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Operation Name	Public Investment Reform Support Credit (PIRSC)
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	Ministry of Planning, Regional and Community Development
Date PID Prepared	March 16, 2015
Estimated Date of Appraisal	April 3, 2015
Estimated Date of Board Approval	May 28, 2015
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Country and Sector Background

Niger is a large, landlocked country in the arid Sahel-Saharan region with a population of about 18 million people. 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.

Niger's GDP per capita was US$440 in 2014, and growth in 2005-2011 was only moderately pro-poor. The poverty rate has been on a declining trend, but poverty remains pervasive and severe. The most recent poverty assessment from 2011 estimated the national poverty headcount rate at 48 percent, down approximately 5 percentage points from 2006, though survey data for these years are not fully comparable. Poverty is heavily concentrated in rural areas, which are highly vulnerable to weather-related shocks. Nonmonetary poverty is more severe than income and consumption measures would indicate. As with monetary poverty, human development indicators reveal a large gap between the rural and urban populations.

Niger's 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.

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 sharp drop in global oil prices, and a decline in uranium prices over 2009-2013. This underscores the risks that Niger faces as a resource exporter.

II. Operation Objectives

The development objectives of the proposed operation are to: (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 guidelines for the operation of the Kandadji Dam; and (iii) to facilitate the reform of the electricity sector by developing more appropriate institutional arrangements and supporting measures to expand electricity access..

III. Rationale for Bank Involvement

The PIRSC is designed to support the implementation of the Nigerien government's national poverty reduction strategy, the Economic and Social Development Plan (*Programme de Développement Economique ét Social* – PDES). The authorities recognize that a growth strategy mainly driven 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 PFM, and structural reforms designed to foster a more hospitable business climate. The Credit supports the policies defined in the PDES and would partially finance the national budgets for 2015, 2016 and 2017 by supporting priority expenditures related to the implementation of the PDES.

One of the focus areas of PIRSC is strengthening public finance management (PFM) and public investment management (PIM). Improving these systems will help Niger address the risks stemming from the high volatility of its agriculture and resource sectors. Driven by rising oil and uranium revenues, Niger's public investment spending rose sharply, and is currently the highest among WAEMU countries (17.2 percent of GDP in 2014). Recent PEFA assessment (2013) indicated that Niger's PFM systems have improved over the past years but remain nonetheless weak. Limitations to Niger's PIM capacity are reducing the efficiency of public investment outlays and undermining public service delivery.

Over the next decade irrigation and electricity sectors are expected to receive large public investments. For example, the public power utility NIGELEC has announced in 2012 an investment plan for 2012-2027 of about US$1.4 billion, or 18 percent of Niger's GDP in 2014, aiming to raise the urban electrification rate to 60%. For these public investments to be used efficiently, they must be complemented with reforms that strengthen the management of irrigation and electricity sectors.

Irrigated agriculture accounts for under 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 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. 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 PIRSC.

IV. Tentative financing

Source:	($m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	54
IBRD	
Others (specify)	
Total	**54**

V. Institutional and Implementation Arrangements

The reform program supported by PIRSC series will be coordinated by the MPRCD. The ministry's implementation capacity has been demonstrated by its successful execution of the previous DPO. The PIRSC will utilize the existing institutional framework for the coordination of economic and financial programs established by the Minister of Planning. This framework includes an inter-ministerial committee co-chaired by the Ministers of Planning and Finance, while day-to-day oversight is delegated to a technical committee co-chaired by the Secretaries General of the Ministries of Planning and Finance. 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 sector ministries, with overall coordination provided by the MPRCD.

VI. Risks and Risk Mitigation

The overall risk rating for the proposed operation is moderate. The only category of risks deemed to pose a substantial threat to the proposed operation is the government's institutional capacity for implementation. The implementation capacity of sector ministries as well as the interagency coordination need to be strengthened. However, 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 PIRSC policy areas is being delivered through a dedicated program involving the Ministry of Finance and the MPRCD, 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. The existing mechanism of regular consultations between donors who are active in policy areas affected by PIRSC1 prior actions, will reduce risks stemming from the demands of multiple donors on the government's limited administrative capacity. The preparation of PIRSC involved consultations with donors and agencies involved in all three areas covered by the operation. The ongoing engagement of senior World Bank officials, including a visit by President Jim Young Kim in 2013, has encouraged the authorities to remain focused on the implementation the governance agenda.

The security situation has improved since 2013, but it remains complex. Since 2014, Boko Haram's attacks in northern Nigeria have generated a massive influx of refugees into Niger's south-eastern regions. The PIRSC is designed to mitigate these risks by supporting more efficient fiscal management, which will create fiscal space needed to accommodate unexpected emergency-responses such as assistance to refugees and IDPs, without threatening other essential public spending. The Government will continue to collaborate with regional and international partners on security issues, and the authorities are currently implementing a plan for development and security in the country's Sahelo-Saharan zone. At present the security situation is unlikely to impact the implementation of the PIRSC-supported reforms, though close monitoring will remain necessary.

VII. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

Many of the actions supported by the PIRSC are expected to have positive poverty reduction and welfare enhancement impacts. Measures under each of the PIRSC's three pillars are specifically designed to speed the pace of poverty reduction by improving both the delivery of public services and basic infrastructure for economic activity. PFM and PIM reforms under Pillar 1 will increase the economic impact of capital investment, improving the quality and availability of public goods and services. The PIRSC focuses on PFM reforms in priority sectors, including health, education, rural development, water resources, transportation, and energy, that 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, and reinforce food security. Measures to strengthen the institutional framework of the electricity will create conditions for expanding electricity access, creating new income opportunities and promoting broad-based growth. Reforms related to the tariff schedule may increase electricity prices, but their incidence on the poor must be weighed against the economic opportunities they will generate, and will depend of the tariff structure.

Certain prior actions supported by the proposed series 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. The Bank team's active engagement with public and non-agencies during the implementation of PIRSC will help to sharpen their focus on gender issues.

Environment Aspects

PIRSC Pillars 2 and 3 are expected to have positive environmental impacts. 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. On the contrary, the reforms in the irrigation and power sectors will directly affect the management of key environmental resources in an ecologically fragile region. Actions to positively promote the sustainable development of the energy sector should help to offset the population's reliance on wood and other biomass fuels, which currently supply 90 percent of Niger's power needs. Deforestation rates are highly unsustainable and a major contributor to soil erosion and desertification. In this context, any measures that expand irrigation and the supply of electric power should have a highly positive environmental impact. In addition, support for improved water management will help to safeguard a scarce and critical resource. Sustainable water use is crucial to the ecological integrity of the arid Sahel region, and the PIRSC-supported reforms in the irrigation sector will help to maximize the efficiency of water use. Finally, the series' overarching focus on good governance will promote better enforcement of environmental policies.

VIII. Contact point

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