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Niger: Letter of Intent and Technical Memorandum of Understanding

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LETTER OF INTENT

Niamey, 27 April, 2009

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

1. This letter provides an update to the letter of intent and the Memorandum of Economic Policies of December 3, 2008. The program supported by the Poverty Reduction and Growth Facility (PRGF) approved on May 28, 2008 was implemented satisfactorily during the second half of 2008 and the first months of 2009. All the performance criteria for end-2008 have been observed. The criterion on domestic financing of the government was met with a comfortable margin as a result of significant excess in revenue and lower-than-expected expenditures. Two of the structural benchmarks up to March 2009 have been observed. The third, concerning the presentation of the 2009-2012 priority capital expenditure program as an annex to the 2009 Budget Law has not been observed, as the medium-term public expenditure framework is still currently under preparation.

Macroeconomic and fiscal developments in 2008

2. GDP growth in 2008 exceeded program expectations as a result of an exceptional agricultural season characterized by good rainfall distribution over time and across the various regions of the country. Agricultural production rose by 25 percent, compared with 11.6 percent initially forecast, with record harvests of millet, sorghum, wheat, rice, corn, fonio, and cowpeas. GDP growth in real terms has therefore been provisionally estimated at 9.5 percent. The expected increase in public and private investments materialized (20.5 percent increase in real terms), driven by the launch of externally-financed road building projects and the coming on stream of private investments in oil drilling, refinery construction and the new Imouraren uranium mine, in addition to investments made by the existing uranium companies. The investment-to-GDP ratio is estimated at 26.5 percent in 2008 compared with 23.5 percent in 2007.

3. Regarding inflation, the consumer price index rose by 13.6 percent in the 12-month to December 2008 and by 11.3 percent on average. At end-February 2009, the year-on-year figure dropped to 10.4 percent as the good harvest lowered food prices. This fall in cereal prices is, however, less substantial than expected and generally observed at this time of year.

Retail prices of petroleum products fell sharply, by around 20 percent, between November 2008 and March 2009.

4. Bank credit to the economy grew at a sustained pace in 2008, up 37 percent, with the transport, trade, and telecommunications sectors accounting for the fastest growth. Bank deposits were up 13 percent over the year. Banks were able to secure medium-term external credit lines, and reduced their short term deposits with the central bank, which nevertheless ended the year at comfortable levels (13 percent of deposits). Banks sought no central bank liquidity injections in either 2008 or the early months of 2009, but have made use of normal rediscounts.

5. In 2008, based on preliminary figures, the current account deficit of the balance of payments is estimated at 14 percent of GDP, compared to 9.9 percent projected in the program and 10 percent in 2007. This worsening of the deficit is attributable to sizable capital goods imports and the rise in oil and food prices. The build up of the BCEAO's external reserves attributable to Niger was lower than expected (CFAF 59 billion compared with 97 billion).

6. Fiscal performance for 2008 has been satisfactory. The basic fiscal deficit amounted to CFAF 31 billion (1.3 percent of GDP), significantly higher than the deficit projections of 0.6 percent of GDP. Tax revenue exceeded the target by CFAF 22 billion, reaching 11.7 percent of revised GDP, compared to 11 percent programmed. This good performance is attributable, in part, to an acceleration of imports between March and September to take advantage of tax breaks on basic foodstuffs (rice, milk, sugar, cooking oil) as well as to higher-than-expected revenue from corporate profit tax (ISB), domestic VAT, excise taxes, and stamp duty. Non-tax revenue also exceeded targets, buoyed by higher dividends and interest earnings on government deposits at the BCEAO. On the expenditure side, expenditures related to the purchase of goods and services, and transfers and subsidies were lower than expected owing to the late execution of some commitments or incorrect procurement procedures. With regard to capital expenditures, expenditures financed through external loans fell short of projections as a result of delays in the award of some contracts. Domestically-financed investments were in line with the program, except in the case of participation in the refinery, scheduled for 2008 but postponed to 2009. Taxes payable by the government on the execution of externally-financed projects were higher than expected. As a result of the significantly higher basic balance, the improvement in the government's net position vis-à-vis the central bank exceeded program targets by CFAF 50 billion or 2 percent of GDP.

Macroeconomic prospects for 2009

7. As a result of the possible dip in agricultural production following the 2008 record levels, GDP growth is expected to be about 3 percent in 2009. Uranium production is set to rise by 13 percent, fuelled by recent large investments. Both public and private investments

are expected to increase sharply as construction begins on the Kandaji dam and work proceeds on the roadworks projects launched in 2008 as well as on construction of the new oil refinery in Zinder, the new uranium mines in Imouraren and Azelik, and the very ambitious drilling program at the Agadem oil field. Thus, the investment-to-GDP ratio could rise to around 36 percent. Private consumption is likely to be pushed up by the large upturn in farmers' incomes in 2008, with knock-on effects on the import of consumer goods. Year-on-year inflation is projected to fall to 2 percent, and the average annual rate to 5 percent. Estimates put the current account deficit at 24 percent of GDP and foreign reserves attributed to Niger could decline slightly.

Budget execution in 2009 and fiscal reforms

8. Tax revenues are projected to exceed the original program forecasts, reaching CFAF 299 billion (11.7 percent of GDP), of which CFAF 107 billion from customs and CFAF 192 billion from the General Tax Directorate (DGI). Revenues from profit tax on mining companies are set to increase by CFAF 17 billion, arising from SOPAMIN's (the uranium state marketing company) high profit in 2008, resulting from the resale at the spot price of 830 metric tons of uranium. This profit level is likely to be eroded in 2009, with the attendant impact on taxes payable in 2010. On the expenditure side, the revised forecasts are consistent with the 2009 Budget Law and take account of a realistic execution rate for investment expenditure, below 100 percent in some sectors. Government investment in the refinery, amounting to CFAF 19.5 billion, or 0.8 percent of GDP, and originally programmed in 2008, will take place in 2009 as reflected in the Budget Law. Consequently, the basic deficit should reach CFAF 148 billion, or 5.8 percent of GDP, compared with CFAF 134 billion, or 5.2 percent of GDP, originally programmed.

9. External budgetary support is projected to reach CFAF 92 billion, i.e., 3.6 percent of GDP, up markedly from CFAF 36 billion or 1.5 percent of GDP in 2008, and close to program projections. The increase from 2008 is due to the postponement to 2009 of European Union and World Bank disbursements, initially scheduled for 2008, as well as of support under the ten-year development plan for education. Domestic banking sector financing is projected at CFAF 79 billion (3.1 percent of GDP), compared to CFAF 61 billion under the initial program, and will take the form of draw down of central bank deposits. A CFAF 10 billion bond issue is planned in the first half of the year to capitalize Finaposte (CFAF 5 billion) and partially repay the statutory advance from the central bank.

10. In 2009, efforts to strengthen public financial management will focus on the following elements in the context of the PEMFAR agreed with donors: (i) strengthening computer linkages between the Budget and Treasury Directorates; (ii) computerization of decentralized budget offices (*centres de sous-ordonnements*) and installation of appropriate software for reporting data on the execution of delegated appropriations; (iii) increasing the number of financial comptrollers from 13 to 33—appointments are in

progress; (iv) enhancing the skills of the heads of procurement divisions of the various ministries; (v) organizing the structure of the Audit Office, (vi) connecting the customs border offices to the main regional centers for more efficient monitoring of trade flows; (vii) preparing tax reforms at the DGI aimed particularly at eliminating the ceiling on VAT credit refunds for exporters, and reviewing the real estate tax to ensure that it is not applied to production tools; and (viii) conducting a comprehensive review of the DGI's IT procedures to make them more effective.

11. With regard to budget preparation, a medium-term public expenditure framework is currently under preparation to support the 2010 budget and facilitate presentation of the budget in a multi-year framework that takes account of the priority objectives of the Growth and Poverty Reduction Strategy (SDRP) as well as of the constraints related to domestic resources and available external assistance. The IMF Fiscal Affairs Department is providing technical assistance to strengthen national capacities in this area.

12. The permanent secretariat of the SDRP launched the process of preparing the report on implementation of the SDRP in 2008, convening meetings of sectoral groups. The report is expected to be ready by next July to provide input for the budgetary discussions on the 2010 budget.

Financial sector reforms

13. Substantial progress is being made in modernizing the financial system. All of the commercial banks have committed to comply with the Banking Commission's new CFAF 5 billion minimum capital requirement ahead of the end-2010 deadline. Two of the ten banks are already in compliance. BIA, the second largest bank in terms of deposit amounts, is set to reach agreement shortly with a strategic investor for the takeover of a significant share of its capital previously held by a major European bank. The government will execute a short term portage operation pursuant to the agreement with the bank's Board of Directors in early February 2009. Non performing loans fell from 21.8 percent at end-2007 to 16.4 percent at end-2008 as recovery efforts produced results. In response to the strong demand for medium-term loans, banks expressed interest in higher availability of medium-term credit lines from external multilateral and bilateral institutions. A new EIB credit line of Euro 8 million is likely to be rapidly exhausted. Some regional retail banks are exploring the possibility of bond issues on the regional market to increase their long-term funds.

14. The government is determined to establish an agricultural bank. However, the key technical aspects—such as number of agencies and location, and the interface with existing banks—are still being carefully studied. Given the technical difficulties involved in ensuring the success of this new initiative, the design of the bank's operating arrangements will be worked out through in-depth analysis.

15. Regarding the establishment of FINAPOSTE, the postal bank, an agreement for the issuance of non-negotiable treasury securities on behalf of the new entity is to be finalized shortly. Mobilization, in the coming months, of the minimum required capital of CFAF 5 billion should clear the way for its licensing by the Banking Commission at its June session.

16. With respect to microfinance, the microfinance regulatory agency is about to start up operations, and progress in strengthening various microfinance networks, including Taimako, UMEC, and MCPEC, has been encouraging.

Management of petroleum and mining sector investments

17. The government will incur significant obligations in the Agadem oil field drilling program. It holds a 20 percent share in the field, of which 15 percent is in portage by the exploration company and the remaining 5 percent includes an obligation to contribute directly to drilling expenditures. As the oil field's exploration and development programs provide for expenditures of around US\$500 million a year on average between 2009 and 2011, this translates into disbursements for the government of around US\$25 million a year on average, which will be provided for in the state budget.

18. With reference to the Zinder refinery, potentially profitable outlets for refined petroleum products need to be quickly identified in neighboring countries, particularly Nigeria, which has considerable absorptive capacity, as local demand is expected to consume only one third of the total output of these products. Since the government's 40 percent share of the refinery construction costs is to be recouped from future profits, with the exception of the 2009 initial budget contribution, it is vital for the refinery to be sufficiently profitable.

19. The government's 33 percent share in the Azelik uranium mine operating company entails the obligation to bear one-third of investment expenditures, which could reach US\$300 million. The government is negotiating a concessional loan with the Export -Import Bank of China to cover its capital contribution to the mine, and will consult closely with the Fund staff on this negotiation.

Program monitoring

20. The end- June and end-December 2009 quantitative performance criterion on domestic government financing has been modified to take account of the updated projections for public investment and external aid, and the government is seeking approval of the changes as shown in attached Table 1. The two structural performance criteria originally set for end-2009 have now been transformed into benchmarks, following the changes in Fund policy in this area; the implementation of the related measures will be an important element of the fourth review, and we remain strongly committed to their implementation. The attached Technical Memorandum of Understandings of December 3, 2008 remains virtually

unchanged from that of December 3, 2008 except for the modification of the adjustor in paragraph 9 from CFAF 30 billion to CFAF 35 billion. The list of structural benchmarks for 2009 is presented in Table 2 attached.

21. The government of Niger requests the conclusion of the second review under the PRGF-supported program. As in the past, the government authorizes the IMF to publish this Letter of Intent, and the IMF staff report. The government believes that the policies set out in this Letter of Intent are adequate to achieve the objectives of its program and will take any additional measures that may be necessary to that end. Niger will consult with the IMF on the adoption of such measures consistent with the policies of the IMF on these consultations.

Yours truly,

/s/

Ali Lamine Zeine
Minister of Economy and Finance

Attachment:

Technical Memorandum of Understandings

Table 1a. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2008-December 31, 2008

(Billions of CFA francs)

	End-March Indicative Targets			End-June Performance Criteria			End-September Indicative Targets			End-December Performance Criteria		
	Prog.	Prog. Adj.	Est.	Prog.	Prog. Adj.	Est.	Prog.	Prog. Adj.	Est.	Prog.	Prog. Adj.	Est.
A. Quantitative performance criteria and indicative targets (cumulative from December 31, 2007)												
Reduction in government domestic payments arrears ³	1.4	12.4	3.6	18.1	21.5	-126.3	38.7	49.0	-90.3	-9.3	-6.8	-51.2
	4.0	4.0	-2.1	7.0	7.0	-5.7	8.0	8.0	-11.2	15.2	15.2	-15.7
Memorandum item:												
Exceptional external budgetary assistance ⁴	13.5	...	2.5	24.5	...	21.1	33.7	...	23.4	29.6	...	27.1
Gross budget support	16.0	...	5.0	29.6	...	25.2	41.4	...	28.4	38.9	...	35.6
Debt service	2.6	...	2.5	5.2	...	4.2	7.7	...	5.0	9.3	...	8.5
B. Continuous quantitative performance criteria												
Accumulation of external payments arrears	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0
New external debt contracted or guaranteed by the government with maturities of 0-1 year ⁵	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0
New nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year ⁶ ; grant element lower than 35 percent	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0
C. Indicative Targets (cumulative from December 31, 2007)												
Basic budget balance (commitment basis, excl. grants) ⁷	-11.8	...	3.5	-42.6	...	112.6	-72.4	...	77.7	-14.9	...	30.9
Total revenue ⁸	83.9	...	81.7	148.8	...	356.4	214.7	...	356.4	407.4	...	442.0
	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0

Note: The terms in this table are defined in the TMU.

¹Performance criteria for program indicators under A and B; indicative targets otherwise.²The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, exceeds or falls short of program forecasts.

If disbursements are less than the programmed amounts, the ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion at the end of each quarter of 2008.

³Minimum.⁴External budgetary assistance (including traditional debt relief, HIPC Initiative assistance, but excluding net financing from the IMF) less external debt service and payments of external arrears.⁵Excluding ordinary credit for imports or debt relief.⁶Excluding debt relief obtained in the form of rescheduling or refinancing.⁷Minimum, defined as the difference between total revenue, excluding grants and revenue from the settlement of reciprocal debts between the government and enterprises, and total expenditures, excluding externally financed capital expenditures.⁸Minimum. Excluding (i) revenue from the settlement of reciprocal debts between the government and Nigerian enterprises; and (ii) revenue from the privatization of public enterprises that is included in financing.

Table 1b. Niger: Quantitative Performance Criteria and Indicative Targets, January 1, 2009-December 31, 2009

(Billions of CFA francs)

	End-March		End-June		End-September		End-December						
	Indicative Targets		Performance Criteria		Indicative Targets		Performance Criteria						
	Init.	Prog.	Init.	Prog.	Init.	Prog.	Init.	Prog.					
A. Quantitative performance criteria and indicative targets													
(cumulative from December 31, 2008)													
Domestic financing of the budget ^{1,2}	12.1		62.5		54.8		67.2		83.4		55.9		74.5
Reduction in government domestic payments arrears ³	-2.0		-6.0		-6.0		-8.0		-8.0		-15.0		-15.0
Memorandum item:													
Exceptional external budgetary assistance ⁴	20.6		5.7		29.8		37.9		34.0		86.6		82.3
Gross budget support	23.0		10.5		34.4		45.2		41.0		95.7		91.6
Debt service	2.4		4.8		4.7		7.3		7.0		9.7		9.3
B. Continuous quantitative performance criteria													
Accumulation of external payments arrears	0.0		0.0		0.0		0.0		0.0		0.0		0.0
New external debt contracted or guaranteed by the government with maturities of 0-1 year ⁵	0.0		0.0		0.0		0.0		0.0		0.0		0.0
New nonconcessional external debt contracted or guaranteed by the government with maturities over 1 year ⁶ : grant element lower than 35 percent	0.0		0.0		0.0		0.0		0.0		0.0		0.0
C. Indicative Targets													
(cumulative from December 31, 2008)													
Basic budget balance (commitment basis, excl. grants) ⁷	-30.3		-66.9		-83.3		-101.0		-115.3		-133.6		-148.5
Total revenue ⁸	79.3		152.3		147.1		227.8		230.3 ##		304.8		312.3

Note: The terms in this table are defined in the TMU. Note that for End-March indicative targets, the figure are those of the initial program, and not those projected in the Quarterly fiscal table 2c.

¹Performance criteria for program indicators under A and B; indicative targets otherwise. Domestic financing in this table excludes IMF financing-TMU.

²The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance, as defined in footnote 4, falls short of program forecasts.

If disbursements are less than the programmed amounts, the ceiling will be raised pro tanto, up to a maximum of CFAF 35 billion at the end of each quarter of 2009.

³Minimum.

⁴External budgetary assistance (including traditional debt relief, HIPC Initiative assistance, but excluding net financing from the IMF) less external debt service and payments of external arrears.

⁵Excluding ordinary credit for imports or debt relief.

⁶Excluding debt relief obtained in the form of rescheduling or refinancing.

⁷Minimum, defined as the difference between total revenue, excluding grants and revenue from the settlement of reciprocal debts between the government and enterprises, and total expenditures, excluding externally financed capital expenditures.

⁸Minimum. Excluding (i) revenue from the settlement of reciprocal debts between the government and Nigerian enterprises; and (ii) revenue from the privatization of public enterprises that is included in financing.

**Table 2. Niger: Structural Benchmarks for the Program
December 2008–December-2009**

Measures	Date	Status
Structural benchmarks		
Presentation in the budget law for 2009 of the investment programs for the priority sectors of the PRSP for 2009-2012.	End-December 2008	Not met
Production by the Ministry of Finance of semiannual reports on the foreign debt contracted and its terms, and on the borrowing program for the next six months and the terms specified.	End-December 2008 and the end of each successive half-year period	Met
Issue data on budget outturn for 2008, and for 2009 on a quarterly basis, including for the unified list of priority expenditures and the President's Special Program.	End-March 2009 for end 2008 budgetary outturn, and end of each 2009 quarter for quarterly 2009 data	Budgetary execution data for end-2008 issued
Adoption by the Council of Ministers of the MTEF for the infrastructure and transport sectors.	End- June 2009	
Reduction of the fees for registering a new business in the Register of Commerce at the courts.	End-June 2009	Met
The Budget Law for 2010 will include a production of the main budget aggregates (revenue and expenditure) for the period 2010-12.	End-December 2009	
Elimination of the ceiling for reimbursement of VAT credits to all exporters (originally set as performance criterion).	End-December 2009	
Reduction of the rate of profit tax from 35 to 30 percent, applicable to profits reported for FY 2009 and for following years (originally set as performance criterion).	End-December 2009	

TECHNICAL MEMORANDUM OF UNDERSTANDING

Niamey, April 27, 2009

1. This technical memorandum of understanding defines the performance criteria and indicative targets for Niger's program under the Poverty Reduction and Growth Facility (PRGF) for the period 2008-11. The performance criteria and indicative targets for end-June and end-December 2009 are set out in Table 1 of the government's Memorandum of Economic and Financial Policies (MEFP) dated April 27, 2009 and attached hereto. This technical memorandum of understanding also sets out data-reporting requirements for monitoring the program.

I. DEFINITION OF TERMS

2. For the purpose of this technical memorandum, the following definitions of "debt," "government," "payments arrears," and "government obligations" will be used:

(a) As specified in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted by the Executive Board of the IMF on August 24, 2000, **debt** will be understood to mean a current, that is, not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, that is, advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, that is, contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and (iii) leases, that is, arrangements under which property is provided that the lease holder has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lease grantor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (for example, payment on delivery) will not give rise to debt.

(b) **Government** refers to the central government of the Republic of Niger; it does not include any political subdivision, public entity, or central bank with a separate legal personality.

(c) **External payment arrears** are external payments due but not paid. **Domestic payment arrears** are domestic payments due but not paid. They include (i) arrears outstanding at end-1999 identified by the audit conducted by the Ministry of Finance in 2005; and (ii) the *reste à payer* at the Treasury related to the budgetary years 2004, 2005, 2006, and 2007 remaining due at December 31, 2008.

(d) **Government obligation** is any financial obligation of the government accepted as such by the government (including any government debt).

II. QUANTITATIVE PERFORMANCE CRITERIA

A. Net Domestic Financing of the Government

Definition

3. Net domestic financing of the government is defined as the sum of (i) net bank credit to the government, as defined below; and (ii) net nonbank domestic financing of the **Government**, including government securities issued in CFA francs on the WAEMU regional financial market and not held by resident commercial banks, proceeds from the sale of government assets, and privatization receipts net of the cost of structural reforms to which these proceeds are earmarked.

4. **Net bank credit to the government** is equal to the balance of the government's claims and debts vis-à-vis national banking institutions. Government claims include cash holdings by the Nigerien Treasury, deposits with the central bank and commercial banks, and secured obligations. Government debt to the banking system includes debt vis-à-vis the central bank (excluding net financing from the IMF's Poverty Reduction and Growth Facility (PRGF), but including government securities) and to commercial banks (including government securities held by commercial banks), and deposits with the postal checking system.

5. The scope of the net bank credit to the government as defined by the BCEAO includes all central government administrations. Net bank credit to the government and the amounts of government treasury bills and bonds issued in CFA francs on the regional financial market of the WAEMU are calculated by the BCEAO, and the net nonbank financing of the government is calculated by the Nigerien Treasury, whose figures are those deemed valid within the context of the program.

6. **Nonbank net domestic financing** includes (i) the change in the amount of government bonds issued in the regional WAEMU market and not held by Niger's commercial banks; (ii) the change in the deposits of Treasury correspondents; and (iii) the change in "*comptes de consignations*" at the Treasury.

7. The 2009 quarterly targets are based on the change in stock between end-December 2008 and the date considered for the performance criterion or the indicative target.

Adjustment

8. The **ceiling on net domestic financing** will be subject to adjustments if disbursements of external budgetary support less external debt service and arrears payments, including disbursements under the PRGF, fall short of projected amounts. For 2009, external budget support is calculated from end-December 2008.

9. If disbursements fall short of projected external budgetary assistance for each quarter in 2009, the corresponding quarterly ceilings on net domestic financing will be raised pro tanto, up to a maximum of CFAF 35 billion.

Reporting requirement

10. Detailed data on domestic financing to government will be provided monthly within six weeks after the end of each month.

B. Reduction of Domestic Payments Arrears

Definition

11. **Domestic payments arrears** comprise (i) arrears identified at end-1999 on the basis of the audit conducted by the Ministry of Finance in 2005; and (ii) the *reste à payer* (RAP) at the Treasury for budget years 2004, 2005, 2006 and 2007 outstanding at end-2008. The stock of arrears will be reduced to the minimum of the amounts indicated in Table 1 annexed to the MEFP. The quarterly objectives for 2009 are based on the changes in the stock of arrears from end-December 2008, and the date selected for the performance criterion or indicative target. The stock of RAP at end-2009 for the 2009 budget year will not exceed the stock of RAP outstanding at end-2008 for the 2008 budget year; any excess will be considered an increase in arrears, that will be deducted from the reduction of arrears as defined as the beginning of this paragraph.

12. The *Centre d'Amortissement de la Dette Intérieure de l'Etat* (CADDIE) and the Treasury are responsible for calculating the stock of domestic arrears, and recording their repayments.

Reporting requirement

13. Monthly data on the outstanding balance, accumulation (including changes in the *reste à payer* at the Treasury), and repayment of domestic payments arrears on government obligations will be provided monthly within six weeks following the end of each month.

C. Reduction of External Payments Arrears

Definition

14. **Government debt** is outstanding debt owed or guaranteed by the government. For the program, the government undertakes not to accumulate external arrears on government debt (including treasury bills and bonds issued in CFA francs on the WAEMU regional financial market), with the exception of external payments arrears arising from government debt being renegotiated with external creditors, including Paris Club creditors.

Reporting requirement

15. Data on the outstanding balance, accumulation, and repayment of external payments arrears will be provided monthly within six weeks following the end of each month.

D. External Nonconcessional Loans Contracted or Guaranteed by the Government of Niger

Definition

16. The government will not contract or guarantee external debt with original maturity of one year or more with a grant element of less than 35 percent. Nonconcessional external debt is defined as all debt with a concessionality level of less than 35 percent. To calculate the level of concessionality for loans with a maturity of at least 15 years, the discount rate to be used is the 10-year average commercial interest reference rate (CIRR), calculated by the IMF on the basis of the rates published by the OECD; for loans of less than 15 years, the six-month average CIRR is to be used. The Ministry of Finance will communicate regularly to Fund staff the list of loans under negotiations, and, in case of objections, the Fund staff will have to express any objections within two weeks.

17. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted by the Executive Board on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. However, this performance criterion does not apply to financing provided by the Fund, to debt rescheduling in the form of new loans, and to treasury notes and bonds issued in CFA francs on the WAEMU regional financial market.

Reporting requirement

18. Details on any external government debt will be provided monthly within six weeks after the end of each month. The same requirement applies to guarantees extended by the central government.

E. Short-Term External Debt of the Central Government**Definition of the performance criterion**

19. The government will not accumulate or guarantee new external debt with original maturity of less than one year. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. Excluded from this performance criterion are short-term, import-related trade credits and short-term treasury notes issued in CFA francs on the regional financial market.

Reporting requirement

20. Details on any external government debt will be provided monthly within six weeks following the end of each month. The same requirement applies to guarantees extended by the central government.

III. QUANTITATIVE TARGETS**A. Definitions**

21. Total revenue is an indicative target for the program. It includes tax, nontax, and special accounts revenue, but excludes revenue from the settlement of reciprocal debts between the government and enterprises.

22. The basic fiscal deficit is defined as the difference between: (i) total fiscal revenue as defined in paragraph 23; and (ii) total fiscal expenditure excluding foreign financed investment (but including HIPC-financed investment).

23. This information will be provided to the IMF monthly within six weeks after the end of each month.

IV. ADDITIONAL INFORMATION FOR PROGRAM-MONITORING PURPOSES

A. Public Finances

24. The government will report to IMF staff the following:
- detailed monthly estimates of revenue and expenditure, including priority expenditure, the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue;
 - the table of government financial operations with comprehensive monthly data on domestic and external financing, and the changes in arrears (arrears outstanding at end-1999) and *reste à payer (RAP)* at the Treasury. These data are to be provided monthly within six weeks following the end of each month;
 - quarterly data on expenditures of the unified priority list, and data on expenditures on HIPC resources and the President's Special Program, on a payment order basis;
 - quarterly data on implementation of the Public Investment Program, including details on financing sources, to be provided quarterly within eight weeks following the end of each quarter;
 - monthly data on the balances of the accounts of the Treasury and of other public accounting officers at the BCEAO;
 - monthly data on the *reste à payer* at the Treasury, by reference fiscal year with an itemization of maturities of more than, and less than, 120 days;
 - monthly data on effective debt service (principal and interest) compared with the planned schedules. These data are to be provided within four weeks after the end of each month.

B. Monetary Sector

25. The government will provide the following information within eight weeks following the end of each month:
- the consolidated balance sheet of monetary institutions and, as appropriate, the balance sheets of selected individual banks;
 - the monetary survey within eight weeks after the end of the month (provisional data);
 - borrowing and lending interest rates; and
 - customary banking supervision indicators for bank and nonbank financial institutions (if necessary, the same indicators for individual institutions may also be provided).

C. Balance of Payments

26. The government will provide IMF staff with the following information:
- any revision to balance of payments data (including services, private transfers, official transfers, and capital transactions) whenever they occur; and
 - preliminary annual balance of payments data, within six months after the end of the year concerned.

D. Real Sector

27. The government will provide IMF staff with the following information:
- disaggregated monthly consumer price indices, monthly within two weeks following the end of each month;
 - national accounts, within six months after the end of the year; and
 - any revision in the national accounts.

E. Structural Reforms and Other Data

28. The government will provide the following information:
- any study or official report on Niger's economy, within two weeks after its publication; and
 - any decision, order, law, decree, ordinance, or circular with economic or financial implications, upon its publication or, at the latest, when it enters into force.

Summary of Main Data Requirements

Type of Data	Tables	Frequency	Reporting Requirement
Real sector	National accounts	Annual	End of year + six months
	Revisions of national accounts	Irregular	Eight weeks following revision
	Consumer price indexes, disaggregated	Monthly	End of month + two weeks
Public finances	Net government position in the banking sector	Monthly	End of month + six weeks
	Provisional table of government financial operations, including breakdown of revenue (DGI, DGD, and Treasury) and expenditure, including repayments of domestic wage and non-wage arrears outstanding at end-1999 and the change in the <i>reste à payer</i> (RAP) at the Treasury.	Monthly	End of month + six weeks
	Data on the stock of <i>reste à payer</i> at the Treasury, by reference fiscal year (total and RAP older than 120 days)	Monthly	End of month + six weeks
	Monthly data on the deposits of the correspondents with the Treasury	Monthly	End of month + six weeks
	Investment expenditure execution	Quarterly	End of quarter + eight weeks
	Table of execution of budgetary expenditures, of the expenditures in the priority unified list, and of expenditures on HIPC resources	Quarterly	End of quarter + six weeks
	General balance of Treasury accounts	Monthly	End of month + six weeks
	Monthly data on Treasury account balances and other public entities at the BCEAO.	Monthly	End of month + two weeks