Document of
The World Bank

Report No:ICR0000425

# IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-31300 IDA-3130A)

ON A

CREDIT

IN THE AMOUNT OF SDR 14.0 MILLION
(US$ 18.6 MILLION EQUIVALENT)

TO THE

REPUBLIC OF NIGER

FOR A

PRIVATIZATION AND REGULATORY REFORM

TECHNICAL ASSISTANCE PROJECT

June 29, 2007

Financial and Private Sector Development
West Africa Country Department 3
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective 4/23/2007)

Currency Unit = Communaute Financiere Africaine Franc (FCFA)
FCFA 1.00 = US$ 0.00206619
US$ 1.00 = FCFA 483.896

FISCAL YEAR
January 1 – December 31, 2007

ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| Abattoir | Abattoir Frigorifique de Niamey *(Slaughterhouse)* |
| ARM | Autorité de Régulation Multisectorielle |
| CAS | Country Assistance Strategy |
| CCPP | Cellule de Coordination du Programme de Privatisation *(Privatization Agency)* |
| CEM | Country Economic Memorandum |
| CNIP | Nigerien Private Investor Council |
| DCA | Development Credit Agreement |
| DMTP | Direction du Matériel des Travaux Publics |
| ERR | Economic Rate of Return |
| FIAS | Foreign Investment Advisory Service |
| FM | Financial Management |
| GDP | Gross Domestic Product |
| GoN | Government of Niger |
| IBRD | International Bank for Reconstruction and Development |
| ICA | Investment Climate Assessment |
| ICB | International Competitive Bidding |
| ICR | Implementation Completion and Results Report |
| ICT | Information and Communication Technologies |
| IDA | International Development Association |
| IMF | International Monetary Fund |
| IRR | Internal Rate of Return |
| ISR | Implementation Status and Results Report |
| MoF | Ministry of Finance, Economic Reforms and Privatization |
| MoP | Ministry of Privatization |
| NCB | National Competitive Bidding |
| NEPA | Nigerian Electric Power Authority |
| NIGELEC | Société Nigérienne d'Electricité *(Power Utility)* |
| NPV | Net Present Value |
| OFEDES | Office des Eaux du Sous-sol *(Well Drilling Agency)* |
| OLANI | Office du Lait du Niger *(Dairy Products Company)* |
| PAD | Project Appraisal Document |

| | |
|---|---|
| PE | Public Enterprise |
| PPI | Private Participation in Infrastructure |
| PPPs | Public Private Partnerships |
| PSAC | Public Sector Adjustment Credit |
| PSD | Private Sector Development |
| RINI | Société Le Riz du Niger *(Rice Marketing Company)* |
| SEEN | Société d'Exploitation des Eaux du Niger |
| SLMTP | Société de Location du Matériel des Travaux Publics |
| SMEs | Small- and Medium Size Enterprises |
| SNC | Société Nigérienne de Cimenterie *(Cement Company)* |
| SNE | Société Nationale des Eaux *(Water Utility)* |
| SOEs | State-Owned Enterprises |
| SONIDEP | Société Nigérienne de Produits Petroliers *(Petroleum Distribution Company)* |
| SONITEL | Société Nigérienne de Télécommunications *(Télécommunications Utility))* |
| SONITEXTIL | Société Nigérienne de Textiles *(Textile Company)* |
| SPEHG | Société Exploitante de l'Hôtel *(Gaweye Hôtel)* |
| SPEN | Société de Patrimoine des Eaux du Niger |
| WB | World Bank |

| | |
|---|---|
| Vice President: | Obiageli Ezekwesili |
| Country Director: | Madani M. Tall |
| Acting Sector Manager: | Dileep M. Wagle |
| Project Team Leader: | Michaela J. Weber |
| ICR Team Leader: | Mazen Bouri |

**Republic of Niger**
**Privatization and Regulatory Reform Project**

**CONTENTS**

## A. Basic Information

| | | | |
|---|---|---|---|
| Country: | Niger | Project Name: | NE-Priv Reg Reform (FY99) |
| Project ID: | P051272 | L/C/TF Number(s): | IDA-31300,IDA-3130A |
| ICR Date: | 06/03/2007 | ICR Type: | Core ICR |
| Lending Instrument: | TAL | Borrower: | |
| Original Total Commitment: | XDR 14.0M | Disbursed Amount: | XDR 10.4M |
| **Environmental Category: C** | | | |
| **Implementing Agencies:** Cellule de Coordination du Programme de Privatisation | | | |
| **Cofinanciers and Other External Partners:** | | | |

## B. Key Dates

| Process | Date | Process | Original Date | Revised / Actual Date(s) |
|---|---|---|---|---|
| Concept Review: | 09/15/1997 | Effectiveness: | 01/28/1999 | 01/28/1999 |
| Appraisal: | 06/26/1998 | Restructuring(s): | | 03/03/2006 |
| Approval: | 09/15/1998 | Mid-term Review: | | 06/18/2001 |
| | | Closing: | 12/31/2001 | 12/31/2006 |

## C. Ratings Summary

**C.1 Performance Rating by ICR**

| | |
|---|---|
| Outcomes: | Moderately Unsatisfactory |
| Risk to Development Outcome: | Moderate |
| Bank Performance: | Moderately Unsatisfactory |
| Borrower Performance: | Moderately Unsatisfactory |

**C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)**

| Bank | Ratings | Borrower | Ratings |
|---|---|---|---|
| Quality at Entry: | Moderately Unsatisfactory | Government: | Moderately Unsatisfactory |
| Quality of Supervision: | Unsatisfactory | Implementing Agency/Agencies: | Unsatisfactory |
| **Overall Bank Performance:** | Moderately Unsatisfactory | **Overall Borrower Performance:** | Moderately Unsatisfactory |

| C.3 Quality at Entry and Implementation Performance Indicators | | | |
|---|---|---|---|
| **Implementation Performance** | **Indicators** | **QAG Assessments (if any)** | **Rating** |
| Potential Problem Project at any time (Yes/No): | No | Quality at Entry (QEA): | None |
| Problem Project at any time (Yes/No): | Yes | Quality of Supervision (QSA): | None |
| DO rating before Closing/Inactive status: | Moderately Satisfactory | | |

## D. Sector and Theme Codes

| | Original | Actual |
|---|---|---|
| **Sector Code (as % of total Bank financing)** | | |
| Central government administration | 74 | 40 |
| General energy sector | | 7 |
| General water, sanitation and flood protection sector | | 11 |
| Other social services | 26 | 16 |
| Telecommunications | | 26 |

| | | |
|---|---|---|
| **Theme Code (Primary/Secondary)** | | |
| Infrastructure services for private sector development | | Secondary |
| Regulation and competition policy | Primary | Primary |
| State enterprise/bank restructuring and privatization | Primary | Primary |

## E. Bank Staff

| Positions | At ICR | At Approval |
|---|---|---|
| Vice President: | Obiageli Katrya Ezekwesili | Jean-Louis Sarbib |
| Country Director: | Madani M. Tall | Theodore O. Ahlers |
| Sector Manager: | Dileep M. Wagle | Thomas W. Allen |
| Project Team Leader: | Michaela J. Weber | Heidi M. Mattila |
| ICR Team Leader: | Mazen Bouri | |
| ICR Primary Author: | Mazen Bouri | |

## F. Results Framework Analysis

**Project Development Objectives (**from Project Appraisal Document**)**

The objective of the Privatization and Regulatory Reform Technical Assistance Project is to increase the operational and financial performance of the public enterprise sector and selected utilities through privatization of assets and private sector participation in infrastructure. Achieving this objective will help Niger to improve access to and quality of services in telecommunications, water, and electricity through the development of an effective policy and regulatory framework. The project components include: 1) capacity building and support to the implementation of the privatization program through the assistance of local and foreign experts, a public information campaign, a staff retrenchment program, and project management; and 2) privatization and regulatory reforms in the infrastructure sector (telecommunications, water, and electricity).

**Revised Project Development Objectives (as approved by original approving authority)**

**(a) PDO Indicator(s)**

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|---|---|---|---|---|
| **Indicator 1 :** | Improved access to electricity, water and telecommunications by population. | | | |
| Value quantitative or Qualitative) | Baseline Data:<br>Telecom : Global teledensity is 0.16 lines per 100 inhab.<br>Water:60,374 subscribers<br>Power: 74,393 | Target: Global Teledensity: 1.25 lines per 100 inhab.<br>Telecoms: fixed 45000 lines;<br>Mobile 5,000 lines<br>Cities with Water: 75%<br>Electricity:<br>65% | | Global Teledensity: 2.4/100 inhab.<br>Fixed line subscribers: 24,000.<br>Mobile line subscribers: 300,000.<br>Access to water in cities: 82%.<br>Increase in urban water subscribers by 302,700.<br>Access to electricity: 8% (2002 data).Power subscribers: 169,000. |
| Date achieved | 10/26/1999 | 10/26/1999 | | 12/29/2006 |
| Comments (incl. % achievement) | | | | |
| **Indicator 2 :** | Number of companies privatized. | | | |
| Value quantitative or Qualitative) | 8 companies were listed for privatization under the Project | 8 companies were listed for privatization under the Project | Abbatoirs Frigorifiques was withdrawn and two others were added - Ste Nigerienne de Transport (SNTN) and Ste de Location de Materiel de TP (SLMTP) | Of the original 8 enterprises, 3 were privatized (SONITEL, SNE, and OFEDES) and 5 remain SOEs. Two SOEs were added to the list; of those, one was privatized (SLMTP). |
| Date achieved | 06/15/1998 | 09/30/1998 | 07/19/2002 | 12/29/2006 |

| | | | | |
|---|---|---|---|---|
| Comments (incl. % achievement) | 4 enterprises were privatized out of a total 10 of SOEs to be privatized (original 8 plus 2 additional). | | | |
| **Indicator 3 :** | Reduced financial losses of the PE sector (Improvement in financial and operating results) and no transfers from GON to the privatized PEs. | | | |
| Value quantitative or Qualitative) | SOEs were a burden to the GoN's Treasury and were suffering from poor financial and operating performance | Improved financial and operating results and no transfers from GoN to privatized SOEs. | | From the 4 SOEs that were privatized, there is no evidence that the GoN has made any transfers following the transactions. Of the remaining SOEs, there has been improved performance at NIGELEC and SONIDEP. The remaining SOEs continue to struggle. |
| Date achieved | 06/15/1998 | 09/30/1998 | | 12/29/2006 |
| Comments (incl. % achievement) | | | | |

**(b) Intermediate Outcome Indicator(s)**

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|---|---|---|---|---|
| **Indicator 1 :** | Improved average call completion rate, reduced ratio of unaccounted water, and reduced hours of electricity blackouts | | | |
| Value (quantitative or Qualitative) | Rate of technical efficiency of the urban water distribution networks (Reduction of water losses): 80% | Unaccounted-for-water in urban areas reduced from baseline values by at least another 5% to reach 85% | | Technical efficiency of urban water distribution:85% |
| Date achieved | 09/12/2001 | 09/12/2001 | | 12/29/2006 |
| Comments (incl. % achievement) | There was no electricity or telecom data on average call completion rate and reduced hours of electricity blackouts provided at appraisal. For electricity, the 2006 ICA indicated average two-hour blackout occurring 20 times a month. | | | |

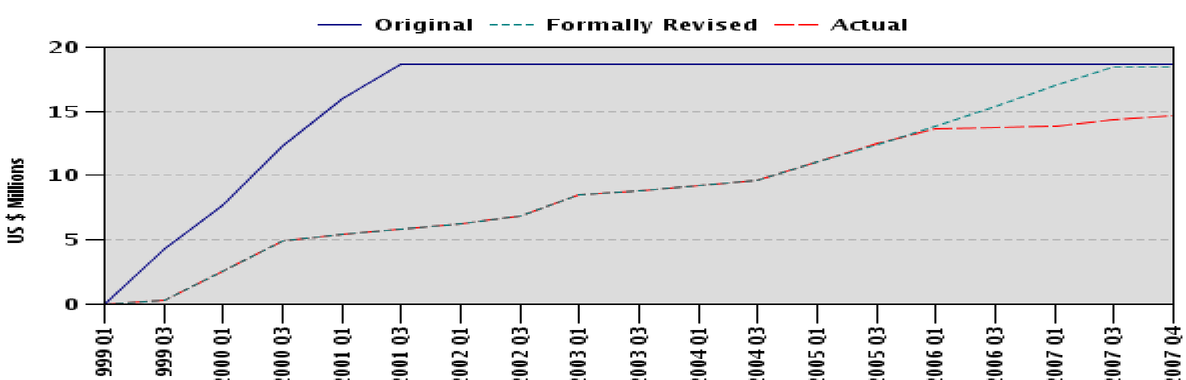
## G. Ratings of Project Performance in ISRs

| No. | Date ISR Archived | DO | IP | Actual Disbursements (USD millions) |
|---|---|---|---|---|
| 1 | 01/28/1999 | Satisfactory | Satisfactory | 0.00 |
| 2 | 11/17/1999 | Satisfactory | Satisfactory | 3.26 |
| 3 | 05/25/2000 | Satisfactory | Satisfactory | 5.24 |
| 4 | 12/28/2000 | Satisfactory | Satisfactory | 5.73 |
| 5 | 06/29/2001 | Satisfactory | Satisfactory | 6.12 |
| 6 | 11/15/2001 | Satisfactory | Satisfactory | 6.27 |
| 7 | 05/09/2002 | Satisfactory | Satisfactory | 6.89 |
| 8 | 12/13/2002 | Satisfactory | Satisfactory | 8.72 |
| 9 | 06/18/2003 | Satisfactory | Satisfactory | 9.12 |
| 10 | 11/26/2003 | Satisfactory | Satisfactory | 9.38 |
| 11 | 05/26/2004 | Satisfactory | Satisfactory | 9.84 |
| 12 | 12/06/2004 | Satisfactory | Satisfactory | 11.53 |
| 13 | 12/09/2004 | Satisfactory | Satisfactory | 11.68 |
| 14 | 06/23/2005 | Moderately Satisfactory | Moderately Unsatisfactory | 13.44 |
| 15 | 11/01/2005 | Moderately Satisfactory | Moderately Satisfactory | 13.72 |
| 16 | 12/20/2005 | Moderately Satisfactory | Moderately Unsatisfactory | 13.72 |
| 17 | 06/29/2006 | Moderately Satisfactory | Moderately Unsatisfactory | 13.85 |

## H. Restructuring (if any)

| Restructuring Date(s) | Board Approved PDO Change | ISR Ratings at Restructuring | | Amount Disbursed at Restructuring in USD millions | Reason for Restructuring & Key Changes Made |
|---|---|---|---|---|---|
| | | DO | IP | | |
| 03/03/2006 | N | MS | MU | 13.78 | See section 1.3 & 2.2 for details |

## I. Disbursement Profile



## 1. Project Context, Development Objectives and Design *(this section is descriptive, taken from other documents, e.g., PAD/ISR, not evaluative)*

**1.1 Context at Appraisal** *(brief summary of country and sector background, rationale for Bank assistance)*

In the mid 1990s, Niger's economy went through a difficult phase as a result of the decline in the price of uranium, two prolonged droughts, loss of competitiveness associated with a real appreciation of the FCFA franc, rapid population growth and political instability. Over the period from 1975 to 1994, the real growth of GDP of 1.7 percent was lower than population growth rate of 3.3 percent. Parallel to that, there was a substantial increase in the level of the country's indebtedness. Contributing to the general economic malaise was the status of state-owned enterprises (SOEs) which were characterized by low competitiveness due to overstaffing, accumulation of arrears, lack of access to investment capital, management weakness, old and obsolete production tools, poor quality of services, and political interference.

The Government of Niger (GoN) recognized that the SOE portfolio was a burden on public finances and inhibiting the development of the private sector. In 1996, under the framework of IMF Structural Adjustment program and a World Bank Public Sector Adjustment Credit, the GoN passed the privatization law that provided the legal framework for privatization and created the Privatization Agency (*Cellule de Coordination du Programme de Privatization*- CCPP). The law established a list of 12 enterprises that the Government would privatize and included those operating in the infrastructure sectors of telecommunication, water, and electricity. The project was to provide technical assistance and capacity building for the GoN's privatization program.

**1.2 Original Project Development Objectives (PDO) and Key Indicators (*as approved*)**

The objectives of the Privatization and Regulatory Reform Technical Assistance Project are: (i) to increase the operational and financial performance of the public enterprise sector and selected utilities through privatization of assets and private sector participation in infrastructure and (ii) to improve access and quality of services in selected infrastructure sectors within an enhanced regulatory framework.

Key Performance Indicators as set out in the PAD:

- Improved access to electricity, water and telecommunications by the population
- Privatization of five commercial enterprises and three utilities
    - SONIDEP : Société Nigerienne de Produits Petroliers
    - Abattoir: Abattoir Frigorifique de Niamey
    - OFEDES : Office des Eaux du Sous-Sol

- RINI : Société Le Riz du Niger
- SPEHG: Société Exploitante de l'Hotel Gaweye
- SONITEL: Société Nigerienne de Telecommunications
- NIGELEC: Société Nigerienne d'Electricite
- SNE : Société Nationale des Eaux

- Reduced financial losses of the Public Enterprise (PE) sector and no transfers from GoN to the privatized PEs.

- Improved average call completion rate for telecommunications, reduced ratio of unaccounted water, and reduced hours of electricity blackouts.

**1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification**

The project's Overall PDOs was not revised. However, the Development Credit Agreement (DCA) was amended twice (once in January 2003 and the second time in June 2006) which changed the project's indicators. The first amendment reduced the number of commercial enterprises to be privatized from five to three, dropping the Abbatoir and RINI from the list at the request of the GoN which decided to remove these two companies from its privatization program. The second amendment reallocated funds from worker severance and equipment line items towards consultant costs and added new activities. This resulted in the following revised set of indicators:

- Privatization of SONITEL and SNE by December 31, 2000.
- Revised sector policies adopted by June 30, 2000 for telecommunication, water and electricity sectors.
- Autonomous multi-sectoral regulator established by December 31, 2000.
- A portfolio management and corporate governance system for the Ministry of Privatization is in place.
- Investment costs and investments options for NIGELEC are analyzed.
- Improved doing business ratings.
- A four year Business plan for at least one agricultural export product and the tourism sector is adopted by government and private sector.
- The multi-sector regulator has clear indicators to regulate SONITEL.

As less than 5 percent of project spent funds were disbursed after the second amendment and the remaining period represented six- months of an eight-year Project, the Implementation Completion and Results Report (ICR) will use, as a basis, the original indicators and will draw on the final phase indicators primarily to highlight issues encountered and lessons learned.

**1.4 Main Beneficiaries** *(original and revised, briefly describe the "primary target group" identified in the PAD and as captured in the PDO, as well as any other individuals and organizations expected to benefit from the project)*

| ***Benefits*** | ***Target Population*** |
|---|---|
| Enhanced institutional capacity to implement a privatization program | Ministry of Finance (MoF) and other GoN officials |
| Greater access to and quality of infrastructure services (telecommunications, water and electricity) | Population at large and in rural areas in Particular |
| Enhanced fiscal capacity for essential social services | Children and the poor |
| Increased private sector employment | Working age population |

**1.5 Original Components (***as approved***)**

The project consisted of two components: 1) Capacity building and support to the implementation of the privatization program 2) Privatization and regulatory reforms in the infrastructure sector. The following provides a brief description of the original components along with the International Development Association (IDA) Allocated Cost. The GoN was to contribute 10 percent to project costs. A US$1 million contingency was also budgeted.

***Component One: Capacity Building & Support to Privatization Program Implementation: (US$ 9.8 million)***

This component consisted of four sub-components as follows:

1.1. Institutional Strengthening of the CCPP (US$3.3 million): This sub-component would ensure that the CCPP will have adequate capacity and expertise to coordinate the privatization program. This sub-component would include funding for consultants (accounting, privatization, legal, sectoral experts) to support the CCPP.

1.2. Public Information Campaign (US$ 0.50 million): Through this sub-component, the project would assist with a comprehensive program of public outreach and consensus-building activities designed to educate, inform and build consensus around privatization.

1.3. Retrenchment Program (US $4.8 million): The project was to finance the severance payments of SOE employees who were laid off as a result of the privatization process, in line with applicable GoN guidelines and laws. In addition, the project was to finance specific schemes to facilitate the re-absorption of laid-off workers into the economy.

1.4. Project Management (US$ 1.2 million): The project counterpart was the Ministry of Finance, Economic Reforms, and Privatization. The Project Implementing Agency would be the CCPP which had already been created by the 1996 privatization law and which would be responsible for the execution of all phases of the project, including financial reporting, monitoring and evaluation, and procurement. The CCPP was housed in the Ministry. In August 1999, the GoN created a new Ministry, the Ministry of Privatization and Public Enterprise Restructuring, which became the GoN's counterpart for the duration of the project. The CCPP was from thereon located within the Ministry of Privatization (MoP). The Prime Minister continued to chair the Inter-Ministerial Committee on Privatization which would take key decisions in the privatization program.

***Component Two: Privatization & Reform of Infrastructure Sectors (US$ 7.8 million)***

This component consisted of three sub-components:

2.1. Telecommunications (US$ 2.80 million): This sub-component would provide technical assistance in four inter-related areas: (i) privatization of SONITEL; (ii) revision and development of the regulatory framework; (iii) preparation of a diagnostic study on the postal sector and the postal savings institution; and (iv) establishment of a frequency management system.

2.2. Water (US$ 2.80 million): This sub-component would fund the preparation of a lease contract for private management of the urban water system, and provide funds for experts to assist in the revision of the regulatory framework for the water sector.

2.3. Electricity (US$ 2.20 million): This component will support the Government's electricity sector reform through: (i) the privatization of NIGELEC and (ii) the revision and development of the regulatory framework for the sector.

### 1.6 Revised Components

The June 2006 Amendment added the following activities to Component One:

- Preparing studies and providing capacity building support to private and public sector entities for broader Private Sector Development (PSD).
- Restructuring audits (including corporate governance strengthening) for five public companies and the establishments of an SOE portfolio management system for the MoP.

**1.7 Other significant changes** *(in design, scope and scale, implementation arrangements and schedule, and funding allocations)*

The project's closing date was extended four times, as follows:

**Extension # 1:** 24-month extension from December 2001 to December 2003: The project had experienced delays in completing key privatization transactions. IDA had received an Action Plan from GoN which set out revised timelines for completing the remaining activities within two years which provided the rationale for this extension.

**Extension # 2**: 12-month extension from December 2003 to December 2004: Similar to the first extension, this one was provided in order to allow enough time for the remaining privatization transactions to be completed with a new timetable and detailed action plan.

**Extension # 3:** 6-month extension from December 2004 to June 2005: This extension was provided to allow the completion of the installation of the frequency management equipment under the telecom sub-component. All other project activities ceased and the CCPP unit was disbanded at that time.

**Extension # 4:** 18-month extension from July 2005 to December 2006: The project continued to have significant un-disbursed funds and it was envisaged that those could be used to consider new models for public-private partnerships (PPPs) for NIGELEC and SONIDEP and to prepare for broader PSD support operation. This extension necessitated the reconstituting of the CCPP unit.

## 2. Key Factors Affecting Implementation and Outcomes

### 2.1 Project Preparation, Design and Quality at Entry

*(including whether lessons of earlier operations were taken into account, risks and their mitigations identified, and adequacy of participatory processes, as applicable)*

The project was designed in the context of IDA-IMF support to the GoN's economic reform program. The project followed a one-year 1997-1998 Development Policy Lending operation, the Public Sector Adjustment Credit. One of the goals of the Adjustment Credit was to assist the GoN in launching its Privatization Program. The lessons emerging from the Adjustment Operation's ICR were the need to link privatization efforts with sector policy reforms, the importance of transparent and competitive divestiture processes, and the requirement for communication and information strategies to build consensus around the privatization program. The ICR also emphasized the importance of a realistic implementation timetable.

The project design did take into consideration the need to build capacity to carry out privatization transactions and the importance of creating appropriate regulatory framework for key sectors. The Project Appraisal Document (PAD) also provided a detailed analysis of the main issues facing the key infrastructure sectors. However, the project timetable was ambitious as all privatization transactions were to be completed within two years. While it is the case that the GoN had agreed to this timetable, it may have been the case that the Government had wanted to go along with IMF-IDA requirements to ensure continued donor support. Further, there was little mention of how international private investors could be convinced to come to Niger.

The PAD did recognize the major risks facing the project such as weakening Government commitment, political and macroeconomic instability, and lack of interest on the part of private investors and correctly judged those as Substantial risks. However, the mitigation efforts put forward all revolved around maintaining good policy dialogue and did not appear to be commensurate with the risks presented. Successful privatization often hinges on factors outside a project's control such as political climate and international market conditions. Therefore, a project dealing with such an issue would need to elaborate on the risks faced and promulgate a thorough risk mitigation strategy.

**2.2 Implementation (***including any project changes/restructuring, mid-term review, Project at Risk status, and actions taken, as applicable)*

During the first year of the project, a coup d'etat occurred against the ruling military regime which resulted in a period of political transition. Even though the coup d'etat gradually ushered in a more democratic form of Government, there were frequent changes in Government and the project witnessed four Ministers of Privatizations and five Secretary Generals (SGs). The changes at the Ministry had a direct impact on the functioning of the CCPP, the Project Implementing Agency. The Ministry of Privatization (MoP) was not very well resourced and the CCPP was its main activity. Therefore, the CCPP received close attention and scrutiny from Ministry officials and the first two CCPP coordinators were political appointees. Further, the turnover of Ministers and SGs in turn led to turnovers at the CCPP with a total of four coordinators over the project life. This turnover delayed project implementation.

The project was also impacted by international market trends in the energy markets, which compounded the problem of attracting investors to Niger. Specifically, the Enron collapse that occurred in 2001 resulted in a marked decline in global investor interest in purchasing emerging markets energy companies. This likely contributed to the decrease in interested bidders for the NIGELEC transaction. The project's effort in bringing in private participation in the water sector was well-complemented by another IDA project which was dedicated exclusively for the development of the water sector. The project also benefited from the growing investor interest in the telecom markets in developing economies, and in particular in the development of the mobile phone networks.

As indicated in Section 1.7, the project went through four extensions prolonging its life from three-years to eight-years. The main privatization transactions related to SONITEL and SNE were completed within the original project timeframe. At the time of the last extension, the project continued to have 30 percent un-disbursed funds. A decision was taken to extend the project by an additional eighteen months due to the perceived reputation risk issues for IDA should support to the reform process be discontinued. It was expected that GoN capacity for preparing, negotiating, and monitoring Public Private Partnerships (PPPs) would be strengthened during that extension period with a view to applying this approach to NIGELEC and SONIDEP. Additionally, it was envisaged that project would take on PSD reforms following the Doing Business rankings and sources of growth study. However, as the project was dealing with new stakeholders, the new PSD activities for the extension period took almost a year to be agreed with the authorities and were formalized in a project "restructuring" amendment in June 2006[1].

**2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization**

The PAD set of indicators contained a mix of output-type indicators (completion of privatization transactions and no GoN transfers to privatized SOEs) with indicators that attempted to measure outcomes, especially for the infrastructure sectors (increased

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[1] Technically, the June 2006 amendment did not reflect a board-approved project restructuring since the PDOs remained the same. However, as mentioned in Section 1.3, this amendment did result in a reallocation between lines items, addition of new activities, and a revised set of performance indicators.

performance and expansion of electricity, water, and telecom sectors). On the other hand, the DCA contained mainly output-type indicators that were focused on privatization transactions and adoption of sector policies, both of which are necessary but not sufficient to measure the PDOs of improved enterprise performance and improved access and quality of key infrastructure services. In terms of the measurement of the M&E indicators, it was envisaged that privatization transaction progress would be monitored through the CCPP Progress Reports and the status of the target enterprises would be assessed periodically by the ARM and other regulatory agencies. The CCPP and ARM reports did not reflect ongoing measurement of the outcome-level M&E indicators. In the two sectors of water and telecom, there were periodic discussions of overall sector achievements provided by the assigned technical experts.

**2.4 Safeguard and Fiduciary Compliance (***focusing on issues and their resolution, as applicable)*

**Procurement:** Due to the complexity of the privatization transactions and the high turnover in the staff, the quality and timeliness of procurement documents submitted by the CCPP was consistently poor. This was compounded by the fact that it was not easy to attract experienced international consultants who could advice on and oversee privatization transactions in the Nigerien environment. The World Bank attempted to address these issues by providing training on procurement processes to CCPP staff. The weaknesses in procurement resulted in delays in program implementation in the different phases of the project.

**Disbursement:** Due to delays in procurement and lack of movement on key transactions, the project disbursements were consistently less than forecasted. While consultants were recruited to carry most transactions to the point of sale, the lack of completion meant that funds allocated for worker retrenchment were under-utilized. For example, by June 2005, despite the 3.5 years extensions up to that date, the project had still undisbursed 30 percent of allocated funds. By project closing, approximately 25 percent of project funds in SDR were still undisbursed. The remaining balance of the project were cancelled and reallocated to finance Avian Flu activities under the Community Action Plan. The reallocated credit funds were converted to IDA grants.

**Financial Management (FM):** The CCPP's accountants received extensive support from the country resident Financial Management specialist. This was instrumental in ensuring that the project complied with FM requirements and submitted financial reports in conformity with World Bank guidelines. There were some delays in submissions though these matters did not become serious FM issues.

**2.5 Post-completion Operation/Next Phase** *(including transition arrangement to post-completion operation of investments financed by present operation, Operation & Maintenance arrangements, sustaining reforms and institutional capacity, and next phase/follow-up operation, if applicable)*

After the project closure, the GoN renamed the Ministry of Privatization to the Ministry of Young Entrepreneurs and of Public Enterprise Reform. The mandate of the Ministry is still being developed. The CCPP Unit was disbanded at project closure. Over the life of the project, there was a global shift in paradigm from a focus on privatization transactions to a broader look at SOE reform and Private-Public Partnerships (PPPs). This also resulted in considering new models to promote access, quality, and affordability of infrastructure services provided by SOEs through strengthening corporate governance, improving management and internal controls, and bringing in strategic investors. This was the result of the lessons of the privatization experience from many developing countries, including in sub-Saharan Africa. SOE reform and broader PSD development remain central to the country's developmental goals creation and poverty reduction. The Development Policy Loan (DPL) planned for FY08 will have as a focus promoting growth through private sector development. Building on the analysis that was conducted through the ICA and the dialogue with various stakeholders in the final extension phase, IDA is planning new sources of growth project for FY09.

## 3. Assessment of Outcomes

### 3.1 Relevance of Objectives, Design and Implementation

*(to current country and global priorities, and Bank assistance strategy)*

The GoN is in the process of finalizing it second Poverty Reduction Strategy Paper (PRSP) 2008-2012. One of the strategic goals of the PRSP is accelerating growth through rural development, improved competitiveness, economic diversification, promoting exports, and promoting tourism sector. There is mention of the need to continue the reform of the SOEs but with a focus on improving SOE management and performance as opposed to outright privatization. The current CAS (2003) emphasizes improving the macroeconomic framework, rural development, and promoting to access social services. It did not envision future privatization projects or additional PSD lending operations since it was prepared when the Privatization Project was ongoing. The 2006 Country Economic Memorandum (CEM) highlights the paramount importance of infrastructure development in opening the path for sustained economic development for Niger. The next CAS, currently under discussion, is expected to include a broader discussion of private sector development and support to SOE reform through PPPs. Therefore, the relevance of the project's privatization approach to today's context is diminished, but its broader goals of promoting private sector development and improving access to infrastructure remain central to Niger's economic priorities and needs.

### 3.2 Achievement of Project Development Objectives

*(including brief discussion of causal linkages between outputs and outcomes, with details on outputs in Annex 2)*

The project had two overriding objectives:

- *Increase operational and financial performance of the public enterprise sector and utilities through privatization and private sector participation*

- *Improve access and quality of services in selected infrastructure sectors (telecom, water, and electricity) within an enhanced regulatory framework.*

The following section will assess the project achievements firstly in relation to the commercial public enterprise sector and secondly in relation to the utility sectors and will include separate assessments of telecom, water and electricity sectors. The section will conclude with overall conclusions and will comment on whether the project contributed to the CAS goal of promoting broad- based, private-sector led recovery of the economy.

***I- Increase Operational and Financial Performance of Public Enterprise Sector through Privatization and Private Sector Participation***

Besides being present in the utility sectors, the Government also owned a number of "commercial" SOEs that were a legacy of state ownership and that had not been privatized during the structural reforms of the 1980s[2].
The project was to build the capacity of CCPP to implement the privatization of these five SOEs[3]:

- Abattoir: Abattoir Frigorifique de Niamey
- OFEDES : Office des Eaux du Sous-Sol
- RINI : Société Le Riz du Niger
- SPEHG: Société Exploitante de l'Hotel Gaweye
- SONIDEP Société Nigerienne de Produits Petroliers

The following is a synopsis of the status of the five SOEs (See Annex 2 for detailed analysis):

<u>1-Abattoir Frigorifique de Niamey:</u> Following a number of unsuccessful bids, the GoN decided to drop the Abattoir from the privatization list.

<u>2-OFEDES (Office des Eaux du Sous – Sol):</u> Following a number of rounds, in January 2004, 51 percent of the company's shares were purchased by a Canadian investor in association with a local company, with the remaining share held by the GoN. A dispute emerged between the two new owners which resulted in no new investments as of the end of 2005.

<u>3-RINI (Société Le Riz du Niger):</u> There was an ongoing dispute related to the ownership rights of the company's real estate titles involving the inheritors of a former President. Ultimately, the GoN decided to drop this firm from the privatization list.

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[2] There were 54 SOEs in 1981 contributing to 24 percent of value added and 46 percent of formal employment. Following a series of structural adjustment reforms supported by the IMF and IDA in the 1980s, the Government decided to retain 25 SOEs and divest the rest. (See pp. 16-17, Niger Country Economic Memorandum: 2006, World Bank).

[3] From the list of 12 SOEs in the Privatization Program, three (SONITEL, NIGELEC, SNE) were utilities, three were privatized before the project were started (SONITEXTEL, OLANI, SNC) and one (ONAHA) was dropped from the list during project preparation.

4-SPEHG Société Propriétaire et Exploitante de l'Hôtel (Gawaye Hotel): Following multiple bid rounds and the selection of an interested bidder, in late 2003, negotiations between Government and the selected investor broke down over the treatment of cross debts amount resulting from past management liabilities and hotel refurbishing bills.

5-SONIDEP: Société Nigerienne de Produits Petroliers*:* SONIDEP was one of the main target enterprises of the Privatization Program. In 1998, its sales turnover of FCFA 36.6 billion was double that of NIGELEC and higher still from SONITEL and SNE, the three main utility SOEs slated for privatization. The issue of SONIDEP's privatization was also part of a broader IMF-IDA agenda to liberalize oil imports and allow competition. The official monopoly on oil imports overseen by SONIDEP had resulted in unofficial imports that avoided trade taxes which were estimated to be substantially more than the official oil flows. For a variety of reasons discussed in Annex 2, the privatization of SONIDEP was not concluded. However, SONIDEP's financial and commercial performance continued to improve. This improvement (more than doubling of sales and 10 times in profits) can be explained by the: (i) presence of a strong General Manager who launched a vast program of internal restructuring; (ii) high oil prices; and (iii) low overhead costs for a company that runs on margin and had a total workforce of approximately 150 workers. The larger issue of reform in the overall oil sector remains unresolved with the 2006 CEM estimating that unofficial petroleum imports costs the treasury FCFA 30 billion in 2003.

6- SLMTP: (The Société de Location du Matériel des Travaux Publics): was added to the privatization list through an Inter-Ministerial Committee decision in 2002. SLMTP stemmed from the transformation of the "Direction du matériel des travaux publics" (DMTP) into an independent company equipment leasing company. The privatization process was completed by December 2002 by transferring a majority of 51 percent to a strategic investor along with the sale of 30 percent to the small national investors and maintaining 19 percent shareholding by the Government. The Privatization Impact Assessment Study of 2005 concluded that SMLTP was not yet able to offer adequate service due the numerous breakdowns and that these problems were seriously affecting company cash flow.

In summary, four out of the five original privatization transactions did not take place. One SOE (SLMTP) was added to the list with 51 percent of shares sold but this has not yet resulted in major new investments due to lack of financing. SONIDEP, which was not privatized, continues to perform well largely due to favorable market conditions, a protected monopoly, and the initiative of its general manager. Indications are that the other non-privatized SOEs continue to struggle and face operational and financial difficulties. The privatization program is currently inactive. Among the factors that contributed to the lack of achievement of this objective were:

- Minimal investor interest in these sectors
- Restrictive investment climate
- Weak overall economic performance
- Shifting Government Priorities and changes in key personnel

- Weak implementation capacity
- Resistance from SOE management and labor

***II- Increase Operational and Financial Performance of Utility Enterprises through Privatization and Private Sector Participation and Improve Access to Telecom, Water, and Electricity within an enhanced Regulatory Framework***

**Telecommunication Sector**

At project's beginning, the telecommunications sector in Niger was characterized by:

(i) Poor access to services. SONITEL provided inadequate coverage of services (1.6 lines per 100 inhabitants), with the vast majority of Nigeriens lacking access to telephone services.

(ii) Chronic lack of investment capital to expand the network and poor cashflow.

(iii) Inadequate regulatory and institutional arrangements for the sector.

The project provided technical assistance in the development of the new telecommunications law that passed in 1999. The law aimed to establish a pro-competitive environment, to foster access, investment, and to reduce prices through competition. It also established a framework for awarding mobile licenses. The new telecom law also made references to the ARM and its regulatory role of the telecom sector. Following the passage of the telecom law, with the project's assistance, the GoN issued two mobile licenses for private sector operations in 2000 and a third license was issued in 2001 in competitive bids.

SONITEL's Privatization took place on December 2001 with 51 percent of shares awarded to a Libyan-Chinese Consortium; the GoN maintained 49 percent ownership. This transaction led to the implementation of the worker retrenchment scheme for 354 employees for a total cost of FCFA 4.27 billion. The current situation of SONITEL remains unsatisfactory with ongoing disagreements between the Government and the private investors over commitments undertaken during the privatization process. Rather than making investments in land-lines, the new owners focused on the development of Sahelcom, its mobile subsidiary. For the new owners, the implementation of their business plan has been hampered by: the non – implementation of new SONITEL tariffs rates, continued Government arrears of up to FCFA 15 billion, unclear clear title to land which blocks ability to secure financing, and the lack of audited financial statements.

The ongoing management problems did not permit the company to tackle the challenges in the telecommunication sector. As a result, the public criticizes SONITEL's privatization since service quality has not improved. Indeed, the 2006 ICA reports that 39 percent of firms surveyed in manufacturing considered telecommunications to be a severe or major constraint. There has been minimal growth in the number of line subscribers from approximately 16,000 to 24,000, which contrasts with the rapid development of the mobile sector. Furthermore, the financial performance of SONITEL continues to be weak and erratic as demonstrated by the flat sales levels and the fluctuating profitability from 1998 through 2004:

**SONITEL Financial Summary *(In Millions of FCFAs)***

| | **1998** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** |
|---|---|---|---|---|---|---|---|
| **Sales** | 14,921 | 13,329 | 12,691 | 14,302 | 15,676 | 15,140 | 15,300 |
| **Net Profits** | 457 | 554 | 6,448 | (19,310) | 1,579 | 3,206 | 1,271 |

In terms of the mobile sub-sector, the entry of new operators in the mobile sector boosted the penetration rate. Recent data indicate that there were 300,000 subscribers in 2005 and this is slated to continue to grow substantially over the coming years. It is anticipated that one of the main mobile companies is planning to invest FCFA 25 billion in 2007. It is estimated that the telecom sector's contribution to GDP has increased from 1.4 percent in 2002 to 2.3 percent in 2005, largely due to the mobile sub-sectors. The sector is likely to be a main source of fiscal revenues (through VAT, Customs, fees) for the Government, though no official figures are available. Mobile network coverage is expected to be available throughout the country in the near term. Interconnectivity between the main mobile networks was achieved in 2005. As a result of the increase in mobile usage, the overall tele-density rate (number of lines / 100 inhabitants) has increased from 0.16 percent at project start to 2.4 percent in 2005, a significant increase though still lower than the Sub-Saharan Africa average of 6.4 percent. By contrast, the increase in fixed line density has been marginal going from 0.16 percent to 0.2 percent. The mobile sub-sector still faces challenges with high call rates and a virtual duopoly between the two dominant plays.

**Water Sector**

At the time of project preparation, SNE (The National Water Corporation) suffered from: (i) management instability, (ii) tariffs that were not adequate for cost recovery, (iii) low bill collection rates, (iv) significant government arrears, and (v) poor network coverage. The combination of high connection fees, lengthy procedures for obtaining a service connection and poor coverage forced households to use other sources of water and pay very high prices. As a first step towards the policy goals of increasing quality and quantity of water services, the GoN had decided to introduce private sector participation in the management of SNE's urban sectors. The originally planned privatization option for SNE was a lease-contract. Following discussions with GoN, the project proposed a lease "affermage" (enhanced lease) contract as the most appropriate privatization option.

The institutional and contractual arrangements for the affermage contract involved four participants: (a) the Government, responsible for defining sectoral policy, managing water resources, and developing tariff policy; (b) ARM, responsible for developing a regulatory framework, monitoring water service and contractual arrangements among stakeholders; (c) a public asset holding company, *Société de Patrimoine des Eaux du Niger* (SPEN); and (d) a private operator, *Société d 'Exploitation des Eaux du Niger* (SEEN). SPEN was created in August 2000 to take over functions of SNE related to ownership of facilities, debt service, planning and control/supervision of rehabilitation, renewal, and extension of infrastructure. SEEN, the newly created private-operator would be responsible primarily for the production, transmission and distribution of potable water in urban areas with basic infrastructure rehabilitation. The lease contract gives the private operator exclusive rights to produce and distribute potable water in all urban centers of the leased area for a 10-year period. These reforms were reflected in the Water Sector Law 2000-12.

CCPP successfully awarded the affermage contract for SEEN in December 2000 to a private investor. After this privatization, the planned reforms in the water sector were carried forward through a US$48 million water sector investment program financed by several institutions (IDA, BOAD, AFD) and implemented by SPEN. The water project – which is rated highly satisfactory- had improved the overall management of the sector in terms of service quality, technical efficiency (reduction of water losses) and cost recovery (bill collection). Specifically, nearly 300,000 additional urban residents had gained access to improved water services. This represents a 20 percent increase of the level of access to water in urban centers - from 62 percent in 2001 to 82 percent in 2006. Financial equilibrium in the sector was achieved in December 2006 due to efficiency gains from the sector reform (reduction of water losses by 5 percent improvement of the bill collection ratio) and the application of the agreed tariff policy. All Government arrears as of December 2006 (FCFA 2.2 billion) had been cleared by March 14, 2007. A recent mid-term review of the implementation of the affermage contract confirmed that the arrangements are still valid and appropriate, but some technical and institutional aspects of the affermage contract could be improved. The water sector project is working with ARM to review options for improving the affermage contract.

Water sector reform was not without challenges, as the relationship between ARM and SPEN and SEEN faced some difficulties during the first years of the contract. There was also some hostility to the privatization from the general public due to the gradual increase in tariffs from 238 FCFA /m3 in 2001 to 309 FCFA /m3 in 2006, a 30 percent increase. This though has to be compared against the low access that was present and the fact that many households had to arrange for their own water provision and transport at much higher cost. More importantly, the water tariff in Niger is still very low compared to neighboring countries (half of the average tariff in the sub-region).

**Electricity Sector**

The main issues facing the electricity sector at the beginning of the Project were: (a) limited access to electricity services (only 5 percent of the population had access); (b) significant Government arrears of about FCFA 3.9 billion, high retail tariffs and low quality of services; and (c) political interference in the day-to-day management of the sector. To address these issues, the GoN agreed to transfer the management of the provision of electricity services to private sector operators as part of its 1997 Privatization Policy Framework.

The issue of NIGELEC privatization needs to be considered within the context of an agreement made between the Governments of Niger and Nigeria dating back to 1977. Under this agreement, NEPA, Nigeria's state electricity company, agreed to supply 90 percent of Niger's electricity needs through NIGELEC with a preferential pricing policy. This preferential pricing guarantees comfortable margins for NIGELEC and a supply to the country, though it acts as a disincentive to improve service quality.
Two rounds of privatization bids in 2001 and 2002 did not succeed in attracting sufficient investor interest for several possible reasons. Firstly, the power supply agreement between Niger and Nigeria which made investors wary of coming in. Secondly, the situation of the global energy markets in 2001 and 2002 following the collapse of Enron also dampened investor appetite to make new investments in the sector. Thirdly, an Electricity Law 2003-04 was passed in January 2003 that stipulated that the production, transport, and distribution of electricity be delegated through a concession agreement thereby limiting other more creative options such as affermage. Following the new law, the privatization process was then re-activated but was unsuccessful

Despite the fact that the privatization transaction was not concluded, the prospect of privatization may have been an incentive for NIGELEC to improve its performance. A program of internal restructuring was initiated which improved bill collection, reduced costs and improved the financial situation of the company. In 2006, an agreement was reached with the GoN for fixed monthly payments of FCFA 200 million to finance Government's cost of energy. NIGELEC had also embarked on a FCFA 10 billion investment program to expand its network in the country and extend the interconnection with Nigeria. The number of subscribers also increased from 100,000 in the year 2000 to 169,000 in 2006. NIGELEC's financials show strong growth in profitability.

**NIGELEC Financial Summary**
**(in Millions of FCFAs)**

| | **2000** | **2001** | **2002** | **2003** | **2004** |
|---|---|---|---|---|---|
| **Sales** | 20,982 | 23,208 | 23,871 | 26,328 | 26,858 |
| **Net Profits** | 152 | 525 | 797 | 1,218 | 1,144 |

Despite this, NIGELEC's investments needs remain substantial, since no new investments were made in the sector during the period 2000-2005 as the privatization process was being considered. Further, electricity reform remains an urgent need for Niger. The 2006 ICA reports that 41 percent of manufacturers and 70 percent of hotel establishments consider electricity as the most severe constraint facing them. Indeed, electricity cuts averaged 2 hours and occurred an average of 20 times a month for the period of ICA analysis. The 2006 CEM reported that access to electricity in Niger averaged 8 percent in 2002 which, while higher than at project beginning, was two times lower than the average for Sub-Saharan African countries.

**Enhanced Regulatory Framework for Telecommunication, Water, and Electricity**

As part of the regulatory reform, ARM was created by Ordonnance 99-044 in October 1999 which gave it regulatory powers over water, energy, telecom, and transport sectors. The electricity, telecom, and water laws (discussed in the previous sections) made reference to ARM as the regulator in the future liberalized sectors. Even though ARM was created by decree in 1999, it was not until 2003 that the ARM president and sector directors were appointed.

As ARM was absent while private operators were coming onto the scene in the water and telecom sectors, it experienced difficulties imposing its mandate. There were also concerns that the senior appointments were politically motivated. In response, the project provided significant capacity building support to ARM and the project also assisted ARM in developing a 3-year business plan. ARM has recently gained credibility especially in the telecommunication sector where it has been most active. It has a clearly defined role in telecom in dispute resolution, frequency management, and licenses issuing. ARM has also started recovering its costs from connection fees charged. Further, ARM benefited from three project studies in the final project period on: issuing licenses, universal access, and an organizational audit. Its role in the water sector has been through monitoring the implementation of the affermage contract and it is expected that it would continue to play this oversight in any future adjustment or extensions to the affermage contract.

In conclusion, there was progress in achieving the objective of improving the performance of the infrastructure utilities and expansion of their networks in an enhanced regulatory framework. Specifically, there was significant progress in water sector, in terms of SOE performance and quality and quantity of access. The project, through the affermage contract, laid the foundation for this which was then carried forward by a water sector project. The achievements in the telecom sector are more mixed. Undoubtedly, the expansion of the mobile network in Niger has brought new investments and expanded access to telecom in the country. On the other hand, SONITEL's performance continues to be disappointing. NIGELEC was not privatized and electricity continues to be a major bottleneck notwithstanding recent investments. ARM is emerging as a credible regulator for telecom and water.

***III-Broader Impact on Private Sector Development***

The project was to contribute to the 1997 CAS objective of broad-based and private sector-led recovery of the economy. From 2000 to 2005, Niger's GDP grew an average of 3.1 percent; though this was better than previous periods it was not sufficient to reduce poverty due to a similar demographic growth rate. The country's private sector is dominated by informal businesses which account for 75 percent of GDP. Telecom reforms did bring in new investments with an estimated 2000 new jobs in the mobile sub-sector. Following the ICA analysis that was done in 2006, the project added a number of activities to improve the business environment in the final amendment. While these activities were not implemented due to the limited time available, the close dialogue during that period with stakeholders in the PSD agenda, such as the Ministry of

Commerce and Trade, the Association for Export Promotion, and, the Investor Council raised awareness of the need to address business environment constraints such as taxation, business start-up, and the investment code. Niger's Doing Business ranking for 2006 was 160, marginally better than 2005 which was 170, but still denoting a restrictive business environment.

**3.3 Efficiency***(Net Present Value/Economic Rate of Return, cost effectiveness, e.g., unit rate norms, least cost and comparisons; and Financial Rate of Return)*

During appraisal the economic rate of return was estimated at 28.7 percent in the base case scenario over a fifteen year period starting from 1999. The calculated rate of return attempted to capture the benefits of privatization (incremental wages, new employment in the private sector, productivity gains, consumer surplus, lower treasury transfer, additional investments). An ex-post cost benefit analysis has not been carried due to the non-realization of some of the assumptions underlying the model (completion of all privatization transactions) as well as the non-availability of data required for the model. It is likely that the ex-post ERR would have been lower due to: (i) an implementation timeframe longer than initially assumed; (ii) a GDP growth rate of 3.1 percent which is lower than the 4.5 percent assumed; and (iii) the turnover at the CCPP which necessitated additional expenses and training for the project management component. (See Annex 3 for fuller discussion of project efficiency.)

**3.4 Justification of Overall Outcome Rating**
*(combining relevance, achievement of PDOs, and efficiency)*
Rating: Moderately Unsatisfactory

The overall outcome rating for the project is Moderately Unsatisfactory. The project's original approach is less relevant than at design, due to the shift away from outright privatizations towards models of public-private partnerships. However, the broader project goals of private sector development and improved access and quality for infrastructure sectors remain a priority and are expected to be carried forward through future DPLs, targeted interventions from the World Bank Group, and a sources of growth operation. With regards to the privatization/ for the commercial SOEs, there was limited progress as most of the target commercial SOEs were not privatized and, with the exception of SONIDEP, continue to struggle with poor performance. With regards to achievements on the infrastructure front, important reforms were realized in two of three target SOEs. Specifically, there was significant progress in the water sector, with increased efficiency, quality, access, and an enhanced regulatory framework. Much of this is also the result the water sector project; however, the affermage contract provided a basis for that operation. The telecom sector saw important advances in the mobile sub-sector, though SONITEL continues to be hamstrung by post-privatization problems. In terms of the regulatory framework, ARM is emerging as a credible regulator for water and telecom and continues to partner with various donors to further strengthen its role. For electricity, the NIGELEC transaction was not completed and access and quality of electricity remain major bottlenecks.

**3.5 Overarching Themes, Other Outcomes and Impacts**

**(a) Poverty Impacts, Gender Aspects, and Social Development-N/A**

**(b) Institutional Change/Strengthening**
*(particularly with reference to impacts on longer-term capacity and institutional development)*

While the CCPP unit was disbanded, many of the former CCPP staff have moved to the ARM. The skills they acquired through the Project are being used as ARM plays in regulatory role. The project also provided significant institutional support to ARM which continues to be applied.

**(c) Other Unintended Outcomes and Impacts (positive or negative)-N/A**

**3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops-N/A**

## 4. Assessment of Risk to Development Outcome

Rating: Moderate

The risk to development outcome is assessed to be Moderate. It is not expected that any privatizations that took place during the project (SNE, SONITEL, OFEDES, SLMTP) will be reversed. The achievements in the water sector are likely to endure and to expand with the review of the affermage contract and the continued water sector project. The mobile telecom sub-sector's growth is likely to be maintained and to continue to accelerate. ARM's role as regulator of telecom and water is expected to be maintained.

## 5. Assessment of Bank and Borrower Performance

*(relating to design, implementation and outcome issues)*

**5.1 Bank Performance**
**(a) Bank Performance in Ensuring Quality at Entry** *(i.e., performance through lending phase)*
Rating: Moderately Unsatisfactory

By linking privatization to wider sector reforms, the PAD reflected the lessons learned from earlier privatization experiences. The PAD also emphasized the importance of public support and the social dimension of privatization by articulating a communications strategy and a comprehensive worker retrenchment program. The PAD also highlighted the weak capacity and included significant allocations for strengthening the project's implementing agencies. In developing project indicators, the PAD included not only financial indicators for SOEs but also broader indicators of access, quality, and quantity for infrastructure sectors. On the other hand, the project's timeline was ambitious. It was planned that all transactions would be completed within two years. Privatization, especially of large scale SOEs and those that operate in infrastructure, is a complex endeavor that depends on unpredictable factors such as future government policies, market conditions, the public's perception, and investor interest. These challenges are compounded in a country with extremely weak capacity and still going through a period of political instability and economic transition. Therefore, it was unlikely that the transactions could be completed within two years as planned. The project's scope was also ambitious, including a mix of commercial and utility SOEs, each with its unique problems and challenges. The PAD could have also elaborated on the risks that were identified and the measure that could mitigate them. Finally, there was little discussion on the collection and usage of monitoring and evaluation indicators and how these would feed project's implementation strategy.

**(b) Quality of Supervision** (*including of fiduciary and safeguards policies)*
Rating: Unsatisfactory

This was a complex project that required continuous and close supervision. There were on average two supervision missions per year. Even though the project started to experience delays in the Implementation Schedule almost from the beginning, the Implementation Progress rating was kept at Satisfactory for the first six years until June 2005 when it was downgraded to Moderately Unsatisfactory. The Development Objective rating was also maintained at Satisfactory until June 2005 when it was downgraded to Moderately Satisfactory. The Implementation and Status Results Reports (ISRs) were perfunctory and did not reflect the depth of challenges facing the project. Aide Memoires provided much more background on the issues faced yet did not reflect on the core assumptions of the project such as the level of commitment by GoN to the privatization program.

As mentioned, the project was extended four times. These extensions were driven in part by a well-intentioned desire on the part of the World Bank to preserve IDA allocated funds to one of the poorest countries in the world. There was also a concern of perceived reputation risk issues should support to the reform process be discontinued prematurely. However, rather than enhancing the effectiveness of the project, the repeated extensions may have led to a loss of a momentum for the reform process. Some of the earlier extensions continued to assume that key privatization transactions (such SONIDEP and NIGELEC) would materialize, despite increasing evidence to the contrary. Additional project activities to address broader PSD development issues were formalized six months from the close date, thereby allowing little time for implementation.

The project had three Team Leaders (TTLs) over its eight years. The project benefited from the presence of the telecom and water technical specialists who were there from the outset until project closing and provided essential continuity and expertise for these two sub-components. The project also commissioned a Privatization Impact Assessment in 2005 which could be used as an input for future activities in support of SOE reforms. The project also advanced the PSD dialogue in the country which could now be carried forward in future interventions. Extensive training and support was provided to CCPP procurement staff which resulted in some marginal improvements but procurement quality problems persisted through the project partially as a result of turnover.

**(c) Justification of Rating for Overall Bank Performance**
Rating: Moderately Unsatisfactory

The overall rating for Bank Performance is Moderately Unsatisfactory. The PAD reflected the lessons of the privatization experiences in terms of the need for strengthening local capacity and making the link with broader sector reforms and development goals.  However, both the scope and the timetable were ambitious. Quality of Supervision suffered from insufficient supervision inputs and ratings that did not reflect the delays and challenges encountered.  The project benefited from the expertise of the telecom and water specialists. The repeated extensions did not improve the project's performance and did not appear to reflect adequate local consultations.

**5.2 Borrower Performance**
**(a) Government Performance**
Rating: Moderately Unsatisfactory

The Ministry of Privatization (MoP) was the main government counterpart.  The high level of turnover in Ministries and Senior Officials over the Project Life (four Ministers and five Secretary-Generals) contributed to the delays faced by the project and the instability of the CCPP which was housed in the Ministry.   The MoP was often unable to bring along the other line Ministries in carrying forward key privatization transactions due to the lack of ownership on the part of the authorities to implement the entire Privatization program.  The Ministry's capacity to monitor and support SOEs in its portfolio remains weak.

On the other hand, the GoN did contribute to the project through passing the ARM, Telecommunication, Water, and Electricity Reform laws.  With the exception of the electricity law, the other laws did come to effect and provided the framework for regulation of the liberalized sectors. The GoN also undertook the water reform and SONITEL privatizations even though they were both politically sensitive The ARM has recently began to play a more assertive and credible role in the telecom and water sectors and this likely to continue.

**(b) Implementing Agency or Agencies Performance**

Rating: Unsatisfactory

| | |
|---|---|
| Cellule de Coordination du Programme de Privatisation | The CCPP's performance was hampered by its lack of autonomy and interference from the MoP where it was housed.  The procurement capacity of CCPP was consistently weak despite significant capacity building support by the project. There were long periods without a procurement specialist.  The first two CCPP coordinators were appointed by political decree. In total, there were four project coordinators. As the project was extended, there was an increase in staff turnover and a decrease in performance standards. The CCPP unit had to be reconstituted during the final extension phase and it took time for the new staff to be able to apply Bank policies. Poor relations between the CCPP and MoP in the final extension period contributed to the delays and difficulties in implementing the agreed activities.  The CCPP unit was disbanded at project closure. |

**(c) Justification of Rating for Overall Borrower Performance**
Rating: Moderately Unsatisfactory

The overall rating for Borrower performance is Moderately Unsatisfactory. The project benefited from the laws that were passed in relation to telecom, water, and ARM. However, key transactions such as those of SONIDEP and NIGELEC did not materialize in part due to shifting government priorities and uncertain commitment. CCPP suffered from high turnover, political interference, and weak capacity

## 6. Lessons Learned (*both project-specific and of wide general application)*

The following lessons emerge from the project's experience**:**

- Privatization timetables should present a realistic and attainable schedule reflecting the fact that successful privatization hinges on a number of variables, such as political ownership, country economic situation, market trends, and public opinion support. In Niger's case, the lack of ownership, the political transition and the high turnover in Government officials contributed to the delays encountered by the project. In retrospect, strict conditions on privatization schedules did not prove effective.
- In situations where the privatization agenda is not advancing, other options for SOE reform should be considered in order to achieve the desired development outcome. Indeed, privatization is a means to an end with the goal being improved performance, access, affordability of essential services. SOE reform could include promoting private-public partnerships, improving operational and financial performance through capacity building, management training, and corporate governance strengthening. Given the changing political commitment to privatization and the impact it is perceived to have on jobs and costs of services, these other approaches should have been explored much earlier in the project lifetime.
- Besides dealing with sector-specific issues, privatization/reform of SOEs should be part of a broader PSD agenda which should include improving the business environment and removing the barriers that inhibit local investors and limit domestic financial markets.
- Project extensions should be well-planned and agreed with the counterparts before they are processed. Project extensions should not be driven by the availability of undisbursed funds or ambiguous rationales.
- Ratings should reflect the project achievements and challenges; early detection and flagging of issues – through ratings- provides the opportunity to act to address the underlying problems before it is too late. If the ISR periodic rating had reflected the delays and challenges faced, the project may have been restructured much earlier with a chance to improve its results.

## 7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

**(a) Borrower/implementing agencies**

The MoP (Now the Ministry of SOE Reform and Young Entrepreneurs) prepared two completion reports on the project: a synthesis report which is attached in Annex 7 and a detailed report (25 pages) which is available on file. The reports provide a brief historical overview of the project but focus mostly on the final extension phase, highlighting the delays in implementation that faced that period and presenting the MoP's perspective.

**(b) Cofinanciers-** N/A

**(c) Other partners and stakeholders** *(e.g. NGOs/private sector/civil society)* - N/A

## Annex 1. Project Costs and Financing

**(a) Project Cost by Component (in USD Million equivalent)**

| Components | Appraisal Estimate (USD millions) | Actual/Latest Estimate (USD millions) | Percentage of Appraisal |
|---|---|---|---|
| CAPACITY BUILDING & SUPPORT TO THE IMPLEMENTATION OF THE PRIVATIZATION PROGRAM | 9.1 | 6.39 | 70 |
| PRIVATIZATION & REGULATORY REFORMS IN THE INFRASTRUCTURE SECTOR | 7.8 | 6.43 | 82 |
| PROJECT MANAGEMENT | 0.70 | 1.24 | 177 |
| | | | |
| **Total Baseline Cost** | **17.6** | **14.06** | **79.9** |
| Physical Contingencies | 0.00 | 0.00 | 0.00 |
| Price Contingencies | 1.00 | 0.00 | 0.00 |
| **Total Project Costs** | **18.6** | **14.06** | **75.6** |
| Project Preparation Fund | 0.00 | 0.00 | .00 |
| Front-end fee IBRD | 0.00 | 0.00 | .00 |
| **Total Financing Required** | **18.60** | **14.06** | |
| | | | |

**(b) Financing**

| Source of Funds | Type of Cofinancing | Appraisal Estimate (USD millions) | Actual/Latest Estimate (USD millions) | Percentage of Appraisal |
|---|---|---|---|---|
| Borrower | | 2.00 | 0.00 | 0.00 |
| International Development Association (IDA) | | 18.60 | 14.06 | 75.6 |

**Annex 2. Outputs by Component**

**I- Component One: Capacity Building and Support for the Implementation of the Privatization Program (US$ 9.8 million PAD, US$ 7.63 million actual)**

***(i) Capacity Building of CCPP and Support of Privatization Program Implementation***

This sub-component had two key activities:

1- Support to Privatization of the following commercial companies

Abattoir Frigorifique de Niamey: A loss-making enterprise, the Abbatoir was brought to a point of sale in 1999; however, there were no bidders. IDA and the GoN considered options to revitalize the company to make it more appealing. Following an initial set of TORs to carry out a study on privatization options for the Abbatoir that were not approved by the Bank, a revised set of TORs for a consultant to carry out a study were re-submitted by CCPP for Bank's approval April 2002. The study would have included two options, as suggested by IDA, which were (i) refurbishment of the existing slaughterhouse or (ii) building a brand new facility. "Expression of Interest" was to be published in June 2002. While the two options were being considered, the Inter-Ministerial Privatization Committee, estimating that the chances of a successful privatization of the existing slaughterhouse were small, decided to drop this company from the list.

OFEDES (Office des Eaux du Sous – Sol): After an initial round of bidding in November 2002 that was not fruitful, the GoN decided to change its privatization strategy to a direct asset sale. Also, the Government decided to lower the shares for sale from 70 percent to 51 percent. In January 2004, the company's assets were purchased by a bid led by a Canadian Firm (FORDEM) in association with a local company, Hama Kiota. It should be noted that FORDEM was the only pre-qualified company to present a proposal. Conditions of sale included a 25 percent increase in capital from FCFA 80 million to FCFA 100 million, the payment of all salaries in arrears estimated at FCFA 753 million, and a commitment by the new owners to give priority to recruit workers of the ex-OFEDES in the new company which was renamed FORDEM-OFEDES. A dispute emerged between the two new owners which resulted in no new investments as of the end of 2005.

RINI (Société Le Riz du Niger) : A local consulting firm was recruited to assess the company's value in May 2001. However, there was an ongoing dispute related to the ownership rights of the company's real estate titles involving the inheritors of a former President. Ultimately, the GoN decided to drop this firm from the privatization list.

SPEHG Société Propriétaire et Exploitante de l'Hôtel (Gawaye Hotel): The hotel was built in 1981 to meet the standards of 4-star international hotels and the need of a luxurious hotel in the capital. It had been historically managed by SOFITEL under the

Accor Brand name. Once it was decided to place the company on the privatization list, an accounting firm, KMC, was recruited to audit the financial statements. Based on the audit report produced in May 2002, the GoN decided to proceed with a concession agreement. The first bidding process resulted at the end of 2002 only one expression of interest. With this weak result, the Government decided to re-bid in January 2003 to broaden the scope of investors. This was more successful with three companies pre-qualified. Eventually two of those (INGRA and Accor) presented proposals. Later, INGRA withdraw its proposal. The Government continued the negotiations with Accor Group. However, in late 2003, negotiations between Government and Accor broke down on the treatment of cross debts amount resulting from past management liabilities and hotel refurbishing bills. After the failure of negotiations with the Group Accor, the Government launched a program of internal restructuring through the appointment of a new General Manager.

<u>SLMTP: (The Société de Location du Matériel des Travaux Publics):</u> was added to the privatization list through an Inter-Ministerial Committee decision in 2002. SLMTP stems from the transformation of the "Direction du matériel des travaux publics" (DMTP) into an independent company equipment leasing company. The business of the new company is the maintenance, acquisition and the lease of public works equipment. The Project assisted in preparing the Expression of Interest in February 2002 and the privatization process was completed by December 2002. Maraba Trading Company was the preferred bidder and was awarded the company on December 31, 2002. The privatization strategy involved opening up the capital on the one hand by transferring a majority of 51 percent to a strategic investor along with the sale of 30 percent to the small national investors and maintaining 19 percent shareholding by the Government. The implementation of national shareholding program remains difficult due to the weakness of the national financial system and the non-existence of a local investment culture. The Privatization Impact Assessment Study of 2005 concluded that SMLTP was not yet able to offer adequate service due the numerous breakdowns and that these problems were seriously affecting the cash flow of the company. Significant investment in the equipment upgrade remained to be done.

<u>Privatizations Prior to Project</u>: There were two additional firms on the 1997 Privatization list: SOLANI (Dairy Products) and SNC (Cement). These were not in the PAD indicators since they had already been privatized by then but are worth discussing given that during project preparation, advice was provided to assist in these transactions that were carried out by the CCPP. IDA viewed these transactions as having been conducted in a transparent and competitive manner. Following is a brief synopsis of these two transactions:

- <u>OLANI (Office de Lait):</u> SOLANI was sold in 1998 to the FAN Milk Niger – Fan Milk International Group as a total divestiture. The Group Fan Milk then renamed the enterprise SOLANI. The initial personnel was kept but reinforced with management from the private sector. Since return to normal activity following divestiture, the production capacity has almost doubled, after an internally financed investment program. The 2005 Privatization Impact Study concluded that the investment needs remain important (renewing and increasing production capacity). The lack of external financing had slowed down growth.

- <u>SNC (Société Nigerienne de Cimenterie):</u> SNC was sold to SCANCEM International in association with private Nigerien investors in August 1998 This transaction was accompanied with an increase in capital of FCFA 400 million. Investments reached a level of FCFA 1.063 billions at December 2004 - nearly four times the initial forecasted investment of 342 million. These investments drastically increased the production capacity to 80 000 tons that doubled actual production in three years to reach the level of 54 763 tons in 2002. SNC was also able to clean up its financial situation such as arrears of more than FCFA 1.3 billion inherited before privatization. The employee shareholding scheme foreseen by the privatization agreement has not been implemented yet but is still an objective. SNC suffers from irregularity and insufficiency of electric energy supply. The company has been obliged to invest into alternate solutions, burdening its profitability and lowering actual production in recent years.

<u>SONIDEP: Société Nigerienne de Produits Petroliers *(Petroleum Distribution Company):*</u> SONIDEP was one of the main target enterprises of the Privatization Program. Indeed, in 1998, its sales turnover of FCFA 36.6 billion was double that of NIGELEC and higher still from SONITEL and SNE, the three main utility SOEs slated for privatization. SONIDEP holds an official monopoly on the import and resale of oil products and is mandated to ensure the regular supply and the safe storage of hydrocarbons and derivative products in Niger. The issue of SONIDEP's privatization was also part of a broader IMF-IDA agenda to liberalize oil imports and allow competition. The official monopoly on oil imports from Benin had resulted in unofficial imports that avoided trade taxes from Nigeria which were estimated to be substantially more than the official oil flows. This had significant budgetary implications through the uncollected trade taxes.

It was envisaged that by March 1999 a contract of the private management of SONIDEP's stocks would be completed. Similar to the other transactions discussed, the calendar for the preparation of the bid documents and the sale were delayed for a number of years due to changing governmental priorities and strong internal resistance to SONIDEP privatization. Finally, following protracted discussions in February 2002, the privatization process was launched under a complex formula that would award the majority of shares to a private investors (includes international oil companies and independent distributors), non-oil private investors, a share for SONIDEP workers, and about a third for the state. A bidding process was launched under this framework which was to be completed by mid-2003. Six months later, the bidding finally took place and two international firms expressed interest. However no financial offers were made due to what was perceived as a lack of sufficient financial and technical information. Subsequent to this, IDA tried to arrange an acceptable agreement between the interested investors, the GoN, and SONIDEP's management. However, the negotiations faced a number of stumbling blocks covering variety of sensitive areas, including:

- Control of management of SONIDEP
- Access to required technical and financial information to make the necessary projections
- Determination of the oil price margin
- Treatment of Government debt to the company
- Transfer of assets at the end of the concession contract

Eventually at the end of 2004, the negotiations were discontinued. Even though SONIDEP was not formally dropped from the privatization list, it was clear that, for a variety of reasons, this transaction would not proceed and this was acknowledged by IDA in the final extension period which dropped SONIDEP privatization as an indicator. Instead, Quality Management training was provided to SONIDEP in that period to prepare the company for eventual ISO certification.

Although it was not been privatized, SONIDEP's financial and commercial performance continued to improve as can be viewed with the following figures:

SONIDEP Financial Summary

*(In Millions of FCFAs)*

| | **1998** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** |
|---|---|---|---|---|---|---|---|
| **Sales** | 36,615.84 | 37,781.10 | 50,853.51 | 45,017.59 | 48,187.93 | 55,258.76 | 64,428.60 |
| **Net Profits** | 162.92 | 527.44 | 91.49 | 94.33 | 515.99 | 1,044.83 | 1,620.75 |

This outstanding performance (more than doubling of sales and 10 times in profits) can be explained by the:

- Presence of strong General Manager who launched a vast program of internal restructuring.
- High Oil Prices During that Period
- Low Overhead Costs for a company that runs on margin and had a total workforce of approximately 150 workers

However, these same factors do not provide a stable basis for the company's long-term profitability. And the larger issue of reform in the overall oil sector remains unresolved with the CEM estimating that unofficial petroleum imports costs the treasury FCFA 30 billion in 2003.

2- Capacity Building of CCPP:

The second activity under this sub-component was the capacity building for the CCPP to implement the privatization program. Through the Project, the CCPP had benefited from several training programs in privatization issues as well as consultants who had advised on what is entailed in a privatization process such as: TORs preparation, preparing requests for proposal, organizing investor conference, evaluating bids, ensuring transparency in transactions, the roles of accountants, lawyers, financial advisors, etc. The Project also provided training to general staff of the MoP and the MoF. There is recognition that the privatization transactions handled by CCPP were much more professional and transparent than earlier transactions before the Project preparation commenced. However, there were a number of factors that hampered the sustainability of the capacity realized and the effectiveness of CCPP:

- The first two CCPP coordinators were selected through political appointments which made them subject to political influences and changes at the Ministry and this contributed to turnover in CCPP staff in parallel with turnovers in the MoP officials. At IDA's insistence, the CCPP selection process for the final two coordinators (from 2002) was done competitively.
- The complexity of the privatization process itself and the variety of sectors involved demanded highly qualified staff which was difficult to find.
- New staff required extensive training and support. The high turnover at CCPP at all levels (Coordinator, Procurement, Accounting, Office Administration) meant that the Project had to re-train new staff in complex subject matters.
- As the Project progressed with the additional extensions and the uncertainty about the future, there was a loss of a momentum and CCPP's performance and effectiveness declined correspondingly. For example, CCPP was disbanded in December 2004 in preparation for Project closing. After the fourth extension was approved in June 2005, it took until the end of 2005 to reconstitute the CCPP team

At the end of the Project, the CCPP Unit was disbanded. Given that the MoP has been renamed to reflect a focus on Enterprise Reforms, there are no plans to reconstitute a similar unit. However, several former CCPP members transferred to ARM, including the former project coordinator who now works as Director of Regulation, applying the skills gained and managing donor support programs for ARM.

The MoP has a Directorate for SOE Portfolio Management and Restructuring, *Direction du Portefeuille de l'Etat et de la Restructuration*. The Directorate was in charge of collecting data on SOE performance, suggesting action plans for improved performance, and liaising with line Ministries. It was to receive capacity building support in the area of corporate governance strengthening and portfolio management of SOEs in the final extension phase though this did not materialize due to disagreements with the Bank on the scope of the technical assistance. The Directorate continues to be under-staffed with minimal information systems and capacity to carry out its mandate. It is currently awaiting the outcome of the new Ministry Organization to receive its future mandate.

***(ii) Communications Strategy***

This sub-component had as its goal the launching of a communications and public information campaign by December 1999. This was drawing on the lessons learned from previous privatization efforts of the late 80s where it was perceived that one of the reasons the effort did not succeed was due to lack of proper information and communication with the public at large. The Communication work involved developing a national Communication Strategy for different types of media in both French and local languages. The Strategy was officially launched in May 1999. The Communication Strategy was endorsed at the highest political levels and was aimed to reach out at various interested groups including local investors, labor unions, and the overall general public. Despite these efforts, the 2005 Privatization Impact Assessment Report concluded that public opinion in Niger was divided and unconvinced of the privatization effort. To be sure, communication strategy alone cannot resolve intractable issues such affordability of service vs. profitability of enterprise, desire for national ownership vs. need for foreign investment. Nor could a communication strategy overcome the opposition of powerful vested interests.

***(iii) Worker Retrenchment Program***

The only retrenchment program supported by the Project was in the case of SONITEL privatization (discussed in detail in the next section). The Retrenchment scheme of 354 out of 1,335 employees was completed successfully for a total cost of US$ 2.1 million. It is not clear the workers affected received supervision or support afterwards.

***(iv) Business Environment Strengthening Activities***

As mentioned earlier, the Project's second amendment added the following business environment activities under this Component:

1. Preparing studies and providing support to activities designed to develop the private sector

2. Strengthening the capacity of the export promotion agency (ANIPEX), the Nigerien Private Investor Council (CNIP), the Chamber of Commerce, and the Centre for Formalization

The Project developed the workprogram for this activity in partnership with the Ministry of Commerce and Trade. The Project funded the recruitment of a facilitator by the Ministry of Commerce to assist in these studies. TORs were developed by the two committees. FIAS provided technical advice on the taxation and investment code studies TORs. However, due to the delay in the launching of the activities and the uncertainty of future extensions, the Bank did not issue any non-objections for these activities and none materialized before project closing.

**Component Rating**

The overall rating for this Component is Unsatisfactory. From the original list of five commercial SOEs, four were not privatized and the one that was privatized has been plagued with a dispute among the new owners. One new SOE was added to the list and was privatized though its growth has been hampered by lack of adequate investment. The capacity built at CCPP is lost with the unit disbanding, though some staff transferred to the ARM. The MoP remains weak and under-staffed and its status is yet to be clarified under the new Ministry name. The communications strategy though well-designed did not appear to make a perceptible difference in public's perception of privatization. The worker retrenchment program was largely un-disbursed since the majority of target SOEs were not privatized. The activities envisaged in the final 18-month extension for business environment improvement did not materialize.

**Component Two: Privatization and Reform of Infrastructure Sectors (US$ 7.8 million PAD, US$ 6.43 million actual)**

***(i) Telecommunications Sector***

The Telecom Sector Sub-Component had the following three goals:

- Define sector strategy and establish regulatory framework
- Implement sale of majority shareholding of SONITEL to a strategic investor.
- Complete strategic study on the postal sector and the postal savings institution.

Background

At the beginning of the Project, the telecommunications sector in Niger suffered from:

(i) Poor access to services, in particular in rural areas. SONITEL, the public telecommunications company, provided inadequate coverage of services (1.6 lines per 100 inhabitants), with the vast majority of Nigeriens lacking access to telephone services.

(ii) Chronic lack of investment capital to expand the network and poor cash flow SONITEL had lost money every year since 1991 despite its monopolistic position. Approximately one-third of the SONITEL lines in service are used by the GoN and the Government frequently did not pay for telephone services.

(iii) Inadequate regulatory and institutional arrangements for the sector. Detailed regulations on tariffs and price adjustments, interconnection, service quality and roll-out requirements, competitive safeguards, spectrum management, consumer protection and universal service obligations were all lacking and needed to be elaborated as part of the reform process.

The GoN introduced an updated telecom policy in 1997 which called for market liberalization and introduction of private participation in the sector. According to the SONITEL privatization strategy, 51 percent of SONITEL shares would go to a strategic investor, 11 percent of the shares would be sold to Nigerien institutional investors, 3 percent to SONITEL employees, and the remainder would be retained by the Government. The Government also intended to introduce two mobile licenses and complete its strategy for rural telecommunications. The new telecom law also made references to the ARM and its regulatory role of the telecom sector.

The project provided technical assistance in the development of the new telecommunications law that passed in 1999. The law aimed to establish a proc-competitive environment, to foster access, investment, and reducing prices through competition. It also established a framework for awarding mobile licenses. The GoN launched the mobile licensing earlier than the SONITEL Privatization. With the Project's assistance, CCPP supervised the competitive awarding of two the mobile licenses to Telecel and MSI on August 12, 2000. CCPP also oversaw the awarding of a third license to Celtel in 2001.

*SONITEL Privatization*

SONITEL's Privatization took place on December 2001 and was awarded to Libyan-Chinese Consortium ZTE (51 percent of shares), with the GoN maintaining 47.61 percent and employees holding 3 percent. This transaction led to the implementation of the worker retrenchment scheme with 354 retrenchees (105 early retirees and 249 departures) out of 1,335 employees for a total cost of FCFA 4.27 billions.

The current situation of the company remains unsatisfactory. For the new owners, the implementation of their business plan has been hampered by:

- The non – implementation of new SONITEL tariffs rates
- SONITEL arrears by Government: up to 15 billion FCFA;
- The non – availability of an Opening Balance Sheet for SONITEL that makes the finalization of SONITEL financial statements impossible;
- Unclear clear title to land which blocks ability to secure financing
- The lack of maintenance during the privatization process for conservation reasons has worsened the condition of equipment.
- Human Resources management challenges between the new expatriate management and the existing personnel.

The ongoing management problems did not permit the company to tackle the challenges in the telecommunication sector with the result that public opinion is critical regarding the performance since service quality has not improved. The company has not increased the level of service in telecommunications. There has been minimal growth in the number of line subscribers from approximately 16,000 to 24,000, which contrasts with the rapid development of the mobile sector. The financial performance of SONITEL continues to be weak and erratic as demonstrated by the flat sales levels and the fluctuating profitability from 1998 through 2004:

**SONITEL Financial Summary**

***(In Millions of FCFAs)***

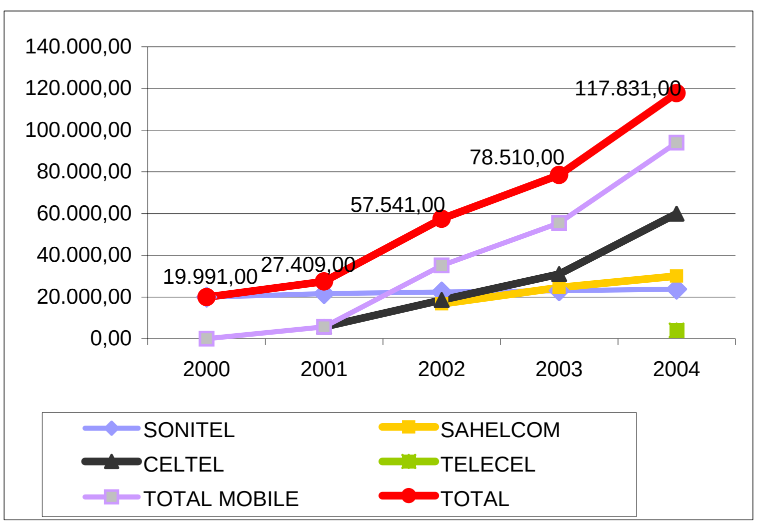
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|
| **Sales** | 14,921 | 13,329 | 12,691 | 14,302 | 15,676 | 15,140 | 15,300 |
| **Net Profits** | 457 | 554 | 6,448 | (19,310) | 1,579 | 3,206 | 1,271 |

During the final extension period of the Project, it was planned that the project would finance the services of a mediator to resolve the dispute between the new owners and the GoN. However this did not materialize.

*Mobile Sector*

The arrival of new operators in the mobile sector boosted the newly liberalized sector, as shown by the increase in the number of new subscribers from 2000-2004.

Increase in Mobile Subscribers




Recent data indicate that there are 300,000 subscribers in 2005 and this is slated to continue to grow substantially over the coming years. It is anticipated that one of the main mobile companies is planning a FCFA 25 billion investment in 2007. Mobile network coverage is expected to be available throughout the country in the near term. As a result of the increase in mobile usage, the overall tele-density rate (number of lines / 100 inhabitants) has increased from 0.16 percent at project start to 2.4 percent in 2005. By contrast, the increase in fixed line density has been marginal going from 0.16 percent to 0.2 percent. The mobile sub-sector is not without its challenges, however, with call rates still high, a virtual duopoly between the two dominant plays, and the fact that calling between networks is not possible, necessitating multiple phones per user.

*Access to Information Communication in Rural Areas*

The project was to support a strategy for promoting access to telecommunications in rural areas. The selection process for consultants to assist in this task was under way in 2002 when the GoN requested to freeze this undertaking. Most recently, during the final extension phase, the Project prepared a Universal Access Study for ARM proposing a national strategy for access to telecom. The Study is being reviewed by ARM for further consideration.

*Postal Sector*

The Project was to support preparation of a diagnostic study on the postal sector and the postal savings institution as these were under the Ministry of Telecommunications. While no activities in the postal sector were undertaken under the Project, the postal study was undertaken by the Financial Sector Development Project. This led to a major restructuring of the post office and postal financial services.

*The Frequency Management System*

The frequency management system for telecommunications was delivered and installed with a cost of US$ 1.28 million in 2005. It is functioning and generating income for ARM.

***(ii) Water Sector***

The Water Sector Sub-Component had the following goals:

- Finalize sector strategy
- Implement the lease-contract for water urban services
- Finalize sector investment program

The *Société Nationale de I 'Eau (SNE* - National Water Corporation) was created in 1987 as an autonomous and self-supporting public enterprise, responsible for developing the urban water sub-sector, improving water service coverage and ensuring resource management. However, management instability was a major constraint in the continuity of policies and strategies within the SOE and had a negative impact on the performance.

At the time of project preparation, the tariff was far from achieving target of covering all SNE costs related to operations, depreciation and renewal, as well as new investments. SNE charged high connection fees for new customers (between 50,000 and 200,000 FCFA). The combination of high fees, lengthy procedures for obtaining a service connection and the poor coverage of the network limited development of new connections and forced households to use other sources of water and pay very high prices.

The privatization of SNE was part of an overall urban water sector reform that sought to: (a) improve the technical and financial performance of the sector, with a view to reducing operating costs; (b) introduce private sector commercial management; (c) increase water coverage through development of production and distribution systems and quality improvements; and (d) attain financial autonomy in the medium term to support implementation of investment programs without resorting to Government subsidies The originally planned privatization option for SNE was a lease-contract. After discussion with GoN, a lease "affermage" contract was selected as the appropriate privatization option .

The institutional and contractual for the affermage contract involved four participants: (a) the Government, responsible for defining sectoral policy, managing water resources, and developing tariff policy (taking into account socio-economic constraints and the need for financial equilibrium in the sector); (b) the Multi-sectoral Regulatory Agency, ARM, responsible for developing a regulatory framework, monitoring water service and contractual arrangements among stakeholders; (c) a public asset holding company, *Société de Patrimoine des Eaux du Niger* (SPEN); and (d) a private operator, *Société d 'Exploitation des Eaux du Niger* (SEEN). SPEN was created as an SOE in August 2000 to take over functions related to ownership of facilities, debt service, planning and control/supervision of rehabilitation, renewal, and extension of infrastructure. It is also responsible for controlling the quality of water services and developing public awareness.

SEEN would be responsible for (a) production, transmission and distribution of potable water in urban areas; (b) funding and implementation of an infrastructure rehabilitation and renewal program under a specific contract (on an annual basis); and (c) implementation of some rehabilitation and extension works funded by the asset holding company. The lease contract gives the private operator exclusive rights to produce and distribute potable water in all urban centers of the leased area for a 10-year period. 51 percent of SEEN would be held by an international operator, 34 percent by Nigerien investors, 10 percent by employees, and 5 percent by the state. These reforms were reflected in the Water Sector Law 2000-12 which was passed.

CCPP successfully managed the award of the affermage contract for SEEN in December 2000 to Veolia (formerly Vivendi) with water sale price at FCFA 190/m3 and FCFA 3.4 billion investment. The contract was signed on March 20, 2001. After this privatization, the planned reforms in the water sector were carried forward through a US$ 48 million water sector investment program financed by several institutions (IDA, BOAD, AFD) and implemented by SPEN. This project had improved the overall management of the sector in terms of service quality, technical efficiency (reduction of water losses) and cost recovery (bill collection). The following table provides a synopsis of the results achieved over the past five years.

Performance Indicators for the Water sector, Water Sector Project, December 2006

| **Indicators** | **Dec-02** | **Dec-03** | **Dec-04** | **Dec-05** | **Dec-06** |
|---|---|---|---|---|---|
| **Impact indicator** | | | | | |
| Increase in urban population with access to improved water supplies | 35 850 | 142 630 | 223 810 | 248 300 | 302 700 |
| Financial equilibrium of urban water (positive operating cash flow) | In progress | | | | Equilibrium achieved |
| **Output indicators** | | | | | |
| Installation of 11 200 new « social connections » in urban area | 700 | 11 220 | 11 220 | 11 688 | 11 688 |
| Installation of 556 new public fountains | | | 244 | 261 | 261 |
| Reduce unaccounted-for-water by 5 points (i.e. Technical efficiency of the urban water distribution networks increased from 80% in 2001 to 85% in 2006. | 80% | 82% | 83% | 84% | 85% |

As can be seen, nearly 300,000 additional urban residents gained access to improved water services. Financial equilibrium was achieved in December 2006 thanks to efficiency gains from the sector reform (reduction of water losses, improvement of the bill collection ratio) and the application of the agreed tariff policy. The only one critical issue that could affect the reform is associated with the payment of Government agencies water bills. All payment arrears as of December 2006 (FCFA 2.2 billion) had been cleared by the Government on March 14, 2007 as a condition of effectiveness of the Additional Financing for the Water Sector Project. Moving forward, the Water Project is working with the GoN on a schedule for agreed fixed monthly payments for government use of water.

However, this sub-component was not without its challenges, as the relationship between ARM and SPEN and SEEN faced some difficulties during the first years of the contract. Furthermore, there was also some hostility to the privatization from the general public due to the gradual increase in tariffs from 238 FCFA /m3 in 2001 to 309 FCFA /m3 in 2006, a 30 percent increase. This though needed to be compared against the low access that was present and the fact that many households had to arrange for their own water provision and transport at much higher cost. More importantly, the water tariff in Niger is still very low compared to neighboring countries (half of the average tariff in the sub-region). In the final analysis the water privatization can be judged as successful. One critical factor in this was that the technical specialist in charge of the water privatization was also the task team leader for the water sector project; this provided for seamless integration.

***(iii) Electricity Sector***

The Electricity Sector Sub-Component had the following goals:

- Finalize sector strategy
- Prepare regulatory framework including tariff regimes, service quality targets and investment obligations for the private sector,
- Conclude concession agreement for NIGELEC

The issue of NIGELEC privatization in Niger needs to be considered with reference to the state-to-state agreement between Niger and Nigeria dating back to 1977, under which NEPA, Nigeria's state electricity company, supplies 90 percent of Niger's electricity needs through NIGELEC at preferential pricing. This preferential pricing guarantees comfortable margins for NIGELEC and a supply to the country, though it acts as a disincentive to improve service quality.

The first two rounds of attempted NIGELEC privatizations (in 2002) yielded disappointing results as only two investors expressed interest, one being NEPA itself and the other a French investor. There were a number of reasons for lack of investor interest. First was the power supply agreement between Niger and Nigeria which made investors wary of coming in. The second was the situation of the global energy markets in 2001 and 2002 following the collapse of Enron which dampened investor appetite to make new investments in the sector.

The privatization process was then put on hold pending the introduction of a new electricity law. The Law 2003-04 was passed in January 2003, stipulating that the production, transport, and distribution of electricity will be delegated through a concession. The privatization process was then re-activated but did not come to fruition as the bids put forward were not considered valid due to lack of information from the bidders. Following this breakdown, the Bank tried to propose an "affermage" type of arrangement to make the deal more palatable to foreign investors, but the authorities did not agree as the electricity law stipulated a concession.

By 2004, it was becoming clear that the authorities were unlikely to proceed with the privatization of NIGELEC and this was acknowledged by the Bank. In the final extension phase, one indicator was that investment costs and investments options for NIGELEC are analyzed through a comprehensive study that would also explore options for attracting new investment in the sector. However, these studies did not materialize before project closing.

***ARM: Regulatory Framework for Water, Electricity, Telecom, and Transportation***

As part of the regulatory reform, ARM was created by Ordonnance 99-044 in October 1999 which gave it regulatory powers over water, energy, telecom, and transport sectors. Future electricity, telecom, and water laws (discussed in the previous sections) made reference to ARM as the regulator in the future liberalized sectors. The idea was the ARM would be an arm's length regulator who can act independently. The project provided significant capacity building support to ARM (equipment, training, studies). The Project also assisted ARM in developing a 3-year business plan. Many of the former CCPP staff moved to ARM and worked in related sectors.

ARM's establishment was resisted by the other line ministries of Energy and Mining, Hydraulic and Water, and Communication. Also, even through ARM was created by decree in 1999 it took nearly four years for the President of ARM to be appointed along with the sector directors. Due to the fact that the NIGELEC transaction did not materialize, ARM does not exercise any authority over the energy sector. Likewise, ARM is not involved in the transport sector.

As ARM was absent while private operators were coming onto the scene in the water and telecom sectors, it experienced difficulties imposing its mandate. There were also concerns that the senior appointments were politically motivated. In response, the Project provided significant capacity building support to ARM and the Project also assisted ARM in developing a 3-year business plan. ARM has recently gained credibility especially in the telecommunication sector where it has been most active. It has a clearly defined role in telecom in dispute resolution, frequency management, and licenses issuing. ARM has also started recovering its costs from connection fees charged. Further, ARM benefited from three project studies in the final project period on: issuing licenses, universal access, and an organizational audit. Its role in the water sector has been through monitoring the implementation of the affermage contract and it is expected that it would continue to play this oversight in any future adjustment or extensions to the affermage contract. ARM continues to work with various donor to enhance its capacity; for example, in March 2007, ARM participated in Public-Private Infrastructure Support Facility-sponsored training in Niger on economic and financial models for the water and energy sectors.

**Component Rating**

The overall rating for this component is Moderately Satisfactory. The water sector witnessed significant improvements which was triggered by the "affermage" contract and carried forward by a sister bank water sector project. The telecom sector's results are mixed with the mobile sub-sector growth and new investments on the one hand and the continued stagnation of SONITEL's performance on the other hand. NIGELEC's privatization did not materialize despite long efforts in this area. ARM is emerging as a credible regulator for telecom and water whose role is likely to be sustained.

**Annex 3. Economic and Financial Analysis** *(including assumptions in the analysis)*

The PAD forecasted the NPV and rate of return by analyzing the expected Project costs and benefits. The total Project costs, including the GoN contribution, were estimated to be US$ 20 million. The expected benefits were to arise from:

a) *Newly Created Employment Opportunities in the private sector:* With privatization, the private sector employment share was expected to increase and has been estimated on the basis of expected additional job creation due to new investment and increased demand for services.
b) *Benefits in Productivity and Output:* Gains were expected from higher total factor productivity, resulting from expected changes in work ethics, training, better management, better equipment and new technology.
c) *Consumer Surplus (Gains in Price and Tariff):* Benefits to the consumer were expected in the form of adjusted price/tariffs and improved service quality, wider coverage due to competition and private sector involvement.
d) *Benefits from the Retrenchment Program:* include the additional contribution to the economy that the workers would be able to make (a) by working where there is an effective demand for their services, and or (b) by developing their own economic activities.

Based on these various benefits and assumptions related to completion of all privatization transactions, improved company performance, increased private sector investment and employment, and enhanced access and quality of utility services, the PAD forecasted an internal rate of return of 28.7 percent with an NPV ranging from US$ 13.2 million to US$ 30.3, depending on the discount rate used.

For the ICR purposes, it has been difficult to reconstruct the NPV/IRR model used due to lack of data and the non-realization of most of the underlying assumptions. Therefore, the next section will briefly touch on the project's benefits and costs from a mainly qualitative point of view.

For the newly created employment opportunities, estimates are that there are up to 2000 direct and indirect jobs generated in the mobile sub-sector. There is no evidence or data to suggest that new jobs were generated in other private sector entities (such as SMEs) as a result of the project's intervention. This is partially the result of the limited number of privatizations that had taken place and the limited investment that did occur in the privatized companies – apart from the mobile sub-sector. For benefits in productivity and output, it is difficult to quantify those for the privatized enterprises and for the remaining SOEs. The consumer surplus was to come from improved service quality and affordability. In the telecom sector, the tariffs remain high for both fixed and mobile lines, while the service quality, especially for fixed lines, remains poor. In the water sector, there has been improved service quality though at a higher price. There has been little change in electricity tariffs while service remains poor due to electricity cuts. Finally, the retrenchment program benefits were likely not realized for two reasons: first, the program itself was only used in the SONITEL for 354 employees and second, there was no tracking of what happened to those workers. On the cost side, the project expended significant resources on trying to complete the SONIDEP and NIGELEC transactions which did not materialize. Also, the costs of project management were much higher than forecasted due to the repeated extensions and the high turnover, necessitating re-training of new staff.

In conclusion, while no NPV or IRR is being calculated, it is unlikely that the project met the appraisal NPV/IRR.

## Annex 4. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team members

| Names | Title | Unit | Responsibility/ Specialty |
|---|---|---|---|
| **Lending** | | | |
| | | | |
| **Supervision/ICR** | | | |
| Heidi Mattila | Adviser | LCSPF | TTL (1998-2001) |
| Herve Assah | Senior Private Sector Development | AFTPS | TTL (2001-2005) |
| Michaela Weber | Private Sector Development | AFTPS | TTL (2005-2006) |
| Mazen Bouri | Young Professional | AFTPS | ICR |
| Matar Fall | Lead Water and Sanitation Specialist | ETWWA | Water |
| Fatiha Amar | Program Assistant | ECSPF | |
| Mourad Belguedj | Lead Energy Specialist | COCPO | Energy |
| Philippe Charles Benoit | Lead Specialist | AFTEG | |
| Barbara Weber | Senior Operations Officer | AFTRL | QK |
| Eric Jean Yoboue | Senior Procurement Specialist | AFTPC | Procurement |
| Ivan Rossingol | Senior Private Sector Development | AFTPS | Cluster Leader |
| Henri A. Aka | Procurement Spec. | AFTPC | Procurement |
| Jean Paul Gauthier | ET Consultant | FIAS | Investment Climate |
| Yann Burtin | Senior Operations Officer | CITPO | Telecom |
| Jean Michel Marchat | Private Sector Development | AFTPS | Investment Climate |
| Wolfgang Chadab | Finance Officer | LOAG2 | Disbursement |
| Mariama Daifour Ba | Program Assistant | AFMNE | |
| Veronique Gorce Devincenti | E T Temporary | AFTPS | |
| Amadou Ibrahim | Economist | AFTP4 | Public Sector |
| Michel E. Layec | Lead Energy Economist | AFTEG | Energy |
| Isselmou Ould Louleid | Junior Professional Associate | AFTPS | |
| Rekiatou Oumarou Idrissa | Temporary | AFMNE | |
| Yao Wottor | Procurement Spec. | LCSPT | Procurement |
| Mamadou Yaro | Sr Financial Management Specia | AFTFM | Financial Mgmt |

### (b) Staff Time and Cost

| Stage of Project Cycle | Staff Time and Cost (Bank Budget Only) | |
|---|---|---|
| | No. of staff weeks | USD Thousands (including travel and consultant costs) |
| **Lending** | | |
| FY98 | | 233.55 |
| FY99 | | 56.35 |
| FY00 | 6 | 50.62 |
| FY01 | | 0.00 |

| | | |
|---|---|---|
| FY02 | | 0.00 |
| FY03 | | 0.00 |
| FY04 | | 0.00 |
| FY05 | | 0.00 |
| FY06 | | 0.00 |
| FY07 | | 0.00 |
| **Total:** | 6 | 340.52 |
| **Supervision/ICR** | | |
| FY98 | | 10.80 |
| FY99 | | 162.67 |
| FY00 | 65 | 206.85 |
| FY01 | 36 | 104.74 |
| FY02 | 41 | 106.53 |
| FY03 | 35 | 154.85 |
| FY04 | 33 | 96.99 |
| FY05 | 27 | 111.72 |
| FY06 | 37 | 181.68 |
| FY07 | 18 | 67.61 |
| **Total:** | 292 | 1204.44 |

## Annex 5. Beneficiary Survey Results

*(if any)*
N/A

## Annex 6. Stakeholder Workshop Report and Results

*(if any)*
N/A

**Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR**

**REPUBLIQUE DU NIGER**
***************
FRATERNITE TRAVAIL PROGRES
****************
**MINISTERE DE LA PROMOTION DES JEUNES ENTREPRENEURS ET DE LA REFORME DES ENTREPRISES PUBLIQUES**
***************
***SECRETARIAT GENERAL***

**CREDIT 3130 NIR**
**PROJET D'ASSISTANCE TECHNIQUE A LA PRIVATISATION ET A LA REFORME REGLEMENTAIRE**
**RAPPORT D'ACHEVEMENT DU PROJET**
(Rapport de Synthèse)

**Avril 2007**

## I. Rappel

Depuis 1996, le Niger s'est engagé dans un vaste programme visant au retrait progressif de l'Etat des secteurs marchands au profit du Privé. Ainsi donc, douze (12) entreprises ont été inscrites au Programme de Privatisation, composante essentielle du programme économique et financier conclu avec les Institutions de Bretoon Woods.

Pour la mise en œuvre de ce programme, le Programme d'Assistance Technique à la Privatisation et à la Réforme réglementaire a été initié, conclu et signé avec la Banque Mondiale, le 30 septembre 1998. Il est entré en vigueur le 28 janvier 1999.

La Cellule de Coordination du Programme de Privatisation, chargée de la mise en œuvre de ce programme, est arrivée à la fin de ses missions avec la clôture du projet le 31 décembre 2004.

Cependant, beaucoup restait à faire car sur les douze (12) Entreprises inscrites initialement au programme, sept (7) dossiers ont été bouclés : Société Nigérienne de Cimenterie (SNC), Office du Lait du Niger (OLANI), Société Nigérienne de Textiles (ENITEX), Société Nigérienne de Télécommunications (SONITEL), Société Nigérienne des Eaux (SNE), Société de Location du Matériel des Travaux Publics (SLMTP) et Office des Eaux du Sous-sol (OFEDES). Des dossiers importants et sensibles étaient encore à relancer ou à poursuivre à fin 2004 comme la Société Nigérienne d'Electricité

(NIGELEC), la Société Nigérienne des Produits Pétroliers (SONIDEP), l'HÔTEL GAWEYE, la Société le Riz du Niger (RINI).

C'est ainsi que le Projet d'Assistance Technique à la Privatisation et de la Réforme Réglementaire a fait l'objet d'une prorogation exceptionnelle en 2005 pour une période de dix huit (18) mois, soit du 01/07/05 au 31/12/06, pour permettre le parachèvement du processus de Privatisation en cours.

Une nouvelle Cellule a été installée en vue de la gestion des dossiers restants et par la même occasion le Projet a fait l'objet de restructurations en 2006 pour prendre en compte les préoccupations du secteur privé. Un plan d'activités détaillé a été établi.

Le projet restructuré comporte deux (02) composantes : la composante « Gestion du Projet » et la composante « Privatisation et Gouvernance d'Entreprise».

Les deux composantes ont été structurées de la manière suivante :

- **Gestion du Projet :**
  - Sous composante Gestion du Projet ;
  - Sous composante Amélioration des Investissements ;
  - Sous composante Exportations.

- **Privatisation et Gouvernance d'Entreprise :**
  - Sous composante Gouvernance d'Entreprise ;
  - Sous composante Régulation.

**A l'heure du bilan, certaines situations méritent d'être relevées :**

- La mise en œuvre de la restructuration du projet a été très difficile en raison de plusieurs rectifications au niveau du réaménagement des composantes. La célérité nécessaire dans l'examen des dossiers a fait également défaut, malgré les multitudes de réunions de mise au point dont celle de Washington tenue du 6 au 12 juin 2006 et qui autorisait l'exécution de toute demande de non objection dont la réponse ne parvenait pas dans un délai de 5 jours.

- Au vu du volume des tâches à exécuter, l'équipe de la Cellule avait réellement des difficultés pour coordonner les activités du Projet, ce qui a été ressenti à maintes occasions. Sur les six (06) cadres de départ, il n'y avait ni expert en passation de marchés ni comptable titulaires et le travail correspondant revenait dans les faits à la Responsable Administrative et Financière (RAF). Entre temps le projet a enregistré le départ de l'analyste financier, ce qui a justifié le recrutement d'un expert international en passation de marché, à temps partiel, pour appuyer la Cellule. Vers la fin du projet, un comptable a été recruté pour les besoins des opérations de clôture.

- Après la restructuration du projet, en plus du volet Privatisation et Gouvernance d'Entreprises, les secteurs concernés ont été diversifiés : trois Ministères (Ministère de la Privatisation et de la Restructuration des Entreprises (MP/RE) ; Ministère du Commerce, de l'Industrie et de la Promotion du Secteur Privé (MCI/P/SP) ; Ministère du Tourisme et de l'Artisanat (MT/A) ), l'Autorité de Régulation Multisectorielle (A.R.M.), la Chambre de Commerce avec l'Agence Nigérienne pour la Promotion des Exportations (ANIPEX), le Centre de Promotion des Investissements (CPI) et le Centre de Formalités des Entreprises (CFE) ont constitué les différentes composantes du Projet. Cette multitude d'interlocuteurs n'a pas facilité la coordination et la conduite des activités.

- A la réunion de juin 2006 à Washington, de nombreuses études ont été planifiées sur une période courte. Environ, une vingtaine d'études ont été retenues, après la restructuration, pour être conduites sur une période de 10 mois qui restaient à courir, soit une moyenne de deux (02) études par mois. Certaines non objections ont été accordées en septembre voire octobre 2006, ce qui a rendu très difficile la finalisation de ce qui a été programmé.

- Le traitement des dossiers suit un cheminement qui s'étale sur plusieurs semaines : demande de non objection, travaux en commissions d'analyse et d'évaluations des offres. Cette procédure a souvent alourdi le traitement des dossiers.

## II. <u>Résultats du Projet et évaluation</u>

- L'exécution financière du Projet a été faite conformément aux procédures de l'IDA en matière de gestion financière et de passation de marchés. Avec un reliquat total de crédit de 3.200.000.000 FCFA, qui a permis la continuation du Projet, un montant de 502.225.878 FCFA a été consommé, soit un taux de décaissement de 16 pourcent

  Des dispositions pratiques sont d'ores et déjà prises pour que la certification des comptes intervienne dans les délais et selon les règles en la matière.

- L'exécution du Projet a été confrontée à quelques difficultés et incompréhensions qui ont, quelques fois, émaillé le déroulement du processus :

  - Un traitement des dossiers en vase clos (par mails) entre la Coordonnatrice du projet et la Responsable à Washington sans que le Ministère de la Privatisation et de la Restructuration des Entreprises ou la Mission Résidente de la Banque Mondiale n'en soient informés, ne serait ce que pour des besoins de relance et suivi des dossiers ;

  - Une réaction quasi inexistante ou lente de la responsable du Projet à Washington sur la plupart des demandes de non objections. Sur une vingtaine d'études, seules quatre (04) ont pu aboutir ;

- Des tentatives de remise en cause des procédures arrêtées d'accord-parties. Il a été convenu, lors des missions de restructuration, de simplifier et d'accélérer les procédures pour tenir compte des contraintes de la clôture du Projet, ce qui a justifié le recrutement d'un consultant international, spécialiste de passation de marchés, le 15 août 2006, pour renforcer l'équipe du Projet.

➢ Les quatre (04) études réalisées sont :
  - Au niveau de l'A.R.M. :

    → Audit du fonctionnement et de l'organisation de l'ARM.
    → Etude sur la stratégie d'accès à l'universel ;
    → Etude sur l'octroi de nouvelles licences.

  - Au niveau de la SONIDEP

    → Etude sur la démarche qualité à travers le référentiel ISO 9001.

## III. Responsabilités et leçons à tirer de l'exécution du Projet

Les responsabilités respectives de l'Emprunteur et de la Banque dans la faiblesse des résultats doivent évidemment être élucidées.

➢ **Au niveau du Pays :**

- L'acceptation d'une restructuration du projet avec des activités relevant de plusieurs Ministères ou Structures qui a rendu difficile la gestion du Projet ;
- Une équipe en sous-effectif pour des tâches urgentes à exécuter dans un délai court ;
- Le nombre d'études à réaliser est très important par rapport au délai imparti.

➢ **Au niveau du Prêteur :**

- Les réactions aux demandes de non objection ont été, dans la plupart des cas, très lentes et souvent inexistantes ;
- Les procédures convenues, pour tenir compte de la contrainte du délai, n'ont pas été respectées ;
- Des procédures irrégulières ont été privilégiées au détriment des contacts officiels ; les problèmes du Projet ont été gérés dans la plupart des cas, par courriel entre la responsable du Projet à Washington et la Coordonnatrice à l'insu de la tutelle et de la Représentation Résidente de la Banque Mondiale à Niamey.

Les comportements de ces deux (02) responsables n'ont pas permis d'apprécier, à leurs justes valeurs, les performances du projet dans son ensemble.

## Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

N/A

## Annex 9. List of Supporting Documents

1. Aide Mémoires, Back to Office Reports, Project Supervision Reports, Implementation Status and Results Reports.

2. Project Appraisal Document, Niger Privatization and Regulatory Reform Technical Assistance Project, August 14, 1998

3. Development Credit Agreement, Niger Privatization and Regulatory Reform Technical Assistance Project, September 30, 1998

4. Privatization Impact Assessment in Niger, September 2005

5. Project d'Assistance technique a la privatisation et la reforme réglementaire: Rapport d'achèvement du projet, Ministère de la promotion des jeunes entrepreneurs et de la reforme des entreprise publiques, Avril 2007

6. Implementation Completion Report, Niger Public Sector Adjustment Credit, August 26, 1998.

7. Niger Country Assistance Strategy for 1998-2000, October 16, 1997

8. Niger Country Assistance Strategy for 2003-2005, January 21, 2003

9. Niger Country Economic Memorandum: Accelerating Growth and Achieving the Millennium Development Goals: Diagnosis and the Policy Agenda, June 30, 2006

10. Niger: Une évaluation du Climat des Investissements, March 2007

11. Project Appraisal Document, Niger Water Sector Project, April 9, 2001

12. Project Paper for Additional Financing of the Niger Water Sector Project, May 30, 2006