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SIXTH AND SEVENTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, REQUEST FOR AUGMENTATION OF ACCESS, AND EXTENSION OF THE CURRENT ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGER

In the context of the Sixth and Seventh reviews under the Extended Credit Facility Arrangement, request for waivers of nonobservance of performance criteria, request for Augmentation of Access, and extension of the current arrangement, 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 November 30, 2015, following discussions that ended on September 28, 2015, 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 November 13, 2015.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- 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.

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IMF Executive Board Completes Reviews of Niger's ECF Arrangement, Approves US$53.7 Million Disbursement, Increases Access and Extends the Program

The Executive Board of the International Monetary Fund (IMF) today completed the sixth and seventh reviews of Niger's economic performance under the program supported by an Extended Credit Facility (ECF)[1] arrangement. The completion of these reviews enables an immediate disbursement of SDR39.005 million, (about US$53.7 million), bringing total disbursements under the ECF arrangement to SDR 95.405 million (US$131.35million).

The Board also approved a request to extend the program until December 31, 2016 as well as an increase in access of 62.5 percent of quota under the program. The ECF arrangement for Niger was approved on March 16, 2012 (see Press Release No. 12/90).

In completing the review, the Executive Board granted the authorities' request for waivers for the nonobservance of the performance criteria on net domestic financing and net reduction in domestic arrears at end-December 2014 as well as the criterion for end-June 2015 on net domestic financing.

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

"The Nigerien economy continues to deliver strong macroeconomic outcomes based on the continued implementation of a sound policy framework. Growth has fluctuated reflecting volatility in the agricultural sector, the impact of low commodity prices on the mining sector, and the deteriorating security situation in the region. Having reached 6.9 percent in 2014,

[1] The ECF has replaced the Poverty Reduction and Growth Facility as the Fund's main tool for medium-term financial support to low-income countries. Financing under the ECF currently carries a zero interest rate, with a grace period of 5.5 years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

growth is projected to ease to 4.4 percent in 2015. Inflation has remained low, partly reflecting the government food and price stabilization programs and the good harvest.

“Unanticipated expenditure pressures, reflecting the elevated security risks, and the low mobilization of domestic revenue and budget support resulted in the basic fiscal deficit financed through domestic financing exceeding program targets and a large accumulation of domestic payment arrears at end-2014. Improved revenue collections and better control over expenditure during the first half of 2015 have enabled a significant reduction in domestic payment arrears. The extension of the ECF-supported program up to December 31, 2016 and the access augmentation to meet larger balance of payments needs will provide a policy framework and additional fiscal space to further strengthen Niger’s development.

“The medium-term economic outlook remains positive, but outcomes will depend on the materialization of major projects in the natural resource sectors and the authorities’ ability to leverage related revenues to reduce the infrastructure gap and promote inclusive growth. Critical in this regard will be preserving fiscal and debt sustainability in an environment of low oil and uranium prices. This will require further strengthening the fiscal framework, enhancing public financial management, and establishing strong institutions to manage the natural resource sector and related revenues in an effective and transparent manner. Advancing the development of the financial sector can play a key role in supporting inclusive growth.”

NIGER

November 13, 2015

SIXTH AND SEVENTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, REQUEST FOR AUGMENTATION OF ACCESS, AND EXTENSION OF THE CURRENT ARRANGEMENT

KEY ISSUES

Context: After accelerating in 2014, growth slowed in 2015 due to lower agricultural and natural resource sectors activity. The security situation deteriorated in 2015 with a series of attacks by Boko-Haram within Niger, resulting in an estimated 200,000 refugees and internally displaced people, disruptions to trade, revenue shortfalls, and new expenditure pressures. Presidential, parliamentary, and local elections are scheduled between February and May 2016.

Outlook and risks: Over the medium term, real economic growth is expected to pick up as major projects in oil and mineral extraction come to fruition. The major risk is the persistence and intensification of armed hostilities, which could aggravate budgetary pressures. The 2016 elections could also detract from fiscal and reform priorities. Other downside risks include further decline in oil and uranium prices, and droughts or floods that could compound food insecurity and social instability.

Program: The Extended Credit Facility (ECF) program was approved on March 16, 2012 in an amount of SDR 78.96 million (120 percent of quota). Two of the end-2014 performance criteria (PC) for the sixth ECF review were missed (on domestic financing and domestic arrears repayment), as were four indicative targets. This reflected fiscal slippages relating to revenue shortfalls and overruns on security-related spending. Fiscal pressures continued in 2015, reflecting slower than anticipated disbursement of budget support, lower than expected revenue, and higher domestically financed capital spending. At end-June 2015, one performance criterion for the seventh ECF review was missed (on domestic financing), together with three indicative targets. The structural reform agenda is advancing. The authorities are requesting waivers for the non-observance of the two PC at end-December 2014 and single PC at end-June 2015. They are also requesting a one year extension of the arrangement under the ECF, up to December 31, 2016, and an access augmentation of 62.5 percent to respond to larger BOP needs.

Staff views: Staff supports the authorities' request for waivers for the unmet PC on domestic financing and domestic arrears repayments at end-December 2014, and that of domestic financing at end-June 2015 based on corrective actions aimed at improving revenue collection, containing spending, and clearing past stock of domestic arrears, as contained in a supplementary 2015 budget approved by the National Assembly on October 12, 2015, and continued progress in strengthening public financial management (PFM). Staff recommends the completion of the sixth and the seventh reviews under the ECF-supported program. Staff also supports the authorities' request for an extension of the arrangement through December 31, 2016 and access augmentation of 62.5 percent of quota (about SDR 41.13 million), consistent with the larger BOP needs from the security and humanitarian situation. The augmentation would be phased as 25 percent of quota (about SDR 16.45 million) with the combined sixth and seventh reviews and 37.5 percent of quota divided evenly between the eighth and ninth reviews (SDR 12.34 million each).

Approved By
David Robinson (AFR) and Peter Allum (SPR)

Discussions were held in Niamey during September 14-28. The mission comprised Mr. Gueye (head), Mr. Lopes, Mr. Barry, Ms. Nyankiye, Mr. Ntamatungiro (Resident Representative) and Mr. Abdou (local Economist) (all AFR).

The mission met with the President, the Prime Minister, the Ministers of Economy and Finance, Trade, Petroleum, and Energy, the National Director of the regional central bank, *Banque Centrale des Etats de l'Afrique de l'Ouest* (BCEAO), other senior officials and representatives of civil society, the private sector, and development partners. A World Bank team joined the mission while finalizing discussions on the Development Policy Operation.

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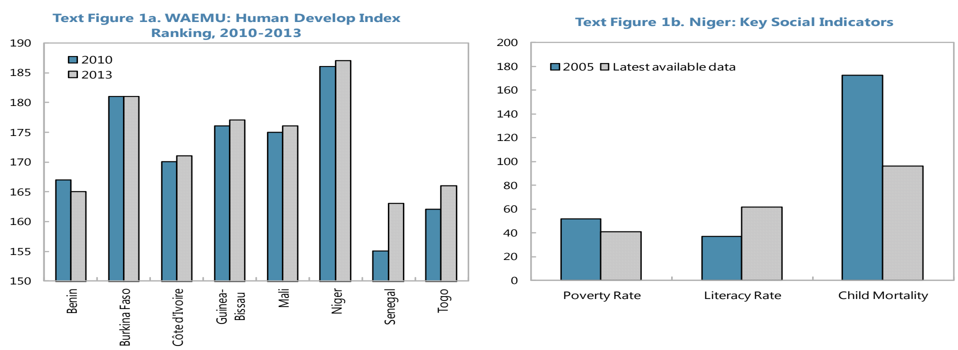
CONTEXT

1. **Social indicators are improving, but challenges remain**. The poverty rate declined from 51 percent in 2005 to 40.8 percent in 2011; the literacy rate increased from 36.5 percent in 2005 to 61.5 percent in 2014; and the child mortality rate decreased from 172.7 children per thousand of live births in 2005 to 95.8 children per thousand of live births in 2015. However, Niger still ranks last in the UN Human Development Index (Text Figure 1) and fast growing population (3.9 percent per annum) is exacerbating youth unemployment, with potential social tensions. Longstanding structural challenges have constrained progress: the economy still largely depends on subsistence agriculture where frequent drought, flooding, and lack of know-how and appropriate inputs hold back productivity growth, together with significant infrastructure gaps and weak institutional capacity.

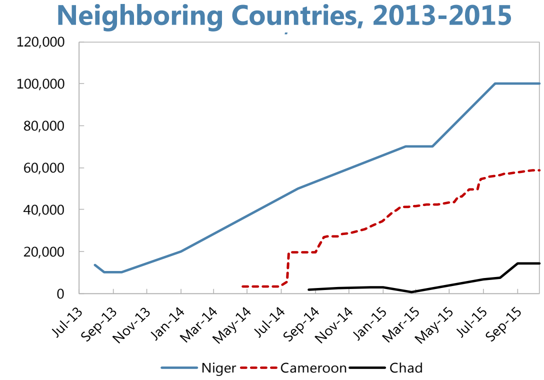
Text Figure 1. Niger: Human Development and Social Indicators



Source United Nations's HDI report; World Bank.
Notes: Poverty Rate is defined as the percentage of population below $1.25 (PPP) per day. The latest available data is from 2011. Literacy Rate refers to the literacy rate of 15-24 year-olds, women and men. The latest available data is from 2014. Child Mortality is defined as the children under five years-old mortality rate per 1,000 live births. The latest available data is from 2015.

2. **Domestic vulnerabilities are exacerbated by elevated regional hostilities**. After several years of separatist tensions along its western and northern borders, Niger has been facing an escalation in attacks by Boko-Haram since early-February 2015. These attacks have resulted in estimated 200,000 refugees from Nigeria and internally displaced people, adding to the 37,000 UN-monitored refugees from Mali and to tens of thousands of returnees from Libya. The hostilities have forced Niger to commit more troops to the Diffa region in the South and to the joint regional military force with Benin, Chad, Cameroon, and Nigeria. The deteriorating security situation has also disrupted trade in the region and the flow of goods between Niger and Nigeria, causing a loss of customs receipts and compounding already widespread food insecurity.

Text Figure 2. Nigerian Refugees to Neighboring Countries, 2013-2015



Source: UNHCR.

RECENT DEVELOPMENTS, OUTLOOK AND RISKS

A. Economic and Institutional Developments

3. **Despite the security disruptions, economic growth remains strong**. Real GDP growth accelerated from 4.6 percent in 2013 to 6.9 percent in 2014, driven by agriculture, construction, and services. However, growth is projected to ease to 4.4 percent in 2015 due to lower agricultural production growth, and lower prices and outputs in the oil and mining sectors (Table 1), offset partially by strong activity in manufacturing, trade, transports, and telecommunications.

4. **Inflation has remained well below the WAEMU's "three percent" convergence criterion, partly reflecting the government food and price stabilization programs and good harvest.** Despite the disruptions to cross-border markets with Nigeria, the 12-month inflation rate was negative at end-2014 and 1.3 percent at end-September 2015. With inflation largely driven by food prices, good harvest and government food programs have played a key role. These programs include the creation of cereal reserve stocks, the sale of subsidized cereals, the targeted distribution of free food to the poorest households, and the 3N initiative (*Nigériens Nourissent les Nigériens*) aimed partly at fostering food production. The total cost of food programs in 2014 is estimated at CFAF 146 billion (3.7 percent of GDP), comprising 72,370 tons of freely distributed food and 82,320 tons sold at subsidized prices, in addition to the 30,781 tons distributed by international donors under food for work programs. In 2015, the authorities project the total cost of food programs at CFAF 179 billion (4.3 percent of GDP).

5. **The fiscal situation deteriorated in 2014, reflecting overspending, revenue under-performance, and shortfalls in external financing, but has been improving in 2015**. Total revenue increased by 1 percent of GDP in 2014, reflecting mainly exceptional revenue from telecommunications licensing, but fell short by 1.1 percent of GDP of the program target. With security, humanitarian, and capital expenditures being stepped up, the basic balance stood at 6.6 percent of GDP in 2014, a deterioration of 4.5 percent of GDP relative to 2013. The overall fiscal deficit, (commitment basis, including grants) deteriorated to 8.3 percent of GDP compared to 2.6 percent in 2013, owing to major shortfall of external grants. The government resorted to domestic financing and a significant accumulation of domestic payments arrears (CFAF 58 billion); the total stock of domestic arrears at end-December 2014 stood at CFAF 100.4 billion (2.5 percent of GDP). The end-June 2015 revenues collection improved compared to end-June 2014 and end-December 2014 and, drawing on deposits, the authorities reduced the stock of domestic arrears, paying off at end-June 2015, CFAF 61.5 billion of the end-December 2014 arrears outstanding . However, to respond to the further deterioration of the security and humanitarian situation, many current and capital expenditure budget allocations were executed at a faster pace compared to 2014.

6. **To reduce the infrastructure gap, the authorities are scaling up capital spending, including through increased domestic borrowing**. In line with the priorities established in the *Plan de Développement Economique et Social (PDES)* 2012-15, infrastructure investments have

focused on education, health, roads for mobility, energy, and to address additional needs from the security situation. While execution of externally financed investment improved from 13.9 percent of budgeted amount in 2014 to 27 percent at end-June 2015, additional investment has however been mainly facilitated by increased issuance of regional bonds.[1] The government has also contracted loans from the regional development bank, *Banque Ouest Africaine de Développement* (BOAD), and commercial banks. However, execution of some projects is being delayed, reflecting capacity constraints and in view of sustainability considerations as Niger remains at a moderate risk of debt distress (DSA, ¶ 17).

7. **Growth in monetary aggregates accelerated in 2014, but slowed in 2015** (Table 4). Broad money is estimated to have increased by 26 percent in 2014, driven by net foreign assets, mostly official reserves held at the Central Bank of West African States (BCEAO). Domestic credit grew by around 15 percent, driven by credit to the economy that rose by 10.4 percent. However, at end-August 2015, broad money growth slowed to 18 percent, reflecting weaker growth of net foreign assets. The 12-month rate of credit to the private sector remained vigorous at 13.4 percent at end-June 2015, mainly channeled to high growth sectors (manufacturing, trade, telecommunications, and services).

8. **The external sector deficit widened slightly in 2014 reflecting a deterioration in the terms of trade and increased imports related to the scaling up of public investment** (Table 5). The larger deficit reflects both a decline in prices for exports of refined petroleum products and uranium, and a significant increase in imports related to public infrastructure projects. A continuation of these trends is expected to deteriorate the current account balance further in 2015 by close to 1.5 percentage points of GDP. With net accumulation of international reserves in 2014, Niger's external position remains comfortable.

9. **The new, combined Ministry of Economy and Finance should strengthen program implementation**. In early September, a mini-government reshuffle merged the Ministry of Finance and the Ministry of Planning into a single Ministry of Economy and Finance. Shortcomings in institutional coordination between the Ministry of Planning and the Ministry of Finance had, in the past, created difficulties in coordinating and monitoring debt operations.

B. Outlook and Risks

10. **Implementation of the development strategy, laid out in the PDES, is advancing**. The recent report on the implementation of the Priority Action Plan under the PDES 2012-15[2] identified steady progress in each of its five pillars. Credibility and effectiveness of public institutions have been enhanced through transposition of the WAEMU's directives on public finance into the organic

[1] CFAF 93 billion in 2014, compared to CFAF 25 billion in 2013, with CFAF 121 billion scheduled in 2015, of which CFAF 63 billion was issued at end-June 2015.

[2] Report on the Implementation of the Priority Action Plan (PAP), circulated to the Board on November 13, 2015.

law, and improvement in public financial management. Conditions for sustainable, balanced, and inclusive development have been strengthened. Food security and sustainable agriculture development have improved through priority projects financed by both government and donors. The efforts to promote a diversified economy and financial inclusion have been stepped up. In addition, human capital development and social safety nets have been strengthened and broadened. However, a number of challenges remain, among which: (i) effective implementation of reforms aimed at enhancing public financial and project management; (ii) improved domestic resource mobilization and alignment of domestic and budget support use with policy priorities; (iii) the issue of youth unemployment and social safety nets; and (iv) expanding irrigation in agriculture to alleviate food security, etc. These challenges are expected to be addressed in the PDES 2016-20 under preparation.

11. **The medium-term economic outlook remains positive**. Over 2016-20, real GDP growth is projected to average 6.9 percent, and inflation would be contained to around 1.8 percent. Medium-term overall growth will be supported by a steady agricultural production aided by increased irrigation. Increased fuel production at the SORAZ national refinery, and the continued implementation of major infrastructure projects, such as the four highway interchanges, the rail loop project, the cement plant in Kao, and the electrical and thermal power plant in Gorou Banda would also support the PDES' objectives of private sector-driven growth and improved business conditions. The beginning of construction work on the oil pipeline expected in late 2016 will significantly enhance the outlook for exports and oil-based government revenues. In addition, over the medium term, progress in all these sectors would help to achieve the economic diversification envisaged in the PDES.

12. **Risks to the outlook are mostly tilted to the downside**. The key risk is the persistence or intensification of armed hostilities, which could aggravate budgetary pressures and divert spending priorities away from development projects. Other downside risks include further declines in oil and uranium prices that could slow the completion of the new projects in those sectors; droughts or floods that could compound food insecurity and social instability; and lack of capacity for policy implementation. Medium-term debt sustainability will also depend on significant fiscal consolidation beyond the end of the current arrangement. On the upside, the rebound of uranium and oil prices would significantly increase Niger's fiscal space.

PROGRAM PERFORMANCE

13. **Program performance for the sixth and seventh ECF reviews reflected persistent fiscal pressures.** The continuous PC on contracting or guaranteeing of non-concessional external debt, short-term external debt, and non-accumulation of external arrears were met at both end-December 2014 and end-June 2015 (Tables 7 and 8). However, the PC on domestic financing was missed on both test dates largely due to the shortfall in budgetary support and larger than anticipated adverse security impacts on revenue and spending. At end-December 2014, the PC on domestic arrears repayment was missed by CFAF 68 million (1.7 percent of GDP), but it was met at end-June 2015 as the government made a major effort to settle arrears outstanding at end-2014. The indicative

targets (IT) for revenue collection and the basic fiscal balance were missed at both test dates, while the IT on priority poverty spending was missed at end-December 2014 but observed at end-June 2015. The authorities are undertaking corrective actions to improve fiscal performance by strengthening revenue mobilization (MEFP, ¶ 24, 27-36), settling domestic arrears (MEFP, ¶ 16), and reinforcing public financial management (MEFP, ¶ 38).

14. **Structural reforms are progressing, focusing on strengthening PFM systems and debt management** (Tables 10, 11).

- **Treasury Single Account (TSA)**: At end-February 2015, the authorities updated the 2012 inventory of bank accounts held by public entities, (MEFP, ¶ 9). Accordingly in September 2015, the government adopted the conceptual plan for the TSA developed with support from AFRITAC West, to be implemented by end-September 2016 starting with the consolidation of public agencies' accounts. To support the monitoring of the process, a TSA steering committee was created by ministerial order in July 2015 and is operational. The required documents—the memorandum of understanding between the government and the BCEAO and the order for the closing of accounts— are being processed, and the BCEAO has recently authorized the opening of the TSA account in its books.

- **Harmonization of budget practices with regional standards through the implementation of the 2012 budget organic law** (MEFP, ¶ 12): Two technical assistance missions by AFRITAC West in May 25–June 5, 2015 and the Fiscal Affairs Department in August 2015 provided training to the Ministry of Economy and Finance's staff and recommendations in the preparation of the budget under the format of commitment authorizations and payment credits. A consistent study on applying to investment budgeting, the commitment authorizations and payment allocations has been finalized. In addition, the government reactivated the Medium-Term Expenditure Framework (MTEF) Committee to support the implementation of this reform.

- **Budget execution**: Quarterly reports on budget execution are being prepared on a regular basis. Furthermore, budget allocations for each quarter are now released before the end of the first week of the quarter (the target was the first four weeks).

- **Debt management**: A June 18, 2015 Prime-Ministerial decree elevates the profile of the Inter-Ministerial Debt Management Committee, which is now chaired by the Prime Minister and also, oversees overall budget support. With the merger of the Ministry of Finance and the Ministry of Plan, loan agreements would now require signatures of the Minister of Economy and Finance and the line Minister who has initiated the project.

- **Exceptional spending**: The ratio of exceptional expenditures to total expenditures remained low at just 1.1 percent at end-December 2014 and 1.8 percent at end-June 2015 (compared to a benchmark of 5 percent).

ADJUSTING TOWARD FISCAL SUSTAINABILITY DESPITE EXOGENOUS SHOCKS

In Niger's context of domestic vulnerabilities exacerbated by protracted hostilities, and related short-term macroeconomic performance risks, policy discussions focused on adjusting to a more sustainable fiscal stance in the 2015-16 fiscal program, while safeguarding growth-inducing medium-term policies.

Near-Term Policies

A. 2015 Fiscal Policy

15. **Spending pressures and revenue losses from the deteriorating security situation have required adjustments to the 2015 budget and fiscal program**. The second revised budget approved by the National Assembly on October 12, 2015, aims, as did the first, at making up for revenue losses, while accommodating additional humanitarian, security, and social spending. The government also needed to provide an additional CFAF 26 billion for the upcoming elections.

16. **The agreed revised macroeconomic framework for 2015 targets the basic balance deficit at 5.5 percent of GDP (excluding grants)**. This represents a relaxation of 1.8 percent of GDP compared to the original program but a consolidation of 1.1 percent of GDP compared to end-2014 (Table 3). The revised 2015 budget also assumes that the financing commitments from the international community will still materialize in 2015 (Text Table 1).

Text Table 1. Niger: Revision to the 2015 Fiscal Program

	CFAF billion	Percent of GDP
Additional needs	**129.1**	**3.1**
Loss in revenue	*17.3*	*0.4*
Additional spending	*55.0*	*1.3*
Security expenditure	41.5	1.0
Food security	4.6	0.1
Election	26.0	0.6
Net other spending	-17.1	-0.4
Reduction of arrears	*56.8*	*1.4*
Identified Financing	**56.9**	**1.4**
Additional domestic financing (excluding IMF)	57.6	1.4
Others	-0.7	0.0
New financing gap	**72.2**	**1.7**
Additional financing sources	**58.6**	**1.4**
Budget support	*58.6*	*1.4*
Grant	39.6	0.9
Loan	19.0	0.5
Residual financing gap	**13.6**	**0.3**
Augmentation under the ECF	***13.6***	***0.3***

Sources: Nigerien authorities; and IMF staff estimates.

- **Revenue**: The revised framework incorporates revenue losses of CFAF 17.3 billion, mostly from shortfalls in income tax and value-added tax (VAT) collections, royalties from the mining sector, and, to a lesser extent, from the oil related taxes due to lower production and exports by *Société de Raffinage de Zinder* (SORAZ).[3] Additional nontax revenue of CFAF 15 billion is reflected from a signature oil

[3] The losses in the oil and mining sector were estimated at CFAF 37 billion. However, internal efforts from other sectors brought net losses to CFAF 17.3 billion.

exploration bonus paid in August 2015. Internal efforts (accelerated recovery of tax arrears[4] and reinstated ad-valorem taxation, in place of taxation based on predetermined value per container) will further help substantially contain revenue loss.

- **Spending**: The revised framework incorporates net additional spending of 1.1 percent of GDP in security and humanitarian areas and in the government's contribution to the forthcoming elections (0.6 percent of GDP). To provide emergency spending resources, the authorities reprioritized spending and delayed some investment projects,[5] resulting in a net saving of 0.4 percent of GDP. With regard to the election expenses, given the potential delay of external financial support, the government expanded its commitment to provide additional resources of CFAF 26 billion in 2015, from CFAF 18 billion to facilitate the timely preparation of the elections.

17. **The revised 2015 budget also reflects the government's strong emphasis on reducing the stock of arrears** (MEFP, ¶ 16). To limit the adverse impact of accumulated arrears on the economy, help reduce banks' non-performing loans (NPL), and ensure the continued provision of critical services, the authorities give a high priority to clearing arrears in cash, subject to available financing. At end-June 2015, cash payments to clear domestic arrears had exceeded the end-June PC by a large margin, and full-year payments are projected at CFAF 63.8 billion. The government also plans to issue securities, payable over five years, to clear the remaining arrears stock from end-2014, estimated at around CFAF 40 billion. In order to avoid the emergence of new arrears, the government is committed to making adequate budgetary provisions for security and other spending pressures in the 2016 and subsequent budgets and strengthening cash management under the new TSA framework.

18. **The authorities are implementing other fiscal measures:** (i) civil service wage control measures based on an internal audit of recent wage bill increases, launched in August, and a follow up could be envisaged by the hiring of a high capacity international audit firm; and (ii) reallocation of spending to reflect new priorities by delaying investment projects from FY16 through the medium term.

19. **The government has requested an augmentation of access under the ECF to respond to larger BOP needs and to catalyze donor support to close the residual financing need**. The increase in security and humanitarian spending arising from the stepped-up Boko-Haram attacks in Niger and the region has resulted in larger BOP needs. The government has requested a 25 percent of quota augmentation of the ECF arrangement (CFAF 13.6 billion) that will help cover the residual of the financing need of CFAF 72.2 billion and send a strong signal to the donor community on the need for more to pursue the government's development and reform agenda. Additional budgetary support of CFAF 58.6 billion (1.4 percent of GDP) has been pledged by donors to close financing

[4] Through a limited time one-off cancellation of penalties and a 30 percent rebate.

[5] Investments on administrative buildings and transportation whose impact on growth was estimated to be negligible.

gap: France (CFAF 19.7 billion, of which CFAF 6.6 billion are grant), European Union (CFAF 19.7 billion), Nigeria (CFAF 13.4 billion)[6], and the World Bank (CFAF 6 billion).

B. The 2016 Budget and Fiscal Policy

20. **The 2016 budget aims at tackling development challenges, while adjusting toward fiscal sustainability**. In line with Niger's development strategy to strengthen human capital (education, health, and training) and infrastructure development, some flagship investment projects[7] are included in the 2016 budget. These projects encompass both externally financed ones (though requiring some domestic financing), as well as solely government-financed projects to boost agricultural yields in the country's remote, poverty stricken areas. Externally financial capital expenditures are envisaged to increase to 9.4 percent of GDP (from 7.9 percent in 2015), while domestically financed capital expenditures will slightly decline by 1.1 percent, in accordance with the broader objective to start taking steps to address fiscal imbalances and preserve debt sustainability (Table 3). Given the above spending priorities and limited scope for an early increase in revenue mobilization, the 2016 commitment basis overall fiscal deficit (including grants) is projected at 7½ percent of GDP (compared to the WAEMU convergence criterion of a deficit no higher than 3 percent of GDP). Progress in strengthening fiscal institutions in 2016 will be important for achieving the projected fiscal consolidation in 2017-18 required for medium-term debt sustainability.

21. **The basic balance is targeted to improve by 1.8 percent of GDP, to a deficit of 3.7 percent of GDP in 2016** (Table 3). The adjustment is envisaged to come through a modest increase in fiscal revenues (around 0.4 percent of GDP), containing current expenditures, and sizeable savings in domestically financed expenditures (around 1.1 percent of GDP) by better prioritizing domestic capital spending. In support of these efforts, the government aims to step up PFM reforms for enhancing investment efficiency and to contain risks of a re-emergence of domestic arrears. Budgetary provisions for security spending amount to CFAF 189.1 billion (4.5 percent of GDP).

- **Revenue:** Tax administration measures are expected to yield 0.2 percent of GDP, while custom taxes by 0.2 percent of GDP reflecting efforts underway to modernize the customs services (Box).

- **Spending:** A reduction of 1.7 percent of GDP in domestically financed spending is targeted, with 0.9 percent of GDP from primary current spending and 1.1 percent of GDP in capital spending. The wage bill is expected to remain constant in nominal terms, implying a reduction of 0.4 percentage points of GDP, based on control measures initiated in 2015 (MEFP, ¶ 38). Goods

[6] Nigeria has provided a total of CFAF 20.4 billion in budget support, but CFAF 7 billion was already included in the budget.

[7] Projects are linked to the Niamey third and fourth interchanges, the 48 km (remaining of the 70 km) paved road in Niamey, the 3N initiative, and large infrastructure projects: the regional railroad, the Kandadji dam, and the power project at Salkadamna.

and services expenditures are projected to decline by 0.9 percent of GDP, reflecting mainly a drop from the 2015 one-off spending for the preparation of the 2016 elections. While domestically financed investment expenditures are projected to decline by 1.1 percent of GDP, better prioritization will enable the continuation of critical projects. Externally financed investments are expected to increase by 1.5 percentage points of GDP, as some projects initially planned for 2015 were re-phased in the FY16.

- **Financing:** Total financing needs are estimated at CFAF 602.2 billion, of which CFAF 520.7 billion would be met through external financing which includes: CFAF 268.5 billion in loans and CFAF 252.2 billion in grants which is fully met by existing pledges. Budget support is projected at CFAF 97.3 billion, of which CFAF 54.5 billion will be in the form of grants: CFAF 38 billion from the European Union, 6.5 billion from *Agence Française de Développement,* and CFAF 10 billion from other multilateral and bilateral donors. Another CFAF 42.8 billion will be in the form of concessional loans: World Bank, CFAF 35 billion; and African Development Bank, CFAF 7.8 billion.

Box 1. Niger: Strengthening Revenue Administrations

Achievement of the 2016 fiscal objectives requires higher capacity of customs administration. Some key customs measures are already underway. The revision of the General Customs Code, expected to be adopted in early 2016, aims at more efficient collection efforts, while the reorganization of the General Customs Administration (the order was signed by the Minister of Economy and Finance in August 2015) is underway—the two regional administrations at the ports of entry of Diffa and Agadez are already in place.

Ambitious customs' revenue objectives hinge also on improving the information processing system (MEFP, ¶ 29). The development plan includes a single network server for the various customs offices to be established by the end of January 2016 and the electronic transit system (currently available in Torody, Gaya, and the four offices of Niamey) to be extended to the main customs posts. The migration from ASYCUDA++ customs administration system to the better modulated ASYCUDA World will help enhance the tracking of exemptions processing and that of other categories of tax exonerations affecting budget execution. Strengthening of cross-border cooperation with Benin, Togo, and Burkina Faso is also key, through shared network connection expected by end-December 2015. The improvement of the tracking of re-exports to Nigeria is progressing: the development of a 49-hectare parking and inspection site near the border with Nigeria will accommodate all trucks in transit, in particular those from Benin.

Tax Administration Department is pursuing important institutional reforms (MEFP, ¶ 32). The simplification and adaptation of the fiscal legal framework and its harmonization with the new provisions of the West African Accounting System (SYSCOA) are underway. This harmonization will help to contain the underreporting of disposals of real estate assets, important for containing tax evasion. The settlement of disputes under the Tax Appeal Arbitration Committee (CARFI) is making headway, with a recent one-time plan to clear tax arrears, which is actively advertised by local media.

Tax Administration reforms are being supported by a profound reorganization (MEFP, ¶ 33, 34). This reorganization, along the recent restructuring of the Department of Small-and-Medium-Sized Businesses into the Department of Medium-Sized Businesses (DME) will help to improve management of taxpayers' database, and enhance efficiency of tax collection. Already, improved taxpayers' database management resulted into a decline of the default rate for all categories of taxes, and the rise of spontaneous reporting rates, in particular with regard to the VAT. Review of the tax audit process is being revamped: a joint customs and tax team has been put into place, accompanied by the creation of regional investigation and research teams at the eight regional offices. The objective is to decentralize gradually the tax audit system to line management units, with the Tax Audit Department taking on a strategic role going forward. To support all these reforms, a full information system process, the Computerized System for the Monitoring of Taxes and Taxpayers (SISIC), is underway, with the tenders to be finalized by early 2016 and the system to be implemented by end-March 2017.

22. **Achievement of the 2016 fiscal objectives requires improved customs and tax administrations** (Box). Realization of ambitious custom's revenue objectives hinges on improving the customs' institutional and organizational capacity, as well as the information processing system, higher capacity of customs administration (MEFP, ¶ 27, 28) and improved information processing system (MEFP, ¶ 29). The tax department is also pursuing a profound reorganization (MEFP, ¶ 32, 33).

23. **Cost savings are expected from measures aimed at containing the staff's payroll** (MEFP, ¶ 38). These measures include: (i) an integrated administrative database of government employees with the aim of bringing the staff's payroll under control by end-2016; (ii) an audit of the civil service salaries already underway; (iii) preparation of a list of civil service jobs and skills to ensure a better management of human resources by end-June 2016; and (iv) the introduction of a performance appraisal system for government employees through a reform of the civil service staff regulations before end-2016 to be supported by a biometric census of government employees before end-2016.

Medium-Term Policies

C. Management of Natural Resources

24. **The decline in oil prices has placed Niger's oil sector under significant pressure.** Refining and distributing margins of the national refinery—(SORAZ)—have fallen sharply while the company bears heavy borrowing costs, which along with refining input costs, have risen owing to the sharp decline in the value of the CFA franc against the U.S dollar. Declining oil prices could delay the implementation of the oil sector projects and materialization of expected fiscal revenues, posing significant strains to the development strategy that leverages natural resource wealth into a sustained inclusive growth process.

25. **Measures are underway to strengthen the financial footing of the oil sector** (MEFP, ¶ 46, 47, 48)**.** A technical committee, including all stakeholders, has proposed actions that impact on revenue and cost, including the revision of the pricing mechanism in the oil sector. Recommendations led already to the revision of the sale price ex-China National Petroleum Company (CNPC) to Soraz from US$70 per barrel to US$57 per barrel in March 2015 and to US$50 per barrel as of June 2015. However, given the still adverse impact on the sector of the refinery's operating costs, the authorities are exploring other options. In particular, they are focusing on the possibility to increase the ex-SORAZ price to the public distribution company, the *Société Nigérienne de Produits Pétroliers* (SONIDEP), while reducing the distribution margins to keep the price at the pump unchanged. They are also open to exploring other measures to contain operating costs, in particular debt service cost reduction, through the refinancing of the loan to build the refinery (US$880 million) on concessional terms.

26. **Niger aims to become an exporter of crude oil by end-2017** (MEFP, ¶ 49). The authorities reiterated that the pipeline route Niger-Chad-Cameroon was selected and that negotiations are advancing. Cost of the pipeline is estimated at about US$850 million. Various options for financing the pipeline are under consideration. Other specific arrangements for the creation of the

company—Niger Oil Transportation Company (NOTCO)—are being worked out; CNPC could participate in the capital of the company with a 55 percent share and the remainder would be split among Niger, Chad, and private investors (15 percent each). Niger has already provisioned CFAF 2.5 billion in the 2016 budget for its contribution to the capital of the company. Work on the construction of the pipeline is expected to start in 2016, with exports to begin at end-2017. Staff stressed the need to take into account debt sustainability when defining the financing options of the pipeline construction.[8]

27. **The authorities are seeking to strengthen the institutional mechanism for policy formulation in the natural resource sector, including enhancing transparency and supervision** (MEFP, ¶ 50)**.** The authorities noted the need to strengthen the fiscal framework for managing windfall from natural resource revenues. In 2014, they received technical assistance aimed at enhancing capacity in the predictability of public spending over the medium term while taking into account commodity price volatility and capacity constraints that may adversely impact the efficiency of spending. Additional follow up missions are scheduled by FAD. The authorities highlighted the increasing costs of the mines, which may diminish government revenue from the mining sector, despite the enforcement of the 2006 mining code. Accordingly, strengthening the supervisory role and accounting expertise of the public holding company *Société du Patrimoine des Mines du Niger* (SOPAMIN) for the mining sector and the Ministry of Petroleum for the petroleum sector is a high priority. Thus, in April the government approved the energy code and texts concerning the creation and organization of the Energy Sector Regulatory Authority. Finally, the Ministry of Mines and the Ministry of Petroleum will jointly prepare official lists of mining and petroleum operations, indicating the mining and oil permits that have been granted.

D. Debt Management

28. **The debt stock has risen rapidly reflecting the efforts to scale up public investment, but the update of the DSA still suggests a moderate risk of debt distress**. The public debt-to-GDP ratio is projected to rise from 27.1 percent of GDP at end-2013 to an estimated 52.1 percent in 2016. The SORAZ refinancing loan did not materialize, however the authorities are still considering options to refinance it on terms that are more concessional. The Chinese master facility loan of US$1 billion expected to be disbursed after 2018 will enable a further scaling up of public investment but keep the debt to DGP ratio high over the medium term. Reflecting concern over the pace of debt accumulation and the efficiency of investment, the authorities decided to cancel the planned issuance of 'Sukuk' bonds (3.6 percent of GDP) and another non-concessional loan under consideration from the Islamic Development Bank. Recently accumulated domestic

[8] Negotiations are underway and the financial structure of the company is not yet determined. For the purpose of the staff report and DSA, staff assumed that the cost of government's participation to the project would be limited to the 15 percent of the capital of NOTCO. The government has made an initial provision in the 2016 budget and the residual is assumed to be financed from the 2017 budget; as a result, the project would not increase public borrowing relative to projected levels. Other financing would mostly come from FDI reflected in the DSA as private debt.

arrears, projected at CFAF 40 billion at end-2015 that the government plans to securitize, would also add to the debt stock.

29. **Niger has weak debt management capacity, but steps to strengthen further the debt management framework were identified** (MEFP, ¶ 39, 40, 41). The 2012 debt management performance report identified significant gaps in terms of completeness and timeliness of central government debt records, and quality of debt data covering the central government. However, steps have been taken over the last year to publish regularly the quarterly report on debt management. In addition, the authorities expressed strong commitment on fiscal discipline going forward, in particular on debt management. The process of improving the institutional framework of debt management is underway, in line with the decree of the Prime Minister of June 18, 2015 that will help to improve the coverage and quality of debt statistics by strengthening the coordination of debt operations. In addition, consistent with the new Debt Limits Policy, the government will draft a medium-term external borrowing plan (Table 12) before end-June 2016, including its investment strategy and a list of priority investment projects; the sources of financing; the use of financing; and the debt management strategy. Meanwhile, a summary of the government's external borrowing program is shown in Table 14. The government is planning to review contracted debts that have not yet been disbursed.

E. Business and Financial Sector Reforms

Improving the business environment

30. **Despite recent progress in improving business conditions under the PDES implementation, Niger is still ranked low (168th of 189 countries) in the Doing Business Index in 2015** (MEFP, ¶ 56)**.** While progress is being made, including in infrastructure (Text Table 2), business conditions in Niger would benefit from improved infrastructure, institutional framework, and broader dissemination of business opportunities. However, important bottlenecks are still precluding the free circulation of goods, and non-transparent practices are still being reported by the business community.

Text Table 2. Niger. Key infrastructure indicators

	Niger		Sub-Saharan Africa	
	2012	2014	2012	2014
Paved roads in Km (Nigerien authorities)	97.5	167.8	…	…
Access to electricity rate in percent	14.4	27.5	35.3	…
Fixed telephone and mobile subscription in percent	32.0	45.0	61.0	72.3
M2 to GDP (%)	22.6	27.4	39.3	36.7

Sources: Nigerien authorities; and World Bank.

31. **The authorities acknowledge the need for greater participation of the private sector in the reform process** (MEFP, ¶ 57). To that end, they are determined to reform governance at the customs to ensure free circulation of goods, addressing one of the main complaints of the business community. Over the last two years, the government passed significant reforms: (i) a presidentially chaired National Investment Council to serve as a platform for the public-private dialogue; (ii) a one-stop-shop for setting up new businesses with minimal bureaucracy; (iii) a new investment code

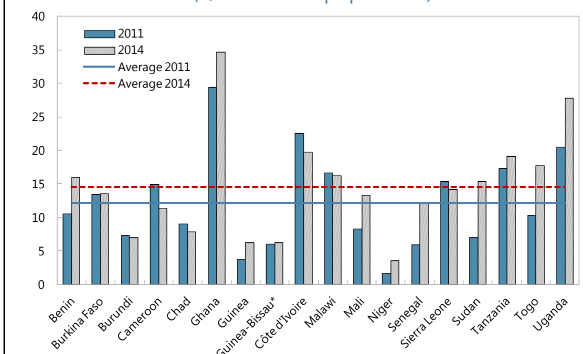
and support office to assist investors; and (iv) a permanent advisory committee on ways to improve the business environment.

Financial Sector's Trends, Risks, and Reforms

32. **Compared to other countries in the region, Niger's financial system remains shallow hampering faster poverty reduction gains.** Despite progress over the last decade, the level of financial depth—proxied by broad money (M2) to GDP—was among the lowest in the world at 28 percent in 2014 against an average of 36.7 percent in sub-Saharan Africa. The situation is aggravated by the fact that banks are clustered in the capital—Niamey—resulting in less than 1.5 percent of the population having a bank account or access to credit. The account penetration rate, although improved between 2011 and 2014, is among the lowest in SSA (Text Figure 3).

Text Figure 3: Selected SSA Countries: Account Penetration, 2011-14

(1/1000 adult population)

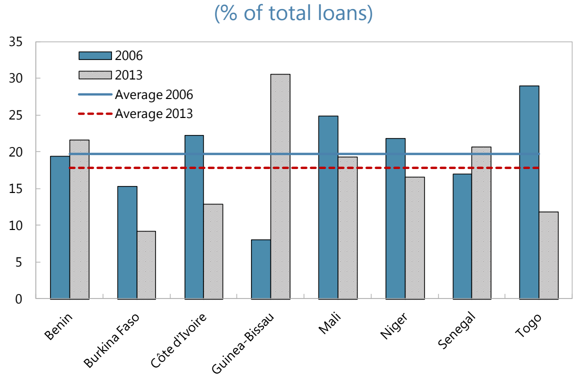


Sources: World Bank; Global Findex database; and World Development Indicators.
* Last available data is for 2013.

33. **The banking system appears adequately capitalized and, as of end-June 2015, 11 out of 12 banks observed prudential requirements, but there are some risks**. At end-June 2015, capital adequacy ratios continued to significantly exceed the regulatory threshold of 8 percent and, although gross non-performing loans are high, banks are on average well provisioned and highly profitable (Table 6). However, some deterioration in asset quality has occurred in 2015, but this seems to be related to two banks with state participation that are currently being restructured. Many Nigerien banks are affiliates of regional banks, which pose special challenges for bank supervision. Such affiliates are more geared at trade financing and do not contribute to the expansion of the bank network to more remote areas of Niger. Other pockets of risk stem from growing exposures to the public sector engaged in infrastructure projects partly financed by domestic banks through issuance of bonds. Nonbanking sector, particularly in the micro-financial sector, is growing, with limited supervision capacity.

Text Figure 4. WAEMU: Nonperforming Loans, 2006-2013[1]

(% of total loans)



Sources: Datastream; BCEAO; and IMF staff calculations.
[1] All values for 2013 are provisional, except Niger and Senegal which are confirmed.

34. **The security situation is adversely affecting banks' lending and risk exposure.** The disruption of commerce along the southern border has obliterated formerly profitable commercial credit lines, while business in general is being affected by ever-present risks of personal aggression and property destruction. Banks have also been hurt by the government's accumulation of arrears to some of their clients, who, in turn fall behind on their loan payments. Banks are containing risks by consolidating operations in areas and activities not vulnerable to the security disruptions.

35. **Reforms aim at improving depth and financial access.** Developed in line with PDES objectives, the National Financial Sector Development Strategy (SNDSF) covers the 2014–19 period and aims at expanding access to financial services. The government decided in 2014 to strengthen its execution by putting into place a steering committee (structural benchmark for end-February 2016) to coordinate implementation and technical and financial support from development partners. Building on the good results of the 2012 National Strategy for the Microfinance Sector (SNSM), the National Strategy for Financial Inclusion (NSFI–2016–20) gives priority to lending to small economic operators who are currently excluded from the traditional banking system, in particular women, young people, and other disenfranchised segments of the population who do not have access to basic financing to start up income-generating activities.

PROGRAM EXTENSION, AUGMENTATION AND IMPLEMENTATION RISKS

A. Program Extension

36. **The authorities have requested an augmentation and extension of the ECF arrangement through December 31, 2016 to respond to larger BOP needs in 2015. It will also provide a framework for policy implementation through the election period while catalyzing donor support**. The larger balance of payments needs result from: (i) the cost of hosting and assisting the growing influx of refugees and the internally displaced people brought along with the military action against Boko-Haram's activities in the region; and (ii) a reduction of FDI resulting from higher security risks. The permanent part of these shocks would be tackled by internal adjustment through fiscal consolidation. Eighth and ninth reviews to be based on proposed PCs and structural benchmarks for end-December 2015 and end-June 2016, respectively (Tables 8-12), are added to the program. Agreement was reached on indicative targets for end-March 2016 and on projections for end-September and end-December 2016.

37. **Niger's capacity to repay the IMF remains adequate** (Table 13)**.** Obligations to the Fund would peak in 2022 at just 1.4 percent of tax revenue or 0.3 percent of GDP.

B. Implementation Risks

38. **The outlook for Niger remains positive, but risks to program implementation have risen.** The key risk is the persistence or intensification of armed hostilities, which could aggravate budgetary pressures and prevent the fiscal consolidation underlying the program. With the 2016

presidential elections, it is important to ensure that the fiscal stance and other policies are not influenced by the election cycle**.**

39. **The BCEAO is a common central bank of the countries of the WAEMU**. The latest safeguard assessment of the BCEAO was completed in December 2013. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the WAEMU, enhanced its governance framework. Specifically, an internal audit committee was established and progress is underway to strengthen its capacity with external expertise to oversee the audit and financial reporting processes; transparency has increased with more timely publication of the audited financial statements; and the BCEAO is committed to fully comply with international financial reporting standards for the audit of FY 2015. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure the adequacy of the mechanism through selection of a second experienced audit firm to conduct joint external audits, which was done in 2015.

STAFF APPRAISAL

40. **Despite many challenges, the Nigerien economy continues to deliver strong growth, with favorable medium-term economic prospects.** In the face of a difficult external environment with increasing attacks of terrorist groups within the country and resulting pressures for security spending, major challenges remain to devote adequate resources to inclusive growth so as to reduce unemployment and poverty over the medium term taking full advantage of a strongly growing natural resource sector.

41. **Enhancing food security could increase economic resilience and enhance macroeconomic stability**. The government food programs to address food deficit is welcomed, but more needs to be done to advance the implementation of the PDES and the 3N initiative that could support this by increasing investment crop irrigation networks. Given Niger's food supply vulnerabilities and related repeated shocks to the budget, adequate provisions to tackle food insecurity should be included in the budget.

42. **Preserving fiscal and debt sustainability, while reducing development gaps and addressing security spending needs, will require further strengthening of the fiscal framework.** Reducing fiscal deficits over the medium term is critical. Thus, the government's continued commitment to contain borrowing and to enhance tax collection efforts and control spending through better reining in primary current expenditures is welcome, including the full implementation of the ongoing initiatives to strengthen tax administration, and improve customs administration. Steps to enhance public financial management need to be accelerated, including through the implementation of the institutional mechanism of the 2012 budget law and preparing plans for the effective implementation of budget programs. To break the cycle of domestic arrears payments, additional efforts are also needed to significantly strengthen cash management, through the establishment of the Treasury Single Account and limiting exceptional spending.

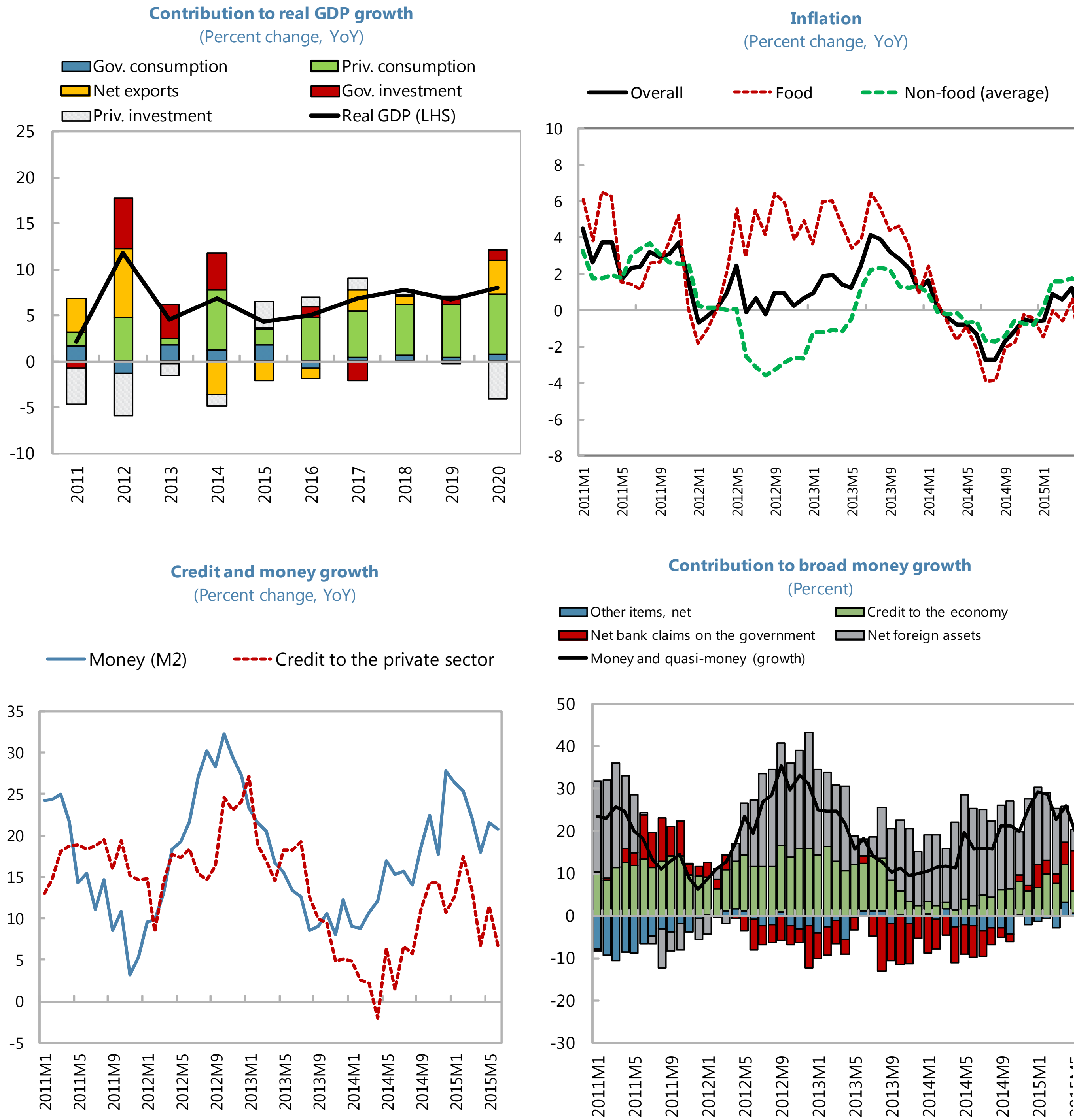
43. **Establishing strong institutions and policy frameworks to manage natural resource revenues is a key priority**. The challenge for the fiscal framework is to strengthen the prudent management of natural resources, taking into account commodity price cycles and the need to ensure the efficiency of spending. The framework will also need to respond to the need to devote more resources to infrastructure and reduce social gaps over time to help create employment opportunities for the rapidly growing population and reduce poverty. Continued efforts to enhance transparency and strengthen supervision in the sector are crucial. Recent efforts to review the pricing mechanism is a welcome step to put the sector on sound footing, but more needs to be done to strengthen governance in the oil sector.

44. **Advancing the development of the financial sector can play a key role in supporting inclusive growth**. The recent approval of the decree needed to implement the financial sector development strategy and the launching of the financial inclusion strategy are important steps and staff encourages the authorities to speed up their implementation. Staff further encourages the Nigerien authorities to improve the national microcredit program and strengthen supervision, for fostering inclusive growth.

45. **Given the rapid increase in external and domestic borrowing, the government should contain debt accumulation and promote sound debt management practices and efficient public investment**. While PFM reforms are advancing, investment spending should be scaled up cautiously, in order to ensure value for money and to contain debt vulnerabilities. In this connection, recent institutional reforms to improve coordination provide an opportunity to strengthen debt management and promote the efficiency of investment. Staff urges the authorities to speed up the medium-term debt management strategy to guide its annual borrowing plan. Investment spending should be closely aligned to the implementation of the PDES and its management improved.

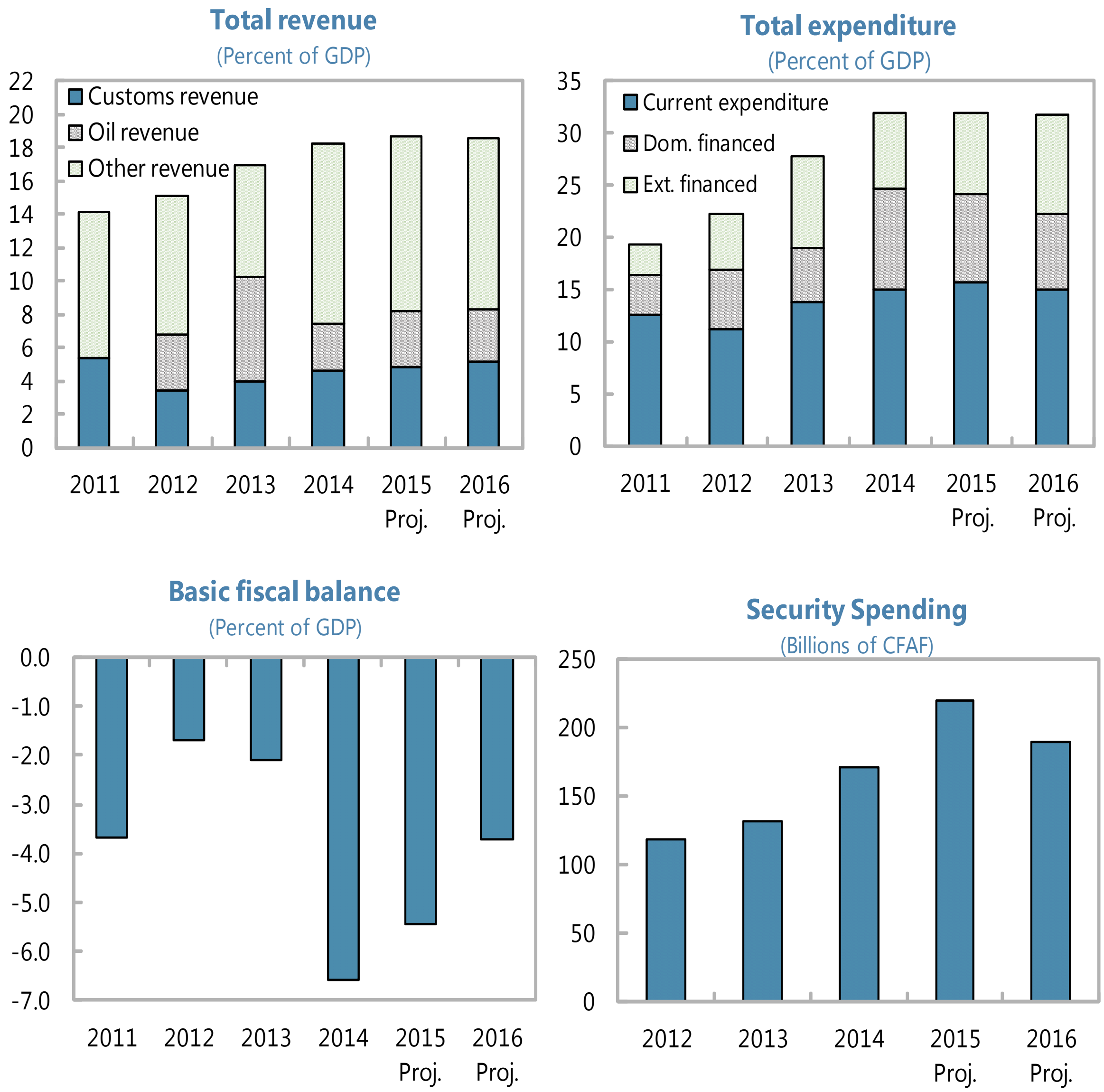
46. **Staff recommends the completion of the sixth and seventh reviews**. Based on the corrective actions taken to strengthen revenue, pay off domestic arrears, and to align program performance with program objectives by starting in 2016 to take steps to address fiscal imbalances, staff supports the waivers for the nonobservance of the performance criteria on net domestic financing and domestic arrears repayments at end-December 2014 and net domestic financing at end-June 2015 to allow completion of the sixth and seventh reviews. Staff also supports the authorities' request for an augmentation of access of 62.5 percent of quota, and an extension of the arrangement under the ECF, up to December 31, 2016 to help meet larger BOP needs in 2015, while catalyzing additional donor support, and providing a framework for policy implementation during the election period.

Figure 1. Niger: Recent Economic Developments and Outlook



Sources: Nigerien authorities; and IMF staff calculations.

Figure 2. Niger: Fiscal Developments 2011-16



Sources: Nigerien authorities; and IMF staff calculations.

Table 1. Niger: Selected Economic and Financial Indicators, 2012-20

	2012	2013	2014		2015	2015	2016	2017	2018	2019	2020
			4th & 5th review[1]	Est.	4th & 5th review	Proj.	Projections				
	(Annual percentage change, unless otherwise indicated)										
National income and prices											
GDP at constant prices	11.8	4.6	6.5	6.9	4.6	4.4	5.0	6.9	7.7	6.7	8.0
Non-resources GDP at constant prices	9.1	4.2	6.8	7.4	4.7	4.7	5.2	6.5	6.8	6.4	6.7
Oil production (thousand barrels per day)	13	18	18	17	20	14	17	29	42	50	60
GDP deflator	4.8	2.4	0.8	-0.5	2.0	1.7	2.2	1.5	1.7	1.8	1.9
Consumer price index											
Annual average	0.5	2.3	-0.8	-0.9	1.6	0.8	1.6	1.5	1.8	2.0	2.0
End-of-period	0.7	1.1	0.9	-0.6	2.3	2.3	1.4	1.7	1.9	2.1	1.9
External sector											
Exports, f.o.b. (CFA francs)	23.0	6.5	2.6	-9.6	-0.7	-1.6	7.2	19.4	28.3	7.2	17.6
Of which: non-uranium exports	41.2	21.0	13.5	-2.9	2.7	-1.6	4.2	28.1	42.5	11.3	12.6
Imports, f.o.b (CFA francs)	-6.1	2.6	24.7	12.5	18.7	7.5	8.2	4.6	9.1	6.8	7.1
Export volume	23.9	8.6	10.8	1.1	0.9	-2.5	7.6	22.0	29.6	8.5	16.6
Import volume	-2.8	1.4	24.6	11.1	25.7	8.0	6.2	2.6	6.9	4.4	4.8
Terms of trade (deterioration -)	2.7	-3.1	-5.4	-12.1	-3.8	1.4	-1.8	-4.4	-3.0	-3.4	-1.3
Government finances											
Total revenue	26.7	15.7	19.9	13.6	4.5	9.9	7.1	11.9	14.7	10.6	14.3
Total expenditure and net lending [1]	26.4	28.9	67.1	22.7	-21.2	6.6	6.3	-3.4	5.1	6.8	11.0
Of which: current expenditure	6.3	26.3	17.9	16.3	2.0	11.4	2.7	5.5	7.7	4.9	10.5
Of which: capital expenditure	91.3	31.6	30.9	28.9	9.0	2.4	9.9	-11.4	2.3	9.0	11.5
	(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)										
Money and credit											
Domestic credit	5.9	-2.7	1.2	7.2	1.9	10.4	10.0	0.8	3.7	1.6	1.1
Credit to the government (net)	-10.0	-5.2	-0.7	1.1	-0.1	3.2	6.0	-3.8	-0.9	-2.7	-3.9
Credit to the economy	15.9	2.5	1.9	6.1	2.0	7.2	4.0	4.5	4.6	4.3	5.0
Net domestic assets	3.8	-2.7	2.7	5.2	2.0	12.3	10.2	0.9	3.8	1.6	1.2
Broad money (percent)	31.2	10.1	10.0	25.7	7.7	16.2	12.7	9.3	9.0	6.6	6.2
Velocity of broad money (ratio)	4.5	4.2	4.1	3.6	4.0	3.3	3.1	3.1	3.1	3.2	3.3
	(Percent of GDP, unless otherwise indicated)										
Government finances											
Total revenue	15.2	17.0	19.1	18.0	18.7	18.7	18.6	19.2	20.1	20.5	21.3
Total expenditure and net lending [1]	22.3	27.8	43.6	31.9	32.2	32.0	31.7	28.3	27.1	26.7	26.9
Current expenditure	11.3	13.8	15.3	15.0	14.6	15.8	15.1	14.7	14.4	13.9	14.0
Capital expenditure	11.0	14.0	17.2	16.9	17.6	16.3	16.7	13.6	12.7	12.8	12.9
Basic balance (excluding grants)[2]	-1.7	-2.1	-15.2	-6.6	-3.7	-5.5	-3.7	-1.6	-0.2	0.7	0.5
Basic balance (WAEMU definition; including grants)[3]	0.9	-0.6	-13.1	-4.9	-1.8	-3.5	-2.5	-0.8	0.9	1.5	1.2
Overall balance (commitment basis, including grants) [1]	-1.1	-2.6	-16.7	-8.3	-6.6	-7.3	-7.5	-4.7	-2.8	-2.3	-2.2
Gross investment	40.1	40.6	40.1	40.6	46.9	41.8	42.0	39.5	36.4	35.2	31.0
Of which: non-government investment	29.0	26.6	22.9	23.7	29.3	25.5	25.3	25.9	23.6	22.5	18.1
government	11.0	14.0	17.2	16.9	17.6	16.3	16.7	13.6	12.7	12.8	12.9
Gross national savings	25.5	25.2	18.7	24.4	19.7	24.1	23.3	22.6	23.0	22.4	19.3
Of which: non-government	18.3	19.9	13.6	19.1	12.9	19.1	18.4	17.1	15.9	14.6	11.0
Domestic savings	22.7	23.7	18.2	21.5	18.2	21.5	21.5	21.5	21.5	20.7	19.9
External current account balance											
Excluding official grants	-17.9	-17.5	-22.7	-18.5	-30.0	-19.7	-20.0	-17.9	-14.7	-14.0	-12.7
External current account balance (including grants)	-14.6	-15.3	-21.4	-16.2	-27.3	-17.7	-18.6	-16.9	-13.4	-12.8	-11.7
Debt-service ratio as percent of:											
Exports of goods and services	3.6	3.3	5.2	4.5	5.5	6.4	6.6	5.6	4.8	4.6	4.1
Government revenue	5.2	4.5	6.1	5.0	6.4	6.4	6.6	5.9	5.6	5.3	4.7
Total public and publicly guaranteed debt	26.1	27.1	37.7	35.8	42.3	43.1	52.1	53.5	52.8	51.9	50.2
Public and publicly guaranteed external debt	21.0	22.6	32.7	27.0	35.3	33.0	41.6	43.0	43.7	44.7	44.5
NPV of external debt	…	…	25.8	14.7	27.5	18.3	23.0	24.5	25.6	27.0	27.6
Public Domestic debt	5.0	4.6	5.0	8.8	7.0	10.2	10.6	10.6	9.1	7.2	5.7
Foreign aid	8.5	11.4	23.4	9.2	12.2	11.7	11.5	9.4	8.8	8.6	7.6
	(Billions of CFA francs)										
GDP at current market prices	3,578	3,703	3,944	3,961	4,210	4,205	4,515	4,898	5,364	5,828	6,418

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

[1] The 4th and 5th review data included a project loan of CFAF 437.4 billion (11.1 percent of GDP) to refinance the SORAZ refinery construction that had been partially guaranteed by the government. The loan was expected to be signed in 2013 but delayed. As the planned loan did not materilize so far, it is excluded from the projection. However, for debt sustainability considerations, the DSA take into account the possibility that this loan will materilize in 2016.

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

[3] Revenue (including budgetary grants) minus expenditure net of externally-financed capital expenditure.

Table 2. Niger: Financial Operations of the Central Government, 2012-20

(Billions of CFA francs)

	2012	2013	2014		2015	Jun-15	2015	2016	2017	2018	2019	2020
			4th & 5th review[2]	Est.	4th & 5th review[4]	Est.	Proj.[5]	Projections				
Total revenue	543.0	628.5	753.3	714.2	787.2	355.0	784.9	841.0	940.8	1079.0	1193.9	1365.0
Tax revenue	495.7	577.3	664.8	633.2	743.3	338.1	724.6	793.9	869.4	987.4	1082.2	1217.9
Nontax revenue	43.7	46.2	83.9	76.3	39.3	13.7	53.3	38.5	61.8	80.7	99.7	134.0
Special accounts revenue	3.6	5.0	4.6	4.7	4.6	3.3	7.0	8.6	9.6	11.0	11.9	13.1
Total expenditure and net lending	799.2	1030.3	1721.4	1263.7	1356.0	594.5	1347.7	1433.2	1385.0	1455.9	1554.5	1725.4
Of which: domestically financed	603.6	706.2	1353.9	976.0	945.0	473.1	1015.0	1009.9	1019.6	1087.9	1155.5	1335.2
Total current expenditure	405.0	511.6	603.4	595.2	615.6	294.8	663.3	681.0	718.3	773.5	811.1	896.2
Budgetary expenditure	391.6	497.0	588.6	580.9	600.9	287.7	640.3	657.9	693.2	746.1	781.2	863.4
Wages and salaries	155.2	189.8	210.0	214.5	221.6	120.7	242.0	245.8	254.3	273.5	291.6	321.6
Materials and supplies	80.4	105.8	136.8	127.4	135.5	52.0	166.5	139.9	151.3	165.7	172.6	195.6
Other current expenditure	149.6	188.0	216.1	221.0	212.5	107.5	203.8	232.2	240.3	255.9	266.5	293.5
Interest	10.9	11.5	25.8	16.0	31.3	10.9	27.9	40.0	47.3	51.0	50.4	52.7
Of which: external debt	6.9	8.4	19.3	10.0	16.6	6.2	13.2	16.2	19.5	20.7	21.9	23.5
Adjustments and fiscal expenditure	-4.6	1.9	0.0	1.9	0.0	-3.4	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[1]	13.4	14.6	14.7	14.3	14.7	7.1	23.0	23.1	25.1	27.4	29.8	32.8
Capital expenditure and net lending	394.2	518.7	1118.0	668.5	740.4	299.7	684.5	752.3	666.8	682.4	743.4	829.2
Capital expenditure	394.2	518.7	679.0	668.5	740.4	299.7	684.5	752.3	666.8	682.4	743.4	829.2
Domestically financed	198.6	194.6	311.5	380.8	329.3	178.3	351.7	328.9	301.3	314.4	344.4	439.0
Externally financed	195.6	324.1	367.5	287.8	411.0	121.4	332.8	423.4	365.4	368.0	399.0	390.2
Of which: grants	123.4	251.0	227.8	154.3	206.1	67.7	174.8	197.7	172.9	170.5	176.3	174.6
loans	72.2	73.2	139.7	133.5	204.9	53.7	158.0	225.7	192.5	197.5	222.7	215.6
Net lending	0.0	0.0	437.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-256.2	-401.8	-968.1	-549.6	-568.8	-239.5	-562.8	-592.2	-444.2	-376.9	-360.6	-360.4
Overall balance (commitment including grants)	-39.6	-97.0	-657.3	-327.4	-279.1	-171.8	-306.1	-340.0	-229.5	-151.3	-134.3	-140.8
Basic balance[3]	-60.6	-77.7	-600.6	-261.8	-157.8	-118.1	-230.1	-168.9	-78.8	-8.9	38.4	29.8
Basic balance (WAEMU definition)	32.5	-23.8	-517.7	-193.9	-74.2	-193.9	-148.1	-114.3	-37.0	46.1	88.4	74.8
Change in payments arrears and float	8.8	-22.4	-10.0	57.7	-7.0	6.2	-63.8	-10.0	-3.0	-2.0	-2.0	0.0
Overall balance (cash)	-247.3	-424.3	-978.1	-491.8	-575.8	-233.3	-626.6	-602.2	-447.2	-378.9	-362.6	-360.4
Financing	247.3	424.3	978.1	491.8	575.8	233.3	626.6	602.2	447.2	378.9	362.6	360.4
External financing	289.5	406.9	901.1	342.3	484.0	111.9	461.9	485.6	427.1	439.4	464.9	451.0
Grants	216.5	304.9	310.8	222.1	289.7	67.7	256.8	252.2	214.8	225.5	226.3	219.6
Of which: project financing	123.4	251.0	227.8	154.3	206.1	67.7	174.8	197.7	172.9	170.5	176.3	174.6
Loans	88.6	116.6	612.1	140.8	222.2	53.7	236.4	268.5	244.1	249.1	274.3	267.2
Of which: budget financing	16.4	43.5	33.4	7.3	17.3	0.0	78.4	42.8	51.6	51.6	51.6	51.6
Amortization	-17.9	-14.6	-21.8	-20.6	-27.9	-9.5	-31.3	-35.1	-31.8	-35.2	-35.8	-35.8
Debt relief (incl. debt under discussion)	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	-42.2	17.4	77.0	149.5	91.8	121.4	164.7	116.7	20.1	-60.5	-102.2	-90.6
Banking sector	-42.7	-31.5	-4.7	54.9	1.7	108.1	32.5	64.8	-7.3	-36.9	-45.6	-48.7
IMF	5.3	4.3	22.5	20.2	11.3	-2.7	26.6	16.3	-4.0	-4.8	-6.4	-9.6
Statutory advances (including other advances)	-4.1	-7.1	-7.5	-7.5	-7.9	-3.9	-7.9	-8.2	-8.4	-8.7	-7.6	-3.6
Deposits with BCEAO	-44.1	-29.4	-38.7	-28.5	-5.0	86.4	17.6	38.0	-15.0	-20.0	-20.0	-25.0
Government securities net and others	0.2	0.7	19.0	70.7	3.3	28.3	-3.8	18.7	20.1	-3.4	-11.7	-10.5
Nonbanking sector	0.5	48.9	81.7	94.6	90.1	13.3	132.2	51.8	27.4	-23.6	-56.6	-42.0
Financing gap (+)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**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] The 4th and 5th review data included a project loan of CFAF 437.4 billion (11.1 percent of GDP) to refinance the SORAZ refinery construction that had been partially guaranteed by the government. The loan was expected to be signed in 2013 but delayed. As the planned loan did not materilize so far, it is excluded from the projection. However, for debt sustainability considerations, the DSA take into account the possibility that this loan will materilize in 2016.

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

[4] In 2015 4th and 5th reviews, CFAF 49 billion in exceptional revenues (CFAF 34 billion from the telecom sector and CFAF 15 billion from petroleum sector) is excluded from non-tax revenue and an equivalent amount in domestically financed capital spending is also excluded. Those spending will be executed only if the exceptional revenues materialize.

[5] In 2015 projections, include in non-tax revenue the CFAF 15 billion of exceptional revenues from the petroleum sector that are received and an equivalent amount of domestically financed capital spending was added.

Table 3. Niger: Financial Operations of the Central Government, 2012-20

(In Percent of GDP)

	2012	2013	2014		2015		2016	2017	2018	2019	2020
			4th & 5th review[2]	Estimates	4th & 5th review[4]	Proj.[5]	Projections				
					(Percent of GDP)						
Total revenue	15.2	17.0	19.1	18.0	18.7	18.7	18.6	19.2	20.1	20.5	21.3
Tax revenue	13.9	15.6	16.9	16.0	17.7	17.2	17.6	17.8	18.4	18.6	19.0
Nontax revenue	1.2	1.2	2.1	1.9	0.9	1.3	0.9	1.3	1.5	1.7	2.1
Special accounts revenue	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Total expenditure and net lending	22.3	27.8	43.6	31.9	32.2	32.0	31.7	28.3	27.1	26.7	26.9
Of which: domestically financed	16.9	19.1	34.3	24.6	22.4	24.1	22.4	20.8	20.3	19.8	20.8
Total current expenditure	11.3	13.8	15.3	15.0	14.6	15.8	15.1	14.7	14.4	13.9	14.0
Budgetary expenditure	10.9	13.4	14.9	14.7	14.3	15.2	14.6	14.2	13.9	13.4	13.5
Wages and salaries	4.3	5.1	5.3	5.4	5.3	5.8	5.4	5.2	5.1	5.0	5.0
Materials and supplies	2.2	2.9	3.5	3.2	3.2	4.0	3.1	3.1	3.1	3.0	3.0
Other current expenditure	4.2	5.1	5.5	5.6	5.0	4.8	5.1	4.9	4.8	4.6	4.6
Interest	0.3	0.3	0.7	0.4	0.7	0.7	0.9	1.0	1.0	0.9	0.8
Of which: external debt	0.2	0.2	0.5	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4
Adjustments and fiscal expenditure	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure[1]	0.4	0.4	0.4	0.4	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Capital expenditure and net lending	11.0	14.0	28.3	16.9	17.6	16.3	16.7	13.6	12.7	12.8	12.9
Capital expenditure	11.0	14.0	17.2	16.9	17.6	16.3	16.7	13.6	12.7	12.8	12.9
Domestically financed	5.6	5.3	7.9	9.6	7.8	8.4	7.3	6.2	5.9	5.9	6.8
Externally financed	5.5	8.8	9.3	7.3	9.8	7.9	9.4	7.5	6.9	6.8	6.1
Of which: grants	3.5	6.8	5.8	3.9	4.9	4.2	4.4	3.5	3.2	3.0	2.7
loans	2.0	2.0	3.5	3.4	4.9	3.8	5.0	3.9	3.7	3.8	3.4
Net lending	0.0	0.0	11.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment)	-7.2	-10.9	-24.5	-13.9	-13.5	-13.4	-13.1	-9.1	-7.0	-6.2	-5.6
Overall balance (commitment including grants)	-1.1	-2.6	-16.7	-8.3	-6.6	-7.3	-7.5	-4.7	-2.8	-2.3	-2.2
Basic balance[3]	-1.7	-2.1	-15.2	-6.6	-3.7	-5.5	-3.7	-1.6	-0.2	0.7	0.5
Basic balance (WAEMU definition)	0.9	-0.6	-13.1	-4.9	-1.8	-3.5	-2.5	-0.8	0.9	1.5	1.2
Change in payments arrears and float	0.2	-0.6	-0.2	1.5	-0.2	-1.5	-0.2	-0.1	0.0	0.0	0.0
Overall balance (cash)	-6.9	-11.5	-24.8	-12.4	-13.7	-14.9	-13.3	-9.1	-7.1	-6.2	-5.6
Financing	6.9	11.5	24.8	12.4	13.7	14.9	13.3	9.1	7.1	6.2	5.6
External financing	8.1	11.0	22.8	8.6	11.5	11.0	10.8	8.7	8.2	8.0	7.0
Grants	6.1	8.2	7.9	5.6	6.9	6.1	5.6	4.4	4.2	3.9	3.4
Of which: project financing	3.5	6.8	5.8	3.9	4.9	4.2	4.4	3.5	3.2	3.0	2.7
Loans	2.5	3.1	15.5	3.6	5.3	5.6	5.9	5.0	4.6	4.7	4.2
Of which: budget financing	0.5	1.2	0.8	0.2	0.4	1.9	0.9	1.1	1.0	0.9	0.8
Amortization	-0.5	-0.3	-0.5	-0.5	-0.7	-0.7	-0.8	-0.6	-0.7	-0.6	-0.6
Debt relief (incl. debt under discussion)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	-1.2	0.5	2.0	3.8	2.2	3.9	2.6	0.4	-1.1	-1.8	-1.4
Banking sector	-1.2	-0.8	-0.1	1.4	0.0	0.8	1.4	-0.1	-0.7	-0.8	-0.8
IMF	0.1	0.1	0.6	0.5	0.3	0.6	0.4	-0.1	-0.1	-0.1	-0.1
Statutory advances (including other advances)	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1
Deposits with BCEAO	-1.2	-0.8	-1.0	-0.7	-0.1	0.4	0.8	-0.3	-0.4	-0.3	-0.4
Government securities net and others	0.0	0.0	0.5	1.8	0.1	-0.1	0.4	0.4	-0.1	-0.2	-0.2
Nonbanking sector	0.0	1.3	2.1	2.4	2.1	3.1	1.1	0.6	-0.4	-1.0	-0.7
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] The 4th and 5th review data included a project loan of CFAF 437.4 billion (11.1 percent of GDP) to refinance the SORAZ refinery construction that had been partially guaranteed by the government. The loan was expected to be signed in 2013 but delayed. As the planned loan did not materilize so far, it is excluded from the projections.

However, for debt sustainability considerations, the DSA take into account the possibility that this loan will materilize in 2016.

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

[4] In 2015 4th and 5th reviews, CFAF 49 billion in exceptional revenues (CFAF 34 billion from the telecom sector and CFAF 15 billion from petroleum sector) is excluded from non-tax revenue and an equivalent amount in domestically financed capital spending is also excluded. Those spending will be executed only if the exceptional revenues materialize.

[5] In 2015 projections, include in non-tax revenue the CFAF 15 billion of exceptional revenues from the petroleum sector that are received and an equivalent amount of domestically financed capital spending was added.

Table 4. Niger: Monetary Survey, 2012-20

	2012	2013	2014	2015	2016	2017	2018	2019	2020
			Estimates	Projections					
				(Billions of CFA francs)					
Net foreign assets	431.4	533.8	715.2	757.9	789.2	911.1	993.5	1080.1	1172.6
BCEAO	419.8	466.0	578.7	618.7	648.7	768.7	848.7	933.3	1023.0
Commercial banks	11.6	67.8	136.5	139.2	140.5	142.4	144.8	146.8	149.7
Net domestic assets	371.2	349.7	395.5	532.6	664.6	677.8	737.9	765.9	787.2
Domestic credit	454.9	433.3	496.7	612.6	741.4	752.3	811.7	838.9	859.5
Net bank claims on government	-45.1	-86.5	-76.9	-41.4	35.8	-19.2	-33.7	-81.1	-152.7
BCEAO	7.7	-27.3	-39.8	-18.0	50.6	20.8	-8.5	-29.7	-72.9
Claims	92.6	89.8	102.5	128.3	142.9	136.1	128.4	119.1	106.4
Of which: statutory advances	22.9	20.4	17.8	17.0	15.3	12.5	9.6	6.6	3.6
Deposits	84.9	117.1	142.3	146.3	92.3	115.3	136.9	148.8	179.3
Commercial banks	-56.1	-61.4	-37.1	-23.4	-14.7	-7.4	-25.2	-51.4	-79.7
Other	3.3	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	500.0	519.8	573.6	654.0	705.5	771.5	845.4	920.0	1012.1
Other items, net	-83.7	-83.6	-101.1	-80.0	-76.8	-74.5	-73.8	-73.0	-72.3
Money and quasi-money	802.5	883.5	1,110.7	1,290.5	1,453.8	1,588.9	1,731.4	1,846.0	1,959.8
Currency outside banks	345.2	398.1	504.3	550.2	632.7	651.7	664.7	678.0	691.6
Deposits with banks	456.9	485.1	604.8	740.3	821.1	937.2	1066.7	1168.0	1268.2
				(Annual change, in percent of beginning-of-period broad money, unless otherwise indicated)					
Net foreign assets	27.5	12.8	20.5	3.8	2.4	8.4	5.2	5.0	5.0
BCEAO	25.3	5.8	12.8	3.6	2.3	8.3	5.0	4.9	4.9
Commercial banks	2.2	7.0	7.8	0.2	0.1	0.1	0.2	0.1	0.2
Net domestic assets	3.8	-2.7	5.2	12.3	10.2	0.9	3.8	1.6	1.2
Domestic credit	5.9	-2.7	7.2	10.4	10.0	0.8	3.7	1.6	1.1
Net bank claims on the government	-10.0	-5.2	1.1	3.2	6.0	-3.8	-0.9	-2.7	-3.9
BCEAO	-7.0	-4.4	-1.4	2.0	5.3	-2.0	-1.8	-1.2	-2.3
Of which: statutory advances	-0.5	-0.3	-0.3	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2
Commercial banks	-3.2	-0.7	2.7	1.2	0.7	0.5	-1.1	-1.5	-1.5
Other	0.2	-0.1	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	15.9	2.5	6.1	7.2	4.0	4.5	4.6	4.3	5.0
Other items, net	-2.1	0.0	-2.0	1.9	0.2	0.2	0.0	0.0	0.0
Broad money	31.2	10.1	25.7	16.2	12.7	9.3	9.0	6.6	6.2
Memorandum items:									
Velocity of broad money (Ratio)	4.5	4.2	3.6	3.6	3.6	3.5	3.5	3.5	3.5
Credit to the economy									
(Change, in percent)	24.2	4.0	10.4	14.0	7.9	9.4	9.6	8.8	10.0
(Percent of GDP)	14.0	14.0	14.5	15.6	15.6	15.8	15.8	15.8	15.8
(Percent of non-agricultural GDP)	17.2	17.0	17.7	18.9	18.9	19.0	18.9	18.8	18.6

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Balance of Payments, 2012-20

	2012	2013	2014	2015		2016	2017	2018	2019	2020
			Est.	4th & 5th review	Proj.	Projections[1]				
	(Billions of CFA francs; unless otherwise indicated)									
Current account balance	-521.0	-568.4	-642.1	-1147.7	-743.1	-841.2	-826.1	-717.0	-747.8	-749.9
Balance on goods, services, and income	-688.8	-714.3	-831.4	-1335.4	-894.1	-969.9	-948.3	-872.0	-904.8	-910.8
Balance on goods	-234.6	-212.3	-412.5	-691.0	-508.3	-556.4	-471.3	-342.9	-361.5	-258.6
Exports, f.o.b	736.8	784.6	709.3	809.2	698.0	748.3	893.4	1145.9	1228.1	1444.0
Uranium	338.7	302.8	241.3	240.6	237.4	268.2	278.7	269.6	253.1	345.8
Oil	116.6	198.9	143.2	190.4	119.1	122.4	247.9	382.6	455.5	556.5
Other products	281.5	282.9	324.8	378.2	341.5	357.7	366.8	493.7	519.5	541.6
Imports, f.o.b	971.4	996.9	1121.9	1500.3	1206.3	1304.7	1364.8	1488.7	1589.5	1702.5
Food products	226.3	186.3	171.1	176.4	154.3	169.0	175.1	189.8	214.4	234.6
Petroleum products	25.2	36.0	43.4	13.9	30.8	13.9	14.1	14.2	14.1	14.3
Capital goods	214.1	253.2	364.3	620.0	464.6	493.0	503.2	570.9	617.2	699.5
Other products	505.9	521.4	543.0	770.4	556.6	628.8	672.4	713.8	743.8	754.1
Services and income (net)	-454.2	-502.0	-418.9	-644.4	-385.8	-413.4	-477.0	-529.2	-543.3	-652.2
Services (net)	-385.1	-410.7	-345.5	-516.0	-346.6	-368.5	-410.9	-456.5	-485.4	-456.5
Income (net)	-69.1	-91.3	-73.4	-128.4	-39.2	-44.9	-66.1	-72.7	-57.9	-195.8
Of which: interest on external public debt	-6.8	-8.4	-10.0	-16.6	-13.2	-16.2	-19.5	-20.7	-21.9	-23.5
Unrequited current transfers (net)	167.8	146.0	189.3	187.8	151.0	128.6	122.2	155.0	157.0	161.0
Private (net)	49.9	67.3	97.5	73.7	63.6	68.3	74.0	81.1	88.1	97.0
Public (net)	117.9	78.7	91.8	114.1	87.4	60.4	48.2	73.9	68.9	63.9
Of which: grants for budgetary assistance	93.1	53.9	67.9	83.6	82.0	54.5	41.8	55.0	50.0	45.0
Capital and financial account	673.7	612.9	722.8	1203.7	783.1	871.2	946.2	797.0	832.4	839.6
Capital account	139.2	282.0	185.7	228.2	195.8	225.3	202.9	203.4	212.2	213.9
Private capital transfers	14.1	14.8	15.3	17.1	21.1	22.6	25.0	27.9	30.8	34.4
Project grants	123.4	251.0	154.3	206.1	174.8	197.7	172.9	170.5	176.3	174.6
Food Aid	0.0	8.0	0.0	5.0	0.0	5.0	5.0	5.0	5.0	5.0
Nonproduced, nonfinancial assets	-1.3	15.6	16.1	5.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt cancellation	3.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	534.4	330.8	537.1	975.5	587.3	646.0	743.2	593.5	620.2	625.6
Direct investment [1]	428.4	305.5	369.8	689.0	310.3	412.6	486.2	333.0	328.3	326.3
Portfolio investment	4.9	-9.4	61.7	58.3	45.4	-8.5	10.0	11.0	11.9	14.4
Other investment	101.2	34.7	105.6	228.3	231.6	241.9	247.0	249.5	280.0	284.9
Public sector (net)	70.6	102.0	120.2	194.3	205.1	233.3	212.3	213.8	238.6	231.4
Disbursements	88.6	116.6	140.8	222.2	236.4	268.5	244.1	249.1	274.3	267.2
Loans for budgetary assistance	16.4	43.5	7.3	17.3	78.4	42.8	51.6	51.6	51.6	51.6
Project loans	72.2	73.2	133.5	204.9	158.0	225.7	192.5	197.5	222.7	215.6
Amortization	17.9	14.6	20.6	27.9	31.3	35.1	31.8	35.2	35.8	35.8
Other (net)	30.5	-67.3	-14.6	33.9	26.5	8.5	34.7	35.7	41.4	53.5
Errors and omissions	-0.3	1.7	32.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	152.3	46.3	112.7	56.1	40.0	30.0	120.0	80.0	84.6	89.7
Financing	-152.3	-46.3	-112.7	-56.1	-40.0	-30.0	-120.0	-80.0	-84.6	-89.7
Net foreign assets (BCEAO)	-154.6	-46.3	-112.7	-56.1	-40.0	-30.0	-120.0	-80.0	-84.6	-89.7
Of which: net use of Fund resources	5.3	4.3	20.2	11.3	26.6	16.3	-4.0	-4.8	-6.4	-9.6
Rescheduling obtained	2.4	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**
Memorandum items:										
Current account (in percent of GDP)	-14.6	-15.3	-16.2	-27.3	-17.7	-18.6	-16.9	-13.4	-12.8	-11.7
Current account (excluding grants; in percent of GDP)	-17.9	-17.5	-18.5	-30.0	-19.7	-20.0	-17.9	-14.7	-14.0	-12.7
Trade balance (in percent of GDP)	-6.6	-5.7	-10.4	-16.4	-12.1	-12.3	-9.6	-6.4	-6.2	-4.0
Overall balance (in percent of GDP)	4.3	1.2	2.8	1.3	1.0	0.7	2.5	1.5	1.5	1.4
Net foreign assets (months of imports)	3.4	3.6	4.2	3.3	4.2	4.1	4.5	4.6	4.9	5.0
Pooled gross international reserves, WAEMU (in CFAF billions)	7,051.0	6,520.8	7,033.3	…	…	…	…	…	…	…
In months of next year's imports of goods and services	5.1	4.5	4.6	…	…	…	…	…	…	…
GDP (in CFAF billions)	3,578	3,703	3,961	4,210	4,205	4,515	4,898	5,364	5,828	6,418

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

[1] Projections of FDI for 2016-17 are based on the construction of a pipeline expected to come on stream in 2017.

Table 6. Niger: Indicators of Financial Soundness, December 2008–June 2015

(Percent, unless otherwise indicated)`

	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012 Dec.	2013 Dec.	2014 Dec.	2015 Mars.	2015 Jun.
Solvency ratios									
Regulatory capital to risk-weighted assets	4.0	8.3	13.5	13.5	16.7	15.5	14.6	16.1	15.6
Tier 1 capital to risk-weighted assets	3.2	7.8	13.2	13.2	16.1	14.9	13.4	15.0	14.3
Provisions to risk-weighted assets	4.9	9.1	8.6	11.5	10.2	12.0	9.4	12.4	13.4
Capital to total assets	2.6	6.3	8.4	9.2	10.1	9.4	9.5	10.8	9.4
Composition and quality of assets									
Total loans to total assets	60.8	62.3	56.1	61.2	60.0	58.6	55.7	56.8	56.3
Concentration: credit to the 5 biggest borrowers to regulatory capital	748.6	219.1	123.8	152.2	135.6	128.3	109.5	99.3	100.6
Gross NPLs to total loans	16.0	14.7	18.2	19.6	17.1	16.5	15.5	18.6	19.7
Provisioning rate	50.3	64.9	47.7	58.0	54.6	67.3	61.5	66.6	68.3
Net NPLs to total loans	6.3	8.2	10.5	9.3	8.6	6.1	6.6	6.2	6.2
Net NPLs to capital	148.1	80.8	70.3	61.6	51.0	34.3	38.6	32.7	37.5
Earnings and profitability[1]									
Average cost of borrowed funds	2.1	2.0	2.6	2.2	2.1	…	…	…	…
Average interest rate on loans	10.4	10.1	11.2	10.4	10.5	…	…	…	…
Average interest margin[2]	8.3	8.1	8.6	8.2	8.4	…	…	…	…
After-tax return on average assets (ROA)	…	…	2.3	1.0	1.8	…	…	…	…
After-tax return on average equity (ROE)	0.2	6.1	13.0	7.3	16.2	…	…	…	…
Non-interest expenses to net banking income	55.4	21.1	54.3	55.9	53.9	…	…	…	…
Salaries and wages to net banking income	20.7	18.8	20.6	23.2	23.5	…	…	…	…
Liquidity									
Liquid assets to total assets	35.3	33.3	29.7	33.4	32.5	22.4	…	…	…
Liquid assets to total deposits	49.9	49.8	46.0	52.6	51.4	36.2	…	…	…
Total loans to total deposits	86.0	95.7	94.0	108.8	104.7	93.7	85.3	85.6	84.8
Total deposits to total liabilities	70.7	65.1	65.4	63.5	63.2	62.6	65.3	66.3	66.5
Sight deposits to total liabilities	43.8	41.0	43.4	41.1	42.0	41.0	42.3	40.7	41.9
Term deposits to total liabilities	26.9	24.1	22.0	22.4	21.2	21.6	22.9	25.6	24.6

Source: BCEAO.

[1] Items reported with semestral periodicity.

[2] Taxes on financial operations excluded.

Table 7. Niger: Quantitative Performance Criteria and Indicative Targets (March 2014-December 2014)

(Billions CFA francs)

	End-March 2014 IT			End-June 2014 PC			End-September 2014 IT			End-December 2014 PC		
	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Rev. Prog.	Actual	Status
A. Quantitative performance criteria and indicative targets[1]												
(cumulative for each fiscal year)												
Net domestic financing of the government	0.2	66.6		0.3	97.3		0.5	72.2		54.5	129.3	
Adjusted criteria [2]	15.2	66.6	Not Met	15.3	97.3	Not Met	15.5	72.2	Not Met	69.5	129.3	Not Met
Reduction in domestic payment arrears of government obligations[3]	-1.3	-8.4	Met	-2.5	-9.5	Met	-3.8	-4.2	Met	-10.0	57.7	Not Met
Memorandum item:												
External budgetary assistance [4]												
Budget support	29.1	6.6		62.0	13.9		89.9	48.1		116.4	75.2	
B. Continuous quantitative performance criteria[1]												
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New external debt contracted or guaranteed by the government with maturities of less than 1 year[5]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New nonconcessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more [6]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
C. Indicative Targets												
(cumulative for each fiscal year)												
Basic budget balance (commitment basis, excl. grants)[3]	-26.9	-62.1	Not Met	-47.0	-108.9	Not Met	-100.0	-120.3	Not Met	-161.6	-261.8	Not Met
Basic budget balance (commitment basis, incl. grants)[3]	…	…		…	…		…	…		-78.6	-193.9	Not Met
Total revenue[3]	178.9	135.9	Not Met	357.6	303.3	Not Met	522.8	523.4	Met	753.3	714.2	Not Met
Spending on poverty reduction[3]	120.1	70.2	Not Met	236.0	206.4	Not Met	363.3	329.3	Not Met	507.6	489.9	Not Met

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

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

[1] Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise.

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2014.

[3] Minimum.

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

[5] Excluding ordinary credit for imports or debt relief.

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

Table 8. Niger: Quantitative Performance Criteria and Indicative Targets (March 2015-December 2015)

(Billions CFA francs)

	End-March 2015 IT			End-June 2015 PC			End-September 2015 For Information	End-December 2015 PC (proposed)
	Prog.	Actual	Status	Prog.	Actual	Status	Proj.	Prog.
A. Quantitative performance criteria and indicative targets[1]								
(cumulative for each fiscal year)								
Net domestic financing of the government	19.6	44.4		41.3	123.9		201.0	130.7
Adjusted criteria [2]	32.2	44.4	Not Met	56.3	123.9	Not Met	…	…
Reduction in domestic payment arrears of government obligations[3]	-1.8	0.0	Not Met	-3.5	-28.8	Met	-38.8	-63.8
Memorandum item:								
External budgetary assistance [4]								
Budget support	12.6	0.0		26.2	0.0		6.6	160.4
New external debt contracted or guaranteed								
by the government on concessional terms (ceiling)[7]								520.4
B. Continuous quantitative performance criteria[1]								
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
New external debt contracted or guaranteed								
by the government with maturities of less than 1 year[5]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
New non concessional external debt contracted or guaranteed								
by the government and public enterprises with maturities of 1 year or more [6]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
C. Indicative Targets								
Basic budget balance (commitment basis, excl. grants)[3]	-25.9	-77.2	Not Met	-55.9	-118.0	Not Met	-155.5	-224.9
Basic budget balance (commitment basis, incl. grants)[3]	-17.6	-77.2	Not Met	-38.4	-118.0	Not Met	-149.0	-142.9
Total revenue[3]	193.9	168.0	Not Met	388.9	355.1	Not Met	564.6	785.7
Spending on poverty reduction[3]	114.3	114.4	Met	231.4	232.3	Met	312.0	442.8

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

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

[1] Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise except for end-September 2015 that are just for information.

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts.
If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2015.

[3] Minimum.

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

[5] Excluding ordinary credit for imports or debt relief.

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

[7] On a contracting basis in accordance with the IMF's debt limits piolicy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

Table 9. Niger: Proposed Quantitative Performance Criteria and Indicative Targets (March 2016-June. 2016) and Projections for September 2016-December 2016

(Billions CFA francs)

	End-March 2016	End-June 2016	End-September 2016[8]	End-December 2016[8]
	IT	PC	For information	For information
	Prog.	Prog.	Prog.	Proj.
A. Quantitative performance criteria and indicative targets[1]				
(cumulative for each fiscal year)				
Net domestic financing of the government	67.7	99.7	109.5	100.4
Adjusted criteria [2]	…	…	…	…
Reduction in domestic payment arrears of government obligations[3]	10.3	20.6	11.6	-10.0
Memorandum item:				
External budgetary assistance [4]				
Budget support	0.0	15.2	39.5	97.3
New external debt contracted or guaranteed				
by the government on concessional terms (ceiling)[7]	800.0	800.0	800.0	800.0
B. Continuous quantitative performance criteria[1]				
Accumulation of external payments arrears	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed				
by the government with maturities of less than 1 year[5]	0.0	0.0	0.0	0.0
New non concessional external debt contracted or guaranteed				
by the government and public enterprises with maturities of 1 year or more [6]	0.0	0.0	0.0	0.0
C. Indicative Targets				
Basic budget balance (commitment basis, excl. grants)[3]	-73.0	-128.0	-147.5	-168.8
Basic budget balance (commitment basis, incl. grants)[3]	-73.0	-118.9	-124.7	-114.3
Total revenue[3]	174.9	384.4	602.5	841.0
Spending on poverty reduction[3]	77.8	200.6	317.1	449.9

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

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

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

[2]The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2016.

[3]Minimum.

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

[5]Excluding ordinary credit for imports or debt relief.

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

[7]On a contracting basis in accordance with the IMF's debt limits piolicy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf. The ceiling is defined as cumulative from January 1, 2015 and exclude the SORAZ refinancing loan of CFAF 437.4 billion, that could be signed in 2016.

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

Table 10. Niger: Prior Actions and Structural Benchmarks, 2014		
Measures	**Timetable**	**Progress and/or Macroeconomic Rationale**
Finalize the study to select the path of the pipeline.	Prior Action for the second and third review	Met
Launch an international tender for the selection of the company that will build the pipeline.	End-September 2014	Not Met Implications for fiscal and debt sustainability. Ongoing discussions to secure all the authorizations
Publish a formal annual borrowing plan detailing the government's planned external borrowing for the year.	End-December 2014	Not Met Ensure that borrowing is consistent with the debt management strategy (Intermediary steps identified)
Introduce a quarterly reporting of debt management activities to the National Public Debt Management Committee (MEFP, ¶11).	Quarterly starting with June 2014	Met Assess compliance of the borrowing activities with the plans set in the debt management strategy (and with IMF conditionality). (June and September reports released)
Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditures, with the exception of debt-service payments and fiscal expenditure related to exemptions.	Quarterly	Met Improve budget and cash management
Progress in implementing customs reform with respect to declarations, tax exemptions, customs controls on oil products, and better use of ASYCUDA.	End-June 2014	Not Met Speed up the customs reform and enhance revenue collection
Quarterly budget allocations will be released no later than four weeks after the start of the first, second, and third quarters.	Quarterly, from March 2014	Met. Improve budget execution
Establish a Treasury Single Account.	End-June 2014	Not met Improve cash flow management (Intermediary steps identified)
Approve the decree to implement the financial sector reform plan.	End-December 2014	Met Support the development of the financial market

Table 11. Niger: Structural Benchmarks, 2015		
Measures	**Timetable**	**Macroeconomic Rationale**
Census of Accounts for the TSA.	End-March 2015	Met Improve cash flow management
Adopt the design of the TSA.	End-September 2015	Met Improve cash flow management
Put in place the one stop shop for the investment code.	End-September 2015	Met Improve business environment
Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditure, with the exception of debt-service payments and fiscal expenditure related to exemptions.	Quarterly	Met in March and June Improve budget and cash management
Operationalize the custom electronic transit.	End-September 2015	Not met, The system is operational between the six interconnected custom offices and it will be extended to the other office s after the completion of the custom interconnection project Improve custom revenue collection
Finalize a study on the introduction of the investment budgeting in commitment authorization and payment credit.	End-September 2015	Met Improve the management of investments through the implementation of the program budgeting system
Prepare a comprehensive procurement plan to match a commitment plan and a cash plan.	Annually	Improve budget management, avoid the backloading of spending toward the end of the year

Table 12. Niger: Proposed Structural Benchmarks, 2016		
Measure	**Timetable**	**Progress and/or Macroeconomic Rationale**
Establish the legal framework for the closure of public accounts to be consolidated under the TSA.	End-June 2016	Improve cash flow management.
Introduce quarterly reports on debt management activities to be submitted to the National Public Debt Management Committee.	Quarterly	Improve debt management.
Establish a steering committee for implementation of the financial sector development plan.	End-February 2016	Improve the business climate.
Limit expenditures executed through exceptional procedures to a maximum of 5 percent of authorized spending, with the exception of debt service payments and budget expenditure associated with exemptions.	Quarterly	Improve budget and cash flow management
Completion of the civil service staff and salary audits.	End-December 2016	Improve the management of salaries and grants.
Migration to SYDONIA World	End-January 2016	Improve revenue collection
Prepare a borrowing plan	End-June 2016	Improve debt management

Table 13. Niger: Indicators of Capacity to Repay the Fund, 2015–26

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fund obligations based on existing credit												
Principal	2.9	5.0	4.8	5.8	7.8	11.6	11.3	10.2	7.9	4.5	0.0	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit												
Principal	2.9	5.0	4.8	5.8	7.8	11.6	20.3	22.9	20.6	17.3	12.7	3.7
Charges and interest	0.0	0.0	0.0	0.0	0.3	0.3	0.2	0.2	0.1	0.1	0.0	0.0
Total obligations based on existing and prospective credit												
SDR millions	2.9	5.0	4.8	5.8	8.0	11.9	20.5	23.1	20.8	17.3	12.8	3.7
CFAF billions	2.4	4.1	4.0	4.8	6.6	9.8	17.0	19.1	17.1	14.3	10.6	3.1
Percent of exports of goods and services	0.3	0.5	0.4	0.4	0.5	0.6	1.0	1.0	0.9	0.7	0.5	0.1
Percent of debt service[1]	2.3	2.0	1.0	1.3	3.3	4.5	4.4	4.9	4.1	3.3	2.3	0.7
Percent of GDP	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.2	0.2	0.1	0.0
Percent of tax revenue	0.3	0.5	0.5	0.5	0.6	0.8	1.3	1.4	1.1	0.9	0.6	0.2
Percent of quota	4.5	7.5	7.3	8.8	12.2	18.0	31.2	35.0	31.5	26.3	19.4	5.6
Outstanding IMF credit based on existing prospective drawings												
SDR millions	107.8	127.5	122.7	116.9	109.1	97.5	77.2	54.3	33.7	16.4	3.7	0.0
CFAF billions	89.1	105.4	101.4	96.6	90.2	80.6	63.8	44.9	27.8	13.6	3.1	0.0
Percent of exports of goods and services	11.3	12.5	10.2	7.7	6.7	5.1	3.7	2.5	1.5	0.7	0.1	0.0
Percent of debt service[1]	83.5	51.7	26.4	25.4	44.3	37.3	16.6	11.5	6.6	3.1	0.7	0.0
Percent of GDP	2.1	2.3	2.1	1.8	1.5	1.3	0.9	0.6	0.4	0.2	0.0	0.0
Percent of tax revenue	12.3	13.3	11.7	9.8	8.3	6.6	4.8	3.2	1.8	0.8	0.2	0.0
Percent of quota	163.8	193.8	186.4	177.7	165.9	148.2	117.4	82.6	51.2	25.0	5.6	0.0
Net use of IMF credit (SDR millions)	36.1	19.7	-4.8	-5.8	-7.8	-11.6	-20.3	-22.9	-20.6	-17.3	-12.7	-3.7
Disbursements	39.0	24.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	2.9	5.0	4.8	5.8	7.8	11.6	20.3	22.9	20.6	17.3	12.7	3.7
Memorandum items:												
Exports of goods and services (CFAF billions)	785.8	842.6	997.3	1261.8	1354.9	1585.6	1719.9	1816.5	1911.8	2036.1	2170.8	2310.1
External debt service (CFAF billions)[1]	106.6	203.7	383.5	379.6	203.7	216.0	384.4	391.7	419.5	439.1	456.0	465.9
Nominal GDP (CFAF billions)	4,203.8	4,513.1	4,897.3	5,363.6	5,825.9	6,419.2	6,894.9	7,403.8	7,949.5	8,528.4	9,148.1	9,817.0
Tax revenue (CFAF billions)	724.6	793.9	870.0	988.8	1,083.7	1,220.9	1,322.1	1,400.4	1,534.8	1,635.4	1,778.0	2,024.5
Quota (SDR millions)	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8

Source: IMF staff estimates and projections.

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

Table 14. Niger: Summary of the Government External Borrowing Program for 2015 and 2016

	2015			2016
	Signed	To be signed[2]	Total	Projections[3]
Source of debt financing	**80.0**	**440.4**	**520.4**	**279.6**
Concessional debt	**80.0**	**440.4**	**520.4**	**279.6**
Multilateral debt[1]	74.2	174.4	248.6	187.6
Bilateral Debt	5.8	266.0	271.8	11.7
To be indentified				80.3
Non Concessional	**0**	**0**	**0**	**0**
Utilization of the amount borrowed	**80.0**	**440.4**	**520.4**	**279.6**
Budgetary assistance	0.0	78.5	78.5	48.5
Infrastructure (Road, Bridge,...)	0.0	235.8	235.8	40.0
Water and Energy	5.8	17.1	22.8	80.4
Agriculture	23.1	26.5	49.6	64.5
Social (Education, Health, ...)	7.6	82.5	90.2	25.9
Others (food security, Women empowerment, ...)	43.5	0.0	43.5	20.3

Source: Nigerien authorities.
[1]The IMF financing is excluded (CFAF 32.2 billion in 2015 and CFAF 20.4 billion in 2016).
[2]There is CFAF 235.8 billion road construction loan under negotiatiation with the Turkish government, which may not be finalized in 2015
[3]In 2016 there are discussions with some donors to finance various projects for which a provision of CFAF 80.3 billion is made
(CFAF 40 billion in road construction, CFAF 20 billion in education, and CFAF 20.3 billion for other projects).

Table 15. Niger: Disbursements to Date and Proposed Scheduled Disbursements under the ECF Arrangement, 2012-16

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

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

Source: International Monetary Fund.

Appendix I. Letter of Intent

November 13, 2015

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

Madame Managing Director,

1. **Niger is making progress with the implementation of the program supported by the Extended Credit Facility (ECF) arrangement in spite of the security situation in the sub-region**. The aggravation of the security situation in the wake of terrorist attacks by Boko-Haram is placing significant strains on the country's socio-economic stability. For this reason, the country has been forced to deploy troops to support the military intervention in the sub-region and to strengthen security in the interior and along the borders. The security situation, influx of refugees, and need to assist displaced persons has impacted the ECF-supported program's implementation, budget execution, and the level of public spending. As expected budgetary support could not be mobilized, it was necessary to make greater use of domestic financing, in particular from the regional market. Thus, the performance criteria of net domestic financing and net reduction in domestic arrears at end-December 2014, as well as the criterion for end-June 2015 of net domestic financing, were not met.

2. **Macroeconomic performance has been positive**. Short-term corrective economic policies, coupled with the implementation of measures under the *Plan de Développement Economique et Social (PDES)* and the 3N (*Nigériens Nourissent les Nigériens*) initiative to strengthen irrigation-based agricultural production, are continuing to help economic activity. Economic growth accelerated to 6.9 percent in 2014, from 4.6 percent in 2013, and is projected at 4.4 percent in 2015. Structural reforms are advancing.

3. **The policies and measures in the attached Memorandum of Economic and Financial Policies (MEFP) should help achieve the program objectives**. Specifically, the government made the necessary arbitrage in spending priorities, and made corrective measures within the supplementary budget for 2015 and the budget for 2016. The pace of structural reforms has also been stepped up, in particular in tax administration, to improve domestic resources mobilization, public financial management, debt and natural resources management, financial sector reform, and business climate. Furthermore, there are opportunities for better institutional coordination of public financial management, with the recent reorganization of the Ministries of Finance and Planning into one single Ministry of the Economy and Finance. Nevertheless, the Nigerien economy remains vulnerable to significant exogenous shocks, requiring the need to sustain reform policies for macroeconomic stability.

4. **The government is also determined to strengthen public debt management to preserve its sustainability**. In this context, it will start preparing annual external borrowing plans, reflecting the investment projects' preparation stages. In addition, to strengthen institutional coordination of investment program management and debt management, the government will continue to improve the Inter-Ministerial Committee on Debt Management.

5. **Given the corrective measures taken to address deviations from the program targets, the authorities are requesting waivers for the nonobservance of the above mentioned end-December 2014 and end-June 2015 performance criteria, and the completion of the attended sixth and seventh reviews**. Specifically, the measures outlined in the memorandum should allow the clearance of the net domestic arrears, while helping to reduce domestic financing use, with increased domestic revenue mobilization.

6. **The Nigerien government requests the completion of the sixth and seventh reviews under the ECF, an increase in access of 62.5 percent of quota, with a one year extension of the program up to December 31, 2016, and a disbursement under the sixth and seventh reviews in the amount of SDR 39.005 million.** The access augmentation will make it possible to meet the greater balance of payments needs from exogenous shocks; the underlying updated macroeconomic framework will serve as a reference for the continued implementation of the reform policies. In implementing the program, the government will consult with IMF staff, on its own initiative or at their request, before adopting any other additional measures, or if any changes are to be made to the policies contained in this Memorandum.

7. **The authorities agree for the publication of this Letter of Intent (LOI), along with the MEFP and the Technical Memorandum of Understanding (TMU) attached hereto, as well as the IMF staff report reviewing the ECF-supported program. Accordingly, we hereby authorize their publication and posting on the IMF website, following completion of the sixth and seventh reviews of the program by the IMF Executive Board**.

Sincerely yours,

/ s /

Saidou Sidibe
Minister of the Economy and Finance

Attachments:

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

Attachment I. Memorandum of Economic and Financial Policies

INTRODUCTION

This Memorandum of Economic and Financial Policies (MEFP) updates that of the fourth and fifth reviews conducted in November 2014. It describes the most recent economic developments, program implementation, macroeconomic outlook, and status of policies and structural reforms. The priorities and objectives of the program supported by the Extended Credit Facility (ECF) arrangement are in line with the core elements of the current 2012–2015 *Program de Développement Economique et Social (PDES)* and of the priorities defined in the *Stratégie de Développement Durable et de la Croissance Inclusive (SDDCI, Niger 2035).* These priorities remain focused on: (i) maintaining macroeconomic stability; (ii) improving budget execution while limiting the accumulation of domestic payments arrears, in particular by enhancing tax collection efforts and public spending management and control; (iii) improving debt management; (iv) improving transparency in the mining and oil sectors; and (v) supporting the development of the private and financial sectors.

RECENT ECONOMIC DEVELOPMENTS AND IMPLEMENTATION OF THE ECF-SUPPORTED PROGRAM

I. Recent Economic Development

1. **Despite the deterioration of the security situation in the sub-region, growth has remained strong in 2014 and 2015**. Real GDP growth accelerated in 2014, from 4.6 percent in 2013 to 6.9 percent, driven by agriculture, construction, and services. In spite of the difficulties of the mining and oil sectors, preliminary reports indicate that growth should reach 4.4 percent in 2015, based on continued strength in the services and construction sectors, but a lower growth in agriculture. The government program to sell cereals at moderate prices and the good harvest contributed to a drop in consumer prices in 2014, with an average annual inflation rate of -0.9 percent. Despite the compounded food insecurity by the influx of refugees and displaced persons, inflation has remained moderate in 2015; it is expected to be contained at an average annual rate of 0.8 percent.

2. **The external accounts have reflected Niger's growth dynamics**. The current account deficit, which was equal to 16.2 percent of GDP in 2014, is expected to widen in 2015 by 1.5 percentage points of GDP reaching 17.7 percent of GDP owing to the decline in both the volumes and prices of oil and uranium, and the steady increase in imports related to the security shocks and infrastructure projects' implementation. The accumulation of international reserves, which reached CFAF 112.7 billion at end-2014, is expected to fall to CFAF 40 billion in 2015, allowing Niger to have a comfortable external position.

3. **Execution of the 2014 budget was adversely impacted by higher security spending pressures and lower mobilization of external budget support**. Tax revenues fell by almost CFAF 32 billion (0.8 percent of GDP), compared to the program's target, owing to the relatively weak collection of income taxes and customs revenues as a result of mostly the effects of the security situation in the sub-region, but also problems in the uranium sector. Additional security spending led to an overrun in expenditure, and to a shortfall in the performance of budgeted expenditures on priority poverty spending, and a deterioration in the basic fiscal balance by 2.5 percent of GDP compared to the program target. As for externally financed investment expenditure, it fell well short of the program targets (by 2 percentage points of GDP compared to the projections) owing to the weak mobilization of external resources. The renegotiation of the loan for the construction of the Zinder Refinery Company (SORAZ) under more favorable terms was not finalized. The authorities are exploring other venues. With regard to budgetary support, the government was able to mobilize only CFAF 75 billion, compared to a projection of CFAF 116 billion. The resulting financing gap was made up through the use of more domestic financing than planned and a net accumulation of domestic payments arrears equal to CFAF 57.7 billion (1.5 percent of GDP). At end-2014, the stock of domestic payments arrears reached CFAF 100.4 billion (2.5 percent of GDP).

4. **The financial difficulties aggravated in 2015, with the intensification of terrorist attacks**. The country's security situation deteriorated significantly in February 2015 with the Boko-Haram attacks in the Diffa region, which led to a stepping up of the Nigerien army's involvement in the regional effort against Boko-Haram. At the same time, the security shocks disrupted regional trade, financial flows, and migration flows, with the number of incoming Nigerian refugees and displaced nationals estimated at 200,000. This security and humanitarian situation has had a negative impact on the mobilization of domestic resources and budget execution, resulting in government spending in excess of the planned amounts, in particular in wages (for the defense and security forces) and domestically financed investments. In addition, with the delays in the mobilization of budget support, at end-June 2015 the Treasury recorded an accumulation of domestic payments arrears of CFAF 32.7 billion. During the same period, however, the government paid off a large proportion of the arrears outstanding at end-December 2014 (CFAF 61.5 billion of the total amount of CFAF 100.4 billion).

5. **Following an acceleration in 2014, monetary expansion slowed in 2015**. Growth in the money supply in 2014 exceeded 25 percent, driven by a steep rise in net foreign assets (34 percent), both held by the Central Bank of West African States (BCEAO) (in the amount of CFAF 112.7 billion) and by commercial banks (CFAF 68.7 billion). The growth in domestic credit was around 15 percent, driven by an expansion in lending to the economy by 10.4 percent, while the net government position vis-à-vis the banking system deteriorated slightly. Growth in the money supply is expected to slow down in 2015. At end-June 2015, the money supply was just 6 percent higher than the level at end-December 2014, representing an annualized deceleration of 12 percent compared to end-2014. In terms of domestic credit, the growth in lending to the private sector remains high (7.6 percent higher than end -2014), in line with the level of economic activity, while the net government position vis-à-vis the banking system, which was a net creditor position at end-December 2014 (CFAF 76.9 billion), became a net debtor position at end-June 2015

(CFAF 8.4 billion), due largely to the use of deposits in the amount of CFAF 86.4 million resulting from the delays in the mobilization of budgetary support.

II. Implementation of the Economic and Financial Program at end-December 2014 and end-June 2015

6. **Program implementation at end-December 2014 and end-June 2015 was negatively affected by the security shocks and the relatively weak mobilization of external support**. At end-December 2014, the continuous performance criteria on non-accumulation of external arrears and the non-contracting of non-concessional and short-term (less than one year) external loans or guarantees were met (Table 1). The quantitative performance criteria on net domestic financing of the government and on the reduction in domestic arrears were not met. Furthermore, the indicative targets for revenues, the basic fiscal balance, and priority poverty spending were not observed. At end-June 2015, all of the performance criteria were met, with the exception of the criterion on net domestic financing of the government (Table 2). The indicative target for spending on poverty reduction was met.

7. **Structural Reforms are advancing** (Table 3). The quarterly reports on budget execution, as well as those on debt management are prepared regularly. Furthermore, budget allocations for each quarter are now released before the end of the first week of the quarter (the target was the first four weeks), which has contributed to an improvement in the budget execution rate, particularly in 2015. Pursuant to a circular issued by the Prime Minister to all ministries aimed at limiting their expenditures without prior authorization, the ratio of exceptional expenditures to total expenditures is continuing to decline and was just 1.1 percent at end-December 2014 and 1.8 percent at end-June 2015 (compared to a benchmark of 5 percent). In December 2014 the government issued a decree on the implementation of the financial sector reform plan. The decree on the creation of a one-stop shop for the Investment Code was finally approved in April 2015 and the shop's managers were appointed in September 2015. As for the other reform projects, significant progresses were recorded in 2015, especially the oil pipeline construction project, the establishment of the Treasury Single Account (TSA), the improvement of debt management, and the strengthening of customs administration.

8. **The Niger-Chad-Cameroon route remains the option for the construction of the oil pipeline and progress has been made in the drafting of the statutory instruments**. The Niger-Chad-Cameroon route chosen is less expensive than the Niger-Benin route. In July 2015, the principal partners decided that the construction and management of the pipeline would be entrusted to a joint venture to be created and operating under Nigerien law (the Niger Oil Transportation Corporation (NOTCO)). The financial structure of the company is not yet finalized. The stake in the capital to be held by the Nigerien government, along with its Chadian partners and local private partners, could be set to 45 percent (15 percent each) and the stake to be held by the China National Petroleum Company (CNPC) 55 percent. Negotiations are still ongoing among the various parties involved in the project (Niger, Chad, and the CNPC) with regard to the form of the participations (the CNPC would like to see a holding company, while Niger and Chad prefer direct shareholding), the creation of the pipeline management company Chad-Cameroon, and the size of

the pipeline needed to accommodate potential new oil fields in Chad. However, a call for tenders for the pipeline project has not been made.

9. **Progress has been made in the establishment of the Treasury Single Account (TSA)**. At end-February 2015, the Treasury updated the 2012 inventory of bank accounts held by public entities. The updated inventory showed that the number of accounts rose from 1,954 in 2012 to 2,735 as of December 31, 2014, with Sonibank, the International Bank for Africa (BIA) Niger, and the Bank of Africa Niger accounting for 84 percent of the total number of accounts; and that there is total net credit balance for all of the accounts equal to CFAF 83.5 billion. Out of the 2,735 accounts, 1,452 were directly opened by the government and autonomous government agencies, with a total balance of CFAF 51 billion. On the basis of this inventory, and with the technical assistance of AFRITAC West, in September the government adopted a roadmap for the TSA, the implementation of which will take place before end-September 2016. To this end, a technical committee for monitoring the implementation of the TSA was put into place pursuant to an order issued by the Minister of Finance on July 22, 2015. The authorization for the opening of a single account was obtained from the Central Bank authorities. And the required legislation for the TSA (the account management agreement between the government and the BCEAO and the order for the closing of all relevant accounts) are being prepared.

10. **Debt management is strengthened**. The Prime Minister issued a decree on June 18, 2015, providing for the reorganization of the Interministerial Committee on Debt Management and Budgetary Support Negotiation. The Interministerial Committee is now chaired by the Prime Minister and a technical committee has been established, supported by a permanent secretariat. On August 8, 2015, the Prime Minister installed the government's new debt management entities. Finally, the recent ministerial reorganization, which led to the merger of the Ministry of Planning and the Ministry of Finance into one single ministry—Ministry of Economy and Finance. This should open up opportunities for strengthening institutional coordination and it should facilitate the drafting and regular publication of annual external borrowing plans.

11. **In spite of the delay in the implementation of customs reform, some progress has been made in 2015**. With funding from the World Bank, experts from the United Nations Conference on Trade and Development (UNCTAD) conducted five missions in Niamey in support of the migration to ASYCUDA World, the first phase of which, i.e., the migration of interconnected customs offices, will be completed before end-January 2016. The Customs Administration is in the process of launching a call for tenders for the recruitment of a firm that will be responsible for the computerization and interconnection of the country's other customs units. This interconnection should allow for the extension of electronic customs transit beyond the six interconnected customs offices (four in Niamey, plus Torody and Gaya). While awaiting the recommendations from the UNCTAD September 2015's mission and the completion of the migration process, the Customs Administration is continuing to work toward the deployment of the intermediate application for exemptions management, the strengthening of the existing electronic transit system, and cooperation protocols with transit countries. The year 2015 also marks the first experience with the

implementation of a performance contract between the Minister of Finance and the General Customs Administration.

12. **In the area of public financial management, the government continues its efforts to harmonize budget practices with regional standards through the implementation of the 2012 Organic Budget Law**. The General Budget Administration benefited from assistance provided by the West African Economic and Monetary Union (WAEMU), a study visit to Mali, and two IMF technical assistance missions (AFRITAC West in May 25-June 5, 2015; and Fiscal Affairs Department (FAD) in August 2015). These various missions provided training to officials involved in the reform, for a comprehensive diagnosis of the situation, and recommendations with a view to preparing the 2017 budget in commitment authorizations and payment allocations. Such action recommendations include: reactivation of the Medium-Term Expenditure Framework (MTEF) Committee; coordination of the MTEF taking into account both development strategies and budgetary priorities; fiscal decentralization; and a study on improving investment budgeting by fully applying budgetary procedures on commitment authorizations and payment allocations.

13. **Finally, the government has taken an important step toward strengthening the financial sector in Niger with the adoption of the Financial Sector Development Strategy for 2014–2019 on November 14, 2014**. This strategy is aimed at: (i) improving the stability and transparency of the sector; (ii) deepening financial intermediation in all sectors of the economy; (iii) strengthening the regulatory and legal system; and (iv) strengthening supervision of the financial sector. The government is benefiting from technical assistance provided by the World Bank in the implementation of the strategy. In July 2015 the government adopted a National Strategy for Financial Inclusion (NSFI). This strategy, which complements the 2012 National Strategy for the Microfinance Sector (NSMS), is aimed at enabling Nigeriens excluded from the traditional banking system, and those who are economically vulnerable, in particular women and young people, to gain access to diversified, innovative, high-quality, and low-cost financial services.

III. Fiscal Policy for the Rest of 2015

14. **For 2015, the government initially adopted a budget aimed at supporting investment and at limiting current expenditures, followed by a first supplemental budget taking into account the requirements related to the deterioration of the security situation**. The initial budget was expected to be executed in an improved security context and its implementation was supposed to help speed up the implementation of the poverty reduction policy through the creation of jobs benefitting from budget allocations to priority sectors. The budget also provided for the initial fiscal consolidation with a view to achieving a basic deficit that would be sustainable over the medium term and a sustained mobilization of domestic resources. The basic deficit under the macroeconomic framework (excluding grants and net lending) was expected to be equal to 3.7 percent, and when grants are included, 1.8 percent, compared to 4.1 percent and 2 percent, respectively, projected for end -2014 (6.6 percent and 4.9 percent were the actual figures). Given the additional exogenous shocks, the authorities found it necessary to prepare a second supplementary budget, which, consistently with the first supplementary budget, is aimed at making spending tradeoffs to allow for the payment of domestic arrears and the provision of additional security and

humanitarian expenses estimated at 1.1 percent of GDP. Furthermore, given the delay in the mobilization of budget support expected from donors for the coming elections, the government is faced with additional pressure in connection with timely funding the elections preparation budget.

15. **The new draft 2015 supplement budget will continue to aim at fiscal sustainability and external viability**. The second draft supplementary budget for 2015, adopted on October 12, 2015 by the National Assembly, is in line with the updated macroeconomic framework agreed with the IMF staff. The basic balance deficit is targeted to 5.5 percent of GDP, in line with the objective of financial viability. This objective implies a relaxation of the basic balance by 1.8 percentage points of GDP compared to the program. This relaxation would make it possible to integrate the negative impact of security and humanitarian shocks on revenues and spending (1.5 percent of GDP) and the additional allocations for organization of the elections (0.6 percent of GDP), net of the contribution of the government's additional fiscal efforts (0.4 percent of GDP). With regard to the election expenses, the government's contribution was initially set at CFAF 18 billion, compared to the total budget of CFAF 38.8 billion requested by the *Commission Electorale Nationale Indépendente* (CENI). However, given the delay in the mobilization of external financial support for the elections, the government committed to provide budget allocations to the CENI for CFAF 26 billion in 2015, in addition to the CFAF 8 billion already provisioned in the initial budget.

16. **Under the revised budget framework, the government places a heavy emphasis on reducing the stock of arrears**. In order to limit the adverse effects of arrears on the economy, to help reduce banks' bad loans, and to ensure the continued delivery of essential services, the authorities have assigned high priority to the clearance of arrears by paying cash, subject to available financing. At end-June 2015, the government exceeded with a wide margin the performance criterion on the reduction of arrears. A net reduction of CFAF 63.8 billion is projected for end-2015, to be funded through the use of government resources. Furthermore, the government will issue securities payable over five years, to clear the remaining stock of arrears from 2014, which, at end-June 2015, was projected to around CFAF 40 billion. Avoiding the emergence of new arrears in future budgets will require that adequate provisions be made for spending in the security sector and other pressing expenditures in the social sectors. In addition, rigorous application of the budget execution procedures and observance of the closing deadlines, in accordance with the circular issued by the Minister of Finance in 2014, will be key to avoiding the accumulation of new payments arrears going forward.

17. **Revenue losses related to difficulties in the oil sector (falling prices and technical closures) and in the mining sector (falling prices) should be partially offset by internal revenue efforts**. Specifically: (i) the strengthening of fiscal control and exemptions management; and (ii) the recovery of tax arrears through the cancellation of penalties and a 30 percent rebate for taxpayers who agree to pay off outstanding balances. With regard to customs, there will be an end to unwarranted exemptions, and reinforcement of taxation based on the transactional value. The initial budget included CFAF 49 billion in exceptional revenue of which CFAF 15 billion has already been collected in the form of an oil signature bonus. The remainder CFAF 34 billion are linked to the sale of a 3G license to a telephone company, whose related capital spending will continue to be

neutralized until revenue materialize. The Minister of Economy and Finance will inform the IMF when this amount is received.

18. **In addition, the government intends to take measures to better prioritize expenditures and to control the rapid rise in payroll costs**. Tradeoffs pursuant to the new spending priorities entail in particular the termination or postponement of certain investment projects for CFAF 41 billion. The administrative review undertaken in August with respect to all civil servants whose monthly earnings are in excess of CFAF 300,000 is expected to yield substantial budget savings.

19. **Supplemental financing needs in the amount of CFAF 129.1 billion (3.1 percent of GDP) will be covered in part by additional budgetary support from technical and financial partners and by additional domestic financing**. Net additional budgetary support in the amount of CFAF 58.6 billion (1.4 percent of GDP) is expected from France (CFAF 19.7 billion, one-third of which in the form of grants), from the European Union (CFAF 19.7 billion), from Nigeria (CFAF 20.4 billion less CFAF 7 billion already provisioned in the initial budget), and from the World Bank (CFAF 6 billion). The additional domestic financing primarily reflects securitization as a method for the settlement of a portion of the government's domestic arrears (roughly CFAF 40 billion, or 1 percent of GDP). The government is also expecting budgetary support from the Kingdom of Saudi Arabia in the amount of CFAF 18 billion which, if it materializes in 2015, will be used to boost Treasury deposits with the BCEAO.

20. **A request for increased access to the ECF will be submitted to the IMF Executive Board**. Given the additional balance of payments needs resulting from various shocks to the trade balance and foreign direct investment, the government is counting on support from the IMF through an increase in access equal to 25 percent of Niger's IMF quota in 2015 in order to close the residual financing gap.

IV. Economic Outlook and Fiscal Policy for 2016

A. Economic Outlook for 2015-16

21. **The macroeconomic outlook for the rest of 2015 and for 2016 is favorable, although subject to various domestic and external risks**. According to preliminary estimates, the macroeconomic framework for 2015 reflects continued dynamism in the services, construction and public works sectors, as well as a successful 2015/16 harvest aided by regular rainfall. These trends would more than make up for the negative impacts on economic growth resulting from production losses tied to the temporary shutdown of the SORAZ refinery and the drop in prices for export minerals. The outlook for 2016 is based on an assumption of continued economic growth supported by the expected increase in SORAZ's production, and the continuation of major construction projects, such as the four interchanges in the city of Niamey (including the second and third interchanges), the rail loop project, the cement plant in Kao, and the electrical and thermal power plant in Gorou Banda. The startup of other major road infrastructure projects is also expected, as well as the beginning of construction work on the oil pipeline, and an improvement of the security

conditions. Real GDP growth should thus be around 5 percent in 2016, and inflation will remain subdued. The outlook is subject to risks linked to climate shocks, price shocks for refined petroleum and uranium exports, to the persistence of the conflict with Boko-Haram, and a delay of the pipeline construction project. Inflation is expected to remain moderate, at an average annual rate of 1.6 percent.

22. **For 2016, the current account (excluding transfers) is expected to deteriorate less than previously expected**. This would be due to delays in implementing the import-heavy mega-projects in the extractive and transportation sectors (the Imouraren uranium mine, the Agadem oil field, the crude oil export pipeline to Chad, and the Niamey-Dosso-Cotonou rail line). Exports will grow only slightly based on projections of continued weakness in uranium, oil and gold prices. Imports to deal with security shocks (food and subsistence items for refugees, as well as military equipment) should not increase from 2015 levels as long as security conditions do not further deteriorate. As the projected reduction in external assistance would be offset by a pickup in foreign direct investment, the balance of payments would again record a small overall surplus and net international reserves would increase further.

B. Fiscal Policy for 2016

23. **The fiscal framework for 2016 reflects the government's intent to reduce the fiscal deficit while safeguarding expenditures on priority sectors**. The draft budget for 2016, sent to the National Assembly in October 2015, is in line with the macroeconomic framework agreed with IMF staff. This macroeconomic framework includes a basic deficit of 3.7 percent of GDP, which is a reduction by 1.8 percentage points of GDP compared to 2015. The fiscal consolidation is necessary not only to maintain medium- and long-term financial sustainability, but also to avoid the crowding out of the private sector. The basic fiscal deficit (CFAF 168.9 billion) will be financed primarily through budgetary support (CFAF 97.3 billion). This figure includes CFAF 38 billion in grant funding from the European Union, from France (CFAF 6.5 billion), and other donors (CFAF 10 billion). The government also intends to mobilize CFAF 42.8 billion in concessional loans from the World Bank (CFAF 35 billion) and the African Development Bank (CFAF 7.8 billion). The net issuance of Treasury bonds will be limited to CFAF 110 billion, and the use of deposits from the BCEAO will be no more than CFAF 38 billion.

24. **Revenues will continue to rise, going from 18.4 percent of GDP (excluding exceptional revenues of 0.4 percent of GDP) in 2015 to 18.6 percent in 2016**. This essentially reflects an increase in tax revenues for CFAF 69.3 billion resulting from the yield of measures to strengthen tax and customs administration. Tax revenues will rise from 17.2 percent of GDP in 2015 to 17.6 percent in 2016 underscoring increases of CFAF 26 billion for the Customs Administration and of CFAF 43.3 billion for the General Tax Administration (CFAF 17.6 billion from taxes on goods, services and CFAF 21.1 billion from income taxes, and the rest from other tax revenues). Furthermore, following a competitive admission process held in 2015, a total of 310 new revenue agents have joined the Ministry of the Economy and Finance, and they will be assigned on a priority basis to

units responsible for collection. As for nontax revenues, they will decline by CFAF 48.8 billion in 2016 owing to the fact that exceptional revenues recorded in 2015 budget will not be repeated.

25. **Fiscal consolidation will entail better control of current expenditures, more efficient investment spending, while safeguarding expenditures on priority sectors**. Current expenditures will decrease by 0.7 percentage point of GDP to 15.1 percent of GDP, in spite of an increase in interest payments (of 0.2 percent of GDP). This expenditure reduction will be the result of the government's effort to control primary current expenditures, in particular purchases of goods and services and payroll costs, which account for the brunt of the consolidation. The decline in the payroll will reflect the full impact of the administrative controls undertaken in 2015, which will be continued in 2016 through an overall control on civil servants numbers and salaries. The reduction in spending on goods and services essentially reflects the fact that the bulk of elections expenditures took place in 2015. Domestically financed investment spending will decline by 1.1 percent of GDP along with Treasury bond issues to finance such investments. In contrast, externally financed investments will increase by 1.5 percentage points of GDP owing to the fact that some expenditure initially planned for 2015 were deferred until 2016. This budgetary stance for 2016 is underscored by the expectation of an improved security environment. The budget allocations give priority to the following sectors: (i) security of property and persons; (ii) urban, village, and rural water supply systems; (iii) continuation of the 3N initiative and food security; (iv) infrastructure and energy; and (v) education and health.

C. Structural Reforms

26. **In this challenging environment, achievement of the program's macroeconomic objectives requires an acceleration of the reforms already underway and the implementation of new structural measures**. The structural reforms for 2015–2016 are focused on domestic revenue mobilization; strengthening of public financial management, debt, and natural resource management; strengthening of the financial sector; and improvement of the business climate.

Revenue Mobilization

27. **The planned revenue mobilization will be facilitated through the establishment of greater accountability on the part of the tax authorities and the continued implementation of their reform plans**. Performance contracts between the Minister of Economy and Finance, on the one hand, and, on the other hand, the top officials of the General Budget Administration, (DGB), the General Treasury and Public Accounting Administration (DGTCP), the General Tax Administration (DGI), and the General Customs Administration (DGD) were put into place in 2015. The performance contracts with the revenue authorities establish the obligations and duties of the two parties and the specific objectives in terms of revenue. The revenue authorities are also responsible for carrying out the various reform plans that are in place.

28. **The Customs Administration will continue to implement its strategic reform plan, one of the key elements of which is the development of institutional and organizational capacities**. Certain reforms are underway, including: (i) the revision of the General Customs Code

(which will be adopted following enrichment and validation workshops), (ii) the drafting of a procedural manual that is currently under way and is expected to be completed before the end of the first quarter of 2016, (iii) the transition to the Common External Tariff of the Economic Community of West African States (ECOWAS) started on April 10, 2015; (iv) the reorganization of the General Customs Administration, the order for which was signed in August 2015, and (v) the creation of two regional administrations at the ports of entry in Diffa and Agadez, as well as three full-service offices at the principal mining and oil production sites (the office at the SORAZ refinery was officially opened in February 2015).

29. **The other important focus of the customs administration reforms will be capacity-building in information processing**. Reforms aimed at speeding up the implementation of a computerized information system. Specifically, this program includes: (i) the adoption of an information technology development plan, which has already resulted in the issuing of a call for tenders for the design of a network (the first set of bidding documents was not successful) and another for the purchase of computer equipment; (ii) the installation of a single network server for the various customs offices by the end of January 2016; (iii) the extension of the electronic transit system (currently available in Niamey, Torody, and Gaya) to the main customs posts once the single network is completed; (iv) the migration from ASYCUDA++ to ASYCUDA World, which is currently in progress, with financial support from the World Bank and technical assistance from UNCTAD. Experts from UNCTAD are on their fifth mission to Niamey to identify needs and to provide training to customs officials. In addition, a foreign company has been selected to carry out the migration, which will take effect before end-January 2016 at the six interconnected offices and at the other customs posts before end-September 2016; and (v) introduction of computer tracking of the management of exemptions and other special regimes that include state budget exemptions. In July 2015 customs offices installed software to manage the records of tax calculations (for donor-financed projects) with the aim of improved tracking of exemptions.

30. **The General Customs Administration will also be continuing its customs facilitation and anti-fraud program**. The DGD plans to carry out the following measures: (i) completion of a study on the merchandises release process with the support of the World Customs Organization and the Millennium Challenge Corporation (MCC), with the aim of reducing customs clearance delays (the study is being conducted and a workshop was organized in July 2015; the MCC will assist in the implementation of the study); (ii) consideration of the possibility of advance customs clearance of goods following the migration to ASYCUDA World planned for end-2016; (iii) making customs documents more secure through the use of declaration forms that cannot be falsified, before end-December 2015; (iv) strengthening of administrative cooperation with Benin, Togo, and Burkina Faso, in particular through a network connection, before end-December 2015; (v) adoption of a risk-based approach in the planning of inspections and reinforcement of inspection teams, which will be put into place before end-December 2015; (vi) increased tracking of exemptions with the migration to SYDONIA World; and (vii) better tracking of re-exports to Nigeria to be made possible in particular by the development of a 49-hectare parking site on the border with Nigeria to accommodate all of the trucks in transit.

31. **The impact of the reforms referred to above (paragraph 28-30) is estimated at CFAF 97 billion.** Given the risks underlying these reforms, the government, however, reined in its revenue ambitions until revenue materializes. Also, increased revenue would materialize from only a strong commitment in overseeing the proper implementation of these reforms and to changes in the governance of the Customs Administration. Given these considerations, and the very low performance of the customs administration, customs revenue was however, increased by 26 billion in the 2016 budget.

32. **The General Tax Administration will first continue the reforms aimed at the simplification and adaptation of the fiscal legislative framework**. Reforms already initiated in 2014 are: (i) strengthening of the existing legislative mechanism and harmonization of the fiscal framework with the new provisions of the *Système Comptable Ouest Africain* (SYSCOA) aimed at combating fraud related to the underreporting of disposals of real estate assets; and (ii) strengthening and the modernization of the partnership with civil society and the private sector. This partnership can be enhanced through the organization of workshops to promote public awareness of the tax code, simplification of the tax legislation, –especially as regards the income tax–and acceleration of procedures involving the settlement of disputes, with the upcoming establishment of the *Comité Arbitral de Recours Fiscaux* (CARFI). The legal framework for implementation of the CARFI has been sent to the Minister of the Economy and Finance for his signature following consultation with the private sector.

33. **The General Tax Administration will also accelerate the implementation of organizational reforms**. On April 29, 2015, the Minister of the Economy and Finance adopted an administrative order (No. 0157) on the organization of central and local offices of the General Tax Administration. The reorganization will allow for a better breakdown of the matters handled by the various DGI services. The objective is to improve the targeting and monitoring of different categories of taxpayers, in accordance with another administrative order establishing the thresholds for large, medium-sized, and small businesses, and the threshold for application of the value-added tax (VAT) established under the 2013 budget law. The process of appointing managers for the newly created services is currently underway. The improved management of the enterprises database is already starting to produce appreciable results, with a tangible decline in the default rate for all categories of taxes and a rise in the self-reporting rates, in particular with regard to the VAT. Nevertheless, in spite of these results and the recent reorganization of the Department of Small and Medium-Sized Enterprises into the Department of Medium-Sized Enterprises (DME), there is still work to be done to lower the default rate further and to manage exemptions, to raise the proportion of revenues from medium-sized enterprises in the total revenues of the DGI. In order to do this, the DME will continue to work on improving the management of the taxpayer database; it will also strengthen the monitoring of taxpayers and send more reminders to taxpayers, in order to further reduce the default rate to a standard of around 10 percent, compared to 21 percent at the end of the first quarter of 2015 and 42 percent at end-2014.

34. **In addition, the government is planning measures for the reorganization of tax audit procedures**. A new organizational chart has been put into place with the aim of providing greater

incentives to the various units, in particular those responsible for investigations, and establishing the principle of risk-based auditing. A joint customs and tax team has been put into place, which has begun the auditing of 40 taxpayer files, the results of which are expected very soon. The creation of regional investigation and research teams at eight regional offices will allow for better territorial coverage of audit activities. Tax audits will be gradually decentralized and assigned to management units, with the Tax Audit Department taking on a strategic role going forward. A pilot project has been launched under the DME. Full computerization of the services is planned through the installation of new integrated software, called the *Système Informatisé de Suivi des Contribuables* (SISIC). To that end, the DGI has contracted a company for the computerization of its operations and development of its information system before end-March 2017, and the contracting of another company is under way for the training of personnel in the use of this new system (the selection is expected before February 2016).

35. **Finally, the internal control and audit functions will be strengthened**. The government is in the process of building capacity in human resources to improve internal control and audit. The strengthening of the partnership between the Treasury Directorate (DGTCP) and the Court of Auditors (with a view to better monitoring the activities of collectors, and to publish procedural manuals) will allow for a higher level of professionalism among the inspecting units. With regard to internal audit, pilot programs aimed at improving the operational efficiency have been put into place for Large Enterprises Unit, at the "Niamey 2" center, and the "Niamey 3" revenue office, and these programs will soon be extended to all of the offices of the DGI.

36. **The DGTCP is in the process of strengthening its accounting procedures in order to increase collection**. The government conducted an inventory of potential nontax domestic revenue sources and it put in place several dedicated units in order to recover funds for the state budget. This initiative adds to the update of the status of the dormant and/or inactive accounts with a view to the establishment of the TSA. Other actions carried out by the DGTCP include a reduction of balances on provisional budget imputation accounts, and catching up on overdue annual financial statements, and better monitoring of domestic payments arrears and outstanding balances.

37. **The *Direction Générale du Patrimoine de l'Etat* (DGPE) is undertaking actions aimed at providing for better management of state assets and reliable inventory records**. Significant efforts have been undertaken to speed up the reform of inventory procedures. The reform is done through the adoption of a basic decree on physical accounting, new classification procedures for public assets, and new guidelines in support for physical accounting, the establishment of an interministerial committee responsible for on-site inventories, and the recruitment of a firm for the preparation of a procedural manual on physical accounting. With regard to the monitoring of the state's business holdings portfolio, the newly created *Direction des Entreprises Publiques et du Portefeuille de l'Etat* (DEPPE) has conducted an inventory of all of the companies in which the state holds a stake, and government-appointed representatives on the various boards of directors are now required to submit reports in order to facilitate the monitoring of these enterprises.

Public Financial Management

38. **The government will continue implementation of its public financial management action plan through the following actions**:

- ***Continued implementation of the WAEMU directives of 2009 regarding public financial management***. The Directorate-General of the Budget (DGB) is preparing a road map for the implementation of measures provided for under paragraph 19, to be completed before end-March 2016.

- ***Strengthening of budgetary procedures at all stages of the public expenditure chain and the regular publication of budget execution reports***. Niger's budget is currently executed within the framework of a centralized system in which the Minister of Economy and Finance is the principal authorizing officer for the entire budget. Efforts are currently under way to decentralize the budget process following guidelines under the organic law of 2012. The public expenditure chain is being deployed towards major line ministries which account for roughly 80 percent of public spending. This decentralization could help to reduce the time period needed for the execution of expenditures and promote decentralization of the budget processes. A number of draft regulations are in the process of being prepared in order to provide for the effective implementation of the 2012 organic law before the 2017 deadline. Quarterly budget execution reports will continue to be produced regularly, as well as the status of the execution of pro-poor expenditures. The draft 2014 budget execution review law was adopted by the government in October 2015.

- ***Limitation of expenditures without prior authorization to a maximum of 5 percent of authorized expenditures***. These expenditures are tied largely to spending associated with official missions abroad and medical evacuations. To this end, the Ministry of Economy and Finance will continue to remind all other ministries that they need to comply strictly with this benchmark to ensure best budgetary management practices.

- ***Acceleration of the pace of budget execution, improvement of the management of public investment, and full compliance with the supplementary budgetary period***. The execution of investment spending tends to be slow owing to delays in the procurement process and various bottlenecks in the project management cycle, including the ratification of agreements with donors. In this context, in order to improve the pace of the use of appropriations, the government has adopted measures aimed at improving the preparation, selection, and execution of investment projects, including:

    - Decree No. 2015-353 of July 10, 2015, on the institutional framework for the evaluation and selection of public investment projects;

    - Decree No. 2015-226 of April 27, 2015, on the competencies assigned to the study and programming departments of ministries and institutions and the definition of investment managers' profile;

- Circular No. 01279 of July 10, 2015, of the Prime Minister on the process for foreign loan contracting and agreements in Niger.

In addition, the government will continue to make every effort to ensure: (i) compliance with the provisions of commitments in the supplementary period; (ii) that sectoral ministries are involved in the drafting of procurement plans and in preparing flexible appropriations commitment plans to enable the Ministry of Economy and Finance to prepare general procurement and commitment plans and realistic cash flow plans for the Treasury. This planning would help to avoid the concentration of spending toward the end of the year; and (iii) that regular meetings are held between the DGB and sectoral ministries at the end of each quarter in order to prepare the release of forthcoming appropriations.

- **Policies to contain the wage bill and improvement of the management of human resources, to enhance productivity**. The government is committed to taking the following actions to manage the payroll at the Ministry of the Civil Service and Administrative Reforms: (i) establishment of an integrated database of the staff, the payroll and wage bill, with the aim of bringing the wage bill under control before end-2016; (ii) auditing of civil service salaries, which has already been launched, by end-2016; (iii) establishment of a database of civil service positions and required skills with the aim of ensuring better management of human resources and job assignments before end-June 2016; (iv) introduction of a performance appraisal system for government employees through a reform of the civil service staff regulations before end-2016; (v) establishment of forward planning of staffing and definition of line managers before end-June 2016; and (vi) undertaking of a biometric census of government employees before end-2016. Terms of reference for the audit of salaries and savings have been prepared and sent to the World Bank for requesting technical and financial assistance under the capacity-building project.

- **Implementation of a Treasury Single Account (TSA).** The government aims at implementing the TSA based on the framework adopted in September 2015 by end-September 2016. A committee in charge of the implementation has been put in place.

- **Improving cash flow management**. Quarterly cash flow plans will be prepared regularly and sent to the IMF and weekly cash management meetings be held by the cash management committee, chaired by the Minister of the Economy and Finance. The control of commitments upstream based on expenditure priorities and resources is critical to avoid accumulation of payments arrears. This task will be facilitated by the recent administrative reorganization that established the Ministry of the Economy and Finance, bringing together activities related to the macroeconomic and fiscal framework, debt management, fiscal regulation, and monitoring of cash flow.

Debt management

39. **Well aware of the rate of growth in Niger's external public debt, the government is in the process of strengthening institutional measures for better debt management**. Measures have been adopted to improve coordination at the stage of loan agreements in order to eliminate the risks of over-indebtedness. In addition, the decree of June 18, 2015, on processes for monitoring debt and implementing the government's debt policy and the mobilization of budgetary support, is aimed at improving public debt management, eliminating the risk of noncompliance with the criterion on new non-concessional loan agreements, and containing the impact of new borrowing on the sustainability of public debt. In accordance with the IMF's new debt limits policy, the government will draft a medium-term external borrowing plan before end-June 2016, which will include: (i) the investment strategy and a list of priority investment projects consistent with the PDES; (ii) the sources of financing; (iii) the uses of financing; and (iv) the debt management strategy, taking into account the considerations of debt viability and fiscal and external sustainability.

40. **As an additional endeavor to preserve debt sustainability, the government is in the process of restructuring the debt stock portfolio**. The government has cancelled its plan to issue "SUKUK" bonds, as well as another non-concessional borrowing from the Islamic Bank for Development. The government has already postponed[1] loan agreements until donor funds are obtained, to subsidize the effective rate down to concessional levels. For the monitoring of the stock and flows of debt, the recently reinforced National Public Debt Management Committee will hereafter issue opinions on any new agreements on government borrowing or guarantees, including financing for the natural resources sector, with the aim of providing a detailed analysis of the viability of public debt. The committee's review of borrowing agreements will be a prerequisite for their approval by the Council of Ministers. The government intends to continue to provide IMF staff with detailed quarterly reports on outstanding public debt, on new commitments and borrowing (including disbursements), and on public debt service.

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

42. **The government remains determined to conduct a prudent debt policy that will allow for the financing of investment plans while ensuring debt sustainability**. In this context, the government will continue to limit its guarantees and it will carefully assess the impact of any new

[1] These loans include a syndicated loan in the amount of CFAF 88 billion, contracted in April 2015, for the implementation of infrastructure programs

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

43. **The government is aware that debt obligations continue to grow very rapidly along with significant borrowing costs**. This pace of borrowing could pose major risks to the banking system with the important ongoing issuance plans for Treasury bonds and Treasury bills.

Natural resource management

44. **Efforts for the implementation of measures aimed at expanding the export base for mining products and at improving the transparent management of natural resources sector will be strengthened**. The policy of expanding the mineral export base consists of encouraging mining operators to focus on the exploration of mineral resources other than oil and uranium. In this context, the government is granting exploration permits not only for the traditional uranium and oil sectors, but also for other materials, such as coal, limestone, and gold, with the double aim of allowing for the diversification of partnerships in these sectors, and of promoting the expansion of the country's mineral export base. In order to ensure signing bonus payments when mining permits are granted, all of the operators who wish to obtain a permit must from now on arrange for an upfront security deposit with a local bank. This deposit, which covers a certain number of financial obligations, including the signing bonus, will be required as of the publication date of the mining permit in the Niger government official journal.

45. **In the uranium sector, Niger has signed mining agreements with companies in the AREVA group**. On October 10, 2014, the Council of Ministers approved a decree authorizing the signing of new agreements based on the new mining code; these agreements were signed on July 17, 2015. Owing to the low uranium prices, however, the fiscal impact of the new agreements will only be marginal, but progress is being recorded with the participation of Nigeriens in the management of the mining enterprises and with a new formula for the calculation of prices that has been adopted. In order to provide for better protection of Niger's interests in the mining projects, the role of SOPAMIN, which manages the portfolio of public investments in mining companies, is being expanded. The government will more actively perform oversight to ensure that best environmental and income-sharing practices are being observed and that dividends are transferred to the Treasury in full.

46. **The drop in oil prices and the impact of the decline in the value of the CFA franc against the U.S. dollar are putting pressures on Niger's petroleum industry**. In particular, oil refining input costs have risen significantly owing to the sharp decline in the value of the CFA franc against the U.S. dollar, which put additional pressures given the lower price for crude oil and derivative products in the international market. Such drop in export prices is causing major losses for SORAZ prompting the government and its sectoral partners to adjust prices through a reduction

in the crude oil sale price from the CNPC to SORAZ from US$70 per barrel to US$57 per barrel in March 2015 and to US$50 per barrel as of June 2015. The Technical Committee that was put into place has also made proposals for an increase in the transfer price that the Nigerien Petroleum Products Company (SONIDEP), the public distribution company, is charged by SORAZ, while reducing the distribution margins so as to keep the price at the pump unchanged. Compared to other countries in the sub-region, with the exceptions of Benin and Nigeria, fuel prices are still lower in Niger.

47. **In addition to the impact of lower international prices on the performance of Niger's oil industry, production stoppages in 2015 have had an impact on production levels**. In 2015, it is expected that average daily output will reach just 14,000 barrels per day, compared to a projection of 19,000 barrels per day in the 2015 budget, and far below the full capacity of 20,000 barrels. The sale of refined petroleum products by SONIDEP has also been hampered by the production difficulties experienced by SORAZ, with a technical stoppage in mid-August that lasted for a month and a half. Exports of petroleum products fell and SONIDEP had to resort to imports to meet local demand.

48. **The efforts to improve oil industry management will be strengthened**. The Technical Committee responsible for looking into the current situation of the oil industry, in particular the impact from price changes in the international oil market made proposals to the government. These proposals center on a review of output prices at each stage of the production process to make the refinery more cost-effective, while minimizing revenue losses for the government. The government is also exploring with SORAZ measures aimed at reducing the refinery's operating costs. To that end, the government intends to pursue the hiring of more Nigerien personnel at SORAZ and refinancing of the SORAZ construction loan under less burdensome terms (US$880 million).

49. **The government has made great progress in negotiations for the construction of the oil pipeline, for crude oil exports to start by end-2017**. The discovery of additional oil reserves in the Agadem oil field– allowing for the production of 80,000 barrels per day, of which 60,000 barrels per day would be destined for export over an estimated time horizon of 25 years--has made Niger's crude oil export project viable. The studies performed by the Chinese partner, CNPC, led to the selection of a crude oil transport route via a pipeline running from Niger to Chad and Cameroon. The negotiations with Chad are in the advanced stages and are expected to result in the establishment of the National Oil Transportation Company (NOTCO), responsible for the construction and management of the pipeline. The specific arrangements for Niger's participation in the project are being worked out, in accordance with the aim of ensuring the country's external viability. Construction work could begin in 2016. Discussions are also under way with regard to the Chad-Cameroon section of the pipeline.

50. **The government is determined to continue strengthening the institutional framework and to ensure transparency in the energy sector and extractive industries**. In April 2015, the government approved the energy code and texts concerning the creation and organization of the Energy Sector Regulatory Authority. The report of the Extractive Industries Transparency Initiative (EITI) on the tax revenues generated by the extractive industries in the 2011 fiscal year was published in November 2013 and reports for subsequent years will be produced. Finally, the Ministry of Mines and the Ministry of Oil will prepare updated inventories of mining and petroleum operations, indicating the mining and oil permits that have been granted, and these inventories will be made public.

Financial sector

51. **In spite of the progress that has been made in recent years, the development of the financial sector remains weak compared to other countries in the region**. In 2014, the level of financial depth proxied by the ratio of broad money to GDP is among the lowest in the world. It was 28 percent in 2014, compared to 36.7 percent for countries in sub-Saharan Africa. Overall, the banking sector is well capitalized and prudential requirements have been met by 10 of the 11 banks in the banking system. The bank not respecting this level is under receivership under the Banking Commission, with a restriction of its credit operations and an order to strengthen its capital base.

52. **Implementation of the government's financial sector development strategy seeks to boost the sector's contribution to economic development**, which is why the government attaches top priority to this strategy to be implemented with technical and financial support from partners. The strategy's action plan will cover the 2014–19 period and the government will put into place before February 2016 a steering committee for its implementation (structural benchmark). The committee will be responsible for the reforms and will coordinate with the various entities concerned (the Ministry of the Economy and Finance, BCEAO, and the Professional Association of Banks, among others). In terms of its technical structure, it will be attached to the Ministry of the Economy and Finance.

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

54. **The process of setting up credit bureaus within the WAEMU has been started**. On August 31, 2015, the Professional Association of Banks and Financial Institutions (APBEF) and the Professional Association of Decentralized Financial Systems (APSFD) signed a service contract with a credit rating agency, Creditinfo Volo. This is an important step in the implementation of uniform regulations for credit bureaus in the eight WAEMU countries. Preliminary creditworthiness tests were conducted in September 2015 and credit rating operations were started in October 2015.

55. **Finally, the government will continue to privatize its stake in the banking system**. The process of privatization is underway or already finalized in three banks (the BIA; the Regional Solidarity Bank, or BRS; and the Agricultural Bank, or BAGRI). The restructuring of the BIA was carried

out through the acquisition of the government's shares by the Central People's Bank of Morocco (BCP) Group. This was also the case with the BRS, 44 percent of which was acquired by the West African Development Bank (BOAD), and 56 percent of which was acquired by the Orabank group (ORAGROUP). As for the BAGRI, the temporary BCEAO intervention was lifted on April 1, 2014, after being in place for a period of nine months. A new board of directors was put into place, and a new executive director was appointed. The government has made progress in talks with the BOAD and selected local and foreign private investors regarding the transfer of the 65 percent stake that it holds.

Business climate

56. **The government is well aware of the need to promote the development of a dynamic private sector.** The private sector should be at the driver seat for diversification of the economy to help impulse a sustainable economic growth process. The government is firmly committed to improving the business climate, which is the key to development of the private sector. The strategy is to promote of the private sector, through an improvement of the business climate. The government has created a national private investment council to facilitate the dialogue with the private sector.

57. **The government has taken significant measures aimed at improving the business climate, and more will be done in the future**. Among the measures already taken, there is: (i) the opening the Business Center—*Maison de l'Entreprise*—to make it easier to start a business; (ii) the juridical framework (decrees) establishing a standard model of corporate bylaws for limited liability companies (January 2014) and transposing provisions of the relevant articles of the Uniform Act Relating to Commercial Companies and Economic Interest Groups of the Organization for the Harmonization of Business Law in Africa (OHADA, July 2014); (iii) adoption in June 2015 of the law governing the regulation of credit bureaus that will be established in all of the countries in the WAEMU area; (iv) the strengthening of cross-border trade through the signing of two executive orders in December 2014, one concerning the documents required for imports and exports of goods, and the other concerning the public transport of goods, the types of roadside inspections, inspection points, and mechanisms for redress to minimize irregular practices in the transport of goods into Niger; (v) strengthening of compliance with contracts and the resolution of contractual disputes through the creation in December 2015 of the Niamey mediation and arbitration center and the adoption by the Council of Ministers of a law on the organization and jurisdiction of trade tribunals; and finally (vi) pursuing the reforms aimed at improving Niger's ranking in terms of the 10 indicators in Doing Business, through the government's adoption of a priority action plan (November 2014–March 2015) to improve the business climate, and the adoption by the *Conseil National des Investissements Privées* (CNIP) on January 29, 2015, of the 2015 Roadmap for Improvement of the Business Climate.

V. Program Monitoring

58. **Semi-annual monitoring of the program by the IMF Executive Board will continue, based on the quantitative monitoring indicators (Tables 1, 2, and 3) and structural**

benchmarks (Tables 4, 5, and 6). These indicators are defined in the attached Technical Memorandum of Understanding (TMU). The forthcoming semi-annual reviews will be based on the performance criteria at end-December 2015 and end-June 2016 and the indicative targets at end-March 2016, and are expected to be completed by end-May 2016 and end-November 2016 respectively. Indicative targets are set for information at end-September and end-December 2016. For monitoring purposes, the authorities will provide IMF staff with the statistical data and information described in the Technical Memorandum of Understanding, as well as any other information that they deem necessary, or that the IMF staff may request. During the program period, the government shall refrain from introducing or increasing any restrictions on payments and transfers related to current international transactions without prior approval of the IMF. It shall also refrain from introducing or amending any multiple currency practices; entering into bilateral agreements that do not comply with Article VIII of the IMF's Articles of Agreement; and introducing and enhancing restrictions on imports for reasons related to the balance of payments.

59. **Given the corrective actions taken, the progress in the implementation of the ECF-supported program, and the policy framework for the rest of 2015 and for 2016, the government requests approval of the sixth and seventh reviews under the arrangement, waivers of nonobservance of the performance criteria for end-December 2014 and end-June 2015, extension of the ECF to end-December 2016, an increase in access under the ECF for 2015 and 2016, and the disbursement of SDR 39.005 million**. The test date of the eighth program review is end-December 2015, and the ninth review will be based on the performance criteria at end-June 2016.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (March 2014-December 2014)

(Billions CFAF)

	End-March 2014			End-June 2014			End-September 2014			End-December 2014		
	IT			PC			IT			PC		
	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Rev. Prog	Actual	Status
A. Quantitative performance criteria and indicative targets[1]												
(cumulative for each fiscal year)												
Net domestic financing of the government	0.2	66.6		0.3	97.3		0.5	72.2		54.5	129.3	
Adjusted criteria [2]	15.2	66.6	Not Met	15.3	97.3	Not Met	15.5	72.2	Not Met	69.5	129.3	Not Met
Reduction in domestic payment arrears of government obligations[3]	-1.3	-8.4	Met	-2.5	-9.5	Met	-3.8	-4.2	Met	-10.0	57.7	Not Met
Memorandum item:												
External budgetary assistance [4]												
Budget support	29.1	6.6		62.0	13.9		89.9	48.1		116.4	75.2	
B. Continuous quantitative performance criteria[1]												
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New external debt contracted or guaranteed by the government with maturities of less than 1 year[5]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
New nonconcessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more [6]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
C. Indicative Targets												
(cumulative for each fiscal year)												
Basic budget balance (commitment basis, excl. grants)[3]	-26.9	-62.1	Not Met	-47.0	-108.9	Not Met	-100.0	-120.3	Not Met	-161.6	-261.8	Not Met
Basic budget balance (commitment basis, incl. grants)[3]	…	…		…	…		…	…		-78.6	-193.9	Not Met
Total revenue[3]	178.9	135.9	Not Met	357.6	303.3	Not Met	522.8	523.4	Met	753.3	714.2	Not Met
Spending on poverty reduction[3]	120.1	70.2	Not Met	236.0	206.4	Not Met	363.3	329.3	Not Met	507.6	489.9	Not Met

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

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

[1] Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise.

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2014.

[3] Minimum.

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

[5] Excluding ordinary credit for imports or debt relief.

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

Table 2. Niger: Quantitative Performance Criteria and Indicative Targets (March 2015-December 2015)

(Billions CFAF)

	End-March 2015 IT			End-June 2015 PC			End-September 2015 For Information	End-December 2015 PC (proposed)
	Prog.	Actual	Status	Prog.	Actual	Status	Proj.	Prog.
A. Quantitative performance criteria and indicative targets[1]								
(cumulative for each fiscal year)								
Net domestic financing of the government	19.6	44.4		41.3	123.9		201.0	130.7
Adjusted criteria [2]	32.2	44.4	Not Met	56.3	123.9	Not Met	…	…
Reduction in domestic payment arrears of government obligations[3]	-1.8	0.0	Not Met	-3.5	-28.8	Met	-38.8	-63.8
Memorandum item:								
External budgetary assistance [4]								
Budget support	12.6	0.0		26.2	0.0		6.6	160.4
New external debt contracted or guaranteed by the government on concessional terms (ceiling)[7]								520.4
B. Continuous quantitative performance criteria[1]								
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of less than 1 year[5]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
New non concessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more [6]	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
C. Indicative Targets								
Basic budget balance (commitment basis, excl. grants)[3]	-25.9	-77.2	Not Met	-55.9	-118.0	Not Met	-155.5	-224.9
Basic budget balance (commitment basis, incl. grants)[3]	-17.6	-77.2	Not Met	-38.4	-118.0	Not Met	-149.0	-142.9
Total revenue[3]	193.9	168.0	Not Met	388.9	355.1	Not Met	564.6	785.7
Spending on poverty reduction[3]	114.3	114.4	Met	231.4	232.3	Met	312.0	442.8

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

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

[1] Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise except for end-September 2015 that are just for information.

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2015.

[3] Minimum.

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

[5] Excluding ordinary credit for imports or debt relief.

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

[7] On a contracting basis in accordance with the IMF's debt limits piolicy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

Table 3. Niger: Quantitative Performance Criteria and Indicative Targets (March 2016-June 2016) and Projections for September 2016-December 2016

(Billions CFAF)

	End-March 2016 IT	End-June 2016 PC	End-September 2016[8] For information	End-December 2016[8] For information
	Prog.	Prog.	Prog.	Proj.
A. Quantitative performance criteria and indicative targets[1]				
(cumulative for each fiscal year)				
Net domestic financing of the government	67.7	99.7	109.5	100.4
Adjusted criteria [2]	…	…	…	…
Reduction in domestic payment arrears of government obligations[3]	10.3	20.6	11.6	-10.0
Memorandum item:				
External budgetary assistance [4]				
Budget support	0.0	15.2	39.5	97.3
New external debt contracted or guaranteed by the government on concessional terms (ceiling)[7]	800.0	800.0	800.0	800.0
B. Continuous quantitative performance criteria[1]				
Accumulation of external payments arrears	0.0	0.0	0.0	0.0
New external debt contracted or guaranteed by the government with maturities of less than 1 year[5]	0.0	0.0	0.0	0.0
New non concessional external debt contracted or guaranteed by the government and public enterprises with maturities of 1 year or more [6]	0.0	0.0	0.0	0.0
C. Indicative Targets				
Basic budget balance (commitment basis, excl. grants)[3]	-73.0	-128.0	-147.5	-168.8
Basic budget balance (commitment basis, incl. grants)[3]	-73.0	-118.9	-124.7	-114.3
Total revenue[3]	174.9	384.4	602.5	841.0
Spending on poverty reduction[3]	77.8	200.6	317.1	449.9

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

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

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

[2]The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 15 billion at the end of each quarter of 2016.

[3]Minimum.

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

[5]Excluding ordinary credit for imports or debt relief.

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

[7]On a contracting basis in accordance with the IMF's debt limits piolicy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf. The ceiling is defined as cumulative from January 1, 2015 and exclude the SORAZ refinancing loan of CFAF 437.4 billion, that could be signed in 2016.

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

Table 4. Niger: Prior Actions and Structural Benchmarks, 2014

Measure	Timetable	Progress and/or Macroeconomic Rationale
Finalize the study to select the path of the pipeline.	Prior Action for the second and third review	Met
Launch an international tender for the selection of the company that will build the pipeline.	End-September 2014	Not Met Implications for fiscal and debt sustainability. Ongoing discussions to secure all the authorizations
Publish a formal annual borrowing plan detailing the government's planned external borrowing for the year.	End-December 2014	Not Met Ensure that borrowing is consistent with the debt management strategy (Intermediary steps identified)
Introduce a quarterly reporting of debt management activities to the National Public Debt Management Committee (MEFP, ¶11).	Quarterly starting with June 2014	Met Assess compliance of the borrowing activities with the plans set in the debt management strategy (and with IMF conditionality). (June and September reports released)
Limit expenditure not authorized in advance to a maximum of 5 percent of committed expenditures, with the exception of debt-service payments and fiscal expenditure related to exemptions.	Quarterly	Met Improve budget and cash management
Progress in implementing customs reform with respect to declarations, tax exemptions, customs controls on oil products, and better use of ASYCUDA.	End-June 2014	Not Met Speed up the customs reform and enhance revenue collection
Quarterly budget allocations will be released no later than four weeks after the start of the first, second, and third quarters.	Quarterly, from March 2014	Met. Improve budget execution
Establish a Treasury Single Account.	End-June 2014	Not met Improve cash flow management (Intermediary steps identified)
Approve the decree to implement the financial sector reform plan.	End-December 2014	Met Support the development of the financial market

Table 5. Niger: Structural Benchmarks, 2015

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

Table 6. Niger: Proposed Structural Benchmarks, 2016		
Measure	**Timetable**	**Progress and/or Macroeconomic Rationale**
Establish the legal framework for the closure of public accounts to be consolidated under the TSA.	End-June 2016	Improve cash flow management.
Introduce quarterly reports on debt management activities to be submitted to the National Public Debt Management Committee.	Quarterly	Improve debt management.
Establish a steering committee for implementation of the financial sector development plan.	End-February 2016	Improve the business climate.
Limit expenditures executed through exceptional procedures to a maximum of 5 percent of authorized spending, with the exception of debt service payments and budget expenditure associated with exemptions.	Quarterly	Improve budget and cash flow management
Completion of the civil service staff and salary audits.	End-December 2016	Improve the management of salaries and grants.
Migration to SYDONIA World	End-January 2016	Improve revenue collection
Prepare a borrowing plan	End-June 2016	Improve debt management

Table 7. Niger: Disbursements to Date and Proposed Scheduled Disbursements under the ECF Arrangement, 2012-16

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

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

Source: International Monetary Fund.

Attachment II. Technical Memorandum of Understanding

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 2012–2016. The performance criteria and indicative targets for end-December 2015 and end-June 2016 are set out in Table 2 and 3 of the attached Memorandum of Economic and Financial Policies (MEFP) dated November 13, 2015. This technical memorandum of understanding also sets out data reporting requirements for program monitoring.

DEFINITIONS

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

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

b). **As specified in paragraph 9 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 15688-(14/107) of the Executive Board**, 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 are 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 lesser 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). **External payments arrears are payments due but not paid**. Domestic payments arrears are domestic payments owed by the government but not paid. They include authorized fiscal year expenditure that is not paid within 90 days.

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

Quantitative Performance Criteria

Net Domestic Financing of the Government

Definition

2. **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.

3. **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.

4. **Government debt to the banking system includes assistance from the central bank (excluding net IMF financing under the ECF arrangement and 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).**

5. **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.

6. **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.

7. **The 2015 quarterly targets are based on the change between the end-December 2014 level and the date selected for the performance criterion or indicative target and the 2016**

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

Adjustment

8. 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 arrangement, fall short of program projections.

9. If, at the end of each quarter of 2015, disbursements of external budgetary support fall short of the projected amounts at the end of each quarter, the corresponding quarterly ceilings will be raised pro tanto, up to a maximum of CFAF 15 billion. The same principle applies for the each **quarter of 2016.**

Reporting requirement

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

Reduction of Domestic Payments Arrears

Definition

11. **The reduction of domestic payments arrears is equal to the difference between the stock of arrears at end-2014 and the stock of arrears on the reference date in 2015, and the difference between the stock of arrears at end-2015 and the stock of arrears on the reference date in 2016**.

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

Reporting requirement

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

External Payments Arrears

Definition

14. **Government debt** is outstanding debt owed or guaranteed by the government. For the program, the government undertakes not to accumulate external payments arrears on its debt (including Treasury bills and bonds issued in CFAF on the WAEMU regional financial market), with

the exception of external payments arrears arising from debt being renegotiated with external creditors, including Paris Club creditors.

Reporting requirement

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

External Nonconcessional Loans Contracted or Guaranteed by the Public Sector

Definition

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

17. **This performance criterion applies not only to debt as defined in paragraph 9 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 15688-(14/107) of the Executive Board, but also to any obligation contracted or guaranteed for which no value has been received**. However, this performance criterion does not apply to financing provided by the IMF and to debt rescheduling in the form of new loans.

18. **For the purposes of the relevant 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).**

19. **For the purposes of the relevant performance criterion, external debt is defined as debt borrowed or serviced, or requiring repayment, in a currency other than the CFA franc**. This definition also applies to debt among WAEMU countries.

20. **For the purposes of this performance criterion, the public sector includes the government, as defined in ¶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 de Patrimoine des Eaux du Niger (SPEN),* (iv) *Société Nigérienne de Charbon (Sonichar)*, (v) *Société Nigérienne des Produits Pétroliers (Sonidep),* (vi) *Société Nigérienne des Télécommunications (Sonitel), (vii) Société de Patrimoine des Mines du Niger (Sopamin)*; and (viii) *Société Hôtel Gaweye (SPEG*

Reporting Requirement

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

Short-Term External Debt of the Central Government

Definition

22. **The government will not contract 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 point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009, 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 CFA franc on the regional financial market.

Reporting requirement

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

Quantitative Targets

Definitions

24. **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.

25. **The basic fiscal deficit is defined as the difference between: (i) total tax revenue as defined in ¶22; and (ii) total fiscal expenditure excluding externally financed investment expenditure but including HIPC-financed expenditure**.

26. **The basic fiscal deficit, WAEMU definition, is defined as the basic balance defined in paragraph 26 increased by the budgetary grants**.

27. **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 expenditure.

Reporting Requirement

28. **Information on revenue and expenditure will be provided to the IMF monthly, within six weeks after the end of each month**.

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

Additional Information for Program Monitoring

Government finance

30. **The government 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 balance outstanding. These data are to be provided monthly, within six weeks following the end of each month;

- Comprehensive monthly data on net nonbank domestic financing: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFA franc 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;

- 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 the balances of accounts of the Treasury (Treasury trial balance) and of other public accounts at the BCEAO;

- 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 or in process of negotiation and projected borrowing in the next six months, including the financial terms and conditions.

Monetary Sector

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

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

Balance of Payments

32. **The government will give IMF staff the following information**:

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

Real Sector

33. **The government 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.

Structural Reforms and Other Data

34. **The government will provide 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 involving the direct financial participation or guarantee of the government;

- Any new information on the mining and petroleum sectors, including production and sales volumes, prices, and foreign investment; and

- Any agreement with private sector stakeholders having economic or financial repercussions for the government, including in the natural resources sector.

Summary of Data to be Reported			
Type of Data	**Tables**	**Frequency**	**Reporting Requirement**
Real sector	National accounts.	Annual	End-year + 6 months
	Revisions of the national accounts.	Variable	8 weeks after the revision
	Disaggregated consumer price indexes.	Monthly	End-month + 2 weeks
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 Treasury correspondents' deposit accounts; (iii) change in the balance of various deposit accounts at the Treasury; and (iv) 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 Treasury) 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 + 8 weeks

Summary of Data to be Reported (concluded)			
Type of Data	**Tables**	**Frequency**	**Reporting Requirement**
	Table of fiscal expenditure execution, unified list expenditure, and HIPC-financed expenditure.	Quarterly	End-quarter + 6 weeks
	Treasury accounts trial balance.	Monthly	End-month plus 6 weeks
	Monthly statement of the balances of accounts of the Treasury and of other public accounts at the BCEAO.	Monthly	End-month plus 2 weeks
	Petroleum products pricing formula, petroleum products tax receipts, and pricing differentials.	Monthly	End-month + 4 weeks
Monetary and financial data	Monetary survey.	Monthly	End-month + 6 weeks (provisional) End-month + 10 weeks (final)
	Consolidated balance sheet of monetary institutions and, in applicable cases, balance sheets of individual banks.	Monthly	End-month + 8 weeks
	Borrowing and lending interest rates.	Monthly	End-month + 8 weeks
	Banking supervision prudential indicators.	Quarterly	End-quarter + 8 weeks
Balance of payments	Balance of payments.	Annual	End-year + 6 months
	Balance of payments revisions.	Variable	At the time of the revision.
External debt	Stock and repayment of external arrears.	Monthly	End-month + 6 weeks
	Breakdown of all new external loans contracted and projected borrowing, including financial terms and conditions.		End-month + 6 weeks
	Table on the monthly effective service of external debt (principal and interest) compared with programmed maturities.	Monthly	End-month + 4 weeks

NIGER

November 13, 2015

SIXTH AND SEVENTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, REQUEST FOR AUGMENTATION OF ACCESS, AND EXTENSION OF THE CURRENT ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS UPDATE

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Prepared by the Staffs of the International Monetary Fund and the World Bank.

The previous Debt Sustainability Analysis was conducted in December 2014. Niger risk of debt distress continues to be assessed as moderate. However, the debt situation is vulnerable to an export shock, FDI shortfalls, less favorable financing conditions, a large depreciation of the exchange rate, and a lack of fiscal consolidation. The medium–term economic framework underpinning the analysis has been updated to reflect recent developments, including the impact of the further deterioration of the security situation and the lower oil price path, consistent with the baseline scenario of the staff report for the Sixth and Seventh reviews of the Arrangement under the Extended Credit Facility. The medium term outlook remains dominated by two large natural resource projects that are expected to come on stream in late 2017 (oil exporting) and 2020 (uranium).

BACKGROUND

1. **This debt sustainability analysis (DSA) updates the DSA of the external and total public debt of Niger completed at the time of the 2014 Article IV Consultation and the Fourth and Fifth reviews under the ECF**. It is based on end–2014 data, using the standard debt dynamics template for low–income countries. The debt data cover external and domestic debt of the central government, debt of public enterprises and parastatals, state guarantees and private external debts. Domestic debt includes government arrears, debt to the regional central bank, *Banque Centrale des Etats de l'Afrique de l'Ouest* (BCEAO), resulting from statutory advances, the Niger's special drawing rights (SDR) allocation, and government issued securities.

2. **The previous DSA assessed Niger's risk of debt distress to be at a moderate level, largely on account of the government's debt contracts to support the development of the natural resource sector**. Niger reached the completion point under the Enhanced Highly Indebted Poor Country (HIPC) Initiative in April 2004 and in 2006 it benefited from the Multilateral Debt Relieve Initiative (MDRI) assistance from the African Development Fund (ADF), International Development Association (IDA), and the International Monetary Fund (IMF). The debt relief contributed to a reduction of nominal external debt from around 90 percent of GDP at end–2000 to 17 percent of GDP at end–2010. Niger's public external debt exposure has increased significantly after 2010, up to 22.6 percent of GDP at end–2013 and is projected to reach 33 percent of GDP at end–2015, due to the government's involvement in the financing of natural resource projects.[1] The *Société de Raffinage de Zinder* (SORAZ) refinancing loan of CFAF 437.4 billion from Exim–Bank–China is reflected in this updated DSA in 2016 which will bring the debt ratio to GDP to 41.6 percent in that year.

3. **Niger is a medium policy performer for the purpose of determining the debt burden thresholds under the DSA framework.** Niger's rating on the World Bank's Country Policy and Institutional Assessment (CPIA) averaged 3.45 during 2012–14, making it a medium policy performer. Therefore the external public debt burden thresholds are as shown below.

Text Table 1. External Debt Burden Thresholds

EXTERNAL debt burden thresholds	Without remittances
PV of debt in % of	
Exports	150
GDP	40
Revenue	250
Debt service in % of	
Exports	20
Revenue	20

[1] In 2011, the government contracted a Yuan 650 million loan for the financing of its share in the construction of the new Azelik uranium mine, followed by a state guarantee of 40 percent of a US$880 million loan to the SORAZ refinery.

UNDERLYING DSA ASSUMPTIONS

4. **Staff has updated the medium– and long–term projections for Niger to account for the lower oil price path and the impact of the further deterioration of the regional security situation**. Revenue projections have been revised downward to reflect lower oil prices and weaker than programmed revenue collection in 2014. Revenue is expected to increase significantly after 2017 when the new crude oil export project will come on stream and later in 2020 when a major project in the uranium sector will be completed. The increased revenues will enable the government to maintain a lower but high level of public investment with a positive basic fiscal balance; while current expenditures should increase in 2015, it will be gradually contained after 2016.[2] The average GDP growth is revised upward in 2013 and 2014 and downward in the medium term, but remains almost the same in the long term compared to the last DSA. This DSA update assumes conservative growth in exports of goods and services compared to the previous DSA to reflect the low oil prices, a more gradual crude oil export increase after 2017, and lower uranium production in the medium and long term, resulting in a lower ratio of exports to GDP throughout the medium term. Public investments in agriculture and infrastructure are expected to help promote export–oriented growth and efficiency gains in the long run.

5. **The further deterioration of the security situation in Niger has created a financing gap in the 2015 budget that is envisaged to be filled through a proposed ECF augmentation and additional donor support**. The baseline scenario includes lower revenues, additional spending, and more domestic financing in 2015, to accommodate the worsening of the security situation in Niger. The resulting financing gap could be financed by the following additional donors' support: (i) CFAF 19.7 billion budgetary grant from EU; (ii) CFAF 6.5 billion budgetary grant and CFAF 13.1 billion budgetary loan from France and AFD, (iii) CFAF 13.4 billion of budgetary grant from Nigeria[3], and (iv) there will be an ECF access augmentation, up to 25 percent of quota, requested by the authorities to support the BOP needs created by these shocks. The DSA takes into account these potential additional financing sources in 2015 and also a 37.5 percent of quota IMF financing during 2016 from the proposed one–year extension of the current arrangement under the ECF.

6. **Reliance on external grants and loans to finance the current account deficit is projected to decline gradually as natural resource revenues increase**. Besides debt–creating

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[2] This expenditure rationalization objective requires stepping up efforts in the reform of public financial management (PFM) as suggested in the latest PEFA assessment (March 2013) and in IMF technical assistance reports. The authorities approved the law on fiscal transparency in March 2014 and approved recently a series of decrees aimed at strengthening institutional coordination by merging the Ministry of Finance and the Ministry of Planning and enhancing the profile and the role of the Inter–Ministerial Committee on Debt Management to improve the flow of information on debt management, and to enhance expenditure monitoring. The ECF program also envisages improvement in expenditure controls by limiting resort to the use of exceptional procedures for authorizing spending, accelerating the pace of budget execution, and speeding up the implementation of the TSA and the investment budgeting in commitment authorization and payment credit in line with the approved 2012 organic law on budget laws.

[3] The Government of Nigeria provided CFAF 20.4 billion budgetary grant to Niger, for which CFAF 7 billion was projected in the initial 2015 budget.

flows and FDI, the current account deficit is expected to be financed by significant flows of project grants and private capital flows.

Text Table 2. Niger: Key Macroeconomic Assumptions
(DSA 2014 vs. DSA 2015 (updated 2014 DSA))[1]

	2013-14	2015-18	2019-35
Real GDP growth (percent)			
DSA 2015	5.7	6.0	5.4
DSA 2014	5.3	6.5	5.3
Total Revenue (percent of GDP)[2]			
DSA 2015	17.5	19.2	21.5
DSA 2014	18.1	20.6	22.1
Exports of goods and services (percent of GDP)			
DSA 2015	21.6	20.3	24.5
DSA 2014	23.0	24.2	30.5

Sources: Nigerien authorities; and IMF staff estimate.
[1] See Box 1 for details on baseline scenario assumptions. the DSA 2014 forecasting peric stops in 2034.
[2] Total revenue, excluding grants.

7. **The macroeconomic outlook remains subject to various risks**. The country remains vulnerable to exogenous shocks, including frequent weather–related shocks on economic activity and on food security, and fluctuations in commodity prices. The recent decline of oil prices and the continued weakness of uranium prices may introduce delays in the implementation of the natural resource sector projects. The deteriorating security situation in the region (Mali and Libya in the north and Nigeria in the south) is another source of fiscal costs and economic vulnerability to Niger.

EXTERNAL DSA

8. **Niger's debt exposure has increased significantly since 2009 as a result of government involvement in the financing of projects in the natural resource sectors**. The increase in the debt ratio from 22.6 percent in 2013 to 33 percent of GDP in 2015 is mainly due to external loans contracted to finance infrastructure investments and social needs. The refinancing loan for the construction of the SORAZ refinery (in an amount of CFAF 437.4 billion), expected to be disbursed in 2014 has not yet materialized. In this update, we assume that the authorities will continue to seek for the replacement of the existing private non–concessional funding of the refinery (which was 40 percent guaranteed by the State) by one on concessional terms. The rate of external public debt accumulation is expected to rise in the medium term reflecting the government's investments in the natural resource sector before declining in the long run (Figure 1).

9. **In the baseline scenario, apart from a temporary deviation of the debt service ratios,[4] external debt ratios remain below their policy–dependent thresholds throughout the**

[4] The surge in the Public and the Publicly Guaranteed (PPG) debt service ratios in 2016 stems from repayment of the 40 percent government guaranteed debt for the construction of the SORAZ refinery, assuming its refinancing with a loan on concessional terms (¶ 8 above).

projection period (2015–35). The present values (PV) of debt–to–GDP, debt–to–exports and debt–to–revenue ratios are expected to remain at levels below the relevant thresholds over the medium term.[5] As in the previous DSA, upon the approval of the refinancing loan for the SORAZ refinery, there would be a one–off spike in the debt service ratios and an increase of the stock of public debt ratios in 2016. The debt service indicators remain well below their thresholds for the entire projection period except for 2016. The stress test under the historical scenario shows rising debt ratios in the medium term with a temporary breach of the debt–to–exports ratio in 2017 before becoming sustainable and stable thereafter (Figure 1).

10. **The baseline scenario also assumes that the US$1 billion credit line from EximBank of China[6] will be disbursed progressively over the period of 2018–25**.The baseline scenario assumes US$50 million of the Chinese master facility is disbursed in 2018, US$100 million in 2019 and the same amount in 2020, and the remaining US$750 million are assumed to be equally disbursed in the following years.

11. **Under the most extreme shock scenario, the present value (PV) of debt–to–exports and PV of debt–to–GDP ratios breach the relevant thresholds, however the ratio of the PV of debt–to–revenue remains under the threshold** (Figure 1).The most extreme stress test assumes lower levels of export values that grow at the historical average minus one standard deviation in 2016 and 2017, which results in higher debt indicators relative to the baseline yielding a PV of debt–to–exports ratio higher than the threshold. However, in this scenario, the debt burden indicators are expected to stabilize at sustainable levels over the very long term. In addition, the PV of debt–to–exports ratio breaches the threshold under a financing terms shock that sets the new public loans for the period 2015–35 at less favorable terms and under a non debt creating flows (FDI) shock that assumed the level of FDI in 2016–17 to be at the historical level minus one standard deviation. Although a one–time 30 percent nominal depreciation of the exchange rate relative to the baseline in 2016 does not deteriorate the PV of debt–to–exports ratio, the PV of the debt–to–GDP ratio breaches the threshold between 2022 and 2030.

PUBLIC DSA

12. **Increased reliance on bond financing from the regional market, has resulted in a higher domestic debt stock**. Niger's domestic debt was at a low level (4.6 percent of GDP at end–2013, see Table 1b) which increased to 8.8 percent of GDP at end–2014, and is projected to reach 10.2 percent at end 2015. This increase is driven by the issuance of regional bonds in the

[5] See IMF (2013) "Staff Guidance Note on the Application of the Joint Bank–Fund Debt Sustainability Framework" for details on relevant debt thresholds and benchmarks.

[6] This line of credit, considered as a facility in total of US$1 billion, was signed in September 2013 and several loan agreements could be negotiated under the facility between the governments of Niger and China. Under the master facility agreement, individual loans are subject to 2 percent interest rate, 25 years maturity, and 5 years grace period. Any contracts under the facility are tied to Chinese suppliers and are earmarked for infrastructure projects with high economic rates of return. Any potential projects need the preliminary approval of Eximbank of China about their eligibility.

amount of CFAF 93.3 billion in 2014 and CFAF 120 billion in 2015.[7] There was also a net accumulation of domestic arrears of 1.5 percent of GDP at end–2014, but most of it was paid by end–June 2015. The government intends to securitize the remaining balance of about CFAF 40 billion at end–2015. The baseline scenario assumes that the authorities continue to cover fiscal financing needs through the issuance of government securities on similar terms as the 2015 regional bonds, but with lower amounts issued annually as fiscal consolidation occurs and as revenues from the resource sectors materialize after 2017. Consequently, domestic public debt is projected to fall over the medium term, reaching 2.6 percent of GDP in 2035.

13. **Public debt ratios breach the relevant thresholds under the fixed primary balance scenario.** Under the extreme shock scenario with no improvement in the fiscal situation, the primary fiscal balance remains at the 2015 level of a deficit of 6.5 percent of GDP, there will be continued accumulation of public debt. Consequently, the PV of debt–to–GDP ratio would reach 77 percent in 2035 significantly above the policy–dependent threshold level of 56 percent (Figure 2, Table 2b). The PV of public debt–to–GDP and the PV of public debt–to–revenue ratio will stabilize to sustainable levels under the baseline and other stress tests. When the permanently lower GDP growth shock is assumed, the PV of debt–to–GDP will reach a maximum of 48.5 percent in 2026 staying well below the threshold.

PRIVATE EXTERNAL DEBT DYNAMICS

14. **The current DSA includes identified private debt flows, linked to the large oil and uranium projects**. It incorporates the contracts of a loan by the SORAZ refinery (60 percent privately owned), part of the FDI that will finance the rail road Niamey–Cotonou, and the Imouraren uranium project. The stock of external private debt is estimated at 28 percent of GDP in 2014 and is projected to stabilize at just above 20 percent over the long run.[8]

CONCLUSION

15. **Niger remains subject to a moderate risk of debt distress**. In comparison with the previous DSA, the recent exogenous terms of trade and security shocks' impacts will lower fiscal revenue and export receipts leading to a deterioration in fiscal and external balances and more borrowing in the short term, including from the IMF. In the baseline scenario, the external and public debt indicators remain below their policy–dependent thresholds throughout the projection period. However, the expected refinancing loan to the SORAZ refinery, individual loans to be contracted

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[7] The terms of the regional bonds are a 6.25 percent interest rate, 5 years maturity and 1 year grace period. In 2014, CFAF 93.3 billion was issued, of which CFAF 19 billion was taken up by domestic banks and CFAF 74.3 billion was by banks in the West African Economic and Monetary Union (WAEMU) and in 2015 CFAF 120 billion of regional bonds was issued (CFAF 18 billion bought by local banks). The authorities intend to issue less new regional bonds (CFAF 110 billion in 2016, followed by continuous issuance of bonds over the medium term to diversify the financing sources) that are also captured in the baseline scenario.

[8] The baseline scenario assumes that some of the direct and portfolio investments will come in the form of debt to the private sector, which will represent 20.7 percent of GDP in 2035.

under the Chinese master facility, and the uptick in borrowing from the regional market would increase the public debt stock. Consequently, the PV of debt–to–exports ratio could breach the threshold level under certain alternative scenarios. The country's level of external debt keeps Niger vulnerable to adverse shocks on exports, on the terms of new loans, on FDI inflows, and to some extent to a large depreciation of the exchange rate as demonstrated by the deterioration of the debt indicators as described previously.

16. **Niger's continued moderate risk of debt distress calls for the authorities' continued commitment to strengthen debt management**. The new Inter–Ministerial Debt Committee, which is operating under the framework set by the decree signed by the Prime Minister on June 18, 2015, must play an active role in preventing the recurrence of non–concessional borrowing and in limiting the accumulation of external and public debt to maintain fiscal and debt sustainability. Any loans contracted under the Chinese master facility agreement should be used for high–yield infrastructure projects that will generate sufficient government revenue to cover debt service related to the projects. Over the medium term, the authorities also need to build buffers to cope with exogenous shocks, and strengthen revenue administration and expenditure prioritization to align with short–term and long–term spending needs.

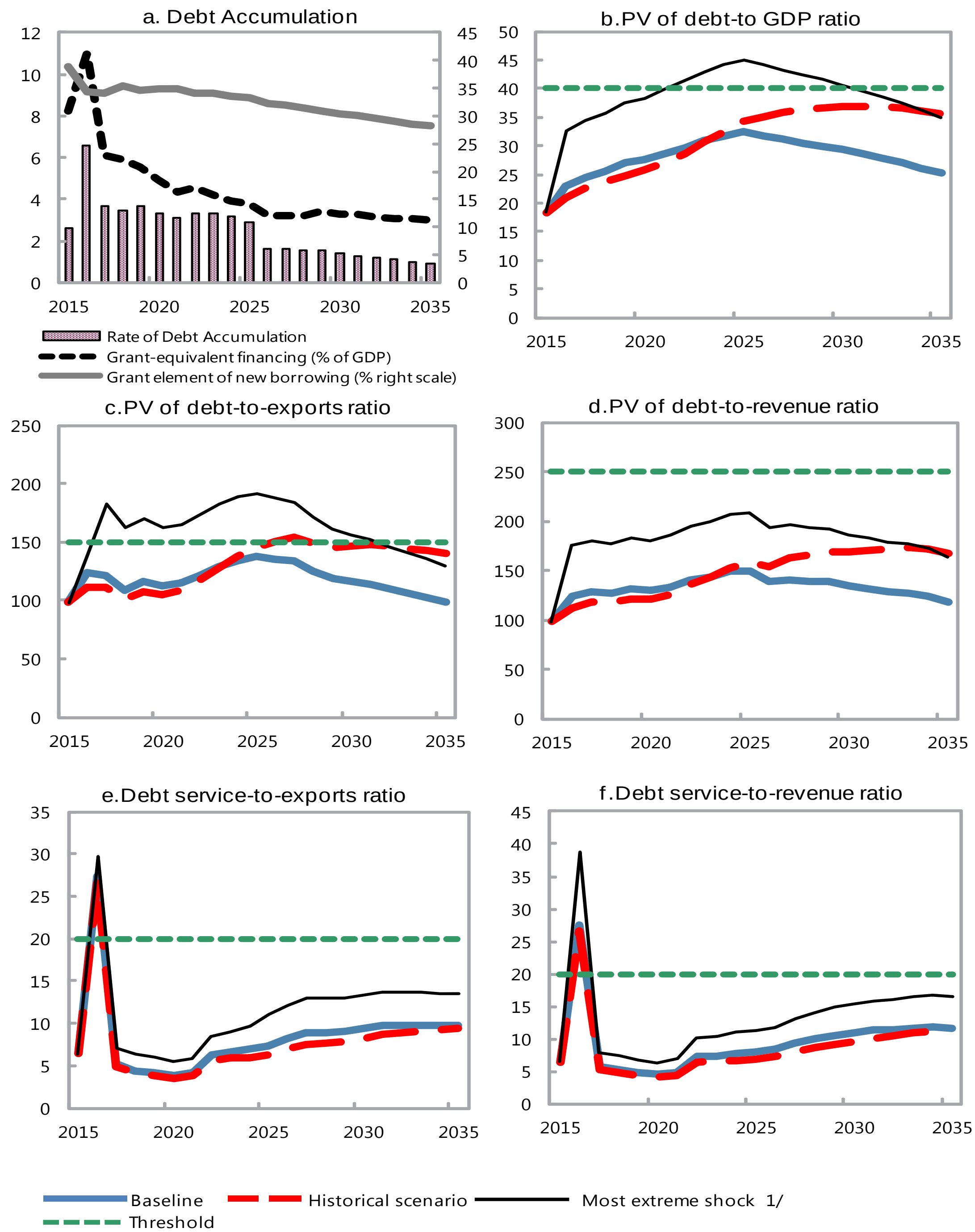
17. **The Nigerien authorities have indicated their agreement with the conclusions reached in this DSA update that is consistent with the 2014 DSA**. They provided inputs on the actual debt stock, the debt service of the existing stock until 2035, and the disbursement profile of the master facility; this information has been incorporated. The authorities stated that the staff assessment of the country debt distress is in line with their own assessment and they are committed to implement the staff recommendations to strengthen debt management.

Box: Baseline Scenario Assumptions

The baseline macroeconomic scenario for 2015–35 is based on the following assumptions:

- Real GDP growth will increase to an average of 6 percent a year over the medium–term, slightly lower than assumed in the previous DSA. The average growth rate is projected at 5.4 percent a year over the long–term. Inflation is projected to remain stable at about 2 percent over the projection period in line with the inflation targets under the WAEMU currency arrangement, as agricultural production and government food support program will keep inflationary pressures in check. The export price of crude oil is assumed to be on average 76 percent of the international oil price projected in the current World Economic Outlook during 2017–20, followed by gradual price increases thereafter.
- Total revenue–to–GDP ratio will rise from about 18 percent in 2014 and 18.7 percent in 2015 to 21.4 percent in 2035 lower than assumed in the previous DSA, reflecting lower revenue from natural resources due to lower commodity prices and lower revenue collection in 2014.
- Primary fiscal expenditure is expected to reach about 31.2 percent of GDP in 2015 driven by large spending needs for security, humanitarian assistance and other priorities such as food security, infrastructure, health and education. While current expenditure is expected to be gradually contained from about 15.8 percent of GDP in 2015 and 15.1 percent in 2016 to 14.2 percent of GDP in 2035, capital expenditure is expected to decline gradually, reflecting the large infrastructure needs of the country, and as a result, primary fiscal expenditure will be at 25 percent of GDP in 2035. The basic balance (the fiscal balance net of grants and externally–financed capital expenditure) will gradually converge to zero and remain positive in the long run. The overall fiscal deficit (commitment basis excluding grants) will also decline from 13.4 percent of GDP in 2015 to 4.7 percent of GDP in 2034.
- The non–interest current account deficit is projected to gradually decline to 8.3 percent of GDP at the end of the projection period from almost 18 percent of GDP in 2016. Export volumes would increase, mainly driven by much larger export volume growth of crude oil (after oil production comes on stream in 2017) and higher uranium exports as the Imouraren project enters into production in 2020. The export volume of non–resource products is also expected to grow as a result of the expected impact of gradual economic diversification. Imports would slow down initially, in line with the decline of FDI–related imports, before stabilizing at around 34 percent of GDP. An improvement in the overall fiscal balance and higher private saving contributes to the decline in current account deficit.
- Net FDI is projected to decline slightly from about 9.3 percent of GDP in 2014 to about an average of 8.3 percent of GDP in 2015–16, during the construction of the new oil pipeline. As assumed in the previous DSA, it is expected to decrease over the medium–term as large investment projects come to completion, and the newly–established natural resource companies reimburse FDI loans received from their parent companies; these payments lead to an FDI outflow.
- The average interest rate on external debt is projected to be around 2 percent, in line with the previous DSA. Total external financing is expected to decrease after the high growth period of 2017–20 due to the reduction in borrowing needs and the expected increase in government revenue. The analysis assumes continuous inflow of grants and loans from donors of about 2.3 percent and 3 percent of GDP on average in the long run. The discount rate remains at 5 percent.
- The domestic debt profile assumes no net accumulation of domestic arrears and that securitized domestic arrears will be repaid over the next 5 years. The baseline includes an average bond issuance of about CFAF 90 billion a year after 2016 under the present terms of regional bonds for Niger (i.e., 6.3 percent interest rate, 5 years maturity and 1 year grace period).

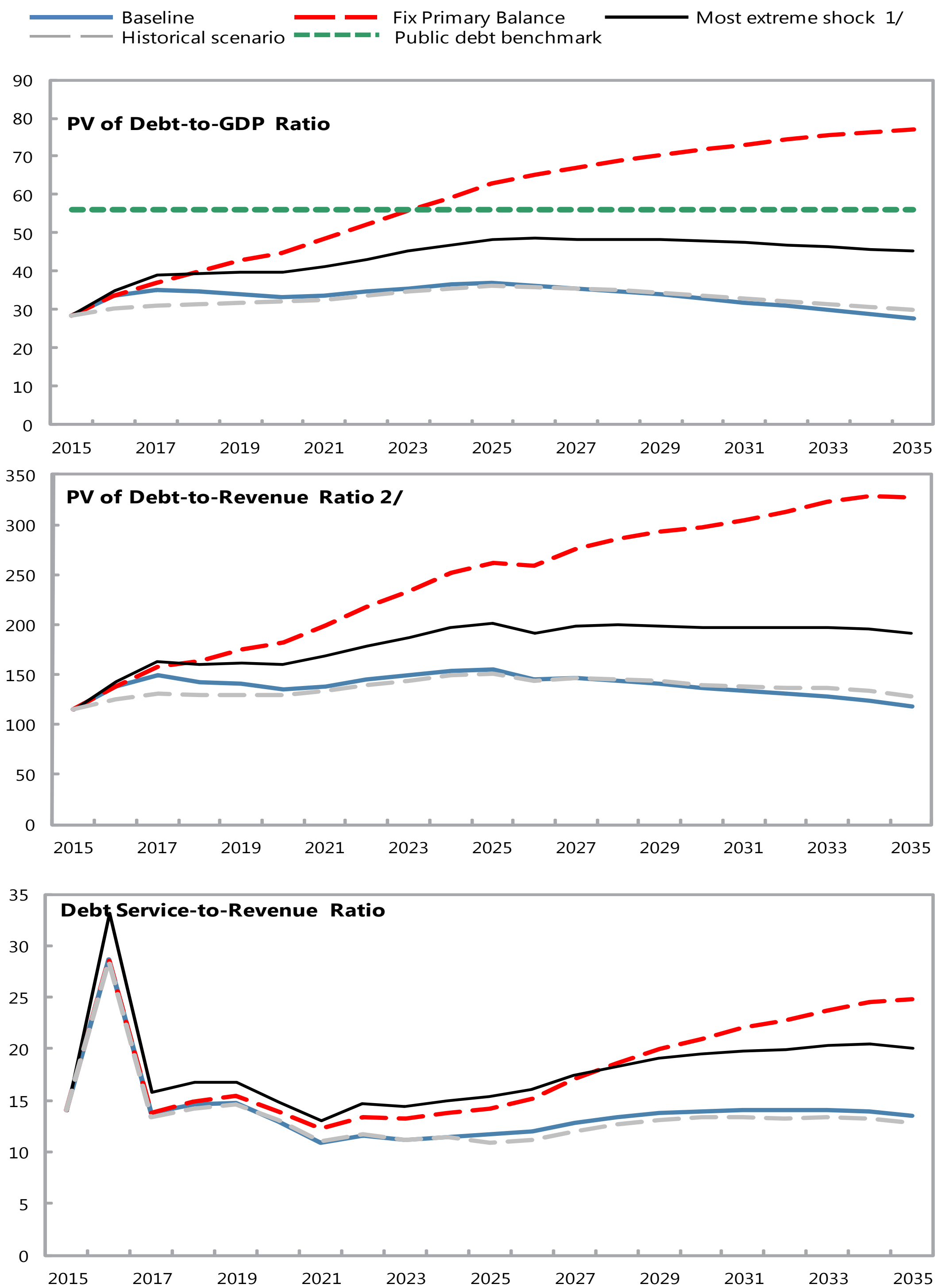
Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios. 2015–35



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 2. Niger: Indicators of Public Debt Under Alternative Scenarios, 2015–35



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2025.
2/ Revenues are defined inclusive of grants.

Table 1a. Niger: External Debt Sustainability Framework, Baseline Scenario, 2012–35

(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average	Standard Deviation 6/	Projections									
	2012	2013	2014			2015	2016	2017	2018	2019	2020	2015-2020 Average	2025	2035	2021-2035 Average
External debt (nominal) 1/	49.1	48.8	54.9			68.1	70.8	76.6	75.7	77.5	75.5		70.9	55.0	
of which: public and publicly guaranteed (PPG)	21.0	22.6	27.0			33.0	41.6	43.0	43.7	44.7	44.5		48.1	35.1	
Change in external debt	-0.7	-0.3	6.0			13.2	2.6	5.8	-0.9	1.8	-2.0		-1.0	-1.4	
Identified net debt-creating flows	-1.6	3.9	3.7			7.6	6.3	2.5	1.8	2.5	1.0		0.9	1.9	
Non-interest current account deficit	14.4	15.2	16.0	15.2	6.4	17.0	17.9	16.1	12.6	12.1	11.0		9.6	8.3	9.2
Deficit in balance of goods and services	17.3	16.8	19.1			20.3	20.5	18.0	14.9	14.5	11.1		9.6	8.7	
Exports	21.7	23.2	20.0			18.7	18.7	20.3	23.5	23.2	24.6		23.6	25.6	
Imports	39.0	40.0	39.1			39.0	39.1	38.4	38.4	37.7	35.8		33.2	34.3	
Net current transfers (negative = inflow)	-4.7	-3.9	-4.8	-4.8	1.3	-3.6	-2.8	-2.5	-2.9	-2.7	-2.5		-1.9	-1.7	-1.9
of which: official	-3.3	-2.1	-2.3			-2.1	-1.3	-1.0	-1.4	-1.2	-1.0		-0.4	-0.2	
Other current account flows (negative = net inflow)	1.7	2.3	1.7			0.3	0.3	0.6	0.6	0.3	2.4		2.0	1.3	
Net FDI (negative = inflow)	-12.0	-8.3	-9.3	-8.8	6.0	-7.4	-9.1	-9.9	-6.2	-5.6	-5.1		-6.1	-4.5	-5.4
Endogenous debt dynamics 2/	-4.0	-3.0	-3.0			-2.0	-2.5	-3.7	-4.6	-4.0	-5.0		-2.7	-1.9	
Contribution from nominal interest rate	0.2	0.2	0.2			0.7	0.7	0.8	0.8	0.7	0.7		0.8	0.6	
Contribution from real GDP growth	-5.4	-2.1	-3.1			-2.7	-3.2	-4.4	-5.4	-4.7	-5.7		-3.5	-2.6	
Contribution from price and exchange rate changes	1.2	-1.1	-0.1			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	0.9	-4.2	2.4			5.6	-3.7	3.3	-2.7	-0.7	-3.0		-1.8	-3.3	
of which: exceptional financing	-0.1	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	42.6			53.5	52.2	58.2	57.6	59.8	58.5		55.2	45.2	
In percent of exports	...	...	213.2			286.3	279.7	285.9	245.4	257.6	237.5		233.9	176.7	
PV of PPG external debt	...	...	14.7			18.3	23.0	24.5	25.6	27.0	27.6		32.4	25.2	
In percent of exports	...	...	73.7			98.1	123.1	120.6	109.0	116.2	111.9		137.3	98.7	
In percent of government revenues	...	...	81.7			98.3	123.4	127.7	127.3	131.7	129.7		149.6	118.1	
Debt service-to-exports ratio (in percent)	3.4	5.1	5.3			9.5	35.5	21.9	17.3	8.6	8.0		13.9	11.0	
PPG debt service-to-exports ratio (in percent)	0.4	2.4	2.3			6.4	27.4	5.3	4.4	4.1	3.9		7.2	9.8	
PPG debt service-to-revenue ratio (in percent)	0.5	3.2	2.6			6.4	27.4	5.6	5.2	4.7	4.5		7.9	11.7	
Total gross financing need (Billions of U.S. dollars)	0.2	0.6	0.6			0.8	1.2	0.9	1.0	0.9	0.9		1.1	2.1	
Non-interest current account deficit that stabilizes debt ratio	15.1	15.5	10.0			3.8	15.3	10.3	13.5	10.3	13.0		10.6	9.7	
Key macroeconomic assumptions															
Real GDP growth (in percent)	11.8	4.6	6.9	6.0	3.8	4.4	5.0	6.9	7.7	6.7	8.0	6.5	5.2	4.9	5.1
GDP deflator in US dollar terms (change in percent)	-2.3	2.2	0.1	4.7	6.5	-14.8	2.7	2.6	2.7	1.8	1.9	-0.5	2.0	2.2	2.0
Effective interest rate (percent) 5/	0.4	0.4	0.4	1.2	1.1	1.1	1.1	1.2	1.1	1.0	1.0	1.1	1.1	1.2	1.1
Growth of exports of G&S (US dollar terms, in percent)	13.4	14.3	-7.6	12.3	12.8	-16.9	7.8	19.5	27.7	7.4	17.0	10.4	6.6	7.8	7.5
Growth of imports of G&S (US dollar terms, in percent)	-10.8	9.6	4.7	15.1	17.5	-11.4	8.3	7.5	10.7	6.8	4.4	4.4	6.2	8.6	7.0
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	38.9	34.5	34.2	35.6	34.7	34.9	35.4	33.3	28.2	31.5
Government revenues (excluding grants, in percent of GDP)	15.2	17.0	18.0			18.7	18.6	19.2	20.1	20.5	21.3		21.7	21.4	21.6
Aid flows (in Billions of US dollars) 7/	0.6	0.9	0.7			0.8	0.7	0.7	0.7	0.7	0.6		0.7	1.3	
of which: Grants	0.4	0.6	0.4			0.4	0.4	0.4	0.4	0.4	0.4		0.4	0.7	
of which: Concessional loans	0.2	0.2	0.3			0.3	0.3	0.3	0.3	0.3	0.3		0.4	0.6	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			8.2	11.0	6.1	5.9	5.6	4.9		3.8	3.0	3.5
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			71.0	51.6	64.6	65.7	63.8	63.8		56.0	58.0	58.6
Memorandum items:															
Nominal GDP (Billions of US dollars)	7.0	7.5	8.0			7.1	7.7	8.4	9.3	10.1	11.2		16.0	32.0	
Nominal dollar GDP growth	9.3	6.9	7.0			-11.1	7.9	9.7	10.6	8.6	10.1	6.0	7.2	7.2	7.3
PV of PPG external debt (in Billions of US dollars)			1.1			1.3	1.8	2.1	2.4	2.7	3.0		5.1	7.9	
(PVt-PVt-1)/GDPt-1 (in percent)						2.6	6.6	3.6	3.5	3.6	3.3	3.9	2.9	0.9	1.9
Gross workers' remittances (Billions of US dollars)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	14.7			18.3	23.0	24.5	25.6	27.0	27.6		32.4	25.2	
PV of PPG external debt (in percent of exports + remittances)	...	...	73.7			98.1	123.1	120.6	109.0	116.2	111.9		137.3	98.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.3			6.4	27.4	5.3	4.4	4.1	3.9		7.2	9.8	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 1b. Niger: Public Sector Debt Sustainability Framework, Baseline Scenario, 2012–35

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2012	2013	2014	Average 5/	Standard Deviation 5/	2015	2016	2017	2018	2019	2020	2015-20 Average	2025	2035	2021-35 Average
Public sector debt 1/	26.1	27.1	35.8			43.1	52.1	53.5	52.8	51.9	50.2		52.8	37.7	
of which: foreign-currency denominated	21.0	22.6	27.0			33.0	41.6	43.0	43.7	44.7	44.5		48.1	35.1	
		4.6	8.8			10.2	10.6	10.6	0.0	0.0	0.0				
Change in public sector debt	-2.9	1.1	8.7			7.3	9.0	1.4	-0.7	-0.9	-1.7		0.3	-1.5	
Identified debt-creating flows	-3.3	0.9	8.8			8.0	4.2	0.6	-1.8	-1.9	-2.6		-1.1	-0.4	
Primary deficit	1.0	2.5	8.1	1.9	2.8	6.5	6.5	3.5	1.6	1.3	1.2	3.4	1.5	1.5	1.3
Revenue and grants	21.2	25.2	23.6			24.8	24.2	23.6	24.3	24.4	24.7		24.0	23.5	
of which: grants	6.1	8.2	5.6			6.1	5.6	4.4	4.2	3.9	3.4		2.3	2.2	
Primary (noninterest) expenditure	22.2	27.7	31.8			31.2	30.7	27.1	26.0	25.6	25.9		25.4	25.0	
Automatic debt dynamics	-4.3	-1.7	0.7			1.5	-2.2	-2.9	-3.5	-3.1	-3.8		-2.6	-1.9	
Contribution from interest rate/growth differential	-3.6	-1.3	-1.9			-1.1	-1.7	-3.1	-3.7	-2.8	-3.4		-2.1	-1.5	
of which: contribution from average real interest rate	-0.6	-0.2	-0.2			0.4	0.4	0.3	0.2	0.5	0.5		0.5	0.4	
of which: contribution from real GDP growth	-3.1	-1.1	-1.8			-1.5	-2.1	-3.3	-3.8	-3.3	-3.9		-2.6	-1.8	
Contribution from real exchange rate depreciation	-0.6	-0.4	2.6			2.6	-0.5	0.2	0.2	-0.3	-0.4		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	-0.1	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	-0.1	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	0.4	0.2	-0.2			-0.7	4.8	0.8	1.1	1.0	0.9		1.4	-1.1	
Other Sustainability Indicators															
PV of public sector debt	...	...	23.5			28.5	33.6	35.1	34.7	34.2	33.3		37.1	27.9	
of which: foreign-currency denominated	...	...	14.7			18.3	23.0	24.5	25.6	27.0	27.6		32.4	25.2	
of which: external	...	...	14.7			18.3	23.0	24.5	25.6	27.0	27.6		32.4	25.2	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	1.2	4.1	7.6			9.9	13.4	6.8	5.2	4.9	4.4		4.3	4.7	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	99.6			115.0	138.6	148.7	142.8	140.4	134.7		154.7	118.4	
PV of public sector debt-to-revenue ratio (in percent)	...	...	130.6			152.6	180.2	182.7	172.6	167.0	156.4		171.2	130.4	
of which: external 3/	...	...	81.7			98.3	123.4	127.7	127.3	131.7	129.7		149.6	118.1	
Debt service-to-revenue and grants ratio (in percent) 4/	0.7	6.0	-2.4			14.1	28.7	13.8	14.7	14.8	12.9		11.7	13.5	
Debt service-to-revenue ratio (in percent) 4/	1.0	9.0	-3.1			18.7	37.3	17.0	17.8	17.6	15.0		12.9	14.9	
Primary deficit that stabilizes the debt-to-GDP ratio	3.9	1.5	-0.6			-0.8	-2.5	2.1	2.4	2.1	2.9		1.2	3.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	11.8	4.6	6.9	6.0	3.8	4.4	5.0	6.9	7.7	6.7	8.0	6.5	5.2	4.9	5.1
Average nominal interest rate on forex debt (in percent)	0.0	0.0	0.0	1.4	1.4	1.7	1.7	1.6	1.6	1.4	1.4	1.6	1.5	1.9	1.6
Average real interest rate on domestic debt (in percent)	-3.6	2.8	3.5	-2.3	3.3	2.4	3.3	4.2	4.1	3.9	4.9	3.8	4.8	3.1	4.5
Real exchange rate depreciation (in percent, + indicates depreciation)	-3.3	-1.8	12.7	-0.6	8.6	10.1	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	5.7	-1.0	0.1	3.8	3.0	1.7	2.2	1.5	1.7	1.8	1.9	1.8	2.0	2.2	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	29.7	30.5	22.4	8.3	13.4	2.7	3.2	-5.7	3.2	5.4	9.0	3.0	6.1	8.1	4.9
Grant element of new external borrowing (in percent)	...	...	...	...	...	38.9	34.5	34.2	35.6	34.7	34.9	35.4	33.3	28.2	...

Sources: Country authorities; and staff estimates and projections.

1/ The debt data cover external and domestic debt of the central government, debt of public enterprises and parastatals, state guarantees and private external debts.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2a. Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2015–35
(In percent)

	Projections							
	2015	2016	2017	2018	2019	2020	**2025**	2035
PV of debt-to GDP ratio								
Baseline	18	23	25	26	27	28	**32**	25
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	18	21	23	24	25	26	**34**	36
A2. New public sector loans on less favorable terms in 2015-2035 2	18	26	29	30	33	34	**43**	40
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	18	24	26	27	28	29	**34**	27
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	18	24	29	29	30	31	**35**	25
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	18	24	27	28	29	30	**35**	27
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	18	27	32	33	34	34	**37**	26
B5. Combination of B1-B4 using one-half standard deviation shocks	18	25	32	32	34	34	**38**	27
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	18	33	34	36	37	38	**45**	35
PV of debt-to-exports ratio								
Baseline	98	123	121	109	116	112	**137**	99
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	98	112	111	101	107	105	**145**	140
A2. New public sector loans on less favorable terms in 2015-2035 2	98	142	142	130	141	138	**180**	155
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	98	124	120	107	114	110	**135**	97
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	98	140	183	162	170	162	**191**	129
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	98	124	120	107	114	110	**135**	97
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	98	145	159	140	146	138	**157**	101
B5. Combination of B1-B4 using one-half standard deviation shocks	98	136	170	149	157	149	**173**	115
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	98	124	120	107	114	110	**135**	97
PV of debt-to-revenue ratio								
Baseline	98	123	128	127	132	130	**150**	118
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	98	112	118	118	121	121	**158**	167
A2. New public sector loans on less favorable terms in 2015-2035 2	98	142	150	151	160	159	**196**	185
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	98	127	136	134	139	137	**158**	125
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	98	129	149	145	148	145	**160**	119
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	98	130	139	137	142	140	**161**	127
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	98	145	169	163	165	160	**171**	121
B5. Combination of B1-B4 using one-half standard deviation shocks	98	136	166	161	164	159	**174**	127
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	98	175	179	177	183	180	**208**	164

Table 2a. Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2015–35 (concluded)

(In percent)

	Projections							
	2015	2016	2017	2018	2019	2020	**2025**	2035
Debt service-to-exports ratio								
Baseline	6	27	5	4	4	4	**7**	10
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	6	27	5	4	4	4	**6**	9
A2. New public sector loans on less favorable terms in 2015-2035 2	6	27	6	6	5	5	**11**	14
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	6	27	5	4	4	4	**7**	10
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	6	30	7	6	6	6	**11**	13
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	6	27	5	4	4	4	**7**	10
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	6	27	6	5	5	5	**10**	11
B5. Combination of B1-B4 using one-half standard deviation shocks	6	28	6	6	5	5	**10**	12
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	6	27	5	4	4	4	**7**	10
Debt service-to-revenue ratio								
Baseline	6	27	6	5	5	4	**8**	12
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	6	27	5	5	4	4	**7**	11
A2. New public sector loans on less favorable terms in 2015-2035 2	6	27	7	6	6	6	**12**	17
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	6	28	6	6	5	5	**8**	13
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	6	27	6	6	5	5	**9**	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	6	29	6	6	5	5	**9**	13
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	6	27	6	6	6	5	**10**	13
B5. Combination of B1-B4 using one-half standard deviation shocks	6	28	6	6	6	5	**10**	13
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	6	39	8	7	7	6	**11**	16
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	30	30	30	30	30	30	**30**	30

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2b. Niger: Sensitivity Analysis for Key Indicators of Public Debt 2015–35

(In percent)

	Projections							
	2015	2016	2017	2018	2019	2020	2025	2035
PV of Debt-to-GDP Ratio								
Baseline	28	34	35	35	34	33	37	28
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	28	30	31	31	32	32	36	30
A2. Primary balance is unchanged from 2015	28	34	37	40	43	45	63	77
A3. Permanently lower GDP growth 1/	28	34	36	36	36	36	46	55
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-20	28	35	39	40	40	40	48	45
B2. Primary balance is at historical average minus one standard deviations in 2016-201	28	32	35	34	34	33	37	28
B3. Combination of B1-B2 using one half standard deviation shocks	28	32	34	34	34	34	40	35
B4. One-time 30 percent real depreciation in 2016	28	39	39	38	37	36	38	29
B5. 10 percent of GDP increase in other debt-creating flows in 2016	28	40	42	41	40	39	42	31
PV of Debt-to-Revenue Ratio 2/								
Baseline	115	139	149	143	140	135	155	118
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	115	125	131	129	130	129	151	128
A2. Primary balance is unchanged from 2015	115	139	157	164	175	182	262	327
A3. Permanently lower GDP growth 1/	115	140	152	148	148	146	191	229
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-20	115	143	163	161	162	160	201	191
B2. Primary balance is at historical average minus one standard deviations in 2016-201	115	134	147	142	139	134	154	118
B3. Combination of B1-B2 using one half standard deviation shocks	115	130	143	140	140	136	168	148
B4. One-time 30 percent real depreciation in 2016	115	159	166	157	152	145	158	122
B5. 10 percent of GDP increase in other debt-creating flows in 2016	115	167	177	168	165	158	175	130
Debt Service-to-Revenue Ratio 2/								
Baseline	14	29	14	15	15	13	12	14
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	14	28	13	14	15	13	11	13
A2. Primary balance is unchanged from 2015	14	29	14	15	15	14	14	25
A3. Permanently lower GDP growth 1/	14	29	14	15	15	13	13	19
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-20	14	29	15	16	16	14	13	18
B2. Primary balance is at historical average minus one standard deviations in 2016-201	14	29	14	15	15	13	11	13
B3. Combination of B1-B2 using one half standard deviation shocks	14	29	14	15	15	13	12	15
B4. One-time 30 percent real depreciation in 2016	14	33	16	17	17	15	15	20
B5. 10 percent of GDP increase in other debt-creating flows in 2016	14	29	15	16	15	13	14	15

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

Statement by Mr. Ngueto Tiraina Yambaye, Executive Director for Niger and Mr. Ousmane Mamadou, Advisor to Executive Director for Niger November 30, 2015

On behalf of my Nigerien authorities, I would like to express my appreciation to the Executive Board and Management for their continuous support to Niger's policy efforts. I also wish to thank staff for the constructive dialogue with my authorities held in Niamey during the sixth and seventh reviews under the ECF arrangement. In particular, my authorities share staff's analysis on the near-term policies and the strategy designed to enhance fiscal sustainability. Despite the challenging regional security situation heightened by impacts of several other shocks, including adverse commodities price developments, and poor agricultural production, the Nigerien economy has continued to register strong economic growth, averaging 5.3 percent between 2013 and 2015, in the context of subdued inflation. The medium-term economic prospects appear encouraging, with a projected annual GDP growth rate of 6.9 percent over 2016-20.

However, in the wake of attacks by terrorists, the authorities had to increase spending to strengthen the security situation inside the country and along its borders. Together with resources needed to assist an influx of refugees, this placed severe strains on the budget and adversely affected the implementation of the ECF program. As a result net domestic financing and net reduction in arrears, at end-December 2014, and the criterion for end-June 2015 of net domestic financing were not met. Corrective actions have since been taken to enhance fiscal sustainability, and based on the good macroeconomic performance as well as the authorities' commitment to pursue steadfastly their reform agenda, my authorities are requesting waivers for the nonobservance of the performance criteria. They are also requesting an extension of the arrangement under the ECF, up to December 31, 2016 with an augmentation of access of 62.5 percent of quota, to meet larger BOP needs from the security and humanitarian situation.

Recent Developments, Outlook, Risks and Program performance

The Nigerien economy expanded in 2014, reaching a growth rate of 6.9 percent. For 2015, growth is projected at 4.4 percent, mainly due to lower agricultural output. Notwithstanding the shocks, inflation was kept under control. It was negative 0.9 percent in 2014 and is projected to increase to about 2.3 percent in 2015, mainly due to higher food prices. However, it should be noted that the government's successful food programs, helped contain the food demand pressures, as well as the distorting effects on prices due to trade disruption on the southern border with Nigeria.

Fiscal developments in 2014 resulted in a deterioration of the basic balance deficit, which stood at 6.6 percent of GDP against 2.1 percent in 2013. This deterioration reflects spending pressures imputable largely to security-related issues, on one hand, and shortfalls in external financings compounded by under-performance in revenue collection, on the other. However, taking into account the adverse effects of such policies on the economy, my authorities have taken several corrective measures on both the revenues and expenditure sides. Among them, are the strengthening of fiscal control and exemption management and the recovery of tax arrears. The authorities also exercised a rigorous application of budgetary procedures and measures to better prioritize or postpone some expenditure, including on infrastructure projects. Significant arrears clearance was also made in the first half of 2015, and the authorities expect an improvement in the basic balance compared to 2014.

Developments on the monetary front in 2014 and 2015 reflect broadly the aforementioned rebounding of the economy. Credit to the economy rose by 10.4 percent in 2014 and 13.4 percent at end June 2015. This positive development reflects the buoyant activities in manufacturing, trade, transportation and telecommunications sectors.

The external current account in 2014 and 2015 highlights Niger's vulnerability to external shocks. With the combined effects of declining prices of petroleum and mineral products and strong US dollar, imports related to infrastructure projects went up leading to a deterioration of 0.9 percent and 1.5 percent of GDP, respectively in 2014 and 2015.

OUTLOOK AND RISKS

My Nigerien authorities agree with staff on their medium-term prospects, as well as their economic growth projections. While the country faces a number of risks, the outlook remains encouraging due to the positive outlook for the natural resources sector, the irrigated agricultural production through the 3 N initiative and the authorities' resolve to pursue steadfastly the implementation of their public investment infrastructure projects, which are consistent with the priorities set out in the PRSP and in their *Plan de Development Economique et Social (PDES).*

My authorities are fully aware of the significant challenges facing the country, notably with regard to the risks associated with the regional security situation, the decline in oil and uranium prices and that pertaining to weather conditions. As regards the security situation, my Nigerien authorities believe that progress in this matter requires not only internal efforts from each member country facing these challenges in the region, but also a coordinated and timely support from the international community. With regard to the recurrent vulnerability of Niger to climate shocks, my authorities consider that the best alternative to overcome the issue of food insecurity is to increase investment in agriculture and human capital, as pointed out in the PDES. Regarding the risks stemming from further decline in oil prices, my authorities have only taken steps within their reach, which consisted of adopting transitional measures to avoid further deterioration of the financial position of the sector.

Program implementation

As noted in the report, program implementation has been constrained mostly by the negative impact of insecurity on the revenue collection and shortfalls in external financing. However, progress was reported in the implementation of reforms in the areas of debt management and Public Finance Management, as highlighted in paragraph 14 of the report. In particular, actions toward the improvement of budget execution, debt management, exceptional spending limitation and the opening of Treasury Single Account are being implemented.

A - Fiscal Policy

The fiscal framework for 2015 has been adjusted to accommodate additional spending intended to cover mainly the impact of recent development in the security and security-related front along with the remaining 2015 arrears balance, scheduled to be cleared before the end of the year. To that end, the basic balance has been relaxed by 1.8 percent of GDP compared to the original program. For 2016, the authorities' projection, which targets a basic fiscal deficit of 3.7 percent of GDP from 5.5 percent in 2015, gives a clear indication of their determination to address fiscal imbalances and preserve debt sustainability. In this regard, steps will be taken to raise fiscal revenue from 17.2% in 2015 to 17.6% of GDP in 2016. To that end, my authorities will implement all the envisaged revenue measures outlined in Box 1, notably, the revision of customs code, the migration to a new automatic custom system, ASYCUDA, the reinforcement of tax audits and tax registration at the General Tax Administration, the establishment of a single interconnection server linking up offices, and a better control of exemptions and a limitation of loopholes of tax exoneration at the custom administration. On the expenditure side, the targeted efforts aim to reduce the domestically financed spending by 1.7 percent of GDP. Cost savings will come from capital spending and current expenditure. My authorities are exploring various ways to achieve this goal, including the phasing out of some projects, the postponing of some others, a better prioritization to retain critical investments and the implementation of measures to contain wage bill.

B - Management of Natural Resources

Although recent developments have made the management of natural resources much more challenging, the authorities are continuing with the efforts to expand the export base of mining products. Mining operators are being encouraged to focus more on exploration of mineral resources other than oil and uranium. Moreover, all operators will need to arrange for an upfront security deposit with a local bank, in order to ensure for signing bonus payments when mining permits are granted. In the uranium sector, a new formula for the calculation of prices has been adopted, and there is agreement for more participation of Nigeriens in the mining enterprises. As regards the oil sector, the drop in oil prices and the decline in the value of the CFA Franc have put pressure on the sector and led to losses at the oil state company. The authorities working closely with their partners have adjusted the prices through a reduction in the crude oil sale prices. Other proposals are being considered with the view of reducing the Refinery operating costs. Despite the current difficult situation, which is expected to be temporary, my authorities are moving ahead with the implementation of measures aimed at making Niger a crude oil exporter by 2017. Prior actions, including negotiations with neighboring countries and the financing arrangements for the construction of the pipeline are being implemented.

With regard to the need to ensure full transparency in mining and oil operations, my authorities have given a high priority to the supervision and accounting dimension of the activities in the natural resources sector. In this regard, they welcome staff's recommendation on the need to strengthen the supervisory role of the public holding company, SOPAMIN; as this suggestion is consistent with the authorities' strategic vision. To that end, some regulatory steps have been already taken.

C - Debt Management

My Nigerien authorities remain cognizant of the impact of their investment decisions on debt dynamics. In this regard, they highly appreciate the valuable and steady advice given by the Fund staff on the need to adopt a more cautious approach, which helps preserve their credibility, while maintaining a good relationship with creditors. In this regard, they have cancelled a planned issuance of Sukuk's bonds and another non concessional loan. The emphasis put on the strengthening of fiscal framework as well as the efforts underway to clear the arrears are driven by the need to avoid any actions which could lead to debt distress. In line with the progress reported by staff, my authorities are taking steps to draft a medium-term borrowing plan before June 2016.

Business and Financial sector reforms

Taking good note of the progress reported in the Doing Business Index, my authorities are determined to remove the remaining obstacles, which constrain the development of private sector. The set of reform measures envisaged by the authorities and reported in paragraph 31 of the document, gives an indication of the authorities' desire to see the private sector playing a greater role in Niger. The financial system lags behind its peers in the region as well as in Sub-Saharan Africa. The authorities are aware of the critical importance of the financial sector in promoting inclusive growth and they are working toward the implementation of the reforms aiming at improving depth and financial access (in paragraph 35).

Conclusion

Niger's medium and long term outlook have improved significantly in light with the expected returns from the development of the natural resource sector. Important achievements have been made over the recent years in terms of macroeconomic stability, poverty reduction and other social indicators. However, considerable challenges still lay ahead, in particular, the need to achieve sustained growth, reduce poverty and achieve development objectives. My authorities are taking steps to address these challenges, in particular, by paying close attention to the implementation of structural reforms in the areas of public finance management and natural resources management.

Based on the strong commitment shown and the corrective actions taken by the authorities, I would request Directors' support for the requested waivers and the proposed decisions.