



1. Project Data:		Date Posted : 08/20/2001	
PROJ ID: P055186		Appraisal	Actual
Project Name: Public Finance Reform Credit	Project Costs (US\$M)	65.4	23.0
Country: Niger	Loan/Credit (US\$M)	65.4	23.0
Sector(s): Board: PS - Central government administration (82%), Other domestic and international trade (8%), Other social services (5%), Other industry (5%)	Cofinancing (US\$M)	0.0	0.0
L/C Number: C3134; CQ001; CQ088			
	Board Approval (FY)		99
Partners involved :	Closing Date	06/30/2000	06/30/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
John H. Johnson	Laurie Effron	Ruben Lamdany	OEDCR

2. Project Objectives and Components

a. Objectives

(1) Restore credibility to public finances; (2) Enhance domestic revenue mobilization; (3) Improve the efficiency of public spending .

b. Components

(1) Creation of an Integrated database permitting establishment of ceilings on the public sector wage bill and on the size of the civil service; expenditure controls; an organizational audit of the Treasury; reconciliation of the Treasury accounts from past years; a halt to the generation of additional public sector arrears through abolition of advance payment procedures; regularization of the payment of utility bills, as well as reduced public sector consumption of utility services; an evaluation of the subsidy and scholarship allocation mechanism; and implementation of a domestic arrears settlement plan. **(2)** A reduction in the scope and number of tax exemptions; a broadening of the tax base; and enhanced efficiency in the tax collection agencies . **(3)** Public expenditure reviews in the health, education, and rural sectors, and implementation of the review recommendations in the budget .

c. Comments on Project Cost, Financing and Dates

The credit, in the amount of US\$65.4 million equivalent, was approved on October 20, 1998. Designed to disburse in three tranches, the first tranche of US\$ 23.0 million disbursed upon effectiveness in October 1998. However, the remaining two tranches totalling US\$42.4 million were cancelled on June 30, 2000, the date of loan closing.

3. Achievement of Relevant Objectives:

The onset of a military coup in April 1999 led to significant slippages in macroeconomic management and the accumulation of new Governmental arrears, including six months of unpaid wages to the civil service . The Minister of Finance, who had played a key role in the design of the reform program and had overseen its implementation, resigned. Meanwhile, implementing agencies were demoralized by political uncertainty and the hardship of foregone wages. As a result, none of the relevant objectives was achieved .

4. Significant Outcomes/Impacts:

An integrated database for the civil service was created . The Treasury accounts for FY97 were reconciled. Public expenditure reviews in health and education appear on the way toward becoming annual procedures . Audits of the subsidy and student scholarship systems were completed . A Large Taxpayers Unit and a value-added tax auditing unit were established, tax arrears were inventoried, and tax penalties harmonized . Extra-budgetary expenditure advances were abolished. Public sector consumption of utility services was capped in the budget, and payments regularized. A statute basing civil service promotion on merit was adopted . And a computerized customs valuation database was established.

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

The budgetary expenditure controls failed because of regulatory loopholes . Public sector arrears increased overall during the implementation period. The wage bill continues to be opaque and poorly-managed, due to an unregulated system of wage supplements . And the number of tax exemptions and deductions remains large, impeding efforts to

strengthen tax collection . Weak coordination among implementing agencies severely hampered implementation, even before the coup led to more widespread paralysis in project progress .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Unsatisfactory	
Institutional Dev .:	Modest	Modest	
Sustainability :	Unlikely	Unlikely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Unsatisfactory	The Borrower performance rating takes into account the actions of all branches of Government which bear upon the project's outcome. In this case, a military coup was the single most important explanation for the unsatisfactory outcome .
Quality of ICR :		Exemplary	

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

7. Lessons of Broad Applicability:

1. An unsatisfactory project can, nonetheless, generate important benefits . In this case, the groundwork has been laid for improved investment planning and expenditure management in the critical health and education sectors . Moreover, a model for suppressing new public sector arrears, and liquidating outstanding ones, has been demonstrated. Lastly, management information systems in the civil service and revenue areas of the public sector have been strengthened.

2. The Borrower's willingness to finance technical assistance supporting this credit from its own resources seems to have enhanced ownership of the results, and may represent a superior way to transfer know-how in Niger.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR was comprehensive, logical, and clear in covering the myriad aspects of this complex operation . The in-depth, nuanced assessment of project impact was exceptional .