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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A PROPOSED DEVELOPMENT POLICY CREDIT

IN THE AMOUNT OF EURO 71.4 MILLION
(US$80 MILLION EQUIVALENT)

TO THE

REPUBLIC OF NIGER

FOR A

FIRST PUBLIC INVESTMENT REFORM SUPPORT CREDIT

November 4, 2015

Global Practice: Macroeconomics and Fiscal Management
Country Management Unit: AFCW3
Africa Region

THE REPUBLIC OF NIGER – FISCAL YEAR
January 1 – December 31

CURRENCY EQUIVALENTS
(Exchange Rate as of September 30, 2015)

Currency Unit = CFA Franc (FCFA)
US$1 = 593 FCFA
US$1 = 1.11 EURO

ABBREVIATION AND ACRONYMS

AfDB	African Development Bank
BCEAO	Central Bank of West African States (*Banque Centrale des États de l'Afrique de l'Ouest*)
BEEEI	Office of Environmental Assessment and Impact Studies (*Bureau d'Evaluation Environnementale et des Etudes d'Impacts*)
CEM	Country Economic Memorandum
CPS	Country Partnership Strategy
DPO	Development Policy Operation
DSA	Debt Sustainability Analysis
DSP	Directorate for Studies and Programming
ECF	Extended Credit Facility
EU	European Union
EXIM Bank	Export-Import Bank of China
FCFA	West African CFA Franc
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
HDI	Human Development Index
IDA	International Development Association
IDP	Internally Displaced Person
IFC	International Finance Corporation
IIAG	Ibrahim Index of African Governance
IMF	International Monetary Fund
MEF	Ministry of Economy and Finance
NIGELEC	Nigerien Electricity Company (*Société Nigérienne d'Electricité*)
NPV	Net present value
ODA	Official Development Assistance
ONAHA	National Agency for Irrigation Schemes (*Office National des Aménagements Hydro-Agricoles*)
OPVN	Nigerien Food Products Office (*Office des Produits Vivriers du Niger*
KfW	German Development Bank
PDES	Economic and Social Development Plan (*Plan de Développement Economique et Social*)
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Financial Management
PIP	Public Investment Plan (*Plan des Investissements Publics*)
PIM	Public Investment Management
PIRSC1	First Public Investment Reform Support Credit
PV	Present Value
SDR	Special Drawing Rights
SEEN	Nigerien Water Exploitation Company (*Société d'Exploitation des Eaux du Niger*)
SME	Small and Medium Enterprise
SNDICER	Stratégie Nationale de Développement de l'Irrigation et de Collecte des Eaux de Ruissellement
SOE	State-Owned Enterprise
SONIDEP	Nigerien Petroleum Products Company (*Société Nigérienne des Produits Pétroliers*)
SORAZ	Zinder Refining Company (*Société de Raffinage de Zinder*)
SPEN	Nigerien Water Resources Company (*Société de Patrimoine des Eaux du Niger*)
SPIN	Strategy for Small Irrigation in Niger (*Stratégie pour la Petite Irrigation au Niger*)
SSA	Sub-Saharan Africa
TA	Technical Assistance
WAEMU	West African Economic and Monetary Union
UNDP	United Nations Development Program

Regional Vice President:	Makhtar Diop
Country Director:	Paul Noumba Um
Acting Sr. Global Practice Director:	John Panzer
Practice Manager:	Seynabou Sakho
Task Team Leaders:	Luc Razafimandimby, Sergei Shatalov

REPUBLIC OF NIGER
FIRST PUBLIC INVESTMENT REFORM SUPPORT CREDIT

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This program document was prepared by an IDA team consisting of Luc Razafimandimby and Sergei Shatalov (Task Team Leaders), Sébastien Dessus and Abdoulahi Garba (GMFDR), Pedro Sanchez and Clemencia Torres Mastle (GEEDR), Michel Mallberg (GGODR), Pierrick Fraval (GWADR), Amadou Ba (GFADR), Judite Fernandes (GMFDR), Ibrah Sanoussi (AFTPC), Ruxandra Costache (LEGAM), Aissatou Diallo (CTRLA), Mariama Issaka Tchole (AFMNE), and Sean Lothrop (consultant). The team benefited from guidance provided by Marcelo Giugale, John Panzer, Paul Noumba Um, Seynabou Sakho, Nestor Coffi, and Paola Ridolfi.

SUMMARY OF PROPOSED CREDIT AND PROGRAM
THE REPUBLIC OF NIGER
FIRST PUBLIC INVESTMENT REFORM SUPPORT CREDIT

Borrower:	Government of Niger
Implementation Agency:	Ministry of Economy and Finance (MEF).
Financing Data:	**Amount:** IDA Credit of Euro 71.4 (US$80 million equivalent) on standard IDA terms (38-year maturity and a 6-year grace period).
Operation Type:	First in a programmatic series of three development policy operations; single tranche disbursement.
Pillars of the Operation and Program Development Objectives:	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. The operation has *three development objectives: (i) to improve the quality, reliability and accountability of the country's PFM and PIM systems; (ii) to establish the policy and regulatory framework necessary for a well-functioning public irrigation sector, including a model for the multipurpose operation of the Kandadji Dam; and (iii) to facilitate the reform of the electricity sector.*
Results Indicators:	(see table below)

Results Indicators:

Objectives, Indicators and Targets at end-program 2017	***Baseline (2009-2014)***	***Target (2017)***
Pillar I: (Strengthening PFM and PIM systems)		
1. Deviation between voted capital budget and budget outturn	41 percent (2012)	25 percent
2. Percent of investments selected on the basis of relevant sector strategies and recurrent cost implications in accordance with sector allocations and included in forward budget estimates for the sector (in value terms)	36 percent (2011)	60 percent
3. Number of working days from loan signature to issuance of "Avis Juridique" excluding the number of days taken by Parliament for ratification	Between 80 and 100 working days (2012)	45 working days
4. Period (weeks) after the end of the quarter within which the Ministry of Finance issues and publishes quarterly budget execution reports	8 (2014)	4
5. Period (months) after the end of the fiscal year within which annual financial statements are submitted for external audit	36 (2009)	15
Pillar II: (Improving the management of the public irrigation sector)		
6. Percentage of publicly developed irrigation schemes for which ONAHA has made an annual assessment the previous year	23 percent (2014) (20/86)	100 percent (86/86)
7. Number of public collective irrigation schemes with a utility value that exceeds 3 (see footnote 13 on p.33)	40 percent (2014) (8/20)	80 percent (16/20)
8. Percentage of development partners involved in small scale irrigation management whose financing mechanisms are harmonized with SPIN rules.	17 percent (2014) (2/12)	50 percent (8/17)
9. A model for the multipurpose operation of the Kandadji dam (QUALITATIVE INDICATOR)	Model not defined and no trained users exist (2014)	Model fully defined and functional, and an agency selected to use it
Pillar III: (Enhancing the institutional framework for the electricity sector)		
10. Procedures for setting electricity tariffs (QUALITATIVE INDICATOR)	No tariff setting procedure is in place (2014)	Tariffs are set based on clear procedures and principles
11. NIGELEC's collection rate from public entities is increased	65 percent (2014)	80 percent

Overall risk rating:	Moderate.
Climate and disaster risks:	Are there short and long term climate and disaster risks relevant to the operation? **No**
Operation ID:	P151487

IDA PROGRAM DOCUMENT FOR A

PROPOSED FIRST PUBLIC INVESTMENT REFORM SUPPORT CREDIT

TO THE REPUBLIC OF NIGER

1. INTRODUCTION AND COUNTRY CONTEXT

1. **This program document proposes the First Public Investment Reform Support Credit (PIRSC1) in the amount of Euros 71.4 million (US$80 million equivalent) to the Government of Niger.** This is the first credit in the proposed PIRSC series, which will consist of three single-tranche credits to be disbursed over 2016-2018. Current programming under IDA17 envisages US$150 million for the three operations combined. Amounts of the two subsequent operations may change during the series' implementation period in response to an evolving economic and institutional context.

2. **The PIRSC series is designed to support the implementation of the Nigerien Government's national poverty reduction strategy, 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 presents a unique set of challenges. The PDES addresses these through redistributive fiscal policies, investments in infrastructure, public services and human capital, improvements in Public Finance Management (PFM), and structural reforms designed to foster a more hospitable business climate. The proposed PIRSC series supports the policies defined in the PDES and would partially finance the national budgets for 2016, 2017 and 2018.

3. **Building on the reform agenda supported by the previous Shared Growth Development Policy Operation (DPO),[1] the PIRSC series is structured around three pillars with reforms designed to strengthen public finance management (PFM), to improve the management of the public irrigation sector and to enhance the institutional framework for the electricity sector.** The PIRSC's development objectives are: (i) to improve the quality, reliability and accountability of the country's PFM and public investment management (PIM) systems; (ii) to establish the policy and regulatory framework necessary for a well-functioning public irrigation sector, including a model for the multipurpose operation of the Kandadji Dam; and (iii) to facilitate the reform of the electricity sector. More effective public investment management will help Niger address the important risks to its growth prospects generated by the high volatility of its agriculture and resource sectors. Driven by rising oil and uranium revenues, Niger's public investment spending rose sharply to 16.9 percent of GDP in 2014, the highest among the countries of West African Economic and Monetary Union (WAEMU). Recent Public Expenditure and Financial Accountability (PEFA) assessment (2013) indicated that Niger's PFM systems have improved over the past years but remain nonetheless weak. Additional studies and policy notes[2] identified insufficiencies in Niger's PIM which, combined with a weak PFM system

[1] The Shared Growth DPO consisted of three operations implemented from 2012 to 2014. The most recent, the Third Shared Growth Grant (SGG-3) in the amount of US$70 million, was approved by the IDA Board on March 21, 2014. It became effective on July 8, 2014 and was fully disbursed on July 31, 2014.
[2] See Table 5.

are reducing the efficiency of public investment outlays and undermining public service delivery. For example, the public power utility NIGELEC has an investment plan for 2012-2027 amounting to about US$1.4 billion, or 18 percent of Niger's GDP in 2014. For these public investments to be used efficiently, they must be complemented with reforms that strengthen the management and regulatory framework of irrigation and electricity sectors. Irrigated agriculture accounts for less than one percent of all agricultural land in the country, but generates about 20 percent of agricultural output and is a major factor contributing to food security and income growth of rural population. On the contrary, rainfed agriculture in Niger is subject to frequent droughts, which lead to food crises and prevent the rural population from getting out of poverty. Likewise, Niger's economic growth and poverty reduction prospects depend on its ability to expand access to electricity, which, at 10 percent (slightly over 1.5 million people) is among the lowest in Sub-Saharan Africa (SSA). Expansion of both generation and transmission and maintaining the financial viability of the sector will not be possible without strengthening its institutional framework, which constitutes one of the areas of PIRSC1.

4. **Niger's political institutions have been strengthened since the restoration of constitutional order in 2011, and the country is rebuilding its democratic governance mechanisms.** A number of public agencies have been established to mediate conflicts in an effort to overcome the country's history of political instability. The authorities emphasize their commitment to an inclusive and secular state. The 2014 Ibrahim Index of African Governance (IIAG) ranks Niger 29th out of 52 countries in terms of overall governance quality; it showed some improvement in recent years, moving close to the SSA average. In the World Bank's Governance Index, Niger's percentile rank fluctuated over the past ten years in the 26-32 range, without clear trend. The Government is pursing important measures to combat organized crime and terrorism and to promote the safety and property rights of its citizens. Military and law enforcement agencies have created new crisis response units, and border security has been strengthened, in close coordination with regional and international partners. Both unrest in Niger's tribal areas and the threat posed by the conflict in neighboring Mali have diminished. Nevertheless, the country continues to face significant risks related to domestic and regional instability, as well as organized crime and transnational terrorism. The Al-Qaeda network remains active throughout the Sahel. The rise of Boko Haram in Nigeria and the recent expansion of its operations to neighboring countries including Niger is a cause for particular concern. The numbers of Nigerian refugees and Nigerien internally displaced persons (IDPs) in the south-eastern Diffa region now exceed 100,000. In 2015, Boko Haram mounted isolated attacks in Niger's section of Lake Chad basin.

5. **The poverty rate has been on a declining trend, but poverty remains pervasive and severe, and growth during 2005-2011 was only moderately pro-poor.** The most recent poverty assessment from 2011 estimated the national poverty headcount rate at 48 percent, down by approximately 5 percentage points compared to 2006. Poverty is heavily concentrated in rural areas which are highly vulnerable to weather-related shocks. Non-monetary poverty is more severe than income and consumption measures would indicate. Niger remains at the bottom of UNDP's human development ranking. Its human development index was 0.337 in 2013, well below the SSA average of 0.502, and saw little improvement since 2006. During 2005-2012, literacy rates for adults and youth were 28.7 and 36.5 percent, respectively, or about half the SSA average. At 16 percent, Niger's secondary school enrolment rate is about a third of the SSA average. Health indicators have improved over the past decade, but health-adjusted life expectancy is still low at

51.6 years for women and 49.4 for men. As with monetary poverty, human development indicators reveal a large gap between the rural and urban populations.

6. **Significant gender disparities contribute to Niger's low human development indicators.** The FY2016-2017 Country Partnership Strategy (CPS) notes that "high levels of gender inequality have hindered female participation in Niger's development processes." Niger ranked 151st out of 152 countries in UNDP's 2013 gender inequality index. Gender disparities have declined since the 1980s, but remain substantial, particularly in education and health. The aggregate HDI score for Nigerien women is 28 percent lower than that for men, whereas the average gender development gap in SSA is about 13 percent.[3] The female labor force participation rate is less than half the male rate (39.9 vs 89.8 percent), and gross national income per capita among women is just 37 percent of what it is among men.

7. **Niger's non-extractive primary sector is predominantly informal, employs over 80 percent of the population and is characterized by low productivity, with the major exception of irrigated agriculture.** This sector represented 42 percent of total output in 2013, with exports consisting mainly of livestock and food crops. There exist important opportunities in agricultural trade with other WAEMU countries and with Nigeria, once the security situation improves.

8. **Most of the country's growth potential is associated with extractive industries, primarily uranium and oil, which together account for about 60 percent of Niger's merchandise exports, but less than 7 percent of GDP.** Projections for these sectors and for the economy as a whole were recently scaled back to reflect a sharp drop in global oil prices, and a decline in uranium prices over 2009-2013. Due to the latter, start of production at the large new Imouraren mine has been postponed to 2020, as it is not profitable at the current prices. Outlook for oil production is also more conservative than two years ago. All this underscores the risks that Niger faces as a natural resource exporter.

9. **Beyond commodity-price volatility, climate shocks and security challenges remain major risks to Niger's development**. The agricultural sector is highly vulnerable to weather shocks, especially droughts, which remain very frequent. Cross-border trade continues to be hampered by instability in neighboring countries, particularly in northern Nigeria. To address complex security challenges, the government has maintained a relatively high level of security spending, averaging 3-4 percent of GDP over 2013-2015. The impact of these risks on the proposed operation is deemed moderate (see Section 6 for greater detail).

2. MACROECONOMIC POLICY FRAMEWORK

A. RECENT ECONOMIC DEVELOPMENTS

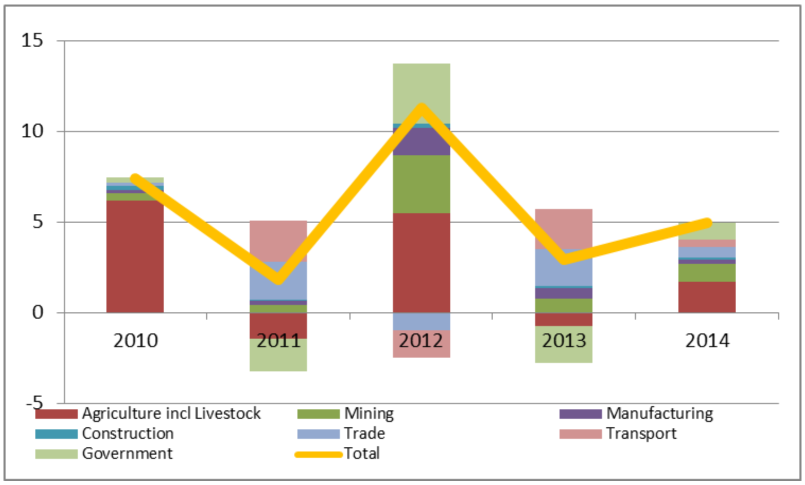
10. **Real GDP accelerated to 7.8 percent in 2012-2014, compared to 4.6 percent in the previous ten years, as domestic security improved, oil exports started, and agricultural production rebounded.** Meanwhile, real GDP growth per capita accelerated from 1.3 percent in 2002-2011 to 3.3 percent in 2012-2014. Recent growth has been driven by extractive industries, although agriculture, trade and transport have also made important contributions. The extractive industries, upstream and downstream (i.e. oil refining), and construction sectors led growth over

[3] Data from: UNDP Human Development Report 2014.

the period, contributing more than a third of it - an average of 2.7 percentage points per year (see Figure 1). Agriculture added an average of 2.4 percentage points to annual growth between 2012 and 2014. Commodity price fluctuations, security issues and droughts caused annual growth in both extractive sectors and agriculture to fluctuate widely.

11. **Niger's current account is driven by recent large-scale mining investment, which fuel both commodity exports and consumer- and capital-goods imports.** Capital-goods imports represented 31.3 percent of total imports and 9.5 percent of GDP during 2012-2014. Investments in uranium mining and the development of the Agadem oilfield were completed during this period. Uranium exports, which accounted for about a third of all exports of goods in 2008-2014, peaked in 2012 as new projects came on-stream, and then slowed again, due to a decline in world prices and the disruption caused by a terrorist attack in 2013. Exports of oil products began in mid-2012 and increased exponentially to reach 38 percent of total merchandise exports in 2014. Large investment projects in the extractive sectors resulted in a large current-account deficit, which averaged 15.3 percent of GDP from 2012-2014, continuing an upward trend that began in 2007.

Figure 1: Components of Real GDP Growth, 2010-2014



Source: Bank staff calculations.

12. **The current-account deficit has been almost entirely financed by foreign direct investment (FDI) in the mining and oil sectors and by official development assistance (ODA).** FDI rose from an average of less than 1 percent of GDP in the first half of the 2000s to 13.2 percent during 2009-2013. FDI as a percentage of GDP is projected to remain in the double-digits over 2015-2017 and taper off as large extractive projects are completed. ODA averaged 9.7 percent of GDP in 2012-2014 and concessional inflows are projected to remain significant over 2015-2019.

13. **Inflation has remained low as monetary and exchange-rate policies continue to be well managed at the regional level, as Niger is a WAEMU member.** Consumer price inflation has been contained below 3 percent since 2009. In 2014 consumer prices declined by 0.9 percent. Food constitutes 40 percent of the consumer price index basket, and food prices largely drive inflation. Niger's currency, the West African CFA Franc (FCFA), is pegged to the euro. Monetary policy will continue to support the fixed exchange-rate regime, and euro exchange-rate changes will continue to influence Niger's trade competitiveness.

Table 1: Selected Economic and Financial Indicators, 2012-2019

	2012	2013	2014	2015	2016	2017	2018	2019
	(Annual percentage change, unless otherwise indicated)							
National income and prices								
GDP at constant prices	11.8	4.6	6.9	4.4	5.0	6.9	7.7	6.7
Non-resources GDP at constant prices	9.1	4.2	7.4	4.7	5.2	6.5	6.8	6.4
Oil production (thousand barrels per day)	13	18.0	17.0	14.0	17.0	29.0	42.0	50.0
GDP deflator	4.8	2.4	-0.5	1.7	2.2	1.5	1.7	1.8
Consumer price index (annual average)								
Annual Average	0.5	2.3	-0.9	0.8	1.6	1.5	1.8	2
End of period	0.7	1.1	-0.6	2.3	1.4	1.7	1.9	2.1
External sector								
Exports, f.o.b. (CFA francs)	23	6.5	-9.6	-1.6	7.2	19.4	28.3	7.2
Of which: non-uranium exports	41.2	21	-2.9	-1.6	4.2	28.1	42.5	11.3
Imports, f.o.b. (CFA francs)	-6.1	2.6	12.5	7.5	8.2	4.6	9.1	6.8
Export volume	23.9	8.6	1.1	-2.5	7.6	22	29.6	8.5
Import volume	-2.8	1.4	11.1	8.0	6.2	2.6	6.9	4.4
Terms of trade (deterioration -)	2.7	-3.1	-11.2	1.4	-1.8	-4.4	-3	-3.4
Money and credit								
Domestic credit	5.9	-2.7	7.2	10.4	10.0	0.8	3.7	1.6
Credit to the government (net)	-10	-5.2	1.1	3.2	6.0	-3.8	-0.9	-2.7
Credit to the economy	15.9	2.5	6.1	7.2	4.0	4.5	4.6	4.3
Net domestic assets	3.8	-2.7	5.2	12.3	10.2	0.9	3.8	1.6
Broad money (percent)	31.2	10.1	25.7	16.2	12.7	9.3	9.0	6.6
	(Percent of GDP, unless otherwise indicated)							
Government finances								
Total revenue	15.2	17.0	18.0	18.7	18.6	19.2	20.1	20.5
Total expenditure and net lending	22.3	27.8	31.9	32	31.7	28.3	27.1	26.7
Of which : current expenditure	11.3	13.8	15.0	15.8	15.1	14.7	14.4	13.9
Of which : capital expenditure	11	14	16.9	16.3	16.7	13.6	12.7	12.8
Gross investment	40.1	40.6	40.6	41.8	42.1	39.5	36.4	35.2
Of which: non-government investment	29	26.6	23.7	25.5	25.3	25.9	23.6	22.5
Government	11	14	16.9	16.3	16.7	13.6	12.7	12.8
Gross national savings	25.5	25.2	24.4	24.1	23.3	22.6	23.0	22.4
Of which: non-government	18.3	19.9	19.1	19.1	18.4	17.1	15.9	14.6
Domestic savings	22.7	23.7	21.5	21.5	21.5	21.5	21.5	20.7
External current account balance (including grants)	-14.8	-15.3	-16.2	-17.7	-18.6	-16.9	-13.4	-12.8
Debt-service ratio as percent of:								
Exports of goods and services	3.6	3.3	4.5	6.4	6.6	5.6	4.8	4.6
Government revenue	5.2	4.5	5.0	6.4	6.6	5.9	5.6	5.3
Total public and publically guaranteed external debt	26	27.1	35.8	43.2	52.1	53.5	52.8	51.9
Public domestic debt	5.0	4.8	8.8	10.2	10.6	10.6	9.1	7.2
Foreign aid	8.5	11.4	9.2	11.7	11.5	9.4	8.8	8.6
	(Billions of CFA Francs)							
GDP at current market prices (FCFA billion)	3,578	3,703	3,961	4,205	4,515	4,898	5,364	5,828

Source: Nigerien authorities; IMF and World Bank estimates and projections - 2015.

14. **Niger's financial sector is growing rapidly, but it remains small, with low levels of financial intermediation and a limited range of financial products.** Interest rate spreads are above 9 percent, significantly higher than in other WAEMU countries. The banking system is liquid and well supervised. Foreign-owned banks control about 80 percent of sector assets. Broad money surged in 2012 by 31.2 percent year-on-year, mainly as a result of an expansion of the credit to the economy as new oil sector projects came on stream. This trend was maintained although moderating over the 2013-2014. Despite the increase in the ratio of broad money, the degree of financial deepening in Niger is among the lowest worldwide and is below the 41 percent average for SSA. Credit to the economy is focused on the mining, telecoms and trade sectors. Small and medium enterprises (SMEs) and rural entrepreneurs tend to have limited access to credit. SME borrowing is constrained by high interest rate, which is 2.2 percentage points higher than that paid by large enterprises on average. Niger's microfinance sector has recently grown fast, but it is fragile and less developed that in other WAEMU countries. Mobile banking services offered by several mobile phone operators have been expanding, and mobile banking appears to be the best option for increasing access to financial services in rural areas.

15. **Fiscal policies remain anchored by the WAEMU convergence criteria, under which the basic fiscal balance should be positive.[4]** In 2014, this rule was breached with basic balance reaching 4.9 percent of GDP, due to a shortfall in budget support and delays in implementing new telecom taxes. Public revenues have grown rapidly, rising from an average of 12.1 percent of GDP in the previous decade to 16.7 percent in 2012-2014. However, public spending has increased even faster, reaching 31.9 percent of GDP in 2014. Public investment reached 16.9 percent of GDP in 2014, the highest level among WAEMU countries, with particularly robust growth in domestically financed investment. Budget deficits were financed almost entirely by external concessional loans and grants complemented by modest domestic and regional financing (Table 2).

[4] Revenues minus expenditure net of externally-financed capital expenditure.

Table 2: Financial Operations of the Central Government, 2012-2019
(percent of GDP)

	2012	2013	2014	2015	2016	2017	2018	2019
Total revenue	15.2	17.0	18.0	18.7	18.6	19.2	20.1	20.5
Tax revenue	13.9	15.6	16.0	17.2	17.6	17.8	18.4	18.6
Nontax revenue	1.2	1.2	1.9	1.3	0.9	1.3	1.5	1.7
Special account revenue	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Total expenditure and net lending	22.3	27.8	31.9	32.0	31.7	28.3	27.1	26.7
Total current expenditure	11.3	13.8	15.0	15.8	15.1	14.7	14.4	13.9
Budgetary expenditure	10.9	13.4	14.7	15.2	14.6	14.2	13.9	13.4
Wages and salaries	4.3	5.1	5.4	5.8	5.4	5.2	5.1	5.0
Materials and supplies	2.2	2.9	3.2	4.0	3.1	3.1	3.1	3.0
Other current expenditure	4.2	5.1	5.6	4.8	5.1	4.9	4.8	4.6
Interest	0.3	0.3	0.4	0.7	0.9	1.0	1.0	0.9
Of which: external debt	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4
Capital expenditure and net landing	11.0	14.0	16.9	16.3	16.7	13.6	12.7	12.8
Capital expenditure	11.0	14.0	16.9	16.3	16.7	13.6	12.7	12.8
Domestically financed	5.6	5.3	9.6	8.4	7.3	6.2	5.9	5.9
Externally financed	5.5	8.8	7.3	7.9	9.4	7.5	6.9	6.8
Overall balance (commitment)	-7.2	-10.9	-13.9	-13.4	-13.1	-9.1	-7.0	-6.2
Overall balance (commitment including grants)	-1.1	-2.6	-8.3	-7.3	-7.5	-4.7	-2.8	-2.3
Change in payments arrears and float	0.2	-0.6	1.5	-1.5	-0.2	-0.1	0.0	0.0
Overall balance (cash)	-6.9	-11.5	-12.4	-14.9	-13.3	-9.1	-7.1	-6.2
Financing	6.9	11.5	12.4	14.9	13.3	9.1	7.1	6.2
External financing	8.1	11.0	8.6	11.0	10.8	8.7	8.2	8.0
Grants	6.1	8.2	5.6	6.1	5.6	4.4	4.2	3.9
Loans	2.5	3.1	3.6	5.6	5.9	5.0	4.6	4.7
Domestic financing	-1.2	0.5	3.8	3.9	2.6	0.4	-1.1	-1.8
Banking sector	-1.2	-0.8	1.4	0.8	1.4	-0.1	-0.7	-0.8
Nonbanking sector	0.0	1.3	2.4	3.1	1.1	0.6	-0.4	-1.0

Source: Nigerien authorities – IMF and staff estimates - 2015.

B. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

16. **Growth is expected to remain solid in the medium term, as security would continue to improve, non-resource sectors would expand, and new extractive projects are expected to come on stream**. Real GDP is projected to expand at an annual average rate of 4.7 percent during 2015-2016, increasing to 7.1 percent in 2017-19. Growth would be led by the non-resource sectors which are projected to experience a robust average growth rate of 6.8 percent over 2015-19. More diverse growth will be supported by a new investment law, improved trade facilitation, and a more supportive business and security environment. Agriculture is expected to retain its share of GDP thanks to expanding irrigation coverage and better management of existing irrigated lands. Enhanced efficiency and swifter execution of public investment are expected to support growth. Oil exporting and a large uranium project are also in the pipeline and expected to start from 2019-

20. Although positive, their full impact on growth may be slightly delayed in the context of declining commodity prices.

17. **The continued decline in international oil prices led to an adjustment of the price setting mechanism in the sector.** The *Société de Raffinage de Zinder* **(**SORAZ) refinery purchases crude oil from its upstream supplier at a negotiated rate of about US$70/barrel and sells its products to a public company *Société Nigérienne de Produits Pétroliers* (SONIDEP), which holds a monopoly over both domestic distribution and exports. When oil prices were above US$100/barrel, this policy constituted an implicit subsidy to the refinery and consumers. The price has been lowered to US$50/barrel to reflect the sharp drop in international oil price and avoid any explicit fuel subsidies to upstream suppliers and diversion of resources from other priority sectors. The government is now working on a mechanism to adjust domestic prices to take into account international price fluctuations.

18. **The current-account deficit (after grants) is projected to average 17.7 percent of GDP during 2015-2017, as large extractive industry projects near completion, before declining gradually as new investment in mining and an expansion of oil exports kick in from 2017.** Net exports of goods and nonfactor services are projected to expand as imports taper off following the completion of major investment projects in the uranium and oil sectors starting in 2017. Meanwhile, oil exports are projected to increase between 2014 and 2019 as production would increase. Uranium exports should increase significantly from 2020 onwards, when new mining projects reach full capacity. Improvements in transportation and trade policies will support healthy growth of agricultural exports, but their share of total exports would shrink if commodity exports were to grow strongly.

19. **Credit to the economy is expected to grow at an average rate of 5.2 percent during 2015-2017**. After absorbing the impact of an expanding monetary base during 2010-13, bank deposits are projected to stabilize as a share of GDP. A variety of lending opportunities is expected to emerge as the economy continues to grow.

20. **Basic fiscal balance is projected to decrease from 2015 onwards and improve significantly by the end of the projection period (2018-2019) as large public investment phases out and current expenditures are contained while tax revenue is supported by the expansion of the extractive industry.** Budget revenues are projected to increase and average 19.4 percent of GDP during 2015-2019 from 18.0 percent of GDP in 2014, with a peak of 19.9 percent of GDP between 2017 and 2019. Not only does the mining sector contribute to direct taxes but it also impact on trade taxes and nontax revenues. Current expenditures are expected to remain stable and to be contained at an average of 14.7 percent of GDP over 2015-2019. Security expenditures are projected to remain elevated over the near term and then decline steadily as a percentage of GDP as the security situation improves. Public investment is projected to average 14.4 percent of GDP during 2015-2019, a significant decrease compared with the recent trends, which is expected to be compensated by the quality and enhanced efficiency and effectiveness of capital expenditures. Public investment will continue to be financed by a mix of grants and concessional loans

Table 3: Balance of Payments Financing Requirements and Sources

	2012	2013	2014	2015	2016	2017	2018	2019
Current account balance	-521.0	-568.4	-642.12	-743.1	-841.2	-826.1	-717.0	-747.8
of which balance of goods	-234.6	-212.3	-412.5	-508.3	-556.4	-471.3	-342.9	-361.5
services and income (net)	-454.2	-502.0	-418.9	-385.8	-413.4	-477.0	-529.2	-543.3
Capital and Financial Account	673.7	674.7	722.8	774.3	871.2	946.2	797.0	832.4
Capital account	139.2	282.0	185.7	195.8	225.3	202.9	203.4	212.2
Financial account	534.4	330.8	537.1	578.5	646.0	743.2	593.5	620.2
Errors and omissions	0.3	1.7	32.1	8.8	0.0	0.0	0.0	0.0
Overall balance (CFAF billions)	152.3	46.3	112.7	40.0	30.0	120.0	80.0	84.6
Financing (CFAF billions)	-152.3	-46.3	-112.7	-40.0	-30.0	-120.0	-80.0	-84.6
Net foreign assets (BCEAO (CFAF billions))	-154.6	-46.3	-112.7	-40.0	-30.0	-120.0	-80.0	-84.6
Of which : net use of Fund resources	5.3	4.3	20.2	26.6	16.3	-4.0	-4.8	-6.4
Rescheduling obtained (CFAF billions)	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap (CFAF billions)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Current account (in percent of GDP)	-14.8	-15.3	-16.2	-17.7	-18.6	-16.9	-13.4	-12.8
Current account (excluding grants; in percent of GDP)	-17.9	-17.5	-17.5	-20.3	-25.1	-23.1	-19.6	-15.4
Trade balance (in percent of GDP)	-6.6	-5.7	-10.4	-12.1	-12.3	-9.6	-6.4	-6.2
Overall balance (in percent of GDP)	4.3	1.2	2.8	1.0	0.7	2.5	1.5	1.5
Net foreign assets (months of imports)	3.4	3.6	4.2	4.2	4.1	4.5	4.6	4.9

Source: IMF – Bank staff -2015.

21. **The IMF-World Bank debt sustainability analysis (DSA) indicates that Niger remains at moderate risk of external debt distress.** The DSA, completed in November 2015, updates the November 2014 DSA, which was conducted in the context of the IMF 2014 Article IV consultation and the 4th and 5th ECF review. Niger's public external debt exposure has increased significantly after 2010, up to 22.6 percent of GDP at end-2013 and is projected to reach 33 percent of GDP at end-2015, due to the government's involvement in the financing of natural resource projects. The rate of external public debt accumulation is expected to remain broadly stable and then decline gradually as new resource sector projects and infrastructure investments are completed.

22. **The baseline debt sustainability scenario is based on revised revenue projections that reflect recent developments in the oil sector and its impact on revenue collection.** It accounts for the lower oil price path and the impact of the further deterioration of the regional security situation. Revenue projections have been revised downward to reflect lower oil prices and weaker than programmed revenue collection in 2014. Revenue is expected to increase significantly after 2017 when the new crude oil export project will come on stream and later in 2020 when a major project in the uranium sector will be completed. The increased revenues will enable the

government to maintain a lower but high level of public investment with a positive basic balance; while current expenditures should increase in 2015, it will be gradually contained after 2016.[5] The average GDP growth is revised upward in 2013 and 2014 and downward in the medium term, but remains almost the same in the long-term compared to the last DSA.

23. **In the baseline scenario, apart from a temporary deviation of the debt service ratios, external debt ratios remain below their policy-dependent thresholds throughout the projection period (2015−35).** The present values (PV) of debt-to-GDP, debt-to-exports and debt-to-revenue ratios are expected to remain at levels below the relevant thresholds over the medium term. The debt service indicators remain well below their thresholds for the entire projection period except for 2016. The stress test under the historical scenario shows rising debt ratios in the medium term with a temporary breach of the debt to export ratios in 2017 before becoming sustainable and stable afterward. Fluctuations in commodity prices, and weather- and security-related risks will remain the most significant risks to debt sustainability.

24. **Niger's domestic debt stock is projected to remain sustainable.** Domestic debt includes arrears, debt to the regional central bank (*Banque Centrale des États de l'Afrique de l'Ouest* – BCEAO) for statutory advances, SDR allocations, and government securities held by the private sector. Niger's domestic debt was at a low level (4.6 percent of GDP at end-2013), increased to 8.8 percent of GDP at end-2014, and is projected to reach 10.2 percent at end 2015. This increase is driven by the issuance of regional bonds in the amount of CFAF 93.3 billion in 2014 and CFAF 120 billion issued in 2015. There are also a net accumulation of domestic arrears of 1.4 percent of GDP at end 2014. However, a large part of the arrears accumulated in 2014 was paid by end-June 2015. The government intends to securitize the remaining balance of about CFAF 40 billion at end-2015. The baseline scenario assumes that the authorities continue to cover fiscal financing needs through the issuance of government securities on similar terms as the 2015 regional bonds, but with lower amounts issued annually to start the fiscal consolidation and to account for more revenue expected from the resource sectors after 2017. Consequently, domestic public debt is projected to fall over the medium term.

25. **Public debt ratios breach the relevant thresholds under the fixed primary balance scenario.** Under the extreme case with no improvement in fiscal situation, the deficit of the primary fiscal balance remains at the 2015 level of 6.5 percent of GDP, there will be continued accumulation of public debt. Consequently, the PV of debt-to-GDP ratio would reach 77 percent in 2035 significantly above the policy-dependent threshold level of 56 percent. The PV of public debt-to-GDP and the PV of public debt-to-revenue ratios will stabilize to sustainable levels under

[5] This expenditure rationalization objective requires stepping up efforts in the reform of public financial management (PFM) as suggested in the latest PEFA assessment (March 2013). The authorities approved the law on fiscal transparency in March 2014 and signed recently a series of decrees aimed at reinforcing institutional coordination by merging the Ministry of Finance and the Ministry of Planning and reinforcing the role of the debt committee to improve the flow of information on debt management, and to enhance expenditure monitoring. Improvements in expenditure controls are also expected through limiting resort to the use of exceptional procedures for authorizing spending, accelerating the pace of budget execution, and accelerating the implementation of the Treasury Single Account and the investment budgeting in commitment authorization and credit of payment in line with the approved 2012 organic law on finances law.

baseline and other stress tests. When the permanently lower GDP growth shock is assumed, the PV of debt to GDP will reach maximum of 48.8 percent in 2026 staying well below the threshold.

26. **Niger's current macroeconomic policy framework provides an adequate basis for the proposed PIRSC1 to meet its objectives.** Real GDP growth is projected to average more than 6 percent over 2015-2019, accelerating in later years, while the debt burden is projected to remain sustainable. The main risks arise from commodity price shocks, regional security challenges and institutional/governance bottlenecks. The government's foreign-exchange reserves at the BCEAO are equivalent to 3.7 months of imports and are broadly adequate to manage these risks. The authorities have demonstrated their ability to respond swiftly to changing circumstances and to meet most of their targets under the IMF program while continuing to implement a reform agenda.

C. IMF RELATIONS

27. **The International Development Association (IDA) is collaborating closely with the IMF on macroeconomic, fiscal, and growth-related policy issues.** The IMF leads the dialogue on macroeconomic management, fiscal, and monetary policy, while the Bank takes the lead on structural reforms and PFM issues. The Bank and the IMF share joint responsibility for the poverty reduction strategy and debt management. The World Bank also takes the lead in the exchange of information and collaboration on local development in Niger.

28. **This DPO and the ECF were both prepared through close coordination between the IMF and World Bank teams**. A three-year ECF program was approved by the IMF's Board on March 16, 2012 in an amount of SDR 78.96 million, 120 percent of quota. The first review was completed on March 28, 2013, followed by a combined second and third review on March 31, 2014, and a combined fourth and fifth review on December 4, 2014. The fifth and sixth review were combined and completed in end-September 2015. The ECF program focuses on maintaining macroeconomic stability and increasing resilience to shocks. The experience of the ECF program informed the preparation of the proposed PIRSC series. The latest DSA update was conducted jointly by IMF and World Bank staff in September 2015.

29. **Performance under the ECF program has improved significantly.** While the performance in 2014 was mixed, mainly due to shortfall in tax revenue and budget support, significant progress has been made in 2015. Most 2015 performance criteria were met, the structural reform agenda continues to advance at end-September 2015, and the sixth and seventh reviews of the ECF-supported programs were completed satisfactorily.

3. THE GOVERNMENT'S PROGRAM

30. **Niger's current national poverty reduction strategy, the *Plan de Développement Economique et Social* (PDES), is in effect for 2012-2015**. The PDES provides the overarching framework for the government's development agenda, which focuses on facilitating broad-based income and welfare improvements. A World Bank-IMF Joint Staff Advisory Note commended the government on its comprehensive analysis of Niger's development challenges, its realistic plan to achieve robust and sustainable growth, and the participatory process through which PDES was developed. The strategy is organized around five pillars:

- *Pillar 1: Strengthening the credibility and effectiveness of public institutions.* Strong public institutions are necessary to guarantee political stability, safeguard respect for human rights and the rule of law, and build economic confidence. Reforms under this pillar are designed to: (i) bolster the credibility of democratic institutions, (ii) improve the efficiency of public services, and (iii) ensure fairness and equality in citizens' interactions with the government.
- *Pillar 2: Creating the conditions for sustainable and inclusive development.* The PDES recognizes that accelerating growth will require continuous improvements in the government's administrative capacity. Interventions in this area are focused on five objectives: (i) peace and security; (ii) controlled population growth; (iii) sustainable environmental management; (iv) balanced regional development; and (v) access to the opportunities offered by international integration.
- *Pillar 3: Reinforcing food security and supporting agricultural development.* This pillar reflects the government's 3N initiative (*Nigeriens Nourish Nigeriens*), an attempt to find lasting solutions to the problems of food insecurity and nutrition deficiency faced by large segments of the population. The initiative aims to shore up the food supply through the development of local production. Interventions in this area focus on: (i) accelerating growth and diversification in food production; (ii) increasing flexibility in agricultural markets, (iii) reinforcing household resilience to food crises and natural disasters; and (iv) improving nutrition indicators.
- *Pillar 4: Promoting diversification and enhancing competitiveness to facilitate more robust and inclusive growth*. Under this pillar the primary drivers of growth are identified as the extractive industries (mining and oil) and related activities in other sectors, which are a key source of employment and fiscal revenues. This pillar supports: (i) improvements in the business environment; (ii) trade facilitation; (iii) enhanced competitiveness in the non-resource sectors; and (iv) greater economic opportunities for young people through vocational education and training.
- *Pillar 5: Fostering social development*. Actions under this pillar aim to improve social indicators by enhancing the population's access to basic services and by strengthening social protection for vulnerable groups. Its primary objectives include: (i) improved health indicators; (ii) greater educational attainment; (iii) expanded access to clean water and sanitation infrastructure; (iv) enhanced gender equality; (v) more effective and comprehensive social protection programs; (vi) sustainable environmental management; and (vii) expanded youth participation in income-generating activities.

4. THE PROPOSED OPERATION

A. LINKS TO THE GOVERNMENT'S PROGRAM AND OPERATIONAL DESCRIPTION

31. **The PIRSC series will comprise three single-tranche budget-support credits to be disbursed over 2016-2018.** Current programming under IDA17 envisages US$150 million for the three operations combined. The amount of PIRSC1 will be US$80 million; amounts of two subsequent operations may change during the series' implementation period in response to an evolving economic and institutional context. The PIRSC is designed around three pillars: strengthening PFM and PIM systems, improving the management of the public irrigation sector, and enhancing the institutional framework for the electricity sector. In each of these policy areas,

the PIRSC builds on the reform agenda that was supported by its predecessor, the Shared Growth DPO (2012-2014).

32. **The proposed operation is fully aligned with the PDES**. The PIRSC is designed to advance a number of key PDES objectives, as summarized in Table 4. The Government started preparing a successor strategy to the PDES, which will cover the 2016-2018 period. Once this strategy is finalized, the PIRSC will be reviewed and adjusted as necessary to ensure that the series remains fully aligned with the government's priorities.

Table 4: PIRSC-Supported Reforms and their Contribution to PDES Objectives

PIRSC-Supported Reforms	Contribution to PDES Objectives
Pillar 1: Strengthening PFM and PIM Systems	• Public finances are managed in a transparent and efficient manner and in conformity with the regulations in force (PDES Pillar 1) • Public services' quality and efficiency is improved (PDES Pillar 1) • Investment climate is improved (PDES Pillar 4)
Pillar 2: Improving the Management of the Public Irrigation Sector	• National irrigation resources are managed more efficiently (PDES Pillar 2) • Resilience to climate change is improved (PDES Pillar 2) • Food security is enhanced (PDES Pillar 3)
Pillar 3: Enhancing the Institutional Framework for the Electricity Sector	• Financial viability of the electric utility is improved, strengthening its capacity to provide services and expand access (PDES Pillar 4) • Investment climate is improved (PDES Pillar 4) • Trade is promoted (PDES Pillar 4) • Competitiveness of the manufacturing and artisanal industrial sectors is enhanced (PDES Pillar 4) • The population's health and education outcomes are enhanced (PDES Pillar 5) • Economic and development opportunities for women are widened (PDES Pillar 5)

B. LESSONS LEARNED

33. **The design of the PIRSC series is informed by lessons learned from the Shared Growth DPO, the Niger's CPS for 2013-2016, and by other project work and policy dialogue with the government conducted by the World Bank and other development partners.** Among the key lessons are:

- Caution is needed to escape an overloading of the policy agenda beyond the existing institutional capacity of the government. The latter should be correctly estimated; and the risk of crowding out of capacities by the need to deal with severe external shocks (e.g. drought, security) should be monitored. The PIRSC series deal with capacity constraints through the development of a harmonized budget support approach to reduce transaction costs for government, support policy coordination within government, and enhance coherence in policy dialogue among development partners who provide budget support.[6]

- Capacity at sector ministries represents the biggest bottleneck in managing Nigerien public investment, and should be enhanced. To be effective and to reduce coordination

[6] See para.64 for an overview of budget support consultations maintained by Niger's development partners.

disconnects, institution-building and policy support should be concentrated on a limited number of ministries and public agencies. The PIRSC series will focus on the Ministry of Agriculture and the Ministry of Energy and Petroleum, and on key public sector agencies – ONAHA (*Office National des Aménagements Hydro-Agricoles*) and NIGELEC (*Société Nigérienne d'Electricité*).

C. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

Pillar 1: Strengthening PFM and PIM Systems

34. **In recent years, Niger has made some progress in improving the quality of its public investment management, which led to an increase in the number of PEFA indicators rated C or above from 17 in 2008 to 20 in 2012.** Improvements have been registered in competitive procurement processes, procurement auditing, budgetary comprehensiveness, multi-year budget planning, investment execution, revenue reporting and external oversight (see more detail in Section 5.C). Since 2009, Niger's performance on the IIAG's public management component began to modestly exceed the continent's average, and in 2013 it ranked 20th out of 52 countries. In 2011, Niger also became one of the first countries in SSA to achieve full compliance with the standards of the Extractive Industries Transparency Initiative (EITI). The Shared Growth DPO (2012-2014) supported improvements in the legislative framework for PFM by promoting the adoption of WAEMU directives and targeted procurement reforms. By end-2014, Niger has completed the adoption of all WAEMU's legislation, regulations and technical instructions for PFM. In 2013 the government completed a study of investment budget execution and adopted an action plan for further reforms. The Bank is currently supporting the government through technical assistance (TA) and investments projects to strengthen Niger's PFM/PIM systems and the external audit (e.g. Court of Accounts), as well as to fully operationalize the WAEMU PFM directives.

35. **Nevertheless, public administrative capacity remains limited, particularly in the areas of long-term strategic planning, sector-specific development policies, stable resource disbursement, timely procurement, efficient service delivery, and monitoring and evaluation.** The government's core administration capacity is improving, but some sector ministries lag behind. Budget execution is unpredictable, public expenditure efficiency is low, and recent increases in capital spending have yet to translate into tangible improvements in infrastructure and public services. Key challenges include the inadequacy of financial resources to cover planned investments, a lack of prioritization and strategic investment planning, weak inter-ministerial coordination, disbursement delays, and uneven spending over the fiscal year. There remain important disconnects between the Public Investment Plan (*Plan des Investissements Publics* – PIP), and the Public-Private Partnerships (PPPs), which are managed by a separate unit. In this context the proposed PIRSC will support the government's ongoing efforts to strengthen PFM and PIM. The following paragraphs describe reforms in these areas which constitute prior actions of PIRSC1 and proposed triggers of the two subsequent operations.

(a) Public Investment Management and Treasury Management

36. **The Council of Ministers has adopted a Decree creating an institutional framework for the evaluation and selection of public investment projects (PIRSC1 Prior Action).** This Decree establishes a process for selecting investment projects, including them in the PIP, and

allocating budgetary resources for their implementation. This includes projects financed by the government, by its development partners, by a combination of both, or through public-private partnerships. The Decree specifies eligibility criteria for project approval and inclusion in the PIP, and procedures (anchored in the existing Nigerien legislation) aimed at minimizing environmental and social costs of public investment projects. In case of projects financed by Niger's development partners, the Decree specifies that these shall abide by the environmental and social safeguards followed by Niger's development partners. The Decree establishes the principle that all projects included in the budget should be selected in accordance with the said criteria, excluding only emergency projects, which are clearly defined. The Law No.2011-30, defining the powers and responsibilities of the Public-Private Partnership Unit, provided the basis for the new Decree, and strict legal consistency has been ensured between the two. To maintain the principle of budget integrity, public investments that will be undertaken and commitments into which the government may enter in connection with various PPP projects will need to be closely coordinated. As per the request of the government, additional triggers may be proposed in the second and third years of PIRSC, in order to strengthen the integration of PPPs into PIP. This Prior Action is not expected to have any adverse social and environmental consequences, and will bring the government's environmental and social risk remediation mechanisms closer to the international best practice.

37. **The Council of Ministers has adopted a Decree which sets out the terms of reference and organizational structure of the Directorate for Studies and Programming (DSPs) within each of the sector ministries (PIRSC1 Prior Action).** The decree establishes DSPs in all ministries with a mandate to prepare and implement sector policies, strategies and programs. They have the responsibility to prepare and monitor implementation of sector investment programs in collaboration with all relevant stakeholders including the PPP unit and civil society. DSPs also have the responsibility for the preparation of feasibility studies, establishing and managing databases as well as for capacity building activities in the sector ministries. Furthermore, the DSPs are the single representatives of the sector ministries in the arbitration process undertaken in the framework of the preparation of the PIP. The establishment of DSPs will increase the sector ministries' capacity to prepare, implement and evaluate investment projects and will improve capacity for coordination in the preparation and implementation of the PIP. Overall, this is expected to reduce the divergence between the legislated capital budget and actual capital spending.

38. **The inclusion of a dedicated line item in the Annual Budget Law to finance the fund for feasibility studies and impact assessments of planned investment projects (PIRSC2 proposed trigger).** The approval of investment projects and their inclusion in the PIP may require the preparation of feasibility studies and impact assessments by the agency responsible for project selection. The allocation of dedicated funds for investment analysis is expected to reflect the estimated amount of each of the shortlisted projects that may require further study. This proposed trigger is expected to enhance projects selection and ensure adherence to the strategic priorities defined in the PDES. Furthermore, in accordance with the Decree establishing an institutional policy framework for public investment projects, the required studies and assessments will aim to minimize environmental and social costs of public investment projects. The Decree stipulates that projects implemented solely with the government's funds must comply with the environmental and social safeguards established by the Nigerien legislation; and projects financed or co-financed by Niger's development partners should follow environmental and social safeguards endorsed by the latter. This measure is expected to be taken every year starting with 2016.

39. **The Ministry of Economy and Finance will prepare and adopt the public investment program in conformity with the Decree establishing an institutional policy framework for public investment projects (PIRSC2 proposed trigger)**. This measure is expected to be taken every year starting with 2016, with a special attention to increasing the integration of the PPP program with the PIP.

40. **The finalization of all Treasury cash plans, overall commitment plans, sectoral commitment plans and procurement plans prior to December 15th of each year (PIRSC2 proposed trigger).** The objective of this trigger is to improve the predictability of disbursements and cash management and to eliminate excessively rigid Treasury regulations on cash release. The absence of timely procurement plans in particular delays the implementation of investment projects. These continuous measures are expected to be taken every year starting with 2016.

41. **The establishment of a stabilization mechanism for public investment spending (PIRSC3 proposed trigger).** Public investment spending in Niger is highly vulnerable to external shocks. The Ministry of Economy and Finance and other stakeholders needs to develop a strategy aimed at stabilizing investment spending that would be implemented via the 2017 Budget Law. This strategy would be informed by the international experience with reserve funds, insurance mechanisms, and other measures, and include appropriate good-governance safeguards. This trigger is expected to reduce the year-on-year variability of public investment, strengthen its efficiency and enhance its development impact. Implementing such stabilization scheme would help maintain the principle of budget integrity.

Prior Actions for PIRSC1:

- *The Council of Ministers has adopted a Decree creating an institutional framework for the evaluation and selection of public investment projects.*
- *The Council of Ministers has adopted a Decree which sets out the terms of reference and organizational structure of the Directorate for Studies and Programming (DSPs) within each of the sector ministries.*

(b) Policy-Based Budgeting

42. **The adoption of a standardized methodology for the medium-term expenditure frameworks (MTEFs) for individual sectors (PIRSC2 proposed trigger), and the preparation of standardized MTEFs for the public health, education, rural development, water resources, transportation, and energy sectors (PIRSC3 proposed trigger).** MTEFs facilitate the preparation and coordination of multiyear spending programs. However, preparing accurate and effective MTEFs requires substantial planning capacity. At this time, MTEFs prepared with the support of development partners for different sectors rely on different methodologies; this complicates their use as policy tools. These proposed triggers are expected to increase the efficiency of budget execution in key sectors and integrate budgets that are currently fragmented across multiple ministries.

(c) Budget Execution

43. **The Council of Ministers has issued a Circulaire which simplifies governmental ratification procedures for external financing (PIRSC1 Prior Action).** The extremely lengthy

and overly complex ratification process of external loans slows the implementation of externally funded projects as reflected in the very low execution of public investment. The length of the process varies widely but in some cases, it can take between 80 and 100 working days to ratify an external loan. A Decree governing the procedures for ratification of external loans was issued in 1962, and since then amendments to said procedures have been done by Circulaires. A Circulaire is an act that sets obligation to all parties involved to comply with its content. Streamlining ratification procedures will significantly accelerate the implementation of projects financed and co-financed by Niger's development partners, speeding the development and the impact of much-needed infrastructure and public goods on growth and poverty. Faster return of investment will also help mitigate the impact on debt ratios. In addition, it will improve predictability and cash management.

Prior Action for PIRSC1:

- *The Council of Ministers has issued a Circulaire which simplifies governmental ratification procedures for external financing.*

(d) Transparency

44. **The Ministry of Finance has published quarterly budget execution reports with comprehensive data coverage, starting with the fourth quarter of fiscal year 2014 and no later than two months after the end of the quarter (PIRSC1 Prior Action).** Regular publication of quarterly budget execution reports started in 2014. This report now incorporates up-to-date information on the execution of the public investment program, including projects funded from both domestic and external sources. This is an important step in increasing budget transparency. Publication of budget execution reports is expected to continue on the same schedule in the subsequent years. PIRSC will support measures by the Ministry of Finance to progressively improve the timeliness, comprehensiveness and detail of quarterly budget execution reports, including details on the implementation of public investment projects.

45. **The adoption by the Council of Ministers, submission to the National Assembly and publication of the Multiyear Economic Budget Document before June 15th of each year (PIRSC2 proposed trigger).** The timely preparation of the Multiyear Economic Budget Document is critical to the discussion and approval of the Budget Framework by the National Assembly, as well as budget discussions between the ministries and the MEF. These measures are expected to be taken every year starting with 2015.

46. **The adoption of Treasury regulations allowing commitments for specific projects to carry over from one annual budget to another in order to facilitate the implementation of multiyear projects (PIRSC2 proposed trigger).** The difficulty of ensuring continuous funding over multiple budget cycles greatly complicates the implementation of multiyear investment projects. Moreover, due to unexpected delays projects that are designed to be completed in a single year may be spread over two or more years, with new appropriations required in each fiscal year. This trigger would create a mechanism for carrying funds over from one year to the next, ensuring that adequate funding remains available over multiple budget cycles. A review of the legal and technical feasibility of this trigger is required.

47. **The publication of the Annual Budget Law and all annexes at the time of its submission to the National Assembly (PIRSC3 proposed trigger).** The publication of the budget is a cornerstone of fiscal transparency. Its annexes should include: (i) macroeconomic assumptions, including growth, inflation and exchange rates; (ii) the fiscal deficit defined according to internationally recognized accounting standards; (iii) the sources of deficit financing; (iv) the public debt profile, with detailed information provided for the current year; (v) the budget execution report for the previous year, presented in the same format as the budget and including all investment expenditures; (vi) a corresponding budget implementation report for the current year; and (vii) a report on the public investment program including an overview of capital spending (budgeted v. actual) by implementing agency. The annex should contain information for the previous year, the current year, and projections for the following three years specifying the total amount of each project, the implementing agency, the financing method (and lender, if applicable), as well as a brief explanation of the project's rationale and expected fiscal impact, with details provided on any transfers, subsidies and/or public guarantees involved.

Prior Action for PIRSC1:

- *The Ministry of Finance has published quarterly budget execution reports for the fourth quarter of fiscal year 2014 within two months after the end of the quarter with comprehensive data coverage (PIRSC1 Prior Action).*

Pillar 2: Improving the Management of the Public Irrigation Sector

48. **Unstable weather conditions and increasing population pressures have made irrigation the key to strengthening agricultural productivity and reinforcing food security.** A large majority of rural households depend on rainfed agriculture, and the average size of cultivated land per farming household declined from 11.8 hectares in 1980 to 5.1 in 2005.[7] The high frequency of droughts is a major cause of food insecurity. Irrigation reaches 110,000 hectares and is expanding, but it continues to be dwarfed by the estimated 15 million hectares of rainfed land. Yet, irrigated land provides livelihood to over 2 million people, or 11 percent of Niger's population, and in 2008 it generated an estimated 30 percent of agricultural output and accounted for 90 percent of non-livestock agricultural exports. 13,000 hectares of large-scale publicly owned rice farming schemes have been developed since the late 1970s, mostly along the Niger River. Individual plots are typically less than half a hectare, and farmers are organized into cooperatives that collaborate with the National Agency for Irrigation Schemes (*Office National des Aménagements Hydro-Agricoles* – ONAHA). The completion of the Kandadji Dam (currently projected for 2017) will allow for double cropping all along the river on an estimated 45,000 ha (against 9,000 ha today).

49. **In the early 1990s, the state disengaged from the irrigation sector, but this process was not well organized, and public irrigation systems suffer from a number of systemic weaknesses.** Responsibilities are not clearly defined, and relations between farmers and ONAHA are often characterized by mutual mistrust. The operational efficiency of irrigation systems is low, financial management is poor, and infrastructure is generally not well maintained. Since the early 2000s most investments in large-scale irrigation have focused on rehabilitation rather than

[7] Évaluation conjointe de la coopération de la Commission Européenne, de la Belgique, du Danemark, de la France et du Luxembourg avec le Niger, 2000-2008. Rapport final Vol.I. Août 2010. *Société d'Études et d'Évaluation SARL*

expansion. Small and micro-scale irrigation systems that draw on Niger's abundance of shallow groundwater now cover over 80,000 hectares and are expanding.[8] However, Niger's extreme vulnerability to weather-related shocks and the increasing pressure on land highlight the critical importance of irrigation to Niger's development, an acute awareness of which is reflected in both the national food security strategy, Nigeriens Nourish Nigeriens (*Les Nigériens Nourissent les Nigériens* – 3N), and engagement by Niger's development partners.[9] However, developing irrigation systems is capital-intensive and requires extensive coordination and effective public policies. In 2012-2014, the Shared Growth DPO helped launch the process by redefining the mandate and functions of ONAHA. Operationalizing these reforms would help increase public and private investment in irrigation.

(a) Improved management, planning and regulation of the irrigation sector

50. **The Council of Ministers has approved a Decree governing the mandate and functions of ONAHA which serves as implementing regulation for Ordinance No. 2014-01 dated January 3, 2014 (PIRSC1 Prior Action).** This operational Decree specifies in detail the responsibilities of ONAHA as defined by Ordinance No. 2014-01, distinguishing public services which it provides as a representative of the State, from its market services, and setting the process for gradual phasing out the latter. Key responsibilities of ONAHA now include maintaining inventories of irrigated infrastructure; enforcement of rules on the sustainability and adequate operation and maintenance of public infrastructure by farmers; establishing land tenure arrangements; provision of adequate agricultural extension services; and promotion of private operators in irrigation development and operation. The Decree incorporates guidelines for the preparation and content of a multiyear contract between the government and ONAHA, which is envisaged under Ordinance No. 2014-01. It also clarifies the relationships between ONAHA and irrigation cooperatives, with a focus on mutual accountability. The Decree distributes responsibilities for irrigation services more evenly across the sector, reducing the pressure on ONAHA as the sole service provider. Implementation of this Decree will empower ONAHA to carry out clearly defined functions in an efficient and equitable manner, according to approved rules and in a mutually accountable way vis-à-vis the government and irrigation cooperatives.

51. **The signing of a multiyear contract between the government and ONAHA including performance targets, financing guarantees, and mechanisms to ensure mutual accountability (PIRSC2 proposed trigger).** This contract will establish a medium-term strategy for ONAHA, specify its work plan and qualitative and quantitative objectives, and define relevant performance indicators. The contract should explicitly link the cost of achieving ONAHA's objectives with budgetary resources available to it and elaborate a framework for assessing the effectiveness of ONAHA's operations.

52. **The submission of a comprehensive draft law on irrigated agriculture to the National Assembly (PIRSC3 proposed trigger).** This law would provide a much-needed update to Law No. 60-28, which was passed in 1960, when all irrigation systems were controlled by the government and restricted to large-scale collective rice schemes. A new legislative framework for

[8] Beneficiaries of the World Bank's Second Private Irrigation Project (completed in 2008) earned 1.5-3 times the average national income after gaining access to low-cost irrigation technologies through matching grants.
[9] The EU, WB, MCC, AfDB, AFD, KfW Development Bank, IsDB, Swiss Agency for Development and Cooperation and Luxdev are all planning or implementing irrigation projects in Niger.

irrigation would lay the groundwork for the success of the Sahel Irrigation Initiative, which is currently being prepared by six Sahelian countries including Niger.[10] Broadening the ONAHA decree, the law would set (through orderly negotiation processes) clear roles and responsibilities for all stakeholders, public, associative, and private intended to boost investments in well managed irrigation systems integrated in effective value chains. The new law would build on two existing sector strategies, the Strategy for Small-Scale Irrigation in Niger (SPIN) and the National Strategy for the Development of Irrigation and Water Catchments (SNDICER) and therefore provide government agencies, Niger's cooperating partners, and private stakeholders with a sound framework for sustainable investment in irrigation. It would seek to improve conditions by which women can benefit, directly or indirectly, from irrigation. It would also harmonize public investments and agricultural financing. It would also importantly formalize a practical approach, for securing, allocating and managing irrigated land and defining all associated rights. To ensure that the Law improves on the existing Nigerien legislative and regulatory framework for the remediation of environmental risks in public irrigation, PIRSC will support in 2016 a screening of these risks that is aligned with the World Bank's requirements.

53. **Measures proposed under this subcomponent enhance the potential of the Nigerien legislative and regulatory mechanisms to reduce to the minimum the environmental and social costs of irrigation schemes.** For example, the Decree (PIRSC1 prior action) provides that ONAHA continues its assistance to farmers on sound agricultural and water management practices, including chemical input use (optimal use that minimizes leaching) and timely drainage to prevent salinization. The Decree also empowers ONAHA to ensure that all new developments include a diagnostic of the irrigation scheme catchment and that the needed soil and water conservation technologies and plantations are implemented to reduce erosion and its dual negative effects of lower fertility on neighboring rainfed land and sedimentation in river and in canals.

Prior Action for PIRSC1:
• *The Council of Ministers has approved a Decree governing the mandate and functions of ONAHA which serves as implementing regulation for Ordinance No. 2014-01 dated January 3, 2014.*

(b) Sound water allocation from the Kandadji dam

54. **The adoption of a management model for the Kandadji Dam that secures downstream irrigation water requirements along the Niger River, mandates safety measures, and provides for appropriate asset maintenance (PIRSC3 proposed trigger).** The Kandadji dam is a multipurpose one. It will help accommodate irrigation requirements for two cropping seasons while optimizing hydroelectric generation, maintaining the assets (infrastructure, equipment) and respecting the provisions of the Niger Basin Planning Document and Water Charter. A study is currently being prepared to design this model. Importantly, completing this trigger will ensure year-round irrigation all along the river downstream the dam, thereby making new investments more profitable by increasing the production per hectare developed. With regards to environmental

[10] The Sahel Irrigation Initiative (P149507) is coordinated by the International Committee for Drought Control in the Sahel and financed by the World Bank. It represents a coalition of public and private stakeholders from six Sahelian countries, including Niger, committed to expanding irrigation in the region and enhancing agricultural productivity.

and social remediation, activities under this trigger will follow the safeguards endorsed by Niger's development partners.

Pillar 3: Enhancing the Institutional Framework for the Electricity Sector

55. **Niger's growth and poverty outcomes critically depend on improving access to electricity.** Niger's energy consumption is less than one-third of the African average, and access to electricity is very low at about 10 percent country-wide, with large disparities between urban and rural areas. Biomass represents over 80 percent of the final energy consumption, and electricity less than 5 percent, even though Niger is well-endowed with domestic energy sources (oil, coal, solar). Electricity imports from Nigeria under a preferential tariff (about US¢5/kWh) account for over 3/4 of consumption, but are lagging behind the fast growing demand and are constrained by current transmission capacity. Because of that constraint, and the fact that additional capacity will take several years to develop, Niger increasingly has to rely on rental diesel plants whose generation costs are close to US¢30/kWh. In order to increase power supply in the medium term, the GoN has included under its investment plans the construction of additional transmission capacity, which would allow the country not only to access additional supply from Nigeria, but also to develop its internal energy resources, including renewable ones, such as solar power.

56. **Recognizing that successful implementation of expansion program and maintaining financial sustainability of electricity sector requires more than just public investments, the GoN is taking steps to improve the sector's governance.** The planning capacity of the government with the elaboration of a least cost power development plan for transmission and distribution should be improved, which will help mobilize the support of the international development community and the interest of private investors. An efficient and transparent process to implement investment projects should be established, to ensure that the most cost efficient options are selected to expand the supply of electricity. Economic and financial equilibrium of the sector should be strengthened, by adopting efficient tariff-setting approach and methodology, and by improving the operational and financial performance of NIGELEC. Institutional capacity in the sector and the government agencies supervising it, and inter-agency coordination should be strengthened. In order to support these activities, technical assistance to the MEP and NIGELEC has been included under the Electricity Access Expansion Project (NELACEP, P153743). The following prior actions and proposed triggers of PIRSC support improvements to the governance and quality of electricity sector regulation.

57. **The Council of Ministers has adopted and submitted to the National Assembly: (i) a draft Electricity Code; and (i) a draft Law which establishes a regulatory agency for the energy sector (PIRSC1 Prior Action).** The adoption of these legal acts is essential to expand the country's electricity supply while keeping the costs efficient. The new Electricity Code's objectives include Niger's integration into the regional electricity market, private participation in energy generation, the creation of an independent sector regulator, and the maintenance of economic and financial sustainability in the power sector. The Law offers a clear policy vision for the future of the sector, including its institutional structure and especially its tariff regime and tariff-setting mechanism. The passage of the Electricity Code and the Law on the establishment of the Energy Regulator will establish the necessary framework for coordinating public and private investment in generating capacity and the expansion of the transmission network. The two Laws neither expand the physical footprint of the electricity sector, nor are they expected to have any

adverse social or environmental impacts. These Laws strengthen the current Nigerien legislative and regulatory framework to exclude or to reduce to the minimum the possible negative impact of electricity sector projects on the environment and on vulnerable social groups.

58. **The Minister of Energy and Petroleum has issued an Executive Order: (i) approving the financial audit of NIGELEC; and (ii) establishing a Standing Committee charged with the monitoring and evaluation of the execution of NIGELEC's Strategic Development Plan (PIRSC1 Prior Action).** This Prior Action concerns only measures that strengthen the efficiency of NIGELEC's operations, and excludes any measures concerning new projects that expand NIGELEC's generation, transmission and/or distribution capacity. In 2014, the government retained the international firm Ernst & Young to undertake a legal, operational, organizational and financial diagnostic of NIGELEC. Based on the recommendations of that report, the government of Niger has identified measures to reinforce the performance of NIGELEC including: (i) aligning NIGELEC's contractual arrangements with the government according to the legislative and regulatory framework; (ii) aligning NIGELEC Governance with the provisions of the Uniform Acts of the Organization for the Harmonization of Business Law in Africa (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires - OHADA*) and international best practices; (iii) improving the billing and collection activities in particular for the state customers; (iv) optimizing its procurement and power purchases; (v) improving its financial information systems; and, (vi) and restructuring the debt/equity structure of NIGELEC in order to optimize the needs of working capital and short term financing. All these actions aim at creating an adequate financial and operational framework for NIGELEC. This prior action is not expected to have any adverse social and environmental consequences.

59. **Adoption by the Council of Ministers of two Decrees implementing the Electricity Code and the Law establishing an energy regulator (PIRSC2 proposed triggers).** The establishment of an independent regulator will increase the government's technical capacity to monitor and periodically revise tariff rates and maintain service quality standards. Completing these triggers will strengthen public oversight of the sector, improve the reliability of electricity services, and maintain the sector's financial equilibrium.

60. **NIGELEC prepares and approves a Financing Plan to restructure its debt/equity structure (PIRSC2 proposed trigger).** The 2014 audit report shows that the financing structure of NIGELEC has insufficient allocation of equity to properly manage its operations. 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.

61. **The revision of electricity tariffs based on a cost-coverage approach (PIRSC3 proposed trigger).** Once the regulatory agency is in place and has all necessary information, the government would proceed with the implementation of a revised tariff regime consistent with long-term financial sustainability. The revised tariff structure need not be adopted all at once and may be phased-in over time. Establishing cost-reflective tariffs will strengthen the financial and economic viability of the sector and improve the targeting of progressive subsidies.

62. **The Ministry of Energy and Petroleum approves NIGELEC's Concession Contract Proposal fully aligned with the new legislative and regulatory framework (PIRSC3 proposed**

trigger). The proposed trigger will address the lack of a concession contract between the State and NIGELEC. This was required under the Electricity Code of 2003, but never enforced by the GoN. 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.

Prior Actions for PIRSC1:
• *The Council of Ministers has adopted and submitted to the National Assembly: (i) a draft Electricity Code; and (i) a draft Law which establishes a regulatory agency for the energy sector* • *The Minister of Energy and Petroleum has issued an Executive Order: (i) approving the financial audit of NIGELEC; and (ii) establishing a Standing Committee charged with the monitoring and evaluation of the execution of NIGELEC's Strategic Development Plan*

Table 5: PIRSC Pillars and Analytical Underpinnings

PIRSC Pillars	Analytical Underpinnings
Pillar 1: Strengthening PFM and PIM Systems	"Second Public Expenditure Management and Financial Accountability Report (PEMFAR II)," World Bank 2010 "Sector Policy Note on Public Financial Management," World Bank 2011 "Public Expenditure and Financial Accountability Assessment," World Bank 2012 "Niger: Public Expenditure and Financial Accountability Assessment," IMF 2013 "Policy Note on Public Investment," World Bank 2013 "Study on stimulating execution of investment projects in WAEMU – Niger Country Report," World Bank, 2013 "Study on investment budget execution ratios in Niger," MPATDC 2013 "Niger Security Sector Public Expenditure Review," World Bank 2014
Pillar 2: Improving the Management of the Public Irrigation Sector	"Irrigation Development in Niger: Diagnostic and Strategic Options," World Bank 2008 «Etude sur la restructuration de l'ONAHA», Tayeb et al. 2013 "Agricultural Sector Risk Assessment in Niger: Moving from Crisis response to Long-term Risk Management," World Bank 2013
Pillar 3: Enhancing the Institutional Framework for the Electricity Sector	"Sector Notes on the Power Sector," World Bank 2011 "Energy Sector Review," World Bank 2012

D. LINKS TO THE CPS AND OTHER BANK OPERATIONS AND WORLD BANK GROUP STRATEGY

63. **The proposed PIRSC series is closely aligned with the Niger CPS, approved by the Board on April 30, 2013, as well as with the World Bank's Africa Strategy.** The CPS focuses on: (i) promoting resilient growth; (ii) reducing vulnerability; and (iii) improving governance and expanding public service capacity. Budget support is identified as instrumental to the Bank's efforts to assist the authorities in pursuing the objectives of the PDES. The World Bank's Africa Strategy's emphasis on enhancing competitiveness, promoting employment, mitigating vulnerability and enhancing resilience is reinforced by a cross-cutting focus on good governance and strong public sector capacity. Under this strategy, reforms designed to boost investment by improving the business climate are regarded as essential to support accelerated growth and

economic diversification. PIRSC will support improved PFM and PIM systems, which is essential to achieve equitable, broad-based growth, particularly when a boom in extractive industries is causing public revenues to rapidly increase. Greater budget transparency will help promote the efficient allocation of government resources and ensure that policymakers remain focused on development priorities. Meanwhile, better management of public capital assets such as irrigation systems and electricity grids will reduce marginal costs and facilitate the expansion of essential services, promoting job creation and improving human development outcomes. A well governed irrigation sector is especially important to alleviating food insecurity and sustainably managing scarce and valuable water resources. By improving budget management, expanding access to electricity and alleviating food insecurity, thereby improving human development and economic outcomes in rural areas in particular, where the majority of the poor reside, the project will lay the foundation for improved shared prosperity.

64. **The PIRSC would complement a number of Bank investment projects and TA programs.** The PFM/PIM reforms supported under Pillar 1 will enhance the outcomes of the Niger Reform Management and TA Project (P108253) and the Capacity for Service Delivery Project (P145261). Measures supported under Pillar 2 will advance the objectives of the two Niger Disaster Risk Management and Urban Development Projects (P145268 and P145932) and the Integrated Ecosystems Management Project (P143079). Stronger irrigation systems will further the goals of the Niger Community Action Program Phase 3 (P132306). Reforms under Pillar 2 related to the management of the Kandadji Dam will promote the success of the regional Niger Basin Water Resources Development and Sustainable Ecosystems Management Program (P130174). The electricity sector reforms supported under Pillar 3 will complement the Competitiveness and Growth Support Project (P127204). Actions supported under Pillars 2 and 3 will contribute to the success of the Sahel Infrastructure Competitiveness TA Project (P151595).

E. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

65. **The PIRSC series is designed to support the implementation of the PDES, which was developed through an inclusive participatory process with the active involvement of the World Bank.** PDES consultations were held with civil society organizations, members of academia, the private sector, and representatives from Niger's development partners. The PDES strategy was informed by the Bank's analytical work on current socioeconomic conditions in Niger and the drivers of economic growth. Development partners involved in the Kandadji Dam project have endorsed the irrigation sector reform agenda and regard it as complementary to their ongoing investments in infrastructure. KfW (German Development Bank) is financing a number of large-scale public irrigation schemes, and it is waiting for these reforms to take effect before establishing contractual agreements between agricultural cooperatives and the government represented by ONAHA. The French Development Agency (AFD) has allocated Euro 25 million to the irrigation component of the Kandadji program, and it is considering dedicating a portion of those funds to building institutional capacity in the sector. Such a move would directly complement the objectives of the proposed PIRSC series.

66. **The World Bank is collaborating closely with other development partners in the preparation of the PIRSC.** Under the leadership of the Government of Niger, the World Bank, the EU, and the African Development Bank (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. This coordination will continue to maximize the impact of external assistance during the implementation of the PIRSC.

5. OTHER DESIGN AND APPRAISAL ISSUES

A. Poverty and Social Impacts

67. **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.

68. **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. PIRSC will support the preparation of gender-disaggregated reports on the performance of the irrigation and electricity sectors, which will help evaluate the impact on gender equality. The Bank team's active engagement with public and non-governmental agencies during the implementation of PIRSC will help to sharpen their focus on gender issues.

69. **Reforms supported by PIRSC will strengthen Niger's mechanisms for mitigating social risks of development projects.** Decree on the management of public investment projects (Prior Action under Pillar 1) specifically requires that all public investment projects 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 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) 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.

B. Environmental Aspects

70. **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 have no or minimal 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.

C. PFM, Disbursement and Auditing Aspects

71. **The proposed operation follows the World Bank's disbursement procedures for development policy financing**. Fiduciary arrangements were reviewed by the Bank during the preparation of the previous Shared Growth DPO (2012-2014). 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.

72. **The BCEAO, the regional central bank shared by Niger with other WAEMU member states, is an appropriate financial institution for the proposed DPO**. 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. Further changes have been scheduled for 2014-2015. 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.

73. **Fiduciary risks have been further contained in recent years through the strengthening of budget preparation and execution arrangements.** 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 *Journal Officiel*, and on the Ministry of Finance website; (ii) the multi-year perspective in budget planning has been strengthened, and investment budget execution moved from 54 percent in 2012-2013 to 78 percent in 2014; (iii) the March 2013 Decree on a new budgetary nomenclature allows to easily interface between sector and functional classification of project investments included in the PDES; (iv) information on resources received by primary service delivery units is more detailed; and (v) external scrutiny has improved. Interconnections between the ministry of finances departments and sectoral ministries were completed in 2014, which improved the expenditures chain. The budget administrators and financial controllers can now initiate expenditure commitments and review and approve documents from their offices in line with WAEMU directives. The level of extra-budgetary expenditure has decreased significantly to about 1.2 percent of the total budget executed in 2014, and the overall budget execution rate has risen to an estimated of 82 percent. 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. With regards to public procurement, the regulatory and legal framework 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. The public procurement institutions have been operationalized, and procurement audits have become regular as well as the publishing of their results aimed to strengthen the transparency and governance. The fiduciary risks are rated moderate.

74. **The proposed operation will consist of a single tranche credit in the amount of Euro 71.4 million (US$80 million equivalent) to be made available upon effectiveness and disbursed on the basis of a withdrawal application.**[11] The credit will follow IDA's disbursement procedures for Development Policy Financing (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 credit be deposited in the BCEAO into a dedicated account that forms part of the country's official foreign-exchange reserves.[12] Within five working days following the deposit of the credit, 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 dedicated 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 credit 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

[11] The Recipient has opted for the Euro as a single currency. The credit will be financed under standard IDA terms, with a 38-year maturity and a 6-year grace period.
[12] The use of a dedicated account is a common feature of budget support operations in WAEMU member states and mitigates fiduciary risks.

refunded to the Association upon such a request shall be cancelled. The Association will reserve the right to seek an audit of the dedicated account by independent auditors acceptable to the Association. Within 30 days after credit 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). The operation will be implemented by the Ministry of Economy and Finance. The closing date of operation will be November 30, 2016.

D. MONITORING AND EVALUATION

75. **The PIRSC 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 Economy and Finance, while day-to-day oversight and supervision of implementation of these projects is delegated to a newly-created technical committee, the head of which was appointed recently. 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 of PFM reforms will rest with the Budget and Treasury Departments. Sector-specific reforms will be implemented by the respective technical departments in the sector ministries, with overall coordination provided by the technical interministerial committee. A Results Matrix included in Annex 1 sets out the three operations of the PIRSC series and defines relevant indicators and empirical benchmarks to monitor progress during implementation and enable a thorough ex post evaluation following the end of the program in 2017. Niger's development partners will track progress on the reform agenda through a harmonized review process.

76. **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 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

77. **The overall risk rating for the proposed operation is moderate.** Major sources of programmatic risk and their respective risk ratings are presented in Table 6. The only categories

deemed to pose a substantial threat to the proposed operation are the government's institutional capacity for implementation and sustainability, and the technical design of project or programs. All other risks are deemed moderate.

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

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

78. **Risks involving the technical design of the program are substantial**. Although economically justified, the implementation of some of the triggers underpinning the PIRSC series may be difficult. In particular, the triggers on electricity in the third operation related to the adoption of electricity tariffs with a cost-coverage approach and a new NIGELEC concession contract with measurable results in the form of an increase in collection from 65 percent to 80 percent could be challenging. 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 based on the fact that the proposed measures are needed not only to deliver improved sector performance, but also to provide supply and access expansion urgently needed in Niger to the benefit of the population. These help mitigate the risks discussed above.

79. **Institutional capacity risks, particularly related to the implementation of new governance arrangements, are substantial.** Efforts to implement the reform agenda set out in the PDES may be derailed by the administrative demands of the upcoming election and the political transition that may follow. The implementation capacity of sector ministries is generally low, and interagency coordination could be significantly improved. However, the government has established and applied mechanisms to resolve interagency conflicts. The existing mechanism of regular consultations between Niger's development partners active in policy areas that are covered by PIRSC1 prior actions, will reduce risks stemming from the demands of multiple international agencies on the government's administrative capacity. The PIRSC series will mitigate implementation capacity risks by promoting the adoption of international good practices for accountable decision-making and sound fiscal management. Capacity-building support in key policy areas supported by PIRSC is being delivered through a dedicated program involving the Ministry of Finance, which began in 2010, and through the World Bank's Public Sector Capacity for Service Delivery Project (P145261), approved by the Board in March 2014. Strong coordination mechanisms are in place to ensure that development assistance resources are used effectively, and the preparation of the proposed series involved consultations with Niger's development partners involved in all PIRSC policy areas. The ongoing engagement of senior

World Bank officials has encouraged the Authorities to remain focused on the implementation the governance agenda.

80. **The security situation has improved since 2013, but it remains complex.** Niger appears to have stabilized, and the government has responded to the mounting threat of Boko Haram attacks by stepping up security spending and its collaboration with regional and international partners on security issues. The PIRSC is designed to mitigate security risks by supporting more efficient fiscal management, which will create fiscal space that may be needed to accommodate new emergency responses such as assistance to refugees and IDPs without threatening other essential public spending. Overall, the current security situation is unlikely to impact the implementation of the PIRSC-supported reforms, though close monitoring will remain necessary.

ANNEX 1: POLICY AND RESULTS MATRIX

Area	Prior actions agreed under PIRSC1 (Summer 2015)	Proposed triggers under PIRSC2 (Summer 2016)	Proposed triggers under PIRSC3 (Summer 2017)	Result	Indicator	Baseline (Year) – Target (2017)
Pillar 1 – Strengthening PFM and PIM systems						
Public investment management and treasury management	A1. The Council of Ministers has approved a Decree creating an institutional framework for the evaluation and selection of public investment projects A2. The Council of Ministers has approved a Decree which sets out the terms of reference and organizational structure of the Directorate for Studies and Programming (DSPs) within each of the sector ministries	B1. Add to the Annual Budget Law a line item to finance the fund for feasibility studies and impact assessments established by the Decree referenced in A1. (*) B2. The Ministry of Economy and Finance will prepare and adopt the public investment program in conformity with the Decree referenced in A1. (*) B3. Finalize the overall Treasury cash plans, overall commitment plans, sectoral commitment plans and procurement plans before December 15 of each year. (*)	C1. Establish a stabilization mechanism for public investment spending	Capital budget credibility is improved	Deviation between voted capital budget and budget outturn	Baseline (2012): 41 percent Target (2017): 25 percent
Policy-based budgeting		B4. Prepare and adopt a standardized sector MTEF methodology	C2. Adopt Medium Term Expenditure Frameworks (MTEF) for the sectors of Health, Education,	Link between investment budgets and forward expenditure estimates is strengthened	Percent of investments selected on the basis of relevant sector strategies and	Baseline (2011): 36 percent Target (2017): 60 percent

Area	Prior actions agreed under PIRSC1 (Summer 2015)	Proposed triggers under PIRSC2 (Summer 2016)	Proposed triggers under PIRSC3 (Summer 2017)	Result	Indicator	Baseline (Year) – Target (2017)
			Rural Development, Water Resources, Transportation, and Energy prepared on the basis of the standardized methodology		recurrent cost implications in accordance with sector allocations and included in forward budget estimates for the sector (in value terms)	
Budget execution	A3. The Council of Ministers has issued a Circulaire which simplifies governmental ratification procedures for external financing			Time to ratify external loans in compliance with the disposition established by the Circulaire	Number of working days from loan signature to issuance of "Avis Juridique" excluding the number of days taken by Parliament for ratification	Baseline (2012): between 80 and 100 working days Target (2017): 45 working days
Transparency	A4. The Ministry of Finance has published quarterly budget execution reports with comprehensive data coverage, starting with the fourth quarter of fiscal year 2014 and no later than two months after the end of the quarter. (*)	B5. The Council of Ministers adopts, submits to the National Assembly and publishes the Multiyear Economic Budget Document before June 15 of each year. (*) B6. Treasury regulations are adopted, allowing commitments for specific projects to carry over from one annual budget to another in order to facilitate the	C3. Publish the Annual Budget Law with all its annexes at the time of its transmission to the National Assembly	Timeliness and availability of budget information have improved	Period (weeks) after the end of the quarter within which the Ministry of Finance issues and publishes quarterly budget execution reports Period (months) after the end of the fiscal year within which annual financial statements are submitted for external audit	Baseline (2014): 8 Target (2017): 4 Baseline (2009): 36 Target (2017): 15

Area	Prior actions agreed under PIRSC1 (Summer 2015)	Proposed triggers under PIRSC2 (Summer 2016)	Proposed triggers under PIRSC3 (Summer 2017)	Result	Indicator	Baseline (Year) – Target (2017)
		implementation of multiyear projects				
Pillar 2 – Improving the management of the public irrigation sector						
Improved management, planning and regulation of the irrigation sector	A5. The Council of Ministers has approved a Decree governing the mandate and functions of ONAHA which serves as implementing regulation for Ordinance No. 2014-01 dated January 3, 2014	B7. Sign a multi-year plan-contract between the State and ONAHA	C4. Submit to Parliament a general law on irrigated agriculture	ONAHA carries out clearly defined functions in an efficient and equitable manner, according to approved rules and in a mutually accountable way vis-à-vis government and irrigation cooperatives Performance of publicly-funded irrigation schemes is improved through better administrative, technical and financial management Harmonized financing mechanisms across development partners for small scale irrigation development	Percentage of publicly developed irrigation schemes for which ONAHA has made an annual assessment the previous year Number of public collective irrigation schemes with a utility value that exceeds 3 (in sample of 20) [13] Percentage of development partners involved in small scale irrigation management whose financing mechanisms are harmonized with SPIN rules	Baseline (2014): 23 percent (20/86) Target (2017): 100 percent (86/86) Baseline (2014): 40 percent (8/20) Target (2017): 80 percent (16/20) Baseline (2014): 17 percent (2 out of 12) Target (2017): 50 percent (8/17)

[13] The utility value of a public collective irrigation scheme is a composite indicator that aggregates technical, administrative, and financial aspects; it is well-defined with an existing baseline and has been used by other development partners of Niger to guide their investment choices. See Annex 4.

Area	Prior actions agreed under PIRSC1 (Summer 2015)	Proposed triggers under PIRSC2 (Summer 2016)	Proposed triggers under PIRSC3 (Summer 2017)	Result	Indicator	Baseline (Year) – Target (2017)
Sound water allocation from the Kandadji dam			C5. Adopt a model for the management of Kandadji dam and of its hydroelectric facilities	A model for the multipurpose operation of the Kandadji dam (qualitative indicator): a model is defined which allows: (i) optimization of water allocation among the different intended and year-long irrigation in the River, Niger Valley in Niger in compliance with prior agreed basin level rules and agreements, (ii) safe and sustainable operation of the dam infrastructure and (iii) ensuring an efficient operation and management of the hydroelectricity plant	A model for the multipurpose operation of Kandadji dam	Baseline (2014): model not defined and no trained users exist Target (2017): model fully defined and functional, and an agency selected to use it
Pillar 3 – Enhancing the institutional framework for the electricity sector						
Electricity	A6. The Council of Ministers has submitted to the National Assembly the drafts of the Electricity Code and of the Law establishing the organization and functioning of a regulatory authority for the energy sector	B8. The Council of Ministers approves implementing decrees for the Electricity Code and the Law on the establishment of the Energy Regulator	C6. The Energy Regulator adopts electricity tariffs with a cost-coverage approach.	Legal and regulatory framework for electricity sector in place with clear and predictable rules and with institutions able to apply these rules.	Procedures for setting electricity tariffs	Baseline (2014): No tariff setting procedure is in place. Target (2017): Tariffs are set based on clear procedures and principles
	A7. The Minister of Energy and Petroleum has issued an Executive Order: (i) approving the financial audit of NIGELEC; and (ii) establishing a Standing Committee charged with the monitoring and evaluation of the execution of NIGELEC's Strategic Development Plan	B9. NIGELEC prepares and approves a Financing Plan to restructure its debt/equity structure	C7. The Ministry of Energy and Petroleum approves NIGELEC's Concession Contract Proposal fully aligned with the new legislative and regulatory framework	Financial performance of the electricity sector is improved.	NIGELEC's collection rate from public entities is increased	Baseline (2014): 65 percent Target (2017): 80 percent

(*)To renew or continue each year from the first action.

ANNEX 2: LETTER OF DEVELOPMENT POLICY

REPUBLIQUE DU NIGER

CREDIT D’APPUI BUDGETAIRE (2015 – 2017)

LETTRE DE POLITIQUE DE DEVELOPPEMENT

Octobre 2015

1. CONTEXTE

Le Niger est un pays sahélien et enclavé de l'Afrique de l'Ouest, avec une superficie de 1 267 000 km^2 dont les deux tiers (2/3) sont quasi désertiques. A ces contraintes physiques, le pays fait face à divers défis de développement qui sont : (i) une explosion démographique avec un taux de croissance de 3,9% et une population majoritairement jeune,(ii) une économie peu diversifiée, dominée par le secteur primaire (43% du PIB) et non compétitive, (iii) Une insuffisance des infrastructures économiques et sociales, (iv) un secteur industriel peu dynamique, (v) un marché financier peu développé, et (vi) des besoins en capacités humaines et institutionnelles.

Pour relever ces défis 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 et met en œuvre le Plan de Développement Economique et Social (PDES) 2012-2015. Ce plan est articulé autour de cinq axes :

- l'axe 1 « Consolidation de la crédibilité et de l'efficacité des Institutions publiques » ;
- l'axe 2 «Conditions de durabilité d'un développement équilibré et inclusif» ;
- l'axe 3 « Sécurité alimentaire et développement agricole durable » ;
- l'axe 4 « Economie compétitive et diversifiée par une croissance accélérée » ;
- l'axe 5 «Promotion du développement social».

Le PDES est donc un instrument de politique économique et sociale à la fois dynamique, ambitieux et volontariste à la dimension des défis auxquels fait face le Niger.

Après 3 ans de sa mise en œuvre, le bilan du PDES est globalement satisfaisant. En effet, des progrès majeurs ont été enregistrés avec une appropriation croissante des différents acteurs et des réalisations concrètes dans les différents domaines :

- le taux de croissance moyen du PIB réel est de 7,8% sur la période 2012-2014 pour une prévision de 8% ; ce taux était de 3,8% entre 1990 et 2010. Cela dénote d'une création de richesse durant la période du PDES ;
- La progression du PIB par habitant est de 4,56% sur la période 2011 – 2014, alors qu'elle était inférieure à 1% entre 1990 et 2010 ;
- le taux d'investissement moyen est de l'ordre de 36,77%, sur une prévision de 41,4% sur la période, alors qu'il n'était que de 14,8% entre 1990 et 2010. Cette performance est le résultat du caractère volontariste et ambitieux du programme du gouvernement, qui a rendu possible la réalisation d'importants projets structurants notamment dans le domaine des infrastructures (le Barrage de Kandadji, la boucle ferroviaire,...) ;
- le niveau d'endettement se situe à 24,8% du PIB, bien loin du seuil de 70% qui est la norme retenue pour les pays de l'UEMOA
- l'évolution des prix est maîtrisée avec durant la période, moins de 3% et ce en dépit des

augmentations de salaires intervenues durant la période, améliorant ainsi le pouvoir d'achat des nigériens ;

— l'amélioration du climat des affaires, à travers la mise en place d'importantes réformes notamment la création de la maison de l'entreprise qui permet de réduire le délai de création des entreprises de 14 à 3 jours, la réduction du nombre de documents à l'importation (de 10 à 6) et à l'exportation (de 8 à 4) ou encore la création du Tribunal du Commerce.

Dans le domaine social, des améliorations sensibles ont été enregistrées notamment en ce qui concerne le Taux Brut de Scolarisation(TBS), le Taux d'Achèvement Primaire (TAP), le Taux d'Accouchement Assisté; le Taux de Contraception Moderne.

Dans le cadre de la **sécurité alimentaire**, durant la période, malgré les chocs exogènes connus, la situation alimentaire et pastorale a pu être maitrisée à travers la mise en œuvre de l'initiative 3N qui a permis de renforcer la résilience de la population face aux aléas climatiques. C'est ainsi que les superficies irriguées se sont accrues, d'importantes quantités d'intrants agricoles et d'aliments bétail ont été mises en place ; de nombreux puits et forages pastoraux ont été réalisés ou réhabilités, l'amélioration de la productivité animale à travers l'insémination et la création des fermes modernes.

Ces résultats auraient été meilleurs si les efforts n'étaient pas annihilés par la persistance des défis tels que : le faible taux de consommation des crédits d'investissement, la faiblesse de l'administration à délivrer des services publics de qualité dans les délais, la gestion des questions sécuritaires au détriment des secteurs inducteurs de croissance économiques (infrastructures, hydraulique) ainsi que la forte croissance démographique.

Ces défis seront pris en charge au cours de la formulation des documents stratégiques de planification de long et moyen termes, qui sont la SDDCI Niger 2035 et le PDES 2016-2020 et dans le cadre de la poursuite des réformes structurelles, avec le soutien des partenaires techniques et financiers.

Le crédit d'appui budgétaire des réformes des investissements publics 2015-2017 soutenu par la Banque mondiale s'inscrit dans ce cadre par un appui au Gouvernement dans la mise en œuvre des réformes dans les domaines prioritaires suivants :

— Gestion des investissements publics ;
— Gestion de secteur d'électricité ;
— Gestion des systèmes d'irrigation.

3. GESTION DES INVESTISSEMENTS PUBLICS

Comme la plupart des pays en développement, dans le but d'accélérer la croissance et de réduire la pauvreté. Conformément au Plan de Développement Économique et Social (PDES 2012-2015, le Gouvernement est convaincu que l'investissement productif est vital pour assurer une croissance accélérée et inclusive. De ce fait, il s'est engagé à porter à plus de 50% la part alloué au financement des investissements publics dans le budget de l'Etat tout en cherchant à accroitre l'efficacité des dépenses publiques.

A cet égard, le Gouvernement entend promouvoir les réformes requises pour asseoir le corpus technique et les outils appropriés pour une gestion plus efficace du cycle du projet aux fins d'améliorer la qualité de ces projets et le niveau d'absorption des crédits d'investissements. En effet, on relève un certain nombre d'obstacles qui freinent l'efficacité des investissements publics. Ces difficultés sont stratifiées en quatre (4) étapes et ce, de la planification stratégique jusqu'à l'évaluation des IP.

4. GESTION DE SECTEUR D'ELECTRICITE

Amélioration de l'efficacité dans le secteur de l'énergie

La politique sectorielle vise à conforter l'accès des populations à l'énergie et aux hydrocarbures et à renforcer la contribution du secteur à la croissance économique dans un cadre de développement durable. La stratégie reposera sur la dynamisation du cadre institutionnel et réglementaire et une meilleure promotion des ressources énergétiques et pétrolières nationales.

Dans le domaine institutionnel et réglementaire, il est prévu la création d'un cadre de concertation et de coordination, l'élaboration des politiques énergétiques et pétrolière et la mise en application des textes réglementaires. Quant à la promotion des ressources énergétiques, la priorité est portée sur la réhabilitation des moyens de production , de transport et de distribution de la NIGELEC, le renforcement des capacités d'approvisionnement en énergie électrique du pays et le développement des échanges de l'énergie électrique entre le Niger et ses voisins ainsi que le renforcement du processus de production de l'énergie électrique avec la construction de la centrale thermique de Gorou Banda, la centrale thermique à charbon de Salkadamna.

5. GESTION DE DES SYSTEMES D'IRRIGATION

Malgré les importantes ressources investies dans le secteur du développement rural, les déficits des productions vivrières persistent, soumettant les populations à l'insécurité alimentaire. Pour inverser cette tendance, le Gouvernement a décidé de mettre en œuvre l'Initiative 3N : les Nigériens Nourrissent les Nigériens.

L'Initiative exprime la conviction collective qu'avec ses atouts et les opportunités de développement qui s'offrent à lui, le Niger est à même de relever les défis actuels et futurs de la sécurité alimentaire et nutritionnelle, d'amorcer une véritable modernisation de ses systèmes de production et de faire jouer au secteur agricole un rôle majeur dans la réalisation de la croissance économique.

L'Initiative 3N met un accent particulier sur les efforts nécessaires au renforcement des capacités nationales de production alimentaires, d'approvisionnement et de résilience face aux crises alimentaires et aux catastrophes naturelles. A cet égard et dans le domaine de l'irrigation en particulier, la priorité sera mise sur l'accroissement des productions sous-irrigation par la réhabilitation des superficies des terres irriguées, la mise en valeur de nouvelles superficies de terres irriguées, le développement de la petite irrigation familiale, la réalisation et la mise en valeur de nouveaux aménagements hydro agricoles notamment dans le domaine de la régénération des écosystèmes et la mise en valeur de la vallée du Niger ainsi que par l'Amélioration du cadre réglementaire pour le développement de l'irrigation. A ce niveau, les efforts seront portés sur la révision des textes de gestion des infrastructures d'irrigation prenant en compte les perspectives de l'Initiative 3N est intervenue en fin 2013.

6. AMELIORATION DE L'EFFICACITE DE LA DEPENSE PUBLIQUE

L'amélioration de l'efficacité de la dépense publique constitue une préoccupation pour le Gouvernement. A cet effet, la politique dans le domaine des finances publiques reprend les ambitions affichées dans le programme de réformes de gestion de finances publiques pour la période 2013-2015. Le rétablissement d'une bonne gouvernance financière est à la fois le socle de base pour une confiance retrouvée des citoyens à l'égard de l'administration publique et un levier essentiel pour une mobilisation des financements intérieurs et extérieurs plus forte et plus alignée sur les procédures nationales. Les actions s'articuleront autour de cinq axes : (i) la poursuite de la modernisation du cadre législatif national, (ii) une amélioration sensible de la gestion de la trésorerie, (iii) une amélioration de la crédibilité du budget, (iv) une amélioration du reporting et du contrôle de la gestion des finances publiques et (v) une amélioration du système de passation de marchés.

7. LES MESURES A METTRE EN ŒUVRE DANS LE CADRE DU CREDIT D'APPUI BUDGETAIRE AUX REFORMES 2015-2017

Réformes à achever en 2015

(i) Le Conseil des Ministres a adopté le décret portant cadre institutionnel d'évaluation et de sélection des projets d'investissements publics

Le décret déterminera les modalités d'élaboration et de gestion des Programmes et Projets d'Investissements à travers la définition d'un cadre institutionnel approprié ainsi que des critères objectifs permettant de rationnaliser la sélection et la programmation des Investissements publics au titre de la loi des Finances. En effet, la gestion des investissements publics est actuellement régie par l'ordonnance n°84-34 du 27 septembre 1984 modifiant la loi n°61-32 du 19 juillet 1961 relative aux lois des finances. L'ordonnance et la loi de juillet 1961 relative aux lois des finances sont aujourd'hui de fait abrogées par la loi n°2012-09 du 29 mars 2012 portant loi organique relative aux lois des finances (LOLF).

Cette loi organique relative aux lois des finances a prévu la pluri-annualité budgétaire, en particulier pour permettre une inscription convenable d'un projet d'investissement public dans l'architecture budgétaire et sa gestion efficace. Elle intègre également des dispositions générales appropriées pour la mise en œuvre des projets en partenariat public privé en prévoyant des mécanismes d'engagement budgétaire pluriannuel en la matière.

L'adoption d'un nouveau texte règlementaire permettant de préciser les dispositions générales de la LOLF en matière d'élaboration, de programmation et de budgétisation des projets et programmes d'investissements publics s'impose. L'objectif étant de pallier à l'obsolescence du cadre règlementaire actuel afin d'éviter d'inscrire au budget les projets d'investissements qui ne sont pas techniquement prêts à être exécutés dans le délai des 12 mois.

(ii) Le Conseil des Ministres a adopté le décret déterminant les attributions types des Direction Générale des Etudes et de la Programmation des ministères et institutions et définissant les profils des directeurs

Afin de redynamiser les structures de planification au niveau des ministères sectoriels, les capacités d'identification et de préparation de projets d'investissements doivent être développées au sein des ministères initiateurs des projets. Une redéfinition du profil, des attributions, de l'organisation et des liens institutionnels des directions des études et de la programmation est nécessaire à cet égard. A terme, les DGEP seront les seuls représentants des ministères sectoriels dans le processus d'arbitrage des projets d'investissement dans le cadre de la préparation de la Programme d'Investissement Publics. La redynamisation des DGEP va augmenter la capacité des ministères sectoriels pour préparer, mettre en œuvre et évaluer des projets d'investissement et permettra d'améliorer la capacité de coordination dans la préparation et la mise en œuvre des programmes d'investissements publics. . Dans l'ensemble, ce qui devrait réduire l'écart entre le budget d'investissement prévu par la loi et les résultats d'exécution du budget et de crédibiliser ainsi la loi des finances.

(iii) Le Premier Ministre a signé la Circulaire relative au processus de ratification des accords et conventions de prêts

L'étude sur les goulots d'étranglement à la consommation des crédits d'investissements publics avait identifié entre autres comme contraintes les délais anormalement longs du processus de ratification des Accords/Convention de prêt dans notre pays.

Dans ces conditions, la Circulaire adoptée permet de définir les modalités et procédures de ratification des Accords/Convention de prêts pour le financement des projets/programmes de développement afin de rationaliser le processus de ratification avec des délais optima. Le nombre de jours ouvrables entre la signature de l'accord/convention et l'émission de l'Avis juridique est un des indicateurs permettant d'évaluer l'efficacité de mise en œuvre de la présente circulaire.

En complément des autres textes relatifs aux structures en charge de l'élaboration, de la programmation et de la budgétisation des projets d'investissements, la Circulaire permettra d'asseoir le corpus technique et les outils appropriés pour une gestion plus efficace du cycle de projets aux fins d'améliorer la qualité de ces projets et le niveau d'absorption des crédits d'investissements.

(iv) Le Ministère des Finances a publié le rapport du 1[er]trimestre d'exécution du budget au plus tard dans le mois suivant la fin du trimestre précédent

La publication du rapport d'exécution du budget est une action essentielle dans le renforcement de la transparence budgétaire et un gage de confiance dans la crédibilité de la loi des finances de l'Etat. La publication régulière des rapports trimestriels d'exécution du budget a commencé en 2014. Cette mesure serait reconduite et actualisée au cours des années suivantes.

(v) **Le Conseil des Ministres a adopté le décret d'application de l'ordonnance n° 2014-01 du 3 janvier 2014 relative aux missions de l'ONAHA**

Ce décret spécifie les responsabilités de l'ONAHA tel que défini par l'ordonnance n ° 2014-0. A cet égard, il précise en particulier les services publics distinctifs qu'il fournira aux structures en charge de la gestion des aménagements hydro agricoles. Les principales responsabilités de ONAHA comprennent désormais l'établissement d'inventaires des infrastructures d'irrigation; l'application des règles sur la durabilité et le fonctionnement et l'entretien adéquat des infrastructures publiques par les agriculteurs; la fourniture de services de vulgarisation agricole ; et la promotion des opérateurs privés dans le développement de l'irrigation et de l'exploitation. Il est prévu que dans le cadre de la gestion et de l'entretien des aménagements hydro agricole que l'ONAHA signe avec l'Etat une convention de gérance. La mise en œuvre du présent décret permettra aux ONAHA à exercer des fonctions clairement définies d'une manière efficace.

(vi) Le Conseil des Ministres a soumis à l'Assemblée nationale le nouveau Code de l'électricité et la Loi pour la création du régulateur du sous-secteur électrique

Le Gouvernement a soumis à l'Assemblée nationale deux projets de loi relatifs d'une part au code de l'électricité et d'autre part sur la mise en place de la Commission de Régulation de l'Electricité. Ces projets de loi offrent une vision claire de la politique du Gouvernement pour la promotion du sous-secteur de l'énergie. En effet, l'adoption de ces actes juridiques est essentielle pour renforcer l'approvisionnement en électricité du pays à des coûts raisonnables. Les objectifs du nouveau code de l'électricité comprennent notamment l'intégration du Niger dans le marché régional de l'électricité, la participation privée dans la production d'énergie. Quant à la loi sur la mise en place du régulateur, elle permettra d'établir le cadre nécessaire à la coordination des investissements publics et privés dans le secteur. La mise en place d'un régulateur indépendant augmentera la capacité technique du gouvernement de surveiller et de réviser périodiquement les taux tarifaires et maintenir des normes de qualité de service.

(vii) Le Ministre de l'Energie et du Pétrole a approuvé l'audit du NIGELEC, et a publié un décret instituant un Comité Permanent pour mettre en œuvre des mesures pour renforcer l'efficacité des opérations de NIGELEC

Ces mesures permettront à la NIGELEC de disposer d'un cadre financier et opérationnel adéquat pour mener avec efficacité ses missions de service public. Sur la base des recommandations du rapport d'audit réalisé en 2014, le Gouvernement du Niger a identifié des mesures pour renforcer la performance de la NIGELEC: (i) l'alignement des dispositions contractuelles de NIGELEC avec le gouvernement selon le cadre législatif et réglementaire; (Ii) l'alignement de la gouvernance NIGELEC avec les dispositions des actes uniformes de l'Organisation pour l'Harmonisation du Droit des Affaires en Afrique (Organisation Verser l'harmonisation en Afrique du Droit des Affaires - OHADA) et des meilleures pratiques internationales; (Iii) l'amélioration des activités de facturation et de recouvrement, en particulier pour les clients de l'État; (Iv) l'optimisation de ses achats d'approvisionnement et de puissance; (V) l'amélioration de ses systèmes d'information financière; et, (vi) et la restructuration de l'endettement / fonds propres de la NIGELEC afin d'optimiser les besoins de fonds de roulement et le financement à court terme. Cette action n'aura aucune conséquences sociales et environnementales néfastes.

Réformes clés à réaliser en 2016

(i) **Le Ministère de l'Economie et des Finances doit préparer et adopter le programme d'investissement public en conformité avec le décret portant création d'un cadre de politique institutionnelle des projets d'investissement publics**

Cette mesure de bâtir un programme d'investissements publics crédible qui sera constitué de projets inducteurs de croissance économique dont l'exécution sera garantie.

(ii) **Inscription en Loi de Finance d'une ligne budgétaire permettant le financement d'études de faisabilité et d'impact des projets présélectionnés**

La sélection des projets susmentionnée peut nécessiter et justifier, avant d'envisager une programmation, des études complémentaires de faisabilité et d'impact, dont le financement pourrait être assuré par cette ligne. Le montant inscrit en loi de finances devrait s'établir en proportion du montant estimé des projets présélectionnes devant faire l'objet d'études supplémentaires. Cette mesure serait reconduite et actualisée au cours des années suivantes.

(iii) **Finalisation des plans de trésorerie globale, d'engagement global, des plans d'engagements sectoriels ainsi que des plans de passation de marchés avant le 15 Décembre de chaque année.**

L'objectif de cette réforme est d'améliorer la prévisibilité des décaissements et gestion de trésorerie et d'éliminer les réglementations trop rigides du Trésor au niveau des paiements. L'absence de plans de passation des marchés, en particulier en temps opportun, retarde la mise en œuvre des projets d'investissement. Les différents plans doivent être disponibles au plus tard le 15 décembre de l'année N-1 pour le budget N. Cette mesure serait reconduite et actualisée au cours des années suivantes.

(iv) **Adoption par le Conseil des Ministres, Soumission à l'Assemblée Nationale et Publication du Document de Programmation Budgétaire Economique pluriannuelle avant le 15 Juin de chaque année**

Cette action est nécessaire à la tenue du Débat d'Orientation Budgétaire à l'Assemblée Nationale, telle que prévue par les dispositions de la loi organique relative aux lois des finances. Elle devra être suivie des conférences budgétaires entre les Ministères et Institutions dépensières et le Ministère de l'Economie et des Finances. Cette mesure serait reconduite et actualisée au cours des années suivantes.

(v) **L'adoption de règlements du Trésor permettant engagements pour des projets spécifiques de report de d'un budget annuel à l'autre afin de faciliter la mise en œuvre de projets de plusieurs années**

La difficulté d'assurer un financement continu sur plusieurs cycles budgétaires complique grandement la mise en œuvre des projets d'investissement pluriannuels. Cette réforme permettra de créer un mécanisme de report des fonds d'une année à l'autre, afin de s'assurer que le financement adéquat reste disponible sur plusieurs cycles budgétaires.

(vi) **NIGELEC prépare et approuve un plan de financement de restructurer sa dette/structure des capitaux propres.**

Le rapport d'audit 2014 montre que la structure de financement de la NIGELEC est caractérisée par une insuffisance de capitaux propres pour réaliser dans de bonnes conditions ses missions à elle assignées par le Gouvernement. Le nouveau plan de financement à proposer de définir le mix de financement nécessaire pour répondre aux besoins de financement de la NIGELEC

Réformes clés envisagées en 2017

(i) **Adoption des Cadres de Dépenses à Moyen Terme (CDMT) pour les secteurs de Santé, Education, Développement Rural, Hydraulique, Transport, Energie**

Les CDMT sont les outils qui permettent de projeter sur plusieurs années les programmes des dépenses en fonction de la contrainte budgétaire. Afin d'aider à la mise en place des CDMT, il est nécessaire d'accélérer la dotation de chaque secteur d'une stratégie.

(ii) **Publication au moment de sa transmission à l'Assemblée Nationale du projet de Loi de Finances et ses Annexes**

Cette réforme s'inscrit dans le cadre du renforcement de la crédibilité et de la transparence dans le processus budgétaire.

(iii) **Adoption du Mécanisme de stabilisation des investissements publics**

Les investissements publics au Niger sont très vulnérables aux chocs exogènes. A cet égard, il est prévu la mise en place d'un mécanisme de stabilisation des investissements publics. Cette réforme permettra de réduire la variabilité d'année en année de l'investissement public, de renforcer son efficacité et son impact sur le développement.

(iv) **Soumission au parlement d'une loi générale sur l'agriculture irriguée**

Cette réforme permettra d'actualiser la loi 60-28 fixant les modalités de mise en valeur et de gestion des aménagements agricoles réalisés par les ressources publiques, ainsi que les dispositions concernant la gestion et la sécurisation du foncier. L'actualisation tiendrait compte notamment (i) des dispositions de la Stratégie de Petite Irrigation du Niger (SPIN), (ii) de la Stratégie Nationale de Développement de l'Irrigation et de Collecte des Eaux de Ruissellement (SNDI/CER), (iii) de l'ordonnance et du décret relatifs à l'ONAHA, et (iv) des innovations juridiques et institutionnelles en cours sur le foncier irrigué.

(v) **L'adoption d'un modèle de gestion pour le barrage de Kandadji qui fixe les exigences en aval de l'eau d'irrigation le long du fleuve Niger, les mandats des mesures de sécurité, et fournit pour l'entretien de l'actif appropriée**

Compte tenu de son caractère structurant pour l'économie du pays, il est indispensable de doter le barrage de Kandadji d'un modèle qui puisse permettre de lui faire pleinement jouer son rôle multifonction. Une étude est actuellement en cours de préparation pour concevoir ce modèle.

(vi) **La révision des tarifs de l'électricité basée sur une approche coût-couverture**

Une fois que la Commission de Régulation de l'Electricité est devenue opérationnelle, le gouvernement devrait procéder à la mise en œuvre d'un régime tarifaire révisé compatible avec la viabilité financière à long terme du secteur. La fixation des tarifs reflétant les coûts renforcera la viabilité économique et financière du secteur.

(vii) **Le ministère de l'Energie et du Pétrole approuve la Contrat de concession de NIGELEC entièrement alignée sur le nouveau cadre législatif et réglementaire**

Cette réforme est de nature à permettre à la NIGELEC de s'adapter au nouvel environnement du sous-secteur de l'électricité.

8. DISPOSITIF DE SUIVI DE LA MISE EN ŒUVRE DU CREDIT BUDGETAIRE DES REFORMES 2015-2017.

Le Programme des réformes structurelles convenues dans le cadre du Crédit d'Appui Budgétaire des réformes est coordonné par le Ministère l'Economie et des Finances, les ministères techniques et les institutions concernées.

Niamey, le 07 OCT 2015

Ministre de l'Economie et des Finances

Gouverneur de la Banque Mondiale pour le Niger

REPUBLIQUE DU NIGER
LE MINISTRE

SAIDOU SIDIBE

LETTER OF DEVELOPMENT POLICY

(Unofficial Translation)

REPUBLIC OF NIGER

2015 – 2017 BUDGET SUPPORT CREDIT

LETTER OF DEVELOPMENT POLICY

October 2015

1. CONTEXT

Niger is a landlocked Sahelian country in West Africa that covers a 1,267,000 km^2 area, two-thirds of which is virtually desert land. Against the backdrop of these physical constraints, the country faces a variety of development challenges: (i) a demographic explosion with a growth rate of 3.9 percent and a predominantly young population, (ii) an undiversified economy that is dominated by the primary sector (43 percent of GDP) and that is uncompetitive, (iii) inadequate economic and social infrastructure, (iv) an industrial sector lacking in dynamism, (v) an undeveloped financial market, and (vi) insufficient human and institutional capacities.

To meet these challenges and pave the way for a medium-term economic policy that can generate a dynamic of balanced development, driven by strong economic growth that is both inclusive and sustainable, rooted in the extraction of major mining and oil resources, the government drafted and is implementing the 2012-2015 Economic and Social Development Plan (PDES). This plan revolves around five pillars:

- Pillar 1: Strengthening the credibility and efficiency of public institutions;
- Pillar 2: Creating the conditions for sustained, balanced, and inclusive development;
- Pillar 3: Food security and sustainable agricultural development;
- Pillar 4: A competitive and diversified economy driven by accelerated growth;
- Pillar 5: Promoting social development.

The PDES is thus a dynamic, ambitious, and proactive economic and social policy instrument in line with the size of the challenges confronting Niger.

Three years after implementation, the PDES can be assessed as broadly satisfactory. Indeed, major progress has been noted given the increasing level of ownership by the different stakeholders and tangible results in the various sectors:

- The real average GDP growth rate for the period 2012-2014 stands at 7.8 percent, compared to a projected rate of 8 percent. This rate stood at 3.8 percent between 1990 and 2010. This rate for this period reflects wealth creation during the PDES period;
- The increase in per capita GDP stood at 4.56 percent between 2011 and 2014; this rate was under 1 percent between 1990 and 2010;
- The average investment rate stood at 36.77 percent, compared to a projection of 41.4 percent during this period, while this rate stood at a mere 14.8 percent between 1990 and 2010. This performance is the result of the government’s proactive and ambitious program, which facilitated the execution of a number of important and key infrastructure projects (the Kandadji dam, the rail loop, etc.);
- The debt level stood at 24.8 percent of GDP, well below the 70 percent threshold set for WAEMU countries;
- Price increases were kept under control during the period—under three percent, despite the salary increases during the period that would have given Nigeriens greater purchasing power;

- The improved business climate, through the implementation of major reforms, especially the creation of the enterprise clearinghouse allowing for a reduction in the timeframe for enterprise creation from 14 to 3 days, and a reduction in the number of import documents (from 10 to 6) and export documents (from 8 to 4), as well as the creation of the Commercial Court.

Significant strides have been made in the social area, particularly with respect to the gross enrollment rate, the primary school completion rate, the rate of assisted deliveries, and the modern contraception rate.

In the area of food security, the food and livestock situation was brought under control during the period, despite the known exogenous shocks, through implementation of the 3N Initiative, which made it possible to strengthen the resilience of the population to climate events. As a result, irrigated land area was increased, significant amounts of agricultural inputs and livestock feed were provided, a large number of wells and boreholes for pastoral use were built or rehabilitated, and animal productivity was boosted through insemination and the establishment of modern farms.

These results would have been better if work had not been stymied by the persistence of such challenges as the low use of investment appropriations, the inability of the government to meet deadlines for the provision of high-quality public services, the emphasis on the management of security issues to the detriment of sectors driving economic growth (infrastructure, water sector), as well as strong demographic growth.

These challenges will be addressed in the formulation of strategic long- and medium-term planning documents, namely Niger's Sustainable Development and Inclusive Growth Strategy—2035 and the 2016-2020 PDES, and in the context of pursuing structural reforms, with the support of technical and financial partners.

The 2015-2017 Public Investment Reform Support Credit supported by the World Bank falls within this framework by providing support to the government for implementing reforms in the following priority areas:

- Public investment management;
- Electricity sector management;
- Irrigation systems management.

3. PUBLIC INVESTMENT MANAGEMENT

As in most developing countries, in order to accelerate growth and reduce poverty, the government is convinced, in line with the 2112-2015 Economic and Social Development Plan, that productive investment is vital for achieving accelerated and inclusive growth. Accordingly, the government has decided to boost to more than 50 percent the share of the government budget earmarked for the financing of public investment, while also attempting to increase the efficiency of public spending.

In this regard, the government intends to promote the required reforms for developing the technical wherewithal and appropriate tools for more effective management of the project cycle so as to improve the quality of these projects and the level of absorption of investment appropriations. Indeed, a number of obstacles are hampering the effectiveness of public investment. These problems are broken down into four phases, from strategic planning to the assessment of public investment.

4. ELECTRICITY SECTOR MANAGEMENT

Enhanced efficiency in the energy sector

Energy sector policy aims to buttress the population's access to energy and hydrocarbons and strengthen the sector's contribution to economic growth within a context of sustainable development. The strategy will be based on revitalization of the institutional and regulatory framework and better development of the country's energy and oil resources.

In the institutional and regulatory sphere, the plan is to create a framework for consultation and coordination, formulate energy and oil policies, and enforce the regulations. With respect to energy resources development, priority is placed on rehabilitating the means of production, transport, and distribution of NIGELEC, building the country's electric energy supply capacities, and developing electric energy exchanges between Niger and its neighbors, as well as strengthening the electric energy production process with construction of the Gorou Banda thermal power plant and the Salkadamna coal-fired thermal power station.

5. IRRIGATION SYSTEMS MANAGEMENT

Despite substantial resources invested in the rural development sector, shortages in food production persist, resulting in a situation of food insecurity. To reverse this trend, the government decided to implement the 3N Initiative (Nigeriens feeding Nigeriens).

The initiative expresses the collective conviction that Niger, with its advantages and the development opportunities presented to it, is indeed in a position to meet current and future food and nutritional security challenges, initiate a true modernization of its production systems, and assign to the agricultural sector a major role in achieving economic growth.

The 3N Initiative places particular emphasis on the efforts needed to boost national capacities in the areas of food production, supply, and resilience in the face of food crises and natural disasters. In regard to irrigation in particular, the priority will be placed on boosting irrigated crop production by rehabilitating existing irrigation schemes, developing new irrigation schemes, promoting small-scale family irrigation, carrying out and developing new hydro-agricultural infrastructure, especially in regard to ecosystem regeneration and development of the Niger Valley, and improving the regulatory framework for irrigation development. In this area, efforts will focus on revising the irrigation infrastructure management statutes, taking into account the perspectives of the 3N Initiative, starting from late 2013.

6. ENHANCEMENT OF PUBLIC EXPENDITURE EFFICIENCY

Enhancing public expenditure efficiency is one of the government's concerns. To that end, its public finance policy embraces the goals set forth in the public financial management reform program for the 2013-2015 period. The restoration of good financial governance is both the cornerstone for regaining the confidence of citizens in their government and an essential lever for mobilizing greater domestic and external financing better aligned with national procedures. Actions will revolve around five pillars: (i) continued modernization of the national legislative framework, (ii) significant improvement in cash management, (iii) improvement in budget credibility, (iv) improvement in public financial management reporting and oversight, and (v) improvement of the procurement system.

7. MEASURES TO BE IMPLEMENTED UNDER THE 2015-2017 REFORM SUPPORT CREDIT

Reforms to be completed in 2015

(i) The Council of Ministers adopted the decree establishing the institutional framework for assessing and selecting public investment projects

The decree will determine the procedures for developing and managing investment programs and projects by defining an appropriate institutional framework along with objective criteria to help rationalize the selection and programming of public investments under the budget law. Indeed, public investment management is presently governed by Order 84-34 of September 27, 1984 amending Law 61-32 of July 19, 1961 relating to budget laws. The order and the law of July 1961 relating to budget laws are now effectively repealed by Law 2012-09 of March 29, 2012 establishing the organic law relating to budget laws (LOLF).

This organic law relating to budget laws calls for multiyear budgeting, especially to allow for appropriate inclusion of a public investment project in the budget architecture and its effective management. It also incorporates appropriate general arrangements for the implementation of projects in public-private partnerships by calling for multiyear budget commitment mechanisms in this area.

The adoption of a new regulatory statute to flesh out the general provisions of LOLF concerning the development, programming, and budgeting of public investment projects and programs is needed. The objective is to overcome the obsolescence of the current regulatory framework in order to include, in the budget, investment projects that are not technically ready to be executed within a 12-month period.

(ii) The Council of Ministers adopted the decree determining the standard powers of the research and programming departments of ministries and institutions and the profiles of department directors

With a view to revitalizing the planning entities in the sectoral ministries, the capacity to identify and prepare investment projects must be developed within the ministries initiating the projects.

This calls for a redefinition of the profile, powers, organizational structure, and institutional linkages of the research and programming departments (DGEPs). Eventually, the DGEPs will be the sole representatives of the sectoral ministries in the investment project arbitration process in the context of preparing the Public Investment Program. Revitalization of the DGEPs will increase the sectoral ministries' capacity to prepare, implement, and evaluate investment projects, and help build coordination capacity for Public Investment Program preparation and implementation. Overall, the gap between the investment budget provided for by law and budget execution results should be reduced and the credibility of the budget law enhanced.

(iii) The Prime Minister signed the circular on the loan agreement/convention ratification process

The study of bottlenecks impeding the use of public investment appropriations has identified, among other constraints, the abnormally lengthy process of ratifying loan agreements/conventions in our country.

Under these conditions, the circular sets forth the arrangements and procedures for ratifying loan agreements/conventions for the financing of development projects/programs so as to streamline the ratification process with optimal time limits. The number of workdays between the signing of the agreement/convention and the issuance of the legal opinion is one of the indicators for assessing the effectiveness of the circular's implementation.

Along with other statutes pertaining to the entities in charge of investment project development, programming, and budgeting, the circular will help establish the technical wherewithal and appropriate tools for more effective management of the project cycle so as to improve the quality of these projects and the level of absorption of investment appropriations.

(iv) The Ministry of Finance published the first-quarter budget execution report in the month following the end of the preceding quarter

Publication of the budget execution report is a critical step in promoting budget transparency and a sign of confidence in the credibility of the government budget law. Regular publication of quarterly budget execution reports began in 2014. This measure is expected to be maintained and updated in the years ahead.

(v) **The Council of Ministers adopted the implementing decree for Order No. 2014-01 of January 3, 2014 on ONAHA's responsibilities**

This decree sets forth in detail ONAHA's responsibilities, as defined by Order 2014-01. In this regard, it specifies in particular the distinct public services that it will provide to entities in charge of maintaining hydro-agricultural infrastructure. ONAHA's main responsibilities now include the establishment of inventories for irrigation infrastructure; the enforcement of rules on the sustainability, functioning, and adequate maintenance of public infrastructure by farmers; the provision of agricultural extension services; and the promotion of private operators for irrigation development and operations. In regard to the management and maintenance of hydro-agricultural infrastructure, the decree calls for ONAHA to sign a management agreement with the government.

The implementation of this decree will enable the ONAHAs to perform clearly defined responsibilities in an efficient and equitable manner.

(vi) The Council of Ministers submitted the new Electricity Code and the Law for the creation of the electricity subsector regulator to the National Assembly

The government submitted to the National Assembly two draft laws relating to (a) the Electricity Code and (b) the establishment of the Electricity Regulatory Commission. These draft laws provide a clear vision of government's policy for promoting the energy subsector. Indeed, the adoption of these legal instruments is critical for boosting the country's electricity supply at a reasonable cost. The new electricity code seeks, among other things, to integrate Niger into the regional electricity market and ensure private sector participation in energy generation. Creation of the regulator, for its part, will help provide the framework needed to coordinate public and private investments in the sector. Furthermore, creation of the independent regulator will increase the government's technical capacity to monitor and periodically revise tariff rates and maintain service quality standards.

(vii) The Minister of Energy and Oil approved the audit of NIGELEC and published a decree establishing a Standing Committee to implement measures to enhance the efficiency of NIGELEC's operations

These measures will provide NIGELEC with an appropriate financial and operational framework for carrying out its public service responsibilities efficiently. Based on the recommendations of the 2014 audit report, the Government of Niger identified measures to strengthen NIGELEC's performance, including (i) alignment of NIGELEC's contractual provisions with those of the government, in accordance with the legislative and regulatory framework; (ii) alignment of governance of NIGELEC with the provisions set forth in the Uniform Acts of the Organization for the Harmonization of Business Law in Africa (OHADA) and international best practices; (iii) improvement of billing and collection activities, in particular for the central government's clients; (iv) optimization of its supply and power purchases; (v) improvement of its financial information systems; and (vi) restructuring of NIGELEC's debt/capital with a view to optimizing working capital and financing needs in the short term. This action will have no harmful social or environmental effects.

Key reforms to be instituted in 2016

(i) **The Ministry of Economy and Finance should prepare and adopt the public investment program in line with the decree creating an institutional policy for public investment projects**

This measure aims to build a credible public investment program to be composed of projects driving economic growth whose execution will be guaranteed.

(ii) **Inclusion in the budget law of a budget line to allow for financing of feasibility and impact studies on preselected projects**

The aforementioned project selection process may require and warrant, prior to consideration of programming, additional feasibility and impact studies, the financing of which could be covered under this budget line. The amount allocated in the budget law should be in line with the estimated amount for the preselected projects to be targeted with additional studies. This measure is expected to be maintained and updated in the years ahead.

(iii) **Finalization of the total cash flow and total commitment plans, sectoral commitment plans, and procurement plans by December 15 of each year**

This reform seeks to improve the predictability of disbursements and cash flow management and eliminate the Treasury's overly rigid payment regulations. The absence of procurement plans, particularly the lack of their timely submission, delays implementation of investment projects. The various plans must be available no later than December 15 of year N-1 for budget N. This measure is expected to be maintained and updated in the years ahead.

(iv) **Adoption by the Council of Ministers, submission to the National Assembly, and publication of the multiyear budget programming document by June 15 of each year**

This step is necessary for the organization of the budget policy debate in the National Assembly, as called for in the provisions of the organic law pertaining to budget laws. It should be followed by the budget conferences held between spending ministries and institutions and the Ministry of Economy and Finance. This measure is expected to be maintained and updated in the years ahead

(v) **The adoption of Treasury regulations facilitating commitments for specific projects with an annual budget that has been carried over into another year in order to pave the way for implementation of multiyear projects**

The difficulty in ensuring ongoing financing over several budget cycles greatly complicates implementation of the multiyear investment projects. This reform will serve to create a mechanism to carry forward funds from one year to the next, so as to ensure that adequate financing is available over several budget cycles.

(vi) **NIGELEC prepares and approves a financing plan to restructure its debt/capital**

The 2014 audit report shows that NIGELECs capital structure is hobbled by insufficient capital to carry out, under favorable conditions, the responsibilities assigned to it by the government. The new financing plan proposed to lay out the mix of financing needed to meet NIGELEC's financial needs.

Key reforms planned for 2017

(i) **Adoption of the Medium-Term Expenditure Frameworks (MTEFs) for the health, education, rural development, water, transport, and energy sectors**

The MTEFs are the tools used to plan multiyear expenditure programs relative to budget constraints. The allocation of a strategy to each sector must be expedited in order to facilitate implementation of the MTEFs.

(ii) **Publication upon submission to the National Assembly of the draft budget law and its annexes**

This reform falls in line with boosting credibility and transparency in the budget process.

(iii) **Adoption of the public investment stabilization mechanism**

Public investments in Niger are extremely vulnerable to exogenous shocks. As such, the implementation of a public investment stabilization mechanism is planned. This reform will help reduce year-on-year variability of public investment and strengthen its effectiveness and its impact on development.

(iv) **Submission to parliament of a general law on irrigated agriculture**

This reform would update Law 60-28 establishing procedures for developing and managing agricultural facilities constructed with public resources, as well as the provisions relating to land tenure management and security. The updating process would take into account (i) the provisions of the Niger Small-Scale Irrigation Strategy (SPIN), (ii) the National Strategy for Irrigation Development and Water Harvesting (SNDI/CER), (iii) the order and decree relating to ONAHA, and (iv) current legal and institutional innovations relating to irrigated land.

(v) **Adoption of a management model for the Kandadji dam that establishes the downstream requirements for irrigation water along the Niger River, the mandates for the security measures, and provides for proper maintenance of the asset**

Given its pivotal importance for the country's economy, it is essential that the Kandadji dam be given a management model that will enable it to fully play its multifunction role. A study is currently being prepared to design this model.

(vi) **Revision of electricity rates based on a cost-coverage approach**

Once the Electricity Regulatory Commission has become operational, the government intends to implement a revised rate system that is compatible with the sector's long-term financial viability. Rate setting that is in line with costs will strengthen the sector's economic and financial viability.

(vii) **The Ministry of Energy and Oil approves NIGELEC's concession contract, which is fully aligned with the new legislative and regulatory framework**

This reform aims to help NIGELEC adapt to the new environment of the electricity subsector.

8. MECHANISM TO MONITOR IMPLEMENTATION OF THE 2015-2017 REFORM SUPPORT CREDIT

The structural reform program agreed to under the Reform Support Credit is being coordinated by the Ministry of Economy and Finance, line ministries, and the relevant institutions.

Niamey, October 7, 2015

Minister of Economy and Finance

World Bank Governor for Niger

/s/

SAIDOU SIDIBE

ANNEX 3: IMF RELATIONS NOTE

October 21, 2015

This letter provides an IMF staff assessment of Niger's recent economic developments and outlook based on information through end-September 2015. An IMF team visited Niamey during September 14-28, 2015 to discuss the Sixth and Seventh Reviews under the three-year arrangement under the Extended Credit Facility (ECF).[1] It is expected that the IMF's Executive Board will consider Niger's request for completion of those reviews in late November.

Recent Economic Developments

1. **Overall economic performance remains satisfactory, despite the adverse impact of security issues.** Real GDP growth is projected at 4.4 percent in 2015 down from 6.9 percent in 2014, reflecting slower growth in agricultural activity and security related disruptions to trade and activity along the Libyan and Nigerian borders. Inflation has remained well below the WAEMU's 'three percent' convergence criterion with the 12-month rate in August 2015 estimated at 0.7 percent. The external current account deficit is expected to worsen only slightly in 2015 (to 18 percent of GDP) and international reserves to remain at a comfortable level. Security problems are also compounding food insecurity with incoming refugees and domestic displaced people estimated at around 200,000.

2. **Fiscal outcomes were mixed at end-2014, but improved at end-June 2015**. At end-2014, revenues were 1 percent of GDP below program target due to weak performance of customs and tax administrations. At the same time, current and capital expenditures were executed at a higher-than-projected level, resulting in a wider basic fiscal deficit, compared to program targets, partly financed by a net accumulation of arrears of CFAF 58 billion (1.4 percent of GDP) as most resources were re-directed to new commitments for rising security spending. Fiscal outcomes strengthened during the first half of 2015, as the authorities were able to clear a significant part of the stock of the domestic arrears (CFAF 61.5 billion were paid off of the CFAF 100 billion stock at end-2014) and to improve revenue collection. The pace of debt accumulation has also been contained, through tighter scrutiny over new projects.

3. **Structural reforms are also progressing.** The Inter-Ministerial Committee for Debt Management is being reorganized and the new, combined Ministry of Economy and Finance's restructuring is taking shape, with its new organigram presented at a recent Council of Ministers. A Committee tasked for following up on the full implementation of the Treasury Single Account (TSA) is already working; the deadline for integrating central government and non commercial public companies' accounts into the TSA is set for

[1] IMF Country Report No. 12/109: Request for a Three-Year Arrangement under the Extended Credit Facility.

end-September 2016. In addition, the customs office, largely responsible for the shortfall in fiscal revenues, is undergoing a significant reorganization. Financial sector reforms are underway.

Economic Outlook and Macroeconomic Policy Commitments

4. **Near-term prospects continue to be impacted by the elevated security risks, forcing a re-prioritization of fiscal expenditures.** The revised 2015 fiscal framework reflects new spending priorities and the clearance of domestic arrears, together with cuts in subsidies and transfers to achieve the targeted budget balance of 5.5 percent of GDP, compared to the earlier program target of 3.7 percent. Elections spending was slightly expanded, with a similar reduction in subsidies and transfers in order to hold total current expenditures at the same level. Domestic arrears' clearance remains important in the 2015 fiscal program with the issuance of securities of CFAF 40 billion to clear the remaining stock at end-2014.

5. **The outlook remains positive**. Over 2016-20, real GDP growth is projected to average 6.9 percent, and average inflation would be contained to 1.8 percent. Medium-term overall growth will be supported by a sustained agricultural production aided by increased irrigated production. Resumption of production at SORAZ (the oil refinery), and the continued implementation of major construction projects, such as the four interchanges in the city of Niamey, the rail loop project, the cement plant in Kao, and the electrical and thermal power plant in Gorou Banda would support growth. The beginning of construction work on the oil pipeline, under improved security conditions, would enhance the outlook. In addition, the macroeconomic framework for 2015 reflects a dynamic service, building, and public works sector. These results would more than make up for the negative impact on economic growth resulting from the drop in prices for petroleum and mining products.

6. **The draft 2016 budget envisages a fiscal consolidation of 1.8 percent of GDP, with a realistic revenue envelope.** The authorities are targeting a basic fiscal balance of a deficit of 3.7 percent of GDP. The draft envisages a modest increase in revenues—mainly through organizational measures to render the customs office's efforts more efficient—with allocations for pro-poor spending, security outlays, and humanitarian assistance protected. The revised 2015 budget and the 2016 budget were approved by a Special Council of Ministers on September 26, 2015, and have been submitted to the National Assembly.

Risks to the Outlook

7. **Risks are mostly tilted to the downside**. The key risk is the persistence or intensification of armed hostilities, which could aggravate budgetary pressures and divert resources from priority spending on infrastructure and development projects. Other downside risks include further declines in oil and uranium prices; droughts or floods that could compound food insecurity and social instability; and implementation of policies from low capacity. On the upside, the rebound of uranium and oil prices would significantly increase Niger's fiscal space. The 2016 elections could also detract from fiscal priorities.

Relations with the Fund

8. **A three-year arrangement under the ECF was approved on March 16, 2012.** The Sixth and Seventh Reviews under the ECF are scheduled for IMF Executive Board discussion in late November. The authorities have requested an extension of the ECF arrangement through December 2016 and an augmentation of access in response to the additional financing needs stemming from the economic impact of the security situation. The authorities also signaled interest in a successor ECF arrangement, which would be discussed with the new government following the 2016 elections.

ANNEX 4: UTILITY VALUE INDICATOR USED FOR THE IRRIGATION SECTOR

One of the indicators retained for the irrigation sector is the utility value. It was chosen for three reasons:

1 – it is already defined in details and SMART

2 – it is relevant since it allows to capture irrigation performance at scheme level

3 – there is a baseline

The purpose of this Annex is to explain what it means, how it is calculated, and to provide the baseline for the sample of schemes selected.

This methodology was developed during the FIRPIP Program feasibility study in 2011, with KfW financing. It was meant to rank public schemes (PIP) in order to define where physical rehabilitation was likely to be successful. The baseline was established in 2014 for 20 indicators only a portion of which was to be rehabilitated based on the value of the utility value.

Methodology

The 20 schemes share very similar structural features in terms of:

- Design: full water control
- Management: by irrigation cooperatives
- Importance in the neighborhood for food security and incomes

This justifies the relevance of capturing their performance in an aggregated indicator: the utility value, which aims at measuring the three sub-indicators:

1. "technical condition" of the irrigation facilities and its capacity to deliver water under suitable conditions;
2. Water distribution and maintenance;
3. Management of Financial and Administrative matters.

The aggregated utility value and what it corresponds to is indicated in the table below.

1. Good condition:	**No action is needed**	Utility value = 3
2. Functional:	**Possible improvements without key priority to be solved**	Utility value = 2
3. Fragile:	**Precarious situation requiring the intervention of the cooperative**	Utility value = 1
4. Non-functional	**Non-managed irrigation assets; inactive cooperative**	Utility value = 0

The way the indicators are calculated is described below through the example of Say irrigation scheme:

Technical

Observations in the field allow to allocate points for various technical segments of the scheme.

Infrastructures	**Good condition (3 points)**	**Functional (2 points)**	**Fragile (1 point)**	**Non-functional (0 point)**
Pumping station	☐			
Main canal			☐	
Secondary canals		☐		
Tertiary canals		☐		
Drains			☐	
Protection dyke			☐	
Ring levee				☐
Feeder road			☐	
Summary		☐		

Say scheme has 11 points that must be divided by 8 parameters (rows in table). On technical aspects, it would have an average utility value of 11/8 = 1.375 points.

Managerial

Secteur de gestion	**Good condition (3 points)**	**Functional (2 points)**	**Fragile (1 point)**	**Total failure (0 point)**
Water distribution		☐		
Equipment and canal maintenance		☐		
Financial management		☐		
Administrative management		☐		
Ratio of usage of the scheme		☐		
Summary		☐		

Say scheme has 10 points that must be divided by 5 parameters (rows in table). On managerial aspects, it would have an average utility value of 10/5 = 2.0 points.

Overall, Say would have a utility value of 3,375 (1,375 + 2,0 points) on a maximum possible of 6,0.

Managerial parameters are defined thereafter in three subcategories: technical, administrative, and financial.

Financial management

N°	Region and name of scheme	Area in ha	Irrigation fee per season			Average cost incurred per season for…						fixed cost as a % of collected fee
			Dry FCFA	Rainy FCFA	Average FCFA	energy per ha FCFA	maintenance per ha FCFA	ag inputs per ha FCFA	other variables costs per ha FCFA	Total des variables costs per ha FCFA	fixed costs per ha FCFA	%

Technical management

N°	Region and name of scheme	Area en ha	Written water rotation system	Degree of enforcement of rotation system	degree of of maintenance formalization	degree of maintenance implementation	Implementation of sanctions to enforce inner regulation	Degree of management of pumping station

Administrative management

N°	Region and name of scheme	Area in ha	seniority of bureau members	Date of last élection	Degree of participation in elections	Existence by-laws and inner regulation	periodicity of general assembies	availability and clarity of documents	Dynamism of bureau members

Baseline

N°	Name of scheme	technical condition	level of management	Aggregated	Observations
2	Tillakaïna	1.60	0.60	2.20	non-functional cooperative
3	Yelwani	1.50	1.00	2.50	poor financial management
4	Daïkaïna	1.33	0.80	2.13	poor financial management
5	Daïbéry	2.13	1.80	3.93	dynamic cooperative
6	Lata	2.00	2.00	4.00	dynamic cooperative
7	Saga	1.00	1.00	2.00	Old CA, poor management
8	Liboré	1.00	1.60	2.60	Nouveau CA dynamic
9	N'Dounga 1	1.57	1.80	3.37	dynamic cooperative
10	N'Dounga 2	1.00	0.60	1.60	poor management
11	Sébéry	1.14	2.00	3.14	dynamic cooperative
12	Tiaguiriré amont	1.29	1.80	3.09	2 management units
13	Tiaguiriré aval	0.88	1.80	2.68	Drainage is an issue
14	Say	1.38	2.00	3.38	dynamic cooperative
15	Say extension	1.50	2.00	3.50	dynamic cooperative
16	Tara	1.17	1.00	2.17	frequent flooding
17	Gaya amont	1.25	1.80	3.05	poor design
18	Kessa	0.29	0.00	0.29	abandonned
19	Sakondji	1.43	0.40	1.83	quasi abandonned
19	Djamballa	3.00	2.00	5.00	newly rehabilitated

Note: Indicators measured at the level of the scheme management structure (currently cooperative)

Source: FIRPIP Feasibility Project Document, 2011, Niger Ministry of Agriculture.

ANNEX 5: COUNTRY MAP