

Proposal for Belgian Trust Fund for Poverty and Social Impact Analysis (Joint UNDP-World Bank Project)

Name of Proposal: Fiscal Policy in Niger and its Impacts on Poverty

Government Unit Responsible for Project: Secrétariat Permanent/ SRP and
Ministry of Economy & Finance

Liaison Person at UNDP Country Office: Mr. Theodore Mpatwenumugabo

Total Amount Requested: 90,500 US\$

A. Description of the policies on which the PSIA will focus and the rationale for selecting these policies (e.g., the probable size of the policy impact, the level of national debate on the policies, the interest of the government in assessing these policies, the links to the national poverty reduction strategy).

The PSIA will focus on the fiscal policy of Niger and its impacts on poverty. As tax collection – or the weakness thereof – is a major problem in Niger given that a major part of economic activity is informal, this aspect of the question has tended to dominate the debate until now, neglecting a more in-depth reflection on the role and impacts of fiscal policy in the fight against poverty. Such a reflection is now urgently needed as the Government of Niger strives to get back on track to achieve the Millennium Development Goals and is in process of revising its Poverty Reduction Strategy. Moreover, the direct impact of fiscal policy on household welfare has become palpable last year when increased taxation of basic goods resulted in popular upheavals.

B. Ongoing programmes and activities to which PSIA would be linked

The Prime Minister has officially launched the review of Niger's 2002 Poverty Reduction Strategy in December 2005. A series of thematic groups are planned, one of them is explicitly dealing with economic issues and policies, including fiscal policies, considering a.o. the achievement of the MDGs through the PRS and the main obstacles. Thematic groups will greatly benefit from recent and relevant documentation and indicators and the PSIA would usefully feed into the process.

C. Description of the proposed analytical work:

a. Methodological approach, such as data analysis and assessment tools

Taxation has primarily a direct impact on household welfare resulting in changes in purchasing power for a given income, while indirect impacts result from the fiscal stance of the country. Increased taxation can thus lead to increased government spending impacting welfare through increased redistributive transfers and/or improved economic

growth. Both direct and indirect impacts of fiscal policy on poverty will therefore have to be considered.

The analysis will focus particularly on the poor and disadvantaged groups. It will consider income/monetary, but also non-income dimensions of welfare and poverty, addressing risk and vulnerability with the help of social development indicators.

The study will use a combination of quantitative and qualitative data. Numerical and close-ended data-collection will allow to link data at the macro-level to household-level data, disaggregated according to income class, gender, geographic location, ethnicity and age (as poverty in Niger is essentially female and rural, particular attention will be devoted to the gender and urban/rural cleavages) and undertake statistical and multivariate analysis. Open-ended, qualitative data collection will allow a.o. to undertake institutional analysis, i.e. an examination of the market structure and the informal rules that govern fiscal policy implementation. A representative sample of business and financial sector representatives as well as tax collectors will be surveyed as to their experiences, objectives and expectations with the formulation and implementation of fiscal policy.

The analysis will take stock of the many recent changes in fiscal policy and build on already existing – even if extremely sparse – data in order to compare and validate results.

The study will rely on the one hand on “tax incidence analysis” – both statutory and economic – as well as “social-impact analysis” in order to determine how the impact of fiscal policy is distributed among different groups and to identify the range of social impacts and provide insight into coping mechanisms used to mitigate negative impacts. Additional institutional analysis could allow reviewing implementation of existing policies and reflecting on the consequences thereof.

b. Consultations with national stakeholders

National stakeholders will be involved ,on one hand as interviewees in the course of data collection and, on other hand, as participants in the drafting process through three workshops on the draft document itself and the linkages between fiscal policy and poverty more generally (training component): one will involve representatives of the public administration, in particular tax administration and the Permanent Secretariat of the Poverty Reduction Strategy, the other two will be devoted to civil society, the private sector and community leaders, including local government representatives and organisations of women.

c. Timeframe

A timeframe of 5 months is planned for the PSIA. The study should kick off in March 2006 and be finalised in July 2006. The first three months (March-May) will be devoted

to data collection and processing, including a qualitative survey. The three workshops are to be held in June and the final report (and restitution seminar) is planned for July 2006.

D. Statement on how the analytical results will be fed into national policy decision-making

As already stated further above, the analysis will inform the revision of the PRS and the reflection on policies for poverty reduction more generally through the dissemination of the PSIA results in the economic working groups planned by the ToRs of the PRS revision and the workshop/training events below.

E. Statement on how the World Bank and the Belgian Government (if both have local representatives) will support the project (note: the World Bank will need to approve the project and the local Belgian representative should be notified of the project and invited to meetings)

The World Bank and the Belgian cooperation offices in Niamey will be involved and are eager to participate in the process. Each of them will nominate a focal point to the project. Their participation is also guaranteed through a steering committee to be put in place.

F. Statement identifying the Government unit that will lead the PSIA, how it will coordinate with the unit leading the Poverty Reduction Strategy (if the former is different) and how UNDP will support the process, especially with technical assistance

The Permanent Secretariat for the Poverty Reduction Strategy will lead the PSIA, in close collaboration with the Ministry of Finance, with the support of the steering committee in which the WB, the Belgian cooperation and UNDP will be involved.

F. Plans for training components of the project (how training will be provided and for whom)

In the framework of the SRP revision, capacity building activities in the form of workshops are (e.g. on poverty reduction and MDG costing) are being envisaged. A component on fiscal policy impacts would be included to the agenda. As mentioned further above, a three workshop doubling up as a means of collecting the views of different stakeholders is also planned.

G. Deliverables of the PSIA by the end of the project

The PSIA will provide an in-depth analysis of Niger's current fiscal policy and an evaluation of its impact on poverty and its distribution. On the basis of its results, the government may want to consider policy reform. In that case, the PSIA will inform policy change and point decision-makers to the main drawbacks of the current system.

H. Plans for dissemination of the results and policy dialogue

The PSIA will be the subject of a seminar inviting all the stakeholders in order to validate, disseminate and more generally inform on the linkage between fiscal policy and the fight against poverty. As mentioned further above, the working groups and capacity strengthening modules in the framework of the PRS revision could also discuss the subject. The final study will be published in paper form as well as electronically on the websites of the government and the participating agencies.

I. Detailed Budget Table for PSIA

Activity	Inputs, (Atlas Budget Category)¹	Cost (USD)	Matching Funds (if any)
Qualitative survey (contractual services)	72 100	30,000 US\$	
Data collection (2 consultants)	71 300	20,000 US\$	
Workshops (3)	63 400	21,500 US\$	
Seminar (restitution)	63 400	5,000 US\$	
Printing/Dissemination	74 200	10,000 US\$	
Miscellaneous	74 500	4,000 US \$	
Grand Total		90,500 US\$	

¹ Atlas Budget Categories: TRAV (travel), PERLOC (local consultant), PERINT (international consultant) and MISC (miscellaneous).