

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

March 13, 2018
Report No.: 126013

Operation Name	SECOND FOSTERING RURAL GROWTH REFORM GRANT
Region	AFRICA
Country	Niger
Sector	
Operation ID	P166124
Lending Instrument	Development Policy Lending
Borrower(s)	THE REPUBLIC OF NIGER
Implementing Agency	
Date PID Prepared	March 13, 2018
Estimated Date of Appraisal	
Estimated Date of Board Approval	October 30, 2018
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

Niger is predominantly a rural economy. The majority of the population and the poor earn their living from agriculture which is the main contributor to GDP. A key objective of the Government of Niger is to focus on supporting rural growth with agriculture being the leading sector of the rural growth strategy. The government's priority is to increase agricultural productivity. The sector is handicapped by inadequate extension services,¹ limited use of equipment and modern inputs, limited control of water, a weak organization of producers, and declines in soil fertility. Extremely low access to rural finance is identified as one of the key impediments to modern inputs, marketing channels and logistics—including inadequate storage facilities and ability to process agricultural products which also account for low productivity in agriculture. Strengthening of the links between the extractive industry and the local economy is also considered a key factor to rural growth. The greatest potential for the extractive industry social and economic contribution is in job creation either through local subcontracting and/or through the development of the informal mining sector, such as gold panning and small-scale mining. A framework needs to be established to formalize the local content in the sector and the artisanal mining sector needs to be formalized and better organized. Community development aimed at providing social infrastructure (roads, schools, hospitals, and mining cities) also enhances the benefits for the rural population. They provide an alternative to rural employment.

¹ 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.

Counterfactual analyses show that significant gains could be made if inefficiencies in infrastructure were fixed. Niger could grow by as much as 4.5 percentage points per capita if it expands and improves its infrastructure. Power would contribute around 1.51 percentage points to per capita growth if generation capacity and national access rates—which as of today are among the lowest in the region—were increased. ICT would also make an important contribution to economic prospects (1.31 percentage points), provided the mobile phone and Internet markets continue expanding.² Creating a favorable environment for the private sector to invest in these sectors, improving access of the rural population to electricity and mobile/internet, and making sure that the NIGELEC, the state-owned company in electricity, remains financially viable are the main objectives of the Government.

One of the key challenges facing Niger is to increase tax revenue. First, it will help continue financing Niger’s development challenges and avoid painful fiscal consolidation through cuts in expenditures as has been the case in the past years. Second, the current vicious circle of increasing public debt and interest payments represents a risk that would only be mitigated in the medium term under the assumption of a tightening fiscal stance. Tax policy to broaden the base, the rationalization of tax exemptions and the strengthening of tax and customs administration are among the key features of the government’s strategy. 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. 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 2015.³

Niger’s macroeconomic framework remains adequate for the proposed operation. Niger’s macroeconomic framework remains adequate for the proposed operation. Growth is on an upward trend and expected to average 5.8 percent during 2018-21. Niger has sustained its fiscal consolidation policy since 2016, combining enhanced revenue policy and expenditure control which aims to bring Niger in line with the West African Economic and Monetary Union (WAEMU) fiscal target by 2021. 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 and commodity prices.

II. Proposed Objective(s)

The proposed operation is the second of a series of two development policy operations to be disbursed over 2017-2018 under IDA 18. The operation will provide financial support to Niger as the authorities implement the PDES II.

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. Pillar 1 supports the PDES II’s objective of “Food security and sustainable agricultural development” by focusing on agricultural productivity and the dissemination of context-relevant farming practices.

² Source: Niger SCD – 2017.

³ Draft: Informal trade and customs revenue losses in Niger, (2017).

The focus on the extractive industry in Pillar 1 supports the PDES II's objective of "A competitive and diversified economy" by strengthening the linkages between the extractive industries with the rural economy. The focus on rural finance under Pillar 1 and infrastructure under Pillar 2 supports the PDES II's objective of "A competitive and diversified economy". Pillar 3, supports the PDES II's objective of "Governance, Peace and Security".

III. Preliminary Description

The program development objective (PDO) 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 ICT investment, mainly in rural areas; (ii) improve the financial and the technical performance of NIGELEC⁴; (iii) broaden the tax base by rationalizing tax expenditure and exemption regimes, and (iv) create the conditions for sustainable rural road maintenance financing framework.

IV. Poverty and Social Impacts and Environment Aspects

Many of the actions supported by the proposed operation are expected to have positive poverty reduction and welfare enhancement impacts. Improvements in the agricultural input supply chain (seeds and fertilizers) and on the extension service delivery will contribute to higher agricultural yields and therefore to improved food security while reducing economic vulnerability of rural households. Artisanal and small-scale mining (ASM) is 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, enforcement of existing regulation in the extractive industry 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.

The development of the electricity and ICT sectors will create small business opportunities while complementing other initiatives to improve rural welfare. Potential negative impact on the poor of the tariff adjustment is mitigated. The majority of the poor does not have access and use electricity. In addition, there is already a tariff system that protects to the poor. Nonetheless, a PSIA will be conducted during calendar year 2018 by the NECALEP to assess the impact of the electricity measures 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.

Some actions supported by the proposed series are expected to have a positive impact on gender

⁴ Societe Nigerienne d'Electricite (Niger electricity company).

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. Similarly, the education and health reforms will allow the Government and public agencies to expand social services, which are critically important to women and female-headed households.

Environment Aspects

The proposed operation is likely to have positive effect on the Niger’s environment, forests, or other natural resources. Unregulated or poorly regulated artisanal mining 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 artisanal mining 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, rural finance and the social sectors are not likely to have significant impacts on environment and forests

Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	110.0
Borrower/Recipient	
IBRD	
Others (specify)	
Total	110.0

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