FOR AGENDA

EBS/83/194

CONFIDENTIAL

September 7, 1983

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 18 million. A draft decision appears on page 25.

It is proposed to bring this subject, together with Niger's request for a purchase under the compensatory financing facility (document to be issued), to the agenda for discussion on Wednesday, October 5, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Basu (ext. 76542) or Ms. Hoban (ext. 76142).

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 S. Kanesa-Thasan

September 7, 1983

I. Introduction

In the attached letter and annexed memorandum of economic and financial policies (Attachments I and II), dated July 27, 1983, the Government of Niger has requested a 14-month stand-by arrangement in an amount equivalent to SDR 18 million (75 per cent of quota), in support of a financial program covering the period from September 1, 1983 to September 30, 1984. 1/ The purchases are to be made from ordinary resources. The Fund's holdings of Niger's currency (the CFA franc), excluding those resulting from purchases under the compensatory and oil facilities, amounted to SDR 17.87 million (74.46 per cent of quota) at end-July 1983. If the purchases under the proposed stand-by arrangement were fully made, the Fund's holdings of Niger's currency (excluding the special facilities) would increase to SDR 35.87 million (149.45 per cent of quota) by end-December 1984 (Table 1).

Niger made a purchase of SDR 12 million (50 per cent of quota) under the compensatory financing facility (CFF) in July 1983. The Fund's holdings of Niger's currency, including those resulting from purchases under the special facilities, amounted to SDR 29.87 million (124.45 per cent of quota) at end-July 1983. Inclusive of the purchases under the proposed stand-by arrangement and the additional purchase being requested with the accompanying CFF paper, the Fund's total holdings of Niger's currency would increase to SDR 59.87 million (249.45 per cent of quota) by end-December 1984. A waiver of the limitation in Article V, Section 3(b)(iii) is being proposed.

1/ A staff mission comprising Messrs. Basu (head-AFR), Briffaux (AFR), Ms. Hoban (AFR), and Messrs. Ewenczyk (EP-CBD), Kuhn (EP-AFR), and Antal (secretary-BLS) visited Niamey during the period July 18-28, 1983, for the discussions that provided the basis for this paper.

Table 1. Niger: Schedule of Proposed Purchases and of Repurchases, 1983-84

	1983		1984				
	July-Sept.	Oct.-Dec.	Jan.-March	April-June	July-Sept.	Oct.-Dec.	Total
			(In millions of SDRs)				
Purchases							
Stand-by arrangement	--	6.80 1/	2.80	2.80	2.80	2.80	18.00
CFF	12.00	12.00	--	--	--	--	24.00
Repurchases							
Stand-by arrangement	--	--	--	--	--	--	--
CFF	--	--	--	--	--	--	--
Net purchases	12.00	18.80	2.80	2.80	2.80	2.80	42.00
Total Fund holdings of Niger's currency (cumulative)	29.87	48.67	51.47	54.27	57.07	59.87	
			(As per cent of quota) 2/				
Total Fund holdings	124.45	202.79	214.46	226.13	237.79	249.45	
Holdings excluding the CFF	74.46	102.79	114.46	126.13	137.79	149.45	

Source: IMF Treasurer's Department.

1/ Includes a drawing of SDR 6 million under the first credit tranche.
2/ On an end of period basis.

The 1983 Article IV consultation discussions were held in January 1983 and were followed by a staff visit in April 1983, and on both occasions, preliminary discussions were held on a financial program to be supported by possible use of Fund resources. The staff's report on these discussions, as well as Niger's request for the CFF drawing of SDR 12 million (50 per cent of quota), were discussed by the Executive Board on July 1, 1983. Following the visit of a FAD technical assistance mission in March 1982, which studied Niger's tax system, a member of the FAD panel of fiscal experts, Mr. J.P. Cornely, was assigned as Tax Administration Adviser to the Secretary General of Finance, to assist, inter alia, with the implementation of the recommendations of the FAD technical assistance tax report. Mr. Cornely's assignment was extended recently for another year.

The World Bank is also providing technical assistance to Niger to help with investment planning and budgeting, studies of the financial operations of several public enterprises, and with the monitoring of the external public debt. In addition, the World Bank is supporting a number of projects, mainly in the areas of agriculture and rural development and transportation.

A summary of Niger's relations with the Fund and of World Bank operations are shown in Appendices I and II.

II. Recent Economic Developments

Niger's economic and financial situation has deteriorated substantially since 1981, mainly because of weak world demand conditions for uranium, which accounts for 80 per cent of the country's total exports. Following relatively high rates of growth during 1979-81 (averaging 9 per cent annually), real gross domestic product (GDP) is estimated to have declined at an annual rate of about 1 per cent during 1982-83, due to a drop in the output and export volume of uranium, a decrease in agricultural production following poor weather conditions, and a slowdown in construction activities that resulted from cutbacks in public investment (Table 2). With the decline in uranium exports and related budgetary receipts, the deficits in the overall Treasury operations and in the external current account became unsustainably large. Moreover, a number of the major public and mixed enterprises have been experiencing serious financial problems, due to weak management and overindebtedness. To finance the imbalances in the public sector, the Government's recourse to foreign borrowing was substantial in the early 1980s, with some of the loans being contracted on nonconcessional terms. In addition, the Government accumulated a sizable amount of domestic arrears vis-à-vis local enterprises and banks. Although the external debt service burden 1/

1/ Includes service payments on both the public and the private external debt.

Table 2. Niger: Selected Economic and Financial Indicators, 1979-84

	1979	1980	1981	1982	1983 Program forecasts	1984 Program forecasts
	(Annual percentage changes, unless otherwise specified)					
National income and prices						
GDP at constant prices	13.6	4.9	1.1	-0.7	-1.5	2.1
GDP deflator	7.6	13.8	11.5	10.0	7.0	7.9
Consumer prices	9.9	7.3	24.7	11.6	7.0	7.0
External sector (on the basis of SDRs)						
Exports, f.o.b.	63.4	24.0	-10.4	-18.7	-1.6	7.7
Imports, f.o.b.	39.2	23.5	-7.5	-25.5	-14.0	-6.4
Non-oil imports, f.o.b.	35.6	14.6	1.4	-26.9	-16.1	-7.9
Export volume	47.5	16.1	23.5	-19.4	-3.9	-3.0
Import volume	22.0	1.3	-17.4	-29.8	-22.4	-12.0
Terms of trade (deterioration -)	-2.9	-12.4	-35.4	-4.5	-7.6	-2.5
Nominal effective exchange rate 1/ (depreciation -)	0.3	-1.1	-8.2	-4.1	-5.0	...
Real effective exchange rate 1/ (depreciation -)	-4.9	-0.8	4.7	-11.6	-3.4	...
Government budget (on the basis of fiscal years ending September 30)						
Revenue (excluding grants)	26.4	25.1	2.6	-2.3	-4.2	5.7
Total expenditure	39.1	44.9	31.1	-14.0	-5.4	-11.2
Money and credit						
Domestic credit 2/	27.9	38.4	21.5	32.3	12.8	13.1
Government 2/	-12.0	16.9	5.8	19.7	6.9	4.3
Private sector 2/	39.8	21.6	15.7	12.6	5.9	8.8
Money and quasi-money (M2)	19.0	20.8	20.7	-11.7	1.3	4.8
Velocity (GDP relative to M2)	6.9	6.8	6.3	7.8	8.2	8.7
Interest rate (annual rate, one year savings deposit)	6.0	8.0	8.0	10.0	9.0	...
	(In per cent of GDP)					
Central Government budget deficit (on the basis of fiscal years ending September 30) 3/	-3.2	-6.2	-10.7	-7.1	-6.2	-3.4
Domestic bank financing	-0.4	1.0	1.9	1.6	1.4	0.6
Foreign financing (net)	3.1	3.4	6.8	3.1	4.7	2.1
External current account deficit						
Including grants	-10.4	-10.7	-11.0	-8.3	-5.3	-3.2
Excluding grants	-16.2	-16.1	-16.5	-13.9	-11.0	-7.1
External debt 4/	25.1	29.7	39.2	40.7	...	...
Debt service ratio 4/ 5/	13.8	17.6	29.7	35.9	31.8	29.3
Interest payments 4/ 5/	7.7	9.3	14.7	14.6	13.3	11.6
	(In millions of SDRs)					
Overall balance of payments	-4.7	-29.1	31.2	-118.5	-28.1	-38.6
External payments arrears	--	--	--	--	--	--

1/ Import-weighted.
2/ Expressed in per cent 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 (excluding debt relief).
5/ Expressed as a ratio of exports of goods, services, and private transfers.

has increased markedly from 13.8 per cent of exports of goods, services, and private transfers in 1979 to 35.9 per cent in 1982, Niger has not incurred any external payments arrears.

Between the fiscal years 1979/80 and 1981/82, 1/ the overall central government deficit 2/ increased by almost 42 per cent to CFAF 46.1 billion (from 6.2 per cent to 7.1 per cent of GDP). Over this period, total government revenues showed a declining trend, primarily due to a decrease in uranium-based receipts, but also because revenues from the nonuranium sectors recorded virtually no growth at all. Total expenditure increased by about 13 per cent over the two-year period, mainly due to increased interest payments on the public debt and extrabugdetary outlays. Current expenditures, excluding interest payments on the public debt, increased at an annual rate of less than 3 per cent. Extrabudgetary outlays (mainly public investment) grew at an annual rate of 14 per cent, with a marked decline in the part financed by local currency contributions, and a large increase in the part financed by foreign borrowing. Moreover, service payments on the public debt rose by about sixfold. The overall fiscal deficits of the period 1979/80-1981/82 ranged between 6-11 per cent of GDP, and were financed by heavy recourse to net foreign borrowing (55.1 per cent), 3/ an increasing reliance on domestic bank financing (18.6 per cent), a sizable accumulation of domestic arrears vis-à-vis local enterprises and banks (14.2 per cent), and the remainder by domestic nonbank financing (12.1 per cent) mobilized from various public entities.

In recent years, a number of public and mixed enterprises have become heavily reliant on domestic bank credit to finance their current operations and dependent upon the Government to meet their external debt service obligations. The two official marketing enterprises (OPVN and COPRO-NIGER) 4/ are finding it difficult to cover the financial costs of their large holdings of commodity stocks, because their trading profits and capital funds are inadequate. The state-owned coal plant (SONICHAR) 5/ is experiencing financial strains because of a heavy external debt service burden and relatively high operating costs; its capacity is underutilized due to delays in the opening up of a third uranium mine. The water and electricity corporation (NIGELEC) 6/ is incurring deficits in its electricity supply operations, because its tariff structure has not been fully adjusted to reflect past increases in its costs of production and imports (from Nigeria).

1/ Ends September 30.

2/ On a commitment basis.

3/ Includes both concessional project loans, and a sizable recourse to nonconcessional loans from foreign financial institutions and suppliers.

4/ OPVN = Office des Produits Vivriers du Niger; COPRO-NIGER = Société Nigérienne de Commercialisation et de Production.

5/ SONICHAR = Société Nigérienne du Charbon d'Anou Araren.

6/ NIGELEC = Société Nigérienne d'Electricité.

Compared to the growth of the economy, during 1979-82 domestic credit increased at considerably more rapid rates (annually averaging about 30 per cent of the beginning money stock), with high rates of expansion in credit to both the Government and the private sector. To finance the overall fiscal deficits of this period, the Government's recourse to bank financing consisted of borrowing from both the BCEAO (entailing almost full use of credit under the statutory ceiling), and the deposit money banks. To finance their lending operations, the deposit money banks expanded their reliance on foreign borrowing and central bank rediscounts. The rapid growth of domestic credit contributed to a weakening of the balance of payments position, which by 1982 switched to a large deficit. Broad money, having grown at an annual rate of 20 per cent during 1979-81, decreased by 12 per cent in 1982.

Between 1979 and 1981 Niger's external current account deficit (excluding public transfers) grew by about 18 per cent to SDR 307 million (16.5 per cent of GDP) and then declined to SDR 248.3 million (13.9 per cent of GDP) in 1982 (Table 3). Up to 1981 the widening current account gaps reflected mainly the rapid growth of imports of goods and services, and were financed largely by a rising trend in net capital inflows. Throughout the period, net inflows of foreign transfers increased little, as increasing deficits on net private transfers (resulting from the foreign remittances of expatriate workers in the mining sector) have partly offset the moderate increases in net inflows of public transfers. In 1982, although exports dropped by 19 per cent due to a sizable shortfall in uranium exports, the trade and services deficits narrowed due to a large decline in loan financed imports. The drop in loan disbursements was accompanied by a sharp rise in foreign debt repayments. Hence, despite a reduction in the external current account gap, in 1982 the overall BOP deficit 1/ was large (of SDR 118.5 million or 6.6 per cent of GDP).

Niger's outstanding and disbursed external public debt (including the government's and the government-guaranteed debt) grew rapidly from SDR 199.5 million (11.9 per cent of GDP) in 1979 to SDR 546.3 million (31.1 per cent of GDP) in 1982. The ratio of public debt service payments to exports of goods, services, and private transfers, which rose from 2.4 per cent in 1979 to 24.4 per cent in 1982, is forecast to decrease slowly to about 22.5 per cent by 1984, average about 22 per cent during 1985-88, and then drop to about 13 per cent by 1990 (Table 4). 2/ In addition, the service payments on the nonguaranteed foreign debt of the

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1/ As measured by the net change in the short-term foreign assets of the banking system.

2/ Assumes all new loans to be mobilized on concessional terms, and an annual growth rate of at least 5 per cent in exports of goods, services, and private transfers. Also, the estimates do not include the expected debt relief.

Table 3. Niger: Balance of Payments, 1981-84

(In millions of SDRs)

	1981	1982	1983	1984
Trade balance	-178.7	-105.3	-49.6	-0.5
Exports, f.o.b.	407.3	331.0	325.9	351.1
Of which: uranium	(317.9)	(249.9)	(247.7)	(271.5)
Imports, c.i.f.	-586.0	-436.3	-375.5	-351.6
Services (net)	-88.4	-104.7	-97.7	-94.0
Private transfers (net)	-39.9	-38.3	-36.1	-37.8
Current account (net)	-307.0	-248.3	-183.4	-132.3
Public transfers (net)	103.0	100.3	95.2	73.2
Nonmonetary capital (net)	206.6	45.5	56.4	18.1
Of which: drawings	(241.0)	(118.2)	(130.1)	(104.5)
Monetary capital (net)	24.7	9.6	3.7	2.4
Errors and omissions, and SDR allocation	3.9	-25.6	--	--
Overall balance	31.2	-118.5	-28.1	-38.6
Net change in foreign assets	-31.2	118.5	28.1	14.2
Official	(-7.2)	(57.9)	(37.1)	(21.7)
Of which: IMF	(--)	(--)	(30.8)	(11.2)
Deposit money banks	(-24.0)	(60.6)	(-9.0)	(-7.5)
Debt relief	--	--	--	24.4

Sources: Based on Appendix Table V; and data provided by the Nigerien authorities.

Table 4. Niger: External Debt Data, 1982-1990

	1982	1983	1984	1985	1986	1987	1988	1989	1990
				(In millions of SDRs)					
Public sector									
Total outstanding (disbursed, end of period) 1/	546.3 2/	645.0	690.4	741.7	795.1	852.0	...	...	...
Debt service payments	99.8	83.2	95.5	94.1	97.7	114.5	113.0	84.2	76.0
Repayments	59.5	47.8	58.3	57.8	62.2	79.6	78.8	49.1	38.5
Of which:									
IMF repurchases	(--)	(--)	(--)	(--)	(1.5)	(17.5)	(19.5)	(3.5)	(--)
Interest and charges	40.3	35.3	37.2	36.3	35.5	34.9	34.2	35.1	37.5
Of which:									
IMF charges	(--)	(0.7)	(2.4)	(2.8)	(2.7)	(2.0)	(0.8)	(0.1)	(--)
Estimate of debt service payments eligible for Paris Club rescheduling	--	34.2	44.5	45.7	...	...	...	...	...
Private sector									
Total outstanding (disbursed, end of period)	133.4	95.2	78.1	61.0	43.9	26.8	9.6	...	...
Debt service payments	47.3	42.8	28.7	25.8	23.9	21.7	12.3	...	...
Repayments	27.5	25.4	16.9	16.9	16.9	16.9	9.5	...	...
Interest	19.8	17.4	11.8	8.9	7.0	4.8	2.8	...	...
Exports of goods, services and private transfers	408.9	396.2	424.8	446.0	468.3	491.3	516.2	542.0	569.0
Debt service ratios 3/					(In per cent)				
Public sector	24.4	21.0	22.5	21.1	20.9	23.3	21.9	15.5	13.4
Repayments	(14.6)	(12.1)	(13.7)	(13.0)	(13.3)	(16.2)	(15.3)	(9.1)	(6.8)
Interest	(9.8)	(8.9)	(8.8)	(8.1)	(7.6)	(7.1)	(6.6)	(6.4)	(6.6)
Private sector	11.5	10.8	6.8	5.8	5.1	4.4	2.4	...	...
Repayments	(6.7)	(6.4)	(4.0)	(3.8)	(3.6)	(3.4)	(1.8)	...	...
Interest	(4.8)	(4.4)	(2.8)	(2.0)	(1.5)	(1.0)	(0.6)	...	...

Source: Based on data provided by the Nigerien authorities; and staff estimates.
1/ Includes new borrowings.
2/ About 65 per cent of the debt is owed to multilateral institutions and bilateral creditors, the remainder is owed to foreign suppliers and financial institutions.
3/ In per cent of exports of goods, services, and private transfers.

domestic private sector 1/ have also grown substantially in recent years, from SDR 27.6 million in 1978 to SDR 47.3 million in 1982. These service payments are projected to remain heavy this year and to decline substantially thereafter.

Between end-1979 and end-March 1983 the (import-weighted) effective exchange rate of the CFA franc, which is pegged to the French franc at the rate of CFAF 50 = 1 FF, depreciated by 17 per cent in nominal terms and by 11.3 per cent in real terms. Over this period, the average export price in U.S. dollar terms declined, largely because the export contract price of uranium (which is set in CFA franc) did not rise in line with the depreciation of the CFA franc vis-à-vis the U.S. dollar. The latter has also raised the cost of the debt service payments denominated in U.S. dollars. On the positive side, with the depreciation of the CFA franc, the authorities were able to substantially raise agricultural producer prices during the last two crop years.

III. The Financial Program for the Period from September 1, 1983 to September 30, 1984

1. Medium-term perspective and program objectives

Since 1981 the imbalances in the operations of the Government and of the parastatals have been the primary factor contributing to Niger's large external current account gap and the associated rapid increase in the foreign debt. The main worrisome feature of the external debt situation is that the public debt service burden has grown increasingly onerous since 1980/81 (reaching about 37 per cent of estimated government revenues in 1983/84), because uranium-based revenues have shrunk and debt service obligations have grown. In these circumstances, an appropriate strategy for medium-term adjustment would be to aim mainly at a progressive reduction of the imbalances in the public sector, as a means of reducing the external current account deficit to a sustainable level and the external public debt service burden to a manageable proportion.

The main elements of an adjustment program would have to include cutbacks in public expenditure (especially in the high level of public investment), an increase in the tax effort in the nonuranium sectors, and appropriate reforms in the parastatal sector. Over the medium term, such an adjustment effort will help to generate the local currency contributions needed to increase the utilization of foreign loans and eventually the level of sustainable public investment. Careful attention will also need to be given to reformulating the public investment program both to contain it within the existing financial constraints

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1/ Includes loans contracted without government guarantee by the mining companies, other enterprises, and banks.

and to reorient it in ways that will help to accelerate the growth of exports and of domestic production. With such policies, it is expected that the annual growth rates of exports and domestic output will reach about 8 per cent and 5 per cent, respectively, in 3-4 years time. To this end, the authorities will soon be completing the preparation of a draft interim plan to cover the period up to 1985.

Over the medium term (between 1983 and 1987), exports are projected to grow at an average annual rate of about 6.5 per cent. Imports, which are programmed to decline by 6.4 per cent in 1984, are forecast to rise at an annual rate of 5-7 per cent during 1985-87. With these forecasts and expected declining trends in interest and other net services payments, the external current account deficit (excluding official grants) is likely to decrease from the programmed level of SDR 132.3 million in 1984 to roughly SDR 120-125 million by 1987. Overall repayments of public and private debt 1/ are forecast to increase gradually (at a rate of about 2 per cent annually) up to 1988, assuming that new foreign borrowing is mobilized only on concessional terms. After the sharp reduction forecast for 1984, the combined inflows of capital and net official grants are projected to increase annually by about 3-4 per cent over the period 1985-87. Based on these very tentative and preliminary assumptions, the overall BOP deficit is likely to be narrowed from the programmed level of SDR 38.6 million in 1984 to roughly SDR 18-20 million in 1986-87. 2/ Taking into account the forecast growth in foreign borrowing up to 1987, the public debt service burden (inclusive of Fund charges and repurchases) is projected to represent about 22.5 per cent of exports of goods, services, and private transfers in 1984 and to be slightly lower during the years 1985-1988 (averaging 21.8 per cent) and more substantially lower by 1989-90 (in the range of 13-16 per cent).

While the financial program for the period up to September 1984 was designed with the above medium-term considerations in mind, the authorities will be implementing it under difficult circumstances, because of the depressed conditions in the uranium sector and the weak prospects for growth in other sectors due to an unavoidable decline in public investment. Thus over the program period, despite an expected recovery in agricultural output, Niger's GDP is forecast to increase only moderately, by about 2 per cent in real terms and by 8 per cent in nominal terms. The program's policies will aim to contain the annual increase in the consumer price index to about 7 per cent as compared with 12 per

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1/ Excluding Fund repurchases.

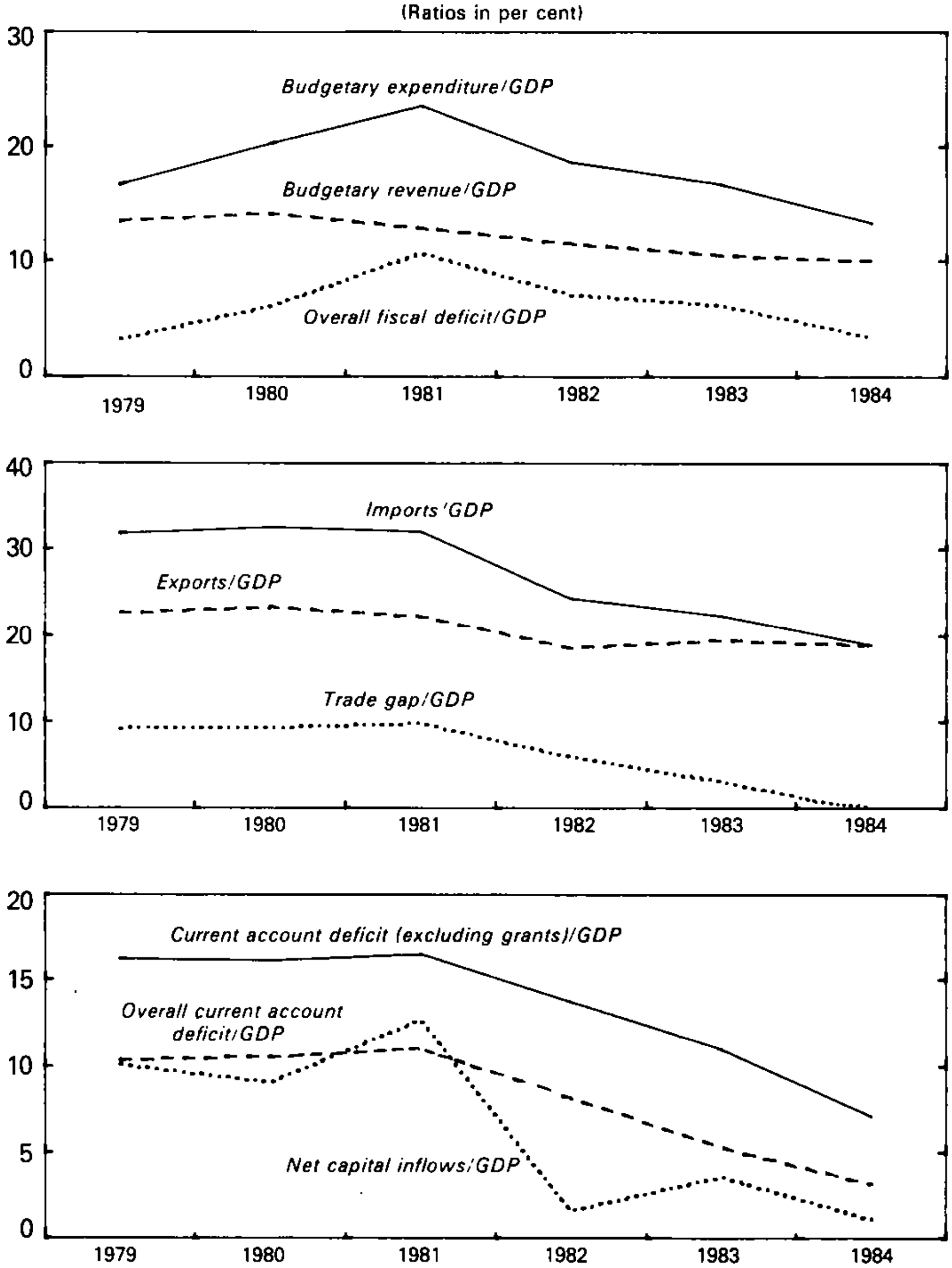
2/ By January 1984, when the mid-term review of the stand-by program as well as the 1984 Article IV Consultation discussions will be held, the World Bank's review of the public investment plan will have been completed. A comprehensive assessment will then be made of medium-term prospects for investment, GDP growth, and the balance of payments.

CHART 1

NIGER

INDICATORS OF FISCAL AND EXTERNAL AGGREGATES, 1979-84

(Ratios in per cent)



Source: Table 2

cent in 1982. The program's balance of payments objective is to limit the overall deficit to about SDR 35 million in fiscal year 1983/84 compared with SDR 118.5 million in 1982.

To achieve these targets, the program aims at sizable reductions in the overall fiscal deficit and in the external current account gap (Chart 1). The overall fiscal deficit 1/ is to be reduced from CFAF 46.1 billion (7.1 per cent of GDP) in 1981/82 to CFAF 42.7 billion (6.2 per cent of GDP) in 1982/83 and CFAF 25.8 billion (3.4 per cent of GDP) by 1983/84. Concurrently, the Government will be reducing its domestic arrears vis-à-vis local enterprises and banks through cash payments totalling CFAF 8.9 billion, with a view to eliminating these arrears (totalling CFAF 22.2 billion) within 3-4 years. The external current account gap (including grants) is to be reduced from SDR 148 million in 1982 (8.3 per cent of GDP) to SDR 90.4 million in 1983 (5.3 per cent of GDP) and SDR 60.6 million by 1984 (3.2 per cent of GDP); excluding official grants, the ratios will be decreasing from about 14 per cent to 11 per cent, and 7 per cent, respectively.

To achieve the targeted reductions in the financial imbalances, the program discussed below includes (1) increases in taxation and cutbacks in government expenditure to reduce the overall fiscal deficit; (2) a reduction in the level of public investment to reflect existing financial constraints and the need to give more emphasis to productive projects; (3) measures and/or actions aimed at improving the financial performance of parastatals; (4) a substantial deceleration of domestic credit expansion; and (5) appropriate restraints on foreign borrowing. Discussions on a program were initiated in early 1983, and several measures have already been implemented since then.

2. Fiscal policies

A major objective of the financial program is to substantially reduce the overall central government deficit. 2/ During fiscal year 1982/83 some measures were already taken to achieve this, but because of their late introduction their impact will be felt largely in fiscal year 1983/84. In particular, in anticipation of the financial program, the authorities introduced several tax measures, to implement the first phase of the comprehensive tax reform program suggested in the last FAD technical assistance report. In addition to this, the fiscal program for 1983/84 includes further tax measures (Appendix Table II) and cutbacks in public expenditure that are designed to reduce the overall fiscal

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1/ On a commitment basis.

2/ Due to insufficient time series data on the sources and uses of official foreign grants, these have neither been included in the presentation and analysis of government finance operations nor in the program (Table 5).

deficit much more substantially than in 1982/83. The fiscal program for 1983/84 will be included in the official budget for 1983/84, which begins on October 1, 1983.

During 1982/83 the tax measures already introduced are estimated to have a potential revenue yield of about CFAF 4.1 billion (5.7 per cent of revenues). The greater part of this additional revenue yield would be derived from increases in the rates of customs taxes (CFAF 1.7 billion), specific taxes on petroleum products, alcoholic beverages and tobacco (CFAF 1.2 billion), and turnover taxes (CFAF 0.8 billion). However, despite the measures, actual revenues are estimated to decline due to decreases in imports, business turnover in the modern sector, and in contributions from the uranium sector. On the expenditure side, interest payments on the public debt increased by 33 per cent, but the growth of current expenditure was limited to only about 6 per cent, and all other outlays (mainly public investment) were cut by about 21 per cent. Thus, overall expenditure declined by 5.4 per cent. However, with the decline in revenues, the overall fiscal deficit (on a commitment basis) is targeted to be reduced by only about 7 per cent to CFAF 42.74 billion (6 per cent of GDP) (Table 5).

In 1982/83 the Government began reducing its domestic arrears with an estimated repayment of CFAF 1.86 billion, as compared with an accumulation of such arrears of CFAF 14.65 billion in 1981/82. 1/ In these circumstances, the overall cash deficit is to be contained to CFAF 44.6 billion in 1982/83, and will be financed mainly by net foreign borrowing (71.5 per cent), and a somewhat reduced level of domestic bank financing (21.8 per cent); the remainder will be covered by nonbank domestic borrowing.

For 1983/84 the program includes an additional package of tax measures, which will account for most of the targeted revenue growth of CFAF 4.86 billion (6.7 per cent of 1982/83 revenues). The revenue growth will be achieved mainly through increases in taxes on incomes and profits (CFAF 2.1 billion), customs taxes (CFAF 1.1 billion), indirect taxes on petroleum products and telecommunication services (CFAF 1.1 billion), taxes on property income and registration fees (CFAF 0.5 billion), and the remainder from improvements in tax administration and collection procedures. An important feature of the tax measures introduced during 1982/83-1983/84 is that roughly 51 per cent of the revenue gains of the

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1/ In 1981/82 external debt repayments doubled, and foreign loan drawings decreased by 39.5 per cent. As extrabudgetary outlays (mainly for investment) substantially exceeded the available foreign financing, the Government accumulated arrears vis-à-vis local enterprises, which are reported to have relied on resources from their foreign headquarters and on domestic bank financing.

Table 5. Niger: Government Finance and Monetary Survey, 1979/80-1983/84

(In billions of CFA francs)

	1979/80	1980/81	1981/82	1982/83 Estimates	1983/84 Program
Government finance (October 1-September 30)					
Total revenue	74.89	76.84	75.05	71.87	76.00
Of which: uranium sector	(9.58)	(10.77)	(6.90)	(6.00)	(6.00)
impact of new measures	(--)	(--)	(--)	(4.06)	(4.84)
Total expenditure	*-107.43*	*-140.82*	*-121.16*	*-114.61*	*-101.80*
Interest payments on debt	-1.66	-6.50	-11.27	-15.00	-13.60
Current expenditure	-45.00	-45.18	-47.44	-50.40	-52.50
Other (including investment)	-60.77	-89.14	-62.45	-49.21	-35.70
Of which: local currency contributions	(-23.91)	(26.95)	(-11.82)	(-6.40)	(-5.30)
Overall deficit	-32.54	-63.98	-46.11	-42.74	-25.80
Change in arrears (decrease in -)	2.73	2.82	14.65	-1.86	-8.90
Of which: domestic banks	(--)	(--)	(--)	(--)	(-2.40)
Cash deficit	-29.81	-61.16	-31.46	-44.60	-34.70
External financing	18.17	40.37	20.10	31.90	15.8
Drawings	(22.08)	(43.26)	(26.20)	(41.30)	(30.4)
Amortization	(-3.91)	(-2.89)	(-6.10)	(-9.40)	(-14.60)
Domestic financing	11.64	20.79	11.36	12.70	8.90
Banking system	(5.14)	(11.31)	(10.11)	(9.70)	(6.70)
Other	(6.50)	(9.48)	(1.25)	(3.00)	(2.20)
Debt relief	--	--	--	--	10.00
Monetary survey (end of period)	1980	1981	1982	1983 Program	1984 Program
Net foreign assets	12.2	22.1	-20.8	-32.3	-38.1
Central bank	(27.4)	(29.7)	(8.8)	(-6.4)	(-15.3)
Deposit money banks	(-15.2)	(-7.6)	(-29.6)	(-25.9)	(-22.8)
Domestic credit	*82.2*	*99.0*	*129.3*	*140.0*	*151.0*
Government	(-7.5)	(-3.0)	(15.5)	(21.3)	(24.9)
Private sector	(-89.7)	(102.0)	(113.8)	(118.7)	(126.1)
Broad money	77.9	94.1	83.0	84.0	88.0
Long-term foreign liabilities	9.5	16.5	20.0	21.5	22.5
Other items (net)	7.0	10.5	5.5	2.2	2.4

Source: Based on Appendix Tables I, II, and IV.

two years is due to the increased taxation of imports in general and of specific imported goods (such as alcoholic beverages and petroleum products).

In 1983/84 total expenditures are to be cut by about 11 per cent, mainly by reducing public investment outlays. The growth of current outlays will be restrained to only about 4 per cent. To this end, there will be no general salary increase and the recruitment of part-time personnel will be strictly reduced. The first full-year effect of the cutbacks introduced in 1982/83 in education outlays and in the official pool of vehicles will also contribute importantly to holding down current expenditures. Interest payments on the public debt are budgeted to increase by about 9 per cent, and all other expenditures (for public investment) will be reduced by 27.5 per cent. The latter reflects a concerted effort to limit public investment to only projects in execution and within the available foreign resources and domestic local currency contributions (see section III (3) below). It represents an important step toward preventing the emergence of further domestic arrears, and the careful monitoring of public expenditure within a budgetary framework of control and agreed priorities. Based on the above policies, the overall fiscal deficit (on a commitment basis) is to be reduced by almost 40 per cent to CFAF 25.8 billion (3.4 per cent of GDP).

In addition, the Government will be reducing through cash payments its domestic arrears vis-à-vis local enterprises (by CFAF 6.5 billion) and banks (by CFAF 2.4 billion); this is a performance criterion of the program. The objective is to eliminate all such arrears within 3-4 years. With this in mind, the authorities will be working out a clear timetable for the future reduction of domestic arrears in consultation with the relevant local banks and enterprises, before the mid-term review mission planned for January 1984.

The overall cash deficit for 1983/84 (CFAF 34.7 billion) will be financed by net foreign borrowing (45.5 per cent), 1/ a net recourse to domestic bank credit (19.3 per cent), nonbank domestic borrowing (6.3 per cent), and the remainder by obtaining relief for a part of the scheduled external public debt service payments (Table 5). 2/ The authorities intend to request debt relief from both official creditors

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1/ The assumed level of net foreign borrowing takes into account the projected loan disbursements from existing loan commitments, and the scheduled amortization payments that would have to be paid by the Government.

2/ All scheduled external debt service payments (including interest and amortization) that would have to be normally paid by the Government have been included in the budget estimates. A part of service payments on the guaranteed public debt, which is expected to be paid directly by enterprises, are not included in these estimates.

(through the Paris Club) and other (mainly private) creditors during the last quarter of 1983. To the extent that the magnitude of the budgetary debt relief exceeds the present estimate of CFAF 10 billion, this will be taken into account at the time of the mid-term review for making further reductions in domestic arrears to enterprises over the program period.

To implement the above fiscal program, the authorities will be adhering to quarterly performance criteria on the cash reduction of domestic arrears and on the Government's net position vis-à-vis the banking system. These are described in Section IV below. To facilitate the overall monitoring of the fiscal program, the Treasury will be planning and strictly following the cash flow operations on a quarterly basis. To improve the monitoring of Treasury operations in the future, the authorities have requested technical assistance from the Fund for introducing a more rational nomenclature of budgetary and Treasury accounts by 1984/85.

3. Investment policies and production incentives

The authorities recognize that the key financial constraint to increasing the public investment effort is the authorities' inability to expand investment outlays within the framework of an acceptable fiscal deficit and financing pattern, particularly the inadvisability of mobilizing commercial loans at a time when the external public debt service payments appear to have become unduly burdensome.

For 1983/84 the level of public investment is targeted at CFAF 50.7 billion, of which the major part, that financed by foreign borrowing (CFAF 30.4 billion) and budgetary local currency contributions (CFAF 5.3 billion) 1/ will be implemented within a budgetary framework. The remainder (about CFAF 15 billion) is a conservative estimate of the level of investment outlays that are to be financed by official foreign grants; the projects depending upon such assistance will be implemented only when bilateral donors are actually able to provide the necessary financing. 1/ Excluding these outlays, in 1983/84 the level of budgetary investment (CFAF 35.7 billion) will be about 27.5 per cent below the 1982/83 level. The reduced level of budgetary investment is based on a consolidation of projects, which are mostly under execution and for

1/ About CFAF 4.3 billion of the total budgetary local currency contributions (of CFAF 5.3 billion) will be for the projects financed by external loans, and the remainder is a provision for the local currency requirements of the projects expected to be financed by foreign grants. The problems of full budgetization of the projects financed by foreign grants will be examined within the context of the Fund's technical assistance mission for budget nomenclature (which was referred to in Section III (2)).

which the necessary foreign financing commitment has been already acquired. Moreover, most of the foreign financing has been contracted on concessional terms.

Within the budgeted investments for 1983/84, the major allocations are for agricultural and rural development (27.5 per cent), road maintenance and communications (33.7 per cent), irrigation and water resources (13.3 per cent), energy sector projects (4.8 per cent), and the development of small- and medium-scale enterprises (3.6 per cent). Most of the remaining allocations are for social infrastructure (such as education, health, and urban amenities). In the agricultural sector, the investment effort will aim at raising overall productivity, and will support the development of both food crop production and exports (of cowpeas, vegetables, and livestock products). Major donors, such as the World Bank and the Caisse Centrale de Coopération Economique, will also be reviewing the agricultural projects they are financing, with a view to adapting them better to the country's needs and environmental conditions. Given Niger's landlocked position, the Government feels that a sizable share of investment is also needed for road maintenance and development. Most of the other sectoral allocations reflect the authorities' desire to provide for the minimum basic needs of the population.

The 1983/84 investment program was reviewed with the assistance of a foreign consultant firm and the World Bank. On the whole, the program is assessed to be consistent with the immediate financial constraints facing the country, and its sectoral priorities also appear to be consistent with the country's potential for agricultural development and its landlocked Sahelian location in Africa. The authorities will be soon completing a draft interim plan for the period 1983/84-1984/85, the Programme intérimaire de consolidation, in time for it to be reviewed comprehensively by the World Bank during October 1983.

Over the past two crop years (1981/82 and 1982/83), the authorities have raised significantly the minimum producer prices for both food and export crops. Among food crops, the minimum producer prices were raised for millet (100 per cent), sorghum (42.9 per cent), and rice (54.5 per cent). For the export crops, over the same period, the increases in minimum producer prices ranged between 33.3 per cent and 80 per cent for shelled and unshelled groundnuts, and amounted to about 93.5 per cent for top grade unginned cotton and 89 per cent for cowpeas. The Government is prepared to announce further increases in minimum producer prices for the 1983/84 crop year, provided trends in world prices would permit such increases to be made. The official minimum producer prices are generally less than the levels that farmers can earn in the free market (especially near the border regions). Given this situation, the Government will support a progressive enlargement of the private sector in agricultural marketing activities, while requiring the official marketing agencies (such as the OPVN and SONARA) 1/ to ensure a minimum floor price for the farmer.

4. Policies affecting operations of parastatals

The authorities have already initiated comprehensive studies of the operations of parastatals, with the help of a foreign consultant firm 2/ and bilateral technical assistance. The studies for seven major enterprises, including the two official marketing enterprises (OPVN and COPRO-NIGER), the water and electricity corporation (NIGELEC), the coal plant (SONICHAR), the two financial institutions (BDRN and CNCA), and the agency for irrigation and water resources (OFEDES), will be completed in August 1983. Based on the recommendations of these studies, the Government will be announcing an appropriate program of reform measures before the start of the new fiscal year (October 1, 1983). Once this phase is completed, a further group of enterprises will be selected for study and eventually for appropriate rehabilitation measures.

To improve the financial situation of the official marketing agency for food crops (OPVN), the Government has decided to implement a set of measures to reduce its unit operating costs. The OPVN's overextended network of buying and distribution centers will be reduced and consolidated. As a result of this and more rational use of vehicles, the agency's transportation costs are to be reduced. The OPVN's large holdings of commodity stocks will be scaled down progressively, especially the stocks that are presently held for purposes of price stabilization; the agency will continue to maintain a reasonable level of stocks primarily for security against the eventuality of drought induced shortages. In this way, the OPVN will be saving on its relatively high operating and storage costs. Moreover, apart from the minimal requirements of rice imports, imports of all other cereals will be avoided to prevent a further build up of stocks. All the envisaged measures focus on cutting costs, because the free market sales prices are generally lower than those of the OPVN.

Largely for similar reasons, the Government intends to implement a program of cost cutting measures for also COPRO-NIGER, the marketing agency for other essential consumer goods. First, the range of products for which COPRO-NIGER has monopoly marketing rights will be reduced and limited to a few essential items; for the rest, private traders will be allowed to play an increasing role in the marketing process. For the few essential commodities for which it will retain monopoly marketing

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1/ SONARA = Société Nigérienne d'Arachide.

2/ The studies being conducted by the foreign consultant firm are being financed by a World Bank technical assistance program.

rights, the COPRO-NIGER will limit its distribution operations to wholesalers only, to avoid the additional marketing costs of supporting a large network of retailers. With this reorientation of its marketing policies, the COPRO-NIGER will be reducing its holdings of commodity stocks, and its unit costs of both marketing and stock financing. It will also follow flexible price policies, so that it is able to cover its costs and improve the overall profitability of its operations.

In the case of the water and electricity corporation (NIGELEC), a study of electricity tariffs has been completed. On this basis, new regulations introducing a more rational tariff structure, and an average tariff increase of 20 per cent will become effective by September 1983. Thereafter, the authorities are committed to pursuing a flexible tariff policy, under which electricity tariffs would be periodically adjusted in line with increases in production and import costs; concurrently, every effort will be made to avoid cost increases due to management and administrative inefficiencies. Moreover, to permit NIGELEC's financial situation to be monitored regularly, a proper system of financial accounts will be introduced and maintained for its operations.

With regard to NIGELEC's water supply operations also, the Government is committed to avoiding losses. To this end, water supply tariffs were raised in January this year. Steps have been taken to prevent fraudulent and improper water usage, and to improve billing and tariff collection procedures. Moreover, the Government has helped by liquidating a substantial part of its arrears to NIGELEC and by introducing, since March 1983, an advance billing procedure. The Government will be closely reviewing and assessing the effects of these measures, and if necessary, will be ready to introduce new measures to ensure that there are no losses in water supply operations in 1984.

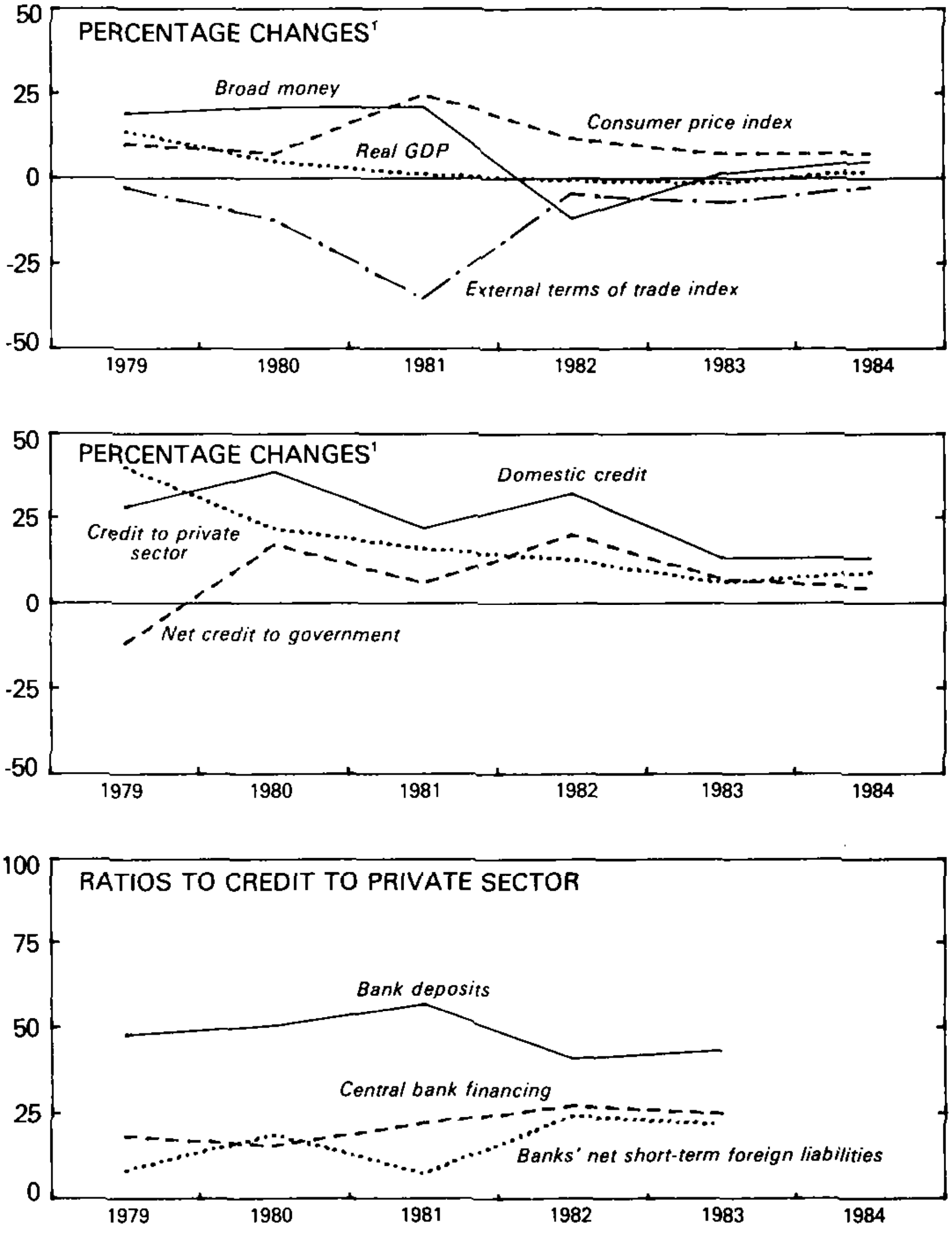
For the state-owned coal plant (SONICHAR), a preliminary study of SONICHAR's operations has been completed with bilateral technical assistance. Following this, the Government has decided to strengthen SONICHAR's management by obtaining appropriate financial and technical management services from bilateral sources (the Charbonnage de France) for a period of two years, starting September 1983. To alleviate SONICHAR's immediate debt service burden (for 1984), the Government has already initiated steps toward obtaining debt relief from the major foreign creditors. In July 1983, the Government informed the foreign creditors of its desire to seek debt relief for SONICHAR, and meetings with individual creditors are to be held during the month of August 1983. The objective is to complete the debt rescheduling exercise for SONICHAR before end-1983. In addition to negotiating debt relief, the Government will be concurrently discussing proposals for tariff increases for SONICHAR's electricity (about 25 per cent effective January 1984) with the company's major clients, the uranium mining companies. The authorities feel that with a moderate amount of debt relief, an appropriate procedure for

CHART 2

NIGER

TRENDS IN MONETARY AGGREGATES, PRICE INDICES, AND REAL GDP, 1979-84

(Growth rates[1] and ratios in per cent)



Source: Table 2

[1] Expressed as percentages of the beginning stock of broad money.

reasonable adjustments in tariff policies, and improvements in financial and technical management, SONICHAR's financial situation would improve substantially over the medium term.

5. Monetary and credit policies

Over the years 1981-82 (the period preceding the proposed program), the rates of domestic credit expansion were excessively high, and by 1982 the balance of payments position deteriorated sharply, and broad money recorded a decline. The relatively large balance of payments deficit that emerged in 1982 (CFAF 43 billion) was financed partly by a net increase in deposit money banks' short-term foreign liabilities (CFAF 22 billion) and partly by a decline in net official foreign assets (CFAF 21 billion).

In 1983 and 1984, the net (short-term) foreign assets of the banking system are programmed to decline by about CFAF 11.5 billion and CFAF 5.8 billion, respectively; these targets assume that the expected magnitude of external debt relief will be obtained. Given that the recovery of gross domestic product is, at best, expected to be modest during 1983-84, the program takes into account a relatively slow rate of nominal growth in the demand for broad money (about 3 per cent annually).

Based on the above external objectives and monetary forecasts, the program calls for a substantial deceleration in overall domestic credit expansion 1/ from 32.3 per cent in 1982 to 12.8 per cent in 1983 and 13.1 per cent in 1984 (Chart 2). This slowdown in overall domestic credit expansion reflects a sharply reduced net recourse to bank credit by the Government (as discussed in Section III (2) above), and also a much slower growth rate of bank credit to the private sector.

In the early 1980s credit to the private sector increased at an annual rate 1/ of about 16.6 per cent, and during 1983-84 the average annual growth rate will be about 7 per cent. The more rapid growth of private sector credit during 1980-82 reflected to a large extent sizable recourse to bank credit by domestic enterprises in the construction sector, mainly to prefinance various extrabudgetary public sector projects. The local banks in turn financed much of this credit expansion by a marked increase in their short-term foreign debt (which rose by about CFAF 24 billion between end-1979 and end-1982). As further extrabudgetary operations of this nature are to be avoided, and enterprises which will be benefitting from the Government's repayment of arrears will be required to repay their debts to the banks, and because the need for financing the holdings of commodity stocks of official marketing enterprises are forecast to decline, the program calls for a reduction in the rate of growth of bank credit to the private sector.

1/ Growth rates of credit are expressed as a percentage of the beginning stock of money.

To achieve the targeted deceleration in bank credit, the monetary authorities will tighten their rediscount policy, and ensure that commercial banks do not increase their short-term foreign borrowing with a view to financing lending operations beyond the overall limits on domestic credit. Since December 1982 the commercial banks have achieved a slight reduction in their net short-term foreign liabilities (of about CFAF 3 billion), and the program requires 1/ these net liabilities to be at least contained to their present level of CFAF 26 billion.

6. External policies

Under the program Niger will be initiating an external adjustment process designed to reduce progressively the external current account deficit. With this, some immediate relief on the existing heavy burden of debt service payments, the avoidance of borrowing on nonconcessional terms, and a moderate recovery of exports, the authorities fully expect to contain the external debt service burden to manageable proportions over the medium term.

Without the debt relief anticipated under the proposed program, total external public debt service payments would be rising from SDR 83.2 million (21 per cent of exports) 2/ in 1983 to SDR 95.5 million (22.5 per cent of exports) 2/ in 1984; thereafter, even with a modest growth rate of exports (5 per cent annually) the ratio of external debt service payments to exports is projected to show a gradually declining trend. With the anticipated debt relief, the authorities will be alleviating the immediate debt service burden for 1983/84, and at the same time, beginning an adjustment effort that is designed to improve the medium-term propsects for growth in budgetary revenues and agricultural exports.

Within this medium-term perspective, the proposed program aims at a substantial reduction in the external current account deficit during 1983 and 1984 (Table 3). After a continued but small decline in 1983, in 1984 exports are projected to rise to only about 6 per cent above the 1982 level, mainly on account of higher uranium exports. In these circumstances, the major part of the adjustment in the current account will be achieved through reductions in the level of imports (14 per cent in 1983 and 6.4 per cent in 1984). The factors that will contribute in a major way to achieving this reduction in imports are the planned cutback in budgetary investment, the increase in import taxation, the deceleration in domestic credit expansion, and the forecast moderate recovery in agricultural production. As the combined net inflow of public transfers and capital is estimated to remain unchanged in 1983, with the decline

1/ As a performance criterion.
2/ Includes exports of goods and services, and private transfers in the denominator

in the trade and current account deficits, the overall balance of payments deficit would also be substantially reduced. In 1984, however, while the trade and current account deficits are targeted to decrease further, the disbursements of foreign official grants and loans are forecast to decline partly because of the limited availability of budgetary local currency contributions for projects and partly also due to a decision to avoid new borrowing from the financial markets. Moreover, in 1984 public debt repayments are projected to rise quite sharply (by 24.4 per cent).

Based on the above external prospects, the overall balance of payments is projected to record deficits of SDR 28.1 million and SDR 38.6 million in 1983 and 1984, respectively. 1/ To partially meet the financing needs of both the balance of payments and the government budget in fiscal year 1983/84, the authorities will be seeking a reasonable measure of debt relief from both the Paris Club and other creditors. 2/

As regards foreign borrowing, the authorities will be following prudent policies. The contracting and/or guaranteeing of new loans by the Government will be limited to concessional loans. Moreover, the Government will be requiring local banks to contain their short-term foreign borrowing within strict limits, consistent with the new policy of avoiding extrabudgetary outlays financed by such borrowing. For all new loans, a careful assessment will be made of the project for which such borrowing is to be used, and of its effects on the debt service burden at the level of the budget and the balance of payments. The existing external debt management office in the Ministry of Finance will be strengthened to enable it to improve its monitoring of the overall debt situation. To this end, the authorities will be receiving technical assistance from both the World Bank and the Fund. Under its technical assistance program, the World Bank will be helping with the computerization of debt data and with designing appropriate software packages for information management and analysis. An expert from the Fund's CBD panel will be helping with the organization of the debt management office and training its staff in debt analysis and monitoring.

In Niger the private sector's foreign debt (SDR 133.4 million) includes both that of the mining companies (85 per cent) and of nonmining enterprises (15 per cent). The mining companies are expected to continue the normal servicing of their debt (annually about SDR 24 million).

1/ For the program period (September 1, 1983-September 30, 1984), the overall BOP deficit is estimated to be about SDR 38 million, or SDR 35.4 million on an annual basis (as compared with SDR 118.5 million in 1982).

2/ The program's estimate of external debt relief is SDR 24.4 million. By comparison, the estimated debt service payments eligible for Paris Club rescheduling are SDR 34.2 million in 1983 and SDR 44.5 million in 1984.

In the early 1980s, the domestic (nonmining) private sector is believed to have increased its external indebtedness vis-à-vis their headquarters and foreign suppliers in order to prefinance exceptional extrabudgetary expenditures. 1/ As public expenditures of this nature will be avoided, and as the Government will be repaying its arrears vis-à-vis the local enterprises, it is expected that the external debt of the private sector will be reduced progressively.

IV. Performance Criteria and Review Clause

Before the start of the 1983/84 fiscal year (October 1, 1983), the Nigerien authorities will be taking a number of steps and policy actions as part of the implementation of the proposed financial program. A study of the financial position of seven public enterprises will be completed by end August 1983. On the basis of this study, a program of reform will be launched by October 1, 1983. Specific steps will be taken to reduce the stocks of the official marketing agency (OPVN), adjust the prices and inventories of COPRO-NIGER, and increase the electricity tariffs of NIGELEC by 20 per cent on average. Finally, the fiscal program outlined above in Section III(2) will be adopted as the official budget for the 1983/84 fiscal year.

The program includes quarterly quantitative performance criteria for net credit to Government, overall domestic credit, the net foreign liabilities of domestic commercial banks, the cash reduction of the Government's domestic arrears vis-à-vis local enterprises and banks, and new foreign borrowing contracted or guaranteed by the Government. At the present stage, performance criteria have been set for only the quarter ending December 1983, and indicative performance criteria have been formulated for the later quarters (ending March, June, and September 1984). By the time of the mid-term review mission planned for January 1984, the authorities are expected to complete the external debt rescheduling exercise, negotiate a plan for the reduction of the Government's domestic arrears vis-à-vis local enterprises and banks, and reassess the need for further adjustment measures in the public sector. Based on the results of these actions, understandings on such additional adjustment measures as may be required and on the performance criteria for the three quarters ending March, June and September 1984 will be reached with the Fund. The quantitative performance criteria are summarized in Table 6. The program also includes the standard provision regarding the exchange and trade system.

1/ This debt is not guaranteed by the Government. Although firm estimates do not exist, it is believed that during 1983-84 the related debt service payments would depend upon the Government's timetable for liquidating its arrears vis-à-vis local enterprises.

Table 6. Niger: Performance Criteria Under the Program, December 1983-September 1984

(In millions of CFA francs)

	Estimates 1983		Performance criteria 1983	Indicative ceilings 1984		
	June 30	Sept. 30	Dec. 30	March 31	June 30	Sept. 30
Ceiling on net domestic credit	129.0	133.7	140.0	141.9	146.3	150.0
Ceiling on net credit to Government	17.2	19.7	21.3	22.2	23.1	24.0
Ceiling on net foreign short-term liabilities of commercial banks 1/	27.0	26.6	26.0	26.0	26.0	26.0
Domestic Government payments arrears	22.2	22.2	20.0	17.8	15.6	13.3
Net external borrowing 2/ contracted or guaranteed by the Government with a maturity of 1-12 years	--	--	0.0	0.0	0.0	0.0

1/ Over the past, only the domestic banking sector accumulated a sizable amount of short-term foreign debt.
2/ Excludes borrowing on concessional terms as defined by the Development Assistance Committee of the OECD and amounts relating to debt rescheduling.

V. Staff Apprasial and Proposed Decision

A sharp weakening of world demand for its major export (uranium) and thus in Niger's external terms of trade has been the principal factor contributing to a deterioration in Niger's economic and financial situation since 1981. The key problems facing Niger are the weak financial situation of the parastatal sector, the unsustainable imbalances in the Government's financial operations and in the external current account, the prospects of much slower growth rates of real GDP and exports over the medium-term, and the relatively high existing burden of external public debt service payments.

To redress the weak financial situation of the parastatal sector, with the help of a World Bank and bilateral technical assistance projects, the authorities are already well advanced with the technical and financial studies of the enterprises that are most seriously in difficulty. Moreover, appropriate initial measures have been taken to improve management, reduce operating costs, and adjust pricing policies at the level of a number of the enterprises. The authorities are committed to continuing this process throughout the program period.

The program adopted by the authorities aims at a substantial reduction in the overall fiscal deficit by 1983/84. The actions taken to achieve this are a comprehensive package of tax reform measures, a tight restraint on the growth of current expenditure, and a large decline in extrabudgetary (mainly public investment) expenditure. In addition, the program calls for a substantial cash reduction in the Government's domestic arrears. The Government intends to eliminate these arrears within a period of 3-4 years. The financial program also aims at a substantial deceleration of overall domestic credit expansion by the banking system.

The 1983/84 public investment target included under the program takes into account the country's tight financial constraints and its need to emphasize productive investments. The 1983/84 level of public investment is substantially lower than those of the recent past, and is based on realistic estimates of likely inflows of foreign aid and of budgetary local currency contributions. The sectoral allocation of the 1983/84 investment program gives primary emphasis to agricultural development and ongoing essential transportation projects, which appear to be consistent with the country's agricultural resources and its landlocked Sahelian location in Africa. The public investment effort in the agricultural sector is also being supported by appropriate producer pricing policies. Finally, the investment program was prepared by the authorities with the help of a foreign consultant firm under a World Bank technical assistance project.

The financial program will help to achieve a large reduction in the external current account deficit, mainly because of the cutback in public investment, an increase in the average rate of taxation of imports, the sharp deceleration in domestic credit expansion, and the avoidance of unplanned extrabudgetary outlays (hitherto financed by nonconcessional borrowing). Under the program, the Government will be abstaining from contracting or guaranteeing new nonconcessional foreign loans. Moreover, the authorities are strengthening public debt management through technical assistance from both the World Bank and the Fund. To alleviate the immediate external public debt service burden, the authorities intend to seek debt relief from official and other foreign creditors at an early stage of the program period.

The staff considers that the proposed financial program is well balanced and consistent with the objectives to be achieved during 1983/84. The authorities are fully committed to implementing the financial program, and to continuing the adjustment effort over the medium term. Accordingly, the following decision is proposed for adoption by the Executive Board:

Stand-By Arrangement

1. The Government of Niger has requested a stand-by arrangement for the period from 1983, to 1984.

2. The Fund approves the stand-by arrangement attached to EBS/83/194 for an amount equivalent to SDR 18 million.

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

NIGER - Relations with the Fund
(As of July 31, 1983)

Date of membership:	April 24, 1963
Status:	Article XIV
Quota:	SDR 24 million (Proposed quota: SDR 33.7 million under the Eight General Review)
Intervention currency and the rate:	French franc; CFAF 1 = F 0.02
SDR/Local currency equivalent:	SDR 1 = CFAF 420.04 (July 31, 1983)
Direct distribution of profit from gold sales:	US$2.09 million
Distribution of gold:	11.124.5 fine ounces
Trust Fund loans outstanding:	SDR 12.70 million
Fund holdings of currency	SDR 29.86 million (or 124.43 per cent of quota)
SDR holdings:	SDR 7.44 million (79.1 per cent of net cumulative allocation of SDR 9.41 million)

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 and IFC lending operations 1/	Committed	Disbursed
	(In millions of U.S. dollars)	
13 credits fully disbursed	65.3	65.3
Agricultural and rural development	74.5	27.6
Education	18.2	2.8
Transportation	33.6	6.7
Industrial development	16.9	4.5
Water supply	6.5	--
Total	215.0	106.9
Repayments	2.3	
Debt outstanding (including undisbursed)	212.7	

Technical assistance: The IBRD has provided technical assistance to Niger through its standard lending operations for projects. In addition, the IBRD is currently implementing a technical assistance project to help with the preparation of a consolidated investment program, a study of the public enterprises, assistance for the automation of the country's external debt, data and a strengthening of the economic management.

Recent economic and sector missions: An economic mission visited Niamey in June 1982; follow-up discussions, together with discussions of the technical assistance project, were conducted in November 1982, March 1983, and July 1983.

Source: World Bank.

1/ As of August 17, 1983.

REPUBLIC OF NIGER

Supreme Military Council

Office of the Prime Minister

The Prime Minister

No. 333/PM

Niamey, July 27, 1983

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

Dear Mr. de Larosière:

The economic and financial position of Niger has weakened since 1981 on account of the decline in demand on the world market for uranium, our principal export market. These unfavorable conditions were the immediate cause of a drop in export receipts, budgetary revenues and investment, and ultimately led to a decline in the gross domestic product in real terms. At the same time, the overall deficit in the Central Government's financial operations, the financial results of the public enterprises, and the deficits on the external current account deteriorated significantly. Following this deterioration, the Government and the public enterprises had to resort to foreign borrowing on particularly "hard" financial terms. The burden of the country's external debt service was considerably aggravated and has become a source of concern as it will remain at its current high level for a number of years.

In view of this situation, during the current fiscal year we have taken steps to improve our domestic and external financial position. While the initial results have been encouraging, it now appears that a greater financial austerity effort is necessary.

The attached memorandum summarizes the economic and financial policy the Government will pursue under an adjustment program for the period from September 1, 1983 to September 30, 1984. The measures indicated in this memorandum are designed to improve the financial management of the public enterprises, reduce the size of the Government's financial deficit, and adjust the public investment program in light of global financial constraints and the development needs of the productive sectors of the economy. These measures will also make it possible to reduce the external current account deficits and to avoid further increases in the external public debt service burden.

In support of this program, the Government of Niger requests the assistance of the International Monetary Fund in the form of a 14-month stand-by arrangement in the amount of SDR 18 million, equivalent to the first three credit tranches. In view of the exceptional circumstances affecting our economy and, in particular, the magnitude of our balance of payments needs, the Government will also be applying to its foreign creditors for debt rescheduling.

The Nigerien Government believes that the combination of measures described in this memorandum will make it possible to achieve the objectives of its program, but will take any further measures that may become appropriate for this purpose. Niger will consult wth the Fund on the adoption of any measures that may be appropriate, in accordance with Fund policies. The authorities intend to review the progress of the program with the Fund before end-March 1984. The objective of the review, which constitutes a performance criterion, will be to reach understandings on the 1984 ceilings for domestic credit and credit to the Government, on the payment of government arrears falling due in 1984, and, if necessary, on additional financial recovery measures for the public enterprises. The review will also deal with the results of the Government's efforts to reschedule the external public debt.

Sincerely yours,

/s/

Oumarou Mamane
Prime Minister

Memorandum on the Economic and Financial Policy
(for the period from September 1, 1983 to September 30, 1984)

1. Over the past two years, the economic and financial situation of Niger has been weakened by a pronounced deterioration in the terms of trade. The decline in the world market price for uranium, Niger's principal export product, was one of the major factors involved. This has been reflected in reduced export earnings and in the smaller financial surplus of the uranium sector. Under these circumstances, investment declined and GDP in real terms contracted in 1981 and 1982 at a rate of 1 per cent per annum. Moreover, the domestic and external financial imbalances of the country have grown. Some public and semipublic enterprises have had problems servicing their external debts. The overall deficit of the Central Government's financial operations has reached sizable proportions as a result of the decline in uranium-related tax and nontax revenues and because of the high levels of public expenditure. The balance of payments, after the reduced deficits of 1979 and 1980 and the surplus of 1981, registered a large deficit in 1982 because of the decline in uranium exports, the increased debt service burden and the decrease in capital inflows.

2. The Government has resolved to improve the economic and financial situation of the country in the medium term. A first step in this direction will be the adoption of a financial program covering the period September 1, 1983-September 30, 1984. The objective of the program will be to reduce the deficits of the Central Government's overall financial operations and of the external current account balance, so as to reduce the overall balance of payments deficit notwithstanding a cautious reduction in external borrowing. This program will make it possible to ease the external debt service burden in the medium term.

3. With this in mind, the program described below will include measures aimed at (a) reducing the deficits and improving the financial management of the public and semipublic enterprises; (b) increasing tax revenues and cutting overall government expenditure; (c) consolidating public investment now in progress, taking into account the financial constraints and other supporting measures for promoting the development of the productive sectors; (d) slowing the growth of domestic bank credit; and (e) reducing the external current account deficit and issuing directives on external borrowing so as to avoid adding to the country's external debt service burden. We are convinced that the financial policies described below will be sufficient to permit the country's financial recovery and to restore the basis for a rational investment effort and sound economic growth.

I. Public Enterprises

4. The financial position of the parastatal sector has weakened in recent years and several enterprises have become heavily dependent on *financial assistance from the Central Government. To remedy this situa*tion, the Government has decided to:

(i) urgently undertake a general study of public enterprises with the assistance of IDA, and in certain specific cases with the help of bilateral technical assistance programs; and

(ii) to introduce a first set of reform measures for four of the largest enterprises.

The terms of reference for the general study were drawn up in May 1983. The first part of the initial stage will concern seven large enterprises (OPVN, COPRO-NIGER, NIGELEC, SONICHAR, and OFEDES, and BDRN and CNCA with respect to their relations with the parastatal sector) and will be completed in August 1983. On the basis of the recommendations from these studies, the Government will adopt a reform program before the beginning of the next budget year (October 1, 1983).

5. In the meantime, based on the progress already made with these studies, the Government will shortly introduce the measures described below for the four largest enterprises (namely, OPVN, COPRO-NIGER, NIGELEC, and SONICHAR). To improve the financial position of the official marketing agency (Office des Produits Vivriers du Niger--OPVN) during budget year 1983/84, steps will be taken to reduce operating expenses and the cost of storing grain, which inflate the agency's financial costs. The Government will thus pursue a policy of further reducing the number of OPVN's distribution and buying centers so as to minimize transportation costs. Furthermore, OPVN will refrain from importing cereals other than rice so as to reduce the overall volume of buffer stocks, whose high level generates significant financial costs. On the other hand, OPVN will continue to maintain reasonable stocks as an emergency food reserve. The aim of all these measures is to reduce the average per-unit operating cost with a view to achieving operating equilibrium beginning in 1983/84.

6. The financial position of COPRO-NIGER, Niger's other agency for the distribution of essential goods, will be improved in 1983/84 by discontinuing the distribution of several nonessential goods, for which COPRO-NIGER is currently recording losses despite its monopoly position, and by reducing the overall level of stocks. COPRO-NIGER will confine its operations to dealing with wholesalers in the case of those essential goods it will continue to sell, thereby avoiding the extra costs entailed in small-quantity distribution to a large number of small-scale retailers. In addition, COPRO-NIGER's pricing policy will be designed to cover both its operating costs and its financial costs for storage. The list of

products which COPRO-NIGER will no longer distribute exclusively, as well as of price increases for the products it will continue to sell, will be announced before end-September 1983.

7. A general study on the electricity tariffs charged by NIGELEC, the national water and power distribution company, has already been completed. On the basis of this study, carried out with the assistance of a foreign consulting firm, before end-September 1983 the Government will introduce a new tariff structure featuring increases of at least 20 per cent on average. This adjustment of the rates charged for electricity, in conjunction with all other appropriate recovery measures, will enable NIGELEC fully to cover the operating costs it incurs in distributing electricity to the various sectors of the economy. In addition, as part of the same recovery effort, in future, when necessary, the Government will ensure that tariff adjustment policy takes into account changes in production and import costs. Finally, NIGELEC operations will henceforth be monitored on a regular basis, thanks to the adoption of a suitable financial accounting system.

8. As regards water distribution operations, NIGELEC has already taken steps to rationalize its management so as to avoid water theft and to improve the invoicing and collection system. The Government also decided to raise the water tariff in January 1983. Finally, the Government has made a significant effort to reduce its payment arrears to NIGELEC by introducing a system of advances against invoices in March 1983. Based on an appraisal of the results of these measures, in 1984 the Government will take all steps necessary to avoid losses with respect to water distribution operations.

9. In the case of SONICHAR, the Central Government's coal-fired thermal power plant, Charbonnages de France will be providing financial and technical management services for a two-year period beginning September 1983. To improve SONICHAR's financial position, the Government is negotiating with lenders to obtain relief on its debt service and is also considering a tariff increase of about 25 per cent as soon as negotiations have been concluded in January 1984.

10. Efforts to reschedule SONICHAR's external debt will be pursued according to a clearly defined schedule. SONICHAR's major creditors were approached in July 1983, and the Government will hold discussions with each of them during August 1983, with a view to completing the debt rescheduling process before the end of 1983. Depending on the results obtained, the Government, in consultation with the uranium mining companies, will formulate proposals for further increasing SONICHAR's electricity tariff for the 1985-88 period. Continuation of the efforts to reschedule the external debt, improvements in financial and technical management, and the introduction of a suitable tariff policy will enable the Government to look forward to SONICHAR's financial rehabilitation in the medium term.

II. Central Government Financial Operations

11. The Government has pursued a contractionary budgetary policy since fiscal year 1981, 1/ when the deficit of the Central Government's overall financial operations, including the current budget and all extrabudgetary outlays, the annexed budget and the net change in the Treasury's special accounts, amounted to CFAF 64 million (on a commitments basis), the equivalent of 11 per cent of GDP (Table I). This contractionary budgetary policy was made necessary by the stagnation of revenue, in particular from the uranium sector. In response to the deterioration of the current budget, the Government first reduced public investment and extrabudgetary expenditure. The overall deficits for fiscal years 1982 and 1983 declined to CFAF 46 billion (7 per cent of GDP) and CFAF 42.7 billion (6 per cent of GDP), respectively. However, financing of the 1981 and 1982 deficits made it necessary to borrow abroad in sizable proportions, even if in smaller amounts than before, as well as to borrow from the domestic banking system. The latter contributed to a deterioration in the net government position vis-à-vis the banking system. Furthermore, the Central Government accumulated payments arrears vis-à-vis banks and local enterprises, principally those associated with public works. Total arrears vis-à-vis banks and enterprises amounted to CFAF 22.2 billion at end-July 1983 according to a survey which has already been completed.

12. Early in and during budget year 1983, the Government introduced tax measures based on the recommendations of the September 1982 fiscal mission from the International Monetary Fund. The principal aim of the measures taken was to increase the indirect taxation of domestic transactions and foreign trade. There were increases in the principal turnover taxes, several specific taxes on the consumption of alcoholic beverages, tobacco and petroleum products, and in the transportation charges and administrative values applied by Customs (Table II). The net effect of the 1983 tax measures has been estimated provisionally at CFAF 4.1 billion, the equivalent of 5.6 per cent of total forecast revenues.

13. The Government also took steps in fiscal 1983 to reduce the Central Government's budgetary and extrabudgetary expenditure. The increase in current budget outlays (exclusive of public debt service) was held down to about 6 per cent as the result of budget cutbacks for education (elimination of boarding arrangements and student eating facilities) and the reduction of the Government's pool of vehicles. Extrabudgetary expenditure, including spending under the annexed budget and from the Treasury's special accounts, was reduced following the reduction in public investment programs. It is thus projected that total Central Government expenditure for 1982/83 will amount to CFAF 114.6 billion, a decrease of 5.4 per cent as compared to the previous year (Table I).

1/ The fiscal year ends on September 30.

14. The Central Government's financial adjustment effort will be continued during fiscal 1984. The overall deficit on a commitments basis will be limited to CFAF 25.8 billion, the equivalent of 3.4 per cent of GDP. In order to ensure that debts not formally contracted by the Central Government will be paid off within the next three years, domestic arrears will be reduced by CFAF 8.9 billion, of which CFAF 6.5 billion will be paid to enterprises and CFAF 2.4 billion to domestic banks. In addition, the Central Government will avoid accumulating new arrears. To achieve the above objectives during fiscal 1984, the budgetary program described below will be implemented.

15. Tax revenues will increase in 1983/84 as a result of the measures taken during the preceding fiscal year, in particular the increase in the tax on petroleum products effective March 1, 1983. However, the anticipated decrease in imports and the effects of stagnating turnover in the nonagricultural sectors will considerably slow the normal growth of total Central Government revenue. In order to bring total revenue to CFAF 76 billion (an increase of 5.7 per cent), new tax measures yielding a minimun of CFAF 4.8 billion in additional revenues will be incorporated in the 1984 Finance Act. These new measures are summarized in Table II below. Preparations were made for them during the current fiscal year by introducing new control mechanisms and administrative methods, recruiting and training additional specialized personnel, drafting new legislation, and completing a project to restructure tax administration by establishing a Directorate-General of Taxes, which will become the principal agency for implementing the Government's new fiscal policy. The tax administration has recently gained access to resources and information enabling it correctly to appraise tax bases and increase the tax effort by more rigorously and more consistently enforcing existing tax provisions. In addition, a number of nex taxes are planned in the draft Finance Act. The extra revenues will stem primarily from taxes on income and profits, for which the base will be enlarged, as well as from the introduction of a system for the payment of advance installments and a new tax on enterprise overheads. Rate increases are planned for registration fees, and increases in duties and bases are also projected for customs taxation.

16. The policy of budgetary austerity will be continued during fiscal 1984. With a view to facilitating the implementation of this policy, the Government will set an overall target for expenditure which encompasses: (i) current budgetary expenditure; (ii) extrabudgetary expenditure including outlays covered by external financing; (iii) the annexed budget; and (iv) the net change in the Treasury's special accounts. To ensure that this program is followed up, the quarterly cash flow situation for the major headings and for total expenditure will be updated on a regular basis. The overall objective is currently set at CFAF 101.8 billion, including interest payments on the domestic and foreign public debt of CFAF 13.6 billion but not including debt amortization. This implies a decrease of about 11.5 per cent in all expenditure other than debt

service. To achieve this objective, current budget outlays will be limited to CFAF 52.5 billion, an increase of only 4.2 per cent. No general salary increase will be granted and the hiring of part-time personnel will be strictly reduced. The combined total of all other government expenditure, including expenditure financed by foreign borrowing but not including debt service, will be limited to CFAF 35.7 billion (a reduction of 27.5 per cent). Furthermore, as indicated in paragraph 14, total payments of CFAF 8.9 billion of arrears will be made to enterprises and banks.

17. The overall deficit on a cash basis will therefore be reduced from CFAF 44.6 billion in 1982/83 (6.5 per cent of GDP) to CFAF 34.7 billion in 1983/84 (4.5 per cent of GDP). However, so as not to increase the already heavy public debt service burden even further, gross disbursements from foreign loans will be limited to CFAF 30.4 billion. The remaining financing required for the overall deficit plus projected debt repayments will be provided partially by additional Central Bank credit of CFAF 6.7 billion. In addition, the Treasury will obtain domestic financing from nonbank sources in an amount of CFAF 2.2 billion. Additional assistance in the form of rescheduling some of the Central Government's external debts will also be necessary, however. The aim of this rescheduling will be to reduce external debt service by the equivalent of CFAF 10 billion in 1983/84. To this end, the Government will approach its official creditors through the Paris Club and, where feasible, will approach other creditors as well. Should the results of the rescheduling exceed the threshold of CFAF 10 billion, the amount of the excess would be devoted exclusively to clearing domestic arrears above and beyond the CFAF 8.9 billion already provided for in this program. Such additional payments would go to nonfinancial enterprises only.

III. Development Policy

18. The improvement in the Central Government's financial position will be based not only on an effort to enhance tax yields and limit current budget expenditure, but also on a consolidation of the public investment program. This consolidation is characterized by limiting public investment expenditure to the country's financial constraints and using criteria for the selection of investments which promote the productive sectors in general and projects designed to promote the diversification of exports in particular. At the same time, the Government will devise a coherent incentive policy for the development of the private sector. The consolidated budget for public investment expenditure will thus be limited to CFAF 50.7 billion in 1983/84. This budget can be broken down as follows: CFAF 30.4 billion in drawings on previously committed external loans, CFAF 15 billion in foreign grants and subsidies, and CFAF 5.3 billion as a budgetary appropriation to FNI (the national investment fund) to finance the Nigerien counterpart funds on which disbursements against external loans, grants and subsidies depend.

19. The sectoral distribution of the Central Government's investment expenditure (exclusive of outlays financed by grants and subsidies) is shown in Table III. A sizable proportion (27.5 per cent) of the investment budget is devoted to supporting the efforts to increase the production of food crops and to implement export diversification, in particular by supporting the production of cowpeas, vegetable crops and livestock farming. To improve the effectiveness of agricultural investments, the Government, in cooperation with the World Bank and the Caisse Centrale de Coopération Economique, has already begun the process of redefining some of its major projects to improve their adaptation to local conditions. The remaining investment expenditure is allocated principally to maintaining the road and communications networks (33.7 per cent), to the waterworks sector (13.3 per cent), to energy (4.8 per cent), and to the development of small and medium-scale enterprises (3.6 per cent). The share reserved for social infrastructure (10.9 per cent) will be limited to meeting the minimum needs of the population. In view of the depressed uranium market, the Government does not plan to launch the SMTT project (a third mining complex) in 1983/84. However, should the financing conditions for launching the project be met, it will get under way. The International Monetary Fund would be so advised at the time.

20. A preliminary proposal for the Interim Consolidation Plan (PIC) for the period from October 1, 1983 to September 30, 1984 will be prepared by the Government and reviewed with a World Bank mission (with IMF participation) during the second week of October 1983.

21. As regards the pricing policy, the authorities have significantly increased producer prices for cowpeas and other products over the last three years. Despite these sharp price hikes, the official prices are for all practical purposes still floor prices, normally well below the prices offered on private and border markets. In view of this situation, the authorities plan to expand the role of the private sector and to see that the role of SONARA, the official marketing agency for groundnuts and cowpeas, is confined to maintaining producer prices at minimum levels which merely guarantee producers the floor prices they expect. These minimum prices paid to producers will continue to be increased in 1983/84 to the extent permitted by conditions on foreign markets.

IV. Monetary and Credit Policy

22. In support of the policies described above, the Government will endeavor to apply a cautious monetary policy. To slow down the expansion of aggregate demand, the monetary authorities will strengthen their controls on credit and bank's resources. The aim of the credit policy will be defined in terms of targets for the net external assets of all monetary institutions and for the foreseeable evolution of the money supply.

23. The net external assets of the monetary institutions decreased by CFAF 43 billion in 1982, 1/ and amounted to CFAF 20.9 billion 2/ as at December 31, 1982 (see Table IV below). For the years ending December 31, 1983 and December 31, 1984, the targets for the decrease in the net external assets of monetary institutions are CFAF 11.5 billion and CFAF 5.8 billion, respectively. 3/ Within this limit, local banks will not be authorized to allow their net short-term external position, currently estimated at a negative CFAF 26 billion, to deteriorate further. The rate of growth of the money supply in 1983 and 1984 will be kept within limits consistent with the objectives of curtailing aggregate demand within the context of real growth of -1.5 per cent and a 7 per cent rate of inflation for 1983, and positive real growth of 2.1 per cent and a rate of inflation of 7 per cent in 1984.

24. In view of the target set for external assets and the foreseeable trend for the money supply (up 1.2 per cent in 1983 and 4.8 per cent in 1984), the growth in net domestic credit will be limited to 8.2 per cent during 1983 and 7.9 per cent during 1984. The expansion of credit to the economy will not exceed 4.3 per cent in 1983 and 6.2 per cent in 1984. The net position of the Government will change by CFAF 5.8 billion in 1983 and CFAF 3.6 billion in 1984. Consequently, total outstanding domestic credit (credit to the economy plus the net position of the Government) will not exceed CFAF 140 billion as at December 31, 1983 and CFAF 151 billion as at December 31, 1984.

25. In order to monitor the monetary components of the financial program, quarterly ceilings and subceilings that would constitute performance criteria will be set for domestic credit and the net position of the Government (see paragraph 30(a), (b), and (e)). In this regard, the monetary authorities will:

regularly monitor the net position of the Government to ensure observance of the quarterly ceilings;

adopt a suitable monetary and credit policy so as to ease the pressure on the balance of payments

exercise surveillance over the domestic and external resources of banks in accordance with the objective of improving the external current account balance;

1/ Not including CFAF 3.5 billion of long-term capital and a change of CFAF 0.32 billion in SDR allocations.

2/ Not including CFAF 20.0 billion in long-term bank liabilities and CFAF 7.8 billion in SDR allocations and Trust Fund loans.

3/ Or, using the BCEAO definition, CFAF 13 billion and CFAF 6.8 billion, respectively.

ensure the partial repayment of bank loans by enterprises which have received payments of arrears from the Government, by using prior authorization of credit; and

channel credit toward the priority sectors.

V. External policies

26. The financial recovery efforts in 1982/83 1/ and the measures included in the 1983/84 1/ financial program will be aimed at reducing the external current account deficit 2/ from CFAF 54 billion in 1982 3/ (8.3 per cent of GDP) to CFAF 36 billion in 1983 3/ (5.3 per cent of GDP) and CFAF 24 billion in 1984 3/ (3.2 per cent of GDP). This reduction in the current deficit will result from an annual 10 per cent growth in exports (largely of uranium) and an annual 11 per cent reduction in imports. The decline in imports will affect primarily consumer goods in 1983 and capital goods in 1984. The policies contributing most directly to the achievement of the import targets are the contraction of public investment and of the related disbursements of foreign loans, the tax measures affecting imports, and the slowdown in the growth of credit to the economy. The rediscount policy will take into account the need to limit the external liabilities of banks. As the operations to strengthen the export sectors bear fruit, in particular as regards agricultural exports, and as the burden of servicing the external debt is eased, the current account balance will be more fundamentally in equilibrium and the adjustment policies can be relaxed to some extent.

27. With the strong contraction of the current deficit in 1983 and 1984, external borrowing by the banks can be expected to decline from its 1982 level. In addition, the inflow of nonmonetary capital will depend upon the available budgetary counterparts. Since the improvement in the external current account will be greater than the decline in the net inflow of monetary and nonmonetary capital, the overall balance of payments deficits for 1983 and 1984 will be lower than in 1982. The 1983 and 1984 overall deficits will be financed by drawings under the requested stand-by arrangement and, as necessary, by reductions in the external debt service payments falling due pursuant to a rescheduling of that debt.

28. To keep the high amount of external debt service from increasing even further in the next few years, the Government's policy as regards borrowing abroad will be cautious. In view of the current and future magnitude of debt service, no new external loans with a maturity of

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1/ Fiscal year.
2/ Including private and official transfers.
3/ Calendar year.

between 1 and 12 years inclusive will be contracted or guaranteed by the Central Government in the period up to September 30, 1984. This ceiling does not include concessional loans as defined by the Development Assistance Committee of the OECD and amounts involved in any refinancing of the debt pursuant to a Paris Club rescheduling or a rescheduling worked out with other creditors on terms comparable to the Paris Club. However, if it is urgently necessary to arrange financing which does not meet the conditions set forth above, prior understandings will be reached with the Fund. Before entering into a foreign loan commitment of any kind, the Government will carefully assess its impact on the debt service level, on the budget and on the balance of payments. To this end, the Government requests the technical assistance of the International Monetary Fund in the form of a six- to nine-month assignment of an expert from the Fund's Central Banking Department. The expert's mission would be to assist with the restructuring of the Public Debt Directorate at the Ministry of Finance, to train its staff in debt analysis while participating in such work, and to develop effective methods for monitoring foreign borrowing operations.

VI. Performance Criteria and Review Clause

29. Before the approval of the stand-by arrangement by the Executive Board of the Fund, and in consultation with the Fund's staff, the Nigerien Government will complete a study of the financial position of seven public enterprises (see paragraph 4). On the basis of this study, a general reform program will be developed by October 1, 1983. Fund staff will be informed in particular of the steps taken to reduce the stocks of OPVN (paragraph 5), adjust the prices and inventories of COPRO-NIGER (paragraph 6), increase the electricity tariff of NIGELEC by 20 per cent on average, and draw up a plan for rescheduling the debt of SONICHAR (paragraph 10).

30. Implementation of the financial program described in this memorandum will be in accordance with the following performance criteria:

(a) domestic credit from monetary institutions, which amounted to CFAF 126.6 billion as at March 31, 1983, and is estimated to amount to CFAF 133.7 billion as at September 30, 1983, will not exceed CFAF 140.0 billion as at December 31, 1983, and, on an indicative basis, should not exceed CFAF 141.9 billion as at March 31, 1984, CFAF 146.3 billion as at June 30, 1984 and CFAF 150.0 billion as at September 30, 1984.

(b) The net position of the Government vis-à-vis the banking system, which was CFAF 15.8 billion as at March 31, 1983, and is estimated to amount to CFAF 19.7 billion as at September 30, 1983, will not exceed CFAF 21.3 billion as at December 31, 1983, and, on an indicative basis, should not exceed CFAF 22.2 billion as at March 31, 1984, CFAF 23.1 billion as at June 30, 1984, and CFAF 24 billion as at September 30, 1984.

(c) As at July 31, 1983, the Central Government's payments arrears vis-à-vis enterprises and domestic banks amounted to CFAF 22,231 million. By December 31, 1983, these arrears will be reduced to not more than CFAF 20,006 million by cash payments. On an indicative basis, arrears will be reduced similarly to not more than CFAF 17,781 million by March 31, 1984, CFAF 15,556 million by June 30, 1984, and CFAF 13,331 million by September 30, 1984.

(d) During the period of the program, no new nonconcessional external loans will be contracted either directly by the Government or by any enterprise with Government guarantee, other than the refinancing or rescheduling of existing loans referred to in paragraph 28.

(e) During the period from October 1, 1983 to September 30, 1984, domestic banks will not be authorized to allow their net short-term external asset position, currently estimated at a negative CFAF 26 billion, to deteriorate further.

(f) The standard provision on the exchange and trade system.

(g) For purposes of the review of the execution of the financial program supported by the Fund, referred to in the last paragraph of the Prime Minister's letter of July 27, 1983, the Government will reach agreement with Fund staff on the date of a review mission which will visit Niamey in January 1984. In the course of this review, the quarterly ceilings indicated for the performance criteria set forth in paragraph 30(a) to (f) above for the 1984 part of the program will be reviewed, taking into account information not available at the present time. The review will also consider the results of the Government's efforts to arrange a rescheduling of the public external debt, and also such measures as are necessary for the financial recovery of public enterprises, in order to reach understandings with the Fund for the period of the program after December 31, 1983.

* * *

31. The Interministerial Committee established to prepare for negotiations with the Fund will be responsible for coordinating and monitoring the implementation of the program measures. Within the Ministry of Finance, the Directorate of Research and Forecasting will be responsible for gathering data pertaining to the performance criteria and forwarding them to the Fund by the deadlines required. These data will be collected quarterly. To enable Fund staff to monitor the results obtained under the program, the Nigerien Government will provide both the data to be reported regularly in accordance with the provisions of the attached Protocol of Technical Agreement and all other relevant data.

Table I. Niger: Central Government Financial Operations, 1980/81-1983/84

(In billions of CFA francs)

	1980/81	1981/82	1982/83	1983/84 1/
I. Total revenue	76.84	75.05	71.87	76.00
Tax revenue 2/	65.33	66.56	63.26	67.90
Tax revenue	(65.33)	(66.56)	(59.20)	(63.06)
Impact of new measures 3/	(--)	(--)	(4.06)	(4.84)
1. Registration and Government Property Revenues	5.15	3.79	2.50	2.93
Of which: impact of new measures 3/	(--)	(--)	(--)	(0.50)
2. Tax Department revenue	31.38	30.78	31.50	34.50
Of which: impact of new measures 3/	(--)	(--)	(2.00)	(3.20)
3. Customs revenue	28.80	31.99	29.26	30.47
Of which: impact of new measures 3/	(--)	(--)	(2.06)	(1.14)
Other nontax budgetary revenue	9.49	6.31	6.61	6.10
1. Income from securities	(0.68)	(1.32)	(2.67)	(1.30)
2. Other nontax revenue	(8.81)	(4.99)	(3.94)	(4.80)
Annexed budget	1.29	1.06	1.00	1.00
Changes in special Treasury accounts	0.73	1.12	1.00	1.00
II. Total expenditure	140.82	121.16	114.61	101.80
Public debt service 4/	6.50	11.27	15.00	13.60
Current government expenditure 5/	45.18	47.44	50.40	52.50
Other expenditure 6/	89.14	62.45	49.21	35.70
Contribution to FNI	(26.95)	(11.82)	(6.40)	(5.30)
III. Overall deficit (commitment basis = I-II)	-63.98	-46.11	-42.74	-25.80
IV. Change in arrears 7/	2.82	14.65	-1.86	-8.90
Of which: banks	(...)	(...)	(...)	(-2.40)
V. Overall deficit (cash basis = III-IV)	-61.16	-31.46	-44.6	-34.70

Table I. Niger: Central Government Financial Operations, 1980/81-1983/84 (concluded)

(In billions of CFA francs)

	1980/81	1981/82	1982/83	1983/84 1/
VI. Financing	61.16	31.46	44.60	34.70
External financing (net)	40.37	20.10	31.90	15.80
Loan disbursements (gross)	(43.26)	(26.20)	(41.30)	(30.40)
Amortization	(-2.89)	(-6.10)	(-9.40)	(-14.60)
Banking system 8/	11.31	10.11	9.70	6.70
BCEAO	(3.56)	(6.79)	(9.50)	(6.70)
Deposit money banks	(7.75)	(3.32)	(0.20)	(--)
Domestic nonbank financing 9/	9.48	1.25	3.00	2.20
Effects of debt rescheduling	--	--	--	10.00

Source: Data provided by the Nigerien authorities.

1/ Program.
2/ Including revenue collected by the Directorate of Registration and Government Property.
3/ Shows the yearly impact of the new measures taken since the fiscal year 1982/83.
4/ Includes amortization of the domestic public debt during the period 1980/81-1982/83.
5/ Current budget expenditure excluding outlays relating to (1) the public debt, (2) the contribution to FNI, and (3) net lending.
6/ Also includes extrabudgetary expenditure. Excludes outlays financed by foreign grants.
7/ Payments arrears to nonbanks (increase +).
8/ Net change in credits and deposits.
9/ Includes changes in cash balances, deposits with the Treasury and customs duty bills (increase -).

Table II. Niger: New Tax Measures for Fiscal Years 1983 and 1984

(Cumulative increases in tax yields; 1/ in billions of CFA francs)

Nature and effective date of measure	1982/83	1983/84	1984/85
I. General measures	0.36	0.36	0.36
1. Prior approval by Minister of Finance required for granting tax agreements and tax exemptions, 10/1/83	--	--	--
2. Increases in penalties and strengthening of administrative control, 10/1/83	0.36	0.36	0.36
II. Measures affecting yields of taxes on income and profits	--	2.10	3.95
1. Standardization of BIC and BNC by using new computerized files, and exceptional application of IFB, 10/1/83	--	0.40	0.60
2. Introduction of half-yearly installments for payment of the BIC; transitionally (25 per cent each half year) in 1983/84, finally (50 per cent each half year) in 1984/85, 10/1/83	--	1.00	1.80
3. Introduction of a tax on business overhead expenses, 10/1/83	--	0.10	0.15
4. Reduction of proportion of head office operating costs deductible, 10/1/83	--	--	--
5. Expanding scope of standard minimum tax (IMF) to individuals and SEMs, 10/1/83	--	0.10	0.10
6. Administrative reforms to enforce the ICTS and IGR more rigorously; expansion of base by revaluing agreed tax bases to include payments in kind, 10/1/83	--	0.30	0.70
7. Use of property registry for tax purposes (for tax on rental value (TVL) and IGR in particular), 10/1/83	--	0.20	0.60

Table II. Niger: New Tax Measures for Fiscal Years 1983 and 1984 (concluded)

(Cumulative increases in tax yields; 1/ in billons of CFA francs)

Nature and effective date of measure		1982/83	1983/84	1984/85
III.	Measures affecting yields of taxes on goods and services	2.00	3.10	4.40
1.	Increases in rates of the tax on production (TP) (18 to 20 per cent) and tax on goods and services (TPS) (13.5 to 15 per cent), 10/1/82	0.80	0.80	0.80
2.	Excise taxes: doubling consumption taxes on alcoholic beverages and tobacco, 10/1/82	0.20	0.20	0.20
3.	Increases in taxes on petroleum products, 3/1/83	1.00	1.50	1.50
4.	Introduction of a TPS on telecommunications (10 per cent), 10/1/83	--	0.60	0.70
5.	Reforms of turnover taxes, 10/1/84	--	--	1.20
IV.	Measures affecting yields of Registration Fees and Government Property Income	--	0.50	0.50
1.	Raising rates of tax on income from securities (IRVM) and elimination of preferential arrangements for new companies, 10/1/83	--	0.10	0.10
2.	Increase in rate of TDVM, 10/1/83	--	0.10	0.10
3.	Increase in rate of tax on insurance contracts (fire and automobile), 10/1/83	--	0.10	0.10
4.	Increase in stamp duties, 10/1/83	--	0.10	0.10
5.	Inclusion of buildings in base for inheritance and gift taxes, 10/1/83	--	0.10	0.10
V.	Taxes collected by Customs	1.70	2.84	4.09
1.	Increase in rates, carrying charges and administrative values, fiscal years 1983 and 1984	1.70	2.09	2.09
2.	Harmonizing calculation of tax on production (TP), 10/1/83	--	0.75	0.75
3.	Reform of turnover taxes, 10/1/84	--	--	1.25
	Total cumulative increases	4.06	8.90	13.30
	Annual increases	4.06	4.84	4.40

1/ Beginning on date measure is introduced.

Table III. Niger: Investment Program by Sector and Financing, 1983-84

(In millions of CFA francs)

	1983			1984			
	Total drawings (includes guaranteed loans)	Of which: Central Government	As percentage of Central Government Total	Total drawings (includes guaranteed loans)	Of which: Central Government	Local currency counterpart funds	As percentage of Central Government Total 1/
Rural development	10,277	9,276	24.9	9,106	8,206	410	24.9
Forestry, fisheries	909	909	2.4	880	880	25	2.6
Waterworks	2,723	2,723	7.3	4,253	4,253	350	13.3
Education	2,280	2,280	6.1	1,970	1,970	231	6.4
Energy	12,991	3,360	9.0	3,913	1,375	300	4.8
Roads	9,379	9,379	25.3	6,959	6,959	2.800	28.1
Telecommunications	1,186	1,160	3.1	2,520	1,920	18	5.6
Urban development	200	200	0.5	1,481	1,481	--	4.3
Health	--	--	--	81	81	--	0.2
Technical assistance	175	175	0.5	875	875	--	2.5
Industry	2,105	1,192	3.2	2,383	1,150	90	3.6
Administrative infrastructure	5,980	2,230	6.0	1,600	--	--	--
Transportation	1,273	392	1.1	120	--	--	--
Various FNI projects	2,000	2,000	5.4	--	--	--	--
Defense	453	453	1.2	800	800	--	2.3
Other	1,500	1,500	4.0	500	500	--	1.4
Total	53,431	37,229	100.0	37,441	30,450	4,224	100.0
Memorandum item:							
Guaranteed loans	16,202			6,991			
Total Central Government						34,674 1/	

1/ Includes local currency counterpart funds and foreign loans contracted directly by the Government.

Table IV. Niger: Monetary Survey. 1982-84 1/

(In billions of CFA francs)

	1982	1983			1984			
	Dec.	March	Sept.	Dec.	March	June	Sept.	Dec.
Net foreign assets	-20.85	-19.84	-23.7	-32.3	-34.0	-35.7	-37.6	-38.1
BCEAO	(8.78)	(6.43)	(2.9)	(-6.4)	(-9.2)	(-12.1)	(-14.9)	(-15.3)
Banks	(-29.63)	(-26.27)	(-26.6)	(-25.9)	(-24.8)	(-23.6)	(-22.7)	(-22.8)
Domestic credit	129.37	126.6	133.7	140.0	141.9	146.3	150.0	151.0
Net credit to Government	15.54	15.8	19.7	21.3	22.2	23.1	24.0	24.9
BCEAO	(9.14)	(6.9)	(12.0)	(14.2)	(15.7)	(17.2)	(18.7)	(19.6)
Other	(6.40)	(8.9)	(7.7)	(7.1)	(6.5)	(5.9)	(5.3)	(5.3)
Credit to the economy	113.83	110.8	114.0	118.7	119.7	123.2	126.0	126.1
Broad money	82.96	81.8	83.5	84.0	84.0	85.5	87.0	88.0
Long-term foreign liabilities	20.02	20.83	21.3	21.5	21.5	22.0	22.5	22.5
Other items (net)	5.4	4.13	5.2	2.2	2.4	3.1	2.9	2.4

1/ The stabilization program covers the period from September 1983 to September 1984.

Table V. Niger: Balance of Payments. 1982-84

(In billions of CFA francs)

		1982	1983	1984
1.	Exports. f.o.b.	120.1	132.7	143.0
	Of which: uranium	(91.5)	(99.4)	(111.2)
2.	Imports. c.i.f.	-158.3	-153.0	-143.2
	a. Capital goods and raw materials	(-81.8)	(-81.0)	(-68.5)
	b. Other	(-76.5)	(-72.0)	(-74.7)
3.	Trade balance	-38.2	-20.3	-0.2
4.	Services (net)	-38.0	-40.0	-38.5
	Of which: interest payments 1/	(-15.5)	(-15.5)	(-16.0)
5.	Private transfers (net)	-13.9	-14.8	-15.5
6.	Public transfers (net)	36.4	39.0	30.0
7.	Current account (net)	-53.7	-36.1	-24.2
8.	Nonmonetary capital (net)	16.5	23.1	7.4
	a. Drawings	(42.9)	(53.3)	(37.4)
	b. Amortization 1/	(-19.1)	(-18.8)	(-21.0)
	c. Private capital (net)	(-7.3)	(-11.4)	(-9.0)
9.	Long-term monetary capital	3.5	1.5	1.0
10.	Errors and omissions and SDR allocations	-9.3	--	--
	Financing and overall deficit	-43.0	-11.5	-15.8
11.	Change in external assets (net)	43.0	11.5	5.8
	a. Deposit money banks (net)	(22.0)	(-3:7)	(-3.1)
	b. BCEAO	(21.0)	(15.2)	(8.9)
	Of which: IMF	(--)		(16.7)
12.	Exceptional financing	(--)	(--)	(10.0) 2/

1/ Covers all scheduled payments.
2/ Estimated debt relief.

Niger--Stand-By Arrangement

Attached hereto is a letter, with annexed memorandum, dated July 27, 1983, from the Prime Minister requesting a stand-by arrangement and setting forth the objectives and policies which the authorities of Niger intend to pursue for the period of this stand-by arrangement.

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

1. For a period of fourteen months from ________________ 1983, Niger will have the right to make purchases from the Fund in an amount equivalent to SDR 18 million, subject to paragraphs 2, 3, and 4 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 6.8 million until February 15, 1984, SDR 9.6 million until May 15, 1984, SDR 12.4 million until August 15, 1984, and SDR 15.2 million until November 15, 1984, and SDR 18.0 million until November 15, 1984.

(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.

3. 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:

(a) during any period in which

(i) the limit on total domestic credit described in paragraph 30(a) of the attached memorandum, or

(ii) the limit on net position of the Government vis-à-vis the banking system described in paragraph 30(b) of the attached memorandum, or

(iii) the target for the reduction of domestic payments arrears of the Government vis-à-vis enterprises and domestic banks described in paragraph 30(c) of the attached memorandum, or

(iv) the limit on the net short-term foreign assets of the domestic banks referred to in paragraph 30(e) of the attached memorandum is not observed; or

(b) during the period after December 31, 1983; until the review referred to in paragraph 30(g) of the attached memorandum, has been carried out and understandings have been reached with the Fund on such additional adjustment measures as may be needed and on suitable performance criteria in light of that paragraph, or after such performance criteria have been established, while they are not being observed;

(c) *if Niger fails to observe the limits on the contracting of* new public and publicly-guaranteed foreign indebtedness described in paragraph 30(d) of the attached memorandum, or

(d) if Niger

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

(ii) introduces multiple currency practices, or

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

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

When Niger is prevented from purchasing under this stand-by arrangement because of this paragraph 3, 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.

4. 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 4, 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.

5. 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.

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

7. (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.

8. During the period of the stand-by arrangement Niger shall remain in close consultation with the Fund. These consultations, including those pursuant to the provisions of paragraph 30(g) of the attached memorandum, 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 attached memorandum.

9. In accordance with paragraph 30(g) 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 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.