I. Project Context

Country Context

Niger is a large, landlocked, mostly desertic country with an area of 1.27 million square kilometers and a population of around 16 million. The population is concentrated in the areas around the Niger River in the western corner of the country bordered by Mali, Burkina Faso and Benin, and then stretches through the Sahel region all along the 1500 km long Nigeria’s northern border. North of this belt, the land is largely a desert. The population is growing rapidly (3.3 percent per annum) with 47 percent under the age of 15. At this current growth rate, the population would reach about 54 million by 2050.

Niger is a poor country with a limited natural and human resource base. Niger ranks 167th out of 169 countries on UNDP’s Human Development Index, with a Gross Domestic Product (GDP) per capita in Parity Purchasing Power terms of US$680. The country constantly battles drought although about 80 percent of Niger’s population depends on rain-fed agriculture and livestock and only about 12 percent of all its land is arable. Nonetheless, the exploitation of Niger’s significant mineral and oil resources could provide important economic opportunities if well managed.

Niger’s macroeconomic performance improved in 2010. GDP growth has reached 8 percent in 2010, buoyed by an excellent 2010–11 harvest. The fiscal deficit improved in 2010, narrowing by three percentage points to about 2.5 percent of GDP, mainly stemming from a slowdown in capital expenditure owing to the drying-up of external financing in the first half of the year linked to the difficult political situation prevailing at the time. The current account deficit remained large, reflecting large imports by mining and oil companies.

Macro-economic management remains sound in 2012 but severe external shocks have resulted in unanticipated financing needs. Agriculture and mining sector performance remain the main drivers of growth. A poor harvest in 2011 is expected to reduce GDP growth to 3.8 percent. In 2012, large scale investments in uranium mining and the oil sector are expected to start production and lead to double digit growth.

The ongoing expansion of the oil and mining sectors brightens medium-term and long term prospects. It includes mining and oil and accounts for three percent of the GDP and 40 percent exports. As a result of recent Foreign Direct Investment (FDI), oil and mining exports are projected to triple between 2012 and 2016 and to accelerate GDP growth.

II. Sectoral and Institutional Context

Given the low labor intensity of mining and the high rate of demographic growth, Niger needs to diversify its economy to create jobs. With its 3.3 percent population growth, the pressure will be strong on the Government for job promotion and creation. The Government is eager to diversify the economy to tackle the looming risk of growing working age population. This raises the importance of the development of the non mineral private sector and its relevance for the Niger economy. There is a good opportunity to leverage mining investment is in developing side-stream linkages (domestic sourcing), which can multiply the employment impact of mining sector.

The private sector in Niger remains small and mostly composed of micro and small enterprises. With an approximately 1,400 businesses registered with the tax authorities and contributing to around 15 percent to the GDP, Niger’s formal private sector base is one of the smallest in the region. Most of the country’s growth potential is associated with the oil and mining sector, the meat and the butchery industry and with regional trade mostly with Nigeria (its main economic partner) and with the West African Economic and Monetary Union (WAEMU) countries.

There are value chains which have strong potential and for which Niger has a comparative advantage. Of particular importance are the meat and butchery value chain and the mining sector value chains that have the potential to generate strong economic and social benefits. The project’s intervention will help increase the incentive to invest in these sectors with high potential for growth and employment by improving the competitiveness of these two strategic clusters.

Private sector development in Niger is hampered by a poor investment climate and infrastructure. The most recent investment climate survey
identifies slow government procedures, corruption, poor infrastructure, limited access to credit, taxation, and low labor productivity as factors that have a negative impact on initial investment decisions. The 2006 Investment Climate Assessment (ICA) has already highlighted serious challenges in Niger’s business environment. Tax and tax administration, access to finance, informal sector practices, and corruption were identified as the main impediments to business activity.

Niger’s main challenges in the years to come are to leverage the expected scaling-up of natural resource production and diversify its economy by developing selected value chains to accelerate growth and poverty reduction. In particular, the challenges facing the Government are to (i) improve the investment climate to create the incentive for the private sector to invest in the high value clusters/value chains; (ii) make strategic choices and the required investment to tap into the potential offered by the Nigerian market and the Economic Community of West African States (ECOWAS) market in general for the selected value chains and export products; (iii) maximize the contribution of the oil and mining projects to the Niger’s economy; and (iv) design a medium-term strategy to manage the revenue windfall and maintaining a prudent policy stance in the short-term.

III. Project Development Objectives
The Project Development Objective (PDO) is to improve selected aspects of Niger’s business environment, to support the development of the meat industry and to increase local business participation in the extractive industries sector.

IV. Project Description
Component Name
Investment Climate, Investment Promotion and SME Support for identified value chains
Support to selected value chains
Policy Reforms, Infrastructures and Services to harness relationship between Niger and Nigeria through the Kano, Katsina, Maradi (K2M) corridor
Project Management

V. Financing (in USD Million)

<table>
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<tr>
<th>For Loans/Credits/Others</th>
<th>Amount</th>
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<tr>
<td>BORROWER/RECIPIENT</td>
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<tr>
<td>International Development Association (IDA)</td>
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<tr>
<td>LOCAL BENEFICIARIES</td>
<td>9.21</td>
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<td>Total</td>
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VI. Implementation
Implementation arrangements feature several players whose roles will be further detailed in the Project Implementation Manual, the finalization and approval of which will be a condition of effectiveness. These arrangements take into consideration capacity limitations in Government and build on similar successful projects in Niger. The Government authorities have proposed, and the World Bank has agreed, that the Ministry of Planning should take the lead in the oversight of the project. Project implementation arrangements include the following structures:

Executing Agency. The implementation arrangements were selected based on the need to ensure effective execution of the core project management functions balanced with ensuring ownership by and capacity building for the beneficiaries of the various project components. By having implementation responsibility in the hands of designated persons in the beneficiary agencies, it is expected that this will result in more ownership of the project at the local level and sustainable results at the end of the project. These arrangements take into consideration capacity limitations in Government and build on similar successful projects in Niger. The Ministry of Planning has been designated as executing agency by the Government responsible for the overall project implementation and will be supported by a steering committee, a Project Implementation Unit and designated focal points in each of beneficiary ministries and institutions. Project implementation arrangements include the following structures (See Figure 3).

Project Steering Committee. The project will be overseen by a Steering Committee (PSC) chaired by the Minister of Planning and comprising of high level representatives of the various institutions and will have a strategic function role. Membership of the PSC will include one representative of all the project beneficiary institutions, namely the Ministry of Commerce, the Ministry of Industry and Mining, the Ministry of Energy and Hydrocarbons, the Ministry of Livestock, the Ministry of Foreign Affairs, the Niger Nigeria joint commission, the Chamber of Commerce, and the butchers associations. It will also include members from private sector and NGOs. The PSC will meet on a quarterly basis and its responsibilities include providing strategic guidance and oversight for the project, and proactively address any major problems affecting project implementation. The PIU within the Ministry of Planning will act as the Secretariat of the Project Steering Committee (including preparing the meetings, elaborating the documents for the meeting, recording the minutes of the meeting, etc.)

A PIU within the ministry of Planning will be responsible for project coordination and implementation. The PIU staff competitively recruited and dedicated will be responsible for all procurement, disbursement, accounting, financial reporting and monitoring and evaluation of the project, and for ensuring the auditing of project accounts. The PIU would be composed of the following staff: (i) a Coordinator; (ii) a procurement specialist; (iii) a financial management specialist; (iv) an accountant; (v) a monitoring and evaluation specialist; (vi) a meat and butchery specialist; (vii) a mining specialist; and (viii) an Environmental and Social safeguard Specialist. The PIU will prepare quarterly and annual reports recording the progress of the project. Project supervision will be carried out twice a year and a mid-term review will take place in 2015 with the objective of assessing progress to date and if necessary to re-direct the project by integrating additional lessons learned and realities on the ground. All project accounts will be audited annually by independent auditors acceptable to IDA and will be submitted to IDA no later than six months after the closing of the fiscal year in Niger. Implementation of project components.
Management and implementation of individual project components/project subcomponents will be mainstreamed to the ministries involved in the project as well as private sector representative bodies and other stakeholders (through designated focal points who will work closely with the PIU).

The Chamber of Commerce and Industry. The Chamber of Commerce will be responsible for the export promotion component to support ANIPEX.

The Agency of Enterprise and Investment Promotion of Niger (APEIN). On the basis of feasibility study on enterprise development financed by the UNDP, it was decided to create an autonomous agency for the promotion of enterprise and investment in the country. This agency would provide non financial services and play the role of One-Stop-Shop to facilitate enterprise creation. The Agency of Enterprise and Investment Promotion will be responsible for the implementation of the enterprise development component. The project will support its creation, capacity strengthening and operational costs.

Focal Points. To ensure coordination between the PIU and beneficiary institutions, each will designate a focal point. These institutions are the Ministry of Commerce, the Ministry of Industry and Mining, the Ministry of Energy and Hydrocarbons, the Ministry of Livestock, the Ministry of Foreign Affairs, the Niger Nigeria joint commission and the Niamey and Maradi slaughterhouses.

The role and responsibility of the focal point will be clearly detailed in the Manual of Implementation and their terms of references. They will work in close collaboration with the PIU, APEIN and the Chamber of Commerce. The project will strengthen the capacity of the focal point through technical assistance and equipment. Civil servant focal points would be compensated on the Government counterpart fund as set out in the current government compensation legal framework.

A Project Operational Manual (POM) including a Project Implementation Plan and Procurement Plan will be finalized by project effectiveness. The POM will include all periodic reporting, monitoring and evaluation arrangements throughout the life of the project and will also include independent annual audits.

VII. Safeguard Policies (including public consultation)

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<th>Safeguard Policies Triggered by the Project</th>
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VIII. Contact point

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