

**Republic of Niger****Second Public Expenditure Adjustment Credit II (PEAC II)****Project Information Document**

Project Name: Second Public Expenditure Adjustment Credit

Country Name: Republic of Niger

Region: Africa

Project ID: P069570

Implementing Agency: Ministry of Finance and Economy  
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Project Board Date: October 23, 2003

**Background**

Since 2000, the Nigerien civilian government elected in December 1999 has implemented a program of economic stabilization and liberalization designed to encourage higher economic growth and to reduce poverty. The program, which was approved by the National Assembly in April 2000 and supported by two adjustment credits from the International Development Association (IDA) and by the PRGF arrangement with the International Monetary Fund (IMF), aimed at reforming the public finances and addressing urgent issues, including full and timely payment of salaries, and settlement of outstanding domestic arrears. Cross debts with a number of public enterprises were eliminated and several key enterprises were privatized. A revised Budget Law was enacted, and the Government took measures to improve fiscal discipline and accountability, such as the auditing of government accounts by the state's external auditor, the Chamber of Accounts. In December 2000, Niger reached the Decision Point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and the Boards of IDA and the IMF agreed to support a comprehensive debt reduction package for Niger. In 2002, the Nigerien authorities, in conjunction with all stakeholders, prepared a full participatory Poverty Reduction Strategy Paper (PRSP), which was considered by the Boards of IDA and the IMF as a credible framework for poverty reduction in Niger. A new Country Assistance Strategy consistent with Niger's PRSP was discussed by the

Board in January 2003. The fifth review of the PRGF program was completed in July 2003. Niger is expected to reach the completion point under the HIPC Initiative late early 2004.

## **Objectives**

The Government's medium-term objective is to manage the economy more effectively and achieve strong and sustained growth in order to reduce significantly widespread poverty over the long run. The proposed credit, the Second Public Expenditure Adjustment Credit II (PEACII) aims to help Niger continue its reform program, focusing on key areas, including budget management, social sector reforms and private-sector environment. Furthermore, this credit would lay the foundation for a progressive shift of the Bank's assistance towards consolidated programmatic lending. In line with the poverty reduction strategy articulated in the recent Country Assistance Strategy (CAS), PEAC II would address poverty reduction objectives in two important ways. First, at the general level, the Credit directly contributes to the maintenance of a stable macroeconomic framework conducive to economic growth by helping to bridge the financing gap associated with implementation of the PRSP. Second, each component of the Credit will have a specific and direct impact on poverty. Reforming budget management will ensure that the Government's budget priorities are fully in line with the PRSP priorities and faithfully reflected in actual cash releases to the line ministries. Improving basic service delivery will help meet the needs of the poor and other vulnerable groups. Improving the environment for private sector will be conducive to private-sector-led growth and thereby create income-earning opportunities for the poor.

## **Description**

The proposed credit, a two-tranche operation in the amount of US\$65 million, would be the sixth adjustment credit to Niger since 1984. The Credit has three major components: (i) reform of budget management; (ii) improvement of public service delivery; and (iii) improvement of the environment for private-sector growth. To reform the budget management, the proposed credit will support measures to improve budget preparation, execution, cash management system as well as auditing mechanisms. The objective is to help the Government of Niger design a *realistic budget* and increase the *predictability, accountability, and transparency* in public spending. To improve public service delivery, PEAC II will support measures to improve the predictability of cash release to priority ministries and specific measures in the education and health sectors, including the "volunteer" teacher program and the contractual health worker program. To improve the environment for private-sector led growth, the Credit will support the ongoing privatization program, in particular the conclusion of the SONIDEP transaction. It will also support the setting of a competitive regulatory framework, through the establishment of the multi-sectoral regulatory agency (MRA).

## **Environmental Aspects**

The recommended environmental assessment category is C. The proposed operation does not have a direct environmental impact.

## **Benefits and Risks**

The main benefits of PEAC II are : (i) macroeconomic and financial stability;(ii) improved

budgeting and public expenditure management and basic service delivery; (iii) improved the environment conducive to private-sector development; and (iv) higher economic growth. Each of these benefits is expected to have a significant and long lasting impact on poverty reduction.

Four main risks could influence the expected outcomes of the proposed credit: (i) domestic political unrest and/or external factors, including shortfall in donor support, adverse climatic conditions, and social and political upheavals in neighboring countries; (ii) weak institutional, managerial and administrative capacity; (iii) slippages in key reforms; and (iv) growth and macroeconomic scenarios may not materialize. These risks have been mitigated by the strength of the government's ownership and commitment to implement the proposed measures, by an active policy dialogue between the Bank and the government, and by donor's efforts to provide technical assistance to improve capacity-building.

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