

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

07/07/2016

Report No.: AB7856

Operation Name	Second Public Investment Reform Support Credit
Region	AFRICA
Country	Niger
Sector	Central government administration (50%); General energy sector (25%); Irrigation and drainage (25%)
Operation ID	P159969
Lending Instrument	Development Policy Lending
Borrower(s)	Republic of Niger
Implementing Agency	Ministry of Finance (MEF)
Date PID Prepared	July 7, 2016
Estimated Date of Appraisal	October 1, 2016
Estimated Date of Board Approval	December 15, 2016
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 a large, landlocked country in the arid Sahel-Saharan region with a population of about 18.3 million people. Niger's annual population growth rate was recently revised upward to 3.9 percent. A 2013 demographic and health survey (DHS) reported a total fertility rate of 7.6 children per woman in 2012, well above the already high rate of 7.1 recorded in 2006. The country's total land area is 1.27 million square kilometers, but most of the population is concentrated in the areas around the Niger River in the southwestern corner of the country and along its southern border with Nigeria. The central and northeastern regions are arid and sparsely populated, with the exception of a few smaller cities along the northern route to Algeria. Droughts are frequent, and affect about 80 percent of the population engaged in semi-subsistence agriculture and livestock. Most of the country's growth potential is associated with extractive industries, primarily uranium and oil, which adds to the exposure of the country to weather risks and security issues, highlighting Niger's vulnerability. The agricultural sector is highly vulnerable to weather shocks, especially droughts, which remain very frequent, causing GDP to be volatile as agriculture is the main driver of output. Uranium and oil together account for about 60 percent of Niger's merchandise exports, but less than 6 percent of GDP during 2013-2015.

1. Despite a decline in poverty over the past decade, the incidence of poverty remains high and equally high is gender disparity. With a per capita GDP of US\$895 in 2015 (constant 2011 US\$), Niger is among the poorest nations in the world. Poverty incidence declined from 53.7 percent in 2005 to 44.5 percent in 2014. Poverty declined in rural and urban areas, but the reduction in poverty was more pronounced in the capital city and in other urban areas, declining from 29.6 percent in 2005 to 8.7 percent in 2014. The vast majority of Niger's 8.2 million poor (2014 estimate) live in rural areas where food insecurity is high. Growth in real per capita consumption benefited everyone, except those in the poorest decile. Between 2011 and 2014 the

poorest 30 percent of the population experienced a decline in real per capita consumption of up to 10 percent, whereas the better off experienced even higher rates of consumption growth. Niger remains at the bottom of UNDP's human development ranking despite little improvements over the past years. Its human development index was 0.348 in 2015, up from 0.326 in 2010, but still well below the sub-saharan Africa (SSA) average of 0.502. Gender disparities have declined since the 1980s, but remain substantial, particularly in education and health. Niger ranked 151st out of 152 countries in UNDP's 2013 gender inequality index.

Niger continues to strengthen its democratic governance mechanisms and renewed its executive and parliamentary institutions following the legislative and presidential elections in 2016. The 2016 presidential and legislative elections took place in the first quarter of the year. The incumbent candidate President Mahamadou Issoufou won a run-off presidential election that took place on March 20, 2016 winning 92 percent of the votes. The new parliament and the new government have taken office since April 12, 2016. The Government continues to step up efforts at promoting the safety and property rights of its citizens.

The PIRSC series is designed to support and address the challenges in the implementation of the Nigerien Government's national poverty reduction strategy, and the Economic and Social Development Plan (*Plan de Développement Economique et Social* – PDES). The authorities recognize that a growth strategy driven mainly by extractive industries and agriculture presents a unique set of challenges. The avenues through which the PDES addresses this challenge include – but are not limited to– a redistributive fiscal policy entailing significant investment in infrastructure, and improvements in Public Finance Management (PFM) and Public Investment Management (PIM).

II. Proposed Objective

The PIRSC's development objective is to: (i) improve the quality, reliability and accountability of the country's PFM and PIM systems; (ii) establish the policy and regulatory framework necessary for a well-functioning public irrigation sector; and (iii) to facilitate the reform of the electricity sector.

III. Preliminary Description

This operation proposes the Second Public Investment Reform Support Credit (PIRSC2) in the amount of Euros XXXX million (US\$50 million equivalent) to the Government of Niger. This is the second credit in the proposed PIRSC series, which consists of three single-tranche credits to be disbursed over 2016-2018. Programming under IDA17 envisaged US\$150 million for the three operations combined. The amount of the final operation may change during the series' implementation period in response to an evolving economic and institutional context.

The proposed operation is structured around three pillars: (1) Strengthening public finance management (PFM) and public investment management (PIM) systems; (2) Improving the management of the public irrigation sector; and (3) Enhancing the institutional framework for the electricity sector.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

Many of the actions supported by the PIRSC are expected to have positive poverty reduction and welfare enhancement impacts. Measures under each of the PIRSC's three pillars are specifically designed to speed the pace of poverty reduction by broadening access to economic opportunity. PFM and PIM reforms under Pillar 1 will increase the economic impact of capital investment, increasing the quality and availability of public goods and services. The PIRSC supports PFM reforms in health, education, rural development, water resources, transportation, and energy; these sectors have been shown to have the greatest impact on poverty reduction. Improvements in the management of irrigation systems will reduce the economic vulnerability of rural households, boost the income potential of agricultural land, reinforce food security, and strengthen the farmers' rights to irrigated land. Measures to strengthen the institutional framework of the electricity will establish essential conditions for expanding electricity access, creating new income opportunities and promoting broad-based growth.

Some actions supported by the proposed DPO are expected to have a positive impact on gender equality. Expanded irrigation networks and a strong electricity sector are expected to have positive impact on women's health and nutrition, and to increase the income-generating capacity of female-headed households. Women are especially vulnerable to food insecurity, and female-headed households are often the most in need of new economic opportunities. PFM and PIM reforms will allow public agencies to expand social services, which are critically important to women and female-headed households. Reforms in of irrigation will improve greater access to water particularly in times of scarcity, ensure land tenure and enable producers to adopt more diversified cropping patterns, and to switch from low-value subsistence production to high-value market-oriented production.

Reforms supported by PIRSC will strengthen Niger's mechanisms for mitigating social risks of development projects. Selection of investment projects following the procedures spelled out in the Decree on the management of public investment projects (Prior Action under Pillar 1) helps incorporate social risk mitigation measures. Reforms supported under Pillar 2 will strengthen the farmers' rights to use irrigated land. The existing regulatory framework already provides sufficient protection of the farmers' rights; the PIRSC-supported reforms will further clarify it, and will benefit the farmers fully. ONAHA Decree (Prior Action 5 under Pillar 2) provides for ONAHA's assistance to the establishment of transparent contractual arrangements between farmers' organizations and the providers of goods and services. This will enhance the farmers' bargaining power and their ability to master irrigated agriculture, and will result in higher incomes and poverty reduction. The planned law on irrigation (PIRSC3 proposed trigger 6) and the subsequent implementation decrees will further strengthen socially sound management of irrigated land, notably through implementing the principle of equitable land allocation on publicly developed land (notably vis-à-vis the poor and women) and clarity of land rights.

Environment Aspects

Laws and regulations supported by PIRSC will help Niger to progressively implement stronger environmental safeguards. Nigerien legislation includes a Decree on environmental assessments that ensures adequate integration of environmental considerations into proposed development projects. Institutional responsibility for environmental impact assessment is vested in the Office of Assessments and Environmental Impact Studies (*Bureau d'Evaluation Environnementale et des Etudes d'Impacts – BEEEI*), which is attached to the Ministry of the Environment and Desertification Control. The BEEEI works directly with both sector ministries and local communities, and small environmental units have been established at the regional level to decentralize environmental management capacity. Support from Niger's development partners, including the World Bank, has greatly improved the effectiveness of these units, and the BEEEI is increasingly able to engage with civil society and affected populations through special environmental hearings and impact assessment workshops. The proposed operation is fully consistent with BEEEI protocols, and the reforms supported by PIRSC directly complement its efforts. Specifically, Pillar 1 reforms will support increased public expenditure efficiency, which may have positive indirect effects on the environment, but these are likely to be minor. The cornerstone principle of irrigation sector reform (Pillar 2), based on the provisions of the SNDICER as well as the entirety of Nigerien laws and regulations currently in force, is to ensure that expansion and management of irrigated land will mitigate adverse environmental impact. Actions to promote sustainable development of the energy sector under Pillar 3 should help to offset the population's reliance on wood and other biomass fuels. Deforestation rates are highly unsustainable and a major contributor to soil erosion and desertification. In this context, any measures that expand the supply of electric power should have a highly positive environmental impact.

V. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	50.00
Borrower/Recipient	0.00
IBRD	0.00
Others (specify)	
Total	50

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