

**FOR
AGENDA**

EBS/88/237
Correction 2

CONFIDENTIAL

December 9, 1988

To: Members of the Executive Board

From: The Acting Secretary

Subject: Niger - Staff Report for the 1988 Article IV Consultation
and Request for Arrangements Under the Enhanced Structural
Adjustment Facility

The following correction has been made in EBS/88/237 (11/21/88):

Page 6, Table 3, third line from the bottom: figures revised.

A corrected page is attached.

Att: (1)

II. Background and Performance Under the 1987/88 Program

In the early 1980s, a number of factors contributed to an intensification of the economic and financial imbalances confronting the Niger economy. These factors included a significant weakening in the world demand for uranium, Niger's main export commodity, declining terms of trade, unfavorable weather conditions, structural problems in the public enterprise sector, and continued expansionary financial policies. To correct the mounting imbalances, the Niger authorities made determined adjustment efforts during 1983-87, supported by four successive stand-by arrangements from the Fund, and, since 1986, within the framework of SAF and World Bank-supported programs. During this period, the authorities readapted and strengthened their policies to mitigate the effects of adverse exogenous factors and attain the program objectives. As a result, significant macroeconomic adjustment took place despite recurrent droughts, the weakening of the export price for uranium, and the closing of the border with Nigeria in 1984-85. All performance criteria under the four stand-by arrangements were observed through the second half of 1987. The policies pursued contributed to a significant improvement in the external current account position, with the deficit, including official transfers, narrowing from 9.7 percent of GDP in 1982 to 4.1 percent in 1987. Furthermore, the rate of inflation, as measured by the GDP deflator, declined from 10.1 percent in 1982 to 1.7 percent in 1987. Economic activity, after having fallen sharply in 1983-84 as a result of severe drought, recovered in 1985-86, but was again hampered by poor weather conditions in 1987 (Table 3).

Since 1984, the authorities have undertaken wide-ranging structural reforms aimed at eliminating distortions in pricing and marketing, reducing the size of the public enterprise sector while rehabilitating some of its key enterprises, implementing significant tax reforms, and strengthening public investment planning. Thus, by mid-1987 all import monopolies and quasi-monopolies had been abolished, with the exception of those on petroleum products; the number of products subject to price ceilings had been reduced from 27 to 7; and the list of imported goods subject to preset profit margins had been narrowed from 200 to 64. With regard to public enterprises, a program of liquidation, divestiture, and privatization was put in place, with a view to reducing the number of public enterprises from 54 to 24; a new statute defining the structure and responsibilities of management and the supervisory role of the Government was drawn up; and legislation reforming the statutes of personnel and introducing performance-based remuneration was promulgated. In the fiscal area, a value-added tax (VAT) system was introduced in early 1986, replacing the previous cascade tax system. Three-year rolling public investment programs have been adopted since 1986, with particular emphasis on projects that support the directly productive sectors, development of human resources, and the rehabilitation of existing infrastructure.

The program for 1987/88, supported by a second annual arrangement under the SAF, aimed at further extending the program of structural

Table 3. Niger: Selected Economic and Financial Indicators, 1984-91

| | 1984 | 1985 | 1986 | 1987 | | 1988 | | 1989 Prog. | 1990 Projections | 1991 Projections |
|---|-------|-------|-------|---------------|-------|-------|-----------------|---------------|---------------------|---------------------|
| | | | | Rev. prog. | Est. | Prog. | Est. | | | |
| (Annual percentage change, unless otherwise specified) | | | | | | | | | | |
| National income and prices | | | | | | | | | | |
| GDP at constant prices | -16.8 | 7.8 | 3.8 | 2.7 | -0.7 | 7.5 | 7.1 | 4.3 | 3.5 | 3.7 |
| GDP deflator | 11.7 | -5.9 | -4.2 | 5.5 | 1.7 | 2.2 | 2.6 | 3.3 | 3.3 | 3.3 |
| Consumer prices | 8.5 | -1.1 | -3.2 | ... | -6.7 | ... | ... | ... | ... | ... |
| External sector | | | | | | | | | | |
| Exports, f.o.b. (in CFA francs) | -5.9 | -15.2 | 2.0 | 1.3 | -5.4 | 0.8 | 1.7 | -0.7 | 3.9 | 3.6 |
| Imports, c.i.f. (in CFA francs) | -16.8 | 14.2 | -20.6 | 2.5 | -4.4 | 17.6 | 8.9 | 13.4 | 5.8 | 6.3 |
| Export volume | -11.2 | -12.2 | -0.1 | 12.1 | -2.3 | -0.6 | 6.3 | 4.0 | 4.6 | 2.9 |
| Import volume | -14.9 | 14.6 | -21.3 | -0.5 | -5.4 | 13.8 | 3.5 | 9.8 | 3.2 | 2.6 |
| Terms of trade (in CFA francs; deterioration -) | 5.9 | -3.9 | 4.6 | -4.3 | -1.9 | -1.9 | -9.4 | -7.3 | -2.5 | -3.1 |
| Nominal effective exchange rate (period average; depreciation -) <u>1/</u> | -2.5 | 0.6 | 0.1 | ... | 0.1 | ... | -1.4 <u>2/</u> | ... | ... | ... |
| Real effective exchange rate (period average; depreciation -) <u>1/</u> | -1.1 | -5.6 | -5.8 | ... | -9.1 | ... | -2.0 <u>2/</u> | ... | ... | ... |
| Government finance <u>3/</u> | | | | | | | | | | |
| Revenue | 1.9 | -0.2 | 5.9 | 9.6 | 2.3 | 2.2 | -10.5 | 13.1 | 10.0 | 9.1 |
| Total expenditure and net lending <u>4/</u> | -4.7 | 6.3 | 11.6 | 8.5 | -2.2 | 8.8 | 0.2 | 18.0 | 6.1 | 5.5 |
| Current expenditure | 17.7 | 7.4 | 6.9 | 5.5 | 1.5 | 4.4 | 5.0 | 4.3 | 2.9 | 1.5 |
| Capital expenditure | -23.1 | -4.8 | 22.6 | 7.5 | -3.5 | 13.5 | -11.4 | 38.7 | 9.9 | 9.8 |
| Money and credit (end of period) | | | | | | | | | | |
| Domestic credit <u>5/</u> | -6.7 | 5.7 | 7.6 | -1.0 | -11.7 | 5.0 | 13.9 | 9.5 | 7.0 | 6.8 |
| Government (net) <u>5/</u> | 4.2 | 5.0 | -6.9 | -4.6 | -6.4 | -2.4 | 3.6 | -0.4 | -1.0 | -2.7 |
| Credit to the economy <u>5/</u> | -10.9 | 0.7 | 14.5 | 3.6 | -5.3 | 7.4 | 10.3 | 9.8 | 7.9 | 9.5 |
| Money and quasi-money (M2) | 22.7 | 7.9 | 11.4 | 5.3 | -5.5 | 6.7 | 10.0 | 8.3 | 7.0 | 6.8 |
| Velocity (GDP relative to M2) | 6.3 | 6.0 | 5.3 | 6.1 | 5.7 | 6.0 | 5.7 | 5.6 | 5.6 | 5.7 |
| Interest rate (end of period) | | | | | | | | | | |
| Minimum rate on time deposits <u>6/</u> | 9.5 | 9.5 | 8.0 | ... | 8.0 | ... | 8.0 <u>2/</u> | ... | ... | ... |
| Money market rate for overnight deposits | 10.8 | 9.8 | 7.8 | ... | 8.5 | ... | 7.5 <u>2/7/</u> | ... | ... | ... |
| (In percent of GDP, unless otherwise specified) | | | | | | | | | | |
| Overall fiscal deficit (-) (incl. grants) <u>3/</u> | | | | | | | | | | |
| Commitment basis | -5.0 | -4.8 | -4.6 | -3.3 | -3.6 | -4.4 | -5.7 | -4.6 | -4.0 | -3.8 |
| Cash basis | -6.9 | -5.7 | -4.4 | -3.9 | -4.3 | -5.3 | -6.1 | -5.2 | -4.5 | -3.8 |
| Overall fiscal deficit (-) (excl. grants) <u>3/</u> | | | | | | | | | | |
| Commitment basis | -8.4 | -8.5 | -9.5 | -8.4 | -8.8 | -9.7 | -9.8 | -10.8 | -10.4 | -9.9 |
| Cash basis | -10.3 | -9.4 | -9.2 | -9.0 | -9.5 | -10.6 | -10.2 | -11.5 | -11.0 | -9.9 |
| Gross domestic investment | 3.2 | 12.7 | 9.5 | 11.5 | 9.2 | 12.7 | 9.8 | 12.7 | 13.1 | 13.8 |
| Gross domestic savings | -0.4 | 2.9 | 5.0 | 7.4 | 4.5 | 5.3 | 4.2 | 5.1 | 5.4 | 5.9 |
| Resource gap | -3.6 | -9.8 | -4.5 | -4.1 | -4.7 | -7.4 | -5.6 | -7.6 | -7.7 | -7.9 |
| External current account deficit (-) | | | | | | | | | | |
| Excluding official transfers | -8.8 | -15.2 | -10.1 | -8.7 | -10.6 | -11.8 | -10.2 | -11.9 | -11.5 | -11.3 |
| Including official transfers | -1.6 | -4.0 | -2.1 | -2.2 | -4.1 | -3.8 | -2.9 | -4.1 | -3.3 | -2.9 |
| External debt <u>8/</u> | 50.4 | 50.5 | 53.0 | 59.0 | 54.8 | 60.1 | 50.5 | 49.4 | 48.9 | 48.3 |
| Debt service ratio (in percent of exports of goods and nonfactor services) | | | | | | | | | | |
| Before debt rescheduling | 40.5 | 51.3 | 48.7 | 48.1 | 52.5 | 47.8 | 49.1 | 45.8 | 41.8 | 39.9 |
| After debt rescheduling | 25.6 | 35.2 | 32.9 | 36.2 | 39.7 | ... | 37.6 | ... | ... | ... |
| Gross official reserves (in months of imports) | | | | | | | | | | |
| | 3.6 | 3.9 | 5.8 | ... | 6.6 | ... | 5.6 | 5.0 | 5.0 | 4.7 |
| (In billions of CFA francs) | | | | | | | | | | |
| GDP at current market prices <u>9/</u> | 638.5 | 647.0 | 643.4 | 780.1 | 649.9 | 806.5 | 714.2 | 769.7 | 823.2 | 881.5 |
| Overall balance of payments <u>10/</u> | 17.6 | 3.1 | 3.9 | 7.6 | 4.1 | -6.5 | -0.1 | -13.1 | -7.8 | -2.6 |

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

1/ Trade-weighted effective rates; the real effective exchange rate is based on the relative consumer price index.2/ End-August.3/ Fiscal year ending September 30.4/ On the basis of expenditure committed for which payment orders were issued.5/ In percent of beginning-of-period money stock.6/ Minimum rate on time deposits in excess of one year and in amounts of more than CFAF 2 million; the actual rates generally follow closely the money market quotation.7/ Since February 29, 1988.8/ Outstanding disbursed, medium- and long-term public and private debt, including IMF.9/ The GDP series from 1984 was substantially revised in early 1988.10/ In the 1988 Program and from 1989 onward, before debt rescheduling.