PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE

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Operation Name	Supplemental Financing to Growth Policy Reform Operation II
Region	AFRICA
Country	Niger
Sector	Central government administration (30%); Roads and highways (10%);General industry and trade sector (30%);General agriculture, fishing and forestry sector (20%);Banking (10%)
Operation ID	P117286
Lending Instrument	Development Policy Operation – Supplemental Financing
Borrower(s)	REPUBLIC OF NIGER
Implementing Agency	THE MINISTRY OF PLANNING, LOCAL GOVERNMENT, AND COMMUNITY DEVELOPMENT
Date PID Prepared	November 20, 2011
Estimated Date of Appraisal	January 15, 2012
Estimated Date of Board Approval	February 25, 2012
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

Niger is one of the world's poorest countries. About 80 percent of the population derives their livelihoods from agriculture and livestock. A harsh climate, frequent droughts, and poor soils, but also poorly performing agricultural institutions contribute to the low productivity of these activities in Niger.

The second Growth Policy Reform Credit (GPRC-2) in the amount of US$52 million was approved by IDA's Board on June 23 and disbursed in November 2011 supporting reforms of the business environment, infrastructure, agriculture, and public financial management. GPRC-2 is expected to close on June 30, 2012 and a new 3-year programmatic series of development operations is currently under preparation.

At present, Niger suffers from three severe external shocks that create unanticipated additional financing needs. This includes spill overs from the Libyan crisis in the form of the return of between 115,000 and 247,000 migrant workers and the proliferation of arms, a poor harvest during the 2011/12 season with a projected cereal deficit of about 520,000 tons, and the impact of the European debt crisis on foreign aid, trade, remittances, and investment.

IDA has a long standing involvement in Niger, providing assistance to government in implementing reforms that aim at accelerating growth, diversification and strengthened public financial management. In recent year's key pieces of analytic work have been provide by the Bank in partnership with the authorities to assist them in the identification and prioritization of reforms in these areas. This includes a country economic memorandum that examined ways to accelerate growth and progress towards the Millennium Development Goals, a Diagnostic Trade Integration Study that laid out an agenda for enhancing Niger's competitiveness and provided the basis for the preparation and adoption of an action plan by the authorities, and a Public Expenditure Management and Accountability Review, which underpins the government's preparation of an action plan for public financial management reform.

IDA has been providing budget support to Niger since the early 2000's, supporting key policy reforms and providing resources for the implementation of Niger's PRSP. In 2009, IDA prepared a new series of two development policy operations (DPOs) which support government reforms in the above areas.

II. Proposed Objective(s)

The supplemental financing will provide supplemental budget support to Niger to help sustain the implementation of the GPRC-2 supported reform program in the face of unanticipated additional financing needs due to the adverse impact of the Libyan crisis and a poor harvest in 2011/12.

The main objective of GPRC-2 is to help overcome policy constraints and institutional bottlenecks to growth by: (i) addressing the main business environment obstacles, including taxes; (ii) relieving infrastructure constraints for the private sector; (iii) promoting rural sector growth; and (iv) pursuing public finance management reform.

The main expected outcome of the series of the series of two DPOs is higher private investment and job creation through improvements in the overall the business climate. More specifically, the two DPOs are expected to bring about:

- Improvements in the business environment, freeing up financing for short term capital needs, and providing increased access to finance.
- Strengthened road infrastructure.
- A better performing agricultural sector through food imports rationalization and technology investment.
- Improved public financial management by: (i) enhancing the linkages between budget and treasury functions, which will directly translate in the reduction of payment delays to private suppliers; (ii) strengthening the financial relationship between the State and the private sector; (iii) encouraging an increase in registered tax-paying firms by lowering the profit tax; and (iv) bolstering financing for infrastructure maintenance.
- Implementation of the Government's policy on Demographics Program Development.

III. Preliminary Description

The proposed Credit of SDR xx million (US$15 million equivalent) is a one-tranche Development Policy Operation to provide supplemental financing to cover unanticipated financing needs created by the spillovers of the Libyan crisis and a poor harvest. Specific measures supported by the credit target:

(i) Improving the business environment by reducing the time and cost of starting a business;
(ii) Improving in the fiscal regime by lowering business taxes;
(iii) Enhancing the transparency of the fiscal regime by adopting a new General Tax Code;
(iv) Restoring country wide access to financial service through a partnership between Niger Poste and a commercial bank or a company offering mobile financial services;
(v) Improving the quality of roads by ensuring adequate financing for road maintenance;
(vi) Improving the supply and reducing the cost of agricultural inputs, by reforming the Agricultural Inputs Procurement Unit;
(vii) Improving extension services through the adoption of an integrated agricultural services framework;
(viii) Enhancing the quality and transparency of presentation of the budget;
(ix) Accelerating the implementation of the PRSP-II by ensuring adequate funding through the budget; and
(x) Raising efficiency in the use of public resources through procurement reforms.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

The poverty and social impacts of the proposed supplemental financing are twofold. First, the supplemental financing contributes to preserving the initially envisaged positive poverty and social impacts described in detail in the program document for GPRC-2. Second, the proposed supplemental financing is expected to have a significant positive poverty and social impact, as it supports government programs that seek to assist vulnerable groups and households affected by spill-overs from conflict and political disturbances in the sub-region, especially in Libya, and the food deficit caused by a poor harvest. Government programs seek to address three interrelated issues created by the crises, namely (a) preventing a deterioration in the security situation; (b) helping with the reintegration of returning migrant workers; and (c) preventing a poor harvest from turning into a famine.

Environment Aspects

The specific reforms supported by the proposed development policy credit are not likely to have significant negative effects on the country's environment, forests and other natural resources. The reforms supported aim primarily to strengthen regulatory, institutional and public finance management at the national, regional and local government level. Nevertheless, the GPRC-2 covers certain aspects of improving the policy environment for infrastructure and private investment, including in the agriculture sector. These sectors may have significant associated environmental risks. The areas covered by the GPRC-2 are benefitting from Bank financed investment operations for which specific Environmental and Social Impact Assessments have been prepared.

V. Tentative financing

Source:		($m.)
Borrower/Recipient		0
IBRD		15
IDA		
	Total	15

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