Statement by Mr. Ngueto Tiraina Yambaye, Executive Director for Niger and Mr. Madjiyam Herve Bangrim Kibassim, Advisor to the Executive Director
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Our Nigerien authorities highly appreciate the continued support of the Board and Management to Niger. They are also thankful to staff for the candid discussions and the cooperative approach.

PROGRAM PERFORMANCE

Since the start of the ECF program, Niger has been faced with a number of difficult challenges, some of which unanticipated. The country had to deal with a difficult security situation with the continuation of Boko Haram's attacks, the large number of refugees and displaced persons whose numbers have climbed from approximately 137,000 persons (2015) to 335,277 (2016), and the food insecurity made worse by adverse climate conditions. Moreover, the economy was adversely affected by the significant decline in the international prices of oil and uranium, and the difficult economic and financial situation in neighboring Nigeria.

Despite these severe shocks, including shortfall in budgetary support, the Nigerien authorities have remained fully committed to the objectives of the ECF. Whenever there have been deviations from the program targets, corrective measures have been taken. Thus, the Nigerien authorities have taken corrective actions to enhance fiscal performance by strengthening revenue mobilization, reinforcing expenditure control and settling domestic arrears, with a particular attention paid to the overall PFM system and the strengthening of expenditure oversight, and has maintained the program on track.

Based on this performance and in view of the progress made, our authorities are requesting the Executive Board's approval for waivers of nonobservance of performance criteria and for the completion of the eight review. They are also requesting for modification of performance criteria on net domestic financing and domestic arrears repayments at end-June 2016.

RECENT DEVELOPMENTS, OUTLOOK AND RISKS

Economic developments:
The adverse environment created by the regional economic slowdown, security-related disruptions and the resource sector downturn has negatively impacted economic development in Niger.

Growth slowed from 7 percent in 2014 to 3.5 percent in 2015 due to lower agriculture, oil and mining production and to spillovers from the economic slowdown in neighboring countries. The economic downturn in Nigeria, for example, has resulted in a reduction in demand for Niger's products: customs revenues from re-exports fell by 17 percent while conventional exports fell by 16 percent in 2015 and re-exports by 18 percent, both in value terms.

The price stabilization program and good harvests have partly contributed to a moderation of average inflation which stood at 1 percent at end-April 2016, well below the regional "3 percent" convergence criteria of the West African Economic and Monetary Union (WAEMU).

Fiscal developments:
The 2015 fiscal deficit was higher than programmed due to a number of factors. Budgetary revenues performance was mixed, benefiting on one hand from an increase in non-resource revenues by 1.7 percent of GDP but suffering, on the other hand, from a fall in petroleum and uranium revenues by 1 percent of GDP. Moreover, there was a shortfall in the collection of outstanding unpaid taxes as taxpayers had cash flow problems. As a result total revenue fell to 18.1 percent of GDP, compared to program projection of 18.7 percent of GDP.

On the expenditure side, total government spending was larger than programmed by 0.7 percent of GDP. However, current government spending remained below budget limits, in spite of increases in the wage bill, mainly related to security and national defense, and to hiring of teachers. The implementation of priority investments considered in the *Plan de Development Économique et Social* (PDES 2012-2015) along with the additional infrastructure needs to address the deteriorating security situation, led to an increase in the deficit which was financed by higher domestic financing and an increase in domestic arrears.

Monetary developments:
In 2015, monetary growth slowed to 3.6 percent after accelerating to more than 25 percent in 2014, reflecting lower external assets from the central bank, BCEAO, and from the commercial banks. Support to business in the trade and transportation sectors and to the mining and oil companies raised the credit to the economy by 13.2 percent.

External sector:
Niger's net external position remains comfortable. However, the decline in exports of uranium and refined oil products and in exports and re-exports to Nigeria have contributed to the deterioration of the current account deficit of the balance of payments which increased from 15.1 percent of GDP in 2014 to 17.5 percent of GDP in 2015. This increased in the deficit also reflects higher imports related to the security situation and the

implementation of infrastructure projects. There was also a drop in foreign direct investment as several investments projects in the mining and oil sectors were suspended.

Outlook:
Barring a deterioration in the security situation, Niger's outlook remains positive. In 2016, economic growth is projected to accelerate by 5.2 percent, reflecting increased agricultural production, the expected production increase at the SORAZ fuel refinery, the continued implementation of major construction projects, and the start of power generation of the Gorou-Banda thermal power plant. Meanwhile, inflation should remain at an annual average of less than 2 percent.

Over the medium-term, growth is expected to exceed 6 percent supported by major road infrastructure projects, the resumption of the Imouranen Uranium project and the start of the Niger-Chad oil pipeline project expected for 2019.

FISCAL POLICY

The revised 2016 budget was approved by the National Assembly on June 10, 2016. It reflects the government's commitment to making required fiscal adjustments while maintaining priorities and preserving the strategic objectives of the Economic Development Document (EDD). Measures being implemented are expected to lead to a significant improvement in the fiscal deficit to 3.7 percent of GDP in 2016

This approved Budget aims at improving control over current expenditures and investment spending while preserving expenditures in priority sectors. The adjustments being undertaken should bring about a decrease of 0.2 percentage points of GDP of current expenditures compared to 2015, a fall of 3.8 percent of GDP in domestically financed capital expenditures and encompass a lower amount of primary current spending.

The clearance of arrears remains a priority for the government. In this regard, the payment of existing domestic arrears as of end-2015 is one objective of the new fiscal framework. The authorities will also take avoid accumulation of new arrears by applying budget execution procedures strictly and meeting budget closeout deadlines in accordance with the 2014 circular of the Minister of Finance.

The new Budget projects an increase in total revenue to 18.6 percent of GDP in 2016. The increase is expected to come mainly from measures to strengthen tax and customs administrations. Improvement in economic activity, following the elections, and greater stability at the border with Nigeria are also expected to strengthen government revenue.

Public Financial Management:

The authorities will pursue their efforts to improve revenue administration and public expenditure management. Thus, a number of measures is being taken to mobilize revenues. The customs administration is being modernized, and its operations strengthened with the development of institutional and organizational capacities. Tax administration is also being reformed with measures aimed at enhancing VAT collection, reinforcing control and modernization of tax collection systems.

The 2016 revised budget law establishes an effective system for expenditure control through an operational Budgetary Regulation and Treasury Management Committee (CRGT) reinforced by the creation of an inter-ministerial regulation committee chaired by the Prime Minister that will guide and validate the work of the CRGT. The committee's mission is to control public spending with emphasis on the budgetary regulation component and enhance communication on its operations and the results of its activities. It will also aim at strengthening the regulatory authority of the Minister of Finance and promoting better programming of expenditures and payment at the treasury. This system aims at eliminating the negative impact of accumulated arrears to the national economy.

On debt management, cognizant of the country's external public debt level, the government is taking actions to enhance debt management. Toward this end, a process of restructuring the debt stock portfolio was initiated and actions will be undertaken to clean up the debt stock. The government is also determined to use concessional resources when financing investment and to collaborate with the IMF if non-concessional resources are needed. In addition, the government is requesting technical assistance from the IMF to enhance the institutional framework that regulates public private partnership contracts.

STRUCTURAL REFORMS

The Government's macroeconomic objectives, as established in the Renaissance Act II Program, are focused on promoting strong, sustainable and inclusive growth. To achieve these objectives, the 2016 structural reforms program developed by the authorities are articulated around 6 pillars: domestic revenue mobilization, strengthening public financial management, debt and natural resources management, strengthening the financial sector and improving the business climate.

Domestic revenue mobilization:

The authorities' approach is focused on strengthening governance and control, building institutional and organizational capacities, enhancing the framework and procedures in 3 key areas: customs administration, directorate general of tax, general treasury and public accounting directorate (DGTCP). In particular, for customs this reform aims at making revenue secure, enhancing the information processing capacities, implementing a strategic reform plan to develop institutional and organizational capacities, and continuing customs facilitation and anti-fraud program. The directorate general of tax while working to simplify and adapt the tax law framework and accelerate the implementation of organizational reforms, will focus on two major reforms: expanding the authority of the directorate general of enterprises (DGE) to all business eligible for its control, regardless of their location in the country, and implementing the VAT credit refund mechanism. The general treasury and public accounting directorate is strengthening its accounting procedures to improve revenue collection, and the government is undertaking actions to reorganize tax auditing, internal control and to improve the management of state's assets.

Natural resource management:
The Government's reform of natural resource management has focused on strengthening the institutional framework and ensuring transparency in the energy sector and extractive industries. They are also implementing measures to expand the export base for mining products and to strengthen the contribution of the mining and oil sectors to develop the country.

In the oil industry, efforts are being undertaken to improve management. Also the government is examining measures to lower the refinery costs at the SORAZ refinery in order to make it more cost-effective. Furthermore, negotiations with neighboring countries for the construction of the oil pipeline are advancing and with the discovery of additional oil reserves in the Agadem oil field, the medium-term prospects remain bullish.

In the mining sector, the mission of the *Société du Patrimoine des Mines du Niger* (SOPAMIN), in charge of managing the public investment portfolio in mining companies, is being strengthened. While new mining agreements based on the new mining code have been signed, the government is requesting technical assistance in building capacities to evaluate project and audit mining revenue.

Financial sector:
The contribution of the financial sector to the national economy remains weak and its development is lagging. However, the government is committed to strengthen its development and has initiated the implementation of the financial sector development strategy covering the period 2014-2019. Also, the government adopted in July 2015, the National Strategy for Financial Inclusion. In the banking system, the government is continuing its disengagement from banks' capital in favor of foreign private banks participation.

Business climate:
The government is well aware that the development of the private sector is a key element for achieving a sustainable economic development. Therefore, the authorities have implemented a framework to improve the business climate, which includes the National Private Investors Board (CNIP), the Standing Dialogue Committee (CPC) and a technical committee to improve the Doing Business indicator.

Reforms tending toward the improvement of business climate include:
(i) the opening of the Business Center - *Maison d'entreprise*, to make it easier to start a business;
(ii) the reduction of procedures, time, and cost of business creation through the implementation of several reforms;
(iii) the adoption in June 2015 of the law governing the regulation of credit bureau that will be established in all of the countries in the WAEMU area;
(iv) facilitating cross-border transactions; and
(v) strengthening the legal framework for settling trade disputes.

CONCLUSION

Our Nigerien authorities firmly believe that the economic and financial policies that they are implementing are appropriate to achieve the objectives of the program. They are also of the view that these policies will help to maintain macroeconomic stability and will contribute to strong and inclusive growth. However, they remain concerned by the security situation along their border and look forward to international assistance in dealing with this issue. Given the commitment of the authorities to the program and the strong ownership shown through the additional measures taken, we would greatly appreciate Directors' support for the completion of this Eighth review and the Request for Waivers of Nonobservance of Performance Criteria and Modification of Performance Criteria**.**