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**FOR AGENDA**

EBS/86/237

CONFIDENTIAL

October 24, 1986

To: Members of the Executive Board

From: The Secretary

Subject: Niger - Requests for Stand-By Arrangement and for Arrangements Under the Structural Adjustment Facility

Attached for consideration by the Executive Directors is a paper on Niger's requests for a stand-by arrangement equivalent to SDR 10.11 million and for arrangements under the structural adjustment facility. Draft decisions appear on page 37.

It is proposed to bring this subject to the agenda for discussion on Monday, November 17, 1986 and it is also understood that the Executive Director for Niger will be requesting the Board for a waiver of the circulation period.

Mr. Nsouli (ext. 6937) or Mr. Clément (ext. 6935) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

NIGER

# Requests for Stand-By Arrangement and for Arrangements Under the Structural Adjustment Facility

Prepared by the African Department

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

Approved by A.D. Ouattara and S.J. Anjaria

October 23, 1986

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## I. Introduction

In the attached letter dated September 11, 1986, the Government of Niger requests a one-year stand-by arrangement in an amount equivalent to SDR 10.11 million, representing 30 percent of Niger's quota. This arrangement will enter into effect on December 5, 1986, following the expiration on December 4, 1986 of the current 12-month stand-by arrangement for SDR 13.48 million (40 percent of quota). In addition, the Government of Niger requests a three-year arrangement under the structural adjustment facility (SAF), and the first annual arrangement thereunder.

Discussions that provided the basis for these requests were held in Niamey during the period August 15-September 3, 1986. The representatives of Niger included Mr. Boukary Adji, Minister of Finance; Mr. A. Soumaila, Minister of Plan; Mr. Nouhou Amadou, Minister of Commerce and Transportation; Mr. Sani Koutoubi, Minister of Mining and Industry; Mr. Maina Mussa Boukar, Minister of Public Enterprises; Mr. Mamadou Diop, National Director of the BCEAO; and other ministers and officials responsible for economic and financial affairs. The mission was also received by the President, General Seyni Kountché, and the Prime Minister, Mr. Hamid Algabid. Mr. Alfidja, Niger's Executive Director, participated in the discussions. The staff representatives were Mr. S.M. Nsouli (head-AFR), Mr. J. Clément (AFR), Mr. A. Tazi (FAD), Mr. K. Enders (AFR), and Ms. J. Murray (secretary-AFR). Miss R. Bendokat, of the World Bank, participated in the mission. Mr. Ouattara (AFR) joined the mission for a few days toward the end of its stay.

The total amount that will be available to Niger under the SAF is currently projected at about SDR 15.8 million, with the first loan thereunder amounting to SDR 6.7 million. The stand-by arrangement and the first loan under the SAF are to support the Government's adjustment program for the fiscal year 1986/87 (October/September) which has been developed in the context of a medium-term framework. 1/ The Niger authorities have prepared, in close collaboration with the staffs of the Fund and the World Bank, a policy framework paper setting forth the Government's basic economic and financial objectives for the three-year period 1986/87-1988/89, and the macroeconomic and structural adjustment policies designed to achieve these objectives. This paper, dated September 11, 1986, has been transmitted to the Managing Director of the Fund and the President of the World Bank; it is expected to be considered by the Bank's Executive Directors at a meeting of the Committee of the Whole in October 1986.

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1/ Although the first year program covers the fiscal year ending September 1987, the targets for all key macroeconomic variables, other than the budget, are set for calendar year 1987.

To date, Niger has made four purchases of SDR 2.696 million each under the current stand-by arrangement (Appendix VII, Table I). As of September 30, 1986, the Fund's holdings of Niger's currency subject to repurchase were equivalent to 204.10 percent of quota; excluding holdings resulting from purchases under the compensatory financing facility, they amounted to 132.88 percent of quota. If all the purchases under the current and proposed stand-by arrangements, and all scheduled repurchases are made, Niger's use of Fund credit would decline from SDR 69.98 million, equivalent to 207.66 percent of quota, at the end of the current stand-by arrangement to SDR 63.98 million, equivalent to 189.85 percent of quota, at the end of the proposed stand-by arrangement. Since the Fund's holdings of Niger's currency would exceed 200 percent of quota, a waiver of the limitation in Article V, Section 3(b)(iii) is proposed. If disbursements under the SAF are included, the amount would be SDR 70.72 million, equivalent to 209.85 percent of quota, at the end of the proposed stand-by arrangement and the first annual arrangement under the SAF (Appendix VII, Table II). 1/

In support of their adjustment program, the Niger authorities will be seeking from the Paris and London Clubs and other official creditors a rescheduling of part of the debt service obligations falling due over the program period. Since debt relief on terms broadly comparable to those obtained in previous years would be more than sufficient to cover the financing gap in 1987, and in view of the authorities' commitment to the adjustment process, it seems reasonable to expect that relief sufficient to cover the financing gap will be forthcoming. Therefore, the staff considers that outright approval of the requested arrangements is appropriate. Any adjustments that may become necessary due to the outcome of the rescheduling arrangements would be dealt with in the context of the mid-term review of the program.

On February 18, 1986, the World Bank approved a structural adjustment credit (SAC) for Niger in an amount equivalent to US$60 million. The credit was programmed for disbursement in two phases: (1) US$40 million following effectiveness; and (2) US$20 million after a performance review to be held six to nine months after effectiveness. It is expected that during 1986/87 the equivalent of CFAF 14 billion will be disbursed. The structural adjustment program focuses on the strengthening of public resource management, the reform of the public enterprise sector, and the enhancement of agricultural policy.

Niger is on the standard 12-month consultation cycle. The staff report for the 1986 Article IV consultation with Niger, combined with the mid-term review under the current stand-by arrangement (EBS/86/109), was considered by the Executive Board on June 20, 1986. Niger continues to avail itself of the transitional arrangements of Article XIV.

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1/ Excluding the compensatory financing facility, it would rise from 140.89 percent of quota at the end of the current arrangement to 166.38 percent at the end of the new arrangement.

The proposed stand-by arrangement is given in Appendix I; the proposed arrangements under the SAF in Appendix II; the letter of transmittal and the medium-term economic and financial policy framework in Appendix III; and the letter of intent requesting the stand-by arrangement and the three-year arrangement under the SAF, as well as the first annual arrangement thereunder, in Appendix IV. Summary statements of Niger's relations with the Fund and the World Bank Group are provided in Appendices V and VI, respectively. Statistical tables, including summaries of the Fund position during the current and proposed arrangements, are given in Appendix VII.

## II. Background and Performance Under the 1985/86 Program

In the second half of the 1970s, the buoyant world demand for uranium, Niger's main export commodity, contributed to a rapid rise in Niger's export receipts and in government revenues. The increased revenue base, accompanied with heavy external borrowing, enabled the Government to expand sharply both its current and capital expenditures. However, in the early 1980s a number of factors, including a significant weakening in the world demand for uranium, declining terms of trade, unfavorable weather conditions, a drop in foreign aid, and serious structural problems in the public enterprise sector contributed to an intensification of economic and financial imbalances. These were reflected in 1981-82 in a marked slowdown in economic activity, a pickup in inflationary pressures, and a weakening in the external sector position. Financial policies during this period continued to be expansionary. The budget deficit, on a commitment basis but excluding grants and grant-financed outlays, almost doubled to 11 percent of GDP in 1980/81 and, notwithstanding sharp cutbacks in capital outlays, remained at 7.1 percent of GDP in 1981/82. Owing to increases in credit to both the Government and the private sector, the annual rate of domestic credit expansion during 1980-82 averaged 25 percent of the beginning money stock. 1/ As a result of the rising aggregate demand and the weakening in export receipts, the external current account deficit, including grants, rose to 9.7 percent of GDP in 1982. The large imbalances in the public sector and in the external sector were partly financed by official reserves and by a continued recourse to foreign borrowing. Between 1980 and 1982, the public debt outstanding more than doubled, and the public debt service ratio more than quadrupled; the gross foreign assets of the central bank declined from the equivalent of about two months to two weeks of imports. Furthermore, the Government accumulated substantial payments arrears.

Against this backdrop, Niger has made determined adjustment efforts starting in 1983, supported by three successive stand-by arrangements from the Fund. All the measures envisaged under these programs were implemented, and all performance criteria through end-June 1986

1/ All references to beginning money stock relate to the stock of money and quasi-money at the end of the preceding year.

observed. In addition to the resources provided by the Fund, Niger's adjustment efforts have been supported by other external financial assistance, including debt relief under the auspices of the Paris and London Clubs. Niger's adjustment efforts involved a mix of policies aimed at reducing the structural imbalances and aligning the level of aggregate demand with available resources. During the first two programs, the authorities promptly readapted and strengthened their policies to mitigate the effects of adverse exogenous factors and to maintain the programs on track. Thus, notwithstanding recurrent droughts, the closure of the border with Nigeria, and a further weakening in the world demand for uranium, the policies pursued contributed to a substantial improvement in the external sector position; the external current account deficit, including grants, narrowed from 9.7 percent of GDP in 1982 to 3.6 percent in 1985 (Table 1). Furthermore, the rate of inflation, as measured by the GDP deflator, declined from 9.8 percent in 1982 to 7.5 percent in 1985. However, economic activity in 1983 and 1984 fell sharply, as a result of the severe drought conditions and the leveling off in the output of the uranium sector. With an improvement in weather conditions, real GDP grew by 7.1 percent in 1985.

To consolidate and build upon the progress achieved during 1983-85, the Government adopted a comprehensive adjustment program for 1986, supported by the current stand-by arrangement (Table 2). Compared with the difficult conditions which Niger faced under previous programs, Niger benefited in 1986 from a considerable improvement in weather conditions, the reopening of the border with Nigeria, the drop in the prices of imported petroleum products, and the depreciation of the U.S. dollar vis-à-vis the CFA franc. On the negative side, the negotiated export price for uranium in CFA francs remained at its 1985 level, instead of rising by 5 percent as originally estimated in the program. Taking into account these factors, the objectives of the 1986 program were reassessed at the time of the mid-term review. 1/ The external current account deficit, including official transfers, was projected at 3.3 percent of GDP, compared with 3.1 percent originally programmed, and the overall balance of payments deficit at CFAF 20.3 billion, as against an original estimate of CFAF 23.0 billion. 2/ The projected rate of growth of real GDP at 4.0 percent, and the rate of inflation, as measured by the GDP deflator, at 7.0 percent, were estimated to remain in line with the original program projections.

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1/ The analysis of 1986 is based on estimates for the year. The program targets refer to the revised targets set at the time of the mid-term review in March 1986 (EBS/86/109).

2/ The analysis of the external sector is based on the CFA franc, rather than the SDR, because a large share of Niger's external transactions is undertaken within the franc zone. The tables for the balance of payments and debt service both in CFA francs and in SDRs are included in Appendix VII.

Table 1. Niger: Selected Economic and Financial Indicators, 1982-90

| | 1982 | 1983 | 1984 | 1985 Rev. prog. | 1985 Est. 1/ | 1985 Prel. act. | 1986 Prog. 1/ | 1986 Rev. prog. | 1986 Est. | 1987 Prog. | 1988 Projections | 1989 Projections | 1990 Projections |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (Annual percentage changes, unless otherwise specified) | | | | | | | |
| National income and prices | | | | | | | | | | | | | |
| GDP at constant prices | -0.8 | -2.6 | -16.1 | 7.1 | 7.1 | 7.1 | 4.0 | 4.0 | 3.0 | 2.0 | 2.1 | 2.2 | 2.3 |
| GDP deflator | 9.8 | 7.8 | 8.7 | 8.5 | 7.5 | 7.5 | 7.0 | 7.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Consumer prices | 10.4 | -2.5 | 8.5 | 10.4 | 7.4 | -1.1 | 6.5 | ... | ... | ... | ... | ... | ... |
| External sector | | | | | | | | | | | | | |
| Exports, f.o.b. (in CFA francs) | -10.8 | 17.1 | -5.9 | -9.5 | -9.1 | -15.2 | 6.4 | 6.5 | 4.9 | 4.2 | 5.7 | 5.0 | 7.3 |
| Imports, c.i.f. (in CFA francs) | -0.9 | -6.3 | -16.8 | 15.3 | 11.2 | 14.2 | -8.8 | -11.1 | -21.7 | 4.9 | 9.2 | 5.0 | 5.2 |
| Export volume | -20.1 | 9.7 | -7.9 | -1.6 | -9.2 | -12.9 | 3.5 | 3.7 | 5.7 | -0.9 | 1.3 | 1.4 | 1.4 |
| Import volume | 0.2 | -5.1 | -15.2 | 5.1 | -2.1 | 15.2 | -5.2 | -12.9 | -21.0 | 2.8 | 5.0 | 1.2 | 1.8 |
| Terms of trade (in CFA francs; deterioration -) | 18.4 | 15.7 | 5.9 | ... | ... | -6.1 | ... | -0.7 | 2.5 | 1.4 | 0.6 | 0.9 | -0.9 |
| Nominal effective exchange rate 2/ (end of period; depreciation -) | -2.9 | -3.1 | -2.4 | ... | ... | 0.6 | ... | ... | ... | ... | ... | ... | ... |
| Real effective exchange rate 2/ (end of period; depreciation -) | -1.5 | -12.8 | -1.1 | ... | ... | -3.6 | ... | ... | ... | ... | ... | ... | ... |
| Government budget (fiscal year ending September 30) | | | | | | | | | | | | | |
| Revenue (excluding grants) | -1.8 | -6.8 | 1.9 | -2.4 | -3.0 | -2.6 | 6.8 | 6.9 | 7.2 | 8.2 | 8.7 | 11.0 | 7.3 |
| Expenditure (commitment basis) 3/ | -14.6 | -1.2 | -13.8 | -1.2 | 0.2 | 0.8 | -0.1 | 0.5 | 1.6 | 4.6 | 3.2 | 2.2 | 1.9 |
| Expenditure and net lending (including grant-financed outlays) | ... | ... | -4.7 | ... | ... | 2.4 | ... | ... | 5.1 | 8.7 | 6.5 | 5.2 | 4.9 |
| Current expenditure | 12.8 | -3.3 | 17.7 | ... | ... | 11.8 | ... | ... | -2.3 | 5.3 | 0.1 | -0.7 | -0.9 |
| Capital expenditure | ... | ... | -23.1 | ... | ... | -5.2 | ... | ... | 16.8 | 12.7 | 13.5 | 10.9 | 9.9 |
| Money and credit (end of period) | | | | | | | | | | | | | |
| Domestic credit 4/ | 29.5 | -1.7 | -6.7 | 15.7 | 14.6 | 5.4 | 11.4 | 11.7 | 5.0 | 8.3 | 7.5 | 7.5 | 4.8 |
| Government (net) | 20.6 | 2.2 | 4.2 | 4.4 | 5.2 | 5.0 | 3.3 | 2.5 | 1.1 | -- | -- | -- | -- |
| Private sector | 8.9 | -3.9 | -10.9 | 11.3 | 9.4 | 0.7 | 8.1 | 9.1 | 4.0 | 8.3 | 7.5 | 7.5 | 4.8 |
| Money and quasi-money (M2) | -11.7 | -1.0 | 22.7 | 7.4 | 9.5 | 7.9 | 8.6 | 8.0 | 9.0 | 7.5 | 7.5 | 7.5 | 7.5 |
| Velocity (GDP relative to M2) | 7.7 | 8.2 | 6.1 | 6.6 | 6.4 | 6.5 | 6.6 | 6.8 | 6.5 | 6.6 | 6.6 | 6.7 | 6.7 |
| Interest rate (end of period) | | | | | | | | | | | | | |
| Minimum rate on time deposits 5/ | 10.5 6/ | 9.5 7/ | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 | 9.0 8/ | 8.0 9/ | ... | ... | ... | ... |
| Money market rate for overnight deposits (end of period) | 13.0 | 12.0 | 10.8 | ... | 10.2 | 9.8 | ... | ... | 7.8 9/ | ... | ... | ... | ... |
| | | | | | | (In percent of GDP) | | | | | | | |
| Central government budget deficit (-) (on the basis of fiscal years) | | | | | | | | | | | | | |
| Commitment basis 3/ | -7.1 | -7.3 | -4.9 | -4.6 | -4.8 | -4.9 | -3.7 | -3.8 | -3.9 | -3.5 | -2.8 | -1.9 | -1.3 |
| Cash basis | -4.9 | -7.3 | -6.8 | -5.4 | -5.5 | -5.2 | -3.7 | -3.8 | -3.9 | -3.5 | -2.8 | -1.9 | -1.3 |
| Domestic bank financing (net) | 1.3 | 0.7 | 0.8 | 1.3 | 1.3 | 1.0 | 0.5 | 0.7 | 0.7 | -- | -- | -- | -- |
| Foreign financing (net) | 3.2 | 6.3 | 5.5 | 4.2 | 4.0 | 3.5 | 3.2 | 2.9 | 2.7 | 3.2 10/ | 2.6 10/ | 1.7 10/ | 1.1 10/ |
| Central government deficit (-) (including grant-financed investment, but excluding grants) | | | | | | | | | | | | | |
| Commitment basis | ... | ... | -8.3 | ... | ... | -8.4 | ... | ... | -7.8 | -7.8 | -7.5 | -6.8 | -6.4 |
| Cash basis | ... | ... | ... | ... | ... | -8.7 | ... | ... | -7.8 | -7.8 | -7.5 | -6.8 | -6.4 |
| Foreign financing (net) | ... | ... | 7.2 | ... | ... | 7.0 | ... | ... | -6.6 | 6.8 10/ | 5.9 10/ | 5.6 10/ | 6.2 10/ |
| External current account deficit (-) | | | | | | | | | | | | | |
| Including official transfers | -9.7 | -4.6 | -1.7 | -5.0 | -5.0 | -3.6 | -3.1 | -3.3 | -2.2 | -2.0 | -2.2 | -1.9 | -1.4 |
| Excluding official transfers | -17.1 | -12.0 | -9.2 | -14.6 | -14.1 | -13.9 | -9.9 | -9.2 | -7.9 | -7.6 | -7.5 | -6.9 | -6.3 |
| External debt 11/ | 42.1 | 51.9 | 67.2 | 64.1 | 64.1 | 62.4 | 60.9 | 58.2 | 59.3 | 55.0 | 51.9 | 49.0 | 46.6 |
| | | | | | | (In percent of exports) 12/ | | | | | | | |
| Debt service ratio 13/ | | | | | | | | | | | | | |
| Without debt relief | 46.5 | 33.1 | 40.6 | 47.0 | 46.7 | 51.5 | 49.7 | 45.5 | 48.2 | 50.8 | 47.7 | 41.3 | 37.7 |
| With debt relief | ... | 30.8 | 25.7 | 33.7 | 33.4 | 35.4 | ... | 30.8 | 32.9 | ... | ... | ... | ... |
| Interest payments 13/ | | | | | | | | | | | | | |
| Without debt relief | 18.7 | 14.4 | 16.0 | 19.8 | 19.9 | 19.8 | 19.0 | 15.9 | 18.6 | 18.8 | 17.4 | 15.8 | 15.2 |
| With debt relief | ... | 13.6 | 11.1 | 17.2 | 17.1 | 16.5 | ... | 12.9 | 17.3 | ... | ... | ... | ... |
| | | | | | | (In billions of CFA francs) | | | | | | | |
| GDP at current market prices | 642.7 | 674.6 | 615.4 | 708.5 | 708.5 | 708.5 | 788.2 | 788.2 | 773.1 | 836.1 | 901.8 | 980.0 | 1,062.4 |
| Overall balance of payments deficit (-) | -42.7 | 1.4 | -3.9 | -25.2 | -24.3 | -16.9 | -23.0 | -20.3 | -18.9 | -8.7 | -3.0 | -1.9 | 6.4 |
| Change in external payments arrears (in millions of SDRs) | -- | 3.6 | -- | -3.6 | -3.6 | -3.6 | -- | -- | -- | -- | -- | -- | -- |

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

1/ Based on the estimates for 1985 in EBS/85/231.
2/ Import-weighted. The price index utilized is calculated on the basis of a basket of consumer goods, in which food items have a large share.
3/ On the basis of expenditure committed for which payment orders were issued. Excluding grant-financed outlays.
4/ Expressed in percent of beginning-of-period money stock.
5/ Minimum rate on time deposits in excess of one year and in amounts of more than CFAF 2 million; the actual rates generally follow the money market quotations closely.
6/ Since April 7, 1982.
7/ Since April 5, 1983.
8/ Since March 24, 1986.
9/ Since September 22, 1986.
10/ Assuming that remaining financing gap is filled by external financial assistance.
11/ Outstanding disbursed long- and medium-term public and private debt, including IMF.
12/ Exports of goods and nonfactor services.
13/ Service on public and private long- and medium-term debt.

Table 2. Niger: Summary of the Revised Adjustment Program for 1985/86

Revised objectives
1. Achieve a 4 percent growth rate in real GDP.
2. Reduce the rate of inflation, as measured by the GDP deflator, from 7.5 percent to 7.0 percent.
3. Contain the current account deficit of the balance of payments to 3.3 percent of GDP, and limit the overall balance of payments deficit to CFAF 20.3 billion.

Pricing and marketing policies
1. Abolish all import monopolies and quasi-monopolies (de facto monopolies and exclusive trading contracts), with exception of imports of petroleum products (October 1, 1985). 1/
2. Expand the scope of the system of tenders and bids for wholesale purchases and sales of sorghum and millet and the setting of selling prices in line with market conditions by the grain marketing agency (OPVN) (November 1, 1985). 1/
3. Reduce the list of products and services covered by the system of regulated prices, with the exception of local industries, to petroleum products, salt, water, electricity, bread, flour, and transportation; institute instead a system of profit margins (November 1, 1985). 1/

Public enterprises
1. Finalize and start implementing a comprehensive reform program for the public enterprise sector under the SAC with the World Bank in 1986. 1/
2. Continue the implementation of measures to strengthen the financial position of key public enterprises:
   a. OPVN - through the introduction of the pricing and marketing measures described above; 1/
   b. BDRN - increase capital and continue the rehabilitation program; 1/
   c. OFEDES - expand its program to charge user costs to the beneficiaries and to recover at least one third of the maintenance costs of wells, pumping stations, and drilling. 1/
   d. SONICHAR - continue with the ongoing rehabilitation program; increase tariffs applicable to the uranium mining companies (1986). 1/
3. Prepare timetable for elimination of verified cross-debts. 1/

Public investment program (1985/86)
1. Overall objective: CFAF 80 billion
   Domestic counterpart (including BDRN): CFAF 5.5 billion
   External borrowing: CFAF 32.9 billion
   Grants: CFAF 41.6 billion
2. Implementation rate: 77 percent (average)
   Domestic counterpart: CFAF 4.5 billion
   External borrowing: CFAF 25.7 billion
   Grants: CFAF 31.4 billion
3. Investment programming
   Prepare the second and third year programs of three-year investment program (1985/86-1987/88) in the context of the SAC with the World Bank, taking into account the need to rehabilitate and maintain existing infrastructure, recurrent expenditure implications, the need to expand cost recovery, and the impact on the balance of payments. 1/

Public Finance
1. Reduce the overall deficit on a commitment basis from CFAF 33.5 billion in 1984/85 (4.9 percent of GDP) to CFAF 29.3 billion (3.8 percent of GDP) in 1985/86.
2. Budgetary revenue: increase by 6.9 percent.
   a. Introduce the value-added tax (VAT). 1/
   b. Increase stamp duties and registration fees. 1/
   c. Introduce customs duties on petroleum products. 1/
   d. Collect CFAF 1.0 billion of profits from oil sector. 1/
   e. Improve tax administration by moving forward the point for collection for petroleum taxes to customs. 1/
   f. Eliminate preferential duties on certain imports. 1/
   g. Tax several commodities based on the full c.i.f. value. 1/
3. *Expenditure: increase of 0.5 percent.*
   a. Limit growth of wage bill by granting no cost of living adjustment and limiting employment. 1/
   b. Reduce scholarships and subsidies. 1/
   c. Limit administrative expenditure and transfers to public entities. 1/
   d. Limit investment outlays at about the 1984/85 programmed level. 1/
4. No accumulation of arrears.

Monetary and credit policies
1. Limit monetary growth to 8.0 percent in 1986.
2. Allocate a higher percentage of credit growth to the nongovernment sector and limit credit growth to 11.7 percent of beginning money stock.

External sector
1. External debt relief from the Paris Club, commercial banks, and other official creditors.
2. No contracting or guaranteeing of new nonconcessional loans in the 0-12 years' maturity range.

Source: Niger staff report for the 1986 Article IV consultation and review under stand-by arrangement (EBS/86/109).

1/ Indicates measures already implemented in conformance with the revised program.

In the event, the outcome for 1986 appears to have been in several respects more favorable than had been envisaged. The external current account deficit, including official transfers declined from 5.0 percent of GDP in 1985 to 2.2 percent of GDP in 1986, while the overall balance of payments deficit rose from CFAF 16.9 billion in 1985 to only CFAF 18.9 billion in 1986. The rate of inflation, as measured by the GDP deflator, dropped from 7.5 percent in 1985 to 6.0 percent in 1986. Following the sharp recovery in economic activity in 1985, real GDP growth leveled off at 3.0 percent, below the program target of 4.0 percent, partly because of insect infestation of the agricultural crops and the uneven regional rainfall pattern.

The structural reforms instituted by the authorities contributed to the improvement in the economic conditions. In order to strengthen production incentives, reduce price distortions, and improve the financial position of the public enterprise sector, there was a further significant liberalization of pricing and marketing policies. All import monopolies and quasi-monopolies, with the exception of petroleum products, were abolished. The cereal marketing agency (OPVN) expanded the scope of the system of tenders and bids to cover all wholesale purchases and sales during the 1985/86 harvest season, reduced its retail selling prices in remote areas in line with market conditions, and introduced price differentials to reflect variations in transportation and distribution costs among regions. In addition, 20 of the 27 products and services subject to price ceilings (homologation) were subjected to the more flexible system of preset profit margins.

In addition, the Government made considerable progress in implementing the reform program for the public enterprise sector prepared in consultation with the World Bank and launched in late 1985. The reform program includes measures to enhance production incentives, to improve the legal and institutional framework within which public enterprises operate, and specific programs of liquidation, privatization, and rehabilitation. In January 1986, the Government adopted legislation classifying enterprises as public enterprises, public agencies of an administrative nature, industrial or commercial agencies, state corporations, and mixed enterprises. The legislation defined their structure and organization as well as the supervisory role of the Government for each category. Furthermore, so far four public enterprises have been liquidated, three have suspended their operations, three have been privatized, and three state-owned hotels and the petroleum distribution stations of the state enterprise SONIDEP have been leased to the private sector. For eight enterprises, rehabilitation programs are being implemented with World Bank and/or bilateral assistance. Specific measures undertaken include management and technical reforms of the thermal power plant (SONICHAR), an expansion in cost recovery of the national agency for underground water supply (OFEDES), a capital increase of the commercial and development bank (BDRN), and a reduction in OPVN's price stabilization role. Furthermore, the commission, established to verify the cross-debts of the public enterprise sector and to determine the amounts to be

settled, proceeded with its work, in consultation with the World Bank; a timetable was set up for the elimination of outstanding cross-debts, beyond normal credit and working balances, starting in the 1986/87 fiscal year.

To strengthen investment planning, the Government formulated, also in consultation with the World Bank, a three-year rolling public investment program for 1985/86-1987/88. The thrust of this program, which is reviewed annually in consultation with the World Bank, is to reorient investment further toward the directly productive sectors and to reduce the reliance on external loans by financing a higher proportion of investment expenditure through foreign grants. For 1985/86, an investment target of CFAF 80 billion was set; as a working hypothesis, an implementation rate of 77 percent was used for the purpose of financial programming. It is estimated that an implementation rate of 74 percent was achieved, with public investment reaching CFAF 59.0 billion. This was financed by CFAF 29.0 billion in grants, CFAF 26.2 billion in external loans, and CFAF 3.8 billion in budgetary resources. Although there was a sharp shortfall in project implementation in the rural and social sectors, where the rate of implementation was limited to about 60 percent, the structure of investment continued to shift toward the productive sectors, with their share in total investment rising from 37 percent in 1984/85 to 44 percent in 1985/86.

To complement the structural reforms, the Niger authorities pursued tight financial policies. Reflecting the implementation of revenue-generating measures and a containment in expenditure, the budget deficit on a commitment basis, 1/ excluding grants and grant-financed investment, declined from CFAF 33.2 billion (4.9 percent of GDP) in 1984/85 to CFAF 29.9 billion (3.9 percent of GDP) in 1985/86, essentially as programmed (Appendix VII, Table III). 2/ The deficit in 1985/86 was financed by CFAF 20.9 billion in net foreign financing, including CFAF 12.1 billion in debt relief, and CFAF 9.0 billion in net domestic financing, including CFAF 5.0 billion in net bank credit. Revenue is estimated to have reached the program target of CFAF 73.2 billion, increasing by 7.2 percent, mainly due to the wide-ranging tax measures introduced at the beginning of the year and the decision of the authorities to channel the estimated profits from the oil sector into the budget. The revenue measures taken included the introduction of a value-added tax, an increase in stamp duties and registration fees, and an increase in effective customs duties. However, the stagnation in uranium receipts and the slack in dutiable imports exerted a dampening influence on tax revenue. Nontax revenue benefited from the receipt of

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1/ Based on payment orders issued.

2/ Appendix VII, Table III provides a more comprehensive coverage of fiscal operations than in previous reports in that grant-financed investment expenditure is included. The discussion in this section is, however, confined to the fiscal position, excluding grants and grant-financed investment, to maintain consistency with the program targets.

CFAF 2.0 billion of windfall profits resulting from the fall in crude oil import prices with the selling prices maintained constant. By contrast, total expenditure and net lending (excluding grant-financed investment) grew by 1.6 percent in 1985/86, compared with a targeted increase of 0.5 percent. It, nonetheless, represented a major cut in real terms. The nominal increase is explained mainly by a 14.1 percent rise in government investment expenditure financed by external loans, while current expenditure and net lending declined by 2.9 percent, owing principally to a cut of 2.3 percent in current expenditure and to an improvement in the position of the special accounts.

A tight monetary policy is being pursued consonant with the objectives of the program, and all the performance criteria on credit through end-June 1986 have been observed (Appendix VII, Table IV). The recourse to net domestic bank financing by the Government at end-June was lower than initially envisaged under the program. The growth of credit to the private sector was also considerably lower than programmed, as the impact of the growth in the nonmonetized economy on the rest of the economy was less than expected and as the demand for credit by the public enterprise sector declined due to an improvement in its financial position. Net foreign assets increased sharply during the first half of 1986, due to revaluation effects and the improved net external position of commercial banks. Reflecting largely these factors, domestic liquidity grew by 3.6 percent during the first half of 1986. During the second half of the year, it is expected that the demand for credit from the Government and private sectors will increase, with the result that for the year as a whole the growth in net claims on the Government is estimated at 1.1 percent of beginning money stock and domestic credit at 5.0 percent. Taking into account the balance of payments objective for 1986, domestic liquidity is projected to grow by 9.0 percent, as compared with an original program projection of 8.0 percent.

The overall balance of payments deficit is now estimated at CFAF 18.9 billion, compared with a targeted deficit of CFAF 20.3 billion (Appendix VII, Table V). This outcome reflects primarily developments in the external current account (including official transfers), the deficit of which is expected to narrow to 2.2 percent of GDP, compared with 3.6 percent in 1985 and a program target of 3.3 percent. The shortfall in uranium receipts, resulting from the depressed world demand conditions, is expected to be more than compensated by the positive effects of the good harvest, the reopening of the border with Nigeria, and the drop in the prices of imported petroleum products, as well as the tight financial policies pursued. Hence, while export receipts are estimated to increase by 4.9 percent, compared with a program estimate of 6.5 percent, imports payments are estimated to decrease by 21.7 percent, compared with a program estimate of a drop of 11.1 percent. The decline in import payments reflects primarily a drop in cereal and oil imports as well as a lower-than-envisaged increase in imports of capital goods. As a result, the deficit on the trade balance is now estimated to decrease from CFAF 46.3 billion in 1985 to

CFAF 6.3 billion in 1986, compared with a program target of CFAF 21.4 billion. The impact on the external current account is estimated to be partly offset by higher interest payments on public debt than programmed, as well as a sharper decline in official transfers, primarily associated with a decline in food aid. As a result of a lower-than-programmed implementation rate in the investment program, gross capital disbursements are estimated to be lower by CFAF 8.4 billion from the program estimate of CFAF 46.3 billion. This shortfall in disbursements explains in the main the deficit of CFAF 1.9 billion on the capital account, compared with a program projection of a surplus of CFAF 5.9 billion. However, in view of the improvement on the current account, the overall balance of payments deficit is estimated to narrow to CFAF 18.9 billion, as against a program target of CFAF 20.3 billion. Given debt relief estimated at CFAF 19.7 billion, and a revaluation effect of CFAF 5.4 billion, net foreign assets are expected to improve by CFAF 6.2 billion, compared with a programmed decrease of CFAF 0.9 billion.

In 1986, the Government has continued to follow a prudent debt management policy and has not contracted or guaranteed any nonconcessional loans with a maturity range of 0-12 years. Moreover, to improve external debt management, all new loans contracted or guaranteed by the Government since April 1986 have required the authorization of the Minister of Finance. In addition, most of public debt data have been computerized. In November 1985 the Paris Club agreed to the rescheduling of Niger's government and government-guaranteed external debt obligations for the period December 1, 1985 to December 4, 1986. 1/ The rescheduling covers 90 percent of principal and 50 percent of interest due, with the exception of debt already rescheduled. The cut-off date of this agreement relates to debts contracted or guaranteed before July 1, 1983. Furthermore, the commercial banks, under the auspices of the London Club, agreed in April 1986 to the rescheduling of Niger's external debt obligations for the period October 1985 to December 1988. The rescheduling covers 90 percent of the amounts in principal due, with the exception of debt already rescheduled. 2/ Accordingly, the amount of debt relief for 1986 is estimated at CFAF 19.7 billion and the debt service, before and after rescheduling, at 48.2 percent and 32.9 percent, respectively (Appendix VII, Table VI). Charges and repurchases to the Fund are estimated to amount to about 8.0 percent of total external debt service payments after rescheduling in 1986. In view mainly of the absence of agreement with certain countries and bilateral institutions that did not participate in the Paris Club to reschedule Niger's government and government-guaranteed debt, the debt relief obtained for 1986 is lower than the

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1/ See EBS/85/18 and SM/85/323 for details on Niger's external debt renegotiation.

2/ Reschedulings after December 31, 1986 are subject to the existence of an arrangement with the Fund. These reschedulings cover principal due between January 1, 1987 and December 31, 1987, and between January 1, 1988 and December 31, 1988.

original program estimate of CFAF 20.3 billion. While the authorities are servicing this debt on schedule to all creditors that have not agreed to reschedule, they are still exerting their best efforts to secure treatment on comparable terms.

## III. Medium-Term Perspectives

### 1. Obstacles to economic growth and financial stability

While Niger has been able to reduce over the last three years its structural and financial imbalances, the full effect of the wide-ranging measures that have been implemented will be felt only over the long run. Nonetheless, Niger continues to face considerable natural and structural constraints limiting its growth prospects and constraining the achievement of domestic and external financial stability. The natural constraints include Niger's landlocked position, the limited amount of arable land, the vulnerability of the agropastoral sector to fluctuating weather conditions, and the small size of the domestic market. These constraints are compounded by the degradation of the soils, on account of overexploitation and recurrent droughts; the lack of appropriate technological packages for rainfed agriculture; the limitations imposed by the human capital base, owing largely to the low rates of primary education enrollment reflected in the lack of qualified and skilled manpower; the rapid population growth; and the slack in the uranium world market since the early 1980s.

These obstacles have been aggravated by a number of policy-related structural constraints in three key areas, namely public resource management, the public enterprise sector, and the institutional framework affecting production, savings, and investment incentives. In the area of public resource management, the key problems arise from the relative inelasticity of the tax base, the imbalanced structure of government current expenditure, inadequate cost recovery, the limitations of public investment programming, and the lack of integration of public investment into the regular budgeting and expenditure control processes. The public enterprise sector has suffered from weak management, undercapitalization, and an inadequate legal and institutional framework. Price controls and government regulation have also stifled private sector economic activity and affected adversely resource allocation.

These constraints have contributed to and have been intensified by the financial imbalances. Notwithstanding the adjustment achieved thus far, both the budgetary and balance of payments positions remain unsustainable; the large financing gaps necessitate exceptional external financial assistance, including debt relief. In addition, in view of the low level of domestic savings, the public investment program remains heavily dependent on external financial assistance. The financial imbalances are exacerbated by Niger's external debt service burden, resulting from past borrowing to finance projects with low rates of

return and from recourse to nonconcessional loans. While debt relief has been necessary to meet the short-term financing requirements, it has involved high costs and has only deferred the debt problem.

2. Objectives and policies

Against this background, the authorities have decided to pursue their adjustment efforts in the context of a medium-term economic and financial program, covering the three-year period 1987-89, consistent with the thrust of the policies supported by the current stand-by arrangement from the Fund and the structural adjustment credit from the World Bank. The program will aim at reducing the major structural constraints and limiting the growth of aggregate demand to a level consonant with available resources. The emphasis will be on generating a favorable environment for fostering private sector economic activity and investment, and promoting domestic savings. By enhancing Niger's competitiveness, the program will aim at expanding the export base and at encouraging import substitution. The key quantitative objectives for 1987-89 are to achieve an annual rate of real economic growth of 2.1 percent, to limit the annual rate of inflation, as measured by the GDP deflator, to 6.0 percent, and to reach a viable external payments position by 1990 through a gradual reduction in the external current account deficit, including official grants, from 2.2 percent in 1986 to 1.4 percent in 1990 (Appendix VII, Table V).

The structural measures being implemented are expected to have a major impact on the growth prospects of Niger. It is estimated that, without the structural measures, real economic growth would average 1.1 percent annually during 1987-95. The effective implementation of the structural adjustment program, coupled with the assumptions that normal weather conditions prevail and that the prospects for the international economic environment remain unchanged, is expected to raise the average annual real growth rate to 2.1 percent during 1987-90 and 2.9 percent during 1991-95. While these rates have been used as a working hypothesis, the Government's target of at least a 3.0 percent annual growth rate could be achieved; this would depend critically on the emphasis that is placed on investment in the productive sectors, a major improvement in weather conditions, and the emergence of a more favorable international economic environment that will result in a marked improvement in demand for Niger's exports and in its terms of trade.

By 1990 Niger will have thus laid the foundation for achieving a sustainable rate of economic growth, exceeding that of population growth, and an overall balance of payments position and structure consistent with orderly relations with creditors, in the context of an exchange system that is free of restrictions on payments and transfers for current international transactions. This will contribute to a gradual improvement in living standards in Niger, which, in the absence of the program, would have been further curtailed. In particular, the secular fall in per capita consumption would be halted, the provision of

basic public services improved, and new employment opportunities generated by the expansion of the private sector. The achievement of the medium-term objectives will hinge critically on the adaptation of policies in light of the progress made and the emergence of unforeseen factors.

The policies that the Government intends to pursue during 1987-89 are outlined in its policy framework paper (Appendix III). 1/ To address the structural problems in public resource management, further measures to increase the elasticity of the tax system will be undertaken; measures to improve the structure of expenditure, emphasizing the importance of adequate allocations for recurrent operations will also need to be adopted. In addition, the budgeting and expenditure control processes are being expanded in scope to cover all government operations, and the process of investment programming strengthened. Expenditure under the public investment program will continue to be reoriented toward the directly productive sectors, developing human resources, and rehabilitating existing infrastructure. The investment program also includes a number of projects designed to finance recurrent expenditure, particularly in the social sectors, given their importance for the long-term development prospects of the country. The level of investment expenditure will be determined in light of resource availability and the priorities of the investment program; the financing plan will take into account Niger's limited debt servicing capacity. Accordingly, the Government will seek to finance an increasing share of investment from foreign grants and to improve the degree of concessionality in its external borrowing.

Consistent with these objectives, the authorities have introduced, in cooperation with the World Bank, the concept of a three-year rolling public investment program. With the completion of the implementation of the first annual program in 1985/86, a new three-year public investment program for 1986/87-1988/89 has been elaborated, with an overall investment target of CFAF 310.5 billion, compared with the target of CFAF 275.5 billion for the 1985/86-1987/88 program. The World Bank views the level, composition, and financing of this program as appropriate. The program will be reviewed and extended yearly in consultation with the World Bank. Further, the authorities, in consultation with the World Bank, will monitor the implementation of the investment program and its financing to ensure that it contributes directly and indirectly to the reduction of the debt service burden and the achievement of a viable balance of payments position with sustained economic growth by 1990 and over the long term. An appropriate breakdown between capital expenditure and related recurrent expenditure, incorporated in the budget, will be established.

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1/ For a summary description and timetable of macroeconomic and structural adjustment policies for 1987-90, see Table 3.

Table 3. Niger: Summary Description and Timetable of Macroeconomic and Structural Adjustment Policies, 1987-89 1/

| | Objectives and policies | Strategies and measures | Timing of measures |
|---|---|---|---|
| 1. Public resource management | Strengthen public resource management and achieve sustainable budgetary position. | Improve the budgetary process and reform the tax system. | 1987-89 |
| a. Revenue | Reform the tax system so as to enhance its elasticity, and reduce its distortionary effects. | Complete a study on the reform of tax system and tax administration, including customs valuation and tax exemptions. | Feb. 1987 |
| | | Implement the measures deemed necessary on the basis of this study. | 1987/88 |
| b. Expenditure | | | |
| i. Current expenditure | Alter the structure of current expenditure so as to allocate sufficient amounts to operating and maintenance costs and to reduce the share of the wage bill. | Complete the study of the civil service system. | July 1987 |
| | | Introduce a plan of action for reforming the civil service. | 1987-88 |
| | | Decrease personnel expenditure in real terms, limit hiring, increase the allocation for operation and maintenance. | 1987-89 |
| | Reduce transfers to consumers. | Reduce the level of subsidies and transfers for housing, scholarships, and others. | 1987-89 |
| | Increase cost recovery in sectors currently financed by the budget. | Introduce measures to recover a greater proportion of the cost of public services. | 1987-89 |
| ii. Capital expenditure | Reorient investment toward productive sectors and rehabilitation of existing infrastructure. | Draw up a three-year rolling investment program, initially for the period from 1986/87 to 1988/89, and extend it annually by one year. | 1986/87-1989/90 |
| | Improve investment programming. | Ministry of Planning: Improve the organization of the programming cycle and apply more rigorous procedures for the economic evaluation of investment projects, their capital costs, and their financial and recurrent costs. | 1987-89 |
| | | Consolidate all capital expenditure within the regular budgeting and expenditure control processes. | 1987 |
| | Improve the financial structure of the investment program. | Increase the proportion of investment financed by grants. | 1987-89 |

1/ Including measures taken during the final quarter of the economic and financial program for 1986/87.

Table 3 (continued). Niger: Summary Description and Timetable of Macroeconomic and Structural Adjustment Policies, 1987-89 1/

| | Objectives and policies | Strategies and measures | Timing of measures |
|---|---|---|---|
| 2. Public enterprises | Improve the efficiency of the public enterprise sector and reduce its scope. | Continue carrying out the overall reform of public enterprises initiated in 1985 by taking the following steps: | 1986-89 |
| | | (a) Adopt personnel statute. | Oct. 1986 |
| | | (b) Adopt model charters. | Oct. 1986 |
| | | (c) Prepare a plan of action for the reform of OPT and OPVN. | Oct. 1986 |
| | | (d) Draft of a plan of action for collection of BDRN loans. | Oct. 1986 |
| | | (e) Take decision with regard to Air Niger and SNC. | Oct. 1986 |
| | | (f) Re-examine incentive measures, revise trade and tax policies with a view to improve and standardize the structure of incentives benefiting public and private enterprises. | 1987-89 |
| | | (g) Adopt charters for all enterprises consistent with the new 1986 legislation. | March 1987 |
| | | (h) Eliminate all the cross-debts of the public sector by 1989 on the basis of a timetable. | 1987-89 |
| | | (i) Complete the privatization of OLANI, SICONIGER, SONERAN, SNT, and CMAN, and finish the liquidation of SOPAC, UNCC, and SONIFAME. | 1987 |
| | | (j) Prepare and introduce an action plan for the establishment of a water company. | 1987 |
| 3. Marketing and pricing policies | Promote market oriented pricing policies and increase the scope of private sector activities. | Complete the deregulation of pricing policy by 1990, by reducing the list of products subject to price ceilings or preset profit margins, with the exception of certain essential products. | 1987-89 |
| | | In an initial stage: | |
| | | (a) the list of 64 imported goods considered essential and currently subject to specific preset profit margins will be subjected instead to preset profit margins of 35 and 50 percent, and | Nov. 1986 |
| | | (b) completely deregulate all other import products. | Nov. 1986 |
| | | Abolish the price stabilization function of OPVN. | 1986 |

Table 3 (concluded). Niger: Summary Description and Timetable of Macroeconomic and Structural Adjustment Policies, 1987-89 1/

| | Objectives and policies | Strategies and measures | Timing of measures |
|---|---|---|---|
| 4. Agricultural policy | Promote and diversify production. | Devise a new rural development strategy: | |
| | | (a) Complete the study on the rural development strategy. | 1988 |
| | | (b) Deregulate completely grain prices and grain marketing. | 1986-89 |
| | | (c) Shift public investment to emphasize further rural development. | 1987-89 |
| | | (d) Redefine agricultural research priorities. | 1987 |
| | | (e) Reduce subsidies on the purchase of agricultural inputs, gradually reducing its rate to a ceiling of 15 percent of the wholesale price by 1988. | 1987-88 |
| | | (f) Reform the agricultural credit system. | 1987-88 |
| 5. Monetary and credit policy | Design monetary policies consistent with the external current account, the inflation, and the growth targets. Pursue a selective credit policy, promoting private sector access to bank credit. | Improve the financial performance of public enterprises and limit central government recourse to bank credit. | 1987-88 |
| | Improve the efficiency of banking system. | Reform BDRN and the agricultural credit system. | 1987-88 |
| | Mobilize domestic savings and improve resource allocation. | Interest rate policy. | 1987-89 |
| 6. External debt | Contain external debt service and re-establish normal relations with creditors. | Contract new loans only on concessional terms, if possible, on terms comparable to those of IDA, while intensifying efforts to mobilize resources in the form of grants. | 1987-89 |
| | | Subject any drawings on a loan contracted or guaranteed by the Government to the prior authorization of the Ministry of Finance. | April 1986 |
| | | Centralize all data on the external debt at the Ministry of Finance. | 1987 |
| | | Ensure the complete computerization of external debt data. | 1987 |

The implementation of a comprehensive reform program for the public enterprise sector, initiated in 1985, will continue during 1987-89, including a narrowing in the scope of the sector, measures to increase the efficiency of the enterprises, and the settlement of all identified and verified cross-debts by 1989. Concomitantly, the incentive system will be further liberalized through a reduction in government intervention. Moreover, the goods and services that remain subject to price controls will be liberalized in a phased manner by 1990, with the exception of certain essential products which may be excluded in consultation with the Fund and the Bank. Agricultural policies will be strengthened, complementing the reform of grain pricing and marketing aimed at relying increasingly on the private sector. With assistance from the World Bank and bilateral donors, the Government is currently reviewing its rural development strategy. This study is expected to be completed by end-1988. Pending the outcome of the study, the Government will take a number of steps to improve agricultural policy in the area of grain marketing and storage, subsidies for agricultural inputs, cost recovery, agricultural credit system, and redefinition of agricultural research priorities.

Financial policies will be geared to restrain the growth in aggregate demand as well as to modify the structure of demand, by shifting government expenditure increasingly toward recurrent expenditure (for operations and maintenance) and toward investment outlays, while eliminating the recourse of the Government to net domestic financing. Based on the current presentation of the budget, which excludes grants and grant-financed investment, the consolidated budget deficit, on a commitment basis, will be reduced from 3.9 percent of GDP in 1985/86 to 1.3 percent in 1989/90. The consolidated budget deficit on a commitment basis, including grant-financed investment but excluding grants, will be reduced from 7.8 percent of GDP in 1985/86 to 6.4 percent in 1989/90 (Appendix VII, Table III). During this period, the deficit will be financed by external financial assistance on concessional terms, including diminishing levels of debt relief. If adequate funding is forthcoming on appropriate terms, the 1987/88-1989/90 targets for investment, the budget position, and the external current account will be revised accordingly, taking into account the impact on recurrent costs and the debt servicing capacity of the country. Monetary policy will be designed to maintain the growth of domestic liquidity at a rate compatible with the objectives of achieving a sustainable expansion in economic activity and reducing domestic and external financial imbalances. With the reduced recourse of the Government to the banking system and the expected improvement in the financial position of the public enterprise sector, the private sector will have a larger access to domestic credit (Appendix VII, Table IV).

3. Medium-term scenarios 1/

The medium-term scenario (Table 4, Scenario I) for economic growth and the balance of payments, which forms the basis of the macroeconomic policy framework, differs from the one presented in EBS/86/109 in three key respects. First, the projections for uranium export prices have been revised downward in light of recent world market developments, from an annual growth rate of 5 percent to 3 percent. Second, the rate of growth of real GDP for 1986 has been revised downward, reflecting a lower than expected agricultural harvest while real GDP growth for 1987-90 has been revised upward to 2.1 percent annually. Third, cereal and petroleum import payments have been revised downward, reflecting the improved medium-term prospects for agricultural production as well as the lower world prices for both cereals and petroleum.

The projected growth rate of 2.1 percent exceeds the trend of about 1.3 percent for 1986-90 estimated by the World Bank staff in the absence of a structural adjustment program, and represents a substantial turnaround after the decline in real GDP during 1982-84 of about 6.5 percent per annum. After the strong recovery in 1985 and 1986, rural sector growth is projected to accelerate from 2.0 percent in 1987 to 2.4 percent in 1990, benefiting from the impact of the reorientation of public investment toward the agropastoral sector, the complementary reform of agricultural policies, and the continuing improvement in the size and quality of the livestock herd. Industrial output growth is projected to accelerate throughout 1987-90 from 2.6 percent in 1986 to 6.0 percent in 1990, reflecting the streamlining of the public enterprise sector and the improved environment for private sector activities. However, due to the expected stagnation of uranium production, the growth of the secondary sector will rise only from 1.9 percent in 1986 to 2.6 percent in 1990. While commerce and transportation activities are expected to recover during 1987-90 from the drop in 1986, which was related to the sharp fall in cereal imports, the tertiary sector will grow by less than 2 percent due to the deceleration in the growth of the public administration. Inflation, as measured by the GDP deflator, is expected to be contained to about 6 percent per annum.

The medium-term policies pursued are expected to create an environment favorable for savings and investment. The overall savings ratio is projected to rise from 7.3 percent of GDP in 1986 to 8.3 percent in 1990, essentially due to the reductions in the fiscal imbalances. Investment is projected to rise from 10.3 percent of GDP in 1986 to 11.4 percent in 1990, owing to the increase in the public investment program, the ongoing reconstitution of livestock herds, and rising private investment in the modern sector.

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1/ A detailed table on the medium-term scenarios is given in Appendix VII, Table VIII. This section includes an assessment of Niger's capacity to meet its financial obligations to the Fund.

Table 4. Niger: Medium-Term Outlook for Economic Growth and the Balance of Payments, Alternative Scenarios, 1986-90

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| | Scenario I (Macroeconomic Policy Framework) | | | | |
| | (In billions of CFA francs) | | | | |
| Overall balance | -18.9 | -8.7 | -3.0 | -1.9 | 4.4 |
| Financing gap | — | 9.3 | 11.8 | 7.0 | — |
| | (In percent) | | | | |
| Growth rate of real GDP | 3.0 | 2.0 | 2.1 | 2.2 | 2.3 |
| Current account deficit/GDP 1/ | -2.2 | -2.0 | -2.3 | -1.9 | -1.4 |
| Savings/GDP | 7.3 | 7.4 | 7.4 | 7.8 | 8.3 |
| Investment/GDP | 10.3 | 10.5 | 11.0 | 11.2 | 11.4 |
| Resource gap/GDP | -3.1 | -3.1 | -3.5 | -3.4 | -3.1 |
| | Scenario II 2/ | | | | |
| | (In billions of CFA francs) | | | | |
| Overall balance | -18.9 | -11.5 | -8.8 | -11.1 | -8.4 |
| Financing gap | — | 12.1 | 17.6 | 16.2 | 11.7 |
| | (In percent) | | | | |
| Growth rate of real GDP | 3.0 | 2.0 | 2.1 | 2.2 | 2.3 |
| Current account deficit/GDP 1/ | -2.2 | -2.3 | -2.9 | -2.8 | -2.6 |
| Savings/GDP | 7.3 | 7.1 | 6.8 | 6.9 | 7.2 |
| Investment/GDP | 10.3 | 10.5 | 11.0 | 11.3 | 11.4 |
| Resource gap/GDP | -3.1 | -3.4 | -4.2 | -4.4 | -4.3 |
| | Scenario III 2/ 3/ | | | | |
| | (In billions of CFA francs) | | | | |
| Overall balance | -18.9 | -8.7 | -3.0 | -1.9 | 4.4 |
| Financing gap | — | 9.3 | 11.8 | 7.0 | — |
| | (In percent) | | | | |
| Growth rate of real GDP | 3.0 | 1.5 | 1.8 | 1.8 | 2.0 |
| Current account deficit/GDP 1/ | -2.2 | -2.0 | -2.3 | -1.9 | -1.4 |
| Savings/GDP | 7.3 | 7.5 | 7.5 | 7.9 | 8.5 |
| Investment/GDP | 10.3 | 10.6 | 11.1 | 11.4 | 11.7 |
| Resource gap/GDP | -3.1 | -3.1 | -3.6 | -3.5 | -3.2 |
| | Scenario IV 4/ | | | | |
| | (In billions of CFA francs) | | | | |
| Overall balance | -18.9 | -8.7 | -2.3 | -0.6 | 6.6 |
| Financing gap | — | 9.3 | 11.1 | 5.7 | — |
| | (In percent) | | | | |
| Growth rate of real GDP | 3.0 | 2.0 | 2.1 | 2.2 | 2.3 |
| Current account deficit/GDP 1/ | -2.2 | -2.0 | -2.2 | -1.7 | -1.2 |
| Savings/GDP | 7.3 | 7.4 | 7.5 | 7.9 | 8.5 |
| Investment/GDP | 10.3 | 10.5 | 11.0 | 11.3 | 11.4 |
| Resource gap/GDP | -3.1 | -3.1 | -3.5 | -3.3 | -2.9 |

Source: Appendix VII, Table VIII.

1/ Current account deficit, including official transfers.
2/ Scenarios II and III assume constant uranium export prices at the 1986 level during 1987-90.
3/ Scenario III assumes a readaptation of policies to achieve balance of payments viability by 1990 despite constant uranium export prices.
4/ Scenario IV differs from scenario I in that petroleum import prices are assumed to remain constant after 1987 instead of rising by an average 7 percent per year.

Consistent with the above scenario, the external current account deficit, excluding official transfers, is projected to decline from 7.9 percent of GDP in 1986 to 6.3 percent in 1990. Including official transfers, it is projected to drop from 2.2 percent of GDP in 1986 to 1.4 percent in 1990. Taking into account the projected increase in net capital inflows, resulting from higher gross disbursements to finance investment projects and declining amortization payments, the overall balance of payments would record in 1990 a surplus of CFAF 4.4 billion, exceeding the scheduled repurchases to the Fund of CFAF 3.3 billion in that year. The overall financing gaps beyond 1987 are projected to be largely financed by a decreasing recourse to debt rescheduling.

In this scenario, export earnings in CFA francs (f.o.b.) are projected to grow at an average annual rate of about 5.5 percent during 1987-90, largely because of a projected increase in uranium prices of 3 percent per annum and the recovery of livestock exports. Total imports are projected to grow by about 6.1 percent annually, mainly on account of an annual growth in capital good imports of about 7.1 percent; imports of consumer goods are projected to grow by only 4.9 percent, reflecting particularly the low growth in cereal imports. The trade deficit is thus projected to widen from 0.8 percent of GDP in 1986 to 1.1 percent in 1990. Owing to a widening of the deficit on nonfactor services, and despite a slight drop in interest payments, the overall deficit on the service account will increase marginally between 1986 and 1990. Official transfers associated exclusively with investment projects are projected to increase at an annual average rate of 5 percent after 1987, while private transfers remain at the 1986 level.

The ratio of total external debt service before rescheduling is projected to decline steadily from 50.8 percent in 1987 to 37.7 percent in 1990. The ratio of external public debt service is expected to decline from 40.5 percent to 30.1 percent, while the share of charges and repurchases to the Fund as a percent of total public debt service before rescheduling is expected to decrease from 17.6 percent in 1987 to 10.3 percent in 1990, equivalent, respectively, to 7.1 percent and 3.1 percent of exports of goods and nonfactor services. With the reduction in external imbalances and the improvement in the fiscal position, these ratios reflect the strengthening in the debt servicing capacity of Niger. This improvement will allow Niger to continue to be in a position to discharge its debt service obligations, including obligations to the Fund. Accordingly, Niger, which has discharged its financial obligations to the Fund on schedule, is expected to continue to do so in the period ahead.

The above medium-term scenario is sensitive to changes in the underlying assumptions, in particular with regard to uranium export and petroleum import prices and the readaptation of policies. Scenario II assumes that uranium prices remain unchanged at the 1986 level, instead of rising annually by 3 percent as in scenario I. In this case, balance of payments viability would not be achieved by 1990. However, if policies were readapted to achieve balance of payments viability by

1990, this would imply the pursuit of more stringent financial policies to curtail the level of aggregate demand. With such a reduction, economic growth would be reduced from an average annual rate of 2.1 percent to 1.8 percent (scenario III). Scenario IV differs from scenario I in that petroleum import prices are assumed to remain constant after 1987, instead of rising by an average of 7 percent a year. In this case, balance of payments viability would still be achieved by 1990.

## IV. The 1986/87 Economic and Financial Program 1/

Within the context of the above medium-term framework, the program will aim at achieving a real rate of growth of at least 2.0 percent, to limit the inflation rate, as measured by the GDP deflator, to 6.0 percent, and to contain the current account deficit, including grants, to 2.0 percent of GDP in 1987. To achieve these key targets and to continue to strengthen the foundation for the attainment of the medium-term objectives, the program includes major structural measures which are reinforced with demand-management policies aimed at further reducing the financial imbalances (Table 5). On the supply side, the program includes measures relating to public resource management (including investment programming), incentive policies, public enterprises, agricultural policy, and the reform of the financial system. On the demand side, the program involves a further narrowing in the consolidated central government budget deficit, a reduction in outstanding cross-debts in the public sector, the pursuit of a tight credit policy, and a continued prudent external debt management policy.

### 1. Production, savings, and investment

*The supply-oriented measures, together with the expected* continuation of satisfactory weather conditions, are expected to contribute to a further growth of economic activity in 1987. Agricultural output is projected to increase by about 1.7 percent, recovering somewhat from the effects of the crop infestation in 1986. Production of livestock is expected to grow by about 3.5 percent, due to the further amelioration of pasture conditions. The rural sector is thus projected to grow by about 2.0 percent during 1987. Uranium production is expected to continue to stagnate, reflecting the slack in world markets. However, activity in the industrial sector is expected to pick up, rising by about 4 percent in 1987, stimulated by the ongoing liberalization measures, the reform of the public enterprise sector, and construction activity related to the public investment program. The secondary sector is thus projected to grow by about 2.1 percent during 1987. Modern commerce and transportation activities are expected to

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1/ The 1986/87 program covers the fiscal year ending September 1987. Nevertheless, other than for government financial operations, the program targets are for calendar year 1987. For a summary of the adjustment program for 1986/87, see Table 5.

Table 5. Niger: Summary of the Adjustment Program for 1986/87

Objectives
1. Real growth: 2.0 percent.
2. Inflation (GDP deflator): 6.0 percent.
3. External current account deficit: 2.0 percent of GDP; and overall balance of payments deficit: CFAF 8.7 billion.

Pricing and marketing policies
1. Limit products subject to preset profit margins to 64 products (November 1, 1986).
2. Complete study on the cereal pricing and marketing system (mid-March 1987).

Public enterprises
1. Continue implementation of comprehensive reform program for the public enterprise sector.
2. Adopt legislation defining the charters of public enterprise employees (October 1, 1986).
3. Adopt model charters (October 1, 1986).
4. Prepare policy action programs for the reform of OPT and OPVN (October 1, 1986).
5. Revise in line with the model charters statutes of all public enterprises (March 31, 1987).
6. Privatize STN and CMAN (March 31, 1987).
7. Decide on course of action for Air Niger and SNC (October 31, 1986).
8. Prepare plan of action for recovery of BDRN loans (October 1, 1986).
9. Prepare plan of action for establishment of water company (December 1986).
10. Complete privatization of OLANI, SICONIGER, and SONERAN (December 1987).
11. Complete liquidation of SOPAC, UNCC, and SONIFAME (December 1987).
12. Reduce verified cross-debts by CFAF 3.254 billion (end-September 1987).
13. Complete program for reform of agricultural credit policy (end-February 1987).

Public investment program (1986/87)

| | |
|---|---|
| 1. Overall objective: | CFAF 92.5 billion |
| 2. Implementation rate (average): | 72.8 percent |
| Domestic counterpart: | CFAF 4.7 billion |
| External borrowing: | CFAF 26.8 billion |
| Grants: | CFAF 35.8 billion |

Public finance

Reduce the overall deficit on a commitment basis, excluding grants and grant-financed outlays, from CFAF 29.9 billion in 1985/86 (3.9 percent of GDP) to CFAF 28.6 billion in 1986/87 (3.5 percent of GDP). Including grant-financed investment outlays but excluding grants, limit increase in the overall budget deficit on a commitment basis from CFAF 58.9 billion (7.8 percent of GDP) in 1985/86 to CFAF 64.4 billion (7.8 percent of GDP) in 1986/87. No net recourse to the banking system by the Government and no accumulation of arrears.

1. Revenue: Increase by 8.2 percent.

a. Tax revenue: increase by 6.0 percent.
b. Nontax revenue: increase by 23 percent, mainly through the collection of CFAF 6.0 billion from Petroleum Price Stabilization Fund (CSPPN).
c. Study evaluating reform of tax system (February 1987).

2. Expenditure: Limit increase to 8.7 percent (including grant-financed investment).

a. Growth in current expenditure and net lending, excluding interest payments, to be confined to 3.4 percent.
- Limit new hiring.
- Grant no cost of living adjustment.
- Effect economies in housing allocations, scholarships, and transfers and subsidies.

b. Development expenditure, including grant-financed investment, increase by 12.7 percent.
c. Complete study on civil service system (July 1, 1987).

Monetary and credit policies
1. Limit monetary growth to 7.5 percent in 1987.
2. No net recourse by the Government to the banking system.

External sector
1. Secure external debt relief from official creditors and commercial banks.
2. No contracting or guaranteeing of new nonconcessional loans in the 0-12 years maturity range.
3. No accumulation of arrears.

grow by about 4 percent in real terms; however, the rural service sector, the growth of which is closely linked to the previous year's agricultural production, is expected to virtually stagnate. As a result, the tertiary sector is projected to grow by about 2.0 percent. Thus, overall real GDP is projected to grow by 2.0 percent during 1987. Reflecting the tight financial policies and the favorable food supply conditions, inflation, as measured by the GDP deflator, is projected to be contained to about 6.0 percent in 1987.

The return of normal weather conditions and the financial and economic policies being pursued are expected to stimulate domestic savings and investment. The share of investment in GDP is expected to rise marginally from 10.3 percent in 1986 to 10.5 percent in 1987, largely reflecting the ongoing reconstitution of the livestock herd and a rising level of public investment. The share of consumption in GDP is projected to remain virtually constant at 92.5 percent, with a decline in the share of public consumption offsetting an increase in private consumption; the ratio of domestic savings will therefore rise only marginally to 7.4 percent of GDP. Accordingly, the resource gap will remain at about 3.1 percent of GDP.

To improve the long-run growth prospects, the authorities are committed to further strengthening the investment programming process. Within the three-year rolling investment program for 1986/87-1988/89, the public investment target level for 1986/87 has been set at CFAF 92.5 billion (Appendix VII, Table VII). Its sectoral composition places increased emphasis on projects supporting the directly productive sectors, the development of human resources, and the rehabilitation of existing infrastructure, while the structure of financing reflects a further shift toward grant-financed investment. For the purposes of financial programming, an implementation rate of 72.8 percent has been assumed. The decline in the implementation rate reflects in part the further shift toward rural sector projects, which have witnessed lower implementation rates than other sectors in the past. Nonetheless, in view of the rise in the investment target, the assumed implementation rate implies that public investment in 1986/87 will reach CFAF 67.3 billion, representing an increase of 14 percent over 1985/86. This is projected to be financed by CFAF 4.7 billion from budgetary resources, CFAF 26.8 billion directly from foreign loans, and CFAF 35.8 billion directly from foreign grants. To realize the targeted shares of investment in rural development and social services (education, health, and water supply) of 40 and 28 percent, respectively, the Government will make strong efforts to enhance project implementation in these sectors. The World Bank considers the sectoral composition and the structure of financing of the investment program for 1986/87 to be consistent with the development priorities and the debt servicing capacity of the country.

2. Public enterprises

The Government is determined to pursue the ongoing public enterprise sector reform program, which is supported by the structural adjustment credit from the World Bank. In this context, the Government is implementing a number of measures effective October 1, 1986. It is adopting legislation defining the legal status of public enterprise employees, effectively separating the status of public enterprise personnel from that of civil service personnel. It is also adopting model charters ("statuts-types") on the basis of which the individual charters for all public enterprises will be drawn up and adopted by end-March, 1987; these charters will clarify the structure and responsibilities of the enterprise's management and the supervisory role of the Government. Furthermore, detailed action programs for the reform of the postal and telecommunications office (OPT), the cereals marketing board (OPVN), and the national development bank (BDRN) will be prepared. In line with these, OPVN will confine its activities to the management of a security stock not exceeding 80,000 tons; no decision with regard to the implementation of OPVN's program, and, in particular, any measures relating to new purchases will be taken without prior consultation with the World Bank. With regard to the BDRN, the plan of action will aim at accelerating the collection of overdue loans from its 100 largest clients.

The Government is determined to complete the privatization of SNT (the television station) and CMAN (handicraft workshops) by March 31, 1987 as well as of OLANI (milk), SICONIGER (edible oils), and SONERAN (livestock) by end-1987. The Government will also take a decision as to the privatization or liquidation of the national airline company, Air Niger, by end-October 1986, and will at that time also decide on the future of SNC (cement). Furthermore, the Government will proceed with the partial privatization of a number of enterprises, by continuing to sell shares to the private sector. In addition, the Government will continue with the sale of the assets and the settling of liabilities of those enterprises currently being liquidated. Accordingly, it expects to complete the liquidation of SOPAC (papermill), UNCC (agricultural credit cooperative), and SONIFAME (metal factory) by end-1987. A study on the formation of a new water company, merging the corresponding activities of NIGELEC and OFEDES, with a view to rationalize urban water supply services will be completed by end-December 1986, and a plan of action setting up the new company will be drawn up by end-February 1987 in consultation with the World Bank.

The Government continues to work, with technical assistance from the World bank, on the identification and verification of outstanding public cross-debts. The total net amount to be settled by 1989 is estimated at CFAF 16.1 billion. During 1986/87, a total of CFAF 3.254 billion of verified cross-debts will be repaid on a quarterly basis. For purposes of monitoring the implementation under the program, a cumulative amount of CFAF 854 million will be settled by end-December 1986 and CFAF 1.654 billion by end-March 1987, as performance

criteria. On an indicative basis, CFAF 2.454 billion will be settled by end-June 1987 and CFAF 3.254 billion by end-September 1987. These settlements will be financed by CFAF 3.0 billion from the counterpart funds of the structural adjustment credit from the World Bank and by CFAF 254 million from bilateral sources. These funds will be held specifically for this purpose in a special account that will be administered by a Government Commission for the Settlement of Public Enterprise Cross-Debts to be appointed for this purpose by October 1, 1986.

### 3. Pricing and marketing policies

The liberalization of pricing and marketing policies has been a key element in the Government's adjustment strategy. The measures taken have included the abolition of all import monopolies and quasi-monopolies, excluding those pertaining to the import of petroleum products, the full liberalization of imports of millet and sorghum, the abolition of the export monopoly on cowpeas, the introduction of a system of tenders and bids for the purchases and sales of the cereals marketing agency, the reduction of the goods and services subject to the system of price ceilings (homologation) from 27 to 7, 1/ and the introduction of flexibility in the pricing system of domestic enterprises enjoying benefits under the investment code.

The Government of Niger will take additional measures to continue the liberalization of pricing and marketing policies. Following the measures taken thus far, the current pricing system classifies products and services under five categories, namely those subject to price ceilings (homologation); those imported products subject to a specific preset profit margin; all other imported goods subject to a uniform profit margin of 60 percent; those produced by local industries benefiting from the investment code, the prices of which may be raised by up to 7 percent annually without prior approval; and those not subject to price controls. By November 1, 1986 the list of imported products currently subject to specific preset profit margins ranging from 8 to 52 percent will be reduced from about 200 to 64 products and subjected instead to preset profit margins of 35 and 50 percent; the prices of the remaining 136 products will be fully liberalized. Furthermore, all other imported goods, which have been subject to the uniform preset profit margin of 60 percent, will also be completely liberalized. The goods remaining subject to price controls will be liberalized in a phased manner by 1990, with the exception of certain essential products, which may be excluded in consultation with the Fund and the World Bank. With regard to marketing policies, with the introduction of the system of tenders and bids for the wholesale purchases and sales of OPVN, its price stabilization role has effectively been abolished. Measures based on the aforementioned plan of action for OPVN will be implemented starting end-October 1986. In

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1/ These are petroleum products, salt, water, electricity, bread, flour, and transportation.

addition, the Government intends to prepare, in consultation with the World Bank, a study on the cereal pricing and marketing system. The study, which is expected to be completed by mid-March 1987, will provide the basis for introducing requisite measures in the context of the mid-term review.

4. Agricultural policy

The implementation of a comprehensive reform of agricultural policies is an essential element of the adjustment program, as the promotion and diversification of agricultural production will be critical to the improvement of Niger's medium- and long-term growth prospects. Accordingly, with technical assistance from the World Bank and bilateral donors, the Government is currently preparing a study reviewing its rural development strategy, to be completed by end-1988. The study will provide the basis for the comprehensive reform of agricultural policies.

Pending the completion of the study, the Government will implement a number of specific measures geared to promote productivity and stimulate production. The aforementioned revision of cereals marketing policies is aimed at enhancing private sector activity, by encouraging more efficient intermediation by small private traders and reducing the financial costs of public sector intermediation. Subsidies for agricultural inputs will be gradually reduced to a maximum of 15 percent of the commercial wholesale price by 1988, as provided for under the structural adjustment credit from the World Bank. Furthermore, in 1986/87 an increase of 40 percent in investment in the rural sector is programmed. Emphasis is being placed on the adaptation of ongoing projects to present conditions and the rehabilitation of existing irrigation schemes, while new projects will concentrate on small rural operations. Participation of farmers in the initiation, operation, and maintenance of investment projects will be encouraged. Furthermore, an expansion in cost-recovery will improve resource allocation and reduce the need for public funding.

The Government is also undertaking, together with the donors concerned, a detailed study of the operation of the agricultural credit bank (CNCA) and the functioning of informal rural financial markets. On this basis, proposals for a viable agricultural credit system will be prepared by end-February 1987. Furthermore, the Government will redefine agricultural research priorities by end-1987 and restructure accordingly the agricultural research institute (INRAN), with a view to emphasize applied research responding to rural needs by adapting modern agricultural techniques to traditional agricultural farming methods.

5. Public finance

The program for 1986/87 aims at reducing the central government budget deficit, on a commitment basis but excluding grants and grant-financed development outlays, to CFAF 28.6 billion (3.5 percent of GDP),

from an estimated outcome of CFAF 29.9 billion (3.9 percent of GDP) in the previous year. Taking into account the grant-financed development outlays but excluding grants, the overall budget deficit, on a commitment basis, will amount to CFAF 64.4 billion, equivalent to 7.8 percent of GDP (Appendix VII, Table III). Taking into account amortization payments amounting to CFAF 26.4 billion, the total financing needs of the budget will amount to CFAF 90.8 billion. This is expected to be financed by CFAF 19.7 billion in exceptional budgetary assistance, CFAF 26.8 billion in project-related external loans, and CFAF 35.8 billion in project-related grants. There will be no net recourse to the banking system; nonbank domestic financing is estimated at CFAF 2.3 billion. The remaining financing gap of CFAF 6.2 billion is expected to be covered by additional debt relief.

The budgetary presentation excludes external financing flows destined to public enterprises and other noncentral government entities, as well as the counterpart expenditures, in order to maintain the comparability of the data on central government operations. Thus, of expected nonproject grants amounting to CFAF 5.0 billion in 1986/87, CFAF 1.5 billion are projected to be used for the direct repayment of the arrears owed by municipalities and for certain public enterprises. Thus, only CFAF 3.5 billion are included in the treasury operations. The CFAF 3.254 billion in external financial assistance to be used exclusively for the repayment of cross-debts by public enterprises are also excluded for the same reason. Nonetheless, if these financial flows were to take place through the Treasury, they would be incorporated in the budgetary presentation at the time of the mid-term review. Including the counterpart expenditure of these items, the overall budget deficit, on a commitment basis but excluding grants, would amount to CFAF 69.15 billion in 1986/87, equivalent to 8.4 percent of GDP.

On the expenditure side, the rise in total expenditure and net lending (including grant-financed development outlays) will be limited to 8.7 percent in 1986/87. Current expenditure will increase by only 5.3 percent. The increase in current expenditure will be due mainly to interest payments, which are estimated to grow by 12.3 percent. Current expenditure and net lending, excluding interest payments, are projected to grow by only 3.4 percent, implying a cut in real terms. To this end, the authorities will not grant any general cost of living adjustment and will limit new hiring of civil servants. Furthermore, austerity measures will continue in effect, with other nonwage current expenditure and net lending growing by only 3.1 percent. Economies will be effected in housing allocations, scholarships, and other current transfers and subsidies, with a view to improving the structure of current expenditure. The restructuring of expenditure is essential to provide more adequately for the operation and maintenance of existing facilities, especially in the transport sector, irrigation and water supply schemes, rural health care, and education facilities. Capital expenditure, excluding grant-financed investment, will increase by only 2.6 percent, reflecting the emphasis the authorities place on financing a larger

share of investment expenditure through grants. Including grant-financed investment, total capital expenditure will rise by 12.7 percent.

On the revenue side, an increase of 8.2 percent is projected for 1986/87. Since the Government has introduced over the last two years all the tax measures recommended in the report of the Fund's technical assistance mission on the tax system, no further tax measures are envisaged for 1986/87. Based on the effects of these tax measures and the projected growth in nominal GDP, tax revenue is projected to grow by 6.0 percent. Customs duties are projected to rise by 5.9 percent, in line with the increases in dutiable imports, taxable exports, and mining royalties. Other tax revenue is projected to grow by 6.0 percent, reflecting in particular the effects of the recently introduced value-added tax and improved collection of tax arrears as a result of the introduction on August 11, 1986 of a 10 percent penalty for late tax payments. Nontax revenue will grow by 23.1 percent, owing primarily to the channeling into the budget of CFAF 6.0 billion, of which CFAF 4.0 billion is derived from profits resulting from the fall in petroleum import prices and CFAF 2.0 billion from reserves of the Petroleum Price Stabilization Fund (CSPPN). These will offset a sharp drop in nontax revenue of about CFAF 2.0 billion, resulting from the termination of repayments of arrears owed to the Government by the power plant (SONICHAR).

To strengthen the budgetary position over the medium term and attain the medium-term targets, the Government will implement further measures. Several steps are being taken to provide the basis for identifying and introducing the requisite measures. During 1986/87, there will be an assessment of the impact of the recently completed revision of the tax system; a study will be prepared by end-February 1987 to evaluate the reform of the tax system and tax administration procedures recently introduced with a view to identifying additional measures that would contribute to a further broadening of the tax base and the improvement in the elasticity of the tax system. The study will focus particularly on customs valuation and tax and customs duty exemptions. At the request of the authorities, the Fund is providing technical assistance for this study. It is envisaged that the findings of the study will be examined at the time of the mid-term review of the program, with a view to introducing the requisite measures in the context of the 1987/88 budget. With regard to expenditure, the Niger authorities will continue to enhance the process of budget execution and to strengthen expenditure control. In addition to legislative measures taken to integrate investment expenditure into regular budgetary processes, the Government plans to continue its efforts to obtain precise and timely information on grant-financed investment outlays made directly by foreign donors with a view to improving the monitoring of the implementation of the public investment program. In consultation with the World Bank, the Niger authorities are undertaking a study on the civil service system, which will assess the employment needs and examine recruitment policies. The study will be completed by

July 1, 1987, with a view to formulating a plan of action to be implemented starting with the 1987/88 budget. Furthermore, in order to ensure that there are sufficient budgetary allocations for recurrent expenditure, the Government will be examining the concept of zero-based budgeting.

6. Monetary and credit policies

The Government will continue to pursue a tight monetary policy, consonant with the objectives of reducing domestic and external financial imbalances. The improvement in the budgetary position is expected to result in a marked reduction in the recourse of Government to net bank financing. The growth of net claims on the Government will, therefore, be limited to 1.1 percent of beginning money stock in 1986; there will be no increase in 1987 (Appendix VII, Table IV). The growth in credit to the private sector will be constrained to 4.0 percent of beginning money stock in 1986 and to 8.3 percent in 1987. As a result, domestic credit is projected to increase by 5.0 percent of beginning money stock in 1986 and by 8.3 percent in 1987. Taking into account the overall balance of payments objective and the projected variation in other net monetary items (resulting from the capital increase of certain commercial banks), the growth of domestic liquidity is projected to be held at 9.0 percent in 1986 and 7.5 percent in 1987.

As performance criteria, domestic credit, which is estimated to amount to CFAF 127.82 billion at end-September 1986, will not exceed CFAF 131.02 billion at end-December 1986 and CFAF 132.52 billion at end-March 1987. Net claims on the Government, 1/ which are estimated to amount to CFAF 27.82 billion at end-September 1986, will not exceed CFAF 27.82 billion at end-December 1986 and CFAF 27.82 billion at end-March 1987. These ceilings will be reduced by any amount by which external budgetary assistance not related to investment projects, including debt relief, exceeds program estimates at an exchange rate of CFAF 350 = US$1. On an indicative basis, domestic credit will not exceed CFAF 136.32 billion at end-June 1987 and CFAF 137.02 billion at end-September 1987, and net claims on the Government will not exceed CFAF 27.82 billion at end-June 1987 and CFAF 27.82 billion at end-September 1987. The ceilings for the second half of the program period will be set as performance criteria during the mid-term review of the program.

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1/ For 1986/87, the cumulative amount of external budgetary assistance not associated with investment projects is estimated at CFAF 3.5 billion at end-December 1986, CFAF 7.5 billion at end-March 1987, CFAF 11.0 billion at end-June 1987, and CFAF 14.5 billion at end-September 1987. The special account set up for the settlement of cross-debts of public enterprises will not be included in net claims on the Government for the purpose of program monitoring.

Interest rate policy is conducted by the Central Bank of West African States (BCEAO), taking into account developments in international markets. In view of the recent drop in interest rates in various international money centers, the BCEAO had reduced interest rates by 1.0 percentage point across the board on September 22, 1986. Nonetheless, the overnight money market deposit rate, a representative rate, which had been reduced to 7.8 percent at end-September 1986, remains positive in real terms. The rates set by the BCEAO for deposits represent only minimum rates; banks are free to set their rates in accordance with market conditions.

## 7. External sector

Reflecting largely the measures being implemented, the continuation of favorable weather conditions, and an expected improvement in the terms of trade of 1.4 percent, the external sector position is anticipated to strengthen. The external current account deficit, including grants, is projected to be reduced from an estimated CFAF 17.0 billion in 1986 (2.2 percent of GDP) to CFAF 16.8 billion in 1987 (2.0 percent of GDP), notwithstanding a sharp expansion in project-related capital imports. The net capital account is projected to move from a deficit of CFAF 1.9 billion into a surplus of CFAF 8.1 billion. As a result, the overall balance of payments deficit is projected to decline sharply from CFAF 18.9 billion in 1986 to CFAF 8.7 billion in 1987 (Appendix VII, Table V).

On the export side, as the world market for uranium is expected to remain sluggish in 1987, uranium export receipts are expected to increase by 3 percent, exclusively as a result of a 3 percent increase in the unit price for uranium. However, nonuranium exports are projected to increase by 8.9 percent, owing to the return to more normal weather conditions. Total exports are, therefore, expected to increase by 4.2 percent. While imports of capital goods are projected to increase by 7.5 percent, the growth in noncapital goods imports is envisaged to be limited to only 2.0 percent owing to the demand management policies being pursued. As a result, the deficit in the trade balance is expected to widen from CFAF 6.3 billion in 1986 to CFAF 7.4 billion in 1987. The improvement in the current account, including official transfers, is therefore attributable largely to project-related grants. Taking into account the projected increase in capital disbursements, largely attributable to projected drawings of CFAF 11 billion against the structural adjustment credit from the World Bank, the balance of payments deficit is projected to be reduced from CFAF 18.9 billion in 1986 to CFAF 8.7 billion in 1987. A financing gap of CFAF 15.1 billion is estimated for 1987. This is expected to be financed by CFAF 5.8 billion in purchases and disbursements from the Fund and a rescheduling of external debt service obligations.

Niger's debt service burden remains heavy, as evidenced by the ratio of public debt service before debt rescheduling, estimated to equal 48.2 percent in 1986 and 32.9 percent after debt rescheduling (Appendix VII, Table VI). In 1987 the ratio before debt rescheduling is

estimated to reach 50.8 percent. Thus, in view of the budgetary and balance of payments gaps in 1987, the Government is requesting from the Paris Club, the commercial banks, and other creditors rescheduling to close the financing gaps. It is expected that Niger's request will be considered by the Paris Club following Board approval of the proposed stand-by arrangement. With regard to the principal falling due to commercial banks during 1987, the agreement signed in April 1986 already includes a clause indicating the banks' intention to reschedule in principle. The authorities are also contacting other official creditors to request a rescheduling or refinancing on the same terms as those that would be obtained under the Paris Club. The outcome of external debt rescheduling will be reviewed with the Fund during the mid-term review of the program in March 1987.

In order to achieve a gradual reduction in the debt service burden and improve the structure of its foreign debt, the Government will not contract or guarantee any nonconcessional loans with a maturity range of 0-12 years during the program period, as a performance criterion. In addition, the Government will continue to emphasize external financing in the form of grants and concessional loans, to the extent possible at terms comparable to IDA, and to gradually diminish its recourse to debt relief. To this end, a donors' conference is expected to take place under the auspices of the UNDP in 1987. In addition, to improve debt management, any drawings against loans, contracted or guaranteed by the Government, will require the prior authorization of the Minister of Finance, effective October 1, 1986. Moreover, the process of computerizing all public debt data is expected to be completed by end-1987.

8. Performance criteria, mid-term review, benchmarks, and phasing of purchases

The proposed stand-by arrangement includes the following performance criteria: (i) quarterly ceilings on domestic credit; (ii) quarterly ceilings on net claims on Government; (iii) no accumulation of internal or external government arrears; (iv) the cumulative quarterly amount of settlement of cross-debts in the public sector; (v) no contracting or guaranteeing by the Government of new nonconcessional foreign loans, with maturity ranges of 0-12 years; and (vi) the standard clauses regarding the trade and payments system. A mid-term review will need to be completed before purchases after end-March 1987 can be resumed.

The quantitative performance criteria for the program period are specified in Table 6. While indicative targets have been set for domestic credit, net claims on the Government, and the settlement of public cross-debts for end-June and end-September 1987, they will be set as performance criteria during the mid-term review in March 1987. The review will also cover the progress made under the program, the measures to rehabilitate public enterprises, the settlement of cross-debts, the liberalization of pricing and marketing policies, the steps taken to

Table 6. Niger: Quantitative Performance Criteria
Under the 1986/87 Program

(In billions of CFA francs; end of period)

| | 1986 | | 1987 | | |
|---|---|---|---|---|---|
| | Sept. | Dec. | March | June | Sept. |
| | Est. | Prog. | | Program | |
| Domestic credit 1/ 2/ | 127.82 | 131.02 | 132.52 | 136.32 3/ | 137.02 3/ |
| Net claims on Government 2/ | 27.82 | 27.82 | 27.82 | 27.82 3/ | 27.82 3/ |
| Government arrears 4/ | -- | -- | -- | -- | -- |
| Cross-debts 5/ | | 0.854 | 1.654 | 2.454 3/ | 3.254 3/ |
| New external loans contracted or guaranteed by the Government on nonconcessional terms with maturity of 0 to 12 years. | -- | -- | -- | -- | -- |

Source: Letter of intent of the Prime Minister of September 11, 1986.

1/ Includes amounts classified as doubtful or litigious loans during the program period.

2/ Beyond programmed external debt relief, the program assumes that Niger will receive CFAF 3 billion between July 1, 1986 and September 30, 1986. For 1986/87, the cumulative amount of external budgetary assistance not associated with investment projects is estimated at CFAF 3.5 billion at end-December 1986, CFAF 7.5 billion at end-March 1987, CFAF 11.0 billion at end-June 1987, and CFAF 14.5 billion at end-September 1987. The ceilings will be adjusted downward by any amount of external budgetary assistance, including debt relief at a constant exchange rate of CFAF 350 per U.S. dollar, exceeding programmed levels. The special account set up for the settlement of cross-debts of public enterprises will not be included in net claims on the Government for the purpose of program monitoring.

3/ Indicative only.

4/ External and internal.

5/ Cumulative amount of verified cross-debts in the public sector to be settled during the program period.

improve public resource management (including the review of the conclusions of the study on the tax system), the reform of agricultural policy, and the outcome of the external debt rescheduling. During the review, the Government will reach understandings with the Fund on the adoption of any additional measures that may be deemed necessary to attain the objectives of the program, especially in light of the outcome of the debt rescheduling agreements.

For the first year of the program under the structural adjustment facility, the quantitative performance criteria agreed with the Fund under the requested stand-by arrangement, as well as the indicative ceilings, will serve as benchmarks. In addition, the following are included as benchmarks under the SAF arrangement: (a) adoption of the 1986/87 overall budget of the Central Government in conformance with paragraphs 15-17 of the letter of intent; (b) completion of the study on the evaluation of the tax reform by end-February 1987, with understandings to be reached on the measures that may be appropriate for the 1987/88 budget; (c) completion of the study on the civil service by August 1, 1987 and the formulation of a plan of action by end-September 1987; (d) implementation of the measures relating to public enterprises as specified in paragraphs 21-23 of the letter of intent; (e) liberalization of pricing policies by November 1, 1986, in accordance with paragraph 24 of the letter of intent; (f) implementation of the plan of action for OPVN and the reaching of an understanding on the reform of the cereal marketing system by end-March 1987; and (g) the completion of a program for the reform of agricultural credit policy by end-February 1987 and the initiation of its implementation by April 1, 1987. Given the far-reaching nature of the policy changes to be implemented, the above set of benchmarks will provide an adequate guide both for monitoring the performance of the economy and for permitting timely adjustments to be made in the policy package if that became necessary for achieving the programmed macroeconomic objectives.

The amount of access under the proposed stand-by arrangement, at 30.0 percent on an annual basis compared with 40.0 percent under the current arrangement, is consistent with access criteria, taking into account the adjustment envisaged under the program and the prospects of Fund involvement in Niger for a number of years. Niger's adjustment efforts over the medium term will also need to be supported by external financial assistance in the form of grants and loans on concessional terms, including reduced reliance on debt rescheduling. Purchases are phased in five equal installments of SDR 2.02 million each. The first purchase will be available after Executive Board approval of the stand-by arrangement and upon the entering into effect of the arrangement on December 5, 1986. The second purchase, not before February 15, 1987, may be made subject to the observance of the performance criteria for end-December 1986. The third purchase, not before May 15, 1987, may be made after the completion of the mid-term review of the program and the observance of the performance criteria for end-March 1987. The last two purchases will be contingent on the observance of the performance criteria for end-June and end-September 1987, respectively.

## V. Staff Appraisal

The Niger authorities have implemented since 1983 a series of adjustment programs, supported by use of Fund resources, aimed at redressing the domestic and external economic and financial imbalances, precipitated by the weakening in the world demand for Niger's main export commodity, uranium. The authorities readapted and strengthened their policies to mitigate the effects of a number of adverse exogenous factors which emerged in the process of implementing the 1983/84 and 1984/85 programs, such as severe drought conditions, the further weakening in the world demand for uranium, and the closure of the border with Nigeria. As a result, and notwithstanding these factors, considerable progress was achieved in reducing the underlying structural and financial imbalances.

In 1985/86, the authorities stepped up their adjustment efforts by implementing rigorously a wide array of supply- and demand-oriented measures, in the context of the current stand-by arrangement from the Fund. These measures included a significant liberalization of pricing and marketing policies, the launching of a comprehensive reform program for the public enterprise sector, and a shift in investment toward the directly productive sectors. Complementing these measures, the authorities achieved a reduction in the budgetary deficit, by introducing several revenue-generating measures and pursuing a policy of austerity with regard to expenditure, and reduced significantly the rate of credit expansion. In this regard, all the performance criteria through end-June 1986 have been observed. Niger's economy benefited in 1985/86 from a number of favorable factors, including the improvement in weather conditions, the reopening of the border with Nigeria, the drop in the prices of imported petroleum products, and the depreciation of the U.S. dollar vis-à-vis the CFA franc. These factors more than offset the negative impact on the balance of payments of the stagnation in uranium export prices in CFA francs. As a result, the external sector position witnessed a major improvement and the rate of inflation declined. Although economic activity continued to expand, the rate of growth of real GDP is estimated to have been lower than targeted because of infestation of the agricultural crops and an uneven distribution of rainfall.

Notwithstanding the progress made during the last four years, Niger continues to face major structural weaknesses. These include deficiencies in public resource management, a large and inefficient public enterprise sector, a low level of development of the modern private sector, and a weak resource base. These weaknesses are compounded by Niger's landlocked position and the degradation of soils due to overexploitation. The prospective financial situation also remains difficult, with large financing gaps necessitating exceptional external financial assistance, including debt relief. The financial imbalances are aggravated by the high external debt service burden of the country; debt relief, while reducing the short-term financing problems, has involved high costs and has postponed the debt problem.

Thus, Niger confronts serious obstacles to the achievement of a sustainable rate of growth under conditions of domestic and external financial stability.

In light of these obstacles, the Niger authorities have decided to embark on a medium-term structural adjustment program for 1987-89 in the context of an overall policy framework elaborated in close collaboration with the staffs of the Fund and the World Bank. The policy package continues with the thrust of policies being pursued under the current stand-by arrangement from the Fund and the structural adjustment credit from the World Bank. The key objectives of the three-year program are to expand the productive capacity of the country, with a view to laying the foundation for a sustainable increase in per capita income in the early 1990s, to reduce inflationary pressures, and to narrow further the external current account position, with a view to achieving a viable external sector position by 1990. In the meantime, Niger's adjustment efforts will need to continue to be supported by concessional external financial assistance and diminishing levels of debt relief. The timely disbursement of such assistance will be critical to the orderly adjustment process.

The adjustment strategy relies heavily on fostering the conditions for promoting private sector economic activity, by increasing production incentives and improving resource allocation through a liberalization of pricing and marketing policies; on improvements in public resource management; on a further shift in the investment strategy toward the directly productive sectors; on the reform of the public enterprise sector; and on the pursuit of an active agricultural policy. Concomitantly, the adjustment strategy correctly emphasizes policies to align aggregate demand with the availability of resources. Accordingly, an austere expenditure policy will need to continue to be pursued and revenue-generating measures introduced in order to reduce over time the budgetary deficits. While a tight monetary policy will be pursued in line with the objectives of the program, the improved budgetary position will permit the emphasis in the expansion of credit to be placed on the production sectors. The reform of the national development bank and the review of the agricultural credit system are essential to improve the process of financial intermediation. If these policies are rigorously implemented and readapted to offset the impact of any adverse exogenous factors that may arise, they will contribute significantly to alleviating the structural constraints and financial imbalances facing the economy.

Within the context of this medium-term adjustment strategy, the program for 1986/87 includes major measures aimed at reducing the structural obstacles to economic growth and restraining the growth of aggregate demand. The narrowing in the scope of price controls, combined with the liberalization of marketing arrangements, is a key element in enhancing the incentives for private sector economic activity and reducing economic distortions. The ongoing reform of the public enterprise sector, including the settlement of the cross-debts, will

lead to an improvement both in their financial position and in the efficiency of their operations. Private sector participation in economic activity will also be stimulated by the envisaged reduction in the scope of the public enterprise sector. The increase in public sector investment in 1986/87, and its further redirection toward the directly productive sectors, will gradually expand the productive capacity of the country and, thus, improve the growth prospects.

The authorities are making a determined effort in 1986/87 to achieve a significant strengthening in the fiscal position. Accordingly, they are correctly stressing the continued pursuit of austerity measures and are containing the growth in the wage bill by limiting new employment and not granting any cost of living adjustments. The channeling of the profits from the oil sector into the budget is essential to improve the revenue picture, following the introduction of a wide array of tax measures and the improvements effected in tax administration over the last three years. In this context, the authorities will need to maintain a rigorous control on expenditure and continue to emphasize effective tax administration. The control of expenditure is expected to continue to improve as, in addition to the measures already taken to integrate investment expenditure into the regular budgetary processes, the Government plans to continue its efforts to obtain precise and timely information on grant-financed investment outlays made directly by foreign donors. The monetary policy for 1987, which directs credit exclusively toward the nongovernment sector, is consonant with the objectives of promoting economic growth and reducing the financial imbalances. The scheduled reduction of public cross-debts should be instrumental in improving the liquidity of the public enterprise sector, thereby reinforcing the effects of the credit policy being pursued.

The adjustment policies and measures outlined in the authorities' policy framework paper for 1987-89 and in their letter of intent focusing on the first year of the program constitute a significant further step toward alleviating Niger's impediments to economic growth and re-establishing domestic and external financial stability. Accordingly, these policies are worthy of the support of the international community. In this spirit, the World Bank is providing support under the structural adjustment credit. The authorities have also requested a three-year structural adjustment arrangement under the structural adjustment facility, and the first annual arrangement thereunder, as well as a one-year stand-by arrangement from the Fund. In view of the strength of the proposed adjustment effort, the staff recommends the approval of the attached decisions.

## VI. Proposed Decisions

The following draft decisions are proposed for adoption by the Executive Board:

### (i) Stand-By Arrangement

1. The Government of Niger has requested a stand-by arrangement in an amount equivalent to SDR 10.11 million for a period of 12 months from December 5, 1986 through December 4, 1987.

2. The Fund approves the stand-by arrangement set forth in EBS/86/237.

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

### (ii) Structural Adjustment Facility

1. The Government of Niger has requested a three-year structural adjustment arrangement, and the first annual arrangement thereunder, under the structural adjustment facility.

2. The Fund approves the arrangements set forth in EBS/86/237.

Niger - Stand-By Arrangement

Attached hereto is a letter, dated September 11, 1986, from the Prime Minister of Niger requesting a stand-by arrangement and setting forth the objectives, policies, and measures that the authorities of Niger will pursue for the period of this stand-by arrangement and understandings of Niger with the Fund regarding a review that will be made of progress in realizing the objectives of the program and of the policies and measures to be pursued for the remaining period of this stand-by arrangement.

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

1. For a period of twelve months from December 5, 1986 to December 4, 1987, Niger will have the right to make purchases from the Fund in an amount equivalent to SDR 10.11 million, subject to paragraphs 2, 3, 4, 5, and 6 below, without further review by the Fund.

2. (a) Purchases under this arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 2.02 million until February 15, 1987, SDR 4.04 million until May 15, 1987, SDR 6.06 million until August 15, 1987 and SDR 8.08 million until November 15, 1987.

(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 percent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota.

3. Purchases under this stand-by arrangement shall be made from ordinary and borrowed resources in the ratio of 1 to 1 until purchases under this arrangement reach a total of SDR 1,920,000 and thereafter each purchase shall be made from borrowed resources, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification.

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

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

Niger - Stand-By Arrangement (continued)

(i) the limit on total domestic credit of the financial institutions as specified in paragraph 26 of the attached letter, or

(ii) the limit on net position of the Government vis-à-vis the banking system as specified in paragraph 26 of the attached letter, or

(iii) the target for the nonaccumulation of domestic payments arrears of the Government vis-à-vis enterprises as specified in paragraph 17 of the attached letter, or

(iv) the cumulative amount of verified public cross-debts to be settled as specified in paragraph 23 of the attached letter

is not observed; or

(b) if Niger fails to observe the limits on contracting or guaranteeing of nonconcessional external loans as specified in paragraph 28 of the attached letter; or

(c) after May 14, 1987, if the review contemplated in paragraph 31 of the attached letter has not been completed and suitable performance clauses have not been established as contemplated in that provision, or after such clauses having been established, while they are not being observed; or

(d) if the Government incurs any arrears on its external financial obligations; or

(e) if Niger

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

(ii) introduces or modifies multiple currency practices, or

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

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

Niger - Stand-By Arrangement (continued)

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

5. Niger will not make purchases under this arrangement during any period of the arrangement in which Niger has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action in respect of a noncomplying purchase.

6. 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 6, 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.

7. 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.

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

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

10. (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.

Niger - Stand-By Arrangement (concluded)

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

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

12. In accordance with paragraph 31 of the attached letter, Niger will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the Government or whenever the Managing Director requests consultation because any of the criteria in paragraph 4 above have not been observed or because he considers that consultation on the program is desirable. In addition, after the period of the arrangement and while Niger has outstanding purchases in the upper credit tranches, the Government will consult with the Fund from time to time, at the initiative of the Government or at the request of the Managing Director, concerning Niger's balance of payments policies.

Niger - Three-Year and First Annual Arrangements Under the Structural Adjustment Facility

Attached hereto is a letter dated September 11, 1986 from the Government of Niger, requesting from the Fund a three-year structural adjustment arrangement and the first annual arrangement thereunder, and setting forth

(i) the objectives and policies of the program to be supported by the three-year arrangement, and

(ii) the objectives and policies of the program to be supported by the first annual arrangement.

To support these objectives and policies, the International Monetary Fund grants the requested arrangements in accordance with the following provisions and subject to the Regulations for the Administration of the Structural Adjustment Facility:

1. For a period of three years from __________, 1986 Niger will have the right to obtain three successive loans from the Fund under the Structural Adjustment Facility in a total amount equivalent to SDR 15,839,000.

2. The first loan, in an amount equivalent to SDR 6.74 million, is available for disbursement at the request of Niger.

3. The second and third loans will be available upon approval by the Fund of the corresponding annual arrangements and will be disbursed at the request of Niger. The amount of the second loan will be equivalent to SDR 4,549,500, and the amount of the third loan will be equivalent to SDR 4,549,500.

4. Before approving the second annual arrangement, the Fund will appraise the progress of Niger in implementing the policies and reaching the objectives of the program supported by the first annual arrangement, taking into account primarily:

(a) the indicators described in paragraph 30 of the annexed letter dated September 11, 1986 from the Prime Minister,

(b) imposition or intensification of restrictions on payments and transfers for current international transactions,

(c) introduction or modification of multiple currency practices,

(d) conclusion of bilateral payments agreements which are inconsistent with Article VIII, and

Niger- Three Year and First Annual Arrangements Under the Structural Adjustment Facility (concluded)

(e) imposition or intensification of import restrictions for balance of payments reasons.

5. In accordance with paragraph 31 of the annexed letter dated September 11, 1986, Niger will provide the Fund with such information as the Fund requests in connection with the progress of Niger in implementing the policies and reaching the objectives supported by the first annual arrangement.

6. In accordance with paragraph 31 of the annexed letter dated September 11, 1986, 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. These consultations may include correspondence and visits of officials of the Fund to Niger or of representatives of Niger to the Fund.

TRANSLATION

September 11, 1986

Mr. J. de Larosière
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. de Larosière:

On behalf of the Government of Niger, I transmit herewith a document on the general policy framework for the next three years, which has been prepared in cooperation with the Fund and World Bank staff. It describes the principal medium-term objectives for the next three years as well as the macroeconomic policies and the structural adjustment measures designed to achieve these objectives.

We are forwarding today a similar letter and attached document to the President of the World Bank.

Sincerely yours,

Hamid Algabid
Prime Minister

Attachment

TRANSLATION

# Niger: Medium-term Economic and Financial Policy Framework (1987-1989)

## I. Background

In the second half of the 1970s, the buoyant world demand for uranium, Niger's main export commodity, contributed to a sharp rise in export receipts and in government revenue and led to a period of rapid economic growth. In the early 1980s, however, a number of exogenous factors and inadequate domestic policies contributed to a slowdown of economic activity, increased inflationary pressures, and a deterioration in the external sector position. The exogenous factors included a weakening in the world demand for uranium, a decline in the terms of trade, unfavorable weather conditions, and a reduction in foreign aid. These were coupled with the continuation of expansionary domestic financial policies, an inappropriate public investment program, and serious structural problems in the public enterprise sector.

To redress these mounting imbalances, the Government of Niger has made determined adjustment efforts starting in 1983, supported by three successive stand-by arrangements with the Fund and by financial and technical assistance from the World Bank. In addition, the Government has adopted a wide-ranging economic reform program supported by a structural adjustment credit equivalent to US$60 million from the World Bank, approved in 1986.

## II. Major Structural and Financial Imbalances

Notwithstanding the progress made in Niger's adjustment efforts in recent years, the achievement of a sustainable rate of growth under conditions of external and domestic financial stability is constrained by a number of major structural problems. These include deficiencies in public resource management, a large and inefficient public enterprise sector, a low level of development of the modern private sector, and a weak resource base. In the area of public resource management, the major problems relate to the relative inelasticity of the tax base, the imbalanced structure of government current expenditure, the shortage of qualified managers and administrators, and inadequate cost recovery. The public enterprise sector has suffered primarily from weak management, under-capitalization, and inadequate pricing policies. The private sector has been constrained by rigorous price controls, government regulation, transportation problems, and the small size of the domestic market. Niger's meager resource base, coupled with its landlocked position, limits its growth potential. In particular, the expansion of agriculture, which accounts for about one third of GDP, is hampered by the degradation of soils, the lack of economically viable

technical packages for rainfed agriculture, and the high cost of irrigation. In addition, the agricultural sector has suffered from inappropriate policies, in particular with respect to marketing and pricing. With primary education enrollment and literacy rates among the lowest in the world, the human capital base also constrains the growth prospects for the country, while rapid population growth places a strain on the country's scarce resources.

The structural weaknesses are both reflected in and compounded by the financial imbalances. While considerable progress has been achieved so far, the budgetary and balance of payments positions remain difficult, with large financing gaps necessitating exceptional external financial assistance, including debt relief. Furthermore, the financing of the public investment program is virtually totally dependent on external financial aid, in the form of grants and concessional loans. Niger's heavy external debt service burden, evidenced by the high scheduled debt service ratio (about 48 percent in 1986), largely reflects past borrowing on nonconcessional terms and contributes significantly to the financial imbalances. While debt relief has helped reduce the short-term financing problems, it has entailed high costs and has deferred the debt problem.

Alleviating these structural problems is particularly critical in view of Niger's limited resource base; indeed, the country's landlocked position, underdeveloped human capital, and rapid population growth limit its growth potential. Furthermore, Niger's economy, with its heavy reliance on the agricultural sector, is highly vulnerable to changing weather conditions. Thus, while measures to address the structural problems can improve the efficiency with which available resources can be mobilized and allocated, it is also necessary to implement a new investment strategy in order to gradually reduce resource constraints and to improve the long-term growth prospects.

## III. Overview of the Medium-Term Policy Framework

Against this background, the Government of Niger has formulated a medium-term structural and financial adjustment program to address its protracted balance of payments problems and promote growth on a sustained basis. The program will cover the three-year period 1987-89, consistent with the thrust of current policies supported by the stand-by arrangement with the Fund and the structural adjustment credit from the World Bank. The program aims at alleviating the structural constraints and aligning the level of aggregate demand with available resources. Emphasis will be on generating a favorable environment for fostering private and public sector savings. By enhancing Niger's competitiveness, the program will aim at expanding and diversifying exports and at encouraging import substitution.

A six-pronged approach is being pursued. First, to address the structural problems in public resource management, a reform of the tax system will be undertaken, and measures will be adopted to improve the structure of expenditure. In this regard, policies relating to civil service employment, cost recovery, and transfers to consumers will be reassessed with a view to providing adequate allocations for recurrent operations, and restrain the evolution of the wage bill. In addition, the budgeting and expenditure control processes will be expanded in scope to cover all government operations. The major thrust of fiscal policy will be to mobilize domestic resources to finance an increasing share of public investment. The process of investment programming will be strengthened, with priority given to projects involving the directly productive sectors and the rehabilitation of existing infrastructure. Furthermore, financing requirements and operating costs will be carefully evaluated. Second, the implementation of a comprehensive reform program for the public enterprise sector, initiated in 1985, will continue during 1987-89, and will include a reduction in the size of the sector, measures to improve the efficiency of public enterprises, and the settlement of identified and verified cross-debts. Third, the incentives system, particularly as regards pricing and marketing, will be examined with a view to reducing government intervention, enhancing the efficiency of resource allocation, and promoting economic activity. Fourth, agricultural policies will be strengthened to complement the reform of grain pricing and marketing, aiming at gradually increasing the role of the private sector and reducing subsidies for agricultural inputs. Fifth, monetary policy will be designed in light of the targets for the external current account, inflation, and growth. In line with the objectives of the program, it will emphasize the provision of credit to the private sector. In addition, the efficiency of the banking system will be improved through a reform of the major financial institutions. These reforms, coupled with an appropriate interest rate structure, should mobilize domestic savings and improve resource allocation. Sixth, in view of the heavy debt burden, the policy of the Government will be to rely to the extent possible on grants for the external financing of the public investment program and gradually to reduce its recourse to rescheduling of the external debt.

The full impact of the structural measures already in place can be expected to be felt only in the long run and cannot be completely quantified. The basic objectives are to sustain an annual rate of real economic growth of about 2.1 percent (1987-90), 1/ to limit the annual

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1/ It is estimated that, without the structural measures, real economic growth during 1987-90 would remain close to 1 percent annually. Real GDP declined at an annual rate of 0.8 percent during 1965-73, prior to the sharp expansion in the uranium sector. Led by the expansion in this sector, real GDP grew by 11 percent annually during 1974-80. It subsequently declined at an annual rate of 4.6 percent during 1981-84.

inflation rate to 6 percent compared with an average of about 8 percent during 1984-86, and to reduce the external deficits gradually so as to reach a viable position by 1990. The current account deficit is projected to be reduced from 2.2 percent of GDP in 1986 to 1.4 percent of GDP in 1990. Accordingly, by 1990 Niger will have laid the foundation for achieving a sustainable rate of economic growth, exceeding that of population growth, and for achieving an overall balance of payments position and structure consistent with orderly relations with creditors, in the context of an exchange system that is free of restrictions on payments and transfers for current international transactions. This will contribute to a gradual improvement in living standards in Niger, which, in the absence of the program, would have been further curtailed. In particular, the secular fall in per capita consumption would be halted, the provision of basic public services improved, and new employment opportunities generated by the expansion of the private sector. The Government recognizes that achievement of these objectives will be critically dependent on the adaptation of policies in light of the progress made and the emergence of unforeseen factors.

1. Public resource management

To improve public resource management, the Government plans to take steps to change the structure of expenditure, improve the elasticity of the tax system, integrate all financial operations into the regular budgeting and expenditure control processes, and reduce the fiscal imbalances.

To improve the structure of expenditure, the Government plans to reduce gradually the proportion of the wage bill, provide more adequate allocation for supplies and equipment, and improve funding for essential public services. In this regard, a study of the civil service system is now in progress; it is designed to serve as a basis for a reform program, to improve the distribution of staff, and to streamline hiring procedures. To reduce the pressure on the budget, the Government has also decided to increase cost recovery efforts. In addition, transfers to consumers will be reduced. These measures will make it possible to limit the growth of current expenditure to a rate lower than the anticipated rate of inflation during the 1986/87-1989/90 period.

The public investment program is aimed at reorienting investment toward the directly productive sectors, developing human resources, and rehabilitating existing infrastructure. It also includes a number of projects designed to finance recurrent expenditure, particularly in the social sectors, given their importance for the long-term development prospects of the country. Investment expenditure would be determined in light of resource availability and the priorities of the investment program; the financing plan will take into account Niger's limited debt servicing capacity. Accordingly, the Government will seek to finance an increasing share of investment from foreign grants and to improve the degree of concessionality in its external borrowing. Consistent with these objectives, the authorities have introduced, in cooperation with

the World Bank, the concept of a three-year rolling public investment program, and have prepared the first annual program for 1985/86. The investment target for the three-year period (1985/86-1987/88) has been programmed at CFAF 275.5 billion. For 1985/86, the first year of the program, the public sector investment target has been set at CFAF 80.0 billion. The program will be reviewed and extended yearly in consultation with the World Bank. The authorities, in regular consultation with the World Bank, will monitor the implementation of the investment program and its financing to ensure that it contributes directly and indirectly to the reduction of the debt service burden and the achievement of a viable balance of payments position with sustained economic growth by 1990 and over the long term. Starting in 1986/87, all investment outlays will be included in the regular budgeting processes, and efforts will continue to establish an appropriate breakdown between capital expenditure and related recurrent expenditure.

On the revenue side, the Government has already introduced several measures aimed at improving the efficiency of the tax system, including the introduction of the value-added tax in early 1986. Moreover, a study is expected to be conducted, with the assistance of the World Bank, on industrial and trade incentive policies. Although the scope for generating substantial new revenue is limited, determined efforts will be made to improve incentives to the private sector while reducing exemptions, reforming customs tariffs, and strengthening tax administration.

Based on the current presentation of the budget, which excludes the grants and grant-financed investment, the consolidated budget deficit on a commitment basis would be reduced from 3.9 percent of GDP in 1985/86 to 1.3 percent in 1989/90. During this period, the Government will avoid recourse to domestic bank financing; the deficit will be financed by external financial assistance on concessional terms, including diminishing levels of debt relief. If adequate funding is forthcoming on appropriate terms, the 1987-89 targets for investment, the budget position, and the external current account will be revised accordingly, taking into account the impact on recurrent costs and the debt-servicing of the country.

## 2. Public enterprises

The Government of Niger is committed to strengthening the performance of the public enterprise sector and to reducing its scope. During 1987-89, the Government intends to continue the implementation of a major reform program for the public enterprise sector that was prepared in consultation with the World Bank and initiated in 1985. The program aims at revising incentive policies by improving and equalizing the structure of incentives for both public and private enterprises, improving the legal and institutional framework within which public enterprises operate, and restructuring the public enterprise sector by liquidating, privatizing, and rehabilitating various enterprises. Based on diagnostic studies of 54 enterprises, the Government has decided to

retain only 25 in the public sector, to fully or partially privatize 22, and to liquidate those for which divestiture proves impossible. Another three enterprises have been incorporated into a ministry owing to their special functions, while the operations of the remaining four enterprises will be defined at the time of the completion of ongoing studies. In addition, all outstanding public cross-debt, beyond normal working balances, will be eliminated by 1989. To this end, a study financed by the World Bank has been prepared. A commission has been set up to verify and determine the amounts of outstanding cross-debts to be settled, as well as to set a timetable for their phased elimination.

3. Marketing and pricing policies

The Government of Niger has recently taken specific measures related to marketing and pricing policies. With respect to marketing policy, the Government's objective is to reduce the role of the public sector in marketing activities. Hence, since October 1985, all import monopolies and quasi-monopolies have been abolished, except for petroleum products, and the marketing of cereals has been completely deregulated. These measures, coupled with the reduction in the scope of the marketing activities of public enterprises, are expected to encourage the private sector to assume a wider role. In the pricing area, the Government's policy is to rely on market forces in determining prices. Thus, in December 1985, the list of products and services subject to the fixed price ceiling system was reduced from 27 to 7 items; the remaining products were subjected to a more flexible system of preset profit margins, or totally deregulated. The fixed price ceiling system, applying to all local industrial products benefiting from the provisions of the Investment Code, has also been made more flexible in that prices may be raised by up to 7 percent a year without prior authorization by the Ministry of Commerce. Goods remaining subject to price controls will be deregulated in a phased manner by 1990, with the exception of certain essential products, which may be excluded in consultation with the Fund and the Bank.

4. Agricultural policy

The Government of Niger is undertaking a comprehensive reform of its agricultural policies, with the basic objective of promoting and diversifying production through greater reliance on the private sector. With assistance from the main donors in the sector, the Government is currently reformulating its rural development strategy. The measures envisaged include the abolition of the role of the grain marketing agency (OPVN) with regard to price stabilization, support of rural incomes, and subsidization of urban consumers; the maintenance of a revolving cereal security stock of a limited size; the reduction of subsidies for agricultural inputs; enhanced cost recovery in the agricultural sector; the reform of the agricultural credit system; and a redefinition of agricultural research priorities. In addition, investment policy in the rural sector will be geared toward developing

small-scale operations with strong participation of local communities, and reorienting projects to better adapt them to existing local conditions.

5. Monetary and credit policies

Monetary policy will be designed to maintain the growth of domestic liquidity at a rate compatible with the objectives of achieving a sustainable expansion in economic activity and reducing domestic and external financial imbalances. Interest rate policy, which is determined jointly for all member countries of the West African Monetary Union, has generally been and will continue to be geared toward fostering the mobilization of domestic savings, strengthening financial intermediation, and improving resource allocation. Credit policy will aim at channeling resources toward the most productive sectors of the economy. Emphasis will be shifted toward providing adequate credit to agriculture and livestock, as well as to small- and medium-sized enterprises, in line with the overall development strategy. The reduced role and improved financial performance of the public enterprise sector will allow greater emphasis to be given to the provision of credit to the private sector. In view of the fiscal measures envisaged, the Government will avoid recourse to net bank credit. In addition, further measures will be taken to improve the financial position of the banking system, including programs designed to restructure and rehabilitate the national development bank (BDRN), and to reform the agricultural credit system.

6. The external sector: outlook and policies

The measures being taken should contribute to a gradual expansion and diversification of exports over the medium-term. As the growth of imports will be constrained by the financial policies pursued, the trade balance is expected to improve. Furthermore, in view of the cautious foreign borrowing policy being pursued, the current account deficit of the balance of payments should decline in relation to GDP, thus permitting the achievement of a viable external sector position by 1990. Preliminary projections suggest that, if the adjustment process is continued, the overall external financing gap should decline from US$26.6 million (CFAF 9.3 billion) in 1987 to US$20.0 million (CFAF 7.0 billion) in 1989; in 1990 there would be a marginal increase in net foreign assets. These projections take into account the balance of scheduled disbursements from the World Bank under the structural adjustment credit, estimated at about US$49 million. A gross total estimated at US$636 million in external assistance to finance the investment program during 1987-89 is also taken into account in the projections. It is expected that drawings under the Fund's structural adjustment facility, the mobilization of additional concessional financing, and diminishing levels of debt rescheduling would suffice to cover the prospective gaps. In this regard, a donors' conference is scheduled in 1987. For 1987, the first year of the program, purchases

under a new stand-by arrangement requested from the Fund are expected to amount to SDR 8.1 million; an additional SDR 6.7 million would be available under the structural adjustment facility.

During the next three years, the Government will follow a prudent external debt policy and will not contract or guarantee any new nonconcessional loans with a maturity of 0-12 years. Furthermore, in seeking external financial assistance, the Government will emphasize loans on highly concessional terms, and grants. To improve external debt management, any new loans contracted or guaranteed by the Government, as well as any drawings against loans contracted or guaranteed by the Government, will require the authorization of the Ministry of Finance. All data concerning the external public debt will be centralized at the level of the Ministry of Finance and fully computerized.

7. Social impact

The structural adjustment program is designed to consolidate the foundation for achieving a gradual improvement in living standards and to avoid the negative social impact of an adjustment in the absence of a program. The reform program aims at halting the secular fall in per capita income and ensuring that long-term benefits will be associated with greater economic efficiency and higher growth, more than offsetting the unavoidable social costs of the transitional phase. The restructuring of the public expenditure will channel resources into the continued expansion of basic services which benefit the population as a whole. The reorientation of the public investment program will also benefit a larger proportion of the population and lower income groups in rural areas. The reform of the public enterprise sector will involve some further layoffs in this sector. In the medium term, however, these workers are likely to be absorbed by the gradual expansion of the modern private sector. The effects of the price and domestic trade liberalization measures on the lower income groups will be mixed. For 1986, any short-term upward pressure that the liberalization of the cereals market can exert on consumer prices for food grains is likely to be more than offset by the good cereal crop expected for 1986 and the existing large stocks. In the medium term, increased cereal production will have a dampening effect on food grain prices, although they are likely to be heavily influenced by weather conditions. The elimination of official support prices for millet and sorghum and the necessary complementary measures will reduce distortions and provide appropriate signals to producers.

TRANSLATION

September 11, 1986

Dear Mr. de Larosière,

1. Starting in 1983, Niger has made determined adjustment efforts supported by three successive stand-by arrangements from the International Monetary Fund. The programs implemented involved wide-ranging supply- and demand-oriented measures designed to reduce structural distortions and to align the level of aggregate demand with available resources. The objectives of these programs were to reduce the domestic and external financial imbalances and to restore, over the medium term, a viable balance of payments position and a sustainable rate of economic growth. The policies pursued were readapted and strengthened to mitigate the effects of a number of adverse exogenous factors, such as recurrent drought conditions, the closure of the border with Nigeria, and the further weakening in the world demand for uranium. Accordingly, Niger witnessed a substantial improvement in its external sector position, a reduction in the rate of inflation, and, due to improved rainfall, a significant increase in agricultural activity. All the policies envisaged under the programs were implemented, and all the performance criteria through end-June 1986 have been observed. In February 1986, the World Bank approved a structural adjustment credit for Niger, in an amount equivalent to US$60 million, in support of a medium-term structural adjustment program. In addition to the resources provided by the Fund and the World Bank, Niger's adjustment efforts have been supported by other external financial assistance, including debt relief under the auspices of the Paris and London Clubs.

2. Notwithstanding the substantial progress made during the past four years, Niger's economy continues to suffer from certain major structural constraints, as well as sizable financial imbalances, attributable both to the weak domestic resource base and to the insufficient flows of external assistance on concessional terms. Accordingly, the Government of Niger has decided to continue with its adjustment efforts. It has thus elaborated a medium-term economic and financial policy framework which was sent to you on September 11, 1986, covering the three-year period 1987-89. The authorities of Niger will remain in close contact with the staffs of the Fund and the World Bank on developments and progress in implementing these policies and measures. The document on the general policy framework will be updated annually as the program is implemented. In support of the objectives to be pursued during 1987-89 and the objectives and policies for the first year of this period, which are outlined below, the Government of Niger requests from the International Monetary Fund a three-year structural adjustment arrangement in the amount that will be available to Niger under the Fund's structural adjustment facility, and the first annual arrangement

thereunder. Furthermore, the Government hereby also requests from the Fund a one-year stand-by arrangement in an amount equivalent to SDR 10.11 million (30 percent of quota), to enter into effect on December 5, 1986, upon the expiration of the current stand-by arrangement.

## I. Economic and Financial Developments in 1985-86 1/

3. To consolidate and build upon the progress achieved during 1983-85, the Government of Niger adopted a comprehensive adjustment program for 1986 supported by a stand-by arrangement. Compared with the difficult conditions which Niger faced under previous programs, the country's economy should benefit from the impact of improved weather conditions, the reopening of the border with Nigeria, the drop in the prices of imported petroleum products, and the depreciation of the U.S. dollar vis-à-vis the CFA franc. On the negative side, the negotiated export price for uranium in CFA francs has remained at its 1985 level, irstead of rising by 5 percent as originally estimated in the program. Reflecting these factors, as well as the measures implemented, the external current account deficit, including official transfers, is estimated to decline from CFAF 25.7 billion in 1985 to CFAF 17.0 billion in 1986, compared with a program target of CFAF 26.2 billion. However, because of the deterioration in the capital account, the balance of payments deficit rose from CFAF 16.9 billion in 1985 to CFAF 18.9 billion in 1986, compared with a program target of CFAF 20.3 billion. The rate of inflation, as measured by the GDP deflator, dropped to 6.0 percent in 1986, below the program target of 7.0 percent. Following the recovery in economic activity in 1985, real GDP growth is estimated at 3.0 percent, below the program target of 4.0 percent.

4. During 1986 the Government pursued major structural reforms. There was a significant further liberalization of pricing and marketing policies. All import monopolies and quasi-monopolies, with the exception of petroleum products, were abolished. In addition, OPVN expanded the scope of the system of tenders and bids to cover all wholesale purchases and sales during the 1985/86 season, reduced retail selling prices in remote areas in line with market conditions, and introduced price differentials to reflect variations in transportation and distribution costs among regions. Finally, the list of 27 products and services subject to price ceilings (homologation) was reduced to 7 products, and the remaining products were subjected to a more flexible system of preset profit margins.

1/ The analysis of 1986 is based on estimates for the year. The program targets refer to the revised targets set at the time of the mid-term review in March 1986.

5. In late 1985, the Government launched a major reform program in the public enterprise sector, which was prepared in consultation with the World Bank. The program includes a revision of incentive policies, improvements in the legal and institutional framework within which public enterprises operate, and programs of liquidation, privatization, and rehabilitation. The liberalization of pricing and marketing policies, together with the alignment of the tax treatment of public with private enterprises, should contribute to an improvement in production incentives. In January 1986, the Government adopted legislation classifying enterprises as public agencies of an administrative nature, industrial or commercial agencies, state corporations, and mixed enterprises. The legislation defined their structure and organization as well as the supervisory role of the Government for each category. So far, four public enterprises have been liquidated, four have suspended operations, and three have been privatized. Three state-owned hotels and SONIDEP'S petroleum distribution stations have been leased under management contracts to the private sector. For eight public enterprises, rehabilitation programs are being implemented with World Bank and/or bilateral assistance. Specific measures undertaken include management and technical reforms in SONICHAR, enhanced cost recovery at OFEDES, an increase in BDRN's capital, and a reduction in OPVN's price stabilization role.

6. To strengthen investment planning, the Government formulated a three-year rolling public investment program for 1985/86-1987/88 in consultation with the World Bank. The thrust of the program is to reorient investment toward directly productive sectors and to finance a higher proportion of investment expenditure through grants. An investment target of CFAF 80 billion had been set for 1985/86. It is estimated that an implementation ratio of 74 percent was achieved, with total investment reaching CFAF 59 billion. This was financed by CFAF 29.0 billion in grants, CFAF 26.2 billion in loans, and CFAF 3.8 billion in budgetary resources, in line with the Government's policy of relying increasingly on grants. Despite slower than expected project implementation in the rural and social sectors, the structure of investment continued to shift toward the productive sectors, with their share in total investment rising from 39 percent in 1984/85 to 44 percent in 1985/86.

7. The budget deficit on a commitment basis, excluding grants and grant-financed investment, has declined to CFAF 29.9 billion (3.9 percent of GDP), compared with a program target of CFAF 29.3 billion. This deficit has been financed by CFAF 20.9 billion in net foreign financing, including CFAF 12.1 billion in debt relief, and CFAF 9.0 billion in net domestic financing, including CFAF 5.0 billion in net bank credit. The improvement in the budgetary position reflects both an increase in revenue and a containment in expenditure. Revenue is projected to reach the target of CFAF 73.2 billion, an increase of 7.2 percent, due primarily to the wide-ranging tax measures introduced at the beginning of the year, as well as to receipts of CFAF 2.0 billion from the profits of the oil sector, resulting from the drop in oil import prices while

selling prices remained constant. Total expenditure and net lending is estimated to have grown by 1.6 percent, as against a targeted increase of 0.5 percent. However, the base for 1984/85 has been revised downward by about 1 percent. The increase in 1985/86 was attributable to a 14.1 percent rise in investment expenditure resulting from faster implementation of projects financed by external borrowing, while current expenditure and net lending decreased by 2.9 percent, owing principally to a cut of 11.5 percent in non-wage current expenditure and to a lower deficit on the special accounts.

8. A balanced monetary policy, consonant with the program targets, has been pursued. All the performance criteria at end-June 1986 were observed. The Government's recourse to net domestic credit at end-June 1986 was lower than initially envisaged under the program, while credit to the private sector expanded considerably less than projected. Net foreign assets increased sharply during the first half of 1986 because of the impact of the revaluation of the SDR and the improved net external position of the commercial banks. Reflecting these factors, domestic liquidity grew by 3.6 percent during the first half of 1986. During the second half of the year, it is expected that the demand for credit from the government and private sectors will pick up, resulting in a growth of net claims on the Government estimated at 1.1 percent of beginning money stock and in domestic credit at 5.0 percent for the year as a whole. Taking into account the balance of payments estimate, domestic liquidity is projected to grow by 9.0 percent, compared with a program target of 8.0 percent.

9. The Government has continued to follow a prudent debt management policy and has not contracted or guaranteed any nonconcessional loans with a maturity range of 0-12 years. Moreover, to improve external debt management, all new loans contracted or guaranteed by the Government since April 1986 required the authorization of the Minister of Finance. In addition, most public debt data have been computerized. In November 1985, the Paris Club agreed to the rescheduling or refinancing of Niger's government and government-guaranteed external debt obligations for the period December 1, 1985 to December 4, 1986. Furthermore, the commercial banks, under the auspices of the London Club, agreed in April 1986 to the rescheduling of Niger's external debt obligations for the period October 1985 to December 1988. Accordingly, the amount of debt relief for 1986 is estimated at CFAF 19.7 billion, compared with the original estimate of CFAF 20.3 billion. This difference is attributable to the fact that certain countries and bilateral institutions that did not participate in the Paris Club have not agreed to reschedule Niger's government and government-guaranteed debt. The Government of Niger is exerting its best efforts to secure debt relief from those countries on comparable terms. The overall debt service ratio, before rescheduling, is estimated at 48.2 percent in 1986, compared with 45.5 percent originally projected. After rescheduling, this ratio is estimated to reach 32.9 percent, compared with an original projection of 30.8 percent.

## II. Medium-Term Economic and Financial Policies

10. The achievement of a sustainable rate of economic growth under conditions of external and domestic financial stability is impeded by a number of structural problems. These problems, coupled with the country's landlocked position, the degradation of the soil due to over-exploitation, and the limited growth prospects for the mining sector, constrain Niger's growth potential. The structural weaknesses are both reflected in and compounded by the financial imbalances. Even though these imbalances have been reduced in recent years, the budgetary and balance of payments positions, nonetheless, remain difficult, with large financing gaps necessitating external financial assistance, including debt relief. The high external debt service burden of the country contributes significantly to the financial imbalances. While debt relief has helped reduce the short-term financing problems, the rescheduling of official and commercial debt has involved high costs and has deferred the debt problem.

11. Against this background, the Government has decided to pursue a medium-term economic and financial program, covering the three-year period 1987-89. The program will aim at further alleviating the structural constraints and aligning the level of aggregate demand with available resources. The emphasis will be on generating a favorable environment for fostering private sector economic activity and investment, and promoting domestic savings. The development strategy is geared at achieving a rate of real economic growth higher than 3.0 percent. The attainment of this rate will depend critically on the emphasis that will be placed on investment in the productive sectors, a marked improvement in weather conditions, the increase in activity in the informal sector, the rehabilitation of the production base, the reconstitution of livestock, and the emergence of a more favorable international economic environment that will bring about a marked improvement in the terms of trade. However, the World Bank's analysis indicates that, in the absence of these structural adjustment measures, real economic growth would average 1.1 percent annually during 1987-95. With the major measures implemented by the authorities, and on the assumption that normal weather conditions prevail and that prospects for the international economic climate remain unchanged, the World Bank estimates that the growth rate could double, reaching 2.1 percent for the period 1987-90. This growth rate has been used as a working hypothesis for purposes of financial programming, and will be revised annually. The growth rate is expected to rise above the rate of population growth in the early 1990s. The annual rate of inflation, as measured by the GDP deflator, is projected to average 6.0 percent annually. Furthermore, the external current account deficit, including official transfers, is programmed to be reduced from CFAF 17.0 billion in 1986 to CFAF 14.5 billion in 1990, consonant with the objective of attaining a viable balance of payments position in 1990.

12. The policies to be pursued during 1987-89 are outlined in the policy framework paper, attached to my letter addressed to you dated September 11, 1986. To address the structural problems in public resource management, a reform of the tax system will be undertaken, and measures to improve the structure of expenditure, emphasizing the importance of adequate allocations for recurrent operations, adopted. In addition, the budgeting and expenditure control processes will be expanded in scope to cover all government operations, and the process of investment programming will be strengthened, with priority given to projects involving the directly productive sectors. The implementation of a comprehensive reform program for the public enterprise sector, initiated in 1985, will continue during 1987-89, including a narrowing in the scope of the sector, measures to increase the efficiency of the enterprises, and the settlement of identified and verified cross-debts. Concomitantly, the incentive system will be further liberalized through a reduction in government intervention. As regards agricultural policies, a study is currently under way in consultation with USAID and the FAO.

13. Based on the current presentation of the budget, which excludes grants and grant-financed investment, the consolidated budget deficit of the Central Government on a commitment basis will be reduced from 3.9 percent of GDP in 1985/86 to only 1.3 percent in 1989/90. Including grant-financed investment outlays and excluding grants, the overall budget deficit on a commitment basis will narrow from 7.8 percent of GDP in 1985/86 to 6.4 percent in 1989/90. This will be achieved through a strengthened revenue performance and a containment in the growth of current expenditure, which will permit an expansion of development expenditure within this overall target. During this period, the policy to be pursued by the Government will aim at avoiding recourse to net domestic bank financing; the declining financing gaps will be essentially covered by external financial assistance on concessional terms, including diminishing levels of debt relief. Monetary policy will be consonant with the external current account, inflation, and growth targets. With the reduced recourse of the Government to the banking system and the expected improvement in the financial position of the public enterprise sector, the private sector will have increased access to domestic credit. While the policies described above will constitute the main elements of the program to be pursued, the quantitative projections for 1988-90 should be viewed as indicative. They will be modified as specific measures are formulated in the context of the specification of each annual program and as more up-to-date information becomes available.

## III. Economic and Financial Program for 1986/87

14. Within the context of the medium-term framework, the program for 1987 will aim at further reducing structural and financial imbalances. The major quantitative objectives of the program for 1987 will be to achieve a real rate of growth of at least 2.0 percent, to limit the

inflation rate, as measured by the GDP deflator, to 6.0 percent, and to contain the current account deficit, including grants, to 2.0 percent of GDP. In line with these objectives, the program will involve a further narrowing in the consolidated central government budget deficit, a reduction in outstanding cross-debts in the public sector, the pursuit of a restrictive credit policy, and a continued prudent external debt management policy. The program will also include structural measures related to public resource management (including investment programming), incentive policies, public enterprises, agricultural policy, and the financial system.

(1) Fiscal policy and public resource management

15. In the fiscal year 1986/87, the Niger authorities will continue to pursue austerity measures and to mobilize revenue to achieve a reduction in the consolidated budget deficit of the Central Government on a commitment basis, excluding grants and grant-financed outlays, from CFAF 29.9 billion (3.9 percent of GDP) in 1985/86 to CFAF 28.6 billion (3.5 percent of GDP) in 1986/87. In view of the prospects for a more rapid increase in grant-financed investment outlays, the overall budget deficit on a commitment basis, excluding grants, will increase from CFAF 58.9 billion in 1985/86 (7.8 percent of GDP) to CFAF 64.4 billion (7.8 percent of GDP) in 1986/87. The deficit will be financed by budgetary assistance amounting to CFAF 19.7 billion, of which CFAF 11.0 billion will be provided by counterpart funds of the structural adjustment credit from the World Bank, CFAF 3.5 billion from grants, 1/ CFAF 5.2 billion from rescheduling already obtained; CFAF 26.8 billion in project-related loans, and CFAF 35.8 billion in project-related grants. There will be no net recourse to the banking system; nonbank domestic financing is estimated at CFAF 2.3 billion. Taking into account amortization payments amounting to CFAF 26.4 billion, the remaining financing gap of CFAF 6.2 billion is expected to be covered by additional rescheduling.

16. Revenue is projected to increase by 8.2 percent. Over the last two years, the Government has introduced all the tax measures recommended in the report of the Fund's technical assistance mission on the tax system; these measures were aimed at widening the tax base and improving tax administration. No further tax measures are envisaged for 1986/87. Based on the effects of the tax measures introduced in the last two years and the projected growth in nominal GDP, tax revenue is projected to grow by 6.0 percent. Customs duties are projected to rise by 5.9 percent, in line with the increases in dutiable imports, taxable

1/ Total grants will amount to CFAF 5.0 billion, in two installments of CFAF 2.0 billion and CFAF 3.0 billion. Of the former, the budget will receive CFAF 0.5 billion, and the balance will be used for the direct repayment of the arrears of municipalities and certain public enterprises. The CFAF 0.5 billion will be used to reduce the Government's outstanding credit to the BDRN.

exports, and mining royalties. Other tax revenue is projected to grow by 6.0 percent, reflecting in particular the effects of the recently introduced value-added tax and improved collection of tax arrears as a result of the introduction on August 11, 1986 of a 10 percent penalty for late tax payments. Nontax revenue will grow by 23.1 percent, owing primarily to the channelling into the budget of CFAF 6.0 billion, of which CFAF 4.0 billion is derived from profits resulting from the fall in petroleum import prices and CFAF 2.0 billion from CSPPN reserves.

17. The expansion in total expenditure and net lending (excluding grant-financed investment) will be limited to 4.6 percent, notwithstanding a sharp rise of 12.3 percent in interest payments on the government debt. The growth in current expenditure and net lending, excluding interest payment, is projected to be only 3.4 percent, implying a cut in real terms. This will be achieved by limiting new hiring and by granting no cost of living adjustments. Furthermore, austerity measures will continue in effect, with other current expenditure and net lending growing by only 3.1 percent. Economies will be effected in housing allocations, scholarships, and other current transfers and subsidies, with a view to improving the structure of current expenditure. Capital expenditure, excluding grant-financed investment, will increase by only 2.6 percent, reflecting the emphasis the authorities place on financing a larger share of investment expenditure through grants. Including grant-financed investment, total capital expenditure will increase by 12.7 percent, and total expenditure and net lending by 8.7 percent. The Government will not accumulate any domestic or external payments arrears during the program period.

18. The Niger authorities are determined to implement further measures over the medium term to strengthen the budgetary position. In particular, there will be an assessment of the impact of the recently completed revision of the tax system. Accordingly, by end-February 1987, a study will be prepared to evaluate the reform of the tax system and tax administration procedures recently introduced with a view to identifying additional measures that would contribute to a further broadening of the tax base and the improvement in the elasticity of the tax system. The study will particularly focus on customs valuation and tax and customs duty exemptions. The Niger authorities are requesting technical assistance from the International Monetary Fund for this study. It is envisaged that its findings would be examined at the time of the first review of the program in March 1987, with a view to introducing the requisite measures in the context of the 1987/88 budget. With regard to expenditure, the Niger authorities will continue to enhance the process of budget execution and to strengthen expenditure control. In consultation with the World Bank, the Niger authorities are undertaking a study on the civil service system, which will assess the employment needs and examine recruitment policies. The study will be completed by July 1, 1987, with a view to formulating a plan of action to be implemented with the 1987/88 budget. In order to ensure that

there are sufficient budgetary allocations for the recurrent expenditure, the Government will be examining the concept of zero-based budgeting.

19. The three-year rolling public investment program has been extended by one year. Total investment expenditure for 1986/87-1988/89 has been targeted at CFAF 310.5 billion, for which full funding has already been secured. The investment program will be financed by CFAF 170.3 billion in grants, CFAF 120.9 billion in loans, and CFAF 19.3 billion in budgetary resources. Even though the objective of the Niger authorities is to implement the public investment program in its entirety, an implementation rate of about 73.5 percent for the period 1986/87-1988/89 will be used as a working hypothesis for purposes of financial programming. The public investment program continues to stress the channeling of investment toward projects supporting the directly productive sectors, the development of human resources, and the rehabilitation of existing infrastructure. The program will be reviewed and extended yearly in consultation with the World Bank. The annual investment budget will be set in line with the availability of financial resources and the priorities of the investment program. The financing plan will take into account the recurrent expenditure needs, as well as the country's debt servicing capacity. The Niger authorities, in consultation with the World Bank, will monitor the investment program and its financing to ensure that it will contribute directly and indirectly to the reduction of the debt service burden and the achievement of a viable balance of payments position with sustained economic growth by 1990 and over the long term.

20. Within the context of the three-year rolling investment program, the public investment target for the fiscal year 1986/87 has been set at CFAF 92.5 billion. Using an implementation rate of 72.8 percent as a working hypothesis, investment expenditure is projected to grow by 14 percent relative to the outturn for 1985/86. Investment expenditure in 1986/87 will total CFAF 67.3 billion, which is expected to be financed by CFAF 4.7 billion from the budget, CFAF 26.8 billion from foreign loans, and CFAF 35.8 billion from foreign grants, based on a minimum implementation ratio of 72.8 percent. This would imply an increase in the share of grant-financed investment from 49.2 percent in 1985/86 to 53.2 percent in 1986/87. The Niger authorities are commited to making a particular effort to expand the investment implementation capacity in rural development and social services (education, health, and water supply) so as to achieve the targeted shares of 40 percent and 28 percent, respectively. The World Bank considers the sectoral composition and the level of the investment program for 1986/87 to be appropriate and in line with the development priorities and the limited debt servicing capacity of the country. To enhance the monitoring and control of the public investment program, the Niger authorities have adopted the legislative framework needed to incorporate investment expenditure into the regular budgetary process. A simplified nomenclature has been adopted for the investment budget, the documentation that is to be submitted to the Ministry of Finance in

connection with any investment expenditure has been defined, and the method of transmission determined. In addition, the Niger authorities will continue their efforts to obtain timely and accurate information on grant-financed investment expenditures made directly by donor agencies.

(2) Public enterprises

21. The Government intends to continue with the implementation of the ongoing public enterprise sector reform program, with a view to limiting Government involvement to strategic enterprises and improving the efficiency of their operations. In this context, the Government will take the following measures by October 1, 1986: (a) the promulgation of legislation defining the legal status of public enterprise employees; and (b) the adoption of model charters ("statuts-types") on the basis of which the individual charters of specific public enterprises will be drawn up. Furthermore, by October 1, 1986, specific action programs will be prepared for the reform of OPT and OPVN. The latter will specify that OPVN will confine itself to the management of a security stock, which shall not exceed 80,000 tons. No decision with regard to the implementation of OPVN's program, and, in particular, any measures relating to new purchases will be taken without prior consultation with the World Bank. In addition, a plan of action will be prepared to improve BDRN's collection of overdue loans from its 100 largest clients. By March 31, 1987, the charters of all public enterprises will be revised in line with the model charters, and SNT and CMAN will be privatized.

22. The Government has also decided to completely privatize OLANI, SICONIGER, and SONERAN by end-1987. A decision with regard to Air Niger and SNC will be taken by end-October 1986. In addition, the process of partial privatization of certain enterprises will be continued. The Government will continue with the liquidation of those entepprises for which such a decision has been reached. Accordingly, it expects to complete the liquidation of SOPAC, UNCC, and SONIFAME by end-December 1987. A study on the institution of a water company will be completed by end-December 1986, and a plan of action to set up the company will be prepared by end-February 1987 in consultation with the World Bank.

23. The Government has established a timetable for the elimination of outstanding public cross-debts; outstanding amounts will be eliminated by 1988/89. The total net amount to be settled is estimated at CFAF 16.1 billion; work to identify the precise amount of such debts is still underway, with technical assistance from the World Bank. Nonetheless, during the fiscal year 1986/87, a total of CFAF 3.254 billion of verified cross-debts will be repaid in four installments. For purposes of monitoring the implementation under the program, a cumulative amount of CFAF 854 million will be settled by end-December 1986 and CFAF 1,654 million by end-March 1987. On an indicative basis, CFAF 2,454 million will be settled by end-June 1987 and CFAF 3,254 million by end-September 1987. The settlement of these cross-debts will be fully financed by CFAF 3.0 billion from the counterpart funds of the

structural adjustment credit from the World Bank and by CFAF 254 million from bilateral sources. These amounts will be held specifically for this purpose in a special escrow account to be administered by a Commission for the Settlement of Public Enterprise Cross-Debts, to be established by October 1, 1986.

(3) Pricing and marketing policies

24. The Government of Niger has taken additional measures to continue the liberalization of pricing and marketing policies. Under the current pricing system, products and services are classified under five categories: (a) those subject to price ceilings (*homologation*); (b) those subject to a specific preset profit margin; (c) those subject to a profit margin of 60 percent; (d) those produced by local industries benefiting from the investment code, the prices of which may be raised by up to 7 percent annually; and (e) those not subject to price controls. The Government will take the following measures by November 1, 1986: (a) the list of imported goods considered essential and currently subject to specific preset profit margins will be reduced to 64 products and subjected instead to preset profit margins of 35 and 50 percent; (b) all other imported goods will be completely deregulated. The goods and services that remain subject to price controls will be liberalized in a phased manner by 1990, with the exception of certain essential products, which may be excluded in consultation with the Fund and the Bank. With regard to marketing policies, since October 1985 all import monopolies and quasi-monopolies have been abolished and the marketing of cereals fully liberalized. With the introduction of the system of tenders and bids for the wholesale purchases and sales of OPVN, its price stabilization role has effectively been abolished as well. Measures based on the aforementioned plan of action for OPVN will be implemented starting end-October 1986. In addition, the Government intends to prepare, in consultation with the World Bank, a study on the cereal pricing and marketing system. The study, which is expected to be completed by mid-March 1987, will provide the basis for introducing specific measures in the context of the mid-term review to be held in March 1987.

(4) Agricultural policy

25. In view of the importance of promoting and diversifying agricultural production so as to improve the growth prospects of Niger's economy, the Government intends to implement a comprehensive reform of agricultural policies. With assistance from the World Bank and bilateral donors, the Government is currently reviewing its rural development strategy. This study is expected to be completed by end-1988. Pending the outcome of the study, the Government will take a number of specific steps to improve agricultural policy. As described above, the grain marketing and storage policies are being revised to encourage private sector participation. Subsidies for agricultural inputs will be reduced as provided for in the structural adjustment program supported by the World Bank. Continuing efforts are being made

to improve cost recovery in this sector. The Government will examine, together with the donors concerned, the options for a viable agricultural credit system. Proposals will be prepared by February 1987. The review of the agricultural credit system and a redefinition of agricultural research priorities will be completed by end-1987. The Government's strategy also involves an increase in the share of public investment aimed at rural development. For 1986/87, an increase of about 40 percent in investment in the rural sector is programmed.

(5) Monetary and credit policy

26. Consistent with the objectives of the program, the rate of growth of domestic liquidity will be limited to 9.0 percent in 1986 and to 7.5 percent in 1987. Domestic credit to the private sector will expand by 4.0 percent of beginning money stock in 1986 and by 8.3 percent in 1987, while the growth of net claims on the Government will be limited to 1.1 percent of beginn ng money stock in 1986; there will be no increase in 1987. For purposes of monitoring the program, domestic credit, which is estimated to amount to CFAF 127.82 billion at end-September 1986, will not exceed CFAF 131.02 billion at end-December 1986 and CFAF 132.52 billion at end-March 1987. Net claims on the Government 1/ which are estimated to amount to CFAF 27.82 billion at end-September 1986, will not exceed CFAF 27.82 billion at end-December 1986 and CFAF 27.82 billion at end-March 1987. These ceilings will be reduced by any amount by which external budgetary assistance not related to investment projects, including debt relief, exceeds program estimates at an exchange rate of CFAF 350 = US$1. On an indicative basis, domestic credit will not exceed CFAF 136.32 billion at end-June 1987 and CFAF 137.02 billion at end-September 1987; net claims on the Government will not exceed CFAF 27.82 billion at end-June 1987 and CFAF 27.82 billion at end-September 1987. Binding quarterly ceilings for the second half of the program will be established in the context of the mid-term review of the program in March 1987.

(6) The external sector

27. The continuation of good weather conditions and the measures outlined above should contribute to the containment of the current account deficit, including official transfers, from 2.2 percent of GDP in 1986 to 2.0 percent of GDP in 1987. On the exports side, as the world market for uranium is expected to remain sluggish, uranium export receipts are expected to increase by only about 3 percent. However, non uranium exports are projected to increase by 8.9 percent, owing to the return to more normal weather conditions. Taking into account the increase in imports of capital goods called for under the investment program and the measures designed to contain aggregate demand, imports

1/ The special account to be set up for the settlement of cross-debts of public enterprises will not be included in net claims on the Government for the purpose of program monitoring.

are expected to increase by only about 4.9 percent. The balance on the service account is expected to deteriorate marginally because of a projected 5.4 percent increase in interest payments. Taking into account the forecast increase in the amount of official transfers and capital disbursements, largely attributable to projected drawings of CFAF 11 billion against the structural adjustment credit from the World Bank, the balance of payments deficit should be reduced from CFAF 18.9 billion in 1986 to CFAF 8.7 billion in 1987. A financing gap of CFAF 15.1 billion is estimated for 1987. This is expected to be financed by CFAF 5.8 billion in purchases from the Fund and a rescheduling of external debt.

28. The Government intends to seek debt relief from the Paris Club, other official creditors, and commercial banks in order to close the gaps in the budget and balance of payments. Moreover, the Government will continue to pursue a cautious external debt management policy. The Government will not contract or guarantee any nonconcessional loans with a maturity range of 0-12 years during the program period. In addition, in order to reduce its external debt burden, the Government will continue to emphasize external financing in the form of grants and concessional loans, to the extent possible at terms comparable to those of IDA. To this end, a donor's conference is expected to take place under the auspices of UNDP in 1987. To improve debt management, any drawings against loans contracted or guaranteed by the Government will require the prior authorization of the Minister of Finance, effective October 1, 1986. Moreover, the process of computerizing all public debt data is expected to be completed by end-1987.

29. The Government will pursue external sector policies in conformity with the standard clauses regarding the trade and payments system. Accordingly, it will not impose restrictions on payments and transfers for current international transactions or impose new or intensify existing restrictions on imports for balance of payments reasons.

## IV. Benchmarks

30. For the first year of the program under the structural adjustment facility, the quantitative performance criteria and indicative numbers agreed with the Fund under the requested stand-by arrangement will also serve as benchmarks. In addition, the following are included as benchmarks under the SAF arrangement: (a) adoption of the 1986/87 overall budget of the Central Government in conformance with paragraphs 15-17; (b) completion of the study on the evaluation of the tax reform by end-February 1987, with understandings to be reached on the measures that may be appropriate for the 1987/88 budget; (c) completion of the study on the civil service by August 1, 1987 and the formulation of a plan of action by end-September 1987; (d) implementation of the measures relating to public enterprises as specified in paragraphs 21-23; (e) liberalization of pricing policies by November 1, 1986, in accordance with paragraph 24; (f) implementation of the plan of action

for OPVN and the reaching of an understanding on the reform of the cereal marketing system by end-March 1987; and (g) the completion of a program for the reform of agricultural credit policy by end-February 1987 and the initiation of its implementation by April 1, 1987.

* * *

31. The Niger authorities believe that the policies and measures described above are adequate to achieve the objectives of the 1986/87 program. However, they will take any further measures that may be required for this purpose. The Niger authorities will consult with the Fund as to the adoption of any measures that may be considered appropriate at their own initiative or whenever the Managing Director requests such consultation. The Niger authorities will reach understandings with the Fund on any further measures that may be needed by end-March 1987 in the context of a mid-term review of the program. During the mid-term review, progress in the implementation of the program will be assessed, and understandings on any necessary additional measures will be reached, particularly in light of the outcome of the debt rescheduling arrangement; understandings will also be reached on the appropriate performance criteria for the remainder of the program period. The Government will provide the Fund with such information as the Fund requests in connection with the progress of Niger in implementing the policies and achieving the objectives of the program and will update the medium-term economic and financial projections annually as the program is implemented. The Niger authorities remain convinced of the need to pursue adjustment efforts in the medium term and, in this context, will appreciate the continued technical and financial support of the Fund.

Sincerely yours,

Hamid Algabid
Prime Minister

## Niger - Relations with the Fund

(As of September 30, 1986; amounts in SDRs, unless otherwise indicated)

### I. Membership Status

(a) Date of membership: April 24, 1963

(b) Status: Article XIV

### A. Financial Relations

### II. General Department (General Resources Account)

(a) Quota: 33.7 million

(b) Total Fund holdings of currency: 93.92 million (278.70 percent of quota)

(c) Fund credit: 68.78 million (204.10 percent of quota)
Of which:

| | |
|---|---|
| Credit tranches: | 31.39 million (93.15 percent of quota) |
| Enlarged access: | 13.39 million (39.73 percent of quota) |
| CFF: | 24.00 million (71.22 percent of quota) |

(d) Reserve tranche position: 8.56 million (25.40 percent of quota)

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

(f) Lending to the Fund: None

### III. Stand-By Arrangements and Special Facilities

(a) Current stand-by arrangement

| | | |
|---|---|---|
| (i) | Duration: | December 5, 1985-December 4, 1986 |
| (ii) | Amount: | 13.48 million |
| (iii) | Utilization: | 10.78 million |

(b) Previous stand-by arrangement

| | | |
|---|---|---|
| (i) | Duration | December 5, 1984-December 4, 1985 |
| (ii) | Amount: | 16.0 million |
| (iii) | Utilization: | 16.0 million |
| (iv) | Undrawn balance: | -- |

Niger - Relations with the Fund (continued)

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

IV. SDR Department

| | | |
|---|---|---|
| (a) | Net cumulative allocation: | 9.41 million |
| (b) | Holdings: | 0.35 million (3.72 percent of net cumulative allocation) |
| (c) | Current designation plan (amount of maximum designation): | None |

V. Administered Accounts

| | | |
|---|---|---|
| (d) | Trust Fund loan: | |
| | Disbursements: | 12.70 million |
| | Outstanding: | 8.02 million |
| (e) | SFF Subsidy Account: | None |

VI. Overdue Obligations to the Fund: None

B. Nonfinancial Relations

VII. Exchange System

Niger's currency, the CFA franc, is pegged to the French franc at the rate of F 1 = CFAF 50.

VIII. Staff Contacts and Technical Assistance

A technical assistance mission from the Fiscal Affairs Department (FAD) visited Niger in March 1982 to study the country's tax system, and presented its final report to the authorities in January 1983. During the period September 1982-May 1986 a member of the FAD panel of fiscal experts, Mr. Jean-Paul Cornely, was assigned as Administration Advisor to the Secretary General of Finance to assist, inter alia, with the implementation of the recommendations of the FAD tax report. In June 1985 a mission from FAD visited Niger to provide assistance in the budget and accounting fields.

During the period July 29-August 2, 1985, a staff member from the Bureau of Statistics provided technical assistance in compiling government finance statistics.

Niger - Relations with the Fund (concluded)

In November 1983 a CBD expert, Mr. Robert Laniesse, was assigned for a five-month period to assist the authorities in the field of external debt data management, and his assignment was extended for six months. In September 1985 a CBD expert, Mr. Tavernier, was assigned to continue to assist the authorities on external debt matters.

## IX. Last Article IV Consultation

Discussions were held during the period March 4-19, 1986. The staff raport (EBS/86/109) was discussed by the Executive Board on June 20, 1986. The decision was as follows:

1. The Fund takes this decision in concluding the 1986 Article XIV consultation with Niger in the light of the 1986 Article IV consultation with Niger conducted under the Decision No. 5392-(77/63), adopted April 29, 1977 ("Surveillance over Exchange Rate Policies").

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

## Niger - Financial Relations with the World Bank Group

| | |
|---|---|
| Date of membership-IBRD: | April 24, 1963 |
| Capital subscription-IBRD | SDR 10 million |

### A. Statement of IDA Credits (As of March 31, 1986)

| Credit Number | Fiscal Year | Purpose | US$ Million Amount (less cancellation) 1/ IDA 2/ 3/ | Undisbursed) |
|---|---|---|---|---|
| Fourteen | credits | fully disbursed | 78.80 | -- |
| 850 | 1979 | Livestock | 12.00 | 3.87 |
| 886 | 1979 | Feeder Roads | 10.00 | 0.92 |
| 967 | 1980 | Dosso Agr. Dvt. | 20.00 | 16.80 |
| 1026 | 1980 | Second Maradi Rural Dvt. | 16.70 | 9.01 |
| 1151 | 1981 | Education | 21.50 | 7.65 |
| 1225 | 1982 | Industrial Development | 16.00 | 9.32 |
| 1226 | 1982 | Second Forestry | 10.10 | 7.10 |
| 1309 | 1983 | Water Supply | 6.50 | 4.88 |
| 1394 | 1983 | Fourth Highway | 23.60 | 8.31 |
| 1493 | 1984 | Economic and Financial Management Improvement | 11.70 | 9.42 |
| 1511 | 1985 | Power Eng. and T.A. | 7.50 | 6.45 |
| 1618 4/ | 1985 | Irrigation Rehabilitation | 9.30 | 9.30 |
| 1660 4/ | 1986 | Structural Adjustment | 20.00 | 20.00 |
| A012 4/ | 1986 | Structural Adjustment | 40.00 | 40.00 |
| 1668 4/ | 1986 | Health | 27.80 | 27.80 |
| | | Total | 331.50 | 180.83 |
| | | Of which: repayments | (3.75) | |
| | | Total now outstanding and held by IDA | 327.75 | |

## Niger - Financial Relations with the World Bank Group (concluded)

### B. Statement of IFC Investment Loans
### (As of March 31, 1986)

| Loan Number | Year | Borrower | Purpose | Amount of Loan 5/ | Equity 5/ | Total |
|---|---|---|---|---|---|---|
| | | | | (US$ million equivalent) | | |
| 619-NIR | 1982 | Les Moulins du Sahel S.A. (MDS) | Flour mill | 2.22 | 0.33 | 2.55 |
| | | Total now held by IFC | | 2.16 | 0.24 | 2.40 |
| | | Total undisbursed | | 0.43 | -- | 0.43 |

Source: World Bank.

1/ Computed at the March 31, 1986 rate of US$1.13827 = SDR 1.
2/ Prior to exchange adjustments.
3/ Computed at the rate of the approval dates.
4/ Not yet effective.
5/ Amount at time of approval.

Table I. Niger: Fund Position During Period of Stand-By Arrangement, 1985-86

| | Outstanding at beginning of arrangement | 1985 Upon Board approval | 1986 Feb. 15-May 14 | 1986 May 15-Aug. 14 | 1986 Aug. 15-Nov. 14 | 1986 Nov. 15-Dec. 4 |
|---|---|---|---|---|---|---|
| | | (In millions of SDRs) | | | | |
| Transactions under tranche policies (net) | | | | | | |
| Purchases | -- | 2.696 | 2.696 | 2.696 | 2.696 | 2.696 |
| Ordinary resources | -- | 1.348 | 1.348 | 1.348 | 1.348 | 1.348 |
| Enlarged access resources | -- | 1.348 | 1.348 | 1.348 | 1.348 | 1.348 |
| Repurchases | -- | -- | -- | -- | -- | -- |
| Ordinary resources | -- | -- | -- | -- | -- | -- |
| Enlarged access resources | -- | -- | -- | -- | -- | -- |
| Transactions under special facilities (net) | -- | -- | -- | -- | -1.500 | -- |
| Purchases | -- | -- | -- | -- | -- | -- |
| Repurchases 1/ | -- | -- | -- | -- | 1.500 | -- |
| Total Fund credit outstanding (end of period) | 58.000 | 60.696 | 63.392 | 66.088 | 67.284 | 69.980 |
| Tranche policies | 34.000 2/ | 36.696 | 39.392 | 42.088 | 44.784 | 47.480 |
| Special facilities 1/ | 24.000 | 24.000 | 24.000 | 24.000 | 22.500 | 22.500 |
| | | (In percent of quota) | | | | |
| Total Fund credit outstanding (end of period) | 172.11 | 180.11 | 188.11 | 196.11 | 199.66 | 207.66 |
| Tranche policies | 100.89 | 108.89 | 116.89 | 124.89 | 132.89 | 140.89 |
| Special facilities 1/ | 71.22 | 71.22 | 71.22 | 71.22 | 66.77 | 66.77 |

Source: IMF, Treasurer's Department.

1/ Compensatory financing facility.
2/ Including drawing of the remaining amount available under the 1984/85 stand-by arrangement.

Table II. Niger: Fund Position During Period of Proposed Stand-By Arrangement, 1986-87

| | Outstanding a beginning of arrangement (December 5, 1986) | 1986 Upon Board approval | 1987 Jan. | 1987 Feb. 15-May 14 | 1987 May 15-Aug. 14 | 1987 Aug. 15-Nov. 14 | 1987 Nov. 15-Dec. 4 |
|---|---|---|---|---|---|---|---|
| | | | (In millions of SDRs) | | | | |
| Transactions under tranche policies (net) | -- | | -- | | | | |
| Purchases | -- | 2.02 | -- | 2.02 | 2.02 | 2.02 | 2.02 |
| Ordinary resources | -- | 0.96 | -- | -- | -- | -- | -- |
| Enlarged access resources | -- | 1.06 | -- | 2.02 | 2.02 | 2.02 | 2.02 |
| Repurchases | -- | -- | 0.85 | 0.85 | 1.20 | 1.20 | -- |
| Ordinary resources | -- | -- | 0.85 | 0.85 | 1.20 | 1.20 | -- |
| Enlarged access resources | -- | -- | -- | -- | -- | -- | -- |
| Transactions under SAF 1/ | -- | -- | 6.74 | -- | -- | -- | -- |
| Disbursements | -- | -- | 6.74 | -- | -- | -- | -- |
| Repayments | -- | -- | -- | -- | -- | -- | -- |
| Transactions under special facilities (net) | -- | -- | -3.0 | -3.0 | -3.0 | -3.0 | -- |
| Purchases | -- | -- | -- | -- | -- | -- | -- |
| Repurchases 2/ | -- | -- | 3.0 | 3.0 | 3.0 | 3.0 | -- |
| Total Fund credit outstanding (end of period) | 69.98 | 72.00 | 74.89 | 73.06 | 70.88 | 68.70 | 70.72 |
| Tranche policies | 47 48 | 49.50 | 48.65 | 49.82 | 50.64 | 51.46 | 53.48 |
| Special facilities 2/ | 22.50 | 22.50 | 19.50 | 16.50 | 13.50 | 10.50 | 10.50 |
| SAF | -- | -- | 6.74 | 6.74 | 6.74 | 6.74 | 6.74 |
| | | | (In percent of quota) | | | | |
| Total Fund credit outstanding (end of period) | 207.66 | 213.65 | 222.23 | 216.80 | 210.33 | 203.86 | 209.85 |
| Tranche policies | 140.89 | 146.88 | 144.36 | 147.83 | 150.27 | 152.70 | 158.69 |
| Special facilities 2/ | 66.77 | 66.77 | 57.86 | 48.46 | 40.06 | 31.16 | 31.16 |
| SAF | -- | -- | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 |

Source: IMF, Treasurer's Department.

1/ Structural adjustment facility

2/ Compensatory financing facility.

Table III. Niger: Central Government Operations, 1982/83-1989/90 1/

| | 1982/83 | 1983/84 | 1984/85 | 1985/86 | | 1986/87 | 1987/88 | 1988/89 | 1989/90 |
|---|---|---|---|---|---|---|---|---|---|
| | Actuals | | Prel. act. | Rev. prog. | Est. | Prog. | Projections | | |
| | | | | | | (In billions of CFA francs) | | | |
| Revenue | 68.8 | 70.1 | 68.3 | 73.2 | 73.2 | 79.2 | 86.1 | 95.6 | 102.6 |
| Tax revenue | 62.6 | 61.2 | 59.6 | 63.7 | 63.7 | 67.5 | 74.1 | 83.1 | 89.6 |
| Customs duties | (26.5) | (25.8) | (24.2) | (30.7) | (30.7) | (32.5) | (...) | (...) | (...) |
| Other taxes | (36.1) | (35.4) | (35.4) | (33.0) | (33.0) | (35.0) | (...) | (...) | (...) |
| Nontax revenue | 6.2 | 8.9 | 8.7 | 9.5 | 9.5 | 11.7 | 12.0 | 12.5 | 13.0 |
| Expenditure and net lending 1/ | 128.8 | 122.7 | 125.7 | 133.9 | 132.1 | 143.6 | 152.9 | 160.9 | 168.8 |
| Current budget | 55.4 | 65.2 | 72.9 | 71.1 | 71.2 | 75.0 | 75.1 | 74.6 | 73.9 |
| Interest 2/ | (9.2) | (13.6) | (16.7) | (16.2) | (16.3) | (18.3) | (17.2) | (15.2) | (13.1) |
| Personnel | (22.2) | (23.1) | (24.9) | (27.2) | (27.2) | (28.2) | (57.9) | (59.4) | (60.8) |
| Other current | (24.0) | (28.5) | (31.3) | (27.7) | (27.7) | (28.5) | | | |
| Development | 70.1 | 53.9 | 51.1 | 61.6 | 59.7 | 67.3 | 76.4 | 84.7 | 93.1 |
| Budget | (9.5) | (5.9) | (4.1) | (4.5) | (4.5) | (4.7) | (5.0) | (5.3) | (5.7) |
| Loan-financed | (49.2) | (26.5) | (22.8) | (25.7) | (26.2) | (26.8) | (29.7) | (32.1) | (34.4) |
| Grant-financed 1/ | (11.4) | (21.5) | (24.2) | (31.4) | (29.0) | (35.8) | (41.7) | (47.3) | (53.0) |
| Other expenditure and net lending 3/ | 3.3 | 3.6 | 1.7 | 1.2 | 1.2 | 1.3 | 1.4 | 1.6 | 1.8 |
| Overall fiscal deficit (payment orders issued) | -60.0 | -52.6 | -57.4 | -60.7 | -58.9 | -64.4 | -66.8 | -65.3 | -66.2 |
| Charge in arrears (decrease -) | -1.7 | -12.4 | -3.4 | -- | -- | -- | -- | -- | -- |
| Adjustment to cash basis | 1.9 | 0.8 | 1.0 | -- | -- | -- | -- | -- | -- |
| Overall fiscal deficit (cash basis) | -59.8 | -64.2 | -59.8 | -60.7 | -58.9 | -64.4 | -66.8 | -65.3 | -66.2 |
| Financing | 59.8 | 64.2 | 59.8 | 60.7 | 58.9 | 64.4 | 66.8 | 65.3 | 66.2 |
| External | 53.7 | 56.0 | 48.0 | 53.7 | 49.9 | 55.9 | 52.8 | 53.5 | 64.2 |
| Debt relief | (--) | (15.3) | (15.0) | (12.7) | (12.1) | (5.2) | (--) | (--) | (--) |
| Drawings | (49.9) | (32.9) | (27.8) | (28.7) | (29.8) | (37.8) 4/ | (40.7) | (32.1) | (34.4) |
| Repayments | (-7.6) | (-14.3) | (-19.0) | (-19.1) | (-21.0) | (-26.4) | (-29.6) | (-25.9) | (-23.2) |
| Grants 1/ | (11.4) | (21.5) | (24.2) | (31.4) | (29.0) | (39.3) 5/ | (41.7) | (47.3) | (53.0) |
| Domestic (net) | 6.1 | 8.2 | 11.8 | 7.0 | 9.0 | 2.3 | 1.7 | 2.0 | 2.0 |
| Monetary authorities | (1.7) | (3.9) | (11.2) | (5.0) | (5.0) | (--) | (--) | (--) | (--) |
| Banks | (2.7) | (1.4) | (-4.0) | (--) | (--) | (--) | (--) | (--) | (--) |
| Other 6/ | (1.7) | (2.9) | (4.6) | (2.0) | (4.0) | (2.3) | (1.7) | (2.0) | (2.0) |
| Financing gap | -- | -- | -- | -- | -- | 6.2 | 12.3 | 9.8 | -- |
| Memorandum items: | | | | | | | | | |
| Budget deficit (payment orders issued, excluding grants, and grant-financed investment) | -48.6 | -31.1 | -33.2 | -29.3 | -29.9 | -28.6 | -25.1 | -18.0 | -13.2 |
| | | | | | | (As percent of GDP) | | | |
| Overall fiscal deficit | | | | | | | | | |
| Payment order basis | -9.0 | -8.3 | -8.4 | -8.0 | -7.8 | -7.8 | -7.5 | -6.8 | -6.4 |
| Cash basis | -9.0 | -10.2 | -8.7 | 8.0 | -7.8 | -7.8 | -7.5 | -6.8 | -6.4 |
| Revenue | 10.3 | 11.1 | 10.0 | 9.7 | 9.7 | 9.6 | 9.7 | 9.9 | 9.8 |
| Tax revenue | 9.4 | 9.7 | 8.7 | 8.4 | 8.4 | 8.2 | 8.3 | 8.6 | 8.6 |
| Expenditure and net lending | 19.3 | 19.5 | 18.3 | 17.7 | 17.4 | 17.5 | 17.2 | 16.7 | 16.2 |
| Of which: | | | | | | | | | |
| Current expenditure | (8.3) | (10.3) | (10.6) | (9.4) | (9.4) | (9.1) | (8.5) | (7.8) | (7.1) |
| Development expenditure | (10.5) | (8.5) | (7.5) | (8.1) | (7.9) | (8.2) | (8.6) | (8.8) | (8.9) |
| Of which: | | | | | | | | | |
| Grant-financed | (1.7) | (3.4) | (3.5) | (4.1) | (3.8) | (4.4) | (4.7) | (4.9) | (5.1) |

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

1/ Includes grant-financed outlays, mainly for investment projects.
2/ Includes interest payments on government domestic debt, and scheduled interest on external government debt.
3/ Includes net expenditure of annexed budgets and Treasury special accounts.
4/ Includes CFAF 26.8 billion external financing linked to development projects, and CFAF 11.0 billion drawings from the SAC.
5/ Includes CFAF 35.8 billion of grants for development projects. In addition, of an overall projection of CFAF 5.0 billion in nonproject grants, only CFAF 3.5 billion are included, as CFAF 1.5 billion are projected to be used for the direct repayment of arrears owed by municipalities and for certain public enterprises. CFAF 3.25 billion in external financial assistance to be used exclusively for the repayment of cross-debts by public enterprises are also excluded.
6/ Includes payments by public enterprises to the budget in respect of rescheduled government-guaranteed debt, estimated at CFAF 1.3 billion in 1984/85, CFAF 3.8 billion in 1985/86, and CFAF 1.3 billion in 1986/87.

Table IV. Niger: Monetary Survey, 1985-90

(In billions of CFA francs; end of period)

| | 1985 | 1986 | | | | | | | 1987 | | | | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec. | March | | June | | September | | Dec. | March | June 1/ | Sept. 1/ | Dec. | December | | |
| | | Prog. | Act. | Prog. | Act. | Prog. | Est. | Prog. | Program | | | Proj. | Projections | | |
| Net foreign assets | 4.92 | ... | 5.47 | ... | 11.35 | ... | ... | 11.15 | ... | ... | ... | 11.15 | 11.15 | 11.15 | 11.15 |
| Central bank | 19.37 | ... | 17.88 | ... | 22.75 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Deposit money banks | -14.45 | ... | -12.41 | ... | -11.40 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Domestic credit | 125.56 2/ | 138.90 2/ | 125.84 2/ | 137.40 2/ | 123.31 2/ | 135.52 2/ | 127.82 2/ | 131.02 2/ | 132.52 2/ | 136.32 2/ | 137.02 2/ | 140.89 | 150.44 | 160.70 | 167.73 |
| Net claims on | | | | | | | | | | | | | | | |
| Government | 26.66 2/ | 28.70 2/ | 24.31 2/ | 29.40 2/ | 24.42 2/ | 27.82 2/ | 27.82 2/ | 27.82 2/ | 27.82 2/ | 27.82 2/ | 27.82 2/ | 27.82 | 27.82 | 27.82 | 27.82 |
| Central bank | (22.33) | (...) | (19.32) | (...) | (21.31) | (...) | (...) | (...) | (...) | (...) | (...) | (...) | (...) | (...) | (...) |
| Other | (4.33) | (...) | (4.99) | (...) | (3.11) | (...) | (...) | (...) | (...) | (...) | (...) | (...) | (...) | (...) | (...) |
| Credit to the economy | 98.90 | 110.20 | 101.52 | 108.00 | 98.89 | 107.70 | 100.00 | 103.20 | 104.70 | 108.50 | 109.20 | 113.07 | 122.62 | 132.88 | 139.91 |
| Crop credit | (5.90) | (9.00) | (5.62) | (6.00) | (6.94) | (4.50) | (...) | (7.00) | (6.50) | (7.00) | (5.50) | (7.50) | (...) | (...) | (...) |
| Ordinary credit 3/ | (93.00) | (101.20) | (95.91) | (102.00) | (91.95) | (103.20) | (...) | (96.20) | (98.20) | (101.50) | (103.70) | (105.57) | (...) | (...) | (...) |
| Money and quasi-money | 108.65 | ... | 114.31 | ... | 112.52 | ... | ... | 118.43 | ... | ... | ... | 127.30 | 136.85 | 147.11 | 158.14 |
| Long-term liabilities | 26.92 | ... | 26.88 | ... | 26.48 | ... | ... | 26.48 | ... | ... | ... | 26.48 | 26.48 | 26.48 | 26.48 |
| Other items (net) | -5.09 | ... | -9.88 | ... | -4.34 | ... | ... | -2.74 4/ | ... | ... | ... | -1.74 4/ | -1.74 | -1.74 | -1.74 |

Source: Data provided by the Niger authorities.

1/ Indicative.
2/ Beyond programmed external debt relief, the program assumes that Niger will not receive external budgetary aid between October 1, 1985 and June 30, 1986 and that Niger will receive CFAF 3 billion between July 1, 1986 and September 30, 1986. For 1986/87, the cumulative amount of external budgetary assistance not associated with investment projects is estimated at CFAF 3.5 billion at end-December 1986, CFAF 7.5 billion at end-March 1987, CFAF 11.0 billion at end-June 1987, and CFAF 14.5 billion at end-September 1987. The ceilings will be adjusted downward by any amount of external budgetary assistance, including debt relief at a constant exchange rate of CFAF 350 per U.S. dollar, exceeding programmed levels.
3/ Includes doubtful and litigious loans.
4/ Change due to the programmed increase in the capital of certain commercial banks.

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

(In billions of CFA francs)

| | 1982 | 1983 | 1984 | 1985 | | 1986 | | | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Est. | Prel. act. | Prog. | Rev. prog. | Est. | Projections | | | |
| Trade balance | -57.9 | -26.0 | -6.3 | -43.2 | -46.3 | -20.8 | -21.4 | -6.3 | -7.4 | -12.4 | -13.1 | -11.2 |
| Exports, f.o.b. | 120.5 | 141.2 | 132.8 | 122.3 | 112.6 | 130.1 | 119.9 | 118.1 | 123.1 | 130.1 | 136.6 | 146.3 |
| Of which: uranium | (90.8) | (110.0) | (98.8) | (101.7) | (96.3) | (107.1) | (94.5) | (93.5) | (96.3) | (99.2) | (102.3) | (105.4) |
| Imports, c.i.f. | -178.4 | -167.2 | -139.1 | -165.5 | -158.9 | -150.9 | -141.3 | -124.4 | -130.5 | -142.5 | -149.7 | -157.5 |
| Of which: cereals | (-9.1) | (-12.3) | (-11.0) | (-35.4) | (-41.0) | (-16.1) | (-13.0) | (-8.0) | (-7.6) | (8.0) | (-8.4) | (-8.1) |
| petroleum products | (-15.7) | (-13.2) | (-11.8) | (-15.9) | (-12.4) | (-17.5) | (-11.8) | (-9.2) | (-8.5) | (-9.5) | (-10.5) | (-11.7) |
| Services, net | -36.2 | -38.1 | -36.2 | -42.5 | -37.8 | -42.3 | -36.4 | -39.5 | -41.5 | -40.3 | -39.3 | -41.0 |
| Of which: interest 1/ | (-25.6) | (-21.9) | (-23.0) | (-26.5) | (-24.5) | (-26.9) | (-21.0) | (-24.1) | (-25.4) | (-24.8) | (-23.6) | (-24.4) |
| Transfers | 31.8 | 32.9 | 32.0 | 50.0 | 58.4 | 38.7 | 31.6 | 28.8 | 32.1 | 32.3 | 34.2 | 37.7 |
| Private | (-16.0) | (-17.0) | (-14.0) | (-14.5) | (-14.5) | (-15.0) | (-15.0) | (-15.0) | (-15.0) | (-15.0) | (-15.0) | (-15.0) |
| Official | (47.8) | (49.9) | (46.0) | (64.5) | (72.9) | (53.7) | (46.6) | (43.8) | (47.1) | (47.3) | (49.2) | (52.7) |
| Current account balance | -62.3 | -31.2 | -10.5 | -35.7 | -25.7 | -24.4 | -26.2 | -17.0 | -16.8 | -20.4 | -18.2 | -14.5 |
| Excluding public transfers | (-110.1) | (-81.1) | (-56.5) | (-100.2) | (-98.6) | (-78.1) | (-72.8) | (-60.8) | (-63.9) | (-67.7) | (-67.4) | (-67.2) |
| Capital, net | 30.8 | 23.9 | 4.8 | 11.2 | 8.4 | 1.4 | 5.9 | -1.9 | 8.1 | 17.4 | 16.3 | 18.9 |
| Public long-term, net | 17.3 | 21.9 | 11.8 | 15.0 | 11.7 | 7.2 | 10.1 | 3.5 | 11.3 | 19.0 | 17.4 | 19.0 |
| Disbursements | (24.9) | (30.5) | (34.0) | (38.5) | (37.0) | (37.8) | (37.8) | (32.4) | (39.1) | (45.4) | (42.5) | (44.2) |
| Amortization 1/ | (-7.6) | (-8.6) | (-22.2) | (-23.5) | (-25.3) | (-30.6) | (-27.7) | (-28.9) | (-27.8) | (-26.4) | (-25.1) | (-25.2) |
| Private long-term, net | -5.0 | -1.7 | -4.6 | -3.8 | -5.5 | -3.8 | -2.2 | -3.4 | -3.2 | -1.6 | -1.1 | -0.1 |
| Disbursements | (25.4) | (18.2) | (8.6) | (8.5) | (8.5) | (8.5) | (8.5) | (5.5) | (5.9) | (6.4) | (6.9) | (7.4) |
| Amortization | (-30.4) | (-19.9) | (-13.2) | (-12.3) | (-14.0) | (-12.3) | (-10.7) | (-8.9) | (-9.1) | (-8.0) | (-8.0) | (-7.5) |
| Short-term capital, net | 18.5 | 3.7 | -2.4 | — | 2.2 | -2.0 | -2.0 | -2.0 | — | — | — | — |
| Errors and omissions | -11.2 | 8.7 | 1.8 | 0.2 | 0.4 | — | — | — | — | — | — | — |
| Overall balance | -42.7 | 1.4 | -3.9 | -24.3 | -16.9 | -23.0 | -20.3 | -18.9 | -8.7 | -3.0 | -1.9 | 4.4 |
| Financing | 42.7 | -1.4 | 3.9 | 24.3 | 16.9 | 23.0 | 20.3 | 18.9 | 8.7 | 3.0 | 1.9 | -4.4 |
| Net foreign assets | 42.7 | -4.8 | -17.6 | 4.3 | -3.1 | 1.4 | 0.9 | -0.8 2/ | ... | ... | ... | ... |
| Central bank | 20.9 | 4.8 | -14.8 | 4.3 | -0.6 | ... | ... | ... | ... | ... | ... | ... |
| Of which: IMF, net | (—) | (12.3) | (7.4) | (7.2) | (8.9) | (4.2) | (3.7) | (3.7) | (-0.6) 3/ | (-8.8) 4/ | (-5.1) 4/ | (-3.3) |
| Commercial banks | 21.8 | -9.6 | -2.8 | — | -2.5 | ... | ... | ... | ... | ... | ... | ... |
| Debt relief | — | 3.4 | 21.5 | 17.8 | 20.0 | — | 19.4 | 19.7 | ... | ... | ... | ... |
| Financing gap | — | — | — | 2.2 | — | 21.6 | — | — | 9.3 | 11.8 | 7.0 | — |

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

1/ Includes debt service on the amounts required to cover the estimated financing gaps.
2/ Excludes revaluation effect of CFAF 5.4 billion.
3/ Includes purchases under proposed stand-by arrangement and disbursements under the first annual program of the SAF.
4/ Excludes disbursements under the SAF.

Table VI. Niger: Debt Service Payments on Medium- and Long-Term External Debt, 1982-90

(In billion of CFA francs)

| | 1982 | 1983 | 1984 | 1985 Est. | 1985 Prel. act. | 1986 Prog. | 1986 Rev. prog. | 1986 Est. | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Projections | | | |
| **Debt service before rescheduling** | | | | | | | | | | | | |
| Public | 22.3 | 22.6 | 38.5 | 42.7 | 44.3 | 51.5 | 43.5 | 47.8 | 48.5 | 46.7 | 44.2 | 45.0 |
| Interest 1/ | 14.7 | 14.0 | 16.3 | 19.2 | 19.0 | 20.9 | 15.8 | 18.9 | 20.7 | 20.3 | 19.1 | 19.8 |
| Of which: IMF charges | (--) | (0.2) | (1.4) | (1.8) | (1.8) | (2.0) | (1.8) | (1.8) | (2.2) | (1.7) | (1.4) | (1.1) |
| Principal 2/ | 7.6 | 8.6 | 22.2 | 23.5 | 25.3 | 30.6 | 27.7 | 28.9 | 27.8 | 26.4 | 25.1 | 25.2 |
| Private | 41.3 | 27.8 | 19.9 | 19.6 | 19.5 | 18.3 | 15.9 | 14.1 | 13.8 | 12.5 | 12.5 | 12.1 |
| Interest | 10.9 | 7.9 | 6.7 | 7.3 | 5.5 | 6.0 | 5.2 | 5.2 | 4.7 | 4.5 | 4.5 | 4.6 |
| Principal | 30.4 | 19.9 | 13.2 | 12.3 | 14.0 | 12.3 | 10.7 | 8.9 | 9.1 | 8.0 | 8.0 | 7.5 |
| IMF repurchases (excluding Trust Fund) | -- | -- | -- | -- | -- | 0.7 | 0.6 | 0.6 | 6.4 | 8.8 | 5.1 | 3.3 |
| Debt service, total | 63.6 | 50.4 | 58.4 | 62.3 | 63.8 | 70.5 | 60.0 | 62.5 | 68.7 | 68.0 | 61.8 | 60.4 |
| Interest | 25.6 | 21.9 | 23.0 | 26.5 | 24.5 | 26.9 | 21.0 | 24.1 | 25.4 | 24.8 | 23.6 | 24.4 |
| Principal | 38.0 | 28.5 | 35.4 | 35.8 | 39.3 | 43.6 | 39.0 | 38.4 | 43.3 | 43.2 | 38.2 | 36.0 |
| Debt service, total (in percent of exports of goods and nonfactor services) | 46.5 | 33.1 | 40.6 | 46.6 | 51.5 | 49.7 | 45.5 | 48.2 | 50.8 | 47.7 | 41.3 | 37.7 |
| Interest | 18.7 | 14.4 | 16.0 | 19.8 | 19.8 | 19.0 | 15.9 | 18.6 | 18.8 | 17.4 | 15.8 | 15.2 |
| Principal | 27.8 | 18.7 | 24.6 | 26.8 | 31.7 | 30.7 | 29.6 | 29.6 | 32.0 | 30.3 | 25.5 | 22.5 |
| Debt rescheduling | -- | 3.4 | 21.5 | 17.8 | 20.0 | ... | 19.4 | 19.7 | ... | ... | ... | ... |
| Interest | -- | 1.2 | 7.0 | 3.7 | 4.1 | ... | 4.0 | 3.8 | ... | ... | ... | ... |
| Principal | -- | 2.2 | 14.5 | 14.1 | 15.9 | ... | 15.4 | 15.9 | ... | ... | ... | ... |
| **After debt rescheduling** | | | | | | | | | | | | |
| Debt service, total | 63.6 | 47.0 | 36.9 | 44.5 | 43.8 | 70.5 | 40.6 | 42.8 | ... | ... | ... | ... |
| Interest | 25.6 | 20.7 | 16.0 | 22.8 | 20.4 | 26.9 | 17.0 | 20.3 | ... | ... | ... | ... |
| Principal | 38.0 | 26.3 | 20.9 | 21.7 | 23.4 | 43.6 | 23.6 | 22.5 | ... | ... | ... | ... |
| Debt service, total (In percent of exports of goods and nonfactor services) | 46.5 | 30.8 | 25.7 | 33.3 | 35.4 | 49.7 | 30.8 | 32.9 | ... | ... | ... | ... |
| Interest | 18.7 | 13.6 | 11.1 | 17.1 | 16.5 | 19.0 | 12.9 | 15.6 | ... | ... | ... | ... |
| Principal | 27.8 | 17.2 | 14.6 | 16.2 | 18.9 | 30.7 | 17.9 | 17.3 | ... | ... | ... | ... |
| **Memorandum items:** | | | | | | | | | | | | |
| External debt outstanding (In percent of GDP) | 42.1 | 51.9 | 67.2 | 64.1 | 62.4 | 60.9 | 58.2 | 59.3 | 55.0 | 51.8 | 49.0 | 46.6 |
| Service to IMF (in percent of exports of goods and nonfactor services) 3/ | -- | 0.1 | 1.0 | 1.7 | 1.9 | 2.6 | 2.6 | 2.6 | 7.1 | 8.1 | 4.7 | 3.1 |

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

1/ Including IMF charges.
2/ Including Trust Fund repurchases.
3/ Including Trust Fund, and charges and repurchases to the Fund.

Table VII. Niger: Government Investment Program, 1985/86-1989/90

(In billions of CFA francs)

| | 1985/86 Est. | 1986/87 Prog. | 1987/88 Proj. | 1988/89 Proj. | 1989/90 Proj. |
|---|---|---|---|---|---|
| Investment program | 80.0 | 92.5 | 103.0 | 115.0 | ... |
| Implementation rate (in percent) | 73.8 | 72.8 | 74.2 | 73.6 | ... |
| Implementation | 59.0 | 67.3 | 76.4 | 84.7 | 93.1 |
| Treasury | 3.8 | 4.7 | 5.0 | 5.3 | 5.7 |
| External borrowing | 26.2 | 26.8 | 29.7 | 32.1 | 34.4 |
| External grants | 29.0 | 35.8 | 41.7 | 47.3 | 53.0 |

Sources: Ministry of Planning; and World Bank estimates.

Table VIII. Niger: Medium-Term Scenarios, 1986-90

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| | Medium-Term Scenario I (Macroeconomic Policy Framework) | | | | |
| Balance of payments | (In billions of CFA francs) | | | | |
| Exports, f.o.b | 118.1 | 123.1 | 130.1 | 136.5 | 146.3 |
| Imports, c.i.f. | 124.4 | 130.5 | 142.5 | 149.7 | 157.5 |
| Services (net) | -39.5 | -41.5 | -40.3 | -39.3 | -41.0 |
| Private transfers (net) | -15.0 | -15.0 | -15.0 | -15.0 | -15.0 |
| Current account | -60.8 | -63.9 | -67.7 | -67.4 | -67.2 |
| Official transfers (net) | 43.8 | 47.1 | 47.3 | 49.2 | 52.7 |
| Current account (including official transfers) | -17.0 | -16.8 | -20.4 | -18.2 | -14.5 |
| Nonmonetary capital | -1.9 | 8.1 | 17.4 | 16.3 | 18.9 |
| Overall balance | -18.9 | -8.7 | -3.0 | -1.9 | 4.4 |
| IMF (net) | 3.7 | -0.6 | -8.8 | -5.1 | -3.3 |
| Financing gap | -- | 9.3 | 11.8 | 7.0 | -- |
| Memorandum items: | (In percent) | | | | |
| Terms of trade in CFA francs (annual change) | 2.5 | 1.4 | 1.6 | 0.9 | -0.9 |
| Debt service ratio before debt relief | 48.2 | 50.8 | 47.7 | 41.3 | 37.7 |
| Current account (in percent of GDP) | | | | | |
| Excluding official transfers | -7.9 | -7.6 | -7.5 | -6.9 | -6.3 |
| Including official transfers | -2.2 | -2.0 | -2.3 | -1.9 | -1.4 |
| Real sector | (Annual rates of change in percent) | | | | |
| Real GDP | 3.0 | 2.0 | 2.1 | 2.2 | 2.3 |
| Rural sector | 3.6 | 2.0 | 2.1 | 2.3 | 2.4 |
| Secondary sector | 1.9 | 2.1 | 2.1 | 2.2 | 2.6 |
| Of which: mining | (--) | (--) | (--) | (--) | (--) |
| Tertiary sector | 1.3 | 2.0 | 1.9 | 1.9 | 1.8 |
| GDP deflator | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Nominal GDP | 9.2 | 8.1 | 8.2 | 8.3 | 8.4 |
| | (In percent) | | | | |
| Private consumption | 82.0 | 82.3 | 82.9 | 83.0 | 83.7 |
| Government consumption | 10.7 | 10.2 | 9.7 | 9.2 | 8.0 |
| Investment | 10.3 | 10.5 | 11.2 | 11.3 | 11.4 |
| Resource gap | -3.1 | -3.1 | -3.4 | -3.5 | -3.1 |
| Savings | 7.3 | 7.4 | 7.4 | 7.8 | 8.3 |

Table VIII. Niger: Medium-Term Scenarios, 1986-90 (continued)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| | Medium-Term Scenario II 1/ | | | | |
| Terms of trade in CFA francs (percentage change) | 2.5 | -2.7 | -3.3 | -2.5 | -3.3 |
| Balance of payments | (In billions of CFA francs) | | | | |
| Exports, f.o.b. | 118.1 | 120.3 | 124.4 | 127.8 | 134.4 |
| Imports, c.i.f. | 124.4 | 130.5 | 142.5 | 149.7 | 157.5 |
| Services (net) | -39.5 | -41.5 | -40.4 | -39.7 | -41.9 |
| Overall balance | -18.9 | -11.5 | -8.8 | -11.1 | -8.4 |
| IMF (net) | 3.7 | -0.6 | -8.8 | -5.1 | -3.3 |
| Financing gap | -- | 12.1 | 17.6 | 16.2 | 11.7 |
| Current account (in percent of GDP) | | | | | |
| Excluding official tranfers | -7.9 | -8.0 | -8.1 | -7.8 | -7.6 |
| Including official transfers | -2.2 | -2.3 | -2.9 | -2.8 | -2.6 |
| Real sector | | | | | |
| Real GDP (annual percentage change) | 3.0 | 2.0 | 2.1 | 2.2 | 2.3 |
| Resource gap (in percent of GDP) | -3.1 | -3.4 | -4.2 | -4.4 | -4.3 |
| Savings (in percent of GDP) | 7.3 | 7.1 | 6.8 | 6.9 | 7.2 |
| | Medium-Term Scenario III 2/ | | | | |
| Terms of trade in CFA francs (percentage change) | 2.5 | -2.7 | -3.3 | -2.5 | -3.3 |
| Balance of payments | (In billions of CFA francs) | | | | |
| Exports, f.o.b. | 118.1 | 120.3 | 124.4 | 127.8 | 134.4 |
| Imports, c.i.f. | 124.4 | 127.7 | 136.8 | 140.9 | 145.6 |
| Services (net) | -39.5 | -41.5 | -40.3 | -39.3 | -41.0 |
| Overall balance | -18.9 | -8.7 | -3.0 | -1.9 | 4.4 |
| IMF (net) | 3.7 | -0.6 | -8.8 | -5.1 | -3.3 |
| Financing gap | -- | 9.3 | 11.8 | 7.0 | -- |
| Current account (in percent of GDP) | | | | | |
| Excluding official transfers | -7.9 | -7.7 | -7.6 | -7.0 | -6.5 |
| Including official transfers | -2.2 | -2.0 | -2.3 | -1.9 | -1.4 |
| Real sector | | | | | |
| Real GDP (annual percentage change | 3.0 | 1.5 | 1.8 | 1.8 | 2.0 |
| Resource gap (in percent of GDP) | -3.1 | -3.1 | -3.6 | -3.5 | -3.2 |
| Savings (in percent of GDP) | 7.3 | 7.5 | 7.5 | 7.9 | 8.5 |

Table VIII. Niger: Medium-Term Scenarios, 1986-90 (concluded)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| | | | Medium-Term Scenario IV 3/ | | |
| Terms of trade in CFA francs (percentage change) | 2.5 | 1.4 | 1.0 | 1.2 | -0.5 |
| Balance of payments | | | (In billions of CFA francs) | | |
| Exports, f.o.b. | 118.1 | 120.3 | 124.4 | 127.8 | 134.4 |
| Imports, c.i.f. | 124.4 | 130.5 | 141.8 | 148.4 | 155.4 |
| Services, net | -39.5 | -41.5 | -40.3 | -39.3 | -40.9 |
| Overall balance | -18.9 | -8.7 | -2.3 | -0.6 | 6.6 |
| IMF (net) | 3.7 | -0.6 | -8.8 | -5.1 | -3.3 |
| Financing gap | -- | 9.3 | 11.1 | 5.7 | -- |
| Current account (in percent of GDP) | | | | | |
| Excluding official transfers | -7.9 | -7.6 | -7.4 | -6.7 | -6.1 |
| Including official transfers | -2.2 | -2.0 | -2.2 | -1.7 | -1.2 |
| Real sector | | | | | |
| Real GDP (annual percentage change) | 3.0 | 2.0 | 2.1 | 2.2 | 2.3 |
| Resource gap (in percent of GDP) | -3.1 | -3.1 | -3.5 | -3.3 | -2.9 |
| Savings (in percent of GDP) | 7.3 | 7.4 | 7.5 | 7.9 | 8.5 |

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

1/ Scenarios II and III assume constant uranium export prices at the 1986 level during 1987-90.

2/ Scenario III assumes a readaptation of policies to achieve balance of payments viability by 1990 despite constant uranium prices.

3/ Scenario IV differs from scenario I in that petroleum prices are assumed to remain constant after 1987 instead of rising by an average 7 percent per year.

Table IX. Niger: Balance of Payments, 1982-90 1/

(In millions of SDRs)

| | 1982 | 1983 | 1984 | 1985 Est. | 1985 Prel. act. | 1986 Prog. | 1986 Rev. prog. | 1986 Est. | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Projections | | |
| Trade balance | -159.6 | -63.8 | -14.1 | -92.4 | -101.5 | -47.0 | -53.5 | -15.7 | -18.5 | 31.0 | -32.8 | -28.0 |
| Exports, f.o.b. | 332.2 | 346.6 | 296.5 | 261.6 | 246.8 | 293.8 | 299.8 | 295.3 | 307.8 | 325.3 | 341.5 | 365.8 |
| Of which: uranium | (250.3) | (270.0) | (220.6) | (217.5) | (211.1) | (241.9) | (236.3) | (233.8) | (240.8) | (248.0) | (255.8) | (263.5) |
| Imports, c.i.f. | -491.8 | -410.4 | -310.6 | -354.0 | -348.4 | -340.8 | -353.3 | -311.0 | -326.3 | -356.3 | -374.2 | -393.8 |
| Of which: cereals | (-25.1) | (-30.2) | (-24.6) | (-75.7) | (-89.9) | (-36.4) | (-32.5) | (-20.0) | (-19.0) | (-20.0) | (-21.0) | (-20.2) |
| petroleum products | (-43.3) | (-32.4) | (-26.3) | (-34.0) | (-27.2) | (-39.5) | (-29.5) | (-23.0) | (-21.3) | (-23.7) | (-26.3) | (-29.3) |
| Services, net | -99.8 | -93.5 | -80.8 | -90.9 | -82.9 | -95.5 | -91.0 | -98.8 | -103.8 | -100.8 | -98.3 | -102.5 |
| Of which: interest | (-70.6) | (-53.8) | (-51.4) | (-56.7) | (-53.7) | (-60.8) | (-52.5) | (-60.3) | (-63.5) | (-62.0) | (-59.0) | (-61.0) |
| Transfers | 87.7 | 80.8 | 71.4 | 107.0 | 128.0 | 87.4 | 79.0 | 72.0 | 80.3 | 80.8 | 85.5 | 94.3 |
| Of which: official | (131.8) | (122.5) | (102.7) | (138.0) | (159.8) | (121.3) | (116.5) | (109.5) | (117.8) | (118.3) | (123.0) | (131.8) |
| private | (-44.1) | (-41.7) | (-31.2) | (-31.0) | (-31.8) | (-33.9) | (-37.5) | (-37.5) | (-37.5) | (-37.5) | (-37.5) | (-37.5) |
| Current account balance | -171.7 | -76.6 | -23.4 | -76.4 | -56.3 | -55.1 | -65.5 | -42.5 | -42.0 | -51.0 | -45.6 | -36.2 |
| Excluding official transfers | (-303.5) | (-199.1) | (-126.1) | (-214.3) | (-216.2) | (-176.4) | (-182.0) | (-152.0) | (-159.8) | (-169.3) | (-168.5) | (-168.0) |
| Capital, net | 84.9 | 58.7 | 10.7 | 24.0 | 18.4 | 3.2 | 14.8 | -4.7 | 20.3 | 43.5 | 40.8 | 47.2 |
| Public long-term, net | 47.7 | 53.8 | 26.3 | 32.1 | 25.6 | 16.3 | 25.2 | 8.8 | 28.3 | 47.5 | 43.5 | 47.5 |
| Disbursements | (68.6) | (74.9) | (75.9) | (82.4) | (81.1) | (85.4) | (94.5) | (81.0) | (97.8) | (113.5) | (106.3) | (110.5) |
| Amortization | (-20.9) | (-21.1) | (-49.6) | (-50.3) | (-55.5) | (-69.1) | (-69.3) | (-72.2) | (-69.5) | (-66.0) | (-62.8) | (-63.0) |
| Private long-term, net | -13.8 | -4.2 | -10.3 | -8.1 | -12.1 | -8.6 | -5.5 | -8.5 | -8.0 | -4.0 | -2.7 | -0.3 |
| Disbursements | (70.0) | (44.7) | (19.2) | (18.2) | (18.6) | (19.2) | (21.3) | (13.8) | (14.8) | (16.0) | (17.3) | (18.5) |
| Amortization | (-83.8) | (-48.9) | (-29.5) | (-26.3) | (-30.7) | (-27.8) | (-26.8) | (-22.3) | (-22.8) | (-20.0) | (-20.0) | (-18.8) |
| Short-term capital, net | 51.0 | 9.1 | -5.4 | -- | 4.8 | -4.5 | -4.9 | -5.0 | -- | -- | -- | -- |
| Errors and omissions | -36.3 | 30.4 | 4.9 | 0.4 | 1.9 | — | -0.1 | 1.4 | -- | -- | -- | -- |
| Overall balance | -123.1 | 12.5 | -7.8 | -52.0 | -36.0 | -51.9 | -50.8 | -45.8 | -21.7 | -7.5 | -4.8 | 11.0 |
| Financing | 123.1 | -12.5 | 7.8 | 52.0 | 36.0 | 51.9 | 50.8 | 45.8 | -21.7 | 7.5 | 4.8 | -11.0 |
| Net foreign assets | 123.1 | -20.9 | -40.0 | 9.2 | -7.8 | 3.1 | 2.3 | -3.4 | ... | ... | ... | ... |
| Central bank | 64.5 | 15.1 | -30.8 | 9.2 | -6.6 | ... | ... | ... | ... | ... | ... | ... |
| Of which: IMF, net | (--) | (28.1) | (13.9) | (15.5) | (15.5) | (9.3) | (9.3) | (9.3) | (-1.5)2/ | (-22.0)3/ | (-12.8)3/ | (-8.3) |
| Commercial banks | 58.6 | -36.0 | -9.2 | — | -1.2 | ... | ... | — | ... | ... | ... | ... |
| Debt relief | -- | 8.4 | 47.8 | 38.1 | 43.8 | -- | 48.5 | 49.2 | ... | ... | ... | ... |
| Financing gap | -- | -- | -- | 4.7 | -- | 48.8 | -- | -- | 23.2 | 29.5 | -- | -- |
| Memorandum item: | | | | | | | | | | | | |
| Average rates: CFAF per SDR | 362.8 | 407.4 | 447.9 | 467.5 | 456.2 | 442.8 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |

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

1/ Totals may not add up due to rounding.
2/ Includes purchases under proposed stand-by arrangement and disbursements under the first annual program of the SAF.
3/ Excludes disbursements under the SAF.

Table X. Niger: External Debt Service Payments on Medium- and Long-Term Debt, 1982-90

(In millions of SDRs)

| | 1982 | 1983 | 1984 | 1985 | | 1986 | | | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Est. | Prel. act. | Prog. | Rev. prog. | Est. | Projections | | | |
| Debt service before rescheduling | | | | | | | | | | | | |
| Public | 61.4 | 55.5 | 86.0 | 91.4 | 97.2 | 116.3 | 108.8 | 119.5 | 121.3 | 116.8 | 110.5 | 112.5 |
| Interest 1/ | 40.5 | 34.4 | 36.4 | 41.1 | 41.7 | 47.2 | 39.5 | 47.2 | 51.8 | 50.8 | 47.8 | 49.5 |
| Of which: IMF charges | (--) | (0.5) | (3.1) | (3.9) | (3.7) | (4.5) | (5.1) | (4.5) | (5.5) | (4.3) | (3.5) | (2.8) |
| Principal 2/ | 20.9 | 21.1 | 49.6 | 50.3 | 55.5 | 69.1 | 69.3 | 72.3 | 69.5 | 66.0 | 62.7 | 63.0 |
| Private | 113.8 | 68.3 | 44.5 | 41.9 | 42.8 | 41.4 | 39.8 | 35.3 | 34.5 | 31.3 | 31.3 | 30.3 |
| Interest | 30.0 | 19.4 | 15.0 | 15.6 | 12.1 | 13.6 | 13.0 | 13.0 | 11.8 | 11.3 | 11.3 | 11.5 |
| Principal | 83.8 | 48.9 | 29.5 | 26.3 | 30.7 | 27.8 | 26.8 | 22.3 | 22.7 | 20.0 | 20.0 | 18.8 |
| IMF repurchases (excluding Trust Fund) | -- | -- | -- | -- | -- | 1.6 | 1.5 | 1.5 | 16.0 | 21.9 | 12.7 | 8.2 |
| Debt service, total | 175.3 | 123.8 | 130.4 | 133.3 | 139.9 | 159.3 | 150.1 | 156.3 | 171.8 | 170.0 | 154.5 | 151.0 |
| Interest | 70.6 | 53.8 | 51.4 | 56.7 | 53.7 | 60.8 | 52.5 | 60.3 | 63.5 | 62.0 | 59.0 | 61.0 |
| Principal | 104.7 | 70.0 | 79.0 | 76.6 | 86.2 | 98.5 | 97.6 | 96.0 | 108.3 | 108.0 | 95.5 | 90.0 |
| Debt rescheduling | -- | 8.4 | 47.8 | 38.1 | 43.8 | ... | 48.5 | 49.3 | ... | ... | ... | ... |
| Interest | -- | 3.0 | 15.7 | 7.9 | 9.0 | ... | 10.0 | 9.5 | ... | ... | ... | ... |
| Principal | -- | 5.4 | 32.1 | 30.2 | 34.8 | ... | 38.5 | 39.8 | ... | ... | ... | ... |
| After debt rescheduling | | | | | | | | | | | | |
| Debt service, total | 175.3 | 115.4 | 82.6 | 95.2 | 96.0 | ... | 101.5 | 107.0 | ... | ... | ... | ... |
| Interest | 70.6 | 50.8 | 35.7 | 48.8 | 44.7 | ... | 42.5 | 50.8 | ... | ... | ... | ... |
| Principal | 104.7 | 64.6 | 46.9 | 46.4 | 51.3 | ... | 59.0 | 56.2 | ... | ... | ... | ... |

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

1/ Including Fund charges.
2/ Including Trust Fund repurchases.