

**FOR  
AGENDA**

EBS/08/145  
Supplement 1

December 8, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Niger—Staff Report for the 2008 Article IV Consultation, First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waivers and Modification of Performance Criteria—Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2008 Article IV Consultation with Niger, the first review under the three-year arrangement under the Poverty Reduction and Growth Facility, and Niger's request for waivers and modification of performance criteria (EBS/08/145, 12/8/08), which is tentatively scheduled for discussion on **Friday, December 19, 2008**. At the time of circulation of this paper to the Board, the Secretary's Department has received a communication from the authorities of Niger indicating that they consent to the Fund's publication of this paper.

Questions may be referred to Mr. Sacerdoti (ext. 38514) and Mr. Callier (ext. 37143) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Tuesday, December 16, 2008; and to the African Development Bank, the European Commission, the Islamic Development Bank, and the West African Economic and Monetary Union, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being distributed in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

NIGER

**Staff Report for the 2008 Article IV Consultation, First Review Under  
the Three-Year Arrangement Under the Poverty Reduction and  
Growth Facility, and Request for Waivers and Modification of  
Performance Criteria**

**Informational Annex**

Prepared by the African Department  
(In consultation with other departments)

Approved by Sharmini Coorey and Anthony Boote

December 5, 2008

- **Relations with the Fund.** Describes financial and technical assistance by the IMF, and provides information on the exchange rate system. Niger's PRGF arrangement was approved on May 28, 2008.
- **Relations with the World Bank.** Describes the World Bank Group's strategy and portfolio.

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# **I. RELATIONS WITH THE FUND**

**(As of September 30, 2008)**

**I. Membership Status:** Joined: April 24, 1963;  
Accepted Obligations of Article VIII, Sections 2, 3 and 4: June 1, 1996

<b>II. General Resources Account:</b>	<b>SDR Million</b>	<b>%Quota</b>
Quota	65.80	100.00
Fund Holdings of Currency	57.19	86.92
Reserve Position	8.61	13.09
Holdings Exchange Rate		

<b>III. SDR Department:</b>	<b>SDR Million</b>	<b>%Allocation</b>
Net Cumulative Allocation	9.41	100.00
Holdings	1.05	11.21

<b>IV. Outstanding Purchases and Loans:</b>	<b>SDR Million</b>	<b>%Quota</b>
PRGF Arrangements	29.61	45.00

## **V. Latest Financial Arrangements:**

<b>Type</b>	<b>Date of Arrangement</b>	<b>Expiration Date</b>	<b>Amount Approved (SDR Million)</b>	<b>Amount Drawn (SDR Million)</b>
PRGF	Jun 2, 2008	Jun 1, 2011	23.03	3.29
PRGF	Jan 31, 2005	May 31, 2008	26.32	26.32
PRGF	Dec 22, 2000	Jun 30, 2004	59.20	59.20

## **VI. Projected Payments to Fund <sup>1/</sup>**

**(SDR Million; based on existing use of resources and present holdings of SDRs):**

	<b>Forthcoming</b>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Principal			0.09	2.94	4.21
Charges/Interest	<u>0.13</u>	<u>0.36</u>	<u>0.36</u>	<u>0.36</u>	<u>0.34</u>
Total	<u>0.13</u>	<u>0.36</u>	0.46	<u>3.29</u>	<u>4.55</u>

<sup>1/</sup>When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**VII. Implementation of HIPC Initiative:**

	<u>Enhanced Framework</u>
I. Commitment of HIPC assistance	
Decision point date	Dec. 2000
Assistance committed	
by all creditors (US\$ million) <sup>1/</sup>	663.10
Of which: IMF assistance (US\$ million)	42.01
(SDR equivalent in millions)	31.22
Completion point date	Apr. 2004
II. Disbursement of IMF assistance (SDR million)	
Assistance disbursed to the member	31.22
Interim assistance	6.68
Completion point balance	24.55
Additional disbursement of interest income <sup>2/</sup>	2.74
Total disbursements	33.96

<sup>1/</sup> Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts can not be added.

<sup>2/</sup> Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

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Decision point—point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance—amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point—point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

### VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR million) <sup>1/</sup>	77.55
Financed by: MDRI Trust	59.82
Remaining HIPC resources	17.73

#### II. Debt Relief by Facility (SDR million)

Delivery Date	Eligible Debt		
	GRA	PRGF	Total
January 2006	N/A	77.55	77.55

<sup>1/</sup> The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

### IX. Safeguards Assessments:

The Central Bank of West African States (BCEAO) is the common central bank of the countries of the West African Economic and Monetary Union, which includes Niger. The most recent safeguards assessment of the BCEAO was completed on November 4, 2005. The assessment indicated progress has been made in strengthening the bank's safeguards framework since the 2002 assessment and identified some areas where further steps would help solidify it.

The BCEAO now publishes a full set of audited financial statements and improvements have been made to move financial reporting closer to International Financial Reporting Standards (IFRS). Furthermore, an internal audit charter has been put in place, mechanisms for improving risk management have been established, and follow up on internal and external audit recommendations has been strengthened.

The results of continuous safeguards monitoring indicate that while certain vulnerabilities remain in internal control systems and legal structure, there has been some progress in other areas, including through: (i) improving the external audit process by adopting a multi-year audit program; (ii) establishing an audit committee; (iii) expanding disclosures on financial positions of WAEMU countries with the Fund in the notes to the annual financial statements; and (iv) further strengthening of the effectiveness of the internal audit function.

### X. Exchange Arrangements:

Niger is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the WAEMU, is free of restrictions on the making of payments and transfers for current international transactions. The WAEMU's common currency, the CFA franc, was originally pegged to the French franc. On January 12,

1994, the CFA franc was devalued by 50 percent in foreign currency terms, and the exchange rate was adjusted from CFAF 50 = F 1 to CFAF 100 = F 1. Effective December 31, 1998, the parity was switched to the Euro at a rate of CFAF 655.96 = EUR 1. On November 7, 2008, the rate of the CFA franc in SDR terms was SDR 1 = CFAF 764.25. The exchange arrangement of the WAEMU countries is classified as a conventional pegged arrangement.

#### **XI. Article IV Consultation:**

Niger is on the 24-month consultation cycle. The last Article IV consultation discussions were held in Niamey in September–October 2006, and discussed by the Executive Board on December 20, 2006.

#### **XII. Technical Assistance:**

<b>Dept.</b>	<b>Type of Assistance</b>	<b>Time of Delivery</b>	<b>Responsibility</b>
FAD	Resident expert	June 2001 to May 2003	Assistance for tax administration
FAD	Staff	May 2002	Public accounting and fiscal operations table
STA	Staff	January 2003	Multisector statistical mission
FAD	Staff	October 2003	Tax policy and revenue administration
AFRITAC W	Advisor	April 2004	Tax administration
AFRITAC W	Advisor	August 2004	Customs administration
AFRITAC W	Advisor	October-November 2004	Tax administration
STA	Staff	March 2005	ROSC
AFRITAC W	Advisor and expert	March 2005	Customs administration
AFRITAC W	Advisor	March 2005	Macroeconomic statistics
AFRITAC W	Advisor	March-April 2005	Microfinance
AFRITAC W	Advisor	May-June 2005	Macroeconomic statistics
FAD	Staff	September 2005	Tax policy and revenue administration



FAD	Expert	September/October 2006	Tax policy and revenue
		and January/February 2007	administration
AFRITAC W	Advisor	October 2005	Customs administration
AFRITAC W	Advisor	March 2006	Microfinance
AFRITAC W	Advisor and expert	May 2006	Macroeconomic statistics
AFRITAC W	Advisor	May 2006	Public debt management
AFRITAC W	Advisor	June-July 2006	Macroeconomic statistics
AFRITAC W	Advisor	November 2006	Customs administration
AFRITAC W	Advisor	December 2006	Macroeconomic statistics
AFRITAC W	Advisor	January 2007	Tax administration
AFRITAC W	Advisor	February-March 2007	Microfinance
AFRITAC W	Advisor	June 2007	Macroeconomic statistics
AFRITAC W	Advisor and expert	June 2007	Customs administration
AFRITAC W	Advisor and expert	July 2007	Tax administration
AFRITAC W	Expert	September 2007	Public expenditure management
AFRITAC W	Advisor	November 2007	Macroeconomic statistics
AFRITAC W	Advisor	February 2008	Tax administration
AFRITAC W	Advisor	February 2008	Statistics
AFRITAC W	Advisor	February-March 2008	Microfinance
AFRITAC W	Advisor	March 2008	Public expenditure management
AFRITAC W	Advisor	March 2008	External debt management
AFRITAC W	Advisor	April 2008	Customs administration
AFRITAC W	Advisor	May-June 2008	Public finance statistics
AFRITAC W	Advisor	June 2008	Real sector statistics

FAD	Staff	September 2008	Tax policy
AFRITAC W	Advisor and experts	October 2008	Customs/Tax administration
AFRITAC W	Advisor	October 2008	Tax administration

### **XIII. Resident Representative:**

Mr. Pierre Laporte has been resident representative in Niger from December 2005 to early November 2008. A new representative is being selected.

## II. RELATIONS WITH THE WORLD BANK: IIMF/WB—JOINT MONITORING ACTION PLAN

Title	Products (For example)	Provisional Timing of Missions (if relevant)	Expected Delivery Date
<b>A. Mutual Information on Relevant Work Programs</b>			
Bank work program in next 12 months	Growth DPL	December 2008	March 2009
	ESW on Skills Development and Growth		June 2009
	PEMFAR II	February 2009	July 2009
	ESW on Rural Finance	To be determined	June 2009
	ESW on Political Economy of mining		April 2009
IMF work program in next 12 months	TA on MEF Capacity Building		March 2009
	Staff visit/program review		March 2009
	Staff visit/program review		September 2009
<b>B. Requests for Work Program Inputs (as needed)</b>			
Fund request to Bank (with summary justification)	PER top-up to provide quantitative inputs for budget framework		
	Analysis of supply-side implications of sectoral composition of aid		
	ESW on Trade (DTIS)		
Bank request to Fund (with summary justification)	Assessment letter		
	Macroeconomic scenarios associated with scaling up of aid		
<b>C. Agreement on Joint Products and Missions (as needed)</b>			
Joint products in next 12 months	Debt sustainability analysis		December 2008
	PRS feedback		
	TA		March 2009

**List of acronyms**

DPL	Development Policy Loan
DTIS	Diagnostic Trade Integration Study
ESW	Economic and Sector Work
MEF	Ministry of Economy and Finance
PEMFAR	Public Expenditure Management and Accountability Report
PER	Public Expenditure Review
PRS	Poverty Reduction Strategy

### III—NIGER: STATISTICAL ISSUES

(As of October 31, 2008)

1. While the economic database is broadly adequate for surveillance and programming purposes, there are deficiencies in the statistical system that complicate the monitoring of certain economic developments. The common indicators for surveillance are generally provided to the Fund on a timely basis. Weaknesses mainly affect the national accounts and the public finance statistics. Niger participates in the General Data Dissemination System (GDDS), and its metadata were posted on the Fund's Dissemination Standards Bulletin Board on February 26, 2002. The metadata refer to January 2003 and need to be updated. Metadata for the health and population data categories have not been updated since June 2001, and there are no plans for improvement for the poverty and education data categories. As a follow-up to GDDS participation, STA technical assistance (funded by the Japanese government) is being offered to eight member countries of the Western African Economic and Monetary Union (WAEMU) to assist with implementation of plans for the improvement of their statistical systems. A Fund regional statistical advisor initiated a program of assistance in government finance statistics, which is now managed by the West Africa Regional Technical Assistance Center (AFRITAC West).

2. A mission visited Niamey in March 2005 to prepare the data module of the Report on the Observance of Standards and Codes (ROSC). It carried out a review of data dissemination practices against the GDDS, as well as an in-depth assessment of the quality of national accounts, consumer price, monetary, balance of payments and government finance statistics. The data ROSC, which was published on June 9, 2006, found that: (i) Niger does not meet the recommendations of the GDDS for timeliness of all data categories; (ii) improvements need to be made in data coverage (especially national accounts by institutional sectors), periodicity (especially quarterly government financial statistics), and timeliness (especially national accounts, government finance statistics, balance of payments); and (iii) plans for improvement in these areas should address resource constraints, reinforce the legal framework for data collection and coordination, and clarify the responsibilities for dissemination of government operations and public debt data.

3. Law No 2004-011 of March 2004 transformed the Statistical and National Accounts Directorate of the Ministry of Economy and Finance into a National Statistical Office (INS), and created a new unit responsible for statistical coordination, the National Council on Statistics. Both the institute and the council initiated operations in June 2005.

#### **Real sector**

4. Niger participates in WAEMU's harmonization of statistical methodologies through the multilateral surveillance process, currently seeking regional improvements in the area of national accounts. Ongoing work on overhauling the national accounts and the resulting change in the base year are based on the recommendations of the ROSC mission and technical assistance from AFRISTAT. Under the GDDS project for the AFRITAC West countries, a statistical register and an industrial production index have been established, and a

series of missions have taken place to assist in the implementation of the *System of National Accounts, 1993 (SNA 1993)*.

5. While the national accounts compilation generally follows best methodological practice, the data ROSC found that some gaps remain for the full adoption of the *SNA 1993*. In addition, national accounts data originate mainly from administrative sources, with many shortcomings, and the household and informal sector surveys are not up-to-date. This paucity of data sources has compelled compilers to use some questionable statistical techniques. GDP is estimated using the production and expenditure approaches, but is based on largely obsolete ratios for many line items. In the absence of appropriate price indices, deflators are mostly derived from the Harmonized Consumer Price Index (HCPI). The national accounts at constant prices are established on an obsolete-base year, 1987. GDP validation possibilities are limited because the same calculation methods are used for estimates and final data. Efforts are being made to improve and widen data collection procedures, and reduce delays in data dissemination. In 2007, the National Statistics Office (NSO) has decided to resume the implementation of the 1993 System of National accounts (1993 SNA) using the ERETES software. AFRITAC TA assessed in 2008 the reliability of source data used to compile the NA for 2006.

6. The new WAEMU's HPCI was introduced in January 1998. However, the coverage is limited to Niamey, the weights are based on a household budget survey conducted during only three months in 1996. As noted, work is under way to revise the HPCI.

### **Public finances**

7. Monthly government finance statistics are compiled by the Ministry of Economy and Finance (MEF) with a one- to four-month lag, based on information provided by the budget, customs, tax, and treasury directorates. The MEF prepares a monthly reconciliation of spending commitments made by the budget directorate and payments made by the treasury, but the data are not disseminated to the general public. Data are limited to the operation of the budgetary central government, that is covering the general budget, special funds, and operations of the treasury special accounts. They do not cover the social security administration. No final budget or treasury accounts are published at the end of the fiscal year.

8. Following their participation in the AFRITAC-WEST seminar on the *GFSM 2001*, held in Lomé, Togo in November 2005, MEF has approved a strategy for migrating from the methodology of the *Government Finance Statistics Manual 1986 (GFSM 1986)* to the new *GFSM 2001*. No data are reported for publication in *International Financial Statistics (IFS)*.

### **Monetary data**

9. The monetary statistics are generally based on the *Guide to Money and Banking Statistics in IFS (1984 Guide)*, but use an incomplete sectorization of assets and liabilities. Implementation of the new *Monetary and Financial Statistics Manual (MFSM)* has started, but without a precise timetable. The source data for monetary statistics are generally reliable, though they may be reported late. However, the free circulation of banknotes within

countries of the zone complicates the estimation of currency in circulation. Preliminary monetary data are compiled by the national agency of the Central Bank of West African States (BCEAO) and released officially by BCEAO headquarters. There has been an improvement in the timeliness of data provided on interest rates, monetary institutions, and deposit money banks. The authorities are now reporting monetary data to STA on a regular basis, with a reduction in the lag from about six months to about three to four months. Most of the key monetary statistical issues have been resolved.

### **Balance of payments data**

10. The balance of payments statistics are compiled in conformity with the *Balance of Payments Manual, Fifth Edition (BPM5)*. Since December 1998, the responsibility for compiling and disseminating balance of payments statistics has been formally assigned to the BCEAO by area-wide legislation adopted by the countries participating in the WAEMU. The national agency of the BCEAO in Niamey is responsible for compiling and disseminating the balance of payments statistics, and the BCEAO headquarters in Dakar for delineating the methodology and calculating the international reserves managed on behalf of the participating countries.

11. Data consistency has significantly improved over the past few years, with a full transition to the *BPM5*. The BCEAO national agency disseminates balance of payments statistics with a seven month lag, exceeding GDDS guidelines. The BCEAO also compiles and disseminates the annual data of the international investment position data with an 18-month lag.

12. Further improvement in the data for services and transfers (especially workers' remittances) will depend on the intensification of the contacts with reporting bodies. Concerning the financial account, the foreign assets of the private nonbanking sector are still not well covered, especially the assets of WAEMU residents, which are obtained through partial surveys of residents' foreign assets. The organization of an exhaustive annual survey of foreign direct investment transactions is still at a very preliminary stage. The BCEAO has recently updated the compilation of commercial bank data on payments involving nonresidents (settlement reports). In principle, these settlement reports should be used to produce a quarterly balance of payments. In practice, a tentative quarterly statement is produced but not published, and these data are not used to produce annual balance of payments estimates, but rather to assess existing information.

### III—Appendix I. Niger: Table of Common Indicators Required for Surveillance

(As of November 17, 2008)

	Date of latest observation	Date received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Frequency of Publication <sup>6</sup>	Memo Items:	
						Data Quality – Methodological soundness <sup>7</sup>	Data Quality – Accuracy and reliability <sup>8</sup>
Exchange Rates	Current	Current	D	M	M		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	Aug. 2008	Oct. 2008	M	I	M		
Reserve/Base Money	Aug. 2008	Oct. 2008	M	I	M	LO, LO, LNO, LO	LO, O, O, O, NA
Broad Money	Aug. 2008	Oct. 2008	M	I	M		
Central Bank Balance Sheet	Aug. 2008	Oct. 2008	M	I	M		
Consolidated Balance Sheet of the Banking System	Aug. 2008	Oct. 2008	M	I	M		
Interest Rates <sup>2</sup>	Aug. 2008	Sept. 2008	I	I	M		
Consumer Price Index	Oct. 2008	Nov. 2008	M	M	M	O, LNO, O, O	LNO, O, O, LO, NA
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – General Government <sup>4</sup>						LO, LNO, O, LO	LO, O, O, O, NO
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – Central Government	June 2008	Sept. 2008	M	I	I		
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	Dec. 2007	Sept. 2008	A	I	I		
External Current Account Balance	Dec. 2007	Sept. 2008	A	I	A	O, O, O, LO	LO, LO, LO, O, LO
Exports and Imports of Goods and Services	Dec. 2007	Sept. 2008	A	I	A		
GDP/GNP	Dec. 2007	Sept. 2008	A	I	A	LO, LO, LNO, LO	LNO, LO, LNO, LO, NO
Gross External Debt	Dec. 2007	Sept. 2008	A	I	A		

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

<sup>7</sup> Reflects the assessment provided in the data ROSC published on June 9, 2006, based on the findings of the mission that took place during March 1–18, 2005. For the dataset corresponding to the variable in each row, the assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).

<sup>8</sup> Same as footnote 7, except referring to international standards concerning source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs and revision studies.