

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

Report No.: AB7429

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Operation Name	Third Shared Growth Credit
Region	AFRICA
Country	Niger
Sector	Central government administration (50%); Public administration- Industry and trade (20%); Irrigation and drainage (10%); Agricultural extension and research (10%); Vocational training (10%)
Operation ID	P145251
Lending Instrument	Development Policy Lending
Borrower(s)	REPUBLIC OF NIGER
Implementing Agency	
Date PID Prepared	October 23, 2013
Estimated Date of Appraisal	February 3, 2014
Estimated Date of Board Approval	April 8, 2014
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

Strong output increases in the uranium and oil sectors and rising agricultural production are driving GDP growth. Meanwhile, fiscal revenues and foreign debt are financing a rapid expansion in public investment. Overall, Niger's macroeconomic framework is judged to be appropriate. It will, however, continue to face growth and employment challenges stemming from its landlocked geography, its small domestic market and its reliance on commodity exports. Furthermore, Niger's limited progress in employment creation during a period of fairly robust economic growth underscores the need for further reforms to promote diversification and boost shared prosperity. Although the government has made important strides in combating poverty, with the national poverty headcount rate falling from 53 percent in 2006 to an estimated 48 percent in 2011, much more could be done so speed the pace of poverty reduction.

The design of the SGC series is informed by lessons learned from previous DPOs and by the conclusions of the CAS Completion Report for FY 2008-11. Among the most important lessons from recent DPOs in Niger is that in the absence of broad-based economic growth and job creation macroeconomic stability and social programs will not be capable of generating the strong, positive impact on poverty indicators necessary to achieve the government's development objectives. For this reason the SGC-3 is built around a deeper commitment to cross-cutting reforms designed to promote robust private-sector development, build greater resilience to

shocks in labor-intensive sectors and ensure that the fiscal benefits from the exploitation of natural resources are well-managed and widely shared.

In light of this experience the proposed series focuses on a limited set of obstacles that have created bottlenecks to private-sector job creation. Business-climate reforms are expected to boost investment, while a more highly skilled labor force will contribute to an increase in total factor productivity and reduced transaction costs for international trade will boost export competitiveness and lower import costs. The proposed reforms are expected to boost agricultural production and trade while improving food security. Specific actions in these policy areas are expected to reduce budget leakages and to increase the efficiency and effectiveness of SOEs.

IDA has been providing budget support to Niger since the early 2000s, promoting key policy reforms and providing resources for the implementation of the country's poverty reduction strategy papers. Implementation of the reform programs supported by the SGC-1 and SGC-2 has been deemed satisfactory. The authorities are fully committed to implementing the reforms supported by the SGC-3 by January 14, 2014.

II. Proposed Objective(s)

The proposed operation's overall development objectives are (i) to improve the business environment for investment and trade, (ii) to increase agricultural productivity, (iii) to improve public financial management, and (iv) to enhance the efficiency of public administration. The credit is fully aligned with and supportive of the government's PDES, which was adopted on August 1, 2012 and which replaced the country's previous PRSP.

III. Preliminary Description

The proposed SGC-3 is a single-tranche DPO, the third in a programmatic series of three budget-support operations. The proposed operation focuses on reforms designed to foster shared economic growth and enhance the efficacy of public spending in Niger. Specifically, the credit supports reforms in three priority policy areas: (i) establishing a competitive and diversified economy to support accelerated and inclusive growth; (ii) reinforcing food security and promoting sustainable agricultural development; and (iii) enhancing the efficacy and efficiency of public spending.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

Overall, the proposed actions are expected to have a positive poverty impact. The operation supports the implementation of the Government's National Economic Development Plan for 2012-15 which aims to boost growth and reduce poverty. Three of the supported policy areas are expected to make a positive direct contribution to poverty reduction, as they are designed to make growth more inclusive and extend economic opportunities throughout Nigerien society: (i) *improvements in technical and vocational training*, (ii) *the implementation of the social safety-net program*, and (iii) *the restructuring the national food-reserve agency*. In addition supported policy areas are expected to boost economic growth and hence indirectly contribute to poverty alleviation, and broad income and welfare improvements: (i) *facilitate commerce and trade*, (ii) *improve access to reliable electricity*, (iii) *reorganize the management of animal feed factories*,

(iv) *improve transparency in the oil sector*, (v) *enhance the management of the national irrigation agency*, (vi) *finalize a new investment law* and (vii) *adopt policies to prevent the accumulation new arrears in state-owned enterprises*.

The proposed actions are not expected to have any adverse impact on gender disparities, and actions under three of the operation's supported policy areas are likely to have a positive gender impact. The restructuring of national irrigation authority (ONAHA) and the strengthening of the national food-reserve agency (OPVN) are intended to increase agricultural productivity and reinforce food security, which is expected to have strongly positive welfare impacts for women's nutrition and the income-generating capacity of female-headed households. The establishment of a social safety-net program will provide critical support to female-headed households both within and beyond the agricultural sector. Continuous engagement with the implementing agencies during the implementation of the proposed operation will help to sharpen their focus on gender issues.

Environmental Aspects

The reforms supported by the proposed SGC-3 are not expected to have a negative impact on the environment, forests and other natural resources. Indeed, two of the supported policy areas are expected to have a positive environmental impact. These are: (i) *the development of a sustainable energy policy*, and (ii) *the restricting of the irrigation authority*. SGC-3-supported actions to promote the sustainable development of the energy sector should help to offset the population's reliance on wood fuel. Wood currently supplies 90 percent of Niger's power needs and wood harvesting is dangerously unsustainable despite Niger's environmental policies, which are well designed but lack practical effectiveness. The expansion of electric power under a revamped NIGELEC is expected to reduce wood-fuel consumption in favor of hydroelectric and environmentally conscious coal power. In addition, SGC-3 support for the restructuring of ONAHA should lead to more sustainable water management with less damaging environmental consequences.

Nigerien law includes a decree on environmental assessments that ensures the integration of environmental considerations into proposed development projects. Institutional responsibility for environmental-impact assessment lies with the Office of Environmental Assessments and Impact Studies (*Bureau d'Evaluation Environnementale et des Etudes d'Impacts*, BEEEI), which is attached to the Ministry of the Environment and Desertification Control. BEEEI provides support not only to sector ministries, but also to local communities, and small environmental units have been established at the regional levels in order to build decentralized environmental-management capacity. Support from development partners, including the World Bank, has greatly improved the effectiveness of these units, and BEEEI is increasingly able to involve civil society and affected population through special environmental hearings and environmental-impact-assessment validation workshops. The proposed operation is fully consistent with BEEEI protocols and complements its efforts through the reforms to energy and water-management policies described above.

V. Contact Point

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