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EBS/87/133

CONFIDENTIAL

June 19, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Niger - Staff Report for the 1987 Article IV Consultation
and Review Under Stand-By Arrangement

Attached for consideration by the Executive Directors is the staff report for the 1987 Article IV consultation with Niger and a review under its stand-by arrangement, which will be brought to the agenda for discussion on a date to be announced. A draft decision appears on pages 27 and 28.

Mr. Nsouli (ext. 6937) or Mrs. Schmitz (ext. 6933) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)



INTERNATIONAL MONETARY FUND

NIGER

Staff Report for the 1987 Article IV Consultation and
Review Under Stand-By Arrangement

Prepared by the African Department

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

Approved by A.D. Ouattara and H.B. Junz

June 17, 1987

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I. Introduction

The 1987 Article IV consultation discussions with Niger ^{1/} were held in Niamey during April 1-14, 1987, together with the mid-term review under the current one-year stand-by arrangement, for the equivalent of SDR 10.11 million (30 percent of quota), which was approved by the Executive Board on November 17, 1986. At that time, the Board also considered Niger's medium-term policy framework paper and approved a three-year arrangement under the structural adjustment facility (SAF), including the first annual arrangement for the equivalent of SDR 6.74 million. In the attached letter of April 14, 1987, concerning the mid-term review under the stand-by arrangement, Niger's Prime Minister describes the progress made in the implementation of the 1986/87 adjustment program (fiscal year ending September), sets out the policies and measures for the remainder of the program period, and proposes appropriate ceilings for credit and the reduction of public enterprise cross-debts as performance criteria for end-June and end-September 1987.

Under the current stand-by arrangement, purchases were phased in five equal installments for the equivalent of SDR 2.02 million each, with the first purchase available upon the entering into effect of the arrangement on December 5, 1986, and the subsequent purchases upon the observance of the performance criteria for the preceding quarter. In addition, the third through the fifth purchases were contingent upon the completion of the mid-term review. To date, Niger has made only the initial purchase. The performance criterion for domestic credit at end-December 1986 was not observed. The higher-than-programmed domestic credit resulted primarily from a substantial increase in crop credit owing to a bumper crop and delays in the receipt of export proceeds.

^{1/} The representatives of Niger included Mr. Boukary Adji, Minister of Finance; Mr. Almoustapha Soumaila, Minister of Plan; Mr. Nouhou Amadou, Minister of Commerce and Transportation; Mr. Sani Koutoubi, Minister of Mining and Industry; Mr. Maina Mussa Boukar, Minister of Public Enterprises; Mr. Elhyadj Habibou Allelé, Minister of Agriculture; Mr. Mamadou Diop, National Director of the BCEAO; and other senior officials concerned with economic and financial matters. The mission was also received by the President, General Seyni Kountché, and the Prime Minister, Mr. Hamid Algabid. Mr. Norbert Toé, Advisor to Niger's Executive Director, participated in the discussions. The staff representatives were Mr. Nsouli (head-AFR), Mr. Clément (AFR), Mr. Doe (FAD), Mrs. Schmitz (AFR), Mr. Ordoobadi (EP-AFR), and Ms. Sucharov (secretary-AFR). Mr. Key, of the World Bank, participated in the mission.

The performance criteria at end-March 1987 have, however, been observed. 1/ Niger would have been able to make a purchase of SDR 4.04 million upon completion of the mid-term review, if it had been completed by the Board before the end of June 1987. To allow that purchase, a waiver of applicability of the performance criteria for end-June will be required and is being proposed.

As of end-May 1987, the Fund's holdings of Niger's currency subject to repurchase was equivalent to SDR 64.3 million, equivalent to 190.8 percent of quota, reflecting purchases under four successive stand-by arrangements and the compensatory financing facility. If all scheduled repurchases and all purchases under the stand-by arrangement are made, Niger's outstanding purchases would decline to the equivalent of SDR 64.0 million, or 189.9 percent of quota. Including the loan under the first annual arrangement under the SAF, total Fund credit outstanding would reach the equivalent of SDR 70.7 million, or 209.9 percent of quota (Appendix VI, Table I).

The Fund and World Bank staffs have continued their close cooperation on Niger, both at headquarters and in the field. Since February 1986, Niger's adjustment efforts have been supported by a structural adjustment credit (SAC) of the equivalent of US\$60 million from the World Bank. A sector adjustment credit in the amount of US\$80 million equivalent for a new public enterprise sector adjustment program is expected to be considered by the World Bank in June 1987.

Summary statements of Niger's relations with the Fund and the World Bank are provided in Appendices II and III; statistical issues are discussed in Appendix IV; and basic data and statistical tables are given in Appendices V and VI.

Niger is on the standard 12-month consultation cycle; the last Article IV consultation was concluded on June 20, 1986 (EBM/86/99). Niger continues to avail itself of the transitional arrangements of Article XIV, but no longer retains restrictions under them that are inconsistent with Article VIII, sections 2, 3, or 4.

II. Background and Performance Under the 1985/86 Program 2/

In the early 1980s, a number of factors, including a significant weakening in the world demand for Niger's main export commodity, uranium, declining terms of trade, unfavorable weather conditions, a

1/ Since the outcome for domestic credit at end-March 1987 was not known, the authorities had requested a waiver in the attached letter of intent.

2/ This section provides a brief update of the detailed discussion in EBS/86/237. The authorities have made substantial revisions to the GDP figures; there are differences in the ratios to GDP between the program targets and the outcome stemming from these revisions.

drop in foreign aid, serious structural problems in the public enterprise sector, and continued expansionary financial policies contributed to an intensification of the economic and financial imbalances confronting the Niger economy. To redress the mounting imbalances, Niger has made determined adjustment efforts during 1983-86, supported by successive stand-by arrangements from the Fund. During the first two programs, the authorities promptly readapted and strengthened their policies to mitigate the effects of adverse exogenous factors and to maintain the programs on track; all the performance criteria through 1985/86 were observed. Thus, notwithstanding recurrent droughts, the closure of the border with Nigeria, and a further weakening in the world demand for uranium, the policies pursued contributed to a substantial improvement in the external sector position; the external current account deficit, including grants, narrowed from 9.7 percent of GDP in 1982 to 3.9 percent in 1985 (Table 1). Furthermore, the rate of inflation, as measured by the GDP deflator, declined from 10.1 percent in 1982 to 4.0 percent in 1985. However, economic activity fell sharply in 1983 and 1984, as a result of the severe drought and the leveling off in the output of the uranium sector. With an improvement in weather conditions, real GDP grew by 5.5 percent in 1985.

In 1986 Niger made further progress in laying the foundation for achieving a sustainable rate of economic growth under conditions of domestic and external financial stability. While the negotiated export price for uranium stagnated, instead of rising by 5 percent as originally projected in the program, Niger benefited in 1986 from a considerable improvement in weather conditions, the reopening of the border with Nigeria, the drop in the prices of imported petroleum products, and the depreciation of the U.S. dollar vis-à-vis the CFA franc. These factors, as well as the rigorous implementation of the envisaged adjustment measures, led to an outcome in 1986 which was generally more favorable than had been programmed. The external current account deficit, including grants, was reduced from 3.9 percent of GDP in 1985 to 2.3 percent of GDP in 1986, compared with a program target of 3.3 percent; ^{1/} real growth picked up from 5.5 percent in 1985 to 6.9 percent in 1986, exceeding the program target of 4.0 percent; and the GDP deflator rose by only 1.5 percent, substantially lower than the program objective of 7.0 percent.

In 1985/86 the authorities undertook wide-ranging structural reforms (Table 2). There was a further liberalization of pricing and marketing policies. All import monopolies and quasi-monopolies, with the exception of those on petroleum products, were abolished; the

^{1/} The program targets refer to the revised targets set at the time of the mid-term review in March 1986 (EBS/86/109). The analysis of the external sector is based on the CFA franc, rather than the SDR, because a large share of Niger's external transactions is undertaken within the franc zone. The tables for the balance of payments and debt service both in CFA francs and in SDRs are included in Appendix VI.

Table 1. Niger: Selected Economic and Financial Indicators, 1982-87

	1982	1983	1984	1985	1986		1987	
				Actual	Rev. prog.	Prel. act.	Prog.	Rev. prog.
(Annual percentage changes, unless otherwise specified)								
National income and prices								
GDP at constant prices	-0.8	-2.6	-16.8	5.5	4.0	6.9	2.0	2.7
GDP deflator	10.1	7.7	7.3	4.0	7.0	1.5	6.0	5.5
Consumer prices	11.6	-2.5	8.4	-0.9	...	-3.2	...	...
External sector								
Exports, f.o.b. (in CFA francs)	-10.8	17.1	-5.9	-15.2	6.5	1.8	4.2	1.3
Imports, c.i.f. (in CFA francs)	-0.9	-6.3	-16.8	14.2	-11.1	-20.6	4.9	2.5
Export volume	-20.1	9.7	-7.9	-12.9	3.7	1.7	-0.9	12.1
Import volume	0.2	-5.1	-15.2	15.2	-12.9	-19.1	2.8	-0.5
Terms of trade (in CFA francs; deterioration -)	18.4	15.9	5.9	-6.1	-0.7	3.6	1.4	-4.3
Nominal effective exchange rate 1/ (end of period; depreciation -)	-2.9	-3.1	-2.4	0.6	...	0.1	...	...
Real effective exchange rate 1/ (end of period; depreciation -)	-1.5	-12.8	-1.1	-3.6	...	-5.8	...	...
Government finance (fiscal year ending September 30)								
Revenue	-1.8	-6.8	1.9	-0.3	6.9	6.0	8.2	9.6
Expenditure (commitment basis) 2/ Total expenditure and net lending (excluding grant-financed outlays)	-14.6	-1.3	-13.8	5.8	0.5	-5.4	4.6	8.2
Total expenditure and net lending (including grant-financed outlays)	...	...	-4.7	6.3	6.1	2.8	8.7	8.5
Current expenditure	12.8	-3.3	17.7	17.9	-1.4	-7.5	5.3	5.5
Capital expenditure (incl. grant-financed outlays)	...	...	-23.1	-4.8	18.7	22.0	12.7	7.5
Money and credit (end of period)								
Domestic credit 3/ Government (net)	29.5	-1.7	-6.7	5.7	5.0 4/	7.6	8.3	-1.0
Private sector	20.6	2.2	4.2	5.0	1.1 4/	-6.9	...	-4.6
Money and quasi-money (M2)	8.9	-3.9	-10.9	0.7	4.0 4/	14.5	8.3	3.6
Velocity (GDP relative to M2)	-11.7	-1.0	22.7	7.9	9.0 4/	11.4	7.5	5.3
Interest rates (end of period)	7.8	8.2	6.0	6.1	6.5 4/	6.0	6.6	6.1
Minimum rate on time deposits 5/ Money market rate for overnight deposits	10.5 6/ 13.0	9.5 7/ 12.0	9.5 10.8	9.5 9.8	9.0 8/ ...	8.0 9/ 7.8 9/	...	...
(In percent of GDP)								
Government finance (fiscal year ending September 30)								
Overall deficit (excl. grants; excl. grant-financed outlays)								
Commitment basis 2/ Cash basis	-7.1 -4.9	-7.3 -7.2	-5.0 -6.9	-5.7 -5.5	-3.8 -3.8	-3.9 -3.6	-3.5 -3.5	-3.7 -4.3
Overall deficit (excl. grants; incl. grant-financed outlays)								
Commitment basis 2/ Cash basis	...	-9.0 -8.9	-8.4 -10.3	-9.3 -9.1	-7.9 -7.9	-8.5 -8.3	-7.8 -7.8	-8.4 -9.0
Financing								
Domestic bank financing	1.8	0.7	0.9	1.1	0.7	-0.5	...	-1.0
Foreign financing (excl. grants)	3.2	6.3	5.5	3.3	2.9	3.4	3.2 10/	5.1
Foreign financing (incl. grants)	...	8.0	9.0	6.9	...	8.1	6.8 10/	9.7
External current account deficit (-)								
Including official transfers	-9.7	-4.6	-1.7	-3.9	-3.3	-2.3	-2.0	-2.2
Excluding official transfers	-17.1	-12.0	-9.3	-14.9	-9.2	-9.3	-7.6	-8.7
External debt 11/	42.1	51.9	67.2	66.6	58.2	62.8	55.0	59.0
(In percent of exports) 12/								
Debt service ratio 13/ Without debt relief With debt relief	46.5 46.5	33.1 30.8	40.6 25.7	51.5 35.4	45.5 30.8	49.4 33.5	50.8 ...	48.1 36.2
Interest payments 13/ Without debt relief With debt relief	18.7 18.7	14.4 13.6	16.0 11.1	19.8 16.5	15.9 12.9	19.7 16.7	18.8 ...	18.5 18.5
(In billions of CFA francs)								
GDP at current market prices	645.4	677.3	604.8	663.5	788.2	720.3	836.1	780.1
Overall balance of payments (deficit -)	-42.7	1.4	-3.9	-16.9	-20.3	-16.1	-8.7	-7.7
Change in external payments arrears (in millions of SDRs)	...	3.6	...	-3.6	...	...	...	...

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

1/ Import-weighted. The price index utilized is calculated on the basis of a basket of consumer goods, in which food items have a large share.

2/ On the basis of expenditure committed for which payment orders were issued.

3/ Expressed in percent of beginning-of-period money stock.

4/ Based on the targets for 1986 in EBS/86/237.

5/ Minimum rate on time deposits in excess of one year and in amounts of more than CFAF 2 million; the actual rates generally follow the money market quotations closely.

6/ Since April 7, 1982.

7/ Since April 5, 1983.

8/ Since March 24, 1986.

9/ Since September 22, 1986.

10/ Assuming that the remaining financing gap is filled by external financial assistance.

11/ Outstanding disbursed long- and medium-term public and private debt, including IMF.

12/ Exports of goods and nonfactor services.

13/ Service on public and private long- and medium-term debt.

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

	Status
<u>Objectives</u>	
1. Achieve a 4 percent growth rate in real GDP.	Achieved.
2. Reduce the rate of inflation, as measured by the GDP deflator, from 7.5 percent to 7.0 percent.	Achieved.
3. Contain the current account deficit of the balance of payments to 3.3 percent of GDP, and limit the overall balance of payments deficit to CFAF 20.3 billion.	Achieved.
<u>Key policy measures</u>	
<u>Pricing and marketing policies</u>	
1. Abolish all import monopolies and quasi-monopolies (de facto monopolies and exclusive trading contracts), with exception of imports of petroleum products (October 1, 1985).	Implemented.
2. Expand the scope of the system of tenders and bids for wholesale purchases and sales of sorghum and millet and the setting of selling prices in line with market conditions by the grain marketing agency (OPVN) (November 1, 1985).	Implemented.
3. Reduce the list of products and services covered by the system of regulated prices, with the exception of local industries, to petroleum products, salt, water, electricity, bread, flour, and transportation; institute instead a system of profit margins (November 1, 1985).	Implemented.
<u>Public enterprises</u>	
1. Finalize and start implementing a comprehensive reform program for the public enterprise sector under the SAC with the World Bank in 1986.	Under implementation.
2. Continue the implementation of measures to strengthen the financial position of key public enterprises.	
a. OPVN - introduce the pricing and marketing measures described above;	Implemented.
b. BDRN - increase capital and continue the rehabilitation program;	Implemented.
c. OFEDES - expand its program to charge user costs to the beneficiaries and to recover at least one third of the maintenance costs of wells, pumping stations, and drilling;	Implemented.
d. SONICAR - continue with the ongoing rehabilitation program; increase tariffs applicable to the uranium mining companies (1986).	Implemented.
3. Prepare timetable for elimination of verified cross-debts.	Implemented.
<u>Public investment program (1985/86)</u>	
1. Overall objective:	
Domestic counterpart (including BDRN):	CFAF 80 billion
External borrowing:	CFAF 5.5 billion
Grants:	CFAF 32.9 billion
2. Implementation rate:	
Domestic counterpart:	CFAF 41.6 billion
External borrowing:	77 percent (average)
Grants:	CFAF 4.5 billion
3. Investment programming:	
Prepare the second and third year programs of three-year investment program (1985/86-1987/88) in the context of the SAC with the World Bank, taking into account the need to rehabilitate and maintain existing infrastructure, recurrent expenditure implications, the need to expand cost recovery, and the impact on the balance of payments.	Implemented.
<u>Public finance</u>	
1. Reduce the overall deficit on a commitment basis from CFAF 33.5 billion in 1984/85 (4.9 percent of GDP) to CFAF 29.3 billion (3.8 percent of GDP) in 1985/86. <u>1/</u>	Achieved.
2. Budgetary revenue: increase by 6.9 percent.	Not achieved.
a. Introduce the value-added tax (VAT).	Implemented.
b. Increase stamp duties and registration fees.	Implemented.
c. Introduce customs duties on petroleum products.	Implemented.
d. Collect CFAF 1.0 billion of profits from oil sector.	Implemented.
e. Improve tax administration by moving forward the point of collection of petroleum taxes to customs.	Implemented.
f. Eliminate preferential duties on certain imports.	Implemented.
g. Tax several commodities based on the full c.i.f. value.	Implemented.
3. Expenditure: limit increase to 0.5 percent. <u>1/</u>	Achieved.
a. Limit growth of wage bill by granting no cost-of-living adjustment and limiting employment.	Achieved.
b. Reduce scholarships and subsidies.	Achieved.
c. Limit administrative expenditure and transfers to public entities.	Achieved.
d. Limit investment outlays to CFAF 30.2 million <u>2/</u>	Achieved.
4. No accumulation of arrears.	Implemented.
<u>Monetary and credit policies</u>	
1. Limit monetary growth to 9.0 percent in 1986. <u>2/</u>	Not achieved.
2. Allocate a higher percentage of credit growth to the nongovernment sector.	Achieved.
3. Limit credit growth to 5.0 percent of beginning money stock. <u>1/</u>	Not achieved.
<u>External sector</u>	
1. External debt relief from the Paris Club, commercial banks, and other official creditors.	Achieved.
2. No contracting or guaranteeing of new nonconcessional loans in the 0-12 years' maturity range.	Implemented.

Source: EBS/86/237.

1/ Excluding grants and grant-financed investment.

2/ Targets for 1986 set in the context of the 1986/87 program in EBS/86/237.

cereal marketing agency (OPVN) expanded the scope of the system of tenders and bids to cover all wholesale purchases and sales; and 20 of the 27 products and services subject to price ceilings (homologation) were subjected to the more flexible system of preset profit margins. The Government also made progress in implementing the reform program for the public enterprise sector, prepared in consultation with the World Bank and launched in late 1985. This program included measures to enhance production incentives and to improve the legal and institutional framework within which public enterprises operate. It also involved specific programs of liquidation, privatization, and rehabilitation. In addition, the Government strengthened its public investment planning. It formulated for the first time a three-year rolling public investment program for 1985/86-1987/88. This focused on investment in the directly productive sectors and relied increasingly on grants. In 1985/86 an implementation rate of 76.9 percent was achieved; public investment reached CFAF 61.5 billion, an increase of 17 percent over 1984/85 (Appendix V, Table IV). ^{1/} The share of grant-financed investment rose from 44 percent in 1984/85 to 53 percent in 1985/86 and that financed by external borrowing declined from 46 to 41 percent. Particular emphasis was placed on rural development and social programs, which accounted for 34 percent and 26 percent of total investment expenditure, respectively, in 1985/86.

To reinforce the structural reforms, the authorities pursued a tight fiscal policy. Total expenditure grew by only 2.8 percent, reaching CFAF 134.0 billion in line with the program target. Current expenditure was reduced by 7.5 percent, owing to the implementation of a restrictive wage policy, as well as cutbacks in other current expenditure (Appendix VI, Table V). Development expenditure, including grant-financed investment exceeded only marginally the program target, owing to a higher level of grant-financed investment. By contrast, total revenue, including the revenue of the annexed budgets and special funds, increased by 6 percent, mainly because of the introduction of wide-ranging tax measures at the beginning of the year. Even though tax revenue was marginally lower than programmed owing to a shortfall in dutiable imports and in uranium receipts, nontax revenue benefited from higher-than-projected receipts related to the windfall profits resulting from the fall in oil prices. Reflecting these factors, the overall fiscal deficit on a commitment basis, excluding grants, was contained to CFAF 59.9 billion (8.5 percent of GDP), ^{2/} slightly lower than the program target of CFAF 60.7 billion (7.9 percent of GDP). Taking into account the float item, the deficit on a cash basis, excluding grants, was limited to CFAF 58.3 billion, compared with a target of CFAF 60.7 billion. The deficit was financed almost entirely from

^{1/} Based on data provided by the Ministry of Plan, which differ marginally from those compiled by the Ministry of Finance.

^{2/} The ratios to GDP between the outcome and the target differ because of the downward revision in nominal GDP. In 1986/87, the budget includes grant-financed investment expenditure.

external resources, including debt relief. Given the better than envisaged outcome for the overall deficit and the faster than projected disbursements under World Bank lending, net domestic financing was considerably lower than programmed in 1985/86.

The strict budgetary policy pursued resulted in a reduction in 1986 of net claims of the banking system on the Government of 6.9 percent of beginning money stock, compared with a programmed increase of 1.1 percent (Appendix VI, Table VI). ^{1/} Concomitantly, credit to the private sector, which includes public enterprises, grew by 14.5 percent of beginning money stock, exceeding the program target of 4.0 percent. The higher rate of credit growth to the private sector was mainly due to a sharp rise in crop credit during the last quarter of 1986, owing to a bumper crop of cowpeas and groundnuts and delays in the receipt of export proceeds from Nigeria. Furthermore, ordinary credit increased by 6.9 percent of beginning money stock, as against a programmed growth of 2.9 percent. The decline in net claims on the Government largely offset the overshooting in credit to the private sector. As a result, overall domestic credit expanded by 7.6 percent of beginning money stock, compared with a program ceiling of 5.0 percent. Nonetheless, because of the contractionary impact of other monetary items (net), net domestic assets of the banking system grew by only 2.3 percent of beginning money stock, remaining marginally below the program projection. However, as foreign assets expanded faster than envisaged, domestic liquidity grew by 11.4 percent, compared with a program target of 9.0 percent.

The external sector position strengthened, as a shortfall in export proceeds was more than offset by a considerably lower level of imports than projected. Because of the depressed world uranium market, export proceeds grew by only 1.8 percent, remaining CFAF 5.3 billion below the projected level (Appendix VI, Table VII). However, import payments were CFAF 15.1 billion below the projected level. This represents a decline of 20.6 percent in 1986, of which 20.5 percent due to a drop in payments for oil imports and 3.1 percent to a drop in payments for cereal imports, with payments for other imports increasing moderately. The decline in cereal and petroleum import payments reflected the good harvest, a fall in cereal import prices, and a drop in petroleum import prices. Transfers were larger than projected, owing to a higher level of official grants. Thus, the current account deficit, including grants, narrowed from CFAF 25.7 billion in 1985 to CFAF 15.5 billion in 1986, as against a program target of CFAF 26.2 billion. The positive effect of the marked improvement in the current account position was limited by developments in the capital account. There was a net capital outflow of CFAF 3.0 billion, compared with a projected surplus of CFAF 5.9 billion. A delay in the receipt of export earnings from

^{1/} The program targets for the monetary aggregates for end-1986 refer to those established in September 1986 under the 1986/87 financial program. All the credit ceilings through end-September 1986 under the 1985/86 financial program were observed.

cowpeas sold to Nigeria during 1986 accounted for a short-term capital outflow of CFAF 5.7 billion. In addition, long-term capital inflows were CFAF 6.7 billion lower than projected, as private disbursements declined more than envisaged and external loans financed a lower share of the investment program than had originally been projected. Reflecting these factors, the overall balance of payments deficit was reduced to CFAF 16.1 billion in 1986, compared with a program target of CFAF 20.3 billion. Taking into account the debt relief secured and a revaluation of net foreign assets, there was an increase in net foreign assets of CFAF 9.2 billion. In 1986 the Government continued to pursue a prudent external debt management policy and did not contract or guarantee any nonconcessional loans with a maturity range of 0-12 years.

III. Report on the Discussions

At the time of the last Article IV consultation, Executive Directors commended the authorities on the success of the adjustment programs undertaken since 1983 and stressed the importance of persevering with the structural reforms and maintaining a tight financial policy stance, especially in view of the continued weakening of the world demand for uranium. In this context, they placed particular emphasis on the pursuit of a market-oriented pricing policy, the completion of the reform of the public enterprise sector, and a further shift in investment toward the directly productive sectors. The effects of these structural policies were to be reinforced through an improved budgetary position, which would permit increased credit to the private sector, while maintaining the growth of domestic liquidity within limits consonant with the objective of reducing financial imbalances. Directors emphasized that Niger needed to pursue its adjustment efforts to achieve balance of payments viability toward the end of this decade, and to move toward a positive rate of real per capita GDP growth. A number of Directors observed that Niger's weak medium-term growth prospects were a cause for serious concern, and underscored the need for increased concessional financing for productive investment.

These issues were considered in the subsequent negotiation of the current stand-by arrangement, and the three-year structural adjustment arrangements, as well as the first annual arrangement thereunder, which were all approved by the Executive Board on November 17, 1986. The 1987 Article IV consultation discussions, which were held together with the mid-term review under the current stand-by arrangement, provided a further opportunity to assess the progress made in implementing the 1986/87 program, to review the policies for the rest of the year, and to reassess the medium-term outlook for the balance of payments. The authorities indicated that the 1986/87 financial program remained broadly on track. Indeed, despite the slack in the world uranium markets, economic developments in 1987 were expected to be more favorable than originally envisaged, owing largely to the strong performance of the agricultural sector and an associated revival of economic activity in other sectors, as well as a higher than programmed

level of net external financial assistance. The authorities recognized that the softening in the world market for uranium could jeopardize the achievement of the objective of attaining a sustainable rate of economic growth consonant with domestic and external financial viability by 1990. They remained resolute in their determination to readjust and reinforce their policies in the light of the changing international environment. Nonetheless, they stressed that the success of their adjustment efforts over the medium term would depend critically on financing in the proper form and at appropriate terms. The authorities hoped that progress could be made in securing additional financing at the upcoming UNDP-sponsored Round Table Conference scheduled to be held in Geneva in June 1987.

1. Medium-term policies and prospects

Recognizing that, notwithstanding the progress achieved since 1983, the Niger economy continued to face considerable natural and structural constraints limiting its growth prospects and hindering the achievement of financial stability, the Niger authorities launched a medium-term economic and financial program covering the three-year period 1987-89. These policies are outlined in Niger's medium-term policy framework paper prepared in close collaboration with the staffs of the Fund and the World Bank (EBS/86/237). The program aims at reducing the major structural constraints and limiting the growth of aggregate demand to a level consonant with available resources. The emphasis is placed on further improving the environment for private sector economic activity, and on increasing domestic investment and savings. By enhancing Niger's competitiveness, the program also aims at expanding the export base and at encouraging import substitution. The key quantitative objectives for 1987-89 are to achieve an annual rate of real economic growth of at least 2.1 percent, to limit the annual rate of inflation, as measured by the GDP deflator, to 6.0 percent, and to reach a viable external payments position by 1990 through a gradual reduction in the external current account deficit, including official grants, from 2.2 percent of GDP in 1986 to 1.4 percent of GDP in 1990.

The authorities expected that the structural measures, together with favorable exogenous factors, would result in even higher growth rates than originally envisaged. It had been estimated that, without the structural measures, real economic growth would average 1.1 percent annually during 1987-95. The effective implementation of the structural adjustment program, coupled with the assumptions that good weather conditions would prevail and that the international economic environment would remain unchanged, was expected to raise the average annual real growth rate to 2.1 percent during 1987-90 and 2.9 percent during 1991-95. While these rates had been used as a working hypothesis, the more favorable outturn expected in 1987 led the authorities to believe that an annual growth rate of at least 3.0 percent could be achieved. The authorities concurred that this would depend critically on the emphasis placed on investment in the productive sectors, a major

improvement in weather conditions, the emergence of a more favorable international economic environment, and a marked improvement in the demand for Niger's exports and in its terms of trade.

To take into account more recent information regarding economic developments in Niger in 1986 and 1987, as well as up-to-date international price projections as presented in the latest World Economic Outlook, the base line medium-term scenario for the balance of payments presented in EBS/86/237 was revised (Scenario I, Appendix VI, Table III; and Appendix VI, Table VII). The revisions have been only minor and balance of payments viability is still projected to be attained by 1990. On the export side, uranium export earnings, which have been revised downward for 1987, are expected to recover only modestly in the next three years. The volume of uranium exports is projected to rise at an average annual rate of 2.6 percent (out of existing stocks), and the export price is projected to remain constant in real terms. However, in view of the higher than projected growth in other exports in 1987, projections for other export earnings have been revised upward. Accordingly, total export proceeds are projected to grow at an average annual rate of about 7.7 percent, compared with a previous projection of 5.9 percent. Nonetheless, because of the lower level of total exports in 1987, the export level in 1990 will be somewhat lower than previously projected. On the import side, the volume of cereal imports and the level of the petroleum import bill have been revised downward for 1987, based on higher domestic cereal production and lower petroleum import prices. Thus, even though the growth in import payments, projected at an average annual rate of 6.6 percent, remains virtually unchanged from the previous projection, import payments through 1990 will remain somewhat lower than originally envisaged. Reflecting these factors, the external current account deficits, excluding grants, will be marginally higher than previously projected. Nonetheless, the overall balance of payments deficits for 1987-90 narrow at a faster rate than previously projected, owing mainly to a downward revision in external debt amortization, primarily reflecting the appreciation of the CFA franc. Niger has serviced its obligations to the Fund in a timely manner and, in view of the progress it is making in its adjustment efforts, is expected to continue to do so.

The medium-term outlook depends critically on the developments in the world uranium market. If there were no increase in export volume and the nominal export price of uranium remained unchanged, balance of payments viability would not be attained by 1990 (Scenario II). If additional financing were not available and financial policies were further tightened to curtail aggregate demand, so as to achieve viability by 1990, economic growth would be reduced to an average annual rate of 1.7 percent during 1988-90 (Scenario III).

In view of these uncertainties, the authorities expressed deep concern about the prospects for the Niger economy. They stressed that they would need to secure higher levels of grant financing and to reschedule or refinance their external debt at more favorable terms than

in the past. For the purpose of mobilizing additional external financial resources, the authorities held a Donors' Conference in Niamey in April 1987, at which the financing requirements of Niger were discussed. The conference involved preparations for a UNDP-sponsored Round Table Conference to be held in Geneva in June 1987. The authorities hoped that adequate financing would be forthcoming to ensure that a satisfactory rate of growth could be sustained. However, they concurred that the terms of the financing obtained and the form in which these resources were mobilized would have to be carefully examined in the preparation of the next budget to ensure that the adjustment objectives in Niger's policy framework paper would be attained.

2. Progress under the 1986/87 program

The authorities indicated that the program for 1986/87 was being implemented as envisaged, and that the prospects for economic growth, inflation, and the balance of payments in 1987 were more favorable than originally projected (Table 3). The growth rate of real GDP was expected to slow down in 1987, following the recovery from the drought which ended in 1984. Nonetheless, reflecting the effects of the structural measures taken and the continued good weather conditions, the projected growth rate of real GDP for 1987 has been revised upward from 2.0 percent to 2.7 percent. ^{1/} The rate of inflation, as measured by the GDP deflator, is expected to be contained to 5.5 percent, as against a program target of 6.0 percent and 1.5 percent in 1986. This estimate is based on a continued reduction in excess demand pressures and some recovery in agricultural prices, which fell by 10 and 18 percent in 1985 and 1986, respectively. The improved supply conditions and the financial and economic policies being pursued are expected to reduce marginally the share of consumption in GDP to 92.6 percent, reflecting a decline in the share of public consumption. Correspondingly, the share of savings is projected to rise from 7.2 percent of GDP to 7.4 percent of GDP. Investment is expected to increase from 11.2 percent of GDP in 1986 to 11.5 percent in 1987. Accordingly, the resource gap in 1987 is projected to remain virtually unchanged at 4.1 percent of GDP.

^{1/} This is due to a continued rapid growth in the rural sector. The agricultural sector is projected to grow by 3.8 percent, compared with an initial projection of 1.7 percent. In addition, livestock production, which began to recover from the drought only in the 1985/86 crop year, is expected to grow by 6 percent as a result of further improvements in pasture conditions, as compared with an initial projection of 3.5 percent. However, the growth of the industrial and mining sector has been revised downward from 2.0 percent to 0.8 percent, owing to the projected decline in uranium output. In view of the higher level of activity in the rural sector, the tertiary sector is now expected to expand by about 3.0 percent, instead of 2.0 percent originally envisaged.

Table 3. Niger: Summary of the Revised Adjustment Program for 1986/87

Objectives

1. Real growth: 2.7 percent.
2. Inflation (GDP deflator): 5.5 percent.
3. External current account deficit: 2.2 percent of GDP; and overall balance of payments deficit: CFAF 7.7 billion.

Key policy measures

Pricing and marketing policies

1. Reduce list of imported goods subject to preset profit margins to 64; simplify the system of preset profit margins from one of specific margins for each good to preset profit margins of either 35 percent or 50 percent; completely deregulate the prices of all other imported goods (November 1, 1986). 1/
2. Complete study on agricultural pricing and marketing system (May 1987).
3. Complete study on SONARA's pricing and marketing policies (August 1, 1987).

Public enterprises

1. Continue implementation of a comprehensive reform program for the public enterprise sector.
2. Promulgate legislation defining the legal status of public enterprise employees and adopt model charters for public enterprises (October 1, 1986). 1/
3. Complete adoption by all public enterprises of individual charters based on model charters (December 31, 1987).
4. Formulate and begin the implementation of rehabilitation programs for OPT, OPVN, and BDRN (October 1, 1986). 1/
5. Privatize CMAN (March 31, 1987). 1/
6. Privatize SNT (March 31, 1987).
7. Privatize OLANI, SICONIGER, and SONERAN (December 31, 1987).
8. Decide on future of Air Niger and SNC (October 31, 1986). 1/
9. Liquidate SOPAC, UNCC, and SONIFAME (December 31, 1987). 1/ 2/
10. Prepare a study (December 31, 1986) on and a plan of action (February 28, 1987) for the establishment of a water company. 1/
11. Reduce verified cross-debts by CFAF 3.254 billion (end-September 1987).
12. Complete terms of reference for study of agricultural credit system (May 31, 1987).

Public investment program

1986/87

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

Public finance

Reduce the overall deficit on a commitment basis, excluding grants and grant-financed outlays, from CFAF 27.2 billion in 1985/86 (3.9 percent of GDP) to CFAF 28.4 billion in 1986/87 (3.7 percent of GDP). Including grant-financed investment outlays but excluding grants, limit increase in the overall budget deficit on a commitment basis from CFAF 59.9 billion (8.5 percent of GDP) in 1985/86 to CFAF 64.2 billion (8.4 percent of GDP) in 1986/87. Repayment of CFAF 7.8 billion of net credit from the banking system and no accumulation of arrears.

1. Revenue: Increase by 9.6 percent.
 - a. Tax revenue: increase by 8.9 percent
 - b. Nontax revenue: increase by 16 percent, mainly through the collection of CFAF 6.0 billion of profits from petroleum imports.
 - c. Prepare study evaluating reform of tax system (February 1987). 1/
2. Expenditure: Limit increase to 8.5 percent (including grant-financed investment).
 - a. Growth in current expenditure (excluding interest payments), net lending, and expenditure of the annexed budgets and special funds to be confined to 9.5 percent.
 - Limit new hiring.
 - Grant no cost of living adjustment.
 - Effect economies in housing allocations, scholarships, and transfers and subsidies.
 - b. Increase development expenditure, including grant-financed investment, by 7.5 percent.
 - c. Complete study on civil service system (July 1, 1987).

Monetary and credit policies

1. Limit monetary growth to 5.3 percent in 1987.
2. Reduce net credit to the Government by CFAF 7.8 billion by end-September 1987.
3. Adhere to schedule for repayment of crop credit.

External sector

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

Sources: EBS/86/237; and Appendix I.

1/ Indicates measures already implemented in accordance with the program.
2/ SOPAC has been privatized.

In the external sector, the deficit of the balance of payments is projected to be reduced from CFAF 16.1 billion in 1986 to CFAF 7.7 billion in 1987, compared with the initial target of CFAF 8.7 billion (Appendix VI, Table VII). Uranium export earnings are projected to fall by CFAF 1.8 billion to CFAF 86.7 billion, which represents a shortfall of CFAF 9.6 billion from the program projection. In view of the depressed world demand conditions for uranium, the negotiated export unit price has fallen by 2.0 percent and the export volume is expected to stagnate; as a result, the original projections for the uranium export price and volume have each been revised downward by 5 percent. However, the favorable agricultural harvest, which is expected to result in higher exports of cowpeas, will limit the projected shortfall in export earnings to CFAF 7 billion. This shortfall is expected to be almost virtually offset by savings, compared with the initial program, of CFAF 1.4 billion on cereal and petroleum imports, lower interest obligations of CFAF 1.7 billion, owing primarily to the depreciation of the U.S. dollar vis-à-vis the CFA franc, and an upward revision in official grants, of CFAF 3.5 billion, mostly on account of higher food and budgetary aid. Thus, the current account deficit, including official transfers, is projected at CFAF 17.5 billion (2.2 percent of GDP), close to the initial program target of CFAF 16.8 million (2.0 percent of GDP) and only marginally higher than the deficit of CFAF 15.5 billion (2.3 percent of GDP) recorded in 1986. The capital account is now projected to record a surplus of CFAF 9.8 billion, compared with a target of CFAF 8.1 billion and a deficit of CFAF 3.0 billion in 1986. The improvement reflects mainly a rise in disbursements on public long-term debt, a decline in amortization payments on private long-term debt, as well as a reversal in short-term net capital flows. With debt relief amounting to CFAF 15.3 billion, the overall deficit of CFAF 7.7 billion would permit a further improvement of CFAF 7.6 billion in Niger's net foreign assets.

a. Public investment

The authorities indicated that the implementation of the 1986/87 investment program was proceeding as envisaged. The overall target for public sector investment remained at CFAF 92.5 billion (Appendix VI, Table IV). They expected the implementation rate of 72.8 percent, retained as a working hypothesis, to be achieved. Thus, taking into account the outcome for 1985/86, government investment expenditure was projected to grow by 7.5 percent in 1986/87, to reach CFAF 67.3 billion. This would be financed by CFAF 4.7 billion from the budget, CFAF 26.8 billion from foreign loans, and CFAF 35.8 billion from foreign grants. The program emphasizes projects supporting the directly productive sectors, the development of human resources, and the rehabilitation of existing infrastructure. A particular effort is being made to expand implementation capacity in the rural and social service sectors, to raise the relative shares of these two sectors in public investment to 40 percent and 28 percent, respectively.

To strengthen development planning, the Government has prepared a Five-Year Plan for Social and Economic Development (1987/91), in the context of which the three-year rolling public investment program would be extended and reviewed yearly, in consultation with the World Bank, taking into account the recurrent expenditure and debt servicing implication of new investments. In the preparation of the plan, the authorities have identified the following four broad priorities: (i) the expansion, diversification, and conservation of the country's productive base, especially in the rural sector; (ii) the development of human resources through improved health and educational facilities; (iii) an increase in the scope of private initiative, through appropriate support and a redefinition of the role of the state in the economy; and (iv) the improvement of the external sector position, through export promotion and diversification, and of the fiscal position, through a restrained expenditure policy and a reform in the tax system. The UNDP Round Table Conference is intended to provide an opportunity for a further review of the Five-Year Plan, a thorough examination of the financing requirements for 1987/88-1991/92, and the coverage of the financing needs identified therein, consonant with Niger's medium-term economic and financial policy framework paper and the structural adjustment program supported by the World Bank.

b. Pricing and marketing policies

The authorities remain committed to continuing the liberalization of pricing and marketing policies. They noted that, as part of their adjustment efforts, considerable progress had already been achieved. The latest measure under the program had been taken by the Government on October 30, 1986, when a decree was issued reducing the list of imported goods subject to preset profit margins from about 200 to 64; simplifying the system of preset profit margins from one of specific margins for each good to two preset profit margins of either 35 or 50 percent; and completely deregulating the prices of all other imported goods. The reduction in the scope of price controls as well as the revision of the margins set have contributed to a greater determination of prices in the economy through the interplay of market forces, thereby reducing distortions. The authorities had already initiated work to shorten further the list of goods remaining subject to price controls. In addition, the authorities indicated that a draft study on the agricultural pricing and marketing system had been prepared with the assistance of the FAO. The draft was being reviewed and was expected to be finalized by end-May 1987. Based on the results of the study, the Government intends to introduce the requisite measures, in consultation with the Fund and the World Bank.

The authorities are reviewing the marketing and pricing policies of SONARA, a semipublic enterprise in charge of marketing cowpeas and groundnuts. SONARA has been experiencing liquidity problems stemming largely from the purchase of large quantities of cowpeas and groundnuts at official reference prices, in the wake of a bumper harvest, and from delays in the payment of cowpea export earnings from Nigeria, totaling

CFAF 5.7 billion at end-December 1986. SONARA's stocks are estimated at 37,000 tons of groundnuts and 55,000 tons of cowpeas. SONARA's inability to reduce its outstanding crop credit in a timely manner contributed to the nonobservance of the ceiling on domestic credit at end-December 1986. The authorities were instituting official contacts with the Nigerian Government to expedite the transfer of SONARA's export receipts. In addition, SONARA has intensified its marketing efforts to sell its stocks. SONARA projected sales of 55,000 tons of cowpeas to Nigeria in 1987, representing a value of CFAF 8.3 billion. While the reference purchase prices for cowpeas allowed SONARA to export competitively, the authorities concurred that the reference price for groundnuts was considerably higher than that on the international market. In the circumstances, SONARA expected to sell its groundnut stocks locally to SICONIGER for processing into edible oil. To ensure an orderly reduction in crop credit, SONARA undertook to adhere to a set repayment schedule. Furthermore, to prevent a recurrence of these difficulties, the Government will prepare, by August 1, 1987, a study on the reform of SONARA's marketing and pricing policies. Pending the completion of this study and the adoption of appropriate pricing and marketing reforms, in consultation with the Fund and the World Bank, SONARA has been instructed to halt all crop purchases.

c. Agricultural policy

In view of the important role of the agricultural sector in the Niger economy, the authorities regard the adoption of a comprehensive agricultural policy as being critical to an improvement in Niger's medium- and long-term growth prospects. The agricultural sector in Niger faces serious constraints in the form of uncertain climatic conditions, fragile soils, heavy population pressure on arable lands, and a weak institutional infrastructure in rural areas. A study on the requisite policies to promote and diversify agricultural production is under preparation with support from the World Bank. In the meantime, the Government has outlined the main thrust of its future agricultural strategy in the development plan and the three-year rolling public investment program. About 40 percent of planned public investment expenditure over the next three years has been allocated to the agricultural sector. These investments are designed to promote a village-based rural development policy, emphasizing small-scale projects, which involve the participation of farmers and cooperatives in the initiation, implementation, operation, and maintenance of new investments. The planned investment in the rural sector includes projects to improve irrigation facilities; to develop off-season cropping; to rationalize the livestock sector; to improve water supply and sanitation; and to expand primary health care and basic educational facilities in rural areas. Priority attention is being given to soil conservation and the fight against desertification. In addition, the scope of cost recovery is being expanded, and the subsidies for agricultural inputs are being reduced. The authorities stressed that the lack of a mechanism for the extension of agricultural credit posed a constraint to the development of the agricultural sector. However, a

study on the establishment of an agricultural credit system, which was to have been completed by end-February 1987, had been delayed. The terms of reference for such a study were expected to be completed only by end-May 1987.

d. Public enterprise reform

The implementation of the public enterprise reform program, initiated in 1985 with World Bank support, is broadly on track. The Government has recently negotiated with the World Bank a new public enterprise sector adjustment program, which would be supported by US\$60 million from IDA and US\$20 million from the Special Africa Facility of the World Bank. It aims at further improving public sector resource management; enhancing public enterprise performance; and strengthening the institutional framework for public enterprises.

The public enterprise reform program currently under implementation includes legal and institutional reforms designed to increase the autonomy of public enterprises and boost their productivity. To that end, model charters defining the structure and responsibilities of public enterprise management and the supervisory role of the Government were drawn up on October 1, 1986. Concomitantly, legislation defining the legal status of public enterprise personnel and introducing performance-based remuneration was promulgated. All public enterprises are expected to operate in conformity with the new legislation by end-November 1987.

The implementation of the reform measures aimed at restructuring the public enterprise sector through the liquidation, privatization, and rehabilitation of selected enterprises is also broadly on track. The Government remains committed to reducing the number of public enterprises from 54 to 25. Of the two public enterprises which were to have been privatized by March 31, 1987, the privatization of CMAN (handicraft workshops) has been completed, while that of SNT (television) is pending the identification of a buyer. The liquidation UNCC (agricultural credit cooperative), and SONIFAME (metal factories) has been completed. SOPAC (paper mill) has been privatized. The privatization of OLANI (dairy), SONERAN (livestock), and SICONIGER (edible oils) is scheduled to be completed by end-December, 1987. The Government has decided to liquidate Air Niger and to rehabilitate SNC (cement), subject to the World Bank's confirmation of the viability of this rehabilitation. Under the rehabilitation programs for OPT (post and telecommunications), OPVN (cereal marketing), and BDRN (national development bank), measures relating to training, organization, cost recovery, and expenditure control are being implemented. The study on the institution of a water company has been completed, and steps are being taken to establish the company, in line with a plan of action prepared in consultation with the World Bank. The agricultural credit bank (CNCA) is not extending any new loans and is concentrating on loan recovery.

The Government remains committed to the elimination of outstanding public cross-debts by 1988/89. The total net amount to be settled, which has been verified with World Bank assistance, is CFAF 14.2 billion. The Government has so far observed the timetable for the elimination of CFAF 3.254 billion of verified cross-debts during 1986/87. It has settled, on a cumulative basis, CFAF 1.132 billion by end-December 1986 and CFAF 1.804 billion by end-March 1987. As performance criteria, a cumulative amount of CFAF 2.454 billion will be settled by end-June 1987 and CFAF 3.254 billion by end-September 1987. The settlement of these cross-debts is being financed by CFAF 3.0 billion from counterpart funds of the World Bank's Structural Adjustment Credit and by CFAF 254 million from bilateral sources. A further CFAF 7.0 billion is scheduled to be settled in 1987/88 and the remaining CFAF 3.9 billion in 1988/89, using counterpart funds of the World Bank public enterprise sector adjustment credit.

e. Fiscal policy

The authorities indicated that the implementation of the 1986/87 budget was proceeding as envisaged. The overall deficit, on a commitment basis and excluding grants, was projected at CFAF 64.2 billion, in line with the original program target. Due to a downward revision of GDP, the ratio of the deficit to GDP was calculated to be 8.4 percent, compared with an initial projection of 7.8 percent. Taking into account outlays associated with a grant employed for the settlement of payments arrears of some municipalities and public enterprises (CFAF 1.5 billion), as well as the loans received to finance the reimbursement of the cross-debts of public enterprises (CFAF 3.3 billion), the overall deficit, on a cash basis, was projected to amount to CFAF 69.0 billion in 1986/87 (Appendix VI, Table V), as against a comparable target of CFAF 69.2 billion. ^{1/} To cover the deficit, as well as scheduled external debt amortization of CFAF 18.7 billion, and to permit a reduction in net bank claims on the Government of CFAF 7.8 billion, total gross financing would amount to CFAF 95.5 billion, of which CFAF 62.6 billion in external loans and grants associated with the investment program, CFAF 12.7 billion in debt relief, CFAF 17.9 billion in budgetary grants and loans not associated with investment projects, and CFAF 2.3 billion in domestic nonbank financing.

The authorities expected expenditure to remain in line with the program projection. Total expenditure was projected at CFAF 145.4 billion for 1986/87; this figure differs from the original projection only due to the inclusion of expenditure in the special accounts and annexed budgets on a gross rather than a net basis. The Government intends to limit current expenditure to CFAF 75.0 billion, as envisaged, implying a growth rate of 5.5 percent. While scheduled interest payments are

^{1/} The amount of CFAF 4.8 billion for the settlement of the above-mentioned arrears and cross-debts has been added to the original target of CFAF 64.4 billion.

projected to rise by 8.9 percent, the increase in other current expenditure will be contained to only 4.4 percent, implying a cut in real terms. To this end, the authorities have not granted any general wage increase and have pursued a restrictive employment policy. In this connection, the authorities stressed that the last general cost of living adjustment of wages had been granted in 1979/80, while the consumer price index had risen cumulatively by 52 percent during 1980-85. Economies were also being effected in housing allocations, scholarships, and other current transfers. Based on the implementation achieved in the first half of the year, capital expenditure was projected to grow by 7.5 percent and to attain the program target of CFAF 67.3 billion.

The Government expected revenue to reach CFAF 81.2 billion in 1986/87, as CFAF 2.0 billion has been added to the original revenue target of CFAF 79.2 billion, owing to the inclusion of revenue from the special accounts and the annexed budgets on a gross basis. Tax revenue is projected to expand by about 9 percent, reflecting partly the effects of the tax measures introduced over the last two years, as well as the increases in dutiable imports and taxable exports. The authorities noted that there could be a loss in revenue from the mining sector of some CFAF 700 million, due to a shortfall in uranium export receipts. However, they expected this effect to be offset by the revenue gains from improvements in the administration of income and customs tax collection as well as the higher rate of economic growth. The authorities also took, in May 1987, a series of measures, described below, which they expected to be revenue neutral in 1986/87. Nontax revenue is projected to attain the target of CFAF 11.7 billion, owing primarily to the channeling into the budget of CFAF 6.0 billion, CFAF 4.0 billion of which is derived from profits resulting from the fall in petroleum import prices and CFAF 2.0 billion from the reserves of the Petroleum Price Stabilization Fund (CSPPN).

The authorities have taken steps aimed at strengthening the budgetary position over the medium term. On the revenue side, a study was prepared, with Fund technical assistance, aimed at identifying additional measures that would contribute to a further broadening of the tax base and an improvement in the elasticity of the tax system. The study focused particularly on customs valuation and tax and customs duty exemptions. It recommended that the tax base be broadened through the reduction or elimination of tax exemptions and the taxation of major operators in the informal sector, and that further improvements be made in tax administration, in particular in the area of computerized data collection and processing. It also recommended that the authorities undertake an in depth review of the structure of customs tariffs with a view to simplifying them and reducing some rates. In addition, the study contained a precise time-table for implementing the recommendations. During the discussions, the Niger authorities expressed their intention to implement in 1986/87 the proposal to reduce customs tariffs on several commodities. The staff cautioned that a carefully designed package, including appropriate complementary measures, would need to be

prepared prior to the tariff reform to ensure that the revenue objective would not be jeopardized. However, on May 14, 1987, the duty rates (including the fiscal duty and the value-added tax on imports, but excluding the customs duty) applying to a large number of goods were lowered by a range of 15 to 30 percent, and the rates of the domestic value-added taxes were reduced from 15, 25, and 35 percent to 10, 17, and 24 percent, respectively. Concomitantly, the authorities adopted a series of measures intended to offset the dampening effect of the tariff reform on budgetary revenue. These measures included a considerable tightening of the policy regarding the granting of tax and duty exemptions; a strengthening of customs valuation control; a speedy implementation of the computerization of customs procedures; a reinforcement of anti-smuggling measures; and an increase in the duty rates applicable to transit trade. The staff has not been able to evaluate fully the impact of these reforms. However, the authorities are of the view that these measures will not affect the program targets for 1986/87, will strengthen the budgetary position over the medium term, and will stimulate economic activity. Nonetheless, they have undertaken to adopt any additional measures that will be required, including the further use of reserves of the Petroleum Price Stabilization Fund (CSPPN), to ensure that the fiscal target is attained.

With regard to expenditure, the Niger authorities have continued to enhance the process of budget execution and to strengthen expenditure control. In addition to the legislative measures taken to integrate investment expenditure into the regular budgetary processes, the Government has persevered in its efforts to obtain accurate and timely information on grant-financed investment outlays made directly by foreign donors with a view to improving the monitoring of the implementation of the public investment program. In consultation with the World Bank, the Niger authorities are undertaking a study on the civil service system, which will assess the employment needs and examine recruitment policies. The initial results of this study are expected to be available in July 1987, with a view to incorporating the requisite actions in the next budget. The authorities noted also that they had undertaken considerable work to identify recurrent expenditure, particularly for maintenance. They were incorporating these estimates in the financing plan to be presented at the Geneva Round Table Conference.

f. Monetary and credit policies

The authorities reiterated their policy of pursuing prudent monetary and credit policies consonant with the objectives of the program. In particular, they continued to emphasize the provision of credit to the nongovernment sector. They noted that the improved fiscal position, as well as the external financing available, would enable the Government to reduce sharply its net indebtedness vis-à-vis the banking system.

The expansion of domestic credit during the last quarter of 1986 had exceeded the program ceiling, owing to the favorable 1986/87 harvest for cowpeas and groundnuts, the delays in the repatriation in export proceeds from Nigeria, as well as a higher level of economic activity in the modern sector (Appendix VI, Table VI). However, domestic credit at end-March 1987 was reduced to CFAF 119.89 billion, compared with a program target of CFAF 132.52 billion. Net claims on the Government, which declined to CFAF 11.12 billion, were substantially below the program ceiling at end-March 1987. This offset the overshooting of CFAF 4.07 billion in credit to the private sector, stemming mainly from the higher-than- envisaged level of crop credit.

As indicated above, to ensure the orderly reduction of crop credit, a specific schedule for repayment by SONARA of its outstanding crop credit has been set. The schedule provides for SONARA to repay CFAF 3.5 billion in crop credit by end-April 1987; CFAF 1.5 billion by end-May 1987; CFAF 0.7 billion by end-July 1987; and CFAF 3.3 billion by end-December 1987. Taking into account this schedule, and the objective of limiting aggregate demand pressures, the rate of growth of domestic liquidity during 1987 will be limited to 5.3 percent, compared with an initial program projection of 7.5 percent. In line with the Government's policy of releasing resources to the private sector, net claims on the government sector will be reduced by 4.6 percent of beginning money stock. This will permit credit to the private sector, including public enterprises, to grow by 3.6 percent of beginning money stock. As the schedule for the repayment of crop credit involves a reduction in crop credit by 4.3 percent of beginning money stock, noncrop credit to the private sector is projected to grow by 7.8 percent of beginning money stock, consistent with the revival of economic activity in the monetized modern sector.

As to performance criteria, domestic credit, will not exceed CFAF 129.5 billion at end-June 1987 and CFAF 129.4 billion at end-September 1987. Net claims on Government will not exceed CFAF 14.5 billion at end-June 1987 and CFAF 12.1 billion at end-September 1987. These ceilings will be reduced by any amount of external budgetary assistance that exceeds program estimates, including debt relief, at an exchange rate of CFAF 310 = US\$1.

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

g. External sector policies

Notwithstanding the projected improvement in the external sector position, the authorities shared the view of the staff that Niger's external debt service burden remains heavy. The debt service ratio, before debt relief, is estimated to amount to 48.1 percent in 1987, compared with 49.4 percent in 1986 (Appendix VI, Table IX). As in recent years, debt relief has been an important source of balance of payments support in 1986/87. At a meeting of the Paris Club on November 20, 1986, the participating creditor countries agreed to reschedule 100 percent of the amounts of principal due from December 5, 1986 up to December 4, 1987. This was the first time that Niger rescheduled only principal payments. The authorities indicated that they have signed all the rescheduling agreements with the participating countries, and are making their best efforts to secure debt relief from other creditors on comparable terms. The amount of debt relief Niger has secured from the Paris Club participants for 1987 amounts to CFAF 9.9 billion. In addition, under an agreement signed in April 1986, Niger has secured CFAF 5.4 billion in debt relief from the commercial banks. Thus, total debt relief obtained for 1987 is estimated at CFAF 15.3 billion. ^{1/} As a result, the debt service ratio, after debt relief, is projected to be reduced to 36.2 percent in 1987.

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

The authorities noted that Niger continues to maintain an exchange system which is free from 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 French franc and the currencies of Niger's trading partners outside the franc area. Since 1984, Niger's nominal effective exchange rate has appreciated marginally, by 0.6 percent in 1985 and 0.1 percent in 1986, while, in real terms, it has continued to depreciate by 3.6 percent in 1985 and 5.8 percent in 1986, reflecting a lower inflation rate in Niger compared with its trading partners (Chart 1). Against the U.S. dollar, however, the CFA franc appreciated in nominal terms by 23 percent in 1986. The

^{1/} See SM/80/300.

authorities felt that this appreciation vis-à-vis the U.S. dollar has had some positive impact on the economy. The CFA franc equivalent of the country's dollar-denominated debt had declined, and the cost of petroleum imports had dropped. Exports had not been significantly affected, since most exports were directed to franc zone countries, and uranium export prices were negotiated in CFA francs with Niger's foreign partners in the uranium mines. In the authorities' view, the benefits of the full convertibility and stability of the CFA franc afforded by membership in the West African Monetary Union outweighed the potential advantages of a more flexible exchange rate policy.

IV. Performance Criteria and Benchmarks

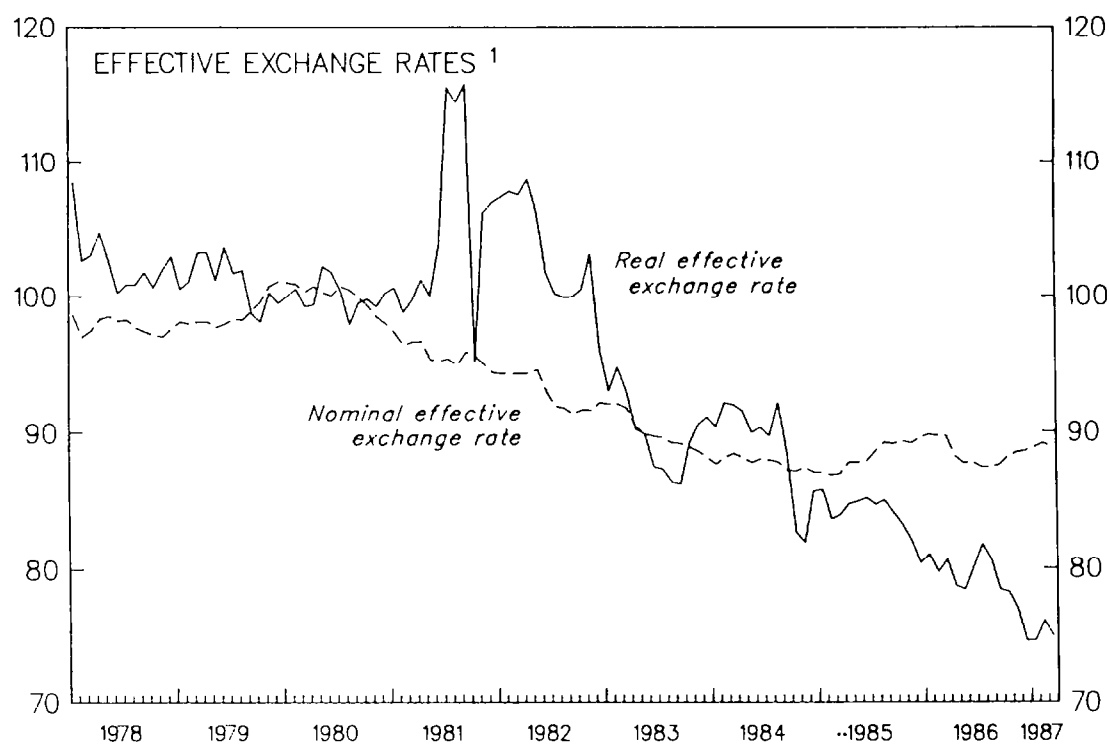
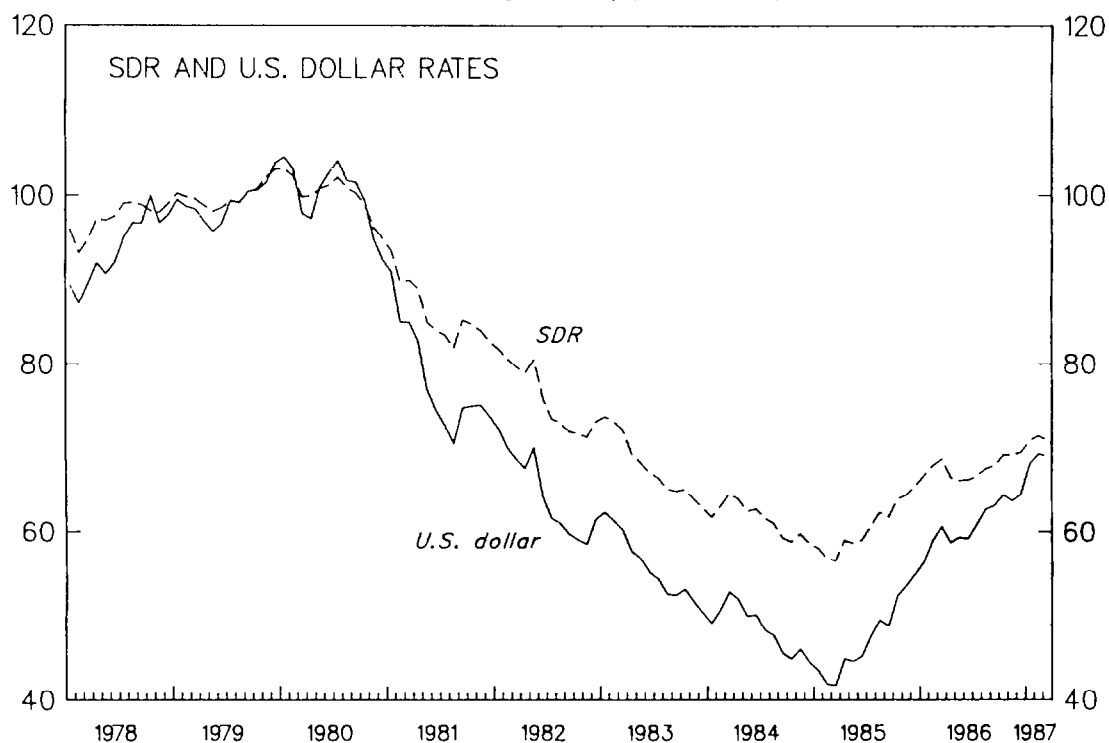
As indicated above, the authorities did not observe the performance criterion on domestic credit at end-December, 1986 owing to an overshooting in crop credit that was largely offset by a considerably lower net recourse of the Government to the banking system. However, the end-March, 1987 performance criteria have been observed.

The quantitative performance criteria for the program are given in Table 4. These include: (i) ceilings for end-June and end-September 1987 for total domestic credit and net claims on the Government; (ii) no accumulation of internal or external government arrears; (iii) the cumulative quarterly amount of settlement of cross-debts in the public sector; (iv) no contracting or guaranteeing by the Government of new nonconcessional foreign loans, with maturity ranges of 0-12 years. In addition, the standard clauses regarding the trade and payments system constitute performance criteria. Under the structural adjustment arrangement, the quantitative performance criteria under the stand-by arrangement, as well as a number of studies and policy actions, were set as benchmarks. Table 5 provides a summary of the benchmarks and the status of their implementation.

V. Staff Appraisal

While Niger has made considerable progress in its adjustment efforts over the last four years, it continues to suffer from major structural constraints and domestic and external financial imbalances. Accordingly, the Government launched in late 1986 a medium-term structural adjustment program for 1987-89, in the context of an overall policy framework elaborated in close collaboration with the staffs of the Fund and the World Bank. Niger's medium-term adjustment strategy aims at overcoming the structural constraints confronting the economy and aligning aggregate demand with available resources. On the supply side, it involves a liberalization of pricing and marketing policies; improvements in public resource management; a further shift in the investment strategy toward the directly productive sectors; the reform of the public enterprise sector; and the pursuit of an active

CHART
NIGER
EXCHANGE RATE DEVELOPMENTS, 1978-87
(1980=100; foreign currency per CFA franc)



Sources: IMF, *International Financial Statistics*, *Direction of Trade*; and staff estimates.

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

100



Table 4. Niger: Quantitative Performance Criteria
Under the 1986/87 Program

(In billions of CFA francs; end of period)

	1986				1987			
	Sept. Act.	Prog.	Dec. Prog. adj. 1/	Act.	March Prog.	Act.	June Prog.	Sept. Prog.
Domestic credit 2/ 3/	126.02	131.02	130.52	133.80	132.52	119.89	129.5	129.4
Net claims on Government 3/	19.92	27.82	27.32	19.11	27.82	12.12	14.5	12.1
Government arrears 4/	--	--	--	--	--	--	--	--
Cross-debts 5/	...	0.854	0.854	1.132	1.654	1.804	2.454	3.254
New external loans contracted or guaranteed by the Government on nonconcessional terms at a maturity of 0-12 years	--	--	--	--	--	--	--	--

Source: Data provided by the Niger authorities.

1/ Reflects downward adjustment of credit ceilings for external budgetary assistance in excess of the programmed CFAF 3.5 billion.

2/ Includes loans classified as doubtful or litigious during the program.

3/ For 1986-87, cumulative external budgetary assistance not associated with investment projects was programmed at CFAF 3.5 billion at end-December 1986 and CFAF 7.5 billion at end-March 1987, excluding funds for the repayment of cross-debts. Based on this definition, the amount of budgetary resources not linked to investment projects totaled CFAF 4.0 billion at end-December 1986 and was estimated at CFAF 7.5 billion at end-March 1987. Based on the new definition of the budget deficit, which includes repayment of cross-debts, the amount of budgetary assistance not linked to the execution of investment projects is estimated at CFAF 16.4 billion at end-June 1987 and CFAF 17.9 billion at end-September 1987. The ceilings will be adjusted downward by any amount of external budgetary assistance, including debt relief, exceeding programmed levels, at a constant exchange rate of CFAF 350 per U.S. dollar for the period September 1986 to March 1987 and at a rate of CFAF 310 per U.S. dollar after March 1987.

4/ Domestic and external.

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

Table 5. Niger: Benchmarks for the First Annual Program Under the Structural Adjustment Facility

	Timing	Status
1. Quantitative criteria		
Observe the quantitative performance criteria and indicative ceilings agreed under the current stand-by arrangement.	Dec. 1986, March, June, Sept. 1987.	December 1986 not observed. March 1987 observed.
2. Public finance		
a. Adopt the 1986/87 budget in conformity with letter of intent.	1986/87.	Adopted.
b. Complete study on tax reform and tax administration.	End-Feb. 1987.	Fund technical assistance mission completed end-January 1987. Report finalized March 1987.
c. Complete study on civil service.	Aug. 1, 1987.	In progress.
d. Formulate plan of action on the basis of the above-mentioned study.	End-Sept. 1987.	
3. Public enterprises		
a. Promulgate legislation defining status of public enterprise employees.	Oct. 1, 1986.	Implemented.
b. Adopt model charters.	Oct. 1, 1986.	Completed.
c. Prepare programs of action for OPT, BDRN, and OPVN.	Oct. 1, 1986.	Completed, reforms under way.
d. Revise charters of all public enterprises in line with model charters.	March 31, 1987.	Revised for 16 enterprises; work to be completed by end-1987.
e. Privatize OMAN.	March 31, 1987.	Completed.
f. Privatize SNT.	March 31, 1987.	Not completed.
g. Privatize OLANI, SICOINIGER, and SONERAN.	Dec. 31, 1987.	In progress.
h. Decide on future of Air Niger.	Oct. 31, 1986.	Decision to liquidate taken.
i. Decide on future of SNC.	Oct. 31, 1986.	Decision to review possible rehabilitation taken.
j. Liquidate SOPAC.	Dec. 31, 1987.	Privatized.
k. Liquidate UNOC and SONIFAME.	Dec. 31, 1987.	Liquidated.
l. Complete study on establishment of a water company.	Dec. 31, 1986.	Completed.
m. Complete plan of action for establishment of water company, in consultation with the World Bank.	Feb. 28, 1987.	Completed.
4. Pricing and marketing policies		
a. Reduce list of imported goods subject to specific preset profit margins to 64 products subject to profit margins of either 35 or 50 percent, and deregulate all other imports.	Nov. 1, 1986.	Completed.
b. Complete a study on cereal pricing and marketing.	March 15, 1987.	Draft completed, under review.
5. Agricultural policy		
a. Complete a program for the reform of agricultural credit policy.	Feb. 28, 1987.	Terms of reference to be completed by end-May, 1987.
b. Initiate agricultural credit policy reform program.	Apr. 1, 1987.	Not initiated.

agricultural policy. On the demand side, it aims at a reduction over time of the budgetary deficit, through the pursuit of an austere expenditure policy and the implementation of revenue-generating measures. In addition, it envisages the pursuit of a tight monetary policy consonant with the objectives of the program, with emphasis on the extension of credit to the production sectors. In this context, the enhancement of financial intermediation will hinge importantly on the reform of the national development bank and the institution of an appropriate agricultural credit system. The rigorous implementation and readaption of these policies to offset the impact of any adverse exogenous factors, such as a further weakening in the world uranium market, will be critical to achieving a sustainable rate of real economic growth, to reducing inflationary pressures, and to attaining a viable external sector position by 1990. In the meantime, Niger will continue to need exceptional external financial assistance, including debt relief. The medium-term financing requirements of Niger are expected to be considered at a UNDP Round Table Conference scheduled for end-June 1987.

Within the context of the medium-term adjustment strategy, the authorities have taken in 1986/87 major structural and financial measures. The policies being pursued, together with the continued good weather conditions, are expected to mitigate the impact of the depressed world uranium market on Niger's exports. Indeed, the perspectives for 1987 for economic growth, inflation, and the overall balance of payments position appear somewhat more favorable than originally envisaged.

Considerable progress has been made in structural reforms, with positive effects on economic incentives and the reduction of economic distortions. The scope of price controls has been narrowed significantly. The reform of the public enterprise sector, including the settlement of the cross-debts, is being effectively implemented, contributing to an improvement in the financial position of the sector and a narrowing in its scope. In the public enterprise sector, the problems facing SONARA, the semi-public trading agency, stem partly from a delay in the receipt of export proceeds from Nigeria as well as the high level of purchases of groundnuts at a reference price that exceeds the international price. The staff welcomes the decision of the authorities to halt all crop purchases by SONARA, until a study on its pricing and marketing policies is prepared and appropriate policies are adopted. The implementation of the public sector investment program is proceeding as envisaged. Its further redirection toward the directly productive sectors is particularly important to improve Niger's growth prospects.

On the financial front, the authorities remain committed to strengthening the fiscal position in 1986/87. To achieve this objective, it will be essential to continue with the pursuit of austerity measures and to contain the growth of the wage bill, as well as to maintain rigorous expenditure control. In this regard, the staff welcomes the measures taken to integrate investment expenditure into the

regular budgetary processes and the efforts the authorities have exerted to obtain accurate and timely information on grant-financed investment outlays made directly by foreign donors. On the revenue side, the authorities will have to effect a significant improvement in tax administration to attain the revenue target in 1986/87. The reductions in import duties and the value added tax that were introduced in the middle of the fiscal year aim at stimulating private sector economic activity and improving the income elasticity of revenue. To offset any potential shortfall in revenue in 1986/87, complementary measures to reinforce tax administration have been taken. While the staff concurs with the thrust of these measures, it is concerned that the package had not been sufficiently studied to assess fully its implications. In the circumstances, the staff welcomes the assurances given by the authorities that they will take any further measures that may be needed to achieve the fiscal target. The medium-term impact of the tax reform will have to be carefully studied before the preparation of the next budget, to ensure that the medium-term fiscal objectives are not jeopardized.

Monetary policy for 1987 has been reassessed to offset the effects of the evolution of crop credit and to ensure its consonance with the objectives of the program. The bumper crop and the aforementioned delays in the repatriation of export proceeds for cowpeas from Nigeria led to a rapid increase in crop credit and to an overshooting of the credit ceilings at end-1986. The authorities will need to monitor crop credit carefully to ensure that the repayment schedule for crop credit that has been adopted is observed in 1987. The improved fiscal position will enable the Government to reduce its net indebtedness to the banking system, effectively releasing resources to the private sector. Thus, credit policy in 1987 provides for a higher growth of noncrop credit to the private sector, in line with the objective of promoting economic growth. Nonetheless, the growth of domestic liquidity is projected to be lower than the growth of nominal GDP, contributing to the attenuation of the effects of the fast growth in domestic liquidity that took place in 1986.

In sum, the Niger authorities have stepped up their adjustment efforts in 1986/87 in the context of a comprehensive medium-term adjustment strategy. The staff is impressed by the seriousness and determination with which they have carried out these efforts. In the first half of 1986/87, they effectively implemented the measures envisaged and, notwithstanding a weakening in the world uranium market, the economic prospects for 1987 have improved. However, the attainment of the revised program objectives will depend critically on the continued rigorous implementation of the adjustment policies, the continuation of good weather conditions, and the timely disbursement of external financial assistance.

It is recommended that the next Article IV consultation with Niger be held on the standard 12-month cycle.

VI. Proposed Decision

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

Review Under Stand-By Arrangement

1. Niger has consulted with the Fund in accordance with paragraph 4(c) of the stand-by arrangement for Niger (EBS/86/237, Supplement 1, November 24, 1986) and paragraph 31 of the letter of intent from the Prime Minister dated September 11, 1986, attached to the stand-by arrangement, in order to assess the progress made in the implementation of the 1986/87 program and to establish suitable performance criteria for end-June and end-September 1987.

2. The letter from the Prime Minister dated April 14, 1987, shall be attached to the stand-by arrangement for Niger, and the letter of September 11, 1986 shall be read as supplemented by the letter dated April 14, 1987. Accordingly, paragraphs 4(a) and 4(b) of the stand-by arrangement are amended to read as follows:

"4. ...

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

(i) the limit on total domestic credit of the financial institutions as specified in paragraph 8 of the attached letter dated April 14, 1987, or

(ii) the limit on net position of the Government vis-à-vis the banking system as specified in paragraph 8 of the attached letter dated April 14, 1987, or

- (iii) the target for the nonaccumulation of foreign or domestic payment arrears by the Government as specified in paragraph 6 of the letter dated April 14, 1987, or
- (iv) the cumulative amount of verified public cross-debts to be settled as specified in paragraph 14 of the letter of April 14, 1987 is not observed; or

- (b) if Niger fails to observe the limits on the contracting or the guaranteeing of nonconcessional external loans as specified in paragraph 16 of the attached letter dated April 14, 1987.

3. The Fund decides that the review contemplated in paragraph 4(c) of the stand-by arrangement is completed, and that, notwithstanding paragraph 4(a) of the stand-by arrangement, Niger may proceed through August 15, 1987 to make purchases that shall not cause purchases under the stand-by arrangement to exceed the equivalent of SDR 6.06 million.

REPUBLIC OF NIGER

Supreme Military Council
Office of the Prime Minister
The Prime Minister
No. 565/PM

Niamey, April 14, 1987

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

Dear Mr. Camdessus:

1. In accordance with the one-year stand-by arrangement with Niger approved by the Executive Board on November 17, 1986, we have just held discussions with a Fund staff mission in connection with the review of Niger's adjustment program for the fiscal year 1986/87. This review provided an opportunity to reassess the most recent data, to examine the progress made so far in the implementation of the 1986/87 program, and to readjust policies in certain areas for the rest of the year as needed. The preliminary and final data indicate that the financial outcome for 1985/86 was generally better than initially foreseen, and that the performance criteria through end-September 1986 were observed. Notwithstanding a drop in uranium export prices and a projected shortfall in export volume, the program for 1986/87 remains broadly on track. However, because of a relatively large crop of cowpeas and groundnuts, and delays in receipt of export receipts from cowpeas, crop credit expanded at a higher rate than envisaged. Accordingly, the performance criteria for domestic bank credit for end-December 1986 and, on the basis of preliminary estimates, for end-March 1987 have not been met. In view of the exogenous factors that affected crop credit, the envisaged reduction in crop credit, and the economic and financial policies being pursued, the Government of Niger requests a waiver of the relevant performance criteria.

2. The Niger economy benefited in 1986 from an improvement in weather conditions and the drop in prices of imported petroleum products, which offset the adverse impact of the depressed world demand for uranium. Reflecting these factors, and the rigorous implementation of wide-ranging structural and demand management measures, the objectives of the program were achieved. Real GDP grew by 6.9 percent, compared with a program target of 4.0 percent. The rate of inflation, as measured by the GDP deflator, dropped to 1.5 percent, substantially below the

anticipated level of 7.0 percent. Furthermore, the external current account deficit, including grants, was reduced to CFAF 15.5 billion, compared with a program target of CFAF 26.2 billion. The overall balance of payments deficit was reduced to CFAF 16.1 billion, as against a program target of CFAF 20.3 billion.

3. In 1985/86, a number of supply oriented measures were taken. There was a further significant liberalization of pricing and marketing policies; considerable progress was achieved in implementing the public enterprise reform program; and a public investment program, which reoriented investment further toward the directly productive sectors, was implemented. To support these structural reforms, tight financial policies were pursued. Notwithstanding an increase in investment expenditure, the overall budget deficit, excluding grants, was reduced to CFAF 59.9 billion, remaining somewhat lower than the program target of CFAF 60.7 billion. Taking into account a float adjustment, the overall budget deficit on a cash basis was financed primarily by external loans and grants, associated with the investment program, and by debt rescheduling. The improved budgetary position was reflected in 1986 in a reduction in net claims on the Government by 6.9 percent of beginning money stock, compared with a programmed increase of 1.1 percent. Credit to the private sector grew by 14.5 percent of beginning money stock, exceeding the program target of 9.1 percent. This higher than expected increase was mainly due to a sharp rise in crop credit, owing to a bumper crop of cowpeas and groundnuts and delays in receipt of export proceeds. Furthermore, ordinary credit increased by 6.9 percent of beginning money stock, as against a programmed growth of 2.9 percent, due to a revival in modern sector economic activity. The decline in the Government's recourse to credit from the banking sector was largely offset by a strong increase in credit to the private sector. Furthermore, because of the contractionary impact of other monetary items (net), net domestic assets grew by only 2.3 percent of beginning money stock, thus remaining below the programmed level. However, net foreign assets expanded faster than envisaged, rising by 8.5 percent of beginning money stock. In the circumstances, domestic liquidity grew by 11.4 percent, compared with a program target of 8.0 percent.

4. The Government of Niger remains committed to the objectives and policies outlined in my letter of September 11, 1986 requesting a standby arrangement. The Government has implemented a set of measures designed to promote a rate of economic growth consonant with domestic and external financial stability over the medium term. The adjustment program is also being supported by a structural adjustment credit from the World Bank in an amount of US\$60 million.

5. Reflecting the favorable weather conditions and the impact of the structural measures taken, developments in the agricultural and the modern sectors have been more favorable than originally envisaged. Accordingly, in 1987 the rate of growth of real GDP is estimated at 2.7 percent, compared with a program objective of 2.0 percent.

Furthermore, in view of the improved supply conditions and the restrictive financial policies being pursued, the rate of inflation, as measured by the GDP deflator, is estimated at 5.5 percent, as against a program objective of 6.0 percent. In the external sector, the effects of these favorable factors are being offset by the continued depressed world demand conditions for uranium. In this regard, the program projection for the volume of uranium exports has been revised downward by 5 percent. In addition, the unit export price has also been revised downward by 5 percent, as the negotiated price of uranium in CFA francs is 2 percent below the 1986 level. Thus, uranium export receipts are projected to be CFAF 9.6 billion lower than initially envisaged under the program. However, as the volume of the export of cowpeas is projected to increase by 75 percent, the shortfall in export receipts should be contained at CFAF 7 billion. On the import side, the favorable cereal harvest is expected to reduce the import of cereals, compared with the initial projections, by CFAF 1 billion. Furthermore, primarily due to the depreciation of the U.S. dollar vis-à-vis the CFA franc, interest payments, including those on private debt, should be reduced by about CFAF 1.7 billion. Public transfers are now expected to be CFAF 3.5 billion higher than originally projected. Reflecting these factors, the external current account deficit, including transfers, is now estimated at CFAF 17.5 billion, broadly in line with the initial program objective of CFAF 16.8 billion. Nonetheless, as net capital inflows will be CFAF 1.7 billion higher than originally projected, the overall balance of payments is expected to record a deficit of CFAF 7.7 billion, compared with an initial target of CFAF 8.7 billion and a deficit of CFAF 16.1 billion in 1986.

6. For 1986/87, the overall budget deficit, on a commitment basis and excluding grants, is projected to amount to CFAF 64.2 billion, in line with the initial estimates. Revenue and expenditure are projected at CFAF 81.2 billion and CFAF 145.4 billion, respectively, which are both about CFAF 2.0 billion higher than programmed initially. This is due to the inclusion of budgetary flows to and from the special accounts and annexed budgets on a gross rather than a net basis. While the decline in uranium exports may affect revenue by some CFAF 700 million, the Government is further strengthening tax administration to ensure the attainment of the revenue target. Expenditure control is being strictly exercised to ensure that the level set for total expenditure is not exceeded. Incorporating the repayment of cross-debts of public enterprises of CFAF 3.3 billion and of arrears owed by some municipalities and public enterprises of CFAF 1.5 million, the overall fiscal deficit, on a cash basis and excluding grants, is projected to reach CFAF 69.0 billion. To cover this deficit, as well as scheduled external debt amortization of CFAF 18.7 billion, and to permit a reduction in net bank claims on the Government of CFAF 7.8 billion, total gross financing amounts to CFAF 95.5 billion, of which CFAF 62.6 billion in external loans and grants associated with the investment program, CFAF 12.7 billion in debt relief, CFAF 3.5 billion in budgetary grants, and

CFAF 2.3 billion in domestic nonbank financing. The Government of Niger has not accumulated and will not accumulate any foreign or domestic payment arrears during the program period.

7. The Government is continuing its efforts to strengthen the budgetary position over the medium term. Accordingly, it undertook in January 1987, with Fund technical assistance, a study to evaluate the tax system and tax administration procedures, with a particular focus on customs valuation and tax and customs duty exemptions. The Government has discussed the study with the mission and has taken initial steps to implement its recommendations. The study recommends a reduction in tax exemptions, a review of the excessive rates of customs tariffs, and a further improvement in tax administration.

8. The end-March 1987 performance criterion, for domestic credit during the first quarter of 1987 is estimated to have been exceeded, due to the favorable 1986/87 harvest for cowpeas and groundnuts, the delays in the repatriation of export proceeds, and the higher level of economic activity in the modern sector. It is estimated that at end-March 1987 domestic credit reached CFAF 134.20 billion, compared with a program target of CFAF 132.52 billion. Net credit to the Government amounted to CFAF 16.0 billion, remaining substantially below the program ceiling, and offsetting in large part the overshooting in credit to the private sector. Credit to the private sector is estimated at CFAF 118.2 billion at end-March, compared with a program target of CFAF 104.7 billion, due to a substantially higher level of crop credit and a faster than envisaged rise in ordinary credit. A specific schedule for the repayment of crop credit has been set. Taking into account this schedule, and consistent with the objectives of the program, the rate of growth of domestic liquidity during 1987 will be limited to 5.3 percent, compared with an initial program projection of 7.5 percent. This lower growth of domestic liquidity aims at containing demand pressures. In line with the policy of the Government to release resources to the private sector, net credit to the government will be reduced by 4.6 percent of beginning money stock. By contrast, credit to the private sector is projected to grow by 3.6 percent of beginning money stock. The schedule for the repayment of crop credit involves a reduction in this credit by 4.3 percent of beginning money stock by end-December 1987. Noncrop credit to the private sector is projected to grow by 7.8 percent of beginning money stock, in line with the revival of economic activity in the modern sector. For purposes of monitoring the program, domestic credit, which is estimated to amount to CFAF 134.2 billion at end-March 1987, will not exceed CFAF 129.5 billion at end-June 1987 and CFAF 129.4 billion at end-September 1987. Net claims on Government, which are estimated to reach CFAF 16.0 billion at end-March 1987, will not exceed CFAF 14.5 billion at end-June 1987 and CFAF 12.1 billion at end-September 1987. These ceilings will be reduced by any amount by which external budgetary assistance, including debt relief, exceeds program estimates at an exchange rate of CFAF 310 = US\$1.

9. The implementation of the 1986/87 investment program is proceeding as envisaged. The overall target for public sector investment remains at CFAF 92.5 billion. Based on the working hypothesis that an implementation rate of 72.8 percent will be achieved, investment expenditure is projected to grow by 9.5 percent to reach CFAF 67.3 billion. This is projected to be financed by CFAF 4.7 billion from the budget, CFAF 26.8 billion from foreign loans, and CFAF 35.8 billion from foreign grants. The authorities will continue to stress the implementation of projects supporting the directly productive sectors, the development of human resources, and the rehabilitation of existing infrastructure. A particular effort is being made to expand implementation capacity in rural development and social services (education, health and water supply) to raise the relative shares of these two sectors to 40 percent and 28 percent, respectively, of total investments. The Niger authorities will continue to monitor the implementation of the investment program, in consultation with the World Bank. The integration of the investment budget in the overall government budget has enhanced the monitoring of investment outlays. In this regard, the efforts made to obtain timely and accurate information on grant-financed investment implemented directly by donor agencies have resulted in some improvements in reporting. However, the Government of Niger is seeking the cooperation of donors to further improve the reporting process.

10. The three-year rolling public investment program is extended and reviewed yearly, in consultation with the World Bank, taking into account the country's recurrent expenditure and its debt servicing capacity. To assist in the preparation of the Five Year Plan for Social and Economic Development (1987/88-1990/91), a conference attended by donors and multilateral agencies, was held in Niamey in March/April 1987. At this conference, preparatory work for a UNDP and World Bank-supported Round Table, which is scheduled to be held in Geneva in June 1987, was also undertaken. The meeting in Geneva is intended to provide an opportunity for further study of the Five-Year Plan and thorough examination of the 1987-91 financing plan and coverage of the financing needs identified therein, consonant with Niger's medium-term economic and financial policy framework paper submitted to the Executive Boards of the International Monetary Fund and the World Bank and a structural adjustment program concluded with the World Bank. The elaboration of the three-year rolling public investment program for 1987/88-1989/90 will take into account the results of the Geneva meeting and the availability of financial resources. It will be designed to contribute directly and indirectly to the reduction of the debt service burden and the achievement of a viable balance of payments position with a sustained rate of economic growth by 1990 and for the long term.

11. The Government of Niger remains committed to liberalizing pricing and marketing policies. It has already made considerable progress in this regard under previous Fund-supported programs. All import monopolies and quasi-monopolies, excluding those pertaining to the import of petroleum products, were abolished; imports of millet and sorghum were liberalized; the export monopoly on cowpeas was abolished;

a system of tenders and bids for the wholesale purchases and sales of the cereals marketing agency (OPVN) was adopted; the list of goods and services subject to the system of price ceilings (homologation) was reduced from 27 to 7; and flexibility in the pricing system of domestic enterprises enjoying benefits under the investment code was introduced. In the context of the current program, the Government issued, on October 30, 1986, a decree which (i) reduced the list of imported goods subject to preset profit margins from about 200 to 64; (ii) simplified the system of preset profit margins from one of specific margins for each good to preset profit margins of 35 and 50 percent; and (iii) completely deregulated the prices of all other imported goods. The Government of Niger has initiated work to continue the process of liberalization. It intends to shorten significantly the list of goods remaining subject to price controls. In addition, it expects to introduce specific measures, in consultation with the Fund and the Bank, based on a study on the agricultural produce pricing and marketing system. This is being prepared with assistance from FAO and USAID, and is expected to be completed by end-May 1987.

12. The Government is continuing to implement a major reform program in the public enterprise sector, prepared in consultation with the World Bank. The program includes revisions in incentive policies, improvements in the institutional framework of public enterprises, and liquidation, privatization or rehabilitation of certain enterprises. Progress has been made in limiting the role of the Government to strategic enterprises and in improving the efficiency of their operations. Legislation defining the legal status of public enterprise employees has been promulgated and model charters (statuts types) for public enterprises have been adopted. Although there have been administrative delays in completing the revision of the charters of individual public enterprises, substantial progress has been made. Thus, it should be possible to complete the revision process by the end of 1987. The Government has adopted and started implementing reform programs for OPT, OPVN, and BDRN.

13. The Government has also continued to pursue its objective of reducing the number of public enterprises from 54 to 25. Of the two public enterprises which were to have been privatized by March 31, 1987, the privatization of CMAN has been completed while that of SNT is pending the identification of a potential buyer. The liquidation of SOPAC, UNCC, and SONIFAME has been completed, while the privatization of SONERAN and the transfer of the Government-held SICONIGER shares will take place by end-December 1987. In agreement with the World Bank, the Government is seeking private partners in the case of OLANI. The Government has taken a decision to liquidate Air Niger. It has also decided in principle, in agreement with the World Bank, to rehabilitate SNC, with the adoption of concomitant measures to guarantee its economic and financial viability. The matter is under review with the World Bank. The study on the institution of a water company has been completed and steps are being undertaken to establish the company, in line with a plan of action prepared in consultation with the World

Bank. The Government is anxious to establish as soon as possible a suitable mechanism for the renewed extension of agricultural credit. The preparation of a study on the establishment of a new agricultural credit system has been delayed, but the Government plans to push forward with its preparation, in collaboration with the World Bank and other donors. The terms of reference for this study are expected to be completed by end-May 1987.

14. The Government is continuing to observe the timetable for the elimination of outstanding public cross-debts by 1988/89, and is continuing work to identify and verify the precise amounts of such debts with the assistance of the World Bank. The Government is committed to the settlement of a total of CFAF 3.254 billion of verified cross-debts during the fiscal year 1986/87. A cumulative amount of CFAF 1.132 billion was settled by end-December 1986, and of CFAF 1.654 billion by end-March 1987. For purposes of monitoring the implementation under the program, CFAF 2.454 billion will be settled by end-June 1987 and CFAF 3.254 billion by end-September 1987. The settlement of these cross-debts is being financed by CFAF 3.0 billion from the World Bank's structural adjustment credit and by CFAF 254 million from bilateral sources.

15. SONARA may experience serious financial problems. It is facing difficulties in repatriating its cowpea export receipts. The delays, affecting repatriation of revenue estimated at CFAF 5.7 billion at end-December 1986, have prevented SONARA from reducing its outstanding crop credit. Following an abundant harvest for cowpeas and groundnuts, SONARA made purchases at reference producer prices. It accumulated large stocks, estimated at 37,000 tons of groundnuts and 55,000 tons of cowpeas. As indicated above, these developments have been the source of slippages in the observance of the ceilings for domestic credit at end-December 1986 and end-March 1987. To assure repayment of the crop credit, the Government of Niger will institute official contacts to speed the transfer of SONARA's export receipts. SONARA has undertaken to respect the following schedule for the repayment of crop credit: CFAF 3.5 billion is to be repaid by end-April 1987; CFAF 1.5 billion by end-May 1987; and CFAF 0.7 billion by end-July 1987. In view of the difficulties encountered by SONARA, a study on the reform of SONARA's pricing and marketing policies is being prepared at the Government's request and will be completed by August 1, 1987. Pending the completion of this study and the adoption of appropriate pricing and marketing reforms for SONARA, in consultation with the Fund and the World Bank, SONARA will not make any further crop purchases. In addition, SONARA will intensify its marketing efforts to sell its stocks. SONARA projects sales of 55,000 tons of cowpeas to Nigeria in 1987, representing a value of CFAF 8.3 billion. An amount of CFAF 3.3 billion of crop credit will be reimbursed by December 1987 and the remainder, of CFAF 5.0 billion, by end-March 1988. SONARA's groundnut stocks are expected to be purchased by SICONIGER for domestic processing into edible oil, enabling SONARA to further reduce its outstanding crop credit.

16. In November 1986, the Paris Club agreed to the rescheduling or refinancing of Niger's government and government-guaranteed debt for the period December 5, 1986 to December 4, 1987. Furthermore, the commercial banks, under the auspices of the London Club, have agreed in principle to a rescheduling of Niger's external debt for the period October 1985 to December 1988. Accordingly, the amount of debt relief for 1987 is estimated at CFAF 15.3 billion, compared with a financing gap in the balance of payments originally estimated at CFAF 9.3 billion. For the fiscal year 1986/87, the debt relief obtained amounted to CFAF 12.7 billion, compared with a program estimated of CFAF 11.4 billion. The Government is exerting its best efforts to secure debt relief on comparable terms from creditors that did not participate in the Paris Club meeting. As the external debt situation will remain difficult for the next few years, the Government is determined to continue a cautious debt management policy. The Government will not contract or guarantee any nonconcessional loans with a maturity range of 0-12 years during the program period. In addition, the Government will stress investment projects financed by grants and will endeavor to limit its external borrowing to concessional loans. As part of its external debt management policy, the Government has required since October 1986 the authorization of the Minister of Finance for contracting or guaranteeing any new loans as well as for drawings against such loans. Moreover, the computerization of all public debt data is well advanced and expected to be completed by end-1987. The Government has pursued and will pursue external sector policies in conformity with the standard clauses regarding the trade and payments system. Accordingly, it has not imposed and will not impose restrictions on payments and transfers for current international transactions or impose new or intensify existing restrictions on imports for balance of payments reasons.

17. The Government of Niger considers that the policies and measures now in place, described in my letter of September 11, 1986, as complemented by this letter, should make it possible to achieve the objectives of the program. However, it will take any additional measures which may prove appropriate for this purpose. The Government will consult with the Fund in accordance with the Fund's policy in this regard.

Sincerely,

/s/

Hamid Algabid
Prime Minister

Niger - Relations with the Fund

(As of May 31, 1987; amounts in SDRs,
unless otherwise indicated)

I. Membership Status

- (a) Date of membership: April 24, 1963
- (b) Status: Article XIV

A. Financial Relations

II. General Department (General Resources Account)

- (a) Quota: 33.7 million
- (b) Total Fund holdings of currency: 89.44 million
(265.4 percent of quota)
- (c) Fund credit: 64.30 million (190.80 percent of quota)
Of which:
 - Credit tranches: 32.00 million (94.95 percent of quota)
 - Enlarged access: 15.80 million (46.88 percent of quota)
 - CFF: 16.50 million (48.96 percent of quota)
- (d) Reserve tranche position: 8.56 million (25.40 percent
of quota)
- (e) Current operational budget (maximum use of currency): None
- (f) Lending to the Fund: None

III. Stand-By Arrangements and Special Facilities

(a) Current arrangements

Stand-by arrangement

- (i) Duration: Dec. 5, 1986-Dec. 4, 1987
- (ii) Amount: 10.11 million
- (iii) Utilization: 2.02 million

Structural Adjustment Facility

- (i) Duration: Nov. 17, 1986-Nov. 16, 1989
- (ii) Amount: 15.84 million
- (iii) Utilization under
First Annual
Arrangement: 6.74 million

Niger - Relations with the Fund (continued)

(b) Previous stand-by arrangement

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

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

IV. SDR Department

- (a) Net cumulative allocation: 9.41 million

- (b) Holdings: 0.00 million

- (c) Current designation plan
(amount of maximum
designation): None

V. Administered Accounts

- (a) Trust Fund loan:
Disbursements: 12.70 million
Outstanding: 6.75 million

- (b) SFF Subsidy Account: None

VI. Financial Obligations due to the Fund:

	Overdue financial obligations May 31, 1987	Principal and Interest Due			
		1987	1988	1989	1990
		June-Dec.			
<hr/>					
Principal					
- Repurchases	--	8.4	21.9	12.9	10.0
- T.F. Repayments	--	<u>1.3</u>	<u>2.5</u>	<u>1.5</u>	<u>1.5</u>
	--	<u>9.7</u>	<u>24.4</u>	<u>14.4</u>	<u>11.5</u>
Charges and interest (including SDR and IF (provisional))					
	--	<u>2.3</u>	<u>3.7</u>	<u>2.6</u>	<u>1.8</u>
Total	--	12.0	28.1	17.0	13.3

Niger - Relations with the Fund (concluded)

B. Nonfinancial Relations

VII. Exchange System

Niger's currency, the CFA franc, is pegged to the French franc at the rate of F 1 = CFAF 50. The exchange rate at end-May 1987 was CFAF 361.273 = SDR 1.

VIII. Staff Contacts and Technical Assistance

A technical assistance mission from the Fiscal Affairs Department (FAD) visited Niger in March 1982 to study the country's tax system, and presented its final report to the authorities in January 1983. During the period September 1982-May 1986 a member of the FAD panel of fiscal experts, Mr. Jean-Paul Cornély, was assigned as Advisor to the Secretary General of the Ministry of Finance to assist, inter alia, with the implementation of the broadening of the FAD tax report. In June 1985 a mission from FAD visited Niger to provide assistance in the budget and accounting fields. In December 1986, an FAD mission visited Niger to prepare recommendations on increasing the tax base. The final report was provided to the authorities in April 1987.

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. In September 1985 a CBD expert, Mr. Tavernier, was assigned to continue to assist the authorities on external debt matters.

IX. Last Article IV Consultation

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

Niger - Relations with World Bank Group

1. Statement of IDA Credits as of March 31, 1987

Credit Number	Fiscal Year	Purpose	Amount (net of cancellations)	
			Total com-	Of which:
			mitments <u>1/</u>	undisbursed <u>2/</u>
			(In millions of US\$)	
Fifteen credits fully disbursed			82.00	--
885	1979	Livestock	12.00	3.16
886	1979	Feeder Roads	10.00	0.03
1026	1980	Second Maradi Rural Development	16.70	7.85
1151	1981	Education	21.50	7.74
1225	1982	Industrial Development	16.00	9.57
1226	1982	Second Forestry	10.10	6.97
1309	1983	Water Supply	6.50	3.43
1394	1983	Fourth Highway	23.60	8.17
1493	1984	Economic and Financial Management Improvement	11.70	8.58
1511	1985	Power Engineering and Technical Assistance	7.50	6.81
1618	1985	Irrigation Rehabilitation	9.30	9.79
1660	1986	Structural Adjustment	20.00	12.35
A012	1986	Structural Adjustment	40.00	8.84
1668	1986	Health	27.80	30.83
1706	1986	Transport Sector	15.00	16.71
A018	1986	Transport Sector	15.00	15.42
1740	1987	Primary Education Development	18.40	19.67
Total			363.10	175.92
Of which: has been repaid			(4.68)	
Total outstanding			358.42	

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 exchange rate of US\$1.28563 = SDR 1 in effect on March 31, 1987.

Niger - Relations with World Bank Group (concluded)

2. Statement of IFC investment as of February 28, 1987

<u>Loan Number</u>	<u>Fiscal Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount of Loan 1/</u>	<u>Equity 1/</u>	<u>Total</u>
<u>(US\$ million equivalent)</u>						
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.

Niger - Statistical Issues

1. Overview

While substantial work has been done on improving the data relating to national income accounts, public sector operations, monetary accounts, and external debt, the authorities recognize the need to further improve the timeliness, coverage, and accuracy of the statistical base in Niger. Particular attention should be given to improving the quality of data on prices, public investment, and external sector operations.

There are two consumer price indices in Niger: one for the average African family in Niamey; and the other for expatriate technical assistants, mostly Europeans. Both indices reflect consumption patterns of 1962-63. The compilation of consumer price information would benefit from a survey of present consumption patterns.

The availability of data on the execution of public investment has improved significantly since the introduction of a three-year investment program in 1985/86. The integration of the respective annual investment budgets into the overall government budget has enhanced the monitoring of investment outlays. Improvements have been made in the accuracy and in the timely reporting by donors of data on grant-financed investment. The authorities are seeking closer cooperation with donors to further improve the reporting process.

No current official balance of payments data are available. The data presented are estimates made by the Niamey agency of the BCEAO and the staff, based mainly on cash transactions recorded by the BCEAO and inquiries made with various government agencies and local enterprises. Large discrepancies exist between customs and BCEAO data, primarily because of differences in coverage and valuation. With a view to improving the flow of information on external transactions, the authorities are reviewing their system for obtaining information from the Government and the private sector.

2. Sectoral statistics

a. Prices and merchandise trade

Two monthly consumer price indices (CPIs), representing African- and European-type consumption, are compiled in Niger. The CPI published in IFS refers to the African CPI and is outdated (base July 1962-June 1963). Data on merchandise trade are reported only on an annual basis and with considerable delay. Publication of the annual export and import prices in IFS is under consideration by the Bureau of Statistics.

b. Government finance

A technical assistance mission on government finance statistics (GFS) visited Niamey in July 1985. The mission report defined keys for the analysis of central government transactions in 1981-84 including the Treasury, the extrabudgetary units, and the Social Security Fund. In addition, the report provided (1) a derivation table for each part of the Central Government, and (2) classification keys of central government transactions for compilation of GFS statistical tables. At the time of the mission, data on transactions controlled by the Ministry of Planning for 1984, as well as the management account of the Social Security Fund for 1983 and its balance sheet for 1984 were not available. Since 1985, the authorities have resumed work on consolidation of central government transactions.

c. Monetary accounts

Official data published in IFS are received from the BCEAO's headquarters in Dakar; final data provided to staff missions are available with a lag of about two months. A technical assistance mission to BCEAO headquarters in May 1985 recommended some improvements in the compilation of money and banking statistics that also applied to Niger; these included the determination of currency outside banks, the sectorization of the banking system's claims on the economy, and the revaluation procedures used by banks. It was also proposed that the banks' reporting procedures should be revised in order to obtain more reliable data on the banking sector. Some of the mission's recommendations have been implemented. However, implementation of several of the remaining recommendations would be needed to bring the monetary statistics into accord with the standard IFS presentation.

d. Balance of payments

Balance of payments data through 1985 have been made available for publication in the Fund's Balance of Payments Statistics.

3. 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 June 1987 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 have been provided on a fairly regular basis during the past year; however, the data on government finance, trade values, and the balance of payments are not current.

Status of IFS Data

		<u>Latest data in June 1987 IFS</u>
Real sector	- National accounts	1983
	- Prices	January 1987
	- Production	n.a.
	- Employment	n.a.
	- Earnings	n.a.
Government finance	- Deficit/Surplus	1980
	- Financing	1980
	- Debt	n.a.
Monetary accounts	- Monetary authorities	December 1986
	- Deposit money banks	December 1986
	- Other financial institutions: savings deposits at savings banks	December 1986
Interest rates	- Discount rate	January 1987
	- Bank lending/Deposit rates	January 1987
	- Bond yields	n.a.
External sector	- Merchandise trade: Values	1983
	Prices	n.a.
	- Balance of payments	1985
	- International reserves	March 1987
	- Exchange rates	April 1987

NIGER - Basic Data

1. Social and Demographic Indicators:

Area:	1,267,000 square kilometers
Population (1986): Total	6.5 million
Rate of growth	2.8 percent per annum
Density	5.1 per square kilometer; 46.9 per square kilometer of arable land

Population age structure (1981-83)

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)

Percent of population - total	33.0
- urban	41.0
- rural	32.0

Access to sanitation (1980)

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

NIGER - Basic Data (continued)

2. Economic and Financial Indicators:

GDP per capita (1986) SDR 272

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u> Prel. act.	<u>1987</u> Rev. prog.
(In billions of CFA francs)					
<u>GDP at constant 1981 prices</u>	570.7	474.9	501.0	535.5	550.0
<u>GDP at current market prices</u>	677.3	604.8	663.5	720.3	780.1
<u>Value added by sector 1/</u>					
Agriculture, livestock, forestry, and fishing	311.1	252.2	301.2	329.8	364.5
Mining	54.6	49.7	51.7	50.4	47.5
Industry, energy, and handicrafts	38.0	35.5	39.6	42.0	45.4
Construction and public works	28.9	23.3	18.6	20.4	22.4
Commerce, transport, commu- nications, and services	170.8	165.2	167.7	186.1	203.1
Government services	48.1	52.1	56.2	58.2	61.5
GDP at factor cost	651.5	578.0	635.0	686.9	744.4
Import taxes and duties 2/	25.8	26.8	28.5	33.4	35.7
<u>Use of resources 1/</u>					
Domestic expenditure	713.3	623.1	725.8	749.4	811.9
Private consumption	549.5	539.3	553.8	590.6	642.0
Public consumption	77.2	77.9	79.8	77.8	80.4
Gross fixed capital formation	91.4	78.5	65.8	76.0	82.5
Changes in stocks	-4.8	-72.6	26.4	5.0	7.0
Resource gap (deficit -) 3/	-36.0	-18.3	-62.3	-29.1	-31.8

1/ At current market prices. Data on value added by sector, gross fixed capital formation, changes in stocks, and public consumption provided by the Niger authorities. Total domestic expenditure and private consumption are staff estimates.

2/ Includes excise duties.

3/ Staff estimates based on balance of payments data.

NIGER - Basic Data 1/ (continued)

	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u> Prel. act.	<u>1986/87</u> Rev. prog.
<u>Government finance 2/</u> (In billions of CFA francs)					
Revenue	68.8	70.1	69.9	74.1	81.2
Total expenditure and net lending	128.8	122.7	130.4	134.0	145.4
Of which: investment expenditure	(70.1)	(53.9)	(51.3)	(62.6)	(67.3)
Overall deficit (commitment basis)	-60.0	-52.6	-60.5	-59.9	-64.2
Change in arrears (decrease -)	-1.7	-12.4	-3.4	--	--
Change in float and other items	1.9	0.8	5.0	1.6	--
Repayment of cross debt (-)	--	--	--	--	-4.8
Overall deficit (cash basis)	-59.8	-64.2	-58.9	-58.3	-69.0
Financing	59.8	64.2	58.9	58.3	69.0
Foreign (net)	53.7	56.0	44.6	57.0	74.5
Domestic (net)	6.1	8.2	14.3	1.3	-5.5
Of which: banking system	(4.4)	(5.3)	(7.2)	(-3.3)	(-7.8)
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u> Prel. act.	<u>1987</u> Rev. proj.
<u>Money and credit</u> (In billions of CFA francs; end of period)					
Foreign assets (net)	-15.8	1.9	4.9	14.2	21.8
Domestic credit	125.3	119.8	125.6	133.8	132.6
Net claims on Government	18.1	21.6	26.7	19.1	13.6
Credit to private sector	107.1	98.2	98.9	114.7	119.0
Of which: rediscounted at central bank	(33.5)	(20.9)	(20.3)	(26.3)	(...)
Money and quasi-money	82.1	100.7	108.6	121.1	127.5
Long-term liabilities	28.8	28.0	26.9	26.3	26.3
Other items (net)	-1.3	-7.1	-5.1	0.6	0.6
Of which: SDR counter-part and Trust Fund	(7.2)	(7.3)	(7.3)	(7.1)	(...)

1/ Data may not add up due to rounding.

2/ Includes extrabudgetary operations. Fiscal year ends on September 30.

NIGER - Basic Data 1/ (continued)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u> Prel. act.	<u>1987</u> Rev. prog.
<u>Balance of payments</u>	<u>(In millions of SDRs)</u>				
Trade balance	-63.8	-14.1	-101.5	-28.6	-34.5
Exports, f.o.b.	346.6	296.5	246.8	282.3	301.6
Imports, c.i.f.	-410.4	-310.6	-348.4	-310.8	-336.1
Net services	-93.5	-80.8	-82.9	-99.3	-103.4
Net transfers	80.8	71.4	128.0	89.7	92.5
Current account balance	-76.6	-23.4	-56.3	-38.2	-45.5
Capital, net	58.7	10.7	18.4	-7.4	25.5
Public long-term, net	(53.8)	(26.3)	(25.6)	(16.7)	(27.3)
Private long-term, net	(-4.2)	(-10.3)	(-12.1)	(-10.1)	(-3.6)
Short-term, net	(9.1)	(-5.4)	(4.8)	(-14.0)	(1.8)
Errors and omissions (including SDR allocation)	30.4	4.9	1.9	5.9	--
Overall balance	12.5	-7.8	-36.0	-39.7	-20.0
Financing	-12.5	7.8	35.2	39.7	20.0
Change in net foreign assets	-20.9	-40.0	-7.8	-9.6	...
Central bank	15.1	-30.8	-6.6	1.2	...
Of which: IMF	(28.1)	(13.9)	(15.5)	(18.2)	(-3.4)
Deposit money banks	-36.0	-9.2	-1.2	-10.8	...
Debt relief	8.4	47.8	43.8	49.3	39.7
<u>Gross official reserves</u> (end of period)	49.7	89.7	125.3	154.7	...

1/ Numbers may not add up due to rounding.

NIGER - Basic Data (concluded)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u> Prel. act.	<u>1987</u> Rev. prog.
<u>Medium- and long-term outstanding external debt (disbursed, end of period)</u>	<u>(In millions of SDRs)</u>				
	801.2	879.6	1,064.1	1,145.8	1,195.5
Public	632.3	732.4	872.6	954.7	1,003.2
Private	168.9	147.2	191.5	191.1	192.3
	<u>(In percent of exports of goods and nonfactor services)</u>				
<u>Debt service ratio</u>	30.8	25.7	35.4	33.5	36.2
Public (after rescheduling)	12.6	11.9	19.7	22.3	28.8
Private	18.2	13.8	15.7	11.2	7.4
	<u>(Index 1982 = 100; in terms of CFA francs)</u>				
<u>Terms of trade</u>	115.7	122.6	115.0	119.1	114.0
Export prices	114.2	119.2	111.3	114.5	113.3
Import prices	98.7	97.3	96.8	96.1	99.3
<u>Average rate of CFA franc</u>	<u>(Annual average)</u>				
CFAF per SDR	407.4	447.9	456.2	406.3	385.0
CFAF per U.S. dollar	381.1	437.0	449.3	346.3	310.0
<u>Index of import-weighted effective rate ^{1/}</u>	<u>(Annual average)</u>				
Nominal	90.0	87.8	88.3	88.4	...
Real	89.9	88.9	83.8	79.8	...

^{1/} 1980 = 100; a decrease in the index indicates a depreciation of the CFA franc.

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

	Outstanding at beginning of arrangement (Dec. 5, 1986)	1986 Upon Board approval	1987				
			Nov. 21- Jan. 31	Feb. 15- May 14	May 15- Aug. 14	Aug. 15- Nov. 14	Nov. 15- Dec. 4
<u>(In millions of SDRs)</u>							
Transactions under tranche policies (net)	--	2.02	-0.85	-0.85	2.84	0.82	2.02
Purchases	--	2.02	--	--	4.04	2.02	2.02
Ordinary resources	(--)	(0.96)	(--)	(--)	(--)	(--)	(--)
Enlarged access resources	(--)	(1.06)	(--)	(--)	(4.04)	(2.02)	(2.02)
Repurchases	--	--	0.85	0.85	1.20	1.20	--
Ordinary resources	(--)	(--)	(0.85)	(0.85)	(1.20)	(1.20)	(--)
Enlarged access resources	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Transactions under SAF <u>1/</u>	--	--	6.74	--	--	--	--
Loans	--	--	6.74	--	--	--	--
Repayments	--	--	--	--	--	--	--
Transactions under special facilities (net)	--	--	-3.0	-3.0	-3.0	-3.0	--
Purchases	--	--	--	--	--	--	--
Repurchases <u>2/</u>	--	--	3.0	3.0	3.0	3.0	--
Total Fund credit outstanding (end of period)	69.98	72.00	74.89	71.04	70.88	68.70	70.72
Tranche policies	47.48	49.50	48.65	47.80	50.64	51.46	53.48
Special facilities <u>2/</u>	22.50	22.50	19.50	16.50	13.50	10.50	10.50
SAF	--	--	6.74	6.74	6.74	6.74	6.74
<u>(In percent of quota)</u>							
Total Fund credit out- standing (end of period)	207.66	213.65	222.23	210.80	210.33	203.86	209.85
Tranche policies	140.89	146.88	144.36	141.84	150.27	152.70	158.69
Special facilities <u>2/</u>	66.77	66.77	57.86	48.96	40.06	31.16	31.16
SAF	--	--	20.00	20.00	20.00	20.00	20.00

Source: IMF, Treasurer's Department.

1/ Structural adjustment facility; the purchase under the first annual arrangement was effected on November 21, 1986.

2/ Compensatory financing facility.

Table II. Niger: Schedule of Purchases During Period of
Stand-By Arrangement, December 1986-December 1987

Amount	Scheduled Availability Date	Condition Necessary for Purchase <u>1/</u>
SDR 2.02 million	December 5, 1986	Board approval of program
SDR 4.04 million	July 17, 1987 <u>2/</u>	Observance of end-March performance criteria and completion of mid-term review
SDR 2.02 million	August 15, 1987	Compliance with quantitative per- formance criteria as of June 30, 1987
SDR 2.02 million	November 15, 1987	Compliance with quantitative per- formance criteria as of September 30, 1987

1/ Other than generally applicable conditions under the arrangement and nonquantitative performance criteria (including the performance clause on the exchange and trade system).

2/ Tentative date for completion of mid-term review.

Table III. Niger: Medium-Term Outlook for Economic Growth
and the Balance of Payments, 1987-90

(In billions of CFA francs)

	1987	1988	1989	1990
<u>Scenario I (Baseline)</u>				
Current account deficit, excluding grants (in percent of GDP)	-8.7	-8.6	-7.6	-6.9
Current account deficit, including grants (in percent of GDP)	-2.2	-2.9	-1.7	-1.4
Overall balance	-7.7	-2.4	-0.3	4.4
Financing gap	--	9.1	3.5	--
Terms of trade (annual percentage change)	-4.3	0.7	0.2	0.5
Real GDP (annual percentage change)	2.7	2.1	2.2	2.3
Nominal GDP (annual percentage change)	8.3	7.7	7.8	7.9
<u>Scenario II 1/</u>				
Current account deficit, excluding grants (in percent of GDP)	-8.7	-9.1	-8.7	-8.6
Current account deficit, including grants (in percent of GDP)	-2.2	-3.4	-3.0	-3.1
Overall balance	-7.7	-6.5	-10.2	-11.7
Financing gap	--	13.2	13.4	14.7
Terms of trade (annual percentage change)	-4.3	-2.2	-2.3	-2.0
Real GDP (annual percentage change)	2.7	2.1	2.2	2.3
Nominal GDP (annual percentage change)	8.3	7.5	7.6	7.8
<u>Scenario III 1/ 2/</u>				
Current account deficit, excluding grants (in percent of GDP)	-8.7	-8.7	-7.7	-7.1
Current account deficit, including grants (in percent of GDP)	-2.2	-2.9	-1.9	-1.4
Overall balance	-7.7	-2.4	-0.3	4.4
Financing gap	--	9.1	3.5	--
Terms of trade (annual percentage change)	-4.3	-2.2	-2.3	-2.0
Real GDP (annual percentage change)	2.7	1.9	1.6	1.7
Nominal GDP (annual percentage change)	8.3	7.1	6.8	7.1

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

1/ Scenarios II and III assume constant uranium export prices and no change in volumes from the 1987 level during 1988-90.

2/ Scenario III assumes a readaptation of policies resulting in a compression of imports to achieve balance of payments viability by 1990.

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

(In billions of CFA francs)

	<u>1985/86</u> ^{1/} Prel. act.	<u>1986/87</u> Prog.	<u>1987/88</u> Proj.	<u>1988/89</u> Proj.	<u>1989/90</u> Proj.
Investment program	80.0	92.5	103.0	115.0	...
Implementation rate (in percent)	76.9	72.8	74.2	73.6	...
Implementation	61.5	67.3	76.4	84.7	93.1
Treasury	3.8	4.7	5.0	5.3	5.7
External borrowing	25.0	26.8	29.7	32.1	34.4
External grants	32.7	35.8	41.7	47.3	53.0

Sources: Ministry of Planning; and World Bank estimates.

^{1/} The data provided by the Ministry of Plan differ marginally from those provided by the Ministry of Finance.

Table V. Niger: Summary of Government Financial Operations, 1982/83-1986/87

	1982/83	1983/84	1984/85	1985/86		1986/87	
				Revised program	Prelim. actual	Original program	Revised program
	(In billions of CFA francs)						
Total revenue	68.8	70.1	69.9	73.2	74.1	79.2	81.2
Budgetary revenue	68.8	70.1	68.1	73.2	72.1	79.2	79.2
Tax revenue	62.6	61.2	59.6	63.7	62.0	67.5	67.5
Taxes on income and profits	14.3	13.5	15.4	...	16.0	...	16.7
Taxes on goods and services	19.9	19.9	18.1	...	15.7	...	17.0
Taxes on international trade and transactions	26.5	25.8	24.2	30.7	28.7	32.5	32.0
Other tax revenue	1.9	2.0	1.9	...	1.6	...	1.8
Non-tax revenue	6.2	8.9	8.5	9.5	10.1 1/	11.7	11.7
Annexed budgets and special accounts 2/	...	...	1.8	...	2.0	...	2.0
Total expenditure and net lending (commitment basis)	128.8	122.7	130.4	133.9	134.0	143.6	145.4
Current budgetary expenditure	55.4	65.2	76.9	71.1	71.1	75.0	75.0
Expenditure on goods and services	35.9	40.1	47.5	...	45.2	...	47.0
Of which: Wages and salaries	(22.2)	(23.1)	(24.9)	(27.2)	(25.8)	(28.2)	(28.2)
Interest payments	9.2	13.6	16.7	16.2	16.8	18.3	18.3
Subsidies and transfers	10.3	11.5	12.7	...	9.1	...	9.7
Net lending	3.3	3.6	-0.4	...	-2.3	...	0.2
Capital expenditure	70.1	53.9	51.3	61.6	62.6	67.3	67.3
Budgetary	9.5	5.9	4.1	4.5	4.9	4.7	4.7
Loan financed	49.2	26.5	23.9	25.7	25.0	26.8	26.8
Grant financed	11.4	21.5	23.3	31.4	32.7	35.8	35.8
Annexed budgets and special accounts 2/	...	...	2.6	...	2.6	...	2.9
Overall deficit (commitment basis)	-60.0	-52.6	-60.5	-60.7	-59.9	-64.4	-64.2
First and other items	1.9	0.8	5.0 3/	...	1.6 3/	...	...
Change in payment arrears (decrease -)	-1.7	-12.4	-3.4	...	...	...	...
Repayment of cross debts (-)	...	...	...	...	...	...	-4.8 4/
Overall deficit (cash basis)	-59.8	-64.2	-58.9	-60.7	-58.3	-64.4	-69.0
Total financing	59.8	64.2	58.9	60.7	58.3	64.4	69.0
Foreign financing (net)	53.7	56.0	44.6	53.7	57.0	55.9	74.5
Drawings (net)	42.3	18.6	6.3	9.6	17.0	11.4	22.5
Drawings (gross)	49.9	32.9	25.1	28.7	31.8	37.8	41.2
Amortization	-7.6	-14.3	-18.8	-19.1	-18.8	-26.4	-18.7
Debt relief	...	15.9	15.0	12.7	11.3	5.2	12.7
Grants	11.4	21.5	23.3	31.4	32.7	39.3	39.3
Domestic financing (net)	6.1	8.2	14.3	7.0	1.3	2.3	-5.5
Bank financing	4.4	5.3	7.2	5.0	-3.3	...	-7.8
Monetary authorities	1.7	3.9	11.2	5.0	-1.0	...	...
Deposit money banks and others	2.7	1.4	-4.0	...	-2.3	...	...
Nonbank financing	1.7	2.9	7.1	2.0	4.6	2.3	7.3 5/
Financing gap	...	...	...	...	...	6.2	...
Memorandum items:							
Gross domestic product (in nominal terms)	669.3	622.9	648.9	754.6	706.2	825.0	765.1
	(In percent of GDP)						
Total revenue	10.3	11.3	10.8	9.7	10.5	9.6	10.6
Tax revenue	9.4	9.8	9.2	8.4	8.8	8.2	8.8
Total expenditure and net lending (commitment basis)	19.2	19.7	20.1	17.7	19.0	17.5	19.0
Current expenditure	8.3	10.5	11.9	9.4	10.1	9.1	9.8
Capital expenditure	10.5	8.7	7.9	8.1	8.9	8.2	8.8
Overall deficit (-)	-9.0	-8.4	-9.3	-7.9	-8.5	-7.8	-8.4
Commitment basis	-9.0	-8.4	-9.3	-7.9	-8.5	-7.8	-8.4
Cash basis	-8.9	-10.3	-9.1	-7.9	-8.3	-7.8	-9.0
	(Annual percentage changes)						
Total revenue	-6.8	1.9	-0.3	6.9	6.0	8.2	9.6
Tax revenue	-5.0	-2.2	-2.6	6.9	4.0	6.0	8.9
Total expenditure and net lending (commitment basis)	...	-4.7	6.3	6.1	2.8	8.7	8.5
Current expenditure	-3.3	17.7	17.9	-1.4	-7.5	5.3	5.5
Capital expenditure	...	-23.1	-4.8	18.7	22.0	12.7	7.5

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

1/ This figure includes miscellaneous tax and non-tax revenue amounting to CFAF 0.3 billion.

2/ Prior to 1984/85, the revenue and expenditure of the annexed budgets and special accounts were included on a net basis in the item "net lending."

3/ This figure includes essentially expenditure proposals to be implemented originally in the relevant fiscal budget, but which in effect were not undertaken in that year, and operations associated with transfers (*opérations différées*).

4/ Including 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.

5/ This figure includes CFAF 2.0 billion of payments made by some agencies and semi-public enterprises earmarked for the reimbursement of their rescheduled debt.

Table VI. Niger: Monetary Survey, 1985-87

(In billions of CFA francs; end of period)

	1985		1986								1987					
	Sept.	Dec.	March		June		Sept.		Dec.		March		June	Sept.	Dec.	
			Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Est.	Act.	Prog.	Prog.	Prog. ^{1/}
Net foreign assets	13.10	4.92	...	5.47	...	11.45	...	13.55	11.15	14.16	...	...	28.19	...	...	21.8
Central bank	(25.44)	(19.37)	(...)	(17.88)	(...)	(22.76)	(...)	(26.30)	(...)	(24.20)	(...)	(...)	(34.79)	(...)	(...)	(...)
Banks	(-12.34)	(-14.45)	(...)	(-12.41)	(...)	(-11.31)	(...)	(-12.75)	(...)	(-10.04)	(...)	(...)	(-6.60)	(...)	(...)	(...)
Domestic credit	118.25	125.56	138.90	125.85	137.40	124.28	135.52	126.02	131.02	133.80	132.52	134.20	119.89	129.5	129.4	132.6
Net claims on																
Government ^{2/}	23.24	26.66	28.70	24.31	29.40	25.49	27.82	19.92	27.82	19.11	27.82	16.00	11.12	14.5	12.1	13.6
Central bank	(19.29)	(22.33)	(...)	(19.32)	(...)	(21.86)	(...)	(18.25)	(...)	(19.37)	(...)	(...)	(10.98)	(...)	(...)	(...)
Other	(3.95)	(4.33)	(...)	(4.99)	(...)	(3.63)	(...)	(1.67)	(...)	(-0.26)	(...)	(...)	(0.14)	(...)	(...)	(...)
Credit to the economy	95.01	98.90	110.20	101.54	108.00	98.79	107.70	106.10	103.20	114.69	104.70	118.20	108.77	115.0	117.3	119.0
Crop credit	(1.97)	(5.90)	(9.00)	(5.62)	(6.00)	(6.94)	(4.50)	(6.92)	(7.00)	(14.18)	(6.50)	(15.00)	(13.61)	(10.0)	(9.3)	(9.0)
Ordinary credit ^{3/}	(93.04)	(93.00)	(101.20)	(95.92)	(102.00)	(91.85)	(103.20)	(99.18)	(96.20)	(100.51)	(98.20)	(103.20)	(95.16)	(105.0)	(108.0)	(110.0)
Net domestic assets	121.53	130.65	...	135.72	...	128.53	...	126.20	133.76	133.15	...	...	119.00	...	...	132.0
Money and quasi-money	107.76	108.65	...	114.31	...	113.50	...	112.89	118.43	121.05	...	...	121.35	...	...	127.5
Long-term external liabilities	26.87	26.92	...	26.88	...	26.48	...	26.86	26.48	26.26	...	...	25.84	...	...	26.3
Other items (net)	-3.28	-5.09	...	-9.87	...	-4.25	...	-0.18	-2.74	0.65	...	...	0.89	...	...	0.6

Source: Data provided by the Niger authorities.

^{1/} Indicative.

^{2/} For 1986-87, cumulative external budgetary assistance not associated with investment projects was programmed at CFAF 3.5 billion at end-December 1986 and CFAF 7.5 billion at end-March 1987, excluding funds for the repayment of cross-debts. Based on this definition, the amount of budgetary resources not linked with investment projects totaled CFAF 4.0 billion at end-December 1986 and was estimated at CFAF 7.5 billion at end-March 1987. Based on the new definition of the budget deficit, which includes repayment of cross-debts, the amount of budgetary assistance not linked with the execution of investment projects is estimated at CFAF 16.4 billion at end-June 1987 and CFAF 17.9 billion at end-September 1987. The ceilings will be adjusted downward by any amount of external budgetary assistance, including debt relief, exceeding programmed levels, at a constant exchange rate of CFAF 350 per U.S. dollar for the period September 1986 to March 1987 and at a rate of CFAF 310 per U.S. dollar after March 1987.

^{3/} Includes doubtful and litigious loans.

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

(In billions of CFA francs)

	1982	1983	1984	1985	1986		1987		1988	1989	1990
					Rev. prog.	Prel. act.	Prog.	Rev. prog.	Projections		
Trade balance	-57.9	-26.0	-6.3	-46.3	-21.4	-11.6	-7.4	-13.3	-17.5	-14.6	-12.0
Exports, f.o.b.	120.5	141.2	132.8	112.6	119.9	114.6	123.1	116.1	123.4	133.8	145.0
Of which: uranium	(90.8)	(110.0)	(98.8)	(96.3)	(94.5)	(88.5)	(96.3)	(86.7)	(90.8)	(96.6)	(102.8)
Imports, c.i.f.	-178.4	-167.2	-139.1	-158.9	-141.3	-126.2	-130.5	-129.4	-140.9	-148.4	-157.0
Of which: cereals	(-9.1)	(-12.3)	(-11.0)	(-41.0)	(-13.0)	(-8.4)	(-7.6)	(-6.7)	(-7.0)	(-7.7)	(-8.3)
petroleum products	(-15.7)	(-13.2)	(-11.8)	(-12.4)	(-11.8)	(-7.5)	(-8.5)	(-8.0)	(-8.9)	(-9.9)	(-11.0)
Services, net	-36.2	-38.1	-36.2	-37.8	-36.4	-40.3	-41.5	-39.8	-39.8	-38.9	-40.6
Of which: interest ^{1/}	(-25.6)	(-21.9)	(-23.0)	(-24.5)	(-21.0)	(-24.9)	(-25.4)	(-23.7)	(24.3)	(-23.2)	(-24.0)
Transfers	31.8	32.9	32.0	58.4	31.6	36.4	32.1	35.6	32.9	36.7	38.9
Private	(-16.0)	(-17.0)	(-14.0)	(-14.5)	(-15.0)	(-15.0)	(-15.0)	(-15.0)	(-15.0)	(-15.0)	(-15.0)
Official	(47.8)	(49.9)	(46.0)	(72.9)	(46.6)	(51.4)	(47.1)	(50.6)	(47.9)	(51.7)	(53.9)
Current account balance	-62.3	-31.2	-10.5	-25.7	-26.2	-15.5	-16.8	-17.5	-24.4	-16.8	-13.7
Excluding public transfers	(-110.1)	(-81.1)	(-56.5)	(-98.6)	(-72.8)	(-66.9)	(-63.9)	(-68.1)	(-72.3)	(-68.5)	(-67.6)
Capital, net	30.8	23.9	4.8	8.4	5.9	-3.0	8.1	9.8	22.0	16.5	18.1
Public long-term, net	17.3	21.9	11.8	11.7	10.1	6.8	11.3	10.5	18.6	17.6	18.1
Disbursements	(24.9)	(30.5)	(34.0)	(37.0)	(37.8)	(33.8)	(39.1)	(37.2)	(44.5)	(42.2)	(43.3)
Amortization ^{1/}	(-7.6)	(-8.6)	(-22.2)	(-25.3)	(-27.7)	(-27.0)	(-27.8)	(-26.7)	(-25.9)	(-24.6)	(-25.2)
Private long-term, net	-5.0	-1.7	-4.6	-5.5	-2.2	-4.1	-3.2	-1.4	-1.6	-1.1	—
Disbursements	(25.4)	(18.2)	(8.6)	(8.5)	(8.5)	(5.8)	(5.9)	(3.7)	(3.9)	(4.8)	(5.4)
Amortization	(-30.4)	(-19.9)	(-13.2)	(-14.0)	(-10.7)	(-9.9)	(-9.1)	(-5.1)	(-5.5)	(-5.9)	(-5.4)
Short-term capital, net	18.5	3.7	-2.4	-2.2	-2.0	-5.7	—	0.7	5.0	—	—
Errors and omissions	-11.2	8.7	1.8	0.4	—	2.4	—	—	—	—	—
Overall balance	-42.7	1.4	-3.9	-16.9	-20.3	-16.1	-8.7	-7.7	-2.4	-0.3	4.4
Financing	42.7	-1.4	-3.9	16.9	20.3	16.1	8.7	7.7	2.4	0.3	-4.4
Net foreign assets	42.7	-4.8	-17.6	-3.1	0.9	-3.9 ^{2/}	...	7.6	...	...	...
Central bank	20.9	4.8	-14.8	-0.6	...	...	...	...	...	...	...
Of which: IMF, net	(—)	(12.3)	(7.4)	(8.9)	(3.7)	(7.4)	(-0.6) ^{3/}	(-1.3) ^{3/}	(-6.7) ^{4/}	(-3.2) ^{5/}	(-3.9)
Commercial banks	21.8	-9.6	-2.8	-2.5	...	...	...	...	...	...	...
Debt relief	—	3.4	21.5	20.0	19.4	20.0	...	15.3	...	...	...
Financing gap	—	—	—	—	—	—	9.3	—	9.1	3.5	—

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

^{1/} Includes debt service on the amounts required to cover the estimated financing gaps.^{2/} Excludes revaluation effect of CFAF 5.3 billion.^{3/} Includes purchases under the current stand-by arrangement and disbursements under the first annual program under the SAF.^{4/} Includes disbursements under the second annual program under the SAF.^{5/} Includes disbursements under the third annual program under the SAF.

Table VIII. Niger: Balance of Payments, 1982-90 ^{1/}

(In millions of SDRs)

	1982	1983	1984	1985	1986		1987		1988	1989	1990
					Rev. prog.	Prel. act.	Prog.	Rev. prog.		Projections	
Trade balance	-159.6	-63.8	-14.1	-101.5	-53.5	-28.6	-18.5	-34.5	-45.5	-37.9	-31.2
Exports, f.o.b.	332.2	346.6	296.5	246.8	299.8	282.3	307.8	301.6	320.5	347.5	376.6
Of which: uranium	(250.3)	(270.0)	(220.6)	(211.1)	(236.3)	(218.0)	(240.8)	(225.2)	(235.8)	(250.9)	(267.0)
Imports, c.i.f.	-491.8	-410.4	-310.6	-348.4	-353.3	-310.8	-326.3	-336.1	-366.0	-385.5	-407.8
Of which: cereals	(-25.1)	(-30.2)	(-24.6)	(-89.9)	(-32.5)	(-20.7)	(-19.0)	(-17.4)	(-18.2)	(-20.0)	(-21.6)
petroleum products	(-43.3)	(-32.4)	(-26.3)	(-27.2)	(-29.5)	(-18.5)	(-21.3)	(-20.8)	(-23.1)	(-25.7)	(-28.6)
Services, net	-99.8	-93.5	-80.8	-82.9	-91.0	-99.3	-103.8	-103.4	-103.4	-101.0	-105.5
Of which: interest ^{2/}	(-70.6)	(-53.8)	(-51.4)	(-53.7)	(-52.5)	(-61.3)	(-63.5)	(-61.6)	(-63.1)	(-60.3)	(-62.3)
Transfers	87.7	80.8	71.4	128.0	79.0	89.7	80.3	92.5	85.5	95.3	101.0
Private	(-44.1)	(-41.7)	(-31.2)	(-31.8)	(-37.5)	(-36.9)	(-37.5)	(-39.0)	(-39.0)	(-39.0)	(-39.0)
Official	(131.8)	(122.5)	(102.7)	(159.8)	(116.5)	(126.6)	(117.8)	(131.4)	(124.4)	(134.3)	(140.0)
Current account balance	-171.7	-76.6	-23.4	-56.3	-65.5	-38.2	-42.0	-45.5	-63.4	-43.6	-35.6
Excluding official transfers	(-303.5)	(-199.1)	(-126.1)	(-216.2)	(-182.0)	(-164.8)	(-159.8)	(-176.9)	(-187.8)	(-177.9)	(-175.6)
Capital, net	84.9	58.7	10.7	18.4	14.8	-7.4	20.3	25.5	57.1	42.9	47.0
Public long-term, net	47.7	53.8	26.3	25.6	25.2	16.7	28.3	27.3	48.3	45.7	47.0
Disbursements	(68.6)	(74.9)	(75.9)	(81.1)	(94.5)	(83.3)	(97.8)	(96.6)	(115.6)	(109.6)	(112.5)
Amortization ^{2/}	(-20.9)	(-21.1)	(-49.6)	(-55.5)	(-69.3)	(-66.5)	(-69.5)	(-69.4)	(-67.3)	(-63.9)	(-65.5)
Private long-term, net	-13.8	-4.2	-10.3	-12.1	-5.5	-10.1	-8.0	-3.6	-4.2	-2.9	--
Disbursements	(70.0)	(44.7)	(19.2)	(18.6)	(21.3)	(14.3)	(14.8)	(9.6)	(10.1)	(12.5)	(14.0)
Amortization	(-83.8)	(-48.9)	(-29.5)	(-30.7)	(-26.8)	(-24.4)	(-22.8)	(-13.2)	(-14.3)	(-15.3)	(-14.0)
Short-term capital, net	51.0	9.1	-5.4	4.8	-4.9	-14.0	--	1.8	13.0	--	--
Errors and omissions	-36.3	30.4	4.9	1.9	-0.1	5.9	--	--	--	--	--
Overall balance	-123.1	12.5	-7.8	-36.0	-50.8	-39.7	-21.7	-20.0	-6.2	-0.8	11.4
Financing	123.1	-12.5	7.8	36.0	50.8	39.7	21.7	20.0	6.2	0.8	-11.4
Net foreign assets	123.1	-20.9	-40.0	-7.8	2.3	-9.6	...	-19.7	...	...	...
Central bank	64.5	15.1	-30.8	-6.6	...	1.2	...	...	...	...	...
Of which: IMF, net	(-)	(28.1)	(13.9)	(15.5)	(9.3)	(18.2)	(-1.5) ^{3/}	(-3.4) ^{3/}	(-17.4) ^{4/}	(-8.3) ^{5/}	(-10.0)
Commercial banks	58.6	-36.0	-9.2	-1.2	...	-10.8	...	...	...	...	...
Debt relief	--	8.4	47.8	43.8	48.5	49.3	...	39.7	...	...	...
Financing gap	--	--	--	--	--	--	23.2	--	23.6	9.1	--
Memorandum item:											
Average rates: CFAF per SDR	362.8	407.4	447.9	456.2	400.0	406.0	400.0	385.0	385.0	385.0	385.0

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

^{1/} Totals may not add up due to rounding.^{2/} Includes debt service on the amounts required to cover the estimated financing gaps.^{3/} Includes purchases under the current stand-by arrangement and disbursements under the first annual program under the SAF.^{4/} Includes disbursements under the second annual program under the SAF.^{5/} Includes disbursements under the third annual program under the SAF.

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

(In billions of CFA francs)

	1982	1983	1984	1985	1986		1987		1988	1989	1990
					Rev. prog.	Prel. act.	Prog.	Rev. prog.	Projections		
Debt service before debt rescheduling											
Public	22.3	22.6	38.5	44.3	43.5	47.6	48.5	46.1	45.8	43.3	44.6
Interest ^{1/}	14.7	14.0	16.3	19.0	15.8	20.6	20.7	19.4	19.9	18.7	19.4
Of which: IMF charges	(--)	(0.2)	(1.4)	(1.8)	(1.8)	(2.2)	(2.2)	(1.8)	(1.4)	(1.0)	(0.7)
Principal ^{2/}	7.6	8.6	22.2	25.3	27.7	27.0	27.8	26.7	25.9	24.6	25.2
Private	41.3	27.8	19.9	19.5	15.9	14.2	13.8	9.4	9.9	10.4	10.0
Interest	10.9	7.9	6.7	5.5	5.2	4.3	4.7	4.3	4.4	4.5	4.6
Principal	30.4	19.9	13.2	14.0	10.7	9.9	9.1	5.1	5.5	5.9	5.4
IMF repurchases (excluding Trust Fund)	--	--	--	--	0.6	0.6	6.4	6.2	8.4	5.0	3.9
Debt service, total	63.6	50.4	58.4	63.8	60.0	62.4	68.7	61.7	64.1	58.7	58.5
Interest	25.6	21.9	23.0	24.5	21.0	24.9	25.4	23.7	24.3	23.2	24.0
Principal	38.0	28.5	35.4	39.3	39.0	37.5	43.3	38.0	39.8	35.5	34.5
Debt service, total (in percent of exports of goods and nonfactor services)	46.5	33.1	40.6	51.5	45.5	49.4	50.8	48.1	47.1	39.9	36.8
Interest	18.7	14.4	16.0	19.8	15.9	19.7	18.8	18.5	17.9	15.8	15.1
Principal	27.8	18.7	24.6	31.7	29.6	29.7	32.0	29.6	29.2	24.1	21.7
Debt rescheduling	--	3.4	21.5	20.0	19.4	20.0	...	15.3	...	...	...
Interest	--	1.2	7.0	4.1	4.0	3.8	...	--	...	...	...
Principal	--	2.2	14.5	15.9	15.4	16.2	...	15.3	...	...	...
Debt service after debt rescheduling											
Debt service, total	63.6	47.0	36.9	43.8	40.6	42.4	...	46.4	...	...	...
Interest	25.6	20.7	16.0	20.4	17.0	21.1	...	23.7	...	...	...
Principal	38.0	26.3	20.9	23.4	23.6	21.3	...	22.7	...	...	...
Debt service, total (in percent of exports of goods and nonfactor services)	46.5	30.8	25.7	35.4	30.8	33.5	...	36.2	...	...	...
Interest	18.7	13.6	11.1	16.5	12.9	16.7	...	18.5	...	...	...
Principal	27.8	17.2	14.6	18.9	17.9	16.8	...	17.7	...	...	...
Memorandum items:											
External debt outstanding (in percent of GDP)	42.1	51.9	67.2	66.6	58.2	62.8	59.3	59.0	56.0	53.7	50.9
Service to IMF (in percent of exports of goods and nonfactor services) ^{3/}	--	0.1	1.0	1.9	2.6	3.0	7.1	7.0	7.9	4.5	3.2

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

^{1/} Including IMF charges.

^{2/} Including Trust Fund repurchases.

^{3/} Including Trust Fund, charges, and repurchases to the Fund.

Table X. Niger: External Debt Service Payments on Medium- and Long-Term External Debt, 1982-90 ^{1/}

(In millions of SDRs)

	1982	1983	1984	1985	1986		1987		1988	1989	1990
					Rev. prog.	Prel. act.	Prog.	Rev. prog.	Projections		
Debt service before rescheduling											
Public	61.4	55.5	86.0	97.2	108.8	117.2	121.3	119.8	119.0	112.5	115.9
Interest ^{2/}	40.5	34.4	36.4	41.7	39.5	50.7	51.8	50.4	51.7	48.6	50.4
Of which: IMF charges	(—)	(0.5)	(3.1)	(3.7)	(5.1)	(5.4)	(5.5)	(4.7)	(3.7)	(2.6)	(1.8)
Principal ^{3/}	20.9	21.1	49.6	55.5	69.3	66.5	69.5	69.4	67.3	63.9	65.5
Private	113.8	68.3	44.5	42.8	39.8	35.0	34.5	24.4	25.7	27.0	26.0
Interest	30.0	19.4	15.0	12.1	13.0	10.6	11.7	11.2	11.4	11.7	11.9
Principal	83.8	48.9	29.5	30.7	26.8	24.4	22.8	13.2	14.3	15.3	14.0
IMF repurchases (excluding Trust Fund)	—	—	—	—	1.5	1.5	16.0	16.1	21.9	12.9	10.0
Debt service, total	175.3	123.8	130.4	139.9	150.1	153.7	171.7	160.3	166.5	152.4	151.9
Interest	70.6	53.8	51.4	53.7	52.5	61.3	63.5	61.6	63.1	60.3	62.3
Principal	104.7	70.0	79.0	86.2	97.6	92.4	108.2	98.7	103.5	92.1	89.5
Debt rescheduling	—	8.4	47.8	43.8	48.5	49.3	...	39.7	...	...	...
Interest	—	3.0	15.7	9.0	48.5	9.4	...	—	...	...	...
Principal	—	5.4	32.1	34.8	38.5	39.3	...	39.7	...	...	...
After debt rescheduling											
Debt service, total	175.3	115.4	82.6	96.0	101.5	104.4	...	120.5	...	...	...
Interest	70.6	50.8	35.7	44.7	42.5	52.0	...	61.6	...	...	...
Principal	104.7	64.6	46.9	51.3	59.0	52.4	...	59.0	...	...	...

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.

^{3/} Including Trust Fund repurchases.

