Report Number : ICRR0021453

1. Project Data

Country Niger	**Practice Area(Lead)** Macroeconomics, Trade and Investment

Programmatic DPL
Planned Operations: 3 **Approved Operations:** 2

Operation ID P151487	**Operation Name** First Pub Inv Reform Sppt

L/C/TF Number(s) IDA-56560	**Closing Date (Original)** 30-Nov-2016	**Total Financing (USD)** 77,240,520.00
Bank Approval Date 03-Dec-2015	**Closing Date (Actual)** 30-Nov-2016	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	80,000,000.00	0.00
Revised Commitment	80,000,000.00	0.00
Actual	77,240,520.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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Operation ID P159969	**Operation Name** Second Public Investment Reform Sppt Cr. (P159969)

L/C/TF Number(s)	**Closing Date (Original)**	**Total Financing (USD)**
IDA-56560,IDA-D1670	31-Mar-2018	50,634,943.80
Bank Approval Date	**Closing Date (Actual)**	
28-Feb-2017	31-Mar-2018	

	IBRD/IDA (USD)	**Co-financing (USD)**
Original Commitment	50,000,000.00	0.00
Revised Commitment	49,971,581.69	0.00
Actual	50,634,943.80	0.00

2. Program Objectives and Policy Areas

a. Objectives

The project development objectives (PDOs) from the Financing Agreement (p. 6) for the first DPO were: (i) strengthening Public Financial Management (PFM) and public investment management (PIM) systems; (ii) improving the management of the public irrigation sector including a model for the multipurpose operation of the Kandadji Dam; and (iii) enhancing the institutional framework for the electricity sector.

The PDOs for the second DPO were (i) to improve the quality, reliability and accountability of the country's PFM and PIM systems; (ii) to establish the policy and regulatory framework necessary for a well-functioning public irrigation system; and (iii) to facilitate the reform process of the electricity sector (Financing Agreement for the Second DPO, p. 5).

The measures related to the Kandadji Dam were part of the third operation, which was to be cancelled, the PDOs were modified to exclude those related to the Dam. This Review will be based on the PDOs of the second DPO.

A third DPO in the series had been planned, but changing circumstances resulting from external shocks, a deteriorating security situation and setbacks to the Nigerian economy, led to its cancellation at the time the second operation was approved.

b. Pillars/Policy Areas

The series had 3 pillars.

Pillar 1: Strengthening Public Investment Management (PIM) and Public Financial Management (PFM), which focused, first, on improving PIM, PFM and Treasury management, which was to be achieved by strengthening the PFM and PIM systems and by improving the predictability of cash management; and, second, on policy-based budgeting through the adoption of a standardized methodology for medium term expenditure frameworks (MTEFs) for public health, education, rural development, water resources, transportation and energy.

Pillar 2: Improving the Management of the Public Irrigation Sector. This pillar aimed to improve the management, planning and regulation of the economically vital irrigation sector through better functioning of the National Agency for Irrigation Schemes (*Office National des Aménagements Hydro-Agricoles*, ONAHA) to improve agricultural productivity. The ONAHA was meant to enforce the rules regarding the functioning and maintenance of public infrastructure by farmers and promote private irrigation operators.

Pillar 3 supported improving the legal and institutional framework for the electricity sector. An Electricity Code would provide a framework or rules and regulations to govern the sector's operation. The Code would be implemented through a regulatory agency. The aim was to expand electricity supply while maintaining cost efficiency by integrating Niger into the regional electricity market, encouraging private participation in energy generation, creating a sector regulator, and ensuring that the sector was economically viable.

c. Comments on Program Cost, Financing, and Dates

DPO1 (an IDA Grant of US$80 million equivalent) was approved on December 3, 2015 and closed on schedule November 30, 2016. US$77.24 million was disbursed. DPO2 (an IDA Grant of US$50 million equivalent) was approved on February 28, 2017 and closed on schedule on March 31, 2018. US$50.63 million was disbursed.

3. Relevance of Objectives & Design

a. Relevance of Objectives

At appraisal, the objectives of the DPO series were aligned with two of the five priority areas of the Country Partnership Strategy (CPS) for the fiscal years 2013-2016 - strengthening governance, and enhancing capacity for the delivery of public services (the others were promoting "resilient growth", reducing vulnerability, and mainstreaming gender issues). The 2018-2022 Country Partnership Framework concentrates on rural productivity, the building of human capital and improving governance (p. 14). The objectives of the DPO series are directly relevant to the first and third of these.

At the commencement of the series, the objectives were aligned with the Government's development strategy. The strategy aimed at strengthening public institutions; inclusive development; increasing food security; diversifying the economy; and promoting social development. In early 2018, faced with a rapidly deteriorating security situation and economic difficulties in neighboring Nigeria, the strategy was changed to focus primarily on agriculture, underlying the importance of the program's support for enhanced irrigation management. Since increasing food security remained an important part of the Government's development strategy, the objectives continued to be aligned with development priorities.

Rating

Substantial

b. Relevance of Design

The causal chain linking the measures supported by the series and attainment of the intended results was less than fully convincing. With a view to improving the quality of public investment, the authorities were to create an institutional framework for the selection and evaluation of projects at both central and sector ministry levels, while provisions were to be made for funding feasibility studies. Accountability of public expenditure was to be enhanced by faster publication of quarterly budget execution reports. Reliability was to be reinforced through reforms to the commitment and payments processes, and by simplifying the ratification of public sector loans from external development partners. While these were appropriate first steps, because of the brief time frame, there was little possibility of testing their impact over such a short period. In and of themselves, they were unlikely to be sufficient to achieve the stated objectives.

Similarly, an extension of ONAHA's geographical coverage, together with new rules for the establishment and operation of Irrigation Water Users' Associations (IWAUs), were likely necessary, but again insufficient to attain the objective of a policy and regulatory framework for a well-functioning public irrigation system. Critical to the latter was a new Irrigation Law, which, rather than a prior action for DPO1 or DPO2, was a trigger for the cancelled DPO3. Since the Law did not materialize, the irrigation sector continues to lack an appropriate legal framework.

Reform of the electricity sector was to be attained through changes in the Electricity Law and Code, establishing and operationalizing a regulator, and by exercising closer control of the electricity utility's (NIGELEC's) financial situation through audits and monitoring of its strategic development plan. These measures constitute a credible causal chain.

The program's structure was coherent and focused, given the economic and fiscal importance of the irrigation and electricity sectors. The choice of instrument was also appropriate, in view of the country's financial needs and the policy nature of the objectives.

Niger's macroeconomic situation at the time of preparation of both operations was affected by security and humanitarian shocks, weak commodity prices, and the reduction of trade flows to neighboring countries. Growth averaging about four percent in 2015-2016, was barely above the rate of population increase. Annual inflation was subdued at about one percent per year. Fiscal revenues under-performed, reflecting weaknesses in tax and customs administration, and difficulties in the mining, oil, and telecommunications sectors, as well as reduced trade with Nigeria. Consequently, expenditures were held below budget levels. Key risks, which largely materialized, included the continued negative impact of regional conflicts, vulnerability to natural disasters, and the economic downturn in the sub-region. Niger requested a new three-year arrangement under the IMF's Extended Credit Facility, which was approved in January 2017.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1
Objective

To improve the quality, reliability and accountability of the country's PFM and PIM systems

Rationale

To improve the quality of public investment, the government made a number of changes to the institutional framework for project selection and management. Two decrees were approved (prior actions, DPO1), one establishing the process for selecting and evaluating investment projects, and the other setting out the terms of reference and organizational structure of a Directorate for Studies and Programming within each sector ministry. The Directorates were to prepare investment projects and monitor their implementation in collaboration with relevant stakeholders, and were responsible for the preparation of feasibility studies, creating data bases, and capacity building in their respective ministries. A line item was to be included in the annual Budget Law to ensure sufficient funding for feasibility studies (prior action, DPO2). While the supported actions were expected to enhance project selection and adherence to strategic priorities, any concrete results (for example, higher quality investment projects) would only materialize after a considerable time span, most likely beyond the time horizon of even the initial three operation series. Given this time span, there were no results indicators related to the quality of public investment management.

Enhanced reliability was to stem from a number of interrelated measures. First, all Treasury cash plans, sectoral commitments and procurement plans were to be finalized by December 15 of the preceding year (prior action, DPO2). This was intended to improve the predictability of disbursements and to eliminate excessively rigid Treasury regulations on cash release. Regulations were also altered to facilitate the carrying over from one year to the next of financing for specific projects. Second, procurement plans and processes were to be "more timely," though there is no concrete explanation on how this might be achieved. Third, a circular was issued by the Council of Ministers simplifying ratification procedures for external financing (sometimes it could take 100 working days to ratify a loan from an external partner). Fourth, a methodology was to be adopted for medium-term expenditure frameworks (MTEFs) for a number of key sectors (prior action DPO2) and their preparation (trigger for the cancelled DPO3). Adoption of effective MTEFs makes high demands on planning capacity. The adoption of the methodology was subsequently dropped as a prior action in the second operation, though the ICR reports that it was achieved. Furthermore, this allowed the government to enter into multi-year contracts with contractors, thereby reducing processing costs and achieving budget savings. The main outcome indicator to measure greater reliability was the deviation between the voted capital budget and the actual out-turn. This was targeted to fall from 41 percent in 2012 to 35 percent in 2017/18. In fact, it slightly increased to 41.19 percent. This is explained by unexpectedly high security expenditures which forced a reduction in amounts released from the capital budget. The ratification process was accelerated from 100 days from loan signature to 45, in line with the target.

Accountability and transparency relied on two measures: the Ministry of Finance was to ensure quicker publication of quarterly comprehensive budget execution reports (prior action, DPO1), and Multi-Year Economic Budget Documents were to be submitted to the National Assembly before June 15 of each year (this was carried out during DPO2, but was not a prior action). There was one results indicator – the period after the end of the quarter within which execution reports were to be published was reduced from eight to four weeks, in line with the target, although the operational impact of the shorter timeframe was not specified.

In summary, there was some evidence presented on enhanced quality of expenditure management, although the main indicator of greater reliability of budgeted expenditures was not met; and the reduced reporting time on budget execution, was a welcome improvement and provides some evidence of greater accountability and transparency.

Rating
Substantial

Objective 2
Objective

To establish the policy and regulatory framework necessary for a well-functioning public irrigation system

Rationale

Irrigation, on which Niger’s agriculture is heavily dependent, was to be made more effective by bringing a larger area under the jurisdiction of a strengthened ONAHA. A decree was approved with the aim of empowering ONAHA to carry out its functions more equitably and efficiently through clearer specification of its responsibilities (prior action, DPO1). The rules of operation were modified to ensure farmers’ rights to irrigation.

This was followed up with the signature of a multi-year performance contract between the government and ONAHA (prior action, DPO2). It was complemented by the elaboration of new rules for establishing and operating Irrigation Water Users' Associations (IWUAS) to facilitate interface between ONAHA and the farmers (prior action, DPO2). The program had intended to support the submission of a comprehensive draft Irrigation Law to the National Assembly (trigger for the cancelled DPO3). This would have updated the sector's governance, which still relied on a legal framework dating from 1960, when all irrigation systems were government-controlled and restricted to large-scale collective rice cultivation. The law was not prepared, and the action was dropped when DPO3 was cancelled. The program further aimed to enhance the management of the Kandadji Dam to meet irrigation requirements for two cropping seasons, while optimizing hydroelectric generation and ensuring adequate maintenance. However, this was also dropped from DPO2 owing to unresolved ownership and operating rights and obligations on the Niger River (an international waterway), and to resettlement issues.

Both outcome targets related to this objective were met. The irrigated area under ONAHA's jurisdiction rose from 14,000 hectares prior to the program to 15,600 at its end, exceeding the target of 15,000. Ten IWUAs were created in accordance with the target. However, these indicators do not capture adequately and evidence regarding how the intention of "establishing the policy and regulatory framework necessary for a well-functioning public irrigation system" was achieved This objective was not achieved. Lack of progress on the Irrigation Law meant that the different types of irrigation system in existence in Niger were not legally recognized; there were no established principles for asset management, and no legal basis covering the respective rights and responsibilities of farmers and the State (or between the IWUAs and ONAHA) regarding these assets; and the intended permanent forum on irrigated agriculture did not come into existence. The dropping of an improved management model for the Kadadji Dam from DPO2 would also have had a negative impact on the efficiency and productivity of irrigated agriculture.

Rating
Modest

Objective 3
Objective

To facilitate the reform process of the electricity sector

Rationale

Following a long period without progress, the government demonstrated its commitment to take the necessary steps to reform the electricity sector and improve the utility's (NIGELEC's) financial situation by passing an Electricity Code and a law establishing the organization and functioning of a regulatory authority for the energy sector that had been submitted to the National Assembly (prior action, DPO1). These legal measures were considered essential to expand electricity supply to meet excess demand in an efficient manner. The new Electricity Code would facilitate Niger's integration into the regional electricity market, private participation in energy generation, the creation of an independent sector regulator, and the maintenance of economic and financial sustainability in the power sector. The Law would define the sector's institutional structure and tariff regime. Both pieces of legislation were subsequently approved, and the government issued application decrees (prior actions, DPO2). In addition, the Minister of Energy and Petroleum issued an Executive Order to carry out a legal, operational, organizational and financial diagnostic of NIGELEC and to establish a Standing Committee to monitor the execution of the utility's strategic plan (prior action, DPO1). The diagnostic recommended a wide variety of measures, including restructuring NIGELEC's debt/equity structure in order to optimize the management of working capital and facilitate access to financing.

There was one outcome target related to this objective –putting in place and implementation of the new cost-based tariff regime – which was met. The new tariff structure, which Bank-funded technical assistance helped design, and which is intended to fully recover costs, became effective in January 2018. Average tariffs increased by 17 percent for the first year, while the poor benefited from a 33 percent reduction for the first 50 kwh used. The series also strengthened NIGELEC's financial soundness. Implementing one of the diagnostic's recommendations led to a reduction in the debt/equity ratio to 50-50. Since a 2014 audit report showed that the financing structure of NIGELEC had insufficient equity to properly manage its operations (ICR p. 9) the financial restructuring should facilitate the utility's ability to expand and diversify – only ten percent of the population are currently connected, and most of this demand is met from imported electricity, signifying that NIGELEC is little more than a distribution company.

Rating

Substantial

5. Outcome

The series' objectives were substantially relevant to Bank strategy and, at least initially, to government priorities (although by closure, the latter had changed as a result of deteriorating security and regional economic prospects). Relevance of design is rated modest, since the causal chain between the measures supported by the series and attainment of the intended results was less than fully convincing. The substantial rating of the first objective's efficacy reflects some evidence of higher quality public expenditure systems, in particular the multi-year economic budget, although the outcome target to measure greater reliability was not met. The chosen target for enhanced transparency was met with a rating for the first object being substantial. Efficacy of the second objective is modest, since the absence of critical legislation and the dropping of strengthened management of the Kadadji Dam from the program meant that a policy and regulatory framework necessary for a well-functioning public irrigation system has not been established. The third objective – facilitating the reform process of the electricity sector – was substantially achieved. A new Electricity Code and Law are in effect, as is a new tariff structure and sector regulator, while a thorough diagnosis of the utility has identified a wide range of necessary reforms, some of which are already being implemented. Overall, the outcome is assessed as moderately satisfactory.

a. Outcome Rating

Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

Niger has continued to implement reforms beyond those directly supported by the two operations in the areas of public financial management (establishing an MTEF and multi-year budgeting) and irrigation (there are more IWUAS, and ONAHA has set up an environmental and social management unit). At closure, there was nothing to suggest that electricity sector reforms would not be sustained and perhaps even deepened. However, the Irrigation Law establishing the responsibilities and rights of water providers and users has yet to be passed. In addition, there are considerable risks associated with the broader economic and social environment. Implementation capacity remains weak. The economic situation in neighboring Nigeria gives cause for concern. Niger's own rapid rate of population growth makes it more difficult to translate economic growth into higher per capita income (the country has the highest fertility rate in the world, with an average of seven children per woman in 2016). The country is facing increased security threats on its borders from instability in Libya, spillover from the conflict in Mali, and violent extremism in northern Nigeria.

a. Risk to Development Outcome Rating

Substantial

7. Assessment of Bank Performance

a. Quality-at-Entry

The ICR (p. 14) states that "each pillar of the program was supported by a significant body of analytical work, which was critical to program design." PFM reform was based on both World Bank and IMF analysis and review of public expenditure management; financial accountability, the budget, and public investment management. The second pillar benefited from Bank diagnostic analysis of the irrigation sector, while the third pillar relied on power and energy sector reviews.

Although the program was substantially aligned with Bank and government strategy, DPO2 required adjustment because some risks proved to have been underestimated in the design of DPO1. According to the ICR (p.14), program design drew on past experience, and hence recognized "limited capacity in a context of frequent shocks." However, Niger's implementation capacity was, in fact, over-estimated. This is seen, for example, in the shortfalls in developing the Kandadji Dam management model, the fact that an Irrigation Law was not passed, and delays in adopting PFM reforms. There were significant weaknesses in M&E design (see Section 10 below).

A further issue was that the approval of the critical new law governing the irrigation sector was not a prior action. This had serious consequences for the impact of reforms in that sector

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

According to the ICR, the Bank team was proactive in securing adjustments so that the program could be completed in a timely manner. The decision not to proceed with the third operation was justified – new challenges had materialized through external shocks that could not be addressed in the context of an already defined, ongoing program, but required a new direction in dialogue. Given the criticality of the Irrigation Law to the reforms supported under the second objective, more could have been done to secure its passage. The ICR (para 71) points out that the Kadadji Dam issues were beyond the control of the DPO series. Weaknesses in the results indicators, especially those related to the first objective, were mostly addressed.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

The ICR (p. 22) states that the government was fully committed to the program and was proactive in working with the Bank in both design and implementation. It attempted to maintain the momentum of reform despite security-related and political challenges. Implementation was the responsibility of an inter-ministerial committee chaired by the Minister of Economy and Finance. This committee delegated day to day management of the program to a technical committee, which represented all relevant agencies. The ICR does not report any particular coordination difficulties. Good progress was made in reforming the electricity sector, including timely establishment of a new framework for regulation and tariff setting procedures. There were, however, moderate shortcomings. While the Ministry of Finance reinforced its team to ensure that the publishing deadlines for the quarterly budget execution reports were met, delays in fulfilling the original triggers meant that the activity required significant revisions. While the Ministry of

Agriculture succeeded in operationalizing 10 water users' associations, it was unsuccessful in addressing the Kandadji dam issues. It was also unable to obtain approval of the Irrigation Law.

Government Performance Rating

Moderately Satisfactory

b. Implementing Agency Performance

Implementing Agency Performance Rating

Not Rated

Overall Borrower Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

Of the eleven original results indicators for DPO1, several presented significant deficiencies. For example, two indicators for the first objective - the percentage of investments selected based on sector strategies and included in forward budget estimates, and the time period within which annual financial statements were submitted for audit – were unrelated to prior actions. An indicator for the second objective was the percentage of publicly developed irrigation schemes for which ONAHA had made an annual assessment the previous year. This indicator took no account of the fact that ONAHA undertook annual assessments in any case. All three indicators were dropped for the second operation. Another irrigation-related indicator – "number of public collective irrigation schemes with a utility value that exceeds 3" – was not only opaque, but relied on a survey that was never carried out. This indicator was replaced by the number of operational IWUAs. There was no electricity sector indicator related to fiscal sustainability, which was a central theme of the program. The results framework was not designed to capture the effects on the achievement of objectives of the dropping of the Kandadji Dam from the program, nor of insufficient progress on a new Irrigation Law.

b. M&E Implementation

Responsibility for M&E was assumed by the Inter-Ministerial Committee which coordinated program implementation, with the technical committee handling day-to-day data collection, compilation, and analysis.

For DPO2, two PFM indicators, two irrigation indicators and one electricity indicator were either dropped or significantly revised. The ICR (p. 16) reports that the modified set of indicators were tracked and regular reports provided. Nonetheless, the results framework had to be supplemented by additional information, available in the program reports, to complete the ICR.

c. M&E Utilization

The M&E framework was used to make adjustments to the reform program.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

The Irrigation Law, that has as yet to be passed, would support the screening of irrigation projects for environmental risks consistent with the Bank’s environmental safeguard requirements, and would also provide for assistance to farmers to help them with sound irrigation and water management practices.

A Poverty and Social Impact Assessment (PSIA) was conducted to take account of the impact of the new electricity tariff structure on the poor; however, the ICR does not provide more details.

The ICR (p. 20) states that there were no specific gender impacts.

b. Fiduciary Compliance

There is no discussion of fiduciary issues in the ICR.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	The modest ratings of design relevance and of the efficacy of two out of the three objectives constitute significant shortcomings, leading to a moderately unsatisfactory outcome assessment
Risk to Development Outcome	Modest	Substantial	The external environment deteriorated, adding to risks
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	There were significant shortcomings in Quality at Entry (see Section 7a above)
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The ICR draws a number of lessons, of which the following two are of particular interest (with some adaptation of language):

Overly ambitious reforms in relation to a country's capacity can cause delays, and even undermine a program. Capacity constraints have a substantial impact on the likelihood of successful implementation and need to be taken into account in some detail at the design stage. In this case, implementing a medium-term expenditure framework in a number of ministries posed challenges, as did multi-year budgeting and carry-over commitments for multi-year projects. In the irrigation sector, key issues such as preparation of an appropriate legal framework and management of an important dam, were not carried out as planned.

In strengthening an irrigation authority, the deployment of experts who have knowledge in similar

contexts enhances the likelihood of successful implementation. In this case, the participation of irrigation experts with experience in other West African countries assisted improvements in ONAHA. In addition, IWUAs began to receive funding against agreed targets rather than through random budget availability.

IEG draws the following lesson:

Where changes in legislation are key to a program's success, it is advisable to make the enactment of such changes early prior actions. This takes account of the limited influence of the Executive in securing legislative modifications and reduces the possibility that lack of an adequate legal framework would blunt the impact of other reforms.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well written and contains a great deal of information, but its organization is confusing in places. The presentation of information jumps from prior actions to triggers and back again. More discussion of the program's relationship to Bank strategy for Niger would have been useful, as would more in-depth and systematic consideration of M&E indicators.

a. Quality of ICR Rating
Substantial