

Project Name NIGER-Community Action Program
Region Africa Regional Office
Sector Sub-national government administration (100%)
Supplemental Project P073011
Borrower(s) REPUBLIC OF NIGER
Implementing Agency
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Environment Category F
Date PID Prepared January 27, 2003
Auth Appr/Negs Date April 4, 2002
Bank Approval Date March 20, 2003

1. Country and Sector Background

Key structural and institutional features of the sector

The countries of the Sahel are among the poorest in the world, and by most measures Niger is the poorest of these, with more than two-thirds of the population living in poverty. If trends continue this number will grow -- current per capita GDP (\$180) is less than half of what it was two decades ago. But poverty is not simply the result of low income levels. It is also caused by widespread lack of access to food, clean water, natural resources, medical care, education, financing, and other economic and social services. This section reviews the multi-sectoral dimensions of poverty in Niger.

Land resources: The CAS recognizes that the biggest obstacle to promoting rural development in Niger is the agro-ecological resource base, which is characterized by fragile and degrading arable land, low rainfall and periodic droughts. A combination of rapid population growth, southward migration due to droughts, and few opportunities for employment outside of agriculture, has put increasing pressure on limited amounts of fertile land, and this land is disappearing fast. In 1965, one quarter of Niger was arable; it is now one eighth (during a period when population has almost quadrupled). Eighty-five percent of Niger's population is thus pressed into a corridor north of the Nigerian border about 100 to 150 kilometers wide. With the encroachment of the Sahara and an apparent downward trend in rainfall across the Sahel, there is perhaps no country in the world more at risk from desertification. Any strategy for sustainable development must therefore urgently come to grips with arresting degradation of -- and ultimately improving -- Niger's land and water resources. A major cause of the land and water degradation in the region is an uncontrolled expansion of cultivated areas at the expense of the availability and quality of the natural rangelands, water resources, and biodiversity.

Biodiversity: The natural flora and fauna in this area used to be very well equipped with mechanisms of resistance and resilience to cope with the erratic

and harsh climatic condition in the area, while the agricultural species are much more vulnerable to the climatic forces. In addition, the natural rangelands and water resources in the southern area provided a crucial amount of water and fodder resources during the dry season for migrating wildlife and livestock coming from the northern arid regions. Herds are now becoming increasingly dependent on a decreasing amount of crop-residues, often owned by sedentary livestock holders. The increasing pressure on the diminishing natural rangelands and water resources in the south, has not only led to overall decrease in availability and productivity of these natural resources but has also led to loss of biodiversity as a result of overexploitation of natural species that are particularly sought for as sources of food, fodder, household energy, medicinal products, veterinary products and construction and shelter material.

Water resources: One of the three pillars in the CAS is the need to manage Niger's scarcest resource -- water -- which is the primary factor in agricultural productivity and, by extension, household and national incomes. Niger has by far the lowest level of annual internal water resources in the region. Ninety-nine percent of cultivated lands are rainfed, leaving crops and farm incomes vulnerable to erratic rainfall and droughts. Farmers lack the technologies, credit, and organization to access ground and surface water and to successfully share its use. Improved rural infrastructure such as small-scale irrigation schemes, village water catchments, and soil/water management technologies could therefore have major impacts on communities' food security. Such activities, however, must be developed taking into account the multifunctionality of the land and water resources of ecosystems as a whole in the context of development concerns and environmental interests.

Agriculture and food security: The Bank Poverty Assessment and Niger's Poverty Reduction Strategy Paper (PRSP) consider rural development the cornerstone of a poverty reduction strategy in view of the fact that agriculture provides the vast majority of employment, food, and income for Nigeriens. Of the national actively employed population, 84 percent of men and 97 percent of women are involved in growing crops or raising livestock. Despite the large share of public investment financing devoted to rural development (53% over the period 1991-97), agricultural GDP grew at an average annual rate of only 0.9 percent in real terms in the period 1966-96, mainly from increasing the area under cultivation. This has meant an annual decline in per capita agricultural GDP by about two percent, and a widespread increase in the number of households lacking food security. One factor is that yields for the staple crops -- millet and sorghum -- are low and declining. Pastoralism is also very important in Niger and used to represent a buffer effect during adverse effects of bad cropping years, but the national herd has suffered tremendously from recurring droughts and the decreased availability, condition and accessibility of grazing and water areas during the dry season.. A growing source of conflict in the country is the fact that seasonal movements of pastoral peoples and their herds have difficulties passing through the agricultural zone to reach the Nigerian market to the south. Apart from low and variable farm incomes, the combination of low yields, scarce water, declining soil fertility, and inadequate marketing infrastructure are the main reasons for widespread food insecurity. Recent work done by the World Bank in the Tillaberi region in March 1998 identified food security as the top priority for most rural communities. While there is scope for increased exports of certain high value agro-pastoral products, most rural households will continue to depend on subsistence agriculture for the foreseeable future.

Health: Statistics on the health of Nigeriens reveal a dismal situation. One out of four children die before their fifth birthday. Life expectancy is very low (44 years for males). Four out of five births take place outside health facilities, and two thirds of women receive no pre-natal care. The maternal mortality rate is the highest in the world. Forty-three percent of children under five suffer from malnutrition. Only 30 percent of Nigeriens live within

five kilometers of a health facility. Three-quarters of expenditure and four-fifths of personnel are devoted to urban areas, much of which is associated with hospitals rather than primary care clinics. Rural communities are largely dependent on traditional medical products coming from the declining and degrading natural rangelands. As many medicinal plants are no longer readily accessible in Niger, materials are being imported in increasing quantities from Nigeria. More than 90 percent of all health care in Niger is provided by traditherapeuts (herbalists) and matrons (traditional birth attendants). There are an estimated 27,000 traditherapeuts and only 300 "western" trained doctors resulting in doctors per people ratios of respective 1 : 400 and 1: 35,000.

HIV/AIDS: The official estimate of HIV infection is under two percent. While this is low compared to other African countries, it is a situation that could change fast; one in three individuals in certain military and hospital populations, according to recent surveys, carry the disease. Myths about disease transmission prevail, and communities are reluctant to acknowledge the threat and discuss mitigation strategies for reasons of denial and fear. While some prevention programs currently exist, Niger may not be able to afford a strategy where these gradually expand to national coverage. Inclusion of traditherapeuts and matrons in activities to prevent spreading of HIV infection needs attention. Several new projects, including the IDA-funded AIDS project are beginning to address this growing threat.

Water and sanitation: Household access to clean water is probably the single most important determinant of health in Niger. Only half of Nigeriens have such access. The time devoted by women and girls to gathering water and transporting goods is a major constraint to their participation in other economic activities, as well as in literacy and education programs. Only fifteen percent of communities have access to sanitation.

Transport infrastructure: For those farmers who manage to produce marketable surpluses, access to consumers is difficult. The condition of the main road network is in serious decline. Niger's rural network is poorly developed, with many routes impassable in the rainy season. This has important implications for farmers' timely access to markets, as well as the ability of extension agents and input suppliers to reach clients. When routes are in poor condition, farmers are obliged to rely on non-motorized forms of transport, a duty which often falls upon women and children. To date, a highly centralized Ministry of Equipment has been largely unsuccessful in mobilizing communities to provide maintenance of roads although some pilot activities are underway to provide solutions that may be replicated under the CAP.

Micro-finance: Communities or individuals have very limited access to credit. What little financing is available usually relates to projects with donor-specific procedures. Following the collapse of the Rural Development Bank and the Caisse Nationale d'Epargne, the formal financial sector is almost completely absent in the rural sector. Banks are generally not interested in accepting the risk, insufficient collateral, and high transaction costs involved with lending to smallholders or communities, even if the latter are able to organize. Despite the recent expansion of decentralized financial systems, recent statistics estimate that 3-4 percent of the active population have access to these institutions. A new IFAD project (PDSFR) is expected to give a much needed boost to this sector.

Education: Niger's primary school enrollment rate is very low, and the literacy rate is the lowest in the world. This problem is particularly acute for girls, among whom less than one fifth attend school. Factors that discourage enrollment are long distances to school, low quality of education, and a low probability of being hired in the modern sector. Being poorly educated, many communities are therefore unable to liaise or negotiate effectively with local administrations

or central government, NGOs and donors. Another consequence is that farmer organizations, cooperatives, and professional associations tend to be very weak.

Government Strategy

Economic growth and poverty reduction: The strategy for economic growth and poverty reduction is in a state of transition. The 1997 Programme de Relance Economique (PRE) once provided a medium-term program to improve the efficiency and equity of public resources in line with its macroeconomic framework and development priorities. However, this failed to be implemented for institutional reasons (it was not formulated by the line ministries but by the Prime Minister's office) and because it presented a long and unrealistic list of recommendations. As a product of the previous regime, the PRE has been abandoned.

The Programme Cadre National de Lutte Contre de la Pauvreté (PNLCP) was adopted in 1998 at a round table in Geneva to reduce and ultimately eliminate poverty through investments and policy reform aimed at improving economic conditions and developing social sectors. The PNLCP is based on principles shared by the CAP: (i) participatory approaches to identifying, programming, implementing, and evaluating development interventions; (ii) decentralization and local-level capacity-building; (iii) capitalizing on synergies between development partners; (iv) geographically-focussed actions; (v) adoption of labour-intensive techniques; (vi) systematic integration of gender concerns; (vii) addressing environmental concerns in all activities; (viii) transparency of management and a communication strategy; and (ix) the sustainability of actions. Results of PNLCP thus far, however, have been modest, in part due to the political upheaval in 1999 and consequent exodus of donors. Government readily acknowledges that the program has not successfully grappled with the macro-economic dimension, nor has it produced a system of monitoring and evaluation. However, the program has served to coordinate actions of certain donors (notably the UNDP and ADB), has facilitated the emergence of many community organizations, and has explicitly underscored the government's intention to strengthen civil society and operate in a participatory manner.

Coincident with the establishment of the new government in December 1999, was the Poverty Reduction Strategy Paper (PRSP) exercise, which is a condition of debt relief under the HIPC. Government acknowledges that the PRSP presents a way to take forward the PNLCP from and vision and guiding principles to strategies and actions. The PRSP was completed in January 2002 (Report No. 23483-NIR), and puts health, education, and rural development as the central focus of poverty reduction. The challenge will be to operationalize these efforts, coordinate line ministries, harmonize diverse donor activities, and monitor impact. Improved local governance and decentralization are seen as key elements in the strategy.

Public sector management: A major obstacle to implementing an effective community development strategy in Niger is that public resources are inappropriately distributed and ineffectively managed. There is little coherence in the design and implementation of projects, and most operations, even in the same subsector, do not coordinate approaches or are prepared and implemented without taking account of any priority public investment program. Decision-making powers, staff, and financial resources continue to be concentrated at the center. Even so, incentives for public servants are poor as wages are frequently delayed or skipped entirely. About three quarters of recurrent expenditure in line ministries are devoted to personnel salaries and allowances, with much of the remainder to utility costs, leaving very little for recurrent outlays. There is limited autonomy of key ministries to decide allocation of funds between different programs and projects given the large and inflexible wage bill and limited control over personnel decisions. In addition, a large share of the investment budget finances the recurrent costs of government agencies rather than services for communities. Execution rates for the

investment expenditures remain very low (about 50 percent), due to limited institutional capacity, poor utilization of existing manpower resources, and lack of counterpart funds. Disbursement and procurement procedures are cumbersome and slow. There is no coherent system for monitoring progress and evaluating impact of programs and projects.

Decentralization and community-based development: Since independence, Niger has initiated a variety of policies aimed at development and modernization of local administration and local service provision. Many line ministries have deconcentrated their staff to regions and arrondissements. However, the lack of operational funding has left most of them unable to reach communities.

However, many of the necessary policies are in place. For example, in 1993 Government approved the implementation of a Rural Code, which established rules for the access, use and management of natural resources, including the requirement that consultation with communities whenever public actions are taken for collective investments. While management and use of natural resources in Niger has always been collective, local communities have lacked the legal right to do so. To address this issue, a decentralization law was adopted by the national assembly in 1993 and declared effective the following year. Under this law, districts and municipalities would become legal entities, bearing responsibility over local finances, management of local public services and community assets, with representation by electoral bodies, district and municipal councils (previous laws did not consider autonomy at village or terroirs levels). During the period 1996-98, Parliament adopted a set of laws establishing new administrative divisions of the country and the creation of local governments at the region, department, arrondissement, and commune levels. Once acceptable local elections take place, there will be 774 communes, of which 156 are urban and 618 rural. According the Haute Commissariat à la Réforme Administrative et à la Décentralisation, the principle challenge will be the setting in place of a coherent framework for financing the different levels of local government, and the reinforcement of capacity at all levels. The application of this reform will be expensive -- estimated at 140 billion FCFA (15% of GDP).

Despite these advances in the policy framework, however, real advances in decentralization have yet to be felt at the community level. Public resources remain centralized, and have failed to secure the active participation of local communities to articulate demand and manage their own development. Local elections have not taken place, but are foreseen in the near future, likely early in the first phase of the CAP. Also, substantial work is required on fiscal and administrative arrangements to ensure that local government (a) has the flexibility to respond to the needs of their constituents; (b) has the financial and human resource capacity to respond effectively; (c) is accountable to the local populations as well as to the central government (for those services delegated to local governments); and (d) can obtain information and monitor services for which they are ultimately responsible.

Natural resource management policy: The National Environment Council for Sustainable Development (CNEED) adopted in April 1998 the National Environmental Plan for Sustainable Development (PNEED) representing the objectives, policies, strategies and priority programs for environmentally sustainable development. The document reflects a consensus between representatives of the Government, the private sector and the civil society and lists the following six priority programs: (i) National Action Plan of Desertification Control and Natural Resources Management (PAN/LCD-GRN); (ii) Sustainable Water Development Program; (iii) Sustainable Energy Development Program; (iv) Urban Environment Development Program; (v) Biodiversity Management Program; and (vi) the Variability and Change of Climate Program. Within the Ministry of Rural Development, the Natural Resources Management Unit (Cellule de Gestion des Ressources Naturelles, C/GRN) is responsible for the development of policies and strategies relating to

natural resource management. The C/GRN, in collaboration with other Ministries, has developed the National Action Plan of Desertification Control and Natural resources Management (PAN/LCD-GRN) which support community-based natural resource management and manages the Natural Resources Management Project of the World Bank (PGRN). The PGRN is due to close in 2002, but which is expected to transfer much of its experience and capacity to the CAP. Presently, a National Soil Fertility Action Plan is being developed which would be implemented under the PAN/LCD-GRN. Under the guidance of the CNEDD, the Ministry of Agricultural Development and the Ministry of Environment are currently developing a long term socio-economic and natural resources monitoring and evaluation system to evaluate the impact of PAN/LCD-GRN supported activities.

As such, the human capacity, knowledge and experience regarding community-based natural resources management (CBNRM) is fairly well developed in Niger with a variety of projects are implementing CBNRM. However, the main remaining constraints to a sustainable management of the natural resources appear to be the lack of a holistic approach towards the management of the various sub-components of ecosystems seen from a local, national and global perspective, the lack of appropriate land and water tenure policies and a lack of financial mechanisms and resources allowing the communities to take charge of their own environmental needs.

2. Objectives

The CAP will assist the Government of Niger to establish and operationalize decentralized, participatory, and transparent financing mechanisms that empower poor communities to take charge of their own development, with the support of their local governments.

This objective will be achieved by building communities' ability to engage in participatory appraisal, priority setting, local development planning, micro-project implementation, monitoring, and evaluation. In conjunction with community development, capacity-building efforts will target local governments with the aim of transferring resources and local development facilitation responsibilities to them in the future. The financing mechanisms for phase 1 will be based on a matching grant (the Local Investment Fund) with which communities may carry out micro-projects of their choice. In order to respect communities' priorities and better address poverty, the scope of such investment will be as wide as possible. Communities will be expected to contribute in cash or in kind to demonstrate commitment.

3. Rationale for Bank's Involvement

Dialogue on poverty reduction policy: With our support to the PRSP, IDA is well positioned to push forward discussion on how to coordinate and strengthen Government's commitment to poverty reduction. However, this will have to involve all other major development partners.

Scaling up CDD efforts: IDA has the ability to mobilize sufficient funding to undertake such an ambitious national program. With the wide range and large scale of many of its operations, IDA is well positioned to link the CAP goals with the national reforms and financing mechanisms required to support them.

International experience: IDA brings international experience in the areas of social funds, decentralization, and demand-driven rural investment funds. Aside from experience in Niger listed above, we now have many similar operations ongoing in the region, and the CAP may draw from the positive and negative lessons of this experience. Examples include the Village Communities Support Program in Guinea, the Borghou pilot in Benin, the Community-based Rural Development in Burkina Faso, and a variety of social funds in the region,

notably the Zambia case. In addition, the growing focus and debate in the Bank on community-driven development (CDD) will help to consolidate lessons and experience which the CAP can use to its advantage.

Sectoral experience: IDA has projects in every sector, which can contribute technical solutions and facilitate institutional linkages with line ministries. The CAP will benefit from two "parent" projects. The PPODR demonstrated many positive lessons with respect to decentralized financial management and income-generating micro-projects. The CAP can also build on success of the Natural Resource Management Project (PGRN) in community-based provision of public goods, which is particularly relevant for the activities relating to the support to community-based integrated ecosystem management (CBIEM).

Complementing on-going GEF support: Other projects involving global environmental management in Niger tend to focus on specific focal areas of interest such as biodiversity, condition of international waters, or global warming mitigation or are restricted to certain geographic areas such as nature reserves or specific ecosystems. The nation-wide CAP, classified as a so-called multiple focal area project, will therefore be complementary to other projects. Furthermore, through its close coordination with the Africa Land and Water Initiative, the best practices and lessons learned from this project will have an impact on the natural resources management in Africa as a whole.

Limitations: While recognizing our comparative advantage, it is equally important to acknowledge that we are relatively weak in several areas, particularly concerning on-the-ground experience in community-driven approaches in Niger and working with NGOs. In this respect, it will be vitally important for the CAP to collaborate with development partners who possess diverse strengths and considerable operational experience. These include the Agence Française de Développement (AFD), the United National Capital Development Fund (UNCDF), the International Fund for Agricultural Development (IFAD), and German Cooperation (KfW and GTZ). In addition to donors are a large and growing number of NGOs who have considerable experience, such as CARE Niger, the Canadian Centre for International Studies (CECI) and many national NGOs.

4. Description

The proposed project will have five components, consisting of (a) community support, (b) decentralization support (c) a Local Investment Fund, and (d) poverty monitoring, and (e) program management.

A. The Community Support component is aimed at introducing decentralized and participatory planning procedures and building capacity of community-based organizations (CBOs), and other local institutions to design, implement, and manage micro-projects. This component will be implemented in a selected sample of communes (about 15-20 percent of the total), and will cover all villages or village groupings within these communes.

The hallmark of this component is the systematic use of PA techniques in the micro-project cycle. This will require building consensus on such techniques among NGOs or other facilitators, who will assist communities to (i) conduct needs assessments, (ii) draft local development plans (LDPs), and (iii) facilitate implementation of micro-projects. The needs assessments and LDPs will be submitted for approval and assessed using transparent criteria known in advance to all stakeholders. The development plans will be implemented by the communities themselves, under the leadership of committees created for this purpose. Communities will be able to exercise choice over source of technical assistance, technology type, and investment design. Local government, NGOs, and sector specialists may give input, guidance, and training, but may not interfere in implementation. This is essential to empower communities, ensure

correspondence of investment to needs, and ensure accountability to the community.

The GEF resources will support CBOs in understanding the linkages between poverty reduction and integrated management of the natural resources as part of ecosystems and will also be used in the identification and inclusion of the various types of primary stakeholders within communities having interest in the maintenance of the various type of production functions of ecosystems (such as sedentary and non-sedentary livestock holders; croppers; collectors of household products such as food, water and energy; fishermen; hunters and traditional healers and nature conservationists. GEF funds will also support communities to design and implement relevant micro-projects related to CBIEM.

B. The Local Governance Support component is aimed at strengthening administrative and fiscal dimensions of local governance. This effort will be modest and experimental in the first phase, but will scale up in subsequent phases based on successful models developed in the first phase. This will involve efforts at local and central levels within two sub-components:

Local governance: First, the CAP will work actively with a select set of new local governments to build capacity in administrative and fiscal management, and ensure that they work effectively with their constituents. This set of new governments will be selected from the communes selected for the first phase of the CAP. The goal of this component is to increase capacity such that these governments "graduate" and are able to assume the fiscal and administrative responsibilities performed by the project. Policy and institutional reforms: Second, the CAP will assist the central government, notably the High Commission for Decentralization, to accelerate the process of decentralization. This component can provide studies and support a communication program that helps enforce and publicize the legal and regulatory framework for decentralization, while strengthening the capacity of central Ministries responsible for decentralization. Working with line ministries, the project will assist in planning for deconcentrating staff and resources to the lowest possible level of local government.

C. The Local Investment Fund (LIF) is the financial facility that will channel small fungible capital grants to communities or local government for the financing of micro-projects. Initially, the LIF will flow from regional project coordination units (CCRs) to communities. Eventually, the goal is to have the LIF flow through local governments to support fiscal decentralization once accountable and democratically elected governments are in place and have reached a level of capacity to serve their communities in this way (i.e. through component B). Such micro-projects will be proposed by communities as part of an approved local development plan, and providing that a participatory needs assessment has been successfully undertaken.

A central principle of the CAP is that communities may decide to use the LIF for any micro-project they deem important. These may include, but are not limited to, natural resource management (soil fertility control, erosion control, tree plantings and nurseries, fuelwood); production of crops, fish, and livestock (irrigation, gardening, seedling production, livestock fattening, cereal banks, fish farming, food processing, stockraising, beekeeping), water and sanitation (wells, boreholes); education (village schools, literacy programs); health (clinics, health posts, disease prevention); rural transport (rehabilitating local roads, bridges); etc.

The LIF is a matching grant. As such, communities are expected to contribute a certain percentage of the value of the investment, either in cash, or more likely in the form of labour or materials. The amount of the initial grant would be small, from \$2 - \$4 per inhabitant. As a limited fund, the LIF would encourage priority-setting and avoid creation of "wish lists". Communities that effectively access and execute the LIF would be eligible in subsequent financing

rounds for additional funding. In contrast, those communities who do not respect the terms of the grant would be excluded for a certain period.

D. The Poverty Monitoring component is the CAP's M&E system. It will serve three purposes: (i) to measure levels and trends of poverty; community access to social and economic services; (ii) monitor the CAP in order to provide timely feedback to both communities and program management in terms of relevance, efficiency, effectiveness and impact of program interventions, in order that rapid corrective action can be taken if necessary; and (iii) to enhance local communities' capacity to analyze and manage their own development process. The poverty monitoring component will have two related sub-components:

National poverty monitoring system: The CAP, as an instrument of the PRSP, will attempt to focus investments on Niger's poorest people to achieve sustainable poverty reduction from the poorest upwards. As such, the national poverty monitoring system will seek to harmonize the access to and use and maintenance of several of Niger's socio-economic and natural resources data sets. Instead of generating new data, the CAP will integrate several disparate data sets on socio-economic and environmental issues into a spatial geographic information system (GIS). Because the data sets are currently sector-specific and unconnected, they fail to provide a multidimensional view of poverty. In support of GEF objectives, this monitoring system will incorporate data relating to the use and condition of the natural resources by incorporation and extension of the monitoring and evaluation system being developed within the context of the National Action Plan of Desertification Control and Natural Resources Management (PAN/LCD-GRN). A series of poverty maps from the data available have been generated as part of project preparation, creating a baseline assessment of the Nigerien population's vulnerability down to the village level. This baseline provides a way to measure future progress, under either the CAP or other poverty reduction and NRM efforts. The coordinators of the data system would have two initial objectives: (i) to work with Niger's research institutes, government statistical bodies and NGOs to create the initial spatial assessment of poverty and the condition of the natural resources, and (ii) to develop a strategy for sharing, using and maintaining data within Niger, making data spatial and congruent with harmonized data sets as necessary. The sub-component would finance a small team (two or three people), some hardware and software, training, and consultants.

Community-based M&E: The CAP will develop and implement a system for facilitating a community-wide reflection on their development and the evolution of that development over time. With support from a community development agent, a community-chosen Monitoring and Evaluation Committee will define the indicators that will be used to: (i) monitor CAP sub-projects; (ii) evaluate the effect of the CAP and, potentially, of other local service providers on the community, from a locally elaborated baseline; and (iii) systematically feed these observations into regular re-adjustments of the local development plan. The Monitoring and Evaluation Committee will be responsible for data collection and for the primary data analysis. Community development agents will transmit a subset of this data to the decentralized project implementation units. This system may also develop a mechanism for exchanging information on and from the poor between the CAP and, locally, decentralized government agencies or, nationally, the PRSP. The sub-component will finance data collection, analysis, training, workshops and dissemination of results.

E. The Support to Project Management component will cover project coordination, field services, financial management, and establishment of a communication program. Project coordination will include support for coordination meetings, liaison with the World Bank and other donors, and exchange of experience at national fora. Field services include the training, personnel, equipment, and operating costs associated with the regional project implementation. Financial management includes operational planning and monitoring of the physical and financial execution of the CAP, procurement, accounting, internal audit, and

personnel management. The communication program includes development and dissemination of information concerning program activities, approaches, results, and possibly education in schools, on radio, and on television. Most activities of this component will fall under the project management unit and project steering committee (see Section C4). The various aspects of project management will also coordinate cross-cutting CBIEM-related activities, while in addition a specific communication program will be developed to reach out to other relevant national and region/global environmental programs.

- A. Community Support
- B. Local Governance Support
- C. Local Investment Fund
- D. Poverty Monitoring
- E. Project Management PPF

5. Financing

Total (US\$m)
BORROWER/RECIPIENT \$2.83
IBRD
IDA
LOCAL COMMUNITIES \$2.00
IDA GRANT FOR DEBT VULNERABLE \$35.00
GLOBAL ENVIRONMENT FACILITY \$4.00
Total Project Cost \$43.83

6. Implementation

The first phase of the CAP will be carried out over four years. Procurement, disbursement, and decentralized financial management practices will benefit from a wealth of new and simplified methods developed and standardized recently in the Bank. These are described in Guidelines for Simplified Procurement and Disbursement for Community-based Investments, February 1998; Community-based Contracting: A Review of Stakeholder Experience, June 2000; Guidelines for Africa Region on Financial Management for Community Action Programs, October 2000; and Guidelines for Task Teams on Procurement Procedures Used in Social Funds, February 2001, and Fiduciary management for Community-driven Development projects, March 2002 (draft).

4.1 Capacity Assessment of Central Project Coordination Unit and Financial Monitoring Reports

A central Project Coordination Unit (Cellule de Coordination National, CCN) staffed with competent and experienced staff, including a coordinator and an administrative and financial management specialist, will be recruited through a competitive and transparent process in accordance with terms of reference acceptable to the Association. Adequate provisions will be made to train the accounting and financial staff. In addition, the CCN will recruit a procurement specialist, an internal auditor financial comptroller, and two experienced accountants.

The project will establish a financial management system, acceptable to IDA, which will provide the borrower and IDA with accurate and timely information regarding resources and expenditures. The financial management systems will include budgetary accounting, financial reporting, for internal control device and auditing elements. A financial management consultant or firm would be selected to assist in the design and establishment of the computerized financial management systems of the CCN. The CCN will be responsible for project administrative and technical coordination as well as financial management. The final configuration of the CCN, the profile of the staff as well as their job

descriptions {will be} described in the Project Implementation Manual (PIM). The relevant internal control system, meanwhile, {will be} determined and fully described in the Manual of budgetary accounting and financial procedures.

4.2 Financial Management Arrangements

Accounting and Financial Reporting

The CCN will maintain the books and accounts of the project activities and will ensure that the production of the annual financial statements are done on a timely manner.

A financial management consultant or firm would be selected to design a computerized accounting and financial management system, based on internationally generally acceptable accounting principles agreed with the Bank. The consultant will also prepare the accompanying guidelines for the software operations and will check whether computerized guidelines match with the Manual of budgetary financial and accounting procedures. The manual will be agreed to by IDA. The consultant will be responsible for the initial training of the accounting and financial management staff on the efficient operation of the computerized accounting system. They will also be responsible for the preparation of a training program in financial management with an implementation timetable and will provide the project with assistance. The selection of the accounting software will ensure that the system is supported by a reliable organization.

The CCN will maintain its account in accordance with International Accounting Standards, and the quality of financial management has been verified by auditors during the first phase of the project. CCN and the Ministry of Finance and Economy will keep all documentation related to project expenditures, and will all at times keep financial records in accordance with sound accounting practices to reflect its operations and financial position. These records would be made available to Bank missions and independent auditors. The CCN's accounts would be audited on an annual basis.

Financial Monitoring Reports

The CCN's responsibilities for preparation of Financial Monitoring Reports (FMRs) are explained in the PIM. The administrative and financial management specialist will be responsible for preparing the FMRs, while the Coordinator of the CCN will be responsible for ensuring that they are provided to stakeholders and the Association on a quarterly timely basis. FMRs will provide information that establish (i) whether funds disbursed to projects are being used for the purpose intended; (ii) whether project implementation is on track; and (iii) that budgeted costs will not be exceeded. Financial information will be linked explicitly with the physical progress and procurement of the project. The annual financial statements of the project will be prepared in accordance with generally accepted accounting principles and will include (i) discussion of project progress, (ii) sources and uses of funds statement, (iii) uses of funds by expenditure type (iv) output monitoring report (v) procurement report. The audited financial statements will be submitted to IDA no later than six months after the end of the fiscal year. The computerized accounting system will be customized to generate the FMRs required in the forms as indicated in "Financial Monitoring Reports for World Bank-Financed Projects: Guidelines for Borrowers". A statement showing cash receipts by sources and expenditures by main classification, beginning and ending cash balances of the project, and supporting schedules comparing actual and planned expenditures. Adequate financial management arrangements, including the ability to produce a timely FMR, will be in place by credit effectiveness.

Auditing

Project records and accounts will be audited in accordance with international audit standards by an experienced and internationally recognized audit firm acceptable to IDA. The audit reports will be submitted to IDA within six months after the end of Government fiscal year. In addition to their standard short-form report with opinion on the annual financial statements, the auditors will be required to: (i) carry out a comprehensive review of all the SOEs as well as the internal control procedures governing their preparation for the relevant period under audit, and express a separate opinion thereon; and (ii) review the management and utilization of the special account and the project account and express a separate opinion thereon on each of them as well; (iii) the auditor will complete their in-depth review, started at interim, of the internal control system of the project with a view to identify the major weaknesses and shortcomings and proposing practical recommendations for improvement. Regarding the matching grants (LIF), the audit firm will review the performance of random beneficiaries, and provide a specific opinion on the effectiveness and efficiency of the lending and distribution procedures. The results of this review would be documented in a Management Letter to be submitted along with the audit report.

The auditors will review and audit the use of the PPF and PHRD Grant funds covering the period prior to effectiveness. They will also perform interim audits (9 months into the fiscal year) to review the internal control system including management performance, and issue reports to that effect within one month from the end of their work. The findings and recommendations of the interim reports will be addressed by management without delay before the final audit (mostly 6 months after closing of the fiscal year). The contracting of auditors on a renewable multi-year contract, acceptable to IDA, and certification by the financial auditors that the project accounting system is operational, is a condition of credit effectiveness.

7. Sustainability

First, institutional sustainability of the CAP will depend primarily on community ownership. While CAP development plans will be implemented with technical and financial assistance from some external sources, decisions on the content of plans would rest ultimately with communities who would be responsible for managing implementation. Once communities acquire the knowledge, awareness, and necessary skills to design and implement local development plans and micro-projects, sustainability of institutional objectives will be assured, provided that financing is available.

Second, the fiscal sustainability will depend on whether revenues continue to flow through channels established via the CAP. Financing for community development in Niger, for the foreseeable future, will continue to rely on external sources, since the level of poverty is such that substantial local revenue generation is impossible in the majority of communities. The CAP's financing flows are intended to "prime the pump" of fiscal decentralization. The potential for cost recovery will be exploited when possible to minimize dependence on intergovernmental transfers.

Third is the issue of environmental sustainability. GEF financing will be limited to the first and second phases of the CAP. During this time, the program will endeavor to establish the principle of CBIEM conceptually in Niger, establish a conducive policy and institutional framework, and undertake successful interventions in Nigerien communities. Based on this success, and the expected achievements of the overall project to provide for the short-term needs and the development of income-generating activities, increased ability of the communities to contribute to an investment in the natural resources base is expected while other financiers would be expected to supplement any remaining

requirements. As indicated by the lessons learned from the PGRN, the fulfillment of the basic needs under the CAP will allow the communities to continue their activities relating to natural resources management also during severe periods of drought.

8. Lessons learned from past operations in the country/sector

In this section, lessons from other projects, particularly in the rural development, are reviewed. These lessons are taken in large part from ICRs and supervision reports. Performance of most projects in Niger, ranged from highly unsatisfactory to limited success, and have produced valuable lessons to consider in planning future work in Niger. In addition, lessons from the pilot operations, which constituted the major activity during the CAP's preparation period, are reviewed in this section.

Lessons from projects:

Sustainability of operations is hindered by the project mentality of many government officials and communities, whereby each project is expected to be followed by another.

Government lacks a clear framework, action plan, or time path for decentralizing services or getting beneficiaries to take charge of activities. While the government's long-term objective is désengagement, this is not reflected either in the structure or the function of the administrative services with respect to communities.

Institution building takes time. Capacity built as the result of a project may not become evident for ten to fifteen years. Operations designed to develop local capacity and a participatory culture require a longer learning curve and therefore long-term commitment before development impacts are evident.

Monitoring and evaluation systems have been poor or nonexistent. It is essential to define and phase project objectives by stating clearly at appraisal the short, medium, and long-term objectives of the project and related performance indicators. Such systems must be properly staffed and be allocated timely and adequate resources for operation and training. Decentralized financial management at the local community level is central to successful implementation of bottom-up approaches to development and for promoting a culture of financial discipline in managing community funds. PGRN has demonstrated that communities are successful in procurement and decentralized financial management.

Training in farm management skills such as entrepreneurship and risk management promotes financial sustainability. Simplified operating procedures, legal protection, and clarity with respect to benefits of the established financial mechanisms are central to establishing ownership and credibility of such mechanisms. Provided with basic training, communities are quite capable of carrying out their own procurement, and in ensuring that services providers are accountable to them.

Although public administration can be an effective catalyst in fostering private entrepreneurial development and participatory grassroots income-generating initiatives, it is generally less effective than a private self-interested association of the beneficiaries.

Even when community-development funds are earmarked for specific purposes (i.e. PPODR and PGRNs' focus on economic activities and natural resources management, respectively), communities nevertheless request those investments that meet their priority basic needs. Once these basic needs are fulfilled, longer term interest such as the maintenance of the natural resources come into view. The

management of cultivated areas tend to receive earlier and more attention than the natural rangelands and water resources.

Based on these lessons, the approach of the CAP will (a) be long-term, (b) cover multiple sectors, (c) ensure active participation of all segments of communities, (d) rely on decentralized financial management, (e) place strong emphasis on monitoring and evaluation, (f) provide financial mechanisms to satisfy the basic needs while actively promoting activities that will ensure long-term viability of ecosystems and natural resources; and (g) propose concrete steps for transferring the role of central government to local government or the private sector in local service provision.

Lessons from pilot activities:

Pilots were an important part of the preparation process because they helped provide lessons on which to design the implementation phase. In addition, they served to forge institutional linkages with NGOs and donors who are expected to play a key role in facilitating and collaborating with the CAP by providing animation and capacity-building to communities.

Eight "operators" managed the pilot activities over a fourteen-month period. There are three international NGOs (CARE Niger, CECI, AFVP); two local NGOs (Karkara, ABC-Ecologie); and three donors: the African Development Foundation, the United National Capital Development Fund, and the European Union. Six pilots are rural, one is urban (Niamey) and one peri-urban (Zinder). The donors' activities were ongoing or incremental activities financed independently of CAP funds, in close collaboration with the CAP. The NGOs were financed with CAP resources, and chosen by single source selection on the grounds that they were already carrying out multi-sectoral and demand-driven community-based work consistent with the principles of CAP. Rather than providing each operator with a standard operational manual, they were encouraged to continue with their own business practices. An "operator liaison" was hired to facilitate the transfer of information and experience across the pilots and to the project preparation unit and World Bank. He made 9 supervision missions and convened four workshops to share experiences and plan next steps. His mission reports and conclusions from the workshops are available upon request.

Region	Locality	Operator	Priority needs
Agadez		European Union	local development plan pending
Dosso	Loga	CECI	Cereal banks, health posts
Diffa	Nguigmi	UNCDF	Social infrastructure, income-generating activities
Maradi	Moulé, Serkin Yamma, Souloulou	CARE	mid-wife training, small ruminants, literacy, grain mill, HIV/AIDS
Niamey	Commune III	African Development Foundation	school fence, health post, cereal bank
Tahoua	Bouza	AFVP	Wells, mid-wife training, soil erosion, grain mill, literacy, HIV/AIDS
Tillabery	Simiri, Banné	ABC-Écologie	cereal banks, income-generating activities
Zinder	Mirriah	Karkara	Wills, health post, classroom cereal bank, income-generating activities

Although based on a small sample, the choice of micro-projects by the communities working in the pilot phase reveals several interesting things. First, that food security and income-generation are priorities. Second, that women's priorities (such as mid-wife training) will be expressed if

participatory processes are respected. Third, that rather than spending a large amount on one or two micro-projects, a range of smaller projects is preferred.

The following is a summary of the lessons learned and conclusions generated from the pilot phase, as articulated by the operators themselves during workshops:

Defining area of intervention: The project should work within the administrative boundaries and the future decentralized entities. At a lower level, the "grappes de villages" (village groupings) are an effective target unit for the LIF, although definition of this group requires careful research on social cohesion. The participatory appraisal process may begin, however, even lower -- at the village or (urban) neighbourhood level.

Community Development Agents: There must be a clear definition of labour. In addition to participatory processes, teams must be trained in natural resource management, gender issues, and HIV/AIDS. Women must be adequately and actively represented in such teams. In general, one Community Development Agent (ADC) is adequate for three to five villages. **Partnerships:** A local institutional framework must be in place with systematic and transparent relationships between operators, the project, and local administration (or government), particularly with respect to public services. Contracts with service providers must be harmonized and the rules of engagement clarified to all.

Project outreach: Each operator should formulate a communication plan, using a variety of media and in local languages. IEC would continue throughout the micro-project cycle, using local human resources to assist in village animation and other tasks.

Participatory appraisal: The project should define a common approach to be adopted by all operators, which would require adopting a minimum set of rules while allowing flexibility to local conditions. The process must take into account in particular the needs of marginalized groups, and must reinforce local capacity to take charge of this process in future.

Local development planning: Prioritization of micro-projects requires a clear and transparent criteria for doing so. The approach would consider all the problems faced by communities, with the objective of achieving planning over a temporal and spatial dimensions and estimated budgets. Approval of micro-projects and the local development plan must be made within a structure of community-based decision-making. Wherever possible, mayors or sous-préfets must be part of the process.

Role of women: Women should represent at least one third of the members of the community structures linked to the project, notably in posts that involve decision-making, not merely consultation. Similarly, a fixed quota of women participating in training is desirable.

Capacity-building: The project must strive to obtain legal recognition of community structures, on the base of legal texts on local governance. Project rules, procedures, and reports should be made available at all levels. The project should finance exchanges among communities. M&E is a function that can be done locally, and local groups may be trained to do so.

GEF activities: Methods used by the operators to facilitate the development of community development action plans in the initial six pilot sites do not sufficiently raise the attention towards linkages between poverty and the conditions of ecosystems as a whole. Special training will therefore be necessary.

9. Environment Aspects (including any public consultation)

Issues :

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Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.