

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB2351

Project Name	Local Urban Infrastructure Development Project
Region	AFRICA
Sector	Roads and highways (20%); Other social services (20%); Sanitation (20%); General public administration sector (20%); Sewerage (20%)
Project ID	P095949
Borrower(s)	GOVERNEMENT OF NIGER
Implementing Agency	To be determined
	Government of Niger Niger
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	April 26, 2006
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1. Key development issues and rationale for Bank involvement

Introduction. The Local Urban Infrastructure Development Project is being prepared at the Government's request, following (i) the highly successful Urban Infrastructure Development Program (PRIU), closed in March 2003; (ii) an Urban Economic Sector Work completed in December 2004; (iii) two city development strategies carried out with the Cities Alliance Program; and (iv) the household survey carried out in Niamey 3, under funding from the Norwegian Trust Fund. The project is being developed on the basis of the lessons gained from these various initiatives and will be implemented in parallel with an on-going urban operation benefiting from French Government financial assistance (AFD).

Overall patterns of development. Niger is among one of the poorest countries in the world (ranked 174th out of 175) on the UNDP Human Development Index¹. It is a vast, but poor, landlocked country, with an estimated population of 13 million, concentrated in a narrow band of arable land along its southern border.

Economic growth remains low, averaging an annual rate of 1.9 percent between 1990 and 2000. Niger's PRSP, which was completed in January 2002, provides a global framework for implementing sector strategies aiming at achieving the Millennium Development Goals (MDGs). However, recent analysis shows that the country will not be able to reach its goals for 2015.

High population growth (3.2 percent annual rate) is widely considered as a constraint to economic development and a main factor of impoverishment. The very high fertility rate and the decrease in the mortality rate since 1990, as well as the young age of the population have created a population growth spiral that will continue unless a strong family planning strategy, which does not seem to be

¹ UNDP 2003, Human Development Indicators (per capita GDP of US\$ 890)

materializing, is implemented rapidly.² Fertility has been declining however in some categories of the population—urban, educated women in particular. The use of modern contraception is nearly 10 times more common in urban areas than in rural areas. Differences in fertility have been noted according to the place of residence: an average of 5.2 children per woman in Niamey, 6.5 children in the other cities of Niger, compared with an average of 8 children per woman at the national level.³

Rapid urbanization and lack of basic urban infrastructure. The urbanization rate is about 23 percent, urban dwellers total 3 million in 2003. Urban areas are growing rapidly, with an annual growth rate estimated at 5.8 percent⁴. If current trends continue, the urban population will double in 12 years. Niger is therefore rapidly approaching the urbanization rates of other countries in the region (currently about 40 percent).

Urbanization has occurred unevenly throughout the country: Niamey, the capital, counts about 800,000 inhabitants, or more than the seven regional capitals together. Other main cities, such as Zinder, Maradi, and Tahoua count less than 300,000 inhabitants each and attract little local investment, as a result of their lack of infrastructure services and facilities. If a critical mass of investments in infrastructure is not implemented to create suitable conditions for economic activities to flourish, these secondary cities will remain relatively isolated from each other and from their respective surrounding areas.

Rapid urbanization is causing significant problems. Cities are not adequately prepared, and lack the resources necessary for facing the rapid urbanization challenge. As a consequence, living conditions worsen. Many areas lack infrastructure as well as access to basic services. In 2001, it was estimated that 45 percent of the urban population was served through 45,600 service connections and 1,850 stand posts and 44 percent of Niamey's population had private water connections. It is estimated that only 36 percent of all urban households had access to electricity in 1998, and the percentage was about 50 percent for Niamey metropolitan area in 2004.

The urbanization process involves poverty and social exclusion. Available data suggests that poverty affects 52 percent of the urban population (as compared to 65 percent at the national level), of which 26 percent is extremely poor. Rapid population growth, urban inhabitants with widespread income disparities living side by side, and weakened social cohesion in urban areas are factors of exclusion for an entire segment of the population, a segment that survives mainly on temporary jobs in the informal sector (especially in the case of young people). This situation could lead to increased insecurity in the next few years unless social integration is improved through better access to basic infrastructure services and added employment opportunities.

Cities and economic growth. As anywhere in the world, economic growth and development cannot occur without strong and vibrant cities able to provide employment and trade opportunities. In the current situation, cities already play an important role in the creation of national wealth. A little less than one-fourth of the population located in the cities generates approximately 45 percent of the country's GDP (in the secondary and tertiary sectors, mining sector excluded) but cities need to have the conditions to perform effectively to fully unleash their potential in the development of the country's economy.

The rural areas also depend on a network of small and medium-size urban centers that can provide local outlets for consumption or marketing of agricultural products. The development of such centers would slow down rural migration to the capital and favor a reduction of the birth rate, considering the behavior

² Feeding, Educating, and Caring for All Nigeriens: Demographic Perspectives, World Bank working paper, March 2004

³ *Enquête démographique et de santé 1998*. CARE/DHS

⁴ The Urban Transition in Sub-Saharan Africa, Africa Region Working Paper Series # 97, C. Kessides, December 2005.

changes already noted in that respect in urban areas. Such a network would also enable the development, in secondary cities, of a private sector, which would drive investment and local development

Limited financial resources at the local level. Capital investments (all sector combined) is largely realized through external financing (70 to 90 percent), with a national government share representing only 10 to 30 percent of investment financing. In the past few years, rural public investments have surpassed more than 10 times urban public investments. Less than 8 percent of the national investment budget has been dedicated to urban infrastructure (urban sector investments amounted to only CFAF 8.8 billion out of a budget of CFAF 113.1 billion in 2002), an amount that bears no relationship to the importance of cities in the creation of wealth for the country. As in all sectors, nearly all urban infrastructure investments were implemented with more than 80 percent external financing. IDA, through the PRIU was by far the largest source of urban investments from 1999-2003, representing nearly 60 percent of all small-scale infrastructure investments (US \$4.7 million out of US \$8.8 million in 2002).

The municipalities' contribution to urban investment financing is very limited (CFAF 615 million in 2002, or only 0.6 percent of the overall national investment budget). Municipal limitations in urban sector financing are tied to the limitation of local fiscal potential and the national inability to transfer funds to urban municipalities. The tax-collection capabilities of urban municipalities are extremely weak (with the relative exception of Niamey). Local taxes funds collected by national government agencies have not been transferred by the national government to local governments, despite the new decentralization policy.

Decentralization. The decentralization law of June 11, 2002 clarifies the fundamental principles for transferring power to regions, departments, and municipalities. The process, which was initiated in December 2004 with the first municipal elections, involves the creation of three metropolitan areas (Maradi, Tahoua, and Zinder), 244 new municipalities (including 52 urban) spread among 36 departments and 7 regions. It is bound to take time, given the scope of the task at hand and the lack of financial resources and institutional preparation. The High Commission for Administrative Reform and Decentralization (HCRAD) predicted in 2004 a difficult financial situation for a third of all municipalities, 35 of which were created without any funds at all. It is therefore considering modifying the law in order to authorize some form of mergers among municipalities. These uncertainties justify fears of several years of administrative upheaval before decentralization can become a reality.

Rationale for Bank involvement

Improvements in the access of the poor to quality social services⁵ and adequate urban habitats, as well as adequate institutional strengthening at both central and local levels have been part of the Government strategy spelled out in the PRSP. The proposed project, prepared at Government request, fits squarely in the three pillars of the new CAS currently under preparation: (i) reducing vulnerability, through, in particular, alleviating urban poverty; (ii) preserving and enhancing human development, through increasing access to basic services; and (iii) providing growth and business opportunities in both urban and rural areas.

The proposed project will draw on the positive lessons of the Urban Infrastructure Rehabilitation Project (PRIU) implemented from 1997 to 2003. This project largely involved the local private sector and bore investments that had very positive impacts on the alleviation of poverty and employment generation. It also had important impacts on sector management, particularly through the development of urban investments planning tools (preparation of aerial maps, urban financial and organizational audits, and city development contracts). These tools provided the basis for reaching improved performance levels. The

⁵ Including basic education, primary health care, reproductive health services, HIV/AIDS prevention, water and sanitation.

Implementation Completion Report (ICR) confirmed the value of the approach but emphasized the need for strengthening capacity at all levels. The fact that mayors are now directly elected is likely to strengthen their level of responsibility and accountability in the management of project activities.

Upon project completion, the urban municipalities of Dosso and Maradi, which had benefited from project interventions, completed two city development strategies (CDS), under *Cities Alliance* and IDA funding; these studies, completed in December 2005, were carried out with the participation of the new elected mayors, as well as local stakeholders and the civil society.

IDA also completed an Urban Economic Sector Work (ESW) (December, 2004), in close collaboration with Government representatives and other donors. Joint missions were organized with AFD, which now financially support a project applying the same tools. The main recommendations of the ESW included: Government reengagement in the sector through increased public investment financing; improvement of the management of public expenditures and well-balanced urban development through, in particular, the promotion of secondary cities and market centers that would be likely to stimulate local economic (and rural) development.

The proposed operation will rely extensively on the lessons learned from the PRIU and on the recommendations of the ESW. It will have the added advantage to be able to be implemented with the newly elected mayors, thus strengthening local governance and supporting the on-going decentralization process. The operation is likely to leverage additional financing from other donors who also wish to resume support to this strategic sector. Indeed, the authorities have used previous IDA interventions in the urban sector to mobilize significant partner financing (OPEC, ADB, German KFW, and AFD).

Current Bank intervention in the infrastructure sector materializes in the Water Sector Project (Cr. 3505-NIR), financing, inter alia, the rehabilitation of the water distribution system and social connections. AFD is financing a Euro 10 million road project in Niamey. The proposed project will be prepared and implemented in close collaboration with these two projects, in order to take advantage of experience and best practices as they develop.

The Government of Niger has clearly demonstrated its political will to commit strongly to urban development through the recent ministerial reshuffling, when the Ministry of Urban Affairs, Housing and Public Lands (formerly the Ministry of Infrastructure) was created, along with the preparation of a National Urban Development Strategy.

2. Proposed objective

The proposed project development objective is to (i) increase access to infrastructure and basic services in the underserved urban areas; and (ii) improve local governments' capacity to plan, manage, and operate infrastructure services.

3. Preliminary description

These objectives will be achieved through (i); and (ii). The project will include two components:

- a) *Access to basic services*: execution of a program of small urban works (primarily roads and drainage and small facilities), as identified by the local governments, in close collaboration with the beneficiaries, and on the basis of a methodology that would clarify the appropriate and affordable level of service likely to increase service accessibility to the highest number of inhabitants; this will involve identification of local infrastructure investments as well as small community development

projects. The component will emphasize the priority of building and maintaining roads and networks likely to facilitate access to and from poorly integrated residential areas in order to facilitate their integration in the urban economy and contribute to its growth. The component will also include municipal operations such as markets, slaughterhouses, parking lots, public latrines, and bus stations.

Implementation of works will be carefully monitored throughout the project. A baseline assessment of existing infrastructure and services will be carried out at the beginning of the project. This will be used as benchmarking for follow-up regular progress assessments.

- b) *Capacity building and institutional strengthening*: training activities directed to the municipalities, local government services, and SMEs; support to the development of programming and planning tools as well as appropriate operation and maintenance techniques and best practices; development of urban development strategies focusing on the economic role of cities and their contribution to growth, within their respective regional context; mobilization of local financial resources and preparation of a study on intergovernmental financial transfers. The component will also include the preparation of municipal audits (financial and organizational) in order to provide a description of the status of urban management, finances, and stock of infrastructures, for urban municipalities and *communautés urbaines*; and the preparation of city development contracts (with an annual work program and municipal counterpart funds).

The project will be implemented in the cities of Niamey, Maradi, and Dosso (future “*port sec*”). During the identification mission, Agadez and/or the Niger River could be added to the list of cities after discussion with the Government, in order to support tourism and promote Niger’s cultural heritage through the project.

The project will also link with activities of the Niger MAP and HD in order to address both HIV/Aids and family planning issues (information campaigns, capacity building, and possibly, construction of small health-care centers). The family planning issue will be given the highest priority, focusing on specific programs targeted to urban women, their training and job opportunities, etc.

4. Safeguard policies that might apply

Environmental Assessment (OP/BP 4.01) safeguards policies will be triggered by the project.

Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	1
INTERNATIONAL DEVELOPMENT ASSOCIATION	20
Total	21

5. Contact point

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