THE INTERNATIONAL DEVELOPMENT ASSOCIATION AND
THE INTERNATIONAL MONETARY FUND

NIGER

Decision Point Document under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative

Prepared by the Staffs of IDA and the IMF[1]

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Contents

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Abbreviations and Acronyms

AfDB/F	African Development Bank/Fund
BADEA	Banque Arabe pour le Développement Economique en Afrique (Arab Bank for Economic Development in Africa)
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest, (Central Bank of the West African Economic and Monetary Union)
BOAD	Banque Ouest-Africaine de Développement (West African Development Bank)
CAS	Country Assistance Strategy
CET	Common External Tariff
CIRR	Commercial Interest Reference Rate
CS-DRMS	Commonwealth Secretariat–Debt Recording and Management System
DDP	Direction de la Dette Publique
DPT	Diphtheria, Perthusis, and Tetanus
DGD	Direction Générale des Douanes (General Customs Directorate)
DGI	Direction Générale des Impôts (General Taxation Directorate)
DMFAS	Debt Management and Financial Analysis System
DSA	Debt Sustainability Analysis
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
GDP	Gross Domestic Product
GNP	Gross National Product
HIPC Initiative	Initiative for Heavily Indebted Poor Countries
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IsDB	Islamic Development Bank
JSA	Joint Staff Assessment
MDB	Multilateral Development Bank
MoF	Ministry of Finance
NIGELEC	Société Nigérienne d'Electricité
NPV	Net Present Value
OHADA	Organisation pour l'Harmonisation du Droit des Affaires en Afrique (Organization for the Harmonization of Commercial Law in Africa)
ONAHA	Office des Aménagements Hydro-Agricoles
OPEC	Organization of Petroleum Exporting Countries
PER	Public Expenditure Review
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty reduction strategy paper
PIP	Public Investment Program
PSAC	Public Sector Adjustment Credit
SDR	Special Drawing Rights
SNE	Société Nationale des Eaux
SONIDEP	Société Nigérienne d'Importation des Produits Pétroliers
SONITEL	Société Nigérienne des Télécommunications
SSA	Sub-Saharan Africa
UEMOA	Union Economique et Monétaire Ouest-Africaine (West African Economic and Monetary Union)
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
WAEMU	West African Economic and Monetary Union (Union Economique et Monétaire Ouest-Africaine)

I. INTRODUCTION

1. This paper presents a decision point assessment of Niger's eligibility for assistance under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC). A preliminary HIPC Initiative document was discussed by the IMF and IDA Boards on November 22nd, 2000 (EBS/00/229; 11/15/00, and IDA/R2000-203; 11/15/00). Directors agreed that Niger was eligible for assistance under the enhanced HIPC Initiative in view of its status as a PRGF-eligible and IDA-only country, and its unsustainable external debt burden, even after taking into account the relief provided under traditional debt relief mechanisms. Directors noted the significant achievements in the areas of macroeconomic stabilization and structural reform that Niger made under the Enhanced Structural Adjustment Facility (ESAF) and IDA-supported program until it was interrupted by a military coup in 1999. They welcomed the actions taken since the beginning of the year by the new, democratically elected authorities to restore the economic and financial situation, as well as their commitment to complete and broaden the reform program that was initiated in 1996 and temporarily interrupted in 1999.

2. In addition, Directors were in general agreement that a limited set of triggers for attaining the floating completion point should be identified within the areas proposed by the staffs in the preliminary HIPC Initiative document. They noted, however, that the triggers needed to be more specific, outcome oriented, and flexible in the decision point document. They also asked that a mechanism for monitoring the use of poverty-related expenditures be given more attention and welcomed the initial efforts of the new government to improve financial management, reporting, and accountability. Directors further recommended that the rationale behind macroeconomic assumptions for the debt sustainability analysis be more fully explained and that sensitivity analysis include a low-growth scenario. Regarding the settlement of external payments arrears, Directors commended Niger for its recent efforts to reach agreements with the concerned creditors.

3. With respect to the timing of the decision point, most Directors agreed that Niger could reach a decision point before end-2000 subject to continued satisfactory economic performance, the approval of a three-year Poverty Reduction and Growth Facility (PRGF) arrangement, and the submission to the Fund and IDA Boards of Niger's interim Poverty Reduction Strategy Paper (PRSP). They welcomed the consultative process used in the preparation of the interim PRSP and supported the provision of interim relief subject to satisfactory financing assurances. The PRGF arrangement is scheduled to be discussed by the IMF Board in parallel with this document. The authorities have also finalized the interim PRSP, which is presented concurrently with its associated Joint Staff Assessment (JSA) to the IMF and IDA Boards.

4. The debt sustainability analysis presented in the preliminary HIPC document showed that the net present value (NPV) of debt-to-exports ratio after the delivery of enhanced HIPC Initiative assistance would remain above the sustainability threshold of 150 percent until 2013, mainly because of the continuing decline in Niger's principal export commodity,

uranium. Concerned with this unfavorable projected trend in Niger's debt profile, Executive Directors agreed to review Niger's debt sustainability at the completion point.

5. The remainder of this paper is organized as follows. Section II presents an assessment of Niger's eligibility for assistance under the enhanced HIPC Initiative and its adjustment record since 1996, including macroeconomic performance, the nature and extent of poverty, structural reforms, and social policies. Section III provides an overview of Niger's medium-term poverty reduction and growth strategy. Section IV presents the results of the debt sustainability analysis. Section V presents the use and monitoring of enhanced HIPC Initiative resources. Section VI evaluates the possible completion point for Niger and reviews the options for assistance that may be provided under the Initiative. Sections VII and VIII conclude the document with the staffs' recommendations and proposed issues for discussion by Executive Directors.

II. Assessment of Eligibility

A. PRGF and IDA Eligibility

6. Niger, one of the poorest countries in the world, is both IDA-only and PRGF-eligible and is likely to remain so for the foreseeable future. In 1999, the per capita GDP of Niger was US$197, with more than 60 percent of the population estimated to live in poverty. Twenty-year projections based upon an acceleration of real GDP growth to an annual average of 5.0 percent and a reduction in population growth from 3.3 percent a year to 2.9 percent a year would increase GDP per capita to only US$410 in nominal terms. Hence, Niger will continue to need assistance on highly concessional terms in the foreseeable future.

B. The Dimensions of Poverty in Niger

7. Niger's social development indicators are among the weakest of sub-Saharan Africa, reflecting a high level of adult illiteracy, low school enrollment rates, high infant mortality, and severe deficiencies in basic health and nutrition (see Text Table 1). The United Nations Development Program (UNDP) ranks Niger 173rd out of 174 countries listed in the 2000 Human Development Report. Throughout the last decade, the implementation of development policies in Niger has been impaired by weaknesses in economic management, a long-term decline in revenues from the country's main export commodity (uranium), political instability, adverse climatic conditions, and instability among regional trading partners, in particular Nigeria. There have also been wide variations in aid flows, affecting the capacity to effectively implement social development programs in a country where domestic revenue generation is very low.

8. The new civilian government, which took office in January 2000,[2] issued an interim PRSP in October 2000. The interim PRSP builds upon an earlier National Action Plan for the Fight Against Poverty elaborated in 1997/98 with UNDP support, and incorporates the findings of the last comprehensive poverty assessment, completed in 1996 with support from IDA, as well as data from a 1993 household income/expenditure survey and sector-wide surveys.

Text Table 1. Social Development Indicators for Niger and Sub-Saharan Africa (SSA), 1990/99

	1990		1999	
	Niger	SSA Average	Niger	SSA Average
Life expectancy at birth	46	51	47	52
Illiteracy (in percent of population aged 15 and above)	89	53	86	9
Gross primary enrollment (in percent of school-age population)	29	73	32	85
Boys	37	80	39	85
Girls	21	65	24	71
Infant mortality (per 1,000 births)	128	100	118	92[1]
Malnutrition prevalence (in percent of population age under 5)[2]	49	..	43	32
Access to safe water (in percent)[3]	37	34	53	44
Population growth rate (in percent)	3.3	2.9	3.3	2.6
Total fertility rate	7.4	6.0	7.5	5.6

Sources: World Bank, *World Development Indicators*, 2000; and staff estimates.
[1] Weighted average for WAEMU countries
[2] Composite indicator of weight and height (wasting) and height and age (stunting).
[3] IDA staff estimates that at least 35 percent of existing rural wells are nonoperational for lack of maintenance.

9. The interim PRSP summarizes the knowledge base currently available on the dimensions and determinants of poverty in Niger. It cites large family size, lack of education, deficient diet, low access to basic health services and sanitation, volatile food security, and inadequate access to arable land and water resources as the main determinants of poverty in Niger. There is also evidence that gender inequality aggravates the pervasiveness and severity of poverty. The burden of poverty falls disproportionately on women, whose access to land, credit, technology and social services remains limited. Rural families are poorer on average and are also particularly vulnerable to exogenous shocks, such as insufficient rainfall. Income poverty rates, as measured from the results of the 1993 survey, are reported

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[2] Transparent and democratically held elections took place at end-1999 in the wake of the political events of April 1999 and a military transition period.

in Text Table 2. Using the official poverty threshold (less than a dollar a day in 1993), it was estimated that 63 percent of the population was living below the poverty line, while 34 percent was considered as extremely destitute.[3] The average GDP growth rate of 3.5 percent recorded between 1993 and 1999 is only slightly higher than the population growth, and falls short of the annual 5–6 percent estimated to be necessary for a reduction in relative and absolute poverty. Real consumption per capita increased by a total of only 2.8 percent between 1993 and 1999. Thus, the pervasiveness of poverty has persisted, if not deepened, in recent years.

Text Table 2. Summary Poverty Rates, 1993
(in percent)

	Population Share	Poverty Rate	Extreme Poverty Rate
Urban areas	16.6	52	26
Niamey	5.9	42	18
Other urban	10.7	58	31
Rural	83.4	66	36
Niger	100.0	63	34

Source: *Enquête Nationale Budget Consommation*, 1993.

10. In this context, the interim PRSP outlines the government's strategy in addressing the special challenges of a landlocked country where desertification is a serious threat. In this difficult environment, the government's proposed priorities focus appropriately on consolidating macroeconomic stability, promoting human development by reinforcing basic education and health care, enhancing rural infrastructure (mainly rural roads and water resources), and establishing an environment conducive to private sector development, including judicial reform. Given the limited domestic resource base, the full PRSP that the authorities intend to prepare in the course of 2001 will need to further estimate the costs of these priority programs and reconcile them with projected domestic and external resources, including those of the enhanced HIPC Initiative.

C. Track Record Under IMF- and IDA-Supported Programs

11. Niger embarked, after the 1994 devaluation of the CFA franc, on an adjustment program that benefited from a 12-month Stand-By Arrangement from the Fund, an IDA Economic Recovery Credit and substantial support from bilateral donors. The program was disrupted by political and institutional instability, and went off track shortly after approval. However, the authorities continued to cooperate with the Fund and IDA and, in late 1995, began preparing a new medium-term macroeconomic program. The program received the support of a three-year ESAF arrangement, approved in June 1996, and a single-tranche IDA

[3] The extreme poverty line was set at about two-thirds of the poverty line.

credit (Public Sector Adjustment Credit, or PSAC). Technical assistance was provided by the IMF in the areas of national income accounting, tax policy and administration, and public expenditure management.

12. Niger's adjustment during the ESAF arrangement has been generally well sustained and all but one disbursements were made. Overall performance under the program was evaluated to be satisfactory as evidenced by the successful completion of the first two mid-term reviews. The third midterm review could not be completed following the political events of April 1999. The new government elected at end-1999 resumed the adjustment program, and understandings on a new three-year program to be supported by the Poverty Reduction and Growth Facility (PRGF) were reached with Fund staff in the second half of 2000. The authorities' request for the new PRGF arrangement is backed by prior actions taken to restore financial discipline and accountability (see Box 1).

Box 1. Prior Actions of the 2000-01 Program

In confirmation of its commitment to the 2000-01 economic program, the government has taken the following prior actions: (i) adoption of a supplementary budget law for 2000 by the National Assembly; (ii) elimination of the implicit subsidy on petroleum products through increases in the prices of petroleum products, revisions of the pricing formula, and liberalization of the transport of petroleum products; (iii) transmission of the draft budget review law for 1997 to the National Assembly and the corresponding treasury accounts to the Supreme Court's Accounting Office for auditing purposes; (iv) verification of the conformity with the budget procedures of expenditure effected at end-1999; and (v) closing of the accounts for fiscal years 1998 and 1999. At the same time, the government has resumed its contacts with the international donor community to secure for 2000-01 the budgetary assistance needed to cover a residual financing gap estimated at CFAF 292 billion, or 10½ percent of GDP, including expected debt relief of 7 percent of GDP on payments arrears and debt service.

13. Performance under IDA-supported programs has also been broadly satisfactory. Since mid-1996, IDA has supported Niger's adjustment efforts through both structural adjustment and sector investment lending. In addition to the single-tranche PSAC mentioned above, a Public Finance Reform Credit focusing on public sector management was approved in 1998. Regarding the implementation of the PSAC, the government generally maintained the structural reforms on track. Performance under the Public Finance Reform Credit was satisfactory until the events of April 1999 which resulted in the closing of the credit with two remaining tranches undisbursed. Discussions on a new budgetary support program started in early 2000 and a single-tranche Public Finance Recovery Credit was approved in September 2000 to support the new government's efforts to restore financial stability and accelerate reforms, especially with respect to fiscal management.

Macroeconomic performance

14. Economic and financial performance was broadly satisfactory under the program implemented by the authorities during the peaceful period 1996-98 and supported by IDA and Fund resources (see Table 1). Real GDP, which had declined by about 1 percent a year during 1990-93, rose by an average 3.5 percent per annum over the period 1995-99, taking

into account an exceptional growth of 10.4 percent in 1998 when good rains boosted agricultural production. The 1994 devaluation of the CFA franc had induced an initial deterioration in the external current account deficit, but the resulting improvement in competitiveness and efficiency contributed to a subsequent steady strengthening of the external position, with the current account deficit (excluding official transfers) falling from 14.9 percent in 1994 to an estimated 10 percent of GDP in 1998. At the same time, the overall government budget deficit (on a commitment basis and excluding grants) was more than halved to 5.4 percent of GDP in 1996, before increasing to 8.1 percent of GDP in 1998. Inflation, as measured by changes in the consumer price index for Niamey, declined rapidly after 1994, reaching 5.5 percent in 1995. Since then, inflation has remained below 5 percent annually.

15. The political events of April 1999 resulted in a temporary interruption of Niger's track record, a freezing of nearly all nonproject external financing, and delays in structural reforms. The financial situation of Niger deteriorated significantly, with (i) an increase in the basic fiscal deficit (on a commitment basis and excluding grants) from 3.2 percent of GDP in 1998 to 5.6 percent of GDP in 1999;[4] (ii) large accumulations of external and domestic payments arrears (including seven months of civil service salaries), raising the estimated total stock of payments arrears at end-1999 to more than 19 percent of GDP; and (iii) issues of governance and transparency regarding expenditure effected at the end of 1999. In addition to a deterioration of public finances, real economic growth was slightly negative in 1999,[5] and the external position remained weak because of the freeze on external nonproject assistance. Despite an improvement of the external current account deficit (excluding official transfers) from 10 percent of GDP in 1998 to 7.6 percent of GDP in 1999,[6] the overall balance of payments deficit widened. It was financed mainly through an accumulation of external payments arrears (nearly 2 percent of GDP) and a large drawdown of net foreign assets. Money supply declined by 5.5 percent in 1999, despite a 12 percent increase in net credit to the government.

16. Hence, the democratically elected civilian government that took office in January 2000 inherited a very difficult situation, which was further exacerbated by escalating petroleum prices on the world market. However, the new government implemented a series of far-reaching measures starting in January 2000 to restore the financial and economic situation through the adoption of a strict cash management system and the establishment of expenditure priorities ensuring full payment of salaries, avoiding the accumulation of domestic payments arrears, and orderly, if incomplete, external debt servicing. In addition, the new government established its economic, social, and political agenda, had it approved by the National Assembly in April 2000, endeavored to develop a political consensus and

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[4] The basic deficit is the overall deficit, excluding foreign-financed capital expenditure.

[5] However, the exceptional crop at end-1998 resulted in negative inflation in 1999.

[6] Official transfers were equivalent to 6 percent and 4½ percent of GDP in 1998 and 1999, respectively.

participatory process with its social partners in favor of structural adjustment and reforms, and resumed full contacts with the donor community. A revised Budget Law was enacted in May 2000 and several important actions were taken by the government in the area of fiscal discipline and accountability. These measures provided a solid foundation for improved budgetary management in the remainder of the year 2000. A recently concluded agreement with IDA for a Public Finance Recovery Credit (Report No. P7390NIR; 08/18/00) and a proposed arrangement with the IMF under the PRGF should further strengthen macroeconomic management and support for a range of economic and structural reforms that would enhance the prospects for economic recovery and poverty reduction in the medium term.

17. The Nigerien government's prudent financial management, and its determination to improve budgetary transparency and good governance, have made it possible, with the financial assistance of some bilateral donors, to achieve the priority objectives of the government and maintain social and political stability. At end-June 2000, the overall budget deficit (on a commitment basis, excluding grants) was held at CFAF 42 billion (equivalent to 6.3 percent of GDP), with budgetary revenues equivalent to 8.1 percent of GDP and total expenditure limited to 14.4 percent of GDP (including an off-budget subsidy of petroleum products equivalent to 0.7 percent of GDP). Wages were paid on a regular basis, and one month of wage bill arrears was even settled. Nevertheless, the strict observance of budgetary financing constraints and the priority given to some expenditure made normal budget execution difficult, affecting services and the investment program. Based on actual external financing at end-June, the government was able to reduce its debt to the Nigerien banking system by about CFAF 1.8 billion. This improvement in the net government position was made possible only by the skipping of payments of part of the external debt service and a slight increase in domestic payments arrears, owing essentially to the implicit subsidy on petroleum products.

Structural Policies

18. Niger made overall satisfactory progress in implementing structural reforms in the second half of the 1990s, despite the political instability that temporarily affected the track record in 1999. The newly elected government that took office in January 2000 has demonstrated its willingness to pursue the reform agenda and achieve the objective of poverty reduction.

Reforms during 1996-99

19. The overall record of structural reform in Niger is quite positive.[7] In terms of the adoption of fundamental market-based mechanisms, Niger had already achieved in the 1980s notable progress in comparison with some other countries in the subregion: prices and

[7] An overview of reforms completed to date is presented in Annex 1.

international trade were significantly liberalized; monopolies in agricultural trade were abolished; and the tax regime was streamlined, in particular through the adoption of a unified value added tax (VAT). Notwithstanding these advances, severe domestic and external imbalances persisted. The stabilization program to accompany the 1994 devaluation of the CFA franc produced mixed results, and structural weaknesses were not effectively addressed until the political situation was consolidated after elections in 1996.

20. In that year, the incoming government embarked on a comprehensive, medium-term reform program which sought to achieve sustainable economic growth and a reduction in poverty. With regard to public finances, the reform program aimed at addressing structural weaknesses such as low revenue mobilization, weak budget execution, inefficient public services, an excessively high wage bill, and poor management and supervision of public enterprises. In addition, measures were introduced to foster private sector development, reform and privatize public enterprises, support rural development, and accelerate administrative reform. These reforms, in conjunction with sustained efforts towards macroeconomic stabilization, resulted in substantial progress on several fronts as indicated below.

21. Fiscal revenue mobilization was strengthened, and revenue increased from 6.0 percent of GDP in 1994 to 8.9 percent in 1998. The increases in revenue were made possible by direct and indirect tax reforms, and the strengthening of tax and customs administration. The measures implemented to achieve these results included, in particular: (i) the review and streamlining of tax and tariff exemptions; (ii) the simplification and rationalization of the income tax, the property tax, and the taxation of petroleum products; (iii) the introduction of a single professional tax to target the informal sector; (iv) the reorganization of tax collecting agencies, including the creation of a large taxpayers unit; and (v) the introduction of a single taxpayer identification number.

22. Public expenditures were brought under better control. The government's main objectives were to establish budgetary discipline and improve the efficiency of public expenditure. In particular, the authorities' program introduced a revised civil service pay scale that resulted in a sharp reduction of the wage bill; abolished uncontrolled advanced payments; completed an organizational audit of the Treasury in 1999; and adopted a plan to clear domestic payments arrears in 1998. In addition, a multi-year public expenditure review (PER) was launched for the health and education sectors, leading to the reorientation of non-wage expenditures to priority programs.

23. Regarding civil service reform, the government adopted a series of measures in 1997/1998 targeting both wage costs and staffing levels. By the end of 1998, the initial set of measures led to the departure of close to 700 civil servants excluding normal attrition. In addition, a civil service census was completed and a program launched to integrate all the payroll and personnel information systems into a single database.

24. In the area of public enterprise reform and economic liberalization, the government launched a program in 1996 to privatize 11 enterprises, and restructure or liquidate 12 other

public companies. Three small state-owned companies (textiles, cement and dairy products) were sold to private operators while privatization strategies were prepared for the three major utility companies in telecommunications (SONITEL), urban water distribution (SNE) and electricity distribution (NIGELEC), and for the import and storage petroleum company (SONIDEP). Although the pace of reform slowed in 1999, the regulatory environment was strengthened through the establishment of a multi-sector regulatory agency and the adoption of parent laws for telecommunications and water distribution.

The restoration of democracy and resumption of reforms in 2000

25. The broadly satisfactory track record of structural reform in 1996-98 was temporarily interrupted by the political events of April 1999. However, the new government has affirmed its determination to resume the process of structural reform and to make it a cornerstone of Niger's poverty reduction strategy. The authorities have imparted new momentum to the privatization program, specifically the sale of the four key public enterprises: NIGELEC, SNE, SONITEL, and SONIDEP. After some delays, the terms and conditions for the privatization of NIGELEC were finalized, consisting in a concession arrangement for the production, import, and distribution of electricity. Potential buyers for SONITEL and SNE were invited to come forward in May 2000. At the same time, a call for bids for two cellular telephone licenses was launched and the successful bidders selected in October. Finally, the strategy for the privatization of SONIDEP was adopted in July. The strategy calls for the sale of a majority of the shares in this company to professional private investors in the sector and the signing of a concessions contract between the government and the new SONIDEP for the management of fuel depots. The finalization of the privatization strategy for SONIDEP has been accompanied by a reform of the sector, including (i) two price increases in May and September 2000, and a revision of the pricing formula in September, to eliminate the overall subsidy of the petroleum sector resulting from fixed domestic prices in a context of increasing international prices; (ii) the liberalization of the transport of petroleum products in September 2000; and (iii) the commitment of the new government to introduce a transparent, automatic and flexible pricing structure of petroleum products in June 2001.

26. As part of the civil service reform, a new law on the retirement rules for government workers and civil servants was implemented in March 2000, and will result in the early retirement of nearly 2,400 government auxiliary workers and civil servants in 2000 and full-year savings estimated at the equivalent of 0.2 percent of GDP. Under this legislation, the age limit for auxiliary workers was reduced from 60 to 58, and the maximum years of service for civil servants reduced to 30 years, while the age limit for public employment was maintained at 55. Likewise, the consolidation of the various payroll and personnel records in a single database was completed in July 2000 and led to the identification of almost 300 irregular cases. The resolution of these cases has begun and should be completed by the end of the year.

27. Beyond the strict control of expenditure described above, the government has resumed implementation of the budget management reform program introduced in 1997 and 1998. This program includes a number of modules covering budget preparation,

execution, and tracking. The measures adopted in the early part of 2000 focus mainly on better control of certain government expenditure items, in particular consumption of water, electricity, and telephone services. As of July 2000, payroll management was also made easier and more transparent by the use of the new single database.

28. In the area of budgetary data management, regular reconciliations have been done among the central revenue collection offices since the beginning of 2000. Likewise, the Treasury has introduced an information system for the weekly collection of not yet recorded or classified revenue data. The improvement in the quality of budgetary data has made it possible to prepare more realistic cash-flow plans. The transparency of government operations was also improved, as a more rigorous and timely recording of transactions in the appropriate accounts, led to a reduction in suspense accounts balances and more accurate and informative balance sheets of the Treasury. Finally, the 1997 budget review law was submitted to the National Assembly, and the corresponding revenue and expenditure accounts sent to the Accounting Office of the Supreme Court.

29. As a member of the West African Economic and Monetary Union (WAEMU), Niger has substantially liberalized its exchange and trade policies and harmonized its regulations. In particular, the introduction of WAEMU's Common External Tariff (CET) in January 2000 has reduced the maximum tariff rate from 25 percent to 20 percent, the unweighted average tariff from 22.3 percent to 12.3 percent, and the statistical tax on imports from 5 percent to 1 percent. Tariff barriers for intra-WAEMU trade were dismantled in 2000.

Social and Sector-wide Policies

30. **Education**. During the last two decades, school enrollment and the efficiency of the school system have stagnated and Niger has been falling steadily behind its neighbors in those areas. Gross primary enrollment rates have remained below 30 percent, falling substantially behind average rates prevailing in sub-Saharan Africa (see Text Table 1). The rate of entry to first grade has also remained unchanged at about 32 percent for the last ten years, and only about 60 percent of first grade entrants currently reach the end of the cycle. Grade repetition is widespread, especially in the last year of the primary cycle. Wide disparities exist between girls and boys and between children in urban and rural areas. In order to revive the development of primary education, previous governments adopted several measures, including the introduction of double-shift teaching in urban areas and the redeployment of surplus staff from the upper secondary level and administrative units to lower-level teaching. More recently, new reforms were initiated to address supply side constraints on primary schooling, including the construction and rehabilitation of classrooms and the reallocation of budget appropriations in line with recommendations of the sector expenditure review (see Annex 1 for details). Among the measures that have shown great promise are innovative delivery mechanisms to address the issue of teacher shortage, while keeping payroll costs sustainable. A program for hiring volunteer teachers was introduced in

1998, resulting in substantially lower costs.[8] The recent marginal gains in gross primary enrollment rates (from 29 percent in 94/95 to 32 percent in 1998/99) can be attributed to the implementation of such programs. Nevertheless, significant constraints continue to hold back the spread of primary schooling in rural areas. Even in villages where a school exists within easy reach, many families continue to keep their children, especially girls, at home. Factors that have contributed to the weak demand for schooling include the high opportunity cost to families, the poor quality of education (including inadequate teacher training and lack of pedagogical materials), its perceived lack of relevance to rural communities, and the weak institutional capacity of supervising agencies.

31. **Health**. Niger's poor health indicators result from the high prevalence of communicable and parasitic diseases, poor nutrition, one of the highest fertility rates in the world, inadequate access to safe water and sanitation, and low levels of literacy and education, especially for women. The unreliable supply and high cost of generic essential drugs, especially for the rural population, further discourages the use of existing health care centers. High fertility is mainly explained by the early age at which women enter into wedlock and the low level of acceptance of contraceptives. The levels of infant and child mortality reflect the low immunization rates and the high prevalence of respiratory diseases, diarrhea, and malaria. While the proportion of unvaccinated children is estimated to have declined since the early 1990s, comprehensive coverage, as defined under the Expanded Program of Immunization (EPI), has remained below 18 percent (with DPT3 immunization standing at 24 percent in 1998).[9] Inadequate access to safe water raises significantly the risks of diarrhea, which are complicated by the low utilization of rehydration therapy. Malaria remains one of the main causes of mortality and morbidity among children and pregnant women. Child malnutrition remains widespread, and stunting is estimated to affect two out of five children under the age of 3. More generally, preventive and curative health delivery mechanisms have had only limited success in responding to health care challenges thus far. The objectives of the first comprehensive policy statement for the health sector and a corresponding implementation plan for the period 1994-2000 included the decentralization and reorganization of the health system; the improved management of sector resources; the wider availability of health services; increased monitoring of sexually transmitted diseases such as AIDS; immunization; and the improved availability and management of essential generic drugs. Main achievements of the program to date relate to the devolution of management capacity at the district level, the redeployment of personnel toward priority areas (mainly rural districts), and an expansion of the coverage of the health care system. Results in terms of health outcomes remain modest, as can be seen from the indicators in

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[8] In the volunteer teacher program, supported by IDA, primary school teachers are recruited among the large pool of unemployed or underemployed young graduates and offered medium-term contracts with the communities. They are subsequently enrolled in training programs. The program has received the active support of regular civil service teachers.

[9] The EPI covers diphtheria, perthusis and tetanus (DPT), as well as BCG (tuberculosis), polio and measles. Niger has added meningitis to the program following outbreaks of the epidemic in recent years.

Text Table 1. Similarly, the impact of the two consecutive national programs to fight malaria implemented since 1987 was modest, and the new government is revising the malaria rollback program to substantially reduce mortality from the disease.

32. **HIV/AIDS**. The emergence of HIV/AIDS is another major health and developmental challenge facing the Nigerien population. Although the official prevalence rate of 2 percent is low in comparison with other sub-Saharan countries, partial indications would suggest that HIV/AIDS is now expanding rapidly and that the official estimate may no longer provide an accurate baseline. The most recent survey data show a marked increase among antenatal clinic patients in HIV prevalence, which has doubled in the last couple of years. The surveillance reports also indicate that wide disparities exist among geographical regions. The most recent cases recorded have involved people in the 15-29 age group, especially in regions where there is significant migration and cross-border movement (e.g., along the Nigerian border). The increase in recorded cases among females and in rural areas is particularly worrisome. According to results from the last Demographic and Health Survey (DHS, 1998), awareness about the existence of AIDS is fairly widespread among the general male population and among women residing in urban centers, but half of the women living in rural areas, particularly those without formal education, have never heard of HIV/AIDS. As have most African countries, Niger has adopted a series of action plans since the late 1980s with the support of the World Health Organization (WHO) and the joint UN Program on HIV/AIDS (UNAIDS). Implementation has suffered from institutional, cultural and financial constraints. The new government has firmly stated at the highest level its commitment to address the HIV/AIDS issue, and is preparing a new strategy with the support of external partners.

33. **Rural development issue**. Effective poverty reduction in Niger will need to include the development of the rural economy. The primary sector, which accounted for about 40 percent of GDP in 1999, is dominated by rain-fed agriculture, and livestock production (84 percent of men and 97 percent of women in the sector's active population are involved in agriculture and livestock). Real growth of agricultural output averaged only 1.1 percent per year during the period 1969-95, mainly through increases in cultivated areas. As a result, agricultural GDP has declined by about 2 percent a year on a per capita basis, thereby eroding food security. Unlike other Sahelian countries, which have experienced productivity gains in cereals, yields of Nigerien staples (millet and sorghum) are low and declining. Desertification is posing a major challenge to the development of agricultural production. Past government policies, which focused on extension services, agricultural research, and irrigation technology have not enabled producers to switch out of subsistence agriculture. Nevertheless, some important advances have been made with regard to the legal framework, with the adoption of a rural code governing land ownership and the enactment of legislation to foster producer associations. More recent government efforts have concentrated on the formulation of a rural sector growth strategy, including such important subcomponents as irrigation, environmental conservation, and microfinance. A first public expenditure review for the rural sector was completed in 2000.

III. Medium-Term Policy Outlook

34. The principal elements of Niger's medium-term development strategy are outlined in the interim PRSP which is presented to the Boards in parallel to this document. The interim PRSP explicitly stresses the need for financial stability and higher economic growth within the context of increased regional cooperation, as necessary conditions for sustainable poverty reduction. In support of the macroeconomic policy objectives, the interim PRSP also emphasizes the deepening of structural and social reforms. The latter includes (i) the enhancement of good governance, especially through improved management of public resources; (ii) an improved access to basic education and health care; (iii) better rural infrastructure (e.g., transportation and water resources); and (iv) private sector development. A detailed timetable of the macroeconomic and structural policies designed to achieve these objectives is set out in the policy matrix attached to the interim PRSP.

A. Macroeconomic Objectives and Policies

35. On the basis of policies envisaged under the program, it is projected that GDP would grow by an average rate of 4 percent a year in real terms during 2001-03, and per capita income increase by close to 1 percent per year. Inflation would be maintained at 2-4 percent, consistent with the exchange rate peg, and the external current account deficit (excluding official transfers) would stabilize at around 10 percent of GDP (see Table 2). Achievement of the GDP growth rate would require the level of investment to rise from about 10.4 percent of GDP in 2000 to 13.8 percent of GDP by 2003. Moreover, investment should be increasingly financed by domestic savings, which are targeted to rise from about 2 percent in 2000 to 5.2 percent of GDP by 2003. Public sector savings should increase by about 1.5 percentage points of GDP during the same period, reflecting an improvement in the fiscal position. Private savings would also increase by about 1.5 percentage points reflecting the projected turnaround in economic performance, despite the programmed strengthening of tax revenue collection.

36. The authorities have stressed their intention to further improve government finances. Specifically, they aim to reduce the overall fiscal deficit (on a commitment basis and excluding grants) from 9.7 percent of GDP in 1999 to 7.0 percent by 2003. Total government revenues are to be increased by about 2 percentage points to 10.1 percent of GDP in 2003 by further improving the tax administration and broadening the tax base. A slight reduction of total expenditure to 9.9 percent in 2003, reflecting the elimination of the overall subsidy of the petroleum products, a reduction in utilities consumption and the tight control of the wage bill, will be accompanied by a restructuring of spending towards goods and services, infrastructure maintenance, social expenditure and investment projects. The government will continue to be supportive of the BCEAO's prudent monetary policy, and the banking system will be strengthened by implementing the recommendations of the Regional Banking Commission.

B. Structural and Social Policies

37. The interim PRSP includes a frank review of past structural and social policies. In light of this, revised sectoral strategies are being prepared by the government in consultation with donors and stakeholders. The interim PRSP presents these strategies in a common framework of poverty reduction, with special reference to education, health, rural development, transport infrastructure, and private sector development. The cross-cutting themes of good governance and decentralization are also included in this framework. In the course of preparing a full PRSP, more work will be needed with respect to prioritization and costing of the proposed policies. The resource envelope will need to be consistent with the medium-term macroeconomic framework. The government's agenda of structural and policy reform is quite broad and is summarized in Box 2.

Box 2. Structural Reform Agenda

In addition to the reforms in expenditure management, education, health, HIV/AIDS, and rural development, detailed in paragraphs 39-46, the authorities' reform agenda includes:

Revenue mobilization. The government will strive to broaden the tax base and strengthen tax administration, including the introduction of self-assessment systems and the strengthening of the tax audit capacity. The number and scope of tax and duty exemptions will be further limited, and the institutional arrangements for tax collection rationalized. Other related measures will include the strengthening of capacity for local tax collection, and the improvement of information and data management.

Regional integration. The authorities will implement the WAEMU reform agenda with respect to public finance and government accounting, as well as prepare a medium-term program to reach the regional convergence criteria. Further harmonization will be pursued in the areas of commercial and investment laws.

Privatization. Privatization of the four key public enterprises is scheduled to be completed by the end of 2001, in accordance with transparent procedures with respect to the selection of investors as well as to the budgetary treatment of the costs and revenues linked to the privatization program. Price and tariff policies in the respective sectors will be revised, including the adoption of a flexible price mechanism for petroleum products.

Financial sector. Based on a recent diagnosis undertaken with the support of the World Bank, a financial system development strategy, covering banks, postal savings, microfinance, insurance and the pension schemes will be prepared. Monitoring compliance with prudential regulations will be strengthened and the case of two ailing state-owned financial institutions resolved in line with the recommendations of the Regional Banking Commission. An audit of the postal savings institution will be undertaken and measures identified for its revitalization.

Transport and infrastructure. The government also intends to redefine its role in the transport sector in order to focus on planning, programming, budgeting and supervision functions. Two broad areas of reforms are targeted. First, the process of transferring road maintenance to the private sector will be further strengthened by establishing an effective financing mechanism for road maintenance. Second, transport liberalization will be completed, starting with domestic passenger transport and merchandise transport to and from Togo and Benin.

38. The following sections address the policy areas that are most closely related to poverty reduction and would be supported by the resources of the enhanced HIPC Initiative.

These policies will be reviewed and revised, if appropriate, in the context of the broadened participatory process envisaged for the preparation and validation of the full PRSP.

39. A key element of the interim PRSP relates to improving the management of public resources. The authorities will continue to strengthen budget implementation and monitoring. At the same time, procedures will be reviewed and simplified within the framework of the existing financial management information system. A Treasury reorganization action plan will be implemented with external assistance from the IMF and IDA. Budgetary and accounting classifications will be revised in line with subregional guidelines, and budget reporting improved in order to allow for a more transparent and timely monitoring of expenditure.

40. Equally important, the budget preparation process will be improved through the development, in the context of the full PRSP preparation, of a medium-term expenditure framework to determine overall priorities within the available resource envelope. In addition, the capacity of sector ministries to perform financial programming will be strengthened and program budgeting will be developed on a pilot basis.

41. Improved budget preparation, reporting and control should prevent accumulation of domestic payments arrears. With respect to the stock of domestic payments arrears at end-1999, the government will update the database on claims, and implement a multi-year program to clear validated arrears, including salary arrears.

42. Fiscal accountability and external budgetary oversight will be strengthened with the continuing submission of budget review laws and the corresponding treasury accounts for 1998-2000. By 2002, it is expected that the previous year's budget execution will be ready for review before the budget law for the next fiscal year is adopted. Increasingly, the expenditure review process will focus on assessing the impact of public programs, especially at the local level, through incidence analysis or expenditure-tracking surveys.

43. **Education**. Increasing access to primary schooling remains the government's main objective in the sector. To this end, the government intends to strengthen policies to address constraints on expanding enrollment, specifically through:

- an extension of double-shift and multi-grade teaching;
- a reduction in repetition rates, especially in grade 6;
- an expansion of the volunteer teacher program;
- the provision of sufficient budget resources for non-wage expenditure, especially for operations and maintenance, as well as for pedagogical material;
- the adoption of special measures to promote girls' schooling through advocacy, information and communication programs involving local opinion leaders and school-level management committees; and
- the decentralization of service delivery for primary schooling to local communities and the delegation of authority to adapt the school calendar and curriculum to suit local conditions.

The authorities expect that primary enrollment rates will increase from 29 percent at the beginning of the decade to 38 percent by 2002, and that the share of girls in primary schools will increase from 38 percent to 42 percent over the same period.

44. **Health**. A key feature of the government's strategy is to improve efficiency in the use of public resources with a more focused allocation of personnel, materials and supplies to primary health care and to the poorest regions. Given the central importance of women in fostering family health care, a successful health care strategy must be closely linked to improved education, particularly for girls. Other areas of focus will be to:

- reinforce the health district system;
- increase the availability of essential drugs by restructuring supply and marketing mechanisms;
- decentralize resource management in the sector (human, financial and physical);
- introduce routine immunization and effectively increase coverage; and
- implement special programs targeted at fighting malaria and tuberculosis.

45. **HIV/AIDS**. Although prevalence is reported to be low, there are signs that the pandemic may expand rapidly, which poses a formidable development threat to Niger. At the institutional level, the mandate of the agency in charge of the HIV/AIDS program will be refocused and strategic alliances with nongovernmental partners will be strengthened. The government intends to finalize its priority action plan which would include such measures as the following:

- a program for the social marketing of condoms;
- the careful monitoring of epidemiological trends; and
- behavioral surveys to better target interventions.

46. **Rural development**. The government plans to limit the scope of public intervention in the sector to the provision of essential infrastructure, such as rural roads and access to water resources. It also plans to decentralize and restructure extension services and applied research, within a context of user participation. The government has already initiated a consultation process with farmers and other rural inhabitants to prepare a comprehensive rural development strategy, focusing on the following:

- productivity improvement through adoption of cost-efficient and user-friendly technology;
- promotion of agricultural and livestock exports (including nontraditional crops);
- improvement in water management, especially through the promotion of small-scale, inexpensive, and environmentally sustainable irrigation systems;
- improvements in irrigation support services by restructuring the state-owned irrigation company (ONAHA) and transferring irrigation systems to the private sector;
- reduction in state intervention in the market for agricultural inputs and promotion of the private sector marketing of such products as seeds, fertilizers and pesticides;

- development and adoption of a strategy for rural microfinance;
- further strengthening of the legal framework for rural sector development, including the adoption of a pastoral code; and
- rehabilitation and expansion of the rural roads network.

IV. Debt Sustainability Analysis and HIPC Assistance

A. Structure of External Debt

47. The debt sustainability analysis (DSA) was prepared jointly by the IMF, the World Bank, and the Nigerien authorities on the basis of loan-by-loan data provided by the authorities and creditors for debt outstanding at end-1999. Debt reconciliation was undertaken in August and completed during September-November 2000 to ensure that the nominal debt figures used to estimate the NPV of debt were consistent with creditor-provided debt data and the debtor's database. An agreement was reached on the assumptions and the results of the analysis (see Tables 3-14). Reconciliation of at least 84 percent of Niger's debt has already been achieved, including with multilaterals (66.4 percent of debt) and Paris Club creditors (17.2 percent). Reconciliation of debt vis-à-vis non-Paris Club bilateral creditors is advanced, but will, in some cases, require further clarification. Only one minor multilateral creditor, Conseil de l'Entente, has so far failed to respond to Niger's authorities requests for reconciliation.

48. Prior to a hypothetical Naples stock-of-debt reduction operation, the nominal stock of Niger's public and publicly guaranteed external debt was estimated at US$1,604 million at end-1999. This amount includes external arrears of US$165.1 million, of which US$82.7 million are owed to multilateral institutions, and US$82.4 million to bilateral and commercial creditors. In NPV terms, and after assuming full use of traditional debt relief mechanisms, the debt was estimated at US$973.3 million, equivalent to 48.2 percent of GDP, or 322.4 percent of exports of goods and services.[10] Details of the breakdown by creditor of the end-1999 debt stock are provided in Table 4 and summarized in Figures 1 and 2. Of the total nominal debt, US$1,070 million or 67 percent was owed to multilateral creditors, and US$534 million or 33 percent, to bilateral and commercial creditors.[11] IDA is the largest

[10] The NPV of debt-to-exports ratio is measured on the basis of a backward-looking three-year average of exports of goods and services (including the current year). The debt-service ratio is calculated on the basis of current-year exports. Discounting is based on currency-specific CIRRs (commercial interest reference rates) for the six-month period ended December 1999. Transit trade, which amounted to 8.9 percent of 1997-99 total exports as reported by the authorities in their balance of payments, has been excluded for the calculation of these ratios. The exchange and interest rates used for calculating the debt data are shown in Table 6.

[11] On the bilateral debt side, Niger has benefited from nine debt-relief operations with the Paris Club. The first five agreements were on non-concessional terms. The two subsequent agreements signed, respectively, in December 1988 and September 1990 provided for concessional restructuring of maturities on Toronto terms (33 percent NPV reduction). The March 1994 flow rescheduling on London terms (50 percent NPV reduction) covered arrears at end-1993 and maturities falling due between January 1994 and March 1995. The latest Paris Club agreement, signed in December 1996, covered arrears at end-November 1996 and maturities falling due

(continued)

creditor accounting for 43.2 percent of the total outstanding debt. Other prominent multilateral creditors include the African Development Bank/Fund (AfDB/F, with 8.7 percent) and the IMF (4.2 percent). France is the largest Paris Club creditor with 12.4 percent of the outstanding debt, while other Paris Club creditors account for 4.8 percent and non-Paris Club bilateral creditors for 15.9 percent.

Box 3. Status of Niger's Arrears Clearance Arrangements with External Creditors

Multilateral creditors:

- In March and October 1999, the West African Economic and Monetary Union (WAEMU) agreed with Niger in the context of the enhanced HIPC Initiative to buy back Niger's principal and interest arrears at end-March 1999 vis-à-vis BOAD. WAEMU paid US$12.5 million to BOAD in October 1999, and signed with Niger an agreement on the repayment of this amount on concessional terms, with an equivalent grant element of 38 percent.
- At end 1999, Niger rescheduled its arrears with BADEA amounting to US$23.4 million, on concessional terms that could be considered under the enhanced HIPC Initiative (grant element of 21 percent).
- In 1997, Niger reached understandings with the IsDB to restructure its accumulated arrears at end-1996. Although Niger maintained payments under the agreement in the initial period, it subsequently defaulted. As of end 1999, Niger's arrears to the IsDB stood at US$22.5 million. In May 2000, the IsDB agreed to an interim arrangement with the country covering a period of two years ending December 2001, or earlier if the enhanced HIPC Initiative is implemented.
- On October 31, 2000, the Nigerien authorities held a meeting with their multilateral creditors in Paris. The meeting was hosted by the World Bank and attended by the IMF, BADEA, EU, EIB, IFAD, and the OPEC Fund. It was agreed that the government of Niger and these multilateral institutions would work together to arrive at an appropriate solution to outstanding arrears, including the new arrears accumulated in 2000. There was a mutual understanding that clearance of arrears should be consistent with the country's overall macroeconomic framework and limited debt service capacity. In line with the understandings reached in this meeting, Niger has approached the relevant MDBs (including the Conseil de l'Entente and ECOWAS) to conclude agreements on the debt relief of these payments arrears shortly. A follow-up meeting of the authorities and the OPEC Fund took place in Vienna in mid-November 2000 to discuss ways and means of settling the arrears. The government reached understandings with the AfDB/F and IFAD to clear payments arrears by year's end.

Bilateral creditors:

- With regard to bilateral creditors, Paris Club creditors have provided indications of debt relief on Cologne terms for external payments arrears and debt service on eligible debt. The government will initiate procedures to obtain at least as favorable debt relief conditions from other bilateral creditors. Given Niger's limited resources for debt servicing, the authorities have also requested from Paris Club and non-Paris Club creditors deferral of payments arrears on non eligible debt on appropriate terms (ten year maturity and three year grace period).

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between December 1996 and June 1999; it provided for a 67 percent reduction in NPV on eligible maturities. Niger has also benefited from two other debt-forgiveness initiatives in 1994. Under the Agreement of Dakar II, Niger was granted a cancellation of all concessional and nonconcessional non-Paris Club debt owed to the Caisse Françaíse de Dévelopрement. Under the Initiative of La Baule, France cancelled 50 percent of eligible maturities and arrears at end-December 1993. These two initiatives provided a total relief of US$23.6 million in 1994.

Figure 1. Niger: Composition of Stock of External Debt Before Full Use of Traditional Debt Relief Mechanisms, End-December, 1999

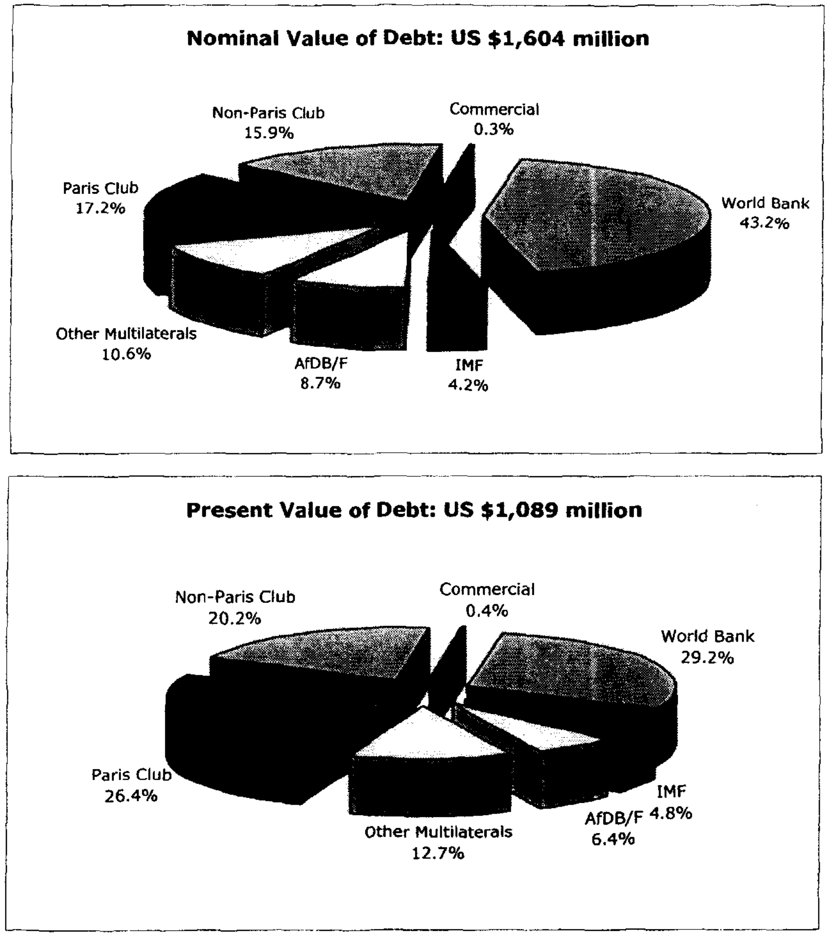
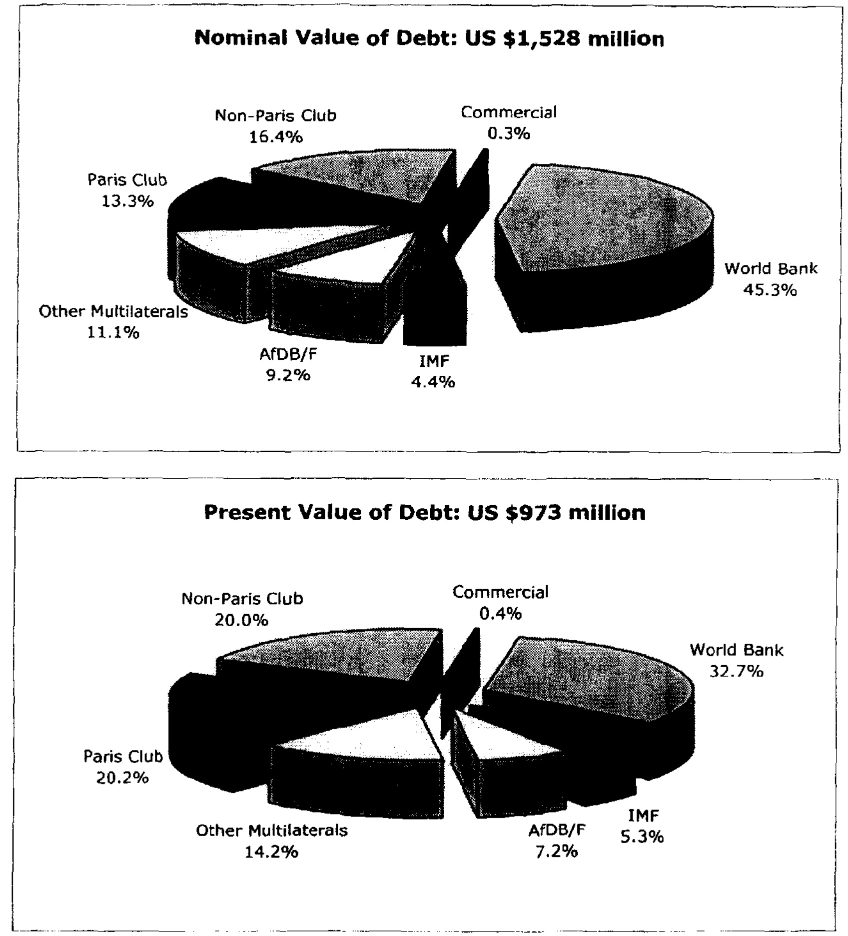


Figure 2. Niger: Composition of Stock of External Debt After Full Use of Traditional Debt Relief Mechanisms, End-December, 1999



49. A detailed breakdown of external payments arrears at end-December 1999 is presented in Table 9. The table shows arrears vis-à-vis multilateral institutions worth US$82.7 million, of which US$35.9 million was already cleared during 1999 through rescheduling agreements with the Banque Ouest-Africaine de Développement (BOAD) and the Banque Arabe pour le Développement Economique en Afrique (BADEA) in the context of the enhanced HIPC Initiative. These cleared arrears are included in Table 9 because concessionality granted in the course of the arrears clearance will be taken into account in the assistance provided under the enhanced HIPC Initiative, in line with the methodology agreed with MDBs (see Box 3).[12] Of the US$66.4 million payments arrears still outstanding at end-1999, 48.2 percent is owed to the Islamic Development Bank (IsDB), 19.4 percent to the OPEC Fund, and 16.5 percent to the European Union (EU) and European Investment Bank (EIB). Niger agreed on an interim payments arrangement with the IsDB in 2000. Arrears owed to bilateral creditors at end-1999 comprised US$16.0 million owed to the Paris Club, and US$61.84 million to other bilateral creditors. Niger accumulated new external payments arrears in 2000, but understandings for the settlement of arrears have been reached with multilateral and Paris Club creditors, with comparable treatment expected from non-Paris Club bilateral creditors. Actual debt relief agreements are expected to be finalized next year.

B. Long-Term Balance of Payments and Macroeconomic Assumptions

50. The macroeconomic projections used in this analysis reflect the assumptions that were agreed with the authorities, and are summarized in Box 4 and Table 3. They are based on the premise of a continued implementation of sound macroeconomic and financial policies, and of a strong program of structural reforms aiming at eliminating the impediments to growth and private sector development in Niger, as well as of the successful implementation of the government's poverty reduction strategy, bolstered by the additional resources provided by the enhanced HIPC Initiative.

51. As indicated in Box 4, baseline macroeconomic projections include a medium-term growth rate averaging 5 percent per year in real terms. This would be achieved by a gradual increase of economic performance over the period 2000-19 from a 3 percent growth rate in 2000 to 6 percent in 2019. In the early years of the projection period, these rates are comparable to the actual performance of Niger in the period 1995-99, and only slightly exceed population growth. A key element of the authorities' reform program is not only to achieve such a gradually higher growth rate but also to limit the wide swings observed in the past. The program projection is predicated on (i) the absence of adverse weather conditions and external shocks; (ii) political stability and sound economic development of Niger's main partners in the subregion, particularly Côte d'Ivoire and Nigeria; (iii) greater regional integration in the context of the initiatives with the WAEMU and the Economic Community of West African States (ECOWAS); and (iv) the continuous implementation of sound

[12] See "HIPC Debt Initiative: the Chairman's Summary of the Multilateral Development Banks' Meeting", March 6, 1998, IDA/Sec M98-90, Attachment.

financial and economic policies, as well as a strong program of structural reforms aiming at removing impediments to growth and the development of the private sector, such as poor infrastructure, a weak legal and financial system, inefficient public services, and a mostly uneducated labor force. The external current account deficit (excluding transfers) is projected to narrow from 10.3 percent of GDP in 2000 to 6.5 percent of GDP in 2019, and export growth is expected to exceed import growth in real terms, although uranium exports remain constant from 2003 onward.

Box 4. Main Assumptions for the Debt Sustainability Analysis (DSA)

The following macroeconomic assumptions are used for the 20-year baseline DSA projections:

- Annual real GDP growth is expected to pick up from an estimated 3 percent in 2000 to about 6 percent in the outer years as a result of a steady increase in investment, the sustained implementation of structural reforms, and the gradual strengthening of exports. Inflation is projected to remain low, at around 2 percent per annum, reflecting Niger's membership in the CFA franc zone and economic policies supportive of the pegging arrangement.
- The fiscal reforms envisaged over the new PRGF-supported program period and beyond are expected to lead to a doubling of the country's revenue-to-GDP ratio in the next 20 years (from about 8 percent of GDP in 2000 to 17 percent in 2019). This projected strengthening of revenue performance will allow for a commensurate increase of the expenditure program from 15½ percent of GDP in 2000 to 22½ percent of GDP in 2019 in the context of the reinforcement of the social sectors and the public services, the rebuilding and maintenance of the country's infrastructure, and the implementation of a decentralization program. Niger's overall fiscal deficit, excluding grants, is thus projected to decrease from 7½ percent of GDP in 2000 to 5½ percent in 2019.
- The export volume of goods is projected to grow at an annual average rate of near 4 percent in the next ten years and 5½ percent thereafter, spurred by the strengthening of non-uranium exports (6½ percent per annum in real terms on average), while the volume of uranium exports is expected to remain constant.
- The volume of imports of goods is expected to grow in line with real GDP.
- Expressed as a percentage of GDP, the external current account deficit, excluding grants, is expected to narrow over the period (from a projected 10½ percent of GDP in 2000 to 6 percent of GDP in the outer years), reflecting a narrowing of the resource gap on account of increased public and private savings.
- Gross domestic investment is expected to increase steadily, from an estimated 10½ percent of GDP in 2000 to 18 percent in 2019. The ratio of private investment to GDP is expected to double over the period, rising from 4½ percent of GDP in 2000 to 9½ percent in 2019. The share of foreign financing in public investment is expected to remain stable at about 67 percent.
- Niger will continue requiring concessional assistance, and it is expected that 70 percent of its financing needs (including investment financing) would be covered by grants and the remainder by loans on IDA terms. The financing gaps are expected to decline steadily from 5 percent of GDP in 2003 to 1 percent of GDP in the outer years.

52. Given fair weather conditions, the performance of the rural sector, which accounts for 40 percent of real GDP, should provide for food self-sufficiency and stronger exports (in particular of cattle and food staples) to the subregion. The rural sector development and

export performance would be strengthened by policies envisaged for this sector, in particular the development of irrigation systems and improvement of basic rural infrastructure such as roads (see paragraph 46). Planned investment in rural sector infrastructure will also lessen vulnerability to weather conditions and limit the performance swings of the sector. The modern and non-rural traditional sectors, which account for 25 percent and 35 percent of GDP, respectively, are also projected to benefit from (i) the restoration of political and social stability; (ii) the development of an enabling economic environment, including the settlement of domestic payments arrears and restoration of normal budget execution; (iii) the privatization of the main public utilities and their envisaged restructuring and development; and (iv) the government's increased public investment program and the rebuilding of basic infrastructure. The growth prospects of the modern sector are also reinforced by the projected development of tourism activities (following the end of the rebellion in the Northern Territories and the restoration of social and political stability), the restructuring and strengthening of the financial sector (including the insurance sector and microfinance activities), and the initial impact of the enhanced HIPC Initiative on the government sector. The mining sector, which is part of the modern sector, will benefit from new gold mining operations, but will remain subdued, given the decline of the uranium sector (which accounts for only 6 percent of real GDP but 40 percent of exports). The overall economic growth will be accompanied and substantiated by a gradual increase in investment, from about 10 percent of GDP in 1999, to 18 percent of GDP in 2019.[13]

53. A critical assumption of the DSA is that 70 percent of external financing (including budgetary assistance and investment program financing) will be covered by grants, and the balance by highly concessional loans. Even on the basis of these assumptions, Niger's external debt situation would remain unsustainable after full application of traditional debt-relief mechanisms: the NPV of debt-to-exports ratio was 322 percent in the base year (1999) and would remain above 150 percent through 2018, qualifying Niger for assistance under the export criterion (see Table 7 and 11).

C. Assistance Under the Enhanced HIPC Initiative

54. With a NPV of debt-to-exports ratio of 322 percent in the base year (1999), Niger qualifies for assistance under the export criterion of the enhanced HIPC Initiative.[14] The total amount of assistance required to bring the ratio of debt-to-exports to a sustainable level of 150 percent at end-1999 would be US$520.6 million in NPV terms (see Table 5). Assistance to be provided by multilaterals is estimated to be US$309.2 million, while US$211.3 million

[13] The projections on investment and growth are summarized in an incremental capital output ratio that will decline slightly to 2.9 over the period 2000-20, reflecting an envisaged greater efficiency and marginal productivity of capital over time.

[14] Niger does not qualify for assistance under the fiscal/openness criteria because fiscal revenues are below the minimum requirement of 15 percent of GDP, while the exports-to-GDP ratio is under the threshold of 30 percent.

would be provided by Niger's bilateral and commercial creditors. The implied common reduction factor for all creditors would be 53.5 percent of their exposure at the decision point (in NPV terms), after full use of traditional debt-relief mechanisms. Based on proportional burden sharing, multilateral creditors would provide 59.4 percent of overall assistance. Bilateral and commercial creditors would provide the remaining 40.6 percent of relief.

55. The authorities estimate that Niger will be able to fulfill all conditions for a floating completion point, as summarized in Box 5, by end-2002. The following assumptions were made regarding the delivery of assistance to Niger under the enhanced HIPC Initiative:

- **Paris Club** creditors are expected to provide interim assistance in the form of a flow rescheduling on Cologne terms (90 percent reduction in NPV terms) for eligible debt following the decision point, with delivery of the remaining required assistance at the completion point through a stock-of-debt operation on Cologne terms.

- **Non-Paris Club bilateral creditors** are assumed to extend debt relief on terms at least comparable to the Paris Club group of creditors. Debt relief on post-cutoff debt might also be required in order to achieve the necessary assistance under the enhanced HIPC Initiative.

- **IDA** is assumed to deliver assistance covering 66.5 percent of debt service due to it from 2001 until the required NPV reduction is achieved in line with the modalities applied under the enhanced HIPC Initiative (see Table 13). The proposed commencement date for delivery of interim assistance is the decision point. The full assistance would be delivered by the year 2020. The interim assistance amounts to US$18.8 million in nominal terms or US$16.3 million in NPV terms, representing 10.4 percent of total IDA assistance. With this delivery mechanism, Niger would receive an estimated cumulative debt service reduction of US$301.7 million in nominal terms or US$170 million in NPV terms between 2001 and 2020.[15]

- The total amount of **IMF** assistance would be US$27.8 million in NPV terms or about US$34.5 million in nominal terms (see Table 12). The IMF is expected to deliver interim assistance of US$2.8 million in NPV terms or about US$3.4 million in nominal terms. The profile of assistance is expected to reduce the debt service to the IMF by about US$5.2 million a year on average from the expected completion point in 2002 to 2008.

- The **AfDB/F** would deliver interim assistance from the decision point onward to a maximum of 40 percent of total assistance in NPV terms, and the debt relief would be delivered within 15 years with annual relief no less than 80 percent of debt service

[15] These terms fulfill the requirements outlined in the document "Heavily Indebted Poor Countries (HIPC) Initiative: Note on the Modalities for Implementing HIPC Debt Relief Under the Enhanced HIPC Framework", adopted by the Board of the World Bank on January 25, 2000.

due. It is estimated that the interim assistance would amount to US$4.7 million in nominal terms or US$4.3 million in NPV terms, which is 12 percent of total assistance required from AfDB/F. The enhanced HIPC Initiative assistance would cover more than 96 percent of AfDB/F debt service during 2001-15. Overall assistance from the AfDB/F is estimated at US$54.7 million in nominal terms and US$37.2 million in NPV terms.

- The **EU/EIB** would deliver interim assistance from the decision point onward. It is estimated that interim assistance would amount to US$2.8 million in nominal terms or US$2.5 million in NPV terms, which would cover 17 percent of the EU/EIB's required total assistance. Overall assistance from the EU/EIB is estimated at US$14.8 million in NPV terms and US$24.1 million in nominal terms.

- **Remaining multilateral creditors** are not expected to deliver interim assistance. It is assumed that these multilateral creditors would provide assistance from the completion point onward through a fixed annual percentage reduction in debt service payments, in a range of 50-100 percent, until the required NPV reduction is achieved.

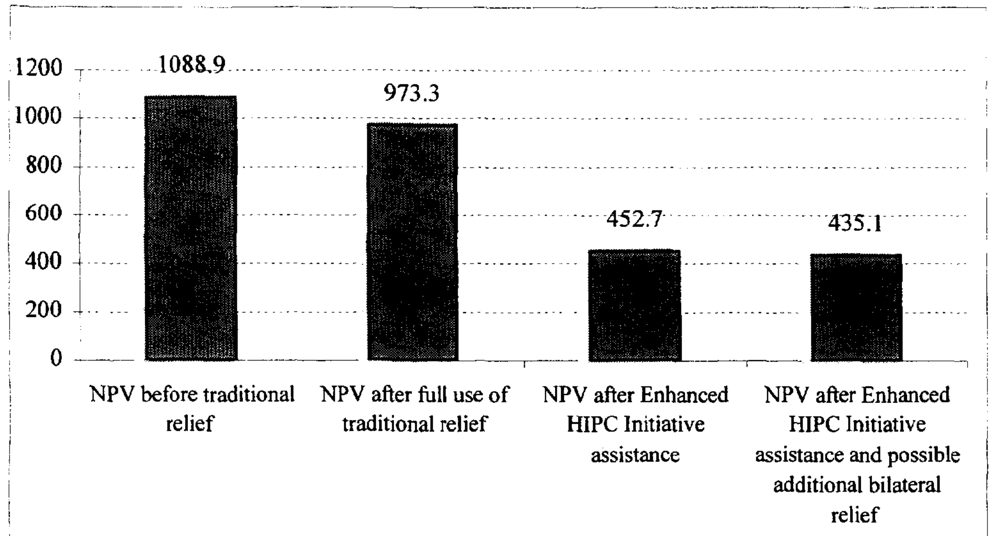
D. Impact of the Enhanced HIPC Initiative Assistance

56. Niger's external debt burden will be reduced significantly with the delivery of assistance under the enhanced HIPC Initiative. Niger's NPV of external debt at end-1999 would be reduced from US$973.3 million after traditional debt relief to US$452.7 million. Assistance under the Initiative would amount to US$520.6 million in NPV terms, equivalent to US$890 million in nominal terms. Several Paris Club creditors have indicated possible debt relief beyond their assistance under the enhanced HIPC Initiative, through forgiveness of ODA loans. This could further reduce Niger's debt by about US$17.6 million in NPV terms (see Figure 3).

57. The ratio of debt service-to-exports would decline from 23.2 percent in 1999 to 8.1 percent by 2003, and decrease further to about 5 percent in the outer years; the ratio of debt service to revenue would fall from 43.7 percent in 1999 to 10.5 percent in 2003 and average 4.3 percent during 2010-2019. Debt service savings would amount to US$39.8 million per year on average (1.0 percent of GDP on an annual average basis) during the projection period. After the enhanced HIPC Initiative, on an annual average basis, debt service payments would amount to US$48.0 million in the first two years (2001-02) and US$28.4 million for 2003-2010.[16]

[16] Debt service actually paid until 2000 does not provide a reliable basis for comparison as: (i) large external payments arrears were accumulated in 1997-99; (ii) debt service due after 2000 includes debt service on the settlement of these arrears; and (iii) a revised stock of debt at the end-1999, as a result of data reconciliation in the context of Niger's DSA, also contributed to raising total debt service due beyond 2000 (see Text Table 3).

Figure 3. Effect of Debt Relief in NPV Terms, end-1999
(in millions of US$ dollars)



Note: NPV after full use of traditional debt relief reflects a stock-of-debt operation on Naples terms at end-1999, and at least comparable action by other official bilateral and commercial creditors on eligible debt (pre-cutoff and non-ODA).

58. The DSA shows that the NPV of debt-to-exports ratio after the delivery of enhanced HIPC Initiative assistance would reach 185 percent in 2002 (the expected year of the completion point) and 191 percent by 2003, before declining gradually below 150 percent in 2013 and reaching 133 percent in 2019 (see Figure 4). This profile of the NPV ratio for the projected period can be explained by several factors. First, the three-year export average used in the denominator of the ratio is affected by: (i) a secular decline in the value of Niger's main export commodity, uranium, which declines from the average of CFAF 73 billion recorded in 1997-99 (or 40 percent of total exports) to a projected average of CFAF 61 billion after 2004;[17] and (ii) the exceptional export performance of 1998, fueled by an agricultural bumper crop. Second, the projected appreciation in nominal terms of the U.S. dollar against the CFA franc of about 14 percent on average between 1999 and 2000-03 depresses significantly the U.S. dollar value of the exports which are predominantly to Europe, the CFA franc zone, and Nigeria.[18] Finally, the first half of the projection period is also affected by external financing requirements for the settlement of domestic payments arrears estimated at more than 10 percent of GDP at end-2000. Nevertheless, as noted above, other indebtedness indicators, such as debt service indicators, the NPV of debt-to-GDP ratio, and the NPV of debt-to-revenues ratio show substantial relief early on (see Figure 5).

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[17] For the secular decline of Uranium Exports in Niger see Box 1 in "Niger: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Preliminary Document", EBS/00/229 (11/15/00) and IDA/R2000-203 (11/15/00).

[18] In contrast, the NPV of external debt used in the numerator of the ratio is not affected by the actual appreciation of the US$ as it is calculated on the basis of constant end-of-period 1999 exchange rates.

Figure 4. External Debt Profile – NPV of Debt-to-Exports Ratio, 1999-2019
(in percent)

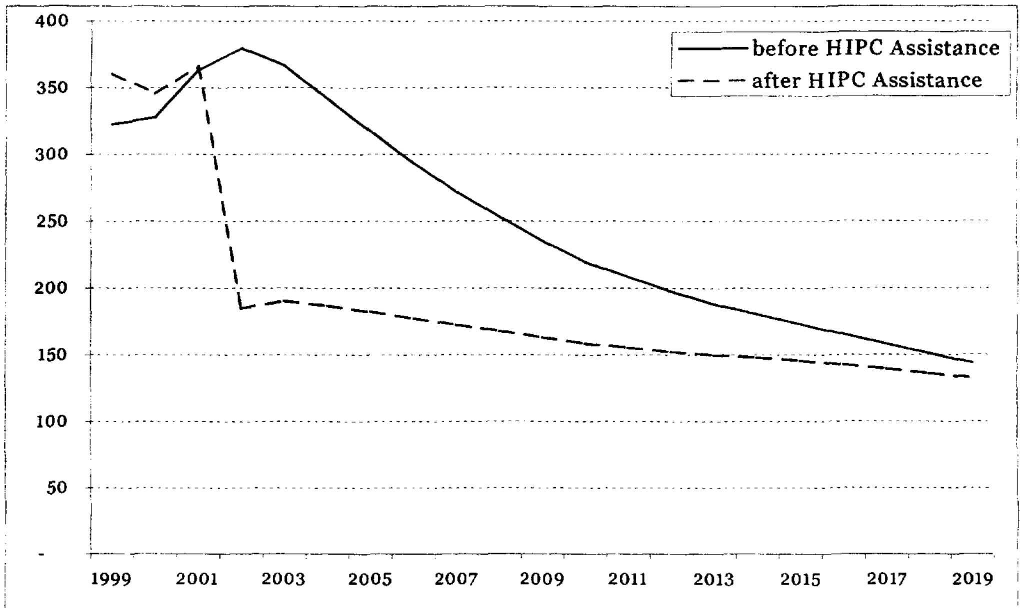
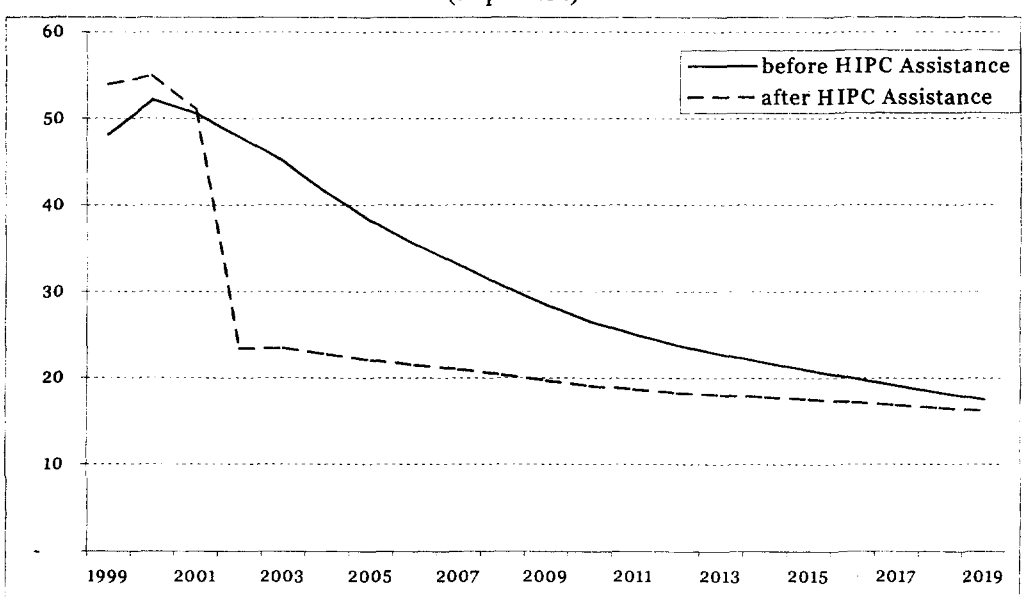


Figure 5. External Debt Profile – NPV of Debt-to-GDP Ratio, 1999-2019
(in percent)



59. A greater concessionality of future gap financing, beyond the 70 percent of grant financing currently assumed, could improve the profile of the NPV of debt-to-exports ratio, but may not be forthcoming. In addition, the current enhanced HIPC Initiative framework provides for the possibility of a comprehensive assessment of the debt situation at the

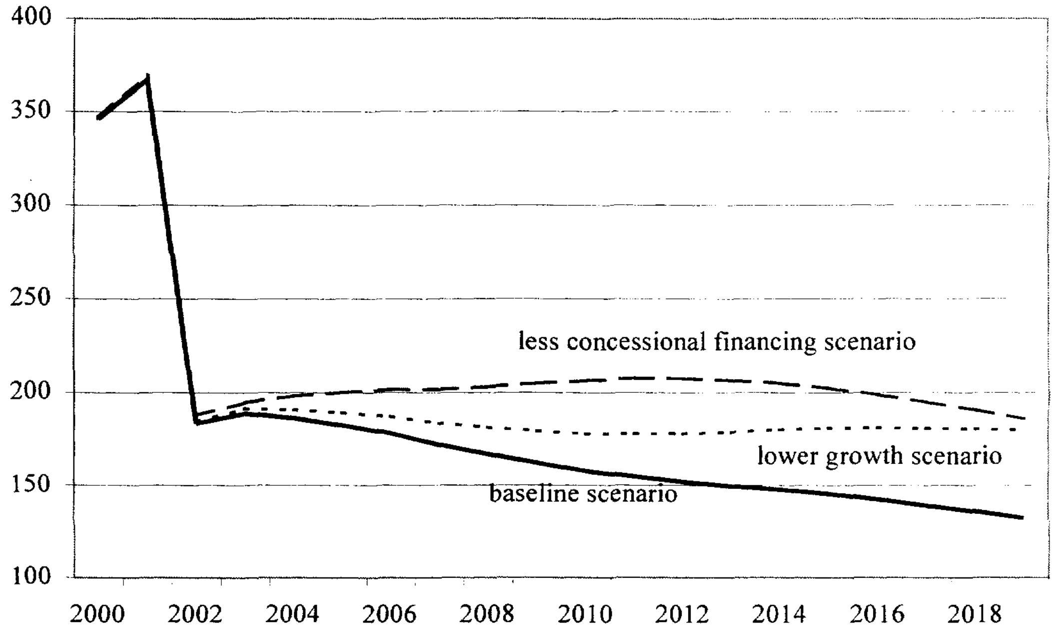
completion point. If Niger at that time faces a high NPV of debt-to-exports ratio that is projected to stay above 150 percent of exports, the Boards could consider a topping up of the committed debt relief.[19] In the case of Niger, this could arise from the long-term change in the country's uranium exports.

E. Sensitivity Analysis

60. The medium-term balance of payment projections for Niger could be subject to substantial adverse shocks. To test the robustness of the conclusions concerning debt sustainability drawn from the baseline scenario, two alternative scenarios have been simulated, both representing adverse external shocks (see Table 10 and figure 6). In the first alternative scenario, the staff has explored the sensitivity of debt sustainability to a slower rate of economic growth, equivalent to a reduction of the average growth rate from 5 percent to 3.5 percent per year. This would reflect either the consequences of periodic droughts or lower investment resulting from delays in the implementation of structural reforms. The second alternative scenario explores the following less favorable terms for external financing of public investment and budgetary gaps: a reduction in grant financing from 70 percent to 50 percent and loan terms only half as favorable as assumed in the baseline scenario. In the lower growth alternative scenario, the overall NPV of debt-to-exports ratio would rise by an average of 22 percentage points over the projection period. The impact of less concessional financing would be somewhat stronger, as the NPV of debt-to-exports ratio would increase on average by 40 percentage points over 2002-2019. The debt service ratio would also be more than twice as large compared to the baseline scenario.

[19] See " Modifications to the Heavily Indebted Poor Countries (HIPC) Initiative", EBS/99/138 (07/23/99) and IDA/SecM99-475 (07/26/99). The option to reconsider at the completion point the amount of debt relief for countries seriously affected by exceptionally adverse shocks was recently reaffirmed by the IMFC and Development Committee, see "Communiqué – Joint Session – IMFC and Development Committee on HIPC and PRSP Implementation", Prague, September 24, 2000.

Figure 6. NPV of Debt-to-Exports Ratio, 2000-19
(in percent)



F. Consultations with Creditors

61. The staffs of the IMF and IDA have initiated consultations with the multilateral and bilateral creditors of Niger concerning actions they may undertake for Niger within the context of the enhanced HIPC Initiative. The consultations included the latest regular HIPC Initiative meeting of the multilateral development banks hosted by the World Bank in October 2000. Most of Niger's multilateral creditors, including IDA, AfDB/F, IMF, BADEA, EU/EIB, OPEC Fund and IFAD, have agreed to participate in the enhanced HIPC Initiative.[20] The Paris Club creditors have also indicated their willingness in principle to provide debt relief to Niger under the enhanced HIPC Initiative . The Nigerien authorities have contacted non-Paris Club bilateral creditors regarding the provision of comparable debt relief under the enhanced HIPC Initiative. Assurances received so far from creditors regarding their participation in debt relief for Niger under the enhanced HIPC Initiative amount to about 80 percent of the NPV of Niger's debt after traditional debt relief, and include the Paris Club Creditors and most multilaterals.

[20] ECOWAS and Conseil de l'Entente, which represents 0.1 percent and 0.3 percent, respectively, of the total debt of Niger, have not yet agreed to participate.

V. Use and Monitoring of HIPC Resources

62. It is expected that resources from the HIPC Initiative over the interim period 2001-02 would amount to a total of US$42 million (1.0 percent of GDP). Thereafter, resources from the enhanced HIPC Initiative would amount to an average of US$54 million per year over the period 2003-10 (equivalent to 1.7 percent of GDP per year). As indicated in the interim PRSP, the main sectors expected to benefit from enhanced HIPC Initiative resources would be education, health, rural development and road infrastructure. Text Table 3 outlines the increases in budgetary allocations made possible under the Initiative.

63. The program of the authorities aims at strengthening the overall expenditure process including planning, programming, budgeting, reporting, and controlling, with a view to increasing transparency and accountability. An initial target is to establish, in the first half of 2001, a reporting and monitoring mechanism for poverty-related expenditures while continuing the strengthening of the observance of rules and regulations applicable to expenditure commitments and payments. Because the magnitude of the relief available for additional spending on poverty reduction programs from the enhanced HIPC Initiative assistance was not precisely known at the time the government prepared the 2001 Budget Law, these resources will be secured during fiscal year 2001 into a separate central bank account, until a supplementary budget for 2001 has been prepared. Building on the orientation of the interim PRSP, this budget will include allocations for new poverty-reduction related programs. The resources secured at the central bank would be used for the financing of these additional expenditures. In 2002 and beyond, the use of resources freed through the enhanced HIPC Initiative will be fully integrated in the budget. The government will also give priority to the monitoring of all budgetary expenditures related to poverty-reduction programs. In that context, semi-annual reporting will be introduced. The computerization of the expenditure process will be instrumental in the monitoring and auditing of these budgetary items. These measures will be complemented by beneficiary incidence and expenditure tracking surveys to provide information about the impact of the poverty-reduction programs.

Text Table 3. Functional Classification of Budgetary Expenditure, 1997-03
(in millions of US dollars unless otherwise specified)

	1997	1998	1999	2000	2001	2002	2003
					Projections 1/		
Total expenditure							
pre-HIPC	282.5	339.9	357.7	286.7	331.6	362.7	395.3
post-HIPC	--	--	--	--	351.0	385.3	447.4
Education							
pre-HIPC	42.2	44.9	54.6	47.3	55.6	63.9	74.7
post-HIPC	--	--	--	--	64.4	75.1	99.1
Health							
Pre-HIPC	23.8	26.9	44.1	37.5	44.1	51.8	60.2
Post-HIPC	--	--	--	--	47.9	56.8	74.3
Rural Development 2/							
Pre-HIPC	36.2	46.4	32.9	27.7	30.9	35.9	43.5
Post-HIPC	--	--	--	--	36.4	42.8	55.5
Road infrastructure							
Pre-HIPC	10.9	15.6	16.1	12.6	14.6	16.0	17.4
Post-HIPC	--	--	--	--	15.4	17.0	19.7
Other							
Pre-HIPC	169.4	206.1	210.0	161.6	186.5	195.1	199.5
Post-HIPC	--	--	--	--	186.8	193.5	198.8
			(Annual percentage increases)				
Total expenditure							
Pre-HIPC	--	20.3	5.2	-19.8	15.7	9.4	9.0
Post-HIPC	--	--	--	--	22.4	9.8	16.1
Poverty-reduction related expenditures 3/							
Pre-HIPC	--	18.3	10.4	-15.3	16.0	15.5	16.8
Post-HIPC	--	--	--	--	31.2	16.8	29.6
Other							
Pre-HIPC	--	21.7	1.9	-23	15.4	4.6	2.2
Post-HIPC	--	--	--	--	15.6	3.6	2.8
			(In percent of total expenditures)				
Poverty-reduction related expenditures							
Pre-HIPC	40.0	39.4	41.3	43.6	43.8	46.2	49.5
Post-HIPC	--	--	--	--	46.8	49.8	55.6
Other							
Pre-HIPC	60.0	60.6	58.7	56.4	56.2	53.8	50.5
Post-HIPC	--	--	--	--	53.2	50.2	44.4
Memorandum items:							
Debt service due	73.9	87.8	74.8	88.2	102.0	97.5	102.9
Debt relief							
Pre-HIPC	24.3	45.3	12.2	235.3	37.7	28.8	25.9
Post-HIPC	--	--	--	--	57.1	51.4	78.0
External payments arrears	3.2	15.1	35.0	-165.3	0.0	0.0	0.0
Debt service paid before HIPC assistance	46.4	27.4	27.7	18.3	64.3	68.7	77.0
Debt service paid after HIPC assistance	46.4	27.4	27.7	18.3	44.9	46.1	24.9

Source: Ministry of Finance and staffs estimates
1/ Provisional data to be revised on the basis of the full PRSP; data for 2000 reflect a close to 15 percent depreciation of the CFA franc vis-a-vis the US dollar
2/ Includes agriculture, livestock, water resources and environment
3/ Aggregate figures for health, education, rural development and road infrastructure

VI. THE FLOATING COMPLETION POINT[21]

64. The completion point for Niger could be reached in 2002, following continued satisfactory performance under the IDA and IMF-supported programs, as well as the preparation of a full PRSP through a participatory approach, and its satisfactory implementation for one year as evidenced by the Joint Staff Assessment (JSA) of the country's annual progress report. Macroeconomic performance will be monitored under the Fund's PRGF arrangement, which includes a number of benchmarks and performance criteria to this effect. The suggested completion point triggers are within Niger's institutional implementation capacities.

65. Niger intends to finalize and adopt the full PRSP by the end of 2001, through a broadened participation process in order to ensure ownership of the reform program. An important element assumed in the corresponding completion point trigger will be the establishment of a poverty monitoring system that would include the periodic review of important socio-economic indicators. Such a system is essential to allow for a meaningful evaluation of the PRSP's implementation. Niger will need to receive adequate technical assistance in the field of data management to facilitate poverty monitoring and in other areas to reinforce the effective pursuit of poverty reduction.

66. Additional, specific reform measures that will trigger the completion point are shown in Box 5. They focus on a small set of measures directly related to the agenda set forth in the interim PRSP, designed to have an impact on poverty, and lead to an improvement of social outcomes.

67. **Governance.** The interim PRSP mainly addresses good governance through improved transparency and accountability in the use of public resources. In a country where resources are limited, effective targeting and implementation of public programs is critical. As a condition for reaching the completion point, therefore, measures would be required to strengthen the monitoring of public expenditure through publishing semi-annual reports (including, *inter alia*, presentation of budgetary allocations and expenditure execution) of poverty reduction programs which would have benefited from the enhanced HIPC Initiative resources. At the same time, at least one analysis to measure the impact of public expenditure on beneficiaries in the health sector would be completed on a pilot basis. In addition, the backlog of unaudited fiscal accounts would be cleared by submitting budget review laws and the corresponding treasury accounts for the fiscal years 1998-2000 to the National Assembly and to the Supreme Court's Accounting Office.

68. **Education.** The government's policy, as expressed in the interim PRSP, will continue to focus on expanding the supply of primary education in order to stimulate enrollment and

[21] A status of country cases considered under the Initiative, as of December 1, 2000, is presented in Table 14.

reduce regional and gender inequalities, as well as on improving the quality of the services. To that end, it would be a condition for reaching the completion point that, at least 1,000 new primary school classrooms be constructed and at least 1,200 additional primary school teachers be recruited under the volunteer program, most of them in rural areas. It is expected that such measures will contribute to increase gross primary enrollment rates to around 40 percent by 2002, including a rise in enrollment rates for girls to 33 percent from the current 27 percent. In addition, a report would be prepared to evaluate the system of primary education with a view to identifying demand- and supply-side impediments to increased enrollment. The report would be accompanied by a country-wide school map. Finally, as a result of progress in the quality of services, repetition rates would be lowered from 37 percent to 15 percent for grade 6, in order to raise the completion rate of a full primary schooling cycle.

69. **Health.** The proposed completion point triggers are fully consistent with the priorities of the sector which center around primary health care, including pre- and peri-natal care, and the prevention of endemic diseases, all of which are of particular importance in addressing the needs of the poor. Rural health centers would play an important role in that endeavor and it would be a condition for reaching the completion point that at least 300 additional nurses and midwives be added to the staff of rural health centers through recruitment or redeployment from better staffed urban facilities and central agencies. The provision of essential drugs and supplies to rural health centers has been less than satisfactory in the past and, as another condition for reaching the completion point, a plan would be drawn up and adopted to improve their availability. Finally, implementation of the immunization policy would be accelerated and the program of routine immunization would be strengthened. As a measurable indicator of these efforts, and a further condition for reaching the completion point, the immunization rate for DPT3 would increase from 25 percent at present to 40 percent.

70. **HIV/AIDS.** While not yet as prevalent in Niger as in many other sub-Saharan African countries, HIV/AIDS nevertheless poses a real threat for the country's future development. At the present time, Niger lacks a sufficient basis of information to articulate a prevention strategy. As an additional measure triggering the floating completion point, the government will establish a quantitative and qualitative database documenting epidemiological status and behavioral characteristics of high-risk groups to enable the proper targeting of the prevention strategy and future progress to be monitored.

Box 5. Key Conditions for Reaching a Floating Completion Point

1. Poverty Reduction

- Prepare a full PRSP through a participatory process and satisfactorily implement it for at least one year as evidenced by the Joint Staff Assessment of the country's annual progress report.

2. Macroeconomic Stability

- Continue to maintain macroeconomic stability as evidenced by satisfactory implementation of the PRGF-supported program.

3. Governance

- Ensure full budgeting of poverty-reduction programs financed with HIPC Initiative assistance, and publish semi-annual reports of the budget execution of these programs.
- Evaluate the impact of public spending on the poor through a pilot beneficiary incidence analysis in the health sector.
- Submit budget review laws to the National Assembly and the corresponding treasury accounts to the Supreme Court's Accounting Office for fiscal years 1998-2000.

4. Social Sector Reforms

Education

- Construct at least 1,000 new classrooms, 85 percent of which will be located in rural areas (baseline: 12,359 classrooms in 1998/99).
- Recruit 1,200 new volunteer primary school teachers, 75 percent of whom will be placed in rural schools (baseline: 2,367 primary volunteer teachers in 1999/2000).
- Complete a country-wide school map and a report on demand- and supply-side impediments to primary school enrollment.
- Limit grade 6 repetition rates to 15 percent or lower (baseline: 37 percent in 1999/2000).

Health

- Increase the staffing of rural health centers, through the redeployment and/or recruitment of at least 300 multipurpose nurses and auxiliary midwives.
- Adopt a plan to improve the availability of essential drugs in rural health centers.
- Increase national immunization rates of children aged 12-24 months for DPT3 to 40 percent (baseline: 25 percent in 1998).

HIV/AIDS

- Establish a baseline of qualitative (e.g., behavioral patterns of high-risk populations) and quantitative data to serve as basis for the finalization and adoption of a strategy to fight HIV/AIDS.

VII. Conclusions

71. The staffs believe that, with the approval of the PRGF arrangement, Niger will have achieved the conditions set forth in the preliminary document for reaching the decision point, including: (i) satisfactory macroeconomic performance since the beginning of 2000; and (ii) the submission of an interim PRSP to the IMF and World Bank Boards, which meets the requirements for such documents.

72. While Niger's immediate track record of macroeconomic and structural policies is limited, a decision point in 2000 is justified by the overall track record achieved since 1996, and the considerable efforts made during 2000, which are even more impressive in light of the virtual absence of external assistance for much of the year.

73. The successful implementation of the programs aimed at improving public expenditure management can be fully completed in the medium term only. However, an adequate system will be established in time to monitor poverty-related spending made possible by the resources freed by the enhanced HIPC Initiative, providing the necessary assurance that these resources will be used appropriately.

VIII. Issues for Discussion

74. Executive Directors may wish to focus on the following issues and questions:

75. **Eligibility and Decision Point.** The staff and management believe that Niger is eligible for relief under the enhanced HIPC Initiative and recommend approval of a decision point. Do Executive Directors agree?

76. **Amount and delivery of assistance.** Niger satisfies the requirements of the enhanced HIPC Initiative under the export criterion. In order for the NPV of debt-to-exports ratio at end-1990 to be reduced to 150 percent, total assistance under the enhanced HIPC Initiative would amount to US$520.6 million in 1999 NPV terms. Of that amount, US$170.0 million would be provided by the International Development Association and US$27.8 million by the International Monetary Fund. Given the assurances on the participation of a sufficient majority of auditors in the debt relief for Niger under the enhanced HIPC Initiative, the staffs recommend that IDA and IMF provide interim assistance between the decision point and the completion point. Do Executive Directors agree?

77. **Completion Point.** The staff and management believe that Niger is committed to a program of macroeconomic stability and structural reform and is designing a comprehensive policy to reduce poverty. They recommend a floating completion point which would be reached when the conditions in Box 5 have been met. Do Executive Directors agree with this recommendation?

Table 1. Niger: Selected Economic and Financial Indicators, 1996-2000

	1996	1997	1998	1999 Est.	2000 Proj.
	(Annual percentage change, unless otherwise specified)				
National income and prices					
GDP at constant prices	3.4	2.8	10.4	-0.6	3.0
GDP deflator	4.7	3.1	3.0	2.0	3.5
Consumer price index					
Annual average	5.3	2.9	4.5	-2.3	2.9
End of period	3.6	4.1	3.4	-1.9	4.1
External sector					
Exports, f.o.b.	8.0	2.8	24.2	-9.9	1.2
Imports, f.o.b	5.5	11.7	33.6	-16.5	14.4
Export volume	13.8	2.3	14.2	-10.4	0.7
Import volume	1.6	2.1	30.7	-21.1	-2.7
Terms of trade (deterioration -)	-8.7	-7.6	5.8	-5.0	-14.6
Nominal effective exchange rate (period average; depreciation -)	0.4	-2.2	0.5	-1.6	-2.6
Real effective exchange rate (period average; depreciation -)	3.3	0.2	2.4	-6.3	-2.4
Government finances					
Total revenue	16.4	15.0	19.4	-3.0	2.9
Total expenditure and net lending 1/	-6.8	28.8	21.0	8.9	-9.2
Current budgetary expenditure	-11.1	31.2	19.3	11.7	-10.8
Capital expenditure	-3.6	32.8	25.8	0.7	-4.1
Money and credit					
Domestic credit 2/	9.0	10.1	-0.1	6.3	5.9
Credit to the government (net) 2/	14.2	6.9	-11.1	7.8	-4.6
Credit to the economy	-16.3	9.1	28.5	-3.0	20.9
Net domestic assets 2/	-19.2	11.1	1.7	9.1	7.9
Money and quasi money	-24.9	-1.0	0.7	-5.5	4.2
Interest rate (money market; end of period)	5.0	4.5	5.0	5.0	5.0
	(In percent of GDP, unless otherwise indicated)				
Budgetary revenue	7.8	8.4	8.9	8.5	8.2
Current expenditure	8.5	10.5	11.0	12.1	10.1
Capital expenditure	4.1	5.1	5.6	5.6	5.0
Total expenditure	13.1	16.0	17.0	18.2	15.5
Primary budget balance 3/	-3.7	-6.0	-6.6	-8.2	-5.7
Basic budget balance (excluding grants) 4/	-1.7	-3.0	-3.2	-5.6	-3.2
Overall budget balance (excluding grants)	-5.4	-7.5	-8.1	-9.7	-7.3
Overall budget balance (including grants)	-0.4	-3.0	-2.8	-5.9	-3.4

Table 1 (concluded). Niger: Selected Economic and Financial Indicators, 1996-2000

	1996	1997	1998	1999 Est.	2000 Proj.
	(In percent of GDP, unless otherwise indicated)				
Gross domestic investment	9.7	10.9	11.3	10.2	10.4
Private	5.0	5.1	4.9	3.9	4.7
Public	4.6	5.8	6.4	6.4	5.7
Gross national savings	6.3	6.5	7.5	7.3	5.4
Gross domestic savings	3.1	3.2	2.7	3.8	1.8
Private	2.0	2.9	1.5	4.1	0.3
Public	1.1	0.3	1.2	-0.3	1.5
Resource gap	6.5	7.6	8.6	6.4	8.7
External current account balance					
Excluding official transfers	-9.2	-10.4	-10.0	-7.6	-10.3
Including official transfers	-3.3	-4.3	-3.8	-2.9	-5.1
External public debt (end of period)5/ 6/	63.0	84.0	76.2	78.9	87.9
Debt-service ratio in percent of :					
Exports of goods and nonfactor services					
Before debt relief	23.8	24.4	23.8	23.2	30.8
Government revenue					
Before debt relief	51.9	47.5	47.7	43.7	57.0
	(In billions of CFA francs)				
GDP at current market prices	1,017	1,077	1,225	1,243	1,325
Government payments arrears (reduction -)	-36.5	-11.9	7.6	58.4	-129.6
Domestic	-18.0	-13.8	-1.3	36.9	-14.0
External	-18.5	1.9	8.9	21.5	-115.6
Overall balance of payments 6/	-31.5	-34.8	-36.4	-43.0	-61.7

Sources: Nigerien authorities and staff estimates.

1/ Commitment basis as per payment orders issued.
2/ In percent of beginning-of-period money stock.
3/ Budget revenue minus expenditure, excluding interest payments.
4/ Budget revenue minus expenditure, excluding foreign financed investment projects.
5/ Including obligations to the IMF.
6/ Before debt relief.

Table 2. Niger: Balance of Payments, 1997-2003
(in millions of U.S. dollars, unless otherwise specified)

	1997	1998	1999	2000	2001	2002	2003
				Projections			
Trade balance	-28.1	-62.4	-28.9	-62.6	-68.6	-73.1	-76.5
Exports, f.o.b.	272.3	333.8	288.4	256.7	268.8	285.7	306.5
Of which :uranium	131.1	133.3	105.9	91.9	87.9	86.7	85.5
Imports, f.o.b.	-300.4	-396.1	-317.2	-319.3	-337.5	-358.8	-383.0
Services (net)	-142.2	-138.8	-120.8	-121.4	-143.7	-152.4	-158.0
Freight and insurance	-78.6	-95.1	-84.0	-84.5	-89.4	-95.0	-101.4
Interest on public debt	-27.2	-30.2	-30.1	-28.8	-40.7	-40.1	-39.4
Scheduled interest on private debt	-1.2	-1.0	-1.0	-0.9	-0.8	-0.9	-0.9
Unrequited transfers (net)	90.5	123.1	90.7	88.3	79.3	94.5	111.4
Of which :official transfers	112.8	128.8	95.6	99.0	86.4	98.8	112.9
Of which :budgetary	31.1	45.1	19.0	20.0	0.0	0.0	0.0
investment	53.4	65.6	58.1	54.7	65.0	76.5	88.4
Current account balance	-79.8	-78.2	-58.9	-95.7	-133.0	-131.1	-123.0
Excluding official grants	-192.6	-207.0	-154.5	-194.7	-219.4	-229.8	-235.9
Capital account	38.9	41.2	4.7	-29.7	-29.2	-17.8	-16.3
Official long term (net)	40.5	41.5	1.3	-34.1	-40.3	-28.9	-16.3
Disbursements	72.3	85.1	40.0	23.4	27.9	32.8	37.9
Budgetary	41.6	49.0	13.2	0.0	0.0	0.0	0.0
Project related	30.7	36.1	26.8	23.4	27.9	32.8	37.9
Amortization	-31.8	-43.6	-38.7	-57.6	-59.9	-53.5	-54.2
Investment	0.0	0.0	1.6	0.0	4.2	4.3	0.0
Private capital (net)	-1.5	-0.3	1.8	4.4	-1.4	-1.4	0.0
Errors and omissions	-18.9	-24.7	-15.8	0.0	0.0	0.0	0.0
Overall balance	-59.8	-61.7	-69.9	-125.4	-162.2	-148.9	139.4
Financing	59.8	61.7	69.9	70.4	0.3	-2.1	-5.1
Net foreign assets	28.5	0.7	22.8	0.6	0.3	-2.1	-5.1
Fund financing	11.6	12.3	-6.0	9.4	21.1	18.6	13.6
Purchases	26.6	26.2	0.0	11.2	22.4	22.5	22.6
Repurchases	-15.0	-13.9	-6.0	-1.8	-1.3	-3.9	-9.0
Other assets (net)	16.9	-11.6	28.8	-8.8	-20.8	-20.7	-18.7
Debt relief	24.3	45.3	12.2	0.0	0.0	0.0	0.0
Arrears (- reduction)	-32.5	-21.0	-0.3	-232.7	0.0	0.0	0.0
Accumulation of arrears	35.7	36.1	35.3	67.2	0.0	0.0	0.0
Net counterpart to revaluation	3.8	0.7	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	253.1	161.9	151.0	144.5
Memorandum item:							
CFA franc/US dollar (period average)	582.4	590.0	614.9	699.2	707.3	699.5	692.3

Sources: Nigerien authorities; and Fund staff estimates and projections.

Table 3. Niger: Main Assumptions on the Macroeconomic Framework, 1998–2019
(In percent of GDP; unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000–09	2010–19
		Est.	Projected											Average	
Economic growth and inflation															
Real GDP (percentage change)	10.4	-0.6	3.0	3.7	4.1	4.5	4.6	4.7	4.8	5.0	5.0	5.1	5.1	4.5	5.5
Real GDP per capita (percentage change)	6.7	-1.9	0.3	0.5	0.9	1.2	1.6	1.7	1.7	1.9	1.9	2.0	2.0	1.4	2.7
Average inflation	3.0	2.0	3.5	3.4	3.0	3.0	2.5	2.5	2.3	2.0	1.8	1.8	1.8	2.6	1.8
National accounts															
Gross domestic investment	11.3	10.2	10.4	11.8	12.7	13.8	14.1	14.5	15.0	15.2	15.4	15.8	16.0	13.9	17.0
Of which: private	4.9	3.9	4.7	5.0	5.4	6.0	6.2	6.5	7.0	7.2	7.4	7.8	8.0	6.2	8.7
Gross national savings	7.5	7.3	5.4	6.3	7.7	9.6	9.8	10.6	11.6	12.3	12.8	13.6	13.8	10.0	15.3
Government revenue	8.9	8.5	8.2	9.0	9.5	10.1	10.4	10.8	11.1	11.5	11.9	12.2	12.6	10.5	14.7
Government expenditure and net lending	17.0	18.2	15.5	16.9	17.0	17.0	17.0	17.2	17.5	17.9	18.2	18.6	19.0	17.3	20.7
Overall government balance (excluding grants) 1/	-8.1	-9.7	-7.3	-7.9	-7.5	-6.9	-6.6	-6.5	-6.4	-6.4	-6.4	-6.4	-6.3	-6.8	-6.0
Balance of payments															
Exports of goods and nonfactor services 2/	17.8	16.0	15.1	14.9	14.6	14.4	14.4	14.4	14.4	14.4	14.5	14.5	14.6	14.6	14.9
Of which: exports of goods (f.o.b.)	16.1	14.3	13.5	13.4	13.1	12.9	12.9	12.9	12.8	12.8	12.8	12.8	12.9	13.0	12.9
Of which: uranium	6.4	5.2	4.8	4.4	4.0	3.6	3.4	3.1	2.9	2.7	2.6	2.4	2.2	3.4	1.7
Imports of goods and nonfactor services	26.3	22.4	23.8	23.9	23.5	23.0	22.5	22.1	21.7	21.5	21.4	21.3	21.5	22.5	21.5
Of which: imports of goods (f.o.b.)	19.1	15.7	16.9	16.8	16.5	16.2	15.8	15.6	15.5	15.4	15.4	15.4	15.5	15.9	15.5
Current account balance (including official transfers)	-3.8	-2.9	-5.1	-5.5	-5.0	-4.2	-4.3	-3.9	-3.4	-2.9	-2.6	-2.2	-2.2	-3.9	-1.7
Current account balance (excluding official transfers)	-10.0	-7.6	-10.3	-10.9	-10.5	-9.9	-9.1	-8.5	-8.0	-7.6	-7.3	-7.0	-7.1	-8.9	-6.6
Gross official reserves (in months of imports c.i.f.)	1.1	1.1	1.4	1.8	2.2	2.5	2.3	2.0	1.9	1.7	1.6	1.6	1.6	1.9	2.0
Terms of trade (annual percentage change)	5.8	-5.0	-14.6	1.1	1.6	1.4	-0.1	0.2	-0.1	0.2	0.0	0.0	0.1	-1.0	0.1

Sources: Nigerien authorities; and staff estimates and projections

1/ Central government balance on payment order basis.

2/ Exports (imports) of goods and nonfactor services as defined in IMF Balance of Payments Manual, 5th edition, 1993.

Table 4. Niger: Nominal and Net Present Value of External Debt and Enhanced HIPC Assistance at end-1999 by Creditor Groups

	Before application of traditional debt relief 1/				After application of traditional debt relief 2/		Enhanced HIPC Initiative assistance
	Nominal Debt Stock		NPV of Debt		NPV of Debt		NPV terms
	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total	US$ millions
Total	**1603.9**	**100**	**1088.9**	**100**	**973.3**	**100**	**520.6**
Multilateral	1069.5	66.7	578.1	53.1	578.1	59.4	309.2
IDA	692.9	43.2	317.9	29.2	317.9	32.7	170.0
IMF	67.2	4.2	52.0	4.8	52.0	5.3	27.8
AfDB/AfDF	139.9	8.7	69.6	6.4	69.6	7.2	37.2
BADEA 3/	24.6	1.5	24.5	2.2	24.5	2.5	13.1
IFAD	32.0	2.0	16.5	1.5	16.5	1.7	8.8
EU/EIB	39.4	2.5	27.7	2.5	27.7	2.8	14.8
OPEC Fund	12.8	0.8	12.4	1.1	12.4	1.3	6.6
Islamic Development Bank	42.4	2.6	39.3	3.6	39.3	4.0	21.0
BOAD/WAEMU 4/	12.5	0.8	12.5	1.2	12.5	1.3	6.7
ECOWAS	1.2	0.1	1.2	0.1	1.2	0.1	0.7
Conseil de l'Entente	4.5	0.3	4.5	0.4	4.5	0.5	2.4
Bilateral	529.8	33.0	506.7	46.5	391.1	40.2	209.2
Paris Club:	275.2	17.2	286.9	26.4	196.2	20.2	105.0
Post-cutoff date	52.6	3.3	49.0	4.5	49.0	5.0	26.2
Pre-cutoff date	222.7	13.9	237.9	21.8	147.2	15.1	78.7
ODA	9.3	0.6	7.6	0.7	3.4	0.3	1.8
Non-ODA	213.4	13.3	230.3	21.2	143.9	14.8	76.9
France 5/	198.5	12.4	213.2	19.6	140.3	14.4	75.1
Japan	28.1	1.7	26.2	2.4	26.2	2.7	14.0
Spain	19.0	1.2	17.3	1.6	10.8	1.1	5.8
United Kingdom	18.4	1.1	18.5	1.7	12.1	1.2	6.5
United States	11.4	0.7	11.7	1.1	6.9	0.7	3.7
Other Official Bilateral:	254.6	15.9	219.8	20.2	194.9	20.0	104.2
Post-cutoff date	210.9	13.2	177.6	16.3	177.6	18.2	95.0
Pre-cutoff date	43.6	2.7	42.2	3.9	17.3	1.8	9.2
ODA	37.6	2.3	36.2	3.3	15.3	1.6	8.2
Non-ODA	6.0	0.4	6.0	0.5	2.0	0.2	1.1
Algeria	17.6	1.1	14.2	1.3	14.2	1.5	7.6
China	10.5	0.7	7.6	0.7	7.6	0.8	4.1
Iraq	0.2	0.0	0.2	0.0	0.1	0.0	0.0
Kuwait	46.2	2.9	36.1	3.3	34.4	3.5	18.4
Libya	27.8	1.7	22.9	2.1	18.9	1.9	10.1
Saudi Arabia	61.7	3.8	56.6	5.2	38.7	4.0	20.7
Taiwan Province of China	85.7	5.3	77.5	7.1	77.5	8.0	41.5
United Arab Emirates	4.7	0.3	4.7	0.4	3.6	0.4	1.9
Commercial (Belgium)	4.6	0.3	4.0	0.4	4.0	0.4	2.2

Sources: Nigerien authorities; and Fund and World Bank staff estimates.

1/ These figures are "before traditional debt relief" and include arrears at end-1999.

2/ These figures are "after traditional debt relief", i.e., a stock-of-debt operation on Naples terms at end 1999; and at least comparable action by other official bilateral and commercial creditors on eligible debt (pre-cutoff and non-ODA).

3/ At end-1999, Niger agreed with BADEA in the context of the HIPC Initiative to reschedule its payment arrears toward BADEA amounting to US$ 23.4 million, with a grant element of 21%.

4/ In March 1999, WAEMU has agreed with Niger to buy back Niger's principal and interest arrears vis-à-vis the BOAD at end-March 1999 amounting of CFAF 8.2 billion, with repayment under concessional terms (a grant element of 38%).

5/ Includes postal and hospital debts.

Table 5. Niger: Estimated Assistance under the Enhanced HIPC Initiative 1/ 2/

NPV of debt-to-exports-target (in percent)	Total	Bilateral 3/	Multilateral 4/	Common Reduction Factor 5/ (Percent)	Required NPV debt Reduction on Comparable Treatment of Bilateral Debt Based on Overall Exposure 6/ (Percent)
	(In millions of US dollars in NPV terms at end 1999)				
150	520.6	211.3	309.2	53.5	
Memorandum items:					
NPV of debt 7/	973.3	395.2	578.1		
Multilateral institutions	578.1				
Paris Club	196.2				
Of which: pre-cutoff non-ODA	143.9				91.0
Non-Paris Club bilateral:	194.9				
Of which: pre-cutoff non-ODA	2.0				
pre-cutoff ODA	15.3				
Commercial creditors	4.0				
3-year average of exports 8/	301.9				
Current-year exports 8/	303.7				
NPV of debt-to-exports ratio 8/ 9/	322.5				

Sources: Nigerien authorities and staff estimates and projections.

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).

2/ Completion point assumed in December 2002. Includes a hypothetical stock-of-debt operation on Naples terms (December 1999) and appropriate comparable treatment by other official bilateral creditors.

3/ Includes official bilateral creditors and commercial debt.

4/ Multilateral relief includes the assistance provided by BOAD/WAEMU and BADEA through arrears clearance on concessional terms, with a grant element of 38 percent and 21 percent respectively.

5/ Each creditor's NPV reduction in percent of its exposure at the decision point.

6/ Includes traditional debt relief; a hypothetical stock-of-debt operation on Naples terms at end-December 1999.

7/ Based on latest data available at decision point after full application of traditional debt relief mechanisms.

8/ Exports figures excluding transit trade.

9/ Based on the three-year export average (backward-looking average) ending in the year preceding the decision point (i.e., 1997-1999).

Table 6. Niger: Discount Rate and Exchange Rate Assumptions, End-December 1999

Currency Name	1999 Discount Rate 1/ (In percent)	1999 Exchange Rate 2/
United Arab Emirates Dirham	5.59	3.7
Algerian Dinar	5.59	69.3
Austrian Schillings	5.47	13.6
Belgian Franc	5.47	40.2
Canadian Dollar	6.67	1.4
CFA Franc	5.47	653.0
Swiss Franc	4.27	1.6
Chinese Yuan	5.59	8.3
German Mark	5.47	1.9
Danish Krone	5.32	7.4
European Currency Unit	5.47	1.0
Spanish Peseta	5.47	164.6
Finnish Markaa	5.47	5.9
French Franc	5.47	6.5
Great Britain Sterling	6.70	0.6
Iraqi dinar	5.59	3.2
Islamic Development Bank Unit of currency (SDR)	5.59	0.7
Italian Lira	5.47	1927.4
Japanese Yen	1.98	102.2
Kuwaiti Dinar	5.59	0.3
Luxembourg Franc	5.47	40.2
Norwegian Krone	6.64	8.0
Netherland Guilders	5.47	2.2
Portugese Escudo	5.59	200.3
Saudi Arabian Riyal	5.59	3.7
Special Drawing Rights	5.59	0.7
Swedish Krone	5.80	8.5
Russian Ruble	5.59	0.6
United States Dollar	7.04	1.0
Memorandum item:		
Paris Club cutoff date	July 1, 1983	

Sources: OECD and IMF, International Financial Statistics.

1/ The discount rates used are the average commercial interest reference rates over the six month period prior to end-December 1999, i.e., the end of the period for which actual debt and export data are available.

2/ The exchange rates are expressed as national currency per US dollar at end-December 1999.

Table 7. Niger: Net Present Value of External Debt After Full Use of Traditional Debt Relief Mechanisms, 1999-2019 1/

(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Averages 2011–13	Averages 2014–16	Averages 2017–19
BASELINE SCENARIO															
NPV of total debt 2/	973.3	987.4	1,014.5	1,043.1	1,066.9	1,065.5	1,067.4	1,066.2	1,063.6	1,062.3	1,061.7	1,065.2	1,108.4	1,210.0	1,325.3
NPV of old debt	973.3	965.0	950.1	932.7	907.5	868.8	830.7	790.4	750.4	714.0	679.6	646.6	602.9	541.6	464.7
Official bilateral and commercial	395.2	379.7	362.8	346.0	327.4	311.6	298.2	285.1	272.2	258.8	244.3	231.2	205.6	176.7	140.9
Paris Club	196.2	191.3	185.4	180.0	174.4	171.2	168.0	164.6	160.9	157.0	151.9	146.2	132.1	107.4	73.4
post-cutoff date	48.9	44.0	39.2	34.7	30.2	27.3	24.4	21.9	19.8	18.5	17.2	15.9	12.7	8.3	5.1
of which: ODA	34.5	32.6	30.6	28.5	26.4	24.3	22.1	20.2	18.7	17.4	16.1	14.8	11.6	7.2	4.0
pre-cutoff date	147.3	147.2	146.2	145.3	144.2	144.0	143.6	142.6	141.1	138.4	134.7	130.4	119.4	99.1	68.3
of which: ODA	3.4	3.5	3.6	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.5	4.7	4.9	4.9
Other official bilateral	194.9	184.9	174.4	163.6	151.2	139.1	129.5	120.5	111.3	101.8	92.4	84.9	73.5	69.3	67.5
nonreschedulable 3/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
reschedulable	194.9	184.9	174.4	163.6	151.2	139.1	129.5	120.5	111.3	101.8	92.4	84.9	73.5	69.3	67.5
post-cutoff date	177.6	167.4	156.6	145.5	132.7	120.3	110.3	101.0	91.4	81.5	71.7	63.8	51.5	46.0	43.9
of which: ODA	87.8	82.7	76.8	70.7	63.2	55.8	51.0	46.0	40.7	35.1	29.7	26.3	21.9	18.1	16.1
pre-cutoff date	17.3	17.6	17.8	18.1	18.5	18.8	19.1	19.5	19.9	20.3	20.7	21.1	22.0	23.3	23.6
of which: ODA	15.3	15.6	15.8	16.1	16.5	16.8	17.2	17.5	17.9	18.3	18.8	19.2	20.3	21.8	22.6
Commercial	4.0	3.5	3.0	2.4	1.8	1.2	0.6	-	-	-	-	-	-	-	-
nonreschedulable 3/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
reschedulable	4.0	3.5	3.0	2.4	1.8	1.2	0.6	-	-	-	-	-	-	-	-
post-cutoff date	4.0	3.5	3.0	2.4	1.8	1.2	0.6	-	-	-	-	-	-	-	-
pre-cutoff date	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral	578.1	585.3	587.3	586.7	580.1	557.2	532.6	505.4	478.2	455.2	435.3	415.4	397.3	364.8	323.8
IDA	317.9	323.4	328.4	332.7	336.3	339.1	341.2	340.4	337.7	333.2	327.9	322.3	308.8	283.4	250.7
AfDF	69.4	70.1	70.9	71.6	72.4	72.7	72.4	71.8	71.1	70.3	69.3	68.0	65.8	61.5	55.9
IMF	52.0	52.3	53.6	52.3	45.6	34.7	23.2	12.4	3.8	-	-	-	-	-	-
WAEMU	12.5	13.2	13.1	13.1	13.0	11.1	9.2	7.3	5.5	3.6	1.8	-	-	-	-
Others	126.3	126.3	121.2	117.0	112.7	99.6	86.6	73.5	60.3	48.1	36.3	25.1	22.7	19.9	17.2
NPV of new debt	-	22.3	64.4	110.4	159.4	196.8	236.7	275.8	313.2	348.3	382.1	418.6	505.5	668.4	860.6
Multilateral	-	22.3	64.4	110.4	159.4	196.8	236.7	275.8	313.2	348.3	382.1	418.6	505.5	668.4	860.6
Of which: Identified in BOP	-	14.9	41.9	71.8	103.6	137.7	174.1	212.1	252.9	296.2	343.1	393.5	499.8	668.4	860.6
Of which: IMF/PRGF 2000-2002	-	7.4	22.5	38.6	55.8	59.1	62.6	63.7	60.3	52.1	39.0	25.1	5.7	-	-
Bilateral	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>Memorandum items:</u>															
Exports of goods and nonfactor services 4/	303.7	261.2	273.0	289.9	310.4	336.1	364.2	390.7	419.7	450.2	483.4	519.6	603.0	754.1	948.1
Three-year export average 5/	301.9	301.5	279.3	274.7	291.1	312.1	336.9	363.7	391.5	420.2	451.1	484.4	561.3	701.0	879.7
Government revenues 6/	171.0	154.7	180.1	206.1	238.8	267.5	299.4	332.0	368.1	408.2	452.6	501.8	457.3	570.3	711.2
GDP	2,020.8	1,894.9	2,007.6	2,178.7	2,368.8	2,575.6	2,796.4	3,008.3	3,221.6	3,467.5	3,732.3	4,017.3	4,662.5	5,814.1	7,250.0
NPV of debt-to-exports ratio 7/	322.4	327.5	363.3	379.7	366.5	341.4	316.8	293.2	271.7	252.8	235.4	219.9	198.0	173.0	151.0

Sources: Nigerien authorities and staff estimates and projections.

1/ Refers to public and publicly guaranteed external debt only and assumes full use of traditional debt relief mechanisms, i.e. a hypothetical Paris Club stock of debt operation on Naples terms (67 percent NPV reduction) at end-1999, and at least comparable action by other official bilateral and commercial creditors. This is before any debt relief under the HIPC Initiative.

2/ Discounted on the basis of the average Commercial Interest Reference Rate for the respective currency, derived over the six-month period prior to the latest date for which actual data are available, i.e end 1999. The conversion of currency-specific NPVs in U.S. dollars occurs for all years at the end 1999 exchange rate.

3/ Refers to debt that has already been subject to a substantial reduction and that is not expected to be reduced further.

4/ As defined in IMF Balance of Payments Manual, 5th edition, 1993. Excludes transit trade.

5/ Backward-looking average (e.g., average over 1997-99 for exports in 1999). Excludes transit trade.

6/ Revenues are defined as central government revenues, excluding grants.

7/ NPV of debt in percent of three-year average of exports of goods and nonfactor services. Excludes transit trade.

Table 8. Niger: External Debt Service, 2000-2019 1/
(in millions of U.S. dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Averages 2011-13	2014-16	2017-19
Before traditional debt relief 2/														
Total	93.7	98.9	92.1	96.2	106.0	97.6	92.2	89.4	81.2	75.8	72.8	61.0	64.0	64.5
Existing debt	93.5	98.3	91.0	94.7	104.0	95.2	89.4	86.0	77.4	71.4	67.9	52.2	47.6	39.8
Multilaterals	25.4	31.1	33.7	39.7	55.6	55.9	57.1	55.4	49.8	45.3	44.1	31.8	32.6	33.4
IDA	13.0	13.7	14.7	15.6	16.6	17.5	20.4	22.3	23.9	24.4	24.4	25.1	26.0	26.7
IMF	2.7	1.7	4.3	9.6	13.5	13.4	12.0	9.3	4.0	0.0	0.0	0.0	0.0	0.0
AfDF	2.3	2.3	2.4	2.4	3.0	3.5	3.9	4.0	4.0	4.3	4.5	4.2	4.6	4.7
Others	7.5	13.4	12.3	12.1	22.5	21.5	20.7	19.8	17.8	16.7	15.2	2.5	2.0	1.9
Official bilateral	67.4	66.5	56.6	54.3	47.8	38.6	31.6	30.6	27.7	26.1	23.8	20.4	15.0	6.4
Paris Club	39.9	39.3	37.4	34.3	28.8	22.9	17.5	17.2	14.5	13.6	14.0	14.2	13.5	6.0
Non Paris Club	27.5	27.1	19.2	20.1	19.0	15.7	14.1	13.4	13.1	12.5	9.8	6.2	1.5	0.5
Commercial	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New debt	0.2	0.6	1.1	1.5	1.9	2.4	2.8	3.3	3.8	4.4	4.9	8.9	16.4	24.7
After traditional debt relief 3/														
Total	60.8	67.5	69.5	76.7	89.2	86.7	87.2	85.1	79.7	76.0	73.2	62.1	66.5	76.9
Existing debt	60.6	66.9	68.5	75.2	87.3	84.3	84.4	81.7	75.9	71.7	68.3	53.2	50.1	52.2
Multilaterals	25.4	31.1	33.7	39.7	55.6	55.9	57.1	55.4	49.8	45.3	44.1	31.8	32.6	33.4
Official bilateral	34.5	35.1	34.1	34.8	31.0	27.7	26.6	26.3	26.1	26.4	24.1	21.4	17.5	18.8
Commercial	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New debt	0.2	0.6	1.1	1.5	1.9	2.4	2.8	3.3	3.8	4.4	4.9	8.9	16.4	24.7
After enhanced HIPC assistance														
Total	93.5	48.6	47.4	25.1	29.9	31.2	31.1	29.8	27.7	26.2	26.4	26.1	35.4	47.6
Existing debt	93.3	47.9	46.3	23.6	28.0	28.8	28.2	26.4	23.9	21.8	21.5	17.3	19.0	22.9
Multilaterals	25.4	17.5	17.6	13.0	20.1	21.0	20.6	19.0	16.7	14.0	13.6	9.1	11.5	15.1
Official bilateral	67.2	29.7	28.1	10.6	7.8	7.7	7.6	7.4	7.2	7.8	7.9	8.1	7.4	7.7
Commercial	0.7	0.74	0.72	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.1	0.1	0.1
New debt	0.2	0.6	1.1	1.5	1.9	2.4	2.8	3.3	3.8	4.4	4.9	8.9	16.4	24.7
Reduction in debt service as a result of HIPC Initiative Assistance	...	18.9	22.2	51.6	59.3	55.6	56.1	55.3	52.0	49.8	46.8	36.0	31.1	29.3
Memorandum items:														
Exports of goods and nonfactor services 4/	261.2	273.0	289.9	310.4	336.1	364.2	390.7	419.7	450.2	483.4	519.6	603.0	754.1	948.1
Debt service to exports ratio after traditional debt relief	23.3	24.7	24.0	24.7	26.5	23.8	22.3	20.3	17.7	15.7	14.1	10.3	8.8	8.1
Debt service to exports ratio after HIPC assistance	35.8	17.8	16.3	8.1	8.9	8.6	8.0	7.1	6.2	5.4	5.1	4.3	4.7	5.0
Debt service to revenue ratio after traditional debt relief 5/	39.3	37.5	33.7	32.1	33.4	29.0	26.3	23.1	19.5	16.8	14.6	10.1	7.9	6.7
Debt service to revenue ratio after HIPC assistance 5/	60.5	27.0	23.0	10.5	11.2	10.4	9.4	8.1	6.8	5.8	5.3	4.2	4.2	4.1

Sources: Nigerien authorities; and staff estimates.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.
2/ Scheduled debt service reflecting the impact of previous reschedulings granted by Paris Club creditors.
3/ Assumes a hypothetical stock of debt operation on Naples terms.
4/ As defined in IMF, *Balance of Payments Manual*, 5th edition, 1993. Excludes transit trade.
5/ Revenues are defined as central government revenues, excluding grants.

Table 9. Niger: Nominal External Debt and Payments Arrears at end-1999 by Creditor Groups

	Total 1/		Arrears	Regular Debt
	US$ million	Percent of total	US$ million	US$ million
Total	1,603.9	100.0	165.1	1,438.8
Multilateral	1,069.5	66.7	82.7	986.8
IDA	692.9	43.2	-	692.9
IMF	67.2	4.2	-	67.2
AfDB/AfDF	139.9	8.7	1.4	138.5
BADEA 2/	24.6	1.5	23.4	1.2
IFAD	32.0	2.0	0.4	31.6
EU/EIB	39.4	2.5	7.7	31.6
OPEC Fund	12.8	0.8	9.1	3.8
Islamic Development Bank	42.4	2.6	22.5	19.9
BOAD/WAEMU 3/	12.5	0.8	12.5	-
ECOWAS	1.2	0.1	1.2	-
Conseil de l'Entente	4.5	0.3	4.4	0.1
Bilateral	529.8	33.0	82.4	447.4
Paris Club:	275.2	17.2	16.0	259.3
France 4/	198.5	12.4	13.2	185.3
Japan	28.1	1.7	1.0	27.0
Spain	19.0	1.2	1.0	18.0
United Kingdom	18.4	1.1	0.8	17.6
United States	11.4	0.7	0.5	10.9
Other Official Bilateral:	254.6	15.9	66.4	188.1
Algeria	17.6	1.1	0.8	16.8
China	10.5	0.7	-	10.5
Iraq	0.2	0.0	0.2	-
Kuwait	46.2	2.9	-	46.2
Libya	27.8	1.7	8.1	19.8
Saudi Arabia	61.7	3.8	26.9	34.9
Taiwan Province of China	85.7	5.3	25.7	60.0
United Arab Emirates	4.7	0.3	4.7	-
Commercial (Belgium)	4.6	0.3	-	4.6

Sources: Nigerien authorities; and Fund and World Bank staff estimates.

1/ These figures are "before traditional debt relief" and include arrears at end-1999.

2/ At end-1999, Niger agreed with BADEA in the context of the HIPC Initiative to reschedule its payment arrears toward BADEA amounting US$ 23.4 million, with a grant element of 21%.

3/ In March 1999, WAEMU has agreed with Niger to buy back Niger's principal and interest arrears vis-à-vis BOAD at end-March 1999 amounting CFAF 8.2 billion, with repayment under concessional terms (a grant element of 38%).

4/ Includes postal and hospital debts; they are all treated as post cutoff debts.

Table 10 Niger: Key External Debt Indicators: Baseline Scenario and Sensitivity Analysis, 1999-2019

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Averages 2011–13	2014–16	2017–19
After traditional debt-relief 1/						(in percent)									
NPV of debt-to-GDP ratio (percent)	48.2	52.1	50.5	47.9	45.0	41.4	38.2	35.4	33.0	30.6	28.4	26.5	23.8	20.9	18.3
NPV of debt-to-exports ratio (percent) 2/	322.4	327.5	363.3	379.7	366.5	341.4	316.8	293.2	271.7	252.8	235.4	219.9	198.0	173.0	151.0
NPV of debt-to-revenue ratio (percent) 3/	569.1	638.1	563.4	506.0	446.8	398.4	356.5	321.1	288.9	260.2	234.6	212.3	180.0	144.1	115.8
Debt service to export ratio 4/	--	23.3	24.7	24.0	24.7	26.5	23.8	22.3	20.3	17.7	15.7	14.1	10.3	8.8	8.1
Debt service to revenue ratio 3/	--	39.3	37.5	33.7	32.1	33.4	29.0	26.3	23.1	19.5	16.8	14.6	10.1	7.9	6.7
After enhanced HIPC assistance 5/															
NPV of debt-to-GDP ratio (percent)	53.9	54.9	51.0	23.4	23.4	22.7	22.0	21.5	21.0	20.3	19.7	19.1	18.4	17.5	16.5
NPV of debt-to-exports ratio (percent) 2/	360.7	345.3	366.3	185.3	190.6	187.3	182.7	177.6	172.6	167.9	163.0	158.6	152.6	145.5	136.1
NPV of debt-to-revenue ratio (percent) 3/	636.4	672.9	568.1	246.9	232.4	218.8	205.9	195.0	184.4	174.4	164.6	155.6	141.5	123.7	105.8
Debt service to export ratio 4/	--	35.8	17.8	16.3	8.1	8.9	8.6	8.0	7.1	6.2	5.4	5.1	4.3	4.7	5.0
Debt service to revenue ratio 3/	--	60.5	27.0	23.0	10.5	11.2	10.4	9.4	8.1	6.8	5.8	5.3	4.2	4.2	4.1
Sensitivity analysis															
Lower growth scenario 6/															
NPV of debt-to-exports ratio (percent) 2/	360.7	346.0	367.2	184.3	191.4	190.7	189.2	187.1	183.4	181.0	179.1	177.6	177.9	180.5	180.2
Debt service to export ratio 4/	--	35.8	17.7	16.4	8.1	8.6	8.1	7.8	8.8	7.0	5.9	5.6	5.0	5.7	6.4
Debt service to revenue ratio 3/	--	60.5	26.9	23.2	10.6	10.9	10.0	9.3	10.2	7.9	6.5	6.0	5.0	5.3	5.6
Less concessional borrowing 7/															
NPV of debt-to-exports ratio (percent) 2/	360.7	347.1	369.3	187.8	194.7	198.3	200.2	201.6	201.6	203.0	204.9	206.2	207.1	202.0	190.4
Debt service to export ratio 4/	--	35.9	17.9	16.7	8.6	9.1	8.6	9.0	11.1	10.4	10.3	10.9	10.9	12.1	13.2
Debt service to revenue ratio 3/	--	60.7	27.2	23.5	11.1	11.4	10.5	10.7	12.7	11.6	11.2	11.4	10.9	11.1	11.1
Memorandum items						(in millions of US dollars)									
NPV of total debt after traditional debt relief	973.3	987.4	1014.5	1043.1	1066.9	1065.5	1067.4	1066.2	1063.6	1062.3	1061.7	1065.2	1108.4	1210.0	1325.3
NPV of total debt after HIPC assistance	1088.8	1041.1	1022.9	509.0	554.8	584.5	615.5	645.7	675.6	705.3	735.5	768.4	856.0	1019.0	1196.0
Debt service after traditional debt relief	--	60.8	67.5	69.5	76.7	89.2	86.7	87.2	85.1	79.7	76.0	73.2	62.1	66.5	76.9
Debt service after HIPC assistance	--	93.5	48.6	47.4	25.1	29.9	31.2	31.1	29.8	27.7	26.2	26.4	26.1	35.4	47.6
Exports of goods and services 4/	303.7	261.2	273.0	289.9	310.4	336.1	364.2	390.7	419.7	450.2	483.4	519.6	603.0	754.1	948.1
Three-year export average 2/	301.9	301.5	279.3	274.7	291.1	312.1	336.9	363.7	391.5	420.2	451.1	484.4	561.3	701.0	879.7
Government revenues 3/	171.1	154.7	180.1	206.1	238.8	267.1	299.0	331.1	366.3	404.4	446.9	493.9	606.9	826.7	1135.3
GDP	2020.8	1894.9	2007.6	2178.7	2368.8	2575.6	2796.4	3008.3	3221.6	3467.5	3732.3	4017.3	4662.5	5814.1	7250.0

Sources: Nigerien authorities; and World Bank and Fund staff estimates and projections.

1/ Shows the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors.
2/ In terms of simple historical three-year average of exports of goods and nonfactor services (as defined in IMF, Balance of Payments Manual, 5th edition, 1993). Excludes transit trade.
3/ Revenues are defined as central government revenues, excluding grants.
4/ Exports are as defined in IMF, Balance of Payments Manual, 5th edition, 1993 and exclude transit trade.
5/ Assumes interim relief under the enhanced Initiative in December 2000-December 2002 and full delivery of assistance from January 2003.
6/ Reduction of annual average real GDP growth of 1.5 percentage points a year (implying export 21% lower than in the baseline for 2019). 70% of additional financial needs financed by grants
7/ grants represent 50% of foreign financing (instead of 70%), with terms average half as concessional as IDA

Table 11. Niger: Net Present Value of External Debt After Traditional Debt-Relief and HIPC Assistance, 1999-2019

(in millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Averages 1999-2009	2010-2019
I. After traditional debt-relief 1/														
1. NPV of total debt (2+5) 2/	973.3	987.4	1014.5	1043.1	1066.9	1065.5	1067.4	1066.2	1063.6	1062.3	1061.7	1065.2	1042.9	1199.6
2. NPV of outstanding debt (3+4)	973.3	965.0	950.1	932.7	907.5	868.8	830.7	790.4	750.4	714.0	679.6	646.6	851.1	547.4
3. Official bilateral and commercial	395.2	379.7	362.8	346.0	327.4	311.6	298.2	285.1	272.2	258.8	244.3	231.2	316.5	180.1
3a. Paris Club	196.2	191.3	185.4	180.0	174.4	171.2	168.0	164.6	160.9	157.0	151.9	146.2	172.8	108.5
3b. Other official bilateral	194.9	184.9	174.4	163.6	151.2	139.1	129.5	120.5	111.3	101.8	92.4	84.9	142.1	71.6
3c. Commercial	4.0	3.5	3.0	2.4	1.8	1.2	0.6	0.0	0.0	0.0	0.0	0.0	1.5	0.0
4. Multilateral	578.1	585.3	587.3	586.7	580.1	557.2	532.6	505.4	478.2	455.2	435.3	415.4	534.7	367.3
5. NPV of new borrowing	-	22.3	64.4	110.4	159.4	196.8	236.7	275.8	313.2	348.3	382.1	418.6	191.8	652.2
Memorandum items:														
NPV of debt-to-GDP ratio (percent)														
Total debt (2+5)	48.2	52.1	50.5	47.9	45.0	41.4	38.2	35.4	33.0	30.6	28.4	26.5	41.0	21.6
Outstanding debt (3+4)	48.2	50.9	47.3	42.8	38.3	33.7	29.7	26.3	23.3	20.6	18.2	16.1	34.5	10.3
NPV of debt-to-exports ratio (percent) 3/														
Total debt (2+5)	322.4	327.5	363.3	379.7	366.5	341.4	316.8	293.2	271.7	252.8	235.4	219.9	315.5	178.6
Outstanding debt (3+4)	322.4	320.1	340.2	339.5	311.7	278.3	246.6	217.4	191.7	169.9	150.7	133.5	262.6	85.0
NPV of debt-to-revenue ratio (percent)														
Total debt (2+5)	569.1	638.1	563.4	506.0	446.8	398.4	356.5	321.1	288.9	260.2	234.6	212.3	416.7	153.2
Outstanding debt (3+4)	569.1	623.7	527.7	452.4	380.1	324.8	277.4	238.1	203.8	174.9	150.2	128.8	356.6	74.1
II. After enhanced HIPC assistance 4/														
1. NPV of total debt (2+5) 2/	1088.8	1041.1	1022.9	509.0	554.8	584.5	615.5	645.7	675.6	705.3	735.5	768.4	743.5	998.1
2. NPV of outstanding debt (3+4)	1088.8	1018.8	958.5	398.6	395.4	387.7	378.8	369.9	362.4	357.1	353.4	349.8	551.8	345.9
3. Official bilateral and commercial	510.7	435.7	384.9	121.6	115.9	112.6	109.3	106.0	102.8	99.6	95.7	91.5	199.5	67.8
3a. Paris Club	286.9	251.4	211.7	98.4	92.7	89.5	86.2	82.8	79.6	76.5	72.7	68.6	129.9	47.5
3b. Other official bilateral	219.8	180.7	170.3	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	21.9	68.0	19.4
3c. Commercial	4.0	3.5	3.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.7	0.9
4. Multilateral	578.1	583.1	573.6	277.0	279.5	275.1	269.5	264.0	259.7	257.4	257.7	258.3	352.2	278.1
5. NPV of new borrowing	-	22.3	64.4	110.4	159.4	196.8	236.7	275.8	313.2	348.3	382.1	418.6	191.8	652.2
Memorandum items:														
NPV of debt-to-GDP ratio (percent)														
Total debt (2+5)	53.9	54.9	51.0	23.4	23.4	22.7	22.0	21.5	21.0	20.3	19.7	19.1	30.3	17.6
Outstanding debt (3+4)	53.9	53.8	47.7	18.3	16.7	15.1	13.5	12.3	11.2	10.3	9.5	8.7	23.8	6.3
NPV of debt-to-exports ratio (percent) 3/														
Total debt (2+5)	360.7	345.3	366.3	185.3	190.6	187.3	182.7	177.6	172.6	167.9	163.0	158.6	227.2	146.1
Outstanding debt (3+4)	360.7	337.9	343.2	145.1	135.8	124.2	112.4	101.7	92.6	85.0	78.3	72.2	174.3	52.6
NPV of debt-to-revenue ratio (percent) 3/														
Total debt (2+5)	636.4	672.9	568.1	246.9	232.4	218.8	205.9	195.0	184.4	174.4	164.6	155.6	318.2	126.8
Outstanding debt (3+4)	636.4	658.5	532.4	193.4	165.6	145.1	126.7	111.7	98.9	88.3	79.1	70.8	257.8	46.3
III. After enhanced HIPC assistance assumed committed unconditionally 5/														
1. NPV of total debt (2+5) 2/	452.7	465.9	494.8	509.0	554.8	584.5	615.5	645.7	675.6	705.3	735.5	768.4	585.4	998.1
2. NPV of outstanding debt (3+4)	452.7	443.6	430.4	398.6	395.4	387.7	378.8	369.9	362.4	357.1	353.4	349.8	393.6	345.9
3. Official bilateral and commercial	183.8	163.0	151.5	121.6	115.9	112.6	109.3	106.0	102.8	99.6	95.7	91.5	123.8	67.8
3a. Paris Club	91.3	82.4	80.5	98.4	92.7	89.5	86.2	82.8	79.6	76.5	72.7	68.6	84.8	47.5
3b. Other official bilateral	90.7	79.2	70.2	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	21.9	37.9	19.4
3c. Commercial	1.9	1.4	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	0.9
4. Multilateral	268.9	280.5	278.9	277.0	279.5	275.1	269.5	264.0	259.7	257.4	257.7	258.3	269.8	278.1
5. NPV of new borrowing	-	22.3	64.4	110.4	159.4	196.8	236.7	275.8	313.2	348.3	382.1	418.6	191.8	652.2
Memorandum items:														
NPV of debt-to-GDP ratio (percent)														
Total debt (2+5)	22.4	24.6	24.6	23.4	23.4	22.7	22.0	21.5	21.0	20.3	19.7	19.1	22.3	17.6
Outstanding debt (3+4)	22.4	23.4	21.4	18.3	16.7	15.1	13.5	12.3	11.2	10.3	9.5	8.7	15.8	6.3
NPV of debt-to-exports ratio (percent) 3/														
Total debt (2+5)	150.0	154.5	177.2	185.3	190.6	187.3	182.7	177.6	172.6	167.9	163.0	158.6	173.5	146.1
Outstanding debt (3+4)	150.0	147.1	154.1	145.1	135.8	124.2	112.4	101.7	92.6	85.0	78.3	72.2	120.6	52.6
NPV of debt-to-revenue ratio (percent) 3/														
Total debt (2+5)	264.6	301.1	274.8	246.9	232.4	218.8	205.9	195.0	184.4	174.4	164.6	155.6	223.9	126.8
Outstanding debt (3+4)	264.6	286.7	239.0	193.4	165.6	145.1	126.7	111.7	98.9	88.3	79.1	70.8	163.6	46.3

Sources: Nigerien authorities; and World Bank and Fund staff estimates and projection.

1/ Shows the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors.

2/ Discounted on the basis of currency-specific average commercial interest reference rates (CIRRs) over the six-month period June-December 1999.

3/ In terms of simple historical three-year average of exports of goods and nonfactor services. Excludes transit trade.

4/ Assumes interim relief under the enhanced Initiative in December 2000-December 2002 and full delivery of assistance from January 2003.

5/ NPV of debt shows the results of the (hypothetical) unconditional commitment of enhanced HIPC assistance at end 1999.

Table 12. Niger: Possible Delivery of IMF Assistance under the HIPC Initiative 1/
(In millions of US dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Delivery schedule of IMF assistance (in percent of total assistance)	0	3	6	17	17	18	18	16	5	0
Debt Service due on current IMF obligations 2/	0.2	2.1	4.6	9.5	13.2	13.1	11.8	9.3	4.3	0.6
Of which: Principal	0.0	1.2	3.7	8.7	12.4	12.4	11.2	8.7	3.7	0.0
Interest	0.2	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.6
IMF assistance--deposits into Niger's account										
Interim assistance 3/	0.5	2.8								
Completion point assistance			24.5 /4							
IMF assistance under the *HIPC Initiative*--drawdown schedule 5/	0.0	0.8	2.6	5.9	7.0	6.0	5.7	4.9	1.6	0.0
Of which: IMF assistance without interes	0.0	0.8	1.7	4.7	4.7	5.0	5.0	4.4	1.4	0.0
Estimated interest earnings	0.0	0.0	1.0	1.1	2.2	0.9	0.7	0.4	0.2	0.0
Debt service due on current IMF obligations after IMF assistance 5/ 6/	0.2	1.3	2.0	3.7	6.2	7.2	6.1	4.4	2.7	0.6
Share of debt service due on current IMF obligations covered by IMF assistance (in percent) 5/	0.0	39.4	57.3	61.5	52.8	45.4	48.2	52.3	36.8	0.0
Memorandum items:										
Proportion of each repayment falling due during the period to be paid by HIPC Initiative assistance from the principal deposited in Niger's account	0.0	67.2	44.8	54.4	38.1	40.3	44.8	51.2	37.4	0.0
Total debt service due 7/	60.8	67.5	69.5	76.7	89.2	86.7	87.2	85.1	79.7	76.0
Share of total debt service covered by IMF assistance (in percent) 5/	0.0	1.2	3.8	7.6	7.8	6.9	6.5	5.7	2.0	0.0
Debt service due on current IMF obligations after IMF assistance 5/ (in percent of exports)	0.1	0.4	0.6	1.1	1.7	1.9	1.5	1.0	0.6	0.1

Source: IMF

1/ Total IMF assistance under the HIPC Initiative is US$ 27.8 million calculated on the basis of data available at the decision point, excluding interest earned on Niger's account and on committed but undisbursed amounts as described in footnotes 4 and 5.

2/ As of October 5, 2000, converted from SDRs using the rate prevailing on December 1, 2000. For 2000, covers only the month of December.

3/ Interim assistance to be deposited into Niger's account in December 2000 and December 2001. These are to be drawn down as obligations to the Fund fall due. As Niger has no principal obligation falling due in December 2000, the first interim disbursement covers payments in 2001.

4/ Remaining amount of assistance assumed to be disbursed into Niger's account at the assumed completion point in December 2002, which is reflected in the calculation of interest.

5/ Includes estimated interest earnings on: (1) amounts held in Niger's account; and (2), up to the completion point, amounts committed but not yet disbursed. It is assumed that these amounts earn a rate of of 5.25 percent in U.S. dollar terms; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first repayment obligation(s) falling due in the following calendar year except in the final year, when it will be used toward payment of the final obligation(s) falling due in that year. Interest accrued on (2) during the interim period will be used toward the repayment of obligations falling due during the three years after the completion point. The completion point is assumed to be in December 2002.

6/ Total obligations less HIPC Initiative assistance.

7/ After traditional debt relief mechanisms.

Table 13. Niger: Possible Delivery of IDA Assistance under the HIPC Initiative
(In millions of U.S. dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt service before enhanced HIPC assistance	13.0	13.7	14.6	15.6	16.6	17.5	20.4	22.3	23.9	24.4	24.4	24.8	25.2	25.3	25.7	26.0	26.2	26.5	26.8	26.9	26.7
Savings on debt service to IDA 1/	-	9.1	9.7	10.4	11.0	11.6	13.6	14.8	15.9	16.2	16.3	16.5	16.7	16.8	17.1	17.3	17.5	17.6	17.8	17.9	17.8
Debt service after enhanced HIPC relief	13.0	4.6	4.9	5.2	5.6	5.8	6.8	7.5	8.0	8.2	8.2	8.3	8.4	8.5	8.6	8.7	8.8	8.9	9.0	9.0	8.9
Memorandum item:																					
IDA Debt relief as a percentage of IDA debt service due (in percent)	-	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5	66.5
Interim Assistance 2/	16.3																				
Interim relief as percent of total 2/	10.4																				

Sources: Nigerien authorities; and IDA staff estimates and projections.

1/ Translates into US$170.0 million in NPV terms, using end-1999 discount and exchange rates.
2/ In net present value (NPV) terms.

Table 14. HIPC Initiative: Status of Country Cases Considered Under the Initiative, November 27, 2000

Country	Decision Point	Completion Point	Target NPV of Debt-to- Export (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral	Multilateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework											
Uganda					1,003	183	820	160	517	50	1,950
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*
Decision point reached under enhanced framework											
Benin	Jul. 00	*Floating*	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*291*	*29*	*53*	*14*	*760*
enhanced framework	*Feb. 00*	*Floating*	*150*		*854*	*268*	*585*	*55*	*141*	*30*	*1,300*
Burkina Faso					398	56	342	42	162		700
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Floating*	*150*		*169*	*24*	*146*	*20*	*71*	*27*	*300*
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,000
Guyana					585	220	365	74	68		1,030
original framework	Dec. 97	May 99	107	280	256	91	165	35	27	24	440
enhanced framework	*Nov. 00*	*Floating*	*150*	*250*	*329*	*129*	*200*	*40*	*41*	*40*	590
Honduras	Jun. 00	Floating	110	250	556	215	340	30	98	18	900
Mali					523	162	361	58	182		870
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*44*	*9*	*220*
enhanced framework	*Sep. 00*	*Floating*	*150*		*401*	*124*	*277*	*44*	*138*	*28*	*650*
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50	1,100
Mozambique					1,970	1,235	736	140	434		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,716*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Floating*	*150*		*254*	*159*	*95*	*16*	*53*	*9*	*600*
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19	850
Tanzania	Apr. 00	Floating	150		2,026	1,006	1,020	120	695	54	3,000
Decision point reached under original framework											
Côte d'Ivoire	Mar. 98	Mar. 01	141	280	345	163	182	23	91	6 3/	800
Total assistance provided/committed					**11,343**	**5,070**	**6,175**	**883**	**2,928**		**20,020**
Preliminary HIPC document issued 5/											
Chad	...	...	150		157	34	123	15	65	27	250
Ethiopia	...	...	200		636	225	411	22	214	23	1,300
Gambia, The 6/	...	...	150		67	17	49	2	22	27	90
Guinea 6/	...	...	150		545	215	328	31	152	32	800
Guinea-Bissau 6/	...	...	150		400	198	202	11	93	85	755
Madagascar	...	...	150		880	502	378	23	264	41	2,000
Malawi	...	...	150		629	163	466	29	323	43	1,100
Nicaragua	...	...	150		2,507	1,416	1,091	32	188	66	5,000
Niger 6/		...	150		521	211	309	28	170	54	890
Rwanda	...	...	150		447	56	391	43	227	71	800
Sao Tome & Principe		...	150		97	29	68	--	24	83	200
Zambia	...	...	150		2,499	1,121	1,326	608	497	62	4,500

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.
2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.
3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessiona restructuring, is excluded from the NPVof debt at the completion point in the calculation of this ratio.
4/ Equivalent to SDR 677.9 million at an SDR/USD exchange rate of 0.7676.
5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change. Assistance level for Ethiopia is based on the original framework and applied at the completion point; for the other countries, targets are based on the enhanced framework and assistance levels are at the assumed decision point.
6/ Data reflect Decision Point documents which have been issued but not yet approved by the Board.

Annex 1: Main Structural Measures Completed

1. Tax Policy

- Unification of the value-added tax (VAT) at a single rate of 17 percent (1994)
- Simplification of the domestic tax system including: (a) merger of general income tax and the tax on wages into one single tax on income and wages (1996); (b) reform of the self-employed sector taxation through the introduction of a single professional tax (1996); (c) simplification of the property tax, including strengthening collection procedures and transferring collection authority to DGI (1996-97); and (d) streamlining of petroleum products taxation (1997);
- Non-renewal of tax exemptions under the investment code and exclusion of privatized enterprises from the provision of this code, as well as elimination of other *ad hoc* tax exemptions (1998);
- Introduction of a system to control exemptions from import duties under externally financed government procurement contracts, and subsequent extension of the system to NGOs (1998);
- Introduction of computerized value data for use by the customs department (1998);
- Reduction in tax holidays for new investments from 15 to 5 years (1997);
- Establishment of a large taxpayer unit in the General Tax Directorate (1998);
- Introduction of one single taxpayer identification number for use by all tax collection agencies (1998);
- Establishment of a VAT auditing unit (1998);
- Completion of an inventory of tax arrears and cancellation of non-collectible tax arrears (*1998*); and
- Harmonization of penalties for non-compliance with the tax code (1998).

2. External Tariff Policy

- Simplification of the customs tariff system, including (a) the replacement of estimated taxable values by actual import values (b) the elimination of ad hoc import duty exemptions; (c) the consolidation of all import duties into two taxes; (c) the reduction of tariff bands to three; and (d) the elimination of duties on non-uranium exports and the rationalization of re-exports duties. (all in 1994);
- Contracting of pre-shipment inspection to an international firm (1996);
- Revision of ed tariff system in line with the WAEMU common external tariff. (January 2000); and
- Expansion of the import surveillance program to additional border posts (2000).

3. Public Expenditure Management

- Adoption and implementation of measures aimed at restoring budgetary discipline, including: (a) abolition of advanced expenditure payments (*paiements par anticipation*) (1998); (b) completion of an organizational audit of the treasury (1999); (c) implementation of a plan for the orderly closing of Treasury accounts covering fiscal years 1997-1999; (d) shortening of the "supplementary fiscal period" and strict enforcement of the closing deadline for expenditure commitments; and (e) adopting an expenditure regulation mechanisms relating expenditure commitments to actual budgetary revenues. (1998);

- Adoption and implementation of measures for the orderly reduction of government consumption of water, electricity and telephone to ensure timely payments of these services. (1998/2000) ;
- Adoption of a medium-term plan to improve efficiency and equity of public spending, including: (a) allocation of non-wage expenditure towards priority areas (including primary education and basic health care); (b) reduction in scholarships for post-primary education and adoption of new eligibility criteria; (c) introduction of a public expenditure review and inclusion of the recommendations in annual budgets; and (d) volunteer teachers hiring program (1997-98), and
- Submission of a budget review law and the closed treasury accounts for FY 1997 to the National Assembly and the Supreme Court's Chamber of Accounts, respectively, in order to re-establish budgetary accountability and external review procedures (2000).

4. Civil Service Reform

- Implementation of a new civil service salary scale leading to the reduction of base salaries and allowances as well as to the elimination of distortions such as automatic wage adjustment schemes that disproportionately benefit higher paid employees (1997);
- Redeployment of staff towards the health sector and tax collection agencies (1997/98);
- Completion of a civil service census leading to the dismissal of employees in irregular status (1997);
- Implementation of a strict civil service employment policy, linking recruitment to retirements (1997-98);
- Adoption of a revised civil service statute, introducing mandatory retirement after 30 years of service or 55 years of age, and basing promotion on merit (December 1998).;
- Harmonization and integration of civil service personnel databases (2000); and
- Implementation of the civil service retirement reform (2000).

5. Public Enterprise Reform and Promotion of the Private Sector

- Adoption of a public enterprise reform program, including the privatization of twelve, the restructuring of eight, and the liquidation of a further four enterprises (1996);
- Divestiture from of SONITEXTIL (textile factory) in 1997, OLANI (dairy products) and SNC (cement) in 1998,;
- Recruitment of financial and regulatory advisors to prepare request for bids for SNE (water), SONITEL (telecom), and NIGELEC (electricity);
- Liquidation of four non-viable public enterprises: LABOCEL (livestock laboratory), FIPMEN (small enterprise promotion fund), SONHOTEL (hotel management), and ONT (tourism). (1997-98);
- Adoption of a regulatory framework accompanying the privatization programs and opening up of related sectors, including the creation of a regulatory agency and the adoption of legislation (1999);

- Invitations to bid for a leasing/concession contract for SNE, and acquisition of a majority holding in SONITEL (2000); and
- Selection of investors for the sale of two cellular phone licenses according to transparent tender procedures (2000).

6. Rural Development and Environmental Policy

- Preparation of a National Environmental Action Plan (1998);
- Adoption of a rural code (1999); and
- Completion of a public expenditure review for rural development (2000).

7. Education

- Recruitment of 2'365 "volunteer" teachers in a pilot program for the community-based hiring of teachers (1997-2000);
- Completion of a public expenditure review for the education sector, and incorporate recommendations into the 1999 Budget Law and the 2000 budget law revision;
- Adoption of a program for teacher training, including quality on-the-job training for new volunteer teachers (1998);
- Construction of 1533 new classrooms, (1997-99) ;
- Audit the management of the University and the *École Nationale d'Administration* (ENA) (1999); and
- Establishment of primary school management committees, comprising representatives from parents' association, teachers and pupils, to stimulate demand for schooling (1998-99).

8. Health

- Adoption of a National Health Development Plan 1994-2000 (1994);
- Establishment of a district health centers for the delivery of basic health care packages (1998);
- Adoption and implemention of a personnel redeployment plan (1998);
- Completion of a public expenditure review for the health sector and incorporation recommendations in the 1999 Budget Law (1998/2000); and
- Completion of a study of the hospital sector and identify measu.res to restructure the sector.(1998)

9. Urban Infrastructure and Transport

- Abolishment of the monopoly of the national transportation company in mineral transport (SNTN) (1996);
- Liberalization of transport tariffs and opening the market to private carriers (1996);
- Establishment of a Road Maintenance Fund (2000); and
- State divestiture from the management of public works equipment and restructuring of the Public Works Department, in line with government efforts to encourage road maintenance by local contractors (2000)

10 Good Governance and Judiciary Reform

- Adoption of a national framework for economic management and the promotion of good governance (1997) ; and
- Completion of peace negotiations with the Northern guerilla forces and ongoing implementation of 1995 peace accord, including socio-economic reinsertion of Tuareg and Toubou minorities (1998-2000).

Annex 2: Debt Management and Data Issues

The debt sustainability analysis reported in this HIPC Decision Point document was prepared on the basis of a loan-by-loan reconciliation of Niger's medium- and long-term public and publicly guaranteed external debt using the creditor-provided debt data as well as Niger's debt database.

In Niger, external debt management is the responsibility of the Direction de la Dette Publique (DDP) at the Ministry of Finance (MoF). The external debt database is maintained by the DDP using a computerized debt management system developed with technical assistance from the Fund's Monetary and Exchange Affairs Department over the period July 1990 to January 1993.

The main obstacle for effective debt management in Niger is the current mainframe system used for debt recording. This system cannot make projections for debt data, is prone to data-entry error, is not user-friendly, and requires a substantial amount of training to use. It needs to be replaced since it is (i) outdated compared with modern data management systems, and (ii) not compatible with the other ministerial platforms.

Therefore, officials from the MoF are currently considering the option to create a new computerized debt database. Two systems are under discussion: (i) the Commonwealth Secretariat - Debt Recording and Management System (CS-DRMS)[22]; and the UNCTAD Debt Management System DMFAS (Debt Management and Financial Analysis System).[23]

Staff recommendations: The measures necessary for debt management capacity building in Niger should address (i) the improvement of the computer system used for debt management, (ii) additional training of staff in debt management techniques, including techniques of debt analysis, and (iii) improved office space for staff.

[22] In May 1999, the DDP personnel attended a seminar held in Cameroon where they received an initial introduction and training on CS-DRMS.

[23] The French term of this debt management systems is SYGADE (Système de Gestion et Analyse de la Dette Extérieure).