



AFRICAN DEVELOPMENT FUND

**Accelerated Development and Poverty Reduction Support Strategy (PASDRP-I)**

**Country: Republic of Niger**

**APPRAISAL REPORT**

October 2010

Appraisal Team	Team Leader	: H. KOUASSI, Chief Macro-Economist,	OSGE.2
	Team Members	: M. MALLBERG, Principal Macro-Economist,	OSGE.2
		M. XUEREB-DE-PRUNELE, Senior Macro-Economist,	OSGE.2
		S. NYAIRO, Legal Counsel,	GECL.1
	Division Manager	: M. KANGA, Division Manager,	OSGE.2
	Sector Director	: G. NEGATU, Director,	OSGE
	Regional Director	: J.K. LITSE, Director	ORWA

Peer Review	C.NTAGUNGIRA, Consultant, ORWA B. DUFFOBIS, European Union, Niamey E. GARET, Belgian Cooperation, Niamey
-------------	--

## Table of Contents

Table of Contents .....	i
Acronyms and Abbreviations .....	iii
Financial Information Sheet.....	iv
Executive Summary .....	v
Programme Logical Framework Matrix .....	vi
1. PROPOSAL .....	1
2. COUNTRY AND PROGRAMME CONTEXT .....	1
2.1 Government’s Development Strategy and Priority Medium-Term Reforms	1
2.2 Recent Political and Socio-Economic Developments, Prospects, Constraints and Challenges .....	2
3. JUSTIFICATION, KEY DESIGN AND SUSTAINABILITY FACTORS .....	5
3.1 Linkage with the 2005-2009 RBCSP, Country Readiness Assessment and Analytical Underpinnings.....	5
3.2 Collaboration and Coordination with the other Technical and Financial Partners .....	8
3.3 Results of Similar Completed or Ongoing Operations and Lessons Learned	9
3.4 Linkages with Ongoing Bank Operations.....	9
3.5 Bank’s Comparative Advantages.....	9
3.6 Application of Good Practice Principles on Conditionalities .....	9
3.7 Application of Bank Group Policy on Non-Concessional Borrowing	9
4. THE PROPOSED PROGRAMME.....	10
4.1 Programme Goal and Specific Objective.....	10
4.2 Programme Operational Objectives and Expected Outcomes .....	10
4.3 Programme Financing Requirements and Financial Arrangements .....	15
4.4 Programme Beneficiaries .....	15
4.5 Gender Impact.....	16
4.6 Social Impact .....	16
4.7 Environmental Impact.....	16
4.8 Climate Change Impact.....	16
5. IMPLEMENTATION AND MONITORING/EVALUATION .....	17
5.1 Implementation Arrangements.....	17
5.2 Monitoring/Evaluation Arrangements .....	18
6 LEGAL DOCUMENTS AND LEGAL AUTHORITY .....	18
6.1 Legal Documents .....	18
6.2 Conditions Associated with Bank’s Intervention .....	18
6.3 Compliance with Bank Group Policies.....	20
7 RISK MANAGEMENT.....	20
8 RECOMMENDATIONS .....	20

**Tables**

Table 1	Niger's Macro-Economic Prospects
Table 2	Analysis of Pre-requisites for a General Budget Support (GBS) Programme
Table 3	Key Analytical Documents Consulted
Table 4	TFP Budget Support to the Economic and Financial Programme for 2010 and 2011
Table 5	2010-2012 Financing Requirements and Sources of Financing

**Boxes**

Box 1	The 2008-2011 Economic and Financial Programme
-------	--

**Appendices**

Appendix I	Letter of Development Policy
Appendix II	Assessment Letter - Niger's Relations with the IMF
Appendix III	Matrix of Measures Agreed upon with the Government
Appendix IV	Key Macro-Economic and Financial Indicators for 2006-2014
Appendix V	Status of Public finance management Reforms
Appendix VI	PEFA Analysis Summary (2008)
Appendix VII	PEMFAR-II (2009) Niger – Priority Action Plan

**Technical Annexes (separate document)**

Annex I	
Annex II	Uranium Market Prospects
Annex III	Bank's Portfolio in Niger in October 2010 (in UA) Linkages between the PASDRP and Niger Portfolio Projects 1990-2010

**Currency Equivalents**

July 2010

Unit of Account	=	CFAF 790.559
Euro	=	CFAF 655.957
USD	=	CFAF 534.559

1 January to 31 December

## Acronyms and Abbreviations

ACCT	Treasury Central Accounting Agency
ARMP	Public Procurement Regulatory Agency
CCD	Commissioner for Development
CCE	Commissioner for the Economy
CFAA	Country Financial Accountability Assessment
CFAF	Franc of the African Financial Community
CPAR	Country Procurement Assessment Report
DGB	General Directorate of Budget
DGCF	General Directorate of Financial Control
DGD	General Directorate of Customs
DGI	General Directorate of Taxes
DGIF	General Directorate of Financial Inspection
DGMP	General Directorate of Public Procurement
DPRS	Accelerated Development and Poverty Reduction Strategy
ECF	Extended Credit Facility
GDP	Gross Domestic Product
HIPC-I	Heavily Indebted Poor Countries Initiative
IGE	State General Inspectorate
IMF	International Monetary Fund
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MEF	Ministry of Economy and Finances
MID	Ministry of Interior and Decentralisation
MTEF	Medium-Term Expenditure Framework
PAP	PEMFAR Priority Action Plan
PASDRP	Accelerated Development and Poverty Reduction Strategy Support Programme
PEFA	Public Expenditure and Financial Accountability Assessment Framework
PEMFAR	Public Expenditure Management and Financial Accountability Review
PRGF	Poverty Reduction and Growth Facility
RBCSP	Results-Based Country Strategy Paper
SAP	Structural Adjustment Programmes
SIGFIP	Integrated Public Finance Management System
SSA	Sub-Saharan Africa
TFPs	Technical and Financial Partners
UNDP	United Nations Development Programme
WAEMU	West African Economic and Monetary Union

### Financial Information Sheet

CLIENT INFORMATION	
<b>BORROWER</b>	Republic of Niger
<b>EXECUTING AGENCY</b>	Technical Steering Committee of the Public finance management (PFM) Consultative Framework. This Committee is chaired by the Commissioner for the Economy (CCE) of the Ministry of Economy and Finance (MEF)
<b>PROGRAMME NAME</b>	Accelerated Development and Poverty Reduction Strategy Support Programme
LOAN INFORMATION	
<b>LOAN TYPE</b>	CONCESSIONNAL LOAN
<b>LOAN CURRENCY</b>	Unit of Account (UA)
<b>LOAN AMOUNT</b>	UA 23.97 million
<b>BORROWING RATE</b>	N.A.
<b>SERVICE CHARGE</b>	0.75%
<b>TENOR</b>	50 years
<b>GRACE PERIOD</b>	10 years
<b>NUMBER OF TRANCHES</b>	2 tranches: the first for UA 18.2 million to be disbursed end 2010 and the second for UA 9.8 million to be disbursed mid-2011
GRANT INFORMATION	
<b>GRANT TYPE</b>	ADF
<b>GRANT CURRENCY</b>	Unit of Account (UA)
<b>GRANT AMOUNT</b>	UA 4.03 million
<b>NUMBER OF TRANCHES</b>	A single tranche

Key Milestones and Indicative Time Frame	
Concept Note Approval	November 2008
Operations Review Committee (OpsCom)	January 2009
Appraisal Mission	March 2009
Re-Appraisal Mission	June 2010
Country Team	October 2010
Programme Approval	December 2010
Disbursement of First Tranche	December 2010
Disbursement of Second Tranche	June 2011
Completion	December 2011
Deadline for Last Disbursement	December 2011

## Executive Summary

<b>Programme Overview</b>	<ul style="list-style-type: none"> <li>▪ Programme Name: Accelerated Development and Poverty Reduction Strategy Support Programme (PASDRP I)</li> <li>▪ Geographic Scope: Nationwide</li> <li>▪ Duration: 12 months</li> <li>▪ Programme Cost: UA 28 million, comprising UA 4.03 million in grants and UA 23.97 million in loans</li> <li>▪ Programme Type: General Budget Support Programme</li> <li>▪ Disbursement: 2 tranches (2010 and 2011)</li> </ul>
<b>Beneficiaries</b>	<p>In view of the limited resources of Niger’s central government, achievement of the objectives of the 2008-2012 Accelerated Development and Poverty Reduction Strategy will partly depend on an improvement in financial governance to which the programme will contribute. Niger’s entire population will benefit from the programme’s impact. The programme effects (enhanced budget transparency and credibility, strengthened integrity of accounts and external control of expenditure as well as improved public expenditure management) will benefit the population and the private sector (improved business climate). Regarding outputs, the Programme will directly strengthen institutions such as the Ministry of Finance (General Directorate of Public Accounting and Treasury, the General Directorate of Public Procurement (DGMP) and the Public Procurement Regulatory Agency (AMRP), public procurement actors including the private sector, the Court of Auditors and, indirectly, WAEMU.</p>
<b>Needs Assessment and Relevance</b>	<p>The PASDRP I is <u>necessary</u> because it is consistent with the priorities defined in the 2005-2011 CSP. It is also in keeping with the first (to seek strong, diversified, sustainable and job-creating growth) and sixth thrust (promotion of quality governance) of the Accelerated Development and Poverty Reduction Strategy, the 2008-2012 DPRS. The programme, which is in line with the Economic and Financial Programme (PEF), is <u>necessary now</u> because, against a backdrop of transition towards normalisation of the political situation and exogenous shocks (food crisis and floods), it aims to support resource mobilization efforts and consolidate the required budget reforms for growth and poverty reduction. This programme also comes at just the right time to help the country prepare transparent and effective management of revenue derived from extractive industries, which is expected to rise from 2012.</p>
<b>Bank Added Value</b>	<p>Since the other TFP have provided interim assistance to the PEF, the Bank’s support has added value in that it will enable the Government to increase the necessary budget resources in 2010 and 2011 to offset the negative impacts of the current exogenous shocks and consolidate the reforms. Another example of the Bank’s added value is the fact that the Bank’s intervention, based on the 2004/2008 PEFA and the 2009 PEMFAR II, has prompted the Government to adopt a benchmark framework for public finance reform (validation of PEMFAR II results and adoption of its action plan) and focus on areas that strengthen or complement other TFPs’ areas of intervention in the context of the PEF implementation (budget transparency and credibility, improved expenditure management including public procurement, integrity of Public Treasury management and external control of expenditure.)</p>
<b>Institutional Development and Knowledge Building</b>	<p>This programme will consolidate the Bank’s financial good governance knowledge and its reform support experience, against a backdrop of negative exogenous shocks. At a secondary level, it concerns practices in the following specific areas: budget transparency and credibility, expenditure management including public procurement, integrity of accounts and external control. This knowledge will be acquired through the following processes: activity reports prepared by the executing agency; supervision and mid-term reports, the project completion report and the Department’s discussion and working documents. This knowledge and the lessons drawn will be disseminated within the Department, the Bank and in host country through seminars and OPEV reports.</p>
<b>Risk Management</b>	<p>Since the general and technical pre-requisites for the use of general budget support as an aid modality for this programme have been deemed satisfactory overall, implementation of the PASDRP I is subject to one major risk: the country’s vulnerability to exogenous shocks. It should be noted that the programme will end in 2011. The TFPs’ assistance under the 2008-2012 PEF aimed at improving public finance management with, in particular, implementation of MTEF for the rural development, transport and infrastructure sectors and deepening of structural reforms to improve the business climate, on the one hand, and the Government’s earmarking of budget resources for allocation to food security, on the other, should mitigate this risk, at least during the programme implementation period.</p>

### Programme Logical Framework Matrix

RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATIVE MEASURES
		Indicators (including CSIs)	Baseline Situation	Target		
IMPACT	Budgetary and financial governance is improved	CPIA budget and financial management indicator (ADB)	4.0 in 2010	4.3 end 2011	2011 CPIA country rating	
	EFFECTS	1. Budget transparency and credibility are enhanced	1.1 PEFA PI-1 indicator: Aggregate out-turn compared to original budget	PI-1 = C in 2008	PI-1 = B end 2011	1. An assessment of the PEFA indicators will be carried out by the Completion Report preparation mission on an ad hoc basis
1.2 PEFA indicator PI-10: Public access to key fiscal information			PI-10 = C in 2008	PI-10 = B end 2011		
2. Public expenditure management is improved <i>2.1a Public investment expenditure management is improved</i>		2. The investment expenditure <i>Implementation rate</i>	Between 2003 and 2008, the investment expenditure implementation rate was 73%	From 2011, the investment expenditure rate is 90%	2. The Budget Execution Report	
		2.1b 2% of priority expenditure (education, health, rural development) in the budget	Between 2003 and 2008, the share of expenditure, net of debt service, allocated to priority expenditure was 59%.	As from 2011, the share of expenditure, net of debt service, allocated to priority expenditure is 65%.	2.1b 2012 Budget Act	
	2.2 Public procurement management is improved	2.2a CPAR Indicator 1: the public procurement legislative and regulatory framework achieves the agreed standards and complies with applicable obligations; <i>sub-indicator b</i> on procurement methods and <i>sub-indicator d</i> on rules on participation	In 2008, <i>sub-indicator b</i> has a score of 2 and <i>sub-indicator d</i> a score of 0	At end 2011, <i>sub-indicator b</i> has a score of 3 and <i>sub-indicator d</i> a score of 2	An assessment of the CPAR indicators will be carried out according to the OECD methodology by the Completion report mission on an ad hoc basis.	
		2.2b CPAR Indicator 6: the country's procurement operations are efficient; <i>sub-indicator b</i> on procurement training and <i>sub-indicator d</i> on provisions for delegating authority to other institutions	In 2008, <i>sub-indicator b</i> had a score of 1 and <i>sub-component d</i> a score of 1	At end 2011, <i>sub-indicator b</i> had a score of 3 and <i>sub-component d</i> a score of 3		
		2.2c CSI indicator 5: number of contracts awarded on the basis of open competition as a percentage of all contracts awarded in a given year.	65% in 2008	75% at end 2011		

<sup>1</sup> The CPAR indicators are calculated according to the OECD methodology.

RESULTS CHAIN	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATIVE MEASURES
	Indicators (including CSIs)	Baseline Situation	Target		
<p><b>3. Integrity of Public Treasury Management and external expenditure control are strengthened</b></p> <p><i>3.1 Integrity of accounts is strengthened</i></p> <p><i>3.2 External control is strengthened</i></p>	<p>3.1a <b>PEFA Indicator PI-22 to 24:</b> Timeliness and regularity of accounts reconciliation; availability of information on resources received by primary service delivery units; quality and timeliness of in-year budget reports</p> <p>3.2a <b>PEFA Indicator 26 PI-26:</b> Scope, nature and follow-up of external audit</p> <p>3.2b <b>CSI Indicator 6:</b> Time it takes for the Executive to submit the audit report or the most recent report on public accounts to the Legislative (number of months)</p>	<p><u>In 2008</u></p> <p>3.1 PI-22 = D PI-23 = C PI-24 = D+</p> <p>3.2 D in 2008</p> <p>3.3 7 months in 2008</p>	<p><u>End 2011</u></p> <p>3.1 PI-22 = C PI-23 = B PI-24 = C</p> <p>3.2 C at end 2011</p> <p>3.3 4 months at end 2011</p>	3. Supervision and completion reports	
OUTPUTS	<p><b>4. The planned PASDRP measures are implemented</b></p> <p>4.1 Number of measures implemented</p>	<p>4.1 No measure implemented by end 2009</p>	<p>4.1 From 30% to 40% of measures are implemented at mid-term and 80% to 100% of measures implemented by end 2011.</p>	4. Supervision and completion report	
KEY ACTIVITIES				<p><b>Financing:</b> ADF: UA 28 million (2010-2011)</p>	

**REPORT AND RECOMMENDATIONS OF THE AFRICAN DEVELOPMENT BANK  
GROUP'S MANAGEMENT TO THE BOARDS OF DIRECTORS CONCERNING A  
PROPOSAL FOR A GRANT AND A LOAN TO NIGER FOR THE ACCELERATED  
DEVELOPMENT AND POVERTY REDUCTION STRATEGY SUPPORT  
PROGRAMME**

## **1. PROPOSAL**

1.1 Management hereby submits the following report and recommendations concerning an ADF Loan and Grant in respective amounts of UA 23.97 million and 4.03 million, i.e. total financing of UA 28 million, proposed to Niger for the Accelerated Development and Poverty Reduction Support Programme (PASDRP-I). This is in keeping with the ongoing 2008-2011 Economic and Financial Programme (PEF) backed by the IMF Extended Credit Facility (ECF) and other Technical and Financial Partners (TFP). PASDRP I is a General Budget Support operation which will be implemented over 12 months from 2010. The Programme, which was first appraised in March 2009 pursuant to a request by the Government in 2008, and was to be presented to the Board of Directors in September 2009, was withdrawn by Management because of the political situation in the country at the time. In its original design, PASDRP-I had two objectives, namely: (i) strengthening public finance management (PFM); and (ii) strengthening the decentralisation process. However, in the wake of the events of 18 February 2010<sup>2</sup> and against a backdrop of military transition, urgent priority actions were redefined, namely: (i) the restructuring of government finances, a PEF priority; and (ii) mitigation of the impact of the food crisis. Despite the difficult situation, Niger's main development partners have resumed their support to the country in 2010. Consequently, the Bank re-appraised PASDRP-I in June 2010 and it was agreed to focus only on the priority actions aimed at strengthening PFM. This option was confirmed by the satisfactory review of the PEF in September 2010.

1.2 The PASDRP-I follows on from five structural reform programmes backed by the Bank, which were implemented from 1997-2007. It is in keeping with the 2005-2011 RBCSP and is part of the targeted operations underpinning implementation of the strategy. The expected outcomes (effects) are as follows: (i) improved budget transparency and credibility; (ii) enhanced public expenditure management; and (iii) Public Treasury management integrity and external expenditure are strengthened. The Programme design took into consideration the principles of the Paris Declaration on Aid Effectiveness, Good Practice Principles on Conditionality and the provisions of Bank Group's policy on the accumulation of non-concessional debt.

## **2. COUNTRY AND PROGRAMME CONTEXT**

### ***2.1 Government's Development Strategy and Priority Medium-Term Reforms***

2.1.1 In 2009, according to UNDP, Niger had the world's lowest Human Development Index (HDI). Gross national income per capita was USD 330 in 2008 and about 62% of Niger's population lives below the national poverty line. In 2007, to address this situation, the Government adopted an Accelerated Development and Poverty Reduction Strategy (DPRS) for 2008-2012 backed and endorsed by the country's main TFP<sup>3</sup>. This strategy, which aims to improve the well-being of Niger's population, focuses on seven thrusts:

---

<sup>2</sup> On 18 February 2010, soldiers led by Commander Hamadou Arouna executed a coup d'état after several months of political crisis. President Tandja was arrested, the Constitution suspended and all institutions dissolved. The soldiers who took power then formed the 'Supreme Council for the Restoration of Democracy'

<sup>3</sup> The draft DPRS was revised by the Government with strong support from the TFP community and the full-fledged document was adopted by Niger in October 2007 and approved at a TFP Round Table on financing the Second Poverty Reduction Strategy held in Brussels on 25 and 26 October 2007. The Bank's and IMF's services have prepared a Joint Staff Assessment Note (JSAN)

- The search for strong, diversified, sustainable and job-creating growth;
- Equitable access to quality social services;
- Control of population growth;
- Reduction of inequalities and strengthening of social protection for vulnerable groups;
- Infrastructure development;
- Promotion of good governance; and
- Effective implementation of the Development and Poverty Reduction Strategy.

2.1.2 Implementation of the DPRS is underpinned by a PEF and medium-term sector programmes, backed by the IMF ECF and the main TFPs. The Box below presents the Programme's key elements:

Box 1  
The 2008-2011 Economic and Financial Programme

The Programme is based on the fact that Niger is now facing three major challenges, namely to: (i) consolidate growth and poverty reduction while maintaining budget sustainability; (ii) maintain donor confidence to ensure quick and predictable disbursement of budget aid; and (iii) strengthen the alignment of public investment and current expenditure on PRSP priorities. In connection with these challenges, the main thrusts of the Three-Year Programme are as follows: (i) a stable macro-economic framework designed to absorb and fully disburse aid and maintain debt sustainability; the average real growth objective for the period is 5%, with 2% for inflation; (ii) improvement of public finance management and the business climate. Public finance management will be improved in five areas: (i) medium-term alignment of budgets with the 2008-2012 priorities and on the health, education, rural development, transport and infrastructure MTEF; (ii) alignment of budget execution with priorities; (iii) strengthening of transparency and controls; (iv) broadening of the tax base; and (v) debt management capacity building. To ensure that debt remains sustainable, all new borrowings will be contracted on concessional terms, with a grant component of at least 35%. Regarding structural reforms to boost private sector investment and diversify the economy, these will be focused on the financial sector and on measures to improve the investment climate and reduce the cost of doing business.

2.1.3 As indicated above, urgent actions have been defined by the military Government for the transition period, in particular the restructuring of government finance and strengthening of food security.

## 2.2 *Recent Political and Socio-Economic Developments, Prospects, Constraints and Challenges*

2.2.1 **In the wake of the recessionary effects of the international financial crisis in 2009, Niger's economy has suffered several major shocks in 2010.** Indeed, Niger has successively experienced a political crisis in February 2010 following political tensions which marked the country in 2009, the drying up of external financing from mid-2009 as a result of this crisis and a significant increase in food insecurity in the wake of the unsatisfactory 2009/210 agricultural year

---

on the second DPRS which was considered on 29 April by the World Bank's Executive Board and on 16 May by the IMF Board. Similarly, a number of commitments were made, related to the adoption of the programme approach, harmonization of partners' procedures and the development of monitoring/evaluation mechanisms (DPRS, 2008-12).

and flooding in August 2009. During this period, implementation of the medium-term PEF continued despite these difficulties. The recent macro-economic situation has been affected by this difficult political and economic context.

**2.2.2 On the political front, implementation of the road map for the normalisation of the country's political situation offers reassuring prospects.** Niger's political stability was interrupted when President Mamadou Tandja, after ten years in power, wanted to extend his Presidency beyond the two-term maximum laid down in the Constitution. Consequently, he dissolved Parliament by decree on 26 May 2009 and the Constitutional Court on 26 June 2009. He then set up a Technical Committee to draft a new Constitution. This Constitution abolished the limit on the number of Presidential terms and extended his term by three years, which was to end in December 2009. Adoption of the new Constitution by referendum on 4 August 2009 created strong political tensions, which led to the regime's overthrow by the army on 18 February 2010. These developments led to the establishment of the Supreme Council for the Restoration of Democracy (CSRD) and the formation of a transitional Government that endorsed a road map for the normalisation of the country's political situation. The key milestones of this road map are the organisation of a constitutional referendum on 31 October 2010 and of Presidential elections. The military authorities have promised to withdraw following these elections. The credibility of this undertaking is strengthened by the reaction of the international community, which has gradually begun to resume its assistance (in particular, the European Union). Recent signs of weakening cohesion in the junta should not call into question the implementation of the political normalisation road map.

**2.2.3 The implementation of operations to support vulnerable population groups has mitigated the impact of the food crisis on the population.** Humanitarian agencies estimated that half of the population is affected by the crisis, with a quarter seriously so. The Authorities, with donor collaboration, are currently implementing an emergency crisis intervention plan, including food distribution, sale of cereals at subsidised prices, and nutritional support activities for children suffering from malnutrition. Such support to the vulnerable population has helped to mitigate the impact of the food crisis.

**2.2.4 The macro-economic situation remains somewhat fragile and financial tensions persist in 2010. The growth prospects for 2010 have weakened, reflecting the combined impact of the serious food crisis and the reduction in government expenditure.** Niger's economy is dominated by mixed farming activities, the extractive industry and services. Real GDP growth remained highly volatile over the 2005-2009 period albeit with an annual average of 5.4%. There was a very sharp slowdown in growth in 2009 (1%) compared with 9.5% in 2008 owing to a fall in agricultural production for the aforementioned reasons and the recessionary effects of the financial crisis on the extractive industries sector. The growth forecast for 2010 is 3.5%, which falls short of the originally estimated 5% linked to the cutback in government expenditure and deterioration in the terms of trade. The year-on-year inflation rate, which reached 2.2% in July 2010 (compared to an annual average of 4.8% in 2009), should remain moderate for the rest of the year under the impetus of an increase in cereal imports to the country and the region.

2.2.5 With regard to government finances, the increase in revenue noted from 2006-2008 following an improvement in the terms of trade and the reforms under the PEF<sup>4</sup>, was insufficient to prevent the worsening of the deficit on a commitments basis excluding grants in 2009 (9.5% compared with 4.4% of GDP in 2008), linked to an increase in social spending and expenditure on food security as well as investments in the mining sector backed by the banking sector. The suspension of aid following the overthrow of President Tandja compelled the transitional government to adopt a supplementary Budget Law in 2010 reducing expenditure by 14%, incorporating new efforts to mobilise revenue and re-allocating some expenditure to meet critical needs, including those relating to food security and the elections. The deficit on a commitment basis, mainly financed by the banking sector in the absence of external aid, is expected to fall to 8.2% of PIB in 2010, which remains high.

2.2.6 The overall deficit on the balance of *external payments*, affected by the increase in food imports and high oil prices, is expected to widen from USD 9.2 billion to USD 41 billion from 2009 to 2010. Niger's total external debt represented 16.2% of GDP in 2009. Debt sustainability has significantly improved as a result of the relief obtained under the HIPC Initiative in 2004 and the MDRI in 2006, which brought down the external debt ratios below the excessive debt thresholds (3.3% in 2010 for the debt to budget revenue ratio compared with 4.2% in 2009 and 320% in 2006). Lastly, the business climate in Niger is exceedingly difficult. Indeed, Niger is ranked 174<sup>th</sup> out of 181 countries.

## Prospects

2.2.7 **The medium-term macroeconomic prospects appear favourable overall in view of the following factors:** (i) improved climatic conditions with a positive impact on agriculture; (ii) boosting of mining (new uranium mines in Imouraren and Azelik in 2012/2013) and oil (Agadem oil field drilling programme in 2016) investments against a backdrop of fairly high oil prices and rising interest in nuclear energy in the rich countries and in China (refer to Technical Annex 1); (iii) resumption of cooperation with the TFPs; and (iv) gradual removal of fuel price subsidies. The Table below summarises the macroeconomic prospects from 2011 to 2014 with regard to GDP, inflation, central government revenue and public investments. In such a context, the budget deficit is expected to remain at a financeable level and the balance of payments to improve as the food crisis eases.

**Table 1**  
**Niger's Macro-Economic Prospects**

	2009	2010	2011	2012	2013	2014
GDP at constant prices (% change)	1	3.5	4.5	12.9	5.4	5.8
Inflation (annual average CPI)	4.8	2.3	2	2	2	2
Total public revenue (% change)	-21	8.9	6.4	14.2	17.2	3.6
Public investments (% change)	16.8	1.9	14.8	13.5	7.8	6.6

Sources: IMF, ADB,

<sup>4</sup> Encouraging progress has been noted in the area of public finance management, in particular regarding budget preparation and execution, expenditure monitoring and control and reform of revenue-collecting agencies (refer to Appendices V and VI),

## Major Constraints and Challenges

2.2.8 **Niger's economy currently faces three major constraints:** (i) the weak development of human capital and extreme poverty as reflected in the 2009 HDI; (ii) insufficient economic diversification resulting in great vulnerability to exogenous shocks; and (iii) lack of domestic resources and subsequent heavy dependence on external aid. These constraints mainly stem from the weaknesses of Niger's public administration and economic and financial governance. The central government's major challenge is, therefore, to reduce these main weaknesses, with a view to achieving the priority objectives of the 2008-2012 DPRS. In view of the limited resources of central government and low levels of national saving, achievement of the DPRS will largely depend on the effectiveness and efficiency of public expenditure. Further progress in this area is, indeed, necessary to ensure that the next increase in available resources as a result of increased oil and uranium production actually contributes to boosting growth and further reducing poverty. Consequently, the aim of this programme, which is backed by the Bank, is to support the improvement of public finance management.

### 2.3 *Status of Bank Group's Portfolio*

2.3.1 In October 2010, the Bank's active portfolio in Niger comprised nine (9) projects for UA 133 million, broken down as follows: 50% in the agricultural sector, 22 % in the social sector, 16% in the transport sector, 10% in the water and sanitation sector and 2 % in multi-sector (institutional support project). The most recent budget support project was completed in 2008. The portfolio's average disbursement rate in October 2010 was 45%, which represents an improvement over 2008 (refer to Technical Annex 2). There are no multi-sector projects at risk. The increased number of Bank supervision missions, enhanced project quality at entry and stepping up of dialogue with the Government as well as the organisation of several training sessions on Bank rules and procedures will help to reduce the number of projects at risk and improve project implementation status.

## 3. JUSTIFICATION, KEY DESIGN AND SUSTAINABILITY FACTORS

### 3.1 *Linkage with the 2005-2009 RBCSP, Country Readiness Assessment and Analytical Underpinnings*

3.1.1 *Linkage with the 2005-2011 RBSCP:* the 2005-2011 RBCSP<sup>5</sup> for Niger has two pillars: (i) Pillar 1: support to the rural community through water resource mobilization; and (ii) Pillar 2: infrastructure strengthening. The RBCSP identifies the improvement of public finance management as a necessary condition to achieve the objectives of the two pillars. This programme is one of the operations underpinning implementation of the Bank's strategy in the country.

3.1.2 *General and technical pre-requisites for implementing a general budget support.* The general (political and economic stability and government commitment) and technical prerequisites (existence of a PRSP and implementation mechanisms, medium-term sustainability of the macro-economic and financial framework, existence of a solid partnership with donors and fiduciary pre-requisites in relation to the public finance management system) for a general budget support are satisfactory overall (refer to the details in Table 2 below):

---

<sup>5</sup> A proposal to extend the 2005-2009 RBCSP to cover the 2010-2011 period was submitted to CODE for consideration on 9 November 2010.

**Table 2**  
**Analysis of Pre-Requisites for a General Budget Support (GBS) Programme**

<b>Prerequisites *</b>	<b>Observations for Niger</b>
<b>General Conditions Precedent</b>	<p><b>1. Political Stability:</b> For the moment, there has been effective implementation of the road map and a Government undertaking, strengthened by the international community's support, to organize the constitutional referendum end October 2010 and the Presidential elections in March 2011. The partial resumption of external aid, including that of the European Commission, reaffirms TFP confidence in the improving political context. A similar situation has already occurred in 1998 and resulted in the organization of elections and a return to democracy.</p> <p><b>2. Economic Stability:</b> The country has firmly withstood the international financial crisis and maintained a high growth rate in 2008 (9.5%). The downturn in growth in 2009 (3.5% compared with 5% initially forecast) was mainly due to the international financial crisis. The medium-term growth prospects are favourable with the coming on stream of mining (2012) and oil (2016) projects. Redistribution of this growth to the entire population presupposes transparency regarding revenue and its effective allocation to the priority sectors.</p> <p><b>3. Government Undertaking:</b> Despite a difficult environment, the Authorities' undertaking is deemed credible given the pace of the structural reforms engaged under IMF technical assistance. The IMF September 2010 Review Mission commended the Authorities' prudence in managing expenditure and the efforts made regarding revenue collection (refer to Appendix II b). The Government informed the mission of its intention to make up the delay in implementing reforms concerning external debt management and the quality of budget execution as well as accelerating poverty reduction expenditure.</p>
<b>Technical Conditions Precedent</b>	<p><b>4. Existence of a PRSP and Implementation Mechanism:</b> The 2008-2012 DPRSP was prepared and adopted by the Government of Niger in October 2007, and was approved by the World Bank (April 2008) and the IMF (May 2008). Implementation of the strategy is monitored by the National Steering Committee chaired by the Prime Minister and comprising the technical Ministries, representatives of civil society and the Employers Association. The strategy is being implemented through the national monitoring/evaluation system coordinated at the technical level by the National Technical Committee chaired by the Coordinator of the DPRS Permanent Secretariat, the Steering Committee's secretary, supported by a Vice-Chair, in particular, the MEF Secretary-General.</p> <p><b>5. Sustainability of the Medium-Term Macro- Economic and Financial Framework:</b> The country is implementing a Programme with the IMF in respect of the 2008-2011 ECF. The Third Programme Review was approved by the Executive Board in May 2009 and the fourth and fifth review were recently completed in September, followed by a favourable press release from the IMF technical staff (refer to Appendix II b)</p> <p><b>6. Existence of a solid partnership with donors and medium-term predictability of financing:</b> As part of the implementation of the national strategy, a National Government of Niger/TFP Committee was established, chaired by the Minister of Economy and Finance, which</p>

constitutes a dialogue framework for the preparation, implementation and monitoring of the DPRS. Regarding PFM reforms, a framework for consultation between the Government of Niger and the TFP was signed in March 2008. The main objective of the Consultative Framework is to enhance the effectiveness of aid to Niger and, in particular, to strengthen the process of ownership, harmonisation of procedures and alignment of aid on the DPRS, and the promotion of results-based management. It is also necessary to provide impetus to the process for implementing and monitoring priority PFM and procurement reforms through the PEMFAR II Priority Action Programme and the CPAR. The Bank is a member of the Consultative Framework, but was not a signatory to it. The EU is the leader. There is a commitment of the TFPs to financially and predictably support the country's medium-term economic reforms (refer to Table 3).

**7. Satisfactory Fiduciary Review of the PFM system:** A *PEFA* survey was carried out in 2008. Seventeen (17) of the 28 indicators measured scored C or above, which ranks the PFM system as above average. The second *PEMFAR* survey carried out in 2009, also considers the PFM system as quite reliable, with room for improvement in some areas such as budget transparency and credibility, expenditure management (including public procurement, integrity of accounts and external control). The *PEMFAR* study is accompanied by an update of the 2004 CPAR, the general conclusions of which commend the outstanding progress made in implementing the 2004 CPAR Action Plan which reflects the Authorities' determination to establish a system that is compliant with international standards, despite the major challenges which still have to be addressed. Finally, the five (5) IMF ECF reviews all concluded that the programme's implementation was satisfactory.

\* Source: Development Budget Support (DBSL) Guidelines

\*\* RMC: Regional Member Countries

**3.1.3 Analytical Work:** The programme design was enhanced by sound analytical underpinnings such as the existence of considerable analytical work on the intervention strategies and different target areas for support, carried out both by the Bank, the other partners and the Government. This has helped ensure proper programme ownership and formulation. Table 3 below gives an idea of the main analytical work.

**Table 3**  
**Key Analytical Works Used**

Strategy/Reform Areas	Analytical Works	Institutions
Strategy	-Niger 2005-2011 RBCSP -NIGER 2008-2012 DPRS -Letter of Development Policy -Niger 2008-2011 ECF - 2008-2013 National Indicative Programme	ADB Government Government WB EC
Macroeconomic Framework	-2009 Article IV Consultations - Niger -World Development Outlook, September 2010 -Third Economic and Financial Programme Review Report- ECF, May 2010 -Sixth Economic and Financial Programme Review- PRGF July 2008	IMF IMF IMF IMF IMF
Public finance management	- 2009 PEMFAR -2008 PEFA -2004 2004 -Third Economic and Financial Programme Review Report- ECF, May 2010	ADB/WB/UNDP ADB/WB WB IMF

WB: World Bank; EC: European Commission

### 3.2 *Collaboration and Coordination with the Other Technical and Financial Partners*

3.2.1 As indicated in the technical pre-requisites analysis (refer to Table 2), there has been a solid framework for collaboration and coordination among the TFPs and between the TFPs and the Government. The Programme's appraisal was the subject of coordination with the main TFPs involved in supporting the PEF. These included in particular the IMF (balance of payments support), the World Bank (General Budget Support), the European Commission (General Budget Support) and French Cooperation (targeted budget support). IMF support from 2008 to 2011 focused on macroeconomic stability, improvement of public finance management and the business climate. World Bank support, through the 2009-2010 Growth Policy Reform Grant Project, aimed to help the country overcome general policy factors and institutional bottlenecks impeding growth, with measures in five areas: (i) consideration of main constraints on the business environment, including taxation and financial sector development; (ii) easing of private sector infrastructure constraints; (iii) promotion of rural sector growth; iv) pursuit of public finance management reforms (public expenditure and public procurement, debt and financial management); and (v) demographic issues. The European Commission is supporting the PEF, in particular, the public finance management reforms, implementation of the DPRS and development of the statistics system.<sup>6</sup> Strengthening of food security is supported in 2010 by French Cooperation.

**Table 4**  
**TFP Budget Supports to the Economic and Financial Programme for 2010 and 2011**

Areas of Concentration	IMF	World Bank 2010: USD 40 M 2011: USD 50 M	European Commission EUR 95 million 2008-2013	French Cooperation 2010: EUR 5 M
	USD 40 Million 2008-2011			
Medium-term alignment of annual budgets on the 2008-2012 DPRS priorities and on the health, education rural development, transport and infrastructure MTEFs				
Compliance of budget execution with priorities				
Strengthening of transparency and controls				
Broadening of the tax base				
Strengthening of debt management capacity				
Diversification and private sector structural reforms (financial sector; business climate, taxation)				
Public procurement management				
Food Security				

Source: IMF, World Bank, European Commission and French Cooperation. Shaded areas = areas of intervention.

<sup>6</sup> Monitoring and evaluation of the DPRS and sector programmes are only possible if relevant and reliable statistics are regularly produced and published.

### **3.3 *Results of Similar Completed or Ongoing Operations and Lessons Learned***

3.3.1 It is worth recalling that the Bank Group's policy-based interventions in Niger began in 1997 and continued until 2007. They were in the form of five (5) operations, which mostly focused on the civil service, the financial sector, public enterprise privatisation and public finance reforms. Implementation of the last three operations (SAP III, IV and V covering the 2002-2007 period) against a backdrop of political stability and strengthened cooperation with the TFPs, enabled Niger to improve PFM through implementation of the PEMFAR I PAP. The proposed Programme takes into account the lessons and preliminary recommendations of the completion of the last Balance of Payments Support Programme (SAP V) which states that: (i) Government commitment and good programme design (a limited number of components and measures) are important for implementing the reform programme; (ii) efforts are required to pursue dialogue on capacity building and expedite the mobilisation of financial, institutional and organisational resources for the PFM system's internal and external control organs;(iii) it is necessary to deepen public finance reforms; (iv) regular monitoring of the programme by the Bank is critical to ensure smooth implementation of the reform programme. (v) the preparation and appraisal phases should be separated with a view to conducting in-depth analyses during preparation, which will be crucial for reform programme design; (vi) selectivity and realism are major factors in the design of reform measures. This programme's design has taken these lessons into account.

### **3.4 *Linkage with Bank Ongoing Operations***

3.4.1 As previously noted, the Bank's active portfolio in Niger comprises nine (9) projects in the agricultural, social, transport, water and sanitation sectors, and in multi-sector (decentralisation support project). Improved public finance management will have direct positive impacts through the strengthening of macroeconomic stability, increased allocation of resources to these sectors and enhanced effectiveness of public expenditure (refer to Technical Annex 3).

### **3.5 *Bank's Comparative Advantages***

3.5.1 As previously indicated, fresh progress in public finance management is necessary to ensure that the forthcoming increase in available resources in the wake of the rise in oil and uranium production and the resumption of international aid effectively contributes to boosting growth and further reducing poverty. Since the other TFPs have provided interim assistance to the PEF, the Bank's support has added value in that it will enable the Government to increase the necessary budget resources in 2010 and 2011 to offset the negative impacts of the current exogenous shocks and consolidate the reforms. The Bank's value added is also reflected in the fact that its intervention, based on the 2004/2008 PEFA and the 2009 PEMFAR II, has prompted the Government to adopt a benchmark framework for public finance reform (validation of PEMFA II results and adoption of its action plan) and focus on areas that strengthen or complement other TFP areas of intervention under PEF implementation (budget transparency and credibility, improved expenditure management, including public procurement, integrity of Public Treasury management and external control of expenditure) (refer to Table 3).

### **3.6 *Application of Good Practice Principles on Conditionalities***

3.6.1 The programme conditions were designed in compliance with good practice principles on conditionalities. The previous sections have presented justification of the Government of Niger's ownership of, and commitment to, the Programme (also refer to the Letter of Development Policy (Appendix I). The same applies to the modalities and programming of the support, which are consistent with national requirements, achievement of the 2008-2012

objectives as well as the policy intentions expressed by the Government of Niger in the Letter of Development Policy. The analytical work under PEMFAR and the CPAR and the related action plans were used in the preparation process for the PASDRP-I reform measures. The conditions precedent and triggers of the resource disbursement tranches were selected in agreement with the Government of Niger. They are relevant, specific, simple, achievable, and in keeping with the results framework agreed upon with the Government of Niger. It should be noted that the requirements of these measures were designed, taking into account programme duration and the limited capacity of the administration. The number of conditions precedent to disbursement of ADF financing is reduced to what is strictly necessary, in compliance with the related Bank guidelines.

### **3.7 Application of Bank Group Policy on Non-Concessional Borrowing**

3.7.1 Niger is a poor recipient country of interim debt relief under the Enhanced HIPC-I. In compliance with Bank policy, the Grant Agreement will contain a specific clause stating that the country will not receive any additional interim debt relief if it contracts non-concessional debt over the period. Indeed, to ensure that the country's debt remains sustainable, all new borrowings will be contracted on concessional terms with a grant component of at least 35%.

## **IV. THE PROPOSED PROGRAMME**

### **4.1 Programme Goal and Specific Objective**

4.1.1 The PASDRP I goal is to improve financial governance and thereby contribute to achievement of the growth and poverty reduction objectives of the 2008-2012 DPRS. In view of the central government's limited resources, achievement of the DPRS objectives will largely depend on the effectiveness and efficiency of public finance management. Consequently, as previously indicated, the specific programme objective is to improve public finance management.

### **4.2 Programme Operational Objectives and Expected Outcomes**

4.2.1 The above-mentioned specific objective will be difficult to achieve in the medium and long term without a clear directional framework, a reference roadmap for public finance reforms. Thus, the programme's key operational objective is validation of the PEMFAR II results and adoption of its action plan. **The Government has undertaken to validate the PEMFAR-II and adopt its action plan. The expected results (effects) are: (i) overall public finance management improves: the number of PEFA indicators scoring D and D+ in 2008 fall respectively from 6 to 3 and from 7 to 4 end 2011. Validation of the PEMFAR-II and adoption of its action plan constitute a condition precedent to disbursement of the second tranche of the loan**

4.2.2 Based on the conclusions of recent studies (PEMFAR I (2004) and II (2009), PEFA 2008) of PEMFAR II Priority Action Plan (refer to Appendix VII), the outcome of coordination with the TFPs and the Government's key challenges, the Programme's three operational objectives are to: (i) improve budget transparency and credibility; (ii) improve public finance management, including public procurement management; (iii) strengthen the integrity of the Public Treasury and external expenditure control. These three project objectives or components will, therefore, be described.

## **COMPONENT 1: IMPROVED BUDGET TRANSPARENCY AND CREDIBILITY**

### **Operational Objective 1.1: Improve Budget Transparency**

4.2.3 **Context, Recent Actions and Challenges.** Transparency of budget forecasting, status and execution must be strengthened and budget risks attributable to the mining sector public enterprises mitigated, especially at a time when the country is on the point of mobilising significant mining and oil resources. In Niger, access to budget information is limited. Indeed, the Ministry of Economy and Finance (MEF) has developed a website, but the following budget information is not accessible: (i) Draft Budget laws prior to their discussion in Parliament and voted Budget Laws; (ii) in-year budget execution reports; (iii) end-of-year financial statements; (iv) the audit reports of external control organs, as well as (v) information on resources received by primary service delivery units. Concerning public procurement, while the Public Procurement Regulatory Agency (ARMP) publishes in its journal the bidding results for public contracts exceeding a certain threshold (which varies between CFAF 25 and 50 million, depending on the contract type), the same does not apply to the Public Procurement Code despite the existence of the General Directorate of Public Procurement (DGMP) website. Furthermore, in the context of the anticipated increase in government resources from the extractive industries, the mining sector was the subject of a review based on the World Bank's EITI++ methodology, which concluded on the need to strengthen transparency in managing the sector and operations of the mining public enterprises. It is necessary to create a Ministry of Mines and Energy (MME) website where the accounts of these enterprises can be posted. This poor performance with regard to access to budget information and monitoring of risks attributable to other public sector entities is reflected in the 2008 PEFA diagnosis (indicator PI-9 (score D) and PI-10 (score C) (refer to Appendix VI). The correction of these shortcomings represents a challenge for the Government.

4.2.4 **Programme Measures.** The Government will strengthen the transparency of budget forecasts, status and execution to improve access by the public and groups concerned to budget information. Consequently, in 2010, it intends to: (i) publish the budget execution status no later than one month after the end of each quarter; (ii) post on the MEF website the draft 2011 Budget Law and the Public Procurement Code. Furthermore, in 2011, arrangements will also be made to: (iii) publish the budget execution status no later than one month after the end of each quarter; (iv) post on the MEF website the draft 2012 Budget Law and the Public Procurement Code; and (v) increase transparency in the mining sector by creating a website for the Ministry of Mines and Energy (MME) and by starting to post the accounts of public enterprises in the sector on this site.

4.2.5 **Expected Outcomes (effects):** (i) the public's access to key budget information is improved (refer to the PEFA target indicator PI-10 in the logical framework).

### **Operational Objective 1.2: Improve Budget Credibility**

4.2.6 **Context, Recent Actions, Challenges.** There is no guarantee of budget credibility and this constitutes a major constraint on the achievement of the 2008-2012 DPRS objectives. In fact, while the composition of the expenditure executed is quite similar to that of the voted budget (below 1% on average over the 2004-2008 period), the difference in terms of amounts is significant (between 12% and 23%). For the last budget periods, this difference can be explained by a reduction in actually collected revenue, then by insufficient actual expenditure, in relation to planned expenditure, in the priority sectors, both at the level of current expenditure and investment expenditure. In parallel to the implementation of reforms aimed at increasing its revenue collection and absorptive capacity, it is important for the country to build both its revenue

and expenditure planning capacity to ensure that the budget can be really used as an economic policy instrument. This is especially important as sustained growth of oil and mining receipts is expected, and because such receipts are volatile. This poor performance is reflected in the 2008 PEFA review results (PI-1 indicator (score C) (refer to Appendix VI). Correction of this public finance management weakness represents a challenge for the Government.

**4.2.7 Programme Measures.** The Government will strengthen budget credibility. Consequently, it undertakes to: (i) maintain an IMF Staff Monitored Programme for the reforms backed in this area and in order to benefit from the assistance of the other TFPs; and (ii) reduce the gap between the voted and executed budget to less than 6%. *Maintenance of an IMF Staff-Monitored programme is a condition precedent to disbursement of the second tranche of ADF financing.*

**4.2.8 Expected Outcomes (effects):** (i) the Sixth Review of the 2008-2011 Programme backed by the IMF ECF is considered satisfactory; (ii) budget credibility is improved (refer to PEFA PI-1 target indicator of the logical framework).

## **COMPONENT 2: IMPROVED PUBLIC EXPENDITURE MANAGEMENT**

### **Operational Objective 2.1: Improve Public Investment Management**

**4.2.9 Context, Recent Actions, Challenges.** Public expenditure has been identified as a key poverty reduction instrument. In particular, public expenditure is vital for: (i) the development of basic infrastructure necessary for economic growth; (ii) human capital development; (iii) the provision of basic services to the poor; (iv) acceleration of rural development; (v) direct assistance to the poor and vulnerable population; and (vi) improvement of the business climate. The PEMFAR-II Priority Action Plan had identified the short- and medium-term priority reform areas including the establishment of a Public Investment Committee to improve monitoring and coordination of the public investment programme, and to increase the implementation rate of public investments in the priority sectors, which was 59% in 2008. To date, the Public Investment Committee has not been established. It is important to address this matter.

**4.2.10 Programme Measures.** In order to address this situation, the Government intends, in 2011 to: (i) establish a Public Investment Committee attached to the Office of the Prime Minister; and (ii) make the Committee operational.

**4.2.11 Expected Outcomes (effects):** (i) public investment management has improved (refer to target indicators of the logical framework).

### **Operational Objective 2.1: Improve Public Procurement Management**

**4.2.12 Context, Recent Actions, Challenges.** In April 2008, the Government of the Republic of Niger carried out a review of the public procurement system according to the OECD methodology, the results of which were incorporated in PEMFAR-II. The review, carried out in close collaboration with the ARMP, revealed a number of weaknesses in the system. This led to the updating of the 2004 CPAR Priority Action Plan. While significant progress has been made in implementing the Action Plan, major challenges still have to be addressed to improve the procurement system, namely rationalisation of the regulatory framework and building the capacity of institutions responsible for procurement.

4.2.13 With regard to the regulatory framework, the problem lies with the non-compliance of certain provisions of the existing Public Procurement Code with international standards in general, and WAEMU Guidelines, in particular. Indeed, the existing Public Procurement Code was promulgated through Order 2008-06 of 21 February 2008, amending Order 2002-007 of 18 September 2002. The 2008 Order considerably improves the public procurement system. The Order imposes many obligations on the contracting authorities aimed at enhancing the system's transparency, especially in the area of planning, equal treatment of bidders, advertising and greater objectivity in qualification and evaluation operations. However, to be complete, the scope of application should specifically mention the outsourcing of public services. Similarly, although open competitive bidding was adopted as the standard procurement method, and the use of other methods controlled, discriminatory procurement methods remain, which do not comply with international good practices and WAEMU Guidelines. These are national competitive bidding retained only for contractors from Niger, limited competition and shopping below a threshold set above the procurement threshold.

4.2.14 Furthermore, pending operationalisation of the DGCMP, Circular 215 of 26 July from the Prime Minister confers responsibility for the control of contracts below CFAF 300 million on the Procurement Divisions (DPM), with Financial Control carrying out its own control at the approval stage. This decision gives the contracting authorities significant leeway in their procurement responsibilities, which does not always match their capacity and the attendant risks. Indeed, in certain Ministries, some DPMs are responsible for all procurements or participate in the deliberations of the bid evaluation and award committees. Similarly, Financial Control staff participate in the deliberations of these Commissions. In such a situation, the Financial Control Directorate, faced with shortage of human resources, has difficulty in performing its basic duties. For example, contracts below CFAF 300 million are approved without any real control. Furthermore, the legislation does not cover approval by the contracting authority of the bid evaluation commission's award proposal. The Code does not codify cases of rejection of the Bid Evaluation Commission's contract award proposal by the contracting authority, which thus has a free hand regarding the final award. It is important that the Code be revised and made compliant with WAEMU Guidelines.

4.2.15 With regard to institutional capacity, there is still no real training strategy or programmes set up for the different actors. The training already dispensed by the ARMP was carried out in a context where the new public procurement system had not yet been put in place, and mainly concerned information/sensitisation and not public procurement capacity building as such. These training sessions are no longer relevant to the current context. The absence of capacity building strategies constitutes a genuine risk for effective and efficient execution of some public expenditure. This risk is especially high since major responsibilities have been transferred to the contracting authorities (ex ante control of contracts below CFAF 300 million carried out by financial control) since DPMs do not have proven capacity. A good procurement system requires an efficient public sector which can execute procurement operations without bias, in compliance with all the required rules of transparency, equity and economy, and a private sector which can access public orders and deliver quality supplies. Such objectives can only be achieved through a continuing training system, regularly adjusted on the basis of regular performance assessments. It is important for a capacity building strategy to be established following the Code's revision.

4.2.16 **Programme Measures:** Aware of this situation, the Government intends to implement the following measures: (i) in 2010, adopt a revised Public Procurement Code compliant with WAEMU Guidelines; (ii) in 2011, adopt the text revising the approval threshold by the contracting authorities from CFAF 300 million to CFAF 100 million; (iii) in 2011, adopt an overall public procurement capacity building strategy which takes into account the responsibilities

of the actors in the chain and defines training needs, appropriate modules and the training of trainers. *Adoption of the revised Public Procurement Code and of the legislation revising the approval threshold by the contracting authorities constitute conditions precedent to disbursement of the second ADF financing.*

4.2.17 **Expected Outcomes (effects):** (i) The public procurement regulatory framework is improved and compliant with WAEMU standards (refer to CPAR target indicator 1 of the logical framework); (ii) the capacity of public and private actors of the procurement system are built up (refer to CPAR target indicator 6 of the logical framework); and (iii) award of contracts on the basis of open competition (refer to CSI<sup>7</sup> target indicator 5 of the logical framework) is strengthened.

### **COMPONENT 3: STRENGTHENING THE INTEGRITY OF PUBLIC TREASURY MANAGEMENT AND EXTERNAL EXPENDITURE CONTROL**

4.2.18 **Context, Recent Actions, Challenges.** Niger has a complete and sufficient legal and regulatory framework to ensure the integrity of public resource management and account for such management. This framework is aligned on the WAMU Guidelines<sup>8</sup>. In them, budget management is based on the division of duties between payment authorisation officers and the accountants. However, implementation of these Guidelines regarding revenue and expenditure accounting and public resource management is deficient because of the non-operationalisation of the new Public Treasury structures planned under PEMFAR-II action plan (refer to Appendix VII), in particular, the General Directorate of Public Accounting and Treasury (DGCPT), the Treasury Central Accounting Agency (ACCT), the Office of the Treasury Paymaster-General (PGT) and the General Treasury Authority (RGT). This institutional shortcoming is a serious threat to central government financial management. This poor performance is reflected in the results of the 2008 PEFA review (indicator PI-22: timeliness and regularity of accounts reconciliation (score D); PI-23: availability of information on resources received by primary service delivery units (score C); PI-24: quality and timeliness of in-year budget execution reports (score D+) (refer to Appendix VI). Furthermore, while there has been progress with respect to internal control (refer to Appendix V), external control is limited by the non-establishment and operationalisation of the Court of Auditors and the failure to guarantee its independence from the Supreme Court. Indeed, although the Court of Auditors has been established by a law to replace the Audit Division, it is not yet operational. Thus, according to the 2008 PEFA survey, real audits of accounts concerned less than 75% of actual transactions and the excessive delays in these accounts due to lack of qualified personnel considerably limited their scope. The last Budget Review Act dates back to 2006. This poor performance is reflected in the results of the 2008 PEFA review (indicator PI-26: scope, nature and follow-up of external audit (scored D). Correction of these shortcomings represents a challenge for the Government.

4.2.19 **Programme Measures.** The Government has undertaken to strengthen the integrity of public finance management and will: (i) render the above-mentioned new Public Treasury structures operational in 2010; (ii) guarantee in 2010, the independence of the Court of Auditors from the Supreme Court; (iii) and in 2011, ensure the operationalisation (recruitment of magistrates in accordance with the law and operation) of the Court of Auditors. *Finalisation of the establishment of these new DGCPT revenue collection structures constitutes a condition for the disbursement of the first tranche of ADF financing; the establishment of an independent*

<sup>7</sup> The CSI indicators are the Bank's own good governance indicators.

<sup>8</sup> The public finance management system is controlled by the relevant guidelines and rules of the West African Economic and Monetary Union (WAEMU) and is underpinned by a full legal and regulatory framework organised around: (i) the Constitution of 9 August 1999; (ii) the Organic Law governing Budget Laws (LORLF), Act 2003-11 of 1 April 2003; (iii) the General Public Accounting Rules (RGCP), Decree 2002-196/PRN/MEF of 26 July 2002; and (iv) Decree 2002-197/PRN/MEF of 26 July 2002 on budget classification.

*Court of Auditors and appointment of magistrates assigned to the said Court constitutes a condition for the disbursement of the second tranche of ADF financing.*

4.2.20 ***Expected Outcomes (effects):*** (i) account integrity is strengthened in 2011 (refer to the PEFA target indicators PI-22 to 24 of the logical framework); (ii) external control is strengthened (refer to PEFA target indicator PI-26 in 2011 and CSI target indicator 6 in 2011).

### 4.3 *Programme Financing Requirements and Financial Arrangements*

4.3.1 The update of information for the 2010-2011 macroeconomic framework and financing needs was prepared on the basis of information gathered by the re-appraisal mission from the IMF and the Government of Niger. According to IMF projections, financing requirements are estimated at CFAF 260.7 billion in 2010 and CFAF 266.9 billion in 2011, due mainly to the impact of the food crisis and ongoing public infrastructure projects (transport, electricity and irrigation). The financing will ensure completion of the financing without any residual gap. In 2010, the World Bank and the European Union will contribute to the financing requirements with respectively CFAF 21.2 billion and CFAF 13.8 billion. The ADF contribution of UA 28 million, i.e. the equivalent of CFAF 22 billion, will be used to cover the financing requirements to the tune of UA 18.2 million (CFAF 114.4 billion) in 2010 (i.e. 5.5% of the financing requirements) and UA 9.8 million (CFAF 7.75 billion), i.e. about 3% of the financing requirements, for 2011.

**Table 5**  
**2010-2011 Financing Requirements and Sources of Financing (in CFAF billion)**

	2010	2011
<b>Revenue excluding grants</b>	<b>393.6</b>	<b>432.9</b>
<b>Net Expenditure and Loans</b>	<b>639.3</b>	<b>684.8</b>
Current Expenditure	363.1	354.5
<i>of which: Transfers</i>	<i>150.1</i>	<i>100.7</i>
Capital Expenditure	276.2	330.3
<b>Overall Balance, excluding grants (commitment basis)</b>	<b>-245.7</b>	<b>-251.9</b>
<b>Change in Arrears</b>	-15.00	-15.00
<b>Overall Deficit (cash basis)</b>	<b>-260.7</b>	<b>-266.9</b>
<b>Financing</b>		
<b>Domestic Financing</b>	<b>22.6</b>	<b>3.9</b>
<b>External Financing (excluding ADF)</b>	<b>223.7</b>	<b>255.2</b>
European Union	13.8	na
World Bank	21.2	na
IMF	4.8	na
Other TFPs	183.9	na
<b>Financing Gap, excluding ADF</b>	<b>14.4</b>	<b>7.7</b>
<b>ADF Financing</b>		
<i>Budget Grants</i>	<i>3.162</i>	<i>0.00</i>
<i>Budget Loans</i>	<i>11.225</i>	<i>7.7</i>
<b>Financing to be Obtained</b>	<b>0.00</b>	<b>0.00</b>

Source: IMF and MEF/DGE; na: to be determined

### 4.4 *Programme Beneficiaries*

4.4.1 In view of the limited resources of Niger's central government, achievement of the objectives of the 2008-2012 Accelerated Development and Poverty Reduction Strategy will partly depend on an improvement in financial governance, to which the programme will contribute.

Niger's entire population will benefit from the programme impact. The programme effects (enhanced budget transparency and credibility, strengthened integrity of accounts and external control of public expenditure as well as improved public expenditure management) will benefit the population and the private sector (improved business climate). Regarding outputs, the Programme will directly strengthen institutions such as the Ministry of Finance (General Directorate of Public Accounting and Treasury, the General Directorate of Public Procurement (DGMP), the Public Procurement Regulatory Agency (AMRP), the public procurement system actors, including the private sector, the Court of Auditors and, indirectly, WAEMU.

#### **4.5 *Gender Impact***

4.5.1 The improvement in public resource management sought through this budget support will help to buttress the implementation of PASDRP, especially in the health, education, agriculture, transport and basic infrastructure sectors. The ensuing improvement in basic public services will primarily benefit women and girls who constitute the majority of the population (52%). Women are represented in the institutions strengthened under the Programme, in particular, the Ministry of Finance (General Directorate of Public Accounting and Treasury, the General Directorate of Public Procurement (DGMP) and the Public Procurement Regulatory Agency (AMRP), and are among the actors (public and private sector) of the public procurement system. They will benefit from the training planned for the public procurement system actors. Therefore, the programme will help to correct gender disparities in access to public services and build women's capacity in budget and public finance. It will enhance the impact of the Gender Capacity Building Project (PREG, closed in 2009), which improved the performance of public policies and programmes in this area to highly operational levels (culminating in the presentation of a Family Code, which was highly innovative regarding women's rights).

#### **4.6 *Social Impact***

4.6.1 The improvement in public resource management sought by this budget support will help to reinforce the implementation of PASDRP, especially in the health, education, agriculture, transport and basic infrastructure sectors. This Programme, which improves financial governance and the allocation of resources in these sectors, will have positive indirect impacts on the population of Niger. The Programme is classified in Social Category III. It will not cause any population displacement.

#### **4.7 *Environmental Impact***

4.7.1 The goal of PASDRP-I is to improve financial governance. It is a General Budget Support Programme. As such, it is classified in Environmental Category III. Therefore, the Programme is not expected to have any environmental impact.

#### **4.8 *Climate Change Impact***

4.8.1 The goal of PASDRP-I is to improve financial governance. Being a general budget support programme, it is not expected to have any climate change impact.

## 5. IMPLEMENTATION AND MONITORING/EVALUATION

### 5.1 *Implementation Arrangements*

5.1.1 **Implementation Mechanisms:** MEF is the Programme Executing Agency. In its capacity as leader of the Consultative Framework, MEF will be responsible for the steering and technical monitoring of the implementation of the specific measures and reforms retained under PASDRP-I. The role of the Steering Committee established under the Consultative Agreement between the Government of Niger and the TFPs to improve PFM and chaired by the Minister of Economy and Finance, is to validate the Priority Action Plan (PAP) on public finance management in *Year n* and adopt the programming for *Year n+1*. The composition of this Steering Committee is defined in the document establishing the Consultative Framework. The technical monitoring and thrusts defined by the Steering Committee are the responsibility of a technical committee in charge of preparing the deliberations of the Steering Committee and chaired by the MEF CCE. *The extension to the Programme of the jurisdiction of the Technical Steering Committee of the Public Finance Management Consultative Framework will be a condition precedent to disbursement of the first tranche of ADF financing.*

5.1.2 **Disbursements:** The financing proposed under the Programme is UA 28 million, comprising UA 4.03 million in the form of a grant and UA 23.97 million in the form of a loan. The grant resources will be disbursed in a single tranche of UA 4.03 million in 2010, while the loan resources will be disbursed in two tranches of UA 14.18 million and UA 9.79 million in 2010 and 2011, respectively. Disbursement of UA 18.21 million in 2010 is justified by the significant financing requirements for 2010 caused, among others, by the food crisis and floods. The first tranche (100% of the grant amount and 59% of the loan amount) will be released following effectiveness of the Grant and Loan Agreements as well as fulfilment of the related conditions precedent (refer to Section 6). The second tranche will be released after: (i) fulfilment of the specific conditions stipulated; and (ii) a satisfactory review of Programme implementation (refer to Section 6). A special loan and grant account will be opened with the Central Bank of West African States (BCEAO-National Directorate for Niger), into which the resources will be paid prior to their transfer to the Treasury account to be used in respect of the Budget. This account will be maintained in compliance with national law and internationally accepted accounting practices. *Opening of the Special Account is a condition precedent to disbursement of the first tranche of ADF financing.*

5.1.3 **Procurement:** Since the Programme is a general budget support, its implementation does not raise any direct procurement issues.

5.1.4 **Audit:** On Programme completion, an audit of accounts will be carried out by the Court of Auditors which is responsible for budget execution control, or by an external audit firm in accordance with TORs considered acceptable to the Bank Group. The auditor (Court of Auditors or independent auditor) will be required to prepare a common report for the loan and grant financing the Programme and concerning the quality of accounting, the use of the account and the smooth implementation of the Programme (performance audit). It will identify weaknesses or shortcomings, and propose corrective measures. The audit reports will be communicated to the Bank no later than six months after the closure of the fiscal year. Furthermore, under the Consultative Framework Steering Committee, provision has been made to consult partners on the audit and programme evaluation. The Bank will harmonise the audit terms of reference with those of the other partners.

## **5.2 *Monitoring/Evaluation Arrangements***

5.2.1 The logical framework matrix and matrix of measures will be the benchmarks for monitoring Programme implementation and assessing the results. The MEF, through the Technical Committee, will be responsible for gathering and communicating to the Bank all the necessary information for monitoring the proposed Budget Support Programme such as: (i) the IMF ECF review reports on the sustainability of the macro-economic framework, implementation of the PFM reforms and budget execution; (ii) annual DPRS implementation reports; and (iii) all other documents necessary for monitoring Programme implementation. Furthermore, ADF will monitor Programme implementation through supervision missions and joint annual reviews by TFPs, with a view to assessing performance in terms of: (i) implementation of the PEMFAR and CPAR Action Plans; and (ii) general budget execution and programme budgets of the DPRS priority sectors.

## **6. LEGAL DOCUMENTS AND LEGAL AUTHORITY**

### **6.1 *Legal Documents***

6.1.1 The legal documents used for the proposed Programme are: (i) a Grant Protocol of Agreement; and (ii) a Loan Agreement. The parties to these Agreements are the African Development Fund and Republic of Niger.

### **6.2 *Conditions Associated with Bank's Intervention***

6.2.1 The grant resources will be disbursed in a single tranche and the loan resources in two tranches, upon fulfilment by the Borrower of the following conditions:

#### **A *Conditions Precedent to Effectiveness of the Grant and Loan Agreements***

- (1) Effectiveness of the Grant shall be subject to its signature by the Donee and the ADF.
- (2) Effectiveness of the Loan shall be subject to fulfilment by the Borrower of the conditions stipulated in Section 12.01 of the *General Conditions Applicable to Loan Agreements and Guarantee Agreements of the African Development Fund*.

#### **B *Conditions Precedent to Disbursement of the First Tranche (Grant and Loan)***

6.2.2 In addition to loan and grant effectiveness, disbursement of the single grant tranche (UA 4.03 million) and the first loan tranche shall be subject to fulfilment by the Borrower of the following specific conditions:

- i) Provide evidence of opening a special account at the Central Bank of West African States (BCEAO–National Directorate of Niger) into which the ADF resources in respect of PASDRP I will be paid (paragraph 5.1.2);
- ii) Provide evidence of extending the jurisdiction of the Technical Steering Committee of the Public Finance Management Consultative Framework to the Programme (paragraph 5.1.1)

- *Evidence required: Decree extending the Committee's jurisdiction.*
- iii) Provide evidence of completing the establishment of DGTCP revenue collection structures; (paragraph 4.2.11)
  - *Evidence required: MEF Decree establishing DGTCP revenue collection structures.*

### **C. Conditions Precedent to Disbursement of the Second Tranche (loan):**

6.2.3 Disbursement of the second loan tranche of UA 9.8 million shall be subject to the satisfactory review of the Programme by the ADF and provision by the Borrower, to the Fund's satisfaction, of evidence of fulfilling the following specific conditions:

- i) Maintenance of an IMF Staff-Monitored Programme (paragraph 4.2.1);
  - *Evidence: satisfactory press release following the Sixth Programme Review*
- ii) Validation of the PEMFAR 2 report and adoption of its action plan (paragraph 4.2.2);
  - *Evidence required: MEF Decree validating the report and adopting the Action Plan*
- iii) Adoption of the text revising the threshold for approval by the contracting authorities from CFAF 300 million to CFAF 100 million (paragraph 4.2.8)
  - *Evidence required: MEF Decree revising the threshold for approval by the contracting authorities to CFAF 100 million*
- iv) Adoption of a text establishing the independence of the Court of Auditors from the Supreme Court and appointment of magistrates assigned to this Court (paragraph 4.2.11)
  - *Evidence required: Passing of a law establishing the independence of the Court of Auditors from the Supreme Court.*
- v) Provide evidence of the adoption of a revised Public Procurement Code compliant with WAEMU Guidelines (paragraph 4.2.8)
  - *Evidence required: Revised Public Procurement Code and Decree adopting the Code.*

### **D Undertaking**

The Government undertakes not to contract non-concessional debts for the duration of the Programme.

### **6.3 Compliance with Bank Group Policies**

6.3.1 The Bank's policies, guidelines and guiding principles considered applicable or directly relevant to the preparation of the PASDR-I are: (i) Guidelines on Development Budget Support Loans/Grants (ADB 2004); (ii) Rules for Preparing Appraisal Reports and Annotated Format (August 2008); and the Bank's Policy on Non-concessional Debt (2008). No exception is requested under this Programme.

## **7. RISK MANAGEMENT**

7.1 Since the general and technical pre-requisites for the use of general budget support as an aid modality for this programme have been considered satisfactory overall (refer to Table 2), implementation and achievement of the outcomes of PASDRP I are subject to one major risk: the country's vulnerability to negative exogenous shocks (food crisis, drastic fall in the prices of the main export commodities). Three mitigative measures have been identified: (i) earmarking of budget resources for allocation to food security; (ii) structural reforms aimed at diversifying the economy; and (iii) the fact that recently available data indicates that the price of uranium (the country's main source of wealth) is unlikely to experience any drastic fall in the short term and that the medium- and long-term prospects are encouraging due to growing interest in nuclear energy and demand from countries such as China. (Refer to Technical Annex 1).

## **8. RECOMMENDATIONS**

8.1 It is recommended that the Board of Directors approve from ADF resources a loan of UA 23.97 million and a Grant of UA 4.03 million to the Government of Niger to finance the Accelerated Development and Poverty Reduction Support Programme (PASDRP-I), subject to fulfilment of the conditions stipulated in this report.

**LETTER OF DEVELOPMENT POLICY**

**To Mr. Donald Kaberuka  
President of the African Development Bank  
Temporary Relocation Agency (TRA) – Tunis – Tunisia**

**Subject : Letter of Development Policy, 2010-2012**

**Mr. President,**

1. I have the honour to submit to you attached hereto the Letter of Development Policy (LDP) agreed upon under the new Budget Support Programme between Niger and the African Development Bank (ADB) and the African Development Fund (ADF), hereafter called ADB, with respect to the financing of the Accelerated Development and Poverty Reduction Support Programme (PASDRP-I). The attached LDP describes recent economic trends, the economic outlook for 2009 and 2010, and the progress achieved in implementing structural reforms. It also sets out the main objectives for our programme through 2010.
2. Niger's economy was largely spared the direct effects of the global economic upheaval. However, preliminary indications suggest that tourism activity has slowed to some extent and that migrant remittances are falling. Particularly, we are continuing to pay close attention to possible channels through which the global crisis might be transmitted. Furthermore, the changes in Niger's economic environment have prompted us to review our macroeconomic framework. During 2010, several shocks have affected Niger's economy, including a reduction in external financing in the wake of the political crisis which began in 2009; a food crisis due to the poor performance of the agriculture sector in 2009/2010; and floods which affected Niger in August 2010. Satisfactory implementation of the Support Plan for the Vulnerable Population has mitigated the impact of the crisis on the population. The prospect of an improvement in the performance of the agricultural sector and the gradual resumption of external financing are indications of a promising outlook for 2010 and 2011. The review of the IMF Staff-Monitored Programme was satisfactory overall.
3. The Government considers that the policies set forth in the attached LDP are capable of ensuring its Programme's objectives and will take all the necessary measures to this end.

Please accept, Mr. President, the assurances of my highest consideration.

Mamame Malam Annou  
Minister of Economy and Finance

This Letter of Development Policy describes the progress achieved in implementing the macroeconomic and structural policies, and presents our main policy objectives for the 2010-2012 period. The goal of our reform programme is to promote strong and sustainable growth and accelerate poverty reduction.

## **I. ECONOMIC FRAMEWORK IN 2009**

The global economic crisis has so far had no significant impact on Niger's economic performance. Although tourism has slowed to some extent and migrant remittances have fallen, Niger's economy has been largely spared upheaval from the global economic crisis. The anticipated slowdown in overall growth to 1 percent in 2009 reflects disparate trends in the agricultural sector, which is heavily dependent on rainfall, and the non-agricultural sector, where the rate of expansion is expected to reach 5.3 percent in 2009. Mining, telecommunications, and construction remain the principal engines of economic activity.

The balance of payments current account deficit is expected to worsen under the impact of rising imports connected with oil and mining projects. Such imports have increased since 2007 and are expected to reach 11 percent of GDP in 2009, largely financed by increased foreign direct investment inflows. The worsening current account deficit fails to give an adequate picture of the resilience of exports, particularly uranium and agricultural products, or to reflect the decline in oil and food imports connected with the decline in world prices. The overall balance of payments deficit is expected to widen only slightly, even though a large portion of the signing bonus received in 2008 was used to finance public investment.

The increase in domestic credit continues to drive money supply growth. The anticipated acceleration in net claims on the government by the banking system during the second half of the year is expected to heighten this trend. The strong growth in credit to the economy is primarily benefiting mining, oil, transport, telecommunications, construction and public works, and trade.

After peaking in 2008, inflation has followed a downward trend in 2009. The slowdown in price increases reflects the adjustment of international food and oil prices since end 2008 as well as excellent harvests in the 2008/09 agricultural year.

Revenue and expenditure trends early in the year have made it necessary to revise the public deficit objective for 2009 downward. Financing projections have also been revised to take account, on the one hand, of the non-disbursement by some partners of the budgetary assistance anticipated in the Budget Law and, on the other, of the on-lending by the Central Bank of West African States (BCEAO) of the CFAF counterpart of the general SDR allocation as well as of the sovereign bond issue that took place in the fourth quarter. The government has used a portion of this allocation to partially clear its arrears of consolidated statutory advances on the books of the Central Bank. The Authorities have continued to adjust the pace of budget execution to available resources.

## **II. MACROECONOMIC FRAMEWORK IN 2010 AND BUDGET PROJECTIONS**

### **Macroeconomic Framework**

With agricultural growth returning, continued dynamism in the telecommunications and transport sectors and the anticipated increase in uranium production, the Nigerien economy is expected to grow by about 5 percent in 2010. The balance of payments current account deficit is forecast to stay at about 22 percent of GDP, reflecting the combination of projected increase in uranium exports and the sustained pace of imports connected with mining and petroleum projects. After several years of strong expansion, credit to the economy is expected to grow in line with economic activity, which would entail a slight slowdown in the money supply growth. Assuming an average agricultural year and, if there are no further increases in international oil and food prices, price increases should be limited to 2 percent.

### **The 2010 Budget Law**

The expenditure side of the 2010 Budget Law focuses on integration into the civil service of 8,000 contractual employees in the education and health sectors, further social and infrastructure investments, financing of activities to support the private sector, the State's involvement in the exploitation of the Agadem oil field (completing construction of the Zinder refinery and building a pipeline connecting the oil field to the refinery) and banking system restructuring. The anticipated increase in tax receipts, reflecting efforts to enhance the efficiency of tax and customs administration and buoyancy in the non-agricultural sectors, is expected to allow the basic budget balance to improve by approximately 1.3 GDP points.

Financing for the 2010 budget is based on the resumption of external budget support. However, in light of the uncertain external financing outlook, the government will close the financing gap that may arise (CFAF 35 billion) by: (i) freezing CFAF 20 billion in expenditure, the bulk of which would come from domestically-financed investment spending, through the budgetary regulation mechanism. The balance would be made up by increasing recourse to domestic financing.

## **III. STRUCTURAL REFORMS**

### **A. Public Finance Management Reforms**

The government's public finance management reform agenda focuses on strengthening budget procedures, modernising revenue-collecting agencies, and improving the management of public debt and of mining and petroleum resources. These reforms aim to ensure that the government can finance its priorities in an efficient, transparent and sustainable manner.

### **Budget Preparation**

Major progress has been made in preparing a comprehensive medium-term expenditure framework. This effort, supported by International Monetary Fund technical assistance, made it possible to prepare a fiscal strategy paper for the next three years that served as a basis for discussions of the 2010 budget law. The methodology for preparing harmonized sector expenditure frameworks is also being prepared. Broadly, the legislation governing budget preparation will be revised in accordance with the deadlines established in order to ensure that the legislation is consistent with the new WAEMU community guidelines.

### **Budget Execution**

Rigorous management of expenditure commitments has made it possible to align the pace of budget execution with the non-disbursement by some partners of budget supports anticipated in the Budget Law. Budget execution nonetheless has been affected by overlapping fiscal periods. Significant efforts have been made to catch up on delays in preparing the Budget Review Laws since 1997—delays that have now been almost completely overcome, since the latest draft Budget Review Law sent to Parliament pertained to the 2007 budget execution. An additional problem for the closure of administrative and management accounts has been the slow pace of reporting information on the execution of expenditure pursuant to appropriations. This problem is caused by manual processing of the information pending computerization of the decentralized budget offices (*CSO*), and the clearance of Treasury suspense accounts by the regulatory deadline. Although computerization of the *CSO* offices is a government priority for strengthening public finance management, the technical difficulties inherent in completing this process and the procurement times involved mean that this cannot realistically be done before end-2010. These reforms will be pursued in 2011. In line with its objective to improve budget execution in the short term, the government is committed to strictly limiting use of fast-track expenditure procedures to those cases envisaged in the regulations, and to clearing suspense accounts at the end of each quarter starting end-December 2009.

### **Monitoring and Supervision of Expenditure**

The budget nomenclature allows for satisfactory monitoring of poverty-reducing expenditure commitments and payment authorizations. The budget/treasury interface is nearing completion with respect to expenditures executed by the central government; completing computerization of the *CSO* offices should make it possible to broaden the monitoring of expenditure to appropriations. To continue to ensure proper monitoring of poverty-reducing expenditure, the government is reaffirming its commitment to ensuring broad-based dissemination of quarterly execution of these expenditures when they are committed and to including the phases of validation and payment once the *CSO* computerization is complete. The role of financial controls in budget supervision has been strengthened to enhance the effectiveness of internal controls.

### **Reform of Revenue-Collecting Agencies**

The General Directorate of Taxes is currently engaged in a major reform process designed to improve its control over the tax base, reduce taxpayer noncompliance, consolidate and pursue modernization of the tax system, and enhance its efficiency. These efforts have led to a significant increase in tax returns filed voluntarily, an improvement in tax supervision, and lastly a clear increase in revenue. The action plan for the next three years, currently being approved, identifies the investments required to deepen the reforms.

The General Directorate of Customs (*DGD*) has updated its action plan for 2009–11 in collaboration with the World Customs Organization (*WCO*). This plan focuses on, among other things, facilitating trade by modernizing customs controls, use of scanners and risk analysis, and more effective control of merchandise flows. Accordingly, the *DGD* aimed to finalize the interconnection of the main customs offices in Niger with headquarters and with Benin's customs services by end 2009. Use of the full range of *ASYCUDA++* functionalities will also allow for more effective control of risky operations, and by extension more effective targeting of customs controls. Exemptions for imports related to petroleum and mining projects, as well as those granted under the investment code and other conventions, will continue to be scrutinized. Finally, closer collaboration with the pre-shipment inspection company and the system's migration to

inspection at destination are expected to help enhance the quality of the data in the customs valuation database.

Because of their crucial role in improving the efficiency of the tax and customs system, securing financing for these action plans will be a priority thrust of the public finance management reform.

### **Public debt management**

Building public debt management capacity is essential if Niger is to make the investments needed to accelerate the country's development while keeping its fiscal and public debt sustainable. Preparation of a debt sustainability analysis and of a borrowing strategy for the next three years are key milestones in implementing the new WAEMU provisions on budget laws.

To enable it to play its role fully, the public debt management system will be strengthened in three key areas: first, the government intends to comply strictly with the provision making the Minister of Economy and Finance the only party authorized to sign agreements obligating the government financially. Second, to ensure that the impact of any new borrowing on public debt sustainability is taken into consideration, the National Public Debt Management Committee (CNGDP) will be consulted on every domestic or foreign borrowing project or request for public guarantees. Under current rules, the CNGDP will issue a substantiated opinion on any borrowing project, taking into account the loan's importance for Niger, the impact of new borrowing on public debt service and sustainability, and the project's compatibility with the public borrowing strategy, among other things. Thirdly, in line with the recent change in International Monetary Fund Policy on public debt limits, the CNGDP's prerogatives will be broadened to cover the full range of public enterprises, public entities and public offices. The government of Niger is requesting technical assistance from the International Monetary Fund to support this reform.

### **Management of Mining and Oil Resources**

The government reaffirms its commitment to ensuring transparent management of its mining and oil resources—a prerequisite if such resources are to be used optimally. Significant progress has been made in the process of validating Niger's accession to the Extractive Industries Transparency Initiative (EITI). The report reconciling mining and oil revenue for 2005 and 2006 has been completed, and revenue paid by the mining and oil companies and revenue declared by the government have been found to be generally consistent. The report was validated by the Consultative Committee in October 2009 and published in a major local newspaper in November 2009. This vital step paves the way for Niger's candidacy for the EITI Initiative to be approved in the first quarter of 2010. At the same time, preparations for reconciling revenue paid and received in 2007 and 2008 have begun, and that report is expected to be approved at the national level by the end of March 2010. Furthermore, to ensure comprehensive monitoring of the revenue generated by State involvement in the mining and petroleum sectors, the certified accounts of *Société du Patrimoine des Mines du Niger (Niger Mining Assets Company)* and *Nigerpétrole (Niger Petroleum)* will be annexed each year to the draft budget law forwarded to the National Assembly.

Development of the oil and mining sectors requires a major financial effort by the State. Reflecting its commitment to transparency in financial management, the government undertakes to continuously monitor the full range of financial commitments deriving from its involvement in the development of these sectors in its medium-term budget programming activities. To strengthen strategic planning, a report presenting the government's plan for investment in these sectors and the relevant financing arrangements will be prepared by the end of the first half of 2010.

## **B. Financial Sector Reform**

The reform of the financial sector needs to be accelerated to ensure that it can fully support growth. In the short run, a key objective is to ensure that banks can meet the expected increase in the demand for credit associated with mining and oil activities without detrimental effects to asset quality.

### **Strengthening the Balance Sheets of Banks**

Three of the ten commercial banks in Niger already meet the regional banking commission requirement for minimum capital of CFAF 5 billion. Most of the other seven banks have made provision for raising their capital to achieve this minimum level by end 2009—one year before the deadline of December 31, 2010. After the decline recorded since 2007, the net rate of impairment of doubtful claims has levelled out, reflecting the difficulties banks are facing in recovering non-performing loans that are still in their portfolios. The strong expansion of credit to the economy—in an environment in which the terms for obtaining credit facilities from foreign correspondents have been tightening—has had an impact on bank liquidity, as evidenced by the deterioration in the liquidity ratio. The Central Bank continues to scrutinize trends in this indicator. The new credit facilities currently being negotiated with multilateral institutions should help banks to accommodate the rising demand for medium-term and long-term credit. In the medium term, some banks are also planning bond issues to lengthen the maturity of their resources.

### **Restructuring of the Banking System**

Efforts to restructure the financial sector continue. In accordance with the commitments made for the effective establishment of *Finaposte*, the repayment of accounts frozen since 1992 of CNE depositors began in July 2009, and the government has converted half of its deposits with the CCP into time deposits. The government intends to allocate a portion of the proceeds from the sovereign bond issued in the fourth quarter of 2009 to meet the minimum capital requirement of CFAF 5 billion and to issue non-negotiable debt instruments to balance the opening balance sheet of *Finaposte*. The government is also determined to press ahead with finalizing the agreement on the interest applicable to the frozen deposits and with implementing the remaining measures needed for *Finaposte* to begin operating effectively.

Agreement had been reached on the new capital structure for *Crédit du Niger*. This agreement provided for raising the government's share in the capital of the new institution to 44 percent, including 10 percent carrying charge. For this purpose, the government has appropriated the necessary credit in the 2010 budget, and it will be reviewing the terms on which the new institution may make subsidized loans to facilitate access to housing, particularly low-cost housing. A study of the strategy for financing social housing is currently in progress. However, the banking commission has made its preliminary authorization conditional on the provision of additional information by the potential new investor. The deadline for the latter to provide the requested information is January 15, 2010.

The government is determined to create an agricultural bank to facilitate access to financial services for agricultural producers who lack the collateral required by the traditional banking system. The feasibility study for creation of this bank is being finalized. The government is committed to consulting with International Monetary Fund staff on its operating arrangements.

A new strategic partner has been found to buy the stake in the capital of the BIA—the second largest domestic bank in terms of deposits—that is now held by a major European bank. The government is confirming its commitment to ensuring that the BIA is restructured in accordance with regional banking commission rules.

### **C. Business Climate**

Improving Niger's business environment is crucial to attracting investment beyond the mining sector and fostering economic diversification.

The Government has included in the 2010 Budget Law key measures to simplify and modernize the tax system. These include a reduction in the corporate income tax rate from 35 to 30 percent, a decrease in the marginal rate on the single tax on wages and salaries and reform of its scale, a reduction in stamp duty on enrolment in the Register of Commerce and the abolition of signing fees, and elimination of the ceiling on VAT credit repayment for all exporters. The General Tax Code, which incorporates all the laws governing the tax system, is now being completed and is expected to be adopted by the government during the first half of 2010.

**IMF ASSESSMENT LETTER FOR THE BANK AND EUROPEAN UNION**

**Niger—Assessment Letter for the European Union and African Development Bank**

August 20, 2010

*Niger's macroeconomic performance and policies through end-January 2010 were assessed in the IMF Country Report No. 10/14<sup>9</sup> issued following the completion of the third program review under the arrangement under the Extended Credit Facility (ECF) from the IMF. Since the military intervention in February, the near-term growth outlook has weakened, reflecting the intensity of the food crisis and some contraction in public spending, but the outlook for 2011 is broadly favourable provided that budgetary policies remain appropriately cautious, that normal weather conditions prevail, and that donor support for Niger picks up.*

1 **Niger is currently experiencing a food crisis arising from poor rainfalls in 2009.** Aid agencies estimate that half of the population is affected by the crisis, with a quarter of the population severely affected. The authorities, jointly with donors, are implementing an emergency crisis response plan that includes the distribution of food, sales of cereal at subsidized prices, and nutritional support activities for malnourished children.

2 **The growth outlook for 2010 has weakened, reflecting the combined impact of the severe food crisis and lower public spending;** staff now envisages growth of 3½ percent in 2010, down from the 5 percent anticipated at the outset of the year (Table 1). Implementation of the food crisis response plan, coupled with a significant increase in cereal imports from the region, continues to have a moderating impact on food prices. Year-on-year inflation reached 2.2 percent in July, and is expected to remain moderate for the year as a whole. The overall balance-of-payments deficit is projected at 2 percent of GDP, affected by increased food imports and higher oil prices. On the fiscal side, the authorities have adopted a revised budget for 2010 that incorporates new revenue mobilization efforts and reallocates spending to address critical new spending needs, including for food security and elections. Based on preliminary data, budget execution appears to have been broadly in line with the authorities' fiscal policy objectives through end-May, although the sharp increase in the budgetary cost of petroleum subsidies in the second quarter points to an emerging risk for the budget.

3 **The macroeconomic outlook for 2011 appears broadly favourable.** Given normal climatic conditions, agricultural output should continue to expand, while growth in the transportation and mining sectors will provide a strong impetus to non-agricultural GDP. With additional support from donors as Niger's relations with the donor community improve, GDP growth in 2011 could reach 5 percent. Inflation is projected to decline to around 2 percent, aided by good harvests in Niger and neighbouring countries, while the balance of payments position should improve as the food supply shock fully unwinds. The fiscal deficit is projected to remain at a financeable level of some 3 percent of GDP, given higher aid inflows and the gradual elimination of fuel price subsidies. Downside risks to the outlook include weather conditions, disruption of the timeline for a return to a democratic government, and the failure to rein in fuel price subsidies.

---

9 Available at <http://www.imf.org/external/pubs/cat/longres.cfm?sk=23908.0>

4 **Niger's economic reform agenda focuses on strengthening the efficiency and transparency of public finance management.** Further progress in this area is needed ahead of the expected scaling up of oil and uranium production if the increase in available resources is to contribute effectively to boost growth and further reduce poverty. The new government has underscored its commitment to proceed with the reform agenda being supported by the arrangement under the ECF, although implementation has slowed in the wake of the change in government in February, partly reflecting widespread personnel changes.

5 **Niger's economic policies and reform efforts have been supported by an arrangement under the ECF from the IMF since May 2008;** the third review under the arrangement was completed in early-February 2010. Following the military intervention in February, discussions for the fourth program review were put on hold pending clarification as to whether the international community recognizes the transitional regime as the new government of Niger. To ascertain the views of the international community, a poll of the IMF's membership is currently underway. If the results of the poll clearly show that Niger's transitional government is recognized by the international community, the Fund would recognize such a regime as the government of Niger and policy discussions for the fourth program review would commence within a short period.

## NIGER'S RELATIONS WITH THE IMF

**Statement at the Conclusion of an IMF Mission to Niger**

Press Release No. 10/36930 September, 2010

An International Monetary Fund (IMF) mission led by Ms. Laurence Allain visited the Republic of Niger from September 15-30, 2010, to hold discussions regarding the fourth and fifth reviews of the country's economic program supported by the Extended Credit Facility (ECF). The mission met with the Prime Minister, His Excellency Mahamadou Danda, the Minister of Economy and Finance, His Excellency Mamane Malam Annou, the National Director of the Central Bank of West African States (BCEAO), Mr. Mahamadou Gado, as well as with other senior government and central bank officials. The mission also met with civil society representatives.

Ms. Allain issued the following statement today in Niamey at the conclusion of the mission:

“The mission notes that Niger's economy has been affected by several important shocks in 2010, beginning with a shortfall of external financing in the wake of the political crisis that started in mid-2009; then a food crisis resulting from the poor 2009/2010 agricultural performance; and finally, floods which occurred in August. However, the successful implementation of the Support Plan for Vulnerable Population mitigated the impact of the crisis on the population. Despite the slowdown in non-agricultural production, the expected good outcome of the harvest now underway and the gradual resumption of external financing in the second half of the year have markedly improved the outlook for 2010 and 2011.

“Given the difficult circumstances, the mission welcomes a broadly satisfactory implementation of the program and the achievement of most quantitative program targets as of end-December 2009 and end-June 2010. In particular, revenue largely exceeded program targets, and public expenditure was prudently managed. The government of Niger intends to make up for the delays in the implementation of their structural reforms, mainly in the areas of external debt management and monitoring and quality of budget execution. The mission commends the government's commitment to speed up the execution of poverty reduction spending, and discussed measures that would increase budget expenditure toward that end.

“A number of important mining and oil projects about to come on stream potentially offer Niger new growth opportunities and, eventually, a substantial increase in budget revenue, but also entail significant financial risks. The mission takes note of the government's decision to participate directly in these projects through equity stakes in the companies developing them. The mission and the government agreed on the need for a thorough assessment of the financial and economic viability of these projects, and their impact on the medium-term outlook and debt sustainability. Discussions on these issues as well as the main aggregates of the 2011 Finance Law will continue in October in Washington.

“The mission wishes to thank the authorities for their warm hospitality, their availability and the high quality of the discussions.”

MATRIX OF MEASURES AGREED UPON WITH THE GOVERNMENT<sup>10</sup>

Objectives	Measures to be Taken		Baseline Situation	Outcomes/Targets
	2010	2011		
<b>Component 1: Improved Budget Transparency and Credibility</b>				
<b>A.1. Enhance transparency in public resource management</b>	Publish the budget execution status no later than one month after the end of the quarter.	Publish the budget execution status no later than one month after the end of the quarter.	No budget execution report is published	The quarterly budget execution reports are available no later than one month after the end of the quarter
	Post the draft 2011 BL and the Public Procurement Code on the MEF website to increase public's access to information.	Post the draft 2012 BL and the Public Procurement Code on the MEF website to increase public's access to information.	Neither the Budget Laws nor the Public Procurement Code is posted on the Ministry of Economy and Finance website.	The Public Procurement Code is available on the DGMP portal and the draft Budget Laws are published annually when they are discussed in Parliament.
		Enhance transparency in the mining sector by developing a website for the MME and beginning to publish the accounts of the sector's public enterprises.	There is no Ministry of Mines and Energy website.	A site is created, maintained up-to-date and the sectors' public enterprises' accounts published.
<b>A.2. Improve budget credibility</b>		<b>Maintain an IMF Staff-Monitored Programme.</b>	The Third Review under the ECF programme was approved by the IMF Executive Board. The mission for the fourth and fifth reviews was considered satisfactory by the IMF technical staff.	The sixth ECF Review is completed
		Narrow the gap between the voted and executed budget to less than 6% to improve budget credibility	Gaps of between 12 to 23% on 2004 to 2008 budget periods.	6% in 2011
<b>Component 2: Improved Public Expenditure Situation</b>				
<b>2.1. Improve the regulatory framework</b>		<b>Adopt a revised Public Procurement Code compliant with WAEMU Guidelines</b>	A Public Procurement Code exists but some provisions are non-compliant with WAEMU Guidelines	The Public Procurement Code is fully compliant with WAEMU Guidelines
		<b>Adopt legislation revising the approval threshold for contracting parties downwards from CFAF 300 million to CFAF 100 million</b>	The approval threshold for contracting parties is UA 300 million	The approval threshold for contracting parties is UA 100 million

<sup>10</sup> This matrix comprises measures of the 2008-2009 PEMFAR PAP and programme measures agreed upon at PASDRP I appraisal.

Objectives	Measures to be Taken		Baseline Situation	Outcomes/Targets
	2010	2011		
<b>2.2. Build public procurement capacity</b>		Adopt an overall public procurement capacity building strategy, taking into account the roles and responsibilities of the actors in the chain and defining training needs, appropriate modules, and the training of trainers	There is currently no overall capacity building strategy for public procurement actors	An overall strategy is adopted to build the capacity of public procurement actors, taking into account their roles and responsibilities.
<b>2.3. Improve public investment management</b>	Establish a Public Investment Committee at the Office of the Prime Minister.		There is no Implementation Monitoring Committee for Public Investment Projects	A Committee is established under the oversight of the Prime Minister's Office and actively monitors project implementation.
		Increase the budget shares of the priority sectors (education, health, rural development).	The priority sectors represent an average of 59% of expenditure, excluding debt service between 2003 and 2008.	The priority sectors represent 65% of expenditure, excluding debt service, in 2011.
<b>Component 3: Strengthen the Integrity of Public Treasury Management and External Control of Expenditure</b>				
<b>3.1. Strengthen the integrity of treasury management</b>	<b>Finalise the establishment of the new DGTCP collection structures.</b>		The collection structures are not yet operational	The DGTP is fully operational and can perform its duties as defined in the reform.
	.	Provide the Court of Auditors with adequate operating resources.	Its present status does not ensure the Court's independence to enable it to effectively control the use of public resources.	The Court of Auditors is fully operational. Its autonomy is assured. It has the necessary human and technical resources to play its role of external controller of government finances
<b>3.2 Strengthen external expenditure control</b>		<b>Establish the Court of Auditors and ensure its independence from the Supreme Court as well as its operationalisation by recruiting magistrates</b>  Provide the Court with adequate operating resources.	Its present status does not ensure the Court of Auditor's independence and appropriate personnel to enable it to efficiently control public resources.	The Court of Auditors is fully operational. Its autonomy is assured. It has the necessary human and technical resources to play its role of external controller of government finances

## Selected Macroeconomic and Financial Indicators, 2006-2014

Indicateurs	Unité	2000	2004	2005	2006	2007	2008	2009 (e)
<b>Comptes nationaux</b>								
RNB aux prix courants du marché	Million \$ E.U.	1 912	2 879	3 381	3 646	3 998	4 823	...
RNB par habitant	\$ E.U.	170	220	250	270	280	330	...
PIB au prix courants	Million \$ E.U.	1 666,6	2 898,8	3 325,5	3 648,8	4 292,3	5 358,6	5 365,2
PIB aux prix constants de 2000	Million \$ E.U.	1 666,6	2 013,9	2 158,7	2 283,9	2 361,5	2 585,8	2 562,5
Croissance du PIB en termes réels	%	-2,6	-0,8	7,2	5,8	3,4	9,5	-0,9
Croissance du PIB par habitant en termes	%	-5,8	-4,2	3,4	2,0	-0,4	5,4	-4,6
Investissement intérieur brut	% du PIB	13,9	14,6	22,7	23,6	23,1	29,2	29,6
Investissement public	% du PIB	4,3	5,4	6,4	6,7	6,3	6,7	7,1
Investissement privé	% du PIB	9,6	9,1	16,3	16,8	16,8	22,5	22,5
Epargne nationale	% du PIB	5,7	7,3	14,2	15,0	15,4	16,0	14,9
<b>Prix et Monnaie</b>								
Inflation (IPC)	%	2,9	0,2	7,8	0,4	0,4	11,3	4,3
Taux de change (moyenne annuelle)	monnaie locale / \$ E.U.	712,0	528,0	527,8	522,6	479,2	448,7	471,4
Masse monétaire, variations annuelles (M)	%	12,4	19,7	7,0	14,8	24,7	11,9	15,4
Vitesse de circulation de la monnaie (PIB)	%	8,8	15,2	14,2	15,0	17,3	16,6	18,2
<b>Finances publiques</b>								
Recettes totales et dons	% du PIB	14,3	20,8	21,8	22,6	25,1	29,9	23,6
Dépenses totales et prêts nets	% du PIB	18,1	20,6	20,4	18,9	21,7	23,8	24,9
Déficit (-) / Excédent global (+)	% du PIB	-3,8	0,2	1,4	3,7	3,4	6,0	-1,2
<b>Secteur extérieur</b>								
Variation en volume des exportations (ma)	%	27,4	6,2	-2,6	2,4	-4,4	-2,5	3,6
Variation en volume des importations (ma)	%	6,7	0,8	21,8	-1,5	9,2	27,3	18,3
Variation des termes de l'échange	%	-17,7	-2,4	4,8	5,1	22,0	21,9	21,3
Solde des comptes courants	Million \$ E.U.	-92,1	-231,0	-311,4	-314,0	-351,3	-727,3	-813,1
Solde des comptes courants	% du PIB	-5,5	-8,0	-9,4	-8,6	-8,2	-13,6	-15,2
Réerves internationales	mois d'importations	1,6	2,3	2,0	2,7	3,6	2,8	2,5
<b>Dettes et flux financiers</b>								
Service de la dette	% des exportations	73,4	10,8	9,1	4,4	1,9	1,9	2,0
Dettes extérieures totales	% du PIB	89,1	58,9	52,4	15,8	15,9	14,0	16,2
Flux financiers nets totaux	Million \$ E.U.	183,0	463,8	394,2	-407,5	323,3	578,3	...
Aide publique au développement nette	Million \$ E.U.	208,5	547,2	520,0	526,1	541,8	605,4	...
Investissements nets directs en prov. de l'é	Million \$ E.U.	8,4	19,7	30,3	50,5	129,0	146,9	...

**Taux de croissance du PIB réel, 2000-2009**

**% Inflation (IPC), 2000-2009**

**Solde du compte courant en pourcentage du PIB, 2000-2009**

Source : Département de la statistique de la BAD; FMI: Perspectives de l'économie mondiale, Septembre 2009 et Statistiques financières internationales, février 2010; Département de la statistique : Development Data Platform (base de donnée), mars 2010; OCDE, Division des systèmes statistiques.

Notes : ... Données non disponibles

Dernière mise à jour : mai 2010

## STATUS OF PUBLIC FINANCE MANAGEMENT REFORMS

**Box 1. Niger****Budget Preparation**

Progress has been made in preparing a medium-term expenditure framework. This effort made it possible to prepare a fiscal strategy paper for the next three years that served as a basis for discussion of the 2010 Budget Law. The methodology for preparing harmonized sector expenditure frameworks is also being prepared. More generally, the legislation governing budget preparation will be revised in accordance with the deadlines established in order to ensure its consistency with the new WAEMU Community Guidelines.

**Budget Execution**

Better management of expenditure commitments has made it possible to align the pace of budget execution with the non-disbursement by some partners of budget support anticipated in the Budget Law. Budget execution nonetheless has been affected by overlapping fiscal periods. Efforts have been made to catch up on delays in preparing the Budget Review Laws since 1997. The delays have now been almost completely overcome since the latest draft Budget Review Law sent to Parliament pertained to the 2007 fiscal period. An additional problem for closure of the administrative and management accounts by the regulatory deadlines has been the slow pace of reporting information on the execution of expenditure, pursuant to appropriations due to manual processing of the information pending computerization of the decentralized budget offices (CSO) and the belated clearance of Treasury suspense accounts. Although computerization of the CSO offices remains a government priority for strengthening public finance management, the technical difficulties inherent in completing this process and the procurement times involved mean that this cannot be envisaged before 2012. In line with its policy to improve budget execution in the short term, the government is committed to strictly limiting the use of fast-track expenditure procedures to those cases envisaged in the regulations, and to clearing suspense accounts at the end of each quarter starting end-December 2009.

**Expenditure Monitoring and Control**

The budget nomenclature allows for proper monitoring of poverty-reducing expenditure commitments and payment authorizations. The budget/treasury interface is nearing completion with respect to expenditure executed by the central government and completing computerization of the CSO offices should make it possible to broaden the monitoring of expenditures to appropriations. To continue to ensure proper monitoring of poverty-reducing expenditure, the government has reaffirmed its commitment to ensuring broad-based dissemination of quarterly execution of these expenditures when they are committed, and to including the phases of validation and payment once the CSO computerization is complete. The role of financial controls in budget execution has been strengthened to enhance the effectiveness of internal controls.

**Reforms of Revenue-Collecting Agencies**

The General Directorate of Taxes is currently engaged in a major reform process designed to improve its control over the tax base, reduce taxpayer noncompliance, consolidate and pursue modernization of the tax system, and enhance its efficiency. These efforts have led to a significant increase in tax returns filed voluntarily, an improvement in tax supervision, and finally a clear increase in revenue. The action plan for the next three years, currently being approved, identifies the investments required to deepen the reforms. The General Customs Directorate (DGD) has updated its action plan for 2009–11 in collaboration with the World Customs Organization (WCO). This plan focuses on, among other things, facilitating trade by modernizing customs controls, use of scanners and risk analysis, and more effective control of merchandise flows.

## PEFA Analysis Summary (2008)

Public Finance Management Indicators		Scoring Method	Score by Component				Overall Score
			i	ii	iii	iv	
<b>A – PUBLIC FINANCE MANAGEMENT OUT-TURNS: Budget Credibility</b>							
PI-1	Aggregate expenditure out-turn to original approved budget	M1	C				C
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	A				A
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	A				A
PI-4	Stock and monitoring of expenditure payment arrears	M1	B	D			D+
<b>B – CROSS-CUTTING FEATURES: Comprehensiveness and Transparency</b>							
PI-5	Classification of the budget	M1	A				A
PI-6	Comprehensiveness of information included in budget documentation	M1	C				C
PI-7	Extent of unreported government operations	M1	D	C			D+
PI-8	Transparency of inter-governmental fiscal relations	M2	A	D	D		C
PI-9	Oversight of aggregate fiscal risk from other public entities	M1	D	D			D
PI-10	Public access to key fiscal information	M1	C				C
<b>C – BUDGET CYCLE</b>							
<b>C(i) Policy-Based Budgeting</b>							
PI-11	Orderliness and participation in the annual budget process	M2	D	C	A		C+
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	C	B	D	D	D+
<b>C(ii) Predictability and Control in Budget Execution</b>							
PI-13	Transparency of taxpayer obligations and liabilities	M2	C	C	C		C
PI-14	Effectiveness of measures for taxpayer registration and assessment of taxes and customs duties	M2	D	C	D		D+
PI-15	Effectiveness in collection of tax payments and customs duties	M1	B	C	D		D+
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	D	B	B		D+
PI-17	Monitoring and management of cash balances, debt and guarantees	M2	C	D	C		D+
PI-18	Effectiveness of payroll controls	M1	D	D	D	C	D+
PI-19	Competition, optimal use of resources and controls in public procurement	M2	D	C	C		D+
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	C	D	C		D+
PI-21	Effectiveness of internal audit	M1	C	C	D		D+
<b>C(iii) Accounting, Recording and Financial Reporting</b>							
PI-22	Timeliness and regularity of accounts reconciliation	M2	D	D			D
PI-23	Availability of information on resources received by primary service delivery units	M1	C				C
PI-24	Quality and timeliness of in-year budget reports	M1	C	D	D		D+
PI-25	Quality and timeliness of annual financial statements	M2	D	D	D		D
<b>C(iv) External Scrutiny and Audit</b>							
PI-26	Scope, nature and follow-up of external audit	M1	D	C	D		D+
PI-27	Legislative scrutiny of the annual budget law	M1	C	D	D	B	D+
PI-28	Legislative scrutiny of external audit reports	M1	D	D	D		D
<b>D – DONOR PRACTICES</b>							
D-1	Predictability of direct budget support	M1	D	D			D
D-2	Financial information provided by donors for budgeting and reporting on programme aids	M1	C	D			D+
D-3	Proportion of aid that is managed in compliance with national procedures	M1	D				D

### PEMFAR-II (2009) Niger – Priority Action Plan

In 2009, the Bank, in collaboration with the World Bank and the United Nations Development Programme, as well as with the Nigerien Authorities, participated in the preparation of the second PEMFAR. PEMFAR II covers the period since the first PEMFAR in 2004. It analyzes the fiscal space outlook and public finance management, reviews the public investment management system and assesses government management of the resources financed and the public procurement system. The main PEMFAR II conclusions are presented below:

- **Political commitment at the highest level and adequate technical assistance are essential pre-requisites for effective implementation of public sector reform.** The PEMFAR I recommendations were only partially implemented. This reflects political support for the implementation of sensitive reforms (including reform of the Public Treasury, establishment of the Court of Auditors as well as the regular and timely publication of accounts). In view of the government's limited capacity, donors must ensure the timely provision of technical assistance to the key Departments to support implementation of the measures.
- **Domestic revenue management and transparency must be strengthened, especially when the country is on the point of mobilising significant mining and oil resources.** Given expectations that, over time, revenue from mining and oil resources will rise from less than one percent of GDP to three percent of GDP, it is vital to establish appropriate mechanisms to channel revenue towards investments in priority sectors. It is also important to improve transparency in the sector, in particular for the Extractive Industries Transparency Initiative (EITI). These measures must be backed by efforts to mobilise other domestic revenue and bolster the public investment management system.
- **Budget credibility and execution as well as the public investment management system must be improved.** The gap between the voted and executed budget is very wide and fluctuated from 12 to 23% over the 2004 to 2008 period. The public investment management system review indicates that the system is not credible. Consistency among the PRSP strategic priorities and the strategic priorities as reflected in the budget may be considerably improved.
- **Despite overall compliance with WAEMU Guidelines, integrity and the 'accountability' dimension in public finance management remain a challenge.** The following priority measures must be implemented by the Authorities: (i) rapidly eliminate all abusive use of exceptional expenditure; (ii) ensure comprehensive, accurate and timely expenditure and revenue reporting; (iii) improve budget transparency and coverage; (iv) operationalise the new Public Treasury structures in

order to improve management of cash balances; and (vi) tighten internal controls and scale up external control in particular, by rendering the Court of Auditors operational.

- **Major shortcomings are affecting the transparency and effectiveness of the public procurement system.** Progress has been made with the establishment of the Public Procurement Regulatory Agency (ARMP), but the efforts must be pursued in order to put in place an efficient public procurement system. The three main challenges are: (i) non-compliance of certain parts of the Public Procurement Code with the WAEMU Guidelines; (ii) the conflicts of interest created by authorisations issued by ARMP for direct agreements, absence of an operational data collection system and a training strategy adapted to the existing institutional framework; and (iii) lack of efficient internal control, in particular the non-effectiveness of the audit system.

Issues	Action to be Taken	Responsible Party	Technical Assistance Required (Low, Medium, High)	To be Completed Before:
<b>I. Fiscal space outlook</b>				
Low fiscal revenue mobilization.	Improve the predictability and level of tax revenues by implementing DGD and DGI medium term action plans.	MEF	Medium	March 2010
Lack of capacity to forecast and manage volatility of mining and oil revenues.	Design the sovereign fund as a stabilization fund to cope with mining and oil prices volatility.	MEF/MME	High	December 2011
Limited transparency of revenue management.	Accelerate Implementation of EITI.	MEF	Medium	December 2010
<b>II. Public expenditure review</b>				
<b>A. Budget preparation</b>				
Lack of a global MTEF.	Prepare overall MTEFs, allocating the resources envelopes between ministries, following the procedure of distinguishing on-going policies and new initiatives.	MEF	High	March 2010
Lack of skills for developing and maintaining strategic budget tools.	Adopt and implement a wide training plan for officials in the DGB and budget directorates of line ministries.	MEN, MSP, MDA, MRA, MH, MDCAT	High	June 2010
Sector MTEFs are not consistent with global budget constraint.	Prepare MTEFs for key ministries consistent with the overall MTEF.		Medium	March 2010
	For priority ministries, make the MTEF procedure an integral part of the budgetary procedure with budget requests consistent with the first year of the MTEF.	MEF	Medium	December 2010
<b>B. Budget execution</b>				
Steady and important deviation between actual and voted budget and weak alignment between budget and PRSP.	<p>Increase budget credibility by reducing deviation between voted and executed budget</p> <p>Ensure that an increasing share of recurrent budget is allocated to the key PRSP priority sectors.</p> <p>Provide timely release of budget resources to the PRSP priority sectors protecting them from expenditures cuts.</p>	MEN, MSP, MDA, MRA, MH, MDCAT	High	December 2010
Limited autonomy of line ministries in the budget process.	Devolve budgetary responsibilities such as commitment and payment order responsibilities to officials in field offices of ministries.	MEF, line ministries	Medium	December 2011
<b>C. Education sector</b>				
Insufficient allocations of resources devoted to basic education quality	Increase resources devoted to improve quality of basic education.	MEF/MEN	Low	June 2010
Lack of sustainable teacher's recruitment policy	Adopt a strategy for ensuring sustainable education employment, salaries and	MEN	Medium	June 2010

Issues	Action to be Taken	Responsible Party	Technical Assistance Required (Low, Medium, High)	To be Completed Before:
	benefits.			
<b>D. Health Sector</b>				
Lack of qualified staff in rural areas	Adopt measures for improving incentives to attract qualified health workers in rural areas.	MSP	Medium	March 2011
<b>E. Rural sector</b>				
Low efficiency in the rural sector	Adopt a strategy for promoting rural savings and financial intermediation with the aim of increasing crop productivity	MDA	High	December 2010
<b>F. Public investment management system</b>				
<b>F1. Strategic guidance and initial screening</b>				
	Adopt a comprehensive development strategy of PIM in Niger.	MEF	High	June 2010
	Publish and disseminate a handbook on public investment management.	MEF	Medium	March 2010
<b>F2. Project appraisal</b>				
	Adopt by a government Bill the financial thresholds and steps defining the project appraisal process.	MEF	High	June 2010
<b>F3 Project implementation</b>				
	Improve investment budget execution ratio to 85 percent.	MEF	Medium	December 2012
<b>F4. Evaluation</b>				
	Adopt methodical approach for timely evaluation of projects/programs based on sampling of key investments.	MEF	High	December 2010
<b>III. Public finance management</b>				
<b>A. Legal and institutional framework</b>				
The new structures of the Treasury have not been established.	Put in place new Treasury structures (DGTCP, ACCT, PGT and RGT).	MEF	Low	January 2010
The Court of Auditors has not been put in place.	Put in place the Court of Auditors to replace the Audit Division and recruit staff in accordance with the law.	Prime Minister	Low	January 2010
<b>B. Budget credibility, comprehensiveness, transparency and policy-based budgeting</b>				
Autonomous public agencies and public enterprises are not sufficiently controlled.	Conduct an audit of EPA and EPIC regarding collection and use of fees.  Adopt required financial reporting norms to government as prerequisite to grant subsidies to EPA and EPIC.	DGD DGTCP	High	January 2012
<b>C. Accounting, recording and reporting</b>				
Bank reconciliation is conducted only once a year.	Undertake monthly reconciliation of accounting entries and bank statements.	DGTCP	Medium	January 2010
Suspense and regularization accounts are not cleared regularly.	Systematically clear the suspense and regularization accounts at least monthly.	DGTCP	High	January 2011
The status of budget execution is not edited regularly.	Publish analytical quarterly budget execution reports and submit them to Cabinet for informing budget execution decision making.	DGB	Low	January 2010
The integrated financial management system is not optimized.	Update the information system master plan which should include: - Finalization of the interface between	DIF	High	January 2012

Issues	Action to be Taken	Responsible Party	Technical Assistance Required (Low, Medium, High)	To be Completed Before:
	the “ Treasury” and the “ Budget”; - Developing interface between DGI and DGD on the one hand and the Treasury on the other; - Creation of a single database of government employees to be used by the payroll directorate and the Ministry of Civil Service; - Enabling the payroll application to manage not only the fixed wage element but also all the benefits and other variable elements; - Computerize the decentralized budget offices operation.	DIF	Medium	March 2010
Centralization of financial operations from the regions to the capital is often delayed.	Reduce the time taken to centralize the financial operations from the regions to the capital to 15 days.	DGTCP	High	January 2012
The General Financial Administration Accounts has not been produced.	Establish at end of year the General Financial Administration Accounts based on the model used by countries in the sub-region (Côte d’Ivoire for example).	DGTCP	Medium	January 2012
<b><i>D. Predictability and internal and external controls of budget execution</i></b>				
The control of the service is insufficient.	Improve the quality of service control, notably by involving the beneficiary populations in the process, where the nature of the expenditure allows it. This involvement should be done at both the budget preparation stage and that of expenditure execution.	Ministries DGCF	Low	January 2010
Abuse of the simplified expenditure procedures and operations charged to provisional accounts are not settled on a regular basis.	Limit the use of simplified expenditure procedures only to cases allowed by the regulations and clear, on a monthly basis, operations charged to provisional and non-regularized accounts.	DGB DGCF Ministries DGTCP	Low	January 2010
<b>IV. Public procurement system</b>				
<b><i>A. Regulatory and Legislative Framework</i></b>				
The standard procurement documents contain clauses that do not comply with the Code and/or the WAEMU Guidelines.	Conform procurement documents with WAEMU guidelines.	ARMP	Medium	March 2010
The Code authorizes a restricted bidding based on a specified amount which consequently excludes a large part of procurement from open competition	Establish conditions for restricted procurement bids in conformity with WAEMU guidelines and institute a bidding threshold in line with local industry capacity.	ARMP	Medium	March 2010
<b><i>B. Institutional framework and management capacity</i></b>				
The ARMP authorizes directly negotiated contracts.	Entrust control of compliance and opportunity of directly negotiated contracts to the DGCMP and give to ARMP, especially CRD, the power to review any decision not abiding to the public procurement Law.	ARMP	Medium	June 2010

Issues	Action to be Taken	Responsible Party	Technical Assistance Required (Low, Medium, High)	To be Completed Before:
Lack of reliable and exhaustive statistical data on public procurement.	Put in place a reliable tool for collecting information and statistics while efforts are undertaken to operationalize the SIGMAP.	ARMP/MEF	High	June 2011
<b><i>C. Procurement operations and market practices</i></b>				
DPMP are, in general, involved in procurement awards.	Focus assignments of DPMP on quality control, training coordination, archiving of bidding documents and ensure their autonomy from DRFM which are institutions involved in procurement.	ARMP	Medium	September 2010
Contracting authorities' skills and training are not adequate.	Develop and implement a training plan.	ARMP/MCA	Medium	March 2010
<b><i>D. Integrity and transparency of the procurement system</i></b>				
Procurement audits are not performed.	Launch procurement audits for year 2008 and 2009 budgetary exercises.	ARMP	High	September 2011

**SUBJECT : NIGER: PROPOSAL FOR AN ADF LOAN OF UA 23.97 MILLION AND AN ADF GRANT OF UA 4.03 MILLION TO FINANCE THE ACCELERATED DEVELOPMENT AND POVERTY REDUCTION SUPPORT STRATEGY (PASDRP-I)**

**CORRIGENDUM\***

Please find attached, a **corrigendum** on the above document. The corrections will be reflected in the revised version of the Appraisal Report that will be posted on the Bank's website.

**NIGER**

**ACCELERATED DEVELOPMENT AND POVERTY REDUCTION  
SUPPORT STRATEGY**

**CORRIGENDUM**

**I. Executive Summary**

**Page vi, Beneficiaries, read:**

*Second sentence (French version only):* “La population nigérienne dans son ensemble bénéficiera des impacts du programme.”

*In place of:* “La population nigérienne dans son ensemble bénéficiera des impacts de cet impact du programme.”

**Bank’s Value Added, read:**

Second sentence: “Another example of the Bank’s value added is the fact that the Bank’s intervention, based on the 2004 PEMFAR I, the 2008 PEFA 2008 and the 2009 PEMFAR II outcomes...”

*In place of:*

“Another example of the Bank’s added value is the fact that the Bank’s intervention, based on the 2004/2008 PEFA and the 2009 PEMFAR II...”

**II. Country and Programme Context**

**Page 2:**

**Box 1, read:**

Third sentence: “Public finance management will be improved in five areas: (i) medium-term alignment of annual budgets on PRSP 2008-2012 priorities...”

*In place of:*

“Public finance management will be improved in five areas: (i) medium-term alignment of budgets with the 2008-2012 priorities and on the health, education, rural development, transport and infrastructure MTEF...”

**Page 2:****Paragraph 2.2.1, read:**

Second sentence: “Indeed, Niger has successively experienced a political crisis that resulted in the events of 18 February 2010, the drying up of external financing from mid-2009 as a result of this crisis and a significant increase in food insecurity in the wake of the unsatisfactory 2009/2010 agricultural year and flooding in August 2009.”

*In place of:*

“Indeed, Niger has successively experienced a political crisis in February 2010 following political tensions which marked the country in 2009, the drying up of external financing from mid-2009 as a result of this crisis and a significant increase in food insecurity in the wake of the unsatisfactory 2009/10 agricultural year and flooding in August 2009.”

**Page 4:****Paragraph 2.2.5, read:**

Second sentence: “The suspension of aid compelled the transitional government to adopt a supplementary Budget Law in 2010 ...and elections.”

*In place of:*

“The suspension of aid following the overthrow of President Tandja compelled the transitional government to adopt a supplementary Budget Law in 2010...and the elections.

**III. Justification, Key Design and Sustainability Factors****Page 6: Point 4 (Technical Conditions Precedent), read:**

**Second and third sentences:** “Implementation of the strategy is monitored by the National PRSP Steering Committee chaired by the Prime Minister, comprising members of Government, the lead partner, representatives of civil society and Employers Associations. The Coordinator of the Permanent Secretariat of the Poverty Reduction Strategy (PRS) serves as the Committee’s secretariat.” At the technical level, the PRS Permanent Secretariat is charged with implementation monitoring, under the Coordinator’s responsibility.”

*In place of:*

“Implementation of the strategy is monitored by the National Steering Committee chaired by the Prime Minister and comprising the technical Ministries, representatives of civil society and the Employers Association.”

**Page 9: Bank Value Added, read:**

“Section 3.5: Bank’s Comparative Advantage and Value Added”

*In place of:*

“Section 3.5: Bank’s Comparative Advantages”

**Paragraph 3.5.1, second sentence, read:**

“The Bank’s value added is also reflected in the fact that its intervention, based on the 2004-2008 PEMFAR I, the 2008 PEFA and the 2009 PEMFAR II outcomes...”

*In place of:*

“The Bank’s value added is also reflected in the fact that its intervention, based on the 2004/2008 PEFA and the 2009 PEMFAR II...”

**IV. The Proposed Programme****Page 10:****Paragraph 4.2.2, read (French version only):**

“(ii) améliorer la gestion des dépenses publiques incluant la gestion des marchés publics”

*In place of:*

“(ii) améliorer la gestion des finances publiques incluant la gestion des marchés publics”

**Page 11:****Paragraph 4.2.3, read:**

“While the Public Procurement Regulatory Agency (ARMP) publishes in its journal the bidding results for public contracts exceeding a certain threshold (which varies between CFAF 25 and 50 million, depending on the contract type), the same does not apply to the General Public Procurement Code.”

*In place of:*

“Concerning public procurement, while the Public Procurement Regulatory Agency (ARMP) publishes in its journal the bidding results for public contracts exceeding a certain threshold (which varies between CFAF 25 and 50 million, depending on the contract type), the same does not apply to the Public Procurement Code despite the existence of the General Directorate of Public Procurement (DGMP) website.”

**Page 12:****Paragraph 4.2.9, read:**

Third sentence: “.....PEMFAR II report...”

*In place of:*

“...PEMFAR-II Priority Action Plan...”

**Page 13:****Paragraph 4.2.13, read:**

“Indeed, the existing Public Procurement Code was promulgated through Order 2008-06 of 21 February 2008, amending Order 2002-007 of 18 September 2002... The 2010 Order considerably improves the public procurement system.”

*In place of:*

“Indeed, the existing Public Procurement Code was promulgated through Order 2008-06 of 21 February 2008, amending Order 2002-007 of 18 September 2002...”

**Page 14: Paragraph 4.2.18, read:**

“...The new Public Treasury structures planned under PEMFAR II action plan (refer to Appendix VII) are operational since 30 April 2010, particularly: the General Directorate of Treasury and Public Accounting (DGTCP), the Central Accounting and Treasury Agency (ACCT), the Office of the Treasury Paymaster-General (PGT) and the General Treasury Authority (RGT). Furthermore, in addition to progress made with respect to internal control (refer to Appendix V), improvements have also been recorded on external control following the establishment of the Court of Audit to replace the Chamber of Accounts of the Supreme Court. Indeed, although the Court of Audit was established by a law to replace the Chamber of Accounts, real audit of accounts concerned less than 75% of actual transactions and the last Budget Review Act dates back to 2007. This poor performance is reflected in the results of the 2008 PEFA Review (Indicator PI-26: scope, nature and follow-up of external audit (scored D). The strengthening of external control represents a challenge for the Government.”

*In place of:*

“...However, implementation of these Guidelines regarding revenue and expenditure accounting and public resource management is deficient because of the non-operationalisation of the new Public Treasury structures planned under PEMFAR-II action plan (refer to Appendix VII), in particular, the General Directorate of Public Accounting and Treasury (DGCPT), the Treasury Central Accounting Agency (ACCT), the Office of the Treasury Paymaster-General (PGT) and the General Treasury Authority (RGT). This institutional shortcoming is a serious threat to central government financial management. This poor performance is reflected in the results of the 2008 PEFA review (indicator PI-22: timeliness and regularity of accounts reconciliation (score D); PI-23: availability of information on resources received by primary service delivery units (score C); PI-24: quality and timeliness of in-year budget execution reports (score D+) (refer to Appendix VI). Furthermore, while there

has been progress with respect to internal control (refer to Appendix V), external control is limited by the non-establishment and operationalisation of the Court of Auditors and the failure to guarantee its independence from the Supreme Court. Indeed, although the Court of Auditors has been established by a law to replace the Audit Division, it is not yet operational. Thus, according to the 2008 PEFA survey, real audits of accounts concerned less than 75% of actual transactions and the excessive delays in these accounts due to lack of qualified personnel considerably limited their scope. The last Budget Review Act dates back to 2006. This poor performance is reflected in the results of the 2008 PEFA review (indicator PI-26: scope, nature and follow-up of external audit (scored D). Correction of these shortcomings represents a challenge for the Government.”

## **V. Implementation and Monitoring/Evaluation**

### **Page 17: Paragraph 5.1.4, read:**

“Furthermore, under the Consultative Framework Steering Committee, provision has been made to consult partners on the audit and programme evaluation.”

*In place of:*

“Furthermore, under the Consultative Framework Steering Committee, provision has been made to consult partners on the audit and programme evaluation. The Bank will harmonise the audit terms of reference with those of the other partners.”

## **VI. Letter of Development Policy**

Budget Preparation

Read:

“This effort, backed by UNDP financial support and IMF technical assistance, made it possible to prepare a fiscal strategy paper for the next three years that served as a basis for discussions of the 2010 budget law.”

*In place of:*

“This effort, supported by International Monetary Fund technical assistance, made it possible to prepare a fiscal strategy paper for the next three years that served as a basis for discussions of the 2010 budget law.”

Read:

“A methodological guide for preparing sector MTEFs was prepared, validated and put at the disposal of the technical ministries...”

*In place of:*

“The methodology for preparing harmonized sector expenditure frameworks is also being prepared...”