

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA28175

Project Name	Niger Investment Climate Support (P148839)
Region	AFRICA
Country	Niger
Sector(s)	SME Finance (50%), Other industry (50%)
Theme(s)	Other Private Sector Development (100%)
Lending Instrument	Investment Project Financing
Project ID	P148839
Borrower(s)	Republic of Niger
Implementing Agency	MOP - PIU (CR 51320)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	04-Aug-2015
Date PID Approved/Disclosed	04-Aug-2015
Estimated Date of Appraisal Completion	27-Jul-2015
Estimated Date of First Grant Approval	28-Aug-2015
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Niger's path to development is facing many substantial challenges. Niger is a poor country with a limited natural and human resource base. It ranks 186th out of 187 countries on the UNDP Human Development Index, with a GDP per capita in Purchasing Power Parity terms of US\$967 in 2014 - one of the lowest in the world. Even though its 1.27 million square kilometers make it the largest country in West Africa, distance from the sea and a largely desert terrain combined present tough constraints for infrastructure development. The country constantly battles drought and only about 12 percent of all its land is arable, mostly located along the River Niger. Not surprisingly, most of Niger's 16 million people are clustering along the banks of the river in the West and South of the country to take advantage of the tropical climate and more amenable agro-ecological conditions in that part of the country.

High population growth acts as a drag upon progress. Population growth rates in Niger are in excess of three percent per annum which will put increasing pressure on Niger's stock of arable land: at the current growth rate, the population is expected to double by 2035 and reach 54 million by 2050. Niger's population is young with nearly half of the population under 15 years of age. About 350,000 youth enter annually the job market, 90 percent of which without qualifications. With

current demographic trends, 70 percent of the population will still live in rural areas by 2035. Thus a very large share of the population will keep relying on agriculture for their livelihood, and the economy will remain dependent on the sector as a source of growth.

Agriculture is the most important sector of Niger's economy and accounts for over 40 percent of national GDP and the main source of livelihood for the population, with 83 percent of employment depending upon rain-fed agriculture and livestock. It is estimated that 2.5 million people in Niger are chronically food-insecure and unable to meet their basic food requirements even during years of average agricultural production. During periods of constrained access to food, millions more can quickly fall into transitory food insecurity. Crop production in Niger takes place in a context of low and variable rainfall, and high and increasing pressure on cultivable land due to the high population growth rate. Production is further constrained by the predominance of traditional management systems, with limited use and potential for irrigation, poor access to improved seeds, fertilizer, and mechanization and lack of information.

The mineral sector bears a high potential for Niger's economic growth, with notably an expansion of the oil production (+40 percent in 2014, reaching an average of 18,000 barrels per day). GDP growth in 2014 is estimated at 6.5 percent, rebounding from a disappointing 2013 where growth was held back by the security situation and below average rainfall. The revenue from the mineral sector has enabled investments in boosting agricultural food production and infrastructure spending, which in turn has been driving growth. For the 2014 campaign, production of cereals was 12 percent higher than 2013, and 10 percent above the average of 2009-13

Medium term growth prospects look positive thanks to two large mineral resources projects and a stable macroeconomic environment. However, the country is exposed to important external and internal risks: First the security situation, notably in the border area of North East Nigeria and Lake Chad. These areas, at risk from infiltration of insurgents from Northern Nigeria, include several important regional trading capitals are particularly strategic in terms of economic relations with Nigeria and other regional markets. Second, the vulnerability of the country's agricultural sector. The sector remains vulnerable to climate shocks and climate change in the medium term.

Niger needs to diversify its economy and create value added beyond basic agricultural productions and mining, in order to create a path to sustainable growth and job creation. A significant potential for expansion of the manufacturing sector exists, in particular in the processing of agricultural products. Investment in the agricultural sector could provide important opportunities to help drive diversification and private sector job creation if well managed. Industry in Niger remains very underdeveloped and under-diversified as well as characterized by a lack of competitiveness. Manufacturing industries increased their contribution from less than 2 percent of GDP over the period 1990-2004 to 4 percent in 2011. It is important to note that aspects related to the state of production and productivity will be specifically addressed by the Climate Smart Agriculture (CSA) Project (FY 16, USD 111 M)

Increasing the export base and diversifying foreign investment will be necessary over the medium term, as growing urban markets will still represent relatively limited markets for excess agricultural supply, especially as poverty is also widespread in urban areas. Niger's current account deficit also remains large -- estimated at 17.9 percent of GDP in 2013 (outside of grants). This deficit is financed by high foreign direct investments and project grants and loans. With the exception of few sectors (extractives, cotton, livestock), Niger's private sector base remains very poorly connected to

the global and regional economy. Most of the country's export growth potential is associated with regional trade mostly with Nigeria (its main economic partner) and with the West African Economic and Monetary Union (WAEMU) countries.

Sectoral and institutional Context

Niger pastoral and agricultural potential is illustrated by the fact that the country is already a large regional exporter of livestock, onion, cowpea (cowpea) and sesame. Not counting recent oil production increases, livestock is after uranium the second export, followed by onion and cowpea exports. These three products alone represent a share of export higher than that of uranium and gold combined.

The livestock sub-sector contributes significantly to national GDP (13 percent of GDP and 40 percent of agricultural GDP) with pastoralists and agro-pastoralists supplying 80 percent of production. The various production systems provide a significant portion of the meat and milk consumed both inside the country and in neighboring countries. Although estimates vary a lot according sources, export of livestock and meat products are arguably important: according to recent official figures they are estimated at nearly 12 percent of Niger total exports.

Agricultural and livestock products are often not transformed and only capture a small share of the value generated along supply chains (through processing, but also marketing when they are exported or compete with imported products). Growth and value addition opportunities must be sought for these value chains in both the relatively small domestic and the more promising regional markets to generate income to farmers, entrepreneurs and employees:

Trade between Niger and Nigeria has always been significant and Nigeria is Niger's largest trade partner with important potential for expansion. Provided that the security environment and Nigerian trade policies allow, Niger can take further advantage of the large Nigerian neighboring market: According to the 2008 Country Economic Memorandum (CEM), Nigeria contributes significantly and increasingly to Niger's GDP growth; contribution estimated at 26 percent. Furthermore, the geography (with a 1500 km border) and community ties are other important factors which facilitate trade with Nigeria. Nigeria represents 80 percent of Niger non mining trade. This trade could even be expanded if Nigerian trade restrictions (such as temporary bans or informal trade barriers on import of beef and poultry meat) were lifted. Nigeria is not only the main trading partner, but also the country that offers Niger the greatest potential for export growth because of its size and diversified economy. Accelerating regional integration and reinforcing Niger's trade relations with Nigeria is a key priority given the offered opportunities. In view of the large trade potential, the Government of Niger has made it a strategic priority to strengthen regional integration with Nigeria.

The two Easternmost (administrative) regions, Zinder and Diffa are probably most in need to receive support to the development of their agribusiness potential, whereas Southern Niger can all take advantage of furthering agribusiness opportunities, building on high availability of raw materials, low labor costs and with regard to exports to Nigeria locational proximity and greater political security at this time.

Despite environmental and security challenges, relatively lesser support from the donor community and government programs, as well as structural limitations facing Zinder and Diffa, there are five value chains with clear potential to lead to economic diversification, value addition, and job creation. These value chains, identified through an assessment of sectors with the highest potential

for value and employment creation , include chili peppers, cowpea, ground nuts , poultry, and livestock

Value chains were considered high-potential (see Annex 8 for details) if they met the following criteria, amongst others:

- a. Higher potential in terms of value addition, profit generation, employment and gender, concern for food security , while being environmentally sustainable, which is absolutely central to the objective of diversification and development of agro-based economy;
- b. A minimum degree of readiness (level of stakeholder expertise and engagement, governance) to benefit from the assistance provided under the project, and;
- c. Some degree of complementarity with other value chains and donor supported initiatives, therefore laying the ground for future and more ambitious agro-cluster or pole comprehensive approaches.

II. Proposed Development Objectives

The objective of the Niger Investment Climate and Competitiveness Support Project (NICCP) is to improve critical elements of investment climate for the private sector and enhance competitiveness of SMEs in selected agriculture value chain.

III. Project Description

Component Name

Component 1: Modernization of the Business Environment

Comments (optional)

Component Name

Component 2. Increase the competitiveness of selected agricultural value chains

Comments (optional)

Component Name

Component 3: Project Implementation Support

Comments (optional)

IV. Financing (*in USD Million*)

Total Project Cost:	18.28	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
Free-standing TFs Finance and Private Sector			18.28
Total			18.28

V. Implementation

The Trust Fund will be Bank and Recipient-executed. The World Bank will implement activities or

provide implementation support through joint supervision missions with DANIDA. The Role of the Government of Niger will be to implement the Project through the PRACC PIU hosted under the Ministry of Planning and through the other ministries involved. The PIU will manage the Project according to its current administrative and financial management procedure manuals.

The PIU reports to the PRACC steering committee including representatives from all institutions associated with the project, namely the Ministry of Commerce, the Ministry of Industry and Mining, the Ministry of Oil, and the Chamber of Commerce, and chaired by the Ministry of Planning. It meets twice a year to approve among other things annual work programs.

The government entity (Haut-Commissariat à l'Initiative 3N, HCI3N) tasked with the overall coordination of the two components of the Danish program will be invited to join the steering committee of the PRACC. On the other hand, the coordinator and the president of the steering committee of PRACC will participate in the coordination mechanism for the Danida Program.

The PIU will work in close collaboration with the different ministries involved in the project, as well as with private sector representative bodies and other stakeholders (Chamber of Commerce Industry, ANIPEX, etc.), through the designated focal points for PRACC project. These agencies/ ministries are (i) the Ministry of Commerce for the Public Private Dialog and the Doing Business Subcomponent (component 1.1); (ii) the Maison de l'Entreprise for the Matching Grant sub component; (iv) the Chamber of Commerce through its ANIPEX for the export and investment promotion component. A new focal point will be appointed within the ministry of Agriculture which was not involved in the PRACC.

Finally a locally recruited PECEA National Institutional Advisor will be hired under the TF to strengthen synergies between the two components of PECEA and ensure liaison with the HC3N and Danish Embassy in Ouagadougou. This adviser will be invited to meetings of the PRACC steering committee.

The World Bank has signed an administrative agreement with the Danish development cooperation that will include the rules underlying the governance arrangements and cost recovery under this TF.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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