

## IDA AT WORK

## Niger: Putting the Economy on a Path of Higher Growth

**N**iger is a vast landlocked country in the Sahel, with an estimated 14.7 million people, the majority of whom live along a narrow band of arable land on the country's southern border. The country is endowed with precious mineral resources, such as uranium, gold and oil, which provide an excellent opportunity for creating national prosperity, if well managed.

But the current economy is dominated by agriculture. This primary sector, which accounted for about 45 percent of GDP in 2008, is dominated by rain-fed agriculture, (though with an increasing focus on irrigation). Livestock production accounted for about a third of the value added in the sector. With some 80 percent of Niger's population living in rural areas, rural development is a priority if the country is to raise incomes and reduce poverty.

Country Indicators	1998	2008
Real GDP growth (%)	12.6	9.5
Atlas GNI per capita (US \$)	200	330
External debt (% GNI)	76.2	15.2
Debt service ratio (export/debt service)	23.7	2.8
Poverty incidence (%)	63	59.5
Gross primary school enrollment (%)	32.2	68
Gross secondary school enrollment (%)	10	16.1
Under-five child mortality (per 1,000)	274	198
Total fertility rate (births per woman)	7.3	7.0
Population (millions)	10.4	14.7

Sources: World Bank databases and Niger official data.

Political stability since 2000 has provided a favorable environment for reforms, based on a national consensus that supported economic growth and laid the basis for reducing poverty. However, Niger has one of the highest total fertility rates in the world—nearly 7.2 births per women—severely affecting the gains made by the country.

The International Development Association (IDA), the World Bank’s fund for the world’s poorest countries, has supported Niger since 1964, starting with a road project to connect cash crop regions with the main national and regional markets. Since then, IDA has supported the country’s efforts to improve core basic service delivery in energy, water, basic education, and health. Several budget support operations were also implemented that aimed to improve public sector management.



## COUNTRY ACHIEVEMENTS

Niger gained its independence from France in August 1960. Despite a military *coup d’état* in 1974, the country’s socio-political situation was relatively stable until 1991.

The 1990s, however, were marked by social unrest with two military coups in 1996 and 1999. After the assassination of General Baré Maïnassara in April 1999 and a nine-month military transition, the current Head of State Tandja Mamadou was democratically elected in November 1999 and re-elected in 2004. This new area of stability paved the way for economic and financial reform.

### Macroeconomic and fiscal performance markedly improved in recent years.

Niger’s economy is largely driven by rain-fed agriculture, which is subject to strong volatility due to droughts and other natural disasters, including locust plagues. Between 2000-2008 GDP growth averaged 4.8 percent, compared to 1.7 percent in 1960-1972; about 4 percent in 1974-1982 during the uranium boom era; 0.1 percent in 1983-1990 when uranium prices declined; and 2.6 percent in 1991-1999, a period marked by political turmoil.

Since 2000, improvements such as small-scale irrigation have helped enhance productivity and institutional reforms within the rural sector. The economy is now more resilient to external shocks relative to the last three decades. The country has also bounced back from the devastating effects of recurring droughts to achieve a relatively positive economic performance.

Fiscal space has increased since 2003 due to increased government revenues, the debt relief from the Heavily Indebted Poor Countries Initiative (HIPC) in 2004, and the Multilateral Debt Relief Initiative (MDRI) in 2006. As a result, the country has been kept the basic budget deficit moderate, at 1.1 percent of GDP on average between 2005-07 with no recourse to domestic financing.

In addition, the deficit on the external account has remained relatively low, around 11-12 percent between 2007 and 2008. It may, however, temporarily increase in the next three years, due to a sharp increase in Foreign Direct Investments (FDI) related to major projects in mining and oil, before returning to current levels mentioned above.

Public financial management has improved in recent years, following the elaboration of the public expenditure management and financial accountability review (PEMFAR) conducted by the Bank in close collaboration with the government and other development partners. The government and donors agreed on the following improvements in public financial management: (a) adoption of the West African Economic and Monetary Union (WAEMU) budget nomenclature and its use in budget preparation and execution; (b) preparation and dissemination of the organic budget law and government accounting and performance report; (c) partial automation of the expenditure chain; (d) compliance with funding Heavily Indebted Poor Country Initiative (HIPC) expenditure priorities; and (e) integration of a substantial share of externally financed expenditures in the expenditure chain.

Progress towards the Millennium Development Goals (MDGs) is predicated on effective and

efficient utilization of national resources and donor assistance funds. To this end, the government must ensure that increased national revenues, notably from uranium and oil, are channeled to agriculture, education, health, and other priority areas.

### Streamlining the public sector

Public sector reforms implemented over recent years allowed budget allocations to respond to medium-term government priorities. The reforms also improved budget execution, reduced disparities between voted and executed budgets, secured priority expenditures, and strengthened internal and external controls.

In addition, a strengthened national statistical information system improved the monitoring of social and economic indicators and allowed for an increase in the transparency and efficiency of the procurement process

### Improving Public Expenditure Management

Niger's progress in public expenditure management between 2000 and 2007 include the following:

- Adoption of a new budgetary nomenclature, public accounts charter, and a new procurement law;
- Introduction of a Financial Management Information System (FMIS), the setting up of a treasury-budget computer interface, and computerization of regional treasury offices;
- A comprehensive assessment of Niger's public financial management systems through a donor-supported PEMFAR, with assistance from the European Union (EU) and the Bank, and adoption of an action plan;
- The preparation and incorporation into the budget of medium-term expenditure frameworks for health and education;
- Adoption of a unified list of priority expenditures;
- Effective establishment of the new General Directorate for Public Procurement;
- Creation of an independent Audit Court;
- Separation of financial control, training of agents, and appointment of staff to the new independent Audit Court.

Despite these actions, a significant number of actions are needed to further strengthen public expenditure management.

through the creation of a clear and accountable institutional framework.

### **Making gains in health**

Improving the health status and meeting the health-related MDGs in Niger are formidable tasks given the country's modest economic growth, limited public funding, widespread poverty, poor health status, extremely high fertility rate, and mostly poor and sparsely distributed population.

Despite these constraints, Niger has managed to make gains in health by reducing the infant mortality rate by nearly 20 percent over the past decade: 123 per 1,000 in 1998 compared to 81.4 per 1,000 in 2006. The under-five mortality rate fell from 274 per 1,000 in 1998 to 198 per 1,000 in 2006. Still, Niger's health outcomes are modest compared to other Sub-Saharan African countries. The chronic child malnutrition rate approaches 49 percent and the maternal mortality rate averages 648 per 100,000 live births according to the Demographic and Health Survey (DHS) of 2006.

The HIV/AIDS prevalence rate among the adult population (15 to 49 years age group) is estimated to be 0.7 percent, which translates to a total of about 91,000 seropositive persons nationwide. There are large disparities between the regions. The prevalence rates vary from 0.5 percent in rural areas to 1.5 percent in urban areas, according to the 2006 DHS.

### **IDA CONTRIBUTIONS**

The current IDA portfolio of about US\$337 million supports investments in water infrastructure; rural development, promotion of agricultural exports and irrigation; HIV/AIDS; a nation-wide community action program to

support community development; improved access and quality of basic education; reform and restructuring of the financial sector; health sector and institutional strengthening; natural disaster management; and emergency food security support to mitigate the impact of food price hikes.

Policy reforms to support improvements in public expenditure management are supported through a series of development policy operations, the first of which was approved by the Board in FY2006 (Rural and Social Sector Policy Reform); the second was approved on June 19, 2007; and the third was approved on March 24, 2009 (Growth Policy Reform Grant).

A new Country Assistance Strategy (CAS) covering FY2008-2011 was approved by the Board on May 29, 2008.

### **IDA's impact in Niger spans many sectors**

**Agriculture and rural development.** Over the past decade, the Bank has led donor support to Niger's agriculture and rural development sector through support to analysis and investment projects. Along with other partners, the Bank helped the government prepare a comprehensive Rural Development Strategy and is supporting implementation of the key pillars of the strategy.

The first phase of the Community Action Program (PAC) successfully addressed food security and non-farm income-generating activities in rural areas through a community-driven approach. The pilot Second Private Irrigation Promotion Projects (PIP2) helped expand small-scale irrigation systems and technologies across the country (see box) It demonstrated that such investments can be

## Getting the Best out of Fragile and Scarce Water Resources

The decision to emphasize the role of the private sector and to favor small-scale irrigation rather than large-scale schemes was a strategic choice that helped achieve national objectives. The development objective of the Second Phase of Private Irrigation Project (PIP2), closed in December 2008, was to increase production and profitability of high-value, irrigated crops by private, smallholder farmers with simple, low-cost technologies.

Building on lessons learned from a pilot phase, this second phase sought to develop improved low-cost technologies (mainly manual/motor pumps and tube wells in addition to various irrigation techniques), and disseminate them to smallholder farmers, along with a supporting package of training and financial and technical assistance.

Extension and advisory services capacity was enhanced at the local level. Productivity and revenues of participating farmers were increased by more than fivefold. In all, 10,904 hectares of consolidated irrigated areas and 5,491 hectares of new irrigated areas were created and led to a steady increase of crop yields by at least 50 percent for onions, peppers, tomatoes and rice.

profitable and can measurably improve farmers' welfare.

The World Bank also provided support to the country amid the global food price crisis in 2008 through the Emergency Food Security Support Project under the Global Crisis Trust Fund, which helped procure 4,000 metric tons of fertilizers on fast track procedures that were distributed at subsidized prices to rice producer cooperatives. Similarly, Niger benefited from an IDA grant in December 2007 to improve its preparedness to address the avian flu threat.

The Agro-sylvo-pastoral Exports and Markets Development Project, approved in March 2009, will contribute to the country's shared growth agenda by improving marketing conditions of selected agricultural products. Separate projects aim to: link farmers to markets and improve transport services for commerce; strengthen rural finance; and support policy measures to increase competition in the agriculture input markets.

**Public sector management.** Since 2000, IDA has supported reforms through a series of development policy operations, economic sector work related to PEMFAR, a country economic memorandum on sources of growth, an investment climate assessment, and a Diagnostic Trade Integration Study. The reports helped authorities to frame their second Poverty Reduction Strategy Paper (PRSP II) in 2007. IDA encouraged donors to support the upgrade of the public procurement system and the national statistical information system. The statistical bureau is now one of the most efficient in the sub-region after lagging behind for decades.

**Health.** Niger has adopted a five-year National Health Development Plan (NHDP) for 2005-2010 that aims to reduce maternal and child morbidity and mortality. In order to improve the effectiveness of their aid, IDA and other donors have provided support while establishing sector-wide approaches in the health sector. A partnership agreement with all donors has been signed and the AFD (French Development Agency), the Ministry of

Health and IDA have reached an understanding to implement the health plan through a pooling of funds, with a direct transfer of resources to regions and health districts on the basis of an agreed annual work plan.

To sustain the effort toward the objective of the NHDP, the government adopted free services measures in 2007. These regulations supported the full subsidization of selected maternal and child health services (contraceptives, caesarian sections, pre-natal consultations, and health care for children under five). The measures so far have increased the use of the health centers (from 20 percent in 2005 to 39 percent in 2009), but more effort is required to improve the quality of health services as well as to extend the availability of services.

IDA has been the single largest source of funding (US\$25 million) for HIV/AIDS prevention, mitigation and care over the past five years. A second project is in the pipeline and will support Niger's efforts over 2008-2012.

**Roads.** IDA's support to Niger's transport sector program is helping address some critical needs in the road sector, including: the development of a sustainable road management and financing mechanism; support to the institutional development of the sector; and periodic maintenance and rehabilitation of unpaved roads that would contribute to improving the physical access of the rural population to markets and services in densely populated areas.

Niger is a vast country. The spread of the population over a wide geographical area, along with the requirement for international road connectivity have resulted in a large road infrastructure network. The road length

per inhabitant is thus one of the highest in Africa, which makes the prioritization of its maintenance and rehabilitation all the more important given the scarce resources. Between 2009 and 2012, IDA will finance the rehabilitation of about 1,000 kilometers of selected unpaved sections of the national road network, connecting agricultural production zones to domestic and international markets in the southwestern and southern rural areas. That represents about 10 percent of Niger's road network classified as "primary".

**Public financial management.** In view of expected increased revenues, particularly from the mining and oil sector, the Ministry of Economy and Finance has asked IDA to provide assistance to strengthen, modernize, and reform its ministry to build the capacity required to implement PFM reforms. On July 2, 2009 the Board approved a Reform Management and Technical Assistance Grant in the amount of USD\$ 10 million.

**Urban sector.** IDA has been involved in the urban development sector in Niger for more than 10 years. Lessons learned demonstrate the importance of sustainable urban infrastructure services to reinforce the decentralization framework.

The first urban sector IDA-supported operation in 1997 involved the local private sector and investments that helped alleviate poverty and generate employment (1.2 million person-days of temporary employment). The project also contributed to better management of the urban sector through the development of urban investment tools. Some of these tools were further endorsed in 2008 by the Parliament of Niger through the *Loi d'Orientation sur l'Urbanisme et l'Aménagement Foncier* (LOUAF).

The Local Infrastructure Development Project, approved in May 2008, is deepening the decentralization process in Niger with regard to urban development and management. Studies will be undertaken in support of targeted national policies. Overall, the project is expected to strengthen capacity in local government, the private sector, and civil society, with the goal of further improving local governance through better transparency and accountability in the management of local affairs.

**Water and sanitation.** In recent years, Niger has made substantial progress in delivering water and sanitation services—yet still faces major challenges in reaching the MDG targets and the quality of service provision. In the country’s 51 urban centers, about 72 percent of the population was served through 103,000 private connections and 2,870 standpipes as of December 2008 -- up from 64 percent in 2001. The urban water demand is expected to grow by 30 percent over the next decade. With the support of the Bank, an ambitious urban water sector reform was launched in 2001 through the Water Sector Project. After seven years of implementation, the reform has significantly improved the overall management as well as the quality of service delivery, efficiency of operations, and cost recovery. The financial equilibrium of the urban water sub-sector was restored in December 2006. Since then, the sector has been able to recover its capital costs as well as O&M costs from consumers’ tariffs without government subsidy.

In rural areas, only 52 percent of households have reasonable access to clean water through boreholes and open wells equipped with hand pumps and small piped systems. It is estimated that more than 30 percent of rural water facilities are not operating properly;

this rate may vary depending on the pace of episodic rehabilitation programs, which are carried out in lieu of systematic maintenance. In sanitation, progress lags even further. Only 35 percent of urban households have access to latrines, while in rural areas the coverage is even lower, with just 5 percent having access to latrines. These shortfalls have a major negative impact on public health.

A US\$50 million IDA project in FY2010 will continue to support government efforts to achieve water and sanitation MDGs while strengthening the urban water reform.

**Financial sector.** IDA has been engaged in financial sector development in Niger since 2004 through a Financial Sector Development Project that aims to improve the efficiency, reach, and depth of the Niger financial system in order to contribute to growth and poverty reduction.

Despite slow implementation, some achievements in the banking sector are worth noting, including the restructuring of four banks. Two banks, Banque Commerciale du Niger (BCN) and Banque Islamique du Niger pour le Commerce et l’Investissement (BINCI), have been recapitalized and restructured and are now solvent and liquid. Completion of restructuring and privatization of the housing bank Crédit du Niger (CDN), and the local communities’ bank Caisse de Prêts aux Collectivités Territoriales (CPCT) should allow these two institutions to resume their operations and increase access to financial services for more clients.

Ultimately, the largest impact of the project will be felt once the restructuring of NigerPoste and creation of the postal bank (FINAPOSTE) are completed. The postal bank

in Niger has the largest branch network (45 branches throughout the country) and presents good prospects for increasing financial access for low-income populations in remote areas.

However, the Post Office is now trapped in a “vicious circle” of low investments that result in poor quality services and declining market share, and prevent it from unlocking its potential. Technical assistance provided during the first two years of the project have recommended spinning off the financial services from the postal services and establishing a postal bank (FINAPOSTE) as a subsidiary that would provide financial services to the public through the Post Office network in urban, peri-urban, and rural areas.

## **PARTNERSHIPS**

The Bank and UNDP co-chair the Development Assistance Group (DAG), the main forum for donor coordination in Niger, which includes 15 bilateral and multilateral agencies. Under the DAG, efforts are underway to accelerate progress with the implementation of commitments under the Paris Declaration. Much of the collective effort is focused on increasing harmonization through initiatives that promote dialogue or support programs in critical sectors of Niger’s development agenda. Key donors supported the preparation of sector strategies in education, health, rural development and transport, and co-financed the multi-year investment programs in health and education.

IFC’s strategy is to support viable projects in the private sector and provide advisory services that will propel agribusiness, access to finance, and the mining sector. A key overarching focus area will be the business-

enabling environment. On the advisory front, IFC intends to assist the government in introducing private sector participation in agribusiness to leverage the country’s comparative advantage in specific vegetables.

## **CHALLENGES AHEAD**

Niger faces formidable challenges. The country is confronted by a harsh climate, with nearly 90 percent of the territory receiving less than 350 mm of rain every year, resulting in regular droughts. The country must adapt to the gradual advance of the Sahara Desert and manage locust invasions. Due to a combination of geography, weak policies and lack of resources, one-third of the population faces chronic food insecurity.

Despite being a sparsely populated country, Niger’s total fertility rate is one of the highest in the world and the population growth is one of the fastest in the world at around 3.3 percent. This has placed increased pressure on arable land, water resources and government services, particularly along the fertile southern border areas where the majority of the population lives. The government is aware that economic growth and demographic issues must be addressed in order to raise the country’s development prospects and reduce poverty.

Although Niger stands among the world’s poorest countries, there are recent indications of improved access to basic education and better health outcomes, showing government efforts, supported by development partners, are beginning to have results.

But, more efforts are needed to meet the MDGs. Specifically, for substantially reducing poverty, a sustained economic growth of 7

percent is required over the medium term. Achieving such a high growth rate requires accelerated investment in infrastructure and basic services, and more private sector investments.

Niger's economic prospects in the mining and oil sectors are promising. The actual trend of weak revenue collection may be improved in the medium term when a new uranium mine and an oil refinery come on line. Niger needs to use additional resources efficiently and transparently in order to diversify the sources of growth.

In that regard, a second public expenditure management and financial accountability review (PEMFAR II) under preparation will assess the fiscal space potentially created by the uranium and oil sector's revenues, assess Niger institutional capacity to manage price/fiscal volatility and identify actions needed to enhance transparency of oil and uranium revenue.

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