FOR AGENDA

EBS/84/221

CONFIDENTIAL

October 29, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Niger - Request for Stand-By Arrangement

Attached for consideration by the Executive Directors is a paper on a request from Niger for a stand-by arrangement equivalent to SDR 16 million. A draft decision appears on page 32.

This subject will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Nsouli (ext. 76542) or Mr. Tahari (ext. 73768).

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

NIGER

Request for Stand-By Arrangement

Prepared by the African Department and the
Exchange and Trade Relations Department

(In consultation with the Fiscal Affairs, Legal,
and Treasurer's Departments)

Approved by J. B. Zulu and E. Brau

October 26, 1984

I. Introduction

In the attached letter dated August 21, 1984, the Government of Niger requests a one-year stand-by arrangement in an amount equivalent to SDR 16 million (47.5 percent of quota), in support of an adjustment program for the fiscal year 1984/85 (October-September). 1/ Of this amount, SDR 8 million would be from the Fund's ordinary resources and SDR 8 million from borrowed resources. If approved by the Executive Board, the proposed stand-by arrangement would enter into effect on December 5, 1984, upon the expiration of the current arrangement.

Niger's use of Fund credit, amounted to SDR 33.6 million 2/ (99.71 percent of quota) at end-September 1984. Under the special facilities Niger made two purchases under the compensatory financing facility amounting to 71.22 percent of quota. Excluding these amounts, total Fund

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1/ Discussions that provided the basis for the proposed stand-by arrangement were held in Niamey during the period August 3-21, 1984. The representatives of Niger included Mr. Boukary Adji, Minister of Finance; Dr. Mahamane Annou, Minister of Planning; Mr. Mamadou Diop, National Director of the BCEAO and other ministers and officials responsible for economic and financial affairs. The mission also held discussions with the President, General Seyni Kountché, and the Prime Minister, Mr. Hamid Algabid. Mr. Alfidja, Executive Director, participated in the discussions. Staff members participating in the mission were Mr. S. M. Nsouli (head-AFR), Mr. A. Tahari (AFR), Ms. C. Hoban (AFR), Mr. P. Mortimer-Lee (AFR), and Ms. R. Casaromani (secretary-AFR). Mr. M. Oubouzar, of the World Bank, visited Niamey at the same time and worked closely with the mission on the investment program for 1984/85.
2/ CFAF 450.5 = SDR 1 (August 31, 1984).

credit outstanding amounted to 28.49 percent of quota (Table 1). 1/ Under the current stand-by arrangement (for SDR 18 million or 53.4 percent of quota), Niger has purchased, to date, SDR 9.6 million. The remaining amount would be available in two purchases subject to fullfillment of performance criteria for June and September 1984, respectively. 2/ If all the purchases under the current and the proposed stand-by arrangement are made, Niger's use of Fund credit would rise to 172.11 percent of quota. If purchases under the CFF are excluded, it would amount to 100.89 per cent of quota.

II. Background

In the second half of the 1970s, Niger's economic and financial situation benefitted from buoyant world demand for its main export commodity, uranium. With rising export proceeds and correspondingly increasing government revenues, the Government expanded considerably both its current and capital expenditures. The Government also borrowed heavily to finance its expanding investment program. In the early 1980s, however, a number of factors contributed to a deterioration in Niger's economic and financial conditions. These included a weakening in world demand for uranium, a deterioration in Niger's external terms of trade, unfavorable weather conditions, and a drop in foreign aid inflows. The impact of these factors was exacerbated by an emergence of serious financial problems in the public enterprise sector, stemming in large part from inadequate pricing policies and management problems.

The deterioration in economic conditions was reflected in an annual average drop in real GDP of 1.2 percent during 1981-83, compared with an average annual growth rate of 8 percent in 1978-80 (Table 2). Notwithstanding the decline in economic activity, financial policies continued to contribute to an expansion in aggregate demand. During 1980/81, Government expenditures grew sharply while revenue declined, in large part due to the drop in receipts from the mining sector. Accordingly, the budgetary deficit (on a commitment basis) as a ratio of GDP rose to 11 percent in 1980/81 from 6 percent in the previous year. In 1981/82, mainly through cutbacks in budgetary investment, the Government reduced the deficit to 7.1 percent of GDP. Nonetheless, during 1980-82, the annual rate of credit expansion averaged 30 percent of the beginning

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1/ Summaries of Niger's relations with the Fund and the World Bank group are provided in Appendices I and II.

2/ Actual data for end-June 1984 have been recently communicated to the staff and showed that the performance criteria have been observed. The authorities are expected to draw the amount available (SDR 5.6 million) shortly.

Table 1. Niger: Fund Position During Period of Arrangement, 1984-85

	Outstanding at beginning of arrangement	1984	1985			
		Upon Board Approval	Feb. 15–May 14	May 15–Aug. 14	Aug. 15–Nov. 14	Nov. 15–Dec. 5
	(In millions of SDRs)					
Transactions under tranche policies (net)	--	3.20	3.20	3.20	3.20	3.20
Purchases	--	1.60	1.60	1.60	1.60	1.60
Ordinary resources	--	1.60	1.60	1.60	1.60	1.60
Enlarged access resources	--	--	--	--	--	--
Repurchases	--	--	--	--	--	--
Ordinary resources	--	--	--	--	--	--
Enlarged access resources	--	--	--	--	--	--
Transactions under special facilities (net)						
Purchases	--	--	--	--	--	--
Repurchases	--	--	--	--	--	--
Total Fund credit outstanding (end of period)	42.00	45.20	48.40	51.60	54.80	58.00
Under tranche policies	18.00 2/	21.20	24.40	27.60	30.80	34.00
Special facilities 1/	24.00	24.00	24.00	24.00	24.00	24.00
	(In percent of quota)					
Total Fund credit outstanding (end of period)	124.63	134.12	143.62	153.12	162.61	172.11
Under tranche policies	53.41	62.90	72.40	81.90	91.39	100.89
Special facilities 1/	71.22	71.22	71.22	71.22	71.22	71.22

Source: International Monetary Fund.

1/ Compensatory financing facility.
2/ Including drawing of the remaining amount available under the present stand-by arrangement.

Table 2. Niger: Selected Economic and Financial Indicators, 1982-85

	1982	1983		1984		1985
		Program	Prel. Actuals	Program	Est.	Program
	(Annual percentage changes, unless otherwise specified)					
National income and prices						
GDP at constant prices	-1.8	-1.5	-2.8	0.4	-3.8	3.1
GDP deflator	10.9	7.0	8.0	5.0	7.0	6.5
Consumer Prices	10.4	7.0	-2.5	4.0	10.6	7.0
External sector (on the basis of SDRs)						
Exports, f.o.b.	-17.2	-5.6	3.8	-9.7	-12.4	5.1
Imports, c.i.f.	-19.1	-23.0	-18.0	-13.5	-12.1	0.9
Export volume	-20.2	-3.9	-5.2	0.5	-0.3	0.3
Import volume	-23.0	-22.4	-16.1	-8.9	-14.8	-2.1
Terms of trade (deterioration -)	-1.2	-1.0	12.1	-5.4	-14.8	0.8
Nominal effective exchange rate 1/ (depreciation -)	-2.9	-5.0	-3.2	...	-3.3	...
Real effective exchange rate 1/ (depreciation -)	-1.5	-3.4	-13.4	...	-0.2	...
Government budget (on the basis of fiscal years ending September 30)						
Revenue (excluding grants)	-1.8	-2.6	-6.8	3.2	-3.5	6.6
Expenditure	-14.6	-6.3	-1.2	-14.3	-15.9	2.0
Money and credit (end of period)						
Domestic credit 2/	29.5	12.8	-1.7	11.5	10.6	11.0
Government 2/	20.6	6.9	2.1	2.9	10.8	4.4
Private sector 2/	8.9	5.9	-3.8	8.6	-0.2	6.6
Money and quasi-money (M2)	-11.7	1.3	-1.0	5.0	10.1	7.4
Velocity (GDP relative to M2)	7.8	8.2	8.2	8.4	7.7	7.8
Interest rate (annual rate, one year savings deposit)	10.0	9.0	9.0	9.0	9.0	9.0
	(In percent of GDP)					
Central Government budget deficit (on the basis of fiscal years ending September 30) 3/						
On a commitment basis	-7.1	-6.2	-7.3	-4.2	-4.7	-4.0
On a cash basis	-4.0	-6.5	-7.3	-6.0	-6.9	-4.3
Domestic bank financing	1.3	1.4	0.7	1.4	1.9	0.7
Foreign financing (net)	3.2	4.7	6.3	4.4	4.8	3.8
External current account deficit						
Including grants	-9.0	-5.3	-4.0	-3.3	-3.9	-2.8
Excluding grants	-16.4	-11.0	-10.8	-9.4	-10.5	-9.0
External debt 4/	44.7	...	49.7	51.8	53.0	51.6
Debt service ratio 4/ 5/						
Without debt relief	52.8	31.8	34.1	36.0	39.6	35.9
With debt relief	52.8	...	31.9	27.3	30.0	37.9
Interest payments 4/ 5/						
Without debt relief	17.2	13.3	13.2	13.5	14.5	12.5
With debt relief	17.2	...	12.5	10.9	12.0	13.6
	(In millions of SDRs)					
Overall balance of payments	-117.7	-28.1	3.2	-32.3	-38.8	-39.2
External payments arrears	--	--	3.6	--	3.6	--

1/ Import-weighted.
2/ Expressed in percent of beginning-of-period money stock.
3/ On a commitment basis.
4/ Takes into account both the outstanding disbursed public debt and preliminary estimates of the nonguaranteed private debt.
5/ Expressed as a ratio of exports of goods, services, and private transfers. Debt relief for 1983/84 was obtained only on the public debt.

stock of broad money, due to large increases in credit to both the Government and the private sectors. The rising demand pressures were reflected in a rise in 1981-82 in noninvestment imports that was only marginally offset by a contraction in investment imports. The decline in overall imports during this period was more than offset by the drop in export receipts, with the result that the external current account deficit (including official grants) averaged about 10 percent of GDP over the period 1980-82. The large imbalances in the public sector and the external current account were in part financed by heavy recourse to foreign borrowing. By end-1983, Niger's external public debt service payments had risen markedly in relation to both exports (19 percent) and budgetary revenues (43 percent). Moreover, the Government had accumulated substantial arrears vis-à-vis domestic banks and enterprises.

III. Performance Under the 1983/84 Program

To reduce the domestic financial imbalances and re-establish over the medium term a viable balance of payments position, Niger adopted an adjustment program for the fiscal year 1983/84 (October-September) supported by a stand-by arrangement for a period of 14 months. 1/ The program involved cutbacks in public expenditure, an increase in the tax effort, a reduction in domestic government arrears, measures designed to improve the financial performance of public enterprises, a substantial deceleration in domestic credit expansion, and restraints on foreign borrowing. During 1983/84, the measures envisaged under the adjustment program were effectively implemented and, so far, all the performance criteria have been observed (Table 3). Accordingly, even though the emergence of drought conditions and the closure of the Nigerian border since April 1984 had an adverse impact on the economic and financial situation, progress was made toward reducing domestic and external financial desequilibria and alleviating structural imbalances. While economic activity is estimated to have declined in 1984, the reduction in the budgetary deficit and the deceleration in domestic credit expansion are estimated to have contributed to a reduction in the rate of inflation, as measured by the GDP deflator, and a marginal improvement in the external current account balance as a ratio of GDP.

The adverse weather conditions are estimated to result in 1984 in a further drop in real GDP, of 3.8 percent instead of the programmed increase of 0.4 percent. Agricultural output, which represents 27 percent of GDP, was adversely affected by the drought conditions; production of cowpeas and rice fell by 7 percent and 15 percent, respectively, while that of millet and sorghum increased marginally by 2 percent. The drought

1/ The stand-by arrangement was approved by the Executive Board on October 4, 1983 (EBS/83/195).

Table 3. Niger: Quantitative Performance Criteria Under the 1983/84 Program, 1/

	1983		1984					
	December		March		June		Sept.	
	Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Est.
	(In billions of CFA francs)							
Net domestic credit	134.1	129.0 2/	138.6	125.3 2/	139.5	118.7 2/	140.6	132.3 2/
Net credit to Government								
Original ceilings	20.7	18.1	23.0	19.5	22.0 3/		22.1 3/	
Effective ceilings					23.3 3/	17.1	25.4 3/	24.6
Domestic arrears								
Original ceilings	19.2		16.7		14.1		11.5	
Adjusted ceilings 4/	21.9	21.7	19.4	19.2	16.8	15.5	14.2	10.9
Short-term net foreign liabilities of deposit money banks	...	24.6	23.0	21.1	23.0	20.9	23.0	23.0
	(In millions of U.S. dollars)							
New nonconcessional borrowing contracted or guaranteed by the Government with maturity of 0-12 years	--	--	9.7	9.7	9.7	9.7	9.7	9.7

Sources: Data provided by the Nigerien authorities.

1/ The program period covers the fiscal year ending September 1984.
2/ Includes reclassification at end-1983 of doubtful or litigious loans of CFAF 3.7 billion.
3/ The ceilings for net credit to Government were allowed to be adjusted upward by any reduction in arrears below the programmed levels.
4/ Adjusted on the basis of actualization of outstanding arrears at end-July 1983, which amounted to CFAF 24,985 million, instead of the original estimates of CFAF 22,231 million, on the basis of which the original program ceilings were established (see EBS/84/199).

also resulted in a decline in the value added of livestock by 10 percent. In the mining sector, output remained stagnant owing to the continued slack in world demand for uranium. Concurrently, with the drastic cut in public investment, construction and public works activities dropped sharply. However, the rate of inflation, as measured by the GDP deflator, is estimated to decline from 8 percent in 1983 to 7 percent in 1984. This exceeds the 5 percent rate targeted under the program, due, primarily, to the poor agricultural harvest and the impact of the depreciation of the CFA franc. The consumer price index for low-income households in Niamey, which averaged an annual rate of increase of about 4 percent over 1982-83, is estimated to increase by 10.6 percent in 1984, reflecting the large weight (59 percent) of basic consumer goods, the prices of which are heavily influenced by harvest outturns.

In the fiscal field, the budgetary deficit (on a commitment basis) is estimated to have been sharply reduced from 7.3 percent of GDP in 1982/83 to 4.7 percent percent in 1983/84, reflecting mainly a significant cutback in investment expenditure (Table 4). However, this outcome is expected to exceed somewhat the program target of 4.2 percent of GDP, due to a shortfall in revenue that was only partly compensated by a lower-than programmed level of investment expenditure. On the revenue side, although the authorities implemented several tax reform measures and improved tax administration, total revenue declined by 3.5 percent, representing a shortfall of 6.5 percent from the program projection. The measures implemented, which were in line with the recommendations of a Fund tax report, included increases in taxes on income and profits, the taxable base and rates of import duties, indirect taxes on petroleum products and telecommunications services, taxes on property income and registration fees. These measures are estimated to have yielded about 0.6 percent of GDP in additional receipts. However, the closure of the Nigerian border is estimated to have resulted in a shortfall in customs receipts of about 0.4 percent of GDP. In addition, the decline in economic activity is estimated to have resulted in a shortfall in receipts from income, profits, and turnover taxes of about 0.3 percent of GDP. On the expenditure side, the estimated cutback of 16 percent in 1983/84 is higher than programmed. This reflected a scaling down of public investment by 46 percent and the containment of the growth of current expenditures to 8 percent. The latter was achieved through economies effected in administrative expenditures, a wage freeze, and a strengthening of expenditure controls.

As envisaged under the program, government investment was cut severely in 1983/84 in line with the availability of foreign concessional financing and the absorptive capacity of the economy. The Government had targeted a reduction in its investment expenditure, financed by external loans and including the domestic counterpart, from CFAF 59 billion in 1982/83 to CFAF 37 billion in 1983/84. Including grants, total investment was to be limited to CFAF 70 billion. In addition, the structure of investment was reoriented in order to reduce the imbalance

Table 4. Niger: Central Government's Operations, 1981/82-1984/85

(In billions of CFA francs)

	1981/82	1982/83 Program	1982/83 Actual	1983/84 Program	1983/84 Est.	1984/85 Program
Revenue	73.8	71.9	68.8	71.0	66.4	70.8
Tax revenue	65.9	63.3	62.6	64.4	59.4	62.4
Custom duties	(25.4)	(26.6)	(26.5)	(27.0)	(24.0)	(25.3)
Others	(40.5)	(36.7)	(36.1)	(37.4)	(35.4)	(37.1)
Nontax revenue 1/	7.9	8.6	6.2	6.6	7.0	8.4
Expenditure 6/	118.8	111.3	117.4	100.6	98.7	100.7
Current budget	57.3	62.1	55.4	62.4	63.4	69.7
Public debt 2/	(7.1)	(9.4)	(9.2)	(13.6)	(13.5)	(15.7)
Personnel	(20.3)	(22.6)	(22.2)	(25.3)	(25.1)	(26.3)
Other current	(29.9)	(30.1)	(24.0)	(23.5)	(24.8)	(27.7)
Development	37.9	47.2	58.7	36.8	31.7	31.0
Budget	(11.7)	(6.4)	(9.5)	(6.4)	(5.0)	(6.0)
Extrabudgetary	(26.2)	(40.8)	(49.2)	(30.4)	(26.7)	(25.0)
Other expenditure and net lending	23.6	2.0	3.3	1.4	3.6	--
Deficit (commitment basis)	-45.0	-39.4	-48.6	-29.6	-32.3	-29.9
Change in arrears (decrease -)	14.4	-1.9	-1.7	-10.5	-13.6	-2.1
Of which: to the banks	(...)	(...)	(-1.4) 3/	(-1.0) 3/	(-2.0) 3/	(--)
Change in check float	--	--	1.9 4/	-1.9 4/	-1.9 4/	--
Overall cash deficit	-30.6	-41.3	-48.4	-42.0	-47.8	-32.0
Financing 6/	30.6	41.3	48.4	42.0	47.8	32.0
External	20.2	31.9	42.3	30.9	33.4	14.4
Debt relief	(--)	(--)	(--)	(15.0)	(13.0)	(...)
Gross drawings	(26.2)	(41.3)	(49.9)	(30.4)	(34.3)	(30.0)
Repayment	(-6.0)	(-9.4)	(-7.6)	(-14.5)	(-13.9)	(-15.6)
Domestic (net)	10.4	9.4	6.1	11.1	14.4	3.8
Monetary authorities	(5.9)	(9.7)	(1.7) 3/	(10.1) 3/	(13.2) 3/	(5.4)
Banks	(5.5)	(--)	(2.7) 3/	(--)	(--)	(--)
Others	(-1.0)	(-0.3)	(1.7)	(1.0)	(1.2)	(-1.6)
Exceptional financing 5/	--	--	--	--	--	13.8

Sources: Data provided by the Nigerien authorities; and staff estimates.

1/ Includes receipts earmarked for annexed budgets.
2/ Scheduled interest payments.
3/ Net bank financing differs from the monetary data, because the Government's reduction of arrears owed to commercial banks is shown separately for monitoring purposes, rather than as a normal reduction of net credit to Government.
4/ The float item arose from the Government's regulation of certain expenditures in the third quarter of 1983.
5/ Prospective debt relief.
6/ Does not include grant-financed outlays, mainly for investment projects, estimated at around CFAF 40 billion.

in the allocation of resources between the directly productive sectors and the social and economic infrastructural sectors. Nearly 36 percent of Government investment financed by concessional loans and domestic resources was to be in the productive sectors, and the remainder in social and economic infrastructure. Based on nine months of actual data on expenditure and estimated disbursements for the last three months, Government investment expenditure is estimated to reach CFAF 31.7 billion, of which CFAF 5 billion represents the domestic counterpart and CFAF 26.7 billion disbursements on external loans. Investment financed by grants is estimated at about CFAF 25 billion. The high implementation ratio achieved in 1983/84 reflected the adoption of a more realistic investment target, in line with the administrative capabilities and absorptive capacity of the country. It is estimated that the share of investment in the productive sectors was higher than envisaged, close to 46 percent, reflecting the high priority given by the Government to these sectors.

During the fiscal year 1983/84, the Government is estimated to have reduced its domestic arrears to local enterprises and domestic banks by CFAF 13.6 billion, compared with a program target of CFAF 10.5 billion. The authorities also rescheduled the remaining arrears to domestic commercial banks 1/ with the result that total outstanding arrears at end-September 1984 are estimated to be reduced to CFAF 2.1 billion, even though the actual level of arrears outstanding at end-July 1983 turned out to be higher than had been originally estimated. The program had included quarterly performance criteria on the reduction of domestic arrears, expressed in terms of the stock of outstanding arrears at each of the test dates, based on an estimate of arrears at end-July 1983. A comprehensive survey of domestic arrears undertaken by the authorities and completed in May 1984 showed that outstanding arrears (including interest on arrears) amounted to CFAF 24,985 million at end-July 1983 instead of the original estimate of CFAF 22,231 million. In view of this difference the performance criterion regarding the ceilings on the level of domestic arrears was modified accordingly (EBS/84/199). Nonetheless, the flow reduction in arrears was higher than stipulated for each quarter under the program. Taking into account the reduction in arrears for the fiscal year 1983/84, the overall budgetary deficit (on a cash basis) is estimated to be reduced to 6.9 percent of GDP. About 70 percent of this deficit is estimated to be financed by concessional external loans and debt relief, and 28 percent by net borrowing from the domestic banking system.

1/ The remaining domestic arrears to commercial banks amounted to CFAF 8.8 billion to be paid over 4 years under the rescheduling agreement.

The considerable reduction of arrears to public enterprises, together with a number of specific measures taken in 1984, are reported to have improved the financial position of these enterprises. 1/ As envisaged in the program, several measures were taken to strengthen the position of seven major enterprises. The grain marketing office (OPVN) reduced its stocks, buying centers, sales outlets, staff size, and transportation outlays. The import monopoly of the marketing agency for basic consumer goods (COPRO-NIGER) in respect of certain products was abolished, all pilot stores were closed, the size of the staff was reduced, the markup policy was modified, and the security stocks were sharply reduced. The national power and water distribution company (NIGELEC) restructured its electricity tariffs. The coal-fired power plant (SONICHAR) also benefitted from a substantial tariff increase and the debt relief provided by rescheduling by the Paris Club and private creditors. The agency for underground water supply (OFEDES) benefitted from a cut in personnel, the transfer of the costs of operating and maintaining wells and pumps to village level beneficiaries, and an increase in certain user rates introduced in 1983. For the rehabiliation of the development bank (BDRN), the authorities requested assistance from the World Bank, and two experts on financial institutions have begun work on a rehabilitation program. Furthermore, a detailed audit of BDRN was initiated and is expected to be completed by October 1984. With regard to the agricultural credit agency (CNCA), studies on its role in providing agricultural credit have been completed with foreign technical assistance.

Credit policy was tightened significantly in 1983. Based on revised actual data, excluding the reclassification of doubtful or litigious loans at end-1983, 2/ total domestic credit declined by 1.7 percent of the beginning stock of broad money. Credit to the private sector dropped by 3.8 percent, reflecting depressed economic activity, and the growth in net credit to the Government was contained to 2.1 percent (Table 5). As the improvement in net foreign assets was virtually offset by the contractionary impact of other net monetary items, domestic liquidity declined by 1 percent. The overall growth in credit for 1984 is estimated at 10.6 percent, compared with a projected rate of 11.5 percent under the current program. 3/ This growth is totally due to net credit to the

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1/ For more details on the public enterprise sector in Niger, see SM/84/73 and EBS/84/66.

2/ An amount of CFAF 3.74 billion of doubtful and litigious loans has been reclassified by the authorities from credit to other monetary items. As the program credit ceilings did not provide for any reclassification, the data used to compare the actual outcome with the ceilings include this reclassified amount (see Table 3).

3/ The current stand-by arrangement includes credit ceilings up to end-September 1984. The proposed stand-by arrangement involves a credit ceiling for end-December 1984.

Table 5. Niger: Monetary Survey, 1982-85 1/

(In billions of CFA francs)

	1982	1983		1984							1985			
	Dec.	Sept.	Dec.	March		June		Sept.		Dec.	March	June	Sept.	Dec.
		Actuals		Prog.	Actual	Prog.	Actual	Prog.	Est.	Prog.	Prog.	Projections		
Net foreign assets	-20.52	-17.91	-15.77	-20.80	-9.08	-20.80	5.06	-20.80	-8.77	-14.77	-14.77	-10.77	-14.07	-17.07
Central Bank	(8.78)	(2.98)	(4.00)	(1.00)	(8.38)	(-0.20)	(21.26)	(-1.40)	(7.43)	(1.43)	(1.43)	(5.43)	(2.13)	(-0.87)
Deposit money banks	(-29.30)	(-20.89)	(-19.77)	(-21.80)	(-17.46)	(-20.60)	(-16.20)	(-19.40)	(-16.20)	(-16.20)	(-16.20)	(-16.20)	(-16.20)	(-16.20)
Domestic credit	126.68	118.86	125.28	138.60	121.56	139.50	115.00 4/	140.60	128.60	134.00	139.40	137.50	141.00	144.00
Net claims on Government	(16.33)	(13.41)	(18.12)	(23.00)	(19.51)	(22.00)	(17.12)4/	(22.10)	(24.60)	(27.00)	(29.40)	(27.50)	(30.00)	(31.00)
Central Bank	9.13	4.24	7.51	12.00	9.92	12.80	6.95	14.40	14.84	17.24	19.64	17.74	20.24	21.24
Other	7.20	9.17	10.61	11.00	9.59	9.20	10.17	7.70	9.76	9.76	9.76	9.76	9.76	9.76
Credit to the private sector	(110.35)	(105.45)2/	(107.16)2/	(115.60)	(102.05)2/	(117.50)	(97.88)2/	(118.50)	(104.00)2/	(107.00)3/	(110.00)3/	(110.00)3/	(111.00)3/	(113.00) 3/
Money and quasi-money	82.98	76.10	82.11	81.10	84.50	82.10	95.32	83.10	91.99	90.39	95.79	97.89	98.09	97.09
Long-term foreign liabilities	20.03	27.80	28.76	28.00	28.82	28.00	28.68	28.00	28.68	28.68	28.68	28.68	28.68	28.68
Other items (net)	3.15	-2.95	-1.36	8.70	-0.84	8.60	-3.94	8.70	-0.84	0.16	0.16	0.16	0.16	1.16

Sources: BCEAO, statistiques économiques et monétaires; and data provided by the *Nigerien authorities*.

1/ The current financial program covers the period from September 1983 to September 1984. The proposed program covers the period from October 1984 to September 1985.
2/ Excluding reclassification at end-1983 of doubtful or litigious loans estimated at CFAF 3.74 billion.
3/ No reclassification of doubtful or litigious loans is provided for under the program. The ceilings, therefore, include any amount which the authorities may reclassify during the program period.
4/ Actual data differ slightly from the provisional data mentioned in paragraph 17 of the annexed memorandum.

Government, as the continuing depressed economic conditions and the repayment of arrears to public enterprises led to a virtual stagnation in credit to the nongovernment sector. Domestic liquidity, however, is estimated to have grown by 10.1 percent, double the projected rate, as the movement in foreign assets was more expansionary and that in other net monetary items less contractionary than envisaged.

On the external side, the external current account deficit was reduced sharply from 9 percent of GDP in 1982 to 4 percent in 1983, as compared with a program target of 5.3 percent (Table 6), reflecting in part the measures implemented in connection with the current program. The total value of exports was higher than projected as the increase in uranium exports more than offset the decline in other exports, mainly livestock (Table 7). The restrictive financial policies and declining foreign aid contributed to a sharp decline in imports, albeit less than originally projected. The larger than programmed reduction in the current account deficit was reinforced with an increase in net capital inflows with the result that the overall balance of payments deficit turned around to record a small surplus. For 1984, the external current account deficit was targeted to decrease further to 3.3 percent of GDP. In view of an anticipated drop in net capital inflows, the overall balance of payments was targeted to register a deficit of SDR 32.3 million. However, due to the impact of the drought, especially on imports of cereals, the decline in contracted uranium export prices, and the adverse effects of the closure of the Nigerian border, both the current account and the overall balance of payments deficits are estimated to be slightly higher than programmed. Nonetheless, the external current account deficit is expected to narrow marginally from 4 percent of GDP in 1983 to 3.9 percent in 1984, as the expected decline in exports is more than offset by a large reduction in imports of capital goods and raw materials. As project loan disbursements are expected to decline and the surplus on the capital account to narrow significantly, the overall deficit in the balance of payments is estimated to rise to SDR 38.8 million in 1984. This deficit, and a further reduction in the net short-term foreign liabilities of the deposit money banks, are to be covered by both external debt relief and net use of Fund resources.

External public debt service payments were scheduled to increase from 11.6 percent of exports of goods and services in 1980 to 19.4 percent in 1983 and 26.2 percent in 1984 (Table 8). To reduce the immediate burden of these payments, Niger obtained debt relief from the Paris Club in November 1983 and from foreign banks in early 1984, covering the periods October 1983-September 1984 and October 1983-September 1985, respectively. Commercial banks rescheduling for the second year was, however, conditional on further rescheduling by the Paris Club for the same period. After debt relief, the scheduled external public debt service ratio was reduced to 17.2 percent in 1983 and 16.4 percent in 1984. Service payments on the private (nonguaranteed) foreign debt (mainly of the mining sector) were also substantial during the past three years (averaging

Table 6. Niger: Balance of Payments, 1982-90

(In millions of SDRs)

	1982	1983 Prog.	1983 Prel. actual	1984 Prog.	1984 Est.	1985 Prog.	1986	1987	1988	1989	1990
							Projections				
Trade balance	-149.7	-57.2	-50.1	-30.4	-45.3	-32.8	-16.7	-16.7	-13.5	-9.9	-9.3
Exports, f.o.b.	333.8	315.1	346.5	312.8	303.6	319.1	333.4	349.5	366.3	384.1	402.8
Uranium	252.2	231.4	269.9	227.9	232.4	244.9	246.6	256.5	266.7	277.4	288.5
Other	81.6	83.7	76.6	84.9	71.2	74.2	86.8	93.0	99.6	106.7	114.3
Imports, c.i.f.	-483.5	-372.3	-396.6	-343.2	-348.8	-351.9	-350.1	-366.2	-379.8	-394.0	-412.1
Consumer goods	-215.8	-175.5	-181.3	-169.6	-185.0	-189.7	-186.5	-196.1	-202.9	-210.0	-220.7
Raw materials and capital goods	-267.6	-196.8	-215.2	-173.7	-163.9	-162.2	-163.6	-170.1	-176.9	-184.0	-191.3
Services (net)	-107.5	-98.2	-95.7	-95.4	-93.8	-93.8	-91.1	-85.1	-78.3	-71.3	-73.7
Of which: interest payments	(-65.0)	(-50.3)	(-49.6)	(-49.7)	(-47.9)	(-47.4)	(-47.8)	(-42.8)	(-37.5)	(-32.0)	(-32.9)
Private transfers	-33.1	-32.6	-32.6	-26.3	-26.1	-26.1	-27.1	-28.2	-29.4	-30.5	-31.8
Official transfers	130.9	111.7	111.7	98.4	104.4	104.4	108.6	112.9	117.4	122.1	127.0
Current account	-159.3	-76.3	-66.7	-53.8	-60.8	-48.2	-26.4	-17.2	-3.8	10.4	12.3
(Excluding official transfers)	(-290.2)	(-188.0)	(-178.4)	(-152.2)	(-165.2)	(-152.6)	(-135.0)	(-130.1)	(-121.2)	(-111.1)	(-114.7)
Capital (net)	41.9	57.2	70.2	21.5	22.0	9.1	-6.9	3.9	11.1	12.4	13.5
Public (net)	65.6	64.0	77.3	44.6	44.5	23.6	4.2	8.7	16.1	19.4	22.8
Disbursements	(118.2)	(110.2)	(115.1)	(94.5)	(94.6)	(81.7)	(73.2)	(76.1)	(79.1)	(82.3)	(85.6)
Principal	(-52.6)	(-46.1)	(-37.8)	(-49.9)	(-50.2)	(-58.1)	(-69.0)	(-67.4)	(-63.0)	(-62.9)	(-62.8)
Private (net)	-33.4	-26.5	-26.7	-23.1	-22.5	-14.5	-11.1	-4.8	-5.0	-7.0	-9.3
Monetary capital	9.6	19.6	19.6	--	--	--	--	--	--	--	--
Errors and omissions (including SDR allocation)	-0.3	1.2	-0.2	--	--	--	--	--	--	--	--
Overall balance	-117.7	-17.9	3.2	-32.3	-38.8	-39.2	-33.3	-13.3	7.4	22.8	25.8
Financing	117.7	17.9	3.2	32.3	38.8	39.2	33.3	13.3	-7.4	-22.8	-25.8
Net foreign assets	117.7	0.7	-11.5	--	6.3	5.2	...	...	...	...	...
Banks	57.9	-15.5	-23.3	-11.0	-8.2	--	...	...	...	...	...
BCEAO	59.8	16.2	11.8	11.0	14.5	5.2	...	...	...	...	...
Of which: IMF	--	30.8	30.8	11.2	14.4	12.8	-1.5	-16.8	-21.6	-10.2	-4.4
Debt relief 1/	--	17.2	8.3	32.3	32.5	...	...	...	...	...	...
Financing gap	--	--	--	--	--	34.0 2/	-34.9	-30.1	-14.3	--	--
Memorandum items:											
Current account in percent of GDP	-9.0	-5.3	-4.0	-3.3	-3.9	-2.8	-1.4	-0.9	-0.2	0.5	0.5
Overall balance in percent of GDP	-6.6	-1.2	0.2	-2.0	-2.5	-2.3	-1.8	-0.7	0.4	1.0	1.1

Sources: Data provided by the authorities of Niger; IBRD; and Fund staff estimates.

1/ Debt relief for 1983/84 was obtained only on the public debt.
2/ To be covered by external debt rescheduling.

Table 7. Niger: Exports and Imports by Major Commodities, 1982-85

(In millions of SDRs and in percent)

	1982	1983				1984				1985			
	Value	Value		Volume	Prices	Value		Volume	Prices	Value		Volume	Prices
	Million SDRs	Million SDRs	% change	Percentage change		Million SDRs	% change	Percentage change		Million SDRs	% change	Percentage change	
Exports	333.8	346.5	3.8	-5.2	9.5	303.6	-12.4	-0.3	-12.1	319.1	5.1	0.3	4.8
Uranium	252.2	269.9	7.0	-8.9	17.5	232.4	-13.9	0.6	-14.4	244.9	5.4	0.4	5.0
Others	81.6	76.6	-6.1	6.3	-11.7	71.2	-7.0	-3.4	-3.7	74.2	4.2	0.2	4.0
Livestock	(56.2)	(49.1)	(-12.6)	(-2.3)	(-10.5)	(42.3)	(-13.8)	(-10.4)	(-3.8)	(46.8)	(10.6)	(6.3)	(4.0)
Cowpeas	(2.2)	(8.3)	(277.3)	(762.1)	(-56.2)	(9.4)	(13.3)	(16.5)	(-2.7)	(10.7)	(13.8)	(9.7)	(4.0)
Other	(23.2)	(19.1)	(-16.0)	(-16.0)	(-2.0)	(19.5)	(2.1)	(6.0)	(-3.7)	(16.8)	(-13.8)	(-17.3)	(4.0)
Imports	483.5	396.6	-18.0	-16.1	-2.3	348.8	-12.1	-14.8	3.2	351.9	0.9	-2.1	3.1
Consumer goods	215.8	181.3	-16.0	-11.5	-5.1	185.0	2.0	-1.5	3.6	189.7	2.5	0.3	2.2
Cereals	(25.1)	(30.2)	(20.3)	(3.4)	(16.3)	(44.0)	(45.7)	(32.5)	(10.0)	(48.8)	(10.9)	(6.6)	(4.0)
Petroleum	(108.0)	(93.7)	(-13.2)	(-1.3)	(-12.1)	(88.5)	(-5.5)	(-6.0)	(0.5)	(88.9)	(0.5)	(--)	(0.5)
Other	(82.7)	(57.4)	(-30.6)	(-30.7)	(0.2)	(52.4)	(-8.7)	(-12.0)	(3.6)	(52.0)	(-0.8)	(-4.6)	(4.0)
Capital goods	267.6	215.2	-19.6	-19.8	0.2	163.9	-23.8	-26.0	3.6	162.2	-1.0	-4.8	4.0

Sources: Data provided by the authorities; and staff estimates.

Table 8. Niger: Debt Service Payments on Medium- and Long-Term External Debt, 1981-90

(In millions of SDRs)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Public 1/	53.1	93.2	71.9	85.1	88.3	93.7	89.2	83.3	73.8	71.0
Principal	24.7	52.6	37.8	50.6	55.6	63.8	62.2	58.8	51.5	45.2
Interest	28.4	40.5	34.1	34.6	32.7	30.0	27.0	24.5	22.2	25.9
Private	73.3	106.7	55.0	44.6	33.4	23.8	15.0	13.2	11.8	11.1
Principal	45.9	82.1	40.2	33.4	25.9	17.9	10.4	9.5	9.3	9.3
Interest	27.5	24.5	14.7	11.2	7.5	5.9	4.5	3.6	2.5	1.8
IMF	--	--	0.7	2.5	3.2	5.7	20.7	24.1	11.6	5.0
Repurchases	--	--	--	--	--	1.6	16.8	21.6	10.2	4.3
Charges	--	--	0.7	2.5	3.2	4.1	3.9	2.5	1.4	0.7
Total (including IMF) before debt relief	126.4	199.8	127.6	132.3	124.8	123.3	124.8	120.5	97.1	87.2
Principal and repurchases	70.5	134.8	78.0	84.0	81.5	53.3	89.4	89.9	71.0	58.8
Interest and charges	55.9	65.0	49.6	48.3	43.4	39.9	35.4	30.6	26.1	28.4
Total (including IMF) after debt relief 2/	126.4	199.8	119.3	99.5	131.6	129.6	131.0	126.7	108.2	97.4
Principal and repurchases	70.5	134.8	72.6	59.7	84.3	85.8	92.0	92.6	79.4	67.2
Interest and charges	55.9	65.0	46.6	39.8	47.3	43.8	39.0	34.1	28.8	30.2
Public (total)	(53.1)	(93.2)	(64.3)	(54.9)	(98.2)	(105.8)	(116.0)	(113.5)	(96.4)	(86.3)
Debt service ratios 3/ (in percentage)										
Total (including IMF) before debt relief	27.7	52.8	34.1	39.6	35.9	34.0	32.8	30.2	23.2	19.9
Principal and repurchases	15.4	35.6	20.9	25.1	23.5	23.0	23.5	22.6	17.0	13.4
Interest and charges	12.2	17.2	13.2	14.5	12.5	11.0	9.3	7.7	6.2	6.5
Public (total)	(11.6)	(24.6)	(19.4)	(26.2)	(26.3)	(27.4)	(28.9)	(26.9)	(20.4)	(17.3)
Total (including IMF) after debt relief 2/	27.7	52.8	31.9	30.0	37.9	35.7	34.5	31.8	25.9	22.2
Principal and repurchases	15.4	35.6	19.4	18.0	24.3	23.7	24.2	23.2	19.0	15.3
Interest and charges	12.2	17.2	12.5	12.0	13.6	12.0	10.3	8.6	6.9	6.9
Public (total)	(11.6)	(24.6)	(17.2)	(16.4)	(28.3)	(29.2)	(27.8)	(28.5)	(23.1)	(19.7)
Memorandum items:										
Disbursed debt outstanding (end of period) 4/	780.9	774.3	767.3	834.8	893.1	888.1	863.6	836.4	839.3	861.8
Of which: use of Fund resources	--	--	30.8	45.2	58.0	-1.5	-16.8	-21.6	-10.2	-4.4
In percent of GDP	44.3	44.7	49.7	53.0	51.6	47.9	43.5	39.3	36.8	35.3

Sources: Ministry of Finance; BCEAO; IBRD; and Fund staff estimates.

1/ On current and projected borrowing.
2/ Debt relief obtained in 1983/84 applies only to public external debt.
3/ As a percentage of exports of goods and nonfactor services.
4/ Including short-term foreign liabilities of the banking sector.

about 20 percent of exports of goods and services). These payments have been made on schedule, with the exception of a small outstanding amount (SDR 3.6 million) of external arrears owed to France, which was incurred by a state enterprise (SONICHAR) before October 1, 1983 and was not covered by last year's debt rescheduling with the Paris Club. The Government is currently negotiating with the creditor concerned to reschedule these arrears and hopes that this matter will be resolved soon.

Since end-December 1980, the import-weighted effective exchange rate of the CFA franc, which is pegged to the French franc at the rate of CFAF 50 = FF 1, has depreciated by 15.9 percent in nominal terms and by 11.6 percent in real terms (Chart 1). Niger's exchange and trade system is similar to that of other franc zone area countries which maintain an operations account with the French Treasury, and remains free of restrictions on payments and transfers for current international transactions.

IV. The Proposed 1984/85 Program

In order to consolidate the progress made toward achieving a viable external position, consonant with domestic financial stability and a sustainable rate of economic growth, the Government of Niger intends to continue its adjustment efforts in the context of a financial program for the fiscal year 1984/85, in support of which it requests a stand-by arrangement. This program emphasizes supply-oriented measures while continuing to reinforce the austere demand management policies.

1. Medium-term scenario

The program was elaborated in the context of a medium-term scenario which updates that presented in EBS/84/66 in line with the anticipated outcome for 1984 and some revisions in the underlying assumptions (Table 9). Notwithstanding the recent unfavorable exogenous factors, the revised projections indicate that Niger can be expected to attain a viable balance of payments position by 1988, provided that the authorities continue with their adjustment efforts over the medium term. Moreover, should the border with Nigeria be reopened, both the 1985 outcome and the medium-term outlook would be improved.

Assuming that the requisite adjustment measures are put in place, that there will be a moderate improvement in the external environment, that the terms of trade will not deteriorate further, and that weather conditions will not be unduly unfavorable, the external current account deficit is projected to decline steadily from 3.9 percent of GDP in 1984 to about 0.9 percent in 1987 and eventually switch to a small surplus by 1988. A resource gap in 1986-88, however, would remain and would need to be covered through exceptional financing. Under this scenario, exports are projected to increase by 4.8 percent annually,

NIGER
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(DEC 1975=100)

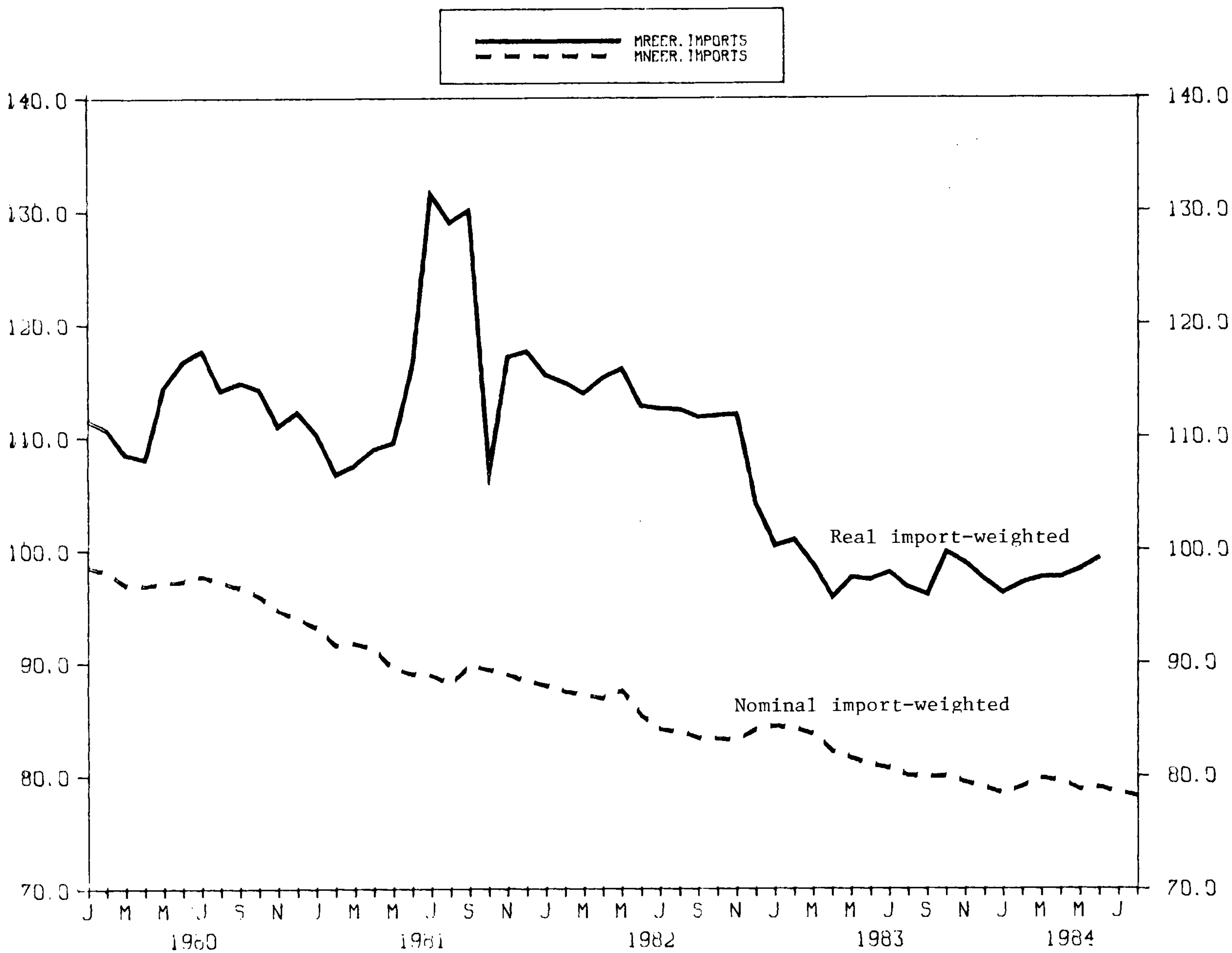

Table 9. Niger: Background Assumptions and Indicators for the Medium-Term Scenario, 1983-90

(Annual percentage change)

	1983	1984	1985	1986	1987	1988	1989	1990
Terms of trade (in SDR terms)	12.1	-14.8	1.6	--	--	--	--	--
Import unit value	-2.3	3.2	3.1	4.0	4.0	4.0	4.0	4.0
Export unit value	9.5	-12.1	4.8	4.0	4.0	4.0	4.0	4.0
Exports, f.o.b.								
Value (in SDR terms)	3.8	-12.4	5.1	4.5	4.8	4.8	4.8	4.8
Uranium	(7.0)	(-13.9)	(5.4)	(0.1)	(4.0)	(4.0)	(4.0)	(4.0)
Others	(-6.1)	(-7.0)	(4.2)	(17.0) 1/	(7.1)	(7.1)	(7.1)	(7.1)
Volume	-5.2	-0.3	0.3	0.5	0.8	0.8	0.8	0.8
Uranium	(-8.9)	(0.6)	(0.4)	(-3.2)	(--)	(--)	(--)	(--)
Others	(6.3)	(-3.4)	(0.2)	(12.5) 1/	(3.0)	(3.0)	(3.0)	(3.0)
Imports, c.i.f.								
Value (in SDR terms)	-18.0	-12.1	0.9	-0.5	4.6	3.7	3.7	4.6
Consumer goods	(-16.0)	(2.0)	(2.5)	(-1.7)	(5.1)	(3.5)	(3.5)	(5.1)
Raw materials and capital goods 2/	(-19.6)	(-23.8)	(-1.0)	(0.9)	(4.0)	(4.0)	(4.0)	(4.0)
Volume	-16.1	-14.8	-2.1	-4.3	0.6	-0.3	-0.3	0.6
Consumer goods	(-11.5)	(-1.5)	(0.3)	(-5.5)	(1.1)	(-0.5)	(-0.5)	(1.0)
Raw materials and capital goods 2/	(-19.8)	(-26.0)	(-4.8)	(-3.0)	(--)	(--)	(--)	(--)
Uranium prices (in SDR terms)	17.5	-14.4	5.0	4.0	4.0	4.0	4.0	4.0
Partners' (non-oil) export prices	-0.9	3.1	4.0	4.0	4.0	4.0	4.0	4.0
Real GDP	-2.8	-3.8	3.1	3.0	3.0	3.0	3.0	3.0

Source: Data provided by the authorities; and staff estimates.

1/ The volume of non-uranium exports, primarily livestock and other agricultural products is projected to recover in 1986 from the effects of the drought and the closure of the Nigerian border.
2/ Imports of capital goods and raw materials are projected to rise in line with receipts of external grants and concessional public external loan disbursements assumed to remain constant in real terms.

imports to rise by 4 percent annually, while net payments for services and private transfers are projected to register a declining trend. On the export side, the value of uranium exports is projected to increase at an annual rate of 4 percent, taking into account the authorities' expectations that in future contracts for uranium sales it should be possible to obtain a minimum increase in contract prices and at least maintain the present volume of sales. The value of other exports is forecast to increase at an annual rate of 7 percent reflecting a 4 percent rise in prices and a 3 percent growth in volume, resulting from increased emphasis on rural sector projects and the return to normal weather conditions. On the import side, imports of capital goods and raw materials are projected to rise by 4 percent per annum in line with foreseeable receipts of external grants and concessional foreign borrowing. The projected low rate of growth of imports of consumer goods is based on the assumption that the authorities will continue their adjustment efforts over the medium term.

As noted in the last staff report, the most noteworthy aspect of the medium-term outlook is a sharply rising trend in external public debt service payments between 1984 and 1988. Taking into account the impact of the debt relief obtained for 1983/84 and the continued pursuit of a prudent foreign borrowing policy, the external public debt service ratio is projected to rise from SDR 54.9 million in 1984 (16.4 percent of exports) to SDR 113.5 million (28.5 percent of exports) in 1988. 1/ A steady rise in amortization payments on previously contracted public debt is largely responsible for this increase. Thereafter, the public debt service is projected to decline progressively, reflecting the prudent debt policy and an increase in the share of concessional debt. The service payments on the private nonguaranteed debt are projected to decline over the next five years from 13.3 percent of exports in 1984 to 2.8 percent of exports in 1989.

2. Objectives for 1984/85

The proposed 1984/85 program covers the fiscal year ending September 1985. Nevertheless, other than for fiscal policy, the program objectives are for calendar year 1985. A summary of the program's targets and policies is provided in Table 10. The main objectives are to achieve a recovery in economic activity, with a targeted rate of growth of 3 percent, reduce the rate of inflation as measured by the GDP deflator to 6.5 percent, and narrow the external current account deficit (including grants) from 3.9 percent to 2.8 percent of GDP. Taking into account scheduled external debt service payments and anticipated drawings on

1/ These estimates differ from those mentioned in paragraph 19 of the annexed memorandum since they do not take into account the assumed impact of debt relief for 1984/85.

Table 10. Niger: Summary of the Adjustment Program for 1985

Objectives

1. Stimulate economic activity to achieve a 3 percent rate of growth.

2. Reduce the rate of inflation as measured by the GDP deflator from 7 percent to 6.5 percent.

3. Reduce the current account deficit of the balance of payments from 3.9 percent of GDP to 2.8 percent of GDP, and limit the overall balance of payments deficit to SDR 39.2 million.

Pricing and marketing policies

1. Liberalization of marketing of cereals.

2. Adoption of a system of tenders and bids and setting of retail prices in line with market conditions by the grain marketing agency (OPVN).

3. Liberalization of exports of cowpeas.

Public enterprises

1. Continue the reform of public enterprises.

2. Classify public enterprises into three categories:

    a. those which should remain in the public sector;
    b. those which should be privatized;
    c. those which should be liquidated.

3. Improve the operations of key public enterprises in 1984/85:

    a. OPVN - through introduction of a system of tenders and bids and market-oriented retail pricing;
    b. ONAHA - introduction of user fees;
    c. BDRN - increase its capital and prepare a comprehensive rehabilitation program;
    d. OFEDES - expand the imputation of user fees to village-level users;
    e. OPT - increase the tariff on telephone service to cover costs.

Public investment program (1984/85)

1. Overall objective: CFAF 71 billion

    Domestic counterpart (including BDRN) - CFAF 8 billion;
    External borrowing: CFAF 34 billion;
    Grants: CFAF 29 billion.

Table 10. Niger: Summary of the Adjustment Program for 1985 (concluded)

---

2. Implementation rate: 75 percent

   Domestic counterpart - CFAF 6 billion;
   External borrowing - CFAF 25 billion;
   Grants - CFAF 22 billion

3. Structure of public investment (1984/85)

   a. For October-December 1984, investment to be limited to:
      (i) ongoing projects (including Niamey's market);
      (ii) Zinder-Agadez road;
      (iii) new projects in the productive sectors.

   b. The structure of investment for the whole year to be reviewed with the World Bank in October 1984.

Public finance

1. Reduce the overall deficit on a commitment basis from CFAF 32.3 billion in 1983/84 (4.7 percent of GDP) to CFAF 29.9 billion (4.0 percent of GDP) in 1984/85.

2. Rate of growth of budgetary revenue: 7 percent.
   - Introduce the centralization and registration of property for tax purposes;
   - Computerize the general income tax;
   - Introduce a simplified assessment system of taxation of business income and a simplified account method for the payment of this tax.

3. Rate of increase of expenditure: 2 percent
   - Limit administrative expenditure and transfers to public entities;
   - Limit the rate of growth in wages and salaries to 5 percent;
   - Limit investment expenditure to about the 1983/84 level.

4. Reduce domestic arrears by CFAF 2.1 billion before end-September 1985.

Monetary and credit policies

1. Reduce monetary growth from 10.1 percent in 1984 to 7.4 percent in 1985.

2. Allocate a higher percentage of credit growth to the non-government sector and limit credit growth to 11 percent of beginning money stock.

External sector

1. External debt relief from the Paris Club and commercial banks.

2. No contracting or guaranteeing of new nonconcessional loans in the 0-12 years maturity range.

3. Limit short-term liabilities of domestic banks to CFAF 23.0 billion.

4. Eliminate external arrears before end-September 1985.

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committed loans, the overall balance of payments deficit is targeted to amount to SDR 39.2 million. This deficit is expected to be financed by purchases from the Fund under the proposed stand-by arrangement and by external debt rescheduling.

In order to achieve the above objectives, the program includes a number of supply- and demand-oriented measures. On the supply side, the program involves a significant liberalization of marketing and pricing policies, further efforts to rehabilitate public enterprises, and the adoption of a realistic public investment program. On the demand side, the program calls for a reduction in the budgetary deficit, through measures both on the revenue and expenditure sides, the pursuit of a restrictive credit policy, and continued prudent external debt management.

3. Policies

a. Pricing and marketing policies

To improve resource allocation and promote domestic production in the agricultural sector as well as to improve the operations of certain public enterprises, the authorities are implementing three key measures designed to significantly liberalize pricing and marketing policies. First, the interregional transport of millet and sorghum, the two main cereals, was freed and the licensing requirements for the import of these cereals eliminated through a series of decrees in early 1984. This effectively abolished the virtual monopoly that the state grain marketing agency (OPVN) had in interregional trade and imports. Second, effective October 1, 1984, a system of tenders and bids for the wholesale purchases and sales of sorghum and millet by OPVN, was instituted. Concomitantly, the retail selling prices were to be adjusted in line with the evolution of market prices allowing for a markup over costs. This contrasts with the precedent system of OPVN, where it bought and sold at fixed prices. The official producer prices will be maintained as minimum guaranteed prices; their level is not likely to interfere with the working of the bidding system since market prices are currently higher than the guaranteed prices. 1/ Third, effective October 1, 1984, the monopoly that a state enterprise (SONARA) has had on the export of cowpeas was abolished; accordingly, exports of cowpeas became freely permitted.

b. Public enterprises

The Government is continuing with its efforts to reform and rehabilitate the public enterprise sector. In order to formulate a comprehensive program of structural reform for this sector, diagnostic studies of

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1/ Agricultural producer prices were raised substantially in 1982/83 to levels which remain well above those in neighboring countries.

54 public and mixed enterprises were undertaken by the Government with financial and technical assistance from the World Bank as well as bilateral technical assistance. These studies were completed in April 1984, examined by an Interministerial Committee, and subsequently reviewed with a World Bank mission in May 1984. On the basis of these discussions, a work-program and timetable were prepared for the formulation of a comprehensive reform program for the public enterprise sector including (i) a classification of all public enterprises, dividing them into those which should be privatized or liquidated and those which should remain in the public sector and be rehabilitated, and (ii) improvements in the public enterprise policy environment and institutional framework. The implementation of this reform program will be supported under the Bank's forthcomming Structural Adjustment Credit and will be discussed further with the Bank staff in October 1984. Meanwhile, the World Bank is prepared to make available a portion of already committed loan funds to help the Government finance emergency restructuring of certain enterprises, in particular the development bank. The authorities have already established a permanent working group to prepare the detailed plan of action for the long-term reform of the sector. The progress made in this regard will be reviewed during the mid-term review of the stand-by program in March 1985.

Pending the completion of these preparations, the policies that led to the improvement in the operations of key enterprises in 1983/84 will continue to be pursued. Under the proposed stand-by program, additional specific measures are being adopted that are expected to improve the operations of five key enterprises:

(i) <u>The grain marketing office (OPVN)</u>: The aforementioned system of tenders and bids for OPVN's wholesale purchases and sales of sorghum and millet and the adjustment of retail prices in line with the evolution of market prices will help improve the financial position of OPVN.

(ii) <u>The national office for management of irrigation (ONAHA)</u> will establish, by January 1, 1985, a program for the introduction of user fees to cover the cost of maintenance of pumping stations and irrigation canals, and a timetable for the reduction of input subsidies in line with a study prepared by the World Bank. At present, ONAHA, which is in charge of constructing and maintaining irrigation infrastructure as well as supplying inputs and extension services to farmers, does not charge users for the cost of maintenance of pumping stations and irrigation canals.

(iii) <u>The Development Bank (BDRN)</u> is expected to benefit from an increase in capital and a major rehabilitation program which is being prepared in consultation with the World Bank and the French Caisse Centrale de Coopération Economique (CCCE).

(iv) The agency for underground water supply (OFEDES) will expand its program to charge user costs to village-level beneficiaries in order to further reduce its operating losses.

(v) The Post and Telecommunications Agency (OPT) has in the past made substantial investments for the expansion of services and upgrading of technology and equipment, which have created potential difficulties for its financial position. In view of this situation and in order to cover its costs in 1985, the Government was scheduled to increase the tariff of telephone services, effective October 1, 1984. The staff has been informed that the decision to increase the tariff has been made and the modalities of its implementation are being worked out with OPT. It is expected that this measure will be put in place shortly.

c. Public investment program

The authorities intend to continue with the reorientation of public investment toward the productive sectors and to contain capital outlays to a level consonant with the availability of concessional foreign financing. Accordingly, the public investment program (including grants) for the 1984/85 fiscal year is to be contained to CFAF 71 billion, about the same nominal level targeted for fiscal year 1984. The level of investment is considered appropriate by the World Bank. Of these, CFAF 8 billion are to be financed domestically, CFAF 34 billion by concessional loans, and CFAF 29 billion by grants. Of the total investment target, about 60 percent represents ongoing projects. As a working hypothesis, the Government has assumed a minimum implementation rate of 75 percent. Accordingly, Government investment, financed by concessional loans and domestic resources, is budgeted at CFAF 31 billion, of which CFAF 6 billion is financed by domestic resources. In accordance with the understanding reached with the World Bank, the Government plans to confine its investment during the first quarter of the 1985 fiscal year to ongoing projects (including the Niamey market), to the implementation of the Zinder-Agadez road project, and to new investments in the productive sectors. New projects in other sectors will be reviewed with a World Bank mission that will visit Niger in October 1984, in order to ensure that a balanced investment structure is achieved.

As part of its forthcoming Structural Adjustment Credit, the World Bank will also assist the Government in the preparation of a three-year "rolling" public investment program for the period 1986-88, which will form the basis for the formulation of the country's next Five-Year Development Plan. During the October 1984 mission, the World Bank will work with the Ministries of Planning and Finance in determining the appropriate size and composition of public investment in the medium term in light of (i) the country's development objectives; (ii) medium-term public resource availability; (iii) recurrent cost outlays required for the efficient operation and maintenance of existing development projects;

(iv) public debt service obligations; and (v) improved cost recovery and self-financing in the public enterprise sector.

d. Public finance

The program aims at reducing the overall fiscal deficit of the Central Government (on a commitment basis) from CFAF 32.3 billion (4.7 percent of GDP) estimated for 1983/84 to CFAF 29.9 billion (4.0 percent of GDP) in 1984/85. The current account deficit is targeted to move from an estimated deficit of CFAF 0.6 billion 1983/84 to a surplus of CFAF 1.1 billion in 1984/85. On a cash basis, taking into account the elimination of the remaining arrears of CFAF 2.1 billion to public enterprises, the overall budgetary deficit is targeted to be reduced from CFAF 47.8 billion in 1983/84 (6.9 percent of GDP) to CFAF 32 billion in 1984/85 (4.3 percent of GDP). This deficit is expected to be financed by debt relief, budgetary external assistance, and domestic bank financing. The latter will be reduced by about 60 percent, representing 17 percent of the deficit compared to 28 percent in the previous year.

The programmed adjustment in the budgetary deficit is to be achieved through expenditure containment and new tax measures which have been included in the 1984/85 budget. On the revenue side, notwithstanding the adverse effects of the drought and the continuous closure of the Nigerian border, total revenue is expected to increase by 6.6 percent owing in part to the impact of the tax measures already implemented in 1983/84 and the introduction of additional measures in the 1984/85 budget. The new measures include the registration of property for tax purposes, the computerization of tax payer rolls aimed at expanding and controlling the coverage of personal income tax, and the introduction of a simplified system for the assessment and payment of the industrial and commercial profits tax. With regard to the introduction of a value-added tax, the required studies have been completed with technical assistance from the Fund. However, the implementation of this reform will necessitate training of qualified personnel who will be in charge of collecting this tax and assessing the value added of enterprises. The Government intends to introduce this reform in the next fiscal year. The aforementioned new measures and those implemented in 1983/84 are estimated to yield the equivalent of 0.5 percent of GDP in additional revenue.

On the expenditure side, the policy of austerity will be continued. The increase in total outlays will be contained to 2 percent, as the growth in both current and capital expenditures will be limited. The growth in total current expenditures (excluding public debt service) will be limited to 8 percent. The Government will further strengthen expenditure controls, impose strict limitations on administrative expenditures, and contain the increase in the wage bill to 5 percent, compared with an increase of 13 percent in the previous year, as no general wage increase will be granted for the third year in a row and new hiring will be strictly curtailed to 2-3 percent. Furthermore, current transfers to public entities will be maintained at the same level as in the previous year. The projected increase in current expenditure, however, takes into account expenditure on utilities, which was not included in previous budgets. Excluding these outlays (CFAF 2 billion), current expenditure would grow by only 4 percent compared to 8 percent in the previous year. Investment expenditure, largely financed by concessional foreign assistance, will be maintained at about the 1983/84 level in nominal terms.

e. Monetary and credit policy

The Government will continue with a restrictive monetary and credit policy consistent with the balance of payments and budgetary targets, while at the same time making provisions for adequate credit growth to the production sectors. Accordingly, during 1985, the expansion in total credit will be limited to 11.1 percent of the beginning money stock, of which 6.6 percentage points will be allocated to the nongovernment sector. This contrasts with a decline in credit to the nongovernment sector of 3.8 percent and a growth of 10.8 percent in net credit to the government sector based on beginning money stock in 1984. To stay within the program limits, the monetary authorities will be tightening their rediscount policy by requiring timely repayment of crop and other credit and carefully monitoring the granting of new loans. The monetary authorities will also ensure that domestic banks are prevented from engaging in a build-up of their short-term foreign debt. Taking into account the overall balance of payments objective, the programmed credit expansion would imply a deceleration in the growth of domestic liquidity from 10.1 percent in 1984 to 7.4 percent in 1985, lower than the projected growth rate of 9.8 percent in nominal GDP. The structure of interest rates is determined by the common Central Bank of the West African Monetary Union (BCEAO). The basic and preferential discount rates at 10.5 and 8.0 percent, respectively, remain positive in real terms and the authorities view these rates as appropriate.

As performance criteria, quarterly ceilings on total domestic credit and on net credit to the Government were set for end-December 1984 and end-March 1985. On an indicative basis, corresponding credit targets for end-June and end-September 1985 were set. Credit ceilings for these two quarters will be established during the mid-term review of the program for which discussions have been scheduled before end-March 1985, taking into account the progress made under the program, the outcome of debt rescheduling, and any additional nonproject-related external assistance. Accordingly, total domestic credit, which at end-June 1984 amounted to CFAF 114.89 billion and is estimated at CFAF 128.60 billion as at end-September 1984, will not exceed CFAF 134.0 billion as at end-December 1984, and CFAF 139.40 billion as at end-March 1985. Similarly, net credit to the Government, which at endJune 1984 amounted to CFAF 17.03 billion, and is estimated at CFAF 24.60 billion at end-September 1984, will not exceed CFAF 27.0 billion as at end-December 1984, and CFAF 29.40 billion as at end-March 1985. On an indicative basis, total domestic credit would not exceed CFAF 137.50 billion as at end-June 1985, and CFAF 141.0 billion as at end-September 1985; similarly, net credit to the Government would not exceed CFAF 27.50 billion and CFAF 30.0 billion, respectively.

f. External sector

The above policies are expected to contribute to a reduction in the external current account deficit from SDR 60.8 million (3.9 percent of GDP) in 1984 to SDR 48.2 million (2.8 percent of GDP) in 1985. On the import side, the restrictive demand management measures and the containment of public investment will contribute to limiting the growth of imports to 1 percent. Reflecting the containment of public investment, imports of raw materials and capital goods are projected to decline by 1 percent, while imports of consumer goods are projected to increase by 3 percent. The latter is primarily due to higher imports of grains to compensate for the shortfall in domestic production resulting from the drought conditions. On the export side, export receipts are expected to grow by 5 percent owing to an increase in the negotiated price of uranium and a recovery in other exports resulting primarily from a return to more normal weather conditions. Net services and transfers are projected to remain at about the same level as in 1984. With respect to the capital account, the surplus of about SDR 22 million in 1984 will decline to CFAF 9 billion in 1985, as a result of higher public sector amortization payments and lower disbursements. This, however, will be nearly outweighed by the improvement in the current account, with the result that the overall balance of payments deficit is projected to remain at about SDR 39 million. It is expected that this deficit will be partly financed by rescheduling of public debt to official and commercial creditors (for working purposes assumed at around SDR 34 million for calendar year 1985). After taking into account Fund purchases of the equivalent of SDR 12.8 million, a marginal increase in official reserves from 2.1 months of imports at end-1984 to about 2.3 months of imports at end-1985 is expected.

The Government intends to seek debt relief in order to close the financing gaps in the budgetary and balance of payments positions. As a working assumption, total debt relief, under the Paris Club and the commercial banks, is estimated at around SDR 43 million in the fiscal year ending September 30, 1985. Debt relief from commercial banks, estimated at about SDR 11 million, has been already obtained, on condition, however, that an agreement with the Paris Club be reached for the same period. The authorities have already contacted the Paris Club and it is expected that Niger's request will be considered by the Paris Club in late November 1984. The outcome of external debt rescheduling will be reviewed with the Fund during the mid-term review of the program in March 1985. In order to achieve a gradual reduction in the debt service burden and improve the structure of foreign debt, as performance criteria, the Government will not contract or guarantee any non-concessional loans in the 0-12 years maturity range over the period October 1, 1984 to September 30, 1985 and will not allow domestic banks to increase their stock of short-term foreign liabilities with a maturity of less than one year beyond CFAF 23.0 billion.

An outstanding amount of external arrears of about SDR 3.6 million on guaranteed debt, which were incurred before October 1, 1983, were not covered by last year's debt rescheduling. The Government is currently negotiating with the concerned creditor to reschedule these arrears and hopes that this matter will be resolved soon. The outcome of these negotiations will be reviewed with the Fund during the next review of the program. The elimination of these arrears before end-September 1985 will constitute a performance criterion.

g. Performance criteria and phasing of purchases

The program contains the following performance criteria: (i) quarterly ceilings on total domestic credit; (ii) quarterly ceilings on net credit to Government; (iii) elimination of the remaining domestic arrears of the Government to public enterprises by cash payments before end-September 1985; (iv) elimination of the external arrears before end-September 1985; (v) no contracting or guaranteeing by the Government of new nonconcessional foreign loans in the maturity ranges of and 0-12 years during the entire program period; (vi) ceilings on the stock of commercial bank's net foreign liabilities of less than one year; and (vii) the usual understandings relating to the exchange and trade system. Specific credit ceilings for the quarters ending December 1984 and March 1985 are incorporated in the proposed program (Table 11). While indicative targets have been set, the credit ceilings for June and September 1985 will be formally included in the program during the mid-term review in March 1985. This review will also cover the progress made under the program, the implementation of measures to rehabilitate public enterprises, and the outcome of external debt rescheduling. The credit ceilings for June and September 1985 will take into account the outcome of this rescheduling.

The proposed amount under the arrangement (SDR 16 million or 47.5 percent of quota), would appear to be consistent with access criteria, taking into account the adjustment envisaged under the program, and the prospects of Fund involvement over the medium term. According to the phasing of the proposed stand-by arrangement, purchases may be made by Niger in five equal installments of SDR 3.2 million. The first purchase would be available after Executive Board approval of the stand-by arrangement and upon the entering into effect of the arrangement on December 5, 1984. The second purchase, not before February 15, may be made subject to the satisfaction of the performance criteria for end-December 1984. The third purchase, not before May 15, may be made after the completion of the mid-term review of the program and the satisfaction of the

Table 11. Niger: Quantitative Performance Criteria Under the 1984/85 Program 1/

	1983 Dec. Actual	1984 Dec.	1985 March	1985 June	1985 Sept.
	(In billions of CFA francs)				
Net domestic credit 2/	125.3	134.0	139.4	137.5 3/	141.0 3/
Net credit to Government	18.1	27.0	29.4	27.5 3/	30.0 3/
Domestic arrears	21.7	2.1	2.1	2.1	--
Short-term net foreign liabilities of deposit money banks	24.6	23.0	23.0	23.0	23.0
	(In millions of SDRs)				
New nonconessional foreign borrowing contracted or guaranteed by the Government with maturity of 0-12 years	...	--	--	--	--
External arrears	3.6	3.6	3.6	3.6	--

Sources: Data provided by the Nigerien authorities; and Attachment.

1/ The program period covers the fiscal year ending September 1985.
2/ Includes any new classification of doubtful or litigious loans during the program period.
3/ Indicative limits.

performance criteria for end-March 1985. The last two purchases will be contingent on the satisfaction of the performance criteria for June and September 1985, respectively.

IV. Staff Appraisal

In the late 1970s, Niger's authorities launched a major investment program that was financed by rising export receipts and Government revenues, due to the increasing demand for Niger's main export commodity, uranium, and by heavy recourse to external borrowing. By the early 1980's, a weakening world demand for uranium and a deterioration in Niger's terms of trade started to affect adversely both export receipts and Government revenues. As the investment level and other Government expenditures continued to expand rapidly, domestic and external financial imbalances were exacerbated. The effects of these developments were compounded by the deterioration in the financial conditions of the public enterprise sector. These imbalances were reflected in declining economic activity, rising inflationary pressures, and a widening external current account deficit. Financial policies were affected by and contributed to these developments; the consolidated budgetary deficit rose, domestic arrears started to accumulate, and credit expansion accelerated. Although there was some improvement in 1983, reflecting a number of measures taken, the economic and financial situation continued to be difficult.

Against this backdrop, the Government of Niger adopted an adjustment program covering the 1983/84 fiscal year. The program, supported by a 14-month stand-by arrangement which expires on December 4, 1984, included measures to contain the growth in aggregate demand and to improve the production structure. Although the economy suffered from two unforeseen factors, namely the closure last April of the border with Nigeria and the emergence of drought conditions, the effects of these factors were mitigated by the effective implementation of the measures under the current stand-by arrangement. All the performance criteria have, so far, been observed. Although economic activity declined in 1984, due to the adverse weather conditions, the restrictive financial policies contributed to a fall in the rate of inflation and a narrowing in the external current account deficit. Debt relief from official and private creditors, as well as use of Fund resources, helped finance the overall balance of payments deficit.

The financial policies pursued during 1984 were instrumental in containing the growth in aggregate demand. The budgetary deficit is estimated to have narrowed sharply, as the decline in total revenue, due to the drop in economic activity and the closure of the Nigerian border, was more than offset by a sharp contraction in investment expenditures. The Government also repaid domestic arrears and rescheduled arrears to domestic commercial banks with the result that domestic arrears were reduced to a negligible level. The reduction of arrears to public enterprises, together with a number of specific measures taken in 1984, improved the financial position of some enterprises. As the depressed economic conditions and the repayment of arrears to public enterprises led to a virtual stagnation in credit to the nongovernment sector, the overall growth in credit based on the beginning money stock declined. With regard to the production structure, the authorities shifted the proportion of investment in favor of the productive sectors.

In order to consolidate the progress made toward achieving a viable external position over the medium term, the Government of Niger adopted another adjustment program for the fiscal year 1984/85, in support of which it requests a stand-by arrangement effective on December 5, 1984. The program aims at achieving a recovery in economic activity, reducing the rate of inflation, and further narrowing the external current account deficit. To achieve these objectives, the program involves a number of supply- and demand-oriented measures. The supply-oriented measures involve a significant liberalization of marketing and pricing policies, further efforts to improve the position of public enterprises, and the adoption of an appropriate public investment program. The demand-oriented measures are designed to further reduce the budgetary deficit, including the elimination of the remaining arrears, to contain the growth in credit, reduce the overall rate of monetary expansion, and pursue a prudent external debt management policy. Moreover, the recent effective depreciation of the exchange rate is expected to help improve the external sector position.

The measures taken to liberalize pricing and marketing policies can be expected to bring about an improvement in resource allocation. The decision of the authorities to free the interregional transport of millet and sorghum as well as to eliminate the licensing requirements for the import of these cereals abolishes the virtual monopoly that the state grains marketing office had. The introduction of a system of tenders and bids for the wholesale purchases and sales of sorghum and millet by the office, as well as setting the retail selling prices in line with market conditions, constitute significant steps forward toward reducing the distortions, resulting from fixed prices, and improving the financial position of the office. Furthermore, the liberalization of the export of cowpeas, which was a monopoly of a state enterprise, can be expected to promote both production and export of cowpeas.

The continuation of the reform of public enterprises is essential both in terms of improving resource allocation and reducing financial imbalances. The additional specific measures, which are being adopted, are expected to improve the operations of five key enterprises. Furthermore, under the program, the Government will prepare a classification of all public enterprises, dividing them into those whose activities could be privatized or liquidated and those which should remain in the public sector. This classification and other measures will be the subject of further discussions with a World Bank mission. The authorities have established a working group to prepare a detailed program of action for the long-term reform of the sector.

With regard to public investment, the authorities will limit it to a level consistent with the availability of resources on concessional terms and with the absorptive capacity of the country. During the first quarter of the fiscal year 1984/85, the Government plans to limit its investment to ongoing projects, to the implementation of the Zinder-Agadez road project, and to new investments in the productive sector. Based on these understandings, the World Bank views both the level and composition of public investment for 1984/85 as appropriate. Nonetheless, new projects in other sectors will be reviewed with a World Bank mission that is expected to visit Niger in October 1984, at which time further preparatory work on a medium-term public investment program for 1986-88 will be undertaken.

To contain the growth in aggregate demand, both fiscal and monetary policies will be tightened considerably. The consolidated budgetary position, as a proportion of GDP, will be reduced. The tax measures being introduced will contribute to the increase in revenue, while the growth in expenditure will be severely curtailed by further strengthening expenditure controls, imposing strict limitations on administrative expenditure and on transfers to public entities, containing the increase in the wage bill, and holding investment expenditure at about the 1984 level in nominal terms. Under the proposed program, the Government will repay fully the remaining arrears to public enterprises through cash payments. The restrictive monetary and credit policy being pursued is consistent with the objectives of the program and provides for a shift in the growth of credit in favor of the production sector. Furthermore, the interest rate structure remains positive in real terms.

To close the prospective financing gaps in the budgetary and balance of payments positions, the Government intends to seek debt relief from the Paris Club and commercial banks. Since debt relief from commercial banks has been already obtained and that from the Paris Club is expected to be forthcoming in view of the "good will clause" which was included in last year's rescheduling agreement, the staff recommends that the proposed arrangement become effective on December 5, 1984, after approval by the Executive Board, and following the expiration of the current stand-by arrangement.

The proposed program involved difficult decisions on the part of the authorities, particularly with regard to pricing and marketing policies, the investment program, and the budget, at a time when the authorities are concerned about the emerging drought conditions and the closure of the Nigerian border. Although the authorities are determined to implement the program, its success will also depend on the return to more normal weather conditions. Provided that the authorities will continue with their structural and financial adjustment over the medium term, it is projected that viability of the balance of payments position will be achieved by 1988. To continue these efforts, the authorities are formulating, in consultation with the Fund and the World Bank, a medium-term recovery program, which they hope will be supported by an extended arrangement from the Fund and a structural credit loan from the World Bank. In the meantime, external assistance will be needed to cover the financing gap.

In the staff's judgement, the proposed program is viable and represents significant progress toward medium-term balance of payments viability. Accordingly, the following draft decision is proposed for adoption by the Executive Board:

1. The Government of the Republic of Niger has requested a stand-by arrangement for the period from December 5, 1984 to December 4, 1985, in an amount equivalent to SDR 16 million.

2. The Fund approves the stand-by arrangement attached to EBS/84/221.

3. The Fund waives the limitation in Article V, Section 3(b)(iii).

NIGER - Fund Relations
(As of September 30, 1984, amounts in SDRs,
unless otherwise indicated)

I. Membership status

(a) Date of membership: April 24, 1963

(b) Status: Article XIV

A. Financial Relations

II. General Department (General Resources Account)

(a) Quota: 33.7 million

(b) Total Fund holdings of currency: 58.74 million (174.3 percent of quota)

(c) Fund credit: 33.6 million (99.7 percent of quota) of which:

Credit tranche: 9.6 million (28.49 percent of quota)
CFF: 24 million (71.22 percent of quota)

(d) Reserve tranche position: 8.56 million

(e) Current operational budget (maximum use of currency): None

(f) Lending to the Fund: None

III. Current Stand-by and Special Facilities

(a) Current stand-by

(i)	Duration:	October 5, 1983-December 5, 1984
(ii)	Amount:	18.0 million
(iii)	Utilization:	9.6 million
(iv)	Undrawn balance:	8.4 million

(b) No previous stand-by arrangements

(c) Special facilities: CFF, approved July 1, 1983, 12 million
CFF, approved October 5, 1983, 12 million

IV. SDR Department (as of September 30, 1984)

(a) Net cumulative allocation: 9.41 million

(b) Holdings: 2.93 million (31.21 percent of net cumulative allocation)

NIGER - Fund Relations (continued)

(c)	Current designation plan (amount of maximum designation):	None

V. Administered Accounts

(a)	Trust Fund Loan:	
	Disbursement:	12.70 million
	Outstanding:	11.63 million
(b)	SFF Subsidy Account:	None

VI. Overdue Obligations to the Fund None

B. Nonfinancial Relations

VII. Exchange System

Pegged to the French franc at the rate of FF 1 = CFAF 50

VIII. Staff Contacts and Technical Assistance

A technical assistance mission from the Fiscal Affairs Department visited Niger in March 1982 to study the country's tax system, and presented its final report to the authorities in January 1983. Since September 1982 a member of the FAD panel of fiscal experts, Mr. Jean-Paul Cornely, has been assigned Administration Adviser to the Secretary General of Finance to assist, inter alia, with the implementation of the recommendations of the FAD tax report. His assignment has been extended for one year.

In March 1982 a staff member from the Bureau of Statistics provided technical assistance in compiling government finance statistics.

In November 1983, a CBD expert, Mr. Robert Laniesse, was assigned for a 5-month period to assist the authorities in the field of external debt data management, and his assignment was extended for six months.

A member of the FAD panel of fiscal experts, has been assigned for a short-term technical assistance to advise on matters relating to the Treasury and budget nomenclature and on the preparation of the 1985 budget, and is expected to start in late 1984.

NIGER - Fund Relations (concluded)

IX. Last Article IV consultation and stand-by review

Dicussions were held by the staff during January 9-12, 1984. The Staff Report (EBS/84/66) was discussed by the Executive Board on April 24, 1984. Decisions as follows:

A. 1984 Article IV Consultation

1. The Fund takes this decision in concluding the 1984 Article IV consultation with Niger in the light of the 1984 Article XIV consultation with Niger conducted under Decision No. 5392-(77/63), adopted April 29, 1977 ("Surveillance over Exchange Rate Policies").

2. The Fund notes with satisfaction that Niger continues to maintain an exchange system which is free of restrictions on payments and transfers for current international transactions.

B. Review Under Stand-By Arrangement

1. Niger has consulted with the Fund in accordance with paragraph 3(b) of the stand-by arrangement for Niger (EBS/83/194, 10/6/1983, Sup. 1) and paragraph 30(g) of the memorandum on economic and financial policy annexed to the letter dated July 27, 1983 from the Prime Minister, in order to review progress made by Niger in implementing its program and reach understandings with the Fund regarding policies, measures and performance clauses for the periods ending March 31, June 30, and September 30, 1984.

2. The letter of January 20, 1984, from the Prime Minister, together with the annexed memorandum shall be attached to the stand-by arrangement and the letter dated July 27, 1983, together with the annexed memorandum, shall be read as modified and supplemented by these communications.

3. Niger will not make purchases under the stand-by arrangement for Niger that would increase the Fund's holdings of Niger's currency in the credit tranches beyond 25 percent of quota, during any period in which the data at the end of the preceding period indicate that any of the performance criteria set out in paragraph 20(a), (b), or (c) of the memorandum annexed to the letter dated January 20, 1984, is not observed, or if at any time the performance criteria set out in paragraph 20(d) or (e) of that memorandum are not observed.

4. Paragraph 3(d) of the stand-by arrangement for Niger shall be amended by inserting the following text before the words "if Niger":

"(d) during the entire period of this stand-by arrangement, while Niger has any overdue financial obligation to the Fund, or".

Financial Relations of the World Bank Group with Niger

Date of membership - IBRD: April 24, 1963

Capital subscription - IBRD: SDR 10.0 million

A. IDA lending operations 1/	Committed 2/	Undisbursed
	(In millions of U.S. dollars)	
Thirteen credits fully disbursed	62.2	--
Third highway	15.6	0.6
Livestock	12.0	5.0
Feeder Roads	10.0	2.3
Dosso Agricultural Dvt.	20.0	17.8
Second Maradi Rural Dvt.	16.7	11.8
Education	21.5	11.2
Industrial development	16.0	10.2
Second forestry	10.1	7.2
Water supply	6.5	5.3
Fourth highway	23.6	17.7
Economic and financial improvement 3/	11.7	11.7
Total	225.9	100.8
Of which has been repaid	(3.2) 4/	
Total now outstanding and held by IDA	222.7	
Total undisbursed		100.8

B. IFC investment	Loan	Equity	Undisbursed
	(In millions of U.S. dollars)		
Flourmill (Les Moulins du Sahel, S.A.)	2.2	0.3	0.4 4/

Source: World Bank.

1/ As of October 9, 1984.
2/ Less cancellation.
3/ Not yet effective.
4/ As of August 31, 1984.

Niger--Stand-By Arrangement

Attached hereto is a letter, with annexed memorandum, dated August 21, 1984, from the Prime Minister of Niger requesting a stand-by arrangement and setting forth the objectives, policies, and measures that the authorities of Niger will pursue for the period of this stand-by arrangement and understandings of Niger with the Fund regarding a review that will be made of progress in realizing the objectives of the program and of the policies and measures to be pursued for the remaining period of this stand-by arrangement.

To support these objectives, policies, and measures the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. For a period of twelve months from December 5, 1984, Niger will have the right to make purchases from the Fund in an amount equivalent to SDR 16 million, subject to paragraphs 2, 3, 4, and 5 below, without further review by the Fund.

2. (a) Purchases under this arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 3.2 million until February 15, 1985, SDR 6.4 million until May 15, 1985, SDR 9.6 million until August 15, 1985, and SDR 12.8 million until November 15, 1985.

(b) None of the limits in (a) above shall apply to a purchase under this stand-by arrangement that would not increase the Fund's holdings of Niger's currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota.

3. Purchases under this stand-by arrangement shall be made from ordinary and borrowed resources in the ratio of 1 to 1, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification.

4. Niger will not make purchases under this stand-by arrangement that would increase the Fund's holdings of Niger's currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota.

(a) during any period in which the data at the end of the preceding period indicate that

(i) the limit on total domestic credit of the financial institutions as specified in paragraph 17 of the attached memorandum, or

(ii) the limit on net position of the Government vis-à-vis the banking system as specified in paragraph 17 of the annexed memorandum, or

(iii) the target for the elimination of domestic payments arrears of the Government vis-à-vis enterprises as specified in paragraph 16 of the annexed memorandum, or

(iv) the limit on the stock of short-term foreign liabilities of the domestic banks referred to in paragraph 19 of the annexed memorandum;

is not observed; or

(b) if Niger fails to observe the limits on contracting or guaranteeing of nonconcessional external loans as specified in paragraph 19 of the annexed memorandum; or

(c) if Niger incurs any external arrears or fails to carry out the intention specified in paragraph 20, third sentence, of the annexed memorandum; or

(d) after February 15, 1984, if the review contemplated in paragraph 5 of the attached letter, has not been completed and suitable performance clauses have not been established as contemplated in that provision, or after such clauses having been established, are not being observed; or

(e) throughout the duration of this stand-by arrangement, while Niger has any overdue financial obligations to the Fund, or if Niger

(i) imposes restrictions on payments and transfers for current international transactions, or

(ii) introduces or modifies multiple currency practices, or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or

(iv) imposes or intensifies restrictions on imports for balance of payments reasons.

When Niger is prevented from purchasing under this stand-by arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and Niger and understandings have been reached regarding the circumstances in which such purchases can be resumed.

5. Niger's right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of Niger. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and Niger and understandings have been reached regarding the circumstances in which such purchases can be resumed.

6. Purchases under this stand-by arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, and may be made in SDRs if, on the request of Niger, the Fund agrees to provide them at the time of the purchase.

7. The value date for purchases under this stand-by arrangement involving borrowed resources will be determined in accordance with Rule G-4(b) of the Fund's rules and regulations. Niger will consult the Fund on the timing of purchases involving borrowed resources in accordance with Rule G-4(d).

8. Niger shall pay a charge for this arrangement in accordance with the decisions of the Fund.

9. (a) Niger shall repurchase the outstanding amount of its currency that results from a purchase under this stand-by arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchase as Niger's balance of payments and reserve position improves.

(b) Any reductions in Niger's currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

(c) The value date of a repurchase in respect of a purchase financed with borrowed resources under this stand-by arrangement will be normally either the 6th day or the 22nd day of the month, or the next business day if the selected day is not a business day, provided that the repurchase will be completed not later than seven years from the date of purchase.

10. During the period of the stand-by arrangement Niger shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to Niger or of representatives of Niger to the Fund. Niger shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of Niger in achieving the objectives and policies set forth in the annexed memorandum.

11. In accordance with paragraph 5 of the attached letter Niger will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the Government or whenever the Managing Director requests consultation because any of the criteria in paragraph 5 above have not been observed or because he considers that consultation on the program is desirable. In addition, after the period of the arrangement and while Niger has outstanding purchases in the upper credit tranches, the Government will consult with the Fund from time to time, at the initiative of the Government or at the request of the Managing Director, concerning Niger's balance of payments policies.

REPUBLIC OF NIGER
Supreme Military Council

Niamey, August 21, 1984

OFFICE OF THE PRIME MINISTER

The Prime Minister

No. 0526 /PM

Mr. Jacques de Larosière
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. de Larosière:

1. On October 5, 1983, the Fund approved a stand-by arrangement for Niger in support of an adjustment program covering the fiscal year ending in September 1984. This program aimed primarily at reducing the domestic and external financial imbalances and re-establishing over the medium term a viable balance of payments position. Although the economy has suffered from adverse weather conditions as well as the closure of the border with a neighboring country, the measures envisaged under the program have been effectively implemented and, so far, the performance criteria have been observed.

2. In order to consolidate the progress made toward attaining a viable external position consonant with domestic financial stability and a sustainable rate of economic growth, the Government has decided to continue its adjustment efforts in the context of a financial program for the fiscal year 1984/85. In support of this program, the Government of Niger requests the use of Fund resources under a one-year stand-by arrangement in the amount of SDR 16 million.

3. The attached memorandum describes the program's economic and financial objectives and policies, as well as appropriate performance criteria. For 1984/85, the main objectives of the program are to further reduce the current account deficit, to maintain relative price stability, and to stimulate economic growth. Accordingly, the Government will emphasize restrictive financial policies, aimed at containing demand pressures, while addressing concomitantly the structural problems in the economy, with a view to improving the domestic supply situation. The key elements of the program include a reduction in the overall fiscal deficit, the elimination of the remaining domestic arrears, the pursuit of a tight credit policy, the implementation of an appropriate investment program, the gradual liberalization of pricing and marketing policies in the agricultural sector, and appropriate external debt management policies.

4. During 1984/85, we shall undertake a number of studies and formulate policies, in consultation with the Fund and the World Bank, with a view to launching in 1985/86 a major three-year structural adjustment program. The problems Niger is facing will take time to overcome. The measures adopted in 1983/84 and 1984/85 were designed in the context of medium-term adjustment. The improvements in the economic conditions achieved during 1983/84 and 1984/85 constitute the foundation for the implementation of the envisaged three-year structural adjustment program.

5. The Government believes that the measures described in the attached memorandum are adequate to achieve the objectives of the 1984/85 program. However, it will take any additional measures that might become necessary for this purpose. The Government of Niger will consult with the Fund in accordance with the policies of the Fund. The authorities will review with the Fund before end-March 1985 the progress made under the program, the implementation of measures to rehabilitate public enterprises, and the outcome of external debt rescheduling. During this review, which constitutes a performance criterion, the authorities will reach understandings with the Fund on appropriate ceilings for June and September 1985.

Sincerely yours,

/s/

Hamid Algabid
Prime Minister

Memorandum on the Economic and Financial Policy of the Republic of Niger

I. Economic and Financial Developments During 1983/84 1/

1. In the early 1980s Niger's economic and financial situation was adversely affected by a weakness in the world demand conditions for Niger's main export commodity (uranium), a deterioration in the terms of trade, unfavorable weather conditions, a drop in foreign aid and a rising external debt burden. These factors led to a decline in real GDP and to a marked widening in domestic and external financial imbalances. These developments were exacerbated by mounting financial problems in the parastatal sector. To improve the economic and financial situation of the country, the Government adopted in mid-1983 a financial program covering the fiscal year 1983/84. This program included cutbacks in public expenditure, an increase in the tax effort, a reduction in government arrears, measures designed to improve the financial performance of parastatals, a substantial deceleration in domestic credit expansion, and appropriate restraints on foreign borrowing. Notwithstanding less favorable weather conditions than had been envisaged, and the adverse impact of the closure of the Nigerian border since April 1984, all the measures under the program for fiscal year 1983/84 were effectively implemented. The reform of key parastatals contributed to a significant improvement in their operations, the budgetary deficit narrowed significantly, government domestic payments arrears were reduced sharply, and the rate of domestic credit expansion was contained. All the performance criteria through end-June 1984 were observed and the end-September performance criteria are anticipated to be met. Although economic activity was adversely affected by the emergence of drought conditions and the closure of the Nigerian border, the policies pursued contributed to a containment in the rate of inflation (as measured by the GDP deflator) to 7.0 percent while the deficit of the current account of the balance of payments declined marginally.

2. In accordance with its policy to contain investment in line with availability of foreign financing on concessional terms and the absorptive capacity of the economy, government investment was cut severely in 1983/84. The Government had targeted a reduction in its investment expenditure financed by external loans and including the domestic counterpart from CFAF 59 billion in 1982/83 to CFAF 37 billion in 1983/84. 2/ In addition, the structure of investment was re-oriented in order to reduce the imbalance in the allocation of resources between the directly productive sectors and the social and economic infrastructure sectors. About 36 percent of Government investment was allocated to the productive sectors of Government. In the event, government investment expenditure reached CFAF 31.7 billion, of which CFAF 5 billion represented the domestic counterpart contributions.

1/ The analysis in this section is based on preliminary estimates for 1983/84 and for calendar year 1984.

2/ Including grants, the level envisaged was about CFAF 70 billion.

The high implementation ratio achieved in 1983/84 reflected the adoption of a more realistic investment target. It is estimated that the share of investment in the productive sectors was higher than envisaged, reaching close to 46 percent.

3. During 1983/84, the operations of key parastatals recorded a considerable improvement as a result of measures taken in the context of the adjustment program. The grain marketing office (OPVN) reduced its buying centers, sales outlets, staff size, and transport outlays. The import monopoly that the marketing agency for Nigerien products (COPRO-NIGER) enjoyed with respect to certain products was abolished, all pilot stores were closed, the size of the staff was reduced, the profit margin on certain products was increased, and since the requirement that COPRO-NIGER maintain security stocks equivalent to three months' consumption was abolished, the security stocks were reduced. NIGELEC, the national electricity and water distribution company, increased its tariff by 21 percent effective October 1, 1983 and improved metering and billing operations. SONICHAR, the coal-fired power plant, raised, effective January 1, 1984, tariffs charged the uranium-mining companies by 12 percent and reduced its investment expenditures. The agency for underground water supply (OFEDES) reduced its staff by two-thirds and is taking steps to transfer the costs of operating and maintaining wells to beneficiaries. The user charges for secondary centers, introduced in 1982, were also increased. With regard to the development bank (BDRN) and the agriculture credit agency (CNCA), the Government continued its efforts to rehabilitate these enterprises. For BDRN, the authorities have requested technical assistance from the World Bank, and two experts on financial institutions have begun work on a rehabilitation program. Furthermore, a detailed audit of BDRN was completed in March 1984. As for CNCA, studies on its role in providing agricultural credit have been completed with the assistance primarily of the CCCE and USAID.

4. In the fiscal field, the budgetary deficit on a payment-order basis was sharply reduced, from CFAF 48.6 billion in 1982/83 (7.3 percent of GDP) to CFAF 32.3 billion (4.7 percent of GDP) in 1983/84. However, this outcome exceeded somewhat the program target for the budgetary deficit of CFAF 29.6 billion, due to a shortfall in revenue that was only partly compensated by a lower than projected level of expenditures. During 1983/84, the Government reduced markedly its payments arrears, by CFAF 13.6 billion compared with a target of CFAF 10.5 billion. The higher reduction in arrears has resulted in the virtual elimination of domestic arrears to public enterprises, even though the updating at end-May of the estimated figures for outstanding arrears in July, 1983 showed them to be considerably higher than had been originally estimated. Reflecting these factors, the overall deficit on a cash basis reached CFAF 47.8 billion compared with a program target of CFAF 42 billion. However, since external financing was larger than projected, the level of bank financing of the deficit is estimated to have remained within the program ceilings adjusted for the higher repayments of arrears as allowed under the program.

5. On the revenue side, there was a decline of 3.5 percent from 1982/83, representing a shortfall of 6.5 percent from the program projection. The

shortfall was due to the impact of the decline in economic activity on receipts from taxes on income and profits and turnover taxes as well as the impact of the closure of the Nigerian border on customs duties. The decline in revenue would have been more severe had it not been for the implementation of a number of tax measures at the beginning of the fiscal year. These included increases in taxes on income and profits, customs duties, indirect taxes on petroleum products and telecommunication services, taxes on property income and registration fees, and improvement in tax administration. The revenue gains from these measures had been estimated at CFAF 4 billion. On the expenditure side, total expenditure was reduced by 16 percent and was, therefore, below the program projection. The increase in current outlays was contained to 8 percent, slightly higher than programmed, as the Government did not grant any general wage increase and as non-priority expenditures were reduced. As indicated in paragraph 2 above, capital expenditures were reduced by 46 percent, that is, 14 percent less than program projections.

6. During 1984, the expansion of credit in terms of the money stock at the start of the period was contained to 10.6 percent and was within the limits of the program. Net credit to the Government increased by 11 percent of the money stock. The growth of net credit to the Government reflected in large part the significant reduction in government payments arrears. This reduction contributed to an improvement in the position of public enterprises, which, together with the decline in economic activity, led to a slight contraction in credit to the economy. In view of the level of net foreign assets, the money supply expanded by 10 percent. During the year, all the performance criteria through June 1984 have been observed, and those for end-September 1984 are expected to be met.

7. The overall deficit of the balance of payments in 1984, at CFAF 17.1 billion (2.5 percent of GDP) was slightly higher than the programmed level of CFAF 14.2 billion (2.1 percent of GDP). The balance of payments outcome reflected in part the adverse effects of the closure in 1984 of the border with Nigeria, which affected both official imports and exports, and the impact of the drought especially on imports of grains. There was a decline in exports that was more than offset by a larger reduction in imports of capital goods and raw materials. With a higher level of grants associated with food aid and a lower level of transfers, the current account deficit narrowed from CFAF 27.2 billion in 1983 to CFAF 26.8 billion in 1984. Furthermore, project loan disbursements declined and the surplus on the capital account narrowed significantly. As a result, the overall deficit in the balance of payments increased and was largely financed through debt relief obtained from the Paris Club and other creditors. During the program period, there have been no new restrictions on payments and transfers for international transactions or tightening of any exissting restrictions.

8. Niger's outstanding disbursed external debt, including obligations to the Fund, had reached at end-1983 CFAF 337 billion (about 50 percent of GDP) of which 41 percentage points represented public and publicly-guaranteed debt. The debt service payments of Niger rose sharply to

38 percent of exports of goods and nonfactor services in 1984. In order to reduce the immediate burden of these payments, in November 1983 a partial rescheduling of public and publicly-guaranteed external debt was agreed with Paris Club creditors and followed by an agreeement on further debt relief from commercial banks. The total amount of relief obtained for fiscal year 1983/84, after taking into account payments related to the rescheduling, was CFAF 17.7 billion, of which CFAF 13.2 billion was from Paris Club creditors. This rescheduling is estimated to have reduced the debt service ratio to below 30 percent in 1984. The debt relief agreed for 1983/84 with commercial creditors, of CFAF 4.5 billion, was accompanied by an agreement on rescheduling of principal due in 1984/85 on the condition that a rescheduling is obtained from official creditors. Total outstanding external debt is estimated to reach CFAF 370 billion or 53 percent of GDP at end-1984.

II. The 1984/85 Program

9. The Government of Niger intends to continue its adjustment efforts during 1984/85. The main quantitative objectives are to achieve a 3.1 percent real rate of economic growth after three consecutive years of decline, to reduce the rate of inflation as measured by the GDP deflator to 6.5 percent and to narrow the current account deficit of the balance of payments to CFAF 21.3 billion (2.8 percent of GDP) in 1985. In order to achieve these objectives, the Government intends to take measures on both the supply and demand sides. On the supply side, pricing and marketing policies will be progressively liberalized, the reform of public enterprises will be continued, and an appropriate public investment program will be implemented. On the demand side, the overall budgetary deficit (on a cash basis) will be reduced from 6.9 percent of GDP in 1983/84 to 4.3 percent in 1984/85, through measures to contain the growth of expenditures and to enhance government revenues. Concomitantly, a balanced credit policy will be implemented, taking into account the objective of meeting the credit needs of the revival in economic activity, while controlling the growth of overall demand.

10. Pricing and marketing policies: The Government will adopt a number of measures designed to progressively liberalize pricing and marketing policies, all of which will be in place beginning October 1, 1984:

(a) The privileged position of the grain marketing agency (OPVN) in importing and marketing millet and sorghum will be abolished. All private individuals and cooperatives will be authorized to market and import cereals without a licensing or quota requirement.

(b) The OPVN will adopt a system of tenders and bids with private individuals and cooperatives for its purchases of cereal products (millet and sorghum). For wholesale sales of cereal products, the OPVN will adopt a system of tenders. For retail sales of cereal products, the OPVN will adjust its prices in line with the evolution of market prices in order to obtain an adequate margin of profit.

(c) The exports of cowpeas will be liberalized. The monopsony position of SONARA will be officially abolished and individuals and cooperatives will be free to sell directly abroad or through SONARA.

The application of these measures will not conflict with the floor producer prices system.

11. Public enterprises: The policy of the Government aims at limiting its participation to those public enterprises whose functions cannot be expected to be carried out by the private sector. The Government plans to rehabilitate such enterprises to ensure that they operate efficiently and are economically viable, taking into account the importance of the social functions they fulfill. It is the intention of the Government to privatize the rest of the enterprises and liquidate those that are not viable and cannot be privatized. In order to enable the Government to implement this policy, diagnostic studies of 54 public and mixed enterprises were undertaken and were completed in April 1984. An Interministerial Committee chaired by the Minister of Commerce examined these studies, and reviewed the possible scenarios for the reform of the sector in consultation with a World Bank mission which visited Niger in May 1984. By October 1984, the Government will have prepared a classification of all enterprises, dividing them into categories which would permit a further grouping of enterprises into those whose activities could be privatized or liquidated and those which should remain in the public sector. This classification and other measures taken by the authorities will be the subject of further discussions with a World Bank mission scheduled for October 1984. The authorities plan to subsequently establish a permanent working group to prepare a detailed program of action for the long-term reform of the sector. Pending the completion of these preparations, the policies that led to the improvement in the operations of key enterprises in 1983/84 will continue to be pursued. Certain additional specific measures, however, are being adopted that are likely to improve the operations of five key enterprises:

(a) The grain marketing agency (OPVN) is expected to improve its profits considerably, reflecting the adoption of the pricing system described above;

(b) By January 1, 1985, the national office for management of irrigation (ONAHA) will have a program for the introduction of user fees to cover the cost of maintenance of pumping stations and irrigation canals, and a timetable for the reduction of input subsidies in the context of its irrigation rehabilitation program;

(c) The capital of BDRN is being increased and a major rehabilitation program is being prepared in consultation with the World Bank and France's Caisse Centrale de Coopération Economique (CCCE).

(d) The agency for underground water supply (OFEDES) will expand its program to charge user costs to the beneficiaries;

(e) The Office des Postes et Télécommunications (OPT) will increase the telephone rental fee, effective October 1, 1984, in order to improve its financial position.

12. Public investment program: The public investment program (including external grants) for 1984/85 is estimated at a total of CFAF 71 billion, about the same nominal level targeted for 1983/84. This level of investment is considered appropriate by the World Bank and in line with the financial constraints. Of this amount, CFAF 8 billion is to be financed domestically, CFAF 34 billion by concessional loans, and CFAF 29 billion by grants. The domestic counterpart target includes CFAF 1 billion allocated for the Government's contribution in 1984/85 to the BDRN for the increase in capital for its rehabilitation. Of the total investment target, about 60 percent represents ongoing projects. The balance represents new projects that have been selected in line with the economic and financial priorities of the Government of Niger. Investment expenditure for 1984/85 breaks down approximately as follows: 45 percent is allocated to the directly productive sectors, 30 percent to social infrastructure, and 25 percent to economic infrastructure. As a working hypothesis, the Government has assumed a minimum implementation rate of 75 percent. If there should be a shortfall in financing, the Government will reduce its investment level accordingly.

13. The Government is conscious of the importance of emphasizing new investment in the productive sectors of the economy and aims at establishing a balanced structure of investment between the productive, social, and infrastructural sectors. This balance is essential to maximize the rate of return in each sector. In accordance with the understanding reached with the World Bank, the Government plans to limit its investment during the first quarter of 1984/85 to ongoing projects, to the implementation of the Zinder-Agadez Road project, and to new investments in the productive sectors. New projects in other sectors will be reviewed with the World Bank mission that is expected to visit Niger in October 1984, in order to ensure that a balanced investment structure is achieved. In addition, the Government intends to prepare, in consultation with the World Bank, a five-year public investment program covering the period 1985/86-1990/91.

14. Public finance: The overall deficit, on a payment-order basis, includes all extrabudgetary outlays, the annexed budgets and the net change in the Treasury's capital accounts, and will be limited to CFAF 29.9 billion (4.0 percent of GDP) in 1984/85, compared with CFAF 32.3 billion (4.7 percent of GDP) in 1983/84. On a cash basis, taking into account the reduction of arrears, the overall budgetary deficit is targeted to be reduced from CFAF 47.8 billion in 1983/84 (6.9 percent of GDP) to CFAF 32 billion in 1984/85 (4.3 percent of GDP). The deficit is expected to be financed partly by debt relief and exceptional financing. Net domestic borrowing by the banking system takes account of a CFAF 2.2 billion reduction in the deposits of the Caisse Nationale de la Sécurité Sociale with the Treasury to finance its own operations. The anticipated external financing includes CFAF 5 billion in budgetary assistance.

15. The improvement in the budgetary position is to be realized through expenditure containment and new tax measures. On the revenue side, total revenue is expected to increase by 7 percent to CFAF 70.8 billion. Even though the drought conditions and the closure of the Nigerian border will continue to adversely affect tax revenue, the Government is determined to pursue the implementation of tax reforms and improve tax administration in line with the recommendations made in the 1982 Fund report on tax reform. Several of the recommended tax measures have been already implemented in 1983/84 and will have a favorable impact on Government revenue in 1984/85. The 1984/85 budget will incorporate additional measures, including the organization of the property registry for tax purposes to increase revenue from property taxes, the computerization of the general income tax aimed at expanding and controlling the coverage of this tax, and the introduction of a simplified declaration of industrial and commercial profits tax (BIC) and an advance installment scheme for payment of that tax. With regard to the value-added tax, the required studies have been completed with technical assistance from the Fund. However, the implementation of this reform will necessitate training of qualified personnel who will be in charge of collecting this tax and assessing the value added of the taxpayers. The Government intends to introduce this reform in the next fiscal year. The above-mentioned measures and those already implemented in 1983/84 are estimated to generate an additional annual revenue yield of CFAF 3 billion. The fiscal position is also expected to benefit from the improvements in the financial position of public enterprises. On the expenditure side, expenditure is projected to increase by only 2 percent, limiting the overall amount to CFAF 100.7 billion. The policy of austerity will be continued in 1984/85. The Government will further strengthen expenditure controls, impose strict limitations on administrative expenditure and on transfers to public entities, and contain the increase in the wage bill to no more than 5 percent compared with 13 percent in the previous year. During 1984/85, new hiring will be limited and no general wage increase will be granted. Accordingly, operating costs (excluding public debt service) will be contained to CFAF 54 billion, representing an increase of 8.2 percent. However, investment expenditure, largely financed by foreign assistance, will be maintained at about the 1983/84 level in nominal terms.

16. As indicated above, by end-September 1984, Government domestic arrears to public enterprises will be reduced to a total of CFAF 2.1 billion, including interest on the arrears. As a performance criterion, the Government will repay before end-September 1985 the remaining arrears to public enterprises by cash payments. With regard to arrears to domestic banks, which will amount to CFAF 8.8 billion at end-September 1984, the Government has signed an agreement with the banks eliminating the arrears through rescheduling.

17. Monetary and credit policies: The Government will continue with a moderate monetary and credit policy consistent with the balance of payments objectives and budgetary policy described above, while at the same time providing for adequate credit to meet the needs of the productive sector. Accordingly, for the years ending December 31, 1984 and December 31, 1985,

the expansion in total credit will be limited to 10.6 percent and 11.1 percent of the money stock at the beginning of the period, respectively. Of the increase programmed for 1985, 6.6 percentage points will be provided to the private sector as compared to a slight decrease in 1984. To stay within these limits, the Central Bank will ensure that its rediscounts are appropriately determined, and that banks are prevented from engaging in a buildup of their short-term foreign debt in excess of CFAF 23 billion. Taking into account the balance of payments objectives, the above credit limits will imply an increase in broad money of 10.1 percent in 1984 and 7.4 percent in 1985. As a performance criterion, total domestic credit of the financial institutions which amounted to CFAF 114.89 billion as at end-June, 1984, and is estimated at CFAF 128.60 billion as at end-September 1984 under the program, will not exceed CFAF 134.0 billion as at December 31, 1984, and CFAF 139.40 billion as at March 31, 1985; similarly, the net position of the Government vis-à-vis the banking system, which amounted to CFAF 17.03 billion as at end-June 1984, and is estimated at CFAF 24.60 billion at end-September 1984, will not exceed CFAF 27.0 billion as at December 31, 1984 and CFAF 29.40 billion as at March 31, 1985. On an indicative basis, total domestic credit should not exceed CFAF 137.50 billion as at June 30, 1985 and CFAF 141.0 billion as at September 30, 1985; the net position of the Government vis-à-vis the banking system should not exceed CFAF 27.50 billion and CFAF 30.0 billion respectively. The ceilings for end-June and end-September 1985 will be set during the mid-term review of the program, taking into account the assessment of the progress made under the program, developments in the domestic economic situation (crop harvests, the Nigerian border closing), the reduction of Government arrears, the outcome of external debt rescheduling and any additional non-project-related external assistance. These ceilings include any new classification of doubtful or litigious loans during the program period.

18. External sector: As mentioned in paragraph 9 above, the current account deficit is expected to decline from an estimated CFAF 26.8 billion in 1984 to CFAF 21.3 billion in 1985 as a result of a higher increase in exports than in imports. On the import side, the restrictive demand management measures and the containment of public investment and foreign borrowing will contribute to limiting the growth of imports to 1 percent. On the export side, exports are expected to increase by 5 percent as against a 5.3 percent decline the previous year. With respect to the capital account, the surplus of CFAF 10 billion in 1984 will decline to CFAF 4 billion as a result of higher payments of principal due, while drawings on foreign loans will decline sharply. This, however, will be almost balanced out by the improvement in the current account, thus maintaining the overall balance of payments deficit at about CFAF 17 billion in 1985. For working purposes, it has been assumed that this deficit would be partly financed by rescheduling of public debt to official and private creditors (estimated at around CFAF 15 billion). On these assumptions and taking into account the planned drawings on Fund resources, official reserves would increase from 2.1 months of imports at end-1984 to about 2.3 months of imports at end-1985.

19. Foreign Debt: The Government intends to seek debt relief from the Paris Club in order to close the financing gaps in the budgetary and balance of payments positions. The Government has already obtained rescheduling of its debt vis-à-vis commercial banks, on condition, however, that an agreement with the Paris Club be reached for the same period (October 1984-September 1985). In order to achieve a gradual reduction in the debt service burden and improve the medium-term structure of foreign debt, the Government will not contract or guarantee any new nonconcessional loans in the 0-12 years maturity range over the period October 1, 1984 to September 30, 1985, excluding rescheduled debt. This will constitute a performance criterion under the program. Also as a performance criterion during the same period, domestic banks will not be allowed to increase their stock of short-term external liabilities with a maturity of less than one year beyond CFAF 23 billion. Despite this prudent policy, a steady rise in amortization payments on previously contracted public debt is projected to be largely responsible for an increase in the burden of public debt service from CFAF 38.3 billion (26.3 percent of exports) in 1984 before taking into account the effects of rescheduling to a peak of around CFAF 53 billion (31 percent of exports) in 1987 and 1988 taking account of the impact of the 1983/84 and 1984/85 reschedulings. Thereafter, the public debt service is projected to decline progressively, reflecting a prudent debt policy and an increase in the share of concessional debt.

20. An outstanding amount of external arrears of CFAF 1.6 billion on Government-guaranteed debt, which were incurred before October 1, 1983, was not covered by last year's debt rescheduling with the Paris Club. The Government is currently negotiating with the creditors concerned to reschedule these arrears and hopes that this matter will be resolved soon. The outcome of these negotiations will be reviewed with the Fund during the next review of the program, and the elimination of these arrears before end-September, 1985 will constitute a performance criterion.

21. During the program period the Government will not introduce any multiple currency practices; impose any new or intensify any existing restrictions on payments and transfers for current international transactions; enter into any bilateral payments arrangements with Fund members; or introduce any new or intensify any existing restrictions on imports for balance of payments reasons.