INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A PROPOSED DEVELOPMENT POLICY GRANT

IN THE AMOUNT OF SDR 45.7 MILLION
(US$70 MILLION EQUIVALENT)

TO THE

REPUBLIC OF NIGER

FOR THE

THIRD SHARED GROWTH GRANT

March 17, 2014

Poverty Reduction and Economic Management 4
Country Management Unit AFCW3
Africa Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank’s Policy on Access to Information.
Republic of Niger - Government Fiscal Year

January 1 – December 31

Currency Equivalents

(Exchange Rate Effective as of January 14, 2014)

Currency Unit = CFA Franc
US$1.00 = CFAF 480

Weights and Measures
Metric System

Abbreviations and Acronyms

AfDB African Development Bank
ARMP Public Procurement Regulation Agency
BCEAO Central Bank of West African States (Banque Centrale des États de l’Afrique de l’Ouest)
BEEEI Office of Environmental Assessments and Impact Studies (Bureau d’Evaluation Environnementale et des Etudes d’Impacts)
CEM Country Economic Memorandum
CFAF West African CFA Franc
CFS Social Safety Net Unit (Cellule de Filet Sociaux)
CPS Country Partnership Strategy
DHS Demographic and Health Survey
DPO Development Policy Operation
DSA Debt Sustainability Analysis
ECF Extended Credit Facility
ECOWAS Economic Community of West African States
EITI Extractive Industries Transparency Initiative
EU European Union
EXIM Bank Export-Import Bank of China
FAO Food and Agriculture Organization of the United Nations
FDI Foreign Direct Investment
GDP Gross Domestic Product
IDA International Development Association
IFC International Finance Corporation
IMF International Monetary Fund
INS National Institute of Statistics (Institut National de la Statistique)
NGELEC Nigerien Electricity Company (Société Nigérienne d’Electricité)
NPV Net present value
ONAHAY National Agency for Irrigation Schemes (Office National des Aménagements Hydro-Agricoles)
OPVN Nigerien Food Products Office (Office des Produits Vivriers du Niger)
PDES Plan for Economic and Social Development (Programme de Développement Economique et Social)
PEFA Public Expenditure and Financial Accountability
PEMFAR Public Expenditure Management and Financial Accountability Review
PER Public Expenditure Review
PFM  Public Finance Management
PRSC  Poverty Reduction Support Credit
SDR  Special Drawing Rights
SEEN  Nigerien Water Exploitation Company (Société d'Exploitation des Eaux du Niger)
SGG-3  Third Shared Growth Grant
SNP  National Policy on Social Protection
SOE  State-Owned Enterprise
SONIDEP  Nigerien Petroleum Products Company (Société Nigérienne des Produits Pétroliers)
SONITEL  Nigerien Telecommunications Company (Société Nigerienne des Télécommunications)
SORAZ  Zinder Refining Company (Société de Raffinage de Zinder)
SPEN  Nigerien Water Resources Company (Société de Patrimoine des Eaux du Niger)
TVET  Technical and Vocational Education and Training
WAEMU  West African Economic and Monetary Union

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TABLE OF CONTENTS

SUMMARY OF A PROPOSED GRANT AND PROGRAM ............................................................... v
1. INTRODUCTION AND COUNTRY CONTEXT .................................................................... 1
2. MACROECONOMIC POLICY FRAMEWORK ..................................................................... 3
   Recent Economic Developments in Niger ................................................................. 3
   Macroeconomic Outlook and Debt Sustainability ...................................................... 7
   IMF Relations ............................................................................................................. 9
3. THE GOVERNMENT’S PROGRAM .................................................................................. 10
4. THE PROPOSED OPERATION ....................................................................................... 11
   Links to the Government’s Program and Operational Description ......................... 11
   Prior Actions, Results and Analytical Underpinnings ............................................... 13
   Links to the CPS and Other Bank Operations .......................................................... 21
   Consultation and Collaboration with Other Development Partners ....................... 21
5. OTHER DESIGN AND APPRAISAL ISSUES ................................................................ 22
   Poverty and Social Impacts ....................................................................................... 22
   Environmental Aspects ......................................................................................... 22
   PFM, Disbursement and Auditing Aspects ............................................................... 23
   Monitoring and Evaluation ...................................................................................... 24
6. SUMMARY OF RISKS AND RISK MITIGATION ....................................................... 24

List of Tables:
Table 2.1: Selected Economic Indicators, 2010-16 ............................................................. 5
Table 2.2: Financial Operations of the Central Government, 2010-16 (% of GDP) ............. 6
Table 2.3: BoP Financing Requirements and Sources, 2010-16 (CFAF billions) .............. 8
Table 4.1: Overview of SGG-3 Policy Areas and Contributions to PDES Objectives .......... 11
Table 4.2: Analytical Underpinnings of the SGG-3 Prior Actions .................................... 12

List of Annexes:
Annex 1: SGG-3 triggers as defined in SGC-2 and SGG-3 Prior Actions ............................ 26
Annex 2: Policy Matrix and Results Framework ............................................................. 27
Annex 3: Letter of Development Policy ......................................................................... 32
Annex 4: Fund Relations Note ..................................................................................... 56
Annex 5: Country Map .................................................................................................. 57

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## SUMMARY OF A PROPOSED GRANT AND PROGRAM

### REPUBLIC OF NIGER

### THIRD SHARED GROWTH GRANT (SGG-3)

<table>
<thead>
<tr>
<th>Borrower:</th>
<th>Republic of Niger</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing Agency:</td>
<td>Ministry of Planning, Regional and Community Development.</td>
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<tr>
<td>Financing Data:</td>
<td>IDA Grant of SDR 45.7 million (US$70 million equivalent) on standard IDA terms.</td>
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<tr>
<td>Operation Type:</td>
<td>The proposed Third Shared Growth Grant (SGG-3) is the third in a programmatic series of three development policy operations; it will be a single-tranche disbursement on standard IDA terms.</td>
</tr>
</tbody>
</table>

#### Pillars of the Operation and Program

The pillars of the proposed operation are:
- Establishing a competitive and diversified economy to support accelerated and inclusive growth;
- Reinforcing food security and promoting sustainable agricultural development; and
- Enhancing the efficacy of public spending.

The proposed operation’s overall development objectives are to: (i) improve the business environment for investment and trade; (ii) increase agricultural productivity; and (iii) improve public financial management.

#### Result Indicators

The indicators are a subset of those that apply to the all three operations in the Shared Growth Credit Series. The subset that applies to prior actions included in this operation are:
- The time required for processing merchandise imports  
  Baseline (2012) 36 days; target (2015) 30 days
- The time required for processing merchandise exports  
  Baseline (2012) 63 days; target (2015) 50 days
- The total number of PPPs being implemented  
  Baseline (2007); target (2015) 5
- The number of enterprises registered per year  
- The legal framework for an electricity sector is established  
  Baseline (2013) No electricity sector regulator exists  
  Target (2015) An electricity sector specific regulatory framework is established
- The number of reports published on production of crude oil and refined products  
- The number of out-of-school youth that are registered in dual-apprenticeship programs in the context of the ProDeC project
The share of total schemes (by number) monitored by ONAHA in which performance is rated as being satisfactory
Baseline (2013) “0” (no data); target 2015, 66

The number of operational animal feed factories
Baseline (2013); target (2015) 1

The share of public procurement contracts issued by the National Food Product Office that follow public procurement rules
Baseline (2010) “A significant share of contracts did not follow public procurement rules”; target (2015) 90 percent

The change in arrears owed by the state to four state-owned enterprises: Société Nigérienne d’Electricité, Société d’Exploitation des Eaux du Niger, Société Nigérienne des Télécommunications and Société de Patrimoine des Eaux du Niger

The share of public contracts tendered competitively (by value)
Baseline (2010) 81 percent; target (2015) 90 percent

The share of public contracts tendered competitively (by number)

<table>
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<tr>
<th>Overall Risk Rating</th>
<th>The overall risk rating for the proposed operation is moderate.</th>
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<td>Operation ID</td>
<td>P145251</td>
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</table>
IDA PROGRAM DOCUMENT FOR A
PROPOSED THIRD SHARED GROWTH GRANT

TO THE REPUBLIC OF NIGER

1. INTRODUCTION AND COUNTRY CONTEXT

1.1. This program document proposes a Third Shared Growth Grant (SGG-3) to the Republic of Niger. The SGG-3, consisting of a single-tranche disbursement in the amount of SDR 45.7 million (US$70 million equivalent), is the third in a programmatic series of three development policy operations.\(^1\) It is designed to support the implementation of the government’s national poverty reduction strategy, the Plan for Economic and Social Development (Programme de Développement Economique et Social, PDES). The grant would partially finance the government’s 2014 budget and support priority expenditures related to the implementation of the PDES.

1.2. In line with the two previous operations, the proposed SGG-3 would promote reforms designed to foster inclusive growth, improve food security and enhance the efficiency of public administration. The operation is designed to: (i) improve the business environment for investment and trade; (ii) increase agricultural productivity; and (iii) improve public financial management (PFM). A more diversified economy grounded by a robust agriculture sector will enhance Niger’s resilience to external shocks, while a stronger PFM system will increase the effectiveness of public service delivery. The reforms supported by the proposed operation are closely aligned with the World Bank’s Africa Region Strategy and its three overarching themes of employment, resilience, and governance.

1.3. Niger is a large, landlocked country in the arid Sahel-Saharan region with a population of about 16 million people, the majority of whom are engaged in semi-subistence agriculture. The country’s total land area is 1.27 million square kilometers, but most of the population is concentrated in the areas around the Niger River in the southwestern corner of the country and along its long southern border with Nigeria. The central and northeastern regions are arid and sparsely populated, with the exception of a few smaller cities along the northern route to Algeria. Though droughts are frequent, about 80 percent of the population derives its livelihood from agriculture and livestock. Uranium mining and, more recently, oil production play an increasingly important role in the Nigerien economy, and extractable resources currently represent more than half of its merchandise exports. Much of Niger’s non-mining economic activity takes place in the informal sector. Overall productivity is low, value addition is generally modest, and exports consist mainly of unprocessed products from the extractive industries, as well as livestock and agricultural commodities. Most of the country’s growth potential is associated with the oil and mining sectors, though there are also opportunities in the livestock sector and new possibilities arising from increased regional trade

\(^1\) The first Shared Growth Credit (SGC-1) was approved by IDA’s Board of Executive Directors on June 23, 2012; it became effective October 1, 2012 and was fully disbursed on December 1, 2012. The second Shared Growth Credit (SGC-2) was approved by the IDA Board on April 30, 2013; it became effective on July 9, 2013 and was fully disbursed on July 30, 2013.
within the West African Economic and Monetary Union (WAEMU) and with the rapidly growing economy of neighboring Nigeria.

1.4. **Niger’s annual population growth rate was recently revised upward to 3.9 percent.** The estimated population growth rate is based on a recently completed demographic and health survey (DHS) that reported a total fertility rate of 7.6 children per woman in 2012, well above the already high rate of 7.1 recorded in 2006. The reasons behind the acceleration of population growth are not yet well understood, and the apparent change may merely reflect better demographic measurement. It is also possible that the observed increase in children per woman is the effect of declining infant and child mortality rates, which may be obscuring a stable or even declining trend in the underlying fertility rate. The urban fertility rate is lower than the rural rate and falling, at 5.6 children per women in 2012 compared to 6 children per women in 2006. The highest fertility rates in urban areas are among the 25-29 year old age group, while in rural areas the highest rates are found among the 20-24 year old group. Urbanization is currently projected to accelerate, which should help to moderate population growth.

1.5. **Poverty incidence is declining, but remains high.** In 2011 the national poverty headcount rate stood at 48 percent down by approximately 5 percentage points from 2006, though survey data for this period are not strictly comparable. Poverty is primarily a rural phenomenon, and its decline is largely attributable to increased agricultural productivity. The PDES optimistically envisages an annual GDP growth rate of 8 percent (4 percent per capita) during 2013-15; if this growth rate were achieved, and if the returns to growth were evenly distributed among income groups, the poverty rate would fall to just over 40 percent by 2015. The authorities recognize that a growth strategy based on natural-resource development presents particular challenges, and the PDES works to address these through redistributive policies; investments in infrastructure, public services and human capital; improvements in PFM systems and expenditure-execution efficiency; and structural economic reforms designed to facilitate broad-based growth by establishing a more hospitable business and investment climate. The proposed SGG-3 supports the government’s policies as presented in the PDES while remaining cognizant that economic growth may be significantly lower and more volatile than the strategy envisions.

1.6. **Niger currently has an unprecedented opportunity to accelerate economic development, reduce poverty, and boost shared prosperity.** Since 2000 only modest progress has been observed in social and economic indicators, due in large part to recurrent droughts, regional conflict and political instability. The successful political stabilization in April 2011, however, provided the basis for a stronger policy focus on broad-based growth and poverty reduction. The start of oil production in November 2011 and large-scale investments in the uranium sector promise to boost growth over the medium term while providing critical resources for the government’s development agenda. Taking advantage of these opportunities will require the government to mobilize greater private-sector participation in the provision of infrastructure as well as continued engagement by Niger’s development partners in order to ensure adequate financing and technical support to reinforce good governance and build institutional capacity.

1.7. **Political institutions have been strengthened since democracy was restored in 2011.** Following the return of constitutional order, significant progress has been made in reestablishing the institutional framework for democratic governance. This framework includes a number of institutions whose function is to mediate conflicts, which should help to attenuate the political
instability that has plagued Niger in the past. The Council of the Republic (Conseil de la République),\(^2\) the National Council for Political Dialogue (Conseil National de Dialogue Politique), and the National Commission for Social Dialogue (Commission Nationale pour le Dialogue Social) are all expressly devoted to conflict mediation and resolution, while the nomination of a Mediator of the Republic (Médiateur de la République) and the institutionalization of the Statute of the Opposition (Statut de l’Opposition) further demonstrate the government’s commitment to safeguarding political stability.

1.8. **Commodity-price volatility, climate shocks, and security challenges remain the principal risks to Niger’s economic and social development.** The continuing development of the uranium sector and the recent start of oil production have increased the country’s fiscal and economic dependence on international commodity prices. Niger’s agricultural and livestock sector is crucial to the country’s social and economic stability, yet it is highly vulnerable to weather-related factors, particularly rainfall. Niger’s neighboring countries are its most important markets for agricultural and livestock exports, but cross-border trade continues to be threatened by regional instability and the specter of terrorism. The potential impact of terrorist attacks in Niger itself was illustrated by attacks on a uranium mine in the north of the country in May 2013 and in the capital of Niamey the following month. The worsening security situation in northern Nigeria has reduced trade across Niger’s southern border, where the bulk of the country’s population is concentrated. The government increased security expenditures by 1.25 percentage points of GDP in 2013 and continued to strengthen its cooperation with regional and international partners in an effort to address these complex challenges.

### 2. MACROECONOMIC POLICY FRAMEWORK

**RECENT ECONOMIC DEVELOPMENTS IN NIGER**

2.1. **Following extraordinary double-digit growth in 2012, GDP is estimated to have expanded by 3.6 percent in 2013 and is projected to recover to 6.5 percent in 2014.** Growth hit 11.1 percent in 2012 as a spike in agricultural production coincided with the start of oil extraction in eastern Niger. The rapid expansion of mining activities continued during 2013, but agriculture contracted during the second half of the year. Growth in services remained solid during 2011-13 and may be accelerating in early 2014.

2.2. **Sector-specific factors have contributed to the 2012-13 growth volatility:**

(i) Agriculture in Niger is largely rain-fed and is consequently subject to dramatic output swings. Agricultural production and its impact on people living in vulnerable areas are closely monitored by the authorities. Production contracted by 4 percent in 2013 after growing by 19 percent in 2012. Agricultural production is projected to gradually return to trend levels, growing at 5.2 percent in 2014 accelerating to 7 percent in 2015.

(ii) The extractable-resources sector is dominated by uranium and oil, which together account for some 10 percent of GDP. The growth rate of uranium extraction slowed somewhat in 2013, due in part to a terrorist attack that disrupted production early in the year. The oil sector, however, continued to expand rapidly. Oil production began in late 2011, and the

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\(^2\) The Council of the Republic consists of the current President of the Republic and former Presidents and Heads of State of Niger, the President of the National Assembly, the Prime Minister, and the leader of the opposition.
sector approached full output capacity in 2013. After rising rapidly over the past two years, output growth is projected to moderate to a more sustainable pace in early 2014.

(iii) A newly established oil refinery (Société de Raffinage de Zinder - SORAZ) contributed to the growth of the manufacturing sector in 2012, but this boost tapered off after the government’s decision to entrust the state-owned oil-distribution company (Société Nigérienne de Produits Pétroliers - SONIDEP) with exports. Growth further slowed in 2013 as the government increased petroleum prices and oil-sector taxes.

(iv) Services represent over a quarter of GDP and grew by roughly 5 percent in 2013, slightly less than in 2012. Demand for services is expanding on the strength of the rapidly growing construction and commercial sectors, but the erratic electricity supply was an important constraint on the tertiary sector.

2.3. **Current-account dynamics are driven by large-scale mining investments made during and prior to 2010; these investments are boosting commodity exports, which in turn is financing the growth of consumer- and capital-goods imports.** Investments in the expansion of uranium mining by French firms and the development of oil fields by Chinese investors are currently being completed. As a result, gross fixed-capital formation has declined from over 30 percent of GDP in 2010 to an estimated 22 percent in both 2012 and 2013 (Table 2.1). Uranium exports rose by 45 percent between 2009 and 2012 as new investments came on-stream. However, exports fell during 2013 as the above-mentioned terrorist attack disrupted production and declining world demand caused international prices to fall. Security has since been tightened, and exports are projected to increase again later in 2014. Capital-goods imports represent over 40 percent of total imports, 13 percent of GDP, and some 60 percent of gross fixed-capital formation. The current account stabilized in 2013, but a renewed effort to boost investment launched in late 2013 is expected to continue through 2014, contributing to a temporary widening of the current-account deficit.

2.4. **Inflation remains low as monetary and exchange-rate policies continue to be well-managed at the regional level.** The inflation rate was 0.5 percent at the end of 2012; it increased during 2013 but remained below 3 percent. Food prices increased by an average of 3.9 percent during 2013 as domestic food production failed to keep pace with population growth. Food prices account for practically all of the increase in inflation, and average non-food prices increased by just 0.6 percent. There are no changes anticipated in exchange-rate management. Niger’s currency, the West African CFA Franc (FCFA), is pegged to the euro; monetary policy will continue to support the fixed exchange-rate regime, and exchange-rate developments in Europe will continue to influence Niger’s competitiveness over the medium term vis-à-vis non-Euro/CFA Franc countries.

2.5. **Niger’s financial sector is small but growing rapidly.** Base money expanded rapidly in 2012 and continued its robust growth through 2013. A sharp increase in commercial credit in 2012 was caused in part by accelerating transactions in the rising petroleum sector, but beginning in 2013 the growth of the money supply is expected to become more broad-based and sustainable. Foreign-owned banks currently control about 80 percent of total assets.
Table 2.1: Selected Economic Indicators, 2010-16

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (billions of CFA Francs)</th>
<th>Real GDP growth (percent)</th>
<th>Per capita GDP (US$ atlas method)</th>
<th>Of which:</th>
<th>GDP deflator</th>
<th>CPI (e.o.p.)</th>
<th>Base money</th>
<th>Base money (percent of GDP)</th>
<th>Credit to non-government</th>
<th>Discount interest rate (percent)</th>
<th>Gross fixed capital formation</th>
<th>Current account balance</th>
<th>Imports, nominal GNFS</th>
<th>Exports, nominal GNFS</th>
<th>Credit to non-government (percent of GDP)</th>
<th>Imports, GNFS</th>
<th>Exports, GNFS</th>
<th>Foreign Direct Investment (net)</th>
<th>External debt</th>
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<tr>
<td>2011</td>
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<td>6.0</td>
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<td>16.0</td>
<td>6.5</td>
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<td>8.0</td>
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<td>Act. 2.6</td>
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<td>27.6</td>
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<td>16.1</td>
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<td>Act. 3.6</td>
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<td>2.5</td>
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<td>2014</td>
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<td>Proj. 3.6</td>
<td>6.0</td>
<td>2.9</td>
<td>2.5</td>
<td>9.9</td>
<td>18.9</td>
<td>21.8</td>
<td>44.2</td>
<td>25.3</td>
<td>-17.9</td>
<td>39.0</td>
<td>19.8</td>
<td>17.4</td>
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<td>22.3</td>
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<tr>
<td>2015</td>
<td>4306.6</td>
<td>4.4</td>
<td>Proj. 5.9</td>
<td>5.9</td>
<td>1.5</td>
<td>2.5</td>
<td>18.9</td>
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<td>42.8</td>
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<td>-14.7</td>
<td>42.8</td>
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</tr>
</tbody>
</table>

Note: Fiscal indicators are reported in Table 2.2.
Source: Government of Niger and IMF staff estimates.

2.6. **Fiscal policies are anchored by a 3.0 percent overall-balance deficit objective (excluding exceptional transactions) in 2014, and the deficit is expected to narrow over the medium term.** In recent years a 3 percent overall-balance deficit could be financed almost completely by external concessional borrowing and grants, complemented by modest domestic and regional financing (Table 2.2). Excluding a concessional US$880 million loan that was on-lent to a state-owned refinery to replace a previously contracted non-concessional loan, the deficit is expected to remain below 3 percent of GDP in 2014.
### Table 2.2: Financial Operations of the Central Government, 2010-16 (% of GDP)

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>Overall Balance</td>
<td>-3.0</td>
<td>-1.2</td>
<td>-3.0</td>
<td>-14.7</td>
<td>-2.2</td>
<td>-1.6</td>
<td>-1.4</td>
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<tr>
<td>Overall balance excluding grants</td>
<td>-6.7</td>
<td>-7.5</td>
<td>-8.1</td>
<td>-19.6</td>
<td>-7.2</td>
<td>-6.7</td>
<td>-6.3</td>
</tr>
<tr>
<td>Primary balance</td>
<td>-2.6</td>
<td>-0.8</td>
<td>-2.7</td>
<td>-14.1</td>
<td>-1.6</td>
<td>-1.1</td>
<td>-1.0</td>
</tr>
<tr>
<td>Total revenues, including grants</td>
<td>17.9</td>
<td>22.2</td>
<td>22.1</td>
<td>23.1</td>
<td>23.7</td>
<td>24.1</td>
<td>24.0</td>
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<tr>
<td>Tax revenues</td>
<td>13.2</td>
<td>14.5</td>
<td>15.3</td>
<td>17.1</td>
<td>17.4</td>
<td>17.7</td>
<td>17.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes on goods and services, domestic</td>
<td>3.5</td>
<td>5.2</td>
<td>5.5</td>
<td>6.6</td>
<td>6.8</td>
<td>7.0</td>
<td>6.9</td>
</tr>
<tr>
<td>Direct taxes</td>
<td>3.2</td>
<td>4.5</td>
<td>4.5</td>
<td>4.8</td>
<td>4.9</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Taxes on international trade</td>
<td>5.4</td>
<td>3.6</td>
<td>4.2</td>
<td>4.9</td>
<td>5.0</td>
<td>5.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Other taxes</td>
<td>1.2</td>
<td>1.2</td>
<td>1.1</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Non-tax revenue</td>
<td>1.0</td>
<td>1.4</td>
<td>1.7</td>
<td>1.2</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Grants</td>
<td>3.8</td>
<td>6.3</td>
<td>5.1</td>
<td>4.9</td>
<td>5.1</td>
<td>5.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Expenditures</td>
<td>20.9</td>
<td>23.4</td>
<td>25.1</td>
<td>37.8</td>
<td>25.9</td>
<td>25.7</td>
<td>25.4</td>
</tr>
<tr>
<td>Current expenditures</td>
<td>12.6</td>
<td>11.9</td>
<td>12.9</td>
<td>14.4</td>
<td>14.1</td>
<td>14.0</td>
<td>13.9</td>
</tr>
<tr>
<td>Wages and compensation</td>
<td>4.4</td>
<td>4.5</td>
<td>5.2</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Goods and services</td>
<td>4.6</td>
<td>2.6</td>
<td>1.9</td>
<td>2.8</td>
<td>2.6</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Interest payments</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Subsidies and current transfers</td>
<td>3.2</td>
<td>4.4</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>6.8</td>
<td>11.5</td>
<td>12.2</td>
<td>12.5</td>
<td>11.8</td>
<td>11.7</td>
<td>11.5</td>
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<tr>
<td>Domestic financed</td>
<td>3.8</td>
<td>5.8</td>
<td>6.8</td>
<td>7.2</td>
<td>6.0</td>
<td>5.9</td>
<td>5.7</td>
</tr>
<tr>
<td>Foreign financed</td>
<td>3.0</td>
<td>5.7</td>
<td>5.4</td>
<td>5.4</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Lending minus repayment</td>
<td>1.5</td>
<td>0.0</td>
<td>0.0</td>
<td>10.9</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>General Government Financing</td>
<td>3.0</td>
<td>1.2</td>
<td>3.0</td>
<td>14.7</td>
<td>2.1</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Change in payment arrears and float</td>
<td>-0.1</td>
<td>0.3</td>
<td>-0.8</td>
<td>-0.1</td>
<td>-0.2</td>
<td>-0.2</td>
<td>-0.2</td>
</tr>
<tr>
<td>Other domestic financing (net)</td>
<td>0.3</td>
<td>-1.2</td>
<td>1.3</td>
<td>0.5</td>
<td>0.6</td>
<td>0.0</td>
<td>-0.2</td>
</tr>
<tr>
<td>External (net)</td>
<td>2.7</td>
<td>2.1</td>
<td>2.5</td>
<td>13.5</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Programmed World Bank budget support</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>0.8</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Source: Government of Niger and IMF staff estimates.

#### 2.7. Fiscal policies remain on track

The tax-revenue-to-GDP ratio increased by almost one percentage point of GDP in 2013 and is projected to continue growing by almost 2 percentage points in 2014 (Table 2.2). Revenues from taxes on domestic goods and services, as well as direct taxes, increased due to reductions in tax exemptions and better tax administration. By contrast, taxes on international trade declined in 2012 as capital goods, which are subject to lower import duties, increased their share in total imports. As the composition of imports rebalanced in 2013 duty revenues recovered. Overall, Niger’s 2013 fiscal revenues slightly exceeded budget projections, but non-tax revenues fell short of expectations, illustrating the country’s exposure to commodity-price and security shocks. In the wake of recent droughts and flooding, external grants increased by more than 50 percent in 2012, but then declined during 2013 as agricultural conditions normalized early in the year. During the latter part of 2013 the authorities met with their development partners to discuss additional measures to counter the impact of the poor harvest.

#### 2.8. 2013 expenditures continued to be managed on a cash basis, which allowed the authorities to respond to overly optimistic budget projections and a buildup of arrears

Current expenditures exceeded projections partly as a result of excessively conservative wage-payment forecasts in the security sector and partly as a result of cost overruns on goods and services in the health and education sectors. Public investment, however, was cut drastically in anticipation of imminent revenue shortfalls, which also affected investment projects co-financed by development partners. PFM regulations contribute to low investment-budget execution rates, as they introduce unduly cumbersome procedures and delay the start of public procurement until
budget lines are made available to sector ministries. The under-execution of the 2013 investment budget allowed arrears to be reduced within the limits of the overall expenditure envelope.

2.9. **Security-related expenditures rose by 1.25 percentage points of GDP in 2013, and this increase was accommodated by cuts in public investment expenditures.** Budget allocations to Niger’s security sector have increased by an annual average of 12 percent since 2003, with growth peaking at 79 percent in 2012. In 2013 the revised budget law adopted by the National Assembly increased security expenditures by an estimated 73 percent over 2012, while security spending as a share of the national budget rose from 5.7 percent to 8.3 percent. The under-execution of the public investment budget kept the fiscal deficit in check, but lower levels of investment spending may pose long-term risks to Niger’s growth strategy.

**MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY**

2.10. **Natural resources are expected to continue playing a key role in GDP growth over the medium and long term.** Real GDP is projected to expand at an annual average rate of about 6 percent during 2014-15, with growth rates rising rapidly thereafter as new extractive-industry projects become operational. More diverse growth outside the resource sector will be supported by a new investment law, better trade facilitation, and a more supportive business and security environment. Agriculture is expected to retain its share of GDP thanks to expanded irrigation coverage and better management of existing irrigated plots. Weather-related shocks are expected to be mitigated by a strengthened Nigerien Food Products Office (Office des Produits Vivriers du Niger, OPVN), the national food-reserve agency, which will reduce Niger’s dependence on food aid during droughts and may help stabilize food prices.

2.11. **During 2014-17 the current-account deficit is projected to widen to over 20 percent of GDP and then narrow to under 15 percent.** Net exports of goods and non-factor services are projected to expand as imports taper off following the completion of major investment projects in uranium and oil mining, as well as the construction of the SORAZ oil refinery. Uranium is expected to remain important to overall exports, but agricultural exports are also projected to grow as customs procedures improve and trucking becomes more efficient due to new government regulations regarding roadblocks, which were implemented in early 2013 as a prior action for the SGC-2.

2.12. **Bank lending is expected to increase by almost 4 percentage points of GDP in 2014.** After absorbing the impact of the expanding monetary base during 2010-13 bank deposits are projected to stabilize as a share of GDP. The banking system is liquid and well supervised, and a variety of lending opportunities is expected to emerge as the economy continues to grow.

2.13. **Fiscal revenues are projected to remain buoyant on the strength of a robust mining and oil sector.** The mining sector not only contributes to direct taxes but also to trade taxes and nontax revenues. The PFM measures supported by the proposed operation will strengthen the administration of these revenues. The critical importance of bolstering good governance has been

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3 This increase in the security budget was driven by a sharp rise in capital expenditures—which grew from 19 percent to 55 percent of total security spending between 2011 and 2012—and by a sizable wage bill representing 28 percent of total security spending in 2012. These trends continued in 2013, with capital and personnel expenditures representing 50 percent and 29 percent of total security spending, respectively.
recognized by Niger’s development partners, and further progress in this area is expected to be reflected in budget-support grants.

2.14. **The growth of current expenditures is expected to be contained, but public investment will continue to expand.** The proposed operation supports the authorities’ efforts to contain current expenditures and avoid repeating the accumulation of arrears that occurred in 2012. Security expenditures are projected to remain at their 2013 level, an estimated 3.25 percent of GDP. Capital expenditures, meanwhile, are projected to increase from 12.2 to 12.6 percent of GDP. Capital spending will be financed by a mix of grants and concessional loans and investment will be limited to high-return projects. The World Bank has responded positively to the authorities’ request for assistance with the development of a public-investment and debt-management strategy. This assistance would follow the recently prepared debt-management report, which was submitted to the authorities for comments in December.

<table>
<thead>
<tr>
<th>Table 2.3: BoP Financing Requirements and Sources, 2010-16 (CFAF billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014</strong></td>
</tr>
<tr>
<td><strong>Proj.</strong></td>
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<tr>
<td></td>
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<tr>
<td>Financing requirements</td>
</tr>
<tr>
<td>Current account deficit</td>
</tr>
<tr>
<td>General government capital transfers</td>
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<tr>
<td>Other capital transfers</td>
</tr>
<tr>
<td>Non-produced non-financial assets</td>
</tr>
<tr>
<td>Debt rescheduling</td>
</tr>
<tr>
<td>Financing sources</td>
</tr>
<tr>
<td>FDI and portfolio investments (net)</td>
</tr>
<tr>
<td>Other investments</td>
</tr>
<tr>
<td>Change in reserves, including IMF</td>
</tr>
<tr>
<td>of which IMF credit (net)</td>
</tr>
<tr>
<td>Financing gap (including this operation)</td>
</tr>
</tbody>
</table>

Source: Government of Niger and IMF staff estimates.

2.15. **The careful consolidation of Niger’s public-investment program and debt-management policies will be crucial to maintaining a sustainable external debt burden.** The IMF-World Bank debt sustainability analysis (DSA) conducted in 2013 determined that Niger was at moderate risk of external debt distress.\(^4\) While the net present value (NPV) of the debt-to-GDP ratio is projected to continue increasing, it should remain within the relevant thresholds during the period of 2013-32. This scenario assumes that the current-account deficit, foreign direct investment (FDI) inflows and the real GDP growth rate will all remain at their historical averages.\(^5\) Niger is also vulnerable to a worsening of its financing terms during the projected period, which might cause the NPV of the debt-to-export ratio to breach its threshold from 2020 onwards.

2.16. **Loans contracted during 2013 do not fundamentally change this assessment.** The DSA already included a loan of US$880 million (about 10.5 percent of GDP) from the Export-

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\(^5\) The DSA notes that the main risk to this scenario is a one-time 30 percent depreciation of the FCFA relative to the baseline scenario, which would cause Niger to breach its debt thresholds as early as 2016.
Import (EXIM) Bank of China. The purpose of the EXIM Bank loan is to refinance an earlier loan for the construction of the SORAZ refinery; this loan had been contracted by the refinery directly and partially guaranteed by the government. The government will on-lend these funds to the refinery to complete the refinancing. The stock of external debt is expected to reach 57 percent of GDP in 2014, up from 45 percent in 2013. During the second half of 2013 the authorities obtained a further US$1 billion credit line from EXIM Bank, as well as various other loans to finance infrastructure projects. Due to its investment-focused nature this credit line should contribute to promoting growth and boost exports, which in turn will reinforce external-debt sustainability. A report to the Non-Concessional Borrowing Committee will be prepared in tandem with an updated joint World Bank-IMF DSA, which will be submitted to the Board later this year following a review of the growth impact of the associated investment projects.

2.17. **Niger’s domestic fiscal debt is also projected to remain sustainable.** Domestic debt includes arrears, debt to the regional central bank (*Banque Centrale des États de l’Afrique de l’Ouest*, BCEAO) for statutory advances, SDR allocations, and government securities held by the private sector. Public debt ratios remain relatively low under the different scenarios, except in the case of the most extreme shock.\(^6\) This would increase the primary deficit, and hence financing needs, which would double the NPV of debt-to-revenue ratios during the projection period.

2.18. **Niger’s macroeconomic policy framework is considered to provide an adequate basis for the purpose of the proposed operation.** Average GDP growth is projected to remain above 6 percent over the medium term, with much higher rates anticipated during years in which extractive-industry projects come on-stream. External debt is projected to remain sustainable as electricity and other infrastructure bottlenecks are removed, boosting growth and exports. The main risks to the framework are commodity-price shocks, a deterioration in the security situation and institutional/governance challenges. The high foreign exchange reserves deposited with the regional BCEAO central bank provide sufficient cushion to manage such macroeconomic shocks. The authorities have demonstrated their ability to respond to the circumstances as needed in order to meet their economic targets, while at the same time pursuing an ambitious reform agenda.

**IMF Relations**

2.19. **The World Bank has been collaborating closely with the IMF in the preparation of the SGG-3.** The International Development Association (IDA) coordinates and collaborates closely with the IMF on macroeconomic, fiscal, and growth-related policy issues. The IMF leads the dialogue on macroeconomic management, fiscal, and monetary policy, while the Bank takes the lead on structural reforms and PFM issues. The Bank and the IMF share joint responsibility for the poverty reduction strategy and debt management. The World Bank also takes the lead in the exchange of information and collaboration on local development in Niger.

2.20. **A three year Extended Credit Facility (ECF) program was approved by the IMF’s Board on March 16, 2012; the first review was completed on March 28, 2013, and a combined second and third review is scheduled for Board discussion in March 2014.** Both the SGC series and the ECF were prepared through close coordination between the IMF and

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\(^6\) This shock (real GDP growth being at its historical average minus one standard deviation during 2013-14) is assumed to negatively affect nominal revenue, while the level of government spending remains the same as in the baseline.
World Bank teams. The ECF program focuses on maintaining macroeconomic stability and increasing resilience to shocks. After the first review was completed in March 2013 it became apparent that due to poor debt management, Niger had contracted non-concessional loans prior to the review date in violation of a performance criterion. Since then this issue was addressed; a request for a waiver for this misreporting issue was submitted to the IMF Board jointly with a request to complete the second and third review. In addition, an unexpected accumulation of arrears also necessitated a reformulation of fiscal projections, and compliance with the revised targets is expected to be confirmed by the combined reviews. The IMF-ECF Board discussion is planned for March 12, 2014 and will be followed by the presentation of the SGG-3 to the Board on March 21, 2014.

3. THE GOVERNMENT’S PROGRAM

3.1. Niger’s current national poverty reduction strategy, the PDES, was approved by the Council of Ministers on August 1, 2012. The PDES was formulated in a participatory process and the Joint World Bank-IMF Staff Advisory Note commended the comprehensive analysis of Niger’s development challenges and the plan to achieve accelerated sustainable growth. It provides the overarching framework for the government’s development agenda. The PDES aims to achieve an average economic growth rate of 8 percent from 2012-15 and bring about sustainable, broad-based income and welfare improvements. The strategy is organized around five pillars:

- **Pillar 1: Strengthening the credibility and efficiency of public institutions.** Strong public institutions are necessary to guarantee political stability, safeguard respect for human rights and the rule of law, and build economic confidence. Reforms under this pillar are designed to bolster the credibility of democratic institutions, improve the efficiency of public services, and ensure fairness and equality in citizens’ interactions with the government.

- **Pillar 2: Creating the conditions for sustainable and inclusive development.** The PDES recognizes that accelerating growth will require continuous improvements in the government’s administrative capacity. Interventions in this area are focused on five objectives: (i) peace and security; (ii) controlled population growth; (iii) sustainable environmental management; (iv) balanced regional development; and (v) access to the opportunities offered by international integration.

- **Pillar 3: Reinforcing food security and supporting agricultural development.** This pillar reflects the government’s “3N” initiative, “Nigeriens Nourish Nigeriens,” an attempt to find lasting solutions to the problems of food insecurity and nutrition deficiency faced by large segments of the population. The initiative aims to ensure a sufficient supply of food through the development of local production. Interventions in this area focus on: (i) the growth and diversification of primary-sector products, and (ii) improving household resilience to food crises and natural disasters.

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7 Subsequently, the Ministry of Planning, Regional, and Community Development also prepared and issued a Priority Action Plan and a Strategic Results Framework.
• **Pillar 4: Promoting diversification and enhancing competitiveness to facilitate more robust and inclusive growth.** Under this pillar the primary drivers of growth are identified as the extractive industries (mining and oil) and related activities in other sectors. The growth of the extractive industries is an important source of employment and fiscal revenues. The four key policy areas supported under this pillar are: (i) improving the business environment; (ii) facilitating trade; (iii) enhancing the competitiveness of the non-resource sectors; and (iv) encouraging young people to participate in the economy by expanding opportunities for vocational education and training.

• **Pillar 5: Fostering social development.** Actions under this pillar aim to improve social indicators by enhancing the population’s access to basic services and strengthening social protections for vulnerable groups. Its primary objectives include improved health indicators, greater educational attainment, better access to clean drinking water and sanitation infrastructure, enhanced gender equality, more effective and comprehensive social protections, more sustainable environmental management, and expanded youth participation in income-generating activities.

4. THE PROPOSED OPERATION

**Links to the Government’s Program and Operational Description**

4.1. The proposed SGG-3 in the amount of SDR 45.7 million (US$70 million equivalent) is a single-tranche DPO, the third in a programmatic series of three budget-support operations. The objectives of the proposed operation are to: (i) improve the business environment for investment and trade; (ii) increase agricultural productivity; and (iii) improve public financial management. The SGG-3 is fully aligned with the government’s development strategy as set forth in the PDES. The proposed operation will advance several of the strategy’s major goals by supporting reforms in four critical PDES policy areas, which are described in Table 4.1. The analytical underpinnings of all SGG-3 Prior Actions are summarized in Table 4.2.

Table 4.1: Overview of SGG-3 Policy Areas and Contributions to PDES Objectives

<table>
<thead>
<tr>
<th>SGG Policy area and targeted reforms</th>
<th>Contribution to specific PDES objectives</th>
</tr>
</thead>
</table>
| **Policy Area 1: Establishing a competitive and diversified economy to support accelerated and inclusive growth**  
  • Updating the investment code  
  • Removing obstacles to commerce  
  • Enhancing the financial sustainability of the energy sector  
  • Developing a dual-apprenticeship system  
  • Improving transparency in the oil sector | • The investment climate is improved (Pillar 4)  
  • Domestic economic and regional-market integration is strengthened (Pillar 4)  
  • Trade is promoted. (Pillar 4)  
  • The competitiveness of the industrial sector is enhanced (Pillar 4)  
  • The population’s access to energy and hydrocarbon fuels is improved (Pillar 4)  
  • Rural and urban markets are regularly supplied with agricultural and food products (Pillar 3)  
  • The acquisition of knowledge, skills and values necessary for sustainable welfare improvements is supported (Pillar 5)  
  • The existing social safety-net system is consolidated (Pillar 5) |
| **Policy Area 2: Reinforcing food security and promoting sustainable agricultural development** | • Primary-sector production is increased and diversified (Pillar 3) |
Policy area and targeted reforms | Contribution to specific PDES objectives
--- | ---
- Improving the institutional framework for irrigation development  
- Creating an efficient system for value-addition in the livestock sector  
- Enhancing the efficiency of the food-security system |  
- Improving oversight of state-owned enterprises  
- Strengthening public procurement systems.

**Policy Area 3: Enhancing the efficacy of public spending**  
- Improving oversight of state-owned enterprises  
- Public finances are managed in a transparent manner and in conformity with established laws and regulations (Pillar 1)

4.2. **This would be the final operation in the SGC series, and it is designed to complete the program of reforms supported by the two previous operations.** All 12 triggers listed in SGC-2 have now been implemented with only minor alterations and ten of these are retained as prior actions (see Annex 1). Sustained implementation of the targeted reforms following the completion of the program will be facilitated by a growing private sector and an increasingly organized civil society that is well represented in the legislature. In collaboration with the authorities, Bank staff will continue to monitor progress on the operation’s objectives through a matrix of aggregate results indicators covering all three SGC operations (see Annex 2). In order to leverage the impact of current measures the authorities have committed to continue pursuing policy reforms in the areas of irrigation, electricity generation and distribution, and public-investment management. They have requested that this reform agenda be facilitated by a new budget-support series as envisaged in the Country Partnership Strategy (CPS) for FY13-16.

**Table 4.2: Analytical Underpinnings of the SGG -3 Prior Actions**

<table>
<thead>
<tr>
<th>Prior Actions</th>
<th>Analytical Underpinnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Recipient’s Council of Ministers has adopted and submitted to the National Assembly a new investment code.</td>
<td>“Sector Notes on Growth and Diversification” (World Bank, 2011)</td>
</tr>
<tr>
<td>2. The Recipient, through the Ministry of Economy and Commerce and the Ministry of Finance, has reduced the number of documents required for imports by 3 and the number of documents required for exports by 4.</td>
<td>“Diagnostic Trade Integration Study” (World Bank, 2008)</td>
</tr>
<tr>
<td>3. The Recipient: (i) has developed a cost model for the electricity sector providing the information needed to undertake a revision of tariffs in electricity sector; and (ii) has commenced the corporate due diligence and an operational and financial audit of NIGELEC.</td>
<td>“Sector Notes on the Power Sector” (World Bank, 2011)  “Energy Sector Review” (World Bank, 2012)</td>
</tr>
<tr>
<td>4. The Recipient has adopted and submitted to the National Assembly a bill designed to provide a comprehensive legal framework for technical and vocational education and training.</td>
<td>“Sector Note on Education” (World Bank, 2011)  “Survey of employment in the informal sector in Niger” (National Statistics Institute, 2013)</td>
</tr>
<tr>
<td>Prior Actions</td>
<td>Analytical Underpinnings</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>5. The Recipient has published, starting with December 2013, on quarterly basis information on production of crude-oil and refinery products in Le Sahel newspaper.</td>
<td>“Rapport de Mission Collecte et Réconciliation Paiements et Revenus (Miniers, Pétroliers et Gaziers) 2010” (EITI Secretariat, 2012)</td>
</tr>
<tr>
<td>6. The Recipient has revised the legal framework of its Agency for Irrigation Schemes to establish decentralized water management and extension services by villages or private operators.</td>
<td>“Agricultural Sector Risk Assessment in Niger: Moving from Crisis response to Long-term Risk Management” (World Bank, 2013)</td>
</tr>
<tr>
<td>8. The Recipient has launched the procedure for the concession of the two animal-feed factories.</td>
<td>“Diagnostic Trade Integration Study” (World Bank, 2008)</td>
</tr>
<tr>
<td>10. The Recipient has issued implementation regulations for the new Procurement Code, including on: (a) the update of the Procurement Code with respect to the defense and security forces; (b) the list of documents to be provided by bidders/candidates in order to be eligible; (c) procurement process deadlines; (d) procurement sanctions for public officials, bidders and members of commissions; (e) procurement procedure manual for the Procurement Code; (f) procurement procedures for local authorities; and (g) procurement procedure manual for public enterprises.</td>
<td>“Sector Policy Note on Public Financial Management” (World Bank 2011), “Second Public Expenditure Management and Financial Accountability Report, PEMFAR II” (World Bank, 2010)</td>
</tr>
</tbody>
</table>

**PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS**

4.3. The proposed SGG-3 supports key reforms in three policy areas. The first policy area aims to establish a competitive and diversified economy to support accelerated and inclusive growth. To realize this objective the SGC-1 focused on strengthening the interface between the public and private sectors through the re-launch of the National Private Investors Council (Conseil National des Investisseurs Privés) and the adoption of a legal framework for public-private partnerships. The SGC-2 supported the development and implementation of an action plan to improve the business environment, as well as facilitating specific reforms related to tax administration, domestic and international trade, and the adoption of a new labor code. The proposed SGG-3 completes this program by supporting (i) institutional reforms, including the adoption of a new investment code and measures aimed at strengthening the electricity sector; (ii) reforms that simplify international trade procedures; (iii) expanded labor-market reforms; and (iv) measures to improve transparency in the oil sector.

4.4. Measures adopted under Policy Area 1 are expected to generate a broad-based increase in private-sector growth. Growth will be spurred by expanded trade and investment
activity and supported by greater social resilience, more effective provision of basic public services and increased transparency in the natural-resource sector. The revised investment code is expected to increase the total number of enterprises registered annually and public-private partnerships (PPPs) by 2015. Meanwhile, 700 youths will receive training each year through the expanded dual-apprenticeship system. And the establishment of simplified customs documentation is projected to cut transaction times substantially. In addition, structural reforms in the electricity sector will enhance overall confidence in the government’s ability to provide essential services to the private sector as an electricity sector-specific regulatory framework will be established by 2015. The authorities also remain committed to building an effective social safety net for vulnerable groups, and the government’s efforts in this area are supported by a World Bank investment project. Finally, the quarterly publication of statistics on the production of crude oil and refinery products will promote greater transparency and accountability in the management of the extractive industries, which will reinforce complementary reforms in PFM.

4.5. **Reforms under the second policy area of the proposed SGG-3 continue the reinforce food security and promote sustainable agricultural growth that begun during earlier operations.** About 80 percent of Niger’s population lives in rural areas, and the majority of the rural population are below the poverty line. Consequently, rural development is central to poverty reduction. The rural sector represents about 43 percent of GDP, with agriculture accounting for about 60 percent of rural output and livestock for about 29 percent. Major factors contributing to the poor performance of the sector include: (i) frequent droughts and invasive pests; (ii) scarce water resources and insufficient financing for irrigation development; and (iii) obstacles to commerce and trade in agricultural products, both within Niger and across its borders. The prior actions address irrigation issues, food security, and a key constraint to the development of the livestock sector.

4.6. **Reforms proposed under the second policy area are expected to increase agricultural productivity.** Over time, reforms to the National Agency for Irrigation Schemes (Office National des Aménagements Hydro-Agricoles, ONAHA) are expected to increase in the productivity of irrigated areas. Assuming that the concessional management agreements are successfully concluded, at least one and possibly two animal-feed factories should be fully operational by the end of 2014. Food-security will be further enhanced by consolidating reforms to OPVN. A 2013 World Bank study on risks to the agricultural sector notes that “OPVN is based on a good model and is reasonably well managed.” This positive assessment is partly a reflection of the measures adopted by OPVN in response to a report from the Court of Accounts issued in 2011 and supported by the SGC series.

4.7. **The third policy area of the proposed SGG-3 continues the series’ support to enhance the efficacy of public spending.** These efforts are fully consistent with the government’s program, as Pillar 1 of the PDES identifies strengthening PFM systems as essential to consolidating the credibility and efficiency of public institutions (see Section 3, above). Analytical work, including the recently completed Public Expenditure and Financial Accountability (PEFA) assessment and the forthcoming review of the IMF-ECF program, confirms the importance of an enhanced PFM system (Table 4.2). The SGG-3 will support the full implementation of the procurement code, a process that began with the SGC-1’s support for the adoption of the new code and the related procurement ethics code. The establishment of the Public Procurement Regulatory Authority (Autorité de Régulation des Marchés Publics, ARMP) was supported as a prior action in the SGC-2. The SGG-3 completes this process by supporting
the adoption of the remaining decrees, including a decree establishing sanctions for public officials, bidders and members of commissions who violated the procurement code. In the area of the supervision of SOEs, the SGG-3 advances a set of reforms that began with the nomination of accountants in the Ministry of Finance as a prior action for the SGC-1 and continued with the establishment of a directorate for the supervision of SOEs as a prior action for the SGC-2. This final operation supports measures prevent the accumulation of new arrears in four of Niger’s important SOEs. While fiscal risks related to SOE management are not the greatest threat to PFM, this policy area warrants special attention because of its impact on economic development. For example, a well-functioning national electricity company is essential to economic growth, and the NIGELEC reforms supported by the proposed operation are consequently critical to Niger’s long-term development.

4.8. The proposed PFM measures are expected to improve public financial management by reducing budget leakages and increasing the efficiency and effectiveness of SOEs. Full implementation of the public procurement code and the publication of public-expenditure audits will reduce costs and expand the resource envelope available for priority public spending. The SGG-3 prior action on the oversight of SOEs also strengthens non-financial oversight of public firms. Stronger oversight will increase these firms’ contribution to growth and poverty alleviation.

Prior Action 1: The Recipient’s Council of Ministers has adopted and submitted to the National Assembly a new investment code.

4.9. The new investment code will improve the transparency and predictability of investment incentives in the non-mining sectors. The investment code will complement the prior action included in SGC-1 to improve the regulatory framework for public private partnerships. The investment code was originally intended to be included as prior action in the SGC-2, but Bank staff proposed revisions to the draft prepared by the authorities. The current draft provides greater predictability regarding which sectors will be entitled to tax incentives and simplifies the process for obtaining incentives. It is comparable to recently revised investment laws in other countries in the region. The revised draft was adopted by the Council of Ministers on December 20, 2013 and submitted to the National Assembly. The new law will facilitate the registration of a total of 1,500 enterprises per year and one public private partnership by 2015.

Prior Action 2: The Recipient, through the Ministry of Economy and Commerce and the Ministry of Finance, has reduced the number of documents required for imports by 3 and the number of documents required for exports by 4.

4.10. The SGC series supports the PDES objective of enhancing domestic and international market integration as key to sustaining high growth rates. Facilitating trade plays an important role in keeping import prices low—which is especially important for a landlocked country with a large structural trade deficit—and in promoting export competitiveness. The 2014 Doing Business report lists Niger among the world’s most difficult countries in which to conduct cross-border trade, ranking it 176th out of the 189 countries included in the report. To facilitate trade the authorities eliminated 3 documents required for importation and 4 documents required for exportation.
4.11. **This prior action is expected to cut transaction times at borders for both imports and exports by some 20 percent.** Transaction times are expected to be further reduced over the medium term as the authorities introduce a “single window” system for all international trade transactions. Efforts to build the necessary administrative capacity to implement a single customs window are already underway.

*Prior Action 3: The Recipient: (i) has developed a cost model for the electricity sector providing the information needed to undertake a revision of tariffs in electricity sector; and (ii) has commenced the corporate due diligence and an operational and financial audit of NIGELEC.*

4.12. The sustainable expansion of access to energy services is among the top PDES priorities for fostering robust and diverse economic growth. Wood generates some 85 to 90 percent of all energy in Niger, and the government is currently preparing a national household energy program to better manage wood resources and diversify common sources of household energy. Only 3 percent of the country’s energy needs are satisfied by electricity, and just 10 percent of the population has access to electricity, with a peak demand of 130 megawatts in 2011. However, annual electricity demand growth is projected to accelerate to 12 percent during 2012-22, up from 8 percent during 2002-12. NIGELEC has launched an investment program at an estimated cost of US$100 million over 2013-17 designed to address existing network bottlenecks and pending connection requests in 8 major cities, as well as expanding services to 500 localities. This plan is supported by a World Bank-managed trust fund dedicated to assist NIGELEC in preparing a pipeline of projects to increase electricity access in urban areas through an expanded distribution network.

4.13. **NIGELEC is struggling to meet demand as the share of electricity supply imported from Nigeria is declining and short-term stopgap measures are costly; however longer-term solutions are expected to come on-stream in 2017.** Imports from Nigeria accounted for 80 percent of Niger's electricity supply in 2012 but its share in total electricity supply has started to decline, a trend that is expected to continue in the future. The cost of electricity will increase over the next five years as imported power from Nigeria is replaced by leased diesel plants. Hydroelectric power from the Kandadji dam, developed with World Bank support, will become available by 2017 at about a quarter of the marginal cost of diesel. Furthermore, the Salkadamna coal plant is expected to be completed in 2018; the marginal cost of coal power is roughly twice that hydroelectricity, but still half that of diesel.

4.14. **Higher unit costs and uncertainty regarding the availability of power in the short run have put significant financial strain on NIGELEC.** NIGELEC is responsible for power generation, transmission and distribution; it operates four power plants around the country. While profitable in 2010, NIGELEC’s financial situation has worsened since then and the utility has now difficulty covering its operating costs without using short-term commercial-bank credit to bridge liquidity gaps. While NIGELEC’s collection rates for private consumers are at 98 percent, its public-sector consumers have a poor payment record. In addition, electricity tariffs for both public and private consumers have not been revised since 1994, and this places a considerable burden on the finances of NIGELEC. A World Bank study on cost of providing electricity services is being prepared to provide information and build up the institutional
capacity of the Ministry of Energy to implement cost-recovery tariff policies and revise tariffs accordingly. This report is scheduled to be ready by September 2014.

4.15. The Nigerien authorities are responding with both short and long-term policies; short-term policies focus on stabilizing the financial situation of NIGELEC and the electricity sector as a whole. This includes three sets of actions. The first involves measures to strengthen the operational efficiency and financial viability of NIGELEC. These will be based on a financial and operational audit of the company, which was launched in late 2013 and is expected to take 6 months. The audit will assess the prospects for deeper involvement by Niger’s development partners in the electricity sector, as well as measures to improve collections from public-sector clients and reforms designed to improve the management of contracts with the private sector. The second set of actions focuses on the adoption of appropriate measures to prevent the accumulation of new public-sector arrears to NIGELEC, and the third is the completion of a cost of service study using a detailed financial-regulatory model involving both the government and NIGELEC. This study will be based on the preliminary investment program for the short and medium term. It is expected to be completed by September 2014 to provide the basis for key government decisions, such as the allocation of costs for expanding electrification and the revision of electricity tariffs.

4.16. Long-term policies in this area are designed to ensure the sustainable development of the electricity sector. This includes two actions. The first is an amendment to the electricity law to provide a modern and coherent legal framework for the sector. This revision includes the establishment of an autonomous Regulator for Electricity and of its governance structure, financing, and administrative role. The revision of the law will provide clear and consistent rules that will facilitate the development of the sector through the participation of public and private actors. The existence of an autonomous regulator will strengthen the technical capacity of the government to supervise and periodically revise tariffs and determine quality standards for services provided to end-users. It will then adapt these guidelines to services in rural areas as the government’s Rural Electrification Program is developed. Additional responsibilities of the regulator will be elaborated as new concessions are finalized and private electricity providers increase Niger’s overall generating capacity. The second action is the elaboration of a master plan for generation and transmission financed by the World Bank under the Kandadji Program, which will provide a roadmap for the cost-effective expansion of the electricity supply.

4.17. Prior Action 3 revises the corresponding SGC-2 preliminary trigger. The preliminary trigger included in the SGC-2 envisaged the adoption of an action plan for restructuring NIGELEC based on an operational and financial audit. This audit was delayed from due to financing and coordination problems, but started in December 2013 (Prior Action 3). In addition, the authorities have committed to formulating revisions to the Electricity Act that will establish an autonomous electricity sector regulator – a key result of this operation - and will support the modernization of the sector. Finally, the SGG-3 supports the authorities’ efforts to prevent the accumulation of arrears by public enterprises, including NIGELEC (Prior Action 10, described below).
**Prior Action 4: The Recipient has adopted and submitted to the National Assembly a bill designed to provide a comprehensive legal framework for technical and vocational education and training.**

4.18. **Inadequate workforce skills are a key constraint to economic growth and private-sector development.** Education and skills development are essential factors in expanding access to employment, promoting economic diversification, and reducing poverty. Results from the latest household budget survey show that literate workers have more than double the hourly income of workers who are unable to read. Hourly incomes for workers with professional and technical training are more than five time those of workers with only secondary education. Although both correlation and causation likely contribute to this pattern the dramatic stratification of wage rates by education level would appear to indicate a significant scarcity of highly skilled workers. The SGC series therefore targets technical and Vocational Education and Training (TVET) reforms as a priority policy area, one which is supported by a Bank-funded project for skills development. These efforts complement EU budget-support operations focused on improving basic education.

4.19. **With Bank support the government has prepared a program to strengthen the link between the education system and the demands of the labor market.** The SGC series augments this program through its focus on establishing an appropriate legal and regulatory framework for TVET and apprenticeships, including the development of a dual-apprenticeship system that combines firm-based training with classroom-based training. The Government of Niger has already piloted a similar system in the public sector and now intends to expand it to the private sector. The new Labor Code, which was promulgated on September 25, 2012, contains provisions that provide the basis for the development of the apprenticeship system (a prior action for the SGC-2). In compliance with the prior action for the SGG-3 the Council of Ministers adopted a draft law on December 31, 2013 and has since submitted legislation to the National Assembly outlining the basic principles for the TVET system (Prior Action 4). There reforms will allow some 700 youths, 20 percent of whom will be girls, to be registered in dual-apprenticeship programs by 2015 (Annex 2).

**Prior Action 5: The Recipient has published, starting with December 2013, on quarterly basis, information on production of crude-oil and refinery products in Le Sahel newspaper.**

4.20. **The development of the oil sector and the transparent management of its fiscal revenues are crucial to the successful implementation of the PDES.** An action plan for enhancing the efficiency of the sector is currently being implemented. Niger is also committed to including the oil sector in its reporting to the Extractive Industries Transparency Initiative (EITI). In January 2014 the Ministry of Energy and Petroleum launched a new publication “L’étincelle” that reports monthly data on oil production and domestic and international sales of refinery products, as well as domestic prices of selected products. In addition, to reach a wider audience, starting in December 2013 the authorities have published on a quarterly basic information on production of crude-oil and refinery products in Le Sahel newspaper. (Prior Action 5).
Prior Action 6: The Recipient has revised the legal framework of its Agency for Irrigation Schemes to establish decentralized water management and extension services by villages or private operators.

4.21. Improved advisory and oversight services by ONAHA are expected to boost agricultural output. The authorities have issued an Ordinance modifying the legal status of ONAHA to improve decentralized water management and extension services by villages or private operators (Prior Action 6) and have also revised the manual of procedures for the management and accountability of ONAHA. These reforms will allow the agency to focus on its core mandate: (i) developing public irrigation projects on behalf of the government to improve conditions for agricultural productivity; (ii) providing technical and organizational support to farmers’ cooperatives, enabling them to operate and maintain irrigation schemes; and (iii) maintaining an inventory of public irrigation schemes and conducting regular monitoring and evaluation (M&E) of these systems.

4.22. Prior Action 6 broadens the scope of the preliminary trigger included in the SGC-2. When the Board approved the SGC-2 the authorities intended to adopt an action plan for the restructuring of ONAHA and make substantial progress in its implementation. The action plan was finalized in September 2013 and officially adopted on October 23, 2013. It focused on strengthening ONAHA’s technical capabilities. The corresponding trigger was revised on the basis of discussions with agricultural experts to ensure that ONAHA would focus on its role of complementing private and community-based organizations. The ordinance was signed by the President on January 3, 2014. The impact of the ordinance will be assessed by the share of total number irrigation schemes monitored by ONAHA and rated as satisfactory by 2015 (Annex 2).

Prior Action 7: The Recipient has strengthened the National Food Product Office’s procurement, management, and distribution capacity.

4.23. The strategic grain reserve managed by OPVN is a critical element of Niger’s food-security system. The strategic grain reserve is used to influence domestic food prices through open-market grain purchases and sales, during periods of heightened food insecurity through the sale of subsidized grain. The operations of OPVN are supported by resources from both the government and the donor community. An audit by the Court of Accounts identified weaknesses in the procurement, distribution, and management procedures of OPVN in 2010. In response OPVN has taken steps to address these issues (Prior Action 7). An external audit by the inspector general of the Ministry of Finance found that OPVN implemented the public procurement code to the letter during 2011 and 2012, thus confirming that the issues identified earlier had been addressed; meanwhile, a new directorate charged with service delivery was created and staffers, thereby satisfying the first two elements of the prior action. The final element, a procedural manual, was adopted by the OPVN supervisory board in December 2013.

Prior Action 8: The Recipient has launched the procedure for the concession of the two animal-feed factories.

4.24. Pastoralism is an important and longstanding element of the Nigerien economy; livestock represents about 29 percent of the agriculture sector’s contribution to GDP and about 25 percent of all non-mining exports. The primary constraint on the input side is inadequate access to animal feed, which has become increasingly acute since the government-
owned animal-feed factories ceased operations. When the SGC-2 was presented to the Board the government intended to refurbish these factories and resume production; however, these efforts have since been delayed, while the demand for animal feed continues to increase. Private operators have expressed an interest in taking over the management of these factories under concession contracts. The authorities have agreed and prepared the documentation for the concession of the animal-feed factories and published the terms in Le Sahel newspaper on December 27, 2013, inviting private investors to express their interest in obtaining these concessions (Prior Action 8).

4.25. **Prior Action 8 revises the preliminary trigger included in the SGC-2.** The revision reflects the authorities’ intention to proceed with the concessions of the animal feed factories in their current state, leaving the refurbishment of the facilities to the new private operators. It is expected that as a result of this prior action at least one animal feed factory will be operational by 2015.


4.26. **SOEs play a major role in Niger’s economy.** SOEs dominate or heavily influence a number of key sectors, including energy (NIGELEC), telecommunications (SONITEL), and water resources (SEEN and SPEN). The first report of the Court of Accounts which reviewed the accounts of NIGELEC found significant shortcomings in their financial-management systems. Cross-arrears between SOEs, local governments, and the central government are a matter of particular concern. This is partly the result of weak governmental oversight. The PDES highlights the importance of improved control and monitoring of the government’s portfolio. To mitigate these concerns the government has created a directorate in the Ministry of Finance charged with the oversight and management of public enterprises and of the state portfolio (a prior action for the SGC-2). The Minister of Finance has signed a decree to monitor public consumption of water, electricity, and telecommunications to ensure timely payment of these companies (Prior Action 9). As a result of this decree it is expected that arrears of the state to these public enterprises will decline during 2013-14.

**Prior Action 10: The Recipient has issued implementation regulations for the new Procurement Code, including on: (a) the update of the Procurement Code with respect to the defense and security forces; (b) the list of documents to be provided by bidders/candidates in order to be eligible; (c) procurement process deadlines; (d) procurement sanctions for public officials, bidders, and members of commissions; (e) procurement procedure manual for the Procurement Code; (f) procurement procedures for local authorities; and (g) procurement procedure manual for public enterprises.**

4.27. **In recent years the government has substantially reformed the institutional and legal framework for public procurement.** This includes the establishment of the ARMP and a Directorate-General of Procurement Control (Direction Générale du Contrôle des Marchés Publics), the adoption of a new procurement code aligned with WAEMU directives, and the publication of audits of procurements carried out in 2007 and 2008. The 2012 PEFA report confirms that Niger’s procurement system meets key performance criteria.
4.28. The SGG-3 supports the completion of reforms to the legal and regulatory framework for public procurement. All outstanding regulations were issued as of end-2013 (Prior Action 10), with the exception of a measure to “define sanctions for public officials, bidders and members of commissions that violate the code”, which was signed in February 2014. This measure completes the slate of reforms that were identified in the SGC-2 program document except for regulations dealing with “grouping of procurement”; World Bank procurement experts agree that in Niger this issue does not require separate regulation. The total public procurement reforms are expected to boost the share of public procurement contracts issued competitively - measured both by number and value of contracts to reach 90 percent (Annex 2).

**LINKS TO THE CPS AND OTHER BANK OPERATIONS**

4.29. The proposed operation is closely aligned with the CPS approved by the Board on April 30, 2013 and the Bank’s Africa Region Strategy. The focus areas of the CPS include: (i) promoting resilient growth; (ii) reducing vulnerability; and (iii) mainstreaming gender and strengthening governance and capacity for public service delivery. Budget support is identified as instrumental to the Bank’s efforts to assist the authorities in pursuing the objectives of the PDES. The Africa Strategy’s pillars are: (i) competitiveness and employment, and (ii) vulnerability and resilience, and are reinforced by a cross-cutting focus on good governance and strong public-sector capacity. Reforms aimed at reducing barriers to investment through the improvement of the business climate will contribute to both pillars by supporting accelerated growth and economic diversification. Diversification will broaden Niger’s economic and fiscal base, reducing its macroeconomic vulnerability, and enhancing its resilience to external shocks.

4.30. The proposed operation increases the effectiveness of selected Bank investment projects and TA. The new investment code, trade measures, and the support for SOE governance contribute to the outcomes targeted by the Competitiveness and Growth Support Project (P127204). Policies to improve irrigation, electricity supply, and livestock raise the effectiveness of actions by the Niger Basin Water Resources Program (P1093806) and the Agro-Pastoral Export Promotion project (P095210). The legislation for technical and vocational training supports the objectives of the Education Enhancement and Skills Development Project (P132405). The public procurement measures support the outcomes targeted by Reform Management TA (P108253).

**CONSULTATION AND COLLABORATION WITH OTHER DEVELOPMENT PARTNERS**

4.31. The proposed SGG-3 supports the implementation of the PDES, which was developed through an inclusive participatory process. Consultations were held with civil society organizations, members of academia, business owners, and representatives from Niger’s development partners, and the development of the PDES was further informed by analytical work on current socioeconomic conditions and drivers of economic growth. The consultative process for formulating the PDES provided Bank staff with an opportunity to consult with stakeholders during the design phase of the SGC series.

4.32. The World Bank has been closely collaborating with other development partners in the preparation of this operation. Under the leadership of the Government of Niger the World Bank, the EU, and the African Development Bank (AfDB) are working to develop a harmonized,
multi-donor budget-support framework. The objective of these harmonization efforts is to increase the complementarity of donor operations, enhance the coherence of policy dialogue between the government and its budget-support partners, and reduce the administrative burden imposed on the authorities. While budget-support processes will be harmonized, each donor will remain independent in their financing decisions. The harmonized budget-support process will continue to positively influence the operations of Niger’s various budget-support partners during the implementation of the SGG-3.

5. OTHER DESIGN AND APPRAISAL ISSUES

POVERTY AND SOCIAL IMPACTS

5.1. The actions supported by the proposed operation are unlikely to have a negative impact on poverty. The establishment of an electricity regulator may ultimately result in an increase in electricity tariffs. However, such a price increase would have only a modest impact on the poor, as the poorest segments of the population have almost no access to electricity.

5.2. Some of the actions supported by the proposed operation are expected to have positive poverty and welfare impacts. Three policy measures are likely to make a positive direct contribution to poverty reduction, as they are designed to make growth more inclusive and extend economic opportunities throughout Nigerien society. These include: (i) improvements in technical and vocational training and (ii) the restructuring the national food-reserve agency. Additional policy actions supported by the SGG-3 will boost overall economic growth and hence indirectly contribute to poverty alleviation and broad income and welfare improvements. These include measures to: (i) facilitate commerce and trade; (ii) improve access to reliable electricity; (iii) privatize the management of animal-feed factories; (iv) improve transparency in the oil sector; (v) enhance the management of the national irrigation agency; and (vi) finalize the new investment law and prevent the accumulation new arrears by state-owned enterprises.

5.3. The prior actions are not expected to have any adverse impact on gender disparities, and some of them are likely to have a positive gender impact. The restructuring of the national irrigation authority (ONAHA) and the strengthening of the national food-reserve agency (OPVN) are intended to increase agricultural productivity and reinforce food security, which is expected to have strongly positive welfare impacts for women’s nutrition and the income-generating capacity of female-headed households. Meanwhile, the establishment of a social safety-net program will provide critical support to female-headed households both within and beyond the agricultural sector. Continuous engagement with the implementing agencies during the implementation of the proposed operation will help to sharpen their focus on gender issues.

ENVIRONMENTAL ASPECTS

5.4. The reforms supported by the proposed SGG-3 are unlikely to have a negative impact on the environment, forests, wildlife, or other natural resources. Indeed, three of the areas covered by prior actions are expected to have a positive environmental impact. These are: (i) the development of a sustainable energy policy; (ii) the restructuring of the irrigation authority; and (iii) the adoption of a new investment code. SGG-3-supported actions to promote the sustainable development of the energy sector should help to offset the population’s reliance on wood fuel. Wood currently supplies 90 percent of Niger’s power needs and wood harvesting
is dangerously unsustainable. Policymakers are aware of these issues, and though Niger’s environmental policies are generally well designed they tend to lack practical effectiveness. The expansion of electric power under a revamped NIGELEC is expected to reduce wood-fuel consumption in favor of hydroelectric and environmentally conscious coal power. In addition, SGG-3 support for the restructuring of ONAHA should lead to more sustainable water management. Finally, the adoption of the new investment code is likely to lead to better enforcement of environmental policies, as the environmental-impact provisions of the approval process for investment projects are clarified in the revised law.

5.5. **Nigerien law includes a decree on environmental assessments that ensures the integration of environmental considerations into proposed development projects.** Institutional responsibility for environmental-impact assessment lies with the Office of Assessments and Environmental Impact Studies (Bureau d’Evaluation Environnementale et des Études d’Impacts, BEEEI), which is attached to the Ministry of the Environment and Desertification Control. BEEEI provides support not only to sector ministries but also to local communities, and small environmental units have been established at the regional levels in order to build decentralized environmental-management capacity. Support from Niger’s development partners, including the World Bank, has greatly improved the effectiveness of these units, and BEEEI is increasingly able to involve civil society and affected populations through special environmental hearings and environmental-impact-assessment validation workshops. The proposed operation is fully consistent with BEEEI protocols and complements its efforts through the reforms to energy and water-management policies described above.

**PFM, DISBURSEMENT AND AUDITING ASPECTS**

5.6. **The proposed operation follows the World Bank’s disbursement procedures for development policy lending.** Fiduciary arrangements were reviewed by the Bank in the context of the SGC-1 and SGC-2 preparation processes. The SGG-3 builds on the achievements of the previous operations by supporting measures to implement the public procurement code. The balance of funds will be disbursed against satisfactory implementation of the development policy program and will not be tied to any specific purchases. No procurement requirements are needed. Once the operation is approved by the Board and the Grant becomes effective, IDA will disburse the single tranche at the request of the Recipient into a dedicated account that forms part of the country’s official foreign exchange reserves (held by the BCEAO).

5.7. **The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU).** The latest assessment of the BCEAO was completed on December 13, 2013. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the WAMU, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to IFRS implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure the adequacy of the mechanism through selection of a second experienced audit firm to conduct joint audits.
5.8. **The financial support provided under SGG-3 is not intended to finance goods or services in the standard negative list.** The Recipient shall ensure that upon the deposit of the Grant into said account, an equivalent amount is credited in the Recipient’s budget management system, in a manner acceptable to IDA. Based on previous experience, the execution of such transaction from the Central Bank to the Treasury (Ministry of Finance) does not require more than four days. The Recipient will report to IDA on the amounts deposited in the foreign currency account and credited in local currency to the budget management system. Assuming that the withdrawal request is in Euros, the equivalent amount in FCFA reported in the budgetary system will be based on the market rate at the date of the transfer. The Recipient will notify IDA by fax or email within 10 days of the transfer that such transfer has taken place, and that proceeds have been credited in a manner satisfactory to IDA. If after deposit in this account the proceeds of the Grant are used for ineligible purposes, IDA will require the Recipient to promptly refund the amount directly to the Association. Amounts refunded to IDA upon such request shall be cancelled. Although an audit of the deposit will not be required, the Bank reserves the right to require audits at any time. The administration of this Grant will be the responsibility of the Ministry of Planning, Regional and Community Development. The expected closing date of SGG-3 is June 30, 2015.

**MONITORING AND EVALUATION**

5.9. **The reform program supported under the SGG-3 is coordinated by the Ministry of Planning, Regional and Community Development.** The Ministry of Planning’s experience in the implementation and oversight of development policy operations is demonstrated by its successful execution of the previous operations in the SGC programmatic series. The preparation process for the SGG-3 benefited from the existing institutional framework for the coordination of economic and financial programs established by the Minister of Planning. It includes an inter-ministerial committee co-chaired by the Ministers of Planning and Finance, while day-to-day oversight is delegated to a technical committee co-chaired by the Secretaries General of the Ministries of Planning and Finance. Primary technical responsibility for the implementation of PFM reforms will remain with the Budget and Treasury departments. Sector-specific reforms will be implemented by the respective technical departments in the sector ministries, with overall coordination provided by the Ministry of Planning. A results matrix that tracks the three operations in this series provides concrete indicators and empirical benchmarks to monitor progress and enable evaluation following the end of the program in 2014. Niger’s development partners will follow progress on these and other reforms through a harmonized review process.

6. **SUMMARY OF RISKS AND RISK MITIGATION**

6.1. **The overall risk rating for the proposed operation is moderate.** Three main areas of risk could affect the expected outcomes of the SGG-3. These are: (i) security risks; (ii) macroeconomic risks; and (iii) political-economy risks.

6.2. **Security risks:** Security risks remain elevated, but the security situation has improved significantly over the course of the past year. Mali has recently stabilized, political grievances in northern Nigeria are increasingly expressed through the political process, and the activities of armed groups in Libya are largely confined to the northern part of that country. However the risk to program outcomes posed by renewed security challenges was illustrated by the economic and
fiscal impact of a recent terrorist attack on a uranium mine in northern Niger in May 2013. This attack reduced economic growth and fiscal revenues, two key objectives of the program. Similarly, an attack in June 2013 in the capital of Niamey increased the demand for security protection and hence the cost of doing business. The SGG-3 is designed to mitigate these risks by supporting economic diversification, which will reduce Niger’s economic vulnerability to security-related threats to the extractive-industries sector, and it accommodates the government’s increase in security spending. The government is also working to limit the need for increased security expenditures through close cooperation with regional and international partners, and by implementing a plan for development and security in the Sahelo-Saharan zone of the country.

6.3. **Macroeconomic risks:** Niger is vulnerable to production and price shocks in its most important sectors. Climate shocks represent a serious threat to agriculture. As a landlocked country in the environmentally vulnerable Sahel region Niger suffers from an extreme and variable climate, with the possibility of flooding and drought occurring within a few months of each other. In addition, a sharp decline in international uranium prices may put pressure on the balance of payments and fiscal revenues. The SGG-3 is designed to mitigate these risks through its focus on: (i) actions to expand agricultural productivity through better irrigation management and measures to mitigate the impact of weather-related shocks on the food supply via the reorganization of the national food-reserve agency (OPVN); (ii) actions to strengthen the allocation of investment incentives and to facilitate external trade, which will promote economic diversification and reduce dependence on commodity exports in general and the natural-resource sector in particular; and (iii) actions to improve PFM, which will facilitate fiscal adjustments in response to potential exogenous shocks.

6.4. **Political economy risks:** The ability of public agencies to focus their attention on the implementation of the PDES is increasingly challenged by the need to deal with repeated political changes. In August 2013 the government lost the support of the Speaker of the National Assembly, further complicating an already contentious political climate. Nevertheless, the government received the support of a legislative majority in a confidence vote in early November. The SGG-3 will mitigate political-economy risks by following the Bank’s good-practice procedures for promoting transparent decision-making and fiscal policy processes. Support to improve administrative capacity is delivered through a dedicated capacity-building program involving the Ministries of Finance and Planning, which became effective in 2010, and through a World Bank project to enhance public service delivery, which is expected to be presented to the Board during the first half of 2014. Meanwhile, continuous engagement by senior World Bank staff, including a visit by President Jim Young Kim in November 2013, is encouraging the authorities to remain focused on the implementation of Niger’s development strategy.
### Annex 1: SGG-3 triggers as defined in SGC-2 and SGG-3 Prior Actions

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<tr>
<th>SGG-3 Trigger as Defined in SGC-2</th>
<th>SGG-3 Prior Action</th>
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<tbody>
<tr>
<td>(i) The Recipient adopts a new investment code.</td>
<td>The Recipient’s Council of Ministers has adopted and submitted to the National Assembly a new investment code.</td>
</tr>
<tr>
<td>(ii) The Recipient consolidates documents needed for export and import into a single document for imports and exports, respectively, excluding such information where WAEMU regulations and other international commitments require separate documents.</td>
<td>The Recipient, through the Ministry of Economy and Commerce and the Ministry of Finance, has reduced the number of documents required for imports by 3 and the number of documents required for exports by 4.</td>
</tr>
<tr>
<td>(iii) The recipient adopts an action plan for the restructuring of NIGELEC and the revision of electricity tariffs based on an operational and financial audit of NIGELEC, a tariff study, and a financial model.</td>
<td>The Recipient: (i) has developed a cost model for the electricity sector providing the information needed to undertake a revision of tariffs in electricity sector; and (ii) has commenced the corporate due diligence and an operational and financial audit of NIGELEC.</td>
</tr>
<tr>
<td>(iv) The Recipient submits to the National Assembly a bill providing a framework legislation for technical and vocational education and training, which emphasizes partnerships with the private sector and the autonomy and performance of training centers, and adopts implementation regulations of the legal framework for dual apprenticeships.</td>
<td>The Recipient has adopted and submitted to the National Assembly a bill designed to provide a comprehensive legal framework for technical and vocational education and training.</td>
</tr>
<tr>
<td>(v) The recipient publishes (at least by the end of the following month) monthly information on crude oil production and domestic and international sales of refinery products, including both volumes and prices, on the National Institute of Statistics (INS) website and in <em>Le Sahel</em> newspaper.</td>
<td>The Recipient has published, starting with December 2013, on quarterly basis information on production of crude-oil and refinery products in <em>Le Sahel</em> newspaper.</td>
</tr>
<tr>
<td>(vi) The recipient adopts an action plan for the restructuring of ONAHA and makes substantive progress in its implementation.</td>
<td>The Recipient has revised the legal framework of its Agency for Irrigation Schemes to establish decentralized water management and extension services by villages or private operators.</td>
</tr>
<tr>
<td>(vii) The Recipient restructures the National Food Office (OPVN) to strengthen the procurement, management, and distribution of the national food reserve on the basis of the recommendations by the Court of Accounts.</td>
<td>The Recipient has strengthened the National Food Product Office’s procurement, management and distribution capacity.</td>
</tr>
<tr>
<td>(viii) The recipient adopts a program for the restructuring of animal food factories.</td>
<td>The Recipient has launched the procedure for the concession of the two animal-feed factories.</td>
</tr>
<tr>
<td>(x) The Recipient issue the remaining implementation regulations and documents for the new procurement code including: (a) Update of the Procurement Code with respect to the Defense and Security Forces; (b) Update other aspects of the Procurement Code; (c) List of documents to be provided by bidders/candidates in order to be eligible; (d) Procurement process deadlines; (e) Procurement sanctions for public officials, bidders and members of commissions; (f) Grouping of procurement; (g) Procurement procedures manual for the Procurement Code; (h) Procurement procedures for local authorities; (i) Procurement procedures manual for public enterprises.</td>
<td>The Recipient has issued implementation regulations for the new Procurement Code, including on: (a) the update of the Procurement Code with respect to the defense and security forces; (b) the list of documents to be provided by bidders/candidates in order to be eligible; (c) procurement process deadlines; (d) procurement sanctions for public officials, bidders and members of commissions; (e) procurement procedure manual for the Procurement Code; (f) procurement procedures for local authorities; and (g) procurement procedure manual for public enterprises.</td>
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## Annex 2: Policy Matrix and Results Framework

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<tbody>
<tr>
<td><strong>Policy Area 1: Establishing a competitive and diversified economy for accelerated and inclusive growth</strong></td>
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<tr>
<td>Reduced transaction costs and more equitable treatment for tax compliance</td>
<td>The Recipient has issued instructions for the selection and execution of tax audits and inspections, containing provisions to reduce multiple firm visits as well as a coherent procedure for the selection of cases that will be examined.</td>
<td></td>
<td></td>
<td>The average number of meetings with tax officials per year, as reported in the <em>Doing Business</em> report</td>
<td>1.6 (2009)</td>
<td>1.4</td>
</tr>
<tr>
<td>Reduced transaction cost for trade</td>
<td>The Recipient has issued a decree to modify the rules governing the National Private Investor Council and convened and held a first meeting of the National Private Investor Council’s members since 2007.</td>
<td>The Recipient has issued regulations concerning road blocks and controls, defining the type of controls, location of road blocks, and recourse mechanisms, in order to minimize the risk of abusive practices for merchandise transport in the Recipient’s territory.</td>
<td></td>
<td>The Recipient, through the Ministry of Economy and Commerce and the Ministry of Finance, has reduced the number of documents required for imports by 3 and the number of documents required for exports by 4.</td>
<td>36 days (DB2012) 63 (DB2012) 3 (2009)</td>
<td>30 50 2</td>
</tr>
<tr>
<td>Increased private sector participation in infrastructure development</td>
<td>The Recipient has adopted a regulatory framework for public-private partnerships which facilitates and creates greater flexibility for public-private collaboration, and includes the general regime for public-private partnership contracts with the regulations for its application and the establishment of a public-private partnership support unit.</td>
<td></td>
<td></td>
<td>The Recipient’s Council of Ministers has adopted and submitted to the National Assembly a new investment code.</td>
<td>0 (2007)</td>
<td>5</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>The total number of PPPs being implemented</td>
<td>0 (2010)</td>
<td>1500</td>
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9 The present indicator is based on a study by the WAEMU observatory for abnormal practices. The Ministry of Commerce also envisages carrying out surveys to monitor progress with respect to reducing the number of road blocks.
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<tbody>
<tr>
<td>Financial viability of the electricity sector</td>
<td></td>
<td></td>
<td></td>
<td>The Recipient: (i) has developed a cost model for the electricity sector</td>
<td>No electricity</td>
<td>An electricity sector specific regulatory framework is established</td>
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<td>providing the information needed to undertake a revision of tariffs in</td>
<td>sector regulator</td>
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<td>electricity sector; and (ii) has commenced the corporate due diligence</td>
<td>exists (2013)</td>
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<td></td>
<td>and an operational and financial audit of NIGELEC.</td>
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<tr>
<td>Increased transparency in the oil sector.</td>
<td></td>
<td></td>
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<td>The Recipient has published, starting with December 2013, on quarterly</td>
<td>0 (2012)</td>
<td>4</td>
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<td></td>
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<td>basis information on production of crude-oil and refinery products in Le</td>
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<td></td>
<td>Sahel newspaper.</td>
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<tr>
<td>Development of a dual apprenticeship system</td>
<td>The Recipient has adopted a</td>
<td>The Recipient has adopted and</td>
<td>The number of out-of-school youth that are registered in dual-apprenticeship</td>
<td>The number of new</td>
<td>0 (2011)</td>
<td>700 (&gt;20%)</td>
</tr>
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<td></td>
<td>new Labor Code, which describes the</td>
<td>submitted to the National Assembly a</td>
<td>programs in the context of the ProDeC project (percentage of girls)</td>
<td>technologies released by NOCs</td>
<td>(2011)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>legal framework for dual</td>
<td>bill designed to provide a</td>
<td></td>
<td>The area cultivate with new technologies (ha)</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>apprenticeships.</td>
<td>comprehensive legal framework</td>
<td></td>
<td>The number of</td>
<td>0 (2011)</td>
<td>108,000</td>
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<tr>
<td></td>
<td></td>
<td>for technical and vocational</td>
<td></td>
<td>new technologies</td>
<td>(2011)</td>
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<td></td>
<td></td>
<td>education and training.</td>
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<td>released by NOCs</td>
<td>(2011)</td>
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<td>The area cultivate with</td>
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<td>new technologies (ha)</td>
<td>(2011)</td>
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<td></td>
<td></td>
<td>The number of</td>
<td></td>
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<tr>
<td>Policy Area 2: Reinforcing food security and promoting sustainable agricultural</td>
<td>The Recipient has made the</td>
<td>The Recipient has established</td>
<td>The number of new technologies released by NOCs</td>
<td></td>
<td></td>
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<tr>
<td>development and adoption of new technologies</td>
<td>Executive Secretariat of the</td>
<td>and commenced implementation of</td>
<td></td>
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<td></td>
<td>National Council for</td>
<td>mechanisms for the competitive</td>
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<tr>
<td></td>
<td>Agricultural Research</td>
<td>financing of agricultural research</td>
<td></td>
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<tr>
<td></td>
<td>operational through the</td>
<td>and the adaptation of technologies to strengthen the link between agricultural research and the needs of producers.</td>
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<td>recruitment of an executive</td>
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<td></td>
<td>secretary, deputy executive</td>
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<td></td>
<td>secretary, an accountant, a</td>
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<tr>
<td>Monitoring and evaluation specialist and support staff, and the provision of adequate funding.</td>
<td>The Recipient has revised the legal framework of its Agency for Irrigation Schemes to establish decentralized water management and extension services by villages or private operators.</td>
<td>The share of total schemes (by number) monitored by ONAHA in which performance is rated as being satisfactory</td>
<td></td>
<td>1,800 (2011)</td>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td>Improving the institutional framework for irrigation development</td>
<td></td>
<td></td>
<td></td>
<td>0 (no data prior to 2013)</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Fostering meat exports.</td>
<td>The Recipient has launched the procedure for the concession of the two animal-feed factories.</td>
<td>The number of operational animal feed factories</td>
<td></td>
<td>0 (2013)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Enhancing the efficiency of the food security system</td>
<td>The Recipient has strengthened the National Food Product Office’s procurement, management and distribution capacity.</td>
<td>The share of public procurement contracts issued by the National Food Product Office that follow public procurement rules</td>
<td></td>
<td>A significant share of contracts did not follow public procurement rules (2010)</td>
<td>90 percent</td>
<td></td>
</tr>
</tbody>
</table>

**Policy Area 3: Enhancing the efficacy of Public Spending**

<table>
<thead>
<tr>
<th>Strengthening of the legal and regulatory framework for public financial management</th>
<th>The Recipient has submitted to its National Assembly a new organic public finance law as the basis for modernizing the Recipient’s public financial management system in a manner consistent with WAEMU directives.</th>
<th>The Recipient has transposed the WAEMU directives with respect to the general regulations governing public accounting, budget nomenclature, government accounting, the chart of accounts and the table for government operations into its national law.</th>
<th>The change in the Recipient’s PEFA scores</th>
<th>2008 score</th>
<th>Change since 2009 +6</th>
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<tr>
<td>Increase in physical inspections to foster improvements in the execution of public procurement contracts</td>
<td>The Recipient has carried out physical inspections of the execution of at least two hundred (200) public procurement contracts of an individual value of more than CFAF 20,000,000 (and thus subject to competitive bidding) awarded in 2011 and has issued a report reflecting findings and containing recommendations in order to ensure value for money in public procurement.</td>
<td>The Recipient’s ministry responsible for finance has created a directorate to supervise state-owned enterprises.</td>
<td>The number of physical inspections of the execution of public-procurement contracts with an individual value of more than CFAF 20,000,000 (and which are thus subject to competitive bidding)</td>
<td>0 (2011)</td>
<td>10 percent</td>
<td></td>
</tr>
<tr>
<td>Strengthen the financial management of state-owned enterprises</td>
<td>The Recipient has nominated public accountants in the directorates of its Ministry of Finance responsible for tax and customs, respectively, as special accountants members of the network of Treasury accountants.</td>
<td>The Recipient has adopted measures to prevent the accumulation of new arrears by four state-owned enterprises: Société Nigérienne d’Electricité, Société d’Exploitation des Eaux du Niger, Société Nigérienne des Télécommunications and Société de Patrimoine des Eaux du Niger.</td>
<td>The change in arrears owed by the state to the specified public enterprises</td>
<td>Increase in arrears during 2010-11 (2011)</td>
<td>Decline in arrears 2013-14</td>
<td></td>
</tr>
<tr>
<td>Strengthened procurement system and increased use of competitive bidding</td>
<td>The Recipient has issued by decree the new Procurement Code and the Procurement Ethics Code.</td>
<td>The Recipient has issued regulations for the implementation of the new Procurement Code, including on: (i) the creation, responsibilities and organization of regional representations of the Public Procurement Regulatory Agency; (ii) the creation, responsibilities, composition, and functioning of</td>
<td>The share of public contracts tendered competitively (by value)</td>
<td>81 (2010)</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The share of public contracts tendered competitively (by number)</td>
<td>68 (2010)</td>
<td>90</td>
<td></td>
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<tr>
<td>Strengthen the transparency of public procurement</td>
<td>The 2007 and 2008 independent audits by the Recipient’s Public Procurement Regulatory Agency have been completed and the Recipient has published: (i) the audit reports on its web site, and (ii) a summary of the auditors’ findings in the <em>Le Sahel</em> newspaper.</td>
<td>Independent audits of public procurement in 2009 and 2010 have been completed and the Recipient has published: (i) the audit reports on its web site, and (ii) a summary of the auditors’ findings in the <em>Le Sahel</em> newspaper.</td>
<td>The number of years since 2007 for which procurement processes have been audited and reports published</td>
<td>documents to be provided by bidders/candidates in order to be eligible; (c) procurement process deadlines; (d) procurement sanctions for public officials, bidders and members of commissions; (e) procurement procedure manual for the Procurement Code; (f) procurement procedures for local authorities; and (g) procurement procedure manual for public enterprises.</td>
<td>0 (2011)</td>
<td>6</td>
</tr>
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ANNEX 3: LETTER OF DEVELOPMENT POLICY

APPUI BUDGETAIRE POUR UN APPUI À LA CROISSANCE PARTAGÉE

LETTRE DE POLITIQUE DE DÉVELOPPEMENT

Février 2014
CONTEXTE

Pays sabélo-saharien, le Niger est un vaste pays d’une superficie de 1 267 000 km² dont les deux tiers (2/3) sont quasi désertiques. En 2013, sa population est estimée à 16 millions d’habitants vivant majoritairement en zone rurale. Le pays est confronté à plusieurs handicaps naturels (aridité du climat, sécheresse, enclavement). Toutefois, il est doté d’énormes potentialités minières, pétrolières, agropastorales, artisanales et touristiques. En outre, le Niger est aujourd’hui un pays producteur de pétrole. La mise en valeur de ces potentialités pourrait être hypothéquée par une situation sécuritaire précaire. Conscient de ces menaces, le gouvernement de la 7ème République s’emploie à leur apporter des solutions dans le cadre d’une politique sécuritaire nationale et sous-régionale.

Le contexte politique reste marqué par le retour à la normalité constitutionnelle, suite à l’adoption d’une constitution par référendum consacrant la 7ème République et la tenue des élections locales, législatives et présidentielles, reconnues par tous, libres et démocratiques, et qui se sont déroulées dans un climat apaisé.

En dépit de la mise en œuvre depuis 2002, des programmes de réduction de pauvreté et de la mise en œuvre du plan de Développement Economique et Social 2012-2015, le niveau de pauvreté reste encore important avec plus de 48% de la population qui vit en dessous du seuil de pauvreté.

La période 2013 reste marquée par les effets des deux exogènes concomitants majeurs — la crise malienne et les mauvais résultats de la campagne agricole 2013—.

Depuis 2010, le Niger fait face à une exacerbation des défis sécuritaires du fait de l’environnement géopolitique régional caractérisé par des conflits dans les pays voisins. En effet, le pays a été notamment le printemps arabe libyen en 2011 suivi de violences intercommunautaires et une crise de l’État au sud du pays, la détérioration de la situation sécuritaire au Mali avec l’occupation d’une partie du territoire par des groupes armés et le climat de violence politico-religieuse au nord du Nigéria.

Les défis sécuritaires se posent d’abord en termes de protection des personnes et de biens afin de consolider les conditions d’un développement économique et social durable. C’est pourquoi le Gouvernement a accru les ressources fiscales allouées afin de renforcer les capacités des forces de défenses et de sécurité. Aussi, les réformes engagées dans ce secteur dont l’adoption du code des marchés publics concernant les besoins de défense et de sécurité nationales (soutenue également par ce Troisième Don pour la Croissance Partagée) vise à renforcer la transparence et une meilleure gestion des ressources allouée à la sécurité.

Ces défis se posent aussi en termes de développement des zones potentielles de conflits afin de prévenir le recrutement des jeunes sans réelles perspectives économiques par des groupes de terroristes ou de trafiquants. C’est pourquoi le Gouvernement poursuit la mise en œuvre de sa Stratégie Sécurité et Développement en Zones Sahelo-Sahariennes élaborée en 2011.

Les défis sécuritaires ainsi que la faible campagne agricole 2013 (déficit de 300 000 tonnes de céréales) ont exercé une pression d’une ampleur macroéconomique. En revanche la meilleure gestion des dépenses de sécurité devrait permettre de limiter le coût des dépenses de sécurité au profit des dépenses publiques de développement. Les ressources provenant des programmes d’appui budgétaire contribuent à renforcer les efforts croissants du gouvernement en faveur des dépenses pro-pauvres.
Tout en gérant ces champs, les autorités ont poursuivi la mise en œuvre du programme de renaissance du Niger du Président de la République. Ce programme repose sur cinq priorités stratégiques : la consolidation de la paix et de la sécurité, le renforcement de la stabilité institutionnelle, la promotion de la bonne gouvernance et lutte contre la corruption, la sécurité alimentaire et le développement du capital humain.

Pour traduire cette vision en actions gouvernementales pour les cinq (5) prochaines années, le Premier Ministre a fixé dans sa Déclaration de Politique Générale les objectifs suivants :

i) Bâtir des institutions démocratiques fortes, crédibles et durables ;
ii) assurer la sécurité des personnes et des biens sur toute l’étendue du territoire national ;
iii) relancer l’économie et promouvoir le développement social à travers des investissements publics ;
iv) assurer la sécurité alimentaire à travers l’initiative « 3N : les Nigériens Nourrissent les Nigériens » ;
v) assurer l’accès à l’eau potable pour tous à travers la réhabilitation et la construction d’ouvrages hydrauliques urbains, ruraux et pastoraux ;
vii) développer les infrastructures et l’énergie par des investissements dans les routes, les pistes rurales, l’électricité et les chemins de fer et les investissements aéroportuaires ;
viii) améliorer significativement les indicateurs sociaux (éducation et santé) ;

Ces objectifs sont regroupés en trois axes stratégiques d’intervention qui sont :

1. la promotion d’une économie de croissance et de développement durable ;
2. la promotion du développement social ;
3. la promotion de la bonne gouvernance.

Par ailleurs, en 2013, le Gouvernement a mis en œuvre un programme de réformes des politiques de croissance, appuyée par un appui budgétaire de la Banque Mondiale dont le but est d’aider à lever les contraintes liées aux politiques et les goulots d’étranglement institutionnels qui entravent la croissance par : i) l’amélioration du cadre des affaires, ii) la poursuite des réformes des marchés publics, iii) la promotion de la croissance du secteur rural, et iv) la poursuite des réformes dans la gestion des finances publiques.

Il convient de souligner qu’au plan de la promotion de la bonne gouvernance, d’importants résultats ont été atteints. Ainsi, plusieurs organes de l’administration ont fait l’objet de contrôles dont certains ont entraîné des poursuites judiciaires.

La présente Lettre de Politique de Développement a été élaborée dans le cadre de la mise en place du troisième don à la croissance partagée, dont l’objectif est de soutenir les réformes visant à promouvoir la croissance économique inclusive et à accroître l’efficacité de la dépense publique au Niger.
Elle s’inspire largement du Plan de Développement Economique et Social 2012-2015, dont la vision est : « L’édification d’un pays émergent, bâti sur une économie dynamique, diversifiée, durable et harmonieusement répartie sur le territoire national, une République moderne, démocratique, citoyenne et bien gouvernée, une Nation riche de sa culture et de ses valeurs partagées, une société ouverte sur le monde et attachée au savoir et à l’innovation technologique, prospère, équitable, solidaire, unie et en paix, engagée à favoriser l’intégration africaine.

I. STRATEGIE ET OBJECTIFS

Les Autorités de la 7ème République ont décidé de repenser la gestion du développement, en réhabilitant le système de planification stratégique abandonné au profit de la gestion à court terme. A travers cette démarche de gestion du développement, les ambitions du gouvernement sont i) de rétablir la souveraineté du pays sur sa vision de développement et ses choix de priorités d’investissements ; et ii) de garantir une coordination efficace de la promotion d’un développement durable.

Dans ce cadre, le Gouvernement a élaboré et adopté un Plan de Développement Economique et Social (PDES) 2012-2015 qui a fait l’objet d’une table ronde des bailleurs de fonds en novembre 2012.

Le PDES se veut le cadre unique de référence des interventions au titre de l’agenda du développement du Gouvernement pour le moyen terme et est aligné sur les OMD.

Sur la base de la vision retenue, le Niger ambitionne d’atteindre les dix (10) principaux résultats stratégiques suivants à l’horizon 2015 : (1) les aspirations des citoyens à la sécurité sont satisfaites ; (2) l’équité et l’égalité des citoyens aux services publics sont garanties ; (3) les institutions démocratiques et républicaines sont crédibles ; (4) le niveau de développement social est significativement amélioré ; (5) les Nigériens assurent de manière durable leur sécurité alimentaire ; (6) la croissance économique est forte et soutenue, inclusive, créatrice d’emplois ; (7) les jeunes sont intégrés dans le circuit économique ; (8) les ressources environnementales sont préservées et gérées de manière durable ; (9) la gestion du développement est facilitée ; (10) les inégalités inter et intra régionales sont atténuées.

Orientations stratégiques du PDES

Cinq (5) axes stratégiques complémentaires et interdépendants sont identifiés pour atteindre les principaux résultats assignés au PDES. Ce sont :

i) **Axel** : les conditions de durabilité d’un développement équilibré et inclusif,

L’approche préconisée en faveur de l’accélération de la croissance a pour base essentielle l’affermissement des bases de l’économie et le renforcement de son potentiel à réaliser un rythme de croissance accéléré, tout en consolidant les fondements d’un développement durable.
Il s’agira dans un premier temps de garantir la pérennité des conditions d’une croissance inclusive durable et équitable. Pour ce faire, et compte tenu des contraintes propres au Niger, certains éléments constituent des préalables à la conduite d’une politique publique volontariste et durable.
Il est en effet indispensable que le Niger garantisse (i) la paix et la sécurité, notamment en réponse aux menaces potentielles exogènes, (ii) une maîtrise de la croissance démographique, sans laquelle les efforts pour une croissance forte ne pourront pas porter leurs fruits, (iii) une préservation et une gestion durable des ressources naturelles, compte tenu de la fragilité de la biodiversité nationale et de l’exposition de la production nationale aux aléas climatiques et (iv) un développement régional équilibré, afin de permettre une répartition des fruits de la croissance qui puisse être durable.

ii) **Axé2** : la consolidation de la crédibilité et de l’efficacité des institutions publiques,

L’axe n°2 permettra l’atteinte des résultats stratégiques de garantie de l’équité et de l’égalité des citoyens aux services publics et d’une crédibilisation accrue des institutions démocratiques et républicaines. Dans ce cadre, il s’agira de garantir l’instauration d’une culture de résultats, de reddition des comptes et de redevabilité de l’action publique envers le citoyen. Ce changement ciblera six domaines principaux : (i) la gestion des finances publiques, (ii) le pilotage de l’économie, (iii) le fonctionnement des institutions constitutionnelles, (iv) la justice et les droits de l’homme, (v) la gouvernance locale et (vi) le fonctionnement amélioré de l’Administration publique.

iii) **Axé3** : la sécurité alimentaire et le développement agricole durable


iv) **Axé4** : la promotion d’une économie compétitive et diversifiée pour une croissance accélérée et inclusive

Le nouveau modèle de croissance implique l’adoption d’une nouvelle vision des politiques sectorielles afin de tenir compte des différents défis et de favoriser une transformation de la structure de l’économie à long terme. Les leviers de la croissance sont donc clairement identifiés comme étant les industries extractives, tant les mines que le pétrole et les industries induites par ces exploitations. Les importantes potentialités et richesses naturelles et minières dont regorge le Niger permettent d’envisager une restructuration de son économie qui puisse constituer une base de croissance forte à long terme. Il s’agira en particulier de répartir les fruits de la croissance induite pour constituer les bases de développement de l’ensemble de l’économie.

v) **Axé5** : la promotion du développement social.

Afin de renforcer les acquis en matière de développement social, une attention particulière devrait être accordée aux points ci-après visant à améliorer l’accès aux
services sociaux de base, notamment grâce à une utilisation rationnelle des ressources financières internes:

Le Niger a conclu avec le FMI un accord sur la Facilité d'Elargissement de Crédit (FEC) qui a été approuvé par le Conseil d'administration de cette institution le 16 mars 2012.

Ce Programme, qui couvre la période 2012-2014, vise à :

- Préservé la stabilité macroéconomique tout en améliorant la résistance du pays à faire face aux chocs éventuels ;
- Rationaliser la gestion des finances publiques et de la dette ;
- Mettre en place un cadre juridique et de contrôle transparent pour les secteurs minier et pétrolier ; et
- Appuyer le développement des secteurs privé et financier.

Les actions prioritaires de ce Programme portent à moyen terme sur la mise en œuvre d'une politique budgétaire visant à préserver la viabilité de la dette publique tout en dégageant une marge de manœuvre pour accroître les dépenses d'investissement, la poursuite de la réforme dans les régies financières par le contrôle des exonérations et l'amélioration du climat des affaires pour encourager le développement du secteur privé.

La mise en œuvre du PDES appuyée par la FEC suscite beaucoup d'espoir. Ainsi, à terme, l'économie nigérienne pourrait aboutir à un taux de croissance économique de l'ordre de 8 % pour la période 2012-2015. Pour 2013, le taux de croissance a été estimé à 3,6% contre 11,2% en 2012 et un taux d'inflation qui se situerait à en deçà de 3% conforme à la norme de l'UEMOA. La décelération de la croissance économique en 2013 est due principalement à la mauvaise récolte agricole et dans une certaine mesure aux attaques terroristes sur le site de production de l'uranium.

Le présent don, qui est la troisième opération d'appui à la croissance partagée soutenue par la Banque mondiale, appuiera les réformes pour atteindre les objectifs suivants :

(i) Amélioration du climat des affaires pour le développement de l'investissement privé et le commerce,
(ii) Accroissement de la productivité agricole à travers le développement de l'irrigation ;
(iii) Amélioration de la qualité de la gestion des finances publiques et
(iv) Amélioration de l'efficacité de l'administration publique.

**III. MISE EN PLACE D'UNE ECONOMIE COMPETITIVE ET DIVERSIFIEE POUR UNE CROISSANCE ACCELEREE ET INCLUSIVE**

Le secteur privé au Niger est essentiellement composé de micro de moyennes et de petites entreprises qui interviennent surtout dans le secteur informel. Le développement du secteur privé est entravé par l'environnement peu favorable aux investissements en raison des difficultés d'accès au financement, des coûts de facteurs élevés liés à l'insuffisance des infrastructures, de la main d'œuvre qualifiée et, de l'énergie.
C’est pourquoi, le Gouvernement a fait du secteur privé un instrument de la croissance économique. L’axe 4 du PDES 2012-2015, porte sur la création d’une économie compétitive et diversifiée pour une croissance accélérée et inclusive. Pour l’amélioration du climat des affaires, il s’avère nécessaire de simplifier le cadre réglementaire, améliorer le système judiciaire et juridique, faciliter l’accès au financement, encourager la création et le développement des micro et petites entreprises grâce à l’amélioration du climat des affaires. Au développement des relations avec l’extérieur, à l’amélioration de la compétitivité. A cet effet, il s’est engagé à tout mettre en œuvre pour améliorer le climat des affaires. Dans ce sens, le Gouvernement a élaboré et mis en œuvre, durant 2013, un plan d’actions de l’amélioration du climat des affaires.

**Elaboration d’un nouveau Code des investissements (action préalable 1)**


**Elimination des obstacles au commerce (action préalable 2)**

En dépit de la politique de libéralisation du commerce intervenue depuis les années 1980, le commerce international continue à être confronté à des contraintes.

L’insuffisance des infrastructures de liaison et la persistance des mesures administratives n’ont pas permis de réduire les longs délais constatés dans le mouvement des marchandises.

Aussi, pour améliorer la fluidité des échanges commerciaux, le Gouvernement a adopté un arrêté interministériel du Ministre chargé des Finances et du Ministre chargé du Commerce qui a ramené le nombre de documents nécessaires pour l’exportation à 4 et pour l’importation à 6.

A terme, le temps de transaction pour les importations et les exportations sera réduit car le Gouvernement est en train de prendre des dispositions pour mettre en place un guichet unique des douanes.

**Amélioration de l’efficacité dans le secteur de l’énergie (action préalable 3)**

Les fréquentes suspensions de la fourniture d’énergie électrique constituent une contrainte majeure pour les activités économiques au Niger. En outre, le faible taux d’accès à l’électricité ne permet pas d’initier des activités non agricoles dans les zones rurales où vivent la majorité de la population.

Pour y remédier et en même temps réduire la dépendance vis-à-vis du Nigeria pour l’approvisionnement en énergie électrique, le Gouvernement s’est engagé dans la construction à court terme d’une centrale thermique de 100 MW à Niamey, lieu de concentration de l’essentiel du tissu industriel. A moyen et long terme, il est prévu la construction d’une centrale de 200 MW à charbon et d’une centrale hydroélectrique au niveau du barrage de Kandadjâ.
En outre, les autorités entendent améliorer la viabilité financière de la NIGELEC, société qui a la responsabilité de la production, du transport et de la distribution de l’électricité.

Pour lever toutes ces contraintes et créer les conditions de la viabilité de la NIGELEC, un audit organisationnel et financier de cette société a démarré depuis décembre 2013. De même, il existe un modèle financier qui va faciliter la prise de décision en matière de l’équilibre financier du secteur de l’électricité au Niger.

Renforcement du cadre juridique de l’enseignement et la formation professionnelle (action préalable 4)

L’insuffisance des compétences constitue une contrainte majeure pour la croissance économique, le développement du secteur privé et la création d’emploi. Aussi, est-il important de mettre l’accent sur l’éducation et le développement des compétences.

Le Gouvernement s’est engagé à développer la formation professionnelle par un plus grand accès des jeunes aux centres de formation, un renforcement des capacités des formateurs et une plus grande concertation avec les entreprises pour favoriser les stages et les apprentissages. En outre, le Gouvernement, à travers la création d’un ministère spécifique dédié à la formation et professionnelle et l’emploi, améliorer la coordination entre les divers ministères, partenaires et institutions pour une plus grande cohérence dans les actions de formation professionnelle. Un partenariat étroit est développé avec les entreprises pour le choix des filières et les apprentissages.

Aussi, le nouveau Code de Travail, entré en vigueur le 25 septembre 2012, compte des dispositions qui servent de base à la mise en œuvre d’un système d’apprentissage par alternance.

Protection sociale

L’absence d’un système de filet de social au Niger impose des coûts économiques substantiels. De nombreux Nigériens sont très vulnérables aux imprévus et aux inondations. L’absence de programmes de protection sociale efficaces peut conduire à une perte permanente de capital physique et humain. Le PDES prévoit un cadre de protection sociale qui protège ces groupes vulnérables.

Dans ce cadre, le gouvernement a adopté une Stratégie Nationale de Protection Nationale qui met l’accent sur l’amélioration de l’efficacité, de la portée et de la coordination des programmes en la matière. Un comité interministériel assure le suivi, la coordination et la mise en œuvre de cette stratégie.

Améliorations de la transparence dans la gestion du secteur pétrolier (action préalable 5)

Depuis novembre 2011, le Niger est devenu producteur de pétrole et a cessé d’être importateur de produits pétroliers. Face à certaines difficultés constatées, l’État a pris des dispositions pour améliorer le fonctionnement et la viabilité des industries et de l’exploitation des ressources pétrolières.
Ainsi, l'État a réalisé un audit de la Société de raffinerie de Zinder et un plan d'actions est en cours de mise en œuvre.

En outre, depuis septembre 2013, les autorités publient trimestriellement les informations sur la production, la consommation et les exportations ainsi que les recettes qui en sont issues. Dans le cadre d'une plus grande transparence des informations relatives au secteur du pétrole et de l'énergie, le Gouvernement a créé un bulletin mensuel dénommé « L'étincelle » qui diffuse toutes les données statistiques relevant des secteurs.

IV. DEVELOPPEMENT AGRICOLE ET RURAL

Le secteur rural en raison de son poids dans l'économie tant par sa contribution qui est de l'ordre de 40% au PIB et par l'importance de la population concernée (80%)est au cœur de la stratégie du développement du Gouvernement. Cependant, ce secteur reste confronté à de nombreux problèmes tels que la faible productivité, les aléas climatiques, le faible niveau d'encadrement des paysans, l'insuffisance de la recherche et de la vulgarisation, la faible superficie des terres irriguées.

Le Gouvernement a élaboré une stratégie cohérente de développement de la production agricole et de sécurité alimentaire, intitulée, Programme « Initiative 3N », « les Nigériens Nourrissent les Nigériens ». Ce programme vise l'augmentation de la production grâce entre autres à une meilleure utilisation des résultats de la recherche, le renforcement de la résilience aux changements climatiques par notamment le développement de l'irrigation. Dans ce cadre, le gouvernement a mis en place une stratégie dont les composantes portent sur :

- Le renforcement de services de recherche et de vulgarisation
- L'Amélioration du cadre réglementaire pour le développement de l'irrigation
- La Création d'un système efficace de valeur ajoutée dans le secteur de l'élevage

**Amélioration du cadre réglementaire pour le développement de l'irrigation (action préalable 6)**

Le développement de l'irrigation permettra de réduire la vulnérabilité à l'insuffisance de la pluviométrie et d'augmenter la production agricole. Toutefois, le développement de l'irrigation est entravé par, entre autres, l'insuffisance d'investissements et la gestion inefficace des infrastructures d'irrigation.

Dans ce cadre les cultures de contre saison sont privilégiées comme facteur d'intensification de production agricole et activités génératrices de revenus pour les femmes.

Le Gouvernement a pris des mesures pour améliorer le cadre institutionnel de l'irrigation notamment par la restructuration de l'Office National des Aménagements Hydro Agricoles (ONAHA) sur la base des conclusions d’une étude.
Une ordonnance signée le 3 janvier 2014 a consacré cette réforme de l’ONAH. Cette ordonnance met l’accent sur le rôle complémentaire des organismes agricoles privés communautaires conformément au plan d’actions de la mise œuvre de l’Initiative 3 N.

Amélioration de l’efficacité du système de sécurité alimentaire (action préalable 7)

L’amélioration de la sécurité alimentaire passe outre par le développement de la production, mais aussi, par l’amélioration de la gestion de l’Office des produits vivriers du Niger (OPVN), chargé de la gestion de la réserve stratégique.


Création d’un système efficace de valeur ajoutée dans le secteur de l’élevage (action préalable 8)

Les produits de l’élevage constituent près du quart des exportations du Niger hors mines et a un fort potentiel de développement. Le développement de l’élevage est, toutefois, confronté à des problèmes d’organisation de la filière et d’absence de valeur ajoutée pour les exportations.

Le Gouvernement adoptera et mettra en œuvre des mesures pour améliorer la production d’aliment de bétail et la gestion des abattoirs sur la base d’une étude qui évaluerà, entre autres, le rôle du secteur public et du secteur privé dans leur gestion. C’est ainsi, qu’il a lancé le processus de mise en concession des deux usines aliments bétail dont dispose le pays en décembre 2013.

V. AMELIORATION DE L’EFFICACITE DE LA DEPENSE PUBLIQUE

L’amélioration de l’efficacité de la dépense publique constitue une préoccupation pour le Gouvernement. A cet effet, les mesures ci-après seront mises en œuvre.

Renforcement des systèmes de gestion des finances publiques (action préalable 9)

Le gouvernement intensifiera les réformes en matière de gestion des finances publiques.

Le Gouvernement dispose d’un programme global de réformes gestion des finances publiques pour la période 2013-2015. Ce plan indique les réformes à mener notamment en matière de recouvrement des recettes fiscales, de la préparation et de l’exécution du budget, d’établissement des comptes financiers, de contrôles et de transparence, de la gestion de trésorerie, de la dette et de la passation des marchés publics.
Dans le cadre de la mise en œuvre de ce Plan, plusieurs actions et mesures ont été déjà prises. Il s’agit, notamment de l’adoption d’une nouvelle loi de finances organique conforme aux directives de l’UEMOA, de la nomination des receveurs au sein des administrations de la Direction Générale des Impôts (DGI) et de la Direction Générale des Douanes (DGD) en tant que comptables spéciaux relevant du réseau comptable du Trésor, et de l’élaboration du rapport des contrôles physiques inopinés des marchés soumis à appel d’offres.

Dans le souci d’un meilleur contrôle des entreprises publiques, le Gouvernement a créé une d’une direction dédiée à cette tâche au sein du ministère chargé des finances.

D’ores et déjà, le Gouvernement a pris des mesures pour contrôler la consommation publiques d’eau, d’électricité et de téléphone afin d’assurer le paiement en temps opportun des factures de l’État auprès des entreprises concernées et éviter ainsi l’accumulation des nouveaux arriérés. Le Gouvernement poursuivra ses efforts également pour l’apurement des arriérés accumulés auprès des entreprises qui fournissent les services de l’eau, l’électricité et de technologies de l’information et de communication.

Renforcement des systèmes de passation des marchés publics (action préalable 10)

L’efficience de l’utilisation des ressources publiques repose entre autres, sur un système de passation de marchés basé sur un respect strict des règles de concurrence. Poursuivant les réformes entreprises dans ce domaine, le Gouvernement a adopté de nouveaux textes en matière de passation de marchés publics dont notamment: (a) la mise à jour du Code des marchés publics en ce qui concerne les forces de défense et de sécurité ; (b) la liste des documents à fournir par les soumissionnaires/candidats à un appel d’offres pour être éligibles ; (c) les délais de la procédure de passation des marchés ; (d) les sanctions en matière de passation des marchés s’appliquant aux agents publics, aux soumissionnaires et aux membres des commissions ; (e) le manuel de procédures de passation des marchés du Code des marchés publics ; (f) les procédures de passation des marchés des collectivités territoriales ; et (g) le manuel de procédures de passation des marchés des entreprises publiques.

La mise à jour du code des marchés publics en ce qui concerne les forces de défense et de sécurité vise à renforcer la transparence dans l’allocation des ressources allouées au secteur de la sécurité. Quant au décret sur les sanctions, il vient combler un vide juridique relatif aux sanctions à subir en cas de manquements aux règles régissant les marchés publics au Niger.


VI DOMAINES DE REFORMES FUTURES

Pour la promotion d’une croissance économique inclusive et l’efficacité de la dépense publique, le Gouvernement a mis en œuvre avec succès un certain nombre de réformes macroéconomiques et structurelles soutenues par un premier programme triennal d’appui à la croissance partagée.
Afin de renforcer cette dynamique, les réformes futures du Gouvernement porteront notamment :

(i) Le secteur de l’énergie : il s’agira d’entreprendre un audit organisationnel et la formulation d’un plan tarifaire du secteur ainsi que la mise en place d’une structure de régulation du secteur de l’énergie et des hydrocarbures ;

(ii) Le développement rural : les réformes engagées seront poursuivies et consolidées notamment la mise en concession des usines d’aliments de bétail ainsi que la réhabilitation des abattoirs frigorifiques. Dans le domaine de l’irrigation, la réalisation des infrastructures sera poursuivie et intensifiée. L’équipement et l’appui conseil aux producteurs et la sécurisation foncière devront être assurés.

(iii) Les finances publiques : les réformes engagées seront poursuivies et intensifiées en matière de gestion des finances et de l’efficacité de la dépense publique dont notamment l’accélération de la mise en œuvre des investissements publics.

VIII. DISPOSITIF DE SUIVI DE LA MISE EN ŒUVRE DU CREDIT A L’APPUI DE LA CROISSANCE PARTAGEE

Le Programme des réformes structurelles convenues dans le cadre du Crédit d’Appui à la Croissance Partagée (CCP) est coordonné par le Ministère du Plan, de l’Aménagement du Territoire et du Développement Communautaire travaillant en étroite collaboration avec le Ministère des Finances, les ministères techniques et les institutions concernées.

Un dispositif institutionnel pour la préparation et le suivi de la mise en œuvre des programmes de réformes soutenus par les différents bailleurs de fonds intervenant sous forme d’appui budgétaire, sera mis en place au Ministère du Plan, de l’Aménagement du Territoire et du Développement Communautaire en concertation avec le Ministère des Finances et les autres ministères techniques et institutions concernées.

Niamey, le 19 février 2014

Ministre d’État, Ministre du Plan, de l’Aménagement du Territoire et du Développement Communautaire
Gouverneur de la Banque Mondiale pour le Niger

AMADOU BOUBACAR CISSE
BUDGET SUPPORT FOR SHARED GROWTH

LETTER OF DEVELOPMENT POLICY

February 2014
CONTEXT

Niger is a vast Sahel-Saharan country covering an area of 1,267,000 km², two-thirds of which is virtually desert land. In 2013, it had an estimated population of 16 million people, the majority of whom live in rural areas. Although Niger is beset by several natural handicaps (arid climate, drought, its landlocked position), it nevertheless has enormous potential in mining, oil, agriculture and livestock, handicraft, and tourism. Niger is also now an oil-producing country. The development of these promising sectors could be jeopardized by a precarious security situation. Cognizant of these threats, the Government of the 7th Republic is seeking to provide solutions in the context of a national and subregional security policy.

The political context is characterized by the return to constitutional order, following the adoption of a constitution by referendum establishing the 7th Republic, and the organization of local, legislative, and presidential elections that were recognized by all as being free and democratic and were held in a peaceful atmosphere.

Despite the implementation of poverty reduction programs since 2002 and the implementation of the 2012-2105 Economic and Social Development Plan, poverty remains high, with over 48 percent of the population living below the poverty line.

The year 2013 was marked by the impact of two concurrent major shocks—the Malian crisis and the dismal 2012-2013 harvest season.

Owing to a regional geopolitical environment characterized by conflicts in neighboring countries, Niger has been grappling with worsening security challenges since 2010. The country has been affected in particular by the 2011 Libyan Arab Spring, which was followed by intercommunity violence and a crisis in the southern part of the country, by the deteriorating security situation in Mali with the occupation of a part of the country by armed groups, and by the politico-religious violence in northern Nigeria.

First, Niger is facing security challenges relating to the protection of persons and goods, as the Government aims to improve the conditions for sustainable economic and social development. The Government therefore increased the budget resources allocated to strengthen the capacity of the defense and security forces. Reforms underway in this sector, including the adoption of the aspects pertaining to national defense and security requirements in the procurement code (supported as well by this Third Shared Credit), seek to enhance transparency and improve management of the resources allocated for security. The Government must also contend with challenges pertaining to the development of potential conflict zones, with a view to preventing the recruitment by terrorist groups or traffickers of young people with no real economic prospects. The Government is therefore continuing to implement its Strategy for Development and Security in the Sahel-Saharan Areas, which was developed in 2011.

The security challenges and the poor harvest season in 2013 (grain deficit of 300,000 metric tons) constitute a macroeconomic burden. However, improved management of security expenditures is expected to reduce these expenditures to the benefit of public expenditure on
development. Resources from budget support programs help strengthen the Government’s increasing pro-poor expenditures.

While managing these shocks, the authorities have continued to implement the Nigerien President’s Niger Renaissance Program, which is based on five strategic priorities: peace and security building; institutional stability strengthening; good governance and anti-corruption; food security; and human capital development.

In order to translate this vision into actions over the next five years, the Prime Minister set the following objectives in his General Policy Statement:

i) Build strong, credible, and sustainable democratic institutions;
ii) Ensure the security of persons and goods throughout the country;
iii) Relaunch the economy and promote social development through public investments;
iv) Ensure food security through the 3N Initiative (Nigeriens Feeding Nigeriens);
v) Ensure access to drinking water for all through the rehabilitation and construction of water infrastructure in urban, rural, and rangeland areas;
vi) Develop infrastructure and energy by investing in highways, rural roads, electricity, the railway sector, and in airport infrastructure;
vii) Significantly improve social indicators (health and education); and
viii) Create jobs for young people.

These objectives are grouped into three strategic areas of intervention:

1. The promotion of an economy based on growth and sustainable development;
2. The promotion of social development; and
3. The promotion of good governance.

In 2013, the Government also implemented a growth policy reform program, with budget support from the World Bank. This budget support is aimed at removing policy constraints and institutional obstacles hindering growth by (i) improving the business environment; (ii) continuing public procurement reforms; (iii) promoting the growth of the rural sector; and (iv) continuing public finance management reforms.

It should be noted that significant gains have been made in the promotion of good governance. For example, audits have been conducted in several government bodies, resulting in some cases in judicial proceedings.

This Letter of Development Policy was prepared in the context of the implementation of the Third Shared Growth Credit, which seeks to support reforms aimed at promoting inclusive economic growth and improving public expenditure efficiency in Niger.
It draws largely on the 2012-2015 Economic and Social Development Plan, the vision of which is to Build an emerging country, based on a dynamic, diversified, sustainable and harmonious economy across the entire country; a modern, democratic, civic-minded, and well-governed republic, a nation rich in culture and shared values, an outward-looking society open to knowledge and technological innovation, a society that is prosperous, equitable, inclusive, and united, living in peace and committed to promoting African integration.

I. STRATEGY AND OBJECTIVES

The authorities of the 7th Republic decided to rethink the management for development process, by restructuring the strategic planning system that had been abandoned in favor of short-term management. Under this management for development approach, the Government’s objectives are to (i) restore the country’s control over its development vision and its priority investment choices; and (ii) ensure effective coordination of the promotion of sustainable development.

To this end, the Government drafted and adopted a 2012-2015 Economic and Social Development Plan (PDES), which was presented at a donor round table in November 2012.

The PDES serves as the sole frame of reference for interventions under the Government’s medium-term development agenda and is consistent with the MDGs.

Based on the vision identified, Niger is seeking to achieve the following ten key strategic outcomes by 2015: (1) the citizens’ security expectations are met; (2) equitable and equal access to public services is guaranteed to all citizens; (3) institutions of democracy and of the republic are credible; (4) the level of social development is considerably improved; (5) the Nigerien people sustainably ensure their food security; (6) economic growth is strong, sustained, inclusive, and focuses on job creation; (7) young people are integrated into the economy; (8) environmental resources are preserved and managed in a sustainable manner; (9) management for development is facilitated; and (10) inter- and intra-regional disparities are reduced.

Strategic directions of the PDES

Five additional and interdependent strategic pillars have been identified to achieve the main outcomes of the PDES.

i) **Pillar No. 1**: Conditions for sustained balanced and inclusive development

The recommended approach for accelerating growth mainly entails strengthening the foundations of the economy and boosting its potential to achieve an accelerated rate of growth, while also strengthening the foundations for sustainable development. The first step is to ensure lasting conditions for inclusive, sustainable, and equitable growth. To this end and in light of Niger’s particular constraints, certain preconditions must be put in place for the implementation of a proactive, sustainable public policy.
Indeed, Niger must ensure the following: (i) peace and security, in particular in response to potential exogenous threats; (ii) population growth control, without which efforts to promote robust growth will not bear fruit; (iii) the preservation and sustainable management of natural resources, in view of the fragility of the country’s biodiversity and the vulnerability of domestic production to climate risks; and (iv) balanced regional development, in order to facilitate the sustainable distribution of the benefits of growth.

ii) **Pillar No. 2:** Enhanced credibility and effectiveness of public institutions

Pillar No. 2 will contribute to efforts to achieve the strategic outcomes of guaranteeing equal and equitable access by all citizens to public services and enhance the credibility of institutions of democracy and of the republic. To this end, the objective will be to instill a results-based culture, as well as a culture of accountability and reporting to citizens. This change will target the following six major areas: (i) public finance management; (ii) management of the economy; (iii) the functioning of constitutional institutions; (iv) justice and human rights; (v) local governance; and (vi) the improved functioning of the government.

iii) **Pillar No. 3:** Food security and sustainable agricultural development

With a view to finding lasting solutions to the problem of food insecurity, the authorities of the 7th Republic made the decision to implement the 3N Initiative “Nigeriens Feeding Nigeriens.” The strategic framework of the 3N Initiative tackles the root causes of food and nutritional insecurity, and proposes suitable responses to emergency situations and precarious economic conditions that a significant percentage of the Nigerien population could face.

iv) **Pillar No. 4:** Promotion of a competitive and diversified economy for accelerated and inclusive growth

The new growth model entails the adoption of a new vision of sectoral policies aimed at taking the various challenges into account and promoting the long-term transformation of the economy’s structure. The extractive industries, including mining and oil and other related industries, have thus been clearly identified as the engines of growth. Owing to its tremendous potential and wealth of natural and mining resources, Niger can put plans in place to restructure its economy with a view to laying the foundation for long-term robust growth. The specific goal will be to distribute the benefits of this growth with a view to laying the foundation for the development of the entire economy.

v) **Pillar No. 5:** Promotion of social development

In order to build on the gains made in the area of social development, particular attention should be paid to the points set forth below, which are aimed at improving
access to basic social services, in particular through the efficient use of domestic financial resources:

Niger signed an Expanded Credit Facility (ECF) agreement with the IMF, which was approved by the IMF’s Executive Board on March 16, 2012.

This program, which covers the 2012-2014 period, seeks to:

- Maintain macroeconomic stability while increasing the country’s resilience to shocks;
- Streamline public finance and debt management;
- Put in place a transparent legal and supervisory framework for the mining and oil sectors; and
- Support private and financial sector development.

In the medium term, this program’s priority actions focus on the implementation of a fiscal policy aimed at maintaining public debt sustainability while creating fiscal space for increased development spending, continuing reform of financial administrations through control of exemptions, and improving the business climate to foster private sector development.

The implementation of the PDES, supported by the ECF arrangement, has generated much hope. The Nigerien economy could, therefore, ultimately achieve an economic growth rate of 8 percent during the 2012-2015 period. For 2013, the growth rate was estimated at 3.6 percent, compared to 11.2 percent in 2012, and the inflation rate was projected to be lower than 3 percent, the WAEMU standard. The slowdown in economic growth in 2013 is attributable primarily to the poor harvest season and, to some extent, to the terrorist attacks at the uranium production sites.

This credit, which is the Third Shared Growth Credit supported by the World Bank, will support the reforms to achieve the following objectives:

(i) Improve the business climate for the development of private investment and trade;
(ii) Increase agricultural productivity through irrigation development;
(iii) Improve the quality of public finance management; and
(iv) Enhance government efficiency.

II. ESTABLISHMENT OF A COMPETITIVE AND DIVERSIFIED ECONOMY FOR ACCELERATED AND INCLUSIVE GROWTH

Niger’s private sector essentially comprises micro, small, and medium enterprises that operate primarily in the informal sector. Private sector development is hampered by a business climate unfavorable to investment, as a result of difficulties in accessing financing, high factor costs associated with the dearth of infrastructure, skilled human resources, and energy.
The Government has therefore made the private sector an engine of economic growth. Pillar 4 of the 2012-2015 PDES focuses on the establishment of a competitive and diversified economy for accelerated and inclusive growth. Enhancing the business environment entails simplifying the regulatory framework, improving the judicial and legal system, facilitating access to financing, and promoting the creation and development of micro and small enterprises, through an improved business climate, the development of external relations, and increased competitiveness. The Government undertook, therefore, to make every effort to improve the business climate, and drafted and implemented a business climate improvement action plan in 2013.

**Preparing a new investment code (prior action No. 1)**

In order to make Niger more attractive to investors, the Government adopted a new investment code in December 2013 and submitted it to the National Assembly for approval. The new investment code will enhance, in particular, the transparency and predictability of investment incentives in the productive sectors. This code will be widely circulated in 2014.

**Removing obstacles to trade (prior action No. 2)**

Despite the existence since the 1980s of the trade liberalization policy, international trade is still hampered by constraints.

The paucity of connective infrastructure and the continuation of administrative measures have not facilitated a reduction in the long delays observed in the movement of goods.

Consequently, in order to improve trade flows, the Government adopted an interministerial decree issued by the Minister of Finance and the Minister of Trade, which reduced the number of documents required for exports to four, and to six the number of documents required for imports.

The transaction times for imports and exports will ultimately be reduced, because the Government is currently taking steps to establish a one-stop shop for customs clearance.

**Enhancing efficiency in the energy sector (prior action No. 3)**

The frequent power supply disruptions are a major constraint to economic activity in Niger, and the low rate of access to electricity is preventing the launch of non-agricultural activities in the rural areas where the majority of the Nigerien people live.

In a bid to address this situation and reduce Niger’s dependence on Nigeria for its electricity supply, in the short term the Government has committed to the construction of a 100 MW thermal plant in Niamey, where most of the country’s industries are located. Plans are in place for the construction of a 200 MW coal plant and a hydroelectric plant at the Kandadji dam in the medium and long term.
The authorities also intend to boost the financial sustainability of NIGELEC, the company responsible for power generation, transmission, and distribution.

An audit of this company’s finances and organizational structure was launched in December 2013 with a view to removing all of these constraints and creating the conditions to ensure NIGELEC’s financial viability. A financial model to facilitate decision making with respect to the financial equilibrium of Niger’s electricity sector is also in place.

**Strengthening the legal framework for education and vocational training (prior action No. 4)**

The dearth of skilled human resources is a major constraint to economic growth, private sector development, and job creation. Focusing on education and skills development is therefore essential.

The Government has undertaken to develop vocational training by providing young people with greater access to training centers, building trainer capacity, and increasing collaboration with enterprises to promote internships and apprenticeships. The Government is also seeking to establish a ministry specifically focused on vocational training and education, with a view to improving coordination between ministries, partners, and institutions to ensure greater consistency in vocational training activities. A close partnership is being forged with enterprises for the selection of sectors and apprenticeships.

In addition, the new Labor Code, which came into force on September 25, 2012, includes provisions that serve as the basis for implementing a school/work-based apprenticeship system.

**Social protection**

The absence of social safety nets in Niger imposes substantial economic costs. Many Nigeriens are highly vulnerable to such unpredictable major exogenous shocks as droughts and floods. The lack of effective social safety net programs may result in a permanent loss of physical and human capital. The PDES makes provision for a social protection framework that protects these vulnerable population groups.

To this end, the Government adopted a National Protection Strategy [Stratégie Nationale de Protection Nationale] that focuses on enhancing the effectiveness, scope, and coordination of programs in this area. An interministerial committee is responsible for monitoring, coordinating, and implementing this strategy.

**Enhancing transparency in the management of the oil sector (prior action No. 5)**

In November 2011, Niger ceased importing petroleum products and became a petroleum producer. Faced with a number of difficulties, the Government adopted measures to improve the operations and the viability of the industries and oil operations.
The Government has conducted an audit of the Zinder refinery and an action plan is currently being implemented.

In addition, since September 2013, the authorities have been disclosing information on a quarterly basis on production, consumption, and exports. As part of its efforts to ensure greater transparency of information on the oil and energy sector, the Government created a monthly newsletter (L’étincelle) to disseminate all the statistical data on the sectors.

IV. AGRICULTURAL AND RURAL DEVELOPMENT

In view of its importance to the economy, the rural sector, which accounts for 40 percent of GDP and involves 80 percent of the Nigerien population, is a core component of the Government’s development strategy. However, this sector is still grappling with a host of problems such as low productivity, climate hazards, the low level of support to farmers, insufficient research and extension services, and the small size of irrigated land areas.

The Government formulated a coherent strategy for the development of agricultural production and food security known as the 3N Initiative (Nigeriens Feeding Nigeriens). This program seeks to boost production by, among other things, making greater use of research findings and strengthening climate change resilience through irrigation development in particular. The Government therefore implemented a strategy composed of components focusing on:

- Strengthening research and extension services
- Improving the regulatory framework for the development of irrigation
- Establishing an effective value-added system in the livestock sector

**Improving the regulatory framework for the development of irrigation (prior action No. 6)**

The development of irrigation will help reduce vulnerability to low rainfall and boost agricultural production. However, irrigation development is hobbled by a number of factors such as inadequate investment and the inefficient management of the irrigation infrastructure.

As a result, off-season crop production has been identified as the way to increase agricultural production and as a source of income-generating activities for women.

The Government has taken steps to improve the institutional framework for irrigation, including by restructuring the National Irrigation Development Authority [Office National des Aménagements Hydro Agricoles ONAHA] based on the findings of a study.

An order signed on January 3, 2014 made this reform of the ONAHA official. This order focuses on the complementary role of private community agricultural organizations, in accordance with the action plan to implement the 3N Initiative.
Improving the efficiency of the food security system (prior action No. 7)

In addition to boosting production, enhancing food security also requires improved management of Niger’s OPVN [‘Office des produits vivriers du Niger], which is responsible for managing the strategic reserve.

The Government instituted reforms for the OPVN’s system for supplying, monitoring, and managing food security stocks based on recommendations issued by the Court of Auditors and the study on agricultural risks. The OPVN therefore drafted an action plan to implement the recommendations of the Court of Auditors in 2013. The procurement-related actions set forth in this plan were adopted by the OPVN’s Board of Directors on December 26, 2013. An audit conducted by the Inspectorate General for Finances noted that there were no more instances of violations of the procurement rules in effect.

Establishment of an effective value-added system in the livestock sector (prior action No. 8)

Livestock production accounts for nearly 25 percent of Niger’s exports excluding mining, and has enormous potential for development. However, the development of the livestock sector is plagued by a number of problems related to the organization of this sector and the lack of value added for exports.

The Government will adopt and implement measures to boost livestock feed production and improve management of the slaughterhouses based on a study that will assess, among other things, the role of both the public and private sectors in their management. As a result, the process to establish concessions for the two livestock feed factories in the country was launched in December 2013.

V. ENHANCING PUBLIC EXPENDITURE EFFICIENCY

In view of the fact that enhancing public expenditure efficiency is one of the Government’s concerns, the following measures will be implemented.

Strengthening public finance management systems (prior action No. 9)

The Government will step up reforms of public finance management.

The Government has in place a comprehensive public finance management reform program for the 2013-2015 period. This plan sets forth the reforms to be instituted in such areas as tax collection, budget preparation and execution, preparation of financial accounts, audits and transparency, cash management, debt, and public procurement.

Several actions and measures have already been executed in connection with the implementation of this plan, including the adoption of a new organic budget law consistent with WAEMU directives, the appointment of tax collectors in the offices of the DGI (General Tax
Directorate) and customs officers in the DGD (General Customs Directorate) as special accountants under the Treasury’s accounting network, and the drafting of the report on unscheduled reviews of contracts submitted for tender.

With a view to improving supervision of public enterprises, the Government established, in the Ministry of Finance, a department with specific responsibility for this task.

The Government has already adopted measures for overseeing the use of public water, electricity, and telephone services in order to ensure the timely payment of its bills to the relevant enterprises and thus avoid the accumulation of new arrears. The Government will also continue its efforts to settle accumulated arrears with these enterprises that provide water, electricity, and information and communication technologies services.

**Strengthening public procurement systems (prior action No. 10)**

One of the prerequisites for the efficient use of public resources is a procurement system based on strict compliance with the rules of competition. In continuing the reforms undertaken in this area, the Government adopted new procurement provisions including in particular: (a) the update of the section on defense and security forces in the procurement code; (b) the list of documents to be provided by bidders/bidding candidates to establish their eligibility; (c) procurement procedure timeframes; (d) procurement sanctions applicable to public employees, bidders, and members of the commissions; (e) the manual of procedures for the procurement code; (f) procurement procedures for local and regional governments; and (g) the manual of procedures for procurement with respect to public enterprises.

Updating the section in the procurement code on defense and security forces is aimed at enhancing transparency in resource allocations to the security sector. The decree on sanctions has filled a legal vacuum with regard to sanctions to be applied in the event of violations of procurement rules in Niger.

Procurement audits were also conducted in 2007, 2008, 2009, 2010, 2011, and 2012 in an effort to clear the backlog in the preparation of these audits. These audit reports are regularly posted on its website and a summary of the auditors’ findings is published in the *Le Sahel* newspaper.

**VI. AREAS FOR FUTURE REFORMS**

To promote inclusive economic growth and public expenditure effectiveness, the Government successfully implemented a number of macroeconomic and structural reforms that were supported by an initial three-year Shared Growth Credit.

In order to strengthen this dynamic process, reforms to be implemented by the Government will focus in particular on:
(i) The energy sector: an organizational audit will be conducted, a rate plan for the sector will be prepared, and a regulatory framework for the energy, oil and gas sector will be put in place;

(ii) Rural development: reforms instituted will be continued and strengthened, in particular with respect to the establishment of concessions for livestock feed factories and the rehabilitation of refrigerated slaughterhouses. With regard to irrigation, construction of infrastructure will be continued and scaled up. Equipment and advisory services will be provided to producers and land tenure security will be ensured.

(iii) Public finances: reforms undertaken in the area of finance management and public expenditure efficiency, including in particular with respect to stepping up the pace of public investment implementation, will be continued and scaled up.

VIII. MECHANISM FOR MONITORING IMPLEMENTATION OF THE SHARED GROWTH CREDIT

The structural reform program agreed under the Shared Growth Credit (SGC) is being coordinated by the Ministry of Planning, Land Management, and Community Development, in close collaboration with the Ministry of Finance, the line ministries, and the relevant institutions.

An institutional mechanism for the preparation and monitoring of implementation of the reform programs supported by the various donors providing budget support will be implemented in consultation with the Ministry of Finance.

Niamey, ......................................................

Minister of State for Planning, Land Management, and Community Development
Niger’s Governor at the World Bank

AMADOU BOUBACAR CISSE
Annex 4: Fund Relations Note

[IMF Board meeting is scheduled for March 31, 2014. The Public Information Notice (P.I.N.) will be issued as an addendum to this document no later than April 8].