

**PROGRAM INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

<Date>

Report No.: AB6870

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| <b>Operation Name</b>                   | NIGER - Shared Growth Credit I  |
| <b>Region</b>                           | AFRICA  |
| <b>Country</b>                          | Niger   |
| <b>Sector</b>                           | General public administration sector (40%);General agriculture, fishing and forestry sector (30%);General industry and trade sector (30%) |
| <b>Operation ID</b>                     | P125272   |
| <b>Lending Instrument</b>               | Development Policy Lending  |
| <b>Borrower(s)</b>                      | REPUBLIC OF NIGER   |
| <b>Implementing Agency</b>              | THE MINISTRY OF PLANNING, LOCAL GOVERNMENT, AND COMMUNITY DEVELOPMENT   |
| <b>Date PID Prepared</b>                | November 14, 2011   |
| <b>Estimated Date of Appraisal</b>      | February 20 -24, 2012   |
| <b>Estimated Date of Board Approval</b> | May 24, 2012  |
| <b>Corporate Review Decision</b>        | 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 other important economic activity is mining, primarily focused on exploiting rich uranium deposits. With large investments in further development of the uranium sector as well as other natural resources such as gold and oil underway, the importance of natural resource extraction for the economy and its contribution to government revenue is set to increase substantially in the coming years. Unfortunately, the contribution of the mining and petrol sector to employment generation is likely to remain modest, although certainly not insignificant.

The formal sector is small and much of Niger's economic activity takes place in the informal sector. Niger's business environment is one of the most difficult worldwide, reflecting both Niger's geographic situation, but also a weak regulatory regime, a poorly developed financial sector, and very limited infrastructure services.

Niger's dependence on agriculture and mining make it highly vulnerable to climatic shocks and changes in international demand for Niger's natural resources. To reduce this vulnerability and to accelerate growth, strengthening the agriculture sector, private sector led diversification of the economy beyond agriculture and mining is critical.

With the likely increase in government revenue from the mining sector, strengthened public expenditure and financial management are also key to ensure that public resources are used efficiently and effectively in pursuit of the implementation of Niger's Second Poverty Reduction Strategy (PRSP-II).

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. The proposed new series of DPOs continues the focus of the preceeding series of two development policy operations (DPOs) on the above areas.

## **II. Proposed Objective(s)**

The overall development objective is to support policy reforms that would help to achieve an increase in per capita incomes, increased resilience to external shocks, and increased improvements in access to social services and income earning opportunities for the poor.

## **III. Preliminary Description**

The proposed SGC-1 focuses on reforms to foster shared economic growth and to enhance the efficacy of public spending. Specifically, the credit supports reforms in five PRSP priority policy areas:

- Regulatory environment for businesses
- Infrastructure
- Skills development for economic growth
- Agriculture and rural development
- Enhancing the efficacy of public spending

Specific measures supported by the credit target:

- (i) Strengthening the public private sector dialogue through the relaunching of the National Private Investor Council through adoption of the necessary legal texts (decree) and organizing its first meeting.
- (ii) Facilitating and creating greater flexibility for public-private collaboration through the adoption of a regulatory framework for public-private partnerships.
- (iii) Reducing the degradation of the road infrastructure through the adoption of an effective framework for controlling overloading on roads and the full enforcement of WAEMU

Regulation No. 14/2005.CM/UEMOA on the harmonization of norms and procedures to control size, weight, and axle load of heavy trucks in the WAMEU member states.

- (iv) Raising agriculture sector productivity through the scaled up development and adoption of new technologies by establishing an Executive Secretariat of the National Council for Agricultural Research (CNRA) with adequate staffing and budget.
- (v) Expanding public service delivery to the poor through increased budgetary allocations for pro-poor expenditures in the 2012 budget by at least one percent of GDP compared to the budget of 2011, ensuring that budgetary allocations are consistent with the PRSP.
- (vi) Increasing transparency and reducing leakages in the public financial management system by publishing a report evidencing an increase in the physical spot-checks of contracts subject to competitive bidding (over 20 millions CFA)
- (vii) Enhancing transparency and accountability by adopting a decree giving to the Tax and Customs Accountants the legal status of principal accountants, under the jurisdiction of the Court of Accounts.
- (viii) Strengthening the basis for transparent, efficient, and economical procurement through the adoption and signing of the new Procurement Code as well as the decree and regulations on the new Ethics Code.
- (ix) Enhancing transparency and accountability in the public procurement process by publishing the audit results of the 2007 and 2008 procurement audits.

#### **IV. Poverty and Social Impacts and Environment Aspects**

##### *Poverty and Social Impacts*

SGC-1 provides incremental resources to finance Government PRSP priorities, specifically around the themes of shared economic growth and enhanced public finance efficacy. The expected impact of individual prior actions on poverty and social development is as follows:

**Promoting private sector growth.** Improvements in the business environment supported by the SGC series are expected to facilitate the diversification of the economy beyond uranium and agriculture. This is expected to translate into higher economic growth and, particularly important for Niger, into less volatile growth. The draft poverty assessment highlights the imperative of achieving higher growth for progress in poverty reduction and with many other social indicators. The draft poverty assessment also suggests that during 2005 and 2007/8, growth was pro-poor as the poor have benefitted more from growth than the non-poor, which underlines the adequacy of the focus on economic growth in order to achieve poverty reduction.

**The draft poverty assessment also demonstrates the devastating impact of economic volatility on poor households, and the high welfare cost of economic volatility for the poor.**

With about 80 percent of all Nigeriens deriving their livelihoods from agriculture and livestock, poor harvests and changes in agricultural prices are the dominant shocks experienced by households and result in the loss of assets and reduced consumption. Broadening economic opportunities for the poor through the diversification of the economy can thus be expected to have a significant impact on poverty reduction.

**Support to agriculture sector development:** As agriculture provides the livelihood for about 80 percent of Niger’s population and about 90 percent of Niger’s poor, increasing agricultural productivity and incomes has potentially the biggest impact on poverty reduction in the short to medium term. Improving access to appropriate technologies through improved extension services and irrigation will further boost productivity with the potential to increasing rural household income earned from traditional agriculture and from more high-valued production supply chains. At the same time, these reforms would help to build resilience to external shocks. It is anticipated that increased agricultural incomes and resilience to external shocks will translate into reduced poverty and improved human capital outcomes in education, nutrition, and other dimensions of health.

**Public financial management :** Reforms to increase the transparency of the budget, ensure that public resources are more effectively used, and that funding for PRSP related expenditures is appropriately prioritized are expected to support the implementation of PRSP II priorities. Budget reforms are likely to improve the efficiency of public spending on PRSP II priorities, and thus likely improve its impact on programmatic outcomes.

*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 SGC-1 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 SGC-1 are benefitting from Bank financed investment operations for which specific Environmental and Social Impact Assessments have been prepared.

**V. Tentative financing**

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|---|--------|
| Source:                                     | (\$m.) |
| BORROWER/RECIPIENT                          | 0      |
| International Development Association (IDA) | 50     |
| Borrower/Recipient                          |        |
| IBRD  |        |
| Others (specify)                            |        |
| Total                                       | 50     |

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