



1. Project Data:		Date Posted : 08/20/2002	
PROJ ID: P069568		Appraisal	Actual
Project Name: Public Finance Recovery Credit	Project Costs (US\$M)	35	47
Country: Niger	Loan/Credit (US\$M)	35	47
Sector(s): Board: PS - Central government administration (42%), General public administration sector (17%), General industry and trade sector (17%), Law and justice (16%), Telecommunications (8%)	Cofinancing (US\$M)		
L/C Number: C3418			
	Board Approval (FY)		01
Partners involved :	Closing Date	06/30/2001	06/30/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
Laurie Effron	Fareed M. A. Hassan	Rene I. Vandendries	OEDCR
2. Project Objectives and Components			
a. Objectives			
The credit was designed to meet immediate financing needs of the new government in support of its fiscal stabilization efforts, combined with structural reforms and poverty reduction programs . These elements were part of a broader program to establish sound macroeconomic management, structural and sector -wide reforms in the social sectors, the promotion of private sector activity, and the development of the rural economy .			
b. Components			
It was a single tranche operation, based on a number of prior actions taken before Board approval . These were mostly focused on fiscal reforms and some structural reforms . On revenue mobilization, they included a new tariff structure on imports, a new tax regime to increase the Value Added Tax, and stronger revenue mobilization through improved procedures. On the expenditure side, actions included better controls, further civil service reforms including new legislation on retirement and the pension regime . On structural reforms, actions were taken to launch the privatization of two state owned enterprises (telephone and water) and the process of licensing private cell phone operators.			
c. Comments on Project Cost, Financing and Dates			
The credit was approved in September 2000, declared effective in October 2000; its approval was an exception to policy, in that an IMF supported program was not yet in place, although the IMF assured Bank management that the macroeconomic situation was adequate and that the IMF program was to be put in place soon . In November 2000, the Board approved supplementary financing for Niger of \$ 12 million to cover a financing gap due to the increased costs of oil imports.			
3. Achievement of Relevant Objectives:			
On macroeconomic stabilization, the measures taken by the Government were successful . Fiscal targets were generally met: budgetary revenues were slightly above targets for 2000 and 2001. For budgetary expenditures, targets were not explicit in the President's Report (or in the Letter of Development Policy attached), but expenditures were contained such that the current account deficit (before grants) was 7.8 and 8.2 percent for 2000 and 2001, respectively. These deficits were not entirely in line with the Government's expectation of gradually reducing the current account deficit to 7.1 percent in 2001, but they were nevertheless broadly consistent with the macroeconomic program. Inflation remained low, at 2.9 and 4.2 percent for 2000 and 2001, respectively, roughly in line with the WAEMU (West African Economic and Monetary Union) criterion of 3 percent per year. Improvements were made as planned in revenue mobilization by the customs directorate and the internal tax directorate, as well as in budget preparation, fiscal reporting and evaluation, and budgetary audit .			
In terms of structural reforms, progress was somewhat slower than expected, but continued into 2001. The civil			

service retirement reform is being implemented. Privatization was delayed, but continues to progress: cell phone licenses were awarded; the urban water distribution company was successfully divested and a private management contract awarded; and the fixed-line telephone operator was privatized in late 2001. In the power sector, framework legislation for privatization was drafted and technical work done on pre-qualification of investors, and an improved pricing mechanism was adopted for petroleum products.

4. Significant Outcomes/Impacts:

Important changes have been made to budget management, both on the revenue and expenditure sides, which have translated into fiscal deficits that are close to targets. On structural reforms, most privatizations were achieved. As these privatizations occurred only in 2001, it is too early to have information on their impact on service delivery, efficiency, or profitability.

5. Significant Shortcomings (including non-compliance with safeguard policies):

In revenue mobilization, further progress is needed to streamline tax exemptions, improve VAT management, improve taxpayer compliance, and reduce illegal imports. On the expenditure side, further progress is needed to rationalize and better control transfers such as scholarships, subsidies, and pensions. One of the program's objectives had been to halt the accumulation of domestic arrears, but because of cash shortages, these continued into 2000 in the amount of CFA Francs 3.6 billion (well below the 1999 level of CFA francs 23.6 billion); the 2000 claims have since been mostly settled (CFA francs 0.2 billion remaining), and the settlement of arrears has been strengthened in terms of institutional arrangements and coordination with macroeconomic management. Cash management continued to be a problem. Work on a comprehensive Public Expenditure Review, to have been carried out in 2000, was delayed, although the Bank and Borrower agreed to expand the review to include public expenditure management and to include several other important donors (the European Union and the French Cooperation) in the process.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

Even emergency -type operations can include a longer time horizon and specify actions that will serve as triggers for subsequent support. This operation was prepared very quickly, in response to the needs of a new government facing a difficult financial situation. Nevertheless, it did a good job of mediating between required urgent measures and specifying longer term actions that fit into a longer term framework; these actions became the triggers for a subsequent operation.

Close collaboration with other donors, in this case the IMF, that goes beyond consultation to reinforcement of similar messages and provision of timely technical assistance, can be very valuable. In this case, the Bank was able to go ahead with an adjustment credit before the IMF had its program in place.

Technical assistance funded by the Borrower can fill an important gap. In this operation, the Borrower dedicated its own resources to financing technical assistance, which was then supplemented by other donors. It proved to be an effective way to ensure implementation of reforms.

8. Assessment Recommended? ☒ Yes ☐ No

Why? An assessment of this operation along with the follow up operation (Public Expenditure Adjustment Credit, approved in November 2001) would be useful for evaluating the impact of these reforms on future fiscal sustainability, and on service delivery for industries where there was privatization as well for the social sectors.

9. Comments on Quality of ICR:

The quality of the ICR is satisfactory. It covers the main topics, provides adequate support for its judgments, and presents a balanced picture of weaknesses and strengths of Government efforts. It would have been a better report, however, if a spell check has been used to remove the many typos (for example, in para. 11), and one proof reading might have caught the grammatical errors.