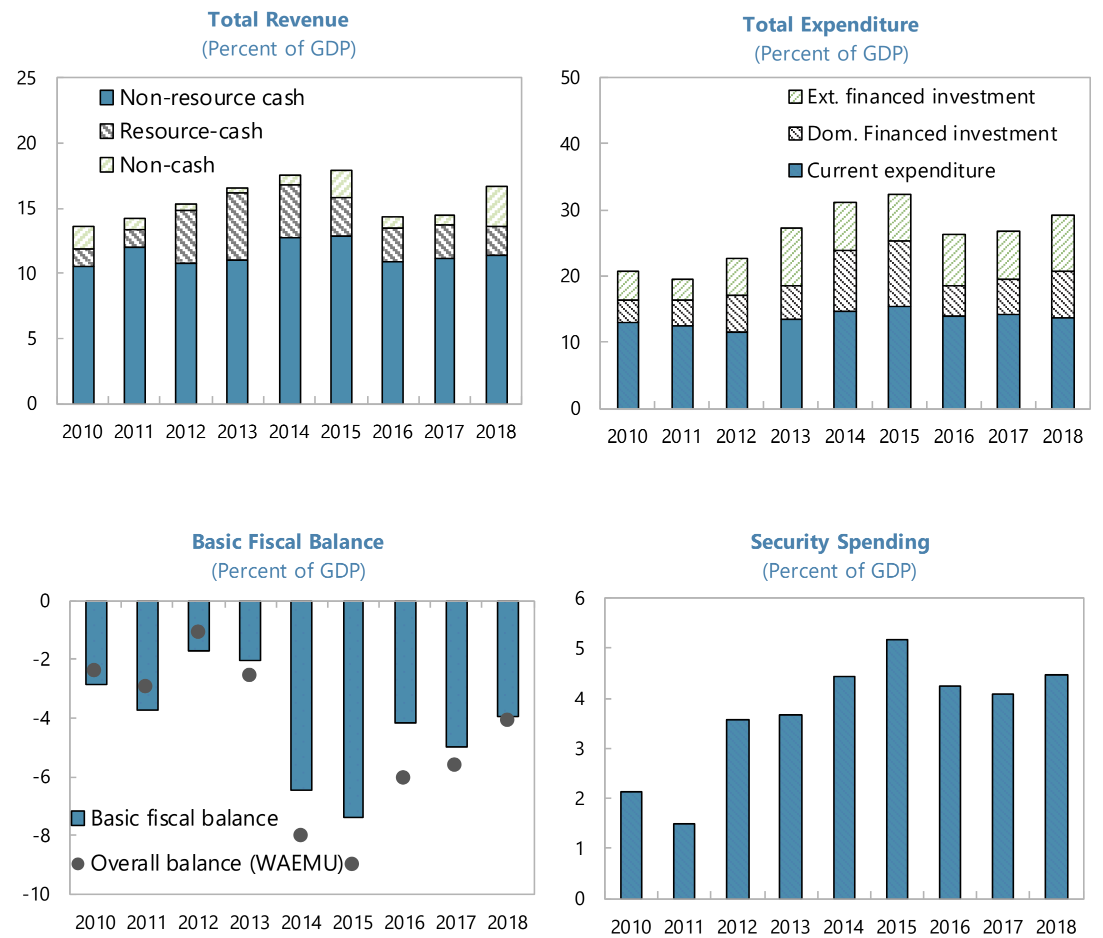
performance criterion on domestic budget financing, the completion of the fifth program review, and the disbursement of the sixth tranche of SDR 14.1 million. The attached Letter of Intent and the Memorandum of Economic and Financial Policies set out appreciate policies to achieve program objectives.

Figure 1. Niger: Recent Economic Developments and Outlook



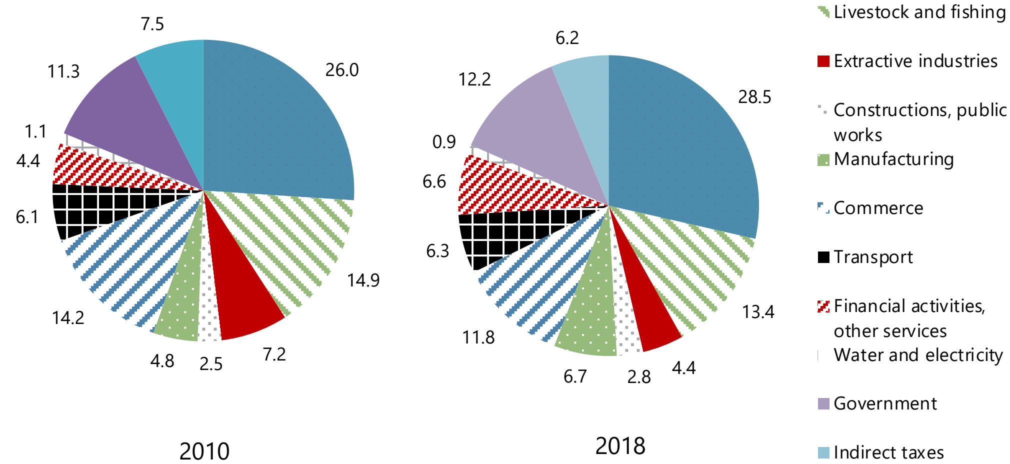
Sources: Nigerien authorities; and IMF staff calculations.

Figure 2. Niger: Fiscal Developments 2010–18



Sources: Nigerien authorities; and IMF staff calculations.

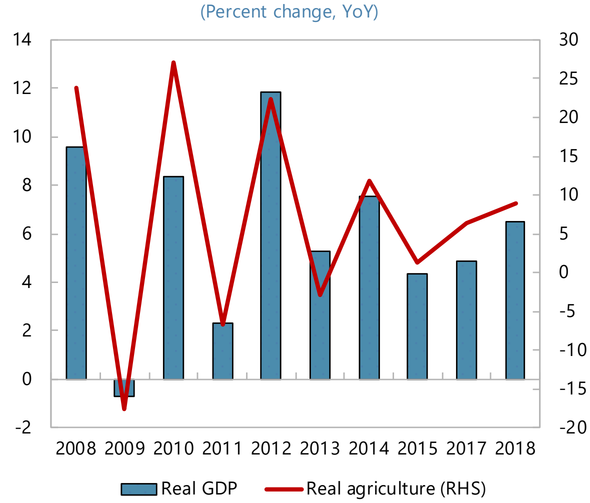
Figure 3. Niger: GDP Composition and Output Volatility



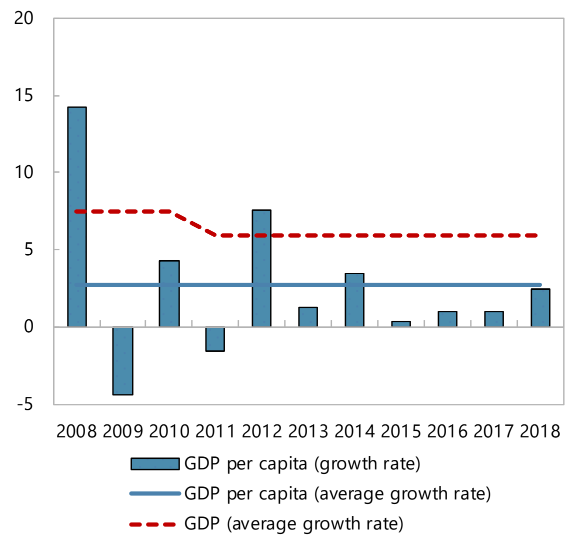
As a consequence, GDP growth is highly volatile and is driven by the impact of climatic shocks on agriculture.

Per capita GDP growth is highly volatile and, due to high population growth, is on average low.

Real GDP growth
(Percent change, YoY)



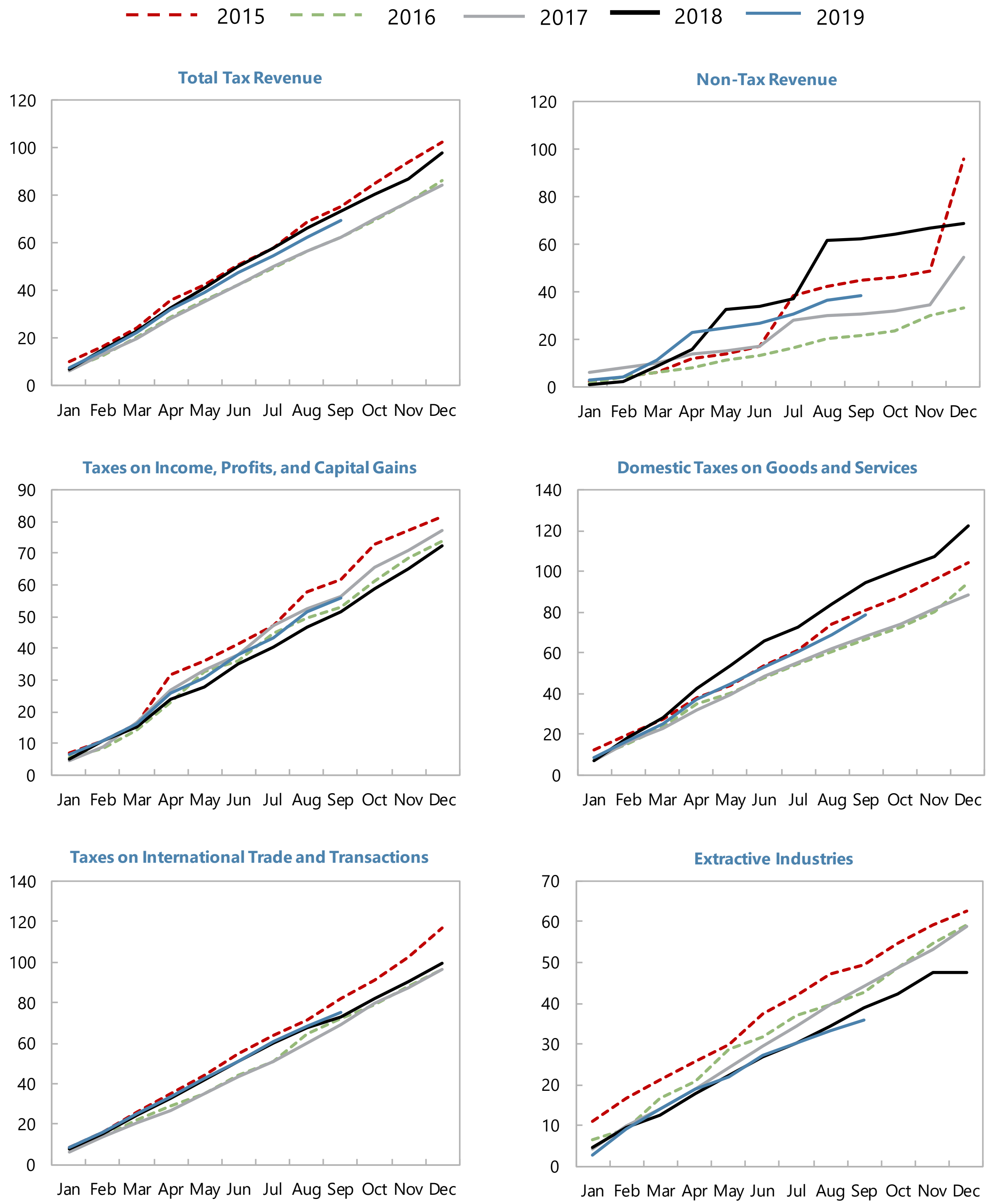
Real per capita GDP growth
(Percent change, YoY)



Sources: Nigerien authorities; and IMF staff calculations.

Figure 4. Niger: Tax Performance, 2015–19

(Cumulative values, December 2014 = 100, nominal GDP discounted)

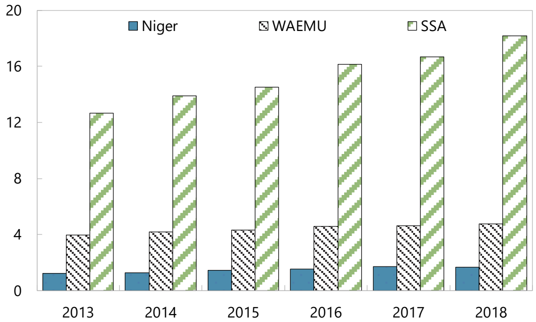


Sources: Nigerien authorities; and IMF staff calculations.

Figure 5. Niger: Indicators of Financial Inclusion, 2011–18

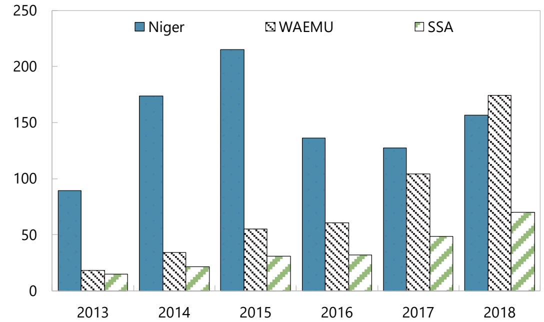
Access to traditional banking remains low…

ATMs
(per 100,000 adults)



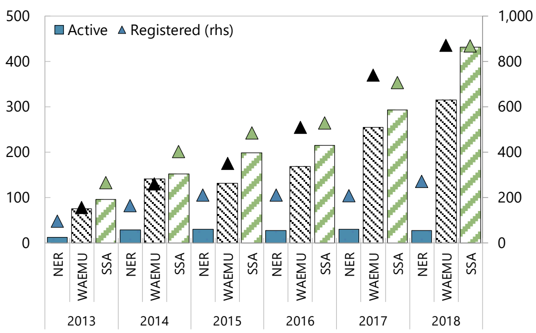
… but mobile money offers new opportunities.

Ratio of Mobile Money Agents to Commercial Bank Branches
(mobile money agents per bank branch)



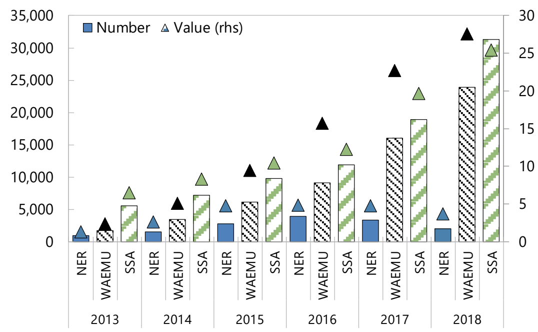
Registered mobile money accounts are growing…

Mobile Money Accounts
(Per 1,000 adults)



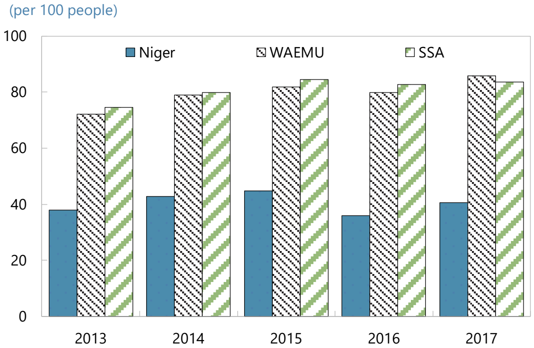
… but the volume of transactions remains small…

Mobile Money Transactions
(Number per 1,000 adults; Value in percent of GDP)



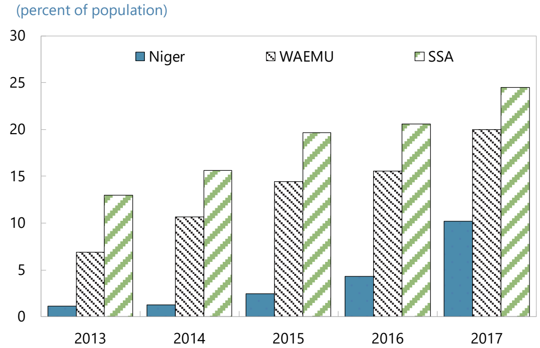
… and uptake of mobile phones is lagging.

Mobile Cellular Subscriptions
(per 100 people)



Access to Internet is low despite recent progress.

Individuals Using the Internet
(percent of population)

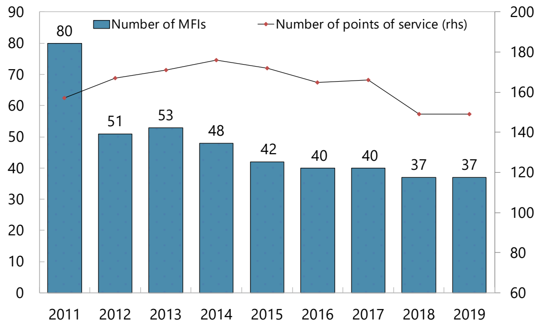


Sources: IMF Financial Access Survey, World Development Indicators; and IMF staff calculations.

Figure 6. Niger: Key Indicators of the Microfinance Sector, 2011–19

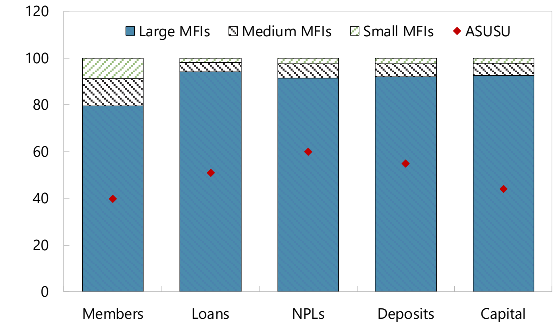
The microfinance sector has been shrinking since

Number of Microfinance Institutions



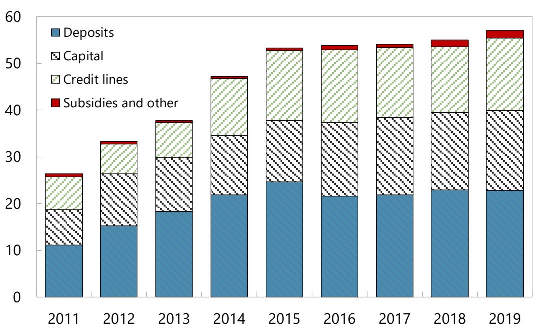
It is dominated by a few large MFIs...

Contribution to Main Aggregates by MFI Size, end-June 2019
(percent)



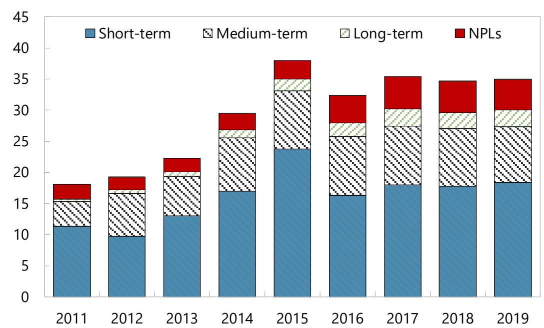
... that primarily rely on deposits...

Composition of Resources of Microfinance Institutions
(CFAF billion)



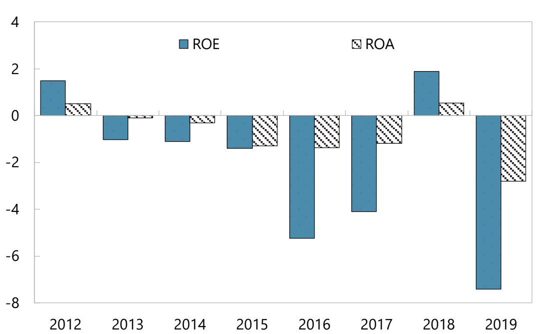
... to finance short and medium-term credit.

Distribution of MFI Loans by Maturity
(CFAF billion)



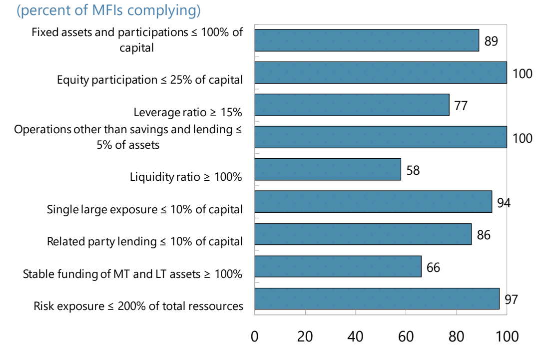
But MFIs record negative profitability ...

Profitability of Microfinance Institutions



... and compliance with prudential ratios is uneven.

Compliance to Prudential Ratios, end-June 2019
(percent of MFIs complying)



Sources: ARSM; and IMF staff calculations. 2019 based on end-June 2019 data for 35 microfinance institutions.

Table 1. Niger: Selected Economic and Financial Indicators, 2016–24

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				4th Review	Prog.	4th Review	Proj.	Projections			
	(Annual percentage change, unless otherwise indicated)										
National income and prices											
GDP at constant prices	4.9	4.9	6.5	6.3	6.3	6.0	6.0	5.6	11.9	6.1	6.8
Oil production (thousand barrels per day)	17	18	17	20	20	20	20	20	70	83	97
GDP deflator	0.2	-0.1	2.8	1.5	1.0	2.5	2.0	2.0	2.0	2.0	2.0
Consumer price index											
Annual average	0.2	0.2	2.8	1.6	-1.8	2.5	2.0	2.0	2.0	2.0	2.0
End-of-period	-2.2	1.7	1.6	2.9	-1.8	2.0	2.0	2.0	2.0	2.0	2.0
External sector											
Exports, f.o.b. (CFA francs)	-4.9	14.4	-4.6	14.6	10.7	8.3	12.0	5.9	65.4	11.9	12.3
Of which: non-uranium exports	7.9	22.6	3.5	16.4	10.3	9.7	15.7	7.2	72.3	13.3	13.7
Imports, f.o.b (CFA francs)	-13.0	11.7	11.6	15.9	19.0	16.4	14.9	7.5	0.6	0.0	5.6
Export volume	-7.1	14.7	-4.5	14.0	4.6	5.5	11.4	3.9	63.2	10.9	11.3
Import volume	-7.2	4.5	7.9	14.7	20.0	15.0	14.7	6.9	0.0	-0.7	3.3
Terms of trade (deterioration -)	9.1	-6.7	-3.4	-0.5	6.7	1.4	0.3	1.4	0.8	0.2	-1.3
Government finances											
Total revenue	-16.2	5.7	26.7	3.7	0.4	16.4	15.1	10.2	23.6	10.2	10.6
Total expenditure and net lending	-14.4	6.7	18.8	6.9	7.6	7.0	9.7	2.2	16.4	5.8	7.3
Current expenditure	-4.5	5.6	6.0	6.4	5.2	4.0	9.3	4.8	17.7	8.3	8.3
Capital expenditure	-23.4	7.8	33.0	7.3	9.7	9.6	10.1	0.0	15.3	3.5	6.5
	(Annual percentage change, unless otherwise indicated)										
Money and credit											
Domestic credit	14.2	11.4	11.4	10.4	7.8	6.1	8.9	8.6	11.0	10.9	11.9
Credit to the government (net)	605.7	48.1	127.8	8.0	8.0	-14.2	8.3	5.0	0.2	-5.5	-10.3
Credit to the economy	5.5	7.7	-4.5	11.2	7.7	12.5	9.1	9.8	14.4	15.3	16.8
Net domestic assets	22.8	10.7	13.5	17.9	12.5	11.4	13.0	14.7	11.3	8.8	10.7
Broad money	8.7	-4.9	-2.1	8.4	8.0	5.0	8.4	7.7	12.4	12.4	13.5
Velocity of broad money (ratio)	3.7	4.1	4.6	4.6	4.6	4.7	4.6	4.6	4.6	4.5	4.3
	(Percent of GDP, unless otherwise indicated)										
Government finances											
Total revenue	14.3	14.4	16.7	16.0	15.6	17.2	16.6	17.0	18.4	18.7	19.0
Total expenditure and net lending	26.3	26.8	29.1	28.9	29.2	28.4	29.6	28.1	28.6	28.0	27.6
Current expenditure	14.0	14.1	13.7	13.5	13.4	12.9	13.5	13.2	13.6	13.6	13.5
Capital expenditure	12.3	12.7	15.4	15.4	15.8	15.5	16.0	14.9	15.0	14.4	14.1
Basic balance (excl. grants)[1]	-4.2	-5.0	-4.0	-3.0	-3.6	-1.1	-2.8	-1.9	-1.7	-1.4	-1.0
Overall balance (commitment basis, incl. grants)[2]	-6.1	-5.7	-4.1	-4.1	-3.9	-3.0	-3.7	-3.7	-3.6	-3.2	-2.7
Overall balance (commitment basis, incl. grants)[2,3]	-4.5	-4.1	-3.0	...	-2.8	...	-2.7	-2.7	-2.6	-2.3	-2.0
Gross investment	38.4	40.0	43.0	45.3	43.6	47.9	44.7	44.4	36.6	34.9	34.2
Non-government investment	26.0	27.3	27.6	30.0	27.9	32.4	28.7	29.5	21.6	20.5	20.1
Government investment	12.3	12.7	15.4	15.4	15.8	15.5	16.0	14.9	15.0	14.4	14.1
Gross national savings	22.8	24.3	25.6	25.5	24.3	25.5	22.9	21.7	23.1	23.7	24.2
Of which: non-government	20.7	21.2	19.8	19.0	18.2	17.8	17.2	15.7	16.5	16.9	17.0
Domestic savings	21.3	21.5	22.0	22.3	20.4	22.8	19.0	22.2	22.4	22.7	23.0
External current account balance											
Excluding official grants	-17.4	-18.5	-20.2	-22.8	-23.2	-24.8	-24.5	-24.9	-15.3	-12.9	-11.7
External current account balance (incl. grants)	-15.5	-15.7	-17.4	-19.8	-19.4	-22.4	-21.8	-22.7	-13.5	-11.2	-10.0
Debt-service ratio as percent of:											
Exports of goods and services	7.6	5.1	7.1	9.6	9.9	11.4	11.4	12.1	8.4	7.8	7.2
Government revenue	8.6	6.2	6.7	9.8	10.1	10.9	11.4	12.1	10.5	9.8	9.0
Total public and publicly-guaranteed debt[4]	44.6	54.4	53.7	54.2	55.2	52.7	54.4	53.6	50.1	49.0	47.3
Public and publicly-guaranteed external debt	33.5	35.3	34.9	36.5	38.4	37.1	38.4	38.3	36.1	35.8	35.3
NPV of external debt	25.5	23.1	23.8	26.2	26.6	26.4	26.8	26.6	25.0	24.8	24.5
Public domestic debt[4]	11.1	19.1	18.8	17.8	16.8	15.6	16.1	15.3	14.0	13.2	12.0
Foreign aid	10.5	10.6	11.5	13.9	15.6	13.1	13.6	12.0	10.9	10.1	9.8
	(Billions of CFA francs)										
GDP at current market prices	4,511	4,726	5,175	5,571	5,555	6,056	6,009	6,472	7,386	7,996	8,708
GDP at current market prices (revised, provisional)	6,096	6,486	7,121	...	7,621	...	8,240	8,880	10,135	10,975	11,954
GDP at current prices (annual percentage change)	5.2	4.8	9.5	7.9	7.3	8.7	8.2	7.7	14.1	8.3	8.9

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

[1] Revenue excluding grants minus expenditure excluding foreign-financed capital expenditure.

[2] Revenue including grants minus expenditure; WAEMU anchor.

[3] In percent of revised GDP (provisional).

[4] Includes from 2017 onward debt associated with commercial PPPs, standing at some 4.7 and 4.2 percent of GDP in 2017 and 2018 respectively, and gradually being paid off through 2033.

Table 2. Niger: Financial Operations of the Central Government, 2016–24

(In billions of CFA francs)

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				4th Review	Prog.	4th Review	Proj.	Projections			
Total revenue	644	681	862	894	866	1,041	997	1,099	1,359	1,497	1,655
Of which: cash revenue	608	646	706	819	772	819	915	…	…	…	…
Tax revenue	607	620	788	834	806	961	924	1,010	1,254	1,378	1,526
International trade	165	172	194	244	222	284	270	303	371	410	446
Goods and services	239	234	354	324	313	346	355	364	464	507	572
Income	156	171	176	206	204	266	221	253	316	349	386
Other	47	43	64	60	67	65	78	90	103	112	122
Nontax revenue	28	49	67	43	43	60	58	66	79	91	98
Special accounts revenue	9	12	8	17	17	20	15	23	26	28	31
Total expenditure and net lending	1188	1267	1,505	1,609	1,620	1,721	1,777	1,816	2,114	2,236	2,400
Of which: domestically financed	833	916	1,067	1,064	1,068	1,108	1,164	1,220	1,481	1,609	1,745
Of which: domestically financed, cash	797	881	911	988	974	…	1,082	…	…	…	…
Total current expenditure	631	667	707	753	744	782	813	852	1,003	1,085	1,175
Budgetary expenditure	609	643	688	727	718	761	788	832	980	1,062	1,149
Wages and salaries	265	270	273	285	285	295	293	310	369	399	433
Goods and services	107	112	135	120	114	125	129	137	163	176	191
Transfers and subsidies	198	215	213	248	245	257	281	298	354	384	416
Interest	42	47	68	74	74	84	84	88	94	102	110
Of which: external debt	18	16	21	27	27	36	33	40	43	47	50
Adjustments to fiscal expenditure	-2	-1	-1	0	0	0	0	0	0	0	0
Special accounts expenditure [1]	22	24	19	26	26	21	25	19	22	24	26
Capital expenditure and net lending	557	600	798	856	876	938	964	964	1,111	1,150	1,225
Capital expenditure	557	600	798	856	876	938	964	964	1,111	1,150	1,225
Domestically-financed	201	250	360	311	324	326	352	368	479	523	570
Of which: domestically-financed, cash	165	215	204	236	230	…	270	…	…	…	…
Externally-financed	355	351	438	545	552	613	613	596	632	627	655
Of which: grants	204	201	303	335	341	364	411	356	375	365	380
loans	151	150	135	211	211	248	202	240	257	262	275
Net lending	0	0	0	0	0	0	0	0	0	0	0
Overall balance (commitment)	-544	-586	-643	-715	-753	-680	-780	-717	-755	-739	-745
Overall balance (commitments, WAEMU anchor)	-274	-267	-214	-226	-214	-183	-223	-236	-266	-257	-236
Basic balance (excl. budget grants) [2]	-189	-236	-204	-170	-202	-68	-167	-121	-123	-112	-90
Basic balance (incl. budget grants)	-123	-118	-79	-15	-3	65	-20	4	-9	5	39
Change in payment arrears and float	19	-54	-11	-44	-44	0	0	0	0	0	0
Of which: change in payment arrears	19	-54	-11	-44	-44	0	0	0	0	0	0
Overall balance (cash)	-525	-640	-654	-759	-797	-680	-780	-717	-755	-739	-745
Financing	525	640	654	759	797	680	780	717	755	739	745
External financing	441	480	563	718	813	723	740	688	714	719	767
Grants	270	319	429	489	539	497	557	480	489	483	509
Of which: budget financing	66	118	126	154	199	133	147	124	114	117	129
Loans	203	183	166	285	329	299	258	295	317	329	348
Of which: budget financing	52	33	31	74	118	51	56	55	60	67	73
Amortization	-32	-21	-32	-56	-56	-73	-76	-87	-92	-92	-90
Debt relief (incl. debt under discussion)	0	0	0	0	0	0	0	0	0	0	0
Domestic financing	84	160	91	41	-16	-43	40	29	41	21	-22
Banking sector	12	105	47	22	22	-42	25	16	1	-19	-33
IMF	7	19	18	32	32	3	3	-16	-18	-21	-22
Statutory advances (including other advances)	-8	-8	-9	0	0	-4	0	0	0	0	0
Deposits with BCEAO	31	-65	62	-1	-1	0	-1	0	-5	-10	-15
Government securities net and others	-18	160	-24	-9	-9	-42	23	33	24	12	4
Nonbanking sector	72	55	43	19	-38	0	15	13	40	39	11
Financing gap (+)	0	0	0	0	0	0	0	0	0	0	0

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

[1] The special accounts include the financing on the National Retirement Fund, Priority Investments Fund, and Fund for Continuous Professional Development.

[2] Revenues minus expenditure net of externally-financed capital expenditure.

Table 3. Niger: Financial Operations of the Central Government, 2016–24

(In percent of GDP)

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				4th Review	Prog.	4th Review	Proj.	Projections			
Total revenue	14.3	14.4	16.7	16.0	15.6	17.2	16.6	17.0	18.4	18.7	19.0
Of which: cash revenue	13.5	13.7	13.6	14.7	13.9	...	15.2	...	...	...	...
Tax revenue	13.5	13.1	15.2	15.0	14.5	15.9	15.4	15.6	17.0	17.2	17.5
International trade	3.7	3.6	3.8	4.4	4.0	4.7	4.5	4.7	5.0	5.1	5.1
Goods and services	5.3	4.9	6.8	5.8	5.6	5.7	5.9	5.6	6.3	6.3	6.6
Income	3.5	3.6	3.4	3.7	3.7	4.4	3.7	3.9	4.3	4.4	4.4
Other	1.0	0.9	1.2	1.1	1.2	1.1	1.3	1.4	1.4	1.4	1.4
Nontax revenue	0.6	1.0	1.3	0.8	0.8	1.0	1.0	1.0	1.1	1.1	1.1
Special accounts revenue	0.2	0.3	0.2	0.3	0.3	0.3	0.2	0.4	0.4	0.4	0.4
Total expenditure and net lending	26.3	26.8	29.1	28.9	29.2	28.4	29.6	28.1	28.6	28.0	27.6
Of which: domestically financed	18.5	19.4	20.6	19.1	19.2	18.3	19.4	18.8	20.1	20.1	20.0
Of which: domestically financed, cash	17.7	18.6	17.6	17.7	17.5	...	18.0	...	...	...	...
Total current expenditure	14.0	14.1	13.7	13.5	13.4	12.9	13.5	13.2	13.6	13.6	13.5
Budgetary expenditure	13.5	13.6	13.3	13.0	12.9	12.6	13.1	12.9	13.3	13.3	13.2
Wages and salaries	5.9	5.7	5.3	5.1	5.1	4.9	4.9	4.8	5.0	5.0	5.0
Goods and services	2.4	2.4	2.6	2.2	2.1	2.1	2.2	2.1	2.2	2.2	2.2
Transfers and subsidies	4.4	4.6	4.1	4.4	4.4	4.2	4.7	4.6	4.8	4.8	4.8
Interest	0.9	1.0	1.3	1.3	1.3	1.4	1.4	1.4	1.3	1.3	1.3
Of which: external debt	0.4	0.3	0.4	0.5	0.5	0.6	0.5	0.6	0.6	0.6	0.6
Adjustments to fiscal expenditure	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure [1]	0.5	0.5	0.4	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3
Capital expenditure and net lending	12.3	12.7	15.4	15.4	15.8	15.5	16.0	14.9	15.0	14.4	14.1
Capital expenditure	12.3	12.7	15.4	15.4	15.8	15.5	16.0	14.9	15.0	14.4	14.1
Domestically-financed	4.5	5.3	7.0	5.6	5.8	5.4	5.8	5.7	6.5	6.5	6.5
Of which: domestically financed, cash	3.7	4.5	3.9	4.2	4.1	...	4.5	...	...	...	...
Externally-financed	7.9	7.4	8.5	9.8	9.9	10.1	10.2	9.2	8.6	7.8	7.5
Of which: grants	4.5	4.3	5.9	6.0	6.1	6.0	6.8	5.5	5.1	4.6	4.4
loans	3.4	3.2	2.6	3.8	3.8	4.1	3.4	3.7	3.5	3.3	3.2
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-12.1	-12.4	-12.4	-12.8	-13.6	-11.2	-13.0	-11.1	-10.2	-9.2	-8.6
Overall balance (commitments, WAEMU anchor)	-6.1	-5.7	-4.1	-4.1	-3.9	-3.0	-3.7	-3.7	-3.6	-3.2	-2.7
Basic balance (excl. budget grants) [2]	-4.2	-5.0	-4.0	-3.0	-3.6	-1.1	-2.8	-1.9	-1.7	-1.4	-1.0
Basic balance (incl. budget grants)	-2.7	-2.5	-1.5	-0.3	-0.1	1.1	-0.3	0.1	-0.1	0.1	0.4
Change in payment arrears and float	0.4	-1.1	-0.2	-0.8	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Of which: change in payment arrears	0.4	-1.1	-0.2	-0.8	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-11.6	-13.5	-12.6	-13.6	-14.3	-11.2	-13.0	-11.1	-10.2	-9.2	-8.6
Financing	11.6	13.5	12.6	13.6	14.3	11.2	13.0	11.1	10.2	9.2	8.6
External financing	9.8	10.2	10.9	12.9	14.6	11.9	12.3	10.6	9.7	9.0	8.8
Grants	6.0	6.7	8.3	8.8	9.7	8.2	9.3	7.4	6.6	6.0	5.9
Of which: budget financing	1.5	2.5	2.4	2.8	3.6	2.2	2.4	1.9	1.5	1.5	1.5
Loans	4.5	3.9	3.2	5.1	5.9	4.9	4.3	4.6	4.3	4.1	4.0
Of which: budget financing	1.2	0.7	0.6	1.3	2.1	0.8	0.9	0.8	0.8	0.8	0.8
Amortization	-0.7	-0.5	-0.6	-1.0	-1.0	-1.2	-1.3	-1.3	-1.2	-1.2	-1.0
Debt relief (incl. debt under discussion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	1.9	3.4	1.8	0.7	-0.3	-0.7	0.7	0.5	0.6	0.3	-0.3
Banking sector	0.3	2.2	0.9	0.4	0.4	-0.7	0.4	0.3	0.0	-0.2	-0.4
IMF	0.1	0.4	0.3	0.6	0.6	0.1	0.0	-0.3	-0.2	-0.3	-0.2
Statutory advances (including other advances)	-0.2	-0.2	-0.2	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Deposits with BCEAO	0.7	-1.4	1.2	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.2
Government securities net and others	-0.4	3.4	-0.5	-0.2	-0.2	-0.7	0.4	0.5	0.3	0.2	0.0
Nonbanking sector	1.6	1.2	0.8	0.3	-0.7	0.0	0.3	0.2	0.5	0.5	0.1
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

[1] The special accounts include the financing on the National Retirement Fund, Priority Investments Fund, and Fund for Continuous Professional Development.

[2] Revenues minus expenditure net of externally-financed capital expenditure.

Table 4. Niger: Monetary Survey, 2016–24

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				4th Review	Prog.	4th Review	Proj.	Projections			
	(Billions of CFA francs)										
Net foreign assets	570	442	322	273	312	226	297	249	294	377	467
BCEAO	458	358	261	212	251	165	236	188	233	316	406
Commercial banks	111	84	61	61	61	61	61	61	61	61	61
Net domestic assets	641	709	805	949	905	1,057	1,023	1,173	1,305	1,420	1,572
Domestic credit	910	1,013	1,128	1,246	1,216	1,322	1,324	1,438	1,596	1,769	1,979
Net bank claims on government	82	122	277	300	300	257	324	341	341	322	289
BCEAO	58	5	75	106	106	106	108	92	68	37	1
Claims	120	131	140	172	172	172	175	159	140	119	98
Of which: statutory advances	29	21	12	4	5	1	3	0	0	0	0
Deposits	-62	-126	-65	-66	-66	-66	-67	-67	-72	-82	-97
Commercial banks	24	117	202	193	193	151	216	249	273	285	289
Claims	169	261	344	335	335	293	358	391	415	427	430
Deposits	-145	-144	-142	-142	-142	-142	-142	-142	-142	-142	-142
Credit to other sectors	827	891	851	947	916	1,065	999	1,097	1,255	1,447	1,690
Of which: credit to the private sector	707	741	727	817	787	927	863	954	1,104	1,288	1,522
Other items, net	-269	-303	-323	-298	-310	-265	-301	-265	-291	-349	-408
Money and quasi-money	1,211	1,151	1,127	1,221	1,218	1,283	1,320	1,422	1,599	1,797	2,039
Currency outside banks	599	490	480	521	519	547	563	606	681	766	869
Deposits with banks	612	661	647	701	699	736	757	816	917	1,031	1,170
	(Annual percentage change, unless otherwise indicated)										
Net foreign assets	-3.6	-22.5	-27.1	-15.3	-3.1	-17.2	-4.8	-16.2	18.0	28.3	24.0
BCEAO	-5.1	-22.0	-27.0	-18.9	-3.8	-22.2	-6.0	-20.4	23.9	35.8	28.6
Commercial banks	3.1	-24.5	-27.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net domestic assets	22.8	10.7	13.5	17.9	12.5	11.4	13.0	14.7	11.3	8.8	10.7
Domestic credit	14.2	11.4	11.4	10.4	7.8	6.1	8.9	8.6	11.0	10.9	11.9
Net bank claims on the government	605.7	48.1	127.8	8.0	8.0	-14.2	8.3	5.0	0.2	-5.5	-10.3
BCEAO	96.1	-91.9	1,500	41.1	41.1	-0.2	1.8	-15.2	-25.5	-45.3	-98.1
Of which: statutory advances	-21.6	-29.0	-41.6	-43.6	-55.7	-79.7	-50.0	-100.0	…	…	…
Commercial banks	-233.8	386.2	72.6	-4.3	-4.3	-21.9	11.8	15.1	9.6	4.5	1.2
Claims	42.9	54.9	31.6	-2.6	-2.6	-12.6	6.8	9.1	6.1	3.0	0.8
Deposits	6.3	-0.3	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to other sectors	5.5	7.7	-4.5	11.2	7.7	12.5	9.1	9.8	14.4	15.3	16.8
Of which: credit to the private sector	9.6	4.8	-1.9	12.3	8.2	13.5	9.6	10.5	15.7	16.7	18.2
Other items, net	-2.0	13.0	6.6	-8.0	-4.0	-10.9	-3.1	-11.8	9.8	20.0	16.7
Broad money	8.7	-4.9	-2.1	8.4	8.0	5.0	8.4	7.7	12.4	12.4	13.5
Memorandum items:											
Velocity of broad money (ratio)	3.7	4.1	4.6	4.6	4.6	4.7	4.6	4.6	4.6	4.5	4.3
Credit to the economy (percent of GDP)	18.3	18.9	16.4	17.0	16.5	17.6	16.6	17.0	17.0	18.1	19.4
Credit to the private sector (percent of GDP)	15.7	15.7	14.1	14.7	14.2	15.3	14.4	14.7	14.9	16.1	17.5
GDP at current prices (annual percent change)	5.2	4.8	9.5	7.9	7.3	8.7	8.2	7.7	14.1	8.3	8.9

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Balance of Payments, 2016–24
(In billions of CFA francs, unless otherwise indicated)

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				4th Review	Prog.	4th Review	Proj.	Projections			
Current account balance	-700	-742	-903	-1,103	-1,075	-1,358	-1,311	-1,471	-999	-896	-872
Balance on goods, services, and income	-865	-981	-1,173	-1,406	-1,423	-1,656	-1,622	-1,765	-1,293	-1,200	-1,195
Balance on goods	-405	-436	-600	-742	-769	-925	-904	-986	-423	-251	-157
Exports, f.o.b	612	700	668	773	740	837	828	877	1,451	1,623	1,823
Uranium	178	168	117	132	132	134	125	123	152	151	150
Oil	91	151	129	162	136	152	137	124	584	699	829
Other products	343	381	422	478	472	551	567	629	715	773	844
Imports, f.o.b	1,017	1,136	1,268	1,514	1,508	1,762	1,733	1,863	1,874	1,874	1,980
Food products	208	263	315	304	296	319	318	341	367	392	425
Petroleum products	58	74	59	71	71	74	74	78	82	86	90
Capital goods	280	294	362	463	470	577	570	590	577	567	563
Other products	472	505	532	676	672	792	770	854	848	829	902
Services and income (net)	-460	-545	-573	-665	-654	-731	-717	-779	-870	-949	-1,038
Services (net)	-363	-440	-466	-541	-539	-596	-593	-645	-717	-760	-815
Income (net)	-97	-105	-107	-124	-115	-135	-124	-134	-153	-189	-224
Of which: interest on external public debt	-18	-16	-21	-27	-27	-36	-33	-40	-43	-47	-50
Unrequited current transfers (net)	165	240	270	304	347	299	311	294	294	304	323
Private (net)	82	107	128	136	132	153	148	154	165	172	179
Public (net)	83	132	142	168	215	146	163	140	129	133	144
Of which: grants for budgetary assistance	66	118	126	154	199	133	147	124	114	117	129
Capital and financial account	684	610	793	1,053	1,065	1,311	1,295	1,423	1,044	979	962
Capital account	230	237	347	411	411	474	512	475	472	478	436
Private capital transfers	26	33	41	49	42	54	46	54	50	51	56
Project grants	204	201	303	362	368	420	466	421	422	427	380
Nonproduced, nonfinancial assets	0	3	3	0	0	0	0	0	0	0	0
Financial account	455	373	446	642	655	837	783	947	572	501	527
Direct investment	155	180	237	372	340	539	528	663	296	211	210
Portfolio investment	99	31	79	29	33	44	45	53	45	47	48
Other investment	201	162	130	241	281	253	210	231	231	243	269
Public sector (net)	171	161	134	229	273	226	182	207	225	236	258
Disbursements	203	183	166	285	329	299	258	295	317	329	348
Loans for budgetary assistance	52	33	31	74	118	51	56	55	60	67	73
Project loans	151	150	135	211	211	248	202	240	257	262	275
Amortization	32	21	32	56	56	73	76	87	92	92	90
Other (net)	30	1	-5	12	8	27	28	24	5	7	11
Errors and omissions	-5	4	-10	0	0	0	0	0	0	0	0
Overall balance	-22	-128	-120	-49	-10	-47	-15	-48	45	83	90
Financing	22	128	120	49	10	47	15	48	-45	-83	-90
Net foreign assets (BCEAO)	25	101	97	49	10	47	15	48	-45	-83	-90
Of which: net use of Fund resources	7	19	18	32	32	3	3	-16	-18	-21	-22
Net foreign assets (commercial banks)	-3	27	23	0	0	0	0	0	0	0	0
Rescheduling obtained	0	0	0	0	0	0	0	0	0	0	0
Financing gap	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:											
Current account balance, excluding grants	-783	-874	-1,045	-1,271	-1,290	-1,504	-1,474	-1,611	-1,128	-1,029	-1,016
Exports of goods and services	729	830	805	911	882	1,000	997	1,101	1,697	1,879	2,090
Pooled gross international reserves, WAEMU (in USD billion)	10.5	13.0	15.1	…	…	…	…	…	…	…	…
Pooled gross international reserves, WAEMU (in CFAF billion)	6,529	7,184	8,383	…	…	…	…	…	…	…	…
In months of next year's imports of goods and services	3.9	4.1	4.3	…	…	…	…	…	…	…	…
In percent of broad money	37.7	38.7	39.7	…	…	…	…	…	…	…	…
GDP at current prices	4,511	4,726	5,175	5,571	5,555	6,056	6,009	6,472	7,386	7,996	8,708

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

Table 6. Niger: Balance of Payments, 2016–24

(In percent of GDP)

	2016	2017	2018	2019 4th Review	2019 Prog.	2020 4th Review	2020 Proj.	2021	2022	2023	2024
								Projections			
Current account balance	-15.5	-15.7	-17.4	-19.8	-19.4	-22.4	-21.8	-22.7	-13.5	-11.2	-10.0
Balance on goods, services, and income	-19.2	-20.8	-22.7	-25.2	-25.6	-27.4	-27.0	-27.3	-17.5	-15.0	-13.7
Balance on goods	-9.0	-9.2	-11.6	-13.3	-13.8	-15.3	-15.1	-15.2	-5.7	-3.1	-1.8
Exports, f.o.b	13.6	14.8	12.9	13.9	13.3	13.8	13.8	13.6	19.6	20.3	20.9
Uranium	3.9	3.6	2.3	2.4	2.4	2.2	2.1	1.9	2.1	1.9	1.7
Oil	2.0	3.2	2.5	2.9	2.5	2.5	2.3	1.9	7.9	8.7	9.5
Other products	7.6	8.1	8.1	8.6	8.5	9.1	9.4	9.7	9.7	9.7	9.7
Imports, f.o.b	22.6	24.0	24.5	27.2	27.2	29.1	28.8	28.8	25.4	23.4	22.7
Food products	4.6	5.6	6.1	5.5	5.3	5.3	5.3	5.3	5.0	4.9	4.9
Petroleum products	1.3	1.6	1.1	1.3	1.3	1.2	1.2	1.2	1.1	1.1	1.0
Capital goods	6.2	6.2	7.0	8.3	8.5	9.5	9.5	9.1	7.8	7.1	6.5
Other products	10.5	10.7	10.3	12.1	12.1	13.1	12.8	13.2	11.5	10.4	10.4
Services and income (net)	-10.2	-11.5	-11.1	-11.9	-11.8	-12.1	-11.9	-12.0	-11.8	-11.9	-11.9
Services (net)	-8.0	-9.3	-9.0	-9.7	-9.7	-9.8	-9.9	-10.0	-9.7	-9.5	-9.4
Income (net)	-2.1	-2.2	-2.1	-2.2	-2.1	-2.2	-2.1	-2.1	-2.1	-2.4	-2.6
Of which: interest on external public debt	-0.4	-0.3	-0.4	-0.5	-0.5	-0.6	-0.5	-0.6	-0.6	-0.6	-0.6
Unrequited current transfers (net)	3.7	5.1	5.2	5.5	6.3	4.9	5.2	4.5	4.0	3.8	3.7
Private (net)	1.8	2.3	2.5	2.4	2.4	2.5	2.5	2.4	2.2	2.1	2.1
Public (net)	1.8	2.8	2.8	3.0	3.9	2.4	2.7	2.2	1.8	1.7	1.7
Of which: grants for budgetary assistance	1.5	2.5	2.4	2.8	3.6	2.2	2.4	1.9	1.5	1.5	1.5
Capital and financial account	15.2	12.9	15.3	18.9	19.2	21.6	21.6	22.0	14.1	12.2	11.1
Capital account	5.1	5.0	6.7	7.4	7.4	7.8	8.5	7.3	6.4	6.0	5.0
Private capital transfers	0.6	0.7	0.8	0.9	0.8	0.9	0.8	0.8	0.7	0.6	0.6
Project grants	4.5	4.3	5.9	6.5	6.6	6.9	7.8	6.5	5.7	5.3	4.4
Nonproduced, nonfinancial assets	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	10.1	7.9	8.6	11.5	11.8	13.8	13.0	14.6	7.7	6.3	6.0
Direct investment	3.4	3.8	4.6	6.7	6.1	8.9	8.8	10.2	4.0	2.6	2.4
Portfolio investment	2.2	0.7	1.5	0.5	0.6	0.7	0.7	0.8	0.6	0.6	0.6
Other investment	4.4	3.4	2.5	4.3	5.1	4.2	3.5	3.6	3.1	3.0	3.1
Public sector (net)	3.8	3.4	2.6	4.1	4.9	3.7	3.0	3.2	3.0	3.0	3.0
Disbursements	4.5	3.9	3.2	5.1	5.9	4.9	4.3	4.6	4.3	4.1	4.0
Loans for budgetary assistance	1.2	0.7	0.6	1.3	2.1	0.8	0.9	0.8	0.8	0.8	0.8
Project loans	3.4	3.2	2.6	3.8	3.8	4.1	3.4	3.7	3.5	3.3	3.2
Amortization	0.7	0.5	0.6	1.0	1.0	1.2	1.3	1.3	1.2	1.2	1.0
Other (net)	0.7	0.0	-0.1	0.2	0.1	0.4	0.5	0.4	0.1	0.1	0.1
Errors and omissions	-0.1	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.5	-2.7	-2.3	-0.9	-0.2	-0.8	-0.3	-0.7	0.6	1.0	1.0
Financing	0.5	2.7	2.3	0.9	0.2	0.8	0.3	0.7	-0.6	-1.0	-1.0
Net foreign assets (BCEAO)	0.6	2.1	1.9	0.9	0.2	0.8	0.3	0.7	-0.6	-1.0	-1.0
Of which: net use of Fund resources	0.1	0.4	0.3	0.6	0.6	0.1	0.0	-0.3	-0.2	-0.3	-0.2
Net foreign assets (commercial banks)	-0.1	0.6	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling obtained	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Current account balance, excluding grants (in percent of GDP)	-17.4	-18.5	-20.2	-22.8	-23.2	-24.8	-24.5	-24.9	-15.3	-12.9	-11.7
Exports of goods and services (in percent of GDP)	16.2	17.6	15.6	16.4	15.9	16.5	16.6	17.0	23.0	23.5	24.0
Pooled gross international reserves, WAEMU (in USD billion)	10.5	13.0	15.1	…	…	…	…	…	…	…	…
Pooled gross international reserves, WAEMU (in CFAF billion)	6,529	7,184	8,383	…	…	…	…	…	…	…	…
In months of next year's imports of goods and services	3.9	4.1	4.3	…	…	…	…	…	…	…	…
In percent of broad money	37.7	38.7	39.7	…	…	…	…	…	…	…	…

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

Table 7. Niger: Indicators of Financial Soundness, Dec. 2012-Dec. 2018

(In percent)

	2012 Dec.	2013 Dec.	2014 Dec.	2015 Dec.	2016 Dec.	2017 Dec.	2018 Jun.[1/]	2018 Dec.[1/]
Solvency Ratios								
Regulatory capital to risk-weighted assets	17.5	16.2	16.2	13.5	13.9	16.8	13.3	12.3
Tier 1 capital to risk-weighted assets	17.5	15.7	14.4	7.7	13.5	16.4	13.2	12.3
CET1 capital to risk-weighted assets	…	…	…	…	…	…	13.2	12.3
Provisions to risk-weighted assets	10.4	12.1	13.0	12.6	12.1	14.0	11.9	8.7
Capital to total assets	10.5	9.6	9.0	7.6	8.9	9.4	9.1	8.3
Composition and Quality of Assets								
Total loans to total assets	60.0	57.5	54.2	57.0	58.1	55.4	56.6	52.9
Concentration[2/]	130.8	126.1	108.8	170.9	144.5	98.8	96.0	93.4
Gross NPLs to total loans	17.1	16.4	17.6	15.5	17.7	18.8	19.0	17.0
Provisioning rate	54.6	67.4	66.8	71.4	66.5	66.1	65.9	59.0
Net NPLs to total loans	8.6	6.0	6.6	5.0	6.7	7.3	7.4	7.8
Net NPLs to capital	49.2	36.1	39.9	37.5	43.7	42.8	46.3	49.4
Earnings and Profitability								
Average cost of borrowed funds	2.2	2.0	2.0	1.3	2.2	2.2	…	2.4
Average interest rate on loans	10.5	10.1	9.7	6.1	8.8	8.4	…	8.9
Average interest rate (after taxes on financial operations)	8.3	8.1	7.7	4.8	6.6	6.3	…	6.6
After-tax return on average assets (ROA)	0.8	1.4	1.8	2.5	1.8	1.6	0.9	1.7
After-tax return on average equity (ROE)	7.4	12.6	20.5	26.0	19.5	15.4	8.0	15.0
Non-interest expenses to net banking income	54.5	51.5	49.8	51.8	56.5	59.3	53.1	59.9
Salaries and wages to net banking income	23.3	23.5	22.2	23.6	25.9	25.5	24.5	25.9
Liquidity								
Liquid assets to total assets	32.5	30.3	29.2	31.4	30.0	29.2	29.9	27.0
Liquid assets to total deposits	51.4	49.7	46.0	50.9	51.1	53.4	55.6	49.1
Total loans to total deposits	104.7	105.8	96.7	104.0	112.3	116.0	120.3	107.0
Total deposits to total liabilities	63.2	61.0	63.5	61.7	58.7	54.6	53.8	55.0
Sight deposits to total liabilities	42.0	40.1	41.1	37.9	36.6	35.3	33.1	35.3
Term deposits to total liabilities	21.2	21.0	22.4	23.8	22.0	19.3	20.7	19.7

Source: BCEAO.

1/ Compilation according to Basel II/III. Not comparable to earlier years.

2/ Credit to the 5 biggest borrowers to regulatory capital.

Table 8. Niger: Indicators of Capacity to Repay the Fund, 2018–28

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	(In millions of SDRs, unless otherwise indicated)										
Fund obligations based on existing credit											
Principal	5.8	7.8	11.6	19.1	21.8	25.2	26.1	28.3	20.5	16.6	11.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit											
Principal	5.8	7.8	11.6	19.1	21.8	25.2	26.1	31.1	26.2	22.3	16.6
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit											
SDR millions	5.8	7.8	11.6	19.1	21.8	25.2	26.1	31.1	26.2	22.3	16.6
CFAF billions	4.6	6.3	9.4	15.3	17.5	20.2	20.8	24.8	20.9	17.8	13.3
Percent of exports of goods and services	0.6	0.7	0.9	1.4	1.0	1.1	1.0	1.0	0.8	0.7	0.5
Percent of debt service[1]	3.1	2.8	4.0	5.4	5.7	6.3	6.4	8.7	7.2	5.5	3.8
Percent of GDP	0.1	0.1	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.1
Percent of tax revenue	0.6	0.8	1.0	1.5	1.4	1.5	1.4	1.5	1.1	0.9	0.6
Percent of quota	4.4	5.9	8.8	14.5	16.6	19.2	19.8	23.7	19.9	16.9	12.6
Outstanding IMF credit based on existing and prospective drawings											
SDR millions	160.9	187.0	203.6	184.5	162.7	137.5	111.4	80.3	54.1	31.9	15.2
CFAF billions	126.5	151.0	164.2	148.1	130.3	109.9	88.9	64.1	43.2	25.4	12.2
Percent of exports of goods and services	15.7	17.1	16.5	13.5	7.7	5.9	4.3	2.7	1.7	1.0	0.4
Percent of debt service[1]	86.2	66.8	69.4	52.1	42.8	34.6	27.4	22.5	14.8	7.9	3.5
Percent of GDP	2.4	2.7	2.7	2.3	1.8	1.4	1.0	0.7	0.4	0.2	0.1
Percent of tax revenue	16.1	18.7	17.8	14.7	10.4	8.0	5.8	3.8	2.3	1.3	0.6
Percent of quota	122.3	142.1	154.7	140.2	123.6	104.5	84.7	61.0	41.1	24.2	11.6
Net use of IMF credit (SDR millions)	22.4	26.1	16.6	-19.1	-21.8	-25.2	-26.1	-31.1	-26.2	-22.3	-16.6
Disbursements	28.2	33.8	28.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	5.8	7.8	11.6	19.1	21.8	25.2	26.1	31.1	26.2	22.3	16.6
Memorandum items:											
Exports of goods and services (CFAF billions)	805	882	997	1,101	1,697	1,879	2,090	2,375	2,487	2,632	2,839
External debt service (CFAF billions)[1]	147	226	236	284	304	318	324	285	292	322	351
Nominal GDP (CFAF billions)	5,175	5,555	6,009	6,472	7,386	7,996	8,708	9,549	10,268	11,081	11,966
Tax revenue (CFAF billions)	788	806	924	1,010	1,254	1,378	1,526	1,697	1,849	1,998	2,175
Quota (SDR millions)	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6

Source: IMF staff estimates and projections.

[1]Total external debt service includes IMF repurchases and repayments.

Appendix I. Letter of Intent

Niamey, December 16, 2019

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington DC, 20431

Madam Managing Director,

1. Niger continues to make progress in the context of its reform program supported by the ECF arrangement. Real GDP growth is on track to reach 6.3 percent this year and should average at least 7 percent over the next five years with the economy developing new dynamism, catalyzed by private and public investment projects, notably the development of a pipeline for crude oil exports, with key conventions for the project already signed. Inflation is well contained. Fiscal consolidation continued in 2019. The deficit should remain below the program ceiling of 4.1 percent of GDP thanks to continued revenue mobilization efforts, expenditure containment, and large grants. This progress was made despite security and development challenges and the recent border closure by Nigeria.

2. Implementation of our ECF-supported reform program is broadly on track. All performance criteria and indicative targets for end- June 2019 were met. Structural reforms also advanced, notably on reducing tax exemptions, but the tracking system for social spending was put in place with a delay and the governance reforms are being rolled out more gradually. Performance fell behind targets in September. Efforts are underway to catch up during the remainder of 2019 and, most importantly, to reinforce the revenue base for 2020. PPPs that could pose fiscal risks will also be revisited to ensure the maximum benefit for Niger's economy.

3. Niger remains committed to program objectives. Sound public finances are crucial to ensure debt sustainability and macroeconomic stability. A 2020 budget that conforms with the WAEMU convergence criterion on the budget deficit has been submitted to Parliament with strong underlying measures. The drive to mobilize revenue continues, but for the eventuality that ambitious targets are not met, same spending will be set aside in January through a communication to government. The government also recognizes the importance of raising spending quality, developing a stronger local private sector, improving governance, and advancing girls' education.

4. The government's program for the remainder of 2019 and the medium-term is detailed in the attached Memorandum of Economic and Financial Policies (MEFP). The government believes that the measures and policies set forth therein will serve to achieve the established objectives. It stands ready to take any additional measures that may prove necessary and will consult with the IMF on the adoption of such measures and before making changes to the policies set out in the MEFP in accordance with the IMF's policies on consultations. Timely information needed to monitor the economic situation and implementation of policies relevant to the program will be provided, as agreed under the attached Technical Memorandum of Understanding (TMU), or at the IMF's request.

5. Considering the prior action on establishing a tracking system for social spending, the agreement reached on the way forward with governance reforms, and steadfast program implementation generally, Niger requests the modification of the continuous performance criterion on the contracting of new external public debt and the end-December 2019 performance criterion on domestic budget financing to take the latest fiscal developments on board, the completion of the fifth program review, and the disbursement of the sixth tranche of SDR 14.1 million. Performance criteria, indicative targets, and structural benchmarks for 2019 are set out in Tables 1, 2, and 3 of the MEFP.

6. In keeping with our longstanding commitment to transparency, we agree to the publication of the staff report, this letter of intent, the MEFP, and the TMU on the IMF's website.

Sincerely yours,

/s/
Mamadou Diop
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

INTRODUCTION

1. This memorandum of economic and financial policies (MEFP) supplements and updates the MEFPs signed on December 21, 2016, November 30, 2017, May 15, 2018, November 21, 2018 and June 13, 2019. It describes recent developments, the macroeconomic outlook, progress with program implementation, and policies for the remainder of 2019, and the medium-term. Program priorities are focused on: (i) macroeconomic stability; (ii) sustainable revenue mobilization and expenditure efficiency; (iii) public financial management; (iv) private sector and financial development; (v) governance, including in the mining and oil sectors; (vi) poverty alleviation; and (vii) demographic challenges, including by increasing school attendance of girls.

RECENT DEVELOPMENTS

2. Recent economic developments are in line with program projections. Despite Nigeria having closed its borders since mid-August, real GDP growth should reach 6.3 percent in 2019, driven by construction and services, benefitting from the start of several large projects and the hosting of the African Union summit, and yet another good agricultural season. Inflation threads well below the WAEMU criterion of 3 percent. The external current account deficit will likely widen further, mainly due to weak commodity exports and the import-intensive large projects. It is largely financed by donors and foreign investors; though a small overall deficit remains. Financial deepening remains challenging.

3. Fiscal consolidation is progressing. The deficit should reach 3.9 percent of GDP in 2019, compared to 6.1 percent of GDP in 2016. Underlying revenue performance is gradually improving, though not as much as programmed, the closure of the Nigeria border is a temporary setback, and weakness in the resource sector continues to be a drag. Expenditures remained contained despite high outlays to address the tense security situation. Niger also benefitted from rising grants. Arrears clearance is advancing with the stock falling below CFAF 5 billion in October 2019.

PERFORMANCE UNDER THE ECF-SUPPORTED PROGRAM

4. Program implementation is broadly on track.

5. All performance criteria (PCs) and indicative targets (ITs) through end-June were met. Importantly, the domestic financing PC and the arrears stock ceiling were respected, as were the ITs on revenues, basic fiscal balances, social expenditure, and exceptional spending. However, as revenue performance weakened in the third quarter, not least due to Nigeria’s decision to close its border, several ITs on fiscal performance could not be observed at end-September 2019.

6. Implementation of the structural agenda covered by structural benchmarks (SBs) also moved forward, despite slippages in the timetable due to the ambitious breadth of Niger's reform program. Tax exemptions were substantially reduced, consistent with the end-June SB. A decree to centralize debt management in a new unit in the Treasury and a ministerial instruction that organizes it in a front-middle-back office structure have been issued, meeting the end-December SB ahead of time. The tracking system for social spending was put in place with a delay as a prior action. The government is making progress on holding the donor round table on financial inclusion. Legislation that subjects high-ranking public officials beyond the president, members of government, and heads of key public institutions to asset declaration requirements has been prepared and will be submitted to Parliament still in 2019. It foresees adequate sanctions for non-compliance, a disclosure form, publication of declarations. Moreover, the government will authorize by decree powers to investigate family members in case of infractions. The regime governing the president and members of government and heads of key public institutions will be spelled out in more detail in separate legislation going forward. In the meantime, a full list of their names and last two declarations have been posted on an official government website by end-December 2019 as a *reset SB*.

7. The government complied with all but one recurrent SBs in the second quarter of 2019. Important information on tax exemptions was compiled with a delay and an upgraded system that tallies newly granted discretionary tax exemptions will be agreed with IMF staff and implemented ahead of the next program review.

THE MACROECONOMIC FRAMEWORK FOR THE REMAINDER OF 2019 AND THE MEDIUM-TERM

8. The outlook for 2019 and the medium-term remains favorable. The large projects, mainly financed by donors and foreign investors, should have underwritten solid growth for 2019 and should carry the economy going forward. However, the normalization of agricultural growth after the recent string of strong seasons might somewhat lower growth and the persistence of the border closure with Nigeria will weigh on trade activity. The pipeline for crude oil exports will be a major boon for the economy, during its construction phase in 2020-2021 and when production and exports commence in 2022. Against this backdrop, real GDP growth should average 7 percent over the medium-term. Inflation will continue to thread downward due to base effects in the near term and stay below the WAEMU norm of 3 percent throughout. Niger's external position is bound to move further into deficit as execution of large projects pushes up imports, but it should improve moderately over the medium term, especially when oil exports commence. As efforts to improve access to credit bear fruit, private credit should outpace nominal GDP growth and achieve a degree of financial deepening.

9. The pipeline project has the potential to transform Niger's economy. After many years of studies, planning, and negotiating, a convention with China National Petroleum Corporation (CNPC) to construct a 2,000 km pipeline to transport crude oil from the oil fields of Agadem to Benin's Cotonou Port has now been signed and arrangements with Benin are in place. Only a final feasibility study, an environmental impact study, and the final transport authorization remain outstanding and the amount of state participation in the pipeline company is still under discussion. The project is estimated to cost US$ 6.1 billion or 60 percent of GDP. Once exports begin, fiscal revenues should rise by at least 2 percent of GDP, providing valuable resources for development.

10. Niger is finalizing the revision of its national accounts as part of the region-wide effort to adopt SNA 2008. GDP could be more than one third higher. This reflects a combination of methodological changes, such as counting mining exploration as value added; correction of previous misclassifications, such as omitting some of the value-added in the education sector, and the inclusion of new activity, such as the growing of new agricultural crops. The new accounts will be finalized before year-end after careful consideration of the recommendations by the expert group at the validation workshop held in October 2019.

11. Fiscal policy will comply with the WAEMU convergence criterion for a deficit of no more than 3 percent of GDP. The 2020 budget submitted to the Parliament targets a deficit of 2.7 percent relative to the preliminary revised GDP, thus leaving a safety margin for contingencies. Consolidation relies primarily on revenue mobilization, but expenditure restraint remains a second line of defense, and the government is committed to raising spending quality. The revenue boost from the jump of oil production in 2022 will bring some further deficit reduction but should be mostly spent to address Niger's pressing development needs. This will keep public finances on a sustainable path.

12. The government remains committed to implementing its fiscal reforms for the rest of 2019. The 2019 budget included a host of policy and administrative measures to strengthen the revenue base. The revenue drive was stepped up in the final months of 2019 to make up a good part of the slippage in the first three quarters of the year and the Inter-Ministerial Budget Regulation Committee held back some spending allocations, implying an expenditure reduction of CFAF 15 billion relative to the program, leaving domestically-financed expenditure (including non-cash and excluding special accounts) at CFAF 948 billion. Not least because of the closure of the border with Nigeria, targets for revenues and the basic balance before grants were tempered, but domestic financing for the budget is set to be less than previously expected thanks an unanticipated top-up of grants. Program ITs and PCs for end-December 2019 will be updated accordingly. Going forward, the focus will be on expanding the tax base and combatting fraud, while avoiding putting further pressure on compliant firms in the small formal private sector. Concrete steps include:

- A drive to **collect tax arrears**. The goal for the fourth quarter of 2019 is to tackle CFAF 15 billion of outstanding tax arrears that are currently classified as readily collectable. This should yield at least CFAF 5 billion in revenue still this year, with payment plans put in place for the remainder. The names of delinquent taxpayers have been published on the DGI's website.

- **Performance plans** for tax and customs administrations that track structural performance indicators to systematically build collection capacity. The profile of these plans will be increased with the director general overseeing implementation, developing guidelines on measuring indicators, and analyzing performance and next steps on a quarterly basis. Performance plans for 2020 will be adopted before the end of 2019.

- **Transaction valuation of imports** for tax purposes. Customs administration will accelerate application by a dedicated working group. The immediate goal is to better populate a database with reference prices from ASYCUDA and data collected by customs administration and then systematically apply it.

- **Risk-based inspection regime** at customs administration with emphasis on post-clearance audits. The government remains committed to start implementation.

- **Molecular marking of petroleum products**. The government is committed to effectively contract a supplier by year end and have the marking to begin in mid-2020.

- **Better cooperation between DGD and DGI**. The heads of tax and customs administrations already hold biweekly meetings. The link between the administrations' IT systems, ASYCUDA and SISIC, is established, facilitating cross-checks to detect tax evasion and fraud. While it is being made fully operational, the DGI posted a database of fiscally active tax identification numbers on its website. The Minister of Finance instructed the DGI and the DGD to work together and block imports of operators that do not possess a fiscally active tax identification number in the context of the "Fiscal Enclosure Program."

13. Measures in the 2020 budget build on those in 2019 and ongoing initiatives. They are expected to yield some 1 percent of GDP in additional revenues. The budget submitted to Parliament foresees domestically-financed spending (including non-cash and excluding special account spending) of CFAF 1,175 billion. Considering the likely revenue shortfall in 2019, which will partly carry over into 2020, this now seems on the high side. To protect deficit targets, the government will review 2019 fiscal performance in early 2020 and set aside spending authorizations in a communication by the Minister of Finance to government as needed by end-February 2020. The macro-framework tentatively incorporates an amount of CFAF 36 billion. The key revenue measures envisaged comprise:

- Streamlining of the **tax exemptions**, which should yield 0.3 percent of GDP in the first year and 0.5 percent of GDP when fully phased in: (i) registration fees and stamp duty will henceforward apply to projects funded by NGOs and Development Agencies; (ii) the provision of services will no longer be VAT exempt under the investment, mining, petroleum, and PPP codes; (iii) there will no longer be the possibility to renew exemptions under the investment code; (iv) subcontractors can no longer benefit from VAT exemptions under the petroleum code; and (v) the statistical fee will newly apply to all imports that are otherwise exempt from border taxes.

- Introduction of **VAT machines** in major stores.

- Higher **tax on re-exports** to discourage the diversion of fraudulent re-exports and subjecting temporary imports of gold for processing to the re-export tax.

- Updating unrealistically low **valuation of transport services** for purposes of calculating border taxes.

- **Audits** to identify inconsistencies between lifestyle and tax payments.
- Moving **customs clearance for cars** from inland facilities to the border to reduce leakage.
- Higher **penalties for non-cooperation** with tax authorities.
- Application of real estate registration fees to **foreclosed real-estate**.

14. Moreover, the government remains intent to review its tax system with a view to making it easier to administer. The Ministry of Finance has requested technical assistance from FAD so support the effort.

15. The government is committed to improve spending quality. In the context of the 2019 budget law, several spending items were streamlined. For 2020, spending ministries will be asked to make spending more efficient within programs to better achieve the goals set under program budgeting. More specifically:

- The government is committed to maximizing the benefits for Niger's economy from **PPPs**. To this end, the finalization of the PPP contract for a domestic fuel product pipeline has been halted, pending a review, a cost-benefit analysis, and renegotiations with the private partner. Understandings on terms-of-reference for the cost-benefit analysis have already been reached with IMF staff. The government is committed to carrying out a high-quality cost-benefit analysis confirmed by IMF staff and vetted by World Bank experts. It will also ask the private partner to furnish a financial feasibility study. The government will go ahead with the renegotiated project only if the cost-benefit analysis demonstrates a clear positive net benefit for the public partner and contained fiscal risks. Otherwise the government will exit the project, which is still legally possible. Going forward cost-benefit analyses of all PPPs will be published before the public partner enters contractual obligations with private partners.
- Implementation of the **tracking system for the main social programs**, together with the World Bank public expenditure review, should set the stage for prioritization and scaling up of interventions, such as the school lunch and the cash transfer.
- Growing experience with **program budgeting** will be deployed to raise spending efficiency. Continued capacity building will support this effort.
- Implementation of the recommendations of the PIMA technical assistance mission, especially the better following of existing requirements to scrutinize projects before they are considered, should raise the **efficiency of public investment**.
- Plans to introduce the **double authorization framework** (AE/CP) on a pilot basis in the 2020 budget did not come to fruition, but the government is firmly committed to apply it in the next budget to improve long-term planning and guard against disruptions of ongoing projects.

- In **public procurement** the government undertakes to raise the share of competitive purchases gradually from two-thirds currently to the WAEMU norm of 95 percent, also covering key public administrative entities that receive large subsidies and transfers, such as CAIMA and OPVN. Regular monitoring will be put in place.

- Improving the performance of **public entities and enterprises (EEP)** remains an important goal to improve service delivery and reduce fiscal risk. Financial oversight and governance will be improved, and performance contracts will be put in place, in addition to the existing ones for the water supply company (SPEN) and the electricity company (NIGELEC). The Finance Ministry's unit overseeing EEPs has already been upgraded to a Directorate General.

- The ongoing **functional review of public administration** sets the stage for a systematic streamlining and/or restructuring of ministries and public agencies. It should be completed by mid-2020 and in the meantime.

16. The government remains committed to improving debt and cash management. In particular:

- Building on recent progress, **domestic payment arrears** will be reduced to close to zero from the beginning of September onward.

- To ease the challenges for the Treasury to roll over short-term debt, the sizable prospective top-up of budget support from the World Bank will mostly go toward **paying down debt in regional markets**.

- **TSA implementation** is entering its final stretch. The Minister of Finance has instructed the accounts of ARCEP at commercial banks to be closed at end-2019 and transferred to the TSA. The government is reconsidering whether CAIMA and OPVN are inside the parameter of the TSA. In any event, henceforth the evolution of their financial position with banks will be considered when evaluating Niger's fiscal performance. The government has analyzed the sizable gap between the initial balances of the transferred accounts and the amounts received by the TSA and a copy of the draft report has been shared with IMF staff.

- The government remains committed to preserving the upgraded functionality of the **Inter-Ministerial Committee on Public Debt and Budgetary Support**. Quarterly meetings will continue to assess and pronounce on public debt and guarantees. They will also validate compliance with established selection procedures for debt-financed projects. The committee's remit has already been widened from mid-2019 to also cover PPPs, debt of major SOEs and public administrative entities, and local governments. Quarterly debt management reports will continue to be prepared. An annual report for 2019 will be prepared and published in the first quarter of 2020. It will also report on debt by major SOEs and public administrative entities, and local governments.

- The government will remain prudent in **taking on external debt**. However, the frontloaded surge in donor support requires signing conventions worth CFAF 100 billion more than previously programmed. The government requests modification of the PC on the ceiling to CFAF 325 billion for end-December 2019 to avoid stalling projects vital to Niger's development. So far Niger has taken on almost exclusively concessional external debt. This cautious approach will continue.

17. The government is committed to maximizing the traction of administrative reforms. To this end, sufficient financial resources will be allocated for training, the maintenance of IT systems, and other supporting operations. Financing will be sourced from donors to the extent possible.

18. Additional reforms to improve public sector efficiency are being pursued. This includes civil service and governance reform of state-owned enterprises and public administrative entities. A review of the government's human resource management processes, a functional review of ministries, and preparation of a biometric database for civil servants and government employees are underway. Following performance audits of five large SOEs and public administrative entities, an action plan to improve the governance framework, including financial oversight, board member selection, auditing, and processing of financial information, is being developed.

19. The government is establishing the main tenets for dealing with the likely surge of oil revenues from 2022. It aims to maximize the return for the Nigerien economy, which may involve taking an equity stake in the pipeline company if the terms are favorable and fiscal risks remain contained. The government will remain in close touch with IMF staff in this regard and consult before irrevocable decisions are taken. With regard to the institutional framework for governing the oil sector, the objective is that all oil taxes remain at all times under the sole control of the Treasury. More generally, the Ministry of Finance will take the lead role in administering the financial flows emanating from the oil sector. In this context, the government will avail itself of technical assistance from the IMF. Other contractual arrangements are equally important, such as local content requirements, third-party access rights, and a level playing field between foreign investors and Niger. The government is availing itself of high-caliber counsel to secure a favorable outcome. Most of the additional revenues will likely be spent on spurring Niger's development, while taking into account possible supply bottlenecks, limited administrative capacity to ramp up spending quickly without compromising on quality, and the volatility of oil revenues. Well-designed medium-term fiscal and expenditure plans and suitable fiscal rules can help dealing with these constraints.

BROADER STRUCTURAL REFORMS

20. A strong private sector is indispensable to improve living standards and provide jobs. The government recognizes that strengthening and diversifying the local non-oil private sector has become more urgent with the prospects of a much larger oil sector and will redouble its efforts. Beyond existing efforts to improve the business environment, the government plans to launch a concerted effort in a consolidated platform, bringing together stakeholders, including the private sector. The aim is to set a self-sustaining dynamism into motion, while respecting fiscal constraints. The government will take the first step by proposing a critical mass of measurable and time-bound reforms, challenging the private sector and donors to do the same. Implementation will be monitored, and subsequent consultations will correct course as needed and extend the agenda. The government will also strive to strengthen incentives for the local private sector to formalize with positive incentives, such as access to credit, training, certification and partnerships with businesses outside Niger.

21. Financial deepening and inclusion are crucial for private sector development. The full potential of new financing vehicles will be exploited, such as leasing, warrantage projects from the EU and the World Bank, the regional financing scheme under the BCEAO, lending co-financed through the Maison de l'Entreprise, and support for the agricultural sector by making FISAN fully operational. The framework for mobile banking and payments is in place, but the new possibilities need to be popularized further, interconnectivity improved, and infrastructure gaps addressed. The new microfinance strategy will be implemented once the donor round table is held with a credible re-structuring plan.

22. The quest for better governance continues. In this context, the government has deposited its application file for rejoining the Extractive Industry Transparency Initiative (EITI) in October, with a favorable response expected later this year or in early 2020. The government has committed to publishing all natural-resource contracts on EITI's website. In addition, the anti-corruption agency HALCIA has already opened more cases than ever this year, increased its staffing, upgraded its website to enable electronic filing of complaints, and launched an awareness campaign on social media. The government remains committed to further upgrading its asset declaration regime for high-level public officials to make it as effective as possible. Regarding the AML/CFT, Niger adopted the national risk assessment report in July 2019 and will act upon its action plan.

23. The government made progress on a fiscal transparency package. The publication of the 2019 budget as submitted to the National Assembly was a first step. The government will continue to respect legal requirements for publication of key documents, such as budget outturns on a timely basis, draft and approved budgets, including supplementary ones, a citizen budget, major conventions with foreign investors, PPP contracts, and tender awards. The Government Gazette will be made available online and free of charge from 2020 onward.

24. The government is committed to address Niger's demographic challenges to attain the objectives in the PDES 2017-2021. It will build on the updated National Gender Policy and the decree on the Education of Girls, with stepped-up awareness campaigns geared toward religious leaders and the public at large. Niger is working closely with the World Bank with bold further steps, including establishing child protection committees at the community level, allowing married adolescent girls access to health service without the consent of husbands or parents, and granting adolescent girls the right to stay in school when married or pregnant. The donor community will be invited to expand projects in the areas of gender and demographics. There are also important synergies between social protection spending and demographic and gender issues. For example, expanded school lunch program would help keep girls in school longer, thereby discouraging early marriage and child bearing.

PROGRAM MONITORING

25. In view of the progress made in implementing the ECF-supported program and the policies envisaged under the MEFP, the government requests the modification of the continuous PC on the contracting of new external public debt and the PC on domestic budget financing to take the latest fiscal developments on board, the approval of the fifth review under the arrangement, and the disbursement of SDR 14.1 million.

26. Program monitoring will be based on performance criteria (Table 1) and structural benchmarks (Tables 2 and 3). The authorities will provide IMF staff with the statistical data and information identified in the attached Technical Memorandum of Understanding, and any other information they deem necessary or that IMF staff may request for monitoring purposes.

27. The program will be monitored through semiannual reviews. The sixth and final program review is expected to take place at or after April 8, 2020 and before the program expires on April 22, 2020.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (March–December 2019)

(In billions of CFA Francs)

	End-Mar. 2019 Indicative Targets			End-Jun. 2019 Performance Criteria			End-Sept. 2019 Indicative Targets			End-Dec. 2019 Performance Criteria			
	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Adj. Prog.	Actual	Status
A. Quantitative performance criteria and indicative targets [1]													
(Ceiling on the cumulative from beginning of year)													
Net domestic financing of the government, without IMF net financing	69.7			74.0			113.1			21.9	-47.6		
Adjustment for shortfall in external budget support [2]	...	0.0		...	20.2		...	0.0		...	...		
Adjustment for the reduction of stock of unpaid payment obligations below the level at end-2018 [3]					49.1			62.2					
Adjustment for borrowing under PBG operation [4]													
Adjusted net domestic financing of the government, without IMF net financing	69.7	29.0	Met	143.3	122.6	Met	175.3	199.7	Not Met	...	...		
Memorandum items:													
External budget support [5]	0.0	16.0		28.2	8.0		28.2	35.7		160.1	316.9		
B. Continuous quantitative performance criteria [1]													
(Ceiling)													
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0		
Stock of outstanding domestic payment arrears on government obligations [6]	5.0	43.0	Not Met	5.0	14.5	Met	25.0	8.9	Met	5.0	5.0		
Present Value (PV) of new public and publicly-guaranteed (PPG) external debt contracted from January 1, 2019	225.0	11.9	Met	225.0	116.5	Met	225.0	158.0	Met	225.0	325.0		
Adjustment for borrowing under PGB operation [7]													
Adjusted criteria on the PV of new external PPG debt contracted from Jan. 1, 2019													
C. Indicative Targets													
(Cumulative from beginning of year)													
Basic budget balance (commitment basis, excl. grants), floor	-56.1	-51.0	Met	-99.0	-69.4	Met	-124.7	-162.5	Not Met	-157.9	-201.6		
Basic budget balance (commitment basis, incl. budget grants), floor	-56.1	-43.0	Met	-70.8	-61.4	Met	-96.5	-134.8	Not Met	-39.4	-3.1		
Total fiscal revenue, floor	195.2	205.6	Met	417.6	438.1	Met	652.1	639.8	Not Met	889.8	866.2		
Spending on poverty reduction, floor	150.7	152.2	Met	301.4	311.1	Met	452.2	454.1	Met	602.9	602.9		
Ratio of exceptional expenditures on authorized spending (percent), ceiling [8]	5.0	3.2	Met	5.0	3.3	Met	5.0	2.6	Met	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-June and end-December, and indicative targets for end-March and for end-September.

[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 5 falls short of program forecasts, the quarterly ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion.

[3] From end-June 2019, the ceiling on domestic financing of the budget will be increased/reduced by the reduction/increase in the stock of outstanding domestic payment obligations since end-2018, excluding the supplementary period adjustment. Domestic payment obligations comprise arrears and float and stood at CFAF 95.8 billion at end-2018. This adjuster will be reduced by the amount of any external budget support in excess of the program amount as quantified in the memorandum item of this table and will be capped at CFAF 50 billion.

[4] From October 1, 2019 onward, the ceiling on net domestic financing will be lowered by the amount of borrowing under the PBG operation.

[5] External budgetary assistance (excluding net financing from the IMF).

[6] The ceiling increases to CFAF 25 billion effective on the date of completion of the fourth review (June 26, 2019) and remains continuously at this level until September 30, 2019. On October 1, 2019 the continuous PC stock is reduced to CFAF 5 billion until the end of the arrangement. The new ceiling was observed through end-July 2019.

[7] From October 1, 2019 onward, the ceiling on the PV of newly-contracted external PPG debt will be raised by the amount of borrowing under the PBG operation up to an amount of CFAF140 billion.

[8] Exceptional expenditures refer to payments made by the treasury without prior authorization, excluding debt service payments and expenditures linked to exemptions.

Table 2. Niger: Recurrent Structural Benchmarks for the Program,
December 2018 – December 2019

Measure	**Timetable**	**Progress**	**Macroeconomic Rationale**
Release the quarterly budget allocation in the first month of each quarter based on the proposal of the regulation committee.	Quarterly	Met for 2018Q4-2019Q3	Improve budget and cash flow management.
Prepare a quarterly commitment plan consistent with the corresponding cash plan.	Quarterly	Met for 2018Q4-2019Q3,	Improve budget and cash flow management.
Prepare quarterly debt management reports to be validated by the National Public Debt Management Committee.	Quarterly	Met for 2018Q4-2019Q3	Improve debt management.
Hold at least quarterly meetings of the Inter-Ministerial Debt Management Committee. Publish its decisions, a list of newly approved loans, and the view taken by the Ministry of Finance in the quarterly debt management reports.	Quarterly	Met for 2018Q4-2019Q3	Safeguard control over the contracting of new public debt.
Provide Fund staff with a tally of newly granted tax exemptions.	Quarterly	Not met	Protect revenue base.
Prepare a revised borrowing plan.	At end-June 2019	Met	Improve debt management.

Table 3. Niger: Prior Actions and Structural Benchmarks, June – December 2019

Measure	Timetable	Progress	Macroeconomic Rationale
Prior Action			
Missed SB set as PA: Establish tracking system for major social programs, including spending and progress toward meeting objectives.		Met	Improve effectiveness of social protection.
Fiscal Policy and Revenue Administration			
Provide IMF staff with concrete proposals for reductions of tax exemptions with substantial revenue impact for discussion.	End-June 2019	Met	Support revenue generation.
Submit legislation on reducing tax exemptions with substantial revenue impact to the National Assembly.	End-September 2019	Met	Support revenue generation.
Public Financial Management			
Put all required legal and organizational arrangements in place for a debt management unit, inside the Treasury, in charge of all public debt, and with a front-middle-back office structure to start operating by the end-2019.	End-December 2019	Met	Improve the management of public debt.

Table 3. Niger: Prior Actions and Structural Benchmarks (concluded),
June–December 2019

Measure	Timetable	Progress	Macroeconomic Rationale
Other Structural Reforms			
Establish tracking system for major social programs, including spending and progress toward meeting objectives.	End-June 2019	Not met	Improve effectiveness of social protection.
Publish new strategy on financial inclusion and hold donor round table.	End-June 2019	Not met, strategy published but round table out-standing	Improve access to financing and the business environment.
Submit to Parliament draft legislation in consultation with IMF staff on asset declaration requirements for high-ranking government officials and introduce sanctioning non-compliance with asset-declaration requirements.	End-September 2019	Not met	Improve governance and transparency.
Proposed to be modified and reset: Publish on an official website the list of high-ranking public officials mentioned in Art. 51 and Art. 78 of the constitution detailing their compliance or non-compliance with declaration requirements and their last two filings as required in the constitution.	End-December 2019		Improve governance and transparency.

Table 4. Niger: Proposed Disbursements Scheduled Under the ECF Arrangement,
2017–20

Amount (Millions)	Conditions Necessary for Disbursement	Date Available[1/]
SDR 14.1	Executive Board Approval of the ECF Arrangement	January 23, 2017
SDR 14.1	Observance of continuous and end-June 2017 performance criteria, and completion of the first review under the arrangement	December 15, 2017
SDR 14.1	Observance of continuous and end-December 2017 performance criteria, and completion of the second review under the arrangement	June 1, 2018
SDR 14.1	Observance of continuous and end-June 2018 performance criteria, and completion of the third review under the arrangement	December 10, 2018
SDR 33.84	Observance of continuous and end-December 2018 performance criteria, and completion of the fourth review under the arrangement	June 26, 2019
SDR 14.1	Observance of continuous and end-June 2019 performance criteria, and completion of the fifth review under the arrangement	January 8, 2020
SDR 14.1	Observance of continuous and end-December 2019 performance criteria, and completion of the sixth and last review under the arrangement[/]	April 8, 2020
SDR 118.44	Total	

1/ With respect to completed reviews, the date indicated refers to the date of the Executive Board meeting.

Source: International Monetary Fund.

Attachment II. Technical Memorandum of Understanding

Niamey, December 16, 2019

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 Q2-2018 to Q1-2020.** The performance criteria and indicative targets for 2019 are set out in Table 1 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent of December 16, 2019. Structural benchmarks appear in Tables 2 and 3. 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," "payment 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) Present value (PV) of new public and publicly-guaranteed external debt contracted discounts at a five percent annual rate the future payment stream, except for loans with a negative grant element, in which case the PV is set equal to the value of the loan. The calculation of the PV is based on the loan amount contracted in a given year, independent on when disbursements take place.

d) **Domestic payment 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 payment arrears** are external payments due but not paid.

e) 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 2018 and 2019 quarterly targets are based on the change between the end-December 2017 and end-December 2018 levels, respectively, and the date selected for the performance criterion or indicative target.

Adjustments

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 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 30 billion. From October 1, 2019 onward, the ceiling on domestic financing will be reduced by the amount of borrowing under the World Bank's Policy Based Guarantee operation.

11. For 2018, but not 2019, the ceiling on net domestic financing will also be adjusted for deviations from programmed domestic payment arrears clearance. Specifically, the ceiling on domestic financing will be adjusted up (down) one-for-one for arrears clearance in excess (in deficit) of programmed levels. The upward adjustment is capped at CFAF 30 billion. From end-June 2019, the ceiling on domestic financing of the budget will be increased/reduced by the reduction/increase in the stock of outstanding domestic payment obligations since end-2018, excluding the supplementary period adjustment. Domestic payment obligations comprise arrears and float and stood at CFAF 95.8 at end-2018. This adjuster will be reduced by the amount of any external budget support in excess of the program amount as quantified in the memorandum item of the PC table and will be capped at a maximum of CFAF 50 billion.

Reporting Requirement

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

Stock of Domestic Payment Arrears

Definition

13. For 2018, the reduction of domestic payment arrears is equal to the difference between the stock of arrears at end-2017 and the stock of arrears on the reference date. For 2019, there is a continuous ceiling on the stock of outstanding domestic payment arrears. The ceiling is set at CFAF 25 billion from the date of the completion of the fourth review to September, 30 2019, inclusive, and starting on October 1, 2019 is reduced to CFAF 5 billion through the end of the arrangement period.

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

15. 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.

Adjustments

16. Programmed arrears clearance in 2018 will be adjusted up (down) one-for-one for any shortfall (excess) relative to programmed arrears clearance programmed for end-2017. The adjusted target on domestic payment arrears clearance shall not be negative.

17. For the purpose of evaluating performance against the end-December 2018 target, domestic payment arrears clearance includes arrears' reduction during the supplementary budget period.[1]

18. For the purpose of evaluating performance against the targets in 2019, the stock of outstanding domestic arrears will be assessed excluding the arrears' reduction during the supplementary period.

[1] The fiscal accounts for the current year are revised to incorporate transactions for expenditure engagements made in the current fiscal year but not finalized until the supplementary period (January and February) in the subsequent fiscal year.

External Payment Arrears

Definition

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

Reporting Requirement

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

Short-Term External Debt of the Central Government

Definition

21. 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

22. 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.

Present Value of Public and Publicly-Guaranteed External Debt

Definition

23. For program purposes, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board Decision No. 15688-(14/107), adopted on December 5, 2014.
(http://www.imf.org/external/pp/longres.aspx?id=4927)

(a) For the purpose of these guidelines, the term "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, at some future point(s) in time; these payments will discharge 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 which 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 these guidelines, 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 that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt set out in this paragraph, 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.

24. 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).

25. 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.

26. For the purpose 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).*

27. External debt is defined as debt contracted or serviced in a currency other than the franc of the Financial Community of Africa (CFAF).

28. The performance criterion (PC) is a ceiling and applies to the present value of all new external debt (concessional or non-concessional) contracted or guaranteed by the central government, including commitments contracted or guaranteed for which no value has been received. This performance criterion does not apply to:

(a) Short-term supplier or trade-related credit with a maturity of up to three months;

(b) rescheduling agreements; and

(c) IMF disbursements.

29. Applicable contractual date. For program monitoring purposes, external debt is deemed to be contracted or guaranteed at the date of effectiveness of the contract, including its approval, where required, by the member(s) of the government of Niger with authority to do so.

30. Currency Denomination. For program purposes, the value in CFAF of new external debt of 2018 is calculated using the average exchange rate for January 2018 in the IMF's International Financial Statistics (IFS) database.

31. PV Calculation. Present Value of new external debt is calculated by discounting all projected disbursements and debt service payments (principal and interest) on the basis of a program discount rate of 5 percent and taking account of all loan conditions, including projected disbursements, the maturity, grace period, payment schedule, front-end fees and management fees. The PV is calculated using the IMF "DSA template," which is based on the amount of the loan and the above parameters. In the case of loans for which the grant element is zero or less than zero, the PV is set at an amount equal to the face value.

Adjustment

32. The ceiling on the PV of new PPG external debt will be raised by the amount of borrowing under the World Bank's Policy Based Guarantee operation up to an amount of CFAF140 billion from October 1, 2019 onward.

Reporting Requirement

33. The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government and will consult with staff on any potential debt management operations.

B. Quantitative Targets

Definitions

34. 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.

35. The basic fiscal deficit is defined as the difference between (i) total tax revenue, as defined in paragraph 36; and (ii) total fiscal expenditure excluding externally financed investment expenditure but including HIPC-financed expenditure.

36. According to the WAEMU definition, the basic fiscal deficit is defined as the basic balance described under paragraph 37 plus budgetary grants.

37. 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.

38. 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

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

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

41. 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

C. Government Finance

42. 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.

D. Monetary Sector

43. 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).

E. Balance of Payments

44. 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.

F. Real Sector

45. 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.

G. Structural Reforms and Other Data

46. 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.

Table 1. Niger: 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, DGD and DGTCP) and expenditure, including the repayment of domestic wage and nonwage arrears, as at end-1999, and the change in Treasury balances outstanding.	Monthly	End-month + 6 weeks
	Data on Treasury balances outstanding (RAP), by reference fiscal year (total and RAP at more than 90 days).	Monthly	End-month + 6 weeks
	Monthly statement of Treasury correspondents' deposit accounts.	Monthly	End-month + 6 weeks
	Execution of the investment budget.	Quarterly	End-quarter + 6 weeks

Table 1. Niger: Summary of Data to be Reported (concluded)

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 and financial data	Monetary survey		
	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

Statement by Mr. Raghani, Executive Director for Niger, Mr. Bah, Advisor to the Executive Director, and Mr. Diakite, Advisor to the Executive Director
January 8, 2020

I. Introduction

Our Nigerien authorities would like to thank staff for the constructive discussions held in October-November 2019 in Niamey under the fifth review of the ECF-supported program. They also would like to thank the Executive Board and Management for their support to the implementation of Niger's economic and financial reforms. Niger, like other countries in the Sahel region, is experiencing recurrent and intensified terrorist attacks with a heavy toll on the population, economic activity and public finances. Despite the difficult environment resulting from these attacks and the recent border closure with Nigeria, the program's implementation has been steadfast with satisfactory outcomes.

Niger's authorities remain committed to consistently implement their ECF program and achieve its objectives, notably the strengthening of fiscal and debt sustainability, achieving sustained and more inclusive growth while substantially reducing poverty. In this respect, the authorities are also mindful of the daunting challenges facing their country particularly the deadly terrorist attacks, adverse climate change, high population growth and volatility in their export commodity prices in an environment of limited resources and capacity. To address these challenges, the authorities are determined to pursue sound policies and far-reaching structural reforms with the increased support of the Fund and the international community.

II. Performance under the ECF Arrangement

The authorities' continued efforts in implementing the program have led them to meet all quantitative performance criteria and indicative targets set for end-June 2019. Structural reforms related to the reduction of tax exemptions advanced very well and the tracking system for social spending was put in place. Moreover, the governance reforms are being rolled out gradually. Regarding the performance targets set for September 2019, efforts have been intensified to catch up encountered delays and further strengthen the revenue base for 2020. Based on the satisfactory program implementation and its good performance, our authorities are requesting Board's approval for the completion of the fifth review. Given the latest fiscal developments, they are also requesting the modification of the continuous performance criterion on contracting of new external public debt and the end-December 2019 performance criterion on domestic budget financing. Going forward, the authorities of Niger will continue demonstrating their solid program ownership in order to achieve its objectives despite the difficult security environment and heavy capacity constraints.

III. Recent Economic Developments

The steadfast implementation of the ECF-supported program has helped the authorities to preserve Niger's macroeconomic stability and pursue prudent policies and reforms in spite of the tense security situation and exogenous shocks the country is experiencing. In 2019, growth is estimated to have reached 6.3 percent driven mainly by the construction of large-scale projects in infrastructures, the hosting of the 12th Extraordinary Africa Union Summit and the good agricultural harvest. The good crop production has helped to bring inflation far below the WAEMU convergence criterion of 3 percent. However, the current account deficit, widened at 19.4 percent of GDP owing to weak commodity exports and increased imports in the context of large infrastructure projects. This current account deficit is largely financed by foreign direct investors and donors.

On the fiscal front, the authorities have pursed their multi-year consolidation efforts. As a result, the fiscal deficit for 2019 is expected to be reduced at 3.9 percent of GDP from 4.1 percent of GDP in 2018 and 6.1 percent of GDP in 2016. Increased domestic revenue mobilization added to budget support from donors coupled with efforts to reign in expenditure helped achieve this good performance.

IV. Outlook and Risks

Niger's economic outlook is favorable on account of the government's increased efforts in implementing large public investments, the construction of the pipeline for crude oil exports. Based on this, real GDP growth should attain 7 percent over the medium-term. The authorities remain confident that the pipeline construction will transform the economy of Niger and neighboring countries as well. They are also mindful that risks to the outlook may stem form security threats in the Sahel region, slowdown of global growth, and delays in donors' assistance. To mitigate these risks, the authorities will spare no effort to continue implementing the required policies and reforms.

V. Policies and Reforms for 2020

Niger's policies and reforms under the ECF-supported program will continue to aim at safeguarding macroeconomic stability, enhancing conditions for a higher and more inclusive growth, and strengthening the economy's competitiveness while judiciously and profitably exploiting the oil reserves.

1. Fiscal policy

The authorities remain committed to prudent fiscal policies to comply with the WAEMU convergence criterion for a deficit of no more than 3 percent of GDP. The budget for 2020 submitted to Parliament aims at a deficit of 2.7 percent of GDP. Efforts in this regard will focus on collection of tax arrears, enforcement of performance plans for tax and customs administrations, increased cooperation between tax and customs administrations, streamlining of tax exemptions and introduction of VAT machines, higher tax on re-exports and updating low valuation of transport services. Under the Fund's technical assistance, the government intends to review the tax system and make it easier to enforce. To further reinforce the Treasury single account (TSA) implementation, remaining entities to comply with the TSA requirements have been instructed to close their accounts with commercial banks and transfer balances to the TSA, and the results will be subject of in-depth analysis.

On the expenditure side, the authorities will further improve the quality of spending and continue to strengthen program budgeting. In this context, the tracking system for the social programs and the recommendations of the PIMA technical mission will be effectively implemented to raise spending efficiency.

The government is fully committed to maximize the benefits expected from the use of public- private partnership (PPPs). The PPP related to the domestic fuel product pipeline will be finalized based on a cost-benefit analysis and renegotiations with the private partner in the construction of this infrastructure. The government being committed to this project will also request technical assistance from the Fund and the World Bank in assessing the results of the analysis with a view to better contain fiscal risks. The authorities plan to publish all PPPs contracts before entering in contractual obligations with private partners.

Efforts to further increase the performance of public entities and enterprises will be accelerated not only to improve the quality of service delivery but also to reduce fiscal risks. In this regard, financial oversight and governance of public entities and enterprises will be strengthened and their performance contracts as well.

2. Debt policy and Management

Niger's debt policy will continue to be prudent to ensure debt sustainability. In this context, the authorities will rely mainly on concessional loans. To further improve the debt management, the responsibilities of the Inter-Ministerial Committee of Public Debt and Budgetary Support have been extended to cover PPPs, debt of SOEs and public administrative entities and local governments as well. The compliance with procedures for debt-financed projects will be validated by this Committee whose 2019 annual report is expected to be published in early 2020. Given that donors' frontloaded support has resulted in signing conventions worth CFAF 100 billion which is more than the amount previously programmed, the authorities are requesting a modification of the performance criterion on the ceiling on the contracting of new external public debt. This will enable the execution of public investments deemed essential to Niger's development.

3. Management of the Oil Revenues

The oil production starting in 2022 will have a large impact on Niger's economy. The increase in fiscal revenue in particular is projected to be around 2 percent of GDP. The authorities are mindful of the need for a well-designed management framework to mitigate potential risks associated with oil exporter status. They will carefully consider contractual arrangements signed with foreign investors, put in place an appropriate framework for resource management and governance and implement a sound fiscal policy to meet the country's development needs given the volatility associated with natural resource revenues. They plan to use the expected revenues from oil production through well planned projects to spur the country's development and ensure economic diversification beyond the oil industry.

4. Structural Reforms

The authorities are determined to pursue implementing their structural reforms' agenda to promote a vibrant private sector, deepen financial inclusion, improve governance and transparency while addressing climate change and demographic challenges. Regarding the promotion of a strong private sector, they will increase their efforts to further improve the business environment which is essential for the diversification of the non-oil sector and job creation. The government will bring together all stakeholders to adopt a time-bound reforms whose implementation will be monitored. In the same vein, access to credit, training, and partnership with foreign investors will be encouraged.

On financial inclusion, a needed framework for mobile banking and payments has been adopted and gaps related to interconnectivity and infrastructure will be addressed. Moreover, the authorities plan to implement the new microfinance strategy based on the recommendations of the donor round table including the re-structuring plan.

Niger, a landlock country with limited capacities is facing significant climate change and demographic challenges. To address these challenges, the government is implementing its Plan de Developpement Economique et Social (PDES) covering the period 2017-2021. Based on the good progress made so far, the authorities will put further emphasis on the updated National Gender Policy, and awareness campaigns on girl’s education and vocational training. As for climate change, a sustained assistance from the international community is necessary to help Niger mitigate the adverse effects of drought and enhance its resilience strategy.

With respect to governance and transparency, it is important to note that the government is expecting a favorable response to its application to rejoin the Extractive Industry Transparency Initiative (EITI). It is also committed to publish on EITI’s web site all-natural resource contracts. The anti-corruption agency namely HALCIA will receive electronic filing of complaints after increasing its staff and enhancing its website. Moreover, efforts to further improve the asset declaration regime and the AML/CFT framework will be pursued including the implementation of an action plan drawn from the July 2019 national risk assessment report. The government is committed to comply with legal requirements for the publication through an official gazette and online free of charge, of key documents including, draft and approved budgets, conventions with foreign investors, PPPs contracts and tender awards.

VI. Conclusion

Our Nigerien authorities are strongly committed to ensure the success of their ECF-supported program. In this respect, they are hopeful that their continued efforts in a very difficult environment including the tense security situation, the border closure with Nigeria and volatile commodity prices, will be fully accompanied through increased external assistance. Based on the successful implementation of the ECF arrangement, on their behalf, we would appreciate the Executive Board’s completion of the fifth review as well as its approval of the request for modification of performance criteria.