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NIGER

July 2023

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR EXTENSION, REPHASING, AND MODIFICATION OF PERFORMANCE CRITERIA OF THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGER

In the context of the Third Review Under the Extended Credit Facility Arrangement, Request for Extension, Rephasing, and Modification of Performance Criteria of the Extended Credit Facility Arrangement, and Request for an Arrangement Under the Resilience and Sustainability Facility, 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 and summarizing the views of the Executive Board as expressed during its July 5, 2023, consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 5, 2023, following discussions that ended on May 9, 2023, with the officials of Niger on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 20, 2023.
- A **Debt Sustainability Analysis** prepared by the staff[s] of the IMF and the World Bank.
- A **World Bank Assessment Letter.**
- 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.

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PRESS RELEASE

PR23/256

IMF Executive Board Concludes the Third Review of Niger's Extended Credit Facility Arrangement and Approves US$ 131.5 Million under the Resilience and Sustainability Facility Arrangement

FOR IMMEDIATE RELEASE

- *The IMF Executive Board concluded today the third review under the Extended Credit Facility Arrangement for Niger, allowing for an immediate disbursement of about US$ 26.3 million. The program was extended by six months to June 2025 to ensure sufficient time to implement key reforms and support the authorities' fiscal consolidation efforts.*
- *The IMF Executive Board also approved today an arrangement for Niger under the newly created Resilience and Sustainability Facility (RSF) for about US$ 131.5 million. The RSF will support the authorities' agenda to build resilience to climate change and help leverage additional financing for climate-related investments.*
- *The Nigerien authorities have made good progress in implementing their economic reform program despite a challenging security situation and climate shocks. Key priorities include stepping up domestic revenue mobilization efforts and advancing with fiscal consolidation plans while strengthening social and priority spending.*

Washington, DC – **July 5, 2023:** Today, the Executive Board of the International Monetary Fund (IMF) completed the Third Review of Niger's economic and financial program supported by the Extended Credit Facility arrangement (ECF). The ECF supported program aims at buttressing macroeconomic stability while laying the foundations for stronger and more inclusive growth. The completion of this review enables the disbursement of SDR 19.74 million (about US$ 26.3 million), bringing total disbursements under the ECF to SDR 138.18 million (about US$ 184.1 million). Niger's three-year ECF for SDR 197.4 million (about US$ 275.8 million at the time of the ECF approval or 150 percent of quota) was approved on December 8, 2021 (see PR21/366) and was extended by six months until June 7, 2025.

The Executive Board also approved today Niger's request for an arrangement under the Resilience and Sustainability Facility (RSF) for SDR 98.7 million (about US$131.5 million or 75 percent of quota). The RSF for Niger, the fourth in Sub-Saharan Africa, will support the implementation of the authorities' climate-related investments and reforms to build resilience to climate change as well as help leverage additional financing. The RSF's duration will coincide with the period remaining under the ECF, as extended.

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

"The Nigerien economy has been resilient to multiple shocks over the past few years, including the COVID-19 pandemic, the worsening security situation in the Sahel region, and climate shocks. The outlook remains favorable, with the start of crude oil exports through the new pipeline to the Beninese coast. Nonetheless, downside risks underscore the importance

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of reforms that promote resilient and inclusive growth and strengthen the resilience of the economy to shocks.

The authorities' fiscal consolidation plan appropriately aims to ensure a gradual return to the WAEMU convergence criteria by 2025. Steadfast implementation of measures to improve domestic revenue mobilization, supported by digitalization efforts, is essential to create fiscal space for priority social and development spending. Reforms to improve the efficiency and quality of public spending are important. Tighter financing conditions require a prudent debt policy and continued efforts to prioritize concessional loans. Important steps are being taken to adopt a well-designed oil revenue management strategy that guarantees transparent and prudent management of these resources.

The authorities' efforts to lift the most binding constraints to private sector development and economic diversification should be accelerated. Promoting financial stability and inclusion is critical to build resilience. Important measures include strengthening supervision in the banking and microfinance sectors, enhancing the AML/CFT framework, and addressing elevated NPLs. Tangible progress on the governance agenda is key to address sources of fragility and improve the business environment.

The RSF program will support the authorities' agenda to build resilience to climate change. The focus on incorporating climate-related considerations into Niger's macroeconomic policy framework is central to achieving climate commitments. The reforms under the RSF are expected to strengthen the planning and budgeting of climate-related spending, integrate climate-related issues into public investment management, enhance disaster informed fiscal planning and management, and promote the use of renewable energy."

Table 1. Niger: Selected Economic Indicators Table, 2020-24

	2020	2021	2022	2023	2024
			(Annual percentage change)		
National income and prices					
GDP at constant prices	3.5	1.4	11.9	7.0	13.0
CPI, annual average	2.9	3.8	4.2	2.7	2.5
CPI, end-of-period	3.1	4.9	3.1	2.9	2.5
Export volume	-0.7	-8.3	-12.0	34.8	110.2
Import volume	2.8	1.2	-2.1	11.2	12.1
Government finances					
Total revenue	0.5	5.2	8.4	21.7	39.1
Total expenditure and net lending	8.4	13.4	3.4	11.2	18.8
Current expenditure	12.4	9.1	8.5	8.6	17.9
Capital expenditure	5.3	12.9	-3.7	11.9	31.6
Domestic credit	25.0	9.2	17.1	23.5	14.3
Credit to the government (net)	565.5	-24.6	54.7	122.0	27.0
Credit to the economy	8.6	15.4	12.6	7.1	9.9
Broad money	16.9	9.7	11.9	15.2	16.4
			(Percent of GDP)		
Government finances					
Total revenue	10.8	10.8	10.1	11.2	13.5
Total expenditure and net lending	22.4	24.3	21.6	21.9	22.6
Current expenditure	10.3	10.7	10.0	9.9	10.1
Capital expenditure	12.1	13.1	10.8	11.0	12.6
Overall balance (incl. grants)	-4.8	-5.9	-6.8	-5.3	-4.1
Gross fixed capital formation	31.1	31.7	31.1	31.5	31.2
Non-government investment	20.5	20.6	21.9	22.1	20.5
Government investment	10.5	11.1	9.2	9.4	10.7
External current account balance					
Excluding official grants	-15.6	-16.4	-16.9	-14.2	-6.7
External current account balance (incl. grants)	-13.2	-14.1	-15.6	-12.2	-5.2
Total public and publicly-guaranteed debt	45.0	51.3	50.3	51.3	48.3
Public and publicly-guaranteed external debt [3]	31.6	33.5	32.7	32.6	30.9
PV of external debt	24.5	22.7	22.4	21.1	19.4
Public domestic debt	13.4	17.8	17.7	18.7	17.4
			(Billions of CFA francs)		
GDP at current market prices	7,911	8,271	9,615	10,535	12,143

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

INTERNATIONAL MONETARY FUND

NIGER

June 20, 2023

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR EXTENSION, REPHASING, AND MODIFICATION OF PERFORMANCE CRITERIA OF THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

EXECUTIVE SUMMARY

Context. Niger continues to face substantial development needs, exacerbated by rapid population growth. Niger is also one of the most vulnerable countries to the effects of climate change. Given the importance of rain-fed agriculture for the country's economy, climate change is a significant driver of chronic food insecurity and conflict, notably by intensifying competition for scarce resources. These challenges, coupled with a deterioration of the security situation, further hinder Niger's development prospects in a context of fragility.

Recent developments. GDP growth is estimated to have accelerated markedly last year to 11.9 percent driven by the recovery in agricultural production from a severe drought in 2021. Growth should average 7.5 percent over the next five years with the implementation of large-scale projects and reforms, including the new oil pipeline, as well as continued donor support. The programmed fiscal deficit target was met in 2022, and a fiscal consolidation trajectory is underway starting this year to comply with the WAEMU convergence criterion of 3 percent of GDP by 2025. Despite ongoing revenue mobilization efforts, reforms are taking longer-than-expected to bear fruit. Revenue collection was 10 percent below the 2022 target, and tax measures envisaged in the 2023 budget have yet to yield tangible results. To mitigate rollover risks due to the tightening of financing conditions in the regional market, the authorities are planning a debt reprofiling operation later this year.

Performance under the ECF Arrangement and extension request. Program performance has been broadly satisfactory. All quantitative performance criteria, all structural benchmarks, and almost all indicative targets for end-December 2022 and end-March 2023 were met, except for the ones on the cash revenue floor. An extension of the program is warranted to: i) ensure sufficient time to complete key reforms, notably

the implementation of the action plan for the new oil revenue management strategy as well as other domestic revenue mobilization initiatives; ii) support the authorities' fiscal consolidation efforts to reach the regional deficit target by 2025; and iii) support the implementation of the ambitious public financial management (PFM) agenda. The program extension is also supported by the existence of protracted balance of payments needs.

RSF program request. The proposed RSF arrangement (SDR 98.7 million, 75 percent of quota) would support the implementation of the authorities' climate-related investments and reforms and help leverage additional financing. The authorities committed to reform measures in four areas: (i) strengthening the planning and budgeting of climate-related spending, (ii) improving the sensitivity of public investment management to climate-related issues, (iii) enhancing disaster informed fiscal planning and management, and (iv) promoting renewable energy.

Staff views. Staff supports the conclusion of the third review under the ECF, which will result in the disbursement of SDR 19.74 million, and the authorities' request for a new program under the RSF. Staff also supports the request for extension, rephasing and modification of performance criteria and indicative targets under the ECF arrangement.

Approved By
Annalisa Fedelino (AFR) and Fabian Valencia (SPR)

Discussions were held in Niamey during April 25 to May 9, 2023. The report was prepared by a team comprised of Mr. David (head), Mr. Diallo, Mrs. Ganum, Mr. Kaho (all AFR), Mr. Atsebi and Mrs. von Thadden-Kostopoulos (all FAD), and Mr. Mineyama (SPR), Mr. Ouedraogo (Resident representative), Mr. Abdou and Mr. Kimso (local economists). Mrs. Fedelino (AFR) joined the mission during May 4-7, 2023. Mr. Chen (AFR) provided research assistance and Mrs. Delcambre (AFR) assisted with document and editorial management. The mission met his Excellency Prime Minister Ouhoumoudou Mahamadou and his Excellency the President of the National Assembly Seini Oumarou. The mission also held working sessions with the Minister of Finance, Dr. Ahmat Jidoud, the Minister of Planning Dr. Rabiou Abdou, the Minister of Humanitarian Action and Disaster Management Mr. Laouan Magagi, the Minister for the Environment and Fight against Desertification, Mrs. Garama Saratou Rabiou Inoussa, the National Director of the BCEAO, Mr. Maman Laouane Karim, as well as other senior government officials, private sector representatives, and development partners. Mr. Bangrim Kibassim (advisor OED) also participated virtually in the mission.

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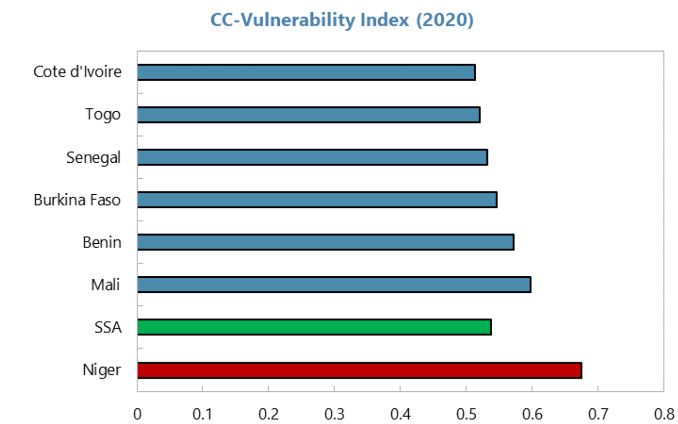
CONTEXT

1. **Climate change and fragility are intertwined in a vicious cycle in Niger.** According to the Notre Dame Global Adaptation Initiative (ND-Gain) index[1], Niger is one of the most vulnerable countries to the effects of climate change, particularly with low institutional and readiness scores (Text Figure 1). Niger's reliance on rain-fed agriculture and natural resources, combined with rapid population growth, are at the center of this elevated exposure. Climate shocks exacerbate macroeconomic and social challenges, which are intimately linked to fragility. Climate change spurs community conflicts for scarce land and water resources, while fragility undermines the population's adaptation capabilities to climate change by leading to farm abandonment and damages to agriculture-related assets.

Text Figure 1. Niger: Climate Change Vulnerability



Source: ND-GAIN and IMF staff calculations.

2. **The security situation has deteriorated further in 2022 (Text Figure 2).** Conflict incidents more than doubled relative to 2021, despite a reduction in the number of fatalities. Niger has been significantly affected by spillovers from regional fragility and conflict driven by cross-border incursions from Burkina Faso, Mali, and Nigeria. Insecurity is having a significant impact on economic activity and tax revenues in conflict-affected areas, posing a challenge to program implementation. The number of refugees, asylum-seekers, and internally displaced persons has also increased, and stands at 304,085 and 361,593, respectively as of April 2023 according to UNHCR.

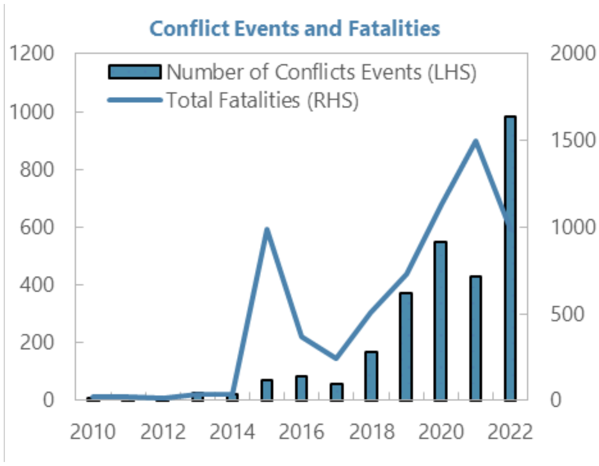
3. **The authorities have requested a program under the Resilience and Sustainability Facility (RSF) to address climate change risks and challenges.** The RSF would support the implementation of the authorities' climate-related investments and reforms (Annex I) and help leverage additional financing. In the absence of counteracting policies, the World Bank's G5-Sahel Country Climate and Development Report (CCDR)[2] estimates that Niger's GDP losses linked to

[1] This multidimensional index assesses a country's vulnerability to climate change based on exposure, sensitivity, and adaptability in six crucial areas (Health, Food, Ecosystem, Habitat, Water, and Infrastructure). https://gain.nd.edu/our-work/country-index/ The vulnerability index should be used for comparative purposes only and should be interpreted with caution.

[2] G5 Sahel Country Climate and Development Report (CCDR), World Bank, September 2022: https://openknowledge.worldbank.org/handle/10986/37620

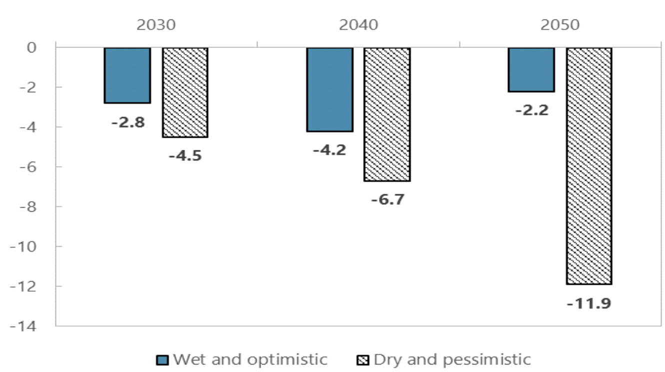
climate change could reach 11.9 percent by 2050 (Text Figure 3)— severely impeding prospects of exiting poverty, fragility, and conflict.

Text Figure 2. Niger's Exposure to Conflict



Source: ACLED, and IMF staff calculations.

Text Figure 3. Niger: Estimates of Future Annual GDP Losses due to Climate Change with no further Adaption Measures



Source: World Bank G5-Sahel CCDR and IMF staff calculations.
Note: The baseline assumes no additional climate change impacts beyond what has already been experienced up to 2020 and is used to compare the outcomes from climate change-related shocks and policies.

ECONOMIC DEVELOPMENTS, PROGRAM PERFORMANCE, AND OUTLOOK

A. Recent Developments

4. **Macroeconomic developments in 2022 were broadly positive, notwithstanding a temporary deterioration in the current account performance.** Cereal production grew by about

70 percent after recovering from a severe drought in 2021. With agriculture accounting for about 40 percent of the economy, real GDP growth is estimated to have accelerated to 11.9 percent in 2022. Inflationary pressures have eased, thanks to a deceleration of food and import prices, with y-o-y inflation reaching 1.0 percent at end-April 2023. However, the current account deficit weakened to 15.6 percent of GDP, largely due to lower oil exports—because of the required maintenance of the refinery and export restrictions[3] to prioritize domestic consumption—and higher imports of petroleum products (caused by higher prices), as well as capital and intermediate goods related to large investment projects.

5. **Last year's food crisis is expected to have lingering effects.** The World Food Program estimates that 2.9 million people— 11 percent of the population—will experience acute food insecurity during this lean season (24 percent higher than historical levels). Persistent conflict, with ensuing population displacement and difficulties in accessing land and reaching vulnerable people remaining in affected areas, is a growing source of food insecurity.

6. **The 2022 fiscal deficit reached 6.8 percent of GDP.** The deficit target was met despite significantly lower-than-expected revenue collection and budget grants that were largely offset by spending restraint (Text Table 1). Revenue collection stood at 90 percent of the second review target, mainly owing to lower-than-expected goods and services, income, and non-tax revenue receipts. Part of the World Bank's grants initially planned for December 2022 were not disbursed until early 2023 due to a technical delay. In line with their commitments, the authorities have adjusted programmed spending downwards to offset the revenue shortfall.

Text Table 1. Niger: Fiscal Accounts Compared to 2nd Review Projections, 2022

		Billion CFAF			Percent of GDP		
		2nd Review Proj.	Est.	Diff	2nd Review Proj.	Est.	Diff
(1)	Revenues	1075.1	971.8	-103.3	11.7	10.1	-1.6
(2)	Budget grants (Incl. CCRT)	136.1	73.8	-62.3	1.5	0.8	-0.7
(3)	Current expenditure	1010.3	962.4	-47.9	11.0	10.0	-0.9
(4)	Domestically-financed investment	560.2	456.2	-104.0	6.1	4.7	-1.3
(5)	Net lending (pipeline)	57.9	73.4	15.5	0.6	0.8	0.1
(6) = (1)+(2)-(3)-(4)-(5)	Domestic balance	-417.2	-446.4	-29.2	-4.5	-4.6	-0.1
(7)	Foreign loan-financed investment	212.0	205.2	-6.8	2.3	2.1	-0.2
(8) = (6)-(7)	Fiscal balance (WAEMU definition)	-629.2	-651.6	-22.4	-6.8	-6.8	0.0
(9)	*Memo* : Foreign grant-financed investment	446.0	378.5	-67.5	4.8	3.9	-0.9

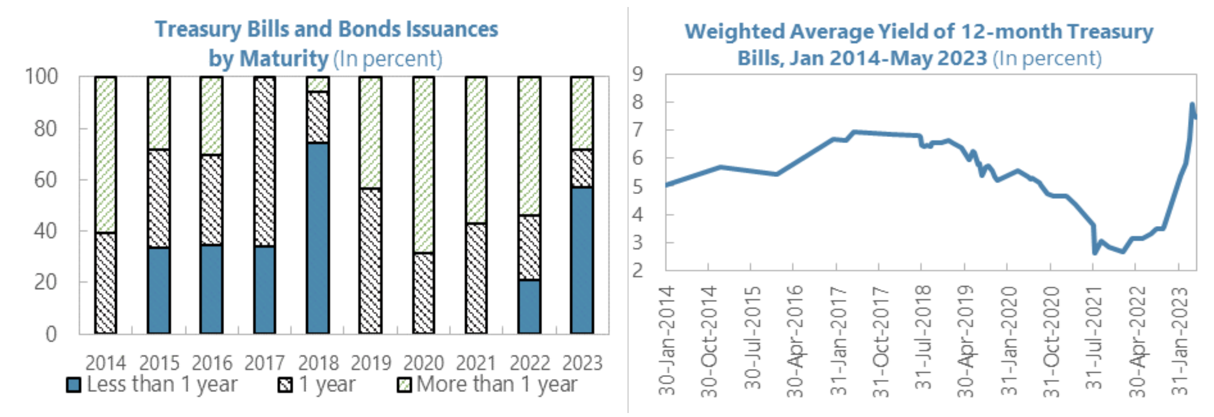
Sources: Nigerien Authorities, and IMF staff calculations.

7. **Financial conditions in the regional market have tightened.** To curb inflationary pressures and safeguard reserves, the BCEAO gradually raised its key interest rates by 75 basis

[3] The ban on diesel exports was lifted in December 2022.

points in 2022, and by an additional 25 basis points in March 2023. The BCEAO has reinstated its pre-pandemic auction mechanism, which resulted in rationing of liquidity in the banking system and a tightening of financial conditions in the regional market. Banks' appetite for longer-term government securities has consequently decreased. After a significant decrease in subscription rates in February and March, more recent issuances of Nigerien government securities have been fully subscribed, but rollover risks remain elevated due to the short-term nature of issuances. Moreover, the financing cost for the government has more than doubled, with the yield for 12-month bills increasing from around 3.5 percent on average in 2021 to 7.5 in May 2023 (Text Figure 4).

Text Figure 4. Niger: Securities' Issuances by Maturity and Average Yield



Note: 2023 value is based on data up to May 25, 2023.
Sources: UMOA Titres, and IMF staff calculations.

8. Despite the high levels of Non-Performing Loans (NPLs), the financial sector appears to be broadly sound. Credit to the economy increased by 12.6 percent in 2022 but shows a decelerating trend in the first quarter of 2023 due to the recent tightening of monetary policy. NPLs in the banking system remain elevated, despite a decline from 21.2 percent in end-2021 to 18.2 percent in end-2022. However, the banking sector remains well-capitalized, profitable, and liquid (Table 7). NPLs in the microfinance sector have decreased to 28.5 percent in 2022 compared to 40.1 percent in 2021 after the NPLs of ASUSU—one of the largest microfinance institutions—were reclassified as losses in accordance with regulations.

B. ECF Program Implementation

9. Program implementation was broadly satisfactory against end-December 2022 and end-March 2023 targets.[4]

[4] Fiscal data at end-September 2022 was revised. Staff confirms that the correction does not affect the assessment of the performance criteria in the previous review. The authorities also reported revisions of the PV of new PPG external debt data in 2022. Specifically, the revised PV of PPG external debt is CFAF 190.4 billion at end-March, 215.3 billion at end-June, 338.1 billion at end-September, and 493.0 at end-December. Under the reported data, the assessments of

(continued)

- All quantitative performance criteria (QPCs) were met. Domestic budget financing remained well below the targeted ceiling and no external arrears have been accumulated. The present value of new public and publicly guaranteed (PPG) external debt was below its ceiling.

- Almost all indicative targets (ITs) were observed, except for the end-December and end-March ITs on cash revenues. Basic budget balances–including and excluding budget grants–and social spending were above program floors. The ratio of exceptional expenditures on authorized spending was zero. However, cash revenue collection was below the program floor due to security issues, trade disruptions at the Nigeria border, and lower-than-expected revenue yields from new tax policy and revenue administration reforms.

10. The authorities also made progress on the implementation of structural benchmarks. The structural benchmark at end-March 2023 on adopting the administrative order to continue the interconnection process between DGI and DGD has been met (SB#1). Moreover, all continuous structural benchmarks have been met.[5]

11. Going forward, implementation of the remaining reform agenda for 2023-24 is broadly on track but is subject to delays in at least one key area. The authorities have prepared a first draft of the oil revenue management strategy and are gathering consensus internally on its key elements, building on advice provided by an IMF capacity development mission. The revision of the tax code is advancing, albeit at a slower pace than initially planned and will require a revision to the original implementation schedule (see ¶27). The authorities are making progress towards the digitalization of expenditure orders and authorizations. The process of interconnection of the IT systems of tax (DGI) and customs (DGD) administrations is also moving forward (SBs #6, #8, and #9).

C. Outlook and Risks

12. Growth is expected to remain strong in the near term. GDP growth will be driven by higher crude oil production with the start of exports through the new pipeline and the continued momentum of agriculture and retail trade. It is projected at 7 percent in 2023 and will peak at 13 percent in 2024 driven by the ramp-up of crude oil production and spillover effects on the economy, notably through the transportation sector. The continued recovery of agriculture production coupled with measures taken by the BCEAO should help maintain inflationary pressures at a moderate level.

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the QPC in earlier reviews remain unchanged, that is, the QPC was met at the time of the first review and was breached at the second review in line with the waiver of non-observance requested, while the size of the breach was smaller than the one previously reported. Staff also confirms that the data correction does not constitute misreporting.

[5] Due to an information technology technical issue affecting some functions of the Public Procurement Portal, information on procurement plans, tender notices, and awarded contracts for continuous SB#2 and on beneficial owners of companies awarded non-competitive contracts for continuous SB #4, is temporarily published in ARCOP's website. The authorities have published feasibility studies for projects included in the Public Investment Plan that are currently being implemented in the Ministry of Planning's website (http://www.plan.gouv.ne/documentation/).

13. The new oil pipeline should become operational in the last quarter of 2023. The development of the Agadem oil field is advancing well with an initial expansion of production capacity to 90,000 barrels per day projected by late 2023. The construction of the pipeline is completed, and crude oil exports should begin in November 2023. In January 2023, the government of Niger signed a credit convention with the West African Oil Petroleum Company (WAPCO) to set the conditions of the Nigerien State's participation (at 15 percent) in the funding of the pipeline construction.[6]

14. The current account is projected to improve with the onset of crude oil exports. The current account deficit is projected to narrow to 12.2 percent of GDP this year and to 5.2 percent of GDP in 2024 due to the onset of crude oil exports, while capital goods imports associated with the pipeline construction decrease. An expected scaling-up of domestic agricultural production, supported by the continued recovery from the past harvest seasons and the improved productivity linked to the implementation of irrigation projects, partly explain the revisions relative to projections made at the time of the second ECF review and will further contribute to the improvement of the current account balance by substituting food imports. On the financial account side, foreign direct investment is expected to be lower than previously projected due to a front-loading of investments related to the pipeline.

15. The macroeconomic outlook is also favorable over the medium term (Text Table 2). Growth is projected to stabilize around its potential of 6 percent. Inflation should converge to 2 percent, the mid-point of the WAEMU convergence criteria. The current account deficit would hover around 7 percent of GDP, financed mainly by foreign direct investment, grants, and concessional loans. The fiscal balance is projected to gradually converge to the WAEMU norm of 3 percent of GDP and public and publicly guaranteed debt should stabilize at close to 45 percent of GDP.

16. The risk of external and overall public debt distress is assessed as moderate.[7] The economic growth outlook, including increased exports and revenue collection, would keep debt indicators below their critical thresholds over the medium term. To buttress debt sustainability, it is crucial to accelerate reforms aimed at improving domestic revenue mobilization, strengthening the debt management system, and supporting private sector development to promote economic diversification.

[6] The convention sets financial conditions and an interest return for Niger's stake in the project, governance aspects and state representation at WAPCO's board, staffing requirements, as well as other management aspects.

[7] The Nigerien authorities have been engaging bilaterally with the Libyan authorities to reconcile and resolve pre-HIPC Initiative arrears to Libya. As the underlying Paris Club Agreed Minute was adequately representative and the authorities are making best efforts to resolve these amounts, such amounts continue to be deemed away under the Fund's policy on arrears to official bilateral creditors.

Text Table 2. Niger: Selected Economic Indicators

	2021	2022	2023	2024	2025	2026	2027	2028
	Act.	Est.	Projections					
	(Percent of GDP, unless otherwise indicated)							
GDP at constant prices (percent change)	1.4	11.9	7.0	13.0	7.0	6.2	6.0	6.0
Consumer price index, average (percent change)	3.8	4.2	2.7	2.5	2.0	2.0	2.0	2.0
Consumer price index, end of period (percent change)	4.9	3.1	2.9	2.5	2.0	2.0	2.0	2.0
Credit to the private sector (percent change)	16.4	9.1	8.1	10.0	14.3	14.3	10.8	10.9
Total revenue	10.8	10.1	11.2	13.5	14.1	14.6	14.7	14.8
Total expenditure and net lending	24.3	21.6	21.9	22.6	22.3	22.8	22.9	23.0
Overall fiscal balance (commitment basis, incl. grants) [1, 2]	-5.9	-6.8	-5.3	-4.1	-3.0	-3.0	-3.0	-3.0
External current account balance (excl. grants)	-16.4	-16.9	-14.2	-6.7	-8.2	-8.3	-9.0	-8.1
External current account balance (incl. grants)	-14.1	-15.6	-12.2	-5.2	-6.7	-6.9	-7.6	-6.7
Total public and publicly-guaranteed debt	51.3	50.3	51.3	48.3	47.0	46.2	45.7	45.4
Public and publicly-guaranteed external debt [3]	33.5	32.7	32.6	30.9	30.2	29.8	29.6	29.4
Public domestic debt	17.8	17.7	18.7	17.4	16.8	16.4	16.1	16.0

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

[1] Revenue including grants minus expenditure; WAEMU Anchor.

[2] Includes CCRT debt relief.

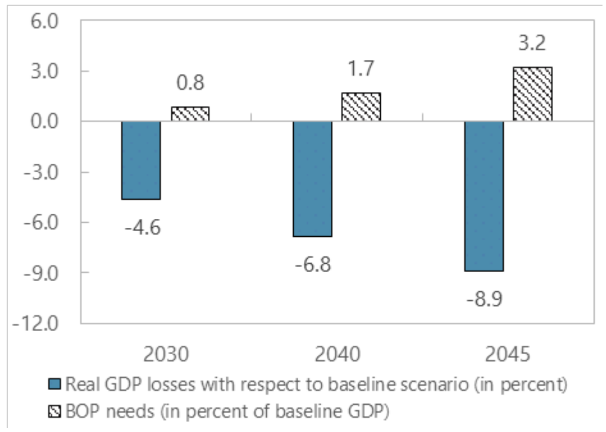
[3] The public debt projection numbers reflect the new IDA20 financing changes.

17. **The outlook remains subject to significant downside risks (Table 12).** Any delays in the operationalization of the pipeline project would weaken growth prospects, as well as the fiscal and external positions. At the same time, rising hydrocarbon production and exports could pose challenges to transitioning to a low-carbon economy, A deterioration in the security situation and social unrest would disrupt growth and entail fiscal slippages to meet social demands and security spending needs. Extreme weather events could negatively impact growth, the current account, and widen fiscal deficits as additional spending would be needed to assist the most vulnerable. On the external side, an intensification of regional conflicts, volatility in commodity prices, and further tightening of global financial conditions could jeopardize good economic prospects. On the upside, the earlier materialization of a large uranium mining investment project and that of the agro-industrial clusters could boost medium-term growth.

18. **An alternative scenario was calibrated to include the long-term effects of climate change on key macroeconomic variables (DSA).** While the economy would be significantly affected, the debt risk rating would remain unchanged. The scenario is based on simulations of the impact of climate change and adaptation policies on GDP growth, agricultural production, and inflation in the next two decades. The analysis was based on the pessimistic and dry medium-growth scenario examined in the World Bank's G5-Sahel CCDR. Real GDP, exports, and tax revenue would drop to a permanently lower level due to the decline in

agricultural production, and the cumulative GDP loss relative to the baseline could reach 8.9 percent by 2045. External and public debt indicators would deteriorate but remain below the respective thresholds and the country's risk rating would remain unchanged at "moderate". The PV of debt to GDP ratio would, however, increase to a level close to the thresholds in the early 2030s, before decreasing. The additional balance of payment needs, with respect to the baseline, could reach 3.2 percent of GDP in 2045 due to an increase in food imports and a decline in cash crop exports. At the same time, the social and humanitarian implications (not directly factored in) would be significant, with large segments of the population struggling to make a decent livelihood, with loss of human capital, productivity, and negative feedback loops into security and fragility—setting Niger back in its development quest. The G5-Sahel CCDR estimates that, by 2050, the poverty rate in Niger could increase by 8.6 percentage points relative to the baseline scenario of no impact of climate change.

Text Figure 5. Niger: Estimates of Future GDP Losses and BOP Needs



Sources: IMF staff estimates informed by the World Bank's G5 Sahel CCDR.

POLICY DISCUSSIONS

A. Anchoring Fiscal Policy and Creating Space for Development Spending

Adhering to the Envisaged Fiscal Consolidation Path

19. The authorities are committed to meeting the regional fiscal deficit criterion by 2025. While providing flexibility to accommodate urgent spending to address development needs and shocks, the fiscal deficit trajectory agreed upon at the second ECF review is calibrated to achieve the WAEMU convergence criterion of 3 percent of GDP by 2025. The deficit target of 5.3 percent of GDP in 2023 will be met through revenue-enhancing measures and spending reprioritization (Text Table 3). Fiscal consolidation is planned to continue in 2024 with a projected narrowing of the deficit to 4.1 percent of GDP.

20. Revenue targets have been revised in light of continued shortfalls. Although cash tax revenues continued to grow in the first quarter of 2023 by 7.6 percent y-o-y in nominal terms, they stood below the programmed target (by 10 percent). This shortfall is mainly due to continued security challenges affecting customs revenue and trade disruptions at the Nigerian border, which are expected to have persistent effects on revenues over the medium term, as well as lower-than-expected yields from tax policy and revenue administration reforms, although the latter effects are projected to be transitory and a gradual catch-up is expected over the program period, as reforms start to pay off. The authorities are stepping up efforts to reinforce controls and implement new tax policies and revenue administration reforms (see below) to narrow the gap relative to targets and have already reversed tariff cuts for some food products and lifted the refined oil export ban, which should contribute to boost revenues (MEFP ¶23-27). Nevertheless, tax revenue projections for 2023 have been revised downwards compared to the second ECF review (by CFAF 104 billion). Over the medium term, the gap relative to the second ECF review targets should gradually narrow as new measures and reforms start to bear fruit. If the security situation and/or disruptions at the Nigerian border normalize over the near term, further revenue growth could materialize.

21. To maintain the agreed-upon deficit trajectory, the authorities have committed to postponing some lower priority domestically financed capital expenditure. To contain expenditures, the authorities will rely on the treasury committee in charge of regularly monitoring revenue collection and authorizing spending (MEFP ¶22).

22. The oil revenue management strategy will be adopted before the start of crude oil exports (SB#2 and Annex II). The authorities plan to establish a stabilization fund to mitigate the effects of fluctuations in oil prices on the budget. Staff advised the formal adoption of a non-oil primary fiscal balance target to avoid procyclicality in fiscal policy, but the authorities argued that there is already an overall fiscal balance convergence criterion anchoring fiscal policy at the regional level. In their view, the adoption of an additional fiscal target is unnecessary and would lead to a saturation of fiscal rules. The authorities committed to: i) create a technical committee that will oversee a detailed report on projected revenue streams from crude oil production and exports over the economic life of recoverable reserves and assess fiscal risks (new proposed SB #7); and ii) adopt a decree determining the formula for calculating the reference price for the oil stabilization fund and create a committee of experts to implement the calculation (new proposed SB #10).

Text Table 3. Niger: Sources of Fiscal Consolidation

(In percent of GDP)

	Baseline	Consolidation			Aggregate
	2022	Δ 2022-23	Δ 2023-24	Δ 2024-25	Δ 2022-25
Revenue, Natural Resources Sector	1.9	0.2	1.7	0.1	1.9
Revenue, Other	8.2	1.0	0.6	0.5	2.1
Budget grants (Incl. CCRT)	0.8	0.7	-0.2	0.0	0.5
Domestic expenditure	15.5	0.1	0.5	-0.4	0.3
Foreign loan-financed capex	2.1	0.2	0.4	-0.1	0.4
Fiscal balance / total consolidation	-6.8	1.5	1.2	1.1	3.8
Memo: Compound average GDP growth rate		9.6%	15.3%	9.2%	11.3%

Sources: Nigerien Ministry of Finance, and IMF staff calculations.

Improving Domestic Revenue Mobilization

23. The customs administration (DGD) is taking corrective actions to offset the revenue losses (MEFP ¶24). The authorities are committed to accelerating the clearance of goods through a simplified declaration system and reinforcing pre- and post-clearance controls. Moreover, they intend to reinforce collection by leveraging digitalization by exploiting the real-time Virtual Transaction File (DVT) information available on the one-stop window for foreign trade (GUCE) platform, as well as the data on firms' balance sheets from the integrated tax and taxpayer information system (SISIC), and airline companies' data. The authorities also intend to accelerate digitalization in the customs offices of Assamaka and Dirkou. These measures are expected to increase revenues by 0.1 percent of GDP.

24. New measures have also been taken to address trade revenue shortfalls (MEFP ¶23-24). The new specific tax on petroleum products, coupled with the ban on diesel exports, have caused losses in tax revenues, which have not yet recovered. To address trade diversion in petroleum products and maintain competitiveness in the regional market, the authorities have decided to revise downwards the specific tax on petroleum products from 15 to 5 percent. The authorities are also stepping up efforts to boost revenues from gold mining and exports by verifying the certificates of origin and implementing the new specific export tax on gold. They also expect to collect additional revenues from the new specific export tax on cigarettes.

25. With the adoption of a new strategic plan covering 2022-24, the tax administration (DGI) is strengthening its compliance risk management and digital systems. The legal powers of the tax enforcement unit were reinforced with the mandate to collect revenues from penalties. New tools for tax auditing are being developed and the authorities plan to implement performance contracts for auditors. In addition, measures to strengthen the unit in charge of electronic tax services are envisaged, to improve services to users, and to continue the implementation of the "*enclos fiscal*", which is a system aimed at identifying and rigorously monitoring taxpayers.

26. Staff recommended further tax and revenue administration measures to broaden the tax base and strengthen collection. These include: i) stepping up efforts to collect tax arrears, ii) reducing tax exemptions, iii) fighting tax fraud, and iv) accelerating property and land registration by creating a cadaster, and improving the estimation of property values, for a future property tax. Specifically, rationalizing tax exemptions appears as a promising avenue. Exemptions stood at an estimated 5.6 percent of GDP in 2022.[8] The recent revision of tax exemption terms in the investment code is already effective and will contribute to rationalize new exemptions. Moreover, a division dedicated to extractive industries within the large taxpayer office at the DGI was created to better control exemptions granted following the mining and petroleum codes.

[8] Moreover, as stated in the audit report on tax exemptions in extractive industries conducted by Niger's auditor general (see IMF Country Report 22/227), there is inadequate reporting by companies, and insufficient monitoring of contracts by relevant ministries.

27. The authorities have advanced in the revision of the general tax code, but additional time will be required to adopt the new code (SB#5, MEFP ¶26). The National Advisory Council of the Ad-hoc Committee of Tax Policy comprising representatives from both the private sector and the government was created in May 2023 to oversee the tax code revision and formulate recommendations. Starting in May 2023 a technical/legal assessment of required revisions to the code is being undertaken by a consultant, a significant delay relative to what was planned under the roadmap for the tax reform adopted by the authorities in June 2022. An assessment of the economic and social impacts of these proposals is also envisaged before the adoption of the new code. Given the implementation delays and the need to safeguard a broad dialogue and consultations, the authorities have extended the timeline for the adoption of the revised tax code by six months and the benchmark is now expected to be met by June 2024.

28. Digitalization of tax and customs administrations are key to enhancing domestic revenue mobilization:

- A free online platform (e-SECEF) for VAT-certified invoicing has been implemented and should contribute to increasing compliance with certified VAT reforms. Moreover, with the extension of the e-SECEF platform to all taxpayers, real-time information on corporate turnover is now available to better monitor taxpayers' declarations.

- The digitalization and interconnection of the IT platforms of the DGD and DGI are also advancing. The revision of the interfacing manual elaborated by both administrations has started and is expected to be completed after the benchmarking and training mission planned in Cote d'Ivoire in July. The DGI signed a contract with the software service provider to develop a new platform for the integrated system.

Enhancing Public Spending Quality

29. Expanding the unified social registry (USR) is critical to strengthen the targeting, adequacy, and coverage of social safety nets. The new USR operational manual was finalized in October 2022. The USR currently includes 417,000 vulnerable households covering all administrative areas. The authorities plan to expand the coverage of the database to up to 800,000 households by 2024, covering 43 percent of the poor. The authorities are receiving technical support from the World Bank in this area. In addition, integrating the USR with other existing databases (e.g., on children's vulnerability, refugees, and beneficiaries of social assistance programs) would also help strengthen the effectiveness of social programs.

30. The authorities are making progress on the implementation of the National Gender Policy to narrow gender gaps in education by 2027. The construction of dozens of boarding schools for girls is underway with financial support from development partners. Moreover, the authorities are implementing financial incentives to reduce girls' school dropout rates and expanding school feeding programs. Staff supports these measures and encourages the expansion of existing programs that provide targeted cash transfers to help families directly and improve women's access to financial resources and employment opportunities.[9]

31. Several reforms in the areas of budget preparation and execution and digitalization of expenditures will contribute to boost the quality of spending and improve the delivery of public services:

- The decentralization of payment orders has been expanded to three new ministries (following the pilot phase with the Ministries of Education and Health). In addition, an evaluation for the pilot stage is planned in 2023 to elaborate recommendations before generalizing the reform. Nonetheless, further progress is needed, including through strengthening capacity in sectoral ministries and at the decentralized (regional) level, as well as by making budget program managers the authorizing officers in sectoral ministries.

- The double accounting system AE/CP (commitment authorizations/payment) has been expanded to six new ministries (now covering eleven ministries). While extending this reform, the authorities should continue to improve the quality of the AE/CP system by strengthening the capacity of sectoral ministries.

- The deployment of new digital solutions to expedite operations is also advancing. Prepaid debit cards will be distributed to increase the celerity of scholarship and pension payments. The authorities are committed to digitalizing expenditure orders and authorizations (SB #3 and #4).

- The authorities are working with local governments to ensure compliance with the new decree mandating treasury accountants as the public accountants of local governments. In May 2023, the authorities started a census of accounts in commercial banks, including those of local governments, intending to close them if they are not used for donor financing.

Safeguarding debt sustainability

32. The government intends to identify and disclose fiscal risks (MEFP ¶32). The 2025 budget will include a detailed fiscal risks statement that covers selected macroeconomic risks, risks stemming from SOEs, and fiscal risks linked to climate change. An IMF technical assistance mission is planned for July 2023 to support the authorities in strengthening the current fiscal risks framework by identifying key risks, quantifying potential fiscal impacts, and elaborating a budget contingency plan to mitigate the fiscal risks associated the various shocks to which the economy is exposed.

33. A prudent debt policy remains essential, and a debt reprofiling operation may be desirable given conditions in the regional market. Niger should keep prioritizing external financing in the form of concessional loans and grants. Given the tightening of financing conditions,

[9] For a more detailed discussion of gender gaps in Niger and policy recommendations, see IMF Country Report 23/28 and Ouedraogo, R. and Gomes, D. 2022. Macroeconomic Gains from Closing Gender Educational Gaps in Niger. IMF Selected Issues Paper SIP/2023/006.

the authorities plan to conduct a liability management operation with terms more favorable than the ones prevailing for domestic debt to mitigate rollover risks via issuance of longer-dated commercial external debt.[10] While the precise terms of the operation are yet to be determined, staff will assess the implications of the debt management operation on debt sustainability based on the parameters of the program so that the debt reprofiling operation does not undermine the external debt distress rating under the prospective conditions.

34. The persistence of stock flow adjustments (SFAs) could impact debt dynamics. IMF analysis showed that SFAs (which include fiscal and quasi-fiscal transactions, extra-budgetary and below-the-line operations) are estimated to have added about one percent of GDP per year on average over 2013-2021 to Niger's debt accumulation.[11] In the context of Niger, the discrepancies could arise from external borrowing requirements of SOEs and other off-budget fiscal operations. As SOEs do not borrow directly abroad, relying rather on on-lending from the central government, related borrowing requirements are not fully captured in the fiscal deficit (which excludes SOE operations). The authorities should strive to improve the transparency of fiscal and debt recording, which would help reduce SFAs.

B. Stepping up the Implementation of the Structural Reform Agenda

Reinvigorating Private Sector Development

35. Efforts to lift the most binding constraints to private sector development and economic diversification should be accelerated. The authorities have established a new public-private dialogue framework in 2022 and are planning to adopt an action plan this year to address concerns raised by the private sector notably in the areas of taxation, business registration, access to financing and public procurement by small and medium enterprises (SMEs), cross-border trade, land tenure, commercial justice, and investor protection. On the latter, a revision and simplification of the investment code is planned during 2023. The authorities also plan to adopt by decree (MEFP ¶34), before the end of the year, the charter for SMEs aimed at improving the regulation of these firms and their access to financing and public procurement. Moreover, supported by the national development plan (PDES 2022-2026), the authorities envisage the creation of agro-industrial clusters in all regions of the country to strengthen job creation and diversification. While, the project is at a nascent stage, the authorities plan to engage key stakeholders, elaborate an operational and a strategic plan over 2023-27, and start with a pilot cluster after feasibility studies are conducted.

[10] The authorities undertook a similar debt reprofiling operation in January 2020 to repay domestic debt. The external loan was contracted with Deutsche Bank for a total amount of euro 225 million with a maturity of 10 years and interest rate of 5.25 percent. Resources were used to repay a set of five Treasury bills and one Treasury bond.

[11] West African Economic and Monetary Union, Selected Issues, IMF Country Report 23/103.

Promoting Financial Stability and Inclusion

36. Expanding access to financial services is critical to build resilience. The implementation of the National Financial Inclusion Strategy (SNFI 2019-2023) is broadly on track. The authorities are conducting a diagnostic study to identify financial services needs and intend to develop a national financial education program. In addition, they are also pursuing the digitalization of the financial system by promoting the use of mobile money and digital services. A working group, led by the National Agency for the Information Society (ANSI), for the promotion of innovation and digital finance has been set up. The implementation of the "Smart Villages" project, aiming to promote Fintech and digital inclusion in rural areas, is on track with the support of the World Bank. Moreover, the WAEMU's project on the interoperability of financial systems in the monetary union should help support these actions. To strengthen the resilience of the agricultural and livestock sectors to the negative effects of climate change, feasibility studies for the development of an index-based insurance scheme, covering both sectors, have been prepared with World Bank support. The authorities should address other obstacles to financial inclusion, notably by improving access to electricity and internet connections.

37. Moreover, securing funding for financial inclusion funds is essential to support private sector development. The two main financial inclusion funds under the SNFI are now operational (MEFP ¶37). The National Support Fund for Small and Medium Enterprises (FONAP) has financed 109 small and medium enterprises (SMEs) in different sectors of activity for a total amount of 10 billion CFA francs in 2022. The authorities are developing a strategy to mobilize CFAF 102 billion in additional resources for the FONAP from development partners over the medium term. Furthermore, donors committed to provide CFAF 80 billion in financial support to the Financial Development and Inclusion Fund (FDIF).

38. Addressing the vulnerabilities of the microfinance sector will be critical to integrate the most vulnerable into the financial system. There has been progress in the implementation of the microfinance sector restructuring plan developed in 2017 (MEFP ¶38). The three institutions under interim administration should resume their activities this year. Local banks have signed refinancing agreements with ASUSU, and the banks entered the institution's capital. Recovery plans for the other two institutions, TANADI and UCMM, are being developed with the support of development partners.

39. Maintaining the soundness of the financial sector requires strengthening banking sector supervision. The authorities should continue to pursue efforts to strengthen Nigerien banks' internal controls, treasury management, and anti-money laundering/combating the financing of terrorism (AML/CFT) procedures. In January 2023, after a routine audit by the National Financial Information Processing Unit (CENTIF), the embezzlement of more than 4 billion CFA francs was uncovered at BAGRI (the majority state-owned agricultural bank[12]). While the capital adequacy ratios of BAGRI remain above the norm, the scandal has had a negative impact on the bank's

[12] BAGRI's main shareholders are the state (58 percent) and state-owned enterprises (27 percent).

activity, namely by: (i) causing a massive temporary withdrawal of deposits, and (ii) leading to a decrease in its interbank loans. The implications for systemic risk are limited as BAGRI accounted for only 7.7 percent of total banking assets (and a similar share of deposits) according to the latest available information. BAGRI's governance is being strengthened through the recruitment of additional internal audit staff and measures to enhance oversight.

40. Addressing high NPLs is also critical to reduce financial sector vulnerabilities. Preliminary results of the survey conducted by the BCEAO indicate that high levels of NPLs are in part caused by the concentration of certain banks' portfolios in a small number of clients and by payment delays in public procurement contracts. Staff supports the ongoing information sharing efforts between the Ministry of Finance and banks to address claims related to procurement payment delays and, for the relevant cases, encourages the authorities to accelerate the resolution of delayed payments.

Advancing the Governance Agenda

41. The authorities are committed to achieving tangible results in the fight against corruption and improved governance, but steadfast progress is needed to achieve more effective outcomes. Encouraging strides have been made recently:

- The Auditor General published two audit reports covering sectors highly vulnerable to corruption (public procurement during COVID-19[13] and the extractive sector[14]) and followed up on their recommendations. On the first report, four recommendations out of twelve were fully implemented and four were partially implemented; these relate mostly to ending exceptional practices, developing a charter defining responsibilities of procurement actors, recruiting or training personnel in line ministries, implementing a manual and electronic system to locate records, and putting in place an effective system for archiving documents. Regarding the second report, two recommendations out of four related to ensuring rigorous monitoring and effective application of regulations were implemented fully by the Ministry of Petroleum, while other ministries have yet to implement the recommendations.[15]

- The anti-corruption agency (HALCIA) has been increasing the number of cases transmitted to the Public Prosecutor but does not receive information on follow-up prosecutions or convictions. This agency also contributes to recover tax revenues owed in cases of tax evasion – this year they determined that CFAF 11 billion were owed, of which 3 billion have already been recovered. However, HALCIA's effectiveness to carry out investigations is hampered by its lack of

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[13] http://www.courdescomptes.ne/index.php/publications/rapports-definitifs/send/103-2021/122-rd-cnj-2022-012-01-3-marches-pub-covid .

[14] http://www.courdescomptes.ne/index.php/publications/rapports-definitifs/send/102-2021/123-rd-cnj-2022-040-03-1-depenses-fiscales-industries-extractives2017-2020 .

[15] The Auditor General will follow up on the remaining recommendations until they are fully implemented (see IMF Country Report 22/227, Annexes II and III for more details).

financial autonomy. Consequently, measures should be taken to ensure that HALCIA has the necessary financial independence as well as human resources to fulfil its mandate.

- The authorities started publishing the beneficial ownership information of companies awarded non-competitive contracts[16] (https://www.armp-niger.org/marches-passes-par-ed) but further action is required to systematically collect and publish this information. The authorities intend to strengthen the legal instrument, currently a circular, to collect this information and reinforce compliance (MEFP ¶39) with IMF technical assistance.

- Following the 2021 Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) report that identified serious deficiencies across all pillars of effectiveness of Niger's AML/CFT framework, the authorities have adopted a new AML/CFT strategy and its action plan to address the identified deficiencies.[17] Moreover, the authorities have also conducted thematic and sectoral risk assessments (covering, for instance, real estate, banking, and non-profit sectors), and are undertaking legislative reforms. They should ensure sustained action to mitigate the risks of terrorism financing and money laundering through effective AML/CFT supervision of higher-risk sectors, monitoring of non-profit organizations, increased investigations and prosecutions, and effective implementation of targeted financial sanctions.

42. The authorities are advancing in the operationalization of the asset declaration framework for senior government officials (MEFP ¶40), but more is needed to increase compliance. The Auditor General (*Cour des Comptes*) received 570 asset declarations, of which 358 were audited and information of the amount of declared assets, name and position of the official were published in the 2022 annual audit report. Although compliance is still low given that around 3,000 officials are subject to the requirement, this is a considerable improvement from last year, where only Ministers submitted their declarations, and it has already generated a healthy debate within the Nigerien civil society. The authorities are working on a draft decree that would prescribe the content of the financial disclosures by officials that can be published online as recommended by the High Authority on Protection of Personal Data. After an initial phase of sensitizing officials and raising awareness, the authorities envisage to move forward with sanctions for non-compliant officials.

[16] Defense and security-related contracts are excluded from the scope of this measure.

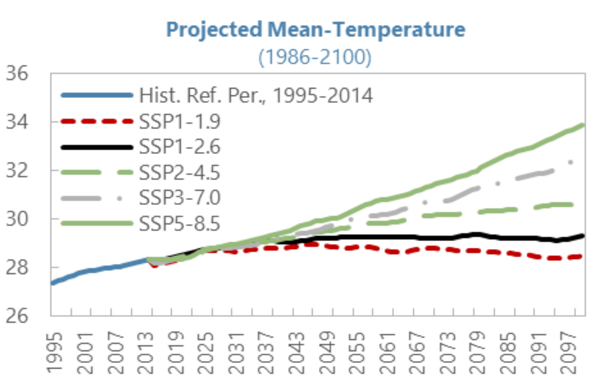
[17] https://www.giaba.org/media/f/1166_ENG-%20post%20plenary%20-%20MER%20NIGER%20Final%20-%20Publication%20rev112121.pdf .

PROGRAM REQUEST UNDER THE RSF

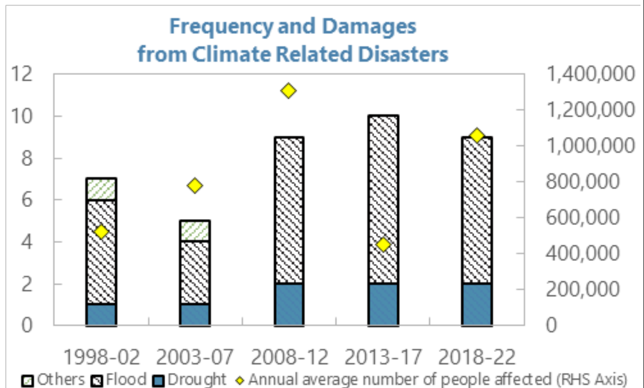
A. Addressing Climate Change Challenges

43. While Niger's contribution to greenhouse gas emissions is negligible, it is one of the most vulnerable countries to climate change. Niger has already experienced episodes of extreme temperatures and is projected, under the SSP5-8.5 scenario, to face a more than 2 degrees Celsius increase in temperature by 2050 (Text Figure 6). This would likely result in further increases in the occurrences of extreme weather events, as well as in the frequency of natural disasters, in particular droughts and floods with ensuing sizable damages. While floods are the most frequent disaster, droughts pose by far the most serious risk for agricultural and pastoral systems. The average economic cost of a drought is estimated at more than US$ 70 million.[18] In 2020, severe flooding affected more than 632,000 people, while the 2021 drought caused a collapse of agricultural production by around 40 percent and put 4.4 million people in acute food insecurity prompting a government response amounting to 2.9 percent of GDP. Given Niger's current low adaptation capacity, future climate shocks are expected to have even larger effects and translate into increased poverty, lower human capital accumulation, and exacerbation of conflict.

Text Figure 6. Niger: Vulnerability to Climate Change



Source: World Bank Climate Change Knowledge Portal



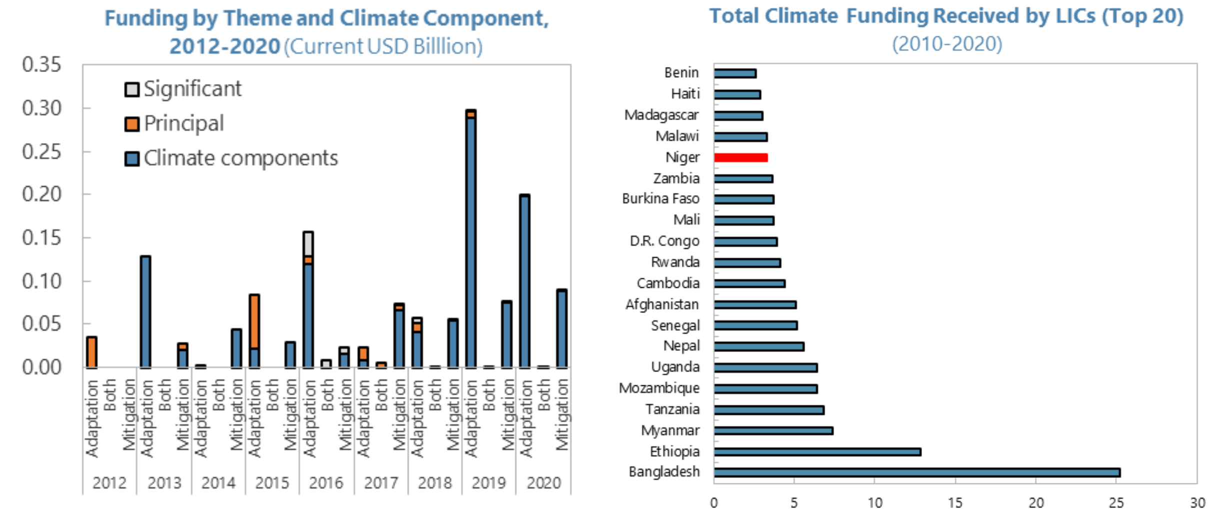
Source: EMDAT database and IMF Staff calculations

44. Fighting climate change is therefore a top priority on the Government's agenda, but spending needs are significant, far surpassing available financing. In recent years, Niger has made important progress in incorporating climate commitments in its national and sectoral strategies (Annex Table 1). However, the country lacks sufficient domestic resources to adequately finance these strategies and relies heavily on external financing. External resources have amounted, on average, to US$ 250 million annually to finance projects with a climate component (Text Figure 7). According to the Niger's 2021 NDC, the estimated investment needs to meet the country's

[18] Niger's National Determined Contribution (NDC) 2021.

mitigation and adaption targets by 2030 amount to about US$ 9.9 billion, highlighting the urgency of additional financial support from donors or other sources.

Text Figure 7. Niger: Access to International Concessional Climate Funds



Source: OECD Climate Change - OECD DAC External Development Finance Statistics.
Notes: "Both" corresponds to multiple focus projects that have components of adaptation and mitigation. The terms "significant" "principal," and "climate components" refer to the extent to which the climate aspect was a substantial, primary, or only a portion of the objective of the financing.

45. Niger has made progress in strengthening its climate informed planning, establishing a regulatory framework for disaster risk management, and implementing NDC actions, but challenges remain (Annex I). The World Bank's G5-Sahel CCDR and recent PEFA report with a climate angle,[19] have highlighted several areas for the government to strengthen its climate informed decision-making and climate responsiveness in different sectors. In particular, limited institutional capacities in integrating climate change in public financial management (PFM) functions, managing fiscal risks, and taking advantage of the country's potential to promote renewable energy continue to be significant constraints.

B. Reform Measures Under the RSF-Supported Arrangement

46. The RSF arrangement seeks to incorporate climate-related considerations into Niger's macroeconomic policy framework to achieve the country's climate commitments. Access to this facility will be an opportunity for the country to build resilience to climate change and safeguard livelihoods by accelerating the implementation of reforms and ensuring the quality of investment in climate-friendly projects. Crucially, resources from the proposed RSF would serve as cost-effective financing, allowing to create and sustain fiscal space to address future shocks. Guided by existing

[19] Public Expenditure and Financial Accountability is a partnership program initiated and managed by nine development partners including the EU, the IMF, and the World Bank.

diagnostic reports, notably the World Bank's G5-Sahel CCDR and the climate section of the PEFA the authorities committed to reform measures (RM) (Text Figure 8 and MEFP ¶44-47) in the following four areas**:**

- **Reform Area 1: Strengthening the planning and budgeting of climate-related spending.** The government conducted a climate mapping exercise for adaptation in 2018 but was not able to institutionalize climate budget tagging (CBT) for adaptation and mitigation. The development of a CBT framework will be crucial to ensure the budget's alignment with the country's climate commitments and to encourage line ministries to include climate-related expenditures in their budget proposals. In addition, these reform measures will allow for the transparent tracking of climate actions in the national budget and increased visibility on the use of climate finance received from donors that could support the mobilization of additional resources. Taking into account limited capacities in PFM and the limited time horizon of the program, a phased implementation of the CBT framework will require the authorities to: (i) validate a methodology for tracking climate-related expenditures (RM1); and (ii) apply the CBT framework in selected pilot Ministries in their 2024 budget preparations (RM2). Following the experience of the pilot sector ministries, the authorities will amend the existing budget circular to include instructions on how to identify climate-related allocations in the 2025 budget preparation (RM3).

- **Reform Area 2: Improving the sensitivity of public investment management (PIM) to climate-related issues.** According to existing regulations in Niger (Law Nº 2018-28), environmental impact assessments (EIAs) are mandatory for all projects. However, the regulation does not require the consideration of climate aspects in the different phases of the project cycle. The National Office for Environmental Studies (BNEE) prepared guidelines for integrating climate considerations in policies and projects with the support of IFDD (Francophonie Institute for Sustainable Development), but these are still too generic and have had limited use. Reforms in this area will require the authorities to: (i) develop and publish guidelines for climate vulnerability assessments of public investment projects and programs (RM4), (ii) amend the PIM decree integrating climate change aspects in the various phases of PIM and publish it on the website of the Ministry of Planning (RM5), and (iii) publish the feasibility studies, including a climate vulnerability assessment, for at least three public investment projects of more than CFAF 5 billion (RM6).

- **Reform Area 3: Enhancing disaster informed fiscal planning and management.** Reforms in this area aim to strengthen the prevention of and preparedness to climate shocks. They comprise two aspects: (i) integrating disaster-related risks into fiscal planning, and (ii) strengthening disaster-risk management (DRM). The authorities have already taken steps to strengthen the DRM framework, including the adoption of a new DRM law supported by the World Bank. The authorities will operationalize the coordination mechanisms set out in the new DRM law by adopting a regulation establishing DRM focal points of relevant directorates within key ministries (RM9). To strengthen the authorities' DRM monitoring and evaluation capacities for urban planning, the authorities will publish risk assessments for flood and drought in key exposed areas on the National DRM Data Platform (RM10).[20] Moreover, climate change is creating risks that need to be analyzed and managed within the fiscal framework. The authorities committed to develop a guide, with technical assistance support from the IMF to assess and report disaster-related fiscal risks (RM7). Moreover, they will publish a fiscal risks statement, including natural disasters-related risks assessment, concomitantly with the multi-year economic and fiscal programming document (*Document de Programmation Budgétaire et Economique Pluriannuel* DPBEP) to inform budget preparation (RM8).

- **Reform Area 4: Promoting renewable energy sources.** Accelerating initiatives to increase energy supply, by exploiting the country's potential in renewable energy (Annex I), is an important priority given the low electricity access rate (19.3 percent in 2020).[21] While the current regulatory framework— which allows for independent power producers (IPPs)— is conducive to green energy business opportunities, the private sector has limited capacity to develop projects in this area and low access to credit remains a concern. Below-cost electricity tariffs could also be a deterrent. The World Bank is conducting an assessment of prevailing electricity tariffs and of the extent of subsidies in Niger. If tariffs are found to be inadequate and/or subsidies inefficient, prompt action should be taken by the authorities. The National Support Fund for Small and Medium Enterprises and Medium Industries (FONAP) offers an opportunity to address this gap. The RSF arrangement will support a reform aiming to reinforce services offered by the FONAP through the creation of an additional window to promote the development of renewable energy sector (RM11). The window will aim to provide both technical and financial assistance for the generation of green energy projects, while ensuring their implementation as well.

47. Moreover, the proposed RSF arrangement is expected to leverage additional climate finance from the private sector. Niger presents opportunities for investment in large-scale renewable energy (solar and wind power) projects, energy-efficient technologies in buildings, and climate smart agriculture, including agroforestry and the development of better water management systems. Reforms under the proposed RSF arrangement will help improve the regulatory environment—including green accountability and transparency— and encourage the financing of climate actions by the private sector. Importantly, by supporting the bankability of projects[22] in renewable energy, the program aims to create a supportive environment for private sector investment and increase its contribution to the country's energy transition. However, the persistence of insecurity, coupled with the country's fragile condition, could limit the expected catalyzing effect of the RSF arrangement.

[20] www.risques-niger.ne

[21] https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS?locations=NE

[22] A project is deemed "bankable" when its risk-return profile meets banks' criteria and financing for its implementation can be secured.

Figure 1. Niger: Proposed RSF Reform Areas and Reform Measures, 2023-25

Reform Area	4th ECF Review (End December 2023)	5th ECF Review (End June 2024)	6th ECF Review (End December 2024)	7th ECF Review (End June 2025)
Reform Area 1: Strengthening the planning and budgeting of climate-related spending	**RM1 (Climate PFM).** Government to validate a methodology for tagging climate-related expenditures (CBT).	**RM2 (Climate PFM).** Government to apply the CBT framework for at least 4 sectoral ministries in their 2024 budget and share the results with IMF staff. **RM3 (Climate PFM).** Government to amend the budget circular for the preparation of the 2025 budget to include instructions on identifying climate-related allocations in the 2025 budget preparation.		
Reform Area 2: Improving the sensitivity of public investment management to climate-related issues	**RM4 (Climate PIM).** Government to develop and publish (on the website of the Ministry of Planning) a guide defining the methodology for climate vulnerability assessments of public investment projects and programs. **RM5 (Climate PIM).** Government to amend the decree no. 0041 dated November 03, 2021—on the process of analysis and selection of projects and investment programs—to require the integration of climate change aspects in the various stages of public investment management (evaluation and selection) and to publish it on the website of the Ministry of Planning.			**RM6 (Climate PIM).** Government to publish feasibility studies, including climate vulnerability assessments, for at least three public investment projects of more than 5 billion CFAF.
Reform Area 3: Enhancing disaster informed fiscal planning and management	**RM7 (Climate PFM).** Government to publish on the website of the Ministry of Finance a guide for the analysis of budgetary risks related to natural disasters. **RM9 (DRM).** Government to adopt an order to establish focal points consisting of at least two persons (one titular and one alternate) in the relevant directorates of three selected ministries to carry out the responsibilities defined in the new DRM law	**RM10 (DRM).** Government to publish flood and drought risk assessments in key exposed areas on the National DRM Data Platform: www.risques-niger.ne	**RM8 (Climate PFM).** Government to publish a fiscal risks statement, including an assesment of natural disasters related risks, on the Ministry of Finance website.	
Reform Area 4: Promoting renewable energy sources	**RM11 (Green Energy).** Government to create a new window ("Guichet") within the FONAP that provides technical and financial assistance for improving the bankability of small and medium enterprises projects as well as their implementation in the field of renewable energy.			

48. Staff coordinated RSF program design with development partners, which will also contribute to support the implementation of reforms (Annex I). Proposed reforms complement the interventions of other development partners. For instance, the World Bank has a large portfolio of operations, provides technical assistance and engages in policy dialogue in the areas of disaster risk management, renewable energy, adaptive social protection, water and integrated landscape management, and climate resilient agriculture and infrastructure. The German Development Agency (GIZ) has been supporting the Ministry of Planning on enhancing public investment management functions and will work closely with staff on climate budgeting (RM2) and integrating climate aspects in public investment management (RM4, RM5, and RM6). The AfDB, European Union, French Development Agency, and UK's FCDO are focused on strengthening the country's institutional capacity to facilitate access to climate funds, strengthening small farmers' resilience, and unlocking the country's potential in groundwater management, renewable energy, and land restoration.

PROGRAM MODALITIES

49. Fund engagement is crucial to address Niger's financing needs and catalyze support from other development partners. Fund resources will be made available entirely in the form of budget support. Financing needs should ease with the favorable economic outlook— when the oil pipeline becomes active—and as program reforms are implemented (Text Table 4).

50. A 6-month extension of the ECF-supported program to June 2025, a rephasing of disbursements (Table 8a), and modification of performance criteria and indicative targets are requested. The extension is needed on a number of grounds. It will ensure sufficient time to complete key reforms, notably the implementation of the action plan for the new oil revenue management strategy and other domestic revenue mobilization initiatives. The extension will also support the authorities' fiscal consolidation efforts to reach the regional deficit target by 2025. In addition, the ambitious PFM agenda will require time to take hold. Finally, the extension is also supported by the existence of protracted BOP needs. Accordingly, an additional review is set with the test date of end-December 2024 to retain the semi-annual spacing. The program is fully financed under the proposed extension and rephasing, with firm commitments in the next 12 months and good prospects for the remaining program period (Text Table 4). The authorities have also requested the modification of performance criteria for the ceiling on net domestic financing, of the two indicative targets on the basic budget balance (including budget grants and excluding grants), and of the indicative targets for the cash revenue floor starting from end-June 2023 to account for lower projected nominal tax revenue levels and faster-than-expected execution of investment spending in the first semester of 2023.[23] Furthermore, they requested that the continuous performance criterion on new public and publicly guaranteed external debt and the performance criteria for the ceiling on net domestic financing be modified to include an adjustor to

[23] Faster than initially envisaged investment spending execution will affect the time profile of the distribution of investment spending within the year without significantly changing projected total amounts.

account for the debt reprofiling operation. Additionally, new QPCs and ITs are being proposed at end-June and end-March 2024, respectively.

51. Capacity development is needed to support program implementation (Annex I and Annex III). The new priorities (in addition to the ones highlighted in the 2022 Article IV), include: (i) Climate budget tagging, and (ii) Green public investment management. Niger's low implementation capacity constitutes a risk for the program. Staff also recommended that the statistics office resumes closer engagement with IMF technical assistance experts to improve the quality of national accounts and support the envisaged rebasing of GDP.

52. Niger is eligible for RSF financing, and a 23-month RSF-supported program is requested. Reform implementation under the program will be monitored by four semiannual reviews taking place concurrently with the remaining reviews of the ongoing ECF (Table 8b). Authorities request an access level of 75 percent quota or SDR 98.7 million; the interest rate on RSF disbursements will be capped at 2.25 percent.[24] The facility will substitute for more costly domestic financing and create buffers to absorb future shocks. The proposed access is justified by the country's large climate vulnerabilities and associated longer-term structure challenges affecting Niger's prospective balance of payments stability, as well as adequate capacity to repay the Fund. Implementation capacity constraints, including the need to coordinate actions across several ministries and agencies, pose some risks to the timeline proposed for the reform measures. Nonetheless, such risks are being mitigated by the provision of capacity development support (by the IMF as well as other partners) and the sequential approach to reforms followed under the proposed program. Rising oil production and exports over the next 20 years could pose challenges to the transition towards a low-carbon economy, but the authorities' determination to fulfill their NDC pledges and implement broader climate policy reforms, as indicated in the World Bank assessment letter, is an important mitigating factor.

53. Niger's capacity to repay the Fund remains adequate. The strength of the program modalities and reforms, combined with the favorable medium-term outlook, indicates sufficient capacity to repay the Fund (Figure 5 and Table 11). Repayment obligations to the Fund peak at 1.5 percent of exports and 2.2 percent of fiscal revenues in 2029. Nonetheless, there are a number of potential risks to capacity to repay, including possible fiscal slippages, further delays in the operationalization of the pipeline, and consequently oil exports, as well as climate related shocks. The swift implementation of the authorities' reform agenda and contingency measures in case adverse shocks materialize are factors mitigating such risks to capacity to repay.

54. Safeguards assessment. The BCEAO has implemented all recommendations provided in the 2018 safeguards assessment. The assessment found that the BCEAO had broadly appropriate governance arrangements and a robust control environment. An update assessment of the BCEAO is currently in progress.

[24] Niger is a Group A RSF-eligible country; see SM/23/120

Text Table 4. Niger: External Financing Needs and Sources
(CFAF Billions)

	2022	2023	2024	2025
Total Financing Requirement	**1,732**	**1,722**	**1,289**	**1,422**
Current account deficit (excl. budget support grants)	1,570	1,440	777	1,050
Government amortization	98	173	150	141
Changes in FA excl. RSF disbursements (+: increase) 1/	64	109	362	231
Total Financing Source	**1,357**	**1,379**	**1,018**	**1,181**
Foreign direct investment	593	594	212	192
Project-related financing	584	658	774	861
Other flows	181	127	32	127
Financing Need	**375**	**343**	**271**	**241**
Budget support 2/	305	310	250	230
World Bank	233	...	...	...
EU	40	41	38	...
France	15	16	...	...
Luxembourg	2	2	3	...
Switzerland	1	1	...	...
Canada	1	0	...	...
Others	14	251	209	230
ECF	66	33	22	11
CCRT	4	0	0	0
Residual Financing Gap	0	0	0	0
RSF disbursement	0	42	28	11
Total changes in FA incl. RSF disbursements 1/	64	151	390	242

1/ The amounts net out the transactions that affect liabilities other than Fund lending disbursements.

2/ The estimated amounts include the World Bank's budget support for 2023-2025 , which will be finalized once officially confirmed after the internal approval procedure.

STAFF APPRAISAL

55. The implementation of the ECF-supported program remains broadly satisfactory, and the authorities deserve credit for their continued commitment amid persistent challenges. All quantitative performance criteria, and almost all indicative targets at end-December 2022 and end-March 2023 have been met, except for the cash revenue floor ITs for end-December 2022 and end-March 2023. All structural benchmarks assessed in this review have been implemented. Looking ahead at the reform agenda in 2024, some delays are expected in the revision of the tax code. Staff encourages the authorities to make steadfast progress on this important reform.

56. Economic growth remains strong, and the outlook is favorable, albeit subject to downside risks. The agriculture sector has recovered from a severe drought in 2022, and economic activity is benefitting from the implementation of large-scale investment projects. The oil pipeline, expected to be operationalized by the end of the year, would spur economic growth and fiscal revenues. Any delay in this project, a deterioration of the security situation, or climate shocks, could jeopardize these positive prospects. Moreover, the onset of crude oil exports calls for steadfast adoption of a well-designed oil-revenue management strategy to prudently manage these resources. Staff also calls for a closer engagement of the statistics office with IMF technical assistance to strengthen the quality of national account statistics.

57. The agreed upon fiscal trajectory for 2023-2025 is appropriate and warranted to safeguard sustainability amid a tightening of financing conditions. After three years of fiscal expansion, the onus is on consolidating the fiscal deficit to meet the WAEMU convergence criteria of 3 percent of GDP by 2025. The planned consolidation path will be achieved through revenue-enhancing measures and expenditure containment. The planned reduction of the deficit in 2023 is appropriate also to reduce financing needs given the lower appetite for longer maturity government securities in the regional market. Persistent cuts in planned expenditures in response to revenue shortfalls may jeopardize the program objective of creating space for priority spending. Therefore, it is imperative to accelerate the implementation of measures to achieve revenue targets.

58. Domestic revenue mobilization efforts are ongoing, but their yields are taking longer to materialize. Continued revenue shortfalls are explained by a more challenging security situation, trade disruptions at the border with Nigeria, and lower-than-expected revenue yields from new tax measures and reforms. The authorities are committed to take corrective actions, notably through digitalization and reinforcement of controls. A more decisive policy to rationalize tax exemptions would be welcome to mobilize additional revenues.

59. Continuing a prudent debt policy and improvements in the quality of spending are necessary given tighter financing conditions and narrower fiscal space. The authorities are planning to conduct a debt reprofiling operation to mitigate rollover risks and lengthen debt maturity. They should continue prioritizing concessional loans and grants. The digitalization of expenditure orders and authorizations and the expansion of the unified social registry are underway and should contribute to improve spending quality.

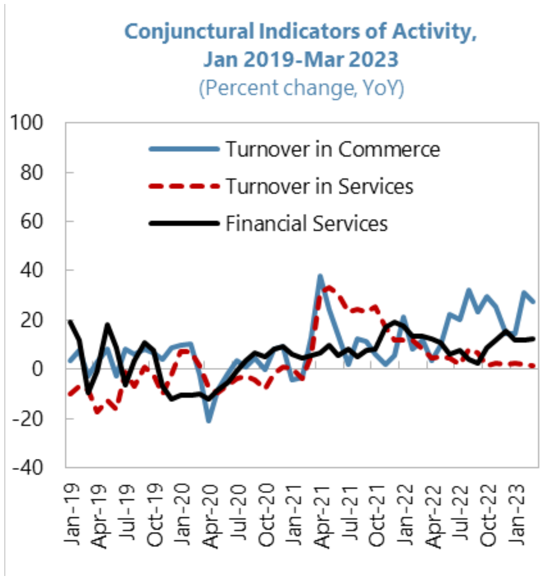
60. The authorities are committed to advancing the governance reform agenda and the development of the private sector for inclusive growth. Progress in the operationalization of the asset declaration regime is welcome, and staff recommends taking the additional needed steps for the online publication of asset declarations as well as fostering the financial and administrative independence of HALCIA, consistent with Article 6 of the UN Convention against corruption. Ongoing efforts to promote digitalization in government agencies should continue to spur transparency, efficiency in expenditure chains, and tax revenue collection. The government should make steadfast progress on some cross-cutting initiatives to facilitate private sector development and access to finance.

61. The RSF program will support the authorities' agenda to fight climate change. Niger is highly vulnerable to climate and conflict shocks, which are interlinked. The RSF program would help accelerate the implementation of reforms and improve the quality of investment in climate-friendly projects. Resources from the proposed RSF would serve as cost-effective financing, allowing to create and sustain fiscal space to address future shocks. Staff supports the access level of 75 percent of quota requested by the authorities. Implementation capacity constraints pose some risks to the proposed timeline for the reform measures, which are mitigated by the provision of capacity development support and by the adoption of a sequential approach in reform implementation. Rising oil production and exports could pose challenges to the transition towards a low-carbon economy.

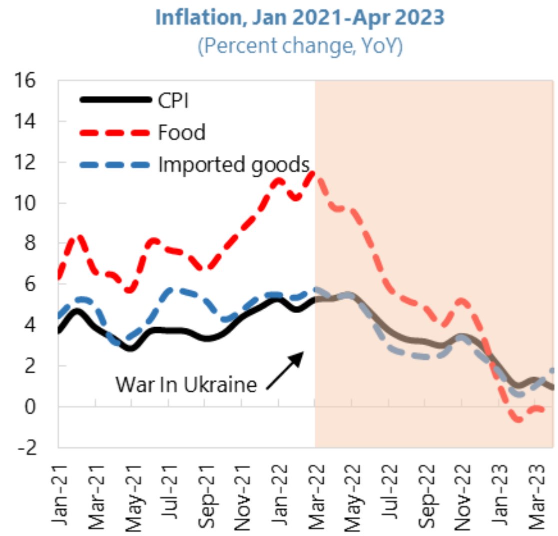
62. Based on performance and commitments under the program, staff supports the completion of the third review under the ECF arrangement, the request for the extension, rephasing, and modification of performance criteria and indicative targets, and the disbursement of the fourth tranche of SDR 19.74 million, as well as the authorities' request of a new program under the RSF.

Figure 2. Niger: Recent Economic Developments

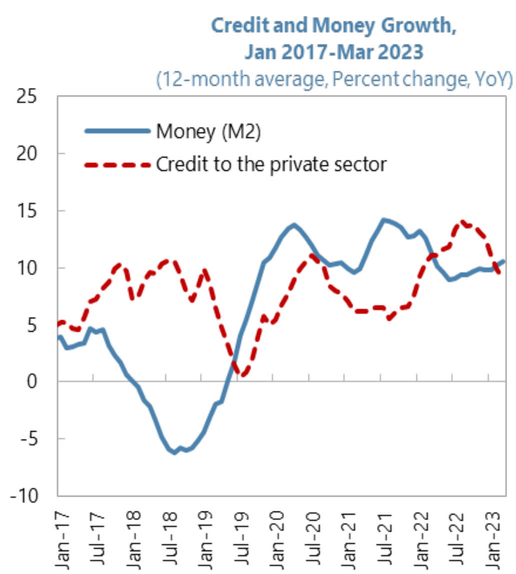
Turnover in commerce and financial services have recovered in the second half of 2022.



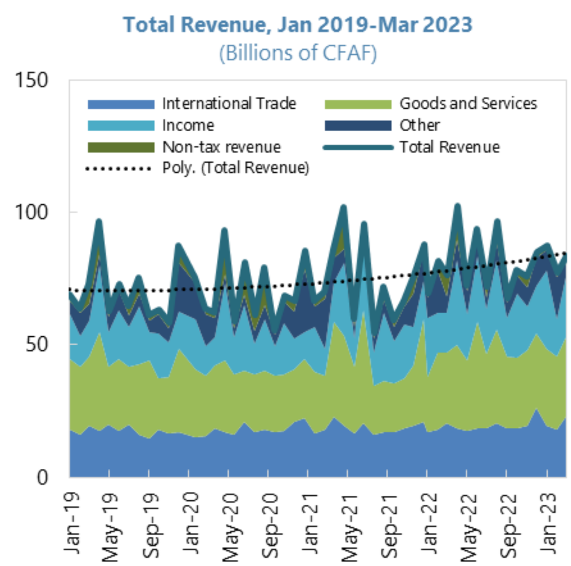
Inflationary pressures have moderated.



Growth in credit to the private sector remains insufficient to foster financial deepening.



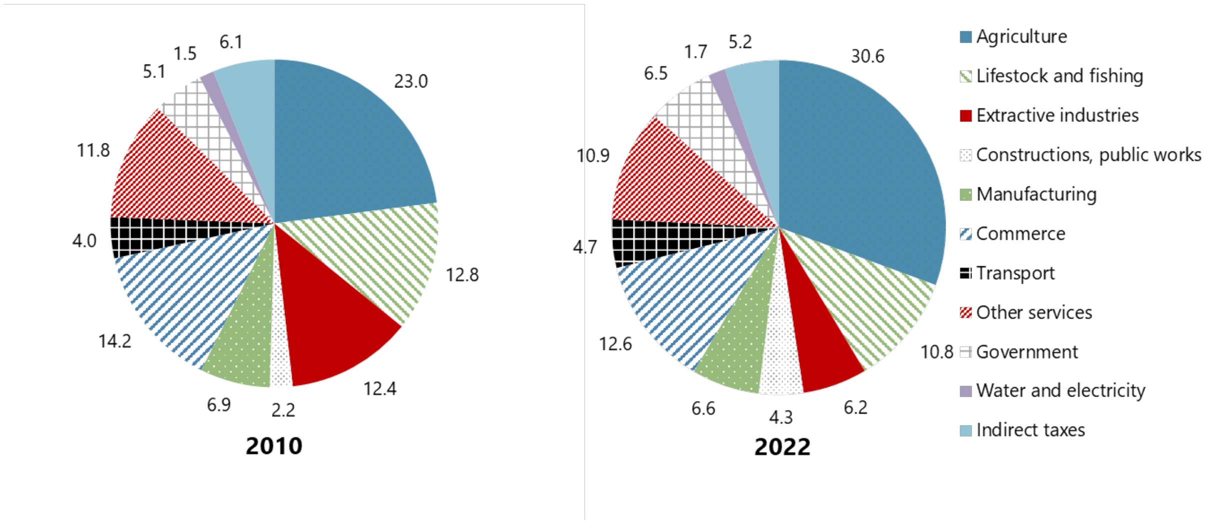
Revenue increased in 2022 compared to 2021, mostly driven by income tax and VAT.



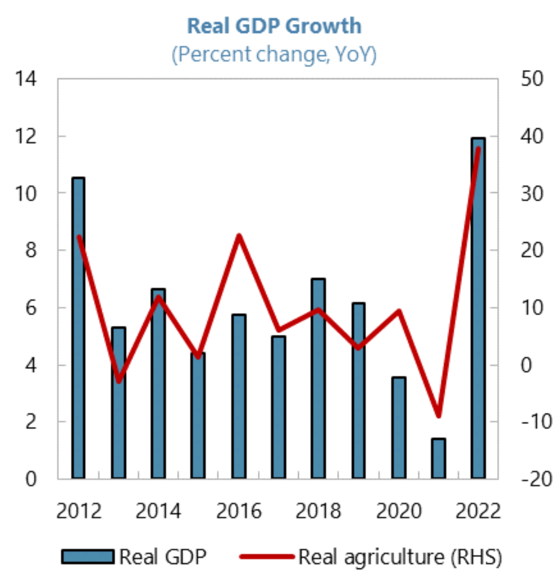
Source: Nigerien authorities; and IMF staff calculations.

Figure 3. Niger: GDP Composition and Output Volatility

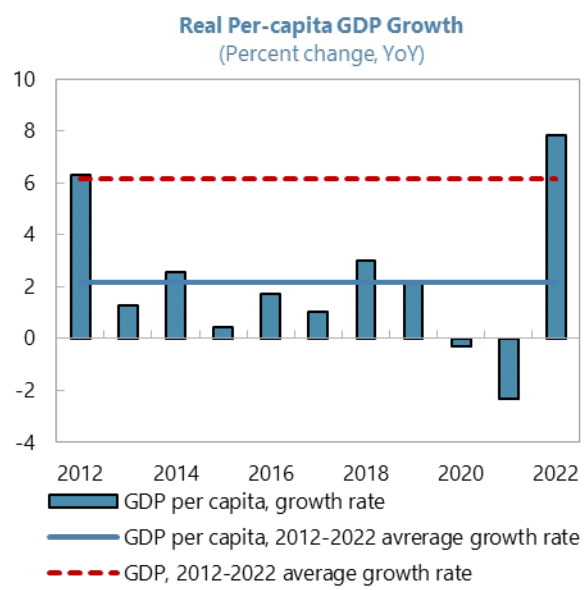
As of 2022, the share of the agriculture sector has increased, partly reflecting the recovery from the drought in 2021. The primary sector dominates economic activity.



GDP growth is highly volatile and is driven by the impact of climate shocks on agriculture.



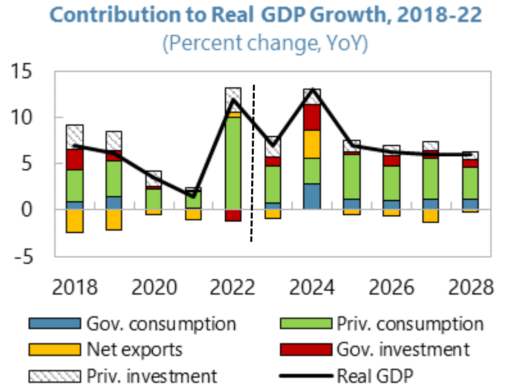
Per capita GDP growth is also volatile and relatively modest, due to high population growth.



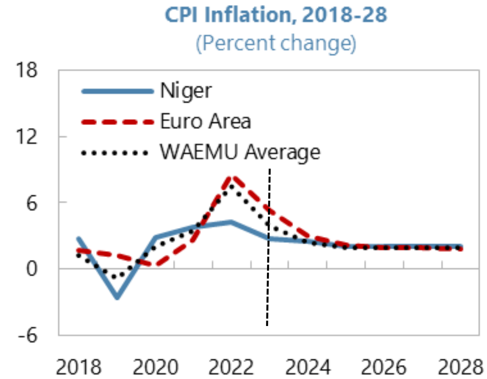
Sources: Nigerien authorities; and IMF staff calculations.

Figure 4. Niger: Medium-term Outlook, 2018-28

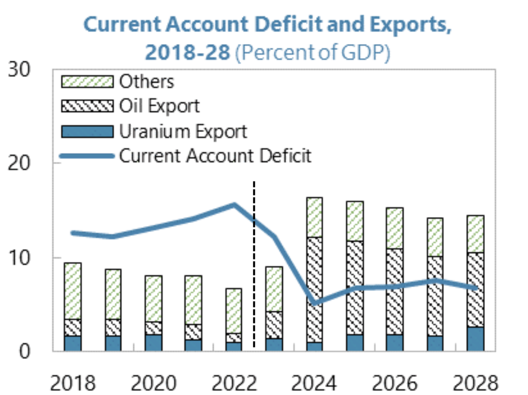
Following the rebound in 2022, growth should remain strong in the near-term driven by private consumption and net exports.



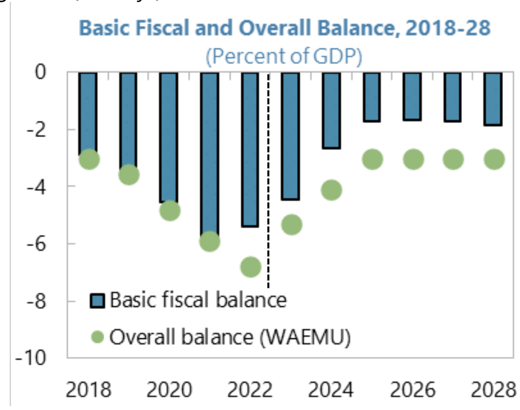
Inflation should converge to the upper-limit of the WAEMU target band by end-2023 and decline to the mid-point over the medium term.



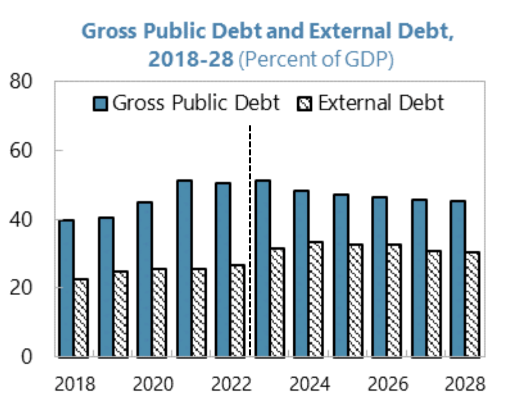
The current account deficit is projected to narrow over the near term with higher oil exports.



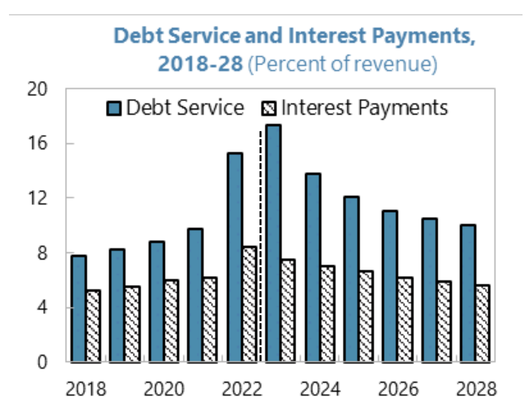
After three years of fiscal expansion, the onus is on growth-friendly fiscal consolidation over 2023-25.



Public debt will remain contained…



…while debt service gradually declines.



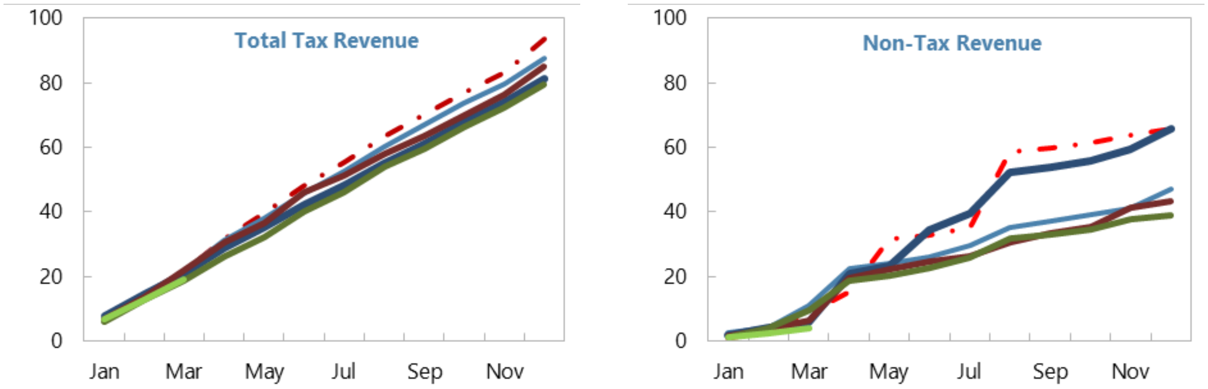
Source: Nigerien authorities; and IMF staff calculations.

Figure 5. Niger: Tax Performance, 2018-23

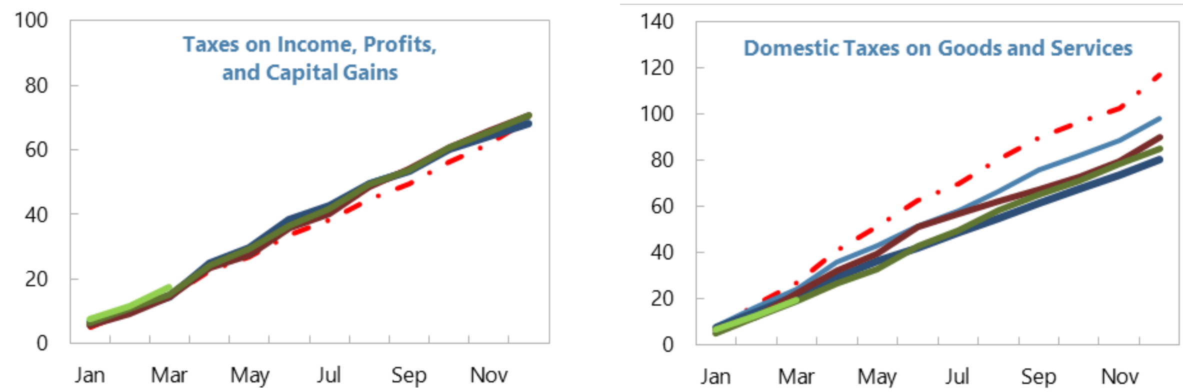
(Cumulative values, December 2014 = 100, nominal GDP discounted)

2018 2019 2020 2021 2022 2023

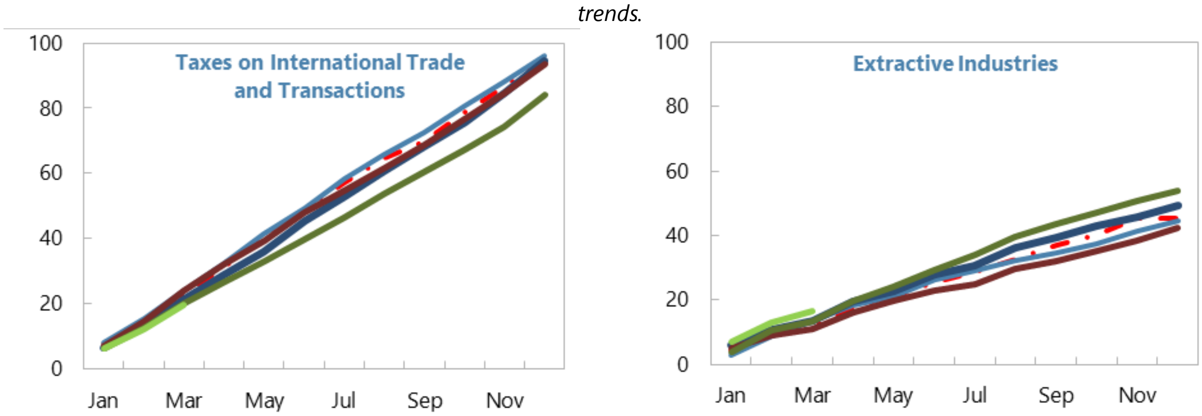
The pandemic has adversely affected revenue collection in a persistent way…



…while receipts for income taxes have recovered to pre-pandemic levels, taxes on goods and services have not.



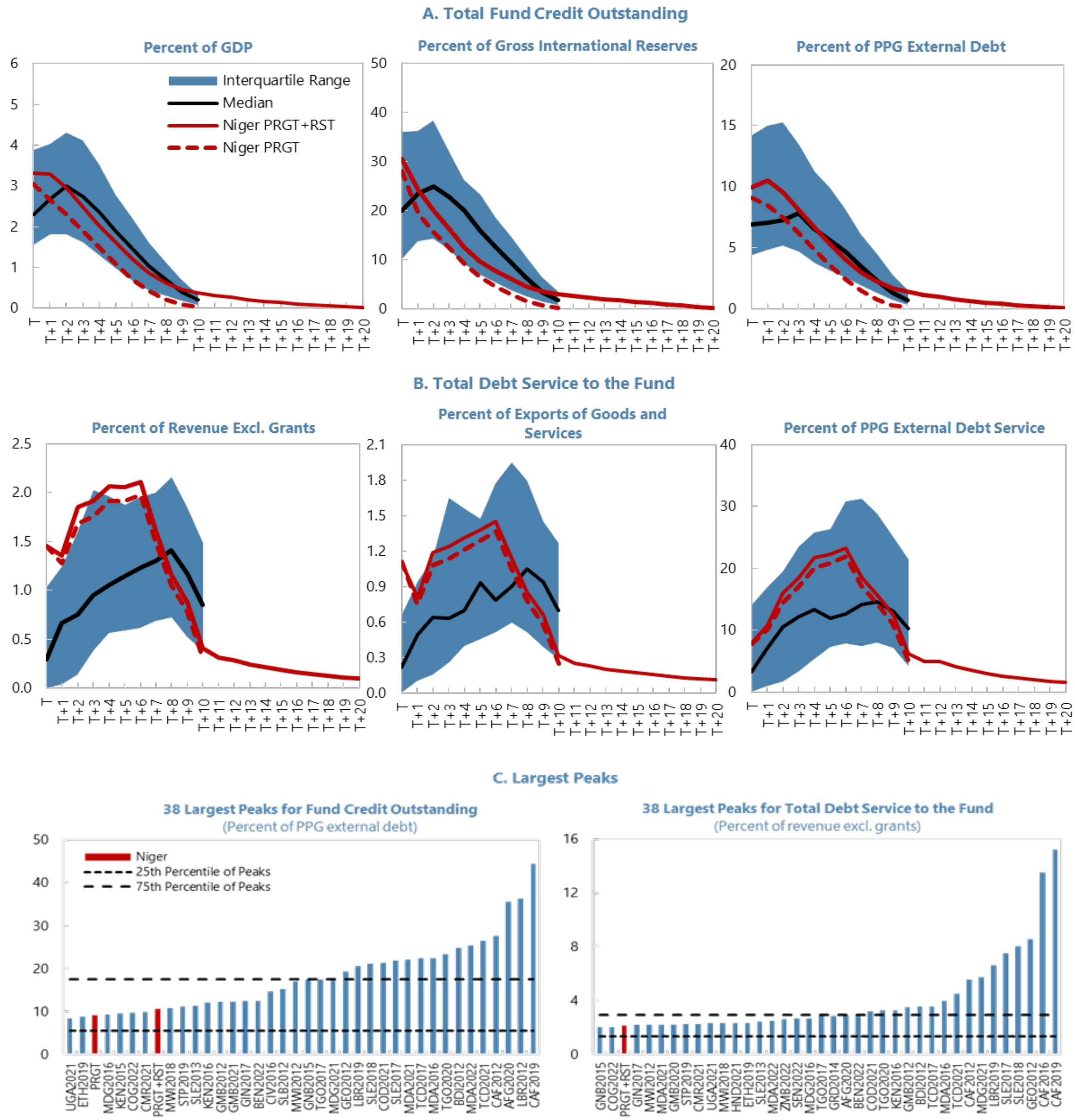
The reduction in tariffs in 2022 to mitigate the impact on food prices and worsening of the security situation added to these trends.



Sources: Nigerien authorities; and IMF staff calculations.

Figure 6. Niger: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

(In percent of the indicated variable)



Notes:
1) T = date of arrangement approval. PPG = public and publicly guaranteed.
2) Red lines/bars indicate the CtR indicator for the arrangement of interest.
3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2012 and 2022.
4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
5) Comparator series is for PRGT arrangements only and runs up to T+10.
6) Debt service obligations to the Fund reflect prospective payments, including for the current year.
7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.

Table 1. Niger: Selected Economic and Financial Indicators, 2021-28

	2021	2022			2023			2024	2025	2026	2027	2028
		ECF 1st Review	ECF 2nd Review	Est.	ECF 1st Review	ECF 2nd Review	Proj.	Projections				
	(Annual percentage change, unless otherwise indicated)											
National income and prices												
GDP at constant prices	1.4	6.9	7.1	11.9	7.2	7.0	7.0	13.0	7.0	6.2	6.0	6.0
Oil production (thousand barrels per day)	17	17	16	17	28	25	28	102	102	105	107	109
GDP deflator	3.1	2.5	4.1	3.9	2.0	2.0	2.4	2.0	2.0	2.0	2.0	2.0
Consumer price index												
Annual average	3.8	5.3	4.5	4.2	3.0	3.0	2.7	2.5	2.0	2.0	2.0	2.0
End-of-period	4.9	5.2	4.8	3.1	3.0	3.0	2.9	2.5	2.0	2.0	2.0	2.0
External sector												
Exports, f.o.b. (CFA francs)	4.6	24.5	13.9	-4.5	33.5	30.1	48.6	108.2	6.4	3.7	0.9	10.0
Of which: non-oil exports	0.8	16.4	9.1	2.7	16.1	12.6	18.6	-3.5	25.9	8.6	3.1	25.0
Imports, f.o.b (CFA francs)	10.3	16.8	12.2	15.1	8.4	9.3	5.7	5.8	10.3	5.8	5.5	4.4
Export volume	-8.3	1.0	-6.7	-12.0	29.1	22.8	34.8	110.2	7.7	3.7	1.2	9.9
Import volume	1.2	-2.3	-5.2	-2.1	15.2	10.6	11.2	12.1	6.5	6.0	6.0	5.7
Terms of trade (deterioration -)	4.7	3.1	3.1	-7.7	10.0	7.2	15.9	5.0	-4.6	0.2	0.2	1.3
Government finances												
Total revenue	5.2	19.8	19.9	8.4	19.8	19.6	21.7	39.1	13.8	12.1	8.7	9.2
Total expenditure and net lending	13.4	10.0	13.9	3.4	4.6	1.7	11.2	18.8	7.9	10.6	8.7	8.5
Current expenditure	9.1	8.7	13.9	8.5	11.4	1.8	8.6	17.9	9.3	8.1	8.9	8.1
Capital expenditure	12.9	11.4	12.9	-3.7	-3.8	-4.3	11.9	31.6	6.6	12.6	8.5	8.8
	(Annual percentage change, unless otherwise indicated)											
Money and credit												
Domestic credit	9.2	21.0	17.5	17.1	17.7	15.0	23.5	14.3	13.2	12.0	10.0	10.2
Credit to the government (net)	-24.6	90.5	103.6	54.7	37.9	37.7	122.0	27.0	11.5	8.3	8.8	9.6
Credit to the economy	15.4	12.4	7.1	12.6	13.5	9.8	7.1	9.9	13.9	13.4	10.4	10.4
Net domestic assets	0.6	53.6	30.7	20.7	22.4	24.8	17.8	0.8	6.9	8.2	13.7	9.0
Broad money	9.7	19.3	10.3	11.9	12.5	12.1	15.2	16.4	12.6	11.4	11.1	11.0
Velocity of broad money (ratio)	5.0	4.6	5.0	5.2	4.5	4.9	4.9	4.9	4.7	4.6	4.5	4.3
	(Percent of GDP, unless otherwise indicated)											
Government finances												
Total revenue	10.8	11.8	11.7	10.1	13.0	12.8	11.2	13.5	14.1	14.6	14.7	14.8
Total expenditure and net lending	24.3	24.3	24.8	21.6	23.2	23.1	21.9	22.6	22.3	22.8	22.9	23.0
Current expenditure	10.7	10.6	11.0	10.0	10.8	10.2	9.9	10.1	10.2	10.1	10.2	10.2
Capital expenditure	13.1	13.2	13.2	10.8	11.6	11.6	11.0	12.6	12.3	12.8	12.9	12.9
Overall balance (commitment basis, incl. grants) [1, 2]	-5.9	-6.6	-6.8	-6.8	-4.7	-5.3	-5.3	-4.1	-3.0	-3.0	-3.0	-3.0
Gross fixed capital formation	31.7	36.2	34.2	31.1	32.4	33.5	31.5	31.2	30.9	31.0	30.6	30.2
Non-government investment	20.6	24.9	22.9	21.9	22.5	23.7	22.1	20.5	20.4	20.1	19.7	19.2
Government investment	11.1	11.2	11.2	9.2	9.9	9.8	9.4	10.7	10.5	10.9	10.9	11.0
Gross national savings	17.8	20.9	19.9	15.7	19.4	20.3	19.4	26.1	24.3	24.2	23.2	23.6
Of which: non-government	15.3	18.4	17.4	14.3	15.6	16.1	16.2	21.2	18.8	18.3	17.2	17.5
Domestic savings	14.8	19.2	17.5	13.5	17.5	18.2	16.8	24.2	23.1	23.4	22.6	23.2
External current account balance												
Excluding official grants	-16.4	-16.7	-16.2	-16.9	-14.8	-14.9	-14.2	-6.7	-8.2	-8.3	-9.0	-8.1
External current account balance (incl. grants)	-14.1	-15.4	-14.4	-15.6	-13.2	-13.4	-12.2	-5.2	-6.7	-6.9	-7.6	-6.7
Debt-service ratio as percent of:												
Exports of goods and services	7.7	12.6	12.1	13.0	12.1	11.0	13.2	7.1	6.4	5.9	5.9	5.5
Government revenue	11.0	15.8	15.8	15.3	15.5	14.3	18.5	11.8	9.9	8.7	8.2	7.7
Total public and publicly-guaranteed debt	51.3	54.1	56.6	50.3	53.8	57.6	51.3	48.3	47.0	46.2	45.7	45.4
Public and publicly-guaranteed external debt [3]	33.5	33.7	37.2	32.7	32.1	36.7	32.6	30.9	30.2	29.8	29.6	29.4
PV of external debt	22.7	23.8	22.7	22.4	22.2	22.2	21.1	19.4	18.4	17.7	17.1	16.6
Public domestic debt	17.8	20.4	19.4	17.7	21.7	20.9	18.7	17.4	16.7	16.4	16.1	16.0
Foreign aid [4]	10.6	9.7	11.0	9.2	8.9	8.9	9.2	8.4	8.2	8.2	8.2	8.0
	(Billions of CFA francs)											
GDP at current market prices	8,271	9,085	9,222	9,615	9,932	10,065	10,535	12,143	13,255	14,358	15,524	16,785
GDP at current prices (annual percentage change)	4.5	9.6	11.5	16.3	9.3	9.1	9.6	15.3	9.2	8.3	8.1	8.1

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

[1] Revenue including grants minus expenditure; WAEMU Anchor.

[2] Includes CCRT debt relief.

[3] The public debt projection numbers reflect the new IDA20 financing changes.

[4] The projections are based on the team's discussions with the authorities and do not necessarily reflect firm commitments by donors.

Table 2. Niger: Financial Operations of the Central Government, 2021-28
(In billions of CFA francs)

	2021	2022			2023			2024	2025	2026	2027	2028
		1st Review	ECF 2nd Review	Est.	ECF 1st Review	ECF 2nd Review	Proj.	Projections				
Total revenue	897	1,075	1,075	972	1,287	1,286	1,182	1,644	1,871	2,096	2,279	2,488
Of which: cash revenue	854	…	…	940	…	…	…	…	…	…	…	…
Of which: natural resource revenue	138	…	…	179	…	…	221	466	527	546	517	546
Tax revenue	831	1,001	988	905	1,193	1,175	1,084	1,528	1,717	1,913	2,092	2,272
International trade	222	272	232	232	315	275	275	348	409	447	483	522
Goods and services	318	391	391	348	469	468	406	599	655	719	806	871
Income	209	237	275	243	299	336	307	458	500	579	624	685
Other	82	100	90	82	109	96	97	124	154	167	179	193
Nontax revenue	51	58	71	54	76	94	77	94	130	159	162	189
Special accounts revenue	15	16	16	13	17	17	21	22	23	25	25	27
Total expenditure and net lending	2,006	2,206	2,286	2,076	2,308	2,325	2,308	2,741	2,957	3,271	3,558	3,862
Of which: domestically financed	1,378	1,548	1,628	1,492	1,642	1,712	1,650	1,967	2,096	2,338	2,546	2,796
Of which: domestically financed, cash	1,335	…	…	…	…	…	…	…	…	…	…	…
Total current expenditure	887	964	1,010	962	1,074	1,028	1,045	1,232	1,347	1,455	1,585	1,713
Budgetary expenditure	869	938	983	951	1,045	999	1,014	1,196	1,308	1,413	1,539	1,664
Wages and salaries	318	344	342	346	390	350	350	442	481	522	564	615
Goods and services	135	147	150	133	161	146	146	161	180	195	221	239
Transfers and subsidies	323	340	385	353	360	388	388	435	478	523	574	621
Interest	94	106	106	119	133	115	131	158	169	174	180	189
Of which: external debt	38	37	37	43	39	49	38	35	35	34	34	34
Adjustments to fiscal expenditure	0	0	0	0	0	0	0	0	0	0	0	0
Special accounts expenditure [1]	19	27	27	11	29	29	31	35	39	42	45	49
Capital expenditure and net lending	1,119	1,242	1,276	1,113	1,234	1,297	1,263	1,509	1,610	1,816	1,973	2,149
Capital expenditure	1,079	1,202	1,218	1,040	1,156	1,166	1,163	1,531	1,632	1,838	1,995	2,171
Domestically-financed	451	544	560	456	489	553	506	757	771	904	983	1,105
Of which: domestically-financed, cash	408	…	…	…	…	…	…	…	…	…	…	…
Externally-financed	628	658	658	584	667	613	658	774	861	934	1,012	1,065
Of which: grants	446	446	446	378	435	381	417	452	528	574	621	661
loans	182	212	212	205	232	231	241	322	334	359	390	404
Net lending	40	40	58	73	79	131	100	-22	-22	-22	-22	-22
Overall balance [2, 3]	-488	-599	-629	-652	-467	-535	-558	-497	-397	-431	-468	-508
Overall balance, excl. pipeline investment	-448	-559	-571	-578	-388	-404	-459	-518	-419	-453	-490	-530
Financing	1,057	1,132	1,211	1,066	1,022	1,039	1,125	1,097	1,086	1,175	1,278	1,374
External financing	820	752	885	791	726	768	795	873	951	1,033	1,126	1,197
Grants	605	528	578	452	555	503	567	600	689	744	811	866
Of which: budget financing	159	82	132	74	120	122	150	148	162	170	189	205
Loans	253	345	429	436	324	391	401	424	402	428	460	479
Of which: budget financing	70	133	217	231	92	160	160	101	69	69	69	75
Amortization	-54	-126	-126	-98	-153	-127	-173	-150	-141	-138	-144	-148
Debt relief (incl. debt under discussion)	16	4	4	0	0	0	0	0	0	0	0	0
Domestic financing	237	380	326	276	296	271	330	223	135	142	152	177
Banking sector	-81	134	148	156	107	112	196	135	73	59	68	80
IMF	16	43	43	53	11	11	55	28	-15	-35	-26	-22
Of which: IMF RSF disbursement	0	0	0	0	0	0	42	28	11	0	0	0
Statutory advances (including other advances)	99	0	0	0	0	0	0	0	0	0	0	0
Deposits with BCEAO	-192	-30	-30	30	-10	-53	7	57	52	47	42	37
Government securities net and others	-3	121	135	74	107	154	134	51	36	47	51	65
Nonbanking sector	318	246	178	120	188	159	134	88	62	83	85	96

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 commitment basis. WAEMU anchor.

[3] Includes budget grants and CCRT debt relief.

Table 3. Niger: Financial Operations of the Central Government, 2021-28
(In percent of GDP)

	2021	2022			2023			2024	2025	2026	2027	2028
		ECF 1st Review	ECF 2nd Review	Est.	ECF 1st Review	ECF 2nd Review	Proj.	Projections				
Total revenue	10.8	11.8	11.7	10.1	13.0	12.8	11.2	13.5	14.1	14.6	14.7	14.8
Of which: cash revenue	10.3	...	...	9.8	...	...	...	...	...	...	...	...
Of which: natural resource revenue	1.7	...	...	1.9	...	...	2.1	3.8	4.0	3.8	3.3	3.3
Tax revenue	10.1	11.0	10.7	9.4	12.0	11.7	10.3	12.6	13.0	13.3	13.5	13.5
International trade	2.7	3.0	2.5	2.4	3.2	2.7	2.6	2.9	3.1	3.1	3.1	3.1
Goods and services	3.8	4.3	4.2	3.6	4.7	4.6	3.9	4.9	4.9	5.0	5.2	5.2
Income	2.5	2.6	3.0	2.5	3.0	3.3	2.9	3.8	3.8	4.0	4.0	4.1
Other	1.0	1.1	1.0	0.9	1.1	1.0	0.9	1.0	1.2	1.2	1.2	1.2
Nontax revenue	0.6	0.6	0.8	0.6	0.8	0.9	0.7	0.8	1.0	1.1	1.0	1.1
Special accounts revenue	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total expenditure and net lending	24.3	24.3	24.8	21.6	23.2	23.1	21.9	22.6	22.3	22.8	22.9	23.0
Of which: domestically financed	16.7	17.0	17.7	15.5	16.5	17.0	15.7	16.2	15.8	16.3	16.4	16.7
Of which: domestically financed, cash	16.1	...	...	...	...	...	...	...	...	...	...	...
Total current expenditure	10.7	10.6	11.0	10.0	10.8	10.2	9.9	10.1	10.2	10.1	10.2	10.2
Budgetary expenditure	10.5	10.3	10.7	9.9	10.5	9.9	9.6	9.9	9.9	9.8	9.9	9.9
Wages and salaries	3.8	3.8	3.7	3.6	3.9	3.5	3.3	3.6	3.6	3.6	3.6	3.7
Goods and services	1.6	1.6	1.6	1.4	1.6	1.4	1.4	1.3	1.4	1.4	1.4	1.4
Transfers and subsidies	3.9	3.7	4.2	3.7	3.6	3.9	3.7	3.6	3.6	3.6	3.7	3.7
Interest	1.1	1.2	1.2	1.2	1.3	1.1	1.2	1.3	1.3	1.2	1.2	1.1
Of which: external debt	0.5	0.4	0.4	0.4	0.4	0.5	0.4	0.3	0.3	0.2	0.2	0.2
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
Special accounts expenditure [1]	0.2	0.3	0.3	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Capital expenditure and net lending	13.5	13.7	13.8	11.6	12.4	12.9	12.0	12.4	12.1	12.6	12.7	12.8
Capital expenditure	13.1	13.2	13.2	10.8	11.6	11.6	11.0	12.6	12.3	12.8	12.9	12.9
Domestically-financed	5.5	6.0	6.1	4.7	4.9	5.5	4.8	6.2	5.8	6.3	6.3	6.6
Of which: domestically financed, cash	4.9	...	...	...	...	...	...	...	...	...	...	...
Externally-financed	7.6	7.2	7.1	6.1	6.7	6.1	6.2	6.4	6.5	6.5	6.5	6.3
Of which: grants	5.4	4.9	4.8	3.9	4.4	3.8	4.0	3.7	4.0	4.0	4.0	3.9
loans	2.2	2.3	2.3	2.1	2.3	2.3	2.3	2.7	2.5	2.5	2.5	2.4
Net lending	0.5	0.4	0.6	0.8	0.8	1.3	0.9	-0.2	-0.2	-0.2	-0.1	-0.1
Overall balance [2, 3]	-5.9	-6.6	-6.8	-6.8	-4.7	-5.3	-5.3	-4.1	-3.0	-3.0	-3.0	-3.0
Overall balance, excl. pipeline investment	-5.4	-6.2	-6.2	-6.0	-3.9	-4.0	-4.4	-4.3	-3.2	-3.2	-3.2	-3.2
Financing	12.8	12.5	13.1	11.1	10.3	10.3	10.7	9.0	8.2	8.2	8.2	8.2
External financing	9.9	8.3	9.6	8.2	7.3	7.6	7.5	7.2	7.2	7.2	7.3	7.1
Grants	7.3	5.8	6.3	4.7	5.6	5.0	5.4	4.9	5.2	5.2	5.2	5.2
Of which: budget financing	1.9	0.9	1.4	0.8	1.2	1.2	1.4	1.2	1.2	1.2	1.2	1.2
Loans	3.1	3.8	4.7	4.5	3.3	3.9	3.8	3.5	3.0	3.0	3.0	2.9
Of which: budget financing	0.9	1.5	2.4	2.4	0.9	1.6	1.5	0.8	0.5	0.5	0.4	0.4
Amortization	-0.7	-1.4	-1.4	-1.0	-1.5	-1.3	-1.6	-1.2	-1.1	-1.0	-0.9	-0.9
Debt relief (incl. debt under discussion)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	2.9	4.2	3.5	2.9	3.0	2.7	3.1	1.8	1.0	1.0	1.0	1.1
Banking sector	-1.0	1.5	1.6	1.6	1.1	1.1	1.9	1.1	0.6	0.4	0.4	0.5
IMF	0.2	0.5	0.5	0.5	0.1	0.1	0.5	0.2	-0.1	-0.2	-0.2	-0.1
Of which: IMF RSF disbursement	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.2	0.1	0.0	0.0	0.0
Statutory advances (including other advances)	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with BCEAO	-2.3	-0.3	-0.3	0.3	-0.1	-0.5	0.1	0.5	0.4	0.3	0.3	0.2
Government securities net and others	0.0	1.3	1.5	0.8	1.1	1.5	1.3	0.4	0.3	0.3	0.3	0.4
Nonbanking sector	3.8	3.1	1.9	1.2	2.4	1.6	1.3	0.7	0.5	0.6	0.5	0.6

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 commitment basis. WAEMU anchor.

[3] Includes budget grants and CCRT debt relief.

Table 4. Niger: Monetary Survey, 2021-28

	2021	2022			2023			2024	2025	2026	2027	2028
		ECF 1st Review	ECF 2nd Review	Est.	ECF 1st Review	ECF 2nd Review	Proj.	Projection				
					(Billions of CFA francs)							
Net foreign assets	701	483	576	699	396	484	775	1,115	1,335	1,535	1,665	1,885
BCEAO	419	201	294	369	115	203	445	785	1,005	1,205	1,335	1,555
Commercial banks	282	282	282	331	282	282	331	331	331	331	331	331
Net domestic assets	963	1,485	1,259	1,163	1,818	1,572	1,370	1,381	1,476	1,597	1,816	1,979
Domestic credit	1,352	1,638	1,588	1,583	1,929	1,827	1,955	2,234	2,530	2,833	3,116	3,434
Net bank claims on government	146	283	297	226	390	409	501	636	709	768	835	916
BCEAO	-15	1	1	70	2	-41	132	217	254	266	283	298
Claims	345	388	388	397	399	399	452	480	464	430	404	382
Of which: statutory advances	0	0	0	0	0	0	0	0	0	0	0	0
Deposits	-357	-387	-387	-327	-397	-440	-320	-263	-211	-163	-121	-84
Commercial banks	161	282	295	156	388	450	368	419	455	502	553	617
Claims	323	444	457	396	550	612	531	581	617	664	715	780
Deposits	-162	-162	-162	-162	-162	-162	-162	-162	-162	-162	-162	-162
Credit to other sectors	1,206	1,355	1,291	1,358	1,538	1,418	1,454	1,598	1,821	2,066	2,281	2,519
Of which: credit to the private sector	1,077	1,216	1,150	1,176	1,389	1,266	1,271	1,398	1,598	1,828	2,025	2,246
Other items, net	-389	-153	-329	-421	-111	-255	-585	-853	-1,054	-1,236	-1,300	-1,455
Money and quasi-money	1,664	1,968	1,835	1,862	2,214	2,056	2,145	2,496	2,811	3,132	3,481	3,865
Currency outside banks	557	650	614	655	731	688	755	878	989	1,102	1,225	1,360
Deposits with banks	1,107	1,318	1,221	1,207	1,483	1,368	1,390	1,618	1,822	2,030	2,256	2,505
					(Annual percentage change, unless otherwise indicated)							
Net foreign assets	25.2	-29.3	-17.8	-0.2	-17.9	-15.9	10.9	43.9	19.7	15.0	8.5	13.2
BCEAO	5.7	-49.9	-29.8	-12.0	-43.0	-31.1	20.6	76.5	28.0	19.9	10.8	16.5
Net domestic assets	0.6	53.6	30.7	20.7	22.4	24.8	17.8	0.8	6.9	8.2	13.7	9.0
Domestic credit	9.2	21.0	17.5	17.1	17.7	15.0	23.5	14.3	13.2	12.0	10.0	10.2
Net bank claims on the government	-24.6	90.5	103.6	54.7	37.9	37.7	122.0	27.0	11.5	8.3	8.8	9.6
BCEAO	-122.1	111.5	111.4	573.0	59.3	-3,054.3	88.8	64.1	17.0	4.9	6.2	5.4
Of which: statutory advances	-100.0	...	...	...	...	...	...	...	...	...	...	...
Commercial banks	24.2	75.3	83.9	-3.2	37.8	52.2	136.9	13.7	8.6	10.2	10.2	11.7
Claims	15.9	37.5	41.8	22.9	24.0	33.7	33.8	9.5	6.2	7.5	7.7	9.1
Deposits	8.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to other sectors	15.4	12.4	7.1	12.6	13.5	9.8	7.1	9.9	13.9	13.4	10.4	10.4
Of which: credit to the private sector	16.4	12.9	6.7	9.1	14.2	10.1	8.1	10.0	14.3	14.4	10.8	10.9
Other items, net	-38.1	60.4	15.3	-8.2	27.6	22.5	-39.1	-45.9	-23.6	-17.3	-5.2	-11.9
Broad money	9.7	19.3	10.3	11.9	12.5	12.1	15.2	16.4	12.6	11.4	11.1	11.0
Memorandum items:												
Velocity of broad money (ratio)	4.7	4.6	5.0	5.0	4.5	4.9	4.9	4.9	4.7	4.6	4.5	4.3
Credit to the economy (percent of GDP)	14.6	14.9	14.0	14.1	15.5	14.1	13.8	13.2	13.7	14.4	14.7	15.0
Credit to the private sector (percent of GDP)	13.0	13.4	12.5	12.2	14.0	12.6	12.1	11.5	12.1	12.7	13.0	13.4
GDP at current prices (annual percent change)	4.5	9.6	11.5	16.3	9.3	9.1	9.6	15.3	9.2	8.3	8.1	8.1

Sources: BCEAO; and IMF staff estimates and projections.

Table 5. Niger: Balance of Payments, 2021-28

(In billions of CFA francs, unless otherwise indicated)

	2021	2022			2023			2024	2025	2026	2027	2028
		ECF 1st Review	ECF 2nd Review	Est.	ECF 1st Review	ECF 2nd Review	Proj.	Projections				
Current account balance	-1,164	-1,399	-1,329	-1,497	-1,309	-1,346	-1,290	-629	-889	-991	-1,177	-1,130
Balance on goods, services, and income	-1,539	-1,696	-1,687	-1,842	-1,677	-1,730	-1,704	-1,043	-1,292	-1,383	-1,596	-1,572
Balance on goods	-893	-974	-992	-1,160	-846	-925	-951	-30	-111	-162	-273	-163
Exports, f.o.b	672	836	765	642	1,116	996	954	1,986	2,113	2,190	2,209	2,429
Uranium	105	131	135	98	144	152	148	125	237	251	253	448
Oil	131	206	175	86	386	331	294	1,349	1,311	1,320	1,312	1,308
Other products	436	499	455	458	587	513	511	512	565	619	645	674
Imports, f.o.b	1,565	1,810	1,757	1,802	1,962	1,921	1,905	2,016	2,223	2,352	2,483	2,592
Food products	433	520	479	463	550	497	445	437	460	480	511	534
Petroleum products	84	130	126	124	117	119	110	131	136	141	144	147
Capital goods	440	485	488	531	566	574	596	587	669	718	758	799
Other products	608	675	664	684	729	731	754	860	958	1,013	1,071	1,112
Services and income (net)	-646	-721	-695	-682	-831	-805	-752	-1,013	-1,182	-1,221	-1,323	-1,409
Services (net)	-515	-580	-563	-545	-647	-630	-615	-830	-940	-946	-994	-1,037
Income (net)	-131	-141	-132	-137	-184	-174	-138	-183	-241	-275	-328	-372
Of which: interest on external public debt	-38	-37	-37	-43	-39	-49	-38	-35	-35	-34	-34	-34
Unrequited current transfers (net)	376	296	358	346	368	384	414	414	404	392	419	442
Private (net)	181	176	190	221	210	226	213	232	208	189	197	205
Public (net)	195	120	169	125	158	158	201	183	196	203	222	237
Of which: grants for budgetary assistance	159	82	132	74	120	122	150	148	162	170	189	205
Capital and financial account	1,312	1,195	1,204	1,495	1,223	1,254	1,366	969	1,109	1,191	1,307	1,350
Capital account	489	526	481	435	527	418	475	519	601	654	707	754
Private capital transfers	43	36	35	57	37	36	58	67	73	80	86	93
Project grants	446	491	446	378	490	381	417	452	528	574	621	661
Nonproduced, nonfinancial assets	0	0	0	0	0	0	0	0	0	0	0	0
Financial account	822	669	723	1,059	695	836	891	450	508	537	600	596
Direct investment	308	380	336	593	410	443	594	212	192	204	205	204
Portfolio investment	382	70	94	158	69	75	67	43	79	89	82	98
Other investment	132	219	293	310	216	318	230	195	236	244	312	294
Public sector (net)	198	219	303	343	176	270	233	269	254	277	305	331
Disbursements	253	345	429	436	324	391	401	424	402	428	460	479
Loans for budgetary assistance	70	133	217	231	92	160	160	101	69	69	69	75
Project loans	182	212	212	205	232	231	241	322	334	359	390	404
Amortization	54	126	126	98	153	127	173	150	141	138	144	148
Other (net)	-66	0	-10	-33	40	48	-4	-74	-18	-33	8	-37
Errors and omissions	-7	0	0	0	0	0	0	0	0	0	0	0
Overall balance	141	-205	-125	-2	-87	-92	76	340	220	200	130	220
Financing	-141	205	125	2	87	92	-77	-340	-220	-200	-130	-220
Net foreign assets (BCEAO, -: increase)	-23	200	125	51	87	92	-77	-340	-220	-200	-130	-220
of which: RSF disbursements	...	...	...	...	...	...	42	28	11	...	...	...
of which: net use of Fund resources other than RSF disbursements	16	43	43	53	11	11	12	-1	-26	-35	-26	-22
of which: SDR allocation [1]	99	...	...	...	...	...	...	...	...	...	...	...
Net foreign assets (commercial banks, -: increase)	-118	0	0	-49	0	0	0	0	0	0	0	0
Exceptional financing from the RCF	...	...	...	...	...	...	...	...	...	...	...	...
Exceptional financing from the CCRT	16	4	4	4	...	...	...	...	...	...	...	...
Memorandum items:												
Current account balance, excluding grants	-1,359	-1,520	-1,497	-1,622	-1,467	-1,504	-1,491	-812	-1,084	-1,194	-1,399	-1,367
Exports of goods and services	1,282	1,345	1,406	1,141	1,652	1,664	1,659	2,750	2,889	3,089	3,144	3,446
Changes in foreign assets excl. RSF disbursement (BCEAO, -: increase) [2]	-138	157	82	-1	76	81	-89	-339	-194	-165	-104	-198
Changes in foreign assets incl. RSF disbursement (BCEAO, -: increase) [2]	-138	157	82	-1	76	81	-131	-368	-205	-165	-104	-198
Pooled gross international reserves, WAEMU (in USD billion)	24.2	...	...	18.4	...	...	...	...	...	...	...	...
Pooled gross international reserves, WAEMU (in CFAF billion)	14,027	...	...	11,397	...	...	...	...	...	...	...	...
In months of next year's imports of goods and services	5.2	...	...	4.1	...	...	...	...	...	...	...	...
In percent of broad money	34.1	...	...	24.9	...	...	...	...	...	...	...	...
GDP at current prices	8,271	9,085	9,222	9,615	9,932	10,065	10,535	12,143	13,255	14,358	15,524	16,785

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

[1] Since the SDR allocation increases both assets and liabilities by the same amount, net foreign assets does not increase.

[2] The amounts net out the transactions that affect liabilities other than Fund lending disbursements and repayments and the SDR allocation.

Table 6. Niger: Balance of Payments, 2021-28
(In percent of GDP)

	2021	2022			2023			2024	2025	2026	2027	2028
		ECF 1st Review	ECF 2nd Review	Est.	ECF 1st Review	ECF 2nd Review	Proj.	Projections				
Current account balance	-14.1	-15.4	-14.4	-15.6	-13.2	-13.4	-12.2	-5.2	-6.7	-6.9	-7.6	-6.7
Balance on goods, services, and income	-18.6	-18.7	-18.3	-19.2	-16.9	-17.2	-16.2	-8.6	-9.7	-9.6	-10.3	-9.4
Balance on goods	-10.8	-10.7	-10.8	-12.1	-8.5	-9.2	-9.0	-0.2	-0.8	-1.1	-1.8	-1.0
Exports, f.o.b	8.1	9.2	8.3	6.7	11.2	9.9	9.1	16.4	15.9	15.3	14.2	14.5
Uranium	1.3	1.4	1.5	1.0	1.4	1.5	1.4	1.0	1.8	1.8	1.6	2.7
Oil	1.6	2.3	1.9	0.9	3.9	3.3	2.8	11.1	9.9	9.2	8.5	7.8
Other products	5.3	5.5	4.9	4.8	5.9	5.1	4.9	4.2	4.3	4.3	4.2	4.0
Imports, f.o.b	18.9	19.9	19.1	18.7	19.8	19.1	18.1	16.6	16.8	16.4	16.0	15.4
Food products	5.2	5.7	5.2	4.8	5.5	4.9	4.2	3.6	3.5	3.3	3.3	3.2
Petroleum products	1.0	1.4	1.4	1.3	1.2	1.2	1.0	1.1	1.0	1.0	0.9	0.9
Capital goods	5.3	5.3	5.3	5.5	5.7	5.7	5.7	4.8	5.0	5.0	4.9	4.8
Other products	7.4	7.4	7.2	7.1	7.3	7.3	7.2	7.1	7.2	7.1	6.9	6.6
Services and income (net)	-7.8	-7.9	-7.5	-7.1	-8.4	-8.0	-7.1	-8.3	-8.9	-8.5	-8.5	-8.4
Services (net)	-6.2	-6.4	-6.1	-5.7	-6.5	-6.3	-5.8	-6.8	-7.1	-6.6	-6.4	-6.2
Income (net)	-1.6	-1.5	-1.4	-1.4	-1.8	-1.7	-1.3	-1.5	-1.8	-1.9	-2.1	-2.2
Of which: interest on external public debt	-0.5	-0.4	-0.4	-0.4	-0.4	-0.5	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2
Unrequited current transfers (net)	4.5	3.3	3.9	3.6	3.7	3.8	3.9	3.4	3.0	2.7	2.7	2.6
Private (net)	2.2	1.9	2.1	2.3	2.1	2.2	2.0	1.9	1.6	1.3	1.3	1.2
Public (net)	2.4	1.3	1.8	1.3	1.6	1.6	1.9	1.5	1.5	1.4	1.4	1.4
Of which: grants for budgetary assistance	1.9	0.9	1.4	0.8	1.2	1.2	1.4	1.2	1.2	1.2	1.2	1.2
Capital and financial account	15.9	13.2	13.1	15.5	12.3	12.5	13.0	8.0	8.4	8.3	8.4	8.0
Capital account	5.9	5.8	5.2	4.5	5.3	4.2	4.5	4.3	4.5	4.6	4.6	4.5
Private capital transfers	0.5	0.4	0.4	0.6	0.4	0.4	0.6	0.6	0.6	0.6	0.6	0.6
Project grants	5.4	5.4	4.8	3.9	4.9	3.8	4.0	3.7	4.0	4.0	4.0	3.9
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
Financial account	9.9	7.4	7.8	11.0	7.0	8.3	8.5	3.7	3.8	3.7	3.9	3.6
Direct investment	3.7	4.2	3.6	6.2	4.1	4.4	5.6	1.7	1.4	1.4	1.3	1.2
Portfolio investment	4.6	0.8	1.0	1.6	0.7	0.7	0.6	0.4	0.6	0.6	0.5	0.6
Other investment	1.6	2.4	3.2	3.2	2.2	3.2	2.2	1.6	1.8	1.7	2.0	1.8
Public sector (net)	2.4	2.4	3.3	3.6	1.8	2.7	2.2	2.2	1.9	1.9	2.0	2.0
Disbursements	3.1	3.8	4.7	4.5	3.3	3.9	3.8	3.5	3.0	3.0	3.0	2.9
Loans for budgetary assistance	0.9	1.5	2.4	2.4	0.9	1.6	1.5	0.8	0.5	0.5	0.4	0.4
Project loans	2.2	2.3	2.3	2.1	2.3	2.3	2.3	2.7	2.5	2.5	2.5	2.4
Amortization	0.7	1.4	1.4	1.0	1.5	1.3	1.6	1.2	1.1	1.0	0.9	0.9
Other (net)	-0.8	0.0	-0.1	-0.3	0.4	0.5	0.0	-0.6	-0.1	-0.2	0.0	-0.2
Errors and omissions	-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	1.7	-2.3	-1.4	0.0	-0.9	-0.9	0.7	2.8	1.7	1.4	0.8	1.3
Financing	-1.7	2.3	1.4	0.0	0.9	0.9	-0.7	-2.8	-1.7	-1.4	-0.8	-1.3
Net foreign assets (BCEAO, -: increase)	-0.3	2.2	1.4	0.5	0.9	0.9	-0.7	-2.8	-1.7	-1.4	-0.8	-1.3
of which: RSF disbursements	...	...	...	...	...	...	0.4	0.2	0.1	...	...	...
of which: net use of Fund resources other than RSF disbursements	0.2	0.5	0.5	0.5	0.1	0.1	0.1	0.0	-0.2	-0.2	-0.2	-0.1
of which: SDR allocation [1]	1.2	...	...	...	...	...	...	...	...	...	...	...
Net foreign assets (commercial banks, -: increase)	-1.4	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing from the RCF	...	...	...	...	...	...	...	...	...	...	...	...
Exceptional financing from the CCRT	0.2	0.0	0.0	0.0	...	...	...	...	...	...	...	...
Memorandum items:												
Current account balance, excluding grants (in percent of GDP)	-16.4	-16.7	-16.2	-16.9	-14.8	-14.9	-14.2	-6.7	-8.2	-8.3	-9.0	-8.1
Exports of goods and services (in percent of GDP)	15.5	14.8	15.2	11.9	16.6	16.5	15.7	22.6	21.8	21.5	20.3	20.5
Changes in foreign assets excl. RSF disbursement (BCEAO, -: increase) [2]	-1.7	1.7	0.9	0.0	0.8	0.8	-0.8	-2.8	-1.5	-1.2	-0.7	-1.2
Changes in foreign assets incl. RSF disbursement (BCEAO, -: increase) [2]	-1.7	1.7	0.9	0.0	0.8	0.8	-1.2	-3.0	-1.5	-1.2	-0.7	-1.2
Pooled gross international reserves, WAEMU (in USD billion)	24.2	...	...	18.4	...	...	...	...	...	...	...	...
Pooled gross international reserves, WAEMU (in CFAF billion)	14,027	...	...	11,397	...	...	...	...	...	...	...	...
In months of next year's imports of goods and services	5.2	...	...	4.1	...	...	...	...	...	...	...	...
In percent of broad money	34.1	...	...	24.9	...	...	...	...	...	...	...	...

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

[1] Since the SDR allocation increases both assets and liabilities by the same amount, net foreign assets does not increase.

[2] The amounts net out the transactions that affect liabilities other than Fund lending disbursements and repayments and the SDR allocation.

Table 7. Niger: Indicators of Financial Soundness, 2016-22
(In percent, unless otherwise indicated)

	2016 Dec.	2017 Dec.	2018 Jun.[1]	2018 Dec.[1]	2019 Jun.[1]	2019 Dec.[1]	2020 Jun.[1]	2020 Dec.[1]	2021 Jun.[1]	2021 Dec.[1]	2022 Jun.[1]	2022 Dec.[1]
Solvency Ratios												
Regulatory capital to risk-weighted assets	13.9	16.8	13.3	12.3	12.7	14.8	14.9	14.6	14.3	14.4	14.5	...
Tier 1 capital to risk-weighted assets	13.5	16.4	13.2	12.3	12.7	14.2	14.3	14.1	13.8	13.9	14.1	...
CET1 capital to risk-weighted assets	-	-	13.2	12.3	12.7	14.2	14.3	14.3	13.8	13.9	14.1	...
Provisions to risk-weighted assets	12.1	14.0	11.9	8.7	8.2	8.2	8.5	7.9	8.1	7.4	7.2	...
Capital to total assets	8.9	9.4	9.1	8.3	7.9	9.1	8.7	9.0	8.5	8.7	8.8	...
Composition and Quality of Assets												
Total loans to total assets	58.1	55.4	56.6	52.9	52.8	56.1	53.3	55.5	54.5	53.2	54.0	...
Concentration[2]	144.5	98.8	96.0	93.4	94.0	91.1	75.9	74.0	178.0	214.4	158.3	...
Gross NPLs to total loans	17.7	18.8	19.0	17.0	15.1	16.1	15.0	12.6	15.8	21.2	20.9	18.2
Provisioning rate	66.5	66.1	65.9	59.0	58.2	51.5	57.1	64.3	51.3	36.5	36.4	...
Net NPLs to total loans	6.7	7.3	7.4	7.8	6.9	8.5	7.0	4.9	8.4	14.6	14.4	11.9
Net NPLs to capital	43.7	42.8	46.3	49.4	45.7	52.3	42.8	30.1	53.7	89.6	87.7	...
Earnings and Profitability												
Average cost of borrowed funds	2.2	2.2	...	2.4	...	1.0	...	1.6	...	1.9	...	...
Average interest rate on loans	8.8	8.4	...	8.9	...	7.7	...	8.4	...	8.7	...	...
Average interest rate (after taxes on financial operations)	6.6	6.3	...	6.6	...	6.7	...	6.8	...	6.8	...	...
After-tax return on average assets (ROA)	1.8	1.6	...	1.7	...	1.5	...	1.2	...	1.3	...	...
After-tax return on average equity (ROE)	19.5	15.4	...	15.0	...	12.8	...	11.1	...	12.2	...	...
Non-interest expenses to net banking income	56.5	59.3	...	59.9	...	63.0	...	61.9	...	60.0	...	...
Salaries and wages to net banking income	25.9	25.5	...	25.9	...	27.1	...	24.2	...	24.9	...	...
Liquidity												
Liquid assets to total assets	30.0	29.2	29.9	27.0	28.6	30.3	27.8	29.5	26.5	25.5	26.5	...
Liquid assets to total deposits	51.1	53.4	55.6	49.1	52.2	52.3	51.4	48.1	43.2	40.8	42.4	...
Total loans to total deposits	112.3	116.0	120.3	107.0	105.9	105.3	107.8	98.5	96.6	92.5	93.6	...
Total deposits to total liabilities	58.7	54.6	53.8	55.0	54.7	58.1	54.0	61.4	61.4	62.4	62.4	...
Sight deposits to total liabilities	36.6	35.3	33.1	35.3	35.2	36.1	32.2	38.3	37.7	39.0	39.4	...
Term deposits to total liabilities	22.0	19.3	20.7	19.7	19.5	22.0	21.8	23.1	23.8	23.3	23.0	...

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 8a. Niger: Rephased Schedule of Disbursements Under the ECF Arrangement, 2021–25

Amount (Millions)	Amount (Percent of quota)	Conditions Necessary for Disbursement	Date Available
SDR 39.48	30 percent	Executive Board Approval of the ECF Arrangement	December 8, 2021
SDR 39.48	30 percent	Observance of December 31, 2021 performance criteria, and completion of the first review under the arrangement	April 29, 2022
SDR 39.48	30 percent	Observance of June 30, 2022 performance criteria, and completion of the second review under the arrangement	October 31, 2022
SDR 19.74	15 percent	Observance of December 31, 2022 performance criteria, and completion of the third review under the arrangement	April 28, 2023
SDR 19.74	15 percent	Observance of June 30, 2023 performance criteria, and completion of the fourth review under the arrangement	October 31, 2023
SDR 13.16	10 percent	Observance of December 31, 2023 performance criteria, and completion of the fifth review under the arrangement	April 30, 2024
SDR 13.16	10 percent	Observance of June 30, 2024 performance criteria, and completion of the sixth review under the arrangement	October 31, 2024
SDR 13.16	10 percent	Observance of December 31, 2024 performance criteria, and completion of the seventh review under the arrangement	April 30, 2025
SDR 197.4	150 percent	Total	

Source: International Monetary Fund.

Table 8b. Niger: Proposed Schedule of Disbursements Under the RSF Arrangement, 2023–25

Amount (Millions)	Amount (Percent of quota)	Conditions Necessary for Disbursement	ECF review	Total Amount (Percent of quota)	Date Available
SDR 8.554	6.5 percent	Reform measure (RM) 1 implementation review	ECF 4th Review	39 percent	October 31, 2023
SDR 8.554	6.5 percent	RM 4 implementation review			
SDR 8.554	6.5 percent	RM 5 implementation review			
SDR 8.554	6.5 percent	RM 7 implementation review			
SDR 8.554	6.5 percent	RM 9 implementation review			
SDR 8.554	6.5 percent	RM 11 implementation review			
SDR 8.554	6.5 percent	RM 2 implementation review	ECF 5th Review	19.5 percent	April 30, 2024
SDR 8.554	6.5 percent	RM 3 implementation review			
SDR 8.554	6.5 percent	RM 10 implementation review			
SDR 8.554	6.5 percent	RM 8 implementation review	ECF 6th Review	6.5 percent	October 31, 2024
SDR 13.16	10 percent	RM 6 implementation review	ECF 7th Review	10 percent	April 30, 2025
SDR 98.7	75 percent	Total			

Source: International Monetary Fund.

Table 9. Niger: Decomposition of Public Debt and Debt Service by Creditor, 2022-25

	Debt Stock (end of period)			Debt Service					
	2022			2023	2024	2025	2023	2024	2025
	(US$ million)	*(Percent total debt)*	*(Percent GDP)*	*(US$ million)*			*(Percent GDP)*		
Total	**7,812**	**100.0**	**50.3**	**1,106**	**1,457**	**1,969**	**7.1**	**7.5**	**9.3**
External	**5,071**	**64.9**	**32.7**	**378**	**314**	**337**	**2.4**	**1.6**	**1.6**
Multilateral creditors[2]	4,218	54.0	27.2	219	220	251	1.4	1.1	1.2
IMF	478	6.1	3.1						
World Bank	2,284	29.2	14.7						
AfDB	431	5.5	2.8						
Other Multilaterals	1,024	13.1	6.6						
o/w: BOAD	478	6.1	3.1						
Islamic Development Bank	242	3.1	1.6						
Bilateral Creditors	650	8.3	4.2	108	66	60	0.7	0.3	0.3
Paris Club	211	2.7	1.4	0	0	0	0.0	0.0	0.0
o/w: France	192	2.5	1.2				0.0	0.0	0.0
Belgium	19	0.2	0.1				0.0	0.0	0.0
Non-Paris Club	439	5.6	2.8	108	66	60	0.7	0.3	0.3
o/w: China	183	2.3	1.2				0.0	0.0	0.0
India	80	1.0	0.5				0.0	0.0	0.0
Bonds	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Commercial creditors	203	2.6	1.3	51	28	26	0.3	0.1	0.1
o/w: Deutsche Bank	159	2.0	1.0						
o/w: CNPC	44	0.6	0.3						
Other international creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Domestic	**2,741**	**35.1**	**17.7**	**728**	**1,143**	**1,632**	**4.7**	**5.9**	**7.7**
Held by residents, total[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
T-Bills	368	4.7	2.4	370	864	962	2.4	4.4	4.5
Bonds	2,056	26.3	13.2	259	244	636	1.7	1.3	3.0
Loans	220	2.8	1.4	63	0	0	0.4	0.0	0.0
Others	97	1.2	0.6	36	34	34	0.2	0.2	0.2
Memo items:									
Collateralized debt[3]	0	0.0	0.0						
o/w: Related	0	0.0	0.0						
o/w: Unrelated	0	0.0	0.0						
Contingent liabilities	0	0.0	0.0						
o/w: Public guarantees	0	0.0	0.0						
o/w: Other explicit contingent liabilities[4]	0	0.0	0.0						
Nominal GDP	15,521	-	-						

1/As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/Multilateral creditors are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

3/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is “unrelated” when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 “Collateralized Transactions: Key Considerations for Public Lenders and Borrowers” for a discussion of issues raised by collateral.

4/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Table 10. Niger: Summary Table of Projected External Borrowing Program

PPG external debt	Volume of new debt in 2023		PV of new debt in 2023 (program purposes)		PV of new debt in 2023 (including negative GEs)	
	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	**1670.1**	**100**	**717.7**	**100**	**719.2**	**100**
Concessional debt, of which	**1326.9**	**79**	**406.8**	**57**	**406.8**	**57**
Multilateral debt	1298.9	78	392.5	55	392.5	55
Bilateral debt	28.0	2	14.3	2	14.3	2
Other	0.0	0	0.0	0	0.0	0
Non-concessional debt, of which	**343.2**	**21**	**310.8**	**43**	**312.4**	**43**
Semi-concessional	255.9	15	223.5	31	223.5	31
Commercial terms	87.3	5	87.3	12	88.9	12
By Creditor Type	**1670.1**	**100**	**717.7**	**100**	**719.2**	**100**
Multilateral	1641.1	98	702.4	98	704.4	98
Bilateral - Paris Club	0.0	0	0.0	0	0.0	0
Bilateral - Non-Paris Club	28.0	2	14.3	2	14.3	2
Other	1.0	0	1.0	0	0.5	0
Uses of debt financing	**1670.1**	**100**	**717.7**	**100**	**719.2**	**100**
Infrastructure	239.0	14	215.0	30	216.9	30
Social Spending	934.1	56	345.0	48	345.1	48
Budget Financing	350.0	21	93.4	13	93.4	13
Other	147.1	8.8	64.3	9.0	63.8	8.9

Table 11. Niger: Indicators of Capacity to Repay the Fund, 2023–45

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
	(In millions of SDRs, unless otherwise indicated)																						
Fund obligations based on existing credit																							
Principal	19.2	26.1	38.1	42.9	50.9	53.1	52.8	36.3	23.7	15.8	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
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	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	19.2	26.1	38.1	42.9	50.9	55.1	62.0	50.8	39.5	31.6	13.8	13.0	10.5	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	3.5	0.7
Charges and interest	0.0	1.5	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.0	1.8	1.6	1.4	1.2	0.9	0.7	0.5	0.3	0.1	0.0
Total obligations based on existing and prospective credit[1]																							
SDR millions	19.2	27.5	40.2	45.1	53.1	57.3	64.3	53.0	41.7	33.8	16.0	15.2	12.6	11.7	11.5	11.2	11.0	10.8	10.6	10.4	10.1	3.5	0.7
CFAF billions	15.8	22.8	33.6	38.0	45.1	49.4	55.4	45.7	35.9	29.1	13.8	13.1	10.8	10.1	9.9	9.7	9.5	9.3	9.1	8.9	8.7	3.0	0.6
Percent of exports of goods and services	1.0	0.8	1.2	1.2	1.4	1.4	1.5	1.1	0.8	0.6	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Percent of debt service[2]	3.6	6.2	9.1	10.6	12.6	13.2	14.0	11.1	9.3	7.3	3.5	3.2	2.7	2.3	2.0	1.7	1.5	1.3	1.2	1.1	1.0	0.3	0.1
Percent of GDP	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of tax revenue	1.5	1.5	2.0	2.0	2.2	2.2	2.2	1.7	1.2	0.9	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0
Percent of quota	14.6	20.9	30.5	34.3	40.3	43.5	48.8	40.3	31.7	25.7	12.2	11.5	9.5	8.9	8.7	8.5	8.4	8.2	8.0	7.9	7.7	2.7	0.5
Outstanding IMF credit based on existing and prospective drawings																							
SDR millions	430.4	464.9	453.1	410.2	359.4	304.3	242.2	191.5	152.0	120.4	106.6	93.6	83.1	73.2	63.3	53.5	43.6	33.7	23.9	14.0	4.1	0.7	0.0
CFAF billions	354.3	385.5	378.5	345.5	305.3	262.3	208.8	165.0	131.0	103.8	91.9	80.7	71.6	63.1	54.6	46.1	37.6	29.1	20.6	12.1	3.5	0.6	0.0
Percent of exports of goods and services	21.4	14.0	13.1	11.2	9.7	7.6	5.5	4.0	3.0	2.2	1.8	1.5	1.2	1.0	0.8	0.6	0.4	0.3	0.2	0.1	0.0	0.0	0.0
Percent of debt service[2]	81.1	105.2	102.3	96.7	85.3	70.0	52.6	40.1	33.9	26.1	23.0	19.4	17.6	14.2	11.1	8.2	6.0	4.2	2.7	1.5	0.4	0.1	0.0
Percent of GDP	3.4	3.2	2.9	2.4	2.0	1.6	1.2	0.8	0.6	0.5	0.4	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Percent of tax revenue	32.7	25.2	22.0	18.1	14.6	11.5	8.3	6.1	4.4	3.2	2.6	2.1	1.8	1.4	1.1	0.9	0.6	0.4	0.3	0.2	0.0	0.0	0.0
Percent of quota	327.1	353.3	344.3	311.7	273.1	231.2	184.1	145.5	115.5	91.5	81.0	71.1	63.1	55.6	48.1	40.6	33.1	25.6	18.1	10.6	3.1	0.5	0.0
Net use of IMF credit (SDR millions)	65.6	35.9	-9.7	-40.7	-48.6	-52.9	-59.8	-48.5	-37.3	-29.4	-11.6	-10.8	-8.5	-8.0	-8.3	-8.5	-8.7	-8.9	-9.2	-9.4	-9.6	-3.4	-0.7
Disbursements	84.8	62.0	28.4	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.0	1.8	1.6	1.4	1.2	0.9	0.7	0.5	0.3	0.1	0.0
Repayments and repurchases[1]	19.2	26.1	38.1	42.9	50.9	55.1	62.0	50.8	39.5	31.6	13.8	13.0	10.5	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	3.5	0.7
Memorandum items:																							
Exports of goods and services (CFAF billions)	1,659	2,750	2,889	3,089	3,144	3,446	3,809	4,097	4,418	4,773	5,116	5,520	6,001	6,568	7,122	7,749	8,449	9,132	9,843	10,569	11,321	12,146	13,059
External debt service (CFAF billions)[2]	437	366	370	357	358	375	397	412	386	398	399	415	407	444	493	559	630	691	758	829	909	980	1,060
Nominal GDP (CFAF billions)	10,535	12,143	13,255	14,358	15,524	16,785	18,148	19,621	21,215	22,937	24,800	26,813	28,991	31,345	33,890	36,642	39,617	42,834	46,312	50,073	54,139	58,535	63,288
Tax revenue (CFAF billions)	1,084	1,528	1,717	1,913	2,092	2,272	2,512	2,710	2,979	3,200	3,515	3,836	4,065	4,442	4,808	5,284	5,951	6,498	7,090	7,738	8,457	9,225	10,123
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	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] Niger is classified as a Group A country in the interest rate structure of the RSF. Effective May 18th, 2023, Group A interest rate has been capped at 2.25%.

[2] Total external debt service includes IMF repayments.

Table 12. Niger: Risk Assessment Matrix (RAM)[1/]

Sources of Risks	Relative Likelihood	Impact if realized	Recommended Policy Response
Spillover risks			
Intensification of regional conflicts, with an escalation of Russia's war on Ukraine or other regional conflicts.	**High**	**Medium** Even higher commodity prices, tighter financial conditions, lower aid flows, and other adverse spillovers.	Implement domestic revenue mobilization to create fiscal space. Advance structural reforms, including public debt management measures, to enhance the resilience to external shocks.
Social discontent	**High**	**Medium** Negative impact on growth and fiscal revenues.	Advance structural reforms to reduce informality and achieve more inclusive growth. Prioritize well-targeted spending to protect the most vulnerable from the rise in the cost of living.
Rising and volatile food and energy prices.	**Medium**	**High** Adverse effects on inflation and access to food. Slightly positive impact from rising oil prices on the balance of payments and fiscal position.	Prioritize well-targeted spending to protect the most vulnerable and accelerate implementation of the support plan for populations vulnerable to food, nutritional and pastoral insecurity.
Monetary policy miscalibration, leading to de-anchoring of inflation expectations.	**Medium**	**Medium** Volatility in risk premia and financing costs for frontier markets with adverse spillovers for the WAEMU regional sovereign bond market.	Intensify efforts to mobilize donor funds and access to concessional financing to contain debt vulnerabilities. Accelerate the implementation of reforms to foster domestic revenue mobilization.
Reduced donor support.	**Low**	**High** Negative impact on development projects and on social safety nets and program execution.	Enhance engagement with traditional and new donors. Enhance implementation capacity to ensure high return from the projects financed by donors.
Deterioration of security situation in the Sahel and neighboring countries.	**Medium**	**High** Deterioration in growth and balance of payments because of disruption of economic activity and reduced FDI. Negative impact on the fiscal position due to reduced fiscal revenues and higher security expenditures	Allow for a more backloaded fiscal consolidation path as needed to accommodate high priority security spending in response to developments on the ground. Increase engagement with neighboring countries and the international community on security issues.
Structural Risks			
Delays in the realization of extractive industry projects.	**Medium**	**High** Significant impact on medium-term economic activity, current account, and fiscal position as well as debt sustainability.	Accelerate efforts to enhance oversight and transparency of the sector.
Extreme climate events.	**Medium**	**High** Reduction in agricultural output, deterioration of current account and fiscal deficits, loss of human lives and livelihoods, increased food insecurity, and inflationary pressures.	Increase well-targeted spending, including transfers to vulnerable populations, while restraining other current expenditure.

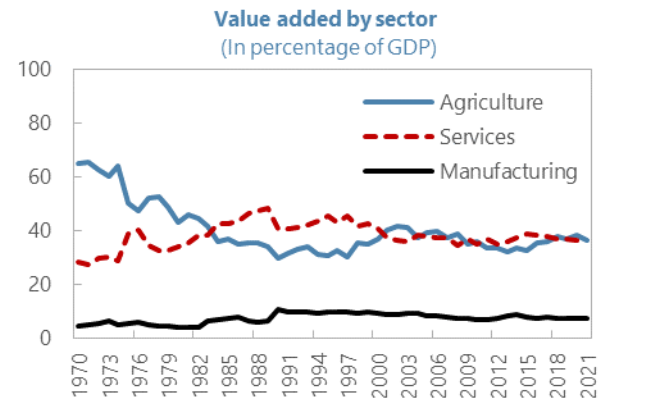
1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Annex I. Nigerien Authorities' Agenda on Climate Change

A. Climate Change Risks and Impact

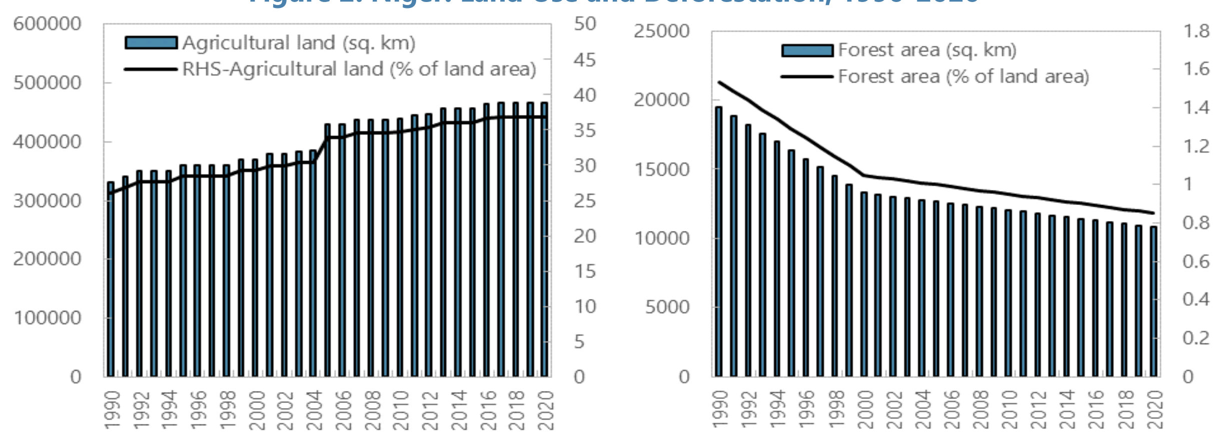
1. **Niger's dependence on rain-fed agriculture renders the country highly exposed to the effects of climate change.** Rainfed agriculture accounts for 40 percent of GDP and around 73 percent of the total active population is engaged in the agricultural sector, which remains mainly subsistence-based (Annex Figure 1). In addition, poor management of resources such as land, water, and forests contribute to their depletion and exacerbate vulnerability to climate change. For instance, extensive agriculture and the use of timber for fuel by households lead to deforestation and the disappearance of shrub steppes used for animal food. The loss of forest cover in Niger is estimated to be more than 10,000 hectares every year and the decrease in arable land over time due to desertification is substantial (Annex Figure 2). While the country's underground water potential is vast, water scarcity remains a key challenge[1] and irrigated land represents less than one percent of total agriculture land. Moreover, rapid population growth—with an annual growth rate of 3.7 percent— exacerbates this vulnerability.

Figure 1. Niger: Importance of Agriculture in Niger's Economy



Source: WDI and IMF Staff calculations

Figure 2. Niger: Land Use and Deforestation, 1990-2020

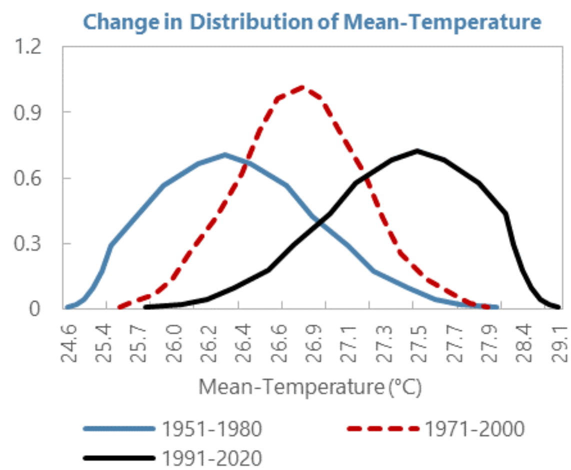


Source: World Bank, and IMF Staff calculations

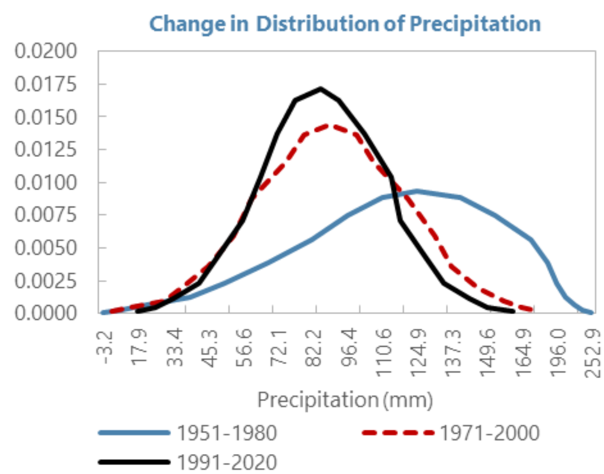
[1] According to the World Bank, water availability per capita decreased from 2,300m^3/year in 2004 to 1,360 m^3/year in 2021, and actual water use is well below the sector's demands.

2. Current climate trends are worrisome, and the situation is expected to deteriorate further in the future without rapid global mitigation actions. Between 1951 and 2020, the temperature distribution has changed toward warmer days with an annual average increase of 1 degree Celsius. Precipitation levels have also decreased significantly (Annex figure 3). Under the SSP5-8.5[2] scenario, Niger is projected to face a more than 2 degrees Celsius increase of temperature by 2050. Accordingly, the frequency and intensity of natural hazards (including heavy rainfall events and droughts) in Niger are expected to increase in future years,

Figure 3. Niger: Change in Climate Conditions, 1951-2020



Source: World Bank Climate Change Knowledge Portal



Source: World Bank Climate Change Knowledge Portal

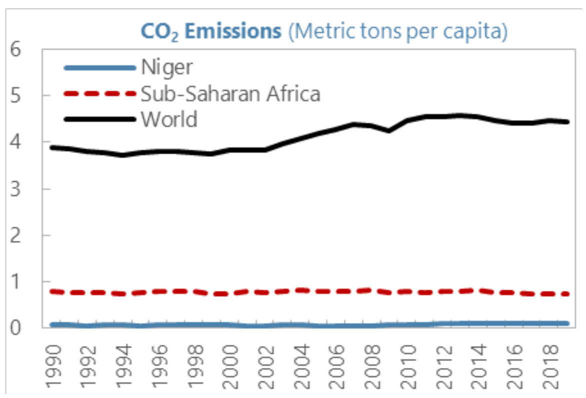
3. Although Niger's greenhouse gas (GHG) emissions are low, a successful energy transition will reduce the country's energy dependence from external sources and support economic development. Niger's GHG emissions at 0.09 metric tons per capita are well below the world's average of 4.12 metric tons per capita and are low even when compared to the average emissions for Sub-Saharan Africa, which amount to 0.89 metric tons per capita[3] (Annex Figure 4). Key sectors contributing to the country's GHGs are agriculture and energy (88 and 9 percent, respectively). As access to electricity will increase as part of the country's development process, a low carbon transition would provide an opportunity for creating a competitive and more resilient economy. The country's electricity production depends heavily on oil and the country imports 70 percent of its energy supply from Nigeria. Despite having a potential solar energy production capacity estimated at 6 to 7 kWh/m2 /day, solar power only accounted for about 11 percent of Niger's energy

[2] SSP5-8.5 represents the high end of the range of future pathways, corresponding to the Representative Concentration Pathway 8.5 (RCP 8.5). RCP 8.5 is one of the GHG concentration trajectories adopted by the Intergovernmental Panel on Climate Change (IPCC) that corresponds to a realistic BAU GHG emission pathway. It is important to note that there is considerable uncertainty around these climate projection scenarios—which are based on global emissions trajectories.

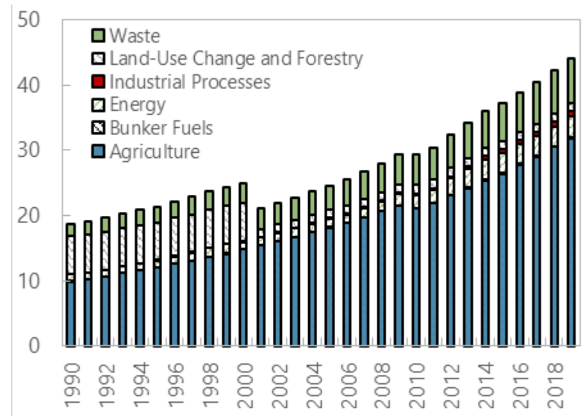
[3] Niger only contributes 0.09 percent of global greenhouse gas (GHG) emissions.

production in 2021[4] (Annex Figure 5). Therefore, Niger's potential in renewable energy is not being fully exploited to satisfy electricity demand.[5]

Figure 4. Niger: GHG Emissions ($MtCO_2$) by Sectors, 1990-2019

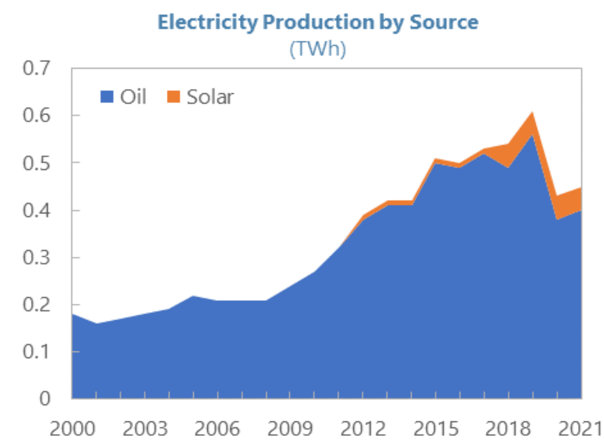


Source: WDI and IMF staff calculation

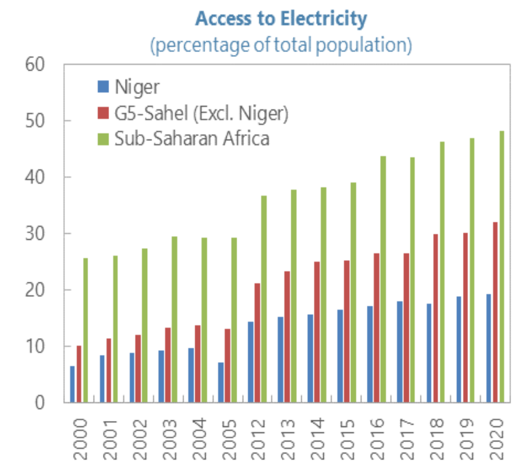


Source: Climate Watch and IMF Staff calculations

Figure 5. Niger: Energy Mix Challenges



Source: Our World in Data, and IMF staff calculations.



Source: World Development indicators, and IMF Staff calculations.

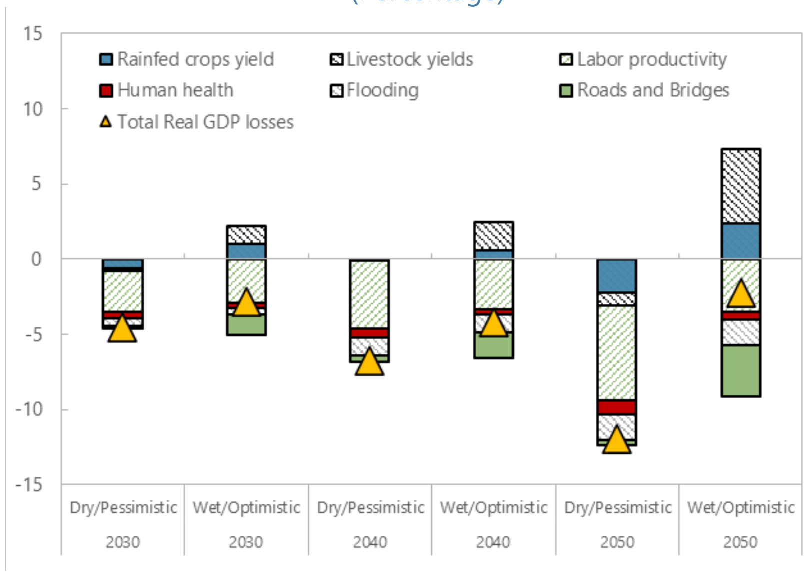
4. **Global warming consequences already have considerable macroeconomic and social costs in Niger.** Past episodes of weather shocks have led to food shortages, soaring food prices, lower GDP growth, and higher current account deficits as well as increased displacement of people. In addition to already existing vulnerabilities, climate change will have significant adverse economic

[4] According to Energy Charter, if fully exploited, Niger's solar energy production potential could eventually provide a consistent and sustainable energy supply to meet the country's needs, and even generate a surplus to export to other countries in the region.

[5] Niger remains one of the countries with the lowest access to energy in Sub-Saharan Africa, with approximately 81 percent of the population lacking access to electricity as of 2020. Furthermore, less than 3 percent of the population has access to clean energy for cooking, as charcoal and crop waste remain the primary sources of cooking energy.

consequences in the future, and translate into increased poverty, lower human capital accumulation, and exacerbation of conflict. By 2050, it is estimated that the Niger's GDP losses could range between 2.2 percent and 11.9 percent, based respectively on the optimistic and pessimistic scenarios provided by the World Bank G5-Sahel CCDR (Annex Figure 6). An additional 5 million people are expected to fall into poverty by 2050, mainly in rural areas, due to climate change.

Figure 6. Niger: Decomposition of Future GDP losses by Transmission Channels
(Percentage)



Source: World Bank G5-Sahel Country Climate Development Report, June 2022.

B. Niger's National Climate Change Strategy

5. Over the past years Nigerien authorities have prepared several climate strategies and plans to inform the mainstreaming of climate change in national and sectoral planning. The country's National Determined Contribution (NDC) was revised in 2021,[6] which outlines Government's ambitious climate reform agenda. To reduce the country's vulnerabilities and to support the mainstreaming of adaptation in policies, plans and programs, the government prepared a National Adaptation Plan (NAP) to be implemented over 2022-2026. Moreover, Niger's National Economic and Social Development Plan (2022-2026), structured around three strategic axis and 16 programs, includes a program dedicated to climate change (program #16) under its third strategic axis. At the sector level, the agriculture, water and energy sectors are among the key sectors of the NDC 2021, namely under the (i) Agriculture Strategy for Adaptation to Climate Change (2020-2035

[6] The revised NDC raised Niger's ambitions—compared to the original version adopted in 2015— in terms of adaptation and mitigation commitments on the basis of new emission estimates for key sectors (Agriculture and Energy) and on new climate projections. In addition, this revised version includes new actions to reinforce the institutional capacities and the inclusivity of actors involved in climate actions, namely the private sector, NGOs, and Civil Society. On the implementation front, the authorities started developing a concept note, strategies, feasibility and cost-benefit studies for projects and programs to support actions planned under the NDC. For instance, they recently adopted the Agricultural Strategy for Adaptation to Climate Change, and they have developed a concept note for agro-industrial clusters projects, which is expected to be further deepened in a strategy document.

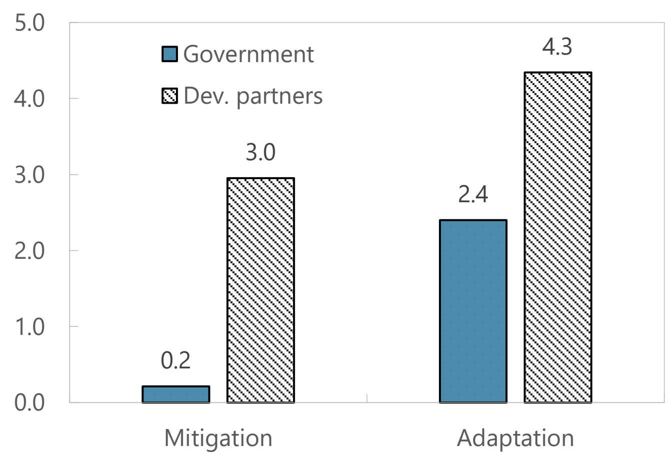
SPN2A), (ii) National Action Plan for Integrated Water Resources Management (2017), (iii) the "Nigeriens Feed Nigeriens" Initiative (2021-2025), and (iv) the National Access to Electricity Strategy (2018). To support the mainstreaming of climate change aspects in sector strategies, the government's guidelines for preparing sector strategies include climate change considerations. On the disaster risk management (DRM) front, the government adopted and published a law (Law N° 2022-61) in 2022 that lays out the basic principles of disaster risk management; and is currently preparing its application decrees. Annex Table 1 summarizes the authorities' main strategic documents containing climate-related goals, including adaption and/or mitigation components.

- **Adaptation**. The country's long-term adaptation objectives focus on ensuring food security; combating poverty; promoting rational management of natural resources; and enhancing the resilience of the population and ecosystems. The NAP supports the integration of adaptation aspects in the planning tools of five priority sectors (agriculture, transport, forestry, health, and humid areas – water constitutes a cross-cutting sector) and sets out a comprehensive implementation plan aimed to enhance resilience against climate-related shocks.

- **Transition to a low-carbon economy and mitigation**: Niger's revised NDC includes a commitment to reduce GHG emissions by between 23.2 percent (unconditional on international support) and up to 67.8 percent (conditional on international support) by 2030. Even though adaptation is paramount given acute vulnerability to climate shocks and very limited GHG emissions, priorities covered in the NDC are branded as best co-benefits for mitigation—including scaling up adaptation practices and techniques that simultaneously sequester carbon and reduce GHG emissions — particularly in the agriculture and energy sectors. For instance, with the support of development partners, the Government has begun to promote climate smart agriculture technologies under the Investment Fund for Food and Nutrition Security (FISAN). The mitigation component of the Government's NDC aims to promote the country's modern energy potential by facilitating the use and access to affordable, sustainable, and clean energy in key sectors such as transport, construction, and manufacturing. The Government has committed, as part of its NDC, to the development of renewable energy infrastructure with an estimated production capacity of 718 MW by 2030. This includes 526 MW in solar power, 130 MW in hydroelectricity, 50 MW in wind power, and 12 MW in power derived from bagasse.

6. While various national strategy documents underpin the implementation of adaptation and mitigation efforts outlined in the NDC, their effective execution poses significant challenges. As highlighted by Niger's first updated biennial report on climate change published in 2022, key obstacles include the lack of an enabling legal and institutional framework and insufficient technical know-how to identify and develop climate actions. Moreover, financing and capacity constraints also represent significant challenges for the implementation of NDC actions. The estimated cost of Niger's NDC over the decade 2021-2030 is approximately US$ 9.9 billion (Annex Figure 7). Adaptation and mitigation represent 68 and 32 percent of the total cost, respectively, with the government contributing 26.4 percent and development partners expected to finance the rest. The Government, with the support of the World Bank, plans to develop a climate investment plan, including funding sources for the NDC actions.

Figure 7. Niger: National Determined Contribution Cost, 2021-2030
(US$ Billion)



Source: Niger's NDC 2021, and IMF Staff calculations

C. Niger's Climate Agenda: Implementation Progress, Challenges, and Priorities

7. Although Niger's climate reforms have so far focused on improving planning and strengthening regulations, weak institutional capacities and limited financing have undermined the country's NDC implementation. The World Banks' G5 Sahel CCDR and recent Climate PEFA have highlighted several areas for reforms, namely: (i) improving climate sensitivity in public financial and disaster risk management, (ii) strengthening coordination to ensure synergies between government entities involved in climate action; (ii) removing barriers to access to climate finance and the development of risk transfer instruments at the government, firm, and household levels; (iii) promoting renewable energy resources (solar, wind and hydroelectric) to pave the way for a low carbon development path; (iv) investing in Climate Smart Agriculture (CSA) practices; and (v) expanding climate-resilient cities, including implementing disaster risk management system.

8. Informed by several pieces of analytical work, the government has identified the following areas as a priority for policy reforms:

- **A climate mapping for adaptation was conducted in 2018, but identification and reporting on adaptation and mitigation projects are not institutionalized.** The 2018 climate mapping established a database for the National Environment Council for Sustainable Development (CNEDD) to provide information on the country's adaptation actions. The mapping allowed to link climate projects to local climate vulnerabilities. Recently, the government conducted a Climate Public Expenditure and Institutional Review (CPEIR) with the support of the UNDP. However, it is not clear whether the information from both studies was used for strategic budget allocations. Systematic implementing of a climate budget tagging framework can increase transparency on the planning, budgeting, and implementation of Niger's climate response agenda, while also generating data that contribute to better informed budget decisions on programs and projects. At present, the country does not yet have the institutional arrangement in place clarifying roles and responsibilities and quality control for climate budget tagging (CBT) nor the tools for the design and implementation of a CBT through existing systems and reporting mechanisms.

- **While incorporating environmental considerations into public investment projects is already mandatory, the design of and budgeting for resilient infrastructure have not been promoted.** While Niger's regulation (Law Nº 2018-28) requires public institutions to conduct environmental impact assessments (EIAs) for all projects, these have been only carried out for major externally-funded projects. Additional efforts are also needed to adapt the existing climate vulnerability assessment guideline of the BNEE to the country's context.

- **The government is in the process of strengthening its fiscal risk statements, though currently it does not analyze risks pertaining to the effects of natural disasters**. Over the past years, Niger has prepared annually a multi-year economic and fiscal document (*Document de programmation budgétaire et économique pluriannuel* DPBEP), including a section providing a brief qualitative assessment of fiscal risks. As the fiscal risk assessment is still at an initial stage, the authorities have requested support from the IMF to strengthen the current fiscal risk framework by identifying key risks and quantifying potential fiscal impacts of risks. [7] Climate change exposure has become more important for fiscal risk management in recent years, though there is also no qualitative or quantitative assessment of the fiscal impact of natural disasters.

- **Institutional strengthening is crucial to complement the authorities' efforts to enhance financial resilience to shocks and the management of disaster risks.** Since 2014, Niger has subscribed to risk-sharing services from the regional insurance agency (African Risk Capacity Group) which provides technical and financial assistance in the event of climate disasters.[8] In addition, the recently adopted DRM Law (Law Nº 2022-61)[9] aims to respond to coordination problems and strengthen DRM governance to enhance risk prevention and the preparation of a mitigating response. To support the implementation of the new DRM framework, the government is currently establishing the Superior Orientation Council on DRM and its Permanent Secretariat in charge of establishing the conditions and procedures for the

[7] The technical assistance mission is scheduled for July 2023.

[8] In 2022, the government received a payment of US$ 4.2 million under the insurance contract as a result of the rainfall deficit observed in certain agricultural production zones.

[9] The law was adopted by the Council of Ministers on October 20, 2022.

declaration of state of disaster by the President and overseeing response actions. However, government capacity to respond promptly and effectively to crisis or emergency remains weak, in part due to the absence of a formal coordination mechanism for DRM.

- **While the current regulatory framework— which allows for independent power producers (IPPs)— is conducive to green energy business opportunities, the private sector has limited capacity.** A regulatory unit was created to ensure transparency and level planning field among actors in the energy sector. The authorities have also adopted in 2015 a national action plan for the promotion of renewable energies, in which private sector involvement has been identified as crucial given the size of the investment needs. However, the sector remains underdeveloped—with a lack of access to finance and a weak capacity to generate projects, particularly in the domain of renewable energy. The National Support Fund for Small and Medium Enterprises and Medium Industries (FONAP)[10] offers an opportunity to address this gap. FONAP was created in 2021 aiming to seek out and mobilize resources (including private capital) for the financing of small businesses, facilitate their access to bank credit, and build their technical and managerial capacity. Its current allocations amount to CFAF 15.1 billion, and the authorities expect to receive additional resources from development partners, including the World Bank, the European Investment Bank, the French Development Agency, and the African Development Bank, among others. While the FONAP started to be operational last year, it does not have a window to support the elaboration of business projects in the area of renewable energy.

D. Institutional Capacity Needs and Technical Assistance under the RSF

9. The proposed RSF reform measures seek to contribute to the authorities' agenda in these policy priority areas and their implementation will be supported by capacity development activities (CD). The authorities have already requested IMF CD for the reforms on disaster informed fiscal risk assessments, the design and implementation of a climate budget tagging, as well as the introduction of climate-sensitive public investment management practices. In addition, other development partners will also provide support. Notably, GIZ is contributing by placing technical assistance advisors at the Ministry of Planning, and the World Bank is providing technical support on DRM and other areas through an investment project and advisory services. Overall capacity development is expected to focus on the following areas:

- **Strengthening the planning and budgeting of climate-related spending (Reform area 1).** Building on their experience of previous climate budget tagging exercises, as a first step, the authorities would need to establish a working task force, responsible to develop the institutional framework for CBT, prepare the CBT guidelines and update planning tools, such as the budget circular. Additional institutional support is needed when implementing the CBT framework with selected sector ministries on a pilot basis to identify climate-related spending in their respective

[10] The Supervisory Committee is composed of several entities from public and private institutions, including the Central Bank (BCEAO).

budgets. Support will be provided by the IMF and by the GIZ through technical resident advisors and through ad hoc short-term assistance to support the design and implementation of the framework.

- **Improving the sensitivity of public investment management to climate change (Reform area 2).** The GIZ will review and revise in coordination with the working task force the general guidance note for climate vulnerability assessment in order to adapt it to Niger's circumstances. In addition, support will focus on providing inputs for the amendment of the public investment management legislation to require the integration of climate change aspects in the various stages of public investment management (evaluation and selection) and coordination/ dissemination of the new regulations. The IMF ad-hoc short-term assistance will focus on providing international and national good practices on integrating climate aspects in the appraisal and selection of projects and may potentially also facilitate peer learning from other countries.

- **Enhancing disaster informed fiscal planning and management (Reform area 3).** The authorities highlighted the need for technical capacity building on methods and tools for preparing a quantitative fiscal risk assessment incorporating the risk of natural disasters in the medium term. In response to this need, an IMF TA mission is planned for July 2023 to support the authorities on developing a guidance note (including a methodology) and an action plan, to integrate natural disasters-related risks into the fiscal risk assessment. Moreover, other institutional capacity needs include: (i) the operationalization of the DRM law, notably aspects related to the coordination and implementation responsibilities defined in the law and (ii) the preparation of flood and drought risk assessments in urban areas. Support will be provided by the World Bank through its Integrated Urban Development and Multisectoral Resilience Project (PIDUREM).

Table 1. Niger: Strategic Documents Including Climate Change Considerations

Key Strategies and Plans	Key areas
National Determined Contribution 2021 (NDC)	In 2016, Niger submitted its National Determined Contribution (NDC) after ratifying the Paris Agreement. The objectives of the NDC are to implement, at the same time, measures of adaptation to climate change and GHG mitigation. The main pillars of Niger's NDC aim to encourage the adoption of climate-smart agriculture techniques (weather information, early warning system, index-based agriculture insurance, management of risks and disaster, etc.) and expand the use of and access to modern and clean energy services for all by 2030. In 2021, the authorities have revised their NDC to define its governance, including the creation of institutions to oversee the implementation of the strategy.
National Adaptation Plan 2022-2026	Niger's NAP (2022-2026) is a development planning tool that integrates the climate change adaptation strategy into all socio-economic sectors. The overall objective of the NAP is to ensure a sustainable development by reducing the negative impacts of climate change. The NAP has two main objectives: (i) to reduce vulnerability to the impacts of climate change by strengthening the adaptive capacity and resilience of populations and natural ecosystems; and (ii) to facilitate the integration of climate change adaptation into new and existing policies, programs and activities, and in particular into development planning processes and strategies, in all relevant sectors
Economic and Social Development Plan 2022-2026 (PDES)	The PDES is the country's Poverty Reduction and Growth Strategy aiming to achieve the United Nations' Sustainable Development Goals (SDGs) and build resilience against shocks. The strategy is structured around three strategic axes, broken down into sixteen specific programs: (i) human capital development, inclusion, and solidarity, (ii) consolidation of governance, peace, and security, and (iii) structural transformation of the economy. The third pillar includes a program specifically dedicated to climate change (Program #16). This program is intended to ensure sustainable environmental management and strengthen resilience to the impacts of climate change.
Agriculture Strategy for Adaptation to Climate Change 2020-2035 (SPN2A).	The SPN2A has been developed as part of the implementation of the revised NDC and aims to ensure sustainable and climate smart agricultural development through the strengthening of resilience and adaptation of rural populations to extreme climate events and risk factors. It has the following objectives: (i) sustainable exploitation of the productive potential of agro-ecosystems; (ii) sustainable improvement of the agronomic, economic, and environmental performance of agricultural, forestry, and grazing operations; and (iii) increasing the resilience of ecological, economic, and social systems to shocks, particularly those related to the climate.
Key Strategies and Plans	Key areas
3N "Nigeriens Feed Nigeriens" Initiative (Action plan for 2021-2025)	The 3N Initiative is the national strategy for food and nutritional safety, and sustainable agricultural development originally elaborated in 2011. It is based on five strategic axes covering various complementary areas aiming to: (i) increase and diversify agro-sylvo-pastoral and fisheries production; (ii) ensure regular supply of agricultural and food products to rural and urban markets; (iii) improve resilience against disasters; (iv) improve the population's nutritional status; and (v) synergies and coordination of reforms. The 3N initiative is implemented through five-year action plans.
National Access to Electricity Strategy 2018-2035	The strategy aims to provide all Nigeriens with reliable, affordable and environmentally friendly electricity, which will also support agriculture productivity and human capital development. It is built upon two main pillars: (1) ensuring universal access to electricity for all Nigeriens based on social justice principles, and (2) leveraging the country's energy resources in partnership with the private sector to meet electricity demand by 2035. The goal is to increase the rate of access to electricity from 20 percent in 2020 to at least 80 percent in 2035, with an intermediate target of 34 percent in 2025.
National Action Plan for Integrated Water Resources Management (PANIGRE, 2017-2030)	PANGIRE represents the operational tool of the Government for the implementation of the National Water Policy, while allowing for a better integration of the planned actions of the various sectoral and inter-sectoral water strategies and programs. The PANGIRE is based on four pillars, namely: (1) improvement of the knowledge of water resources; (2) mobilization and valorization of natural resources and development of socio-economic activities; (3) preservation of the environment and development of resilience against climate change; and (4) improvement of water governance and capacity building. The total cost of Niger's PANGIRE is CFAF 74.36 billion (or $122.4 million).

Annex II. A Summary of IMF Advice on the Elaboration of Niger's Oil Revenue Management Strategy

1. **The authorities are committed to adopting an oil revenue management strategy by end-September 2023 before start of crude oil exports through the new pipeline (SB#2).** The adoption of a fully functioning legal and fiscal framework for oil revenue management is urgent given the completion of the oil pipeline to Benin and the start of crude oil exports in the second half of 2023. Such a framework would help the authorities incorporate the oil revenues in the future budget preparation. To achieve this objective, Niger received IMF support through two capacity development missions to pin down the key aspects of the strategy and elaborate an action plan for its implementation. Following the recommendations of these missions, the authorities have started an inclusive and consultative process involving all relevant stakeholders to build consensus on the key elements of the strategy.

2. **While Niger will benefit from the new oil revenues to finance its development needs and build buffers, these also generate risks.** Niger will be more exposed to oil price volatility in international markets, creating risks for the budget and possibly leading to pro-cyclical policies. Public financial management systems will need to be strengthened to ensure that oil revenues are adequately integrated into the budget preparation and execution. The boom in the natural resource sector could lead to "resource curse" effects, including a permanent crowding-out of other sectors, and increase the risks of security incidents and rent seeking, possibly undermining long-term economic growth and stability.

3. **Against this backdrop, the IMF advice has focused on four key pillars to ensure an efficient and transparent management of oil revenues, finance the country's considerable development needs, mitigate the budget's dependence on oil revenues, and build fiscal buffers:**

- Enhance the macroeconomic framework for optimal management of oil revenues by: i) preparing detailed oil revenue projections covering the period of oil production and exports; and ii) assessing the quality of past revenue forecasts and including an analysis of forecast errors in the multi-year budget and economic programming document.
- Strengthen the budget preparation and execution processes to account for the challenges of oil revenue management. As far as budget preparation is concerned, actions could include: i) a clear identification of priority spending that needs to be financed with the oil receipts, ii) the tagging of oil-related revenue and expenditure operations in the budget, iii) the increase of the number of feasibility studies for projects before the inclusion in the budget, and iv) the expansion of the double accounting system (AE/CP) to the ministries with a large investment portfolio. Regarding budget execution, the authorities would need to: i) clarify the mechanism for transferring 15 percent of oil revenues to local governments; ii) step up the decentralization of payment orders (especially at the regional level); iii) reinforce the production and coordination of infra-annual expenditure programming tools (procurement plan, sectoral and global commitment plans and cash flow plans); and iv) expand the TSA to local governments.

- Establish and implement a stabilization fund and non-oil revenue primary fiscal balance target to mitigate the effects of fluctuations in oil prices on the budget. On the stabilization fund, the strategy will define a reference price to be used for projections, the maximum level of the fund and the time frame for building it, as well as rules for deposits and withdrawals. Regarding the non-oil primary balance target, a flexible fiscal rule could be set at a level that smooths spending and is compatible with the WAEMU 3 percent of GDP fiscal deficit ceiling, even after oil production and exports come to an end. The target would have to be flexible and adjustable and included in the budget law.

- Ensure fiscal transparency and accountability by: i) strengthening the disclosure of information on the oil sector through the publication of oil contracts, the procedures for granting oil licenses, and an oil licenses registry; ii) assessing, monitoring, and publishing information on fiscal risks in the oil sector, and the financial statements of SOEs operating in the oil sector in the multi-year budget and economic programming document; and iii) strengthening oversight of oil revenue management by independent entities (e.g., *Cour des Comptes*, Finance Committee of the National Assembly).

Annex III. Capacity Development Priorities by Department for FY24/25

FAD Priorities

Topics	**Objectives**
Revenue administration	Revenue mobilization remains a key program priority. CD support is needed to improve the management of the taxpayer registration system, complete the digitalization and interconnection of tax and custom administrations. Support is also needed to strengthen capacity for natural resource revenue management and establish robust tax and customs revenue forecasting models.
Tax policy	Ongoing reforms focus on broadening the tax base and removing tax exemptions through a simplification of the general tax code and a shift of the tax burden from corporate and labor income to consumption. Technical assistance is also necessary to develop a Domestic Revenue Mobilization Strategy aiming to broaden and sustain the country's fiscal space.
Topics	**Objectives**
Public financial management	The authorities require capacity development to implement a Climate Budget Tagging Framework, which aims to incorporate climate change considerations into the budget cycle. Activities to monitor the implementation of recommendations from the Public Investment Management Assessment (PIMA)— including a Climate-PIMA section are also a priority. The authorities have requested assistance to enhance the fiscal risks assessment framework (macro risks related to PPP, SOEs, …) covering climate risks as well. In addition, CD activities to support further progress in implementing the single treasury account and enhance cash management are desirable. Support is also needed to increase efficiency and transparency in the expenditure chain and strengthen budget preparation and execution in the context of program budgeting.

MCM Priorities

Topics	Objectives
Debt management	Further technical assistance is needed to strengthen the country's capacity to manage public debt, including to prepare a public debt plan that is consistent with the broader investment strategy and fiscal planning.

STA Priorities

Topics	Objectives
Macroeconomic and financial statistics	Strengthening government finance statistics according to GFSM 2014 standards, and the improvement of balance of payment statistics as well as national accounts remain priorities. The authorities expressed interest in technical assistance to develop their quarterly national and rapid accounts; and to make 2022 the new base year for the national accounts. For this purpose, increased engagement from the INS will be required to enable the provision of future technical assistance missions on national accounts. In cooperation with WAEMU and AFRISTAT, STA will assist with updating and improving the harmonized consumer price index compiled by the WAEMU member countries, including Niger. In addition, STA will conduct the e-GDDS mission in July 2023 at the request of the authorities.

LEG Priorities

Topics	Objectives
Governance	Strengthening the country's governance framework is also one of the main pillars of the ongoing program. In this regard, the development of a Governance Diagnostic report is among the CD's priorities to address governance vulnerabilities, including those linked to natural resources.

Appendix I. Letter of Intent

Niamey, June 19, 2023

To:
Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Madam Managing Director:

1. **Niger has joined the leading group of high growth countries in the world in 2022, despite a challenging regional and international context.** Our economy remained resilient amid multiple recent shocks undergone by the country and is expected to strengthen further in the medium term. Economic growth rebounded sharply in 2022, to 11.9 percent, after slowing the previous year due to unfavorable climate conditions and a deterioration of the security situation. Inflationary pressures have also eased in 2022 following a good harvest season and stabilization of import prices. The medium-term outlook remains favorable with the expected start of crude oil exports during the last quarter of 2023 and the continuation of major investment projects. Ongoing efforts to accelerate domestic revenue mobilization should bear fruit and allow to meet the West African Economic and Monetary Union (WAEMU) fiscal convergence criterion beginning in 2025.

2. **However, risks related to climate change pose an increasing threat to our country's favorable growth and development prospects**. Our country is indeed one of the world's most vulnerable to the effects of climate change, because of the preponderance of rainfed agriculture and the increased frequency and severity of droughts and floods, resulting in marked volatility in economic activity. Efforts to combat climate change are therefore a top priority on the government's agenda, and national and sectoral strategies have been developed accordingly to address the country's vulnerabilities. However, given the challenges we face, we will need the support of external financial partners to implement the reforms and investments planned in the context of our climate change adaptation and risk mitigation policies.

3. **In this context, we request access to the Resilience and Sustainability Facility (RSF)** in the amount of SDR 98.7 million (or 75 percent of our quota) to be disbursed as budget support. The RSF resources will help support the government's ongoing efforts to respond to the pressing challenges of climate change and strengthen the resilience of the economy and populations. In particular, it will support the implementation of new reforms aimed at equipping the government with modern tools for monitoring, assessing, and managing climate risks.

4. **The implementation of our program under the Extended Credit Facility (ECF) arrangement is on track**. All the performance criteria at end-December 2022 were met as well as all the indicative targets for end-March 2023 with the exception of those relating to cash revenues. At end-March 2023, all the structural benchmarks – including the continuous benchmarks – were met.

5. The government is determined to redouble its efforts to achieve the program objectives. It intends to adhere to the agreed fiscal consolidation path in order to preserve the sustainability of public finances and debt. Efforts to mobilize domestic revenue will be stepped up to create more space for priority and development spending. Improving the quality and efficiency of public expenditure will also continue to be one of the government's top priorities. The structural reforms undertaken to create a more favorable environment for private sector development and transform and diversify the economy will be diligently pursued as well, to lay the foundations for sustained, inclusive, and resilient growth.

6. Our reform program for the remainder of 2023 and the medium term is detailed in the attached Memorandum of Economic and Financial Policies (MEFP). We are confident that the policies and measures set out in the MEFP are sufficient and appropriate to achieve the program objectives but stand ready to adopt any additional measures that may be necessary. To this end, we are committed to consulting Fund staff in advance of any revision of the policies included in the MEFP, in accordance with the IMF's policies on such consultations. The information required to monitor the economic situation and the implementation of policies relevant to the program will be provided on a timely basis, as agreed in the attached Technical Memorandum of Understanding (TMU), or at the IMF's request.

7. We request a six-month extension, to June 2025, and rephasing of the ECF arrangement. This additional time is essential to finalize the implementation of key program reforms—particularly the new oil revenue management framework—, complete the fiscal consolidation efforts under way, and address protracted balance-of-payments financing needs.

8. In view of the satisfactory results to date, we request disbursement of the fourth tranche under the ECF arrangement, of SDR 19.74 million (or 15 percent of our quota) to cover our balance-of-payments financing needs. Also, to reflect recent fiscal developments and in anticipation of a public debt reprofiling operation, we request: (i) the modification of the performance criteria for the ceiling on net domestic financing, of the two indicative targets on the basic budget balance (including and excluding budget grants), and of the indicative target on the cash revenue floor, starting from end June 2023; (ii) the modification of the continuous performance criterion on the ceiling on new public and publicly guaranteed external debt with an adjuster for the public debt reprofiling operation (an increase in the ceiling); (iii) the modification of the performance criterion on the net domestic financing ceiling with an adjuster for the public debt reprofiling operation (a lowering of the ceiling).

9. In keeping with our longstanding commitment to transparency, we agree to the publication of the IMF staff report, this letter of intent, the MEFP, and the TMU on the IMF website.

Very truly yours,

/s/

Ahmat Jidoud
Minister of Finance

Attachments: I. Memorandum of Economic and Financial Policies.
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies of the Government of Niger

INTRODUCTION

1. Niger succeeded in restoring its economy on a strong-growth trajectory in 2022 and mitigating inflationary pressures. The country joined the ranks of the world's fastest-growing countries, with a real GDP growth of 11.9 percent in 2022. The government remains determined to address the country's development challenges, in particular by diligently implementing the 2022-2026 Economic and Social Development Plan (PDES). The actions provided under the 2022-2026 PDES aim to support inclusive human capital development and help curbing the high rate of demographic growth. They also aspire to promote a structural transformation of the economy through industrialization based on the development of value chains in the agriculture, forestry, livestock, fisheries, mining, and petroleum sectors as well as the development of digital services. Challenges related to climate change and other exogenous shocks likely to compromise Niger's development will also be addressed through interventions to strengthen the population's resilience and the national production system. The government remains confident in the effective implementation of those actions and their impact, particularly in view of the substantial financial and technical support promised by the donor community at the recent Paris roundtable.

2. However, government action is taking place in a context marked by overlapping multiple exogenous shocks. After the COVID-19 pandemic – which was quickly contained in terms of public health but slowed economic activity in 2020 – the country faced a drought in 2021 more severe than in any of the past 10 years, resulting from the aggravation of climate shocks. The collapse of agricultural production that followed further slowed economic growth, creating a substantial decrease in the production of cereals and higher inflation, accentuated by the effects of the war in Ukraine. The continuation of restrictive monetary policies in advanced countries and recent pressures on the international financial markets led to tightened financial conditions this year for governments on the West African Monetary Union (WAMU) regional capital market. Moreover, for more than a decade Niger has been facing a security crisis linked to terrorist movements, whose ramifications extend over a wide swath of the Sahel region and continue to cause innumerable victims and displaced persons.

3. In that context, the government intends to continue efforts to preserve macroeconomic stability, particularly the sustainability of public finances and public debt. To this end, it remains determined to increase domestic revenue mobilization to create additional fiscal space for priority and development spending. At the same time, it will accelerate the implementation of reforms to improve the effectiveness and efficiency of public expenditure. The government also intends to continue working at the regional and national level to strengthen the soundness of the financial and microfinance sectors in order to foster financial development and inclusion. The creation of a more favorable environment for investors and development of a private sector that drives growth also remain government priorities.

4. This Memorandum of Economic and Financial Policies (MEFP) supplements and updates the MEFP attached to the Letter of Intent signed on November 30, 2022. It describes recent economic developments, the main orientations for the remainder of 2023, and the medium-term outlook. It also reviews the status of implementation of the economic and financial program concluded with the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) for the 2021-2025 period. The program objectives continue to be focused on (i) consolidating macroeconomic stability, (ii) strengthening the mobilization of domestic resources, (iii) improving the effectiveness of public expenditure, with emphasis on social and poverty-reduction spending, and (iv) fostering good governance. In addition, the memorandum presents the measures planned as part of the reform program supported by the Resilience and Sustainability Facility (RSF) to mitigate the climate change risks faced by Niger.

RECENT MACROECONOMIC DEVELOPMENTS

5. Macroeconomic developments in 2022 were marked by a strong rebound of economic growth and moderate inflationary pressures. The expansion of economic activity in 2022 is estimated at 11.9 percent, driven primarily by the recovery of agricultural production – up 37.9 percent, boosted by more favorable rainfall and government support measures – and the continued implementation of large investment projects. The other economic sectors also posted fairly favorable developments. Tertiary sector growth stood at 4.7 percent, led by the transport, hotel, and restaurant activities in response to the lifting of all COVID-19-related restrictions. The secondary sector, however, saw weak growth on the order of 2.4 percent, reflecting a drop in gold and uranium production as a result of the shutdown of COMINAK and slower crude oil production due to maintenance at the refinery. Inflationary pressures during the first semester of 2022, driven by the spike in imported food and consumer goods prices, were mitigated considerably thereafter by a satisfactory harvest season. Average annual inflation rose to 4.2 percent, well above the 3 percent WAEMU community standard, compared to 3.8 percent the previous year.

6. Construction of the Niger-Benin oil pipeline is completed. Extraction has begun at the Agadem oil field pending the operationalization of the pipeline. Crude oil export operations will begin as planned in November 2023.

7. The current account deficit widened further in 2022, to 15.6 percent of GDP. The deterioration of Niger's external position is the result of a combination of unfavorable developments in exports, imports, and net income. Exports fell to 6.7 percent of GDP compared to 8.1 percent in 2021, essentially reflecting weaker performance of petroleum product exports – due to refinery maintenance at the end of the year and the suspension of petroleum exports to certain neighboring countries – and uranium product exports –following the closure of one of the sector firms. In parallel, imports increased, in particular due to increased costs of petroleum imports and of capital and intermediate goods procured in the context of different investment projects. Also, the reduction of program grants by more than half, from 1.9 percent of GDP in 2021 to 0.8 percent in 2022, significantly deteriorated the current account and capital deficit.

8. The overall fiscal deficit came to 6.8 percent of GDP in 2022, in line with the program target. The fiscal expansion in 2022 was mainly due to higher spending in response to the more than 39 percent drop in agricultural production in 2021 and the deterioration of the security situation in the three borders area. Despite annual growth of 10.1 percent, total cash revenue was below the program target, due in particular to the still difficult security situation – resulting in disruptions along the Lomé-Ouagadougou-Niamey customs corridor – slackness of trade flows at the border with Nigeria, and the lower-than-expected yields from the tax policy measures and tax administration reforms initiated at the level of the revenue-collection agencies. In view of weak revenue collection, the government took steps to control public spending – in keeping with its commitments under the program – in particular by reducing domestically financed capital expenditure and less essential current expenditures. This fiscal adjustment more than offset the revenue deficit and shortfall of budget support (0.8 percent of GDP) relative to expectations (1.5 percent of GDP).

9. **The overall fiscal deficit stood at CFAF 149.3 billion in the first quarter of 2023, below the program target of CFAF 182.7 billion.** This is primarily due to under execution of total expenditure and net loans of CFAF 92 billion, reflecting a reduction of domestically financed capital expenditure and net loans for the government's investment in the Niger-Benin pipeline project, for which no payment was made during the first quarter. In addition, total revenue was below the program target of CFAF 45 billion, due in particular to weaker performance of goods and services and non-tax revenues.

10. **Money supply growth accelerated in 2022, reflecting the consolidation of bank deposits and currency in circulation.** In counterpart terms, money supply growth reflected a 20.7 percent increase in net domestic claims in a context of modest (-0.2 percent) erosion of net foreign assets. The money supply stood at CFAF 1862 billion in 2022, or 19.7 percent of GDP, up 11.9 percent on 2021. The increase in the money supply was driven by all components of overall liquidity of the economy. Also, claims on the economy increased by 12.6 percent due to increased funding to individuals, commercial firms, the construction, public works, and manufacturing sectors. The growth of net domestic claims is also related to the improvement of net claims on the government.

11. **However, the WAEMU regional monetary policy tightened in 2022 to contain inflationary pressures.** The Central Bank has raised its main policy rate on four occasions since June 2022, from 2 percent to 3 percent. In addition, the interest rate at the marginal lending window was raised from 4.75 percent to 5 percent, and the auction mechanism in place before the pandemic was reinstated. These steps, aimed to contain inflation within the Central Bank target range, are part of a gradual normalization of monetary policy in a context of adequate bank liquidity in the banking sector. The BCEAO monetary policy committee indicated that it would take appropriate measures as necessary during the coming months to ensure monetary stability.

12. **The financial sector remained stable despite persistent vulnerabilities linked to the deterioration in the quality of financial institutions' portfolios.** Banking sector capitalization remained satisfactory, with a capital adequacy ratio of 14.5 percent at end-June 2022, above the WAEMU regional average of 12.6 percent. Banks also remained sufficiently liquid, with liquid assets representing 26.5 percent and 42.4 percent, respectively, of total assets and deposits– above the community averages of 23.2 percent and 32.9 percent, respectively. Bank profitability remained satisfactory, with average after-tax returns on equity of 12.2 percent, compared to a regional average of 17.4 percent. Yet while nonperforming loans declined slightly with respect to 2021 (20.2 percent), they remained high for the banking sector at end-December 2022, at 18.2 percent, well above the regional average of 8.4 percent. The principal findings resulting from the preliminary results of BCEAO investigations into the determinants of the significant deterioration of the portfolios of the eight banks concerned over the period are essentially: (i) when separating the portfolios of the eight banks, the combined NPL levels amounted to 31.7 percent compared to a gross NPLs ratio of 18.2

percent for the entire sector, at end-2022, (ii) other corporations (51.7 percent) and individual businesses (41.5 percent) are the categories showing the highest rates of NPLs among the eight banks, (iii) in terms of maturity of bank loans, short-term loans were the main driver of NPLs for the banks concerned, with a rate of 43.5 percent compared to 27.1 percent for long-term loans. Moreover, the sectoral concentration of bank loans remains high with an estimated concentration ratio of 210.9 percent at end-June 2022, in line with the marked shift of credit toward the services, transport, and construction sectors and very low credit allocated to the agriculture sector (0.97 percent). However, most Nigerien banks respected the risk concentration standard (35 percent in 2021 and 25 percent in 2022). Microfinance institutions continue to face a high level of NPLs, representing 28.5 percent, well above the regional average of 7.9 percent, according to the most recent estimates available for 2022, compared to 50.25 percent in 2021, following the reclassification of ASUSU S.A's NPLs as losses. However, the risk of destabilization of the financial system remains low in view of the banks' limited exposure to the microfinance sector.

RESULTS ACHIEVED UNDER THE ECF-SUPPORTED PROGRAM

13. The government met all the program quantitative performance criteria at end-December 2022 and indicative targets at end-March 2023. Net domestic financing of the government – adjusted by the amount of budgetary support planned but not disbursed and the amount of the float from the 2022 budget year – remained below the ceiling of CFAF 403 billion for December 2022 and CFAF 129.8 billion for March 2023, standing at CFAF 223.4 billion and CFAF 89.9 billion, respectively, at those dates. No external payment arrears were accumulated during the period. The amount of the present value of new external public and publicly guaranteed debt contracted stood at CFAF 493 billion and CFAF 43.6 billion at end-December and end-April 2023, below the respective ceilings of CFAF 575 billion and CFAF 550 billion.

14. Almost all the indicative targets were met at end-December 2022 and end-March 2023. The indicative targets relating to basic budget balances (including and excluding grants), exceptional expenditures, and social spending were met at end-December 2022 and end-March 2023. However, cash revenues stood at CFAF 939.8 billion and CFAF 238.5 billion at end-December 2022 and end-March 2023, below the program floor.

15. The structural benchmarks at end-December 2022 and end-March 2023 were all met. The benchmark relating to the publication of the compliance audit report of the Auditor General (*Cour des Comptes*) on tax expenditures relating to extractive industries was met well before the target date, in May 2022. Also, the interconnection of all DGD and DGI IT systems continued with the adoption of an administrative order on registration of taxpayers and joint management of the taxpayer database by the two administrations, including sanctions for noncompliance with tax obligations, as recommended by the IMF technical assistance mission.

16. Also, all program continuous structural benchmarks were met by the target dates. The government provided IMF staff with a list of all tax exemptions, at end-March 2023, newly adopted or extended, including details and expiration dates. Public procurement plans related tender notices, and the final results of public contract awards were also regularly published on the government procurement portal, as well as information beneficial owners of firms awarded non-competitive contracts, with the exception of defense and security contracts. Feasibility studies for public investment projects of more than CFAF 5 billion were published on the Ministry of Planning website.

MACROECONOMIC FRAMEWORK FOR 2023 AND THE MEDIUM TERM

17. The short- and medium-term outlook remains favorable, with economic growth expected set to remain vigorous and inflation gradually declining to levels comparable to those observed prior to the COVID-19 pandemic. Real GDP growth in 2023 is projected at 7.0 percent, driven primarily by the continued recovery of agricultural production, the start of crude oil production for export from the Agadem field, renewed momentum in the tertiary sector and, to a lesser extent, the recovery of manufacturing production. Growth is then expected to increase again to the double digits in 2024 (13.0 percent) as crude oil production increases to nearly full capacity and is transported through the new pipeline, as well as the continued buoyancy of the agriculture sector. In subsequent years, growth is expected to remain firmly anchored around 6 percent. Inflationary pressures are expected to further subside – bringing inflation back within the regional convergence band – following the recovery and strengthening of agricultural production, the attenuation of disruptions in international supply chains, and the continued reduction of imported food prices.

18. The current account deficit is expected to narrow considerably with the start of crude oil exports via the new Niger-Benin pipeline. Oil export revenues should thus enable a reduction in the current account deficit from 15.6 percent of GDP in 2022 to 12.2 percent in 2023, and 5.2 percent in 2024 with the acceleration of production. In addition, the stabilization of imported food prices should also help further improve the current account balance in 2023 and in the following years. The launch of operations of new investment projects in the uranium sector in the medium term is also expected to strengthen Niger's external position. Similarly, improved agricultural production, aided by public policies supporting the sector, are expected to significantly reduce Niger's dependence on food imports, and incidentally the current account deficit.

19. The fiscal consolidation process is expected to begin in 2023 and continue over the medium term to preserve fiscal sustainability and enable the observance of WAEMU convergence criteria. The overall fiscal deficit is expected to narrow from 6.8 percent of GDP in 2022 to 5.3 percent of GDP in 2023, reflecting increased efforts to mobilize domestic revenue, the modest contribution of oil revenue, and rationalization of public expenditure. The contribution of oil revenue will become more substantial in 2024 with the expected acceleration of crude oil exports and should support compliance in 2025 with the WAEMU convergence criterion of 3 percent of GDP for the overall fiscal deficit including grants. In parallel, efforts to rationalize expenditure will be reinforced and should begin to produce greater impacts from 2025 onwards.

20. The government will pursue a prudent borrowing policy to maintain the risk of debt distress at a moderate level. In this perspective, it intends to continue prioritizing concessional resources and grants to finance its development policy. Also, ongoing efforts to strengthen capacities of the institutional framework for public debt management and monitoring will be stepped up in order to better control the associated risks and costs. In that context, all public debt sustainability indicators are expected to remain below their respective critical thresholds, and to improve substantially in the medium term with the start of crude oil exports.

21. The government plans to undertake a debt reprofiling operation, which should not result in a downgrade of the risk rating for external or overall debt distress. The operation will consist of the contracting of a commercial loan in the amount of CFAF 300 billion (roughly 2.8 percent of GDP) to clear Treasury bills and bonds maturing between July and November 2023. The operation will serve in particular to reduce refinancing and liquidity risks for domestic debt by extending the average maturity of total public debt and reducing the burden of interest payments.

FISCAL POLICIES AND REFORMS IN 2023

22. The fiscal framework for 2023 is fully financed. The Interministerial Budget Regulation Committee will take the necessary steps to ensure expenditure restraint and only release of appropriations, considering the pace of revenue and grant mobilization, to contain the deficit within the limit of 5.3 percent of GDP. Efforts will be intensified to raise additional domestic revenue in order to free up the fiscal space required to finance priority social and development spending.

23. The government will place particular emphasis on raising domestic revenue. Revenue mobilization is central to the government's priorities in terms of medium-term fiscal consolidation, given the fiscal potential and need to respond to the country's development needs, particularly in terms of social and basic infrastructure and hiring of qualified personnel. The government's commitment to improve domestic revenue mobilization is reflected in the 2023 budget law through new tax policy and tax administration measures and reforms to expand the tax base, limit tax evasion, and consolidate previous tax reforms. These measures will improve the weak performance in revenue mobilization seen in previous program reviews and achieve the government's objectives. In the first quarter 2023, cash tax revenues continued to increase by 7.6 percent. However, they were below the programmed target established during the second review.

24. The government is committed to taking additional measures to offset customs revenue losses. It will work to accelerate merchandise clearance through the use of a simplified declaration system, strengthen pre- and post-clearance inspections and monitor customs operations, exploit the data available on the one-stop foreign trade window (GUCE) and accelerate the digitization and interconnection of the revenue-collection agencies. Efforts will be devoted to increasing revenues related to gold exports and production by verifying certificates of origin and implementing the new specific taxes on gold and cigarettes.

25. The government is continuing the implementation of the tax administration's strategic plan for the 2022-2024 period by improving its compliance risk management and digital systems. In that context, the legal powers of the tax fraud repression unit were strengthened with the mandate to recover fines and penalties. New tax audit tools were developed, and monthly reports are planned on the implementation of the tax audit program and performance contracts for all auditors. The continued digitization of units and activities is planned, as well as continued implementation of the tax ring fencing (*enclos fiscal*).

26. The government will intensify efforts to accelerate the implementation of reforms to increase domestic revenue mobilization. Particular emphasis will be placed on:

- **The revision and simplification of the General Tax Code (CGI).** The government is determined to ensure that the reform is the result of transparent consultation process involving all stakeholders, including private sector actors. To this end, an ad hoc national advisory board on tax policy, including representatives of the private sector and the government, was created to oversee the revision of the CGI. The CGI revision effort will continue with the review and formulation of proposed revisions. The government is committed to adopting the new CGI before June 2024 (*structural benchmark for end-June 2024*). The date initially planned for the adoption of the revised code has been postponed to ensure the full involvement of all stakeholders, particularly those in the private sector through the establishment of the National Tax Policy Advisory Council.

- **The continued integration of digital platforms of the DGI and DGD systems.** An order on tax registration and joint management of the taxpayer database by the DGI and DGD, including sanctions for taxpayer noncompliance, was issued by the minister of finance (*structural benchmark for end-March 2023*). A study mission to Côte d'Ivoire is planned to draw on good practices that may exist in the sub-region regarding the integration of DGI and DGD systems. The interfacing manual will continue to be revised after the mission. The government is committed to continuing the process of fully interconnecting information systems (*SB#6, SB#8, and SB#9*).

- **The certified invoice reform.** The free online for issuance of certified electronic invoices (e-SECEF) is now in operation. Also, the use of the SECEF system was extended to all taxpayers, including taxpayers not subject to VAT. This will provide the tax administration with a solid basis to verify businesses' turnover data. The reform will continue with the training for public procurement controllers in the verification of certified invoices and educate those stakeholders who will play a major role in ensuring that operators comply with the reform and strengthening of controls.

27. The government plans to continue efforts to rationalize exemptions in order to control tax expenditures and protect the tax base. Since 2022, the beneficiaries of exemptions under the investment code must pay the full amount of customs duties and taxes, which are reimbursed once the investment is made. An extractive industries division was created within the DGI Directorate of Large Business Taxpayers (DGE) to participate in discussions toward the preparation of conventions with the Ministry of Petroleum and Ministry of Mines and improve control of exemptions provided by the mining and petroleum codes. Also, the two-year exemption on property tax for income-producing properties was repealed.

28. The adoption of the oil revenue management strategy continues to be a government priority. It will occur prior to the start of crude oil exports planned for November 2023 (s*tructural benchmark for end-September 2023*). Preparation of the draft strategy and action plan is moving ahead with technical assistance from the IMF. In that context, the government is committed to (i) creating a technical committee of representatives of the ministries of petroleum, planning, and finance that will prepare a detailed report on the projected revenue from crude oil production and export over the economic life of recoverable reserves and evaluate the tax risks (*structural benchmark for end-March 2024*) and (ii) adopting a regulatory text establishing the formula for calculating the reference price for the oil stabilization fund and create a committee of experts to implement the calculation (*structural benchmark for end-September 2024*).

29. Molecular marking of petroleum products is still suspended, and negotiations with the contractor are continuing in order to reach an agreement, notably on marking costs. In view of the price differential between Niger and neighboring countries, there is little incentive to divert petroleum products intended for export to the domestic market or to engage in smuggling into Niger.

30. The government is committed to continuing reforms to improve the quality and efficiency of public expenditure. Emphasis will be placed on:

- **The Treasury single account (TSA).** Since January 2023, Treasury accountants have served as accountants for local authorities. This phase is crucial for the integration of local government accounts into the TSA. An inventory of accounts has begun and should facilitate the preparation of a report of all public accounts at commercial banks, including the accounts of local authorities. This will ultimately lead to the closure and integration of local authorities' accounts into the TSA.

- **Decentralization of the payment authorization function**. The pilot phase has been extended to three additional ministries, bringing the total number of ministries covered by the reform to five. Steps were taken to identify payment officers for those ministries and continue their training in the payment authorization function.

- **AE/CP budgeting of budget appropriations.** The reform now covers 11 ministries. Efforts are planned to specify and establish a nomenclature for capital expenditures to be integrated in the AE/CP budgeting procedures.

- **Deployment of new digital solutions.**

    - The new order was issued in May to simplify and expedite digitization of the expenditure chain. The secure digitization phase – including, inter alia, archiving of documents used in the expenditure chain, integration of the Directorate General of Budget (DGB) and Directorate General of Treasury and Public Accounting (DGTCP) databases, and automation of commitment, validation, payment authorization, and financial control – has been completed. The second phase will consist of securing and authenticating documents used in expenditure execution. A Qualified Electronic Signature will be developed in a third phase.

    - Other platforms are also planned to integrate the DGB PAIE database and the Ministry of Civil Service database so as to ensure that any change in the civil servants database will automatically impact the budget. Also, an *e-bulletin* (e-pay slip) system will facilitate access to and printing of payroll statements from a mobile phone application, and a career and payroll management process will be developed to improve the management of both civil service and contract employees.

    - The DGTCP will continue efforts to interconnect regional and headquarters treasuries and deploy the digital International ACH Transactions (IAT) platform to improve cash flow management. In the near future, scholarship and pension payments will be distributed to students and retirees, respectively, in the form of prepaid cards.

- **Expansion of the Unified Social Registry (USR).** The USR will cover 800,000 households and 43 percent of the poor populations in 2024. This will improve the efficiency of expenditures for social protection and support to vulnerable and poor populations.

31. The government plans to step up efforts to strengthen public sector capacities and efficiency. Improving and monitoring the performance of public enterprises and establishments has begun with the implementation of an information and data entry system to collect budgets and financial statements. The financial statements for fiscal year 2021 were entered for 18 of the 33 public enterprises. The first National Forum of Public Enterprises and Establishments, held in October 2022, facilitated discussions and the formulation of recommendations to address irregularities in the management of public enterprises and establishments. Also, the budgets of all public enterprises and establishments require prior validation by the minister of finance after adoption by their decision-making bodies. Particular emphasis will be given to the implementation of performance contracts among public enterprises. Plans also call for the merger and elimination of some administrative public establishments and related divisional units.

32. The government will start including a statement of fiscal risks in the 2025 budget law. The 2025 budget will include a detailed fiscal risks statement, identifying and quantifying macroeconomic and climate change risks. The IMF will support this initiative with a technical assistance mission.

33. The government is continuing the implementation of reforms to improve the selection, implementation, and evaluation of investment projects. To this end, projects amounting to CFAF 5 billion or more will require feasibility studies before their inclusion in the government investment program. To expedite the mobilization of resources announced at the roundtable, the government conducted feasibility studies for 11 projects that were presented in Paris on December 5 and 6, 2023. Following the roundtable, feasibility studies will be conducted for another 20 projects. The government requested support from the German Cooperation, through the PAMO project for the operationalization of the integrated monitoring and evaluation system. The government arranged training for management staff from sectoral ministries and the Ministry of Planning as part of the deployment of the CEGIP-PIP software.

STRUCTURAL REFORMS

34. The government is determined to improve the business climate and support the development of the private sector. To support the implementation of the reforms needed to improve the business environment, the government created a new framework for public-private dialogue in April 2022 and set up the institutional framework for its operations at the central and regional levels. Technical committees were also created to develop an action plan to respond to concerns raised by the private sector, which should be adopted by the national committee before the end of the year. In parallel, the government plans to adopt a decree instituting a charter for small and medium-sized enterprises (SMEs) before the end of the year to improve their competitiveness and facilitate their access to financing.

35. The development of agricultural value chains is one of the major pillars of the government's policy to transform and diversify the economy. The "agro-industrial clusters" program is a key program of PDES Pillar 3, "Structural Transformation of the Economy" which is intended to create added value and generate jobs and income in the country's eight regions. The agriculture sector offers opportunities for investment in the agri-food processing industry. The principal segments with strong development potential are meat, leather and animal skins, onion, pepper, tomato, cowpea, groundnut, rice, buckwheat, and dry cereals. Niger also has an abundance of agricultural land, surface and underground water resources, and immense potential for solar and wind energy. The construction and management of each cluster will be handled by private or joint public-private firms that will invest their own resources in the context of a public-private partnership. The construction of key infrastructures and the adoption of reforms will facilitate the development of the clusters. A program development and coordination unit were created as part of the Office of the President of the Republic, under the supervision of a steering committee, to manage the program.

36. The government remains committed to implementing its financial inclusion policy. Most of the actions provided in the context of the National Financial Inclusion Strategy (SNFI) have been implemented. A task force was established to define the different pillars of the national financial education program, which will target primarily rural populations, women, and youths – the social group most excluded from the financial system. As the digital financial services sector garnering an increasing number of users, a consumer protection observatory was instituted, and the hiring of staff is almost completed. In addition, a study is being conducted to identify the needs of potential customers to ensure alignment of the supply of financial services with demand.[1] To strengthen the agriculture sector's resilience to the adverse effects of climate change, the authorities plan to foster the development of index-based, inclusive insurance – covering the agriculture and livestock sectors – with support from the World Bank. Also, the implementation of the decree adopted in 2018 instituting warehouse-receipt financing is a priority to better include the agriculture sector in the financial system. Digitalization of the financial system is also continuing in cooperation with the National Agency for the Information Society (ANSI). At the regional level, the project to interconnect all existing WAEMU financial systems is broadly on track.

37. The operationalization of the various development funds created recently is expected to boost financial inclusion. The implementation of the SNFI is supported by (i) the National Fund to support small and medium-sized enterprises and small and medium-sized industries (FONAP) and (ii) the Financial Development and Inclusion Fund (FDIF). The FONAP’s first annual work plan, validated in 2022, has enabled its four windows to become operational. The first project, "100 champion SMEs" launched in 2022 with CFAF 10 billion financed by FONAP, will support 109 SMEs with capacity development and financial guarantees to ensure financing and implementation of their projects. In addition, FONAP raised CFAF 21.1 billion from the development partners (DPs), of which CFAF 10 billion in 2022 and CFAF 11.1 billion in first quarter 2023. The FONAP executive secretariat also plans to strengthen its financial strategy to raise about CFAF 102 billion from among DPs over the medium term (2023-2029). The four windows of the FDIF were put in place; however, their operationalization will depend on the availability of financing promised by DPs.

38. Recent progress in implementing the microfinance sector restructuring plan adopted in 2017 is expected to help restructure and consolidate the sector. The number of accredited mutual or cooperative savings and loans institutions (*systèmes financiers décentralisés*, SFDs)

[1] This study will draw on a similar analysis by the BCEAO while considering the specific Nigerien context.

increased from 37 in 2021 to 40 in 2022, including 30 mutual institutions and 10 limited liability corporations. The number of points of service and beneficiaries increased by 9.5 percent and 8.1 percent, respectively, between 2021 and 2022. A strategy to strengthen the microfinance network is being developed to stimulate the sector through the affiliation of SFDs in difficulty. Moreover, an agreement was signed by local banks in the context of implementing the ASUSU restructuring plan that envisages the banks' participation in ASUSU's capital and the resumption of activities by the institution by end-2023. The financial statements of TANADI were approved, but a shareholders meeting must be held to propose a restructuring plan for the institution. For the *Union des Caisses Mutuelles du Niger* (UCMN), a plan for financial support and strengthened governance of the institution was prepared for the period 2023-2025 with support from the Luxembourg Development Cooperation Agency (LuxDev). In addition, the authorities are pursuing digitalization efforts (in particular, with redesign of the website, implementation of a management information system, a data transmission platform, etc.) and training of personnel to increase human and logistical resources at the Microfinance Sector Regulatory Agency (ARSM),[2]. This promising outlook for the sector is dimmed by the security situation, which has resulted in the decline of deposits and closing of branches in the affected areas.

39. The government plans to continue ongoing efforts to strengthen the governance and anti-corruption framework. It is determined to improve transparency in public financial management and reduce vulnerabilities to corruption, in particular through digitization. To strengthen transparency in the awarding of public contracts, information on the beneficial owners of firms awarded non-competitive contracts are published on the public procurement authority (ARCOP) website (https://www.armp-niger.org/marches-passes-par-ed) (*continuous structural benchmark starting from January 2023*). The government plans to adopt a new regulatory text with the technical assistance from the IMF’s Legal Department to strengthen the current legal framework for the collection of information on beneficial owners. The government also plans to continue the automation of public contracting procedures. It has also adopted a new anti-money laundering and terrorism financing strategy and detailed action plan to remedy the deficiencies in the existing framework identified in the report of the Intergovernmental Task Force on Money Laundering in West Africa (GIABA). Money laundering and terrorism financing risk assessments were conducted, and relevant legal texts are currently being revised. The *Cour des Comptes*’s 2023 annual report also noted the complete or partial implementation of eight of the 11 recommendations of the audit report on COVID-19 expenditures in 2020. It also noted the Ministry of Petroleum's complete implementation and the Ministry of Mines' partial implementation of the recommendations of the compliance audit report on tax expenditures in the extractive industries.

40. Progress was also made in implementing the new assets declaration framework for senior public officials. The government plans to adopt, by the end of this year, a decree specifying the nature of the information contained in the assets declarations of senior public officials that can be published online by the *Cour des Comptes*, in accordance with recommendations by the High Authority for the Protection of Personal Data (HAPDP). At the conclusion of the current outreach phase (planned for end-May 2023), the *Cour des Comptes* will begin imposing the sanctions provided by law on public officials who fail to fulfill their legal obligation to disclose their assets.

[2] In December 2022, the President issued a decree changing the status of the ARSM to that of an administrative public entity.

POLICIES AND MEASURES TO COMBAT CLIMATE CHANGE

41. The government recognizes the urgency of strengthening the economy's resilience to climate change to achieve sustainable and inclusive growth. The expected impact of climate change in Niger – in particular, the frequency and severity of climate-related disasters – is likely to accentuate the challenges already faced by sectors such as agriculture and forestry as well as road, water distribution, and school infrastructures. According to the World Bank's G5-Sahel Climate Change Development Report (CCDR), the reduction of Niger's GDP caused by climate change could range between 2.2 percent to 11.9 percent by 2050 in the absence of adaptation measures.

42. The government is committed to incorporating climate change in its policy of transformation of the country's economic and social framework. The government's national adaptation and mitigation program is presented in Niger's Nationally Determined Contribution (NDC), which was adopted in 2016 and revised in 2021. The various national strategies (in particular the 2022-2026 PDES) and sector strategies (including the 2020-2035 National Strategy and Plan for Agricultural Adaptation to Climate Change (SPN2A)) are aligned with the National Adaptation Plan (PNA) recently adopted in 2022. In addition, a new law on disasters risks management (DRM) was adopted in December 2022. The authorities also adopted a decree in 2022 creating a policy steering committee for implementation of the NDC, which is already operational. The adaptation measures provided in the PNA essentially target five sectors (agriculture and livestock, transportation, forests, health, and wetlands), with 22 priority programs including the development of pastoral areas, sustainable land management, and reinforcement of flood control barriers along roads. Despite the country's limited contribution to greenhouse gas emissions, the authorities are committed to contributing to international mitigation efforts, including through the development of renewable energies, climate-smart agriculture, and sustainable development of forest areas for carbon sequestration. The estimated cost of the NDC is CFAF 9.9 billion over the 2021-2030 period. The government plans to develop a climate investment plan with support from the World Bank, to be financed with domestic and external resources.

43. Strengthening of institutional capacities, mobilization of climate financing, and mitigation efforts still represent significant challenges to overcome. To accelerate implementation of its climate agenda, the government has requested financing under the IMF Resilience and Sustainability Facility (RSF). The new program will support the implementation of reforms in the following priority areas: (i) strengthening the planning and budgeting of climate-related spending, (ii) improving the sensitivity of public investment management to climate-related issues, (iii) improving the management of natural disaster risks and associated fiscal risks, and (iv) promoting renewable energies.

44. The government plans to establish a framework for monitoring climate-related expenditures in order to better inform budget decisions. In 2018, a government study mapped all of the climate change adaptation projects identified in the budget, enabling it to link adaptation projects to local climate vulnerabilities. In the context of the project "Advancing Medium and Long-Term Adaptation Planning and Budgeting in Niger," the government, with support from the UNDP, also conducted a review of the institutional framework and public expenditures relating to climate change. Based on the results of the studies, the government plans to institute climate budget tagging (CBT) to encourage sectoral ministries to include climate-related investments in their budget proposals, and to improve visibility into the amount and utilization of climate-related financing. To this end, the government will first develop a CBT methodology to be validated by end-October 2023 ***(RSF reform measure 1)***. The framework for tagging climate-related appropriations will then be applied to pilot sectoral ministries[3] in the 2024 budget, and the results will be shared with IMF staff by end-April 2024 ***(RSF reform measure 2)***. Finally, by end-May 2024, the government will amend the budget circular to provide for application of CBT in the 2025 budget ***(RSF reform measure 3)***.

45. The construction of climate-resilient infrastructures is also a priority of the government's climate change adaptation strategy. Indeed, efficient and resilient infrastructures are essential to achieve the government's objectives in the area of climate change and sustainable development. Resilient public investment will serve to minimize disruptions in the delivery of public services, reduce the exposure of assets to natural disaster risks, and reduce the need for maintenance and rebuilding. In this regard, the government is committed to incorporating climate-related aspects in feasibility studies for public investment projects and programs. It will first develop and publish a guide defining the methodology for analyzing the vulnerability of public investment projects and programs to the effects of climate change by end-October 2023 ***(RSF reform measure 4)***. The government will then amend order no. 0041 of November 3, 2021 on the analysis and selection of investment projects and programs to require that their assessments consider climate-related issues, and publish the amended decision on the Ministry of Planning website by end-October 2023 ***(RSF reform measure 5)***. Based on the new methodological guide, which will explain the preparation of an analysis of projects' and programs' vulnerability to the impacts of climate change, the government will prepare feasibility studies, including climate-vulnerability analyses, and publish these studies for at least three projects of more than 5 billion CFAF by end-April 2025 ***(RSF reform measure 6)***.

46. The government also plans to strengthen the management of natural disaster risks to reduce the associated budgetary costs.

- The Multiyear Fiscal and Economic Programming Document (DPBEP) already includes a section on the qualitative assessment of fiscal risks including (for the first time this year) a qualitative analysis of the fiscal impact of natural disasters. To improve the analytical framework and alignment with international standards, the government will publish a guide for the analysis of natural disaster-related fiscal risks by end-October 2023 ***(RSF reform measure 7)***. Based on the new guide, the government will publish a statement on fiscal risks, including an assessment of risks associated with natural disasters, by end-October 2024 ***(RSF reform measure 8)***.

- The recently adopted natural disaster risk management (DRM) law (law 2022-61) aims to improve DRM governance by addressing problems of coordination among public entities. To implement the institutional framework provided by the law, the government will first adopt an order to establish focal points in selected ministries[4] by end October 2023 ***(RSF reform measure 9)***. Moreover, to respond to the dual threat of droughts and floods faced by Niger's cities – aggravated by water shortages and supply-chain difficulties –, the government plans to institute a disaster risk management mechanism. To support this effort, drought and flood risk

[3] Ministry of Agriculture and Livestock, Ministry of the Environment, Ministry of Water Resources, Ministry of Transport, and Ministry of Energy.

[4] The Ministry of Finance, Ministry of Urban Development, and Ministry of Water Resources.

assessments will be conducted in the main exposed areas and published on the national DRM data platform by end-April 2024 *(**RSF reform measure 10**)*.

47. To accelerate the energy transition, the government plans to foster private-sector participation in the development of renewable energies. A strategy on access to electricity for the period 2018-2035 was adopted in 2018 with the aim of providing all Nigeriens with reliable, affordable, and environmentally friendly electricity. Although the current regulatory framework allows independent power producers to be part of the green energy sector, the private sector contribution remains limited due to lack of experience in this area and limited access to financial resources. Technical and financial support for SMEs wishing to invest in renewable energy production or to adopt clean energies is therefore necessary to step up the development of these various energy sources. For this purpose, the government will create a new FONAP window to support this assistance by end-October 2023 *(**RSF reform measure 11**)* by: i) modifying order no. 000084/MF/SG/SE-FONAP dated February, 24 2022 laying down the operating rules and intervention mechanisms of the FONAP to add the above-mentioned window; and ii) elaborating an operational manual for the window. In light of the considerable potential benefits expected from investments in renewable energies in Niger, the measure is also expected to speed the mobilization of green funds to finance the country's adaptation and mitigation policy.

48. The government is committed to implementing all of these reforms. Given the complexity and expanded scope of reforms under consideration, the government plans to request technical support from the development partners to implement its RSF-supported program.

PROGRAM MONITORING

49. The program monitoring will be based on performance criteria (Table 1) and structural benchmarks (Tables 2, 3 and 4). The indicators and reporting requirements are defined in the attached Technical Memorandum of Understanding (TMU). The authorities will submit data and statistics to the IMF as set out in the TMU, as well as any other information that they consider useful or is requested by the IMF for monitoring purposes.

50. The ECF- and RSF-supported programs will be monitored in form of joint semiannual reviews by the IMF Executive Board. The semiannual reviews under the ECF will be based on the performance criteria at end-June and end-December, and on the indicative benchmarks at end-March and end-September. New quantitative performance criteria and indicative targets are being proposed at end-June and end-March 2024, respectively. The RSF reviews will be based on the evaluation of implementation of the reform measures set out in Table 4.

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (September 2022–June 2023)

(Billions of CFAF, unless otherwise indicated)

	End-Sep. 2022 IT			End-Dec. 2022 PC			End-Mar. 2023 IT			End-Jun. 2023 PC			
	2nd Review	Actual	Status	2nd Review	Actual	Status 8	2nd Review	Actual	Status	2nd Review	Revised	Actual	Status
A. Quantitative performance criteria and indicative targets 1													
(Cumulative from beginning of year)													
Ceiling on net domestic financing of the government, without IMF net financing	410.1			297.5			109.7			199.7	286.7		
Adjustment for shortfall in external budget support 2	…	30.0		…	30.0			0.0		…	…		
Adjustment for payments of domestic obligations (arrears and float) 3	…	75.5		…	75.5			20.1		…	…		
Adjustment for debt reprofiling operation 4	…	…		…	…		…	…		…	…		
Adjusted ceiling on net domestic financing of the government, without IMF net financing	515.7	313.8	Met	403.0	223.4	Met	129.8	89.9	Met	199.7	286.7		
Memorandum items:													
External budget support 5	38.1	0.0		348.7	305.0		15.0	27.9		30.3	32.6		
External budget grants 6	32.4	0.0		131.6	73.8		12.6	27.9		22.4	24.6		
B. Continuous quantitative performance criteria 1													
(Ceiling)													
Accumulation of new external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0		
Present Value (PV) of new public and publicly-guaranteed (PPG) external debt contracted from the beginning of the relevant calendar year	402.0	338.1	Met	575.0	493.0	Met	550.0	43.6	Met	550.0	550.0		
Adjustment for debt reprofiling operation 7	…	…	…	…	…	…	…	…	…	…	…		
Adjusted PV of new PPG external debt contracted from the beginning of the relevant calendar year	…	…	…	…	…	…	…	…	…	550.0	550.0		
C. Indicative Targets													
(Cumulative from beginning of year)													
Basic budget balance (commitment basis, excl. grants), floor	-388.2	-216.7	Met	-553.3	-520.2	Met	-92.3	-63.8	Met	-163.6	-256.0		
Basic budget balance (commitment basis, incl. budget grants), floor	-355.8			-421.6			-79.6			-141.3	-231.4		
Adjustment for shortfall in external budget grants 8	…	30.0			30.0			0.0		…	…		
Adjusted basic budget balance (commitment basis, incl. budget grants), floor	-385.8	-216.7	Met	-451.6	-446.4	Met	-79.6	-36.0	Met	-141.3	-231.4		
Cash revenue, floor	719.6	710.9	Unmet	986.5	939.8	Unmet	265.9	238.5	Unmet	574.7	520.0		
Floor on social spending	76.5	78.5	Met	100.0	113.9	Met	20.3	73.8	Met	50.6	50.6		
Ratio of exceptional expenditures on authorized spending (percent), ceiling 9	5.0	0.0	Met	5.0	0.0	Met	5.0	0.0	Met	5.0	5.0		

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

1 Program indicators under A. are performance criteria at end-June 2023 and end-December 2023, and indicative targets for end-March 2023 and end-September 2023.

2 The ceiling on net domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance as defined in footnote 4 falls short of forecasts. The quarterly ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion.

3 The ceiling on domestic financing of the budget will be increased by the reductionin the float from 2021 of CFAF 115 billion. Starting in 2023, this adjustment will be capped at a maximum of CFAF 75 billion.

4 The ceiling on domestic financing of the budget will be lowered by the amount of borrowing under guarantee of ATI (African Trade Insurance Agency) to refinance domestic debt service for end-September 2023 and end-December 2023.

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

6 External budgetary grants.

7 The ceiling on the PV of new PPG external debt will be raised by the amount of borrowing under guarantee of ATI (African Trade Insurance Agency) to refinance domestic debt service from July 6, 2023 until December 31, 2023 up to an amount of CFAF 300 billion.

8 The floor on basic budget balance including budget grants will be adjusted if the amount of disbursements of external budgetary grants falls short of forecasts. The quarterly ceiling will be decreased pro tanto, up to a maximum of CFAF 30 billion.

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

Table 1. Niger: Quantitative Performance Criteria and Indicative Targets (September 2023–June 2024) (Concluded)

(Billions of CFAF, unless otherwise indicated)

	End-Sep. 2023				End-Dec. 2023				End-Mar. 2024			End-Jun. 2024		
	IT				PC				IT			PC		
	2nd Review	Revised	Actual	Status	2nd Review	Revised	Actual	Status	Proj.	Actual	Status	Proj.	Actual	Status
A. Quantitative performance criteria and indicative targets 1														
(Cumulative from beginning of year)														
Ceiling on net domestic financing of the government, without IMF net financing	373.3	456.1			273.7	289.3			125.0			159.8		
Adjustment for shortfall in external budget support 2	…	…			…	…			…			…		
Adjustment for payments of domestic obligations (arrears and float) 3	…	…			…	…			…			…		
Adjustment for debt reprofiling operation 4	…	…			…	…			…			…		
Adjusted ceiling on net domestic financing of the government, without IMF net financing	373.3	456.1			273.7	289.3			125.0			159.8		
Memorandum items:														
External budget support 5	47.1	53.3			281.9	310.2			9.9			19.6		
External budget grants 6	39.2	45.4			121.9	150.2			7.7			15.7		
B. Continuous quantitative performance criteria 1														
(Ceiling)														
Accumulation of new external payments arrears	0.0	0.0			0.0	0.0			0.0			0.0		
Present Value (PV) of new public and publicly-guaranteed (PPG) external debt contracted from the beginning of the relevant calendar year	550.0	550.0			550.0	550.0			541.0			541.0		
Adjustment for debt reprofiling operation 7	…	…			…	…			…			…		
Adjusted PV of new PPG external debt contracted from the beginning of the relevant calendar year	550.0	550.0			550.0	550.0			541.0			541.0		
C. Indicative Targets														
(Cumulative from beginning of year)														
Basic budget balance (commitment basis, excl. grants), floor	-308.4	-389.7			-425.7	-467.8			-95.3			-113.2		
Basic budget balance (commitment basis, incl. budget grants), floor	-269.2	-344.4			-303.9	-317.6			-87.6			-97.5		
Adjustment for shortfall in external budget grants 8	…	…			…	…			…			…		
Adjusted basic budget balance (commitment basis, incl. budget grants), floor	-269.2	-344.4			-303.9	-317.6			-87.6			-97.5		
Cash revenue, floor	858.1	785.2			1177.9	1114.0			342.2			738.4		
Floor on social spending	100.0	100.0			120.0	120.0			120.0			120.0		
Ratio of exceptional expenditures on authorized spending (percent), ceiling 9	5.0	5.0			5.0	5.0			5.0			5.0		

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

1 Program indicators under A. are performance criteria at end-June 2023 and end-December 2023, and indicative targets for end-March 2023 and end-September 2023.

2 The ceiling on net domestic financing of the budget will be adjusted if the amount of disbursements of external budgetary assistance as defined in footnote 4 falls short of forecasts. The quarterly ceiling will be raised pro tanto, up to a maximum of CFAF 30 billion.

3 The ceiling on domestic financing of the budget will be increased by the reductionin the float from 2021 of CFAF 115 billion. Starting in 2023, this adjustment will be capped at a maximum of CFAF 75 billion.

4 The ceiling on domestic financing of the budget will be lowered by the amount of borrowing under guarantee of ATI (African Trade Insurance Agency) to refinance domestic debt service for end-September 2023 and end-December 2023.

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

6 External budgetary grants.

7 The ceiling on the PV of new PPG external debt will be raised by the amount of borrowing under guarantee of ATI (African Trade Insurance Agency) to refinance domestic debt service from July 6, 2023 until December 31, 2023 up to an amount of CFAF 300 billion.

8 The floor on basic budget balance including budget grants will be adjusted if the amount of disbursements of external budgetary grants falls short of forecasts. The quarterly ceiling will be decreased pro tanto, up to a maximum of CFAF 30 billion.

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

Table 2. Niger: Continuous Structural Benchmarks for the Program,
December 2022—March 2025

Measures	Rationale	Timetable	Progress	Comments
1. Provide Fund staff on a semi-annual basis, starting in March 2022, with a tally of newly granted or renewed tax exemptions with their details and expiration dates.	Protect revenue base and improve domestic revenue mobilization.	Continuous, monitored on a bi-annual basis	Met for March 2023	
2. Publish procurement plans, tender notices and final contract award results on the Public Procurement Portal, starting in March 2022	Improve public expenditure management	Continuous, monitored on a bi-annual basis	Met for March 2023	
3. Produce a feasibility study for any investment project of more than CFAF 5 billion, the summary of which will be published on the website of the Ministry of Planning, prior to its inclusion in the *Plan d'Investissement de l'Etat* from the 2023 budget, starting in January 2023.	Improve the efficiency of public spending	Continuous, monitored on an annual basis	Met in May 2023	
4. Publish information on the Public Procurement Portal on the beneficial owners of companies awarded non-competitive contracts, with the exception of contracts relating to defense or security, starting in January 2023.	Improve public expenditure management and promote transparency and accountability	Continuous, monitored on a bi-annual basis	Met in May 2023	

Table 3. Niger: ECF Structural Benchmarks and Proposed New Benchmarks
December 2022—March 2025

Measures	Rationale	Timetable	Progress	Comments
1. Continue the process of interconnecting all DGD and DGI IT systems by adopting an administrative order on taxpayer registration and management of the taxpayer registry between the two administrations, including sanctions for failure to comply with tax obligations, according to the recommendations of the IMF technical assistance mission.	Protect the revenue base.	End-March 2023	Met	
2. Adopt an oil revenue management strategy with technical assistance from the IMF.	Enhance governance and transparency of oil revenue allocation.	End-September 2023		
3. Digitize all expenditure orders issued in the context of budget execution.	Improve the transparency and effectiveness of public spending.	End-September 2023		
4. Digitize all expenditure authorizations (AD).	Improve the transparency and effectiveness of public spending.	End-December 2023		
5. Adoption of the revised, simplified General Tax Code (CGI) by the Council of Ministers in accordance with the recommendations of IMF staff.	Simplify the CGI, promote private sector development, shift the tax burden from factors of production to consumption, and increase revenue.	End-June 2024		Deadline has been postponed.
6. Continue the process of interconnecting all DGD and DGI IT systems by fully automating priority processes relating to the taxpayer databases and customs declarations in accordance with the recommendations from the IMF technical assistance mission.	Protect the revenue base.	End-March 2024		
7. Create a technical committee comprising representatives from the Ministries of Petroleum, Planning and Finance responsible for preparing a detailed report on projected revenue streams from crude oil production and exports over the economic life of the reserves recoverable and assess fiscal risks.	Enhance governance and transparency of oil revenue allocation.	End-March 2024		New proposed SB
8. Continue the process of interconnecting all DGD and DGI IT systems by automating activities relating to the exchange control unit, the VAT declarations inquiries unit, the customs permit inquiries unit, the automobile inquiries unit, and the disputes inquiries unit in accordance with the recommendations of the IMF technical assistance mission.	Protect the revenue base.	End-June 2024		

Table 3. Niger: ECF Structural Benchmarks and Proposed New Benchmarks (Concluded)
December 2022—March 2025

Measures	Rationale	Timetable	Progress	Comments
9. Complete the full interconnection of all DGD and DGI IT systems by fully automating the priority processes relating to corporate balance sheets in accordance with the recommendations of the IMF technical assistance mission.	Protect the revenue base.	End-September 2024		
10. Adopt a decree determining the formula for calculating the reference price for the oil stabilization fund and create a committee of experts to implement the calculation.	Enhance governance and transparency of oil revenue allocation.	End-September 2024		New proposed SB

Table 4. Niger: Proposed RSF Reform Areas and Reform Measures, 2023-25				
No	**Reform Measures**	**Reform type**	**Indicative Timing 1/**	**Technical Assistance**
Reform Area 1. Strengthening the planning and budgeting of climate-related spending				
RM1	Government to validate a methodology for tagging climate-related expenditures (CBT).	Climate PFM	4th ECF Review (End October 2023)	IMF
RM2	Government to apply the CBT framework for at least 4 sectoral ministries in their 2024 budget and share the results with IMF staff.	Climate PFM	5th ECF Review (End April 2024)	IMF and GIZ.
RM3	Government to amend the budget circular for the preparation of the 2025 budget to include instructions on identifying climate-related allocations in the 2025 budget preparation.	Climate PFM	5th ECF Review (End May 2024)	
Reform Area 2. Improving the sensitivity of public investment management to climate-related issues				
RM4	Government to develop and publish (on the website of the Ministry of Planning) a guide defining the methodology for climate vulnerability assessments of public investment projects and programs.	Climate PFM	4th ECF Review (End October 2023)	IMF and GIZ.
RM5	Government to amend the decree no. 0041 dated November 03, 2021—on the process of analysis and selection of projects and investment programs—to require the integration of climate change aspects in the various stages of public investment management (evaluation and selection) and to publish it on the website of the Ministry of Planning.	Climate PFM	4th ECF Review (End October 2023)	IMF and GIZ.
RM6	Government to publish feasibility studies, including climate vulnerability assessments, for at least three public investment projects of more than 5 billion CFAF.	Climate PFM	7th ECF Review (End April 2025)	MF and GIZ.
Reform Area 3. Enhancing disaster informed fiscal planning and management.				
RM7	Government to publish on the website of the Ministry of Finance a guide for the analysis of budgetary risks related to natural disasters.	Climate PFM	4th ECF Review (End October 2023)	IMF.
RM8	Government to publish a fiscal risks statement, including an assessment of natural disasters-related risks, on the Ministry of Finance website.	Climate PFM	6th ECF Review (End October 2024)	

Table 4. Niger: Proposed RSF Reform Areas and Reform Measures, 2023-25 (Concluded)

No	Reform Measures	Reform type	Indicative Timing	Technical Assistance
RM9	Government to adopt an order to establish focal points consisting of at least two persons (one titular and one alternate) in the relevant directorates of three selected ministries to carry out the responsibilities defined in the new DRM law, including: (i) the preparation and implementation of sector-level disaster risk reduction plans, (ii) the monitoring and evaluation of disaster risk reduction actions, (iii) the preparation and the response to disasters, and (iv) the DRM coordination among ministries.	DRM	4th ECF Review (End October 2023)	World Bank
RM10	Government to publish flood and drought risk assessments in key exposed areas on the National DRM Data Platform: **www.risques-niger.ne**	DRM	5th ECF Review (End April 2024)	World Bank (PIDUREM project).
Reform Area 4. Promoting renewable energy sources				
RM11	Government to create a new window ("Guichet") within the FONAP that provides technical and financial assistance for improving the bankability of small and medium enterprises projects as well as their implementation in the field of renewable energy.	Green Energy	4th ECF Review (End October 2023)	
1/ Per IMF's policy paper ("Proposal to Establish a Resilience and Sustainability Trust," Policy Paper No. 2022/013, April 2022), the timing is indicative and flexibility in the timing of implementation is granted to take on board the difficulty to gauge the exact time needed for completion of reforms.				

Attachment II. Technical Memorandum of Understanding

1. This technical memorandum of understanding defines the performance criteria and indicative targets of Niger's program under the Extended Credit Facility (ECF) arrangement for the period Q1-2023 to Q2-2024. The performance criteria and indicative targets for June 2023 through June 2024 are set out in the Table 1 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent of June 19, 2023. Structural benchmarks are outlined in Tables 2 and 3. This technical memorandum of understanding also sets out data-reporting requirements for program monitoring.

Definitions

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

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

b) As specified in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by the Decision No. 16919-(20/103) of the Executive Board of the IMF on October 28, 2020 , **debt** will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets, that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property , while the lessor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

c) Present value (PV) of new public and publicly guaranteed external debt contracted discounts at a five percent annual rate the future payment stream, except for loans with a negative grant element, in which case the PV is set equal to the value of the loan. The calculation of the PV is based on the loan amount contracted in a given year, independent on when disbursements take place.

d) **Domestic payment arrears** are domestic payments owed by the government but not paid. They include committed and authorized fiscal year expenditures that are not paid within 90 days. **External payment arrears** are external payments due but not paid.

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

A. Quantitative Performance Criteria

Net Domestic Financing of the Government

Definition

3. Net domestic financing of the government is defined as the sum of (i) **net bank credit to the government**; (ii) **net nonbank domestic financing of the government,** including government securities issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks, proceeds from the sale of government assets, and privatization receipts.

4. Net bank credit to the government is equal to the balance of government claims and debts vis-à-vis national banking institutions. Government claims include cash holdings of the Nigerien Treasury, secured obligations, deposits with the central bank, and deposits of the Treasury (including regional offices) with commercial banks. Government deposits with commercial banks are excluded from government claims insofar as they are used solely to finance externally financed capital expenditure.

5. Government debt to the banking system includes assistance from the central bank (excluding net IMF financing), the CFAF counterpart of the 2009 General SDR Allocation and the 2021 General SDR Allocation, assistance from commercial banks (including government securities held by the central bank and commercial banks) and deposits with the CCP (postal checking system).

6. The scope of net bank credit to the government, as defined by the BCEAO, includes all government administrations. Net bank credit to the government and the amount of Treasury bills and bonds issued in CFAF on the WAEMU regional financial market are calculated by the BCEAO.

7. Net nonbank domestic financing includes: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of Treasury correspondents' deposit accounts; (iii) the change in the balance of various deposit accounts at the Treasury; (iv) the change in the stock of claims on the government forgiven by the private sector; (v) payments resulting from PPP contracts; and (vi) net income from privatizations . Net nonbank financing of the government is calculated by the Nigerien Treasury.

8. The 2023 and 2024 quarterly targets respectively concern the cumulative amounts since the beginning of 2023 and 2024 until the date selected for the performance criterion or indicative target.

Adjustments

9. The ceiling on net domestic financing of the government will be subject to adjustment if disbursements of external budgetary support net of external debt service, external arrears payments, and net financing from the IMF fall short of program projections.

10. If disbursements of external budgetary support fall short of the projected amounts at the end of each quarter, the corresponding quarterly ceilings will be raised pro tanto, up to a maximum of CFAF 30 billion.

11. The ceiling on net domestic financing will also be adjusted for payments of the float related to previous year's expenditure. This adjustment will be capped at a maximum of CFAF 75 billion.

12. The ceiling on net domestic financing of the government will be lowered by the amount of borrowing guaranteed by the African Trade Insurance Agency (ATI) to refinance domestic debt service for end-September 2023 and end-December 2023.

Reporting Requirement

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

New External Payment Arrears on Government Debt

Definition

14. Government debt is outstanding debt contracted or guaranteed by the government. External arrears are obligations that have not been paid on due dates, taking into account the contractual grace periods, if any. For the program, the government undertakes not to accumulate new external payment arrears on its debt (including Treasury bills and bonds issued in CFAF on the WAEMU regional financial market), with the exception of external payment arrears arising from debt being renegotiated with external creditors, including Paris Club and other bilateral official creditors.

Reporting Requirement

15. Data on the stock, accumulation, and repayment of external payment arrears will be provided monthly, within six weeks after the end of each month.

Present Value of New Public and Publicly- Guaranteed External Debt Contracted from the Beginning of the Relevant Calendar Year

Definition

16. Contract. For the purposes of the relevant performance criteria, the debt is deemed to have been contracted or guaranteed when it is signed by the government, adopted by the parliament by law and ratified by the President of the Republic. For program monitoring purposes, external debt is deemed to be contracted or guaranteed on the date of ratification of the contract.

17. Guarantee. For the purposes of the relevant performance criteria, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or kind).

18. External debt is defined as debt contracted or serviced in a currency other than the franc of the Financial Community of Africa (CFAF), except for the borrowing from the West African Development Bank (BOAD), which is considered external debt despite being local-currency-denominated.

19. The performance criterion (PC) is a ceiling and applies to the present value of all new external debt (concessional or non-concessional) contracted or guaranteed by the government, including commitments contracted or guaranteed for which no value has been received. This performance criterion does not apply to:

(a) Short-term supplier or trade-related credit with a maturity of up to three months.
(b) rescheduling agreements; and
(c) IMF disbursements.

20. Currency Denomination. For program purposes, the value in CFAF of new external debt of 2023 and that of 2024 is respectively calculated using the exchange rates for end April 2022 and end March 2023, in the IMF's International Financial Statistics (IFS) database.

Exchange Rates (end April 2022)	
CFAF/SDR	836.6272
U.S. Dollar/SDR	1.3443
Euro/SDR	1.27543
Japanese Yen/SDR	174.625
U.K. Pound Sterling/SDR	1.0695
U.A.E. Dirham/SDR	4.93696

Exchange Rates (end March 2023)	
CFAF/SDR	811.4146
U.S. Dollar/SDR	1.3452
Euro/SDR	1.2370
Japanese Yen/SDR	179.5614
U.K. Pound Sterling/SDR	1.0870
U.A.E. Dirham/SDR	4.9404

21. PV Calculation. Present Value of new external debt is calculated by discounting all projected disbursements and debt service payments (principal and interest) on the basis of a program discount rate of 5 percent and taking account of all loan conditions, including projected disbursements, the maturity, grace period, payment schedule, front-end fees and management fees. The PV is calculated using the IMF "DSA template," which is based on the amount of the loan and the above parameters. In the case of loans for which the grant element is zero or less than zero, the PV is set at an amount equal to the nominal value.

22. Reference rate. For any debt carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD Secured Overnight Financing Rate (SOFR) is 0.04 percent and will remain fixed for the duration of the program as will the spreads over six-month USD SOFR for interest rates in other currencies as follows: (1) The spread of six-month Euro LIBOR over six-month USD SOFR is -56.4 basis points; (2) The spread of six-month JPY LIBOR over six-month USD SOFR is -9.0 basis points; (3) The spread of six month GBP Sterling Overnight Interbank Average (SONIA) over six-month USD SOFR is 2.5 basis point; (4) For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD SOFR is 15 basis points. 5) Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR (rounded to the nearest 50 basis points) will be added.

Adjustment

23. The ceiling on the PV of new PPG external debt will be raised by the amount of borrowing guaranteed by the African Trade Insurance Agency (ATI) to refinance domestic debt service from July 6, 2023, until December 31, 2023, up to an amount of CFAF 300 billion.

Reporting Requirement

24. The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government and will consult with staff on any potential debt management operations.

B. Indicative Targets

Definitions

25. Cash revenue is an indicative target for the program. It includes tax, nontax, and special accounts revenue, but excludes proceeds from the settlement of reciprocal debts between the government and enterprises and non-cash revenue.

26. The basic budget balance is defined as the difference between (i) total revenue, which is the sum of cash revenue as defined in paragraph 22 and non-cash revenue; and (ii) total fiscal expenditure excluding externally financed investment expenditure but including HIPC-financed expenditure. Two indicative targets on basic budget balance are set: one including budget grants and the other excluding budget grants.

27. If disbursements of external budgetary grants are lower than the amounts projected at the end of each quarter, as quantified in the performance criteria table (see Table 1 of the MEFP), the corresponding quarterly floor of the basic budgetary balance, including budgetary grants, will be reduced on a pro rata basis, up to a maximum of CFAF 30 billion**.**

28. The floor on social spending is an indicative target for the program. Social spending is defined as expenditures from the Government's own resources allocated to the social sectors (expenditures with a social purpose identified at the sector level) and those directly benefiting poor households, children, young people and women in vulnerable situations, the elderly, the disabled, victims of armed conflict and trafficking, refugees, or displaced persons and the unemployed. These expenditures will be coded in the budget, according to the recommendations of UNICEF (see table below), to facilitate their tracking. Vulnerability is the risk that individuals may fall into poverty, face food insecurity or be physically and financially unable to meet their basic needs.

Codification of Social Spending Activities	
Budget Activities	**Codes**
Non-Social	00
Social-Health	11
Social-Education	12
Social-Social Protection	13
Social-Nutrition	14
Social- Hydraulics/Sanitation	15
Social-Others	19

29. A limit is set on the amount of expenditures paid through exceptional procedures (without prior commitment) excluding debt service payments and expenditures linked to tax exemptions. The limit is 5 percent of total authorized expenditures during the quarter for which the target is assessed.

Reporting Requirement

30. Information on basic budget revenues and expenditures will be provided to the IMF monthly, within six weeks after the end of each month.

31. Information on social expenditures will be provided to the IMF quarterly, within six weeks after the end of each quarter.

32. Information on exceptional expenditure will be provided to the IMF quarterly after six weeks after the end of the quarter.

Additional Information for Program Monitoring

C. Government Finance

33. The authorities will forward the following to IMF staff:

- Detailed monthly estimates of revenue and expenditure, including priority expenditure, the payment of domestic and external arrears, and a breakdown of customs, DGI, and Treasury revenue.
- The Table of Government Financial Operations with comprehensive monthly data on domestic and external financing of the budget, and changes in arrears and Treasury balances outstanding. These data are to be provided monthly, within six weeks after the end of each month.
- Comprehensive monthly data on net nonbank domestic financing: (i) the change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) the change in the balance of

various deposit accounts at the Treasury; (iii) the change in the stock of claims on the government forgiven by the private sector.

- Quarterly data on social expenditure (statement of appropriations approved, disbursed, and used).
- Quarterly reports on budget execution, including the rate of execution of poverty-reducing expenditure and, in particular, the use of appropriations by the line ministries concerned (National Education, Public Health, Equipment, Agriculture, Livestock).
- Monthly data on Treasury balances outstanding, by reference fiscal year, with a breakdown of maturities of more than and less than 90 days.
- Monthly data on effective debt service (principal and interest) compared with the programmed maturities provided within four weeks after the end of each month; and
- List of external loans contracted in process of negotiation and projected borrowing in the next six months, including the financial terms and conditions.

D. Monetary Sector

34. The authorities will provide the following information each month, within eight weeks following the end of each month:

- Consolidated balance sheet of monetary institutions and, where applicable, the consolidated balance sheets of individual banks;
- Monetary survey, within eight weeks following the end of each month, for provisional data;
- Borrowing and lending interest rates; and
- Customary banking supervision indicators for banks and nonbank financial institutions (where applicable, these same indicators for individual institutions may also be provided).

E. Balance of Payments

35. The authorities will provide IMF staff with the following information:

- Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions) whenever they occur.
- Preliminary annual balance of payments data, within six months after the end of the reference year.

F. Real Sector

36. The authorities will provide IMF staff with the following information:

- Disaggregated monthly consumer price indexes, within two weeks following the end of each month.
- The national accounts, within six months after the end of the year; and
- Any revision of the national accounts.

G. Structural Reforms and Other Data

37. The authorities will provide IMF staff with the following information:

- Any study or official report on Niger's economy, within two weeks after its publication.
- Any decision, order, law, decree, ordinance, or circular with economic or financial implications, upon its publication or, at the latest, when it enters into force.
- Any draft contract in the mining and petroleum sectors, including production and sales volumes, prices, and foreign investment; and
- Any agreement with private sector stakeholders having economic or financial repercussions for the government, including in the natural resources sector.

Table 1. Niger: Summary of Data to be Reported			
Type of Data	**Table**	**Frequency**	**Reporting Deadline**
Real sector	National accounts.	Annual	End-year + 6 months
	Revisions of the national accounts.	Variable	8 weeks after the revision
	Disaggregated consumer price indexes.	Monthly	End-month + 2 weeks
Government finance	Net government position vis-à-vis the banking system.	Monthly	End-month + 6 weeks
	Complete monthly data on net nonbank domestic financing: (i) change in the stock of government securities (Treasury bills and bonds) issued in CFAF on the WAEMU regional financial market and not held by resident commercial banks; (ii) change in the balance of various deposit accounts at the Treasury; (iii) change in the stock of claims on the government forgiven by the private sector.	Monthly	End-month + 6 weeks
	Provisional TOFE, including a breakdown of revenue (DGI, DGD and DGTCP) and expenditure, including the repayment of domestic wage and nonwage arrears, as at end-1999, and the change in Treasury balances outstanding.	Monthly	End-month + 6 weeks
	Data on Treasury balances outstanding (RAP), by reference fiscal year (total and RAP at more than 90 days).	Monthly	End-month + 6 weeks
	Monthly statement of Treasury correspondents' deposit accounts.	Monthly	End-month + 6 weeks
	Execution of the investment budget.	Quarterly	End-quarter + 6 weeks

Summary of Data to be Reported (Concluded)			
Type of Data	**Table**	**Frequency**	**Reporting Deadline**
	Table of fiscal expenditure execution, unified list expenditure, and HIPC-financed expenditure.	Monthly	End-month + 6 weeks
	Treasury accounts trial balance.		
	Monthly statement of the balances of accounts of the Treasury and of other public accounts at the BCEAO.	Monthly	End-month + 6 weeks (provisional) End-month + 10 weeks (final)
	Petroleum products pricing formula, petroleum products tax receipts, and pricing differentials.	Monthly	End-month + 6 weeks
Monetary and financial data	Monetary survey Consolidated balance sheet of monetary institutions and, where applicable, consolidated balance sheets of individual banks.	Monthly	End-month + 8 weeks
	Borrowing and lending interest rates.	Monthly	End-month + 8 weeks
	Banking supervision prudential indicators.	Quarterly	End-quarter + 8 weeks
Balance of payments	Balance of payments	Annual	End-year + 6 months
	Balance of payments revisions	Variable	At the time of the revision.
External debt	Stock and repayment of external arrears.	Monthly	End-month + 6 weeks
	Breakdown of all new external loans signed and projected borrowing, including the financial terms and conditions.		End-month + 6 weeks
	Table on the monthly effective service of external debt (principal and interests), compared with the programmed maturities.	Monthly	End-month + 4 weeks

INTERNATIONAL MONETARY FUND

NIGER

June 20, 2023

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR EXTENSION AND REPHASING OF THE EXTENDED CREDIT FACILITY ARRANGEMENT AND MODIFICATION OF PERFORMANCE CRITERIA AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—DEBT SUSTAINABILITY ANALYSIS

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Prepared by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA).

Niger: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Limited space to absorb shocks*
Application of judgement	*No*

Niger's risk of external and overall public debt distress is assessed "moderate"—unchanged from the previous DSA published in December 2022.[1] A series of shocks, including intensified conflict in the Sahel region and severe climate-related events, required higher borrowing, increasing debt vulnerabilities. Debt indicators remain below their thresholds under the baseline scenario due to the reliance on concessional and semi-concessional financing and prospective robust growth, except for one single year breach in the external

[1]Niger's debt-carrying capacity remains rated "medium" with a composite indicator value of 2.90 based on the April 2023 IMF's World Economic Outlook (WEO) and the 2021 World Bank's Country Policy and Institutional Assessment (CPIA).

of revenue mobilization measures, has increased due to the risk of further tightening of financial conditions in the regional market. Sustainability should be buttressed by the envisaged implementation of the government's reform program, including efforts to boost domestic revenue mobilization, the onset of crude oil exports via a new pipeline, and the adequate management of oil revenues, as well as prudent public debt management. In the medium and long run, mitigating fiscal risks from SOEs, prioritizing concessional and semi-concessional borrowing, and strengthening private-sector development to support economic diversification would be key to strengthening Niger's debt sustainability. Given Niger's vulnerabilities to climate change, it is crucial to build resilience through adaptation investments and policies, while maintaining fiscal prudence.

PUBLIC DEBT COVERAGE

1. **The coverage of the public sector in the DSA is in line with the fiscal accounts and the previous DSA** (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 refinery SORAZ to cover the government's minority stake.[2] SOEs do not directly borrow 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 the electricity (NIGELEC), water (SPEN), and telecom (Niger Telecom) companies, and the ABK, a public administrative entity set up for implementing the Kandadji dam project. Given the lack of reliable data, the DSA cannot explicitly account for domestic SOE debt. The authorities are working with the World Bank in the context of the Sustainable Development Finance Policy (SDFP) to improve the availability and quality of financial information for SOEs.[3] The authorities have published the certified financial statements for 2019 and 2020 of the ten largest SOEs on the official website of the Ministry of Finance. They, with the World Bank's support, will regularly prepare from 2023 onwards—and publish online—an annual portfolio report covering the largest SOEs that would present financial and operational performance information (including procurement activities, implementation of investment projects, debt, guarantees, human resources). Most of external debt is defined on a currency basis.[4]

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] 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$43.7 million (0.3 percent of GDP) at end-2022 with repayments continuing until 2024 is included in the baseline stock of debt.

[3] In the context of the SDFP, the authorities have been implementing the Performance and Policy Actions (PPAs) in broad areas of debt transparency, debt management and fiscal sustainability. In addition to the certified financial statements and annual portfolio reports for SOEs described above, they include adherence to a non-concessional debt ceiling (NCB) on external borrowing, contributing to containing borrowing costs in line with the country's medium-term debt strategy.

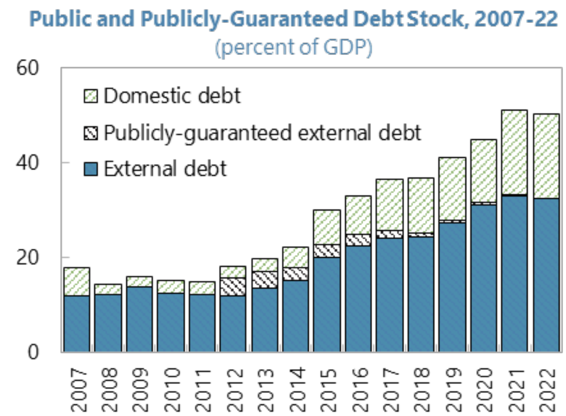
[4] With the exception of creditors whose residency can be tracked, for which debt is defined on residency basis. As an example, West African Development Bank (BOAD) debt is classified as external debt.

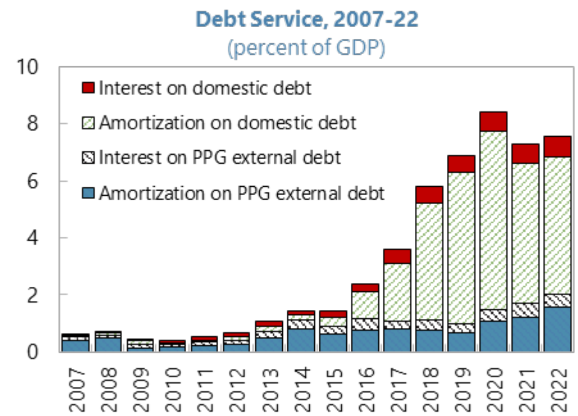
2. The contingent liability tailored stress test is calibrated to account for debt coverage gaps (Text Table 1). First, the coverage shock is kept at 0 percent of GDP for other elements of the general government not captured in the baseline stock of debt since: (i) the authorities indicated that the 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 of GDP to reflect risks associated with their domestic borrowing. Third, public-private partnerships (PPPs) signed under the current PPP law do not involve government financing. A contingent liability stress test for PPPs is hence not incorporated at this time. Taking into account the relatively low levels of credit to the economy, the default value of 5 percent of GDP for financial market contingent liability risks appears adequate.

BACKGROUND ON DEBT

3. Niger's public and publicly guaranteed (PPG) debt is estimated at 50.3 percent of GDP at end-2022 (Text Figure 1). It has risen as Niger developed natural resource projects and other large-scale public investments. Moreover, since the onset of the COVID-19 pandemic, outstanding PPG debt has increased at a faster pace than in previous years as fiscal deficit widened and fiscal pressures were exacerbated by increased security spending and sluggish revenue growth. Wider deficits were mainly financed by external donor support. Debt service follows a similar pattern, with a large share of the amortization on domestic debt reflecting refinancing of T-bills. Since the onset of the pandemic, Niger has benefited from the G20 Debt Service Suspension Initiative (DSSI), the IMF's Catastrophe Containment and Relief Trust (CCRT), and the SDR allocation.[5]

Text Figure 1. Niger: Public and Publicly-Guaranteed Debt, 2007–22





Sources: Nigerien authorities, and IMF staff estimates.

[5] The DSSI amounted to 0.4 percent of GDP in 2020-21, whereas the CCRT to 0.3 percent of GDP through 2020-22. In 2021, the SDR allocation (US$180 million, equivalent to 1.2 percent of GDP) was on lent in CFAF from the regional central bank (BCEAO) to WAEMU member countries, which is recorded as domestic debt for the purpose of the DSA.

4. PPG external debt makes up 64.9 percent of Niger's total debt stock in 2022. Multilateral creditors represent the lion's share (around four fifths) of external debt, with Niger borrowing most from the World Bank (IDA) followed by the BOAD and African Development Bank (AfDB). Official bilateral debt represents around one fifth of external debt. External debt exposed to exchange rate risk is relatively low (around one third of external debt) given the CFAF's peg to the euro. External debt is generally on concessional terms, with an average effective interest rate of 0.8 percent in 2022 and remaining maturity of 19.6 years at end-2022.

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 West African Economic and Monetary Union (WAEMU). The average remaining maturity of Niger's domestic debt is 6.1 years while the average weighted interest rate stood at 5.3 percent at end-2022.

6. The estimation and analysis of private external debt is complicated by data limitations and requires further follow-up. The regional central bank (BCEAO) faces challenges in the compilation of 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.

UNDERLYING ASSUMPTIONS

7. The baseline scenario is predicated on macroeconomic assumptions reflecting recent economic developments, as well as assumptions related to the effects of climate change and policies to mitigate them (Text Table 2). Growth in 2022 is revised up from 7.1 percent in the previous DSA to 11.9 percent mainly due to a stronger-than-expected recovery in agricultural production. Growth is expected to remain favorable in 2023 at 7.0 percent and peak at 13.0 percent in 2024 driven by the ramp up of crude oil production and spillover effects on the economy. Accordingly, the export-to-GDP ratio is expected to be ramped-up. Growth in the long run is projected at 6.0 percent in line with the previous DSA assumption and pre-pandemic average (5.9 percent over 2011-19) and takes into account historical patterns of climate-related shocks on growth. Long-run growth is supported by still high projected population growth and is in part explained by the catch-up process given the country's low level of development. The baseline scenario also includes climate-related investments planned by the authorities. Risks to the outlook include intensification of climate-related shocks, deterioration of security situation, delays in large-scale projects including the onset of crude oil exports through the new pipeline, currently assumed in the last quarter of 2023. External shocks, such as increased volatility in commodity prices, tightening of global financing conditions, and their spillovers to the WAEMU regional market, could also weigh on Niger's economy.

8. The framework assumes a fiscal consolidation path that would reach the WAEMU deficit convergence criterion by 2025. Reigniting fiscal consolidation is essential to maintain fiscal sustainability. Emphasis is placed on revenue-enhancing measures, based on three main pillars: i) enhancements in revenue administration, in particular through increased digitalization; ii) limits to tax exemptions that have plagued the tax system; iii) a revision of the tax code to increase efficiency and broaden the tax base. Consolidation is underpinned by enhancements in the efficiency of the tax system, and by unwinding of emergency spending, while protecting priority social and infrastructure spending given the large development needs. The onset of exports through the new pipeline is expected to boost revenue through the government's minority stake to the project and ramp up the natural resource revenue from 1.9 percent of GDP in 2022 to 4.0 percent of GDP in 2025, supporting convergence to the WAEMU norm of three percent of GDP deficit target by 2025. Compared to the previous DSA, primary fiscal balance projections have remained broadly stable, reflecting a gradual trajectory towards the WAEMU ceiling of 3 percent of GDP by 2025.

Text Table 2. Niger: Key Macroeconomic Assumptions, 2021–43

	2021	2022	2023	2024	2025	2026	2027	2028	2029-43
Real GDP growth (percent)									
Current DSA	1.4	11.9	7.0	13.0	7.0	6.2	6.0	6.0	6.0
Previous DSA	1.4	7.1	7.0	13.0	7.9	6.1	6.0	6.0	6.0
Inflation (CPI)									
Current DSA	3.8	4.2	2.7	2.5	2.0	2.0	2.0	2.0	2.0
Previous DSA	3.8	4.5	3.0	2.5	2.0	2.0	2.0	2.0	2.0
Primary fiscal balance (percent of GDP)									
Current DSA	-3.8	-2.0	-1.3	-1.3	-1.3	-1.3	-1.2	-1.2	-1.1
Previous DSA	-3.8	-2.1	-1.4	-1.4	-1.3	-1.3	-1.3	-1.3	-1.2
Total revenue excluding grants (percent of GDP)									
Current DSA	10.8	10.1	11.2	13.5	14.1	14.6	14.7	14.8	15.7
Previous DSA	10.8	11.7	12.8	14.8	14.9	15.0	15.2	15.2	16.1
Exports of goods and services (percent of GDP)									
Current DSA	15.5	11.9	15.7	22.6	21.8	21.5	20.3	20.5	20.9
Previous DSA	15.5	15.2	16.5	26.6	25.2	24.5	24.9	24.0	20.6
Oil export price (US dollars per barrel)									
Current DSA	65.8	91.5	69.5	65.5	63.6	62.1	60.8	59.6	68.7
Previous DSA	65.9	93.3	81.2	76.2	72.4	69.6	67.4	68.8	79.3
Uranium price (Thousands of CFAF per kg)									
Current DSA	46.9	49.7	76.2	68.3	71.2	75.7	76.1	76.9	76.9
Previous DSA	46.9	70.6	80.4	80.2	79.7	79.2	78.7	78.7	78.7

Source: IMF staff calculations.

9. The authorities aim to maintain limited reliance on domestic financing for years to come. The tightening of financing conditions worldwide and within the regional market could lead to rising borrowing costs, as well as an increase in roll-over risk. In that context, the authorities are considering conducting a debt reprofiling operation, which will consist in obtaining a long-term loan from international commercial banks to repay shorter-maturity domestic debt (see paragraph 20). Other than that, concessional and semi-concessional financing from external donors should remain the main sources of financing.[6]

[6] Concessional financing is defined as the one with grant element (GE) exceeding 35 percent of the face value.

10. The terms of foreign and domestic borrowing are assumed to shift gradually to lower concessionality and longer maturities, while the near-term financial conditions in the regional debt market are affected by the tightening of global financial conditions. For external debt, new disbursements are expected to be covered by external funding sources based on historical financing patterns. In the longer run, external borrowing moves, albeit very gradually, toward less concessional financing and toward commercial loans (Table 5). For domestic borrowing, debt instruments are assumed to gradually shift from T-bills to medium- and long-term bonds. The current DSA takes into account a spillover of tighter global financing conditions to the regional market. The average interest rate on government bonds in 2023 is assumed at 7.2, 7.4, and 7.7 percent for bonds maturing in 1 to 3, 4 to 7 years and over 7 years, respectively, reflecting the recent government security issuances. The interest rate on T-bills is set to 7.0 percent.

11. The DSA also takes into account a request for a 23-month Resilience and Sustainability Facility (RSF) with the access level of 75 percent of quota. This facility will be an opportunity for the country to build resilience against climate change and safeguard people's livelihoods by accelerating reforms implementation and ensuring quality of investment in climate-friendly projects. Crucially, resources available from the proposed RSF would serve as a cost-effective alternative to domestic financing, allowing to create and sustain more fiscal space. As Niger is classified as a Group A country, it benefits from the interest rate cap of 2.25 percent.[7]

12. The DSA's toolkit to assess the realism of the macroeconomic forecast does not raise red flags in light of historical experience and comparisons with peers.

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. In contrast to the past five years, the contribution of growth projections to debt dynamics dominates the unfavorable contribution of the primary deficit. The rise of the public debt ratio is consequently arrested, and it is projected at 44.3 percent of GDP in 2043. External public debt peaked at 33.5 percent of GDP in 2021, and will decline to 23.5 percent in 2043, entailing a similar pattern to total public debt. Compared to the previous DSA, higher-than-expected GDP growth in 2022 has lowered the debt level relative to GDP. As shown in the lower right chart of Figure 3, unexpected changes in primary deficits were chiefly responsible for past forecast errors for total public debt, whereas the current account, FDI, and residuals drove the errors in external debt.

b. **Realism of planned fiscal adjustment** (Figure 4). The projected three-year fiscal adjustment in the primary balance (3.8 percentage points of GDP) lies in the top quartile of the distribution of past adjustments to the primary fiscal deficit for a sample of LICs. The expected adjustment is justified in light of the recovery from the current multiple shocks, the improvements in non-oil revenue mobilization through expanding tax base and reducing tax expenditure, and the revenue boost from the start of crude-oil exports, as well as the unwinding of emergency support measures.

[7] The interest rate cap was approved by the Executive Board on a lapse of time basis on May 18, 2023: "Resilience and Sustainability Trust—Introduction of Interest Rate Cap (SM/23/120)."

c. **Consistency between fiscal adjustment and growth** (Figure 4). The projected growth path for 2023 to 2024 is driven by the implementation of large projects, including the onset of the oil export through a new pipeline. In 2023, the onset of the oil exports through a new pipeline contributes to higher growth and higher oil-related revenues, and therefore the impact of fiscal consolidation on growth is likely to be muted.

d. Consistency between public investment and growth (Figure 4). The tool shows a similar share of public and private investment in GDP in the previous and the current DSAs, while the ratio in 2022 is somewhat lower than in the previous DSA reflecting the stronger-than-expected GDP due to agricultural production.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TEST SCENARIOS

13. Niger's debt-carrying capacity remains rated "medium". The methodology relies on a composite indicator (CI) combining the CPIA score,[8] external conditions as captured by global growth, and country-specific factors. Based on data from the October 2022 WEO vintage, the calculations give a CI value of 2.90, reflecting positive contributions from the CPIA (45 percent) but also international reserves (62 percent), and country and global real growth rates (6 and 14 percent, respectively) (Text Table 3). This score falls within the medium debt-carrying capacity thresholds defined as $2.69 < CI \leq 3.05$.

14. Besides the six standardized stress tests, there are two tailored stress tests applied:

- One tailored stress test combines contingent liabilities of a one-time debt shock (equivalent to 7 percent of GDP) to capture a scenario reflecting both contingent liabilities from SOEs (equal to the indicated standard level of 2 percent of GDP) and a need for bank recapitalization (equal to the indicated standard level of 5 percent of GDP).
- The second tailored stress test is a commodity price shock.[9] The scenario captures the impact of a sudden one standard deviation decline in the price of the commodities the country exports.

[8] The CPIA score is 3.4 in 2021.

[9] 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 75.0 percent of Niger exports of goods and services over the period 2018-20.

Text Table 3. Niger: Composite Indicator and Thresholds

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.393	1.30	45%
Real growth rate (in percent)	2.719	6.384	0.17	6%
Import coverage of reserves (in percent)	4.052	44.277	1.79	62%
Import coverage of reserves^2 (in percent)	-3.990	19.604	-0.78	-27%
Remittances (in percent)	2.022	0.904	0.02	1%
World economic growth (in percent)	13.520	2.898	0.39	14%
CI Score			2.90	100%
CI rating			Medium	

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium 2.900	Medium 2.945	Medium 2.960

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

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

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

15. **External debt is projected to fall gradually, with public and private debt both declining in the long run (Table 1).** Under the baseline scenario, the PPG external debt-to-GDP ratio is expected to remain almost flat at 32.6 percent in 2023 as significant growth offsets external borrowing to finance Niger's economic and social development agenda. It will follow a downward trajectory to settle at 23.5 percent at the end of the projection period in 2043 as higher growth materializes and fiscal adjustment is implemented. Total external debt displays a similar pattern—steadily declining to 30.6 percent of GDP in 2043. The non-interest current account deficit remains the main driver of these dynamics. The goods and services deficit will be reduced thanks to the oil exports through the new pipeline. Output from these projects is expected to improve the current account sharply in subsequent years when they come on stream. Once the non-interest current account deficit, net FDI, and endogenous debt dynamics are accounted for, remaining drivers of external debt dynamics, such as other components of the capital account, reserve accumulation, valuation adjustments, as well as price and exchange rate changes, are subsumed into the residual.

16. While the PPG external debt indicators remain below their thresholds and follow declining trajectories throughout the projection period under the baseline scenario (except for a single-year breach of the external debt service-to-revenue ratio) and thus the risk of external debt distress is assessed as moderate, buffers for some indicators are small (Figure 1). The present value (PV) of debt-to-GDP is projected to follow a gradual downward trend over the projection period. The PV-to-exports and debt service-to-exports ratios are projected to decline as exports strengthen due to the prospective oil exports via a new pipeline. Debt service-to-revenue ratio exceeds the thresholds in 2023, reflecting continuous challenges on the security front, trade disruptions at the Nigerian border, and lower-than-expected revenue yields of new tax policies and revenue administration reforms, and is discounted from the analysis. However, it is expected to decline steadily in the medium- and long-run as oil revenue associated with the new pipeline comes on the stream and domestic revenue mobilization efforts materialize. Liquidity risk is somewhat contained as Niger benefits from stable support from donors in the form of grants and concessional loans, as well as the government's spending control in the case of revenue shortfall. Moreover, as a member of the WAEMU, Niger can draw on the currency union's pooled external reserves. The single-year breach of the debt service-to-revenue ratio was not present in the previous DSA and emerged due to the revision of debt service and revenue projections.

17. Stress tests indicate that two export-related indicators (the PV of PPG external debt-to-exports ratio and debt service-to-exports ratio) exceed their thresholds under the export shock (Figure 1). Reflecting a relatively small export base relative to its external financing, the PV of debt- and debt service-to-exports ratios are vulnerable to export shocks. The shock fed in the analysis amounts to 20.7 percent declines in nominal export values consecutively in 2024 and 2025, calibrated based on its historical average (4.2 percent) minus one standard deviation (24.9 percent). In line with the LIC-DSF guidance, the standard deviation is subtracted from the lower value in the historical average and baseline projection, and thus the stress scenario does not take into account the projected high growth in exports under the baseline scenario thanks to the crude oil exports (64.5 percent increase in 2024).

18. Given the country's vulnerabilities, one alternative scenario was calibrated to assess the effects of climate change and adaptation policies on debt sustainability over the long term. The alternative scenario incorporates the dynamics of key macroeconomic variables in the next two decades taking into account the effects of climate change and adaptation policies and was informed by the World Bank's G5 Sahel Country Climate and Development Report (CCDR). It is important to note that there is considerable uncertainty on the global emissions trajectory as well as long-term climate and macroeconomic modeling. Specifically, the scenario is based on the simulations of the effects of climate change on macroeconomic variables,[10] while factoring adaptation[11] policies to address the vulnerability to

[10] The CCDR models the economic and poverty impact of climate change through six channels (1. rainfed crop yields, 2. heat stress and labor productivity, 3. heat-related human health shock, 4. livestock yields, 5. inland flooding, and 6. roads and bridges). The modeling of the channels is based on country-specific climate scenarios and biophysical effects models to estimate economic damages. Subsequently these estimated damages are introduced as shocks into a macro-structural model developed for each country to estimate the effect on GDP and other macroeconomic aggregates.

[11] The effects are shown with partial adaption to three of the six impact channels (rainfed crop yields, livestock yields and roads and bridges) under a dry/pessimistic climate scenario.

climate change (including the investment spending associated with these policies and their effects). The analysis is based on the pessimistic (higher temperature increases and larger precipitation changes) and dry (smallest (or decrease) precipitation changes) scenario examined in the CCDR. Under this scenario, the cumulative GDP loss compared to the baseline case of no climate change amounts to 8.9 percent by 2045.

19. Under the climate alternative scenario, external and domestic debt indicators are considerably higher than in the baseline scenario, while remaining below the respective thresholds (Figure 6 and 7). The scenario includes lower GDP growth, mainly driven by a decrease in agricultural production compared to the baseline and resulting in negative effects on exports and government revenue. It also takes into account additional fiscal expenditure for investment projects to implement adaption policies with the fiscal deficit being larger than in the baseline scenario by 4.1 percent of GDP at the maximum, while the positive effect of these policies will materialize in later years and the adverse consequences of climate change are assumed to be only partially mitigated. The resulting higher fiscal deficit will lead to an accumulation of external and domestic debt, leading to higher debt indicators. The present value of the total public debt-to-GDP ratio approaches the threshold around 2033, when investment for adaptation policies is expected to peak.

20. In light of the tightening of financial conditions in the regional market, the authorities plan to conduct a liability management operation to mitigate roll-over risk via the issuance of longer-dated commercial external debt. The precise details of the operation are still to be determined, but it would essentially consist of obtaining a long-term loan from international commercial banks, with a guarantee provided by the African Trade Insurance Agency (ATI), to repay shorter-maturity domestic debt (T-bills and T-bonds) falling due in the second half of this year. The operation is expected to substantially lengthen maturities, reducing the roll-over risk of short-term government securities, and also lower the risk of an even higher government's interest bill in case of further tightening of financial conditions in the regional market.[12] However, the substitution of foreign debt for domestic debt —while keeping overall debt unchanged in nominal terms—will increase the share of external debt in total debt, worsening indicators of external debt sustainability. This underscores the need to carefully assess the associated benefits, costs, risks, and viability of the operation in close consultation with all stakeholders to ensure that it is compatible with maintaining Niger's "moderate" rating for external debt distress. Although the precise financing terms will be pinned down later in 2023, currently available information regarding the authorities' plan (including a total refinanced amount of CFAF 300 billion equivalent in Euros at a 10-year maturity at an assumed 8 percent interest rate) indicates that external debt indicators would remain below the respective thresholds in an alternative scenario including the debt reprofiling operation (Figure 8).

21. The granularity assessment suggests that the space to absorb shocks is limited while the situation may become less tight in the medium- and long-run (Figure 5). Under tests to qualify the moderate risk of external debt distress assessment, the debt-service to exports and debt service-to-revenue ratios currently indicate limited space in 2023 with particularly reduced space relative to the

[12] The authorities carried out a similar debt reprofiling operation in January 2020, in which they borrowed CFAF 148 billion (1.9 percent of GDP) commercially from abroad to repay domestic debt. The loan was contracted in January 2020 with Deutsche Bank for a total amount of euro 225 million. It was used to repay a set of five Treasury bills and one Treasury bond.

thresholds for the latter indicator. The limited policy space implies urgency in the implementation of policy measures to buttress debt sustainability. Over the medium-term, policy space is expected to open-up as exports pick up and revenue mobilization reforms bear fruit. The downward trajectory of the PV of debt- and debt service-to-exports ratios hinge on the new pipeline project, whereas the debt service-to-revenue ratio is driven by revenue mobilization reforms.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

22. Public sector debt is projected to decline gradually in the medium- and long-run (Table 2). After a sizable increase compared to pre-pandemic levels, public debt is projected to decline to and stabilize at around 44.3 percent of GDP in the long run mainly because of the resumption of economic growth and fiscal consolidation, aided by higher oil revenues. In the medium and long run, improved domestic revenue mobilization, higher spending efficiency, and better expenditure control, coupled with export diversification fostered by private sector growth, are expected to contribute to stabilizing the primary deficit. Gradual shifts toward lower concessionality and longer maturities over the medium- and long-run would marginally increase interest costs, while the benefit of the extension of maturities lies in reducing roll over risks.

23. The PV of the public debt-to-GDP ratio remains below the benchmark in the baseline, though not in the event of an adverse commodity price shock (Figure 2). The PV of public debt-to-GDP ratio is well below the benchmark of 55 percent of GDP in 2023 and is projected to gradually decline over the projection period under the baseline scenario. A commodity price shock would set the PV of debt and debt-service ratios on a diverging path in the absence of compensating fiscal and other policy measures.

RISK RATING AND VULNERABILITIES

24. Niger's risk of external and overall debt is rated "moderate", and debt is deemed sustainable. The moderate debt distress rating arises from the fact that no indicator for PPG external or public debt breaches its threshold under the baseline scenario (except for one single year breach in the external debt service-to-revenue ratio). Debt remains sustainable as: (i) debt indicators remain on steady downward trajectories and overall public debt sustainability remains solid; (ii) medium- and long-term growth outlooks are favorable, supported by the recovery from the multiple shocks, strengthening of the export base due to the onset of crude oil exports in the last quarter of 2023, and implementation of revenue mobilization measures in the medium run; (iii) liquidity risk 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 years to address development and security challenges it faces. In line with the Fund Debt Limits Policy (DLP), a debt limit on the new PPG external borrowing is embedded in program conditionality and is calibrated to build an adequate buffer to avoid a downgrade of the risk of debt distress.

25. The authorities' sustained commitment to sound macroeconomic policies and economic reforms, as well as further progress on debt management, will be all the more important given the currently limited space to absorb shocks, thereby buttressing debt sustainability amid the current multiple shocks. Progress in the following areas will be key:

- **Domestic revenue mobilization.** Niger's public debt relative to domestic revenues compares unfavorably to other WAEMU countries or Sub-Saharan Africa reflecting its limited revenue base. In this context, revenue mobilization by enhancing revenue administration, reducing tax exemptions, and broadening the tax base, is of fundamental importance. Although additional oil revenues are expected in coming years, they should not be fully spent, thereby contributing to fiscal consolidation under appropriate legal and fiscal framework for oil revenue management. Limited space to absorb shocks, along with the risk of further spillover of global financial conditions to the regional market, increase the urgency of the prompt implementation of revenue mobilization measures.

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

- **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. Horizontal policies to foster diversification, including developing the local private sector, tackling informality, accumulating human capital through education, are of paramount importance.

- **External borrowing**. Until export prospects are more certain, Niger should continue to prioritize external financing in the form of concessional and semi-concessional loans and grants. Favoring euro-denominated debt, given the CFAF's peg to the currency, can also help reduce the exchange rate risk.

- **Domestic borrowing.** Dedicated market communication will be needed to increase the average tenor of issuances and thereby reduce refinancing vulnerabilities. These efforts should be complemented by the implementation of a structural program of swaps of securities close to their maturity with securities of longer maturities.

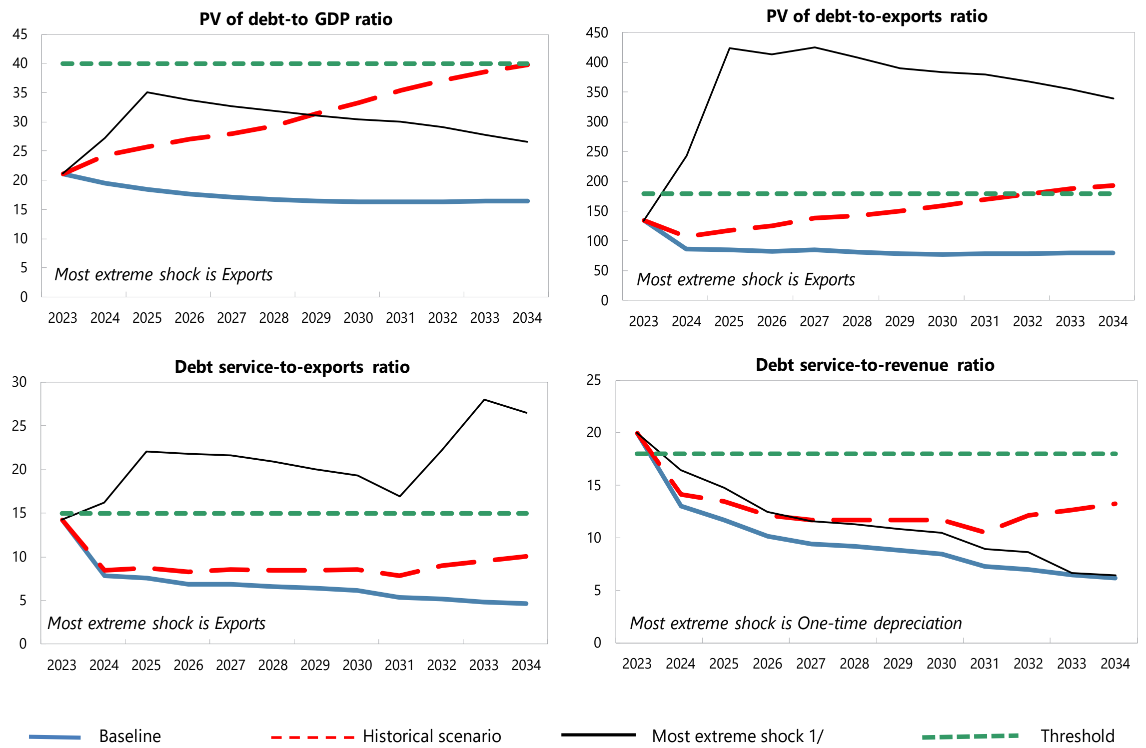
- **Financing plan**. To avoid liquidity shortfalls and minimize the associated financing costs, the overall volumes of debt to be issued, should be executed consistently with the annual and quarterly borrowing plan. Integration with the cash flow plan would be essential.

A. Authorities' Views

26. The authorities agreed with the staff assessment of the moderate overall and external debt distress risk. They welcomed the downward trajectories of debt indicators in coming years and reiterated their commitment to conduct prudent fiscal policies to ensure debt sustainability. In addition, they updated the progress in debt management reforms, including the development of an IT system to record and analyze debt data in a coherent manner and the preparation of a manual to standardize the process of signing and ratifying external loans. Authorities also broadly concurred with analysis presented in the alternative scenario including the effects of climate change and reiterated their strong commitment to implement adaptation policies.

27. The authorities committed to carefully calibrate the debt reprofiling operation to ensure that the moderate risk of debt distress rating is maintained. They noted that the parameters of reprofiling, including the interest rate, maturity, and currency denominated, should be carefully calibrated. They assured staff that they would tailor the operation so that Niger's risk rating for external debt distress would remain at "moderate."

Figure 1. Niger: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2023–34



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.

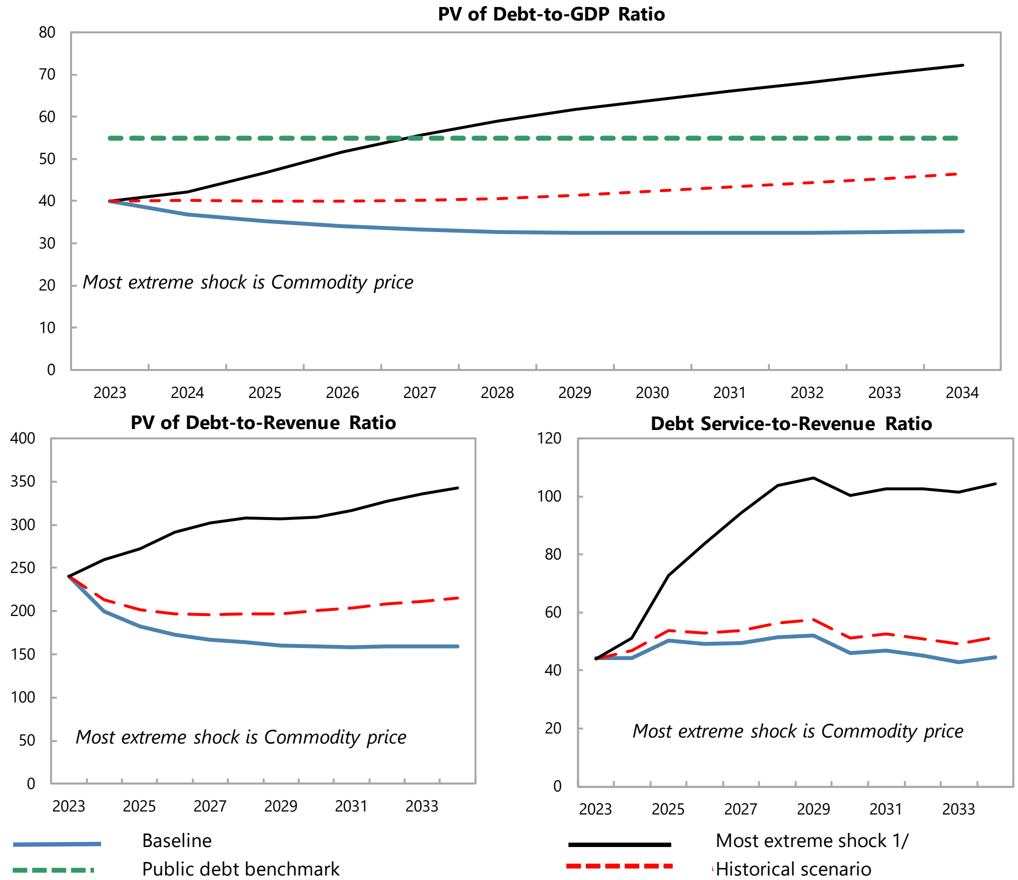
Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	35	21
Avg. grace period	7	7

* 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 2033. 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.
department.

Figure 2. Niger: Indicators of Public Debt Under Alternative Scenarios, 2023–34



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	27%	27%
Domestic medium and long-term	27%	27%
Domestic short-term	46%	46%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
Avg. maturity (incl. grace period)	35	35
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.6%	4.6%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	4%	4.0%

* 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 2033. 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

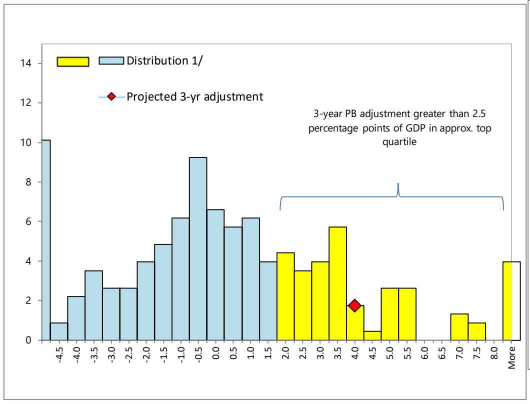
1/ Difference between anticipated and actual contributions on debt ratios.

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.

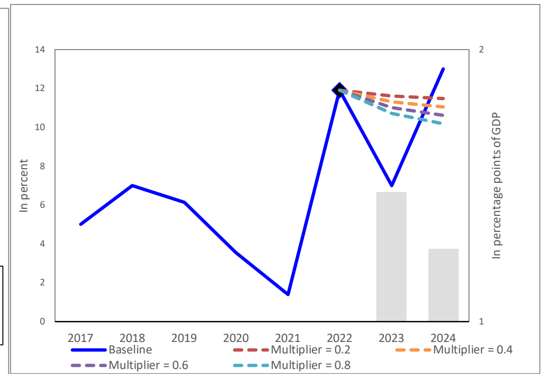
Figure 4. Niger: Realism Tools

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



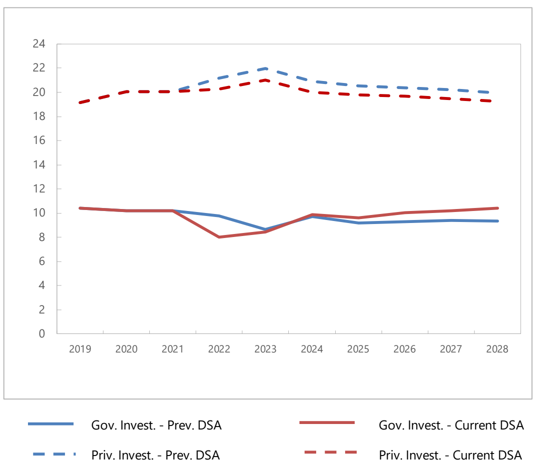
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

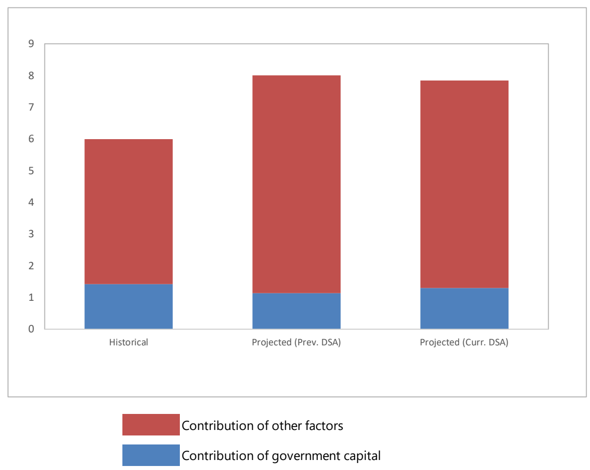
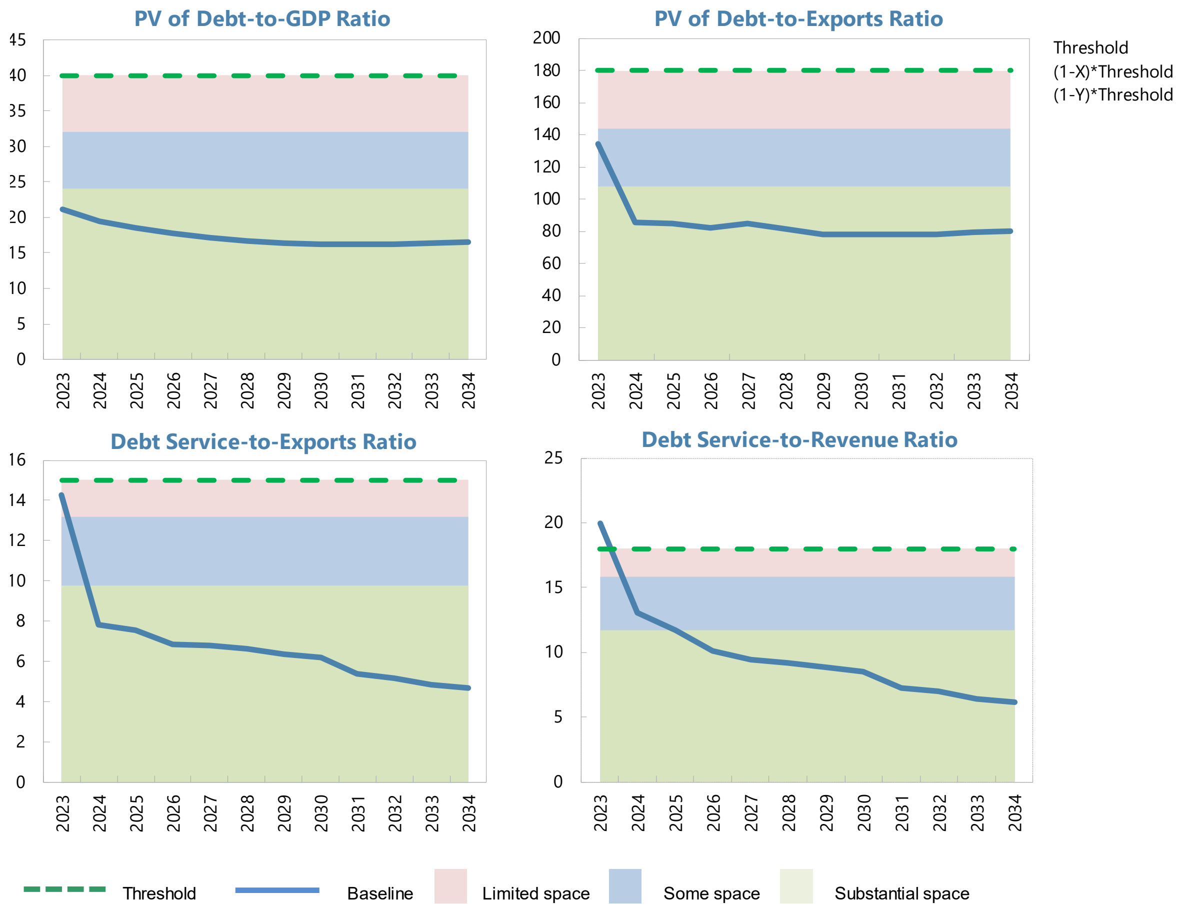


Figure 5. Niger: Qualification of the Moderate Category, 2023–34[1/]



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.

Figure 6. Niger: Indicators of Public and Publicly Guaranteed External Debt Under Climate Change Scenarios, 2023–43

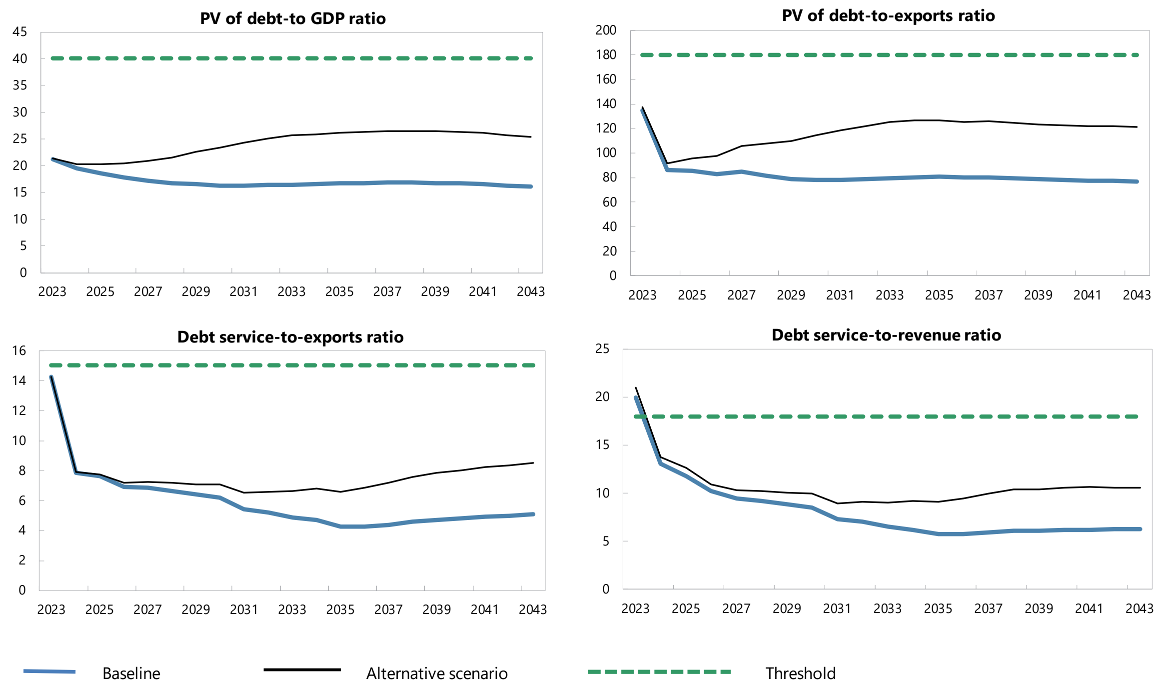


Figure 7. Niger: Indicators of Public Debt Under Climate Change Scenarios, 2023–43

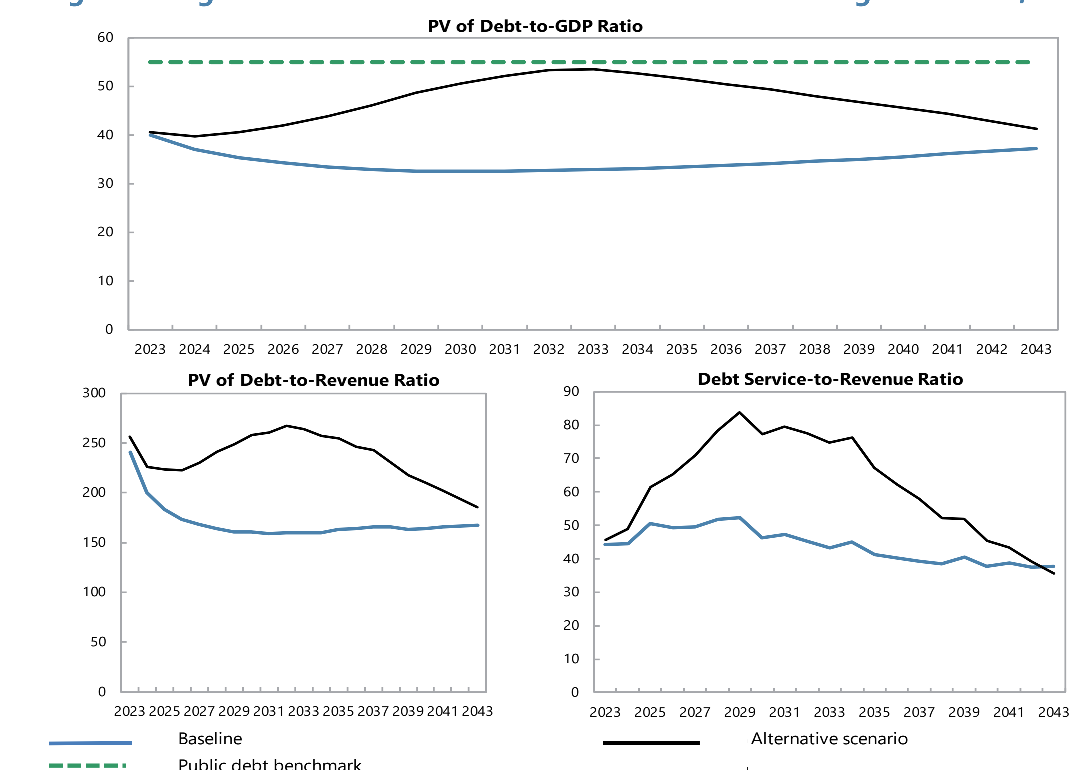
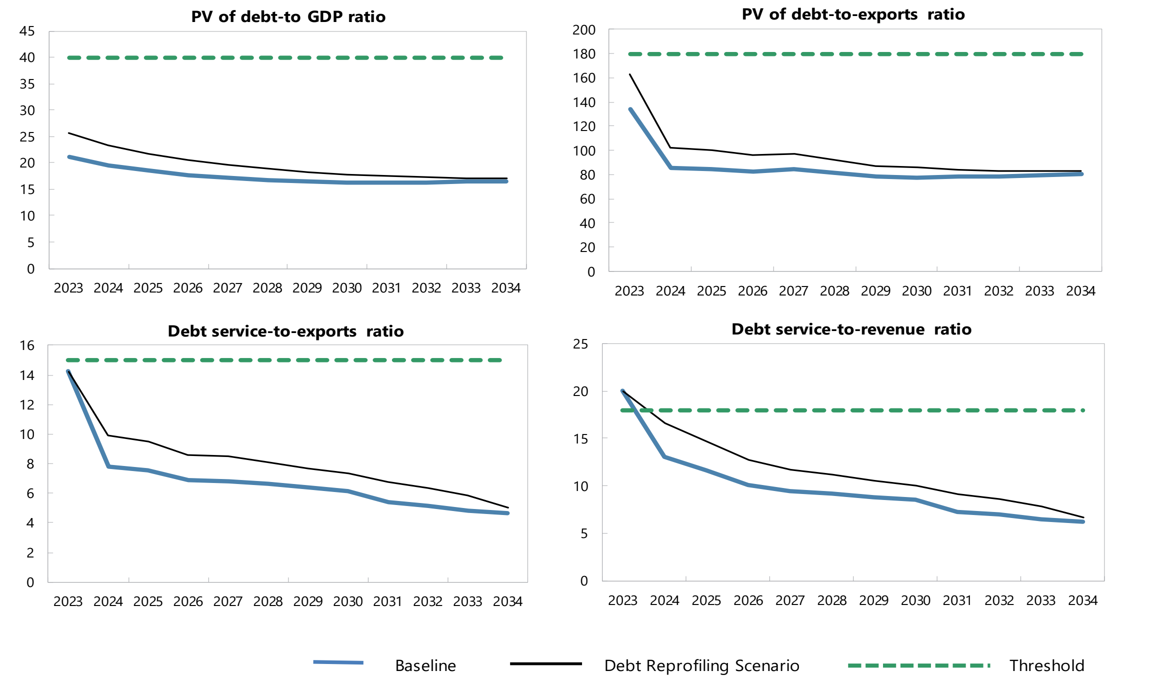


Figure 8. Niger: Indicators of Public and Publicly Guaranteed External Debt Under Debt Reprofiling Scenario, 2023–34



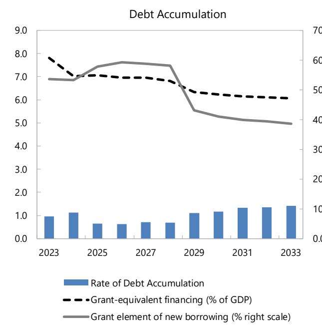
Sources: Country authorities; and staff estimates and projections.

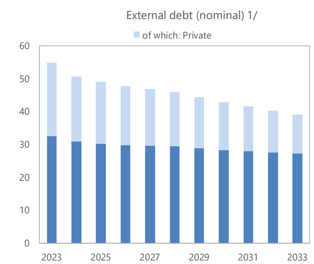
Table 1. Niger: External Debt Sustainability Framework, Baseline Scenario, 2020–43

(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 9/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2043	Historical	Projections
External debt (nominal) 1/	**52.3**	**56.7**	**56.6**	**54.8**	**50.6**	**48.9**	**47.7**	**46.7**	**45.9**	**44.3**	**42.8**	**41.5**	**40.3**	**39.1**	**30.6**	**47.6**	**45.7**
of which: public and publicly guaranteed (PPG)	**31.6**	**33.5**	**32.7**	**32.6**	**30.9**	**30.2**	**29.8**	**29.6**	**29.4**	**28.8**	**28.3**	**28.0**	**27.6**	**27.3**	**23.5**	**25.7**	**29.3**
Change in external debt	3.8	4.5	-0.1	-1.8	-4.2	-1.7	-1.2	-1.0	-0.8	-1.6	-1.5	-1.3	-1.3	-1.1	-0.7		
Identified net debt-creating flows	**7.7**	**6.3**	**7.5**	**3.0**	**-2.8**	**2.0**	**2.7**	**3.6**	**2.9**	**2.5**	**3.0**	**2.9**	**3.3**	**3.7**	**4.1**	**6.5**	**2.4**
Non-interest current account deficit	**12.8**	**13.7**	**15.3**	**11.8**	**4.8**	**6.4**	**6.6**	**7.3**	**6.5**	**6.0**	**6.5**	**6.2**	**6.6**	**6.9**	**6.8**	**12.8**	**6.9**
Deficit in balance of goods and services	16.0	17.0	17.7	14.9	7.1	7.9	7.7	8.2	7.2	6.5	6.9	6.6	6.8	7.1	6.7	**15.1**	**7.9**
Exports	16.6	15.5	11.9	15.7	22.6	21.8	21.5	20.3	20.5	21.0	20.9	20.8	20.8	20.6	20.9		
Imports	32.6	32.5	29.6	30.6	29.7	29.7	29.2	28.4	27.7	27.5	27.8	27.4	27.6	27.7	27.6		
Net current transfers (negative = inflow)	-4.3	-4.5	-3.6	-3.9	-3.4	-3.0	-2.7	-2.7	-2.6	-2.6	-2.5	-2.4	-2.3	-2.3	-1.9	**-3.5**	**-2.8**
of which: official	-2.4	-2.4	-1.3	-1.9	-1.5	-1.5	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4	-1.3	-1.3	-1.2		
Other current account flows (negative = net inflow)	1.2	1.2	1.1	0.8	1.1	1.5	1.6	1.8	2.0	2.1	2.1	2.1	2.1	2.1	2.0	**1.2**	**1.7**
Net FDI (negative = inflow)	**-2.5**	**-3.7**	**-6.2**	**-5.6**	**-1.7**	**-1.4**	**-1.4**	**-1.3**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-4.4**	**-1.7**
Endogenous debt dynamics 2/	**-2.6**	**-3.7**	**-1.6**	**-3.1**	**-5.8**	**-2.9**	**-2.5**	**-2.4**	**-2.4**	**-2.3**	**-2.2**	**-2.1**	**-2.1**	**-2.0**	**-1.4**		
Contribution from nominal interest rate	0.4	0.3	0.3	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3		
Contribution from real GDP growth	-1.6	-0.7	-6.5	-3.6	-6.2	-3.3	-2.8	-2.7	-2.6	-2.6	-2.5	-2.4	-2.3	-2.2	-1.7		
Contribution from price and exchange rate changes	-1.4	-3.4	4.6	...	...	...	...	...	...	...	...	...	...	...	...		
Residual 3/	**-3.9**	**-1.8**	**-7.6**	**-4.8**	**-1.4**	**-3.7**	**-3.9**	**-4.6**	**-3.7**	**-4.1**	**-4.5**	**-4.2**	**-4.6**	**-4.8**	**-4.9**	**-4.5**	**-4.0**
of which: exceptional financing 4/	0.0	0.0	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		
Sustainability indicators																	
PV of PPG external debt-to-GDP ratio	**...**	**...**	**22.4**	**21.1**	**19.4**	**18.4**	**17.7**	**17.1**	**16.6**	**16.4**	**16.2**	**16.2**	**16.3**	**16.4**	**16.1**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**188.4**	**134.0**	**85.8**	**84.7**	**82.2**	**84.5**	**81.0**	**78.1**	**77.8**	**78.0**	**78.2**	**79.3**	**76.9**		
PPG debt service-to-exports ratio	**6.8**	**8.6**	**14.1**	**14.2**	**7.8**	**7.6**	**6.9**	**6.8**	**6.6**	**6.4**	**6.2**	**5.4**	**5.2**	**4.8**	**5.1**		
PPG debt service-to-revenue ratio	**10.4**	**12.3**	**16.5**	**20.0**	**13.0**	**11.7**	**10.1**	**9.4**	**9.2**	**8.8**	**8.5**	**7.3**	**7.0**	**6.4**	**6.2**		
Gross external financing need (Million of U.S. dollars)	1621.9	1721.5	1695.9	1472.9	949.1	1401.0	1532.5	1822.7	1754.7	1756.7	2030.2	2045.8	2321.8	2590.9	5647.8		
Key macroeconomic assumptions																	
Real GDP growth (in percent)	3.5	1.4	11.9	7.0	13.0	7.0	6.2	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	**5.7**	**6.8**
GDP deflator in US dollar terms (change in percent)	2.9	6.9	-7.5	3.3	1.2	1.7	1.6	1.5	0.9	2.0	2.0	2.0	2.0	2.0	2.0	**-0.4**	**1.8**
Effective interest rate (percent) 5/	0.8	0.7	0.5	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.6	0.6	0.6	0.7	1.0	**0.8**	**0.7**
Growth of exports of G&S (US dollar terms, in percent)	65.2	1.2	-20.8	46.7	64.5	4.7	6.5	1.3	8.4	10.5	7.6	7.8	8.0	7.2	7.1	**4.2**	**15.7**
Growth of imports of G&S (US dollar terms, in percent)	32.0	8.1	-5.8	14.3	11.1	8.8	6.1	4.6	4.2	7.3	9.3	6.6	9.0	8.4	6.3	**6.1**	**8.2**
Grant element of new public sector borrowing (in percent)	...	...	...	53.6	53.3	57.8	59.3	58.7	58.1	43.1	41.1	39.9	39.4	38.6	34.6	**...**	**49.4**
Government revenues (excluding grants, in percent of GDP)	10.8	10.8	10.1	11.2	13.5	14.1	14.6	14.7	14.8	15.2	15.2	15.4	15.4	15.5	17.1	**11.5**	**14.5**
Aid flows (in Million of US dollars) 6/	1672.6	1576.6	1435.0	1535.5	1611.3	1716.6	1832.4	1965.1	2014.3	2126.7	2250.8	2402.7	2566.9	2749.5	5545.5		
Grant-equivalent financing (in percent of GDP) 7/	...	...	...	7.8	7.0	7.1	6.9	7.0	6.8	6.3	6.2	6.1	6.1	6.1	5.7	**...**	**6.7**
Grant-equivalent financing (in percent of external financing) 7/	...	...	...	78.8	79.4	83.9	85.1	85.1	85.1	80.0	79.5	79.4	79.5	79.6	81.3	**...**	**81.4**
Nominal GDP (Million of US dollars)	13,764	14,923	15,448	17,070	19,518	21,234	22,912	24,644	26,363	28,504	30,818	33,321	36,027	38,952	85,033		
Nominal dollar GDP growth	6.6	8.4	3.5	10.5	14.3	8.8	7.9	7.6	7.0	8.1	8.1	8.1	8.1	8.1	8.1	**5.3**	**8.8**
Memorandum items:																	
PV of external debt 8/	...	...	46.3	43.3	39.2	37.2	35.6	34.2	33.2	31.9	30.7	29.8	28.9	28.2	23.2		
In percent of exports	...	...	390.3	275.3	173.1	170.5	165.5	169.0	161.5	151.9	147.2	143.2	139.0	136.5	110.9		
Total external debt service-to-exports ratio	8.8	9.9	15.8	15.9	8.0	7.8	7.1	7.0	6.8	6.5	6.3	5.5	5.2	4.9	5.1		
PV of PPG external debt (in Million of US dollars)			3452.7	3600.2	3791.0	3917.5	4052.9	4217.0	4385.6	4674.3	5004.1	5412.8	5864.0	6376.1	13680.9		
(PVt-PVt-1)/GDPt-1 (in percent)				1.0	1.1	0.6	0.6	0.7	0.7	1.1	1.2	1.3	1.4	1.4	1.1		
Non-interest current account deficit that stabilizes debt ratio	9.0	9.3	15.4	13.6	9.0	8.0	7.8	8.3	7.3	7.6	8.0	7.5	7.8	8.0	7.5		

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.

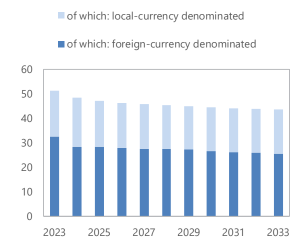
Table 2. Niger: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–43

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	**45.0**	**51.3**	**50.3**	**51.3**	**48.3**	**47.0**	**46.2**	**45.7**	**45.4**	**43.6**	**44.3**	**36.4**	**45.9**
of which: external debt	**31.6**	**33.5**	**32.7**	**32.6**	**30.9**	**30.2**	**29.8**	**29.6**	**29.4**	**27.3**	**23.5**	**25.7**	**29.3**
Change in public sector debt	5.2	6.4	-1.0	0.9	-3.0	-1.3	-0.8	-0.5	-0.3	-0.2	0.2		
Identified debt-creating flows	**0.8**	**6.1**	**1.3**	**1.0**	**-2.5**	**-0.8**	**-0.4**	**-0.1**	**0.0**	**-0.1**	**0.2**	**2.9**	**-0.3**
Primary deficit	**3.8**	**4.8**	**5.5**	**4.1**	**2.8**	**1.7**	**1.8**	**1.9**	**1.9**	**1.9**	**1.8**	**4.0**	**2.2**
Revenue incl. grants	17.5	18.4	14.8	16.6	18.5	19.3	19.8	19.9	20.0	20.6	22.2	**17.1**	**19.7**
of which: grants	6.8	7.5	4.7	5.4	4.9	5.2	5.2	5.2	5.2	5.1	5.0		
Primary (noninterest) expenditure	21.3	23.1	20.3	20.7	21.3	21.0	21.6	21.8	21.9	22.5	24.0	**21.0**	**21.8**
Automatic debt dynamics	**-3.0**	**1.3**	**-4.3**	**-3.1**	**-5.3**	**-2.5**	**-2.2**	**-2.0**	**-1.9**	**-2.0**	**-1.7**		
Contribution from interest rate/growth differential	-0.8	-1.4	-7.1	-3.5	-5.5	-2.6	-2.2	-2.1	-2.2	-2.0	-1.6		
of which: contribution from average real interest rate	0.5	-0.8	-1.6	-0.2	0.4	0.6	0.5	0.5	0.4	0.5	0.8		
of which: contribution from real GDP growth	-1.4	-0.6	-5.5	-3.3	-5.9	-3.2	-2.7	-2.6	-2.6	-2.5	-2.5		
Contribution from real exchange rate depreciation	-2.1	2.7	2.8	...	...	...	...	...	...	...	...		
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	**4.4**	**0.3**	**-2.3**	**0.4**	**-0.3**	**-0.4**	**-0.3**	**-0.2**	**-0.1**	**-0.2**	**0.0**	**0.3**	**-0.2**
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	**...**	**...**	**39.9**	**39.9**	**36.9**	**35.2**	**34.1**	**33.3**	**32.7**	**32.7**	**37.0**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**269.4**	**240.3**	**199.5**	**182.3**	**172.4**	**167.2**	**163.6**	**159.1**	**167.0**		
Debt service-to-revenue and grants ratio 4/	**45.9**	**37.8**	**48.5**	**44.2**	**44.4**	**50.4**	**49.1**	**49.5**	**51.5**	**43.0**	**37.5**		
Gross financing need 5/	10.9	10.7	12.7	11.4	11.0	11.5	11.5	11.7	12.2	10.7	10.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	3.5	1.4	11.9	7.0	13.0	7.0	6.2	6.0	6.0	6.0	6.0	**5.7**	**6.8**
Average nominal interest rate on external debt (in percent)	1.2	0.9	0.8	1.4	1.2	1.1	1.0	0.9	0.8	0.9	1.4	**1.4**	**1.0**
Average real interest rate on domestic debt (in percent)	4.2	2.2	0.8	2.9	4.1	4.2	4.2	4.1	4.1	4.4	4.7	**3.9**	**4.1**
Real exchange rate depreciation (in percent, + indicates depreciation)	-8.4	9.1	10.0	...	...	...	...	...	...	...	...	**3.5**	**...**
Inflation rate (GDP deflator, in percent)	0.9	3.1	3.9	2.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	**1.4**	**2.0**
Growth of real primary spending (deflated by GDP deflator, in percent)	7.3	10.0	-1.5	8.7	16.3	5.8	8.9	6.9	6.6	6.5	6.6	**8.7**	**7.8**
Primary deficit that stabilizes the debt-to-GDP ratio 6/	-1.4	-1.6	6.5	3.1	5.8	3.0	2.6	2.3	2.2	2.1	1.7	**1.2**	**2.8**
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, 2023–34

	Projections 1/											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of debt-to GDP ratio												
Baseline	21	19	18	18	17	17	16	16	16	16	16	16
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2023-2043 2/	21	24	26	27	28	29	31	33	35	37	39	40
B. Bound Tests												
B1. Real GDP growth	21	23	23	22	21	21	20	20	20	20	20	20
B2. Primary balance	21	20	20	19	19	18	18	18	18	18	18	19
B3. Exports	21	27	35	34	33	32	31	30	30	29	28	27
B4. Other flows 3/	21	21	22	21	20	19	19	19	19	19	18	18
B6. One-time 30 percent nominal depreciation	21	25	20	19	19	18	18	18	18	18	19	19
B6. Combination of B1-B5	21	32	30	29	28	28	27	27	26	26	25	25
C. Tailored Tests												
C1. Combined contingent liabilities	21	20	20	19	19	19	18	18	18	18	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	21	21	21	21	20	19	19	18	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	134	86	85	82	84	81	78	78	78	78	79	80
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2023-2043 2/	134	107	118	126	138	143	150	159	170	179	187	193
B. Bound Tests												
B1. Real GDP growth	134	86	85	82	84	81	78	78	78	78	79	80
B2. Primary balance	134	87	90	89	92	90	87	87	88	88	89	90
B3. Exports	134	**243**	**424**	**413**	**425**	**408**	**390**	**384**	**379**	**368**	**355**	**340**
B4. Other flows 3/	134	93	99	96	99	95	91	90	90	90	89	89
B6. One-time 30 percent nominal depreciation	134	86	74	71	73	70	68	68	68	69	71	73
B6. Combination of B1-B5	134	**211**	112	**224**	**230**	**221**	**212**	**209**	**208**	**203**	**200**	**197**
C. Tailored Tests												
C1. Combined contingent liabilities	134	90	91	89	93	91	88	88	89	89	90	91
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	134	99	105	101	102	96	90	88	87	86	84	83
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	14	8	8	7	7	7	6	6	5	5	5	5
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2023-2043 2/	14	8	9	8	8	8	8	9	8	9	9	10
B. Bound Tests												
B1. Real GDP growth	14	8	8	7	7	7	6	6	5	5	5	5
B2. Primary balance	14	8	8	7	7	7	7	6	6	5	5	5
B3. Exports	14	**16**	**22**	**22**	**22**	**21**	**20**	**19**	**17**	**22**	**28**	**27**
B4. Other flows 3/	14	8	8	7	7	7	7	6	6	6	6	6
B6. One-time 30 percent nominal depreciation	14	8	8	7	7	6	6	6	5	5	4	4
B6. Combination of B1-B5	14	14	**17**	15	15	14	14	13	12	**16**	14	13
C. Tailored Tests												
C1. Combined contingent liabilities	14	8	8	7	7	7	7	6	6	5	5	5
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	14	9	8	8	8	7	7	7	6	6	6	6
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	20	13	12	10	9	9	9	8	7	7	6	6
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2023-2043 2/	**20**	14	13	12	12	12	12	12	11	12	13	13
B. Bound Tests												
B1. Real GDP growth	**20**	15	14	13	12	11	11	11	9	9	8	8
B2. Primary balance	**20**	13	12	10	10	9	9	9	7	7	7	7
B3. Exports	**20**	13	13	12	11	11	10	10	9	11	14	13
B4. Other flows 3/	**20**	13	12	10	10	9	9	9	7	8	8	8
B6. One-time 30 percent nominal depreciation	**20**	16	15	12	12	11	11	10	9	9	7	6
B6. Combination of B1-B5	**20**	16	16	13	12	12	12	11	10	13	11	11
C. Tailored Tests												
C1. Combined contingent liabilities	**20**	13	12	10	10	9	9	9	7	7	7	6
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	**20**	16	15	13	12	11	10	9	8	8	8	7
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, 2023–34

	Projections											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	PV of Debt-to-GDP Ratio											
Baseline	**40**	**37**	**35**	**34**	**33**	**33**	**32**	**32**	**32**	**33**	**33**	**33**
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	40	40	40	40	40	41	41	42	43	44	45	47
B. Bound Tests												
B1. Real GDP growth	40	45	48	50	51	52	54	56	58	60	62	64
B2. Primary balance	40	39	41	39	38	37	36	36	36	35	35	35
B3. Exports	40	44	50	49	48	47	46	45	45	44	43	42
B4. Other flows 2/	40	38	38	37	36	36	35	35	35	35	35	35
B6. One-time 30 percent nominal depreciation	40	40	37	34	32	30	29	28	27	27	26	26
B6. Combination of B1-B5	40	40	40	39	38	38	38	38	38	38	39	39
C. Tailored Tests												
C1. Combined contingent liabilities	40	43	41	39	38	37	36	36	36	35	35	35
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	40	42	47	52	56	59	62	64	66	68	70	72
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	240	199	182	172	167	164	160	160	158	159	159	159
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	240	213	202	197	196	197	197	201	203	209	212	215
B. Bound Tests												
B1. Real GDP growth	240	233	235	236	241	247	252	261	268	278	285	292
B2. Primary balance	240	212	210	197	190	184	178	176	173	173	172	171
B3. Exports	240	238	261	247	239	234	226	224	220	217	210	203
B4. Other flows 2/	240	208	198	188	182	178	173	173	171	171	169	168
B6. One-time 30 percent nominal depreciation	240	222	193	176	165	155	146	141	135	133	129	126
B6. Combination of B1-B5	240	215	205	194	190	188	184	184	183	185	185	185
C. Tailored Tests												
C1. Combined contingent liabilities	240	232	210	197	190	184	178	176	173	173	172	171
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	240	260	273	292	302	308	307	309	316	328	335	343
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	44	44	50	49	49	52	52	46	47	45	43	45
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	44	47	54	53	54	56	58	51	53	51	49	52
B. Bound Tests												
B1. Real GDP growth	44	50	64	68	73	81	85	81	85	85	85	88
B2. Primary balance	44	44	57	62	59	62	60	52	52	50	47	48
B3. Exports	44	44	51	50	51	53	53	47	48	48	48	50
B4. Other flows 2/	44	44	51	49	50	52	52	46	47	46	44	46
B6. One-time 30 percent nominal depreciation	44	44	51	48	49	50	51	46	46	44	42	43
B6. Combination of B1-B5	44	46	53	58	57	62	63	57	58	57	55	57
C. Tailored Tests												
C1. Combined contingent liabilities	44	44	67	57	62	61	59	52	52	49	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	44	51	73	84	94	104	107	100	103	103	101	104
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.

Table 5. Niger: External Debt Decomposition, 2022–45

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
	Estimated											Projections												
USD million																								
External	**5,071**	**5,525**	**5,988**	**6,367**	**6,758**	**7,176**	**7,592**	**8,062**	**8,588**	**9,172**	**9,803**	**10,497**	**11,243**	**12,070**	**12,935**	**13,833**	**14,749**	**15,685**	**16,655**	**17,658**	**18,695**	**19,766**	**20,885**	**####**
Multilateral creditors	4,218	4,801	5,355	5,798	6,237	6,699	7,116	7,567	8,038	8,551	9,095	9,681	10,290	10,964	11,664	12,378	13,099	13,826	14,571	15,333	16,111	16,906	17,730	18,579
IMF	478	566	608	583	526	472	401	329	258	208	167	146	128	113	100	87	74	61	48	34	21	8	2	0
World Bank	2,284	2,849	3,346	3,859	4,377	4,915	5,475	5,797	6,071	6,303	6,530	6,734	6,917	7,123	7,304	7,463	7,599	7,712	7,814	7,908	7,993	8,068	8,143	8,215
Other Multilaterals	1,455	1,403	1,416	1,389	1,368	1,345	1,273	1,475	1,750	2,098	2,473	2,891	3,345	3,833	4,360	4,916	5,500	6,114	6,757	7,425	8,118	8,838	9,586	10,364
Bilateral Creditors	650	566	520	479	450	422	432	457	492	538	595	670	768	877	995	1,126	1,265	1,411	1,567	1,734	1,912	2,099	2,297	2,507
Paris Club	211	203	194	185	179	171	183	202	226	257	294	342	392	448	506	567	630	694	761	832	905	979	1,056	1,133
Non-Paris Club	439	363	326	294	271	250	249	255	266	281	301	328	376	429	489	559	635	717	806	902	1,007	1,119	1,241	1,374
Commercial creditors	203	158	113	90	71	55	44	38	58	83	113	147	186	229	276	328	385	448	516	591	672	762	859	964
% of external debt																								
External	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Multilateral creditors	83.2%	86.9%	89.4%	91.1%	92.3%	93.4%	93.7%	93.9%	93.6%	93.2%	92.8%	92.2%	91.5%	90.8%	90.2%	89.5%	88.8%	88.1%	87.5%	86.8%	86.2%	85.5%	84.9%	84.3%
IMF	9.4%	10.2%	10.2%	9.2%	7.8%	6.6%	5.3%	4.1%	3.0%	2.3%	1.7%	1.4%	1.1%	0.9%	0.8%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%	0.0%	0.0%	0.0%
World Bank	45.1%	51.6%	55.9%	60.6%	64.8%	68.5%	72.1%	71.9%	70.7%	68.7%	66.6%	64.2%	61.5%	59.0%	56.5%	54.0%	51.5%	49.2%	46.9%	44.8%	42.8%	40.8%	39.0%	37.3%
Other Multilaterals	28.7%	25.4%	23.6%	21.8%	20.2%	18.7%	16.8%	18.3%	20.4%	22.9%	25.2%	27.5%	29.7%	31.8%	33.7%	35.5%	37.3%	39.0%	40.6%	42.0%	43.4%	44.7%	45.9%	47.0%
Bilateral Creditors	12.8%	10.2%	8.7%	7.5%	6.7%	5.9%	5.7%	5.7%	5.7%	5.9%	6.1%	6.4%	6.8%	7.3%	7.7%	8.1%	8.6%	9.0%	9.4%	9.8%	10.2%	10.6%	11.0%	11.4%
Paris Club	4.2%	3.7%	3.2%	2.9%	2.6%	2.4%	2.4%	2.5%	2.6%	2.8%	3.0%	3.3%	3.5%	3.7%	3.9%	4.1%	4.3%	4.4%	4.6%	4.7%	4.8%	5.0%	5.1%	5.1%
Non-Paris Club	8.7%	6.6%	5.4%	4.6%	4.0%	3.5%	3.3%	3.2%	3.1%	3.1%	3.1%	3.1%	3.3%	3.6%	3.8%	4.0%	4.3%	4.6%	4.8%	5.1%	5.4%	5.7%	5.9%	6.2%
Commercial creditors	4.0%	2.9%	1.9%	1.4%	1.0%	0.8%	0.6%	0.5%	0.7%	0.9%	1.2%	1.4%	1.7%	1.9%	2.1%	2.4%	2.6%	2.9%	3.1%	3.3%	3.6%	3.9%	4.1%	4.4%
% of GDP																								
External	32.7%	32.5%	30.7%	30.0%	29.5%	29.3%	28.9%	28.4%	28.0%	27.7%	27.3%	27.1%	26.8%	26.6%	26.4%	26.1%	25.7%	25.3%	24.9%	24.4%	23.9%	23.4%	22.8%	22.3%
Multilateral creditors	27.2%	28.3%	27.5%	27.4%	27.3%	27.3%	27.1%	26.7%	26.2%	25.8%	25.4%	25.0%	24.5%	24.2%	23.8%	23.4%	22.9%	22.3%	21.8%	21.2%	20.6%	20.0%	19.4%	18.8%
IMF	3.1%	3.3%	3.1%	2.7%	2.3%	1.9%	1.5%	1.2%	0.8%	0.6%	0.5%	0.4%	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
World Bank	14.7%	16.8%	17.2%	18.2%	19.1%	20.0%	20.9%	20.4%	19.8%	19.0%	18.2%	17.4%	16.5%	15.7%	14.9%	14.1%	13.3%	12.5%	11.7%	10.9%	10.2%	9.5%	8.9%	8.3%
Other Multilaterals	9.4%	8.3%	7.3%	6.6%	6.0%	5.5%	4.9%	5.2%	5.7%	6.3%	6.9%	7.5%	8.0%	8.5%	8.9%	9.3%	9.6%	9.9%	10.1%	10.3%	10.4%	10.4%	10.5%	10.5%
Bilateral Creditors	4.2%	3.3%	2.7%	2.3%	2.0%	1.7%	1.6%	1.6%	1.6%	1.6%	1.7%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.3%	2.4%	2.4%	2.5%	2.5%	2.5%
Paris Club	1.4%	1.2%	1.0%	0.9%	0.8%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.9%	0.9%	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%	1.1%
Non-Paris Club	2.8%	2.1%	1.7%	1.4%	1.2%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.9%	0.9%	1.0%	1.1%	1.1%	1.2%	1.2%	1.2%	1.3%	1.3%	1.4%	1.4%
Commercial creditors	1.3%	0.9%	0.6%	0.4%	0.3%	0.2%	0.2%	0.1%	0.2%	0.3%	0.3%	0.4%	0.4%	0.5%	0.6%	0.6%	0.7%	0.7%	0.8%	0.8%	0.9%	0.9%	0.9%	1.0%

INTERNATIONAL MONETARY FUND

NIGER

June 21, 2023

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR EXTENSION, REPHASING, AND MODIFICATION OF PERFORMANCE CRITERIA OF THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCE AND SUSTAINABILITY FACILITY

A. Country Vulnerability to Climate Change Including Human, Social and Economic Costs

1. Niger and the other countries in the Sahel are among the world's most vulnerable to climate change while having some of the highest poverty rates. Sustaining economic growth to reduce poverty is already a challenge in the Sahel with growth volatile and subject to multiple shocks, notably political instability, insecurity, as well as climatic shocks. The University of Notre Dame Global Adaptation Initiative Index ranks Niger 176th out of 182 countries (countries are ranked from 1 (lower risk) to 182 (higher risk). Niger is assessed as very high risk). with respect to the country's vulnerability to climate change in combination with its readiness to improve resilience. Floods, droughts, and other natural disasters are increasing in intensity and frequency. In 2020, severe flooding affected over 632,000 people and caused losses of around 2 percent of GDP.[1] In 2021, poor rainfall devastated cereal production in large parts of the country.

2. Large economic output losses are expected from climate change, with losses increasing over time. According to the IPCC, most climate scenarios show that temperatures in the Sahel, including Niger, will rise by at least 2°C in the near term (2021 to 2040) while rainfall variability will increase. In a warmer climate the frequency and intensity of heavy precipitation events and pluvial flooding are becoming more

[1] Niger Country Economic Memorandum, World Bank, 2022.

common. The G5 Sahel Country Climate and Development Report (CCDR)[2] estimates that by 2050 annual GDP in Niger would be reduced by 2.2 percent under the wet and optimistic climate scenarios and 11.9 percent under the dry and pessimistic climate scenarios by 2050[3] *if* urgent investments in climate adaptation are not taken. The negative impacts come from lower labor productivity due to heat stress, lower rainfed crop and livestock yields, damages to roads and bridges and damages from inland flooding. Large annual variability in the shocks to rainfed crop and livestock yields pose additional challenges for the agriculture sector and food security. By 2050 there could be an increase in the poverty rate of Niger from 30.4 percent projected under the baseline scenario (no climate change) to 32.1 percent under the wet and optimistic scenarios and to 39 percent under the dry and climate pessimistic scenarios, which translates to an additional 5.23 million people falling into poverty. Inequality will increase and climate change will have a heterogeneous spatial effect in the Sahel with higher poverty impacts in rural areas, including in some of the most vulnerable border communities in Chad, Niger, and Mali.

3. To accelerate resilient growth in the context of climate change, the G5 Sahel CCDR identifies measures, policies, and investments in five priority areas: (i) Institutions (including disaster risk management); (ii) Climate Financing and Risk Mitigation; (iii) Energy (including the opportunity to develop in a low-carbon pathway by making the most of the region's large renewable energy potential); (iv) Landscapes (integrated management of natural capital agriculture, water and environment); and (v) Cities (resilient urban development).

B. Government Policies and Commitments in Terms of Climate Change Adaptation and Priority Areas to Strengthen Resilience

4. Niger is progressively strengthening its climate policies and commitments although more remains to be done. Niger's Nationally Determined Contribution (NDC)[4], is within the framework of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. It is aligned with national policies and strategies, in particular the Sustainable Development and Inclusive Growth Strategy (SDDCI): *Niger vision 2035*, the *Plan de Développement Economique et Social (*PDES) 2017-2021 and 2022-2026, as well as government programs/projects

[2] G5 Sahel Country Climate and Development Report (CCDR), World Bank, September 2022: https://openknowledge.worldbank.org/handle/10986/37620

The World Bank Group's CCDRs are new analytical reports from the World Bank Group analyzing the linkages between growth, development, and climate change. CCDRs build on data and rigorous research and identify main pathways to reduce GHG emissions and climate vulnerabilities, including the costs and challenges as well as benefits and opportunities from doing so. The reports suggest concrete, priority actions to support the low-carbon, resilient transition.

[3] These estimates are likely to underestimate the impact from climate change because not all impact channels are included and because they do not include the magnifying effects of climate-induced changes in ecosystems, increases in conflicts, and migration shifts.

[4] Updated NDCs submitted to the United Nations Framework Convention on Climate Change (UNFCCC) in December 2021.

for the sustainable management of natural resources and access to energy. Niger's NDC covers both adaptation and mitigation ambitions.

5. **Adaptation is a priority in Niger's NDC and covers a wide range of areas,** including agriculture and livestock, conservation of ecosystems, biodiversity and forests, water and sanitation, energy and infrastructure, gender and social protection, land use planning, health, education, and fisheries and aquaculture. Adaptation measures in the Agriculture, Forestry, Other Land Use (AFOLU) sector focus on improving the resilience of the agriculture, livestock, forestry, water resources, fisheries, and wildlife sub-sectors as well as the health of populations. A Measurement, Reporting, and Verification (MRV) mechanism for the NDC will be established to monitor and evaluate performance indicators and Niger's efforts in terms of adaptation and mitigation within the framework of the implementation of the Paris Agreement. [5] The monitoring and evaluation will be overseen by a Permanent Secretariat housed in the Ministry of Environment and conducted in a participatory manner, with all the representatives in charge of implementing the NDC.

6. **On disaster risk management (DRM), the Government is strengthening the institutional framework and approved a new DRM law in 2022.** Niger has the National Disaster Risk Reduction Strategy (SN-RRC) 2019-2030[6], which is aligned with the Sendai Framework for Disaster Risk Reduction 2015-2030. The strategy was formally adopted through the adoption of the Humanitarian and Disaster Management Policy 2022-2026 and its Action Plan (2023): *Plan d'Actions de la Politique Humanitaire et de Gestion des Catastrophes 2022-2026*. A new DRM law was approved by the Parliament in December 2022. The law provides a mandate for integrating DRM and climate resilience into key sectors of the economy and development processes and programs and serves as the legal framework for a multi-sectoral, integrated, and preventive approach to DRM. [7] To operationalize the new DRM law, two implementing decrees are being prepared. First, to implement the new DRM law by (i) establishing a DRM High Council to be chaired by the President to serve as a guidance, consultation, and decision-making platform at the national level, and (ii) setting up the procedures for the declaration of the state of emergency by the President. Second, to define the mission, organization, composition, and operating modalities of the DRM High Council.

[5] The Paris Agreement establishes a transparency framework that distinguishes between "action" and "support". The purpose for transparency of action is to provide a clear understanding of climate change action, including clarity and tracking of progress towards implementing and achieving individual NDCs as well as GHG inventories and countries' mitigation and adaptation actions. It will play a key role in providing scrutiny and accountability of Parties' efforts to address climate change.

[6] The strategy has four areas: (i) Understanding disaster risks; (ii) Strengthening disaster risk governance; (iii) Investing in DRR for resilience; and (iv) Strengthening disaster preparedness to respond effectively and build back better.

[7] It defines the responsibilities of core structures and the principles governing the relations between various entities and specifies the key instruments for an effective DRM, including a general disaster risk reduction plan for each major hazard, early warning systems, and a national disaster response fund. This will prevent the emergence of new or increased disaster risks; remove or reduce risks already present; and strengthen the resilience of individuals and societies in the face of residual risks.

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions.

7. Niger is a low GHG emitter, contributing an annual share of global greenhouse gas emissions of less than 0.1 percent and emitting 46 Mt CO2 eq (including land use).[8] Though the five Sahel countries combined contribute less than 1 percent of global GHG emissions, all five countries have set targets for GHG reductions in their NDCs under the Paris Agreement, updated at the COP26 meeting in Glasgow in 2021, and have pledged to achieve net-zero emissions by 2050. All five Sahel countries have low-carbon economic growth strategies with a strong focus on developing their renewable energy potentials, and all have specific renewable energy targets. Niger has a target of 30 percent of renewable energy by 2030.

8. Niger's NDC provide for a reduction in GHG emissions during the period 2021-2030 in two sectors: Agriculture, Forestry, and Other Land Use (AFOLU) sector and the Energy sector.[9] The mitigation measures planned in the AFOLU sector relate to the scaling up of good practices for sustainable land management and water in all agro-ecological zones to increase the resilience of ecosystems and households, and to reduce emissions from deforestation and degradation, and sequester carbon. For the Energy sector, the measures aim to facilitate access (target 80 percent of the population in Niger by 2035) to cheap, sustainable, and clean energy as well as access to modern energy services for all. The mitigation measures concern the management of the 'Residential' sub-sector (households) through rural electrification, the saving of wood energy and its substitution by other more modern fuels (butane gas, biofuels, solar); the 'Transport' sub-sector by the drop in its specific consumption; the 'Demand, Transformation and Popularization of Renewable Energies' sub-sector by improving the energy efficiency of the sub-sectors and the promotion of photovoltaic solar energy for water pumping, health, and electrification.

9. Over the past five years, several steps have been taken by the Government towards the goal of expanding access to affordable energy, including updating the least-cost power development plan (LCPDP) which promotes the shift to renewable energy. The government has strengthened the institutional and regulatory framework of the electricity sector[10] and established new regulations on renewable energies.[11] The Government is in the process of revising the Electricity Code, which will adopt a framework for the selection and execution of new electricity generation

[8] G5 Sahel CCDR, World Bank, September 2022 (underlying source: World Bank DataBank)

[9] The Agriculture and Energy sectors contribute 88 and 9 percent to the country's GHGs, respectively. Unconditional GHG reduction compared to BAU baseline: 13% for AFOLU, 11% for energy; Conditional GHG reduction compared to BAU baseline: 23% for AFOLU, 45% for energy (Source G5 Sahel CCDR)

[10] The Electricity Code enacted in May 2016 ended the monopoly of NIGELEC and liberalized the sector for private-sector participation, particularly in generation and rural electrification. The Government approved a decree in 2020 to mandate a transparent and competitive selection process for new IPPs based on a least-cost power development plan.

[11] Outside of the grid, the government has established a regulatory framework to promote private sector-led solar mini-grids, as well as an exemption from import duties for a positive list of off-grid solar devices.

projects based on the low carbon updated LCPDP and in accordance with the national renewable energy policy.[12] It is also preparing a decree to adopt the low carbon updated LCPDP.[13]

D. Other Challenges and Opportunities

10. Mobilizing financing for climate investments will be very challenging. The NDC investment to 2030 is approximately USD 9.91 billion, of which USD 3.17 billion is for mitigation and USD 6.74 billion is for adaptation. Niger's average annual NDC financing need is equivalent to 7.7 percent of 2021 GDP.[14] As fiscal space for public financing is constrained, Niger will need to mobilize additional financing from international, private, non-governmental, and climate finance sources, while also making more effective use of their existing financial resources. The Government should continue to ensure conducive legal and regulatory frameworks are in place to mobilize private sector financing into potential sectors such as renewable energy.

11. Increasing public institutional capacities and ensuring government's planning and finance functions are climate-informed will also be important for effective climate actions and investments.[15] Potential areas of action in Niger include the following: (i) strengthening the planning and monitoring of climate-related expenditures (adaptation and mitigation) in budgets; (ii) mainstreaming into the public investment management system the appraisal of projects' climate change vulnerabilities as well as their potential contributions to strengthening climate resilience and to the mitigation goals of the NDC; (iii) moving towards green public procurement; (iv) assessing systematically fiscal risks from climate change; and (v) strengthening the capacity of sectoral ministries to plan and finance risk reduction interventions and prepare and respond to climate-related disasters, which supports the implementation of the new DRM law. These areas for institutional capacity building are complementary and should ideally be worked on in parallel. Areas i, ii, iv and v are being supported through the proposed RSF measures.

E. WB Engagement in the Area of Climate Change

12. The World Bank has a strong country engagement on climate change with a large portfolio of financing and technical assistance that is helping Niger implement its climate commitments and to strengthen its climate resilience:

[12] Currently in 2022 installed and operational renewable energy capacity in Niger is approximately 7% of total national grid capacity (in MW) and renewable energy is about 2.5% of total national energy produced (in MWh). Niger has a target of 30 percent of energy coming from renewables by 2030.

[13] The adoption of an updated low-carbon LCPDP will serve as a basis for setting new criteria and targets for the development of cost-efficient new generation projects, helping the reduction of the costs of power production, and reducing any tariff shortfalls. As mandated by the current regulatory framework for independent power producers (IPP), new generation projects must be aligned with the low-carbon LCPDP, which makes the code revision and decree adoption critical.

[14] G5 Sahel CCDR, World Bank, September 2022

[15] G5 Sahel CCDR, World Bank, September 2022

- ***Active operations that have high climate co-benefits include:*** the **Niger Integrated Water Safety Platform Project** (USD 400 million, P174414) that aims to strengthen integrated water resource management, increase access to water services and improve resilience to climate-induced water variability in certain regions of Niger; the **Niger Integrated Urban Development and Multi-sectorial Resilience Project** (USD 250 million, P175857) that aims to increase resilience to floods and improve urban management and access to basic services in selected municipalities in Niger, including flood risk reduction infrastructure investments, institutional strengthening of DRM capacities and coordination, and early warning Early Warning Systems; the **Niger Gorou Banda Scaling Solar Project** (P176887) which will construct a Solar Power Plant of 60 MW and increase the share of renewable energies in the energy mix; and the **Niger Integrated Landscapes Project** (USD 150 million, P177043) that aims to increase the adoption of climate-smart landscape restoration practices and improve rural communities' access to income-generating opportunities. USD 2m is dedicated to an enabling environment for the implementation of NDC and land degradation neutrality in Niger. See below on the DPF series.

- ***Operations under preparation are strongly aligned with the five CCDR priority areas*** aiming to strengthen climate resilience of agriculture and livestock sectors and increase climate-resilient infrastructure.

- ***Analysis and technical assistance:*** The Sahel CCDR provides a strong knowledge base to support the country engagement on climate change across all sectors. The Bank also provides technical assistance, through TA components of projects and TA financed by the Climate Support Facility trust fund, to support the implementation of the NDCs, including the development of the MRV system, the strengthening of the DRM framework, the development and implementation of the LCPDP, and the operationalization of the CCDR findings.

13. The World Bank Niger Resilient Growth and Capital Building Development Policy Financing (DPF) series[16] support policy and institutional reforms that strengthen climate resilience and adaptation and advance a low-carbon development pathway. The DPF series is strongly aligned with the policy recommendations of the Sahel CCDR. It supports Government reforms to establish a strong DRM legal and institutional framework, expand the coverage of the social protection system using the Unified Social Registry with improved responsiveness to food insecurity, climate, and other shocks, increase access to electricity in a sustainable manner, including shifting towards renewable energy sources, strengthen groundwater management and protection, and expand irrigation to make agriculture more climate resilient.

14. The Niger DPF series and the RSF for Niger are complementary – particularly in the common sectors of DRM and renewable energy - and potentially in the water and agricultural

[16] A programmatic series of two single-tranche DPFs. The first operation for $350 million (P178423) was approved by the Board in December 2022. The second operation is currently being prepared. The reform program is organized around three pillars.: (1) Strengthening the institutional framework for economic and social resilience to shocks; (2 Improving service delivery to build physical and human capital; and (3) Enhancing governance over natural resources.

sectors if government measures in these sectors are added to the RSF in the future. The DPF series supported the new DRM law and is now supporting the implementing decrees, while the RSF contains two measures which support the establishment of DRM focal points in key ministries to carry out the functions defined in the new DRM law and to promote the usage of the National DRM Data Platform – including the publication of disaster risk information for improved urban planning and resilient infrastructure investments. The DPF is supporting a decree approving the newly introduced low-carbon LCPDP while the RSF contains a measure to provide technical and financial assistance to small and medium-sized enterprises for renewable energy projects.

Buff Statement by Mr. Sylla on Niger
Executive Board Meeting
July 05, 2023

I. INTRODUCTION

1. The Nigerien authorities would like to express their appreciation for the Board and Management's support to the country and for Staff's active engagement. The ECF program has been instrumental for the successful implementation of Niger's Renaissance Program Act III reform agenda. Reflecting their reform ownership, program performance has been strong, and all quantitative performance criteria (QPCs) and Structural Benchmarks (SBs) have been met for the period under review. Despite facing major climate change and security challenges, Niger has managed to maintain broad political and economic stability helped by steady support from development partners. Based on their track record thus far and the need to advance their macroeconomic and structural reform agenda and build resilience against climate change, the authorities are requesting the completion of the third review under their ECF-supported program, a rephasing of the program, and an arrangement under the Resilience and Sustainability Facility (RSF).

II. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

2. While Niger continues to face daunting development needs, the post-pandemic recovery has been strong despite various external shocks. In 2022, GDP growth reached 11.9 percent, on the back of sustained public investments and higher agricultural production. Consistent with related domestic and external price developments, inflation is decelerating. In the fiscal area, heightened insecurity has frustrated tax collection efforts and the revenue impact of tax reforms is taking longer to materialize. As a result, public debt is projected to increase to 51.3 percent of GDP this year from 50.3 percent in 2022. Against the background of adverse terms of trade, the current account deficit rose from 14.1 percent in 2021 to 15.6 percent in 2022.

3. In response to sustained global price pressures, the regional central bank (BCEAO) has appropriately tightened financial and monetary conditions. As a result, the government is facing higher borrowing costs and increased short-term securities rollover risks; and credit expansion for the private sector has been constrained. However, the banking system remains stable, well-capitalized, liquid, and profitable—although BCEAO assessments point to the need for actions to mitigate increased NPLs. In this context, the Ministry of Finance is notably working with banks to accelerate the resolution of loan repayment delays pertaining to public procurement weaknesses.

4. The economic outlook remains positive due to the recovery of the agriculture sector, full implementation of oil and large investment projects, and the resumption of trade activities with neighboring countries. GDP growth is projected at 7.0 percent for 2023 before reaching 13 percent in 2024 and from 2025 reverting towards 6.3 percent on average in the medium-term. This favorable growth trajectory will take place together with a steady deceleration of inflation. As growth picks up, and fiscal consolidation–notably through increased domestic revenue mobilization–gradually strengthen, the fiscal deficit is expected to narrow to 5.3 percent in 2023

and to gradually converge to the WAEMU target of 3 percent of GDP over the medium term. Additionally, public debt would decline, and the external position improve, supported by the start of oil exports and continued uranium sales. However, security concerns, natural disasters, and potentially tighter global financial conditions still pose significant risks to the outlook, and the authorities continue to address security problems and enhance climate resilience to mitigate these risks.

III. IMPLEMENTATION OF THE 2021-2024 ECF ARRANGEMENT

5. The implementation of the ECF arrangement since December 2022 has been satisfactory. Program performance has nevertheless been constrained by the negative impact of adverse security conditions which were heightened in 2022, resulting in lower tax collection and subdued economic activity and trade notably with neighboring countries. The difficult security conditions have also hampered the effectiveness and diligence of tax policy and revenue administration reforms, which are taking longer than expected to bear fruit.

6. To reflect recent and reassessed prospective program developments, the authorities are requesting notably the modifications of (i) the performance criterion on the ceiling on net domestic financing; (ii) the indicative targets on basic budget balance and cash revenue floor, starting from end-June 2023; (iii) the continuous performance criterion on the ceiling on new public and publicly guaranteed external debt.

IV. MACROECONOMIC POLICIES AND REFORMS GOING FORWARD

7. The government aims to preserve macroeconomic stability by implementing the ECF program through continued prudent macroeconomic and financial policies. Key priority areas include scaling up revenue mobilization, improving the quality of public expenditures, strengthening governance, and enhancing debt management practices. Given potential external shocks and related risks that have affected recent program implementation, the authorities are calling for flexibility in program evaluation while reiterating their commitment to structural reforms.

Fiscal Policy

8. The authorities are pursuing their fiscal consolidation plan with the objective of setting off gradual return to relevant WAEMU convergence criteria over the medium term. In this perspective, the reduction of fiscal deficit, will allow space for increased infrastructure, social programs, and development spending.

9. Regarding revenue, the authorities' focus is on broadening the tax base and reducing tax evasion, with a particular emphasis on streamlining tax exemptions in the extractive industries and investment code. They will prioritize their 2022-24 strategic plan for the tax administration, and work to prevent losses of customs revenue by increasing digitalization. The immediate goal is to simplify tax procedures, increase transparency, enhance tax compliance, and improve tax regulations. To that effect, the authorities plan to adopt a new General Tax Code in the next several months, which will benefit from a thorough consultative process. Additionally, they will endeavor to integrate tax and customs administrations' IT platforms and streamline tax-payer compliance requirements pertaining to the two fiscal agencies.

10. The second pillar under the fiscal consolidation strategy aims to improve public spending efficiency. Despite technical difficulties and delays relating to efforts to advance decentralization of expenditures, the authorities are working to speed up the implementation of envisaged reforms. These include: (i) the establishment of a unified social registry to improve the targeting of assisted vulnerable populations, and (ii) acceleration of actions to put in place a Treasury Single Account (TSA). In parallel, digital solutions are being implemented to increase transparency and traceability in expenditure and cash flow management.

PFM Reforms

11. The government efforts in the area of public financial management are focused on: (i) enhancing fiscal risks analysis notably by integrating the impact of climate risks in budget preparation; (ii) improving the performance of public enterprises and establishments; and (iii) closely monitoring the lifecycle of investment projects. In this context, SOE budgets will be subjected to prior validation by the minister of finance, and these entities will operate under strict government-mandated performance contracts. It is worth underscoring that these reforms are in line with the implementation of the national economic and social development plan, PDES 2022-26, and build on the steps undertaken by the government to modernize public institutions, extend decentralization, reinforce capacity building, and raise spending transparency.

Debt Management

12. The government is committed to managing debt responsibly and will prioritize grants and concessional loans to ensure that public debt remains sustainable. By implementing a prudent fiscal policy, promoting economic growth, and strengthening debt management institutions, the government aims to maintain a downward trend in debt indicators over the medium to long run. Facing maturing domestic debts, the authorities have undertaken a debt reprofiling operation to be finalized by the end of July 2023 through a commercial loan of CFA 300 billion, with the goal of addressing increased rollover risks and advancing debt sustainability.

Oil Resources Management

13. The new oil project in Niger is progressing well. The second oil pipeline has been completed and related oil exports are expected to begin by the end of 2023. The authorities are working to finalize an ambitious oil revenue management strategy, which will ensure that oil revenue is adequately used, consistent with the country's development goals and priorities. Full deployment may take longer than anticipated, including the establishment of a technical committee responsible for oil revenue projections and tax risk evaluation, as well as the creation of an expert committee to implement the calculation of the oil stabilization fund's reference price.

Structural Reforms

14. To further enhance governance and the fight against corruption, the authorities are focusing on improving transparency through audits, digitalizing PFM, and procurement procedures, and implementing new asset declaration guidelines for senior public officials. Additionally, they are strengthening legal frameworks for collecting information on beneficial ownership and AML/CFT. Regarding economic diversification, the government is prioritizing the development of a business-friendly environment, favorable legal frameworks for investors,

and value chains in the agribusiness sector. It is equally important to underline the reforms undertaken to foster financial inclusion under the National Financial Inclusion Strategy and initiatives to promote digitalization and Fintech, including in remote areas.

V. REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

15. Niger faces major climate-related impediments that could prevent progress in poverty alleviation if not adequately addressed. Dealing with these challenges in a comprehensive manner will be sustained by the country's access to the Resilience and Sustainability Facility (RSF), which would notably facilitate the implementation of the National Strategy for Climate Change. Importantly, the arrangement would have a much-needed catalytic effect, including on climate financing, and would support necessary climate adaption and mitigation reforms and green investments.

16. Resilience against climate change is vital for Niger given the country's exposure and vulnerability to climate-related shocks. Inaction in this critical area would lead to a substantial contraction of economic activity in the next decades and exacerbate poverty and fragility as highlighted in the World Bank's CCDR diagnostic report. In this context and considering that agriculture represents about 40 percent of GDP and the need to address challenges faced by rain-fed agriculture, the authorities have adopted the following adaptation and mitigation strategies: (i) a Nationally Determined Contribution (NDC); (ii) the 2020-2035 National Strategy and Plan for Agricultural Adaptation to Climate Change; and (iii) the National Adaptation Plan.

17. The RSF will be critical in the efforts to efficiently meet the financing and capacity development requirements for Niger's climate adaption and mitigation strategies and programs. These include the government's climate investment plan and the NDC framework for the 2023-2030 period. The country's RST-supported program will help build momentum and advance progress on key climate reforms while guiding needed adjustments in supportive institutional and budget frameworks. The "Advancing Medium and Long-Term Adaptation Planning and Budgeting in Niger" project will, for instance, contribute to implementing a climate budget tagging. Other priority areas concern the execution of adaptation measures, which enables the construction of climate-resilient infrastructures, and the management of natural disasters risks.

VI. CONCLUDING REMARKS

18. Despite the multiple security and climate-related challenges, the Nigerien authorities have achieved commendable performance under their Fund-supported program. Going forward, they are determined to stay the course. Considering their satisfactory program implementation during the period under review and their renewed commitment to the program's objectives, the authorities are requesting the completion of the Third Review under the ECF, the rephasing and extension to June 2025 of the program, as well as access to an arrangement under the RSF. These are all crucial for sustaining the implementation of their transformative socioeconomic agenda. We would appreciate Executive Directors' favorable consideration of the authorities' requests.