

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

12/09/2014

Report No.: AB7689

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Operation Name	Public Investment Reforms Support Credit
Region	AFRICA
Country	Niger
Sector	Central government administration (50%); General energy sector (25%); Irrigation and drainage (25%)
Operation ID	P151487
Lending Instrument	Development Policy Lending
Borrower(s)	Republic of Niger
Implementing Agency	
Date PID Prepared	December 8, 2014
Estimated Date of Appraisal	February 16, 2015
Estimated Date of Board Approval	April 30, 2015
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

Niger is a large, landlocked country in the arid Sahel-Saharan region with a population of about 18.3 million people. Niger's annual population growth rate was recently revised upward to 3.9 percent. A 2013 demographic and health survey (DHS) reported a total fertility rate of 7.6 children per woman in 2012, well above the already high rate of 7.1 recorded in 2006. The country's total land area is 1.27 million square kilometers, but most of the population is concentrated in the areas around the Niger River in the southwestern corner of the country and along its southern border with Nigeria. The central and northeastern regions are arid and sparsely populated, with the exception of a few smaller cities along the northern route to Algeria. Droughts are frequent, and affect about 80 percent of the population engaged in semi-subsistence agriculture and livestock. Uranium and crude oil currently account for about 60 percent of Niger's merchandise exports. Much of Niger's non-mining economic activities take place in the informal sector characterized by low productivity and value added, and exports consisting mainly of livestock and agricultural commodities. Most of the country's growth potential is associated with extractive sectors, though there also exist opportunities in the livestock sector and possibilities arising from increased regional trade within the West African Economic and Monetary Union (WAEMU) and with Nigeria.

Poverty incidence is declining, but remains high. The most recent national poverty headcount rate (2011) was 48 percent, down by approximately 5 percentage points from 2006, though survey data for these years are not fully comparable. Poverty is primarily a rural phenomenon, and its decline is largely attributable to increased productivity in the irrigated agriculture. The

PDES optimistically forecasted an annual GDP growth rate of 8 percent (4 percent per capita) during 2013-15, well above the World Bank's forecast of 5.1 percent for the same period. Due to the growth under-performance, the earlier projected declines in the poverty rate (to just over 40 percent by 2015) are not likely to materialize. The authorities recognize that a growth strategy driven by extractive sectors presents particular challenges, and the PDES addresses these through redistributive policies; investments in infrastructure, public services and human capital; improvements in PFM systems; and structural reforms designed to facilitate broad-based growth by establishing a more hospitable business and investment climate. The proposed new DPO series supports the government's policies as presented in the PDES while remaining cognizant that economic growth may be more volatile than the strategy envisions. Once the new Government's strategy for 2016-2018 is formulated and adopted, the proposed PDO series will be reviewed for full alignment of its pillars and development objectives with the strategy document.

II. Proposed Objective(s)

The development objectives of the proposed operation are to: (i) improve the quality of public service provision and public sector governance; (ii) strengthen food security and agricultural productivity; and (iii) foster inclusive growth and improve business environment.

III. Preliminary Description

The proposed DPO is the first in a programmatic series of three budget-support operations, each to be disbursed in a single tranche, over 2015-2017. The amount of each operation remains to be defined and may change during the series. Current programming under IDA17 retains an amount of US\$ 50 million for each of the three operations. Development objectives of the proposed operation are to: (i) improve the quality of public service provision and public sector governance; (ii) strengthen food security and agricultural productivity; and (iii) foster inclusive growth and improve business environment.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

The actions supported by the proposed operation are unlikely to have a negative impact on poverty. The establishment of an electricity regulator may ultimately result in an increase in electricity tariffs. However, such a price increase would have only a modest impact on the poor, as the poorest segments of the population have almost no access to electricity. It is also unlikely that as a result of reforms envisaged under the proposed DPO irrigation will become costlier to the user.

Some of the actions supported by the proposed operation are expected to have positive poverty and welfare impacts. Three policy measures are likely to make a positive direct contribution to poverty reduction, as they are designed to make growth more inclusive and extend economic opportunities throughout Nigerien society. These include: (i) improvements in the supply of power and extension of access to electric power beyond key urban areas; and (ii) improvements in the performance of publicly financed irrigation systems which will strengthen the productivity

of rural households where most of the poor live, and boost food security throughout the country. Additional policy actions supported by the new DPO will boost growth in the non-resource sectors of the economy, which provide employment to most of the poor and hence indirectly contribute to poverty alleviation and broad welfare improvements. These include measures to: (i) improve the efficiency of PFM and in particular of public investment management, which will allow translating every unit of capital budget into larger public assets and will increase the quality and availability of public services to all households, including the poor. Sectors chosen under the proposed DPO series for priority implementation of PFM reforms (Health, Education, Rural Development, Water Resources, Transportation, and Energy) have been shown to have the greatest poverty reduction impact.

The prior actions are not expected to have any adverse impact on gender disparities, and some of them are likely to have a positive gender impact. Both strengthening the performance of publicly financed irrigation systems (intended to increase agricultural productivity and reinforce food security) and increasing the quality and accessibility of electricity beyond the main urban centers are expected to have strongly positive impacts for women's health, nutrition and the income-generating capacity of female-headed households, as well as for the health and education outcomes of children from such households. Continuous engagement with the implementing agencies during the implementation of the proposed operation will help to sharpen their focus on gender issues.

Environmental Aspects

The reforms supported by the proposed DPO series are unlikely to have a negative impact on the environment, forests, wildlife, or other natural resources. Indeed, all three pillars are expected to have positive environmental impacts. These impacts are expected to be: (i) more efficient utilization of budgetary funds in sectors that impact the fragile Nigerien environment (irrigation, power); and (ii) strengthening the performance of publicly financed irrigation systems and the electricity sector. DPO-supported actions to promote the sustainable development of the energy sector should help to offset the population's reliance on wood fuel. Wood currently supplies 90 percent of Niger's power needs and wood harvesting is dangerously unsustainable. Policymakers are aware of these issues, and though Niger's environmental policies are generally well designed they tend to lack practical effectiveness. The extension of access to electric power beyond major urban centers under the reforms supported by the proposed DPO is expected to reduce wood-fuel consumption in favor of hydroelectric and environmentally conscious coal power. In addition, DPO series' support for improved performance of publicly financed irrigation and power sectors should lead to more sustainable water management. A number of Laws and decrees the adoption of which will be supported by the new DPO series are likely to lead to better enforcement of environmental policies.

Nigerien law includes a decree on environmental assessments that ensures the integration of environmental considerations into proposed development projects. Institutional responsibility for environmental-impact assessment lies with the Office of Assessments and Environmental Impact Studies (Bureau d'Evaluation Environnementale et des Etudes d'Impacts, BEEEEI), which is attached to the Ministry of the Environment and Desertification Control. BEEEEI provides support not only to sector ministries but also to local communities, and small environmental units have been established at the regional levels in order to build decentralized environmental-

management capacity. Support from Niger's development partners, including the World Bank, has greatly improved the effectiveness of these units, and BEEEI is increasingly able to involve civil society and affected populations through special environmental hearings and environmental-impact-assessment validation workshops. The proposed operation is fully consistent with BEEEI protocols and complements its efforts through the reforms to energy and water-management policies described above.

V. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	50
Borrower/Recipient	
IBRD	
Others (specify)	
Total	50

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