IMF Country Reports 20/292

Niger: Sixth Review Under the Extended Credit Facility and Request for Waiver for Nonobservance of Performance Criterion-Press Release; Staff Report; and Statement by the Executive Director for Niger

INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/292

NIGER

November 2020

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR WAIVER FOR NONOBSERVANCE OF PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGER

In the context of the Sixth Review Under the Extended Credit Facility and Request for Waiver for Nonobservance of Performance Criterion, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on October 26, 2020, following discussions that ended on September 29, 2020, with the officials of Niger on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on October 9, 2020
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Niger.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR20/322

IMF Executive Board Completes the Sixth Review Under the Extended Credit Facility Arrangement for Niger and Approves a US$19.9 Million Disbursement

FOR IMMEDIATE RELEASE

- *The COVID-19 outbreak remained well contained and this year's setback of economic growth should be largely overcome in 2021, though risks remain tilted to the downside.*
- *Larger fiscal deficits are appropriate for 2020 and 2021, but must not become entrenched, and efforts to improve spending quality and revenue mobilization should be stepped up.*
- *Program implementation has been mixed, with clearance of arrears and advances in public financial management but challenges in mobilizing revenues and controlling spending.*

Washington, DC – October 26, 2020: On October 26, 2020, the Executive Board of the International Monetary Fund (IMF) completed the sixth and final review of Niger's economic and financial program supported under the Extended Credit Facility (ECF) framework. The completion of the review enables the disbursement of SDR 14.1 million (about US$19.9 million), bringing total disbursements under the arrangement to SDR 118.44 million (about US$167.86 million).

The Executive Board also approved the authorities' request for a waiver for the non-observance of the performance criterion on domestic budget financing at end-December 2019. Niger's three-year ECF arrangement was approved on January 23, 2017 for SDR 98.7 million (about US$134.04 million) in support of the authorities' national plan for economic development. It aims to enhance macroeconomic stability and foster high and equitable growth, boost incomes and create jobs, while strengthening the foundations for sustainable development. On December 10, 2018, the Executive Board agreed to augment the overall amount of the arrangement to SDR 118.44 million (about US$167.86 million, or 90 percent of Niger's quota). The Executive Board also granted extensions of the arrangement until October 31, 2020.

Following the Executive Board's discussion on Niger, Ms. Antoinette Sayeh, Deputy Managing Director and Acting Chair, issued the following statement:

"The COVID-19 outbreak remained limited in Niger but confinement measures and delays in foreign projects will likely reduce economic growth in 2020. Given the structure of the Nigerien economy, long-lasting effects are likely to be limited. The construction of a pipeline for crude oil exports, scheduled to commence during 2022, will be an important boon for the economy. However, downside risks to the outlook dominate, owing to the uncertain global outlook, the tense security situation in the Sahel, and more frequent natural disasters.

"Overall program performance has been mixed. Three out of four performance criteria and two out of five indicative targets were met at end-December 2019. Sizeable fiscal overruns, continued challenges with mobilizing domestic revenue, and limited progress with

700 19th Street NW
Washington, DC 20431
USA

strengthening the frameworks for good governance remain the main areas of concern. The authorities have taken some corrective measures recently, including more conservative budgeting for 2020 and 2021, better management of tax exemptions, and measures to combat petroleum smuggling. The implementation of the structural reform agenda is progressing reasonably well.

“The need to protect the economy and vulnerable populations in the face of the COVID-19 pandemic justifies larger fiscal deficits in 2020 and 2021. However, to safeguard Niger’s public finances, it will be important to guard against high deficits becoming entrenched, step up revenue collection, improve the quality of public spending, and ensure good management of forthcoming additional oil revenues.

“A much stronger private sector and greater diversification of the economy are imperative to durably increase living standards in Niger. Achieving this goal will require sustained and focused efforts by the government and development partners aimed at narrowing in infrastructure and education gaps, improving access to credit, continuing to promote good governance, and steadfastly implementing the anti-corruption agenda.”

NIGER

October 9, 2020

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR WAIVER FOR NONOBSERVANCE OF PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Context: With one of the world's lowest levels of human development, Niger has enormous needs but only limited own resources to meet them. Insecurity in the Sahel, climate change, and low prices for its uranium exports are further challenges. Niger's economy performed reasonably well before the outbreak of the COVID-19 pandemic. GDP growth exceeded 6 percent and large foreign projects were attracted, notably a pipeline for the export of crude oil. A new government will take office in April 2021.

Economic developments: The pandemic remained contained (1,200 infections and under 100 deaths). But the economic impact was severe, with growth cut to 1.2 percent in 2020 due to shutdowns and project implementation delays. With projects resuming and renewed shutdowns unlikely, growth should rebound to 6.8 percent in 2021.

Program performance: Performance against December 2019 targets was mixed. The clearance of the remaining domestic payment arrears was an important achievement and the contracting of external debt remained prudent. But fiscal spending overran program targets and domestic revenue mobilization experienced renewed slippages.

Policy discussions: The 2020 and 2021 budgets are based on realistic assumptions, thus reducing the burden on budget execution regulation to meet fiscal targets and strengthening spending control. Fiscal deficits are set to widen to 5.8 and 4.4 percent of GDP this year and next, reflecting pandemic-related revenue shortfalls and emergency and recovery spending. But high deficits must not become entrenched as they would quickly overwhelm Niger's limited debt carrying capacity in terms of revenues and export proceeds. The authorities are encouraged to persevere with efforts to mobilize revenues, improve the quality of public spending, further strengthen governance, and develop the private sector, including through better access to credit.

Staff views: Staff supports the granting of a waiver for the non-observance of the December 2019 performance criterion on domestic budget financing and the completion of the sixth review, resulting in the disbursement of SDR 14.1 million.

Approved By
Vitaliy Kramarenko (AFR) and Martin Sommer (SPR)

Discussions were held remotely during September 9-29, 2020. The mission comprised Mr. Klingen (head), Mr. Staines, Mr. Kaho, Mr. Oubeid, Mr. Cangul (Resident Representative), Mr. Abdou (local economist) (all AFR), and Mr. de Bidegain (FAD). Ms. Pilouzoue (AFR) provided administrative assistance.

CONTENTS

ECONOMIC DEVELOPMENTS, PROGRAM PERFORMANCE, AND OUTLOOK 3
A. Recent Developments and Program Performance 3
B. Outlook and Risks 9

POLICY DISCUSSIONS 10

PROGRAM MODALITIES 13

STAFF APPRAISAL 14

BOX
1. Performance Under the 3-year ECF Arrangement 8

FIGURES
1. Recent Economic Developments and Outlook 16
2. Fiscal Developments 2010–19 17
3. GDP Composition and Output Volatility 18
4. Tax Performance, 2016–20 19

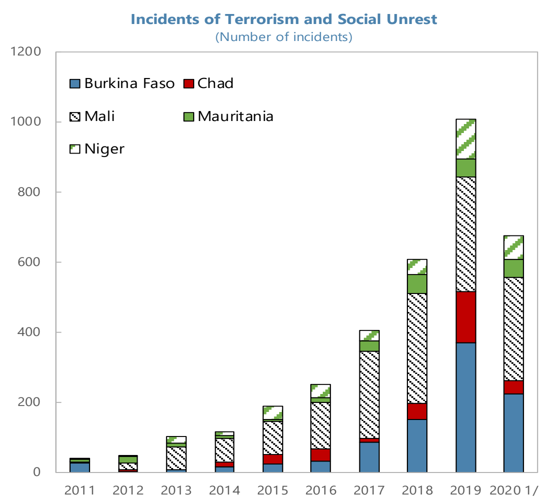
TABLES
1. Revisions of GDP Estimates for the New Base Year 2015 5
2. Selected Economic and Financial Indicators, 2017–25 20
3. Financial Operations of the Central Government, 2017–25 (In billions of CFA francs) 21
4. Financial Operations of the Central Government, 2017–25 (In percent of GDP) 22
5. Monetary Survey, 2017–25 23
6. Balance of Payments, 2017–25 (In billions of CFA francs) 24
7. Balance of Payments, 2017–25(In percent of GDP) 25
8. Indicators of Financial Soundness, Dec. 2012– June 2019 26
9. Indicators of Capacity to Repay the Fund, 2019–31 27

APPENDIX
I. Letter of Intent 28

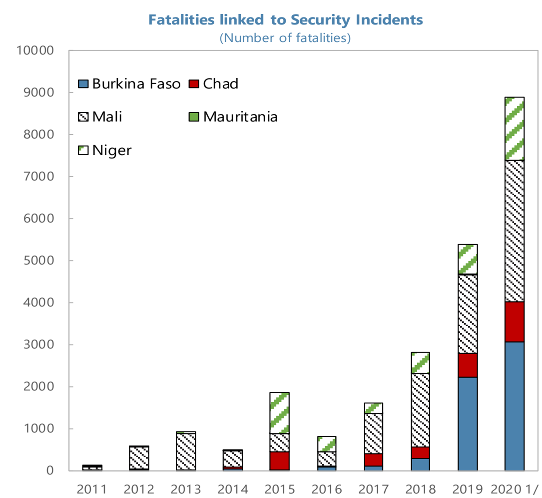
ECONOMIC DEVELOPMENTS, PROGRAM PERFORMANCE, AND OUTLOOK

1. **After over eight years of economic stability in a challenging environment, President Issoufou's administration will hand over power when its final mandate ends in April 2021**. Economic growth strengthened to some 6 percent annually and large-scale projects by donors and private investors were attracted, notably the oil export pipeline now under construction. These achievements unfolded against a challenging backdrop, marked by a deteriorating security situation across the Sahel, climate change, low prices for uranium exports, and one of the world's lowest human development index (HDI) readings. The COVID-19 pandemic has been contained, with some 1,200 infections and under 100 deaths. In late summer 2020, Niger suffered extreme flooding.

G5-Sahel Countries: Security Developments, 2011–20



1/ Annualized based on data through July.
Sources: Control Risks; and IMF staff calculations.



1/ Annualized based on data through July.
Sources: ACLED; and IMF staff calculations.

A. Recent Developments and Program Performance

2. **The COVID-19 pandemic disrupted a reasonably strong economy**. GDP expanded by 5.9 percent in 2019, propelled by investment around the hosting of the African Union summit and large-scale projects by donors and foreign investors, and despite Nigeria closing its border to trade from late August 2019. Consumer prices declined by 2.5 percent. The current account deficit deteriorated slightly to 13 percent of GDP, but the overall external balance turned positive for the first time in many years thanks to exceptionally high donor support and FDI. These trends extended into early 2020.

3. **Lockdown measures during March–July 2020 weighed heavily on economic activity**. On March 27, all external borders were closed, and several other social distancing measures were implemented. Restrictions were gradually lifted from mid-May. By August, only the closure of land

borders and the obligation to wear masks in public remained. Indicators suggest a recovery from June, although readings remain below those 12 months earlier. On account of food prices, inflation rose to 5.7 percent this August, pulling the annual average into positive territory.

4. The government decided to make a sizable investment into the pipeline for crude-oil exports. The project led by the China National Petroleum Company will connect the oil fields in eastern Niger via a 2,000 km long pipeline to Benin's coast. Construction began last fall. The State of Niger has the contractual right to co-invest up to 45 percent in the US$2.1 billion project. In response to staff's concerns about the costs, the government has now locked in a 15 percent stake (2.4 percent of GDP payable over 24 months). With pipes arriving at staging areas, a start date for oil exports in mid-2022 remains within reach.

5. In early 2020, Niger revised official GDP estimates sharply upward by 33 percent. The Statistical Office took the opportunity of the migration to *SNA 2008* for a broader update of the national accounts. International experts, including from the Fund, provided technical input to the revisions but the accuracy of the estimates remains the sole responsibility of the authorities (Text Table).

6. Public finances deteriorated in 2019. The budget deficit widened to 3.6 percent of GDP from 3 percent of GDP in 2018, against a programmed 2.8 percent of GDP. Higher budget grant support was not enough to offset (i) the unexpectedly strong rise in spending, much of it on investment and security, amid difficulties to slow down spending growth late in the year, (ii) delays in reform implementation, such as the marking of petroleum products to combat smuggling, and (iii) the revenue loss from Nigeria closing its border to trade, which accounts for 30 percent of Niger's exports. Revenue performance remained sluggish in the first quarter of 2020.

Table 1. Revisions of GDP Estimates for the New Base Year 2015

(In billions of CFAF unless otherwise indicated)

	GDP base 2006	GDP base 2015	Revision	Revision in percent	Weight in GDP (2006 base)	Weight in GDP (2015 base)	Contribution to revision in percent	Explanation provided by Niger's National Statistical Office
Agriculture	1,005,425	1,212,260	206,835	20.6	23.4	21.2	4.8	Higher producer prices, new surveys, inclusion of new crops.
Animal husbandry and hunting	387,011	472,613	85,602	22.1	9.0	8.3	2.0	Higher producer prices, new parameters (fertility, fatalities, usage rate, ...).
Forestry	80,998	120,190	39,192	48.4	1.9	2.1	0.9	Inclusion of new products based on new surveys.
Fishing	69,209	58,390	-10,819	-15.6	1.6	1.0	-0.3	Reduction of fishing in Lake Chad due to terrorism.
Total primary sector	**1,542,643**	**1,863,453**	**320,810**	**20.8**	**36.0**	**32.6**	**7.5**	
Mining activity	347,790	567,836	220,046	63.3	8.1	9.9	5.1	Reclassification of exploration as value added in SNA 2008. New products (salt, natron, ...). Informal gold production (0.8 ppts).
Manufacturing	242,617	383,259	140,642	58.0	5.7	6.7	3.3	New survey of informal sector. 70 percent more formal enterprises identified. Higher food production implied by higher agricultural
Production and distribution of electricity and gas	39,086	49,791	10,705	27.4	0.9	0.9	0.2	Inclusion of production by private solar panels and power generators.
Production and distribution of water and sanitation	14,144	44,125	29,981	212.0	0.3	0.8	0.7	Exploration and production of water by households in rural areas.
Construction	128,304	188,866	60,562	47.2	3.0	3.3	1.4	New survey of informal sector. 70 percent more formal enterprises identified.
Total secondary sector	**772,478**	**1,233,877**	**461,399**	**59.7**	**18.0**	**21.6**	**10.8**	
Retail and wholesale trade, car repair services	514,536	802,730	288,194	56.0	12.0	14.0	6.7	New informal sector survey. 70 percent more formal enterprises identified. Increased distribution margins. Reclassification from transport sector.
Transport	158,846	130,643	-28,203	-17.8	3.7	2.3	-0.7	Partial reclassification to distribution.
Accommodation and restaurants	48,873	75,472	26,599	54.4	1.1	1.3	0.6	New survey of informal sector. 70 percent more formal enterprises identified.
Information and communication	110,446	133,722	23,276	21.1	2.6	2.3	0.5	Correction of previous underreporting of telecommunication companies.
Financial intermediation and insurance	54,094	81,379	27,285	50.4	1.3	1.4	0.6	New methodology for calculating value added in financial intermediation (0.2 ppts) and insurance services. Inclusion of BCEAO services (0.1 ppts).
Housing	64,395	96,877	32,482	50.4	1.5	1.7	0.8	Increase of estimates for imputed rent.
Professional and technical activities	44,209	78,736	34,527	78.1	1.0	1.4	0.8	
Support activities	25,562	63,337	37,775	147.8	0.6	1.1	0.9	
Public administration	463,108	402,277	-60,831	-13.1	10.8	7.0	-1.4	Partial reclassification to health and education.
Education	51,261	210,012	158,751	309.7	1.2	3.7	3.7	Correction of previous omission of contractual teachers. Reclassification from public administration. Better coverage of private institutions.
Health and social services	54,380	80,755	26,375	48.5	1.3	1.4	0.6	Reclassification from public administration.
Other services	47,573	88,820	41,247	86.7	1.1	1.6	1.0	
Total tertiary sector	**1,637,283**	**2,244,760**	**607,477**	**37.1**	**38.2**	**39.3**	**14.2**	
Net indirect taxes	**336,389**	**372,949**	**41,247**	**12.3**	**7.8**	**6.5**	**1.0**	Inclusion of "other production taxes," due to newly available data.
Gross Domestic Product (GDP)	**4,288,793**	**5,715,039**	**1,430,933**	**33.4**	**100.0**	**100.0**	**33.4**	

7. The authorities prepared an aspirational comprehensive COVID-19 response plan, but the focused supplementary budgets are realistic. In addition to health measures, they moved quickly to provide critical agricultural inputs and food aid to the most vulnerable, reduce utility bills, and defer tax payments. Banks were incentivized to extend credit under a CFAF 150 billion (2 percent of GDP) scheme backstopped by government guarantees, although take-up has been modest to date. Niger's comprehensive response plan would have cost CFAF 1,440 billion (18.5 percent of GDP), including covering revenue shortfalls, and spending to address long-standing development challenges. Budgeted amounts are more modest though. The June 2020 supplementary budget authorized new spending of 1.6 percent of GDP, sharply revised down revenue projections by 2.6 percent of GDP, and cut back non-priority spending by 1.3 percent of GDP. A second planned supplementary budget will add another 0.6 percent of GDP in outlays, mainly for road and water projects, as well as food security.

Fiscal Costs of the Response to the COVID-19 Pandemic

2020 Supplementary Budget (New and cancelled credits relative to original budget)			Comprehensive COVID-19 Response Plan		
	CFAF billions	Percent of GDP		CFAF billions	Percent of GDP
Δ Budget balance	-218	-2.8	Total costs	1,440	18.5
Δ Revenue	-199	-2.6			
			Health sector costs	167	2.1
Δ Expenditure	19	0.2			
New spending	122	1.6			
Pandemic spending	58	0.8	Support for vulnerable households	487	6.3
Health care	26	0.3			
Social support	33	0.4			
Non-pandemic spending	63	0.8	Reduction of economic and financial impact	434	5.6
Security	18	0.2			
Transfers to households	7	0.1			
Post-conflict zones	4	0.1	Strengthening of the resilience in education	21	0.3
Other	34	0.4			
Cancelled spending	-103	-1.3			
Investment	-69	-0.9	Strengthening of the re-silence in agriculture	331	4.2
Subsidies and transfers	-11	-0.1			
Operational budgets	-23	-0.3			

Sources: Nigerien authorities; and IMF staff calculations.

8. The government continues to strengthen the governance framework, but progress is falling short of earlier ambitions. In January 2020, parliament adopted a law that widens the asset declaration requirements to top civil servants. But the law falls short of good practices and remains to be promulgated pending a review of whether it can cover parliamentarians. Moreover, the existing asset declaration requirements for government members remain solely governed by the Constitution's general provisions. The authorities committed to post on an official website the names of government officials subjected to declaration requirements along with their declarations within 6 months to ensure high visibility and increase moral pressure for compliance, since the constitution does not stipulate sanctions. Upon instructions by the President, a special audit of military procurement has recently been completed. It uncovered alleged irregularities, which could have led to a fiscal loss of one percent of GDP during 2014-18. The case has been referred to the

judiciary. The government committed to conduct an administrative review once legal proceedings have been completed, and take measures as needed to strengthen procurement procedures and compliance.

9. Program performance against end-December 2019 targets was mixed:

- Three out of four PCs were met. External payment arrears continued to be avoided, remaining domestic payment arrears were cleared, and the contracting of new external public debt remained below the programmed ceiling. But domestic budget financing exceeded the program ceiling by 0.4 percent of GDP, reflecting the spending overruns and revenue shortfalls.

- Two out of five ITs were observed. Anti-poverty spending and exceptional expenditure respected program targets. But fiscal revenue collections and the basic fiscal balances fell short, by 0.2 and 0.9 percent of GDP respectively.

- One of two SBs was met. A decree establishing a dedicated debt management unit in the Treasury has been issued. A list of public officials subject to asset declaration requirements and the total value of the assets they declared was included in the annual report of the Audit Court, but declarations have not yet been posted on an official website as had been committed to under the benchmark.

- All but one recurrent SBs were met. Those related to debt management, treasury plans, and the procedures for budget releases were observed. A tally of newly granted discretionary tax exemptions has yet to been furnished.

10. More generally, while reforms progressed notably during the three years covered by the ECF arrangement, results fell short of the program's ambitious targets amid adverse circumstances and Niger's low development level (Box). Macroeconomic stability was preserved, and public finances remained under control, but revenue mobilization underperformed, and deficit reduction reflected mainly rising grants. The clearance of domestic payment arrears, the establishment of a Treasury Single Account, and better debt management were important achievements. The roll-out of the structural reform agenda remains work in progress.

Box 1. Performance Under the 3-year ECF Arrangement

The Executive Board approved the current ECF arrangement on January 17, 2017 and subsequently approved its extension from late April to end-October 2020 on account of the COVID-19 crisis. The program supported Niger's medium-term Economic Development Plan for 2016-19, which aimed to accelerate growth to 7 percent, improve incomes, and create jobs, while strengthening the foundations for sustainable development.

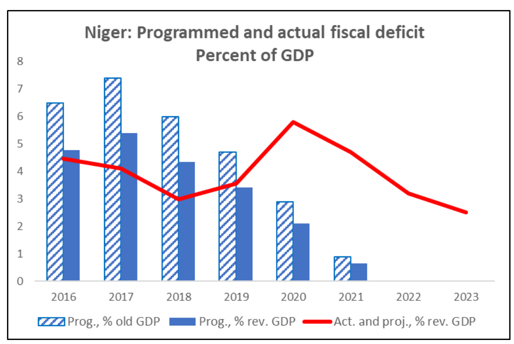
The arrangement was approved in the context of anemic growth and high fiscal deficits, rising public debt, and a large current account deficit. The program sought to open fiscal space by mobilizing domestic revenues and improving spending efficiency and so reduce the deficit to 3 percent of GDP as per the WAEMU convergence criterion. Revenues were projected to rise almost 4 percent of GDP over 2016-20, reducing the deficit by 3.6 percent of GDP from 6.5 to 2.9 percent of GDP (or from 4.8 to 2.1 percent of GDP under the national accounts revised in 2019). Meeting these objectives was to be supported by a structural reform agenda that focused on strengthening revenue and natural resource revenue administration, public financial management, and debt management.

The authorities' implementation of the macroeconomic program has been broadly successful despite challenging circumstances. Implementation has been confounded by a difficult security environment, weak commodity export prices, environmental degradation, very high population growth and, more recently, the shock from the COVID-19 pandemic. Despite these difficulties, as measured by implementation of performance criteria, the authorities' program implementation to date has been broadly satisfactory with only three waivers requested for the non-observance of performance criteria—twice relating to domestic payment arrears (June and December 2018) and once to domestic budget financing (December 2019).

Niger: Program performance

m: Met, NM: Not-Met	Mar-17 IT	Jun-17 PC	Sep-17 IT	Dec-17 PC	Mar-18 IT	Jun-18 PC	Sep-18 IT	Dec-18 PC	Mar-19 IT	Jun-19 PC	Sep-19 IT	Dec-19 PC
Performance criteria												
Ceiling on domestic financing	m	m	m	m	m	m	m	m	m	m	NM	NM
Ceiling on domestic arrears	m	m	m	m	NM	NM	NM	NM	NM	m	m	m
Ceiling on external arrears	m	m	m	m	m	m	m	m	m	m	m	m
Ceiling on new external debt	m	m	m	m	m	m	m	m	m	m	m	m
Ceiling on new non-concessional borrowing	m	m	m	m	m	m	m	m	m	m	m	m
Indicative targets												
Floor on basic budget balance (ex grants)	m	m	m	m	m	m	m	m	m	m	NM	NM
Floor on basic budget balance (with grants)	m	m	m	m	m	m	m	m	m	m	NM	NM
Floor on total revenue	NM	NM	NM	NM	m	m	m	m	m	m	NM	NM
Floor on spending on poverty reducton	m	m	m	m	m	m	m	m	m	m	m	m
Ceiling on ratio of exceptional on authorized spending	m	m	m	m	m	m	m	m	m	m	m	m

However, overall macroeconomic performance has been more mixed. Economic growth over 2017-19 remained at 6 percent, somewhat below the program target of 7 percent, and deficit reduction made headway, though largely on account of higher grants as domestic revenue mobilization remained an uphill battle. It was hampered by adverse shocks, including a difficult security situation, low commodity prices for uranium exports, and the closure of the Nigerian border to trade. But it also reflects delays in the implementation of reform measures and weak governance and speaks to the difficulty of achieving progress on the ground in a low-capacity environment.



The structural reform program has also seen mixed results. Tax and customs administrations benefitted notably from the revamping of the large taxpayer unit, the introduction of transaction valuation of imports for tax purposes, new software systems, and better interconnectivity, but results in terms of revenue mobilization disappointed. More progress was made in other areas, in particular debt management, the establishment of a Treasury Single Account, budget preparation and implementation, bankification of tax and customs payments, the adoption of a new law governing PPPs, and some improvements in the governance framework.

B. Outlook and Risks

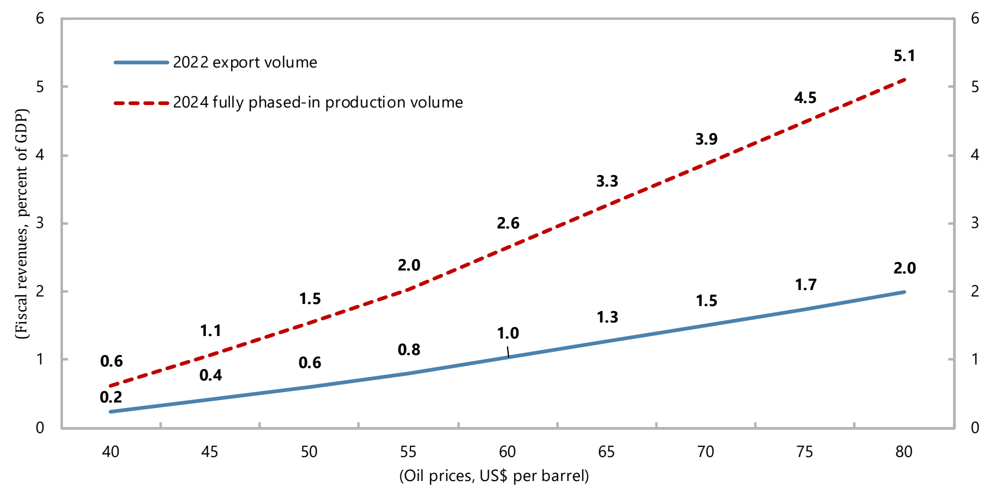
11. The pandemic is weighing strongly on economic activity this year. A delay in the implementation of the large foreign projects, pandemic-related restrictions, and the weak global economy crimp growth. The authorities and staff project it at 1.2 percent, which corresponds to -2.6 percent in per-capita terms. With Niger's limited involvement in international value chains, its large informal agricultural sector, and a marginal tourism sector, a worse outcome was avoided. Inflation should see a transitory rise to 2.8 percent on food supply disruptions. The current account deficit is projected to remain largely unchanged at 13 percent of GDP, with exports and imports both down due to, respectively, Nigeria's border closure and weak external demand, and delays in import-intensive projects.

12. Authorities and staff both see growth normalizing in 2021 and surging thereafter. At a projected 6.9 percent for 2021, it slightly exceeds the pre-pandemic trend, making up some of the ground lost in 2020. Niger should benefit from the resumption of foreign projects, the assumed reopening of the border with Nigeria, which is under intense discussion, and the likely absence of renewed lockdowns. Despite reviving exports, the current account is set to deteriorate due to imports for the large projects and some decline in grants. The start of oil exports during 2022 jolts growth to 12.8 percent and it should remain in the double digits in 2023 as production volumes ramp up. The current account sees a sharp improvement. Inflation should gravitate back to its historical long-run average of some 2 percent.

13. Fiscal policy this year and next is geared toward moderating the economic impact of the pandemic and facilitating a recovery. Deficits will reach record levels of 5.8 and 4.4 percent of GDP in 2020 and 2021, respectively. The government's medium-term fiscal framework foresees a deficit reduction to below 3 percent of GDP in 2022, excluding the final installment of 1 percent of GDP for the state's participation in the oil pipeline project. The fiscal position will also benefit from additional oil revenues with the ramping up of production once the export pipeline becomes operational during 2022. Staff cautioned that the size of the revenue boost is highly sensitive to international prices and rather modest at the current WEO forecast of around US$50 per barrel and initial export volumes.

14. Risks to the outlook are tilted to the downside. Authorities and staff agreed that uncertainty around the baseline is unusually high. The authorities saw upside to growth forecasts. Because of limited linkages to the global economy, the downdraft from the pandemic was broadly limited to transitory effects from domestic containment measures and delays in the implementation of foreign projects. Staff saw these particularities of the Nigerien economy already captured in the baseline and stressed the negative global risk balance, possible delays in the pipeline construction and the reopening of the Nigerian border to trade, the tense Sahel security situation, and a tendency of more frequent natural disasters, such as the recent floods. In the face of large uncertainties, the authorities and staff will continue their close engagement and discuss appropriate policy measures in case downside risks materialize.

Niger: Fiscal Revenues from Crude Oil Exports and International Oil Prices



Source: IMF staff calculations.

POLICY DISCUSSIONS

The policy dialogue focused on fiscal issues, particularly how to better guard against budget overruns in the future, the appropriate fiscal stance for this year and next, and the foundation for stronger revenue mobilization going forward. The authorities and staff revisited the debt sustainability analysis (DSA) in light of the updated macroeconomic framework. The discussion also covered measures to strengthen governance and the anti-corruption agenda and financial sector issues.

15. Expenditure control will be strengthened by more realistic budgeting, thereby reducing the burden on less-reliable budget execution management to meet targets. Niger's public finances used to be plagued by frequent spending overruns. The introduction of the Inter-Ministerial Budget Regulation Committee in 2016 made great progress in addressing this problem, but as developments in 2019 showed, the new mechanism has its limitations. When revenue projections are scaled back too late in the year and unexpected critical spending needs emerge at the last moment, it is no longer possible to hold back the release of credits to line ministries without causing major disruptions. There simply is no substitute for realist and cautious budgeting. The budgets for 2020 and 2021 proposed by the authorities take this to heart. Revenues for 2020 are conservatively projected to decline in nominal terms by slightly more for the full year than they did in the first semester. The 2021 budget is built around the conservative assumption of budget grants being lower than in 2020 and 2019, while the increase of revenue reflects a return to the pre-pandemic situation in terms of ratios to GDP, tailwinds from the assumed reopening of the Nigerian border, and a modest yield from measures in the 2020 budget, which gain traction with a delay because of the pandemic-related disruptions.

16. The fiscal deficit is set to widen by 2.2 percent of GDP in 2020. Revenues have held up reasonably well this year and benefitted from the sale a telecom license (0.3 percent of GDP). With

spending rising to fight the fallout from the pandemic and support economic activity, as per the second supplementary budget, the authorities and staff anticipate a rise in the fiscal deficit from 3.6 percent of GDP last year to 5.8 percent of GDP this year, including a down-payment of 0.5 percent of GDP for the pipeline participation. Grants will likely not be much higher than last year, as World Bank budget grants come off their 2019 record level (2.3 percent of GDP) while the EU and the African Development Bank are stepping up their support. But thanks to additional financing from the IMF under the RCF and the CCRT (0.9 percent of GDP), an external loan from Deutsche Bank contracted in January to lengthen maturities (1.9 percent of GDP), the DSSI debt service relief, and liquid regional financial markets, sufficient resources are assured to finance the deficit. Overall, the 2020 budget strikes an acceptable balance between the need to support the economy and public health and protecting public finances. The authorities committed to only go beyond the envelope for domestically financed spending (excluding the pipeline participation payment) set in the second supplementary budget (CFAF 1,275 billion or 16.2 percent of GDP) to the extent that budget grants exceed predictions (CFAF 198 billion or 2.5 percent of GDP).

17. The fiscal stance in 2021 marks the beginning of a return to normality while avoiding a sudden withdrawal of fiscal support. The authorities committed as a *prior action* for this review to submit to Parliament a draft budget that keeps domestically financed expenditure, excluding the second installment for the pipeline investment, broadly flat in nominal terms at their 2020 level (CFAF 1,270 billion or 14.8 percent of GDP). The spending ratio declines to the level of 2019. After the high levels of investment in 2019 and 2020, capital expenditure declines while spending on goods of services recovers from its compressed level of 2019, and subsidies and transfers rise strongly on account of support for schools and hospitals. To finance the budget, Niger will need to raise financing of 2.2 percent of GDP in domestic and regional markets, not taking into account a possible successor arrangement with the Fund. This exceeds the long-term average of 1.1 percent of GDP but is not unprecedented with 2.4 and 3.3 percent of GDP recorded in 2014 and 2015, respectively.

18. In the wake of the pandemic, Niger's DSA deteriorates, but it would be premature to change the debt distress rating from "moderate" to "high" (see attached DSA). Indicators had been close to the thresholds for high risk before the economic shock from the COVID-19 pandemic. The additional public borrowing in the crisis, including the contracting of a first external commercial loan (US$250 million or 1.9 percent of GDP), and, more importantly, the weakening of exports, now push indicators that relate external debt and external debt service to export earnings into high-risk territory during 2020-21 and 2020, respectively, with only the expected onset of crude oil exports during 2022 providing fundamental relief. The timely completion of the pipeline project and the assumed reopening of the border with Nigeria are subject to downside risks. However, the authorities informed staff of an impending sharp upward revision of gold exports from late-2019 onward. Due diligence by staff based on information provided by the authorities and independently sourced confirms the high likelihood of revisions on an order of magnitude that would reduce breaches of thresholds to a single and minor one.[1] Under the circumstances, staff is of the view that a

[1] Artisanal gold production has been booming in the Burkina Faso-Mali-Niger triangle in the last few years. More recently, the structure of Niger's gold industry has been changing with refining activity graduating from the

(continued)

reclassification of Niger's debt distress rating would be premature and subject to a likely reversal in a few months' time. In the months ahead, the authorities and staff will work closely together to finalize the revision of exports and fully integrate them into the macroeconomic framework, possibly supported by technical assistance from the Fund's Statistics Department. Otherwise the DSA remains predicated on the government implementing its reform program, notably fiscal consolidation once the economy has recovered from the shock of the pandemic, revenue mobilization, better quality of public spending, guarding against risks from PPPs and SOEs, and economic and export diversification. In the meantime, Niger should be prudent in contracting external debt, prioritizing concessional loans and seeking out grants.

19. The authorities see better domestic revenue mobilization as a key priority to strengthen public finances and make room for development and social spending. Pointing to the many reforms introduced over the last few years, some underlying progress has been made, but outcomes have been hampered by adverse shocks, such as the drop in commodity prices, the deteriorating security situation, and the closure of the Nigerian border. Moreover, the structure of the Nigerien economy with a large informal sector and little manufacturing did not make for a sufficient revenue base and the fiscal pressure on those fully in the tax net was already high. But they agreed to conduct an in-depth study that would be enlightening. In the meantime, two measures will be taken as *prior actions* for the review, which lay the foundation for better future performance without stepping-up fiscal pressures in the current recovery phase from the COVID-19 pandemic. First, a contract will be signed and registered with a reputable provider for the marking of petroleum products to combat widespread smuggling. Second, a decree will be issued to establish and set out the mission of a hub within the Ministry of Finance for surveillance and analysis of tax exemptions, with a view to pulling together fragmented information and formulating recommendations for policy action. In executing its mission, it will draw up a coherent, complete, and consolidated running tally of all newly granted discretionary exemptions. It could elaborate on (i) procedures and policies to prevent the abuse of exemptions, (ii) recommendations to strengthen the process of awarding exemptions, and (iii) advice on reducing tax expenditures by setting an annual ceiling or limiting exemptions to certain types of taxes.

20. Staff encouraged the authorities to finalize long-standing reform projects to improve the quality of public spending. This includes work with the World Bank on a new strategy, procedures, and a manual for project selection, which could be promulgated by decree still this year; the piloting of double authorization (annual and for a three-year period) of spending in six line ministries in the 2021 budget; and work with development partners on the efficiency of social protection programs. In the meantime, the authorities are guided by the social spending tracking system developed in the context of the fifth program review. Staff stressed that good management of PPPs forms an integral part of spending quality and is also essential for the soundness of public finances in the case of large projects. The authorities reaffirmed their commitment to subject PPPs to

processing for foreign clients (i.e. merchandizing) to own-account refining, trading, and shipment to abroad (i.e. exporting). The BCEAO is now in the process of reflecting this new situation in the balance-of-payments, which will entail an upward revision of exports in 2019 and higher export projections from 2020 onward. The higher export numbers are already reflected in the trade statistics based on customs data.

rigorous cost-benefit analyses and proceed only when they show a clear positive net benefit for the public partner. Government action in response to the just completed cost-benefit analysis for a PPP on a domestic pipeline to distribute refined petroleum products within the country and to its borders, will be an early litmus test of this commitment.

21. The economic fallout from the pandemic affects the financial sector, but the impact appears manageable. A recent survey by the BCEAO indicates that banks are becoming less pessimistic about the effects of the crisis. The transport, hotel, and restaurant sectors will be most affected. While banks' profits will be sharply lower this year than in 2019, they are expected to remain positive. Banks are being cautious with extending new credits to the private sector, especially in problem sectors, but thanks to the BCEAO's region-wide payment deferral system and accompanying refinancing, the loan stock should not decline. Commendable efforts to set-up credit promotion funds to improve access to credit and financial inclusion continue, but the proliferation of schemes that are slow to get off the ground and often remain non-operational or only partially operational for extended periods of time is a cause for concern.

22. Efforts to improve governance and fight corruption will continue. The authorities committed to (i) post the asset declarations of government members on an official website over the next six months as was envisaged under the end-December 2019 SB; (ii) have the Audit Court conduct and publish online an audit of pandemic-related spending by September 2021; (iii) publish pandemic-related procurement contracts online, together with the names of companies awarded and their beneficial owners and ex-post validation of delivery; and (iv) once the judicial process regarding the alleged defense procurement irregularities will have been completed, conduct an administrative review and implement reforms as needed. The authorities should more generally step-up their World-Bank-supported efforts to strengthen the framework for public procurement and its application. Regarding COVID-19-related spending, the authorities noted that it all passes through the budget and is as such subject to the same safeguards as all other public spending. Nonetheless, they agreed to follow the example of other countries and take the additional steps to reassure donors.

PROGRAM MODALITIES

23. The authorities expressed their commitment to redress shortfalls in program implementation. More conservative budgeting in the 2020 and 2021 budgets will reduce the burden on budget execution regulation to meet fiscal targets and thus strengthen spending control. The spending envelope of the 2021 draft budget is subject to a prior action. The authorities are also committed to improve domestic revenue mobilization, supported by two prior actions. On this basis, the authorities are requesting a waiver for the non-observance of the PC on domestic budget financing at end-December 2019.

24. Niger's capacity to repay the IMF remains adequate, but subject to risk, which program measures seek to mitigate. Considering the strength and implementation of the program so far, Niger should have sufficient capacity to repay the IMF, including when repayments peak at 2.4 percent of tax revenues and 2.4 percent of exports in 2020 (Table 8). Key risks are security

developments, climatic shocks, slowing of external support, and implementation capacity. The program is fully financed for the remainder of the arrangement.

25. The last safeguards assessment of the BCEAO was completed in 2018. It found that the central bank had maintained a strong control environment, audit arrangements were in broad conformity with international standards, and the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The BCEAO enhanced the oversight role of its audit committee and is making progress to strengthen its risk management function in line with the recommendations of the assessment. The central bank's financial statements continue to be published on a timely basis.

STAFF APPRAISAL

26. Program performance was mixed against end-December 2019 targets. The clearance of the remaining domestic payment arears was a good achievement, the government remained prudent with the contacting of external debt, and the establishment of a dedicated public debt management unit is welcome. But sizable fiscal spending overruns and continued challenges with mobilizing domestic revenues are concerning. More progress could also have been made with strengthening frameworks for good governance.

27. The COVID-19 pandemic takes a heavy economic toll this year, but recent indicators point to a rebound taking hold. Containment measures and slower execution of foreign-financed projects push per-capita income growth into negative territory this year, but a rebound is expected for 2021 based on the assumption of further progress on slowing the spread of the virus, and the limited linkages of Niger's economy to global developments.

28. Widening fiscal deficits in the wake of the pandemic are appropriate but are reaching sustainability limits and must not become entrenched. The accommodation of revenue shortfalls and additional pandemic-related and development outlays soften the economic blow but push fiscal deficits to the limit. Considering Niger's chronically weak revenue base, staff welcomes the authorities' commitment not to go beyond the spending envelopes set in the second supplementary 2020 budget and the prudent 2021 draft budget. The risk of high spending levels becoming entrenched should not be underestimated.

29. The need to mobilize domestic revenues and improve spending quality remains imperative. Staff welcomes the authorities' commitment to improve the efficiency of public spending, with the swift implementation of long-standing reforms more important than ever. The authorities' reaffirmation to only engage in PPPs with a proven clear positive net benefit is important. A deeper analysis of Niger's limited progress with mobilizing domestic revenues is needed, but in the meantime low-hanging fruits should be picked.

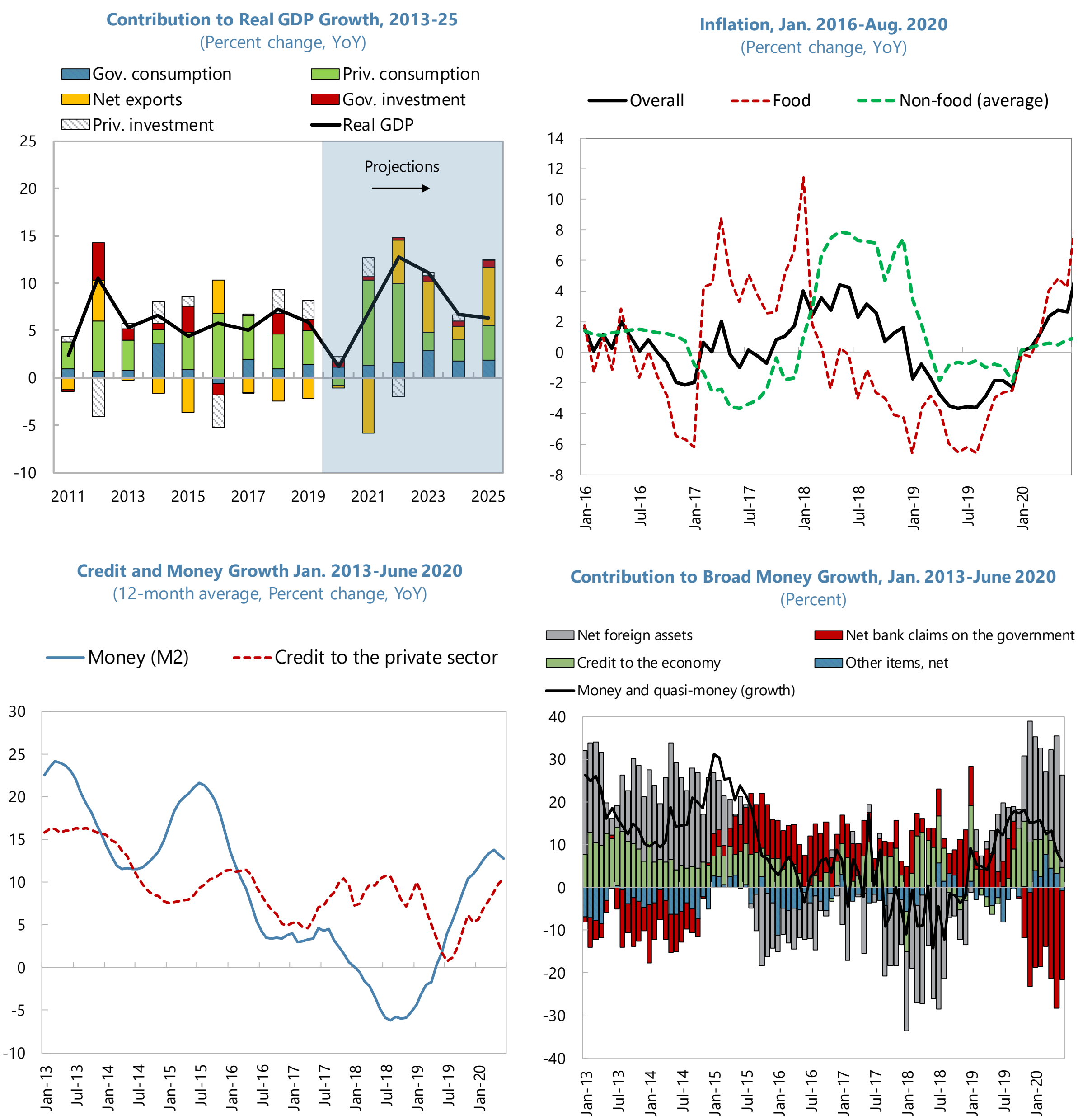
30. A much stronger private sector needs to be developed to sustainably support higher living standards. This requires a sustained and focused approach to reforms by the government

and development partners. Efforts to improve access to credit would benefit from the consolidation of the growing number of not fully operational credit promotion schemes. Pressing ahead with the implementation of the anti-corruption agenda is also critical.

31. The corrective actions taken and committed in the context of this review are an important step forward. The budgets for 2020 and 2021 are based on realistic assumptions and therefore less prone to overruns than over-optimistic past budgets that ended up relying excessively on budget under-execution to meet targets. Concrete steps to combat the smuggling of petroleum products and better analytical tools to inform policy decision on tax exemptions should strengthen revenues going forward.

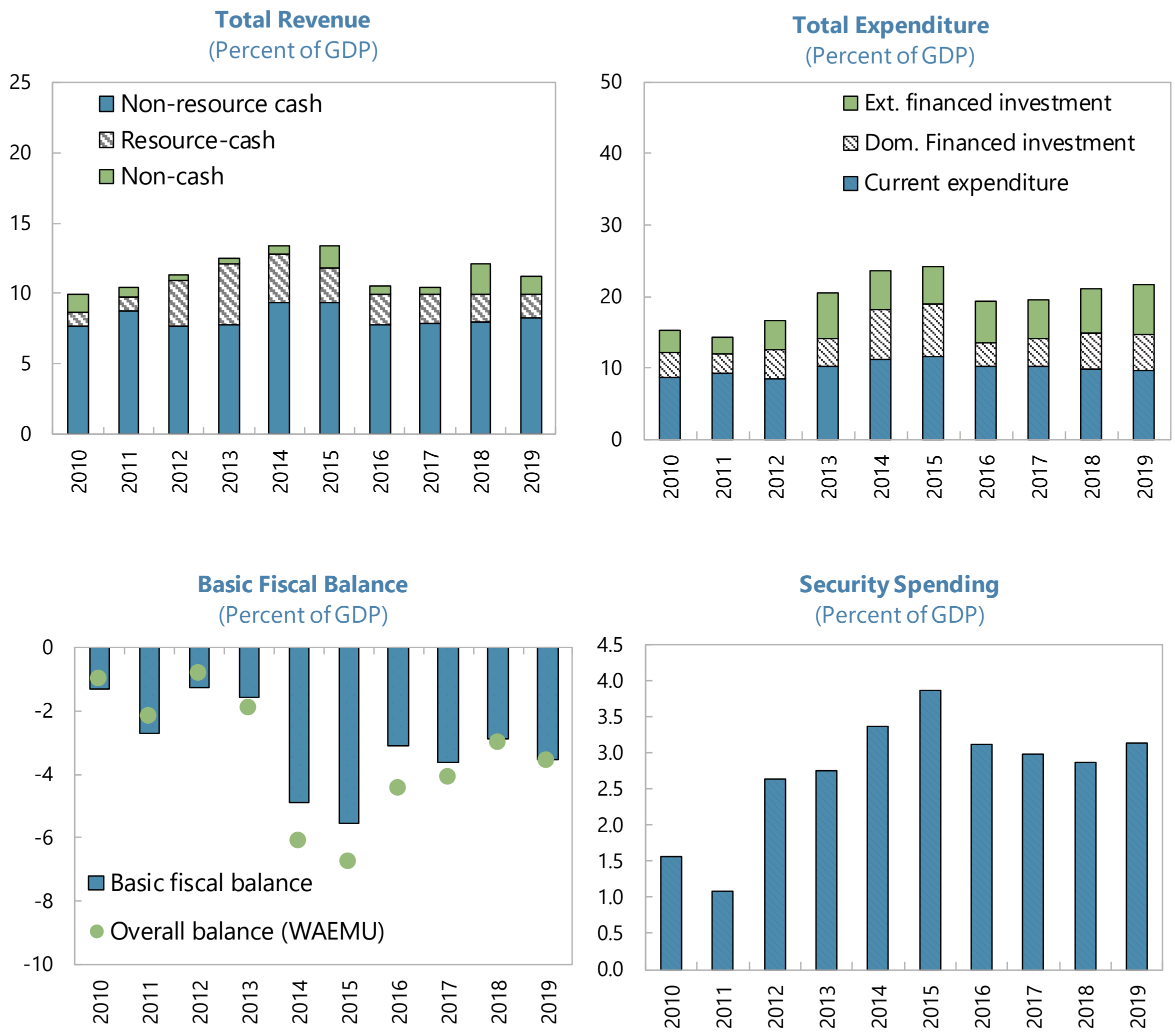
32. Staff supports the authorities' request for a waiver for the non-observance of the end-December 2019 performance criterion on domestic budget financing, the completion of the sixth program review, and the disbursement of the seventh tranche of SDR 14.1 million. The attached Letter of Intent sets out appropriate policies to achieve program objectives. Staff looks forward to continuing its close engagement with the authorities and recommends that Niger's next Article IV consultation be held on the standard 12-month cycle.

Figure 1. Niger: Recent Economic Developments and Outlook



Sources: Nigerien authorities; and IMF staff calculations.

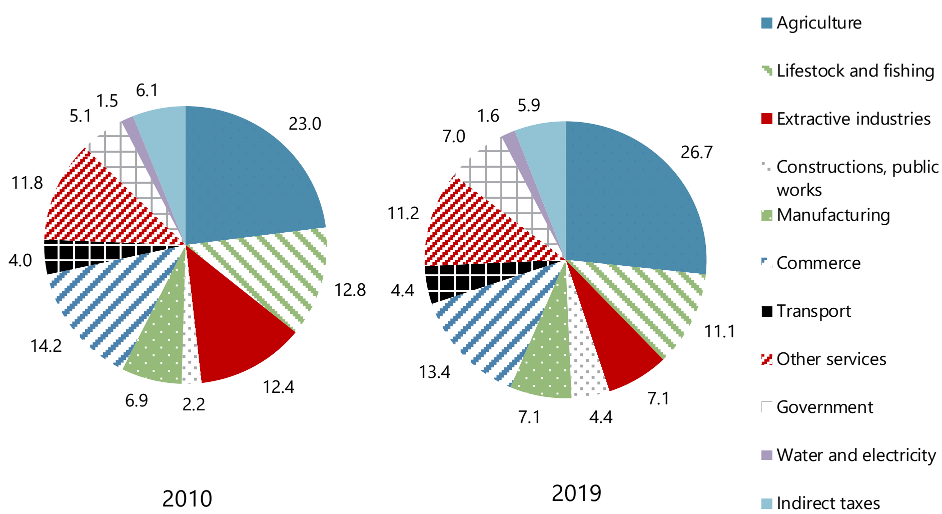
Figure 2. Niger: Fiscal Developments 2010–19



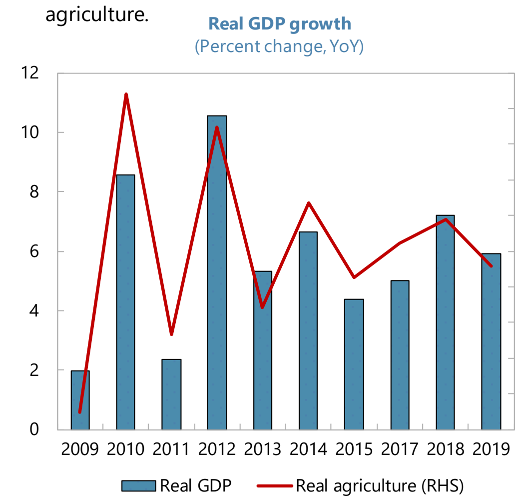
Sources: Nigerien authorities; and IMF staff calculations.

Figure 3. Niger: GDP Composition and Output Volatility

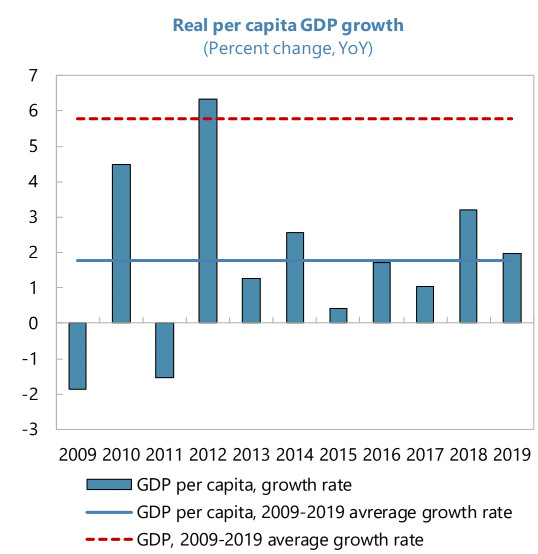
The share of the extractive industries in GDP remains low and has further declined in response to the lower international prices. The share of agriculture and livestock continues to dominate.



As a consequence, GDP growth is highly volatile and is driven by the impact of climatic shocks on agriculture.



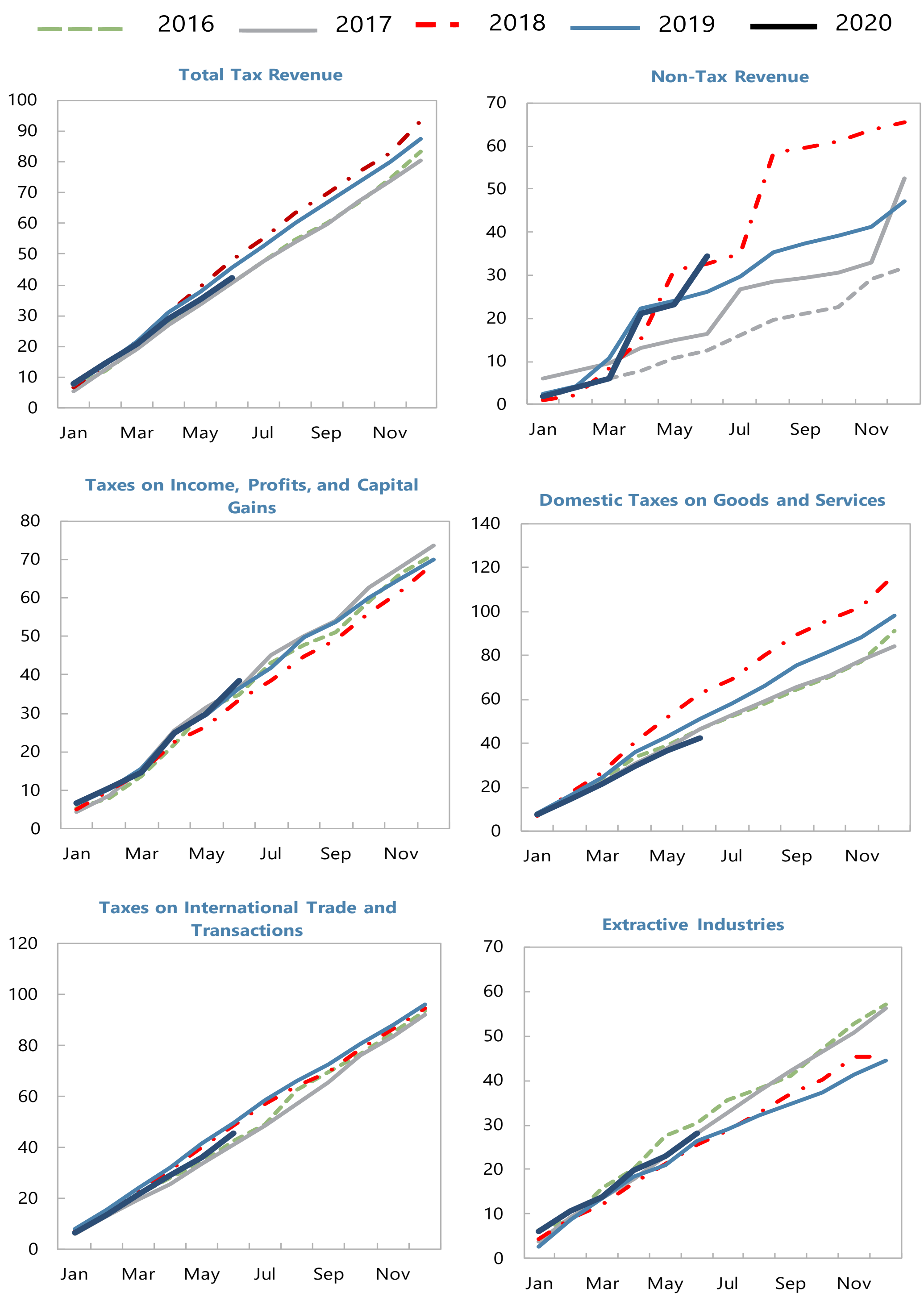
Per capita GDP growth is highly volatile and, due to high population growth, is on average low.



Sources: Nigerien authorities; and IMF staff calculations.

Figure 4. Niger: Tax Performance, 2016–20

(Cumulative values, December 2014 = 100, nominal GDP discounted)



Sources: Nigerien authorities; and IMF staff calculations.

Table 2. Niger: Selected Economic and Financial Indicators, 2017–25

	2017	2018	2019			2020			2021	2022	2023	2024	2025
			5th Review	RCF Request	Est.	5th Review	RCF Request	Proj.	Projections				
					(Annual percentage change, unless otherwise indicated)								
National income and prices													
GDP at constant prices	5.0	7.2	6.3	5.8	5.9	6.0	1.0	1.2	6.9	12.8	11.1	6.7	6.3
Oil production (thousand barrels per day)	18	17	20	20	18	20	20	17	17	53	98	108	108
GDP deflator	0.8	2.4	1.0	0.5	0.1	2.0	2.4	2.8	1.7	2.0	2.0	2.0	2.0
Consumer price index													
Annual average	0.2	2.8	-1.8	-2.5	-2.5	2.0	4.4	2.8	0.4	2.0	2.0	2.0	2.0
End-of-period	1.7	1.6	-1.8	-2.3	-2.3	2.0	2.7	2.0	2.0	2.0	2.0	2.0	2.0
External sector													
Exports, f.o.b. (CFA francs)	15.3	-5.2	10.7	11.7	-1.4	12.0	-3.9	-6.6	11.3	72.1	38.2	9.5	9.9
Of which: non-uranium exports	23.4	2.9	10.3	11.6	-3.7	15.7	-3.6	-8.6	22.6	74.8	43.4	10.4	3.7
Imports, f.o.b (CFA francs)	11.7	11.6	19.0	14.7	7.6	14.9	7.8	-1.4	26.2	3.8	6.4	4.2	6.6
Export volume	12.3	-5.9	4.6	6.0	-3.7	11.4	0.5	-8.6	4.4	88.9	44.4	8.4	9.4
Import volume	9.6	8.7	20.0	11.8	9.2	14.7	8.1	-2.1	28.7	4.2	0.5	-0.1	6.4
Terms of trade (deterioration -)	0.8	-2.0	6.7	2.7	3.9	0.3	-4.1	1.4	8.8	-8.6	-9.5	-3.2	0.2
Government finances													
Total revenue	5.7	26.7	0.4	-1.6	-1.6	15.1	-5.9	-3.1	23.7	21.9	22.0	11.7	10.3
Total expenditure and net lending	6.7	18.8	7.6	8.4	8.4	9.7	8.5	12.8	6.1	8.5	9.2	10.1	9.9
Current expenditure	5.6	6.0	5.2	2.3	2.3	9.3	17.0	14.8	9.1	9.5	18.0	11.2	10.6
Capital expenditure	7.8	33.0	9.7	13.8	13.8	10.1	1.8	6.9	2.7	3.4	10.9	8.9	9.2
					(Annual percentage change, unless otherwise indicated)								
Money and credit													
Domestic credit	11.4	11.4	7.8	-12.2	-12.2	8.9	3.9	4.7	13.6	21.9	19.2	14.0	10.2
Credit to the government (net)	48.1	127.8	8.0	-89.5	-89.5	8.3	-46.7	173.6	51.6	28.3	4.7	-1.5	-2.7
Credit to the economy	7.7	-4.5	7.7	13.0	13.0	9.1	5.4	-0.3	10.5	21.2	20.9	15.6	11.4
Net domestic assets	10.9	13.4	12.5	-18.6	-18.7	13.0	0.8	2.1	23.6	33.3	22.6	13.3	14.4
Broad money	-4.9	-2.1	8.0	15.0	15.0	8.4	-0.7	2.4	11.9	14.1	17.9	13.0	14.2
Velocity of broad money (ratio)	5.6	6.3	6.3	5.8	5.8	6.2	6.1	5.9	5.8	5.8	5.6	5.4	5.1
					(Percent of GDP, unless otherwise indicated) [4]								
Government finances													
Total revenue	10.5	12.1	11.4	11.2	11.2	12.1	10.2	10.4	11.9	12.6	13.6	13.9	14.2
Total expenditure and net lending	19.5	21.1	21.3	21.5	21.6	21.6	22.6	23.4	22.8	21.5	20.8	21.0	21.3
Current expenditure	10.3	9.9	9.8	9.6	9.6	9.9	10.8	10.5	10.6	10.1	10.5	10.7	10.9
Capital expenditure	9.2	11.2	11.5	12.0	12.0	11.7	11.8	12.3	11.7	10.5	10.3	10.3	10.3
Basic balance (excl. grants)[1]	-3.6	-2.9	-2.6	-3.5	-3.5	-2.0	-5.0	-6.3	-3.5	-2.7	-1.7	-1.8	-2.0
Overall balance (commitment basis, incl. grants)[2,3]	-4.1	-3.0	-2.8	-3.6	-3.6	-2.7	-5.0	-5.8	-4.4	-3.5	-2.5	-2.5	-2.5
Gross investment	26.0	28.5	31.8	30.2	30.0	32.6	31.5	30.4	30.1	24.9	23.6	23.4	22.6
Non-government investment	17.4	18.4	20.3	19.2	19.3	20.9	20.6	19.5	19.7	15.6	14.5	14.4	13.5
Government investment	8.6	10.1	11.5	11.0	10.6	11.7	10.8	10.9	10.3	9.3	9.1	9.1	9.2
Gross national savings	14.7	15.8	17.7	17.0	17.7	16.7	16.4	17.5	13.7	14.1	16.4	17.0	16.5
Of which: non-government	12.6	12.1	13.3	12.9	13.5	12.5	15.0	15.2	10.7	10.0	11.9	12.4	11.8
Domestic savings	12.8	14.0	14.9	14.3	14.7	13.8	14.1	15.3	12.0	12.6	15.3	16.1	15.8
External current account balance													
Excluding official grants	-13.4	-14.6	-16.9	-16.0	-15.1	-17.9	-17.4	-15.6	-18.4	-12.6	-8.9	-8.1	-7.8
External current account balance (incl. grants)	-11.3	-12.7	-14.1	-13.2	-12.3	-15.9	-15.1	-13.0	-16.4	-10.8	-7.2	-6.4	-6.2
Debt-service ratio as percent of:													
Exports of goods and services	5.0	7.1	7.2	7.2	7.6	8.3	13.0	13.1	21.3	11.8	9.9	8.2	7.2
Government revenue	6.2	6.7	7.4	7.6	7.6	8.3	14.3	11.6	18.1	13.1	12.1	9.8	8.5
Total public and publicly-guaranteed debt	36.5	36.9	40.3	42.0	39.8	39.7	45.4	41.7	42.1	40.0	37.8	37.3	37.1
Public and publicly-guaranteed external debt	25.7	25.3	28.0	26.5	26.5	28.0	30.3	29.4	28.9	26.9	25.3	25.1	24.8
NPV of external debt	23.1	24.5	19.4	18.5	20.2	19.6	21.8	23.9	22.1	20.2	18.7	18.4	18.2
Public domestic debt	10.8	11.6	12.2	15.5	13.3	11.7	15.1	12.3	13.2	13.1	12.5	12.2	12.2
Foreign aid	7.8	8.3	11.4	10.8	10.8	9.9	14.4	12.9	10.4	8.6	7.6	7.4	7.2
						(Billions of CFA francs)							
GDP at current market prices (revised national accounts)	6,497	7,134	7,621	7,574	7,565	8,240	7,830	7,873	8,559	9,845	11,157	12,139	13,162
GDP at current market prices (former national accounts)	4,726	5,175	5,555	5,504	5,488	6,009	5,690	5,711	6,209	7,141	8,094	8,806	9,548
GDP at current prices (annual percentage change)	5.9	9.8	7.3	6.4	6.0	8.2	3.4	4.1	8.7	15.0	13.3	8.8	8.4

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

[1] Revenue excluding grants minus expenditure excluding foreign-financed capital expenditure.

[2] Revenue including grants minus expenditure; WAEMU anchor.

[3] Includes CCRT debt relief.

[4] In percent of GDP as revised in the context of the migration to SNA2008.

Table 3. Niger: Financial Operations of the Central Government, 2017–25

(In billions of CFA francs)

	2017	2018	2019			2020			2021	2022	2023	2024	2025
			5th Review	RCF Request	Est.	5th Review	RCF Request	Proj.	Projections				
Total revenue	681	862	866	848	848	997	798	823	1,017	1,240	1,514	1,691	1,865
Of which: cash revenue	646	706	772	750	750	915	716	741	929	...	...	...	...
Tax revenue	620	788	806	784	784	924	728	735	953	1,159	1,403	1,570	1,725
International trade	172	194	222	209	209	270	163	197	269	331	411	470	526
Goods and services	234	354	313	317	317	355	312	262	384	461	542	600	670
Income	171	176	204	189	189	221	186	201	224	274	332	371	391
Other	43	64	67	69	69	78	68	75	77	94	117	128	138
Nontax revenue	49	67	43	51	51	58	55	73	49	65	92	101	118
Special accounts revenue	12	8	17	14	14	15	15	15	15	17	19	21	23
Total expenditure and net lending	1267	1,505	1,620	1,632	1,632	1,777	1,771	1,841	1,953	2,120	2,316	2,549	2,802
Of which: domestically financed	916	1,067	1,068	1,116	1,116	1,164	1,189	1,316	1,320	1,503	1,705	1,910	2,128
Of which: domestically financed, cash	881	911	974	1,018	1,018	1,082	1,107	1,234	1,232	...	...	...	...
Total current expenditure	667	707	744	723	723	813	846	830	906	992	1,171	1,303	1,441
Budgetary expenditure	643	688	718	691	691	788	821	805	880	963	1,138	1,267	1,401
Wages and salaries	270	273	285	282	282	293	296	296	318	362	430	480	537
Goods and services	112	135	114	109	109	129	137	141	155	160	190	212	237
Transfers and subsidies	215	213	245	225	225	281	304	287	313	323	383	428	478
Interest	47	68	74	75	75	84	84	82	94	118	135	147	149
Of which: external debt	16	21	27	22	22	33	33	28	47	53	56	58	51
Adjustments to fiscal expenditure	-1	-1	0	0	0	0	0	0	0	0	0	0	0
Special accounts expenditure [1]	24	19	26	32	32	25	25	25	25	29	33	36	39
Capital expenditure and net lending	600	798	876	908	908	964	925	1,011	1,047	1,128	1,144	1,247	1,361
Capital expenditure	600	798	876	908	908	964	925	971	997	1,032	1,144	1,247	1,361
Domestically-financed	250	360	324	393	393	352	343	446	364	415	534	608	687
Of which: domestically-financed, cash	215	204	230	294	294	270	261	364	276	...	...	...	...
Externally-financed	351	438	552	516	516	613	583	526	633	617	611	639	674
Of which: grants	201	303	341	321	321	411	429	361	393	367	355	370	410
loans	150	135	211	195	195	202	154	165	240	250	255	269	264
Net lending	0	0	0	0	0	0	0	40	50	96	0	0	0
Overall balance [2,3]	-267	-214	-214	-269	-269	-223	-390	-455	-377	-343	-280	-305	-330
Overall balance, excl. pipeline investment	...	...	...	...	...	-223	-390	-415	-327	-247	-280	-305	-330
Basic balance (excl. budget grants) [4]	-236	-204	-202	-267	-267	-167	-390	-493	-303	-263	-191	-219	-263
Basic balance (incl. budget grants) [3]	-118	-79	-3	-74	-74	-20	-227	-296	-152	-98	-25	-36	-66
Change in payment arrears and float	-54	-11	-44	-3	-3	0	0	0	0	0	0	0	0
Of which: change in payment arrears	-54	-11	-44	-44	-44	0	0	0	0	0	0	0	0
Overall balance (cash)	-640	-654	-797	-786	-786	-780	-973	-1,019	-936	-879	-802	-858	-937
Financing	637	654	797	786	786	780	738	1,019	936	879	802	858	937
External financing	480	563	813	783	783	740	816	949	763	745	729	802	852
Grants	319	429	539	514	514	557	582	559	544	531	522	553	607
Of which: budget financing	118	126	199	193	193	147	164	198	151	165	167	183	197
Loans	183	166	329	306	306	258	310	448	335	311	327	346	343
Of which: budget financing	33	31	118	111	111	56	156	283	95	61	71	78	79
Amortization	-21	-32	-56	-37	-37	-76	-76	-63	-131	-102	-119	-98	-99
Debt relief (incl. debt under discussion)	0	0	0	0	0	0	0	5	15	5	0	0	0
Domestic financing	157	91	-16	3	3	40	-78	69	173	134	72	56	85
Banking sector	105	47	22	-149	-149	25	-14	50	41	34	7	-2	-4
IMF	19	18	32	21	21	3	15	79	-15	-17	-19	-20	-29
Statutory advances (including other advances)	-8	-9	0	-8	-8	0	0	0	0	0	0	0	0
Deposits with BCEAO	-65	62	-1	-101	-101	-1	-1	-1	0	-5	-10	-15	-20
Government securities net and others	160	-24	-9	-61	-61	23	-28	-28	55	56	36	32	45
Nonbanking sector	51	43	-38	152	152	15	-64	19	132	100	65	58	89
Financing gap (+)	3	0	0	0	0	0	235	0	0	0	0	0	0

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

[1] The special accounts include the financing on the National Retirement Fund, Priority Investments Fund, and Fund for Continuous Professional Development.

[2] On comittment basis. WAEMU anchor.

[3] Includes CCRT debt relief.

[4] Revenues minus expenditure net of externally-financed capital expenditure.

Table 4. Niger: Financial Operations of the Central Government, 2017–25
(In percent of GDP)

	2017	2018	2019				2020			2021	2022	2023	2024	2025
			5th Review [5]	RCF Request	6th ECF PN	Est.	5th Review [5]	RCF Request	Proj.	Projections				
Total revenue	10.5	12.1	11.4	11.2	11.2	11.2	12.1	10.2	10.4	11.9	12.6	13.6	13.9	14.2
Of which: cash revenue	9.9	9.9	10.1	9.9	9.9	9.9	11.1	9.1	9.4	10.9	...	...	...	...
Tax revenue	9.5	11.0	10.6	10.3	10.4	10.4	11.2	9.3	9.3	11.1	11.8	12.6	12.9	13.1
International trade	2.7	2.7	2.9	2.8	2.8	2.8	3.3	2.1	2.5	3.1	3.4	3.7	3.9	4.0
Goods and services	3.6	5.0	4.1	4.2	4.2	4.2	4.3	4.0	3.3	4.5	4.7	4.9	4.9	5.1
Income	2.6	2.5	2.7	2.5	2.5	2.5	2.7	2.4	2.6	2.6	2.8	3.0	3.1	3.0
Other	0.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.0	0.9	1.0	1.1	1.1	1.1
Nontax revenue	0.7	0.9	0.6	0.7	0.7	0.7	0.7	0.7	0.9	0.6	0.7	0.8	0.8	0.9
Special accounts revenue	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total expenditure and net lending	19.5	21.1	21.3	21.5	21.6	21.6	21.6	22.6	23.4	22.8	21.5	20.8	21.0	21.3
Of which: domestically financed	14.1	15.0	14.0	14.7	14.8	14.8	14.1	15.2	16.7	15.4	15.3	15.3	15.7	16.2
Of which: domestically financed, cash	13.6	12.8	12.8	13.4	13.5	13.5	13.1	14.1	15.7	14.4	...	...	...	...
Total current expenditure	10.3	9.9	9.8	9.6	9.6	9.6	9.9	10.8	10.5	10.6	10.1	10.5	10.7	10.9
Budgetary expenditure	9.9	9.6	9.4	9.1	9.1	9.1	9.6	10.5	10.2	10.3	9.8	10.2	10.4	10.6
Wages and salaries	4.2	3.8	3.7	3.7	3.7	3.7	3.6	3.8	3.8	3.7	3.7	3.9	4.0	4.1
Goods and services	1.7	1.9	1.5	1.4	1.4	1.4	1.6	1.8	1.8	1.8	1.6	1.7	1.7	1.8
Transfers and subsidies	3.3	3.0	3.2	3.0	3.0	3.0	3.4	3.9	3.6	3.7	3.3	3.4	3.5	3.6
Interest	0.7	0.9	1.0	1.0	1.0	1.0	1.0	1.1	1.0	1.1	1.2	1.2	1.2	1.1
Of which: external debt	0.3	0.3	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.4
Adjustments to fiscal expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts expenditure [1]	0.4	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Capital expenditure and net lending	9.2	11.2	11.5	12.0	12.0	12.0	11.7	11.8	12.8	12.2	11.5	10.3	10.3	10.3
Capital expenditure	9.2	11.2	11.5	12.0	12.0	12.0	11.7	11.8	12.3	11.7	10.5	10.3	10.3	10.3
Domestically-financed	3.8	5.0	4.3	5.2	5.2	5.2	4.3	4.4	5.7	4.3	4.2	4.8	5.0	5.2
Of which: domestically financed, cash	3.3	2.9	3.0	3.9	3.9	3.9	3.3	3.3	4.6	3.2	...	...	...	...
Externally-financed	5.4	6.1	7.2	6.8	6.8	6.8	7.4	7.4	6.7	7.4	6.3	5.5	5.3	5.1
Of which: grants	3.1	4.3	4.5	4.2	4.2	4.2	5.0	5.5	4.6	4.6	3.7	3.2	3.1	3.1
loans	2.3	1.9	2.8	2.6	2.6	2.6	2.5	2.0	2.1	2.8	2.5	2.3	2.2	2.0
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.6	1.0	0.0	0.0	0.0
Overall balance [2,3]	-4.1	-3.0	-2.8	-3.6	-3.6	-3.6	-2.7	-5.0	-5.8	-4.4	-3.5	-2.5	-2.5	-2.5
Overall balance, excl. pipeline investment	...	...	...	...	...	...	-2.7	-5.0	-5.3	-3.8	-2.5	-2.5	-2.5	-2.5
Basic balance (excl. budget grants) [4]	-3.6	-2.9	-2.6	-3.5	-3.5	-3.5	-2.0	-5.0	-6.3	-3.5	-2.7	-1.7	-1.8	-2.0
Basic balance (incl. budget grants) [3]	-1.8	-1.1	0.0	-1.0	-1.0	-1.0	-0.2	-2.9	-3.8	-1.8	-1.0	-0.2	-0.3	-0.5
Change in payment arrears and float	-0.8	-0.2	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: change in payment arrears	-0.8	-0.2	-0.6	-0.6	-0.6	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash)	-9.9	-9.2	-10.5	-10.4	-10.4	-10.4	-9.5	-12.4	-12.9	-10.9	-8.9	-7.2	-7.1	-7.1
Financing	9.8	9.2	10.5	10.4	10.4	10.4	9.5	9.4	12.9	10.9	8.9	7.2	7.1	7.1
External financing	7.4	7.9	10.7	10.3	10.3	10.3	9.0	10.4	12.1	8.9	7.6	6.5	6.6	6.5
Grants	4.9	6.0	7.1	6.8	6.8	6.8	6.8	7.4	7.1	6.4	5.4	4.7	4.6	4.6
Of which: budget financing	1.8	1.8	2.6	2.5	2.6	2.6	1.8	2.1	2.5	1.8	1.7	1.5	1.5	1.5
Loans	2.8	2.3	4.3	4.0	4.0	4.0	3.1	4.0	5.7	3.9	3.2	2.9	2.9	2.6
Of which: budget financing	0.5	0.4	1.6	1.5	1.5	1.5	0.7	2.0	3.6	1.1	0.6	0.6	0.6	0.6
Amortization	-0.3	-0.5	-0.7	-0.5	-0.5	-0.5	-0.9	-1.0	-0.8	-1.5	-1.0	-1.1	-0.8	-0.7
Debt relief (incl. debt under discussion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0
Domestic financing	2.4	1.3	-0.2	0.0	0.0	0.0	0.5	-1.0	0.9	2.0	1.4	0.6	0.5	0.6
Banking sector	1.6	0.7	0.3	-2.0	-2.0	-2.0	0.3	-0.2	0.6	0.5	0.3	0.1	0.0	0.0
IMF	0.3	0.3	0.4	0.3	0.3	0.3	0.0	0.2	1.0	-0.2	-0.2	-0.2	-0.2	-0.2
Statutory advances (including other advances	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with BCEAO	-1.0	0.9	0.0	-1.3	-1.3	-1.3	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.2
Government securities net and others	2.5	-0.3	-0.1	-0.8	-0.8	-0.8	0.3	-0.4	-0.4	0.6	0.6	0.3	0.3	0.3
Nonbanking sector	0.8	0.6	-0.5	2.0	2.0	2.0	0.2	-0.8	0.2	1.5	1.0	0.6	0.5	0.7
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0

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

[1] The special accounts include the financing on the National Retirement Fund, Priority Investments Fund, and Fund for Continuous Professional Development.

[2] On comittment basis. WAEMU anchor.

[3] Includes CCRT debt relief.

[4] Revenues minus expenditure net of externally-financed capital expenditure.

[5] In percent of GDP as revised in the context of the migration to SNA2008.

Table 5. Niger: Monetary Survey, 2017–25

	2017	2018	2019			2020			2021	2022	2023	2024	2025
			5th Review[1]	RCF Request		5th Review[1]	RCF Request	Proj.	Projections				
	(Billions of CFA francs)												
Net foreign assets	441	321	312	641	641	297	626	660	660	595	650	730	830
BCEAO	356	260	251	466	467	236	452	485	486	420	475	555	655
Commercial banks	84	61	61	174	174	61	174	174	174	174	174	174	174
Net domestic assets	711	806	905	656	655	1,023	661	669	827	1,102	1,351	1,530	1,750
Domestic credit	1,013	1,128	1,216	991	991	1,324	1,030	1,038	1,179	1,438	1,713	1,953	2,153
Net bank claims on government	122	277	300	29	29	324	15	79	120	154	162	159	155
BCEAO	5	75	106	-11	-11	108	3	67	52	31	1	-33	-82
Claims	131	140	172	154	154	175	169	233	219	202	183	163	134
Of which: statutory advances	21	12	5	5	5	3	3	3	0	0	0	0	0
Deposits	-126	-65	-66	-165	-165	-67	-166	-166	-166	-171	-181	-196	-216
Commercial banks	117	202	193	40	40	216	13	13	68	124	160	193	237
Claims	261	344	335	168	168	358	140	140	196	251	288	320	365
Deposits	-144	-142	-142	-127	-127	-142	-127	-127	-127	-127	-127	-127	-127
Credit to other sectors	891	851	916	962	962	999	1,014	958	1,059	1,283	1,551	1,794	1,998
Of which: credit to the private sector	741	727	787	847	847	863	897	840	932	1,145	1,403	1,635	1,827
Other items, net	-302	-323	-310	-335	-336	-301	-369	-369	-352	-336	-363	-423	-403
Money and quasi-money	1,151	1,127	1,218	1,296	1,296	1,320	1,287	1,328	1,487	1,697	2,000	2,260	2,580
Currency outside banks	490	480	519	527	527	563	523	540	605	690	813	919	1,049
Deposits with banks	661	647	699	769	769	757	764	788	882	1,007	1,187	1,341	1,531
	(Annual percentage change, unless otherwise indicated)												
Net foreign assets	-22.7	-27.0	-3.1	99.4	99.6	-4.8	-2.3	2.8	0.1	-9.9	9.2	12.3	13.7
BCEAO	-22.3	-26.9	-3.8	79.1	79.3	-6.0	-3.1	3.9	0.1	-13.5	13.1	16.8	18.0
Commercial banks	-24.5	-27.6	0.0	186.2	186.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net domestic assets	10.9	13.4	12.5	-18.6	-18.7	13.0	0.8	2.1	23.6	33.3	22.6	13.3	14.4
Domestic credit	11.4	11.4	7.8	-12.2	-12.2	8.9	3.9	4.7	13.6	21.9	19.2	14.0	10.2
Net bank claims on the government	48.1	127.8	8.0	-89.5	-89.5	8.3	-46.7	173.6	51.6	28.3	4.7	-1.5	-2.7
BCEAO	-91.9	1,500	41.1	-115.0	-115.0	1.8	-124.8	-690.3	-21.7	-41.4	-95.4	-2479.6	146.7
Of which: statutory advances	-29.0	-41.6	-55.7	-55.7	-55.7	-50.0	-50.0	-50.0	-100.0	...	...	...	...
Commercial banks	386.2	72.6	-4.3	-80.0	-80.0	11.8	-68.5	-68.4	435.5	81.6	29.4	20.2	23.1
Claims	54.9	31.6	-2.6	-51.2	-51.2	6.8	-16.5	-16.5	39.6	28.5	14.5	11.3	13.9
Deposits	-0.3	-1.6	0.0	-10.2	-10.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to other sectors	7.7	-4.5	7.7	13.0	13.0	9.1	5.4	-0.3	10.5	21.2	20.9	15.6	11.4
Of which: credit to the private sector	4.8	-1.9	8.2	16.5	16.5	9.6	5.8	-0.9	10.9	22.9	22.5	16.5	11.7
Other items, net	12.5	6.8	-4.0	3.8	4.0	-3.1	10.0	10.0	-4.5	-4.8	8.0	16.7	-4.8
Broad money	-4.9	-2.1	8.0	15.0	15.0	8.4	-0.7	2.4	11.9	14.1	17.9	13.0	14.2
Memorandum items:													
Velocity of broad money (ratio)	5.6	6.3	6.3	6.0	6.0	6.2	6.1	5.9	5.8	5.8	5.6	5.4	5.1
Credit to the economy (percent of GDP)	13.7	11.9	12.0	12.7	12.7	12.1	13.0	12.2	12.4	13.0	13.9	14.8	15.2
Credit to the private sector (percent of GDP)	11.4	10.2	10.3	11.2	11.2	10.5	11.5	10.7	10.9	11.6	12.6	13.5	13.9
GDP at current prices (annual percent change)	5.9	9.8	7.3	6.4	6.0	8.2	3.4	4.1	8.7	15.0	13.3	8.8	8.4

Sources: BCEAO; and IMF staff estimates and projections.

[1] In percent of GDP as revised in the context of the migration to SNA2008.

Table 6. Niger: Balance of Payments, 2017–25

(In billions of CFA francs, unless otherwise indicated)

	2017	2018	2019			2020			2021	2022	2023	2024	2025
			5th Review	RCF Request	Est.	5th Review	RCF Request	Proj.	Projections				
Current account balance	-737	-903	-1,075	-1,003	-929	-1,311	-1,180	-1,020	-1,404	-1,063	-808	-782	-810
Balance on goods, services, and income	-976	-1,173	-1,423	-1,344	-1,288	-1,622	-1,504	-1,319	-1,679	-1,377	-1,155	-1,157	-1,220
Balance on goods	-431	-599	-769	-707	-705	-904	-850	-729	-1,012	-582	-244	-169	-122
Exports, f.o.b	705	668	740	747	659	828	717	616	685	1,180	1,630	1,785	1,960
Uranium	170	117	132	132	128	125	125	131	91	141	140	140	255
Oil	151	129	136	138	128	137	104	98	110	416	811	901	901
Other products	384	422	472	477	403	567	488	386	484	622	679	744	805
Imports, f.o.b	1,136	1,268	1,508	1,454	1,364	1,733	1,567	1,345	1,697	1,762	1,874	1,953	2,082
Food products	263	315	296	299	332	318	325	360	366	375	390	386	412
Petroleum products	74	59	71	72	65	74	46	60	75	82	83	88	91
Capital goods	294	362	470	443	434	570	506	381	538	557	511	512	561
Other products	505	532	672	640	533	770	690	544	718	749	890	967	1,019
Services and income (net)	-545	-573	-654	-637	-583	-717	-654	-590	-668	-795	-910	-988	-1,098
Services (net)	-440	-466	-539	-523	-471	-593	-537	-484	-552	-647	-709	-745	-809
Income (net)	-105	-107	-115	-114	-112	-124	-118	-106	-116	-148	-201	-243	-290
Of which: interest on external public debt	-16	-21	-27	-22	-22	-33	-33	-28	-47	-53	-56	-58	-51
Unrequited current transfers (net)	240	270	347	341	358	311	324	299	275	314	347	375	410
Private (net)	107	128	132	132	149	148	144	91	108	134	165	177	199
Public (net)	132	142	215	210	210	163	180	208	167	180	182	198	212
Of which: grants for budgetary assistance	118	126	199	193	193	147	164	198	151	165	167	183	197
Capital and financial account	610	793	1,065	1,322	1,247	1,295	930	1,001	1,389	993	863	862	910
Capital account	237	347	411	390	370	512	518	385	510	461	453	427	471
Private capital transfers	33	41	42	42	49	46	44	33	52	48	52	56	61
Project grants	201	303	368	348	321	466	474	351	458	413	402	370	410
Nonproduced, nonfinancial assets	3	3	0	0	0	0	0	0	0	0	0	0	0
Financial account	373	446	655	932	878	783	412	616	879	532	409	435	439
Direct investment	180	237	340	338	404	528	393	284	642	292	199	180	193
Portfolio investment	31	79	33	186	152	45	-76	-25	0	4	-3	4	-1
Other investment	162	130	281	408	322	210	95	356	237	236	214	251	248
Public sector (net)	161	134	273	269	269	182	234	385	204	209	208	249	245
Disbursements	183	166	329	306	306	258	310	448	335	311	327	346	343
Loans for budgetary assistance	33	31	118	111	111	56	156	283	95	61	71	78	79
Project loans	150	135	211	195	195	202	154	165	240	250	255	269	264
Amortization	21	32	56	37	37	76	76	63	131	102	119	98	99
Other (net)	1	-5	8	139	54	28	-139	-29	33	27	6	3	4
Errors and omissions	-3	-10	0	0	0	0	0	0	0	0	0	0	0
Overall balance	-129	-119	-10	320	318	-15	-249	-20	-15	-70	55	80	100
Financing	129	119	10	-320	-318	15	15	20	15	70	-55	-80	-100
Net foreign assets (BCEAO)	102	96	10	-206	-204	15	15	-18	0	65	-55	-80	-100
Of which: net use of Fund resources	19	18	32	21	21	3	15	79	-15	-17	-19	-20	-29
Net foreign assets (commercial banks)	27	23	0	-113	-113	0	0	0	0	0	0	0	0
Rescheduling obtained	0	0	0	0	0	0	0	38	15	5	0	0	0
Financing gap	0	0	0	0	0	0	235	0	0	0	0	0	0
Exceptional financing from the RCF	…	…	…	…	…	…	69	…	…	…	…	…	…
Exceptional financing from the CCRT [1]	…	…	…	…	…	…	6	5	15	5	…	…	…
Memorandum items:													
Current account balance, excluding grants	-869	-1,045	-1,290	-1,212	-1,139	-1,474	-1,360	-1,228	-1,571	-1,243	-990	-980	-1,022
Exports of goods and services	835	806	882	889	840	997	880	732	863	1,374	1,848	2,014	2,202
Pooled gross international reserves, WAEMU (in USD billion)	13.0	14.9	…	17.5	17.5	…	…	…	…	…	…	…	…
Pooled gross international reserves, WAEMU (in CFAF billion)	7,184	8,561	…	10,357.0	10,357	…	…	…	…	…	…	…	…
In months of next year's imports of goods and services	4.0	4.6	…	5.4	6.0	…	…	…	…	…	…	…	…
In percent of broad money	29.4	31.1	…	34.1	34.1	…	…	…	…	…	…	…	…
GDP at current prices	6,497	7,134	7,621	7,574	7,565	8,240	7,830	7,873	8,559	9,845	11,157	12,139	13,162

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

[1] The grant for debt service falling due in the 12 months from April 14, 2021 is subject to availability of resources under the CCRT.

Table 7. Niger: Balance of Payments, 2017–25

(In percent of GDP)

	2017	2018	2019			2020			2021	2022	2023	2024	2025
			5th Review[1]	RCF Request	Est.	5th Review[1]	RCF Request	Proj.	Projections				
Current account balance	-11.3	-12.7	-14.1	-13.2	-12.3	-15.9	-15.1	-13.0	-16.4	-10.8	-7.2	-6.4	-6.2
Balance on goods, services, and income	-15.0	-16.4	-18.7	-17.7	-17.0	-19.7	-19.2	-16.8	-19.6	-14.0	-10.3	-9.5	-9.3
Balance on goods	-6.6	-8.4	-10.1	-9.3	-9.3	-11.0	-10.8	-9.3	-11.8	-5.9	-2.2	-1.4	-0.9
Exports, f.o.b	10.9	9.4	9.7	9.9	8.7	10.1	9.2	7.8	8.0	12.0	14.6	14.7	14.9
Uranium	2.6	1.6	1.7	1.7	1.7	1.5	1.6	1.7	1.1	1.4	1.3	1.2	1.9
Oil	2.3	1.8	1.8	1.8	1.7	1.7	1.3	1.2	1.3	4.2	7.3	7.4	6.8
Other products	5.9	5.9	6.2	6.3	5.3	6.9	6.2	4.9	5.7	6.3	6.1	6.1	6.1
Imports, f.o.b	17.5	17.8	19.8	19.2	18.0	21.0	20.0	17.1	19.8	17.9	16.8	16.1	15.8
Food products	4.0	4.4	3.9	3.9	4.4	3.9	4.2	4.6	4.3	3.8	3.5	3.2	3.1
Petroleum products	1.1	0.8	0.9	0.9	0.9	0.9	0.6	0.8	0.9	0.8	0.7	0.7	0.7
Capital goods	4.5	5.1	6.2	5.9	5.7	6.9	6.5	4.8	6.3	5.7	4.6	4.2	4.3
Other products	7.8	7.5	8.8	8.4	7.0	9.3	8.8	6.9	8.4	7.6	8.0	8.0	7.7
Services and income (net)	-8.4	-8.0	-8.6	-8.4	-7.7	-8.7	-8.4	-7.5	-7.8	-8.1	-8.2	-8.1	-8.3
Services (net)	-6.8	-6.5	-7.1	-6.9	-6.2	-7.2	-6.9	-6.2	-6.4	-6.6	-6.4	-6.1	-6.1
Income (net)	-1.6	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.3	-1.4	-1.5	-1.8	-2.0	-2.2
Of which: interest on external public debt	-0.3	-0.3	-0.4	-0.3	-0.3	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.4
Unrequited current transfers (net)	3.7	3.8	4.6	4.5	4.7	3.8	4.1	3.8	3.2	3.2	3.1	3.1	3.1
Private (net)	1.7	1.8	1.7	1.7	2.0	1.8	1.8	1.2	1.3	1.4	1.5	1.5	1.5
Public (net)	2.0	2.0	2.8	2.8	2.8	2.0	2.3	2.6	2.0	1.8	1.6	1.6	1.6
Of which: grants for budgetary assistance	1.8	1.8	2.6	2.5	2.6	1.8	2.1	2.5	1.8	1.7	1.5	1.5	1.5
Capital and financial account	9.4	11.1	14.0	17.5	16.5	15.7	11.9	12.7	16.2	10.1	7.7	7.1	6.9
Capital account	3.6	4.9	5.4	5.2	4.9	6.2	6.6	4.9	6.0	4.7	4.1	3.5	3.6
Private capital transfers	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.4	0.6	0.5	0.5	0.5	0.5
Project grants	3.1	4.3	4.8	4.6	4.2	5.7	6.1	4.5	5.3	4.2	3.6	3.1	3.1
Nonproduced, nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	5.7	6.3	8.6	12.3	11.6	9.5	5.3	7.8	10.3	5.4	3.7	3.6	3.3
Direct investment	2.8	3.3	4.5	4.5	5.3	6.4	5.0	3.6	7.5	3.0	1.8	1.5	1.5
Portfolio investment	0.5	1.1	0.4	2.5	2.0	0.5	-1.0	-0.3	0.0	0.0	0.0	0.0	0.0
Other investment	2.5	1.8	3.7	5.4	4.3	2.5	1.2	4.5	2.8	2.4	1.9	2.1	1.9
Public sector (net)	2.5	1.9	3.6	3.5	3.6	2.2	3.0	4.9	2.4	2.1	1.9	2.1	1.9
Disbursements	2.8	2.3	4.3	4.0	4.0	3.1	4.0	5.7	3.9	3.2	2.9	2.9	2.6
Loans for budgetary assistance	0.5	0.4	1.6	1.5	1.5	0.7	2.0	3.6	1.1	0.6	0.6	0.6	0.6
Project loans	2.3	1.9	2.8	2.6	2.6	2.5	2.0	2.1	2.8	2.5	2.3	2.2	2.0
Amortization	0.3	0.5	0.7	0.5	0.5	0.9	1.0	0.8	1.5	1.0	1.1	0.8	0.7
Other (net)	0.0	-0.1	0.1	1.8	0.7	0.3	-1.8	-0.4	0.4	0.3	0.1	0.0	0.0
Errors and omissions	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-2.0	-1.7	-0.1	4.2	4.2	-0.2	-3.2	-0.2	-0.2	-0.7	0.5	0.7	0.8
Financing	2.0	1.7	0.1	-4.2	-4.2	0.2	0.2	0.2	0.2	0.7	-0.5	-0.7	-0.8
Net foreign assets (BCEAO)	1.6	1.3	0.1	-2.7	-2.7	0.2	0.2	-0.2	0.0	0.7	-0.5	-0.7	-0.8
Of which: net use of Fund resources	0.3	0.3	0.4	0.3	0.3	0.0	0.2	1.0	-0.2	-0.2	-0.2	-0.2	-0.2
Net foreign assets (commercial banks)	0.4	0.3	0.0	-1.5	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling obtained	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.2	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing from the RCF	...	...	...	...	...	...	0.9	...	...	...	...	...	...
Exceptional financing from the CCRT[2]	...	...	...	...	...	...	0.1	0.1	0.2	0.0	...	...	...
Memorandum items:													
Current account balance, excluding grants (in percent of GDP)	-13.4	-14.6	-16.9	-16.0	-15.1	-17.9	-17.4	-15.6	-18.4	-12.6	-8.9	-8.1	-7.8
Exports of goods and services (in percent of GDP)	12.9	11.3	11.3	11.7	11.1	11.1	11.2	9.3	10.1	14.0	16.6	16.6	16.7
Pooled gross international reserves, WAEMU (in USD billion)	13.0	14.9	...	17.5	17.5	...	...	...	...	...	...	...	...
Pooled gross international reserves, WAEMU (in CFAF billion)	7,184	8,561	...	10,357	10,357	...	...	...	...	...	...	...	...
In months of next year's imports of goods and services	4.0	4.6	...	5.4	6.0	...	...	...	...	...	...	...	...
In percent of broad money	29.4	31.1	...	34.1	34.1	...	...	...	...	...	...	...	...

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

[1] In percent of GDP as revised in the context of the migration to SNA2008.

[2] The grant for debt service falling due in the 12 months from April 14, 2021 is subject to availability of resources under the CCRT.

Table 8. Niger: Indicators of Financial Soundness, Dec. 2012–June 2019
(In percent)

	2012 Dec.	2013 Dec.	2014 Dec.	2015 Dec.	2016 Dec.	2017 Dec.	2018 Jun.[1]	2018 Dec.[1]	2019 Jun.[1]	2019 Dec.[1]
Solvency Ratios										
Regulatory capital to risk-weighted assets	17.5	16.2	16.2	13.5	13.9	16.8	13.3	12.3	12.7	14.9
Tier 1 capital to risk-weighted assets	17.5	15.7	14.4	7.7	13.5	16.4	13.2	12.3	12.7	14.3
CET1 capital to risk-weighted assets	...	...	...	...	...	...	13.2	12.3	12.7	14.3
Provisions to risk-weighted assets	10.4	12.1	13.0	12.6	12.1	14.0	11.9	8.7	8.2	8.2
Capital to total assets	10.5	9.6	9.0	7.6	8.9	9.4	9.1	8.3	7.9	9.2
Composition and Quality of Assets										
Total loans to total assets	60.0	57.5	54.2	57.0	58.1	55.4	56.6	52.9	52.8	56.1
Concentration [2]	130.8	126.1	108.8	170.9	144.5	98.8	96.0	93.4	94.0	90.6
Gross NPLs to total loans	17.1	16.4	17.6	15.5	17.7	18.8	19.0	17.0	15.1	16.1
Provisioning rate	54.6	67.4	66.8	71.4	66.5	66.1	65.9	59.0	58.2	51.5
Net NPLs to total loans	8.6	6.0	6.6	5.0	6.7	7.3	7.4	7.8	6.9	8.5
Net NPLs to capital	49.2	36.1	39.9	37.5	43.7	42.8	46.3	49.4	45.7	52.0
Earnings and Profitability										
Average cost of borrowed funds	2.2	2.0	2.0	1.3	2.2	2.2	...	2.4	...	1.0
Average interest rate on loans	10.5	10.1	9.7	6.1	8.8	8.4	...	8.9	...	7.7
Average interest rate (after taxes on financial operations)	8.3	8.1	7.7	4.8	6.6	6.3	...	6.6	...	6.7
After-tax return on average assets (ROA)	0.8	1.4	1.8	2.5	1.8	1.6	0.9	1.7	...	1.5
After-tax return on average equity (ROE)	7.4	12.6	20.5	26.0	19.5	15.4	8.0	15.0	...	12.8
Non-interest expenses to net banking income	54.5	51.5	49.8	51.8	56.5	59.3	53.1	59.9	...	63.0
Salaries and wages to net banking income	23.3	23.5	22.2	23.6	25.9	25.5	24.5	25.9	...	27.1
Liquidity										
Liquid assets to total assets	32.5	30.3	29.2	31.4	30.0	29.2	29.9	27.0	28.6	30.3
Liquid assets to total deposits	51.4	49.7	46.0	50.9	51.1	53.4	55.6	49.1	52.2	52.3
Total loans to total deposits	104.7	105.8	96.7	104.0	112.3	116.0	120.3	107.0	105.9	105.3
Total deposits to total liabilities	63.2	61.0	63.5	61.7	58.7	54.6	53.8	55.0	54.7	58.1
Sight deposits to total liabilities	42.0	40.1	41.1	37.9	36.6	35.3	33.1	35.3	35.2	36.1
Term deposits to total liabilities	21.2	21.0	22.4	23.8	22.0	19.3	20.7	19.7	19.5	22.0

Source: BCEAO.

[1] Compilation according to Basel II/III. Not comparable to earlier years.

[2] Credit to the 5 biggest borrowers to regulatory capital.

Table 9. Niger: Indicators of Capacity to Repay the Fund, 2019–31

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	(In millions of SDRs, unless otherwise indicated)												
Fund obligations based on existing credit													
Principal	7.8	22.1	19.1	21.8	25.2	26.1	38.1	40.1	36.2	30.6	26.3	9.8	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit													
Principal	7.8	22.1	19.1	21.8	25.2	26.1	38.1	42.9	39.0	33.4	29.1	12.6	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit													
SDR millions	7.8	22.1	19.1	21.8	25.2	26.1	38.1	42.9	39.0	33.4	29.1	12.6	0.0
CFAF billions	6.3	17.6	14.5	16.6	19.2	19.8	29.0	32.7	29.7	25.4	0.2	0.1	0.0
Percent of exports of goods and services	0.7	2.4	1.7	1.2	1.0	1.0	1.3	1.4	1.2	1.0	0.0	0.0	0.0
Percent of debt service[1]	4.6	9.3	4.3	4.3	4.5	5.5	8.3	8.7	7.6	6.0	0.0	0.0	0.0
Percent of GDP	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0
Percent of tax revenue	0.8	2.4	1.5	1.4	1.4	1.3	1.7	1.7	1.4	1.1	0.0	0.0	0.0
Percent of quota	5.9	16.8	14.5	16.6	19.2	19.8	28.9	32.6	29.6	25.4	22.1	9.6	0.0
Outstanding IMF credit based on existing and prospective drawings													
SDR millions	187.0	287.3	268.2	246.4	221.2	195.1	157.0	114.1	75.1	41.7	12.6	0.0	0.0
CFAF billions	151.4	229.3	204.5	187.1	168.0	148.5	119.7	87.0	57.2	31.8	0.1	0.0	0.0
Percent of exports of goods and services	18.0	31.3	23.7	13.6	9.1	7.4	5.4	3.8	2.3	1.2	0.0	0.0	0.0
Percent of debt service[1]	110.6	121.3	60.1	48.8	39.1	41.1	34.2	23.2	14.6	7.5	0.0	0.0	0.0
Percent of GDP	2.0	2.9	2.4	1.9	1.5	1.2	0.9	0.6	0.4	0.2	0.0	0.0	0.0
Percent of tax revenue	19.3	31.2	21.5	16.1	12.0	9.5	6.9	4.6	2.8	1.4	0.0	0.0	0.0
Percent of quota	142.1	218.3	203.8	187.2	168.1	148.3	119.3	86.7	57.1	31.7	9.6	0.0	0.0
Net use of IMF credit (SDR millions)	26.1	100.3	-19.1	-21.8	-25.2	-26.1	-38.1	-42.9	-39.0	-33.4	-29.1	-12.6	0.0
Disbursements	33.8	122.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	7.8	22.1	19.1	21.8	25.2	26.1	38.1	42.9	39.0	33.4	29.1	12.6	0.0
Memorandum items:													
Exports of goods and services (CFAF billions)	840	732	863	1,374	1,848	2,014	2,202	2,288	2,438	2,627	2,765	3,006	3,227
External debt service (CFAF billions)[1]	137	189	340	384	430	361	350	375	392	426	448	477	454
Nominal GDP (CFAF billions)	7,565	7,873	8,559	9,845	11,157	12,139	13,162	14,207	15,376	16,610	17,963	19,424	21,010
Tax revenue (CFAF billions)	784	735	953	1,159	1,403	1,570	1,725	1,884	2,051	2,239	2,447	2,685	2,934
Quota (SDR millions)	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6

Source: IMF staff estimates and projections.

[1] Total external debt service includes IMF repurchases and repayments.

Appendix I. Letter of Intent

Niamey, October 9, 2020

Madam Kristalina Georgieva
Managing Director
International Monetary Fund
Washington DC, 20431

Madam Managing Director,

1. **Niger is on the cusp of a historical transition**. Under the leadership of His Excellency Mr. Issoufou Mahamadou, President of the Republic, the economy in the last four years underwent noteworthy changes with large-scale private investments, including to make Niger a regional conference hub. However, continued macroeconomic stability and fiscal efficiency are needed to safeguard favorable prospects in the face of persistent shocks, with the COVID-19 pandemic and devastating floods adding new challenges. Today, the nation is preparing to make its first democratic transition of power, with elections scheduled at the end of this year. More than 7.4 million voters have been registered in the biometric registry. These accomplishments, supported by a corresponding investment drive, are noteworthy despite persistent challenges: significant deterioration of security around borders, volatile commodity prices, and climate change.

2. **The government is grateful to the IMF for the timely Rapid Credit Facility (RCF) support and CCRT debt relief earlier in the year**. This liquidity support (0.9 percent of GDP) helped finance the COVID-19 response plan, enabling the government to ramp up health spending, provide agricultural inputs, and deliver social assistance to the vulnerable.

3. **Accordingly, the economy has shown resilience in the face of the COVID-19 pandemic, and a gradual recovery is projected**. Growth this year is expected to decline to 1.2 percent and recover to 6.9 percent in 2021. The government's emphasis on social spending in its response plan, and immediate actions on food distribution to the vulnerable, indicate commitment to fight poverty. Export of crude oil starting in 2022 and continued private investments will sustain economic momentum in the medium term, with growth averaging 9 percent.

4. **Niger made progress under the Extended Credit Facility (ECF) arrangement that was approved in January 2017**. The government is determined to overcome the shortcomings of 2019 through strong and timely corrective action as outlined below.

5. **In order to continue to safeguard macroeconomic stability and the recovery, and given the corrective actions, the government requests a waiver for the non-observance of the performance criterion (PC) on domestic budget financing, the completion of the 6th review of**

the ECF arrangement, and the disbursement of the associated final tranche in the amount of SDR 14.1 million.

Recent Economic Developments and Performance Under the Program

6. **GDP expanded by 5.9 percent in 2019, propelled by investments around the hosting of the AU summit and large-scale projects by donors and foreign investors**. Consumer prices declined by 2.5 percent. The current account deficit remained at some 12 percent of GDP, but the overall external balance turned markedly positive because of high donor support and foreign direct investment (FDI).

7. **This year, the economy is set to slow sharply**. Containment measures against the spread of COVID-19 virus took a heavy toll. Disrupted private sector activity and externally funded infrastructure projects, lower trade, and a decline in the hotel and services sector contributed to the slowdown. Restrictions were gradually lifted from mid-May. The economy has started to recover well on the basis of certain indicators.

8. **Public finances were under pressure in 2019, mainly due to security and investment needs**. The budget deficit widened to 3.6 percent of GDP from 3 percent of GDP in 2018, exceeding the program target of 2.8 percent of GDP. Higher budget support was not enough to offset the rise in spending, and weakness in revenue exacerbated pressures. Higher execution of investments on the Kandadji Dam, spending for the AU Summit, post-conflict recovery expenditure, and biometric voter registration were important undertakings. The Nigerian border closure and unprecedented terror attacks contributed to challenges in revenue collection and spending pressures.

9. **Recent program performance suffered from temporary lapses**. Domestic financing exceeded the PC by 0.4 percent of GDP in 2019, with revenue and the basic fiscal balances also falling short of indicative targets (ITs), by 0.2 and 0.9 percent of GDP, respectively. The other three PCs were observed: external payment arrears continued to be avoided, domestic payment arrears were cleared, and the contracting of new external public debt remained below the program ceiling. Anti-poverty spending and exceptional expenditure respected their ITs. Regarding structural benchmarks (SBs), a decree establishing a dedicated debt management unit at the Treasury has been issued. A list of public officials subject to asset declaration requirements and the total value of the assets they declared was included in the annual report of the Audit Court and published on its official website. However, the individual declarations themselves have not yet been posted on an official website. Four recurrent SBs were observed. Two SBs related to debt management were also observed. However, a tally of newly granted discretionary tax exemptions is yet to be furnished. Performance against PCs, ITs, and SBs for 2019 and 2020 are summarized in Tables 1, 2, and 3 of this Letter of Intent (LoI).

10. **Overall, the government made notable progress with implementing its reform program since the inception of the ECF despite persistent and severe challenges**. Macroeconomic stability with robust growth averaging 6 percent and the reform drive helped

attract large-scale foreign projects and contributed to poverty reduction. On the fiscal front, Public Financial Management Reform progressed, notably the establishment of a Treasury Single Account. Domestic payment arrears, including those to public utilities, were cleared, and action was taken on governance by bringing high-level officials under the asset declaration regime. A newly established dedicated debt management unit in the Treasury is producing detailed, quality analysis of debt developments. The government also increased fiscal transparency, including through the online publication of a simplified "citizens' budget." Despite efforts on several fronts, progress was more difficult on revenue mobilization on account of a large informal sector, volatile commodity prices, and the continued border closure with Nigeria. These included, inter alia, a start with consolidating and streamlining exemptions; putting in place performance plans in tax and customs administrations; processing tax payments through the banking system; and rolling out transaction valuation of imports for tax purposes.

COVID-19 Status and Response Plan

11. The COVID-19 pandemic in Niger is well contained. Thanks to early and swift action by the government through border closures, social distancing measures, and a night curfew, the situation is well under control: new cases are averaging around 1 per day, with 69 deaths and fewer than 1,200 cases in total. However, these early and forceful containment measures took a toll on the economy on top of spillovers from abroad.

12. Government devised a comprehensive response plan to tackle the health, social, and economic aspects of the COVID-19 pandemic. To blunt the health impact, testing capacity was increased while setting up isolation centers. Social measures included distributing food aid to the vulnerable and assuming water and electricity bills for low-income households. Agricultural inputs and tax deferrals were availed to affected businesses. Banks were also incentivized to extend credit to eligible businesses under a CFAF 150 billion (2 percent of GDP) scheme, backed by government guarantee funds deposited in banks.

13. Supplementary budgets for 2020 adopted in June and September authorized additional spending to respond to the COVID-19 pandemic. They mark down revenues and authorize new spending partially financed by additional donor support. All COVID-19 related spending is channeled through the budget, and as such subject to the usual safeguards. In an effort to contain the widening of the fiscal deficit, the government is committed not to authorize spending beyond the CFAF 1,316 billion envelope for the overall domestically financed expenditure (including the investment in the crude oil export pipeline) this year unless budget grants exceed the anticipated amount of CFAF 198 billion. This will keep the deficit at 5.8 percent of GDP in 2020.

14. As part of its commitment to transparency and good governance, Niger will take additional steps to ensure that COVID-19 funds are spent efficiently on their intended purpose. In this context, the Court of Audit will conduct an independent audit of the use of the committed funds. This audit will be published online by the Court of Audit in its general public report by September 2021. Furthermore, the government will publish the procurement documents

and contracts of large projects related to the pandemic, together with the names of companies awarded and their beneficial owners.

Medium-term Outlook and Policies

15. Economic growth should normalize in 2021 and accelerate thereafter. Growth in 2021 should recover back toward trend at 6.9 percent: the resumption of foreign-financed projects, the reopening of the border with Nigeria, and the likely absence of renewed lockdowns will underpin this recovery. With crude oil exports starting in 2022, growth will reach 12.8 percent and remain in double digits in 2023 as production volumes increase. Despite reviving exports, the current account is set to deteriorate as import-intensive projects resume and foreign grants start to normalize.

16. Crude oil exports via a pipeline through Benin will boost growth prospects and revenues. The CNPC-led project will connect the oil fields in eastern Niger through a pipeline to Benin's coast. Niger opted for a 15 percent stake in the project (2.4 percent of GDP over two years) to be part of this critical national infrastructure and to share in its profits.

17. The 2021 budget will balance debt sustainability considerations and the need to support the economic recovery. The deficit should start to retreat to 4.4 percent of GDP (including the pipeline) based on a modest nominal reduction of domestically financed expenditure from the high 2020 level, avoiding tax cuts, and a recovery of revenues. The latter will happen with the Nigeria border re-opening, and as the economic effects from the COVID-19 pandemic begin to fade.

18. In the medium term, fiscal deficit will converge to 3 percent of GDP, in line with the WAEMU convergence criterion. An important driver will be additional revenues from the export of crude oil, which are albeit highly sensitive to international prices. The government will consult with IMF staff on developing an appropriate smoothing mechanism to manage this potential volatility. Public investment is expected to stay above 10 percent of GDP (with overall domestic spending at 15.4 percent of GDP) in the medium-term to support high growth, while revenue to GDP ratio will reach over 14 percent of GDP.

Economic Policies and Future Reforms

19. To strengthen public expenditure control, the government will put more emphasis on precisely calibrating the initial budget, thereby easing the burden on regulation through the budget execution process. The spending envelope established in the 2020 supplementary budget will be kept for the year unless additional budget grants are mobilized as outlined above. As a prior action for the review, the government submitted to the parliament a 2021 budget with an envelope for domestically financed expenditure of no more than CFAF 1,270 billion (TOFE definition, including special accounts and OPs, excluding investment in the crude-oil export pipeline). The envelope could be adjusted in subsequent supplementary budgets to the extent that budget grants deviate from the anticipated amount of CFAF 151 billion (Table 3). The government will refrain from tax cuts and plans the following policy measures: (i) adjustment of certain custom duty rates of taxpayers without VAT machines; (ii) limiting the professional tax exemption for mining companies to the first

5 years of production; (iii) giving tax exemptions to importers and exporters of agricultural products; and (iv) adjustment of tax rates on re-exportation. The net impact of these measures is expected to bring additional revenue of 0.06 percent of GDP.

20. The government recognizes that revenue mobilization needs strengthening. Despite numerous reform efforts, tangible process fell short, which warrants careful analysis. To this end, the government will conduct an in-depth study with the help of IMF staff to identify the root causes and distill policy lessons. As a corrective action in the near-term and a prior action for this review, the Minister of Finance issued a decree, assigning responsibility for the surveillance and analysis of tax and customs exemptions to a designated pole, along with terms of reference (Table 3). Those include responsibility for the systematic recording, monitoring, and analysis of discretionary tax exemptions, as well as the preparation of tax expenditure reports. As part of its mission, the unit will compile a coherent and consolidated list by beneficiary of all discretionary exemptions granted since the beginning of 2019, grouped by beneficiary and consolidating the information of the tax and customs administrations, and any other relevant structure. The list will include information on the beneficiary, the legal basis for the exemption, the project or activity promoted, and an estimate of the likely associated revenue loss. As further corrective action, the government signed and registered, as a prior action, a contract with a reputable provider to molecularly mark petroleum products according to product type and destination and completed all legal requirements for the contract to become effective. In the medium-term, a comprehensive approach to reduce informality will include both incentives and deterrents. The former will be consolidated under a framework to provide training, certification, credit, and matching with external firms, for formal enterprises registered in the tax base. Finally, progressive digitalization of tax declarations and payments, already initiated with select large firms, will be broadened to other firms.

21. Government will pursue the promising initiatives underway to improve the quality of public spending. This includes work with the World Bank on a new strategy, procedures, and manual for better project selection, which will be promulgated by decree before year-end; efforts to implement double authorization (AE/CP) of spending in six line ministries piloted in the 2021 budget; and work with development partners on the efficiency of social protection programs. In the meantime, the government will update the social spending tracking system established in the context of the 5th program review.

22. Niger recognizes both the opportunity and risks inherent in PPP projects. Government is closely following the procedures in the PPP law, inter alia conducting cost-benefit analyses and full risk assessments before project approval. Going forward, the government will publish new PPPs attached to the budget. The government renews its commitment to engage only in PPPs where a clear positive net benefit has been established. A cost-benefit analysis of the construction of the pipeline for the distribution of refined petroleum products has been completed and shared with IMF and World Bank staff.

23. Private sector development remains a critical objective. It will be important to reset the business environment reform momentum as well as the strong private investment dynamic that was

in place prior to the pandemic. However, equally important will be to ensure the local formal private sector benefits from these investments concretely, and flourishes. Stronger public infrastructure and services; access to education, especially for girls, and training for relevant skills, including digital literacy; applying a more equitable tax burden; and measures to strengthen governance, are venues Niger will pursue to dynamize and make the private sector more efficient.

24. Affordable credit to the local formal private sector will generate opportunity and level the playing field for more diversification. To advance this, the government will operationalize the establishment of the financial inclusion fund and consolidate various existing initiatives and smaller funds under one umbrella. This will serve as the centerpiece for rebuilding the microfinance industry, offering a combination of equity, loans and grants to both existing as well as greenfield microfinance institutions. This framework will also disseminate know-how, foster transparency, and support the development of digital financial services.

25. A strong framework for governance and public transparency are necessary conditions for private sector development. Niger has made important strides in this regard. In January 2020, the parliament adopted a law that widens the asset declaration requirements to top civil servants. But the government recognizes that the law has room to improve and remains to be promulgated pending a review. Moreover, the existing asset declaration requirements for government members remain solely governed by the Constitution's general provisions. The government will publish on an official website the declarations of all members of government within 6 months to ensure high visibility for the general public. Following a thorough administrative investigation ordered by the President of the Republic, procurement irregularities were found at the Ministry of Defense. The report of the investigation has been transmitted to the judiciary and the case is running its course. Once the judicial process is complete, the government will undertake all necessary measures to review and strengthen procurement procedures.

26. Niger will continue its long-standing and strong engagement with the IMF as it pursues these reforms. In order to implement these priorities and support its credibility in the international community, Niger will maintain its cooperative relationship with the IMF after the current program expires in October 2020. To this end, the continued dialogue will lay the foundations for future innovative collaboration. In consultation with IMF staff, the government will assess the optimal form of support that will meet Niger's needs and priorities.

27. In keeping with our longstanding commitment to transparency, we agree to the publication of the staff report and this LOI on the IMF's website.

Sincerely yours

/s/
Mamadou Diop
Minister of Finance

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (March-December 2019)

	End-Mar. 2019 Indicative Targets			End-Jun. 2019 Performance Criteria			End-Sept. 2019 Indicative Targets			End-Dec. 2019 Performance Criteria		
	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Actual	Status
A. Quantitative performance criteria and indicative targets [1]												
(Ceiling on the cumulative from beginning of year)												
Net domestic financing of the government, without IMF net financing	69.7			74.0			113.1			-47.6		
Adjustment for shortfall in external budget support [2]	...	0.0		...	20.2		...	0.0		...	12.9	
Adjustment for the reduction of stock of unpaid payment obligations below the level at end-2018 [3]					49.1			62.2			55.2	
Adjustment for borrowing under PBG operation [4]												
Adjusted net domestic financing of the government, without IMF net financing	69.7	29.0	Met	143.3	122.6	Met	175.3	199.4	Not Met	20.5	51.2	Not Met
Memorandum items:												
External budget support [5]	0.0	16.0		28.2	8.0		28.2	35.7		316.9	304.0	
B. Continuous quantitative performance criteria [1]												
(Ceiling)												
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met
Stock of outstanding domestic payment arrears on government obligations [6]	5.0	43.0	Not Met	5.0	14.5	Met	25.0	8.9	Met	5.0	0.0	Met
Present Value (PV) of new public and publicly-guaranteed (PPG) external debt contracted from January 1, 2019	225.0	11.9	Met	225.0	116.5	Met	225.0	155.5	Met	325.0	267.5	Met
Adjustment for borrowing under PGB operation [7]												
Adjusted criteria on the PV of new external PPG debt contracted from Jan. 1, 2019												
C. Indicative Targets												
(Cumulative from beginning of year)												
Basic budget balance (commitment basis, excl. grants), floor	-56.1	-51.0	Met	-99.0	-69.4	Met	-124.7	-163.1	Not Met	-201.6	-267.5	Not Met
Basic budget balance (commitment basis, incl. budget grants), floor	-56.1	-43.0	Met	-70.8	-61.4	Met	-96.5	-135.4	Not Met	-3.1	-74.4	Not Met
Total fiscal revenue, floor	195.2	205.6	Met	417.6	438.1	Met	652.1	639.2	Not Met	866.2	848.5	Not Met
Spending on poverty reduction, floor	150.7	152.2	Met	301.4	311.1	Met	452.2	454.1	Met	602.9	605.3	Met
Ratio of exceptional expenditures on authorized spending (percent), ceiling [8]	5.0	3.2	Met	5.0	3.3	Met	5.0	2.6	Met	5.0	4.0	Met

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

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

[1] Program indicators under A are performance criteria at end-June and end-December, and indicative targets for end-March and for end-September.

[2] The ceiling on domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance as defined in footnote 5 falls short of program forecasts, the quarterly ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion.

[3] From end-June 2019, the ceiling on domestic financing of the budget will be increased/reduced by the reduction/increase in the stock of outstanding domestic payment obligations since end-2018, excluding the supplementary period adjustment. Domestic payment obligations comprise arrears and float and stood at CFAF 95.8 billion at end-2018. This adjuster will be reduced by the amount of any external budget support in excess of the program amount as quantified in the memorandum item of this table and will be capped at CFAF 50 billion.

[4] From October 1, 2019 onward, the ceiling on net domestic financing will be lowered by the amount of borrowing under the PBG operation.

[5] External budgetary assistance (excluding net financing from the IMF).

[6] The ceiling increases to CFAF 25 billion effective on the date of completion of the fourth review (June 26, 2019) and remains continuously at this level until September 30, 2019. On October 1, 2019 the continuous PC stock is reduced to CFAF 5 billion until the end of the arrangement. The new ceiling was observed through end-July 2019.

[7] From October 1, 2019 onward, the ceiling on the PV of newly-contracted external PPG debt will be raised by the amount of borrowing under the PBG operation up to an amount of CFAF140 billion.

[8] Exceptional expenditures refer to payments made by the treasury without prior authorization, excluding debt service payments and expenditures linked to exemptions.

Table 2. Niger: Recurrent Structural Benchmarks for the Program,
December 2019 – December 2020

Measure	Timetable	Progress	Macroeconomic Rationale
Release the quarterly budget allocation in the first month of each quarter based on the proposal of the regulation committee.	Quarterly	Met for 2019Q4, 2020Q1, and 2020Q2	Improve budget and cash flow management.
Prepare a quarterly commitment plan consistent with the corresponding cash plan.	Quarterly	Met for 2019Q4, 2020Q1, and 2020Q2	Improve budget and cash flow management.
Prepare quarterly debt management reports to be validated by the National Public Debt Management Committee.	Quarterly	Met for 2019Q4, 2020Q1, and 2020Q2	Improve debt management.
Hold at least quarterly meetings of the Inter-Ministerial Debt Management Committee. Publish its decisions, a list of newly approved loans, and the view taken by the Ministry of Finance in the quarterly debt management reports.	Quarterly	Met for 2019Q4, 2020Q1, and 2020Q2	Safeguard control over the contracting of new public debt.
Provide Fund staff with a tally of newly granted tax exemptions.	Quarterly	Not met	Protect revenue base.

Table 3. Niger: Proposed Prior Actions and Structural Benchmarks,
December 2019 – October 2020

Measure	Timetable	Progress	Macroeconomic Rationale
Prior Actions			
Submission to parliament of a 2021 budget with an envelope for domestically financed expenditure of no more than CFAF 1,270 billion (TOFE definition, including special accounts and OPs, excluding investment in the crude-oil export pipeline).			Improve spending control.
Issuance of a Ministry of Finance decree to establish a hub for monitoring and analyzing tax and customs exemptions within an existing or newly established unit within the Ministry of Finance. The decree will specify the mission and tasks of this unit.			Protect the fiscal base.
Signature and registration of a contract with a reputable provider to molecularly mark petroleum products according to product type and destination (domestic market or export). Completion of all legal requirements for the contract to become effective.			Strengthen the fiscal base.
Public Financial Management			
Put all required legal and organizational arrangements in place for a debt management unit, inside the Treasury, in charge of all public debt, and with a front-middle-back office structure to start operating by the end-2019.	End-December 2019	Met	Improve the management of public debt.
Other Structural Reforms			
Publish on an official website the list of high-ranking public officials mentioned in Art. 51 and Art. 78 of the constitution detailing their compliance or non-compliance with declaration requirements and their last two filings as required in the constitution.	End-December 2019	Not met	Improve governance and transparency.

Table 4. Niger: Proposed Disbursements Scheduled Under the ECF Arrangement
2017–20

Amount (Millions)	Conditions Necessary for Disbursement	Date Available[1/]
SDR 14.1	Executive Board Approval of the ECF Arrangement	January 23, 2017
SDR 14.1	Observance of continuous and end-June 2017 performance criteria, and completion of the first review under the arrangement	December 15, 2017
SDR 14.1	Observance of continuous and end-December 2017 performance criteria, and completion of the second review under the arrangement	June 1, 2018
SDR 14.1	Observance of continuous and end-June 2018 performance criteria, and completion of the third review under the arrangement	December 10, 2018
SDR 33.84	Observance of continuous and end-December 2018 performance criteria, and completion of the fourth review under the arrangement	June 26, 2019
SDR 14.1	Observance of continuous and end-June 2019 performance criteria, and completion of the fifth review under the arrangement	January 8, 2020
SDR 14.1	Observance of continuous and end-December 2019 performance criteria, and completion of the sixth and last review under the arrangement	June 27, 2020
SDR 118.44 (proposed)	Total	

1/ With respect to previously completed reviews, the date indicated refers to the date of the Executive Board meeting.

Source: International Monetary Fund.

NIGER

October 9, 2020

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS

Approved By
Vitaliy Kramarenko (AFR), Martin Sommer (SPR), and Marcello Estevao (IDA)

Prepared by the staffs of the International Monetary Fund and the International Development Association.

Niger: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Moderate risk tool: Limited space to absorb shocks*
Application of judgement	*Yes*

Niger's risk of external and overall public debt distress has increased but the risk rating remains "moderate."[1] *The response to the COVID-19 pandemic required higher borrowing, but, more importantly, the shock entailed a sharp fall in exports, together with Nigeria's decision to close its border to trade. Two debt indicators now breach their thresholds in the baseline—the PV of PPG external debt relative to exports and the PPG debt service-to-exports ratio, for two years, in 2020-21, and one year, in 2021, respectively, until the onset of crude oil exports during 2022 via a new pipeline. But the impending sharp upward revision of gold exports provides grounds not to change Niger's debt distress rating at this point. While not yet finalized and integrated into the macroeconomic framework, customs data and independent information on the surge of artisanal gold production suggest a revision on a scale that would leave only one minor threshold breach. The DSA is otherwise predicated on the government implementing its reform program and the timetable for the start of oil exports holding. Identified weaknesses call for further strengthening debt management, reducing fiscal risks from SOEs and PPPs, prioritizing concessional borrowing, and strengthening private-sector development to support economic diversification.*

[1]Niger's debt-carrying capacity remains rated "medium" with a composite indicator value of 2.94 according to the October 2019 vintage of the World Economic Outlook.

PUBLIC DEBT COVERAGE

1. **The coverage of the public sector in the DSA is in line with the fiscal accounts** (Text Table 1). It covers the central government but excludes local governments and the social security fund. There are no extra budgetary funds. State guarantees extended to the private and public sectors for external borrowing are included. Publicly-guaranteed private debt is limited to the guarantee issued to the China National Petroleum Company (CNPC) for a loan to finance the government's minority stake in the refinery SORAZ.[2] SOEs do not directly borrow from abroad, benefitting instead from on-lending by the central government, which is captured in the debt statistics at the stage where the central government borrows the funds. This includes electricity (NIGELEC), water (SPEN), and a telecom (Niger Telecom) companies, and the ABK, a public administrative entity set up for implementing the Kandadji dam project. Absent reliable data, the DSA cannot explicitly account for domestic SOE debt. The authorities are working with the World Bank to improve the availability and quality of financial information for SOEs. A new dedicated directorate general has been established in the Ministry of Finance in late 2019. External debt is generally defined on a currency basis.[3]

Text Table 1. Niger: Coverage of Public-Sector Debt and Design of Contingent Liability Stress Test

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	X
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

1	**The country's coverage of public debt**	The central government plus extra budgetary funds, central bank, government-guaranteed debt			
		Default		**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2.0	
4	PPP	35	percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			7.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

2. **The contingent liability tailored stress test is calibrated to account for debt coverage gaps** (Text Table 1). First, the default shock of 0 percent of GDP is kept for other elements of the general government not captured in the baseline stock of debt since: (i) the authorities indicated that the strong financial position of the social security fund (CNSS) removes material fiscal risks; (ii) the authorities confirmed the absence of extra-budgetary funds; and (iii) local governments solely contract short-term debt with the domestic banking sector, which is small in size. Second, the contingent liabilities shock from SOE debt is set at the default value of 2 percent to reflect risks associated with their domestic borrowing

[2] CNPC extended a US$880 million (7.0 percent of GDP) loan for the construction of SORAZ refinery in 2008, of which US$352 million (2.8 percent of GDP) is guaranteed by the government. The outstanding stock of US$71 million (0.9 percent of GDP) at end-December 2019 is included in the baseline stock of debt and is expected to be fully repaid by 2023.

[3] The only exception is the borrowing from the West African Development Bank (BOAD,) which is considered foreign debt despite being local-currency-denominated.

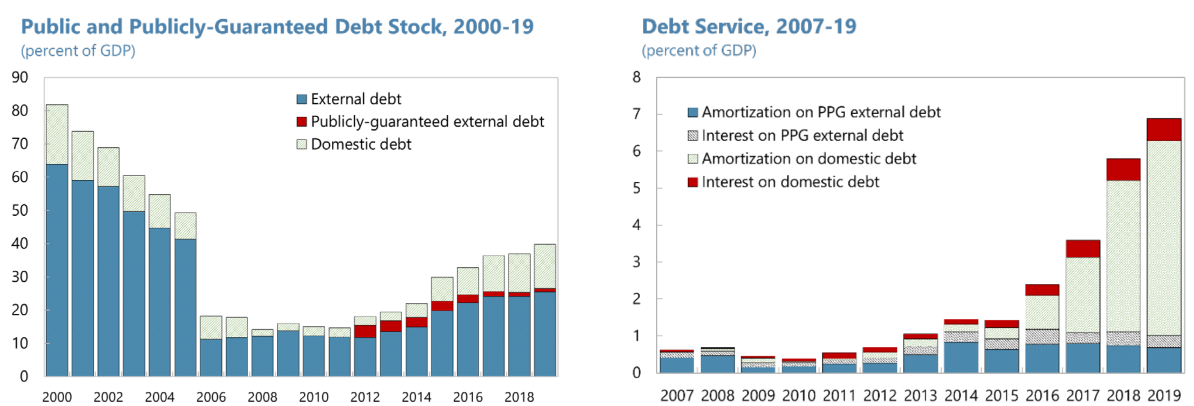
SOEs. Third, public-private partnerships (PPPs) signed under the new PPP law of May 2018 do not involve government financing—e.g., the recent renovation of the Niamey airport was fully privately financed in exchange for a 30-year concession to operate it. Projects under the previous PPP law are akin to installment payments and are reflected to the extent that they are implemented but yet paid. A contingent liability stress test for PPPs is hence not indicated at this time. However, going forward it will be important to guard against PPPs in which SOEs commit to future payments that they may not be able to shoulder. Fourth, considering the small size and depth of Niger's financial sector with credit to the economy of just 12.7 percent of GDP, there is no need to go beyond the default value of 5 percent of GDP for contingent liability risk.

BACKGROUND

A. Evolution and Composition of Debt

3. Niger's public and publicly guaranteed (PPG) debt stood at 39.8 percent of GDP at end-2019 (Text Figure 1). External public debt dropped from an average of 52.7 percent of GDP during 2000–05 to 11.3 percent of GDP in 2006 following the debt relief granted under the HIPC initiative. It hovered around 12–13 percent of GDP in the following years, before increasing markedly from 2015. Domestic debt had also been on a declining trend since 2000 and averaged 2.8 percent of GDP over 2008–14, before starting to rise from 2015. Debt service follows a similar pattern, with a sharp rise of domestic debt service from 2016.

Text Figure 1. Niger: Public and Publicly-Guaranteed Debt, 2000–19



Sources: Nigerien authorities, and IMF staff estimates.

Note: Domestic debt includes debt associated with commercial PPPs from 2017. In 2019 they stood at 2.7 percent of GDP.

4. PPG external debt makes up two-thirds of Niger's total debt stock in 2019 (Text Table 2). Multilateral creditors represent the lion's share of external debt, with Niger borrowing most from the World Bank (IDA) and the West African Development Bank (BOAD). The much smaller official bilateral debt is dominated by China and France (AFD). While external debt is mainly foreign-currency denominated, exposure to exchange rate risk is relatively low given the CFAF's peg to the euro. External debt is generally

on concessional terms, with an average weighted interest rate of 1.6 percent and remaining maturity of 23 years at end-2019.

Text Table 2. Niger: Public and Publicly-Guaranteed Debt, 2017–19

	2017		2018		2019	
	CFAF billion	percent of GDP	CFAF billion	percent of GDP	CFAF billion	percent of GDP
PPG External Debt	**1,668**	**25.7**	**1,808**	**25.3**	**2,007**	**26.5**
Multilateral	1,271	19.6	1,394	19.5	1,596	21.1
of which: IMF	110	1.7	128	1.8	149	2.0
of which: World Bank	564	8.7	634	8.9	803	10.6
of which: BOAD	240	3.7	245	3.4	257	3.4
Official Bilateral	293	4.5	323	4.5	337	4.5
Paris Club (France)	54	0.8	62	0.9	76	1.0
Non-Paris Club	239	3.7	261	3.7	261	3.5
of which: China	116	1.8	119	1.7	119	1.6
Publicly-guaranteed private debt	104	1.6	92	1.3	74	1.0
Domestic debt	**703**	**10.8**	**825**	**11.6**	**1004**	**13.3**
Tbills and bonds	519	8.0	679	9.5	907	12.0
Bank loans	50	0.8	19	0.3	10	0.1
Domestic arrears	89	1.4	42	0.6	23	0.3
Other	46	0.7	84	1.2	63	0.8
Total PPG debt	**2,371**	**36.5**	**2,633**	**36.9**	**3,011**	**39.8**

Sources: Nigerien authorities, and IMF staff calculations.

5. **Domestic debt consists mostly of short- and medium-term Treasury securities**, predominantly held by banks domiciled in Niger or in the rest of the WAEMU. They used to be sold exclusively in regional auctions, but in 2019 Niger placed government paper worth 3.9 percent of GDP for the first time through syndication. At seven years, the tenor was much above what is achievable in auctions. As a result, the average remaining maturity of Niger's domestic debt rose to 2.9 years. The average weighted interest rate stood at 5.7 percent in 2019.

6. **The estimation and analysis of private external debt is complicated by data issues and requires further follow-up**. The regional central bank (BCEAO) does not yet compile private external debt stock statistics. Efforts to gather information on the coverage and composition of private external debt will continue, with technical support from the IMF's Statistics Department.

B. Macroeconomic Forecast

7. The baseline scenario is predicated on macroeconomic assumptions reflecting recent economic developments and the expected effects from the COVID-19 pandemic, as well as ongoing and new policy measures (Text Table 3). The framework assumes that pandemic leads to a sharp but temporary slowdown in economic activity in 2020, including a contraction of exports earnings and a sizeable increase in external financial assistance. The framework nevertheless assumes fiscal consolidation in line with the government's ongoing reform program, including the goal to meet the deficit target of 3 percent of GDP of the West African Economic and Monetary Union (WAEMU) by 2023 at the latest—one year later than in the previous DSA because of a more protracted economic recovery from the pandemic. Pressures from the deteriorating security situation across the Sahel also complicate swift fiscal consolidation. The escalation of terrorist attacks in recent years necessitated an increase in security-related spending to over 3 percent of GDP and the equivalent of some 20 percent of domestic revenues. Nonetheless, a sizable bounce-back of revenues is expected for next year as the health crisis abates, the border with Nigeria is reopened to trade, and revenue measures regain traction. In 2022, Niger should benefit from important additional oil-related revenues when the export pipeline should become operational. Not all of the additional revenues are assumed to be spent, with a deficit of some 2.5 percent of GDP projected from 2023 onward. Economic growth has picked up to some 6 percent per year in recent years. Including the spike from the start of oil exports, it should average 7.4 percent annually during 2019-24s. Apart from the oil sector, the economy should also benefit from several other large projects related to stepped-up engagement of donors and foreign investors. The exchange rate peg keeps inflation well-contained throughout the projection period.

Text Table 3. Niger: Key Macroeconomic Assumptions, 2017–40

	2017-2018	2019	2020	2021	2022	2023	2024	2025	2026-2040
Real GDP growth (percent)									
DSA 2020	6.1	5.9	1.2	6.9	12.8	11.1	6.7	6.3	6.1
Previous DSA	6.0	5.8	1.0	8.1	13.2	6.2	7.0	8.1	6.0
Inflation (CPI)									
DSA 2020	1.5	-2.5	2.8	0.4	2.0	2.0	2.0	2.0	2.0
Previous DSA	1.5	-2.5	4.4	1.7	2.0	2.0	2.0	2.0	2.0
Primary fiscal balance (percent of GDP)									
DSA 2020	-2.7	-2.6	-3.4	-3.6	-1.9	-1.3	-1.3	-1.3	-1.1
Previous DSA	-2.7	-2.6	-2.5	-1.9	-1.5	-1.5	-1.5	-1.5	-1.4
Total revenue excluding grants (percent of GDP)									
DSA 2020	11.3	11.2	10.4	11.9	12.6	13.6	13.9	14.2	15.3
Previous DSA	11.3	11.2	10.2	12.2	13.2	13.5	13.8	14.1	15.2
Exports of goods and services (percent of GDP)									
DSA 2020	12.4	11.3	11.1	9.3	10.1	14.0	16.6	16.6	15.4
Previous DSA	12.1	11.7	11.2	12.6	15.9	16.3	16.8	17.2	12.1
Oil export price (US dollars per barrel)									
DSA 2020	57.5	58.3	34.4	35.7	38.8	41.4	43.7	45.8	53.9
Previous DSA	51.5	52.2	30.3	32.2	34.8	36.7	38.3	39.5	45.5
Uranium price (Thousands of CFAF per kg)									
DSA 2020	44.2	45.0	45.0	46.1	50.2	50.3	50.4	50.4	50.4
Previous DSA	44.2	45.0	45.0	46.1	50.2	50.1	50.0	46.9	46.9

Source: IMF staff calculations.

8. The continued decline in Niger's exports since 2016 is a key factor undermining the country's external debt sustainability. Exports dropped from 13.6 of GDP in 2016 to 11.3 percent in 2019 and are projected to recede further in 2020 and 2021 to 11.1 and 9.3 percent of GDP, respectively. This decline is mainly driven by the lower performance of uranium exports. However, uncertainties have arisen since 2018 on export figures due to the sharp increase in gold exports recorded by customs. The intensification of these exports projected by the authorities in 2020 and 2021 requires an in-depth examination and improvement of balance-of-payments statistics to be finalized. The IMF has agreed to support the authorities' efforts to this end, through its statistics department.

9. Niger aims to keep reliance on domestic financing limited for years to come, with a view to extending maturities, reducing roll-over risk, and creating space for banks to lend to the private sector. In 2019 and 2020, the share of domestic sources in total budgetary financing has been brought down sharply from around 40 percent before. Domestic financing was close to zero last year, thanks to a surging donor support. In January 2020, the government carried out a "debt reprofiling" operation, in which it borrowed 1.9 percent of GDP commercially from abroad to repay domestic debt.[4] With continued strong donor support on top, domestic financing is likely to remain negligible. For the next couple of years, it should remain moderate as public finances are consolidated and donors deliver on their pledges from the December 2017 donor roundtable and investors' forum in Paris.[5] In the very long run, donor support is assumed to gradually decline. Domestic financing would step in and eventually rise to cover slightly more than a fifth of fiscal financing needs.

10. The terms of foreign and domestic borrowing are assumed to shift over time to lower concessionality and longer maturities. For foreign debt, new disbursements are expected to be covered by external funding sources based on historical financing patterns. In the longer run, the weights of external creditors are adjusted so that external borrowing moves toward less concessional financing and toward commercial loans. For domestic borrowing, debt instruments are assumed to gradually shift from T-bills to medium- and long-term bonds. Consistent with the borrowing terms of recent government securities issuances on the regional market, the average interest rate on domestic debt is assumed at 6.25, 6.5, and 7.5 percent for bonds maturing in 1 to 3, 4 to 7 years and over 7 years, respectively. The interest rate on T-bills is set to 6 percent.

11. The DSA's tool kit to assess the realism of the macroeconomic forecast does not raise red flags.

a. **Drivers of debt dynamics** (Figure 3). The evolution of total public debt is dominated by developments of the primary fiscal deficit and real GDP growth. Compared to the past five years, projections put the contribution of growth higher and the one for the primary deficit lower. The rise of the public debt ratio is consequently arrested, and it stabilizes at around 36 percent of GDP, almost the same level as in

[4] The loan was contracted in January 2020 with Deutsch Bank for a total amount of euro 225 million, of which euro 179 million have already been drawn. It was used to repay a set of five Treasury bills and one Treasury bond.

[5] Niger obtained more funding than sought for its five-year economic and social development plan (PDES 2017–2021), with a total of US$12.7 billion pledged by official bilateral and multilateral donors while private investors expressed a commitment of US$10.3 billion.

the previous DSA. The dynamics for external public debt also show a projected improvement for the next five years compared to earlier projections in the 2015 DSA vintage and a similar pattern as in the previous DSA. In the very long run, external public debt declines to about 18.7 percent of GDP, essentially unchanged from the previous DSA. For both total and external public debt, unexpected changes in the primary deficit and the current account were chiefly responsible for past forecast errors. Their magnitude is comparable to those in other low-income countries (LICs).

b. **Realism of planned fiscal adjustment** (Figure 4). The projected 3-year fiscal adjustment in the primary balance (0.3 percentage point of GDP) lies below the top quartile of the distribution of past adjustments to the primary fiscal deficit (above 2 percentage points of GDP) for a sample of LICs, signaling that the baseline assumptions are not out of line with the experience in LICs. The realism of the expected adjustment is predicated on the revenue boost from the start of crude-oil exports in 2022 and the authorities' commitment to revenue mobilization, expenditures control, and spending efficiency.

c. **Consistency between fiscal adjustment and growth** (Figure 4). The projected growth path for 2020 to 2021 is in line with what fiscal multipliers would suggest, but more volatile. Due to the impact of COVID-19 pandemic growth decelerates in 2020 despite the fiscal expansion.

d. **Consistency between public investment and growth** (Figure 4). The tool shows a similar share of public investment in GDP in the previous and the current DSAs. Public investment is expected to remain above 10 percent of GDP over the medium term.

C. Country Classification and Determination of Stress Test Scenarios

12. Niger's debt-carrying capacity remains rated "medium" according to the October 2019 vintage of the World Economic Outlook (WEO). The methodology relies on a composite indicator (CI) combining the CPIA score, external conditions as captured by global growth, and country-specific factors. Based on data from the October 2019 WEO vintage, the calculations give a CI value of 2.94, reflecting positive contributions from the CPIA (44 percent) but also international reserves (33 percent), and country and global real growth rates (6 and 16 percent, respectively) (Text Table 4). This score falls within the medium debt-carrying capacity thresholds defined as 2.69 < CI ≤ 3.05.

Text Table 4. Niger: CI Score

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.404	1.31	44%
Real growth rate (in percent)	2.719	6.412	0.17	6%
Import coverage of reserves (in percent)	4.052	38.402	1.56	53%
Import coverage of reserves^2 (in percent)	-3.990	14.747	-0.59	-20%
Remittances (in percent)	2.022	0.901	0.02	1%
World economic growth (in percent)	13.520	3.499	0.47	16%
CI Score			2.94	100%
CI rating			Medium	

Source: IMF staff calculations. The CI cutoff for medium debt-carrying capacity is 2.69 < CI ≤ 3.05.

13. The debt sustainability analysis relies on six standardized stress tests and a tailored commodity price shock stress test. The standardized stress tests use the default settings. While Niger does not qualify for the market financing shock stress test, the commodity price shock stress test is relevant and helps assess the sensitivity of projected debt burden indicators to unfavorable developments in commodity export prices.[6]

DEBT SUSTAINABILITY

A. External Debt Sustainability

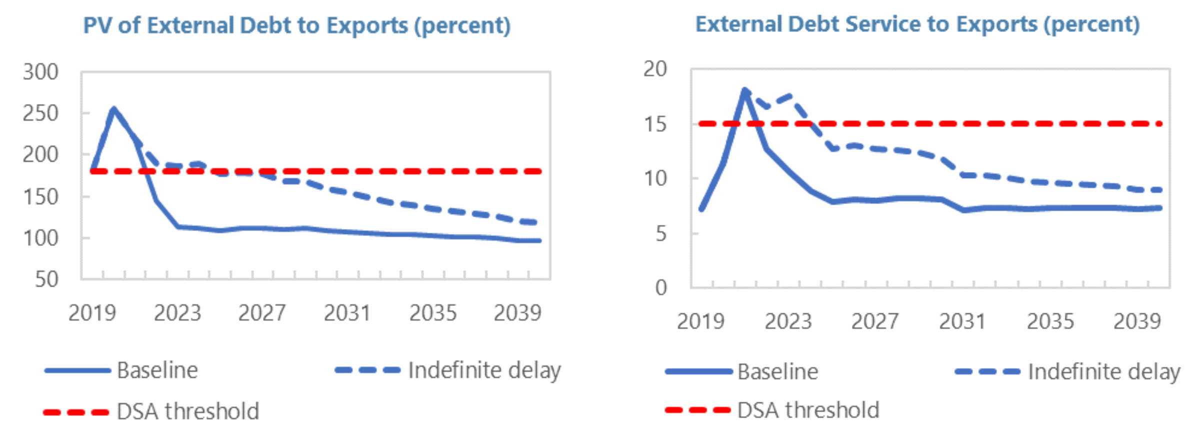
14. External debt is projected to fall gradually, with public and private debt both declining in the long run (Table 1). Under the baseline scenario, PPG external debt is expected to increase from 26.5 to 29.4 percent of GDP over 2019-20 owing to significant foreign borrowing to finance Niger's economic and social development agenda, assistance during the COVID-19 crisis, and the rebalancing from domestic to foreign budgetary financing. From 2021 onward, the debt ratio enters a downward trajectory to settle at 18.7 percent of GDP at the end of the projection period in 2040. Total external debt displays a similar pattern—rising from 48.4 percent of GDP in 2019 to a peak of 49.7 percent of GDP in 2020 and then steadily declining to 24.8 percent of GDP in 2040. The non-interest current account deficit remains the main driver of these dynamics. The goods and services balance is projected to deteriorate in the short term reflecting high imports related to the large projects, such as the Kandadji dam, a cement factory, a uranium mine, the oil export pipeline, and MCC-funded investments in agriculture. When they come on stream though, the current account is set to improve sharply. Once the non-interest current account deficit, net FDI, and endogenous debt dynamics are accounted for, remaining drivers of external debt dynamics, such as components of the capital account, reserves accumulation, valuation adjustments, as well as price and exchange rate changes, are subsumed into the residual.

15. Niger's two PPG external debt indicators related to exports breach their thresholds in the baseline scenario for one and two years, which would indicate high risk of external debt distress (Figure 1 and Table 3). Exports are negatively affected by the large COVID-19-related shock. As a result, export-related debt ratios deteriorate significantly for 2020-21. The PV of external debt-to-exports ratio breaches its applicable threshold for two years, in 2020-21, under the baseline. It reaches 257.3 percent in 2020, well above the threshold of 180 percent, retreats in 2021 to 219.6 percent as trade picks up again, and falls below the threshold with the onset of crude-oil exports in 2022 and the expected resumption of the Imouraren uranium project in 2025. Breaches are sustained under the export shock stress test scenario, peaking at 486 percent in 2022 under the effect of the export shock and, while declining thereafter, it remains above its prescribed threshold through the projection period. The indicator of the ratio of the PPG external debt service to exports also breaches its threshold for one year, in 2021, under the baseline scenario. Uncertainties surrounding the recover from the COVID-19 pandemic and the assumed reopening of the border with Nigeria in 2021 pose downside risks. Breaches of export-related indicators would occur

[6] Under the debt sustainability framework, countries with commodity exports accounting for at least 50 percent of total exports of goods and services over the previous three-year period are subject to the stress test. Commodities accounted for 55.4 percent of Niger exports of goods and services over the period 2017-2019.

for a prolonged period if the pipeline project for the export of crude-oil did not materialize (Text Figure 2). While this is unlikely to happen with the project seemly having reached the point-of-no-return, slippages in the timeline cannot be ruled out.

Text Figure 2. Niger: Alternative Scenario Without Crude-Oil Exports

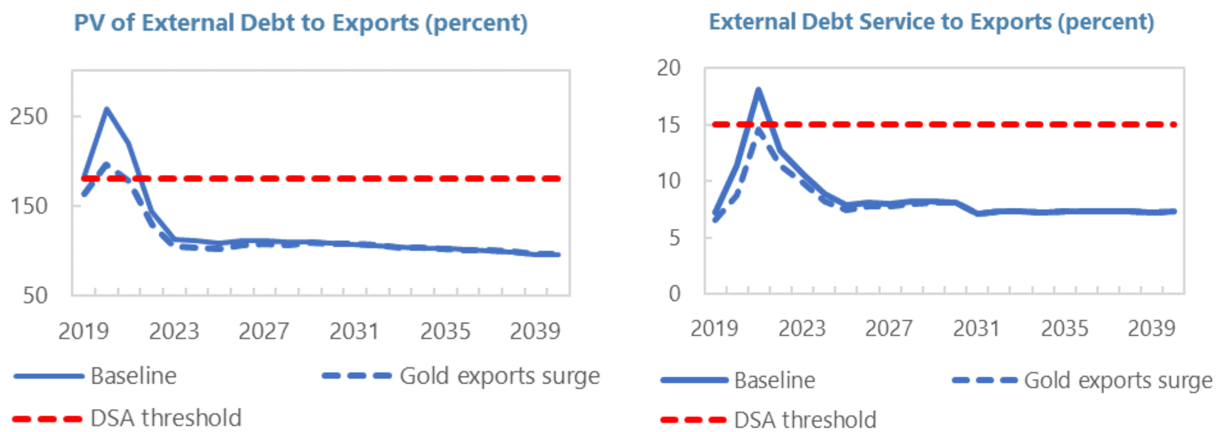


Source: IMF staff estimates

16. **However, the authorities informed staff of an impending sharp upward revision of gold exports, which is grounds to hold off with reclassifying Niger into the high-risk category for debt distress**. Artisanal gold production has been booming in the Burkina Faso-Mali-Niger triangle in the last few years. Independent estimates put Niger's production at 12 tons in 2018.[7]More recently, the structure of Niger's gold industry has been changing with refining activity graduating from the processing for foreign clients (i.e. merchandizing) to own-account refining, trading, and shipment to abroad (i.e. exporting). The BCEAO is now in the process of reflecting this new situation in the balance-of-payments, which will entail an upward revision of exports in 2019 and higher export projections from 2020 onward. The higher export numbers are already reflected in the trade statistics based on customs data. Customs data show exports of 11.4 tons or CFAF 171 billion in the first half of 2020, compared to only CFAF 28 billion projected for all of 2020 in the balance-of-payments. While the full reconciliation of the balance-of-payments, customs data, and the rest of the macroeconomic framework remains work in progress, it is clear that it would materially improve the export-based debt distress indicators. The one relating to the PV of PPG external debt would exhibit only a small breach of the threshold in 2020 and the one relating to the PPG external public debt service would remain in moderate risk territory throughout (Text Figure 3). On this basis, it would be premature to change Niger's debt distress rating from moderate to high risk. Authorities and staff will work closely together to finalize the revisions to the macroeconomic framework in the months ahead.

[7] OECD, 2018, Gold at the Crossroads—Assessment of the Supply Chains of Gold Produced in Burkina Faso, Mail, and Niger.

Text Figure 3. Niger: Alternative Scenario with a Surge in Gold Exports [1/]



Source: IMF staff estimates
1/ Assumes gold exports in line with customs data in the second half of 2019 and in 2020. In subsequent years, gold exports are assumed to grow with nominal GDP until they converge in the outer years with the higher gold exports already factored into the baseline.

17. **The remaining two PPG external debt indicators are below their thresholds**. Indicator readings for the PV of the debt-to-GDP ratio are benign. After a small uptick to 23.9 percent of GDP in 2020, the ratio is expected to fall to a mere 13.8 percent of GDP in the very longer term. The debt service-to-revenue ratio displays a similar pattern as the debt service-to-export ratio while, in contrast, remaining significantly below its threshold in 2021. The indicator is projected to peak at 15.3 percent in 2021 and gradually decline in the outer years, reaching 6.5 percent in the long run, as in the previous DSA. Even in the absence of the G20 DSSI, the indicator would not breach its threshold in 2020, thus remaining clearly unproblematic.

B. Total Public Debt Sustainability

18. **Public sector debt is projected to decline gradually, driven by domestic debt dynamics and supported by developments of PPG external debt** (Table 2). After an increase during the pandemic to 42.1 percent of GDP in 2021, public debt is projected to decline to a low of 36 percent of GDP by 2040. This owes to fiscal consolidation from 2022, aided by higher oil revenues, and solid GDP growth that averages 6.5 percent over the projection horizon. The authorities are committed to reduce the primary deficit through improved domestic revenue mobilization, higher spending efficiency, and better expenditure control. The recent rebalancing of budget financing from domestic to external sources does not materially affect the trajectory of total public debt as interest costs including fees are similar. The benefit lies rather in the extension of maturities, which reduced roll-over risks in sometimes fickle regional markets.

19. **The PV of the public debt-to-GDP ratio clears the DSA threshold in the baseline, though not in the event of an adverse commodity price shock** (Figure 2 and Table 4). All debt ratios with respect to GDP have declined substantially in the wake of the national accounts' revision. At 35 percent of GDP in

2020, the PV of public debt is now far away from the DSA threshold of 55 percent of GDP. However, a commodity price shock would set debt and debt-service relative to the PV of public debt on an unsustainable path in the absence of compensating fiscal measures.[8]

C. Risk Rating and Vulnerabilities

20. Niger's risk of external and overall debt is rated "moderate" and debt is deemed sustainable. While the PV of PPG external debt-to-exports and the PPG debt service-to-exports ratios breach their thresholds in the baseline scenario for two years and one year, respectively, this will no longer be the case once gold exports are properly reflected in the external accounts. Niger's exports performance suffered in the wake of the COVID-19 pandemic and Nigeria's closure of its border to trade. Better export diversification is a priority. Debt remains sustainable as: (i) debt indicators stay on non-explosive trajectories and overall public debt sustainability remains solid even in the face of adverse shocks; (ii) Niger's exports are expected to rebound with the reopening of Nigeria's border to trade in 2021 and the strengthening of the export base due to the onset of crude oil exports in 2022; (iii) the liquidity risk facing the country remains low since, as a member of the WAEMU, Niger can draw on the currency union's pooled external reserves, delinking the ability to service foreign debt from exports at the national level; and (iv) Niger is expected to continue to benefit from significant financial assistance from donors over the next few years to address the daunting development, security and climate challenges it faces. It is expected that the moderate debt distress rating is confirmed once gold export data are finalized and the case further strengthened as the country recovers from the COVID-19-related slowdown and oil exports start.

21. Debt sustainability is contingent in the near term on the evolution of the COVID-19 crisis and, in the longer term, on implementation of the policy reforms build into the baseline. The authorities should therefore pay particular attention to making progress in the following areas as this helps alleviate the inherent tension between the need to borrow for development purposes on the one hand and to keep public debt on an even keel on the other hand:

- **Domestic revenue mobilization**. It is not only the linchpin for the remaining fiscal consolidation but also the funding source for future debt service. Niger's public debt relative to GDP might be rather low, but relative to domestic revenues it compares unfavorably to other WAEMU countries or Sub-Saharan Africa. Additional oil revenues should not be fully spent, thereby contributing to fiscal consolidation.

- **Fiscal risks and spending quality**. Possible mismanagement of large investments by SOEs or under PPPs have the potential to eventually add substantially to government debt. While Niger is in dire need to build up its infrastructure, proper evaluation and attention to good governance should not fall by the wayside in the rush. More generally, the government should try to make the most of limited resources by raising the efficiency of public spending, which remains low in Niger.

[8] The mechanics of the DSA exaggerate the adverse effect of a commodity price shock. They set the growth of primary expenditure growth to historical averages for the years 2021 and 2020, thereby cutting out the 2021 cuts in the baseline.

- **External borrowing**. Until better export prospects are closer and more certain, Niger should continue to prioritize external borrowing to concessional loans and seek grants.

- **Economic diversification**. A narrow economic base and a low level of economic development generally are at the root of difficulties with mobilizing revenues and securing strong sustainable growth. Developing the small formal local private sector is paramount.

D. Authorities' Views

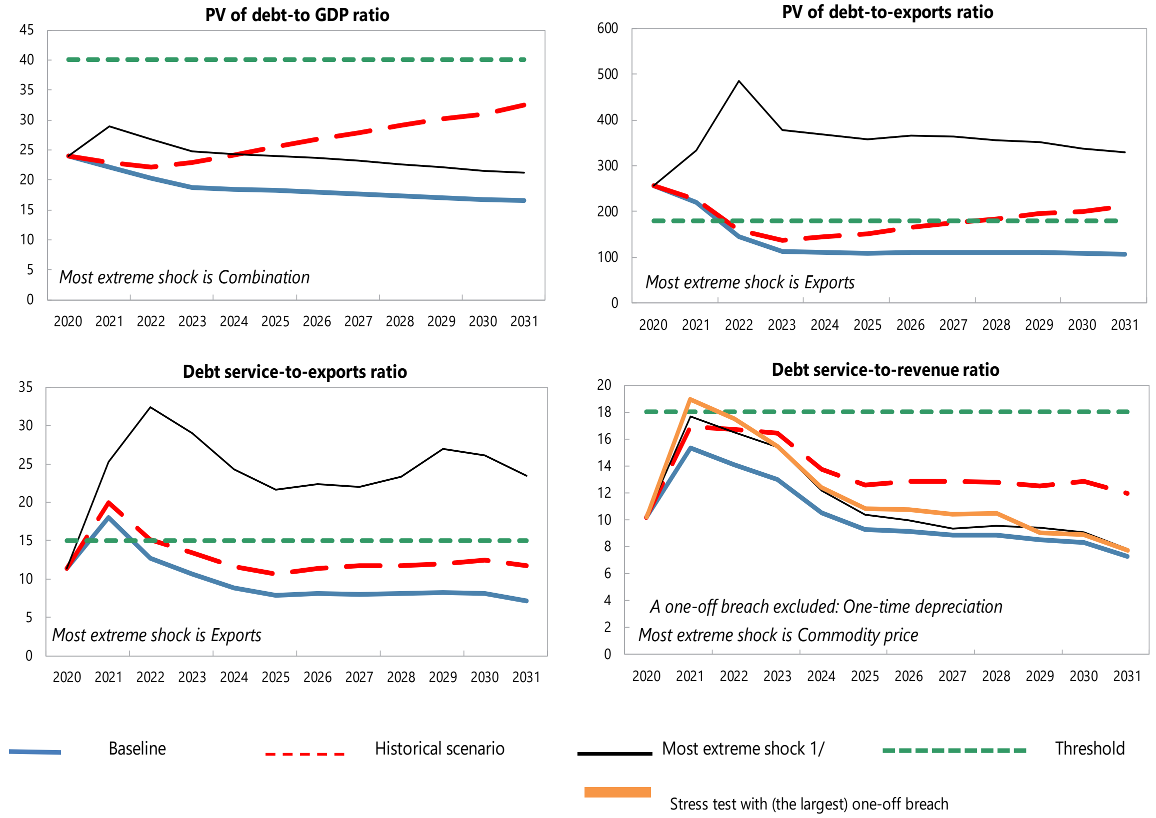
22. The authorities were pleased that Niger's moderate rating for debt distress is maintained despite the dip in exports in the wake of the COVID-19 pandemic. They noted:

- Gold exports will be swiftly examined in more detail and then integrated into the Balance of Payments and the macroeconomic framework. Technical assistance from the IMF's Statistics Department would to be helpful in this context.

- Despite the revision of gold exports, export diversification remains a priority. Until more progress will have been achieved on this front, external borrowing will remain prudent with an emphasis on securing concessional loans and grants.

- The policy reforms upon which the DSA projections are based will be delivered and the assumed timetable for the crude-oil export project should hold.

Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020–31



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	No	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	No	No
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	6	6

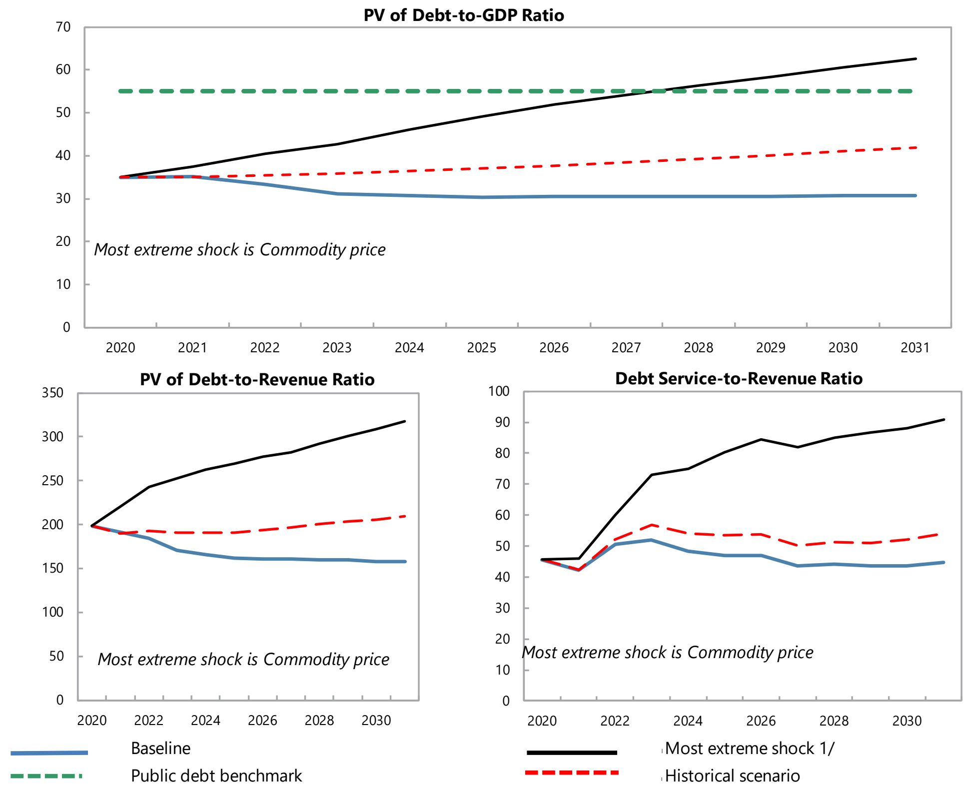
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Niger: Indicators of Public Debt Under Alternative Scenarios, 2020–31



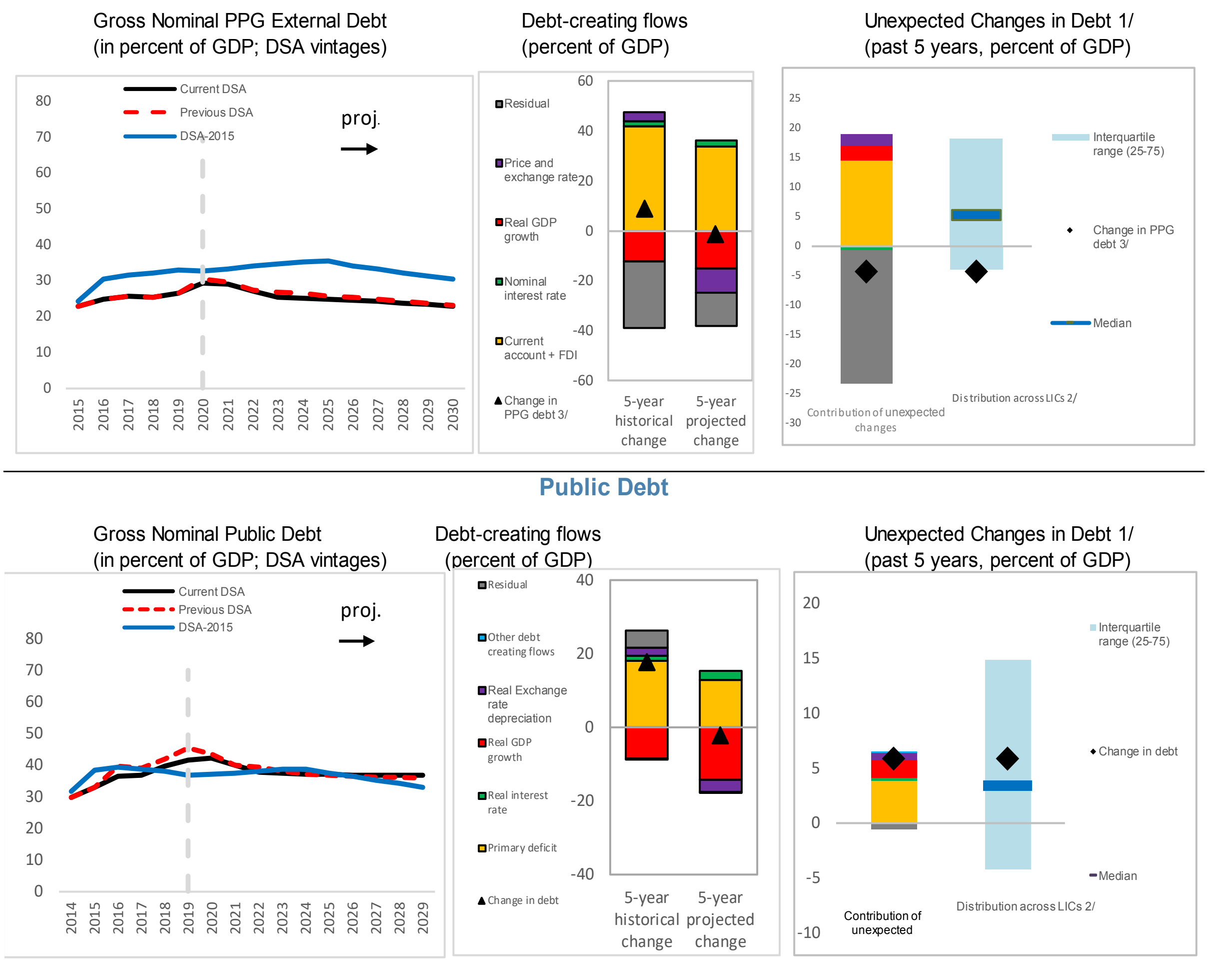
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	28%	28%
Domestic medium and long-term	29%	29%
Domestic short-term	43%	43%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.4%	4.4%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	3%	3.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Niger: Drivers of Debt Dynamics—Baseline Scenario



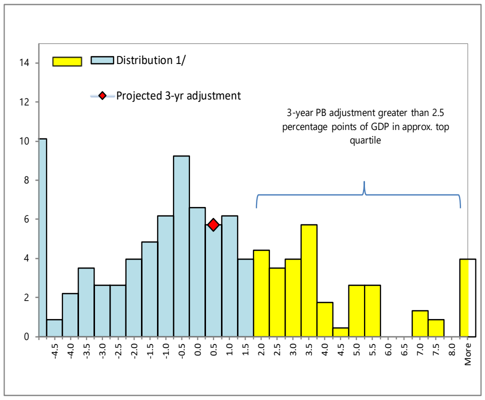
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

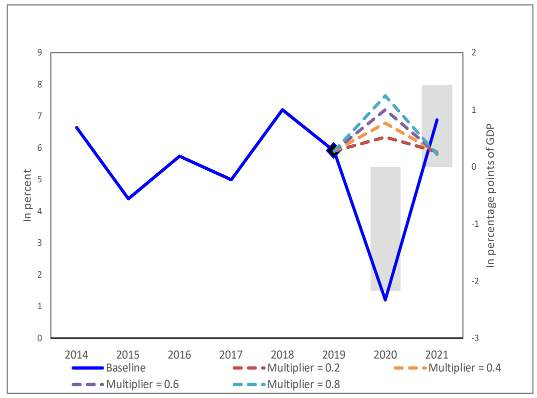
Figure 4. Niger: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



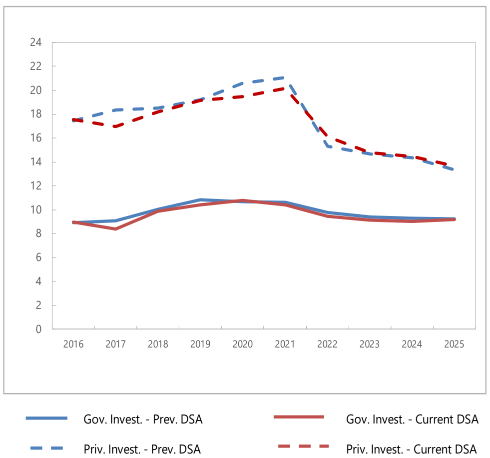
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(% of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

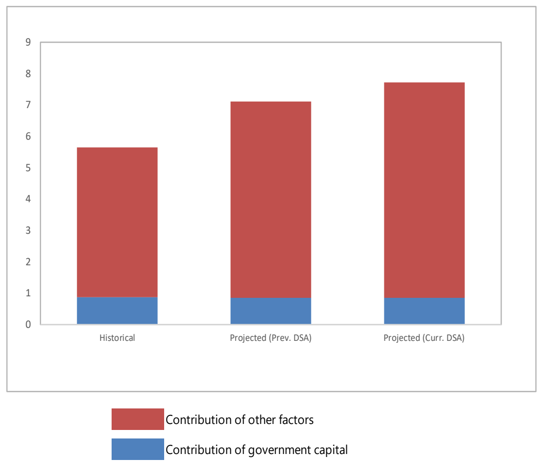
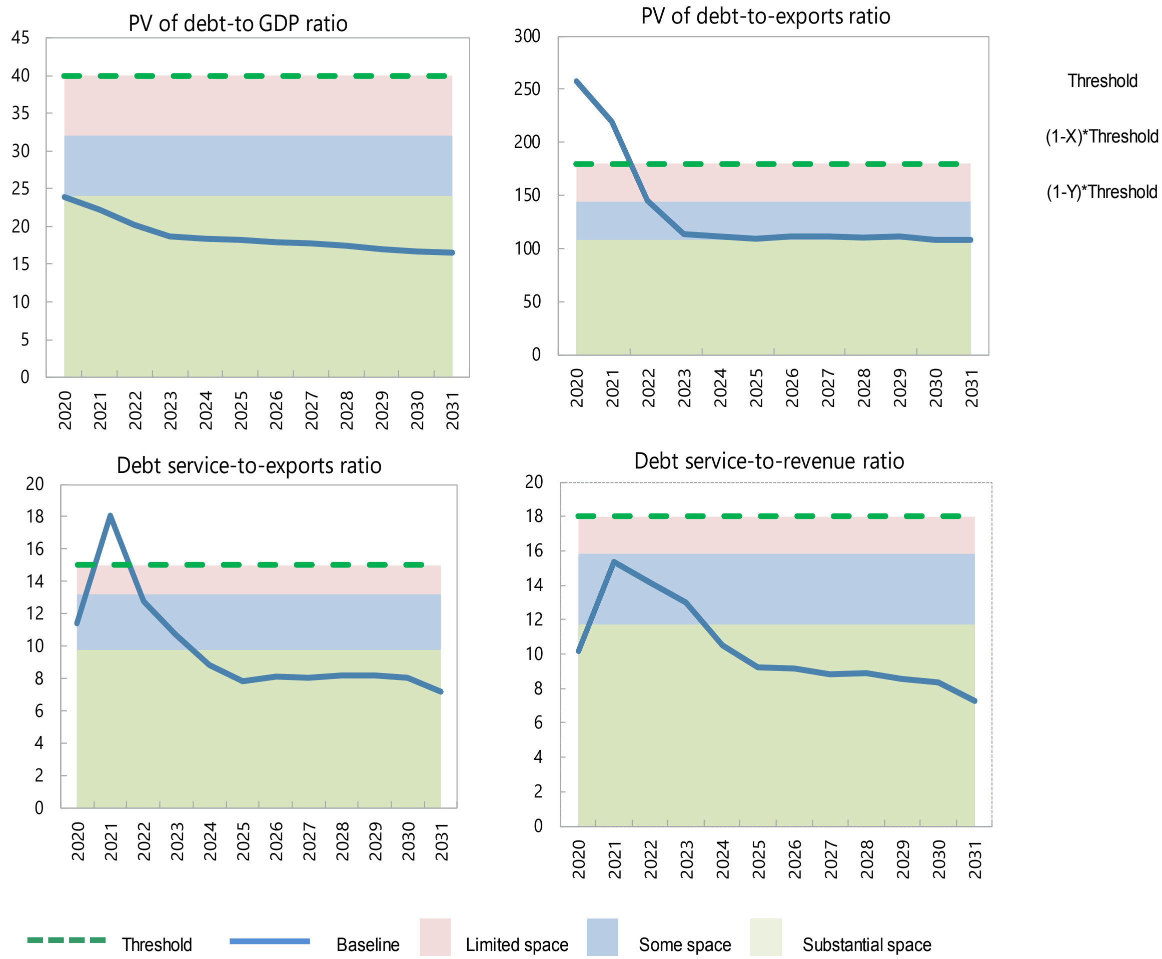


Figure 5. Niger: Qualification of the Moderate Category, 2020–31[1/]



Sources: Country authorities; and staff estimates and projections.

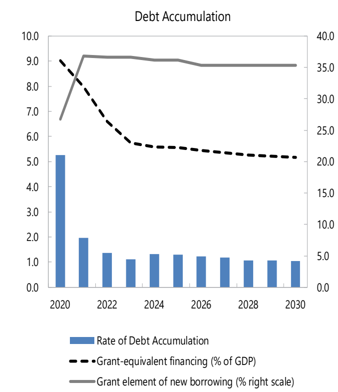
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

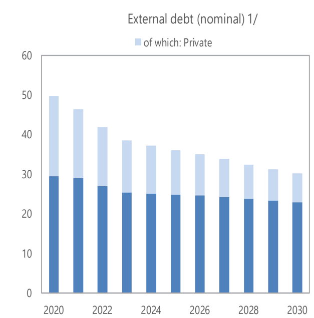
Table 1. Niger: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 9/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2040	Historical	Projections
External debt (nominal) 1/	47.7	45.5	48.4	49.7	46.3	41.9	38.5	37.2	36.0	34.9	33.8	32.4	31.2	30.2	24.8	41.8	37.5
of which: public and publicly guaranteed (PPG)	25.7	25.3	26.5	29.4	28.9	26.9	25.3	25.1	24.8	24.6	24.2	23.7	23.3	22.8	18.7	19.9	25.4
Change in external debt	-0.3	-2.2	2.9	1.3	-3.4	-4.4	-3.4	-1.3	-1.2	-1.0	-1.2	-1.4	-1.2	-1.0	-0.3		
Identified net debt-creating flows	5.0	3.1	6.7	8.8	6.0	2.7	1.4	2.6	2.5	2.7	2.8	2.9	3.0	3.1	3.3	4.5	3.5
Non-interest current account deficit	11.0	12.3	11.9	12.5	15.9	10.2	6.7	5.9	5.7	5.7	5.8	5.8	6.0	6.0	6.0	13.0	7.8
Deficit in balance of goods and services	13.4	14.9	15.5	15.4	18.3	12.5	8.5	7.5	7.1	6.8	6.6	6.5	6.4	6.4	5.8	15.2	9.3
Exports	12.9	11.3	11.1	9.3	10.1	14.0	16.6	16.6	16.7	16.1	15.9	15.8	15.4	15.5	14.4		
Imports	26.3	26.2	26.7	24.7	28.4	26.4	25.1	24.1	23.8	22.9	22.5	22.3	21.8	21.9	20.1		
Net current transfers (negative = inflow)	-3.7	-3.8	-4.7	-3.8	-3.2	-3.2	-3.1	-3.1	-3.1	-3.1	-3.0	-2.9	-2.9	-2.8	-2.3	-3.3	-3.1
of which: official	-2.0	-2.0	-2.8	-2.6	-2.0	-1.8	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-1.5		
Other current account flows (negative = net inflow)	1.3	1.1	1.1	0.9	0.8	0.9	1.2	1.5	1.8	2.0	2.2	2.3	2.4	2.4	2.5	1.1	1.7
Net FDI (negative = inflow)	-2.8	-3.3	-5.3	-3.6	-7.5	-3.0	-1.8	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-6.6	-2.4
Endogenous debt dynamics 2/	-3.2	-5.8	0.2	-0.1	-2.4	-4.5	-3.5	-1.8	-1.7	-1.5	-1.6	-1.4	-1.4	-1.4	-1.2		
Contribution from nominal interest rate	0.4	0.4	0.4	0.4	0.5	0.6	0.6	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.3		
Contribution from real GDP growth	-2.2	-3.0	-2.7	-0.5	-2.9	-5.1	-4.1	-2.4	-2.2	-1.9	-2.0	-1.8	-1.8	-1.7	-1.5		
Contribution from price and exchange rate changes	-1.4	-3.2	2.5	...	...	...	...	...	...	...	...	...	...	...	...		
Residual 3/	-5.3	-5.3	-3.8	-7.5	-9.4	-7.2	-4.8	-3.9	-3.8	-3.7	-4.0	-4.3	-4.2	-4.2	-3.6	-2.6	-5.2
of which: exceptional financing 4/	0.0	0.0	0.0	-0.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators																	
PV of PPG external debt-to-GDP ratio	...	...	20.2	23.9	22.1	20.2	18.7	18.4	18.2	18.0	17.7	17.4	17.1	16.7	13.8		
PV of PPG external debt-to-exports ratio	...	...	181.5	257.3	219.6	145.0	113.2	111.0	108.6	111.6	111.6	109.9	110.8	108.1	96.1		
PPG debt service-to-exports ratio	5.4	7.8	7.3	11.4	18.1	12.7	10.7	8.8	7.8	8.1	8.0	8.2	8.2	8.1	7.3		
PPG debt service-to-revenue ratio	6.7	7.3	7.2	10.2	15.3	14.1	13.0	10.5	9.3	9.1	8.8	8.9	8.5	8.3	6.5		
Gross external financing need (Million of U.S. dollars)	1047.0	1293.1	985.7	1411.6	1678.4	1723.5	1461.1	1375.0	1409.1	1498.9	1660.8	1790.8	1964.7	2132.6	4565.5		
Key macroeconomic assumptions																	
Real GDP growth (in percent)	5.0	7.2	5.9	1.2	6.9	12.8	11.1	6.7	6.3	5.8	6.1	5.9	6.0	6.0	6.4	6.2	6.8
GDP deflator in US dollar terms (change in percent)	2.9	7.2	-5.1	5.0	9.4	3.0	2.5	2.2	2.1	2.0	2.0	2.0	2.0	2.0	2.0	-0.1	3.1
Effective interest rate (percent) 5/	0.8	0.9	0.8	0.9	1.3	1.5	1.5	1.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3	0.8	1.3
Growth of exports of G&S (US dollar terms, in percent)	16.9	0.9	-1.1	-11.0	26.8	60.8	35.1	9.2	9.4	3.9	6.6	7.8	5.2	8.7	6.5	3.4	14.8
Growth of imports of G&S (US dollar terms, in percent)	16.2	14.8	2.1	-1.5	34.2	8.4	8.1	4.7	7.1	3.7	6.5	7.0	5.8	8.4	7.1	3.7	8.4
Grant element of new public sector borrowing (in percent)	...	...	...	26.7	36.8	36.6	36.6	36.2	36.2	35.4	35.4	35.4	35.4	35.4	35.4	...	35.1
Government revenues (excluding grants, in percent of GDP)	10.5	12.1	11.2	10.4	11.9	12.6	13.6	13.9	14.2	14.3	14.4	14.6	14.8	15.0	16.1	11.5	13.6
Aid flows (in Million of US dollars) 6/	864.0	1072.2	1399.3	1384.7	1489.2	1422.3	1422.7	1505.2	1604.7	1685.4	1785.3	1888.4	2021.2	2161.6	4456.8		
Grant-equivalent financing (in percent of GDP) 7/	...	...	...	9.0	8.0	6.6	5.7	5.6	5.6	5.5	5.4	5.3	5.2	5.2	4.8	...	6.1
Grant-equivalent financing (in percent of external financing) 7/	...	...	...	64.0	76.3	76.7	75.6	75.4	77.0	77.2	77.8	78.2	78.3	78.5	80.5	...	75.9
Nominal GDP (Million of US dollars)	11,185	12,850	12,912	13,720	16,046	18,639	21,230	23,139	25,110	27,103	29,334	31,689	34,269	37,056	82,603		
Nominal dollar GDP growth	8.1	14.9	0.5	6.3	16.9	16.2	13.9	9.0	8.5	7.9	8.2	8.0	8.1	8.1	8.5	6.1	10.1
Memorandum items:																	
PV of external debt 8/	...	...	42.1	44.3	39.5	35.2	31.9	30.5	29.3	28.3	27.3	26.0	25.0	24.1	19.9		
In percent of exports	...	...	378.7	476.0	392.0	252.4	192.6	183.9	175.1	176.0	172.1	164.6	162.4	155.7	138.6		
Total external debt service-to-exports ratio	9.0	10.0	9.5	14.6	20.7	14.5	12.0	9.1	8.1	8.4	8.2	8.3	8.3	8.2	7.3		
PV of PPG external debt (in Million of US dollars)			2602.9	3283.4	3552.5	3772.4	3980.4	4261.6	4563.6	4872.5	5191.4	5507.3	5845.1	6199.2	11406.6		
(PVt-PVt-1)/GDPt-1 (in percent)				5.3	2.0	1.4	1.1	1.3	1.3	1.2	1.2	1.1	1.1	1.0	0.8		
Non-interest current account deficit that stabilizes debt ratio	11.3	14.4	9.0	11.3	19.3	14.6	10.1	7.2	7.0	6.7	7.0	7.2	7.1	7.0	6.3		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ The CCRT debt relief is reflected in the exceptional financing.

5/ Current-year interest payments divided by previous period debt stock.

6/ Defined as grants, concessional loans, and debt relief.

7/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

8/ Assumes that PV of private sector debt is equivalent to its face value.

9/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

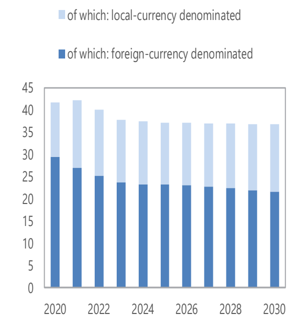
Table 2. Niger: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

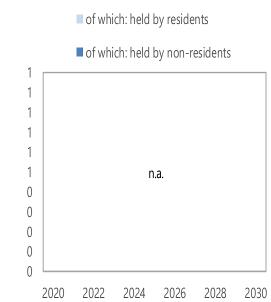
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	36.5	36.9	39.8	41.7	42.1	40.0	37.8	37.3	37.1	36.8	36.0	26.5	38.2
of which: external debt	25.7	25.3 ...		29.4	28.9	26.9	25.3	25.1	24.8	22.8	18.7	19.2	25.4
Change in public sector debt	3.7	0.4	2.9	1.9	0.4	-2.1	-2.2	-0.5	-0.3	0.0	-0.1		
Identified debt-creating flows	-0.3	0.7	2.0	2.2	0.4	-2.1	-2.2	-0.5	-0.3	-0.2	-0.3	2.1	-0.3
Primary deficit	3.4	2.1	2.6	4.7	3.3	2.3	1.3	1.3	1.4	1.3	1.1	2.9	1.9
Revenue incl. grants	15.4	18.1	18.0	17.6	18.4	18.0	18.2	18.5	18.8	19.4	20.3	16.2	18.6
of which: grants	4.9	6.0	6.8	7.2	6.5	5.4	4.7	4.6	4.6	4.4	4.2		
Primary (noninterest) expenditure	18.8	20.2	20.6	22.4	21.7	20.3	19.5	19.8	20.2	20.7	21.4	19.1	20.5
Automatic debt dynamics	-3.6	-1.4	-0.6	-2.6	-2.9	-4.4	-3.5	-1.8	-1.7	-1.5	-1.4		
Contribution from interest rate/growth differential	-1.3	-2.3	-1.6	-0.1	-2.3	-4.2	-3.4	-1.8	-1.7	-1.5	-1.4		
of which: contribution from average real interest rate	0.3	0.2	0.5	0.4	0.4	0.5	0.6	0.6	0.5	0.6	0.7		
of which: contribution from real GDP growth	-1.6	-2.5	-2.1	-0.5	-2.7	-4.8	-4.0	-2.4	-2.2	-2.1	-2.2		
Contribution from real exchange rate depreciation	-2.3	0.9	1.0	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other) 2/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.9	-0.3	0.9	-2.7	-0.6	-0.2	-0.1	0.0	0.0	0.2	0.2	0.3	-0.3
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	33.6	35.0	35.2	33.2	31.2	30.6	30.4	30.7	31.1		
PV of public debt-to-revenue and grants ratio	...	...	186.4	198.6	191.1	184.2	171.0	165.6	161.9	158.3	153.1		
Debt service-to-revenue and grants ratio 4/	20.8	30.7	37.1	45.6	42.1	50.7	51.9	48.2	47.0	43.7	35.5		
Gross financing need 5/	5.8	6.7	9.2	12.8	11.1	11.4	10.8	10.2	10.2	9.8	8.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.0	7.2	5.9	1.2	6.9	12.8	11.1	6.7	6.3	6.0	6.4	6.2	6.8
Average nominal interest rate on external debt (in percent)	1.4	1.6	1.3	1.5	1.8	2.2	2.2	2.1	1.7	1.7	1.7	1.4	1.8
Average real interest rate on domestic debt (in percent)	5.2	3.5	5.3	2.3	3.9	3.7	4.0	4.3	4.5	4.6	4.7	3.4	4.1
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.0	4.0	4.1	...	...	...	...	...	...	...	...	2.8	...
Inflation rate (GDP deflator, in percent)	0.8	2.4	0.1	2.8	1.7	2.0	2.0	2.0	2.0	2.0	2.0	1.9	2.1
Growth of real primary spending (deflated by GDP deflator, in percent)	5.6	15.0	8.2	9.9	3.9	5.6	6.8	8.0	8.3	7.0	6.8	8.8	6.8
Primary deficit that stabilizes the debt-to-GDP ratio 6/	-0.3	1.6	-0.3	2.9	2.9	4.4	3.5	1.7	1.6	1.3	1.3	0.3	2.2
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus extra budgetary funds, central bank, government-guaranteed debt. Definition of external debt is Currency-based.

2/ The CCRT debt relief is included in the primary deficit.

3/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

5/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

6/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

7/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Niger: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–31

	Projections 1/											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio												
Baseline	24	22	20	19	18	18	18	18	17	17	17	17
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2020-2040 2/	24	23	22	23	24	25	27	28	29	30	31	32
B. Bound Tests												
B1. Real GDP growth	24	23	24	22	22	22	22	21	21	20	20	20
B2. Primary balance	24	23	21	20	20	19	19	19	19	18	18	18
B3. Exports	24	24	28	26	25	24	24	24	23	22	21	21
B4. Other flows 3/	24	26	25	23	22	22	21	21	20	20	19	19
B6. One-time 30 percent nominal depreciation	24	27	21	20	19	19	19	19	19	18	18	18
B6. Combination of B1-B5	24	29	27	25	24	24	24	23	23	22	22	21
C. Tailored Tests												
C1. Combined contingent liabilities	24	23	22	21	20	20	20	20	20	20	19	19
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	24	23	22	21	20	20	19	19	18	18	17	17
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio												
Baseline	**257**	**220**	145	113	111	109	112	112	110	111	108	108
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2020-2040 2/	257	227	159	138	145	152	166	176	184	195	200	211
B. Bound Tests												
B1. Real GDP growth	257	220	145	113	111	109	112	112	110	111	108	108
B2. Primary balance	257	223	151	119	118	116	120	120	119	120	117	116
B3. Exports	257	**333**	**486**	**378**	**368**	358	365	363	355	352	337	330
B4. Other flows 3/	257	**258**	176	137	134	130	133	133	129	129	125	123
B6. One-time 30 percent nominal depreciation	257	**220**	122	96	94	93	96	96	95	97	95	96
B6. Combination of B1-B5	257	**341**	155	**262**	**256**	250	257	257	250	251	244	242
C. Tailored Tests												
C1. Combined contingent liabilities	257	**233**	157	124	124	122	126	127	126	127	124	124
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	257	**263**	173	132	127	122	122	121	118	117	112	110
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio												
Baseline	11	18	13	11	9	8	8	8	8	8	8	7
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2020-2040 2/	11	20	15	13	12	11	11	12	12	12	12	12
B. Bound Tests												
B1. Real GDP growth	11	18	13	11	9	8	8	8	8	8	8	7
B2. Primary balance	11	18	13	11	9	8	8	8	8	9	9	8
B3. Exports	11	25	32	29	24	22	22	22	23	27	26	23
B4. Other flows 3/	11	18	13	11	9	8	9	9	10	10	10	9
B6. One-time 30 percent nominal depreciation	11	18	13	10	8	7	8	8	8	7	7	6
B6. Combination of B1-B5	11	24	29	24	20	17	18	18	20	19	18	16
C. Tailored Tests												
C1. Combined contingent liabilities	11	18	13	11	9	8	8	8	9	9	8	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	11	21	14	12	10	9	9	9	9	9	9	8
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio												
Baseline	10	15	14	13	11	9	9	9	9	9	8	7
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2020-2040 2/	10	17	17	16	14	13	13	13	13	12	13	12
B. Bound Tests												
B1. Real GDP growth	10	16	17	16	13	11	11	11	11	10	10	9
B2. Primary balance	10	15	14	13	11	9	9	9	9	9	9	8
B3. Exports	10	15	15	14	12	10	10	10	10	11	11	10
B4. Other flows 3/	10	15	15	14	11	10	10	9	10	10	10	9
B6. One-time 30 percent nominal depreciation	10	19	17	15	12	11	11	10	10	9	9	8
B6. Combination of B1-B5	10	17	18	16	13	12	12	11	12	11	11	10
C. Tailored Tests												
C1. Combined contingent liabilities	10	15	14	13	11	10	10	9	9	9	9	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	10	18	17	15	12	10	10	9	10	9	9	8
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Niger: Sensitivity Analysis for Key Indicators of Public Debt, 2020–31

		Projections										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of Debt-to-GDP Ratio												
Baseline	**35**	**35**	**33**	**31**	**31**	**30**	**30**	**30**	**31**	**31**	**31**	**31**
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	35	35	35	36	36	37	38	38	39	40	41	42
B. Bound Tests												
B1. Real GDP growth	35	37	43	42	44	45	47	49	51	53	55	57
B2. Primary balance	35	37	36	34	33	33	33	32	32	32	32	32
B3. Exports	35	37	40	38	37	36	36	36	36	35	35	35
B4. Other flows 2/	35	39	38	35	34	34	34	34	34	33	33	33
B6. One-time 30 percent nominal depreciation	35	40	36	33	31	29	28	27	26	25	25	24
B6. Combination of B1-B5	35	35	36	34	33	33	34	34	34	34	34	35
C. Tailored Tests												
C1. Combined contingent liabilities	35	42	39	36	35	35	34	34	34	34	34	34
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	35	37	40	43	46	49	52	54	56	58	61	62
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**
PV of Debt-to-Revenue Ratio												
Baseline	199	191	184	171	166	162	161	161	160	160	158	158
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	199	190	193	191	191	191	193	197	200	203	206	209
B. Bound Tests												
B1. Real GDP growth	199	200	222	220	225	230	239	248	257	264	271	278
B2. Primary balance	199	201	202	186	180	174	172	171	170	168	166	165
B3. Exports	199	201	224	207	200	194	192	190	188	185	181	178
B4. Other flows 2/	199	212	208	193	186	181	179	178	177	174	171	170
B6. One-time 30 percent nominal depreciation	199	225	206	183	170	159	152	146	141	135	130	126
B6. Combination of B1-B5	199	194	194	183	179	176	176	176	177	177	176	176
C. Tailored Tests												
C1. Combined contingent liabilities	199	225	214	198	190	184	181	180	178	176	174	172
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	199	220	243	252	262	269	277	282	292	301	309	317
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio												
Baseline	46	42	51	52	48	47	47	44	44	44	44	45
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	46	42	52	57	54	54	54	50	51	51	52	54
B. Bound Tests												
B1. Real GDP growth	46	43	59	65	65	68	71	70	74	75	77	80
B2. Primary balance	46	42	55	58	54	53	51	47	47	47	46	47
B3. Exports	46	42	51	53	49	48	48	44	45	46	46	46
B4. Other flows 2/	46	42	51	52	49	47	47	44	45	45	45	46
B6. One-time 30 percent nominal depreciation	46	42	52	52	49	47	47	43	44	43	43	43
B6. Combination of B1-B5	46	41	52	56	52	52	53	50	51	51	51	53
C. Tailored Tests												
C1. Combined contingent liabilities	46	42	67	59	60	56	53	49	49	48	47	48
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	46	46	60	73	75	80	84	82	85	87	88	91
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

2/ Includes official and private transfers and FDI.

**Statement by Mr. Raghani, Executive Director
for Niger and Mr. Bah, Senior Advisor to the
October 26, 2020**

I. Introduction

Our Nigerien authorities welcomed the constructive policy discussions held with Staff last September in the context of the sixth and final review under the ECF arrangement. They would like to express their deep appreciation to Staff, Management and the Executive Board for their continued support to efforts in implementing Niger's 2017-2020 ECF-supported program.

The authorities are particularly grateful to the Fund for the timely disbursement under the Rapid Credit Facility (RCF) and for the debt service relief under the Catastrophe Containment and Relief Trust (CCRT). This emergency assistance has helped finance their Covid-19 response plan. They remain committed to pursuing reforms to accelerate growth, create jobs, strengthen the foundations for sustainable economic development and fight poverty while preserving macroeconomic stability.

The ECF-supported program has been implemented in a very difficult environment due to the severe shocks Niger is facing, notably the insecurity in the Sahel region, floods, low world prices of uranium and the socio-economic impact of the Covid-19 pandemic. Despite this challenging environment, the authorities have steadfastly implemented the program, which result in a broadly satisfactory performance. Going forward, the Nigerien authorities are mindful of the uncertainty surrounding the economic outlook and intend to maintain a close engagement with the Fund to discuss appropriate policy measures in the event downside risks materialized.

II. Recent Economic Developments and Implementation of the Covid-19 Response Plan

The Covid-19 pandemic has heavily hit Niger with a harsh impact on the economy and its near-term prospects. The stringent implementation of the lockdown measures has helped contain the spread of the virus. Niger has also recently incurred large floods. In this difficult situation compounded by the increased insecurity in the Sahel region, the closing of the border with Nigeria, and delays in the construction of large-scale projects, growth for 2020 is projected at 1.2 percent against 5.9 percent in 2019. Inflation should rise to 2.8 percent due mainly to disruptions in food supply.

The fiscal deficit is expected to widen from 3.6 percent of GDP in 2019 to 5.8 percent of GDP this year on account of shortfalls in revenue and increases in expenditure to fight the pandemic. As for the current account deficit, it is expected to stand at 12 percent of GDP owing to the drop of exports due to weak external demand. The lower imports stemming from delays in import-intensive projects and closure of the border with Nigeria would not offset the significant decline in exports.

The Covid-19 response plan has been implemented steadfastly by the authorities which has helped contain the spread of the virus, protect the population, and support the vulnerable populations and businesses. Nevertheless, the effects of the lockdown and global economic spillovers have taken a heavy toll on the economy.

In addition to the emergency financing and debt relief received from the Fund and other development partners, the authorities have adopted two supplementary budgets, respectively in June and September 2020, to finance the riposte plans. In this context, all outlays related to Covid- 19 will be channeled through the budget and subjected to strict safeguards. In line with the authorities' commitment to transparency and good governance, additional measures will be enforced to ensure that the Covid-19 funds are spent efficiently to meet their purposes.
Procurement documents and contracts related to the fight against the pandemic will be published. Moreover, the Court of Audit will conduct an independent audit of the use of committed resources and its report will be posted online by September 2021.

III. Program Performance

At end-December 2019, three out of four performance criteria (PC) were met, namely the non-accumulation of external arrears, clearance of domestic arrears and contracting of new external public debt below the program's ceiling. However, the domestic budget financing exceeded the program's ceiling by a small margin. The indicative targets (IT) on anti-poverty spending and exceptional expenditure were observed while fiscal revenue collection and the basic fiscal balances fell short of expectations due to the impact of lockdown measures.

Regarding reforms, the structural benchmark (SB) related to the decree establishing a debt management unit in the Treasury was met. The asset declarations by public officials have not been posted on an official website yet although the total value of the declared assets was included in the annual report of the Audit Court. Moreover, structural benchmarks related to debt management, treasury plans and procedures for budget statements were observed. Efforts are underway to meet the structural benchmark on granted discretionary tax exemptions.

IV. Outlook, Risks and Medium-term Economic Policies

Niger's economic outlook is strong. Real GDP growth in 2021 is expected to return to the pre-pandemic trend at 6.9 percent. This projected recovery is predicated on a resumption of large-scale projects, favorable assumptions regarding the end of the pandemic and a gradual recovery of the global economy. It is important to note that the construction of the 2,000 km-long pipeline to transport crude oil through Benin's coast has started. This will be an important driver of growth and revenues over the medium-term.

The Nigerien authorities recognize the downside risks facing the outlook, stemming notably from insecurity in the Sahel region, the lingering Covid-19 pandemic, closure of the border with Nigeria, and weak external demand for Niger' s exports. The materialization of those risks could weigh heavily on economic activity and the balance of payments. In this regard, to further strengthen the economy's resilience to shocks, the authorities intend to pursue their reforms to enhance macroeconomic stability, increase domestic resources mobilization, and achieve higher, inclusive and more broad-based growth.

Fiscal Policy and Reforms

The authorities' objective is to reinforce fiscal and debt sustainability while supporting the economic recovery. The fiscal deficit is projected to decrease from 5.8 percent of GDP in 2020 to 4.4 percent in 2021. To this end, the authorities will intensify their efforts to enhance domestic revenue mobilization and further reduce domestically- financed expenditure. Given Niger's low-revenue base, they are committed to not exceeding the spending envelopes agreed in the second 2020 supplementary budget

and the draft 2021 budget respectively. Moreover, the fiscal deficit should, over the medium-term, converge to 3 percent of GDP, in line with the WAEMU convergence criterion.

To further strengthen revenue mobilization, a decree has already been issued by the Minister of Finance assigning the responsibility for the surveillance and analysis of tax and customs exemptions to a designated unit. The digitalization of tax declarations and payments initiated with select firms will be gradually extended. The authorities also agree on the need to undertake a deeper analysis of the limited progress made in domestic revenue mobilization thus far.

On the expenditure side, ongoing initiatives to further improve the quality of public spending will be pursued, notably the collaboration with the World Bank on a new strategy, procedures, and manual to improve project selection. Regarding public-private projects (PPP), the procedures will be rigorously implemented, including the cost-benefit analyses and comprehensive risk assessments prior to the approval of projects, as well as the publication of new PPPs attached to the budget. The authorities reiterate their commitment to undertake only the PPPs for which a clear positive net benefit has been established.

Promotion of the Financial Sector

The authorities have welcomed the measures implemented by the regional central bank (*Banque Centrale des Etats de l'Afrique de l'Ouest, BCEAO*) to support the financial system in ensuring the provision of liquidity to banks. These measures have helped the financial sector to weather the crisis. In addition, the authorities deem necessary to provide affordable credit to the domestic formal private sector with a view to generate further opportunities for economic diversification. They will also operationalize the financial inclusion fund and consolidate various existing credit schemes which should help to rebuild the microfinance industry. They expect that the new framework will be instrumental in disseminating the know-how while fostering transparency and supporting the development of digital financial services.

Private Sector Development

To sustain Niger's economic growth, foster job creation and reduce the weight of informal activities, the authorities are cognizant of the need to develop a stronger private sector. Ensuring this development requires the implementation of far-reaching reforms with the support of the country'sdevelopment partners. The authorities will revamp the reform of the business environment, improve the private sector's access to credit, and promote the development of public infrastructures and services. They will also ensure a more equitable tax burden, as well as the effective implementation of the anti-corruption agenda which will be critical in promoting a vibrant private sector.

Governance and Transparency

Good progress has been made in strengthening the framework on governance and transparency in the use of public resources. The National Assembly adopted in January 2020 a law widening the asset declaration to top civil servants. This law will be promulgated after a comprehensive review to ensure its effective implementation. The authorities also intend to publish the asset declarations of all government members on an official website. Moreover, it is worth noting that the report on the procurement irregularities found at the Ministry of Defense has been transmitted to the judiciary branch. After the completion of the judicial process, there will be a review to further strengthen procurement procedures in the public administration.

V. Conclusion

Our Nigerien authorities remain committed to prudent policies and reforms to strengthen macroeconomic stability and unleash the country's growth potential. Their engagement with the Fund will be maintained after the expiration of the current ECF-supported program, with a view to maintaining the reform momentum.

In the light of the satisfactory progress made in implementing the ECF-supported program, the authorities are requesting the completion of the sixth and final review, as well as the approval of a waiver for the non-observance of the end-December performance criterion on domestic budget financing. They hope they can count on the Executive Board's support.