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INFORMATION

December 16, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Report on Niger's External Debt Renegotiation

Attached for the information of the Executive Directors is a report by the Fund representatives on the meeting held in Paris on November 14, 1983 to consider Niger's request for a rescheduling of its external debt.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Report on Niger's External Debt Renegotiation

Prepared by the African Department

(In consultation with the Exchange and Trade Relations
and Legal Departments)

Approved by Oumar B. Makalou and W.A. Beveridge

December 15, 1983

Representatives of Niger and five creditor countries 1/ met in Paris on November 14, 1983 in the framework of the Paris Club to discuss Niger's request for a rescheduling of its external debt service obligations. The meeting was also attended by observers from the Federal Republic of Germany, Japan, Sweden, Switzerland, the World Bank, the Organization for Economic Cooperation and Development (OECD), the European Community (EC), the Secretariat of the United Nations Conference on Trade and Development (UNCTAD), the Fund, 2/ and was chaired by Mr. Jurgensen, Deputy Director of the French Treasury.

The Nigerien delegation described the serious economic and financial difficulties facing their country and expressed the Government's determination to reach the targets of the adjustment program which is supported by the current stand-by arrangement from the Fund approved by the Executive Board on October 5, 1983 (EBS/83/194). They explained that the balance of payments justification of their request reflected a reduction in the previously projected level of uranium exports for 1983/84 (July/June) on the basis of finalized export contracts. They also indicated their intention to pursue shortly external debt rescheduling discussions with private bank creditors.

In their statement, the Fund staff representatives described the economic situation of Niger and the strong adjustment measures recently taken by the Government to reduce the economic and financial imbalances. The representative of the World Bank described the efforts being made by the Government to bring about appropriate structural adjustments in

1/ France, The Netherlands, Spain, the United Kingdom, and the United States of America.

2/ The Fund staff representatives were Messrs. Donovan (ETR) and Taplin (Office in Europe), and Ms. Hoban (African Department). Mr. J.C. Obame, Advisor to the Executive Director for Niger, also attended the meeting.

the economy, through measures to rehabilitate the parastatal sector and consolidate the investment program with more emphasis on productive projects.

The representatives of the governments of the creditor countries expressed their satisfaction with the adjustment efforts made to date by Niger and stressed the importance they attach to the continuing and full implementation of the economic and financial program undertaken by Niger, in particular, the revitalization of the productive sector of the economy and the improvement of public finances and the external position. They encouraged the authorities to follow up on their longer-term adjustment strategy, including a request to the World Bank for a structural adjustment loan.

In the Agreed Minute of November 14, 1983, the representatives of the participating creditor countries agreed to recommend to their governments or appropriate institutions that they provide debt relief, through rescheduling or refinancing on: (1) commercial credits extended to the Government of Niger or covered by its guarantee, and which were guaranteed or insured by the governments of the participating creditor countries, or their appropriate institutions, having an original maturity of more than one year and contracted prior to July 1, 1983; (2) loans from governments or appropriate institutions of the participating creditor countries to the Government of Niger or covered by its guarantee, having an original maturity of more than one year and contracted prior to July 1, 1983.

The rescheduling terms covered 90 percent of the amounts in principal and 60 percent of the amounts on interest due from October 1, 1983 to September 30, 1984 inclusive and not paid on the loans specified in the previous paragraph. Repayment will be made in nine equal and successive semi-annual payments beginning April 1, 1989 (end of the grace period) and ending April 1, 1993. The remaining 10 percent of principal and 40 percent of interest will be paid as follows: one-third on the due date, one-third on June 30, 1985, and one-third on June 30, 1986. The provisions set forth in the Agreed Minute do not apply to countries with respect to which debts in principal and interest falling due during the reorganization period, including any arrears registered at the beginning of this period, are less than SDR 250,000. Payments owed to these countries should be made on the original due dates. Payments already due to these countries and not paid should be paid as soon as possible, and in any case, before December 31, 1983.

The details of the arrangements for the rescheduling or the refinancing, including the rate and the conditions of interest to be paid, will be determined bilaterally between the Government of Niger and the governments or appropriate institutions of each participating creditor country on the basis of the appropriate market rate of interest. These bilateral agreements should be concluded with the least delay and,

in any case, before March 31, 1984. In order to secure comparable treatment of public and private creditors, the Nigerien delegation agreed to secure from external creditors, including banks and suppliers, arrangements on terms comparable to those received from the participating governments, making sure to avoid inequity between different categories of creditors. The Government of Niger will accord to each of the participating countries treatment no less favorable than that which it may accord to any other creditor country for the consolidation of debts of a comparable term.

The participating creditor countries agreed in principle to consider subsequently the matter of Niger's debt service payments falling due after September 30, 1984, provided that Niger continues to have a stand-by arrangement from the Fund involving the use of Fund resources subject to upper credit tranche conditionality, that Niger reached arrangements with banks and other creditors meeting the conditions described above, and that Niger has complied with all conditions set forth in the Agreed Minute. The provisions of the current agreement will apply provided that the Government of Niger continues to have an arrangement from the Fund in the upper credit tranches. For this purpose, the Government of Niger agreed that the Fund should inform the Chairman of the Paris Club regarding the status of Niger's relations with the Fund.

The magnitude of debt relief that Niger has obtained from the Paris Club is estimated to be somewhat more than the figure for total debt relief assumed under the program (SDR 24.4 million). At the time of the forthcoming review mission (in January 1984), a more firm assessment will be made of the debt relief obtained and its financial impact, within the context of an overall review of the implementation of the ongoing financial program and recent developments in the balance of payments.