DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/83/194
Supplement 1

CONFIDENTIAL

October 6, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Niger - Stand-By Arrangement

Attached for the records of the Executive Directors is the text of the stand-by arrangement for Niger agreed at Executive Board Meeting 83/147, October 5, 1983.

Att: (1)

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 October 5, 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.

(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; or

(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 annexed 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 annexed 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 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.

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 situation, 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

---

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.