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Minutes of Executive Board Meeting 18/105-3

11:45 a.m., December 10, 2018

3. Niger—Third Review Under the Extended Credit Facility Arrangement, Request for Waiver of Nonobservance of Performance Criterion, and Request for Augmentation of Access

Documents: EBS/18/107 and Supplement 1 ; and Supplement 2

Staff: Klingen, AFR; Sommer, SPR

Length: 35 minutes

Executive Board Attendance

M. Furusawa, Acting Chair

Executive Directors	Alternate Executive Directors
	K. Obiora (AE)
M. Raghani (AF)	
	J. Di Tata (AG)
	J. Shin (AP), Temporary
	P. Fachada (BR)
	K. Lok (CC), Temporary
	J. Montero (CE), Temporary
L. Levonian (CO)	
R. Kaya (EC)	
H. de Villeroché (FF)	
S. Meyer (GR)	
(IN)	
	I. Lopes (IT), Temporary
	Y. Saito (JA)
	K. Badsi (MD), Temporary
	D. Fadhel (MI), Temporary
	V. Rashkovan (NE)
T. Ostros (NO)	
	S. Potapov (RU), Temporary
	R. Alkhareif (SA)
(ST)	
	P. Trabinski (SZ)
	J. Stockill (UK), Temporary
	P. Pollard (US), Temporary

G. Tsibouris, Acting Secretary
J. Morco, Summing Up Officer
J. Acheson, Board Operations Officer
L. Nagy-Baker, Verbatim Reporting Officer

Also Present
African Department: M. Canales Munoz, W. Keller, D. Owen, N. Staines. Finance Department: R. El Khechen Sab. Strategy, Policy, and Review Department: M. Sommer. World Bank Group: J. Lopez Calix, L. Moller. Alternate Executive Director: F. Sylla (AF). Senior Advisors to Executive Directors: H. Etkes (NE), G. Heim (SZ), W. Kuhles (GR),

Z.Mohammed (BR), G. Vasishtha (CO), F. Bellocq (FF). Advisors to Executive Directors: S. Bah (AF), O. Bayar (EC), S. David (AP), O. Diakite (AF), N. Vaikla (NO).

3. NIGER—THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND REQUEST FOR AUGMENTATION OF ACCESS

Mr. Raghani, Mr. Bah and Mr. Diakite submitted the following statement:

Introduction

The Nigerien authorities are thankful to Staff, Management and the Executive Board for the financial support and the constructive policy dialogue they are benefiting from the Fund. As a landlock country with limited resources, Niger faces tremendous challenges in its efforts to achieve sustained economic growth to further improve the well-being of the population. The ongoing ECF-supported program is seen as a main vehicle to help the authorities to better strengthen macroeconomic stability, improve public financial management and support private sector development while addressing demographic and poverty issues.

The strong commitment to sound policies and broad-based reforms demonstrated by the authorities in implementing the ECF-supported arrangement is well reflected in the good performance achieved since the launching of the program. This strong commitment will be further sustained, as rightly reiterated by our authorities in their memorandum of economic and financial policies for the medium-term.

Performance under the Program and Request for an Augmentation of Access

Despite the difficult environment aggravated by low uranium export prices, climate change, terrorist attacks and capacity constraints, the authorities are steadfastly implementing their economic program and the outcomes are broadly satisfactory.

Under the third program review, all performance criteria set for end-June 2018 were attained except the clearing of domestic payments arrears which was delayed due to a tightened regional financial market. In this regard, the authorities are requesting a waiver for non-observance of performance criterion. On the other hand, all indicative targets for end-June 2018 were also reached. As for the structural reform agenda, three structural benchmarks were achieved while good progress have been made to meet the remaining two in addition to the fulfillment of the prior action attached to this review.

Based on the good performance achieved in implementing their ECF-supported arrangement and strong resolve to continue meeting the program's objectives, our Nigerien authorities are requesting the Executive Board's completion of the third review as well as a waiver of nonobservance of one performance criteria. Moreover, they are also requesting an augmentation of access to Fund's resources from 75 to 90 percent of quota to deal with external shocks and allocate more resources to the health and education sectors to address the fiscal and external financing gaps that will emerge as a result of the tense security situation and disappointing uranium export proceeds. This augmentation of access is therefore necessary to help implement the key social programs which would not be financed otherwise in an environment of tightening financial conditions.

Recent Economic Developments and Outlook

The economy of Niger is projected to grow in 2018 as expected under the ECF-supported program. The buoyant activity in construction and services sectors will lead growth to reach more than 5 percent against 4.9 percent in 2017. Although inflation remained higher than normal, it is on the downward trend as it decreased to 3.1 percent in October from 5.4 percent in April, despite increases in tax and administrative prices, government's purchases for strategic food supplies, and higher prices for imports.

On the fiscal front, the fiscal consolidation is progressing well and has enabled the achievement of the authorities' fiscal targets on revenue, domestic financing and budget deficit. Moreover, domestic payments arrears have been substantially reduced and the clearance of all arrears by end-2018 is within reach.

The external current account deficit for 2018, based on the revised data for 2017 is expected to be larger than anticipated. Niger being a member of the West African Monetary Union (WAEMU) with a common regional central bank (BCEAO) benefited from the union's pooled reserves currently covering more than four months of the union's imports.

Policies and Reforms for the Remainder of 2018 and the Medium-Term

Going forward, the Nigerien authorities remain fully committed to steadfastly implement the policies and reforms scheduled for 2019 and beyond to achieve their ECF-supported program's objectives. Policy actions for the remainder of 2018 and for 2019 will be focused on boosting the revenue base, raising the quality of spending, improving public debt management, deepening the financial system and developing a strong private sector to increase job creation. The authorities are also aware of potential risks facing the economy including a deterioration of security conditions and vagaries of weather, although the growth prospects are positive with the start of a number of large-scale projects in mining and infrastructure sectors as well as the impact of projects financed and executed by investors in the context of the July 2019 African Union Summit. On this basis, growth in 2019 is projected to reach 6.5 percent and could remain at this level over the medium term.

Fiscal Policy

Fiscal consolidation will be pursued through intensive revenue mobilization and necessary spending restraint to achieve the overall and basic deficits targets of 4.5 percent and 2.8 percent of GDP respectively. The 2019 budget submitted to Parliament is consistent with the ECF-supported program. Strong tax policy measures will be implemented to further enhance revenue mobilization, including raising the VAT threshold, reinstating partially the tax on incoming international calls, integrating receipts of the telecommunication regulator in the budget, and better taxing the informal sector. Moreover, efforts to collect tax arrears will be stepped up as well as the streamlining of tax exemptions. Performance plans for internal revenue administration (DGI) and customs administration (DGD) will be better closely monitored as well. As for public expenditures, the focus will be on their containment while increasing their quality. In this context, delivering better public services will be pursued with the rising share of social spending in the budget.

The authorities' measures to improve efficiency of public spending include among others the pursuit of civil service reform supported by the World Bank, audit of five major public entities and state-owned enterprises, closely monitoring social programs and increasing the reliance on public-private partnerships within the new legal PPP framework. The focus will be on build-operate-transfer projects without government financial contributions or guarantees. Furthermore, the authorities remain fully committed to avoid the re-emergence of domestic arrears, finalize the implementation of the Treasury Single Account and upgrading the electronic interface between the Treasury and the central bank (BCEAO).

While continuing to streamline expenditures, the authorities will also focus their efforts on addressing poverty and social issues, notably by strengthening safety nets through school lunch and cash transfer programs. The scaling up of resources for these programs is necessary as Niger experiences chronic food insecurity and natural disasters which weigh heavily on its efforts to improve its ranking in the United Nations Human Development Index. In this context, achieving better outcomes and services from public spending is key and the authorities plan to build on the implementation of program budgeting introduced two years ago to move to multi-year budgeting, and increase the efficiency of public investment by improving the quality of project selection and execution. To this end, they have requested the Fund's assistance through a Public Investment Management Assessment (PIMA).

The authorities are also committed to improving fiscal transparency by publishing the draft budget submitted to Parliament, and budgetary outcomes for 2018 in the first quarter of 2019. They also plan to present audited accounts to the parliament by the end of 2020.

Debt Policy and Management

Our authorities welcome the recent analysis of Niger's debt sustainability and broadly agree with the assumptions and results stating that Niger's risk of external and overall public debt distress is moderate. They take note that Niger has limited space to accommodate negative shocks as the economy remains particularly vulnerable to negative developments of its exports mainly uranium and oil products. In this context, the authorities remain determined to improve debt sustainability and increase economic resilience. They will pursue their efforts to further strengthen and diversify the production and exports base. Intensive development of manufacturing industries together with the start of oil exports will be helpful in this regard. The authorities' borrowing policy will continue to be prudent with the upgraded functionality of the Inter-Ministerial Committee on Public debt and Budgetary Support. Moreover, to consolidate the management of all public debt, a dedicated unit is created at the Treasury.

Financial Sector Development

The Nigerien authorities are cognizant of the need to further increase the development of the financial sector to ensure broad-based financial inclusion. To achieve these objectives while maintaining the financial sector's stability, the authorities will push for continued compliance with prudential requirements by all banks. They will also increase their efforts to phase out cash payments at DGD and DGI and, as of January 2019, pay salaries of civil servants and government workers via bank transfer and mobile money. The authorities will also encourage the use of the BCEAO support instruments for lending to SMEs and plan to convene in 2019 a donor round table to fund the implementation of their new financial inclusion strategy.

Structural Reforms

To unleash Niger's potential growth, the authorities aim at developing a strong private sector for job creation and sustained vibrant economic activity. They will push ahead the needed reforms to further improve the business environment as well as Niger's indicators in the World Bank's Doing Business. This will help enhance various institutions and programs put in place to promote the development of the private sector.

Moreover, the authorities intend to speed up their efforts to strengthen the institutional and legal frameworks against corruption. On the transparency front, needed steps to rejoin the Extractive Industry Transparency Initiative in 2019 will be undertaken. The authorities also plan to continue implementing the FATF standard as regard the AML/CFT together with the recommendations of the completed National Risk Assessment.

Given Niger's limited resources, the authorities will continue to address adequately the demographic challenges they face in their efforts to achieve the objectives laid out in the PDES 2017-2021. Based on their National gender policy and the Decree on Education of Girls, further efforts will be deployed to increase public awareness on demographic challenges. In this regard, the continued support of the international community will be needed.

Conclusion

In steadfastly implementing the ECF-supported program, our Nigerien authorities demonstrated their strong commitment to sound policies and reforms aimed at fostering a broad-based and inclusive economic growth. They will pursue their efforts to achieve the program's objectives and reduce the vulnerability of the economy to shocks. In this regard, our Nigerien authorities look forward to the continued support of the Fund, and they request the Executive Board's support for the completion of the third review and the requests for non-observance of performance criterion and augmentation of access to IMF resources.

Mr. Obiora and Mr. Garang submitted the following statement:

Overview. On the basis of reasonably impressive GDP growth, as well as broadly satisfactory program performance, we support the conclusion of the third review under the Extended Credit Facility (ECF) arrangement, the authorities' request for Waiver of Non-observance of Performance Criterion and request for Augmentation of Access. Despite arduous challenges, including low uranium prices, terrorist activities and adverse effects of climate change, it is encouraging to note that the Nigerien economy has performed reasonably well, with GDP growth averaging about 5 percent in the past two years. While we broadly agree with the staff's appraisal and recommendations, we are somewhat less sanguine about some of the basis on which staff expects improved growth over the next 5 years and would caution that more needs to be done in order to attain the projected growth rate.

Potential Growth. Reflecting structural reforms, significant donor support, large-scale projects and boost in crude oil exports, staff expects GDP growth to be about 7 percent over the next 5 years. But we are concerned that the gains from these changes may be more in the long-, rather than medium-term. For example, the cited construction of a cement factory occurs with limited local inputs and is only scheduled for completion in 2021. Meanwhile, crude oil exports stay the same until about 2022. We are also skeptical that some of the structural reforms being proposed could occur quickly enough to produce significant gains in GDP growth in the medium term. In particular, we wonder if staff could comment on their assessment of the authorities' timelines for developing a strong private sector and dealing with Niger's demographic challenges. Staff comments on the other concerns raised above are also welcome.

Fiscal Policy. We commend the authorities' recent efforts to improve tax and customs administration as part of a broader fiscal consolidation strategy. We are pleased with efforts to improve fiscal transparency and the continued push to enhance VAT collections, aimed at ensuring a stable downward trajectory of public debt, which is currently classified as moderate. We note the strong revenue measures contained in the draft 2019 budget but wonder if staff could comment on whether or not the budget includes contingency revenue measures should the proposed measures fall short of expectations. We also welcome staff comment on the progress toward implementing the multi-year budgeting process.

Public Financial Management

We are gratified by the spending rationalization implemented by the Inter-Ministerial Committee on Public Debt and Budgetary Support, which has been effective in containing borrowing. We encourage the authorities to press ahead with the streamlining administrative units, including many SOEs. It is also critical that they fast track the implementation of the Treasury Single Account (TSA) as this could be a significant boost in improving the quality of public expenditure. Given that previous reviews have raised this matter, we would like staff comments on the authorities' timeline for completion of the TSA.

Financial Sector

We are encouraged that Niger's financial sector is broadly sound, although its shallowness has undermined access to credit. To this end, we believe that improving financial inclusion, bolstering credit and furthering bankification will be central to generate broad-based growth in Niger. We urge the authorities to prioritize resolving the IT problems of the existing credit bureaus and broadening bankification plans should remain high on the authorities' agenda in advancing financial inclusion. It is also important that the authorities accelerate efforts towards expanding microfinance services and promoting electronic payments to deepen the financial sector and improve broader access to credit.

Structural Reforms. Advancing Niger's broad-based structural reform agenda remains critical to attaining inclusive growth and poverty reduction. As underscored in the lucid buff statement by Mr. Raghani, Mr. Bah and Mr. Diakite, we welcome added efforts to increase public awareness on the country's demographic challenges as well as the recent strengthening of the institutional framework of the anti-corruption agency, HALCIA. We urge the authorities to address the remaining deficiencies in the AML/CFT framework and remain steadfast in their efforts to improve public sector transparency.

We wish the Nigerien authorities success in their program endeavors.

Mr. Saito and Mr. Minoura submitted the following statement:

We thank staff for the informative papers and Mr. Raghani, Mr. Bah, and Mr. Diakite for their insightful statement. We positively take note that Niger achieved 5 percent growth in the past two years despite the daunting challenges such as security concerns, low commodity price, and climate change. We also welcome that overall program performance is satisfactory, while the performance criterion on the clearing of domestic payments arrear was missed, but catching up with the end-December 2018 target remains within reach. Considering the authorities' strong commitment to the program implementation and efforts to contain the widening financial gap amid the tense security situation, we support the conclusion for the third ECF review, the waiver of nonobservance of the performance criterion, and the augmentation of access level. As we broadly agree with the thrust of the staff appraisal, we will limit our comments to the following points:

Fiscal Policy

While we commend that Niger has made progress on fiscal consolidation, further efforts to broaden the revenue base and improve expenditure quality are needed to meet the WAEMU convergence criterion as well as to create a room for higher social spending and investment. We welcome that the overall fiscal deficit is projected to decline more than programmed and the authorities' commitment on clearance of all domestic payments arrears by end-2018. In addition, we positively take note that the 2019 draft budget comes with strong revenue measures such as reinstating the tax on incoming international phone calls and intensifying tax arrears collection, and that the authorities keep ongoing efforts of pushing ahead with administrative reforms in customs and tax departments, drawing on IMF technical assistance. Having said that, further measures on revenue mobilization are essential given that Niger's revenue to GDP ratio is still lower than 20 percent of WAEMU convergence criterion. We concur with staff that rationalizing tax exemptions further remains an important task for the authorities. While we note that the authorities are not yet ready to specify a target for the associated revenue gain, could staff share the initial view on additional revenues from the rationalization? At the same time, we would also like to know possible revenue mobilization measures going forward.

On the expenditure side, we positively take note that supporting tools such as program budgeting have been put in place and government plans to move toward multi-year budgeting and has requested a PIMA from the IMF to boost the quality of investment-project selection. Nevertheless, we agree with the staff's assessment that there still remain rooms for making spending more efficient. We encourage the authorities' continued efforts to enhance spending efficiency, especially on the social expenditures, and improve fiscal transparency.

Financial Sector and Structural Reform

Given the shallowness of the financial sector, we concur with the staff's view that a better access to credit is crucial to foster private sector development. In this light, it is a welcome step that the government plans to launch a new strategy and organize a round table to secure financing for its implementation. As for the financial stability, although the annual report of the WAMU Banking Commission does not flag any particular concerns for Niger's financial sector, the authorities should remain vigilant to surrounding risks given the high NPL ratio.

At the same time, improving governance of SOEs and public administrative entities remain top priorities. While we commend the recent progress with anti-corruption efforts and improving governance, we encourage the authorities' further efforts to tackle on restructuring including mergers among the public administrative entities and to improve the governance of SOEs and public administrative entities by strengthening the selection of board members, following results from five audits.

We welcome that the authorities' strong commitment to the objectives on gender equality and demographics laid out in their Social and Economic Development Plan. We underscore the importance of enhancing education for girls in order to improve educational outcomes, as well as to help realize national gender equality and demographic objectives.

Mr. Fachada and Ms. Mohammed submitted the following statement:

We thank staff for the well-structured report and Messrs. Raghani, Bah and Diakite for their statement. Niger progress on the program objectives has been broadly satisfactory. We commend the authorities for their unwavering commitment to the program, despite daunting development challenges, aggravated by terrorist attacks, unfavorable commodity prices and the effects of climate change. It is in this context that we support the completion of the third review under the Extended Credit Facility (ECF) and the request for a waiver of non-observance of performance criterion on domestic arrears. We also support the request for augmentation of access from 75 percent to 90 percent of quota.

The authorities remain committed to preserving macroeconomic stability. Overperforming revenues buttressed by conservative expenditure execution have led to stronger improvement in the overall balance deficit, which is anticipated to end the year lower than 2017 at 4.4 percent of GDP.

We take positive note that the authorities are striving to meet the WAEMU convergence criterion for an overall deficit of no more than 3 percent of GDP in 2020, one year earlier than envisaged in the second review. Staff indicated, however, that this may be ambitious. Although ongoing reforms of revenue administration and expenditure streamlining should help meet this objective, additional measures are necessary as part of the 2020 budget.

Enhancing revenue mobilization is a priority for ensuring fiscal consolidation. We take note that one-off factors allowed revenues to increase by a third in the first half of 2018, when compared with the same period in 2017. As fiscal revenues in 2019 are expected to suffer a setback due to the expiration of these one-offs, we encourage the authorities to maintain their efforts to increase fiscal revenues by reforming the tax and customs administration to be more efficient. The elimination of discretionary tax exemptions should also be considered to broaden Niger's revenue base.

We take note that the new debt sustainability framework maintained Niger's risk of external and public debt distress as moderate. We welcome the authorities' commitment to staying well within the program's limit on contracting new external debt, prioritizing concessional financing, as well as safeguarding debt sustainability over the medium term. Nevertheless, Niger's vulnerability to commodity price shocks remain high. Further, we encourage the authorities to endorse their commitment of clearing domestic arrears by year-end.

The advancement of broad-based structural reforms is welcomed. Niger's economic development hinges on increasing the private sector involvement with sufficient local content. As such, we encourage the authorities to improve the business environment and address the remaining obstacles faced by the private sector, including frequent power outages, competition from the informal economy and absence of a proper VAT refund system. In addition, we take positive note of the progress made with anti-corruption efforts and improving governance. However, more needs to be done to safeguard the economy against security risks. These efforts can also be bolstered by the continuous strengthening of the AML/CFT measures.

Finally, we encourage the authorities to remain committed to the objectives on gender equality and demographics laid out in their Social and Economic Development Plan. With a rate above 7 children per woman, Niger is the country with the highest fertility rate in the world. This will represent an enormous pressure on health and education spending for at least the next two decades. We believe that the policy on improving girl's education is a step in the right direction to address gender inequality and demographic pressures in the economy. The authorities are therefore encouraged to step up their efforts to ensure impactful results would be gained on this front.

Ms. Pollard and Ms. Crane submitted the following statement:

We thank staff for the helpful papers and Messrs. Raghani, Bah, and Diakite for the informative buff statement. We welcome Niger's reform progress under the ECF, urge strong efforts in the coming year particularly on domestic resource mobilization, and encourage continued attention to improving the environment for private sector growth. We recognize the multiple financing pressures facing Niger and can support the proposed augmentation to address the balance of payments financing gap for 2019, but we caution that IMF financing is not designed to be a substitute for highly concessional donor financing and the IMF's catalytic role remains paramount. We agree with the thrust of the staff appraisal and offer the following comments for emphasis.

Fiscal

We welcome the strong performance on budget and cash flow management and the authorities' intention to meet the WAEMU 3 percent fiscal deficit criterion by 2020 (rather than 2021). The degree of difficulty of domestic resource mobilization will be higher in 2019, considering the expiration of one-off factors in 2018. The structural benchmarks for 2018 supported progress in curbing tax exemptions, and the staff paper describes a broad range of tax policy and administration measures slated for 2019. Can staff comment on how compatible these measures are with stronger private sector growth? Domestic arrears can weigh on economic growth and we encourage the authorities to meet the end-December PC on clearing the remainder of arrears. Can staff comment on how factors that contributed to missing the arrears clearance PCs in the last two reviews are being overcome?

Debt Transparency and Sustainability

We commend staff for the comprehensive description of debt data coverage in the DSA. We commend the authorities for their intention to expand public sector debt data by reporting on SOE debt stocks going forward. We reiterate our view that countries are well-served by comprehensive reporting on all public sector liabilities including debt guaranteed by the government, SOE debt, financings collateralized by government commitments and pre-paid forward sales of commodities. We note staff's expectation that the degree of exposure to PPP-related risks is well-contained. Nonetheless, we urge strong ongoing attention to potential fiscal risks from PPPs, particularly as Niger relies on PPPs for airport and hotel projects in the lead up to hosting the AU Summit.

Governance and Anti-Corruption

We appreciate the progress on anti-corruption efforts outlined in the staff report. We welcome the addition of a structural benchmark on strengthening the framework for asset declaration of public officials. We encourage the authorities to reengage expeditiously with the Extractives Industry Transparency Initiative, including on issues of openness to civil society. Transparency of oil agreements is important to reduce opportunities for corruption and increase the incentives to secure terms on local content and fiscal contribution that will broadly benefit Niger's population.

Mr. Ray, Mr. Shin and Mr. David submitted the following statement:

We thank staff for their comprehensive reports and Mr. Raghani, Mr. Bah and Mr. Diakite for their informative buff statement. We are encouraged that Nigerien authorities continue to make progress despite very challenging economic and development conditions. Their performance under the Extended Credit Facility (ECF) program has been broadly satisfactory. We note that Niger's capacity to repay the Fund remains adequate. We therefore endorse staff recommendations and support the completion of the third review and the associated requests.

We note that economic developments in 2018 are broadly in line with the program while the medium-term outlook is favorable. Nevertheless, unanticipated adverse shocks, including low uranium export prices, less-than-expected net donor support and increased expenditure on food reserves have created fiscal and external financing gaps for 2019. This has resulted in the request for additional access to IMF resources of CFAF 15.5 billion (0.3 percent of GDP) given the tight conditions in the regional bond market. As staff assessed that Niger will need to issue an unprecedented amount of debt even if the requested augmentation of access is granted, what would be the backup plan should global bond market conditions, including in the region, tighten further?

We note that as in many developing countries with limited domestic financing resources, Niger relies heavily on external assistance from donors and foreign investors. Even as a member of the regional monetary union, WAEMU, financing conditions are tightening. While external debt amounts to 72 percent of total debt in the official data, we note that this does not cover debt relating to commercial PPPs and the latest IDA debt. It is important to have in place a robust debt management system to assess debt sustainability. Could staff advise on what assistance or arrangements with the authorities and regional institutions are in place or planned for improving public debt management? Furthermore, assistance should continue towards efforts in compiling private external debt statistics at the regional central bank, BCEAO.

We note the many development challenges for Niger and welcome the authorities' continued commitment on structural reforms. We note the efforts and plans to build the private sector, expand the financial system, improve SOE performance and enhance governance. Capacity development is therefore critical in enabling Niger to successfully implement its reform programs both during and after the current ECF.

Mr. Tan and Mr. Anwar submitted the following statement:

We thank staff for the comprehensive analysis and Mr. Raghani, Mr. Bah, and Mr. Diakite for their insightful buff statement.

With the support of the Extended Credit Facility (ECF) program, the authorities have made encouraging progress on economic transformation, notwithstanding developmental challenges that were marked by terrorist incursions, low uranium export prices, and climate change. We also note that program implementation has been broadly satisfactory with most quantitative targets met. However, downside risks weigh on the favorable medium-term outlook, calling for the authorities to carefully tailor and prioritize their policy goals of preserving macroeconomic stability, broadening revenue base, improving expenditure quality, and brightening development prospects, as conditions and circumstances evolve over time. In this light, we support the completion of the third review under the ECF arrangement and the authorities' request to waive the temporary non-observance of performance criterion and increase access to IMF resources.

The authorities should carefully monitor and manage the consolidation progress as they continue to signal their commitment to tight fiscal policy. We commend Niger's strong fiscal performance that has been ahead of schedule and with expected room for achieving its annual objectives for revenues, domestic financing and the deficit. As the authorities pursue further fiscal consolidation, we note staff's assessment that the envisaged fiscal targets for 2019 and 2020 are ambitious while Niger has limited space to absorb shocks at the same time. Notwithstanding the mitigating efforts to diversify the export base and access to the pooled reserves of the currency union, we would appreciate it if staff could elaborate on the additional measures that may be available to Niger in the event that the baseline projections do not materialize as hoped.

Key challenge remains in strengthening official reserves to support macroeconomic stability. While Niger's gross reserves recovered at end-December 2017, they remained well below comfortable levels. Furthermore, the level of reserves is expected to steadily decline by 2023 under the baseline projections. Notwithstanding that exports are expected to increase significantly in 2022, we also note that Niger's current account deficit remains large and is forecasted to stay so going forward. Against this background, we support the authorities' commitment to diversify the export base and rebuild fiscal buffers and reserves to cushion against any shortfall in trade and financial flows. Given the optimistic projection on export performance by 2023, could staff comment on other means for the authorities to bring the current account deficit to a healthy level?

Complementary efforts in enhancing governance should feature prominently in Niger's structural reform agenda. The authorities made positive progress in implementing structural reforms despite many obstacles and vulnerabilities. However, significant efforts are still warranted, such as on the front of reforming SOEs and tackling corruption. A case in point, according to Transparency International, Niger scored 33 on the latest Corruption Perceptions Index (CPI) (ranked 112 among 180 countries), down from 35 (ranked 101) in the previous year. This highlights the limited headway in the authorities' anti-corruption efforts and reinforces the need to re-invigorate policy priorities that would foster a more business-friendly and private investment-attractive environment in Niger.

With these comments, we wish the authorities all the success in their future endeavors.

Mr. Mouminah, Mr. Alkhareif and Mr. Keshava submitted the following statement:

We thank staff for the well-written report and Mr. Raghani, Mr. Bah, and Mr. Diakite for their helpful buff statement. We are in broad agreement with staff's analysis and policy recommendations and would limit our remarks to a few issues.

We support the completion of the third review under the ECF arrangement and the associated decision. In this regard, we commend the Nigerien authorities for the satisfactory program implementation, despite the difficult environment. Indeed, all performance criteria except the one related to the clearance of domestic payments arrears have been met and progress has been made in advancing the structural reform agenda. In this regard, we take positive note of the authorities' commitment to complete the clearance of arrears by end-2018. We are particularly encouraged that the authorities have strengthened macroeconomic stability and continue to lay the foundations for strong, sustainable, and inclusive growth. In this context, we support the augmentation of access to Fund resources to close the financing gaps that are likely to emerge in 2019. Here, we are reassured by the assessment that debt sustainability and capacity to repay the Fund would remain intact.

We encourage the authorities to continue their fiscal consolidation efforts through revenue mobilization and expenditure streamlining while enhancing expenditure quality. In this connection, we welcome the authorities' intention to meet the WAEMU convergence criterion in 2020, one year earlier than envisaged in the second review. On tax revenue, we take positive note of the projected improvement from 14.9 percent of GDP in 2019 to 17.7 percent of GDP in 2023. Pushing ahead with administrative reforms in customs and tax administration departments (¶18) and rationalization of tax exemptions (¶19) should further improve revenue mobilization and we look forward to staff's assessment during the next program review. On improving the effectiveness of social protection, we welcome the proposed structural benchmark for end-June 2019 on establishing tracking system for major social programs, including spending and progress toward meeting objectives. In this context, we would welcome staff comments on the collaboration with the World Bank in evaluating the authorities' findings. Staff elaboration on the timetable for the next Public Expenditure Review by the World Bank would also be appreciated.

Finally, we support continued implementation of structural reforms to unleash Niger's potential growth, as underlined in the buff statement. In this regard, we support the ongoing efforts, including toward private sector development, deepening the financial system, strengthening financial inclusion, and improving governance.

With these remarks, we wish the authorities further success.

Mr. Sun and Ms. Lok submitted the following statement:

We thank staff for the comprehensive report and Messrs. Raghani, Bah, and Diakite for their helpful buff statement. Despite challenging conditions and shocks, Niger continues to make progress in advancing the reform agenda and maintain broadly satisfactory program performance. We support the completion of the third review under the Extended Credit Facility Arrangement, as well as the authorities' requests for (i) a waiver of nonobservance of performance criterion; and (ii) an augmentation of access. Going forward, the authorities' continued steadfast commitment to achieving program objectives would be essential for raising the Nigerien economy's resilience and promoting sustainable and inclusive growth.

Effective revenue mobilization would be critical to achieving fiscal consolidation while creating space for priority spending on developmental needs and building a strong social safety net. In doing so, care should be exercised to ensure sufficient protection for the most vulnerable. To this end, we take positive note that the 2019 draft budget includes strong revenue measures and mostly steers clear of outright tax hikes for the general public. Nevertheless, could measures such as intensifying tax arrears collection and bringing the informal sector into the tax net potentially increase the burden on the lower-income segments of society? Staff's comments are welcome. Reforms to enhance the customs and tax administrative capacity would help facilitate more effective revenue mobilization. Meanwhile, we share staff's view that further rationalizing tax exemptions remains a crucial task. On the expenditure side, we welcome devoting more attention to enhancing the quality of spending, such that Niger's developmental and social objectives can be supported in a more targeted and efficient manner.

The risk of Niger's external and overall public debt distress is assessed to be "moderate". Nevertheless, the Debt Sustainability Analysis indicated that Niger has limited space to accommodate negative shocks. We welcome the authorities' determination to improve debt sustainability and enhance economic resilience, and encourage efforts to further strengthen debt management capacity, seeking technical assistance from the Fund as needed.

Development of a vibrant private sector would support greater economic diversification and safeguard the economy from adverse shocks. We take positive note that Niger's "Doing Business" ranking has risen considerably in recent years and support further measures to create a more conducive business environment, including by improving physical infrastructure and deepening the financial system. The authorities' recent steps to tackle corruption are welcome, and we look forward to the authorities' further progress in strengthening Niger's institutional and legal frameworks, as well as overall governance.

With these remarks, we wish the authorities every success in their policy endeavors.

Mr. Moreno and Mr. Montero submitted the following statement:

We thank staff for its reports and Messrs. Raghani, Bah and Diakite for their useful buff statement. We largely share the thrust of staff's appraisal and consider program implementation broadly satisfactory. Thus, we support the authorities' request for the conclusion of the third review of the ECF, as well as the requested augmentation of IMF resources from 75 percent to 90 percent of quota to cover the expected financing gap in 2019 ─because of unexpected adverse shocks difficult to absorb through other means.

Economic performance has been encouraging despite several strong headwinds. Going forward, moreover, the outlook is fairly positive on the back of favorable rains and several large-scale investment projects. Strong donor support, however, along with improved resilience to shocks, remains essential to materializing this promising outlook.

Maximizing the benefits for the local economy of such large-scale projects will require ensuring adequate local content and a fair fiscal contribution from these projects, as highlighted by staff. However, the information in Annex I seems to convey that some of these big investment projects do not meet those standards. Thus, we strongly support the authorities' intention to increase the efficiency of public investment by improving the quality of project selection and execution. To this end, we also support the request for Fund's assistance through a Public Investment Management Assessment (PIMA) to ensure strong infrastructure governance.

We welcome the ambitious fiscal policy plans over 2019–20 in a context of increasing social discontent but note that the DSF puts Niger's risk for external and overall debt distress at a moderate level, with limited space to accommodate negative shocks, especially those coming from the export sector or from commodity prices. Absent a desirable degree of exchange rate flexibility, such fiscal discipline becomes even more important.

We particularly commend the authorities for their efforts to improve spending quality. We concur with staff that an in-depth review of expenditure would be useful, although there clearly is room for improvement by rationalizing spending and administrative units. We encourage the authorities to continue protecting and enhancing the efficiency of social spending, not only on education and health, but also on more targeted poverty alleviation measures.

We share staff's and authorities' view that building a stronger private sector is imperative for Niger's economic development. We find somewhat odd, however, that the strategy to upgrade the business environment is centered on improving the ranking in the World Bank's Doing Business indicators. One would expect a well-sequenced strategy developed around the most binding constraints for entrepreneurship, regardless of its impact on rankings—which we know have their shortcomings. Staff's comments are welcome. Additionally, we strongly support authorities' commitment to gender equality and to deal with acute demographic challenges.

With these comments, we wish the authorities success in their future endeavors.

Mr. Kaya, Mr. Just and Mr. Bayar submitted the following statement:

We thank staff for the well-written report and Messrs. Raghani, Bah, and Diakite for their informative buff statement. While we welcome the strengthening growth outlook for Niger, we also note that the economy continues to suffer from a very limited policy space and faces substantial development challenges. Successful implementation of the ECF-supported program, therefore, continues to be key to improve Niger's macroeconomic prospects and address deep-rooted structural issues. In view of the authorities' broadly satisfactory program implementation, we support the completion of the third review under the Extended Credit Facility Arrangement and the request for a waiver of non-observance of the end-June 2018 performance criterion on domestic payments arrears clearance. We would appreciate an update from staff on the latest state of play regarding the authorities' commitment to clear all domestic payment arrears by end-2018. We also support the augmentation of Niger's access to Fund resources from 75 to 90 percent of its quota to help close the moderate financing gaps arising from shocks that were not anticipated at the time of earlier program reviews.

Strengthening macroeconomic stability in Niger critically hinges on the authorities' perseverance with prudent fiscal policies. We appreciate in this regard staff's assessment that annual program objectives on public finances are comfortably within reach. Nevertheless, we note the crucial contribution of windfall revenue gains from one-off factors and agree that meeting the 2019 fiscal targets and convergence to the WAEMU deficit norm require sustained efforts, particularly on mobilizing tax revenues. We take positive note of the authorities' focus - as outlined in the buff statement, inter alia on boosting the revenue base, raising the quality of spending, and improving the debt management capacity. In light of the significant developmental pre-requisites, we agree that larger fiscal support is needed to buttress health and education spending as well as high-priority social programs, primarily through improvements in the composition and quality of spending. We welcome the authorities' steps to enhance the efficiency of the public investment program, including their request for Fund assistance through a Public Investment Management Assessment (PIMA), as well as the new legal framework on Public-Private Partnerships (PPPs) which is assessed by staff to be in line with international standards.

The initiation of big investment projects could present an opportunity to raise the medium-term growth potential of the economy. We appreciate staff's elaboration on selected major investment projects, and broadly see them aligned with the needs of the Nigerien economy. Nevertheless, we concur with the staff's assessment that macroeconomic returns from these projects would critically depend on the contractual terms and concessions, and we therefore encourage the authorities to ensure a higher share of local input, particularly during the construction phase and a fair fiscal return during the operation phase that would spread the benefits to larger segments of the population.

Improving the business environment and governance should remain a priority. We welcome the authorities' efforts to improve the business climate, as reflected in the improved ranking in the World Bank's "Doing Business" survey. The authorities' commitment to improve governance as well as the steps undertaken to strengthen the AML/CFT framework and to rejoin the Extractive Industry Transparency Initiative are encouraging. Notwithstanding the commendable efforts towards financial deepening and bankification, the Non-Performing Loan (NPL) ratio of almost 20 percent in Niger's still shallow banking sector highlights the need for a prudent approach, and we encourage the authorities to complete the financial sector assessment based on the Basel II and III methodology. Finally, we look forward to the outcomes of the audits of five large state-owned enterprises (SOEs). Staff's comments on how the entities were selected and whether these selective audits will provide a sufficient picture of the challenges and risks for all SOEs are welcome.

Mr. Trabinski and Mr. Heim submitted the following statement:

We support the third review of the arrangement under the ECF, as well as the request for an augmentation of access. We take good note of the program's implementation progress and the authorities' solid commitment, which is reaffirmed in the informative buff statement of Messrs. Raghani, Bah, and Diakite. The country's steady economic growth in the recent past and the favorable outlook, supported by large-scale projects, are encouraging. However, Niger continues to face enormous challenges, such as the poor infrastructure, low education levels, risk of natural disasters and a fragile security situation. Moreover, the country's high population growth, one of the highest in the world, presents a major challenge to the country's economic development.

We welcome the prudent fiscal policy, but additional efforts to achieve sustained consolidation are needed. We commend authorities for their recent fiscal policy performance and their continuous consolidation measures, which have contributed to a significant increase in revenue. However, we agree with staff that the one-off nature of these revenues highlights the necessity for additional fiscal measures. For example, reforming the tax and customs administrations would be key to generate a more sustained stream of revenue. Increased revenue mobilization should be complemented with further expenditure restraint. In this regard, we welcome the progress in implementing a Treasury Single Account and the authorities' commitment for its swift finalization. Efforts to rationalize expenditures should also take the state-owned enterprises (SOEs) into account. Hence, we welcome the audits of five SOEs that are currently being conducted. We note that the number of audits of SOEs has been further reduced from six to five entities. Could staff comment on this? In addition, could staff also provide an update on whether progress has been achieved with the evaluation of subsidies for SOEs, which was mentioned in the second review?

The risk of debt distress is assessed as moderate, but the country's vulnerability to external shocks calls for vigilance. The DSA implies only limited space to accommodate negative shocks. In addition, the results assume continued fiscal consolidation, firm implementation of structural reforms, and timely realization of large scale investment projects. These factors demonstrate the need to closely monitor the further debt trajectory. Against this backdrop, we welcome the authorities' progress in debt management, e.g. by consolidating the management of all public debt, and their reassurance to stay within the program limit on contracting new external borrowing. We welcome the authorities' request for technical assistance under the PIMA program. As the request for a PIMA was already mentioned in the last review, we wonder whether there has been any progress in proceeding with this request?

Further developing Niger's private sector, implementing structural reforms, diversifying the economy, and addressing demographic pressures remain critical to achieve inclusive growth. We welcome the progress achieved in building a stronger private sector, which is also reflected in the increase of Foreign Direct Investments (FDIs). Nonetheless, work on deepening the financial sector, improving the business environment, as well as stronger governance and anti-corruption measures, needs to be accelerated. In this context, we take good note of the authorities' plan to speed up their efforts to strengthen the institutional and legal frameworks against corruption, such as to rejoin the Extractive Industry Transparency Initiative in 2019. Finally, we encourage authorities to improve access to basic social services, particularly education, and to continue to address the urgent security challenges.

Mr. Di Tata and Mr. Morales submitted the following statement:

We thank staff for an informative report and Mr. Raghani, Mr. Bah, and Mr. Diakite for their insightful buff statement.

We commend the Nigerien authorities for a good performance under the Extended Credit Facility (ECF)-supported program and support the completion of the third review, the request for a waiver for non-compliance with the end-June 2018 performance criteria on the clearance of domestic payments arrears, and the augmentation of access to Fund resources from 75 percent to 90 percent of quota to cover the financing gap that is likely to emerge in 2019. Consequently, we agree with the proposed decision.

Niger has performed well despite terrorist incursions, low uranium export prices, and climate change challenges. Niger's economic activity remains strong, led by construction and services, and favorable rains would help maintain the growth momentum. A good harvest should also contribute to a decline in inflation below the 3 percent WAEMU ceiling in 2019, following the unwinding of increases in administrative prices and import costs that hit prices earlier this year. Large-scale investments are expected to support the move to a higher growth plateau in the coming years, but commodity prices and the regional security situation are downside risks. The external current account deficit is expected to deteriorate through 2020 because of higher imports associated with the new investment projects, but the deficit is projected to narrow gradually in subsequent years.

The overall fiscal deficit and the basic balance deficit are projected to decline more than programmed in 2018. This positive fiscal performance is due to an overperformance of revenues and conservative expenditure execution. The revenue overperformance, however, reflects one-off factors comprising the sale of telecom licenses, bonus payments related to the signing of an oil contract, and the accounting of tax relief for donor-funded projects as non-cash revenues. Could staff provide information regarding the evolution of the underlying fiscal position under the program excluding these one-off developments? The authorities are encouraged to maintain their commitment of eliminating all domestic payment arrears by end-December 2018.

The ambitious fiscal policy envisaged for 2019 and 2020 seems adequate, given the need to mitigate the risks of debt distress that are assessed as “moderate” in the latest Debt Sustainability Analysis. In this regard, we welcome the authorities’ plans to meet the WAEMU convergence criterion for an overall fiscal deficit of no more than 3 percent of GDP in 2020, based on strong revenue measures and expenditure rationalization. The draft budget for 2019 includes several revenue initiatives that are expected to yield around 1 percent of GDP, which would largely offset the expiration of the one-off effects experienced in 2018. At the same time, steps will be taken to restrain spending while protecting social programs.

Looking ahead, we agree with staff on the need to broaden the revenue base by further rationalizing tax exemptions and to continue with efforts to improve the quality and efficiency of expenditure. In this regard, we look forward to the quantification of potential revenue gains arising from a new round of streamlining of tax expenditures envisaged for the next program review, as well as to the planned PIMA from the Fund and the civil service reform to be conducted with World Bank support. We also encourage the authorities to press ahead with their plans to improve the performance of SOEs and public administrative entities. Could staff comment on the pros and cons of merging the customs and tax departments to facilitate coordination between these two administrations? What are the tentative timelines for the PIMA and civil service reform?

As noted in the report, large redemptions of government obligations next year would require that the government raise borrowing in significant amounts at a time of difficult financing conditions in the region. The requested augmentation of access to Fund resources would help mitigate financing pressures and address seasonal shortfalls associated with a concentration of budget support towards the end of the year. Could staff elaborate on the prospects for placing the "unprecedented" amount of obligations the government would need to issue even after considering the requested augmentation of Fund resources?

We welcome Niger's progress on structural reforms. The planned phasing out of corporate income tax exemptions in the mining code and the curbing of ministerial discretion in the investment code are crucial measures to raise revenue potential. Moreover, the envisaged implementation of the Treasury Single Account (TSA), the new legislation on public-private partnerships (PPPs), the introduction of multi-year budgeting, and improvements in the quality of investment project selection constitute key steps to enhance the efficiency of government expenditures. We also welcome the authorities' plans to address Niger's low level of financial deepening and inclusion.

We commend the authorities for their efforts to protect social spending, including by strengthening school lunch and cash transfer programs. The implementation of a monitoring system for the main social spending programs, together with a comprehensive review of these programs as suggested by staff, should enhance their effectiveness. We also concur with staff and the authorities that Niger's economic development would ultimately depend on a stronger private sector. In this regard, policies supporting the formalization of economic activities, a reduction in the frequency of power outages, and an expansion of access to finance should be given high priority, as highlighted in the latest World Bank Doing Business report.

Finally, we encourage the authorities to promptly implement the AML/CFT recommendations of the recently completed National Risk Assessment to comply with FATF standards, and to take the necessary steps to rejoin the Extractive Industry Transparency Initiative by 2019.

With these comments, we wish the Nigerien authorities all the best in their future endeavors.

Mr. Ostros and Mr. Vaikla submitted the following statement:

We thank staff for their report and Mr. Raghani, Mr. Bah, and Mr. Diakite for their informative buff statement. The continuing fiscal adjustment, recent improvements in revenue mobilization, and efforts to foster private sector growth are encouraging signs of the authorities' commitment to the program implementation. At the same time, we take note that the criteria on the domestic payment arrears clearance was not met. We support the completion of the third review under the ECF, request for waiver of nonobservance of performance Criterion, and request for augmentation of access. We are in broad agreement with staff's appraisal and offer the following remarks for emphasis.

Niger´s economic outlook is positive. Niger´s economic growth in 2019 is expected to accelerate to 6.5 percent on the back of several large projects and good harvest. We take a positive note of staff´s estimates that the successful implementation of required policies would significantly improve Niger´s economic perspectives and accelerate its GDP growth to 7 percent over the next five years. However, we underline, that the positive economic outlook remains at the same time vulnerable to several risks, stemming from deteriorating security challenges, weak program implementation, and external environment. Therefore, we urge the authorities to stay committed to strict reform implementation, prudent macroeconomic policies, and improvements to governance.

Strict fiscal discipline is required to secure macroeconomic stability and to improve debt sustainability. We welcome the authorities´ efforts in consolidating the budget deficit to estimated 4.4 percent of GDP this year and urge for further fiscal action next year. This will require continued discipline in capital expenditure, more revenue mobilization efforts, improving spending quality and enhancing fiscal transparency. We welcome that recently concluded PPPs are free of government financing, or debt guarantees, and governed by appropriate new legislation. Continued fiscal consolidation and broadening the revenue base are also key for clearing domestic arrears, which should be given higher priority. Given Niger´s significant development challenges, prudent budget execution, modernizing revenue administration, and strengthening of public financial management would create much needed space for higher social expenditures. Moreover, addressing the large gender gap and improving women's access to education and formal economic activities are needed to increase inclusiveness and reduce poverty.

Developing a strong private sector is necessary to improve sustainable growth. We commend the authorities for leaving the financing of projects in the context of hosting of the African Summit in 2019 to the private sector, to foster the growth of local private sector. Going forward, the improvement in electricity connections, availability and quality of communication services, custom clearance times, access to financing are critical to provide necessary conditions for private sector development.

Structural reform efforts should continue focusing on improving governance. We welcome that improving governance is high on the policy agenda as the institutional and legal frameworks against corruption have been recently strengthened. As the framework has been put in place, the successful implementation is now the main challenge. We urge the authorities to enforce the existing laws effectively, improve the transparency and oversight of fiscal institutions, and address the remaining deficiencies in the AML/CFT framework.

Mr. Geadah and Ms. Fadhel submitted the following statement:

We thank staff for the comprehensive reports and Mr. Raghani, Mr. Bah, and Mr. Diakite for their useful buff statement. We welcome the progress in the implementation of the Extended Credit Facility (ECF) program. We broadly agree with the thrust of staff appraisal and support the completion of the third review, as well as the proposed augmentation of access. We are pleased that growth is expected to strengthen in 2019, benefitting from a good harvest in the wake of an excellent rainy season, even though Niger's development challenges remain aggravated by climate change.

We take note of the strong measures to mobilize revenue, as part of the 2019 draft budget, which will help to reduce the fiscal deficit below 3 percent of GDP in 2020 in line with the West African Monetary Union (WAEMU) convergence criterion. Table 2 shows a pick-up in projected tax revenue from international trade starting from 2018 and reaching a peak in 2023. We appreciate staff comments on how the uncertain global trade outlook could affect expected tax revenue from trade. We also welcome the authorities' commitment to clear all remaining arrears and refrain from incurring new ones in 2019.

We take positive note of the measures to improve the efficiency of public spending, including the civil service reform supported by the World Bank, audit of major public entities and SOEs, and the new PPP legal framework. We also welcome the commitment to focus efforts on addressing poverty and social issues by strengthening safety nets. We note that the request for the augmentation of access is needed for social spending given the shortfall in expected donor support. We would welcome additional information on this donor support, including whether it was earmarked to specific activities.

We welcome the latest measures to deepen the financial sector, including those related to government payments and salaries. However, Niger fares below WAEMU and Sub Saharan African (SSA) countries in several indicators of financial inclusion and mobile banking, as shown in Figure 5. We agree with ¶23 of the MEFP on the need to address capacity and governance, as well as funding issues pertaining to microfinance, and to strengthen the telecommunications sector in order to further develop mobile banking. What measures could support the advancement of Fintech and mobile banking in Niger?

The recent Debt Sustainability Analysis showed that Niger's risk of public debt distress is moderate. However, Niger is susceptible to potentially negative shocks, especially those related to uranium and oil products. We concur with staff that strengthening the debt management framework and further developing the private sector, as well as pursuing diversification agenda should help to mitigate commodity price risks.

Mr. Palei and Mr. Potapov submitted the following statement:

We thank staff for their comprehensive report and Mr. Raghani, Mr. Bah, and Mr. Diakite for their informative buff statement. Despite many challenges, the Nigerien authorities' performance under the Extended Credit Facility (ECF) program has been broadly satisfactory. While risks to the ECF program remain significant, Niger's capacity to repay the Fund remains adequate. We support the proposed decisions and staff's recommendations on how to sustain macroeconomic stability and address complex development challenges.

We note with concern that due to lower donor financing fiscal and external financing gaps are likely to emerge in 2019. Despite the authorities' strong efforts to reduce these gaps, they had to request augmentation of access to the Fund's resources under the ECF program. Could staff elaborate on the key reasons for shortfalls in donor support and existing risks in this area going forward, taking into account the ongoing tightening of regional financing conditions?

Niger has been growing quite fast, with the average growth rate at around 6.5 percent over the recent five years. The economic outlook is favorable, supported by several large-scale investment projects, including the construction of the export pipeline for crude oil. At the same time, as the average population growth is around 3.9 percent annually, real GDP growth per capita remains insufficient to significantly improve living standards and social indicators in Niger. Against this background, the authorities' sustained efforts to create additional fiscal space for high social and development needs, as well as to strengthen the effectiveness of social spending are key for the program's success. Better communication of policy measures is also necessary to address popular discontent.

Sustained fiscal consolidation through enhancing revenue performance and improving spending quality is required to reduce the fiscal gap and reliance on external funds. It is encouraging that the overall fiscal deficit is projected to decline more than programmed, from 5.7 percent of GDP in 2017 to 4.4 percent of GDP in 2018. We support the additional revenue measures in the 2019 budget, which should broaden the tax base and improve tax administration, while mitigating the adverse effects on the poor. Further reducing tax exemptions and strengthening fiscal transparency are also important steps in supporting the authorities' objectives. On the expenditure side, while around 35 percent of total spending is allocated to rural development, health, and education, it is important to strengthen the effectiveness of social programs. We also welcome the authorities' request for PIMA, which should be helpful in boosting the quality of public investments.

The authorities aim to reach the West African Economic and Monetary Union (WAEMU) deficit criterion of 3 percent of GDP by 2020, one year earlier than envisaged in the second review. Could staff elaborate on a potential impact of the envisioned pace and design of the fiscal adjustments on growth, social spending, and the development of private sector? Are there any fiscal buffers in case of possible revenue shortfalls or expenditure slippages?

The results of the new debt sustainability analysis indicate that Niger continues to face a moderate risk of external and overall public debt distress. At the same time, we note that the public debt-to-GDP ratio has been rising since 2013, while the country's vulnerabilities to commodity price shocks remain high. The authorities should remain vigilant and monitor debt sustainability risks, while prioritizing concessional financing and improving debt management capacity. Moreover, we urge the authorities to meet the end-December PC on clearing the remainder of domestic arrears. The oversight of the investment projects, SOEs, and PPPs should be strengthened in order to limit potential fiscal risks.

Niger's reliance on uranium and oil exports makes the country vulnerable to the volatility of commodity prices and export revenues. The development of manufacturing industries and private sector would help foster the economy's external competitiveness. In this context, we welcome the authorities' attention to the country's ranking in the World Bank's Doing Business indicators. Specific measures in this area would be helpful in improving the business environment, as well as in addressing the challenges associated with governance and institutional weaknesses. We also support the PDES's focus on gender inequality and demographic pressures in the economy.

Mr. Gokarn and Mrs. Roy submitted the following statement:

We thank staff for a set of comprehensive papers on Niger and Mr. Raghani, Mr. Bah and Mr. Diakite for their informative buff statement. We broadly agree with the staff assessment. It is encouraging to note that, despite on-going problems of security and maintenance halt at the oil refinery, the GDP growth rate in Niger will reach 5.2 percent in 2018 against 4.9 percent in 2017, reflecting strong activity in the construction and service sectors. However, adverse security developments and low international prices for uranium exports remain as headwinds to faster growth. It is felt that suitable revenue enhancement measures are critical for enhancing fiscal space and reducing risks emanating from a vulnerable external position, difficult security situation and energizing private sector activity. Controlling corruption and reducing the population growth rate are also two important policy objectives.

Under Niger's three-year ECF arrangement, which started last year, the authorities met all quantitative targets for end-March and end-June 2018, except the clearing of domestic payments arrears, but catching up with the end-December 2018 target remains within reach. The structural reform agenda is advancing reasonably well. Given the continuing prospect of the current level of growth and increasing donor support, we support the authorities' request for the conclusion of the third ECF review, which will result in the disbursement of SDR 14.1 million. We also support the authorities' request for an augmentation of access to IMF resources from 75 percent of quota (SDR 98.7 million) to 90 percent of quota (SDR 118.44 million) to deal with external shocks and allocate more resources to the health and education sectors to address the fiscal and external financing gaps that will emerge as a result of the tense security situation and disappointing uranium export proceeds.

The staff report states that following the real GDP growth of 5.2 percent in 2017 and favorable rains which augur well for the 2018 crop season, growth in 2019 would rise to 6.5 percent, benefitting also from the start of several large projects, and mostly-private investments related to

Niger's hosting of the African Union summit in July. The staff report projects growth to jump to 11 percent in 2022, when crude oil exports are scheduled to commence before decelerating to 6.8 percent in 2023. We would like to know the assumptions underlying this huge growth spurt for Niger in 2022, given that Fund's own reports have pointed out the tendency for overestimation of growth rates in case of program countries. Are all the projects donor/private sector financed?

The government's commitment to fiscal consolidation is encouraging. Revenue mobilization is expected to be the main vehicle for this, but expenditure rationalization will also contribute and serve as a second line of defense should revenues fall short. However, cutting capital expenditure to stay on course for fiscal consolidation could affect its quality and the growth prospects of the economy. Recent fiscal consolidation has been helped by conservative expenditure execution. How much of reduction in expenditure was due to reduction of unnecessary expenditure and how much was due to the need to sequester authorized spending to compensate for revenue shortfalls?

Domestic payments arrears clearance has fallen behind schedule. But the staff report states that the authorities are committed to meeting the end-December PC of eliminating all arrears—an objective that remains within reach. Also, underlying revenue mobilization performance was muted in 2018, underscoring the continued need to better mobilize cash revenues to establish a solid revenue basis for subsequent years. Given the domestic financing needs, the uncertainty of domestic revenue mobilization and a tightening regional bond market, how likely are the authorities to clear all the arrears by end-December? Are there any other sources of funds which can be tapped for this purpose?

Ensuring adequate flow of funds to SMEs is a matter of concern to many authorities, including the Nigerien authorities. The buff statement and the staff report both state that the authorities will encourage the use of the BCEAO support instruments for lending to SMEs, which was launched earlier this year. Details of the BCEAO scheme and the way in which it would facilitate the flow of funds to SMEs may be shared by the staff.

We wish the authorities in Niger all success in their future endeavors.

Mr. Meyer and Ms. Kuhles submitted the following statement:

We thank staff for an informative report and Mr. Raghani, Mr. Bah and Mr. Diakite for their helpful buff statement. We broadly share staff's analysis and recommendations. Niger faces a vast number of structural challenges, which include a high poverty level, a narrow economic base, vulnerability to climate change, and an unfavorably high population growth. These challenges weigh heavily on the country's economic and social outlook, necessitating substantial reform efforts going forward. Accordingly, it is positive to hear that staff concludes that a broad-based structural reform agenda is advancing steadily, which we appreciate and encourage to continue.

In light of the authorities' broadly satisfactory program implementation we consent to the completion of the review including the requested waiver. Regarding the temporary non-observance of the performance criterion on domestic payment arrears, we are reassured by staff's remark that the objective of meeting the end-December performance criterion of eliminating all arrears remains within reach. This said, we wonder about the risk of a re-emergence of domestic payment arrears for the remainder of the program, given the apparent seasonal pattern of backloaded external budget support in the second semester and the resulting structural mismatch between expenditures and grant revenues. Staff comments would be welcome. Finally, we can also consent to the requested augmentation of access, given that the augmentation represents a fairly moderate amount and staff states that debt sustainability and capacity to repay the Fund remain intact.

The recent fiscal over-performance is welcome but has been largely driven by one-off factors. We welcome the authorities' aim to meet the WAEMU convergence criterion on the fiscal deficit one year earlier than previously envisaged. Further fiscal consolidation while ensuring sufficient and reliable funding for social and development needs will require more efforts to sustainably mobilize domestic revenues. To this end, the authorities should pursue an incentive-compatible broadening of the revenue base and strengthen revenue collection capacity. On the expenditure side, we agree that an increase in expenditures targeted at development and social outcomes should primarily come from improved efficiency and overall spending quality. Staff's reference to the large number of ministries, spending units, and SOEs suggests room for further improvement. We further encourage the authorities to pay due attention to the objectives related to gender equality and demographics when formulating the budgetary strategy.

We support staff's recommendation to step up the dialogue with the private sector on the structural reform agenda. Insights from the business sector on impediments to investment and growth are a valuable source of information for policy formulation and could point to specific areas where reforms are particularly needed and have maximum impact. While it is greatly appreciated that Niger has gained some ground in the World Bank's Doing Business Index, a demand-driven approach seems particularly useful to improve the business climate.

Mr. Psalidopoulos and Ms. Lopes submitted the following statement:

We thank staff for the insightful reports and Mr. Raghani, Mr. Bah and Mr. Diakite for the helpful buff statement. Niger has performed well under the ECF, with the attainment of most performance criteria and the timely completion of the structural benchmarks. This is commendable, especially considering the limited capacity and the security challenges faced by the country. We support the proposed decisions, notably the completion of the third review as well as the augmentation of access. We broadly agree with staff's assessment and would like to add the following remarks.

Niger's better than expected fiscal performance in 2018 benefited from one-offs that, by definition, cannot be repeated. Whereas on paper the headline deficit adjustment for 2019 seems to be easily attainable, it is actually very demanding and will require strong commitment from the authorities, specifically in terms of increasing domestic revenues. Achieving the 1 percent of GDP objective of additional revenues is key to ensure that the fiscal consolidation strategy is implemented without endangering social and capital expenditures.

As we have stated, we support the proposed augmentation. However, we have some doubts on whether the emergence of the needs can be considered a result of a "shock". Most of the reasons indicated – security expenditures, donor support or food security outlays – could have been incorporated in the baseline. As we see it, this seemed to be a case of non-materialization of upside risks as much as of the materialization of negative shocks. Furthermore, the tighter financing conditions, that have already emerged this year, present a significant risk for the completion of Niger's financing plan. We were quite surprised by the fact that this was flagged as one of the key risks for the success of the program. Staff's comments would be appreciated.

Niger is one of the poorest countries in the world and ranks last in terms of Human Development Index. It is crucial that program implementation fosters inclusive growth and that its design ensures that the most vulnerable sectors of the population are protected from the needed consolidation. In this regard, we welcome the proposed new benchmark to establish a tracking system for major social programs – it should help identify which programs are working and meeting their objectives, thus ensuring an efficient use of very limited resources for the immense needs. We also welcome the program focus on improving governance and transparency, notably with the introduction of the benchmark on the strengthening of the regime for asset declaration requirements for high-ranking officials.

Mr. Rashkovan and Mr. Etkes submitted the following statement:

We thank staff for the focused report and Mr. Raghani, Mr. Bah and Mr. Diakite for their informative buff statement. As noted by staff, Niger has made commendable progress under the ECF arrangement despite challenging conditions including security circumstances, low export prices, and climate change. We welcome that the program remains on track and support the completion of the third review.

We support the request for increasing the access to Fund's resources under the ECF supported program. Staff justifies this request, inter alia, by low uranium prices and other factors that are expected to generate the financing gap in 2019. However, we note the following: (i) 2018 is about to end with higher than expected fiscal balance due to few one-off revenues; (ii) Uranium prices rose significantly since September 2018, when staff projection for the WEO were compiled; (iii) Harvest in 2019 is expected to be large following the rainfall in late 2018.

We commend the authorities for almost completely meeting the PCs and most SBs but encourage them to fully meet the SBs on bankification and tax exemptions. Bankification of customs and tax revenues are likely to enhance efficiency and transparency in tax collection and could help strengthen the financial system in an environment of low financial inclusion. Streamlining and targeting tax exemptions is also important for effective and more transparent fiscal policy. We also encourage the authorities to improve spending efficiency including by merging or improving the coordination between Niger's 36 ministries and upgrading the quality of fiscal data. Specifically, can staff explain the 43-50 percent share of "other" expenditures of the total budget (p.10)?

Looking forward, staff assess that structural reforms could boost average growth to 7 percent in the next five years, yet staff argues that commodities prices are downside risks despite recent developments. As mentioned above, we note that the downwards trend of uranium prices reversed, and these prices increased by about 40 percent since last summer when the contemporary projections were prepared for the WEO. In addition, the recent rise of oil prices may also contribute to growth as Niger is expected to start exporting oil via Benin. We appreciate staff comments on the impact of recent trend in uranium prices on the next WEO projections for growth and implied capacity to repay the Fund.

The report mentions climate fluctuations as one of the key risks for Niger's growth and ability to repay the Fund. Niger's sensitivity to climate fluctuations due to its location in the Sahel, is aggravated due to global climatic trends. Yet, despite the references to this sensitivity the report does not refer to possible measures to mitigate climate risks both for the economy as a whole and for specific sectors. In other context, staff depicts the "shallowness" of Niger's financial system (pp: 11-12, 22). We believe that in addition to the general benefits of developing the financial system, enhancing the financial inclusion in rural sectors, including climate insurance, could strengthen their resilience and help transferring resources between bountiful and meager years. We appreciate staff views on the current and potential use of the financial system, including climate insurance, in Niger.

We support the authorities' steps to improve governance, reduce corruption, and fighting AML/CFT. The authorities' policy of improving the institutional framework by bestowing new roles to the anti-corruption agency and establishment of courts for corruption and money laundering are commendable. This could be complemented by implementing staff's advice to strength the governance and audit of SOEs to reduce corruption. Finally, implementing an effective AML/CFT regime while enhancing the role of the supervised financial system as a substitute for using cash and informal services, may not only reduce corruption but also mitigate security concerns.

Ms. Levonian and Ms. Vasishtha submitted the following statement:

We thank staff for the report and Messrs. Raghani, Bah, and Diakite for their detailed buff statement.

Overall, Niger is making satisfactory progress on its program objectives despite extremely challenging circumstances arising from terrorist attacks, low prices for its uranium exports, and the effects of climate change.

All performance criteria for end-June 2018 were attained, except the clearing of domestic payment arrears – but is assessed to be within reach of end-December target date. All indicative targets for end-June 2018 were also achieved. Also, progress on the structural reform agenda has been reasonable. Three structural benchmarks were reached while good progress has been made to meet the remaining two, as highlighted in the buff statement. The authorities' commitment to the much-needed, albeit difficult, broad-based structural reforms is noteworthy.

The authorities' plans, as sketched out in the Memorandum of Economic and Financial Polices (MEFP), demonstrate their continued commitment to maintain macroeconomic stability, foster inclusive growth, and enhance social and economic infrastructure. Bearing this in mind and the instrumental role that a continued Fund program would play, we support the completion of the third ECF review and the associated waiver, as well as augmentation of access.

We generally agree with the staff's assessment of the economic outlook and risks and restrict ourselves to the following comments.

The joint Bank-Fund Debt Analysis indicates that Niger is at a "moderate" risk for external and overall debt distress. We agree with the staff's assessment that Niger has limited space to deal with negative shocks as the economy remains particularly vulnerable to fluctuations in prices of its key exports. In this context, we would encourage the Nigerien authorities to pursue their efforts to diversify the export base. Ongoing efforts to strengthen the debt management framework, as well as access to the pooled reserves of the currency union will also help mitigate the risks around debt.

Gender inequality in Niger remains an obstacle to sustained and inclusive growth. We welcome the authorities' commitment to their objectives on gender equality and demographics, as outlined in their Social and Economic Development Plan (PDES 2017-2021). We support the government's efforts to implement a recent Decree on Education of Girls and strongly encourage further action in this regard. As rightly noted by staff, efforts to keep girls in school longer will contribute to better educational outcomes overall and help realize national gender equality and demographic objectives as well as stronger economic growth.

We also welcome the authorities' commitment to improve fiscal transparency and encourage them to continue making efforts to improve public sector transparency more generally.

Finally, we welcome the authorities' commitment to build on recent progress with tackling corruption and improving governance. We also encourage the authorities to further strengthen their AML/CFT regime and follow through on the recommendations of the recently completed National Risk Assessment.

Mr. de Villeroché, Mr. Bellocq, Ms. Riach and Ms. Stockill submitted the following joint statement:

We thank staff for a comprehensive set of reports and Mr. Raghani, Mr. Bah and Mr. Diakite for their insightful buff statement.

Program performance has been broadly satisfactory. All Quantitative Targets for end-March and end-June 2018 were met - except the clearing of domestic payments arears - and the structural reform agenda is on track despite some delays. However, the external shocks the authorities have to manage are still challenging and result from the security situation, low prices of key exports and climate change impacts, in a context of fast-growing population. Against this background, we support the authorities' request for the conclusion of the Third ECF review, as well as the request for an augmentation of access to IMF resources from 75 to 90 percent of quota. Although we do wonder whether, in light of persistent insecurity and recurrent climatic shocks in the Sahelian region, some of these pressures could have been better anticipated in the original program design and access to Fund resources. The IMF-supported program has been helpful in stabilizing the macroeconomic situation and providing predictability to the donor community. Looking forward, we are encouraged by the growth projections presented by staff under its baseline scenario (economic growth could average 7 percent over the next five years). We encourage the authorities to secure this baseline through a strong commitment to program implementation. Fostering the private sector will also be instrumental in scaling up the growth potential in a sustainable way.

On the fiscal side, we positively note that consolidation is on-track, with an expected fiscal deficit which could be lower than initially programmed and the WAEMU deficit target on track to be reached one year earlier than expected. This is a positive development but, as staff, we think that higher domestic resource mobilization has to be a key objective of the fiscal path in the coming years. Indeed, despite recent progress, the tax revenue-to-GDP ratio is still low at 14.9 percent. We value the strengthening of revenue measures in the 2019 budget and the willingness to protect the poorest from an outright tax hike. We also welcome the willingness to streamline tax exemptions and the introduction of a new Structural Benchmark for end-June 2019 for doing so. We note positively that staff indicate that a target for the associated revenue gain will be set in the context of the fourth program review. Having said that, we wonder if the reintroduction of a tax on incoming international phone calls could result in costly distortions and reduce investment in the telecommunication sector. Staff comments will be welcome, as well as any reflections on international comparison across the sub-region.

On the spending side, we welcome the progress underscored by staff, notably when it comes to spending planning and cash management. We thank staff for the insightful spending breakdown presented in the spending composition figure on p.10. Indeed, it is critical for the Board to be able to follow that kind of information over a period which is long enough to detect medium term evolution (the figure on page 10 covers accurately the period 2011-2018). We would be grateful to the African department if such figures could be systematized, in particular for Sahelian country reports, by using a harmonized nomenclature. Going forward, we fully support the authorities' request for a Public Investment Management Assessment which is a powerful tool to enhance public investment program design and execution. Given the implementation delay of the PIMA, could staff indicate when PIMA recommendations could be introduced as program's objectives mowing forward? Regarding social spending, we welcome the authorities' intentions to preserve health and education spending despite the exogenous shocks that Niger has had to tackle for several years. We see nevertheless that social spending has decreased since 2015. Could the staff elaborate further on this evolution? Finally, we agree with staff that there is room to make spending more efficient and we encourage the authorities to undertake public spending reviews, notably in key ministries, probably with the World Bank support.

There is still room to improve governance and tackle corruption. The introduction of a new SB on asset declaration requirements for high-ranking government officials (to be reached at End-September 2019) is a step in the right direction and we encourage the authorities to remain strongly committed to this objective. We also encourage the authorities to rejoin the EITI.

Mr. Daïri and Mr. Badsi submitted the following statement:

We thank staff for a well-written set of papers and Messrs. Raghani, Bah, and Diakite for their helpful buff statement.

Supported by the ECF arrangement, Niger continues to make progress in macroeconomic stabilization and reform implementation against daunting domestic and external challenges. Economic developments in 2018 are broadly in line with program projections. Growth is accelerating in a declining inflation environment. The fiscal deficit is projected to narrow more than programmed, and public debt as well as external debt remain sustainable and at a moderate risk of debt distress. However, the sizable external current account deficit has widened further, mainly reflecting the slump in uranium export prices. Program performance has been broadly satisfactory, with all performance criteria but one (a minor and temporary deviation) and all indicative targets observed, with important progress made in structural reform implementation. While the start of several large-scale projects is brightening the macroeconomic outlook, downside risks, including tense regional security situation and climatic shocks, place a premium on further efforts to consolidate public finances to create space for priority spending and build buffers to face shocks, while advancing structural reforms. We concur with the thrust of staff appraisal and, given the authorities' satisfactory progress so far, their commitment to program objectives going forward, and the need to close the likely emerging fiscal and external gaps, we support the proposed decision, including the requested waiver for non-observance of performance criterion and augmentation of access.

We commend the authorities for the strides made on fiscal consolidation and their renewed commitment to clearing remaining domestic arrears by year-end. The 2019 draft budget, broadly in line with the fiscal program, is a welcome step toward meeting the regional convergence criterion, which the authorities intend to achieve in 2020, one year earlier than envisaged under the second review. The focus will be on broadening the revenue base, modernizing tax and customs administration, containing current expenditure, and enhancing spending quality, while protecting priority social and investment outlays. We welcome measures to strengthen social safety nets, including through school lunch and cash transfer programs, as indicated by Messrs. Raghani, Bah, and Diakite. Following implementation of program budgeting, we welcome plans to move toward multi-year budgeting, as well as strengthen public financial and debt management, including through improved selection and execution of public investment projects, increased reliance on PPPs with no government financing or guarantees, and greater fiscal transparency. Could staff indicate if the authorities are receptive to conducting an in-depth public expenditure review? We also note that additional measures are likely necessary as part of the 2020 budget to meet the regional fiscal deficit norm. Could staff elaborate on these measures along with their potential impact on economic growth?

The banking system appears stable, with all banks compliant with prudential requirements, and no particular concerns about financial stability, as corroborated by the recent annual report of the WAEMU banking commission. However, the financial sector is shallow, microfinance has suffered a setback, the newly-created credit bureau remains largely dysfunctional, and financial inclusion is low. Work should continue on bankification of fiscal payments and use of alternative financing channels, mobile banking, and BCEAO support instruments for lending to SMEs.

The structural reform agenda appropriately aims at sustained high and inclusive growth by developing a strong and vibrant private sector. This requires upgrading physical and human capital, increasing access to finance, enhancing SOE governance and performance, and improving the business climate. Consideration should be given to restructuring the SOEs, consolidating the various government institutions and programs tasked with promoting the private sector, investing in energy and communication infrastructure, implementing the new anti-corruption strategy, and strengthening the AML/CFT framework, in line with FATF standards and recommendations of the National Risk Assessment. We also welcome the authorities' commitment to achieving the objectives on gender equality and demographics laid out in their Social and Economic Development Plan (PDES 2017-21), including through improved education for girls.

We wish the authorities further success in their endeavors.

The Acting Chair (Mr. Furusawa) remarked that Niger faced a range of challenges aggravated by continuing security issues, low commodity prices, and climate change. Nonetheless, the program performance had been broadly satisfactory, and structural reforms had advanced. Directors had commended the authorities and supported the completion of the review. Directors had encouraged the authorities to stay the course and continue pursuing the reform agenda in order to pave the way for greater macroeconomic stability and stronger, more inclusive growth.

Mr. de Villeroche made the following statement:

We welcome the completion of the review and the request for higher access. Although small, it goes in the right direction. What we see in the performance of the program is encouraging. Niger is reaching its West African Economic and Monetary Union (WAEMU) target of 3 percent, although fiscal consolidation needs to be carefully calibrated in view of the high infrastructure, security, and social needs of the country. In this regard, we believe there is still room to increase domestic resources, to create the fiscal space required to enhance development and growth-supporting public spending.

The country is facing many challenges: demography, which is one of the highest in Africa; security challenges with two wars at the borders of Niger; climate change, the country is definitely subject to climate change and is already suffering from it. On top of that, we can add weak capacity and very low human indicators.

We see the Fund as a long-term partner for Niger. The good news is that we consider that the authorities are among the most committed to reforms in Africa today, so it could be a fruitful partnership. But we do not think that others can substitute the Fund in this partnership, and the donor community will great attention to keep the IMF on board and will make its financing dependent on a stronger macroeconomic framework. On this, the Fund is playing a catalytic role, although I do not expect any short-term increase from other donors due to the Fund's commitment.

We would be happy to get more information on security spending, and more broadly, we see a case to better assess the amount of security expenditure among Sahelian countries. For historical reasons, security spending has been quite non-transparent. We know the pressure is high. We know that spending is on the increase, but we will be happy to assess the situation better in the future.

My next question goes to the private sector. Although the authorities are deeply committed to reforms, and we see the business environment as broadly satisfactory, the private sector in Niger remains one of the lowest in Africa in terms of development, and we would be happy to have more work from the Fund on how a more diversified economy with a stronger private sector could develop in the coming years, though without having too many expectations, because it will not pop up automatically.

Mr. Anwar made the following statement:

We have issued a gray statement where we support the ECF program and commend the authorities' encouraging progress on economic transformation, notwithstanding developmental challenges. We also note that program implementation has been broadly satisfactory, with most quantitative targets met. In this light, we support the completion of the third review under the ECF arrangement and the authorities' request to waive the temporary non-observance of performance criteria and to increase access to Fund resources. That being said, we would like to comment on the following for emphasis.

Sound fiscal policy is key to achieve and maintain full employment, sustain economic growth, and keep prices and wages stable. We commend Niger's fiscal performance, where fiscal consolidation has been ahead of schedule in terms of the overall objective for revenue. Domestic financing and the deficit are predicted to be achieved. We note positively that real GDP growth will increase to 5 percent in 2018 and accelerate significantly to 11 percent in 2022.

We share with the staff and encourage the authorities to ensure a higher share of local content during the construction and production phase, to control production and cost data for petroleum operations, and focus on revenue mobilization to the benefit of the poor population. We welcome the staff's comments on how much this increase in growth would benefit job creation, as well as poverty and unemployment reduction.

A steadily advancing broad-based structural reform agenda has delivered tangible outcomes to the people of Niger. We commend the authorities' positive progress in implementing structural reforms despite many obstacles and vulnerabilities. According to the World Bank's annual ratings, ease of doing business in Niger averaged 163.82 from 2008 until 2018, reaching an all-time high of 176 in 2013, and a record low of 143 in 2018. This is evidence of the positive impact of structural reforms to strengthen the business climate in collaboration with international partners. However, important drawbacks remain, such as in tackling corruption. Could the staff ensure whether anti-corruption agencies are adequately resourced to carry out their mandate? What role can the Fund play to ensure the authorities' new anti-corruption strategy succeeds, as implementation is now the main challenge? With these comments, we wish the authorities success in their future endeavors.

Ms. Pollard made the following statement:

I want to make a few points. The first is to agree with Mr. de Villeroché's comments on the need to increase domestic revenue mobilization efforts and also to look at ways to boost private-sector growth. We asked a question in our gray statement about how the domestic resource mobilization measures that are being formulated could be made as friendly to private sector growth as possible.

Second, I want to echo comments made in Ms. Levonian's gray statement on the importance of attention to gender equality and girls' education, which can have multiple economic benefits, including addressing the demographic challenges Niger is facing.

Finally, I want to reiterate the importance of addressing governance and anti-corruption shortcomings and urge expeditious reengagement with the Extractive Industries Transparency Initiative (EITI).

Ms. Levonian made the following statement:

We consent to the completion of the third review, the requested waiver, and augmented access. I want to make a few points for emphasis. We are reassured to see the satisfactory progress Niger is making on its program objective despite extremely challenging circumstances. The authorities have demonstrated a strong commitment to maintaining macroeconomic stability, fostering inclusive growth, and enhancing social and economic infrastructure.

We also note the steps taken to improve public sector transparency, strengthen governance, tackle corruption issues, and strengthen the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime, but further progress will be important in this respect. The authorities are also making efforts to achieve their objectives on gender equality and demographics. Notably, the recent declaration on education of girls is commendable. We urge the authorities to continue to implement such measures. Efforts to keep girls in school longer not only help reduce gender inequality, but also facilitate better educational outcomes and eventually stronger economic growth.

Finally, like Mr. de Villeroché, I believe a long-term relationship would be helpful for Niger.

With this, I wish the authorities the very best in their efforts.

The staff representative from the African Department (Mr. Klingen), in response to questions and comments from Executive Directors, made the following statement:[1]

We tried to answer most of Directors' questions in writing. There were two areas where we promised to provide oral responses, and one of them is

[1] Prior to the Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to these minutes.

the private-sector development. What we have been trying to do over the course of the different reviews is raise the profile of the important role that the private sector plays for the development of the country, and we believe that we have made good progress to get the full attention of the government and the donors on this issue. Overall, there has been good traction, but we have not yet arrived at a master plan for how to develop it, but we will continue to work with the government on this, and we will make it a topic of the next Article IV consultation. When it comes to the nitty gritty of these issues, we are not experts, so we will work closely with the private sector, with other donors, in particular, the World Bank.

We also agree with Directors who mentioned that the focus on the Doing Business Indicators of the World Bank is not enough to develop the private sector. This is too narrow, even though there are studies that show that even if one narrowly focuses on that, it does some good for the actual improvement of the business environment, so we do not want to discourage it but would like to broaden it.

There were questions on taxes and the impact on the development of the private sector. Taxes can be detrimental to the development of the private sector, but on the other hand, taxes are unavoidable, and they are necessary to finance the infrastructure that is needed for the private sector. The key is to be evenhanded and to strike a good balance between the revenue needs, and the distortions and the social concerns. There was the tax on the incoming international telephone calls. That was a compromise. The tax is now half of what it used to be at the beginning. There are incentives built in to buy 4G licenses, but to abolish it altogether would have been difficult given that it is a substantial source of revenue. The distortions are lower now. From a social point of view, probably it is a good tax because it mainly falls on the richer segment of the society.

Taxation on the informal sector, from a social point of view, is probably not such a good tax, but on the other hand, the idea to bring the informal sector more into the tax net is good because if one looks at business surveys, where businesses list the main obstacles that they are facing, what comes out toward the top is the competition with the informal sector. It is difficult for the formal sector to operate if they have people out there that do not pay any taxes, and they have to compete with them.

We also promised an answer on the financing constraints that the authorities are facing. There is great uncertainty surrounding those. There has been some tightening lately, but the big question is what will happen in 2019.

That depends on the global financing conditions. It depends on the monetary policy in the region, and it depends on the extent to which the larger economies like Côte d'Ivoire and Senegal are going to go to the Eurobond market once again. For the short run, Niger should be fine, because all the donor money is rolling in in the last quarter of the year, especially in December, and that is one of the reasons why we are also confident that the government will succeed in clearing all the remaining arrears, of which about 0.4 percent of GDP will remain at the end of September. It should be doable. In the short run, we do not see a big problem. In the longer run, it should also be less of an issue because the fiscal consolidation is continuing, and the financing from donors is also continuing. If one looks at our projections from 2020 onwards, net domestic financing will actually be negative, so hopefully that is not such a big issue in the long run.

The crunch time is 2019, especially at the beginning of the year when the donor money has not yet come in. Traditionally it is concentrated in the fourth quarter. This is exactly where the request for an augmentation of access is coming in. It is also concentrated in the earlier part of the year, so if the Board approves it today, then all this additional money will come in May of 2019; so it would be timely and also help guard against the reemergence of payment arrears. Hopefully with this augmentation, 2019 should be covered.

Some Directors asked about contingency plans. There are no explicit ones. One could always go back to parliament and parse a supplementary budget. But additional donor support is an option, and the augmentation of access that the Board might approve today will be helpful in that context because the Fund will have done its part. The other fallback remains a further compression of expenditure. That would help with maintaining macroeconomic stability, but it is not very good for promoting growth and development.

On the security spending, we will do further work on it in the forthcoming Article IV consultation. The numbers between the countries are not easy to compare, but what is clear is that over time they have increased significantly. They used to be about 1.5 percent of GDP. Then they went up to almost 5 percent of GDP, and now the government is trying to bring it down. This exercise of trying to increase the quality of spending to be more efficient also applies to the military, so there is a reduction, but it is still going to be 3.5 or 4 percent of GDP, something on that order of magnitude; and that does not count the direct support that they are getting from other countries.

In addition, there are indirect effects. The conflict affects trade and in certain parts of the country, economic activity, and that has indirect effects on the public finances; so we will try to quantify that in more detail next time around, but without question, it is a big challenge.

Then there was a question on the growth effect of these large projects. Given that the Nigerien economy is very small, in comparison these projects are truly large. The ones in the oil sector, the spending there is almost 50 percent of GDP. It is distributed over a few years, but if we express it as a percentage of annual GDP, it is 50 percent. Much of it will leak out through imports or through labor that is supplied by the firms and the foreigners that implement it, but a certain part will remain in the country. It will be important to negotiate well with the foreign investors to secure a fair fiscal compensation. If events in the oil sector are similar to what happened in the past, it could be a very substantial amount; so what we have put in the projection is very much a low-balling of that, so it could be much higher.

The other element is the local content, and that is a matter of negotiation with the foreign investors, but it is also a matter of Niger being able to provide this local content. Does the country have the expertise to contribute services to the oil sector or not? That is very limited at the moment, so the idea is to negotiate in these contracts, which run over many years, a gradual increase of the local content and not put something in from the beginning that Niger will not be able to achieve.

The same goes for other projects. In others, it is more straightforward, such as building a dam, having electricity, having more irrigation; the economy benefits much more directly. We are actually very positive about the confluence of all these large projects at the same time, so hopefully it will set in motion some self-sustaining dynamic, first from the demand side, but then more and more from the supply-side as time goes on.

Finally, anti-corruption is high on the agenda of the government. As far as the legal framework is concerned, there are gaps. But the biggest challenge is the implementation, and it comes to the issue of the adequacy of resources. Resources are lacking everywhere, whether it the auditing or oversight of SOEs or tax administration. Wherever one looks, there is a general shortage of funding, so it is also an issue in anti-corruption efforts. But the government has committed to set more funds aside for some of them. The anti-corruption agency, for example, will get a dedicated fund which is financed by money that is recuperated from successful anti-corruption activity. There is some progress, but there always is a shortage of funds, no matter where one looks.

I also wanted to provide an update on program performance in the third quarter of the year. We believe that program performance continues to be broadly satisfactory, as we have said in past staff reports. Especially with the clearance of domestic payments arrears, it has accelerated in the third quarter, so we believe they remain on track to meet this at the end of the year. Then other fiscal targets seem to be met. We have to still go there and kick the tires to verify and certify that they have been met, but our impression is that the program performance remains satisfactory.

Mr. Raghani made the following concluding statement:

Firstly, I thank Directors for their support for the completion of the third review of Niger's ECF-supported program. Comments and policy recommendations made by Directors will be faithfully conveyed to my Nigerien authorities. I would also like to thank the mission chief, Mr. Klingen, and his team, for the constructive policy discussion with the authorities in the context of the ECF program and for their responses to questions raised by Directors.

I take note of Directors' good appreciation of the continued efforts made by the authorities to steadfastly implement the program and achieve its objectives. As underscored by Directors, Niger is successfully implementing its program in a very challenging environment, aggravated by the terrorist incursions, the adverse effects of climate change, and by price volatility of the countries' exports, including uranium. In this context, I wish to reiterate my authorities' strong commitment, with the support of the international community, to further strengthening macroeconomic stability and advancing structural reforms and achieving stronger growth to improve the living standards of the population. In this regard, my authorities highly value the financial and technical support from the Fund and other development partners.

Allow me now to emphasize some specific issues raised by Directors. On the augmentation of access to Fund resources, my authorities are requesting an amount equivalent to 0.3 percent of GDP, moving the allocation of ECF resources from 75 to 90 percent of quota with a view to be able to address the fiscal and external financing gaps that will emerge in the context of a tense security situation and volatile prices of exports. This augmentation would help continue the implementation of key social programs and achieve the objective on gender equality and demographics laid out in the Social and Economic Development Plan.

On fiscal policy, the authorities remain firmly committed to fiscal consolidation to meet the program's targets and the WAEMU convergence criteria. To this end, they agree with Directors that further efforts are necessary to broaden the revenue base and improve expenditure quality. Ongoing measures under the program to increase revenue mobilization will be fully implemented, including streamlining tax exemption and strengthening tax and customs administration.

On the expenditure side, the authorities' efforts to enhance efficiency of public spending and transparency will be further increased. On debt sustainability, while we welcome the new DSA that has maintained Niger's risk for external and public debt distress as moderate, I can reassure Directors on the firm commitment of my authorities to meet the program's limits on contracting new external debt, to prioritize concessional financing, and to improve debt management capacity to preserve Niger's debt sustainability. In order to limit potential fiscal risks, the authorities also agree on the need to strengthen the oversight of investment projects under the public-private partnerships.

On structural reforms, the authorities will continue implementing the broad-based reform agenda with a view to promote a vibrant private sector, improve financial inclusion, fight corruption, and achieve sustained high growth to further reduce the poverty rate. They will enhance the dialogue with the private sector and increase their efforts to expand the public awareness of the country's demographic challenges.

To conclude, I would like to reiterate that my Nigerien authorities remain strongly committed to the program and are thankful to the Board for the continued support they are receiving from the Fund.

The following summing up was issued:

Executive Directors commended the authorities for maintaining macroeconomic stability and economic growth in the face of a challenging environment including a difficult security situation and unfavorable commodity price movements. They welcomed the satisfactory implementation of the ECF-supported program, which saw an increase in domestic revenues and progress on the structural reform agenda. Continued strong commitment to the program will be crucial.

Directors stressed the need for sustained fiscal consolidation and welcomed in this context the authorities' determination to move toward the WAEMU convergence criterion for the budget deficit. They supported the planned measures to mobilize domestic revenue and improve the quality of spending while emphasizing social expenditure. Directors emphasized that rationalizing tax exemptions remains crucial and noted that reliance on public-private partnerships within the new legal framework will be important to limit potential fiscal risks. Directors urged the authorities to follow through with their commitment to clear remaining domestic payments arrears by year-end and avoid new ones in 2019.

Directors were encouraged by the authorities' vigilance on debt accumulation and Niger's continued "moderate" rating for risk of public debt distress. They agreed with the priority placed on enhancing public debt management and relying more on concessional borrowing. They highlighted the need to strengthen and diversify exports to reduce the country's vulnerability to commodity price shocks.

Directors agreed that Niger's medium-term prospects are positive, as several large-scale projects could raise economic growth in the medium term. It will be important to secure adequate local content and a fair fiscal contribution from these projects.

Directors encouraged the authorities to continue pursuing their program of structural reform aimed at building a more robust private sector and promoting financial inclusion. They welcomed the attention being given to gender and demographic issues. They also emphasized the importance of state-owned enterprise reform and efforts to strengthen governance and anti-corruption measures. They took positive note of Niger's planned reengagement with the Extractive Industry Transparency Initiative.

The Executive Board took the following decision:

Niger—Third Review Under the Extended Credit Facility Arrangement, Request for Waiver of Nonobservance of Performance Criterion, and Request for Augmentation of Access

1. Niger has consulted with the Fund in accordance with paragraph 4.B(b) of the arrangement for Niger under the Extended Credit Facility (the "Arrangement") (EBS/16/138, 12/28/2016) to review program

implementation and to reach understandings regarding the conditions for further disbursements under the Arrangement.

2. The letter dated November 21, 2018 (the "November 2018 Letter") from the Minister of Finance of Niger, together with its attached Memorandum of Economic and Financial Policies (the "November 2018 MEFP") and Technical Memorandum of Understanding (the "November 2018 TMU"), shall be attached to the Arrangement, and the letter dated December 21, 2016, together with its attachments, shall be read as supplemented and modified by the November 2018 Letter and its attachments.

3. Accordingly, the following amendments shall be made to the Arrangement:

a. Paragraph 2(e) shall be amended to read as follows:

"(e) the fifth disbursement, in an amount equivalent to SDR 33.84 million, will be available on or after April 30, 2019, at the request of Niger and subject to paragraphs 4 and 5 below;"

b. New paragraphs 2(f) and 2(g) shall be included to read as follows:

"(f) the sixth disbursement, in an amount equivalent to SDR 14.1 million, will be available on or after October 31, 2019, at the request of Niger and subject to paragraphs 4 and 5 below;"

"(g) the seventh disbursement, in an amount equivalent to SDR 14.1 million, will be available on or after January 8, 2020, at the request of Niger and subject to paragraphs 4 and 5 below;"

c. A new paragraph 4.D. shall be included to read as follows:

"D. The sixth disbursement under the Arrangement specified in paragraph 2(f) above:

(a) if the Managing Director of the Trustee finds that the data as of June 30, 2019 indicate that the ceiling on the net domestic financing of the government, as set out in Table 2 of the November 2018 MEFP and further specified in the November 2018 TMU was not observed; or

(b) until the Trustee has determined that the fifth program review referred to in paragraph 28 of the November 2018 MEFP has been completed."

d. A new paragraph 4.E shall be included to read as follows:

"E. The seventh disbursement under the Arrangement specified in paragraph 2(g) above:

(a) if the Managing Director of the Trustee finds that the data as of September 30, 2019 indicate that the ceiling on the net domestic financing of the government, as set out in Table 2 of the November 2018 MEFP and further specified in the November 2018 TMU was not observed; or

(b) until the Trustee has determined that the sixth program review referred to in paragraph 28 of the November 2018 MEFP has been completed."

e. A new paragraph 5(c) shall be included to read as follows: "(c) the government exceeds the ceiling on the stock of outstanding domestic arrears"

f. The references to "Table 2 of the May 2018 MEFP and as further specified in the May 2018 TMU" and "the TMU" in paragraph 5 of the Arrangement shall be revised to refer to "Table 2 of the November 2018 MEFP" and "the November 2018 TMU", respectively.

4. The Fund decides that the third review specified in paragraph 4.B(b) of the Arrangement is completed and that Niger may request the fourth disbursement referred to in paragraph 2(d) of the Arrangement, notwithstanding the nonobservance of the end-June 2018 performance criterion on the clearance of domestic payment arrears specified in paragraph 4(B)(a)(ii) of the Arrangement, on the condition that the information provided by Niger on the performance under this criterion is accurate and on the further condition that the information provided by Niger on the implementation of the measure specified as a prior action in Table 6 of the November 2018 MEFP is accurate. (EBS/18/107, 11/26/18).

Decision No. 16455-(18/105), adopted
December 10, 2018

APPROVAL: March 5, 2020

JIANHAI LIN
Secretary

Annex

The staff circulated the following written answers, in response to technical and factual questions from Executive Directors, prior to the Executive Board meeting:

Growth Outlook

1. ***(a) Staff comments on the other concerns raised above (on medium-term growth) are also welcome. (b) We would like to know the assumptions underlying this huge growth spurt for Niger in 2022, given that Fund's own reports have pointed out the tendency for overestimation of growth rates in case of program countries. Are all the projects donor/private sector financed? (c) We appreciate staff comments on the impact of recent trend in uranium prices on the next WEO projections for growth and implied capacity to repay the Fund. (d) Could staff elaborate on a potential impact of the envisioned pace and design of the fiscal adjustments on growth, social spending, and the development of private sector?***

- Staff has slightly upgraded underlying medium-term real GDP growth by ½ a percent to 6 percent on account of the expected productivity increase from the large investment projects. Over the next five years annual growth averages a higher 7 percent, reflecting the growth spike in 2022 from the expected four-fold increase of oil production. Financing of this and other projects is mostly private or by donors, although there typically is some limited government copay and some of the financing takes the form of concessional loans to the government. Fiscal consolidation will be a drag on growth but pale in comparison to the stimulus from the large investment projects, which are truly large relative to Niger's economy (Annex 1 to the staff report). Revisions to uranium spot price assumptions in the current WEO round should have a limited impact on the macroeconomic framework. They are on the order of only 5 percent and prices for Niger are governed by a backward-looking pricing formula.

Fiscal Policy and Debt Sustainability

2. ***We welcome staff comment on the progress toward implementing the multi-year budgeting process.***

- The authorities are already preparing medium-term expenditure plans for each ministry in program budget format and an annual medium-term fiscal framework, which is in line with the ECF-supported program. A double commitment system for multi-year spending programs (AE/CP) is under preparation with TA support from the Fund.

3. ***Given that previous reviews have raised this matter, we would like staff comments on the authorities' timeline for completion of the TSA.***

- The transfer of the accounts of the central government and its public administrative entities to the TSA is on track to be largely completed by end 2019. However, the transfer of accounts of other public-sector institutions, such as SOEs and donor funds, will depend on how the perimeter of the TSA is defined and on Treasury's capacity to provide banking services, as well as the capacity to manage liquidity flows. TA from the Fund is underway.

4. ***(a) We also note that additional measures are likely necessary as part of the 2020 budget to meet the regional fiscal deficit norm. Could staff elaborate on these measures along with their potential impact on economic growth? (b) While we note that the authorities are not yet ready to specify a target for the associated revenue gain [from exemptions streamlining], could staff share the initial view on additional revenues from the rationalization? At the same time, we would also like to know possible revenue mobilization measures going forward. (c) Could staff comment on the pros and cons of merging the customs and tax departments to facilitate coordination between these two administrations?***

- Discussions on consolidation measures for the 2020 budget have yet to start, but possibilities include streamlining of exemptions, merging tax and customs administrations (although it would be important to safeguard custom's capacity to undertake its other functions relating to border management and controlling the passage of goods), and other administrative measures. The envisaged four-fold expansion of the oil sector could bring substantial revenue gains further down the road. Tax exemptions amount to 3½ percent of GDP, but a large part is related to foreign and military aid, international conventions, and contractual obligations to investors. An in-depth study financed by the World Bank is underway. More broadly, the medium-term projections incorporate annual revenue increases between 0.5 to 1 percent of GDP. This is comparable to other countries in the region that have undertaken a successful strategy of revenue mobilization. More aggressive expenditure streamlining remains a fallback for meeting the WAEMU convergence criterion next year.

5. ***Could staff provide information regarding the evolution of the underlying fiscal position under the program excluding these one-off developments?***

- Underlying revenues excluding cash order payments and one-off items rose 11 percent in the year to September over the year before—well below the 34 percent increase in total revenues but also ahead of nominal GDP growth.

6. ***We wonder if staff could comment on whether or not the budget includes contingency revenue measures should the proposed measures fall short of expectations.***

- The draft 2019 budget does not include contingency revenue measures, although additional revenue measures could be put in place in the context of a supplementary budget. As always, the authorities remain committed to withholding spending allocations if revenues fall short.

7. ***We appreciate staff comments on how the uncertain global trade outlook could affect expected tax revenue from trade.***

- The uncertain outlook for global trade is not expected to have a significant impact on tax revenue from trade. Import spending is not likely to be affected by global uncertainty and prices for crude oil and uranium output are based on long-term contracts. Direct effects of potential trade tensions would therefore be small, but there could be repercussions through a general slowdown of economic growth.

8. ***We would welcome additional information on this donor support, including whether it was earmarked to specific activities.***

- Net external financing by donors in 2019 is expected to be 0.6 percent of GDP lower than previously envisaged, though higher than projected for this year. This shortfall in available resources could inter alia affect social spending. However, the augmentation of access to Fund resources would be a timely offset.

9. ***(a) Could staff indicate if the authorities are receptive to conducting an in-depth public expenditure review? (b) We welcome the proposed structural benchmark for end-June 2019 on establishing tracking system for major social programs, including spending and progress toward meeting objectives. In this context, we would welcome staff comments on the collaboration with the World Bank in evaluating the authorities' findings. Staff elaboration on the timetable for the next Public Expenditure Review by the World Bank would also be appreciated.***

- The authorities are receptive to an in-depth public expenditure review. Elements of such a review are already underway, including a review of the public administration, anti-poverty programs, military spending, and public procurement. Specifically, a World Bank project to analyze social support programs of the government and by donors is underway, with a view to identify potential efficiency gains. Staff will also work with the World Bank to explore possibilities for a full-scale public expenditure review.

10. ***Can staff explain the 43-50 percent share of "other" expenditures of the total budget.***

- There would be scope for the authorities to refine the functional breakdown of public spending. For now, all spending that cannot be clearly assigned to the five categories shown in the chart on page 10 of the staff report, such as general public services, public order, economic affairs, or debt service, is captured under "other expenditure."

11. ***We see nevertheless that social spending has decreased since 2015. Could the staff elaborate further on this evolution?***

- Social spending budget authorizations, broadly defined to include spending on education, health and rural development, have declined from 14.3 percent of GDP in 2015 to 13.8 percent in 2018. However, social spending budget allocations have increased from 34.3 percent of total spending in 2015 to 35.3 percent in 2018. The 2019 budget envisages a further increase in the share of social spending.

12. ***(a) We note that the number of audits of SOEs has been further reduced from six to five entities. Could staff comment on this? In addition, could staff also provide an update on whether progress has been achieved with the evaluation of subsidies for SOEs, which was mentioned in the second review? (b) Staff's comments on how the entities were selected and whether these selective audits will provide a sufficient picture of the challenges and risks for all SOEs are welcome.***

- The SOEs were selected by the World Bank and include both SOEs and public administrative entities (wholesale petroleum distribution, provision of subsidized agricultural inputs, payment of student stipends, etc.). Funds under the Bank's Capacity Building for Service Delivery project are insufficient to finance more than five audits. However, the authorities plan to leverage them for broader SOE governance reform that should help improve SOE performance more generally. The government's subsidy report focused on public administrative entities and recommended clearer mission statements, upgraded reporting lines, and better justification for entities' subsidy requests.

13. ***(a) As the request for a PIMA was already mentioned in the last review, we wonder whether there has been any progress in proceeding with this request? (b)What are the tentative timelines for the PIMA and civil service reform? (c) Given the implementation delay of the PIMA, could staff indicate when PIMA recommendations could be introduced as program's objectives mowing forward?***

- On November 29, an FAD TA mission delivered a half-day training seminar on the public investment management assessment (PIMA) methodology, as a prelude to the upcoming PIMA mission, which is expected to start in February 2019. Civil service reform program is well advanced with the support of the World Bank. The authorities plan to have in place by end-2019 a civil service law emphasizing performance-based management, ethics and better human resource management. A call for tenders to conduct a census of civil service employees and contractual workers closed in November and the census should be completed by mid-2019.

14. ***Could staff advise on what assistance or arrangements with the authorities and regional institutions are in place or planned for improving public debt management?***

- The authorities have made headway in public debt management, including with the support of Fund TA and under the current Fund-supported program. The debt management capacity rating improved ahead of the second program review. While the full Inter-Ministerial Debt Management Committee chaired by the Prime Minister has not met as regularly as envisaged, the work of its technical committee is proceeding well, and external public borrowing remains focused on concessional loans. The authorities are committed to further progress with plans to consolidate all debt management functions in a dedicated unit of the Ministry of Finance. Regional arrangements will be taken up in detail in the consultation with WAEMU. The convergence criterion on fiscal deficits should help contain public debt accumulation.

External Sector

15. ***(a) Notwithstanding the mitigating efforts to diversify the export base and access to the pooled reserves of the currency union, we would appreciate it if staff could elaborate on the additional measures that may be available to Niger in the event that the baseline projections do not materialize as hoped. (b) Given the optimistic projection on export performance by 2023, could staff comment on other means for the authorities to bring the current account deficit to a healthy level?***

- Several large investment projects are already underway, thereby limiting downside risks. Should some not materialize on time, lower exports would be partially offset by lower imports of capital goods and equipment, as well as lower national income. Private-sector development and fiscal consolidation should help contain the external deficit in any event. More generally, a relatively large current account deficit seems appropriate for a country with large development and catching-up needs.

Financial Sector

16. ***(a) What measures could support the advancement of Fintech and mobile banking in Niger? (b) We appreciate staff views on the current and potential use of the financial system, including climate insurance, in Niger.***

- At Niger's low level of financial intermediation (Staff Report, Figure 5), the focus is on expanding mobile banking, mobile money, and international financial transfers. Consequently, strengthening the telecommunications sector, boosting mobile penetration, and increasing ICT coverage and quality, especially in remote areas, are priorities. Other efforts at financial deepening, including the switching of government payments from cash to digital channels, are also supportive. Staff is not aware of climate insurance products being used in Niger. However, Niger has established a framework for the prevention and management of natural disasters (e.g. droughts, floods, invasion of locusts) and food crises (Country Report No. 17/60).

17. ***Details of the BCEAO scheme and the way in which it would facilitate the flow of funds to SMEs may be shared by the staff.***

- The BCEAO support scheme implements a regional initiative dating back to 2012. It consists of a refinancing scheme for eligible SMEs. Other actors, like the Chamber of Commerce and commercial banks, are to provide support in terms of preparing business plans and reliable financial statements and of close monitoring of debt-servicing discipline. The scheme also requires government to allocate SMEs a dedicated share of public contracts.