Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 18-Mar-2020 | Report No: PIDISDSA23745
### BASIC INFORMATION

#### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Niger</td>
<td>P164271</td>
<td>Governance of Extractives for Local Development Project</td>
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<table>
<thead>
<tr>
<th>Region</th>
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<th>Practice Area (Lead)</th>
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<td>AFRICA</td>
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<td>18-May-2020</td>
<td>Governance</td>
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<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
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<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Ministry of Finance</td>
<td>Ministry of Planing</td>
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</table>

#### Proposed Development Objective(s)

The project development objective is to strengthen local governments’ capacity and extractive sector management for service delivery in the targeted extractive regions of Agadez, Diffa, Tillabery and Zinder.

#### Components

- Strengthening Local Government Capacity
- Improving extractive sector’s management
- Project management and change management

### PROJECT FINANCING DATA (US$, Millions)

#### SUMMARY

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Total Project Cost</td>
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<tr>
<td>Total Financing</td>
<td>100.00</td>
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<tr>
<td>of which IBRD/IDA</td>
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<td>Financing Gap</td>
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#### DETAILS

**World Bank Group Financing**

<p>| | |</p>
<table>
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</thead>
<tbody>
<tr>
<td>International Development Association (IDA)</td>
<td>100.00</td>
</tr>
<tr>
<td>IDA Credit</td>
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Environmental and Social Risk Classification

Substantial

Decision
The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

1. **Niger’s economy is subject to high fragility and external shocks, with fiscal implications.** Real annual Gross Domestic Product (GDP) growth rates averaged 6.4 percent between 2012 and 2017, compared to 1.6 percent over the 1990s. Meanwhile, economic growth remains volatile and predominately driven by rain-fed agriculture, which is vulnerable to climatic shocks. Also, the extractive sector, accounting for 6 percent of GDP in 2019, is subject to sudden commodity price fluctuations.¹ On the other hand, recent economic downturn in Nigeria and border closure has affected growth by 0.4 percent of GDP and related revenue, and public spending over the past few years was increasingly financed by public debt.²

2. **Niger is exposed to multiple challenges, stemming from a combination of deep-rooted causes and short-term factors limiting the impact of development efforts.** The most immediate vulnerability is related to the regional insecurity. This challenge affects livelihood and strains the fiscal space, given increased security spending and costs.³ The country is also affected by structural challenges such as limited economic opportunities for the youth, high gender inequality,⁴ limited access to basic education and health,⁵ difficulty accessing land and limited skills, contributing to grievances.⁶ In a context of scarce resources, increasing access to basic services is affected by high population growth, large country size, insecurity, and limited state presence and capabilities.

3. **Key drivers of fragility are growing insecurity, competition over natural resources, extractive sector related tensions, youth marginalization and limited service delivery.⁷**(i) Growing regional insecurity and violent extremist groups threatening Niger’s stability and fueling pre-existing intercommunal tensions. Insecurity has considerably increased in recent years, with terrorist attacks in border regions with Mali, Burkina Faso and the Lake Chad; (ii) increasing competition over natural resources (water, arable land and forests) intensified by demographic pressure (population expected to increase by 70 percent by 2030) and climate related stresses; (iii) marginalization of youth due to limited economic opportunities, difficulty in accessing land and low education levels potentially fueling grievances and making them vulnerable to radicalization; (iv) transparency challenge in

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¹ Decline in uranium prices reduced government mining revenues by 30 percent between 2014 and 2016.
² In 2012-2017, public spending increased from 22.5 to 26.8 percent of GDP; and public debt from 26.1 to 49.7 percent of GDP.
³ Insecurity and security responses affects local livelihood given limitations on trade (curfews, road blocks, security costs, etc.)
⁴ The 2015 Gender Inequality Index ranks Niger 157 out of 159 countries in terms of gender disparities
⁵ Niger ranked 189 out of 189 countries by the 2019 Human Development Index.
the management of extractives and redistribution of mining revenues, exacerbating tensions, especially in mining areas; and (v) governance challenges hampering services and contributing to popular dissatisfaction.

4. The Government of Niger (GoN) has shown a strong commitment in addressing critical Fragility Conflict and Violence (FCV) risks. Niger’s current Development Strategy, the Second Economic and Social Development Plan 2017-2021 (PDES-II) recognizes that insecurity constitutes a major obstacle to economic, social and cultural development, and points out to the following key issues: (i) improving the strategic framework of security governance; (ii) mitigating security threats; (iii) reducing community conflicts; and (iv) promoting development initiatives for peace and security.

Sectoral and Institutional Context

5. With a view to addressing above challenges, the GoN has adopted reforms to improve the deployment and decentralization of public resources, and extractive revenue-sharing arrangement. Geographical concentration of financial and Human Resources (HR) in Niamey poses a major service delivery bottleneck and impacts stability across the territory. A 2016 reform was adopted to decentralize education, health, hydraulics and environment to Local Governments (LGs). This was complemented in 2018 by a plan to incrementally transfers responsibilities and related resources in 2018-2021. Besides, the 2014 legal framework provides for a 15 percent of oil and mining revenues-sharing arrangement to LGs from extractive regions, in order to mitigate negative impact of extraction.

6. Meanwhile, the pace of implementation of these decentralization and extractive revenue reforms have been slower than expected. Specific roles and responsibilities for each level of government need to be clarified. Key policies, legislation and regulations, such as the policy for deconcentration of central level civil servants, LGs’ civil servant legislation, and detailed regulations and norms related to LGs’ Public Financial Management (PFM) remain to be established. Besides, LGs’ HR capacity and training at the LGs’ training center – Centre de Formation en Gestion des Collectivités Territoriales (CFGCT), are limited. Also, actual transfers to LG have been limited so far and those related to extractive revenue have been well below legal requirement. This was due to a large extent because of limited capacities and inadequate accounting and reporting practices at the local level. The GoN established in 2018 a 2019-2022 Repayment Plan for the accumulated arrears of extractive revenue due to LGs in 2012-2016.

7. Agadez, Diffa, Tillabery and Zinder, the main extractive regions of the country, are facing significant FCV challenges and represents a potential source of additional extractive revenues. These four extractive regions account for practically the totality of Niger’s current mining revenues and include 44 percent of total population. Tillabery, one of the country’s most populated regions, shares security-vulnerable borders with Mali and Burkina Faso. A similar conflictive-border situation is also observed in the regions of Diffa and Agadez. Limited extractive sector’s management in these regions potentially contributes to fragility risks, as most of the Artisanal and Small-scale Mining (ASM) value chain is carried out informally, and is frequently associated with social and environmental risks, as well as terrorism financing.

8. In addition, these four extractive regions contribute to a quarter of government revenue and they present a strong potential if extractive sector management improves. Developing the extractive sector through better public management and further private-sector investment appears as a key avenue for structural

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8 Joint decrees 075 and 076 of January 26, 2016; 2018 presidential decree on the plan of transfers to LG
9 Law no. 2014-08 of April 16, 2014 allocates 15 percent of oil and mining revenues to LG, and 2015 implementation decree.
11 Gold ASM sites overlap with fragile border areas and attract youth; ICG (2019) Getting a grip on central Sahel’s gold rush.
12 Extractive sector exports accounted for 84 percent of total exports and 22 percent of government revenues in 2017.
transformation. There is significant potential of gold, iron, copper, nickel, phosphate, salt and battery minerals, and Niger has recently become an oil producer, including the Zinder oil refinery. Meanwhile, the implementation of legal and institutional reforms to attract private investment has been slow, and challenges in budgeting affect the performance of both, the Ministries of Petroleum and Mines. Also, there is potential to improve management capacity of the new mining cadaster, geo-data management center and laboratory, and related regulations and procedures need to be further developed. Lastly, investing in geodata and sector transparency as per new Extractive Industry Transparency Initiative (EITI) Standard would significantly contribute to strengthen the GoN’s capacity to attract and secure more favorable terms with private-sector investors.

9. **Concentration of public resources in Niamey, combined with declining revenue from extractives industries appear as major constraints to service delivery, local development, and social stability in Niger.** The extractive sector is a major revenue source, and its expansion would contribute to finance the state’s deployment policy and promote local development, which is considered a means of addressing basic service delivery and fragility issues. In a broader sense, changing policies and increasing institutional capability at central, deconcentrated and LG levels is required to scale-up government’s current measures for deployment of public financial and human resources. Overall, the effective deployment of state resources, combined with a further-developed and well-managed extractive sector, integrated with local economies, and a more effective and transparent scheme for intergovernmental redistribution of revenues would certainly contribute to foster prosperity and mitigate fragility across the country.

10. **Therefore, this IDA project is proposing to support GoN key strategic reforms to deploy public resources while improving extractive sector management in those for four regions.** Further supporting the deployment of public human and financial resources through deconcentration and decentralization reforms will improve LGs’ development efforts and access to service delivery outside Niamey. Investing in geo-data and extractive sector’s management will attract investors, mitigate the associated social and environmental risks, foster job creation and boost revenue mobilization. Formalizing ASM and enhancing oversight capacity will foster the sector as a driver of resilience. Increased transparency and participation in local governance and extractives will contribute to strengthen accountability and state credibility.

C. Proposed Development Objective(s)

**Development Objective(s) (From PAD)**

11. The project development objective is to deploy the public financial and human resources and improve the public management and investment’s attractiveness of extractive sector in the targeted regions.

**Key Results**

12. Proposed PDO-level results indicators are:

- Increased Access to water, primary education & health services in rural area in the targeted regions
- Improved municipalities’ budget execution rate in the targeted regions
- Increased extractive revenue transferred to LG annually
- Increased requests for mining exploration permit
- Increased artisanal miners under valid mining permit & trained on environmental & social good practices

D. Project Description

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13 World Bank (2017), Systematic Country Diagnostic, Niger
14 The Agadem-Cotonou oil pipeline is expected to boost production from 20,000 barrels/day in 2019 to 110,000 barrels in 2022.
15 Available data on geological resources cover less than 15 percent of Niger’s overall territory.
### Legal Operational Policies

<table>
<thead>
<tr>
<th>Triggered?</th>
<th>Projects on International Waterways OP 7.50</th>
<th>Projects in Disputed Areas OP 7.60</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
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</tr>
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</table>

### Summary of Assessment of Environmental and Social Risks and Impacts

13. Although being technical assistance-based, the project is classified as substantial. This project is rated substantial not because of the project’s activities, which are largely technical assistance, with very few, if any, civil works, but more due to the following: longer-term environmental risks that could result from a project that is seeking to increase the number of artisanal licenses in a sector that is currently not well controlled by Government. If the project can train or require Government to put in place processes to ensure that the 25,000 targeted licenses are accompanied by some sort of training, these risks will be minimized. But if the project helps to increase the number of licenses, without deep rooted training in the sector, then the risks are elevated, and the environment rating does reflect this risk. The project also will produce soil/geology studies that may lead to further extractive investigations by the client; in terms of direct project impacts, the potential adverse risks and impacts on human populations or the environment are not likely to be significant, because the project will mostly provide TA, and does not involve activities such as resettlement, land acquisition, loss of assets or access to assets, rights of way, clearing of trees or high potential negative impacts on people or the environment. Instead, Component 2.1 will train some artisanal miners on improved extractive management practices and reduce their impact on the environment and their personal safety, thereby providing a positive environmental impact. Likewise, Component 2.1 will not fund the closure of uranium sites but will fund a study that will help develop a long-term environment and social strategy for the city of Arlit as it deals with the technical aspects of sustainably and safely closing Uranium mines. The project’s components are therefore designed to improve the capacity of Government to manage the environmental and social risks associated with the mining sector. On the social side, the risk is also substantial because the Mining sector in general and the ASM sub-sector in Niger is a fertile ground for health hazards, gender-based violence, and abuse and exploitation of women, children and migrant workers. The project will not generate social adverse impacts such as physical displacement of population. The project activities will require inclusive stakeholder mobilization and a robust information sharing system. During implementation the project will conduct a gap analysis to identify stakeholders considered in the Stakeholder Engagement Plan (SEP), such as ASM actors, private sector, community leaders, women’ and youth organizations as well as other stakeholder platforms.

### E. Implementation

Institutional and Implementation Arrangements

14. The project will be managed by a Project Implementation Unit (PIU) embedded at the Ministry of Plan. Institutional arrangements are designed to ensure (i) coordination with the Ministries in charge of Decentralization, Finance, Civil Service, Mines and Petroleum; and (ii) project’s coordination, fiduciary management and Monitoring and Evaluation (M&E). The Steering Committee will include main project’s beneficiaries and stakeholders and will review and validate project implementation planning and implementation submitted by the PIU. The staffing of the PIU will comprise, inter alia, a national coordinator,
two technical deputy coordinators on extractives and public sector management, a financial management specialist, an accountant, a procurement specialist, a safeguards specialist, an M&E specialist, and a communication specialist. Focal points in the main beneficiary ministries will be designated to support the PIU in project implementation.

**CONTACT POINT**

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**Borrower/Client/Recipient**

Ministry of Finance

**Implementing Agencies**

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## APPROVAL

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### Approved By

| Environmental and Social Standards Advisor: |  |
| Practice Manager/Manager: |  |
| Country Director: | Joelle Dehasse | 31-Mar-2020 |