

Niger

Modernizing Trade during a Mining Boom

*Diagnostic Trade Integration Study
for the Integrated Framework program*



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NIGER
MODERNIZING TRADE DURING A MINING BOOM

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CURRENCY EQUIVALENTS
(Exchange Rate as of May 18, 2009)

Currency unit = CFA franc (CFAF)
US\$1.00 = CFAF 491

Abbreviations

ACP	African, Caribbean and Pacific countries, signatories of the Cotonou convention
ADIDB	Action for integrated and sustainable development at the base (Nigerien NGO)
AGOA	Africa Growth and Opportunities Act (USA)
ANFO	National Association for the Onion Sub-sector
ANIPEX	National Association for the Promotion of Exports
ASI	Achat Services Internationale (company of the Wankoye brothers)
AVCN	Agency for the Verification of Conformity to Standards
BCEAO	Central Bank of West African States
CAFER	Autonomous fund for financing road maintenance
CCNI	Commercial Company of Niger
CNCA	Niger Bank for Agricultural Credit
CNIP	National Council for Private Investors
CNUT	Niger Council for Public Transport Users
DGD	Department of Customs (MEF)
DGI	Department of Taxation (MEF)
DGTP	Department of Public Works (ME)
DTT	Department of Land Transport (MTAC)
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
FAO	Food and Agriculture Organization
FCFA	Franc of the African Financial Community
GTZ	German aid agency
ICRISAT	International Crop Research Institute for the Semi-arid Tropics
INRAN	National Institute for Agronomy Research of Niger
IPM	Integrated Pest Management
MCC	Millennium Challenge Corporation
MCIN	Ministry of Commerce, Industry and Standards
MDA	Ministry of Agricultural Development
ME	Ministry of Equipment
MEF	Ministry of the Economy and Finance
MELD	Ministry of the Environment and the Fight against Desertification
MESSRT	Ministry of Secondary and Tertiary Education, Research and Technology
MFI	Microfinance institutions
MFPT	Ministry of Technical and Professional Training
MFP/T	Ministry of the Public Service and Employment
MI	Ministry of the Interior
MIS	Market information system
MJ	Ministry of Justice
MME	Ministry of Mines and Energy
MRA	Ministry of Animal Resources
MTA	Ministry of Tourism and Artisanat
MTAC	Ministry of Transport and Civil Aviation
NGO	Non-Governmental Organization

NIS	National Institute of Statistics
OCBN	Joint Organization Bénin-Niger
OHADA	Organization for the harmonization of business law in Africa
PAC	Program of community action
PAIPCE	Program to support private initiatives and employment creation
PIP II	Project to promote private irrigation n° 2.
PPEAP	Project to promote agro-pastoral exports
PRSP	Poverty Reduction Strategy Paper
SME	Small and Medium Enterprise
SDR	Strategy for Rural Development
SNTN	National Transport Company of Niger
SNTMN	National Union of Merchandise Transporters of Niger
SNTR	National Road Transport Strategy
TEL	Extra legal work
TIE	Inter-state road transport (ECOWAS Convention)
TRIE	Inter-state road transit (ECOWAS Convention)
USAID	United States Agency for International development
WAEMU	West African Economic and Monetary Union

PREFACE

The Niger Diagnostic Trade Integration Study (DTIS) has been prepared under the Integrated Framework (IF) for Trade Related Technical Assistance to Least Developed Countries in response to a request from the Government of Niger.¹ The ultimate objective of the study is to build the foundation for accelerated growth by enhancing the integration of its economy into regional and global markets.

Preliminary missions were held in May and again in September 2006 to discuss the objectives and priorities of the study and to ensure proper ownership of the process by the authorities. Terms of reference were then prepared and transmitted to the Government for approval. The main mission, consisting of national and international consultants, visited Niger in December 2006. A technical workshop was held in June 2007 to review the draft report. The study is now being reviewed internally within the World Bank, and among the IF agencies and selected donors. The report and its Action Matrix will then be discussed during a validation workshop, likely to be held in January or February 2008.

The members of the main mission, and their areas of responsibility, were as follows: Philip English (World Bank, task team leader), Gérard Gagnon (lead consultant, taxation, trade, etc.), Régis Brieu, Ali Djimba, and Colonel Ousmane Toye (Government of France, consultant, and Government of Niger, transport and trade facilitation), Jean Pierre Diehl and Hassane Moussa (transport), Mulumba Kamuanga and Mahamadou Saley (livestock sector), Joseph Ouedraogo and Boubacar Sory (consultants, mining), Jan-Hendrik van Leeuwen (consultant, private sector development and trade institutions), and David Wilcock, Ahmed Hamid and Ousman Abdou (consultants, and Government of Niger, agriculture). Philippe Callier (IMF) prepared the first draft on macroeconomic policy, and Iain Christie (consultant) prepared the chapter on tourism. Felicia Avwontom did the translation into English.

The study team wishes to thank the Government of Niger and notably the Director of External Trade, Ministry of Commerce and Private Sector Promotion, Mme Aichatou Mamadou, for her support to the DTIS process. We also thank all the members of the national steering committee who enriched the study through their active participation in various meetings and workshops. Finally, we owe a special word of thanks to Josette Percival for her dedication and professional administrative support throughout the entire process.

¹The IF is a multi-agency, multi-donor program established to promote the integration of the least developed countries into the global economy. The participating agencies are the IMF, the ITC, UNCTAD, UNDP, the World Bank and the WTO. For additional details see <http://www.integratedframework.org/>.

EXECUTIVE SUMMARY AND ACTION MATRIX

1. Niger is a very poor country, in spite of its promising potential. However, it has enjoyed periods of prosperity, notably from 1975 to 1982 when economic growth averaged 7.5 percent per year, due to a uranium boom. In 1980, Niger was richer than Mali and Burkina Faso. The boom was short-lived, and political problems appeared. Nonetheless, Niger still has one of the richest uranium reserves in the world — as well as gold, and probably oil — and uranium prices have rebounded recently owing to the recovery of the nuclear energy industry. Niger also has extensive and varied herds which include animals sought after for their meat (Azawak cattle) or skins (the red Maradi goats), and a great potential for irrigation, which is already being exploited for its famous onions (the violets de Galmi). In addition, the beauty of the desert attracts tourists from afar, while Niger's handicraft art is among the richest in sub-Saharan Africa.

2. On the other hand, Niger faces formidable challenges which must not be under-estimated. It is confronted with a harsh climate, with 89 percent of its territory receiving less than 350 mm of rain per year, which is highly variable and results in regular droughts. The country is exposed to the gradual advance of the Sahara desert as well as locust invasions. It is also land-locked, the closest port being over 1000 km from its capital. The population growth rate is among the highest in the world, creating increased pressure on land and water resources, soil degradation and social tensions. Problems in the harshest region of the country, the North, occasionally spill over into violence.

Objectives of this Study

3. Any country, but especially one so small, must take full advantage of regional and global trade opportunities if it is to prosper. This Diagnostic Trade Integration Study (DTIS) is intended to provide a broad overview of the key elements for successful integration into external markets, both through access to low-cost imports and especially through the development and diversification of exports. It pays particular attention to the role that trade can play in poverty reduction. It is fully in line with Niger's new Strategy for Accelerated Development and Poverty Reduction. Indeed, that Strategy refers to this study as a key input and identifies the same set of priority sectors as sources of growth — rural development, artisanal crafts, tourism and mining. This study is also consistent with the Rural Development Strategy which emphasizes various export-oriented agro-pastoral sub-sectors. What this study proposes to do is to provide more details and a sense of priorities in order to strengthen the trade component of these two strategies.

Key messages

4. Several key, overarching themes emerge from this review of cross-cutting and sectoral issues. First, as suggested in the title, **there is an urgent need to modernize trade**. Currently, the export business is dominated by informal operators, some of whom are very large but continue to prefer traditional practices to avoid regulations and taxes. These traders are generally reluctant to enter into joint ventures with foreign partners who might bring in new technologies, market links and finance. Their informal status and lack of accounts or registered property restricts their access to bank financing. Access to government and donor resources is limited, innovation is absent. They have a corrosive influence on customs, since their modus operandi involves the avoidance of formal taxes. Transport services are also in need of modernization to improve the quality of service, and the respect of regulations such as those on overloading. And all this informal activity reduces the fiscal revenues of the state, while increasing the tax burden on those enterprises which do operate legally.

5. Second, **Niger needs to better exploit its proximity to the large economy of Nigeria.** Nigeria, which has 140 million inhabitants, is rich in oil and is a crucial market for Niger producers, who, from east to west, are never far from the border. Most of Niger's exports, excluding uranium, are already sold in Nigeria. However, most of this trade is informal and locked in traditional patterns. Much would be gained if Niger could modernize, normalize and deepen its trade relations with its neighbor. This is particularly true of the trade in live animals which could contribute much higher value added if it evolved into meat exports to Nigeria, and hides and skins exports to Italy and elsewhere. It is also important to ensure the smooth inflow of cereals into Niger, notably in times of shortage. Just as Canada has negotiated with its huge southern neighbor to promote free trade, so Niger must find a way to integrate the vast market to the south.

6. Third, the capacity of the state and of the private sector is very limited. **Selectivity will be critical if available resources are to have an impact** in the face of the many daunting challenges. The state has an important role to play in support of private sector initiatives, but it can not afford to substitute for the private sector or to spread itself too thinly. The five best-performing agricultural sub-sectors, together with live animals, meat, and hides and skins, present ample needs and deserve priority attention. Small-scale mining should not be overlooked in the excitement over industrial mining. Art handicrafts warrant support while the country prepares for more peaceful times to promote tourism.

7. Fourth, **the next mining boom must be managed more effectively than the last one.** A boom is coming as the prices of uranium and gold rise, and major new mines are built. This represents a major opportunity but is not without its risks. Significant government revenues will be generated which could serve to support the development and modernization of other export sectors. But these revenues must be properly captured in the state budget and managed through transparent and participatory mechanisms, including effective implementation of the Extractive Industries Transparency Initiative. This boom must not distract the state from the hard work needed to develop traditional export sectors which have greater direct impact on poverty and may be more sustainable. Nor should it divert attention from the reform of fiscal and customs administration.

Macroeconomic Context

8. Niger has undertaken a series of reforms and liberalized the economy, but has had less success with tax administration. With a tax ratio of 10.6 percent of GDP in 2006, Niger has one of the lowest ratios in sub-Saharan Africa and is far below the WAEMU objective of 17 percent. The low tax ratio is attributable to the poor performance of tax administration and a narrow tax base, due in part to the large size of the informal economy. This makes Niger heavily dependent on external aid and reduces its capacity to finance infrastructure and the public services needed to support the private sector. ***Niger should continue its fiscal reforms in the context of regional harmonization, and accelerate its program to modernize tax administration.***

9. The increase in uranium prices and production will have a positive effect on government revenues, but it will not diminish the importance of improved fiscal administration. The contribution from uranium will likely remain unpredictable, and modest compared to government expenditures. Modernization of fiscal administration will increase transparency in the management of revenues, including those from uranium. It will also improve the investment climate.

10. Owing to the recent increases in uranium prices and the value of the euro, the terms of trade have improved, as reflected in the real effective exchange rate (REER), which is on an upward trend. Yet, appreciation of the REER tends to reduce the profitability of export-oriented industries or those

facing competition from imports. If this trend is maintained, it would need to be compensated by reducing costs and increasing productivity.

11. Relations with Nigeria are complicated by exchange rate regime considerations. While the CFA Franc is convertible and has fixed parity with the euro, the Nigerian naira is not convertible and fluctuates freely. Thus, since 2006 the CFAF has tended to appreciate against the naira. Banking transactions are very difficult, a parallel foreign exchange market has developed, and trade has remained mostly in the informal sector. Any banking initiative that facilitates formal relations between the two countries should be encouraged.

Foreign Trade: Flows and Policies

12. For the last ten years, the export/GDP ratio has remained at around 14 percent, only half the average ratio for WAEMU countries. Uranium remains the main export, with a value of CFAF 79.6 billion; it is followed by live animals (and some animal products), at CFAF 48.6 billion; onions, CFAF 42.3 billion; cowpeas, CFAF 34 billion (according to our estimates); and, finally, gold, at CFAF 25 billion.

13. Based on official data, in 2006 France and Switzerland were the main destinations for exports from Niger (because of uranium exports), which stood at CFAF 50 billion and CFAF 25.8 billion, respectively, followed by Nigeria, with CFAF 24 billion. However, taking into account informal exports of animals and cowpeas, not to mention other exports, it is reasonable to conclude that Nigeria is Niger's most important client, and the one which presents the key opportunities and challenges.

14. In addition, there is a significant volume of re-exports, with an estimated value possibly reaching CFAF 153 billion in 2006. The special tax on re-exports brings in between CFAF 11 and CFAF 15 billion per year, which represents between 11 and 20 percent of annual customs revenues (including the VAT). About 70 to 80 percent of re-exports from Niger are destined for Nigeria. As these are driven primarily by incentives to circumvent high import duties and prohibitions in Nigeria, which are set to decline over time, this is not a promising activity for future growth and alternative exports and revenue sources will need to be found.

15. There is no clear operational trade policy in general or with regards to Nigeria more specifically. *The main challenge facing Niger with respect to regional integration concerns the implementation of such a strategy to ensure smoother and more transparent trade relations with Nigeria.* For example, there are significant obstacles to exporting meat slaughtered in Niger to Nigeria. There needs to be a regular monitoring and analysis of trade flows and policies, and a revitalization of the *Commission Mixte Nigéro-Nigériane*. The second important challenge, which is related to the first, lies in the actual implementation of the ECOWAS Trade Liberalization Scheme, which represents the best opportunity for opening up the Nigerian market.

16. A third important challenge is related to the Economic Partnership Agreement (EPA) being negotiated with the European Union. This challenge concerns not only trade with Europe, but also, indirectly, regional trade. Trade between Niger and coastal countries could be modified because of the competition with European imports, notably in meat and onions. Niger should anticipate the possible consequences of an EPA on regional trade and tax revenues in order to put in place strategies that allow it to benefit from the partnership or to limit damages. Now that the December 2007 deadline has passed and a two-track approach has been adopted within ECOWAS, Niger must evaluate the pros and cons of relying on the alternative Everything But Arms agreement.

17. Niger seriously needs to reestablish a system that will promote quality and ensure compliance with standards. This should start with educating producers on the importance of quality but avoid playing a policing role. It should draw more on the needs expressed by producers or buyers in choosing standards to be developed and avoid initiatives promoted by public authorities.

The Business Climate and Private Sector Support Structures

18. **Investment climate constraints:** According to *Doing Business*, the annual World Bank survey on business regulations and their enforcement, in 2007 Niger was ranked among the ten countries (169th on 178) where it is most difficult to operate in the private sector. Regulations governing trading across borders were deemed particularly problematic not only because of transport costs but also because of the time it takes to prepare documents. Niger was also ranked very low on labor regulations, and on the granting of licenses. On the other hand, the creation of the Center for Enterprise Formalities (CFE) helped reduce the time required to start a business, which is now below the average for Africa.

19. The framework for private sector development, validated in 1997 and the roundtable between the government and the private sector in 2000, proposed many recommendations, but in the absence of effective leadership and monitoring, they generally have not produced significant results. The most recent effort led to the creation of the National Council of Private Investors (CNIP), which brings together, under the authority of the Prime Minister, key representatives of the business community and government decision makers. Thanks to this high-level representation, the CNIP has emerged as a new instrument for implementing reforms. However, its efforts should be well-focused to ensure that it obtains results which encourage the continued participation of the private sector.

20. **Taxation:** There has been a certain amount of harmonization among countries within the Community; this has helped reduce and simplify taxation in Niger. In contrast, *a large majority of private sector enterprises consider that the taxation system is cumbersome and time-consuming, and that it is a greater obstacle to the improvement of the business climate than the actual tax rates.* The number of audits and payments needs to be reduced, the choice of firms to monitor should be based on the level of risk involved, and the tax base needs to be broadened. In particular, better coordination between customs and taxation through the use of tax identification numbers would enable the authorities to pull in large traders who remain in the informal sector.

21. **Financial sector:** Financial intermediation is weak in Niger, and the allocation of credit does not reflect the relative importance of the different sectors of the economy. Agriculture accounted for less than one percent of bank credits, although it contributes 40 percent of GDP. One of the main bottlenecks that hampers access to agricultural credit and to enterprises in general, is the lack of structure in the request for credit. Since requests for credit are not structured (documented, based on rigorous figures, etc.), financial institutions consider that these credits represent too much risk and do not have enough guarantees. Structuring the request for credit involves providing support to help promoters prepare credible requests, manage credit properly, and present the guarantees needed to obtain credit.

22. Micro-finance institutions are in full expansion. However, they need technical support to streamline networks and strengthen their management capacity, as well as a stronger regulatory framework and more supervision. A program of partial credit guarantees would encourage banks to inject more of their funds into micro-finance institutions. The creation of the *Banque Régionale de Solidarité* is a welcome initiative and its activities should be expanded. Greater use should be made of warehouse receipts as well as equipment leasing. *A package of instruments is urgently needed to promote lending to agro-pastoral value chains by banks and micro-finance institutions.*

23. **Labor market:** More than 90 percent of workers in the informal non-agricultural sector are paid wages that are far below the legal minimum wage. These workers have practically no legal rights; meanwhile, the active Niger population is growing at an annual rate of 3.3 percent. In the face of this two-pronged difficulty, one would expect the government to enforce flexible labor regulations designed to facilitate job creation in the formal sector. On the contrary, Niger's labor code is ranked among the most rigid in the world.

24. It is difficult to find a sector of the Niger economy—agro-industrial, tourism, or industry—where growth is not hampered by the lack of technical and management skills. Yet, the country has no strategy for improving the level of skills in the private sector. The preparation of such a strategy should start with a comprehensive analysis of the needs of the key sectors of the Niger economy.

25. **Access to land:** The lack of secure access to land is a critical obstacle to private investment by industrial and agricultural enterprises. The government has adopted a promising new law establishing the guiding principles of the rural code, which gives equal weight to customary and modern property rights, which could become a model for the region. However, its implementation has been slow and its treatment of pastoral lands is ambiguous. Stronger political commitment and finalization of a complementary pastoral law will be necessary.

26. **Support structures for enterprises.** Most of the structures are grouped around the Niger Chamber of Commerce, Agriculture, Industry and Handicrafts (CCAIAN). This institution plays a fundamental role that surpasses its traditional one. In addition to its many divisions, the CCAIAN includes three specialized establishments (CPI, CFE, CNPG) and several support projects. These structures should be streamlined. Consideration might be given to grouping the different enterprise support structures under one entity, which would serve as an integrated service center or a mini-market for the private sector. The entity would be a private, not-for-profit association.

27. It is also recommended that while strengthening the Centre for Investment Promotion (CPI), the government should hire an international consulting firm with solid references in the identification of investment partners for specific opportunities. The compensation of this firm would largely consist of bonuses based on results. Its work would complement the activities of the CPI which would focus on promoting the country in general, identifying target sectors, and accompanying investors.

Customs

28. In practice, Niger Customs remain focused on the mission of collecting duties and taxes, which represent about 50 percent of annual fiscal revenues. The trade facilitation mission is generally accorded low priority. However, a strategy for the modernization and reinforcement of the capacity of the customs administration, adopted in 2006, recognizes the need for reform in this direction. It is important that it be implemented.

29. Informal sector forwarding agents deal in cash, paying customs invoices on the spot, whereas accredited agents rely on a deferred payment facility through the *Crédit d'Enlèvement*. Because of this direct monetary relationship, these "mobile agents" seem to be more "competitive" than authorized operators are, but are also more susceptible to fraud. A system for accrediting agents should be introduced to stop informal practices and raise standards.

30. Tax evasion is especially common in the border region with Nigeria. At present, the monitoring of borders between control posts remains an illusion. Lack of border control is compensated by excessive checks on the main highways. There is no real strategy for combating fraud. The absence of mechanisms for research, analysis, and dissemination of information, as well as the inadequacy of sanctions in the rare cases where evasion is detected, promote and strengthen possibilities for fraud.

31. The objectives of the pre-shipment inspection firm should evolve such that the control of declared values should focus primarily on the authenticity of the invoices produced. Customs should reclaim its responsibility to control import values. Future collaboration between the inspection firm and customs should be oriented towards technical cooperation for capacity-building.

32. Some amount of corruption appears to be tolerated and “silence” on some unlawful practices is easily observed. The payment required for “Extra Legal Labor”, even when it is provided during office hours, is only one example. The need to maintain the possibility of seeking personal gain justifies the physical and full inspection of all shipments and discourages the introduction of selective controls. ***As long as corruption is not addressed, measures that are indispensable for facilitating trade and improving the performance of customs will have little chance of being implemented.***

Transport

33. As a land-locked country, Niger’s competitiveness very much depends on transport costs, in the broad sense of the word – the price, quality of service, delays, and reliability. This is obvious for exports, but it also applies to imports, since the cost of imported inputs influence the price of exports, and of products sold on the domestic market. The cost of land transport towards the coast is not high in Niger, but the quality of the service presents major problems. The service is dominated by the informal sector, which uses old overloaded and inefficient trucks. The sector needs important reforms to modernize it.

34. Opening up access by land to Niger involves the use of four main corridors. The Cotonou Corridor, both road and rail, is Niger’s historic corridor and remains the most important one. Meanwhile, the Ghana corridor has developed considerably, thanks in part to less restrictive regulations, including the absence of the queuing system (*tour de role*). In contrast, in Benin, all transport providers have had to queue up at the end of the railway in Parakou, Benin, or if they have obtained an exemption from the *Organisation Commune Bénin Niger* (OCBN), in Cotonou. The Government of Niger renounced this practice in February 2007, thus taking an important step forward. However, because this practice is convenient for many of the members of the union of transporters, who would not be competitive otherwise, it is likely to continue. The union is able to impose the rotation approach because of the monopoly enjoyed by the OCBN. This monopoly will have to be eliminated to foster competition and to allow more competitive firms to establish relationships with shippers, increase the frequency of their activities, and thereby justify investment in new trucks.

35. ***Institutional mechanisms are less and less effective in protecting Niger’s small truckers. However, they have prevented market forces from effectively playing their role***—that is, to push out non-competitive truckers from the market and encourage the most efficient ones to expand. Compensation may be necessary to encourage small non-competitive truckers to finally withdraw and develop other activities.

36. Road infrastructure suffers from a lack of financing for routine maintenance and the overloading of trucks. A road fund (*CAFER*) has been established, but year in year out, its resources continue

to be inadequate in spite of government commitments. The impact of an increase in toll charges should be examined. Controlling overloading will be difficult as long as the incentives remain the same, and will depend finally on the transformation of the sector towards modern firms. Meanwhile, the introduction of dynamic weighbridges will provide useful information on the scope of the problem.

37. The sector has been characterized by crisis management. It should advance to a more proactive phase in which changes in the sector are planned and an attempt is made to pre-empt problems. Road transport consultation bodies should be set up to create and sustain a partnership between the various stakeholders.

Agro-silviculture: Five Key Sub-Sectors

38. The Action Plan of the Rural Development Strategy identifies the strengthening of professional organizations and important supply chains as its third key program. The DTIS responds directly to this program and outlines priority actions to meet its objectives. It draws on the Agro-pastoral Export Promotion Project which identified five priority sub-sectors in agrosilviculture: onions, cowpeas (niébé), sesame, souchet, and gum arabic. These remain legitimate choices and should be the focus of government support in the near future. At US\$84 million, onions account for 50 percent of the value of the exports of these five sub-sectors; and cowpeas (at US\$68 million) account for another 30-40 percent. The other three sub-sectors are small but have substantial potential to expand (notably sesame). *The onion and cowpea sub-sectors offer the best growth potential in terms of export receipts and revenues.* In ten years time, annual exports could reach US\$264 million for onions and US\$136 million for cowpeas.

39. **Onions:** Onion production over the past 45 years has increased tenfold and now stands at 270,000 tons per year. While the bulk of onion production occurs in the dry season, Niger should be able to market and export significant quantities of onions almost year round, thanks to the expansion of production zones, greater use of irrigation, and advances in storage.

40. The most binding constraints to onion sub-sector exports in Niger seem to be the improvement of storage at different levels and the overall organization of information and the supply of onions in marketing channels. Post-harvest losses are estimated at more than 30 percent. Onion price increases are often in the order of 300-400 percent over the year, depending on time elapsed since the harvest period. This problem is also related to the larger question of managing supply and market information in the distribution channels. Other investments are also necessary at all levels of this sub-sector, notably in the provision of seeds and the more effective use of off-season irrigation.

41. **Cowpea:** Niger is one of the major cowpea producers in the region. Fifty to 75 percent of Niger's cowpea production is exported to Nigeria, mostly on an informal basis. The expansion in production has occurred largely through expansion of the cultivated area since yields have remained stable. Cowpea storage remains a problem, although a number of well-known methods exist. Cowpea production and exports would benefit from (i) a pilot project to increase cowpea yields and change agricultural practices; (ii) market studies to increase knowledge of the potential for selling beyond Nigeria, and (iii) development of cowpea couscous and other potential transformations.

42. **Sesame:** Annual production of sesame in Niger is estimated at less than 5,000 tons. World trade is 100 times more and growing. Japan and Korea are the main importers, accounting for close to half of total imports. Niger could increase its market share if it produced products that meet buyer quality requirements, at a competitive price. A strategy to develop the full potential of sesame involves (i) improving quality and productivity; (ii) supporting inter-professional

organizations in the sub-sector; (iii) preparing an “Asia Strategy”; and (iv) providing incentives for a larger operator to play a “sub-sector leader” role.

43. **Souchet:** Exports vary between 3,000 and 14,000 tons. Informal exports go to sub-regional markets and formal exports to Spain. Harvesting produces large clouds of dust, which are felt to have negative health impacts. The digging up of the soil is also felt to de-structure the soil. Longer-term sustainable production requires the use of substantial quantities of fertilizer and organic matter. The development of souchet as an export crop involves (i) experimentation with production methods that are more sustainable in the long term; (b) better knowledge of national and sub-regional markets; and (iii) the exploration of alternative international markets apart from Spain.

44. **Gum arabic:** Niger has a long history of gum arabic exports. The sector was revitalized by a private operator, ASI, which gets its supplies from a network of 6,000 rural families in Niger. Exports currently stand at between 1,500 and 2,000 tons. An unknown volume of informal exports goes to Nigeria. There are over 160,000 hectares of naturally occurring or planted gum trees. If the existing gum arabic stands were rehabilitated and better managed, over 10,000 tons of gum could be harvested from these areas in 5-7 years. The cost of new gum tree plantations is being defrayed by ‘carbon credits’.

45. Attention must be paid to a number of crosscutting issues to promote exports of agro-silviculture products. First, “rural support” institutions must be revitalized, in particular, MDA local extension services and its central support divisions. Second, rural credit should be developed. The rural credit situation is worse in Niger than in other Sahelian countries. Third, special attention should be paid to crop marketing, in particular, for export products. All firms involved in international marketing will improve their performance by incorporating modern management methods and having better knowledge of markets, as well as being able to acquire needed capital from the banking sector. Fourth, the supply of seeds, fertilizer, and pesticides requires special attention. Fifth, the country’s considerable potential for irrigation needs to be promoted with the help of sustainable and profitable institutional models which still need to be developed. Improvements in these cross-cutting areas will serve all of the key sub-sectors as well as some promising, smaller horticultural crops such as garlic and sweet peppers.

Livestock and Animal Products

46. Naturally, the Rural Development Strategy considers the animal sub-sectors as high priorities. At the last animal population count in 2006, Niger had 7.3 million heads of cattle, 9.2 million sheep, and 11.2 million goats. The potential for meat production in Niger is high because the livestock herd is large and the quantity of meat per carcass is relatively high compared to other countries in the region. Exports to Nigeria account for more than 90 percent of overall livestock exports. The value of live animal exports could increase from about CFAF 70 billion in 2006 to CFAF 105 billion in ten years, if several reforms are adopted.

47. Practically no meat is exported from Niger, except for a few tons exported by private operators to Côte d’Ivoire, Morocco, and Gabon. Nigeria prohibits red meat imports, because of its desire to supply its own slaughterhouses with live animals and to develop its network of tanneries in the north. Solving this problem is critical as it will allow Niger to add value to its livestock and promote the export of hides and skins. To overcome obstacles to meat exports to Nigeria, Niger should undertake strong “political” action at the highest level in both countries, drawing on regional agreements (ECOWAS), and encourage foreign investment in the sector by Nigerians.

48. The major constraints to increasing herd sizes and improving productivity include (1) the extensive exploitation of natural resources without recourse to veterinary and other inputs; (2) a feed balance deficit 3 years out of 5 and low availability of agricultural and industrial by-products; (3) the low off-take rate (9-11 percent for cattle). *The immediate priority should be to address these constraints, thereby enhancing live animal exports while preparing the way for a gradual move into meat exports.*

49. The most restrictive factor of production is hay and livestock feed. For the regions best suited to the development of intensive livestock breeding, it is necessary to encourage timely harvesting and preservation of natural or cultivated fodder to resolve feeding issues during the dry season. The promotion of semi-intensive systems (such as mini-farms) must go hand in hand with the sustainable development of private livestock feed production, which would complement traditional food sources. The decline of the livestock feed production sector in Niger is attributed to the disorganization and the lack of professionalism in the sector.

50. In addition to obstacles imposed by Nigeria, meat exports are constrained by: (a) a lack of proper infrastructure, notably a slaughterhouse that meets international hygiene standards; (b) the magnitude of clandestine informal slaughtering, which hampers the development of the structured sector; (c) the absence of modern and organized groups with adequate financial resources to finance marketing campaigns and transportation; and (d) high transport costs. Meat from Niger seems to be less competitive than live animals in the sub-regional market, but this can be improved. There is no recent cost-benefit analysis to establish the cost structure of the supply chain and document the profitability of meat shipments to coastal markets.

51. Exporting meat requires more professionalism than exporting live animals. The livestock-meat sector requires operators capable of playing a major role in the development of exports – real professionals with human (marketing, contract management), financial, and material resources to duly execute contracts.

52. The construction of the new slaughterhouse in Niamey (capacity of 20,000 tons), and the establishment of the Niger Slaughterhouse Company should draw lessons from the current situation of slaughterhouses and from the experience of the former SONERAN. Based on these lessons, it is suggested that private management be made responsible for organizing the sector, from the collection of animals, to the marketing of meat and export shipments.

53. **Hides and Skins.** Global demand for skins in the “Wet Blue” stage is sustained and expanding, and the skin of the Maradi red goat is much appreciated. However, tanneries in Niamey, Zinder, and Maradi have closed, and the sector has been reduced to the collection and export of raw materials by informal operators, except for one private tannery in Zinder. There is strong competition from tanneries in the north of Nigeria, which import a lot of raw hides and skins and benefit from the high volume of live animals slaughtered locally.

54. Exports of semi-processed hides will depend in part on exports of meat, and thus on slaughtering in Niger. The chances of achieving a satisfactory supply of hides and skins, in terms of quality and quantity, would be greater if meat buyers, animal fatteners, modern slaughterhouses and tanneries collaborated to define and satisfy their complementary needs. A program to certify collectors would address the current competition which risks undermining the system of advanced payments by tanneries.

Mining

55. Niger is the world's third largest exporter of uranium; it also exports significant quantities of gold. These two products account for about 40 percent of Niger's export receipts. In 2006, the sector already accounted for up to 6 percent of government receipts thanks to mining royalties, taxes on business profits, and the dividends accruing to the state as a shareholder in mining companies.

56. In addition to the industrial mining sector, there is an artisanal sector, which exports and contributes much less to tax revenues but has a more significant direct impact on employment. The number of artisanal miners is estimated at 400,000, of whom about 39,000 are gold miners who produce for export. Taking into account their dependents, the population living on gold mining activities can be estimated at between 80,000 and 120,000.

57. Recently, there was a sharp rise in uranium prices thanks to the renewed interest in nuclear energy following the dramatic increase in hydrocarbon prices. Existing mines will increase production and two new mines will enter production by 2012. The total value of uranium exports could increase from CFAF 80 billion in 2006 to CFAF 400-500 billion by 2014. ***Good management and use of government revenues will become one of the most important challenges for the Niger government in the near future.*** The adoption of the Extractive Industries Transparency Initiative is a good start, but it will need to be fully implemented, including the establishment of an ethics committee, involving civil society.

58. The value of industrial gold production is estimated at CFAF 31 billion in 2007. Artisanal production stands at CFAF 10 billion but can reach CFAF 21 billion if measures are undertaken to increase the gold recovery rate. It would also be important to reduce fraud, preserve the health of small-scale miners and protect the environment from pollution by chemical products.

59. Given the number of people involved and the level of poverty affecting them, some measures should be taken to support artisanal miners. These include (i) evaluating mineral reserves; (ii) organizing artisanal miners into groups or cooperatives; (iii) providing support by making available tools and equipment; (iv) training local companies to manufacture processing units; (v) experimenting with the processing of cassiterite in order to export tin; (vi) finding markets for gypsum and cassiterite; and (vii) providing health and education services.

Tourism

60. Niger has a wealth of historical, cultural, and natural resources. The two main destinations are Agadez, for adventure and cultural tourism, and "the river", anchored by Niamey and the Park W. Total arrivals were estimated at 66,000 in 2006, but the number of recreational tourists is much lower. In the nineties, before the rebellion, Agadez used to receive about 15,000 tourists per year, but the recent disturbances in the north will certainly delay a return to such levels. There are only three or four hotels in Niamey of truly international standard, as well as one in Park W and another in Agadez. Hotel classifications are not rigorously applied, but the issue is currently being examined.

61. A major sector strategy was proposed by the MTA; however, in the absence of funding, it was not pursued. It would be useful to revisit the proposal and start with a less ambitious approach that is focused on two or three regions with recognized tourist potential. This would involve (i) surveys to prepare a profile of the tourist sector; (ii) an inventory of tourist assets in the priority areas; (iii) identification of the major constraints; and (iv) redefinition of the institutional framework in light of the winners and losers among the stakeholders.

62. Recommendations should be limited in number, proportional to likely available human and financial resources. The main themes covered should include the development of quality products,

the definition of a brand image for the country, the promotion of private investments, taxation policy, infrastructure in Agadez, training of personnel, and the protection of natural and cultural assets. ***The return of security in the Agadez area remains fundamental to the development of tourism.***

63. **The art handicrafts sub-sector** is very small in terms of foreign exchange earnings, but its impact on employment is considerable, with an estimated 42,000 people deriving part or all of their income from the production of handicrafts. The sector has benefited from an important program of support, but a critical factor is missing: a marketing intermediary, capable of linking a large network of crafts producers with a demanding and evolving export market, obtaining banking credit and raw materials from abroad, and providing the artisans with advance payments. Such a business capacity could be created by attracting one or more strategic investors, or, alternatively, it could be incorporated into the existing GIE-DANI structure, in which case a fundamental organizational overhaul would be called for to make the venture more business-oriented.

Priority Action Matrix
(see Annex 1 for a more detailed matrix; see French version of DTIS for official version of matrix)

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
Trade Policy				
Improve trade policy capacity	Build and maintain an accurate and up-to-date external trade data base	MCIN, ME/IA, BCEAO, MDA, etc.	2009-2013	One accurate database is available and maintained, with input from all relevant ministries.
	Improve the capacity of MCIN to define and implement a trade policy through staff training, new recruitment and equipment	MCIN, concerned parties	2009-2013	Staff trained, new staff hired, more computers, better internet access
Improve export promotion policies and instruments	Define Niger's room to maneuver with Nigeria; Update existing studies on trade ties with Nigeria; Negotiate to open Nigerian market for meat, and ensure free trade in cereals	MCIN, CNIP, ANIPEX, MEF	2009-2011	Strategy completed for Nigeria; Barriers to meat exports and cereal imports are lifted
	Reduce number of documents required to import from 10 to 7 and for exports from 8 to 6; reduce costs and delays; simplify procedures.	MCIN, MEF, CCAIAN, CNUT	2009-2012	Number of documents reduced to 7 (imports) and 6 (exports).
Prepare a national policy for trade development	Conduct a study based on existing ones, covering overall trade policy and the current state of trade; develop a medium-term action plan for all aspects of trade development, including trade in services and institutional support (information, training, equipment); outline an institutional capacity-building program for both the public and private sectors. Develop a medium term expenditure framework	MCIN, MEF, MT/AC, CCAIAN, other concerned parties	2009	Document prepared, with action plan and program of institutional support; policy adopted; MTEF finalized.
			2010	
Improve product quality through adherence to standards	Construct and equip facilities for the Agency for standards certification; provide laboratories for testing, analysis and inspection; provide equipment for metrology and certification; train and sensitize on hygiene and quality standards; put in place a system for certification of conformity; make available international standards.	MCIN, AVCN	2009-2013	Agency operational; amount of equipment acquired; number of persons trained; number of firms certified.
Investment Climate				
Improve the policy and regulatory environment	Provide technical assistance to help CNIP adopt and implement an annual work program which includes external trade	CNIP	2009-2013	2 Doing Business indicators improve each year, including trading across borders
Improve the effectiveness of business support structures	Streamline CCAIAN functions; Evaluate the alternative of creating a separate business center encompassing all the current business technical support	CCAIAN, MCIN	2010-2012	The image of the CCAIAN is improved; Business support services are better coordinated.
	Provide support in the form of technical assistance to ANIPEX	ANIPEX, Exporters, MCIN, MEF, CCAIAN	2010-2011	ANIPEX membership dues growing strongly.
Attract strategic investors	Conduct an institutional audit of the CPI; reinforce it with international	CCAIAN, Primature,	2010-2011	Institutional audit conducted.

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
	expertise	CNIP, MCIN, CPI		
Improve the skills of the labor force in the private sector	Assess the need for and supply of training services; Conduct a feasibility study on public-private partnerships in technical and vocational training and in management; Develop a multimodal program for skills development	CCAIAN, Ministry of Professional and Technical Training, CNIP	2010-2011	Study conducted and program developed and implemented; 2-3 new public-private training centers created
Strengthen land reform	Create the remaining regional land commissions; provide technical assistance to help develop a comprehensive inventory of properties and property owners; reform and strengthen the national committee on rural codes; establish an effective relationship between the Committee and CPI	SP/code rural, MDA, CNIP, CPI	2009-2011	All regional commissions created ; complete inventory available ; rural private investment growing
Taxation				
Increase tax revenues	Accelerate tax administration reform through the implementation of an integrated strategic plan; and reduce exemptions	MEF, CNIP,	2009-2013	Tax/GDP ratio has increased to 14%
Increase the incentive to invest	Put in place a tax audit strategy that eliminates the multiplicity of controls and establishes a consistent procedure for selecting files to be audited based on objective criteria	MEF	2010-2011	Number of controls reduced; tax audit strategy operational.
	Increase staffing in DGI		2010-2011	DGI staff increased by 25%
	Strengthen DGD, DGI information technology systems and their interface, to reduce tax evasion.	MEF, CNIP, CCAIAN	2009-2011	Several large informal importers become registered and taxed.
Finance				
Facilitate access to credit for agriculture and livestock activities	Create a matching grant fund to prepare credit applications, and special units within producers' associations in order to structure credit requests	MEF, MCIN, CNIP, ANIPEX, Banks, MDA, ME/IA	2010-2011	Funds created; number of beneficiaries increased
Implement a national microfinance strategy	Strengthen supervision of MFIs; introduce a system of partial credit guarantees; create a common fund to harmonize financial support from different partners.	MEF, networks of microfinance	2010-2011	Common fund created, supported by several donors
Customs				
Facilitate and secure transit trade	Implement the TRIE and TIE transit regimes; Certify vehicles and containers and eliminate escorts for those approved ; Set conditions for use of TRIE carnet; Certify guarantee associations; Define transit modalities	MEF, Customs, MT/AC	2009-2010	Legislation revised ; Instructions and training provided to customs services and professional associations of operators
Strengthen the customs clearance process	Restrict the persons able to clear goods to certified forwarding agents ; define the conditions for certification ; put in place a disciplinary board for cases of misconduct ;	MEF, Certified Operators	2010-2011	Legal framework in place; Create a commission for certification and sanctions
Combat fraud	Increase collaboration with DGI to bring large informal traders into the formal sector.	MEF (DGD, DGI)	2009-2011	5 large traders registered and paying taxes
Combat corruption	Define responsibilities at all levels; Provide continuous training ;	MEF (DGD, DGI)	2009-2013	Training and controls in place ;

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
	program annual controls at all levels ; Analysis by Director General of infractions and appropriate measures taken			corruption diminished (private sector surveys).
Transport				
Modernize transport services between Niger and the ports	Involve all stakeholders in a dialogue on the end of the queuing system and the supporting measures to be taken, including possible compensation for those forced to withdraw	MTAC, SNTMN, CNUT, OCBN, CCAIAN, port of Cotonou, Gvt du Benin, WAEMU	2009	Queuing no longer exists
	End the OCBN monopoly as well as the rule for distributing cargo between operators from Niger and Bénin		2009-2010	OCBN monopoly ended and cargo sharing no longer applied
Reinforce road maintenance	Evaluate the impact of an increase in the highway toll;	<u>CAFER</u>	2009-2011	Study done and toll increased
	Increase the budget contributions to the road fund (CAFER)	<u>MEF</u> , CAFER, ME	2009-2013	Budget contribution to CAFER increased each year
Agriculture				
Clarify the strategy of the State for export promotion	Develop a Strategic Plan for agricultural export promotion to mobilize the resources (financial, personnel) of the state and private sectors, defining their respective roles.	<u>MCIN</u> , MDA, SDR, ANIPEX, sector stakeholders	2010	Plan developed with stakeholders and validated.
Improve access to finance	Develop concrete plan and begin operations of a national mechanism for medium and long term rural credit, avoiding duplication of actions of MFIs and private banks	MEF, MDA, ANIPEX, banks, MFIs	2009-2013	A financing mechanism in place; access to credit improved.
Improve market intelligence	Conduct market intelligence studies; train personnel from exporting firms; link price collection efforts to studies and encourage collaboration with regional MIS projects	<u>MDA</u> , ANIPEX, commodity associations	2009-2013	Improved, recurrent data collection systems in place.
Promote stronger export firms	Create a program for the promotion of agricultural export partnerships and a “business incubator” program for increasing the size and capacity of local firms.	<u>MDA</u> , MCIN, CCAIAN, CNIP, ANIPEX, foreign and domestic firms	2009-2013	Multi-donor program studied, designed, and implemented
Improve onion storage	Fund INRAN and ANFO to conduct research on large scale and local onion storage; fund demonstration models of latter	<u>INRAN</u> , ANFO, onion traders	2009-2011	Pilot storage units assessed, and results extended to ANFO, others
Improve marketing of onions	Assess Tsernaoua experience with ‘comptoir commerciale’ and recommend improvements in the model (in pricing, governance, storage, market organization); put in place a system of warehouse receipts.	<u>MDA</u> , MCIN, ANFO, ADIDB, RECA, CORFO	2009-2010	Assessment completed with recommendations; validated with stakeholders
	Organize country-specific market studies in the coastal target countries, and ensure follow up price/ volume data collection	<u>MCIN</u> , MDA, ANFO, marketing firms	2010-2011	Initial study completed and permanent system in place
Increase cowpea yields and change farming system	Develop phased plan: (1) program design (6 months); (2) pilot phase (2 yrs); (3) expansion phase (2 yrs) – emphasis on integrated pest management	<u>ICRISAT</u> , MDA, INRAN, RECA	2009-2013	Plan prepared and implemented; yields increased, pests better managed.

Improve marketing of sesame	Develop an “Asia Strategy” and promote partnership between a foreign and local firm to create an industry leader	<u>MCIN</u> , MDA, CCAIAN	2010-2011	Strategy developed with Asian partners, industry leader emerged
Develop a long-term sustainable approach to souchet production	Experiment with different approaches to cultivation and harvest at station and farmers’ fields.	<u>Association of producers</u> , INRAN, MDA	2009-2011	Clear definition of problems and potential solutions identified
Plan gum Arabic expansion	Define strategy, introduce high-yielding varieties; review logistical organization; evaluate and expand PAC program	<u>MELCD</u> , ASI, producers association	2010-2011	Strategy clearly defined
Identify horticultural export crops to promote in the sub-region	Develop plan in the context of overall strategy for agricultural exports, notably for sweet peppers.	<u>MDA</u> , ANIPEX, regional stakeholders	2010-2011	Concrete action plan in place
Livestock and Animal Products				
Intensify production systems	Secure transhumance by developing large pastures; Encourage fodder/feed production, and develop an efficient distribution strategy to increase their use by agro-pastoralists; Promote small-scale livestock fattening farms; Evaluate options for creating a few private ranches out of the state-owned ranches.	<u>ME/IA</u> , MDA, the Rural Code, RECA	2009-2013	An increase in animal production in semi-intensive systems and regular supply of animals suitable for meat production.
Promote hides and skins exports	Establish a class of certified collectors of hides and skins to reduce risks associated with pre-financing by tanneries.	<u>ME/IA</u> , CCAIAN, RECA	2009-2011	Pre-financing system working smoothly.
Ensure sustainable production and gradual increase of meat exports	Ensure private management of new Niamey slaughter-house; Conduct rigorous studies of meat markets and their segmentation, in potential export countries; create a market information system; negotiate opening of Nigerian market	<u>ME/IA</u> , MCIN, MEF, CCAIAN, RECA	2009-2012	Meat exports have begun
Mines				
Improve the management of revenues	Apply the EITI with regular reports on payments received and their utilization, with participation by civil society	<u>MME</u> , MEF, civil society	2009-2013	EITI reports published annually, independent audits conducted
	Conduct a study on the implications of the mining boom; develop a strategy.	<u>MME</u> , MEF	2009-2010	Study completed, strategy adopted.
Revise legislation and regulations	Revise and combine Ordonances and Laws	<u>MME</u>	2010	A single mining code is prepared and available on Internet
	Reduce the time required to obtain industrial mining titles and adapt the mining convention to cover research permits	<u>MME</u>	2010	Time required reduced to 1-3 months ; number of mining titles issued per year increased
Reinforce capacity of the Administration	Train officers in mining regulation and computers	<u>MME</u> , MFP/T	2010-2013	60 mining officers trained
	Reinforce supervisory and control units with necessary equipment	<u>MME</u>	2010-2011	Several services equipped with vehicles, computers and other equipment
	Put in place a mining cadastre	<u>MME</u> , MH	2010-2011	Easy access to mining information on the Internet
	Organize mining promotion days	<u>MME</u>	2009-2010	2 national mining days and 1 international day organized

Support to small-scale mining	Conduct a study to identify mining sites to support : 10 gold mining sites, 5 for cassiterite, 5 for gypsum, 5 for salt	<u>MME</u> , mining companies, investors	2010-2011	Geological and mining data available for selected sites
	Select and train local SMEs to fabricate equipment for more efficient gold treatment	<u>MME</u> , MFP	2010	5 SMEs trained, 10 sites equipped. Gold production increased
	Provide equipment to sites for gold, salt, gypsum and cassiterite	<u>MME</u>	2010-2011	Production increased at these sites
Tourism and Handicraft Art				
Prepare a vision and an action plan for tourism	Evaluate the current statistics system, launch surveys on supply capacity and tourist expenditures	<u>MTA</u> , BCEAO, INS, MID/SP	2009-2010	Studies conducted
	Prepare strategy and launch public-private dialogue ; Identify priority zones, prepare action plans for these zones, plus feasibility studies	<u>MTA</u> , CNPT, with private sector	2009-2010	Strategy completed and validated by stakeholders ; action plans available
Improve tourism product	Select key products and identify main constraints ; Develop new products with tour operators	<u>MTA</u> , CNPT, private sector	2009-2013	3 new products developed
Promote artisanal art exports	Improve the quality and marketing of artisanal art ; Restructure the GIE-DANI and transfer to private management ; Attract strategic investors	<u>MTA</u>	2010-2011	Value of artisanal art exports increased; GIE-DANI management privatized
	Upgrade artisanal tanneries to improve quality of leather; Develop new designs and techniques for handicraft artisans	<u>Centre des Métiers du Cuir</u> , MCIN, <u>MTA</u> , GIE-DANI	2010-2012	Exports of artisanal leather products doubled.

1. MACROECONOMIC ENVIRONMENT

BACKGROUND

1.1 Niger, with a population of about 13 million inhabitants and a per capita GDP of \$280, is one of the poorest countries in the world, and ranks 174th in the 2006 United Nations Human Development Index out of 177 countries. Over the last quarter of a century, GDP per capita tended to decline; only in recent years has the trend been reversed.

1.2 Niger remains an agrarian country, with 85 percent of the population engaged in the primary sector. Traditional farming, livestock-raising, forestry and fishing account for 40 percent of GDP; the traditional sector as a whole (which includes informal trade as well as artisan manufacturing and mining activities) represents about 75 percent of total GDP. The modern sector accounts for only a quarter of GDP, of which 6 percent is mining and only 7 percent, manufacturing. Niger's comparative advantage clearly lies in its natural resources. The main export product is uranium, followed by cattle, onions, cowpeas and gold; together, these five products account for 75 percent of Niger's exports of goods. Its main service export, tourism, also depends on the country's natural resources.

GROWTH AND STRUCTURE OF THE ECONOMY

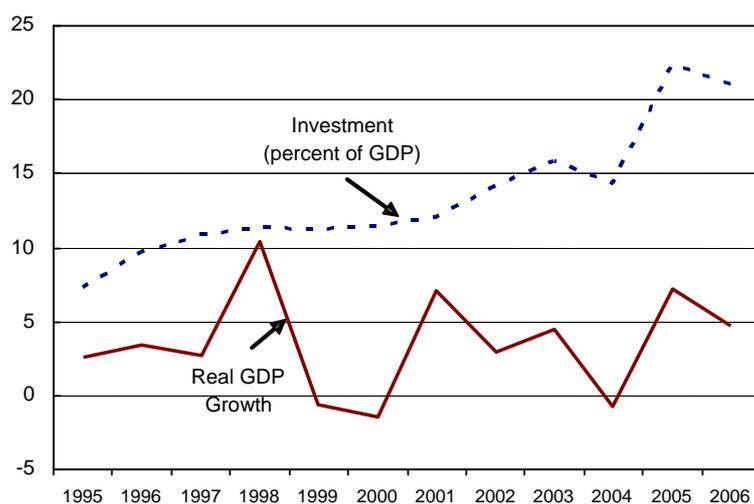
1.3 In the mid-70s, the oil shock created a very favorable environment for countries that were able to provide substitutes to petroleum as a source of energy. Niger, a producer of uranium since 1971, benefited from a sharp increase in the price of uranium and was able at the same time to expand production. From 1975 to 1982, the uranium boom triggered rapid growth (about 7.5 percent on average, well above the rate of growth of the population), large government revenue and outlays, and external borrowing underpinned by a favorable assessment of Niger's creditworthiness. However, the boom was short-lived; the sharp drop in the price of uranium and the resulting deterioration of the terms of trade triggered a long period of stagnation characterized by reduced exports earnings, slowing investment, and a weakening financial sector. Limited policy adjustment to the terms of trade shock, the overvaluation of the CFA franc, and political instability worsened the situation. On average, over the 1983-93 period, real per capita GDP declined by 3.4 percent a year.²

1.4 In 1994, together with the other countries of the Franc Zone in Africa, the authorities initiated a number of reforms to tackle the economic imbalances. The measures included a devaluation of the CFA franc and measures to improve the supply response through a progressive liberalization of the economy. Key reforms included the reduction of the tariff and the establishment of a new common external tariff (jointly with the other countries of the West African Economic and Monetary Union), the elimination of licensing requirements for exports and imports (except for petroleum products), the reduction of price control measures, the disengagement of the State from the banking system, the privatization of a number of public enterprises (implemented with much delays), and efforts to modernize the tax system, tax administration, and the management of public finances. Furthermore, the political environment improved progressively, with the signature of a peace accord ending the Touareg rebellion in 1995 and the first democratic elections in 1999. Nevertheless, episodes of drought continued to buffet the economy and recurrent political instability hindered rapid progress in the

² Niger, Selected Issues and Statistical Appendix, December 2006.

implementation of economic reforms; on average per capita real GDP continued to decline over the period 1995-2000, albeit at a reduced rate. Thereafter, however, the trend reversed, and real GDP per capita over 2001-06 grew on average by over 1 percent annually, in spite of the major drought of 2004. This period is characterized by a steady increase of the share of investment in GDP, which doubled over the last ten years to reach 21 percent in 2006.

Figure 1.1 : Growth and Investment, 1995-2006



Source: IMF

Table 1.1 : Niger – Decomposition of GDP and growth performance by sector

	Share in GDP (2006)	Real annual growth average (1997 to 2006)	Average contribution to annual GDP growth (1997 to 2006)
Rural sector	39.8	3.8	1.5
Agriculture	21.8	4.1	0.9
Livestock	12.5	2.4	0.3
Fishing and forestry	5.5	6.2	0.3
Mining	6.3	2.1	0.1
Industrial sector	10.7	3.8	0.4
Manufacturing and handicrafts	6.3	3.2	0.2
Electricity, gas and water	2.4	3.8	0.1
Construction and public work	2.1	5.5	0.1
Tertiary sector	40.4	3.5	1.4
Commerce	18.5	4.4	0.8
Transport and communication	5.4	5.1	0.3
Other services	10.2	3.6	0.4
Government	6.4	-0.4	0.0
Import taxes and duties	2.8	7.3	0.2
GDP at market prices	100.0	3.6	3.6
Modern sector	25.4	2.9	0.7
Traditional sector	74.6	3.8	2.9

Source: IMF and World Bank

1.5 At the sectoral level, the main sources of growth since 1997 have been agriculture and trade, which have contributed 0.9 percent and 0.8 percent respectively to the average rate of annual growth of 3.6 percent (see Table 1-1). This reflects their relative size and their reasonable rates of growth. However, no sector has experienced growth above 6.5 percent per annum and growth has been fairly evenly distributed. Thus the overall structure of value added has remained fairly stable. In 2006, the primary sector represented 40 percent of GDP, the secondary sector (including mines), 17 percent, and the tertiary sector, including government, 40 percent.

MACROECONOMIC MANAGEMENT

1.6 **Inflation and monetary policy:** At 2.1 percent per year on average over the past 10 years to 2006, inflation is low, suggesting a prudent management of monetary policy by the regional central bank common to the countries of the West African Economic and Monetary Union (the WAEMU money stock grew by an annual average of 7.8 percent over the same period).³ Nevertheless, the inflation rate is relatively volatile, the disruptions of food supplies caused by droughts typically leading to higher prices, followed by price reductions with the next successful harvest.

1.7 **Public finances.** Niger is extremely dependent on external aid to finance government expenditures. The overall fiscal balance (on a commitment basis), which takes into account all expenditures including those that are externally financed, averaged a deficit of 8.6 percent of GDP over the ten-year period. This deficit (which represents 46 percent of total expenditures on average) is financed almost entirely by external grants or loans.⁴ Over the decade, the externally-financed expenditures (which account for the difference between the basic fiscal deficit and the overall balance) averaged 5.6 percent of GDP (and were clearly higher in the second half of the period); of these externally-financed expenditures, over one half were financed through grants. Niger's basic fiscal balance (which excludes foreign-financed investment) hovered around an average deficit of 3 percent of GDP, with relatively modest fluctuations and no discernable trend; however, 2006 was characterized by a small surplus, arising from exceptional non-tax revenues related to a mining concession.⁵ 2007 appears to have registered only a modest deficit of 0.9 percent.

1.8 **Revenue.** Over the past 10 years, government revenue averaged only 10 percent of GDP, by far the lowest ratio in the WAEMU. Of the total tax revenue (9.1 percent of GDP on average over 1997-2006), more than one half corresponds to taxes on international trade (essentially customs levies and value added taxes on imports), the balance coming mainly from indirect domestic taxes and income taxes (see Table 1-2).⁶ Although very low, the tax revenue is on an upward trend, with progress recorded on all three major tax categories, but particularly in the area

³ The inflation rate was 36.04 percent in 1994, following the devaluation of the CFA franc in January of that year. The CFA franc was devalued by 50 percent relative to the French Franc (a doubling of the price of foreign currency).

⁴ External financing takes the form of budgetary support or project financing. Budgetary support, used to finance the basic budget, amounted on average to 2.9 percent of GDP over the decade. In addition, in 2006, Niger benefited from debt cancellation under the Multilateral Debt Relief Initiative (MDRI), amounting to 41 percent of GDP.

⁵ The basic fiscal balance is defined as total revenue minus total expenditures and net lending other than foreign-financed expenditures (i.e., projects financed by external grants or loans).

⁶ Various fiscal levies which do not fall in these three categories account for about 5 percent of the total.

of domestic indirect taxes.⁷ This reflects the progressive strengthening of the tax and customs administrations and greater collection efforts. Looking ahead, the trend towards higher prices for uranium and the expected expansion of the mining sector could yield substantial increases in government revenue in the years to come.

1.9 Niger has one of the lowest tax revenue-to-GDP ratios in sub-Saharan Africa and the lowest in WAEMU. With a tax/GDP ratio of 10.8 percent in 2005, Niger was far below the WAEMU objective of 17 percent of GDP and well below the performance of its WAEMU neighbors (see Table 1-2). This ratio improved in 2006 and 2007 but was still expected to be only 12.8 percent of GDP in 2008. This poor fiscal performance undermines the state's capacity to support the delivery of basic public services. This is even more worrisome when one takes into account the impact of free trade agreements that entail the elimination of customs duties within ECOWAS, but also in the context of the implementation of an Economic Partnership Agreement (EPA) with the European Union (see Chapter 2).

1.10 If Niger achieved the target of 17 percent of GDP, which is well within its reach, its tax revenues would increase from CFAF 204 billion to CFAF 325 billion, based on 2006 revenue and GDP forecasts. This low tax ratio is not due to low tax rates, but to the poor performance of the tax administration, widespread informal trade, and a narrow tax base.⁸

Table 1.2 : Tax revenues/GDP: Niger and other WAEMU countries (%)

Country	2003	2004	2005
Niger	10.6	11.4	10.8
Burkina Faso	11.0	12.0	12.5
WAEMU, average	14.6	15.1	14.9
Mali	14.2	15.4	15.8
Senegal	18.2	18.4	18.4

Source : IMF; WAEMU

1.11 **Public expenditures and public financial management.** Over the past 10 years, public expenditures averaged 18.6 percent of GDP. Current expenditures averaged 10.9 percent of GDP and capital expenditures 7.8 percent. The composition of expenditures changed markedly over the past decade. Current expenditures tended to decline, both as a share of GDP and as a share of total expenditures, while capital expenditures increased. From about 30 percent of total expenditures in 1997, capital expenditures amounted to over one half of the total in the past two years.⁹ Among the current expenditures, the categories that declined the most are expenditures on goods and services and interest payments.¹⁰ The wage bill (as a share of GDP) also declined marginally, while transfers and subsidies tended to increase somewhat.

1.12 These trends bring into focus the issue of the recurrent costs associated with the increase in capital expenditures: to the extent that the efficient use of capital requires sufficient inputs (manpower, supplies), the increase in capital expenditures, if it is sustained, will eventually have to be accompanied by a sufficient increase in current expenditures (domestically or foreign

⁷ Over the past three years (2004-2006), the tax revenue averaged 10.5 percent of GDP.

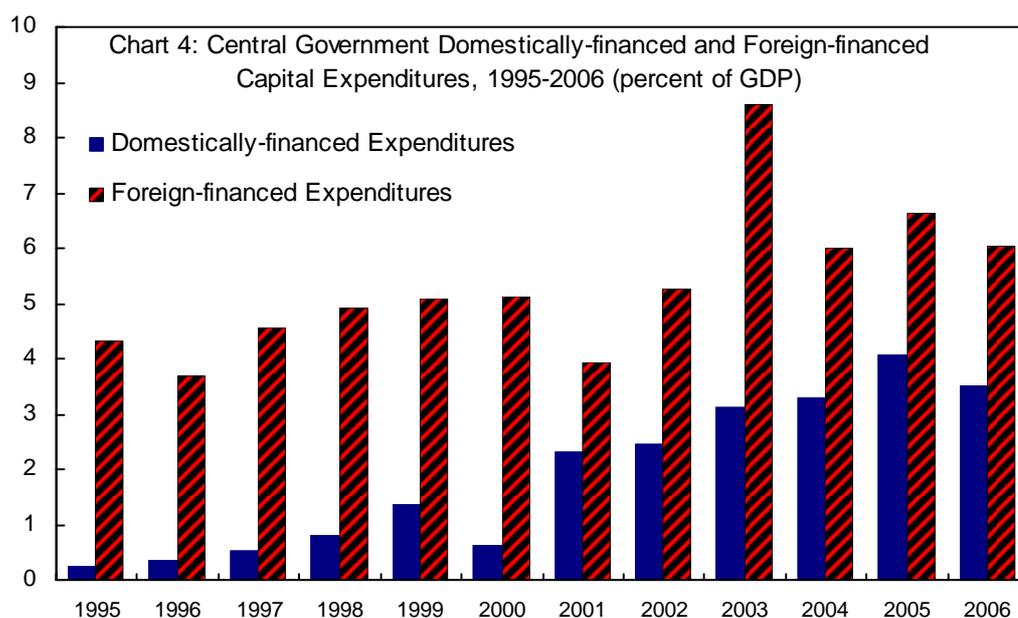
⁸ A number of measures aimed at strengthening resource mobilization are envisaged under a three-year program with technical and financial support from the IMF.

⁹ Although the majority of capital expenditures are foreign-financed, the increase is faster for domestically financed expenditures.

¹⁰ Niger reached the completion point under the High-Indebted Poor Countries Initiative (HIPC) in April 2004.

financed). As the importance of capital expenditures continues to grow, it becomes more important to ensure that public expenditures as a whole are managed within a medium-term framework taking into account the necessary complementarities between capital and current expenditures. This points to the need for additional efforts to raise revenue and mobilize external financing, in a manner consistent with debt sustainability.

Figure 1.2 : Central Government Domestically and Foreign-financed Capital Expenditures, 1995-2006
(percentage of GDP)



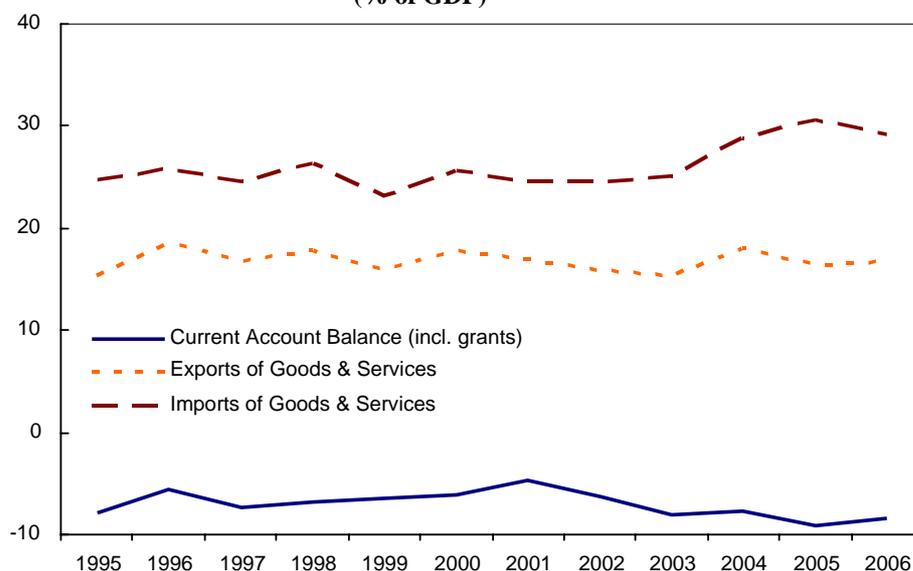
Source: IMF

BALANCE OF PAYMENTS AND THE EXCHANGE RATE

1.13 **Balance of payments and debt.** Niger's deficit on the current account averaged 7.1 percent of GDP on average over the past 10 years. It was relatively stable from 1997 to 2002, but rose to a higher level at the end of the period.

1.14 Niger's export/GDP ratio has been relatively stable over the past 10 years, around an average of 14.4 percent (see Figure 1-3), which is only one half of the average ratio for WEAMU countries. This probably underestimates actual exports due to the importance of informal trade which is not properly captured in official statistics (though the same is true for many other countries in the region). The average ratio for the imports of goods and services to GDP is relatively high, at 26.3 percent. This higher ratio arises from the availability of external finance in the form of current grants and public capital inflows. The ratio increased markedly from 2004 onwards.

Figure 1.3 : Current Account Balance, Exports and Imports, 1995-2006
(% of GDP)



Source: IMF

1.15 Like many highly indebted poor countries, Niger experienced difficulties to service its external debt as initially scheduled and had to resort to arrears accumulation and rescheduling of debt service.¹¹ However, Niger benefited from debt reductions within the frameworks of the HIPC Initiative and the Multilateral Debt Reduction Initiative. After qualifying for multilateral debt cancellation at the end of 2006, Niger long- and medium- term external public debt was reduced to US\$517.7 million, or 14 percent of GDP, from about 85 percent of GDP in 1995. Furthermore, given that part of Niger's remaining debt is concessional, the debt to GDP ratio in terms of net present value is even lower, at about 10.5 percent in 2006. Under the current program supported by the IMF's Poverty Reduction and Growth Facility, the government of Niger is committed to a prudent management of the external debt, contracting new debt only at highly concessional terms, and refraining from accumulating new external arrears.

1.16 **Real effective exchange rate (REER).** From 1995 to 2006, the REER appreciated by just under 5 percent (reaching 77.5 percent of the pre-devaluation level; see Figure 1-4). The evolution of the REER exhibited some volatility until the end of 2000, as did the terms of trade, which theory and empirical evidence identify as one of the key factors influencing the equilibrium REER. From 2001 to 2006, the REER has been on a relatively smoothly appreciating trend (appreciating by 10 percent relative to its 2000 level). This trend appears to have continued in 2007. Three factors are likely to have underpinned this appreciation: the steady improvements of the terms of trade (which improved by 23 percent over the same period); the sharp increase in

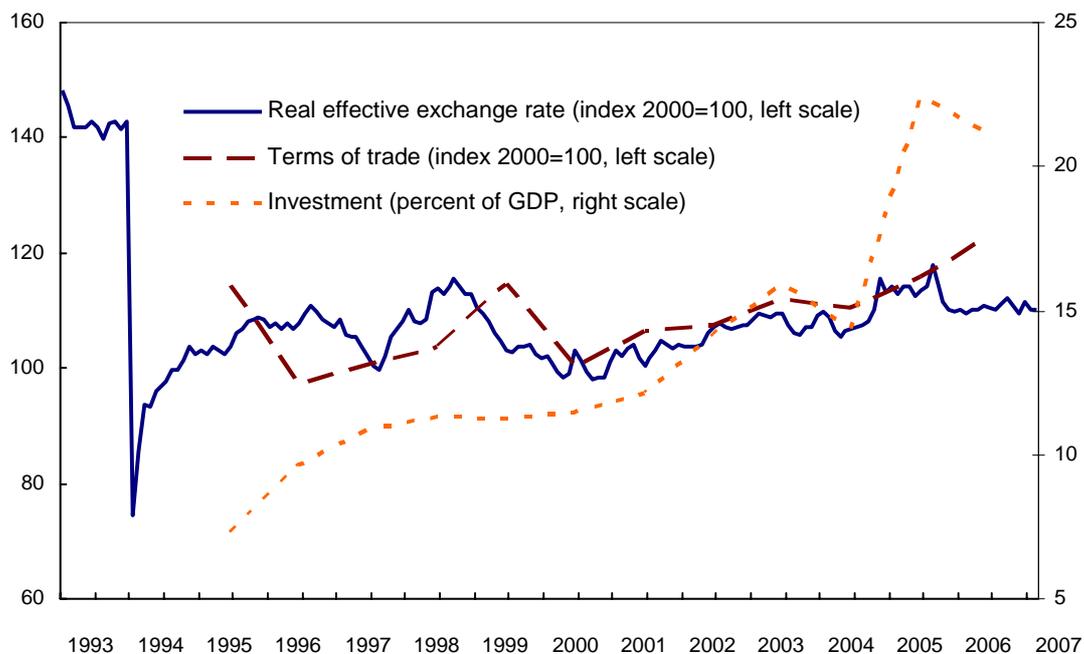
¹¹ Despite successive programs emphasizing the importance of external arrears clearance, arrears still outstanding at end 1999 were equivalent to 19 percent of GDP. Much of the arrears were accumulated during periods of political instability and consequent delays in aid disbursements.

gross fixed capital formation as a share of GDP, financed in part by external resources; and the appreciation of the Euro, to which the CFAF is tied, relative to the US dollar.

1.17 The appreciation of the REER may thus reflect in part a movement in the equilibrium exchange rate stemming from the evolution of the first two factors. In contrast, the appreciation of the euro has nothing to do with Niger's economy. It causes serious problems for neighboring WAEMU countries which export cotton, whose international prices are quoted in dollars. Fortunately, many of Niger's exports are destined for the sub-region and paid for, either in naira, whose exchange rate with the CFA franc floats quite freely on the market, or in CFAF with the other WAEMU countries, while uranium prices have risen sharply, even when expressed in terms of CFAF. As Figure 1-3 shows, the CFAF tends to appreciate nominally vis-à-vis the naira. This evolution reflects in part the appreciation of the euro/CFAF against the dollar and, in part, the higher level of inflation in Nigeria. This realignment of major currencies presents some advantages for the cost of imports, notably for the price of oil, which fell somewhat as a consequence. However, it could constitute a challenge for firms competing with imports from countries such as China, which have more or less aligned their currency with the US dollar, as well as Nigeria.

1.18 Should the terms of trade continue to improve (as suggested by the likely increase in the price of uranium) and the capital formation financed by direct investment and scaled-up aid continue to increase, a tendency of the REER to appreciate could be sustained. Because an appreciated REER tends to reduce the profitability of existing or potential export-oriented industries (and the tradable sector in general), mobilizing trade as an engine of growth and development will require offsetting reductions in costs; it will therefore be important in this context that capital formation and other public expenditures as well as structural reforms be aimed at increasing productivity in these industries, for example through cost-reducing infrastructure, improved human capital formation, and lower regulatory burden.

Figure 1.4 : Real Effective Exchange Rate, Investment, and Terms of Trade



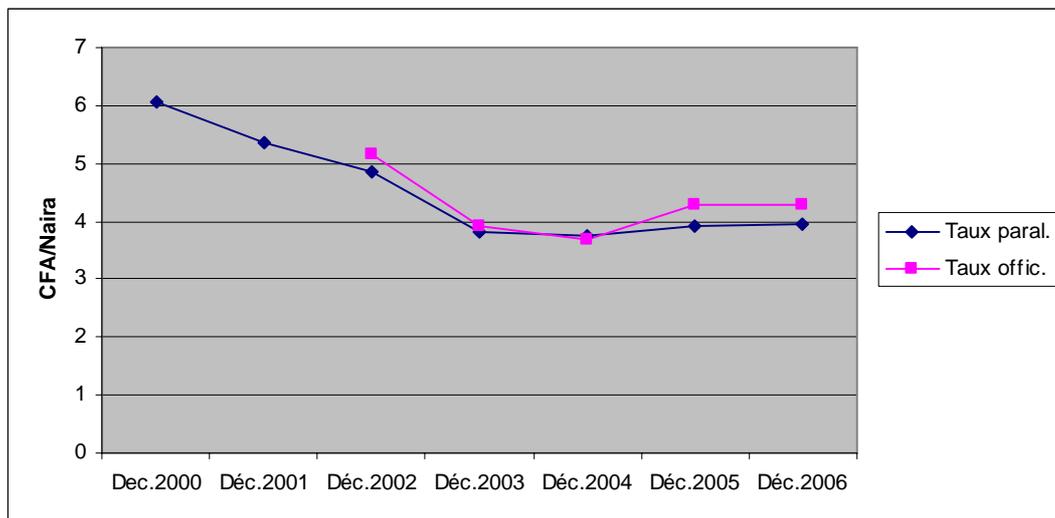
Source: IMF

1.19 **Parallel foreign exchange market.** Niger's main trading partner is Nigeria, and the vast majority of transactions with that country are settled in the informal foreign exchange market. Such markets exist in all cities in Nigeria, with a very large one in Kano, but also in the border towns in Niger (Maradi and Zinder). Transactions on the parallel foreign exchange market are done in the open. The reasons for the dominance of the parallel market have been mentioned above. The informal exchange rate is advantageous for CFAF holders. In fact, in December 2006, there was an 8 percent difference between the official rate (CFAF 4.3 for 1 naira) and the informal rate (CFAF 3.95 for 1 naira), in favor of the CFAF. In other words, a Niger exporter who sells 10,000 naira worth of goods in Nigeria could convert at CFAF 2,325 at the official rate, or CFA 2,532 at the informal rate.

1.20 It is therefore more advantageous for Niger's exporters to exchange their naira on the informal market rather than at the official bank rate, and, above all, it is less complicated. These advantages seem to offset the disadvantages of repatriating cash, which can be large amounts. Niger's exporters also sometimes buy products in Nigeria with their nairas for import to Niger when they return. There is no reliable data to indicate whether this mode of naira-merchandise conversion is more widespread than the naira-CFAF mode of conversion. Whatever the case, this is another incentive for exporters to operate in the informal sector for, in addition to the exchange rate gains, there is the possibility of tax evasion.

1.21 The difference between informal and official rates is attributable to the excess demand for the CFAF compared with the naira. There are at least two reasons for this difference. First, several Nigerians hold CFA francs to finance imports from outside the Franc Zone or to finance transit trade (re-exports). Second, the CFAF is considered by several Nigerians as a reserve currency that allows them to diversify their foreign exchange assets. Figure 1-5 shows the steady decline in the value of the naira versus the CFAF in recent years.

Figure 1.5 : CFAF/naira exchange rate, parallel and official markets, 2000-2006*



*2002-06 for the official rate; parallel market data from Maradi and Zinder.

Source: IMF

1.22 Conventions for the settlement of trade transactions between Niger and Nigeria have never worked in a satisfactory manner. In 1996, the West African Monetary Agency (WAMA)

replaced the West Africa Clearing House (WACH). The main objective of WAMA is to find a solution to the problem of transactions settlement among ECOWAS member countries. It is a generalized clearing mechanism that allows the export to be paid where the operation takes place thanks to the intervention of the commercial and central banks concerned. However, it has never been generalized, even if state companies such as SONARA have used it in the past. The number of transactions done through WAMA has been declining in all WAEMU countries. The shortfall on the (CFAF/naira) official exchange rate compared with the informal/parallel rate is certainly not an incentive to buy or sell through WAMA.

1.23 **Re-exports and macroeconomic consequences.** There is a significant volume of re-exports to Nigeria (see Chapter 2), as well as more limited trade of this type to the Maghreb. It involves primarily cigarettes, textiles or products that are not allowed into Nigeria, but which are imported from Europe or from the Maghreb into Niger, and then re-exported to Nigeria. These re-exports result in a net outflow of foreign exchange from Niger since the Nigerian currency is not convertible.¹²

1.24 On the tax front, re-exports generate a significant benefit since they are subject to a special 10 percent tax. The only exception is cigarettes which pay a 5 per cent tax on re-exports to countries outside the Franc Zone, but members of ECOWAS (15 percent if re-exported outside ECOWAS).

1.25 Thanks to ECOBANK the efficiency of the transfer system appears to be improving, with the introduction of the *Ecobank Transnational Incorporated* (ETI) network, established in all ECOWAS countries. Yet, despite this improvement, no increase has been noted in the volume of transactions between traders in Niger and Nigeria through ECOBANK. Documentary letters of credit are now less difficult to establish, but the transaction takes at least one week and it entails non-negligible costs since the naira must first be changed into dollars, and then into CFAF at the official rate.

CONCLUSIONS

1.26 This chapter suggests a number of conclusions and implications for Niger with respect to integration in regional and global trade. First, Niger's membership in the Franc Zone no doubt has advantages, but it entails a certain amount of rigidity in its trade relations, notably with its main partner, Nigeria. Indeed, the latter has more instruments to control its real effective exchange rate and, consequently, has more flexibility to maintain its competitiveness with respect to its neighbors, including Niger. Deprived of monetary instruments, Niger must maximize its recourse to the other determinants of the REER, notably price increases, factor costs, and productivity.

1.27 Second, the non-convertibility of the naira is a limiting factor that Niger exporters have learned to overcome, in particular, those who export primary products such as cattle, cowpeas, onions, and leathers and skins. However, the problem lies more with higher value added products, especially if large quantities are required, since their export tends to require formal trade instruments such as financial intermediation. The non-convertibility of the naira and the relative inefficiency of the formal conversion mechanisms are a hindrance to greater formalization of

¹² If the naira were convertible, re-exports from Niger to Nigeria would constitute a neutral operation with respect to currency because the currency loss related to imports would be offset by the currency gain resulting from re-exports, as is the case in Gambia when it re-exports goods to WAEMU countries.

trade and to the establishment of a critical mass of exporters familiar with modern and efficient trade instruments.

1.28 Third, the non-convertibility of the naira leads to excess demand for the CFA franc from Nigerians who consider it a reserve currency, thus contributing to the appreciation of the CFAF in relation to the naira and affecting Niger's competitiveness.

1.29 Fourth, the non-convertibility of the naira encourages re-exports from Niger to Nigeria, since Nigerian traders use the CFA franc, a convertible currency, which they obtain in informal markets, to import products to Niger in order to re-export them towards Nigeria. These re-exports are an appreciable source of tax revenues for Niger, but entail a net loss in foreign exchange for the latter, since imports are paid in cash, while re-exports are paid in naira, then reconverted into CFAF in the informal market.

1.30 Fifth, by hampering the formalization of trade between the two countries, the non-convertibility of the naira promotes tax evasion and leads to a significant shortfall in state revenues. Furthermore, this weak formalization of trade with Nigeria masks the real importance of Niger as a trade partner, penalizing the latter in its bilateral trade discussions with its powerful neighbor.

1.31 In spite of these implications, Niger has little choice but to adapt to the non-convertibility of the naira and the lack of control of its monetary policy for the time being. The Central Bank of Nigeria does aim to make the naira convertible with all currencies by the end of 2009. Meanwhile, Niger must continue the consultation process with Nigeria within ECOWAS and work on the variables of the real economy necessary to maintain its REER at a level that does not undermine its competitiveness.

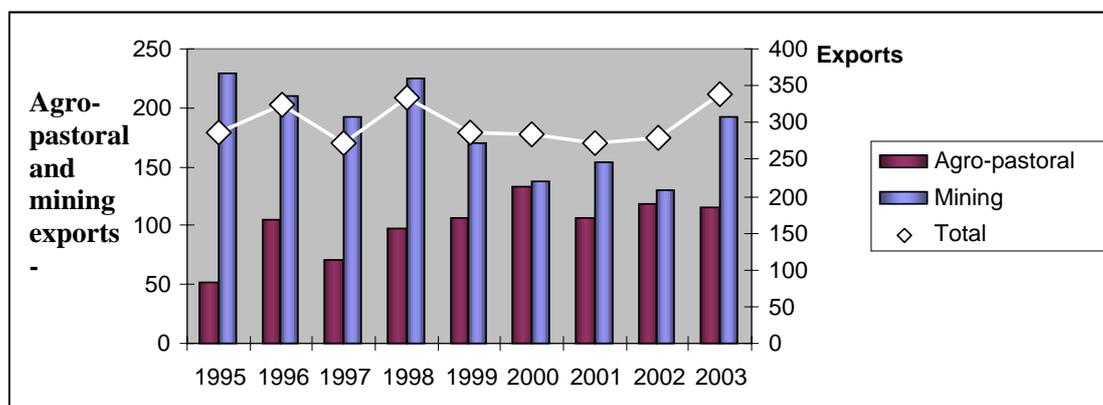
2. FOREIGN TRADE: FLOWS AND POLICIES

2.1 The reality of international trade in Niger is a little difficult to assess because of the importance of informal commerce; therefore, official figures only show part of the trade picture. That said, and before deepening our analysis, we can draw at least two conclusions from the available data on official exports. First, the total value of these exports has remained very stable in the last 10 years, at about US \$300 million, as shown in Figure 2-1. However, the structure of exports has evolved, with a reduction in the importance of mining products and a growth of agro-pastoral products in absolute and relative terms. These two categories have thus become more or less equivalent, a situation that persisted in 2006 (see Table 2-1).

2.2 However, it is important to emphasize that these figures give only a very partial picture. As described further below, agro-pastoral exports are more important than suggested by official figures, and some products (notably onions) have experienced significant growth in the last ten years. The adjusted data shown in Table 2-1 indicate that the total value of exports exceeded US\$500 million in 2006, and that agro-pastoral exports surpassed mineral exports.

2.3 Nevertheless, mining products will likely resume their predominant position in the coming years. The increase in gold and uranium prices will boost the value of existing exports considerably. This price increase has also stimulated new investments which will generate major additional production. This development is addressed in more detail in Chapter 8. Here, the focus will be primarily on agro-pastoral exports and re-exports, where the reality is less obvious, and then on trade policies—especially relations with Nigeria, its leading trading partner, where the reality is also complicated.

Figure 2.1 : Export developments and structure, 1995-2003
(millions of US\$)



Source: World Bank

FOR AN ACCURATE PICTURE OF TRADE

2.4 It is never easy to obtain reliable data on trade in Africa, particularly when it concerns cross-border flows between neighboring countries, which are dominated by informal activity. With regard to Niger's export data, there are three main sources of information: (i) the National Institute of Statistics; (ii) the customs administration; and (iii) the BCEAO. To these three

sources, one may add some sector ministries such as the Directorate of Animal Husbandry and Animal Products Statistics of the Ministry of Animal Resources.

2.5 Each of these sources has its own methodology for estimating exports, resulting in figures that vary significantly. INS data are compiled in an annual document, considered as official. Because INS figures do not include informal exports, they tend to seriously underestimate exports such as animal and agricultural products. In principle, the INS presents exports according to the principle of special trade, i.e. excluding re-exports, whereas BCEAO presents its data according to the principle of general trade, which includes re-exports. For the purposes of this study, it was deemed useful to take into account other data sources that estimate undeclared exports and re-exports to better reflect Niger's external trade.

2.6 For uranium exports, the INS uses figures supplied directly by exporting companies. The INS uses Customs Administration data for most agricultural and animal products. Customs administration data is based on export declarations with respect to volume, and on administrative prices for average values. The INS adds about 5 percent to the price estimated by Customs in order to get a better estimate of the FOB value of products. However, for onions, the INS makes an adjustment using average monthly market prices, because the Customs' administrative price is deemed too low. For example, for 2006, Customs and the INS each estimate the volume of exported onions at roughly 69,000 tons, but assess the value of these exports at CFAF 6.6 billion and CFAF 11.7 billion, respectively

2.7 The BCEAO produces an annual statistical yearbook on the balance of payments.¹³ The most recent is dated December 2007 and covers the 2002-2006 period.¹⁴ In this document, the BCEAO reproduces INS data on the main exports (annex 4 of the report). However, the analysis by the BCEAO goes on to adjust the data to reflect the volume of informal exports and the market prices for these exports. These adjusted data are presented in annex 4 of the report. For example, if Customs and the INS evaluate onion exports at CFAF 6.6 billion and CFAF 11.7 billion, respectively, for 2006, the BCEAO's adjusted estimates set them at CFAF 37.7 billion, or three times more. To establish these adjusted estimates, the BCEAO consults sector ministries, including MRA and applies adjustment formulas based on products and years.

**Table 2.1 : Main exports by value according to three sources, 2001-2005
(CFAF billion)**

	<i>BCEAO Adjusted Data</i>					<i>INS</i>	<i>Customs</i>
	2002	2003	2004	2005	2006	2006	2006
Uranium	62.5	65.5	70.1	78.5	79.6	79.6	67.8
Live animals	36.7	33.3	26.8	31.8	35.5	21.2*	21.6
Onions	13.8	15.5	35.7	38.4	37.7	11.7	6.6
Cowpeas	7.6	10.8	14.0	13.5	18.5	0.4	0.5
Gold	N/D	N/D	10.8	34.2	24.3	25.2	24.2
Misc.	74.2	79.40	73.3	55.5	70.0	11.4	6.2
Total	194.8	204.5	230.7	251.9	265.6	149.5	126.9

*Includes CFAF 478 million for leathers and skins

Source: BCEAO, INS, Customs Administration

¹³ BCEAO, *Balance des paiements et position extérieure globale du Niger*,

¹⁴ Provisional figures for 2006 were provided to the author and are included in Table 1.

2.8 The BCEAO estimates therefore seem much closer to reality. Their estimate for onions (CFAF 37.7 billion) is similar to that made for this study (CFAF 44 billion, see chapter 6). However, their estimate for cowpeas (CFAF 19 billion) still seems too low compared to ours (CFAF 34 billion). But this difference does not seem significant when these figures are compared with INS and Customs statistics, which place cowpea exports at less than CFAF 0.5 million. Table 2-1 shows that there is a relatively small gap between the data from the three sources with regard to uranium and gold, but that the data are significantly different for animal products, onions and cowpeas, three products for which informal exports to Nigeria are important.

2.9 The BCEAO data also indicates significant miscellaneous exports. A significant component is fuel purchased by airlines and truckers, and as such is a by-product of other activities. Another noteworthy category is fish products, primarily from Lake Chad. As this lake is steadily shrinking, the long-term potential for growth would appear doubtful so no further attention is paid to fisheries as an export sector.

2.10 *Validation committees:* There are two validation committees for export data. The Customs committee (*Comité chaîne douanes*), created in 1990, is responsible for validating external trade data and comprises representatives of Customs, INS, BCEAO, the Ministry of Trade, and CCAIAN. For the moment, no sector Ministry participates in this committee, but it is envisaged that the ministries for animal resources, agriculture, mining, as well as SONIDEP, will be invited to join it. The addition of these institutions, which are close to the field, would enrich the validation committee.

2.11 There is also the National Balance of Payments Committee (*Comité National de la Balance des Paiements*), created in compliance with a WAEMU regulation. It validates the data on Niger's external financial relations. The committee is chaired by the minister responsible for finance and includes Customs, INS, several directorates of the Ministry of Finance, as well as BCEAO. Although no technical ministry is a member of this committee, the latter can convene them if it deems it necessary. Again, this would seem important to improve the accuracy of the committee's work.

2.12 **Re-exports:** Re-export values vary significantly depending on whether the data comes from Customs (DGD) or the BCEAO: between CFAF 21.0 billion and 153 billion in 2006 (see Table 2-2). This is not surprising as most of the goods enter the informal trade with Nigeria and consequently there are no firm estimates of goods actually being re-exported. Customs data would appear to rely on the declarations of Nigerien importers who must sign a declaration form that they will not sell the merchandise on the local market but intend to re-export it. In this way the importer benefits from a special 10 percent duty (5 percent for cigarettes) and avoids the VAT and any excise taxes. BCEAO data results from a more limited definition. As the special tax on re-exports generated between CFAF 11 and 15 billion annually over the 2002-2006 period, the re-export estimate from Customs is clearly more relevant, although there is undoubtedly some leakage into the domestic market.¹⁵ This revenue is significant, accounting for 11-20 percent of annual customs receipts (including VAT) over the same period.

¹⁵ However, re-exporters must usually declare a certain percentage of their imports at normal duty rates in recognition of this likelihood.

Table 2.2 Value of annual re-exports, special taxes, and customs receipts, 2002-2006
(CFAF billion)

		2002	2003	2004	2005	2006
Re-exports	DGD	141.4	138.9	108.9	107.4	152.8
	BCEAO	24.0	17.8	21.4	30.0	31.4
Special tax on re-exports		15.2	14.0	11.7	11.1	14.9
Total customs receipts		82.0	81.9	88.5	96.7	99.3
Special tax/total customs receipts		19%	17%	13%	11%	15%

Source: DGD, BCEAO

2.13 It is important to distinguish between transit and re-export trade. Transit trade does not pay any customs duty, is covered by a financial guarantee mechanism, and typically involves the movement of goods through a coastal country into a land-locked one. This is not generally what is taking place in Niger. Instead, we are dealing with re-exports which should normally require payment of the re-export tax upon entry into Niger, and then payment of the full duties and taxes payable when entering Nigeria or another country. This raises the question as to why an importer in Nigeria would not prefer to import directly through Lagos (or via a transit regime from Benin) rather than incur the extra re-export tax in Niger, not to mention the extra transport cost.

2.14 It is well understood that much of the re-export trade is driven by the benefits derived from avoiding the obstacles associated with official trade between Niger and Nigeria – duties, VAT, excise taxes, and outright import bans.¹⁶ This conclusion is reinforced when one examines the major re-exported products: fabrics, cigarettes, vehicles, and rice. (see Table 2-3). Many textiles faced an import ban in Nigeria, as did vehicles more than seven years old. Cigarettes had an import duty of 150 percent in Nigeria during this period, while the duty on rice was 100 percent.

Table 2.3 : Major re-exported products, average for 2004-2006

	<i>CFAF billion</i>	<i>%</i>
Total	123.0	100
Rice	6.8	5.5
Cigarettes	26.2	21.3
Fabric	31.1	25.3
Second hand goods	6.1	5.0
Vehicles	21.1	17.2
Hydrocarbons	2.9	2.4
Other products	28.8	23.4

Source: DGD

2.15 Export destinations: With regard to the geographic orientation of exports, the BCEAO must rely on INS statistics and can not use its adjusted data.¹⁷ In this study, INS data has therefore been used. This data seriously underestimates the value of exports to Nigeria. Indeed, Table 2-1

¹⁶ See Republic of Niger, Ministry of Finance, 2001, for an excellent and remarkably frank analysis.

¹⁷ It only adds re-exports because the INS does not take them into account (special trade).

shows that the BCEAO adjusted value for animal and cowpea exports, considering only these two products for example, is much higher than official INS figures (CFAF 67.7 billion, as opposed to CFAF 21.6 billion, or a CFAF 46.1 billion gap). Yet, these products are essentially exported to Nigeria, and are therefore not included in Table 2-4, which shows the geographical orientation of exports. Based on these adjusted data, Nigeria can be considered Niger's main client. This is all the more true because the other major clients—France and Switzerland—mostly buy uranium, a product for which trade relations are much simpler, with no tariff or non-tariff barriers.

**Table 2.4 : Destinations of officially recorded exports (excluding re-exports)
(CFAF billions)**

	2002	2003	2004	2005	2006
AFRICA	51 960	48 165	47 028	45 502	39 057
Of which: WAEMU	7 534	6 963	8 894	10 875	6 371
Ghana	6 215	6 025	8 308	8 817	7 539
Nigeria	37 459	34 407	28 710	23 621	24 066
EUROPE	46 817	49 375	64 455	99 494	90 050
Of which: Spain	4 196	4 866	4 860	5 397	13 609
France	42 436	44 255	48 309	56 465	50 039
Switzerland	44	1	11 065	34 000	25 816
OTHER COUNTRIES	18 758	18 514	18 623	22 538	20 428
TOTAL	117 535	116 054	130 106	167 535	149 535

Source: INS

2.16 This conclusion is strengthened when re-exports are taken into account. Based on DGD data¹⁸, 70 to 83 percent of re-exports from Niger are destined for Nigeria; the second most important destination is the Maghreb region, especially Algeria. Only 3 to 6 percent of re-exports from Niger go to WAEMU countries. This is attributable to the fact that WAEMU member countries apply the same customs regime, whereas Nigeria has a much more protectionist policy. Indeed, until recently, the import of several goods was prohibited and customs duties on others could be as high as 100 to 150 percent. Much of this re-export trade no doubt reflects unofficial flows, which do not follow normal procedures. For example, tobacco imports in Nigeria were prohibited during the 2004-06 period, but such exports to Niger exceeded CFAF 25 billion on average each year (see Table 2-2).

**Table 2.5 : Re-exports by main country/region of destination, 2002-2006
(CFAF billions)**

	2002	2003	2004	2005	2006
Total	141.4	138.9	108.9	107.4	152.8
Nigeria	109.2	108.9	76.1	78.2	127.1
Maghreb	26.5	24.2	27.8	22.2	13.6
WAEMU	2.8	2.9	3.4	3.9	5.9
Others	2.9	2.9	1.6	3.1	6.2
Nigeria in % of total	77%	78%	70%	73%	83%

Source: DGD

¹⁸ In its balance of payments report, the BCEAO does not provide data on the destination of re-exports.

TRADE POLICY¹⁹

2.17 Niger's policy concerning trade in goods consists essentially of implementing WAEMU regulatory framework. The key elements of this framework include the adoption of a common external tariff (CET), and free trade on certain goods with the Union.

2.18 Niger has been a member of the WTO since 1996. With regard to multilateral negotiations under the Doha Round, WAEMU member states, including Niger, have adopted a common position on agriculture. The main challenge of this policy is to convince developed countries to effectively liberalize their agricultural policies, in order to improve the internal and external competitiveness of their own agricultural products.

2.19 International treaties or agreements that are properly ratified take precedence over laws voted by the National Assembly provided there is reciprocal application by the other party. All agreements or treaties ratified to date, such as those relating to the WTO, WAEMU, and ECOWAS, fall under this category.

2.20 Niger does not have a national trade policy. It would be important to go beyond regional regulations to define a policy which reflects the priorities of the country. This policy should be based on existing studies, including the present one, outlining the current state of trade and elaborating a general strategy for trade development. A multi-year action plan would be laid out, covering all aspects related to trade including trade in services and institutional support (information, training, and equipment). It is clear that both public and private capacity to implement such a national policy is weak and will require a program to strengthen the institutional framework.

2.21 **WAEMU:** Niger is a member of WAEMU, a treaty signed in 1994. The Conference of Heads of State and Government defines the broad orientations of the Union's policy. The WAEMU Commission is the only body empowered to propose community acts. WAEMU has made significant progress with respect to (i) convergence of economic policies through the institution of a multilateral monitoring procedure; (ii) the establishment of an effective common market; (iii) the coordination of sector policies, notably the definition of a common agricultural policy; and (iv) harmonization of taxation regimes.

2.22 Since January 2000, the principle of full duty-free and tax-free entry has been applicable to agricultural, livestock, and handicraft products, as well as to industrial products produced by approved enterprises. From this same date, extra-community trade, including the trade among WAEMU member states of processed products not considered as originating from the Union, are subject to the CET. All 10-digit tariff lines are redefined by the WAEMU common tariff and statistics nomenclature, based on the Harmonized Commodity Description and Coding System of the World Customs Organization. The application of these duties is based on a national system of administrative values (administrative prices). Pursuant to the relevant WAEMU regulation, each position falls under one of the following four categories:

Table 2.6 : WAEMU Tax Regime

<i>Category</i>	<i>Product</i>	<i>Customs duty</i>
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¹⁹ Some aspects of this chapter draw on the WTO document "Trade policy review - Niger 2003".

0	Social goods on a restricted list	0%
1	Staple goods, basic raw materials, capital goods, specific inputs	5%
2	Inputs and foodstuff	10%
3	Final consumer goods and other products not specified elsewhere	20%

2.23 In addition to the duties described above, the customs administration also collects the following taxes:

☞ *On imports:*

- Statistical Import charge (*RSI*): 1 percent;
- Value-added tax set at 19 percent, in accordance with Directive N° 02/98/CM/UEMOA on the harmonization of taxation legislation;
- The WAEMU community solidarity levy (*PCS*): 1 percent ;
- The ECOWAS community solidarity levy (*PC*): 1 percent ;
- Special import tax (*TCI*) on some agricultural products: 10 percent of floor price;
- Excise tax: between 15 and 45 percent depending on the product (for example, cigarettes and alcoholic drinks);
- Import verification tax (*TVI*): 1 percent of the value of the goods, to finance fees paid to COTECNA, the pre-shipment inspection service;
- Advance on the tax on industrial and commercial profits (*BIC*): 5 percent of the value of the goods for operators who have no tax identification number (*N.I. F.*); 3 percent for operators with a *N.I.F.*

☞ *On products to be eventually exported:*

- a 3 percent statistical export charge (*RSE*) on all products, except on minerals;
- a special re-export tax (*TSR*) for goods in transit:
 - Tobacco products:
 - 5 percent when exported to countries that are outside the franc zone but are members of ECOWAS;
 - 15 percent when exported to other countries that are non-ECOWAS countries;
 - Other goods: 10 per cent

2.24 In addition to the CET, member states are gradually adopting a common trade policy with third countries. This includes progress made in establishing a common market in ECOWAS, negotiation of a free trade agreement with the EU (see EPA below), and other agreements under preparation between the WAEMU and third countries, including Tunisia and Morocco.

2.25 The 3-percent statistical charge levied on exports is higher than in most other WAEMU countries, where it typically does not exceed 1 percent. This is supposed to be a service charge rather than a tax, however existing documentation does not show that the services provided to Niger-based exporters justify the higher levy. Furthermore, it is difficult to explain why the export charge (3 percent) is higher than the import charge (1 percent). This tax undermines the competitiveness of Niger-based exporters. One of the first actions usually taken to promote exports is to reduce or eliminate export taxes.

2.26 *Rules of origin:* Goods that comply with the notion of preferential origin, as defined in WAEMU agreements, are not subject to any customs duty on trade between member countries. To clarify the notion of preferential origin as defined in WAEMU's Additional Protocol No. III/2001, three categories of products have been identified:

- local products and traditional handicrafts;
- products where the processing can be deemed adequate according to established criteria: a change in the tariff heading at the four digit level or a contribution of value added that is 30 percent or more of the cost price, excluding taxes.

2.27 If a product meets these requirements, it may receive a certificate of origin stamped by the customs authority of the exporting country.

2.28 These rules seem adequate as they are simple and relatively liberal. The problems lie elsewhere – in their application in other countries, and in Niger's capacity to satisfy them. Sometimes the certificates of origin are not accepted due to doubts about their legitimacy. It is also difficult for a country such as Niger to meet a 30 percent value-added rule given its undeveloped industrial base, its low salaries, and the high cost of transport on imported inputs.²⁰ For this reason, and to facilitate the job of enterprises, the change in tariff heading rule should be used whenever possible. However, it might also be interesting to negotiate a more liberal value-added rule since the current one benefits the more advanced members of the Union.

2.29 **ECOWAS:** ECOWAS comprises 15 member states—including all WAEMU countries. The Treaty was revised in 1993 to include the objective of setting up an economic and monetary union. This revision established a trade liberalization program comprising two key elements: first, the creation of a free-trade area among member states, and second, the adoption of a CET with other countries. In principle, local and traditional handicraft products, as well as some processed goods approved under the preferential regime, are traded freely within ECOWAS. In practice, this is not the case. Most member countries do not grant such preferential treatment, and the free trade of local products is often not enforced either.

2.30 With respect to the CET, the ECOWAS had accepted in principle to adopt WAEMU's CET and to implement it in January 2008, with a few movements of products between tariff bands to be negotiated. With the exception of Nigeria and Cape Verde, the other non-WAEMU members were on track to complete implementation on time, or had committed to the CET with a slight delay (ie. Liberia). However, Nigeria is now insisting on the addition of a fifth tariff band of 50 percent for some products deemed sensitive. It would be most unfortunate if this proposal were to be adopted as it would represent a significant reversal of the trade liberalization agenda for the rest of ECOWAS. Far preferable would be the application of a temporary surtax with a pre-defined phase-out over time, such as the one used by WAEMU when it adopted the CET in 2000. This would be country-specific, so that no other country need apply it, and limited in time, so that Nigeria could not use it indefinitely.

TRADE POLICY WITH NIGERIA

2.31 Since 1971, there has been a Joint Cooperation Commission (*Commission mixte Nigéro-Nigériane de coopération*) between Niger and Nigeria. Headquartered in Niamey, this

²⁰ If the value-added is calculated after payment of transport costs on imports, then the cost of transport in exporting should be included in value added.

Commission is chaired by Nigeria. Niger holds the vice-presidency. It comprises three bodies: the High Authority (the two heads of state), the Council of Foreign Ministers, and the Committees of Experts. The joint Committees of Experts (fifteen in total) deal with common issues and propose recommendations to the Council of Ministers. However, the Commission does not seem to be very active at this time. The committee members interviewed for this study did not seem to be aware of the barriers imposed by Nigeria on meat from Niger.

2.32 In 2001, a good study was conducted by the Ministry of Finance on economic ties between Niger and Nigeria, which included a long list of useful recommendations.²¹ In January 2002, both countries signed a *Trade Agreement* confirming that trade would be based on the most favored nation treatment. Nonetheless, there is still no real operational policy on trade with Nigeria. This can be attributed to three factors. First, Niger authorities have little leeway with respect to trade and monetary policies; second, an important part of economic ties with Nigeria is not formalized; and third, there is a marked difference between their trade strategies. Niger has an open economy, based on the liberalization of external trade through the elimination of licenses, entry quotas, and prohibitions. The same cannot be said of Nigeria.

2.33 Despite the ECOWAS free trade agreement, Nigeria has imposed high tariffs or import bans on some primary products. Furthermore, even when the official customs duty is low or non-existent, non-official barriers can block all trade. This is the case with meat slaughtered in Niger, which faces significant obstacles to being exported to Nigeria. This was also the case with cereal exports from Nigeria to Niger during the 2004 drought. In reality, however, the Nigerian economy is more open because its borders are highly porous. Furthermore, these official policies are expected to be liberalized in the near future with the entry into force of the ECOWAS CET.

2.34 Because of Niger's small size, relations with its powerful neighbor are so sometimes difficult. This power imbalance seems to be exacerbated by the fact that trade volumes between the two countries are underestimated by Nigerian authorities. The Ministry of Finance study found that Niger-Nigeria trade is grossly underestimated by Nigerian statistical authorities. For example, in 1998, Nigeria's National Bureau of Statistics estimated that exports from Nigeria to Niger amounted to zero, whereas Niger had recorded more than CFAF 22 billion in imports from Nigeria, of which CFAF 7 billion in electricity and hydrocarbons. If this huge underestimation of trade between the two countries by Nigeria persists to day, it can only contribute to the marginalization of Niger as a trading partner, placing the latter in a weaker position when it comes to negotiating trade facilitation mechanisms.

2.35 The underestimation of trade is due in part to the fact that two-thirds of this trade is informal. The importance of informal trade is attributable to a number of reasons. First, it is difficult to conduct banking transactions with Nigeria because of the poor credibility of the Nigerian banking system among banks established in Niger and in the region. The complexities of bank financing and of trade transactions with Nigeria, the trade risks, and the profoundly traditional nature of this trade all contribute to the development of informal channels for the trade in goods and money between the two countries. The non-convertibility of the naira is another important factor that worsens these difficulties. Second, formal transactions (letters of credit, etc.) involve a high cost because of banking charges and the process of converting CFAF to Euro and then to naira, or vice versa. Third, several Niger-based exporters, small and big, choose to stay in the informal sector to avoid taxation, leading to a significant loss in tax earnings.

²¹ Republic of Niger, Ministry of Finance, 2001.

2.36 The entry into force of the ECOWAS CET could be a very positive development for Niger as it would normalize trade with its largest trading partner. It is hoped that there will be no more prohibitions, and that the spirit of free trade will gradually be accepted and reflected in practice. However, the experience of WAEMU shows that this is far from automatic. Niger will have to monitor compliance with the agreement and use it, when appropriate, to put pressure on Nigeria.

2.37 At the same time, the introduction of the CET will have a negative impact on re-exports, which largely depend on the differences between Niger's trade policy and Nigeria's. Incentives for economic agents to benefit from the current gaps will gradually diminish, leading to a decline in the volume of re-exports to Nigeria, and, consequently, to a reduction in special tax receipts. The normalization of trade relations with Nigeria should also imply efforts on the part of Niger to discourage a trade which does not respect the rules. The DGD and DGI should prepare for the fiscal consequences of this evolution.

The Challenges of Regional Integration

2.38 Integration with WAEMU countries is progressing slowly but surely. The advantage of membership in this Union is that it encourages Niger to seek greater convergence of its trade and tax policies with those of the other member states, imposing a certain level of discipline. However, the main challenge facing Niger involves greater fluidity and greater transparency in its trade with Nigeria, which falls outside WAEMU. Nigeria is not only Niger's main trading partner, but also the country that offers the greatest potential because of its size, and its diversified economy. There are some synergies between Niger and several countries in the region, like Ghana and Côte d'Ivoire, but geography and community ties with Nigeria make this country a special case. It is therefore quite unfortunate for Niger that the most active regional integration initiative to date is one that excludes Nigeria. One may even wonder whether WAEMU has not diverted Niger's trade policy efforts from their highest priority.

2.39 The second major challenge thus lies in the effective implementation of the ECOWAS customs union. This challenge is common to all countries in the region, with Niger having to play its proper role. Despite the agreements and treaties signed, this project has not yet given birth to the expected common market in which goods and people can move freely. The 15 member states of the ECOWAS constitute a space characterized by significant economic, political, and social diversity. Harmonizing such diversity to generate an operational consensus, which is beneficial to all, carries the promise of a synergy that should lead to greater competitiveness in West Africa and, with time, to better integration in world trade.

2.40 Finally, a third important challenge is related to the Economic Partnership Agreement with the European Union. This challenge is not only about trade with Europe, as it requires the formulation of regional policies which could help strengthen regional integration (indeed that is one of the stated objectives of the EPAs). However, it may also be distracting attention from other regional issues not central to the negotiations. And, it will have an indirect impact on regional trade. Some ECOWAS countries will adapt better than others to the Agreement with Europe, and the structure of trade, for example, between Niger, Nigeria, and Ghana, could be modified as a result. Niger must anticipate and assess the possible consequences of the EPA on current regional trade dynamics in order to put in place strategies that will allow the country to benefit from the partnership.

PREFERENTIAL AGREEMENTS

2.41 For several years now, developing countries have been granted agreements facilitating access to the markets of developed countries. It all started with the Generalized System of Preferences (GSP), adopted by UNCTAD in 1968, followed by the Lome and Cotonou Conventions for relations between the European Union countries and their former colonies in Africa, the Caribbean, and the Pacific (APC). Recently, the EU approved the Everything But Arms Initiative (EBA) for Least Developed Countries (LDC), and the United States responded with the Africa Growth and Opportunity Act (AGOA), which is accessible to all African countries that meet specific criteria. Niger, as an ACP, LDC and African country has benefited from all these agreements.

2.42 The EBA is the most generous and the most important agreement as it is offered by the most significant developed market for West African countries. This initiative liberalizes all imports of products from LDCs, with the exception of arms and munitions. The most sensitive agricultural products—rice, sugar, and bananas—have been restricted temporarily, but their liberalization is extended over four to eight years, starting in 2001. While waiting for the full liberalization of these products, they enjoy free access to European markets within the limits of the quotas established by the Community.

2.43 The African Growth and Opportunity Act (AGOA), signed into law on May 18, 2000 by the United States Congress, grants eligible sub-Saharan African countries duty-free access to US markets for a number of products. Niger is an eligible country. Four Niger enterprises have been licensed to export textiles to the United States, but none of them has made use of this authorization. Niger does not export agricultural products under AGOA. Indeed, to date, only handicraft exports to the United States have been recorded, but these require no authorization, only a certificate of origin issued by the Chamber of Commerce (CCAIAN).

2.44 The fundamental problem is that the American market is relatively open, and AGOA does not touch most of the products where protection remains significant. The level of preference offered by AGOA is therefore low. It is mainly clothing where tariffs remain high, and where AGOA offers major concessions. Not surprisingly, therefore, it is primarily countries in a position to export clothes who have benefited from AGOA. For the other products, a few percentage points of preference are soon offset by the cost of production and transport, shortcomings in quality, quantities, and reliability, etc.

2.45 **Economic Partnership Agreement (EPA):** Until the end of 2007, trade relations between the EU and ACP countries (Africa, Caribbean, and the Pacific) were governed by a system of non-reciprocal trade preferences under the successive Lomé and Cotonou Conventions. However, these conventions were deemed not to be in compliance with WTO regulations because they discriminated between developing countries without being regional and reciprocal agreements. Discrimination is only allowed under WTO rules if it applies to all LDC countries together (for example, the EBA), all developing countries together (for example, the GSP), or in the context of a regional reciprocal agreement aimed at liberalizing internal trade (for example, WAEMU). The EU also insisted on the need to revisit its relations with ACP countries given the small impact of preferential agreements according to its analysis.

2.46 Thus, the Cotonou Convention, signed in June 2000, provides that, starting in early 2008, trade relations between the EU and the ACP countries will be governed by the principle of reciprocity, under which almost all products from ACP countries, like those of the EU, will enjoy

free access—i.e. duty-free—to the respective markets of each of the partners. However, there will be a transition phase that could extend to 10 years or more.

2.47 Niger has undertaken a study to attempt to assess the future impact of the EPA on its economy and to see how to get the most out of these agreements²². Although the details of the agreement were not available—and are still not available—several preliminary conclusions may be drawn. According to WTO regulations, customs duties should be eliminated on almost all trade between the EU and ECOWAS and, in line with practice, this could involve the liberalization of more or less 85 percent of ECOWAS imports. The EU has committed to fully liberalize its market²³.

2.48 Exports from Niger will gain little or nothing from this agreement since they already benefit from trade preferences under the EBA. Consumers and traders and/or enterprises that use European imports may benefit from lower prices.²⁴ In contrast, the liberalization of the Niger (and West African) market will have at least three negative impacts: (i) a loss in tax revenues on products from Europe, and on a number of imports diverted from third countries in favor of the EU; (ii) the erosion of the level of protection for its producers who sell on the local market; and (iii) increased competition from the EU for Niger exports in third markets on the coast. Some of these imports, such as meat or powdered milk, could even benefit from European subsidies, thus unduly penalizing the competitiveness of comparable products from Niger.

2.49 From this point, impact assessment becomes more complicated as it depends very much on the choice of the 15 percent of trade that will (perhaps) be excluded from the liberalization process. Should the focus be on the most important products, in terms of revenue (gas, tobacco and cigarettes, and vehicles), or rather on sensitive sectors that provide many jobs (meat, cowpeas, onions)? And how will the 15 ECOWAS countries reach consensus on this choice—and will other countries accept to protect their markets for meat and onions, if Niger is the main beneficiary?

2.50 The maximum loss, with full liberalization of Niger's market, has been estimated at CFAF 8.5 billion for 2007 (or about 4 percent of total tax receipts). This is an overestimation, which will perhaps be quite realistic if Niger's negotiating power within ECOWAS is weak, or it opts to protect its market in the sub-region. This loss could also increase if VAT revenues collected at customs decreased following the liberalization of imports.²⁵

2.51 These agreements may thus translate into a weakening of Niger's production system and a decline in government revenues. It is therefore not surprising that the ECOWAS countries were unable to reach an agreement by the December 31, 2007 deadline. Instead, the two non-LDCs with the most to lose, Ghana and Côte d'Ivoire, signed interim bilateral agreements. Without the option of using the EBA, they needed to preserve their preferential access to the EU. While ECOWAS continues to work towards a regional EPA, LDCs such as Niger will need to consider

²² Roger Blein, Ahmed Hamid, et Gilles Baillet, *Étude d'impact des Accords de Partenariat Économique (APE) sur l'économie du Niger*, December 2004.

²³ There is an ongoing internal debate between the Commission and some members, and it will certainly take several years for sugar to be liberalized, but for Niger, one can talk of full liberalization.

²⁴ The impact on prices will depend on the level of competition among European exporters and among Nigerien importers. It is not guaranteed that consumers will necessarily benefit.

²⁵ The impact study assumes total loss of these taxes, which seems too pessimistic to us.

whether this or the EBA alternative is in their best interest. They should also explore the option of designing a regional EPA in which some members can opt out of the trade chapter.²⁶

STANDARDS AND QUALITY

2.52 International trade has become more and more affected by standards and quality considerations. This reflects better appreciation of the risks involved in importing food products, underscored by several crises, especially in Europe. Consumers have become more and more demanding and private companies have perceived a willingness to pay much higher prices for products that meet high standards. Furthermore, in some cases, standards are enforced to protect national products, now that customs duties and subsidies are declining. There are, therefore, official and mandatory standards imposed by governments, often in line with decisions taken by international organizations, and voluntary standards developed by private importers, which reflect the reality of the market and the possibility of selling for higher prices. It is important to keep this distinction in mind as the appropriate response could be different depending on the case. It should also be noted that it is not always important to meet high standards, if the costs incurred are too high and the possibility still exists to sell in other less-demanding markets.

2.53 Niger does not have an independent institute responsible for defining and enforcing compliance with product standards. But it has several public bodies charged with monitoring quality and compliance with standards. The Ministries of Animal Resources and Rural Development each have services that should normally support producers in this regard. The Ministry of Public Health also plays a role both at the borders and within the country. The Ministry of Commerce, Industry, and Private Sector Promotion has a Directorate of Standards, Quality, and Metrology (DNQM), with a restricted jurisdiction: meat, onions, hides and skins. Unfortunately, all of its services are lacking in resources. At one point, the DNQM received support from the EU through WAEMU's Quality Program, and from APEPP project, but currently, its efficiency is seriously undermined by its lack of resources.

2.54 The creation in 2008 of the Agency for the Verification of Conformity to Standards (AVCN) should improve the situation, providing that it follows the recommendations of an assessment of the quality and standardization system in Niger conducted in 2006. Its many recommendations were validated in a workshop in June 2006, some of which are worth repeating below.²⁷

- start by educating producers on the importance of quality—including best practices guides—and avoid playing a policing role to enforce compliance with standards that are not known or understood;
- draw more on the needs expressed by producers or buyers in choosing standards to be developed and avoid initiatives promoted by public authorities²⁸
- coordinate better between the different services responsible for standards and quality, as such coordination is very weak or absent;
- adopt a regional approach; this will address the needs of the legal framework, the creation of monitoring bodies, the identification of a health policy in its common features, the harmonization of control methods and procedures, and the delivery of training, information, and equipment programs.

²⁶ This was the approach adopted by Zambia in the Eastern and Southern Africa EPA grouping as the December 2007 deadline approached.

²⁷ World Bank, 'Le Problématique Sanitaire et Phytosanitaire au Niger', 2006.

²⁸ The standards developed for dried meat, Klichì, seem to fall under this second category.

- but, finally, WAEMU must not substitute for the state, and much stronger political will is needed in Niger, with the attendant budget resources.

2.55 The evaluation reached the following tough conclusion: “Of all the countries in the Union, except for Guinea Bissau, Niger is the one with the most handicaps. These handicaps stem primarily from a “*laissez-faire*” attitude, which has led to serious deterioration in official systems; interventionism and authoritarianism with no consideration for scientific reasons; a demotivated, understaffed, and poorly organized workforce which lacks resources.”

CONCLUSIONS

2.56 Greater effort is needed to estimate trade flows and harmonize across all institutions concerned to ensure that only one data set is accepted and used. The involvement of sector ministries will be important in order to incorporate their knowledge.

2.57 Niger has no integrated and operational trade strategy in general, and more specifically with respect to Nigeria. It should develop one. Because of its relatively small size, Niger does not have much leeway concerning trade with Nigeria; however, this leeway does exist. ECOWAS rules and institutions could be used to this end, notably those promoting regional free trade.

2.58 It is important to define this leeway and to quantify it. For example, it is probably in the interest of the Nigerian authorities to reduce re-exports from Niger. This could constitute a bargaining tool for Niger in its discussions with Nigerian authorities about meat exports. The special tax on re-exports to Nigeria generates a significant tax gain for Niger, but it will decrease with the introduction of the ECOWAS CET and it is not a sustainable form of trade in the long run.

2.59 The Ministry of Finance conducted a comprehensive study on economic links with Nigeria in 2001 with a variety of recommendations, but there has been little implementation. Niger authorities should commission a shorter follow-up study to update the original findings, develop a strategy and identify some priority actions. Some elements of this strategy might include;

- establishing a permanent structure to collect and analyze economic links between the two countries;
- raising awareness among Nigerian policy makers of the importance of trade flows with Niger;
- disseminating information on the criteria for duty free access to the Nigeria (and ECOWAS) market and promoting the certification of enterprises;
- working with private banks to facilitate CFAF-naira financial transactions;
- promoting Nigerian investment in industries with trade potential to create allies in Nigeria;
- preparing a plan to phase-out re-exports;
- strengthening the *Commission Mixte de Coopération*;
- working to improve implementation of the ECOWAS Trade Liberalization Scheme.

2.60 Reform in tax administration has become urgent given Niger’s poor revenue performance as a percentage of GDP and the customs duties shortfalls expected as a result of free trade with ECOWAS member states, a possible EPA with the European Union, and the likely decline in re-exports. These revenue losses could exceed CFAF 20 billion, or 10 percent of total tax

revenues.²⁹ Given the long-term nature of such reform, a comprehensive strategy needs to be launched immediately.

2.61 The EPA should be negotiated with the utmost precaution—among ECOWAS member states and with the EU. Niger must ensure that the outcome will lead to a better situation than that which already exists under the Everything But Arms agreement.

2.62 With respect to standards and quality, there is a need to start implementing the recommendations validated in 2006, namely:

- Developing an integrated approach to sanitary safety by reestablishing the chain of command and establishing formal consultation structures;
- Focusing MCIN efforts on the relevant aspects of foodstuff quality and not on their health safety;
- Abandoning all attempts at policing;
- Giving metrology the priority it deserves;
- Renewing the role of the MCIN as the WTO counterpart on standards by activating the focal points, circulating information and notifications, and coordinating national committees.

²⁹ The total is estimated at CFAF 24 to 26 billion by Blein, Hamid and Baillet, but with assumptions that are rather extreme.

3. THE BUSINESS CLIMATE AND INSTITUTIONS

INVESTMENT CONSTRAINTS

3.1 A 2001 review³⁰ of the private sector in Niger listed a wide range of weaknesses in the investment climate in Niger, notably: starting a business, the labor code, restrictions on expatriate workers, taxation, and the legal system. This review concluded that the investment climate had led to a flight towards the informal sector and a downward trend in domestic and foreign investments.

3.2 In *Doing Business*, the annual World Bank survey on business regulations and their enforcement, Niger was ranked among the ten countries (169 out of 178) with the most difficult conditions for operating in the private sector in 2007. Particularly difficult were regulations and costs related to trading across borders (163rd), the labor market (161st), and dealing with licenses (155th). In the analysis of regulations governing trade, the high costs partially reflect transport costs, and thus, the landlocked nature of the country. However, the time necessary for export far exceeds the average in sub-Saharan Africa and even more so that of East Asia (see Table 3-1), and this mostly depends on the time necessary to prepare documentation (36 days). In spite of recent reforms, the labor market remains bogged down by the bureaucratic red tape of the regulatory system in Francophone Africa in general. With respect to the granting of licenses, the number of procedures is not the problem, but rather the duration and cost.

Table 3.1 : The three most severe constraints identified in Doing Business

	<i>Niger</i>	<i>Africa*</i>	<i>East Asia</i>
Trading across borders regulations			
Documents for export (number)	8	8	7
Time for export (days)	59	36	25
Cost to export	\$2945	\$1660	\$885
Labor regulations			
Difficulty of Hiring Index	100	42	19
Rigidity of employment index	70	43	20
Difficulty of Firing Index	50	42	19
Dealing with Licenses			
Number of procedures	16	18	19
Number of days	293	263	175
Cost (% of income per capita)	2824%	2549%	177%

* Sub-Saharan Africa

Source: World Bank, *Doing Business 2008*.

3.3 In 2005-6, a more detailed survey was conducted in Niger under the Investment Climate Assessment (ICA). The sample comprised 138 formal enterprises in the manufacturing, trade, and tourism/hotel sectors.³¹ A small number of enterprises were exporters. The six most binding constraints, based on the different categories of enterprises, are presented in Table 3-2.

³⁰ World Bank, *Niger: The Challenge of a Return to Accelerated Growth, 2001*.

³¹ A survey was also conducted among 108 enterprises in the informal sector

Table 3.2 : The binding constraints according to the Investment Climate Assessment (%)*

<i>Constraint</i>	<i>Formal sector (total)</i>	<i>Manufacturing sector</i>	<i>Trade</i>	<i>Hotels</i>
Tax administration	68	63	71	85
Tax rates**	68	68	70	92
Informal sector practices	67	62	67	
Cost of financing	59	67	59	
Corruption	57	59	58	62
Access to financing	52	67	51	62
Electricity				77
Customs and foreign trade regulations				69

* Percentage of enterprises that rated the constraint «major» or «very severe».

** The survey is based on tax rates that have since been revised downward. This is the case with the business profit tax rate.

Source: World Bank, Niger: Investment Climate Assessment, 2006.

3.4 This survey is not comprehensive, as it does not include rural enterprises or those in the mining sector; nevertheless, the light it casts on relative priorities is still useful. Problems related to taxation and to financing clearly emerge, as do corruption and informal sector practices. The latter relates to difficulties experienced by formal sector enterprises when they face competition from informal sector enterprises that do not respect rules and regulations. However, it is important to note that export-oriented enterprises have somewhat different priorities. Hotels consider electricity and customs and trade regulations as the most binding constraints. The last two constraints were also considered priority concerns by the export enterprises surveyed.

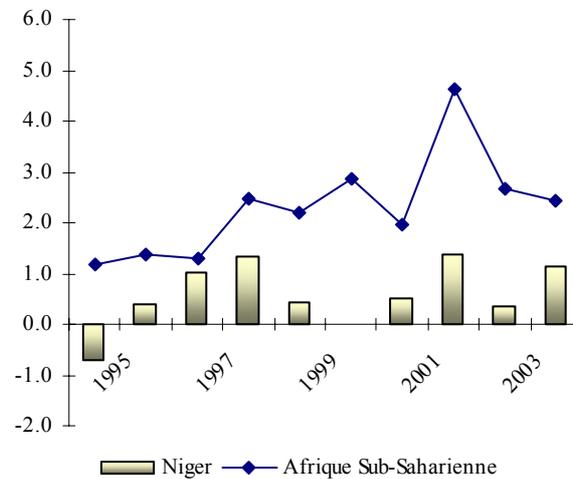
3.5 There have been recent improvements in several areas of the regulatory framework: reduction in the number of processes required to start a business, simplification of the taxation system, and improvement of the legal framework and judiciary system. The creation of the Center for Enterprise Formalities (*Centre de Formalités des Entreprises, CFE*) has helped reduce the time it takes to start a business, which is now below the average for Africa (see Table 3-1).

3.6 This notwithstanding, in relation to per capita income, starting a business in Niger is still quite expensive: the cost alone represents up to four times the per capita income, and the minimum capital required represents close to eight times the per capita GDP. In a country where the vast majority of economic activities take place in the informal sector and where the political objective is to offer incentives for them to operate in the formal sector, it would be logical to explore ways of sharply reducing these costs.

3.7 The perception persists that the business environment needs serious improvements. This explains, in part, why foreign direct investment flows (FDI) have remained at a negligible level (see Figure 3-1). During this period, net FDI-to-GDP ratios in Africa grew on average from 1.66 percent to 1.95 percent in the 14 most developed countries in sub-Saharan Africa (SSA) and from 1.83 percent to 5.76 percent in the 33 least developed countries (LDC) in SSA. For an economy the size of Niger, net annual FDI inflows of about US\$10 million not only reflect the weaknesses of the investment climate, but also the low priority given so far by the government to attracting foreign investment. Although FDI increased recently, it is certainly due to the increase in uranium

and gold prices, rather than to improvement in the business environment. The government should therefore pursue its efforts in this area.

Figure 3.1 : FDI inflows between 1994 and 2003 (as a % of GDP)



Source: World Bank, Investment Climate Assessment.

LEGAL AND REGULATORY FRAMEWORK

3.8 Since 1995, Niger has been a member of the Organization for the Harmonization of Business Law in Africa (OHADA), which groups together WAEMU and Economic and Monetary Community of Central Africa (CEMAC) countries. The main objective of this treaty is to address legal and judicial uncertainty within member countries. The Common Court of Justice and Arbitration (*Cour commune de justice et d'arbitrage*), headquartered in Abidjan, acts as the final court of appeal (cassation), in lieu of national courts.

3.9 Niger is gradually harmonizing its commercial legislation with the UEMOA code. With respect to the judicial system, the program to support justice and the rule of law brought about several improvements, notably: (i) recruitment of about 90 new magistrates, who were provided with further training, notably on the OHADA code, and who have been appointed to relatively important positions, and (ii) a pilot project to computerize commercial registries in two regions. However, this is only the beginning of what should be a fundamental modernization of the judicial system. The country has no court of arbitration. The restructuring of the judicial system in 2004, which established three types of courts, for commerce, employment, and administrative disputes, resulted in the creation of 10 commercial tribunals, but the shortage of financial resources adversely affected the efficiency of these new structures. Meanwhile, the perception persists that the legal system suffers from serious shortcomings, notably with respect to the independence and objectivity of its decisions. This perception adds to the general concern about corruption.

3.10 Niger's investment code dates back to 1985, but it has been revised several times. It was last revised in 2001. Two special codes were defined for the mining (*Code minier*) and petroleum (*Code pétrolier*) sectors. Businesses authorized under the investment code enjoy a number of guarantees and advantages, including no restrictions on transfers of capital for non-residents, as well as tax and customs exemptions during the first five years of operations. The approval of

businesses under the investment code is granted either by joint decree of the Ministers of Industry and Finance, or by decree of the Cabinet, depending on the type of approval.

3.11 Efforts to implement policy and regulatory reforms are nothing new in Niger. Roundtables on the development of private business, organized by the government in 1988, 1997, and most recently, 2000, proposed a wide range of recommendations, but in the absence of effective monitoring, they generally have not produced significant results. The most recent effort led to the creation of the National Council of Private Investors (*Conseil national des investisseurs privés*—CNIP), which brings together, under the authority of the Prime Minister, key representatives of the business community and government decision makers. Thanks to this high-level representation, and to ongoing results-oriented dialogue, the CNIP could become an efficient instrument for implementing reforms. However, its initial work program seems too broad and not well focused. Based on the rather mixed performance of such initiatives in other African countries, it is recommended to start with a few well-defined objectives that offer the possibility of showing results in the short term. Otherwise, one runs the risk of diluting the policy dialogue and adversely affecting the motivation of participants.

3.12 The annual surveys – *Doing Business*, which now covers 178 countries, and *Investment Climate Assessment*, conducted periodically in several African countries – provide the CNIP with two instruments that can be used to compare Niger with other countries and to set priorities related to policy reforms, push Niger policy decision makers to implement the desired reforms, and measure the outcomes in a precise and regular fashion. The Action Plan developed for the present diagnostic study should serve as another useful input into its work program.

TAXATION

3.13 Within the framework of the CNIP, a committee examined the issue of taxation and noted that progress had been made during the last ten years with respect to rationalization and reduction in nominal tax rates. There has been some harmonization among countries within WAEMU, and this has helped reduce and simplify taxation in Niger. For example, the tax on business profits fell from 50 to 35 percent. The VAT fell from a maximum rate of 35 percent to a single rate of 19 percent. At 35 percent, the tax on business profits is still relatively high. In general, however, taxation in Niger is comparable to that in other WAEMU countries (see Table 3-3). However, some WAEMU countries have reduced their taxes on business profits to 25 percent.

Table 3.3 : Comparison of tax rates in some WAEMU countries (%)

	VAT	Business profit tax, corporate bodies	Business profit tax, private individuals	Savings taxation	Property taxes and levies (businesses)
Niger	19	35	35	10 to 25	2.5 on balance sheet value before amortization
Benin	18	38	35	10 to 18	5 to 12
Burkina Faso	18	35	10 à 35	12.5 to 25	Varies according to zoning
Côte d'Ivoire	18	35	25	6 to 25	15 on rental value
Mali	18	25	35	10 to 15	n.a.
Senegal	18	33	25	6 to 16	15 (net rental value)
Togo	18	37 to 40	variable	2.5 to 15	12.5 (rental value)

n.a. not available

Source: World Bank, 2001, Niger: The challenge of a Return to Accelerated Growth, and IMF.

3.14 **Narrow Tax Base** A narrow tax base is always invoked as the reason for the low tax ratio in Niger. This is no doubt true, but it will likely remain so for a long time, as it is estimated that the weight of the informal sector (excluding the primary sector) in GDP varies between 30 and 40 percent (World Bank, 2001). Yet, several factors contribute to this informality. Relatively heavy taxes is one of them, but a time-consuming taxation authority is another one (see below). Measures aimed at making the informal sector contribute, such as the creation of a general business license (patent), are steps in the right direction, although their full impact cannot yet be measured.

3.15 The Niger tax system comprises several exemptions owing to the existence of the investment code, the mining and petroleum codes, etc. It was estimated in 2001 that half of the 50 or so formal businesses in the manufacturing sector had benefited from the investment code. One may wonder at the rationale for the coexistence of multiple incentives under the investment code, alongside relatively heavy taxes, in spite of the tax cuts in recent years.

3.16 The long border with Nigeria does not facilitate the collection of customs duties, or the formalization of the economy as a whole. The non-convertibility of the naira, and, consequently, financial transactions outside the banking system reduce the taxation potential of production and commercial activities which involve both countries. But there are some large players engaged in informal trade who should be brought into the formal sector and taxed accordingly. Better coordination between customs and taxation administrations is needed, as well as a stronger presence of the tax authorities in the major towns outside of Niamey. In addition, customs should reduce and even eliminate the use of the 9999 code for so-called ‘occasional’ operators who provide no name or address. Such importers accounted for 17 percent of all imports in 2006 and some of these import consignments had values in excess of USD1 million.³²

3.17 **Taxation administration** Whereas the *Investment Climate Assessment* showed that 68 percent of formal businesses consider that tax rates are high in Niger (Table 3-2), an equally large proportion of businesses perceives tax administration to be as severe a constraint. This perception is based on the taxation in effect in 2005. During meetings with private sector representatives in December 2006 for the present study, the majority of them believed that the heavy tax administration now constitutes an even more severe constraint than the tax rates themselves, considering the recent progress made with respect to tax cuts.

3.18 Auditing is conducted by several services within the General Directorate of Taxation (*Direction Générale des Impôts—DGI*). Document-based inspection is carried out by the large taxpayer directorate (*Direction des Grandes Entreprises- DGE*) and the small- and medium-sized taxpayer directorate (*Direction des Petits et Moyennes Entreprises- DPME*). External auditing is done by the tax audit directorate (*Direction du contrôle fiscal - DCF*) and the DGE audit unit. Auditing is not part of an overall strategy to detect tax evasion. No DGI structure is responsible for the orientation and definition of auditing priorities. This situation translates into multiple auditing programs by DGE and DCF. This lack of coherence is detrimental to the credibility of the administration, and private sector representatives complain about harassment of taxpayers. Special effort should be made to consolidate DGE and DCF auditing programs.

3.19 The performance of the tax administration is generally unsatisfactory. The capacity to identify the tax base needs to be strengthened. Audit coverage not only lacks a strategy, but it is also weak. The general auditing unit covers less than 2 percent of real sector businesses (IMF,

³² IMF, AFRITAC, 2007.

2005) and issue-oriented audits are virtually non-existent. This weakness is attributable to a severe shortage of staff and inadequate recruitment in recent years.

3.20 Niger needs to increase its tax ratio without worsening the tax burden on businesses that already pay taxes. To achieve this objective, top priority should be given to strengthening the tax administration. Taxation should be simplified and rationalized, and the tax base broadened. Strengthening the tax administration requires an integrated strategic plan, over a period of at least five-years, focused on a results-based approach, which combines an integrated computerization plan, a plan to consolidate information with customs (DGD), a targeted training plan, and adjustments to the employee incentive scheme for DGI and DGD staff. Such an integrated strategy should be able to induce a change of organizational culture within the DGI and the DGD. Particular attention should be paid to domestic taxation (DGI). Import duties have a smaller revenue potential, given the dismantling of tariffs expected under the ECOWAS agreement, and if an EPA is signed.

3.21 **Tax rate:** In spite of recent progress, a number of constraints remain on the taxation front. One of these has been the 2.5 percent property tax on the gross amount of real property investments, including on the cost of buildings, tools and equipment, without any depreciation allowance. This means that buildings and equipment that have depreciated after ten years of use, and are less productive than when they were new, will be charged the same amount of property tax as if they were new. Such a tax discourages investment. This tax was reduced to 1.5 percent in the 2008 Budget, but it still does not take into account depreciation.

3.22 The property tax has repercussions for the *patente*, the business license tax. Indeed, the *patente* is based on three elements: a fixed levy, an *ad valorem* levy and a supplemental levy (*centimes additionnels*). The *ad valorem* levy is based on the cadastral rental value, which is equivalent to 14 percent of the amount of property investment recorded on the balance sheet before depreciation.

3.23 The fixed duty was based on the number of workers, which discouraged the creation of jobs in a country where unemployment is high. This component has been recently changed and it is now calculated on the basis of a company's sales.

THE FINANCIAL SECTOR

3.24 Niger's financial sector is made up of the Central Bank (BCEAO), 10 commercial banks, 2 specialized banks, the National Social Security Fund, five insurance companies, 3 securities brokers, about 177 micro-finance institutions (MFI), and the postal savings service (*Office National de la Poste et de l'Épargne- ONPE*). The ONPE is currently undergoing restructuring which will result in two entities: one for savings and the other for the post office³³. The Regional Stock Exchange, based in Abidjan, has a branch in Niamey. Foreign investors hold a majority stake in the financial system, with two-thirds of banks controlled by non-national interests, as well as three of the four insurance companies.

3.25 All but three credit institutions face financial difficulties.³⁴ Financial intermediation is weak in Niger. It is estimated that 80 to 90 percent of the population has no access to financial services. At the end of 2005, the ten largest beneficiaries of the banking sector accounted for 27

³³ This section draws heavily on an unofficial, unpublished IMF document entitled "*Niger : Financial Sector Developments*", 2006

³⁴ Republic of Niger, MEF, 2005.

percent of credit to the private sector. Interest rates on loans are as high as 18 percent, whereas they do not exceed 3.5 percent for deposits, giving banks a high profit margin on loans (10.7 percent on average).

3.26 Credit distribution does not reflect the relative importance of the different sectors of the economy. Agriculture accounted for less than 1 percent of bank credits, although it contributes 40 percent to GDP. Commerce continues to absorb the bulk of credit, with 46 percent of bank loans, but this is mostly domestic trade.

3.27 The creation of the *Banque Régionale de Solidarité* by the BCEAO is an interesting attempt to expand lending to SMEs, cooperatives, rural associations and MFIs. In some WAEMU countries it may not be necessary, but in Niger it could help fill a gap in the financial sector. This experiment should be pursued, while keeping a close eye on the measures need for financial sustainability.

3.28 **Micro-finance:** Micro-finance institutions (MFI) are growing at an accelerated rate compared with the rest of the financial system. Since 1998, MFI membership has increased 50 percent, deposits have doubled, and loans have increased two-and-a-half times. The number of women in MFIs tripled between 2000 and 2005, and now represent close to half the membership.

3.29 The MFI network had 177 branches in the country in 2005, representing 90 percent of all financial system branches in Niger. Nonetheless, the MFI network remains less developed than in the other WAEMU countries. The penetration rate in Niger (beneficiaries in relation to number of households) was 12 percent in 2005, whereas it was double or triple in other countries. Benin had a penetration rate of 78 percent in 2000.

3.30 The quality of the loan portfolio in the microfinance sector has improved since 2002, but the situation remains worrisome. Preliminary data for 2005 shows that 10 percent of loans would be classified as non-performing. The performance of donor-financed MFIs is even less brilliant (35 percent of non-performing loans in 2005). Of the 79 MFIs that reported their activities to the Ministry of Economy and Finance (MEF) in 2005, 28 registered losses. This number rises to 39 when subsidies are excluded.

3.31 In March 2004, the authorities adopted a microfinance strategy and an eight-point action plan aimed at strengthening the sector. The implementation of this action plan is still in its initial phase. The microfinance sector needs technical support from donors to streamline networks and strengthen their management capacity.

3.32 **Agricultural credit:** With the disappearance of credit institutions dedicated to rural areas (CNCA and BDRN), businesses in the agricultural and livestock sectors face difficulties gaining access to financial services. This is in marked contrast with Mali, where the BNDA operates rather well.

3.33 One of the main bottlenecks that hampers access to credit for agricultural sector operations, and businesses in general, is the lack of a structured credit system. Since the demand for loans is not structured (documented, based on rigorous figures, etc.), financial institutions consider that they represent too much risk and do not have enough guarantees³⁵. Structuring this process involves providing support to help promoters prepare credible loan documents, manage credit properly, and present the guarantees needed to obtain credit. This last point leads, in some

³⁵ This structuring of credit demand is less vital to the financing of commercial activities.

cases, to the need to create groups to obtain credit and even to constitute mutual guarantee funds within sector associations. This type of non-financial service may also involve technical supervision of credit use. In addition, the awareness of credit institutions should be raised so that they can adapt their services to rural areas and, in particular, to agricultural sub-sectors, so that credit is not given only to urban traders.

3.34 The main constraints related to agricultural credit (production, marketing, and export) include the lack of reciprocal knowledge between the supply of and demand for finance. This translates into poorly adapted financial products and to lack of information on conditions of access to credit and the real constraints of financial institutions. The well-known lack of short- and medium-term financing, not only to agriculture, but to the economy in general, is attributable notably to a shortage of medium- to long-term resources (deposits). The lack of adequate guarantees to reassure lenders also constitutes an obstacle to credit. The absence of a vibrant property market does not facilitate the provision of guarantees to banks.

3.35 At present, few non-financial services are offered in support of credit structuring. Organizations have been set up to provide this type of service, such as the TANYO group, which sells its services to SMEs (preparation of credit applications, monitoring, and guarantees to banks). Local banks control 67 percent of this group, but it is still barely present in the agricultural sector. It manages the only partial credit guarantee scheme, the *Société Sahélienne de Financement* (SAHFI), with funding from the EU. Such schemes could play an important role in promoting lending by the commercial banks to both agribusiness and MFIs.

3.36 One could also envisage a matching-grant scheme that would provide advice to micro, small, and medium-sized enterprises which would pay for part of the costs. These services would be provided by local providers who could receive targeted training, when necessary. The services could include support for the preparation of documents, the preparation of business plans, and the search for financing. Ways would have to be found to institutionalize these types of non-financial services adapted to rural areas.

3.37 Another client base, comprising groups of producers and exporters to the sub-region, could be reached through sector-based associations and through the projects that support these sectors. This would involve forming specialized units within these associations responsible for structuring credit demand in order to link up credit supply and demand. These units could train beneficiaries in the use of credit and in group dynamics. They could also help them address the problem of guarantees (creation of mutual guarantee groups, etc.). Once demand is structured, these units could monitor the credits granted in order to secure the financial institutions.

3.38 **Inventory-based credit:** This is a means to obtain financing against stocks of agricultural products held in a bonded warehouse. It not only increases the producer's access to financing but also reduces their exposure to price fluctuations for their crops. Inventory-based credit has been used extensively in Ghana. It was introduced in Niger in 1999 as part of an FAO project and it has been well received by a few MFIs. However, it remains insignificant relative to the needs of the national economy. This instrument should be expanded, providing the warehouses are managed by experienced private sector operators, the participating MFIs are strengthened and a proper regulatory framework is put in place. New storage technologies will also be necessary for some relatively perishable commodities such as onions and cowpeas.

3.39 **Financial leasing** The use of leasing to procure equipment is an uncommon practice in Niger but could be used as a cost-effective way of increasing the production capacity of agribusiness, commercial truckers, and businesses in other sectors, such as public works and road

maintenance. IFC advisory services played a decisive role in the creation of financial leasing programs in Tanzania, Rwanda, and Ghana. The IFC provides a full-service support program comprising (i) needs assessment; (ii) technical assistance for the drafting of new legislation on financial leasing and related regulations, which provides for the recovery of assets outside the judicial process in case of bankruptcy, as well as specific tax incentives; (iii) providing investment links for the creation of a financial leasing firm in partnership with a local bank; and (iv) strengthening credit registries, where financial institutions must register all assets provided as collateral for a financial lease.

OTHER CONSTRAINTS

3.40 ***The labor market:*** It is estimated that in Niger, more than 90 percent of workers in the informal non-agricultural sector are paid wages far below the legal minimum wage and have practically no legal rights with respect to job security and social protection. Meanwhile, the active Niger population is growing at an annual rate of 3.3 percent (compared with 2.6 percent on average in SSA). In the face of this two-pronged difficulty, one would expect the government to enforce flexible labor regulations designed to facilitate job creation in the formal sector. But this is not the case. In fact, Niger's labor code is ranked among one of the most rigid in the world. It was revised in 1996, but remains largely based on French legislation and imposes not only a large number of public holidays and paid leave, but still includes several restrictions, limiting, in particular, the use of overtime and layoffs. The business community agrees that any restriction on business leaders' freedom to fire their employees hampers their ability to hire. The Niger labor regulation in its current form is particularly inappropriate at a time when it is necessary to create jobs in the formal sector.

3.41 ***The level of qualifications:*** The coverage of educational establishments in Niger is one of the poorest in the world at all levels of education. Since 2000, the government has put more emphasis on improving coverage and has achieved significant results: there has been a notable rise in the enrolment rate, in particular at the primary level, where the enrolment rate rose from 37 percent in 2000 to 52 percent in 2004. The primary education completion rate increased from 18 percent in 2002 to 36 percent in 2005, but it is still one of the lowest in low-income African countries.

3.42 A significant proportion of children who graduate from the education system lack the skills needed in the labor market. Higher education produces graduates who have strong theoretical knowledge but are generally considered overqualified by most private businesses. The vocational and technical education system has been neglected for years. The rare training centers that are operational are paralyzed by lack of equipment and the poor skills of trainers. In addition, the training proposed does not address the needs of the labor market.

3.43 To date, no attempt has been made to explore the possibility of a public-private partnership to develop technical and vocational training. The *Centre national de perfectionnement à la gestion* (CNPG), the main training center in this area, operates with difficulty and is to be restructured. The situation is worsened by the competition between the state, development partners, and the private sector for the rare employees with technical and management skills. As such, the inability of national entrepreneurs to employ a team of competent technicians and managers limits their ability to explore growth opportunities.

Box 3-1: The Vocational Training Tax

Clearly, a program to reinforce technical, marketing and general management skills in the private sector would need to be designed and implemented with a mechanism built in to establish sustainability in the longer term. The *taxe de formation professionnelle*, a tax levied on the payrolls of enterprises, could become a key instrument to ensure the sustainability of enterprise support programs. At the latest count, fifteen countries in sub-Saharan Africa had introduced some form of training levy scheme. One of the problems with many of these schemes is the failure to transfer the proceeds of this tax to a dedicated fund, so that the training levy simply becomes an additional tax whose proceeds are transferred to the Treasury. This is the case in Niger.

There is a growing body of lessons learned around the world from these schemes from which the following critical factors of success can be identified:

- The unimpeded transfer of the levy proceeds into a secured account needs to be ensured to prevent misappropriation of the funds;
- The scheme should be managed by a professional management team contracted for the purpose; this team should be provided with complete management and financial autonomy, based on transparent decision making procedures;
- A solid governance structure needs to be put in place, including a tri-partite board with oversight responsibility;
- The scheme should not provide skills development services itself, but rather act as an intermediary; there should be no restrictions on service providers, with private, public, NGO and institutional entities all being eligible, and with allocations made on a competitive basis

Experience has shown that, once clear private sector ownership and transparent procedures have been established, such a scheme tends to be able to secure additional funding from other sources. A notable example is Côte d'Ivoire, where the national training levy scheme received substantial donor support once the Government had committed itself to reform its management structure and provide direct oversight and control to private sector representatives.

3.44 It is difficult to find a sector of the Niger economy—agribusiness, manufacturing, or tourism—where growth is not hampered by the lack of technical and management skills. Yet, to date, the country has no strategy for improving the level of skills in the private sector. The preparation of such a strategy should start with a comprehensive analysis of the needs and training services offering in the key sectors of the Niger economy, which would lead to a definition of needs and priorities for the development of qualifications for the private sector. This analysis should constitute the foundation for the preparation of a comprehensive and multimodal program. This effort should draw on lessons learned from the agro-pastoral export promotion project (APEPP). This project included a counterpart subsidy fund to co-finance a range of activities related to training and development of skills in the agro-pastoral sector. This experience could eventually lead to a larger-scale version of this mechanism.

3.45 In addition, a feasibility study should be conducted on a public-private partnership aimed at creating a technical and vocational training center and a management training institute. This study should include: (i) an assessment of the demand for technical and management training in the private sector; (ii) an estimate of potential revenue flows from school fees and from

government support grants; (iii) an estimate of the operating costs of these two structures; and (iv) different scenarios to verify financial viability.

3.46 **Access to land:** Traditionally, the lack of secure access to land has been a critical obstacle to private investment by industrial and agricultural enterprises. The land situation in Niger is currently in full transition. In 1993, the government decided to undertake large-scale land reform and adopted a law establishing the guiding principles of the rural code. A key characteristic of this legislation, a novelty in Africa, is that it gives equal weight to customary and modern property rights. After extended delays, the program was launched at the beginning of this decade. It is based on an elaborate consultation process involving stakeholders through a network of land commissions authorized to issue land titles that are recorded in rural registers. These registers will become the archives for all future transactions and provide unchallengeable protection for all title holders.

3.47 This procedure is still in its early stages and is suffering from poor coordination at the top: the process is supposed to be supervised by the *Comité national du Code rural*, an inter-ministerial committee presided over by the Minister of Agriculture (rather than by the Prime Minister) who, up to now, has not succeeded in holding regular meetings. In addition, only three of the eight regions have set up a land commission. Because of this, the procedure is still relatively unknown, notably by potential investors. Downstream, the reform is progressing rapidly: at the departmental level, 34 land commissions out of the 36 planned have been set up and the network is being expanded and deepened with the creation of land commissions at the level of communities and villages.

3.48 The land reform program holds the promise of becoming an operational market for commercial land transactions and it could become a model for the region. Its success ultimately depends largely on political commitment and compliance with the formalized procedure as well as on continued donor support.

3.49 A new and improved pastoral law is being prepared: it describes in detail the rights and obligations of pastoralists.³⁶ The adoption of the law should be followed by the establishment of land commissions in the remaining regions. The capacity of the regional land commissions should be strengthened, notably by providing them with resources to conduct a full inventory of properties and property owners in their respective areas. Training in conflict resolution will also be useful. The capacity of the National Committee on the Rural Code (*Comité National du Code rural*) should be strengthened to ensure effective leadership and monitoring of the reform process.

3.50 An easy and transparent land acquisition process will be an important means of attracting new investors. The link between the National Committee on the Rural Code and its permanent secretariat, on the one hand, and the investment promotion facility, on the other hand, should be strengthened.

3.51 **The fight against corruption:** The government can demonstrate its commitment to the fight against corruption by adopting an integrated program that is based on lessons learned from Burkina Faso and Nigeria. In 2001, the Government of Burkina Faso set up a high level body (*Haute Autorité de Coopération de la Lutte contre la Corruption* --HACL) to coordinate the fight against corruption. However, to date, this institution has had little impact because of a weak legal foundation, since it was created by simple ministerial decree rather than by law and does not have the authority to prosecute. In contrast, the Economic and Financial Crimes Commission - EFCC) of Nigeria, established in 2002, has been more successful, notably in pursuing corruption

³⁶. The validation of this law is a « trigger » for the budget support operation in 2007

at all levels of government and civil society. It has the authority to investigate and to prosecute. In addition, Nigerian law has been amended to allow supreme courts to designate special judges for EFCC cases. To date, 14 special judges have handed down 150 convictions, which have led to the recovery of US\$5 billion in missing public funds.

BUSINESS SUPPORT INSTITUTIONS

3.52 ***The Chamber of Commerce, Agriculture, Industry and Artisanat of Niger (CCAIAN):*** Business support structures are, for the most part, grouped around this Chamber of Commerce. This public institution plays a major role that surpasses its traditional one of protecting the interests of its members. The CCAIAN not only strives to create synergy among all the structures that operate under its umbrella, it also contributes substantially to their financing. The financing of the CCAIAN is based on membership dues, and import and export taxes. Its organizational structure and statutory base were amended to increase its autonomy from the state. Its board of directors and its president are elected.

3.53 In addition to its many divisions, the CCAIAN includes four specialized establishments and one support project:

- The *Centre de Promotion des Investissements* (CPI)
- The *Centre de Formalités des Entreprises* (CFE)
- The *Centre National de Perfectionnement à la Gestion* (CNPG)
- The *Centre de Gestion Agrée* (CGA)
- The *Projet de Formation des Apprentis selon le Système DUAL allemand* (FASD)

3.54 The CPI is a facility that welcomes, directs, advises, and assists national and foreign entrepreneurs/investors with a view to promoting private investment in Niger. The CPI is an “investors’ center”, an export-promotion center, and a trade promotion center. The CPI was initially a project supported by French cooperation, and was located within the MCIPSP before being moved to the CCAIAN. At present, it is financed by the latter and receives support from the Chamber of Commerce of Meuse (France), as well as from UNIDO. It played a role in the establishment of the CNIP and continues to make a significant contribution to it.

3.55 The CFE is intended to be a *guichet unique* or “one-stop shop” to welcome and inform businesses about legal and regulatory laws that govern their activities, and enable them to fulfill the requirements for the creation of a business in one place, and in the shortest time. For investors, the CFE is the single entry point for the authorities and organizations involved in the fulfillment of business formalities. The CFE also started as a project financed by French cooperation between 2000 and 2003, before becoming a specialized institution of the CCAIAN. The CFE has set up branches in eight regions, though CCAIAN agents still serve as representatives of the CFE in some of them. The CFE is said to process 4,000 files per year.

3.56 The CNPG is the third specialized institution of the CCAIAN; it seeks to prepare training plans for businesses and to provide management and recruitment advice. For the time being, its activities are limited by lack of resources. The CCAIAN intends to have the CNPG play a role in sensitizing and upgrading businesses to ensure that they comply with regional and international standards. This is an ambitious but crucial objective, if Niger wants to export its agri-food products, in particular. However, to achieve these objectives, the CNPG needs far more resources. Discussions are under way with the Ministry for Technical and Vocational Training.

3.57 The CGA is a new structure being created with funding from the European Commission and the French Government and technical support from the Chamber of Commerce and Industry of Meuse. It will focus on capacity-building in accounting and financial management.

3.58 The FASD apprentice training program, based on the German DUAL system, remains a vocational training project under the CCAIAN. It targets three areas in particular: woodworking; metal doors, windows and frames; and automotive mechanics. Created in 1987, the FASD is based on a model that combines technical training and experience in the workplace.

3.59 The CCAIAN comprises a number of divisions (six in all), including the Trade Division which houses the *guichet unique* for foreign trade procedures. Its role is to help import and export enterprises with their regulatory formalities. To export/import, a business must fulfill five conditions: (i) be enrolled in the trade registry as importers or exporters; (ii) obtain an import/export business license (*patente*); (iii) pay its dues to the Chamber of Commerce (CCAIAN); (iv) pay its dues to the Niger Council of Public Transport Users (CNUT); and (v) obtain a tax identification number (NIF). The cost of procedures for exports does not exceed CFAF 14, 000.

3.60 Based on the fulfillment of these conditions, the business presents an application to the *guichet unique*. When it comes time to export something specific, the business has to prepare and submit a pro-forma invoice to this *guichet*, which prepares a form with all the appropriate information. This form requires authorization from the Ministry of Finance. For exports outside the Franc zone, the entire process is completed in less than 48 hours. For exports to Franc zone countries, it takes even less time. Exporters meet in the course of this study confirmed the speed and effectiveness of this process.

3.61 In March 2005, the CCAIAN welcomed an AGOA unit, two years after the establishment of such a unit within the Ministry of Trade. The unit, financed by USAID and CCAIAN, is housed within the same group of buildings as the Chamber of Commerce and the specialized institutions. The role of the AGOA unit is to sensitize and inform Niger entrepreneurs of the possibilities offered by AGOA. This role may extend to international trade in general. It also provides certificates of origin for handicraft exports.

3.62 The Niger Agency for the Promotion of Exports (*Agence nigérienne pour la promotion des exportations- ANIPEX*), created in 2004, has about 60 members and is housed in the CCAIAN facilities. During its launching phase, this agency received support for training services and capacity development from the World Bank-financed Agro-Pastoral Export Promotion Project (APEPP). The special strength of this agency is its roots in the private sector; thus, it could play a key role in the development of exports. Unfortunately, the support provided by APEPP ended a year after the creation of this agency, when the latter had not yet attained financial viability. It eventually received other financial support from the World Bank's Privatization and Regulatory Reform Technical Assistance Project; however, this project closed at the end of 2006. For the time being, ANIPEX is surviving with support from the CCAIAN and the dues of some of its members, but it is not really a functional organization. Support to ANIPEX is certainly desirable, on condition that it succeeds in partial self-financing, thanks to the dues of its members. If this agency plays a useful role, its members should be ready to contribute to its financing.

3.63 ***The multiplicity of institutions:*** This list of institutions for exporters and businesses in general is not exhaustive. There are a number of organizations, financed by the private sector, such as TANYO, which act as intermediaries between PMEs and banks, the CNUT, etc. But it

must be noted that there is some amount of duplication among the structures linked to the CCAIAN, and these should be streamlined. For example, there is a certain amount of overlap in the jurisdictions of the specialized institutions and those of the actual CCAIAN divisions. For example, the Chamber of Commerce has a Business Orientation, Information, and Formalities division and another Training and Assistance division. These would appear to be similar to the CFE, CNPG, and FASD.

3.64 There is also a Department for Trade Promotion which is responsible for managing a single window dealing with external trade formalities, the organization of participation in trade fairs, preparation of foreign trade missions, and receiving similar missions. Are these functions not very similar to those of the CFE and ANIPEX?

3.65 All these structures are located within the CCAIAN “compound”, and are thus physically close to each other. This facilitates the actions of entrepreneurs and can encourage some synergies. However, these structures and their roles should be streamlined. Could the DPE and CFE be merged? One may also question the complementarities between the CNPG, the CGA and the FASD. There is some collaboration between these structures, located in the same building complex; however, a sort of federation, or, in some cases, the merging of some of the structures should be envisaged.

3.66 There are also other structures established by donors outside of the CCAIAN to support private enterprise. For example, *Entreprendre au Niger*, was created in 1997 with financing from the UNDP and the International Labor Office (ILO) to support small and medium enterprise. It helps with the elaboration of business plans, partial credit guarantees, financing, and management training, among other services.

3.67 The different enterprise support structures could be grouped under one entity, which would serve as an integrated service center or a *mini-market* for the private sector. The entity would be a private, not-for-profit association. Its mission would be (i) to set up a welcoming and orientation structure for entrepreneurs/investors; and (ii) to implement some support programs for the private sector, and serve as an interface with the authorities, private sector support institutions and providers of advisory services. The partners of this entity could be the CCAIAN, private sector stakeholders, and donors interested in financing its programs.

3.68 In 2002, Burkina Faso set up a *Maison de l'Entreprise*, which comprises a general assembly made up of 116 professional groups and 400 micro/SMEs. Membership dues bring in about CFAF 200 million per year, or close to 40 percent of operating costs. The balance is financed by the World Bank and the European Union. The State does not contribute to financing at present. Without taking the Burkina Faso institution as a model, lessons can be learned from it, either to emulate or to avoid. In any case, the issue of financial sustainability will arise, whether in the context of a single integrated entity or in the current context of multiple structures.

3.69 The entity created could play the role of a private executing agency for the projects of donors who wish to support SMEs and the private sector in general, since it would constitute an appropriate anchor point. The CCAIAN would exercise significant influence on the board of directors of the new entity, and could assume the presidency. The Chamber is currently examining options along this model.

3.70 **Attract strategic investors:** This study identified a number of specific projects in irrigated agriculture, agribusiness, and the livestock sector, where FDI flows could promote the restructuring and modernization of whole sub-sectors. Rather than a broad program, the

government should therefore adopt a targeted program to attract strategic investors with the requisite technical, financial, and managerial skills and the desired knowledge of export markets to act as catalysts in the organization of sub-sectors and the establishment of sustainable commercial links. Particular effort could be made to encourage the diaspora to invest in Niger.

3.71 It is thus recommended that while strengthening the CPI, the government hire an international consulting firm with solid references in the identification of investment partners for specific opportunities. This consulting firm would be required to identify a number of potential strategic investors for specific projects and to prepare a strategy to attract them. The compensation of this firm would largely consist of results-based bonuses. Its work would complement the activities of the CPI which would focus on promoting the country in general, identifying target sectors, and receiving investors.

CONCLUSIONS

3.72 Recommendations to mobilize human and financial resources with a view to accelerating export growth can be grouped under five areas:

- 1 Emphasis should continue to be put on improving the regulatory and fiscal environment to ensure that national entrepreneurs enjoy the requisite conditions for improved competitiveness; tackling corruption; improving compliance with contracts; and facilitating the entry of SMEs into the formal sector.
- 2 Due to the low level of domestic savings and capital formation, combined with serious weaknesses in human resource skills, more importance should be given to foreign direct investments (FDI) to rapidly acquire badly needed capital as well as management skills and knowledge of export markets.
- 3 Access to credit should be improved for micro, small-, and medium-sized enterprises, especially those involved in the agribusiness and agriculture areas.
- 4 The ongoing land reform process should be pursued and strengthened.
- 5 The multiple support structures for entrepreneurs/investors should be streamlined to create an institutional context that has the capacity to strengthen technical and management skills, as well as foster the upgrading of enterprises to meet quality standards.

4. CUSTOMS

4.1 As is generally the case in developing countries, Niger Customs remain focused exclusively on the mission of collecting duties and taxes, which amount to about 50 percent of total annual fiscal revenues. The trade facilitation mission is therefore too often relegated to a marginal role in spite of globalization and the development of intra-regional trade. However, a strategy for the modernization and reinforcement of the capacity of Customs, adopted in 2006, recognizes the importance of reform in this direction. It is important that it now be implemented. Many of the recommendations made below are also found in that strategy.

4.2 The legal instruments of Customs show no major problems as they comply with international standards, thus creating appropriate conditions for the General Directorate of Customs to achieve its mission. This legal framework is briefly reviewed in the first part of this chapter. Subsequently, the numerous operational shortcomings are reviewed. These constitute a serious obstacle to international trade in terms of cost and competitiveness. The Niger Customs Administration has not yet embraced its economic role. As a result, it maintains cumbersome procedures that are incompatible with the development of international trade and business activities.

LEGAL FRAMEWORK

4.3 **Mission of the Customs Administration:** Decree No 2005-228/PRN/ME/F of 13 September 2005 sets forth the powers of the General Directorate of Customs in the Ministry of Economy and Finance. In particular, the General Directorate is responsible for

- implementing government policy related to protection of the national economic space and collection of duties and taxes due on imports and exports;
- implementing and monitoring customs-related aspects of bilateral and multilateral cooperation between Niger and its partners;
- identifying, establishing, and combating customs fraud;
- drafting and enforcing customs laws and regulations;
- assisting other administrations in implementing rules relating to security, public health, protection of intellectual and industrial property rights, cultural heritage and the environment.

4.4 **Customs Code:** The Niger Customs Code was instituted in 1961 and updated in July 2000. It is still in effect, except for provisions contrary to those of the WAEMU Customs Code, Book I which came into force in 2003. The latter concerns the organisational framework, customs procedures, and customs regimes for import, export and transit of goods within WAEMU member countries. The WAEMU Code overrides the various national codes. In the event of inconsistency, community law prevails. However, the national code may contain supplementary provisions to the WAEMU Code. National provisions need to be updated. The WAEMU Customs Code is administered by the WAEMU Commission and is supplemented by customs codes, especially with regard to the detection and prosecution of customs offences.

4.5 **Customs Valuation Methods:** As early as 1999, WAEMU adopted Rule No. 5/99/CM/UEMOA to allow member states to implement the WTO Customs Valuation Agreement (Article VII of the GATT 1994). Niger has been applying this agreement since 14 December 2003. Thus, the primary basis for customs valuation is, in principle, the transactions value.

4.6 At the same time, WAEMU also adopted a “common system of reference values” (Rule No. 4/99/CM/UEMOA), aimed at combating false declarations of value and unfair competition. Member states propose to the WAEMU Commission the list of goods that are liable for this valuation method, indicating the reference values to be used as the basis for calculating duties and taxes. This system is only applicable to goods originating from outside WAEMU.

4.7 With respect to small-scale cross-border trade, Niger has established national administrative values applied on transactions that are not commercial in nature or where their value does not exceed CFAF 500,000.

4.8 **Transit Regime:** The regulatory framework governing transit operations is contained in two conventions adopted by ECOWAS and hence enforceable within WAEMU countries.

- The ECOWAS Interstate Road Transit Scheme (ISRT, or TRIE in French), Convention No. A/P 4/5/82, concerning the transit of goods. It was supplemented several times, notably in 1990 and 1998, to specify guarantee mechanisms.
- The ECOWAS Interstate Road Transport Agreement (IST or TIE in French) Convention No. A/P2/82, concerning the transportation of goods, establishes the technical standards and the conditions that users have to fulfil to access this system.

4.9 This system is similar to the TIR (International Road Transit) applicable in Europe, and is based on the following principles:

- Pre-certification of vehicles that comply with security and sealing standards;
- The accreditation of the company with respect to the statute of principal obligor, granted by Customs to an operator for the use of the transit regime.³⁷
- A single document and guarantee for the entire route;
- A concept of national guarantor, whose role is to certify participating companies, distribute carnets, and act as a guarantor.

OPERATION OF CUSTOMS ADMINISTRATION

4.10 Operations are concentrated for the most part in the Niamey, Zinder, Maradi, and Gaya main offices. The Niamey offices – Niamey Route, Niamey Rive Droite and Niamey Airport – together process about 85 percent of all customs operations in the country.

4.11 The majority of goods from third countries are imported through the seaports of Côte d’Ivoire (Abidjan), Ghana (Accra/Tema), Togo (Lomé), and Bénin (Cotonou). They are then shipped in transit through Niger border offices at:

- Makalondi/Torodi, for goods from the ports of Abidjan, Accra/Tema, and Lomé via Burkina Faso;
- Gaya/Dosso for goods from Cotonou.

³⁷ Accreditation is based on the operator’s “moral, financial, material and professional” ability to respect commitments undertaken under the transit procedures and the ensuing obligations.

4.12 *Customs clearing agents:* According to the regulatory provisions in effect, only authorized customs clearing agents may complete customs formalities. In Niger, accreditations are supposed to be granted by the General Directorate of Customs. However, it was neither possible to get a clear understanding of the process followed in this regard nor to see the specific instructions given to the offices. Apparently these offices have no list of accredited companies, or the signature specimens of the persons in authority. Officially, 103 companies were accredited in 2006.

4.13 Neither the approvals nor the accreditation of the authorized agents are verified. Yet, the legal force of the customs declaration and, hence, their validity depends primarily on these two conditions. This may explain, at least in part, the importance of the “informal” sector in the customs agent or forwarding agent sector, which probably affects more than 70 percent of traffic.

4.14 Informal sector forwarding agents, sometimes known as “traveling forwarding agents” handle cash with which they pay customs invoices on the spot, whereas accredited agents have access to the deferred payment facility through the credit option (*Crédit d’Enlèvement*) granted by the bureau chief. Because of this direct monetary relation with customs services, “traveling forwarding agents” seem to have some flexibility and speed in customs clearance operations, which makes them much more “competitive” than authorized operators. It is not impossible that in such a context, some approved customs agents “subcontract” their activities to avoid losing their clients.

4.15 Aware of the magnitude of the problem, the government is reviewing a draft decree to establish conditions for approving customs agents. In particular, this decree would notably require a CFAF 50,000,000 deposit. Owing to strong opposition to this initiative, the project was “frozen.” Indeed, it seems ill-advised to base accreditation solely on criteria such as the operator’s capacity to provide a guarantee. The customs guarantee is not justifiable and should only be requested when it seems likely that a customs debt will be incurred after clearance of goods (suspended regimes, transit, bonded warehouses, in particular).

4.16 A priori, the performance of customs agents poses no special risk to the Treasury; the duties and taxes payable in cash are, by definition, guaranteed by the withholding of the goods. The CFAF 50 million guarantee envisaged therefore seems to be completely unnecessary and incompatible with the notion of “duty payable in cash” associated with customs duties. It does not also seem to be the best way to improve the customs agent profession and could even contribute to the distortion of the current system. Note should also be taken of the negative impact that this constraint will doubtlessly have on customs clearance costs.

4.17 It would be better to base accreditation decisions on criteria such as the assessment of competence, morality, solvency, and reliability in order to build a real partnership with operators. Of course, such an approach cannot be envisaged without taking into account, through an administrative decision:

- the commitments and obligations of customs agents, depending on the type of mandate received from their clients;
- their criminal liability as custodians of summary declarations or as signatories of detailed declarations;
- disciplinary sanctions in the event of violation of professional ethics established by the General Directorate of Customs;
- the obligation to put in place a credit for deferred payment (*Crédit d’Enlèvement*).

4.18 All accreditations granted have to be followed by the signing of a convention covering all the duties of the customs agent.

4.19 **Declaration process:** After the unloading and reception of goods, transit documents are handed over to the customs agent for completion of the detailed declaration. Each computerized office in Niamey has a ASYCUDA ++ terminal that is made available to clearing agents for the input of declaration data, which is then stored on the server. The agent then purchases a Single Declaration Form (SDF) from the bureau's accounting unit.

4.20 The process is particularly cumbersome. It is weighed down by unnecessary and often redundant formalities that significantly prolong the time needed for customs clearance. This results in costly immobilization of goods and means of transport. This process can be shortened by:

- Separating the payment of incidental expenses (SDF and payment for extra legal labor) from the customs clearance process;
- Making the ASYCUDA (Automated System for Customs Data) unit responsible for technical assistance only, thus placing it outside the declaration process. In principle, this service should only provide technical assistance. It does not make sense to place it in the clearance process for tasks that do not fall within its area of competence and which unnecessarily lengthen the time needed for processing declarations;
- Equipping the unit with a printer to allow clearance agents to edit their own declarations after validation of the data input;
- Ensuring that all declarations are submitted directly to the inspection unit for documentary and physical inspection of goods, since the validity of the SDF can be verified at this stage;
- Ensuring that the inspection unit verifies the calculations and then proceeds thus:
 - either directly charges the clearance credit through ASYCUDA and immediately issues the release form for creditors with deferred payment options;
 - or, in the case of cash payments, issues the release form upon presentation by the clearing agent of a receipt issued by the collector;
- Reconciling acceptance of goods upon presentation of the release form
 - by entering the SDF number in ASYCUDA;
 - archiving the release form with the reference summary declaration (ISRT carnet);
 - warehousing undeclared goods, or goods declared but not removed within the stipulated time limits;
- Transmitting to the archives section declarations that have obtained the release form and establishing a location file for withheld declarations.

4.21 **Immediate removal:** At this time, only one waiver procedure, known as "direct removal" is used in Niger. In principle, this procedure is reserved exclusively for customs clearance of perishables. It requires neither prior accreditation nor the conclusion of an agreement with the beneficiary. Any clearing agent who can account for goods may use it. It consists in:

- presenting four copies of a specific form to the bureau chief for approval;
- itemizing the goods, registering the form, and leaving a copy of it with the head of the accounting unit;
- regularizing the situation through the deposit of a SDF and the payment of duties and taxes within 15 days following registration of the form.

4.22 In spite of the risks of non-collection associated with the removal of goods before payment of the customs debt, no guarantee is requested. Indeed, it has been noted that this procedure is applied to goods which by nature are not urgent. If this procedure were to be maintained it would be necessary to:

- draft administrative instructions defining eligibility requirements, the duties of beneficiaries, and the role of the administration;
- set up a mandatory *Crédit d'Enlèvement* to guarantee the payment of duties and taxes over the compliance period allowed;
- reach an agreement between the beneficiary and the bureau chief; this is a special procedure that departs from common law. It therefore has to be attributed under well-specified conditions, which set forth the duties of the beneficiary, in particular. The purpose of this facility is to make the goods available to the operator prior to payment of duties and taxes. Yet, customs duties are legally payable in cash. It is therefore absolutely necessary in these circumstances to demand a guarantee.

4.23 With the exception of common law procedures and direct removal, as described above, there are no simplified procedures. Experimentation could begin with some major companies³⁸. Customs clearance of complete or containerized shipments at the place of business may constitute the first step in a simplification process. Apart from the fact that it would help free up space in warehouses and customs clearance areas, this process would also have the advantage of reducing the time needed to transport goods to unloading areas, reducing the immobilization time of vehicles. In addition, inspection by customs at the place of unloading could be easier and more efficient.

4.24 **Valuation and pre-inspection:** Niger has set up an import verification program (Pre-shipment Inspection –PSI), whose objective is to ensure better control of customs revenue by providing information on the value of imported goods and being more effective in combating fraudulent imports. PSI is triggered for imports with an FOB value of over CFAF 2 million, except in situations where the tariff position would be exempt of taxes.

4.25 An “intention to import” declaration, with copies of receipts, is submitted to the single window for foreign trade (*Guichet Unique du Commerce Extérieur or GUCE*) of the Niger Chamber of Commerce, Agriculture, Industry, and Handicraft) for the issuance of the external trade certificate. The single window ensures coordination with COTECNA, the company to which the PSI is entrusted.

4.26 For operators, the declaration of intent constitutes a constraint that is difficult to overcome because many arrivals are unpredictable. Transactions often occur during transportation by sea. In such cases, COTECNA is compelled to intervene at the port of unloading. However, the Declaration of Value (DV) can only be issued by COTECNA/NIGER on the strength of inspection reports drafted by the COTECNA agency at the port of loading. Sometimes, goods arrive at the Niger customs clearance office even before the transmission of the inspection report, resulting in the immobilization of vehicles.

4.27 In Niger there is no procedure that allows required customs clearance documents (the DV, for example) to be presented after the goods have been collected. Some documents requested during customs clearance are not always available at that time. To avoid the unnecessary

³⁸ Such as CENTALPHARMA (Medication), LABRNIGER (Beverages), NIGERLAIT, NESTLE, ETS MOUSSA LARABOU, and CATNIGER.

withholding of goods, some operators could be allowed to make a conditional release based on a guarantee, under which they commit to provide the required document within a stated period. This procedure would permit allow goods to be released more quickly.

4.28 Inspection by COTECNA is based on risk analysis by a committee of four COTECNA representatives and five representatives from customs. This committee meets every quarter to identify sensitive operations using the Computerized Risk Management System (CRMS) developed by COTECNA. At the port of loading, operations deemed at-risk are placed in the red lane (30 percent) and subjected to thorough inspection before the issuance of the DV. Operations in the green lane (70 percent) are subjected to a mere document control. The DV, attached as a rule to the SDF prepared during customs clearance at destination, mentions the lane from which it was issued. A copy of the DV is forwarded for information to the bureau chief. Lack of the DV during the presentation of the customs declaration results in a CFAF 500,000 penalty.

4.29 Based on available information, certified values seem to be 10 percent higher than the actual invoice values billed.³⁹ The attestation of value is supposed to confirm or invalidate a given customs clearance value. Certified values are, to a certain extent, forced on importers because they are authorized by the terms of the contract between pre-inspection companies and state authorities⁴⁰. Paradoxically, they can be challenged by customs.

4.30 It seems difficult to establish the real efficiency of the current pre-inspection arrangement—in terms of tax and customs revenues and dissuasive effect, in particular. However, the following were noted:

- lack of information coordination and sharing (for example, price lists) with the customs offices;
- mixed compliance with the contractual obligation to train customs officers and make available specific equipment;
- non-application of pre-shipment inspections for a significant range of trade flows; goods with an FOB value below CFAF 2,000,000 are exempted from pre-inspection. There is thus a strong likelihood of deliberate fragmentation of shipments;
- the Declaration of Value (DV) determines a base for customs assessment which is very often higher than the real transactions value;
- incorporation of transport costs in the customs value, on a flat rate basis, in accordance with a scale determined by SNTN. For example:
 - transport of rice: Accra→Niamey = CFAF 33,600 /ton;
 - transport of vegetable oil: Accra→Niamey = CFAF 35 900 /ton;
 - Côte d'Ivoire→Niamey = CFAF 47 500 /ton

4.31 The purpose of pre-shipment inspection companies must necessarily evolve since the control of value must essentially be based on the authenticity of the receipts presented. Above all, it is important to ensure the regularity and conformity of transaction conditions so that the amount declared can be used as the basis for the customs valuation. In the event that the transaction value is rejected, substitutes prescribed by the WTO agreement on customs valuation should be applied following the established order of priorities.

³⁹ This may be influenced by the need for COTECNA to prove its efficiency and justify its fees through the number of revaluations that it conducts.

⁴⁰ There are also price lists that are value tables determined by the competent authorities for goods whose value cannot be determined at the time of customs clearance as they depend on demand and supply.

4.32 The role of COTECNA in this new approach to customs valuation is expected to diminish and likely disappear in the more or less long term. The Customs Administration needs to recover all its prerogatives with regard to value control. In this context, COTECNA clearly has strong capacities and can play a significant role by helping the Niger Customs with targeting or random selection in the customs clearance procedure. The creation of a database, the determination of selection criteria and profiles that can be used by ASYCUDA ++, such as with CRMS, can already be envisaged.

4.33 It seems that future collaboration between PSI companies and customs should be oriented towards technical cooperation. It is incumbent upon the Customs Administration of Niger to find ways of carrying out, in the near future, selective controls in response to requirements for fluidity, speed, and security in international trade. This re-direction cannot take place without the introduction of an organization of differed or a posteriori inspections that supplements and supports physical controls.

SOME PECULIARITIES OF THE ORGANISATION OF SERVICES

4.34 **Accounting:** Within the main offices, there are two accounting services that do not report to the same supervisory authority.

- a) The accounting service of the office in charge of recording and collections based on the clearance manifest emitted by the ASYCUDA unit.
- b) An accounting unit placed under the authority of the bureau chief and attached to the DMAF (Department of Equipment, Financial Affairs and Materials) in the General Directorate.

4.35 There is therefore no single cash and at times there is duplication of work. For example, the second service is responsible for manually inputting into a central register the duties and taxes received by the collector's office. This task seems to be unnecessary because it duplicates the accounting entries of the collector, supplied by ASYCUDA.

4.36 **Extra-Legal Labor (ELL):** Operators may seek the assistance of customs units outside official office hours for operations deemed urgent. In principle, these services are rendered on a voluntary basis and payments are made by mutual agreement between the General Directorate of Customs and the operator. The current ELL rate is CFAF 15,000 per declaration. In practice, this amount is systematically requested for each declaration presented during normal office hours.

4.37 At the end of each month, the money collected is distributed among all the workers, irrespective of grade, but depending on their salary.⁴¹ The balance, which must not be less than 15 percent of the total amount collected, is transferred to the Financial Division of the General Directorate. Workers in offices where the ELL contribution is too low to attain the virtual doubling of salaries obtained in the major offices may obtain "compensation", as stipulated under Article 52 of Law 2005- 14 defining the statute of customs workers.

4.38 **Warehousing and Customs Clearance Areas:** Warehousing and customs clearance areas constitute public domain infrastructure whose management and operation are devolved to customs. Eight of these areas are currently operational according in Niamey Route, Niamey Rive Droite, Gaya, Konni, Maradi, Zinder, Agadez, and Arlit.

⁴¹ The wage schedule ranges between CFAF 65 000 and 265 000.

4.39 Some sites have no public infrastructure or offer inadequate capacity to cover needs. To overcome this shortcoming, customs turn to the private sector. Each unit also has a specific accounting service responsible for collecting all warehousing, handling and vehicle passage charges. The offloading platforms visited are outdated, ill equipped and incapable of providing quality services to operators, or of meeting the requirement for efficient inspection of goods.

4.40 The customs administration is not intended for this type of management. Indeed, it does not have the necessary resources to ensure profitable operation of these infrastructures. Transferring this activity to the private sector or to the Chamber of Commerce is the only way an indispensable and urgent modernization of the sites can be envisaged. Operators would be charged depending on the services provided (parking, offloading, handling, warehousing, etc.)

4.41 Because of difficulties encountered with transit and transportation, some large companies have decided to concentrate their activities on handling and warehousing. Some operators would be willing to invest in renovating the current infrastructure, or, if the conditions were right, in examining the possibility of building a “dry port” to receive and immediately offload containers. Such a project was successfully implemented on the Fradié site in Mali where, henceforth, as a result of the speedy release of vehicles, transporters have been able to increase the number of runs they make, resulting in an increase in profitability.

COMBATING FRAUD AND CORRUPTION

4.42 **Combating Fraud:** Information gathered shows that evasion is mostly concentrated in the border region with Nigeria. Apart from the highways linking major urban centres, there are parallel border crossing tracks that can be used during the dry season by highway transporters involved in illicit trade. The border with Nigeria stretches over 1500km, making it all the more porous. In addition, the relative insecurity in the area promotes fraudulent trade and increases the dangers of border control.

4.43 The units responsible for monitoring the area between two frontier posts are often powerless because of the difficulties described above, but also because of lack of resources (shortage of vehicles, fuel, and inadequate means of communication). These conditions are often demotivating for staff. In this context, border surveillance remains illusory.

4.44 Indeed, the lack of frontier controls is compensated by excessive checks on the main highways. There is no real strategy for combating fraud. The overall organisation of surveillance services is not commensurate with the risks faced with respect to contraband and informal trade. Surveillance units are only located along the corridors. These units are intended to focus on the areas between border posts provided, of course, that conventional flows of goods are under control.

4.45 The absence of mechanisms for research, analysis, and dissemination of information, as well as the inadequacy of sanctions in the rare cases where evasion is detected, unquestionably promote fraud in commercial transactions. In addition, given the high customs duties and taxes and complex regulations that are not well understood by customs officers (such as the regulation on WAEMU preferential rules of origin), evasion may be very lucrative for unscrupulous businesses. This situation can be all the more damaging as it leads to unfair competition for law-abiding importers.

4.46 It is rather paradoxical that in a context where there is poor control of trade flows, customs are nonetheless expected to attain specific targets in customs revenues, without the

creation of parallel—what is more, inexpensive—measures that allow strict application of certain universal principles aimed at preserving the interests of the state treasury and increasing fiscal revenues.

4.47 With support from the IMF, the authorities have made progress in limiting exemptions to those defined by the Vienna Conventions, and to inputs for foreign financed projects. But some abuses remain and additional effort should be pursued to remove remaining unjustified exonerations.

Box 4-1: The Informal Sector

The predominance of the informal sector may be attributed both to the high transaction costs that are prevalent in the formal sector and to the low risk associated with illegal activities. The informal sector is very important in Niger, especially in the customs clearance chain. “Traveling forwarding agents” play the role of customs agents without certification. They can constitute a key link in the evasion and corruption chain. Strengthening capacity to combat the informal sector is a priority. Several avenues can be explored:

1. Systematically identify businesses involved in international trade. A number of “occasional” importers—that is, without tax identification numbers – appear on the DDUs under the anonymous code 9999. For these types of transactions, a document could be requested to attest to the identity and the address of:
 - the addressee (on importation), or the sender (for exportation),
 - the clearing agent or customs representative and their accreditation number.
 -

A copy of the declaration would be addressed to the taxation service for control of the activities of the business. A computer connection between the two departments could be envisaged.

2. Verify the identity of the declaring party and the authenticity of their signature.
3. Reserve the exclusive rights to clear third party goods to approved customs agents.
4. Clearly redefine modalities for accrediting customs agents. Prepare and distribute to departments, with regular updates, a directory
 - a. of accreditations;
 - b. of duly empowered persons with samples of their signatures.

4.48 ***Problems with internal corruption:*** Corruption is fostered primarily by a combination of two factors: low salaries, on the one hand, and the numerous possibilities of seeking personal gain, on the other. The possibilities for increasing revenue offered by some positions in the customs service are reflected in the manner in which they are allocated.

4.49 The concept of “extra legal labor” is diverted from its primary goal since it is generally carried out during legal office hours. In fact, under cover of fictitious services, it thus constitutes an additional source of revenue for workers, allowing them to double their salaries. The financial affairs division receives 15 percent of the total amount collected for redistribution to the staff of the General Directorate of Customs. The institutionalization of this practice tends to legitimize all levies likely to supply the “solidarity fund” and inevitably facilitates abuse.

4.50 The escort service may also constitute an important vector for corruption. The likelihood of this is all the more probable as, by definition, escort is incompatible with the very transit system which is meant to replace it. Faced with bureaucratic red tape, businesses are always in

search of speed and are often led, even when they are in good standing, to try to corrupt or “negotiate” with the department.

4.51 Corruption appears to be tolerated, and some illegal practices are easily observed. Based on information from some customs agents, “incidentals” paid during customs clearance, after the arrival of the goods, can be estimated thus:

- offloading and enumeration of goods: CFAF 1,500;
- inputting data to the computer: CFAF 500;
- admissibility: CFAF 2,000;
- issuance of release form : CFAF 1,000;
- settlement of possession: CFAF 1,000.

4.52 The need to maintain the possibility of personal gain somehow justifies the physical and integral inspection of all shipments and distracts the units from selective inspections – which are by definition “less profitable”. For this reason alone, a number of measures that are indispensable for facilitating trade and improving the performance of customs may have little chance of being implemented, less as a result of the expected cost of introducing them than of the loss in profits that they will engender for interest groups that will oppose any modification of the status quo.

4.53 However, the government has the legal means to eradicate this phenomenon. Chapter VI of decree No. 128/ME/F/DGD of 15/05/2006 of the Ministry of Finance – on General Disciplinary Regulations for Senior Customs Staff–sets forth the Code of Ethics and Conduct. The modalities for implementing these provisions have not yet been elaborated.

To address this problem, remedies such as the following may be considered:

- Plan professional training adapted to each category of staff and to the various functions;
- Draft and distribute to all workers a code of ethics, including disciplinary sanctions;
- Publicize sanctions applied;
- Draft an annual monitoring plan for the execution of the service;
- Remind each level of hierarchy of its responsibilities with regard to monitoring service execution;
- Require submission of a written report to the line manager of controls carried;

Verify, through the General Inspectorate of Services, the proper execution of the inspection plan and formulate remedial action.

CONCLUSIONS

4.54 In practice, Niger Customs remain focused on the mission of collecting duties and taxes, while the trade facilitation mission is generally accorded low priority. Customs needs to simplify procedures generally, offer streamlined treatment for those who respect the law and represent low risk, crack down on those who engage in fraudulent activities, and fight corruption within its service.

4.55 Informal sector forwarding agents, dealing in cash, appear to be out-competing authorized operators, but are also more susceptible to fraud. A system for accrediting agents should be introduced to stop informal practices and raise standards. Tax evasion is common and the monitoring of borders between control posts remains an illusion. Lack of border control is compensated by excessive checks on the main highways. There is no real strategy for combating fraud. The absence of mechanisms for research, analysis, and dissemination of information, as

well as the inadequacy of sanctions in the rare cases where evasion is detected, promote and strengthen possibilities for fraud.

4.56 The objectives of the pre-shipment inspection firm should evolve such that the control of declared values should focus primarily on the authenticity of the invoices produced. Customs should reclaim its responsibility to control import values. Future collaboration between the inspection firm and customs should be oriented towards technical cooperation for capacity-building.

4.57 The need to maintain the possibility of seeking personal gain justifies the physical and full inspection of all shipments and discourages the introduction of selective controls. As long as corruption is not addressed, measures that are indispensable for facilitating trade and improving the performance of customs will have little chance of being implemented.

5. TRANSPORT

5.1 A trade and transport facilitation audit is important for any country interested in comprehending obstacles to international trade, and particularly for a landlocked country such as Niger. The three main thrusts of analysis are (a) the procedures and regulations that govern trade transactions, (b) the quality and organization of transport and logistics services and of infrastructure, and (c) the identification of costs and delays. Procedures were reviewed in the previous chapter. The discussion in this chapter focuses on transport services. Emphasis is placed on land transport, which accounts for the lion's share of freight, but some observations are also made on air and river transport.

A LANDLOCKED COUNTRY

5.2 Niger is a landlocked country located 700 km from the Atlantic Ocean. It has a total area of 1,267,000 sq km, 2.3 times the size of France. Three of its seven borders play a major role in foreign trade:

- The short border with Benin, with its main trading point in Gaya (Niger)—Malanville (Benin) over the Niger River. This is the main transit area for imports and exports.
- The border with Burkina Faso, which is the gateway of the inter-state road to Ouagadougou and its branches in Burkina territory to Lome in Togo and to Tema and Takoradi in Ghana.
- The long, commercially active and administratively porous border with Nigeria. Across the border, the populations have shared the same culture and economy for centuries.

5.3 Intercontinental trade is almost entirely carried out by sea. Niger's landlocked nature is reflected in the transport conditions between the sea ports of the Gulf of Guinea and the country; over a distance of 1,000 to 1,500 km by road or road and rail (Benin, Nigeria), and one or more border crossings. The landlocked condition is physical (relief, roads), economic (rail transport, trucking), as well as institutional (facilitation). It is also reflected in the very low air transport coverage of the country and the still very rudimentary inland waterway transport due to poor navigability of the Niger River. To counter the impact of being landlocked, Niger needs to act on three fronts: create the requisite infrastructure (the regional framework is crucial), develop affordable transport services (largely a private matter), and facilitate transit (the regional framework is again crucial).

5.4 The long border between Niger and Nigeria is the country's most active border. For the inhabitants of the region, this border is only administrative and can be crossed without going through customs or police, but subject to some fees, of course. It is important to remember that Niamey is located in the extreme west of the country. For the 40 per cent of the population to the east, the port of reference is Lagos, in the "naira" zone; WAEMU is of little relevance.

5.5 **Sea access corridors:** Opening up access by land to Niger involves the use of four main corridors (import percentages for 2005 are indicated in parentheses):

- The Cotonou Corridor, both road and rail, is Niger's historic corridor; it is used to import oil and a significant part of general merchandise (44 percent).
- The Lome corridor, entirely by road, 200 km longer, with two border crossings instead of one (13 percent).
- The Tema and Takoradi (Ghana) corridor, which has expanded considerably because of the Ivorian crisis (24 percent).
- The Nigerian corridor, which starts in Lagos, can include a significant rail section, and leads to eastern Niger (11 percent).

5.6 The Abidjan corridor is only of marginal importance to Niger. It accounted for 4 percent of freight in 2005. A long time ago, the Beninese road accounted for up to 75 percent of import traffic. The current

breakdown reflects a new balance, which highlights the potential for further regional realignment. Distances per corridor are shown in Table 5-1.

Table 5-1 : Distances to Niger by different corridors (km.)

	<i>Cotonou</i>	<i>Lomé</i>	<i>Tema</i>	<i>Lagos</i>	<i>Abidjan</i>
Niamey	1,036*	1,234	1,495	1,525	1,629
Dosso	900				
Malanville	742				
Maradi			1,421		
Zinder	1,694	2,136	2,336	1,390**	2,555

* Including 438 km by rail (Cotonou-Parakou, OCBN)

** Including a possible 1,150 km by rail (Lagos-Kano, Nigeria)

Box 5-1 : The Beninese Route

The Beninese route is the shortest option for the western part of the country, taking four days on average. Its advantage is that it only has one border crossing and is entirely located in the CFA franc zone.

Niger and Benin jointly operate the Cotonou-Parakou railway and coordinate complementary road transport between Parakou (in Benin) and Niger under the Benin-Niger Joint Organization (*Organisation Commune Bénin Niger—OCBN*). In Cotonou, as a rule, shipments are sent by train. However, if OCBN cannot accept it within a reasonable period for lack of capacity, a special waiver is granted for trucks approved by OCBN. This situation often occurs because the train can only carry between 150,000 and 200,000 tons a year on the way up (the theoretical capacity of 600,000 tons per year is no longer valid). The railroad goes as far as Parakou. At that point, goods and containers are loaded on OCBN-approved trucks based on a rotation system and distribution between both nationalities according to the two thirds (Niger) – one third (Benin) rule. The rate is set for the entire route (Cotonou-Niamey).

In reality, Niger shippers often sell their “driving rights” to their Beninese counterparts and the rates are negotiable. The shipper then tries to recover these costs and to compensate for the low rates by overloading. Another alternative is for the importer to indicate Benin as the destination, and then obtain a re-export statement, or pay “unofficial” levies at the border.

OCBN is not doing well. A five-year restructuring plan is being implemented, but its goals have not been achieved. Fiscal accounts for 2005 show a serious deterioration in the situation of the company, with losses of CFAF 2 billion and a high rate of immobilized rolling stock. Fiscal accounts for 2006 will not be any better. The context is marked by a worsening of the company’s structural difficulties; salaries are only paid with several months delay. At end-2006, the invitation to bid for a concession on the company was declared unsuccessful.

5.7 Niger uses international shipping lines to import and export goods through the various ports (Cotonou, Lomé, Tema, Takoradi, Abidjan, Lagos). Spaces are reserved for Niger in some ports to ease the transit of its goods. Niger’s Council of Public Transport Users (*Conseil Nigérien des Utilisateurs de Transports Public—CNUT*), a state-owned organization, is responsible for monitoring the forwarding of Niger-bound goods from transit ports, where it has opened offices.

5.8 Tonnage offloaded in the ports was estimated at 1,373,000 tons in 2005, a 78 percent increase since 2002. Grain accounted for 32 percent of the total weight while other foodstuffs represented 21 percent. Imports are predominant, with exports trailing far behind: more than a million tons were imported, less than a tenth exported. Nearly all imports come from overseas while most exports remain in the region. The financial challenge for truckers and shippers lies in imports.

5.9 With the exception of uranium, which is exported to France through Benin, exports by land are mostly destined for neighboring countries. Nigeria is the main destination: 42,287 tons in 2005, comprising 34,000 tons of agricultural produce (21,000 tons of cowpeas and 446,000 head of live cattle. Onions are sold primarily to Benin, Ghana, and Cote d’Ivoire, in addition to a few head of cattle. Total exports stood at

61,300 tons in 2005, plus livestock, compared with 85,000 tons in 2004, plus livestock. This decline is attributable to a poor onion harvest in 2005.

AIR AND RIVER TRANSPORT

5.10 **Air transport:** Niger has three international airports at Niamey, Agadez, and Zinder; and three national airports in Maradi, Tahoua, and Diffa. Only the Niamey airport can receive a B747, but Agadez can receive an Airbus 320. The other airports were built according to B737/200 standards. There are also laterite landing strips that are used by light aviation. Each of the six airports has facilities for air traffic control with a control tower. These infrastructures need to be rehabilitated to maintain a level of security that complies with the category of the airfield.

5.11 Niger has a private national airline, Sahel Airlines. Air traffic activity is carried out by Point Air Niger, Niger Avia and SIMAIR.

5.12 Two organizations are responsible for operating and managing the airfields and air space:

- *The Agency for the Safety of Aerial Navigation in Africa and Madagascar (ASECNA):* This agency is in charge of managing air space, operating and managing air traffic infrastructure in the Diori Hamani international airport in Niamey, in addition to the meteorological station in Agadez.
- *Niger's National Aeronautical Activities Agency (Les Activités Aéronautiques Nationales du Niger—AANN):* Under the terms of a special contract signed between Niger and ASECNA in August 1988, AANN was founded to manage all the airports in Niger, in addition to the meteorological centres.

5.13 These bodies are supervised by the Civil Aviation Directorate in the Ministry of Transport and Civil Aviation, which is in charge of regulatory issues, the supervision and monitoring of aeronautical operations, and particularly the observance of standards and practices recommended by the International Civil Aviation Organization (ICAO).

5.14 Air transport faces serious constraints in spite of the significant airport infrastructure. Domestic traffic is underdeveloped because of the low level of national economic activity and the significant development of the road network. The main constraints are:

- The high cost of air transport compared to the population's purchasing power;
- The cost of jet fuel ;
- The lack of funding for airport infrastructure rehabilitation works;

5.15 **Inland waterway transport:** Inland waterway transport is mostly provided by canoes and has not undergone any significant development. After independence, studies were conducted to build inland ports in Niamey and Gaya. Pilot projects to build wharfs on the river are envisaged. Very significant investments (particularly to build a dam and dredge the river bed) would be necessary to ensure navigability and provide Niger with more cost effective access to the sea. However, the proposed construction of the Kandadji dam in its current design may deprive Niger of a modern river fleet like those in Mali and Nigeria.

ROAD TRANSPORTATION OF GOODS

5.16 **Road network:** The road network challenge in Niger is well known. Many studies have examined it, and the National Road Transport Strategy (*Stratégie Nationale du Transport Routier—SNTR*) presents a diagnosis and solutions. The planned road network would cover the whole territory. Technical solutions are known and understood. What is lacking is financing for new constructions as well as for routine and periodical maintenance. The country has limited resources, but lenders are eager to ensure that the government fulfills its fiscal commitments for routine maintenance and that budgetary allocations increase with time. The problem is not yet solved, but priorities have been set.

5.17 Routine maintenance is financed by the Autonomous Fund for the Financing of Road Maintenance (*Caisse autonome de financement de l'entretien routier—CAFER*), a road fund that is about to become “second generation”. However, year in year out, CAFER resources continue to be inadequate in spite of government commitments. Over 95 percent is comprised of a government allocation, which has always been paid at less than 55 percent of the initial amount, and toll gate revenues that have never really taken off. For FY 2006, CAFER only mobilized CFAF 4 billion against a target of CFAF 8 billion, which had already been cut back to 6.4 billion during budget discussions. The target for 2010 is CFAF 10 billion. The government must commit to this amount.

5.18 Toll gate charges (CFAF 1,250 per truck for about 100 km of national road) only contribute CFAF 600-700 million yearly. To increase this revenue, the rate should be raised and the base broadened, with no exemptions, even for officials or diplomats. A study should be carried out to ascertain the ability of road users to pay a higher toll charge. Prior to that, effective collection of toll fees must be ensured and any other unofficial levy eliminated.

5.19 The General Directorate of Public Works (*Direction Générale des Travaux Publics—DGTP*) remains the main stakeholder: it is responsible for programming and manages contracts without close coordination with CAFER. This lack of coordination leads to the commitment of funds that are not always available. Among other consequences, this results in the accumulation of payment arrears and the carryover of the financing gap to the next year. The legal instruments governing CAFER are inadequate, especially with regard to the role of the various supervisory authorities, the nature of the work to be carried out, the relative share of urban roads, the operating costs of CAFER, and the remuneration of the DGTP. Technical assistance funded by the EU will analyze and help implement the reforms adopted and build the capacity of stakeholders (government, consulting firms, companies).

5.20 There is one outstanding issue: the control of overloading, which is the main cause of road degradation. This will require difficult reforms as it involves changes in the behavior of private and public stakeholders. To attain this goal, it will be necessary to understand the conditions of land transport services. Indeed, road network management practices must involve truckers, who can have a serious destructive impact on the roads, and who are frequently involved in accidents. This goal is explicit in the National Strategy for Road Transport.

5.21 **Land transport services:** The transportation of goods in Niger, as in Burkina Faso and Mali, is not very expensive. A recent World Bank study found that the average transport cost per ton-km was €US 6 to 8, compared to €US 4 to 5 in Southern Africa, €US 8 in East Africa, and €US 10 to 25 in Central Africa. Another study estimated the cost for the Cotonou-Niamey and Lomé-Niamey corridors at €US 5 to 6 (CFAF 24 to 31) in 2007. Furthermore, this rate has not changed in the past 20 years, even after the devaluation of the CFAF. Therefore, the real cost has dropped significantly.

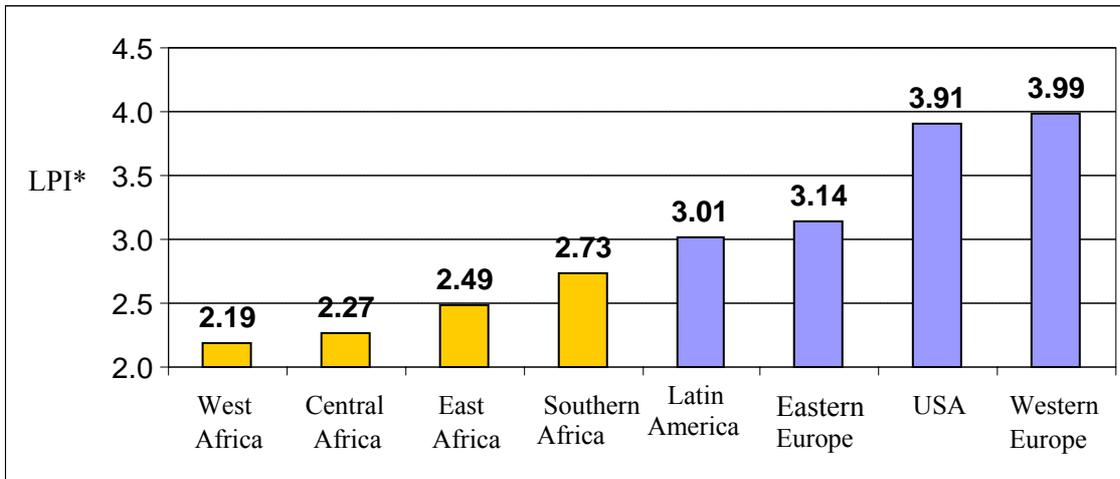
5.22 This situation is due to the informal nature of transport—old trucks, low-paid drivers, overloading, and competition between corridors. It also reflects the recent history of transport in Niger. The uranium boom in the 1970s and the food crises in the 80s boosted truck purchases. Cheap credit provided by SONICA also played a role. Currently, there is a plethora of old trucks and truckers who do everything possible to cut costs in order to survive.

5.23 The fleet of vehicles for the transportation of goods totals about 6,000, with 3,500 trucks and 2,500 tractor-trailers. The rest of the vehicles provide local or own-account transportation. The fleet is growing at a slow pace. In general, the fleet is outdated; only a handful is less than ten years old. The average age of trucks in Niger is 25 years, and 29 years for semi-trailers. Almost all vehicles are second or third-hand and were imported as used vehicles from Europe. There is a simple reason for this: the income generated does not suffice to finance new vehicles.

5.24 The main problem is the quality of service. The World Bank established a logistical services perception index from a comprehensive survey of truckers. In addition to costs (international and national), the index includes time, traceability, infrastructure, border procedures, and competence of stakeholders.

Based on this index, West Africa, including Niger, ranks last, even performing worse than Central Africa. (cf. Figure 5.1).

Figure 5.1: Transportation quality based on perceptions of transport companies



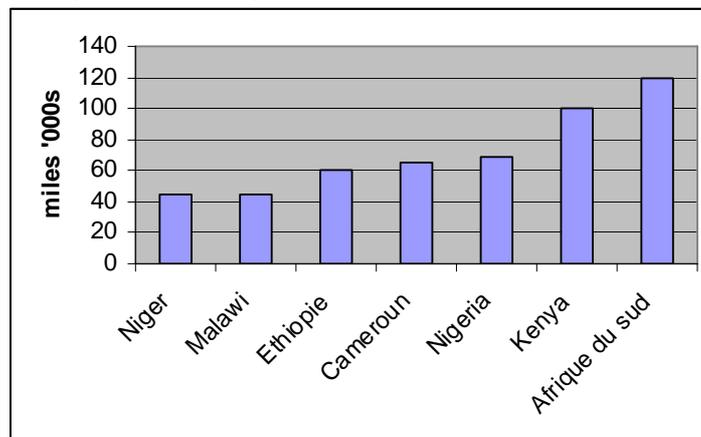
* Logistics Perception Index

Source: World Bank 2007c, "Transport Costs in Africa".

5.25 One of the devices to ensuring the survival of merchandise truckers has been the queuing system (tour de role). Commercial land transport is done by small-scale operators (about 600) represented by the National Union of Goods Transporters in Niger (*Syndicat National des Transporteurs des Marchandises du Niger—SNTMN*). Until 2007, this union operated a rotation loading system among its members, and for the vehicles of ten specialized companies. Thus, truckers were guaranteed turns, irrespective of the quality of their service.⁴² Shippers could not choose truckers; neither could shippers build lasting relations with any given company. Furthermore, a modern trucker could not afford to invest in new trucks that would spend most of the time in a queue. While this practice has now been officially terminated, old habits die hard, as explained below.

5.26 The distance covered per year by Niger-based trucks is the shortest in Africa (see Figure 5-2). With barely 40,000 miles per year, it is impossible to make a brand new truck profitable. It is even difficult to finance the maintenance of an old truck at this rate.

Figure 5.2: Average annual distances covered by trucks



Source: World Bank 2007c, "Transport Costs in Africa".

⁴² There were even some cases where an old truck would be used to keep a place in the queue and would be offloaded once it left the port to another truck that could make the trip.

5.27 Another survival instrument is the rule adopted by WAEMU, which splits the transportation of goods between landlocked and transit coastal countries according to the formula of two thirds (for Niger) and one third (for Benin or Togo). Niger-based truckers were hence protected in principle from competition from coastal countries. However, this rule is no longer respected. According to 2006 estimates, over half of the traffic on the Beninese corridor was carried out by Beninese trucks. Among other reasons, many Niger-based trucks can no longer handle heavy goods.

5.28 A third factor, at the individual level of stakeholders, is overloading. To compensate for the small number of trips per month (typically only one), truckers try to maximize their load. Some trucks exceed 70 tons while the maximum allowed for six axles is only 51 tons. Private incomes rise significantly while the state absorbs the additional costs of road maintenance. However, since maintenance is under-funded, roads deteriorate and everyone who transports or travels pays part of the bill. The risks increase whenever an overloaded truck tips over. In addition, transportation becomes even less reliable. Unfortunately, even this strategy is not the solution for many Niger trucks, because they are so outdated that they cannot afford to implement it. In addition, control of overloading seems impossible because incentives to cheat are so attractive. The weighbridges of the Ministry are not of much use. The most important one, located in Malanville, on the Benin border, is flooded.

5.29 To summarize, Niger's fleet of trucks is old and aging, and faces increasingly tough competition from trucks from other countries. The situation is particularly striking in the Ghanaian corridor, which is in full bloom and has surpassed the Togolese corridor in importance for Niger. In Ghana, loading by rotation does not exist; the sharing of cargo between Ghana and Niger truckers is therefore easily neglected and, apparently, no effort is made to check overloading. Few Niger truckers can compete with their Ghanaian counterparts.

5.30 Reforms are proceeding gradually in the transport sector in Niger. The country's National transport Company (*Société Nationale des Transports Nigériens—SNTN*), a mixed enterprise corporation, lost its monopoly over fuels and mining products in 1996. Intercity public transport activity was liberalized and loading in rotation was ended. SNTN is on the list of companies slated for privatization. In addition, in February 2007, the State "announced" the end of queuing for international transport of goods. Yet loading by rotation has never been an official law, but rather an arrangement within the truckers' union. As long as most of its members see the need to maintain it, and the Union has the power to impose its approach, it will be difficult for loading by rotation to disappear.⁴³ Its survival is possible as long as the OCBN maintains its monopoly on transport in the Beninese corridor.

5.31 Contrary to the approach adopted by the SNTN, the OCBN monopoly was to end only after it had been effectively concessioned, in order to first ensure its viability as it is taken over by a strategic operator. This process was not successful and the OCBN monopoly subsists.

5.32 Thus, institutional mechanisms are less and less effective in protecting Niger's small truckers. However, they have prevented market forces from effectively playing their role, which is to push out non-competitive truckers and to encourage the most efficient ones to expand. Compensation may be necessary to incite small uncompetitive truckers to finally withdraw and develop other activities.

5.33 ***Sub-regional institutional and regulatory framework:*** Niger is a member of sub-regional organizations whose goals include the development of intra-community trade, the most important of which is the development of the transport sector. The Interstate Road Transport (*Transit Routier Inter-État—TRIE*) and Interstate Transport (*Transport Inter-États—TIE*) conventions, drafted in 1970 and 1975 respectively, by the "*Conseil de l'Entente*" and transferred in 1987 to ECOWAS, govern goods transportation and transit modalities within the organization.

⁴³An investor has tried his luck in 2007 by buying new trucks and seeking contracts without going through SNTMN.

5.34 The conventions were designed to facilitate the movement of goods and protect existing roads from destruction caused by overloaded trucks. However, the highly outdated state of the fleet, which does not allow compliance with truck sealing requirements, the low profitability of the transport sector, which induces overloading, and difficulties in implementing the single payment of guarantee funds, have obstructed their effective implementation.

5.35 In order to speed up the implementation of the TRIE and TIE conventions, national transport facilitation committees were set up by ECOWAS and WAEMU. A joint committee was established to monitor the Benin-Niger corridor through the Chambers of Commerce. Coordination of ECOWAS national guarantees was also introduced to manage the guarantee fund with a single payment system.

5.36 ECOWAS and WAEMU have agreed to set up adjacent border posts, where both countries' border authorities (police, health, customs) are co-located. This solution is not supported by Niger, which believes that the staff at these posts would not accept to live isolated from a true community (the neutral area between the Niger and Burkina Faso borders is about 20 km long.) The problem persists, even though funding for the new posts has been secured.

5.37 WAEMU has adopted directives with respect to load per axle and elimination of freight-sharing quotas between coastal countries and landlocked countries. Their application is in line with integration and compliance with the TIE Convention.

5.38 The implementation of the TRIE Convention depends on fleet renewal, which will make available trucks that meet sealing standards. In this regard, a credit agreement with India to acquire 100 trucks was approved by the government in January 2007, and other lines of credit have been offered by the IDB and the EIB, the effectiveness of which depends on the modernization of the transport sector (elimination of queuing, professionalisation, training of economic interest groups).⁴⁴

Box 5-2 : Extend the railway to Niger ?

The intention has always been to extend the railway to Niamey. While there are inherent advantages in opting for a road transport, it seems very difficult to properly manage trucking and transform it into a modern profession with cost-effective and reliable vehicles.

But can a one or even two million ton traffic justify an investment such as the Parakou-Niamey railroad? Other railroads in Africa have a similar traffic pattern and have been fairly successfully leased out. For about ten years, Africarail (Geftarail Engineering Group), a private group, has been promoting an extension project and claims that it can mobilize interest from other continents. Based on various studies, it estimates the cost of the 645 km project at about CFAF 65 billion for infrastructures, including a road/rail bridge over the Niger River.

However, others would point out that new railroads have not been built in Africa in a long time, and that those that were concessioned out did not require the building of new lines. A study has been launched by ECOWAS on interconnecting railroads in West Africa. However, a detailed study on the possible extension of the railroad to Niamey may be necessary to clarify the issue once and for all.

BUILDING A DRY PORT

5.39 The dry port is a space, an entry and exit point for goods. It need not be near the sea, but it has all the attributes of a sea port. Therefore, all transactions (customs clearance, etc.) may be carried out from the dry port. The dry port improves the safety of goods as well as import and export transactions. An importer simply needs to go to the dry port to withdraw his goods without traveling all the way to Cotonou, Lomé, or

⁴⁴ The IDB proposes a pilot project worth about CFAF 15 billion, comprising 100 trucks (including 85 tractor-trailers), plus a CNUT workshop. The vehicles would be leased (3-5% over 15 years). The text of the convention agreement with the IDB is at the Presidency.

Lagos. Instead of fulfilling port formalities in Cotonou or Lomé, he does so in a smaller and more easily managed port, with little concern for land transportation between seaport and dry port.

5.40 A study was conducted on a dry port project for Niamey in 1999. The study was based on the potential gains for importers as well as on the cost of land transport compared with the situation without a dry port. At the time, the most obvious location seemed to be Niamey: 80 percent of containers ended up there. It was proposed that the current customs warehouses (on the left and right banks) be transformed into a dry port. It would have cost about CFAF 2.6 billion.

5.41 This project is still topical. Maersk has applied to become the concession holder, or at least to get part of the concession. However, the location issue should be revisited. The government has opted for Dosso and the right bank; however, the latter implies crossing the present bridge twice: during import (the road to Benin is on the left bank), and then again during the distribution of most of the goods. Furthermore, it may be more useful to use the current customs facilities.

5.42 It seems necessary to revisit the issue, for at least four main reasons:

- Import flows are not as well known as believed, due to the practice of unpacking containers as well as unofficial imports through the northern border of Nigeria. The destinations identified by surveys of customs records are not a solid enough basis for determining the final destination of the products;
- The regional space is taking shape slowly but surely. WAEMU action (implementation of the TRIE convention, modernized border posts, better road worthiness checks) should begin to bear fruit;
- All components of the reform and renovation of the Cotonou-Parakou corridor (OCBN) have not yet been worked out. The dry port is one component, even though it has never been analyzed from this perspective.

5.43 Among the possible locations, one should not exclude Gaya, which would allow better distribution of containers over the entire territory, especially eastwards. It could even turn out to be the ideal location, as it would be more open to Nigeria. From Gaya, cargo for Niger passes through Dosso, 136 km to the north, and cargo for Nigeria passes directly through Kamba.

Figure 5.3: A dry port in Gaya ?



5.44 The proposed study must therefore include a serious market analysis to identify the parties interested in Niger, in Nigeria, particularly towards the north of the country, and even in Burkina Faso. This would

delineate the hinterland of the new port. The study must be carried out independently of the possible operators in order to consider all solutions without any reservation.

CONCLUSIONS

1) *Support the elimination of loading by rotation.* With the elimination of queuing, there is still no guarantee that adequate numbers of modern truckers will emerge to meet demand. A number of supporting measures must be taken:

- The political will to engage all transport stakeholders in the implementation of this measure: traders, of course, but also the CNUT, the Shippers' Council, Transporters' and Drivers' Unions, the Autonomous Port, the Customs Administration, the National facilitation Committee, the Corridor Committee (facilitation, TRIE), the Chamber of Commerce (also national TRIE guarantee), etc;
- The political will to check the state of vehicles and to withdraw those that are unsuitable (they could be used only for national transportation pending the final reform). The political will to allow only compliant trucks to travel abroad;
- The technical means for truck roadworthiness checks by the land transport department (equipment, decentralization on four sites);

It would be advisable to rely on the IDB project to motivate beneficiary operators (including drivers with the necessary skills to become owners) to become formal "champions": they would provide the example of what is feasible. However, since it is certain that Niger cannot provide them with an adequate work base, these "champions" would have to operate in the regional space, including in Nigeria and in Ghana, implying modern practices, notably in monetary and foreign exchange matters. For these champions to emerge, there should also be people in search of "quality", people whose goods are valuable, who need a specific type of equipment (tankers, tippers, refrigerated trucks). It is through rational interaction between demand and supply that modernization can begin with the CNUT, the Chamber of Commerce, and professional organizations playing their respective roles. It would also be advisable to finance supporting measures for transport sector reform (compensation for those who have to withdraw from the market, technical checks).

2) *Control Overloading:* This will no doubt be the most difficult reform to introduce, but reform must begin. Otherwise, it will be very difficult for modern transport companies to set up shop and succeed alongside an informal sector that disregards standards. Although the phenomenon seems well known, there is no specific information. A preliminary step would therefore be to set up a dynamic weighing system. Such a system would provide vital information on the magnitude of the problem. Are there a large number of cheaters, but who do not exceed official limits by a large margin? In that case, maybe a slight improvement in the quality of road construction will make more economic sense than an elaborate control mechanism. Or, are there a few trucks that largely exceed the limits and, in that case, can other means be found to identify and punish them?

3) *Improve consultation.* In the past, the sector was characterized by crisis management. There is need to move to a more proactive phase in which changes in the sector are planned and an attempt is made to preempt the problems. Consultation bodies will have to be set up in the transport sector to create and sustain a partnership between the various stakeholders. The main themes are numerous: current reforms, the WAEMU framework, property ownership, fleet renewal, professionalization of the sector, supporting measures, partnership in the supply chain. This consultation could be organized under the auspices of the Chamber of Commerce.

Within the administration, the national facilitation committee must receive the required attention to fully play its role. Its collaboration with WAEMU must be more balanced – less emphasis on the enforcement of decisions from Ouagadougou and more emphasis on the formulation of advice from national capitals in order to formulate realistic solutions. Active participation in the Corridor Committees (the

Beninese route, the Togolese route, the Ghanaian route), which are now being established, is indispensable. Bilateral cooperation with Nigeria has to be stepped up. It must become one of the main thrusts of Niger's regional integration.

4) *Resolve the choice of a dry port.* A relevant study must be carried out forthwith, with a recommendation of the best location (Niamey, Gaya or other). It must be a Niger port, and not a ship-owner port, even if a concession is granted for management. It may extend its activities to northern Nigeria.

5) *Assess toll levels:* Road maintenance is grossly inadequate. Resources need to be found to raise it to an acceptable level. One tool could consist in raising toll charges, but the process must be well planned, with an impact study and consultations with all stakeholders.

6) *Evaluate the option of extending the railroad:* A detailed study is necessary to determine if, or under what circumstances, an extension of the rail from Parakou to Niamey might be profitable.

6. AGRICULTURE: FIVE KEY SUB-SECTORS

INTRODUCTION

6.1 After minerals, the vast majority of Niger's exports are agro-sylvo-pastoral in nature. This is clearly where the country's comparative advantage lies and this is well understood in its poverty reduction strategy. The country produces a wide range of products, and has the potential to expand both volumes and varieties. However, the capacity of the state and the availability of donor resources argue for a focused approach which begins with those sub-sectors which have already demonstrated some success and can make the biggest impact on rural incomes in the short-term. At the same time, the private sector will undoubtedly pursue other products as well, and the state should certainly broaden its support over time as the initial sub-sectors take off and its capacity is strengthened.

6.2 The Government of Niger has developed and approved a Rural Development Strategy (RDS) with a comprehensive Action Plan. The third key program identified is the strengthening of professional organizations and key supply chains. This is further divided into four sub-programs: inter-professional coordination, the reinforcement of producers' organizations, marketing of agro-sylvo-pastoral products, and capacity-building of economic agents. Other programs cover research and extension (no. 6) and the strengthening of public institutions (no. 7). This study is entirely consistent with the RDS. However, a sub-sector approach is adopted in order to identify the binding constraints for the most promising products, and thereby provide more focus to the actions of government and donors. This builds on the work of the Agro-pastoral Export Promotion Project (APEPP or PP EAP in French) implemented with World Bank funding from 2001 through 2005. This project, despite some clear shortcomings, left a reasonably strong foundation for the future promotion of agricultural exports, including the identification of five priority sub-sectors in addition to live animals and livestock products: onions, cowpea (niébé), sesame, souchet, and gum arabic.

6.3 The roughly estimated gross value per year of the five target export sub-sectors is presented in Table 6-1. Onions make up perhaps half of the value of the exports of these five sub-sectors and cowpeas another 30-40 percent. The other three sub-sectors are small but in some cases (e.g. sesame) have substantial potential to expand. Forecasts of the potential for growth by the year 2017 are also provided. While the results are far from certain, they do underline that the two most important sub-sectors today also have the greatest potential for growth in revenues in absolute terms.

Table 6.1 : Estimated Values of Five Key Agricultural Exports and Projections for 2017

Sub-sector	Exports (in tons)	Sale Price (\$ per ton)	Gross Value of Exports (\$ mil.)	
			2006	2017
Onions	125,000	\$700 wholesale in coastal markets	\$ 88	264
Niébé	200,000	\$340 in northern Nigeria	68	136
Souchet	9,000 to sub-region	\$300 in sub-region (informal)	3	6
	9,000 to Spain	\$800 f.o.b. Cotonou (formal)	7	14
			Total 10	Total 20
Sesame	5,000 to Asia	\$650 f.o.b Cotonou	3	12
Gum Arabic	500 <i>Senegal</i> gum	\$1,200 f.o.b Cotonou (formal)	0.6	2,4
	150 <i>Seyal</i> gum	\$ 900 f.o.b. Cotonou (formal)	0.1	0.2
	2,000 <i>Senegal</i>	\$ 400 in Nigeria (informal)	0.8	1.2
			Total 1.5	Total 3.8
Total Gross Value			\$170 mil.	\$436 mil.

Source: Various reports plus author's estimates.

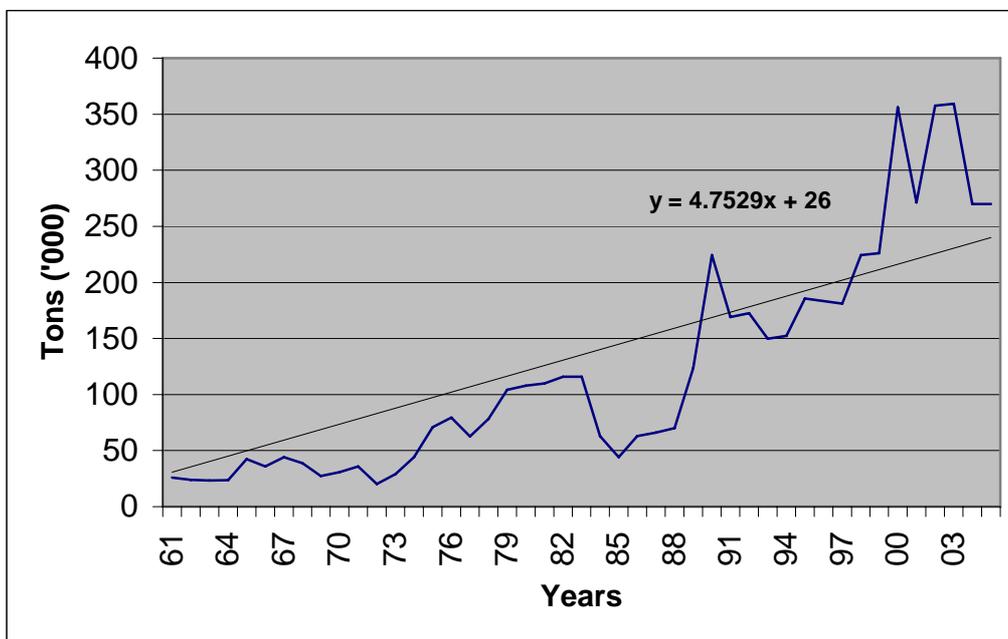
6.4 These commodities are a good reflection of the country's natural comparative advantage, as demonstrated by the fact that they are already exported, and present substantial unrealized potential with higher value-added for the Niger economy. Progress in meeting the APEPP project targets was quite

variable, but the initial choice of sub-sectors was sound. Therefore, this chapter focuses on the same five sub-sectors. Other possibilities are discussed briefly and private sector initiatives should be encouraged in a range of products. However it would seem wise for the state to resist spreading its modest resources too widely in the immediate future. The challenges in these five sub-sectors represent a full work program.

ONION

6.5 The history of onion production and marketing extends back to Niger's pre-colonial past. Onions were thought to have come to Niger along trans-Saharan trade routes as early as the 8th or 9th century (Barhouni, 2004b). At independence in 1960 it was estimated that Niger was producing 25 to 30 thousand tons of onions per year, much of this total being of the "violet de Galmi" variety, already well known in West Africa at that time. Average annual growth in onion production over the past 45 years (1961-2005) is estimated to be 19 percent (Figure 6-1). Over the past 10 years (1996-2005) onion production has averaged about 270,000 tons. This represents a ten-fold increase in 45 years.

Figure 6.1 : Estimated Onion Production in Niger, 1961-2005
(tons '000)



Source: FAOStat, RN-MDA

6.6 This growth has not followed a smooth path since there have been periods of production decline (e.g. 1984-88) followed by very sharp increases in production (e.g. 1989-1992). This latter period coincided with the period when export taxes on onions were eliminated (under the PAIPCE, *Programme d'Appui aux Initiatives Privées et à la Création d'Emplois*), with fiscal revenue losses made up by budgetary support from USAID.⁴⁵ Taxes (both formal – such as a 3 percent *ad valorem* statistical tax – and informal – such as the payoffs at roadblocks in Niger and neighboring countries) have come back strongly and are one of the factors lessening the competitiveness of Niger onions in sub-regional markets.

6.7 Farmers have been able to increase production due to the widespread introduction and adoption of improved small-scale irrigation technologies, especially the expanding use of hand-dug, shallow (up to 7 meters) tube wells lined with PVC pipe and the use of fairly robust small motor-pumps. Further improvements have come by using buried PVC in fields (the "California system") to get pumped water efficiently to ever-larger and more dispersed onion fields where the onions are irrigated at least once daily by surface flooding. Production is concentrated in or near the vast periodic watercourses (broad dry river

⁴⁵ See Wilcock, 1987, for the origins of this program.

beds) that cross much of south-central Niger, such as the “Maggia zone” that is the center of onion production in the Madaoua area of Tahoua Region (producing over 80 percent of total onions in Niger in the past five years). These zones have relatively rich soils and high water tables; use of improved irrigation has allowed farmers to break the most constraining production bottlenecks.

6.8 Irrigation will certainly play a major role in the expansion of onion production as well as other horticulture crops. This is already well recognized in the Rural Development Strategy which envisages that the share of irrigated agriculture in total GDP will double by 2015. Contrary to popular perception, the country is not short of water. The most common estimate is that there are 270 000 ha which are potentially irrigables, of which only 1/10th is currently exploited (29 000 ha) with complete water control, and another 70 000 ha with partial water control. In theory, the potential for irrigation is even larger. However, the physical, economic and legal constraints are important, and profitable and sustainable institutional models are needed for the promotion and management of modern irrigation. As another in-depth study on irrigation was under way in 2007-08, this report will not go into further detail on this topic.⁴⁶

6.9 While the bulk of onion production occurs in the “traditional” dry season period of December-February (with much of the harvest concentrated in March), there have been important developments in early onion production in the Agadez region (with onions on the market in October-November), and “late rainy season” production in the main Tahoua areas which start to put onions on the market in December-January. This expansion of production zones plus “stretching out” of the harvest periods in different areas, coupled with improvements in larger-scale storage, mean that Niger should soon be able to export significant quantities of onions almost year round. This will represent a major step forward in the evolution of the Niger onion sub-sector.

6.10 At this point in time the most binding constraints in the Niger export onion sub-sector seem to be improved storage at different levels and the overall organization of information and onion supply in the marketing channels. It has been estimated that more than 30 percent of the harvest is lost due to spoilage.⁴⁷ Price increases are often on the order of 300-400 percent during any given year as post-harvest gluts are followed by relative scarcity. While there will still be seasonal price fluctuations (which will drive improvements in storage technology at all levels), being able to supply onions all year long will strengthen the commercial bargaining power of the Hausa exporting networks.

6.11 The large scale (8,000 ton capacity) onion storage being built by the Wankoye brothers near Niamey will play a key role in this emerging dimension of the onion export market. At farm level the conical onion storage units that are widely used do not seem to be optimal for the main storage period (March-June) due to high losses. Using alternative appropriate technology approaches involving mud (“*banco*”) construction, straw roofs, and metal posts and “grill-work” storage shelves (as an alternative to storage in sand) may provide an opportunity for individual producers, or for groups of producers in associations and cooperatives related to ANFO (National Association of the Onion Sub-sector), to participate more efficiently in the benefits that come from seasonal price movements. The question is who will benefit from enhanced storage and seasonal price increases at different points in the marketing channels.

6.12 This is also related to the larger question of management of supply and market information along the market channels. APEPP demonstrated that investment in improved market knowledge for onions can have a good payoff. It can also allow donor and government personnel to be better informed and potentially to use this market knowledge to more effectively support the private onion trade (in a public-private partnership). Yet, the current ethnically-based onion exporting networks already have fairly good information on quality requirements and price movements in target coastal markets. However this information is largely used in a traditional “commercant fashion” for short-term gains from spatial and temporal arbitrage.⁴⁸ The question is how can these market information systems be improved “from the inside” so that they benefit the onion

⁴⁶ World Bank, « Développement de l'Irrigation au Niger : Diagnostic et Options Stratégiques », 2008.

⁴⁷ ANFO estimates that these losses are much higher (57%).

⁴⁸ Arbitrage over time and space essentially involves the market-driven “equalization” of commodity prices when transport and storage costs and the cost of immobilized capital are correctly accounted for.

exporters at their current level of development, but also pave the way for some modernization in infrastructure and business practice, as illustrated by the Wankoye/ASI⁴⁹ large-scale onion storage investment? The ASI investment does not represent a modern, vertically integrated model of business organization, since that may not be consistent (or feasible) with the operations of the traditional, ethnically-based onion export networks. However, it does represent the modernization of one segment of the channel which expands the profitability of the channel as a whole.

6.13 Over the past few years, ANFO at national, and especially at regional and communal level, has become an organization with great potential to positively influence the development of the onion sub-sector and the distribution of its benefits to farmer producers, their families, and seasonally-recruited local labor. At Madaoua in the heart of the onion production zone of Tahoua Region, the ANFO Coop Federation is made up of six communal Unions composed of 151 village-level cooperatives with over 8,200 household memberships. This probably represents at least 80,000 people directly dependent on onion production for large portions of their income, not counting local seasonal hired labor.⁵⁰ With each member paying a one-time fee of 1,500 CFAF to join, plus an ANFO imposed tax of 25 CFAF/sack (traders are supposed to pay 100 CFAF for each sack) on each 100 kg of onions sold, there are sufficient funds to cover a staff and business expenses at each of the communal unions.

6.14 **Recommendations:** There is broad agreement that the onion sub-sector has benefited from technical and financial assistance in production and marketing over time, as well as in commodity association development at all levels. There is also agreement that the gains from expansion of this trade are fairly fragile (due to the vulnerability of large-scale exports to “informal taxation” in Niger and in destination countries, to potential border closures such as what has occurred in Cote d’Ivoire, etc.) and need further reinforcement in terms of support that can most likely only come at this point from the Government of Niger and its partners. It should be emphasized that these needed investments (in research, seed production, storage facilities, etc.), if correctly executed, should have high positive economic rates of return. However, one of the challenges is the continued building of the sub-sector’s own self-governing institutional infrastructure (especially ANFO) so that these investments in the future can come from a combination of industry self-taxation and normal financial sector lending.

6.15 Despite our contention that onion storage and aggregate supply chain management are the most binding constraints for overall sub-sector growth, there are investments needed at all levels for the sub-sector to maintain its market share in the West African sub-region. These can be grouped in the following four areas: (a) production; (b) post-harvest storage, conditioning, and marketing; (c) institutional development; and (d) global supply chain management for increasing and maintaining share in export markets. These recommendations are compatible with the views of government officials and previous efforts to elaborate commodity-specific development plans.⁵¹

6.16 *Maintaining genetic purity/quality of the Violet de Galmi variety and adequate supply of good seed to farmers:* Financial partners need to support the on-going efforts at the ICRISAT Sahel Center to select (through experimental plantings) good varietal lines that have either desired yield and/or storage characteristics (and do not have undesirable characteristics that come from a degraded genetic resources base, such as multiple “hearts” within each bulb). These better sub-varieties are then combined through conventional breeding and multiplied for distribution to seed production companies or organizations. In this second step, some assistance in creating “certified Violet de Galmi seed stock producers” is needed. In both steps INRAN needs to be incorporated more fully on a contractual basis.

6.17 *Protection of Niger’s plant genetic rights in onions and development of a national strategy for the protection and promotion of related “geographical indications”:* Niger has one of Africa’s leading

⁴⁹ ASI : This is a Wankoye Brothers company called *Achat Services Internationale*.

⁵⁰ Interview 9-12-06 with Elh. Tanimoun Zakari, president of the Madaoua ANFO federation and some of his colleagues.

⁵¹ Such as BDPA 2005.

commodity candidates for protection of clear plant genetic rights and the definition of a well-known production and marketing “geographical indication” (or what would be called an AOC – *Appellation d’Origine Contrôlée* in France) in its famous Violet de Galmi onion.⁵²

6.18 There are two basic ways in which benefits can be derived. The first is from the national or local “ownership” of the genetic material that is being commercially reproduced and sold in countries outside its country or region of origin. Onion seed and mini-bulbs are being widely marketed in Europe and North America under the name “Violet de Galmi” with no benefit coming to Niger, nor any quality control being exercised. Whether this can be changed in any meaningful way in the short term is doubtful, but needs to be pursued since this variety has such a clear geographic origin and quality characteristics (still to be formally defined).

6.19 The second and more likely way to use these property rights is for participants in the Niger sub-sector to use them aggressively in marketing their product. This would involve development of an ANFO and GON-approved label and various marketing devices using the label (such as the red net sacks used to market Dutch onions in Abidjan). If this is done correctly, these labels can be copyrighted and their use controlled internationally. There is no reason why this should not be done for the “Violet de Galmi”. However, it is important to carefully anticipate and define what benefits may come from such an effort, so as not to inflate expectations.

6.20 *Conduct a diagnostic review of the entire input delivery system for onion production:* In addition to the widely-cited biological problem of poor onion seed (often from degenerated lines with very low germination rates) sold at high prices, the chemical (fertilizers, pesticides, fungicides) and mechanical technologies (tube wells, water distribution, motor-pumps, etc.) should also be reviewed. Opportunities for cost reduction or performance improvement may be tackled using the farmer field school extension approach since farmers are at a relatively advanced level of production and large numbers are geographically grouped in small areas. Emphasis should be on lower cost means of solving problems with some level of farmer participation.

6.21 *Conduct applied research on and promote Onion Storage:* With the active involvement of the post-harvest unit of INRAN, systematic applied research on onion storage should be conducted at farm level, at local cooperatives, traditional methods used by traders, and the large-scale evaporative cooling methods being introduced by ASI/Wankoye. Substantial village-level storage experimentation (involving banco structures) has been carried out in Mali for shallot bulbs that may have some relevance for Niger. There is one structure of this type in the Tahoua region (in the village of Gidamagaji). Careful attention should be given to storage in fine sand in traders’ storage rooms, which was found to have the lowest loss rates, but is limited in the quantities that can be stored per square meter. Emphasis should be on the type and scale of technologies which can benefit the largest number of stakeholders. These technologies should be publicly demonstrated and promoted through a system of matching grants. It is important to try and anticipate where in the marketing channel it makes most economic sense to concentrate storage infrastructure and how this will affect the distribution of profit among actors in the sub-sector. For example, does it make sense for ANFO cooperative unions or regional federations to invest in larger-scale storage infrastructure of the type being used by ASI? Serious attention should also be given to financing options.

6.22 *Refine the “Comptoir Commercial” model for improved onion marketing:* In Tsernaoua in Tahoua Region, the African Development Foundation⁵³ has financed the creation of a walled-in onion sorting and marketing area, called a “*comptoir commercial*”, where ANFO trader members can organize their reconditioning and marketing operations in a more secure and organized location. The cost of this investment has been approximately \$150,000 to date, but additional resources may be needed as these public sorting and packing shed facilities are put into use. The role in price setting of the locally-chosen ANFO “market manager” should be carefully examined. At least three more of these market centers are planned in

⁵² See Bérard and Marchenay, 2004 for more details

⁵³ A USG agency acting through the local NGO, ADIDB, *Action pour un Développement Intégré et Durable à la Base*.

Madaoua, Galmi, and Tamaské. Helping ANFO define appropriate roles and operational rules for these *comptoir* will be crucial to their success in maximizing local benefits.⁵⁴

6.23 *Technical and financial assistance to ANFO at national and regional levels:* The grass-roots ANFO organization – both at regional and national levels -- can play a bigger role in the emerging structure of the onion sub-sector of the future. This may be in the provision of inputs, in farmer training, in group storage of onions, or in seasonal *warrantage* credit, as well as having a bigger voice in national economic governance. A more precise definition will depend on negotiations with ANFO leadership after doing a serious, participatory institutional assessment (at all levels), conducted with the assistance of international cooperative development specialists. It is critical that the cooperative's business activities be run on a sound commercial basis from the beginning. For example, many successful national cooperative structures create a wholly-owned corporation to operate their commercial activities on a profitable basis and to avoid coop resources being used for the personal interests of coop leaders.

6.24 *Continued Assistance to Modernizing Onion Marketing Firms:* APEPP provided some assistance to ASI in its onion storage project (now funded mainly by French bilateral aid). It is important to provide continued assistance (technical and financial) to other firms with good plans for modernizing and demonstrating new approaches to improving logistical performance and commercial profitability in the emerging onion sub-sector. The exact approach to be taken (matching grant and/or loan guarantee, what percent match, capital ceilings) is still to be defined, but outright grants should be avoided.

6.25 *Develop a spatial-temporal logistical model:* A spreadsheet based “harvest” or “supply calendar” needs to be constructed to better understand the aggregate supply of onions over time and space (by region and commune) in Niger. This can then be better linked to an evolving understanding of net demand in the different coastal markets and competition from imported onions (such as those from Holland) and improved production and marketing data collection, as advocated by MDA/DCR.

6.26 *Improve collection of sub-regional market intelligence:* APEPP funded specific efforts to improve market information collection in the sub-region. However, these were often one-off efforts that have not been followed by additional analysis and recurrent collection of crucial price/quantity information. Better information needs to come from Nigeria and Ghana, which are not currently in the multi-state cooperative market information efforts such as www.resimao.org. In addition, ways should be sought to directly include current onion exporters and their personnel in future in-depth market analysis.

6.27 *Modernizing aggregate export supply channel management:* The general assessment of the traditional, ethnically-based onion export networks operating in the sub-region (80 to 90 percent dominated by Hausa from Niger) is that they have great micro-level informal operational strength, but difficulties in longer-term cooperative strategic business planning for larger-scale transactions and using the formal banking system, which generally operates in French or English.⁵⁵ Modernizing these market channels is a long-term proposition and must be conducted step by step in response to clear requests from private-sector stakeholders within those trading networks.

⁵⁴ See Maazou Ali Hadi, 2003, a study commissioned by APEPP.

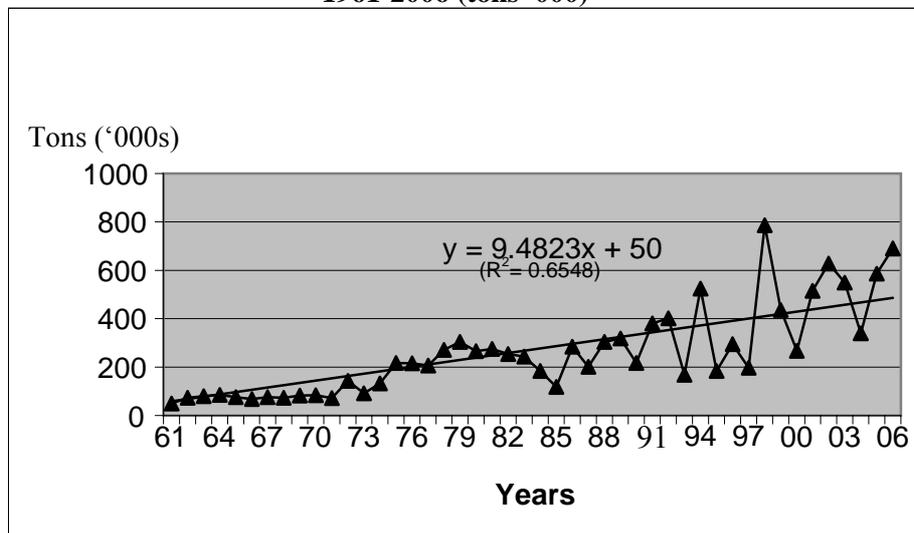
⁵⁵ This is echoed in the following description by Barhouni and Dankintafo (2004b): « L'ensemble des circuits d'importations des oignons nigériens vers les pays ciblés, souffrent des lacunes d'une activité commerciale très informelle. Elle continue d'être exercée par des acteurs en majorité analphabètes, très stratèges, mais n'ayant pas la capacité technique et opérationnelle de moderniser les filières. L'ensemble des opérations financières s'effectuent en dehors des circuits bancaires traditionnels. »

COWPEAS (NIÉBÉ)

6.28 Niger is a major West African cowpea producer with its production being second only to that of Nigeria, which grows about 75 percent of the West African total. As shown in Figure 6-2, production has risen fairly dramatically over the period since independence, especially in the 1970s when SONARA's peanut production subsidy was eliminated. There is huge year-to-year variability in production due primarily to fluctuating rainfall levels. This expansion of production has come largely through area expansion since yields have been fairly static.

6.29 To a large degree cowpea has replaced peanut as a cash crop, albeit within a sub-sector with much less organized marketing channels. Since per capita cowpea consumption traditionally has been fairly modest in Niger (6 kg/head), much of the marketable surplus has been exported to Nigeria where consumption is much higher (23 kg/head). 50 to 75 percent of Niger's cowpea production is exported but mostly through unofficial trade that does not show up significantly in the country's export statistics.

**Figure 6.2 : Niger Cowpea Production
1961-2006 (tons '000)**



Source: FAOStat.

6.30 Estimated dry land cowpea yields over the past 11 years have averaged 136 kilos of beans per hectare, together with substantial amounts of the highly valued joint product, cowpea hay, perhaps the most widely used dry season forage in Niger. There are two major varieties grown: white beans (with a strong preference for larger beans in export channels) and red-colored ones. The whiter beans are highly prized in the Nigeria export market, while the reddish ones are often used in Niger in breakfast and infant foods and have a higher sugar content (also for niche markets in southern Nigeria). Domestic consumption of cowpea has increased in Niger and is now more accepted in middle and upper income households.

6.31 Cowpea storage remains a problem, although there are a number of widely known methods (using local plants, storage in sand, heat treatment under black plastic, etc.) that can be used in conjunction with air-tight containers for smaller scale storage. Larger-scale storage traders use phostoxin tablets dispersed among sacks of cowpeas under tarps within warehouses and this, plus periodic inspection and re-treatment, works quite well. Despite its toxic nature as a gas when used, phostoxin leaves little residue and, when used by trained warehouse personnel, is well-accepted in West African grain and legume trade.

6.32 Transformation of cowpea is done largely at household level, but there are various efforts underway – both traditional and by food technology researchers -- to produce a quick-cooking couscous.⁵⁶ These will undoubtedly expand in the future.

Recommendations:

6.33 *Develop pilot project to increase cowpea yields and change farming system :* Farmers should be encouraged to produce cowpea in pure stands (as opposed to production as an intercrop), by variety selection for higher yield, and – most importantly -- by insect control through the use of an IPM (Integrated Pest Management) chemical spraying program. IPM would keep pesticide use to an absolute minimum (for both cost and health reasons), while enabling great increases in yield. It is estimated that yields can be increased approximately five fold with existing varieties (from 200 kg/ha to one ton/ha). This will begin a process of structural transformation where farmers begin to treat cowpea for export as a primary cash crop. Doing this as a five year pilot project will give adequate time to field test the feasibility of the strategy. There is a trade-off between bean and hay production. High bean yields mean low hay production. The anticipated solution, to maintain both markets, is to promote separate pure stand production of forage cowpea varieties where bean yield is of secondary importance. During this pilot program related measures to improve product marketing and input supply can also be developed.

6.34 *Reinforce Seed Production and Distribution:* The current system of seed development at INRAN/ICRISAT and multiplication and distribution to farmers needs to be strengthened. An in-depth diagnosis of this portion of the sub-sector is needed, with funding to get the research and input systems fixed so that farmers will have the right seed, at reasonable prices.

6.35 *Expand Market Studies with Systematic Collection of Market Intelligence:* The occasional efforts of APEPP and various market information system (MIS) projects, both within Niger and the sub-region, have demonstrated the potential value of better information systems in further development of cowpeas exporting, as well as for other crops. This should be a part of any efforts to promote cowpea exports. The support should include the following activities (ideally co-financed by the association of cowpea traders and exporters):

- Market investigations (probably in five target countries: Nigeria through Cote d'Ivoire), organized with the active participation of trader/exporters. Objectives should include description of the common and unique features of that national market, key market places, and the identification of specific marketing problems;
- Country-specific exporting strategies focused on problem-solving, and specific investment opportunities; and
- Development of a trader-controlled MIS (similar to that being used with cereal traders in Burkina Faso),⁵⁷ where detailed, proprietary information is available to traders only, while aggregated, non-proprietary trend information is available to government authorities or other interested parties.

6.36 *Investigate Niger cowpea being re-exported by Nigerian traders:* Through APEPP-sponsored investigations, sub-sector stakeholders learned that Niger cowpeas were being re-exported from Nigeria to South African and other destinations. This needs further investigation to see if these exports might not be organized directly from Niger, transiting Cotonou or Lomé, for example. Thus the larger issue is to devote some resources to investigating potential cowpea markets outside the five sub-regional coastal countries that have been the primary marketing targets to date.

6.37 *Continue support to cowpea couscous development and other potential transformations:* Food consumption patterns are in constant evolution, especially in urban areas, driven largely by a search for acceptable “fast-food” alternatives, for use at mid-day for outside-the-home meals and within the household. Rice and imported processed cassava or “gari” continue to gain market share, and cowpea consumption (in

⁵⁶ See Annex 3 for more detail on *béroua* and related small scale transformation efforts.

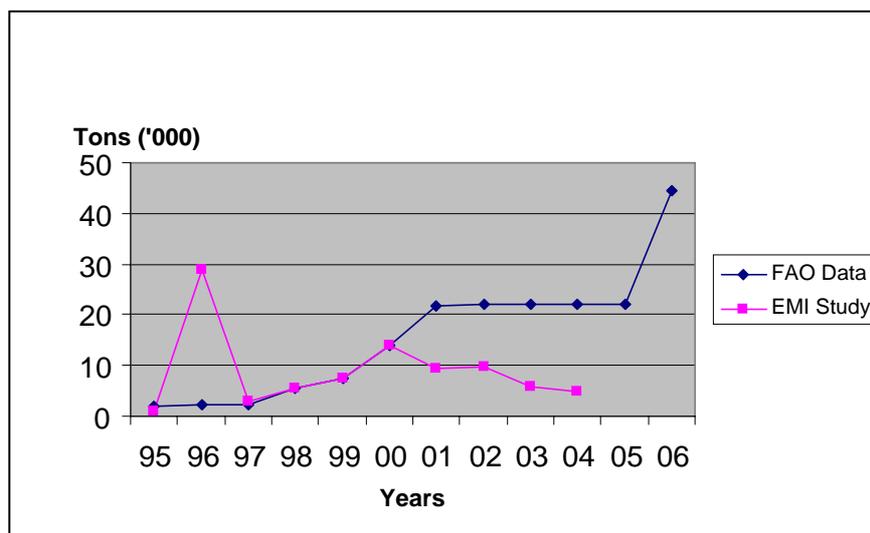
⁵⁷ See details in the Burkina DTIS.

various preparations) has grown. The Tegone women's cooperative *béroua* experiment, and the continuing cowpea couscous development work by the INRAN food technology unit, deserve further financial support. This should be complemented by careful review of the cowpea consumption habits and preferences.

SESAME

6.38 Data on the production and marketing of sesame seed from Niger are contradictory and confusing at best. This is illustrated in Figure 6-3 by two estimates of national production in Niger from 1995 through 2006 as reported by FAOStat and the APEPP-commissioned EMI study.⁵⁸ For 2004, the latter study used the estimate of 4,890 tons which comes from a special study undertaken by the MDA/DCR.⁵⁹ FAO is presumably also getting its data from the MDA. When FAO reports production four years in a row as 22,000 tons, it clearly used the previous year's data for lack of anything better. For 2006, FAO reports a production estimate of 44,341 tons. One might be tempted to reject this number out of hand as an over-estimate, except for the fact that a national census of agriculture and livestock was conducted in 2005 (FAO usually plays the main advisory role in these projects), which presumably provided an opportunity to reestablish a better basis for production estimation.⁶⁰ In this case, supported by other evidence, we put more credibility in the government-reported data. This underlines the importance of having a good set of consistent, reliable statistics as a precondition for operating meaningful national export promotion campaigns.

Figure 6.3: Two Estimates of Niger Sesame Production, 1995-2006



Source: FAOStat, and Barhouni, 2004a.

Table 6.2 : Imports by Major Sesame Importing Regions and Countries, 1995-2004

Region	Country	Range of Amounts Imported	
		Thousand Tons	%
Asia	Japan	140 - 160	36 - 30 %
	South Korea	55 - 80	14 - 15
	Asia Sub-Total	(195 - 240)	(50 - 45)
North America	USA	40 - 50	10 - 10
Europe	EU 15	60 - 70	16 - 13

⁵⁸ Barhouni, 2004a. This study gives the source of its data as *MC/PSP/DCI/C/S.C.*

⁵⁹ RN/MDA/DCR 2005.

⁶⁰ The larger figure for 2006 could only make sense if informal sesame exports through Nigeria were very much larger than suspected.

Middle East	Egypt	30 - 40	8 – 8
	Israel	20 - 30	5 – 6
	Turkey	25 - 75	7 -14
	Saudi Arabia	15 - 20	4 – 4
	Mid-East Sub-Total	(90 – 165)	(24 – 32)
Total Four Regions		385 - 525	100 – 100 %

Source: FAO TradeStat

6.39 To put the Niger situation in some perspective, world sesame seed production is on the order of 2.5 million tons per year (mostly in Asia). Perhaps 20 percent of that total (or 500,000 to 600,000 tons of seed) is traded on world markets. Major importing countries and regions are shown somewhat approximately in Table 6-2. Imports to those countries and regions, ranging from 385 to 525 thousand tones, account for perhaps 75 to 85 percent of total world trade in sesame seed. Thus, Niger, potentially exporting 5 to 10 thousand tons of sesame seed (formally and informally) will be contributing only one to two percent of the commodity in world trade. Thus, it will be an absolute “price-taker”, only able to increase its market share if it can produce products meeting buyer quality requirements and at a competitive delivered price. Much can be learned from experiences in sesame sub-sector development from Burkina Faso, which has seen a more important development effort for that commodity, led mostly by international private sector exporters.

6.40 In some development projects, sesame production has been encouraged as a minor crop for women’s associations. This follows from production traditions where some minor crops were traditionally cultivated mostly by women so that they might earn extra cash to pay for household cash needs. This approach may have to be revised and expanded to include men if a major expansion in production is envisaged.

6.41 In recent years, two firms were involved in formal sector sesame exports, CCNI (based in Maradi) and Issoufou Boubé in Niamey. In recent years Boubé has expanded his export sales to Asian buyers, with 20 foot containers being exported through Cotonou. Boubé is from a commercial family in the Dosso region and buys only in the Western part of the country. Side-selling (“*achats clandestins*”) has been a big problem for him as has the poor organization of the subsector more generally. Much of the production in the Maradi and Zinder areas may be subject to informal exports to Nigeria by the Hausa trading networks, under conditions difficult to penetrate by outsiders.

6.42 One of the lessons from the Burkina sesame experience is that it is possible to substantially expand production if exporters can provide key elements of the input package (especially good quality seeds, and agronomic and post-harvest handling advice) and assure marketing at pre-announced prices. This requires a formal or implied production-marketing contract between the exporter and producing villages, which can be disrupted by buyers who have not had the expense of providing inputs and extension services earlier in the year.

Recommendations:

6.43 From the more exhaustive list of sub-sector promotional recommendations in the APEPP-sponsored EMI study, the following seem most critical:

6.44 *Improve Quality and Productivity:* This will involve development of better technical packages for targeted varieties and markets (probably focused on Asian, Middle-Eastern, and EU markets). This covers all aspects of the “chain” from production to processing, packaging, and exporting. There is an important role for the state and partners in commercial certified seed production. Some niche markets (such as European baking industries, organic sesame, Japanese and Korean oil production) require that the product meet high norms of cleanliness and homogeneity that may eventually require some investment in mechanical processing (cleaning/sorting/bagging) lines. This could be done in conjunction with recommendations 3 and 4 below, if there were a private-sector-GON agreement that serious development effort should be devoted to this sub-sector.

6.45 *Support to the Inter-Professional Organization of the Sub-Sector*: This needs to be a collaborative state-private effort that aims at developing (i) higher professional business standards in contracting with village-level production groups (especially to counter side-selling by “pirate” exporters), (ii) product quality norms, (iii) the ability of the state to play a normal regulatory and promotional role, and (iv) training for stakeholders at all levels.

6.46 *Explore development of an “Asia Strategy”*: Various Asian markets for sesame seed (especially Japan and Korea) are expanding regularly and Niger may be able to become a bigger player in these markets. Donor projects could help establish: (i) better information systems, (ii) improved support services for highly targeted exports; (iii) wider diffusion of norms and standards and implications for production and processing, and (iv) greater exchange between Nigerien and Asian (especially Japanese) inter-professional associations focused on quality sesame seeds.⁶¹

6.47 *Provide Incentives for a Larger Operator to Play a “Sub-sector Leader” role*: The experience of state companies of the past has demonstrated some of the advantages for sub-sector development of having a larger, better financed company playing a leadership role. It also demonstrated the pitfalls of having this role played by a state firm with inadequate market savvy, and little technical and managerial competence. Efforts should be made to find and provide fiscal incentives to an international private firm (teamed with one or more Niger private sector partners) that could play this role more effectively.

SOUCHET (POIS SUCRÉ, CHUFA, TIGERNUTS)

6.48 *Cyperus esculentus* (most common name in Spanish: chufa; names used in French: souchet or “pois sucré”; in English-speaking areas the following are among the many names used: chufa, nutsedge, tigernut, and earshalmond) is a species of grass-like sedge native to subtropical regions of the northern hemisphere. It is an annual or perennial plant, with solitary stems growing from edible rhizome tubers. At the end of the growing season, the foliage is first burned; then the top 40 to 50 cm of topsoil must be lifted and screened to remove the tubers. In Spain, the tubers are ground into flour that is mixed with sugar and water to produce a nutritious and refreshing drink called “*horchata da chufa*”. There are more than 10 factories that make horchata in Spain.⁶² (In Mexico, horchata is also produced, but much of it is made with rice, rather than souchet.) In West Africa, the plant is grown for local consumption. It is sometimes ground to flour for various local preparations, but most often the small tubers are soaked in water, and sold in markets and transport centers, and eaten as a snack food.

6.49 Souchet is produced mostly in the Maradi region. The Tchadoua market (in Aguié) seems to be an important center of souchet marketing. The digging up of tubers can be done with ox or camel-drawn peanut lifters, but since it is done in the heart of the dry season, it produces large clouds of dense dust, which is felt to have negative health impacts, even when farmers use face masks. The digging up of the top half meter of the soil is also felt to de-structure the soil and thus, for longer-term sustainable production, requires using substantial fertilizer and organic matter to compensate.

6.50 The area planted and yields vary widely from year to year. Up to 20,000 hectares have been planted and reported yields have been over two tons/hectare (but often far less). Ten years ago it was reported that over 20,000 tons were exported. In recent years exports have varied from about 3,000 to 14,000 tons. Informal exports go to sub-regional markets and formal exports go by container to Spain.

6.51 CCNI has been involved in souchet exports, but in recent years exports have been dominated by Elhadji Soumaila Hatimu in Niamey. Both companies export directly to Spanish importers. Hatimu has cleaning, bagging, and storage facilities in Niamey, and is also a souchet producer. He is currently importing an aseptically packaged Horchata from Spain, which is labeled as “Laitaya” for the Niger market. He has had some contact with the IFC about the possibility of setting up a horchata processing plant in Niamey, but it is uncertain whether the local market, plus potential exports, would justify the large capital expense the

⁶¹ This may be an attractive investment project for Japan or other Asian bi-lateral aid agencies.

⁶² See this web site from Spain for information in different languages: <http://www.chufadevalencia.org/>

plant would require. However, aseptic packaging is the only way to overcome the problem widely encountered with local souchet processing: short “shelf life”.

6.52 Thus the Niger souchet market involves three segments: (a) a local market of unknown size, (b) totally traditional sub-regional exports, where quantities and prices are largely unknown, and (c) niche exports to Spanish importers, where the potential for expanded exports is unclear. Most of the APEPP promotional efforts were focused on this third market segment, although NGOs have been working to improve performance in the first two segments. The Dutch NGO SNV facilitated a workshop in Maradi in June 2006 to gauge the potential for a regional souchet sub-sector organization.⁶³

Recommendations:

6.53 *Experimentation on production methods for longer-term sustainability:* Because of the dry season harvesting time period and practices used, souchet has negative impacts on human health and soil fertility. INRAN should be supported to experiment with alternative production and harvesting technologies that are more sustainable.

6.54 *Study and Diagnose national and sub-regional markets:* Even if one is interested in souchet primarily for its potential for international export, that potential must be seen in relationship to the national and sub-regional markets, which are absorbing a substantial portion of national production. These two markets need to be investigated in more detail to better understand aggregate supply and demand conditions.

6.55 *Is there more to the international souchet market than Spain?* Souchet exports from Niger to Spain go to one of the narrowest niche markets imaginable and are therefore subject to potential restrictions in demand that could have brutal consequences. This restriction of demand might come from anti-import campaigns organized by Spanish producers and/ or increased competition from other African souchet exporters. It is essential for the Niger sub-sector and its backers to have a better understanding of the structure of demand in Spain and its implications for exports from Niger and other competing West African producers. In addition it may be possible, in cooperation with the Spanish industry, to promote the expansion of Horchata da Chufa consumption in other Spanish-origin countries in the Americas, notably in Mexico.

6.56 *4. Niger processing of souchet juice/milk (horchata):* Elhadji Hatimu’s experimentation with market research using imported, aseptically-packaged “laitaya” is a sensible and welcome initiative. Future export-promotion programs would be well advised to assist in exploring all dimensions of this new sub-sector development initiative. The main bottleneck in moving ahead on this investment project is the non-availability of a multi-purpose aseptic packaging line in Niger. This requires substantial investment capital and a multitude of future potential milk/juice products to achieve financial viability.⁶⁴

GUM ARABIC⁶⁵

6.57 Gum arabic is valued in developed country markets for use in food, candy and chewing gum, pharmaceutical and other industrial products. It dissolves easily in water, and has adhesive properties, yet is completely natural (organic) and non-toxic for human consumption in a variety of foods and drinks. The sub-sector is mainly based on the gathering and conditioning of the sap produced by the *Acacia Senegal* tree,⁶⁶ which grows naturally in Niger and other Sahelian countries across the African continent from Mauritania to Eritrea. Sudan has long been the market leader, exporting some 50,000 mt., followed by Chad (some 30,000mt.).

⁶³ A three-country coordination mechanism, heavily oriented to an NGO agenda, was indeed created: it is ORIPROFIS (Organisation Interprofessionnelle Ouest Africaine de la Filière Souchet). SNV 2006.

⁶⁴ The IFC apparently explored the potential for funding a Laitaya production facility.

⁶⁵ For additional information on gum plantations, see Macrae and Merlin (2002) and the “National Strategy for Re-launching Niger’s Gum Arabic Production and Marketing” (Ministry of Environment, 2003).

⁶⁶ A second-quality crumbly (or friable) gum comes from the *Acacia Seyal* tree. Its FOB value is several hundred dollars a ton less than that of the *Acacia Senegal* gum. Seyal trees are also found in the same geographical range but are not cared for in organized plantations.

6.58 Niger has a long history of gum arabic exports. In the early 1970s gum exports were over 2,500 tons, largely through the work of the state company, Copro-Niger, long since dissolved due to poor management and financial losses. As a result, exports collapsed. The sector was revitalized by a private Nigerien operator (ASI) who collects most of his production from a network of 6000 rural families in Niger and neighboring Chad and Burkina Faso and, to a small degree, from his own plantations. His yearly exports have increased rapidly from 400 Mt in 2000 to a current level between 1,500 and 2,000 Mt. At present, local processing is limited to cleaning, removing foreign materials, sorting and packing; the operator subsequently ships the product to France where he is a partner in an industrial plant for final processing. There are some informal exports to Nigeria of an unknown amount.

6.59 There are over 160,000 hectares in Niger with some density of naturally-occurring or planted gum trees. If these existing Acacia groves were rehabilitated (through fill-in planting) and/or optimally managed (through fencing, pruning, and replacement tree planting), over 10,000 tons of gum could be harvested from these areas in 5-7 years.

6.60 Niger has had one of the largest private efforts in West Africa to establish new gum tree plantations with over 500 hectares recently planted in larger-scale plantations. But the most important development is the government's *Programme d'action Communautaire* (PAC) which aims to plant another 17,700 hectares of gum groves with higher-yielding Acacia Senegal trees on communal lands in 30 communities in different regions of the country.

6.61 A key to the PAC program will be its partial funding by "carbon credits" which come from the sale of "emission reduction credits" to the World Bank-managed BioCarbon Fund for the sequestration of atmospheric carbon absorbed by these newly planted trees. This is an interesting public/private partnership, in which the private company ASI signed an Emission Reduction Purchase Agreement with the BioCarbon Fund and will play the role of carbon aggregator (trading the carbon to be sequestered by the plantations on behalf of the communities). The international carbon sequestration program has strict monitoring and reporting requirements to be handled by a Monitoring Unit supported by the PAC and staffed with experts in carbon stock measurement. The PAC will pay for establishment of acacia plantations (seedlings, fencing, and local labor for tree planting) and will give farmer a sum of US\$50/hectare/year over four years to correctly care for the young trees. Farmers can also plant other intercrops (cowpeas and groundnuts) among these nitrogen-producing trees while they reach sap-bearing age. Once reaching maturity each hectare of trees is assumed to produce approximately US\$240 of gum per year.

Recommendations

6.62 *Support and expand the ICRISAT production of higher-yielding Acacia trees:* The ICRISAT Sahel Station has begun a program of identifying high-yielding trees from which cuttings have been grafted onto local root stock. Based on this work the PAC acacia plantations are assumed to be able to produce 500 grams per tree, as compared to normal trees, which average less than half that amount. This program should be expanded in association with private sector tree nurseries.

6.63 *Ensure that the PAC acacia tree planting program is functioning correctly:* In order to convert gum production to a system with valued output from sustainably managed private groves, it is essential that this program "get the incentives right" for farmer-foresters. Farmers must find it in their interest to take care of the trees, especially during the establishment period (first 5 years). They will need to have secure access to at least two hectares of trees per household, to be receiving their carbon credits, and also have clear ownership title or long-term use rights to the established trees. Given the broad dispersion of the PAC plantations, there is need to explore how the carbon credit administrative and inspection team might be combined with a focused extension and training structure. Exploring how the carbon payments are going to be distributed at the local level among community members also remains a priority.

6.64 *Establish clearly defined grades for Niger gum:* The main gum exporting countries in Africa (Sudan, Chad, and Nigeria) all have well-established national grading systems that facilitate international marketing. Niger, as part of its on-going norm-setting process, needs to work with sub-sector stakeholders to

do the same. Since it is a late-comer to international markets, the technical definition of Niger's grades should, where feasible, be cross-referenced by equivalence to those of the bigger exporting countries.

6.65 *Investigate the need for additional sub-sector infrastructure:* The government and stakeholder groups should develop a master plan for sub-sector expansion, including the need for investment in additional infrastructure such as:

- sales points (or “*comptoirs*”),
- cleaning, sorting, and storage centers,
- the need for use of “kibbling” (lump breaking) machinery to facilitate higher prices for more homogeneous products, and
- the potential for Niger exporters to make arrangements to use the “spray-drying” capacity in Kano, Nigeria, as a means of capturing substantial value-added in Africa, etc.⁶⁷

OTHER PROMISING EXPORT SUB-SECTORS

6.66 Niger has other agricultural exports, mostly for the sub-regional market, which have been suggested as “future candidates” for support by targeted export-promotion efforts. An extensive analysis of these options was done by BDPA, focusing on crops that can be grown profitably under irrigation.⁶⁸

6.67 Given the size of the country, the diversity of its regional production environments (even in irrigated production), and the existing traditions of regional specialization in export marketing, there are strong reasons to concentrate the resources for specific export sub-sectors in a limited number of regions, rather than trying to spread them country-wide. For political equity reasons, each region should be accorded some resources for one or more sub-sectors. For Niger as a whole, this will tend to promote greater diversification in the choice of sub-sectors to support.

6.68 A national program for support of agricultural export promotion needs to be more than one donor-funded project like APEPP or its replacement. Rather, it needs to be a planned and coordinated national campaign (like the PRSP or the SDR, but with a strong technical content and “results orientation”) that can effectively draw on a substantial portion of the institutional and budgetary resources of the relevant line ministries, and complementary donor projects. Within such a program, there needs to be some flexibility built in for the identification and support of promising new export sub-sectors, on a competitive pilot basis.

6.69 ***Horticultural Products for Sub-Regional Markets:*** In addition to the five sub-sectors reviewed above, the BDPA study and others have suggested providing additional support to the following fresh market products, exclusively for marketing to the sub-region:

- *Sweet peppers:* There is major existing exporting of both fresh and dried peppers (to Nigeria). This is especially important for the “far east” region of Diffa;
- *Tomato:* This is a classic dry season crop that is sold in large quantities both domestically and in the sub-regional market. The biggest challenge for this commodity is the lack of a processing industry and competition with subsidized imported tomato products (paste and canned whole fruit) from the EU (mostly Italy). With the closing of all the state canning facilities in Sahelian countries, much of the West African market is open to the entrepreneur(s) who will be able to organize the needed investment and marketing skills, though the prospect of tariff reductions on imports from the EU due to the EPA may prove discouraging;
- *Cabbage:* This is the second horticultural product after onions in terms of quantity produced, with substantial exports to Nigeria;

⁶⁷ Spray drying is one of the value-added processing steps that specialized gum importers in OECD countries have used in preparing gum for sale to industrial users.

⁶⁸ BDPA, 2005.

- *Garlic*: This product is grown mainly in the Agadez region and may have substantial potential for expansion in export markets, mostly in competition with garlic from China, the world's largest exporter;
- *Piment (hot pepper) and gombo (okra)*: Both of these products would be grown under irrigation and can easily be dried for later sale. These are particularly interesting crops for women's groups;
- *Dates*: Possibly an interesting tree crop, but the quality of Niger production would have to be improved even to meet in-country, import-substitution opportunities before thinking of exporting. Since this involves a tree crop, it requires a substantial number of years for plantation establishment;
- *Moringa*: This is the number one leafy green vegetable consumed in Niger and a very interesting plant (whose leafy branches are harvested every year) for use in intensive, small-scale horticultural production systems. Expanded production would initially be for the domestic market but would undoubtedly have opportunities for fresh market exports to Nigeria.

6.70 ***Peanut and other vegetable oils***: For twenty years after independence peanuts were Niger's number one agricultural export. With the growth of alternative vegetable oils in world trade (soy, palm, etc.), world demand shifted away from peanut oil. Is there any hope for Niger peanuts as a crop, grown either for oil or a snack food? OLGA Oil⁶⁹ is in the process of adding a third complex of vegetable oil processing capacity to its impressive Maradi factory installation. This new installation will be able to refine different vegetable oils. The intention of the company is to import un-refined palm oil, refine it and market it on the national market, with perhaps some exports to Northern Nigeria. It will also be able to process and sell peanut oil to the upper income segments of the population in Niger and Nigeria. Demand for refined peanut oil still exists in this region; though most households can not afford it.

6.71 OLGA Oil can not acquire adequate supplies of high oil content peanuts for its desired production levels. The company has worked with ICRISAT on producing adequate seed of appropriate varieties and was willing to pre-finance inputs to Maradi region farmers, but encountered other difficulties. For existing peanut supplies on local markets there is competition from women who buy peanuts and use artisanal processes to make peanut butter for use in a number of popular sauces. The questions boil down to two: (a) will it make sense for OLGA Oil, assisted to some degree by state support, to use farmers as contract growers for peanuts to produce a high-quality peanut oil for the local and sub-regional markets?, (b) to what extent does the success of this specialty product, produced within a multi-oil firm, depend on potential sales into the Nigerian market and other nearby sub-regional markets? A careful review is needed of the logic of developing an industrial peanut oil targeted to middle and upper income households in the sub-region.

6.72 ***Industrial-scale juice processing and packaging***: Juice processing, for bulk exports and aseptic packaging and sub-regional sale, needs to be explored in a two-phase program: (a) establish a pilot plant (in a joint venture between ICRISAT, INRAN, and a group of private sector business people) for experimentation in juice preparation, packaging, consumer trials, detailed feasibility studies, and (b) if initial results are favorable move to full scale investment and production. The competitiveness of locating this plant in Niger needs to be explored carefully as well as technical production and input cost issues. IFC should play a role in this assessment.

⁶⁹ There has been a large-scale peanut oil processing plant in the same location in Maradi since 1942. During World War II the SHN (Société des Huiles du Niger) produced peanut oil for use as a fuel in diesel trucks that were crossing the Sahara as part of the war effort. After independence SHN was transformed into SICONIGER and additional plant capacity was added to refine peanut oil for the domestic market. With increased competition from imported vegetable oil this company went out of business and the Maradi plant virtually abandoned until purchased by Maradi businessman, El Hadji Oumarou Laouali Gago (the OLGA in OLGA Oil).

CROSS-CUTTING ISSUES

6.73 **Re-launching Rural Support Institutions:** There has been a dramatic erosion of the traditional set of institutions that made up the French-inspired system of “Encadrement Rural”. This was an interconnected set of state-run rural development institutions, fairly top-down and paternalistic in their approach, which were designed to transfer agricultural technology to rural areas and allow farmers to participate profitably in both food and cash-crop production sub-sectors. These institutions, when used for the production of cereals, peanuts, cotton, etc. pragmatically worked together to solve bottle-neck problems and make sub-sectors perform, with greater success than those operating today. The components of this system usually involved:

- Agricultural extension and farmer training;
- Supply of inputs and technical packages;
- Rural enterprise credit brought to the farmer; and
- Post-harvest storage, transformation, and marketing.

6.74 These institutions operated in a more closed trading environment than that of today, where it was easier to make the “economic pieces of the development puzzle” fit together. After 30 years of institutional liberalization and global trade reform, parts of the old system are still state-run (but woefully under-funded) and parts have been left to the relatively weak private sector, all in an economic environment that is still in need of a coordinated set of institutions. However, the system of “rural extension” institutions needs to be under new management and adapted to the economic realities of the 21st century. Lessons could be drawn from the cotton sector in Burkina Faso.⁷⁰

6.75 **MDA Local Extension Services and Central Support Divisions:** These institutions are so starved for operating budget that they generally can do little to support sub-sector development. They only operate effectively when funded by donor projects, despite the best intentions of many staff members. This problem will not be easy to solve, but, to the extent possible, as many MDA staff as possible should be integrated, in terms of budget support and work assignments, into public-private efforts in export commodity development, in sub-sectors like livestock, onions, cowpeas, sesame, and gum arabic. The formula will be different in each region. An illustration of the approach is the seven persons who will be hired for four years or longer to manage the paperwork, surveillance, and reporting necessary to obtain the carbon credits in support of the PAC gum arabic planting scheme.

6.76 **Rural Credit:** The rural credit situation is worse in Niger than in other Sahelian countries such as Senegal, Mali, and Burkina. This has been particularly true since the disappearance of the old CNCA (Caisse Nigérienne de Crédit Agricole) which was dissolved during adjustment programs. This has been partially compensated by the development of micro-credit institutions and programs. However micro-credit programs often have fairly low credit ceilings and are of ten suitable only for short-term credit that is reimbursed within one production-marketing season, and not for badly needed medium and longer term credit for equipment purchases and larger scale productivity improvements. The Ministry of Finance is aware of this situation and is working with the private banks and a government committee to address it. This is urgent since it will block many sub-sector development projects.

6.77 **Crop Marketing:** All firms involved in marketing internationally will improve their performance by incorporating modern management and market analysis approaches, as well as being better able to acquire needed capital from the banking sector. A few private firms are beginning to do this, but many are not yet at this stage. Future strategic plans for export promotion need to address how the public sector can best assist in “growing” more modern firms.

6.78 A number of the private firms operating in the smaller formal export sub-sectors (e.g., sesame, souchet, and Gum arabic) have been in a monopoly (or at best duopoly) position as buyers and exporters of their commodity. The amounts being exported are quite small, and there usually is competition from the

⁷⁰ See the Burkina Faso DTIS for an extended description.

informal export trade in all the mentioned commodities, so this probably not a problem. However, it does raise some questions if a commodity exported by a former state monopoly company (where there may have been at least some public oversight) passes into private hands where there is often little or no oversight. Where possible the government should encourage competition among companies exporting agricultural commodities.

6.79 Finally, finding the right formulas for encouraging private firms (or in some cases public-private partnerships) to deliver needed support services to farmers is neither a small nor simple task, and it is one that can not be accomplished within the boundaries of one donor-funded export promotion project. However, finding new and more appropriate ways of providing these needed goods and services to farmers will be crucial to growing the export sub-sectors.

6.80 **Technical Support for Agricultural Development:** Related to the inadequacy of the classic state and private institutions of “encadrement rural”, is the performance of the technical services that are needed for a modernizing group of export industries. Most of these are absolute “basic needs” for small-farmer agriculture. The following are particularly important:

- **Seeds and planting material:** Whether it is field crops (cowpeas, sesame, sorghum, peanuts), horticultural crops (onions, alternative vegetable crops), or tree crops (Gum arabic, dates, fruit trees), virtually all of the current or potential sub-sectors have major unmet needs for the appropriate delivery of seeds and vegetative planting material (e.g., grafted or improved trees) for planting. Fortunately the ICRISAT Sahel Station has been very much engaged in trying to meet these needs in cooperation with INRAN and private seed multipliers and tree nurseries. This needs to be done on a full cost recovery business. ICRISAT estimates that it will be able to generate 1/5 of its total annual budget in coming years through the sale of seeds and trees. This business-like approach needs to be followed up at all levels to ensure that farmers will be able to buy the right seeds and trees at a fair price;
- **Agricultural chemicals:** The requirements for fertilizer and pest-control chemicals vary substantially across Niger’s current and likely future export sub-sectors. For three reasons meeting agricultural chemical needs does not seem to be a large problem. First, several of these crops, with current production practices, require very little in terms of agro-chemicals. Second, Niger fortunately has a state-run purchasing office for bulk purchasing of imported agricultural chemicals, which has helped to avoid the chaotic situation that prevails in some West African countries (such as Mali) where the marketing of agro-chemicals has been liberalized. Third, quite a few agricultural chemicals are available in Nigeria, although the quality of these chemicals is often difficult to assess;
- **Market studies and information systems:** The APEPP project demonstrated the value of market studies but they were often incomplete or conducted without including appropriate representatives of the private sector stakeholders in the study teams. In addition, follow up price and market volume information collection was not included in funded activities.
- **Norms, standards, and protection of plant genetic rights:** Substantial effort has been devoted to the task of “normalization” (standard development) by Niger government committees in recent years, but many of these need to be completed and published and follow-up programs devised.

Recommendations on Cross-Cutting Issues:

6.81 **Develop a general strategy for resource and institutional mobilization in support of agricultural export promotion:** It is recommended that the government, in cooperation with its development partners and stakeholders, develop a general strategy on how the resources and institutional capacities of the state can more effectively be mobilized in support of agricultural export promotion (a “Strategic Plan for Agricultural Export Promotion”). This would be a companion to the PRSP and the RDS.

6.82 *Incorporate MRA staff more fully in public-private partnerships for sub-sector development:* As part of the overall resource mobilization strategy above, develop specific, innovative approaches for incorporating some MRA central and regional staff (through secondment, partial funding of salaries, and/or funding of operational expenses) into formal public-private partnerships for export promotion.

6.83 *Finalize the recreation of an adequate agricultural or rural credit institution:* Rural credit is too important a building block for agricultural development not to have a reliable institutional partner that can help channel capital resources to those in the rural sector who have the capacity to make good use of them;

6.84 *Grow stronger export firms:* Niger's agricultural export firms, with a few rare exceptions, need modernization in order to be able to more fully respond to both international and sub-regional export market opportunities. There are two categories of firms: (a) more traditional trading firms that deal with the larger export crops (onions, cowpea, as well as horticultural crops, such as sweet peppers, garlic, and tomatoes, into sub-regional markets) and (b) the occasional firm dealing with the smaller-scale export crops (souchet, sesame, gum arabic). In the latter category since the number of firms in each sub-sector is small, management and market development assistance – on a confidential basis -- could be provided essentially on a one-on-one business-to-business or consultant-to-business basis. In the former category, improving business process may best be undertaken using cooperative development approaches, where “commerçants” are members of export cooperatives such as ANFO. In this approach the “modernization” solution is basically to create a corporation wholly owned by the cooperative, which can undertake various modernization steps in the marketing channels.

6.85 *Provide better support services for commodity development:* Each group of export sub-sector stakeholders, sometimes with the help of technical assistance with better knowledge of target markets, needs to critically analyze and find solutions to solving the problems in service delivery from public and private institutions to different levels of the sub-sector. For example, if extension and training are critical to farmers adopting the new open field IPM spraying approach to high-yielding sub-sector production, then the involved stakeholders must find a solution in the zone where the pilot project will be undertaken. However, this must be allowed within state structures (and approved at the highest levels of government) that must become more “entrepreneurial” in their operations. It is recommended that a pragmatic, business-like approach be taken to develop commodity-specific systems of technical and other support to sub-sector development.

6.86 *Strengthen Niger seed and tree nursery industries:* The existing seed and tree nursery industries need to be diagnosed and strengthened to provide farmers with the right varieties at affordable prices;

6.87 *Take a more systematic approach to doing market intelligence studies and disseminating vital price information:* Each export sub-sector needs to develop its own strategic approach to gathering information on the structure and functioning of target country markets. This process must be dominated by the business persons who are going to use this information for decision-making. To the extent that this process is subsidized by the state, a way of sharing non-proprietary statistical summaries with the state and general public must be found. Finally, with the reform of the collection of statistics by the new INSTAT is an appropriate time to reexamine how appropriate production and price statistics are collected by state agencies, along with cooperation with multi-country trade-enhancing computerized agricultural MIS systems;

6.88 *Begin to protect Niger's unique agricultural intellectual property and use it strategically in export development:* It is recommended that the GON adopt a two-pronged approach of (a) more aggressively protecting Niger's plant and animal genetic rights; and (b) developing “copyrightable” labels and marketing materials based on those unique plant and animal characteristics for use in export marketing campaigns.

7. LIVESTOCK AND ANIMAL PRODUCTS

THE CONTEXT

7.1 Despite an austere natural environment characterized by low rainfall and a tendency towards aridity, Niger's agro-pastoral space is vast and diversified: the Saharan region (63 percent), desert, an ideal place for camels and goats; the Sahelo-Saharan region (13 percent), ideal for livestock-raising (cattle, small ruminants and camels); the Sahelo-Sudanian region (23 percent), an agricultural zone with many herds and a large quantity of residual harvests; the Sudanian area (1 percent), where all types of animals can be found, except camels. The Sudanian and Sahelo-Sudanian regions are considered ideal for intensive herding. At the last animal population count in 2006, considered by the Ministry of Animal Resources (MRA) as more reliable than previous estimates, Niger had 7.3 million heads of cattle, 9.2 million sheep, and 11.2 million goats; while donkeys, camels and horses were estimated at 1.4 million, 1.3 million, and 0.23 million, respectively.

7.2 Livestock-raising systems are classified in three major categories: (a) the pastoral system, dominant in Sahelo-Saharan region and based on natural pastures, and mobile breeders and herds seeking water and pasture; (b) the agro-pastoral system, sedentary, still extensive, but with relatively limited mobility, and animal feed supplemented with harvest residues; (c) the urban and peri-urban system, more intensive with relatively higher production costs, as it uses large quantities of agricultural and agro-industrial sub-products, as well as veterinary inputs to support animal production.

7.3 Trade in live animals and meat involves many stakeholders, especially when the livestock is intended for export:

- (a) Producers whose main or secondary activity is livestock-raising: herders' associations have been created to defend their interests, but the associations have generally been disorganized and defenseless against well-organized partners (traders, intermediaries, state agents, etc.);
- (b) Livestock trade intermediaries or *dilali*, whose main duty is to connect buyers and sellers: the use of the *dilali* is mandatory in the business; it is a profession whose action cuts across the entire livestock – meat marketing system. According to livestock herders, sellers/exporters and traders themselves, it is a necessary evil;
- (c) Market leaders who play an important role in the resolution of business-related disputes;
- (d) Livestock traders, including the biggest who have made livestock exports their main activity. The major traders-carriers, who rely on very strong family and business relations networks, go from collection points in Niger to border and terminal markets in Nigeria and in other coastal countries. Inadequate freight facilities and tough competition reduce the influence of carriers who are nonetheless organized into unions and have significant financial resources;
- (e) Wholesale butchers supply retailers as part of a credit-based business relationship.
- (f) Livestock drivers accompany the animals on foot or on livestock trucks from collection points to consumer or border markets.

7.4 Indirect stakeholders are represented by (a) technical ministries and parastatals (MRA, MEF, Trade and Industry), the Chamber of Commerce, Niger's Board of Public Transport Users (*Conseil Nigérien des Utilisateurs des Transports Publics* — CNUT); (b) projects such as the former PPEAP; and (c) professional associations and organisations (such as AREN) that support their members by defending their interests.

7.5 In 2006, overall beef production for domestic consumption and export stood at about 95,000 tonnes⁷¹, of which 61 per cent was beef and 34 per cent, small ruminants. Between 2002 and 2005, there was a steady increase from 54,860 tonnes to 72,400 tonnes, estimated at CFAF 65.8 billion and CFAF 86.8 billion, respectively.

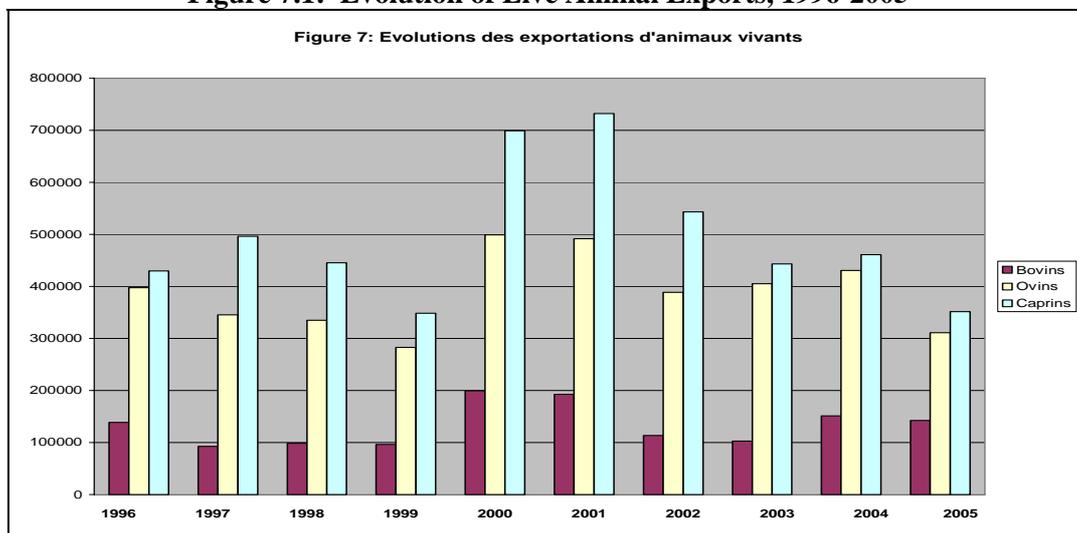
7.6 Niger's meat production potential is huge because of the size of the livestock herd and because its yield in meat is relatively higher than in other countries in the region⁷². The development of meat production in Niger can benefit from (a) the eradication of cattle plague, which has historically been the biggest threat to cattle and, consequently, to meat quality; (b) the organic quality of Niger's meat, which is highly appreciated by consumers in coastal countries; (c) the existence of sheep and cattle fattening possibilities along the Niger River and around urban centers in agricultural areas; and (d) potential demand and proximity to Nigeria. However, as will be seen, there are also major constraints.

EXPORT STATUS AND PROSPECTS

7.7 Exports to Nigeria account for more than 90 per cent of overall livestock exports. Nigeria is a natural market for Niger given its immense population (more than 130 million) and the historical and ethnic ties that have facilitated sustainable trade relationships. Nigeria's demand for live animals is derived from its need for meat and to supply a large network of tanneries in the northern part of the country.

7.8 In general, exports for each of the three major species (cattle, sheep, and goat) fluctuated significantly between 1996 and 2005 (Figure 7-1). This is attributable to the natural growth pattern of the species, but also to economic incentives, as was the case in 1999-2000, due to a very strong increase in demand in Nigeria, and in 2000-2001, due to the effects of the food crisis. In each case, the cattle are highly de-stocked and then the stock must be replenished the following year, implying a drop in quantities for sale and exports. This period was also marked by the Ivorian crisis, which stopped flows from Burkina Faso and Mali to this country, rerouting them to the Nigerian market, thus reducing Nigeria's need for Niger's livestock.

Figure 7.1: Evolution of Live Animal Exports, 1996-2005



7.9 There was a decline in official exports in 2003, due mainly to a 5 percent advance levy on profits at customs offices from traders who were not registered with the regular tax regime. Only sheep seem not to

⁷¹ On the basis of RGA/C 2006 numbers and MRA traditional slaughter rates per species.

⁷² For example, meat proceeds stand at 48%-52% for the Azawak; 48%-50% for the Oudah; 48% for Koundoum, and 50% for the red nanny-goat. For the Oudah and Bali-Bali sheep, fattening makes it possible to reach weights of up to 90 kg. For the N'dama and Baoulé cattle (Mali and Burkina Faso), meat proceeds could be a little lower (42%-45%). An obvious value-added of 11% to 20% can be expected from breeds from Niger.

have been affected because during the Tabaski period (which accounts for 30 per cent of the year's sales) traders continued to export thanks to very high demand.

7.10 Table 7-1 shows that the value of Niger's live animal exports varies significantly depending on the source. The INS and Customs do not take into account informal exports, whereas the Central Bank of West African States (BCEAO) and the MRA adjust their data to include them. Adjusted data from the BCEAO and MRA are in the same order of importance and appear more accurate. According to BCEAO adjusted data, Niger's live animal exports in 2006 stood at CFAF 48.6 billion.

**Table 7.1: Value of Live Animal Exports according to various sources
(CFAF billion)**

	INS*	Customs	BCEAO**	DES/PA/MRA
2002	27.4	27.1	36.7	38.4
2003	26.7	25.9	33.3	29.1
2004	22.5	22.4	26.8	N/D
2005	19.8	19.3	31.8	N/D
2006	21.2	21.6	48.6	N/D

* Includes hides and skins exports estimated at about CFAF 400-500 million, depending on the year.

** These are adjusted exports as they appear in annex 4 of the BCEAO report on Niger's balance of payments and international investment position (the most recent dates back to March 2007).

Sources: INS, DGD, BCEAO, MRA.

7.11 The Customs Administration checks the exit of livestock trucks and produces estimates of animal export volumes and values based on price lists, which are often lower than actual market prices⁷³. Statistics provided by Customs are used by INS to determine the value of official exports, which stood at CFAF 21.2 billion in 2006. The MRA collects volume data from about forty livestock markets monitored within the framework of the SIM/Livestock Project. Market prices are used to evaluate reported export volumes, but the MRA does not make official export estimates.

7.12 The MRA is not represented on the two trade data validation committees, but it should be. As a primary source for the estimation of livestock-related data, the DES/PA of the MRA should have the means to create data collection units where they do not exist, or to reinforce them, thus allowing the most realistic vision possible of this important sector of Niger's economy. A special effort must be made to estimate FOB prices for each exported species (including the categorization by age group and gender) to serve as a common denominator for all agencies responsible for estimating the value of animal product exports.

7.13 There are practically no meat exports from Niger, except for a few tonnes exported by private operators such as VIVANDA. In addition to Gabon, deals are being negotiated with Equatorial Guinea, the Democratic Republic of Congo, South Africa, and Libya, though these are of uncertain profitability. Foreign demand for *kilichi* (dried meat), the annual production of which does not exceed 100 tonnes, results from export-operations conducted by ATC and by some butchers to Nigeria, Côte d'Ivoire, Mali, and Burkina Faso. A market study is needed to gauge the export potential of *kilichi* and, if its potential is significant, to develop a business promotion strategy for this product.

7.14 *The Nigerian market:* Nigeria has a huge demand for imported meat, as only some 60 percent of its needs are met domestically. However, it practices a de facto prohibition of red meat imports in order to develop its own network of slaughterhouses and tanneries which depend partly on importing live animals from Niger. Niger will probably need to undertake strong political action at the highest level to resolve this matter, possibly within the framework of regional (ECOWAS) or even international (WTO) agreements. Other options like attracting and involving Nigerian investors in the construction of new slaughterhouse or

⁷³ For example, an adult cow is valued at CFAF 100.000, and small ruminants at CFAF 30.000 FCFA/head, regardless of age and sex. Besides, the scale—which is yet to be determined with precision—of clandestine movement of herds of cattle to Nigeria is not taken into account in the statistics.

tanneries should be envisaged as these investors would become Niger's allies in its discussions with Nigerian authorities to ease meat import restrictions.

7.15 *The Ivorian market:* The prospects are good, considering (1) the degradation of the livestock sector in the northern part of the country since 2002, (2) WAEMU's community protection policy (CET) and the introduction of compensatory levies on meat from non-African countries, measures intended to improve the competitiveness of Sahelian exports, including Niger's, and (3) the prospects for sustainable peace.

7.16 *Libya:* Libyan demand is focused on sheep and camels. In 2002, customs statistics put it at 5,000 sheep and 2,700 camels, but the actual level of camel exports is a lot more significant (tens of thousands of camels). Livestock export trade to Libya (and Algeria) faces high costs related to the transportation of the animals either by truck or on foot. From Agadez, it takes about 30 to 40 days to accompany the animals to Libya on foot. Nonetheless, according to a study carried out in 2005⁷⁴, the gross profit margin of exporting camel to Libya remains attractive and stands at 22 percent.

7.17 *Gabon and other African countries:* The costs of air transport and cold chain logistics are the major obstacles to surmount if Niger wants to succeed in these markets. Attention needs to be paid to the potential size of the market for fresh meat given the high propensity to consume imported frozen products.

7.18 *Export prospects by 2017:* Two livestock export growth scenarios up to 2017 have been developed based on projections of natural livestock growth, past trends (10-15 years), links between quantity produced and exported, and the potential increase in the livestock off-take rate:

7.19 *The low case assumption* maintains current natural growth rates at 2 percent for cattle and donkeys, 3 percent for sheep, 2.5 percent for goats and, 1.5 percent and 1 percent for camels and horses (MRA, 2003), respectively. This livestock growth reflects a feed balance deficit for 3 years out of 5. The progressive trend takes into account periods of increasing demand driven by high growth in Nigerian demand (for example, between 1999 and 2001) and the response of Niger breeders, consisting of de-stocking more in order to benefit from incentive prices during these periods. Results shown in Table 7-2 indicate that live cattle exports would increase from 176,000 heads in 2006 to 201,000 heads in 2017, an increase of about 19 percent. Sheep and goat exports would rise from 490,000 to 576,000 heads and 570,000 to 711,000 heads, respectively.

Table 7.2: Herd size and value of livestock exports by 2017 ('000s of head, CFAF billion)

	2006		2010		2014		2017	
	Low-case assumption							
	Number	Value	Number	Value	Number	Value	Number	Value
Cattle	175.7	33.36	184.2	34.99	193.5	36.76	201	38.19
Sheep	486	16.35	520.5	19.52	551.2	20.67	576.7	21.62
Goats	558.5	9.50	609.5	10.36	665.8	11.32	711.8	12.10
Camels	54.9	8.23	78.33	11.75	103.1	15.46	122.7	15.46
Donkeys	48.33	0.74	41.1	0.63	40.11	0.61	39.44	0.60
Horses	1.44	0.11	1.55	0.11	1.51	0.11	1.51	0.11
Total		68.40		77.36		84.83		88.08
	High-case assumption							
Cattle	177.7	33.76	194.8	37.0	223.5	42.46	258.7	49.15
Sheep	498.2	18.68	552.5	20.72	633.9	23.77	733.9	27.52
Goats	572.5	9.73	635	10.79	728.5	12.38	843.4	14.34
Camels	56.3	8.44	62.5	9.37	71.7	10.75	82.9	12.44
Donkeys	48.34	0.74	53.55	0.82	61.42	0.94	70.09	1.07
Horses	1.44	0.10	1.59	0.12	1.80	0.13	2.07	0.15
Total		71.45		78.82		90.43		104.7

Sources: mission calculations; MRA statistics; FOB prices estimated from DES/PA data

⁷⁴ Terpend, Noelle, Saley Mahamadou, Study on the Elaboration of a Sector Development Program.

7.20 Probable evolution of meat export values: Unlike live animals, it is difficult to predict the possible trend of Niger's meat exports by 2017 due to the virtual absence of exports at present and the difficulty of predicting the social, economic, and political environment over the next ten years. However, in a best-case scenario one might envisage the following:

- The planned capacity of the new slaughterhouse (20,000 tonnes); it is estimated that most of its production (about 15,000 tonnes) will be exported;
- The meat export network associated with the future "*Société des Abattoirs*" could reach SONERAN's past performances and achieve the objective of shipping about 50 tonnes of meat every week to Nigeria, an additional quantity of about 2,300 tonnes per year, if Nigerian authorities reduce their restrictions on red meat imports;
- Individuals working together as a private company, in keeping with the ongoing project, and who are targeting central African markets could export about 1,000 tonnes of meat each year over the next three to four years.

Overall, it is possible to count on an annual export tonnage of 17,000 tonnes–18,000 tonnes per year during the 2010-2012 period. With an average FOB price of CFAF 2,500/kg, this is equivalent to an overall value of CFAF 42.5 to CFAF 45.0 billion per year.

CHALLENGES AND OPPORTUNITIES FOR INCREASING LIVESTOCK-MEAT EXPORTS:

7.21 The major constraints to increasing herd sizes and improving herd productivity include (1) the excessive exploitation of natural resources without recourse to zoo-technical inputs (pastoral systems); (2) a feed balance deficit 3 years out of 5 and low availability of agro-industrial by-products; (3) the low and periodic nature of producers' monetary needs, which constitute a handicap in maintaining a steady supply of live animals on the regional market; (4) low off-take rates of 9 to 11 per cent in the pastoral system.

7.22 The major reasons for low meat exports include: (a) meat import restrictions imposed by Nigeria; (b) the current lack of proper infrastructure such as a slaughterhouse that meets international hygiene standards; (c) the magnitude of clandestine slaughtering, which adversely affects the development of the structured sector⁷⁵; (d) the absence of modern and organized groups with adequate financial resources to finance marketing campaigns and air transportation; (e) the uncertain competitiveness of Niger's meat in the markets of coastal countries as compared to livestock exports⁷⁶; and (g) high transport costs.

7.23 Slaughterhouses are few and under-equipped. They are located in major cities and mainly meet urban demand. The Niamey slaughterhouse has a capacity of 11,000 tonnes of meat per year, followed by those of Tahoua, Maradi and Zinder (4,000 and 6,000 tonnes per year). However, infrastructure deficiencies are not the real handicap for meat exports in the medium term. A new slaughterhouse is being planned for Niamey with an annual capacity of 20,000 tonnes, and the ambition of meeting international standards. The rehabilitation of the Zinder, Maradi and Tahoua slaughterhouses is foreseeable, or at least desirable.

7.24 Reinforcing Niger's comparative advantage in live animal exports: At the regional level, trade in live animals is economically profitable. The trade in cattle shipped by truck or accompanied on foot between Niger and Nigeria is very profitable with gross profit margins ranging from CFAF 23,150 per head to over CFAF 123,000 per head. In Accra, the gross margin per head of cattle is CFAF 25,600. As a trade destination, Nigeria (Kano, Ibadan, Lagos) is even more profitable than other coastal destinations with regard to sheep and goats.

⁷⁵ The 70% rate is often used when it is necessary to take into account clandestine slaughtering in meat production statistics. But there are no precise data on this rate. Some sources indicate that uncontrolled slaughtering are higher (110%) than controlled slaughtering, especially with regard to small ruminants. A household and village survey is necessary to quantify this production. It will make it possible to come up with a useable coefficient adjustment.

⁷⁶ An exhaustive cost-benefits analysis of meat exports to coastal countries is necessary to validate the real competitiveness of Nigerian meat.

7.25 Concerning the progressive intensification of agro-pastoral systems, the opportunities available to Niger are in two categories: (1) reinforcing sheep fattening operations to better benefit from the Tabaski, a period where good quality attracts good prices, and (2) developing cattle fattening in order to produce healthy animals of 400 kg to 500 kg, capable of producing the good quality meat needed to revive meat exports.

7.26 Niger stands to gain more by improving the flow of this trade by: (a) making more efforts to reduce illicit taxes; and (b) reducing the current statistical tax of 3 per cent.

7.27 ***Can Niger add value by moving to meat exports?***: Cost-benefit studies in this area, which are supposed to help document the profitability of meat shipped to markets in coastal countries, are almost non-existent in Niger. For the available case study⁷⁷, the analysis of the cost chain for Kano and Abidjan, shows a low gross profit margin of CFAF 80 and FCFA100/kg and CFAF 50 to CFAF 200/kg, respectively. These figures should be considered carefully. A more exhaustive study of the cost chain would help suggest more solid conclusions in this regard. Transportation cost is one of the factors that undermine Niger's meat competitiveness, much more so in the Ivorian market than in Nigeria.

7.28 Low profitability, if confirmed by a proper study, would not enable Niger's traders to invest in the modernization of the sector (capital, cold chain, and livestock trucks). The large-scale consumption of imported alternatives (frozen fish, white and red meat) is more compatible with the low purchasing power of the populations of coastal countries and reduces demand for Sahelian meat.

7.29 However, Sahelian meat is considered to be better tasting than frozen imports, and some consumers in coastal countries are willing to pay for such higher quality. Market segmentation becomes the key to better prices (CFAF 3,000–4,000 per/kg) and Sahelian exporters will probably have to target the upper end of the market (large-scale distribution, supermarkets and hotel chains).

7.30 An increase in the off-take rate of rural livestock (for example, from 9-11 percent to 15 percent for cattle) is one of the measures necessary to increase livestock supply and reduce costs. An aggressive policy to support the revival of export activities will comprise the following actions and initiatives: (a) export promotion projects (as with the PPEAP), (b) an efficient information and sensitization system to help producers understand why they should regularly de-stock their herds, (c) livestock marketing opportunities close to production sites: more frequent and better functioning livestock markets, special events such as trade fairs directly connecting breeders with livestock buyers.

7.31 While intensifying production at the level of small farms will be important, it is also necessary to support pastoral farming. An increased and regular supply of live animals in local markets and a sustainable growth of meat exports can only be envisaged in an integrated process of overall increase in animal production. Hence the need to increase the supply of the most restrictive factor of production: hay and livestock feed. For the Sudanian and Sahelo-Sudanian regions, which are suited for the development of intensive livestock breeding, it is necessary to encourage timely harvesting and preservation of natural or cultivated fodder to resolve feeding issues during the dry season.⁷⁸ The promotion of semi-intensive systems (such as small-scale farms) must go hand in hand with the sustainable development of a livestock feed production infrastructure, which would then complement basic rations. The decline of the livestock feed production sector in Niger is attributed to the disorganization and the lack of professionalism in the sector. The supervision and training of managers will considerably reduce the number of entrepreneurs prone to occasional or "haphazard" trade. Capacity building, renovation, and the creation of mechanisms to facilitate access to credit for private farmers should be a top priority. As the Framework Document for the Revival of Livestock-raising in Niger recommends, it is necessary to "support production intensification: feed-related crops, mineral supplements, and reviving livestock feed units"⁷⁹.

⁷⁷ Based on information collected from *Ets A.H.S. Export Bétail – Viande* in Niamey in April 2007.

⁷⁸ As recommended by the *Framework Document for Boosting Breeding in Niger: Situation Reports, Areas of Intervention and Priority Programs*, MRA, November 2001

⁷⁹ MRA, Framework Document... op. cit., p.86

7.32 **Organizing stakeholders and professionals:** Vertical relations like those that exist between herders and *dilali*, exporters and *dilali*, are not optimal because each group has conflicting interests. Horizontal relations, within the same group of stakeholders, are also full of conflicts, magnified by the weaknesses of associations.

7.33 The first problem that supervisory structures such as the Livestock- Meat Sector Professional Association (*Association des professionnels de la filière bétail – viande*)⁸⁰ must seek to resolve is the issue of *professionalizing operators* through strict application of the rules governing the livestock-meat trade⁸¹. With the help of technical ministries, the Association must work to clearly define the roles and duties of different stakeholders and operators. This implies knowing and determining who is an exporter, a livestock trader, a wholesale butcher, and a retail butcher, and defining the requirements for each profession. The professional association must have all its prerogatives restored and should have the means to carry out the required inspections.

7.34 If the professional association deems it necessary, professional cards (for traders and exporters) could be issued with the support of the government to ensure that real exporters receive cards such that it is possible to conduct checks in the markets. This card should be mandatory to obtain an authorization to export through the one-stop window.

7.35 The livestock and meat trade will be improved if the number of market intermediaries—traders and *dilali*—is reduced. While the herder may consider the *dilali* as guarantors for any animal sold and as moral trustees for any credit transaction, they have acquired a controlling role far in excess of their value-added. On cattle sales, these intermediaries receive commissions that are sometimes huge⁸². Reducing their numbers and their role will increase direct contact between producers and buyers, with the possibility of a better price at the farm level. While recognizing the weight of tradition, one could envisage a conversion of the *dilali* to other roles in the livestock business (tax and fine collection for the government) or in customs transactions.

7.36 Exporting meat requires more professionalism than exporting live animals. This requires the presence of real professionals with human (marketing, contract management, etc.), financial, and material resources to be able to duly execute contracts. A new generation of educated stakeholders is needed to put in place a mode of operation which extends beyond the limits imposed by the caste system. Access to credit will be difficult if not impossible if the stakeholders are allowed to remain in the informal sector.

7.37 The Chambers of Commerce and Agriculture must ensure not only the representation of stakeholders, but also their information, training and sensitization. It becomes necessary to put in place an operational information base on the different aspects of livestock marketing: (1) reinforcing early warning systems on the climate, the status of agricultural production, the quality of pastures and paths in order to better anticipate risks and come up with livestock management and adequate animal sale strategies; (2) creating and reinforcing information systems on future prices, which would benefit all operators in the sector.

7.38 Niger has about 300 reference livestock markets, of which some forty are monitored by the SIM/Bétail Project. The findings of the national forum on livestock market organization and management (MRA, 2003) have made it possible to better understand the constraints for better market performance. Private management based on competitive bidding was retained for rehabilitated markets. Management privatization is a good option providing performance contracts with the government are established.

⁸⁰ The Association was created in 2002 with PPEAP support and has set up regional and divisional offices.

⁸¹ Orders N° 86-016 of 3 April 1986 on Livestock and Meat Trade and N° 86-015 of 3 April 1986 on hides and skins govern marketing by defining products and operators, the agreement to issue authorisations and professional cards, and sanctioning fraudulent operators by specifying duties at different implementation levels.

⁸² Although some *dilali* are duly registered with the State and pay their annual licence fees, some of them evade the law, because of the nature of the informal sector.

7.39 **Which structures and methods of operation for a sustainable revival of exports?** Various studies and strategies have been developed for the live stock sector in Niger. The Rural Development Strategy (RDS) Action Plan⁸³ gives livestock raising and the animal industry an important place, especially in Programs 11 and 12. Program 11 provides for the development of off-season irrigated perimeters, small private perimeters, and run-off water collection sites as part of efforts to develop 9,268 modern farms covering 71,000 hectares by 2015. The Action Plan also provides for the development of 5 hectare agro-pastoral farms that combine agriculture and breeding over some 23,000 hectares.

7.40 The Livestock-Meat Sector Revival Program, one of the 11 priority programs of the Framework Document for the Revival of Livestock-raising in Niger, seeks to increase and secure national meat production by promoting and developing private intensive and semi-intensive systems.

7.41 The study on the design of the animal sector development program has defined a number of action programs for six promising sectors (live animals, meat exports, leathers and hides, inputs, aviculture and milk). This study rightly focuses on the importance of developing the input sector because it is likely to improve the productive capital of animal resources and to reinforce its competitiveness.

7.42 The following propositions and scenarios draw on, and are in line with, the RDS's Action Plan and the other animal sector development programs mentioned above.

7.43 **The development of small-scale farms**⁸⁴: The planned MRA program seeks to promote the private sector with a view to developing semi-intensive and intensive livestock-raising, which will increase animal productivity and production volumes. The implementation of small-farm milk production projects as well as cattle, sheep and poultry fattening have been planned for the Dosso, Maradi, Tillabéry, and Zinder regions and for the Niamey Urban Council. These projects target women's groups (sheep fattening), farmers' cooperatives, and associations (cattle fattening), young unemployed graduates and retirees brought together in economic interest group (EIG).

7.44 The success of small farms will depend on the implementation of accompanying measures such as: (1) the urgent need (2 to 3 years) to judiciously choose economic operators, on a competitive basis, capable of generating profits from available land and financial capital; (2) introducing concrete tax incentives for these operators by easing exemption procedures⁸⁵; (3) developing the zones and securing land in project sites which will have the basic services such as water, electricity, functional road networks, and communications; (4) in the medium term (3-5 years), think about the organization of the system in terms of vertical integration of production, slaughterhouses and export channels.

7.45 **The development of ranches:** The pros and cons of ranches have been actively debated in Niger. A major precondition is the acquisition of a long-term lease on a significant block of grazing land. Given the rapidly growing population, the limited availability of water, and the demands of traditional pastoralism, it is probably unwise to encourage the creation of new ranches. This is the direction in which the Government is headed with its new Pastoral Code. However, the fate of the old, publicly-owned ranches is still up in the air. These ranches should probably be broken up and privatized and it may be worth experimenting with a few private ranches on a part of their land as a way to kick-start meat exports. Any such ranches would be required to work with independent herders to supplement their own supply of animals.

⁸³ Republic of Niger, *SDR- Action Plan*, November 2006

⁸⁴ Source: MRA, 2004. "Study on the identification and formulation of small farm development projects in five regions of Niger (Niamey, Dosso, Tillabéry, Maradi and Zinder)"; KRB Engineers, Limited, Niamey; financing BTC.

⁸⁵ The tax system seeks to promote the livestock sector by eliminating TVA from livestock products, meat, and offals when it concerns a certified breeding program. Other measures must be strengthened or applied regarding business activities with less than CFAF 90,000 per month and tax breaks for five years on licence, industrial and commercial benefits (BIC), Minimum Fiscal Tax (IMF) and land tax.

7.46 The construction of the new Niamey slaughterhouse (with a capacity of 20,000 tonnes) and the creation of the Niger Slaughterhouse Corporation (*Société des abattoirs du Niger*) is an important development which should draw on the lessons learned from the organization and operating practices of the former SONERAN. It should probably be managed by a specialized private company with little government involvement⁸⁶. Such a structure would be responsible for organizing the sector, from collecting the animals, marketing the meat, to shipping for export.

7.47 Production could be organized as follows:

- a. Fattening contracts with a limited number of small farms, which would have fulfilled delivery conditions at a regular rate of an animal quota (weight > 450 kg);
- b. Delivery contracts with large, modern agro-pastoralists and commercial livestock operators;
- c. Contribution from the Livestock Breeding Center (Centre de Multiplication du Bétail—CMB) which will use its capacity and knowledge with contracts and a schedule for the delivery of fattened animals over three months;
- d. Rehabilitation of stocking farms where veterinary care and food supplements could be provided to animals acquired from small producers or private contractors, but which will not have attained the size required for slaughter.
- e. Privatizing the management of at least some of the state-owned ranches (e.g. Ekrafane) to establish an animal base necessary to ensure a steady supply of healthy animals for slaughter.

7.48 Effective marketing will require the Slaughterhouse Corporation to involve real professionals capable of honoring contracts to the letter. Credit access facilities must be envisaged to move current exporters out of the informal sector. Sustained exports of high volumes will require large clients such as supermarkets, butcheries, processing units, institutional food services and/or wholesalers in Niger and in coastal export markets, and the creation of a market monitoring mechanism.

7.49 Such an organization will require building an appropriate infrastructure and an adequate and regular supply system in line with health safety standards and geared to exports, with a dynamic marketing system similar to those found in some Southern African countries such as Botswana and Namibia.

HIDES AND SKINS

7.50 **Global and regional demand for hides and skins:** Global demand for small hides (goats and sheep) is sustained and expanding. The major suppliers are Asian countries, Pakistan and Indonesia. Africa comes second with Nigeria, Kenya, South Africa and Ethiopia as the major suppliers. The major buyers are from Europe, but demand from the Maghreb and Asia has been increasing significantly.

7.51 European buyers are mainly interested in hides that have reached the wet blue stage. Raw hides that have not attained the processing stage are very costly to transport, and Europeans are reluctant to process hides up to the wet blue stage because of the environmental implications. Europeans focus on later stages, the *crass* and the *finish*, which require great expertise for which they have acquired a global reputation. Good quality hides, which depend particularly on slaughtering conditions, can be sold at a price 30 per cent higher than for hides of average quality.

7.52 According to one estimate, 85 per cent of small hides and skins are bought by or for Nigerians. They supply a network of tanneries in northern Nigeria, including some 20 in Kano alone. Ten per cent are purchased by the only modern tannery in Niger, and the remaining 5 per cent goes to traditional small-scale tanners.

7.53 **Supply of hides in Niger:** Niger's hide supply is not known precisely. Estimates using different approaches suggest a total ranging between 1.8 and 5.5 million units. The first approach is based on the

⁸⁶ With a General Manager appointed by an independent Board of Directors.

volume of controlled slaughtering, estimated by the Ministry of Animal Breeding at more than one million heads. The ministry estimates that uncontrolled slaughtering reaches 70 percent of this volume, making for a total of 1.7 million animals or hides.

7.54 Secondly, one could rely on meat consumption, as estimated by the INS in 2004. These estimates of the annual consumption of small ruminants (sheep and goats) are 17,400 tonnes for sheep meat and 20,500 tonnes for goat meat, a total of about 38,000 tonnes of meat from small ruminants. By estimating the average weight of a small ruminant at 17 kg, one obtains a volume of 2.2 million slaughtered animals (or hides) per year.

7.55 The owner of the only modern tannery in Niger⁸⁷ estimates that he buys 10 per cent of small ruminant hides. Given that he collects 550,000 hides per year, this would imply a total supply of about 5.5 million hides. While these estimates vary substantially, one thing is certain – the supply is constrained by the strong competition from Nigerian buyers. The one modern tannery in Niger is unable to satisfy its requirements.

7.56 **Collection:** The collection of hides is done from door to door and from village to village, from clandestine slaughterhouses and butchers. The quantities collected are small. Rarely can a village deliver more than a dozen fresh hides. Because collection points are far apart, the cost of collection is high and delivery times significant, which negatively affects competitiveness. A growing problem arises from collectors who fail to deliver after receiving advance payments from tanners or Nigerian buyers. As a result, many buyers now wait for hides to be collected at the request of others, and then offer the collectors higher prices. They thus minimize risk, even if it means paying more. However, this could create havoc and undermine the system of credit.

7.57 **Tanneries and their constraints:** Until the early 1990s, Niger was an exporter of high quality hides. Since then, hides and skins processing activities declined sharply. Public and private tanneries in Niamey, Zinder, and Maradi have all closed. The hides and skins sector has been reduced to collecting and exporting the raw material through informal operators, except for the privately-owned Malam Yaro tannery in Zinder, which exports Wet Blue skins to Italy. In Niamey, a tannery with a capacity of 3 to 4 million skins per year was built by a Burkina Faso investor, but it has never operated, apparently because of difficulties related to the supply of hides. For now, this investor only collects hides for a facility in Burkina Faso.

7.58 The decline in the processing of hides and skins in Niger is due to the following factors:

- The state withdrew from the hides and skins processing industry in the early 1990s. The *Société Nigérienne des Cuirs et Peaux* (SNCP) and the *Société Nigérienne de Tanneries* (SONITAN) closed following failed attempts at privatization.
- In the days of SNCP and SONITAN, the government supported local tanneries by applying restrictive tanning rules for the collection, export and sales of hides and skins. Currently, these rules are no longer applicable. The informalization of the sector has not been conducive to the establishment of modern units.
- Meat production is the primary reason for slaughtering an animal, the hide being a by-product. However, there is little change in the demand for goat and sheep in Niger.
- There is a very high demand for this type of meat and for beef in Nigeria, but Nigerian authorities, as we have seen, strongly discourage meat imports, even though ECOWAS allows free movement of goods. Only an increase in meat exports would help boost the supply of high quality hides and skins.

7.59 The current organization of the supply of hides and skins seems inefficient and entails high costs:

- Supply-side constraints, especially in rural areas, limit supply possibilities.
- Between 10 and 20 per cent of collected hides are defective and are rejected by factories;

⁸⁷ *Tannerie Malam Yaro.*

- With regard to the regularity of supply, there are uncertainties and delays;
- At the operational level, the multiplicity of intermediaries complicates the development of partnerships between stakeholders and makes supply management challenging;
- At the financial level, the system of providing advances to collectors creates financial risks and introduces a function that usually falls within the purview of banking institutions.

7.60 Some observers believe that there are enough hides and skins, and that the challenge lies in collecting them, as traditional slaughtering facilities are scattered across the country. But there is also the problem of sub-optimal quality resulting from inadequate slaughtering techniques, poor conservation, and poor animal health, as well as diversity of breeds, colors and sizes which makes price-setting difficult. The quality of the hides and skins collected from modern slaughterhouses in Niger's major cities is deemed satisfactory by tanneries, but they represent a small fraction of total supply.

7.61 Overall, the current system is outdated and hardly transparent. Relations are not purely commercial; they are also socio-psychological and family-based. There is great potential for this system to be improved, within the framework of a more efficient production and slaughtering system, as suggested above. However, there remains the need to find a market for the meat from the slaughterhouses and to systematically direct the hides and skins towards local tanneries.

7.62 The chances of achieving a satisfactory supply of hides and skins, in terms of quality and quantity, would be high if meat buyers, animal fatteners, modern slaughterhouses, and tanneries collaborated to articulate their additional needs.

CONCLUSIONS

7.63 *Improve productivity of pastoral and agro-pastoral systems and implement a policy of economic incentives to encourage herders to regularly cull their herds:* Today, almost nowhere in Niger's pastoral and agro-pastoral regions can one meet the challenge of providing sufficient food and water for hundreds of thousands of ruminants in all seasons. The recommendations include:

- ◆ The implementation of long-term actions for secure and sustainable management of pastoral resources with a view to reducing the scale of transhumance through the development of large pastures and the inclusion of livestock in all territorial development plans. Current modifications of the environment do not make it possible to envisage an end to pastoral transhumance, calling instead for greater efforts and imagination for its adaptation.
- ◆ The implementation of medium term projects aimed at developing rain-fed and irrigated fodder with a view to addressing the recurrent fodder deficit. For agro-pastoral systems, the timely cutting and conservation of natural or cultivated fodder should be encouraged in order to resolve feeding problems during the dry season.
- ◆ The development of a strategy to produce and supply agricultural and agro-industrial by-products with a view to increasing their use, as well as the use of veterinary products.
- ◆ Aggressive campaigns, in the short-term, to sensitize herders on the need to increase culling rates by creating real livestock marketing opportunities close to their production sites, by promoting marketing events, and by establishing a price information system in order to increase live livestock export flows.

7.64 *Ensure a regular supply of animals through organized and streamlined production structures capable of supplying the market with large, healthy animals, and reducing the seasonal nature of production:*

- ◆ Speed up the implementation of small farm projects for cattle and sheep fattening by setting up credit facilities, and by training managers to ensure that animals receive treatment and a balanced and suitable diet that enables the animals to gain sufficient weight.
- ◆ Create the necessary conditions for the development of private fattening ranches capable of ensuring a regular supply for livestock exporters, slaughterhouses and, by extension, modern tanneries. The review of regulatory and legal instruments for the speedy acquisition of land titles and leases (Rural Code) should be

considered a priority action.

- ◆ Chambers of commerce and agriculture must work to implement an early warning system on the climate, the status of agricultural production, the quality of pastures and migration paths, to better anticipate risks and come up with strategies for livestock management and subsequent marketing of animals.

7.65 *Reduce obstacles to seamless domestic and cross-border trade:*

- ◆ Professionalize livestock-meat sector stakeholders through the strict application of the rules governing the sector. Clearly define the roles and responsibilities of various stakeholders: each professional corps should have its terms of reference. The fluidity of trade would be enhanced with a reduction in the number of intermediaries (*dilali*); in certain conditions, this could allow herders to obtain better prices.
- ◆ Support the emergence of real professionals in each sector by training operators at different levels in trade practices to make them more aggressive in the search for markets.
- ◆ Combat informal trade by initiating an incentive policy to bring professionals together; this could enable them to share risks and pool financial resources to carry out large-scale initiatives.
- ◆ Encourage the enforcement of formal and binding contracts for transactions between stakeholders. Furthermore, trade with Nigeria or Ghana (non-members of the CFA zone) requires that Niger's banking system put in place an adequate product that can help move trade out of the informal sector.

7.66 *Increase meat exports: a medium-term objective (2008- 2010) to establish the basis for long term sustainable development (2017):* The technical and competitiveness conditions to boost meat exports, and, consequently, the production of quality hides and skins, have not yet been fulfilled. The revival of the sector requires short-term measures both upstream and downstream:

- ◆ Carry out a profitability study on meat exports to Nigeria and to coastal countries, making it possible to establish a cost chain and to determine the components which should be dealt with in the first place to increase profitability in the meat sector. This study must analyze demand from coastal countries and estimate the potential of the most promising segments. CIF cost for Niger's fattened meat, slaughtered in compliance with the requisite health standards, must be compared with meat of similar quality from other sources such as South Africa.
- ◆ Reorganize production to sustain a regular fattened animal supply system in line with export requirements (weight, health security): (1) fattening farms become operational in 2 to 3 years; (2) private ranches are created and develop infrastructure and production between 2008 and 2010; (3) contracts are signed between private companies and modern livestock-herders for on-schedule delivery of animals intended for slaughter; (4) butchers are vertically integrated with the new slaughterhouses which have been built and/or renovated; (5) Niger's Slaughterhouse Management Corporation (*Société de Gestion des Abattoirs du Niger*) is created and operates on the SONERAN model, but as a private corporation.
- ◆ Undertake political negotiations to open Nigeria's market to Niger's meat. Also try to attract Nigerian private investors to invest in meat—as well as hide and skin—production infrastructures in Niger so as to make them allies in negotiations with Nigerian authorities to liberalize the market.
- ◆ Support the creation of a trade information system on an operational basis. But Niger must gradually upgrade itself with regard to sanitary standards and allow adequate traceability of its products in order to gain access to more profitable markets (Middle East, etc.).
- ◆ Improve livestock-raising practices and slaughtering to enhance hide supply and quality. This would open the door to new investments in tanning in order to take advantage of the increased supply and the excellent growth prospects of semi processed hide exports.

8. MINING

8.1 Industrial mining accounts for about half of Niger's export earnings. The share of exports was much larger in the past when uranium prices were higher, and they will be once more with the recent surge in prices. Revenues accruing to the country are considerably lower due to the substantial level of imported inputs and personnel, and the repatriation of profits to foreign investors, but the economic impact remains significant. In 2006, the sector already accounted for roughly 6 percent of government receipts thanks to royalties (5.5 percent of the price in the case of uranium), profit tax (35 percent), and dividends accruing to the state as a shareholder in mining firms.⁸⁸ Further benefits include services and investments made by mining companies for the benefit of neighboring communities, and thousands of rather well-paid jobs.

8.2 Along side the industrial mining sector, artisanal mining has much lower exports and tax revenues but a clearly more significant direct impact on employment. The number of artisanal miners is estimated at 400,000, although most of them produce for the local market. Even gold miners, whose production is essentially for export, are about 39,000 in number. For some, mining is a supplement to their agricultural activities; for others, it is a full time job.

8.3 However, the two components of the mining sector are not without controversy and their socio-economic impact could be improved.

THE CURRENT SITUATION

8.4 **Geology and Mineral Potential:** Niger, which covers a total area of 1.267,000 km², is made up of 90 percent sedimentary basins and 10 percent proterozoic foundations located in the Liptako Gourma region, comprising volcanic sedimentary rocks and more or less intrusive granitoids, and in the Air massifs. The sedimentary basins contain uranium, coal, salt, and gypsum; the Air massifs produce cassiterite; while the volcanic sedimentary rocks in Liptako Gourma contain gold deposits. Mineral reserves are as follows:

8.5 **Uranium** is the most important mineral product and has been mined by SOMAÏR (*Société des Mines de l'Air*) since 1971, and by COMINAK (Compagnie Minière d'Akoka) since 1978; the companies are located near the towns of Arlit and Akouta, respectively. From the start of mining operations to end-2006, Niger exported 100,500 tons of uranium. Remaining reserves, as well as those in new proved deposits (Imouraren, Téguida N'Tessoum and Madaouella), are estimated at 216,000 tons of uranium. (See Table 8-1.)

Table 8.1: Uranium deposits and reserves in Niger

Deposit	Reserves (tons of uranium metal)	Comments
SOMAÏR	16 908	Open-pit mining since 1971
COMINAK	27 400	Underground mining since 1978
IMOURAREN	153 708	Next open-pit mine
SOMINAN	13 000	Next underground mine
Other (Madaouella)	5 000	Mining method under study
TOTAL	216 016	-

Source: MME

⁸⁸ The state holds 31 and 36 percent of shares in the two major uranium companies.

8.6 *Coal* has been mined since 1981 by SONICHAR (*Société Nigérienne de Charbon*) for the production and supply of electricity to the towns of Arlit and Akouta, and the SOMAIR and COMINAK uranium mines. At end of 2006, remaining reserves of SONICHAR were estimated at 4,933,043 tons—this may not be enough for the mining industry, which is growing steadily in the region. Other coal reserves, estimated at 30 million tons, have been discovered in Salkadama in the Tahoua region, and unproven deposits have been found in the Solomi region.

8.7 *Cassiterite* is found in the Air massifs and was mined semi-industrially from 1948 to 1992 by small-scale miners and SMDN (*Société des Mines du Niger*). After processing, it produces tin. Annual production, which peaked at 140 tons in 1973/74, currently stands at around 10 tons. The quantity already mined is estimated at 3,000 tons and proven reserves at 400 tons. However, it seems that the Air massifs are endowed with large reserves that are yet to be proven.

8.8 *Gypsum* is found primarily in the Iullemenden Basin in the form of flakes, nodules, or lens, with fibrous or vitreous characteristics. It is mined artisanally and sold to the cement works in Malbaza (Tahoua region), or exported to neighboring countries. Reserves are estimated at about 520,000 tons, most of them in Aridal.

8.9 *Salt* is found in various forms in all the sedimentary basins in Niger. The Tidekelt salt flats are estimated to have 192,000 tons of salt and existing geological reserves could reach 25 million tons. A semi-artisanal mining project aimed at exploiting this deposit is pending approval.

8.10 *Gold* exists in the Liptako Gourma region, where more than 50 artisanal mining sites and one industrial mine are located. Total possible and probable reserves stand at around 106 tons, embedded in 84 million tons of mineral ore with an average grade of 1.25g/t (see Table 8-2). Between 2004 and 2006, the SML (*Société des Mines du Liptako*) industrial mine, located in Tiawa, produced 168,522 ounces of gold and exported 163,716. This mine still has reserves of about 18 tons of gold and plans to produce 3 tons per year for six more years. The data on artisanal gold mining is unreliable and difficult to ascertain. However, it is worth noting that during 2006, artisanal gold exports reached 1,091 kg.

Table 8.2: Gold deposits and potential reserves in Niger

Reserves Location	Proven reserves		Probable reserves		Possible reserves		Total reserves	
	Tonnage (Mt)	Grade g/t	Tonnage (Mt)	Grade g/t	Tonnage (Mt)	Grade g/t	Tonnage (Mt)	Grade g/t
Libiri 1					9.45	1.59	9.45	1.59
Libiri 2	2.80	1.59	5.10	1.43	4.70	1.22	12.60	1.03
Tiawa	4.60	2.49	5.10	2.52	7.20	1.46	16.90	1.38
Saoura					1.40	1.50	1.40	1.50
Koma- Bangou					8.27	2.35	8.27	2.35
Koma- Bangou					10.32	0.93	10.32	0.93
M'Banga 1					4.10	1.45	4.10	1.45
M'Banga 2					18.80	0.66	18.80	0.66
Séfa Nangué					3.00	1.95	3.00	1.95

Source: MME

8.11 *Other existing mineral deposits* include phosphates, the largest reserves of which are, unfortunately, located in the “W” national park, a valuable tourism asset declared a world heritage site by UNESCO. Other occurrences include deposits of titanium, iron ore, copper, molybdenum, manganese and lithium, found in the Liptako region (see Table 8-3 below).

Table 8.3: Other mineral reserves in the Liptako region

Substances	Proven	Probable	Possible	Geological	Total
Iron 35 – 50% Iron (Mi t)	390	-	-	1.100	1.490
Phosphates (23 – 27% P ₂ O ₅) Mit	217.5	-	364	673.0	1254.5
Titanium TiO ₂ in Mi t	1.26	8.12	20.25	-	29.63
Lithium (t) 1,5 to 2% de Li ₂ O	-	300	-	-	300
Manganese (M i t) to 39%MnO ₂	52.5	-	-	-	52,5 t
Copper (t)	-	-	87.500	-	87.500
Nickel (t)	-	-	200.000	-	200.000
Molybdenum (t)	-	37.280	-	-	37.280

Source: MME

8.12 **Uranium exports:** Niger is the world's third largest exporter of uranium. Table 8-4 presents statistics since 2000 in terms of quantity exported, value of exports, and contribution to government budget revenues.

8.13 The mining companies themselves market the uranium and sign long-term contracts with pre-negotiated prices. The State negotiates the price with the other shareholders, who are at the same time buyers, either annually or on the basis of long-term contracts. For a long time, prices were low because of the crisis in the nuclear energy sector. However, the renewed interest in nuclear energy with the dramatic increase in hydrocarbon prices has led to a recent sharp rise in uranium prices. The price in long term contracts in effect in 2006 was CFAF 27,500 per kg. However, buyers accepted an increase to CFAF 40,000 for 2007 and CFAF 55,000 for 2008 and 2009, given that spot prices had reached more than CFAF 150,000.

8.14 The contribution to fiscal revenues rose even faster in 2007 thanks to the new negotiated prices but especially to the sale of permits for new mines.

Table 8.4: Uranium exports and contribution to the government budget, 2000 to 2007

Year	2000	2003	2004	2005	2006	2007
Uranium exports (tons)	2 950	3 120	3 340	3 400	3 160	3 153
Value of exports (millions CFAF)	64 015	65 520	70 140	78 540	79 632	126 120
Royalties, taxes and dividends (millions CFAF)	5 431	6 269	6 679	7 334	10 100	29 963
New mining permits (millions of CFAF)		51				250

Source: MME and mining companies

8.15 **Industrial and artisanal gold exports:** Gold exports include industrial (since 2004) and artisanal (reliable statistics only reliable from 2004) production. Table 8-5 provides further details.

8.16 By way of comparison, it can be noted that:

- The amount of gold exported by small-scale miners is about two-thirds the exports of the industrial mine, though in 2004 it exceeded the level of industrial production;
- The quality of industrial gold is higher;
- The price of industrial gold is fixed in medium-term contracts while artisanal gold is sold at prices which are determined by the spot market;

- The contribution of industrial gold mining to the national budget is much higher, but artisanal mining puts much more cash in the hands of Nigeriens through wages and profits.

Table 8.5: Gold exports and contribution to the government budget, 2004 to 2007

Year	2004	2005	2006	2007*
Industrial gold exports (ounces)	19 138	95 181	49 397	32 000
- Sales (in million of \$ US)	7.2	36.9	13.8	12,0
- Contribution to government budget (in millions of CFAF)	195	1 206	1 515	1 777
Artisanal gold exports (ounces)	28 774	63 046	35 076	n.a.
- Sales (in millions of CFAF)	6 080	11 844	9 795	n.a.
- contribution to government budget (in millions of CFAF)	79	143	93	n.a.

* Estimate, n.a. not available

Source: MME

8.17 In practice, a 66 percent rebate is granted to traders licensed for export upon payment of royalties, to take into account melting loss during the smelting of gold. Thus, they only pay 34 percent of the taxes due on their declared merchandise. The Ministry of Mines and gold mining operators hold periodic consultations to agree on common positions that are acceptable to all. As a result of this consultation, this rate was reduced to 20 percent by decree of the Ministry of Mines in May 2007. The liberalization of trade and the reduction in royalties have had, and will probably continue to have, a positive impact, increasing the quantities of gold exported, improving the government's export earnings, and enhancing the reliability of gold statistics.

8.18 **Cassiterite exports:** From 1948 to 1992, when SMDN activities ceased, Niger exported more than 3,000 tons of cassiterite, with a concentration content that varied between 70 and 74 percent of tin. Production, which had reached 146 tons in 1973-74, dropped to 10 tons in 2006, for lack of markets. The sales figures are not known.

8.19 **Gypsum exports:** Based on available statistics, average annual production stands at 25,625 tons. Production in 2005 and 2006 was 17,416 and 15,141, respectively. The Malbaza cement works absorbs only 5,000 tons per year on average, the remainder of the annual production is exported to neighboring countries. Gypsum export sales vary between CFAF 200 and 600 million per year.

8.20 **Employment:** These involve uranium mining, since 1971, and gold mining, since 2004. Uranium mining by the two mines, SOMAÏR and COMINAK, has provided employment for an average of 3,000 people, all categories included. However, the number of employees in this sector will double with the opening of the Téguida N'Tessoum mine in 2010 and the Imouraren mine in 2012, in addition to sustained, if not increased, production in the first two mines. With respect to industrial gold mining by SML (*Société des Mines du Liptako*), in 2006 the company employed a total of 427 people who are directly dependent on the activities of the mine, broken down as follows: 212 permanent workers, 165 sub-contractors, and about 50 employees in food and beverage and guard services. The Tahoua semi-industrial phosphate mining facility and Agadez cassiterite mining facility have suspended operations and cannot provide the number of employees.

8.21 The total number of people employed in artisanal mining operations, including all mining operations (gold, cassiterite, gypsum, salt and natron, etc.) is estimated at 400,000. According to a study conducted in 2001, there were 39,000 gold miners. Taking dependents into account, the entire population living off of artisanal gold mining can be estimated at 80,000 to 120,000. There is no known data on income; however, indications are that each individual can produce 1 kg of cassiterite per day, which is sold for between CFAF 1,000 and 1,350.

INTERVENTIONS TO SUPPORT MINERS

8.22 The Government of Niger and the European Union have signed a financial agreement in the amount of 35 million euros for the implementation of an important program that will likely find appropriate ways of addressing a good number of the shortcomings and constraints that impede the development of mines in the country. The overall objective of this program, entitled the Program to Strengthen and Diversify the Mining Sector in Niger (*Programme de Renforcement et de Diversification du Secteur Minier au Niger- PRDSM*), is to ensure that the mining sector supports the economic and social development of the country, and to fight against poverty by helping to:

- improve the performance of the uranium sector thus increasing government revenues;
- support the mining resources diversification policy;
- support small-scale mining activities and artisanal miners by assisting the project unit of the small-scale miners and mining enterprises project (*Projet d'Assistance aux Petites Entreprises et Artisans Miniers* (PAPEAM));
- provide institutional support aimed at modernizing the structures of the Ministry of Mines and improving the legislative and regulatory framework of the sector.

8.23 With respect to artisanal mining of gold, cassiterite, gypsum, and salt, some actions have been taken to formalize and rationalize the sector; these include:

- **Cassiterite:** following the closing of SMDN, a national cooperative of tin producers (*Coopérative Nationale des Producteurs d'Étain --CNPE*) was created—but it also failed. With financing from the *Agence Française de Développement* (AFD), the NGO “*Homme, Environnement et Développement HED*” is trying to organize cassiterite producers. In this context, village-level cassiterite purchasing committees have been put in place. However, production cannot be increased since the problem of markets has still not been resolved.
- **Salt:** UNICEF has installed salt iodination equipment in some locations and an industrial salt operation in Tidekelt is in the planning stages;
- **Gypsum:** a group of gypsum buyers has been set up in Madaoua and has already been approved by the government;
- **Gold:** By decree of the Governor of the Tillabery region, a regional gold mining observatory was set up to ensure administrative supervision of artisanal gold mining sites. However, because of material and human resource constraints, only 2 or 3 sites have been monitored to date. On the regulatory front, new laws provide for the subdivision of land into 10m by 10m plots and the distribution of plots upon payment of CFAF 20,000 for the year. Furthermore, all “inhabitants” of artisanal mining sites must have a gold mining card purchased for 2,000 CFAF (this allows an indirect census of the population on the sites). On the environmental front, those who acquire parcels of land pay a caution to guarantee proper refilling of the pits. On the institutional front, the PRDSM take the lead in actions aimed at supporting the artisanal mining sector.

EXPORT OPPORTUNITIES

8.24 **Expansion of industrial exports:** With the spectacular rise in the spot price of uranium and the increase in worldwide demand, growth prospects for uranium exports look very bright. Indeed, production in existing mines is expected to increase, and two new economically viable mines are expected to begin production in 2010 and 2012, increasing the output of existing mines by 1,184 by 2012 and 4,700 tons by 2015.

8.25 With respect to gold, its price has been rising steadily during the last three years and currently stands at around \$US 850/ounce with spikes surpassing \$US 1000. Estimated production at the SML

industrial mine, located in Tiawa, is 2.5 t/year over six years, and new gold mining sites continue to be discovered, thus increasing the prospects for artisanal gold production.

8.26 Table 8-6 below presents forecasts of uranium exports from the existing companies (SOMAIR and COMINAK) from 2007 to 2015, and from the two new mines, as well as expected export sales. The price of CFAF 40,000 per kg is used for the year 2007; the new price of CFAF 55,000 (as negotiated in early 2008) is applied for 2008 and 2009, and CFAF 65,000 is assumed for the following years. This table shows that with the opening of new mines, uranium exports will rise from 3,192 tons in 2007 to 9,948 tons in 2015, for total sales of some CFAF 650 billion (more than \$US 1.5 billion). This assumes that the situation in the North is calm enough to allow the new mines to open. Also COMINAK must solve its problems in supplying its treatment plant. IMF estimates are more conservative, due in particular to lower price projections, but they still predict total sales revenues of CFAF 400 billion by 2014.⁸⁹

Table 8.6: Forecasts of uranium production and exports until 2015

		2008	2009	2010	2011	2012	2015
Exports from current mines (tons)	SOMAIR	1 700	2 077	2 288	2 288	2 288	2 288
	COMINAK	1 207	1 395	1 525	1 470	1 555	1 960
	Total -1	2 907	3 472	3 813	3 758	3 843	4 248
Exports from mines under construction (tons)	IMOURAREN	-	-	-	-	500	5 000
	TEGUIDA	-	-	255	694	694	700
	Total -2	-	-	255	694	1 194	5 700
Total production forecast (tons)	-	2 907	3 472	4 068	4 452	5 037	9 948
Forecast sales (billions of CFAF) *	-	159,9	190,9	264,4	289,4	327,4	646,6

* The price used is 55 000FCFA per kg in 2008 and 2009, 65 000 for the remaining years.

Sources: Survey of mining companies and summary of consultants

8.27 During the next six year, industrial gold exports (SML) will be limited to 2.5 tons per year, or about 80,377 ounces of gold. At the current price of \$US850/ounce, expected annual sales stand at \$US 68.3 million, or about CFAF 27.3 billion. However, if gold is already sold forward at a lower price, these sales figures will not be achieved.

8.28 **Artisanal exports:** Artisanal gold exports stood at 1091kg in 2006. With the discovery of new artisanal mining sites and the liberalization of the gold trade, the data is not expected to differ from current known data. However, Niger can take measures to increase the recovery rate of gold, reduce fraud, protect the health of miners, and protect the environment against pollution with chemical products. In this regard, in addition to administrative supervision, local production equipment could be put up at productive sites to raise the recovery rate (to 75 percent instead of 40 percent), process ores at the least cost (CFAF 35,000 per tons instead of CFAF 125,000 reported in some studies), and gain time in processing (3 hours to process a ton instead of three days). In addition to these benefits, the processing will be done without using chemical products such as mercury. In these conditions, one could in theory expect production to stand at 1910 Kg, or 61,408 ounces of gold, in 2006, for sales of \$US 52.3 million, or CFAF 20.9 billion.

8.29 Industrial gold production fell from 3.0 tons to 2.5 tons due to a fall in the productivity of the factory. As this is due to a decline in the quality of the gold (high graphite content), it is wise to retain this level of output for the foreseeable future.

⁸⁹ Direct communication from the IMF.

8.30 With respect to other mineral products that the country can export (cassiterite, gypsum, salt, etc.), measures should be taken to support artisan miners in the mining, processing, and search for markets. At present, it is difficult to properly assess prospects for raising export quantities, even less expected revenues.

8.31 *Forecasts of total uranium and gold exports(2008-2015):* Table 8-7 below presents total expected uranium and gold sales, from existing mines, those to be opened, and from artisanal gold production. The total forecast for 2015 is approximately 10 times the level of exports attained in 2003.

Table 8.7: Total projected sales from uranium and gold exports until 2015
(in millions of CFAF)

Export revenues	2008	2009	2010	2011	2012	2015
Uranium	159 885	190 960	264 442	289 311	327 405	646 600
Industrial gold	12 000	19 692	27 328	27 328	27 328	27 328
Artisanal gold	11 926	11 926	16 397	20 879	20 879	20 879
Total	183 811	222 778	308 167	337 518	375 612	694 797
Of which, fiscal revenues	34 425	84 743	n.d.	n.d.	n.d.	n.d.

* Prices used :

- gold: industrial, US\$ 375/ounce until June 2009, afterwards, US\$ 850; artisanal, \$US 850/ounce
- uranium, CFAF 55 000/kg in 2008 and 2009 ; CFAF 65 000 afterwards.

Source: Ministry of Mines and consultants' estimates.

8.32 *Forecast contribution to fiscal revenues:* Government revenues have already jumped temporarily in 2007 to a level of almost FCFA 83 000 due largely to the one-time sale of mining permits for the Téguida and Madaouella mines (see Table 8-4).⁹⁰ In future, they will be determined by the more regular flow of royalties, taxes and dividends. As output expands, these are expected to rise to FCFA 37 billion in 2008 and FCFA 85 billion (more than US\$ 200 million) in 2009.⁹¹ With sales potentially tripling in value over the next six years, the impact on the government budget will be very substantial.

ARTISANAL MINING: CONSTRAINTS AND RECOMMENDATIONS

8.33 *Constraints:* By virtue of its risky nature and the very difficult conditions in which it is practiced, artisanal mining faces multiple constraints that impede its development and sustainability. The country has to find solutions to these constraints so that artisanal mining can continue to create jobs and provide revenues to a significant minority of the population.

8.34 There are numerous constraints that impede the development of artisanal mining; these include:

- lack of knowledge about mining resources;
- legislative and regulatory measures that only grant 10m by 10 m plots for two years and whose occupancy is subject to the issuance of a decree by the Minister of Mines (small plots, long delays in obtaining documents);
- poor knowledge of the technical conditions of deposits and mining best practices (work injuries, loss of deposits);

⁹⁰ These mines were identified with the help of public funding. As exploration of the Imouraren mine was financed entirely by a private company under an exploration contract, no production license fee will be payable in this case.

⁹¹ The national budget was approximately 375 billions CFAF in 2006, and revenues were only 250 billions CFAF.

- inappropriate equipment for extracting and processing ores, resulting in low productivity and a low recovery rate (much effort for little results);
- inadequate communication and social infrastructures (lack of rural roads, potable water, schools, dispensaries, maternities, food stocks);
- lack of lines of credit to finance some indispensable investments;
- lack of cooperative structures that can support formal actions (the high mobility of gold panners hinders the creation of such structures);
- low level or lack of education of artisanal miners, which makes them less receptive to training;
- weakness of structures responsible for monitoring and supporting artisanal mining activities owing to lack of material and human resources;
- non-possession of mining land.

8.35 **Recommendations:** Given the importance of the sector in the fight against poverty and the foreign currency that it can generate, some measures should be taken to support it; these include:

- evaluating mineral reserves to allow efficient planning of mining operations;
- organizing artisans into groups or cooperatives to allow them to benefit from different types of support in formal settings (lines of credit, etc.);
- supporting small-scale miners by providing them with accessories and support equipment;
- training small-scale enterprises to fabricate processing units for crushing, grinding, and washing ores, especially gold, to increase recovery rates;
- experimenting with coal ovens to melt cassiterite on site and export the tin, which would have better market value than cassiterite;
- finding markets for the gypsum, cassiterite and tin;
- adapting existing laws or passing new regulatory or legislative laws for the artisanal mining sector and guaranteeing some security in the occupation of the land;
- ensuring technical supervision and security at the sites to avoid accidents, theft of ores and other goods;
- strengthening administrative supervision of mining sites that have more than 500 persons, providing drinking water, public latrines, and primary health care centers, and strengthening neighborhood schools;
- raising the awareness of small-scale miners to problems related to hygiene, health, including STI and HIV/AIDS, and the preservation and restoration of the environment, and against the use of mercury and various acids in processing of ores.

LEGISLATIVE, REGULATORY AND ADMINISTRATIVE NEEDS

8.36 **The legal framework:** The mining companies interviewed acknowledged that legislative and regulatory instruments governing the mining sector in Niger were applied with transparency and rigor. Mining titles are accompanied by standard mining agreements to be negotiated, but the time lag between the submission of the request and the issuance of the mining title is quite long, sometimes taking up to two years. In addition, the 09 August 2006 Law provides incentives for civil servants in the mining sector, and modalities for using mining revenues, 15 percent of which is used to finance local development of municipalities in mining regions.

8.37 To improve the current situation, Niger could consider the possibility of

- combining orders n° 93-16 of 2 March 1993, n°99-48 of 05 November 1999 and Law n°2006-26 of 09 August 2006 into one single law establishing the mining code of the Republic of Niger, an instrument which would be much easier to manage and disseminate on the government's website for mining investors;

- making negotiation of the mining agreement optional for the granting of prospecting licenses in order to reduce, as much as possible, the acquisition period, which is 30 to 60 days in some neighboring countries; this will accelerate investments and consequently, discoveries;
- creating an improved or mechanized artisanal mining authorization by decree of the Minister of Mines for land areas of at least 100 ha and valid for two years renewable, and not subject to a feasibility study or an environmental impact study (an environmental note should suffice).

8.38 ***Extractive Industries Transparency Initiative (EITI)***: The mining boom holds the promise of a major increase in the resources available to the state, potentially equivalent, in 2015, to the size of total revenues in 2006. Such an injection of cash carries with it the risk of significant misuse and friction. In such an environment, transparency and consultation will be critical.

8.39 Niger committed to the EITI in 2005. Since then, it has taken measures to implement the Initiative. These measures include:

- a decree issued on 04 July 2005 for the creation, attribution, composition and operation of the institutional machinery for preparing and monitoring the implementation of the EITI initiative;
- a launching workshop organized in September 2006.

8.40 The mining companies interviewed confirmed their full commitment to the Initiative. However, since end-2004, there has been a significant influx of mining investors (mostly junior companies) and the issuance of prospecting licenses has raised some questions in the sector. It is recommended that Niger sustain the implementation of the EITI initiative and put in place an ethics committee, which includes NGOs and civil society, to monitor the implementation of the EITI.

8.41 ***Institutional support***: The administrative capacity and the institutional framework need to be strengthened to improve management of the sector. This involves training senior staff in the ministries of mines, finance, and environment to improve their knowledge, and application, of the laws, and training them in the management of new information technologies, especially in relation to various geological and mining data. It would also be useful to organize group training, study tours and participation in international and regional meetings concerning the mining sector. Public structures aimed at supporting, monitoring, and controlling the mining sector, in particular small-scale mining, also need to be strengthened.

8.42 As well, an efficient and computerized mining cadastre should be established, as well as a documentation center for mining investors, and geological and mining information on the Internet should be updated. Mining promotion days will be useful in publicizing the country's mining potential and attracting new investors.

IMPACT OF MINING ON LOCAL COMMUNITIES

8.43 Niger currently operates four industrial mines, namely:

- SOMAÏR, a uranium mine since 1971, near the town of Arlit;
- COMINAK, a uranium mine since 1978, near the town of Akokan (10 km from Arlit);
- SONICHAIR, a coal mine since 1981 in Anou Araren ;
- SML, a gold mine since 2004 in Tiawa .

8.44 Since their creation, these mines have contributed to local development, the creation of permanent jobs, the settlement of the population through the creation of water points and support for some local activities. In particular, during 2006, SOMAÏR and COMINAK granted about CFAF 300 million to finance 31 local projects: primary and secondary school education and literacy; village and

pastoral water supply and sanitation; strengthening of municipal and community activities; and health and awareness-raising about HIV/AIDS.

8.45 Furthermore, COMINAK and SOMAÏR manage the radiological impact on the population by continuously monitoring air, soil, and water quality through an air, drinking water, and the food chain monitoring network. As part of their ISO 14001 certification, the two companies regularly undergo renewal audits. The International Atomic Energy Agency (IAEA) assists Niger with the drafting and implementation of laws governing radiation safety and in the monitoring of affected areas. However, a broadcast on Radio France International by a Nigerien NGO, reported that irradiated scrap metals were being sold in markets in neighboring villages. Also mentioned were mine tailings used for road construction. The AREVA group had to reassure the population on these issues, but vigilance should be a priority in monitoring these radioactive areas.

8.46 SML has contributed to local development through support for education and agricultural activities, drilling water holes, construction of integrated health centers, and mobile medical consultations in villages and markets. SML should constantly monitor the possible contamination of ground water through cyanide leaching, taking monthly samples of water from surrounding wells for analysis and control.

8.47 Artisanal mines contribute directly to the settlement of populations in their natural environments, thus contributing to the fight against rural exodus and to the provision of direct revenues to the populations through the creation of direct and indirect jobs. However artisanal mining, especially for gold, creates inconveniences for local populations in that it

- ◆ attracts non-native populations, thus creating population pressure which increases the cost of living and the spread of various « imported » diseases;
- ◆ contributes to the occupation and destruction of farmland through haphazard digging of pits and other excavations for the extraction of ore;
- ◆ accelerates deforestation through the intensive use of wood for fuel and support of pits and mining galleries.

8.48 The mining of gypsum, salt, and cassiterite is less problematic than that of gold as it is usually done at the village level where artisan miners know each other and benefit directly from their revenues. However, even in gold mining tacit arrangements are sometimes found between owners of fields, village chiefs, district heads and gold miners, who pay one tenth of their production as compensation for the occupation of the land (the case of M'Banga). Thus, the local populations can also benefit, to some extent, from the effects of gold mining.

8.49 For its part, the government has taken measures, under the 09 August 2006 law, to support local development in the communities concerned. Indeed, this law stipulates that “revenues from mining royalties, area levies, fixed charges, the artisanal mining tax, and the proceeds from the sale of artisan miners’ cards, less rebates given to staff of the Ministry of Mines, will be divided as follows:

- ◆ 85 percent for the national budget,
- ◆ 15 percent for the budget of municipalities of the regions concerned, to finance local development”.

8.50 Thus, through the municipal budget, the benefits of mining operations, be it industrial or artisanal, will accrue to local communities provided projects to be financed are identified with the utmost rigor and with the agreement of beneficiaries, and that funds allocated are used in the requisite manner.

CONCLUSIONS

8.51 Niger has a huge mining potential in uranium, gold, salt, calcium, phosphates, cassiterite, and gypsum. Prospects for production and export from existing mines and from new mines that will soon open are good. Artisanal gold mining also holds promise, if certain measures are taken and arrangements made to support them and the surrounding communities. If current conditions are maintained, mining exports from Niger could generate almost US\$1 billion in sales by 2012, and US\$ 1.5 billion three years later.

8.52 Actions to be undertaken have been recommended in Annex 2 for a total investment of \$US17 million, or CFAF 8.5 billion, in order to support the mining sector as a whole and make it possible to achieve the expected export forecasts. These actions include reviewing legislative and regulatory measures, providing institutional support to the government, and supporting artisanal mining. In addition, it will be necessary to develop a detailed strategy for the management of the huge fiscal revenues anticipated – transparently and in support of national development.

9. TOURISM AND HANDICRAFT ART

9.1 There is now a growing recognition that tourism can play an important role in economic development, and it can play an important role in Niger. Niger has a broad range of historical, cultural and natural resource assets, which correspond well to the evolving preferences of the tourism industry now seeking more than the traditional beach holiday. Tourism has the potential to be a key source of economic diversification and could be one of the pillars of development in Niger. At the same time, the issues behind the insecurity in the North must be resolved or the tourism sector will remain a marginal activity, and the following discussion would lose much of its relevance

9.2 Tourism is one of the biggest industries in the world, and a steadily growing one, but also one where competition is strong. Africa has a small share of world tourism (about 5 percent) and most African countries' tourism scarcely registers on a world scale. This is especially true in West Africa. These countries have the flexibility to develop niches that will not provoke fierce competition and can thus grow "under the radar". Niger has a comparative advantage in areas such as desert and cultural tourism which can be used to develop niche markets.

9.3 The Prime Minister, in his Declaration of General Policy in 2005, cited tourism as a source of accelerated growth, a position reflected in the latest Poverty Strategy paper (2007), and the Government has taken a number of initiatives: the *Conseil de l'Entente* has adopted a regional visa; several publicly owned hotels have been privatized (via concessions or outright sale); and the road leading to Park W is to be upgraded to facilitate access. In parallel, tourism was beginning to grow again – until the security situation in the North deteriorated once more in 2007.

THE TOURISM SECTOR

9.4 **Tourism economy:** Overall economic activity generated by tourism is estimated by the Government at US\$58 million and as providing close to 8,000 jobs. Government revenue is based on the 19 percent VAT and a number of other taxes (tourist tax, income tax and property taxes, if not exonerated under the investment code⁹²). The World Travel and Tourism Council (W TTC, www.wttc.org), the leading international professional and advocacy group, has a fairly optimistic view of Niger, suggesting that tourism generates 1.3 percent of total employment, 1.7 percent of total GDP, with prospects for growth of tourism demand between 4.6 and 5.4 percent between now and the year 2015; this is slightly below their overall projections for Sub-Saharan Africa (6 percent growth).

9.5 The economic impact of tourism extends beyond transport, lodging and restaurants to include agriculture and handicrafts and, to a lesser extent, the financial sector, telecommunications, culture and the environment. Niger has excellent handicrafts (leather, textiles and jewelry) and tourists are estimated to spend about US\$100 each on such purchases. With the support of Luxembourg, Niger has built artisan centers in all but two provinces. Niger's livestock and agricultural production could support most tourists' needs for food, thus reducing leakages for imported food. These linkages add to the tourist experience and should be developed.

9.6 **Assets:** Niger has considerable natural resource assets that could help launch it as an international destination based on niche markets, such as adventure. Anchored by the traditional crossroads of the desert, Agadez ("visit" in Tamasheq) has long been a center of Touareg culture and a destination for tourists. From Agadez, one can visit the Aïr Massif in the north central part of the country, an imposing mountain range with waterfalls, hiking and numerous sites with rock art (e.g. the Dabous giraffes, 5,000 years old). Together with the Ténéré region to the east (desert with sand dunes towering to 100 meters), it forms a UNESCO world heritage site, Aïr Ténéré, recently approved. Aïr Ténéré is a favored destination as a *niche* market for adventure tourism. To the west of the Aïr, are

⁹² Although tourism is not recognized as an export sector, the incentive code accords certain fiscal advantages for hotel and tourism projects.

found the second richest deposits of fossils and remains of dinosaurs in the world (after the Rift Valley in Eastern Africa). In the west of the country, the River Niger is a key attraction for tourism. To the south-west of Niamey is the *Parc du W*⁹³, a trans frontier wildlife sanctuary shared with Bénin and Burkina Faso on the Niger; it is a UNESCO world heritage site.

9.7 Also to the east of Niamey, around the plateau of Kouré, the last surviving giraffes in West Africa can be viewed. An international effort inspired by Nigerian and Dutch (and more recently EU) cooperation, has led to a revival of the populations from a low of 50 animals to about 140. Communities in the region have been trained to live with and protect the animals – and as this has happened, the giraffes' migration in the dry season has extended far beyond recent limits. It is a tourist attraction by itself – and an example of community participation to protect a vanishing species. Overall, Niger has five reserves, plus the National Park W. It also has an outstanding cultural and historical patrimony – both ancient and modern – which lends itself to tourism interpretation.

Table 9.1: International Tourist Arrivals

Year	2000	2001	2002	2003	2004	2005
Arrivals in Niger hotels	50,283	52,891	57,000	55,344	57,004	66,000
Non-resident arrivals (hotels)	39,262	40,855	44,530	44,530	49,344	-
Total bednights ('000s)	101.9	116.0	101.0	120.6	124.2	143.0

Source: MTA

9.8 **Demand:** The two main destinations in Niger are Agadez for adventure and cultural tourism and the “fleuve”, anchored by Niamey and the Park W. A third market would appear to be integrated circuits including other countries of the Sahel, West Africa and the Maghreb (plus Libya). One tour operator at least uses this as the core of its business (see Box 9-1)⁹⁴. In the marketplace, there is a surge of interest in cultural tourism – and Niger is several hours closer to Europe and North America than the traditional African destinations in East and Southern Africa. There are other potential destinations in Niger (e.g. the Tall desert, Termit, etc.) but the government needs to prioritize its choices in order to concentrate its limited resources in key areas. For the moment, the northern zones and the *Parc du W* appear to be the most interesting sites for further development. Given the recurring insecurity in this region, it would be wise to explore other options to be developed in the centre and eastern parts of the country: the Tal desert, Termit, Gueroual. However, the unrest in the North is likely to put a damper on tourism throughout the country due to its impact on the country's image.

9.9 Actual holiday tourism flows are difficult to determine, since data on arrivals do not distinguish between business tourists, holiday tourists and those visiting friends and family. The data provided by MTA (see Table 9-1) suggests 66,000 arrivals in 2005 and only slow growth but growth nonetheless.

Table 9.2: International Air Traffic

	1999	2000	2001	2002	2003	2004
Arrivals Niamey	50,263	50,753	38,604	47,000	48,844	...
Arrivals Agadez	733	3,239	4,885	...
Total Arrivals	50,263	50,753	39,337	50,239	53,729	62,000

Source: MTA

9.10 This is a modest number by international standards. These numbers compare with 62,000 arrivals by air at Niger's two international airports, and some 50,000 non-resident arrivals in hotels. There is a strong business clientele in Niamey with the three big hotels reporting year-round

⁹³ “W” refers to a W-like set of bends along the Niger River.

⁹⁴ The other main carrier is Go-Voyages.com. The airlines used are Air Horizon and Air Méditerranée.

occupancies over the period 2003-05 in excess of 70 percent⁹⁵. In Agadez⁹⁶, the numbers of tourists are explained in large measure by the arrival of chartered planes (two a week every Saturday in back-to-back operations), a few flights from Algeria and Libya, and by road. In Agadez, travel agents handled 4,177 tourists in the high season 2004/5 for a total number of overnights of 58,712⁹⁷; the airport handled 3,523 passengers (suggesting that only about 15 percent of tourists arrive by road). It is worth noting that Agadez had about 15,000 tourists a year before the rebellion in the early nineties, including Agadez and Arlit, which in those days was a tourist destination as well as a mining center (uranium). In the protected areas, Kouré had about 6,000 day visitors in 2005 on trips to view giraffes and Park W hosted about 20,000 bednights⁹⁸. Data for other parts of the country are not available. In terms of markets, 75 percent of visitors are French, with Italy⁹⁹, Germany and the UK each contributing small amounts.

Box 9-1: The new generation of tour operators

Point-Afrique is an interesting tour operator organization established in France as a cooperative (anyone can join for approximately US\$1,000 a year). Its objective is to expand tourism, particularly through the participation of local populations in the travel process. As a socially responsible organization, a portion of its profits are re-invested in development projects in its destinations. It is the ultimate in fair trade tourism. Point-Afrique serves Northwest Africa (Maghreb and Sahel essentially, plus Libya) with both packaged tours and flight-only arrangements.

In Niger, it started operations to Agadez, but now includes Niamey and the south. The company has also established a Nigerien airline as a subsidiary giving it access to most West African and Sahelian countries (including the Maghreb and Libya). Point-Afrique works mostly with Air Méditerranée and Air Axis and is a “low cost” operator that has succeeded in bringing down the price of north/south flights from Europe to Africa and regional flights within West Africa.

Point-Afrique works closely with local populations and in the case of Niger has taken over the *Relais de la Tapoa* in Park W, renovated it at its own cost, and trained local staff. It has also provided training for guides in the area and is experimenting with local agriculture to grow provisions for hotels. It is an efficient operator that must ensure that its partners can deliver on time, at the right place and at the right price.

Source: www.Point-Afrique.com and interviews

9.11 Prices vary considerably. For individual flights, round trips are offered by Point-Afrique on the Paris Niamey route at a rate of €216 (Air Méditerranée) in April¹⁰⁰. Point-Afrique sold packages in the range of €400-500 a week or €700-800 for two weeks. Airfare in a package is probably discounted from the flight-only, possibly to €150, leaving €250 to €350 for ground services and the circuit itself – roughly €36-50/day including transport, overnight accommodations and meals (inclusive of taxes and commissions). However, rates rise to €800-1,100 for a two-week trip in the high season¹⁰¹.

9.12 Seasonality is quite marked in Niger. The main season is from October to end-March. The months of August and September are also months of great potential tourism interest with festivals and *fantasias* promoted by the Ministry of Agriculture; this is also the period when much of Niger is green after the rainy season. MTA is now working with Agriculture to make tourists more aware of this season, which could contribute to tourism in Niger. The months of very hot weather (up to 50°C), between April and June/July, are less conducive to tourism.

⁹⁵ This includes the Francophone Summit in December 2005 (although hotel occupancy was disappointing then) and crews from donors and media during the drought crisis.

⁹⁶ Curiously, hotel occupancies are very low in Agadez – tourists arrive at the airport and leave directly in 4x4s for desert and mountain tours.

⁹⁷ Average length of stay is two weeks, which is counter-factual, as visits are a combination of one and two week trips.

⁹⁸ The entry fee is CFAF 2,000 at the Kouré reception center at Kannaré; tariffs for Park W vary around a 24 hour tariff of CFAF 8,000 for foreign visitors.

⁹⁹ Italy has a penchant for trans-Saharan trips by 4x4, in caravans of at least 10 cars.

¹⁰⁰ Go-Afrique, another tour operator, has lists a direct flight of €500, and has cheaper flights with stopovers (e.g. Iberia via Madrid).

¹⁰¹ This data is merely indicative and more research is needed.

9.13 **Supply:** The government reports 78 lodging establishments with 1,878 rooms (3,285 beds). Hotel classification is not well established¹⁰² but is being addressed – this will be very important for maintaining and enhancing the quality of lodging in Niger. Niamey has three or four hotels considered of international class, the *Relais de la Tamoe (Park du W)* is also in this category, as is one 50-room hotel in Agadez. In vast tracts of the country, there would appear to be no suitable hotels or guest houses at all (Zinder and Maradi each have hotels of 100 rooms but whose quality has not been maintained). In recent years, there has been considerable investment in upgrading hotels (especially for the Francophone games). Similarly, the main cities have a number of restaurants but, between centers, there are only roadside grills and beignet (“fritters”) stands. There are 116 registered travel agencies and tour operators. Only three agents are bonded by IATA and a handful carry the bulk of the business (informal operations are hard to determine).

9.14 **Infrastructure:** The road network to the main centers is in good condition, mostly blacktop and fairly well maintained – and communications with neighboring countries, especially Burkina Faso and Mali are excellent by road. Niger is served by eight bus companies offering air conditioned service. There has been a major effort on water supply with an international company serving the major centers (Vivendi)¹⁰³. The sanitation system needs improvement – pools of waste water are frequently visible and contribute to groundwater pollution, as well as being a source of insect-borne diseases such as malaria. Storm water drainage is being addressed in some places and the program in Agadez has been very successful. Solid waste management is very poor and, unfortunately, a first impression of the countryside is fields of plastic bags snarled in trees, fences and shrubs. Electricity is more reliable than in many African countries but tariffs remain high. Telecoms are improving but remain expensive. For tourism businesses, tariffs for water supply and electricity are cited as very burdensome but recent technical improvements are welcomed. The priority issues from a tourism point of view are sanitation and solid waste.

9.15 Niger’s health infrastructure, although still requiring considerable improvement, has improved considerably in recent years and the country has clinics and hospitals throughout the country. Tourists’ immediate needs can usually be handled locally but major medical care and evacuation still require improvement.

9.16 **Air transport:** Niger has three international airports and is the closest destination in West Africa to Europe. Agadez was recently re-opened after three years of closure to rebuild the runway – it can handle most planes, with the exception of the largest (e.g. Boeing 747). There are two factors, however, which make Niger an expensive destination for airlines – the highest landing fees in West Africa and the high costs of jet fuel. With the departure of Air Afrique, a new handling company (AHS) has begun operations, reportedly at very high rates which could be a significant factor in airlines’ choice of flight frequencies. Niamey is served by Air France (twice weekly), Afriquiya (Libya), Air Algérie and Royal Air Maroc.¹⁰⁴ Agadez is served by Air Algérie and Afriquiya. Both airports handle charter flights. Point-Afrique is the principal tour operator, followed by Go-Voyages.

9.17 Air transport, remains a constraint to development of tourism in Niger – both internationally and domestically – although recent developments with charter flights are beginning to put pressure on monopoly players. For domestic trips, distances are long (Niamey-Agadez is 10 hours by road) and air service is mostly by local taxi charters.

9.18 **Institutions:** MTA is responsible for tourism and handicraft policy and regulation. But its budgetary resources are extremely limited. MTA has been supported in the past by the World Tourism Organization (WTO) and the *Agence française d’ingénierie touristique* (AFIT, the French

¹⁰² Eight are classified as four-star, nine as three-star and the rest two-star or non-classified.

¹⁰³ For local communities, the state provided the source which is transferred to a committee organized by the committee. At least one (Malamtcheloum), has been able to generate a surplus invested in community services.

¹⁰⁴ Other companies include: Afriquia – three flights weekly from Tripoli, Air Burkina – once weekly, and Air Tchad and Sudanair, with interrupted service.

agency providing technical assistance in tourism). The Ministry's Handicraft Division has been supported by Luxemburg. MTA's immediate goal is to create a vision for the sector, a strategy and clear action plan, including five aspects: tourism infrastructure (*aménagement*), training, institutional support, promotion and marketing and poverty alleviation.

9.19 The *Centre Nigérien de Promotion Touristique* (CNPT) was recently created as a statutory body to replace the *Office national du Tourisme*. The Board is made up of representatives from the private sector and MTA has provided a secretary general until such time as subscriptions can support appointment of a full-time appointee. CNPT is responsible for marketing; currently limited to two or three trade fairs every year. This is probably appropriate until such time as the sector's image is established and resolution of current restraints is underway. The private sector association is the *Association nationale des professionnels du tourisme et le l'hôtellerie* (ANPTH), which appears to be well established at least in Niamey and Agadez; it is associated with the Chamber of Commerce.

9.20 These institutions provide a basis for a partnership or alliance to take tourism to the next level. Such a partnership would have to convince the Cabinet and civil society of the potential economic contribution from tourism. It will require better data, and research and commitment towards that goal.

PROBLEMS AND PRIORITIES

9.21 A central issue is Niger's large informal economy, including the small enterprises that characterize tourism. Informality, however defined, is putting constraints on growth at all levels. On the other hand, sudden attempts at formalization would surely send many firms to the wall and have negative impacts on the economy. The way forward must provide incentives progressively for firms to enter the formal economy. This is also a challenge for tourism. Innovative operators in the tourism sector are delivering growth, albeit on a small scale. This, together with a better understanding of tourism's real potential, could well provide the impetus for a surge of growth. To achieve this, the following matters should be addressed.

9.22 **Public-private partnership:** There is now an adequate institutional framework to build a partnership between the public and private sectors. However, the government side is constrained by tight budgets and can do little to support the private sector; while the private sector is preoccupied with anti-competitive behavior in the informal sector ("*concurrence déloyale*") that is undermining the formal sector, and complains that government is doing nothing to stop such activities¹⁰⁵. The dialogue is at a level where there is little progress on either side – facilitation to break this deadlock is needed, for only when an atmosphere of trust is built will progress be made on issues of mutual concern.

9.23 **Knowledge management: MTA wishes to improve its statistical system with the Tourism Satellite Account**, a subset of the UN System of National Accounts. This is a long-term operation to be addressed progressively, as it is costly to set up and maintain. In the meantime, small surveys could provide a great deal of information on tourists and their preferences and establish baseline data on tourism – economic and social, market and supply-side data. Destination and exit surveys, as well as surveys to establish the supply side of tourism, including social aspects such as employment. This could be set up as a public private activity, with the inclusion of the Ministries of Tourism and Immigration, the Central Bank, the department of statistics and the private sector.

9.24 Provision of detailed brochures describing the natural, cultural and historic resources of the country would be most helpful for informing potential tourists of the country in a more accessible way. The new MTA website will help a great deal, if it is maintained. It is also necessary to inform Nigeriens about their patrimony via information programs for children (and school trips to sites) to inculcate a sense of pride in their heritage. For adults, activities such as ECOPAS/Park W¹⁰⁶ and

¹⁰⁵ For example, one informal company has at least twelve 4x4s, which it leases informally to tourists at prices far below those the formal sector can afford.

¹⁰⁶ Park development/management in cooperation with the EU.

Kouré demonstrate what can be done to involve local communities and reverse the environmental degradation of the past.

9.25 **Product development and quality:** Research is needed to identify the product mixes that could create competitive products in different markets, building on comparative advantage. In the marketplace, there is a surge of interest in products related to Niger's tourism assets: festivals and concerts; adventure tourism and ecotourism; river-based tourism (the peoples of the Niger river and the natural resources of the delta and its RAMSAR sites); desert tours; regional tourism; and culture and national history, particularly conservation and interpretation for tourism.

9.26 One unusual product that is emerging is hunting. This involves the leasing of large tracts of land to foreign nationals, notably from the Gulf States. In the region of Agadez alone, four concessions have been allotted on an experimental basis while seven more are being considered. However, the implications for traditional nomadic pastoralism are not clear and they need to be carefully evaluated and compared to the benefits obtained, and the distribution of those benefits.¹⁰⁷

9.27 For those activities that emerge as priority, it would be useful to focus on the value chains for itineraries in these areas and identify gaps and constraints whose removal would facilitate more sustainable development. Interviews with travel industry intermediaries to determine attitudes to Niger as a destination and potential demand would be important. Moreover, as many of the sites are difficult to access, infrastructure will be a core requirement, possibly through servicing land, in the manner of an industrial park or free trade zone¹⁰⁸. While some countries have set up a separate institution for this function,¹⁰⁹ this is probably not yet needed in Niger, but the same functions must be fulfilled.

9.28 Although the government is now beginning to address regulatory issues for tourism, there is little quality control and almost no performance standards required of operators. The industry itself has not addressed performance standards. Stakeholders need to address quality issues as a matter of urgency. A related issue is bureaucracy and the licensing process – all tourism establishments are required to have multiple operating licenses. Many countries have solved this by making a single application for all licenses required – or consolidating the overall number required.

9.29 **Linkages and gaps in value chains:** Tourism in fact is not a single sector but a series of cross-sectoral activities. Too often this is neglected in analysis and design solutions are often partial. Little work has been done on linkages and this is an area where intuitively there is scope for integration and economies of scale. Niger produces foodstuffs (cattle, dairy, poultry, fisheries, vegetables and fruits). It would be useful to establish linkages between tourism and agriculture, drawing on the experience in countries such as The Gambia.¹¹⁰

9.30 **Training and education:** Several tertiary education centers have tourism training programs but they need to be improved. There is an apprenticeship tax (funded ostensibly by a 2 percent tax on salaries), which, however, does not appear to be re-invested in training. MTA has made some effort to introduce training via ONAFOP and NIGETEC but so far this has not resolved the need for sector training. Conceivably, those that are being trained in more general areas and are not finding jobs, could be re-trained as useful tourism employees (graduates in liberal arts, languages, geography, etc.). Nigeriens generally have a very welcoming temperament but this only goes so far in providing satisfaction for tourists who are free to compare standards across countries. Training should be a

¹⁰⁷ Republic of Niger, MRA, 2007, p. 69.

¹⁰⁸ Many successful tourism developments are modeled on *zones franches* and enjoy the same privileges.

¹⁰⁹ In Tunisia, the *Agence foncière touristique* (AFT), was set up as a land bank and publicly-owned tourism real estate developer. The Dominican Republic started with a public agency which was then phased out as the private sector took over land development (on a large scale).

¹¹⁰ See the DTIS for The Gambia.

priority both for the MTA and the ANPTH, but given limited public resources, the private sector might be called on to assist.¹¹¹

9.31 **Infrastructure:** As noted above, some infrastructure is beginning to perform better in Niger – roads, water and telecoms. Outstanding issues include solid waste management and sanitation – both are visually disturbing, contribute to pollution and are health hazards. These matters must be addressed via municipalities, which in turn would require improved municipal management and finances. Infrastructure for tourism would have the double benefit of serving both local populations and tourists. Solid waste collection is relatively simple to organize but requires a change in mentality. Evidently, there is an investor interested in building a plant to reprocess plastic and this should be followed up as a matter of urgency.

9.32 Infrastructure is a particular problem in Agadez. The town has a master plan which appears not to be respected. There is considerable growth around the fringes in an unplanned way. Regulations must be enforced or urban sprawl will come to Agadez. Moreover, the city lacks a sanitary sewer system and solid waste management appears to be non-existent. Agadez is a critical anchor for tourism in the north and these infrastructural needs are priority issues.

9.33 **Protection of natural resources, cultural and historic patrimonies:** The Ministry of Hydrology is making sound progress in managing Niger's natural resource endowment and this is expected to continue. It may wish to move to performance standards like those offered by ISO or the many "green" certification programs available – such as Green Globe. The many historical and cultural sites are, however, less favored – there has been destruction of sites, pilferage of antiquities and fossil remains. While ministries are aware of this and some NGOs are making efforts to protect sites (e.g. rock paintings via www.TARA.com) ways must be found to increase protective measures and to generate the revenues for maintenance. These are an undervalued element of Niger's tourism asset base and should be considered for conservation in parallel with efforts to develop tourism. The National Institute of Human Sciences (INSH) has researchers and professionals in a range of socio-cultural (and economic) fields who could contribute to this work.

9.34 **Access:** While there are still shortfalls in provision of air access, this can be filled with charter operations, where the appropriate bilateral agreements exist – as demonstrated by the case of Point-Air Niger. As tourism volumes increase and lodging capacity develops, airlines will enter the market.

9.35 Although main roads are well maintained (and petrol services available), there are very few facilities for tourists outside the main centers permitting intermediate stops for refreshment or overnight stops. This cannot be rectified in the short-run but the government may want to encourage their creation in the medium-term via SMEs and micro enterprises. *Gîtes d'étapes* are one option but also community programs could be developed to solve two problems at the same time – employment in communities and tourist accommodations.

9.36 **Tourism taxation:** Taxation and tax administration are both problems in Niger – certainly for the formal private sector. There are numerous taxes to be paid, many of them nuisance taxes. The main taxes affecting tourism are the 19 percent VAT paid by tourists and the bed-night tax (averaging CFAF 500/night). Taxes paid by enterprise include the income tax (BIC at 35 percent) and the taxes on investment (land taxes, equivalent to 4 percent of un-depreciated investment cost). Selected fiscal advantages are available to hotels but travel agents and tour operators have no access to them, for example, for the acquisition of 4x4 cars or buses. It would be useful to carry out a study of tourism taxation – its sources, application and potential for revision – or, more generally, a marginal effective tax rate study. Many hotels find the government's two year and four years audits to be time-consuming and interfering with the routine operation of their establishments; many complain of the

¹¹¹ Some of the major companies already do this through scholarships and paying for training but a more complete program with clear career paths would be much more productive.

informal payments they have to make. Tourism should be treated as an export trade sector and enjoy the same fiscal benefits.

9.37 **Banking:** The financial system in Niger is not well-developed and most consumer transactions are by cash or check – this means tourists pay by cash or travelers check for all services. Credit card use is very limited and few businesses accept them. There are no ATM machines available to holders of cash cards issued abroad. For business, credit is extremely tight. Well-known clients can arrange loans at interest rates ranging from 11-17 percent (plus 19 percent VAT) but most borrowers have little access or are priced out of the market.

9.38 While operators say there is no financing available, bankers say there are no bankable projects. Many government and private operators cited the need for a line of credit on concessionary terms, but such instruments can be distortionary in their impact.

9.39 **Small- and Medium-scale Enterprises:** While tourism is often dominated by flagship firms, in fact many tourism activities lend themselves to SME development. Nigeriens have an entrepreneurial spirit but it is not as much in evidence in tourism as in other sectors. The work suggested for knowledge management could have a significant impact in letting Nigeriens know the potential of the sector. With a healthy SME sector, firms could be encouraged to enter the formal market. This would require a well-thought out program that might include financing but, as important, support for business development services.

9.40 **Investment promotion:** There is no investment promotion activity focused specifically on tourism in Niger, but there are several organizations which could take on this responsibility: the Center for Investment Promotion (CPI) as well as the CNPT, and the ANPTH. As the new tourism strategy is developed, it will be important to attract foreign and domestic investment, possibly in partnership – the former to provide transfer of technology, the latter to address local issues. Part of this could be carried out at travel shows but a more targeted program will be required for investors, who will want to see projects with business plans and not just vague ideas about commitment to tourism. It may be useful to plan investment projects jointly with other sectors to emphasize the links between them, e.g. festivals with the Ministry of Agriculture.

9.41 **Destination marketing:** Many in the industry deplore the Government's level of activity in marketing Niger. Currently, Niger attends three of four travel shows in Europe, mostly in France, Niger's main market. This is probably appropriate but, as the strategy evolves and investment takes place, it will be necessary to develop an overall marketing strategy and public relations program – starting with a identification of a suitable brand image, which Niger does not yet have.

THE WAY FORWARD IN TOURISM

9.42 **Institutions.** The way forward should be in the context of a public private partnership with all stakeholders (MTA, ANPTH, the Chamber of Commerce and other concerned agencies). With limited resources and even the full commitment of government, priorities will have to be carefully chosen. Support for MTA might include regulatory reform (hotel classification, licensing, data collection and management) and support for countering “unfair competition”. MTA would work with the Ministry of Hydrology and Communications (conservation, national parks and reserves cultural and historic patrimony), the Ministry of Animal Resources (fairs and festivals), the Ministry of Secondary and Higher Education, Research and Technology, as well as the Ministries of Regional Planning (*Aménagement du Territoire*), Equipment, and Urban Development (planning, community participation, construction and infrastructure) towards a common goal. It would work with the Ministries of Commerce and Justice on licensing, regulation and the business environment. One way to achieve this would be via an Inter-ministerial Committee (supported by a working level committee). It would also be important to develop support for SMEs in tourism – provided the question is studied sufficiently to find incentives to encourage formalization.

9.43 **Sector strategy.** A major sector strategy has been proposed but in the absence of funding it has not moved forward. It would be useful to revisit the proposal and start with a less ambitious approach focused on the two or three priority regions with recognized tourism potential. Niger must make choices with its limited resources and a process of sequencing and prioritizing is required. The immediate goal would be to create a vision for the sector and an action plan with clear targets. It is recommended that the work include: (i) a macro-economic overview and surveys to establish a profile of the tourism industry and baseline data for economic, market and supply side data; (ii) an inventory of the country's tourism assets and evaluation of their comparative advantage; (iii) identification of priority geographic areas for action (no more than three) with rationales; (iv) identification of key constraints to development, policy and regulatory issues; and (v) redefining the institutional framework in the light of the winners/losers among the stakeholders. A broad tourism tax study would be useful to establish the sources of tourism revenue and their application. Recommendations should focus be limited in number, proportional to likely available human and financial resources, and focus on resolving key issues constraining investment in tourism.

9.44 **Site development plans.** With an established strategy, the government may wish to consider preparing feasibility studies for sites included in the strategy and consider the accompanying measures needed to make them a reality – investment promotion and destination marketing, as mentioned above.

THE ART HANDICRAFTS SUB-SECTOR

9.45 The handicrafts sub-sector is often identified as a potential source of growth, feeding into the tourism industry as well as providing direct export revenues. The importance of the sub-sector is still very small in terms of foreign exchange earnings, but its impact on employment is considerable, with an estimated 42,000 people deriving part or all of their income from the production of handicrafts. Nigerien crafts producers have an established reputation for finely crafted leather goods and jewelry, much of it rooted in Touareg culture. Some producers have been able to sell their products to high-end stores in Europe and the Americas by adapting and upgrading traditional designs. But these success stories are few and far between, and revenues from the sub-sector remain far below potential. Without established linkages to the export market and with no substantial local tourism market to support them, most crafts' producers remain stuck in poverty where annual earnings of FCFA 30,000 are not uncommon.

9.46 In the tourist industry where handicrafts are a major tourist attraction, there is no system of hallmarks on silver products to certify purity or origin, and no guarantee of the type of wood, hide, and precious or semi-precious stone used in the product. Tourists are not going to take their products to the Ministry of Mines which does have some assay facilities. The lack of professionalism is an important obstacle in this sub-sector. Most artisans work alone or in small, rather informal, groups. This presents a major handicap for obtaining bank credit or establishing links with overseas buyers.

9.47 The sub-sector has been the focus of much donor attention, particularly from the Government of Luxemburg which through its *Programme de Développement de l'Artisanat au Niger* (DANI) has provided close to 10 million Euros between 1991 and 2007. Program support is based on a multi-pronged approach and includes: (i) financial support for the construction and equipment of 13 artisanal villages throughout the country; (ii) technical assistance from international specialists for product design and development for more than 3000 crafts producers; (iii) the promotion of linkages between producers and overseas buyers through the operation of a website and participation in major trade fairs; and (iv) the installation of credit lines. The program is in its third and final phase and is scheduled to be terminated in 2007.

9.48 DANI, with its substantial investment in human and physical infrastructure has provided Niger with a platform for the development of a significant export industry. The program has succeeded in improving the work environment and providing technical training; however, marketing has remained a rather marginal component and efforts to obtain a regular credit line have failed. The structure in its current form, which attempts to combine the clear objective of business development

with multiple missions of capacity building at the grassroots level, social support and advocacy, is still not a viable business model. In spite of the substantial resources invested, it is unlikely that the structure will be sustainable in its current form, once donor support has been withdrawn.

9.49 A first attempt to provide the structure with a business underpinning was made in 2003 with the creation of a *Groupement d'intérêts économiques* (GIE-DANI), combining 13 producer cooperatives, 227 workshops employing approximately 3000 artisans, and 10 sales boutiques. It is a step in the right direction in that its management team consists of people who get paid out of sales commissions rather than as salaried, government appointed individuals. However, as a legal structure, a GIE's principal objective is to provide a platform for facilitating collaboration between its members, not for making profits. Nor does it provide an appropriate legal base for obtaining bank financing. Moreover, GIE-DANI essentially remains a cooperative structure and experience has shown that such a structure rarely leads to a sustainable export performance.

9.50 A critical factor missing from the value chain is a commercially viable export marketing intermediary, capable of linking a large network of crafts producers with a demanding and constantly evolving export market. An export marketing capacity could be created by attracting one or more strategic investors to the sub-sector, or alternatively, could be incorporated into the GIE-DANI structure, in which case a fundamental organizational overhaul would be called for to make the venture more business oriented.

9.51 Leather products are of particular interest given their strong backward linkages, the long experience of Nigerien artisans in this sub-sector, and the existence of the Niamey Center of Leather Crafts. However, this will require upgrading of artisanal tanneries to improve the quality of the leather available to craftsmen, since the industrial tannery of Zinder is likely to focus on the export market. The craftsmen will need to be trained in new techniques and designs, and be associated with a commercially-oriented marketing partner.

9.52 ***Accelerate Crafts Exports:*** To help Niger's crafts sector move from a donor-dependent approach to a more commercial model of operations, it is recommended that a four-step program be implemented: (i) separate the functions of the DANI organization into business operations on the one hand, and support for grassroots capacity building and advocacy activities on the other; (ii) develop an organizational structure for the business part of the program which allows for clear lines of authority and efficient decision making; (iii) develop the terms of reference for a contractor to manage the commercially re-oriented structure during its start-up phase. Such a program could serve as a model for other cooperatives and encourage them to take on professional management on a contractual basis.

9.53 Two organizations that could conceivably be called upon to accompany this process are: (i) IFC's Grassroots Business Initiative, which was created to help businesses that provide economic opportunities for the poor develop into sustainable, market based enterprises; and (ii) USAID's West Africa Trade Hub. Based in Accra, this hub provides capacity building support to West African exporters to respond to opportunities created by AGOA.

CONCLUSIONS

9.54 Niger has a wealth of historical, cultural, and natural resources, with two main destinations around Agadez, for adventure and cultural tourism, and "the river", anchored by Niamey and the Park W. A sector strategy is needed but it would be useful to revisit recent proposals for a Master Plan and start with a less ambitious approach focused on key regions with recognized tourist potential. This would involve (i) surveys to prepare a profile of the tourist sector; (ii) an inventory of tourist assets in the priority areas; (iii) identification of the major constraints; and (iv) redefinition of the institutional framework in light of the winners and losers among the stakeholders.

9.55 Recommendations should be limited in number, proportional to likely available human and financial resources. The main themes covered should include the development of quality products, the

definition of a brand image for the country, the promotion of private investments, taxation policy, infrastructure in Agadez, training of personnel, production of statistics, and the protection of natural and cultural assets. However, the return of security in the Agadez area remains fundamental to the success of tourism.

9.56 The art handicrafts sub-sector has benefited from an important program of support, but a critical factor is missing: a marketing intermediary, capable of linking a large network of crafts producers with a demanding and evolving export market, obtaining banking credit and raw materials from abroad, and providing the artisans with advance payments. Such a business capacity could be created by attracting one or more strategic investors, or, alternatively, it could be incorporated into the existing GIE-DANI structure, in which case a fundamental organizational overhaul would be called for to make the venture more business-oriented.

ANNEX 1: COMPLETE ACTION MATRIX

(recommendations in *bold italics* are considered top priority; the official Action Matrix is in the French version of the DTIS)

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
Trade Policy				
<i>Improve trade policy capacity</i>	<i>Build and maintain an accurate and up-to-date external trade data base.</i>	<i>MCIN, MEF, BCEAO, MDA, MRA, etc.</i>	<i>2009- 2013</i>	<i>One accurate database is available and maintained, with input from all relevant ministries.</i>
	<i>Improve the capacity of MCIN to define and implement a trade policy through staff training, new recruitment and equipment</i>	<i>MCIN</i>	<i>2009--2013</i>	<i>Staff trained, new staff hired, more computers, better internet access</i>
<i>Improve export promotion policies and instruments</i>	<i>Define Niger's room to maneuver with Nigeria; Update existing studies on trade ties with Nigeria; Negotiate to open Nigerian market for meat, and ensure free trade in cereals</i>	<i>MCIN, CNIP, ANIPEX, MEF</i>	<i>2009- 2011</i>	<i>Nigeria strategy completed; Barriers to meat exports and cereal imports are lifted</i>
	<i>Reduce the statistical charge on exports to 1%</i>	<i>MEF</i>	<i>2009- 2010</i>	<i>Statistical charge reduced to 1%</i>
	<i>Reduce number of documents required to import from 10 to 7 and for exports from 8 to 6.</i>	<i>MCIN, MEF</i>	<i>2009- 2012</i>	<i>Number of documents reduced to 7 (imports) and 6 (exports).</i>
<i>Prepare a national policy for trade development</i>	<i>Conduct a study based on existing ones, covering overall trade policy and the current state of trade; develop a medium-term action plan for all aspects of trade development, including trade in services and institutional support (information, training, equipment); outline an institutional capacity-building program for both the public and private sectors. Develop a medium-term expenditure framework</i>	<i>MCIN, MEF, MTAC, CCAIAN</i>	<i>2009</i>	<i>Document prepared, with action plan and program of institutional support; policy adopted.</i>
			<i>2009</i>	
			<i>2010</i>	
<i>Improve product quality through adherence to standards</i>	<i>Construct and equip facilities for the Agency for standards certification; provide laboratories for testing, analysis and inspection; provide equipment for metrology and certification; train and sensitize on hygiene and quality standards; put in place a system for certification of conformity; make available international standards.</i>	<i>MCIN, AVCN</i>	<i>2009-2013</i>	<i>Agency operational; amount of equipment acquired; number of persons trained; number of firms certified.</i>

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
Investment Climate				
<i>Improve the policy and regulatory environment</i>	<i>Provide technical assistance to help CNIP adopt and implement an annual work program which includes external trade</i>	<i>CNIP, Prime Minister's Office, MCIN</i>	<i>2009-2013</i>	<i>2 Doing Business indicators improve each year, including trading across borders</i>
	Strengthen the operation of commercial and labor tribunals	Ministry of Justice	2010-2012	Time to resolve court cases reduced significantly
	Adopt and execute a comprehensive anti-corruption program	MJ, Presidency, MI, civil society	2009-2011	Program adopted and execution begun
<i>Improve the effectiveness of business support structures</i>	<i>Streamline CCAIAN functions; Evaluate the alternative of creating a separate business center encompassing all the current business technical support</i>	<i>CCAIAN, MCIN</i>	<i>2010-2012</i>	<i>The image of the CCAIAN is improved; Business support services are better coordinated.</i>
	<i>Provide support in the form of technical assistance to ANIPEX</i>	<i>Exporters, MCIN, MEF</i>	<i>2010-2011</i>	<i>ANIPEX membership dues growing strongly.</i>
Help formalize the economy and improve SME management	Put in place Centres de Gestion Agréés ; - construct and equip two Centres ; - assist the personnel and members of the CGA	CCAIAN, DGI, MCI/n	2010-2013	- création des deux Centres de Gestion Agréés ; une vingtaine d'entreprises adhérentes par an
<i>Attract strategic investors</i>	<i>Conduct an institutional audit of the CPI</i>	<i>Primature, CNIP,</i>	<i>2010</i>	<i>Institutional audit conducted.</i>
	<i>Reinforce CPI with international expertise</i>	<i>MCIN, CPI, CCAIAN,</i>	<i>2010-2011</i>	<i>5 new strategic investors attracted</i>
<i>Improve the skills of the labor force in the private sector</i>	<i>Assess the need for and supply of training services; Conduct a feasibility study on public-private partnerships in technical and vocational training and in management; Develop a multimodal program for skills development</i>	<i>Ministry of Professional and Technical Training, CNIP, CCAIAN</i>	<i>2010-2011</i>	<i>Study conducted and program developed and implemented; 2-3 new public-private training centers created</i>
<i>Strengthen land reform</i>	<i>Create the remaining regional land commissions; provide technical assistance to help develop a comprehensive inventory of properties and property owners; reform and strengthen the national committee on rural codes; establish an effective relationship between the Committee and CPI</i>	<i>Cabinet, MDA, CNIP, CPI</i>	<i>2010-2011</i>	<i>All regional commissions created ; complete inventory available ; rural private investment growing</i>
Taxation				
<i>Increase tax revenues</i>	<i>Accelerate tax administration reform through the implementation of an integrated strategic plan</i>	<i>MEF, CNIP,</i>	<i>2009-2013</i>	<i>Tax/GDP ratio has increased to 14%</i>
Improve enterprise competitiveness	Estimate the impact of taxes on production factor costs and put in place a plan to reduce this impact	MEF, DGI, CNIP	2009-2010	Production factor costs reduced

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
	Estimate the loss from a reduction in the BIC tax and develop scenarios to compensate for any shortfall	MEF, DGI	2009-2010	BIC tax reduced
Improve the incentive to invest	Revise Law 97-45 to reduce property tax by taking depreciation into account	MEF, DGI, CNIP	2010	Real property tax reduced
Streamline the calculation of the <i>patente</i>	Review the calculation of the proportional duty, estimating the cadastral rental value after depreciation, and review the calculation of fixed duties	MEF, DGI, CNIP	2009-2010	Business license tax (<i>patente</i>) simplified and reduced
Rationalize tax auditing activities	Put in place a tax audit strategy that eliminates the multiplicity of controls and establishes a consistent procedure for selecting files to be audited based on objective criteria	MEF, DGI	2010-2011	Number of controls reduced; tax audit strategy operational.
	Increase staff levels in DGI		2010-2011	DGI staffing increased by 25%
	Strengthen DGD and DGI information technology systems, to improve information exchange and reduce tax evasion.	DGD, DGI, CNIP	2009-2011	Several large informal importers become registered and taxed.
Finance				
Facilitate investment financing	Conduct a needs assessment on leasing; review and reform legislation; strengthen credit registries	Prime Minister's Office, Ministry of Justice, MEF	2010-2011	2 leasing companies created by 2010
Facilitate access to credit for agriculture and livestock activities	Create a matching grant fund to prepare credit applications, and special units within producers' associations in order to structure credit requests	MCIN, CNIP, ANIPEX, Banks	2010-2011	Funds created; number of beneficiaries increased
Improve links between demand and supply of credit in agribusiness	Prepare model files allowing financial institutions to better understand the financial aspects of production, storage and export; promote warehouse receipts.	MCIN, ANIPEX, CNIP, Microfinance institutions	2010-2011	Increase in the volume of credits to PME involved in agribusiness
Implement a national microfinance strategy	Strengthen supervision of MFIs; introduce a system of partial credit guarantees; create a common fund to harmonize financial support from different partners.	MEF, networks	2010-2011	Common fund created, supported by several donors
Customs				
Facilitate and secure transit trade	Implement the TRIE and TIE transit regimes Certify vehicles and containers and eliminate escorts for those approved ; Set conditions for use of TRIE carnet; Certify guarantee associations; Define transit modalities	MEF, Customs, MTAC	2009-2010	Legislation revised ; Instructions and training provided to customs services and professional associations of operators
Strengthen the customs clearance process	Restrict the persons able to clear goods to certified forwarding agents ; define the conditions for certification ; put in place a	MEF, Customs, Certified	2010-2011	Legal framework in place; Create a commission for

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
	<i>disciplinary board for cases of misconduct ;</i>	<i>Operators</i>		<i>certification and sanctions</i>
	Define responsibilities along the customs clearance process; Privatize the management of Customs Clearance Stores and define the rules for storage and release	MEF, Customs, MTAC, CCAIAN	2010-2011	Regulations in place ; management of Stores privatized
	Establish precise rules for duty free entry and exoneration	MEF, Customs	2010	Regulations drawn up
Facilitate trade	Create a business advisory service and initiate partnerships with major enterprises; use risk management to select shipments for inspection ; Rationalize the clearance process	Customs, Opérateurs	2010-2011	Advisory service established ; risk management techniques applied
	Give private operators access to ASYCUDA++			Computerized customs clearance unit open to private sector
	Experiment with customs clearance at the factory/shop for selected enterprises			Customs clearance in situ for selected enterprises
Strengthen revenue collection	Nominate and train one receiver for each office responsible for the collection of all receipts without exception (duties, fees from the sale of forms, Extra Legal Work fees, etc.)	MEF, DGD	2010	Special legislation for Customs receivers established
	Define the conditions for granting pre-payment clearance and for recovery of the amounts due	MEF, DGD		Conditions defined
	Restrict the payment for Extra Legal Work (ELW) to those services truly provided outside normal work hours			ELW fees only apply outside normal business hours
<i>Combat fraud</i>	<i>Increase collaboration with DGI to bring large informal traders into the formal sector.</i>	<i>MEF, DGD, DGI</i>	<i>2009-2011</i>	<i>5 large traders registered and paying taxes</i>
	Create specialized services for risk management, targeting, valuation, and post-clearance control	DGD	2009	Specialized services in place
	Update the sanctions in the customs code (description of infractions and penalties)			Customs code revised
	Optimize the statistical information from ASYCUDA and Cotecna, notably the data base for the valuation of goods		2009-2011	Data and document base in place
	Improve information exchange between countries of the sub-region, with the WCO regional office and with WAEMU			
<i>Combat corruption</i>	<i>Define responsibilities at all levels; Provide continuous training ; program annual controls at all levels ; Analysis by DG of infractions and appropriate measures taken</i>	<i>DGD</i>	<i>2009-2013</i>	<i>Training and controls in place ; corruption diminished (private sector surveys).</i>

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
Transport				
<i>Modernize transport services between Niger and the ports</i>	<i>Involve all stakeholders in a dialogue on the end of the queuing system and the supporting measures to be taken</i>	<i>MTAC, SNTMN, CNUT, OCBN, CCAIAN, port of Cotonou, Gvt du Benin, WAEMU</i>	<i>2009-2010</i>	<i>Queuing no longer exists</i>
	<i>End the OCBN monopoly; Review bilateral transit agreements between Niger and other countries</i>			<i>2009-2011</i>
	Renew the public transport bus fleet		<i>2009-2013</i>	50% of bus fleet replaced
	Conduct proper physical control of trucks			Non-conforming trucks no longer circulate outside the country
	Compensate those operators forced to withdraw from the trade			Compensation fund in place
	Evaluate the options for a dry port			Study completed
<i>Reinforce road maintenance</i>	<i>Evaluate the impact of an increase in the highway toll</i>	<i>CAFER</i>	<i>2009-2010</i>	<i>Study completed and recommendations adopted</i>
	<i>Increase the budget contributions to the road fund (CAFER)</i>	<i>MEF</i>	<i>2009-2013</i>	<i>Budget contribution to CAFER increasing each year</i>
	Control over-loading with introduction of dynamic weigh-bridges and continued dialogue within WAEMU and ECOWAS	MTAC, WAEMU, CEDEAO	2009-2011	Several dynamic weighbridges in place
Improve management of the sector	Improve consultation with all stakeholders under the auspices of the Chamber of Commerce	MTAC, CCAIAN	2009-2011	Meetings held regularly with follow-up on recommendations
Assess the rail option	Conduct a detailed study of the option of extending the rail from Parakou to Niamey	MTAC	2009-2013	Study complete with clear recommendation.
Agriculture				
Generalities				
<i>Clarify the strategy of the State for export promotion</i>	<i>Develop a Strategic Plan for agricultural export promotion to mobilize the resources (financial, personnel) of the state and private sectors, defining their respective roles.</i>	<i>MDA, MDA, SDR, ANIPEX, sector stakeholders</i>	<i>2010</i>	<i>Plan developed with stakeholders and validated.</i>
Strengthen state capacity to support agricultural sector	Develop innovative models to incorporate MRA central and regional staff into formal public-private partnerships for export promotion.	MDA, farmer associations, private firms	2009-2011	Models developed and implementation begun
<i>Improve access to finance</i>	<i>Develop concrete plan and begin operations of a national mechanism for medium and long term rural credit, avoiding duplication of actions of MFIs and private banks</i>	<i>MEF, MDA, ANIPEX, banks, stakeholders</i>	<i>2009-2013</i>	<i>A financing mechanism in place; access to credit improved.</i>
<i>Promote stronger export firms</i>	<i>Create a program for the promotion of agricultural export partnerships and a "business incubator" program for</i>	<i>MDA, foreign and domestic firms,</i>	<i>2009-2013</i>	<i>Multi-donor program studied, designed, and implemented</i>

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
	<i>increasing the size and capacity of local firms.</i>	<i>ANIPEX</i>		
Improve quantity and quality of seeds and tree seedlings	Strengthen seed and tree nurseries with separate efforts for field crops, horticultural crops, and tree nurseries	ICRISAT, INRAN, MDA, associations, private seed and nursery firms	2009-2013	Better farmer access to seeds and trees at reasonable prices; firm profitability enhanced
Improve market intelligence	Conduct market intelligence studies; train personnel from exporting firms; link price collection efforts to studies and encourage collaboration with regional MIS projects	MDA, ANIPEX, commodity associations	2009-2011	Improved, recurrent data collection systems in place.
Exploit Niger's unique agricultural intellectual property	Finalize laws and institutional reform needed for protection of Niger's plant and animal genetic rights; encourage use in labeling and marketing.	Ministry of Justice, MDA, MRA	2010-2013	Laws and regulations adopted; institutions reformed; 1-2 species protected and promoted.
Onion				
Improve supply of Violet de Galmi seed to farmers	Support ICRISAT and INRAN efforts to select and breed pure varietal lines. Assist private seed firms to become certified Violet de Galmi seed producers.	MDA, INRAN, ICRISAT, private seed producers, ANFO.	2009-2011	Increased supply of Violet de Galmi seeds; private seed companies certified
Protect Violet de Galmi genetic rights	Define, register, and protect Violet de Galmi; develop label and marketing/packaging materials that can be copyrighted.	MDA, ANFO	2009-2013	Violet de Galmi name protected; marketing strategy refined.
Reinforce onion input delivery systems	Define careful protocol to review all input systems (chemical, biological, and mechanical technologies), irrigation, extension and marketing; generate prioritized action plan	INRAN, MDA, ICRISAT, private firms, associations	2010	Review completed, validated ; implementation begun
<i>Improve onion storage</i>	<i>Fund INRAN and ANFO to conduct research on large scale (ASI type) and local onion storage; fund demonstration models of latter</i>	<i>INRAN, ANFO, onion traders</i>	<i>2009-2011</i>	<i>Build several pilot storage units, assess performance, and extend results to ANFO and others</i>
<i>Improve marketing</i>	<i>Assess Tsernaoua experience with 'comptoir commerciale' and recommend improvements in the model (in pricing, governance, storage, market organization).</i>	<i>MDA, ANFO, ADIDB, Tsernaoua producers/traders</i>	<i>2009-2010</i>	<i>Assessment completed with recommendations; validated with stakeholders</i>
	<i>Organize country-specific market studies in the coastal target countries, and ensure follow up price/ volume data collection</i>	<i>MDA, ANFO, marketing firms</i>	<i>2010-2011</i>	<i>Initial study completed and permanent system in place</i>
Strengthen the institutional framework for the sub-sector	Conduct a participatory institutional assessment of potential new roles for ANFO or a professional corporate business subsidiary to be owned by cooperative members, etc.	MDA, ANFO, association members, banks	2009-2010	Study complete; investment funding obtained
Cowpea				

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
<i>Increase cowpea yields and change farming system</i>	<i>Develop phased plan: (1) program design (6 months); (2) pilot phase (2 yrs); (3) expansion phase (2 yrs) – emphasis on integrated pest management</i>	<i>ICRISAT, MDA, INRAN, cowpea association</i>	<i>2009-2013</i>	<i>Plan prepared and implemented; yields increased, pests better managed.</i>
Reinforce Seed Production and Distribution	Review production of foundation seed, and commercial multiplication and distribution systems	MDA, ICRISAT, INRAN, seed structure	2010-2011	Seed improvement program developed
Improve market intelligence	Conduct, with Association, five country market studies; devise approach for trader-controlled MIS system; investigate Niger cowpea being re-exported by Nigerian traders	MDA, Association, niébé traders.	2010-2011	Sub-regional and international studies completed
Promote processing of cowpea	Help Tegone women's cooperative <i>béroua</i> experiment; support Niébé couscous development work by INRAN; review cowpea consumption habits	MDA, INRAN, Tegone Coop	2010-2011	Action program designed; annual programs of work with INRAN and local consultants in place
Sesame				
Improve the quality and productivity of sesame	Develop better technical packages for targeted varieties and markets, for production, processing, packaging, and exporting	MDA, INRAN, association,	2009-2013	Improvements in profitability at farm level and for traders
Support to the inter-professional organization	Support state-private effort to develop (i) better “contracting” with village-level production groups, (ii) product quality norms, (iii) the state regulatory and promotional role, and (iv) stakeholder training.	MDA, sesame association, sub-sector stakeholders	2009-2013	Reduced side-selling; better quality product; more effective state support.
<i>Improve marketing</i>	<i>Develop an “Asia Strategy” with greater exchange between Nigerien and Asian inter-professional associations.</i>	<i>MDA, Niger firms</i>	<i>2010-2011</i>	<i>Explore interest of Asian donors; develop a joint work plan</i>
	<i>Explore incentives for partnerships between an international and Niger firms to create an industry leader</i>		<i>2010-2011</i>	<i>A sub-sector leader has emerged</i>
Souchet				
<i>Develop a long-term sustainable approach to souchet production</i>	<i>Experiment with different approaches to cultivation and harvest at station and farmers' fields.</i>	<i>Association, INRAN, MDA</i>	<i>2009-2011</i>	<i>Clear definition of problems and potential solutions identified</i>
Stabilize and diversify markets	Study the Spanish market; promote partnerships between Niger and Spanish firms; explore the Mexican market;	MDA, association, stakeholders	2010-2011	Study completed, action plan developed
	Conduct adequate feasibility study including consumer research and estimation of demand in Niger and the sub-region;	Idem., ANIPEX, Ets. Hatimou	2009-2010	Clear feasibility study results
Gum arabic				
Increase production	Evaluate status of high-yielding Acacia tree nurseries at ICRISAT and elsewhere; promote their expansion.	ICRISAT, ASI, association, tree	2010-2012	Multi-phase program adopted

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
		nurseries		
	Ensure PAC program is functioning well; diagnose carbon credits and recommend changes; pay attention to farmer land tenure rights and profitability	MEH, ASI, PAC	2009-2010	Investigations conducted; PAC achieving its objectives
Establish clearly defined grades	Define viable grades, link to those of main exporters, and have these adopted	MDA, INRAN, association, ASI	2009-2010	Quality standards adopted.
<i>Plan sub-sector expansion</i>	<i>Define growth strategy, and related increases in infrastructure and logistical organization</i>	<i>Association, MELD, ASI</i>	<i>2010-2011</i>	<i>Strategy clearly defined</i>
Other possible crops				
<i>Identify horticultural crops to export in the sub-region</i>	<i>Develop plan in the context of overall strategy for agricultural exports, notably for sweet peppers.</i>	<i>MDA, ANIPEX, regional stakeholders</i>	<i>2010-2011</i>	<i>Concrete action plan in place</i>
Promote market for groundnuts	Review feasibility of developing a “Made in Niger” industrial peanut oil in close collaboration with OLGA Oil.	MDA, OLGA Oil, producers	2010-2011	Feasibility study completed
Livestock and Animal Products				
Increase supply of live animals on the market	Conduct surveys of livestock off-take rates by specie; Sensitize herders and facilitate their access to livestock markets and other direct contacts with exporters (trade fairs, sales stands); reorganize and increase role of livestock markets	MRA, MDA, NGO	2009-2011	Off-take rates increased from 11 % to 15%
Intensify production systems	<i>(1) Secure transhumance by developing large pastures; (2) Encourage fodder/feed production, and develop an efficient distribution strategy to increase their use by agro-pastoralists; (3) Promote small-scale livestock fattening farms; (4) Evaluate options for creating a few private ranches out of the state-owned ranches.</i>	MRA, MDA, the Rural Code, Producers’ organizations	2009-2013	An increase in animal production in semi-intensive systems and regular supply of animals suitable for meat production.
Strengthen sector stakeholders’ and professional associations	(1) Professionalize stakeholders through rules that clearly define respective responsibilities; (2) Encourage creation of professional associations and support cooperation of livestock exporters at the regional level; (3) Consolidate the financial autonomy of associations and improve their structures; (4) Reduce the role of intermediaries (<i>dilali</i>) and encourage direct contact between livestock producers and traders; (5) <i>Establish a class of certified collectors of hides and skins to</i>	MRA, CCAIAN, NGOs	2009-2011	Decline in transaction costs in livestock trade; stakeholders and organizations are more professional; Associations become financially independent; pre-financing by tanneries working smoothly.

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
	<i>reduce risks associated with pre-financing by tanneries.</i>			
Ensure sustainable production and gradual increase of meat exports	(1) Establish, through public-private partnerships, one or more structures organized as integrated systems (collection of animals, stocking, fattening, slaughtering, sales and exports, production of hides); (2) <i>Ensure private management of new Niamey slaughter-house;</i> (3) <i>Conduct rigorous studies of meat markets and their segmentation, in potential export countries; and create a market information system;</i> (4) <i>Conduct high-level negotiations with Nigeria to open up the market;</i> (5) Facilitate access to credit for the acquisition and development of livestock trucks, cold chains, etc.; (6) Establish financing and export credit guarantee mechanisms.	MRA, trade, associations of producers and exporters	2009-2012	Meat exports have begun; Improvement in Niger's competitiveness in meat exports to the sub-regional market.
Improve availability of data	Reinforce data collection services, conduct periodic inventories of the animal population, and improve data consistency.	MRA, MCIN, INS, ECOWAS	2009-2010	Consistent statistics are available for livestock sector.
Mines				
<i>Improve the management of revenues</i>	<i>Apply the EITI with regular reports on payments received and their utilization, with participation by civil society</i>	<i>MME, MEF, National Assembly civil society</i>	<i>2009-2013</i>	<i>EITI reports published and disseminated annually, independent audits conducted</i>
	<i>Conduct study on the implications of the mining boom; Develop a strategy</i>	<i>MME, MEF</i>	<i>2009-2010</i>	<i>Study completed, strategy adopted</i>
<i>Revise legislation and regulations</i>	<i>Revise and combine Ordonances and Laws</i>	<i>MME, National Assembly</i>	<i>2010</i>	<i>A single mining code is prepared and available on Internet</i>
	<i>Reduce the time required to obtain industrial mining titles and adapt the mining convention to cover research permits</i>	<i>MME, National Assembly</i>	<i>2010</i>	<i>Time required reduced to 1-3 months ; number of mining titles issued per year increased</i>
<i>Reinforce capacity of the Administration</i>	<i>Train officers of the Administration in mining regulation and computers</i>	<i>MME, MFP/T</i>	<i>2010-2013</i>	<i>60 mining officers trained</i>
	<i>Reinforce supervisory and control units with necessary equipment</i>	<i>MME</i>	<i>2010-2011</i>	<i>Several services equipped with vehicles, computers and other equipment</i>
	<i>Put in place a mining cadastre</i>		<i>2010-2011</i>	<i>Easy access to mining information on the Internet</i>
	<i>Organize mining promotion days</i>		<i>2009-2010</i>	<i>2 national mining days and 1 international day organized</i>

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
<i>Support to small-scale mining</i>	<i>Conduct a study to identify mining sites to support : 10 gold mining sites, 5 for cassiterite, 5 for gypsum, 5 for salt</i>	<i>MME</i>	<i>2010-2011</i>	<i>Geological and mining data available for selected sites</i>
	<i>Select and train local SMEs to fabricate equipment for more efficient gold treatment; Equip 10 gold sites</i>		<i>2010</i>	<i>5 SMEs trained, 10 sites equipped. Gold production increased</i>
	Organize a sensitization campaign in 25 artisanal mining sites concerning hygiene, health and the environment		<i>2010-2011</i>	25 000 artisanal miners sensitized
	<i>Provide equipment to 15 sites for gold, salt, gypsum and cassiterite</i>	<i>MME</i>	<i>2009-2013</i>	<i>Production increased at these sites</i>
	Provide social infrastructure for 25 sites (potable water, health centers, schools)	MME, Ministry of Public Health	<i>2010-2011</i>	Social infrastructure up and running
	Support the Department of Small-scale mining and the monitoring and surveillance teams	MME, Ministry of Land Management	<i>2010-2011</i>	10 vehicles, 10 GPS systems, and 20 computers supplied
Tourism and Handicraft Art				
<i>Prepare a vision and an action plan for tourism</i>	<i>Evaluate the current statistics system, launch surveys on supply capacity and tourist expenditures</i>	<i>MTA, BCEAO, INS, Immigration</i>	<i>2009-2010</i>	<i>Studies conducted</i>
	<i>Prepare strategy and launch public-private dialogue ; Identify priority zones, prepare action plans for these zones, plus feasibility studies</i>	<i>MTA, CNPT, with private sector</i>	<i>2009-2010</i>	<i>Strategy completed and validated by stakeholders ; action plans available</i>
Reinforce marketing	Promote Niger with the creation of a joint public-private budget ; Design and produce marketing products; Collaborate with Benin and Burkina Faso in marketing the Park W.	MTA and private sector	<i>2009-2013</i>	Budget created ; marketing products prepared
<i>Improve tourism product</i>	<i>Select key products and identify main constraints ; Develop new products with tour operators</i>	<i>MTA, private sector</i>	<i>2009-2013</i>	<i>3 new products developed</i>
	Establish a policy on hunting tourism taking into account the impact on nomadic pastoralism	MTA, MRA	<i>2010-2013</i>	Policy adopted after consultation with stakeholders
Improve infrastructure	Establish tourism as a priority sector for investment in infrastructure	MTA, technical ministries	<i>2010-2013</i>	Infrastructure improved (notably in Agadez)
Conserve national patrimony of tourism interest	Protect natural resources, and cultural and historical sites and objects	Ministry of Culture, National Museum.	<i>2 010-2013</i>	Sites protected ; action plans elaborated
Encourage air access	Evaluate bilateral accords and options for liberalisation	MTAC	<i>2009-2013</i>	Number of flights increased
Tourism taxation	Evaluate tax regime and establish a fair and efficient system	MEF, MTA	<i>2010-</i>	Tax system improved

Objectives	Actions to be undertaken	Responsibility	Time-frame	Performance Indicators
			2011	
<i>Promote artisanal art exports</i>	<i>Improve the quality and marketing of artisanal art ; Restructure the GIE-DANI and transfer to private management ; Attract strategic investors</i>	<i>MTA</i>	<i>2010-2011</i>	<i>Value of artisanal art exports increased; GIE-DANI management privatized</i>
	<i>Upgrade artisanal tanneries to improve quality of leather; Develop new designs and techniques for handicraft artisans</i>	<i>Centre des Métiers du Cuir, MCIN, GIE-DANI, MTA</i>	<i>2010-2012</i>	<i>Exports of artisanal leather products doubled.</i>
	Conduct a detailed study to identify other ways to improve exports of artisanal art products	MCIN, MTA	2009-2013	Study completed

ANNEX 2 : PROJETS POUR APPUYER LE SECTEUR MINIER DU NIGER

Le Niger dispose déjà de deux produits miniers exportables, à haute valeur marchande que sont l'or et l'uranium. Il dispose également d'autres produits miniers qui peuvent être exportés dans des conditions avantageuses, mais à petite échelle. Il s'agit là de la cassitérite, du gypse et du sel, dont l'exploitation est pratiquée par une population rurale dans des conditions difficiles et souvent sans débouchés pour l'écoulement. Le pays vient de bénéficier d'un important financement de l'Union Européenne qui va lui permettre de réaliser des actions de nature à appuyer le secteur minier dans son ensemble. Faisant suite à ce programme et à la présente étude, il est proposé ci-après quelques actions qui pourraient être réalisées soit par des financements à rechercher, soit dans le cadre du projet de l'Union Européenne qui a déjà programmé la réalisation de certaines d'entre elles.

I – REVUE DES DISPOSITIONS LEGISLATIVES ET REGLEMENTAIRES

A ce niveau l'ensemble des textes législatifs devraient être revus pour être rassemblés en un seul texte plus facile à manier et à diffuser. Il s'agit de :

- l'Ordonnance 93-16 du 02 mars 1993,
- l'Ordonnance 99-48 du 5 novembre 1999,
- la Loi n°2006-26 du 09 août 2006.

Les services d'un juriste seront requis ainsi que des moyens pour l'impression et la diffusion du texte unique conçu. Ce texte pourrait être soumis à un atelier de validation avant son adoption par l'Assemblée Nationale en tant que Loi portant Code Minier de la République du Niger.

Lors de cette réforme on pourrait examiner la possibilité d'introduire dans la nouvelle Loi :

- des dispositions spécifiques à l'exploitation minière à petite échelle (par exemple des avantages fiscaux et fonciers et l'introduction de la possibilité d'octroyer des Autorisations d'exploitation artisanale mécanisée dotées d'une superficie d'au moins 100ha au sein de laquelle le bénéficiaire utilisera les services de tâcherons ;
- la révision à la hausse de la superficie de la parcelle pour la porter à 25m sur 25m ;
- des dispositions spécifiques rendant l'obtention de la convention minière facultative en phase de recherche, ce qui réduirait du coup les délais d'octroi des permis de recherche (par exemple entre 30 et 60 jours après le dépôt de la demande).

Les coûts indicatifs prévisionnels sont les suivants :

• 1 cabinet juridique pour 60 jours	45 000 \$ US
• Atelier de validation 3 jours et regroupant 100 personnes	30 000
• Location de salles et matériels divers	2 500
• Impression de textes et de diffusion (1500 exemplaires)	60 000

• Sous total :	137 500
• Imprévus et hausse des coûts (5%) :	6 875

TOTAL GENERAL	144 375 \$ US

II - APPUI INSTITUTIONNEL DE L'ADMINISTRATION

A ce niveau il s'agira de :

- former les cadres des Ministères des Mines, des Finances et de l' Environnement à la connaissance et à l'application correcte des textes, au maniement des nouvelles technologies d'information, surtout en ce qui concerne les différents supports des données géologiques et minières. Là il faudra prévoir également des formations groupées, des voyages d'études et des participations à des rencontres internationales régionales et sous régionales intéressant le secteur minier ;
- mettre en place un cadastre minier performant et informatisé, et un centre de documentation au profit des investisseurs miniers, et maintenir les informations géologiques et minières à jour sur Internet ;
- organiser des journées de promotion minière pour faire connaître les potentialités minières du pays et attirer de nouveaux investisseurs ;
- renforcer les structures publiques d'encadrement, de suivi et de contrôle du secteur minier et particulièrement de celui de la petite exploitation minière qui intéresse une frange importante de la couche défavorisée de la population.

Les moyens suivants pourraient être recherchés pour le financement des actions ci-après :

- organisation de 3 ateliers de formation regroupant 100 personnes pendant 3 jours pour chaque atelier	97 500 \$US
- organisation de cinq stages de formation en SIG et NTIC regroupant chacun 20 personnes pendant 15 jours par stage :	
• Formateurs	75 000
• location de salles et matériels	15 000
• frais de subsistance des participants	75 000
• matériels didactiques et documentation	50 000
• fourniture d'ordinateurs et de logiciels à 20 services des ministères	100 000
- 3 voyages d'études pour 5 personnes et pour 10 jours par Voyage, y compris transport et subsistance :	75 000
- Participation à 3 rencontres internationales par année, pendant 3 ans pour 5 personnes par rencontre (INDABA, PDAC, WAME) pendant 10 jours par rencontre, y compris le transport	215 000
- Mise en place d'un cadastre minier, d'un centre de documentation, fourniture de matériels et logiciels et formation	1 000 000
- Organisation de 2 journées de promotion minière au Niger	700 000
- Renforcement des structures d'encadrement, de suivi et contrôle du secteur minier et particulièrement du secteur de l'exploitation minière artisanale :	
• Dotation en véhicules tous terrains à la DEMPEC et aux Directions régionales de Tillabéry, Tahoua, Agadez (8)	400 000
• Dotation en matériels de terrain 300	000
• Evaluation sommaire des réserves	1 200 000
• Moyen de fonctionnement pendant 3 ans pour les 4 directions	600 000
- Formation des artisans miniers par 3 experts (1 médecin, un sociologue, un environnementaliste) sur les sites les plus importants pendant 120 jours (or, sel, cassitérite, gypse)	54 000
Fais de tournée sur une trentaine de sites d'exploitation artisanale	90 000
Sous total de l'appui institutionnel	4 249 000
Imprévus et hausse des coûts (5 %)	212 450

Total appui institutionnel \$US

4 461 450

III - APPUI A L'ACTIVITE MINIERE ARTISANALE

L'activité minière artisanale procure et procurera pendant encore longtemps des revenus à une frange importante de la population estimée à 400 000 personnes. On a déjà vu que :

- l'orpaillage a rapporté au pays 9,8 milliards de FCFA en 2006,
- la vente du gypse a rapporté près de 700 millions de CFA,
- la cassitérite pourrait rapporter aux populations au moins 100 millions par an si le problème d'écoulement était résolu. Par ailleurs, d'importantes réserves existent qui ne sont pas encore évaluées.

Ce secteur mérite donc un appui et une assistance pour sa promotion.

Il est difficile d'appuyer dans l'immédiat tous les sites d'exploitation artisanale. Aussi pourrait-on sélectionner :

- 10 sites d'exploitation artisanale aurifère,
- 05 sites d'exploitation de cassitérite,
- 05 sites d'exploitation du gypse,
- 05 sites d'exploitation du sel.

Soit au total 25 sites qui pourraient être appuyés à titre expérimental. Les actions à mener sont les suivantes/

- détermination sommaire des réserves de minerai pour les exploitants miniers artisanaux :	7 500 000
- approvisionnement en eau potable :	750 000
- dotation en centres de santé primaire :	750 000
- dotation en garderies d'enfants 150	000
- dotation en petits matériels : 150	000
- formation et sensibilisation au sujet de la santé de l'hygiène et de l'environnement sur 25 sites	250 000
- Installation de 5 unités pilotes sur 5 sites d'exploitation artisanale de l'or 350	000
- Formation de 10 chaudronniers soudeurs pendant 45 jours dont 30 à l'extérieur du Niger, avec coût des formateurs	70 000
Acquisition de matière première et moteurs pour monter 10 unités :	160 000
- Appui aux équipes administratives de surveillance : 10 équipes pendant 3 ans avec 10 véhicules et du carburant	1 800 000
Total appui à l'activité minière artisanal	11 930 000
Imprévus et hausse des coûts (5%)	596 500

Total Général en \$ US :	12 526 500

IV – SYNTHÈSE DES INVESTISSEMENTS TOTAUX POUR APPUYER LE SECTEUR MINIER AU NIGER

L'étude a montré que si les conditions du marché se maintiennent ou s'améliorent dans les prochaines années, le Niger exportera pour :

- plus de 900 milliards de FCFA d'uranium (ou plus 1,8 milliard \$US)
- plus de 30 milliards de FCFA (ou plus de 60 millions \$US) d'or par l'industrie
- plus de 21 milliards de FCFA (ou plus de 42 millions \$US) de recettes par l'exploitation artisanale de l'or, si le taux de récupération est amélioré (75 pour cent au lieu de 40 pour cent) par l'utilisation d'unités de fabrication locale.

Les investissements prévisionnels totaux projetés dans le présent document se résument comme suit en \$US.

1- Revue des dispositions législatives et réglementaires	144 375
2- Appui institutionnel de l'Administration	4 461 450
3- Appui à l'activité minière artisanale	12 526 500
COUT TOTAL DU PLAN D' ACTIONS \$ US :	17 132 325
Soit environ FCFA :	8 566 162 500

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