Letter of Intent

Niamey, April 8, 2020

Ms. Kristalina Georgieva
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
USA
Managing Director

Dear Managing Director:

1. The Government of Niger hereby requests a rephasing of the access under the Extended Credit Facility (ECF) arrangement in light of the delay in completing the final program review, with the new availability date for the last disbursement being June 27, 2020.

2. The Government of Niger also requests financial assistance under the Rapid Credit Facility (RCF) in the amount of SDR83.66 million, 63.6 percent of its quota, provided that the Executive Board approves the request for rephasing, to mitigate the adverse economic effects of the COVID-19 pandemic, with the full amount to be disbursed as direct budget support upon approval by the IMF Executive Board. Efforts to secure additional financial resources from the international community are underway.

3. The pandemic is disrupting a hitherto favorable economic outlook. Growth averaged above 6 percent in the last few years and was expected to top 7 percent going forward, reflecting the government's reform program and numerous large-scale foreign-financed projects, notably the construction of a pipeline for crude oil exports. But in the wake of the COVID-19 outbreak, real GDP is expected to grow by just 1 percent this year. The global recession weighs on trade, projects incur delays, financing conditions tighten, and domestic confinement measures to slow the spread of the virus hold back activity. Inflation is likely to temporarily push to 4.4 percent as imports are disrupted and households stockpile food. Risks to this outlook are mainly to the downside. They add to other

challenges that Niger faced all along, notably the tense security situation across the Sahel, adverse climate change, and Nigeria's closure of its border to trade.

4. The Government of Niger is implementing a three-pronged response plan. In the health sector, containment, prevention, and isolation measures were implemented early on and remain the mainstay of the response while health care capacities are being strengthened. Social protection measures are focused on avoiding food shortages, scaling up food and cash assistance for the most vulnerable, and temporarily covering their utility bills. On the economic front, a comprehensive package is to protect core businesses, mainly through temporary tax relief. WAEMU-wide monetary and financial policy measures taken by the BCEAO flank domestic mitigation efforts. The government looks forward to working with IMF staff to further elaborate its crisis response.

5. The pandemic is set to have profound budgetary implications. It will be mainly felt on the revenue side with an expected shortfall of 2.2 percent of GDP. The rise of overall domestically-financed spending is kept to 0.3 percent of GDP despite large increases of health care and related outlays, as well as social and economic mitigation measures, as existing budget allocations are re-prioritized, donors reshuffle project aid, and the international community provides in-kind support. The budget deficit would rise to 5 percent of GDP and, once tighter financing conditions are also factored in, a financing gap of 3 percent of GDP emerges. To the extent that it is filled by budget support grants, the budget deficit retreats below 5 percent of GDP.

6. Niger's external position is also bound to deteriorate relative to previous projections. With exports and imports both suffering, the main impact is through the financial account where foreign direct investment and portfolio investment will likely be lower, reflecting project implementation delays and tighter financial conditions. Additional external financing equivalent to 3 percent of GDP would be required to avoid undue recourse to regional gross international reserves.

7. Despite the economic disruptions in 2020, Niger's public debt sustainability and capacity to repay the Fund should remain intact. Once the dislocations will have run their course, exports should recover, project implementation resume, and economic growth bounce back. The government is committed to bringing the fiscal deficit below 3 percent of GDP, notably with the help of additional revenues from oil exports expected from 2022. On this basis, public debt relative to GDP and external public debt relative to exports should enter downward trajectories from next year.

8. The Government of Niger remains committed to the objectives of its ECF-support program. The unsettled economic outlook precludes concluding the 6th program review on the normal schedule and therefore a rephasing of the final disbursement under the arrangement, which was recently extended to end-July 2020, is also requested. But maintaining macroeconomic stability, strengthening the fiscal revenue base, improving spending efficiency, fostering good governance, and promoting the local formal private sector are still key goals. The government will refrain from crisis measures that would permanently damage the revenue base, maintain fiscal transparency by enshrining fiscal crisis measures in a supplementary budget, centralize the costing and the keeping count of crisis measures at the Ministry of Finance, recognizes the importance of ensuring that financial assistance received is used for its intended purposes, and accelerate the implementation of reforms for better access to credit and stronger social protection, which are now more urgent than ever.

9. The government authorizes the IMF to publish this Letter of Intent and the staff report for the request for financial support under the RCF.

Sincerely yours

/s/
Mamadou Diop
Minister of Finance