



The World Bank

NE_ INVESTMENT CLIMATE, COMPETITIVENESS SUPPORT AND COVID-19 RESPONSE

Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 18-Jan-2021 | Report No: PIDC240458

**BASIC INFORMATION****A. Basic Project Data**

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification Moderate	Project Name NE_INVESTMENT CLIMATE, COMPETITIVENESS SUPPORT AND COVID-19 RESPONSE
Region	Country	Date PID Prepared	Estimated Date of Approval
AFRICA WEST	Niger	18-Jan-2021	

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	3.00
Total Financing	3.00
Financing Gap	0.00

DETAILS**Non-World Bank Group Financing**

Trust Funds	3.00
Free-standing TFs Finance and Private Sector	3.00

B. Introduction and Context

Country Context

The path to Niger's development faces certain challenges, including an estimated 2.5 million people in Niger who are chronically food-insecure and unable to meet their basic food requirements even during years of average agricultural production. Niger is a landlocked, resource-rich country with enormous opportunity and a potential demographic in several regional contexts.

However, Niger remains one of the poorest countries in the world. Despite significant strides made by Niger over the past decade to reduce the country's poverty rate, the extreme poverty rate remained very high at



41.4% in 2019, affecting more than 9.5 million people. Niger has, in recent years, also been grappling with a significant influx of refugees fleeing conflicts in the region, particularly in Nigeria and Mali (In April 2019, UNHCR registered 221,671 refugees and 196,717 displaced persons in Niger), which further weighs down the economy. Other challenges are a mostly informal economy and increasing insecurity in the entire region, but also in Niger.

By 2019, Niger's economic growth had remained robust at 6.3% for that year, driven by agriculture. Economic activity was also driven by the construction of infrastructure for the hosting of the African Union Summit in July 2019 and by major donor-supported projects. These achievements were realized despite a host of obstacles such as low commodity prices, a slowdown in trade triggered by the closure of the border with Nigeria since mid-August 2019, and escalating security challenges.

There is an urgent need to diversify the economy and to create more and better jobs for its growing population, jobs that provide higher skills, benefits, and more attractive opportunities. Agriculture accounts for over 40 percent of the national GDP and is the main source of livelihood for the population, despite its precariousness and vulnerability as a result of being particularly drought prone and given desertification and increasing climate change volatility.

The country must take steps to address private sector constraints in order to unlock investment that will create jobs and bring growth to the economy. Among the priority constraints that have been identified are the high rates of informality (and resulting unfair competition from the informal sector), poor access to finance, lack of reliable electric power, political instability and corruption, excessively restrictive labor regulations, tax administration and high tax rates, and lack of entrepreneurial skills. Some of the mitigating responses of the Government of the Republic of Niger to these constraints have been public-private dialog mechanisms to tackle key constraints and fostering an effective entrepreneurship ecosystem to identifying spatially-based initiatives in secondary cities in order to ensure equitable growth throughout the country, not just in Niamey.

When the Covid-19 pandemic hit, it had an immediate impact on the private sector, putting in jeopardy any gains accrued in the previous years.

The June 2020 Global Economic Prospects forecasted a 1 percent real GDP growth, 5 percent below the January 2019 edition. Lower growth in major trading partners (including Nigeria), as well as a collapse in commodity prices (including oil and uranium) are weighing heavily on Niger's growth prospects. A very tangible example is the postponement of the planned oil crude pipeline connecting Agadez to the port of Seme, Benin. Niger's export base is already narrow, and these shocks are exacerbating hits to the country's export earnings and government revenues.

The direct impact of lockdown/closures for service activities has also impacted the population. Workers at high risk, given informal nature of most jobs without access to formal support mechanisms. The majority of self-employed workers have no more than primary education.



90 percent of recently surveyed firms have been affected by COVID; 20 percent have temporarily closed; 27 percent of enterprises are unable to survive more than 1 month without support; 38 percent between 30 and 60 days and 16 percent between 60 and 90 days (T-Ventures Survey).

Sectoral and Institutional Context

Among Niger's most important economic and industrial sectors are:

- **Agriculture** which accounts for over 40 percent of the national GDP and is the main source of livelihood for the population, despite its precariousness and vulnerability as a result of being particularly drought-prone, and given desertification and increasing climate change volatility.
- **Uranium mining** which provides about 5% of world mining output from Africa's highest-grade uranium ores.
- **Oil**; the Republic of Niger is a new oil-producing nation and as such is attracting more and more attention.
- **Livestock**, with strong cross-border trade being conducted between Niger and Nigeria.

Niger's economy is primarily comprised of informal micro and small enterprises, with particular emphasis on the agricultural sector. The country's formal private sector base is one of the smallest in the region. According to the National Statistical Institute (INS), there are less than 6,000 formal businesses in the country, 77 percent of which have less than 10 employees. The INS estimates that 70 percent of Niger's production takes place in the informal sector.

The Covid pandemic has impacted small and medium firms disproportionately. In the June 2020 survey of the Covid-19 impact assessment on the private sector, 99% of SMEs reported a reduction in sales against 81% of large enterprises. The following sectors have been the hardest hit by the Covid pandemic : i) hospitality (80 percent drop of activities); ii) construction (-80 percent); iii) transport & logistics (17 percent transit mobility reductions); iv) foodservice, entertainment & retail (13 percent mobility reductions for retail & recreation). The informal sector (61,32 percent of GDP) has also been affected.

Government institutions such as the Ministry of Planning and the Ministry of Trade, Industry and Commercialization, are struggling with their response to the impacts of the covid crisis on the private sector. Other entities such as the Niger Agro-Pastoral Export Promotion Project (PRODEX) and the Centre de Promotion des Investissements (CPI) will also be hampered in their efforts to promote exports and attract new investments to the country, given the worldwide slowdown due to the pandemic. The Chambre de Commerce and the Maison de l'Entreprise will also be seeking ways to support their members and stem the tide of company closures and the loss of jobs. In recognition of the challenges each of these entities will be facing, this small grant will be coordinating with each of



the above-mentioned entities in the effort to provide direct cash support and capacity building to private companies.

Activities under this COVID support activity will be implemented by the Maison de l'Enterprise under the direct operational control of a Task Force including one representative of each of the following institutions:

- Chamber of Commerce;
- Ministry of Finance;
- Ministry of Commerce;
- SAHFI, a local Guarantee Fund;
- Bagri, Commercial Agricultural Bank;
- RECA, Agricultural chamber of commerce;
- Danish Cooperation.

The Task Force will be responsible for monitoring the activities of the Maison de l'Entreprise, ensuring that decisions on the administration of cash grants and capacity building are made equitably and according to the established criteria, and for ensuring that all covid response funds are distributed in a timely manner. At the same time, day-to-day management of the funds and decision-making responsibility remain with the Maison de l'Entreprise.

Relationship to CPF

Of the pillars of the Country Partnership Framework (CPF) for Niger for the period from 2018-22, this activity will provide direct support to the following:

CPF Focus Area I: Increased Rural Productivity and Incomes – Both the direct cash support and enhancement of productive capabilities will be providing significant support to the agricultural sector and will thus be contributing to this focus area.

CPF Focus Area III: Better Governance for Jobs, Service Delivery and Growth – Both Project activities will also support this focus area, but particularly the second activity, the enhancement of productive capabilities, which will foster the better management of MSMEs and allow them to retain more jobs, provide better services and contribute to the overall growth.

Indirectly, the activities will also support Objective 8 under Focus Area III, a "Streamlined regulatory framework for private sector and export development", with the corresponding SDG 8 to "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". In supporting primarily MSMEs , the activities in this Project will promote inclusive growth and work toward protecting jobs among the beneficiary countries.



Furthermore, in broader Government plans and visions, the Nigerien private sector is at the forefront of the government's plans for development. The highest levels of the Nigerien government have recognized the central role of the private sector by including it in its Strategy for Sustainable Development and Inclusive Growth Niger 2035 (or Vision 2035) and the Economic and Social Development Plan 2017-2021 (or PDES). Vision 2035 imposes ambitious reforms in order to revitalize the private sector so that it can ensure its role as a driver of economic recovery and social stability, given its ability to contribute to job creation. It aims to attract domestic and international private investors to invest in various fields seen as catalysts, as well as improve Niger's infrastructure and services, transport, and its manufacturing sector. PDES, on the other hand aims to implement Vision 2035 in the short and medium term by trying to revitalize and modernize of the rural areas, develop a dynamic private sector, and improve development management. All of these will be either directly or indirectly supported by the activities of this small grant.

C. Project Development Objective(s)

Proposed Development Objective(s)

Provide emergency financial and technical support to MSMEs in selected agriculture value chains to recover from the impact of the Covid-19 pandemic crisis.

Key Results

1. **In general, the objectives of the proposed RETF operation are as follows:** i) to align with the FCI GP guidance and global examples, the proposed Project will be designed as a rapid response initiative targeting the self-employed and informal firms operating in agribusiness and tourism sector; ii) develop the results framework to capture the impact of the new window aiming to help the private sector face the pandemic.
2. **Key Results: The achievement of the objective of the new component will be measured with the following indicators below:**

- Number of firms received support under the COVID Response Fund;
- Percentage of jobs saved past six months after receipt of the COVID Response Fund support.

D. Preliminary Description

Activities/Components

The proposed Project will consists of two components below :

Component 1: Direct cash support



The objective of the provision of cash is to preserve the value of the firms benefitting from the support. This component will provide liquidity injections to eligible micro and small and medium formal or informal enterprises to cover a portion of their fixed costs and/or a portion of their employees' salaries. This will enable it to be better prepared to re-initiate activities once the crisis ends.

Direct cash grants and cash matching programs have proven to be effective in other contexts in the region. In Burkina Faso, for example, the Bagre Growth Pole Project has been able to provide grants to more than 1600 companies, increase the number of private service providers (from 0 to 110), and create more than 25,000 new jobs. Regional examples will be used as a model for this activity.

For informal firms, the average cost of the liquidity support is estimated at 45,000 XOF per month. For formal firms, the support is calculated as follows: i) 150,000 XOF per month for microenterprises; ii) 500,000 XOF per month for small enterprises and; iii) 2,500,000 per month for medium enterprises.

These injections are to be disbursed for a period of four months, to firms that are vulnerable in the context of the COVID-19 crisis.

With targeted number of beneficiaries estimated at 2820, the cost of the liquidity support over the four months period is at 1,416 million XOF.

Component 2: Enhancement of productive capabilities

The objective of this component is to reinforce the productive capabilities of small-scale agribusiness / agroindustry producers and help them repurpose their production or delivery modes in the context of the pandemic. This component will support the acquisition of small production kits for 800 eligible operators through the existing Matching Grant Mechanism under the ongoing Project. Additional 250,000 million XOF will be allocated to scale-up the Matching Grant mechanism.

Support from both activities will be provided to a broad selection of companies through national coverage, thus contributing to equitable distribution throughout the country.

Disbursement mechanism.

Activity 1, Direct cash support: The disbursement of the liquidity support will be processed through the beneficiaries' bank accounts and digital finance platforms. A specific disbursement category will be created. The existing Matching Grant Mechanism managed by the Maison de l'Enterprise will be replenished to support the capabilities' enhancement.

Activity 2, Enhancement of productive capabilities : The disbursement mechanism will be the same as for the existing Niger Investment Climate Project (P148839). Disbursements from the Bank Grant/Credit will follow the transaction-based method, i.e. statements of expenses (SOEs). Other disbursement arrangements will include Direct Payments, Reimbursement, and Special Commitments.



Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards	Relevance
ESS 1 Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10 Stakeholder Engagement and Information Disclosure	Relevant
ESS 2 Labor and Working Conditions	Relevant
ESS 3 Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4 Community Health and Safety	Relevant
ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8 Cultural Heritage	Not Currently Relevant
ESS 9 Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

The overall social and environmental risks are moderate for this project given the nature of the project activities. There is no physical footprint and the target population is rather small. Risk of social exclusion due to lack of access or skills in online technology is possible. Eligibility criteria may also raise some complaints that will need to be addressed.

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