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Report No. 115190

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A PROPOSED DEVELOPMENT POLICY CREDIT

IN THE AMOUNT OF EUR 50.8 MILLION
(US$60 MILLION EQUIVALENT)

AND A PROPOSED DEVELOPMENT POLICY GRANT

IN THE AMOUNT OF SDR 42.5 MILLION
(US$60 MILLION EQUIVALENT)

TO

THE REPUBLIC OF NIGER

FOR THE

FOSTERING RURAL GROWTH REFORM DEVELOPMENT POLICY FINANCING

November 6, 2017

Macroeconomics and Fiscal Management Global Practice
Africa Region

THE REPUBLIC OF NIGER –GOVERNMENT FISCAL YEAR
January 1 – December 31
CURRENCY EQUIVALENTS
(EXCHANGE RATE AS OF SEPTEMBER 30, 2017)
CURRENCY UNIT = CFA FRANC (CFAF)
US$1 = CFAF 554.008
US$1 = SDR 0.71
US$1 = EUR 0.85

ABBREVIATION AND ACRONYMS

AF	Additional Financing
AfDB	African Development Bank
AFREA	African Evaluation Association
ANSI	National Agency for Information (*Agence Nationale pour la Société d'Information)*
APCA	National Agriculture Advisory System *(Agence de Promotion et de Conseil Agricole)*
ASM	Artisanal Small-Scale Mining
ASYCUDA	Automated System for customs Data
BAGRI	Agricultural Bank of Niger *(Banque Agricole du Niger)*
BCEAO	Central Bank of West African Countires (*Banque Centrale des Etats de l'Afrique de l'Ouest*)
BEEEI	Office of Environmental Assessment and Impact Studies (*Bureau d'Evaluation Environnementale et des Etudes d'Impacts*)
CAIMA	Supply Center for Agricultural Inputs and Equipments *(Centrale d'Approvisionnement en Intrants et Matériels Agricoles)*
CFAF	West African CFA Franc
CILSSC	Permanent Interstate Committee for Drought Control in the Sahel
CNGP	National Management Committee for pesticides *(Centre National de Gestion des Pesticides)*
CNSEE	National Center of Ecological and Environmental Surveillance *(Centre National de surveillance Ecologique et Environnementale)*
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CSP	Sahelian Committee of Pesticides *(Comite Sahelien des Pesticides)*
DPF	Development Policy Financing
DPO	Development Policy Operation
DSA	Debt Sustainability Analysis
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
ECB	European Central Bank
ECF	Extended Credit Facility
ECOWAS	Economic Community of West Africa States
EU	European Union
FAOSTAT	Food and Agriculture Organization Corporate Statistical Database
FY	Fiscal Year
GDP	Gross Domestic Product
GSMA	Global System for Mobile Association
ICT	Information and Communications Technology
IDA	International Development Association
IMF	International Monetary Fund

kWh	Kilowatt hour
LIC	Low Income Country
M&E	Monitoring and Evaluation
MFI	Micro Finance Institutions *(Institutions de Microfinances)*
MTEF	Medium-Term Expenditure Framework
NEITI	Niger Extractive Industries Transparency Initiatives
NELACEP	Niger Electricity Access Expansion Project
NGO	Non-governmental organization
NIGELEC	Nigerien Electricity Company (*Société Nigérienne d'Electricité*)
ONAHA	National Office for Water Management *(Office National des Amenagements hydro-agricoles)*
PAMOGEF	Program to Strengthen Economic and Financial Governance *(Programme d'amélioration de la gouvernance économique et financière)*
PDES	Economic and Social Development Plan (*Plan de Développement Economique et Social*)
PDO	Program Development Objective
PEFA	Public Expenditure Framework Assessment
PER	Public Expenditure Review
PFM	Public Financial Management
PIM	Public Investment Management
PIRSC	Public Investment Reform Support Credit
PPG	Public and Publicly Guaranteed
PSMS	Pesticide Management System
PV	Present Value
RECA	Agriculture Chambers Network (*Réseau National des Chambres d'Agriculture du Niger)*
SCD	Systematic Country Diagnostic
SDR	Special Drawing Rights
SESA	Strategic Environmental and Social Assessment
SME	Small and Medium Enterprise
SNCA	National Agriculture Advisory Council *(Système National de Conseil Agricole)*
SSA	Sub-Saharan Africa
TATTIE	Tax on International Incoming Calls *(Taxe sur la Terminaison du Trafic International Entrant)*
TURTEL	Tax on the Use of Telecom Networks *(Taxe sur l'Utilisation des Reseaux de Telecommunications)*
UNDP	United Nations Development Program
USF	Universal Service Fund
US$	United States Dollar
VAT	Value-Added Tax
WAEMU	West African Economic and Monetary Union
WAPP	West African Power Pool
WB	World Bank

Regional Vice President	:	Makhtar Diop
Country Director	:	Soukeyna Kane
Senior Global Practice Director	:	Carlos Felipe Jaramillo
Practice Manager	:	Lars Christian Moller
Task Team Leader	:	Luc Razafimandimby
Co-Task Team Leader	:	Manuel Luengo

REPUBLIC OF NIGER
FOSTERING RURAL GROWTH REFORM DEVELOPMENT POLICY FINANCING

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Acknowledgements

This operation is prepared by an IDA team consisting of Luc Razafimandimby (Sr. Economist and Task Team Leader, GMF08), Manuel Luengo (Senior Energy Specialist, GEEDR, Co-Task Team Leader), Marcel Nshimiyimana (Economist, GMF08), Amadou Ba (Senior Agriculture Economist, GFADR), Kirsten Lori Hund (Senior Mining Specialist, GEEX1), Fatoumata Fadika (Financial Sector Specialist, GFM01), Charles Pierre Marie Hurpy (ICT Policy Specialist, GTI11), Djibrilla Karamoko (Senior Health Specialist, GHN07), Adama Ouedraogo (Senior Education Specialist, GED07), Kirsten Magjaard (GED07), Aly Sanoh (Economist, GPV07), Bougadare Kone (Environmental Specialist, GPEN07), Michel Ragnvald Mallberg (Senior Public Sector Specialist, GG013), Emelyne Calimoutou (Legal Analyst, LEGAM), Julie Rieger ((Senior Counsel, LEGAM), Faly Diallo (Finance Officer, WFALA), Salimata Bessin Dera (Team Assistant AFMNE), Micky O. Ananth (Operations Analyst, GMF08), Maude Valembrun (Language Program Assistant, GMF08), Theresa Adobea Bampoe (Program Assistant, GMF08). The team benefited from guidance provided by Soukeyna Kane (Country Director, AFCW3), Lars Christian Moller (Practice Manager, GMF08) Jose Lopez-Calix (Program Leader, AFCW3), Michel Rogy (Program Leader AFCW3), Christophe Lemiere (AFCW3), Johannes Hoogeveen (GPV07), Siaka Bakayoko (Country Manager, AFMNE), Michael Hamaide (Senior Country Officer) and Paola Ridolfi, Country Program Coordinator (AFCML).

SUMMARY OF PROPOSED FINANCING AND PROGRAM

REPUBLIC OF NIGER

FOSTERING RURAL GROWTH REFORM DEVELOPMENT POLICY FINANCING

Borrower:	Republic of Niger
Implementation Agency:	Ministry of Planning
Financing Data:	An IDA Grant of SDR 42.5 million (US$60 million equivalent) on standard IDA Grant terms and an IDA Credit of Eur 50.8 million (US$60 million equivalent) on standard IDA regular credit terms with maturity of 38 years including a grace period of 6 years.
Operation Type:	First in a programmatic series of two development policy operations; single tranche disbursement.
Pillars of the Operation and Program Development Objective(s)	The program development objective (PDO) is to foster rural growth. The proposed operation has two pillars: "Increasing rural productivity growth" and "Supporting growth enabling sectors".
Results Indicators:	The following key outcomes are expected to be achieved by end-December 2019. ***Pillar 1 Increasing rural productivity growth*** • Beneficiaries (households) of subsidized inputs (seeds and fertilizers) distributed through e-vouchers: Baseline 2016: 0; Target 2019: 20,000 • Number of farmers receiving extension services electronically: Baseline 2016: 0; Target 2019: 25,000 • Number of financial institutions (MFIs and Banks) that offer leasing and warrantage products: Baseline 2016: 2; Target 2019: 7 (out of 22 viable financial institutions) • Number of artisanal miners with permits: Baseline 2016: 45,000; Target 2019: 60,000. • Reduction in government transfer arrears to the affected communities: Baseline 2016: 0; Target 2019:10 percent ***Pillar 2 Supporting growth enabling sectors*** • Share of localities covered by at least one telecommunications network (3G and above). Baseline 2016: 13.6 percent; Target 2019: 25 percent • NIGELEC's EBITDA. Baseline 2016: CFAF 1.586 billion; Target 2019: CFAF 5.000 billion • Tax revenue. Baseline (Avg 2014-16): 15 percent of GDP. Target 2019: 16 percent of GDP
Overall risk rating:	Substantial
Climate and disaster risks:	There are NO short and long-term climate and disaster risks relevant to the operation.
Operation ID:	P163318

IDA PROGRAM DOCUMENT FOR A PROPOSED
FOSTERING RURAL GROWTH REFORM DEVELOPMENT POLICY FINANCING
TO THE REPUBLIC OF NIGER

1. INTRODUCTION AND COUNTRY CONTEXT

1. **This document proposes a Development Policy Financing (DPF) in the form of an IDA Grant of SDR 42.5 million (US$60 million equivalent) and an IDA Credit of Eur 50.8 million (US$60 million equivalent).** This is the first of a programmatic series of two single-tranche development policy operations. It is a single-tranche disbursement of 50 percent in the form of an International Development Association (IDA) grant on standard IDA Grant terms and 50 percent in an IDA credit provided on standard IDA regular credit terms with maturity of 38 years including a grace period of 6 years. The program supports the Government of Niger's growth and poverty reduction strategy through its emphasis on reforms for fostering rural growth reform. It builds on the World Bank Systematic Country Diagnostic (SCD, August, 2017) and the incoming new Country Partnership Framework (CPF, 2018-2020).

2. **Niger's economy is undiversified, heavily relying on agriculture and the extractive industries.** Agriculture is the main driver of growth and accounts for 40 percent of gross domestic product (GDP). The vast majority of Niger's population and the poor live in rural areas and earn their living from agriculture. However, agricultural productivity is low, mainly due to very low uptake of modern inputs and poor extension services. Niger has significant mineral wealth, including uranium and gold, and has started exporting refined oil products. These three products account for approximately 70 percent of total export values. The extractive industry accounts for 10-15 percent of government revenue.

3. **Growth is volatile owing to frequent external shocks of different nature.** Shocks impacting on the economy include security challenges, the Nigerian crisis, unfavorable weather conditions and commodity prices. Security challenges disrupted economic activities with growing social and humanitarian pressures linked to the flow of hundreds of thousand refugees and internally-displaced people. The economic downturn in Nigeria impacted export performance. Unfavorable weather conditions impacted agriculture, and depressed commodity prices adversely affected growth and revenue in the extractive industries.

4. **Although declining, poverty remains high, and is more pronounced in rural areas**. Poverty incidence declined from 53.7 percent in 2005 to 44.5 percent in 2014. Despite the decline in overall poverty incidence, the rural poor became poorer relative to their urban counterparts during the same period. Their per capita consumption relative to that of the urban poor declined from 60 percent to 43 percent. Lack of economic diversification, volatile agricultural growth, low access to physical and institutional infrastructure, and a weak human capital base limit economic opportunities, especially in rural area.

5. **The program development objective (PDO) of the proposed series of DPF is to foster rural growth**. This will be achieved through a series of cross-cutting reform measures grouped in two pillars. The first pillar is "Increasing rural productivity growth". It aims to (i) enhance the use of modern inputs and improve access to extension services systems; (ii) strengthen the linkages between the extractive industries and the local economy, and; (iii) deepen rural finance penetration. The second pillar is "Supporting growth enabling sectors". It aims to (i) develop a framework favorable to Information and Communications Technology (ICT) investment, mainly in rural areas; (ii) improve the financial and the

technical performance of NIGELEC[1], and; (iii) broaden the tax base by rationalizing tax expenditure and exemption regimes.

6. **This new DPF series is well aligned with the SCD recommendations.** It supports the implementation of e-vouchers for agricultural inputs, promotes financial access through the development of leasing and enhances linkages of the extractive industries with the local economy. It builds on the synergy and complementarity among mutually-reinforcing sectors to achieve the PDO. For example, it supports information and communication technology development, which will be used to achieve the sub-objectives in agriculture and rural finance. It also supports increases in tax revenue to compensate for revenue losses aimed at incentivizing telecom uptake as well as the resumption of transfers of mining and oil revenue for local development.

7. **Niger's macroeconomic framework remains adequate for the proposed operation.** Growth is expected to be moderate averaging 4.5-5 percent in 2017-19 driven by agriculture and the extractive industry. To contain the substantial fiscal deficit of 7.5 percent in 2017, explained partly by security-related spending, the Government has initiated a process of fiscal consolidation which aims to bring Niger in line with the West African Economic and Monetary Union (WAEMU) fiscal target by 2020. The tax revenue measures included in this programmatic series support this consolidation effort. The risk of debt distress is moderate. The macro policy framework is underpinned by the continued implementation of the International Monetary Fund (IMF) Extended Credit Facility (ECF) program and the macroeconomic anchor offered by Niger's membership in the WAEMU. Downside risks predominate and are mainly related to the vulnerability and exposure of the economy to weather, security, Nigeria's economy and commodity prices.

2. MACROECONOMIC POLICY FRAMEWORK

2.1 RECENT ECONOMIC DEVELOPMENTS

8. **Growth has been volatile over the past three years.** It reached 5.0 percent in 2016 compared to 4.0 percent in 2015 and 7.5 percent in 2014. Per capita growth was much lower given that Niger has a very high population growth rate, the highest in the world (4.1 percent). The underperformance in 2015 reflected the negative impact of multiple shocks. First, security challenges disrupted economic activities with growing social and humanitarian pressures linked to the flow of hundreds of thousand refugees and internally-displaced people. Second, the economic downturn in Nigeria impacted export performance. Third, unfavorable weather conditions impacted agriculture. Fourth, the continued depressed commodity prices adversely affected growth and revenue in the extractive industries. [2] While most of these shocks persisted, strong growth in agriculture (8.9 percent) and an increased oil output (7.6 percent) aided growth resumption in 2016. Favorable weather conditions and an expansion of crop irrigation supported growth in agriculture while the resumption of refinery activities at full capacity accounted for the increased output in the oil sector.

9. **Inflation has remained steadily below the regional WAEMU target of 3 percent**. Inflation was estimated at 0.3 percent in 2016, prices being largely driven by food prices. A good crop season and food price subsidy programs compounded the tight regional monetary policy management.[3] Niger is a member of the WAEMU. Monetary and exchange rate policies are managed at the regional level by the Central Bank of West African States (BCEAO) which maintains a peg between the CFA Franc and the Euro supported by the French Treasury. In December 2016, BCEAO increased the marginal lending facility rate

[1] *Société Nigérienne d'Electricité* (Niger electricity company).

[2] Growth in the uranium sector was -14.2 in 2013, -36.9 percent in 2014 and -1 percent in 2015.

[3] Food constitutes 40 percent of the consumer price index basket with price fluctuations largely driven by food prices.

was raised from 3.5 to 4.5 percent thereby increasing the cost of funds for sovereigns at the regional market. However, the impact of this measure was mitigated in March 2017, when BCEAO reduced the reserve requirement ratio from 5 percent to 3 percent.

Table 1: Key Macroeconomic and Financial Indicators, 2013-2020

					Projections (2017-2020)			
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Real Economy	**(annual percentage change, unless otherwise specified)**							
Real GDP	3.6	7.5	4.0	5.0	4.2	4.7	5.2	6.7
Non-resources GDP	1.5	8.2	4.5	5.1	4.1	4.9	5.3	5.8
Exports vol	10.9	11.1	-4.5	-18.5	2.1	9.2	14.3	41.8
Imports vol	2.5	5.5	7.3	-12.1	12.1	6.5	4.9	12.2
GDP deflator	2.2	-0.5	0.5	0.9	0.9	2.2	1.7	1.6
Consumer price index								
Annual average	2.3	-0.9	1.0	0.3	1.0	2.1	2.0	2.0
End-of-period	1.1	-0.6	2.2	-2.4	2.0	2.0	2.0	2.0
Fiscal Accounts				**(Percent GDP, unless otherwise indicated)**				
Total revenue and grants	24.6	23.0	23.5	20.6	21.2	21.3	22.1	23.5
Total expenditure and net lending	27.2	31.1	32.5	26.8	28.7	27.5	26.8	26.4
Current expenditure	13.5	14.6	15.5	14.2	14.9	14.0	13.7	13.2
Capital expenditure	13.7	16.4	17.0	12.5	13.8	13.5	13.1	13.1
Overall balance (commitment basis, including grants)	-2.6	-8.0	-9.1	-6.2	-7.5	-6.2	-4.7	-2.9
			(Annual change, in percent of beginning-of-period broad money)					
Selected monetary Accounts								
Broad money	11.8	25.7	3.6	8.5	10.7	10.7	10.6	10.1
Credit to non-government	4.1	6.1	6.8	6.6	4.6	4.7	4.5	5.1
Balance of payments				**(Percent GDP, unless otherwise indicated)**				
External current account balance (including grants)	-17.2	-15.4	-18.0	-15.5	-18.6	-18.3	-17.9	-17.0
Imports	27.4	26.2	27.4	23.4	25.4	25.8	25.8	27.2
Exports	21.6	17.6	15.1	13.0	12.5	13.3	13.7	16.8
Foreign Direct investment	8.4	8.9	6.9	6.5	9.5	10.5	10.2	9.5
Gross Official Reserves (in months of next year's imports of goods and services)	4.2	4.8	4.6	4.0	3.8	4.0	3.9	4.0
Total public and publicly guaranteed debt		33.8	41.6	48.2	53.5	55.9	56.9	55.7
Public and publicly guar. external debt	29.6	25.1	30.3	34.7	37.2	38.9	40.1	40.8
Public domestic debt		8.7	11.4	13.5	16.2	16.9	16.8	14.9
Foreign Aid	9.3	8.9	10.4	10.7	9.2	8.6	8.2	7.7
Terms of Trade (percentage change)	-8.2	-19.4	-7.5	7.1	-7.6	3.1	-5.8	-8.4
Exchange rate (average)	471.3	510.2	493.9	493.6	591.5	593.0	…	…
Memorandum items:								
GDP (Nominal-local currency)	3,635	4,069	4,269	4,441	4,667	4,996	5,344	5,791
GDP (in Nominal US$ bn)	7.7	8.0	8.6	9.0	7.9	8.4	…	…

Source: Nigerien authorities; IMF and World Bank staff estimates, 2017.

10. **The current account deficit declined on the back of significant reduction in high import-content public investment.** The current account deficit (including grants) narrowed from 18.0 percent of GDP in 2015 to 15.5 percent in 2016. The main factor accelerating the decline was the significant cut in public investment, which offset the impact of the persisting low commodity prices and low exports to Nigeria. The current account deficit was primarily financed by external public borrowing, as well as foreign direct investment (FDI), mainly in the extractive industry and telecom sectors.

Table 2: Financial Operations of the Central Government, 2013-2020

	2013	2014	2015	2016	Projections (2017-2020) 2017	2018	2019	2020
	(Percent GDP, unless otherwise indicated)							
Total revenue	**16.6**	**17.6**	**18.0**	**14.5**	**16.5**	**16.7**	**17.7**	**19.4**
Tax revenue	15.2	15.6	16.0	13.7	15.5	15.5	16.2	17.4
Nontax revenue	1.2	1.9	1.8	0.6	0.8	0.9	1.3	1.7
Special accounts revenue	0.2	0.1	0.2	0.2	0.2	0.3	0.2	0.3
Total expenditure and net lending	**27.2**	**31.1**	**32.5**	**26.8**	**28.7**	**27.5**	**26.8**	**26.4**
Total current expenditure	**13.5**	**14.6**	**15.5**	**14.2**	**14.9**	**14.0**	**13.7**	**13.2**
Budgetary expenditure	13.1	14.3	15.0	13.7	14.4	13.5	13.2	12.7
Wages and salaries	5.0	5.3	5.9	6.0	5.9	5.4	5.0	5.1
Materials and supplies	2.8	3.1	3.7	2.4	2.8	2.4	2.5	2.2
Other current expenditure	5.0	5.4	4.8	4.5	4.6	4.4	4.4	4.2
Interest	0.3	0.4	0.6	0.9	1.1	1.2	1.3	1.2
Of which: external debt	0.2	0.2	0.3	0.4	0.4	0.4	0.4	0.3
Special accounts expenditure[1]	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Capital expenditure and net lending	**13.7**	**16.4**	**17.0**	**12.5**	**13.8**	**13.5**	**13.1**	**13.1**
Capital expenditure	13.7	16.4	17.0	12.5	13.8	13.5	13.1	13.1
Domestically financed	5.1	9.4	9.9	4.5	6.7	6.8	6.9	7.1
Externally financed	8.6	7.1	7.1	8.0	7.2	6.6	6.3	6.1
Of which: grants	6.6	3.8	3.7	4.6	3.5	3.3	3.2	3.2
Overall balance (commitment)	-10.6	-13.5	-14.5	-12.3	-12.2	-10.7	-9.1	-7.0
Overall balance (commitment including grants)	-2.6	-8.0	-9.1	-6.2	-7.5	-6.2	-4.7	-2.9
Change in payments arrears and float	-0.6	1.4	-0.3	0.4	-0.9	-0.2	0.0	0.0
Overall balance (cash)	**-11.2**	**-12.1**	**-14.8**	**-11.8**	**-13.2**	**-10.9**	**-9.1**	**-7.0**
Financing	**11.2**	**12.1**	**14.8**	**11.8**	**13.2**	**10.9**	**9.1**	**7.0**
External financing	10.7	8.4	9.8	9.9	8.3	7.9	7.6	7.1
Grants	8.0	5.5	5.4	6.1	4.7	4.5	4.4	4.1
Loans	3.1	3.5	4.9	4.6	4.5	4.1	3.9	3.6
Amortization	-0.3	-0.5	-0.6	-0.7	-0.9	-0.7	-0.7	-0.6
Domestic financing	0.5	3.7	5.1	1.9	4.9	3.0	1.6	-0.1
Banking sector	-0.8	1.4	3.1	0.3	1.7	0.8	0.4	0.3
Nonbanking sector	1.3	2.3	2.0	1.6	3.2	2.2	1.2	-0.4

Source: Nigerien authorities – IMF and World Bank staff estimates, 2017.

11. **Breaking a deteriorating trend since 2014, the fiscal deficit improved in 2016, thanks to a strong expenditure consolidation.** In 2016, the overall deficit (on a commitment basis, including grants) narrowed to 6.2 percent of GDP from 9.1 percent in 2015 despite a shortfall in revenue. Total revenue and grants declined from 23.5 percent of GDP in 2015 to 20.6 percent of GDP in 2016. Continued high levels of insecurity in the region and in the eastern parts of Niger have contributed to this shortfall. The depreciation of the Nigerian naira also induced diversion to the domestic parallel market for refined petroleum products. This diversion and depreciation together contributed to an overall decline in exports and re-exports to Nigeria. The fiscal deficit was financed mainly through external concessional loans and grants as well as domestic and regional borrowing.

12. **A strong decline in the execution of domestically-financed capital spending accounted for the bulk of fiscal adjustment in 2016**. Domestically-financed capital spending more than halved, decreasing from 9.9 percent in 2015 to 4.5 percent of GDP in 2016. Current expenditures declined from 15.5 to 14.2 percent of GDP aided by measures eliminating redundancies and enforcing stricter controls on the wage

bill. The Government has also strengthened the commitment control monitoring and budget payment systems. It created an inter-ministerial committee in charge of improving expenditure management and put in place a mechanism by which such control was exerted. The mechanism prioritizes expenditures based on the alignment of quarterly commitment plans with the Treasury cash plan, which has ensured that expenditures remain within the limits of resource availability.

13. **The Government also started to tackle domestic arrears accumulation**. The widening fiscal deficit between 2013 and 2015 led to arrears accumulation.[4] The Government designed an arrears clearance program scheduled for 2016, and anticipated to pay off the stock of domestic arrears accumulated through 2015 (CFAF 71.7 billion) through securitization with local banks (40 billion FCFA) and by bonds on the regional financial market. Due to revenue shortfall, the Government paid off the outstanding balance of arrears accumulated before end-2014 (17.4 CFAF billion) and the clearance program is expected to be completed in 2018. The net reduction in domestic arrears at end-2016 is estimated at about CFAF 8.4 billion.

14. **Niger's public and publicly guaranteed (PPG) debt stock has risen in recent years.** PPG debt reached an estimated 48.2 percent of GDP in 2016, up from 33.8 percent in 2014. External debt accounts for 70 percent of PPG, the bulk of which is concessional debt to multilateral creditors. Such rapid growth reflects the scaling up of government borrowing to fund public investment in infrastructure and the extractive industries, and the signing of a Chinese master facility to repay domestic arrears. Domestic debt as a share of GDP also increased rapidly from 8.7 in 2014 to an estimated 13.5 percent in 2016. Domestic debt includes predominantly government securities, as well as debt to the BCEAO for statutory advances, arrears and SDR allocations.

15. **Niger's financial sector is growing although financial intermediation and the range of financial products remain very limited**. While the financial sector is sound, it remains very shallow. Most indicators show that Niger underperforms compared to Sub-Saharan Africa (SSA). It is the second smallest financial market in the WAEMU region with bank deposits to GDP at 13.5 percent (about half the median in SSA); the percentage of adults having a financial account (14.1 percent) remains extremely low (average 32.4 percent in SSA); credit to private sector to GDP was 14.1 percent (median of 20.1 percent in SSA), and it focuses mainly on large companies in mining, telecoms and the trade sector to a lesser extent. The Global Findex database estimated 2 percent of total credit goes to the agriculture sector. The main constraints include the lack of adequate financial products and the limited performance of the agriculture state-owned bank.

2.2 MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

16. **Niger's economic outlook remains broadly positive.** The economy's prospects show moderate growth with a decline to 4.2 percent in 2017 due to poor harvest, before picking up in 2018 and increasing to above 5 percent from 2019 onwards**.** Higher agricultural productivity, increased access to rural credit and stronger linkages of the extractive industries with the local economy are expected to support rural growth in the medium term. The large oil projects including the Chad and Burkina-Faso pipelines are expected to double the production of barrels/day to 40,000 in 2020. Infrastructure projects in energy and telecom would also support higher growth while improvements to the Nigerian crisis would improve the trade outcomes. This cautiously positive outlook, also assumes that there will be no further deterioration in the country's security situation over the next few years. For its part, and in line with prudent monetary

[4] Arrears were estimated at 1.6 percent of GDP in the first half of 2017.

policy supporting fiscal consolidation, inflation is projected to remain contained, at about 2 percent on average over 2017-2019.

Table 3: Balance of Payments Financing Requirements and Sources

in Million US$	2013	2014	2015	2016	2017	2018	2019	2020
Financing Requirements	1,183	1,257	1,184	1,285	1,531	1,637	1,722	1,782
Current Account Deficit	1,150	1,171	1,286	1,170	1,495	1,578	1,660	1,721
Long Term Debt Amortization	30	38	43	60	67	59	62	61
Other Short Term Capital Outflows	0	0	0	0	0	0	0	0
Errors and Omissions	3	48	-145	0	0	0	0	0
Financing Sources	1,183	1,257	1,184	1,285	1,531	1,637	1,722	1,782
FDI and portfolio investments (net)	618	675	491	659	764	907	948	967
Capital Grants	508	287	261	347	282	289	296	322
Short term debt disbursements	0	0	0	0	0	0	0	0
Long term debt disbursements (excl. IMF)	88	249	245	290	283	284	286	293
Change in reserves (- means accumulation)	-44	-210	174	-67	17	-92	-113	-123
Other sources	-136	218	-32	44	150	217	277	319
IMF credit (net)	148	38	45	11	34	32	29	3

Sources: Government of Niger, IMF and World Bank staff estimates, 2017.

17. **The current account deficit is projected to decrease between 2017 and 2020 although it will remain high at around 18 percent of GDP in a context of subdued recovery of uranium and gold prices.** Exports of goods are projected to start rebounding in 2017. The recovery is driven by official exports to Nigeria and more dynamic oil exports. However, the regaining of growth dynamism and the related investments would also be accompanied by a substantial increase in imports. This trend would be reversed from 2020 onwards as the large oil pipeline projects would come on stream, boosting exports significantly. The current account deficit is projected to be primarily financed by FDI, project grants and government borrowing, averaging 9.9 percent and 7.6 percent of GDP respectively over 2017-2020.

18. **The fiscal deficit is expected to further deteriorate in 2017 due to efforts aimed at mitigating security tensions and weather shocks, despite a significant revenue effort.** The overall deficit (including grants) will reach 7.5 percent of GDP in 2017 against 6.2 percent in 2016. Security expenditures account for 35 percent of the deficit. Combined with the cost of food security initiatives following a bad harvest in 2017, together, they represent 55 percent of the fiscal deficit. Total expenditures increased by 1.9 percent of GDP, which offset an increase in total revenue of 0.6 percent of GDP. The increase in total spending reflects in large parts that of domestically-financed investment (2.2 percent of GDP). Current expenditures also increased slightly on the back of higher spending on goods and services and interest payments. The budget for 2017 is fully financed through budget support, the issuance of securities in the regional market and bond issuance with local banks.[5]

19. **Medium-term fiscal consolidation will be achieved through a combination of revenue and expenditure measures.** The overall fiscal deficit (commit. basis, including grants) is projected to decline significantly from 7.5 percent of GDP in 2017 to 2.9 percent in 2020. About half of the 2017-2020 fiscal adjustment comes from the revenue side (2.2 percent of GDP) and the other half from the spending side

[5] The financing of the budget might slightly change as donors are mobilizing resources in view of the Donors' conference in Paris on December 13-14, 2017 aimed at supporting the PDES II.

(2.3 percent of GDP). This would bring Niger in line with the fiscal target of the monetary union, albeit one year later than originally intended. The main reasons for this delay are related to recent economic shocks and the associated security related spending.

20. **Domestic revenue would rise on the back of a broader tax base and improvements in tax revenue management.** The Government has a vast revenue mobilization agenda aiming at increasing tax base and improving tax and customs administration to reduce evasion. The planned reforms would be rolled out in the coming years and include the abolition of Value Added Tax (VAT) exemptions on inputs under the investment code, strict compliance with the WAEMU norms on VAT exemptions, customs reforms (simplification of customs procedures, the modernization of the information system, including interconnection with neighboring countries and within the customs borders in the country), the strengthening of the audit system for large enterprises, and the opening of new tax offices in order to ensure better revenue mobilization capacity. A series of legislative texts supporting some these reforms was discussed by Parliament in October 2017. Reform prioritization will be informed by analyses that the Government will carry out to quantify the identified measures. These reforms are supported by this operation as well as IMF and World Bank technical assistance projects.

21. **Consolidation would also be supported by a sizable adjustment in primary spending over the medium term.** Total expenditures will decrease from 28.7 to 26.4 percent of GDP during 2017-2020. Capital spending will decrease as the pipeline of future investments is not as substantial as in the past. It is projected to decrease from 13.8 to 13.1 percent of GDP in 2017-2020. Current spending will be further rationalized, decreasing from 14.4 percent to 12.7 percent of GDP. While the bulk of the decrease will be accounted for by from wages and salaries[6], the Government will also reduce goods and services.

22. **The recent Public Expenditure Framework Assessment (PEFA) points to challenges that the Government will have to address to achieve successful expenditure consolidation.** The decrease in public investment raises the need for enhanced efficiency of investment. This hinges on better budget programming, in particular, finalizing the Medium-Term Expenditure Framework (MTEF) and program budgeting based on sector strategies. With respect to current expenditures, the challenges will be to modernize the payroll system to integrate data management among the concerned entities and the completion of the biometric census of civil servants, retirees, beneficiaries of transfers and scholarship. These initiatives will complement the work of the Inter-Ministerial Budget Regulation Committee established in mid-2016 that has proven effective so far in scaling back spending when funds fell short, while safeguarding poverty-reduction spending.

23. **The 2016 IMF-World Bank DSA prepared in December 2016 indicates that although public debt is projected to remain sustainable and Niger remains at moderate risk of debt distress, it is characterized by heightened vulnerabilities**. Due to significant concessional external borrowing flows, public external debt ratios will remain below their policy-dependent thresholds throughout the projection period (2016−2036) with a moderate risk of debt distress. However, Niger's overall public debt dynamic highlights vulnerabilities, with the rapid increase in domestic debt and debt-to-GDP ratio exceeding the benchmark under unchanged policies and larger deterioration of the fiscal balance. Under the extreme case of no improvement in Niger's fiscal position compared to 2016, debt would follow a continuous upward trend and breach the threshold in 2025. Under the most extreme shock scenarios, the present values (PV) of

[6] Reduction in wages and salaries is expected to amount 0.8 percent of GDP between 2017 and 2020 and 0.6 percent of GDP for goods and services.

debt-to-export ratio breach the relevant thresholds. The other debt ratios and the debt service ratios remain under their relevant thresholds.[7]

Figure 1: Public debt to GDP (2016-2036)

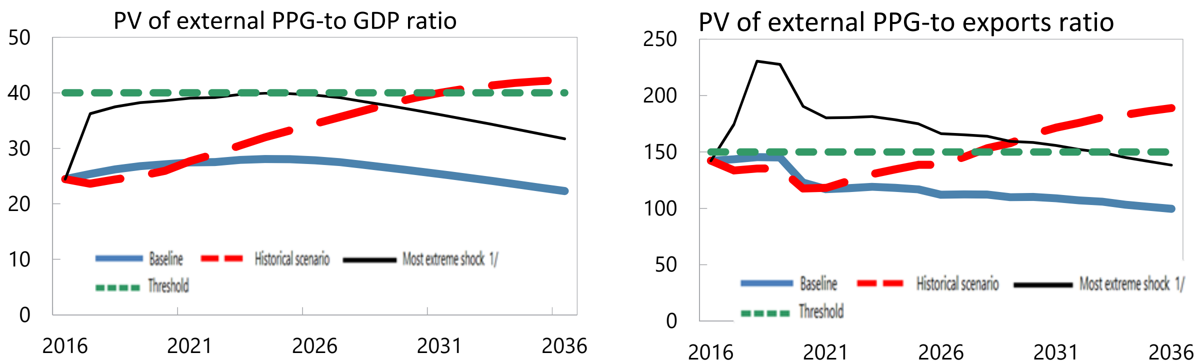

Table 4: External debt stock composition at year-end (LIC DSA, December 2016)

	US$ (Billions)	% total debt	% of GDP
Multilateral	1.6	80	22.8
IMF	0.145	7.25	2.1
World Bank/IDA	0.626	31.3	8.9
African Development Bank	0.205	10.25	2.9
Others	0.624	31.2	8.9
Official Bilateral	0.4	20	5.7
Paris Club official debt	0.1	5	1.4
Non-Paris Club official debt	0.3	15	4.3
Commercial	0	0	0
Total	2	100	28.4

Source: DSA – WB and IMF staff, December 2016.

24. **While the economic outlook is broadly positive, it remains subject to a number of downside risks.** Given its limited diversification, and thus heavy reliance on extractive industries and rain-fed agriculture, the economy of Niger remains vulnerable to a prolonged downturn in commodity prices and weather shocks. Delayed economic recovery in Nigeria, or the intensification of terrorist activities, would negatively impact production, investment and exports. Further delays in the completion of the major natural resource projects in the oil and uranium sectors, in a context of low prices for uranium and oil, would question the growth in the medium term. Commitment to reforms is critical for ensuring a steady pace towards stable growth and macroeconomic stability. Shortcomings in carrying out productive investments in transport, energy and agriculture, would significantly affect the growth diversification agenda in the medium term. Fiscal and debt sustainability will also require pursuing successfully ongoing

[7] The stress tests' results suggest that the most extreme shock that affects the PV of external debt-to-export ratio is an export shock–that assumes export values grow at their historical average minus one standard deviation in 2017 and 2018, stemming from disruption in the oil industry, low uranium and oil prices, and severe drought, lowering the country's exports. In this case, the ratio breaches the threshold in 2017 and increases to a maximum of 230.5 in 2018 before starting to decline as crude oil exports boost aggregate exports.

reforms to broaden the tax base and increase revenue, contain expenditures and enhance the efficiency of public investment.

25. **The planned fiscal consolidation may have adverse impact on the growth outcomes discussed for the medium term**. Under the current framework, there will be a decline in public investment in the medium term reflecting the phasing out of large infrastructure projects executed in the recent past. Such decline is not expected to impact negatively on growth because these projects are expected to pay off in future through a lagged impact (gestation period) and productivity growth effect. In addition, reforms supported by this series of operation are expected to increase investment in telecom and enhance agricultural productivity. With respect to the decline in wages and salaries in the public sector, civil servants represent a small percentage of the population – 0.8 percent of the population - and improved rural growth would impact on the consumption of a much larger percentage of the population. However, growth may be lower if the increase in private investment and rural growth do not materialize. In particular, the high growth projected for 2020 would be much lower, staying at the current level without the large increase in oil production and exports.

26. **Niger's current macroeconomic policy framework is adequate for the proposed operation.** While GDP growth is projected to slightly decline in 2017, it would regain strength from 2018 onwards. The ongoing and planned reforms and investment programs are expected to contribute to economic diversification and enhanced resilience to shocks. Debt is projected to remain sustainable, even under the most extreme stress tests. Furthermore, despite ongoing security and humanitarian challenges, the Government has demonstrated its ability to respond swiftly to changing circumstances and to meet most targets under the past and incoming programs with the IMF. Aware of the challenges, the Government is committed to pursuing a sound fiscal policy and reforms aimed at reducing large external and fiscal imbalances and rebuilding buffers. Importantly, the macroeconomic policy framework will also be anchored in the ECF-supported program for the period 2017-2020, which would help buttress inflows of grants and concessional aid in support of the Government's objectives. The main risks arising from commodity price shocks, regional security challenges and institutional/governance bottlenecks could be mitigated by government's policies and donors' financing support.

2.3 IMF Relations

27. **The IMF and the Nigerien authorities recently agreed on a new medium-term ECF program (2017-2020)**. On January 23, 2017, the Executive Board of the IMF approved a three-year arrangement under the ECF for an amount equivalent to SDR 98.7 million (about US$134.04 million, or 75 percent of Niger's quota) in support of the authorities' national plan for economic development. Under the new ECF, fiscal space will be enhanced by broadening the tax base and strengthening the efficiency of tax and customs administration. Expenditure management focuses on prioritizing public spending and enhancing expenditure control and liquidity management. A strong reform agenda buttresses the program, with the growth agenda anchored on more efficient investment, as well as an improved business climate and more inclusive financial development The Executive Board's decision enabled an immediate disbursement of SDR 14.1 million (about US$19.15 million). The remaining amounts will be phased over the duration of the program, subject to semi-annual reviews. A first review took place between end-October and the first week of November 2017. The World Bank and the IMF teams have been coordinating closely during preparation of the ECF-supported program and the proposed DPF series.

3. THE GOVERNMENT'S PROGRAM

28. **Niger's national poverty reduction strategy, the "*Programme de Developpement Economique et Social"* (PDES) II (2017-2021), provides the overarching framework for the government's development agenda.** Niger's Medium-Term National Development Policy Framework for the future

years is embodied in the PDES II, which follows on the PDES I. The PDES II lays out the vision and the operational framework of the government's development strategy. It provides a set of policy objectives and strategies to guide medium-term plans and budget allocations at the sector levels, leading towards the government's growth and poverty reduction goals. The PDES II focuses on supporting rural growth, given the concentration of the poor in rural areas. Agriculture would be the leading sector supported by the government's "Niger Nourishes the Nigeriens" (3N) initiative with a special focus on agro-industry and productivity enhancing reforms.

29. **The PDES II aims to put Niger back on the path of strong and sustainable economic growth**. The PDES II envisages a 6.0 percent growth on average in order to impact positively on poverty. It has five objectives which are: (i) promoting cultural renaissance; (ii) promoting social development and demographic transition; (iii) improving economic growth while making it more inclusive; (iv) improving governance, peace and security; and (v) promoting sustainable management of the environment. To achieve its overarching objective, the PDES II identifies four strategic pillars: (i) Pillar 1, a competitive and diversified economy; (ii) Pillar 2, food security and sustainable agricultural development; (iii) Pillar 3, social development; and, (iv) Pillar 4, governance, peace and security. The proposed DPF series supports Pillars 1, 2, and 4.

30. **Under Pillar 1,** the PDES II also acknowledges that maximizing the impact of public investment in infrastructure is critical. The focus on electricity, irrigation and telecommunications is consistent with the country's objective of broadening access of the population to key infrastructure. The PDES II puts emphasis on the development of value chain in agriculture and livestock, the potential linkages with industry and services and the development of the financial sector, particularly in rural areas. It sees Niger's abundant natural resources as a foundation for industrialization, employment and opportunity for further structural transformation. **Under Pillar 2,** agriculture is at the forefront of the PDES II. The sector strategy remains anchored in the continued implementation of the 3N to achieve the overall objective of "zero hunger in Niger". The identified sector policies aim to diversify agro-forestry-pastoral activities, improve market infrastructure, enhance productivity and address rural financial inclusion. **Under Pillar 3** which focuses on social development, the PDES II presents a set of challenges and programs, including access to quality education at all levels, support to youth entrepreneurship and the development of vocational training. **Under Pillar 4**, the PDES II puts emphasis on the need for enhancing revenue mobilization capacity through a broad range of reforms, including tax and customs administration, and the rationalization of exemption regimes

4. THE PROPOSED OPERATION

4.1 LINKS TO THE GOVERNMENT'S PROGRAM AND OPERATIONAL DESCRIPTION

31. **The proposed operation is the first of a programmatic series of two DPFs to be disbursed over 2017-2018 under International Development Association (IDA) 18.** The operation will provide financial support to Niger as the authorities implement the PDES II. The PDO is to foster rural growth. The proposed operation follows on the Public Investment Reform Support Credit (PIRSC – P151487, P159969) series (FY16-17), the last operation of which was approved on February 28, 2017. The PIRSC series focused on: (i) strengthening Public Financial Management (PFM) and Public Investment Management (PIM) systems; (ii) improving the management of the public irrigation sector; and (iii) enhancing the institutional and regulatory framework for the electricity sector.

32. **The proposed operation is articulated around two mutually reinforcing pillars.** Pillar 1 is "Increasing rural productivity growth". Pillar 2 is "Supporting growth enabling sectors". Pillar 1 aims to (i) enhance the use of modern inputs and improve access to extension services systems; (ii) strengthen the linkages between the extractive industries and the local economy; and (iii) deepen rural finance

penetration. Pillar 2 aims to (i) improve the financial and the technical performance of NIGELEC; (ii) develop a framework favorable to ICT investment, mainly in rural areas; and (iii) broaden the tax base by rationalizing tax expenditure and exemption regimes. The tax revenue measures in (iii) of Pillar 2 aim to partially compensate for the revenue loss entailed by the ICT tax reforms in this operation and aims to support fiscal consolidation over the medium term.

33. **The proposed series is fully aligned with the government's development strategy and priorities as articulated in the PDES II**. It is designed to advance a number of key PDES II objectives. The focus on agricultural productivity and the dissemination of context-relevant farming practices and that on the extractive industry in Pillar 1 supports objectives (iii) and (v) of the PDES II. The focus on rural finance under Pillar 1 and infrastructure under Pillar 2 also supports objective (iii). Pillar 2 supports the PDES II objective (iv) of improving governance, peace and security by focusing on revenue generation.

34. **The proposed series is in line with the World Bank cascade approach**. Pillar 1 supports the development of the leasing and warrantage systems and promotes access to finance to broaden access of the private sector to rural credit while the liberalization of the inputs market will also create room for private sector involvement. Pillar 2 supports private sector development in the telecommunication sector by eliminating and/or reducing distortionary taxes, making the telecom sector more attractive for investors while a cost coverage approach in the electricity sector will incentivize the private sector to invest in power generation and distribution.

Lessons Learned

35. The **design of the proposed program has been informed by lessons learned from the predecessor series (PIRSC – P151487 and P159969), the Niger's Country Partnership Strategy (CPS) for 2013-2016 and other project work and policy dialogue with the Government conducted by the World Bank and other development partners.** Key lessons are as follows: (i) it is critical to conduct upstream work to identify relevant indicators to measure achievements towards the PDO; (ii) it could prove more impactful to shift to structural reforms that are likely to improve the living conditions of the population; (iii) over ambition in reform formulation and overloading the policy agenda beyond the existing institutional capacity of the Government could be counterproductive and lead to poor outcomes, and; (iv) using a DPO series could be instrumental in advancing critical medium-term reforms when supported by investment projects. A more detailed description of the lessons learned from international experience and how they are incorporated into the proposed operation is presented in Annex 5.

4.2 PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

Pillar 1: Increasing rural productivity growth

A. To enhance the use of modern inputs and improve extension services systems

36. **Rural growth is the main driver of poverty reduction and economic growth.** The majority of the poor lives in rural areas and agriculture is the most important sector of Niger's economy, accounting for over 40 percent of national GDP. It is the main source of income for over 80 percent of the population. One of the key objectives of the PDES II is to increase productivity which is identified as the main vehicle for higher growth in the sector.

37. **Niger's agriculture is characterized by low productivity but the potential for increased yields of traditional cereals is substantial**. For most cereal crops—sorghum, millet, and rice—the difference between actual yields and potential yields is significant. For rain-fed sorghum, yields could increase by a

factor of 20 and for rain-fed millet, by a factor of 8.[8] The potential increase for irrigated rice is less, but still at least a factor of two.[9] Even if only half of the potential yield is attained, it would imply a quadrupling of millet yields per hectare and an almost 10-fold increase in sorghum production.

38. **Low uptake in modern inputs accounts for low productivity**. Currently, less than 10 percent of farmers use improved seeds and fertilizer use in Niger of about 3 kg/ha is well below the regional average of around 12 kg/ha and the Africa Fertilizer Summit target of 50 Kg/ha. The limited uptake is mostly attributable to the absence of an effective extension service system and limited use of improved inputs (modern seeds, fertilizer, pesticide).

39. **Limited expansion of irrigation also accounted for low productivity but progress has been made recently**. Progress has been made in irrigation with the creation of the Irrigation Water User Associations (IWUAs) at the level of each public irrigation scheme that falls under the jurisdiction of the National Office for Water Management (ONAHA). A framework was established to define their mandate, functions and rules of operation in order to strengthen the sustainability of investment in the sector. In addition, a multi-year agreement was established by the Government with ONAHA to increase the coverage of the irrigation system from 2017 to 2020. Lastly, Niger adopted a strategy for the sustainable development of small-scale irrigation.

40. **The policy reforms suggested in this proposed DPF series are two-pronged and complement other initiatives.** The proposed operation is articulated around two themes: (i) Improving access to agricultural inputs; and (ii) improving delivery of extension services in the agriculture sector. These policy areas complement the government's efforts to increase productivity through irrigation reforms. The World Bank is funding Sahel Irrigation Initiative Project (P154482) while other partners are supporting small-scale irrigation projects by providing financial resources and an adapted approach to anchor water resources mobilization into local development strategies. Reforms discussed in the proposed operation are also supported by analytical work including the Agriculture Public Expenditure Review and the Sector Review Report.[10]

A1 Enhancing the use of modern inputs

41. **The distribution of subsidized agricultural inputs has been affected by poor targeting and leakages, which partly accounts for the limited uptake in modern inputs**. Seeds and fertilizer subsidies to poor households have been channeled mainly by public entities. In many cases, the inputs do not reach the targeted producers due to poorly organized supply systems, including dubious practices on the part of public agents and a poor targeting system. Finally, the volume of inputs channeled through the public system is insufficient while the private sector participation is limited.

42. **The Government plans on developing an e-voucher system to address the distortions in the current distribution system of agricultural input subsidies.** The e-voucher system introduces an innovation by creating a database of beneficiaries (characteristics of the households, agricultural practices that determines the input kits tailored to their needs), which helps reduce leakages and enhance targeting and economic efficiency. To maximize the intended impact, the e-voucher system combines the use of

[8] Source: Niger SCD – World Bank, January 2017.

[9] Numbers vary by source: FAOSTAT reports, for instance, yields for millet of 544 kg/ha and 442 kg/ha for sorghum, while the Global Yield Atlas puts the yield potential at 1.2 t/ha for rain-fed millet and of 3.3 t/ha for rain-fed sorghum. Irrespective of the source, the yield gap is very large.

[10] Agricultural PER (2011-2015) – Agricultural Sector Review Report (2017).

mobile phone, paper voucher and magnetic cards for people who do not have mobile phone.[11] The e-voucher promotes private sector participation in the provision of improved and modern inputs, reducing transaction costs and enhancing transparency and accountability.

43. **The Government also plans on addressing weaknesses of the agricultural inputs supply systems to improve their availability.** The current systems provide insufficient quality of agricultural inputs. In particular, the fertilizer market supply remains poorly organized: the quantity of fertilizers supplied by the *Centrale d'Approvisionnement en Intrants et Matériels Agricoles* (CAIMA), a parastatal agency under the Ministry of Agriculture is insufficient, and CAIMA's subsidized prices crowd out the private sector. The Government is currently undertaking a study which will inform the restructuring of the fertilizer markets with the aim to increase the input's availability in the market. Although the seed market in Niger has grown in the last 7-8 years, currently, only 10 percent farmers use improved varieties and government supplied seeds (for free or heavily subsidized) still dominate the market. The sector's objective is to ensure a greater availability of quality seeds through the production of seed foundation by agricultural research institute and improved seed multiplication by farmer organizations and private companies. [12] Progress in these areas will help ensure adequate supply of improved inputs, including through the e-voucher system.

A.2 Improving extension services systems

44. **The agricultural extension services are characterized by a lack of a coherent national policy framework and poor coordination among the stakeholders involved**. Existing extension services are top down with limited involvement of farmers as well as the private sector.[13] In addition, the Government lacks resources to provide quality service advisory. The Public Expenditure Review (PER) and the Sector Review Report recommended reorganizing public extension services while using alternative extension systems in addition to the classical public system, and improving targeting mechanisms to reach vulnerable households.

45. **The Government has started to reform the coordination of extension services policy**. The Government created a National Agriculture Advisory System (SNCA) in charge of extension service policies and coordination, a pluralistic system involving a large variety of extension services providers (public, farmers' organizations, private). Its role is to promote networking and partnerships within this multi-stakeholder system. An Agency for the Promotion of the Agricultural Council (APCA), a true keystone of the SNCA, was also set up with the mission of piloting the SNCA at the national and regional levels. The APCA will only intervene on the cross-cutting functions of the SNCA and will not carry out field-based advice to producers, as this is the responsibility of public and private extension service providers.

46. **The Ministry of Agriculture has also started to experiment innovative approaches to strengthen the extension service systems**. The e-extension system is based on ICT use to provide agriculture advice to farmers. As part of this system, a call center responds to multiple farmer requests on market information, phytosanitary issues, and modality of inputs use. Farmers can either use their mobile phones or call through an office equipped with telephones by *Réseau National des Chambres d'Agriculture du Niger* (RECA). Calls to the call centers are subsidized by the mobile companies. In addition, the RECA is

[11] Both the beneficiaries and input providers, for example a fertilizer shop, receive a matching text message on the needs of the beneficiaries for the redeem of the package.

[12] The approval of Niger seed law in 2015 in tune with Economic Community of West African States (ECOWAS) regulations has created an enabling environment in Niger for the development of the sector. The Bank-funded Climate Smart Agriculture Project and West Agriculture Productivity Project are supporting actions oriented towards supporting seed foundation production by agricultural research institute and improved seed multiplication by farmers organization and private companies.

[13] République du Niger, and FAO (Food and Agriculture Organization-2009). Analyse diagnostique du système d'appui conseil. Mise en place d'un dispositif intégré d'appui conseil pour le développement rural au Niger.

providing advisory services to farmers on a weekly basis though a community radio, addressing the questions raised by callers in the same geographical locations. This will help fill the outreach gap and poor access to extension services while offering timely advice to farmers.

Prior actions

47. **To increase access to agricultural inputs, the Ministry of Agriculture has (a) finalized an e-voucher distribution mechanism for agricultural input subsidies and implemented a pilot program for such mechanism in four (4) communes**. The e-voucher systems cover mainly – but are not limited to - modern seeds, fertilizer and small equipment. To operationalize the system, the Government had to create a distribution mechanism. This includes (i) a database of beneficiaries with information on the core characteristics of households benefiting from the e-voucher system;[14] (ii) designing the amount and content of subsidies to be distributed based on the recipients' needs and farm characteristics; (iii) and setting up the mechanisms allowing the identification of beneficiaries by suppliers. The prior action consists in establishing such mechanisms and implementing them in 4 communes as a pilot test. The government's initiatives aimed at developing the Smart Village Concept support the initiative (See Pillar 2 - A).

48. **To increase the outreach in extension services, the Government has signed a performance contract with the Agriculture Chambers Network (RECA) for the implementation of an e-extension system.** Remoteness, poor infrastructure and weak administration often impede access of extension services agents to villages. In order to address this, the Government works with the RECA to implement e-extension services. The RECA will hire experts in extension services to provide advisory service in phytosanitary, weather/climate and extension service modalities. A call center has been created for the system to operate. Phone calls to the call center benefit from a preferential tariff offered by the mobile phone companies to allow greater access of farmers and producers to the services. The RECA is also in charge of creating bases from which calls are to be made. The benefits of such initiative on productivity is expected to be significant. The Government will sign a performance contract with RECA, establishing the expected results, the monitoring system of RECA's performance and the budget allotted to RECA to carry on the task. This initiative is also supported by the ICT reforms aimed at expanding coverage of ICT services under this operation.

Prior action 1. To increase access to agricultural inputs, the Ministry of Agriculture has (a) finalized an e-voucher distribution mechanism for agricultural input subsidies and (b) implemented a pilot program for such mechanism in four (4) communes.

Prior action 2. To increase the outreach in extension services, the Government has signed a performance contract with the Agriculture Chambers Network (RECA) for the implementation of an e-extension system.

The following actions would be the indicative triggers for the follow-on operation:

49. *The Government has (i) used E-voucher to deliver agriculture subsidies for vulnerable communities in 10 communes; (ii) liberalized the fertilizer markets through the implementation of an action plan - to be prepared; (iii) taken a Legal Act to set up mechanisms for community based seed production, and; (iv) operationalized the Seed Certification Division through the start-up of seed control certificate issuance.*

[14] Where the beneficiaries reside, their family size, their sources of income, information about their wealth, and their phone number (or that of someone they trust) to identify recipients eligible for subsidies.

Once the database for the e-voucher system is completed and ready, the Government plans to implement the program in 10 communes and will scale it up in a subsequent stage. With respect to the reforms of the fertilizer market, the action plan will include reforms making the CAIMA procurement procedures more transparent with greater private sector participation, the adjustment of the CAIMA pricing strategy to be market-oriented - at values comparable to regional pricing – and the reforms of the fertilizer subsidy program to improve the targeting of the most vulnerable farmers while ensuring the availability and accessibility of quality mineral fertilizers, especially to small farmers, across the country. The reforms of the fertilizer market addressed by the second operation will build on the conclusions of the study currently being conducted. With respect to the seed-related triggers, the institutional reforms will ensure that the markets provide an increased volume of quality seeds to farmers. The legal act will ease the environment of community-seed based production.[15] It will help boost local seed markets, open avenues for people to start seed-trading businesses, and offer farmers a 'basket' of crop varieties to choose from. The operationalization of the Seed Certification Division will help enhance regulation of the seed market.

50. **By the end of the program, it is expected that**: (i) the use of modern inputs would be improved as evidenced by an increase in beneficiaries (households) of inputs (seeds and fertilizers) distributed through e-voucher from 0 in 2016 to 20,000 in 2019, and; (ii) the number of farmers receiving extension services electronically from zero (0) in 2016 to 25,000 in 2019.

B. Deepen rural financial inclusion

51. **Low access to formal financial services is among the main constraints to rural growth in Niger.** It is identified in the SCD as one of the key impediments to accessing modern inputs, marketing channels and logistics—including inadequate storage facilities and ability to process agricultural products. Currently, financial services remain inaccessible to about 93 percent of adult individuals in Niger - against 77 percent on average in Africa -, and large majority of Small and Medium Enterprises (SME). In rural areas, the situation is even worse. Less than 3.5 percent of the rural population has a bank account or uses banking services. This is one of the lowest rates in the world. Financial exclusion in Niger affects also the medium size to big farmers, and traders not only the poor in rural areas.

52. **The traditional bank lending has failed to reach the agricultural sector**. The state-owned bank *Banque Agricole du Niger* (BAGRI) has shown a very disappointing performance both in terms of financial performance and social impact. In 2014, the loan granted to farmers represented less than 2 percent of credit portfolios while in 2015 the total agriculture credit reached 10 percent of disbursements only. As in many countries, lack of collateral, insufficient number of financial products and knowledge of the agricultural sector, and poor regulation of the financial system have deterred formal financial institutions' involvement in agriculture finance in Niger. The development of instruments responding to farmers needs and the constraints in the agriculture sectoral is critical for improving the rural population's access to credit.

53. **Despite its numerous benefits, the use of warrantage, or ware house receipt system, has been fairly limited**. Warrantage is a financial product**,** a short-term credit using the stock of agricultural products as collateral. It has many benefits, including reducing post-harvest wastage and losses and taking advantage of the significant price changes between the harvest period and the beginning of the lean season. It also allows farmers to engage in income generating activities during off-season, improve the financing capacity of the next cropping season and use agricultural inputs. A Food and Agriculture Organization (FAO) study found that the incomes of farmers using the warrantage system, along with the

[15] This will include setting up foundation seed acquisition from research institutes, control and certification arrangements for community seed base production, capacity building for communities involved in seed production and community based seed marketing regulation (e.g. packaging).

use of the agricultural inputs increased by 52 to 134 percent.[16] A few projects supported warrantage in Niger by providing guarantees to financial institutions lending to farmers but the system was not sustainable after supporting projects ended.

54. **Studies and evidence have identified poor access to refinancing of supervising bodies as a major constraint that has contributed to slowing down the development of warrantage**. The microfinance institutions offering warrantage products have suffered from high level of NPLs due to lack of operational requirements, (safety measures, audit and inspection) and difficulties to seize the collateral for example in case of default. This has dramatically reduced banks' appetite for refinancing of warrantage activities as well as their willingness to participate in the scheme.

55. **The introduction of a legal and regulatory framework would help address this constraint**. Such framework will include a legislation providing an oversight of the warehouses to protect the interest of depositors and financial institutions by ensuring good warrantage or warehouse practice, enabling the financial institutions to obtain recourse in case of default. It would help increase confidence in the scheme, encourage private sector participation in the creation and operationalization of private warehouses and bring more professionalism. It would also catalyze microfinance institutions' access to refinancing from banks and would ultimately increase banks' interest in participating themselves in the scheme.

56. **Equally underutilized is the leasing system which has remained at a nascent stage in Niger due to undefined and predictable laws and regulations governing leasing transactions.**[17] Leasing is a product which could help farmers and SMEs to finance agriculture equipment including ploughs, harrows, small and medium irrigation pumps, and small motorized equipment.[18] It has several benefits including very limited collateral required, competitive cost with traditional credit given the increased security held by lessors, and low transaction costs. However, financial institutions are barely involved in leasing due of the absence of a legal and regulatory framework. Only two Micro Finance Institutions (MFIs) are offering a basic leasing service. Undefined laws and regulations governing leasing transactions are reported by most financial to be the main constraints for them to participate in leasing schemes. Other challenges that prevent the development of a leasing industry in Niger include lack of fiscal incentives (as leasing is not taxed as a financial operation, but rather as a rent in Niger), lack of resources in the medium and long-term financing and weak capacity of the financial institutions for leasing.

Prior actions

57. **To deepen the financial inclusion in rural areas, the Council of Ministers has adopted a leasing law for SMEs and has submitted said draft law to its Parliament.** The WAEMU has already adopted has already adopted a directive on leasing and each of the 8-member countries in the WAEMU, including Niger, needs to adopt the Law. The adoption of the regional leasing law would allow to clarify the rights and obligations of the parties to the leasing contract, secure the lessor for the recovery of his property in the event of default on behalf of the customer, clarify the accounting treatment of the property to the lessee, and improve transparency in the treatment of the VAT, transfer tax and customs privileges from

[16]Warrantage in Niger, an inventory credit practice adapted to the needs of small-scale farmers. Food and Agriculture Organization (FAO), 2014.

[17] Leasing is an arrangement providing access to finance and may be defined as a contract between two parties wherein one party provides an asset for use to another for a specified period of time in return for specified payments.

[18] Leasing separates the legal ownership of an asset from the economic use of that asset and no or very limited collateral is required. The cost of lease finance is competitive with traditional credit, given the increased security held by lessors, and low transaction costs of processing a lease. Leasing also offers matched maturity of assets-liabilities, since debt in emerging countries is often limited to short-term maturities.

the principle institution to the lessor. The World Bank through its FIRST technical assistance aiming at improving access to financial services would support the drafting of the instrument and related reforms.

Prior action 3. To deepen the financial inclusion in rural areas, the Council of Ministers has adopted a leasing law for SMEs and has submitted said draft law to its Parliament.

58. **The following action would be the indicative triggers for the follow-on operation:**

- The *Government has deepened financial inclusion in rural areas by adopting a decree governing the warrantage system*. The Government is supporting the development of the warrantage to broaden the range of financial products for the rural households. It is finalizing a legislation instrument to formalize the warrantage. The new legal dispositions for warrantage will aim to address the regulations and norms regarding licensing and operationalization of warehouses, the lack of concept of enforceability of receipts, the lack of regulations around the warehouses, and the little clarity on the governance of the warehouses.

59. **By the end of the program, it is expected that** the number of financial institutions (MFIs and banks) offering warrantage and leasing products would increase from 2 to 7.

C. Strengthening the linkages between the extractive industries and the local economy

60. **The extractive industry offers much scope for inclusive growth and is a credible pathway out of poverty.** The extractive industry can spark great economic benefits to a large number of rural households through three (3) channels. First, small-scale or artisanal mining (ASM) can benefit a number of small households through the creation of jobs and revenues. Artisanally mined gold constitutes a significant portion of mineral production in Niger and directly employs an estimated 500,000 people in some of the most remote areas of the country where there are no or very few other opportunities. This has been particularly important in Northern Niger, where heavy droughts and the closing of the Sopamin-Areva uranium project basically left it the only remaining viable economic activity. Second, the extractive industry can also develop linkages upstream or downstream with the rest of the economy, creating new industries and integrating local companies in the supply chain.[19] Third, when the scheme exists and is operational, transfer of government revenues generated by the sector to the communities can be instrumental in building the capital base (physical as well as human) needed for the future income increases

61. **Formalizing artisanal mining is a key strategy to provide opportunities to further increase the economic benefits from the extractive sector**. The Government of Niger is in the process of formalizing ASM. This is done through the registration of mining titles and licenses within dedicated artisanal mining 'zones'. By doing so, it provides opportunities to grow mines into a larger more financially viable operation, and creates opportunities to generate higher income. Mining in these areas often constitutes the main engine for development. It creates complementary opportunities for other businesses and revenues are often reinvested in the region. Integrating miners into the formal market will also increase fiscal revenues. This is for example the case in Tanzania, where official gold production and state revenues from artisanally mined gold have tripled since the introduction of a large-scale formalization process supported by the WB, over the past years**.** Finally, the formalization of ASM promotes better social and environmental practices, improves working conditions for miners and reduces the overall social environmental impacts at the local level. For workers in a typical ASM environment – increasingly women

[19] In that regards, the Government adopted a new petroleum code, with a component on local content, requiring oil companies to give preference to local companies in the procurement of construction, maintenance and other services, provided they deliver the same quality, and their price is not more than 10 percent higher than that of any international bidder.

and children – harsh working and living conditions are the norm. Moreover, unregulated or poorly regulated ASM activities have resulted in significant environmental destruction.

62. **Niger has a legal framework to support a scheme aimed at transferring revenue from the extractive to the communities in affected areas, but it has not been fully operational.** In line with Article 152 of the Constitution and Law no. 2014-08 of April 16, 2014, [20] the State of Niger introduced a clause in the 2006 Mining Code and the Petroleum code of 2007, which allocates 15 percent of oil and mining revenues to the affected populations and the regions and communes of the extraction zones. Experience in other countries shows that such sharing system can raise standards of living and reduce poverty in resource-rich regions, provide additional financing (AF) for authorities in poor or underserved regions, and compensate affected areas for the social and environmental impacts of exploitation and depletion of natural resources. For example, after years of recession following the collapse of the fisheries, economic prosperity was restored to Newfoundland, Canada in the mid-2000s as a result of an agreement that guaranteed the province a large share of the revenues generated from offshore oil. [21]

63. **Unfortunately, the impact of the initiative in Niger has remained below expectations.** The implementation of the legal framework was weak because of the weak governance at the level of communes, the low absorptive capacity of beneficiaries, and in some cases, the delay in transferring the funds to the communities.[22] So far, some anecdotal evidence exists on investments made with these funds by communities in healthcare, rural infrastructure and schools, but there are many more stories of the money simply disappearing. With support from the World Bank, the Government of Niger is now working on addressing these challenges. It is, developing a revenue sharing and management mechanism that will allow for the transferred funds to be properly managed and allocated for local economic development, as intended by the legislation, following international good practice. Besides significantly boosting the local economy, in a context of decentralization, mineral resources represent the unique opportunity to restore a sort of territorial equilibrium between the South, which is populated and rich in agriculture, and the North and East, which are rich in mineral resources.

Prior actions

64. **To strengthen the linkages between the extractive industry and the local economy, the Council of Ministers has adopted the draft revised mining law including new provisions to formalize artisanal mining, and has submitted said draft revised law to Parliament**. The Government is preparing a mining policy which sets out the sector's orientations and priorities, including the formalization and management of the artisanal mining sector. Based on this study, the Government will amend its 2006 mining code to include a new section on regulation and formalization of the artisanal and small-scale mining sector.

Prior action 4. To strengthen the linkages between the extractive industry and the local economy, the Council of Ministers has adopted the draft revised mining law including new provisions to formalize artisanal mining, and has submitted said draft revised law to Parliament.

[20] The Decree 2015-245 of 8 May 2015 stipulates that 85 percent finances investments, 10 percent the recurrent budget of the regional/local authorities of the mining regions, and 5 percent finances technical support to local and regional authorities and the monitoring and evaluation of development actions by the State.

[21] Natural resources revenue Sharing; NRGI, UNDP, September 2016: https://resourcegovernance.org/sites/default/files/documents/nrgi_undp_resource-sharing_web_0.pdf

[22] In Agadez in 2012 and 2013, around 25 percent of the amount was effectively allocated to the region, while Diffa has received its share just one time, and for 50 percent of the amount promised.

65. **The following actions would be the indicative triggers for the follow-on operation:**

- *The Government has implemented an arrears clearance plan of the 15 percent revenue from the mining and oil sectors to* the *concerned communes.* The Government acknowledges that arrears in payment of around 28 billion FCFA exists[23], but has concerns about the capacity of communities to manage the funds effectively. An action plan will be developed for the payment of arrears. As a first step, the Government will identify a list of communes where there have been actual transfers from the central government and good governance practice at the local level, i.e. funds have been effectively used to serve the communities' projects. Transfers will resume in these communes. As a second step, for communes where accompanying measures are needed to ensure good use of the transfers, transfers will be resume upon meeting the following pre-requisites: (i) the existence of a consultative approach to help local authorities and communities develop and define the projects to be funded with the extractives; and (ii) an accountability mechanism to allow the central government to monitor and evaluate the use of the transfers. These mechanisms will be designed by the central government and implemented in all communes. They can be built upon the work done by African Development Bank (AfDB)[24] and will be supported under both the existing World Bank project[25] and a new 'Extractives and Governance' IDA project which is currently under preparation.

66. **By the end of the program, it is expected that the contribution of the mining sectors to rural development in Niger has increased**, as evidenced by: (i) a reduction in government transfer arrears to the affected communities by 10 percent; and(ii) an increase in the number of artisanal miners with permits from 45,000 in 2016 to 60,000 in 2019.

***Pillar 2:* Supporting growth enabling sectors**

A. Information Communication Technology

67. **The latest statistics show that the use of mobile phone and internet is very limited in Niger, especially in rural areas.** With 38 mobile phone subscriptions[26] (3G) per 100 people as of 2017, Niger has the lowest penetration rate among its comparator countries. It is estimated that the total number of 3G mobile broadband subscriptions was 981,000 in December 2016 (compared to 3.3 million in Burkina Faso and 8.1 million in Mali). Coverage is particularly low in rural areas and access of the rural population is among the lowest in the Region. Currently, mobile money services are provided by three of the four operators, but the penetration is concentrated mainly in urban areas.

68. **In addition to the direct benefits associated with the use of ICT services, their development is instrumental in supporting rural growth.** Expanding the mobile phone and internet networks and broadening access are important complementary measures to the reforms in other sectors supported by the proposed operation. Examples include direct transfers of input subsidies to farmers by using e-vouchers and provision of extension services by private extension agents. They will support financial inclusion through innovative products such as fund transfers, mobile savings, mobile payments and e-banking by reducing the cost of communication and transaction costs.

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[23] 18 billion FCFA for Petroleum, and 10 Billion FCFA for the mining sector: Estimate from the Ministry of Finance, meeting July 2017

[24] Etude pour la formulation d'un mecanisme pour assurer l'effectivite et la gestion efficace des recettes minieres retrocedes aux collectivities territoriales (PAMOGEF Avril 20017)

[25] Niger: Africa Extractive Industries Trust Fund -

[26] Source: ARTP, GSMA and TeleGeography.

69. **The Government will develop and implement the "Smart Village" concept as part of its ICT policy supported by Universal Service Fund (USF**). This concept consists in supporting public service delivery in underserved and rural areas using ICT products. These include health, education, the digitalization of government payments and the e-voucher for agriculture among other services. The development of this concept would be partially supported by the USF which the Government created in 1999. The USF was financed through mandatory contributions of telecom operators. As of August 2016, the fund amounted approximately to CFAF 21 billion but had not yet disbursed any resources to improve access in rural areas. The absence of an entity in charge of the fund management has prevented its operationalization. The Smart Village strategy will underpin the use of the USF.

70. **The Government also plans to improve the sector's competitiveness and penetration rate by amending the sector's tax regime.** The high cost of mobile telephony and internet in Niger is among the constraints to the expansion of the sector and the access of the population to ICT products. Niger is among the 3 percent most unaffordable countries in the International Telecommunication Union, with the mobile-cellular basket of consumption representing close to 40 percent of Gross National Income per person. The current tax level and fees in Niger is among the highest in the sub-region and represent a barrier of entry for mobile telephony and internet ownership and usage. Taxes are reflected into the retail prices for consumers and directly impact their incentives to invest in new infrastructures and services. The impact is particularly noticeable for low-income individuals and households. It is estimated that in 2015, average tax and regulatory fee payments by the mobile sector per subscriber represented over a fifth of income for the poorest 20 percent of consumers, implying that it is also a highly regressive form of taxation.

71. **In particular, two specific taxes create distortions: the tax on international transaction (TATTIE), and the flat tax on SIM cards (fixed part of the TURTEL).** A specific tax (called the fixed component of TURTEL) is levied on SIM cards. Niger is one of the few countries of the region to levy a tax amounting to CFAF 250 for each new SIM card worth CFAF 1,000, which increases the cost of access to mobile networks for new customers.[27] The effect of the 20 percent tax (TATTIE) imposed on the mobile operator's revenues in 2015 led to a 37 percent drop in international incoming voice traffic.[28] Given this tax on roaming, Niger can't join a sub-regional agreement, which enables mobile telephony users not to pay extra roaming charges when using the service in a partnering country. This agreement, signed in November 2016, includes Mali, Senegal, Côte d'Ivoire, Burkina Faso, Guinea, Togo and Sierra Leone. The phasing out of these two taxes will imply a revenue loss of 0.5 percent of GDP.[29] However, this loss will be partially compensated by other tax revenue enhancing measures as explained in this section.

Prior actions

72. **To promote rural access to internet and mobile services, the Government has adopted (a) decree on creation of ANSI in charge of the implementation of the USF strategy; and (b) decree on nomination of the ANSI's General Director**. In order to implement the USF strategy, the Government will operationalize an entity – the "*Agence Nationale pour la Societe d'Information- ANSI*" in charge of the fund management and the coordination of any related activities with the objective of extending the geographical coverage of ICT services in rural areas. The Government will also proceed with the nomination of the General Director of said entity to start its operationalization.

[27] US$0.40 is only slightly less than the daily income of the bottom 20 percent of the population (US$0.50).

[28] Source: Digital inclusion and mobile sector taxation in Niger, GSMA and Deloitte, January 2017; Government of Niger, 2017.

[29] The Ministry of Finances estimated the loss at CFAF 25 billion.

73. **To incentivize the development of the ICT sector, the Ministry of Finance has adopted the 2017 financial year budget (a) reducing the tax on incoming international interconnection tariff (TATTIE); and (b) abolishing the flat tax on SIM cards (TURTEL).** These two taxes combined represent approximately 4.2 percent of domestic tax revenue, amounting to approximately US$35 million. In order to avoid a large initial revenue loss, the TATTIE will be reduced by half in the first place. The variable component of TURTEL will remain. Only the fixed fee will be removed. Removing these charges is expected to improve Niger's competitiveness at the regional level and facilitate communications between telephone users in these countries.

Prior action 5. To promote rural access to internet and mobile services, the Government has adopted (a) decree on creation of ANSI in charge of the implementation of the USF strategy; and (b) decree on nomination of the ANSI's General Director.

Prior action 6. To incentivize the development of the ICT sector, the Ministry of Finance has adopted the 2017 financial year budget (a) reducing the tax on incoming international interconnection tariff (TATTIE); and (b) abolishing the flat tax on SIM cards (TURTEL).

74. **The following action would be the indicative triggers for the follow-on operation**

- *The Government has implemented a pilot connectivity project targeting a least one rural area funded (fully or partially) by the USF.* It is expected that the operationalization of the USF management committee will allow the launching of the first USF project. It will target mainly localities in rural areas. The ANSI is currently identifying the beneficiary localities to be targeted as part of the implementation of a broader strategy under the Smart Village.

- *The Government has aligned its policy to the sub-regional agreement on international roaming by abolishing TATTIE.* A further step will be taken to remove the TATTIE in the next operation. The loss is then expected to be mitigated by an increase in international traffic. For instance, if such an excise tax on incoming voice traffic had not been introduced, stable traffic volumes combined with rising incoming traffic prices in the sub-region would have brought the same amount of revenues for the Government according to a study commissioned by the Government.

75. **By the end of the program, it is expected that:** the share of localities covered by at least one **telecommunications** network (3G and above) will increase from 13.6 percent in 2017 to 25 percent in 2019. It is expected that this increase in locality coverage will include more rural areas, and helps increase the access of the rural population to telephony mobile.

B. Electricity Sector

76. **Electricity demand has risen significantly over the last decade, boosted by relatively low generation costs.** Currently, Nigerien Electricity Company (NIGELEC) purchases two-thirds of its electricity from Nigeria at a very low cost of four cents per kilowatt hour (kWh), a rate established in 1977[30]. This has boosted the demand for electricity, which has increased at 8.5 percent per year. However, the electrification rate in Niger remains one of the lowest in the region with an access rate at 10 percent. The disparities between urban and rural areas are large. As of 2015, about 20 percent of urban households and 1 percent of rural households have access to electricity.

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[30] Given this price, alternative choices of production would have a much higher cost. Diesel generation would cost around 30 cents per kWh and coal generation 12 cents per kWh. "Niger's Infrastructure: A Continental Perspective," June 2011, pp 29.

77. **The development of the electricity sector faces multiple challenges.** First, according to Niger's master plan, the cost of power supply will increase in the short- medium term as Niger will have to increasingly rely on expensive fossil fuels for power generation, given recent delays in deploying hydropower generation. This will be the case even when taking into account plans to integrate solar PV generation solution to complement diesel/Heavy Fuel Oil (HFO) generation in the medium term, which the World Bank is supporting through technical assistance.[31]Second, urgent and significant investments in the distribution networks are needed to improve access. The least cost option to provide adequate access would be to have 85 percent of the population connected to the grid/mini-grids, and 15 percent by off-grid solutions. Third, the financial implication on NIGELEC's balance sheet. In parallel, the current tariff covers operational costs, but will not be sufficient to cover the expected increases in generation and investment costs.

78. **The Government has taken several actions to anticipate and address these challenges.** It has approved an Electricity Code and established a regulatory agency for the energy sector with a threefold objective: first to promote private participation in energy generation in order to alleviate the need for public investments, second to develop a tariff setting methodology that ensures the economic and financial sustainability of the sector with due attention to the poorest customers and the targeting mechanism of the subsidy system, ensuring it is progressive, and third to improve the efficiency of NIGELEC's operations.

79. **The key objective of the reforms promoted by the Government is to improve electricity services and access.** This can be done by having a sound and financially sustainable electricity sector that attracts private investment**.** The new tariff setting methodology will help ensure that the utility has the ability to invest in transmission and distribution assets to increase access. The World Bank Group is helping define the new electrification strategy and is supporting public and private investments both on extension of the existing grid and off-grid solutions. On the supply side, the new tariff setting methodology will enable the utility to be a viable off taker, which will improve the likelihood to attract private investors in the form of IPPs. The World Bank is supporting through technical assistance studies to develop grid- connected solar energy with the final goal of supporting the introduction of private investors partnering with IFC. This effort to support the shift towards a cleaner and cheaper electricity generation mix will complement the existing World Bank engagements in the development of hydroelectricity potential at the Kandadji site and the new WAPP interconnection that will allow the country to import additional inexpensive hydro based power. This will allow the country to reach around 20 percent of the generation mix through domestic Renewable Energy resources by 2030**.**

[31] The cost increase is reflected in Nigelec's 2016 business plan showing that generation costs will increase by about 50 percent from about CFAF 42/kWh (US¢7.6/kWh) in 2015 to CFAF 62/kWh (US¢12/kWh) by 2020.

Prior actions

80. **To implement the first electricity tariff adjustment, the Ministry of Energy has adopted (a) an electricity tariff methodology based on a cost-coverage approach; and (b) a multi annual electricity tariff adjustment.** These were developed based on a proposal prepared by the Regulatory Body and consulted with all the relevant stakeholders. This includes the Ministry of Energy, representatives of the private sector and civil society, and the general public Establishing cost-coverage tariffs will strengthen the financial and economic viability of the sector. The new electricity tariffs are expected to make renewable energy more cost competitive relative to other technologies.

81. **To stabilize NIGELEC, the Ministry of Finance has approved NIGELEC's financing plan to stabilize its debt to equity structure.** The financing structure of NIGELEC has insufficient allocation of equity to manage its operations properly given the current investment plan. In order to ensure that the firm stands on a sound financial footing, NIGELEC is exploring various options to ensure that the debt/equity structure allows the firm to operate in a sustainable manner. The proposed financing plan will provide detailed analysis of NIGELEC capitalization structure, and propose a combination of debt and equity that is required to meet its working capital and short-term financing requirements.

Prior action 7. To implement the first electricity tariff adjustment, the Ministry of Energy has adopted (a) an electricity tariff methodology based on a cost-coverage approach; and (b) a multi annual electricity tariff adjustment.

Prior action 8. To stabilize NIGELEC, the Ministry of Finance has approved NIGELEC's financing plan to stabilize its debt to equity structure.

82. **The following action would be the indicative triggers for the follow-on operation.**

- *The Government has implemented the first electricity tariff adjustment formalized by a Decree*. The Government will start applying the revised tariff, reflecting the actual cost of generation, transmission and distribution of electricity following the adoption of the cost coverage tariff methodology and the publication of a multi-year plan of implementation. It is expected that such a methodology will take into account the change in input prices, including oil in the future adjustments.

- *The Government has signed (i) the performance contract with NIGELEC, detailing NIGELEC's performance indicators and the government's financial commitment; and (ii) NIGELEC's concession contract aligned with the new legal and regulatory framework.* The State and NIGELEC will sign a performance contract. It will include the financial and technical obligations of each party to ensure the fulfillment of the objectives of the sector. Such contract is the instrument for all entities involved to set a milestone governing the actions and duties each party should undertake to ensure that checks and balance and a proper accountability mechanisms are in place. The Government will also establish a concession contract between the State and NIGELEC. The proposed Concession Contract will give the company the right to operate the power sector in Niger subject to terms and conditions established under the new legislation.

83. **By the end of the program, it is expected that:** (i) NIGELEC's EBITDA increases from CFAF 1.586 billion in 2016 to CFAF 5.000 billion in 2019[32].

C. Enhancing tax revenue mobilization

84. **Niger's tax revenue performance is close to that of the WAEMU countries, although relatively low compared to the other regions of the world.[33]** The average ratios of the tax revenue components are also close to those of the WAEMU region. Tax revenue has fluctuated around 15 percent of GDP. Indirect taxation represents the highest tax revenue component averaging 10 percent of GDP.[34] The contribution of trade taxes has remained stable over time despite the trade liberalization process have averaged 4 percent of GDP.

85. **Some of the reforms supported by this operation cause revenue losses or entail financial obligations that require the Government to mobilize additional resources.** The absorption of the NIGELEC's debt will entail paying the amortization of the loan. The tax incentives to the telecom sector is projected to lead to approximately a permanent 0.5 percent of GDP foregone revenue**.** The planned transfers of the mining revenue arrears to communes will need to be financed through the Budget. While in the short term, the Government will have to face additional financial obligations, these reforms will pay off and generate benefits in the medium term. It is expected that NIGELEC's financial health will allow the firm to invest in electricity in a sustainable manner, there will be significant investment in the telecom sector, including in rural areas, and finally, the resumption of the transfers to communes is expected to create economic and social benefits in affected communities. The Government has come up with tax measures in the Budget 2018 and will deepen reforms in 2019 with the support of this series of operations to compensate for the revenue losses incurred by these initiatives in the short term.

86. **Increasing tax revenue would require addressing several issues but the management of exemptions and tax expenditures is particularly problematic.** [35] Niger has a narrow tax base. This is due to a large informal sector but also the exclusion of some basic products and exports from value-added taxes, and a significant amount of special tax regimes in sectoral laws such as mining, telecommunications, petroleum, and investment laws. Government data show that tax expenditures and exemptions from the investment code -only - increased from 0.5 percent to 0.9 percent of GDP between 2014 and 2015. Preliminary assessment of the Government shows that harmonizing VAT regime with the WAEMU norms could cause a fiscal gain between 0.2 percent and 0.5 percent of GDP. A World Bank study showed that for customs revenues only, over the five years from 2011 to 2016, exemptions represented 47 percent of customs revenue, on average, peaking at 54 percent in 2015.[36]

87. **Customs measures could also yield substantial revenue if customs administration is strengthened.** Niger's performance in customs revenue collection is particularly weak, especially when compared to other countries in Sub-Saharan Africa with equivalent weak governance. Niger collects just

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[32] EBITDA: Earnings before interest, taxes, depreciation and amortization. In 2019 without the planned reforms, EBITDA would be negative as the costs of operation, namely the generation costs, would overcome the revenues. Through the reform measures included in the DPO the Operating income target shows a healthy financial situation. Source: Plan d'Affaires NIGELEC – 2016.

[33] Member countries of the WAEMU signed a Treaty to reduce distortions to intra-community trade and mobilize domestic tax revenue. The treaty requires the coordination of tax rates and bases for the main taxes, and also mandates that the share of tax revenues in GDP should be at least 17 percent, as well as the convergence of the tax revenue structure.

[34] Indirect taxes include all domestic consumption taxes, such as sales taxes of various sorts, including value-added taxes (VATs), and excise taxes.

[35] In addition to tax expenditures, exemptions are also granted under ordinary law in the national and community customs codes and in the context of diplomatic agreements or headquarters agreements.

[36] Draft: Informal trade and customs revenue losses in Niger, (2017).

one-third of its potential customs revenues.[37] There are several constraints affecting customs, such as the length of the borders and the lack of resources, and procedural problems within the customs department. Several key reforms have been completed or are being undertaken by Niger's customs administration including (i) migration to the Automated System for Customs Data (ASYCUDA) World[38] and interconnection between the main border posts; (ii) a revision of the customs code; (iii) drafting of a manual of procedures; and (iv) adoption of a risk-based approach in scheduling inspection. Preliminary results of a recent World Bank study on customs points to a list of reforms in the areas of human resources management, customs procedures, computer systems, and exemptions. The study is being finalized.

Prior actions

88. **To increase tax revenue, the Government has adopted and transmitted to Parliament a draft Finance Law including measures to: (i) rationalize tax expenditures of the investment code; and (ii) harmonize VAT exemptions with the WAEMU norms**. The amendment of the investment code pertains to the abolition of tax exemptions of all inputs used by firms under the investment code regime, whether they are purchased locally or imported. The alignment of the VAT regime with the WAEMU norms will abolish the exemption on goods excluded from the WAEMU list and align the country's practice to the region's. These have been identified by the Government as the immediate measures in the short term and expected to compensate for the revenue losses incurred by the incentives for the telecom sector of 0.5 percent of GDP. Government preliminary estimate shows that the alignment of the VAT rule to that of the WAEMU and the amendment of the investment code would generate 0.2 percent of GDP respectively.

Prior action 9. To increase tax revenue, the Government has adopted a draft Finance Law 2018 including measures to: (a) rationalize tax expenditures of the investment code; and (b) harmonize VAT exemptions with the WAEMU norms, and has submitted said draft Finance Law 2018 to Parliament.

89. **The indicative triggers for the next operation will focus on – but not limited to – reforms to further rationalize tax expenditures and the strengthening of customs' revenue**.

- *To increase tax revenue, the Government has implemented the recommendations of a tax expenditure study and the assessment of the government customs reforms***.** To maximize the potential gain of reforms and better inform policy measures, the Government will carry out a more in-depth analysis of tax expenditures and exemptions. The study will take stock of the existing dispositions, identify areas of weak enforcement or bad practices and sources of leakages, and areas that may not be relevant to Niger anymore. The study will identify the most critical reforms that would help increase tax revenue. The Government is also in the process of assessing the potential revenue that could be generated by the reforms contemplated in customs, including those discussed in the World Bank customs study. The triggers are intended to support the government's fiscal consolidation efforts.

90. **By the end of the operation**: it is expected that tax revenue would increase from 15 percent of GDP (average 2014-2016) to 16 percent of GDP in 2019.

[37] According to the mirror statistics, cumulative potential revenue losses from undervaluation and overvaluation are estimated to represent the equivalent of total annual customs revenues in Niger.
[38] Only a limited number of offices are connected, but they represent over two-thirds of revenues collected by customs.

Table 5: Pillars and Analytical Underpinnings

Prior Actions	Analytical Underpinnings
Pillar 1 Increasing rural productivity growth	
Prior action 1: To increase access to agricultural inputs, the Ministry of Agriculture has (a) finalized an e-voucher distribution mechanism for agricultural input subsidies and (b) implemented a pilot program for such mechanism in four (4) communes **Prior action 2**. To increase the outreach in extension services, the Government has signed a performance contract with the Agriculture Chambers Network (RECA) for the implementation of an e-extension system	*Study on Proposal for a National Agriculture Advisory System (June 2016); Development of Niger's Fertilizer Sector Reform Plan (ongoing)* Main findings: The current situation of the agricultural extension services is characterized by: (i) the lack of a unified national agricultural extension system; (ii) an overall low farmer coverage by extension services; (iii) poor quality and inadequacy of the existing extension services; (iv) the lack of innovative financing mechanisms for agriculture advisory.
Prior action 3. To deepen financial inclusion in rural areas, the Council of Ministers has adopted a leasing law for SMEs and has submitted said draft law to its Parliament	*Warrantage in Niger, an inventory credit practice adapted to the needs of small-scale farmers. Food and Agriculture Organization (FAO), 2014.* *Main findings:* A study of the Niger project found that participating farmers had been able to increase their income by between 19 and 113 percent in six months. And since they were able to buy better seeds and fertilizer their yields went up — by between 44 and 120 percent.
Prior action 4: To strengthen the linkages between the extractive industry and the local economy, the Council of Ministers has adopted the draft revised mining law including new provisions to formalize artisanal mining, and has submitted said draft revised law to its Parliament.	*Élaboration d'une stratégie et d'un plan d'action pour mieux intégrer les Industries Extractives dans l'économie nationale* (Sept 2015) ; Strategic Environmental and Social Assessment (SESA) Main findings: Artisanal mining assists rural households in building more dynamic and resilient livelihood strategies portfolios by, for instance, 'dovetailing' artisanal mining and farming economies. Further, it is a stimulus for trade and subsidiary business development around mine sites. For workers in a typical ASM environment – increasingly women and children – harsh working and living conditions are the norm. Moreover, unregulated or poorly regulated ASM activities have resulted in significant environmental destruction.
Pillar 2 Supporting growth enabling sectors	
Prior action 5: To promote rural access to internet and mobile services, the Government has adopted (a) decree on the creation of ANSI in charge of the implementation of the USF strategy; and (b) decree on the nomination of the ANSI's General Director. **Prior action 6:** To incentivize the development of the ICT sector, the Ministry of Finance has adopted the 2017 financial year budget (a) reducing the tax on incoming international interconnection tariff (TATTIE); and (b) abolishing the flat tax on SIM cards (TURTEL).	*"Digital inclusion and mobile sector taxation in Niger" GSMA and Deloitte January 2017.* Main findings: The current tax level in Niger is one of the highest in the sub-region, and the impact is particularly noticeable for the low-income individuals and households. If the TATTIE on incoming voice traffic had not been introduced, stable traffic volumes combined with rising incoming traffic prices in the sub-region (caused by African operators increasing their share of the revenues from incoming international traffic) would have brought the same amount of revenues for the Government.

Prior Actions	Analytical Underpinnings
Prior action 7. To implement the first electricity tariff adjustment, the Ministry of Energy has adopted (a) an electricity tariff methodology based on a cost-coverage approach; and (b) a multi annual electricity tariff adjustment. **Prior action 8**. To stabilize NIGELEC, the Ministry of Finance, has approved NIGELEC's financing plan to stabilize its debt to equity structure.	*"Sector Notes on the Power Sector," World Bank 2011; "Energy Sector Review," World Bank 2012; "Niger Sector Note Report," World Bank 2016* Main findings: The evolution of NIGELEC's self-financing over 2010–14 shows a relative decline in its ability to generate financial resources from its operations. This evolution is the result of various factors: (i) NIGELEC's tariffs have remained broadly constant over the last 10 years (in 2001 the GoN opted for a tariff decrease benefitting water pumping for irrigation, and in 2012 for a tariff decrease for the first tranche—social tranche—of domestic users); (ii) the implementation of a rural electrification program requested by the GoN; and (iii) an increase, albeit moderate, in NIGELEC's operational costs.
Prior action 9. To increase tax revenue, the Government has adopted a draft Finance Law 2018 including measures to: (a) rationalize tax expenditures of the investment code; and (b) harmonize VAT exemptions with the WAEMU norms, and submitted said draft Finance Law 2018 to Parliament.	*"Informal trade and revenue losses in Niger (2017)"* Main findings: When compared to other countries in Sub-Saharan Africa with equivalent weak governance, Niger's performance in customs revenue collection is quite poor. Niger collects just one-third of potential customs revenues. Exemptions equal revenues collected, and losses from fraud and smuggling almost equal revenues collected. Although there are clearly exogenous constraints affecting customs, such as the length of the borders and the lack of resources, many of the problems lie with the customs department itself. Examples include outdated procedures.

4.3 LINKS TO THE CPS AND OTHER WORLD BANK OPERATIONS AND WORLD BANK GROUP STRATEGY

91. **The proposed DPF series is closely aligned with the incoming Niger Country Partnership Framework (CPF) (FY18-21) and draws on the World Bank SCD.** This CPF follows on the FY13-16 Country Partnership Strategy (CPS)[39] which was extended by two years to ensure alignment with the second Plan for Economic and Social Development (PDES) prepared by the Government of Niger. This was done by recent Performance Learning Review (PLR). The new CPF is expected to be approved by the Board of the World Bank Group Executive Directors in December 2017. The CPF is built around three pillars and a cross-cutting theme: (i) governance for jobs and growth; (ii) human capital and social protection; and (iii) rural productivity and incomes. It identifies development policy financing as a key instrument supporting the World Bank strategy in Niger. Like the CPF, the proposed operation draws on the SCD which concluded that improving agricultural productivity remains a priority for poverty reduction. In addition to increasing productivity in agriculture as a means to start a process of economic transformation and poverty reduction, the SCD also considers complementary pathways to poverty reduction, including the promotion of the extractive industry sector which can offer employment opportunities and revenues needed to finance poverty alleviation-related activities.

[39] P151886

92. **The proposed program complements several World Bank investment projects and technical assistance (TA) programs. Under Pillar 1,** in agriculture, the *Niger Climate Smart Agriculture Support Project* (P153420), the *West Africa Agriculture Productivity Project – AF* (P158983) and the *Community Action Program – AF* (P163144) support access of farmers to quality seeds, fertilizers and relevant extension services for sustainable productivity improvement. In the extractive industry, the *Competitiveness and Growth Support Project (*P127204) supports local business participation in the extractive industries sector. The *Africa Extractive Industries Trust Fund* (P150108) aims to strengthen the institutional capacity of the Government of Niger to negotiate mining and petroleum deals and monitor compliance with contractual and regulatory compliance in the extractive industries. Measures related to the deepening of financial inclusion in rural areas are linked with a 3-year Trust funded technical assistance program (P159341). The TA program supports among other activities the creation of a more conducive legal and regulatory environment for agriculture finance.

93. **With respect to Pillar 2,** in ICT, the *ICT Policies and Applications Technical Assistance* (P161229), supports the implementation of the universal access fund. Finally, the African Evaluation Association (AFREA) program supported the financial analysis of NIGELEC that has helped to provide the analytical details and options for NIGELEC's financial restructuring. Finally, the additional World Bank investment opportunities in the sector (West African Power Pool - WAPP North Core transmission line and the on grid solar plant) will be developed if the sector achieves a financial sustainability.

4.4 CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

94. **The DPF series is designed to support the implementation of the PDES II, which was developed through an inclusive participatory process with the active involvement of the World Bank.** Consultations for the PDES II were held with civil society organizations, members of academia, the private sector, and representatives from Niger's development partners. The PDES II strategy was informed by the World Bank's analytical work on socioeconomic conditions in Niger and the drivers of economic growth.

95. **The SCD on which the proposed operation draws was prepared through an inclusive consultation process**. The SCD benefited from formal and informal consultations during June and September 2016 with government staff, civil society and the private sector, traditional leaders, parliamentarians, representatives from NGOs and staff from research institutions as well as representatives from bilateral and multilateral donor organizations.

96. **The World Bank has collaborated closely with other development partners in the preparation of the proposed operation.** Under the leadership of the Government of Niger, the World Bank, the EU, and the AfDB maintain regular consultations on the budget support framework. This approach leverages complementarities in the operations of development partners, ensures the coherence of policy dialogue between them and the Government, and reduces the administrative burden on the authorities. These contribute to making progress towards the objectives of the proposed DPF series.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1 POVERTY AND SOCIAL IMPACTS

97. **Many of the actions supported by the proposed operation are expected to have positive poverty reduction and welfare enhancement impacts.** Measures under each pillar supporting the proposed DPF series are specifically designed to speed the pace of poverty reduction by broadening access to economic opportunity in rural areas.

98. **Reforms underpinning Pillar 1 are expected to improve rural households' income and food security.** Improvements to agricultural productivity will contribute to higher agricultural yields and therefore to improved food security while reducing economic vulnerability of rural households. Artisanal mining and local content rules are an important source for jobs for the rural population, and a way for many to complement agricultural incomes. In particular, the development of community projects financed by the extractive industry will impact positively the rural population. In addition, the formalization of artisanal mining will allow the development of a strategy to address the social, health and safety issues that are currently encountered in the artisanal mining areas: the child labor, the dangerous and unhealthy working conditions resulting in frequent accidents (collapsing tunnels and pits), the absence of adequate personal protective equipment. Greater access to rural finance will help producers access more economic opportunities.

99. **The development of the electricity and ICT sectors in Pillar 2 will create small business opportunities while complementing other initiatives to improve rural welfare.** Rural electrification will make health centers and schools in remote areas more operational. Potential negative impact on the poor of the tariff adjustment is mitigated as there is already a tariff system that protects to the poor. Nonetheless, a PSIA will be conducted during calendar year 2018 by the NELACEP to assess the impact of the electricity tariff adjustment and inform the government policy in the sector. Access to internet and mobile through the USF will allow for the expansion of e-voucher supporting social protection and subsidy programs targeting the poor. It will also help expand education and health services to underserved areas under the Smart Village concept.

100. **Some actions supported by the proposed series are expected to have a positive impact on gender equality.** The development of an action plan to better integrate Extractive Industries into the national economy envisages among other objectives the advancement of women in the sector. The formalization of the ASM will protect women and children for whom harsh working and living conditions are the norm. The impact on gender of the prior actions on agriculture, rural finance, electricity and ICT will not be directly linked to the prior actions. However, their impact could benefit female-headed more proportionately given their more pronounced vulnerability if directed to them. Increased access to electricity and broadband network is expected to benefit female-headed households who are more in need of new economic opportunities more proportionately.

5.2 ENVIRONMENTAL ASPECTS

101. **The proposed operation is likely to have positive effect on the Niger's environment, forests, or other natural resources**. Unregulated or poorly regulated ASM activities in the extractive industries have resulted in significant environmental destruction. Such adverse impacts have been considered by the Government which has prepared a Strategic Environmental and Social Assessment (SESA) to identify and address negative (enhance positive) environmental and social impacts along the entire mining value chain. The SESA provides strategic guidance for enhancing environmental sustainability and social equity of the sector as a whole and specific recommendations to be incorporated into national policies and programs. The formalization of ASM is likely to reduce such adverse impacts on the environment. Similarly, a stronger

regulation and control of the quality of agricultural inputs will reduce potential environmental risks borne by unregulated seeds or fertilizers. The prior actions supporting the development of ICT and rural finance are not likely to have significant impacts on environment and forests.

102. **Niger has a country system to mitigate potential damage from the use of fertilizer, pesticides, and herbicides**. To address social, health and environmental risks and ensure sound management of pests and pesticides, this operation will rely on the country regulatory and institutional framework. Such framework includes international conventions, regional and national legal texts relating to plant protection, management of hazardous chemicals, and pesticide management.[40] The Ministry of Agriculture as responsible for the pest management, ensures the design, development and implementation of national policy for plant protection. It is responsible for controlling the movement of plants, plant products and pesticides both on import, export and in transit. It ensures the safe use of pesticides in the fight against pests. The Ministry of Agriculture has been supporting by National Management Committee of Pesticides (CNGP) for achieving its mission.

103. **Various actions undertaken by the Government of Niger are supported by Niger development partners, including the World Bank**. This has helped improve the effectiveness of Niger pest management. As a result, management of pest is now more systematically integrated into development plans and intensification of agricultural production. The effectiveness of pest management is reinforced by the fact the list of products approved by the Sahelian Pesticides Committee (which is responsible for the registration of pesticides on behalf of CILSS - CSP/CILSS) is published and distributed every six months. In addition, the country pesticide management is optimized through PSMS (Pesticide Management System) software which allows continuous monitoring of pesticides allowed in order to reduce the risk of obsolete stock.

104. **Niger has an institutional framework to ensure effective management and protection of the environment**. The Nigerien legislation includes a Law on Environment which states that any development or activity likely to affect the environment, including land use or land acquisition, as well as policies, plans, programs shall be subject to an environmental assessment. In addition, the national system is very rich in terms of legal texts on the protection of the environment and natural resources (water code, forestry code, etc.). Environmental and Social Management is under the responsibility of the Ministry of Environment, Urban Safety and Sustainable Development, the mission of which is to develop and implement the environmental policy. The main services involved are the Office of Environmental Assessments and Impact Studies (BEEEI) and the Directorate General for Environment and Forestry. Other national, regional and local institutions and agencies are also involved in the preparation, implementation and monitoring of environmental issues, including most prominently the National Center for Ecological and Environmental Monitoring (CNSEE), the Ministry of Agriculture, the Ministry of Livestock, the Ministry of Water Resources, the Ministry of Health, etc.

105. **Institutional support is needed to strengthen the current framework.** Support from Niger's development partners, including the World Bank, has greatly improved the effectiveness of these units. As a result, the BEEEI is increasingly able to engage with civil society and affected populations through special environmental hearings and impact assessment workshops. However, some sectors may need support from partners. In particular, in electricity although the budget planning process involves a screening process of potential environmental impact, the electricity projects would need accompanying capacity strengthening of the entities in charge of identifying and implementing the projects.

[40] These include the International Plant Protection Convention; the Common Regulations of CILSS and Ordinance on Plant Protection in Niger.

106. **The Government admits that population influx and associated impacts are always a risk in the mining sector in Niger**. Mining activities often involve construction of civil works for which the required labor force and associated goods and services cannot be fully supplied locally for a number of reasons. Specifically, arriving workers have a need for housing, food supply, merchandize, transport, health care, entertainment, social interaction, etc. If not managed appropriately this influx of workers (and followers) can lead to adverse social and environmental impacts on local communities. The bank's Guidance Note for advising Borrowers on approach to identifying risks and impacts on local communities associated with the labor influx should help manage such risks and impacts. This can be done through (i) reducing labor influx by tapping into the local workforce; (ii) assessing and managing labor influx risk based on appropriate instruments; and (iii) incorporating social and environmental mitigation measures into the civil works contract.

5.3 PFM, DISBURSEMENT AND AUDITING ASPECTS

107. **The proposed operation follows the World Bank's disbursement procedures for development policy financing**. Fiduciary arrangements were reviewed by the World Bank during the preparation of the proposed operation. Funds will be disbursed against satisfactory implementation of the development policy program and will not be tied to any specific purchases. No procurement requirements are necessary.

108. **The BCEAO, the regional central bank shared by Niger with other WAEMU member states, is an appropriate financial institution for the proposed DPF series**. The latest safeguards assessment of the BCEAO was completed on December 13, 2013. It found that the regional central bank was continuing to improve its safeguard framework and that it had significantly enhanced its governance framework following a set of WAEMU institutional reforms in 2010. An audit committee was established to oversee the audit and financial reporting processes, and transparency has been increased by the timely publication of audited financial statements. The BCEAO now publishes a full set of audited statements, and it is making progress in bringing its practices into conformity with International Financial Reporting Standards. IMF staff also noted that the BCEAO has improved the quality of the explanatory notes that accompany its financial statements. An internal audit charter has been put in place; mechanisms for improving risk management and risk prevention have been established; and follow-up on internal and external audit recommendations has been strengthened. The assessment also identified some weaknesses in the external audit process and recommended that a second experienced audit firm be selected to conduct joint audits.

109. **Progress have been made to improve PFM through the strengthening of budget preparation, execution arrangements and commitment controls but overall fiduciary risks remain substantial.** Progress has been registered in several areas: (i) the comprehensiveness of budget documentation has improved, and the budgets are published in a readily accessible manner, both in the Official *Journal*, and on the Ministry of Finance's website; (ii) payments are processed against the alignment of commitment plans with the Treasury cash plan; (iii) fiscal reporting has also improved, with the public accessing information about annual and in year budget reports. In 2014, the Court of Accounts (established in 2012) has audited the consolidated financial statements covering 2010-2013; those were subsequently adopted by the Council of Ministers; and (iv) the regulatory and legal framework in procurement has been better aligned to WAEMU Directives and international standards. The new Procurement Code was adopted in December 2013 and implementing texts in 2014, which accelerated the public procurement processes. However, persistent weaknesses remain and require redressing actions, including issues in budget planning, resulting in arrears accumulation, increase in public debt and fiscal deficits. The fiduciary risks remain substantial and requires tight monitoring.

110. **The proposed operation is consisted of a single tranche financing of an IDA Grant in the amount of SDR 42.5 million (US$60 million equivalent) and an IDA Credit in the amount of Eur 50.8 million (US$60 million equivalent) to be made available upon effectiveness and disbursed on the basis of a withdrawal application.** The financing will follow IDA disbursement procedures for DPF. Once the operation becomes effective, and provided that IDA is satisfied with Niger's macroeconomic framework and with the program being carried out by the Government of Niger, the latter will submit a withdrawal application to IDA requesting that the proceeds of the financing be deposited in the BCEAO into a deposit account that forms part of the country's official foreign-exchange reserves.[41] Within five working days following the deposit of the financing, the Government shall ensure that an equivalent amount is credited in its budget management system in a manner acceptable to IDA, and it will report to IDA the amounts deposited in the foreign-currency account and credited to the budget management system. When the funds are disbursed from the deposit account, the official exchange rate for that day will be used. Disbursement will not be linked to specific purchases. If any of the proceeds of the grant are used for ineligible purposes as defined in the Financing Agreement, IDA will require the Government to refund an amount equal to IDA promptly upon notice. Amounts refunded to the Association upon such a request shall be cancelled. The Association will reserve the right to seek an audit of the deposit account by independent auditors acceptable to the Association. Within 30 days after grant disbursement, the Government will report to IDA that (a) the loan proceeds were received into an account of the government that is part of the country's foreign exchange reserves (including the date and the name/number of the government's bank account in which the amount has been deposited); and (b) an equivalent amount has been accounted for in the country's budget management system (including the Chart of Accounts name/account number, the date, and the exchange rate used). An audit, if requested, would be due within four months of the year end. The operation will be implemented by the Ministry of Finance. The closing date of operation will be December 31,2018.

5.4 MONITORING, EVALUATION, AND ACCOUNTABILITY

111. **The proposed operation will utilize an institutional framework for the coordination of economic and financial programs established by the Government**. This framework includes an inter-ministerial committee in charge of the coordination of external projects and budget supports, chaired by the Minister of Planning, while day-to-day oversight and supervision of implementation of these projects is delegated to a technical committee. The technical committee regroups all entities involved in the implementation of all existing budget support programs, which will improve the coordination of reforms and the flow of information within the Government. Primary technical responsibility for the implementation reforms will rest with line ministries involved, with overall coordination provided by the technical inter-ministerial committee. A Results Matrix included in Annex 1 sets out the two operations of the proposed DPF series, defines relevant indicators and empirical benchmarks to monitor progress during implementation. It also enables a thorough ex post evaluation following the end of the program in 2019. Niger's development partners will track progress on the reform agenda through a harmonized review process.

112. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to

[41] The use of a deposit account is a common feature of budget support operations in WAEMU member states and mitigates fiduciary risks.

the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

6. SUMMARY OF RISKS AND MITIGATION

113. **The overall risk rating for the proposed operation is substantial.** The nature of fragility in Niger may point to the risk of a more negative trajectory than the current situation fully reflects. The improvement in growth and the macroeconomic situation has been achieved through a combination of reform efforts, support from partners and favorable factors including weather conditions. But the risks need to be acknowledged. Major sources of programmatic risk and their respective risk ratings are presented in Table 6. The categories deemed to pose a substantial threat to the proposed operation are the government's institutional capacity for implementation and sustainability, the fiduciary risks, the technical design of project or programs, the security and the macroeconomic risks. All other risks are deemed moderate.

114. **Macroeconomic risks are substantial.** Depressed commodity prices, the persistence of the Nigeria's economic crisis, and security challenges may affect the macroeconomic situation. Commodity price shocks could continue adversely affecting government revenue and affect subsidy programs and investment in rural areas. Trade diversion stemming from the economic crisis in Nigeria would compound such risk. The security challenge and the cost for hosting refugees would challenge fiscal stability by both diminishing public revenues, and deviating spending from economic priorities. These risks are already affecting the government's fiscal consolidation plan but may worsen the fiscal and balance of payments outcomes if they materialize. Additional risks include the gradual tightening of monetary policy by G3 central banks, including the European Central Bank (ECB), and risks of global financial volatility during this process. The proposed operation helps address these risks by promoting growth enhancing measures and creating incentives for the private sector to invest in the ICT sector. The continued implementation of IMF ECF programs and the macroeconomic anchor offered by Niger's membership in the WAEMU also help mitigate macroeconomic risks.

115. **Risks involving the technical design of the program are substantial**. The actual implementation of some of the actions underpinning the proposed DPF series may be challenging. The measures and expected results pertaining to the payment of arrears to extractive industry-affected communes could be challenging given the vulnerability of the budget to exogenous shocks, and may affect negatively the target indicators. The implementation of tariff adjustment in electricity may prove challenging given the political and social cost that may be associated to it. The removal of the tax on telecommunications may face resistance given the fiscal loss if there is no alternative to compensate for the revenue losses. However, the government's commitment to the reform agenda is strong and based on a broad political consensus and agreement among all stakeholders. Support to the reforms is motivated by the need improve sector performance. These are expected to help mitigate the risks discussed above.

116. **Institutional capacity risks are substantial.** The implementation capacity of sector ministries is generally low. However, most of the prior actions are supported by investment-related projects. This is the case in agriculture, rural finance, the extractive industry, ICT, electricity, and education. Better supervision by the inter-ministerial committee to oversee the reform implementation by line ministries will reinforce intersectional coordination. In addition, regular consultations between Niger's development partners involved in DPO reduces risks stemming from the demands of multiple international agencies on the government's administrative capacity.

117. **Fiduciary risks are rated substantial**. Notwithstanding progress over the recent past, Niger's PFM system still faces a number of challenges in budget planning and execution due to weak involvement of sector ministries in the budget formulation process and weak forecasting capacity. The government's commitment to the PFM agenda as evidenced by the progress made in recent years in commitment controls, and the massive technical support in PFM by partners are expected to help mitigate fiduciary risks.

118. **Persisting security concerns would impact foreign investment, affect domestic production, and divert public spending from key structural and social issues**. Niger remains vulnerable to security risks in neighboring countries If security deteriorates, it will likely impact the implementation and the expected outcomes of the proposed reforms. The fiscal implications from the counterinsurgency strategy and the space for policy based lending will improve if the security challenges improve or Niger receives support to address these challenges.

Table 6: Systematic Operations Risk-rating Tool (SORT)

Category	**Risk Rating**
1. Political and governance	Moderate
2. Macroeconomic	Substantial
3. Sector strategies and policies	Moderate
4. Technical design of project or program	Substantial
5. Institutional capacity for implementation and sustainability	Substantial
6. Fiduciary	Substantial
7. Environmental and social	Moderate
8. Stakeholder	Moderate
9. Other (security)	Substantial
Overall	**Substantial**

Annex 1: Policy and Results Matrix

Prior Actions	Triggers	Results Indicator
Pillar 1 Increasing rural productivity growth		
Prior action 1. To increase access to agricultural inputs, the Ministry of Agriculture has (a) finalized an e-voucher distribution mechanism for agricultural input subsidies and (b) implemented a pilot program for such mechanism in four (4) communes	**Trigger 1**. The Government has (i) used E-voucher to deliver agriculture subsidies for vulnerable communities in 10 communes, (ii) liberalized the fertilizer markets through the implementation of an action plan - to be prepared	**Result: Increased access to agricultural inputs** - Beneficiaries (households) of subsidized inputs (seeds and fertilizers) distributed through e-vouchers: Baseline 2016: 0; Target 2019: 20,000
Prior action 2. To increase the outreach in extension services, the Government has signed a performance contract with the Agriculture Chambers Network (RECA) for the implementation of an e-extension system	**Trigger 2**: The Government has (i) taken a Legal Act to set up mechanisms for community based seed production, and; (ii) operationalized the Seed Certification Division through the start-up of seed control certificate issuance	**Result: Increased access to extension services** - Number of farmers receiving extension services electronically: Baseline 2016: 0; Target 2019: 25,000
Prior action 3. To deepen financial inclusion in rural areas, the Council of Ministers has adopted a leasing Law for SMEs and has submitted said draft law to its Parliament.	**Trigger 3.** The Government has deepened financial inclusion in rural areas by adopting a decree governing the warrantage system	**Result: Deepening of rural financial inclusion** - Number of financial institutions (MFIs and Banks) that offer leasing and warrantage products: Baseline 2016: 2; Target 2019: 7 (out of 22 viable financial institutions)
Prior action 4. To strengthen the linkages between the extractive industry and the local economy, the Council of Ministers has adopted the draft revised mining law including new provisions to formalize artisanal mining, and submitted said draft revised law to its Parliament.	**Trigger 4.** The Government has implemented (i) the arrears clearance plan of the 15 percent revenue from the mining and oil sectors to the concerned communes	**Result: Increased contribution of the extractive industry to local development** - Number of artisanal miners with permits: Baseline 2016: 45,000; Target 2019: 60,000 - Reduction in government transfer arrears to the affected communities: Baseline 2016: 0 Target 2019: 10 percent

Prior Actions	Triggers	Results Indicator
Pillar 2. Supporting growth enabling sectors		
Prior action 5. To promote rural access to internet and mobile services, the Government has adopted (a) decree on the creation OF ANSI in charge of the implementation of the USF strategy; (b) decree on the nomination of the ANSI's General Director. **Prior action 6**. To incentivize the development of the ICT sector, the Ministry of Finance has adopted the 2017 financial year budget (a) reducing the tax on incoming international interconnection tariff (TATTIE); and (b) abolishing the flat tax on SIM cards (TURTEL).	**Trigger 5:** The Government has implemented a pilot connectivity project targeting a least one rural area, funded (fully or partially) by the USF. **Trigger 6**. The Government has aligned its policy to the sub-regional agreement on international roaming by abolishing TATTIE	**Result: Improved access to broadband Internet and mobile services** **-** Share of localities covered by at least one telecommunications network (3G and above) Baseline 2016: 13.6 percent Target 2019: 25 percent
Prior action 7. To implement the first electricity tariff adjustment, the Ministry of Energy has adopted (a) an electricity tariff methodology based on a cost-coverage approach; and (b) a multi annual electricity tariff adjustment **Prior action 8**. To stabilize NIGELEC, the Ministry of Finance has approved NIGELEC's financing plan to stabilize its debt to equity structure.	**Trigger 7**. The Government has implemented the first electricity tariff adjustment formalized by a Decree **Trigger 8**. The Government has signed (i) the performance contract with NIGELEC, detailing NIGELEC's performance indicators and the Government's financial commitment, and (ii) NIGELEC's concession contract aligned with the new legal and regulatory framework.	**Result: Improved performance of the electricity sector** **-** NIGELEC's EBITDA Baseline 2016: CFAF 1.586 billion Target 2019: CFAF 5.000 billion

Prior Actions	Triggers	Results Indicator
Prior action 9. To increase tax revenue, the Government has adopted a draft Finance Law including measures to: (a) rationalize tax expenditures of the investment code; and (b) harmonize VAT exemptions with the WAEMU norms, and has submitted said draft Finance Law 2018 to Parliament.	**Trigger 9.** To increase tax revenue, the Government has implemented the recommendations of a tax expenditure study and the assessment of the government customs reforms	**Result: Increase in tax revenue** - Tax revenue - Baseline (average 2014-16): 15 of GDP -Target 2019: 16 percent of GDP

Annex 2: Letter of Development Policy

REPUBLIQUE DU NIGER

Ministère du Plan

CREDIT D'APPUI BUDGETAIRE (2017)

LETTRE DE POLITIQUE DE DEVELOPPEMENT

I. CONTEXTE

Le Niger est un vaste pays sahélo-saharien d'une superficie de 1 266 491 kilomètres carrés, enclavé et désertique sur plus de la moitié de son territoire. Il est soumis à une pluviométrie aléatoire, irrégulière et insuffisante dans le temps et dans l'espace.

II. Le cadre macroéconomique

Au cours de la période 2012-2016, le taux de croissance de l'économie nigérienne est passé de 11,8% en 2012 à 5% en 2016 avec un taux moyen de 6,7%. Ce taux est proche du niveau de 7% jugé nécessaire pour permettre un essor réel de l'économie nigérienne et réduire significativement le niveau de pauvreté. Toutefois, cette moyenne masque le caractère erratique de la croissance économique dû au poids de l'agriculture, secteur encore peu mécanisé et très vulnérable aux chocs climatiques, aux fluctuations des cours des matières premières, notamment les principaux produits d'exportations (l'uranium et le pétrole), à la faible diversification de l'économie. Aussi, cette croissance apparait insuffisante pour faire face aux besoins sociaux importants liés à l'accroissement démographique.

Le PIB par tête s'est considérablement amélioré passant d'environ 384,6 USD (192.329 FCFA) en 2011 à 463 USD (231.508 FCFA) en 2015. Toutefois, l'impact de cette performance macroéconomique sur la pauvreté n'est pas perceptible.

Au niveau de l'inflation, les prix des produits de première consommation (sucre, riz, le mil, huile...) ont connu des hausses souvent importantes sur la période 2012-2016. Toutefois, l'inflation reste globalement maitrisée, le taux s'étant établi à 0,6% en moyenne annuelle, largement en dessous de la norme communautaire de 3%.

Au plan des finances publiques, le déficit budgétaire global s'est dégradé en passant de 1,2% du PIB en 2012 à 9,0% en 2015 avant de se contracter à 6,2 en 2016.

La balance des paiements est ressortie excédentaire en moyenne de 59,5 milliards de FCFA, soit 1,5% du PIB nominal. Le solde courant est, quant à lui, structurellement déficitaire, en lien essentiellement avec le déficit commercial. Les exportations apparaissent relativement faibles avec un taux moyen de 20,2% sur la période 2012-2016 comparativement au taux moyen d'importation de 38,0%. Le déficit du compte courant s'est sensiblement dégradé en passant de 17 % en 2013 à 18% en 2015, dû en partie à la baisse des exportations des produits pétroliers et miniers (uranium et or) qui restent toujours prépondérants (76% en 2015). La hausse des importations est la conséquence des achats de biens d'équipement dont la part dans les importations passe de 22,0% en 2012 à 31,4% en 2015.

L'évolution de la situation monétaire entre 2012 et 2016 a été marquée par une hausse annuelle moyenne de 15,6% de la masse monétaire due essentiellement à l'augmentation annuelle moyenne des crédits intérieurs (+ 13,5%) et des avoirs extérieurs nets (+20,0%). Le crédit à l'économie a connu une bonne progression passant de 13,3% du PIB en 2012 à 17,1% du PIB en 2016, mais reste faible comparé aux autres pays de l'UEMOA.

Critères de convergence de l'UEMOA: sur la période 2012-2016, deux critères de premier rang (le taux d'inflation et le ratio de l'encours de la dette) ont été respectés. Le solde budgétaire global avec dons (critère clé de premier rang) a été respecté entre 2012 et 2013 avant de se détériorer à partir de 2014 pour se situer au-dessus de la norme communautaire. Le taux de pression fiscale (critère de second rang) n'at jamais été respecté. Le ratio de la masse salariale sur les recettes fiscales (critère de second rang) a été respecté entre 2012 et 2014 avant de se dégrader et se situer au-dessus de la norme communautaire en 2015 et 2016.

La situation de l'économie ainsi présentée trouve son origine dans plusieurs facteurs que sont: (i) les insuffisances en matière de gestion de l'économie, (ii) la faible diversification du secteur industriel, (iii) la rareté des infrastructures et services économiques, (iv) le faible développement des productions agro-sylvo-pastorales (ASP) et (v) l'environnement des affaires peu attractif.

Les ratios d'endettement se sont sensiblement améliorés après l'allégement consenti au titre de l'Initiative pour les pays pauvres très endettés (PPTE) et de l'Initiative d'allègement de la dette multilatérale (IADM). Toutefois, depuis 2011, la dette publique s'est accrue, passant de 22,8% en 2011 à 24,0% en 2012 et 33,8% en 2014. Certes, le niveau d'endettement extérieur reste encore bien en deçà de la limite maximale de 70% fixée au niveau communautaire.

III. Défis majeurs

Au regard du diagnostic de la situation économique, politique, sécuritaire et sociale, de l'évaluation de la prise en compte des Objectifs de Développement Durable (ODD) dans les politiques publiques et des leçons tirées de la mise en œuvre du PDES 2012-2015, il apparaît un certain nombre de défis majeurs à relever pour accroître le bien-être des nigériens.

3.1. Garantir davantage la sécurité des personnes et des biens

La situation sécuritaire dans la sous-région, caractérisée par les rebellions armées et des attaques terroristes récurrentes, explique en quoi la sécurité est un défi crucial au Niger. Ceci est d'autant plus vrai que la sécurité est étroitement corrélée avec le développement dont elle est l'une des conditions sine qua non. Aussi les principaux défis du sous-secteur sont-ils la lutte contre le terrorisme, la nécessaire surveillance du territoire, la lutte contre la circulation des armes illicites, le trafic de drogue et la migration irrégulière, la prévention et la gestion des conflits, la lutte contre les attaques à mains armées et le vol de bétail.

3.2. Renforcer la bonne gouvernance

Le premier volet de la bonne gouvernance est celui de la modernisation de l'Etat. L'amélioration de l'efficacité de l'administration est essentielle pour le développement économique et social. A ce titre, il est indispensable que les conditions d'un fonctionnement efficace des services publics soient renforcées. Il importe également que les conditions de viabilité des collectivités territoriales soient créées.

Un autre pendant important du défi de la gouvernance est la consolidation de l'indépendance de la justice et le rapprochement de celle-ci du citoyen.

Le problème de la gouvernance concerne également la problématique de la corruption. En effet, bien que des progrès notables aient été enregistrés en matière de lutte contre la corruption, le phénomène demeure relativement important. Il sied donc que des actions vigoureuses soient envisagées pour lutter contre la corruption à tous les niveaux.

3.3.Assurer la transition démographique

La structure de la population et le rythme de sa croissance affectent l'atteinte des objectifs en matière de développement économique et social. En effet, cette forte croissance démographique entraine une énorme pression sur les ressources de manière générale et accentue la demande en services publics (santé, éducation, eau potable et alimentation) et de l'emploi. Cela contribue également à rehausser le ratio de dépendance démographique qui s'est établi à 112% en 2015. Les limites des politiques mises en œuvre ces dernières années 50 doivent conduire à un changement de méthode et à une mobilisation plus forte et mieux concertée de l'ensemble des acteurs.

3.4.Relever le capital humain

La qualité des ressources humaines est la clé de voute du développement économique et social de toute nation. Des ressources humaines bien formées et en bonne santé réduisent le risque de se retrouver au chômage. Une bonne formation a trait non seulement à la qualité des enseignements mais aussi et surtout à l'adéquation de la formation aux besoins de l'économie. Aussi, le développement à long terme exige l'éducation pour tous. Une autre dimension majeure de la qualité des ressources humaines a trait à l'analphabétisme qui reste très élevé. En outre, la qualité du capital humain dépend aussi des prestations des services de santé pour tous, qui au regard de la couverture sanitaire, de la situation de la santé de la mère et de l'enfant et de la nutrition est à améliorer.

3.5. Poursuivre la promotion une croissance économique durable et inclusive

L'évolution de la croissance telle qu'observée au cours des dernières années traduit une situation erratique qui n'est pas de nature à permettre au pays de réaliser ses objectifs de développement durable, inclusif et équitable. Tendre vers une véritable transformation structurelle de l'économie est un défi majeur pour le Niger.

Les principaux éléments liés à ce défi concernent, entre autres, la faible diversification de l'économie, la faiblesse de l'entreprenariat, le faible développement des chaines de valeur agro-sylvo-pastorales, industrielles et minières, le problème du financement (faible niveau de consommation de crédits sur financement extérieur, faible taux de pression fiscale et de rationalisation des exonérations fiscales), la faible efficacité des dépenses publiques et le faible développement des infrastructures économiques (énergie, routes et transports, télécommunications, eau, etc.).

3.6. Renforcer la sécurité alimentaire et nutritionnelle

L'éradication de la faim et de la malnutrition constitue le principal défi à relever. Les aspects de ce défi portent pour l'essentiel sur la diversification des productions agro-sylvo-pastorales, la sécurisation des systèmes de production agricole et animale, la promotion des chaines de valeur des produits agro-sylvo-pastoraux et halieutiques. On note également, la problématique de la transformation et l'approvisionnement régulier des marchés ruraux et urbains en produits agricoles et animaux et agro-alimentaires. En outre, le faible accès aux produits agricoles, pastoraux et halieutiques a un impact négatif sur l'état nutritionnel de la population.

3.7. Adapter les systèmes de production aux changements climatiques

Le Niger fait face à une dégradation accélérée du couvert végétal, une fragilisation des écosystèmes et un appauvrissement de la diversité biologique. La récurrence des crises alimentaires et nutritionnelles due aux aléas climatiques est aussi une préoccupation permanente à laquelle il faut faire face.

2.8. Promouvoir le changement de comportements et mentalités

Le recul de l'éthique au travail, notamment dans la fonction publique, le recul de la valeur du mérite, l'incivisme fiscal et par rapport au bien public, les perceptions sur les questions démographiques et sur l'école et particulièrement la scolarisation des filles ne sont pas de nature à favoriser le développement. Le changement de ces comportements et de ces mentalités est indispensable pour la modernisation sociale, politique et économique du pays.

IV. Politique de développement à moyen terme

Pour relever ces défis, dans un contexte de chocs exogènes persistants et poser les jalons d'une politique économique de moyen terme qui permettra d'impulser une dynamique de développement équilibré, porté par une forte croissance économique inclusive et durable reposant sur l'exploitation des importantes ressources minières et pétrolières, le Gouvernement a élaboré le Plan de Développement Economique et Social (PDES) 2017-2021. Il tire ses fondements de la SDDCI qui décline la vision du Niger à l'horizon 2035.

A travers cette vision, le Niger affirme sa ferme volonté de transformation à tous les niveaux et surtout son désir d'éradiquer la pauvreté et les inégalités. Il est également fondé sur les orientations du «Programme de Renaissance Acte-2 ». Il capitalise les leçons tirées de la formulation et de la mise en œuvre du PDES 2012-2015

Le PDES 2017-2021 ambitionne de contribuer au développement du pays à travers cinq (5) axes stratégiques. Ils sont inter-reliés et reflètent, dans leur ensemble, les principales dimensions du développement humain durable. Il s'agit de : (i) la renaissance culturelle; (ii) le développement social et la transition démographique ; (iii) l'amélioration de la croissance économique ; (iv) l'amélioration de la gouvernance, paix et sécurité et (v) la gestion durable de l'environnement.

V. Dynamique de changement du PDES 2017-2021

La mise en œuvre du PDES 2017-2021 entrainera une transformation structurelle de laquelle naîtra un citoyen responsable. Ce citoyen modèle, riche de ses valeurs, ouvert sur le monde et ayant un esprit d'entreprenariat transformera l'économie nationale par une croissance inclusive forte et diversifiée, respectueuse de l'environnement.

Ce citoyen responsable imbu de ses valeurs et du sens de l'intérêt général fera de la bonne gouvernance son cheval de bataille afin de débarrasser la société des contre valeurs telles que l'incivisme fiscal, le recul de l'éthique du travail notamment dans la fonction publique, le développement d'une mentalité d'assisté et les mauvais comportements par rapport aux biens publics, afin d'amorcer un véritable développement économique et social du pays.

Cette dynamique de changement, née de l'interaction entre les bons comportements issus de la renaissance culturelle et les axes d'orientations stratégiques du PDES, imprimera par effet « boule de neige » des transformations structurelles dans l'économie, la gouvernance, l'environnement et la société. Cette dynamique débouchera sur un cercle vertueux d'amélioration du bien-être du Nigérien (citoyen responsable) qui conduira le pays vers l'émergence.

Pour les cinq années à venir, le Plan de Développement Economique et Social (PDES) 2017-2021 prévoit de renforcer cette dynamique de changement par la mise en œuvre des réformes structurelles de premier ordre que sont :

Sur le plan de l'économie, l'amélioration du climat des affaires, la mise en œuvre de la directive de l'UEMOA relative au budget programme et le développement des chaines de valeurs des secteurs minier et pétrolier ainsi que les agro-industries vont concourir à l'accélération de la croissance. Les conditions favorables ainsi créées inciteront le secteur privé à jouer un rôle important dans ce PDES à travers des investissements massifs attendus dans plusieurs pans de l'économie nationale. Le taux de croissance visé sur la période est de l'ordre de 6% en scénario tendanciel.

Sur le plan de l'environnement, il s'agit d'abord de mettre en œuvre le plan d'action de la COP 21 et COP 21 et des réformes relatives à l'adaptation aux changements climatiques.

Sur le plan de la gouvernance politique et sécuritaire, le renforcement de la démocratie et la consolidation de l'Etat de droit et de la paix seront au centre des priorités à tous les niveaux. L'indice Mo Ibrahim visé est de l'ordre de 53 points sur 100.

Sur le plan social et culturel, la transition démographique, la promotion de la scolarisation de la jeune fille et l'autonomisation de la femme seront à la base de l'amélioration des conditions de vie des nigériens avec une réduction du taux de pauvreté de 45,1% en 2014 à 37,6 % à l'horizon 2021.

En retour, les quatre dimensions du développement durable abordées ci-dessus (économie, gouvernance, société et environnement) qui correspondent aux axes du PDES 2017-2021 interagiront entre elles et impacteront chacune sur le bien-être du nigérien citoyen responsable né de la renaissance culturelle pour lequel, l'Indice de Développement Humain(IDH) attendu à l'horizon 2021 se situe autour de 0.410.

Avec la mise en œuvre du PDES, à l'horizon 2021, tous les critères de premier de second rang au titre de la convergence seront respectés.

La mise en œuvre du PDES 2017-2021 demande qu'une attention particulière soit portée sur un certain nombre de réformes pertinentes. Ce sont des réformes se rattachant à des axes précis mais qui ont des impacts sur d'autres axes. Le tableau ci-après donne les réformes par axe.

Tableau : Domaines des réformes majeures

Axes stratégiques	Domaines des réformesmajeures
Axe 1 : Renaissance culturelle	Création des conditions favorables aux indispensables mutations et changements de comportements et de mentalités.
	Promotion de l'esprit civique et des valeurs citoyennes
Axe 2 : Développement social et transition démographique	Amélioration de la qualité de l'éducation à tous les niveaux d'enseignement
	Renforcement de l'accès à la planification familiale
	Autonomisation de la femme
	Promotion de la scolarisation de la jeune fille
	Promotion de l'alphabétisation fonctionnelle en milieu rural
	Renforcement de l'offre et de la demande des prestations et service de santé de qualité y compris la santé de la reproduction
	Elargissement de la couverture de la protection sociale à toutes les couches sociales
	Développement de l'enseignement et de la formation professionnels et techniques adaptés aux besoins réels de l'économie
	Promotion de l'insertion socio-économique des jeunes
	Améliorer la qualité de délivrance du service de l'eau potable
Axe 3 : Accélération de la	Création des conditions de modernisation du monde rural

Axes stratégiques	Domaines des réformesmajeures
croissance économique	Autonomisation économique des femmes rurales
	Développement d'un programme de formations ciblées sur les besoins spécifiques du monde rural
	Création des conditions de développement d'un secteur privé dynamique
	Amélioration de la gouvernance des entreprises publiques et parapubliques
	Mise en œuvre du programme des réformes de gestion des finances publiques
	Renforcement des capacités de planification, de programmation, de budgétisation, de mise en œuvre et de suivi-évaluation des politiques publiques.
	Réguler la gestion et les usages de l'eau
Axe 4 : Amélioration de la gouvernance, paix et sécurité	Consolidationde l'Etat de droit et de la démocratie
	Amélioration de l'efficacité et l'efficience de l'administration publique
	Promotion de l'excellence, du mérite et de la performance au sein de l'administration
	Accélération du processus de la décentralisation
Axe 5 : Gestion durable de l'environnement	Préservation et gestion durable de l'environnement et des ressources naturelles
	Promotion des mesures d'atténuation et d'adaptation aux changements climatiques
	Promotion des énergiesrenouvelables

VI. PROGRAMME D'APPUI BUDGETAIRE 2017-2018

Le nouveau programme d'appui budgétaire pour la période 2017-2018 de la Banque mondiale pour le Niger s'inscrit parfaitement dans le PDES en particulier dans son axe 3 « Accélération de la croissance économique ». Le programme est structuré autour de troiscomposantes : (i) : Créer un cadre favorable à l'amélioration de la croissance en milieu rural ; (ii) : Instaurer un cadre légal favorable au développement durable du secteur d'électricité et des TIC ; (iii) amélioration des recettes publiques.

6.1 Créer un cadre favorable à l'amélioration de la croissance en milieu rural

L'objectif des réformes prévues est d'améliorer la gouvernance du secteur, d'assurer une allocation efficace des ressources financières et de responsabiliser les acteurs à tous les niveaux. Il s'agit de bâtir une approche à la fois sectorielle et intersectorielle dans laquelle toutes les composantes de l'administration publique, le secteur privé, les communautés et les collectivités locales, le système financier, les organisations socioprofessionnelles, les organisations de la société civile et aussi les partenaires du Niger, chacun selon ses fonctions et rôles, puissent concourir à la réalisation des objectifs du programme et ce dans l'esprit de l'Initiative 3N.

L'amélioration de la gouvernance et de la coordination du secteur est au cœur du cadre stratégique de l'initiative 3N qui prévoit un leadership fort de l'Etat et de ses administrations dans les processus de décision et d'orientation et un renforcement de la concertation des acteurs.

Les actions mises en œuvre concernent :

- **L'introduction d'un système de subvention électronique appelé E-subvention qui consiste à développer une base de données électronique des bénéficiaires en engrais et semences et à leur envoyer des bons électronique par SMS leur indiquant les subventions qui leur ont été octroyées et le lieu où ils doivent les recevoir. Pour son opérationnalisation des tests pilotes ont été réalisés dans deux communes.**

L'objectif principal de cette mesure est d'améliorer la productivité agricole par l'augmentation des terres cultivées couvertes par les semences sélectionnées et celle du taux d'utilisation d'engrais.

Pour soutenir les ménages vulnérables, l'Etat nigérien intervient à travers la distribution gratuite et/ou la vente à prix modéré des intrants agricoles. Ce sont des sommes importantes d'argent qui sont injectées dans ces opérations sans attendre les résultats escomptés à cause d'une faiblesse du dispositif de distribution et de suivi évaluation. En effet, les véritables bénéficiaires de cette subvention ne sont pas toujours les mieux servis, car il apparait de réelle perdition tout au long de la chaîne de distribution.

Pour assurer l'efficacité, la transparence et la traçabilité de l'octroi de ces paquets sous forme de subventions, la base de données est conjointement financée par deux projets financés par la Banque mondiale (PPAAO et PASEC) et permettra également de suivre l'utilisation des subventions et de mesurer leurs effets et impacts au niveau des utilisateurs.

Le système fonctionne sur la base de trois éléments fondamentaux : une base de données des producteurs ; un répertoire des fournisseurs d'intrants et équipements agro-sylvo-pastoraux et halieutiques ; une plateforme électronique composée d'un serveur, d'un site web et de téléphones portables permettant la mise en relation des bénéficiaires des subventions et les fournisseurs d'intrants et équipements agro-sylvo-pastoraux et halieutiques.

Ce modèle innovant permet de surmonter les problèmes inhérents à la distribution classique d'intrants et équipements agro-sylvo-pastoraux et halieutiques. Il a pour avantage de : cibler les producteurs bénéficiaires des subventions ; s'assurer que les intrants distribués sont bel et bien reçus par les bénéficiaires ; s'assurer que les subventions servent effectivement à payer les intrants livrés et reçus par les bénéficiaires ; mettre en adéquation les superficies des ménages bénéficiaires avec les quantités d'intrants distribués ; éviter les retards dans la livraison des intrants. En ce qui concerne la phase pilote de E voucher, elle concernera 2 communes notamment Dargol dans la région de Tillabery et Wacha, dans la région de Zinder.

- **L'introduction d'un programme de vulgarisation électronique (e-extension) visant la délivrance de services de conseils agricoles s'appuie sur les nouvelles technologies de l'information et de la communication, dans au moins une région. Ce programme sera mis en œuvre par le Réseau des Chambres d'Agriculture (RECA), avec qui le Ministère de l'Agriculture et de l'Elevage a signé un contrat de performance.**

Ce programme fait suite au constat que la demande de services agricoles est de plus en plus croissante alors que le nombre de conseillers agricoles et le financement du conseil agricole ont tendance à baisser. Il va comprendre plusieurs outils dont un centre d'appels, un serveur vocal - outil permettant de mettre à la disposition des producteurs agricoles des messages prédéfinis, enregistrés dans différentes langues locales - et des applications à l'usage des conseillers agricoles permettant la collecte et la diffusion de données. Le RECA vient de lancer le Centre d'appels pour une phase test de 2 mois visant la région de Tillabéry. Compte tenu des préoccupations des producteurs, deux thèmes ont été choisis : (i) La protection des cultures maraichères et le choix des semences ; (i) Les prix de gros des produits maraichers sur les marchés de Niamey et les tendances.

- **La promotion du crédit-bail. Le Gouvernement renforce le cadre légal des finances rurales en adoptant en conseil des Ministres la loi communautaire sur le crédit-bail et en la transmettant au Parlement pour transposition.**

Cette mesure vise non seulement à transposer la loi uniforme relative au crédit-bail dans les Etats membres de l'UEMOA, mais aussi et surtout à améliorer l'environnement juridique pour le développement de cette activité dans la zone. En effet, le crédit-bail a été reconnu comme un mode de financement souple et adapté aux différentes entreprises, notamment les Petites et Moyennes Entreprises (PME) qui éprouvent des difficultés à fournir des garanties pour l'obtention d'un crédit bancaire.Le Crédit-bail constitue une alternative innovante susceptible de répondre largement à cette problématique.

L'introduction du Crédit-bail/Leasing sur le marché du financement du Niger contribuera de façon significative :

- ✓ A l'accès au financement d'une population de PME/PMI et Très Petites Entreprises et entrepreneurs qui en sont exclus pour l'heure,
- ✓ Au développement des investissements, tant mobilier qu'immobilier, et à la mise en place d'un parc de qualité,
- ✓ A la dynamisation du marché du financement de l'investissement qui en deviendrait progressivement plus concurrentiel,
- ✓ A la mise à la disposition des Systèmes Financiers Décentralisés les plus dynamiques de nouvelles ressources au travers des financements dont pourraient bénéficier leurs adhérents/clients.
- ✓ Au développement du marché des assurances par l'arrivée sur ce marché d'un nouveau segment de clientèle,
- ✓ A la naissance et au développement d'un marché financier à moyen terme, par les opérateurs du Crédit-bail/Leasing, pour leur refinancement, à travers tous instruments adéquats, existants comme l'émission d'emprunts obligataires, ou à créer comme le refinancement des contrats de crédit-bail auprès de la Banque Centrale.

➢ **Le renforcement de l'impact des industries extractives sur l'économie locale à travers l'élaboration de dispositions relatives à la formalisation des artisans miniers dans le Code minier.**

Dans le domaine du pétrole, les activités de prospection, de recherche, d'exploitation et de transport des hydrocarbures au Niger sont régies par la loi n° 2007-01 du 31 janvier 2007. Après 10 ans de mise en œuvre, il est apparu des insuffisances dans ladite loi impactant négativement les activités de prospection et de promotion de l'investissement du secteur pétrolier.

La loi sur le nouveau code pétrolier a été élaborée pour corriger ces insuffisances en y introduisant des innovations notamment sur :

- les obligations du titulaire d'une autorisation exclusive d'exploitation ;
- le renforcement des mesures limitant les atteintes à l'environnement ;
- l'obligation de paiement des bonus de signature et de production ;
- le renforcement des achats locaux pour promouvoir le contenu local par le biais de la sous-traitance notamment.

Pour ce qui est du domaine minier, il été fait le constat que malgré les efforts déployés dans l'organisation de l'artisanat minier depuis les années 80, les résultats enregistrés restent encore mitigés tant dans la maitrise de la production, de la commercialisation que des recettes de l'Etat.

Par ailleurs, l'artisanat minier a beaucoup évolué ces dernières années avec la multiplication des sites d'exploitation artisanale de l'or dans les régions de Tillabéry et d'Agadez et l'utilisation de matériel et de produits chimiques dangereux pour l'homme et l'environnement.

Pour prendre en charge ces évolutions, le gouvernement a adopté, le 30 juin 2017, l'ordonnance n° 2017-03, portant modification de l'ordonnance n° 93-16 du 02 mars 1993 portant loi minière. Cette ordonnance modifie les articles de la loi minière relatifs à l'exploitation minière artisanale. Elle réorganise cette activité en y ajoutant deux titres miniers à savoir l'autorisation d'exploitation minière semi-mécanisée et l'exploitation des haldes, terrils et résidus de mines et de carrières.

Aussi, les objectifs de la réforme de la loi minière consistent notamment en l'encadrement et la sécurisation des acteurs, la sauvegarde de l'environnement ainsi que la maîtrise de la production et du circuit de commercialisation.

La mise en œuvre de ces réformes du secteur minier et pétrolier permettra d'apporter une contribution plus significative à la croissance économique.

6.2. Instaurer un cadre légal favorable au développement durable du secteur d'électricité et des TIC

- **Le Gouvernement a rendu effectif le Fonds de Service Universel en créant un établissement public à caractère administratif dénommé « Agence Nationale pour la Société de l'Information (ANSI) et a nommé son Directeur Général**

Dans le domaine des Technologies de l'Information et de la Communication (TIC), en dépit des améliorations constatées, les problèmes persistants concernent : (i) la faible qualité de la communication téléphonique et internet, (ii) la faible pénétration de l'internet, (iii) la cherté du coût de la communication. Pour adresser ces problèmes, le Gouvernement s'est doté d'une stratégie nationale d'accès universel aux TIC.

C'est dans ce cadre que le Gouvernement a adopté en conseil des Ministres le 20 juillet 2017 le décret portant création de l'ANSI qui est chargée de la mise en œuvre opérationnelle de la stratégie nationale d'accès universel aux TIC ainsi que les programmes et projets de développement des TIC sur toute l'étendue du territoire national afin d'assurer un accès universel au service de meilleures qualités et à des prix abordables. Ce qui contribuera à rendre le secteur privé plus compétitif et l'administration publique plus efficace.

- **Le Gouvernement a procédé à une réduction de la TATIE et la suppression de la partie fixe de la TURTEL pour encourager le développement du secteur des TIC**

Cette mesure s'inscrit dans le même souci du Gouvernement d'assurer un accès universel aux services des communications en instaurant une fiscalité appropriée par la réduction de la Taxe sur la Terminaison du Trafic Entrant (TATIE) et suppression de la Taxe d'Utilisation des Réseaux de Télécommunications (TURTEL). En effet, il a été fait le constat que la (TATIE) de 20% sur les recettes des opérateurs mobiles a entrainé une chute de 37% du trafic international entrant. Si cette taxe n'avait pas été introduite, la stabilité du volume du trafic et la hausse des prix du trafic entrant dans le pays auraient permis au Gouvernement d'obtenir les mêmes recettes fiscales. Cette politique de promotion des TIC sera poursuivie par la mise en œuvre des réformes définies dans la stratégie nationale en la matière afin que le secteur contribue à créer les conditions d'une croissance économique plus forte, soutenue et créatrice d'emplois notamment pour la frange la plus jeune des populations nigériennes.

- **Le Gouvernement a (i) fixé des nouveaux tarifs et a assuré leur publication dans les supports adéquats, et (ii) procédé à la restructuration de la dette de la NIGELEC.**

En matière d'énergie, le programme de développement d'infrastructures résilientes, durables et de qualité notamment le barrage de Kandadji avec une production de 130MWsera poursuivi. Des investissements à moyen terme dans le domaine des énergies renouvelables notamment le solaire (centrale solaire d'Agadez, Malbaza, électrification solaire, etc.) seront également réalisés. Ces investissements seront accompagnés par les mesures suivantes (i) la formulation d'une politique avec des objectifs ambitieux d'électrification notamment en zone rurale, (ii) l'ouverture du secteur à la concurrence pour la production, et de la libéralisation complète du transport et de la distribution de l'électricité afin de permettre la mise en relation directe des producteurs privés avec leur clientèle située hors du réseau interconnecté, (iii) la standardisation des équipements et des approches en préparant pour chaque région un schéma directeur d'électrification.

La mesure sur la restructuration de la dette de la NIGELEC (Société Nigérienne d'électricité) consiste en la transformation de la part de l'Etat dans le financement de la centrale thermique Gorou Banda en participation à l'augmentation du capital de la NIGELEC à hauteur de 60 milliards FCFA. Ce montant représente le cumul des financements contractés par l'Etat et qui ne sont pas rétrocédés à la NIGELEC. Cette mesure, combinée à la mise en œuvre des nouveaux tarifs au premier trimestre 2018, permettra de maintenir le ratio fonds propres sur capitaux permanents au-dessous de 50%, qui est la norme d'équilibre financier minimum et de réaliser l'équilibre bilanciel ainsi que de financer le programme d'investissement du Gouvernement visant à satisfaire la demande d'énergie du pays.

6.3. Amélioration de la gestion des finances publiques

- **Le Gouvernement a procédé à la révision de certaines dispositions du Code des Investissements et de son décret d'application**

Cette mesure consiste plus spécifiquement en :

- La révision de l'article 34 de la loi N°2014-09 portant Code des investissements relativement à la taxation des matièrespremières.

- **Le Gouvernement a procédé à l'extension du champ de la TVA en soumettant à cette taxe certaines activités, biens et produits bénéficiant auparavant d'exonérations notamment les produits agricoles après acquisition auprès de producteurs ruraux et de certaines activités, biens et produits. (article 219 de la Section I du Titre III du Livre premier du Code Général des Impôts)**

Ces mesures sont prises en réponse à la demande de la Commission de l'UEMOA qui a relevé la non application de certaines dispositions notamment en matière de TVA. Elles s'inscrivent dans la dynamique de la rationalisation des exonérations en réduisant les exonérations fiscales contenues dans les dispositions nationales notamment le code des investissements. Elle est en adéquation avec la politique de la gestion des finances publiques qui reprend les ambitions affichées dans le Programme de Réformes en matière de Gestion des Finances Publiques (PRGFP 2017-2020), adopté en janvier 2012. L'objectif global de ce programme est de contribuer à la stabilisation du cadre macroéconomique et au renforcement des finances publiques. Les réformes portent sur l'internalisation des directives de l'UEMOA, l'informatisation de toute la chaîne budgétaire, la formation de tous les acteurs de la gestion des finances publiques et le mécanisme de mise en œuvre des réformes.

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Le Niger demeure confronté aux effets négatifs de facteurs exogènes que sont les chocs climatiques, sécuritaire, de la baisse des prix des produits miniers et de l'impact des décisions de politiques économiques du Nigéria. Ces effets continuent à se traduire par une aggravation des déficits budgétaires, particulièrement en 2017 et 2018, qui interviennent dans un contexte d'accroissement significatif des besoins de financement nés de la prise en charge des questions sécuritaires et de la satisfaction de la demande sociale de plus en plus importante. Toutefois, à la faveur des réformes structurelles, le cadre macroéconomique est globalement satisfaisant, la croissance économique positive, la gouvernance s'améliore et le processus démocratique en bonne marche.

C'est dans ce contexte que le Gouvernement est déterminé à poursuivre les réformes en cours qui s'avéreraient nécessaires pour créer les conditions de renforcement de la résilience de l'économie nigérienne par sa diversification, l'amélioration de la gestion des finances publiques au moyen de mesures budgétaires et fiscales centrées sur l'augmentation des recettes et la rationalisation des dépenses publiques ainsi que par une politique d'endettement prudente qui permettra le financement adéquat des investissements publics tout en assurant la viabilité de la dette.

Parmi les reformes qui seront soutenues dans le cadre de ce dialogue, même si elles ne font pas partie des actions préalables de l'opération figure le secteur de l'Education avec un effort pour améliorer l'efficience des dépenses budgétaires en faveur de l'éducation. Ainsi, le Gouvernement procèdera à la révision du cadre règlementaire qui encadre le transfert et l'utilisation des ressources issues de la taxe d'apprentissage au Fonds d'Appui à la formation professionnelle et à l'Apprentissage (FAFPA), et transféra effectivement les ressources conformément au cadre révisé.

L'objectif de cette mesure est de contribuer à l'amélioration de la productivité et la création d'emplois à travers deux canaux : (i) le renforcement et l'amélioration du système de la formation professionnelle afin que celui-ci se modernise et s'adapte aux conditions du marché de travail et (ii) par la mise à disposition des fonds budgétaires nécessaires au développement des activités au Fonds d'Appui à la formation Professionnelle et à l'Apprentissage (FAFPA). Cette mesure s'inscrit dans le cadre de la mise en œuvre de la Politique Nationale de la Jeunesse et de son plan stratégique opérationnel.

Dans cette perspective, le Gouvernement sollicite l'appui de la Banque mondiale par l'octroi, sur les deux années charnières 2017 et 2018, d'un appui budgétaire conséquent et son décaissement dans les meilleurs délais et de préférence avant la mi-décembre 2017.

VII. CADRE INSTITUTIONNEL DE MISE EN ŒUVRE

Le Ministère du Plan aura la responsabilité de l'exécution du programme, en parfaite synergie avec les Ministères sectoriels et les structures concernés par la mise en œuvre des réformes et mesures.

25 OCT 2017

Niamey, le

REPUBLIQUE DU NIGER
LA MINISTRE
DU PLAN

KANE AICHATOU BOULAMA
Ministre du Plan
Gouverneur de la Banque mondiale pour le Niger

2017

LETTER OF DEVELOPMENT POLICY

(Unofficial Translation)

REPUBLIC OF NIGER

2017 BUDGET SUPPORT CREDIT

LETTER OF DEVELOPMENT POLICY

I. CONTEXT

Niger is a vast, landlocked Sahel-Saharan country with an area of 1,266,491 square kilometers. Desert covers over half its territory. It receives irregular and insufficient rainfall, in terms of both time and location.

II. THE MACROECONOMIC CONTEXT

During the period 2012–2016, the growth rate of Niger's economy declined from 11.8% in 2012 to 5% in 2016, with an average rate of 6.7%. This rate is close to the 7% level considered necessary to enable a real development of Niger's economy and significantly reduce the level of poverty. However, this average masks the erratic nature of economic growth due to the weight of agriculture (a sector that remains unmechanized and very vulnerable to climatic shocks), fluctuations in commodity prices including for major export products (uranium and oil), and the low diversification of the economy. In addition, this growth appears insufficient to address important social needs associated with population growth.

Per capita GDP has improved significantly from about 384.6 US$ (192,329 CFA francs) in 2011 to 463 US$ (231,508 CFA francs) in 2015. However, the impact of this macroeconomic performance on poverty is barely noticeable.

In terms of inflation, the prices of staple products (sugar, rice, millet, oil...) often experienced significant increases over the 2012–2016 period. Nevertheless, inflation remains generally under control, with the rate set at 0.6% on average, well below the community standard of 3%.

In terms of public finances, the overall fiscal deficit declined from -1.2% of GDP in 2012 to -9.0% in 2015, before contracting to -6.2% in 2016.

The balance of payments surplus is on average 59.5 billion CFA francs, or 1.5% of nominal GDP. The current account is, meanwhile, in structural deficit, due to the trade deficit. Exports are relatively low with an average of 20.2% of GDP over the period 2012–2016 compared to the average import level of 38.0%. The current account deficit has deteriorated significantly, rising from 17% in 2013 to 18% in 2015, partly due to lower exports of oil and mining products (uranium and gold) which are still predominant (76% in 2015). The increase in imports was the result of purchases of capital goods, whose share of imports rose from 22.0% in 2012 to 31.4% in 2015.

The evolution of the monetary situation between 2012 and 2016 was characterized by an average increase of 15.6% in the money supply, mainly due to the increase in domestic credit (13.5%) and net foreign assets (20.0%). Credit in the economy has experienced positive growth from 13.3% of GDP in 2012 to 17.1% of GDP in 2016, but remains low compared to other WAEMU countries.

WAEMU convergence criteria: over the period 2012–2016, two primary criteria (the inflation rate and the ratio of outstanding debt) have been met. The overall fiscal balance including grants (a key primary criterion) was met between 2012 and 2013, before deteriorating from 2014 to a level above the community standard. The tax criterion has never been met while the ratio payroll/tax receipts (secondary criterion) was met between 2012 and 2014 before deteriorating to a level above the community standard in 2015 and 2016.

The economy's situation is rooted in several factors, namely: (i) poor governance, (ii) low level of diversification in the industrial sector, (iii) scarcity of economic infrastructure and services, (iv) low level of development of agricultural, forestry, and pastoral production, and (v) the unfriendly business environment.

Debt ratios have improved significantly after the Heavily Indebted Poor Countries (HIPC) Initiative completion point and the Multilateral Debt Relief Initiative (MDRI). However, since 2011, public debt has increased from 22.8% in 2011 to 24.0% in 2012 and 33.8% in 2014. Nevertheless, the level of foreign debt remains well below the maximum limit of 70% set by the community.

III. MAJOR CHALLENGES

In light of the diagnosis of the economic, political, security, and social situation, the evaluation of how Sustainable Development Goals (SDGs) have been integrated into public policy, and the lessons learned from the implementation of the PDES 2012–2015, a number of major challenges must be addressed in order to improve the welfare of Nigeriens.

3.1. Security Threats

Security is a critical for Niger's development. The main challenges facing the sub-sector are the fight against terrorism, the need for surveillance of the territory, the fight against the flow of illicit arms, drug trafficking, and irregular migration, conflict prevention and management, and the fight against armed attacks and theft of livestock.

3.2. Poor Governance

The first aspect of good governance is the modernization of the state. Improving the effectiveness of the administration is essential to economic and social development. In this respect, establishing the conditions for the effective functioning of public services is key. It is also important that the conditions for the sustainability of local governments are created.

Another important challenge for governance is the consolidation of the independence of justice and reconciliation between citizens and the justice system.

The problem of governance is also related to corruption. Although notable progress has been made in the fight against corruption, it continues to play a significant role and vigorous actions need to be considered for fighting it at all levels.

3.3. Rapid Population Growth

The population structure and its growth rate affect the achievement of economic and social development objectives. The rapid population growth causes a huge strain on resources and increases the demand for public services in general (health, education, drinking water, and food) as well as for employment. The limitations of the policies implemented over the past 50 years must lead to a change in methodology and a stronger and better coordinated mobilization of all the actors.

3.4. Weaknesses of Human Capital

The quality of human resources is key to the economic and social development of any nation. Well-trained and healthy human resources reduce the risk of becoming unemployed. Good training relates not only to the quality of teaching but also and above all to the adequacy of training to the needs of the economy. Long-term development further requires education for all. Another major dimension of the quality of human resources concerns illiteracy, which remains very high. In addition, the quality of human capital also depends on the benefits offered by health services for all, which demands improvements in terms of health coverage, the situation of mother-and-child health, and nutrition.

3.5. Erratic, Inadequate and Non-inclusive Economic Growth

The evolution of economic growth in recent years has been erratic, which has prevented the country from achieving its goals of sustainable, inclusive, and equitable development. Moving toward a real structural transformation of the economy is a major challenge for Niger.

The main challenges relate to the low level of diversification of the economy, the shortage of entrepreneurs, the low level of development of agricultural, forestry, pastoral, industrial, and mining value chains, financing problems (low level of absorption of external financing, low tax revenue mobilization capacity), public spending efficiency and poor development of economic infrastructure (energy, roads and transport, telecommunications, water, etc.).

3.6. Recurrent Food and Nutrition Insecurity

The main challenge is the eradication of hunger and malnutrition. The main aspects of this challenge relate mainly to the diversification of agricultural, forestry and pastoral production, the securing of crop and livestock production systems, and the enhancement of agricultural, forestry, pastoral, and fishery product value chains. Food processing and the regular supply of rural and urban markets with agricultural, animal, and food products are also important. In addition, the low level of access to agricultural, pastoral, and fishery products has a negative impact on the nutritional status of the population.

3.7. Poor Resilience of Communities and Production Systems in the Face of Climate Change

Niger is experiencing a degradation of vegetation cover, a weakening of ecosystems, and an impoverishment of biological diversity. The recurrence of food and nutrition crises due to climate change is also an ongoing concern that must be addressed.

3.8. Development-Unfriendly Behaviors and Attitudes

The decline of the work ethic (particularly in public service), the decline in the value of merit, tax avoidance and lack of concern for the public good, views on demographic issues and education (particularly the education of girls) are not susceptible to fostering development. Changing these behaviors and attitudes is essential for the social, political and economic modernization of the country.

IV. MEDIUM-TERM DEVELOPMENT POLICY

To address these challenges, in a context of persistent external shocks, and to establish the groundwork for a medium-term economic policy that will spur a dynamic of balanced development, supported by a strong, inclusive, and sustainable economic growth based on the exploitation of mineral and oil resources, the government has developed the Economic and Social Development Plan (PDES) 2017–2021. It is based on the Strategy for Sustainable, Inclusive, and Equitable Development (SDDCI), which sets out a vision for Niger by 2035.

Through this vision, Niger declares its determination to undertake transformations at all levels, and especially its desire to eradicate poverty and inequality. It is also based on the guidelines of the "Renaissance Program Act-2." It capitalizes on the lessons learned from the implementation of the PDES 2012–2015.

The PDES 2017–2021 aims to contribute to the development of the country through five (5) strategic pillars. They are interrelated and reflect, taken together, the principal dimensions of sustainable human development. These involve: (i) cultural renaissance; (ii) social development and demographic transition; (iii) acceleration of economic growth; (iv) enhancement of governance, peace, and security; and (v) sustainable management of the environment.

V. DYNAMIC OF CHANGE OF THE PDES 2017–2021

Implementation of the PDES 2017–2021 will lead to a structural transformation that gives rise to responsible citizens. This model citizen, rich in their values, open to the world and possessing a spirit of enterprise, will transform the national economy through inclusive growth that is strong and diverse, while respectful of the environment.

This responsible citizen, imbued with their values and a sense of the common interest, will make good governance their rallying cry in order to rid society of counter-values such as tax avoidance, the decline of the work ethic especially in public service, the development of a culture of dependency, and poor behavior in relation to public goods, in order to embark on a real economic and social development of the country.

This dynamic of change, born from the interaction between the good behaviors emerging from the cultural renaissance and the strategic pillars of the PDES, will spur, thanks to a "snowball effect," structural changes in the economy, governance, the environment, and society. This dynamic will lead to a virtuous circle of improvement of the well-being of Nigerien citizens, who will lead the country to emergence.

Over the next five years, the Plan for Economic and Social Development (PDES) 2017–2021 seeks to strengthen this dynamic of change through the implementation of structural reforms of the first order, namely:

In terms of the economy, the improvement of the business climate, the implementation of the WAEMU directive relating to the budget program, and the development of value chains in the mining, oil, and agro-industrial sectors will contribute to the acceleration of growth. The resulting favorable conditions will encourage the private sector to play an important role in this PDES through massive investment in several sectors of the national economy. The target growth rate for the period is on the order of 6%.

In terms of political and security governance, the strengthening of democracy, the rule of law, and peace-building will be at the core of priorities at all levels. The target on the Ibrahim Index of African Governance is 53 points out of 100.

In social and cultural terms, the demographic transition, promotion of the education of girls, and the empowerment of women will underpin the improvement to the living standards of Nigeriens, with the aim of reducing the poverty rate from the 45.1% recorded in 2014 to 37.6% by 2021.

In consequence, the four dimensions of sustainable development discussed above (governance, society, economy, and environment) that correspond to the pillars of the PDES 2017–2021 will interact between them, impacting on the well-being of the population and the expected Human Development Index (HDI) by 2021 will stand at around 0.410.

The implementation of the PDES 2017–2021 demands that special attention be paid to a number of relevant reforms. These are reforms related to specific pillars that have an impact on other pillars. The table below gives the reforms by pillar.

Table: Areas of major reforms

Strategic pillars	Areas of major reforms
Pillar 1: Cultural renaissance	Creation of favorable conditions for the necessary adaptations and changes in behaviors and attitudes.
	Promotion of a civic spirit and values
Pillar 2: Social development and demographic transition	Quality improvement at all teaching levels
	Increased access to family planning
	Empowerment of women
	Promotion of education for girls
	Promotion of functional literacy in rural areas
	Strengthening of the supply and demand for quality health services, including reproductive health
	Expansion of the coverage of social welfare to all social strata
	Development of education and professional and technical training that is adapted to the real needs of the economy
	Promotion of the socio-economic inclusion of young people
	Improvement of the quality of delivery of the drinking water supply

Strategic pillars	**Areas of major reforms**
Pillar 3: Acceleration of economic growth	Creating the conditions for modernization of the rural sphere
	Economic empowerment of women in rural areas
	Development of a training program targeted at the specific needs of the rural sphere
	Create the conditions for development of a dynamic private sector
	Improved governance of public and parastatal companies
	Implementation of the program of reforms to the management of public finances
	Capacity-building for the planning, programming, budgeting, implementation and monitoring and evaluation of public policies
	Regulate water use and management
Pillar 4: Enhancement of governance, peace, and security	Consolidation of the rule of law and democracy
	Improvement of the effectiveness and the efficiency of public administration
	Promotion of excellence, merit, and performance within the administration
	Acceleration of the process of decentralization
Pillar 5: Sustainable management of the environment	Protection and sustainable management of the environment and natural resources
	Promotion of measures for mitigation and adaptation to climate change
	Promotion of renewable energy

VI. BUDGET SUPPORT PROGRAM 2017–2018

The new World Bank Budget Support Program for the period 2017–2018 for Niger fits perfectly with the PDES. The program is structured around two pillars: (i) Enhancing rural productivity, and; (ii) Growth enabling sectors.

6.1 Enhancing Rural Productivity

The goal of the planned reforms is to improve the governance of the sector, ensure effective allocation of financial resources, and empower actors at all levels. The objective is to build an approach that is both sectoral and intersectoral, in which all components of the public administration, the private sector, communities and local authorities, the financial system, social and professional organizations, civil society organizations, and also Niger's partners, each according to its functions and roles, can contribute to fulfilling the objectives of the program, in the spirit of the 3N Initiative.

Improving the governance and coordination of the sector is at the heart of the strategic framework of the 3N initiative, which provides for a strong leadership by the state and its governments in the decision and orientation process and a strengthening of consultation with actors.

The actions implemented are:

- **The Government has introduced an electronic grant system called "E-voucher," which consists in developing an electronic database of beneficiaries of fertilizer and seeds. To put this system into operation, pilot tests were run in four communes.**

The main objective of this measure is to improve agricultural productivity by increasing the area of cultivated land covered by improved seeds, together with the rate of fertilizer use.

To support vulnerable households, the government of Niger intervenes by distributing agricultural inputs free of charge and/or selling them at reduced prices. Large sums of money are injected into these operations without tangible results due to weaknesses in the distribution and monitoring evaluation systems.

To ensure the efficiency, transparency, and traceability of these grant packages, the database is jointly funded by two projects financed by the World Bank (WAAPP and PASEC) and will also make it possible to monitor the use of subsidies and to measure their effects and impacts at the level of the users.

The system works on the basis of three fundamental components: a database of producers; a directory of suppliers of agricultural, forestry, pastoral, and fishing inputs and equipment; and an electronic platform composed of a server, a website and mobile phones enabling the beneficiaries of the grants to contact the suppliers of agricultural, forestry, pastoral and fishing inputs and equipment.

This innovative model helps to overcome the problems inherent in the traditional distribution of agricultural, forestry, pastoral, and fishing inputs and equipment. Advantages include: targeting the producers who are beneficiaries of the subsidies; ensuring that the inputs distributed are received by the beneficiaries; ensuring that the grants are actually used to pay for the inputs delivered and received by the beneficiaries; adjusting the quantity of inputs distributed to suit the area cultivated by the beneficiary households; and avoiding delays in the delivery of inputs. With regards to the e-voucher, the pilot project will cover two communes, namely Dargol, in the region of Tillabery and Wacha, in the Zinder region.

- **The Government has introduced an electronic extension services for agricultural advisory services, relying on new information and communication technologies, in at least four communes. This program will be implemented by the Network of Chambers of Agriculture (RECA), with which the Ministry of Agriculture and Livestock has signed a performance contract.**

This program is based on the finding that demand for agricultural services is growing fast, while the number of agricultural advisors and the funding of the Agricultural Council is falling. It will incorporate several tools including a call center, a voice server—a tool to make predetermined messages, recorded in various local languages, available to producers—and applications for the use of agricultural consultants allowing for the collection and dissemination of data. The RECA recently launched the call center for a two-month test phase in the Tillabery region. In view of the concerns of producers, two themes were selected: (i) protection of the vegetables and choice of seeds; (ii) wholesale prices at the vegetable markets of Niamey, and price trends.

- **Promotion of leasing. The government has strengthened the legal framework for rural finance by adopting the community law on leasing in the Council of Ministers and transmitting it to the Parliament for adoption.**

This is intended not only to implement the uniform law on leasing in the WAEMU Member States, but also and above all to improve the legal environment for the development of this activity in the region. In fact, leasing has been recognized as flexible financing method that is suited to different companies, including small and medium-sized enterprises (SMEs) which struggle to provide the guarantees necessary to obtain a bank loan. Leasing is an innovative alternative suited to extensively address this problem.

Introducing leasing to Niger’s financing market will provide the following benefits:

- ✓ Better access to funding for a population of SMEs and micro-businesses and entrepreneurs that are currently excluded;
- ✓ The development of investments, both equipment and real estate, and the creation of a quality equipment fleet;
- ✓ The revitalization of the investment financing market, which will become progressively more competitive;
- ✓ The availability to the most dynamic Decentralized Financial Systems of new resources through financing, to the benefit of their members/customers;
- ✓ The development of the insurance market thanks to the arrival on the market of a new customer segment;

- ✓ The emergence and development, in the medium term, of a financial market for refinancing by leasing operators, using all appropriate instruments, both existing (such as issuing bonds), and to be created, such as the refinancing of leasing contracts by the Central Bank.

- ➢ **The Government has strengthened the impact of mining on the local economy through the development of provisions for the formalization of mining workers in the Mining Code.**

In the oil sector, the activities of prospecting, research, exploitation, and transport of hydrocarbons in Niger are governed by Law No. 2007-01 of January 31, 2007. After 10 years of implementation, deficiencies in the law have appeared that have a negative impact on the activities of prospecting and promotion of investment in the oil sector.

The new petroleum code has been developed to correct these deficiencies by introducing innovations, including:

- the obligations of the holder of an exclusive operating permit;
- the strengthening of measures limiting damage to the environment;
- the obligation to pay signing and production bonuses;
- the strengthening of local procurement to increase local content, especially through outsourcing.

With regard to mining, the observation was made that despite efforts deployed in the organization of small-scale mining since the 1980s, the results still remain mixed both in terms of the control of production and commercialization, and state revenues.

Furthermore, small-scale mining has evolved in recent years with the proliferation of small-scale gold mines in the Agadez and Tillabery regions and the use of materials and chemicals that are hazardous for humans and the environment.

To manage these developments, on June 30, 2017 the government adopted Statute No. 2017-03, amending Statute No. 93-16 of March 02, 1993 of the Mining Code Of small-scale and artisanal mining. It reorganizes this activity by adding two paragraphs on mining, namely the authorization of semi-mechanized mining and the exploitation of waste piles, slag heaps, and tailings from mines and quarries.

The objectives of the reform of the Mining Code also include the management and safety of stakeholders, environmental protection, and control of the circuit of production and commercialization.

The implementation of these reforms in the oil and mining sector will ensure it makes a more significant contribution to economic growth.

6.2. Establish a Legal Framework Conducive to the Sustainable Development of the Electricity and ICT Sectors

- **The government has implemented the Universal Service Fund by creating a public administrative body called the "National Agency for the Information Society" (ANSI) and appointed its Director General.**

In the Information and Communication Technologies (ICTs) sector, despite the progress made, persistent problems include: (i) the poor quality of telephone and Internet communication, (ii) the low penetration of the Internet, and (iii) the high cost of communication. To address these problems, the government is implementing a national strategy of universal access to ICTs.

In this context, on July 20, 2017 the government adopted in the Council of Ministers the decree creating ANSI, which is responsible for the operational implementation of the strategy of universal access to ICTs together with programs and projects for the development of ICTs throughout the national territory in order to ensure universal access to the service with the best quality and at affordable prices. This will help make the private sector more competitive and public administration more effective.

- **The government has reduced the TATIE and abolished the fixed portion of the TURTEL, in order to provide incentives for the development of the ICT sector.**

This measure is part of the government's objective to ensure universal access to communications services by establishing an appropriate fiscal framework with a reduction in the Tax on incoming calls (TATIE) and abolition of the Tax on the Usage of Telecommunications Networks (TURTEL). Indeed, it has been noted that (TATIE) 20% tax on the revenue of mobile operators has led to a 37% fall in incoming international traffic. If this tax had not been introduced, the stability of the volume of traffic and the increase in the price of traffic entering the country would have meant that the government received the same tax revenues. This policy for the promotion of ICTs will be pursued through the implementation of the reforms set out in the national strategy in this area, in order to ensure that the sector contributes to creating the conditions for stronger, sustained, and job-creating economic growth especially for the youngest segment of the Nigerien people.

- **The government has (i) established a new electricity tariff methodology, and (ii) proceeded with the restructuring of the debt of NIGELEC.**

With regard to energy, the program for the development of resilient, durable, and quality infrastructure, including the 130 MW Kandadji Dam, is to be continued. In the medium term, investment in the field of renewable energy, including solar energy (the solar power plant in Agadez, Malbaza, solar energy, etc.), will also be pursued. These investments will be accompanied by the following measures: (i) the formulation of a policy with ambitious electrification targets, especially in rural areas; (ii) the opening up of the sector to competition in production, and the complete liberalization of electricity transport and distribution in order to allow direct links between private producers and their customers outside the national grid; (iii) the standardization of equipment and approaches to preparing an electrification blueprint for each region.

The measure concerning the restructuring of the NIGELEC (the Nigerien Electricity Company) debt involves the transformation of the government's share in the financing of the Gorou Banda thermal power station into a participation in the increase of the capital of NIGELEC by the amount of 60 billion CFA francs. This amount represents the sum of the financing contracted by the State, which has not been retroceded to NIGELEC. This measure, combined with the implementation of new rates in the first quarter of 2018, will help to maintain the ratio of equity to permanent capital below 50%, which is the minimum standard for financial balance, and to balance the accounts as well as to finance the government investment program aiming to meet the demand for energy in the country.

6.4. Improvement to the Management of Public Finances

➢ **The government proceeded with the review of the provisions of the Investment Code and its implementing Decree.**

Specifically, this measure comprises:

- The revision of Article 34 of Law No. 2014-09 on the Investment Code relating to the taxation of inputs for firms.

➢ **The government has expanded the scope of VAT on a list of goods, and products which were previously exempted (Article 219 of Section I of Title III of the General Tax Code).**

These measures are taken in response to the request of the WAEMU Commission, which noted the non-application of certain provisions, including in relation to VAT. They are part of the initiatives aimed at rationalizing exemptions and in line with the government’s policy set out in the program of reforms of public finances (PRGFP-2017-2020). The overall objective of this program is to contribute to the stabilization of the macroeconomic framework and the strengthening of public finances. The reforms involve the enforcement of the WAEMU guidelines, computerization of the entire budget chain, the training of all actors involved in the management of public finances, and the mechanism for implementation of reforms itself.

Niger continues to face the negative effects of external factors such as climate shocks, security shocks, the fall in commodity prices, and the impact of Nigeria’s crisis. These impacts continue to be reflected in the budget deficit, especially in 2017 and 2018. However, the structural reforms are on track and the macroeconomic framework is adequate. It is in this context that the government is determined to adopt the reforms that may be necessary to create the conditions for building the resilience of the Nigerien economy through diversification, improving the management of public finances through budget and tax measures focused on increasing revenue and streamlining public spending, as well as a prudent debt policy that will enable the adequate funding of public investments while ensuring the sustainability of the debt.

Even if they are not among the initial actions of this operation, the reforms to be pursued in the context of this dialog will include the education sector, with an effort to improve the efficiency of budgetary spending on education. In this context, the government will carry out a review of the regulatory framework that governs the transfer and use of resources from the apprenticeship tax to the Fund to Support Vocational Training and Apprenticeship (FAFPA), and effectively transfer resources in accordance with the revised framework.

The objective of this measure is to contribute to improving productivity and creating jobs through two channels: (i) the strengthening and enhancement of the vocational training system so that it modernizes and adapts to the conditions of the labor market, and (ii) by making budgetary funds available to the FAFPA for the development of activities. This measure forms part of the implementation of the National Youth Policy and its operational strategic plan.

In this regard, the government is seeking the support of the World Bank for the two pivotal years 2017 and 2018, by granting and disbursing budget support as soon as possible, and preferably before mid-December 2017.

VII. INSTITUTIONAL FRAMEWORK FOR IMPLEMENTATION

The Ministry of Economic Planning will be responsible for execution of the program, in perfect synergy with the sectoral ministries and bodies involved with the implementation of the reforms and measures.

Niamey, on the ________
Minister for Economic Planning
Governor of the World Bank for Niger

KANE AICHATOU BOULAMA

Annex 3: Fund Relations

FO/DIS/17/176

October 16, 2017

To: Members of the Executive Board

From: The Secretary

Subject: Niger—Assessment Letter for the World Bank

Board Action: Executive Directors' information

Publication: Yes*

Questions:

Mr. Klingen, AFR (ext. 35959)

Niger - Assessment Letter for the World Bank

October 16, 2017

This letter provides an updated IMF staff assessment of the macroeconomic and financial situation in Niger, of performance under the three-year ECF arrangement approved on January 23, 2017, and of prospects going forward. This assessment is based on information reported by the authorities through mid-October. Discussions for the first program review are scheduled for October 23 – November 6, 2017 in Niamey. The IMF's Executive Board could consider a request for completion on the program review in early January 2018.

Recent Economic Developments

1. Macroeconomic developments in 2016-17 have been broadly in line with program projections. Real economic activity expanded by 5 percent in 2016 and will likely dip slightly to 4.5 percent in 2017, reflecting unfavorable commodity prices and the unusually good 2016 crop, which will be difficult to much improve upon this year. The current account deficit declined in 2016 as import-intensive investment projects wound down and should reach some 16 percent of GDP in 2017. As a member of the West African Economic and Monetary Union (WAEMU), Niger benefits from the pooled international reserves of the union, which remain satisfactory at the equivalent of just over 4 months of imports. Inflation runs at a moderate pace—1.7 percent year-on-year in August.

2. Outturns for the fiscal deficits in 2016 and the first semester of 2017 closely matched projections, although revenues underperformed. Depressed trade with Nigeria and lagging reforms weighed on customs collection, leading to revenue shortfalls of 0.7 percent of GDP in 2016 and 0.5 percent of GDP in the first half of 2017. Thanks to improved control mechanisms, notably the Inter-Ministerial Budget Regulation Committee established in mid-2016, discretionary current expenditure and domestically-financed investment were scaled back to protect the fiscal bottom line. The first semester also saw progress with the clearance of domestic payment arrears. Public and publicly-guaranteed external debt stands at some 36 percent of GDP and is predominantly at concessional terms, but a limited export base puts Niger at the upper end of the "moderate" risk category for external debt distress.

Program Performance

3. Niger appears to have observed the key quantitative program targets at end-June 2017. Domestic financing of the central government, arrears clearance, and the fiscal balance excluding foreign-financed capital expenditure all fell within prescribed limits. Social spending also remained above the set floor and “exceptional” spending stayed contained as planned. The exception is the planned increase in fiscal revenue that did not fully materialize.

4. The implementation record of structural reforms is more mixed. Important measures underpinning the targeted revenue augmentation have fallen behind schedule, such as applying transaction values for the taxation of imports. Making the Treasury Single Account operational, which is at the heart of broader efforts to improve public financial management, is also taking longer than expected. An action plan to audit and overhaul the major state-owned enterprises and public entities was adopted as planned. By contrast, the national gender strategy was updated faster than expected and could, with appropriate follow-up action, make a tangible contribution to addressing Niger’s pressing gender equity and demographic challenges.

Outlook

5. Niger continues to face important risks and requires sustained support from the international community to address its daunting development challenges. The economy is subject to commodity prices shocks affecting export earnings, periodic droughts, and security threats from terrorist attacks across three of its borders, underscoring the need for prudent policies. With one of the world’s lowest Human Development Index and per-capita income, Niger has vast development needs that require, in addition to best domestic policy efforts, continued external financial support.

6. Success over the three-year program horizon depends on sustained and determined policy implementation. The main contribution of the ECF program to economic development is ensuring macroeconomic stability, which hinges in the case of Niger above all on improving public finances. This is to be achieved primarily through fiscal structural reforms that seek to advance domestic revenue mobilization and spending efficiency. The ability to contain spending should these efforts not fully come to fruition on time, is an important second line of defense. The government is now preparing a budget for 2018 in line with programmed fiscal consolidation of about 1 percent of GDP and that targets ambitious domestic revenue growth. A multitude of fiscal structural reforms, supported by extensive technical assistance, is underway and needs to be seen through.

7. On this basis, the macroeconomic program objectives remain well within reach. The fiscal deficit would decline to meet the WAEMU convergence criterion of 3 percent of GDP no later than 2020 and external debt vulnerabilities would recede. The current account deficit would ease to around 13 percent of GDP, financed by project grants and loans together with FDI. Inflation would remain anchored at moderate levels by the BCEAO’s common monetary policy. Economic growth, though still subject to risks of climatic, commodity price, and security shocks, should rise in this environment to at least 6 percent, especially if also supported by a broader effort by the government and the donor community to spur the development of a strong private sector.

Annex 4: Environment and Poverty /Social Analysis Table

Prior Actions	Significant positive or negative environment effects (yes/no/to be determined)	Significant poverty, social or distributional effects positive or negative (yes/no/to be determined)
Pillar 1 Increasing rural productivity growth		
Prior action 1. To increase access to agricultural inputs, the Ministry of Agriculture has (a) finalized an e-voucher distribution mechanism for agricultural input subsidies and (b) implemented a pilot program for such mechanism in four (4) communes	Yes – Positive	Yes - Positive
Prior action 2. To increase the outreach in extension services, the Government has signed a performance contract with the Agriculture Chambers Network (RECA) for the implementation of an e-extension system	Yes - Positive	Yes- Positive
Prior action 3. To deepen financial inclusion in rural areas, the Council of Ministers has adopted a leasing Law for SMEs and has submitted said draft law to its Parliament.	No	No
Prior action 4: To strengthen the linkages between the extractive industry and the local economy, the Council of Ministers has adopted the draft revised Mining Law including new provisions to formalize artisanal mining, and has submitted said draft revised law to its Parliament.	No	Yes - Positive
Pillar 2. Supporting growth enabling sectors		
Prior action 5. To promote rural access to internet and mobile services, the Government has adopted (a) decree on creation of ANSI in charge of the implementation of the USF strategy; and (b) decree on the nomination of the ANSI's General Director.	No	Yes – Positive
Prior action 6. To incentivize the development of the ICT sector, the Ministry of Finance has adopted the 2017 financial year budget (a) reducing the tax on incoming international interconnection tariff (TATTIE); and (b) abolishing the flat tax on SIM cards (TURTEL).		
Prior action 7. To implement the first electricity tariff adjustment, the Ministry of Energy has adopted (a) an electricity tariff methodology	No	Yes – Negative but a PSIA will be conducted to design compensatory

Prior Actions	Significant positive or negative environment effects (yes/no/to be determined)	Significant poverty, social or distributional effects positive or negative (yes/no/to be determined)
based on a cost-coverage approach; and (b) a multi annual electricity tariff adjustment.		measures
Prior action 8. To stabilize NIGELEC, the Ministry of Finance has approved NIGELEC's financing plan to stabilize its debt to equity structure.	No	No
Prior action 9. To increase tax revenue, the Government has adopted a draft Finance Law 2018 including measures to: (a) rationalize tax expenditures of the investment code; and (b) harmonize VAT exemptions with the WAEMU norms, and has submitted said draft Finance Law 2018 to its Parliament.	No	No

Annex 5: Lessons Learned

1. The design of RGPESC series has been informed by lessons learned from the predecessor series (PIRSC), Niger's CPS for 2013-2016, and other project work and policy dialogue with the Government conducted by the World Bank and other development partners. Key lessons are:

2. Identifying relevant and available indicators to measure achievements towards the PDO is critical. Lessons from the previous PIRSC series, for which a set of indicators had to be changed, show that the attribution of some result indicators to the prior actions was weak and measurement was an issue. It is critical to engage in more upstream work to make sure that data are available and strong coordination with government entities takes place to ensure that monitoring and evaluation systems are able to generate the needed data. This is also highlighted in a recent IEG Retrospective of World Bank DPOs, which stated that monitoring and evaluation (M&E) has in some cases affected the quality of World Bank DPOs. In particular, creating a set of relevant indicators in many cases is hampered by weaknesses in country data, while arrangements to generate or collect data specifically for the M&E framework of DPOs may not always work. In the proposed operation, the team has carefully coordinated with the Government to identify and select indicators for which data are available and/or coordinated with government projects to ensure their monitoring.

3. Changing gear and shifting priorities may prove necessary to deliver results. A first lesson drawn from previous DPOs in Niger and from fragile states in general is the need for identifying priorities that are likely to improve the living conditions of the population. Accordingly, the proposed operation shifts from a traditionally PFM-heavy DPO to a multi sectoral DPO with critical reform areas where there is the greatest immediate potential of reducing poverty and direct impact on the population in rural areas.

4. Over ambition in reform formulation over DPO time period and not in keeping with political economy realities may lead to poor outcomes. Often achieving results with a long series of DPO may prove challenging, particularly if they overlap with election periods. As in many countries, Niger experienced a significant delay in fulfilling the triggers for the PIRSC2 in 2016 following the presidential election in the first quarter of 2016. A new government took office only in the second semester. It has resulted in a significant attrition of the operation and affected adversely its processing time. Accordingly, the proposed DPF is designed as a two-year operation.

5. Overloading the policy agenda beyond the existing institutional capacity of the Government could prove counterproductive. The breadth and ambition of the reform program supported by DPFs needs to be well aligned with the institutional capacity of the government. This lesson is reflected in the implementation delay of many ambitious PFM reforms in the Shared Growth and PIRSC series for Niger, and this despite the existing TA that supported the DPO reforms. Such delay led to a reformulation to a more intermediary stance of the original reforms. Accordingly, the proposed operation will focus on structural reforms most of which is supported by investment projects.

6. Using DPO series could be instrumental in advancing critical medium-term reforms when supported by investment projects. The policy reforms in the electricity sector started under the shared growth DPO, gained momentum under the PIRCS series and are expected to make significant progress under the RGPESC series. The DPO helped support the persistence of the Government to advance a difficult reform agenda which otherwise may have been more challenging. These reforms were in turn supported by the World Bank-supported investment financing project (NELACEP) which provided the resources and technical expertise to the sector for critical investment and technical assistance.

Annex 6: Sectoral growth rates in %

	2013	2014	2015	2016	2017	2018	2019	2020
Rural sector	-0.3	8.3	1.6	10.4	2.6	5.0	5.1	5.3
Agriculture	-3.0	11.8	1.4	14.5	2.4	5.3	5.0	5.0
Livestock	4.1	3.2	4.2	4.1	3.0	4.3	5.5	6.6
Forestry and fishing	6.8	-1.3	-2.9	-2.5	3.0	4.0	4.7	4.2
Mining+ Upstream oil	12.3	-2.4	-5.9	3.7	6.2	1.6	3.1	25.6
of which: Oil	32.0	-6.7	-10.0	10.2	9.4	-0.5	2.2	44.1
Industry, energy, and handicrafts	15.5	1.9	-0.5	5.5	6.1	3.5	4.0	4.4
Manufacturing industries and handicrafts + Refinery	16.5	1.3	-0.9	6.0	6.0	3.0	3.6	4.0
Electricity and water	8.8	5.7	2.6	2.7	7.2	7.6	7.0	7.0
Construction & Public Works	6.2	5.3	6.2	3.8	6.3	6.0	8.5	8.5
Commerce, transport, and services	5.0	5.1	5.6	2.4	5.0	5.3	5.7	7.0
Commerce	4.6	3.5	4.9	2.6	5.0	5.5	6.0	6.9
Transport + Pipeline	9.4	5.8	6.2	0.9	5.1	4.7	5.0	9.2
Services (adjusted by SIFIM)	1.7	7.3	6.2	3.3	5.1	5.4	5.6	5.2

Source: Ministry of Economic Planning, IMF, WB. 2017