

INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

NIGER

**Poverty Reduction Strategy Paper—Progress Report
Joint Staff Assessment**

Prepared by the Staffs of the International Monetary Fund
and the International Development Association

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I. OVERVIEW

1. **The first progress report of the government of Niger on the implementation of the poverty reduction strategy paper (PRSP) covers the period January 2002 to June 2003.**¹ The report was validated by the government via a national workshop in July 2003. It will be published and submitted to parliament during the second semester of 2003. Hereafter, the government intends to prepare future PRSP progress reports on an annual basis and integrate them into the budget preparation process.
2. **The report addresses three principal issues.** First, it assesses the **progress in implementing policies and programs** pertaining to the four strategic pillars of the PRSP and discusses the key challenges faced.² Second, it describes the **participatory process** and activities undertaken for the preparation of the report and the wide dissemination of the PRSP. Finally, it discusses progress in strengthening the **monitoring and evaluation of the strategy**, and presents measures to update information on poverty, with a view to improving data availability and poverty analysis in the future.

II. OVERALL ASSESSMENT OF THE REPORT

3. **The implementation of the PRSP has been broadly satisfactory since January 2002, and the report provides a candid review of developments in this regard.** The staffs commend the authorities for the quality of the report, which describes in an exhaustive manner the efforts to tackle poverty since the adoption of the PRSP. On the one hand, the report describes the good macroeconomic performance since 2000, the adoption of the ten-year

¹ See www.imf.org; and Report No. 23483-NIR (01/16/02).

² Niger's poverty reduction strategy is built on the following four pillars: (i) a macroeconomic framework ensuring economic and financial stability while promoting sustainable and robust growth; (ii) the development of productive sectors, especially in rural areas; (iii) improvement in the access for the poor to quality social services; and (iv) the promotion of good governance and the strengthening of institutional and individual capacity.

education development plan, the progress in developing other sectoral strategies, such as for rural development and health, and the implementation of the poverty reduction projects initiated by the presidency and financed through the assistance provided under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative).³ On the other hand, the report highlights the obstacles to strengthening human and institutional capacity, the difficulties in monitoring the strategy, and the delays in undertaking a household survey and a public expenditure review aimed at updating the poverty analysis and improving the medium-term expenditure framework (MTEF). It also acknowledges some mixed outcomes in poverty reduction, particularly in the health sector, but presents corrective actions that the authorities intend to take in the near future. Finally, it points to some problems in obtaining adequate and timely disbursements of foreign assistance, which constrained budget execution and, hence, the implementation of the Poverty Reduction Strategy (PRS).

4. **The report emphasizes the participatory approach and activities that have been used to reinforce the ownership of the strategy by the population.** The report benefited at various stages from consultations with concerned stakeholders. Elected officials, civil society, the private sector, and the donor community were approached. The process of preparing the report culminated in its endorsement in a national workshop on July 24, 2003. The report also highlights the positive outcome of a donors' forum in Niamey on June 7-8, 2003. At this forum, donors reiterated their endorsement of the PRSP as the basis for their assistance, supported a gradual transition from project to program financing, and agreed on the need to further strengthen coordination and harmonization of donor policies and procedures. The forum ended with the signing of a protocol relating to coordination among all donors supporting the education sector.

5. **The report confirms the original thrust of the PRS while reinforcing its education component, the objectives of which have been brought into line with the Millennium Development Goals (MDGs).** The staffs welcome the enhancement of the education component of the PRS and the development of several sectoral strategies to further strengthen it. However, the fine-tuning and possible revision of the strategy will require the completion of the study on the sources of growth and the updating of the poverty analysis. In addition, the preparation of sectoral budget programs and the concurrent revision of the MTEF are necessary to provide a full costing of the PRS.

6. **The report presents a good review of progress made in resolving some key issues raised in the joint staff assessment (JSA) of the PRSP (www.imf.org; and report No. 23483-NIR (01/16/02)).** The authorities have, in particular, addressed the concerns regarding (i) the use of the participatory approach in implementing, monitoring, and evaluating the strategy; (ii) the need to continue improving the transparency and efficiency of budgetary operations; (iii) the design of an effective monitoring and evaluation system; (iv) the initiation of a study on the sources of growth; (v) the formulation of sectoral strategies, such as for rural development and health; and (vi) the adoption of a strategic framework for the fight against HIV/AIDS. Progress was less satisfactory with respect to the strengthening of institutional capacity, underscoring the

³ The government's assessment of the extent and effectiveness of the use of HIPC Initiative resources is detailed in section I-3-1-1-4 of the progress report. An independent evaluation has been initiated with the help of the World Bank, the European Union, and the IMF.

long-term nature of this challenge. In addition, the authorities have not yet addressed issues pertaining to population growth and public expenditure structure, deepened the analysis of the links between the strategy and poverty reduction, or completed the updating of the poverty profile and analysis.

III. PROGRESS IN THE IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY

A. Ensuring Economic and Financial Stability and Promoting Sustainable Growth

7. **Overall macroeconomic performance since 2000 has been broadly satisfactory and in line with the baseline scenario of the PRSP, despite the recurrence of sociopolitical tensions in Niger and the crisis in Côte d'Ivoire.** The report links the positive macroeconomic trends not only to the good weather conditions that spurred the strong growth of the rural sector but also to the improvement in public finances, the increase in capital expenditure on infrastructure, and the implementation of structural measures to promote growth.

8. **Real GDP grew at an average annual rate of 5.0 percent in 2001-02, compared with a baseline projection of 4.8 percent.** In the wake of the 2000 drought and the strong recovery of economic activities in 2001, the rate of economic growth was 3.0 percent in 2002 as a result of buoyant growth in the nonrural sector, such as transport and commerce. This economic performance was accompanied by a fall in average inflation, on a 12-month basis, from 4.0 percent at end-2001 to 2.7 percent at end-2002 and -1.0 percent at end-June 2003. The external current account deficit (excluding grants for budgetary assistance) widened as a result of the recovery of economic activities and increased public investment, but it was limited to 8.4 percent of GDP in 2002, compared with 6.6 percent in 2001. Finally, gross investment was equivalent to 14.2 percent of GDP in 2002, compared with 11.4 percent in 2000 and in line with a baseline scenario objective of 15 percent in 2005.

9. **As stressed in the report, the recovery of economic activities has been accompanied by an improvement in public finances and the implementation of successful fiscal adjustment policies.** The staffs concur with this assessment of the fiscal stance, which was aimed at ensuring a sustainable fiscal policy and complying gradually with the convergence criteria of the West African Economic and Monetary Union (WAEMU). As envisaged under the PRSP, revenue increased from 8.6 percent of GDP in 2000 to 10.6 percent in 2002, while current expenditure declined from 11.2 percent of GDP to 10.7 percent and capital expenditure increased from 5.7 percent of GDP to 7.7 percent over the same period. Excluding budgetary grants (an annual average of 1.6 percent of GDP in 2000-02) and foreign-financed capital expenditure, the deficit was reduced from 3 percent of GDP in 2000 to 1.8 percent in 2002. In addition, the stock of domestic payments arrears fell by 38 percent in 2001-02, a reduction equivalent to about 3.5 percent of GDP.

10. **Budget allocations and execution in 2002 were in line with the PRSP objective of increasing the share of public resources used for social sector expenditures.** The report indicates that current and capital expenditure on social sectors rose in 2002 as a percentage of GDP. Between 2001 and 2002, the share of the social sectors, in total actual recurrent expenditure, increased from 46 percent to 56.3 percent, while the sectors' share in capital outlays rebounded from 32.9 percent to 36 percent.

11. **While the report covers well budgetary developments from a macroeconomic point of view, it could have been improved by a more detailed analysis of the functional classification of expenditure.** Such an analysis could have reported, in particular, on the impact of the cash management practices and the resulting regulation of expenditure that have been implemented to address unpredictability in the level and timing of external budgetary assistance.⁴

12. **In light of recent economic and financial developments, the macroeconomic framework outlined in the baseline scenario of the PRSP remains relevant, provided that Niger continues to implement the related structural reform agenda and maintain a stable macroeconomic policy stance.** The implementation of the Rural Development Strategy (RDS) should reinforce growth prospects under the scenario and make the economy more resilient to shocks. The baseline scenario, however, should be reviewed, together with the low-growth and high-growth scenarios, in light of the conclusions of the study on the sources of growth and the prospects for gold mining and exports over the period 2004-10. Similarly, work should be initiated to extend the initial macroeconomic projections presented in the PRSP beyond 2005, and to provide a revised MTEF for the implementation of the PRS over the extended period. The revised budgetary program would also need to take into account financing constraints and the conclusions of the debt sustainability analysis prepared for the forthcoming completion point under the HIPC Initiative.

13. **As highlighted in the report, the introduction of a new budget nomenclature and a new charter of public accounts, as well as the adoption of a new procurement code, were the major budgetary reforms achieved after the adoption of the PRSP.** The expenditure process was also strengthened through an upgrade and extension of the computer and network systems; meanwhile, the Audit Court started to audit the 1997 budget accounts, and the National Assembly approved the budget review laws (*Lois de règlement*) for 1998-2000. The staffs commend the authorities for the progress in implementing these reforms, which will enhance transparency and good governance in public finances. However, the limited institutional capacity of the Ministry of Finance and Economy delayed other measures, such as reinforcing external debt management through the installation of a new debt management and recording software (completed in early September 2003) and rendering the new procurement code fully operational.

14. **Other structural reforms have produced mixed results.** Limited progress was achieved over the period as regards the strengthening of the banking sector (progress report, section I-3-2-2), and the staffs urge the authorities to accelerate needed reforms in this sector. The report points also to some progress in civil service reforms that aim at a better control over the size of the civil service and the wage bill. At the same time, the privatization of the electricity company, NIGELEC, was delayed, as a second call for potential investors in

⁴ Over the 2000-02 period, this assistance was, on average, equivalent to 42 percent of revenue and 32 percent of expenditure (excluding foreign-financed projects). For 2002, disbursements of budgetary aid were lower-than-programmed by 1.2 percent of GDP, and a shortfall of 0.4 percent of GDP is expected in 2003. Moreover, disbursements have mostly occurred at the end of each year, exacerbating the tight budgetary constraints and generating difficulties in budget execution, given the limited possible recourse to domestic financing.

November 2002 was unsuccessful. A new strategy for the privatization of NIGELEC is being developed. The privatization of the petroleum company, SONIDEP, was also delayed, mainly owing to the need for further consultations on an appropriate strategy. Finally, the establishment of a multisectoral regulatory agency (MRA) has taken more time than envisaged. Poverty and social impact analyses would provide additional insights for the design of the reform program.

B. Development of Productive Sectors

15. **The staffs welcome the significant progress achieved in the preparation of the RDS, which focuses on raising incomes of the rural poor and reducing their vulnerability to climatic conditions.** The RDS should substantially strengthen the PRS, which views the rural sector as the main source of economic growth. The staffs particularly support the proposed approach of the RDS to have the state gradually retreat from productive activities and increasingly concentrate on creating an enabling policy framework and support structures that are conducive to private sector growth. The staffs encourage the government to ensure that the services of the public sector are provided on a demand-driven basis, thus avoiding the centrally planned approaches of the past that failed to meet the needs of rural producers, notably in agricultural research and extension services. The report provides little information on the respective potential of different rural subsectors as sources of economic growth. However, this gap is expected to be filled by the ongoing analysis of sources of growth.

16. **Progress was achieved in the improvement of the road system and in the area of transport,** with the rehabilitation of important segments of the national road network and the extension of the dirt road system. A study for the design of a road transport strategy was completed as part of the preparation of a National Transport Plan. Despite this progress, the report points to the complexity of the public procurement procedures, which has prevented a faster execution of dirt road projects. Similarly, implementation of the 2002 road maintenance program was insufficient as a result of inadequate resources in the Road Maintenance Fund, which resulted in part from the government's own budget constraints (see footnote 4).

17. **The report also discusses progress in advancing poverty-reducing activities in other productive sectors.** Based on the PRSP, the preparation of a number of sectoral strategies has been initiated in the past few months, such as an Urban Development Strategy and a National Tourism Policy. The staffs suggest that, before operationalizing these strategies, the cost of their implementation be carefully estimated and their contribution to the PRS goals assessed.

C. Improvement in the Access of the Poor to Quality Social Services

18. **The staffs welcome the formal adoption of the ten-year development plan for education in 2002 and its satisfactory implementation in the school year 2001/02, as all major outcome targets were surpassed in this period.** Gross enrollment rates increased from 37.3 percent in 2000/01 to 41.7 percent in 2001/02, with a notably strong increase in rural areas. The staffs also welcome the modest increase in the share of girls in primary schools. These results have been driven by several measures initiated to improve the quality of education and stimulate demand for schooling, such as enhanced pre- and in-service training for teachers, improved inspections, and establishment of school canteens. Less significant progress has been achieved in reducing the repetition rates for sixth graders.

19. **A consolidation of ongoing analyses of the impediments to the supply of, and demand for, primary schooling would reinforce the ten-year development plan.** As regards higher and vocational education, the staffs welcome the efforts by the authorities to widen and strengthen the existing strategic framework, in order to facilitate the integrated and sustainable development of the whole education sector.

20. **The report highlights the expected benefits of the Education for All—Fast-Track Initiative, for which Niger was chosen as one of the first pilot countries by the donor community in 2002.** In the context of this initiative, the government raised most of the sector targets established in the PRSP, in line with reaching the MDG of universal completion of primary education by 2015. These revised targets remain very ambitious in light of Niger's low level of, and wide disparities in, participation in primary education. Efforts will need to be made to ensure that the resources required for achieving the targets are effectively mobilized, without jeopardizing funding for other priority sectors.

21. **The staffs share the government's concerns about the weak performance of the vaccination programs in 2002,** which was caused by weak monitoring capacity in the health sector. While not presenting a more detailed assessment of the main health indicators, the report shows progress in improving the coverage of health sector facilities in different regions of the country. To ensure proper functioning of these facilities, the government will need to provide sufficient levels of funding for operational expenses and deploy appropriate numbers of well-qualified health personnel at all levels. The recruitment of about 500 contractual health workers at regional and district levels in mid-2003 is a step in the right direction. Another important step forward would be the adoption and implementation of an action plan aimed at improving the availability of essential drugs.

22. **The staffs welcome the adoption of the document on Strategic Orientations for Health Sector Development, covering the 2001–11 period.** This document formally confirms the commitment of the government to substantially improve the health of the population by 2011. In order to make the strategic orientations operational, the government will need to prepare a detailed development plan that would determine sector targets and required inputs and resources. In particular, the plan would need to include a financing strategy that aims at ensuring financial sustainability in the sector, while guaranteeing that basic health care, including generic drugs, is affordable for the poor. The preparation of such a plan would also benefit from the insights gained from analytical work on, in particular, the pilot study regarding the incidence of public health expenditure on beneficiaries.

23. **The reported survey results of 2002, which revealed an estimated HIV prevalence rate of 0.87 percent, are encouraging.** The staffs welcome the adoption of a National Strategic Framework for the Fight against HIV/AIDS for 2002-06. The challenge now is to contain the pandemic at the current low levels through successful implementation of the strategic framework. To this end, the staffs urge the authorities to make rapid use of already available external aid.

24. **The report states that the current demographic trends in Niger are still a major risk to achieving and maintaining the socioeconomic goals set by the PRSP and the MDGs.** The staffs fully concur with this assessment and urge the authorities to prepare a coherent population and reproductive health policy that addresses the problems of high population

growth and fertility rates. As discussed by the IDA Board, the adoption of such a policy will be a key factor in maintaining high levels of IDA support to Niger.

D. Strengthening of Institutional and Individual Capacity

25. **In addition to the measures taken to strengthen public finance management, the staffs welcome the authorities' commitment to other aspects of governance.** Given the history of the internal conflicts that have adversely affected Niger's political stability, the staffs welcome the adoption of the National Strategy for Prevention and Management of Conflicts. The report, although mentioning the Judiciary Reform Program, could have been strengthened by a more detailed discussion of the measures taken in this regard. The adoption in 2002 of the legal framework for the planned decentralization reform is also discussed in the report. However, before rendering the decentralization reform framework effective, the staffs are of the view that a full-scale analysis of its potential fiscal implications and capacity requirements should be undertaken.

26. **The report reiterates the importance of building institutional and human capacities** in programming, implementing, monitoring, and evaluating the PRS. The staffs concur with this assessment, but are of the view that capacity building should go beyond training civil servants, as presented in the document. In this context, the staffs reiterate the need for the authorities to develop a technical assistance (TA) strategy with a prioritization of needs. Revitalizing civil service management reforms is important for the success of PRSP implementation. In particular, the authorities should ensure the availability of sufficient and appropriately skilled staff in rural and remote areas.

IV. MONITORING OF POVERTY REDUCTION

27. **The report acknowledges that the lack of updated poverty data and analyses of the poverty impact of past policies continues to constitute a major limitation for PRSP implementation.** The staffs fully subscribe to this candid assessment and encourage the authorities to accelerate progress toward improving poverty knowledge. There has been some progress in strengthening poverty monitoring since the adoption of the PRSP, most notably the completion and publication of preliminary data of the 2001 census. Advances in other key areas have been slow. As regards data collection and analysis, the completion of a new household survey appears as the highest priority, given the dearth of updated poverty data. The preparation of this survey has faced repeated delays in the recent past, mainly because of lack of funding. Mobilization of sufficient resources for its implementation is therefore paramount. A statistical master plan should also be prepared to consolidate data from different sources and provide a strategic vision for Niger's statistical system. The staffs also encourage the authorities to conduct poverty impact evaluations of past policies and programs, including public investment programs and key structural reforms. As highlighted by the report, such evaluations would provide valuable insights for future adjustments and refinements of the PRS.

28. **The report falls short in refining the set of indicators presented in the PRSP and discussing their evolution since the PRSP's adoption, with the exception of those for health and education.** In addition, there have been delays in establishing an institutional framework for monitoring and evaluating progress in the implementation of the PRS. The authorities have made considerable efforts in recent months to address these issues. A note containing a proposal

for a new poverty-monitoring and evaluation framework was prepared for the recent donors' forum. According to this proposal, the main functions of the new framework would be guiding and coordinating data collection and analysis. Furthermore, it would refine the PRSP indicators and subsequently monitor their evolution. The formal adoption and operationalization of this framework is a key priority for strengthening the poverty reduction strategy.

V. CONCLUSION

29. **The staffs conclude that the report adequately reflects the accomplishments and shortcomings in the implementation of the poverty reduction strategy since its adoption.** They also welcome the commitment of the authorities to address the shortcomings pointed out in the report by further refining the strategy and reinforcing the role of the PRSP as the overarching instrument of policy making in Niger. To this end, the staffs are of the view that, in the upcoming period of PRSP implementation and refinement, priority should be given to the following issues:

- accelerating the updating of the poverty analysis through a household survey;
- updating the macroeconomic projections and the sectoral targets of the PRSP beyond 2005, taking into account recent developments and studies;
- completing the study on the sources of growth and initiating, with the donor community, poverty and social impact analyses of specific macroeconomic and sectoral policies;
- clarifying the institutional framework and reinforcing capacity for monitoring and evaluating PRSP implementation;
- adopting a satisfactory population and reproductive health strategy;
- ensuring a fuller integration of the projects financed by HIPC Initiative assistance within sectoral strategies and undertaking a thorough, independent evaluation of these projects;
- preparing program budgets in line with the objectives of the PRSP for key sectors, thereby leading to a better costing of the PRS; and
- adopting an action plan for improving public expenditure outcomes, which would benefit from a recently initiated Public Expenditure Management and Financial Accountability Review (PEMFAR).

30. **The staffs of the World Bank and the IMF consider that Niger's efforts to implement the PRS provide sufficient evidence for its continuing commitment to poverty reduction,** and that the strategy therefore continues to provide a credible framework for Bank and Fund concessional assistance. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusion.