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AGENDA

EBS/88/237

CONFIDENTIAL

November 21, 1988

To: Members of the Executive Board

From: The Secretary

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

Attached for consideration by the Executive Directors is the staff report for the 1988 Article IV consultation with Niger and its request for arrangements under the enhanced structural adjustment facility. A draft decision appears on page 37.

This subject, together with the policy framework paper for Niger (EBD/88/335, 11/18/88), will be brought to the agenda for discussion on a date to be announced.

Mr. Sacerdoti (ext. 8514) or Mr. Daumont (ext. 6933) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

NIGER

Staff Report for the 1988 Article IV Consultation and Request for Arrangements Under the Enhanced 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 G.E. Gondwe and A. Basu

November 18, 1988

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I. Introduction

In the attached letter to the Managing Director dated September 3, 1988, the Government of Niger has requested a three-year arrangement under the enhanced structural adjustment facility (ESAF) in an amount equivalent to SDR 50.55 million (150 percent of quota), in support of its economic and financial program for the period October 1988-September 1991, as well as the first arrangement thereunder in an amount equivalent to SDR 16.85 million (50 percent of quota). The authorities' program for 1988/89 is described in the Memorandum on Economic and Financial Policies annexed to their letter. The requested three-year ESAF arrangement would replace the three-year arrangement under the structural adjustment facility (SAF) approved on November 17, 1986, under which Niger has received two loans equivalent to SDR 6.74 million (20 percent of quota) and SDR 10.11 million (30 percent of quota).

Discussions on the requested ESAF arrangement were held in Niamey during the period August 17-September 5, 1988, together with the Article IV consultation discussions. 1/ In view of the weak prospects for uranium exports, the authorities have requested that the existing SAF arrangements be replaced by arrangements under the ESAF because of the need for sustained medium-term adjustment, which will involve both diversification of the economy and attainment of a viable fiscal position. The Niger authorities have prepared, in collaboration with the staffs of the Fund and World Bank, a policy framework paper (PFP) for the period 1989-91, which updates and extends the previous PFP covering 1988-90 (see EBD/87/274). The new PFP was circulated to the Executive Board of the Fund on November 18, 1988 (EBD/88/335). It was also circulated to the Executive Board of the World Bank, and is expected to be considered by the Bank's Committee of the Whole in the first half of December 1988.

As of September 30, 1988, Niger's total outstanding Fund credit was equivalent to SDR 63.9 million, or 189.6 percent of quota. Taking into account scheduled repurchases and the prospective disbursements under the ESAF, net credit from the Fund at end-September 1989 would amount to SDR 66.5 million, or 197.4 percent of quota; by end-September 1991, net credit from the Fund would amount to SDR 79.9 million, or 237.2 percent of quota (Tables 1 and 2).

1/ The staff team consisted of Mr. E. Sacerdoti (head), Mr. R. Daumont, Mr. Z. Ebrahim-zadeh, Mr. P. Mathieu (all-AFR), Miss Cheasty (FAD), and Miss Nolan (secretary-BCS). The representatives of Niger included Mr. Mamadou Beidari, Minister of State for Finance; Dr. Yahaya Tounkara, Minister of Planning; Mr. Boukari Wassalké, Secretary of State for the Budget; Mr. Mohamed Abdoulaye, Minister of Public Enterprises; Mr. Ali Sabo, Minister of Commerce, Industry, and Handicrafts; Mr. Mamadou Diop, National Director of the BCEAO; and other senior officials concerned with economic and financial matters.

Table 1. Niger: Fund Position During the Period of the Proposed Arrangement Under the Enhanced Structural Adjustment Facility, 1988-91 1/

	Outstanding at end-Sept. 1988	1988 Oct.-Dec.	1989 Jan.-March	1989 April-June	1989 July-Sept.	1989 Oct.-Dec.	1990 Jan.-March	1990 April-June	1990 July-Sept.	1990 Oct.-Dec.	1991 Jan.-March	1991 April-June	1991 July-Sept.
							(In millions of SDRs)						
Transactions under tranche policies (net)		-3.45	-2.97	-3.34	-2.96	-3.65	-2.50	-2.80	-2.30	-2.40	-2.04	-2.54	-2.07
Purchases		—	—	—	—	—	—	—	—	—	—	—	—
Ordinary resources		(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Enlarged access resources		(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Repurchases		-3.45	-2.97	-3.34	-2.96	-3.65	-2.50	-2.80	-2.30	-2.40	-2.04	-2.54	-2.07
Ordinary resources		(-3.05)	(-2.57)	(-2.57)	(-2.56)	(-2.72)	(-1.76)	(-1.56)	(-1.56)	(-1.16)	(-0.80)	(-0.80)	(-0.46)
Enlarged access resources		(-0.40)	(-0.40)	(-0.77)	(-0.40)	(-0.93)	(-0.74)	(-1.24)	(-0.74)	(-1.24)	(-1.24)	(-1.74)	(-1.61)
Transactions under special facilities (net)		-1.50	—	—	—	—	—	—	—	—	—	—	—
Purchases		—	—	—	—	—	—	—	—	—	—	—	—
Repurchases 2/		-1.50	—	—	—	—	—	—	—	—	—	—	—
Transactions under SAF 3/		—	—	—	—	—	—	—	—	—	—	—	—
Loans		—	—	—	—	—	—	—	—	—	—	—	—
Repayments		—	—	—	—	—	—	—	—	—	—	—	—
Transactions under ESAF 4/		8.43	—	8.42	—	8.43	—	8.42	—	8.43	—	8.42	—
Loans		8.43	—	8.42	—	8.43	—	8.42	—	8.43	—	8.42	—
Repayments		—	—	—	—	—	—	—	—	—	—	—	—
Total Fund credit outstanding (end of period)	63.89	67.37	64.40	69.48	66.52	71.30	68.80	74.42	72.12	78.15	76.11	81.99	79.92
Tranche policies	45.54	42.09	39.12	35.78	32.82	29.17	26.67	23.87	21.57	19.17	17.13	14.59	12.52
Special facilities 2/	1.50	—	—	—	—	—	—	—	—	—	—	—	—
SAF 3/	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85
ESAF 4/	—	8.43	8.43	16.85	16.85	25.28	25.28	33.70	33.70	42.13	42.13	50.55	50.55
							(In percent of quota)						
Total Fund credit outstanding (end of period)	189.58	199.90	191.09	206.17	197.39	211.56	204.14	220.83	214.01	231.89	225.84	243.29	237.15
Tranche policies	135.13	124.90	116.09	106.17	97.39	86.56	79.14	70.83	64.01	56.89	50.84	43.29	37.15
Special facilities 2/	4.45	—	—	—	—	—	—	—	—	—	—	—	—
SAF 3/	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
ESAF 4/	—	25.00	25.00	50.00	50.00	75.00	75.00	100.00	100.00	125.00	125.00	150.00	150.00
Memorandum item:													
Trust Fund loans outstanding (end of period)													
In millions of SDRs	2.95	2.95	2.22	2.22	1.50	1.50	0.77	0.77	0.05	0.05	—	—	—
In percent of quota	8.75	8.75	6.59	6.59	4.45	4.45	2.28	2.28	0.15	0.15	—	—	—

Source: *IMF, Treasurer's Department.*

1/ Data may not add up because of rounding.
2/ Compensatory financing facility.
3/ Structural adjustment facility.
4/ Enhanced structural adjustment facility.

Table 2. Niger: Proposed Schedule of Disbursements Under ESAF Arrangement

Amount	Availability date	Conditions necessary for disbursement
SDR 8.425 million	December 30, 1988	Executive Board approval of the ESAF arrangement and the first annual arrangement thereunder.
SDR 8.425 million	After June 29, 1989	Observance of the performance criteria for March 31, 1989, and completion of the semiannual review under the arrangement.
SDR 8.425 million	December 15, 1989	Executive Board approval of the second annual arrangement.
SDR 8.425 million	After June 29, 1990	Observance of the performance criteria for March 31, 1990, and completion of the semiannual review under the arrangement.
SDR 8.425 million	December 15, 1990	Executive Board approval of the third annual arrangement.
SDR 8.425 million	After June 29, 1991	Observance of the performance criteria for March 31, 1991, and completion of the semiannual review under the arrangement.

Source: International Monetary Fund.

1/ Other than the generally applicable conditions under the ESAF arrangement, including the performance clause on the exchange and trade system.

Niger is on the standard 12-month consultation cycle. The last Article IV consultation discussions were held in Niamey during the period April 1-14, 1987. The staff report for the consultation (EBS/87/133) and the report on recent economic developments (SM/87/149) were considered by the Executive Board on July 17, 1987. 1/ On that occasion, Executive Directors commended the Niger authorities for the strong adjustment measures implemented since 1983 under Fund-supported programs; they also expressed satisfaction on the comprehensive program of structural reforms under way in the framework of the SAF program. However, despite the progress made, Niger's medium-term growth prospects remained a source of concern. Thus, Directors stressed the importance for the authorities to pursue a market-oriented pricing policy; complete the reform of the public enterprise sector; shift more investment toward the directly productive sectors; and adopt a comprehensive strategy for the development of the agricultural sector. To further reduce financial imbalances, they urged the authorities to continue with prudent fiscal and monetary policies. They also emphasized the need for larger external financing on concessional terms and for grants to increase productive investments, while containing the debt service burden.

Niger continues to avail itself of the transitional arrangements of Article XIV, but no longer maintains restrictions under them or any other restrictions that are subject to approval under Article VIII, Sections 2 and 3.

The Fund and World Bank staffs have continued their close cooperation on Niger. In February 1986, the Bank approved a structural adjustment credit (SAC) for Niger equivalent to US$60 million, which was fully disbursed by the end of 1987. Another credit equivalent to US$80 million for a public enterprise sector adjustment program (PESAP) was approved by the Bank in June 1987; the disbursement of the first tranche was effected in March 1988, and the second tranche was released in October 1988.

This report includes the following appendices: the proposed arrangements under the ESAF, with the annexed letter of request signed by the Prime Minister of Niger and the Memorandum of Economic and Financial Policies for 1988/89 (Appendix I); summaries of Niger's relations with the Fund (Appendix II) and with the World Bank Group (Appendix III); statistical tables (Appendix IV); statistical issues (Appendix V); and selected social and demographic indicators (Appendix VI).

1/ The Executive Board was notified of the delay in concluding the 1988 Article IV consultation discussions (EBD/88/314, 11/7/88).

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 Rev. prog.	1987 Est.	1988 Prog.	1988 Est.	1989 Prog.	1990 Projections	1991 Projections
	(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 -) 1/	-2.5	0.6	0.1	...	0.1	...	-1.4 2/	...	...	...
Real effective exchange rate (period average; depreciation -) 1/	-1.1	-5.6	-5.8	...	-9.1	...	-2.0 2/	...	...	...
Government finance 3/										
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 4/	-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 5/	-6.7	5.7	7.6	-1.0	-11.7	5.0	13.9	9.5	7.0	6.8
Government (net) 5/	4.2	5.0	-6.9	-4.6	-6.4	-2.4	3.6	-0.4	-1.0	-2.7
Credit to the economy 5/	-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 6/	9.5	9.5	8.0	...	8.0	...	8.0 2/	...	...	...
Money market rate for overnight deposits	10.8	9.8	7.8	...	8.5	...	7.5 2/7/	...	...	...
	(In percent of GDP, unless otherwise specified)									
Overall fiscal deficit (-) (incl. grants) 3/										
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) 3/										
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 8/	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)	3.2	4.9	6.1	...	6.1	...	5.6	5.8	6.0	5.9
	(In billions of CFA francs)									
GDP at current market prices 9/	638.5	647.0	643.4	780.1	649.9	806.5	714.2	769.7	823.2	881.5
Overall balance of payments 10/	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.

reforms to promote sound economic growth, while pursuing a prudent demand-management policy to continue to reduce financial imbalances. A summary of the program and its implementation is presented in Table 4.

For 1988, the program objectives for real growth and the rate of inflation are expected to be broadly met, and the target for the external current account deficit will probably be met by a wide margin. However, there were slippages in the fiscal area, although the overall deficit in the fiscal year 1987/88 (October-September) was lower than programmed. The changes in the Government and civil service following the death of the Head of State in November 1987 resulted in a slowdown in investment outlays and delays in the implementation of tax administration reforms, leading to a significant revenue shortfall. The implementation of some specific measures of the public enterprise restructuring program was also somewhat delayed, resulting in a postponement of disbursements under the World Bank PESAP loan, which affected the fiscal and credit performance. Concerned about these slippages, in the second half of the fiscal year the authorities acted to correct the delays in the tax and public enterprise reforms.

In 1988 real GDP is expected to grow by 7.1 percent, reflecting a 30 percent increase in the cereals crop owing to favorable weather conditions. In the first half of 1988 the rate of inflation, as measured by the consumer price index (CPI) and with respect to the corresponding period of the previous year, was only 1.6 percent; the increase in the price of coarse grains, stemming from the previous poor harvest, was offset by a drop in prices of other essential commodities owing to the decline in indirect taxes and tariffs and the prudent demand-management policies. For 1988 as a whole, the rate of inflation, as measured by the GDP deflator, is estimated at 2.6 percent, slightly above the target of 2.2 percent.

With regard to public finances, in 1987/88 the deficit, on a commitment basis excluding grants, is estimated to have been significantly lower than programmed (CFAF 67.4 billion, or 9.8 percent of GDP, compared with a programmed CFAF 75.9 billion, or 9.7 percent of initially projected GDP) 1/ on account of the slowdown in the execution of the investment program, which more than offset the large revenue shortfall (Table 5). Investment outlays declined in comparison with the previous fiscal year (from CFAF 60.7 billion in 1986/87 to *CFAF 53.8 billion in 1987/88), and fell short of the programmed level* (CFAF 76.4 billion) by almost one third (Appendix IV, Table I). This shortfall resulted from delays not only in the execution of the public investment program but also in disbursements of foreign financing. Current expenditure was broadly in line with program targets, increasing by 5.0 percent. Wages and salaries rose by 6.0 percent, owing to some

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1/ As a result of the downward revision of the GDP series, the budget deficit target under the program, measured as a ratio to revised GDP, was 11.1 percent.

Table 4. Niger: Policies Implemented Under the Adjustment Program for 1987/88

Objectives	Outcome or Status
1. Real GDP growth in 1988: 7.5 percent.	7.1 percent (estimated)
2. Inflation (GDP deflator) in 1988: 2.2 percent.	2.6 percent (estimated)
3. External current account deficit in 1988: 3.8 percent of GDP; and overall balance of payments deficit in 1988: CFAF 6.5 billion.	2.9 percent (estimated) CFAF 0.1 billion
Policies	
1. Pricing and marketing policies	
a. Reduce the number of products subject to preset profit margins from 64 to 39 by June 1, 1987.	Implemented
b. Reduce the number of goods and services subject to price ceilings from 7 to 5 by November 1, 1987.	Implemented
c. Complete study on industrial and trade incentives by April 1, 1988.	Implemented
d. Abolish all restrictions on the number of traders authorized to import rice and other cereals and impose no quantitative restrictions on rice and cement imports by November 1, 1987.	Implemented
e. Raise import duty on rice and introduce import duty on cement by November 1, 1987.	Implemented
f. Abolish the present system of setting prices for groundnuts and cowpeas and replace it with a system of indicative prices, with transactions reflecting market conditions by November 1, 1987.	Implemented
2. Public enterprises 1/	
Continue implementation of the public enterprise sector adjustment program supported by the World Bank.	
a. Complete adoption by all public enterprises of individual charters based on new model charters by December 31, 1987.	In progress
b. Privatize OLANI, SICONIGER, and SONERAN in 1987/88.	In progress
c. Adopt statutes for SNDE by December 31, 1987.	Implemented
d. Formulate performance contracts for NIGELEC, SONICHAR, and SNTN by December 31, 1987.	Implemented
e. Formulate performance contracts for OPT, OPVN, and ORTN by June 30, 1988.	In progress
f. Revise public enterprise procurement regulations by June 30, 1988.	Delayed
g. Eliminate CFAF 7.0 billion in public cross-debts in 1987/88.	Reduced by CFAF 2.8 billion
3. Agricultural policy	
a. Complete studies on a comprehensive rural development strategy by July 1, 1988.	Delayed
b. Accelerate preparatory work for the reform of the agricultural credit system.	In progress
4. Public investment program (1987/88)	
a. Overall objective: CFAF 103.0 billion.	CFAF 103.0 billion
b. Implementation rate: 74.2 percent.	52.2 percent
c. Financing: Domestic counterpart: CFAF 5.0 billion.	CFAF 5.5 billion
External borrowing: CFAF 29.7 billion.	CFAF 20.9 billion
Grants: CFAF 41.7 billion.	CFAF 27.4 billion
5. Fiscal policies	
Limit consolidated budget deficit for 1987/88, on a commitment basis and including grants, to 4.4 percent of GDP. Reduce net bank claims on Government. Accumulate no payments arrears.	Deficit equivalent to 5.7 percent of GDP; net bank claims on Government increased; no accumulation of payments arrears
a. Revenue: Increase by 2.2 percent.	Declined by 10.6 percent
i. Expand taxation of informal sector.	In progress
ii. Strengthen customs duty collections.	In progress
iii. Transfer CFAF 4.0 billion in CSPPN profits and an additional CFAF 2.0 billion from the reserves of CSPPN.	Implemented
iv. Review measures to expand revenue from informal and modern sector and reduce exemptions.	In progress
b. Expenditure: Limit increase to 8.8 percent.	Increased by 0.2 percent
i. Contain growth in current expenditure at 4.4 percent.	Increased by 5.0 percent
- Make no cost of living adjustment.	Implemented
- Provide adequate provisions for maintenance and current transfers, in context of World Bank program.	Implemented
ii. Increase investment expenditure by 13.5 percent.	Declined by 11.4 percent
6. Monetary and credit policies	
a. Limit monetary growth to 5.3 percent in 1987 and 6.7 percent in 1988.	Declined by 5.5 percent in 1987 and estimated to increase by 10.0 percent in 1988
b. Reduce net bank claims on Government by 4.6 percent of beginning money stock in 1987 and 2.4 percent in 1988.	Reduced by 6.4 percent in 1987 and estimated to increase by 3.6 percent in 1988
c. Expand credit to the economy by 3.6 percent of beginning money stock in 1987 and 7.4 percent in 1988.	Reduced by 5.3 percent in 1987 and estimated to increase by 10.3 percent in 1988
7. External debt	
a. Refrain from contracting or guaranteeing of nonconcessional loans in the 0- to 12- year maturity range.	Implemented
b. Accumulate no payments arrears.	Implemented

Source: Memorandum on Economic and Financial Policies for 1988/89.

1/ The list of the acronyms for public enterprises is given in Appendix IV, Table VII.

Table 5. Niger: Government Financial Operations, 1984/85-1990/91 1/

	1984/85	1985/86	1986/87 Rev. prog.	1986/87 Act.	1987/88 Prog.	1987/88 Est.	1988/89 Prog.	1989/90 Projections	1990/91 Projections
	(In billions of CFA francs)								
Total revenue	69.9	74.1	81.2	75.7	80.6	67.7	76.6	84.3	92.0
Budgetary revenue	59.6	62.1	67.5	57.9	65.1	52.7	61.5	67.7	73.9
Taxes on international trade and transactions	(24.2)	(28.7)	(32.0)	(25.4)	(31.1)	(22.2)	(26.5)	(29.2)	(31.8)
Taxes on goods and services	(18.1)	(15.7)	(17.0)	(14.0)	(15.8)	(13.0)	(13.9)	(15.3)	(16.7)
Taxes on income and profits	(15.4)	(16.0)	(16.7)	(15.0)	(16.3)	(15.5)	(18.9)	(20.8)	(22.7)
Other tax revenue	(1.9)	(1.7)	(1.8)	(3.5)	(1.9)	(2.1)	(2.2)	(2.4)	(2.6)
Budgetary nontax revenue	8.5	9.9 2/	11.7	15.9 2/	13.5	12.5	12.6	13.9	15.1
Annexed budgets and special accounts	1.8	2.0	2.0	1.8	2.0	2.5	2.5	2.8	3.0
Total expenditure and net lending (commitment basis)	123.6	137.9	145.4	134.8	156.5	135.1	159.4	169.2	178.5
Current budgetary expenditure	70.1	75.0	75.0	76.1	78.6	79.9	83.3	85.7	87.0
Expenditure on goods and services	42.6	46.2	47.0	47.9	50.2	50.6	55.2	59.1	62.4
Wages and salaries	(24.9)	(25.8)	(28.2)	(28.3)	(29.6)	(30.0)	(32.8)	(34.9)	(36.5)
Materials and supplies	(17.7)	(20.4)	(18.8)	(19.6)	(20.6)	(20.6)	(22.4)	(24.2)	(25.9)
Interest payments	16.7	19.5	18.3	18.9	18.7	19.1	17.7	16.7	15.2
Subsidies and transfers	10.8	9.3	9.7	9.3	9.7	10.2	10.4	9.9	9.4
Net lending	-0.4	-2.7	0.2	-5.3	-1.6	-2.5	-2.5	-2.5	-2.5
Capital expenditure	51.3	62.9	67.3	60.7	76.4	53.8	74.6	82.0	90.0
Budgetary	(4.1)	(5.2)	(4.7)	(5.4)	(5.0)	(5.5)	(5.0)	(5.8)	(5.8)
Loans	(23.9)	(25.0)	(26.8)	(22.6)	(29.7)	(20.9)	(29.0)	(30.5)	(33.2)
Grants	(23.3)	(32.7)	(35.8)	(32.7)	(41.7)	(27.4)	(40.6)	(45.7)	(51.0)
Annexed budgets and special accounts	2.6	2.7	2.9	3.3	3.1	3.9	4.0	4.0	4.0
Overall deficit (commitment basis)	-53.7	-64.0	-64.2	-59.1	-75.9	-67.4	-82.8	-84.9	-86.5
Adjustment items (cash basis)	-1.8	1.8	—	-0.1	—	—	—	—	—
Changes in payments arrears (decrease -)	-3.4	—	—	—	—	—	—	—	—
Repayment of cross-debts (-)	—	—	-4.8	-4.7 3/	-7.0	-2.8	-4.9	-4.2	—
Overall deficit (cash basis)	-58.9	-62.1	-69.0	-63.9	-82.9	-70.2	-87.7	-89.1	-86.5
Total financing	58.9	62.1	69.0	63.9	82.9	70.2	87.7	89.1	86.5
Foreign financing	44.7	60.2	74.5	73.2	78.6	55.1	74.6	83.9	88.1
Net borrowing	6.4	13.5	22.5	25.9	32.4	16.1	23.0	31.7	34.7
Loans	25.1	32.1	41.2	42.1	50.7	34.5	41.2	49.7	52.7
Budgetary support	(1.2)	(7.1)	(14.4)	(19.5)	(21.0)	(13.6)	(12.2)	(19.2)	(19.5)
Project-financing	(23.9)	(25.0)	(26.8)	(22.6)	(29.7)	(20.9)	(29.0)	(30.5)	(33.2)
Repayments	-18.7	-18.6	-18.7	-16.2	-18.3	-18.4	-18.2	-18.0	-18.0
Debt rescheduling	15.0	14.0	12.7	12.6	4.5 4/	10.6	3.9 5/	—	—
Grants	23.3	32.7	39.3	34.7	41.7	28.4	47.7	52.2	53.4
Budgetary support	(—)	(—)	(3.5)	(2.0)	(—)	(1.0)	(7.1)	(6.5)	(2.4)
Project-financing	(23.3)	(32.7)	(35.8)	(32.7)	(41.7)	(27.4)	(40.6)	(45.7)	(51.0)
Domestic financing	14.2	1.9	-5.5	-9.3	-2.5	15.1	2.2	0.7	-4.9
Bank financing	(7.2)	(-3.3)	(-7.8)	(-16.9)	(-4.5)	(13.2)	(-0.5)	(-1.3)	(-5.9)
Nonbank financing	(7.0)	(5.3)	(2.3)	(7.6)	(2.0)	(1.9)	(2.7)	(2.0)	(1.0)
Financing gap	—	—	—	—	6.8	—	10.9	4.5	3.3
Memorandum items:									
Nominal GDP 6/	629.3	674.5	765.1	670.9	782.5	685.1	762.9	813.8	871.5
	(In percent of GDP)								
Total revenue	11.1	11.0	10.6	11.3	10.3	9.9	10.0	10.4	10.6
Of which: budgetary tax revenue	(9.5)	(9.2)	(8.8)	(8.6)	(8.3)	(7.7)	(8.1)	(8.3)	(8.5)
Total expenditure and net lending	19.6	20.4	19.0	20.1	20.0	19.7	20.9	20.8	20.5
Current expenditure	(11.1)	(11.1)	(9.8)	(11.3)	(10.0)	(11.7)	(10.9)	(10.5)	(10.0)
Capital expenditure	(8.2)	(9.3)	(8.8)	(9.0)	(9.8)	(7.9)	(9.8)	(10.1)	(10.3)
Overall deficit (-) (excluding grants)									
Commitment basis	-8.5	-9.5	-8.4	-8.8	-9.7	-9.8	-10.8	-10.4	-9.9
Cash basis	-9.4	-9.2	-9.0	-9.5	-10.6	-10.2	-11.5	-11.0	-9.9
Overall deficit (-) (including grants)									
Commitment basis	-4.8	-4.6	-3.3	-3.6	-4.4	-5.7	-4.6	-4.0	-3.8
Cash basis	-5.7	-4.4	-3.9	-4.3	-5.3	-6.1	-5.2	-4.5	-3.8

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

1/ Fiscal year October/September.
2/ Includes miscellaneous tax and nontax revenue amounting to CFAF 0.6 billion in 1985/86 and CFAF 0.1 billion in 1986/87.
3/ Includes the payment by the Government of CFAF 1.5 billion of debt owed by some municipalities and public enterprises financed with nonbudgetary foreign grants of CFAF 1.5 billion.
4/ Debt relief up to December 4, 1987.
5/ Debt relief up to December 31, 1988.
6/ Estimate on a fiscal year basis. Early in 1988 the GDP series from 1984 onward was revised substantially. Thus, actual GDP data for 1986/87 and 1987/88 are substantially lower than those used in establishing the 1987/88 program.

increase in personnel to meet essential needs, particularly in education and health, and to wage drift. Outlays for materials and supplies rose by 5.1 percent, in line with the objective of improving the operation of the Government and providing adequate resources for recurrent costs.

Revenue declined from CFAF 75.7 billion in 1986/87 to CFAF 67.7 billion in 1987/88, compared with a program target of CFAF 80.6 billion. This was accounted for by a fall of about 13 percent in customs revenue, including a one-time payment of stock relief under the VAT. The decline in customs revenue was due to delays in the strengthening of administrative controls envisaged under the program, which were planned to offset both the lowering of duty rates and the VAT rate introduced in May 1987 and the loss stemming from the nonrecurrence of revenues collected in 1986/87. 1/ In the event, these measures, which included the appointment of officers to verify the value of imported goods, and the increase in the valuation base for customs purposes, became effective only in the second half of the fiscal year. Although a significant pickup of customs revenue took place after March 1988, this could not prevent a large shortfall for the fiscal year as a whole. The decline in customs and nonrecurrent nontax revenue was partly compensated by a sharp increase in revenue from the industrial and commercial profit tax (about 17 percent), and by higher revenue from real estate taxes subsequent to the computerization of the land register.

The revenue shortfall was accompanied by unexpectedly lower disbursements of foreign budgetary assistance (by CFAF 7.4 billion), mainly accounted for by lower-than-programmed disbursements under the World Bank's PESAP, owing to delays in the reform of an agricultural agency. Thus, during the period October 1987-September 1988, the Government drew down its deposits at the Central Bank by some CFAF 13 billion, whereas an increase in deposits of CFAF 4.5 billion was programmed. 2/ As a result, the program benchmarks for net credit to the Government, which had been met with a considerable margin at end-September 1987, were exceeded slightly at end-December 1987 and by a significant margin at end-June and (based on available estimates) at end-September 1988 (Table 6). By end-September 1988, net government recourse to the banking system is estimated to have exceeded the program benchmarks by about CFAF 9 billion. 3/ In addition, because of the

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1/ The nonrecurrent revenues in 1986/87 included exceptional transactions subject to registration duty (CFAF 1.5 billion) and exceptional receipts from food aid counterpart funds (CFAF 2.9 billion).

2/ Lower investment outlays did not affect the domestic financing need, as they are mainly foreign financed.

3/ The difference between the excess over program targets of the government recourse to the banking system in the 12-month period to September 1988 (CFAF 17.8 billion), and the excess estimated at end-September 1988 (CFAF 8.6 billion), is due to the fact that at end-September 1987 net bank claims on the Government were substantially lower than estimated at the time of program preparation.

Table 6. Niger: Benchmarks for the Second Annual Arrangement (1987/88) Under the Structural Adjustment Facility

(In billions of CFA francs; end of period)

	1987				1988					
	Sept.		Dec.		March		June		Sept.	
	Est.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Est.
A. Quantitative Financial Benchmarks										
Domestic credit 1/	129.4	114.6	130.6	119.6	133.1	124.1	128.0	131.0	130.1	133.2
Net claims on Government 1/	12.1	2.9	10.6	11.4	9.6	7.0	8.0	16.9	7.6	16.2
Domestic or external government payments arrears	--	--	--	--	--	--	--	--	--	--
Minimum reduction in public cross-debts (cumulative)	--	--	1.0	--	2.5	--	4.5	2.8	7.0	2.8
New external loans contracted or guaranteed by the Government on nonconcessional terms at a maturity of 0-12 years	--	--	--	--	--	--	--	--	--	--

B. Structural Benchmarks

	Actions	Timing	Status of implementation
1.	Adoption of the budget for 1987/88 in conformity with the Memorandum on Economic and Financial Policies for 1988.	October 1, 1987	Implemented
2.	Reduction in the number of goods and services subject to fixed price ceilings from 7 to 5.	November 1, 1987	Implemented by November 6, 1987
3.	Adoption of the charter establishing the new water company, SNDE.	December 31, 1987	Implemented
4.	Formulation of performance contracts for NIGELEC, SONICHAR, and SNTN.	December 31, 1987	Implemented for NIGELEC and SONICHAR; being finalized for SNTN
5.	Formulation of performance contracts for OPT, OPVN, and ORTN.	June 30, 1988	Delayed

Sources: Memorandum on Economic and Financial Policies for 1988 dated August 28, 1987; and data provided by the Niger authorities.

1/ The ceilings for 1986/87 and 1987/88 were to be reduced by any amount of external budgetary assistance received prior to end-1986/87 that exceeded the amounts set forth in the program for 1986/87. In addition, for 1987/88, the amount of budgetary aid already committed, not associated with the execution of investment projects, was estimated at CFAF 21.0 billion. Including the coverage of the financing gap, the debt relief already secured, and existing commitments, total budgetary aid not associated with the investment projects was projected to amount to CFAF 32.3 billion. It was estimated that cumulatively CFAF 18.0 billion would be received by end-December 1987, CFAF 25.0 billion by end-March 1988, CFAF 30.0 billion by end-June 1988, and CFAF 32.3 billion by end-September 1988. The ceilings were to be reduced by any amount by which external budgetary assistance, including debt relief, exceeds program estimates at a constant exchange rate of CFAF 300 = US$1. In the event, external budgetary assistance was lower than projected in every quarter.

delays in the disbursement of the World Bank credit, the reduction in public sector cross-debts amounted to CFAF 2.8 billion during the fiscal year, as against a program target of CFAF 7.0 billion; the corresponding quarterly benchmarks have not been met since end-December 1987.

Credit to the economy remained considerably below program targets in the last quarter of 1987 and the first half of 1988, reflecting a subdued level of economic activity and imports during that period. As a result, despite the excess in net bank claims on the Government, total domestic credit was considerably below the benchmark for end-December 1987 and end-March 1988, and only slightly exceeded that for end-June 1988; the excess at end-September 1988 is also expected to be modest. With an acceleration in the first half of 1988, money growth amounted to 4.5 percent in the 12-month period through end-June 1988 (Appendix IV, Table II). Interest rate policy, which is common to all members of the West African Monetary Union (WAMU), is conducted by the Central Bank of West African States (BCEAO). The monetary authorities pursue a flexible interest rate policy, which takes into account economic and financial conditions in the WAMU, as well as interest rate developments in France and other international markets. The overnight money market rate on advances, a representative rate, has moved in line with the comparable interest rate in France; since the beginning of 1985 it has remained higher than in France; it has also been positive in real terms through the 1980s. In September 1988, following interest rate developments in France, the overnight money market rate in the WAMU was increased by 0.25 percentage point.

During 1987/88, the implementation of structural policies was broadly in line with the program, although some delays occurred in the adoption of certain actions related to the public enterprise sector reform. All the structural benchmarks were observed, with the exception of the formulation of performance contracts for three public enterprises, which was delayed. Significant progress was accomplished in implementing the liberalization policy for prices and trade, in line with program objectives. In November 1987, the number of products subject to fixed price ceilings was reduced from seven to five; 1/ moreover, the restrictions on the number of traders authorized to import rice were abolished, as were quantitative restrictions on cement imports, and the import duties on these products were raised. The indicative producer price of cereals was abolished for the crop year 1987/88, and the purchase price per kilogram of cotton was reduced from CFAF 130 to CFAF 110, to reflect world price trends. In addition, the official producer price of groundnuts and cowpeas was abolished and replaced by an indicative price, to provide more flexibility in the intervention of the marketing company (SONARA). Import regulations were reviewed, with the number of products subject to import prohibitions reduced from eight to five in January 1988.

1/ The remaining goods and services subject to fixed price ceilings are petroleum products, water, electricity, bread, and transportation.

A large number of measures were adopted as part of the public enterprises restructuring program supported by the World Bank. This program of full or partial privatization, liquidation, or integration into government services of 30 enterprises out of 54 is broadly on track. By August 1988, nine enterprises had been fully privatized and the Government had reduced its participation in four companies; one had been liquidated, and two incorporated in government services. Performance contracts were signed with the electricity (NIGELEC) and coal (SONICHAR) companies, and that with the transportation company (SNTN) has been finalized; the personnel statutes of 26 companies were revised, and the statutes of most public enterprises have been reformed to enhance their managerial autonomy. The reorganization of the cereals marketing agency (OPVN) was started, with its role narrowed to the management of the security stocks, and the restructuring program for Riz du Niger (RINI) was finalized in September 1988.

As a result of the improved agricultural policy and decline in investment outlays in 1988, the external current account deficit, including official transfers, is projected to be reduced to CFAF 20.8 billion (2.9 percent of GDP), significantly below the program target (CFAF 30.6 billion) and the outcome for 1987 (CFAF 26.3 billion) (Table 7 and Appendix IV, Table III). Excluding official transfers, the current account deficit is projected to increase to CFAF 73.0 billion (10.2 percent of GDP), also below the program target (CFAF 94.8 billion) but slightly above the 1987 outcome (CFAF 69.0 billion). Uranium exports are projected to decline by 6 percent, owing entirely to a decline in export prices, but this decline is expected to be offset by the recovery in cowpea exports, lower interest payments, and the drop in investment-related imports. Taking into account the debt relief obtained from official creditors, the overall balance of payments is expected to be in equilibrium.

At a meeting of the Paris Club on April 21, 1988, the participating creditor countries agreed to reschedule 100 percent of principal and 75 percent of the interest falling due between December 5, 1987 and December 31, 1988. The authorities have signed all the rescheduling agreements with the participating countries, with the exception of the United States, and have been making their best efforts to secure debt relief from other creditors on comparable terms. For 1988, Niger has secured debt relief from the Paris Club and from commercial banks in an amount of CFAF 14.2 billion (SM/88/123, June 3, 1988). As a result, in 1988 the debt service ratio is estimated to be reduced from 49.1 percent (before debt relief) to 37.6 percent (after debt relief). In 1987/88, the Government did not contract or guarantee any nonconcessional loans with a maturity range of 0-12 years.

As a member of the West African Monetary Union, Niger continues to maintain an exchange system which is free of restrictions on payments and transfers for current international transactions. As Niger's exchange rate is pegged to the French franc, variations in its effective trade-weighted exchange rate index reflect developments between the

Table 7. Niger: Balance of Payments (in CFA francs), 1985-93 1/

	1985	1986	1987 Rev. Prog.	1987 Est.	1988 Prog.	1988 Est.	1989 Prog.	1990	1991	1992	1993
								Projections			
	(In billions of CFA francs)										
Trade balance	-46.3	-11.4	-13.3	-12.0	-39.9	-20.9	-39.3	-43.7	-49.5	-54.4	-62.4
Exports, f.o.b.	112.6	114.8	116.1	108.6	114.6	110.4	109.6	113.9	118.0	122.9	128.7
Of which: uranium	(96.3)	(88.7)	(86.7)	(86.9)	(87.9)	(81.4)	(77.0)	(77.0)	(77.0)	(77.0)	(77.0)
Imports, c.i.f.	-158.9	-126.2	-129.4	-120.6	-154.5	-131.3	-148.9	-157.6	-167.5	-177.3	-191.1
Of which: petroleum products	(-12.4)	(-7.5)	(-8.0)	(-7.2)	(-10.2)	(-8.1)	(-8.8)	(-9.3)	(-9.9)	(-10.6)	(-11.3)
cereals	(-41.0)	(-8.4)	(-6.7)	(-7.9)	(-20.6)	(-16.5)	(-11.0)	(-9.5)	(-9.5)	(-9.5)	(-9.5)
Services, net	-37.8	-38.3	-39.8	-42.0	-39.9	-37.6	-37.6	-36.4	-35.0	-33.9	-33.3
Of which: interest 2/	(-24.5)	(-22.9)	(-23.7)	(-25.8)	(-23.3)	(-21.5)	(-21.9)	(-20.9)	(-20.2)	(-19.8)	(-19.5)
Transfers	58.4	36.4	35.6	27.7	49.2	37.7	45.5	52.8	59.0	61.5	68.8
Private	(-14.5)	(-15.0)	(-15.0)	(-15.0)	(-15.0)	(-14.5)	(-14.7)	(-14.8)	(-14.9)	(-15.0)	(-15.1)
Official	(72.9)	(51.4)	(50.6)	(42.7)	(64.2)	(52.2)	(60.2)	(67.6)	(73.9)	(76.5)	(83.9)
Current account balance	-25.7	-13.3	-17.5	-26.3	-30.6	-20.8	-31.4	-27.3	-25.5	-26.8	-26.9
Excluding official transfers	(-98.6)	(-64.7)	(-68.1)	(-69.0)	(-94.8)	(-73.0)	(-91.6)	(-94.9)	(-99.4)	(-103.3)	(-110.8)
Capital, net	8.4	-4.2	9.8	17.7	24.1	6.5	18.3	19.5	22.9	27.6	28.9
Public, long-term, net	11.7	5.6	10.5	16.8	25.3	13.5	21.6	21.8	25.7	29.8	31.4
Disbursements	(37.0)	(33.8)	(37.2)	(40.0)	(49.8)	(38.0)	(44.9)	(45.7)	(50.1)	(54.2)	(55.8)
Amortization	(-25.3)	(-28.2)	(-26.7)	(-23.2)	(-24.5)	(-24.5)	(-23.3)	(-23.9)	(-24.4)	(-24.4)	(-24.4)
Private, long-term, net	-5.5	-4.1	-1.4	-4.8	-2.7	-3.5	-3.3	-2.3	-2.8	-2.2	-2.5
Disbursements	(8.5)	(5.8)	(3.7)	(3.4)	(1.9)	(2.2)	(2.5)	(2.0)	(1.7)	(1.3)	(1.7)
Amortization	(-14.0)	(-9.9)	(-5.1)	(-8.2)	(-4.6)	(-5.7)	(-5.8)	(-4.3)	(-4.5)	(-3.5)	(-4.2)
Short-term, net	2.2	-5.7	0.7	5.7	1.5	-3.5	--	--	--	--	--
Debt relief	20.0	20.0	15.3	15.4	...	14.2	...	...	...	...	...
Errors and omissions	0.4	1.4	--	-2.7	--	--	--	--	--	--	--
Overall balance	3.1	3.9	7.6	4.1	-6.5	-0.1	-13.1	-7.8	-2.6	0.8	2.0
Financing	-3.1	-3.9	-7.6	-4.1	6.5	0.1	13.1	7.8	2.6	-0.8	-2.0
Net foreign assets (increase -) 3/	-3.1	-3.9	-7.6	-4.1	-2.1	0.1	--	--	--	-0.8	-2.0
Central bank 3/	-0.6	0.5	...	-4.9	...	...	--	--	--	-0.8	-2.0
Of which: IMF	(8.9)	(7.4)	(1.3)	(0.8)	(-6.7)	(-5.4)	(1.6)	(2.8)	(0.1)	(-2.7)	(-2.7)
purchases and drawings	(8.9)	(8.1)	(7.5)	(7.0)	(1.7)	(3.4)	(6.8)	(6.8)	(3.4)	(--)	(--)
repurchases and repayments	(--)	(-0.7)	(-6.2)	(-6.2)	(-8.4)	(-8.8)	(-5.2)	(-4.0)	(-3.3)	(-2.7)	(-2.7)
Commercial banks	-2.5	-4.4	...	0.8	...	...	--	--	--	--	--
Financing gap	--	--	--	--	8.6	--	13.1	7.8	2.6	--	--
Memorandum items:	(In CFA francs)										
Exchange rates											
CFAF per SDR	456.2	406.3	385.0	388.6	385.0	400.0	400.0	400.0	400.0	400.0	400.0
CFAF per US$	449.3	346.3	310.0	300.5	300.0	310.0	310.0	310.0	310.0	310.0	310.0

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

1/ Data may not add because of rounding.
2/ Includes estimates for interest due on the amounts required to cover the estimated financing gaps and on disbursements after mid-1987.
3/ Excludes revaluation effect of CFAF 5.3 billion for 1986, CFAF 1.7 billion for 1987, and CFAF 0.2 billion for 1988.

French franc and the currencies of Niger's trading partners outside thefranc area. Niger's real effective exchange rate declined by 11.3 percent during the January 1987-August 1988, reflecting a depreciation of the nominal effective exchange rate by 2.6 percent and lower inflation rates in Niger compared with its trading partners (Chart 1).

III. The Program for 1988/89-1990/91 and the Medium-Term Outlook for the Balance of Payments

1. Medium-term problems and objectives

Notwithstanding the progress achieved thus far in the adjustment process, the Niger authorities are aware that the problems and the constraints facing the economy are still substantial. The main constraints that need to be addressed are the following: (a) the dependence on uranium, which still represents over 70 percent of exports and for which the medium-term prospects are not favorable, given the slack in world demand and the development of new low-cost sources of supply; (b) the vulnerability of agriculture to climatic conditions and the still-limited diversification of agricultural production; (c) the relatively low tax effort, as reflected by a tax revenue to GDP ratio of about 10 percent; and (d) the large debt service burden.

The authorities recognize that the satisfactory resolution of these constraints requires the pursuit of an intensified and more comprehensive adjustment strategy over the medium term. The policy package that they have elaborated, with the assistance of the Fund and World Bank staffs, is presented in the PFP for the period 1989-91. The strategy aims at accelerating the diversification of the economy to promote a sustained growth of production and exports, while reducing financial imbalances through the increased mobilization of domestic resources and the pursuit of policies aimed at enhancing competitiveness. The main elements of the program are the following: (a) structural reforms in agriculture; (b) an increase in the investment effort to address bottlenecks both in production and in the provision of essential services; (c) an increased tax effort to mobilize domestic resources; and (d) a further improvement in the regulatory framework to stimulate private sector activity and the effectiveness of public enterprises.

The agricultural policy includes structural reforms in pricing and marketing, more appropriate investments, and a greater involvement of rural communities and cooperatives. The enhancement of the investment effort relies on measures to raise the implementation rate of the public investment program, to improve programming procedures, and to increase the share of grants in total financing. The revenue effort will be intensified, and public expenditure policy further rationalized, in order to improve the overall position of the budget, reduce reliance on external assistance, and maintain aggregate demand in line with overall resources. The cautious fiscal and credit policies should help contain inflationary pressures; the low rate of inflation, together with the removal of export duties, is expected to enhance the competitiveness of the export and import-competing sectors. The intensification of structural reforms in the area of agricultural policies, public enterprises, and price and foreign trade regulation is designed to stimulate the role of the private sector in economic activity and improve efficiency in the provision of essential services and infrastructure, and thus complement the contribution of investment to growth.

The successful implementation of this strategy should permit Niger to attain the following macroeconomic objectives during the 1989-91 period: (a) an average real GDP growth of 3.8 percent per annum; (b) an average annual rate of inflation, as measured by the GDP deflator, of 3.3 percent; and (c) a reduction in the external current account deficit, including official transfers, from an average 3.5 percent of GDP in 1987-88 to 2.9 percent of GDP in 1991. The objectives are compatible with the achievement of balance of payments viability by 1992, and declines in both the debt service and debt/GDP ratios. A summary and time frame of the three-year macroeconomic and structural adjustment policies is contained in Table 2 of the PFP.

2. Economic development strategy and the sources of growth

The economic development strategy underlying the program envisages a substantial increase in investment, as well as further improvements in the allocation of resources. Thus, domestic investment is programmed to grow from the equivalent of 9.8 percent of GDP in 1988 to 13.8 percent in 1991. Public investment, which amounted to 8.2 percent of GDP in 1988, is programmed to increase to 10.2 percent of GDP in 1991. At the same time, the policies to stimulate private sector activity should lead to an increase in private investment. The higher level of investment will be financed by an increase in grants and concessional loans, which have already been fully committed, and a rise in the domestic savings ratio.

As a ratio to GDP, domestic savings are programmed to increase from 4.2 percent of GDP in 1988 to 5.9 percent in 1991. Accordingly, the government fiscal strategy aims at generating a surplus on current operations, and the state enterprises reform is directed at mobilizing additional resources. Moreover, the growth in private disposable income, together with the existing positive real interest rates, is expected to promote private savings. This strategy will be coupled with the implementation of appropriate sectoral adjustment policies in agriculture, small-scale industry, and education, as described in the PFP, so that most sectors of the economy will contribute to the projected increase in real GDP.

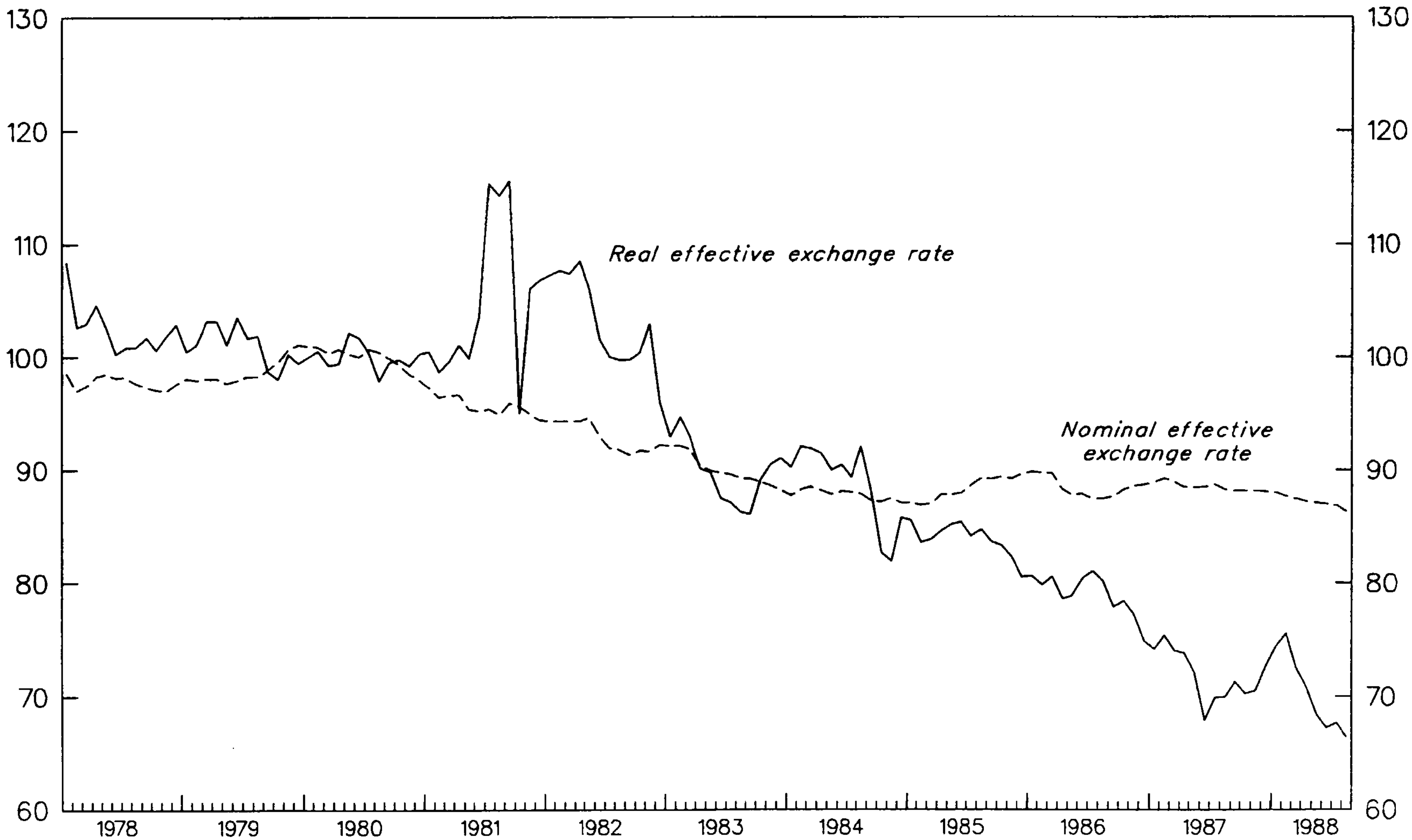
The agricultural and livestock sector, which accounts for 36 percent of GDP, will have to play a dominant role in the development process. With the return of normal weather conditions, this sector has

CHART 1

NIGER

REAL AND NOMINAL EFFECTIVE EXCHANGE RATES, JANUARY 1978 - AUGUST 1988

(1980=100; foreign currency per CFA franc)



Source: IMF, Information Notice System.

[1] Trade-weighted effective rates. The real effective exchange rate is based on the relative consumer price indices.

rebounded in 1988, and is expected to grow on average by 4.3 percent per year in 1989-91. The strengthening of the primary sector relies on a comprehensive strategy that will be reinforced further during the program period. The strategy will: (a) enhance the effectiveness of official agencies; (b) improve the pricing and regulatory environment that will foster private sector activity; and (c) strengthen the infrastructure network and the technical support for productive activity through a carefully designed investment program.

Major changes are being introduced to enhance the effectiveness of the official agencies. The reorganization of the cereals marketing agency (OPVN) and the termination of its responsibilities for the stabilization of the cereals market should remove institutional distortions in the marketing process and increase incentives for private sector participation in marketing. The new operating procedures of OPVN, which are being put in place with foreign technical assistance in 1988/89, will include, inter alia, purchases through competitive bids for the rotation of the security stock, which should contribute to a more competitive marketing environment. The technical and financial rehabilitation of the state rice processing agency (RINI) will be implemented in 1988/89 and will be accompanied by the strengthening of the private cooperatives, which ultimately are to assume RINI's operations. The system of a floor producer price for paddy will be maintained, with the price being revised periodically to take into account world market trends, domestic production costs, and a reasonable level of tariff protection. In the groundnut and cowpea sectors, SONARA will improve the effectiveness of its marketing operations, which will rely on larger private sector involvement in a competitive environment.

With regard to pricing and marketing, the system of indicative prices for export commodities (cowpeas and groundnuts) has been eliminated, starting in the 1988/89 crop year, to ensure that domestic prices are in line with export prices. The abolition of the export tax on agricultural and livestock products, which became effective in October 1988, is expected to stimulate production for the export market, in particular for cowpeas and livestock.

A strategy for investments in irrigated and rainfed agriculture has been designed to promote the expansion of production in the framework of improved resource management. Along the River Niger, land management projects aim at increasing irrigated cultivation from 50,000 hectares to 100,000 hectares over the next ten-year period. With regard to rainfed agriculture, the Government's efforts, in cooperation with the World Bank and other donors, will focus on the reinforcement of extension services to ensure the dissemination of appropriate techniques and technologies through the cooperative network and local communities. This will permit more intensive farming methods, while improving natural resource management within a framework that takes into account agriculture, livestock, and energy management so as to reverse environmental degradation. The expansion of livestock is to be assisted through actions designed to improve land use and promote exports, including the elimination of export taxes. Total investment in the agricultural and livestock sector over the program period is projected to amount to 40 percent of the investment program, and to be 54 percent higher than in the last three-year period.

The promotion of the small-industry sector will rely on a further simplification of the regulatory framework and improvement in infrastructure. This sector will continue to concentrate on the processing of agricultural production. Activity in the mining sector, which accounts for only 6 percent of total value added, but for about 70 percent of exports, is projected to remain broadly stable, in view of uncertain prospects for world demand for uranium. With the expansion of domestic production and imports, related to the enhanced investment effort, the services sector should grow significantly.

3. Public investment program

Following the decline in public investment outlays during the last two years, and in view of the country's relatively low fixed investment ratio, the authorities will step up the execution of the three-year rolling public investment program prepared in consultation with the World Bank. The World Bank considers the investment strategy appropriate to the development needs of Niger. In the selection of the projects, due attention has been given to recurrent costs and to the resources necessary to cover them. The overall size of the three-year program for 1988/89-1990/91 has been established at CFAF 338 billion. With the implementation rate programmed to increase from 52 percent in 1987/88 to 70 percent in 1988/89 and 76 percent in 1990/91 (Appendix IV, Table I), total outlays of CFAF 247 billion are projected, 40 percent higher than over the last three years. To ensure a significant increase in the implementation rate, the authorities are adopting a series of measures, including the elimination of administrative steps for the entry into effectiveness of external assistance, improved monitoring of the execution of projects, and increased responsibility of regional offices. The investment program will continue to be financed mainly by external resources with a rising share of grants, which will amount to 54 percent of total financing in 1988/89; concessional loans will account for 39 percent of the financing, and domestic resources for 7 percent.

The investment program continues to give priority to the directly productive and social sectors, which will absorb about 48 percent and 30 percent, respectively, of total investment. Investment in infrastructure, accounting for about 19 percent of the total, will be concentrated on the rehabilitation of existing facilities. As indicated above, investments in agriculture will be carried out in the framework of an integrated rural development strategy. In the education and health sector, investment will focus on cost-effective construction programs and the rehabilitation of existing structures, with a view to improving the basic infrastructure of classrooms and of primary health assistance; at the same time, these services will be made more effective, through the provision of essential supplies.

4. Financial policies and tax reform

A key instrument for the growth and adjustment strategy over the medium term will be the stance of fiscal policy. This will have to reconcile the requirements of higher investment expenditure and more comprehensive social services and maintenance expenditures with the need to curtail the external debt burden and decrease the reliance on external budgetary support. Hence, the tax/GDP ratio, which is low compared with other sub-Saharan African countries, is targeted to increase from 9.9 percent in 1988/89 to 10.6 percent in 1990/91. The overall budget deficit, on a commitment basis and excluding grants, is projected to rise from 9.8 percent of GDP in 1987/88 to 10.8 percent of GDP in 1988/89, reflecting a sharp increase in investment outlays, but will decline thereafter to 9.9 percent in 1990/91. As an increasing share of the investment program will be financed by grants, the overall budget deficit, on a commitment basis and including grants, will decline from 5.7 percent of GDP in 1987/88 to 3.8 percent in 1990/91. Over the program period, revenue is targeted to increase (by an average 10.7 percent per year) faster than current expenditure (by an average of 2.9 percent per year). Thus the deficit, excluding foreign-financed capital outlays, will decline sharply, from CFAF 19 billion in 1987/88 to CFAF 2 billion in 1990/91, or by 2.4 percentage points of 1988 GDP (Chart 2).

The financing requirement of the budget, including amortization and excluding capital outlays, will be halved over the program period (from CFAF 40 billion in 1987/88 to CFAF 20 billion in 1990/91). This, together with the large increase in grants and net foreign borrowing, will result in a sharp decline in Niger's reliance on debt rescheduling, which will be eliminated by 1990/91. During the program period, the Government will make net repayments to the domestic banking system. Moreover, the authorities are committed to reinforcing the fiscal position even after the program period, so as to eventually reduce reliance on external support.

A central element of the fiscal strategy is the broadening of the revenue base, to be achieved by improved monitoring of the informal sector, which contributes marginally to the revenue effort, and by an overhaul of the system of exemptions. A number of specific measures are included in the 1988/89 program, comprising both an improvement in tax administration and the introduction of a special import levy creditable against the profit tax. To achieve the revenue targets of the two latter years of the program, additional tax measures will have to be introduced, mainly involving further improvements in the taxation of the informal sector.

With regard to current budgetary expenditure, the program emphasizes adequate allocation of resources to supplies and maintenance to improve the operation of essential public services such as schools, medical assistance, and roads. With regard to personnel policy, a significant slowdown in the expansion of the civil service will take place. Over the last four years, the size of the civil service has increased by 2.5 percent annually, with education and health accounting for 65 percent of the increase. The authorities have indicated that the increase was justified in order to ensure the effectiveness of public administration, as the size of the civil service in Niger is one of the smallest in Africa in relation to the population. After the recent expansion, the authorities consider that it is now essential to slow net recruitment and improve the allocation of personnel in the civil service. Recruitment will be made more selective through the introduction of entrance examinations. New recruitment will remain necessary, mainly to expand basic services in education and health, where essential needs have not yet been met. To increase the effectiveness of the civil service, a comprehensive review of all positions will be completed by end-1988; on this basis, a revised organizational structure will be established in 1989, which should permit the containment of costs.

5. Public enterprise reform and the regulatory environment

The Government will intensify its comprehensive action plan to improve the performance of the public enterprise sector and reduce its scope, within the framework of the sectoral adjustment program supported by the World Bank. During the 1989-91 period measures will be taken in four areas. First, the revision of the legal and institutional framework will be completed, with the finalization of the revision of statutes and of personnel regulations and pay scales. Second, the Government will accelerate the rehabilitation of the key enterprises being retained in the public sector. Third, the program for full or partial privatization or divestiture will be completed, and will involve ten additional companies. Fourth, the program of settlement of public sector cross-debts will be completed by 1989/90. The government budget will include adequate provisions for public utility consumption in order to avoid the accumulation of arrears.

An important element of the program is the rehabilitation of Niger's most important financial institution, the BDRN, 1/ which is encountering major financial difficulties because of the large amount of nonperforming loans in its portfolio. The program of strengthening management, improving credit selection, and accelerating loan collection, which has been under way since 1987, will be broadened and will be accompanied by a recapitalization with the participation of new foreign private partners. Under the program, the system of agricultural credit will be strengthened, within the existing banking structure.

The Government is committed to enhancing the policies aimed at stimulating private sector activity in the modern sector, through a

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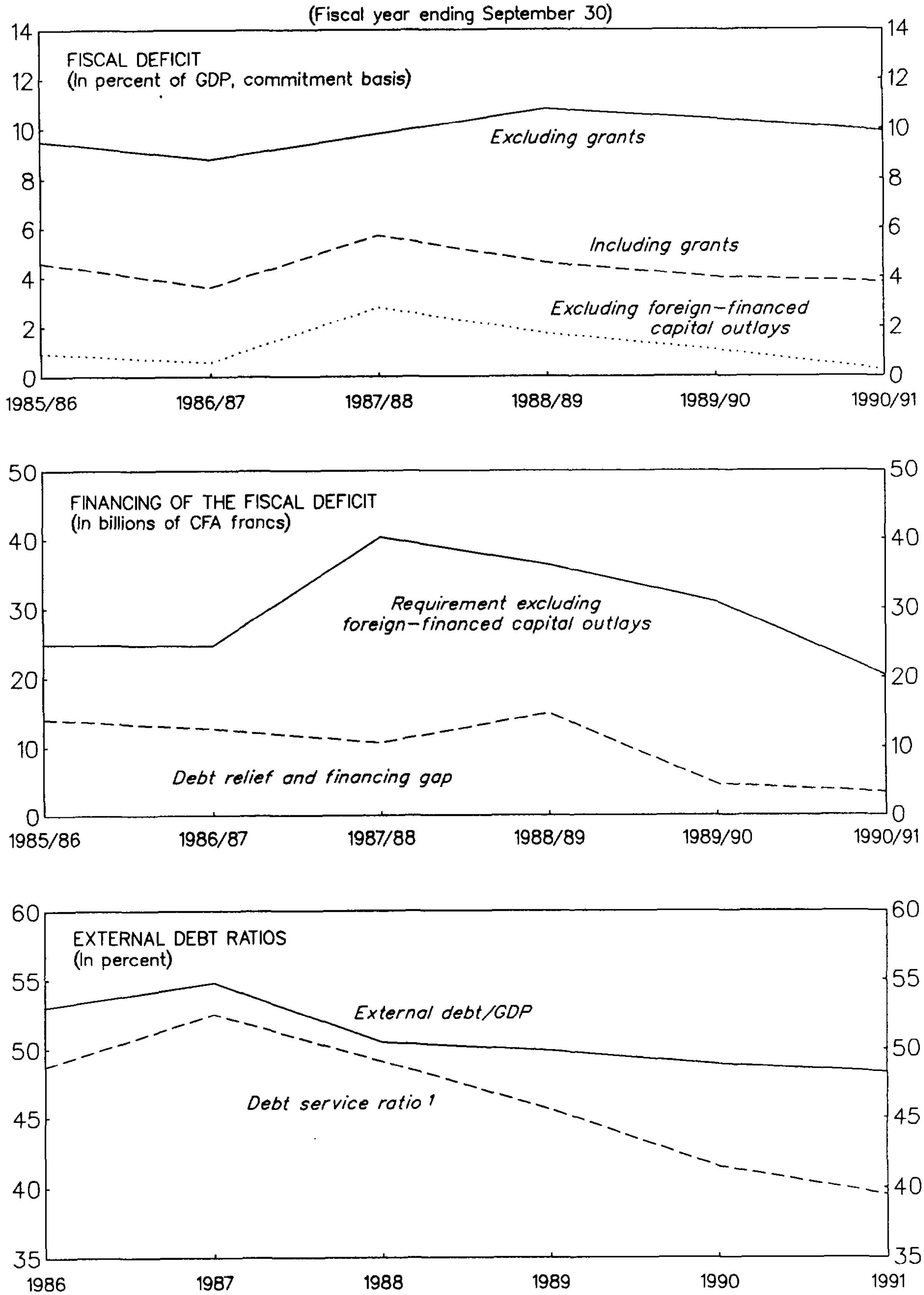
1/ Banque de Développement de la République du Niger.

CHART 2
NIGER
POLICY INDICATORS
(Fiscal year ending September 30)



Sources: Data provided by the Niger authorities; and staff estimates.
1 In percent of exports of goods and services and private transfers; before debt relief.

strategy directed at further improving the pricing system, revising the investment code, and introducing a more flexible external trade regime. Accordingly, the price liberalization under way for manufactured products will be pursued further, to ease administrative constraints; the foreign trade regulations will be simplified; and the investment code will be reformed, with a view to simplifying procedures for eligibility, rationalizing tax exemptions and limiting them to shorter periods, and concentrating the advantage under the code to labor-intensive production techniques and export-oriented industries.

6. Medium-term outlook for the balance of payments and external debt

Despite the progress made in recent years, the authorities recognize that the country's medium-term external position remains weak, and that significant progress in economic diversification is necessary in order to strengthen the balance of payments, reduce Niger's dependence on the uranium market and its vulnerability to the climate, and attain external viability.

The baseline scenario underlying the program shows that sustained adjustment and diversification, together with the commitment of foreign lenders and donors to support Niger's adjustment efforts and structural reforms, should permit the attainment of external viability by 1992. By the end of the program period, in 1991, only a small financing gap would remain, on the basis of expected commitments of assistance, and the balance of payments dependence on uranium exports would be reduced. The relatively unfavorable outlook for uranium exports, which are projected to remain flat over the program period after a decline between 1988 and 1989, is to be partly compensated by a pickup of non-uranium exports, and by the containment of non-investment-related imports. Non-uranium exports, in particular livestock and cowpeas, are projected to grow by an annual average of 12 percent in 1988-91 in CFA franc terms, owing to the diversification and investment effort under way, the removal of export duties, and the flexible pricing and marketing arrangements. On the import side, the growth of the non-investment-related imports will be contained at an annual average of 1.5 percent in value owing to the decline in cereal imports. With the substantial projected increase in investment outlays, in 1989 total imports will grow by 13.4 percent in terms of CFA francs and 9.8 percent in volume terms; their growth will decelerate thereafter to about 6 percent in CFA franc terms and about 3 percent in volume on average during 1990-91. As a result of these trends and a decline in interest payments, the external current account deficit, excluding official transfers, will rise from 10.4 percent on average in 1987-88 to 11.9 percent of GDP in 1989 and decline thereafter to 11.3 percent of GDP in 1991. With an increase in official grants to finance the investment program, the external current account deficit, including official transfers, will be reduced from 3.5 percent of GDP on average in 1987-88 to 2.9 percent in 1991.

Capital inflows are projected to increase, reflecting the financing of the investment program, while non-project-related assistance--from the World Bank, other multilateral agencies, and foreign creditors and donors--is projected to remain at about its 1988 level. Thus, the overall balance of payments deficit before debt relief will narrow sharply from CFAF 14.3 billion in 1988 to CFAF 2.6 billion in 1991, and will shift to a small surplus in 1992. In view of the relatively comfortable reserve position (more than five months of imports during the program period), no accumulation of net foreign assets is foreseen. Drawings under the ESAF will lead to an accumulation of gross reserves. The financing gaps, after accumulation of reserves, are expected to be covered by additional disbursements under the World Bank's Special Program of Assistance for Africa and by recourse to debt relief. The continuation of the adjustment effort after 1991, with growing non-uranium exports, is expected to lead to a further reduction in the current account deficit and will reduce the need for non-project-related external assistance. Nonetheless, a major part of project-related imports will continue to be externally financed and, thus, the balance of payments will continue to rely on a sizable amount of grants and capital inflows on concessional terms.

Niger's capacity to service its debt obligations will increase over time as a result of the expansion of exports. Furthermore, the shift in the financing of the public investment program toward grants, and the repayment of a number of high-interest loans, including repurchases to the Fund, will reduce the debt service burden over time. The ratio of external debt service, before debt rescheduling, to total exports of goods and nonfactor services is projected to decline from 49.1 percent in 1988 to 39.9 percent in 1991 and to 35.7 percent in 1993 (Appendix IV, Tables IV and V). The debt to GDP ratio is targeted to decline from 50.5 percent in 1988 to 48.3 percent in 1991 and is projected to decline further to 46.8 percent in 1993. The share of repurchases and payment of charges to the Fund, as a percent of external public debt service, will decline from 18.7 percent in 1988 to 7.8 percent in 1991 and further to 6.1 percent in 1993. Thus, Niger is expected to be in a position to meet its external debt service obligations in the medium term, including those to the Fund. Niger has always serviced its obligations to the Fund in a timely manner.

The baseline scenario differs from that presented in EBS/87/226 in two major respects. First, the projections for uranium export prices and volumes have been revised downward. Export prices are now projected to decline by 6.1 percent in 1988 and 5.5 percent in 1989, and to remain unchanged thereafter, whereas in the previous scenario, they were projected to increase by 3.0 percent per year beginning in 1988. Export volumes of uranium are projected to remain stable throughout the forecast period, whereas they were previously assumed to increase by 3.0 percent per year starting in 1988. Second, official transfers are projected at a higher level than in the previous program, in the light of indications of continued support by foreign donors.

The assumptions of the present baseline scenario with regard to uranium are even less favorable than those under the alternative scenario II in EBS/87/226, which assumed that uranium exports would remain unchanged throughout the program period. Nonetheless, the programmed adjustment measures and available external financing ensure that, although the shortfall in uranium exports is larger, the financing gap is significantly narrower than foreseen under that scenario.

The baseline scenario is sensitive to changes in the underlying assumptions (Appendix IV, Table VI). Scenario II assumes lower exports, whether owing to a continued decline in uranium export receipts or to a slower increase in non-uranium exports over the program period. Niger would then be faced with the following alternatives: either offsetting this shortfall by an equivalent decline in imports, particularly those related to the public investment program, but at the risk of jeopardizing long-term economic growth; or by temporarily increasing recourse to external assistance if it were to become available. The latter alternative would hinge critically on the effective implementation of the ongoing public investment program and the period of time required for the economy to diversify and develop its rural and non-uranium export sectors. Scenario III assumes that a drought will recur in both 1989 and 1990, whereas the baseline scenario assumes that normal weather conditions will prevail. Drought-related cereals imports, as well as corresponding petroleum imports, are projected to increase sharply. As they are projected to be covered by food aid but with a lag, the financing gap will increase sharply in 1989 and 1990, and will drop in 1991 before disappearing by 1992.

7. Social impact

As described above, improvements in the policy environment, coupled with relatively favorable weather conditions, led to an average annual increase of GDP of 4.4 percent in the 1985-88 period, reversing the previous decline in real per capita GDP. Through the implementation of the structural reform program and the public investment program, the Government seeks to ensure that the entire population benefits in the long term from increased economic efficiency and higher growth. The diversification of export crops and the increase in agricultural production, stimulated by a larger and more appropriate investment effort and by better marketing arrangements, will improve the conditions of the rural poor. The reorientation of public expenditure will make more resources available both for agriculture and for the social sectors, so as to develop basic health and education, which benefit the entire population. The development of the education sector is especially addressed by a new policy under implementation since 1986, which aims at expanding school enrollment and literacy through the increase in human and material resources allocated to this sector, the containment of unit costs, and the more effective involvement of local communities.

The tax reforms envisaged under the program will have a positive impact on equity, because they will bring under taxation economic activities that have previously escaped any tax contribution, and will allow a decrease of tax rates on other sectors. In addition, these reforms, by increasing overall revenue, will enable more resources to be devoted to essential services that benefit the poorest segment of the population.

The price liberalization and trade deregulation measures have had a beneficial impact on market supply and economic activity and are expected to continue to stimulate production in rural areas where incomes are lowest. These policy reforms, together with the fiscal reform, are expected to promote a larger involvement of the informal sector in the economic development process, so as to create new employment opportunities.

IV. The Program for 1988/89

Consistent with the above medium-term policy framework, the objectives of the 1988/89 program are to achieve in 1989 a growth of real GDP of 4.3 percent; limit the rate of inflation, as measured by the GDP deflator, to 3.3 percent; and contain the external current account deficit, including official transfers, at 4.1 percent of GDP. In order to achieve these key objectives of the program, the authorities will implement wide-ranging structural and demand-management policies. A summary of the program is contained in Table 8.

1. Fiscal policy

In the 1988/89 program, the authorities intend to correct the revenue slippages of the previous year, broaden substantially the revenue base, and support growth with an enlarged investment effort.

The overall fiscal deficit, on a commitment basis and excluding grants, is programmed to reach CFAF 82.8 billion (10.8 percent of GDP), compared with CFAF 67.4 billion (9.8 percent of GDP) in 1987/88. The widening of the deficit results from the planned increase in the public investment program (by 3 percent of GDP), partly offset by revenue measures and restraint in current expenditure. Reflecting the increase in grants for the financing of the investment program, the deficit, on a commitment basis and including grants, will decline from CFAF 39.0 billion (5.7 percent of GDP) in 1987/88 to CFAF 35.1 billion in 1988/89 (4.6 percent of GDP). Taking into account the settlement of public sector cross-debts of CFAF 4.9 billion financed by the World Bank's PESAP, the deficit, on a cash basis and excluding grants, is forecast to amount to CFAF 87.7 billion (11.5 percent of GDP). Total net foreign financing including grants is projected at CFAF 74.6 billion. This amount includes, in addition to public investment financing, drawings under the PESAP, related cofinancing, already secured bilateral

Table 8. Niger: Summary of the Adjustment Program for 1988/89 1/

Main Objectives

1. Real GDP growth: 4.3 percent.
2. Inflation (GDP deflator): 3.3 percent.
3. External current account deficit, including grants: 4.1 percent of GDP; excluding grants: 11.9 percent of GDP; and overall balance of payments deficit: CFAF 13.1 billion.

Policies

Public finance

Limit consolidated fiscal deficit, on a commitment basis and excluding grants, to 10.8 percent of GDP, and including grants to 4.6 percent of GDP.

1. Revenue: Increase by 13.1 percent.

   a. Expand taxation of informal sector through enhanced cross-checks, tax requirement for government contract bidders, and enhanced customs control.
   b. Introduce a special levy of 3 percent on imports (précompte forfaitaire à l'importation) creditable against the profit tax for all economic agents under the presumptive taxation system.
   c. Strengthen customs duty administration, including reform of the transit trade regulations.
   d. Collect general income tax on salaried workers directly from employers and real estate tax on rental value directly from rentors.
   e. Prepare a system to eliminate exemptions on foreign-financed projects.
   f. Transfer CFAF 5.0 billion in CSPPN profits.

2. Expenditure: Limit increase to 18.0 percent.

   a. Contain growth in current expenditure at 4.3 percent.
      - Grant a general wage increase with total impact on the budget limited to 3 percent of the wage bill.
      - Strictly limit recruitment.
      - Strictly contain transfers and subsidies.
      - Provide adequate provisions for maintenance and current transfers, in the context of World Bank program.
   b. Increase investment expenditure through an increase in the implementation rate from 52 to 70 percent.

Public investment program (1988/89)

1.	Overall objective:	CFAF 106.5 billion.
2.	Implementation rate:	70.0 percent.
3.	Financing:	
	Domestic counterpart:	CFAF 5.0 billion.
	External borrowing:	CFAF 29.0 billion.
	Grants:	CFAF 40.6 billion.

Public enterprises

1. Continue implementation of the public enterprise sector adjustment program (PESAP) supported by the World Bank.
2. Revise the charters of the remaining public enterprises under the PESAP (December 1988).
3. Supplement the introduction of performance-based remuneration system by a revision of the personnel status and salary and benefits scale of 14 additional enterprises (December 1988).
4. Adopt performance contract for SNTN and OPVN (December 1988).
5. Adopt performance contract for ORTN and OPT (March 1989).
6. Carry out divestiture or privatization of 11 additional companies (1989).

Agricultural policy

1. Implement rural sector investment program with particular emphasis on improvement in rural resource management and enhancement of development activities.
2. Continue rehabilitation of OPVN, RINI, and SONARA on the basis of the reorganization program prepared with World Bank support (1988/89).
3. Introduce a competitive bidding system for OPVN for its purchases and sales (December 1988).
4. Advance the opening of the SONARA groundnut season to the beginning of September of each year (September 1988).
5. Define and gradually put into practice a new system of agricultural credit (1988/89).

Pricing and marketing policies

1. Reduce the number of products subject to preset profit margins from 39 to 20 (June 1989).
2. Complete study on industrial and trade incentives (March 1989).
3. Revise regulations of foreign trade based on the conclusion of the study on industrial and trade incentives (July 1989).
4. Simplify administrative procedures for granting licenses and use import licenses for statistical purposes (July 1989).
5. Abolish indicative prices for groundnuts and cowpeas for the next crop year (September 1988).
6. Set producer prices for cotton and paddy rice for the next crop year according to world price trends (September 1988).
7. Replace compulsory purchases by domestic rice importers by a protective tariff system (April 1989).
8. Increase customs tariffs on imported rice (Dec. 1988).
9. Abolish duties on agricultural and livestock exports (October 1988).
10. Complete study on the trade tariff policy with assistance from the World Bank (March 1989).

Monetary and credit policies

1. Limit monetary growth to 10.0 percent in 1988 and 8.3 percent in 1989.
2. Limit the increase in net bank claims on Government to 3.6 percent of beginning money stock in 1988 and reduce it by 0.4 percent in 1989.
3. Limit credit to the economy by 10.3 percent of beginning money stock in 1988 and 9.8 percent in 1989.

External debt

1. Refrain from contracting or guaranteeing of nonconcessional loans in the 0- to 12-year maturity range.
2. Accumulate no payments arrears.

Source: Memorandum on Economic and Financial Policies for 1988/89 (Appendix I).

1/ The list of the acronyms for public enterprises is given in Appendix IV, Table VII.

assistance in support of the adjustment program, and debt relief already obtained for the first quarter of the fiscal year. Taking into account a slight reduction in banking system claims on the Government and nonbank financing of CFAF 2.7 billion through the repayment by public entities of rescheduled on-lent debt, a budgetary financing gap of CFAF 10.9 billion remains in 1988/89. This is expected to be covered by additional bilateral assistance and further debt relief.

Revenue is programmed to increase by 13.1 percent in 1988/89, from its depressed 1987/88 level. This increase will require a substantial revenue effort, because of the loss of three important sources of exceptional revenue: first, duties on agricultural and livestock exports have been abolished; second, transfers from the stabilization fund (CSPPN) to the Treasury will henceforth originate only from the differential between domestic and international petroleum prices, whereas in 1987/88 this revenue was supplemented by transfers of reserves, which are now depleted; and third, the Central Bank of West African States (BCEAO) will no longer distribute profits to the Government. The revenue increase is expected to originate from taxes on international trade and income taxes, the increase in excise taxes on tobacco and alcoholic beverages, and larger transfers from public enterprises (Table 9).

Taxes on international trade are programmed to increase by CFAF 4.3 billion, or 19.4 percent, despite the removal of export duties. The VAT on imports is projected to rise significantly, as most credits for stock relief following the introduction of the VAT have been redeemed. The tariff on rice will be raised, to replace quantitative restrictions. Finally, wide-ranging administrative reforms are being put in place. These include better control of transit trade, through the establishment of private customs warehouses, and the introduction of border patrols with increased manpower and equipment, and improvements in the information flows (including computerization) of Customs and the Tax Department. These measures are being implemented in line with the recommendations of two Fund Fiscal Affairs Department technical assistance reports.

Revenue from income taxes is also projected to rise substantially. A special 3 percent levy on imports, creditable against the profit tax, is designed to increase the informal sector contribution to the tax effort and is estimated to raise CFAF 1.3 billion. With the same objective, all government contractors are to be subject to income tax and the VAT on an actual basis. The general income tax on wage-earners (IGR) and the income tax on real estate will be collected at the source and will yield an estimated additional CFAF 0.8 billion in 1988/89. The IGR is also expected to be buoyant in 1988/89 because of the collection of tax arrears. The increase in excise taxes on tobacco and alcoholic beverages will yield CFAF 0.2 billion. Larger transfers of profits from public enterprises are scheduled to yield CFAF 0.3 billion. The Government will reduce the exemptions granted

Table 9. Niger: Impact of Revenue Measures Under the 1988/89 Program

Measures	Revenue Impact: In billions of CFA francs	Revenue Impact: In percent of 1987/88 revenue
Introduction of a special 3 percent levy on imports, creditable against the profit tax	1.3	1.9
Effect over the full year of tighter customs controls, including on transit trade	2.0	2.9
Direct withholding of income tax and real estate tax	0.8	1.2
Collection of income tax (IGR) arrears	0.5	0.7
Increase in rate of the excise tax on tobacco and alcoholic beverages	0.2	0.3
Larger distribution of profits by public enterprises	0.3	0.5
Total	5.1	7.5
Memorandum items:		
Total revenue increase	8.9	13.1
Nominal GDP increase in fiscal year 1988/89 (in percent)		11.4

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

under agreements with bilateral and multilateral donors and creditors, and will make sure that no ad hoc exemptions are granted.

Expenditure and net lending will increase by 18.0 percent in 1988/89. This increase is attributable largely to the expansion of the public investment program by 39 percent. Current expenditure, in contrast, will increase by 4.3 percent. This will be achieved through cuts in certain subsidies and transfers, as well as through a decline in interest payments because of the improved debt structure. Outlays for materials and supplies will increase by 8.7 percent, to improve the provision of basic services. Outlays for wages and salaries will increase by 9.3 percent. This increase will include a wage adjustment, after a six-year freeze, which will take the form of a 6 percent increase in the residency allowance. The impact of this measure will be limited to 3 percent of the wage bill. At the same time, recruitment will be tightened in 1988/89. In order to reduce substantially the growth of the wage bill in the following year, the Government will complete a survey of civil service positions and staffing by December 1988; on this basis it will reform the organizational structure during 1989, and improve the allocation of personnel while cutting costs. The tightening of recruitment will be maintained during the program period and personnel selection procedures will be improved in 1989, through the introduction of entrance examinations.

Since the signing of letter of intent by the authorities on September 3, 1988, the budget for 1988/89 has been adopted. The overall deficit in the budget differs very little from that in the program. Current expenditure is marginally lower than programmed, whereas capital expenditure and net foreign financing are marginally higher. As for revenue, the measures include a reduction in the profit tax rate from 50 percent to 45 percent on corporations and from 30 percent to 25 percent on unincorporated business in order to forestall reductions in economic activity carried out in the formal sector; specifically, the authorities acted out of concern about the closure of companies or the shift of their activity to informal channels. The authorities believe that the revenue loss will be offset by the reduction from five years to three years of the permissible period of loss carry-forward.

2. Public enterprise reform

The comprehensive reform of the public enterprise sector under the program supported by the World Bank will be expanded and broadened in 1988/89. The main actions envisaged under the program include: (a) the completion before end-1988 of the reform of statutes and personnel policies of a few remaining enterprises; (b) the continuation of the rehabilitation programs under way for the key enterprises, including SONICHAR (coal), OPT, NIGELEC (electricity), and ONAHA (irrigation); (c) the implementation of the recently agreed restructuring program for OPVN, RINI, ORTN (radio-television), and SONARA; (d) the adoption of performance contracts with OPVN, ORTN, and SNTN; and (e) the widening of the divestiture program, through the initiation of divestiture procedures for 11 remaining companies.

The outstanding verified public cross-debts, amounting to CFAF 9.1 billion at end-September 1988, will be eliminated by end-December 1989, on the basis of a quarterly timetable, with the financing provided by the World Bank's PESAP.

3. Pricing and marketing policies

Significant progress will be achieved in 1988/89 in the reform of pricing, marketing, and foreign trade regulations with a view to simplifying regulations, stimulating economic activity, and increasing competitiveness. With the objective of fully liberalizing prices by 1990, except the prices of a few strategic goods and services, the number of imported goods subject to preset profit margins will be reduced from 39 to 20 by end-June 1989, and to zero by end-June 1990. As mentioned above, significant reforms of the agricultural pricing system have been introduced for the crop year 1988/89, to ensure that the pricing for export commodities is in line with international prices. Thus, preset producer prices have been abolished for groundnuts and cowpeas and the price of cotton has been set taking into account international prices. In the rice sector, the measures taken to improve the efficiency of RINI will be accompanied by the abolition of the domestic purchase obligation for importers, which will be replaced by an increase in tariff protection by April 1989.

With regard to foreign trade regulations, the authorities are aware of the need to simplify further the licensing system, and to phase out the remaining import quotas on five products (mainly textiles), in order to reduce the burden of administrative procedures and strengthen the competitive environment. To this end, a study on foreign trade regulations and industrial incentives is to be completed by March 1989; on the basis of this study, foreign trade regulations, including import prohibitions, will be revised by end-July 1989. The administrative procedures for granting import licenses will also be simplified by end-July 1989, while the system of import licenses will be maintained solely for statistical purposes.

The new investment code, which is under preparation, will incorporate more flexible approval procedures, rationalize and diminish tax exemptions, and encourage the development of small- and medium-scale, labor-intensive, export-oriented industries.

4. Monetary policy

Monetary and credit policies under the program will be geared toward sustaining the growth of the economy, reducing inflation, and strengthening the balance of payments. Domestic credit, after having declined in 1987, is projected to increase by 13.9 percent of beginning-of-period money stock in 1988, and by 9.5 percent in 1989. Following the drawdown on the Government's deposits through mid-1988, net bank claims on the Government are expected to decline gradually in the second half of 1988; they will nonetheless increase by 3.6 percent of beginning-of-period money stock for 1988 as a whole, before declining by 0.4 percent in 1989. To support the recovery in economic activity, credit to the economy is projected to increase by 10.3 percent and 9.8 percent of beginning-of-period money stock, respectively, in 1988 and 1989. With net foreign assets expected to remain stable during 1988 and 1989, broad money is projected to increase by 10.0 percent and 8.3 percent, respectively, in 1988 and 1989, in line with the increases of nominal GDP (Appendix IV, Table II). To monitor progress under the program, quarterly ceilings have been set on domestic credit and net bank claims on the Government.

The Government, with World Bank assistance, is analyzing the banking sector's structural problems, defining steps to enhance the efficiency of its operations, and examining measures to improve the channeling of financial resources to productive investment. With regard to the rehabilitation of the country's largest financial institution, the BDRN, the Government is presently examining possible actions to reinforce its capital position, and strengthening loan recovery. Discussions with the World Bank and foreign donors are under way with regard to the possible recapitalization. The execution of the restructuring plan will be discussed with the Fund staff at the time of the midterm review of the program.

5. The external sector

With the implementation of the policies and measures described above, the external current account deficit, including official transfers, will be limited to 4.1 percent of GDP in 1989, compared with 2.9 percent estimated for 1988 and 4.1 percent in 1987. Exports are expected to decline marginally in 1989, owing to a 5.5 percent drop in uranium export prices partly compensated by an increase in exports of livestock and agricultural products. Imports, on the contrary, are projected to increase by 13.4 percent, on account of a resumption of imports of capital goods related to the investment program. Despite a sharp cut in food aid, net transfers will increase, reflecting a higher inflow of official transfers also related to the investment program. The surplus on the capital account is projected to increase sharply to CFAF 18.3 billion in 1989, from its low level of 1988, owing to higher project-related loans. As a result, the balance of payments deficit is expected to narrow to CFAF 13.1 billion in 1989, compared with CFAF 14.3 billion (before debt relief) in 1988. As no change in net foreign assets is foreseen, a financing gap of CFAF 13.1 billion is projected for 1989. In order to close the financing gap for 1989, the authorities intend to seek additional financial assistance, including external debt relief from the Paris and London Clubs and other official creditors.

The Government will continue to pursue a cautious external debt management policy. It will not contract or guarantee any nonconcessional loans with a maturity range of 0-12 years during the program period, with the exception of ordinary import credits with a maturity of less than one year. In order to reduce the external debt service burden, the Government will continue to emphasize external financing in the form of grants and concessional loans, to the extent possible on terms comparable with those of IDA. The Government's policies will conform to the standard clauses regarding the trade and payments system. Accordingly, it will not impose restrictions on payments and transfers for international transactions, nor will it impose new or intensify existing restrictions on imports for balance of payments reasons.

6. Benchmarks and performance criteria

The proposed performance criteria and benchmarks are shown in Table 10. To monitor progress under the first annual arrangement under the enhanced structural adjustment facility, and in addition to the structural benchmarks, the following quantitative quarterly targets for end-December 1988, end-March 1989, end-June 1989, and end-September 1989 have been established as benchmarks: quantitative ceilings for domestic credit and net bank claims on the Government, no accumulation of domestic and external government payments arrears, minimum reductions in public cross-debts, and no new external nonconcessional loans contracted or guaranteed by the Government.

Of the above quantitative benchmarks, those for end-March 1989 will constitute performance criteria. The standard clause regarding the exchange and payments system shall also constitute a performance criterion. The disbursement of the second loan under the first annual arrangement, to be completed by end-June 1989, will also be subject to a midterm review with the Fund. This review will analyze the fiscal, credit, and balance of payments developments. It will also survey progress in the following areas: implementation of the new government personnel recruitment policy, the reform of the tax exemption system for foreign-financed projects and the elimination of ad hoc exemptions, the reform of foreign trade regulations, and the rehabilitation of the BDRN.

V. Staff Appraisal

Faced with a deterioration of the export outlook for uranium, a worsening of the terms of trade, and inefficiency in public sector management, Niger has embarked since 1983 in a sustained adjustment effort aimed at containing domestic and external imbalances and improving growth prospects. In the implementation of successive Fund-supported programs, the Niger authorities have shown their determination to adapt their policy stance to changing circumstances; thus, up to September 1987, all performance criteria and benchmarks were respected,

Table 10. Niger: Benchmarks and Performance Criteria for the First Annual Arrangement (1988/89) Under the Enhanced Structural Adjustment Facility

(In billions of CFA francs; end of period)

	1988		1989		
	Sept.	Dec.	Mar.	June	Sept.
	Est.	Prog.		Program	
A. Quantitative Financial Benchmarks and Performance Criteria 1/					
Domestic credit 2/	133.2	135.5	141.5 1/	142.4	143.2
Net claims on Government 2/	16.2	15.5	15.7 1/	15.7	15.7
Domestic or external government payments arrears	--	--	-- 1/	--	--
Minimum reduction in public cross-debts (cumulative)	--	1.0	2.4 1/	3.6	4.9
New external loans contracted or guaranteed by the Government on nonconcessional terms at a maturity of 0-12 years	--	--	-- 1/	--	--

B. Structural Benchmarks

	Actions	Timing
1.	Adoption of the budget for 1988/89 in conformity with the Memorandum on Economic and Financial Policies for 1988/89.	October 1, 1988
2.	Reduction in the number of goods and services subject to fixed profit margin ceilings from 39 to 20.	End-June 1989
3.	Revision of the external trade regulations including a simplification of administrative procedures concerning import licences.	End-July 1989
4.	Progress in the rehabilitation of the BDRN.	End-April 1989

Sources: Memorandum on Economic and Financial Policies for 1988/89, dated September 3, 1988; and data provided by the Niger authorities.

1/ The ceilings for March 1989 constitute performance criteria.

2/ The ceilings for 1988/89 will be reduced by any amount of external budgetary assistance received prior to end-1988/89 that exceeds the amounts set forth in the program. For 1988/89, the amount of budgetary aid already committed, not associated with the execution of investment projects, is estimated at CFAF 20.6 billion. Including the coverage of the financing gap, the debt relief already secured, and existing commitments, total budgetary aid not associated with the investment projects would amount to CFAF 44.5 billion. It is estimated that cumulatively CFAF 25.0 billion will be received by end-December 1988, CFAF 35.0 billion by end-March 1989, CFAF 40.0 billion by end-June 1989, and CFAF 44.5 billion by end-September 1989. The ceilings will be reduced by any amount by which external budgetary assistance, including debt relief, exceeds program estimates at a constant exchange rate of CFAF 310 = US$1.

while the main macroeconomic objectives of the programs were met. The financial performance was less favorable in 1987/88 when a severe shortfall in tax revenues, mainly attributable to delays in the implementation of measures necessary to offset tax rate reductions, resulted in the nonobservance of the quantitative benchmarks on credit to the Government, and, by a small margin, of those on domestic credit. However, owing primarily to a decline in investment expenditure, the 1987/88 program targets regarding the budget deficit and the current account were met by a wide margin. The real growth and inflation targets were also broadly met.

Niger has made substantial progress in recent years in implementing structural reforms needed to eliminate distortions and promote growth. In particular, the price system has become much more flexible, with the reduction in scope of price controls on imported and domestically manufactured goods; a comprehensive strategy has been implemented to rehabilitate key public enterprises and privatize a significant number of enterprises; the intervention role of official agricultural agencies has been reduced; and agricultural producer prices have become more flexible to reflect international price trends. In the fiscal area, a tax reform led to the introduction of the VAT in 1986; three-year public investment programs have been established, and are included in the budget and subject to close monitoring; the share of current expenditure for recurrent costs has increased, while the wage bill was contained.

Despite the progress achieved thus far, substantial challenges still confront Niger as it strives to attain external balance of payments viability and a sustained growth pattern. A main constraint over the medium term is represented by the unfavorable outlook for world demand for uranium, the main export commodity, the receipts from which are projected to decline gradually. Non-uranium exports are still limited, and Niger remains vulnerable to changes in climatic conditions. Despite significant tax reforms, the tax/GDP ratio remains low, and the contribution of the informal sector to the tax effort is insufficient. As a result, the budget has to rely on significant external support. The debt service burden remains large.

In order to address these constraints and obstacles, the Niger authorities have decided to strengthen and widen the adjustment strategy in a medium-term context. The strategy that they have elaborated in the PFP for the period 1988/89-1990/91, and for which they request Fund support under an ESAF arrangement, aims at accelerating the process of diversification of the economy so as to ensure sustained growth and expand the export base, through a stepped-up investment effort, increased mobilization of domestic resources, and a broader participation of the private sector. The strategy is based on an improved implementation rate of the investment program elaborated with World Bank assistance and supported by foreign donors and creditors, a broadening of the tax base, an improvement in the regulatory framework, and a continued rehabilitation of public enterprises. To contain the external debt burden, the grant component of the investment program financing will increase. The successful implementation of this strategy should lead to a reduction in the external current account deficit (including grants) to a level that is consistent with the reductions in both the external debt service and the debt/GDP ratios.

The adjustment strategy relies crucially on comprehensive structural reforms in the agricultural sector, including improved efficiency of the official agencies, appropriate design of the investment program, flexibility of producer prices in line with international trends, adequate incentives to facilitate exports, and a strengthening of the organization of local cooperatives. In this context, the staff welcomes the reorganization of the food security agency with its new focus on management of the security stock, and the elimination of fixed producer prices for coarse cereals and for the export crops, which will permit more flexible marketing arrangements. The decision to eliminate export taxes on agricultural and livestock products represents an important step toward fostering export growth. In the period ahead, it will be essential to implement the investment and technical assistance effort effectively, contribute to the strengthening of the cooperatives and local communities, and allow a reversal of the environmental degradation that has taken place in the past. In addition, private marketing mechanisms will have to be improved in a competitive framework to facilitate production and exports, while ensuring adequate incentives to the producers.

In the small-industry sector, the liberalization of pricing, the reduction of import tariffs, and the actions under way to privatize a number of government-owned enterprises are appropriate steps toward increasing the confidence of the private sector and stimulating the development of new initiatives. They will have to be followed in 1989 by a simplification of the foreign trade regulations and the removal of some remaining quantitative restrictions in order to encourage economic activity in a competitive environment.

An appropriate fiscal policy will play an essential role in the medium-term program. Fiscal policy aims at increasing significantly the revenue effort and improving further the structure of current expenditure, in order to enhance the mobilization of domestic resources and improve resource allocation. This will allow a significant reduction in the reliance of the budget on external nonproject financing, and will increase the domestic contribution to the investment program. After the revenue slippages that occurred in 1987/88, it is essential that the current strengthening in tax administration be accelerated. The comprehensive set of measures adopted for 1988/89, including a special import levy creditable against profit taxes, the measures to shift taxpayers from the presumptive to the actual system of taxation, the improved control of transit trade, and the direct payment system for real estate and income taxes, represent necessary steps toward broadening the tax base and increasing the contribution of the informal sector to the tax effort. These will also have to compensate for the reduction of the profit tax rates. As it is not certain that the loss of revenue resulting from the lowering of the tax rates will be fully offset by the reduction in the loss carry-forward period, the staff believes that it would have been more prudent to wait until the efforts to improve tax administration yield significant effects before reducing tax rates. Hence, it will be crucial that the revenue effort be closely monitored, so that additional measures can be introduced quickly, should any slippage emerge. The revenue effort will have to be sustained with determination during the entire three-year period and specific measures for the two latter years will have to be developed so as to provide for a significant increase in the tax/GDP ratio, which is low in comparison with neighboring countries. On the expenditure side, the tightening of recruitment now under way and improved allocation of personnel will be necessary in order to allocate additional resources to recurrent expenditures such as maintenance and supplies, and to improve the functioning of the education and health sectors, where essential needs have not yet been met.

The strategy of promoting non-uranium exports, the cautious demand-management policies, and the continued support of creditors and donors for the investment program are expected to lead to an equilibrium in the balance of payments by 1992, while decreasing the reliance on external nonproject assistance. It will be essential that sustained adjustment and economic diversification be continued beyond 1991, so as to reduce further Niger's dependence on external assistance. The authorities have already secured sufficient commitments to cover most of the financing gap for 1989. In view of the indications that additional assistance, including the envisaged debt relief, will be forthcoming, it is reasonable to assume that the financing gap for 1989 will be covered. Therefore, the staff considers that outright approval of the requested arrangement is appropriate.

During the program period, the debt service burden and the debt/GDP ratio are projected to decrease, resulting from the authorities' cautious policy of borrowing only on concessional terms, and from the declining trend in the current account deficit. Furthermore, the terms relating to the resources provided under the ESAF arrangements will contribute to an improvement in the terms of Niger's external indebtedness. Foreign reserves are forecast to remain high and provide coverage for about five months of imports. In these circumstances, and given Niger's excellent past record of remaining current with the Fund, the staff feels that Niger will be able to meet its future obligations to the Fund in a timely manner.

In the view of the staff, the medium-term strategy proposed by the Niger authorities, as well as the measures taken in 1988/89, are appropriate for strengthening the adjustment effort over the medium term, contributing to a more broadly based development of the economy, and thus promoting the return to a viable financial position. However, the achievement of the program objectives will require a rigorous implementation of the adjustment policies over a sustained period, and a readiness to strengthen measures--especially in the tax area, if slippages were to occur--as well as the continued support of Niger's efforts by external creditors and donors.

In view of the progress already achieved, the continued commitment to adjustment shown by the Niger authorities, and the detailed policies spelled out for the period 1988/89-1990/91, the staff recommends approval of the requested arrangements under the enhanced structural adjustment facility.

The staff proposes that the next Article IV consultation be held on the standard 12-month cycle.

VI. Proposed Decision

In view of the foregoing, the following draft decision is proposed for the adoption by the Executive Board:

ESAF Arrangement

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

2. The Fund notes the updated policy framework paper for Niger set forth in EBD/88/335.

3. The Fund approves the arrangements set forth in EBS/88/237.

Enhanced Structural Adjustment Facility:
Three-Year and First Annual Arrangements

Attached hereto is a letter dated September 3, 1988 with an attached Memorandum on Economic and Financial Policies for 1988/89 from the Prime Minister of Niger requesting from the International Monetary Fund a three-year arrangement under the enhanced structural adjustment facility, 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 Fund grants the requested arrangements in accordance with the following provisions, and subject to the Regulations for the Administration of the Structural Adjustment Facility and the Instrument to Establish the Enhanced Structural Adjustment Facility Trust:

1. (a) For a period of three years from December , 1988, Niger will have the right to obtain loans from the Fund under the enhanced structural adjustment facility, in a total amount equivalent to SDR 50.55 million. Of this amount, the equivalent of SDR 4.549.500 shall be provided from the structural adjustment facility within the Special Disbursement Account, and the equivalent of SDR 46.000.500 shall be provided from the Enhanced Structural Adjustment Facility Trust, subject to any changes in the amount of access to the structural adjustment facility.

(b) The amount of each annual arrangement will be the equivalent of SDR 16.85 million for the first annual arrangement; the equivalent of SDR 16.85 million for the second annual arrangement; and the equivalent of SDR 16.85 million for the third annual arrangement.

(c) Under the first annual arrangement:

(i) the first loan, in an amount equivalent to SDR 8.425 million, will be available on December , 1988 at the request of Niger; and

(ii) the second loan, in an amount equivalent to SDR 8.425 million, will be available on June 30, 1989 at the request of Niger subject to paragraph 2 below.

2. Niger will not request disbursement of the second loan specified in paragraph 1(c)(ii) above

(a) if the Managing Director finds that at the end of March 1989

(i) the limit on net domestic credit of the banking system, or

(ii) the limit on net bank credit to the Government, or

(iii) the limit on domestic and external government payments arrears, or

(iv) the target for the reduction of identified public cross-debts, or

(v) the limit on the contracting or guaranteeing by the Government of nonconcessional external loans,

referred to in paragraphs 17, 21, 24, and 25 of the Memorandum on Economic and Financial Policies for 1988/89 attached to the letter and specified in Table 10 to EBS/88/237 were not observed; or

(b) if Niger

(i) imposed or intensified restrictions on payments and transfers for current international transactions, or

(ii) introduced or modified multiple currency practices, or

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

(iv) imposed or intensified import restrictions for balance of payments reasons, or

(c) until the Fund has determined that the midterm review of Niger's program referred to in paragraph 25 of the memorandum attached to the letter has been completed.

If the Managing Director finds that any of the performance clauses that have been established in or under this paragraph 2 have not been met, the second loan specified in paragraph 1(c)(ii) above may be made available only after consultation has taken place between the Fund and Niger, and understandings have been reached regarding the circumstances in which Niger may request that second loan.

3. 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 paragraphs 17, 21, 24, and 25 of the memorandum attached to the letter;

(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

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

4. In accordance with the attached letter, 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 these arrangements.

5. In accordance with the attached letter, during the period of the first annual arrangement, Niger will consult with the Managing Director on the adoption of any measures that may be appropriate at the initiative of the Government or whenever the Managing Director requests such a consultation. Moreover, after the period of the first annual arrangement and while Niger has outstanding financial obligations to the Fund arising from loans under that arrangement, Niger will consult with the Fund from time to time, at the initiative of the Government or whenever the Managing Director requests consultation on Niger's economic and financial policies. These consultations may include correspondence and visits of officials of the Fund to Niger or of representatives of Niger to the Fund.

TRANSLATION

Republic of Niger

Niamey, September 3, 1988

Supreme Military Council
Office of the Prime Minister

No. ---/PM

The Prime Minister

TO:

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Camdessus:

On November 23, 1987, the Executive Board of the Fund approved Niger's request for a second annual arrangement under the structural adjustment facility.

The Government of Niger has vigorously implemented the measures and policies provided for in its adjustment program. However, the tariff reduction measures that were introduced in May 1987 for imported commodities led initially to a decrease in tax receipts, which could not be entirely offset by broadening the tax base. Hence, the program benchmark on net claims on the Government for end-June 1988 could not be met and, despite additional measures taken, the benchmarks for end-September 1988 will also not be met.

Nonetheless, the outcome for the basic program objectives regarding GDP growth, the inflation rate, the overall budget deficit, and the balance of payments deficit were either in line or better than programmed. The recovery in agricultural production is expected to bring about an increase in real GDP of about 7 percent in 1988, and the rate of inflation during the first half of the year was contained at less than 2 percent. The budget deficit is estimated at CFAF 67.4 billion, against CFAF 75.9 billion programmed, and the external current account deficit for 1988 is expected to be significantly lower than programmed.

The Government is determined to adopt measures to increase tax receipts and contain public expenditure. It has also decided to strengthen efforts regarding structural reform policies with a view to achieving a sustained rate of growth in the coming years.

The medium-term policies are set forth in the economic and financial policy framework paper for 1989-91, which was prepared in collaboration with the Fund and World Bank staffs and which has been forwarded to you under separate cover.

The attached memorandum, which was prepared in accordance with the above-mentioned policy framework paper, describes the objectives and policies that the Government intends to pursue and implement during the three years 1989-91 and the objectives and policies of the first annual program, covering the period October 1988-September 1989. In support of these objectives and policies, the Government of Niger hereby requests a three-year arrangement under the enhanced structural adjustment facility in an amount equivalent to SDR 50.5 million, and the first annual arrangement thereunder in an amount equivalent to SDR 16.8 million.

The Niger authorities are convinced that the policies and measures described in the memorandum are adequate to achieve the program objectives. Nevertheless, they will take any further measures that may appear appropriate for this purpose. In accordance with the conditions of the enhanced structural adjustment facility, they will conduct a mid-term review of the first annual program with the Fund to be completed not later than June 30, 1989. During the period of the first annual arrangement, the Government of Niger will consult with the Managing Director on the adoption of any measures that may appear appropriate, either on their own initiative or whenever the Managing Director requests such consultation. Moreover, after the period of the first annual arrangement and while Niger has outstanding financial obligations to the Fund arising from loans under the arrangement, Niger will consult the Fund from time to time, at the initiative of the Government or whenever the Managing Director requests consultation on Niger's economic and financial policies.

The Government will provide the Fund with such information as the Fund may request in connection with its progress in implementing the specified policies and achieving the objectives of the program.

Sincerely yours,

/s/

Mamane Oumarou
Prime Minister

Attachment: Memorandum on Economic and
Financial Policies for 1988/89

TRANSLATION

September 3, 1988

NIGER

Memorandum on Economic and Financial Policies for 1988/89

1. Since 1983, the Government of Niger has undertaken a rigorous adjustment policy, supported by four successive stand-by arrangements and two arrangements from the Fund under the structural adjustment facility (SAF), World Bank adjustment lending, bilateral aid, and debt relief. The measures envisaged under these programs have been implemented, and the key macroeconomic objectives have been met. Thus, the average annual rate of growth of real GDP reached 5.8 percent in 1985-86 and, after a slight decrease in 1987 owing to the late arrival of the rains, is expected to increase to about 7 percent in 1988; the rate of inflation, as measured by the GDP deflator, dropped sharply from 7.3 percent in 1984 to 1.7 percent in 1987; the external current account deficit, including official transfers, was reduced from 9.7 percent of GDP in 1982 to 4.1 percent in 1987, and is expected to narrow further to 2.9 percent of GDP in 1988, owing to a slowdown in public investment outlays. A broad reform program in marketing and pricing policies, the public enterprise sector, and the agricultural sector has been under way since 1986. The structural benchmarks of the second annual arrangement under the SAF for October 1987-September 1988 have been observed, except those concerning the preparation of performance contracts for the radio and television office (ORTN) and the post and telecommunications office (OPT). As for government finance, the deficit, on a commitment basis, was considerably lower than programmed, owing to the slow implementation of the public investment program. However, the significant shortfall in government revenue following the reductions in the value-added tax (VAT) and customs tariff rates in May 1987, and the delayed release of a World Bank structural adjustment loan as a result of lags in the implementation of some reforms, led to a greater-than-programmed recourse to the banking system by the Government. Thus, the quantitative benchmarks set for end-June 1988 in the SAF program for net claims on the Government and reduction in public sector cross-debts could not be observed. A series of tax measures has already been introduced to correct the slippage in the budget, and will contribute to strengthening the public finances.

I. Economic and Financial Developments in 1987/88 1/

2. After an estimated 0.7 percent decrease in real GDP in 1987, as a result of a decline in agricultural production stemming from unfavorable weather conditions during the second half of 1987, economic growth is expected to recover in the second half of 1988. Given the abundant rainfall in 1988, agricultural production is expected to increase by nearly 30 percent; this should translate into real GDP growth of about 7 percent, despite the reduction in public investment outlays. The rate of inflation, as measured by the GDP deflator, is expected to remain moderate in 1988 (approximately 2.6 percent, against 1.7 percent in 1987). During the first half of 1988, the consumer price index rose by 1.6 percent over the same period in 1987. The increase in coarse grain prices stemming from the poor harvest was offset by a slight drop in prices of other essential commodities, reflecting the decrease in customs duties and VAT and the prudent demand-management policies pursued by the authorities.

3. In 1987, the slowdown in economic activity and the decline in public investment resulted in an estimated 4.4 percent drop in imports. Exports decreased by 5.4 percent because of sagging uranium export prices and sharply reduced cowpea exports. Overall, the external current account, including official transfers, recorded a deficit of CFAF 26.3 billion, or 4.1 percent of GDP, exceeding the program projection of CFAF 16.7 billion. Owing to debt relief, the overall balance of payments registered a surplus, enabling the net external assets of the banking system to rise by CFAF 4.1 billion.

4. Budgetary developments during 1987/88 were greatly influenced by the measures taken in May 1987 to reduce customs duties, the VAT rate, and excise taxes with the aim of correcting tax levels that were often excessive and penalizing. The tax shortfall resulting from the reduction by one third in the VAT rate and the import duty cuts of 15-30 percent had to be offset by a series of complementary measures. These measures included increasing the valuation base for customs duties (valeurs mercuriales et barémées); strengthening customs valuation controls; raising duties and strengthening controls on transit trade; and stepping up efforts to combat tax evasion. However, in light of the time required to reinforce the customs administration, the full effect of these measures was not felt until the second half of the fiscal year. Consequently, total revenue reached only CFAF 67.7 billion, against the CFAF 80.6 billion envisaged in the program and CFAF 75.7 billion in 1986/87. If the exceptional revenue from the food aid counterpart fund of 1986/87 is excluded, the shortfall compared with 1986/87 amounted to CFAF 5.1 billion. As capital expenditure was CFAF 22.6 billion lower than estimated in the program (i.e., CFAF 53.8 billion, against the

1/ The analysis for 1988 is based on estimates for the year. All the program targets refer to the calendar year, except the fiscal targets, which refer to fiscal year 1987/88 (October-September).

projected CFAF 76.4 billion and CFAF 60.7 billion in 1986/87), the overall deficit, on a commitment basis, was lower than the program target (CFAF 67.4 billion, or 9.8 percent of revised GDP, against CFAF 75.9 billion, or 11.1 percent of revised GDP). Excluding foreign-financed capital expenditure, however, the deficit was CFAF 14.6 billion higher than anticipated. This development, together with a shortfall of CFAF 6.4 billion in external budgetary assistance, led the Government to draw down its bank deposits (by about CFAF 13 billion), whereas the program had envisaged a CFAF 4.5 billion increase in government deposits.

5. Despite these developments, the effective tax base has been broadened in 1987/88 as a result of a considerable strengthening of the tax departments. Domestic VAT revenue declined by 7 percent compared with the previous year, although the tax rates were cut by 30 percent. This result was achieved through a more effective monitoring of taxpayers and cross-checking with information from customs and on government contractors. Revenue from the industrial and commercial profits tax (BIC) rose sharply (about 17 percent), through improved monitoring of taxpayers, as did revenue from real estate taxes subsequent to the computerization of the land register. Current expenditure, which grew by 5 percent, was in line with program projections and reflected a restrictive wage policy. The decline in capital expenditure reflected delays in implementing new projects, partly because of lags in releasing funds and inadequate coordination within some technical departments, particularly regarding construction projects. Thus, the rate of implementation reached only 52 percent of the CFAF 103 billion investment program. Measures have been taken to ensure a substantial increase in the rate of implementation in 1988/89 and in subsequent years.

6. The Government has continued to pursue its liberalization policy for prices and trade. In November 1987, the number of products subject to fixed price ceilings was reduced from seven to five, and restrictions on the number of traders authorized to import rice were abolished, as were quantitative restrictions on rice and cement imports. Moreover, the indicative producer price of cereals was abolished for crop year 1987/88, and the purchase price per kilogram of cotton was reduced from CFAF 130 to CFAF 110, reflecting world price trends. The official producer price of groundnuts was abolished and replaced by an indicative floor price. This price was set at CFAF 95 per kilogram of unshelled groundnuts, against CFAF 130 per kilogram during the previous crop year.

7. A large number of measures have been adopted as part of the program to restructure public enterprises, although the implementation of some measures has been delayed. The charters of most public enterprises have been revised to enhance their managerial autonomy. Performance contracts have been adopted with the electricity (NIGELEC) and coal (SONICHAR) companies, and such a contract with the transportation company (SNTN) is in final form. The personnel statutes of 26 companies have been revised. Eleven enterprises have been privatized, and the

Government has reduced its participation in eight enterprises. Progress has been achieved in rehabilitating the crop marketing agency (OPVN). The role of OPVN has been redefined: it is now in charge of food security. Moreover, it is no longer responsible for stabilizing the cereals market, and its purchases in crop year 1987/88 have been limited to renewing the security stock. The medium-term program adopted in July 1988 includes the financial rehabilitation of OPVN, and the improvement of its internal management and organization, and of the administration of food aid. A draft performance contract for OPVN is being prepared. On the other hand, there have been delays in finalizing a medium-term restructuring program for Riz du Niger (RINI).

8. In 1988, the external current account deficit, including official transfers, is projected to be contained at CFAF 20.8 billion (2.9 percent of GDP), significantly below the program level (CFAF 30.6 billion), despite lower earnings from uranium exports. This development reflects sharply increased agricultural and livestock exports, as well as a drop in investment-related imports and lower interest payments. Despite a lower-than-programmed net inflow of long-term capital, the overall balance of payments is expected to be in equilibrium.

9. Niger has secured debt relief from the Paris and London Clubs in support of its adjustment efforts. The debt relief amounts to CFAF 14.2 billion for 1988 and CFAF 14.7 billion for fiscal year 1987/88. The Government has exerted and will continue to exert its best efforts to secure debt relief on comparable terms from creditors who did not participate in the Paris Club meeting. The Government has not contracted or guaranteed any nonconcessional loans with a maturity range of 0 to 12 years during the program period. The Government has pursued external sector policies in conformity with the standard clauses regarding the trade and payments system. It has not imposed restrictions on payments and transfers for current international transactions or imposed new or intensified existing restrictions on imports for balance of payments purposes.

II. Medium-Term Economic and Financial Policy Framework

10. The Government's major adjustment objectives and the thrust of its policies for 1989-91 are outlined in the medium-term policy framework paper submitted to the managements of the Fund and World Bank on September 3, 1988. This document updates the two previous policy framework papers covering the periods 1987-89 and 1988-90. While broadly consistent with them, the updated paper takes into account developments in factors influencing the economy and the experience acquired in recent years in defining the thrust of the structural policies to be implemented in the future. In particular, it emphasizes the need to diversify the economy and exports in light of the current slack in the world uranium market. It sets forth the tax measures necessary to increase the contribution of sectors that heretofore have largely escaped taxation, which will thereby strengthen government

finances. It specifies the changes to be made in price, marketing, and incentive policies to increase economic efficiency. Particular emphasis is given to reorganizing public enterprises and reinforcing the procedures for implementing the investment program.

11. As part of the program, the fiscal deficit, on a commitment basis and including grants, will be reduced from 5.7 percent in 1987/88 to 4.6 percent in 1988/89 and 3.8 percent in 1990/91. Excluding grants, the deficit will rise from 9.8 percent of GDP in 1987/88 to 10.8 percent of GDP in 1988/89, and will be reduced to 9.9 percent in 1990/91. The deficit as a percentage of GDP as shown in this policy framework paper is higher than in the previous one, owing to the recent downward revision of the GDP series. The movement in the deficit over the next three years reflects the increase in capital expenditure financed with external grants and highly concessional loans, as programmed in the previous policy framework paper. It also reflects a higher increase in revenue than in current expenditure, following the drop in revenue in 1987/88, which represented the temporary cost of the structural reform. After excluding foreign-financed capital outlays, the budgetary position is targeted to improve sharply during the three-year period, moving from a deficit of CFAF 19.1 billion in 1987/88 to a deficit of CFAF 2.3 billion in 1990/91. This compares with a deficit of CFAF 5.5 billion on average in 1984/85 and 1985/86, when the budget benefited from higher revenues from the uranium sector and the central bank. Despite this improvement, financing of the deficit over the next three years will require significant, though declining, budgetary external assistance from the World Bank and other multilateral and bilateral donors and lenders, including debt relief. In order to reduce gradually the deficit, the authorities are determined to sustain the budgetary adjustment effort over the medium term. The policies for 1989-91 aim at achieving an average annual rate of real GDP growth of 3.8 percent, reflecting in part the recovery in agricultural production following the 1987 drought; the average annual rate of inflation, as measured by the GDP deflator, is now estimated at 3.3 percent for the period, compared with 4.1 percent previously; and the external current account deficit, including official transfers, is expected to be limited to CFAF 25.5 billion in 1991, or 2.9 percent of GDP (as against CFAF 26.3 billion in 1987, or 4.1 percent of GDP), a level consistent with a viable balance of payments position. Attaining such viability will depend crucially on developments in the uranium market and on Niger's success in diversifying its exports and finding new markets.

III. Economic and Financial Program for 1988/89

12. Within the context of the medium-term framework, the program for 1989 will aim at achieving a real GDP growth rate of 4.3 percent; limiting the inflation rate, as measured by the GDP deflator, to 3.3 percent; and containing the external current account deficit, including grants, at 4.1 percent of GDP. To achieve these objectives,

the program for 1989 will emphasize both structural and demand-management policies. The program will focus particularly on reforms in the fiscal, pricing and marketing, and public enterprise areas. An appropriate financial policy will be pursued in order to strengthen structural policies. On the fiscal side, the expected increase in revenue resulting from the adoption of new measures will be accompanied by an austere current expenditure policy and greater control over the pace of capital expenditure. The programmed reduction in the Government's net liabilities to the banking system will allow for an adequate expansion of credit to productive sectors while limiting the expansion of domestic liquidity to a level consistent with program targets.

a. Fiscal policy

13. In order to reverse the drop in revenue that took place in 1988, the Government will adopt new measures aimed at broadening the tax base while maintaining moderate tax rates that do not penalize economic agents. The revenue policy will be accompanied by restraint on current expenditure. In view of the accelerated implementation of the investment program, the fiscal deficit, on a commitment basis and excluding grants, will amount to CFAF 82.8 billion (10.8 percent of GDP), compared with CFAF 67.4 billion (9.8 percent) in 1987/88. The increase in the deficit stems mainly from the increase in capital expenditure under the public investment program, which is financed almost entirely from external sources. Including the settlement of CFAF 4.9 billion in public sector cross-debts, the budget deficit, on a cash basis and excluding grants, will amount to CFAF 87.7 billion. It will be financed by CFAF 12.2 billion in counterpart funds and cofinancing from the World Bank's sectoral adjustment loan (SAL); CFAF 7.1 billion in external grants for budget support; CFAF 3.9 billion in debt relief already secured for the fourth quarter of 1988; and CFAF 69.6 billion in project-linked grants and loans. Deposits of treasury correspondents, including repayments by public enterprises to the Treasury of rescheduled guaranteed debt, are expected to increase by CFAF 2.7 billion. Government deposits with the Central Bank will rise by CFAF 0.5 billion. Taking into account external debt amortization payments projected at CFAF 18.2 billion, the budget will show a financing gap of CFAF 10.9 billion, which the Government expects to cover through bilateral aid and further debt rescheduling. In closing the gap, the Government will give preference to grants and concessional loans.

14. On the revenue side, the Government has prepared a wide-ranging set of measures that should make it possible to increase total revenue (excluding receipts of the special accounts) to CFAF 74.1 billion in 1988/89, against CFAF 65.2 billion in 1986/87. Revenue is thus expected to exceed the level attained prior to the large reduction in rates and duties in May 1987. The measures are designed to bring into the tax system the economic agents of the informal sector that do not contribute to the tax effort; to reduce tax avoidance and evasion; to improve tax

assessment; to speed up tax collection; and to reduce exemptions. First, a broad set of measures and actions will be adopted and implemented during the coming fiscal year to ensure that the informal sector increases its contribution to the tax effort. A special levy of 3 percent on imports (précompte forfaitaire à l'importation) will be introduced, creditable against the BIC, and applied to all economic agents presently included in the presumptive tax system. This tax is expected to yield CFAF 1.3 billion and will be an important instrument for shifting a large number of taxpayers to taxation on an actual basis. Government contractors will be required to pay the BIC and VAT in accordance with this system. Cross-checks between the Customs, Tax, and Treasury directorates will be upgraded through the establishment of taxpayer data files, which will bring together information available at the various levels of government. The computerized data file on importers will be improved by reducing the number of economic agents defined as occasional. The computerization of the Tax directorate, to be completed in 1989, will facilitate the updating of the data files on the actual and presumptive BIC, allow the establishment of a presumptive VAT file, and make it easier to move taxpayers who currently use the presumptive system to an actual-basis assessment. Second, to increase the efficiency of the tax administration, a minimum turnover level for VAT liability will be established in the next budget law. This measure will allow the redeployment of staff with a view to monitoring the returns of major taxpayers more effectively. Third, to overcome tax evasion, the customs administration will pursue further the efforts implemented since end-1987. Supervision of transit trade will be reinforced through the establishment of private customs warehouses (entrepôts fictifs) and the introduction of specified time frames for the clearance of merchandise; staff and equipment available to customs have been increased; and valuation controls have been strengthened. Fourth, measures have been adopted to facilitate the collection of direct taxes. These include the direct payment by employers of general income tax on salaried workers to the Treasury and the direct payment by renters of real estate tax on rental value. The impact of these measures is estimated at CFAF 800 million. Fifth, resources from public enterprises are expected to increase significantly, either through the distribution of profits formerly retained by enterprises or through the collection of claims outstanding on the Treasury's service of on-lent debt. The differential arising from imported petroleum products, which the stabilization fund (CSPPN) will transfer to the Treasury, will amount to CFAF 5 billion, against the CFAF 6 billion in 1987/88, which implied drawing down its reserves.

The measures taken at the customs level should yield a 19 percent increase in customs revenue. This rise partly reflects an upward trend in monthly revenues since the second quarter of 1988. The estimate takes into account the elimination of export duties on agricultural and livestock products, which will be introduced in the next budget to encourage exports and rural development, and which will entail a revenue loss estimated at CFAF 1 billion in 1988/89. The Government will continue its action to reduce the exemptions granted under the investment code, in agreements with foreign and multilateral donors and lenders, and ad hoc exemptions which in the past have eroded the revenue base. Several agreements with donors and lenders have already been reviewed to bring government contractors for foreign-financed projects within the normal direct taxation system. The Government is committed to curtailing discretionary exemptions.

15. Current expenditure growth will be limited to 4.3 percent. In light of the strong growth envisaged for capital expenditure, to be financed largely by grants and concessional loans, total expenditure and net lending is expected to increase by 18 percent. Expenditure for supplies and maintenance will rise by 8.7 percent, in line with the policy of allocating adequate resources to the recurrent outlays required for proper operation of the Government and essential public services. Outlays for transfers and subsidies will remain stable, and interest charges will decline following the shift to more concessional borrowing. As wages and salaries have not been raised since 1982, it has been agreed that the Government will grant in 1988/89 a general wage increase. However, in view of the need to contain expenditure growth, the Government intends to limit the impact of the general wage increase by granting it in the form of a 6 percent increase in the residency allowance (<u>indemnité de résidence</u>), which will cost approximately CFAF 1.1 billion over the entire fiscal year. At the same time, the Government has adopted measures to limit recruitment in 1988/89 to its essential needs. Hence, the wage bill will increase by 9.3 percent in 1988/89. The Government recognizes that the growth of the wage bill must slow down considerably in coming years and, to this end, it is reviewing the civil service recruitment policy. During 1988/89, the personnel policy for the medium term will be defined precisely, in the light of the exhaustive analysis of civil service positions presently being carried out, which will be completed in December 1988. Based on that study, the authorities will revise the organizational structure in the first half of 1989 in order to achieve a more effective allocation of personnel and to increase its efficiency while cutting costs. The recruitment policy, which was tightened in 1988, will be subject to a broad review during the coming months to strengthen personnel selection procedures, particularly through the introduction of entrance examinations. The policy of encouraging voluntary resignations will be continued.

16. Capital expenditure under the investment program is expected to increase significantly following its decline in 1987/88. Disbursements are projected at CFAF 74.6 billion, compared with CFAF 53.8 billion in 1987/88 and CFAF 60.0 billion in 1986/87. Such expenditure would imply a 70 percent rate of implementation of the investment program, compared with 52 percent in 1987/88 and 64.9 percent in 1986/87. To return to a more normal rate of implementation, the authorities have adopted measures to make the administrative procedures associated with project execution more flexible and to reinforce the personnel responsible for projects. The structure of the investment program continues to reflect

the priority placed on the directly productive and social sectors. In light of the size of Niger's external debt, the program will be financed through external grants and loans on highly concessional terms, preferably comparable to those of the IDA. The share of grants in the overall financing of investment expenditure is expected to reach nearly 54 percent in 1988/89.

17. The Government will eliminate an additional CFAF 4.9 billion in public sector cross-debts during 1988/89, in accordance with the following cumulative schedule: CFAF 1.0 billion by end-December 1988; CFAF 2.4 billion by end-March 1989; CFAF 3.6 billion by end-June 1989; and CFAF 4.9 billion by end-September 1989. The quarterly payments on these cross-debts, which are financed by the counterpart funds of the public enterprise sectoral adjustment loan and by bilateral donors, constitute a quantitative benchmark under the program. The cumulative payment through end-March 1989 constitutes a performance criterion of the first annual arrangement under the enhanced structural adjustment facility.

b. Public enterprises

18. Substantial progress has been made in reducing the scope of the public enterprise sector, restructuring its finances, and improving the efficiency of its operations. The Government remains committed to this endeavor. To this end, it will continue to implement the public enterprise sector adjustment program (PESAP), launched in 1987 and supported by the World Bank, which aims at extending and strengthening these reforms. First, under the PESAP, public enterprises that have not yet revised their charters will do so by the end of 1988. Within the same period, the introduction of a performance-based remuneration system will be supplemented by a revision of the personnel statutes and salary and benefits scale of 14 additional enterprises. The performance contract for OPVN will be adopted by the end of 1988. Those for ORTN (radio and television) and OPT (post and telecommunications) will be adopted by end-March 1989. Second, the Government will continue its efforts to rehabilitate a number of strategic public enterprises: programs are presently under way for BDRN, SONICHAR, OPT, NIGELEC, ONAHA (irrigation), and OPVN, and are to be developed in consultation with the World Bank and other lenders for RINI, ORTN, and SONARA (groundnut marketing). The status of Crédit du Niger, SONUCI (housing construction), and SNC (cement) will be reviewed with a view to their possible rehabilitation. Third, the program for the total or partial privatization of a further 11 companies will be pursued in 1988/89. Adequate provision has been made in the budget for the Government's consumption of water and electricity and for subsidies to public enterprises with a social role.

c. Pricing, marketing, and incentives policies

19. The Government remains committed to the objective of fully liberalizing prices by 1990, with the exception of prices for certain

strategic goods and services. To this end, the authorities have substantially reduced the number of goods and services subject to price controls, simplified the price control system, completely deregulated the marketing of millet and sorghum, and abolished all import monopolies with the exception of those pertaining to petroleum products. To further price liberalization during 1988/89, the number of imported goods subject to preset profit margins will be reduced from 39 to 20 by end-June 1989, and to zero by end-June 1990. Indicative prices for groundnuts and cowpeas have been abolished for the next crop year to encourage the marketing of these commodities and promote the operational flexibility and the rehabilitation of SONARA. The groundnut marketing year will begin no later than September 15 in order to ensure the efficient sale of the harvest. The producer prices of cotton and paddy rice for the next crop year have been set according to world price trends to ensure the financial viability of these two subsectors. As part of the rehabilitation of the rice subsector, and to ensure a reasonable protection of domestic output, the customs tariff on rice will be increased. Compulsory purchases by importers of RINI's domestic rice production will be replaced by a protective tariff system by April 1989.

20. The Government will continue to liberalize the external trade regime by replacing the import quotas remaining on some commodities with protective tariffs. Whereas 11 commodities were prohibited from import in April 1986, their number was reduced to 5 early in 1988. A study on foreign trade regulations and industrial incentives will be completed in March 1989; subsequently, the Government will revise its regulation of foreign trade by end-July 1989, including a revision of the import prohibitions on the basis of the study's conclusions. The import license system will be maintained for statistical purposes only. Administrative procedures for granting licenses will be simplified by end-July 1989. The export duties on agricultural and livestock products have been abolished to encourage exports of these products, and export support structures (such as overseas trade representations and assistance in identifying markets) are being set up with donors' support. The preparation of a new investment code has entered its final stage. The new code will incorporate more flexible approval procedures and will rationalize tax exemptions by limiting them to shorter periods and phasing them out over time. The code will give preference to small- and medium-scale enterprises, highly labor-intensive production techniques, and export-oriented industries. In addition, the external tariff policy is being reviewed in the context of a study undertaken with assistance from the World Bank, which will be completed in March 1989. The study will help to rationalize the tariff structure and the pricing policy on domestic industrial products.

d. Monetary policy

21. The expected acceleration of economic growth in the second half of 1988 and the disbursement of crop credits will lead to an acceleration in credit to the economy in 1988, following its decline in 1987. In

view of the expected reduction in net claims on the Government during the second half of the year, domestic credit is projected to rise by 13.3 percent in 1988. In particular, ordinary credit is expected to increase by 15 percent after the sharp decrease in 1987, reflecting the recovery of economic activity. Crop credit is expected to drop from CFAF 12 billion at end-1987 to CFAF 9 billion at end-1988, owing to repayments made by SONARA. Net foreign assets of the banking system are expected to remain stable in 1988, and the money stock is projected to grow by 10 percent, compared with a projected nominal GDP growth rate of 9.9 percent. In 1989, the rate of growth of the money stock is programmed at 8.3 percent, in line with the projected GDP growth of 7.7 percent. In view of the programmed stability of net foreign assets, the growth of domestic credit will be limited to 8.8 percent. Net bank claims on the Government will be reduced by CFAF 0.5 billion between end-1988 and end-1989, which will allow for a 10.3 percent expansion of credit to the private sector in 1989, in parallel with the recovery in economic activity. Indicative quarterly ceilings have been established for the purpose of monitoring the program. Domestic credit, which is expected to reach CFAF 133.2 billion at end-September 1988, will not exceed CFAF 135.5 billion at end-December 1988, CFAF 141.5 billion at end-March 1989, CFAF 142.4 billion at end-June 1989, or CFAF 143.2 billion at end-September 1989. Net claims on the Government, which are projected to rise to CFAF 16.2 billion at end-September 1988, will not exceed CFAF 15.5 billion at end-December 1988, CFAF 15.7 billion at end-March 1989, CFAF 15.7 billion at end-June 1989, or CFAF 15.7 billion at end-September 1989. These ceilings will be reduced by any amount by which external budgetary assistance not tied to investment projects, including debt relief, exceeds program estimates at an exchange rate of CFAF 310 = US$1. The ceilings on domestic credit and on net claims on the Government for end-March 1989 represent performance criteria of the first annual arrangement under the enhanced structural adjustment facility. The ceilings for end-December 1988, end-June 1989, and end-September 1989 constitute benchmarks for program monitoring. As regards interest rate policy, which is common to all member countries of the West African Monetary Union (WAMU), rates will be adjusted as needed to take account of developments in foreign financial markets and to foster financial savings and the efficient allocation of resources within the Union. In view of the low rate of inflation projected for 1989, lending and deposit real interest rates are expected to remain positive.

22. In preparation for a comprehensive reform of the banking sector, the Government, with World Bank assistance, is analyzing the sector's structural problems, defining appropriate steps to improve the efficiency of its operations, and studying measures to enhance its effectiveness in channeling financial resources to productive investment. Niger's largest financial institution, the BDRN, has been faced with serious financial problems, reflecting mainly inappropriate management and sizable nonperforming loans in its portfolio. Several measures were taken in 1986/87 to improve the bank's financial position, including an increase in its capital base, the consolidation of its debts to the BCEAO, a strengthening of management, an improvement in

credit evaluation, and a stepped-up loan recovery effort. However, these measures have been insufficient to restore the bank's financial equilibrium. A recently completed audit concluded that the bank must substantially increase its loan-loss reserves, requiring an equivalent increase in the bank's capital. The authorities, with assistance from the World Bank and other donors and lenders, are examining measures to be adopted to rehabilitate the BDRN, in particular the modalities for its recapitalization. Special attention will be paid in the coming months to strengthening the loan recovery effort. The measures for strengthening the BDRN will be a subject for discussion with Fund staff at the time of the midterm review of the program.

e. The external sector

23. The measures described above are expected to contain the current account deficit, including official transfers, at CFAF 31.4 billion (4.1 percent of GDP) in 1989, compared with CFAF 20.8 billion (2.9 percent of GDP) estimated for 1988. Excluding official transfers, the deficit is expected to reach 11.9 percent of GDP, compared with 10.2 percent in 1988. The export price of uranium is projected to decrease by 5.5 percent in 1989, and exports of agricultural and livestock products are expected to increase sharply, reflecting the measures taken to encourage export diversification (in particular the elimination of export duties). Export receipts are thus expected to remain at their 1988 level, whereas imports are expected to increase by 13.4 percent. This growth will be entirely due to the rise in raw material and capital goods imports linked to the public investment program, which are expected to increase by CFAF 19.2 billion, or about 34 percent. Imports of other consumer goods are expected to decrease slightly, reflecting a sharp decrease in cereal imports, offset in part by increased imports of oil products and other consumer goods. The balance on the services account is expected to remain virtually unchanged. In view of the projected sharp increase in official transfers and disbursements of capital, largely associated with investment projects and the structural adjustment loans from the World Bank, the overall balance of payments deficit should reach CFAF 13.1 billion, compared with a deficit (prior to debt relief) of CFAF 14.7 billion estimated for 1987. With net foreign assets projected to remain stable, a financing gap of CFAF 13.1 billion is foreseen for 1989. This is expected to be financed by external debt relief and exceptional external assistance.

24. The Government intends to seek assistance to close its financing gap. It also expects to request supplementary external debt relief from the Paris Club and other official creditors. In so doing, the Government will give preference to grants and concessional loans. Moreover, it will pursue a prudent policy of external debt management. It will not contract or guarantee any nonconcessional loans with a maturity range of 0 to 12 years during the program period, with the exception of ordinary import credits with a maturity of less than one year. In addition, in order to reduce its debt service burden, the Government

will continue to rely on external financing in the form of grants and concessional loans, to the extent possible on terms comparable to those of IDA. The Government will also pursue policies in conformity with the standard clauses regarding the trade and payments system. Accordingly, it will not impose or intensify restrictions on payments and transfers for current international transactions, or introduce or modify multiple currency practices, or conclude bilateral payments agreements which are inconsistent with Article VIII, nor will it impose new or intensify existing restrictions on imports for balance of payments reasons.

IV. Benchmarks, Performance Criteria, and Midterm Review

25. The ceilings on credit to the economy and net claims on Government at end-March 1989, as specified in paragraph 21, those on cumulative payments of public cross-debts for end-March 1989 specified in paragraph 17, the commitment not to accumulate external and domestic payments arrears as of end-March 1989, the commitment not to contract or guarantee any nonconcessional loans with a maturity range of 0 to 12 years, and the trade and exchange restrictions clauses in paragraph 24 are performance criteria under the first annual arrangement under the enhanced structural adjustment facility. The corresponding ceilings for end-December 1988, end-June 1989, and end-September 1989 are benchmarks for program monitoring. Also, the following structural benchmarks have been established: (a) adoption of the 1988/89 budget in conformity with the above paragraphs by end-September 1988; (b) reduction in the number of goods and services subject to preset profit margins from 39 to 20 by end-June 1989; (c) revision of foreign trade regulations by end-July 1989, including the simplification of administrative procedures for granting import licences; and (d) progress in rehabilitating the BDRN by end-April 1989. A midterm review of the program will be concluded with the Fund by end-June 1989; completion of the review will be a necessary condition for disbursement of the second loan under the first annual arrangement. The midterm review will analyze the execution of the budget and developments in the balance of payments and monetary aggregates. Moreover, the review will examine the progress achieved in the following areas: the implementation of the new government personnel recruitment policy; the reform of the tax exemption system for projects financed from external sources and the status of ad hoc tax exemptions; the reform of foreign trade regulations; and the measures taken to rehabilitate the BDRN.

Niger: Relations with the Fund
(As of September 30, 1988)

I. Membership Status

a. Date of membership — April 24, 1963

b. Status — Article XIV

A. Financial Relations

II. General Department

a. General Resources Account

	Millions of SDRs	Percent of quota
(i) Quota:	33.70	
(ii) Total Fund holdings of member's currency:	72.17	214.18
(iii) Use of Fund credit:	47.04	139.58
Credit tranches	21.85	64.83
EAR	23.69	70.29
CFF	1.50	4.45
(iv) Reserve tranche position	8.56	25.40

b. Special Disbursement Account

	Millions of SDRs	Percent of quota
(i) Structural Adjustment Facility	16.85	50.00

Niger: Relations with the Fund (continued)
(As of September 30, 1988)

III. Stand-by Arrangements and Special Facilities

Date of approval	Duration: Period covered	Duration: Number of months	Amount (SDR million)	Utilization (SDR million)	Undrawn balance (SDR million)	Amount in percent of quota
a. Current arrangements						
(i) SAF						
November 17, 1986	Nov. 17, 1986– Nov. 16, 1989	36	21.40	16.85	4.55	63.50
b. Previous arrangements						
(i) Stand-by arrangements						
December 5, 1986	Dec. 5, 1986– Dec. 4, 1987	12	10.11	10.11	—	30.00
December 5, 1985	Dec. 5, 1985– Dec. 4, 1986	12	13.48	13.48	—	40.00
(ii) CFF						
July 1, 1983			12.00	12.00	—	35.61
October 5, 1983			12.00	12.00	—	35.61

IV. SDR Department

a. Net cumulative allocation: SDR 9.41 million

b. Holdings: SDR 1.13 million (12.0 percent of net cumulative allocation)

V. Administered Accounts

Trust Fund loans

a. Disbursements: SDR 12.70 million

b. Outstanding: SDR 2.96 million

Niger: Relations with the Fund (continued)
(As of September 30, 1988)

VI. Financial obligations due to the Fund

(In millions of SDRs)

	Overdue financial obligations Sept. 30, 1988	Principal and interest due				
		1988 Oct.-Dec.	1989	1990	1991	1992
Principal	—	4.9	14.4	11.5	8.4	6.7
Repurchases	—	4.9	12.9	10.0	8.3	5.4
Trust Fund repayments	—	—	1.5	1.5	0.1	—
SAF payments	—	—	—	—	—	1.3
Charges and interest (prov.)	—	0.6	3.4	2.6	2.0	1.5
General Resources Account	—	0.4	2.7	2.0	1.3	0.8
Trust Fund	—	—	—	—	—	—
SAF	—	—	0.1	0.1	0.1	0.1
SDR Department	—	0.2	0.6	0.6	0.6	0.6
Total	—	5.5	17.8	14.1	10.4	8.2

B. Nonfinancial Relations

VII. Exchange System

Niger's currency, the CFA franc, is pegged to the French franc at the rate of CFAF 50 = F 1. The rate in terms of the SDR on September 30, 1988 was CFAF 412.63 = SDR 1.

VIII. Last Article IV Consultation

Discussions were held during the period April 1-14, 1987. The staff report (EBS/87/133) was discussed by the Executive Board on July 17,1987.

Niger: Relations with the Fund (concluded)
(As of September 30, 1988)

IX. 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 Cornély, was assigned as Advisor to the Secretary General of the Ministry of Finance to assist, inter alia, with the implementation of the FAD tax report. In June 1985 a mission from FAD visited Niger to provide assistance in the budgetary and accounting fields. In January and November/December 1987, FAD missions visited Niger to prepare recommendations on broadening the tax base and on taxation of the informal sector, respectively.

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

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. Since September 1985 a CBD expert, Mr. Tavernier, has been assigned to continue to assist the authorities on external debt matters. In May 1985, a member of the Bureau of Statistics (BUR), Mr. Thiet Luu, provided technical assistance in money and banking.

Niger - Relations with the World Bank Group

1. Statement of IDA Credits as of September 30, 1988

Credit Number	Fiscal Year	Purpose	Amount (net of cancellations) Total commitments 1/	Of which: undisbursed 2/
			(In millions of US$)	
Eighteen credits fully disbursed			152.02	--
0885	1979	Livestock	12.00	0.55
1026	1980	Second Maradi Rural Development	16.70	5.40
1151	1981	Education I	21.50	5.46
1225	1982	Industrial Development	16.00	7.52
1226	1982	Second Forestry	10.10	4.25
1309	1983	Water Supply	6.50	1.07
1394	1983	Fourth Highway	23.60	2.32
1493	1984	Economic and Financial Management Improvement	11.70	3.07
1511	1985	Power Engineering and Technical Assistance	7.50	5.22
1618	1985	Irrigation Rehabilitation	9.30	5.76
A018	1986	Transportation Sector	15.00	8.77
1668	1986	Health	27.80	25.98
1706	1986	Transport Sector	15.00	15.92
A031	1987	Public Enterprise Sector	20.00	7.49
1740	1987	Primary Education Development	18.40	18.71
1833	1987	Public Enterprise Sector Adjustment	60.00	39.24
1838	1988	Public Enterprise Institutional Development	5.50	4.65
1880	1988	Energy	31.50	31.87
1890	1988	Small Rural Operations Adjustment	9.30	9.16
		Total	337.40	202.41
		Of which: has been repaid	(5.86)	
		Total outstanding	331.54	

1/ IDA credit amounts for SDR-denominated credits are expressed in terms of their U.S. dollar equivalents, as established at the time of credit negotiations and as subsequently presented to the Board.

2/ Undisbursed amounts for effective SDR-denominated IDA credits are derived from cumulative disbursements converted to their U.S. dollar equivalents at the June 30, 1988 exchange rate.

Niger - Relations with the World Bank Group (concluded)

2. Statement of IFC investment as of September 30, 1988

Loan Number	Fiscal Year	Borrower	Purpose	Amount of Loan 1/	Equity 1/	Total
				(US$ million equivalent)		
619-NIR	1982	Les Moulins du Sahel S.A. (MDS)	Flourmill	2.22	0.33	2.55
		Total gross commitments		2.22	0.33	2.55

Source: World Bank.

1/ Amount at time of approval.

Table I. Niger: Public Investment Program, 1986/87-1990/91

(In billions of CFA francs, unless otherwise indicated)

	1986/87	1987/88 Prog.	1987/88 Est.	1988/89	1989/90	1990/91
				Program		
Investment program (target)	92.5	103.0	103.0	106.5	113.0	118.0
Implementation rate (in percent)	65.6	74.2	52.2	70.0	72.6	76.3
Financing	60.7	76.4	53.8	74.6	82.0	90.0
Treasury	5.4	5.0	5.5	5.0	5.8	5.8
External borrowing	22.6	29.7	20.9	29.0	30.5	33.2
External grants	32.7	41.7	27.4	40.6	45.7	51.0

Sources: Ministry of Planning; and World Bank estimates.

Table II. Niger: Monetary Survey, 1986-91

(In billions of CFA francs; end of period)

	1986	1987				1988							1989				1990	1991
	Dec.	Sept.		Dec.		March		June		Sept.		Dec.	March	June	Sept.	Dec.	Dec.	Dec.
		Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Est.	Prog.	Program			Proj.	Proj.	Proj.
Net foreign assets	14.2	...	26.9	24.9	20.0	...	26.5	...	22.3	...	20.3	19.7	19.7	19.7	19.7	19.7	19.7	19.7
Central bank	24.2	...	31.4	...	30.8	...	37.5	...	33.5	...	...	...	...	...	...	...	...	...
Deposit money banks	-10.0	...	-4.5	...	-10.8	...	-11.0	...	-11.2	...	...	...	...	...	...	...	...	...
Domestic credit 1/	133.8	129.4	114.6	130.6	119.6	133.1	124.1	128.0	131.0	130.1	133.2	135.5	141.5	142.4	143.2	147.4	156.9	166.8
Net claims on																		
the Government 1/	19.1	12.1	2.9	10.6	11.4	9.6	7.0	8.0	16.9	7.6	16.2	15.5	15.7	15.7	15.7	15.0	13.7	9.8
Central bank	(19.4)	(...)	(3.7)	(...)	(10.2)	(...)	(9.7)	(...)	(18.9)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Other	(-0.3)	(...)	(-0.8)	(...)	(1.2)	(...)	(-2.7)	(...)	(-2.0)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Credit to the economy	114.7	117.3	111.7	120.0	108.2	123.5	117.1	120.0	114.1	122.5	117.0	120.0	125.8	126.7	127.5	132.4	143.2	157.0
Crop credit	(14.2)	(9.3)	(11.2)	(12.0)	(12.0)	(13.5)	(11.2)	(8.0)	(8.2)	(7.0)	(8.0)	(9.0)	(12.0)	(10.0)	(8.0)	(10.0)	(10.5)	(11.0)
Ordinary credit 2/	(100.5)	(108.0)	(100.5)	(108.0)	(96.2)	(110.0)	(105.9)	(112.0)	(105.9)	(115.5)	(109.0)	(111.0)	(113.8)	(116.7)	(119.5)	(122.4)	(132.7)	(146.0)
Net domestic assets	133.2	...	111.9	126.5	119.0	...	124.4	...	129.6	...	132.7	132.5	138.5	138.4	139.2	142.9	152.4	162.3
Money and quasi-money	121.1	...	113.7	125.1	114.4	...	126.4	...	127.4	...	128.0	125.9	131.9	131.8	132.6	136.3	145.8	155.7
Long-term liabilities	26.3	...	25.1	26.3	24.6	...	24.6	...	24.5	...	25.0	26.3	26.3	26.3	26.3	26.3	26.3	26.3
Other items (net)	0.6	...	2.7	4.1	0.6	...	-0.4	...	1.4	...	0.5	3.0	3.0	4.0	4.0	4.5	4.5	4.5

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

1/ The ceilings for 1988/89 will be reduced by any amount of external budgetary assistance received prior to end-1987/88 in excess of the amounts set forth in the program. For 1988/89 the amount of budgetary aid already committed, not associated with the execution of investment projects, is estimated at CFAF 20.6 billion. Including the coverage of the financing gap, the debt relief already secured, and existing commitments, total budgetary aid not associated with the investment projects would amount to CFAF 32.3 billion. It is estimated that cumulatively CFAF 25.0 billion will be will be received by end-December 1988, CFAF 35.0 billion by end-March 1989, CFAF 40.0 billion by end-June 1989, and CFAF 44.0 billion by end-September 1989. The ceilings will be reduced by any amount by which external budgetary assistance, including debt relief, exceeds program estimates at a constant exchange rate of CFAF 310 = US$1.

2/ Including bad debts and disputed claims.

Table III. Niger: Balance of Payments (in SDRs), 1985-93 1/

	1985	1986	1987		1988		1989	1990	1991	1992	1993
			Rev. Prog.	Est.	Prog.	Est.	Prog.	Projections			
					(In millions of SDRs)						
Trade balance	-101.5	-28.1	-34.5	-30.9	-103.6	-52.3	-98.3	-109.3	-123.8	-136.0	-156.0
Exports, f.o.b.	246.8	282.5	301.6	279.5	297.7	276.0	274.0	284.8	295.0	307.3	321.8
Of which: uranium	(211.1)	(218.3)	(225.2)	(223.6)	(228.3)	(203.5)	(192.5)	(192.5)	(192.5)	(192.5)	(192.5)
Imports, c.i.f.	-348.3	-310.6	-336.1	-310.3	-401.3	-328.3	-372.3	-394.0	-418.8	-443.3	-477.8
Of which: petroleum products	(-27.2)	(-18.5)	(-20.8)	(-18.5)	(-26.5)	(-20.3)	(-22.0)	(-23.3)	(-24.8)	(-26.5)	(-28.3)
cereals	(-89.9)	(-20.7)	(-17.4)	(-20.3)	(-53.5)	(-41.3)	(-27.5)	(-23.8)	(-23.8)	(-23.8)	(-23.8)
Services, net	-82.9	-94.3	-103.4	-108.1	-103.6	-94.0	-94.0	-91.0	-87.5	-84.8	-83.3
Of which: interest 2/	(-53.7)	(-56.4)	(-61.6)	(-66.4)	(-60.5)	(-53.8)	(-54.8)	(-52.3)	(-50.5)	(-49.5)	(-48.8)
Transfers	128.0	89.6	92.5	71.3	127.8	94.3	113.8	132.0	147.5	153.8	172.0
Private	(-31.8)	(-36.9)	(-39.0)	(-38.6)	(-39.0)	(-36.3)	(-36.8)	(-37.0)	(-37.3)	(-37.5)	(-37.8)
Official	(159.8)	(126.5)	(131.4)	(109.9)	(166.8)	(130.5)	(150.5)	(169.0)	(184.8)	(191.3)	(209.8)
Current account balance	-56.3	-32.7	-45.5	-67.7	-79.5	-52.0	-78.5	-68.3	-63.8	-67.0	-67.3
Excluding official transfers	(-216.1)	(-159.2)	(-176.9)	(-177.6)	(-246.2)	(-182.5)	(-229.0)	(-237.3)	(-248.5)	(-258.3)	(-277.0)
Capital, net	18.4	-10.3	25.5	45.5	62.6	16.3	45.8	48.8	57.3	69.0	72.3
Public, long-term, net	25.6	13.8	27.3	43.2	65.7	33.8	54.0	54.5	64.3	74.5	78.5
Disbursements	(81.1)	(83.2)	(96.6)	(102.9)	(129.4)	(95.0)	(112.3)	(114.3)	(125.3)	(135.5)	(139.5)
Amortization	(-55.5)	(-69.4)	(-69.4)	(-59.7)	(-63.6)	(-61.3)	(-58.3)	(-59.8)	(-61.0)	(-61.0)	(-61.0)
Private, long-term, net	-12.1	-10.1	-3.6	-12.4	-7.0	-8.8	-8.3	-5.8	-7.0	-5.5	-6.3
Disbursements	(18.6)	(14.3)	(9.6)	(8.7)	(4.9)	(5.5)	(6.3)	(5.0)	(4.3)	(3.3)	(4.3)
Amortization	(-30.7)	(-24.4)	(-13.2)	(-21.1)	(-11.9)	(-14.3)	(-14.5)	(-10.8)	(-11.3)	(-8.8)	(-10.5)
Short-term, net	4.8	-14.0	1.8	14.7	3.9	-8.8	--	--	--	--	--
Debt relief	43.8	49.2	39.7	39.6	...	35.5	...	...	...	...	...
Errors and omissions	0.9	3.4	--	-6.9	--	--	--	--	--	--	--
Overall balance	6.8	9.6	19.7	10.6	-16.9	-0.3	-32.8	-19.5	-6.5	2.0	5.0
Financing	-6.8	-9.6	-19.7	-10.6	16.9	0.3	32.8	19.5	6.5	-2.0	-5.0
Net foreign assets (increase -) 3/	-6.8	-9.6	-19.7	-10.6	-5.5	0.3	--	--	--	-2.0	-5.0
Central bank 3/	-1.3	1.2	...	-12.6	...	...	--	--	--	-2.0	-5.0
Of which: IMF	(19.5)	(18.2)	(3.4)	(2.1)	(-17.4)	(-13.6)	(3.9)	(6.9)	(0.2)	(-6.8)	(-6.8)
purchases and drawings	(19.5)	(19.9)	(19.5)	(18.0)	(4.4)	(8.4)	(16.9)	(16.9)	(8.4)	(--)	(--)
repurchases and repayments	(--)	(-1.7)	(-16.1)	(-16.0)	(-21.8)	(-22.0)	(-13.0)	(-10.0)	(-8.3)	(-6.8)	(-6.8)
Commercial banks	-5.5	-10.8	...	2.1	...	...	--	--	--	--	--
Financing gap	--	--	--	--	22.3	--	32.8	19.5	6.5	--	--
Memorandum items:						(In CFA francs)					
Exchange rates											
CFAF per SDR	456.2	406.3	385.0	388.6	385.0	400.0	400.0	400.0	400.0	400.0	400.0
CFAF per US$	449.3	346.3	310.0	300.5	300.0	310.0	310.0	310.0	310.0	310.0	310.0

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

1/ Data may not add because of rounding.
2/ Includes estimates for interest due on the amounts required to cover the estimated financing gaps and on disbursements after mid-1987.
3/ Excludes revaluation effect of SDR 13.0 million for 1986, SDR 4.4 million for 1987, and SDR 0.5 million for 1988.

Table IV. Niger: Debt Service Payments on Medium- and Long-Term External Debt (in CFA francs), 1983-93 1/

	1983	1984	1985	1986	1987 Rev. Prog.	1987 Est.	1988 Prog.	1988 Est.	1989 Prog.	1990	1991	1992	1993
										Projections			
	(In billions of CFA francs)												
Debt service before debt rescheduling													
Public	22.6	38.5	44.3	46.8	46.1	44.7	44.6	43.2	41.7	41.6	41.7	41.6	41.6
Interest 2/	14.0	16.3	19.0	18.6	19.4	21.5	20.1	18.7	18.4	17.7	17.3	17.2	17.2
Of which: IMF charges	(0.2)	(1.4)	(1.8)	(2.2)	(1.8)	(1.8)	(1.4)	(1.5)	(1.3)	(1.0)	(0.8)	(0.6)	(0.4)
Principal 3/	8.6	22.2	25.3	28.2	26.7	23.2	24.5	24.5	23.3	23.9	24.4	24.4	24.4
Private	27.8	19.9	19.5	14.2	9.4	12.5	7.8	8.5	9.3	7.5	7.4	6.1	6.5
Interest	7.9	6.7	5.5	4.3	4.3	4.3	3.2	2.8	3.5	3.2	2.9	2.6	2.3
Principal	19.9	13.2	14.0	9.9	5.1	8.2	4.6	5.7	5.8	4.3	4.5	3.5	4.2
IMF repurchases (excluding Trust Fund)	--	--	--	0.7	6.2	6.2	8.4	8.8	5.2	4.0	3.3	2.7	2.7
Total	50.4	58.4	63.8	61.7	61.7	63.4	60.8	60.5	56.2	53.1	52.4	50.4	50.8
Interest	21.9	23.0	24.5	22.9	23.7	25.8	23.3	21.5	21.9	20.9	20.2	19.8	19.5
Principal	28.5	35.4	39.3	38.8	38.0	37.6	37.5	39.0	34.3	32.2	32.2	30.6	31.3
Debt rescheduling	3.4	21.5	20.0	20.0	15.3	15.4	...	14.2	...	...	...	...	...
Interest	1.2	7.0	4.1	3.8	--	--	...	2.0	...	...	...	...	...
Principal	2.2	14.5	15.9	16.2	15.3	15.4	...	12.2	...	...	...	...	...
Debt service after debt rescheduling	47.0	36.9	43.8	41.7	46.4	48.0	...	46.3	...	...	...	...	...
Interest	20.7	16.0	20.4	19.1	23.7	25.8	...	19.5	...	...	...	...	...
Principal	26.3	20.9	23.4	22.6	22.7	22.2	...	26.8	...	...	...	...	...
	(In percent of exports of goods and nonfactor services, unless otherwise specified)												
Debt service before rescheduling	33.1	40.5	51.3	48.7	48.1	52.5	47.8	49.1	45.8	41.8	39.9	36.9	35.7
Interest	14.4	15.9	19.7	18.1	18.5	21.4	18.3	17.4	17.8	16.4	15.4	14.5	13.7
Principal	18.7	24.5	31.6	30.6	29.6	31.1	29.5	31.6	28.0	25.3	24.5	22.4	22.0
Debt service after rescheduling	30.9	25.6	35.2	32.9	36.2	39.7	...	37.6	...	...	...	...	...
Interest	13.6	11.1	16.4	15.1	18.5	21.4	...	15.8	...	...	...	...	...
Principal	17.3	14.5	18.8	17.9	17.7	18.4	...	21.7	...	...	...	...	...
Memorandum items:													
Trust Fund repayments (in billions of CFA francs)	--	0.5	0.5	1.0	1.0	1.0	1.0	1.0	0.6	0.6	--	--	--
External debt outstanding (in percent of GDP)	39.7	50.4	50.5	53.0	59.0	54.8	60.1	50.5	49.4	48.9	48.3	47.6	46.8
Service to IMF 4/	0.1	1.3	1.8	3.1	7.0	7.5	8.5	9.2	5.8	4.4	3.1	2.4	2.2

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

1/ Data may not add up owing to rounding.
2/ Including IMF charges.
3/ Including Trust Fund repurchases.
4/ Including charges, Trust Fund repurchases, and other repurchases to the Fund.

Table V. Niger: Debt Service Payments on Medium- and Long-Term External Debt (in SDRs), 1983-93 1/

(In millions of SDRs)

	1983	1984	1985	1986	1987 Rev. prog.	1987 Est.	1988 Prog.	1988 Est.	1989 Prog.	1990	1991	1992	1993
										Projections			
Debt service before debt rescheduling													
Public	55.5	86.0	97.1	115.2	119.7	115.0	115.8	108.0	104.2	104.0	104.2	104.0	104.0
Interest 2/	34.4	36.4	41.6	45.8	50.4	55.3	52.2	46.8	46.0	44.3	43.3	43.0	43.0
Of which: IMF charges	(0.5)	(3.1)	(3.9)	(5.4)	(4.7)	(4.6)	(3.6)	(3.8)	(3.3)	(2.5)	(2.0)	(1.5)	(1.0)
Principal 3/	21.1	49.6	55.5	69.4	69.4	59.7	63.6	61.3	58.3	59.8	61.0	61.0	61.0
Private	68.2	44.4	42.7	34.9	24.4	32.2	20.3	21.3	23.3	18.8	18.5	15.3	16.3
Interest	19.4	15.0	12.1	10.6	11.2	11.1	8.3	7.0	8.8	8.0	7.3	6.5	5.8
Principal	48.8	29.5	30.7	24.4	13.2	21.1	11.9	14.3	14.5	10.8	11.3	8.8	10.5
IMF repurchases (excluding Trust Fund)	--	--	--	1.7	16.1	16.0	21.8	22.0	13.0	10.0	8.3	6.8	6.8
Total	123.7	130.4	139.9	151.9	160.3	163.1	157.9	151.3	140.5	132.8	131.0	126.0	127.0
Interest	53.8	51.4	53.7	56.4	61.6	66.4	60.5	53.8	54.8	52.3	50.5	49.5	48.8
Principal	70.0	79.0	86.1	95.5	98.7	96.8	97.4	97.5	85.8	80.5	80.5	76.5	78.3
Debt rescheduling	8.3	48.0	43.8	49.2	39.7	39.6	...	35.5	...	...	...	...	...
Interest	2.9	15.6	9.0	9.4	--	--	...	5.0	...	...	...	...	...
Principal	5.4	32.4	34.9	39.9	39.7	39.6	...	30.5	...	...	...	...	...
Debt service after debt rescheduling	115.4	82.4	96.0	102.6	120.5	123.5	...	115.8	...	...	...	...	...
Interest	50.8	35.7	44.7	47.0	61.6	66.4	...	48.8	...	...	...	...	...
Principal	64.6	46.7	51.3	55.6	59.0	57.1	...	67.0	...	...	...	...	...

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

1/ Data may not add up because of rounding.
2/ Including Fund charges, assuming only the additional disbursements under the SAF.
3/ Including Trust Fund repayments.

Table VI. Niger: Medium-Term Outlook for the Balance of Payments, Alternative Scenarios, 1988-93

	1988 Est.	1989 Prog.	1990	1991	1992	1993
			Projections			
	Scenario I (Baseline Scenario)					
Uranium export prices (in CFA francs per metric ton)	27,513	26,000	26,000	26,000	26,000	26,000
Export volume growth (in percent)	6.3	4.0	4.6	2.9	3.5	4.2
Import volume growth (in percent)	3.5	9.8	3.2	2.6	2.2	4.0
Current account deficit (-) (in percent of GDP)						
Excluding official transfers	-10.2	-11.9	-11.5	-11.3	-10.9	-10.9
Including official transfers	-2.9	-4.1	-3.3	-2.9	-2.8	-2.6
Overall balance (in billions of CFA francs)	-0.1	-13.1	-7.8	-2.6	0.8	2.0
Financing gap (in billions of CFA francs)	--	13.1	7.8	2.6	--	--
Terms of trade (percentage change)	-9.4	-7.3	-2.5	-3.1	-3.3	-3.3
	Scenario II (Lower Uranium Export Receipts)					
Uranium export prices (in CFA francs per metric ton)	27,513	26,000	25,000	24,000	23,000	22,000
Export volume growth (in percent)	6.3	4.0	4.6	2.9	3.5	4.2
Import volume growth (in percent)	3.5	9.8	3.2	2.6	2.2	4.0
Current account deficit (-) (in percent of GDP)						
Excluding official transfers	-10.2	-11.9	-11.9	-12.0	-11.8	-12.1
Including official transfers	-2.9	-4.1	-3.7	-3.6	-3.8	-3.8
Overall balance (in billions of CFA francs)	-0.1	-13.1	-10.8	-8.6	-8.1	-9.9
Financing gap (in billions of CFA francs)	--	13.1	10.8	8.6	8.1	9.9
Terms of trade (percentage change)	-9.4	-7.3	-5.6	-6.3	-6.5	-6.6
	Scenario III (Higher Cereal Imports)					
Uranium export prices (in CFA francs per metric ton)	27,513	26,000	26,000	26,000	26,000	26,000
Export volume growth (in percent)	6.3	4.0	3.9	2.0	-1.1	3.5
Import volume growth (in percent)	3.5	21.3	4.7	1.6	-6.7	3.3
Current account deficit (-) (in percent of GDP)						
Excluding official transfers	-10.2	-13.9	-13.6	-13.2	-11.3	-11.2
Including official transfers	-2.9	-5.9	-3.8	-3.2	-3.2	-2.9
Overall balance (in billions of CFA francs)	-0.1	-27.0	-11.6	-5.6	-2.2	-1.0
Financing gap (in billions of CFA francs)	--	27.0	11.6	5.6	2.2	1.0
Terms of trade (percentage change)	-9.4	-7.3	-3.8	-3.0	-1.7	-3.1

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

APPENDIX IV

Table VII. Niger: Acronyms of Public Enterprises (Present and Former)

A.	**Financial Institutions**	
1.	BDRN	: Banque de Développement de la République du Niger
2.	CNCA	: Caisse Nationale de Crédit Agricole
3.	Crédit du Niger	: Banque de Financement de l'Habitat
4.	CPCT	: Caisse de Prêts aux Collectivités Territoriales
5.	CNE	: Caisse Nationale d'Epargne
6.	CSPPN	: Caisse de Stabilisation des Prix et de Perêquation du Niger
7.	OPEN	: Office de Promotion des Entreprises Nigériennes
B.	**Agriculture**	
8.	Abattoirs	: Abattoirs de Niamey
9.	CM	: Centre Multiplicateur
10.	SONERAN	: Société Nigérienne d'Exploitation des Ressources Animales
11.	OLANI	: Office du Lait du Niger
12.	LCE	: Laboratoire Central d'Elevage
13.	VETOPHAR	: Projet de Pharmacie Vétérinaire
14.	UAB	: Usine d'Aliments du Bétail
15.	SNCP	: Société Nationale des Cuirs et Peaux
16.	SONITAN	: Société Nigérienne de Tannerie
17.	SOTRAMIL	: Société de Transformation du Mil
18.	RINI	: Riz du Niger
19.	SICONIGER	: Société Industrielle et Commerciale du Niger
20.	CA	: Centrale d'Approvisionnement
21.	INRAN	: Institut National de Recherche Agronomique du Niger
22.	ONAHA	: Office National d'Aménagements Hydro-Agricoles
23.	UNCC	: Union Nigérienne de Crédit et Coopération
24.	OPVN	: Office des Produits Vivriers du Niger
25.	SONARA	: Société Nationale de Commercialisation de l'Arachide
C.	**Mining and Utilities**	
26.	NIGELEC	: Société Nigérienne d'Electricité
27.	SONICHAR	: Société Nigérienne de Charbon
28.	ONAREM	: Office National de Recherches Minières
29.	OFEDES	: Office d'Exploitation des Eaux du Sous-Sol
30.	Salines de TIDEKELT	: Projet d'Exploitation des salines de Tidekelt
31.	SNDE	: Société Nationale des Eaux
D.	**Manufacturing**	
32.	SONICERAM	: Société Nigérienne de Céramique
33.	INN	: Imprimerie Nationale du Niger
34.	SNC	: Société Nigérienne de Cimenterie
35.	SONIFAME	: Société Nigérienne de Fabrications Métalliques
36.	SOPAC	: Société de Papiers et Cahiers
37.	CMAN	: Centre des Métiers d'Art du Niger
38.	SONITEXTIL	: Société Nigérienne de Textiles
39.	ONERSOL	: Office pour l'Energie Solaire
40.	SONIEN	: Société Nigérienne pour les Energies Nouvelles
E.	**Transportation**	
41.	AIR NIGER	: Transports Aériens
42.	SNTN	: Société Nationale des Transports Nigériens
43.	NITRA	: Niger Transit
F.	**Communications**	
44.	OPT	: Office des Postes et Télécommunications
45.	STIN	: Société des Télécommunications Internationales du Niger
46.	ORTN	: Office de Radiodiffusion et Télévision du Niger
47.	SNT	: Société Nationale de Télévision
G.	**Distribution**	
48.	COPRO-NIGER	: Commercialisation des Produits de Première Nécessité
49.	SONIDEP	: Société Nigérienne de Distribution des Produits Pétroliers
50.	ONPPC	: Office National des Produits Pharmaceutiques et Chimiques
H.	**Other Services**	
51.	SONHOTEL	: Société Nationale d'Hôtellerie
52.	SPEHG	: Société Propriétaire et Exploitante de l'Hôtel Gaweye
53.	ONT	: Office Nigérien du Tourisme
54.	LEYMA	: Assurances
55.	SONUCI	: Gérance Immobilière

Source: Ministry in Charge of Public Enterprises.

Niger - Statistical Issues

1. Outstanding statistical issues

a. Real sector

The current CPI, which reflects the consumption of African households (base July 1962-June 1963), is outdated. A study to develop a new CPI is being undertaken with assistance from the World Bank.

Data on merchandise trade are reported only on an annual basis and with considerable delay.

b. Government finance

Annual data published in the IFS Yearbook cover consolidated central government operations, including extrabudgetary operations, for the years 1976 through 1980, as reported for publication in the 1987 Government Finance Statistics Yearbook. There is no government finance presentation for Niger in the monthly edition of IFS.

Data published in the 1987 Government Finance Statistics Yearbook cover consolidated central government operations as explained above, and result from technical assistance missions.

c. Monetary accounts

A technical assistance mission to the BCEAO headquarters in May 1985 recommended certain improvements in the compilation of money and banking statistics for the BCEAO countries; while some recommendations have been enacted, the implementation of the remaining recommendations would result in improvements in the monetary data in terms of their sectorization and classification as well as their overall quality.

2. Coverage, currentness, and reporting of data in IFS

The table below shows the currentness and coverage of data published in the country page for Niger in the November 1988 issue of IFS. The data are based on reports sent to the Fund's Bureau of Statistics by the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), which during the past year have been provided on an irregular basis for real sector data. Monetary accounts data have been provided on a timely basis.

Niger - Statistical Issues (concluded)

Status of IFS Data

		Latest Data in Nov. 1988 IFS
Real Sector	- National Accounts	1983 1/
	- Prices: CPI	June 1988
	WPI	n.a.
	- Production	n.a.
	- Employment	n.a.
	- Earnings	n.a.
Government Finance	- Deficit/Surplus	n.a.
	- Financing	n.a.
	- Debt	n.a.
Monetary Accounts	- Monetary Authorities	Apr. 1988
	- Deposit Money Banks	Mar. 1988
	- Other Financial Institutions	Dec. 1987
Interest Rates	- Discount Rate	Apr. 1988
	- Bank Lending/ Deposit Rate	Apr. 1988
	- Bond Yields	n.a.
External Sector	- Merchandise Trade:	
	Values	1985
	Prices	n.a.
	- Balance of Payments	1987
	- Intl. Reserves	July 1988
	- Exchange Rates	Sept. 1988

1/ GDP figures through 1985.

Niger - Selected Social and Demographic Indicators

Area

1,267,000 sq. km.

Population (1988)

7.25 million 1/
Rate of growth: 3.2 percent per annum

Population density (1988)

5.7 per sq. km.
52.3 per sq. km. of arable land

Population characteristics (1981-83)

Age structure	
0-14 years (in percent)	45.9
15-64 years (in percent)	51.4
65 and above (in percent)	2.5

Health (1984)

Life expectancy at birth (years)	
Male	44.0
Female	46.0
Infant mortality (aged under 1; percent)	14.2
Child death rate (aged 1-4; percent)	2.9
Population per physician (1978)	38,790.0
Population per hospital bed (1978)	1,640.0

Access to safe water (1980)

In percent of population:	total	33.0
	urban	41.0
	rural	32.0

Access to sanitation (1980)

In percent of population:	total	7.0
	urban	36.0
	rural	3.0

Nutrition (1983)

Calorie intake as percent of requirements	97.0
Per capita daily caloric supply	2,271.0

Education (1983)

Percent of primary school enrollment	27.0
Male	34.0
Female	19.0

Source: World Bank.

1/ Based on preliminary estimates from the 1988 census.