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AFRICAN DEVELOPMENT FUND

PROJECT : Domestic Resource Mobilization and Economic and Financial Governance Improvement Support Project (PAMOGEF)

COUNTRY : Republic of Niger

PROJECT APPRAISAL REPORT

Date: October 2011

Appraisal Team	Team Leader	: K. ISSABRE SOW, Public Finance Specialist,	OSGE.2
	Team Members	: R. DOFFONSOU, Niger Country Economist,	ORWA
		M. KEI-BOGUINARD, Legal Counsel,	GECL.1
		S.A. NNA EBONO, Financial Management Specialist,	ORPF.2
		K.J. HOMA WOO, Operations Assistant,	OSGE.2
		S. OUEDRAOGO, Procurement Officer,	ORPF.1
		O. SOMALI, Consultant	
	Sector Director	: I. LOBE NDOUMBE, Director	OSGE
	Regional Director	: J. KPOUROU LITSE, Director	ORWA
	Sector Division Manager	: J. MUKETE, Division Manager,	OSGE.2
Peer Reviewers	R. ARON, Social Development Specialist,	ONEC	
	A. BA, Country Economist,	ORNB	
	D. TANKOUA, Economist	CMFO	
	L. BASSOLE, Economist,	OSGE 2	

TABLE OF CONTENTS

I – Strategic Thrust and Rationale	1
1.1 Project Linkages with Country Strategy and Objectives	1
1.2 Rationale for Bank’s Involvement	1
1.3 Aid Coordination.....	4
II – Project Description.....	4
2.2 Technical Solutions Retained and Other Alternatives Explored.....	5
2.3 Project Type	6
2.4 Project Cost and Financing Arrangements.....	6
2.5 Project’s Target Area and Beneficiaries.....	8
2.6 Participatory Process for Project Identification, Design and Implementation	9
2.7 Bank Group’s Experience and Lessons Reflected in Project Design.....	9
2.8 Key Performance Indicators.....	10
III – Project Feasibility	10
3.1 Economic and Financial Performance.....	10
3.2 Environmental and Social Impact	10
IV – Implementation	12
4.1 Implementation Arrangements.....	12
4.2 Monitoring.....	13
4.3 Governance.....	14
4.4 Sustainability.....	15
4.5 Risk Management.....	15
4.6 Knowledge Building	15
V – Legal Framework	16
5.1 Legal Instrument	16
VI – RECOMMENDATION	16
Appendix I: Country’s Comparative Socio-Economic Indicators	1
Appendix II: Table of ADB Portfolio in Niger (Status as at 1 November 2011)	2
Appendix III: Main Related Projects Financed by the Bank and other Development Partners in the Country	3
Appendix IV: Map of the Project Area.....	4

LIST OF TECHNICAL ANNEXES

ANNEX A: COUNTRY'S DEVELOPMENT AGENDA, SECTOR OVERVIEW AND DONOR SUPPORT

- A1 Country's Development Agenda
- A2 Sector Overview
- A3 Donor Support

ANNEX B: BACK UP OF KEY ARGUMENTS OF THE REPORT

- B1. Main Lessons
- B2 Detailed Project Costs
- B3 Implementation Arrangements (Detailed)
- B4 Financial Management and Disbursement Arrangements (Detailed)
Financial Management Arrangements (Detailed)
- B5 Procurement Arrangements (Detailed)
- B6 Audit Arrangements (Detailed)
- B7 Environmental and Social Analysis
- B9 Project Preparation and Supervision

ANNEX C: OTHER TECHNICAL ANNEXES

- C1 Detailed Description of Project Components
- C2 Description of Project Components
- C3 PAMOGEF's Complementarity with On-going Capacity Building Projects in Niger
- C4 Terms of Reference of NIGER NLTPS, 2012-2035
- C5 Terms of Reference of the Study on the Aspirations of the People of Niger
- C6 TOR for the Preparation of MP/AT/DCS Telecommunications and IT Master Plan (SDIT)
- C7 TOR for the Revision of the Ministry of Finance's Telecommunications and IT Master Plan (SDIT)
- C8 TOR for the Design and Opening of a Website at the Ministry of Mining and Industrial Development

LIST OF TABLES

No	Title	Pages
2.1	Project Components	4
2.2	Alternative Solutions Explored and Reasons for Their Rejection	7
2.3	Estimated Cost by Component	8
2.4	Project Cost by Expenditure Category	8
2.5	Expenditure Schedule by Component	9
2.6	Expenditure Schedule by Category	9
4.1	Monitoring Stages and Feedback Loop	14
4.2	Risks and Mitigation Measures	15

Currency Equivalents

October 2011

UA	=	CFAF 758.614
UA	=	EUR 1.15650
UA	=	USD 1.56162

Fiscal Year

1 January – 31 December

Weights and Measures

1 metric tonne	=	2204 pounds
1 kilogramme (kg)	=	2.200 pounds
1 metre (m)	=	3.28 feet
1 millimetre (mm)	=	0.03937 inches
1 kilometre (Km)	=	0.62 miles
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

AfDB	African Development Bank
ADF	African Development Fund
ADPRS	Accelerated Development and Poverty Reduction Strategy
AFD	French Development Agency
APA	Advance Procurement Action
CENTIF	National Financial Data Processing Centre
CFP	Country Financing Parameters
CGI	General Tax Code
CSP	Country Strategy Paper
CSRD	Supreme Council for the Restoration of Democracy
DADC	Directorate of Public Land and Cadastral Affairs
DGB	General Directorate of Budget
DGCF	General Directorate of Financial Control
DGD	General Directorate of Customs
DGE	General Directorate of Economy
DGEPE	General Directorate of Economy, Forward Planning and Evaluation
DGH	General Directorate of Hydrocarbons
DGI	General Directorate of Taxes
DGM	General Directorate of Mining
DGP	General Directorate of Planning
DGREF	General Directorate of Economic and Financial Reforms
DGTCP	General Directorate of Treasury and Public Accounting
DPME	Directorate of Small- and Medium-Sized Enterprises
EDF	European Development Fund
EITI	Extractive Industries Transparency Initiative
ESDP	Economic and Social Development Plan
GDP	Gross Domestic Product

GPN	General Procurement Notice
HDI	Human Development Index
HIPCI	Heavily Indebted Poor Countries' Initiative
IDA	International Development Agency
IMF	International Monetary Fund
INS	National Institute of Statistics
IPCC	Intergovernmental Panel on Climate Change
MDRI	Multilateral Debt Relief Initiative
MF	Ministry of Finance
MP/AT/DC	Ministry of Planning, Regional Planning and Community Development
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework
NLTPS	National Long-Term Prospective Study
OHADA	Organization for the Harmonization of Business Law in Africa
OREMP	Mineral and Petroleum Resources Observatory
PAD	Decentralization Support Project
PASDRP	Poverty Reduction Strategy Support Programme
PC	Micro-computers
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Finance Management
PICAG	Interim Government Action Framework Programme
PMT	Project Management Team
PS	Permanent Secretariat
RBCSP	Results-Based Country Strategy Paper
RBLF	Results-Based Logical Framework
RMC	Regional Member Countries
SISIC	Computerized Tax and Tax Payers' Monitoring System
SPN	Special Procurement Notice
SDIGS	Sustainable Development and Inclusive Growth Strategy
TFP	Technical and Financial Partners
UA	Unit of Account
UAM	Million Units of Account
UNBD	United Nations Business Development
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
WAEMU	West African Economic and Monetary Union

Project Information

Client Information

BORROWER : Republic of Niger

EXECUTING AGENCY: General Directorate of Planning (DGP) under the Oversight of the Ministry of Planning, Regional Development and Community Development (MP/AT/DC)

Financing Plan

Source	Amount (million UA)	Instrument
ADF	10.0	Loan
TOTAL COST	10.0	

Key ADF Financing Information

Loan Currency	UA
Interest Type*	NA
Interest Rate Spread*	NA
Service Charge*	0.75%
Other Charges*	Commitment fee of 0.50%
Tenor	50 years
Grace Period	10 years
FRR, NPV (baseline scenario)	NA
ERR (baseline scenario)	NA

**where applicable*

Timeframe – Main Milestones (expected)

Identification	
Preparation	June 2011
Concept Note Approval	August 2011
Appraisal	October 2011
Country Team	November 2011
Project Approval	January 2012
Effectiveness	March 2012
First Disbursement	May 2012
Last Disbursement	December 2015
Completion	December 2015
Last Repayment	December 2057

Project Summary

General Project Overview

<i>Project Name</i>	:	Domestic Resource Mobilization and Economic and Financial Governance Improvement Support Project (PAMOGEF)
<i>Geographic Context</i>	:	The entire Republic of Niger
<i>Overall Timeframe</i>	:	48 months over the 2012-2015 period
<i>Project Cost</i>	:	UA 10.0 million (ADF);

Target Beneficiaries. The main project beneficiaries will be: (i) the entire State, whose resources will be increased and institutional capacity built, especially for the departments responsible for economic and financial administration as well as the extractive industries; and (ii) Niger's population, which will benefit from the improved efficiency of the public sector and the performance of socio-economic services. Lastly, the private sector will benefit from trade facilitation through a modern and more efficient customs system.

Outcomes and Impacts: The main expected outcomes are: *with regard to improved domestic resources:* (i) increase in tax ratio from 13.7% in 2011 to 15% in 2015 and the level of customs revenue by over 10% per year from 2012; (ii) reduction in goods customs clearance time to less than 48 hours from 72 hours today; and (iii) increase in the mining sector's contribution to GDP from 25% in 2010 to 40% in 2014 and its contribution to fiscal revenue from 20-25% in 2010 to 50% in 2015 ; *With regard to the strengthening of the planning and forward planning system:* (i) preparation of the Niger 2035 prospective document and the 2012-2015 Plan; and (ii) preparation of the planning and public investment management manuals. *With regard to improvement of the budget programming and execution process:* (i) preparation of the MTBF and the MTEF aligned on the ESDP (2012-2015); (ii) production of reports on the payment and use of the 15% due to local communities in the mining areas; and (iii) a reduction in the number of exceptional procedures. *Lastly, with regard to the improvement of transparency and the control system:* (i) publication of reports of the Court of Accounts and the EITI; and (ii) submission and adoption of Audited Budgets within the timeframes stipulated under existing regulations.

Needs Assessment and Relevance: PEMFAR II, carried out in 2009, raised many challenges, including: (i) improved domestic resource mobilization; (ii) building the technical and human capacity required to address the challenges of the expected growth in extractive activities; (iii) improved budget and public investment management effectiveness; and (iv) strengthening public resource management transparency. An action plan targeting the necessary reforms has been validated at the national level. The effective implementation of the said plan represents a major challenge for Niger and for its technical and financial partners.

Lessons Learnt and Bank's Value-Added: The preparation of PAMOGEF draws on the lessons learnt during the implementation of Bank projects and those of other development partners. One of the main lessons from previous operations, namely 'inappropriate choices concerning the project implementation unit' was taken into account in determining PAMOGEF's institutional mechanism, which, while respecting the principles of the Paris Declaration, will be highly operational with the contribution of the different types of expertise envisaged. This project also draws on the achievements of the 2011 fiscal year budget support and will thus allow for the pursuit of an integrated public finance management approach.

Knowledge Building: PAMOGEF's implementation will result in knowledge building and good public finance management and planning practices that will be disseminated within the administration through training sessions and procedures manuals. Knowledge in institutional capacity building and implementation of reforms should also be acquired, thanks to PAMOGEF's implementation. This knowledge will also be disseminated within the Bank.

RESULTS-BASED LOGICAL FRAMEWORK (RBLF)

Country and Name of Project: Niger –Domestic Resource Mobilization and Economic and Financial Governance Improvement Support Project. (PAMOGEF)

Project Goal: To build Niger's domestic resource mobilization capacity and improve public finance management effectiveness and transparency in order to contribute to the creation of favourable conditions for sustainable growth and poverty reduction

RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
		INDICATORS	BASELINE	TARGETS		
IMPACT	Conditions conducive to the maintenance of a high growth rate and poverty reduction are created.	GDP growth rate	3.8% in 2010	8% in 2015	INS data	Risk 1: weakening of the Government's resolve, either in a context of extreme drought, ruining government's and farmers' efforts, or in a context of a resurgence of potential terrorist activities in the Niger desert, which could distract the Government's attention from the economic and financial reforms.
		Poverty incidence rate	59.5% in 2007	31.5% in 2015	INS household survey	
OUTPUT	<ul style="list-style-type: none"> - The analytical and negotiating capacity of extractive sector structures is strengthened - The efficiency of tax revenue mobilization structures is improved. 	Tax ratio	13% of PIB in 2011	15% of GDP in 2015	DGEP, DGI and DGD Activity Reports	Mitigation: (i) the new Government's commitment to pursue the reforms in all sectors and diversify its economy as stipulated in the Prime Minister's General Policy Declaration of 16 June 2011; (ii) the steadfast support of the TFP in the food and agriculture sector; and (iii) major measures taken by the authorities, with donor support, on the security front, to protect personnel and mining sites.
		Contribution of extractive sectors to fiscal revenue	20 to 25% in 2010	40% in 2014	DGB Budget Execution Reports	
		Timeframe for presentation of budget to the National Assembly: year X+1 in October of year X	One months' delay in 2010	Compliance with the October 2102 deadline	Budget Execution Report	
OUTPUT	Budget programming is consistent with the priorities of the National Development Strategy and its implementation is managed as required, within an improved transparency framework	Expenditure implementation rate in priority sectors	-27.30% in 2010	-15% in 2015	Expenditure Implementation Reports (DGB)	Mitigation: (i) the steadfast support of the TFP in the food and agriculture sector; and (iii) major measures taken by the authorities, with donor support, on the security front, to protect personnel and mining sites.
		Public access to key budget information PI-10 = C	PEFA indicator PI-10 : D in 2008	B in 2015	PEFA Report	
OUTCOMES	<p>Component I: Improved Domestic Resource Mobilization and Governance in Extractive Sectors</p> <p>Support to improved mobilization of Tax Revenue</p> <p><i>Improved tax revenue collection framework</i></p> <p><i>Improved customs revenue collection framework</i></p> <p><i>Support to operationalization of new Treasury sectors</i></p> <p>Support to Improved Governance of</p>	Tax revenue optimization action plan		- At end 2013, a fiscal revenue optimization plan is prepared and implemented.	FPs of DGI, DGD DGB Treasury, DIF and PAMOGEF activity reports are prepared	Risk 2: Insufficient qualified human resources in the beneficiary structures to implement project activities.
		New General Tax Code disseminated		- At end 2013, 20,000 copies of the General Tax Code are published and disseminated		
		Sensitization of tax payers and civil society organizations to CGI		- At end 2013, at least 50 CGI sensitization campaigns targeting taxpayers and civil society organizations are carried out		
OUTCOMES	OUTCOMES	Strengthening of DGD computerized management system		- At end 2013, computer applications for monitoring exemptions and for the database of the Customs Regulatory Texts are developed.		Mitigation: (i) continuing and targeted training as well as learning from technical assistance; (ii) effective implementation of capacity building projects and programmes.
		Connection of the Treasury to DGI and DGD data, and decentralized structures of the Treasury computerized		- The Website, Internet and a digital archiving system are installed in 2012		
		Number of DGI, DGD and Treasury employees trained		- In 2013, all the administrations are connected through the data base managed at DIF		
OUTCOMES	OUTCOMES			- At end 2013, the Web public accounting application is set up in 10 pilot Departments and intranet Website and digital archiving system are installed.		
				- At end 2013, 196 DGI employees, 400 DGD employees and 210 Treasury employees are trained, 6 DGI employees and 8 Treasury employees have been on study trips.		

RESULTS-BASED LOGICAL FRAMEWORK (RBLF)

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	<p>extractive sectors</p> <p><i>Support to supervision and monitoring of extractive industry revenue</i></p> <p><i>Support to Permanent Secretariat of Niger EITI</i></p> <p>Component II: Improvement of budget programming and process</p> <p>Support towards building the technical and material capacity of structures in charge of planning.</p> <p><i>Support to forward planning and strengthening of the planning system</i></p> <p><i>Strengthening of the public investment programming and monitoring/evaluation function</i></p> <p>Support to the streamlining of budget programming and improvement of the budget execution and control process</p>	<p>ORMP operational</p> <p>Social and environmental management in mining and petroleum areas improved</p> <p>Mining and Petroleum Codes updated</p> <p>Extractive sector information accessible</p> <p>Number of employees of Ministries responsible for extractive sectors trained</p> <p>The assets of the EITI Secretariat are strengthened</p> <p>Public investment planning and management manuals</p> <p>SDIGS and ESDP available</p>	<p>-2010 Annual Report</p> <p>-EITI has no capacity building and communication strategies</p> <p>None</p> <p>None</p>	<ul style="list-style-type: none"> - At end 2012, the ORMP operating texts as well as the action plan are adopted and the ORMP is operational in 2013 - At end 2012, a Strategic Social and Environmental Management Improvement Study is conducted as well as a study on the mechanisms for the efficient management of mining revenue transferred to territorial communities. - At end 2014, the Mining and Petroleum Codes are re-read and revised. - At end 2012, the Website for the Ministries responsible for Mining and Petroleum is opened - At end 2013, 91 employees have been trained in their respective areas and 12 have benefited from study trips. - At end 2013, the EITI general annual report for 2012 is available; the EITI Niger Actor Capacity Building Strategy and its communication strategy have been prepared as well as a specific study on the impact of extractive industries on women and on their capacity building needs. - In 2014, women’s capacity building activities in the mining and petroleum activity areas are implemented - In 2013, 8 Secretariat employees benefit from study trips - The Guides are available in 2013 - The SDIGS and ESDP are prepared in 2012 - The MTBF and 9 MTEF are prepared in 2015 - In 2012, the procedures manual and methodology guide are updated. - 15% in 2015; the Study on improving price benchmarking and the compilation of the database is conducted; the DGCF procedures manual is revised. The Pilot 	<p>Activity reports of Focal Points of Ministries Responsible for the extractive industries, the Treasury and PAMOGEF</p> <p>Activity Reports of the EITI FP, the FPs of the Ministries responsible for the PAMOGEF extractive sector</p> <p>Reports of the FPs of DGP, DGEP, DGB, DGCF, DIF and PAMOGEF</p>
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RESULTS-BASED LOGICAL FRAMEWORK (RBLF)

Country and Name of Project: Niger –Domestic Resource Mobilization and Economic and Financial Governance Improvement Support Project. (PAMOGEF)

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<p><i>Strengthening of the budget process</i> <i>Strengthening of the ex ante internal control system</i></p> <p><i>Strengthening of IT systems of Ministries responsible for Finance and Planning</i></p> <p>Improved budget transparency through citizens’ control</p> <p><i>Improved system of ex post external control</i></p> <p>Component III: Project Management</p>	<p>Number of sector MTEFs consistent with overall MTEF.</p> <p>Updating of MTEF preparation guide</p> <p>Exceptional expenditure procedures and strengthening of internal control</p> <p>Number of MP/AT/DC, DGB, DGRF and DGCF employees trained</p> <p>Availability of Master Plans</p> <p>Number of Computer Service employees trained</p> <p>Audited Budgets enacted within the stipulated timeframe</p> <p>Number of women trained under the project</p>	<p>3 in 2010</p> <p>21% in 2010</p> <p>N submitted in N+2</p>	<p>Room expenditure data capture application is also decentralized to the regions.</p> <ul style="list-style-type: none"> - In 2013, 255 MP/AT/DC employees are trained and 28 have benefited from study trips; 116 employees of DGB, DGCF and DGRF are trained and 20 have benefited from study trips - In 2014, the MF and MP/AT/DC IT Master Plans are available and a Computer and Data Security Policy is prepared. - In 2013, 44 DIF and DRF-Plan employees are trained and 12 have effected study trips <p>In 2015, Audited Budget for N submitted in September of N+1 and Annual Reports are regularly available</p> <ul style="list-style-type: none"> - In 2015, 25% of the total employees trained are women 	<p>Court of Auditors’ Report</p> <p>FP reports and PAMOGEF reports</p>
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COMPONENTS

Component I (refer to Matrix of Activities Annex 2)
- Technical Assistance, equipment and training for: Directorate of Mining, Hydrocarbons Directorate, EITI Secretariat General, Directorate of Customs, General Directorate of Taxes, General Directorate of Treasury and Public Accounting

Component II (refer to Matrix of Activities Annex 2)
- Technical Assistance, equipment and training for: General Directorate of Economy, Forward Planning and Evaluation, General Directorate of Planning, General Directorate of Budget, General Directorate of Financial Control, Directorate of Financial Computerization, MTEF Committee, Court of Accounts, Financial Committee of the National Assembly.

RESOURCES

ADF Loans:

	Estimated Cost in UA Million
Component I	4
Component II	5
Project Management	1
Total	10

**REPORT AND RECOMMENDATION OF BANK GROUP MANAGEMENT TO THE BOARD OF
DIRECTORS ON A PROPOSAL TO GRANT A LOAN TO NIGER FOR THE DOMESTIC RESOURCE
MOBILIZATION AND ECONOMIC AND FINANCIAL GOVERNANCE IMPROVEMENT SUPPORT
PROJECT (PAMOGEF)**

Management hereby submits the following report and recommendations on a proposal to grant a UA 10.0 million loan to the Republic of Niger to finance the Domestic Resource Mobilization and Economic and Financial Governance Improvement Support Project (PAMOGEF) in Niger.

I. Strategic Thrust and Rationale

1.1 Project Linkages with Country Strategy and Objectives

1.1.1 The Poverty Reduction and Development Strategy, (ADPRS, 2008-2012), which is the reference framework for the Technical and Financial Partners' (TFP) interventions in Niger, focuses on the following seven priority thrusts: (i) search for strong, diversified, sustainable and job-creating growth; (ii) equitable access to quality social services; (iii) control of population growth; (iv) reduction of inequalities and strengthening of social protection for vulnerable groups; (v) infrastructure development; (vi) promotion of good governance; and (vii) effective implementation of the Poverty Reduction Strategy. PAMOGEF is in keeping with thrust (vi), the objective of which is to '*entrench the rule of law in a democratic society and ensure effectiveness and transparency in economic and financial management*', and thrust (vii) which, among others, aims at '*improving the formulation of public policies*', achieving '*increased and effective resource allocation to ADPRS priority areas*', and promoting results-based management. Lastly, the Programme is in line with the National Public Finance Reform Programme (PRGFP), adopted by the Government in 2011.

1.1.2 Furthermore, PAMOGEF is aligned on the Bank's operating strategy for Niger as reflected in the 2005-2009 Results-Based Country Strategy Paper (RBCSP) extended to cover the 2010- 2012 period to coincide with the implementation of the ADPRS (2008-2012). In addition to its two main pillars, namely: (i) rural community development support; and (ii) infrastructure strengthening, the RBCSP included public finance management as a crosscutting area of intervention. The project is also consistent with the AfDB Governance Action Plan (GAP) for the 2008-2012 period, which seeks to focus aid to regional member countries (RMC) on the consolidation of their national systems aimed at improving public resources control, with special emphasis on strengthening control institutions and promoting accountability.

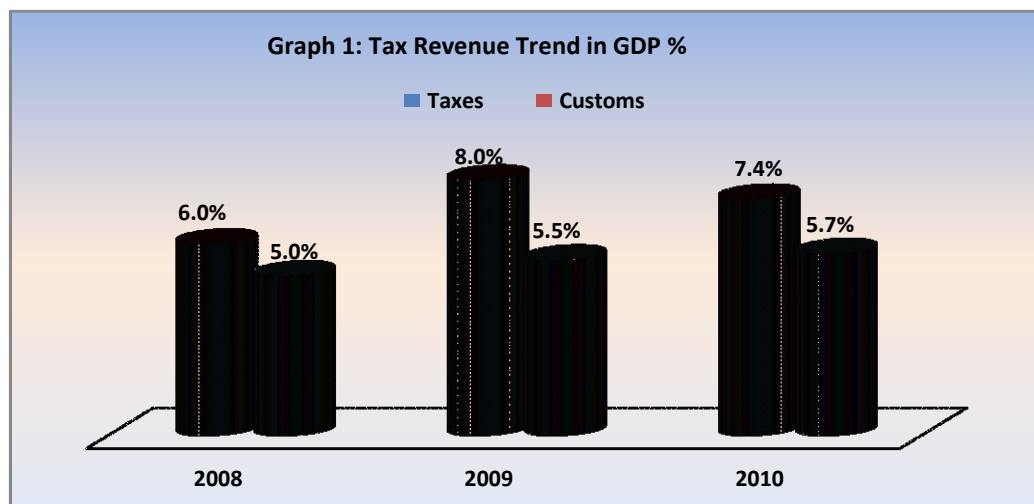
1.2 Rationale for Bank's Involvement

1.2.1 *Economic Context*: Niger's economy remains vulnerable to the vagaries of the weather and exogenous shocks. Low rainfall led to a drop in agricultural production in 2011 in contrast to a record harvest in the previous year. This led to a sharp slowdown in Gross Domestic Product (GDP) growth, which was expected to fall to 3.8% in 2011 compared to 8% in 2010 (source: MF). Niger remains heavily dependent on external aid, and government finances are characterized by a recurrent deficit. The overall fiscal balance, excluding grants, was expected to deteriorate sharply in 2011 to -10.2% of GDP compared to -7.3% in 2010 and -9.9% in 2009. With the expected oil and mining revenue over the next few years, the prospects for the signing of a new Three-Year Economic Programme with the IMF supported by the Extended Credit

Facility (ECF) and the disbursement under some budget support operations, the deficit on the overall balance should narrow to about 6% over the 2012-13 period and reach 4% (2008 level) in the medium term. However, despite efforts made to improve its public finance management, the State still faces several constraints that impact negatively on its economic and financial performance. Niger is ranked 186th out of 187 countries, according to the 2011 Human Development Index (HDI).

1.2.2 Public finance management: the second PEMFAR report prepared in 2009 raised several constraints, including: (i) weak domestic resource mobilization capacity; (ii) lack of appropriate monitoring of extractive sector revenue; (iii) the non-exhaustive and non-transparent nature of the budget process; (iv) non-alignment of expenditure with development strategies; (v) delay in implementing the Treasury reform with its repercussions on accounting and cash flow; and (vi) poor control system performance. In order to address the above challenges, and given the optimistic outlook in terms of increased national income and foreign direct investment (FDI), PEMFAR II strongly recommended building the capacity of State structures intervening in public finance management and supervision of the extractive sectors. A Public Finance Reform Programme (PRGFP) was prepared by the Government and validated at a national workshop following a broad-based participatory process. Niger’s commitment to the effective implementation of this Programme is a prerequisite to achieving PAMOGEF objectives.

1.2.3 Domestic Resource Mobilization: Niger’s tax system is characterized by weak collection capacity and difficulties in controlling the tax base. Public expenditure management in Niger is still affected by the volatility and low level of domestic resources since tax revenue accounts for less than 13% of GDP - a level considerably below the WAEMU convergence criterion (17%).



Source: DGI

In addition, the recurrent differences noted between forecast and actual revenue¹ have a negative impact on budget credibility.

¹ The actual to forecast tax revenue ratio was 80.6% in 2008, 87.4% in 2009, 62.7% in 2010 and 65.6% in 2011

1.2.4 Revenue from natural resources has represented between 20 to 25% of the central government's budget and this proportion is expected to increase when oil production starts in 2012. Several diagnostic studies carried out indicate that weak national capacity is impeding appropriate supervision of extractive sector operations as well as careful planning of the use of the resources generated by them. Consequently, the strengthening of transparency in domestic resource management assumes the highest importance, if such resources are to be judiciously and inclusively allocated to reduce poverty and allow the country to rid itself of the symptoms of the Dutch syndrome². Therefore, it is paramount to build the capacity of the government structures responsible for supervising the extractive sectors and the petroleum industry. This will create an enabling environment for more transparent management and improve the traceability of future financial resources generated by these sectors. The EITI Permanent Secretariat, which has limited resources, also deserves to be supported in its continuing production of annual reports on mining and oil revenue. At the same time, activities should be conducted to sensitize and build the capacity of non-State actors and the National Assembly. Similarly, budget preparation and execution is inefficient. Niger reached a decisive stage towards the introduction of a Medium-Term Budget Framework (MTBF) and a Medium-Term Expenditure Framework (MTEF) in the 2011 budget process. However, much remains to be done to align the overall MTEF with the ADPRS.

1.2.5 Furthermore, the Treasury services do not fully play their role since the new structures stemming from the 2009 reform are not completely operational. There are still regrettably long delays in accounting and the submission of management accounts to the Court of Auditors. This is largely due to the lack of interconnection between the computer systems of the financial administrations. When achieved, such interconnection could constitute a real opportunity to improve domestic resource mobilization, ensuring that the Treasury has real time information on revenue collected by the tax collectors, pending satisfactory implementation of the WAEMU Guideline on public accounting.

1.2.6 *The National Planning System:* Despite a long tradition of preparing medium-term plans, the national planning system in Niger was abandoned in favour of the ADPRS, which is now the national reference framework for economic and social development action. Moreover, the absence of a central planning structure has led to the dilution of responsibilities regarding development policy design and preparation. It has also been observed that there is a lack of consistency in sector policies within the public administration. The planning frameworks and tools resulting from the country's long experience in that area have also deteriorated. Since the 1965-1975 Ten-Year Outlook, no national long-term prospective study has been carried out, while the 1987-1991 Five-Year Plan was the last medium-term planning experience. Consequently, assessments of the ADPRS and Paris Declaration implementation have highlighted the fact that the lack of a short-term vision has had a role in limiting the impact of Niger's different development programmes in recent decades.

² The Dutch syndrome is an economic phenomenon that links the exploitation of natural resources and the decline in the local manufacturing industry.

1.3 Aid Coordination

1.3.1 In Niger, aid coordination is carried out by MP/AT/DC, which has an Aid Management Platform (ATP) for official development assistance. This tool is used in monitoring aid flows and preparing detailed reports on projects and programmes according to several criteria³. However, the dedicated software for this monitoring is not fully operational since the data is not updated regularly. Since the early 1990s, NGOs have been mobilizing significant resources that departments of ministries in charge of development and economic management have been largely unable to use and monitor due to the weak capacity of the external financing monitoring mechanism.

1.3.2 Aid coordination and harmonization of donors' operations in Niger is carried out through consultation meetings. No donor has been designated to play a coordinating role among the TFPs, since leadership depends on the Thematic Groups: the World Bank for agriculture, UNDP for governance, IMF for the macro economy, the European Union for Transport, and France for the education sector. The public finance group is coordinated jointly by the European Union and the World Bank which are, with the Bank, the main providers of budget support to Niger. Low institutional capacity has weakened Niger's resolve to assume a leadership role in coordinating the operations of its main TFPs. Nevertheless, activities planned under PAMOGEF have been designed in coordination with the other donors so as to create synergy and complementarity with their respective interventions in the targeted areas, as described in detail in Annex A3 of the technical Annexes of this report.

II. Project Description

2.1 Project Components

2.1.1 The project's overall goal is to contribute to poverty reduction through improved domestic resource mobilization and efficient public finance management.

2.1.2 The project's specific objectives are to: (i) build domestic resource mobilization capacity through support to the revision of the related legal and regulatory framework, and to build the institutional capacity of the financial authorities and the extractive industries' sector; (ii) improve macroeconomic management; and (iii) enhance public finance management by modernizing tools and procedures that will ensure greater consistency between the National Development Strategy and the budget process, on the one hand, and promoting transparency and citizen control, on the other.

2.1.3 The project comprises the following two operational components: (i) improved domestic resource mobilization and extractive sector governance; (ii) support to the improvement of economic programming and the budget process; and (iii) a third Project management component.

³ Including: source of financing, oversight Ministries, the regions, sectors and even project and programme objectives.

Table 2.1.
Project Components

Component Title	Estimated Cost	Component Description
Improved domestic resource mobilization and extractive sector governance.	UAM 4.04	Support to the improvement of tax revenue mobilization <ul style="list-style-type: none"> ○ <i>Improvement of the tax revenue collection framework</i> ○ <i>Improvement of the customs revenue collection framework:</i> ○ <i>Support to the operationalization of new Treasury structures</i>
		Support to the improvement of extractive sector governance <ul style="list-style-type: none"> ○ <i>Support to the supervision and monitoring of extractive industry revenue</i> ○ <i>Support to the Niger EITI Permanent Secretariat</i>
Improved economic programming and budget process	UAM 4.97	Support the building of national technical and material capacity of structures in charge of planning <ul style="list-style-type: none"> ○ <i>Support to forward planning and strengthening of the planning system</i> ○ <i>Strengthening of the public investment programming and monitoring/evaluation function</i>
		Support to the streamlining of programming and improvement of the budget execution and control process. <ul style="list-style-type: none"> ○ <i>Strengthening of the budget process</i> ○ <i>Strengthening of the ex ante internal control system</i> ○ <i>Strengthening of the computer systems of the ministries responsible for finance and planning</i>
		Improvement of Budget Transparency by Citizen Control <ul style="list-style-type: none"> ○ <i>Improvement of ex post external control system</i>
Management and Coordination	UAM 0.99	<ul style="list-style-type: none"> ○ <i>Project Management</i> ○ <i>Audit</i>

2.1.4 Annex B2 of the Technical Annexes to this report provides the detailed costs of the activities under each component as well as a comprehensive list of goods, works and services that will be procured under the project. In addition, Annex C1 of the Technical Annexes provides a detailed description of project activities, indicating for each sub-component: (i) the context and challenges to be taken up; (ii) the project activities; and (iii) the expected outcomes.

2.2 *Technical Solutions Retained and Other Alternatives Explored*

2.2.1 During project preparation, several alternatives emerged concerning, in particular, the institutional anchoring, the number of structures to be supported, the scale of investments to be made and the management of all constraints that some of the structures which might be retained could face. To address all these parameters, trade-offs were made to: (i) guide project objectives toward targets compatible with the available budget envelope; (ii) take into account synergies with the interventions of other TFPs; and (iii) take into consideration the country's key development issues, especially those related to the medium- and long-term rehabilitation of national development planning capacity. The efficiency sought from such support operations is the constant need to substantially build the State's capacity to mobilize domestic resources and manage them more effectively in line with the poverty reduction objectives.

Table 2.2
Alternative Solutions Explored and Reasons for their Rejection

Alternative Solution	Brief Description	Reason for Rejection
Installation of SISIC ⁴ at the DGI	This is an integrated tax management system which should, in time, establish an interface with the other financial administrations (customs, Treasury) and the computerized expenditure chain.	<ul style="list-style-type: none"> ▪ Uses three separate applications (professional taxation, taxation of major enterprises and verification) whose functionalities no longer meet modern tax management requirements. However, the preliminary studies on the SISIC, financed by the World Bank, will only be completed in 2012; and ▪ The TFPs, including the ADF, will be contacted to finance it (estimated cost of over CFAF 7 billion)
Interface between the Treasury and the other Financial Administrations	This would involve interfacing the IT systems of the financial administrations with that of the Treasury to provide it with almost real time information on amounts collected by these two revenue collectors.	<ul style="list-style-type: none"> ▪ Since the SISIC installation schedule (necessary condition for interfacing the administrations) is not specified, the project will support the compilation of a database at DIF, which will centralize data on DGD and DGI revenue and to which the Treasury will be linked.
Contracting Agreement	In view of the importance of the IT component and new technologies in the project, plans were made to implement it based on a contracting agreement..	<ul style="list-style-type: none"> ▪ The project will rather build the capacity of DIF which will be the contractor for the entire IT component of the MF structures and the computerization master plan of the two ministries (MF and MP/AT/DC). ▪ A computer expert will be recruited and assigned to DGP to strengthen implementation of ICT activities. ▪ The capacity of MP/AT/DC's DFRM will be built to enable it to take charge of the substantial computer equipment supplied to that Ministry and ensure appropriate maintenance.
Support to the General Directorate for Decentralization	To ensure efficient management of the 15% of mining revenue paid to the TCs, it was envisaged that this Directorate could support the TCs in preparing their development plans	<ul style="list-style-type: none"> ▪ With MP/AT/DC's responsibilities specified, the General Directorate for Planning is now responsible for the development plans
Intervention of the Legal Support Facility (LSF)	Financing of some technical assistance activities jointly with the LSF	<ul style="list-style-type: none"> ▪ This option was abandoned because of the postponement of the mission to appraise LSF intervention.

2.3 Project Type

PAMOGEF is an institution building project financed by an ADF Loan. It aims to consolidate the institutional reforms embarked upon by the Government and the achievements already made, especially with regard to domestic resource mobilization, including in the extractive industries, and improvement of their management. This new support will complement the use of other types of instruments based on national systems, including the Accelerated Development and Poverty Reduction Strategy Support Programme (PASDR), which was on-going in 2011.

2.4 Project Cost and Financing Arrangements

2.4.1 The total project cost, including customs duties and taxes, is estimated at UA 10 million (i.e. at about CFAF 7.59 billion at the October 2011 exchange rate), comprising UA 5.20 million in foreign exchange (52.03%) and UA 4.80 million in local currency (47.97%). These costs include a 2% provision for physical contingencies and a 3% provision for price escalation yearly, both for foreign exchange and local currency expenditure. The detailed Table of Costs is presented in Annex B2 of the Technical Annexes to this report. Below is a summary table of the overall project cost by component.

⁴ Computerized Tax and Taxpayers Monitoring System

Table 2.3
Estimated Cost by Component [in UA million]

COMPONENTS	CFAF			Total Cost in UA Thousand			% F.E
	F.E.	L.C	Total	F.E	L.C	Total	
1.IMPROVEMENT OF DOMESTIC RESOURCE MOBILIZATION AND EXTRACTIVE SECTOR GOVERNANCE	1 746.0	1 167.8	2 913.8	2 301.6	1 539.4	3 840.9	59.92%
SUPPORT TO IMPR.TAX RESOURCE MOBILIZATION EFFICACY & IMPR. OF CUSTOMS DUTIES COLLECTION FRAMEWORK	1 090.7	737.5	1 828.2	1 437.7	972.2	2 409.9	59.66%
SUPPORT TO IMPROVED EXTRACTIVE SECTOR GOVERNANCE	655.3	430.3	1 085.6	863.8	567.2	1 431.1	60.36%
2.IMPROVEMENT OF ECONOMIC PROGRAMMING AND BUDGET PROCESS	1 863.7	1 727.9	3 591.6	2 456.7	2 277.7	4 734.4	51.89%
SUPPORT THE BUILDING OF TECHNICAL AND MATERIAL CAPACITY IN STRUCTURES CHARGED WITH PLANNING	651.3	1 111.6	1 218.9	858.5	1 465.2	2 323.7	36.94%
SUPPORT TO STREAMLINING PROGRAMMING SYS AND. IMPROVE. OF BUDG. EXEC. CONTROL SYSTEM	856.6	430.4	1 287.0	1 129.2	567.3	1 696.4	66.56%
STRENGTH. OF BUDGET TRANSPARENCY BY CITY CONTROL	355.8	186.0	541.8	469.0	245.2	714.2	65.67%
3.COORDINATION MANAGEMENT	147.6	567.8	715.4	194.6	748.5	943.1	20.63%
PROJECT MANAGEMENT	97.2	567.8	665.0	128.1	748.5	876.6	14.6%
AUDIT	50.4	0.0	50.4	66.5	0.0	66.5	100.0%
TOTAL BASELINE COST	3 757.3	3 463.5	7 220.8	4 952.8	4 565.6	9 518.4	52.03%
PHYSICAL CONTINGENCIES	75.1	69.3	144.4	99.1	91.3	190.4	52.03%
PRICE CONTINGENCY	115.0	106.0	221.0	151.6	139.7	291.3	52.03%
TOTAL PROJECT COST	3 947.4	3 638.8	7 586.2	5 203.4	4 796.6	10 000.0	52.03%

Note: The exchange rates used are indicated in the introduction to the report (page (i))

2.4.2 The project is financed from ADF Resources. The Fund will bear 100% of the project's local currency and foreign exchange costs, pursuant to the New Policy on Expenditure Eligible for Bank Group Financing (ADB/BD/WP/2007/106/Rev.2-ADF/BD/WP/207/72/Rev.2 of 2 May 2008). Sub-section 4.2.2 of the Policy stipulates that: "The adequate percentage of total costs financed by the Bank will be assessed on a case-by-case basis according to the defined criteria." Furthermore, Sub-section 5.1.1 of the Policy indicates that the Bank will also use the country financing parameters (CFPs) already developed for 38 countries by the World Bank.

2.4.3 The CFPs for Niger specify that the World Bank may finance up to 100% of the total cost on a case-by-case basis. The CFPs also indicate that the Authorities have, however, expressed a wish to assume ownership of projects by means of a 10% contribution, except where an adverse situation so disallows. In the current context of project preparation and its future implementation, Niger will have to face the impacts of the post-electoral crises in Cote d'Ivoire and Nigeria and, particularly, the Libyan crisis which has led to the return of about 300,000 migrants and the subsequent considerable loss in terms of remittances. Furthermore, because of low rainfall in 2011, Niger is facing a looming food crisis with a cereal deficit estimated at over 520,000 tonnes. To mitigate the impact of these crises as well as the rising insecurity in the Sahel-Saharan belt created by Al Qaeda in the Islamic Maghreb (AQMI) Group, pressure on public resources for social spending on poverty reduction, the fight against food insecurity and security expenditure will be strong. In view of the above situation and pursuant to the World Bank CFPs for Niger, it is recommended that the ADF finance 100% of the project cost.

2.4.4 Tables 2.4 and 2.5 present the estimated project cost by expenditure category as well as the implementation schedule, while Table 2.6 gives the expenditure schedule by component. The cost details are given in Annex B1.

Table 2.4
Project Cost and Expenditure Schedule by Category [in UA Thousand]

EXPENDITURE CATEGORIES	F.E.	L.C.	Total	% F.E.
GOODS	2710.7	68.5	2779.2	97.53%
SERVICES	2210.0	3507.6	5717.5	38.65%
OPERATION	32.2	989.5	1021.6	3.15%
TOTAL BASE COST	4 952.8	4 565.6	9 518.4	52.03%
Physical Contingencies	99.1	91.3	190.4	52.03%
Price escalation	151.6	139.7	291.3	52.03%
TOTAL COST	5 203.4	4 796.6	10 000.0	52.03%

Table 2.5
Expenditure Schedule by Category [in UA Thousand]

EXPENDITURE CATEGORIES	2012	2013	2014	2015	Total
GOODS	1818.3	959.3	77.6	64.7	2919.9
SERVICES	2700.5	2095.1	942.6	268.6	6006.8
OPERATION	265.8	271.4	269.7	266.4	1073.3
TOTAL	4784.6	3325.8	1289.9	599.7	10000.0

Table 2.6
Expenditure Schedule by Components [in UA Thousand]

COMPONENTS	2012	2013	2014	2015	Total
1. Improved Domestic Resource Mobilization and Extractive Sector Governance	1 853.8	1 701.6	378.0	101.9	4 035.3
2. Improvement of Economic Programming and the Budget Process	2 623.2	1 394.6	684.6	271.5	4 973.9
3. Project Management	307.6	229.6	227.4	226.3	990.8
TOTAL COST	4 784.6	3 325.8	1 289.9	599.7	10 000.0

2.5 *Project's Target Area and Beneficiaries*

The main project beneficiaries will be: (i) The entire State of Niger that will see its financial resources increased, its budget management and planning structures strengthened and its institutional capacity built; (ii) the departments responsible for collecting public resources that will be able to mobilize additional domestic revenue for channelling towards the social sectors; and (iii) Niger's entire population as end beneficiaries of the enhanced effectiveness in the extractive sectors. This will have a multiplier effect on the other sectors and spur an increase in public procurement generated by the project's local currency expenditure. Furthermore, import/export companies will benefit from trade facilitation, thanks to a modernized and more efficient customs system.

2.6 Participatory Process for Project Identification, Design and Implementation

The project design phase emphasized participatory involvement, including consultations with the beneficiary departments and donors present in Niger. In particular, coordination with the technical partners was all the more strengthened since project formulation took into consideration the recommendations of the IMF Assessment Letter to the World Bank and the European Union in June, especially point (4) thereof, which underscores that “*enhancing the efficiency and transparency of public financial management is crucial to ensuring that the expected scaling up of oil and mineral production can be leveraged to accelerate growth and poverty reduction.*”. Furthermore, during the preparation and appraisal missions, the participatory approach was expanded to encompass all stakeholders: several working sessions were held with all project beneficiary structures including civil society, the MPs of the National Assembly Finance Committee and the private sector. PAMOGEF’s main thrusts were retained and validated at these meetings. Each beneficiary structure presented a detailed quantitative action plan whose costs were considered and updated during the appraisal mission.

2.7 Bank Group’s Experience and Lessons Reflected in Project Design

2.7.1 The Bank’s active portfolio comprises twelve on-going operations, representing total net commitments of UA 192 million as at 1 November 2011. The detailed status of the portfolio is presented in Annex 2 of this report. In the area of governance, economic and financial reforms, the active portfolio includes the Decentralization Support Project (PAD), which will be completed in December 2011, and the Poverty Reduction Strategy Support Programme (PASDRP I) approved in December 2010. The Bank also financed four reform programmes (SAP⁵ I to SAP IV) in Niger between 1997 and 2004, which helped to strengthen the macroeconomic framework. The SAP IV Completion Report, prepared in 2006, concluded that the overall programme performance was satisfactory with an overall rating of 2.26 out of 3.

2.7.2 The main lesson learnt from that operation was that the reforms can only be implemented with the desired impact if the country has adequate technical and administrative capacity. In this context, a strong recommendation was made to the Government to take all the necessary measures to “*strengthen qualitatively and quantitatively the human and material resources of Niger’s public administration in order to improve its capacity to analyse and steer reform and sector development programmes for a speedy and efficient implementation of the PRS and a significant reduction of poverty in the country.*” Furthermore, the September 2010 review shows that the overall portfolio performance is improving (the score rose from 2 in 2008 to 2.3 in 2010), although further efforts should be made to shorten the time required to set up management teams, speed up procurement and implement the recommendations of project supervision missions.

2.7.3 One of the main lessons from the previous operations, namely inappropriate choices concerning the project implementation unit, was taken into account in determining PAMOGEF’s institutional arrangements. The establishment of focal points in the beneficiary structures will build the implementation capacity of the Project Management Team (PMT). The same applies to the recommendation in the portfolio review regarding the time required to set up the project team (the recruitment of team members is a condition precedent to the Project’s presentation to the Bank’s Board of Directors). PAMOGEF’s formulation draws on these lessons, especially with

⁵ Structural Adjustment Programme

regard to assessment of the institutional framework, beneficiary accountability and coordination with the TFPs. This project is also underpinned by the budget support achievements and will, therefore, result in the implementation of an integrated public finance management approach. Indeed, PAMOGEF's activities will focus on the parallel improvement of central government revenue mobilization at the level of financial administrations, the mining and oil sector, and budget management.

2.8 Key Performance Indicators

The performance indicators identified and the expected outcomes on project completion are those set out in the Results-Based Logical Framework.

Box 1 *Key Performance Indicators*

Output Indicators

- Contribution of the extractive sectors to tax revenue rises from 20/25% in 2010 to 40% in 2014
- The planning and public investment management guides and manuals are available in 2013
- MTBF aligned on the ESDP prepared in 2013; 9 MTEFs consistent with the MTBF prepared in 2013
- The EITI reports on mining and oil revenue published for 2010 to 2012
- The number of exceptional expenditure procedures falls from 23.7% in 2011 to 15% in 2015
- The Court of Auditors will submit to the National Assembly (AN) in year N the Budget Review Bill for year N-1 from 2015

Effect Indicators

- Domestic revenue mobilization has improved with fiscal resources collected rising from 13% in 2010 to 15% in 2015
- Presentation to the AN of the year N+1 budget in October of year X, as from October 2012
- The gap between budget forecasts and implemented expenditure in the priority sectors falls from 17.3% in 2010 to 15% in 2015
- For the public's access to key budget information, the corresponding PEFA indicator improves from D in 2008 to B in 2015

Impact Indicators

- The GDP growth rate rises from 3.8% in 2010 to 8% in 2015
- The poverty incidence rate falls from 59.5% in 2007 to 31.5% in 2015

III. Project Feasibility

3.1 Economic and Financial Performance

Since this project is an institutional support operation, the economic and financial analysis does not apply. However, it should be pointed out that, due to the mobilization of domestic resources and a closer alignment of public spending on national priorities, the project will help to increase central government's fiscal revenue and ensure its more judicious allocation.

3.2 Environmental and Social Impact

Environment

3.2.1 The project has no direct environmental impact and its activities are limited to training, technical assistance, studies and procurement of logistic resources, office automation and computer hardware. Hence, the project was classified in *Category 3* by ORQR. However, it will be recalled that one of the project objectives is improved governance in the extractive sectors to

ensure more effective monitoring and judicious use of the resources they generate. Since mineral and oil exploitation may have harmful effects on the operating sites, including on the groundwater tables if strict precautions are not taken, the project provides substantial support for training with a view to the effective implementation of Niger's social and environmental policies in the mining and oil areas, and also for study trips to encourage the acquisition of best international social and environmental management practices in the mining and oil areas by the actors.

Climate Change

3.2.2 Climate and ecosystem conservation is critically important for the country. For this reason, Niger has participated in all the international climate-related activities since the establishment of the Intergovernmental Panel on Climate Change (IPCC). By signing the United Nations Framework Convention on Climate Change (UNFCCC) at the Rio Summit in June 1992 and ratifying it in May 1993, the Republic of Niger sought to demonstrate its strong determination to participate in the global climate protection effort. Project activities that are focused on human and institutional capacity building have no negative impact on the environment or on climate change.

Gender

3.2.3 Gender and human rights-related issues represent a priority for the Government of Niger, which has retained them as a strategic objective of the ADPRS 2, the fourth thrust of which aims to “*reduce inequalities and vulnerabilities in society.*” Women's advancement and gender equality are constant concerns of the authorities. The 0.355 Gender Status Index⁶ score for Niger ranks the country 155th in the world out of 157 countries. To date, actions carried out have mainly consisted in establishing legal and regulatory provisions on genital mutilation, quotas in decision-making bodies as well as the 1996 adoption of the National Gender Policy.

3.2.4 Through public finance management that is more closely aligned on national priorities, the project will support Government's efforts to achieve the ADPRS indicators, which will enable the State to allocate the necessary resources to implement actions to promote gender equality as set out in the development programmes. The PAMOGEF component intended for the mining and oil sectors will also have an impact on prospects for women to find employment and generate income, especially in the productive regions where the project will lead to a better use of the 15% of mining revenue paid to the decentralized territorial communities concerned. An analytical study on the impact of the extractive industries on women will be financed under the EITI-Niger Secretariat's strategy to build the capacity of actors. The project will also ensure that, for equal skills, women's applications will be prioritized for participation in the training sessions, with the objective of their representing at least 25 % of the personnel of the structures benefitting from such training.

Social

3.2.5 The institutional capacity building and training supported by the Bank through PAMOGEF will help to considerably raise the level of staff qualifications within Niger's administration. In addition, a project social plan will contribute to creating job opportunities for

⁶ The GSI adjusts the Human Development Index (HDI) to reflect the sociological inequalities between men and women under the following aspects: (i) life expectancy and health, expressed in terms of life expectancy at birth; (ii) the level of education and access to knowledge; and (iii) the opportunity to enjoy a decent standard of living.

nationals in the services supported by opening positions that will be budgeted following the operationalization of the structures concerned (Court of Auditors, OREMP, EITI, DGP, DGEPE, etc.). Furthermore, the strengthening of public finance management in Niger will lead to a quantitative and qualitative increase in the long-term supply of State services for the well-being of the population.

3.2.6 Upgrading the external control function and building Parliament's control capacity will ensure closer monitoring of the key programmes and reforms, thus helping to promote accountability and transparency in public finance management in Niger. This will signal a more efficient combat against corruption, tax avoidance, customs fraud and inappropriate use of extractive sector revenue. In time, the improvement in governance induced by PAMOGEF's implementation should be reflected in a broadening of the tax base and a subsequent increase in pro-poor spending, in accordance with the poverty reduction objectives.

3.2.7 Furthermore, it is worth pointing out the economic benefits accruing from local expenditure. This will generate higher sales by national enterprises. Moreover, implementation of the mechanism for transferring mining revenue to the territorial communities could also have a positive impact on job creation by the local SMEs in the decentralized territorial entities.

Involuntary Resettlement

3.2.8 The project will not result in any population displacement.

IV. Implementation

4.1 Implementation Arrangements

4.1.1 *Institutional Arrangements*: the project management institutional framework is described in detail in Technical Annex B3. The Project Executing Agency will be the General Directorate of Planning (DGP). The Director General of Planning will be the Coordinator. S/he will be assisted by an Assistant Coordinator (project management specialist). Thus, in accordance with the Paris Declaration on Aid Effectiveness (harmonization and alignment on national systems), existing implementation structures will be used to manage the project. To build the implementation capacity of the DGP and ensure effective coordination with other beneficiaries, a Project Management Team (PMT) will be set up within the DGP. The PMT will be responsible for managing all technical, administrative and financial aspects in close collaboration with the beneficiary structures. The PMT will be headed by the Coordinator and the Assistant Coordinator, both of whom will be assisted by four experts (procurement, training, IT and monitoring/evaluation) and support staff. The Government shall assign adequate and appropriate premises to the PMT. Evidence of appointing the Project Coordinator whose experience and qualifications will have been deemed acceptable by the ADF, is a condition precedent to first disbursement of the ADF loan.

4.1.2 A Project Steering Committee (PSC) will be established to steer and monitor the project, as well as strengthen coordination. The PSC will comprise representatives from Ministries in charge of Planning, Finance, Mining and Petroleum, the Court of Auditors, EITI, civil society and the private sector. It will be chaired by the Secretary-General of the Ministry for Planning. The Project Coordinator will provide Secretariat services to the Committee. The PSC will meet every six months or whenever necessary, to consult with all stakeholders and monitor the project. Evidence of issuing the Ministerial Order establishing the Project Steering

Committee (PSC) and appointment of its members is a condition precedent to first disbursement of the ADF loan.

4.1.3 *Procurement*: All goods, works and consultancy services financed by the ADF shall be procured in compliance with Bank Rules of Procedure for the Procurement of Goods and Works (May 2008 version) or Rules of Procedure for the Use of Consultants (May 2008 version), as the case may be, using the relevant Bank standard bidding documents. The Project Management Team (PMT), under the oversight of the DGP, will be responsible for procurement.

4.1.4 In view of the scheduling constraint that the authorities of Niger face in preparing the new long-term planning documents and the need for the Bank to have a new RBCSP (2013-2017) aligned on national strategies on time, provision has been made to use the Advance Procurement Action (APA) procedure to recruit the consultants responsible for drafting the Sustainable Development and Inclusive Growth Strategy (SDIGS-Niger 2035) as well as the Economic and Social Development Plan (ESDP 2012-2015).

4.1.5 *Disbursement*: Resources will be disbursed in line with Bank rules and procedures. A special account will be opened in a bank deemed acceptable by the ADF, into which loan resources will be paid. Disbursements will be based on the project expenditure schedule and the list of goods and services. The first disbursement shall be made after loan effectiveness and fulfilment of conditions precedent. Three disbursement methods are proposed: (i) the special account method for Project Management Team's operating expenses and payment for contracts equal to or below UA 20 000. Funds will be released as advance paid into the special account opened for that purpose. Replenishments will be made after justification is provided for the use of at least 50% of the latest disbursement and the totality of all other previous disbursements; therefore, the opening of the special account shall be a loan condition; (ii) the direct payment method for services amounting to the equivalent of UA 20 000; and (iii) the reimbursement method, which involves reimbursing the borrower or the project for authorized expenditure undertaken or pre-financed by the borrower or the executing agency with its own resources.

4.1.6 *Financial Management and Audit*: Placed under the direct oversight of the DGP, the PMT will be responsible for project financial and accounting management. This will be a private-sector type accrual accounting system. The PMT Coordinator will be responsible for project financial and accounting management. S/he will prepare the work programme and annual activity budget for submission to the Steering Committee and the Bank, along with the activity report and annual financial statements. S/he will ensure that the PMT is provided with an administrative, financial and accounting procedures manual latest three months following loan effectiveness. This manual, which will be prepared by the Consultant or an accounting firm in collaboration with the PMT, shall be submitted for Bank approval. The project's annual audit of accounts will be carried out by an approved independent accounting firm. The PMT will be required to submit the audit report on the project's annual accounts to the Bank latest six months following the end of each financial year.

4.2 Monitoring

4.2.1 The project is scheduled for implementation over a 48-month period, from January 2012 to December 2015. This schedule is considered reasonable, given the scope of activities to be implemented and project implementation timeframes in Niger. In addition, the recruitment of a procurement specialist and a monitoring/evaluation specialist with project funding to support the implementation team should make it possible to shorten procurement timeframes and ensure

appropriate implementation of project components. Plans have also been made to procure monitoring/evaluation software and train PMT staff. The monitoring/evaluation specialist will see to the establishment of a monitoring/evaluation system, including the selection of relevant and easily quantifiable performance indicators, the collection of data on baseline scenarios and the assessment of progress towards achievement of the intermediate targets and impacts.

4.2.2 The Project team will be responsible for project implementation, using the logical framework indicators. Following effectiveness of the loan agreement, a launching mission will be organized to train PMT staff in Bank procedures. Supervision missions will be organized at least twice a year. Quarterly and annual activity reports will also be prepared and submitted to the Bank. The key indicative monitoring stages are presented in the Table below:

Table 4.1
Monitoring Stages and Feedback Loop

Timeframe	Stages	Monitoring Activities /Feedback Loop
Jan-12	Loan approval by the Board	Notification to Government
Jan-12	GPN and SPN	UNDB; national and regional newspapers
Feb. 12-March 12	Loan effectiveness and project start-up	Signing of loan agreement and fulfilment of conditions precedent to first disbursement
March12	Launching mission	Training sessions for project officials
May-12	Fulfilment of conditions precedent to first disbursement	Opening of a special account, establishment of PMT and designation of its members
May-12	Launching of initial activities	Preparation of work programme and training
May-12	Preparation and launching of BDs	Preparation by beneficiary structures and DGP
July-12	Bid evaluation and award of contracts	Evaluation by DGP and approval by authorities
July-12	Signature of contracts, ordering of goods and start of service delivery	Carried out by contractors, verified by the project team and the focal points
2012-2015	Implementation of other project activities	Quarterly and annual activity reports
2012-2015	Supervision and mid-term review missions (early 2013)	Mission reports
2012-2015	Annual project audits	Audit reports
Dec-15	Project completion	Completion Report

4.3 Governance

4.3.1 The Bank's experience in Niger has shown that project governance practices and control systems in force in this country are satisfactory, albeit fragile. Thus, at the end of the procurement process under previous Bank-financed operations, in particular PAD and PASDRP, no complaints were received from bidders. However, it would be better if the Project Management Team received further training in Bank procurement and disbursement procedures to enable it to build capacity and become familiarized with project financial management rules. Arrangements will be made under PAMOGEF to mitigate the risk related to the project fiduciary framework, especially through the control carried out by the Bank on the procurement process via the issuance of non-objection notices on bidding documents, submitted bids, procurement and other contracts, and through project supervision and procurement audits.

4.3.2 Regarding the project's financial governance, the executing agency will maintain separate project accounts using software purchased from the proceeds of the ADF loan. The software will allow for cost accounting and report production highlighting expenditure by

component, category and source of financing. The project accounts will be audited yearly by a firm recruited for the purpose. The financial and audit reports will be submitted to the ADF within six months of closure of the accounting period.

4.4 Sustainability

The first factor for sustainability lies in the Government’s will to improve the mobilization of public expenditure and streamline expenditure. The project will enable the country to build its public revenue mobilization capacity and ensure their proper use to more effectively fight poverty, the incidence of which remains high (63% in 2010). This increase in resources will enable the Government of Niger to meet recurrent costs by freeing up the necessary budget resources to this end. The second factor lies in the training to be given to staff of the beneficiary structures. Knowledge assimilation and mastery of modern tools for budget management and identification of niche revenue will enable the beneficiaries to better perform their duties and encourage dissemination of the good practices learnt.

4.5 Risk Management

The following Table presents a summary of the residual risks (other than those related to governance and sustainability) as well as the mitigation measures.

Table 4.2
Risks and Mitigation Measures

Risks	Mitigation Measures
Risk 1: Weakening of the Government’s resolve, either in a context of extreme drought that could ruin Government’s and farmers’ efforts, or in a context of the resurgence of potential terrorist activities in the Niger desert, which could distract Government’s attention from the economic and financial reforms.	(i) The new Government’s commitment to pursue reforms in all sectors and diversify its economy as stipulated in the Prime Minister’s General Policy Declaration of 16 June 2011; (ii) the constant support of the TFPs in the food and agriculture sector; and (iii) major measures taken by the authorities, with donor support, on the security front, to protect mining personnel and sites.
Risk 2: Insufficient qualified human resources in the beneficiary structures to implement project activities.	(i) Continuing and targeted training as well as learning from technical assistance; and (ii) effective implementation of capacity building projects and programmes.

4.6 Knowledge Building

The major consultancy services and training component (60% of the total cost) will result in the acquisition of a considerable amount of knowledge in different areas including: (i) revenue monitoring in the extractive industries; (ii) capacity to prepare financial forecasts as well as planning and policy assessment tools; (iii) sector strategies, results-based budget management; and (iv) knowledge and skills in internal auditing, complex computer systems management as well as the full range of knowledge related to public finance control and accountability. Good practices will also be disseminated within the administration through the documents and procedures manuals produced, and the training sessions that will be organized under the project.

V. Legal Framework

5.1 Legal Instrument

The proposed instrument is a UA 10.0 million loan to the Republic of Niger.

- Conditions Associated with the Fund’s Intervention
 - *Conditions for Effectiveness*
Loan effectiveness shall be subject to fulfilment by the Borrower of conditions set out in Section 12.01 of the General Conditions Applicable to Loan Agreements and Guarantee Agreements of the Fund;
 - *Conditions Precedent to First Disbursement*

In addition to effectiveness of the Loan Agreement, the Fund shall only release the first loan disbursement if the Borrower has fulfilled the following conditions to the Fund’s satisfaction:

- (i) Opening of a special account in a bank acceptable to the Fund, into which the loan resources will be paid.
 - (ii) Establishment of the Project Management Team by designating its members (paragraph 4.1.1); and
 - (iii) Establishment of the Project Steering Committee and appointment of its members (paragraph 4.1.2) ;
- Compliance with Bank Policies

This project complies with all applicable Bank policies.

VI. RECOMMENDATION

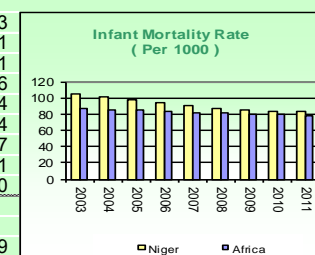
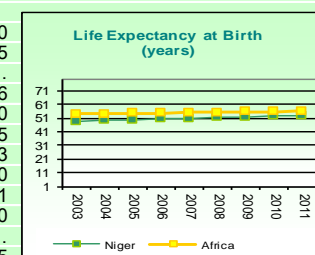
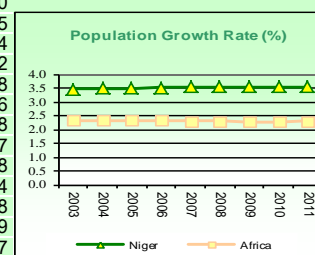
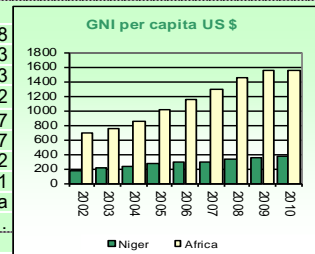
Management recommends that the Board of Directors approve the proposal to grant a loan of UA 10.0 million to the Republic of Niger for the purpose and under the conditions set out in this report.

Country's Comparative Socio-Economic Indicators

Niger

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Niger	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		1 267	30 323	80 976	54 658
Total Population (millions)	2011	16.1	1,044.3	5,732	1,123
Urban Population (% of Total)	2010	17.1	39.9	45.1	77.3
Population Density (per Km ²)	2011	12.7	34.0	59.9	33.2
GNI per Capita (US \$)	2010	379	1 565	3 304	38 657
Labor Force Participation - Total (%)	2011	32.1	40.1	65.6	60.7
Labor Force Participation - Female (%)	2011	31.6	41.0	51.7	52.2
Gender-Related Development Index Value	2007	0.308	0.433	0.694	0.911
Human Develop. Index (Rank among 187 countries)	2011	186	n.a	n.a	n.a
Popul. Living Below \$ 1 a Day (% of Population)	2007	43.1	42.3	25.2	...
Demographic Indicators					
Population Growth Rate - Total (%)	2011	3.5	2.3	1.3	0.6
Population Growth Rate - Urban (%)	2010	4.5	3.4	2.4	1.0
Population < 15 years (%)	2011	48.9	40.3	29.0	17.5
Population >= 65 years (%)	2011	2.2	3.8	6.0	15.4
Dependency Ratio (%)	2011	104.5	77.6	55.4	49.2
Sex Ratio (per 100 female)	2011	101.3	99.5	93.5	94.8
Female Population 15-49 years (% of total populatic	2011	21.7	24.4	49.4	50.6
Life Expectancy at Birth - Total (years)	2011	53.0	56.0	67.1	79.8
Life Expectancy at Birth - Female (years)	2011	47.7	57.1	69.1	82.7
Crude Birth Rate (per 1,000)	2011	52.0	34.2	21.4	11.8
Crude Death Rate (per 1,000)	2011	13.7	12.6	8.2	8.4
Infant Mortality Rate (per 1,000)	2011	82.4	78.6	46.9	5.8
Child Mortality Rate (per 1,000)	2011	158.0	127.2	66.5	6.9
Total Fertility Rate (per woman)	2011	7.0	4.4	2.7	1.7
Maternal Mortality Rate (per 100,000)	2008	820.0	530.2	290.0	15.2
Women Using Contraception (%)	2007-09	11.2	...	61.0	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2008	2.0	58.3	109.5	286.0
Nurses (per 100,000 people)*	2008	11.4	113.3	204.0	786.5
Births attended by Trained Health Personnel (%)	2007-09	32.9	50.2	64.1	...
Access to Safe Water (% of Population)	2008	48.0	64.5	84.3	99.6
Access to Health Services (% of Population)	2007-09	...	65.4	80.0	100.0
Access to Sanitation (% of Population)	2008	9.0	41.0	53.6	99.5
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2007	0.8	4.9	0.9	0.3
Incidence of Tuberculosis (per 100,000)	2010	185.0	294.9	161.0	14.0
Child Immunization Against Tuberculosis (%)	2010	83.0	85.3	81.0	95.1
Child Immunization Against Measles (%)	2010	71.0	77.9	80.7	93.0
Underweight Children (% of children under 5 years)	2007-09	39.9	30.9	22.4	...
Daily Calorie Supply per Capita	2007	2 376	2 465	2 675	3 285
Public Expenditure on Health (as % of GDP)	2008	5.0	5.7	2.9	7.4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010	66.3	100.4	107.2	101.3
Primary School - Female	2010	59.7	90.0	109.2	101.1
Secondary School - Total	2010	13.4	37.7	62.9	100.1
Secondary School - Female	2010	10.6	33.7	61.3	99.6
Primary School Female Teaching Staff (% of Total)	2010	44.7	41.4	60.5	81.4
Adult literacy Rate - Total (%)	2007-09	28.7	65.1	80.3	98.4
Adult literacy Rate - Male (%)	2007-09	42.9	74.3	86.0	98.7
Adult literacy Rate - Female (%)	2007-09	15.1	56.2	74.8	98.1
Percentage of GDP Spent on Education	2009	4.5	4.7	3.8	5.0
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2008	11.4	7.8	10.6	10.9
Annual Rate of Deforestation (%)	2007-09	...	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2007-09	...	10.9
Per Capita CO2 Emissions (metric tons)	2009	0.1	1.1	2.9	12.5



Sources : ADB Statistics Department Databases; World Bank; World Development Indicators;

last update :

October 2011

UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports.

Note : n.a. : Not Applicable; ... : Data Not Available.

Table of ADB Portfolio in Niger (Status as at 1 November 2011)

Project Name	Division	Status	Approv. Date	Closing Date	Amount (UA)	Disb. Rate. (%)	Age (yr.)	Project Risk
Tibiri-Dakoro and Madaoua-Bouza-Tahoua ROAD PROJECTS	OITC1	OnGo	19/12/2005	30/06/2012	22,000,000	55.43	5.46	Non PP/PPP
EMERGENCY HUMANITARIAN ASSISTANCE TO DROUGHT VICTIMS	ORWA	OnGo	20/07/2010		653,843	100.00	0.88	Non PP/Non PPP
DIFFA AGRO-PASTORAL DEVELOPMENT PROJECT	OSAN2	OnGo	22/10/2003	31/12/2011	15,000,000	95.81	7.62	Non PP/Non PPP
DIFFA AGRO-PASTORAL DEVELOPMENT PROJECT	OSAN2	OnGo	22/10/2003	31/12/2011	447,569.55	100.00	7.62	Non PP/Non PPP
PROJECT FOR THE DEVELOPMENT OF WATER RESOURCES IN THE DOSSO AND TILLABERI REGIONS (PVDT)	OSAN2	OnGo	05/10/2006	31/12/2012	13,000,000	59.27	4.67	Non PP/Non PPP
WATER MOBILIZATION PORJECT TO ENHANCE FOOD SECURITY IN THE MARADI, TAHOUA AND ZINDER REGIONS (PMERSA-MTZ)	OSAN2	OnGo	20/09/2011	31/12/2017	9,340,000	0.00		
KANDADJI PROGRAMME	OSAN4	OnGo	29/10/2008	31/12/2015	20,000,000	11.45	2.60	Non PP/Non PPP
KANDADJI PROGRAMME	OSAN4	OnGo	29/10/2008	31/12/2015	20,000,000	9.73	2.60	Non PP/Non PPP
INVASIVE AQUATIC WEEDS - NIGER	OSAN4	OnGo	22/09/2004	31/12/2011	1,220,000	96.84	6.70	Non PP/Non PPP
DECENTRALIZATION SUPPORT PROJECT	OSGE2	OnGo	29/11/2006	30/06/2011	3,000,000	77.78	4.52	Non PP/Non PPP
ACCELERATED DEVELOPMENT AND POVERTY REDUCTION STRATEGY SUPPORT PROGRAMME	OSGE2	OnGo	06/12/2010	31/12/2011	23,970,000	59.12	0.50	Non PP/Non PPP
ACCELERATED DEVELOPMENT AND POVERTY REDUCTION STRATEGY SUPPORT PROGRAMME	OSGE2	OnGo	06/12/2010		4,030,000	100.00	0.50	Non PP/Non PPP
VOCATIONAL AND TECHNICAL EDUCATION AND TRAINING SUPPORT (PADEFPT)	OSHD2	Ongo	15/12/2010	31/12/2016	7,870,000	0.00	0.47	Non PP/Non PPP
VOCATIONAL AND TECHNICAL EDUCATION AND TRAINING SUPPORT (PADEFPT)	OSHD2	OnGo	15/12/2010	31/12/2016	17,630,000	0.81	0.47	Non PP/Non PPP
Rural DWSS PROJECT in 3 Regions	OWAS1	OnGo	21/02/2007	31/12/2011	3,000,000	53.73	4.29	Non PP/Non PPP
Rural DWSS PROJECT in 3 Regions	OWAS1	OnGo	21/02/2007	31/12/2011	10,715,019	65.06	4.29	Non PP/Non PPP
NATIONAL RURAL DRINKING WATER SUPPLY AND SANITATION PROJECT (PNAEPA-2)	OWAS1	OnGo	20/09/2011	01/07/2016	16,000,000	0.00		
NATIONAL RURAL DRINKING WATER SUPPLY AND SANITATION PROJECT (PNAEPA-2)	OWAS1	OnGo	20/09/2011	01/07/2016	4,000,000	0.00		
					191,876,431	63.22	3.77	

