

INTRODUCTION

1. **This Selected Issues Paper aims at providing an analytical underpinning for the policy recommendations of the 2022 Article IV Consultation with Niger.** The different chapters address key development challenges for the country and contribute to the reflection on policies to build resilience and address fragility.
2. **The first chapter assesses the efficiency of social spending.** The findings suggest that social programs typically are not well targeted and there are significant coverage gaps. Therefore, Niger would benefit from moving away from a system based on untargeted subsidies (e.g., distribution of food and fertilizers at moderate prices) to a system based on targeted social safety nets.
3. **The second chapter explores the state of gender equality and estimates the macroeconomic gains from reducing gaps in education.** Using a micro-founded general equilibrium model, the analysis shows that Niger has made progress toward higher educational attainment for girls, but the country still lags others in the region. Simulations suggest that closing gender gaps in education would boost long-term GDP by 11 percent.
4. **The third chapter addresses the issue of financial inclusion.** Niger lags behind other WAEMU countries in terms of access to and use of financial services. Key priorities to enhance financial inclusion would include efforts to tackle low financial literacy, promote digitalization (including through increased competition in the telecommunications sector), and address informality.
5. **The fourth chapter examines the effects of climate and conflict shocks on household welfare.** The results of an analysis using household survey data show that when rainfall decreases by one standard deviation, per capita income falls by 11 percent. Moreover, when the number of conflict related deaths increases by 10 percent, farm income and the value of production decrease by 10 and 8 percent respectively.
6. **The fifth chapter looks at the economic effects of climate change and food insecurity.** Simulations from a general equilibrium model indicate that cash transfers appear more effective than fertilizer subsidies at safeguarding households' welfare, including nutritional status. The results highlight the need to operationalize a better coordinated national social safety net system and reform agricultural fertilizer subsidy systems to improve their targeting, efficiency, and sustainability.
7. **Finally, the sixth chapter discusses horizontal policies to promote export diversification.** The empirical results from panel regressions indicate that reforms to enhance human capital and the quality of infrastructure, to promote digitalization, to remove barriers to trade and improve governance are likely to yield the largest gains in terms of diversification for Niger.