FOR AGENDA

0401

EBD/88/335

November 18, 1988

To: Members of the Executive Board

From: The Secretary

Subject: Niger - Enhanced Structural Adjustment Facility - Policy Framework Paper - (1989-91)

Attached for consideration by the Executive Directors is the policy framework paper under the enhanced structural adjustment facility for Niger. This subject, together with the staff report for the 1988 Article IV consultation with Niger and its request for arrangements under the enhanced structural adjustment facility (EBS/88/237, 11/21/88), 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.

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TRANSLATION

INTERNATIONAL MONETARY FUND

NIGER

Enhanced Structural Adjustment Facility

Medium-Term Economic and Financial Policy Framework Paper (1989-91)

Prepared by the Niger authorities in collaboration with the staffs of the Fund and the World Bank

November 18, 1988

I. Introduction

1. In the face of severe economic distortions and mounting financial imbalances aggravated by a slackening of world demand for uranium, Niger has launched, since 1983, a series of adjustment programs designed to overcome structural constraints and establish lasting financial equilibrium. These adjustment efforts have been undertaken with financial aid and technical assistance from the Fund and World Bank, as well as from other bilateral and multilateral creditors and donors. Niger has benefited from a series of four annual stand-by arrangements from the Fund, the latest of which expired in December 1987. Since end-1985, the recovery strategy has been reinforced and developed within the framework of a structural adjustment program supported by two structural and sectoral adjustment credits from the World Bank (SAL and PESAP) and by arrangements under the Fund's structural adjustment facility (SAF). Two annual arrangements under the SAF were granted for 1986/87 and 1987/88.

2. The adjustment strategy pursued by Niger in recent years has been based on a broad range of policies aimed, on the one hand, at reducing constraints to development through structural reforms in major economic sectors of the economy, and, on the other hand, at containing overall demand to reduce domestic and external financial imbalances and ensure economic growth on a sound and stable basis.

The structural reforms have involved a liberalization of marketing and pricing policies; a shift of investment expenditure toward directly productive sectors; a reform of the entire public enterprise sector; a reform of agricultural policies; and the encouragement of private sector activity through the elimination of administrative obstacles. On the demand side, they have entailed a rehabilitation of government finance; a redirection of credit toward the nongovernment sector; and maintenance of domestic credit growth at levels consistent with financial stability.

3. Together with improved weather conditions in 1985 and 1986, the policies pursued have brought about a marked improvement in growth and a reduction of financial imbalances, although some deterioration took place in 1987 because of the late arrival of the rains. Following two

years of drought during which real GDP declined at an average annual rate of about 9 percent, it increased by 5.8 percent on average in 1985 and 1986. The drop in GDP that occurred in 1987 as a result of the late arrival of the rains and the corresponding decline in agricultural production was followed by a vigorous revival of growth in 1988. The inflation rate, as measured by the GDP deflator, declined markedly from 10.1 percent in 1982 (last pre-drought year) to 1.7 percent in 1987. The external current account deficit, including grants, dropped from 9.4 percent of revised GDP in 1982 to 4.1 percent in 1987; excluding grants, the deficit declined from 16.6 percent in 1982 to 10.6 percent in 1987.

II. Results of the Adjustment Program for 1987/88

4. The objectives of the 1987/88 program, supported by the second annual arrangement under the Fund's structural adjustment facility, were to accelerate structural reforms in the areas of public enterprises, agriculture, price controls, and the tax system to further the reorganization of the economy and foster economic growth. The improvement of public finance and a prudent credit policy was to contribute to a reduction of the external payments imbalances. The principal macroeconomic targets for 1988 were to restore growth to about 7.5 percent, reduce the inflation rate to 2.2 percent, and limit the external current account deficit, including grants, to 3.8 percent of GDP. With respect to government finance, the program target was to limit the deficit, on a commitment basis, to CFAF 75.9 billion, or 9.7 percent of GDP, compared with CFAF 59.1 billion, or 8.8 percent of GDP, in 1986/87. The programmed increase in the deficit was due to a major expansion of investment expenditure, while current expenditure was expected to increase by only 4 percent. Revenue was expected to increase by 2 percent, taking into account the adoption of a series of measures to improve tax administration, while customs duties and value-added tax (VAT) and excise tax rates were sharply reduced in May 1987 to stimulate economic activity.

5. Overall, the results achieved during the period from October 1987 to September 1988 have been satisfactory with respect to the revival of economic activity and improvement in the balance of payments. However, the implementation of certain structural reforms envisaged in the Public Enterprise Structural Adjustment Program (PESAP) has lagged, causing a delay in the release of the second tranche of the PESAP credit until October 1988. The fiscal outcome is much less favorable than expected because of a shortfall in certain revenues. A substantial increase in agricultural production is expected for 1988 following abundant rainfall, provided the locust infestations can be controlled. The grain harvest should reach some 2 million tons in 1988, compared with 1.4 million tons in the previous season. Such a harvest should contribute to strong growth of real GDP in 1988 estimated at 7.1 percent. The reduction of VAT rates and customs duties in 1987, together with the stability of the exchange rate, has led to a drop in the inflation rate

as measured by the consumer price index (CPI). Thus, during the first six months of 1988 the CPI increased by only 1.6 percent over the same period of 1987. With respect to the balance of payments in 1988, the receipts of uranium export, by far the main export commodity, have fallen short of program projections owing to lower-than-anticipated prices. However, this is largely offset by lower-than-anticipated prices of petroleum products, volume of grain imports and, in particular, imports linked to the 1988 investment program. As a result, the current account deficit for 1988 is projected at 2.9 percent of GDP, well below the program target (3.8 percent of GDP).

6. Developments in government finance in 1987/88 have generally been less favorable than envisaged in the program because of the substantial shortfall in revenue from the VAT, customs duties, and excise taxes. This shortfall reflects the lower tax rates, which have not been offset by the measures taken to broaden the tax base, by the increase in customs valuation, and by the higher-than-expected revenue from certain direct taxes, such as the general income tax (IGR). However, during the last months of the fiscal year customs revenues have accelerated, reflecting the strengthening of enforcement measures. Current expenditure has been in line with program objectives, with an increase in the share allocated to supplies and maintenance. On the other hand, the implementation of the investment program is below program targets; expenditure is expected to reach CFAF 53.8 billion, compared with a programmed amount of CFAF 76.4 billion. The overall fiscal deficit, on a commitment basis, is expected to reach CFAF 67.4 billion, or 9.8 percent of revised GDP, as opposed to CFAF 75.9 billion envisaged in the program (11.1 percent of revised GDP and 9.7 percent of previously projected GDP). If foreign-financed capital expenditure is excluded, the deficit will exceed the program target by CFAF 14.5 billion. This, together with lower-than-expected external assistance of CFAF 6.4 billion (excluding project financing), will lead to a greater-than-programmed recourse of the Government to the banking system (with an estimated increase of CFAF 13.2 billion for October 1987-September 1988, as opposed to a programmed reduction of CFAF 4.5 billion), and lower repayment of public cross-debts (CFAF 2.8 billion, in contrast to the programmed CFAF 7.0 billion). The recourse to the banking system has taken the form of a drawdown of government deposits. The smaller-than-expected increase in external assistance mainly reflects postponements in the release of the World Bank credit for the restructuring of public enterprises following delays in the adoption and implementation of certain programmed measures.

7. With regard to structural reform, an important set of measures has been adopted in the areas of reorganization of the public enterprises, continued reform of agricultural policy, and price and trade liberalization. In the public enterprise sector, the charters of most of the public enterprises have been revised, performance contracts (contrat-programmes) have been signed with the power company (NIGELEC) and coal mining company (SONICHAR), and personnel regulations have been revised for 25 companies. Eleven public enterprises have been privatized, and

the Government has reduced its participation in eight others. Progress has also been achieved in the rehabilitation of the crop marketing agency, OPVN; steps taken include redefining of the role of OPVN as the agency responsible for food security. In this context, OPVN has ceased to perform the function of stabilizing the grain market, and its purchases in the 1987/88 season have been limited to the renewal of the security stock. In July 1988, a medium-term reorganization program was adopted for OPVN. It includes financial rehabilitation, internal reorganization, and improvement of operating procedures and management of food aid. The urgent measures taken in 1987 to deal with the problems of Riz du Niger (RINI) enabled it to reduce its rice stocks to normal levels, and a medium-term reorganization program was finalized in September 1988. In addition, the indicative price for coarse grain purchases was abolished for the 1987/88 season, and the producer price of cotton was reduced (from CFAF 130 to CFAF 110 per kilogram) in line with world market trends. With respect to groundnuts, the official producer price was abolished and replaced by an indicative floor price set at CFAF 95 per kilogram for unshelled groundnuts, compared with CFAF 130 during the previous season. The number of products subject to price ceilings (homologation) was reduced from seven to five on November 1, 1987; the limits on the number of traders authorized to import rice were abolished; and the quantitative restrictions on rice and cement imports were eliminated. However, there have been delays in carrying out a study of industrial and trade incentives, which is to provide the basis for a review of trade and tariff policies, as well as of the investment code.

III. Prospects, Objectives, and Strategies for 1989-91

8. Although substantial progress has been made in recent years in implementing structural adjustment and reducing financial imbalances, the economy of Niger remains highly vulnerable to exogenous factors and subject to structural distortions. The principal constraints on the economy are the landlocked position of the country, the limited amount of arable land, the vulnerability of the agricultural and livestock sector to climatic fluctuations, the rapid population growth, the low levels of primary education and essential health services, the weakness of the uranium market, and the high level of foreign debt. In spite of the progress achieved, the disequilibrium in the balance of payments is still excessive and the external debt burden remains very high.

While the uranium sector remains the principal source of export earnings in Niger, its role has diminished in recent years and the prospects for the medium term are unfavorable. In 1988, uranium export receipts are estimated to reach about CFAF 81 billion compared with CFAF 110 billion in 1983, because of a 26 percent fall in volume of uranium exports, while the unit price of uranium has remained relatively stable over the same period. The capacity of existing mines, recent discoveries of low-cost deposits, and world-wide stocks, are likely to increase supply while demand is not expected to increase significantly

in view of uncertainties regarding nuclear energy plans in industrial countries and long-term trends in oil prices. Faced with these constraints and difficulties, the Government is determined to pursue and strengthen the current adjustment process in order to diversify the economy, eliminate existing distortions, improve the effectiveness of the public sector, and thereby encourage sound economic growth and eliminate the financial imbalances.

9. Therefore, the Government has prepared a medium-term economic policy framework for 1989-91 in collaboration with the staffs of the Fund and the World Bank. The medium-term policy framework envisages broadening the scope of the structural reforms and strengthening government finance in order to improve the effectiveness of government activity and its contribution to the development effort. The structural policies include the reorganization of the public enterprise sector; the continuation of agricultural policy reform with a view to enlarging the private sector's role and increasing the efficiency of the agricultural sector; the improvement of the tariff system and investment code; the streamlining of foreign trade procedures and liberalization of the prices of imported products; the strengthening of the banking system; and the enhancement of the effectiveness of investment efforts through the development of programs that concentrate on directly productive investments. In the area of government finance, policies are directed toward broadening the tax base through better monitoring of the informal sector and strengthening of tax administration; improving the composition of current expenditure through an increase in resources allocated to supplies and maintenance, to improve the effectiveness of the government operations; strengthening the Government's ability to select investments; and enhancing the execution of the investment program. The budget deficit, on a commitment basis, including grants, will continue to be reduced gradually and will be financed by external resources without recourse to the domestic banking system. Monetary and credit policy will continue to be restrained and will be directed toward continued containment of the inflation rate while ensuring adequate resources for the expansion of the productive sectors.

10. These policies should permit the achievement of the following macroeconomic objectives: (a) attain an average annual growth rate of real GDP of about 3.8 percent, partly reflecting the recovery from the 1987 drought; (b) continue to limit the annual inflation rate, as measured by the GDP deflator, to 3.3 percent; and (c) contain the external current account deficit, including grants, at CFAF 25.5 billion in 1991 (2.9 percent of GDP). The deficit expected for 1991 is higher than the one forecast in the preceding policy framework paper, owing to the worsening outlook for uranium exports. However, the inflation rate is slightly lower. Taking into account currently envisaged external assistance, a financing gap will persist through 1991 and require additional assistance on concessional terms or debt relief.

11. Growth in the medium term is expected to originate from the improved agricultural policy framework; increased private sector

activity; the reorganization of the public enterprise sector; and in the public sector greater emphasis on investments that support production. In agriculture, growth should be stimulated by the policy reforms introduced to liberalize pricing and trading of cereals, the rehabilitation and redefined roles of the official agricultural agencies, the expansion of infrastructure in the irrigated sector, the introduction of new techniques and the presence of the cooperative network within the irrigated and rainfed sectors. Private sector activity in agriculture and small-scale industry is being stimulated by the reform in the regulatory environment, in particular with regard to pricing, and in the role of agricultural public enterprises and agencies. This should lead to an increased role of the private sector in the production, processing, and marketing of agricultural products and handicrafts, and in the provision of services to farmers and cooperatives. In the modern sector, growth is to be based on the development of small-scale enterprises fostered by a more appropriate incentives structure. Private sector investment is projected to increase significantly over the program period. The reform of public enterprises should contribute to improving the effectiveness in the provision of basic services. The public sector investment program will emphasize productive investment in the rural sector and increased investment in the social sectors. In addition, improvements are anticipated in the design, selection, implementation, and financing of public investment and essential public services. Particular emphasis will be placed on improving the implementation rate of the public investment program, which has declined significantly in recent years. These factors should decrease somewhat the vulnerability of the economy to climatic conditions, which will continue, however, to remain a major determinant of growth.

12. In the long term, the development strategy of Niger will have to revolve around three major objectives: (a) agricultural diversification and intensification in the context of sustainable natural resource management; (b) development of a strong, regionally integrated private sector; and, (c) human resource development.

(a) In the long term, in view of the unfavorable prospects for uranium, economic growth will need to be based on the expansion of agricultural production through diversification and intensification. Niger's climatic conditions are such that there are only a few products in the rainfed subsector for which it would have a comparative advantage (such as cowpeas, a relatively drought-resistant crop). Further gains could be made in the irrigated subsector by focusing on more intensive use of existing infrastructure and irrigable land to continue to diversify into food and other crops for export and domestic consumption. Further development of livestock and associated export earnings will depend critically on the implementation of appropriate production and marketing strategies. The development of these activities must be achieved while halting and reversing the ongoing environmental degradation. In particular, it will be essential to protect the subsistence grain production, which is the foundation of the rural economy. Because of declining productivity and overexploitation of land, agricultural

development will have to be based on the introduction and dissemination of techniques and technologies that permit agricultural intensification in the context of sustainable land use policies. Government efforts will be focused on the provision of extension and research services aiming to develop and introduce such policy and technical packages. The Government, in cooperation with the Bank and other donors, is developing new approaches to natural resource management, encompassing agriculture and livestock management and woodland protection, under which local communities will take increased responsibility for such management.

(b) Long-term growth in Niger will depend in large part on the extent to which the informal sector, which accounts for about 70 percent of total GDP, fully participates in economic development. The recent price and marketing liberalization, fiscal reforms, and public enterprise policy reforms undertaken in the context of Niger's structural adjustment programs are creating the conditions for growth in the private sector. Particular areas of growth include: (1) processing and marketing of agricultural products; (ii) the provision of services such as transport and the supply of imports to the agricultural sector; (iii) tourism and ancillary services; and (iv) small-scale mining. In turn, this growth should contribute to the creation of employment opportunities. Specific initiatives are also being taken to encourage the establishment of new small-scale businesses and stimulate employment creation (Programme d'appui aux initiatives privées à la création d'emplois, PAIPCE).

(c) The economic development of the country will also depend crucially on the improvement of the level of education. In 1985, Niger had an adult literacy rate of only 14 percent, and a primary school enrollment ratio of only 25 percent, somewhat lower than in 1980. This situation is due in part to budgetary constraints, which have prevented the rapid expansion of resources available for education, and in part to rising unit costs of primary education. A long-term development strategy calls, therefore, for a major effort in human resource development to reverse these trends and improve the levels of literacy and education. In this context, the Government established an education strategy in 1986 aimed at arresting the decline and laying the foundations for longer-term development of the sector. This strategy, developed with World Bank support, seeks to improve the internal efficiency of education with particular emphasis on developing primary education by lowering unit costs and increasing resource availability.

IV. Macroeconomic Policy and Structural Adjustment

13. Within the global framework described above, the Government will implement a coherent set of structural and demand management measures to attain the program objectives. A table summarizing the principal measures envisaged for 1989-91 is attached to this document (Table 2).

a. Fiscal management

14. In order to strengthen the medium-term financial situation and stimulate economic growth, the Government will continue to pursue a rigorous policy with respect to both revenue and expenditure. A wide-ranging effort will be pursued to broaden the tax base, in particular by improving the taxation of the informal sector. This should allow increasing tax resources while keeping tax rates moderate. A main fiscal objective over the three-year period is to improve sharply the budgetary position, excluding foreign-financed capital outlays, in order to gradually decrease reliance on budgetary assistance.

15. With respect to current expenditure, greater resources will be allocated to supplies and maintenance to improve the operation of essential public services. The share of current expenditure allocated to supplies and maintenance will increase gradually. Personnel expenditure will be contained within specific limits through the implementation of a strict recruitment policy. The study under way on the civil service will be completed by end-June 1989; the recommendations of the study will be directed toward improving manpower allocation, the pay system, and hiring procedures. A comprehensive analysis of civil service positions will be finalized by December 1988. On this basis, the Government will review civil service organizational structures to improve the allocation of personnel and increase their effectiveness while seeking to cut costs. Awaiting the outcome of the study of the civil service, the Government has decided to take steps to limit recruitment in 1988/89 to strictly essential needs. The main features of personnel policy during the coming years will be the strengthening of personnel selection through appropriate procedures, including introduction of entrance examinations, redistribution of positions and individuals in terms of a revised organizational structure to be established by end-1989, and improvement of the training system. The level and composition of recurrent expenditure will be set so as to use existing and future investments as effectively as possible; priority will be given to strengthening essential services in agriculture, education, and health. While improving the structure of expenditure, the Government envisages limiting the average annual growth of current expenditure to below the growth rate of nominal GDP.

16. In order to accelerate the rate of economic growth in the medium term, the Government intends to raise the country's low investment rate (9.2 percent of GDP in 1987). To this end, the public investment program for 1988/89-1990/91 envisages investments totaling CFAF 338 billion and an average annual growth rate of outlays of 18.7 percent over the period. The composition of the investment program will continue to give priority to investments that directly support production. These two sectors will constitute an average of about 48 and 30 percent of total programmed investment, respectively. Investment in infrastructure (on average about 19 percent) will be concentrated on projects to rehabilitate existing facilities. Following the study of rural development, a special effort will be undertaken to

identify and prepare investment projects within the agricultural sector. In view of Niger's limited debt-servicing capacity, the financing of the program will rely mainly on grants and external loans on concessional terms, preferably comparable with those of the IDA. The share of grants in the investment program will increase from 51 percent in 1987/88 to about 56 percent in 1990/91. The domestic contribution from the Treasury will increase slightly over the program period. Given the low rate of implementation during 1987/88 (52 percent), the Government will take measures to improve programming procedures and the implementation of the investment budget. Thus, the 1988/89 budget includes only projects and studies for which financing has already been obtained. Agreements have already been signed and execution has begun for 94 percent of the investment budget. The authorities' target is to increase the rate of implementation to 70 percent in 1988/89, 73 percent in 1989/90, and 76 percent in 1990/91. To speed up the implementation of the investment budget, action will be taken in four areas. First, procedures for making financial agreements effective, conducting bidding competitions, signing procurement contracts, and drawing external funds will be revised and simplified. In this framework, the government procurement code will be modified on the basis of the recommendations of a study that will begin in September 1988. The procedure for the entry into effectiveness of external loans has been streamlined by eliminating half of the administrative steps involved. Second, the Government will strengthen its monitoring of the execution of ongoing projects. The Government will make ministries and project officials aware of the need to accelerate the use of available financial resources. Increased responsibility for the execution of construction projects in their sector will be given to the Ministry of National Education and the Ministry of Public Health, Social Affairs, and Status of Women. In order to avoid delays in execution, regional offices will contact directly the Ministry of Planning to request disbursement. Third, in consultation with donors and creditors, the Ministries of Finance and Planning have adopted a joint position on taxation of projects and will pursue negotiations with donors and lenders with regard to such taxation. Fourth, the Government will pursue its efforts with donors and creditors to improve the monitoring of the execution of projects that are directly managed by them.

17. The Government has already taken a series of measures to expand the tax base following the VAT and customs duty reductions of May 1987. The impact of many of these measures will not be felt fully until 1988/89. Thus, in the customs area, the creation of new mobile brigades, increased control over goods in transit, and the revision of the customs valuation base (valeurs mercuriales et barémées) made their full effect felt only during the last months of 1987/88 and should contribute to a major increase in revenue in 1988/89. In addition to these measures, a special levy of 3 percent on imports (précompte forfaitaire à l'importation) will be introduced in 1988/89; it will be creditable against the industrial and commercial profits tax (BIC) and will apply to all economic agents that are not under the actual BIC regime. In addition, the duty on rice imports will be increased following the

replacement of the domestic purchase obligations by tariff protection. Modifications of certain consumption taxes will also be introduced in the next budget.

With respect to direct taxes, a set of measures will be adopted and implemented during the next fiscal year to increase the contribution of the informal sector to the tax effort. The administrative measures include computerization of the files of the tax directorate, which should be completed by end-September 1989; this will permit improved cross-checking of data on economic agents from customs, public enterprises, and government contracts sources. A single taxpayer identification number will be adopted. Computerized monitoring of taxpayers will facilitate the updating of information on the actual and presumptive BIC, and facilitate surveillance of certain taxpayers currently under the presumptive tax system. For the same purpose, it is anticipated that all government contractors will be subject to taxation on an actual basis. These measures should yield a major increase over the next few years in BIC and general income tax (IGR) revenues, which have already increased substantially in 1987/88. The Government also anticipates an increase in income from public enterprises, whether through distribution of profits previously retained by those enterprises or through recovery of claims for on-lent debt serviced by the Government. An important element of the tax policy for the coming years will be the reduction of ad hoc exemptions and exemptions granted under the investment code or under agreements with foreign and multilateral donors and creditors. The revision of the investment code will be completed before end-September 1989. A number of agreements with donors and creditors have already been modified in recent months to ensure that contractors for projects financed with external resources are subject to the profits tax. Exemptions from customs duties for imports related to foreign-financed projects will be reduced gradually to prevent abuse and tax evasion, and to ease administrative procedures that delay project implementation.

18. The consolidated fiscal deficit, on a commitment basis and excluding grants, is expected to rise from CFAF 67.4 billion in 1987/88 (9.8 percent of GDP) to CFAF 82.8 billion in 1988/89 (10.8 percent of GDP), reflecting accelerated implementation of the investment budget. If the settlement of public sector cross-debts is taken into account, the deficit, on a cash basis and excluding grants, will increase from CFAF 70.2 billion (10.2 percent of GDP) to CFAF 87.7 billion (11.5 percent of GDP). Including grants, the deficit, on a commitment basis, would be reduced from 5.7 percent of GDP in 1987/88 to 4.6 percent of GDP in 1988/89. During the following fiscal years, the pursuit of the tax effort (with a rate of growth of revenue above that of nominal GDP) and a prudent current expenditure policy should permit a gradual reduction of the deficit; the deficit, on a commitment basis and excluding grants, should be reduced to 9.9 percent of GDP by 1990/91. During the same period, the Government is expected to reduce its net indebtedness to the banking system. The deficit will be financed by external assistance on concessional terms, and possibly by debt

rescheduling if it can be obtained on concessional terms. The magnitude of the intended fiscal adjustment can be judged by the budget deficit excluding foreign-financed capital outlays. This deficit, which amounted to CFAF 19.1 billion in 1987/88, is targeted to be significantly reduced by 1990/91. Despite this improvement, the budget will continue to rely on a significant, though declining, amount of external budgetary support from multilateral and bilateral donors and creditors, including debt relief. The Government recognizes that it is essential that the reliance on this assistance be curtailed over the medium term, as such assistance is temporary in nature. The authorities are therefore committed to the pursuit, during the program period and beyond, of a policy of broadening the tax base and containing expenditure, while improving the composition of expenditure to maximize its contribution to growth.

b. Public enterprises

19. The Government will pursue its efforts to improve the performance of the public enterprise sector within the framework of the PESAP supported by the World Bank. During the 1989-91 period, measures will be taken in four areas. First, the legal and institutional framework will be reformed. Public enterprises that have not yet revised their charters will do so before end-1988. During the same period, the introduction of a performance-based remuneration system will be completed by a revision of personnel statutes and salary and benefits scales of 14 additional enterprises. Performance contracts with SNTN (transport) and OPVN (security grain stock) have already been drafted and will be signed by end-1988. Those with ORTN (radio and television) and OPT (post and telecommunications) will be finalized during the first quarter of 1989. Second, the Government will continue its efforts to rehabilitate a number of strategic enterprises retained in the public sector; on the basis of ongoing programs, for BDRN (development bank), SONICHAR (coal mining), OPT, NIGELEC (power), ONAHA (irrigation), and OPVN; and in the context of programs to be developed with the World Bank and other lenders for RINI (rice), ORTN, and SONARA (groundnut marketing). The situations of Crédit du Niger (real estate financing), SONUCI (housing construction), and SNC (cement) will be reviewed with a view to their possible rehabilitation. Third, the privatization of OLANI (dairy products), SONICERAM (bricks), VETOPHAR (veterinary drug distribution), SICONIGER (groundnut oil processing), and SONERAN (livestock exports) will be completed. In addition, within the framework of partial privatization, the Government has decided to further reduce in favor of the private sector its participation in SNTN, SONARA, OFEDES (civil works), COPRONIGER (import-export), SNC, and OPEN (small- and medium-scale enterprise promotion) during 1989-91. The liquidation of Air Niger, CNCA (agricultural credit), SONIFAME (metal), and UNCC (agricultural inputs) will be completed as soon as possible. Fourth, the program of settlement of public sector cross-debts, developed in cooperation with the Fund and World Bank, will be completed during 1989/90. The government budget will also contain adequate budgetary provisions for water and electricity consumption and for subsidies to

public enterprises fulfilling a social function, to avoid accumulation of arrears, in particular vis-à-vis NIGELEC, SNDE (water supply), OPT, OPVN, and ORTN.

c. Agricultural policy

20. The Government has reoriented its agricultural policy in light of the results of a study on rural development, which was discussed with foreign donors and creditors during a sectoral round table conference held in March 1988. The rural sector investment program will emphasize improvement in natural resources management and the implementation of development activities identified and designed in cooperation with the local population. All projects in rural areas will be reviewed in order to correct the present environmental degradation. Pending the drafting of a rural code, the Government will adopt measures to ensure recognition of land use rights and regulation of the use of grazing land and water points in pastoral zones. The new agricultural research strategy aims at strengthening ties between production and research, and a program will be developed in consultation with the World Bank to improve the effectiveness of extension services. Following the liquidation of CNCA, the Government will, in close coordination with donors and creditors, define and gradually promote a new market-oriented system of agricultural credit better suited to conditions prevailing in the agricultural sector. The policy of liberalization of agricultural prices and marketing will be pursued. The Government has decided not to announce future indicative prices for groundnuts and cowpeas, as is already the case for millet and sorghum. The official producer prices of cotton and rice will be revised periodically in accordance with world market prices and a reasonable level of tariff protection. The Government will continue its efforts to rehabilitate OPVN, RINI, and SONARA on the basis of reorganization programs prepared or in preparation with the support of the World Bank. Beginning with the 1988/89 crop year, OPVN will apply a competitive bidding system for its purchases and sales. The domestic purchase obligation for rice importers from RINI will be replaced by tariff protection before end-April 1989, and the opening of the SONARA groundnut season will be moved up each year to the beginning of September.

d. Pricing, marketing, and incentives policies

21. One of the main objectives of the Government is to encourage the expansion of the private sector. This sector has shown renewed vigor following the administrative simplifications and improved incentives during recent years, and reductions in the customs duty and VAT in May 1987. The Government will continue to improve incentives to the private sector, simplify administrative procedures, and liberalize pricing and marketing policies for goods and services. Substantial progress has been made in recent years with regard to the number of goods and services subject to price control and to the simplification of the system of price controls. Marketing of grains has been fully deregulated, and import monopolies have been abolished. These efforts

will be continued in the future. Specifically, the number of imported products subject to the system of preset profit margins will be reduced from 39 to 20 by end-June 1989, and to zero by end-June 1990. The Government will continue to relax its control of foreign trade by replacing the quantitative import restrictions still applicable to certain products with appropriate tariffs. The list of prohibited import products, which comprised 11 products in April 1986, was reduced to 5 in 1988. A study of trade regulations and industrial incentives will be completed by March 1989. Based on this study, the Government will modify its foreign trade regulations including a revision of the import prohibitions. The system of import licenses will be retained solely for statistical purposes. Administrative procedures for granting licenses will be simplified by end-July 1989. Export duties on agricultural and livestock products are to be abolished beginning in October 1988 to promote exports. The development of a new investment code is in its final stage. It will include more automatic approval procedures and will rationalize tax exemptions, limiting them to shorter periods and decreasing over time. The incentives under the code will favor small- and medium-scale enterprises, labor-intensive production techniques, and export-oriented industries. Trade policy is also the subject of the above-mentioned study undertaken with assistance from the World Bank to be completed by March 1989. This study should also contribute to rationalizing the tariff structure and the pricing policy for products of domestic industry.

e. Credit policy and reorganization of the banking system

22. In order to reinforce the measures described above, the monetary authorities will pursue a prudent credit policy emphasizing the expansion of credit to the private sector, especially in the areas of production, marketing, and processing of agricultural products. The domestic liquidity target will be determined as a function of the targets for growth, inflation, and the balance of payments. With regard to interest rate policy, which is common to all the member countries of the West African Monetary Union (WAMU), adjustments will be made as needed to take into account developments in foreign financial markets and to encourage financial savings and efficient allocation of resources within the Union. In view of the low inflation rate projected for 1989, lending and deposit real interest rates are expected to remain positive. In preparation for a comprehensive reform of the banking sector, the Government, with World Bank assistance, is in the process of analyzing the sector's structural problems, defining steps to improve the efficiency of its operations, and studying measures to enhance its effectiveness in channeling financial resources to productive investments.

Niger's most important financial institution, the Banque de Développement de la République du Niger (BDRN), has encountered serious financial difficulties, mainly as a result of poor management and the large share of nonperforming loans in its portfolio. A number of measures were taken in 1986-87 to improve the financial position of the

bank. These included the expansion of its capital base, the consolidation of its debts to the Central Bank of West African States (BCEAO), the strengthening of its management, improved loan appraisal capacity, and increased loan recovery efforts. Nonetheless, these measures have not been sufficient to restore the bank's financial equilibrium. A recently completed financial and management audit concluded that the bank should substantially increase its loan-loss reserves, which will require an equivalent increase in its capital. With the assistance of the World Bank and other donors and creditors, the authorities are exploring measures to be adopted with a view to rehabilitating the bank, in particular the modalities of its possible recapitalization, increased private sector participation, and strengthening of its management. Particular attention will be given in coming months to strengthening the loan recovery efforts.

f. External debt management

23. In view of the heavy external debt burden, the Government will continue to follow a prudent external debt-management policy. About 89 percent of the total foreign debt is owed to multilateral and official bilateral creditors, the latter accounting for 42 percent. In order to limit debt service, the Government will not contract or guarantee any new nonconcessional loans with a maturity range of 0 to 12 years. The Government will continue to seek external financing mainly in the form of grants, and will seek to obtain loans on terms as highly concessional as possible, preferably comparable with those of IDA. The Government will reschedule its external debt service if this can be achieved on concessional terms, and will request cancellation of a portion of its public debt in accordance with recent proposals of creditors.

g. Population policy

24. The Government is greatly concerned about the social and economic implications of rapid population growth, based on a growing recognition of the country's limited natural resources. Therefore, the Government has obtained aid from international organizations and other donors and lenders to implement the demographic program described in its Development Plan (1987-91). Emphasis will be placed on family planning, improvement of public health (in particular the reduction of infant mortality), updating and expansion of the demographic data base, and strengthening the Government's analytical capacity in this area.

h. Social impact

25. The structural adjustment program is designed to lay the foundation for a gradual improvement of living standards and to avoid the negative social effects of disorderly adjustment in the absence of a program. Through implementation of the reform program, the Government seeks to halt the downward trend in per capita income and to ensure that the entire population benefits in the long term from increased economic

efficiency and faster growth. The reorientation of public expenditure will make more resources available for: (a) agriculture, which will benefit a larger proportion of the population, especially the low-income rural dwellers, and; (b) the social sectors, which, through the development of basic health and education services, will benefit the entire population. The price liberalization and trade deregulation measures have had a beneficial effect on market supply and economic activity, and are expected to continue to stimulate production in rural areas where incomes are lowest. The promotion of the private sector, both through policy and administrative reforms and by the creation of the PAIPCE, should produce a gradual expansion of jobs in that sector. The social impact of the adjustment program is expected to be evaluated within the framework of the multi-country comprehensive study financed by the United Nations Development Programme and executed by the World Bank. This program would also identify the need for specific project interventions aimed at addressing the social impact of adjustment.

V. External Financing Requirements

26. The implementation of the Government's adjustment policies, in particular the measures designed to increase the efficiency and competitiveness of the private sector, is expected to strengthen the external payments position and, ultimately, help reach a viable balance of payments position. The competitiveness of the export sector will be maintained in the period ahead through the policies aimed at containing inflation and wages, and through the elimination of agriculture and livestock export duties. Given the diversification of agricultural production and the implementation of incentives policies--in particular the elimination of export taxes and the establishment of export marketing facilities--exports of livestock, and agricultural and processing products should expand gradually, offsetting developments in uranium exports for which a gradual decline in unit prices and overall value is expected. Concomitantly, the development of efficient local industries and the pursuit of prudent financial policies should limit the growth of imports of consumer goods. Expenditure on services related to uranium production should be reduced somewhat, in proportion to the reduction in the value of these exports. Imports of capital goods will increase more substantially in accordance with the three-year public investment program. Actions will be taken to encourage the remittances of savings of workers abroad, though the prospects for significant increases are uncertain, given conditions in neighboring countries. On the assumption that uranium exports remain at their 1989 level and that a prudent external borrowing policy is pursued, the external current account deficit relative to GDP should continue to decrease gradually. In view of this decline and of the external financing efforts, the balance of payments should achieve a viable position by 1992.

27. Projections indicate that, in light of the adjustment process, the external financing gap should be limited to SDR 32.8 million

(CFAF 13.1 billion) in 1989, SDR 19.5 million (CFAF 7.8 billion) in 1990, and SDR 6.5 million (CFAF 2.6 billion) in 1991. These financing gaps are expected to be covered through nonproject aid, particularly within the framework of the Special Program of Assistance (SPA) to the debt-distressed countries of sub-Saharan Africa, through debt rescheduling, if this can be achieved on concessional terms, and through cancellation. In order to improve the foreign debt profile and maturity schedule, any external assistance should be granted on concessional terms, to the extent possible comparable with those of IDA. During the 1989-91 period, Niger is expected to receive substantial external financing totaling SDR 871.7 million (CFAF 348.6 billion). It is now projected that during the 1989-91 period World Bank adjustment credits will total SDR 96.0 million (CFAF 38.4 billion), nonproject aid from other donors and lenders will total SDR 63.8 million (CFAF 25.5 billion), and external financial assistance in support of the three-year investment program will amount to SDR 588.5 million (CFAF 235.4 billion), including technical assistance not recorded in investment. Private capital inflows are expected to reach SDR 15.6 million (CFAF 6.2 billion) during this period. The calculation of the financing gaps takes into account the use of the Fund's resources by Niger. Drawings under the enhanced structural adjustment facility will amount to SDR 50.6 million (CFAF 20.2 billion); the first loan of SDR 16.9 million (CFAF 6.7 billion) is expected to be available beginning in December 1988.

Table 1. Niger: Selected Economic and Financial Indicators, 1984-91

	1984	1985	1986	1987		1988		1989	1990	1991
				Rev. prog.	Est.	Prog.	Est.	Prog.	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.

Table 2. Niger: Summary Description and Timetable of Macroeconomic and Structural Adjustment Policies, 1989-91 1/

	Objectives and Policies	Strategies and Measures	Timing of Measures 2/
1. Public resource management.	Strengthen public resource management and achieve a sustainable budgetary position.	Improve the budgetary process and reform the tax system.	1988/89-1990/91.
a. Revenue.	Reform the tax system so as to enhance its elasticity and reduce its distortionary effects. Increase revenue.	Implement the measures recommended by the two studies on the reform of the tax system and tax administration, including customs valuation, tax exemptions, and taxation of the modern and informal sectors. In particular in the following areas:	
		(a) Customs taxation by:	1988-89.
		i. improving the coverage on the importers' files, ii. setting up an effective control of customs valuation, iii. continue implementing the reform by further lowering the rates and rationalizing the tariff structure;	
		(b) Taxation of the modern sector by reinforcing VAT administration through an improvement of the management of taxpayers' files;	1988-89.
		(c) Taxation of the informal sector by:	
		i. setting up a 3 percent tax on imports creditable against the profits tax (BIC),	October 1988.
		ii. requiring every bidder for government contracts to submit its income tax declaration,	October 1988.
		iii. improving information channels (i) between customs and income tax departments and the statistical directorate, namely, by adopting a unique identification number for corporations, (ii) within the income tax department, namely, by creating a data bank including information on taxpayers' wealth, and by creating a unit in charge of collecting other relevant information on corporations and individuals, using computerized methods.	1988-89.
		iv. reorganizing and restructuring the departments in charge of VAT and BIC, and of tax collection administration, through computerization.	End-1989.
		(d) Taxation of foreign-financed projects by creating a committee in charge of drafting a law reforming taxation of foreign-financed projects, and preparing regulations for its implementation.	1989.
b. Expenditure			
i. Current expenditure	Alter the structure of current expenditure so as to allocate sufficient amounts to operating and maintenance costs and to reduce the share of the wage bill.	Complete the review of civil service positions and staffing requirements.	December 1988.

Table 2 (continued). Niger: Summary Description and Timetable of Macroeconomic and Structural Adjustment Policies, 1989-91 1/

	Objectives and Policies	Strategies and Measures	Timing of Measures 2/
		Establish a new staff organization plan.	First semester of 1989.
		Reform the recruitment policy, with the introduction of entrance examinations.	First semester of 1989.
		Decrease the share of personnel expenditure in current noninterest expenditure, limit hiring, increase the allocation for operations and maintenance.	1988/89-1990/91.
	Reduce transfers.	Reduce the level of subsidies and transfers, notably those for housing and scholarships.	1988/89-1990/91.
	Avoid the accumulation of payments arrears to public enterprises.	Provide sufficient budgetary allocations for public utility services.	1988/89-1990/91.
	Increase cost recovery in sectors currently financed by the budget.	Introduce measures to recover a greater proportion of the cost of public services on the basis of recently completed study.	1988/89-1990/91.
ii. Capital expenditure.	Reorient investment toward the productive sectors, especially agriculture, the rehabilitation of existing infrastructure, and the improvement of social services.	Extend by one year the three-year rolling public investment program for the period 1988/89-1990/91.	October 1988.
	Improve investment programming and execution.	Improve the organization of the programming cycle and apply more rigorous procedures for the economic evaluation of investment projects, their capital costs, and their financial and recurrent costs. Accelerate the *execution of ongoing projects, by:*	1988/89-1990/91.
		(a) Improving the investment program and its execution.	
		(b) Revising and simplifying procedures for putting financial agreements into effect, conducting bidding competitions, signing government contracts, and drawing external funds.	
		(c) Increasing responsibility for execution of construction projects of Ministry of National Education (schools) and Ministry of Public Health, Social Affairs, and the Status of Women (hospitals).	
		(d) Adopting *joint position on taxation* of projects between Ministries of Finance and Planning and donors and creditors.	
		(e) Improving monitoring of execution of directly managed projects.	
	Improve the financial structure of the investment program.	Increase the proportion of investment financed by grants; borrow only on highly concessional terms.	1988/89-1990/91.
2. Public enterprises.	Improve the efficiency of the public enterprise sector and reduce its size.	Expand and broaden the reform of the public enterprise sector in line with Public Enterprise Sector Adjustment Program, supported by the World Bank, by taking the following steps:	1989-91.
		(a) Adopt charters for the remaining 5 *enterprises consistent with the 1986* legislation.	December 1988.

Table 2 (continued). Niger: Summary Description and Timetable of Macroeconomic and Structural Adjustment Policies, 1989-91 1/

	Objectives and Policies	Strategies and Measures	Timing of Measures 2/
		(b) Implement new personnel compensation policies based on performance, for the remaining 14 public enterprises.	1988-89.
		(c) Finalize performance contracts for OPVN, ORIN, and OPT.	OPVN, December 1988; ORIN, and OPT, March 1989.
		(d) Revise procurement procedures.	December 1988.
		(e) Implement the agreed restructuring programs for OPVN, RINI, and ORIN.	1988-89.
		(f) Implement rehabilitation programs for SONICHAR, OPT, NIGELEC, and ONAHA.	1988-90.
		(g) Prepare and implement restructuring program for SONARA.	
		(h) Complete the liquidation of Air Niger, CNCA, SONIPHAM, and UNCC.	1989.
		(i) Complete the privatization of OLANI, SICONIGER, SONERAN, SONICERAM, and VETOPHAR.	1989-91.
		(j) Increase the share of the private sector in SONARA, SNIN, OFEDES, COPRONIGER, SNC, and OPEN.	1989-90.
		(k) Eliminate all cross-debts of the public sector by 1989/90 on the basis of a predetermined timetable.	End-1989.
		(l) Determine appropriate levels for public enterprise subsidies and government payments for public enterprise goods and services.	1989-91.
3. Price, trade, and incentive policies.	Promote market-oriented pricing policies and increase the scope of private sector activities.	Complete the deregulation of pricing policies by 1990, by abolishing price ceilings (homologation) and preset profit margins, with the exception of a few strategic products. In particular:	1988-90.
		(a) Reduce the number of imported products subject to preset profit margins from 39 to 20.	June 1989.
		(b) Eliminate all preset profit margins by June 1990.	June 1990.
		(c) Abolish all export tariffs on agricultural products.	1988.
		(d) Complete the study on industrial and trade incentives.	March 1989.
		(e) Implement the recommendations of above study, including reforms in the tariffs and tax structures, price regulations for local industry, and the investment code.	1989.
4. Agricultural policy.	Promote and diversify production.	Implement the new rural development strategy:	
		(a) Expand the role of the private sector in marketing and processing of agricultural products.	1988-89.
		(b) Eliminate the indicative producer prices for groundnuts and cowpeas.	September 1988.

Table 2 (concluded). Niger: Summary Description and Timetable of Macroeconomic and Structural Adjustment Policies, 1989-91 1/

	Objectives and Policies	Strategies and Measures	Timing of Measures 2/
		(c) Introduce a new producer pricing system for cotton and rice that takes into account world market prices and a reasonable tariff protection.	1988-89.
		(d) Replace domestic purchase obligations for importers of rice by tariff protection.	April 1989.
		(e) Reduce subsidies on agricultural inputs, gradually curtailing them to a maximum of 15 percent of the wholesale price.	1988-89.
		(f) Shift public investment in favor of rural development.	1988-91.
		(g) Redefine agricultural research strategy, so as to strengthen ties with production.	1988-89.
		(h) Introduce a new system of agricultural credit within the present banking structure, in consultation with the Bank, and major donors.	1989-90.
5. Monetary and credit policy, and financial reform.	Design monetary policy objectives consistent with the external current account, inflation, and growth targets. Pursue a selective credit policy, promoting private sector access to bank credit.	Improve the financial position of public enterprises and limit the recourse of the Central Government to the banking system.	1988-89.
	Rehabilitate the banking system, mobilize domestic savings, and improve resource allocation.	Broaden the rehabilitation program of BDRN on the basis of the management and financial audit completed in August 1988. Strengthen loan recovery efforts and related instruments, including improvements in legislation. Increase private sector participation. Improve management.	1988-89.
		Carry out the banking system study and implement its recommendations, in consultation with the Fund and the Bank.	1988-89.
6. External debt.	Contain external debt service and re-establish normal relations with creditors.	Contract new loans only on concessional terms, to the extent possible, on terms comparable to those of IDA, while intensifying efforts to mobilize resources in the form of grants.	1989-91.
		Centralize all data on the external debt, including private debt, at the Ministry of Finance.	1988/89.
		Ensure the comprehensive computerization of external debt data.	1988/89.

1/ The program period covers 1989-91, except in the fiscal area for which the program period covers fiscal years 1988/89-1990/91 (October/September). In addition, some measures in areas other than fiscal might be programmed for the last quarter of 1988.

2/ A single date indicates that the measure(s) will be in effect no later than that date; one or several years indicates that action will be taken in each year.

Table 3. Niger: External Financing Requirements and Resources, 1988-93 1/

(In millions of SDRs)

	1988 Est.	1989 Prog.	1990	1991	1992	1993
			Projections			
Requirements	266.1	318.8	324.7	329.3	330.1	353.6
Current account deficit, excluding official grants	182.5	229.0	237.3	248.5	258.3	277.0
Debt amortization	75.6	72.8	70.6	72.3	69.8	71.5
IMF repurchases	22.0	13.0	10.0	8.3	6.8	6.8
Change in net foreign assets 2/ (decrease -)	-13.9	3.9	6.9	0.1	-4.8	-1.8
Resources	266.1	286.0	305.2	322.8	330.1	353.6
Official grants 3/	130.5	150.5	169.0	184.8	191.3	209.8
Project	99.5	136.5	152.8	169.3	184.3	204.8
Other	31.0	14.0	16.3	15.5	7.0	5.0
Long-term public loan disbursements 3/	95.0	112.3	114.3	125.3	135.5	139.5
Projects	57.3	73.8	78.0	84.0	88.0	94.5
Adjustment lending	37.8	38.5	36.3	41.3	47.5	45.0
Of which: World Bank	(32.5)	(38.5)	(31.3)	(26.3)	(2.5)	(--)
Long-term private capital inflows	5.5	6.3	5.0	4.3	3.3	4.3
Short-term capital (net)	-8.8	--	--	--	--	--
Debt rescheduling	35.5	--	--	--	--	--
Use of IMF resources	8.4	16.9	16.9	8.4	--	--
Of which: ESAF	(8.4)	(16.9)	(16.9)	(8.4)	(--)	(--)
Financing gap	--	32.8	19.5	6.5	--	--
Memorandum item:						
Exchange rate: CFAF per SDR	400	400	400	400	400	400

Sources: Data provided by the Niger authorities; and estimates and projections of the Fund and World Bank staffs.

1/ Data may not add up because of rounding.
2/ Excluding the change in the net position vis-à-vis the Fund.
3/ Includes both existing and expected new commitments.