

INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

NIGER

**Poverty Reduction Strategy Paper
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 poverty reduction strategy paper (PRSP) of the government of Niger builds upon the interim poverty reduction strategy paper (I-PRSP) presented to the Boards of the International Development Association (IDA) and the International Monetary Fund (IMF) in December 2000.**¹ The result of intensive consultations, the PRSP describes the participatory process undertaken for its preparation, provides a diagnosis of the poverty situation, and presents the government's objectives, strategies, and priority actions to reduce poverty for the years 2002-05.
2. **The staffs believe that Niger's PRSP provides a credible framework for supporting the implementation of effective poverty reduction policies.** The PRSP's main strengths are (i) the consultative and participatory process leading to its adoption; (ii) the strong ownership that characterized the PRSP preparation throughout, making it a genuinely country-driven process; (iii) the thorough poverty diagnosis despite the limited availability of data; (iv) the comprehensiveness of the strategy, which focuses on macroeconomic stability, access to basic social services and infrastructure, good governance, private-sector-led economic growth, and capacity building as central priorities for poverty reduction; and (v) the integration of sectoral strategies, as well as the attempt to cost them comprehensively and establish a medium-term public expenditure framework. The PRSP also offers a candid assessment of the main risks associated with the implementation of the strategy, including Niger's vulnerability to exogenous shocks, capacity shortfalls both within and outside the administration, resource constraints, and the still fragile—although consolidating—political stability.
3. **While providing for an operational strategy, the PRSP emphasizes from the outset that the formulation of the poverty reduction strategy is an open and**

¹ *Stratégie de Réduction de la Pauvreté*, République du Niger, January 2002.

continuous process. The authorities' intent is to revise the document on a regular basis to incorporate updates on the strategy implementation and results of ongoing studies, such as the population census carried out in 2001. The government will benefit in 2002, in particular, from a comprehensive public expenditure review and a meeting with the donor community on the financing of the strategy and the coordination of external assistance. It will also concentrate its efforts on (i) further strengthening the links between sectoral strategies and poverty reduction; (ii) finalizing and consolidating the medium-term expenditure framework; (iii) achieving significant progress in fiscal management reforms to improve the efficiency of public spending programs; and (iv) initiating the establishment of a comprehensive monitoring and evaluation mechanism.

II. THE PARTICIPATORY PROCESS

4. **The PRSP is the result of an extensive consultative process** that capitalized on the lessons learned from previous experiences, such as the preparation in 1997 of a poverty reduction program in collaboration with the United Nations Development Program (UNDP). In line with the commitments taken in the I-PRSP, the authorities developed a comprehensive participation plan for the preparation of the full PRSP. The PRSP consultative process was launched with a national workshop in February 2001, which resulted in an agreement on an institutional framework that the government established quickly thereafter. This workshop also led to the constitution of 11 thematic groups, charged with the responsibility of producing the building blocks of the PRSP, in terms of diagnosis as well as future strategies.² The participatory process was conducted in conjunction with a communication plan aimed at raising the awareness within the country about the PRSP's objectives, the process, and the input needed from all concerned stakeholders.

5. **The PRSP describes the nature and contributions of the consultative process** (PRSP Introduction, Methodological Note, and Section 3.2). Niger's civil society has recently begun to coalesce and develop, following a lengthy history of authoritarian government that ended with the restoration of democracy in the early 1990s. The relative disorganization of civil society organizations in Niger has required a proactive effort on the government's part to reach and involve them in the PRSP process. Civil society was thus given the opportunity to actually participate in the preparation of the PRSP through its involvement in the thematic groups. In the wake of the creation of the institutional framework, various events were organized to stimulate bottom-up consultation on poverty reduction priorities. These events included nongovernmental organization (NGO) workshops, public debates in each region, and seminars with trade unions, students, the

² The 11 themes were the following: (i) poverty assessment and monitoring; (ii) macroeconomic framework; (iii) private sector development, handicrafts, and tourism; (iv) financial system, savings, and credit; (v) rural development and food security; (vi) education; (vii) health; (viii) population and HIV/AIDS; (ix) vulnerable groups; (x) infrastructure, mines, and energy; and (xi) decentralization, good governance, and capacity building.

media, and various other groups. Importantly, the National Assembly was involved from the beginning of the process, and its members were invited to participate in the thematic groups, while a special workshop was held to receive their comments on the PRSP's initial draft. The preparation of the PRSP also relied upon existing sectoral strategies that had been elaborated following extensive consultations, such as the recently finalized basic education policy. A Nigerien delegation visited Washington in early November to present the draft PRSP and discuss the thrust of the strategy with Bank and Fund staffs. Finally, the draft PRSP was discussed and the strategy finalized in a national workshop held in Niamey in late November 2001, providing national stakeholders and development partners an additional opportunity to provide observations. The final document was approved by the Cabinet of Ministers in early January 2002 and submitted to the National Assembly for information and discussion. The document, as well as background documentation, is posted on a dedicated web page on the internet (<http://www.nigerpauvrete.org/>). Its dissemination in the country will include widespread circulation of the document, media coverage, and public workshops.

6. **Ensuring that the poor and those usually voiceless were given an opportunity to share their perspective on poverty constituted a major challenge of the consultative process.** In order to address this challenge, the PRSP team launched with the support of the UNDP and the World Bank a participatory poverty analysis and consultation in two of the poorest areas of the country. In addition, a number of representatives from the poor were invited and actively participated in each of the public debates held throughout the country. While these consultations were limited, the general consensus is that their conclusions are generally representative of the poor's perceptions and provided a unique opportunity to receive firsthand input from the PRSP's main intended beneficiaries. Food security, affordable health care, access to productive inputs in the rural sector, and access to water resources have emerged as the major issues raised by the poor and are mirrored in the PRSP's strategic framework for action.

7. **The PRSP emphasizes that the participatory process will be also used for the implementation, monitoring and assessment of the poverty reduction strategy, with a view to preserving ownership by a broad segment of the population.** To this end, the government intends to keep the current institutional framework and draw the main lessons from the participatory and consultative mechanisms used during the preparation of the PRSP and to institutionalize what worked best, not only for the monitoring and evaluation of the PRSP but also for the formulation and implementation of related operational policies.

III. POVERTY DIAGNOSIS

8. **The poverty diagnosis offered in the PRSP is thorough and comprehensive despite the remaining data constraints.** Since the presentation of the I-PRSP, efforts have been made to improve the knowledge base on poverty and social development in Niger. In particular, a multiple indicators survey conducted with the support of the United Nations Children's Fund (UNICEF) has contributed to understanding the state of poverty issues, including health, education, the status of women, and overall knowledge and

perception about HIV/AIDS. The poverty profile presented in the PRSP also integrates the findings from recent demographic and health surveys, living conditions surveys undertaken at the local level, and poverty/social development maps, which present a distribution of core development indicators at the local level. The most salient knowledge gap relates to up-to-date information on income poverty, with the most recent household survey dating back to 1992-93. The government has set resources aside to implement a new household survey in 2002, which will be based on the results of the 2001 population census that will be finalized in early 2002. The household consumption survey will be complemented by an agricultural and livestock survey (particularly important in this country, where over 80 percent of the population lives in rural areas), as well as by other survey work on specific topics (such as the informal sector or the labor market). The authorities intend to update the poverty baseline in the context of the first PRSP progress report.

9. **Despite the data constraints, the PRSP provides a comprehensive picture as to the status and trends in basic needs and core social development indicators** related to health and education outcomes, as well as access to basic social services, water, and sanitation. Wherever possible, the data are disaggregated by gender, by region, by habitat (rural/urban), and even by wealth quintiles for those surveys that include information on the households' asset base. The PRSP also complements the quantitative analysis with the information emerging from the qualitative surveys as to the poor's own perceptions of poverty and its determinants.

10. **The PRSP underscores that the burden of poverty falls disproportionately on women and girls, and focuses appropriately in its diagnosis on gender issues.** It emphasizes the multiple dimensions of the poverty predicament and the linkages between its various manifestations (such as the nexus between inadequate access to safe water and the high incidence of infant mortality and morbidity). However, because of the complexity of the issues involved and the priorities to be addressed in this first PRSP, the higher vulnerability of certain ethnic groups, such as the nomad populations, could not be addressed to the satisfaction of all stakeholders. Issues regarding migration would also deserve more attention in future analysis.

11. **The major determinants of chronic poverty and vulnerability are correctly identified in the PRSP as being closely related to the volatility and low level of rural incomes, the deteriorating natural resource base, low food security, and high population growth.** Recurrent droughts, high population pressure, and declining yields of the mainly rain-fed subsistence agriculture have led to an expansion of agricultural activities toward marginal land. This trend has, in turn, induced unsustainable natural resource use and constrained the diversification potential in livestock production by reducing pastoral areas, thereby adding to the vulnerability of rural populations. High population growth has been identified in the qualitative assessments by the poor themselves as a major factor of poverty. To underscore the cultural and social complexity of the population issue, the PRSP also highlights the findings from recent demographic surveys that fertility and the desired family size did not decline in the 1990s and remain among the highest in the world.

12. **While it recognizes prominently that previous development actions have failed to alleviate poverty, the PRSP falls short of providing an assessment of past policies.** The political instability that blocked development progress through much of the 1990s is singled out as the main cause for the poor macroeconomic performance, followed by short-lived structural reform efforts, and the accumulation of unsustainable domestic and external debt. In that period, the state was frequently unable to offer an adequate policy response to the exogenous shocks hitting Niger's economy, while the dividends from the temporary commodity boom linked to the exploitation of uranium declined. Similarly, the PRSP acknowledges the failure of certain sectoral programs, such as the inability of successive population policies to address the sociocultural resistance to reducing rapid population growth. As a result of the weak monitoring and evaluation capacity prevailing in Niger, the document falls short, however, of presenting a comprehensive assessment of the poverty impact of past policies and programs. The absence of such an assessment, which would have been useful in supporting the prioritization of policies, reinforces the importance of establishing an adequate monitoring and evaluation framework for the PRSP's implementation.

IV. THE POVERTY REDUCTION STRATEGY

13. **The PRSP presents a coherent and results-oriented strategic framework that rests on four main pillars and three cross-cutting implementation priorities.** The four pillars to effective poverty reduction are (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, to mitigate vulnerability and stimulate income generation; (iii) the improvement in the access for the poor to quality social services, including basic education, primary health care, reproductive health, HIV/AIDS prevention, water and sanitation, and adequate urban habitat; and (iv) the strengthening of institutional and individual capacity, within and outside government, at the central and local levels. The three cross-cutting themes that should guide policy formulation are (i) the effective inclusion of gender considerations; (ii) the promotion of good governance; and (iii) the redefinition of the stakeholders' role in the implementation of policies, starting with the state. The staffs agree that these areas of focus appropriately address the root causes of poverty laid out in the poverty diagnosis, and they consider that the policy action plan set forth in the PRSP is generally consistent with the pillars and cross-cutting principles of the strategy.

A. Targets, Indicators, and Monitoring

14. **The PRSP provides a set of medium- and long-term targets for poverty reduction that seem generally achievable if the baseline macroeconomic scenario materializes.** The set of intermediate and outcome indicators, which was selected on the basis of the poverty diagnosis, existing sectoral policies, and technical consultations, tallies with the format of the International Development Goals (IDGs), with a few exceptions.³ However, numerical targets are generally below the IDGs for 2015, which

³ A three-day workshop was devoted specifically to the selection of indicators.

reflects Niger's starting point and the PRSP's realism in the face of the immensity of needs, rather than a lack of ambition. The reduction of income poverty incidence is, in particular, limited to 20 percent by 2015, compared with an IDG target of a reduction by 50 percent. This realistic objective takes into account Niger's very limited human and natural resources, the inertia in population growth, and the uncertainties surrounding economic growth prospects. The target for primary school enrollment is set at 84 percent in 2015, short of the IDG's objective of universal primary education but reflecting Niger's gross primary enrollment of only 37 percent in 2001. It should be noted, however, that the strategy is very ambitious in terms of improving access to education for girls, aiming to reach the IDG's gender equality target as early as 2005. Infant and maternal mortality rates are expected to be reduced, each by close to 60 percent, only moderately below the IDG targets of reductions of two-thirds and three-fourths, respectively. The PRSP does not present a target for access to reproductive health services but includes the total fertility index as a core indicator. Access to safe water is targeted to increase from the current 44 percent to universal coverage by 2015. Finally, quantitative objectives for environmental sustainability and natural resource management need to be determined.

15. **Although there are some outstanding gaps in the proposed system of indicators, the staffs believe that the core set of indicators in the PRSP generally provides an adequate initial baseline, given the prevailing monitoring and evaluation capacity** (PRSP, Annexes 3 and 4). The battery of indicators focuses mainly on social indicators, although some productive sector indicators are also included (investment ratio, access to electricity and telecommunications, and percentage of paved roads). These indicators may need to be supplemented in the course of time, once the monitoring and evaluation framework has been strengthened. For instance, the current information database does not include important indicators related to productivity, access to credit, or employment conditions. In addition, targets would benefit from greater disaggregation to capture gender imbalance, rural and urban inequalities, and income disparities.

16. **For some sectors, such as basic education, the linkages among policy actions, intermediate indicators and outcome indicators are well articulated.** More generally, however, these linkages will need to be investigated further and quantified, as part of the priority analytical activities supporting the PRSP's implementation. First and foremost, the link between macroeconomic targets and poverty reduction objectives will need to be formalized once the results of the 2002 household survey are available. These linkages will also need to be spelled out for very important sectoral policies that are being formulated, such as health and rural development.

17. **The PRSP proposes an ambitious and comprehensive plan to strengthen monitoring and evaluation capacity in Niger and establish a Poverty Reduction Information System (PRIS).** The monitoring framework will mainly rely on administrative data collection, which can be quite comprehensive, as in the case of basic education or health care. However, as the PRSP points out, the quality of administrative data will need to be regularly validated by survey work. The PRSP proposes to this end

an agenda of surveys for the period 2002-05, which appears to respond to the most salient gaps in poverty knowledge. Geographical information systems (GISs) exist or are being established, but the resulting information is scattered across institutions and access is difficult for cross-sectoral analysis. The PRSP proposes removing this obstacle by implementing an institutional reform establishing a central data repository (the Conseil National de la Statistique, CNS), while preserving the autonomy of line agencies for their own monitoring needs. Implementation of this reform appears essential for an adequate monitoring of the PRSP, including the social impact analyses to be conducted with the collaboration of the donor community. The fiscal management reform program will also contribute to improve the quality of expenditure data, starting with the implementation of a new budget classification in 2003, which should allow for better identification of pro-poor spending. Finally, the economic statistical system will also need to be modernized, and the government is in advanced discussions with development partners to upgrade the national accounts system in the framework of a subregional capacity-building program.

B. Macroeconomic Framework

18. **The macroeconomic framework presented in the PRSP is, in the staffs' view, sound, and aims at enhancing pro-poor growth and promoting macroeconomic stability.** The authorities' baseline scenario targets an average rate of 4.0 percent a year for real GDP growth over the period 2001-05, compared with a population growth rate of 3.3 percent (PRSP, Section 4.2 and Annex 2). This rate of economic growth is ambitious compared with the 2.5 percent average over the period 1994-2000, but it is a prerequisite for any substantial reduction of poverty in the country. The staffs believe that, even though challenging, this objective is feasible, provided there is (i) a continuation of the current political stability; (ii) an absence of major droughts; and (iii) the full implementation of the strategy outlined in the PRSP. The economic performance targeted by the authorities remains, however, subject to high volatility on a year-to-year basis, because of the country's vulnerability to climatic conditions. In this regard, the PRSP includes two alternative scenarios and related fiscal policies, based on average growth rates of 2.5 percent and 6 percent, respectively, over the period 2001-05.

19. **The analysis of the economy's sources of growth from a macroeconomic perspective is somewhat limited.** The PRSP suggests, however, some useful tracks. In particular, it appropriately stresses that sustained pro-poor real growth will hinge on the progress made in energizing the rural sector, where 86 percent of the poor live, via development of irrigation infrastructure, promotion of transport activities to facilitate access to regional and international markets, and the emergence of a more dynamic private sector. Promoting the development of the private sector and limiting the activity of the public sector to its core functions of providing efficient basic services will also be crucial, as will be increasing public investment and improving its efficiency. Moreover, the strategy depends on having an adequate level of private investment. To that extent, more attention is needed to promotion of a better investment environment via a sound banking system, a strengthening of property rights, and a lowering of production factor costs (especially for telecommunications, electricity, and water).

20. **The importance of macroeconomic stability is acknowledged** several times, and the framework is consistent with a sustainable fiscal and external position, provided there is adequate support by the donor community. In particular, the PRSP stresses the necessity of significantly increasing the revenue-to-GDP ratio through a broadening of the tax base. In view of the already high reliance on foreign aid, the collection of additional domestic resources is indispensable to increase social expenditure without endangering the soundness of the fiscal stance. The government also intends to keep the medium-term annual inflation rate below 3 percent. The strategy does not, however, mention explicitly the need to reduce the debt burden and avoid the recurrence of a debt overhang through good economic performance and prudent external financing policies. In particular, the PRSP does not present any actions aimed at strengthening debt management and closely monitoring borrowing policy despite current efforts of the authorities to improve the situation.

C. Policies for Implementing the Strategy

21. **The poverty reduction strategy generally addresses key policy incentives and constraints on poverty reduction.** The policies outlined in the PRSP are consistent with the issues raised in the diagnosis, the priorities raised in the consultative process, and the resulting poverty reduction objectives. The staffs view the overall orientation of sectoral policies as appropriate to serve the poverty reduction objectives.

22. **The PRSP underscores that structural reforms that have received support from external partners, including the Fund and the World Bank, are central to the promotion of private-sector-led growth.** The PRSP identifies several of the many obstacles faced by the formal private sector in expanding its activities and investing. These constraints include the fragility of the financial sector, gaps and inconsistencies in the legal framework, the weakness of the judicial system, and other disincentives. The PRSP also underscores the necessity for the state to redefine its role, disengage from commercial and productive activities, and strengthen its function as a market-friendly regulator. Various ongoing programs, including the privatization program, are expected to contribute to this objective in the short and medium term. The PRSP further stresses the importance of financial sector reform, both to allow the banking and insurance sectors to act as catalysts for growth, and to promote saving and access to credit among the general population by expanding microfinance and decentralized financial systems. The capacity-building demands to realize these goals are compelling, and the World Bank and other partners are ready to further support Niger in this endeavor.

23. **Strategic objectives in the social sectors are very ambitious, and target an improvement in both coverage and quality of basic social services.** While these objectives are consistent with the priorities established, their implications in terms of institution building and capacity building are not fully fleshed out. Further work will be needed to define operational policies for strengthening partnerships with the nongovernmental and private sectors, including for the delivery of social services—a function that has traditionally been performed by the state, albeit with limited success. This work is already under way in the context of ongoing operations in health, education,

and the pilot community-based action program. The administrative capacity for planning and management will have to be strengthened at the central and decentralized levels. In particular, the implementation capacity of human development strategies should be reinforced, with a view to effectively reducing differences between urban and rural outcomes.

24. **The staffs agree that the proposed education policies should support the poverty reduction objectives** (PRSP, Sections 4.2.3.1 and 5.3.1). The new ten-year development plan for education, finalized following an intense consultative process, is consistent with the strategy presented in the PRSP. Important elements of this strategy, such as reliance on locally hired contractual teachers, have been implemented in recent years and have produced encouraging results in a very difficult environment. Further work will be needed over the coming year to address the issues of improving the quality of education, stimulating demand for schooling, and reducing opportunity costs (especially for girls), as well as of defining a strategy and policies for higher and vocational education with a view to addressing labor market needs and ensuring financing sustainability.

25. **The staffs also believe that the framework for health sector policy is adequate** (PRSP, Sections 4.2.3.3 and 5.3.2). Actual capacity to deliver the desired results will depend essentially on the Ministry of Health's ability to implement an effective decentralization of its operations (including for the allocation of human resources) while strengthening financial accountability. Details of implementation and precise intermediate performance targets will be further refined in the ten-year plan currently being finalized.

26. **While HIV/AIDS issues are featured prominently in the PRSP, their link with poverty and the need for a multisectoral response are not fully spelled out.** The government has engaged extensively with external and domestic partners alike to establish a genuinely multisectoral framework to contain the pandemic, which is feared to be rapidly expanding. Although this is still a work in progress, the PRSP does not report on the thrust of this strategy nor stress the need for a more accurate assessment of the situation and concrete remedial actions.

27. **It is unclear from the PRSP whether the population growth and fertility rate issues will be addressed in an effective fashion despite their identification as an important determinant of poverty.** The proposed policies do not appear to have fully integrated lessons from past failures, including the incapacity to adapt the agenda agreed to in the Cairo Population Conference to local constraints and resistances. The long term success of the poverty reduction strategy, however, depends critically on appropriate policies now to address these issues. Moreover, the PRSP does not propose a policy framework for social inclusion and targeted measures to reach vulnerable groups. Similarly, the staffs regret that the excellent coverage of the gender issue in the overall poverty diagnosis appears to have found little response in the poverty reduction policy framework, with the exception perhaps of the education policy's focus on female schooling. This reflects in part difficulties in addressing gender and population issues in

the socio-cultural context of Niger and will require further analysis with the help of the donor community.

28. **While overall strategic objectives for rural development seem appropriate, the actions presented in the PRSP and a strategy for agricultural policy need to be detailed and prioritized.** Similarly, while water resources management issues are addressed satisfactorily, policies to tackle other environmental concerns, such as desertification and deforestation, will need to be further developed within the poverty reduction strategy. The rural development sector is marked by institutional fragmentation, with no less than four ministries involved. Realizing the need to consolidate the numerous subsectoral strategies into a coherent framework under the umbrella of the PRSP process, the government has initiated development of an integrated rural development strategy, using the consultation mechanisms of the PRSP. This work is expected to be completed before the end of 2002 and summarized in the first PRSP progress report. In addition to forming the basis for specific institutional and policy reforms, the consolidated rural development strategy should appropriately address growth, poverty, environment, and natural resources management concerns, as well as reflect a broad-based diagnosis of poverty in rural areas and an evaluation of past rural development programs and expenditures.

29. **The staffs welcome the importance attached to good governance and the effort made to identify specific objectives in that regard.** In particular, the focus on economic governance of the public sector is very appropriate, and the public expenditure reform program (see below) provides an adequate response to improve the fiduciary framework over the short and medium term. The staffs believe that a successful implementation of this program will be essential not only to improve the execution of the budget and fiscal accountability, but also to help elicit adequate support from external partners for the PRSP. While they are referred to in general terms, the specifics of other aspects of governance, in particular judicial reform, remain to be spelled out.

D. Public Expenditure Program and Financing

30. **The medium-term expenditure program laid out in the PRSP is in line with the strategic priorities for poverty reduction and should be financed, provided there is continuous support of the international community.** The PRSP, however, does not address fully the issues regarding the need to improve the quality and structure of public expenditure. In particular, it lacks a discussion of the tradeoffs to be made between productive and nonproductive spending. Nonetheless, the priority areas of education, health, rural development, rural roads, private sector development, and water and sanitation are programmed to amount to over 70 percent of public expenditure over the period 2002-05, for an equivalent of US\$1.7 billion, or about US\$425 million a year. This framework includes investment and recurrent costs, with capital spending accounting for about one-third of projected expenditures. Total public investment in this framework is projected to increase from 5.8 percent of GDP in 2001 to above 7 percent in 2005. Although the PRSP could have been more specific in discussing the use of resources freed under the Initiative for Heavily Indebted Poor Countries (HIPC),

programs financed through HIPC Initiative funds are fully integrated in the poverty reduction framework, and HIPC Initiative debt relief is estimated to provide financing for the PRSP's implementation of about US\$55 million a year, beginning in 2003. An additional US\$400 million is expected to flow from identified project aid over the 2002-05 period. Despite the significant efforts expected in revenue mobilization, this medium-term expenditure program will result in a residual gap of about US\$385 million for the 2002-05 period—an amount that should be financed if the authorities continue to implement satisfactorily their reform program and poverty reduction strategy, thereby encouraging donors to maintain their strong support to Niger.

31. **The considerable efforts made to fully cost sectoral programs are unprecedented in Niger, but they will need to be revisited and refined in the course of the PRSP's implementation.** For the education sector, the framework explicitly addresses the cost of achieving key program targets. The costing exercise for other sectors is more tentative at this stage, but nevertheless provides a welcome starting point. The balance between investment and recurrent costs seems generally appropriate, with some caveats. This issue is of particular importance in the health sector, where meeting the PRSP targets will require that investment be accompanied by the necessary resources for qualified health personnel, drugs, and other recurrent costs. Similarly, Niger has an extensive road network that is poorly maintained. Significant investment in the expansion of the network will need to be preceded by rehabilitation work and will require expenditure for periodic and routine maintenance, the cost of which seems underestimated in the PRSP. Also, the sustainability of the important investment effort for rural development, as well as the realism of the associated recurrent cost estimates, will need to be reassessed.

32. **With the adoption of the 2002 budget, Niger has in fact begun implementing the PRSP.** The Budget Law presented and approved by the National Assembly in November 2001 reflects the priorities of the PRSP and integrates the continuation of the poverty reduction programs financed through resources freed by interim relief under the enhanced HIPC Initiative. Measures included in the 2002 budget, in particular, target HIPC Initiative completion point triggers, such as the decentralized recruitment of contractual education and health personnel, the updating of poverty information through a national household survey, and adequate financing for the finalization and implementation of the multisectoral program against HIV/AIDS.

33. **Capacity shortfalls in public finance management remain an important constraint that must be addressed urgently.** The PRSP candidly acknowledges these weaknesses and presents the government's public expenditure reform program as a cross-cutting component that is key to the PRSP's successful implementation. The program foresees a series of measures to improve budgetary preparation, programming, and execution, as well as the reporting and tracking of expenditure, and the strengthening of public accountability mechanisms. The program also includes a reform of public procurement with the objective of fostering transparency and efficiency.

34. **Niger's main external partners have decided to harmonize their strategic planning with the PRSP exercise, but the government will need to take a stronger leadership role in promoting donor coordination.** The PRSP also represents a unique opportunity for the government to establish a better coordination mechanism in order to further cement the consensus developing around the PRSP's objectives and mobilize the resources necessary for their realization. To that end, the government is considering organizing a donor meeting in 2002. Given the fragility of Niger's external position, which has been highlighted in the enhanced HIPC Initiative decision point document, it is particularly essential that the share of grant financing increase significantly. Also, the current gaps in implementation capacity will require that external partners step up their technical assistance (TA) support in line with PRSP priorities. In this context, it is necessary for the authorities to prioritize their capacity building needs and translate them into an overall TA strategy.

E. Risks to the Strategy

35. **The staffs consider that the successful implementation of the PRSP is subject to substantial risks and agree with the risk factors identified in the document (PRSP, Section 4.3), which include:**

- **Niger's high vulnerability to exogenous shocks**, such as droughts. It is one of the PRSP's objectives to reduce the country's exposure to adverse climatic shocks by increasing access to irrigation and improving the early warning systems.
- **Weak implementation capacity** that could, if not addressed, delay or undermine the program. It is essential that technical assistance programs be geared toward addressing the most salient needs of the PRSP. Niger's emerging civil society, such as NGOs, is also affected by weaknesses to be addressed by technical assistance.
- **Timeliness and size of external financing.** Niger is highly dependent on external financing, which is often unpredictable and leaves the country vulnerable to liquidity constraints and cash rationing.
- **Political risk.** The PRSP also candidly acknowledges that political risk cannot be discounted, despite two years of democratic consolidation. This risk may have various manifestations, such as social unrest or pressure from groups with vested interests.

36. **In addition, the staffs believe that the achievement of poverty reduction objectives is subject to a number of risks additional to those mentioned in the PRSP:**

- The success of the poverty reduction strategy hinges on good economic performance that has been difficult to achieve and sustain in the past. Moreover, high variability of growth around the projected average path could undermine and prevent progress in an effective reduction of poverty. Finally, barring the occurrence of droughts, the realization of the ambitious economic growth targets will require several key

elements, including increases in the level and productivity of investment, particularly from the private sector, and the preservation of open markets for Nigerien agro-pastoral products.

- The success of the strategy relies on achieving synergies from coherent sectoral and cross-sectoral policies. These synergies, to be evidenced by private sector development and investment, for example, will depend on the timely and coordinated implementation of the strategy and may require more time than envisaged to materialize.
- A failure to sustain the momentum in public finance management, in terms of improved programming, tracking, reporting, and accountability of public resource management, would also undermine the credibility of the whole PRSP program.
- A failure to strengthen and develop the financial sector would also undermine the strategy.
- The inability to institutionalize participatory mechanisms and to involve stakeholders in the implementation, monitoring, and evaluation of poverty reduction programs would undoubtedly affect the impact of these programs.

V. CONCLUSIONS

37. **The staffs consider that the Niger PRSP constitutes an adequate framework for the country's overarching objective of reducing poverty.** The PRSP is the result of high-level political commitment, strong country ownership, and an intensive consultation process. The strategy is coherent and presents carefully defined, albeit ambitious, poverty reduction objectives. Successful implementation will require that several knowledge gaps be filled. The strategy is also subject to significant risks, some of which are outside the control of the government.

38. **The staffs of the IMF and the World Bank consider that this PRSP presents a credible poverty reduction strategy and provides a sound basis for Fund and IDA concessional assistance and debt relief under the enhanced HIPC Initiative.** The staffs recommend that the respective Executive Directors of the IMF and the World Bank reach the same conclusion.