UNCLASSIFIED

NIGER
AGRICULTURE SECTOR DEVELOPMENT GRANT
(683-0246/0247)

USAID/NIGER

AGENCY FOR INTERNATIONAL DEVELOPMENT

UNCLASSIFIED

AID 1120-1

PAAD

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT

1. PAAD NO.: 683-Y-601 683-K-602

2. COUNTRY: Niger

3. CATEGORY: Cash Transfer

4. DATE: June 29, 1984

5. TO: Peter M. McPherson, Administrator

6. OYB CHANGE NO.:

7. FROM: Mark L. Edelman, Assistant Administrator for Africa (Acting)

8. OYB INCREASE: TO BE TAKEN FROM $15.0 million SDP $17.0 million ESF

9. APPROVAL REQUESTED FOR COMMITMENT OF: $ 32.0 Million (FY 84 $10.0 million)

10. APPROPRIATION: ESF GESA-84-31683-KG31 SDP GSHX-84-31683-KG31

11. TYPE FUNDING: ☐ LOAN ☒ GRANT

12. LOCAL CURRENCY ARRANGEMENT: ☒ INFORMAL ☐ FORMAL ☐ NONE

13. ESTIMATED DELIVERY PERIOD: 8/84 to 8/88

14. TRANSACTION ELIGIBILITY DATE:

15. COMMODITIES FINANCED:

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. only:	U.S.
Limited F.W. $3.0 million (including Niger)	Industrialized Countries:
Free World:	Local: $29.0 million
Cash $29.0 million	Other: $ 3.0 million

18. SUMMARY DESCRIPTION

This Agriculture Sector Development Grant is a resource transfer with a technical assistance component. It is justified both in terms of achieving desirable and significant agricultural policy reforms which act to constrain growth and of the need to provide domestic capital to support ongoing agricultural development activities.

Subject to the availability of funds and the mutual agreement of the Parties to the terms and conditions set forth herein, Grants (dollar disbursements) will be made to the Government of Niger (GON) in four tranches of $7 million, $7 million, $10 million and $5 million, for a total of $29 million. Along with the first dollar disbursement of $7 million, $3 million will be made available for direct payments by A.I.D. of foreign exchange and local currency costs of technical assistance, policy studies, work shops, in-service

19. CLEARANCES	DATE
REG/DP	
REG/GC	7/24/84
AA/PPC	8/8/84
M/FM	
AFR/PD	8/6/84
DAA/AFR	8/3/84
AFR/SWA	7/31/84

20. ACTION

☒ APPROVED ☐ DISAPPROVED

AUTHORIZED SIGNATURE

DATE: Aug 14, 1984

TITLE

CLASSIFICATION

training and support as well as evaluations. Each of the dollar disbursements, but not direct payments for technical assistance etc., are tied to conditions precedent which evidence progress in implementation of the policy reform program. Moreover, the GON is expected to deposit in the Special Local Currency and Trust Fund Accounts the equivalent in its currency of each dollar disbursement under the Grant.

Conditions Precedent and Covenants

In addition to the standard Conditions Precedent (legal opinion, specimen signatures, and designation of auth[illegible]zed representatives), the following conditions precedent an[illegible]ants will in substance be included in the Grant Ag[illegible]

1. Conditions Precedent to Initial Dollar Disbursement

Prior to the first disbursement of U.S. dollars under the Grant, the Grantee will furnish to A.I.D.: (1) evidence that the Grantee has established in a bank of its choice a "Special Local Currency Account" for the deposit of local currency; and (2) a plan for implementation of policy reforms to be accomplished prior to disbursement of the second tranche of U.S. dollars. Except as A.I.D. may otherwise agree in writing, these conditions precedent must be satisfied within 90 days after execution of the Grant Agreement.

2. Conditions Precedent to Subsequent Dollar Disbursements

A. Prior to the disbursement of the Second Tranche of U.S. dollars under the Grant, the Grantee shall, except as the Parties may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. evidence that the Grantee has carried out the following:

1. Reduced the maximum level of subsidy on any agricultural input to no more than 50 percent of the delivered cost.

2. Taken appropriate measures, including the issuance of administrative decrees and establishment of a system of tenders and bids for OPVN grain reserves, to permit cooperatives/private traders in the marketing of grain (including during the OPVN buying campaign period).

3. Taken appropriate measures to establish and promote village-level grain storage through arrangements with cooperatives.

4. Initiated an agricultural credit study.

5. Taken appropriate actions to reduce significantly administrative and fiscal controls on border trade, particularly with respect to exports of livestock and cowpeas.

6. Prepared a plan for implementation of policy reforms to be accomplished prior to disbursement of the third tranche of U.S. dollars.

B. Prior to the disbursement of the third tranche of U.S. dollars under the Grant, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D. evidence that the Grantee has carried out the following:

1. Reduced the average rate of subsidy on agricultural inputs toward the target of 30-45 percent.

2. Taken appropriate actions to develop the Agricultural Input Supply Agency (Central d'Approvisionnement - CA) toward a cooperatively-owned input supply entity in competition with other merchants and traders in the private sector.

3. Abolished uniform national pricing for cereals.

4. Increased the use of the tender system for purchases from and sales of OPVN's grain reserves toward the goal of 40-50 percent of the total reserve by the end of the sector assistance program.

5. Increased the use of village-level grain storage toward the goal of 6,000 tons of grain stored at village level through cooperative arrangement.

6. Completed agricultural credit study.

7. Prepared a plan for implementation of policy reforms to be accomplished prior to disbursement of the fourth tranche of U.S. dollars.

C. Prior to the disbursement of the fourth tranche of U.S. dollars under the Grant, the Grantee shall, except as the Parties may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. evidence that the Grantee has carried out the following:

1. Reduced the average level of subsidy on agricultural inputs to the range of 25-30 percent.

2. Taken actions to make the Agricultural Input Supply Agency (CA) move closer to an autonomous, cooperatively-owned entity and ensure that existence of competition between the CA and private traders by not granting CA a monopoly, <u>de jure</u> or <u>de facto</u>, for supplying inputs.

3. Continued and maintained competition in grain marketing and further increased it with the use of a tender system for procurement of grain for OPVN's grain reserves and the village-level storage facilities.

4. Maintained and promoted free border trade, particularly in livestock and cowpeas.

5. Taken appropriate action, in accordance with the conclusions and recommendations of the agricultural credit study, to encourage the development of rural financial markets.

3. <u>Conditions Precedent To Disbursement From The Special Local Currency Account</u>

A. No funds shall be released from the Special Local Currency Account until a joint Grantee/A.I.D. Counterpart Management Committee has been formed and is functioning.

B. No funds shall be released from the Special Local Currency Account until A.I.D. and Grantee have agreed upon written criteria and procedures for approving allocations to projects or activities determined to be eligible recipients of local currency financing.

4. <u>General Covenants</u>

A. <u>Continuance of Actions taken by Grantee in Satisfaction of Conditions Precedent</u>

The Grantee shall not in any way discontinue, reverse or otherwise impede any action it has taken in satisfaction of any condition precedent to initial or subsequent disbursements except as the Parties may otherwise agree in writing.

B. Special Local Currency Account:

The Grantee will establish a Special Local Currency Account in the bank of its choice and deposit therein currency of the Government of the Republic of Niger in amounts equal to the dollar disbursements under the Grant. Funds in the Special Local Currency Account may be used for such purposes as are mutually agreed upon by A.I.D. and the Grantee, except that 5 percent (5%) of such funds shall be placed in a Local Currency Trust Fund Account to be administered by A.I.D. for program activities which will be identified by A.I.D. in Project Implementation Letters (PIL).

C. Tenets Governing Use of Local Currency:

The Grantee shall adhere to the following tenets with respect to the use of local currency generated under the Grant:

1. Except as the Parties may otherwise agree in writing, the Special Local Currency Account shall be used only to finance activities which contribute to production and income generation according to the following priorities:

a. Activities or projects contributing to the implementation of policy reforms or modifications in the agriculture and livestock sector required under the Grant;

b. Recurrent or local costs of A.I.D.-financed agricultural or livestock projects;

c. Recurrent or local costs of other donor-financed agricultural or livestock activities or projects which complement or supplement A.I.D. projects;

d. Extensions or continuations of activities or projects under implementation in the agricultural and livestock sector which contribute to the rapid increase in productivity and income of the rural population.

2. The funds provided by A.I.D. under the Grant will be considered as additional resources for the National Investment Fund (FNI) segregated in a special account and not be a substitute for the Government of Niger's own budgetary resources.

3. The Government of Niger shall maintain and cause recipients of funds from the Special Local Currency Account to maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Special Local Currency Account. The Government of Niger shall grant or cause such recipients to grant to A.I.D. or any of its authorized representatives the right to inspect such books and records at all times as A.I.D. may reasonably require. Such books and records shall be maintained for three years after the date of last disbursement by A.I.D. under the Grant.

4. The Government of Niger shall refund to the Special Local Currency Account any local currency not used for agreed upon purposes, except as the parties may otherwise agree in writing.

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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D.C 20523

ASSISTANT
ADMINISTRATOR

AUG 8 4 40 PM '84

AUG 8 1984

EXECUTIVE SECRETARIAT

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU: Acting AA/PPC, Richard Derham

FROM: Acting AA/AFR, Mark Edelman AUG 3 1984

SUBJECT: Niger - Agriculture Sector Development Grant (683-0246 & 683-0247)

I. Problem: Your approval is requested for grants of $15.0 million from Section 121 of the Foreign Assistance Act (FAA) of 1961, as amended, the Sahel Development Program (SDP) appropriation and $17.0 million from Section 531 of the FAA Economic Support Fund (ESF) appropriation, for a total of $32.0 million to the Government of Niger (GON) under the Agriculture Sector Development Program (683-0246 & 683-0247 respectively). The planned obligation for FY 1984 is $5.0 million ESF and $5.0 million SDP funds for a total of $10.0 million.

II. Discussion:

A. Program Description and Purpose

The Agriculture Sector Development Grant (ASDG) is essentially a resource transfer ($29 million), with a technical assistance component ($3 million) to finance policy studies. It is justified both in terms of achieving desirable and significant agricultural policy reforms which act to constrain growth and of the need to provide domestic capital to support ongoing agricultural development activities. With the GON in need of foreign exchange to meet external sector resource gaps, we have been able to successfully negotiate policy reforms upon which this resource transfer will be conditioned. The project will:

- promote agriculture production by ameliorating policy constraints to development in the agricultural sector;
- provide resources to the GON to support ongoing development activities; and
- contribute toward economic stabilization directly and act to minimize the adverse impact on development programs of austerity measures imposed by the GON to achieve short term stabilization goals.

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The ASDG is in conformance with USAID/Niger's short-term CDSS strategy, which is directed toward economic and financial stabilization and reform of agricultural policies. With the ASDG's focus on agricultural policy reforms, maintenance of ongoing investment and more effective use of available resources, it will be the main component of the Mission's short-term strategy. Moreover, it will directly support the GON's efforts to stimulate agricultural production, increase farmers' incomes and improve their living conditions as a result of general improvement in Niger's overall economic performance.

In the course of project development, USAID/Niger expended considerable efforts with the GON and other donors in beginning to estimate the recurrent cost burden of development in Niger. The results not only justify the need for increased levels of domestic capital but also, for the first time, suggest the extent and nature of the short-and long-term recurrent cost burden of development programs - which can only be described as extremely heavy if not overwhelming. As the IMF seeks to bring Niger's balance of payments situation to a sustainable position, the ECPR believes it equally important to look over the longer term, toward bringing the GON's domestic budget to a sustainable position. Development programs to date have created a gap between domestic resources and expenditures, a gap which in part has been met by non-project assistance. To assure that the gap is not continually widened by development efforts of the U.S. and other donors, part of the technical assistance funds under this program will be used to identify in more detail (and with greater precision) preliminary estimates of the recurrent cost problem, a follow-up to USAID/Niger's initial efforts. To the extent politically feasible, efforts would then be directed toward provision of technical assistance to the GON (for example, to study the effect of a ten-to fifteen-year period of steadily reducing the burden of uneconomic productive parastatals, and the benefit of user fee systems of providing services).

B. Financial Summary

Funding for the first year of the ASDG (FY 1984) will be $5.0 million in SDP funds and $5.0 million in ESF funds, for a total of $10.0 million. Life of project funding for the grant will be $15.0 million in SDP funds and $17.0 million in ESF funds, for a total of $32.0 million. An overall budget breakdown is presented below.

	($000s)			
	FY 1984		LOP	
	SDP	ESF	SDP	ESF
Dollar Disbursements	2,000	5,000	12,000	17,000
Technical Assistance	1,500	-	1,500	-
Policy Studies, Workshops and Seminars	1,000	-	1,000	-
In-Service Training	350	-	350	-
Evaluation	150	-	150	-
TOTAL	5,000	5,000	15,000	17,000

There are no GON or other donor contributions to the ASDG.

C. Socio-economic, Technical, Financial and Environment

1. The ECPR found the macro-economic justification for dollar disbursement satisfactory.

2. There are no human rights issues.

3. The Bureau Environmental Officer concurs with the conclusion of the Mission that a categorical exclusion be granted because dollar disbursements and direct payments for technical assistance etc., are eligible in accordance with AID Regulation 16, Section 216.2(c)(2)(i) and (vi) to be excluded from the environmental procedures.

D. Implementation Plan - In describing the process of "Policy Implementation", the ECPR requested additional information or description of: (1) Mission Steering Committee identification and role of AID Staff; 2) role of the Controller; 3) technical assistance under the Grant and their roles; 4) timing and data to be used; 5) other donors and their roles in adhering to concerns of recurrent costs; and 6) concentration of development assistance on productive projects. The aforementioned information and descriptions have been included in the Sector Assistance Approval Document (SAAD).

E. Major Implementing Agency for policy implementation will be the Ministry of Rural Development, Office of Program Studies. The executing agency representing the GON will be the Ministry of Plan. A Secretariat will be created in the office of the National Investment Fund (FNI) of the Ministry of Plan to assist the Director of the National Investment Fund to coordinate activities and prepare necessary reports and documentation related to the program.

F. <u>Conditions and Covenants</u> for the ASDG are set forth in Attachment A: PAAD Face Sheet. The conditions precedent to initial and subsequent disbursements of funds are expected to ensure attainment of the outputs of this sector assistance grant. The outputs consist of achievements in five areas of policy reforms which are considered essential for better resource allocation and an important contribution to the increase in agricultural and livestock production and income of rural population. The policy reforms to be undertaken under the ASDG and which are couched in terms of conditions precedent to initial and subsequent disbursements of funds are as follows:

1. Reorient the agricultural input subsidy policy and restructure the official input supply agency in order to make available more agricultural inputs to farmers at prices which reflect benefits to the economy.

2. Promote competition in grain marketing through the liberalization of official marketing and pricing policies and the consequent reduction in operation losses of the official grain marketing agency and increase in the relative share of agricultural outputs marketed by cooperatives and private traders.

3. Undertake a study of the country's agricultural credit situation, particularly in the informal credit market, in order to formulate appropriate policies to promote the development of rural financial markets.

4. Promote border trade of livestock, cowpeas, and other agricultural products through reduction of administrative and fiscal impediments.

5. Promote more cooperative and private trader participation in the supply of agricultural inputs; border trade of livestock, cowpeas, and other agricultural products; and internal grain marketing and storage.

In view of the fact that some of the policy reforms are not to be carried out until the third tranche of dollars, the ECPR recommended that the authorization of the ASDG incorporate specific clauses which would permit the Mission some leeway in judging whether conditions percedent to subsequent disbursements are met, such as specifying input subsidy reductions as targets rather than absolutes. The ECPR also suggested that judgments about whether progress towards targets has been sufficient should be guided by sound economic rationale. For example, the evidence of reduction in fertilizer usage (or any inputs) associated with the subsidy reduction is not an end of itself and sufficient reason for permitting the subsidy reduction schedule to slide. The decline in usage may reflect the reduction of uneconomic use induced by the policy change, a reduction which should be encouraged. Moreover, the ECPR recommended that the Administrator delegate to AA/AFR authority to approve any subsequent substantive changes or modifications, as may be required due to unforeseen changes in circumstances related to the ASDG.

G. Section 121(d) of the FAA is being applied as a matter of Africa Bureau policy to U.S. dollars made available under the ESF and SDP funded activities as well as local currencies generated thereby. In so doing, the GON and recipients of local currency will be required to provide adequate identification of and control over the receipt and expenditure of A.I.D. funds. Attachment A: PAAD face sheet sets forth special conditions and covenants which govern the use of local currency generated by dollar disbursements under the ASDG.

H. Section 611(a) requirements for the dollar disbursements have been met by the establishment of a system for monitoring GON progress in implementing policy reforms which are conditions precedent to subsequent disbursement of dollars by AID.

I. Program Implementation - The executing agency representing the GON will be the Ministry of Plan. A Secretariat will be created in the National Investment Fund of the Ministry. The implementation plan contained in the SAAD has been revised according to recommendations of the ECPR and carefully reviewed by the Project Committee and found to be realistic and establishes a reasonable time frame for carrying out the program. The responsible officer for the grant in the field will be the USAID/Niger Agriculture Development Officer. The responsible officer in the Bureau will be the AFR/PD/SWAP Project Officer assigned overall responsibility for Niger.

J. Other Considerations - This program combines ESF and SDP funding in the sector assistance format because sector assistance provides broader development focus on the macroeconomic level than the project or food assistance activities which have characterized A.I.D. assistance to Niger in the past. The program sector grant also provides an approach to address key constraints in the agriculture sector which are linked with sectoral policy reforms and are not particularly amenable to resolution through standard projects

II. Justification to Congress was forwarded June 15, 1984 and the waiting period expired June 30, 1984 without objection.

III. Clearances: At both the Issues and ECPR meetings, representatives of all relevant Africa Bureau, S & T and PPC offices were present and concurred in recommending authorization of this SAAD.

IV. Recommendations:

A. That you authorize funding of $32.0 million (consisting of $15.0 million SDP and $17.0 million ESF funds) for the Agricultural Sector Development Program.

Approved: JBKimball

Disapproved: ____________

Date: Aug 14, 1984

B. That you delegate to AA/AFR authority to approve or disapprove substantive modifications of conditions precedent to subsequent disbursement of funds, in accordance with limitations and information requirements under Section IIf of the memo. AA/AFR intends that the USAID/Niamey Mission Director exercise his authority in determining that conditions precedent have been substantially met. As stated in paragraph F.5 on page 4 these judgments will be made on the basis of sound economic analysis. The Mission Director will communicate his determination to AA/AFR. In cases where there has been a substantial failure to meet a condition precedent or when the Mission Director recommends that a condition precedent be either substantially changed or eliminated or new conditions added, AA/AFR will exercise authority delegated by you to make such decisions. In these cases, AA/AFR will notify you of such decisions.

Approved: JBKimball

Disapproved: ____________

Date: Aug 14, 1984

V. Attachments:

A. PAAD Face Sheet
B. SAAD

VI. Clearances

DAA/AFR:ARLove	ARL	DAA/AFR/WCA:JPJohnson	JPJ
AFR/PD:NCohen	(draft)	AFR/DP:HJohnson	(draft)
GC:HMFry	(draft)	M/FM/PAD:EOwens	
AFR/TR:DReilly	(draft)	AFR/SWA:DChandler	(draft)

Drafted by: AFR/PD/SWAP:WJKing ext 29339 (1293M)

NIGER

AGRICULTURE SECTOR DEVELOPMENT GRANT

(683-0246/0247)

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ABBREVIATIONS

APS	Agricultural Production Support Project
ASDG	Agriculture Sector Development Grant
BCEAO	Banque Centrale des Etats de L'Afrique de l'Quest
BDRN	Banque de Developpement de la Republique du Niger
CA	Centrale d'Approvisionnement
CCCE	Caisse Centrale de Cooperation Economique
CFDT	Compagnie Francaise pour le Developpement des Fibres Textiles
CIP	Commodity Import Program
CND	Conseil National de Developpement
CSPPN	Caisse de Stabilisation des Prix des Produits du Niger
COPRO-Niger	Societe Nigerienne de Commercialization et de Production
FNI	Fonds National d'Investissement
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ILP	Integrated Livestock Project
IPDR	Institut Pratique de Developpement Rural
JPA	Joint Program Assessment
NCR	Niger Cereals Research Project
NDD	Niamey Department Development Project
NIGELEC	Societe Nigerienne d'Electricite
OPVN	Office des Produits Vivriers du Niger
PIC	Programme interimaire de consolidation
SONARA	Societe Nigerienne de Commercialization de l'Arachide
UMOA	Union Monetaire Ouest Africaine
UNCC	Union Nationale de Credit et de Cooperation

I. EXECUTIVE SUMMARY AND RECOMMENDATION

A. The Request

The Government of Niger (GON) has requested program assistance to assist Niger to undertake necessary policy adjustments, which will contribute to the growth and development of the agriculture sector, and to assist in its economic stabilization effort. USAID/Niger is proposing a four-year (FY 1984-87) $32 million sector assistance package to the GON consisting of $17 million of Economic Support Funds (ESF) and $15 million of Sahel Development Program (SDP) funds for the Agriculture Sector Development Grant.

B. Background

Niger's present economic stagnation was brought on by a sharp drop in uranium revenue since 1981. Its economic performance during 1981-1983 was further impaired by mediocre harvests, inappropriate policies related to the financing and subsidizing of costly and inefficient public enterprises, an over-acceleration of investment activities in less productive sectors and the borrowing practices of government agencies.

Niger's deteriorating economic and financial situation is characterized by increased public debt service. According to the most recent IBRD and IMF estimates, total external public debt service payments were between $85-109 million during 1982-1983 and are expected to remain at this level for the next four years. Given the fact that the GON's budgetary resources (excluding grants and loans) will not be more than $190 million and the uranium export earnings are not likely to improve in the near future, the level of debt is of serious concern.

The severe liquidity problem in the public sector has forced the GON to seek IMF assistance and a debt rescheduling agreement with the Paris Club. However, the IMF program and the debt relief alone will not suffice to correct current financial imbalances and the structural constraints faced in the medium-term. In fact, without increased inflow of external resources on concessional terms and a sustained government effort to strengthen its financial situation, Niger will be faced with an even more serious financial situation, Niger will be faced with an even more serious financial crisis when the grace periods on the IMF loan and the debt rescheduling or refinancing come to an end. A short-term stabilization and medium-term structural adjustment program is required. To be successful, such a program will require the support of the international donor community.

The ESF funded component of the Agriculture Sector Development Grant will be part of Niger's overall program of financial stability and structural adjustment. It will also help Niger conserve its previous investment in the sector as well as to continue its attempt to realize the development potential and to avert further difficulties in its public finance and balance of payments position.

C. Conditionality and Policy Reform

One of the GON's major objectives in the agriculture sector as stated in the GON's Five Year Plan (1979-1983) and its Interim Plan (1984-1985) is increasing food production. Because of the size of Niger's agriculture sector relative to the rest of the economy, this sector is the key to overall development. Economic efficiency and sustained broadly based economic growth of the sector require, in addition to available resources, the removal of certain policy constraints. These constraints were identified in the 1979 Niger Agricultural Sector Assessment and discussed in detail in Annex H. Economic and financial difficulties have made the GON increasingly aware of the need to modify some sectoral policies to make better use of its reduced resource level.

Consistent with the A.I.D. Policy Paper entitled Approaches to Policy Dialogue and in accordance with the program sector assistance guidance cable (State 246904 dated 8/3/83), USAID/Niger is proposing to tie disbursement of the proposed sector assistance to evidence of the GON's progress in the implementation of certain policy reforms. The specific policies and their targets are provided in Sections II and IV of this SAAD.

D. Other Donor Support

Niger has sought support from multilateral and bilateral donors including the IMF, World Bank, EEC, UN, France, Arab countries, United States and Germany. With IMF support in the form of a standby agreement in the amount of 18 million SDRs and 12 million SDRs under the Compensatory Financing Facility, the GON has adopted a number of macroeconomic policies aiming at adjusting the economy in response to financial constraints. The GON also concluded a debt-rescheduling agreement with the Paris Club in November 1983.

New assistance has come from the OPEC Fund for $16.75 million in four separate balance of payments loans. The terms of these loans are very generous: interest free, with a 1/2 of 1 percent service charge per year. The maturity period is ten years with a three-year grace period.

The French Government through the CCCE (Caisse Centrale de Cooperation Economique) provided "emergency" assistance loans to Niger in 1981 and 1982. In July of 1983, the CCCE granted the GON a loan of 5 billion CFA francs for the purposes of improving the Government's fiscal and budgetary systems and improving the financial situation of certain parastatal organizations.

The Canadians have just begun an $18.0 million commodity import line of extremely concessional credit which is used for imports of equipment (e.g., agricultural, industrial and mining and other items.

The IBRD is considering a structural adjustment loan most likely in the parastatal sector following its recently concluded studies of 54 parastatals. However, such a loan would not likely come on stream until 1986.

E. Program Assistance Description

The goal of the Agriculture Sector Development Grant is to assist the GON to achieve its economic and financial stabilization program currently in place under the IMF auspices and to contribute to the goal of increasing food production and farmers income. It is fully consistent with the GON's and USAID's strategies in the agriculture sector as discussed in Section III of this document.

The Agriculture Sector Development Grant has a dual-purpose. First, it is intended to promote the implementation of growth-oriented agricultural policies in the marketing of agricultural outputs and in the supply of agricultural inputs through deregulating controls in these markets and encourage the use of market incentives and competition. Second, it is intended to provide additional resources to the agriculture sector in order to maintain existing investment activities and raise the level of the sector's absorptive capacity in view of the country's severe budgetary problem, unsustainable balance of payments deficit and worsening debt situation.

The outputs of the Agriculture Sector Development Grant consist of achievements in five areas of policy reforms which are considered essential for better resource allocation and important contribution to the increase in agricultural and livestock production and income of rural population. The policy reforms to be undertaken under the Agriculture Sector Development Grant are:

1. Reorient the agricultural input subsidy policy and restructuring of the official input supply agency in order to make available more agricultural inputs to farmers at prices which reflect benefits to the economy.

2. Promote competition in grain marketing through the liberalization of official marketing and pricing policies and the consequent reduction in operation losses of the official grain marketing agency and increase in the relative share of agricultural outputs marketed by cooperatives and private traders.

3. Undertake a study of the country's agricultural credit situation, particularly in the informal credit market, in order to formulate appropriate policies to promote the development of rural financial markets.

4. Promote border trade of livestock, cowpeas, and other agricultural products through reduction of administrative and fiscal impediments.

5. Promote more cooperative and private trader participation in the supply of agricultural inputs; border trade of livestock, cowpeas, and other agricultural products; and internal grain marketing and storage.

The inputs of the Agriculture Sector Development Grant consist of three components: (1) conditional dollar disbursements; (2) equivalent local currencies derived from the grant; and (3) technical assistance for policy formulation and implementation support.

The dollar disbursements will be effected only when certain policy actions have been taken by the Government of Niger in order to move toward the policy objectives for which this sector assistance is intended.

The local currency derived from this sector assistance program will be used to support activities or pilot projects which will contribute ttoward the implementation and realization of policy reforms and to support recurrent costs and host country contributions. The financing of recurrent costs will be guided by three general criteria: first, maximizing the likelihood of increasing income-generating capacity, foreign exchange earnings, and tax base; second, local currency will not be used to support projects which will create future recurrent cost burden; third, reasonable assurance that the stream of benefits from recurrent cost financing is greater than using the funds for new projects.

A total of $3.0 million outside the dollar disbursement component is set aside for technical assistance to assist the GON and USAID undertake the policy reform program, and to manage the local currency program. The implementation of the policy reform program will also be supported by specific policy studies and the development of a policy analysis unit in the Ministry of Rural Development to help ensure the continuation of effective policy formulation and implementation. A total of 8 person-years of long-term technical assistance and 40 person-months of short-term technical assistance have been programmed. The inputs costs of the program are summarized below. The table at the end of this section provides an illustrative financial plan for the program.

	Funding Source	
	SDP ($000)	ESF ($000)
Foreign Exchange Component		
Dollar Disbursements	12,000	17,000
Technical Assistance	1,500	
Policy Studies and Related Seminars and Workshops	1,000	
In-Service Training and Support	350	
Evaluation	150	
TOTAL	$15,000	$17,000

The policy studies and support as well as assistance in local currency management and audit will also be funded from the local currency account.

F. Implementation

The executing agency for this program will be the Ministry of Plan. The National Investment Fund Office and the Office of Program and Evaluation within the Ministry will coordinate the key elements of the program to be carried out by associated ministries and other GON agencies.

While USAID could use PVO for some of the technical assistance, for example, in the area of grain storage, the complexity of policy dialogue requires that USAID finds technical advisors who are highly competent in the areas of policy formulation and implementation. The technical advisors for this program must have extensive experience in policy dialogue, fluent in French (at a level of FSI S/R 3+ or 4), and are very knowledgeable of institutional arrangements and operations in West African Francophone countries. This implies that USAID would need widest possible competition including academic institutions. USAID, however, will encourage minority firms or academic institutions to submit candidates for technical assistance. Host country contract mode and/or contracting through buy-in arrangements with the already established centrally funded program (such as the existing Agricultural Policy Analysis Project managed by AID/W , Office of Science and Technology) will be used.

G. Program Benefits

Implementation of the policy reforms are expected to produce the following benefits:

1. The policy changes which accompany this sector grant would economize on the use of available public sector resources. Savings from the reduction in losses on the operations of the input supply system and the grain marketing agency could otherwise be used in activities which would contribute to increased agricultural production.

2. The policy changes in subsidies and input supply system should result in more inputs being made available to farmers. To the extent that more input use leads to increased production, the policy changes contribute to agricultural production. The beneficiaries of these policy changes will be farmers whose demand the CA (Official Input Supply System) could not satisfy formerly because CA could not deliver the necessary inputs due to the excessively high level of subsidy as well as the execution problem inherent in the present input supply system. A majority of the beneficiaries are subsistence farmers in the various productivity project zones of the five provinces and these farmers are Niger's poor majority. The number of farmers who would benefit from this is estimated at approximately 500,000.

3. The policy changes in grain marketing and pricing and promotion of cross-border trade should encourage evolution of cooperatives marketing intermediaries and increase the opportunity for more private sector participation. The policy changes are also expected to contribute to the

reduction of the costs of managing the country's food reserves and to increase farmer incomes and export earnings from agricultural production.

4. While the agricultural credit study proposed here will not affect agricultural production and farmers income directly, the outcome of the study may contribute to the development of an economically viable agricultural credit system in Niger. The present official credit system is in disarray but it is considered one of the constraints in agricultural production. To the extent the study leads to actions which help improve the effectiveness of ongoing agricultural development activities, including those in A.I.D. program, it contributes to agricultural production in the long run.

5. The sector assistance will have positive macroeconomic impact. It will contribute to the goal of economic and financial stabilization and easing the present liquidity problem both in the balance of payments and budget without resorting to commercial borrowing and worsening the debt situation. The local currency derived from the sector assistance woulo help alleviate some of the budgetary squeeze on the National Investment Fund, a large portion of which is used to support donor-financed projects. The cut in the National Investment Fund affected negatively the operations of projects in the sector. The sector assistance, by providing financing of recurrent costs, will also make possible more effective absorption of previously committed aid and past investment efforts in the sector.

H. Summary Findings

From the review and analysis of this document, we have found that:

1. The proposed program sector assistance and the provisions for disbursing funds under the grant are technically, economically and administratively sound;

2. The timing and funding of the program are appropriately scheduled;

3. Sufficient planning has been completed to implement, monitor and evaluate progress under the program; and

4. All statutory criteria have been met.

Design Team

The design team consisted of the following individuals:

Rifat Barokas, Contractor
Development Economist

Grace S. Hemmings, Contractor
Anthropologist

Wess Trible, Contractor
Commodity Management Advisor

Thomas Zalla, Contractor
Agricultural Economist

Sidney Chambers, AFR/PD/CCWAP
Project Development Officer

Francis Donovan, USAID/Niamey
Supply Management Advisor

Thomas Olson, USAID/Niamey
Agricultural Economist

Kiertisak Toh, USAID/Niamey
Economist

USAID/Niger's project review committee members are:

Abbe Fessenden, Program Officer
Lance Jepson, Agriculture Development Officer
Steven Osagbue, Controller's Office
Lena Gurley, Management Officer

I. Recommendation

USAID/Niger recommends approval by the Administrator this request for program assistance from Section 121 and Section 531 of the Foreign Assistance Act as amended in the form of a grant of $32 million ($15 million SDP-funded and $17 million ESF-funded). The grant will consist of $29.0 million of dollar disbursements tied to specific policy changes and $3.0 million for technical assistance and policy studies and implementation support.

Illustrative Financial Plan
(Disbursements)
($000)

DA	FY 1984		FY 1985		FY 1986		FY 1987		FY 1988		Total	
	SDP	ESF	SDP	ESF	SDP	ESF	SDP	ESF	SDP	ESF	SDP	ESF
Dollar Disbursements	--	500	1,000	7,000	4,000	7,000	5,000	2,500	2,000	--	12,000	17,000
of which: USIAD Trust Fund	--	(25)	(50)	(350)	(200)	(350)	(250)	(125)	(100)	--	(600)	(850)
Technical Assistance:												
Long-term (8 person year)	100	--	300	--	300	--	300	--	--	--	1,000	--
Short-term (40 person months)	50	--	130	--	100	--	120	--	100	--	500	--
Policy Studies/Workshops and Seminars	50	--	250	--	250	--	300	--	150	--	1,000	--
In-Service Training	50	--	100	--	100	--	50	--	50	--	350	--
Evaluation	--	--	70	--	--	--	80	--	--	--	150	--
	250	500	1,850	7,000	4,750	7,000	5,850	2,500	2,300	--	15,000	17,000

*including contingencies

II. PROGRAM DESCRIPTION

A. Macro and Sectoral Problems

1. Macroeconomic Situation

The extraordinarily favorable economic performance during the period of 1976-1980 ended abruptly in 1981 as the result of the depressed world demand for uranium relative to production and substantial increases in uranium stockpiles. Niger's economic performance in 1981-1983 was further impaired by mediocre harvests and inappropriate policies related to the financing and subsidizing of money-losing public enterprises, an over-acceleration of investment activities in less productive sector, as well as the borrowing practices of Government agencies. The situation can be characterized as follows:

-- real Gross Domestic Product stagnated in 1981 and declined by an average annual rate of 2 percent in 1982 and 1983;

-- terms of trade deteriorated by 30 percent in 1981 because of the lower uranium export price relative to increasing import costs; it continued to decline by another 2 percent in 1983;

-- total outstanding and disbursed external debt reached 46 percent of Gross Domestic Product in 1983 with the ratio of public debt service payments to export earnings and private transfers reaching 33 percent; if the debt service payments of the private sector are included, the ratio was 44 percent in 1983; the composition of the debt has also changed, with about 30 percent of the debt having contracted on non-concessional terms and of short-term maturity, and a large portion of the debt denominated in U.S. dollars (51 percent of the direct government debt and 16 percent of the government-guaranteed debt);

-- the overall balance of payments deficit reached $130 million in 1982 accompanied by a large current account deficit, declining net capital inflows and foreign reserves:

-- the budget deficit in 1981 reached a record high of about $236 million, declined to $140 million in 1982, and is expected to be about $132 million in 1983. There was also an increase in payments arrears of approximately $44 million in 1982; total Government's payments arrears owed to domestic banks and other enterprises amounted to $56 million as of July 31, 1983;

-- investment activities declined and urban unemployment increased, with industry capacity utilization, such as agro-based processing activities like groundnut oil, textile, rice processing, and flour, averaging less than 30 percent.

2. Agriculture Sector

As analyzed in Section III. B and Annex H, there are a number of constraints to the development of Niger's Agriculture sector. These constraints range from limited natural resource endowments and available appropriate technology to institutional, human resources, and policy constraints. The overall financial constraint and unfavorable macroeconomic developments adversely affect and magnify the sectoral problems, by limiting the resource level allocated to the sector.

As a general indication of the severe financial constraints imposed by the country's deteriorating economic conditions on the agriculture sector, the changes in the government budget can be a useful guide. The current expenditure budget for the Ministry of Rural Development declined by 14 percent from 2.52 billion CFA francs ($7.66 million) in fiscal 1982 to 2.16 billion CFA francs ($5.92 million) in 1983. The budget is 2.35 billion CFA francs ($5.88 million) in 1984 (about the same as the 1981 budget at current market prices). The portion of the FNI budget allocated for donor-financed projects decreased from 1.35 billion CFA francs ($4.1 million) in 1982 to 545 million CFA francs ($1.5 million) in 1983. It increased to a planned level of

822 million CFA francs ($2 million) in 1984. According to the 1984-1985 Interim Plan, practically no FNI-financed resources will be available for Fiscal 1985.

The increased scarcity of both recurrent and capital resources will be a critical binding constraint on the ability of the agriculture sector to absorb effectively foreign assistance. The reduced financial absorptive capacity will aggravate the already low level of institutional absorptive capacity. In view of the importance of the sector and the amount of investment supported by donors (approximately 38 percent of the total foreign assistance in 1982), the reduction in the sector's recurrent budget is not consistent with the viability of the sectoral investment plan. The 1984-1985 Program of Investment Consolidation (PIC) calls for a reorientation of public investment toward the directly productive sector. Agriculture and livestock will receive approximately 30 percent of the planned investment in the PIC.

As part of an overall adjustment process in response to the reduced level of public sector resources, the Government of Niger has examined and attempted to deal with some of the policy constraints analyzed in Annex H. Some positive changes in policy direction have taken place recently. Cereal prices paid to producers by official grain marketing agency were raised substantially in 1981-1983 crop years. The President made policy statements regarding the importance of mobilizing resources from the private sector in the country development, the need to improve the efficiency of public enterprises and to reduce Government subsidies to these enterprises. The Government has also emphasized the need for decentralization, diversification of the economy, revitalization of cash crops and livestock production, and expansion of exports. Several of these policy statements reflected recommendations from the National Conference at Zinder which examined critically and reassessed the Government's agricultural priorities and policies. These policy statements indicated the direction toward which the Government is moving and provide a general framework for the development of a plan of action. The Government of Niger will need support and encouragement to carry out its expressed policy changes.

B. Justification for Program Sector Assistance

In the present economic and financial situation, a form of assistance like program sector assistance which is not tied to projects can play a significant role by removing financial constraints and simultaneously promoting a policy environment which is conducive to better resource allocation and growth. USAID has chosen program assistance to the agriculture sector for the following reasons:

First, agriculture and livestock production are income-generating activities and support the livelihood of almost 90 percent of the population in Niger. Niger can no longer depend on uranium as the growth locomotive to the same extent as in the late 1970's. Agriculture and livestock production is probably the most likely potential basis for stable growth over the medium and long-run. A reorientation of public investment towards the development of agriculture and livestock is desirable in order to bring about growth and export diversification and viable import substitution in foodstuffs. Niger's exports of livestock and cowpeas are the most signficant sources of foreign exchange earnings next to uranium. Other potential export crops, particularly groundnuts and cotton, could also play an important role as industrial crops for agro-based processing plants.

Second, as evidenced from the implementation of the 1979-1983 plan, the severely limited ability of agriculture and rural sectors to absorb investment is one of the important explanatory factors of a low rate of realization in the sector, less than 60 percent of planned investment expenditure.1/ Limited absorptive capacity is caused by institutional limitations, human capital scarcity, inappropriate policies, and financial constraints. Until 1983, financial constraints did not appear to be a critical factor contributing to low absorptive capacity during the plan period. Institutional limitations, human capacity scarcity, inappropriate policies, particularly in the allocation of public sector resources together with the unrealistic goals set in the plan, were the major causes of the low investment rate in the rural sector. With prospects for continued lower levels of available budgetary resources, accompanied by high levels of debt servicing and increasing recurrent commitments stemming from past investment efforts, financial constraints will be an additional factor determining the sector's absorptive capacity. External resources in the form of non-project assistance can help increase the level of absorptive capacity through financing reasonable operating costs of projects which will contribute to increases in production.

Because a relatively high level of capital spending went into the agriculture sector during 1979-1983 and most of the investment in the sector is generally sound economically and socially, the case is strengthened for financing recurrent costs to allow past investment efforts to come to full completion. External assistance in support of recurrent costs can increase the sector's absorptive capacity, other things being equal. Financing recurrent costs, however, may be counter-productive if it results in relieving pressure for expenditure control and continuation of inappropriate policies. In order to avoid the possible counter-productive effects, the financing of recurrent costs under the sector assistance will be accompanied by certain criteria to ensure that the local currency account is carefully used to support projects which are most likely to contribute to raising income-generating capacity and do not increase future recurrent cost burden in excess of the ability to bear it. There must be reasonable assurance that recurrent costs support of certain projects has a higher development impact than using the funds for other new projects.

1/ See Annex J and Niger's FY 1985 CDSS for an assessment of Niger's 1979-1983 plan.

Third, the sector assistance approach is timely for undertaking policy initiatives at the sectoral level, particularly in the agriculture sector in which A.I.D. concentrates its assistance. The abrupt change in the country's economic and financial conditions have increased the importance of pursuing the economic stabilization goal and policy adjustments. The Nigerian Government has already adopted an IMF austerity program which includes measures to increase revenue, cut government spending and imports, refrain from non-concessional borrowing by the government or governmentally guarantees, and slow down the growth of domestic bank credit as well as reduce payment arrears. The government is also moving towards restructuring public enterprises in order to reduce losses of these enterprises. It is adopting certain measures, including closing down the distribution centers of the official grain marketing agency (OPVN), reducing the role of the state import monopoly for essential consumer goods, laying off personnel and cutting down the size of the vehicle fleets of parastatals, and raising tariff rates on water and electricity consumption. Other positive changes in policy direction have also taken place since 1981. Official crop prices were raised substantially in 1981-1983 crop years: 100 percent for millet, 43 percent for sorghum, 45 percent for rice, 89 percent for cowpeas, and 80 percent for unshelled groundnuts. The environment in Niger for a meaningful and sustainable policy reform is very favorable. The political will to implement the necessary policy changes also exists.

C. <u>The AID Sector Assistance Program</u>

1. <u>Purpose of the Program</u>

The proposed $32 million ($15 million SDP and $17 million ESF) four-year agriculture sector assistance program has a dual purpose. It is intended to assist the Government of Niger to improve and maintain a policy environment conducive to a more efficient resource utilization and allocation within the sector and to provide additional resources to the agriculture sector in order to maintain existing investment activities and raise the level of the sector's absorptive capacity in view of the country's macroeconomic and financial situation. The policy reforms to be encouraged under this sector assistance have the following objectives:

a. <u>Input Supply and Subsidies</u>

(i) Increase the availability and use of improved inputs by adjusting prices and subsidies in a way that increases aggregate growth and production in Niger;

(ii) Improve the responsiveness of producers and suppliers of inputs to the needs of farmers; in particular encourage technological adaptation and provision of better quality and lower cost inputs;

(iii) Minimize the drain on Government of Niger investment and operating budgets by shifting the cost of input production and supply to the private sector to as much as possible;

(iv) Promote the role and importance of cooperatives in supplying inputs to farmers.

b. Price and Marketing Policies

(i) Reduce the cost of supplying cereals to the urban sector and to northern areas of the country;

(ii) More effectively support producer prices for cereals and reduce intra-seasonal price variation;

(iii) Reduce the cost of managing the country's emergency food reserve;

(iv) Increase farmer incomes and export earnings from agricultural production.

c. Agricultural Credit

(i) Establish a sound social and financial basis for delivering agricultural credit to Niger's farmers;

(ii) Increase the ability of farmers to repay loans obtained for agricultural production by increasing access to improved inputs and by ensuring the economic use of those inputs.

d. Cross-Border Trade

(i) Promote increased production and exports of cowpeas and livestock as alternatives to excessive dependence on uranium for foreign exchange;

(ii) Increase incomes of crop and livestock producers;

(iii) Promote interregional trade particularly with Nigeria and other neighboring countries as a first line of defense against crop failures in the region;

(iv) Promote registration of exports.

e. Cooperative and Private Sector Involvement

(i) Promote more cooperative and/or private trader participation in the supply of agricultural inputs;

(ii) Encourage the evolution of cooperatives as grain marketing and storage intermediaries;

(iii) Increase trade through private traders and/or cooperatives between Niger and Nigeria in livestock and cowpeas.

In addition to developing and maintaining a policy environment conducive to the growth and development of the sector, the sector assistance also has the objective of making available additional resources for the Government of Niger, in the form of local currency proceeds, to maintain implementation of its development programs, especially those supported by AID. Such additional resources are necessary because of the overall financial constraint and consequent decline in recurrent and capital resources available to the sector in relation to the importance of the sector accorded by the government and the AID program in Niger. Although declining budgetary resources in itself is not sufficient justification for AID sector assistance (in fact, in some cases, overall reduction in government expenditures may be called for), in the case of Niger's agriculture and livestock sector the funding reduction in 1982 went below the bare minimum requirement. Providing additional AID resources are considered important.

The sector assistance program will contribute indirectly to the goal of increasing the sector's productivity and food production in three ways:

First, by economizing available scarce public sector resources by reducing the excessively high level of subsidies and transfers to public enterprises whose operations cannot be sustained and are a financial drain of the government budget, it would stop diversion of resources that could otherwise be used in more productive activities.

Second, implementation of growth-oriented policies, establishing freer marketing and distribution structures, and adequate price incentives should increase cooperative and private sector participation. This would complement and reinforce the efforts being undertaken by the agricultural productivity projects.

Third, the sector assistance program will provide additional resources to the agriculture sector and raise its absorptive capacity level. For example, local currency generated from the program will be used to finance the necessary materials and supplies which would have been paid for by host country's contributions. Other things being equal, providing the missing items will permit project personnel to function at a more efficient level than would otherwise be possible. In effect, the sector assistance makes possible more effective absorption of previously committed aid and past investment efforts in the sector.

2. <u>Program Outputs</u>

Within the framework agreed by the Government of Niger and AID, the sector assistance program will assist the Government of Niger's Ministries of Rural Development, Planning, Commerce and Transport, and other related agencies to achieve the following policy reforms:

a. Reorientation of the agricultural input pricing and subsidy policies and restructuring of the official Input Supply Agency (CA).

b. Promotion of competition in grain marketing through the liberalization of official marketing agency and pricing policies.

c. Appraisal of the country's agricultural credit situation, particularly in the informal credit market.

d. Promotion of border trade of livestock, cowpeas, and other agricultural products.

e. Increase in cooperative and private trader participation in the supply of agricultural inputs; border trade of livestock, cowpeas and other agricultural products; and internal grain marketing and storage.

As analyzed in detail in Annex H and Section III. B., to achieve the outputs described above, the following actions must be taken:

Input Supply and Subsidies

a. The Ministry of Rural Development will refrain from fixing the prices of the agricultural inputs until it is reasonably certain of the subsidy resources at its disposal (excluding those financed by donor agencies which are tied to certain inputs in projects financed by these donors), and the quantity of each subsidized input it intends to distribute. The level of subsidy for input will be a fixed amount per item sold or purchased instead of a general operating subsidy for input manufacturing or input supply entities. The level of subsidy will be subject to the constraint that the total subsidy bill (both direct and indirect subsidies) does not exceed the available resources allocated; i.e. the CA will not borrow the supplement the resources allocated to it.

b. Based on the analysis in Annex H, the maximum subsidy on any input will be reduced to no more than 50 percent of its full delivered cost by the end of first program year. Full delivered cost includes distribution costs and operating costs of the Official Input Supply Agency in addition to the direct production costs of the inputs. The rate of subsidy will be adjusted toward a maximum weighted average of 15 percent by the end of the program. The rate to be applied to individual inputs will be determined by the Ministry of Rural Development following its detailed study of the subsidy situation which will be carried out following the signing of this sector assistance program.

c. Implement and maintain a policy environment in support of the proposed restructuring of the Centrale d'Approvisionnement (CA) to be undertaken under AID's Agricultural Production Support project. The plan for the restructuring of the CA is expected to be implemented in 1984.

d. Eliminate the policy of requiring farmers to buy the entire animal traction technical package as a condition for obtaining credit to a policy of letting farmers purchase only those implements they themselves want.

Price and Marketing Policies

a. Issue administrative decrees to allow private traders to participate freely in primary marketing of grain even during the official buying campaigns and remove all restrictions and fiscal impediments, except requirements for professional licensing, on the movement of grain across all the provinces in the country. No professional license should be required for trading or transporting 500 kilograms or less of cereals. The liberalization of the internal grain marketing would be carried out within one year of the signing of the Sector Grant Agreement. Furthermore, there will be no reimposition of previous administrative and/or fiscal impediments to internal trade over the life of the project except as required for managing emergency food aid distribution.

b. Establish a functioning system of tenders and sealed bids to encourage competition in the purchases and sales of grain for OPVN. Phased purchases of 10-20 percent of OPVN's reserve stock replenishment will be conducted through tenders from cooperatives and merchants. Phased sales of 10-20 percent of OPVN's stock turnover will be conducted through sealed bids from cooperatives and private market intermediaries. The percentage should rise toward the goal of 40 percent by the end of the sector assistance program.

c. Establish and promote village level grain storage through arrangements with cooperatives. The target level for this type of storage will be 6,000 tons by the end of the project.

d. Abandon uniform national pricing of cereals at both the producer and consumer levels in order to allow regional price differences which reflect transport costs and market conditions.

e. Encourage the reduction of total OPVN grain stock level in order to reduce storage costs and improve OPVN's financial position. A level of 100,000 tons by the end of the buying campaign is suggested (see Annex H for the discussion of how the level is chosen).

f. Promote competitive market setting by initiating weekly radio broadcasts of marketing situation reports in major vernacular languages in Niger. The broadcasts should include prices of major cereals, legumes, livestock, and livestock products in the major markets and at the arrondissement level. The target for this would be coverage of 75 percent of all the arrondissements by the end of the program.

Agricultural Credit

a. Undertake a joint Government of Niger/AID study to (i) analyze the need for agricultural credit in light of the changes in the agricultural input subsidies and the recent study by the FED/Caisse, and the uncertainty of the technical packages being promoted; (ii) assess the extent to which the lack of agricultural credit is a binding constraint in the use of modern agricultural inputs and production; (iii) evaluate the existing structure, functioning, and availability of credit including its typical forms and terms in the informal sector with the objective of identifying appropriate interventions to promote rural financial market development. The proposed terms of reference for the study is in Annex P. It will be reviewed and finalized following the signing of the sector assistance program. The study will be scheduled to coincide with the crop growing season during the first and/or second year of the program.

b. Undertake pilot activities in agricultural credit based upon the above study.

c. Support efforts by other donors to upgrade the formal credit institution.

Border Trade with Nigeria

a. Streamline the process necessary for obtaining trading permits and export licenses for all agricultural commodities. As much as possible, all required documentation should be obtainable from a single location, either at a "departmental" capital or a customs post at the border.

b. Replace the system of high minimum license fees for livestock and cereals exports (see pp. 38-40) with a system that is proportional to actual volumes exported. Exporters of small quantities of livestock should be free of all trading restrictions except those pertaining to animal health.

c. Re-establish and maintain the freedom to export unlimited quantities of cowpeas by both the public and private sector under equal conditions. This should also be extended to peanuts.

Privatization of the Input Supply System and Promotion of Cooperative Development

a. Issue administrative decrees to allow cooperatives/private sector to perform the input distribution function.

b. Within the context of an autonomous input supply parastatal or cooperative, all market participants should be free to set their own prices to farmers. The Government of Niger would concentrate on avoiding monopolies and ensuring competition. The Government of Niger will also promote the role and importance of cooperatives in supplying inputs to farmers.

c. Actively promote cooperatives and private traders as intermediaries in primary marketing of grain and other agricultural products freely including during the official buying campaigns, and encourage village level grain storage through cooperatives.

To achieve these outputs of policy reforms, A.I.D. will have to provide technical assistance in implementing the policies and in supporting appropriate studies to be used as inputs in the decision making, as well as in developing policy analytic and formulation capability of the Ministry of Rural Development which is inadequate at present. Furthermore, some policy changes will require extra incentive to bring about the desired objective. This is particularly true with regard to the level of reserve stock maintained by the Official Grain Marketing which has currently incurred substantial debts. The incentive can be in the form of cash transfer to help pay for the storage charges in return for lower level and more economic way of maintaining the reserve stock. The detailed workplan and the sequence involved in policy implementation will be developed following the signing of the grant agreement. The implementation schedule of these policy changes is given in Section V of this document.

3. Program Inputs

The sector assistance has three components: (a) conditional dollar disbursements for local currency generation; (b) the use of local currency derived from the sector grant; and (c) technical assistance and in-service training for managing the program, including monitoring the policy implementation, conducting policy studies, strengthening policy analytic capacity and evaluating impact from policy changes.

a. Conditional Dollar Disbursements

In designing the modality to effect the local currency generation, USAID with the assistance from AID/W and consultant of the design team have evaluated the appropriateness of a commodity import program (CIP) mechanism for local currency generation. Based on the experience of the FY-1983 ESF-funded Rural Sector Development Grant (683-0247) and USAID-AID/W's appraisal, it is concluded that at present a commodity import program mechanism is not appropriate for quick local currency generation in exchange for the scheduled policy changes and the need for support of selected activities previously supported by the National Investment Fund (FNI) which is now depleted (see p. 10 and Annex G). The start up of the program will take a considerable amount of time. A conditional dollar disbursement mechanism is chosen for this sector assistance program based on the following considerations.

First, because of Niger's monetary arrangements, local currency can be generated only if the private sector uses the CIP or the public sector uses the program to import commodities for resale. Since the CFA franc is essentially a hard currency, in order to induce importers to use the CIP, some incentives must be provided to offset the additional costs of AID's requirements under the CIP. The incentives can be in the form of reduced interest rate on letters of credit used by the local banks, delay of local currency deposit into counterpart account, or favorable exchange rate offered to importers. All these incentives will have the effect of either reducing the amount of local currency or delay its generation.

Second, a great deal of merchandise imported by Niger is re-exported to neighboring countries. According to AID Regulation 1, re-export of CIP commodities is not permitted without prior AID authorization. To implement the CIP in Niger will require AID/W's authorization to make exception to this requirement.

Third, the potential benefits in relation to the cost of setting and managing the CIP are not great, particularly, if AID is not willing to make a long-term commitment for the CIP. The additional imports from the United States will be minimal over the life of this program because it will take time to start up the CIP and to establish U.S. markets in a country dominated by imports from France and other European countries. In addition, it would be difficult to target imports from the United States to the sector's development need.

Since the main focus of the sector grant is on policy reform in exchange for the provision of additional resources to the sector from AID in light of the country's economic and financial conditions, it is considered that dollar disbursements for the provision of local currency is a preferable financing mechanism. The dollar disbursements will be effected only when certain policy actions, as agreed by the Government of Niger and AID have been taken. The disbursements will be tranched and tied to policy performance criteria as described in Section IV.

b. Local Currency Component

The local currency generated from this sector assistance program will be deposited in a special account within the Nigerien Treasury at the West African Central Bank (Banque Centrale des Etats de l'Afrique de l'Ouest - BCEAO). It will serve as an additional but separate budgetary resource for the Nigerien FNI budget which finances local capital and recurrent outlays or host country's contributions for donor-assisted projects with the exception of normal civil servants' salaries and other usual budgetary items. The allocation of local currency will be guided by three general criteria: first, maximizing the likelihood of increasing income-generating capacity, foreign exchange earnings, and tax base; second, local currency will not be used to support projects which will create excessive future recurrent cost burden to the Government; third, reasonable assurance that the stream of benefits from recurrent cost financing is greater than using the funds for new projects. Within the general criteria described above, the local currency allocation in priority ranking is as follows:

1. Pilot projects or activities contributing towards the implementation and realization of policy reforms; an illustrative list of these activities are:

-- improvement of policy analytic capability in the Ministry of Rural Development, particularly in macroeconomic analysis and project evaluation;

-- policy studies related to the agricultural input subsidies, agricultural credit, and pricing and marketing;

-- increased collection of statistics relevant for the sector;

-- establishment of a system to disseminate market information to producers and consumers;

-- provision of more training services, particularly in functional literacy, for the development of self-managed cooperatives and the "Development Society";

-- more support in on-farm applied research activities outlined in the program investment consolidation whose financing has not been secured.

2. Recurrent and local costs for AID-financed agricultural and livestock projects which contribute to production and income generation.

3. Recurrent and local costs of other donor-financed agricultural and livestock projects closely related or complementary to AID-financed projects.

4. Extensions of programs/projects currently in implementation or high priority new projects in agriculture and livestock which will contribute to rapid increase in productivity and income of the rural population.

c. Technical Assistance and Policy Studies/Monitoring

The sector assistance program will also provide both long-term and short-term technical assistance and in-service training for the implementation, monitoring, and management of the program. This category of inputs comprises:

-- a total of 8 person years of long-term technical assistance for policy formulation, implementation, and monitoring as well as the management of the program;

-- short-term technical assistance (40 person-months) for specific tasks related to the proposed policy changes;

-- policy studies and related seminars and workshops;

-- in-service training and support;

-- evaluation of the program.

Technical assistance to be provided under this program will consist of three categories: (1) technical assistance in helping the Government of Niger implement the policies (e.g. establishment of a functional tender system for OPVN, dissemination of market information, and administration of a more rational system of subsidies and preparation for the removal of input subsidies and liquidation of the CA from the state control; (2) technical assistance in helping the Government of Niger and USAID in the management and monitoring of local currency use; (3) technical assistance in helping the Ministry of Rural Development establish an economic policy analysis unit and develop policy analytic and formulation capability in the area of agriculture and rural development. The last category of technical assistance is especially important in ensuring the transfer of knowledge and the continuing nature of policy analysis and formulation process.

This input category will be financed by both the foreign exchange component and the local currency derived from the dollar disbursements. A total of $3.0 million outside the dollar disbursement mechanism will be used for technical assistance, in-service training, policy studies, and evaluation.

d. Summary of AID Inputs Costs

	Funding Sources	
	SDP ($000)	ESF ($000)
Foreign Exchange Component:		
Dollar Disbursements	12,000	17,000
Technical Assistance	1,500	
Policy Studies and Related Seminars and Workshops	1,000	
In-Service Training and Support	350	
Evaluation	150	
	15,000	17,000

	Dollar Equivalence* ($000)
Local Currency:	
AID-financed projects	12,000
Pilot projects or activities in support of policy reform	4,000
Other donor-financed projects	5,000
Extensions or program/projects currently in implementation	2,500
Secretariat office for local currency management	850
USAID Trust Fund	1,450
Logistical support contingencies, and other	3,200
	29,000

*Illustrative figures.

D. Relationship between Sector Assistance Program and AID Country Development Strategy

USAID/Niger's program strategy consists of a short-, medium-, and long-term focus. Short-term strategy is directed to economic and financial stabilization, maintenance of ongoing investment activities and more effective use of available resources. The medium-term strategy focuses on continuing efforts to increase food production and to move toward the goal of attaining food self-sufficiency, with special emphasis on planning and institutional development in the area of irrigated agriculture. Finally, the long-term strategy has as its goal the development of human resources and identification of technological packages suitable for Niger's fragile agricultural base. The long-term strategy includes an emphasis on development of the irrigated agriculture sector.

The overall USAID strategy in agriculture and livestock is to assist the Government of Niger to remove the constraints discussed in Section III.B and Annex H. The Sector Assistance Program is AID's short-term plan in support of USAID medium- and long-term program objectives. AID's medium- and long-term development efforts include projects intended to assist the Government of Niger deal with (a) the poor and fragile agricultural resource base; (b) limited knowledge and availability of agricultural technology appropriate for Niger's changing environment; (c) the relatively weak institutional and infrastructure base for facilitating the further development and transfer of technology; and (d) the limited human resources for agricultural development.

The Government of Niger's main strategy for increasing food production is to be achieved through a series of integrated rural development projects aiming at raising productivity in dryland agriculture, development of the pastoral zone, strengthening of the infrastructure and institutional base in agricultural research and the transfer of technology, and the development in irrigated agriculture. AID's effort in support of the Nigerien Government strategy is reflected in its ongoing four major projects in the sector: Niamey Department Development Project (NDD), Niger Cereals Research Project (NCR), Agricultural Production Support Project (APS), and Integrated Livestock Project (ILP). These four projects account for approximately 70 percent of the resources of existing AID ongoing program in Niger. The NDD and the ILP projects have the eventual objectives of raising productivity in agriculture and livestock respectively. The NCR and the APS projects provide assistance geared to improving Niger's agricultural research capability, establishing an improved seed production system, and strengthening the national-level institutional support for the promotion of improved technical packages, delivery of modern agriculture inputs, and training and extension services.

(a) Niamey Department of Development II Project (683-0240). This project has as its goal institutionalization of a process of rural development through the establishment of self-managed village organizations and through participating, individual farmers who, as a result, will be able to achieve increased food production on a self-sustaining basis. The Agriculture Sector Development Grant will assist the project by financing recurrent costs associated with its training, extension and input distribution programs.

(b) Niger Cereals Research Project (683-0225). The purpose of this project is to strengthen the Nigerien National Agronomic Research Institute (INRAN) to undertake cereals research programs, and then to dissemi-nate the results to farmers via the extension and cooperative systems. Recurrent cost support to this project by the Agriculture Sector Development Grant will thus further the USAID/Niger overall strategy of financing research that will develop new technologies appropriate to Niger's agricultural resource base and which will increase food production.

(c) Agricultural Production Support (683-0234). The purpose of the APS project is to expand and strengthen Niger's national level institutions, providing support services including cooperative development, agricultural inputs supply, seed multiplication and extension services necessary to achieve sustainable increases in agricultural production. Support to this project by the Agriculture Sector Development Grant will thus cover a wide spectrum of USAID/Government of Niger objectives in the agricultural/rural sector.

(d) Integrated Livestock Production Project (683-0242). The purpose of the ILP project is to establish a herder organizational structure to serve as a vehicle for the testing and transfer to herders of technical, financial and managerial innovations; to increase the capacity of the Government of Niger to provide services to the herders through this structure; to assist the Government of Niger in establishing a policy environment conducive to the growth of the livestock sub-sector; and to ensure that this structure, capacity and policy environment continue to be maintained after the project has been completed. Support to this project by the Agriculture Sector Development Grant will reinforce overall USAID/Niger food production and policy reform objectives in the livestock sector.

(e) Rural Sector Human Resources Development Project (683-0226). The purpose of this project is to increase the capacity of the Institute for Practical Rural Development (IPDR/Kolo) to produce competently trained mid-level rural development agents to staff Ministry of Rural Development field activities. Support to this project under the Agriculture Sector Development Grant will thus fulfill USAID/Niger objectives with respect to building institutions which have a direct impact on agriculture/rural development and which bring practical, production-increasing technology to the farmer.

Recently, the Government of Niger has increasingly recognized the importance of adjusting its policy framework in light of the deteriorating economic conditions. It sponsored two policy-related seminars with direct financing from AID under the Joint Program Assessment Project (JPA) in November 1982 and June 1983. A National Conference held in November 1982 at Zinder examined critically and reassessed the Government agricultural priorities and policies. In June 1983, the National Recurrent Cost Workshop was held in Niamey to examine and raise the awareness of the recurrent cost implications of development projects. The recommendations from these two policy seminars have been adopted by the Government and were incorporated in Niger's Interim Plan, 1984-1985. The JPA also financed a number of policy studies, two of which (Grain Marketing and Price Policies Study and the Economics of Agricul- tural Technical Packages) have been completed. A study on the restructuring of the agricultural input supply system is being done under the APS project. The reports were presented to the Government and will tie in closely with reforms in this program. The policy-oriented Sector Assistance will provide a positive reinforcement to help the Government of Niger make necessary policy changes and at the same time provide the needed resources and a mechanism to effectuate the medium and long-term development strategy.

III. PROGRAM SPECIFIC ANALYSES

A. Macroeconomic Analysis[1/]

1. Overview

Niger's current economic and financial difficulties began in 1981 following a fall in the demand for uranium and its price which declined by almost 46 percent in 1981, after adjusted for inflation and the depreciation of the CFA franc. The economic slowdown took place abruptly after an extraordinarily rapid growth period (1976-1980). Although the uranium price recovered moderately in nominal terms in 1982 and 1983, uranium export earnings had been offset by production cuts. The 1983 uranium exports were about the same as the 1981 level. The 1984 contract price increases modestly by 6 percent (slightly less than the anticipated rate of inflation). The recession in the uranium sector affects other sectors in the economy, particularly the sectors which are backwardly linked to it, such as the construction, industry, and transport sectors. Furthermore, the recession in the uranium sector took place at the same time when agriculture production stagnated and the growth of livestock production leveled off. Consequently, Gross Domestic Product, after adjusted for inflation, decreased by an average of 2 percent per year during the 1982-1983 period.

In addition to a stagnant economy, the sudden change of the uranium sector, which accounts for 75-78 percent of Niger's total exports and had contributed as high as one-third of the Government revenue, gave rise to large budget and balance of payment deficits and difficulties in servicing public debts. In the short and medium-run, the issue facing the Nigerien Government is how to contain the large financial imbalances and at the same time adjust the economy to a lower and sustainable growth level without excessively undue dislocations.

2. Dimensions of the Economic Difficulties

Public Finance

With the growth of uranium revenue and the implementation of the ambitious five-year development plan (1979-1983), total government spending more than doubled between 1978 and 1981. A large portion of the spending increases was in capital expenditure outlays (220 percent between 1978 and

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1/ This Section provides a summary of a detailed macroeconomic analysis given in Annex G.

1981). Current expenditure spending increased by 64 percent during this period with personnel costs and subsidies and transfers accounted for most of the increases (they both almost doubled). With stagnant revenue in 1981, the budget deficit reached a record high of 64 billion CFA francs ($236 million or 11 percent of GDP). In 1982, although the budget deficit was lower because of capital spending cutbacks, there were sizeable arrears in payments ($44.5 million--an increase of $36 million from 1981). In 1983, the Government continued the austerity effort, spending was cut further. All the expenditure reduction during fiscal 1982 and 1983 took place in capital spending. The growth of current expenditure is limited to more or less the rate of inflation with no real increase. Since 1981, 61-71 percent of deficit financing has been through foreign borrowing, the remainder was financed by domestic sources. During 1981-1982, there were also increases in arrears. The accumulated arrears by the end of fiscal 1982 were 22 billion CFA francs ($67 million).

With the implementation of the tax reform in 1983 and an anticipated modest recovery in uranium price in 1984, the declining revenue trend is expected to be reversed. According to the Ministry of Finance projections, total spending is expected to be cut by another 11 percent in 1984. The entire cut will come from capital and extra budgetary expenditures. Current expenditure will not increase in real terms (an increase of 7 percent in nominal terms). In 1985, capital expenditure level will still be 78 percent of the 1983 level and less than half of the 1981 level. All categories of expenditures are expected to rise by approximately 8 percent (about the same as the projected rate of inflation) with the exception of subsidies and transfers which are expected to rise by less than 6 percent.

The projected budget deficits for 1984 and 1985 are respectively 29 and 34 billion CFA francs ($71 and $83 million) on a commitment basis. However, because of the anticipated substantial reductions in arrears accumulated during 1979-1982, the budget deficits are expected to be in the neighborhood of 40 billion CFA francs ($96 million) on a cash basis.

Balance of Payments

During the uranium boom of 1976-1980, there were large trade gaps and current account deficits. But such deficits were easily financed by net capital inflows which reflected direct foreign investment and borrowing, as well as by official grants so that the overall balance of payments deficits remained small and adjustments were not necessary. Since 1982 the level of capital inflows has been substantially lower. In 1982, there was a drastic fall in net capital inflows by 81 percent (from $293 to $45 million). Most of the reduction was attributed to a large decrease in long-term capital inflows arising from unanticipated drop in project-related capital and increase in short-term capital outflows. Consequently, the capital account fell far short of the level capable of financing the current account deficit, resulting in a large overall balance of payments deficit ($130 million). At the same time when net capital inflows were decreasing, debt servicing payments increased.

They created a serious balance of payment liquidity problem and reserves declined by 43 percent from $117 million in 1979 to $14.6 million at the end of 1982 (equivalent to four weeks of imports). The liquidity problem is probably less serious in the private sector than in the public sector because Niger's exchange system remains relatively free of restrictions and because of the free convertibility of the CFA franc.

The liquidity and incipient confidence crises forced the Nigerien Government to seek assistance from the IMF and to initiate an adjustment process in 1983. The current account deficit was cut by more than half from the 1981 peak level and by 36 percent from the 1982 level. The net capital inflows were also higher; but they were still only 30 percent of the 1981 level. The overall balance of payments deficit was reduced to approximately $19 million.

According to the IMF projections, the overall balance of payments deficits will be $34 and $26 million in 1984 and 1985 respectively. The improvement will come from substantial reductions in the current account, down to about $12 million in 1985. The IMF also projects net capital outflows of $14 million in 1985. The Ministry of Finance, on the other hand, projects the current account deficit to remain in the neighborhood of $72 million for the next two years. Net capital inflows are expected to be lower than 1983 at the level of approximately $25 million. The projected overall balance of payments deficits are $55 million and $43 million in 1984 and 1985 respectively.

Debt Situation

Until fiscal 1983 the budget deficit and balance of payments problems were postponed by resorting to foreign borrowing and domestic credit expansion. Consequently, the debt situation worsened; and as medium and long-term concessional loans became more difficult to obtain, debts of short maturity on non-concessional terms were incurred. At the end of 1983, the total outstanding and disbursed debt is estimated at $762 million ($664 million in public debt and $98 million in private debt) or 46 percent of GDP. The ratio of debt service payments to export earnings and private transfers was 32 percent in 1983 (or about $131 million).

The debt situation is not expected to improve significantly until 1988. The public debt service ratio is forecast to decline slowly to approximately 21 percent in 1984 and 1985 and to average about 19 percent during 1986-1990. The private debt service ratio is forecast to decline more quickly from 11-12 percent in 1982-1983 to approximately 6 percent in 1985 and to remain at less than 5 percent during 1986-1990. Added to the debt servicing problem is the fact that a large portion of the debt is denominated in U.S. dollars (51 percent of the direct government debt and 16 percent the government-guaranteed debt). With the depreciation of the CFA francs vis-a-vis the dollar, the cost of servicing the debt increases.

3. Recovery Efforts

The unmanageable debt and liquidity problems compelled the Government of Niger to adopt an adjustment program aimed at stabilizing the financial situation and adjust the economy to lower growth. The recovery efforts include an IMF austerity program, a debt relief through the Paris Club, measures to reform the operations of public and para-public enterprises, and a program to restructure public investment spending.

IMF Austerity Program[1/]

In 1983, the Government obtained a compensatory financing facility (CFF) from the IMF as well as concluded a standby agreement. The standby agreement is for the amount of 18 million SDRs ($19 million), scheduled for disbursement between October 1983 and December 1984. The CFF program amounted to 24 million SDRs ($25.2 million) which was disbursed between July 1983 and December 1983. The IMF program is mainly aimed at achieving financial stability through reductions in budget and external current account deficits. A number of fiscal and monetary policies were implemented or in the process of being implemented. They include: a comprehensive tax reform and government spending cuts implemented in fiscal 1983 and 1984 and they are expected to continue in 1985; restrictions on monetary and credit expansions; and limitations on foreign borrowing.

Debt Relief

The Nigerien Government also sought debt relief through the Paris Club. It concluded a debt rescheduling in November 1983. The effect of the debt rescheduling is estimated to be approximately $56 million. The public external debt service payments for fiscal 1984 will be reduced to about $20-24 million. The internal debt service payments are estimated to be $12 million. The Government has also sought relief with private external creditors as well as public external creditors not participated in the Paris Club agreement. It is also expected to continue seeking debt relief for the next few years.

Parastatal Reform

As part of the adjustment program, the Government of Niger, with technical assistance from the IBRD, undertook a series of studies to assess the problems associated with public and para-public enterprises during fiscal 1983. The studies are intended to provide policy recommendations for upgrading the financial management and overall efficiency of these enterprises in order to reduce their operating losses which have been a financial burden on the government budget. The studies for seven major enterprises were completed in August 1983. They include two marketing agencies (one grain marketing agency and a marketing agency of other essential consumer good(s), a public utilities company, a thermal energy plant, the agency for irrigation and water resources, and two financial institutions (Republic of Niger Development Bank and the National Agricultural Credit Institution). A number of policy changes were put in effect in fiscal 1984 for four of these enterprises. They include: closing down 121 grain distribution centers; reducing the scope of the operations of the other marketing agency by limiting its monopoly power to a much smaller number of products; increasing the tariffs for water and electricity to

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1/ For a more detailed discussion of the IMF program, see Annex G.

reduce the losses of the public utilities company and discontinue its policy of subsidy to its employees; and strengthening the financial and technical management of the thermal energy plant.

Another major effort of the adjustment process is in the restructuring of public investment program during the next two years. The program is outlined in the 1984-1985 Interim Plan. The size of the investment program has been scaled down significantly. The targeted level is approximately $322 million over the next two years.

For the most part, the Plan comprises ongoing projects or extension of projects of programs undertaken during the previous plan. There are four areas of emphasis: (a) reorient public investment spending more toward the directly productive sector; (b) consolidate all the installed capacity achieved during the previous Five-Year Plan in the infrastructure and social services sectors with the objective of making the full use of these already installed facilities as well as ensuring their continuing operation; (c) accelerate the development of a "Development Society" institution as a vehicle to achieve decentralization and more participation from the private sector or cooperatives; and (d) recognize the need to incorporate macro and sectoral policies in the plan, particularly the recurrent costs implications of the program.

4. Relationship between the Macroeconomic Situation and AID Sector Assistance

The abrupt unfavorable macroeconomic developments and their associated consequent financial constraint necessitated a more direct pursue of economic and financial stability. The stabilization program will certainly have some adverse effect on the growth and development of the economy, particularly when financial stability is attempted through the reduction of the National Investment Fund (Fonds National d'Investissement--FNI) as evidenced in fiscal 1982 and 1983 budgets (a cut of almost 60 percent in 1982 and another 45 percent in 1983). The drastic reduction n the FNI budget, in effect, lowered Niger's absorptive capacity because a large portion of the FNI supports donor-financed projects (e.g. several USAID projects suffered from the FNI not being able to finance sufficient materials for effective project implementation).

Although the 1984 FNI budget is the same as the 1983 budget (7 billion CFA francs or $17.5 million), inflation and the depreciation of the French franc to which the CFA franc is pegged further reduced its purchasing power by approximately 25 percent (8 percent from inflation and 17 percent from the French franc depreciation). To the extent that not all the FNI budget will be spent on imports, the 25 percent reduction in purchasing power is the upper limit of the purchasing power decline. Compounding the FNI budget level is the problem of obtaining financing for the intended budget. In 1983 the budgeted level for the FNI was 7 billion CFA francs (or $21.3 million), the actual financing of the FNI was short of the budgeted level, estimated at about 6.4

1/ Annex J contains a more detailed discussion of the public investment plan billion CFA francs ($19.5 million). With relatively unchanged revenues projected in 1984 and the slight increase in the current expenditure budget, excluding debt servicing payments, financing the FNI will remain a serious problem.

The deterioration of the economic and financial situation adversely affects and magnifies the sectoral problems, by limiting the resource level allocated to the sector. As a general indication of the severe financial constraints imposed by the country's deteriorating-economic conditions on the agriculture and livestock sector, the changes in its budget can be a useful guide. The current expenditure budget for the Ministry of Rural Development declined by 14 percent from 2.52 billion CFA francs ($7.66 million) in fiscal 1982 to 2.16 billion CFA francs ($5.92 million) in 1983. The budget is 2.35 billion CFA francs ($5.88 million) in 1984 (the same as the 1981 budget as current market prices). An examination of the portion of the FNI budget allocated for donor-financed projects decreased from 1.35 billion CFA francs ($4.1 million) in 1982 to 545 million CFA francs ($1.5 million) in 1983. It increased to a planned level of 822 million CFA francs ($2 million) in 1984. According to the 1984-1985 Interim Plan, there are practically no FNI financed resources available for fiscal 1985.

The increased scarcity of both recurrent and capital resources will be a critical binding constraint on the agricultural and livestock sector to absorb effectively foreign assistance. The reduced financial absorptive capacity will aggravate the already low level institutional absorptive capacity. In view of the importance of the sector and the amount of investment supported by different donor agencies (approximately 38 percent of the total foreign assistance in 1982) the reduction in the sector's recurrent budget is not consistent with the long-term viability of the sectoral investment plan.

The IMF program and the debt relief efforts are crucial in helping to ease the country's public finance situation and avert possible confidence crisis and financial collapse. Important as they are, they alone will not suffice to correct the existing financial imbalances and the structural constraints faced in the medium-term. In fact without increased inflow of external resources on concessional terms and sustained government effort to strengthen its financial situation, Niger will be faced with an even more serious financial crisis when the grace periods on the IMF loan and the debt rescheduling or refinancing come to an end.

During the next few years (two to five years), Niger will be almost completely dependent on foreign donors to continue its development efforts. Uranium revenues, on which the Government of Niger had based its development aspirations, are not expected to be the growth locomotive. The proposed sector assistance program is AID's short-term strategy in support of the medium- and long-term sectoral development strategy through the provision of recurrent cost financing and support through the provision of recurrent cost financing and support to maintain and increase the level of absorptive capacity. It will also be AID's contribution to Niger's stabilization program currently in place. Such a dual purpose sector assistance is necessary if Niger is to continue its attempt to realize the development potential. In effect, the sector assistance makes possible more effective absorption of previ- ously committed aid and past investment efforts in the sector.

However, the sector assistance program is not without risks and difficulties. Financing recurrent costs may be counter-productive if it results in relieving the pressure for expenditure control and continuation of ineffective projects or policies which are obstacles to the growth and development in the sector. Consequently, sector assistance must be accompanied by certain conditions. As the analysis in Annex H has shown, there are a number of sectoral policy constraints which need to be removed (see next section and Annex H). Furthermore, there must be reasonable assurance that recurrent costs support (through the use of local currency) for existing projects has a higher development impact than using the funds for new projects. The local currency use must be targeted to projects which are most likely to contribute to raising income-generating capacity and do not increase future recurrent cost burden beyond what can be supported by the Government.

B. Agriculture Sector Analysis[1/]

1. The Role of Agriculture in Niger's Development

Niger's agricultural sector, broadly defined to include crops, livestock, forestry and fisheries, plays a key role in the country's overall development by providing food and fiber for the nation and employment for approximately 90 percent of the labor force. About 73 percent of the population consists of sedentary villagers engaged in the production of such crops as millet, sorghum, cowpeas and groundnuts, with an additional 14 percent of the population being transhumant pastoralists raising cattle, goats, sheep and camels. The national accounts reflect the preponderance of agriculture, with the rural sector accounting for about 50 percent of GDP and 24 percent of foreign exchange earnings. In terms of crop production, millet accounts for 77 percent of total cereals production (1.35 million tons), sorghum 20 percent (350,000 tons) and rice about 3 percent (45,000 tons of paddy). Important non-cereal crops include cowpeas (275,000 tons), groundnuts (90,000 tons) and roots and tubers, mostly manioc (240,000 tons), sugar cane (130,000 tons) and vegetables (70,000 tons). Livestock, alone accounting for 17 percent of GDP, also plays a major role in the Nigerien economy, with about 11 million sheep and goats and around 3.5 million heads of cattle.

During the course of the next decade it is virtually certain that the agriculture sector will continue to play a significant role in income generation, and an even more critical role in meeting the basic food requirements of the population. In spite of declining yields, cereals production in Niger has grown at about 2 percent per year since independence. The table below shows the actual surplus and deficit figures for millet and sorghum over the past ten years, revealing overall deficits in eight of the last ten years

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1/ This section is based on the detailed sectoral analysis in Annex H.

Official Estimates of Millet and Sorghum Production, Consumption Needs, and Surplus or Deficit 1973/74 - 1983/84

Year	Net Production (a)	Total Needs (b)	Surplus/ Deficit
1973/74	636,328	1,117,000	-480,672
1974/75	964,325	1,218,680	-254,355
1975/76	845,236	1,273,094	-427,858
1976/77	1,277,400	1,243,100	34,300
1977/78	1,257,575	1,306,375	-48,800
1978/79	1,259,960	1,290,154	-30,194
1979/80	1,356,409	1,329,453	26,956
1980/81	1,488,538	1,368,186	120,352
1981/82	1,390,130	1,406,620	-16,490
1982/83	1,404,157	1,422,528	-18,371
1983/84	1,431,807	1,462,601	-30,794

(a) Net production equals total production minus 15 percent for seed use and losses.

(b) Total consumption needs calculated as 250 kgs per year for sedentary rural people and 200 kgs per year for urban and nomadic populations.

Source: Ministry of Rural Development, Agricultural Statistics Service.

These deficits are expected to grow to 260,000 to 370,000 tons by the year 2000 because of high rate of population growth.

Because of its sheer size relative to the rest of the Nigerien economy, the agricultural sector holds the key to overall development in Niger. Unfortunately, Niger's resource base is very poor, with generally poor soils and with rainfall varying widely from year to year and from region to region. This variability in rainfall is a major factor that constrains adoption of output-increasing technologies by Niger's farmers. Because of this fragile resource base, Niger has placed highest priority on attaining food self-reliance, and emphasis which has strong roots in the experience of the great drought of 1968-74.

2. Key Constraints and Policy Issues[1/]

Niger's precarious food situation is due first and foremost to deteriorating soils and climatic conditions in the face of rapid population growth. While there have been significant increases in the total production of grain, official estimates show declining yields and per capita production for millet sorghum, Niger's main food crops. The GON's objective is to raise production by improving yields per hectare through the use of modern inputs. Increases in output, however, have come largely through farmers expanding hectarage to marginal lands and through shortening fallow periods rather than through improvements in yields. This has resulted in declining soil fertility and yields and in longer term environmental problems.

While USAID is in general agreement with the thrust of GON agricultural policy, it nonetheless feels that many of the GON's policies and programs have not provided adequate incentives to increased production (and may in some cases have been counter productive). There is a complex of interrelated policy and institutional constraints[1/] which must be addressed before Niger can hope to approach a reasonable level of food self-reliance. The key con- straints and policy issues are grouped and ranked as follows:

a. Input Supply, Subsidies and Input Pricing
b. Agricultural Marketing and Price Policies
c. Agricultural Credit
d. Cross Border Trade
e. Cooperatives and the Role of the Private Sector
f. Irrigation Development
g. Research, Extension and Agricultural Education
h. Agricultural Technical Packages
i. Forestry and Land Use Planning
j. Livestock and Range Management

The first five constraints are policy and institutional constraints which are appropriate for non-project assistance, such as this sector assistance program to address. The other constraints are better handled through project assistance. USAID's program includes projects which attempt to overcome, in different degrees, many of these other constraints. Some of these constraints are also being addressed simultaneously. For example, the policy to promote cooperative and private sector participation is being complemented by efforts in the Agriculture Production Support and the Niamey Department Development projects to develop self-managed cooperatives.

a. <u>Policy Reforms Under the AID Agriculture Sector Assistance Program</u>

<u>Input Supply, Subsidies and Input Pricing</u>

Given the country's fragile resource base and limited rainfall, the GON realized that it could not simply continue to expand agricultural hectarage on to increasingly marginal lands for more food production. In 1954, therefore, it established a northern limit to cultivation, which was revised northward in 1961 in the face of continuing pressure of the cultivators. In

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1/ The institutional constraints in the sector are discussed and analyzed in the next section.

more recent years it has established a system of parastatals, subsidy programs, and input pricing policies aimed at increasing the use of modern agricultural inputs such as fertilizer, animal traction equipment and seeds.

The major parastatals are the Centrale d'Approvisionnement (CA) responsible for supplying the inputs to farmers, the Union National de Credit et de la Cooperation (UNCC), the national organization for cooperatives through which the inputs are distributed, and the Caisse Nationale de Credit Agricole (CNCA), which provides credit to the CA and to cooperatives and some individual farmers. These parastatals receive direct subsidies from two Government agencies, the Fond National d'Investissement (FNI), and the Caisse Stabilisation des Prix de Premier Necessite (CSPPN). There are also indirect subsidies which when taken into account increase the total subsidy bill substantially. Moreover, prices for inputs are set by a ministerial committee within the Ministry of Rural Development, and independently of the level of subsidies allocated by the FNI and CSPPN. They are generally set at low levels in order to encourage use of the inputs.

In spite of these efforts, the use of modern agricultural inputs is still quite limited. This is in large part due to the fact that, rather than increasing the availability and use of inputs, the subsidy policy has had the opposite effect of limiting supplies as the GON has been unable to support the funding required to subsidize the inputs in the amounts needed. The principal problem arises from the fact that the Ministry of Rural Development has been setting prices for agricultural inputs without giving much consideration to the level of funds available for subsidizing agricultural inputs. As a result, nothing ensures that receipts from sales plus subsidies bear any relationship to what it costs the CA to acquire and distribute the inputs. This forces the CA either to finance its operations with ever increasing lines of credit from CNCA or to limit the quantities of inputs it provides to its customers. At the same time, it makes it next to impossible to control the actual level of subsidy.

The central issue with respect to subsidies is what a country is getting in return for the public sector resources invested in them -- resources which could otherwise be invested in agricultural research, agricultural extension, training, credit, irrigation, etc. In situation where modest levels of subsidies encourage adoption of inputs which are highly profitable to the economy, they are obviously beneficial and desirable. However, the higher the level of subsidy, the less certain one can be that farmers seeking to maximize their own profits will maximize the return to the country as well. This is especially true in Niger where the profitability of certain pieces of highly subsidized equipment is not at all obvious. Thus, although it is entirely possible that agricultural production may fall in the short run as subsidies are reduced -- and this is by no means certain -- this decline should be more than offset by higher grain production later as substitute investments mature, or by greater production elsewhere in the economy.

The reforms proposed for input supply and subsidies have the following objectives:

(i) Increase the availability and use of improved inputs by fixing prices and subsidies in a way that increases aggregate growth and production in Niger:

(ii) Improve the responsiveness of producers and suppliers of inputs to the needs of farmers; in particular to encourage technological adaptation and provision of better quality and lower cost inputs;

(iii) Minimize the drain on Government of Niger investment and operating budgets by shifting the cost of input production and supply to the private sector to as great an extent as possible;

(iv) Promote the role and importance of cooperatives in supplying inputs to farmers.

These reforms will be complemented by the Agricultural Production Support Project (683-0234) which is assisting the Government of Niger to restructure the Official Input Supply System (CA) towards an autonomous entity owned by the cooperatives and having its own equity capital.

Agricultural Marketing and Price Policies

The market for Niger's major food crops is dominated by three parastatals. The Office des Produits Vivriers du Niger (OPVN) has official responsibility for organizing cereals marketing, anticipating national cereals needs, maintaining reserve stocks, operating cereals milling plants, and managing food aid. It conducts an official cereals buying campaign each year and attempts to stablize both consumer and producer prices and to guarantee adequate supplies of cereals for urban areas. The other two parastatals are the Societe National d'Arachide (SONARA), which markets groundnuts and cowpeas, and Riz du Niger (RINI), which markets rice. RINI is essentially a middleman between OPVN and the rice producing cooperatives, while SONARA operates independently as does OPVN. Official producer prices for agricultural commodities are set by the Council of Ministers upon the recommendation of an inter-ministerial committee attached to the Ministry of Commerce. These prices are used by OPVN, SONARA and RINI's buying agents. Merchants in parallel markets often pay higher or lower prices although technically both of these actions are illegal during the official buying campaigns.

The combination of parastatal marketing control and price fixing, coupled with restrictions against transporting cereals from one part of the country to another and with the efforts of OPVN to maintain reserve food stocks, has resulted in severe market distortions and in disincentives for producers to increase marketed output and large losses which are a budgetary burden on the government. The proposed reforms for price and marketing have the following objectives:

(i) Reduce the cost of supplying cereals to the urban sector and to northern areas of the country;

(ii) More effectively support producer prices for cereals and reduce intra-seasonal price variation;

(iii) Reduce the cost of managing the country's emergency food reserves.

The proposed reforms in this area will require additional resources to achieve the program outputs (as outlined in Section II). USAID will provide these resources partly from the counterpart funds generated by the program and partly from resources set aside for special studies, evaluation, and for training and support, and partly from other projects and programs already underway. For example, technical assistance will be needed to enable OPVN to gather, transmit, prepare for dissemination, and to disseminate by radio market situation and market price data on a weekly basis. USAID will also provide technical assistance preparing tender documents and establishing guarantees and quality control standards to ensure their effective implementation.

Agricultural Credit

Very closely related to the problems of agricultural input and equipment use in Niger is the question of credit availability at the farm level. Credit may be considered a partial substitute for subsidies since both increases the private rate of return on the use of an input. Form ,ricultural credit is provided through the CNCA, which not orl gives credit to the CA but also offers production loans to individuals through the cooperatives and marketing loans for the purchasing activities of OPVN, SONARA, UNCC and CFDT. It also prefinances loans for the imports of inputs by the CA and of the rural productivity projects where external financing is assured. The CNCA thus has an impact at several different points in the agricultural production cycle.

At present the CNCA is, by any reasonable standard, bankrupt. It carried an estimated CFAF 5.8 billion in non-performing loans to parastatals, cooperatives and individuals against total equity capital of around CFAF 2 billion. In 1982 the CNCA flatly refused to give further credit to cooperatives for more than 10 percent of their arrears, thus affecting virtually every cooperative in the country. This reduction in credit loans was a major factor in contributing to the 50 to 75 percent drop in the sales of agricultural inputs during the 1982-83 season (see Table A-1, Annex H).

The GON and external donors have long been aware of the problems facing the CNCA, and several studies of the situation have been made. The FED/CCCE is at present considering provision of a threeor four-person technical assistance team to help restructure the bank's central administrative and accounting procedures. USAID strongly supports this initiative.

There is also an informal system of credit in Niger about which little is known. Some studies of the Hausa and of informal commercial credit in neighorboring countries suggest that rural financial markets are capable of mobilizing rural savings but that interest rates are generally quite high, frequently in excess of 50 percent per annum. If in fact this situation prevails in Niger, and if these high rates are not merely reflective of higher risks to the lenders, then farmers are not likely to take out such loans for the purpose of purchasing inputs that offer less than a 50 percent rate of return.

Given the state of disarray and confusion with respect to the formal credit system (and the fact that the FED/CCCE is already planning technical assistance to the CNCA), and the lack of knowledge of the informal system, the Agriculture Sector Development Grant will approach the agricultural credit issue by undertaking a detailed study of non-institutional credit systems operating in rural Niger. The terms of reference for this study are detailed in Annex P.

Cross Border Trade

With more than ten times Niger's population and higher per capita income, Nigeria represents a large potential market for Nigerien exports, particularly in livestock and cowpeas. Niger exports about 70,000 tons of cowpeas and 250,000 heads of cattle in a normal year. Estimates show as high as three-quarters of these quantities are exported illegally. Nigeria is also an important source for cereals, fertilizer, petroleum products, and a broad array of manufactured goods for Niger. Nigeria exports an estimated 130,000 tons of grain a year to Niger (100,000 tons of millet and sorghum and 30,000 tons of rice).

Controlling the flow of trade between Niger and Nigeria is next to impossible. The border is long and difficult to police. Trade relations between people in the two countries were well developed even before colonial times. Moreover, the sheer size of northern Nigeria creates price incentives that are much more powerful than those emanating from Niamey. From a practical point of view, Niger will have a difficult time avoiding _de facto_ free trade no matter what it does.

The Government of Niger views all this commercial activity with Nigeria with a combination of benign neglect and concern. On the one hand, it is quite pleased to be able to supply itself with commodities and goods from Nigeria, some of which like fertilizer, are already highly subsidized. Moreover, it is able to profit from the declining value of the Naira and, as a result, has no interest in making its trade with Nigeria legal. On the other hand, Niger, especially in the corner towards Niamey, is very much afraid of becoming a _de facto_ colony of Nigeria. Open trade with Nigeria would only serve to increase its dependence.

Another source of concern has come from the strong price incentives provided by Niger's relatively high official producer prices for millet and sorghum. Large quantities of each came across the border in early 1983 and helped push OPVN's purchases of cereals 15,000 tons above expected levels--and that in a buying campaign that had to be cut short because OPVN ran out of money.

Until the end of 1983, licenses for the exports of livestock and cowpeas could be obtained only in Niamey. In November 1983, the Government of Niger decentralized the process by allowing individual <u>departments</u> to take over this responsibility. The task of obtaining a license still involves a multiple day task. For example, to get an export license a person must be officially registered as a merchant. For this he must first obtain from the President of the Rural Development Committee (RDC) in the department a formal prior Authorization. To obtain this he needs proof of nationality, a judicial certificate issued within the past three months, proof of adequate financial resources, and proof of storage space. With the prior Authorization from the President of the RDC, the prospective merchant then must register himself with the Chamber of Commerce as an importer or exporter and pay the membership fee. This makes him an official importer/exporter. He must then obtain an inscription certificate from the <u>Direction des Contributions Diverses</u> showing he has paid the business tax (<u>patente</u>) required for doing business. Finally, if a foreigner, he must obtain a formal Authorization to do business from the Prefect upon instruction from the Ministry of Commerce. Having done all of this, he may then apply for an export license for a specific commodity and amount. Any export having an FOB value in excess of 100,000 CFA francs, roughly two cattle, is subject to these licensing requirements. Not only are the procedures cumbersome, the minimum business tax for an exporter is over 400,000 CFA francs. Many of the individual steps in the process of obtaining a traders license and the export license also require payments of various sorts.

The complexity and expense of this entire process effectively gives large traders an oligopoly over legal cross-border trade. Farmers and small traders, especially in areas near the border, are forced to resort to illegal trade or, if they want to comply with the law, to transfer the gains of trade to the larger merchants. In competitive terms, barriers to entry into the official market are high and participants are relatively few. In such a context it would not be at all surprising if the frequent allegations of collusion between merchants were true. This is a classic example of private sector involvement without substantial competition.

The proposed policy changes to promote border trade of livestock, cowpeas, and other agricultural products have the following objectives:

(i) promote production and exports of cowpeas and livestock as alternatives to excessive dependence on uranium;

(ii) increase incomes of crop and livestock producers;

(iii) promote interregional trade as a first line of defense against crop failures in the region;

(iv) promote registration of exports.

These policy objectives can be accomplished through changes in existing rules and regulations. However, these changes in existing regulations may have to be evaluated continuously in order to keep up with political and market developments relevant to border trade, particularly in view of the intermittent border closure on the Nigerian side during the past few months. While such border closure will have some negative effect on trade, it should not change the fundamental policy reform in border trade, unless the phenomenon becomes permanent. It is unlikely that the border closure will be of permanent nature and it is doubtful that the Nigerian government will be able to prevent trade flows across border for a long period of time. At any rate, free trade flows, even with unilateral trade liberalization (in this case Niger), are still beneficial to farmers and herders in Niger.

Cooperatives and the Role of the Private Sector

The overall policy structure put in place by the GON, as implied above, often serves to restrict and control, rather than encourage, private traders and businessmen. Instead of encouraging individual enterprises, whether farm or non-farm, the Government has chosen to promote food production and security through the use of parastatals, government managed cooperatives, licenses and taxes. Despite the presence of these parastatal monopolies and other restrictions on private enterprise, there does exist substantial private trade in Niger, particularly in grain marketing, private imports of fertilizer from Nigeria and substantial (although largely unrecorded) exports of cattle to Nigeria.

There have been some attempts by the GON to liberalize policy toward private commerce. In April 1983, for example, the GON eliminated the SONARA monopoly on the cowpea market. This was short-lived, however, as the ministry of Commerce was then suddenly overwhelmed with applications for licenses. The GON, apparently concluding that most of the applicants were acting as fronts for Nigerian merchants, halted the issuance of licenses in September 1983, effectively re-establishing the SONARA monopoly.

Cooperatives also play a significant role in private trade, gathering and selling cereals to OPVN, channeling credit to farmers from the CNCA and ordering and distributing inputs from the CA. The current language of the Societe de Developpement states that cooperatives should play a major role in terms of accelerating development and improving communication among the Nigerien people. The GON thus seeks to transform the cooperatives into private enterprises capable of undertaking, with little or no support from Government organizations, a wide range of development activities and of generating the resources required for their own self-sustained development. While theoretically the cooperatives are already very near to being autonomous business enterprises, they are in fact almost totally dependent upon Government, with few having attained a measure of the sought-after economic independence.

One of the major outputs of the Agricultural Production Support Project will be creation of a national center for cooperative leader training, including a full-time staff to train some 40 UNCC field agents and up to 240 elected cooperative officials per year. Another major component of the project will assist in restructuring the input supply system, essentially transforming the CA into an entity owned and controlled by the cooperatives.

b. <u>Legislative and Administrative Changes</u>

One common theme in the proposed policy reform under this sector assistance program is deregulation of the agriculture sector from governmental control. This will require certain legislative and administrative changes. The following changes will be needed:

<u>Cooperatives</u>

1. The level of financial responsibility must be lowered to the <u>Groupement Mutualiste</u>.

2. Membership should be made much more flexible--a voluntary affinity grouping rather then those individuals residing in a village.

3. Permitted activities of cooperatives should be more flexible, and they should have more contracting power at the GM level, and be legally able to borrow themselves.

4. Sanctions for non-repayment should be made drastic, immediate and applied strictly. (No forgiveness of bad debt.)

<u>Inputs</u>

1. Decision making on subsidy setting must take into account both sale prices to farmer of inputs and the amounts of subsidy that are available.

2. Fixed unit cost subsidies should be established.

3. Commercial suppliers must be allowed at all levels.

4. Decrees (<u>arretes</u>) and other administrative actions are necessary to change the structure of the CA to permit its cooperation.

<u>Cereals Marketing and Pricing</u>

1. OPVN and the private sector must be able to be active in the same place and time as OPVN buying campaigns.

2. OPVN should be allowed to tender for supplies.

3. Private individuals will be able to transport up to 500 kg of food grain at any time.

4. Anyone can deal in cowpeas.

Cross-Border Trade

1. Licensing procedures must be made much simpler and with the intent of encouraging competition in export and cooperatives encouraged.

2. All restrictions on cowpea exports should be eliminated.

3. Licensing should be dispensed with completely in the case of small quantities, both for livestock and cowpeas.

c. Other Constraints

Irrigation Development

Development of irrigation is an obvious avenue for exploration in a country such as Niger where rainfall averages between 400 and 800 millimeters per year. The Ministry of Rural Development estimates that some 140,000 hectares along the Niger River, 50,000 hectares near Lake Chad, and perhaps 20,000 hectares of land in the interior offer surface irrigation potential. Another 60,000 hectares could be irrigated from subsurface sources. At current levels of productivity 200,000 hectares of irrigated land could produce over 600,000 tons of grain in a single season. Improvements in cultural techniques and the introduction of limited double cropping could double this total.

The attempt to realize this potential, however, has proved elusive. Up to the present less than 9,000 hectares have been developed for irrigation. Largely a result of technical design and management problems, irrigated land has been falling out of production about half as fast as it is being added, resulting in a "two steps forward, one step backward" scenario. The causes of poor management are complex but appear to be related in large part to the lack of a sense of private ownership, and therefore responsibility for management, on the part of the peasants. Additional management problems revolve around the labor competition between irrigated and rainfed farming at peak labor demand times.

The GON parastatal Office National Amenadagments Hydro-Agricole (ONAHA) is responsible for managing the majority of irrigated perimeters in Niger, providing a set of services such as tractor plowing, pump maintenance and repair, acquisition of inputs and extension services for which farmers are assessed at harvest time. Until recently, farmers were required to sell at official prices, enough of their rice output to RINI to cover these charges.

In recent years ONAHA has begun an attempt to transfer maintenance and other responsibilities to the peasants and to train cooperative officers in perimeter management. These efforts are in line with the GON goal of transforming the cooperatives into self-sustaining rural organizations.

The World Bank is presently undertaking a project to rehabilitate about 4,000 hectares in existing perimeters, much of which is no longer in production. USAID has a project with the Niger River Basin Authority aimed at developing the river's potential both for irrigation and navigation. It has also commenced preparation of an irrigated agriculture sub-sector assessment which, when finalized, will include a comprehensive review of existing irrigation systems and problems to include a focus on development of small scale irrigation and alternative high value crops. The purpose of the assessment will be to define an appropriate strategy for irrigation development in Niger.

Research, Extension and Agricultural Education

Although USAID and other donors have been providing large amounts of assistance to research, extension and agricultural education, much more remains to be done to render these institutions effective as engines of agricultural growth in Niger. The problems go beyond the level of resources available to fund such institution. They revolve around entrenched ideologies relating to which technologies are appropriate for Niger, the proper role of research, the purpose of education, and the criteria by which performance should be judged. All of these conflicts operate to frustrate efforts aimed at making research, extension and agricultural education more relevant to the needs of Niger's farmers.

On the research side, there is a marked reluctance to work on intercropping or to incorporate extension agents and farmers as active participants in the research process. The feeling also runs strong that researchers should be sure of what they are extending to peasants before the latter chooses to make an investment in it, and that applied research on peasant's field is not a good idea.

Problems with extension and agricultural education are proving to be even less tractable. With packages that may not always be suited to the needs of large numbers of farmers, and because training programs still provide woefully inadequate practical applications for material taught in classrooms, many extension agents are not anxious to seek out farmers with whom they can share knowledge and apply the principles learned in the classroom.

These ideas will change only in the face of evidence that an alternative approach is more effective in raising agricultural production. USAID-financed projects aimed at addressing the problems of research, and extension include the Niger Cereals Research Project, which is funding the provision of researchers to work at Niger's national agricultural research center INRAN on intercropping and farming systems; the Agricultural Production Support Project, which carries out specific research on crop varieties, plant breeding and seed multiplication and contains a major component aimed at strengthening the agricultural service; the Rural Sector Human Resources Development Project, which supports Niger's main training center for agricultural extension agents (IPDR/Kolo), attempting to make the curriculum more practical and thus better adapted to the realities of field work; the Niamey Department Development II Project, which focuses on development of village level organizations and farmer training but also carries out research on animal traction and the linkages between research, extension and peasant; the Forestry and Land Use Planning Project; and various collaborative research support programs.

Agricultural Technical Packages

While the aim of the Government of Niger is to increase agricultural productivity through increased use of modern agricultural inputs and technology, recent studies have called into question the viability of the technical package currently being extended by its technical services. The Government of Niger, furthermore, recommends essentially the same package for the entire country, even though rainfall varies between 400 and 800 milimeters and soil types vary considerably as well. Recent studies under the APS project (LeBeau) and JPA (Erikson) have isolated many of the weaknesses and made recommendations for changes including those relating to varying the package by region, particularly with regard to the use of fertilizer, animal traction, and other agricultural practices. The reports are currently being presented to the Government of Niger and will tie in closely with reforms proposed under the Agriculture Sector Development Grant dealing with input supply, subsidies and input pricing.

Forestry and Land Use Planning

Deforestation, desertification, declining soil fertility and increasing population pressure on the land are all interrelated and serious problems facing Niger which, if not addressed, could severely hamper the country's efforts to attain food self-sufficiency. These areas are addressed by the Government of Niger in the context of several types of project, among them USAID's Forestry and Land Use Planning project which is attempting to develop a natural resources planning capability in the Ministry of Water Resources and Environment. USAID also supports a regional organization, AGRHYMET, which is developing a regional information system that will provide data on the weather and cyclical events and their impact on water, soils, vegetation and crops, and then making these data available to farmers, herders, planners and other users. There are also natural resources research activities aimed at solving environmental problems under the ILP, the Cereals Research project, NDD project, and the various collaborative research programs, as well as in the projects of other donors.

Livestock and Range Management

The livestock sub-sector, as noted in the introductory portion of this section, constitutes an important component of Niger's food production and foreign exchange earnings in addition to providing a livelihood to approximately 14 percent of Niger's population. As a result of increasing population pressures and desertification, these herders are finding it increasingly more difficult to find sufficient grazing area for their animals. The historic tension between herder and cultivator has been exacerbated as the latter has expanded into the pastoral zone, squeezing the herders into the land between the cultivated areas and desert zones. Sporadic droughts, such as that which occurred in the past year, further exacerbate the situation.

USAID's response to the problems of the livestock sub-sector has been the Niger Range and Livestock project, which ended in 1983, and currently, the ILP project. The first project conducted extensive research into the constraints facing the sector, including those relating to range management, the distribution of human and animal populations and animal production, health and nutrition. The second project aims to build upon the research findings of Niger Range and Livestock, increasing livestock production through establishment of a sustainable institutional and policy framework for the sector using the vehicle of pastoral herders associations.

3. Sector's Absorptive Capacity

As evidenced from the implementation of the 1979-1983 plan, the rural sector's ability to absorb investment is one of the important determinants of a low rate of realization in the sector, less than 60 percent of planned investment expenditure.[1/] Limited absorptive capacity can be caused by institutional limitation, human capital scarcity, inappropriate policies, and financial constraint. Except for 1983, financial constraint did not appear to be a critical factor contributing to low absorptive capacity during the plan period. Institutional limitation, human capital scarcity, inappropriate policies, particularly in the allocation of public sector resources together with the unrealistic goals set in the plan, are the major causes of the low rate of investment realization in the rural sector. With the current and prospective lower levels of available budgetary resources accompa- nied by high level of debt servicing and increasing recurrent commitments stemmed from past investment efforts, financial constraint will be an additional factor

External resources in the form of non-project assistance can play a significant role in removing the financial constraint under the present economic and financial situation. Because relatively high level of capital spending had gone into the rural sector under the 1979-1983 plan, and most of the investment in the sector is generally sound economically and socially, the case is strengthened for financing recurrent costs to allow past investment efforts to come to full realization. External assistance in support of recurrent costs would increase the sector's absorptive capacity, other things being equal. However, financing recurrent costs is not without risks and difficulties. It may be counterproductive in some cases if it results in relieving pressure for expenditure control and continuation of inappropriate policies. Consequently, such assistance has to be accompanied by certain policy adjustments to ensure that the policy environment under which the sector assistance program operates is conducive to development and growth.

1/ See Annex J and Niger's FY 1985 CDSS for an assessment of Niger's 1979-1983 plan.

To avoid the possible counterproductive effects of providing recurrent cost support, the financing of recurrent costs under the sector assistance should be accompanied by certain criteria among which are: (a) assessment of recurrent cost requirements in relationship to available budgetary resources and (b) reasonable assurance that recurrent cost support of certain projects has higher development impact than using the funds for other new projects.

Niger, in general, has a good history of sound economic policy. Recently, it has become more conscious of the recurrent cost implications of public investment spending. In the Interim Plan, the Nigerien Government emphasizes the need to adopt necessary policies to reduce the recurrent costs burden on government budget particularly in the major integrated rural development projects and irrigated agriculture. It also emphasizes the need to examine critically the agricultural imput subsidy policy and the development of cooperatives as a means to reduce the current level of centralization and moving toward more private sector participation. Its policy efforts merit AID sector assistance support.

4. Recurrent Cost Estimates

In the FY 1985 CDSS, USAID provided some indication of the recurrent cost burden of major projects in several sectors (agriculture, livestock, transportation, and education) under Niger's 1979-1983 Development Plan and suggested a number of recurrent cost implications. In June 1983, a national workshop was held in Niamey under the auspices of USAID and CILSS/Club du Sahel. As part of the work for this workshop, estimates of recurrent costs of various projects and sectors were prepared.

This section assesses the extent of the recurrent cost financing requirement in the agriculture and livestock sector. The estimates are based on the work of the Niamey recurrent cost workshop. A broader definition of recurrent costs is used. The definition includes all costs which are repetitive (such as costs on personnel, materials and supplies, transportation, and maintenance). It included these operating costs both during and after the project period.1/

1/ The definition is different from the one suggested by CILSS/Club du Sahel which defines recurrent costs as expenditures undertaken in connection with the operation and maintenance of installed capacity which has reached its phase of normal operation--i.e., after a project has been established. The workshop's definition is more appropriate for practical purposes.

Table 1 presents the estimates of recurrent costs by sector as prepared by the Nigerien authorities for the workshop. Although they were based on a few specific project studies in various sectors, these estimates were very crude. The 1983 figures are estimates of recurrent outlays which actually took place during the year. These outlays are below planned levels and therefore could be considered as sub-optimal. The 1984 and 1985 estimates reflect the 1983 level plus the minimum additional requirement without taking into consideration inflation. After adjusted for inflation (at an annual rate of 8 percent per year), the estimated recurrent costs for 1984 and 1985 are, respectively, 2.57 billion CFA francs ($6.3 million) and 3.2 billion CFA francs ($7.7 million) for agriculture and livestock. These estimates should be considered as the minimum requirements to sustain project operations at the current level.

Because the sectoral estimates, particularly in the agricultural and livestock sector, are not comprehensive but only based on broad budgetary expenditure patterns, there are reasons to believe that these estimates understate substantially the <u>ex ante</u> recurrent cost requirements which are better derived on a project-by-project basis. Table 2 provides some of these estimates in agricultural and livestock projects. They are divided into two groups: projects which are financed by USAID and those financed by other donors. Not every project in the sector is included; the selected projects, however, account for approximately two-thirds of the 1984-1985 public investment programs in the sector. The criterion used to select the projects is the data availability at the project level, with the exception of the animal health program which is based on the planned spending for the vaccination, feed and campaign against animal diseases components. For the project group financed by other donors, the recurrent cost estimates beyond 1982-1983 are not available. Consequently, projections from the available data either in 1982 or 1983 with a rate of increase of 8 percent per year were made for 1984 and 1985. For 1986 and 1987, the 1985 level was assumed to continue.[1/]

For the USAID-financed project group, the estimates were from the work prepared for the recurrent cost workshop.[2/] They are <u>ex ante</u>

1/ This is intended for offsetting any policy changes which would lower the recurrent cost burden. This is especially relevant for the Maradi and Dosso projects whose recurrent costs account for more than 60 of the total in the group; and there are are indications of the need to lower their recurrent costs.

2/ See Ministry of Planning, <u>Les Depenses Recurrentes des Investissements Publics au Niger</u>, <u>Vol. II</u>, Annex B. 3 (pp. 61-70)

Table 1

NIGER: RECURRENT COST ESTIMATES BY SECTOR, 1983-1985

Sector	1983	Not adjusted for inflation 1984	1985	Adjusted for inflation 1984	1985
		(in millions of CFA francs)			
Agriculture and Livestock;	2058	2378	2742	2568	3198
Dryland agriculture	1052	1150	1257	1242	1466
Irrigated agriculture	580	778	1010	840	1178
Livestock	426	450	475	486	554
Forestry and Fishing	54	59	65	64	76
Water Supply	499	554	614	598	716
Roads	1400	1600	1877	1728	2189
Education	16310	17990	19840	19429	23141
Health	4362	4923	5309	5317	6192
		(in thousands of U.S. dollars)			
Agriculture and Livestock;	5444	5814	6704	6279	7820
Dryland agriculture	2783	2812	3073	3037	3585
Irrigated agriculture	1534	1902	2469	2054	2880
Livestock	1127	1100	1161	1188	1355
Forestry and Fishing	143	144	159	156	185
Water Supply	1320	1355	1501	1463	1751
Roads	3704	3912	4589	4225	5353
Education	43148	43985	48509	47504	56580
Health	11540	12037	12980	13000	15140

Source: Ministry of Planning, LES DEPENSES RECURRENTES DES INVESTISSEMENTS PUBLICS AU NIGER, VOLUME I: RAPPORT DE SYNTHESE, Chapter 2.

TABLE 2

NIGER: RECURRENT COST ESTIMATES OF SELECTED PROJECTS IN AGRICULTURE AND LIVESTOCK

Projects	Estimated Recurrent Costs 1983	1984	1985	1986	1987	Est. Contribution from FNI* 1984	1985
	(in millions of CFA francs)						
USAID:	1493	2172	2356	2613	3057		
Niamey Productivity Project	177	408	386	417	450	30	20
National Cereals Research	578	729	821	887	958		
Agricultural Production Support	354	475	517	574	818		
Integrated Livestock		103	130	182	223	101	125
Rural Sector Human Resources Development	384	457	503	553	608		
OTHER DONORS:	3517	4809	5395	5395	5345		
Dosso Productivity Project	1402	1874	2045	2045	2045	100	
Maradi Productivity Project	1121	1211	1308	1308	1308	100	
Zinder Productivity Project	293	316	341	341	341	25	
Badebuichiri Rural Development						25	
Plant Protection	121	131	141	141	141	100	
Irrigated Agriculture	580	778	1010	1010	1010	800	
Animal Health Program		500	550	550	500	187	206
Total	5010	6982	7751	8008	8402	1468	351
	(in thousands of dollars)						
USAID:	3942	5300	5749	6375	7460	320	354
Niamey Productivity Project	467	996	942	1017	1099	73	49
National Cereals Research	1526	1779	2003	2163	2337		
Agricultural Production Support	935	1160	1261	1401	1996		
Integrated Livestock		251	316	444	545	246	305
Rural Sector Human Resources Development	1014	1115	1226	1349	1484		
OTHER DONORS:	9284	11735	13164	13164	13042		
Dosso Productivity Project	3701	4573	4990	4990	4990	244	
Maradi Productivity Project	2959	2954	3190	3192	3192	244	
Zinder Productivity Project	773	771	833	832	832	61	
Eadebuichiri Rural Development						61	
Plant Protection	319	319	344	344	344	244	
Irrigated Agriculture	1531	1898	2464	2464	2464	1952	
Animal Health Program		1220	1342	1342	1220	456	503
Total	13226	17035	18913	19539	20502	3582	856

estimates except for the Rural Sector Human Resources Development project whose estimates are based on actual disbursements. The estimated total recurrent cost requirement for 1984 and 1985 in the sector are approximately 7 billion CFA francs ($17 million). This is about three times the present Ministry of Rural Development budget. For the USAID-financed projects in the sector, the recurrent cost requirements for 1984 and 1985 would be approximately $5 million. At least 70-80 percent of them will have to be financed by USAID if the projects are expected to operate at the planned level. The recurrent cost support through the local currency component of the program should be guided by the general criteria of maximizing the likelihood of increasing income-generating capacity, foreign exchange earnings, and tax base; local currency should not be used to support projects or activities which will create future recurrent cost burden on the government budget. Finally, there must be reasonable assurance that the stream of benefits from recurrent cost financing is greater than using the funds for new projects.

C. Social and Institutional Analysis

1. The Societe de Developpement

The Societe de Developpement was conceived in 1979 by President Kountche, but has only been since the Zinder Conference in November 1982 that the Government of Niger has begun to elaborate the organizational and policy reforms required to carry out the program. The Government of Niger started the Societe de Developpement in order to increase communication flow from the rural population to the central administration. The National Commission was created to:

a. define a suitable framework for accelerated consistent and harmonious development policy; and

b. establish new institutions based on effective participation of all social strata.

The Societe de Developpement has been designed to give cooperatives more autonomy in their organizational functioning, a larger voice in the types of development projects designed for their communities, and a greater role in government.

The cooperative will become one of two main structures in the Societe de Developpement with the other being the Samaryia (youth groups) joined together with representatives from existing social and professional associations to form the Village Development Council (CVD). The CVD will deal with fiscal, administrative and judicial questions at the village level. At the canton level, the Cooperative Union (ULC) and local council of the Samaryia, with representatives from socio-professional organizations, will form the local Council of Development (CLD). Similar councils exist at the arrondissement and departmental levels. Delegates of the National Cooperative Union and national samaryia council, along with national level representatives of local councils, will form the National Council for the Societe de

Developpement which will have direct contact with the administration.

The Government hopes to use the Societe de Developpement structure to maintain open channels of communication with the rural community. It remains to be seen how this will evolve and function in practice, more specifically, what will be the roles of the traditional rural power structure and the Government. It depends on whether the cooperatives can actually become "functioning private enterprises capable of undertaking, with minimal or no support from central government organizations, a wide range of development activities and capable of of generating the resources required for self-sustaining development."

The policy program set forth in this sector assistance document is based on the belief that the Government of Niger is serious in moving towards the Societe de Developpement and that the suggested policy measures will facilitate competition, and the participation of self-managed cooperative organizations in the rural economy, to the ultimate benefit of the farmer. The program is proposed on the basis that it is realistic and has a good chance for success, given the stated policy and development objectives of the Government of Niger. This will not, however, be an easy or quick task, even though considerable progress has been made in the past 18 months.

2. The Institutions

a. Union Nationale du Credit et de la Cooperation (UNCC) (National Credit and Cooperative Union)

Most aspects of rural development on the local level have been administered by UNCC through the cooperative structure.

The Groupement Mutualiste Villageois, a village-based pre-cooperative structure, is open to all residents of a village, but the cooperative of five to ten villages is the legally responsible unit for loans. A complicated multi-tiered system leads up through local unions at the canton level, and finally to the national level. The UNCC departmental delegate's role has expanded over the years from the provision of agricultural inputs to credit, food grain marketing, and administration of development projects. UNCC agents have varied duties from administering loans and collecting repayments, seminars on literacy and organization, and input and marketing supervision.

The impact of revised cooperative statute of 1978 on cooperative self-government was relatively slight. Effective participation requires literacy, organizational skills necessary to run the cooperative resources to carry out activities and knowledge of how to get results from the administration. Although the model is theoretically sound, to date cooperatives have in practice been artificially centralized structures with the people at the bottom expected to adjust. The problem areas as described in Annex I are: (1) current organizational rules define group membership by law and not by common interests of group members; (2) the cooperative is more a political than a social unit, and, as such is too large for effective exertion of social pres- sure. (3) the lack of appropriate structures for accounting, which means that the members are unable to verify records keeping. Women were excluded from new cooperatives in peanut and cotton areas, but not from more traditional forms of economic cooperation. Women are also included in vegetable growing coopera- tives, even in productivity projects.

The Zinder Conference on Rural Development of November 1982, stressed the need to decentralize rural development and build self-managed cooperatives from the ground up. The cooperatives would have more autonomy in their organization,, more participation in the types of development projects designed for their community and a greater role in government. A working cooperative should, in effect, be a functioning private enterprise that defines its needs, carried out development activities and manages its own resources. The cooperatives should become their own extension agencies, teach functional literacy and farming techniques, and help its members obtain credit.

The Zinder Conference sparked off an internal debate that has resulted in the apparent decision to reform radically the cooperative structure by the UNCC staff structure, reducing staff, and attempting to promote the development of self-sustaining, self-managed, private cooperatives. The Government of Niger is giving serious consideration to making the Groupement Mutualiste Villageois the credit receiving unit while cooperatives will be given greater organizing and contracting authority (they may hire their own agents). They will be able to raise money, sell to whom they want, and support functions are to be privatized. The UNCC, as we currently know it, is to disappear. The analysis in Annex I argues for even greater decentralization and freedom for organizing according to economic affinity groups as being necessary for the success of self-managed cooperatives.

The Agriculture Sector Development Grant does not, for the most part, directly address the question of the institutional development of self-managed cooperatives, but other USAID-financed, and other donor projects do so. The Agricultural Production Support project (683-0234) has a cooperative training and development component which is currently being restructured to take into account the Government of Niger's post-Zinder objectives for the decentralized self-management aspects of cooperative development. The input supply system would gradually evolve into a cooperatively owned input supply system that competes with and uses the private sector. In the reformed system subsidies would be applied as a fixed amount per item sold or purchased, preferably to cooperatives or farmers, although this may be more feasible to administer by being given directly to the input manufacturer or supply entity. The NDD project's (683-0240) revised workplan focuses significantly on cooperative self-management. Productivity projects financed by various donors have begun to address in a priority way the question of cooperative development.

The cooperatives play a major role in collecting credit repayments at present. Strengthening the cooperatives' ability to manage their own records keeping and lending program should improve repayment of credit. The Agriculture Sector Development Grant policy reform specifically recommends shifting the collective responsibility for loan repayment from the cooperative to the Groupement Mutualiste, since the Groupement Mutualiste can exercise more social control over non-payers than a cooperative covering several villages (ideally, responsibility should be palced even lower in the organization for example or smaller affinity groups form cooperative units).

Cooperatives have, in the past, successfully managed rural grain banks in Niger. A pilot program was run with high repayment rates under the Maradi productivity project, but recovery rates have since tailed off. The Agricul- ture Sector Development Grant proposes investigating the Maradi pilot activity and encouraging the shifting of management responsibility for grain reserves to the village level.

The analysis in Annex I raises concern about the cooperatives and the private sector "taking over" a large portion of grain storage and market- ing. While the concern is justified, in terms of current capacity and past behavior of the private sector, the increased role of cooperatives should facilitate effective competition, and thus reduce costs. The cooperatives under the policy program are encouraged to increase their involvement in cereals market- ing, through lessening in Government of Niger restrictions on grain movements and encouraging participation as suppliers to OPVN.

b. Centrale d-Approvisionnement (CA)
Official Agricultural Input Supply Agency

The CA is a division of the UNCC and is responsible, in principle, for supplying agricultural inputs to farmers, through cooperatives either for cash or on a loan basis. The CA has no capital of its own, and finances inputs using commercial credit from CNCA, the FNI and the CSPPN. It acquires inputs from the UNCC farm machinery manufacturing plants, purchases fertilizers from merchants who get it from Nigeria or as donor-supplied im- ports, imports seed treatment and chemicals. Other inputs (livestock feed, veterinary supplies, feed mills, seed service and plant protection) come from the Ministry of Rural Development.

Since the Ministry of Rural Development establishes the prices to be paid CA by farmers for inputs without much consideration of actual funding levels available for subsidies, there is no assurance that receipts from sales and subsidy availabilities come anywhere near meeting CA's input and distribution costs. The sharp drop in subsidy allocations for 1982-1983 caused CNCA to purchase fewer inputs, and was one of the major reasons behind the drop in input sales that year.

The USAID-financed study of the input supply system under the APS project proposes reforms of the CA that will improve both input supply and quality, through increasing the role of the private sector, especially cooperatives in supplying inputs to farmers. The CA would be restructured gradually into an autonomous entity owned by cooperatives and having its own equity capital. (See Pattinson, et. al. 1984 for additional information)

The CA needs the proposed restructuring to carry out its role effectively, but the restructuring does not go far enough in that the CA cannot control the application of subsidies and prices which are essential for the adequate input supply and quality. Setting prices and subsidies requires concerted action by Ministry of Rural Development, Plan, Commerce, and Finance. It demands specif- ic detailed knowledge and considerable political will. The Government of Niger is proposing a detailed subsidy study for financing under the Agriculture Sector Development Grant. Since the avowed intention of the Government of Niger in input subsidies is to encourage adoption of inputs that increase agricultural production (and are not an income redistribution device), it should follow that subsidies should be discontinued once farmers are convinced of the benefits from the use of the inputs. The reduction of subsidies and consequent increases in input prices would allow the private sector to become more actively involved in input distribution. The private sector supplier would compete equally with the CA and would have incentive to provide eventual extension services. The CA must be required to compete with other suppliers and merchants to control costs and reduce prices to farmers.

Implementing the policy will require the Government of Niger's toughness of mind to ensure competition, and development of flexibility within the CA to meet the competition. This will require a change in attitude, in that the general tendency is to make arrangements that reduce competition. The capitalization of the cooperatives as proposed in the input system study is one way to deal with the problem.

c. <u>Caisse Nationale du Credit Agricole (CNCA) (National Agriculture Credit Organization)</u>

The CNCA was separated from the UNCC in 1967. In 1980 it was placed under the jurisdiction of the Ministry of Finance. CNCA's lending activities fall into the area of production loans, marketing loans, and prefinancing of goods eligible for reimbursement under existing and approved loans. The marketing loans finance the purchasing activities of OPVN, SONARA, UNCC and CFDT (cotton company). The CNCA prefinances the CA purchases of inputs until external financing is released, and it also finances ONAHA (the irrigation office) production campaign until the cooperatives reimburse ONAHA. Production loans to individuals and cooperatives are only about 20 percent of CNCA's loan commitments.

CNCA is, essentially, bankrupt, largely because it has been forced to finance UNCC operating costs and those of other parastatals, a task for which it was neither designed nor staffed. Its ability to finance effectively agriculture production credit has been compromised.

The project design team concluded that the problems of agricultural credit are probably, in the case of Niger, due more to the manner in which credit has been allocated and collected than to an unwillingness on the part of the farmers to repay. Until very recently, CNCA was expected to finance whatever loans were approved by the departmental coordinating committee, ONAHA or UNCC. CNCA had to rely on UNCC and ONAHA agents to collect loan repayments although the latter viewed their primary responsibility as distributing inputs. Because of repayment problems the Government of Niger suspended the use of short-term credit for fertilizer in 1979-1980 everywhere except in the irrigation perimeters and for seed multiplication contract growers. In 1982 CNCA flatly refused credit to any cooperative more than 10 percent in arrears. Since this hit a large percentage of cooperatives, an attempted compromise was worked out. When repayments failed, continued to lag, CNCA further reduced credit in 1983, which was largely limited to CPT/CPR graduates and a few cooperatives who did manage to reduce their arrears to acceptable levels. It has increased, however, its supplier credit to productivity projects to stimulate sales (and thus acquiring delinquent credit accounts). The lack of credit was also a major factor in the sharp drop in input sales of 1982/83.

The major causes of low repayment are: late arrival of equipment and inputs; distribution of equipment without loan agreements (which hampers repayment on schedule); sloppy cash management and records keeping; the heavy indebtedness trainees have when they leave CPTs with untrained oxen and poorly designed equipment (ineffective technical package) and most important of all, a simple failure to pursue farmers to repay the loans. The principal factor simply is a lack of concern about financial management and repayment rates on the part of the administering officials. Interest charges are often seen as "inappropriate" for poor farmers. Farmers are probably more serious about the credit, but good first year repayment rates decline dramatically when they see that non-payers "get away with it." Very little is known about informal credit in Niger, although it exists, with apparent high interest rates.

The solution is imposition of credit discipline. Low payment rates must result in immediate termination of credit privileges, and good follow up. Group responsibility for credit must be placed as low as possible, at the <u>Groupement Mutualiste</u> where social pressures can be brought to bear.

The proposed initial step will be a study to analyze the need for agricultural credit in light of pricing and subsidy changes, as well as the uncertainty of the technical packages; assess the lack of credit as being a binding constraint in use of modern inputs, and evaluate the existing informal credit system to identify appropriate interventions; and support other donor interventions (such as the proposed CCCE/FED assistance) in the formal structure.

The analysis in Annex I states that while the studies are a good idea, they are insufficient. According to this view, placing responsibility at the <u>Groupement Mutualiste</u> level will not necessarily guarantee being able to pressure members into reducing chronic default, other alternatives to credit must be pursued such as exploring a special tax on incomes of non-food producers to lower the cost of equipment to farmers. We disagree partially, in that the restructured, self-managed cooperatives, with some literate and numerate members and an adequate records system that has pressure placed on it to keep repayment up or every member loses credit, will result in reduced chronic default levels. However, other projects such as APS and NDD are more suited for developing the necessary institutions than the Agriculture Sector Development Grant is.

d. Office des Produits Vivriers du Niger (OPVN) Nigerien Food Office and Other Marketing/Distribution Boards

OPVN has official responsibility for cereals marketing, maintaining national stocks and handling food aid. Both purchases and sales are made at officially fixed prices established by a Ministry of Commerce committee (which may vary considerably from open market prices, but which are high compared to neighboring countries). Farmgate prices are high but OPVN's impact is larger than one would expect from its market share. There is regional pricing for rice and moves are under way to differentiate sales prices of other grains.

OPVN is a complex operation, with severe managerial and financial problems, both in its "social" role as a provider of cereals in times of stress and its "mercantile" role as a stabilizer of prices. OPVN has previously stored some of its grain at the community and cooperative level, but this was discontinued in 1979, but pressure now exists to reinstate the system. OPVN closed about 121 distribution centers to improve its management. Grain trade over 100 kilos is usually forbidden between departments.

OPVN's management problems include lack of accurate and timely bookkeeping and financial management (inventory and stock control is quite good). OPVN is receiving West German assistance to improve its internal management and FED financing for logistic support.

OPVN has used cooperatives, the traditional chiefs, and local officials and the private merchants in various combinations at various times in the buying campaigns. OPVN buying campaign usually forbids private traders to participate in the market at the same time. Traditional authorities were often required to "encourage" peasants to sell to OPVN. The buying campaigns are strictly regulated by government arrete, often with limited, but explicitly stated, purchasing points. Buying campaigns are often not well coordinated, partially because of the lack of accurate and up to date marketing information and partially because of financial constraints (both due to managerial problems and lack of credit).

The Agriculture Sector Development Grant policy reforms in cereals marketing are designed to increase competition as a means of facilitating the distribution of cereals between surplus and deficit areas within the country. OPVN would shift its emphasis more towards being a guarantor of competitive primary and secondary cereals marketing. The Government of Niger still sees OPVN as playing a role in food grain price stabilization, however, including establishment of floor prices. Measures include relaxing movement constraints on small quantities of grain, improving market information (given the lack of east-west market integration), and experimenting with small-scale tenders. The OPVN will need technical help in implementing a properly functioning tender. Village level cooperative storage programs should be feasible to implement (they have worked in the past), and as cooperatives become capitalized the financial risks inherent in village storage will become more manageable. The Agricultural Production Support project's cooperative training component would be able to provide training to strengthen accounting and stock management capabilities.

SONARA is the mixed enterprise for peanuts and cowpeas. Peanut production has dropped sharply since 1970, due to disease and low producer prices, and peasants shifted to cowpeas, which have a large market and high prices in Nigeria. SONARA lost significance with the decline in peanuts and rise in uranium exports.

In early 1983, the Government of Niger eliminated SONARA's monopoly on cowpeas, but the <u>arrete</u> was administratively rescinded in 1983 after a surge in applications for licenses. The policy reform proposed in the project is simply changing the administrative rules by permitting freedom to export unlimited quantities of cowpeas by both public and private sectors. This should spread to peanuts. Both peanuts and cowpea prices should be included in market price publicity program.

RINI, the rice company, is essentially a middleman/processor in rice marketing between the cooperatives and OPVN.

By restricting purchases during campaigns to a[illegible]ized OPVN, RINI, and SONARA agents, the farmers are forced into a situation where merchants can purchase at lower prices than if the market was more competitive.

e. <u>Other Organizations</u>

The functional literacy program comes under the Ministry of National Education. The service has traditionally suffered from insufficient funding, not enough trained staff, and a population with no incentive to read languages in which there is no literature. However, functional literacy is absolutely crucial to the development of self-managed cooperatives and credit programs. An evaluation of these problems will be made under the A.I.D. literacy services project.

The <u>Animation Service</u>, a part of Ministry of Plan, has a primary role of training, informing and organizing. It is underfunded and understaffed. If revitalized, it could play a major role in cooperative development and training.

3. <u>The Private Sector</u>

The Agriculture Sector Development Grant Policy programs encourage greater use of the private sector's merchants and traders, to increase competition and use the mechanism of the market to encourage efficiency rather than relying on administered prices. While we regard self-managed cooperatives as being part of the private sector (and this area will grow), the institutional analysis in Annex I construes the private sector to be consisting of merchants only. This narrow definition of private sector leads to the assertion that farmers will be exploited by merchants. This assertion has not been supported by existing empirical evidence either in Niger or in other West African countries.

It is our contention that the key is competition, between and among merchants, and with the parastatals and cooperatives as well. Restrictive practices are endemic in private and public sector. This must change if agriculture is to really develop. Attempts at regulation have not been very successful, either in controlling prices in the parallel market, or in reducing monopolistic and ogopolistic behavior. (See Annex H, in its discussion of subsidies, parallel markets, and export promotion.)

The policy program, whether on input distribution, or food grain purchasing campaigns, stresses competitive pressures to keep prices of delivered inputs low to farmers, requires that merchants, cooperatives and others keep in the market during OPVN campaigns; reduces subsidies so that more inputs are available, promotes removal of administrative restrictions in licensing, encourages small traders to move food grains from one district to another, and facilitates information on marketing. Since so little is known about non-formal credit, the Agriculture Sector Development Grant includes funds for its study, since it is unlikely that the private banks will be willing to get into rural credit for some time. The capitalization of cooperatives offers, in the long run, another alternative. The Government of Niger has taken some tentative steps, such as allowing herders to move up to 15 head of cattle across the Nigerian border without a license in early 1984 (40,000 animals moved across in January-February) and decentralizing export licensing to the departmental level. Sometimes the shift is more apparent than real (witness cowpeas) and the actual administrative regulation are often restrictive as well as occasionally interpreted by administrative fiat in a far more restrictive measure. The policy pronouncements have been made; the next step is to find the means to implement them.

4. Labor and Women

Several questions were raised in the review of the Interim Statement for this program related to migration and women.

Regarding migration of adult labor, most adults who are temporary migrants return home to cultivate crops during the rains. There is a long tradition of earning off-farm income by trading or going south to work in Nigeria. Migrant labor into Nigeria (which Nigeria has actively discouraged during the past year) is usually a temporary seasonal phenomenon of trying to find work during the dry season. Although most adults return, even with the full family available to work the field, the growing season's requirements are often bunched, requiring more labor than the full family membership can provide.

There are some exceptions, especially among those of the Touareg who lost their capital in the drought and have settled in towns. There is evidence that in the lightly populated Dosso region, with its favorable climate and different ethnic groups, more closely related to those further south, the coastal economy has lured many men south, leaving women to raise the crops. This is the one case of increased female permanent heads of household that we know about. Better rainfall distribution there, however, means that the labor requirements are less bunched. The temporary migration of labor, it should be noted will have relatively little impact on implementing the policy programs.

Modern forms of institutional credit usually do not go to women, but to men for agricultural equipment or crops on irrigation perimeters where rice and cotton (both men's crops) must be grown. Since short term production credit does not exist outside the productivity projects and a limited number of special programs, women have obtained credit infrequently. NDD's women's advisor reported that women sometimes obtain donkey carts (probably for cash) and engage in haulage. However, there are cases of women obtaining credit for production of vegetables and women's crops in Niamey Department and the Tara project includes poultry raising. We hope to find out more about women's access to credit in the study of non-formal credit.

5. Government Ministries Administering the Agriculture Sector Development Grant

The main burden of implementing the program will fall on the Ministeries of Plan and Rural Development. They will need some assistance by contract staff to implement the Agriculture Sector Development Grant program, since their well-trained staff are spread rather thin. They both have considerable talent for the economic policy staff, but need some stengthening and additional financial management and clerical assistance. Within the Ministry of Plan the office of the National Investment Fund has had some familiarity in commodity import programs. Currently the Canadians have an $18 million import program in Niger. USAID has had ample experience with the offices of Evaluation and Studies in the Ministry of Plan and Program and Studies in the Ministry of Rural Development. They both contain competent staff economists. It is USAID's assessment that these offices will be able to coordinate the policy reform program with some technical assistance.

Based on experience in other projects, it is USAID's belief that coordination will be easier if it limits to the smallest possible number of ministries and offices with which USAID works directly. Given the compartmentalized nature of the Nigerien ministries, this will still necessitate inter-ministerial consultation at a fairly high level.

D. Program Impact

1. Macroeconomic Impact

The macroeconomic impact of the sector assistance will come from the increased foreign exchange availability to the public sector and the consequent increase in budgetary resources. The Nigerien economy benefits from the program in the following ways:

a. Economic and Financial Stabilization. The sector assistance will contribute significantly to Niger's economic and financial program currently in place. Through its budgetary support and increased foreign exchange availability, the program makes possible for Niger to bring in necessary imports without worsening the arrears situation. It would also allow Niger to raise the level of imports above which would have been if such assistance were not available without having to resort to external borrowing or to incur more arrears and risk violation of the IMF agreement. The policy reform proposed under the sector assistance would contribute to the overall structural adjustment effort. It is consistent with the present IMF conditionality as well as the likely IBRD's Structural Adjustment Loan for the parastatal sector reform. USAID's proposed policy reforms in agricultural input subsidies input supply, pricing and marketing, and cross-border trade, are consistent with the Government of Niger's overall structural adjustment program in reducing the budget burden arising from subsidizing money-losing parastatals and the aim of export diversification, particularly toward livestock and industrial crops. USAID's proposed policy on agricultural credit through a careful study and assessment of the present situation especially in the informal sector would contribute to the Government of Niger's effort to develop an economically viable agricultural credit system and to strengthen or eliminate parastatals currently engaged in the delivery of agricultural credit. USAID's proposed policy to encourage more cooperative/private sector involvement across a number of activities in the sector would contribute to an overall increase in economic efficiency by imposing market disciplines on parastatals which up to now have the monopoly power. This increased efficiency should help prevent further deterioration of the government financial situation. In the long run, it should increase agricultural production and income.

b. Budgetary Support. The local currency generated from the commodity import program will be deposited in a Special Local Currency account and programmed in support of development activities in agriculture and livestock. It would help improve the effectiveness of projects in the sector which are currently operating below planned levels because of shortfalls in recurrent cost financing or host country contributions. Such shortfalls are due to the country's deteriorating public finance situation which constrains the amount of budgetary resources allocated to the sector. With careful consideration of the criteria to be used for local currency allocation as outlined in Annex O, the sectoral budget support from the program would contribute to the maintenance and continued progress of previous and current investment efforts in the sector whose eventual effect would be to increase production and income in the economy. The criteria to be used for the allocations of local currency for recurrent cost financing would be to ensure that the stream of benefits from financing ongoing investment activities is higher than that from new investment activities forgone. The budgetary support through recurrent cost financing will not go to finance activities which are not likely to contribute to income generation activities and which will generate more recurrent cost burden on the Government in the future. Furthermore, the sector assistance, by financing recurrent costs and host country contributions together with the planned technical assistance component, would also increase the sector's absorptive capacity.

c. Balance of Payments Effect. Because of Niger's monetary system, the CFA franc is essentially a hard currency. However, Niger is also prevented from pursuing an autonomous monetary policy through the credit ceiling, and allocation arrangements under the West African Monetary Union. Niger cannot lower the commercial banks' required reserve ratio independently or increase the currency in circulation without external resource inflows. This is because there is a limit on the extent to which it can run down foreign assets or borrow externally. With declining export earnings and capital inflows, the large balance of payments deficit in 1982 was unsustainable. Official foreign reserves were depleted to the equivalent of three weeks of imports and payments arrears to banks enterprises increased. With the IMF financial program, reduction of imports, and debt rescheduling, the balance of payments deficit was reduced significantly. The sector assistance program makes possible additional domestic credit expansion and imports without worsening the overall balance of payments deficit, external debt situation, or putting pressure on the price level. To the extent that the public sector uses the additional resources from the program to import necessary investment goods for productivity increasing activities, the program would help minimize some of the negative impact from import reductions due to balance of payments reasons.

2. Impact on Agricultural Production and Farmer Incomes

The impact of the program on agricultural production will come from five sources:

a. The policy changes which accompany this sector grant would eliminate some of the burden on available public sector resources. The savings from the reduction in losses resulting from the operations of the input supply system and the grain marketing agency would stop diverting resources that could otherwise be used in activities which would contribute to increased agricultural production.

b. The policy changes in subsidies and input supply system should result in more inputs available to the farmers. To the extent that more input use leads to increased production, the policy changes contribute to agricultural production. The beneficiaries of these policy changes will be farmers whose demand the CA could not satisfy formerly because CA did not have the resources to deliver the necessary inputs due to the excessively high level of subsidy as well as the execution problem inherent in the present input supply system. A majority of the beneficiaries are subsistence farmers in the various productivity project zones of the five provinces and these farmers are Niger's poor majority. The number of farmers who would benefit from this is estimated at approximately 500,000.

c. The policy changes in grain marketing and pricing and the promotion of cross-border trade should encourage the evolution of cooperatives as marketing intermediaries and increase the opportunity for more private sector participation. The policy changes should also reduce the cost of managing the country's food reserves and increase farmer incomes and export earnings from agricultural production.

d. While the agricultural credit study proposed here will not affect agricultural production and farmers income directly, the outcome of the study may contribute to the development of an economically viable agricultural credit system in Niger which is presently in disarray but is considered one of the constraints in agricultural production. To the extent that the study leads to actions which help eliminate the constraint, it contributes to agricultural production in the long run.

e. Increased effectiveness of projects in the sector. The overall financial constraint resulting from the worsening economic situation has led to a sharp reduction of the National Investment Fund which provides host country's contributions and recurrent costs of ongoing projects. The budgetary squeeze on the National Investment Fund has affected the operations of projects in the sector because of the lack of necessary materials and supplies. The local currency generated from the Sector Assistance will provide financing of the missing items which would permit project personnel to function at a more efficient level than would otherwise possible. In effect, the sector assistance makes possible more effective absorption of previously committed aid and past investment efforts in the sector.

IV. PROGRAM IMPLEMENTATION

A. Overall Implementation Responsibilities

The sector assistance program comprises two groups of activities: (1) policy implementation and its support activities; and (2) management of local currencies derived from the grant.

1. Government of Niger

The executing agency representing the Government of Niger will be the Ministry of Planning. A Secretariat will be created in the office of the National Investment Fund of the Ministry of Planning. Its main function will be to assist the Director of the National Investment Fund to coordinate activities and prepare necessary reports and documentation related to the program.

2. A.I.D

The Agricultural Development Office will manage the sector assistance program and coordinate the program implementation with the Program Office. A steering committee will be formed to provide technical support for policy monitoring and evaluation, and the allocation of local currencies. The committee comprises the Agriculture Development Officer, who will be the chairman of the committee; a financial analyst from the Office of the Controller; an agricultural economist; and a macroeconomist. The Mission Director, with the assistance from the steering committee will make determination regarding the disbursements of funds.

The responsibilities will include:

-- monitoring the policy reform program and preparing reports for USAID and A.I.D./Washington as required under this program;

-- preparing and reviewing with the Government of Niger any changes or revisions in the grant agreement;

-- coordinating and carrying out the necessary reviews and evaluations to ensure that the policy reforms are properly implemented;

-- coordinating and reviewing proposals for the allocation and approval of the local currency derived from the grant;

-- coordinating the allocation and use of local currency proceeds generated from the program, including assisting the Government of Niger prepare its proposals for the use of local currency;

-- coordinating the review of expenditures from the special local currency account for approved activities;

-- coordinating with the Ministries of Planning and Rural Development to ensure that conditions precedent in the grant agreement are met.

The different entities responsible for the implementation of the program and their relationship are given in the organizational chart below.

B. Implementation of Policy Reform

Under the Agriculture Sector Development Grant, the Government of Niger has agreed to modify its sectoral policies during the life of the program in the areas of pricing and marketing, input subsidies, input supply system, credit, and border trade with Nigeria, and cooperative and private sector promotion. The specific actions to be carried out to achieve the policy objectives are described in the Program Description (Section II) of this document.

1. Implementation Responsibilities

Government of Niger

The Ministry of Rural Development, Office of Program and Studies in coordination with the Ministry of Planning, will be the agency for policy implementation. This will consist of the following responsibilities.

-- monitoring the program of policy reforms;

-- carrying out the necessary policy studies, assessment, seminars or workshops aimed at achieving intended policy reforms;

-- ensuring or coordinating the issuance of necessary administrative decrees for policy implementation from appropriate ministries or agencies;

-- coordinating inter-ministerial reviews and evaluations of the policy reform program.

A.I.D

The Agricultural Development Office, with the support from the steering committee, which comprises USAID Agricultural Development Officer, a Financial Analyst, an Agricultural Economist, and a Macroeconomist, will be responsible for:

-- monitoring the policy reform program and preparing reports for USAID and A.I.D./Washington as required under this program;

-- preparing and reviewing with the Government of Niger any changes or revisions in the grant agreement;

-- coordinating and carrying out the necessary reviews and evaluations to ensure that policy reforms are properly implemented.

2. Implementation Schedule

The policy implementation schedule is provided below with the assumption that the sector assistance program will have been authorized by A.I.D./Washington in June 1983.

Action	Month/Year
Grant Agreement signed.	July 1984
Recruitment of advisors for policy implementation begins	August 1984
Request for Technical Assistance proposal issued	October 1984
Reduction of the level of subsidy on any input to no more than 50 percent of its full delivered cost begins.	October 1984
Plan for study of individual agricultural input subsidy reduction is prepared and reviewed with USAID. . . .	November 1984

Action	Month/Year
Terms of reference for agricultural credit study prepared and reviewed with USAID.	November 1984
Recruitment of agricultural credit study team begins.	December 1984
Request for proposal for the agricultural credit study issued.	December 1984
Semi-annual progress report submitted and reviewed.	December 1984
Long-term TA contractor for policy implementation arrives.	January 1985
Plan for other necessary policy studies or pilot experimental programs related to the implementation of policy reforms prepared and reviewed with USAID for action.	February 1985
System of tenders and sealed bids for OPVN's purchase and sale initiated.	March 1985
Contract for village/cooperative grain storage system initiated.	March 1985
Agricultural credit study team arrives.	March 1985
Changes in administrative procedures and requirements in order to facilitate livestock exports, remove SONARA monopoly on cowpeas, and reduce inequity between large and small herders begin.	May 1985
Semi-annual progress report submitted and reviewed.	June 1985
Weekly radio broadcasts of marketing situation reports initiated.	June 1985
Administrative decrees issued/announced for liberalizing internal primary grain marketing.	June 1985

Action	Month/Year
Implementation of policy to allow the purchase of partial animal traction package instead of the entire package begins.	June 1985
Plan of action for next fiscal year to reach policy targets prepared.	August 1985
Semi-annual progress report submitted and reviewed.	December 1985
Uniform national pricing of cereals abandoned.	April 1986
Agricultural credit study completed.	May 1986
15 district-level (arrondissement) markets covered by the radio broadcasts.	June 1986
Average rate of subsidy on agricultural inputs reduced to 35 percent.	June 1986
Semi-annual progress report submitted and reviewed.	June 1986
Independent mid-term evaluation.	June 1986
Plan of action to reach policy targets for next fiscal year prepared.	July 1986
20 percent of OPVN reserve stock replenishment/turnover made through tenders and bids from cooperatives and merchants accomplished.	December 1986
Semi-annual progress report submitted and reviewed.	December 1986
25 percent of OPVN reserve stock replenishment/turnover made through tenders and bids from cooperatives and merchants accomplished.	June 1987

Action	Month/Year
Village-level storage of OPVN's grain stock rises toward the target of 5,000 tons	June 1987
Semi-annual progress report submitted and reviewed	June 1987
20 district-level markets covered by radio broadcasting	June 1987
Average rate of subsidy on agricultural inputs reduced to no more than 25 percent	July 1987
Preparation for plan of action to be undertaken during the next fiscal year to reach policy targets begins	July 1987
Semi-annual progress report submitted and reviewed	December 1987
Village-level storage reaches 6,000 tons	June 1988
75 percent of all district-level markets covered by radio broadcasting	June 1988
Average rate of subsidy on agricultural inputs reduced to no more than 15 percent	June 1988
Semi-annual progress report submitted and reviewed	June 1988
End-of-Program evaluation	December 1988

C. Conditional Dollar Disbursements

The dollar disbursements for local currency generation under this ector assistance program will be conditional on the evidence of the Government f Niger's progress in carrying the policy reform program in the agriculture ector as described in Section II.C and IV.B. The funds will be disbursed in our tranches of $10 million, $7 million, $10 million, and $5 million during fiscal 1984-1987. The first tranche will be made available after the initial Conditions Precedent have been satisfied. The next three tranches are conditional on the evidence that the Government of Niger has made satisfactory progress in implementing the required policy changes. The indicators of performance criteria to which the dollar disbursements are tied are given in Table 3. These indicators are intended as targets toward which the policy reform program will move. Disbursements shall occur after notification by Letter of Implementation that Conditions Precedent for disbursement have been satisfied, and after the Government of Niger has submitted to AID a written request for the disbursement of the grant. Disbursements will be made via electronic transfer from the U.S. Treasury to a commercial bank in the United States to be transferred to Niger's Central Bank in local currencies.

Table 3

Performance Criteria Indicators and Targets

Indicators of Progress Made in Policy Changes	Targets of Policy Reforms
End-of-Year Program Year 1 (June 1985)	
1. A new method of setting subsidies adopted. The level of subsidy will be a fixed amount per item instead of a general operating subsidy for input manufacturing or input supply entity.	1. The level of subsidy on any input reduced to no more than 50 percent of its full delivered cost.
2. The restructuring of the Input Supply Agency (CA) is progressing toward a cooperatively owned input supply entity	2. The rate of subsidy is declining toward a maximum average level of 15 percent of delivered costs.
3. Administrative decrees issued and announced for liberalizing internal primary grain marketing.	
4. System of tenders and bids for OPVN's purchase and sale initiated.	
5. Weekly broadcasts of marketing situation reports initiated.	
6. Contract for village/cooperative grain storage system initiated.	
7. Agricultural credit study initiated.	
End-of-Year Program Year 2 (June 1986)	
1. Administrative and fiscal controls of border trade with Nigeria (particularly in livestock and crops) reduced.	1. Average rate of subsidy on agricultural inputs reduced to no more than 35 percent
2. Policy allowing farmers to purchase partial animal traction package on credit adopted	2. The level of OPVN reserve stock replenishment/turnover made through the tender system increases toward the target of 20 percent.
3. OPVN's involvement in urban cereals markets at the retail level reduced.	3. The level of OPVN grain stored at village level increases toward the target of 2,000 tons.

Indicators of Progress Made in Policy Changes	Targets of Policy Reforms
4. Agricultural credit study completed.	4. 15 district-level (arrondissement) markets covered by radio broadcasts of grain marketing situation.
5. Uniform national pricing of cereals abandoned.	
6. No regression on previously achieved performance indicators.	
7. Satisfactory performance in the allocation and disbursement of local currency.	

End-of-Year Program Year 3 (June 1987)

1. Continued progress in liberalization of border trade with Nigeria.	1. Average rate of subsidy on agricultural inputs reduced to no more than 25 percent of delivered costs.
2. Appropriate policy/program of action to promote the development of rural financial markets initiated.	2. The level of OPVN reserve stock replenishment/turnover made through the tender system increases toward the target of 25 percent.
3. No regression on previously achieved performance indicators.	3. The level of OPVN grain stored at village level increases toward the target of 5,000 tons.
4. Satisfactory performance in the allocation and disbursement of local currency.	4. 20 district-level markets covered by radio broadcasts of grain marketing situation.

End-of-Year Program Year 4 (June 1988)

1. Continued progress in liberalization of border trade with Nigeria.	1. Average rate of subsidy on agricultural inputs reduced to no more than 15 percent of delivered costs.

Indicators of Progress Made in Policy Changes	Targets of Policy Reforms
2. Continued progress in privatizing the agricultural input supply system.	2. The level of OPVN reserve stock replenishment/turnover made through the tender system increases toward the target of 40 percent.
3. Progress made in the implementation of policy/program for the development of rural financial markets.	3. The level of OPVN grain stored at village level increases toward the target of 6,000 tons.
4. No regression on previously achieved performance indicators	4. 75 percent of all district-level markets covered by radio broadcasts of grain marketing situation.

D. Local Currency Management Procedures and Implementation Schedule

An equivalence of $29.0 million in CFA francs will be generated from this sector assistance program ($12.0 million from SDP and $17.0 million from ESF). The local currency will be used to support recurrent cost and host country contributions of development activities and activities contributing to the implementation of the policy reform program . No current cost support will be given to activities which would create excessive additional recurrent cost burden to Niger in the future. This implies that ongoing development activities which are likely to generate income and revenue will be given higher priority. The criteria for the allocations of the local currency as agreed upon under the ESF-funded Niger Rural Sector Development Grant signed in August, 1983 will be applied for this sector grant with slight modification to reflect the emphasis on policy reform. Annex O contains the local currency allocation criteria.

A special account has already been established for the local currency. The local currency in this account is considered additional but separate resources for the National Investment Fund. The allocations of the local currency will be determined by the Counterpart Management Committee. A local currency trust fund equivalent to 5 percent of the total currency generated from the program will be earmarked for USAID's use.

The Government of Niger and USAID have also agreed on the establishment and composition of a committee for the local currency management. The committee is called the Counterpart Management Committee which consists of five members, one representative from each of the following:

<u>Government of Niger</u>: Ministry of Planning (Office of the National Investment Fund)
Ministry of Rural Development (Office of the Program and Studies)
Ministry of Commerce and Transport
Ministry of Finance

<u>A.I.D.</u>: USAID/Niger, Agricultural Development Office

The joint Government of Niger/USAID Counterpart Management Committee will review and rank order proposals for financing from the local currency special account. Following the review, the Committee will make written recommendations for the approval to the Director of the National Investment Fund and to USAID. No funds can be transferred from the special account without both the A.I.D. Mission Director and the Director of the National Investment Fund/<u>Ordonnateur Delegue</u> of the Ministry of Planning having countersigned the approval document.

The schedule for local currency management is given below:

Grant Agreement signed. . . . . .July 1984

Conditions Precedent to local currency disbursement met. . . . . August 1984

Condition Precedent to initial disbursement met. . . . . .September 1984

RFP for TA services issued. . . . . .September 1984

Contract for assistance to the management of local currency account awarded. . . . . November 1984

1st proposed plan for local currency use prepared. . . . . December 1984

1st local currency proposed plan reviewed and approved. . . . . December 1984

Disbursement of local currency under 1st dollar disbursement tranche begins. . . . . .January 1985

Semi-annual report submitted and reviewed. . . . . .June 1985

Activities	Month/Year
1st senior Government of Niger/ USAID management annual program review and assessment	June 1985
2nd proposed plan for local currency use prepared	July 1985
2nd proposed local currency use plan reviewed and approved	August 1985
Disbursement of local currency under 2nd dollar disbursement tranche begins	November 1985
Semi-annual report submitted and reviewed	December 1985
Joint Government of Niger/USAID review of the local currency management and procedures and revised/update allocation plan	March 1986
Semi-annual report submitted and reviewed	June 1986
Independent mid-term evaluation	June 1986
2nd senior Government of Niger/ USAID management annual program review and assessment	July 1986
3rd proposed plan for local currency use plan reviewed and approved	August 1986
Disbursement of local currency under 3rd dollar disbursement tranche begins	October 1986
Semi-annual report submitted and reviewed	December 1986
Semi-annual report submitted and reviewed	June 1987
4th proposed plan for local currency use prepared	July 1987

Activities	Month/Year
4th proposed plan for local currency use plan reviewed and approved.	August 1987
Disbursement of local currency under 4th dollar disbursement tranche begins.	October 1987
Joint Government of Niger/USAID review of the local currency management and procedures and revised/update allocation plan.	May 1988
Semi-annual report submitted and reviewed.	June 1988
4th senior Government of Niger/ USAID management annual program review and assessment.	June 1988
End-of-Program evaluation.	December 1988

E. Other Foreign Exchange Component of the Program

In addition to the dollar disbursements for local currency generation $1.5 million of the sector grant will be for foreign exchange costs of technical assistance and $1.5 million will be for policy studies, and related seminars or workshops together with in-service training and support, as well as evaluation. These funds will be programmed using budget allocation Project Implementation Letters, PIO/Ts, PIO/Ps, and standard DA project implementation documents.

The technical assistance component will include long-term assistance (8 person-years) for assisting Government of Niger and USAID in monitoring and evaluating policy changes to be undertaken under this sector assistance program as well as managing the local currency program. Forty person-months have also been programmed for short-term technical assistance. A total of $1.5 million earmarked for financing policy studies and seminars or workshops to promote policy discussion as well as in-service training and support and evaluation. The foreign exchange component for policy studies will finance consultants/specialists undertaking the studies. These consultants could be expatriates as well as Nigeriens themselves. A total of $350,000 is earmarked for short-term training and support to strengthen policy analytic capability in the Ministry of Rural Development and/or appropriate ministries/ agencies. A total of $150,000 is set aside for evaluation purpose. Host country contract mode and/or contracting through buy-in arrangements with the already established centrally funded program will be used.

Possible areas in which support policy study and implementation will be needed include: informal agricultural credit study; establishment of the tender system for grain marketing; establishment of market information services; and agricultural input subsidy study. The detailed work plan and terms of reference for these policy study and implementation will have to be worked out with the Government of Niger following the signing of the grant agreement.

F. Monitoring and Reporting

The monitoring of the program implementation under this sector assistance includes: (1) monitoring of the policy reform program; and (2) monitoring of the local currency program.

Monitoring of Policy Reform

The Office of Program and Studies of the Ministry of Rural Development, in coordination with the Office of Planning and Program of the Ministry of Planning, will be responsible for the monitoring and reporting on the progress (or problems) toward the implementation of the policy reforms. Semi-annual reports, joint reviews, and annual evaluations of the program will be required. Technical assistance will be provided from the technical assistance component of this sector grant. A policy analysis and monitoring unit will be set up in the Office of Studies and Program of the Ministry of Rural Development. This unit will have the main task of monitoring and evaluating the effects of policy changes to be carried out under the program.

Following the signing of the sector assistance program, a Needs Assessment Team (NAT) will be contracted to work with the Office of Program and Studies of the Ministry of Rural Development to assist the Ministry in setting appropriate systems for effective monitoring, coordination, and evaluation of impact from policy changes and in developing a policy analysis unit. Two long-term advisors will be provided to the unit under this sector grant. They will assist the unit to carry out the following duties:

1. identify relevant data to be used in the evaluation and determination of progress made in the implementation of the policy reform program;

2. collect the data considered above;

3. assist the Office of Program and Studies in the preparation of necessary reports to be used as inputs in the review, assessment, and determination of whether the conditions precedent related to policy reforms have been satisfactorily met;

4. assist the Office of Program and Studies prepare terms of reference for necessary policy studies, and promote policy debates, seminars, and workshops in order to increase the awareness of the significance of appropriate policy framework;

5. provide continuing analysis and evaluation of the effects of policy changes on resource allocation, government finance, and agricultural production;

6. following the analysis and impact evaluation, make recommendations as to the need to modify the policy reform targets and to mitigate any unforeseen negative effects of the policy changes;

7. coordinate and assist other ministries or governmental agencies involved in the implementation of the policy reform program; and

8. provide training aimed at transferring skills in economic policy analysis, formulation, and monitoring to the Nigerien counterparts in order to develop the policy analytic capability in the Ministry of Rural Development.

9. prepare required reports for both the Government of Niger and for USAID.

The long-term advisors will include: (1) a senior economist with strong background and experience in area of economic policy, preferably with a Ph.D. and fluent in French (equivalent to FSI 3+ in both speaking and reading); (2) an economist with strong backgrounds in data collection, data management and statistical techniques, training or experience in the areas of agricultural economics in West African countries, a good understanding of socio-economics in West African countries, and fluent in French (equivalent to FSI 3+ in both speaking and reading). The long-term technical assistance will be supplemented by short-term technical assistance for specific studies or evaluations as needed.

The policy analysis unit will work closely with the Agricultural Development Office of USAID/Niger in monitoring the implementation of the policy reform program. A steering committee to be chaired by the USAID/Niger Agricultural Development Officer will be formed to provide recommendations to USAID senior management in determining whether satisfactory policy actions have been taken to meet the conditions precedent for subsequent dollar disbursements. The committee comprises Mission's agricultural and program economists, a financial analyst from the Controller's Office, and others (including TDY's from AID/W) as may be deemed appropriate by the committee's chairman.

Annual review and assessment between the Government of Niger and USAID senior management will be held to discuss the progress made or problems encountered in the policy reform program. Such reviews will provide the basis for determining subsequent disbursements of funds under this grant. They will also provide an opportunity to make necessary adjustments or to correct any errors made during the design or implementation of the program.

The Mission Director, with the inputs from the USAID steering committee and the Ministry of Rural Development's policy analysis unit will make the determination as to whether necessary conditions precedent for subsequent dollar disbursements have been met or whether modifications of the policy reform targets are needed. AID/W will be informed of the decision with necessary documentation to support the decision. Any decision involved substantive modifications of the program will be deferred to AA/AFR pursuing the delegation of authority from the AID Administrator.

Monitoring of Local Currency Program

The Secretariat will be set up in the Office of the National Investment Fund of the Ministry of Planning. This office will be responsible for reports on the local currency allocation and management which would include annual audits of the local currency special account. The Office will also coordinate the preparation, call meetings, and review of requestes for use of the local currency account. It will be the coordinating office and be responsible for ensuring that the local currency management procedures and implementation schedule as described in Section IV.D above are followed. Technical assistance in the form of financial management and accounting will be provided to ensure proper record and book keeping.

G. Financial Plan

Table 4 shows the schedule of obligations of funds and their sources. A total of $29.0 million is planned for dollar disbursements for local currency generation. The dollar disbursements will be made available to the Government of Niger in four tranches of $10 million, $7 million, $10 million, and $5 million during fiscal 1984-87. The disbursement of funds will be tied to evidence of the progress in the implementation of the policy reform program.

Dollar disbursements will be made via electronic transfer. The transfers will be made as follows:

1. A.I.D. and the Government of Niger will sign the Grant Agreement with certain policy performance indicators used as conditions precedent for the dollar disbursements;
2. After the Government of Niger has satisfied conditions precedent, the U.S. Treasury will be requested by M/FM/BFD, based on documentation provided by USAID/Niger, to disburse dollars to Citibank, New York;
3. Citibank, New York will transfer to Citibank, Niamey, Niger, the funds with instructions to notify USAID/Niger and the Government of Niger (Treasury of Niger);
4. Local currencies equivalent to the dollar disbursements, le 5% for USAID/Niger's Trust Fund, will be deposited in a Special Local Currency Account with the West African Monetary Union Central Bank in Niamey, Niger.

The $3 million budgeted for technical assistance, policy studies, in-service training, and evaluation will be fully obligated in fiscal 1984 and is not subject to the policy reform program. Host country contract mode and/or contracting through buy-in arrangements with the already established centrally funded program (such as, the existing Agricultural Policy Analysis Project managed by AID/W, Office of Science and Technology) will be used. The method of financing will be direct payment . Table 5 shows an illustrative financial plan for disbursements under the program.

Table 4

Obligation of Funds
($000)

	FY 1984		FY 1985		FY 1986		FY 1987		Total	
	SDP	ESF	SDP	ESF	SDP	ESF	SDP	ESF	SDP	ESF
Dollar Disbursements	2,000	5,000	--	7,000	5,000	5,000	5,000	--	12,000	17,000
Technical Assistance:										
Long-term (8 person year)	1,000	--	--	--	--	--	--	--	1,000	--
Short-term (40 person months)	500	--	--	--	--	--	--	--	500	--
Policy Studies, Workshops, and Seminars	1,000	--	--	--	--	--	--	--	1,000	--
In-Service Training	350	--	--	--	--	--	--	--	350	--
Evaluation	150	--	--	--	--	--	--	--	150	--
	5,000	5,000	--	7,000	5,000	5,000	5,000	--	15,000	17,000

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Table 5

Illustrative Financial Plan
(Disbursements)
($000)

DA	FY 1984		FY 1985		FY 1986		FY 1987		FY 1988		Total	
	SDP	ESF	SDP	ESF	SDP	ESF	SDP	ESF	SDP	ESF	SDP	ESF
Dollar Disbursements	--	500	1,000	7,000	4,000	7,000	5,000	2,500	2,000	--	12,000	17,000
of which: USIAD Trust Fund	--	(25)	(50)	(350)	(200)	(350)	(250)	(125)	(100)	--	(600)	(850)
Technical Assistance:												
Long-term (8 person year)	100	--	300	--	300	--	300	--	--	--	1,000	--
Short-term (40 person months)	50	--	130	--	100	--	120	--	100	--	500	--
Policy Studies/Workshops and Seminars	50	--	250	--	250	--	300	--	150	--	1,000	--
In-Service Training	50	--	100	--	100	--	50	--	50	--	350	--
Evaluation	--	--	70	--	--	--	80	--	--	--	150	--
	250	500	1,850	7,000	4,750	7,000	5,850	2,500	2,300	--	15,000	17,000

EVALUATION PLAN

The evaluation plan for this sector assistance is designed to provide independent assessment of the program's progress toward its purpose and offer opportunities to re-evaluate the assumptions and underlying analysis upon which the program is based. The evaluation will also offer a chance to correct any errors made during the design or implementation of the program. Two evaluations are scheduled for this program. A mid-term evaluation will take place at the end of the second year of the program. An end-of-program evaluation is scheduled six months after the program activity completion date. These evaluations will supplement the annual review and assessment between senior Government of Niger officials and AID management. A total of up to $150,000 is budgeted for these two evaluations.

The mid-term evaluation will focus on the implementation of policy reforms, the use of local currency, and other appropriate administrative and management matters. The evaluation will assess the achievement (or failure) in carrying out the scheduled policy changes, and the management and use of local currency. It will identify the reasons (or problems) for the program's achievement (or failure), and proposed appropriate means for continuing the success or measures to correct the problems. The mid-term evaluation outcome will be a critical input for improving the program implementation or for revising the program implementation plan.

The end-of-program evaluation will attempt to assess the contribution of the program to the Government of Niger's goal of increasing productivity in agriculture and livestock and the strengthening of its infrastructure and institutional bases in promoting the adoption of agricultural innovations as well as its impact on government finance, balance of payments, and other macroeconomic effects. Since changing the policy environment is only one of the contributing factors in productivity increase and growth in the sector, the direct impact of the program must be viewed from the point of view of how the program contributes to an improved resource allocation and the ability of the government to sustain and continue development activities in the sector, and avoid the stop-go phenomenon at the time of declining public sector resources. Furthermore, it is possible that it may be too early to evaluate the impact of policy changes on productivity and growth. The evaluation will also assess the ability of the Nigerien Government to implement difficult policy changes, its policy analytic capability in the sector, and its administrative, political, and organizational constraints and strength to carry out a program of policy reforms. The lessons learned from this evaluation will provide the basis for AID's continuation or future decision in the type and form of assistance for the sector.

VI. CONDITIONS PRECEDENT, COVENANTS AND NEGOTIATING STATUS

In addition to the standard Conditions Precedent (legal opinion, specimen signatures, and designation of authorized representatives), the following conditions precedent and covenants will be included in the grant agreement.

A. <u>Conditions Precedent to Initial Disbursement</u>:

Prior to the first disbursement of U.S. dollars under the Grant, the Grantee will furnish to A.I.D.: (1) evidence that a "Special Local Currency Account" has been established in a bank of the Government's choice for the deposit of local currency equivalent to the dollar disbursements under the grant; and (2) a plan for implementation of the proposed policy changes to be effectuated prior to disbursement of the second tranche of U.S. dollars.

B. <u>Conditions Precedent to Subsequent Disbursement</u>:

1. Prior to the disbursement of the second tranche of U.S. dollars under the Grant, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to AID evidence that the Grantee has carried out the following:

a. The maximum level of subsidy on any agricultural input shall be reduced to no more than 50 percent of the delivered cost.

b. Taken appropriate measures, including the issuance of administrative decrees and establishment of a system of tenders and bids for OPVN grain reserves to permit cooperatives/private traders in the marketing of grain including during the OPVN buying campaign period.

c. Taken appropriate measures to establish and promote village level grain storage through arrangements with cooperatives.

d. Initiated an agricultural credit study.

e. Taken appropriate actions to reduce significantly administrative and fiscal controls on border trade, particularly with respect to exports of livestock and cowpeas.

f. Prepared a plan for implementation of policy reforms to be accomplished prior to disbursement of the third tranche of U.S. dollars.

2. Prior to the disbursement of the third tranche of U.S. dollars under the Grant, the Grantee shall, except as the Parties may otherwise agree in writing, furnish AID, in form and substance statisfactory to AID, evidence that the Grantee has carried out the following:

a. Reduced the average rate of subsidy on agricultural inputs toward the target of 30 percent.

b. Taken appropriate actions to develop the Agricultural Input Supply Agency (Central d'Approvisionnement - CA) toward a cooperatively owned input supply entity in competition with other merchants and traders in the private sector.

c. Abolished uniform national pricing for cereals.

d. Increased the use of the tender system for purchases from and sales of OPVN's grain reserves toward the goal of 40-50 percent of the total reserve by the end of the sector assistance program.

e. Increased the use of village level grain storage toward the goal of 6,000 tons of grain stored at village level through cooperative arrangement.

f. Completed agricultural credit study.

g. Prepared a plan for implementation of policy reforms to be accomplished prior to disbursement of the fourth tranche of U.S. dollars.

3. Prior to the disbursement of the fourth tranche of U.S. under the Grant, the Grantee shall, except as the Parties may otherwise n writing, furnish to AID evidence that the Grantee has carried out the following:

a. Reduced the average level of subsidy on agricultural inputs to the range of 25-30 percent.

b. Taken actions to make the Agricultural Input Supply Agency (CA) moved closer to an autonomous cooperatively owned entity and ensured that existence of competition between the CA and private traders by not granting CA a monopoly, de jure or de facto, for supplying inputs.

c. Continued and maintained the competition in grain marketing and further increased in the use of the tender system for OPVN's grain reserves and in the use of village level storage.

d. Maintained and promoted free border trade, particularly in livestock and cowpeas.

e. Taken appropriate action, in accordance with the conclusions and recommendations of the agricultural credit study, to encourage the development of rural financial markets.

C. Conditions Precedent to Disbursement of Local Currency Generated:

1. No funds shall be released from the Special Local Currency Account until a joint Grantee/AID Counterpart Management Committee has been formed and is functionable.

2. No funds shall be released from the Special Local Currency Account until criteria and procedures for approving allocations to projects or activities determined to be eligible recipients of local currency financing have been mutually agreed to in writing by the Parties.

D. General Covenants

1. Continuance of Actions taken by Grantee in Satisfaction of Conditions Precedent:

The Grantee shall not in any way discontinue, reverse or otherwise impede any action it has taken in satisfaction of any condition precedent set forth in sections VII. A and B above except as mutually agree to in writing by the Parties.

2. Use of Local Currency:

The Grantee will establish a Special Local Currency Account in the bank of its choice and deposit therein currency of the Government of the Republic of Niger in amounts equal to the dollar disbursement. Funds in the Special Local Currency Account may be used for such purposes as are mutually agreed upon by A.I.D. and the Grantee, except that 5 percent (5%) of such funds shall be deposited in a Local Currency Trust Fund Account to be administered by A.I.D. for program activities which will be identified by A.I.D. in Program Implementation Letters. The Local Currency Trust Fund Account shall be solelycontrolled by A.I.D.

3. Tenets Governing Use of Local Currency:

The Grantee shall adhere to the following tenets with respect to the use of local currency generated under the Grant:

a. except as agreed to in writing by the Parties, local currency generated under the Grant shall be used only to finance the following in order of priority:

(1) activities or projects contributing to the implementation of policy reforms or modifications in the agriculture and livestock sector required under the Grant or as otherwise agreed to by the Parties;

(2) recurrent or local costs of A.I.D.-financed agricultural or livestock projects;

(3) recurrent or local costs of other donor-financed agricultural or livestock activities or projects which compliment or supplement A.I.D. projects;

(4) extensions or continuations of activities or projects under implementation in the agricultural and livestock sector which will contribute to the rapid increase in productivity and income of the rural population.

b. The Government of Niger agrees to provide evidence that the funds provided by A.I.D. under the Grant will be considered as additional esources for the National Investment Fund (FNI) but to be constituted eparately, and not a substitute for the Government of Niger's own budgetary esources.

c. The Government of Niger agrees to maintain necessary ooks, records, and reports for the local currency account, and to give the ight to audit these books, records, and reports to A.I.D.

d. The Government of Niger agrees to refund to the Special ocal Currency Account any local currency not used for agreed upon purposes, xcept as the parties may otherwise agree in writing.

E. Negotiating Status

Under the FY-1983 ESF-funded Rural Sector Development Grant 683-0247), the Government of Niger had agreed to discuss and develop the means o implement the proposed policy changes. During the design stage of this rogram assistance, USAID design team held a number of meetings with the overnment of Niger officials to debate and work out specific policy mplementation plan. A draft of this document has been reviewed by the overnment of Niger and the present document incorporates some of their oncerns.

USAID has received a letter of request for assistance fr . the Government of Niger and has reached a general agreement on the proposed policy changes. There remains, however, to be negotiated a few detailed implementation procedures, the policy targets, and the time frame for achieving the policy objectives.

ANNEXES

ANNEX A

LOGICAL FRAMEWORK

Project Title and Number: Agriculture Sector Development Grant 683-2046/0247

Life of Project:
From FY 1984 to FY 1987
Total U.S. Funding: $15,000,000 (SDP)
$17,000,000 (ESF)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: 1. To assist the GON achieve its economic and financial stabilization program currently in place under the IMF auspices.	1. No further deterioration in the country's balance of payments and budget deficits and debt situation.	GON statistics and IMF economic reports and assessment.	1. IMF program implemented and additional external donor assistance available.
2. To contribute to the goal of increasing food production and farmers income.	2. Increased crop production and farmer incomes.	GON reports, surveys, and independent evaluations and assessments.	2. GON commitment to increasing food production remains high priority. 3. Climate, rainfall, soil, and other natural environment do not change drastically. 4. Higher yield seed varieties will be developed under current GON and donor-financed projects. 5. Agricultural technical packages are effective in increasing production and are accepted by farmers.

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program Purpose To assist Niger continue its development activities in the sector in light of the reduced level of budgetary resoruces and the austerity effort currently in place:	Conditions indicating purpose has been achieved: 1. More agricultural inputs are made available to farmers at prices which reflect benefits to the economy.	Ministry of Rural Development reports and surveys.	1. The increased use of market incentives and more competiion improve resourc allocation.
-- To promote the implementation of growth-oriented agricultural policies in the marketing of agricultural outputs and in the supply of agricultural inputs through increasing use of market incentives and competition.	2. The role of the Official Agricultural Input Supply Agency is reduced and transformed toward a cooperatively owned agency in competition with other cooperatives and private traders.	Ministry of Planning evaluation reports.	2. Dollar Disbursements Program is functional and generates the local currency as planned.
-- To provide additional resources to the agriculture sector in order to maintain existing investment activities and raise the level of the sector's absorptive capacity in view of the country's macroeconomic and financial situation.	3. Operating losses of the Grain Marketing Agency are reduced by 30 to 50 percent of the average 1981-1983 losses. 4. Cross-border trade in livestock, cowpeas, and other agricultural products increase. 5. Development activities supported by the recurrent cost funding from the program continue to progress toward their objectives.	Grain Marketing Agency reports.	3. Local currency generated from the program is used to finance activities which contribute directly or indirectly to increase agricultural productivity and the sector's absorptive capacity.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Conditions indicating outputs have been achieved:		
1. Reorientation of the agricultural input subsidy policy and restructuring of the Official Input Supply Agency achieved.	1. Level of subsidy on any input reduced to no more than 50 percent of its full delivered cost.	Government decrees, reports and surveys from Ministries of Rural Development, Commerce, Finance, Planning, Official Grain Marketing and Input Supply Agencies.	1. Farmers are responsive to economic incentives both in the use of agricultural inputs and in their decision to produce and market their outputs.
	2. Rate of subsidy declines to a maximum average of no more than 15 percent.		2. The response from cooperatives and private sector is adequate in ensuring competition in both the marketing of agricultural outputs and supplying agricultural inputs.
	3. Significant progress made in the restructuring of the Official Input Supply Agency toward a cooperatively owned input supply entity.	Sector Assistance Program records, evaluation reports, and special studies.	3. The GON continues its commitment to develop self-managed cooperatives and encourage private sector development.
2. Promotion of competition in grain marketing through the liberalization of official marketing and pricing policies achieved.	4. Removal of all restrictions and fiscal impediments, except requirements for professional licensing, on the movement of grain within the country.		4. Cooperatives and private sector are responsive to the opening up of marketing opportunity in both the agricultural outputs and inputs.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
	5. The role of Official Grain Marketing Agency in urban markets is reduced toward that of managing food reserve stock at the wholesale level, food aid handler, and supplier of cereals to collective consumers.		5. Cooperatives have adequate storage capacity and are able to manage the grain reserves owned by the Official Grain Marketing Agency at the village level.
	6. A system of tenders and bids is established by the Official Grain Marketing Agency in order to encourage competition in the purchases and sales of grain from the Agency; the target level is 40 percent of the Agency's total transactions during the life of this sector assistance program.		6. The GON provides staff who are adequately trained in policy analysis and capable of implementing the policy reforms in appropriate offices.
	7. Village level grain storage through arrangements with cooperatives established and functional; the target level is 6,000 tons during the life of this sector assistance program.		
	8. Radio broadcasting of grain marketing situation at the "arrondissement" level established and functional; the target level is 75 percent of all the "arrondissement" markets.		
	9. Uniform national pricing abandoned.		

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
3. Appraisal of the country's agricultural credit situation, particularly in the informal credit market, achieved.	10. In-depth study of agricultural credit in the country done and appropriate policy recommendations and experimental programs adopted.		
4. Policy to promote border trade of livestock cowpeas, and other agricultural products adopted.	11. Reduction of administrative and fiscal requirements for obtaining trading permits and export licenses for all agricultural products.		
	12. System of high minimum license fees for livestock and other agricultural products is replaced by a fee system which is proportional to actual volumes.		
5. Promote more cooperative and private trader participation in the supply of agricultural inputs; border trade of livestock, cowpeas, and other agricultural products; and internal grain marketing and storage.	13. Administrative decrees issued to allow cooperatives and private traders to supply agricultural inputs in competition with the Official Input Supply Agency.		
	14. Administrative decress issued to allow cooperatives and private traders to engage in primary marketing of grain freely including during the official buying campaigns.		

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
	15. The relative share of agricultural inputs marketed by cooperatives and private traders increases at an annual average rate of 2 to 5 percent during the program period. 16. The relative share of agricultural outputs marketed by cooperatives and private traders increases at an annual average rate of 2 to 5 percent during the program period.		
Inputs:	Type and Quantity ($000):	Sector Assistance Program records.	ESF is available.
Dollar Disbursements	$12,000 (SDP funded) $17,000 (ESF funded)		
Technical Assistance Long-term Short-term	 $ 1,000 (96 person-months) $ 500 (40 person-months)		
Policy Studies	$ 800		
Seminars and Workshops	$ 200		
In-Service Training and Support	$ 350 (36 person-months)		
Evaluation	$ 150		

UNITED STATES AID MISSION TO NIGER
American Embassy

United States of America

B.P. 11201
NIAMEY

ANNEX B

CERTIFICATION PURSUANT TO SECTION 611 (e) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Peter Benedict, the Principal Officer of the Agency for International Development in Niger, having taken into account, inter alia, the maintenance and utilization of Projects in Niger previously financed or assisted by the United States, do hereby certify that, in my judgment, Niger has both the financial capability and the human resources capability to effectively implement and execute the proposed Agriculture Sector Development Grant.

This judgment is based upon the project analysis as detailed in the Agriculture Sector Development Grant document and is subject to the conditions imposed therein.

Peter Benedict

Peter Benedict
Director
USAID/Niger

5/25/84
Date

ANNEX .

INITIAL ENVIRONMENTAL EXAMINATION

Country: Republic of Niger

Project Title: Niger Agricultural Sector Grant (683-02-6)

Funding: Life of Project Funding - $15,000,000(SDP)
$17,000,000(ESF)

Period of Project: - years (6/84 - 6/88)

Activity Description: The program is intended to assist the Government of Niger in developing and maintaining a policy environment conducive to more efficient resource utilization and allocation within the agricultural sector. The program consists of 1) dollar disbursements for policy reform and 2) the technical assistance and in-service training necessary for managing the grant, monitoring the policy implementation, conducting studies and strengthening the GON capacity for policy analysis. In addition, local currencies equivalent to the dollar disbursements will be utilized for development activities.

Environmental Action Recommended: Categorical Exclusion in accordance with 216.2(c)(2)(vi).

IEE Prepared by: Sidney A. Chambers, Project Officer, AFR/PD/CCWAP

Reviewed by: Michael Gould, Mission Environmental Officer, USAID/Niger

Determination: Peter Benedict, Mission Director, USAID/Niger

Approved ______

Disapproved ______

Date ______

Bureau Environmental Officer's Recommendation

Approved ______

Disapproved ______

Date June 22, 1984

Clearance: GC AFR ______ 7/13/84

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5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance loans, and B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

Affirmative

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).

   (a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that amount)?

   (a) Congressional Notification

   (b) Affirmative

2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,00, will there be

qb

(a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) Affirmative

(b) Affirmative

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislation is required.

4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.)

N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

N/A

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6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

Negative

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

This is a grant targeted at encouraging policy reforms in agriculture. The policy reforms have the overall objective of deregulating market controls and facilitating private sector development and competition. Counterpart proceeds from the grant will contribute to cooperative development and improving efficiency in agriculture and commerce.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

By reducing subsidies on agricultural inputs, the proposed Agriculture Sector Development Grant will improve the environment within Niger for private sector activities in the agricultureal sector. Moreover, private U.S. firms will participate in the Program by providing technicians under the technical assistance component.

9. <u>FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507</u>. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

N/A

10. <u>FAA Sec. 612(d)</u>. Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

Negative

11. <u>FAA Sec. 601(e)</u>. Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Affirmative

12. <u>FY 1982 Appropriation Act Sec. 521</u>. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

A portion of assistance under the grant will be directed at promoting corss-border trade between Niger and Nigeria in livestock, cowpeas and other agricultural products. None of these commodities is likely to be in surplus on world markets at the time planned increases in trade come about, nor will they cause significant injury to U.S. producers of the same. similar or competing commodities.

13. <u>FAA 118(c) and (d)</u>. Does the project comply with the environmental procedures set forth in AID Regulation 16? Does

(a) Affirmative

(b) Affirmative

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the project or program take into consideration the problem of the destruction of tropical forests?

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

Affirmative

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and

(a) The program is designed to have an overall macro-economic impact but will involve the poor in development through improvement in availabilities of agricultural inputs to farmers. A majority of the beneficiaries of the program are subsistence farmers.

(b) The program will promote policy changes in grain marketing and pricing and in cross-border trade which should encourage the evolution of cooperatives as marketing intermediaries and increase the opportunity for more private sector participation

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otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

(c) The program will support Niger's self-help efforts by contributing to Niger's present economic and financial programs.

(d) A study to be financed under the program will address the question of women's access to credit.

(e) The program is not designed to encourage regional cooperation by developing countries.

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

Affirmative

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Affirmative

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activitiy with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

N/A. Niger is considered to be a relatively least developed country.

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e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than $100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character.

(a) Affirmative

(b) Niger is considered a relatively least developed country.

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Affirmative

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage

The program is designed to effect policy changes which will reduce the level of central government involvement in local development efforts and increase the participation of the people in local, self-managed and self-financed development activities.

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institutional development; and supports civil education and training in skills required for effective participation in governmental processes esential to self-government.

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. — N/A

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? — N/A

c. ISDCA of 1981, Sec. 724 (c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)? — N/A

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic or political

(a) Affirmative

(b) Affirmative

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stability? To the extent possible, does it reflect the policy directicns of FAA Section 102?

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

Negative

c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?

Negative

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

Affirmative

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	Affirmative
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?	Affirmative
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	N/A
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be	

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financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

Affirmative

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one or these areas?

N/A

6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates?

Negative

7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other

(a) Affirmative

(b) N/A

Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? — Affirmative

9. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? — Affirmative

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services to be used? — N/A

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? — N/A

3. FAA Sec. 620(k). If for construction of productive enterprise, will agggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP)?

N/A

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

N/A

2. FAA SEc. 301(d). If fund is established solely by U.S. contributions and administed by an internatioal organization, does--- Comptroller General have audit rights?

N/A

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

Affirmative

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family

(1) Affirmative

planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization;	(2) Affirmative
(3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning;	(3) Affirmative
(4) to lobby for abortion?	(4) Affirmative
b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?	Affirmative
c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?	Affirmative
d. FAA Sec. 662. For CIA activities?	Affirmative
e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?	Affirmative
f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or	Affirmative

adjusted service compensation for military personnel?

g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments, arrearages or dues? — Affirmative

h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? — Affirmative

i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? — Affirmative

j. FY 1982 Appropriation Act, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? — Affirmative

k. FY 1982 Appropriation Act, Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorized by Congress? — Affirmative

ANNEX E

Letter of Request for Assistance

Letter of Request
(Unofficial Translation)

Ministry of Plan
No. 0823/MP/CAB/DPEP

Mr. Director
USAID
Niamey, Niger

Subject: Niger Rural Sector Development Grant
(683-0246)

Dear Mr. Director:

The Government of Niger conducted a detailed study of the rural sector support project paper and found it acceptable. This document takes into account the comments and observations we reviewed with your design team during our meetings held in December 1983 and April 1984, respectively.

Subject to the observations contained in the attachment hereto we approve the identification of the proposed policy reforms to which this support is intended, i.e., cereals marketing and pricing, agricultural inputs subsidies, and border trade. In other respects, before we can take a decision about a program aiming at reinforcing the present agricultural credit system, we think it would be useful to conduct an in-depth review of savings mobilization in rural areas.

We also concur with the emphasis put by USAID on the cooperatives and private sector role in the agricultural input supply and cereals marketing areas. We appreciate your assistance in helping us to improve this sector output (yield) and save the public sector scarce available resources due to the deteriorating economic and financial situation. The Government of Niger shall have to support the recurrent costs of our projects in order to make the preceeding investment efforts more profitable. Under these circumstances, we approve the use of an assistance focused on this sector so as to support the agricultural development activities. We request this support which could total U.S. $27 million at the completion of the grant.

I hope you will take all the necessary steps to establish this support as soon as possible so that we can schedule the financing of recurrent costs relating to these development activities.

Sincerely,

(signed by)

Minister of Plan

AM/CF

REPUBLIQUE DU NIGER

CONSEIL MILITAIRE SUPREME

MINISTERE DU PLAN

N° 0823 / MP/CAB/DPEP.

Niamey, le 17 MAI 1984

Le Ministre D'ETAT, MINISTRE DU PLAN.

Monsieur le Directeur de l'USAID
USAID
Niamey, Niger.

Objet : Subvention au Développement du secteur rural au Niger (683-0246).

Monsieur le Directeur,

Le Gouvernement du Niger a procédé à une étude détaillée du Projet du document d'appui au secteur agricole et l'a trouvé acceptable Ce document fait état des remarques et observations que nous avions examinées avec votre équipe de conception lors de nos réunions tenues respectivement en Décembre 1983 et Avril 1984.

Nous approuvons sous réserves des observations portées dans la note annexée l'identification des réformes politiques proposées auxquelles cet appui est lié, c'est-à-dire la commercialisation des céréales, la fixation des prix, les subventions aux intrants agricoles, et le commerce frontalier. Par ailleurs, avant de nous prononcer sur l'élaboration d'un programme visant le renforcement du système actuel du crédit agricole nous trouverions utile un examen approfondi de la mobilisation de l'épargne en milieu rural.

.../...

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REPUBLIQUE DU NIGER
MINISTERE DU PLAN
DIRECTION DE LA PROGRAMMATION ET DE
L'EVALUATION DES PROJETS/SEEP

NOTE DE SYNTHESE

Objet : Subvention au Développement du Secteur Rural/USAID.

I Présentation du Programme

1- Structure du Programme

- But : améliorer et maintenir un environnement favorable et une meilleure utilisation et répartition des ressources au niveau des secteurs.
- Secteurs bénéficiaires : Agriculture et Elevage.
- Durée du Programme :Quatre (4) ans.
- Montant de la Subvention : 25 millions de dollars.
- Bailleur de fonds : USAID.

2- Principes de mise en oeuvre du Programme

Le Programme a pour objet un appui au FNI en monnaie locale générée par un mécanisme d'importation des marchandises des Etats-Unis ou des pays du Code 941. Ce mécanisme repose sur la constitution d'un dépôt en FCFA auprès d'une banque de la place par les opérateurs économiques désireux d'importer des marchandises et le réglement des fournisseurs étrangers se fera par un système de lettre de change et de lettre de crédit par les correspondants extérieurs de ces banques grâce aux fonds en dollars fournis par l'USAID. Les fonds en FCFA ainsi constitués serviront à financer dans le cadre des programmes inscrits au FNI les contreparties à la charge de l'Etat, et les charges récurrentes générées par certains projets.

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Nous approuvons également l'importance signalée par l'USAID, du rôle des coopératives et du secteur privé dans les domaines de l'approvisionnement des intrants agricoles et de la commercialisation des céréales Nous apprécions votre désir de nous aider à améliorer le rendement du secteur et à économiser les rares ressources disponibles du secteur Publi en raison de la détérioration de la situation économique et financière. Le Gouvernement du Niger aura à supporter les charges récurrentes de nos projets afin de mieux rentabiliser les précédents efforts d'investissement Dans ces circonstances, nous approuvons l'utilisation d'assistance axée sur le secteur pour venir en aide aux activités de développement agricole Nous sollicitons cet appui qui pourrait s'élever à un montant total de 27 millions de dollars américains au terme de la subvention.

J'espère que vous prendrez les dispositions nécessaires pour la mise en place de cet appui dans les meilleurs délais afin que nous puissions programmer le financement des charges récurrentes afférentes actuellement à ces activités de développement.

Veuillez agréer, Monsieur le Directeur, l'expression de ma haute considération.

République du Niger
Ministre
ANNOU MAHAMANE MALLAM.
Ministère du

Ampliations

Cab. PCMS/a.t.c.r
Cab. PM/a.t.c.r
Ministre du Développement Rural
Ministre du Commerce et des Transports
Ministre des Finances.
Ministre des Affaires Etrangères et
de la Coopération Internationale.

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du plan d'investissement sectoriel et la réduction des financements des charges récurrentes, les problèmes liés à la vulgarisation des thèmes techniques agricoles etc...

Selon les termes du document du Programme, les origines de ces contraintes sont situées dans cinq domaines d'application des politiques caractérisées par :

- pratiques restrictives concernant les prix et la commercialisation des produits agro-pastoraux ;

- gestion et politique de crédit inefficaces ;

- inadaptation des efforts conscients visant à intégrer davantage le secteur privé à la production et la distribution des intrants agricoles ;

- subvention excessive de certains intrants agricoles et contrôle de leur distribution ;

- politique de négligence bénigne concernant les exportations des produits agro-pastoraux.

Suite au Séminaire de Zinder sur les politiques d'intervention en milieu rural et les déclarations du Chef de l'Etat, le document souligne qu'il existe un cadre politique et une intention de procéder à des ajustements de certaines politiques ; d'où on tire la principale justification de cette subvention qui servira de soutien et d'encouragement aux ajustements nécessaires permettant de lever les contraintes identifiées.

5- <u>Les actions proposées dans le cadre de ce Porgramme</u>

Au nombre de huit, ces actions sont :

- engager la libéralisation du commerce céréalier primaire et secondaire ;

- initier des méthodes d'achat de l'OPVN par appel d'offre permettant de lever le monopole ;

- mettre en place et développer un système de transport privé permettant d'acheminer les grains OPVN ;

- limiter les activités liées à la stabilisation de l'OPVN

3- Les objectifs

Le principal objectif assigné à ce Programme est de soutenir et/ou encourager des réformes des politiques d'intervention dans le secteur rural par la mise en oeuvre des mesures visant à :

a) libéraliser la commercialisation céréalière et la politique des prix tout en limitant l'intervention de l'OPVN et en encourageant la participation du secteur privé

b) réduire l'ensemble des subventions aux intrants agricoles en limitant ces subventions aux intrants que les paysans hésitent à utiliser mais économiquement viables qui sont les engrais, les semences et les pesticides et en réduisant progressivement les taux de toutes les subventions de manière à supprimer durant le Programme les subventions aux autres intrants

c) déconcentrer la fourniture d'intrants agricoles en encourageant la participation de plusieurs distributeurs ;

d) financer une étude sur les besoins en crédits agricoles et évaluer l'impact de l'absence de ce crédit sur les innovations techniques agricoles ;

e) promouvoir une politique commerciale orientée vers l'extérieur.

Outre ces mesures qui permettront de développer et maintenir un environnement politique favorable à la croissance et au développement du secteur, le programme d'importation de marchandises permettra au Niger de disposer des ressources supplémentaires pour maintenir les programmes de développement, principalement ceux financés par l'USAID ou complémentaires à ceux-ci.

4- Justifications

La mise en oeuvre de certaines politiques ont engendré des contraintes au développement du secteur agro-pastoral constituées notamment à l'incompatibilité entre la viabilité à long terme la conditionalité et aux aides en marchandises et alimentaires en ce qui concerne la génération des fonds de contrepartie. La combinaison des exigences de ces types d'aide appelle d'autres interrogations telles que ; existe-il une corrélation évidente entre le retrait de l'Etat d'une activité et une relève automatique par le secteur privé ? Les contraintes identifiées sont-elles inhérentes aux politiques poursuivies ou à des effets pervers liés à une mauvaise mise en oeuvre de ces politiques etc ...

Les objectifs du programme répondent parfaitement aux préoccupations de la politique d'interventions en milieu rural telles qu'elles ont été exprimées sous forme de recommandations par le Séminaire de Zinder et adoptées par le Gouvernement. Mais les conditions sous-jacentes à la mise en oeuvre de ce Programme, le rythme de mise en application et l'efficacité de certaines mesures préconisées ainsi que les bases statistiques utilisées ont suscité plusieurs commentaires et propositions spécifiques, regroupées autour des thèmes suivants :

2. <u>Politique de prix et système de commercialisation des céréales</u>.

Les propositions contenues de la page II 16 et II 17 du dossier sont ainsi modifiées ou complétées :

<u>Point a</u> : Supprimer la phrase "Publier des décrets administratifs" et la remplacer par la formulation suivante : "Accélerer la mise en oeuvre des recommandations du Séminaire de Zinder en matière de politique nationale des prix" et compléter ce par une étude sur la mise en oeuvre d'une politique cohérente des prix des céréales qui tendraient à mieux développer l'efficience des marchés.

<u>Point b</u> : Tester le système d'appel d'offre pour la constitution et la vente des stocks de réserve de l'OPVN tout en maintenant le principe des prix planchers.

et fixer le montant des réserves à 100.000 tonnes ;

- consolider toutes les dépenses de subvention aux intrants agricoles et appliquer un programme de réduction de ces dépenses ;

- supprimer les restrictions imposées aux producteurs, commerçants et coopératives sur l'achat et la vente des intrants et outils agricoles ;

- réaliser une étude sur le crédit agricole ;

- promouvoir le commerce extérieur.

6- Effets escomptés par la mise en oeuvre du Programme

Les effets attendus par l'exécution de ce Programme se résumen en une contribution à l'accroissement de la productivité de l'agriculture et l'élevage permettant d'atteindre l'auto-suffisance alimentaire de trois manières :

- économie des ressources rares disponibles du secteur public et réorientation de ces ressources vers des facteurs plus productifs ;

- mise en oeuvre des politiques orientées vers la croissance ;

- disponiblité des ressources supplémentaires permettant de réhausser la capacité d'absorption du secteur de l'aide extérieure.

II Observations et propositions concernant ce Programme

Au cours de plusieurs réunions inter-ministérielles organisées par le MP, le dossier du Programme a été examiné par les représentants du MDR, MCT et MF. De ces réunions il ressort plusieurs observations et propositions d'ordre général et spécifique.

1. Remarques d'ordre général

La première intérrogation qu'a suscité l'examen de ce dossier est : ce type d'aide est-il convenable pour le Niger et quelles sont ses incidences sur la politique du développement ? Du point de vue de ses caractéristiques, on remarque que cette subvention au secteur rural nigérien est aussi une subvention au secteur commercial américain, et elle ressemble beaucoup à l'assistance du FMI sur le plan de

Point d : Il revient aux autorités politiques de fixer le niveau adéquat des stocks céréaliers d'urgence de l'OPVN et par conséquent ne doit pas constituer une condition à la mise en oeuvre du Programme.

Point e : Compléter la proposition par la nécessité d'examiner les modalités et possibilité de la formation régionale des prix.

Les points c et f ont été retenus sans difficultés.

3- Subvention aux intrants et privatisation du système de fourniture d'intrants agricoles.

Point a : Période de référence à prendre en considération pour la préparation du budget consolidé de subvention.

Point b : Modifier ce point en indiquant qu'il revient au MDR de fixer les prix des intrants en tenant compte de la subvention disponible ainsi que les quantités de chaque intrant à distribuer à l'exception de celles financées dans le cadre de projets spécifiques. En cas d'insuffisance des ressources (notamment au niveau duFNI) on doit faire appel aux ressources du fonds constitué en monnaie locale dans le cadre de ce Programme en collaboration avec l'USAID

Point c : La mise en oeuvre de la réduction progressive des subventions est supervisée par le MDR, le MP et l'USAID :

- suppression totale des subventions sur les charrettes avant la fin du Programme ;
- le taux de subvention sur le matériel aratoire sera fixé annuellement par le Niger et l'AID.

Point d :

- Il n'existe aucun décret qui accorde le monopole de distribution d'intrants à la Centrale d'Achat ;
- La C.A doit avoir le choix des modes d'acheminement des intrants aux coopératives.

3- Commerce frontalier avec le Nigéria

Les circulaires n° 004/MCT du 13 Février 1984 et n° 0788/MCT/DCE du 3 Avril 1984 lèvent toutes les contraintes réglementaires au commerce du niébé et l'importation de certains produits du Nigéria ; ces circulaires sont complétées par le programme de stockage du bétail entrepris depuis quelque temps avec le Niger.

Il ne peut donc y avoir aucune condition liée à la libéralisation du commerce entre le Niger et le Nigéria pour la mise en oeuvre de ce programme.

4- Gestion et procédure de mobilisation des fonds

Compte tenu des difficultés et des objections qui peuvent surgir, il est recommandé que la gestion des fonds s'effectue selon les mêmes règles que les autres fonds de contrepartie.

Ainsi les formules proposées pour l'utilisation de la première subvention peuvent être retenues dans le cadre de cette subvention.

Quant à la procédure de mobilisation des fonds, cela dépendra de la capacité du secteur privé nigérien à réaliser les importations nécessaires. La liste des produits à inclure dans le cadre de cette subvention reste à déterminer d'un commun accord.

ANNEX F

PID and Interim Statement Approval Documents

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ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/PD, Norman Cohen

SUBJECT: Niger Rural Sector Development Grant (683-0246)
Interim Statement

Problem: Your approval of the Niger Rural Sector Development Grant's Interim Statement is required to permit USAID/Niger to proceed with design of the Sector Assistance Activity Paper (SAAP) for the subject DA account-financed component of the Grant, which will use a standard Commodity Import Program (CIP) mechanism to generate local currency.

Background: In September 1982, USAID/Niger submitted a Project Identification Document (PID) for a Rural Sector Development Grant. The proposal pointed out the adverse macroeconomic conditions caused by the worldwide economic recession and the loss of uranium revenues which jeopardized implementation of ongoing development projects. The PID made the case that non-project assistance, together with adjustments in governmental policies in the rural sector, were needed to salvage ongoing activities, while laying a base for more sustainable programs in the years ahead. Therefore, non-project assistance was proposed in the form of a Sector Grant utilizing CIP mechanisms for generating local currency.

On July 14, 1983, DA/AID Kimball approved the Bureau's recommendation that USAID/Niger proceed to design the non-project grant. The design began with the $5 million CIP ESF-financed component of the Rural Sector Development Grant which embodied a direct reimbursement CIP mechanism to generate local currency. "An Interim Statement" detailing a precise negotiating strategy including the specific policy changes that will be sought under the $15,000,000 DA grant was to be developed. After AID/W approval thereof, USAID/Niger was to be advised to prepare the final SAAP for the subject project and submit it to AID/W for approval and authorization.

An ECPR was held October 19, 1983 to review the Interim Statement prepared by USAID/Niger. It concluded that the Interim Statement adhered to the guidance USAID/Niger had been provided for its preparation by presenting the following information:

(A) a summary of the problems hindering increases in production and income in rural Niger;

(B) an identification of relevant government policies; and

(C) a program for establishing policies that would promote efficient rural development.

Discussion: The ECPR recognized that the Niger Rural Sector Development Grant is the first Delegation of Authority (DOA) funded non-project assistance grant proposed for financing by the Africa Bureau. It also recognized while DOA 140, as amended, normally allows USAID/Niger to approve and authorize projects with life of project (LOP) funding which does not exceed $20 million, the significant policy questions surrounding Sector Assistance justify the recommendation that AID/W approve and authorize the SAAP.

During the preparation of a FY 1983 CIP Grant Agreement, USAID/Niger and the Government of Niger (GON) agreed to negotiate the following policy changes: (a) further reduction in Government subsidies for agriculture inputs; (b) further freeing up by the Government of controls on the prices paid to farmers by OPVN for sale of farm products; (c) opening up of production and distribution of inputs to private initiative and measures to strengthen the private sector's ability to undertake these functions; (d) improvement in agricultural credit policies and the manag[illegible] of credit systems; and (e) further review of the policy governing livestock and grain trade with Nigeria.

The ECPR reviewed the aforementioned policy adjustments in terms of their relationship to constraints on Niger's rural sector (agriculture broadly defined) development and AID financed projects in the sector. It determined that the Interim Statement should be approved and the SAAP prepared in accordance with the Guidance contained in State 246904. Although USAID/Niger should take steps to ensure all the guidance contained in State 246904 that is relevant to the preparation of the project paper is followed, particular attention should be given to the following paragraphs of it:

(A) Paragraph 5 - USAID/Niger should revise the Program's title to make it consistent with guidance in State 246904. Approved guidance for non-project sector assistance requires that the sector involved be a meaningful entity, comprising a set of economic activities unified by a common output, narrow enough to have an analystical identity, and broad enough to contain significant investement and policy issues.

(B) Paragraph 8(A)-(G) - The SAAP should contain sections which are called for in Paragraph 8(A)-(G).

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(C) Paragraph 16 - In preparing the assessment of the Host Country's financial capability for carrying out the sectoral strategies, information called for in Paragraph 16, should be included. This paragraph indicates that the justification could be in terms of increasing relative resources available to develop the sector.

The ECPR also determined that the Sahel Development Program Component Design Team, to establish the degree and kind of sectoral policy adjustments required, should carry out the following tasks:

(A) Review and analyze the GON's marketing and pricing policies and evaluate their impact on production, consumption. food security, price stabilization and Government budget.

(B) Review and analyze the impact on the GON's budget of periodic reduction of agricultural input subsidies as suggested in the Interim Statement and develop a detailed approach to implement the proposed subsidy reduction.

(C) Review and analyze the GON's current agricultural and rural credit policies, particularly in relationship to the proposed subsidy reduction and other pricing and distribution policy changes. The Contractors shall take into account the role of informal credit in the private sector and make recommendations as to strengthening its role as a credit mechanism. The Contractors shall also review and analyze the GON's current agricultural and rural credit management systems and make recommendations to improve them.

(D) Review and analyze the pattern of cross border trade between Niger and Nigeria, notably in grain, livestock and agricultural inputs, especially fertilizer. The Contractors shall evaluate the likely impact of the proposed adjustments in cross border trade policy and develop an approach to implement the policy adjustments.

(E) Discuss with the Nigerien Government officials designated by USAID/Niger and the GON, the political and administrative procedures in policy formulation including identification of individual officials and government entities responsible for making and reviewing policies.

(F) Evaluate the GON's own schedule for undertaking policy decisions from the perspective of the timeliness of USAID/Niger's proposed schedule for implementation of policy adjustments that are outlined in the FY 1983 ESF Grant agreement or others considered appropriate.

(G) Based on aforementioned reviews and analyses, in consultation with the GON, USAID/Niger and the Chief of the design team, the Contractors shall prepare sections of the SAAP called for in State 246904 Paragraph 8(A)-(G). They will also prepare sections which show the complete process and mechanism for achieving policy adjustments set forth in the FY 1983 ESF Grant Agreement or others considered to be appropriate. They include:

(1) a detailed definition of the policy adjustments and objectives served by the adjustments;

(2) how implementation of policy adjustments and their impact on rural development will be measured (baseline data for measurement of impact must be set forth);

(3) how and when USAID/Niger will communicate with the GON as to progress or lack thereof with respect the to implementation of policy adjustments defined during preparation of the SAAP;

(4) a set of criteria for choice of activities within the sector to be financed by local currency proceeds from the Sector Grant and procedures for making available to the GON successive tranches of local currency generated by the CIP mechanisms for such purposes;

(5) an illustrative list of activities USAID/Niger can support with local currency that will result in better performance in implementing the policy adjustments and/or improved sector performance in general.

The ECPR determined that the Interim Statement recognized labor constraints are exacerbated because of the growing seasonal and sometimes permanent migration of adult labor to neighboring countries and urban centers within Niger: it concluded however,that the implications of this constraint were not thought through and discussed. Consequently, the ECPR recommends that USAID/Niger consider the following questions and discuss them in the SAAP:

(a) what is the extent of seasonal and permanent male migration out of rural areas;

(b) does this occur more in certain regions of Niger than in others;

(c) are there a growing number of female-headed households;

(d) do women farmers, both within a male-headed household and in a female-headed household have access to productive resources such as agricultural credit, inputs, training and extension;

(e) are the resources mentioned in (d) above available to women in their own names;

(f) what types of collateral are required from women who attempt to obtain credit.

Recommendation: That you approve the Niger Rural Sector Development Grant's Interim Statement and authorize the attached cable which provides USAID/Niger with guidance as to preparation of the Sector Assistance Activity Paper for the Sahel Development Program component of the Sector Grant which will be submitted to AID/W for approval and authorization.

* APPROVED [signature]

DISAPPROVED ______________

DATE 12/12/83

Clearances

DAA/AFR:ARLove [initials]	DAA/AFR:JPJohnson [initials]
AFR/PD:NCohen ________	AFR/PD/SWAP:JRMcCabe Draft
PPC/PB:RKramer Draft	AFR/DP:HJohnson Draft
PPC/PDPR/ED:JWolgin Draft	AFR/DP/PAR:JElliott Draft
PPC/WID:NHorenstein Draft	AFR/TR/ARD:DSchaer Draft
AFR/TR/ARD:EHeadrick Draft	AFR/SWA:EAmundson Draft
AFR/SWA:FEgi Draft	

Drafted by:AFR/PD/SWAP:WJKing:fn:11/29/83 ext 29339

N Cohen

* In view of problems associated w/ FY83 CIP - we may need to review options for generating local currency. Pls see that Tim Bork is involved

Ray Love 12/12/83

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ACTION MEMORANDUM FOR THE ADMINISTRATOR

JUN 15 1983

THRU: ES

FROM: Acting AA/AFR, W.R. Love

SUBJECT: Niger Rural Development Sector Grant (683-0246)
Sector Assistance Identification Document (SAID)

Issue

Your approval is required to permit the Africa Bureau to proceed with the design of the Niger Rural Development Sector Grant which combines DA and ESF account-financed resources.

Background

USAID/Niamey proposes to combine DA and ESF account-financed resources in a Sector Grant of approximately $25 million (up to $10 million ESF and $15 million Sahel Development Program) over four years starting with $2 million ESF in FY83. The SAID was submitted to AID/W in September 1982 and initially reviewed on September 23, 1982. Action was, however, deferred pending formulation of new agency sector assistance policy. Although this policy had not been finalized, an ECPR for the SAID was held March 2, 1983 with a view to examining the proposal on its merits and proceeding on the basis of Africa Bureau's understanding of the current AID policy direction. The SAID was tentatively approved subject to more precise definition of the concept and its approval by you in the absence of an approved Agency non-project sector assistance policy.

As proposed by the Mission, this activity would make available to the Government of Niger (GON): foreign exchange ($23 million); $1 million in technical assistance (e.g. a commodity specialist to acquaint Nigerien importers with American suppliers and establish trading relationships; and $1 million to carry out a number of policy studies to develop an improved policy framework in Niger which encourages greater efficiency in use of resources.

The $23 million in foreign exchange would be disbursed by purchasing local currency with U.S. dollars ($2 million of the ESF monies) and utilizing a commodity import mechanism for $21 million (products unspecified although agricultural chemicals are cited as potential commodities). Local currencies purchased and the proceeds from the CIP generated would be programmed to support food production projects and other eligible activities in the rural sector.

AID
EXECUTIVE SECRETARIAT
JUN 20 10 57 AM '83

AID
EXECUTIVE SECRETARIAT
JUN 15 3 41 PM '83

956-ES

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The rationale for proposing use of this method of assistance is to elicit/support policy changes in the following areas:

(1) Agricultural input pricing policy;

(2) GON policy regarding the role of the private sector in agricultural input distribution;

(3) policy governing restrictions on livestock and grain trade with Nigeria; and

(4) GON policy governing agricultural credit institutions.

The Mission believes, that by providing resources in this form, it will be in a particularly good position to negotiate (in concert with other donors) substantive and lasting policy changes. Analytical efforts undertaken to date suggest that inappropriate policies in those areas cited above constitute critical constraints to increasing Niger's agriculture production and that significant reforms in the areas are necessary. The first three policy reform areas were identified in the Agriculture Sector Assessment and have figured in the continuing dialogue associated with the GON/USAID Niger Joint Program Assessment and other AID assistance projects. They were also identified and discussed at the recent Zinder Conference initiated and sponsored by the GON on agriculture sector development in Niger. The fourth policy reform area (agriculture credit) was suggested by the Mission during AID/W reviews of the SAID.

Discussion

The Africa Bureau (working with PPC) intensively reviewed this activity and concluded that this proposed use of DA/ESF funds to obtain policy changes has merit. We see the value of sector-type assistance (whether DA or ESF funded), particularly where significant policy changes can be encouraged. However, where DA funds are involved, the Agency must be particularly concerned that the Basic Human Needs objectives of the legislation are addressed. This raises a special order of concern regarding the direction and thrust of the policy changes which are to be sought. They have to be clear, achievable and deal directly with key constraints.

The SAID submitted by the Mission did not provide much in the way of identifying specific policy changes which would be sought nor did it set forth a strategy for conducting a dialogue. Thus while we accept in principle the idea of moving ahead, we will ask the Mission to provide us with an interim statement detailing a precise negotiating strategy including the specific policy changes which will be sought.

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The interim statement will cover the following points:

- an overview of the sector, with clearly identified constraints bearing on increased production and small farmer income;

- identification of policies at the macro and agricultural sector level in sufficient detail to permit conclusions about the degree to which the policies act as constraints on the efficient use of public and private resources in the agricultural sector; and

- identification of proposed policy changes which will be sought, the timing thereof, and the strategy which will be followed to achieve these objectives.

Although this activity was originally scheduled for design, authorization and obligation in FY 83, the Africa Bureau recognizes that authorization and obligation of DA funds in FY 1983 is no longer possible. However, the Africa Bureau plans to advise USAID/Niamey that documentation should be prepared and authorized in the field which will result in the obligation of the $2 million ESF funds in FY 1983. The Bureau would also like to advise USAID/Niamey that it should proceed with the design of the SAAP now in order approve funds in the first quarter of FY 84.

The size of outlays on subsidies and funding of agricultural parastatals' deficits appears to be a policy issue in itself. If this is confirmed by the SAAP team's analysis, any agricultural sector assistance will be made conditional on agreement by the GON to make substantial cuts, during the life of the sector grant, in its outlays on subsidies, as well as in those on parastatals. This will be done to rule out the possibility the GON might otherwise use funds released, by application of sector grant local currency proceeds to other parts of the agricultural budget to pospone necessary cuts in outlays on subsidies and on funding of parastatal deficits. Further, criteria should be set forth in the SAAP for screening activities submitted for local currency financing. In applying the criteria, the Mission must ensure that local currency generated will be used only for mutually agreed upon development purposes and to support policy reforms being pursued.

By way of conclusion, we are prepared to encourage the Mission to proceed with development of a SAAP noting:

- the SAAP will receive an in-depth review by AID/W;

- policy reforms will have to address significant constraints on appropriate and efficient development of the agricultural sector;

- AID/W will need to have a clear understanding of the sector and its constraints in order to judge the adequacy of proposed reforms;

- The Mission must also satisfy AID/W review committees that the criteria set forth in the SAAP for screening local currency projects will ensure there are reasonable prospects for its appropriate and efficient utilization.

- We will want to see evidence of the GON's commitment to undertake the policy reforms set forth in the SAAP. This evidence may be in the form of actions the GON has already undertaken in the policy areas targetted in the SAID pursuant to other AID financed projects.

- Proposal will conform to AID sector guidance

Recommendation: That you permit the Africa Bureau to proceed with design of the Niger Rural Development Sector Grant.

Approved FBKimball
Disapproved ______
Date July 14, 1983

Clearances:
AA/PPC:JRBolton: ______
DAA/PPC:FWSchieck: Draft
DAA/AFR:JPJohnson: gpg
AFR/PD:NCohen: ______
GC/AFR:LDeSoto: Draft
AFR/TR:LHoldcroft: Draft
AFR/DP:HJohnson: Draft
AFR/SWA:FEGilbert: Draft
PPC/PB/C:RKramer: Draft
AFR/DP:EDonoghue: Draft
AFR/DP/PPEA:JElliott: Draft
AFR/TR/ARD:DSchaer: Draft
AFR/TR/ARD:JHartman: Draft
AFR/SWA:YJohn: Draft
AFR/PD/SWAP:JRMcCabe: Draft
AFR/PD/SWAP:WJKing: Draft

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ANNEX G

RECENT MACROECONOMIC DEVELOPMENTS IN NIGER:
COUNTRY SITUATION, POLICY, AND OUTLOOK

K. Toh
USAID/Niamey
April 1984

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I. OVERALL ECONOMIC PERFORMANCE

Niger's overall economic performance since the Sahelian drought of early 1970's is characterized by a rapid growth period of 1976-1980. The extraordinarily favorable economic performance came to an end in 1981.

A. Growth Period, 1976-1980

The rapid growth period was stimulated by the buoyant world demand for uranium and favorable rainfall. The increased world demand for uranium raised Niger's export price substantially. It almost doubled (from 14,000 CFA francs per kg. in 1976 to 24,500 CFA francs per kg. in 1980). The value added of the mining sector, which was almost entirely uranium mining, more than tripled with an average growth rate of 39 percent. The favorable weather conditions together with the herd reconstitution program contributed to the rapid growth in the rural sector. The value added of the rural sector, 90 percent of which is accounted by agriculture and livestock, doubled. Its average growth rate was more than 18 percent. Food crops production grew at an average rate of 7.2 percent and livestock production increased at an average of 5.4 percent per year in real terms.

The increased uranium exports provided budgetary resources and foreign exchange earnings for the Government of Niger to implement an ambitious investment program under the five-year development plan (1979-1983). At the peak of this rapid growth period (1978-1980), uranium earnings financed about one-third of the government budget and all the (budgetary) capital spending (the National Investment Fund--FNI). The investment program under the 1979-1983 development plan also contributed to the growth in the construction and industry sectors as well as the tertiary sector. The value added of the construction sector more than quadrupled. Its average growth rate was 46 percent. The value added of the industry sector, which comprises manufacturing, handicrafts, and energy, more than doubled during this period with an average annual growth rate of 18 percent. Most of the growth took place in handicrafts which account for more than 70 percent of the sector. The commerce, transport, and services sector also benefited from the uranium boom. The value added of the sector more than doubled with an average growth rate of 19 percent. The fastest area of growth in this sector was in transport. However, commerce accounted for more than 50 percent of the value added with the remaining divided almost equally between transport and services.

During this period, the annual growth rate of Gross Domestic Product, adjusted for inflation, averaged 7.6 percent, reaching the peak in 1979 with a 13 percent growth rate. With population growing at 2.77 percent per year, this implies an average per capita Gross Domestic Product growth of 4.8 percent per year. Overall employment in the modern sector rose by 42.9 percent with the largest increase respectively in mining (94 percent), commerce (73 percent), and government (25 percent). Minimum hourly wages increased by 127 percent from 48 CFA francs in 1976 to 109.02 CFA francs in 1980. The expansionary fiscal and monetary policies caused a relatively large increase in the price level, particularly in 1981 when the increase was 22 percent. The average annual increase in the price level during the period was 12 percent. The increase by imports associated with the public investment program contributed to a rising current account deficit in the balance of payments. It reached a record high of 66 billion CFA francs (or $313 million) in 1980 with increasing external debt servicing payments. There were also large private capital inflows associated with direct investment particularly in mining activities. These large capital inflows, which in 1980 amounted to almost 58 billion CFA francs (or $273 million), were significantly large enough to offset most of the current account deficits so that balance of payments adjustments did not appear to be necessary.

B. Stagnation Period, 1981-1983

The extraordinarily favorable economic performance from 1976 to 1980 ended abruptly in 1981 as a result of a dramatic fall in the demand for uranium and its price. The negotiated price of Niger's uranium exports fell by 18 percent, from 24,500 CFA francs per kg. in 1980 to 20,000 CFA francs per kg. in 1981. Although the prices for 1982 and 1983 were raised to 24,000 and 27,500 CFA francs respectively, the depreciation of the CFA franc in terms of the U.S. dollar kept the 1982 and 1983 dollar prices relatively unchanged at $73-74 per kilogram. Nonetheless, these prices were higher than the spot market prices which were $43-48 per kilogram.

The depressed demand for uranium reduced Niger's mining activity and its backward linkage sectors like construction and transport. The value added from uranium declined by 17 percent in 1981. In 1982, the government was able to negotiate an increase in uranium price; consequently, the value added decreased by only 6 percent. In 1983, the contract price increased by 14.6 percent above the 1982 price. However, this was partially offset by a 20 percent cut in uranium production. The 1983 uranium mining value added declined by 16 percent from the 1982 level. The rapid growth of the construction and transport sectors which was fueled by the uranium boom came to an end.

The value added in the construction sector fell by 8, 11, and 15 percent from 1981 to 1983. The growth of the transport sector slowed down in 1981 and experienced a negative growth rate of 13 percent in 1982. In 1983, it recovered to a growth rate of 8 percent in nominal terms.

The performance of the rural sector during this period was below the earlier period. Agricultural production, both food and cash crops, stagnated because of relatively poor rainfall. Most of the increase in the value of output was attributed to increases in official prices. The official producer price of millet doubled between 1980-1981 and 1982-1983. It increased by 75 and 55 percent respectively for sorghum and rice over the same period. During this same period the producer prices for cowpeas, shelled groundnuts, and cotton increased by 89, 33 and 100 percent respectively. In terms of quantity, food crop production (millet, sorghum, and rice) fell by approximately 3 percent during this period. With the exception of cowpeas, whose output increased at an average annual growth rate of 4 percent during this period, the outputs of other cash crops fell by approximately 30 percent. The growth of the livestock sector had also leveled off since 1981.

The sectors which showed some modest real growth during this period were manufacturing, handicrafts, and energy. Because of the small size of these sectors, their growth was not enough to compensate for the depressed mining and construction sectors and the stagnated rural sector. Consequently, real Gross Domestic Product grew by only 1.1 percent in 1981. It declined by an average rate of 2 percent over the period 1982-1983.

The decline in the uranium price in 1981, together with the depreciation of the CFA francs, contributed to an average of 29 percent reduction in the export price index during the 1981-1983 period over the 1979-1980 average export price index. Import price index practically remained unchanged between these two periods. The terms of trade deteriorated by 40 percent between the two periods.

Investment activities, both public and private, slowed down considerably and urban unemployment rose with industry capacity utilization, such as agro-based processing activities like groundnut oil, textile, rice processing, and flour, averaging less than 30 percent. Gross fixed capital formation fell at an average annual rate of almost 14 percent during this period. Resource gap deficit increased from 58.2 billion CFA francs ($275 million) in 1980 to 76.6 billion CFA francs ($233 million) in 1982. The decrease in imports and a modest increase in exports reduced the resource gap deficit to 52.8 billion CFA francs ($129 million) in 1983. The resource gap deficit in dollars also reflected the effect of the dollar appreciation in terms of CFA francs. If the exchange rate were neutralized at the 1980 exchange rate, the resource gap deficit averaged $300 million during this period.

II. ECONOMIC STRUCTURE

The economy of Niger is predominately subsistence agriculture. The traditional sector dominates the economy, accounting for 62-72 percent of the value added of Niger's Gross Domestic Product. Agriculture, livestock, and to a lesser extent fishing and forestry, represent 71 percent of the traditional sector. The remaining is accounted largely by commerce, services, and handicrafts. The modern sector comprises mining, construction, and transport; it accounts for 28-38 percent of Gross Domestic Product. The uranium-led growth of 1976-1980 altered the structure of the conomy. One basic structural change was the increased dominance of uranium in the economy reaching the peak of almost 14 percent of the Gross Domestic Product in 1979 from a share of less than 1 percent in the late 1960's. Another strucutral change was the decline in the relative share of the rural sector. It reflected a much faster growth in mining and construction rather than the stagnation of agriculture and livestock. During the 1981-1983 period, the structure had gone through changes again. It appears that it has reversed to the period before the rapid growth with a higher level of Gross Domestic Product share in mining.

A. Agriculture

The important role of agriculture in the Nigerièn economy is highlighted by the fact that it supports the livelihood of nearly 90 percent of the population. Agriculture, livestock, and fisheries contributed 50 percent of the value added in Niger's Gross Domestic Product in 1983. During the rapid growth of 1976-1980, its relative share of domestic output had declined to as low as 43 percent in 1980. Its level of 48-50 percent is expected to continue as the economy adjusts to a slower and more normal growth path in the near future. Food crops (millet, sorghum, and rice) account for more than 75 percent of crop production and they are produced mainly for subsistence; less than 20 percent of production is marketed. Cash crops include groundnuts, cotton, cowpeas, and vegetables (mainly onions and string beans). In recent years groundnuts and cotton have declined in importance; they have been substituted by cowpeas as a main cash crop. Cowpeas have become a

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major source of export earnings behind uranium and livestock since 1980. Niger is not an agricultural produce exporting country. Crop exports represent only 7 percent of export earnings. Most of the crop exports takes place through border trade with Nigeria.

Next to crop production, raising livestock is the other main economic activity in the traditional sector. Animal husbandry accounts for 17 percent of Gross Domestic Product and 36 percent of the value added of the rural sector. Niger's livestock has increased steadily in all animal categories since the drought. The cattle population grew from 2.2 million in 1973, the year in which the livestock was hard hit by the drought, to 3.5 million in 1983. This represents roughly 80 percent of the pre-drought cattle population. For other species of animals, of which 90 percent are sheep and goats, the population increased from 7.9 million in 1973 to 12.1 million in 1983. It had already exceeded the pre-drought population of 10.1 million. Next to uranium, livestock is the most important source of foreign exchange earnings. Livestock, meat, and hides accounted for 15.8 percent of recorded total commodity export earnings and averaged 14.8 percent over the period 1978-1983. While its share in commodity export earnings had remained in the range of 13-16 percent, exports of livestock and its related products had risen consistently both in volume and in value, although its rate of growth had leveled off during 1981-1983. The official statistics of livestock exports, however, underestimate the actual exports of livestock because a large portion of this trade involves exports of livestock on the hoof across the border to Nigeria. A significant part of this trade has not been recorded in the official statistics. Such trade has been estimated to be as high as 30-50 percent of the recorded trade.

B. Mining

Uranium mining was the growth locomotive during 1976-1980. It had transofrmed Niger's economic structure significantly during the period. However, its relative share in Gross Domestic Product declined from 14 percent in 1979 to 6 percent in 1983 following the depressed demand and a large decrease in prices in 1981. Depsite its poor performance in the 1980's, uranium will remain the most important source of foreign exchange earnings in the foreseeable future. Its share of commodity export earnings remained in the range of 76-78 percent similar to that of the rapid growth period of 1976-1980. This reflected the dominant position of uranium and a very close association between uranium exports and the overall export performance. On the other hand, the importance of uranium as a source for government revenues has been reduced from providing a third of the government revenue in late 1970's to slightly below 10 percent in 1983.

Other mining activities include cassiterite production, coal production in the northern region of the country, and possible future production of phosphate in the western region of the country. Presently, cassiterite production is at the level of 100 tons per year and is expected to stabilize at this level. Although its price almost doubled in 1981 and increased by 13 percent in 1982, its value added represented less than 1 percent of the mining sector in 1983.

C. Industry and Construction

The industry sector in Niger is small. It accounted for only seven percent of Gross Domestic Product. It comprises handicrafts, energy, and manufacturing. Manufacturing activities range from oil refining to cement and brickmaking, tannery, textile, and a number of agro-processing manufacturing, such as flour mills, rice processing mills, groundnut oil mills, and cotton ginning. Handicrafts accounted for 60 percent of the value added in this sector while manufacturing and energy each represented 20 percent in 1983. The sector employed eight percent of the labor force in the modern sector.

The sector that benefited directly from the 1976-1980 uranium prosperity was construction. Uranium revenues financed a number of public works and infrastructure projects many of which were linked to mining activities. The Gross Domestic Product share of the construction sector rose rapidly from less than four percent in 1976 to seven percent in 1980. It employed more than 25 percent of the labor force in the modern sector during 1978-1980. The sector is the biggest employer of the labor force in the modern non-governmental sector. It was also directly affected by the stagnant mining sector during 1981-1983. Its share dropped to 3.8 percent in 1983. The unemployment rate in the sector rose by 21.5 percent in 1981.

D. Other Sectors

The relative Gross Domestic Product share of the tertiary sector (commerce, transport, and services) remained relatively unchanged at approximately 20 percent while commerce accounted for more than 50 percent of the value added in the sector followed by services and transport which each respectively accounted for 29 and 17 percent in 1983. The economic stagnation seemed to slow down the growth of commerce and transport whose shares in the sector showed a falling trend. The share of commerce fell from 59 percent in 1976 to 54 percent in 1983; and the share of transport fell from 22 percent in 1979 to 17 percent in 1983. Their falling shares were more than compensated by the services sub-sector resulting in a slight increase of the tertiary sector share in Gross Domestic Product from 20 to 21 percent in 1983. In terms of employment, the sector did not seem to be much affected by the economic recession. As recent as 1981, employment in the sector grew by 10.6 percent. Its share of modern sector employment was 18 percent in 1981.

The share of the government sector in Gross Domestic Product grew from 7.3 percent in 1980 to eight percent in 1983. Its share during the earlier period, however, fell from 7.8 percent in 1976 to 6.9 percent in 1979. This indicated that the government sector did not grow as fast as the overall growth of the economy during the extraordinarily rapid growth period, and it did not slow down as much as the overall economic slow down during the stagnation period. The government grew at an average annual rate of 19 percent during 1976-1980. Its growth rate dropped to an average of 12 percent during 1981-1983; this implied a real growth rate in the sector of apprximately two percent. The average annual growth rate of employment in the sector was seven percent during 1977-1981. It has declined moderately since 1981. Its share of employment ranged from 40 to 43 percent. The share of indirect taxes in the Gross Domestic Product declined from 5.5 percent in 1980 to 3.7 percent in 1983. It reflected the slow down in the economy particularly the reduction in imports.

III. DEVELOPMENT PLANNING, 1979-1983

In 1979 the Government of Niger launched a Five-Year Development Plan. Its major goals are: self-sufficiency in food production, development of basic infrastructure, provision of social services (especially in health, education, and human resources development), diversification of the economy's productive base, further expansion of the mining sector, and development of a participatory economy through the establishment of a "Development Society" institution.

The financial requirement for the Plan, in 1979 prices, was 975 billion CFA francs ($4.6 billion at 1979 average exchange rate). Of the total financial requirement, 75 percent was allocated for investment spending and the remaining was for recurrent expenditures; apprximately 47 percent of the planned investment outlays was expected to be financed by the public sector. Table A-6 in the Statistical Appendix shows the allocation of planned public investment spending in the 1979-1983 Plan.

Almost two-thirds of the private investment were targeted at the expansion of the productive capacity in the mining sector; the remaining was for manufacturing industry (nine percent), energy (15 percent), and roads and transport (nine percent). In the mining sector, emphasis was placed on further expansion of uranium mining, and to a lesser extent, on coal mining and exploration of other mineral resources and oil. A substantial part of the investment in the manufacturing sector was targeted at food processing industries (including slaughterhouses), chemical plants, and a sugar refinery. In the energy

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sector, the major planned investment was for the construction of a coal-generated electricity power station for the electricity requirement of increased mining operations.

For public investment, the Plan targeted 24 percent of the total investment for rural development, mainly in agriculture and livestock, and 18 percent for mining, industry, and energy, with 56 percent of the sector's targeted investment going to mining. The Plan allocated almost 30 percent of the total investment for social services with education and training expected to receive 57 percent of the sector's targeted investment. A major investment effort was also planned for infrastructure. The Plan allocated 24 percent of the total public investment program for infrastructure, mainly in roads and transport (58 percent of the sector's planned public investment), telecommunications (14 percent), and a series of new buildings for government agencies (28 percent).

Table A-7 in the Statistical Appendix provides a comparison between planned and actual public investment spending during the Plan period. The aggregate ratio of actual to planned investment is 0.91. This indicates that 91 percent of the planned spending is realized. An examination of the sectoral composition, however, reveals that this high ratio is due to overallocation of spending in the infrastructure sector, particularly in telecommunications. Its ratio of actual to palnned spending during the Plan period is 1.61 with the telecommunications ratio at 2.07. This means that actual investment spending in the infrastructure sector is 61 percent higher than the planned level and about twice of planned spending in telecommunications. In the directly productive sector (agriculture and rural sector, mining, industry, energy, and commerce) the ratio is 0.72. The ratio in agriculture and rural sector is even lower, 0.53; it is 0.88 and 0.84 in mining and commerce, respectively. In the social services sector the ratio is 0.67, with the lowest ratio in health followed by water supply and education; in housing and urbanization it is above the sectoral average.

In addition to the over-allocation of investment fund to the infrastructure sector, there are several explanations for the low ratio of actual to planned investment spending in the directly productive sector. In the agriculture and rural development, it is due to the inability of several agricultural projects to absorb the investment because they were still in the preparatory phase; whereas the Plan had already programmed significant amounts of investment in these projects. In manufacturing, there was delay in investment in the textile industry and delay in the construction of the sugar refinery and in the development of the third uranium mine. Investment in the services sector, especially in commerce, fell short of targets because investment plans for a para-public neterprise for commercialization of groundnuts and cowpeas (SONARA) have to be revised due to unfavorable developments in the market for groundnuts. In social services, there were delays in obtaining the necessary financing, especially in the water supply program. The low realization ratio is also due to the over-ambitious objective in the Plan in relationship to the country's absorptive capacity.

Some of the factors limiting the ability of the directly productive and social services sectors to absorb the planned investment effectively are external, such as the unfavorable market shift in uranium and the lack of private investment to complement public investment. Other factors are associated with the country's level of development and its resource endowments, specifically its human resource constraint, the difficulties in applying and delivering appropriate technology in agriculture and livestock, and the poor and fragile agricultural resource base. But there are also factors that are attributable directly or indirectly to government policies and interventions. For example, government subsidy policy to money-losing public and para-public enterprises which divert funds that could otherwise be made available for directly productive investment.

PUBLIC FINANCE

A. Niger's Budgetary System

Public financial operations in Niger comprise the central government budget and the local community budget. The local community budget is small, representing less than five percent of government financial operations. It derives its revenue from earmarked taxes (property taxes and license fees) and some local taxes and service charges.

The central government budget is divided into the general operating budget (Budget General de Fonctionnement), the National Investment Fund Budget (Fonds National d'Investissement--FNI), and the annexed budget for public works agencies (Budget Annexe d'Exploitation du Materiel de Travaux Publics-BAEMTP). The FNI is intended for capital spending which generally provides local counterparts for foreign-financed projects. In addition to the FNI budget, capital outlays are also financed from extrabudgetary expenditure.[1/] The

[1/] Not all the expenditure outlays in the FNI and extrabudgetary categories are capital spending and certainly not investment in the strict economic sense. For example, they include subsidies and transfers to public enterprises.

annexed budget is executed by the Treasury. The Treasury has various special accounts, including accounts of local authorities, and parapublic enterprises. Most of the Treasury's liquid assets are deposited with the central bank, the Niger Development Bank (Banque de Developpement de Republique du Niger--BDRN), and the National Agricultural Credit Fund (Caisse National de Credit Agricole--CNCA). The Treasury also receives credit from the Central Bank through the West African Monetary Union arrangements. Such credit is limited to 20 percent of Niger's actual tax revenue in the previous year. In recent years, they have been given as medium-term loans and are used to finance various investment projects. At present no consolidated budget exists.

B. Overall Fiscal Developments, 1979-1983

With the growth of uranium revenue and the implementation of the ambitious five-year development plan (1979-1983), total government spending increased substantially, by 25 and 45 percent in 1979 and 1980, respectively. Total revenue, on the other hand, increased by 31 to 25 percent over the same period. Consequently, the budget deficit more than doubled from 14.2 billion CFA francs ($65.8 million) in 1979 to 32.5 billion CFA francs in 1980 ($153.7 million). With stagnant revenue in 1981 (an increase of only 2.6 percent) and the continued increase of expenditure outlays (31 percent), the 1981 budget reached a record high of 64 billion CFA francs ($236 million). In 1982, with total revenue falling by 2 percent, the government began to pursue a contractionary fiscal policy. Total spending declined by almost 14 percent and the budget deficit was reduced to 46.1 billion CFA francs ($140 million). The contractionary fiscal policy continued in 1983, spending was reduced further by five percent, but revenue also fell by another four percent and the budget deficit was 50 billion CFA francs ($113 million). All the expenditure reduction during fiscal 1982-1983 took place in capital spending. The FNI spending was cut by more than 56 percent and 46 percent per year. Extrabudgetary capital outlays were reduced by 18 percent and 15 percent in 1982 and 1983, respectively. The growth of the current expenditure spending had been held down to 8-13 percent during 1981-1983. It was about the same as the average annual rate of inflation during this period.

Since 1981, 61-71 percent of deficit financing has been through foreign borrowing, the remainder was financed by domestic sources. During this period, there were also increased in arrears. They rose from less than 2 billion CFA francs ($9.4 million) in 1979 to 14.6 billion CFA francs ($44.5 million) in 1982. The accumulated arrears by the end of fiscal

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1982 were 22.1 billion CFA francs ($67.2 million at the 1982 average exchange rate). These arrears were entirely to banks and local enterprises. There was a reduction of 1.8 billion CFA francs in 1983. They are expected to reduce further in 1984-1985. Table A-11 in the Statistical Appendix shows the central government budgetary operations from fiscal 1979-1983 and projections for 1984-1985.

The local community budget represents approximately five percent of the total governmental financial operations. Its revenue had more than doubled during the period 1979-1982 from less than 2 billion CFA francs ($9 million) in 1979 to 4.2 billion CFA francs ($20 million at 1979 exchange rate) in 1982. The sources of local revenues are different city and community taxes, license fees, and transfers from the central government budget. Arrondissement tax together with license fees and business taxes accounted for 58 percent of local government revenue in 1979. In 1982, the share of the arrondissement tax in local government revenue fell to 24.8 percent; it was, however, compensated by a substantial increase in license fees from the share of 12 percent in 1979 to 25 percent in 1982. The share of transfers from the general budget also declined significantly from almost eleven percent in 1979 to less than five percent in 1982. This reflected the fiscal difficulties the government encountered since 1981. Nevertheless, total local government revenue grew by 19 percent in 1982 indicating increasing reliance of local government authorities on local taxes and fees to finance their operations.

On the expenditure side, total spending rose from 2 billion CFA francs ($9.4 million) in 1979 to 4.3 billion CFA francs ($20.2 million at 1979 exchange rate) in 1982, an average annual rate of increase of approximately 25 percent. Most of the increase was in 1980 when the total expenditure grew to 3.4 billion CFA francs. The share of current expenditure varies from 64 percent to 73 percent. The biggest share in the capital spending was in infrastructure, averaging 55 percent followed by administration (20 percent), social services (15 percent), and agriculture, livestock, forestry, and water supply (ten percent). Except in 1979, the deficit of the local government budget was small; in 1982 it was 122 million CFA francs ($0.4 million). Table A-16 in the Statistical Appendix shows the local community budget from fiscal 1979 to 1982.[1]

1/ The estimates for 1983 are not available at this time.

C. Fiscal Projections, 1984-1985

According to the Nigerien authorities, government revenue is expected to reverse its declining trend beginning with 1984. It is expected to rise by seven percent in 1984 and another five percent increase in 1985. These increases are to be realized from a number of revenue increasing measures (to be discussed below) which were initiated in fiscal 1983 and to be more fully implemented in fiscal 1984. The anticipated impact of the revenue-increasing measures is estimated at 4.5 billion CFA francs ($10.8 million) by the end of 1984.

On the expenditure side, there is an anticipated spending cut of eleven percent (14 billion CFA francs or $34 million) in 1984. The entire cut will come from capital and extra-budgetary expenditure. In the current expenditure, public debt service will decline by four percent; other expenditure categories (wages and salaries, materials, and subsidies, and transfers) will increase by apprximately five percent.

In 1985, total spending is expected to be slightly below the 1983 level, with a 15 percent increase in capital expenditure and an eight percent increase in current expenditure. The 1985 capital expenditure level will still be 78 percent of the 1983 level and less than half of the 1981 level. All categories of current expenditure are expected to rise by approximately eight percent with the exception of subsidies and transfers which are expected to rise by less than six percent.

The projected budget deficits for fiscal 1984 and 1985 are respectively 29 and 34 billion CFA francs on a commitment basis. However, because of the anticipated substantial reductions in arrears accumulated during 1979-1982, the budget deficits are expected to be in the neighborhood of 40 billion CFA francs ($96 million) on a cash basis. The projected deficits amount to approximately 4.3 percent of the country's GDP. It represents more than 50 percent cut from the 1981 deficit which was 10.7 percent of the GDP. Figures 1 and 2 provide some indicators of fiscal aggregates.

The projections are based on the following assumptions: (a) the nominal growth rates of GDP for 1984 and 1985 are respectively 8.2 and 9.7 percent; (b) the shares of government revenue in GDP for the next two years will be approximately ten percent, and (c) the impact of the tax reforms will amount to an annual increase of approximately 4.5 billion CFA francs. The revenue share in GDP appears to be reasonable and consistent with the most recent trend (1982-1983). However, the assumption that the full impact of the new tax measures will be

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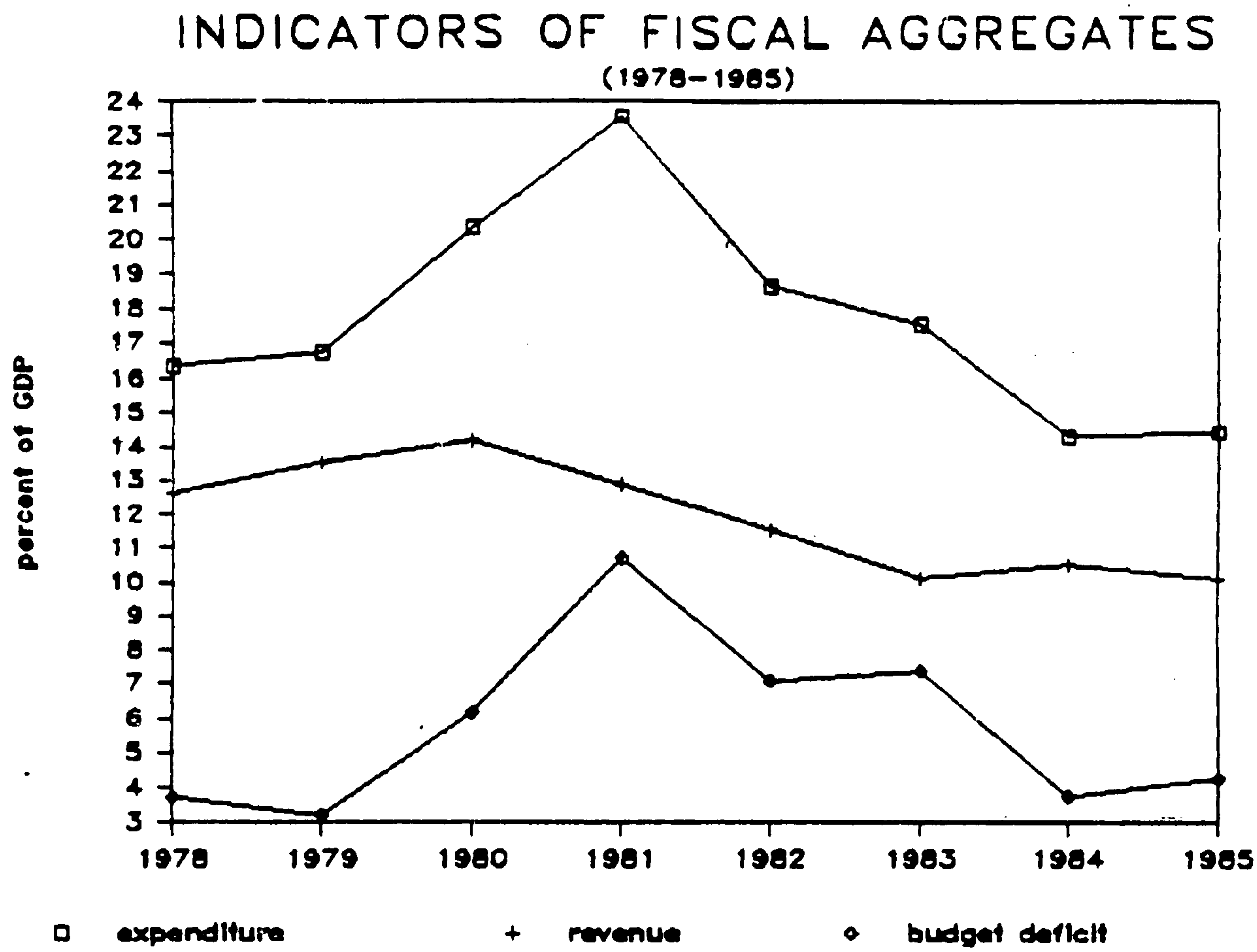
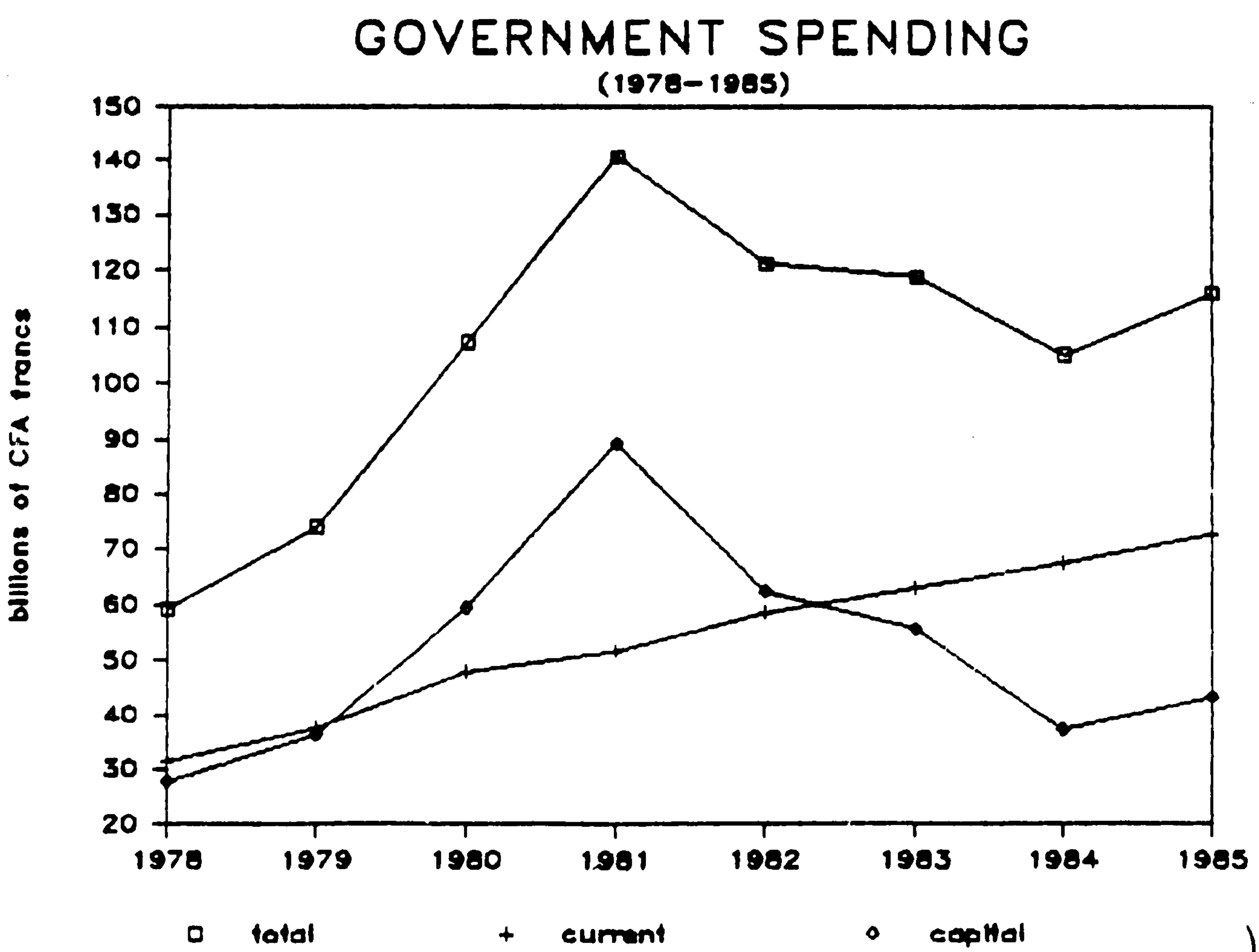

INDICATORS OF FISCAL AGGREGATES
(1978–1985)
percent of GDP
24
23
22
21
20
19
18
17
16
15
14
13
12
11
10
9
8
7
6
5
4
3
1978
1979
1980
1981
1982
1983
1984
1985
expenditure
revenue
budget deficit


GOVERNMENT SPENDING
(1978–1985)
billions of CFA francs
150
140
130
120
110
100
90
80
70
60
50
40
30
20
1978
1979
1980
1981
1982
1983
1984
1985
total
current
capital

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realized in 1984 and resulting in an added revenue of 4.5 billion CFA francs may be too optimistic. Preliminary estimates indicate that the FY 1983 actual revenue fell short of the anticipated revenue by approximately 3 billion CFA francs ($7.3 million). Furthermore, the GDP forecast upon which the revenue share is based seems to be on the high side. If the shortfall in the 1983 revenue is taken into account and 50 percent of the anticipated revenue impact from the new tax measures is realized in 1984 and 80 percent in 1985, the government revenue would be approximately 74.00 billion CFA francs ($178 million) in 1984; and 79.6 billion CFA francs ($191 million) in 1985. The budget deficit for 1984-1985 would be in the neighborhood of 43 billion CFA francs ($105 million). The adjustment in the forecast revenue means an increase in the budget deficit of about $10 million. Table 1 below summarizes the fiscal projections of the Ministry of Finance fiscal projections for 1984 and 1985 and the revised government revenue and budget deficit projections.

D. Government Revenue Structure

During the rapid growth period of 1976-1980, government revenue almost doubled (from 37.7 billion CFA francs in 1977 to 74.9 billion CFA francs in 1980). There were large increases of 25-30 percent in 1979 and 1980. Its rapid growth ended abruptly in 1981 with an annual growth rate of 2.6 percent. It fell by 2.3 percent and 4.2 paercent in 1982 and 1983 respectively. As a percentage of GDP, government revenue has shown a declining trend since 1980, from 14 percent in 1980 to about ten percent in 1983. It is projected to remain at this level in 1984 and 1985.

The major sources of government revenue are taxes on international trade, turnover taxes on goods and services, and taxes on income and profits. International trade taxes contributed about one third of government revenue in 1979; it remains the principal source of government revenue, approximately 43 percent in 1982. Next to international trade taxes are turnover of goods and services taxes. They accounted for 22 percent of government revenue in 1979 and 25 percent in 1982. Another major source of government revenue is taxes on income and profits. They represented 29 percent of government revenue in 1979 but reduced to 20 percent in 1982. The revenue contribution from the uranium sector, in the form of income tax, royalties, export duty, and property transfer duties, declined from approximately 22 percent in 1979 to ten percent in 1982. As a percentage of GDP all revenue sources, except international

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Table 1

Fiscal Projections, 1984-1985
(in billions of CFA francs)

	1983	MOF* Projections 1984	MOF* Projections 1985	Revised Projections 1984	Revised Projections 1985
I. TOTAL REVENUE	68.69	77.30	81.65	74.00	79.60
Tax revenue	62.58	67.47	71.45	66.00	70.60
Non-tax revenue	6.11	9.83	10.20	8.00	9.00
II. TOTAL EXPENDITURE	118.79	104.89	115.97	104.89	115.97
Current expenditure	63.05	67.49	72.68	67.49	72.68
Public debt service	15.00	14.38	15.50	14.38	15.50
Wages and salaries	24.56	25.80	28.02	25.80	28.02
Materials and supplies	11.05	14.26	15.35	14.26	15.35
Subsidies and transfers	12.44	13.05	13.81	13.05	13.81
Capital expenditure	55.74	37.40	43.29	37.40	43.29
FNI-Natl Investment Fund	6.40	7.00	7.49	7.00	7.49
Other	49.34	30.40	35.80	30.40	35.80
III. BUDGET DEFICIT (I-II) (commitment basis)	-50.10	-27.59	-34.32	-30.89	-36.37
IV. CHANGE IN ARREARS (decrease -)	-1.72	-11.45	-7.40	-11.45	-7.40
V. BUDGET DEFICIT (III+IV) (cash basis)	-51.82	-39.04	-41.72	-42.34	-43.77
MEMORANDUM ITEMS:					
Financing	51.82	23.10	23.30	23.10	23.30
External financing	36.62	16.60	20.80	16.60	20.80
Drawings	44.80	30.40	35.80	30.40	35.80
Amortization	-8.18	-13.80	-15.00	-13.80	-15.00
Domestic financing	15.20	6.50	2.50	6.50	2.50
BCEAO	5.70	6.70	2.90	6.70	2.90
Commercial Banks	2.50	-2.40	-2.40	-2.40	-2.40
Other--nonbanking system	7.00	2.20	2.00	2.20	2.00
Financing gap		15.94	18.42	19.24	20.47

*Projections given by Ministry of Finance; revised projections are based on less than full realization of the impact from the fiscal reform and lower than anticipated revenue in fiscal 1983.

Sources: Ministry of Finance and the IMF.

trade taxes declined during the 1979-1982 period.[1/] Tables A-12 and A-13 in the Statistical Appendix compare the contributions of different taxes between 1979 and 1982.

The stagnant revenue performance reflects the slowdown in general economic activities, Niger's narrow tax base, and a relatively inefficient tax administration in terms of the effectiveness of tax collection and enforcement. In view of this poor revenue performance, the Nigerien government requested an IMF mission to study its tax system and administration with the purpose of improving its revenue performance. The study was completed in August 1982; it provided a set of recommendations, some of which had already been adopted by the government. They involved: (1) administrative changes in tax administration ranging from changes in custom valuation, more control of tax assessment and collection, particularly in income, profit, business and property taxes to the reorganization of the tax department and the establishment of a customs headquarters to keep abreast with trade flows; (2) reduction of tax examptions to wage earners and property owners; (3) increase in excise taxes on products like petroleum, alcoholic beverages, tobacco, soft drinks, public utilities services (electricity, telephone, and telegraph); and (4) improvements in the international trade system by (a) abolishing the use of administratively set values as taxable bases and in calculating transport costs and substituting in its place actual values of products, (b) reduction in the number of exemptions from import taxes granted to investment projects and individual enterprises.

According to the IMF estimates the different tax reform measures should contribute to an average annual increase of tax revenue by approximately 4.5 billion CFA francs ($10.8 million) over a three year period. Table 2 shows the impact of these different tax reform measures. Most of the increase will come from higher tax rates on petroleum products, on production of goods and services and from customs duties. They will account for almost 50 percent of the anticipated additional revenue from the tax reform effort. Although the Nigerien Government began to implement these tax reform measures in fiscal 1983 and 1984, most of the expected revenue increase did not materialize in 1983 because of the lags in implementation of these measures. A major portion of the potential benefit from this tax reform effort would probably not be realized until fiscal 1985. Because the full potential of the tax reform effort is not likely to be realized by 1985, the Ministry of Finance revenue projections as shown in Table 1 are probably too high and should be revised downward.

[1/] Although the buoyancy and elasticity of Niger's tax system in relationship to the GDP for the period 1978-1981 are estimated at 1.10 and 1.05 respectively, according to a recent IMF study, revenue growth has not kept pace with nominal GDP growth since 1981.

Table 2

NIGER
Estimated Cumulative Effect of New Tax Measures, FY 1983-85
(in billions of CFA francs)

Tax Measures and Their Effective Date	Fiscal 1983	1984	1985
I. GENERAL MEASURES	0.36	0.36	0.36
Prior approval by Minister of Finance required for granting tax exemptions (October 1, 1983)			
Increases in penalties and strengthening of administrative control (October 1, 1983)	0.36	0.36	0.36
II. TAXES ON INCOME AND PROFITS		2.10	3.95
Standardization of BIC and BNC using computerized files and application of IFB (October 1, 1983)		0.40	0.60
Introduction of semi-annual installments for BIC; transitionally 25% semi-annually for FY-84 and 50% for FY-85 (October 1, 1983)		1.00	1.80
Introduction of tax on business overhead expenses (October 1, 1983)		0.10	0.15
Reduction of proportion of head office operating costs deductible (October 1, 1983)			
Expanding scope of standard minimum tax to individuals and enterprises (October 1, 1983)		0.10	0.10
Administrative reforms to enforce the ICTS and IGR more rigorously; expansion of tax bases to include payments in kind (October 1, 1983)		0.30	0.70
Use of property registry for tax purposes--tax on rental value (TVL) and IGR in particular (October 1, 1983)		0.20	0.60
III. TAXES ON GOODS AND SERVICES	2.00	3.10	4.40
Increases in tax rates on production (TP) from 18 to 20% and taxes on goods and services (TPS) from 13.5 to 15% (October 1, 1983)	0.80	0.80	0.80
Double excise taxes on alcoholic beverages and tobacco (October 1, 1983)	0.20	0.20	0.20
Increases taxes on petroleum products (October 1, 1983)	1.00	1.50	1.50

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.	Introduction 10% tax (TPS) on telecommunication services (October 1, 1983)		0.60	0.70
	Reforms on turnover taxes (October 1, 1984)			1.20
IV.	REGISTRATION FEES AND PROPERTY INCOME		0.50	0.50
	Increase tax rates on income from securities (IRVM) and elimination of preferential arrangements for new companies (October 1, 1983)		0.10	0.10
	Increase in TDVM rate (October 1, 1983)		0.10	0.10
	Increase in tax rate on insurance contracts (October 1, 1983)		0.10	0.10
	Increase in stamp duties (October 1, 1983)		0.10	0.10
	Inclusion of buildings in the base for inheritance and gift taxes (October 1, 1983)		0.10	0.10
V.	CUSTOMS DUTIES	1.70	2.84	4.09
	Increase in rates, carrying charges, and administrative values (Fiscal 1983 and 1984)	1.70	2.09	2.09
	Harmonizing calculation of tax on production --TP (October 1, 1983)		0.75	0.75
	Reform of turnover taxes (October 1, 1984)			1.25
	TOTAL CUMULATIVE EFFECT	4.06	8.90	13.30
	TOTAL ANNUAL EFFECT	4.06	4.84	4.40

Source: IMF

BIC: Bénéfices industriels et commerciaux (Tax on business income)
BNC: Bénéfices noncommerciaux (Tax on professional income)
ICTS: Impôt cedulaires sur les traitements et salaires (Scheduled tax on wages and salaries)
IFB: Impôt forfaitaire sur les bénéfices (Standard tax on business income)
IGR: Impôt général sur le revenue (General income tax)
IRVM: Impôt sur les revenus des valeurs mobilières (Tax on capital income)
TDVM: Taxe sur vehicules à moteur (Motor vehicle tax)
TP: Taxe à la production (Production tax)
TPS: Taxe sur les prestations de service (Tax on services)
TVL: Taxe sur la valeur locative des immeubles (Tan on rental income of buildings)

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E. Government Expenditure Trends

Total central government expenditure is grouped into three categories: current, capital, and extrabudgetary expenditure. Current expenditure budget includes outlays on wages and salaries, materials and supplies, subsidies and transfers, and public debt service payments. Capital expenditure budget is the National Investment Fund (Fonds National d'Investissement - FNI). The FNI is earmarked mainly for investment or development activities. It has been financed largely by revenue from different taxes on earnings from uranium. The FNI constitutes only a part of Niger's development expenditures; in addition to the FNI there are extrabudgetary outlays. Extrabudgetary outlays also involve mostly capital spending. A large portion of these outlays represents local counterpart contributions to foreign financed projects. The remaining is known as the "dette occulte", which is incurred in prefinancing spending of projects. According to available data, the "dette occulte" incurred during the period 1979-1982 was estimated at approximately 27-33 billion CFA francs. It resulted in a large accumulation of arrears to various suppliers and enterprises and to domestic banks which in turn borrowed substantial amounts from abroad.

Table A-11 in the Statistical Appendix shows the expenditure pattern during the 1978-1983 period. Total current expenditure represented slightly more than a half of government spending in 1978; the remainder was accounted by capital expenditure outlays. The share of current expenditure in total spending declined steadily to only 37 percent of total spending in 1981. The declining share reflected a much faster increase in capital spending rather than the fall in current expenditure. Capital spending rose by an average annual rate of 48 percent during 1978-1981, while current expenditure increased by an average annual rate of 18 percent during the same period. With almost 30 percent reduction in capital spending in 1982 and another 21 percent cut in 1983, while current expenditure continues to increase by an annual average of 12 percent during 1982-1983; the share of current expenditure in total spending rose to 57 percent in 1983.

On the economic classification basis, public debt service expenditure had taken a bigger share of government current spending from 13 percent in 1978 to 23 percent in 1983. Wages and salaries expenditure had increased from 34 percent of current expenditure to 37 percent in 1983. There was a drop in the share of expenditure going to materials and supplies, particularly since 1981. Absolute expenditure outlays actually

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fell in 1981 and 1982. The 1983 level was about the same as the 1980 level in nominal terms. This implies at least a 20-25 percent reduction in real terms because of inflation. The share of subsidies and transfers fluctuated between 23-25 percent of total current expenditure. It declined by seven percent in 1983.

Table A-14 in the Statistical Appendix presents the trends of current expenditure spending by functional classification. The share of current expenditure spending in agriculture and rural development decreased steadily from almost six percent in 1979 to about three percent in 1983. Spending on roads had also shown a declining trend from three percent in 1981 to two percent in 1983. Education and training accounted for an average share of 20 percent during 1979-1983. Its share remained at about 19 percent during the last two years. Health spending remained at about six percent during this period. General public services spending remained relatively constant in absolute terms, but declined as a share of total current expenditure. Of noticeable increases are public debt service payments which have increased from seven percent of current expenditure spending in 1979 to almost 23 percent in 1983.

Capital expenditures under the FNI grew by 54 percent during the period 1979-1981. The sharp increase reflected the exceptional growth of uranium revenues and the government's vigorous effort to implement the 1979-1983 development plan. As the uranium situation changed in 1981, the FNI spending was cut by more than half, from 27 billion CFA francs in 1981 to less than 12 billion CFA francs in 1982. It was much below the planned level of 26 billion CFA francs. It is expected to fall to about seven billion CFA francs in 1983. Table A-15 in the Statistical Appendix shows the capital outlays in the FNI budget by functional classification. Expenditures in all categories of the FNI budget were reduced in 1982 with the biggest cut in education (almost six billion CFA francs). Other severe reductions included roads and infrastructure, mining and industries, and agriculture and rural development. The 1983 FNI budget will remain at seven billion CFA francs. There are further spending cuts in education, agriculture and rural development, health, and other economic services.

Associated with the rapid increase in the FNI spending from 1979-1981 and a sizeable fall in uranium revenues in 1982 were growing capital outlays under the extrabudgetary expenditure category. Extrabudgetary spending tripled during 1979-1981; it declined from 62 billion CFA francs in 1981 to 50 billion CFA francs in 1982. For 1983 the extrabudgetary spending is expected to be lower than the 1982 level; it is estimated at about 41 billion CFA francs.

The 1984 budget shows a further reduction of 1.1 percent in current expenditure (from 81.3 billion CFA francs to 80.2 billion CFA francs or about $200 million). The current expenditure reduction reflects lower, debt service payments due to debt rescheduling. Other major spending cuts include reduction in food and boarding subsidies to students and scholarships for secondary education and teacher hiring, reduction in the number of governmentally owned vehicles, no increase in salaries for civil servants and strict control on new hiring, and reduction of public enterprise activities. Three public enterprises were directly affected: the grain marketing agency (OPVN), the import trading agency (COPRO-NIGER), and the public utilities company (NIGELEC). The number of OPVN sales centers will be reduced from 220 to 79. The operations of COPRO-NIGER will be reduced; it will only be the monopolist for the imports and sales of salt, tea, jute bags, and cigarettes, leaving other commodities to be imported or exported by private traders.1/ The NIGELEC will impose surcharges of about 20 percent on electricity and water consumption in order to cover cost. The policy of allowing free usage of electricity and water for NIGELEC personnel and members of the board of directors will be discontinu...

V. TRADE AND BALANCE OF PAYMENTS

A. Overall Balance of Payments Developments, 1979-1983

Prior to 1979, Niger had experienced overall balance of payments surpluses, ranging from 1.2 to 7.9 billion CFA francs ($5-35 million). It was followed by relatively small deficits in 1979 and 1980 and a surplus in 1981. In 1982 with a substantial decline in capital inflows together with a decrease in exports, even though imports also fell by 13 percent, the overall balance of payments deficit reached a record high of 43 billion CFA francs ($131 million).

In the current account, the deficit grew steadily from less than two billion CFA francs in 1975 to 11 billion CFA francs in 1977. Following rapid increases in capital spending under the 1979-1983 plan, imports almost quadrupled between 1977-1981 (from 58 billion CFA francs in 1977 to 191 billion CFA francs in 1981). Imports of invisible items (i.e. nonfactor services, interest, and dividend payments) also rose by more than six-fold (from six billion CFA francs in 1977 to approximately 40 billion CFA francs in 1983). The rising deficit in the services account which was due largely to increase in external debt service payments, and slower growth of unilateral transfers (mostly official grants) resulted in a current account deficit of 71 billion CFA francs in 1981.

1/ Traders are still required to obtain licenses from the Chamber of Commerce and commodity prices are fixed by the Ministry of Financ...

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Until 1982, the current account deficits were adequately financed by surpluses in the capital account reflecting mainly foreign direct investment, borrowing, and project related capital inflows associated with the expansion in the mining sector and in public investment activities under the five-year development plan. These net capital inflows were large enough to offset the current account deficits so that the balance of payments remained relatively in equilibrium. In 1982, there was a drastic fall in net capital inflows from 79.6 billion CFA francs ($195 million) in 1981 to 15.2 billion CFA francs ($37 million) in 1982. Most of the reduction was attributed to a large decrease in long-term capital inflows due to unanticipated drop in project related capital and a large increase in short-term capital outflows. Consequently, the capital account fell far short of the level capable of financing the current account deficit, resulting in a large overall balance of payments deficit.

The reduced long-term capital inflows and increased short-term capital outflows, together with a very high debt service ratio in 1982 (36 percent of exports and private transfers, according to the IMF, with public debt accounting for 24 percent), created a serious balance of payments liquidity problem[1/] and confidence in the country's economic management weakened. It drastically reduced Niger's foreign exchange reserves. Niger's foreign assets, which consist of SDR holdings, reserve position in the IMF, and foreign exchange (largely held in French francs in the operations account of the BCEAO with the French Treasury), declined steadily since 1979. Foreign exchange reserves fell by 43 percent from $117 million in 1979 to $14.6 million at the end of 1982. They were equivalent to four weeks of imports at the end of 1982.

The liquidity and incipient confidence crises forced the Nigerien Government to seek assistance from the IMF and to initiate an adjustment process. With a general slowdown in investment activity and cutbacks in spending, total imports declined by 8.5 percent in 1983 and exports recovered to almost the 1981 level (from 121 billion CFA francs to 128 billion CFA francs). Most of the fall in imports will be mainly in petroleum products, raw materials and intermediate goods, and capital goods

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1/ The liquidity problem is probably less serious in the private sector than in the public sector because Niger's exchange system remains relatively free of restrictions and because of the free convertibility of the CFA franc. As a result of free currency convertibility, there may be a tendency to overlook the balance of payments problem. This would be true only when the current account is not in deep and persistent deficit and there is no confidence problem. The extent and duration of the current account deficit determine the likelihood that the deficit can be financed by the capital account. The degree of confidence determines the level of foreign direct investment and the ability of a country to obtain credit.

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(construction materials, metal products, machinery, and road transports equipment). Consumer goods and food products are expected to decline slightly. The increase in exports will come mostly from the higher contract price for uranium and from livestock and its products, and agriculture exports, particularly exports of cowpeas. The current account deficit was cut by more than half from the 1981 peak level and by 36 percent from the 1982 level. Net capital inflows increased by 35 percent of the 1982 level; but they were still only 30 percent of the 1981 level The overall balance of payments deficit was estimated at 7.3 billion CFA francs ($19 million) in 1983. This represents a substantial reduction in the balance of payments deficit.

B. <u>Balance of Payments Projections, 1984-1985</u>

Table 3 presents two sets of balance of payments projections for 1984 and 1985, one is prepared by the Ministry of Finance (MOF) the other by the IMF. The MOF projects the current account deficit to remain in the neighborhood of 30 billion CFA francs ($75 million) for the next two years with exports increase by 1 and 4.8 percent in 1984 and 1985 respectively, while imports fall by 7.3 percent in 1984 and increase again by 10.6 percent in 1985. The deficit in the services account is expected to fall substantially in 1984 (68 percent) and increase again in 1985. The projected overall balance of payments of deficits are 23 billion CFA francs ($55 million) in 1984 and 18 billion CFA francs ($43 million) in 1985.

The IMF projections are generally more optimistic. The IMF projects the current account deficits to decline to 23.5 billion CFA francs ($56 million) in 1984 and 5 billion CFA francs ($12 million) in 1985. Exports are expected to rise by 6.4 and 4.5 percent in 1984 and 1985 respectively, while imports are projected to fall in both years by approximately eight percent during 1984-1986. The deficit in the services account is anticipated to increase slightly in 1984 and fall by eight percent in 1985. The IMF projects a higher level of net capital inflows in 1984 ($22.5 million instead of $17.7 million forecast by the MOF) but net capital outflows of 5 billion CFA francs ($12 million) in 1985 whereas the MOF projects continuing capital inflows of 14.5 billion CFA francs ($35 million) in 1985. The IMF projects lower overall balance of payments deficits in 1984 and 1985 ($34 and 26 million respectively as compared with the MOF projections of $55 and $45 million).

Figures 3 and 4 provide indicators of some key aggregate indicators for trade and balance of payments based on the MOF projections. The trade gap is anticipated to be approximately one-two percent of GDP; the IMF actually projects trade surpluses

Table 3

Balance of Payments Projections
(in billions of CFA francs)

		MOF Projections		IMF Projections		
	1983	1984	1985	1984	1985	1986
I. CURRENT ACCOUNT, NET	-31.10	-30.80	-32.50	-23.50	-5.10	14.60
Trade balance	-23.30	-6.80	-15.30	-13.30	-1.90	11.30
Exports, f.o.b.	128.50	135.00	141.60	136.7	143.5	150.2
(of which:uranium)	(94.3)	(99.6)	(104.6)	(99.6)	(104.6)	(109.3)
Imports, c.i.f.	-151.70	-141.80	-156.90	-150.0	-145.4	-138.9
Net services	-40.00	-38.50	-36.20	-41.7	-38.4	-33.4
Goods and services, net	-63.30	-45.30	-51.50	-55.00	-40.30	-22.10
Net transfers	32.20	14.50	19.00	31.50	35.20	36.70
Private	-13.30	-15.50	-13.00	-11.5	-9.5	-8.7
Public	45.50	30.00	32.00	43.00	44.7	45.4
II. CAPITAL ACCOUNT, NET	23.30	7.40	14.50	9.40	-5.70	-22.30
Public, nonmonetary (net)	26.10	16.40	23.10	19.5	4.1	-14.4
Private, nonmonetary (net)	-10.80	-9.00	-8.60	-10.1	-9.8	-7.9
Monetary capital	8.00					
III. ERRORS AND OMISSIONS	0.50					
IV. OVERALL BALANCE	-7.30	-23.40	-18.00	-14.10	-10.80	-7.70
FINANCING:						
Change in foreign assets, net	13.00	6.80		0.00		
Commercial Banks	-2.20	-2.10		-4.8		
Central Bank (BCEAO)	15.20	8.90		4.8		
SDR Allocations						
MEMORANDUM ITEMS						
Exchange rate (annual average)						
CFA francs per U.S. dollar	378.50	409.00	409.00			
CFA francs per SDR	405.00	421.27	421.27			

Sources: IMF and Ministry of Finance

beginning with 1986. The net capital inflows are expected to stabilize at approximately two percent of GDP. The official grants are expected to remain at about two percent of GDP. The projected balance of payments deficits for 1984 and 1985 are approximately two-three percent of GDP.

C. Trade Pattern

Niger's merchandise exports are dominated by uranium exports which accounted for 75-79 percent of Niger's total recorded exports during 1978-1983. Next to uranium exports are livestock and livestock products. Their share was 16 percent in 1984 of which more than 90 percent was accounted by exports of live cattle to neighboring country, particularly Nigeria.1/ The remainder was exports of hides and skins, mostly to France. The third major Niger exports since 1980 have been cowpeas. They have replaced groundnuts as major agricultural exports. In 1983, they accounted for 2.5 percent of the total recorded exports. Groundnuts and cotton which were major exports in the 1960's and early 1970's have not contributed to Niger's export earnings significantly since 1980. Other Niger exports include vegetables such as onions and string beans. The vegetable exports together with re-exports of goods passing through Niger accounted for almost four percent of Niger's total recorded exports in 1983.

The significance of the uranium sector in the balance of payments is summarized in Table A-26 in the Statistical Appendix. Following a 69 percnet increase in uranium exports, the sector's overall balance of payments surplus almost doubled in 1979 from 28 billion CFA francs in 1978 to 50 billion CFA francs. The surplus reached the peak of 61 billion CFA francs in 1981. It fell by 26 percent in 1982. The reduction in the sector's balance of payments surplus in 1982 was the outcome of a fall in uranium exports, unaccompanied by adequate decrease in sector's imports,2/ together with an increase in long term capital outflows in the form of principal repayments for the loans incurred in the sector.

1/ The data are from the most recent IMF documents which in turn are based on estimates prepared by the West African Central Bank (Banque Centrale des Etats de l'Afrique de l'Ouest - BCEAO). These estimates are not complete because of unrecorded border trade. This is especially true with regard to agricultural commodity exports for which the BCEAO data cover mainly only exports by official and parapublic enterprises. For imports, the BCEAO data are relatively more complete. Since a significant part of the livestock border trade escaped customs record, the trade statistics may have underestimated the true value of livestock exports.

2/ Imports in the sector actually increased by 9.5 percent.

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INDICATORS BALANCE OF PAYMENTS
AGGREGATES (1978–1985)

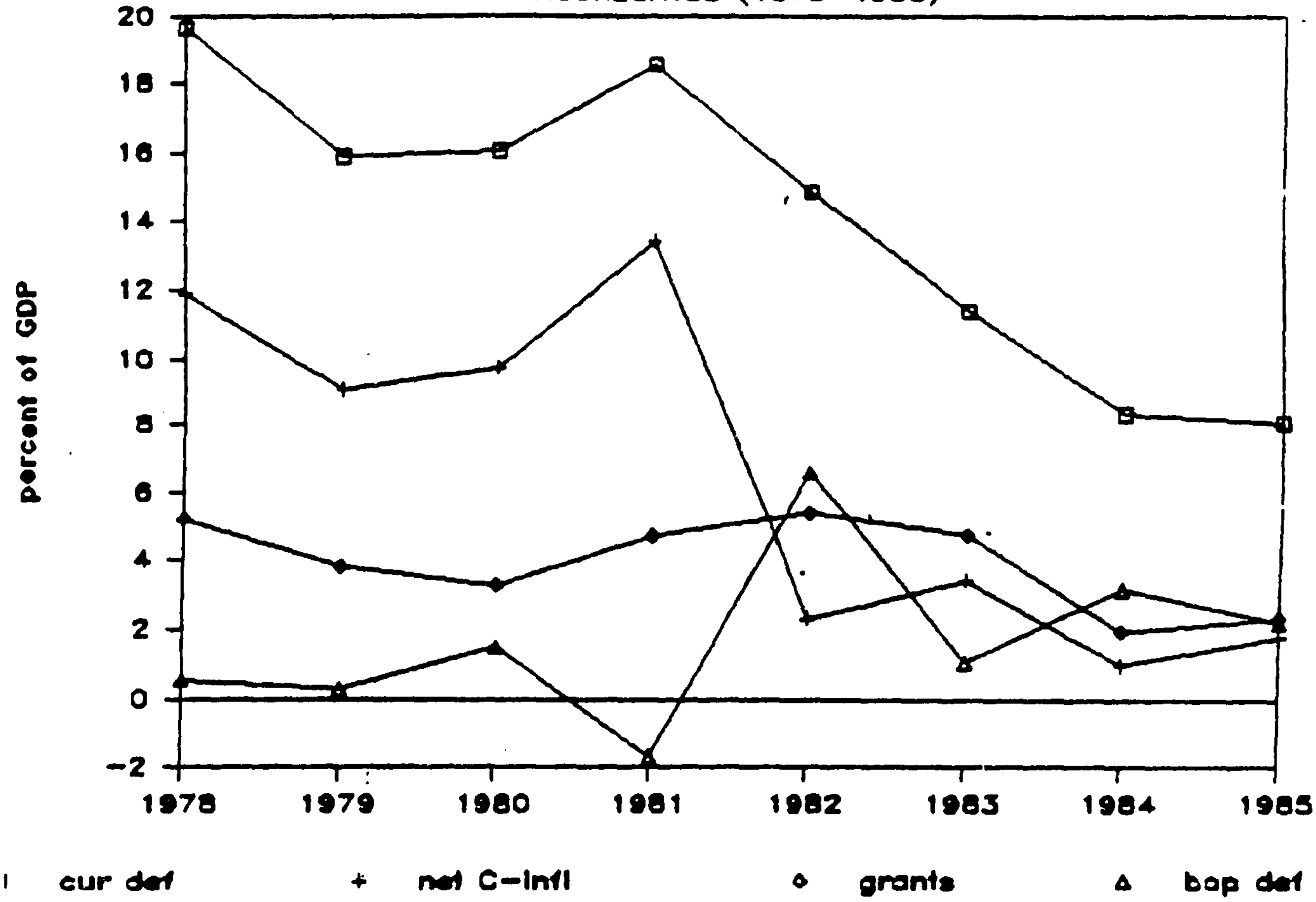

Figure 3

INDICATORS OF EXTERNAL TRADE
(1978–1985)

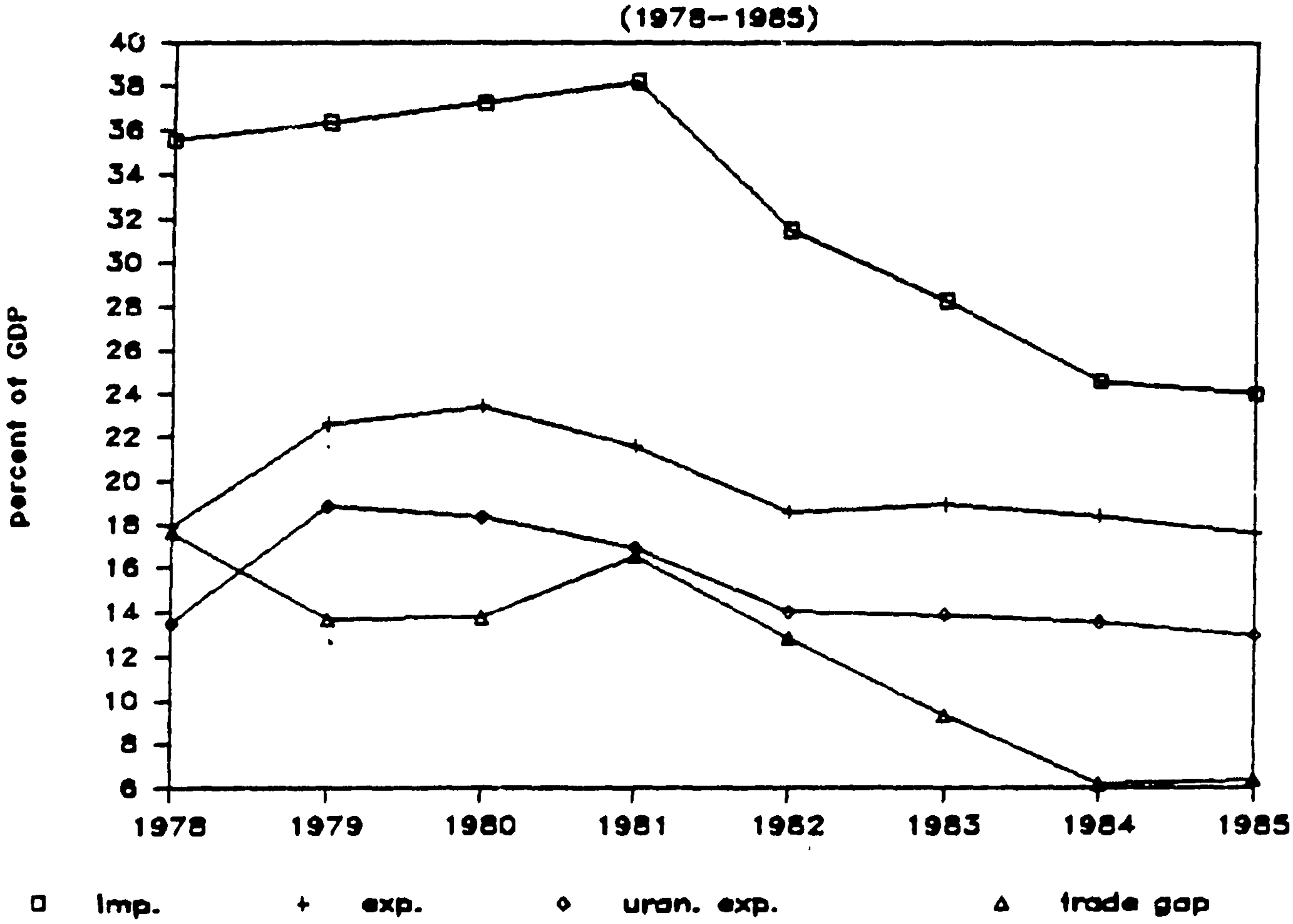

Figure 4

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Niger's pattern of imports is typical of non-oil low income mineral export countries. It is characterized by high concentration of imports of capital goods and raw materials (46 percent) and imports of fuels (26 percent); while imports of food, beverages, and tobacco account for approximately 11 percent of Niger's imports and other consumer goods (such as clothing, pharmaceuticals, plastic products, rubber products, and paper products) represent 17 percent of its imports. With the economic stagnation and the cuts in investment spending, the share of imports of capital goods and raw materials are expected to decline in 1984 and 1985.

D. Direction of Trade

According to the most recent trade statistics with breakdown of Niger's trade by countries, Niger's important trading partners are France, Spain, Italy, West Germany, Libya, Japan, Nigeria, and Algeria. Almost 50 percent of Niger's trade is with European countries, approximately one-third is with African countries, and the remainder is with Asian countries; a small quantity of trade is with the United States.

France alone accounted for 35 percent of Niger's exports and imports in 1981. Uranium exports alone represented 95 percent of Niger's exports to France; another major export category to France was animal skins and hides (two percent). Other exports to France of significant value were tin and other minerals and green beans. Niger's major imports from France consisted of electrical and electronic equipment (20.2 percent of total imports from France), boilers, machinery, and engines (17.2 percent), vehicles and transport equipment (12.9 percent). Other imports from France included iron and steel products, pharmaceutical products, chemical products, fresh and prepared food products and beverages. After France, Nigeria is the most important trading partner of Niger. Niger's trade with Nigeria amounted to 17 percent of its total exports and 13 percent of its imports in 1981. Because of the long border between the two countries and a relatively good transportation network, a significant portion of Niger's trade escapes official statistics, particularly trade in agricultural products and livestock. Estimates of this unrecorded trade range from 15 to 30 percent of total trade with Nigeria. Consequently, the official statistics underestimate the actual value of trade. Niger's exports to Nigeria consist principally of livestock on the hoof. Other exports include onions, salt in blocks, and synthetic fabrics. Niger's main imports from Nigeria are diesel fuel and petroleum products (31 percent of imports from Nigeria), cement (19 percent), tobacco (14 percent), unrefined sugar (eight percent), vegetable oils (five percent), sorghum (five percent), and used clothing (ten percent).

The next important trading partners on the export side are Japan and Libya. Their trade consisted almost exclusively of uranium exports from Niger. On the import side, Algeria was the third major trading partner in 1981. It was made up almost entirely of petroleum products (95 percent of imports from Algeria). The next trading partner after Algeria is Ivory Coast. It accounted for 4.6 percent of Niger's total imports. They consist mainly of cotton fabrics (22 percent), fuel and lubricants (eight percent), cigarettes (seven percent), palm oil (seven percent), batteries (six percent), matches (two percent), coffee (two percent), and other light consumable goods and food products. There are small quantities of trade, particularly in vegetables, livestock, and other agricultural products with other neighboring countries, such as Togo, Benin, Mali, Upper Volta, and Ghana. Benin and Togo also serve as major transit routes for transporting goods to Niger.

Other trading partners on the import side are West Germany, Italy, the Netherlands, United Kingdom, Japan, and the United States. Each represented two-four percent of Niger's total imports in 1981. They consisted mainly of industrial ... durable consumable goods. Niger's imports from the United States in 1981 amounted to approximately $19 million (3.7 percent of total imports). The major imports include auto parts (29 percent of total imports from the United States), road construction vehicles (14 percent), and other durable consumable goods like air conditioners, typewriters, calculators, and generators.

E. Terms of Trade

Because uranium exports represent more than 75 percent of Niger's total exports, the export price index is closely associated with uranium price. Since the large increases in 1976-1978, Niger's uranium export prices leveled off and fell by 35 percent in 1981. Although the CFAF price recovered to almost the 1980 level in 1982 and 12 percent higher than the 1980 price in 1983, the depreciation of the CFA franc has kept the dollar price at 62-65 percent of the 1980 price since 1981. In 1977 constant prices, the declining uranium export price began in 1979. On the other hand, the import price index increased by an annual average of 20 percent during 1979-1980; it declined modestly in 1981-1982 and a slight increase in 1983. Consequently, Niger's terms of trade has deteriorated since 1979 with a fall of 17 and 30 percent in 1980 and 1981 respectively. It did not change in 1982 but declined by another two percent in 1983.

F. External Debt

During the period 1979-1982, Niger's outstanding and disbursed public debt grew by 133 percent, from $257 million in 1979 to $600 million (31 percent of GDP) in 1982. If private debt was included, the total outstanding and disbursed debt would be $7..

million or approximately 38 percent of GDP in 1982. The ratio of debt service payments to export earnings and private transfers increased from 14 percent in 1979 to 36 percent in 1982. The rise in the debt service ratio reflected largely a more than five-fold increase in public debt. Public debt service ratio grew from 2.4 percent in 1979 to 24 percent in 1982. At the end of 1983, the total outstanding and disbursed debt is estimated at $762 million, with private debt declined from $146 million in 1982 to $98 million in 1983: however, public debt increased from $600 million to $664 million. The debt service ratio fell slightly to 32 percent. A large portion of the debt is denominated in U.S. dollars (51 percent of the direct government debt and 16 of the government-guaranteed debt). With the depreciation of the CFA franc vis-a-vis the dollar, the cost of servicing the debt increases.

Table A-23 in the Statistical Appendix shows Niger's debt situation from 1979 to 1990. The debt situation is not expected to improve significantly until 1988. The public debt service payments are forecast to decline slowly to approximately 21 percent of export earnings and private transfers in 1984 and 1985, and to average about 19 percent during 1986-1990. The private debt service payments are forecast to decline more quickly from 11-12 percent in 1982-1983 to approximately six percent in 1985 and to remain at less than five percent during 1986-1990.

A number of factors contributed to the debt problem. It is partly due to Niger's economic and social structural rigidities, and partly to external factors which weakened its export growth; but it also arises from the fiscal and debt management as well as limited access to medium- and long-term capital.

Structural rigidites in the composition and level of the public sector investment program limit the ability of the country to take necessary measures in response to balance of payments and fiscal imbalances in a timely manner. Niger launched its ambitious five-year development plan in 1979 with the expectation of continuing and rising uranium export earnings. In the plan, 53 percent of the total investment is anticipated to come from the public sector. About two-thirds of the private sector investment are in mining, and 24 percent in manufacturing and energy. Investment projects implemented were aimed at providing basic infrastructure and social services. They amounted to 65 percent of the public sector investment, with infrastructure alone accounting for 45 percent. Approximately 60 percent of these investments were financed through external resources, two-thirds of which were in the form of loans.

A characteristic of investments in basic infrastructure and social services is in their lumpiness--they are very costly and require a long gestation period and their benefits are far in the future. They do not contribute quickly to government revenue in terms of increased tax base. With the aid of hindsight, it could be argued that the debt burden might have been lightened had more investments gone into more directly productive activities, for example, in raising agricultural and livestock productivity.

The debt problem is also due to external factors that are beyond Niger's control and to the high export concentration in one commodity. The fall in world uranium demand and its negotiated price had lowered Niger's export earnings and reduced its debt-servicing capacity. The effect on debt-servicing capacity would have been lessened if Niger's exports were more diversified and had it not committed in the previous years a substantial amount of investment in increasing mining productive capacity and in energy intended for the expanded mining capacity. Investment in the third uranium mine (Societe Miniere de Tassa N'Taghalgue - SMTT) had already taken place a few years earlier, although the opening of this mine had been postponed. The Nigerien Government also formed a coal mining company (Societe Nigerienne du Charbon d'Anon Araren - SONICHAR) in 1975 to exploit a coal deposit to be used to produce electricity for the three mines and their localities. As the opening of the third uranium mine has been postponed, SONICHAR is operating well below its productive capacity. The total construction cost for SONICHAR is estimated at 55 billion CFA francs, of which 37 billion CFA francs (or 67 percent) is financed by government and government-guaranteed debts from external sources. Most of this debt is on non-concessional terms. Its debt servicing will be especially high in future years. The Nigerien Government has negotiated some direct bilateral debt relief to reduce its additional debt service payments arising from SONICHAR.

The debt problem is further aggravated by miscalculations on certain policies related to fiscal and debt management. In particular, the over-acceleration of investment beyond the level that can be supported by domestic savings and budgetary resources together with the practice of prefinancing projects in anticipation of exceptional foreign assistance, which finally could not be mobilized, had contributed significantly to the rising extrabudgetary capital expenditure and growing budget deficits during 1979-1982. Because of the rigidities involved in lowering capital expenditure and the government's reluctance to cut current expenditure spending, no attempt was made prior to 1983 to bring spending in line with revenues; instead, the budget deficit problem was postponed by resorting to foreign

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borrowing and domestic credit expansion. The debt situation deteriorated; and as medium- and long-term loans on concessional terms became more difficult to obtain, debts of short maturity on non-concessional terms were incurred because they were easier to obtain and were quickly disbursable. When the export situation did not improve at a rate compatible with increasing debts, foreign reserves were drawn down to meet debt service payments and a liquidity crisis was set in motion.

VI. MONEY AND BANKING

A. Niger's Monetary System

Niger is a member of the West African Monetary Union (Union Monetaire Ouest Africaine-UMOA) along with five other countries (Benin, Ivory Coast, Senegal, Togo, and Upper Volta). It shares a common currency, the CFA franc, and the same Central Bank (Banque Centrale de l'Afrique de l'Ouest-BCEAO), with other member countries. The currency is pegged to the French franc at a fixed rate of 50 CFA franc to one French franc and the French Treasury guarantees its free convertibility. The French Treasury also provides automatic overdraft through the UMOA's operations account. The BCEAO in turn is required to maintain at least 65 percent of its foreign exchange reserves (excluding SDR's, IMF reserve tranches, and IBRD bonds) in the OMAU's operations account.

Niger's monetary system comprises: (1) a branch of the West African Central Bank (BCEAO); (2) one Development Bank (Banque pour le Developpement de la Republique du Niger--BDRN); (3) two governmentally owned banks with limited operation: Credit du Niger (CN) and Caisse Nationale de Credit Agricole (CNCA); (4) six commercial banks: Banque Internationale pour l'Afrique de l'Ouest (BIAO), Banque Arabe Libyenne-Nigerrienne pour le Commerce Exterieur et le Developpement (Balinex), Banque Internationale pour le Commerce et l'Industrie du Niger (BICIN), Bank of Credit and Commerce (BCCN), Citibank, and an Arab Bank (Dar Al-Maal Al-Islami Niger); (5) other financial intermediaries which include some banking operations -- the Post Office, the National Savings (Caisse Nationale d'Epargne -- CNE), Societe Nigerrienne de Credit Automobile (SONICA), and Caisse de Prês aux Collectivites Territoriales (CPCT). In the monetary sector, the government accounts comprise the Treasury account, extra-budgetary government operations, the Post Office account, the Social Security Fund, and the Stabilization Fund.

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As a member of the monetary union, Niger does not have complete autonomy in its monetary policy. The monetary policy is determined by the BCEAO jointly with the UMOA's policies for other member countries to ensure policy harmonization for the union. Niger's main monetary policy instruments are the credit and rediscount facilities with the BCEAO. Each year a national credit committee of each member country submits its monetary target to the BCEAO headquarters in Dakar. On the basis of each individual member country's proposals and the member discussion, the BCEAO establishes both a global target of credit and money supply for the monetary union, as well as the maximum amount of credit it would give to each member government. According to the union's statute, the maximum credit for the government is limited to 20 percent of the government's previous year of officially recorded fiscal revenue. Credit ceilings to the private sector, however, are imposed on each bank on a monthly basis. The BCEAO also plays an important role in determining the allocation of credit through the requirement of its prior approval of loans in excess of 30 million CFA francs.

As another monetary policy instrument, the BCEAO also provides rediscount facilities. Refinancing of commercial banks through the BECAO's discount window is limited to the maximum of 35 percent of each bank's loans, and the BCEAO determines the ceiling for annual refinancing of ordinary credits. Crop credits are automatically eligible for refinancing outside the ceiling. In the allocation of credit, the BCEAO implements sectoral priorities established by the government. In the case of Niger, the order of priority is: agriculture, Nigerien enterprises, industry and mining, construction, transport, and commerce.

B. Developments in the Monetary Sector, 1978-1983

Table A-27 in the Statistical Appendix shows the changes in the money supply over the period 1978-1983 and projections of the growth of money supply in 1984. During the period 1978-1981, money supply grew by an annual average of 22 percent. With the exception of 1981, the growth of money supply is in line with the growth of nominal GDP which also averaged about 22 percent per year during 1978-1980. However, the growth of money supply in 1981 (20.7 percent) was higher than the growth of nominal GDP (13 percent). In 1982 and 1983, the money supply declined respectively by 13 and nine percent coinciding with the slowdown in the economy begun in 1981.

A major factor contributing to the growth of money supply between 1978-1981 was credit expansion. Domestic credit expanded at an average annual rate of 62 percent, with an exceptional rate

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of increase in 1978 when the rate was 149 percent; the average was 33 percent if 1978 was excluded. The Central Bank contributes to domestic credit directly by lending to the government and indirectly through its rediscount facilities to commercial banks and its intervention in interbank transactions. Between 1978-1979 the expansion of domestic credit resulted entirely from increases in credit to the private sector. During the same period, the government improved its net creditor position vis-a-vis the banking system (from 12 billion CFA francs to 18 billion CFA francs). In 1980, the rapid growth of credit (43 percent) was accompanied by a substantial decline in the government's credit position vis-a-vis the banking system and a lower rate of growth of credit to the private sector. In 1981, the government's credit position deteriorated further and the growth of credit to the private sector also declined. In 1982, the monetary situation for the government changed from a creditor position to a debtor position (from a creditor position of 3 billion CFA francs to a debtor position of almost 19 billion CFA francs), and a lower rate of growth of credit to the private sector. In 1983, there was a decline in the domestic credit (a decrease of approximately three percent) accompanied largely by a reduction of government borrowing and practically no change in the level of credit to the private sector.

There were two major reasons for the reversal of the government's financial position from a creditor position to a debtor position in 1981-1982, and a concurrent rising of liquidity difficulties in the banking system. First, it reflected record high trade deficits in the balance of payments in 1980 and 1981, increasing debt servicing, and decline in non-monetary capital inflows in 1982. Second, it reflected the stagnation of government revenue and sharply increased extrabudgetary and capital spending under the five-year development plan. Prior to 1981, the government maintained substantial deposits with the banking system. Treasury deposits with the CNCA and the BDRN provided an important part of the bank's resource base. This had allowed banks to limit their recourse to the Central Bank and foreign borrowing for financing need. With the withdrawal of deposits by public enterprises (estimated at 12 billion CFA francs) in 1981-1982, the banks had to rely on the Central Bank rediscount facilities and foreign borrowing to finance increasing demand for credit from the government. Most government's growing demand for credit stems from financial difficulties of public enterprises, particularly the official marketing agencies, and from prefinancing of government extrabudgetary investment projects (mainly in the construction sector). During the period 1981-1983, banks used fully their lines of credit with the Central Bank and engaged in short-term borrowing with increase of 17 billion CFA francs between September 1981 and September 1982. It increased by another 7 billion CFA francs between September 1982 and September 1983.

The large balance of payments deficit in 1982 was financed partly by increase in banks' short-term foreign liabilities (about 22 billion CFA francs) and by drawdown of official foreign assets. The change in the government's financial position from a creditor to a debtor in the banking system and the increasing foreign borrowing led to a large negative net foreign assets (49 billion CFA francs in 1982). The negative net foreign assets were estimated at 52 billion CFA francs at the end of September 1983.

The contractionary monetary policy which began at the end of 1982 is expected to continue in 1984 under the IMF standby arrangement. According to the IMF program, the monetary authorities will tighten their credit policy and restrict the money supply growth to approximately five percent between December 1983 and December 1984. The ceiling on net domestic credit will be allowed to increase from 140 billion CFA francs in December 1983 to no more than 150 billion CFA francs in September 1984. Ceiling on net credit to government is set at 24 billion CFA francs by end of September 1984. Ceiling on net foreign short-term liabilities of commercial banks is set at 26 billion CFA francs. Domestic government arrears are programmed to decline by approximately 6 billion CFA francs between December 1983 and September 1984. Finally, no new non-concessional external loans will be contracted either directly by the government or guaranteed by the government except for debt rescheduling or refinancing. The IMF monetary and credit targets are basically formulated with the objective of achieving external current account balance.

C. Distribution of Credit and the Structure of Interest Rates

The government sets priorities in the allocation of credit. The order of sector priority is agriculture, industry and mining, construction and public works, transport, and commerce. Available statistics indicate that the sector which received the largest share of the credit distributed during 1978-1982 was commerce (34-39 percent). It was followed by the construction sector, the industry sector, the mining sector, the transport sector, and the agriculture sector. Approximately one-third of the total credit distributed went to public and parapublic enterprises. The sectoral allocation of credit to the non-government sector showed a shift from the mining sector since 1980 and an increasing share toward industry and construction. However, there are indications that the share for the construction sector declined after 1982. Agriculture recieved a relatively unchanged share of six-eight percent. To monitor the credit allocation to priority sectors, all loans in excess of 30 million CFA francs are subject to prior approval by the Central Bank. Table A-28 in the Statistical Appendix shows the credit allocation by economic sector during the 1978-1982 period.

During 1975-1981 the Central Bank's normal discount rate (taux d'escompte normal--TEN) remained unchanged at eight percent and the preferential discount rate (taux d'escompte preferentiel--TEP) was 5.5 percent. In April 1980, the TEN was raised to 10.5 percent and the TEP was eight percent. In April 1982 these rates were increased to 12.5 and ten percent respectively. The preferential rate is limited to crop financing, finacing for government authorities (central and local), housing loans to UMOA's citizens, and loans to small- and medium-sized enterprises with at least 51 percent of the capital held by citizens or institutions of the UMOA with the credit outstanding less than 30 million CFA francs.

The other set of interest rates is those in the UMOA's money market. The UMOA's money market was created in 1975 with the objective of providing the BCEAO authorities with an additional monetary instrument for the control of the total UMOA's money supply. The existence of the money market is expected to increase incentive for banks to keep their excess liquidity within the monetary union and thereby reducing capital outflows from the union. In order for the market to work effectively, the rates of interest must be adjusted frequently and they should reflect demand and supply in the financial market. This generally is not the case. Interest rates are set by the BCEAO with the BCEAO absorbing any excess supply or demand of funds at the administrative set rates.

There are three types of deposits and advances in the UMOA's money market: overnight, one-month, and three-month. Prior to October 1979, the rates on both deposits and advances varied in general less than 0.3 percent for a three-month period with the spread between deposits and advances of approximately 0.25 percent. Between October 1979 and March 1980, there were increases of one-two percent in the rates. In March 1981, there were sharp increases across the board. The overnight deposit rate increased from 10.75 percent in March 1980 to 14.75 percent in March 1981 and the rate for advances increased from 11 percent to 15.06 percent. During the same period the one-month deposit and advances rates were raised from 10.87 and 11.12 percent to respectively 14.87 and 15.12 percent; and the three-month rates were raised from 11.12 and 11.37 percent to 15.12 and 15.37 percent respectively. Table A-29 in the Statistical Appendix shows the changes in the structure of interest rates in the UMOA's money market during 1975-1982. The rates in 1983 were considerably lower. Since July 1982, the rates have declined considerably to the range of 11-11.62 percent except the rate for one-month advances which was 13.37 percent in March 1983. Prior to April 1982 (when the Central Bank's normal discount rate was raised to 12.5 percent), the market rates exceeded the normal discount rate by approximately 4.5 percent. Since 1982 the margin between the two rates was within approximately one percentage point. Consequently, banks tend to borrow first in the money market before using the Central Bank's discount window.

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VII. MACRO-ECONOMIC ADJUSTMENT

Prior to fiscal 1983, the economic and financial difficulties, were considered essentially of a short-term nature which could be overcome through temporary financing from abroad without the necessary adjustment in the country's spending pattern and economic policies. When uranium exports did not improve at a rate compatible with increasing debts and as medium- and long-term loans on concessional terms became more difficult to obtain short-term loans on commercial terms were incurred. The liquidity crisis developed as the debts were due. The unmanageable debt and liquidity problems compelled the Government of Niger to adopt an adjustment program aimed at stabilizing the financial situation and adjust the economy to a slower growth path consistent with available resources. The recovery efforts include an IMF austerity program, a debt relief through the Paris Club, measures to reform the operations of public and semi-public enterprises, and a program to restructure public investment spending through investment consolidation under the 1984-1985 Interim Plan (Programme Interimaire de Consolidation, 1984-1985).

A. IMF Austerity Program

At the end of fiscal 1983 the Government of Niger concluded an IMF standby agreement and also botained a compensatory financing facility (CFF) during the last quarter of fiscal 1983. The standby agreement is for the amount of 18 million SDR's (approximately $19 million), scheduled for disbursement between October 1983 and December 1984. The CFF program amounted to 24 million SDR's (approximately $25.2 million) which was disbursed between July 1983 and December 1983. The IMF program is mainly aimed at achieving financial stability. The program is accompanied by a set of fiscal measures, monetary and credit policies, and balance of payments policies.

The fiscal program is intended to reduce the size of the budget deficit. The actions taken to achieve this are: (a) comprehensive tax reform,[1/] (b) restraint on the growth of government current expenditure outlays, and (c) substantial cut in capital and extrabudgetary spending. The program also calls for efforts to eliminate all payments in arrears to domestic banks and local enterprises within a period of three-four years. The fiscal measures are expected to lower the budget deficit to about 40 billion CFA francs in 1984 ($98 million) on the cash basis--i.e., including reduction in arrears. However, even with the IMF assistance and the projected lower budget deficits, the financing shortfalls for 1984 and 1985 are expected to be between 15 to 20 billion CFA francs ($37-48 million) each year. Approximately one-third of these is likely to be covered by debt relief; the other part will require concessional loans or grants if the IMF borrowing condition is to be met.[2/]

1/See Section IV, particularly Table 2 for a more detailed description of the tax reform package.

2/As one of the conditions under the standby agreement, Niger is to abstain from all non-concessional foreign borrowing with maturity of

The monetary and credit policies are aimed at releasing the balance of payments pressure, avoid further deterioration of the country's debt situation and confidence crisis through a large reduction in the external current account deficit. The program requires a slowdown in the growth of money supply and credit expansion. As one of the program conditions the Nigerien Government is required to adhere to a number of quantitative performance criteria. They include:

(a) Restrict total domestic credit growth to less than 12 percent between September 1983 and September 1984 with the total money supply increasing by five percent or less during this period.

(b) Limit the ceiling on net credit to the government by the banking system to less than 24 billion CFA francs ($58.6 million) by the end of September 1984; this represents an increase of 4.3 billion CFA francs (or 22 percent) from the level in September 1983;

(c) Reduce payments in arrears to domestic banks and enterprises to no more than 13.3 billion CFA francs ($32.5 million) by the end of September 1984 from the estimated 22.3 billion CFA francs ($54.5 million) at the end of December 1983.

(d) During the period from October 1, 1983 to September 30, 1984, domestic banks will not be authorized to allow their net short-term foreign asset position to deteriorate further; it was estimated at a negative 26 billion CFA francs ($64.5 million) in September 1983.

(e) During the period October 1983 to September 1984, the government will abstain from all non-concessional foreign borrowing, directly or through its guarantee, with maturity of less than twelve years except for the refinancing or rescheduling of existing loans.

For external policies, they are intended for reducing the current account deficit in the balance of payments through reduction in imports which primarily affects imports of consumable goods in 1983 and capital goods in 1984. The policies which will contribute to the reduction in the current account deficit are the fiscal and monetary policies described above and the anticipated modest increase in uranium export earnings. Niger is required under the program to maintain a free trade and exchange regime without imposing payments and transfers or trade restrictions for balance of payments reasons.

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B. Debt Relief

The unmanageable debt situation forced the Nigerien Government to seek debt relief through the Paris Club following the agreement on the IMF financial program. The debt rescheduling agreement was concluded in November 1983. The agreement applies to loans, which have maturity of more than one year and concluded before July 1, 1983 from the participating creditor countries[1/] and commercial credits guaranteed or insured by them. The terms of the debt relief are 90 percent of the amounts in principal and 60 percent of the amounts in interest due from October 1, 1983 through September 30, 1984. The rescheduling arrangement will result in payments being made over a nine-year period with a grace period of four years. The first payment will be made on April 1, 1989 (end of grace period) and the final payment on April 1, 1993. The unrescheduled debt service payments (ten percent of the principal and 40 percent of interest) will be paid according to the following schedule: one-third on due date, one-third on June 30, 1985, and one-third on June 30, 1986. The detailed arrangements for the rescheduling or refinancing of the debts will be determined bilaterally between cred' governments or their appropriate institutions and the Government of Niger.

The effect of the debt rescheduling is estimated to be a reduction of debt service obligations by approximately $56 million. The public external debt service payments for fiscal 1984 will be reduced to about $20-24 million. The internal debt service payments are estimated to be $12 million. The Government has also sought debt rescheduling or refinancing on similar terms with private external creditors as well as public external creditors not participating in the Paris Club agreement. It is also expected to continue seeking debt relief for the next few years.

C. Parastatal Reform

During fiscal 1983 the Nigerien Government with technical assistance from the IBRD undertook a comprehensive study to assess the problems associated with public and parapublic enterprises. The study covered more than 50 enterprises and intended to provide policy recommendations for upgrading the financial management and overall efficiency of these enterprises in order to reduce their operating losses which have been a

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1/ Creditor countries participated in the debt rescheduling include France, Japan, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom, the United States and West Germany.

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financial burden on the government budget. The study was completed early 1984. A general reform of four enterprises was initiated in fiscal 1984. These enterprises are grain marketing agency (OPVN), imports marketing agency (COPRO-NIGER), public utilities company (NIGELEC), and a coal-fired thermal power station (SONICHAR).

For the grain marketing agency, the government reduced the OPVN's overextended network of buying and distribution by closing down 121 distribution centers late 1983. This should lower its transportation and personnel costs. However, the major source of OPVN's losses--its storage cost of large holdings of stocks--has yet to be resolved. Although the study recommends a reduction of its stocks, the government has not fully implemented the policy recommendation.

For the other marketing agency (COPRO-NIGER), the government has reduced the scope of its operation. The range of products for which it monopolizes has been cut to four: salt, tea, jute bags, and cigarettes. Private traders are allowed to play an increasing role in the marketing of other products which previously COPRO-NIGER alone had the marketing right. Furthermore, COPRO-NIGER operations will be restricted to wholesale distribution.

For the public utilities company, the government reduced the subsidy on the water and electricity consumption by revising upward the tariff rates of water and electricity. An average increase of about 20 percent was put in effect in October 1983. The policy of allowing free usage of water and electricity to NIGELEC employees and its board of directors was discontinued. The company is encouraged to keep its rate structure flexible to allow periodic tariff adjustments compatible with increases in costs. In addition, the government has agreed to the need to improve its management and administrative practices as well as to install an appropriate accounting system to monitor its financial situation.

Following a preliminary study of SONICHAR's operations, the government has agreed to strengthen the financial and technical management of the plant. A French agency (The Charbonnage de France) will provide SONICHAR technical assistance for two years. In addition to the technical and financial management problems, SONICHAR has also incurred substantial debts. To alleviate the debt problem, the government sought and obtained debt relief from major foreign creditors early 1984. There were also tariff increases for electricity supplied by SONICHAR to its major consumers (uranium mining companies) in 1984.

D. Consolidation of Public Investment

Another major effort of the adjustment process is in the restructuring of public investment program during the next two years. The program for investment consolidation is outlined in the 1984-1985 Interim Plan (Programme Interimaire de Consolidation--PIC). The investment program for the most part comprises ongoing projects or extension of projects or programs undertaken during the previous plan. There are four areas of emphasis in the PIC.

First, there is an increased emphasis on the reorientation of public investment more toward the directly productive sector, especially in agriculture and livestock, rural employment, and export promotion. The effort to achieve self-sufficiency in food production and to conserve Niger's fragile environment is still the overriding concern.

Second, the Plan explicitly recognizes the need to take inventory of all the installed capacity achieved during the previous Five-Year Plan in the infrastructure and social services sectors. This will be undertaken with the objective of making the full use of the already installed facilities as well as ensuring their continuing operation. It is certainly a significant departure from Niger's previous planning efforts and it is probably influenced by the overall financial constraint resulting from the worsening economic conditions.

Third, the Plan calls for an acceleration of the development of a participatory economy through the "Development Society" institution which comprises cooperatives and youth groups (Samarias) at different administrative levels. The promotion of a participatory economy is not new; it was one of the goals in the 1979-1983 Plan. However, the concept has not been adequately transformed into activities during the previous plan. The departure point, from the previous plan's attempt which provides a basis for believing that the "Development Society" idea will become an important instrument in the Interim Plan, is the Government's recognition of its limited resources relative to the need. The declining public sector resources increases the importance of mibilizing resources and energy from the private sector. The "Development Society," through the cooperatives and youth groups, is a vehicle for mobilizing such resources. Activities for which they can play an important role include the maintenance and participation in the building of infrastructure, especially those aimed at providing goods or services having public-good characteristics, such as schools, village water supply, and rural roads. Participation from beneficiaries should help lower the recurrent

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costs which would otherwise be absorbed by the Government. It should also provide incentives for better maintenance of the installed capacity. The "Development Society" concept, if properly implemented, could contribute to the achievement of decentralization, increasing private sector involvement in development activities, and relieving some of the budgetary pressure from the Government.

Fourth, there is an added emphasis on economic policy in the Interim Plan. This is the most distinctive departure from the previous plan. The previous Five-Year Plan is very weak when it comes to specific policy measures both at the macro and sectoral levels. It made no serious attempt to link the Plan to budgetary resources at the macro level, although it provided macro-economic projections. At the sectoral level, no specific policies were proposed to deal with the recurrent costs of activities generated from the investment program in order to ensure their sustainability. There was no attempt to develop an incentive structure which would contribute to increase productivity or to attract private sector participation to complement public investment programs. The previous planning effort also ignored the absorptive capacity, both at the macro and sectoral levels, in relationship to proposed investment activities. Because it did not contribute to economic policy formulation, it was not a "plan" in the sense of an instrument of control on the allocation of resources; it was more of a list of programs or projects intended to solicit financing from donor agencies. This msising essential element of a plan has been recognized and the 1984-1985 Interim Plan seems to be formulated within a certain set of policy measures consistent with declining public sector resources. The level of planned investment spending has been scaled down significantly.

The targeted public investment in the Interim Plan totals 128.3 billion CFA francs ($313 million). The directly productive sector (agriculture, livestock, forestry, fishing, mining, industry, and energy) will receive the largest share of the total planned public investment spending (35.4 percent) with agriculture and livestock accounting for 84 percent of the planned expenditure in the sector; the remainder will go to forestry (8.8 percent of the investment in the sector), fishing (0.8 percent), energy (2.3 percent), mining (1.6 percent), industry (0.6 percent), and research (1.9 percent). Next to the productive sector is the infrastructure sector. The Plan allocates 33.4 percent of the total investment to this sector. The largest sub-sector which accounts for 61.7 percent of the planned investment spending in the sector is roads, followed

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by telecommunications (17.3 percent) and sanitation (14.9 percent). Hosuing, postal services, airport maintenance, and public building account for the rest of the planned expenditure in the sector. The planned expenditure in government buildings, which accounted for 12.8 percent of 1982 actual public investment spending (or $37 million), has been reduced to 60 million CFA francs ($1.4 million) or 0.1 percent of the planned spending in the sector. Social services (education, vocational training, health, and rural water supply) will receive 30 percent of the total planned investment with education receiving 17.6 percent of the planned expenditure in the sector, vocational training 10.6 percent, health services 14.8 percent, and water supply 60 percent. The remainder of the total investment in the Plan (1.2 percent) is allocated to information, youth, sports, and culture and tourism.[1]

External sources will provide more than 84.6 percent of the finacing requirements in the Plan. Government budgetary revenues are anticipated to provide 7.6 percent of the total financing requirements of the Plan. The financing gap for the planned investment is estimated at 10 billion CFA f   cs ($35 million) and it reflects entirely the part of the Plan for which external financing has not yet been acquired. It amounts to approximately 7.8 percent of the total planned investment in the Plan. Table A-8 in the Statistical Appendix shows the financing of the Interim Plan.

VIII. EXTERNAL ASSISTANCE

The adjustment measures discussed in the previous section should help prevent any further deterioration in the financial situation now. But the IMF and debt relief efforts alone will not be adequate to sustain the recovery. Other external resource inflows to support the productive sector of the economy will also be required. During the next few years (two-five years), Niger will be almost completely dependent on foreign donors to continue its development effort. With foreign assistance and a strict adherence to the planned adjustment, a moderate recovery could be achieved.

In view of the high level of public investment spending under the 1979-1983 plan and the need for financial and economic stabilization and recurrent cost support, external assistance in the form of non-project tied assistance could play a useful role at this time. Non-project assistance may, however, be

[1] For a more detailed discussion of Niger's Interim Plan, see K. [illegible], An Analysis of Niger's Interim Plan, 1984-1985, USAID, Niamey, March 1984.

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more risky in terms of being able to attribute its direct impact; consequently, the conditionality requirement is unavoidable. The risk of non-project assistance in the case of Niger is mitigated by its generally good economic policy performance historically and by the existence of the IMF program already in place. The counterpart funds generated through non-project assistance mechanism will assist the Nigerien Government in reducing the need to resort to commercial borrowing or excessive domestic credit expansion both of which are conditions imposed by the IMF. The counterpart funds could be earmarked for financing shortfalls in local counterpart contributions and recurrent costs of development projects. As indicated in the Public Finance section (Section IV of this paper), the overall annual budgetary resource gap is expected to be in the neighborhood of 20 billion CFA francs (approximately $50 million) for 1984 and 1985 after taking into account anticipated financing including the IMF program.

Table A-17 in the Statistical Appendix provides estimates of recurrent costs by major sectors as prepared by the Nigerien authorities for the Niamey Recurrent Cost Workshop in June, 1983 under the auspices of USAID and CILSS/Club du Sahel. Although they were based on a few specific project studies in various sector, these estimates were very crude. The 1983 figures are estimates of recurrent outlays which actually took place during the year. These outlays are below planned levels and therefore could be considered as sub-optimal. The 1984 and 1985 estimates reflect the 1983 level plus the minimum additional requirement without taking into consideration inflation. These estimates should be considered as the minimum requirements to sustain project operations.

Because the sectoral estimates, particularly in the agriculture and livestock sector, are not comprehensive but only based on broad budgetary expenditure patterns, there are reasons to believe that these estimates understate substantially the _ex ante_ recurrent cost requirements which are better derived on a project-by-project basis. Table A-18 in the Statistical Appendix provides some of these estimates in agriculture and livestock projects. They are divided into two groups: projects which are financed by USAID and those financed by other donors. Not every project in the sector is included; the selected projects, however, account for approximately two-thirds of the 1984-1985 public investment program in the sector. The criterion used to select the projects is the data availability at the project level, with the exception of the animal health program which is based on the planned spending for the vaccination, feed and campaign against animal diseases components. For the project group financed by other

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donors, the recurrent cost estimates beyond 1982-1983 are not available. Consequently, projections from the available data either in 1982 or 1983 with a rate of increase of eight percent per year were made for 1984 and 1985. For 1986 and 1987, the 1985 level was assumed to continue.[1]

For the USAID-financed project group, the estimates were from the work prepared for the recurrent cost workshop.[2] They are ex ante estimates except for the Rural Sector Human Resources Development project whose estimates are based on actual project disbursements. The estimated total recurrent cost requirements are $13 and $17 million for 1984 and 1985, respectively. This is about three times the present Ministry of Rural Development budget. For the USAID-financed projects in the sector, the recurrent cost requirements for 1984 and 1985 would be approximately $5 million.

NEAR-TERM ECONOMIC OUTLOOK

A. Macroeconomic Projections, 1984-1985

Table 4 summarizes the macroeconomic projections for 1984 and 1985.[3] The GDP in nominal terms is projected to recover from a growth rate of four percent in 1983 to 9.4 and 8.3 percent in 1984 and 1985 respectively. This represents approximately 0.2 percent real growth in 1984 and 2.8 percent in 1985. Most of the growth is anticipated to come from the informal sector. The rural sector is expected to contribute about half of the growth for the next two years. The mining sector is forecast to recover from a negative growth rate of 16 percent to a growth rate of eight percent. The construction sector is expected to decline by another seven percent in 1984, but with a big increase in value added in 1985. The value added of import taxes and duties are not expected to recover until 1985. The industry and commerce and services sectors are forecast to increase faster than 1983.

In order to compare the projected growth rates with the recent growth performance, trend rates of growth during the period 1976-1983 were calculated. They were obtained by regressing the value added of each sector on time using a log-linear functional form.

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[1] This is intended for offsetting any policy changes which would lower the recurrent cost burden. This is especially relevent for the Maradi and Dosso projects whose recurrent costs account for more than 60 of the total in the group; and there are indications of the need to lower their recurrent costs.

[2] Ministry of Planning, Les Depenses Recurrentes des Investissements Publics au Niger, Vol. II, Annex B.3 (pp.61-70)

[3] They are provided by the Nigerien authorities.

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With the exception of construction and manufacturing, the projected growth rates are lower than the trend rates but are higher than those in 1983. They appear to be reasonable except for mining and construction which seem to be on the high side. The three-percent real growth rate projected for 1985 depends significantly on the sustained growth performance in the rural sector, further increase in uranium earnings, the rapid recovery of the construction sector, and the continued improvement in the industry and tertiary sectors. Table 5 provides comparison of actual value added of different sectors with its respective predicted value based on the trend rate of growth.

The trend analysis indicates that the rural sector had been growing more or less along the trend line. The divergence between the actual value added and the regression predicted value added is between plus or minus six percent.[1/] Not surprisingly, the mining sector and its linkage activities (particularly, backward and tax linkages) had fluctuated widely during the period. If one uses a divergence range of 12 percent (i.e. allowing errors to be committed on either side by six percent) to identify stable growth from unstable growth sectors for the period, only the informal sector of the economy (agriculture, livestock, fishing and forestry, handicraft) could be characterized as growing along trends. The modern sector seems to fluctuate widely and shows a high degree of instability during the period 1976-1983.

B. Uranium Exports

Uranium export-led growth is, to a large extent, beyond Niger's control. The prospects for uranium hinge on the developments in the nuclear energy industry. Due to the recent problem in the nuclear energy industry, world uranium consumption declined by 17 percent during the period 1980-1982, from 26,300 tons to 21,700 tons. During the same period, production decreased by only six percent; consequently, uranium stockpiles reached 120,000 tons at the beginning of 1983. The excess supply situation caused the spot market price to fall from the peak of $113 per kg. to about $53 per kg. in 1982. The contract price for Niger's uranium declined from $107 per kg. in 1978 to $62 in 1981 and went up to $73 and $75 in 1982 and 1983 respectively. Although the price for Niger uranium is administratively set, the contract price has followed closely the trend of market prices. The spot market price appears to have already reached its floor in 1982; the average 1983 price as of the end of April has increased by eight percent.

[1/] That is, the error committed by using the value predicted by the trend equation is within six percent of the actual value.

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While the uranium price has recovered slightly, the consumption, according to a report by the Nuclear Exchange Corporation (NUEXCO), is estimated to increase only marginally at less than four percent annually from 1984-1990. Furthermore, uranium stockpiles will not be reduced significantly until 1988-1989 when they would have fallen from the 1980 level of about 120,000 tons to approximately 60,000 tons. However, in view of the technical uncertainties associated with the nuclear energy industry, the new level of uranium stockpiles demand may be adjusted downward so that the demand may be lower than the 1980 level. Consequently, Niger cannot depend on uranium as the growth locomotive to the same degree that it had been in the late 1970's; even though it will undeniably still be the most important source of foreign exchange earnings in the foreseeable future.

C. Non-Uranium Exports

Although uranium exports will continue to be the most important source of export earnings for Niger, the need to diversify its exports is evident. Next to uranium, livestock exports are the major source of foreign exchange earnings; they accounted for approximately 17 percent of Niger's exports in 1982. Other exports, consisting mostly of agricultural products (mainly cowpeas, onions, string beans, and to a lesser extent, groundnuts) accounted for seven percent of exports in 1982. Most of these exports go to Nigeria. According to a 1981 survey conducted by the Ministry of Rural Development about 94 percent of livestock exports, consisting almost entirely of cattle on the hoof, went to Nigeria. Groundnuts and groundnut products which used to account for nearly half of Niger's exports prior to the early 1970's drought and insect-born disease, have practically disappeared as a source of export earnings since 1980.

As a longer term strategy to achieve external balance and to lower the country's dependence on uranium as a source for development finance, it would be necessary to promote export growth in agriculture and livestock. A reorientation of public investment towards the development of agriculture and livestock, to bring about export diversification and viable import substitution in foodstuffs, is desirable. Niger's potential export crops, particularly groundnuts and cotton, could also play an important role as industrial crops for the agro-based processing plants which currently operate much below capacity level. Barring any natural catastrophe like the early 1970's drought and investment in cash crops and investment in cash crops production through the development of irrigated agriculture, exports of livestock and agricultural products can be expected to contribute to a moderate recovery.

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Table 4

Macro-economic Projections, 1984-1985

	Projections			Projections			Trend Rate of Growth
	1983	1984	1985	82-83	83-84	84-85	
	(in billions of CFA francs)			(in percentage)			(percentage)
Rural Sector	338.6	370.3	401.2	7.8	9.4	8.3	15.2
Agriculture	182.2	200.4	218.4	7.8	10.0	9.0	15.2
Livestock	124.2	134.9	145.1	7.7	8.6	7.6	15.6
Forestry and Fishing	32.2	35.0	37.7	8.1	8.7	7.7	13.6
Mining	42.9	46.5	50.5	-16.0	8.4	8.6	13.2
Industry, Energy, and Handicrafts	47.8	54.4	60.8	10.6	13.8	11.8	17.1
Manufacturing	9.4	10.7	12.6	10.6	13.8	17.8	15.3
Electricity and Water	10.0	12.2	13.2	19.0	20.0	10.0	35.0
Handicrafts	28.4	31.7	35.0	8.0	11.6	10.4	14.4
Construction and Public Works	25.8	24.0	29.5	-14.9	-7.0	22.9	17.5
Commerce, Transport, and Services	14.28	159.6	176.6	8.0	11.8	10.7	15.7
Commerce	76.7	85.3	94.0	8.0	11.2	10.2	14.2
Transport	24.0	27.0	30.0	8.1	12.5	11.1	16.3
Services	42.1	47.3	52.6	7.9	12.4	11.2	18.6
Government	54.1	56.6	61.7	5.0	4.6	9.0	16.5
Import Taxes and Duties	24.8	21.0	23.3	-11.4	-15.3	11.0	14.5
GDP at current market prices	676.8	732.4	803.6	4.1	8.2	9.7	17.2
GDP at constant 1976 prices	310.7	311.3	320.0	-4.4	0.2	2.8	4.4
Implicit GDP deflator index	217.8	235.3	251.1	8.8	8.0	6.7	11.0
Modern Sector	205.8	211.3	231.4				
Traditional Sector	471.0	521.1	572.2				

SOURCE: Ministry of Planning

Table 5

COMPARISON OF TRENDS:
ACTUAL AND PREDICTED VALUE ADDED AT CURRENT MARKET PRICES
(in billions of CFA francs)

	GROSS DOMESTIC PRODUCT			RURAL SECTOR			AGRICULTURE			LIVESTOCK			FORESTRY & FISHING		
Year	Actual	Predicted	Prediction Error	Actual	Predicted	Prediction Error	Actual	Predicted	Prediction Error	Actual	Predicted	Prediction Error	Actual	Predicted	Prediction Error
1976	241.20	259.36	-7.53	119.40	124.16	-3.99	64.50	66.77	-3.52	42.40	44.32	-4.53	12.50	13.09	-4.75
1977	288.00	302.69	-5.10	143.10	144.57	-1.02	76.10	77.74	-2.16	51.90	51.83	0.13	15.10	15.00	0.68
1978	362.10	353.25	2.44	174.50	168.32	3.54	95.70	90.52	5.41	61.40	60.62	1.27	17.40	17.18	1.28
1979	442.60	412.26	6.86	197.60	195.98	0.82	105.40	105.40	.00	72.20	70.90	1.81	20.20	19.68	2.60
1980	528.50	481.12	8.96	229.00	228.18	0.36	120.80	122.72	-1.59	85.20	82.91	2.69	23.00	22.54	2.02
1981	597.60	561.49	6.04	278.70	265.68	4.67	152.00	142.89	5.99	100.30	96.96	3.33	26.40	25.81	2.22
1982	650.40	655.29	-0.75	314.10	309.33	1.52	169.00	166.38	1.55	115.30	113.40	1.65	29.80	29.57	0.79
1983	676.80	764.75	-12.99	338.60	360.16	-6.37	182.20	193.73	-6.33	124.20	132.62	-6.78	32.20	33.86	-5.17

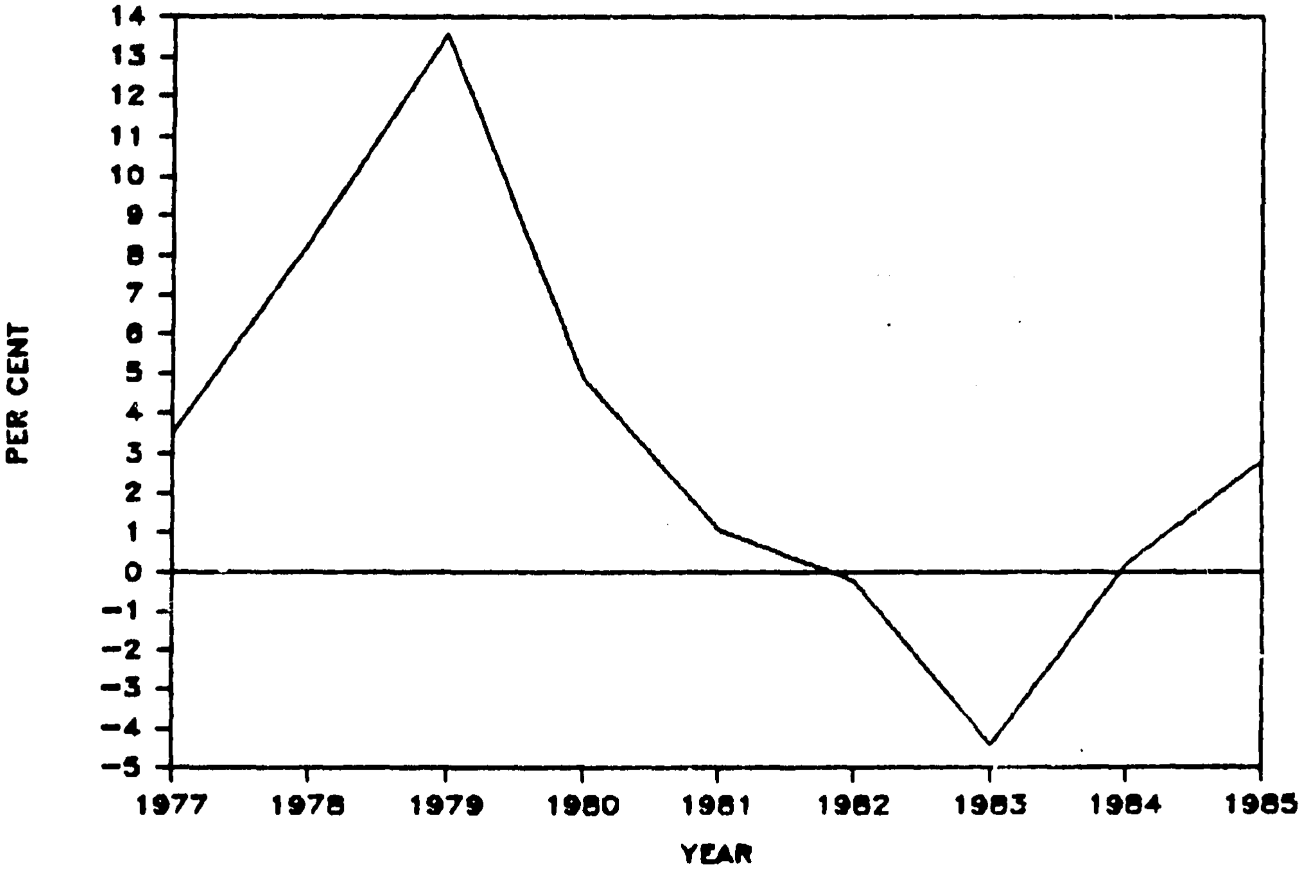
	MINING			INDUSTRY, ENERGY, & HANDICRAFTS			MANUFACTURING			ENERGY			HANDICRAFTS		
Year	Actual	Predicted	Prediction Error	Actual	Predicted	Prediction Error	Actual	Predicted	Prediction Error	Actual	Predicted	Prediction Error	Actual	Predicted	Prediction Error
1976	18.70	25.67	-37.26	[illegible]	14.70	4.52	3.60	3.35	7.03	1.10	0.68	38.24	10.70	10.99	-2.73
1977	23.20	29.28	-26.20	17.70	17.45	1.44	3.70	3.90	-5.43	1.50	0.96	35.74	12.50	12.69	-1.56
1978	36.00	33.40	7.23	19.80	20.70	-4.53	4.00	4.55	-13.66	1.20	1.37	-13.96	14.60	14.66	-0.42
1979	61.60	38.10	38.15	23.40	24.56	-4.94	5.70	5.30	7.04	0.60	1.94	-223.39	17.60	16.93	3.80
1980	65.60	43.46	33.76	27.90	29.13	-4.42	6.30	6.18	1.98	1.60	2.75	-72.07	20.00	19.55	2.23
1981	54.30	49.57	8.71	36.00	34.56	3.99	7.50	7.20	4.03	5.10	3.91	23.41	23.40	22.58	3.50
1982	51.10	56.54	-10.65	43.20	41.01	5.07	8.50	8.39	1.31	8.40	5.54	34.02	26.30	26.08	0.84
1983	42.90	64.50	-50.35	47.80	48.65	-1.79	9.40	9.78	-4.01	10.00	7.86	21.37	28.40	30.12	-6.05

Year	CONSTRUCTION Actual	CONSTRUCTION Predicted	CONSTRUCTION Prediction Error	COMMERCE, TRANSPORT, & SERVICES Actual	COMMERCE, TRANSPORT, & SERVICES Predicted	COMMERCE, TRANSPORT, & SERVICES Prediction Error	COMMERCE Actual	COMMERCE Predicted	COMMERCE Prediction Error	TRANSPORT Actual	TRANSPORT Predicted	TRANSPORT Prediction Error
1976	8.20	11.94	-45.59	50.50	51.20	-1.38	29.70	30.03	-1.13	7.70	9.36	-21.55
1977	11.70	14.22	-21.51	58.70	59.91	-2.06	34.40	34.60	-0.59	10.40	11.02	-5.96
1978	19.50	16.93	13.17	70.30	70.10	0.28	39.60	39.87	-0.67	14.10	12.98	7.94
1979	29.70	20.16	32.11	79.90	82.03	-2.66	46.10	45.93	0.37	17.40	15.29	12.14
1980	37.20	24.01	35.45	101.10	95.98	5.06	52.70	52.92	-0.41	21.50	18.00	16.28
1981	34.00	28.59	15.90	120.90	112.31	7.10	65.20	60.97	6.49	25.50	21.20	16.86
1982	30.30	34.05	-12.39	132.20	131.42	0.59	71.00	70.24	1.07	22.20	24.97	-12.48
1983	25.80	40.55	-57.18	142.80	153.78	-7.69	76.70	80.93	-5.51	24.00	29.41	-22.53

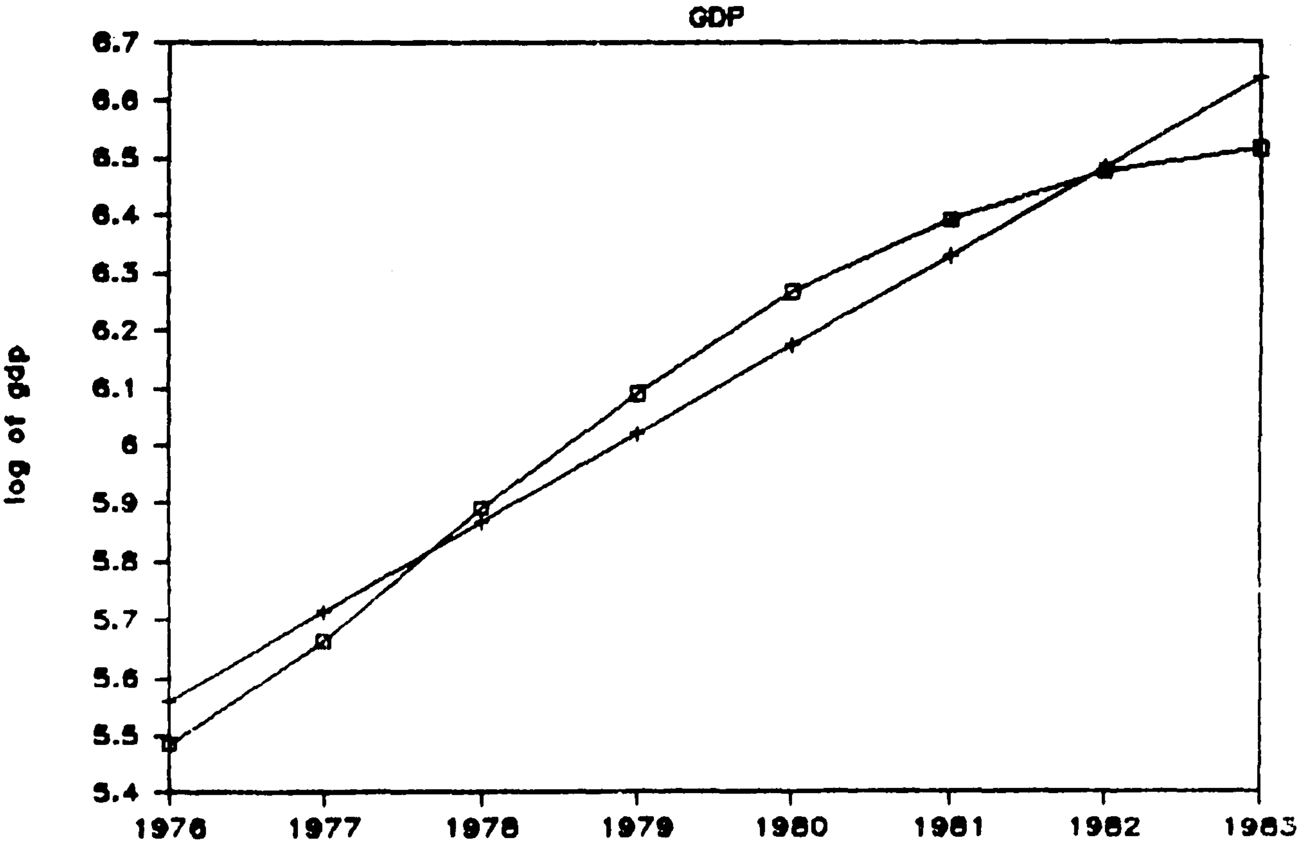
Year	SERVICES Actual	SERVICES Predicted	SERVICES Prediction Error	GOVERNMENT Actual	GOVERNMENT Predicted	GOVERNMENT Prediction Error	IMPORT TAXES & DUTIES Actual	IMPORT TAXES & DUTIES Predicted	IMPORT TAXES & DUTIES Prediction Error
1976	13.10	11.74	10.38	18.80	18.65	0.80	10.20	11.96	-17.25
1977	13.90	14.14	-1.73	21.00	21.99	-4.71	12.60	13.83	-9.76
1978	16.60	17.04	-2.65	25.40	25.94	-2.13	16.60	15.99	3.67
1979	16.40	20.52	-25.12	30.40	30.60	-0.66	20.00	18.49	7.55
1980	26.90	24.71	8.14	38.60	36.09	6.50	29.10	21.37	26.56
1981	30.20	29.76	1.46	45.40	42.57	6.23	28.30	24.71	12.69
1982	39.00	35.84	8.10	51.50	50.21	2.50	28.00	28.57	-2.04
1983	42.10	43.17	-2.54	54.10	59.22	-9.46	24.80	33.03	-33.19

Note: The predicted value is calculated by applying the trend rate of growth obtained from regression equation: $Y = a + bT$ where Y is the natural log of actual value added and T is time. The coefficient b is trend rate of growth

RATE OF GROWTH OF REAL GDP



TRENDS AND ACTUAL VALUE:



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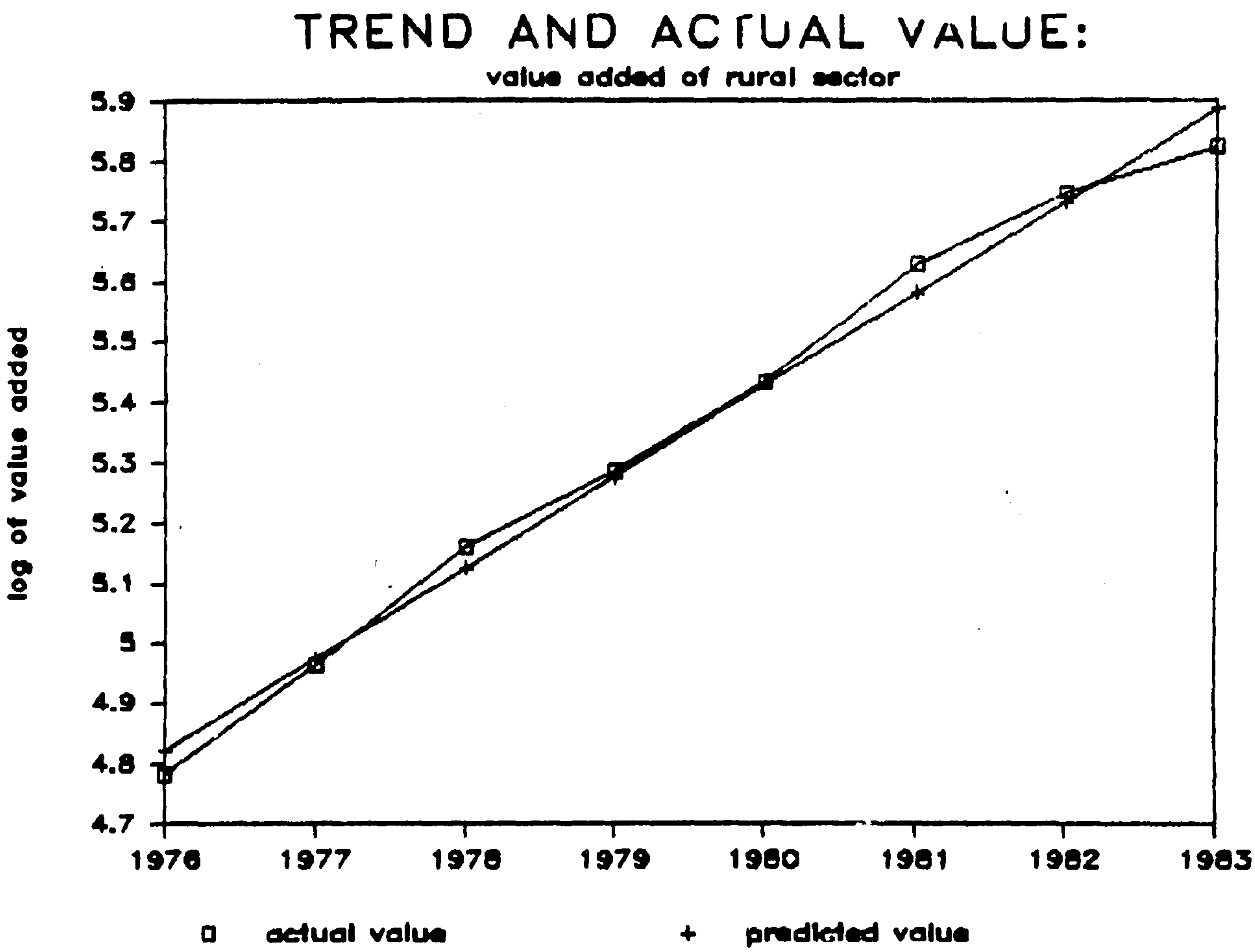
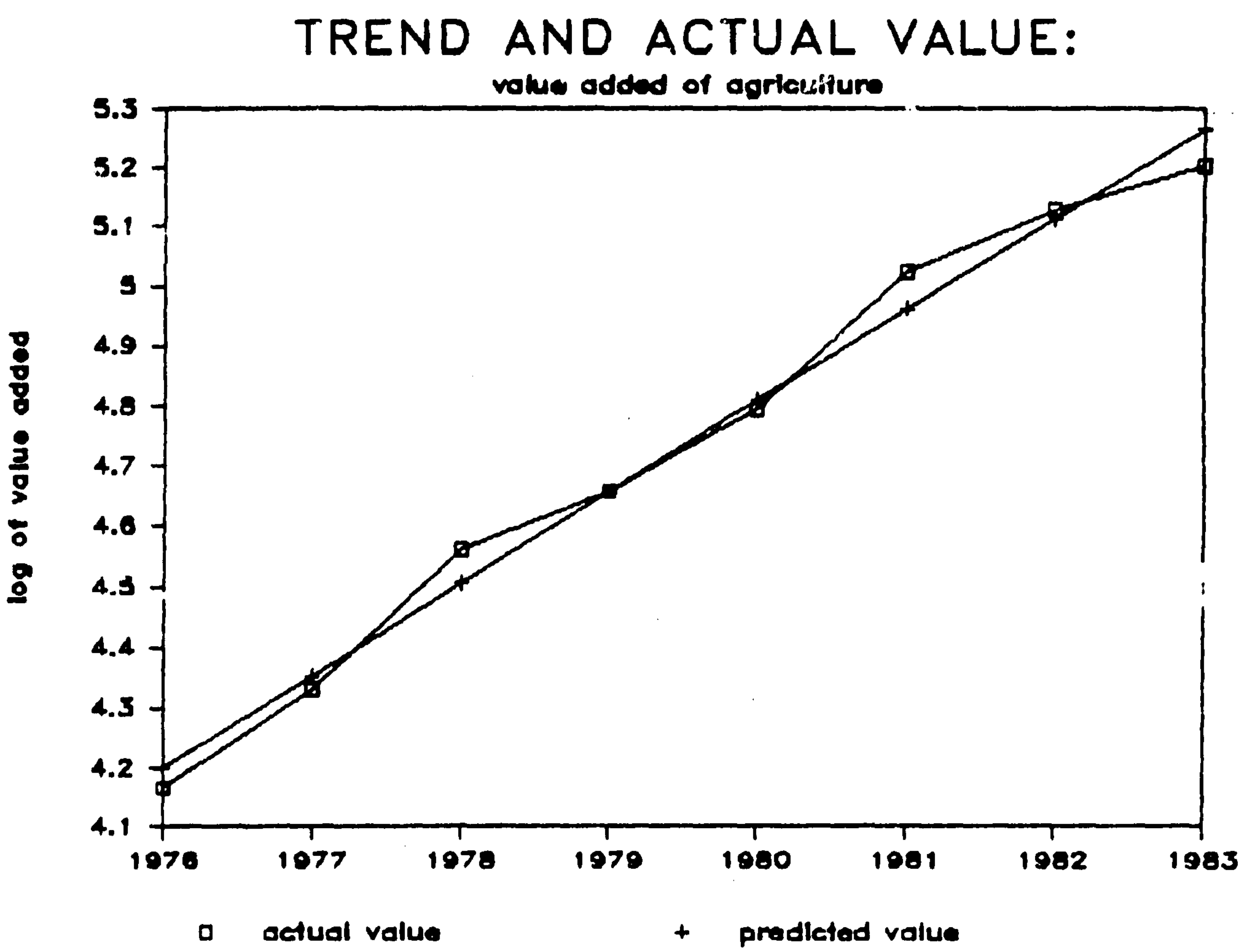
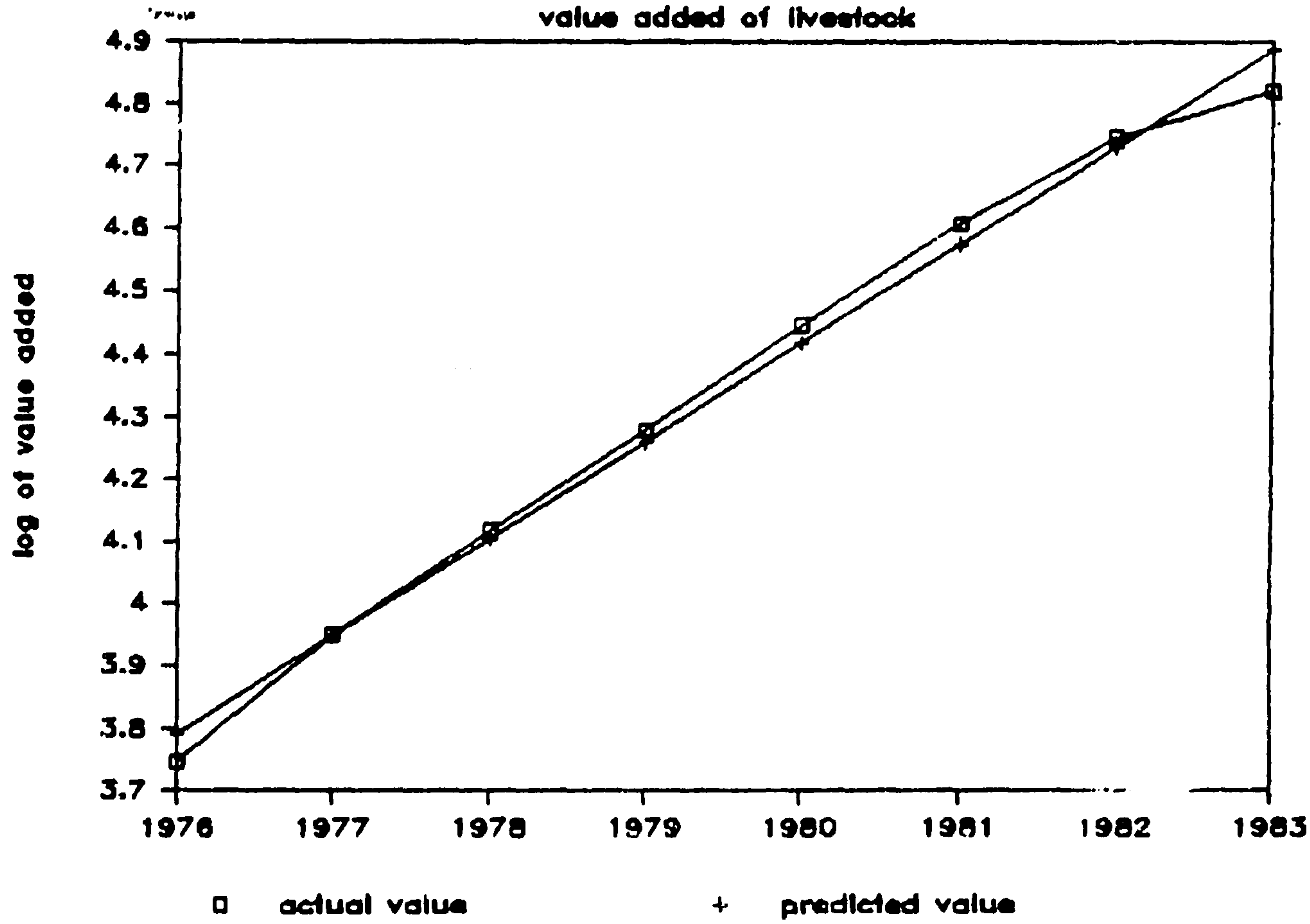
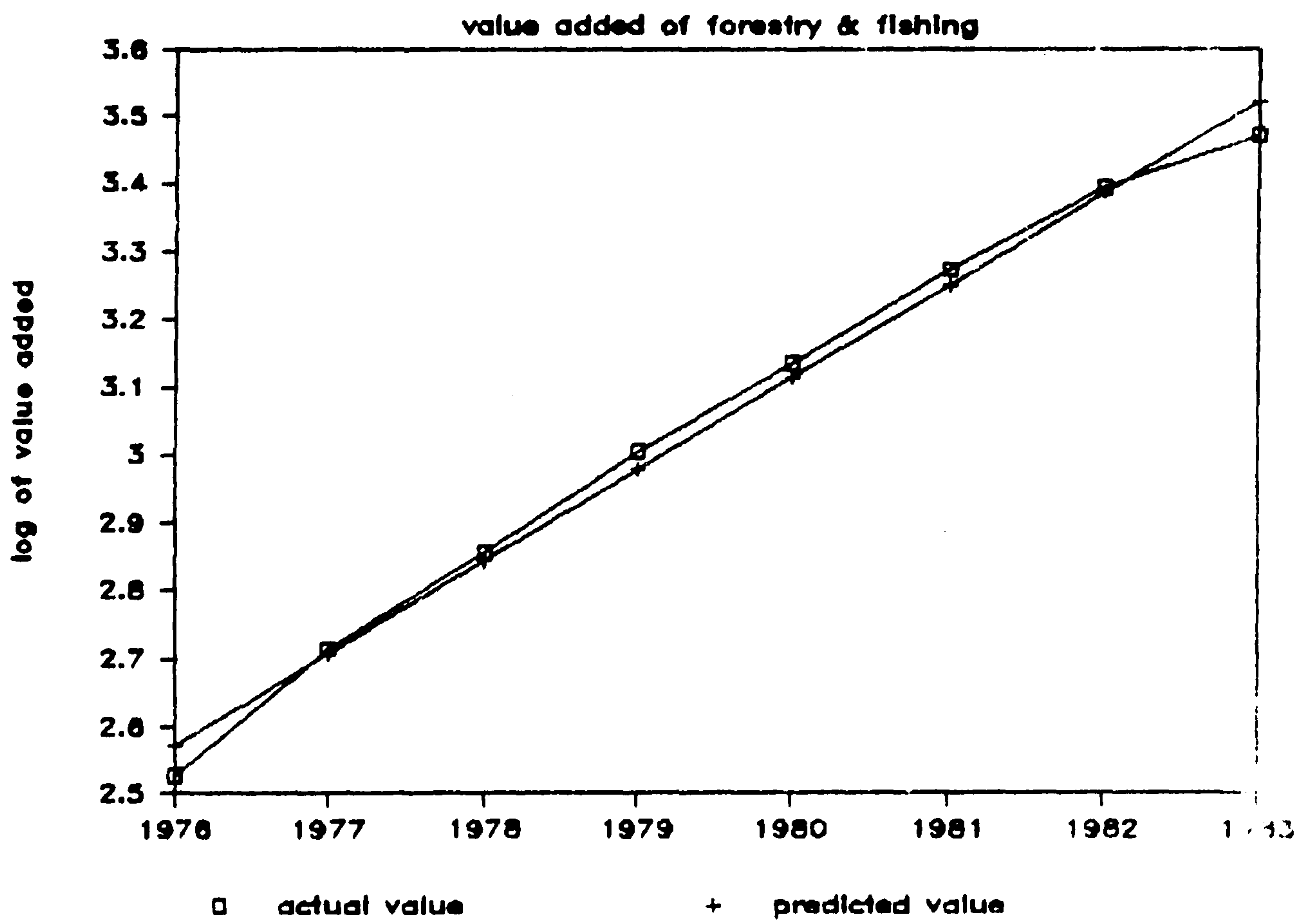

TREND AND ACTUAL VALUE:
value added of rural sector
log of value added
5.9
5.8
5.7
5.6
5.5
5.4
5.3
5.2
5.1
5
4.9
4.8
4.7
1976
1977
1978
1979
1980
1981
1982
1983
actual value
predicted value


TREND AND ACTUAL VALUE:
value added of agriculture
log of value added
5.3
5.2
5.1
5
4.9
4.8
4.7
4.6
4.5
4.4
4.3
4.2
4.1
1976
1977
1978
1979
1980
1981
1982
1983
actual value
predicted value

TREND AND ACTUAL VALUE:



TREND AND ACTUAL VALUE:



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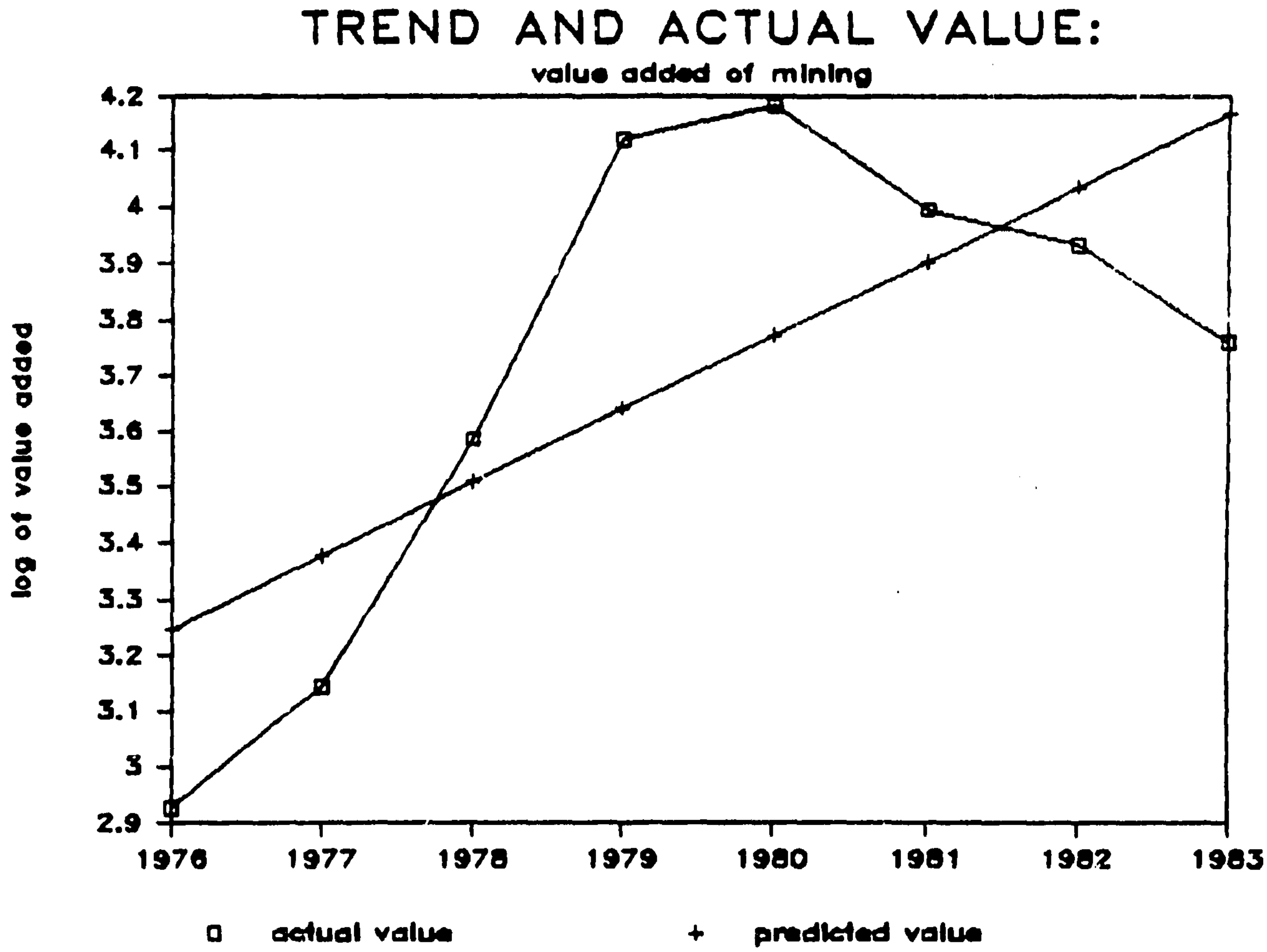
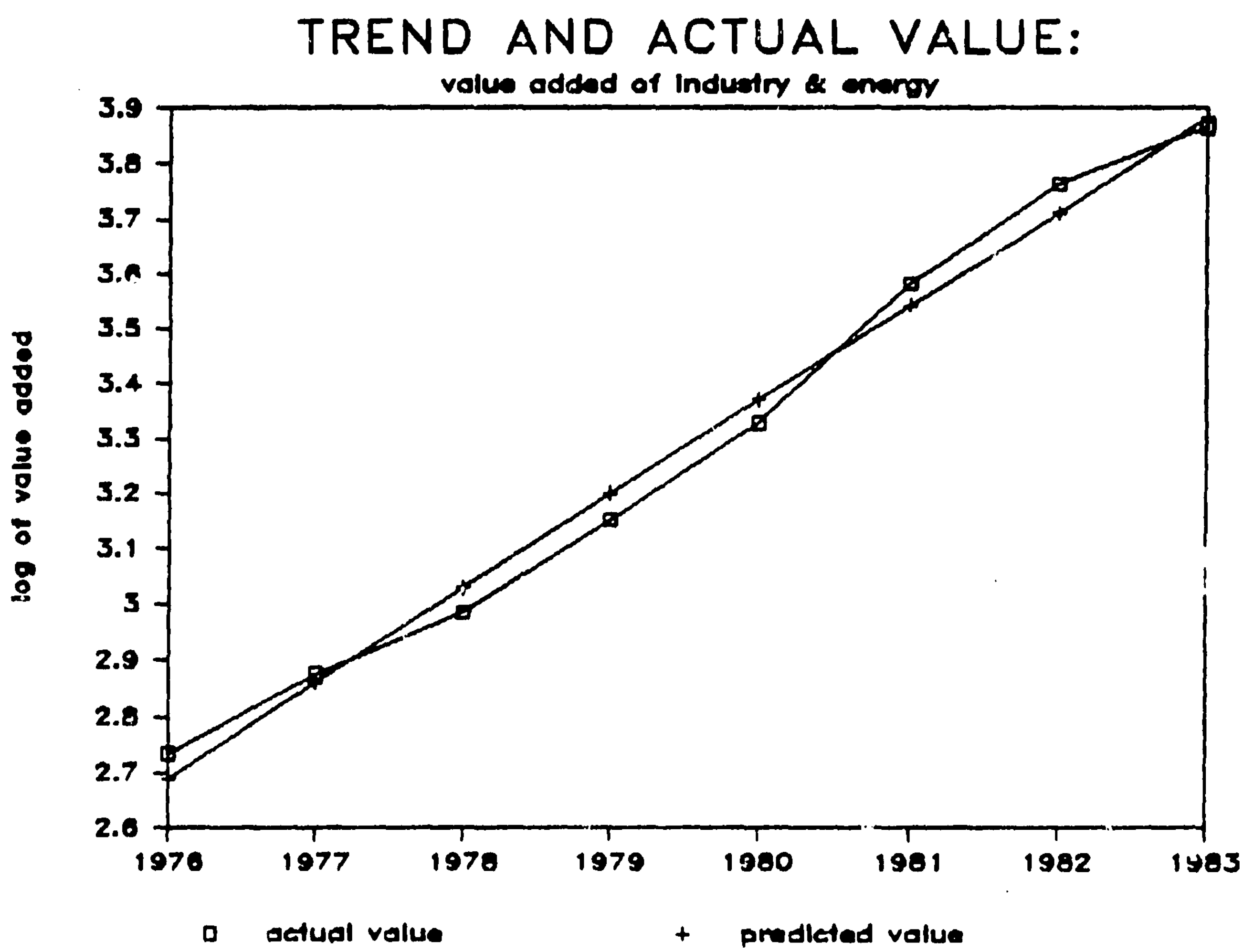
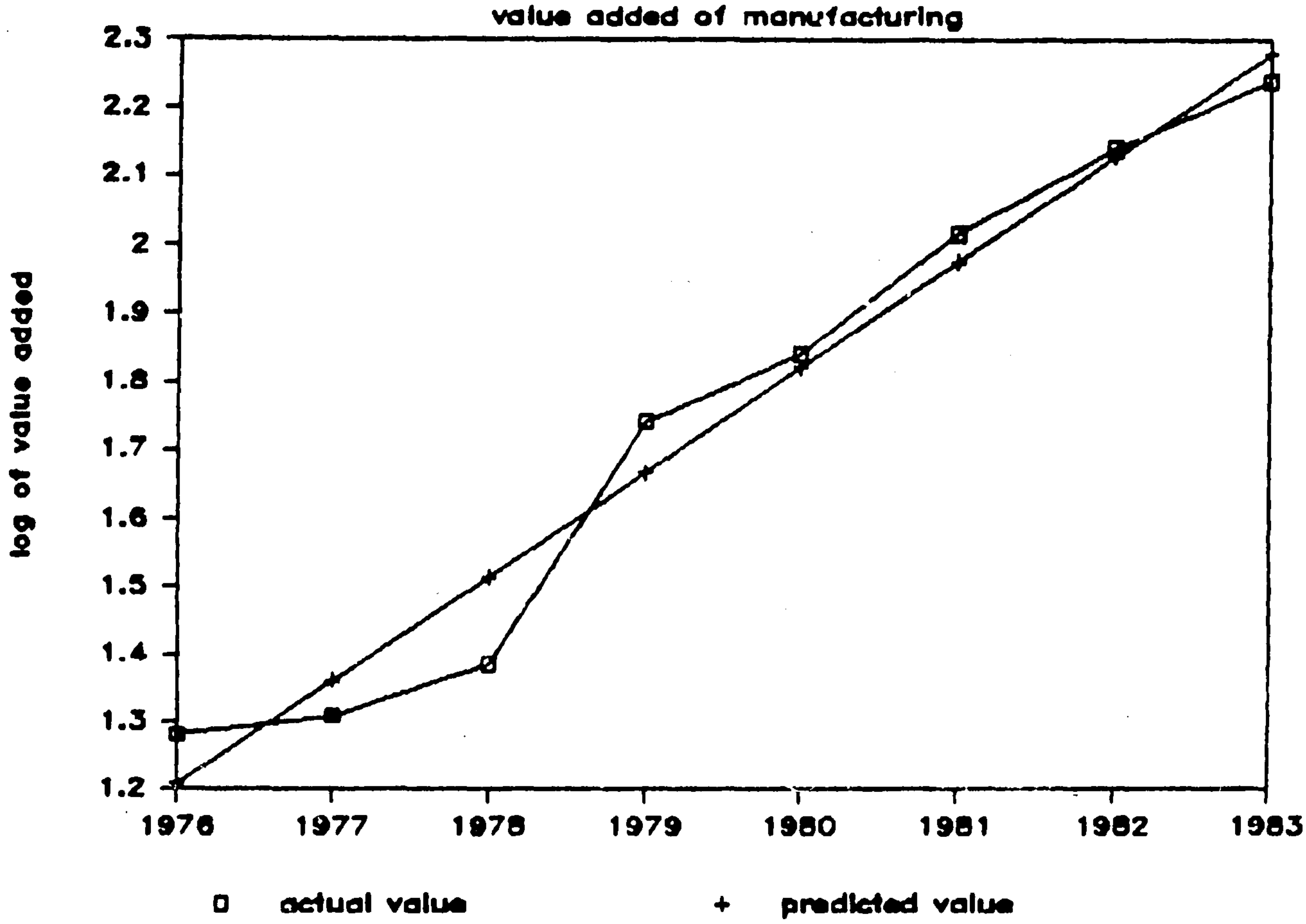

TREND AND ACTUAL VALUE:
value added of mining
log of value added
4.2
4.1
4
3.9
3.8
3.7
3.6
3.5
3.4
3.3
3.2
3.1
3
2.9
1976
1977
1978
1979
1980
1981
1982
1983
actual value
predicted value


TREND AND ACTUAL VALUE:
value added of industry & energy
log of value added
3.9
3.8
3.7
3.6
3.5
3.4
3.3
3.2
3.1
3
2.9
2.8
2.7
2.6
1976
1977
1978
1979
1980
1981
1982
1983
actual value
predicted value

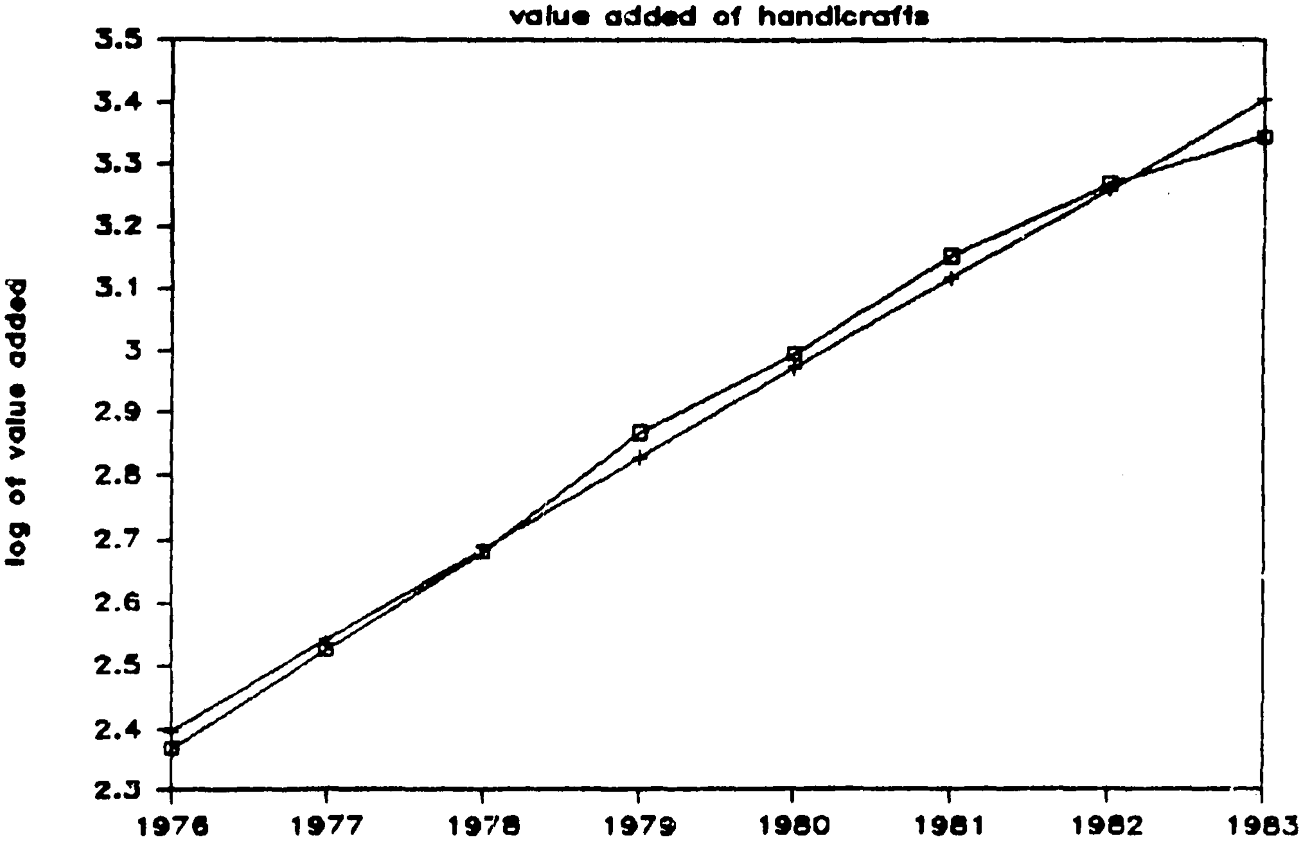
TREND AND ACTUAL VALUE:

value added of manufacturing



TREND AND ACTUAL VALUE:

value added of handicrafts



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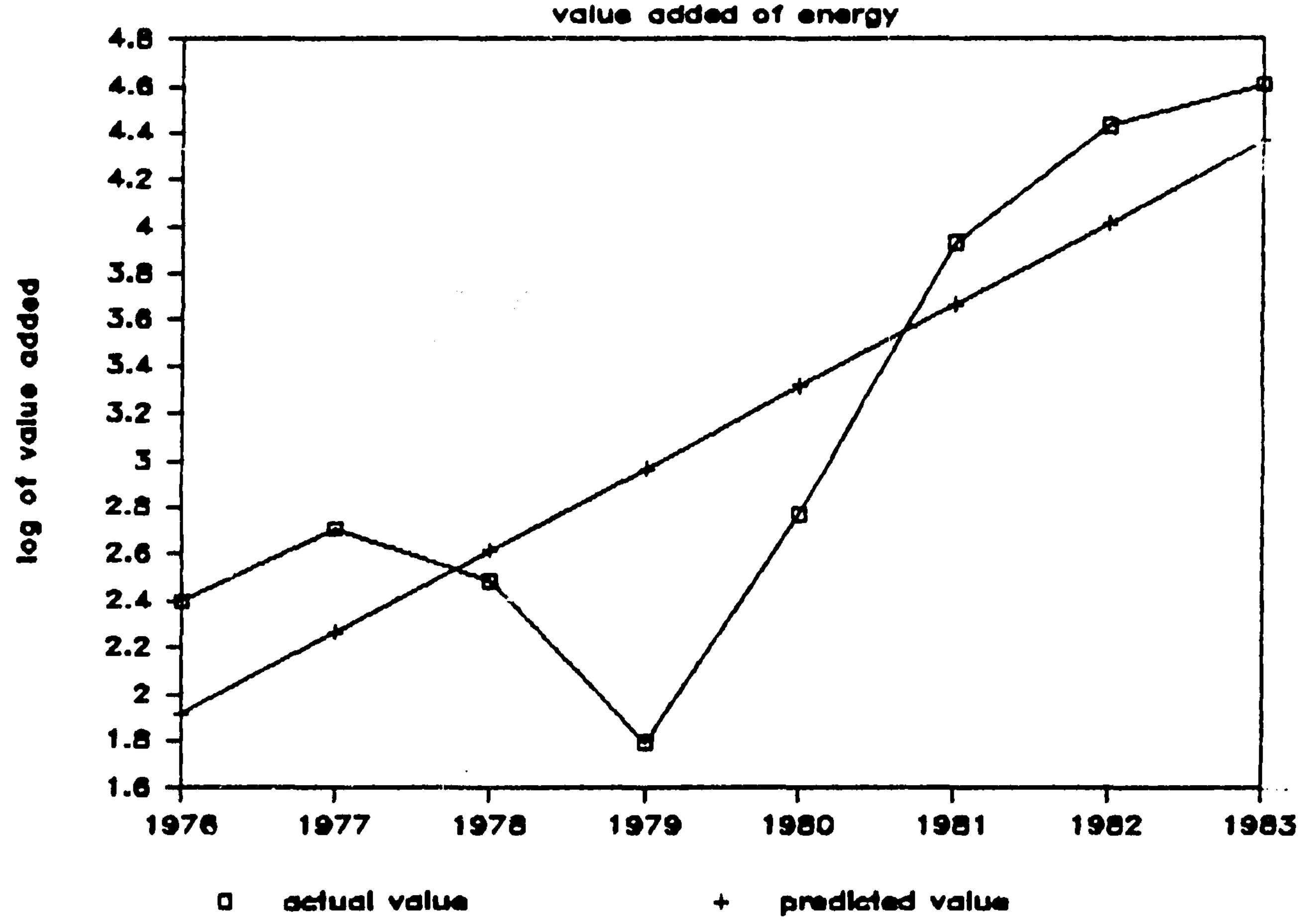
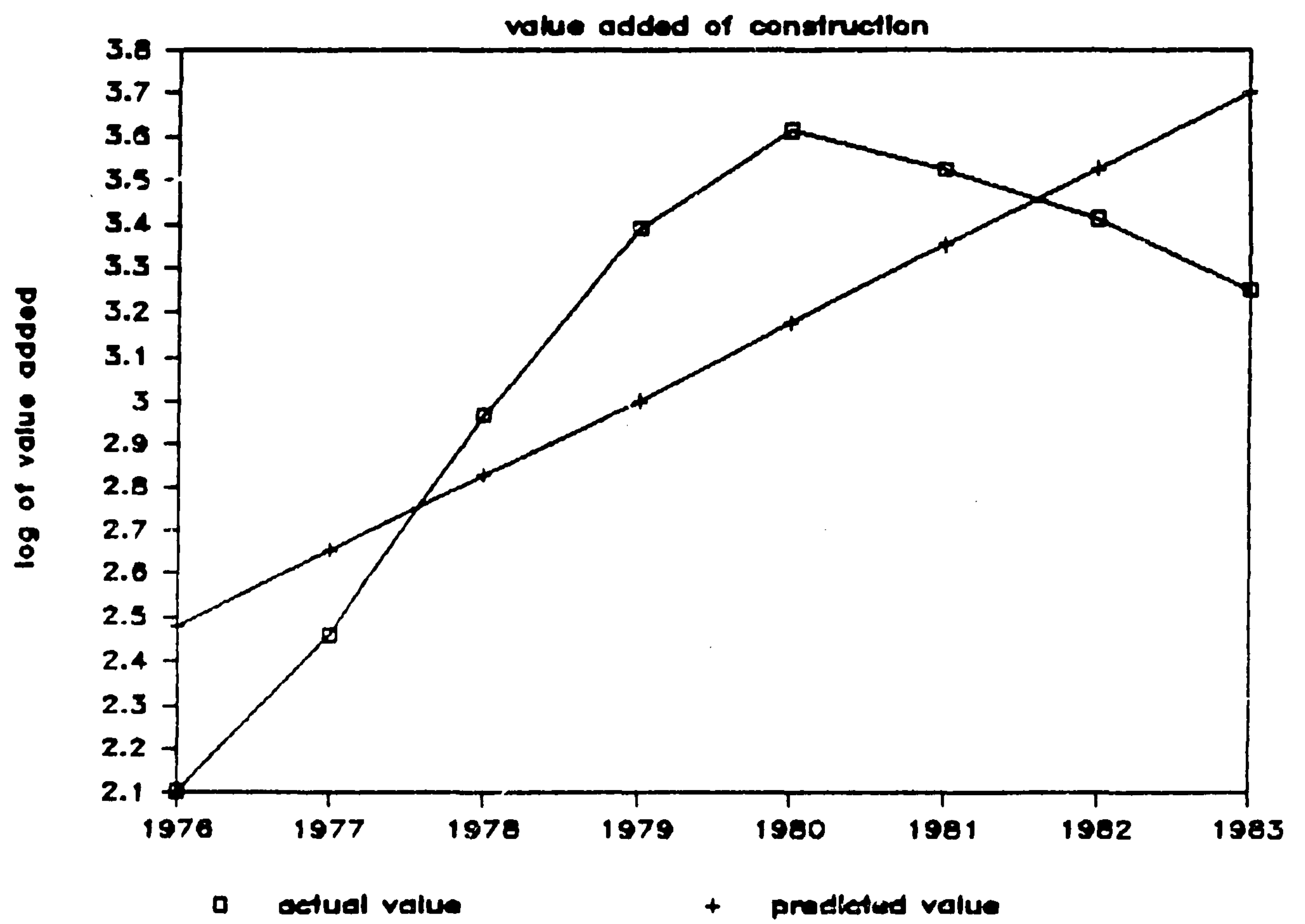
TREND AND ACTUAL VALUE:



TREND AND ACTUAL VALUE:



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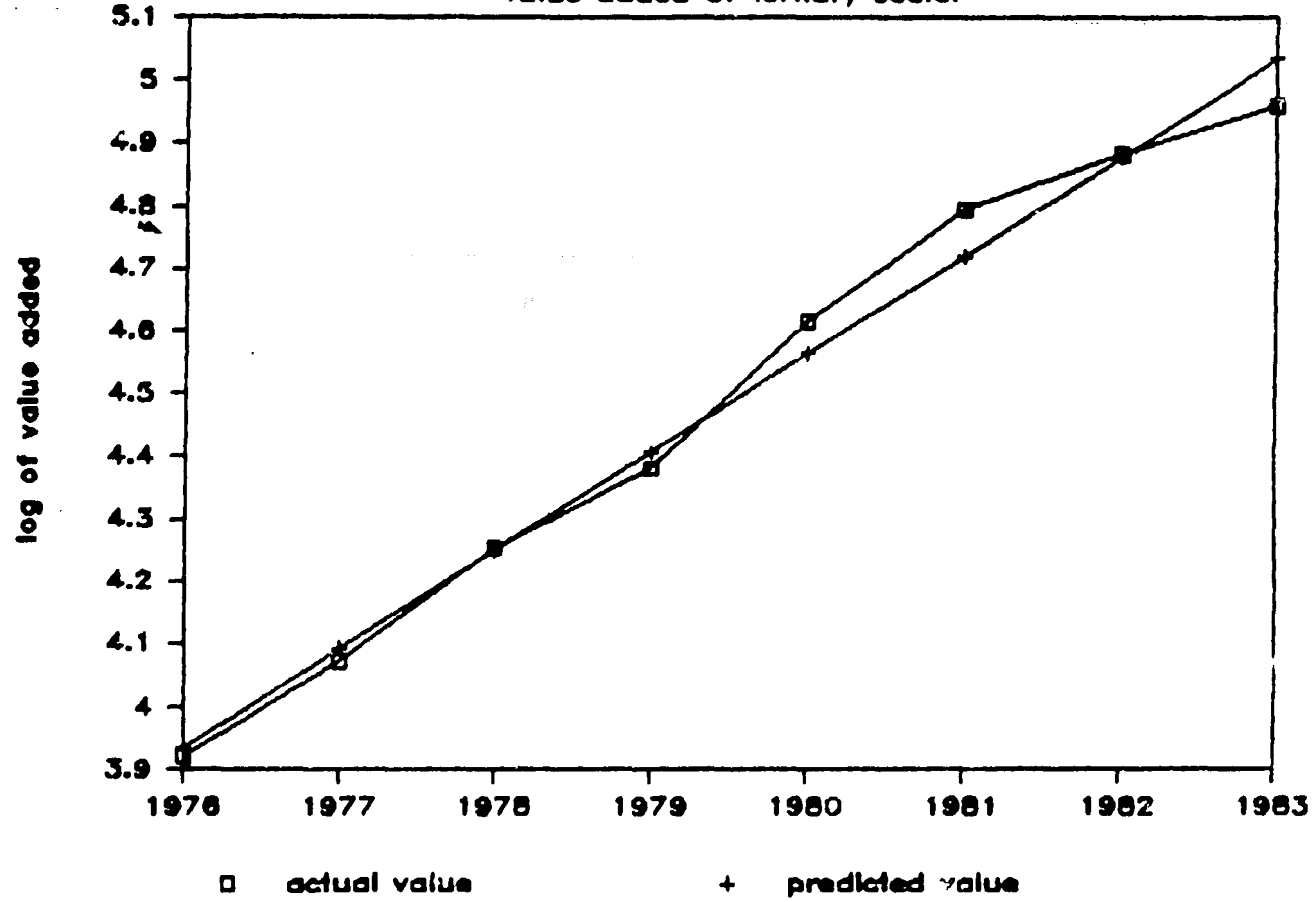
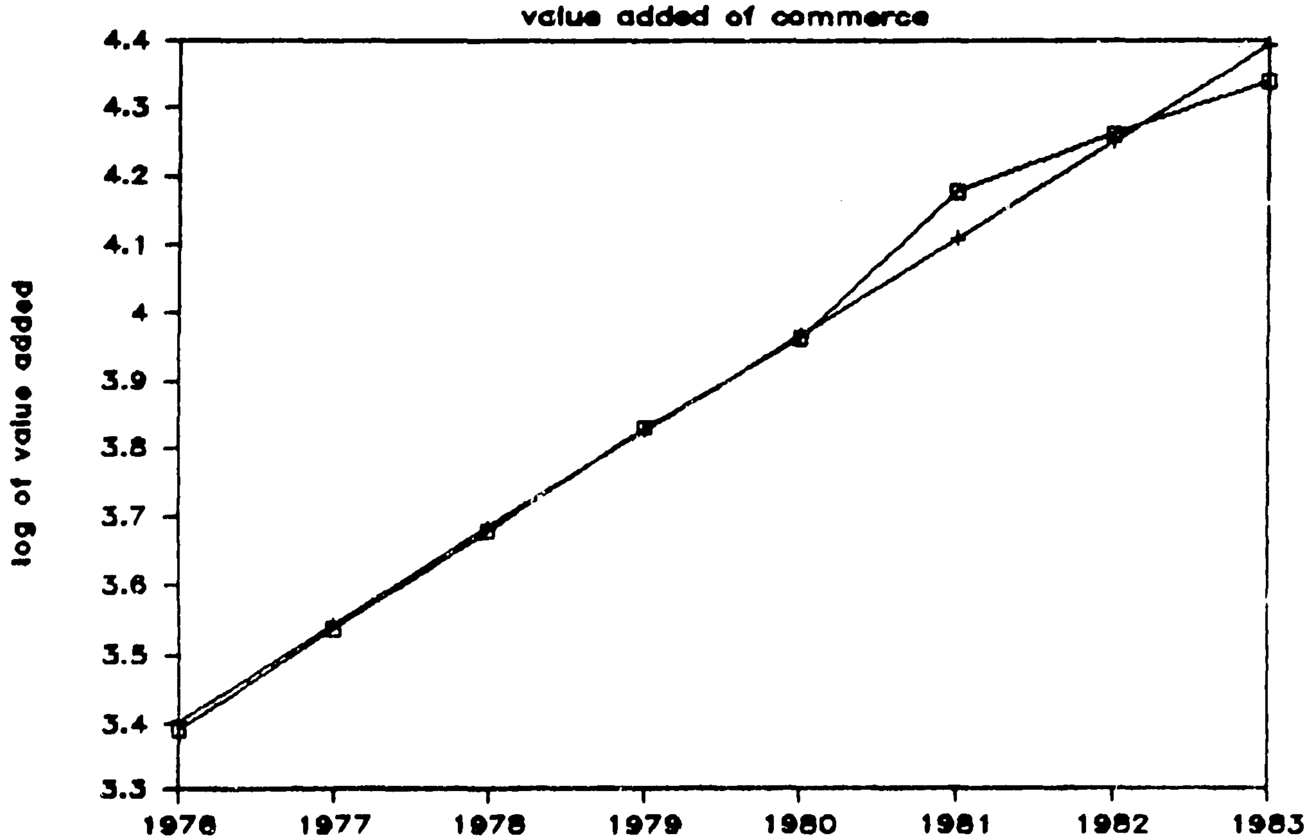
TREND AND ACTUAL VALUE:

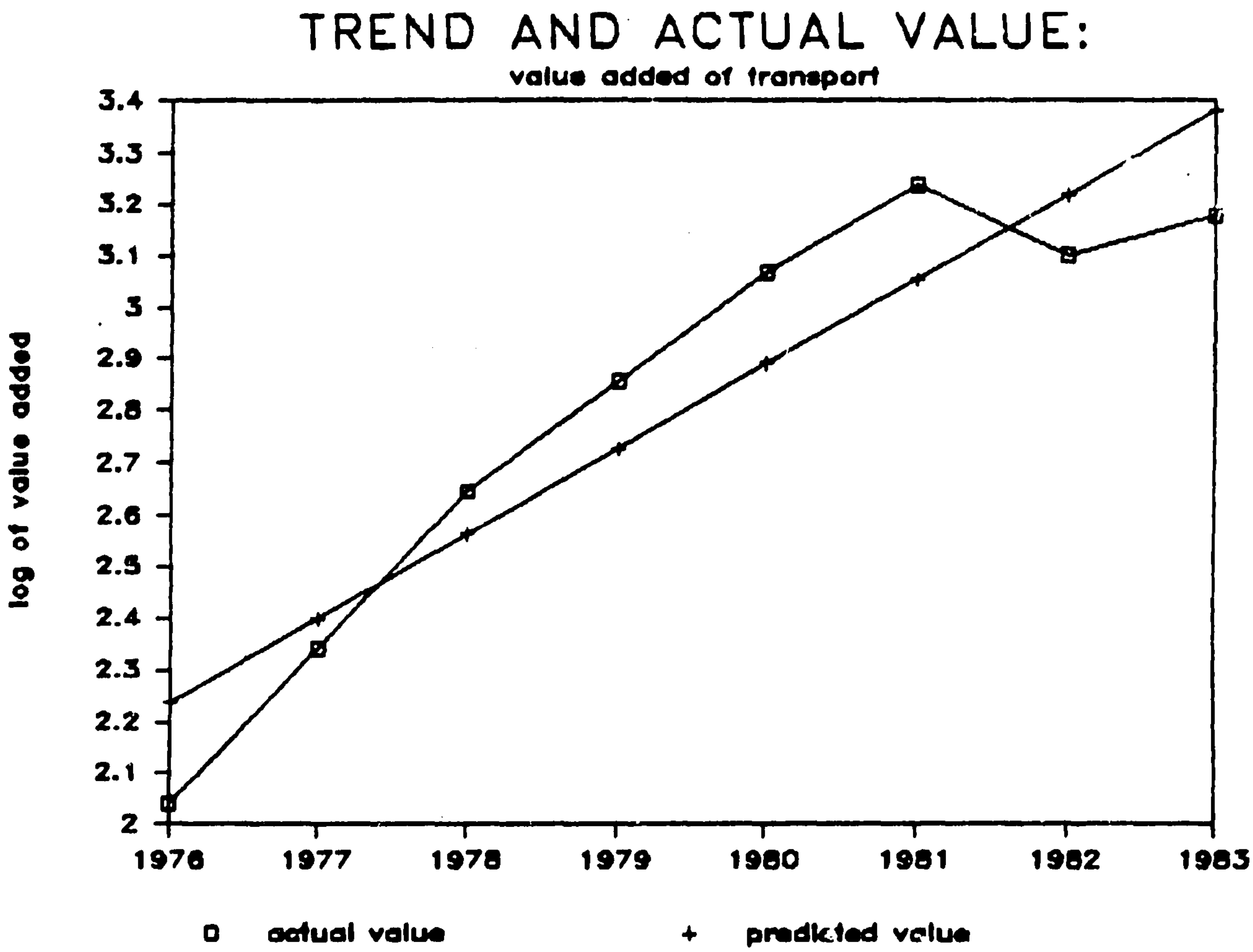
value added of tertiary sector

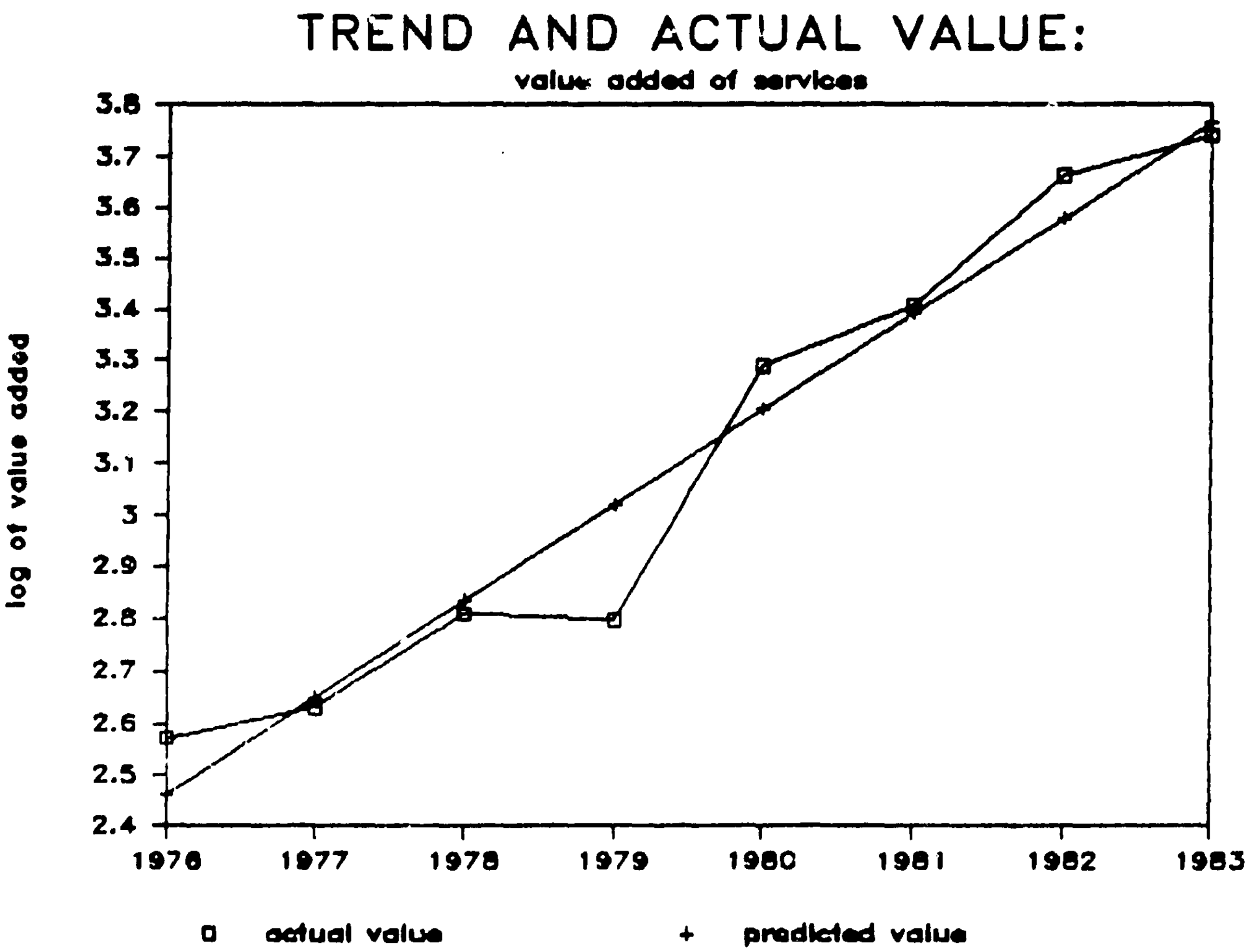


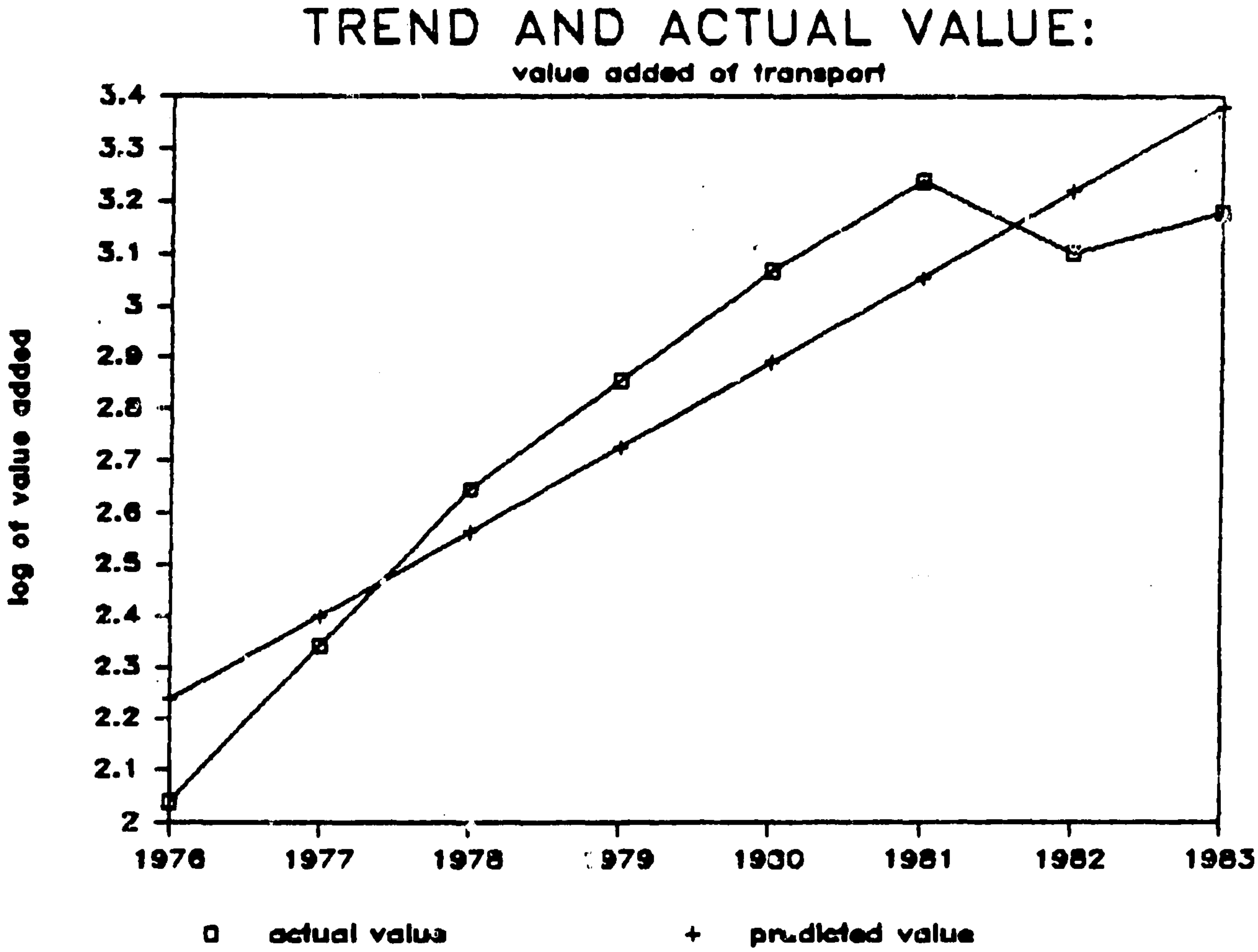
TREND AND ACTUAL VALUE:

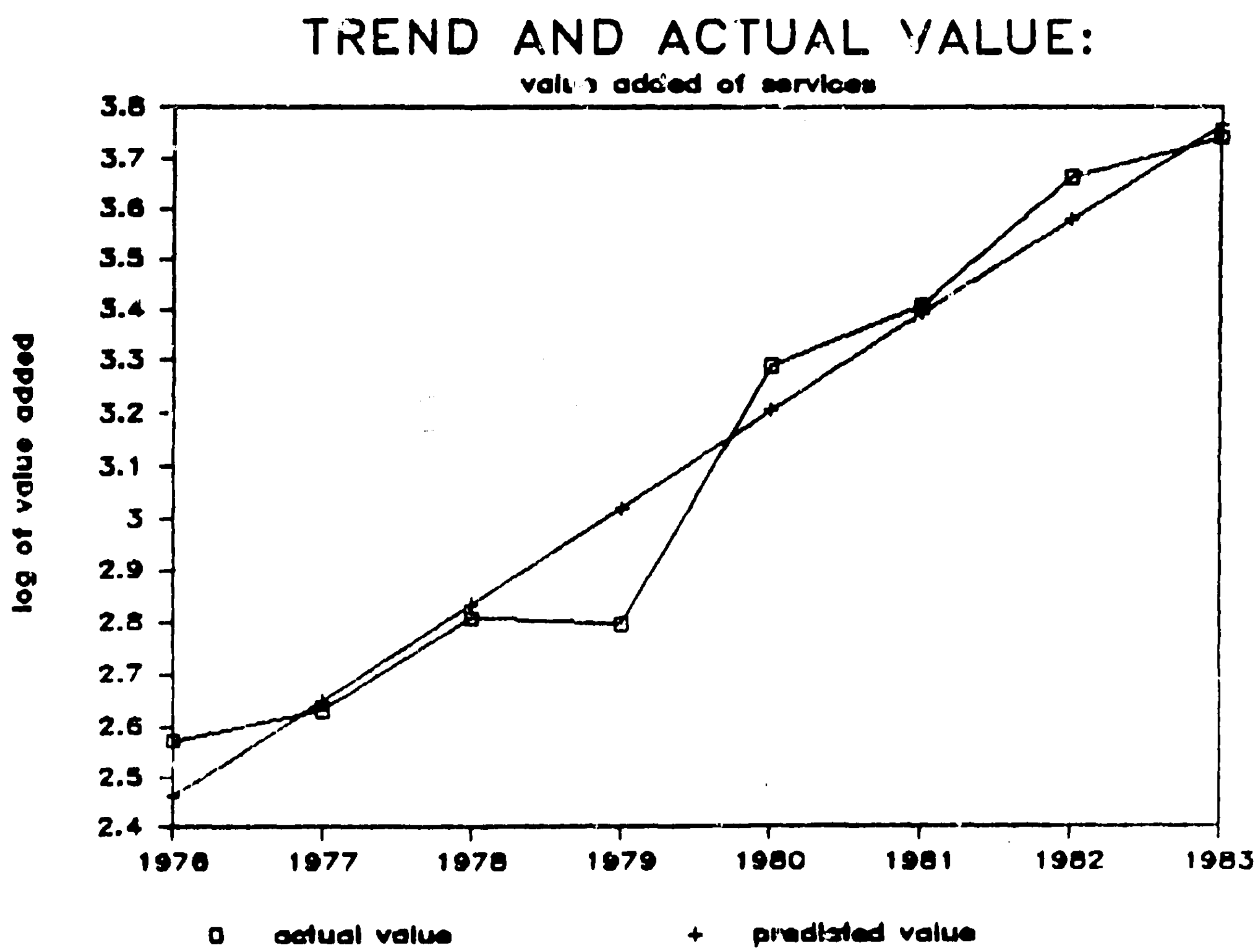
value added of commerce




TREND AND ACTUAL VALUE:
value added of transport
log of value added
3.4
3.3
3.2
3.1
3
2.9
2.8
2.7
2.6
2.5
2.4
2.3
2.2
2.1
2
1976
1977
1978
1979
1980
1981
1982
1983
actual value
predicted value


TREND AND ACTUAL VALUE:
value added of services
log of value added
3.8
3.7
3.6
3.5
3.4
3.3
3.2
3.1
3
2.9
2.8
2.7
2.6
2.5
2.4
1976
1977
1978
1979
1980
1981
1982
1983
actual value
predicted value


TREND AND ACTUAL VALUE:
value added of transport
log of value added
3.4
3.3
3.2
3.1
3
2.9
2.8
2.7
2.6
2.5
2.4
2.3
2.2
2.1
2
1976
1977
1978
1979
1980
1981
1982
1983
□ actual value
+ predicted value


TREND AND ACTUAL VALUE:
value added of services
log of value added
3.8
3.7
3.6
3.5
3.4
3.3
3.2
3.1
3
2.9
2.8
2.7
2.6
2.5
2.4
1976
1977
1978
1979
1980
1981
1982
1983
□ actual value
+ predicted value

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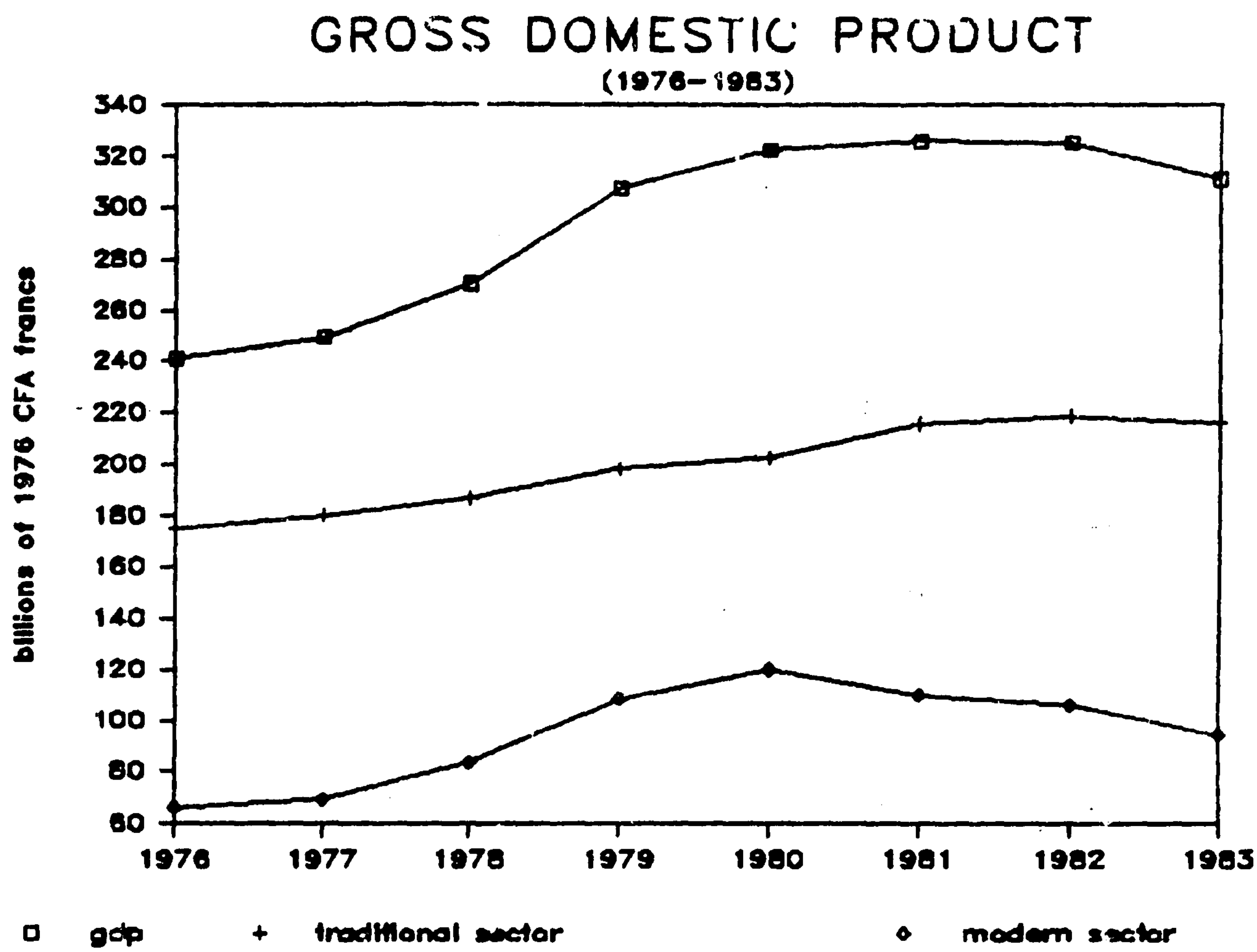
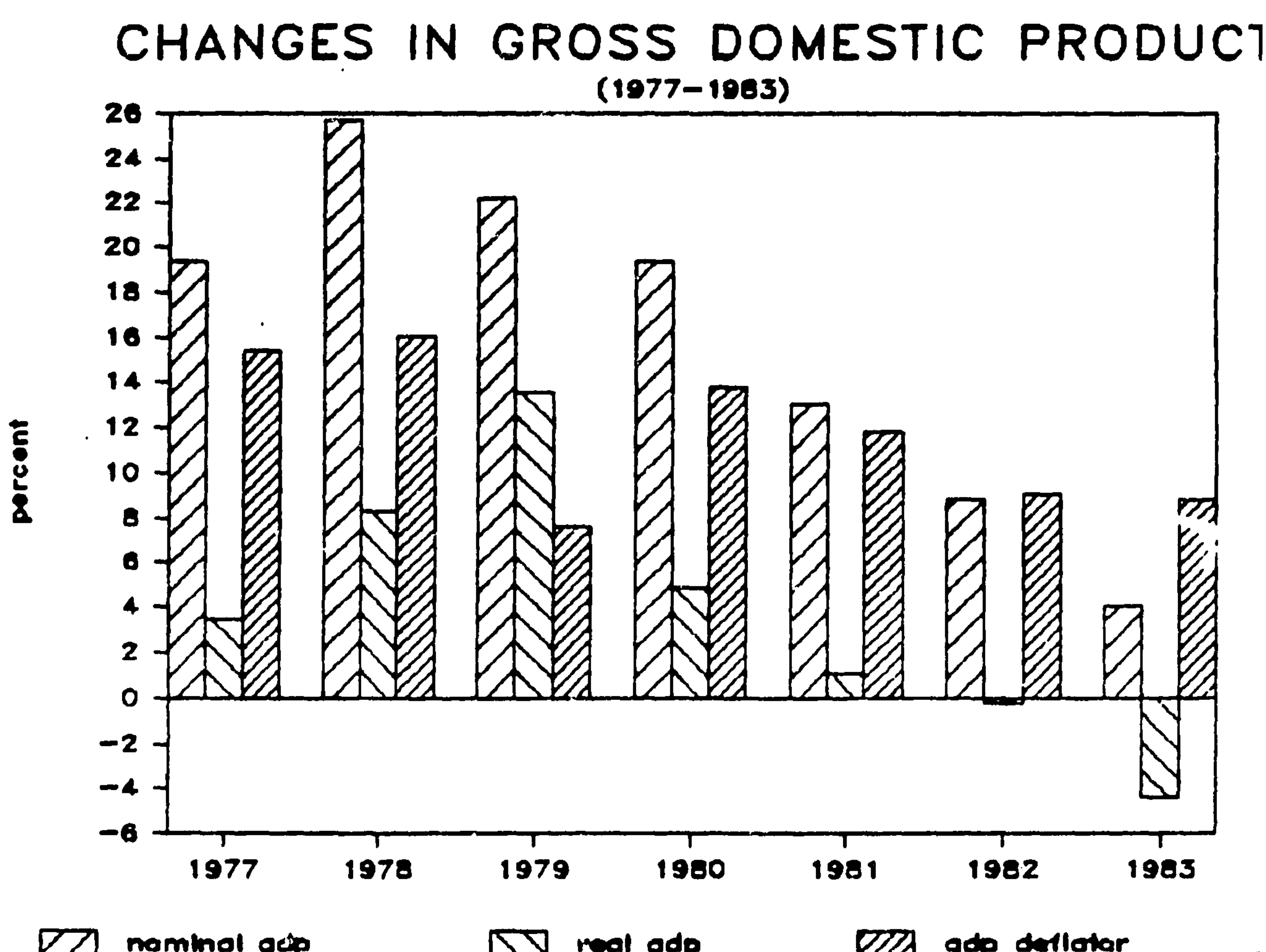
STATISTICAL APPENDIX

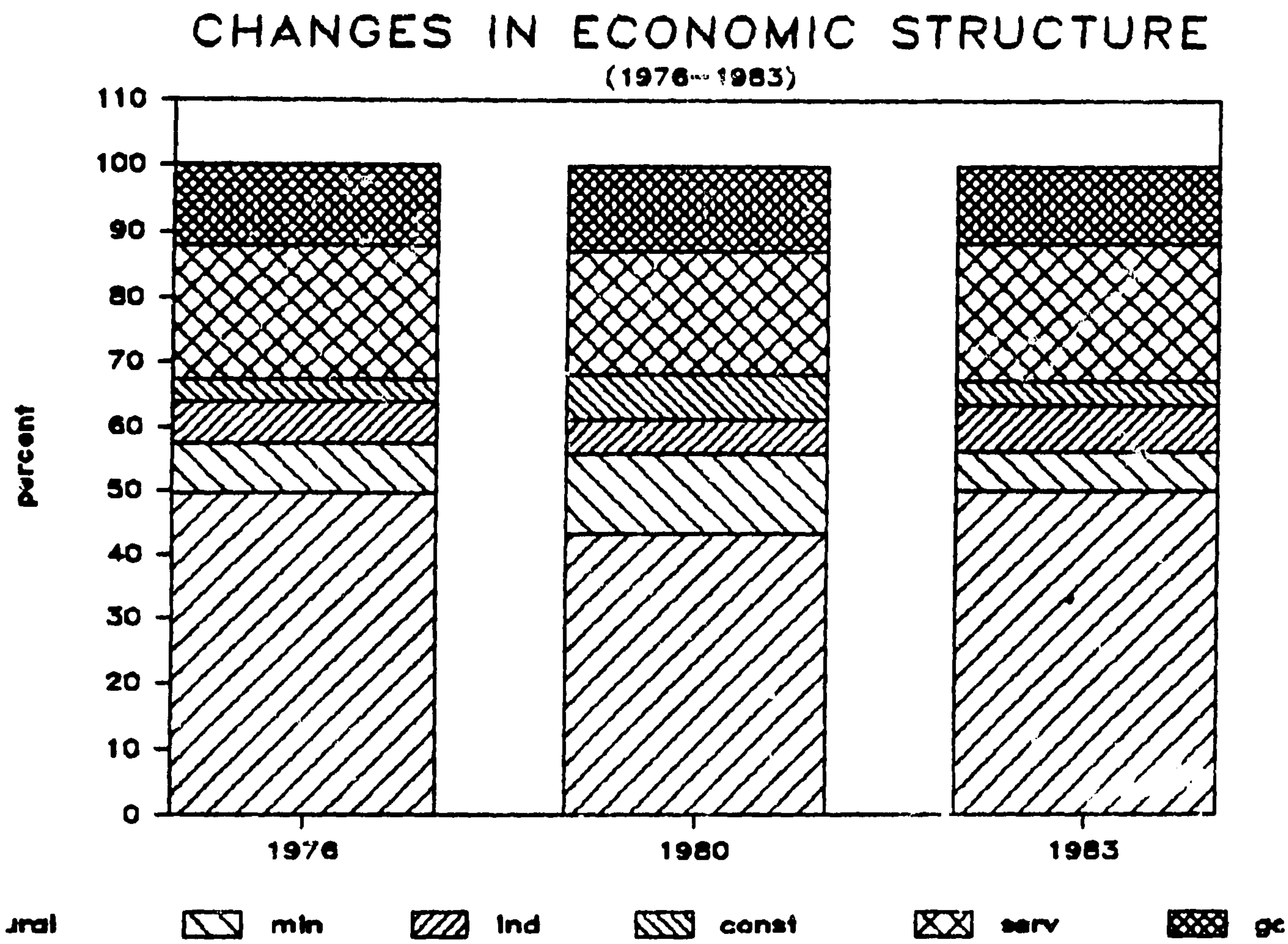


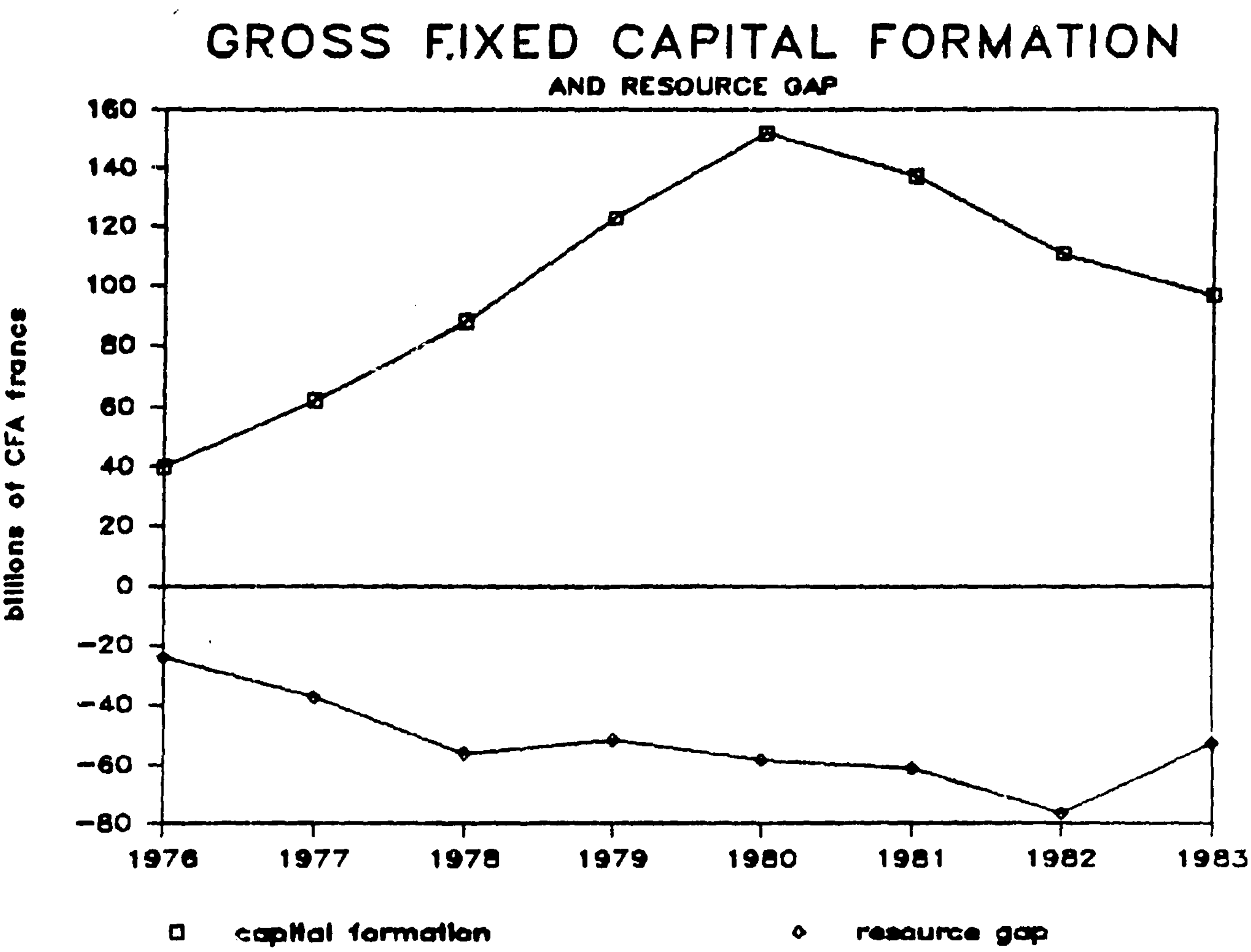
GROSS DOMESTIC PRODUCT
(1976-1983)
billions of 1976 CFA francs
340
320
300
280
260
240
220
200
180
160
140
120
100
80
60
1976
1977
1978
1979
1980
1981
1982
1983
gdp
traditional sector
modern sector



CHANGES IN GROSS DOMESTIC PRODUCT
(1977-1983)
percent
26
24
22
20
18
16
14
12
10
8
6
4
2
0
-2
-4
-6
1977
1978
1979
1980
1981
1982
1983
nominal gdp
real gdp
gdp deflator

194

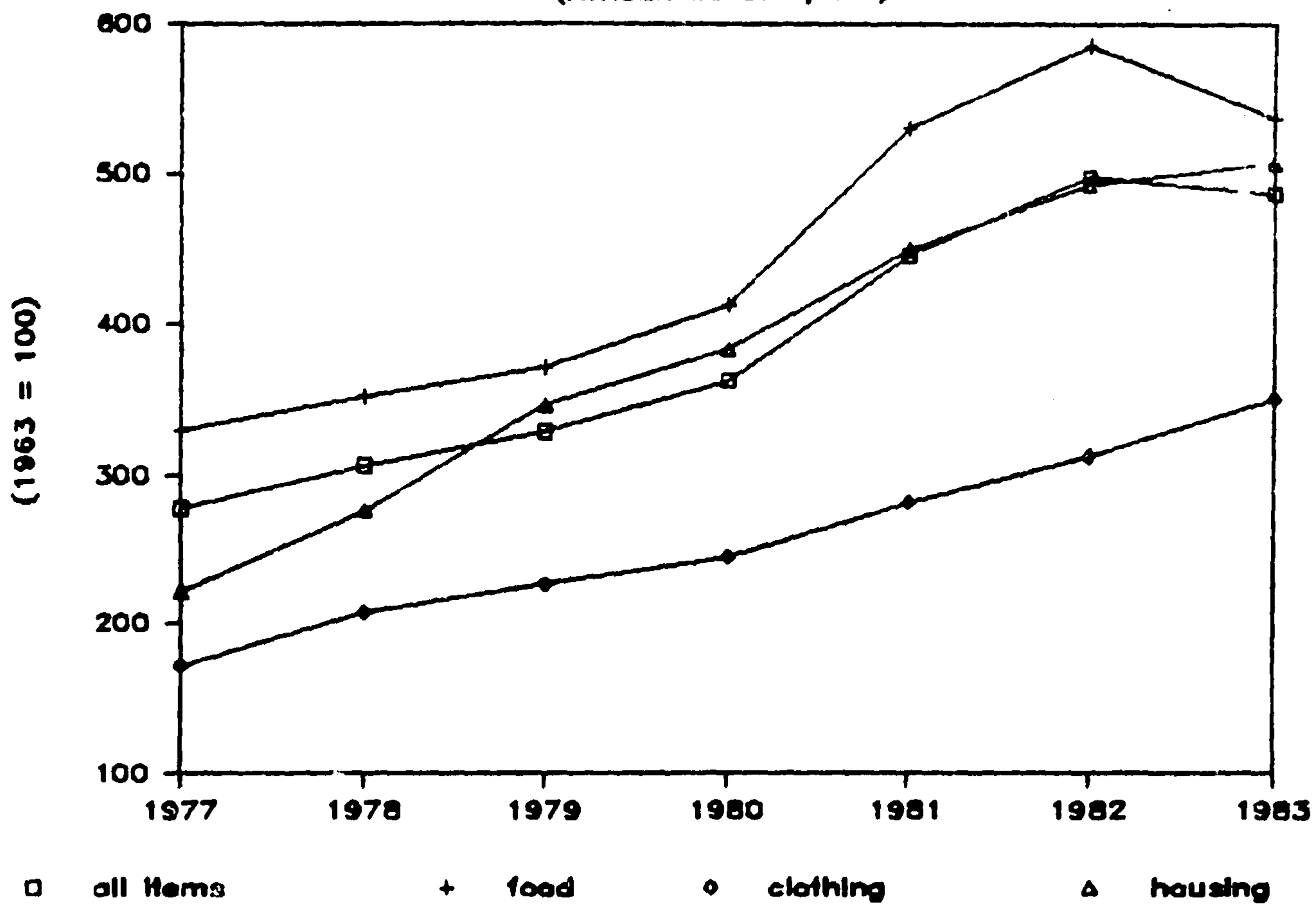

CHANGES IN ECONOMIC STRUCTURE
(1976-1983)
percent
110
100
90
80
70
60
50
40
30
20
10
0
1976
1980
1983
ural
min
ind
const
serv
gc


GROSS FIXED CAPITAL FORMATION
AND RESOURCE GAP
billions of CFA francs
160
140
120
100
80
60
40
20
0
-20
-40
-60
-80
1976
1977
1978
1979
1980
1981
1982
1983
capital formation
resource gap

195

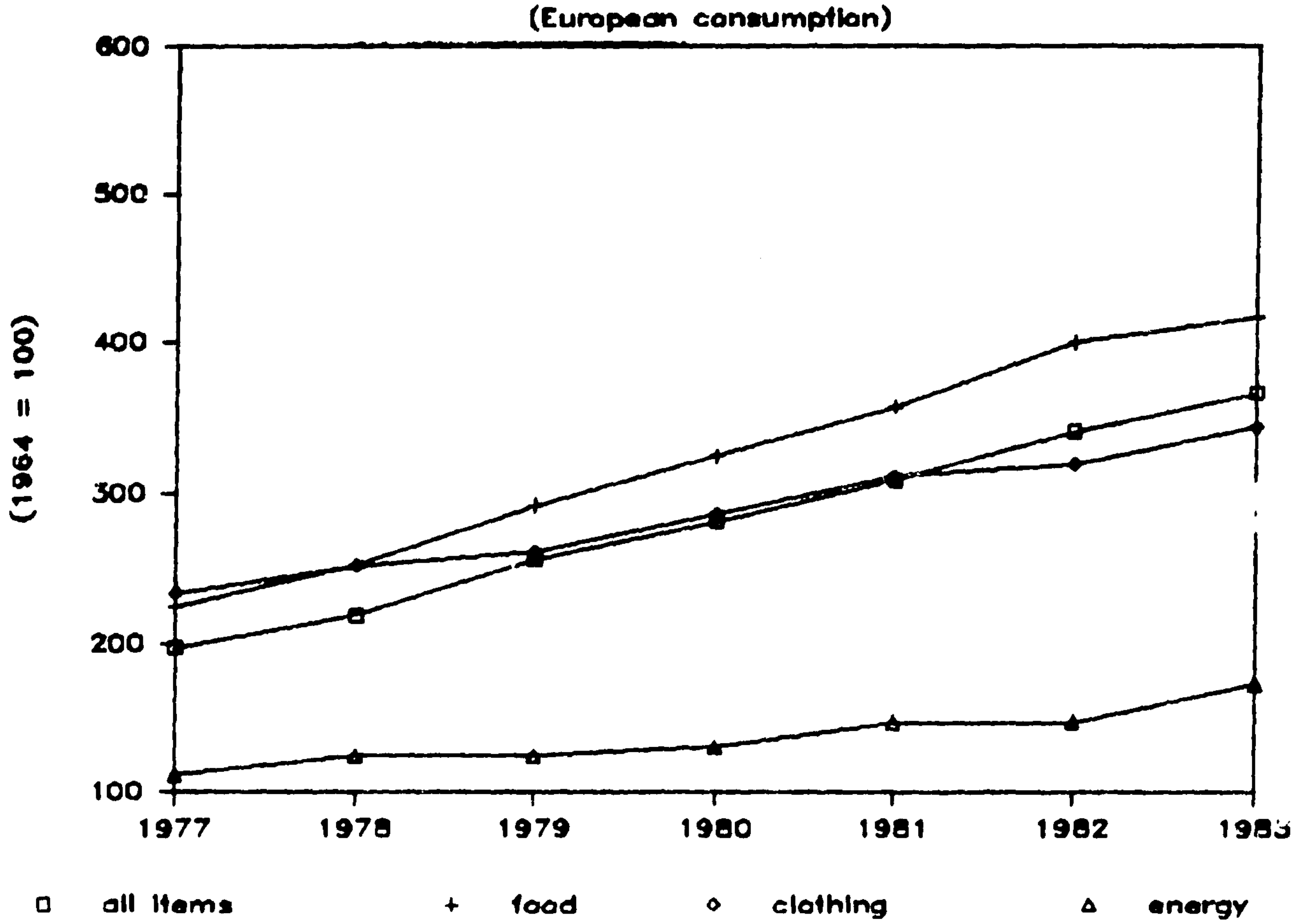
CONSUMER PRICE INDICES IN NIAMEY

(African consumption)



CONSUMER PRICE INDICES IN NIAMEY

(European consumption)



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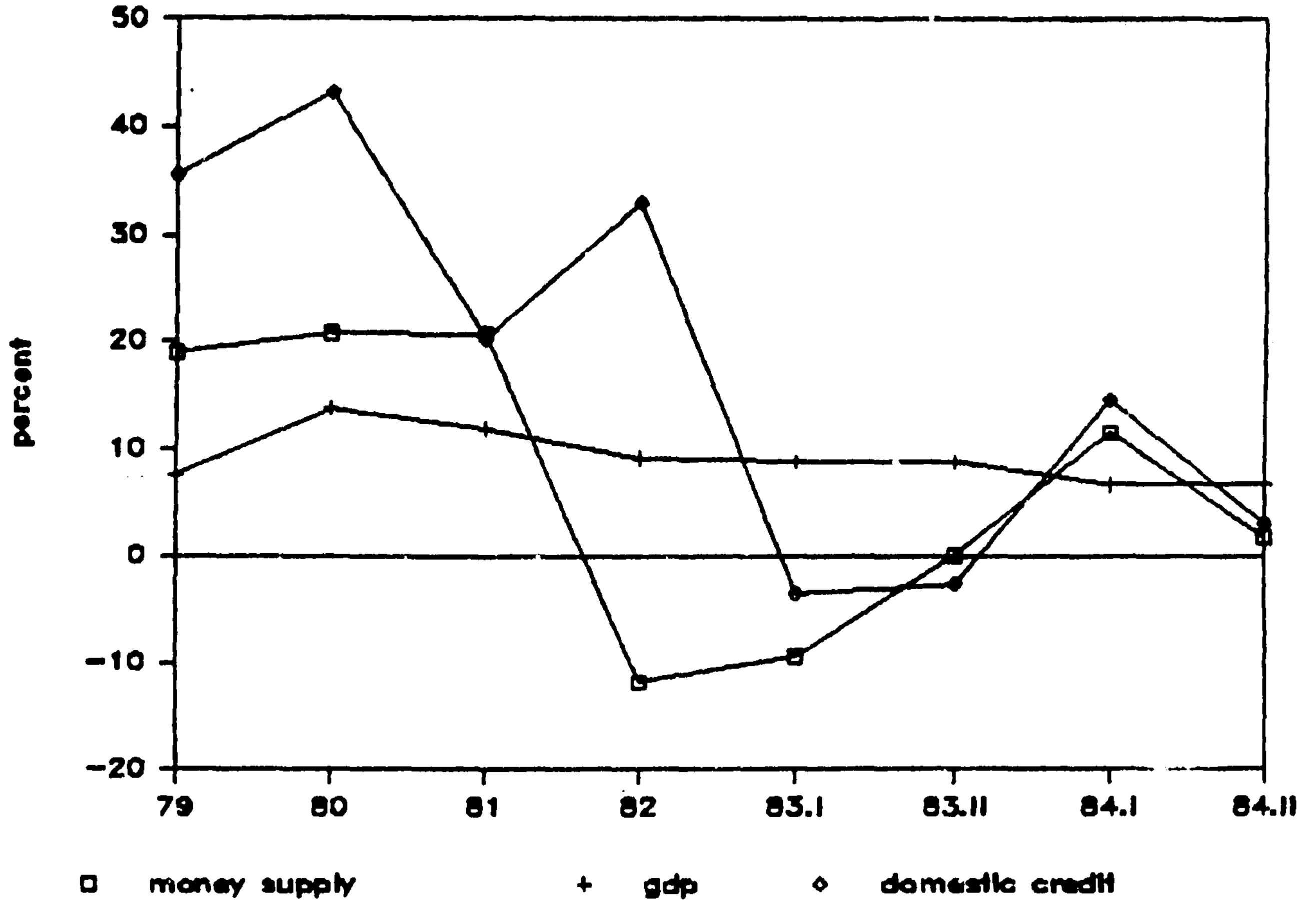
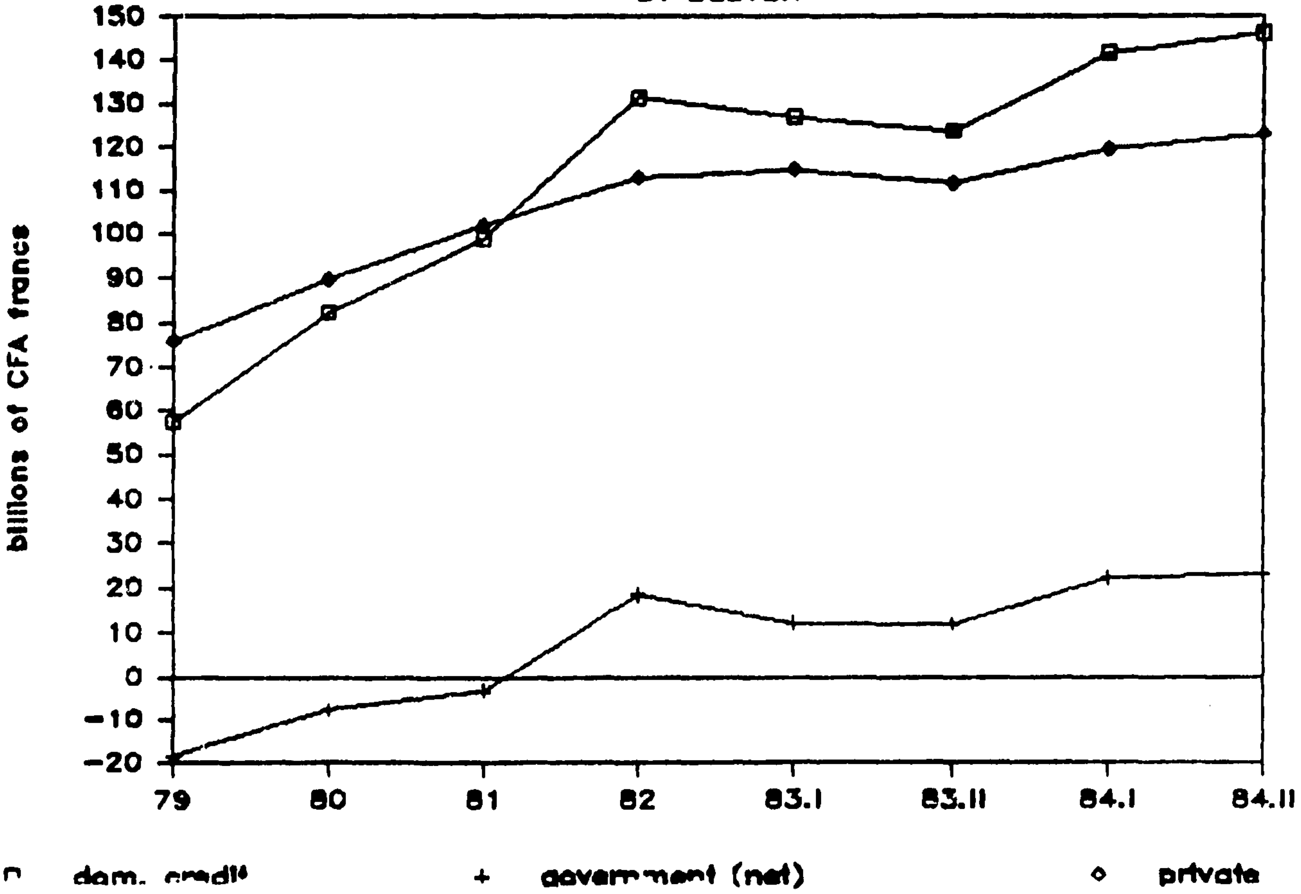
CHANAGES IN MONEY SUPPLY AND GDP



DISTRIBUTION OF DOMESTIC CREDIT

BY DEBTOR



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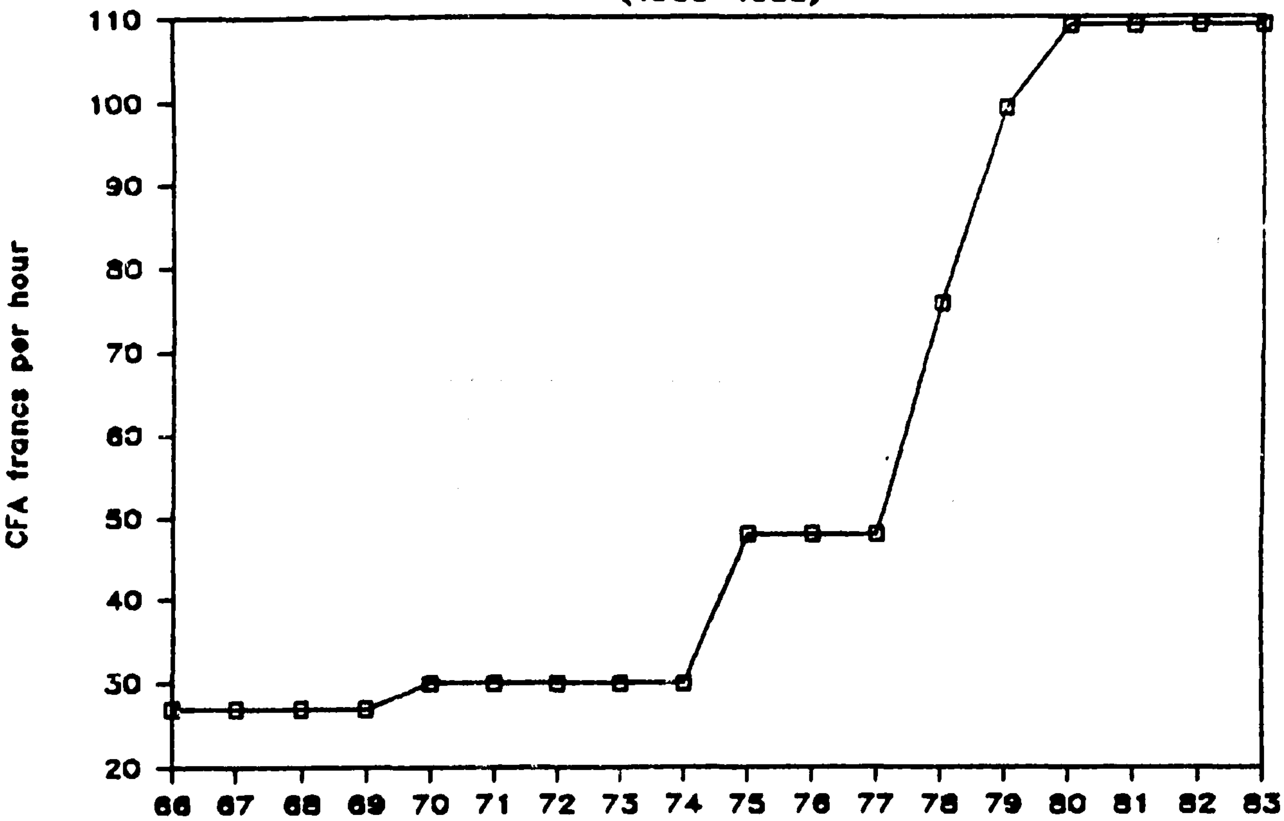
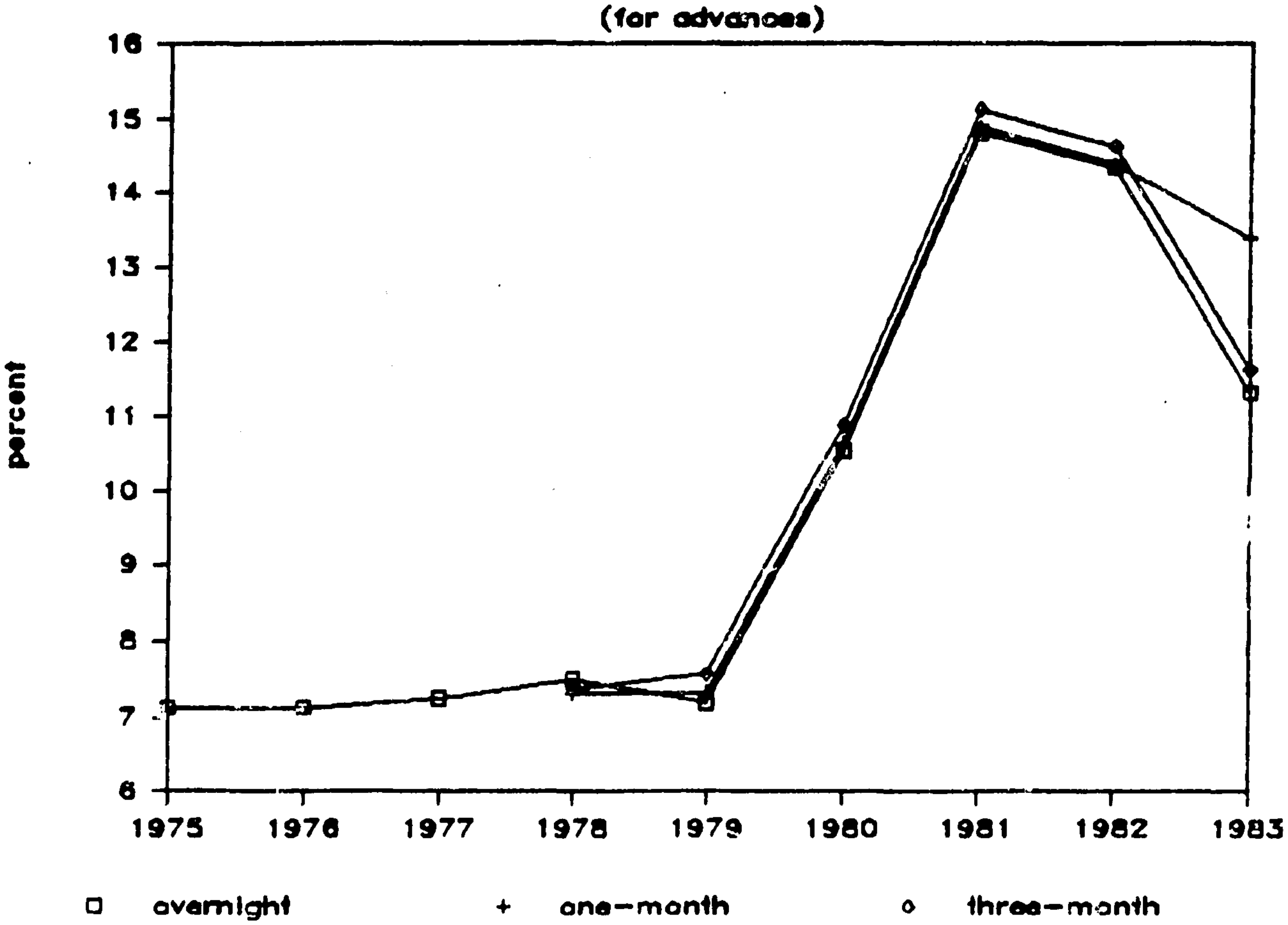
MINIMUM WAGES

(1966–1983)



INTEREST RATES: UMOA'S MONEY MARKET

(for advances)



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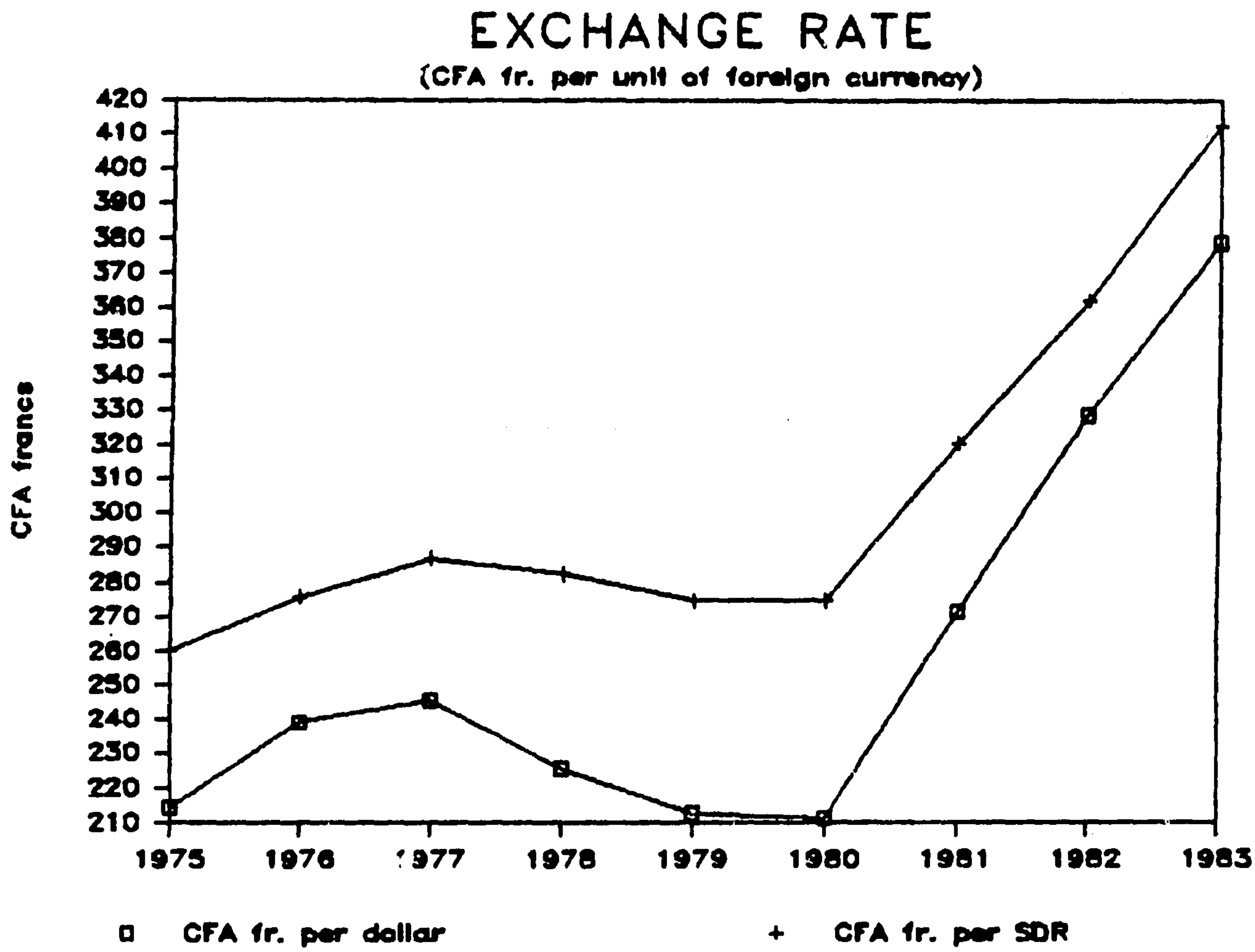
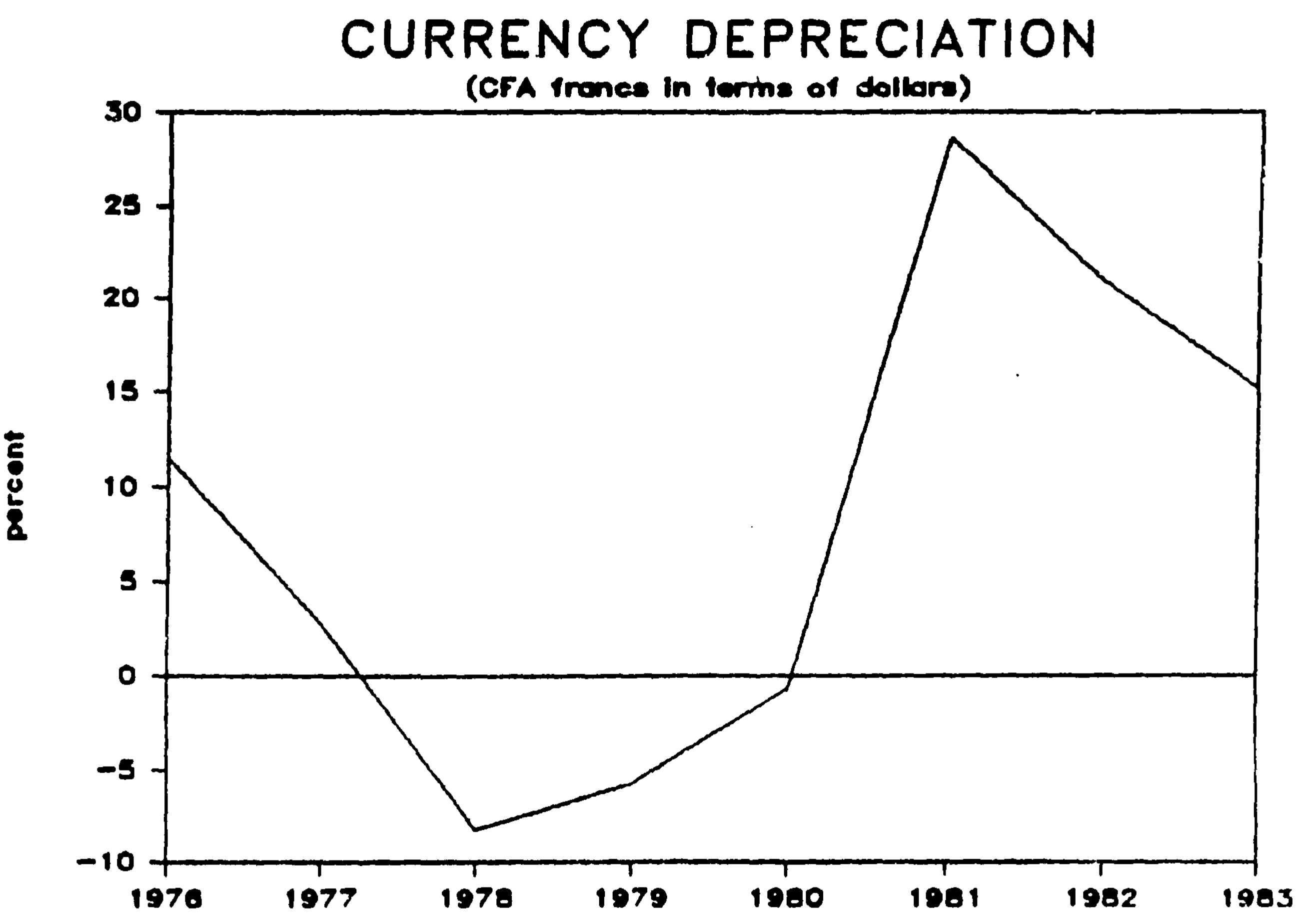
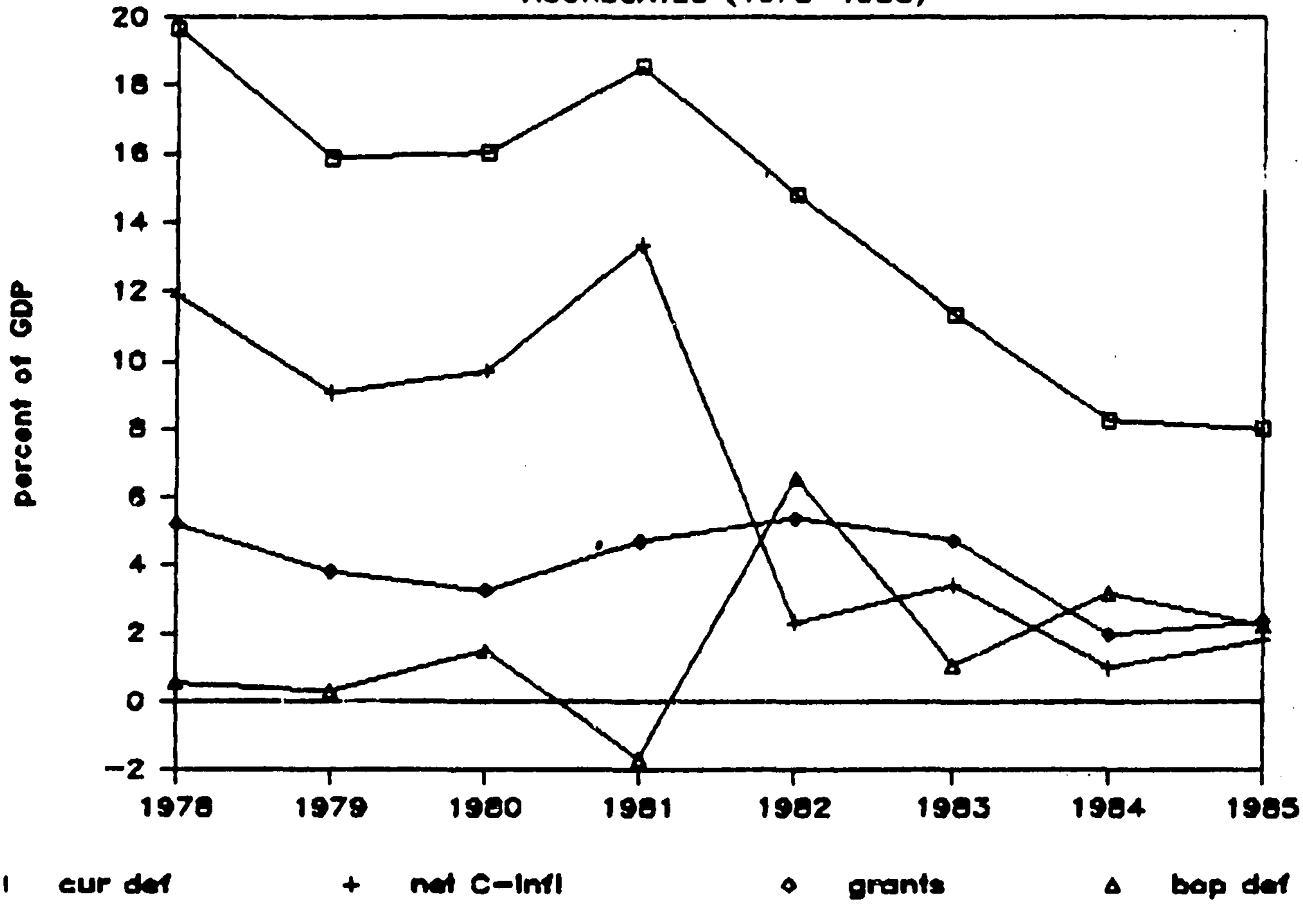

EXCHANGE RATE
(CFA fr. per unit of foreign currency)
CFA francs
420
410
400
390
380
370
360
350
340
330
320
310
300
290
280
270
260
250
240
230
220
210
1975
1976
1977
1978
1979
1980
1981
1982
1983
CFA fr. per dollar
CFA fr. per SDR


CURRENCY DEPRECIATION
(CFA francs in terms of dollars)
percent
30
25
20
15
10
5
0
-5
-10
1976
1977
1978
1979
1980
1981
1982
1983

199

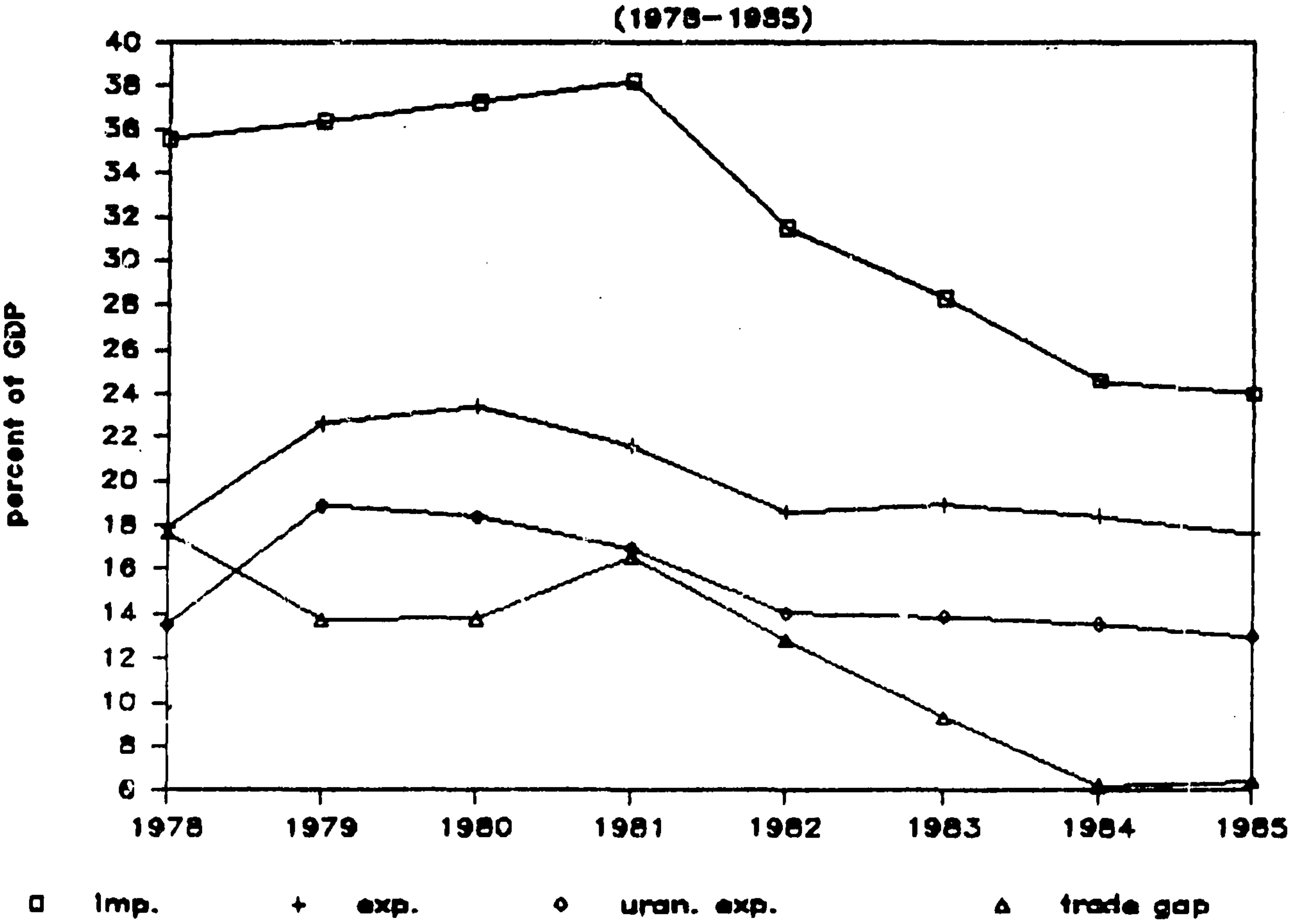
INDICATORS BALANCE OF PAYMENTS

AGGREGATES (1978–1985)



INDICATORS OF EXTERNAL TRADE

(1978–1985)



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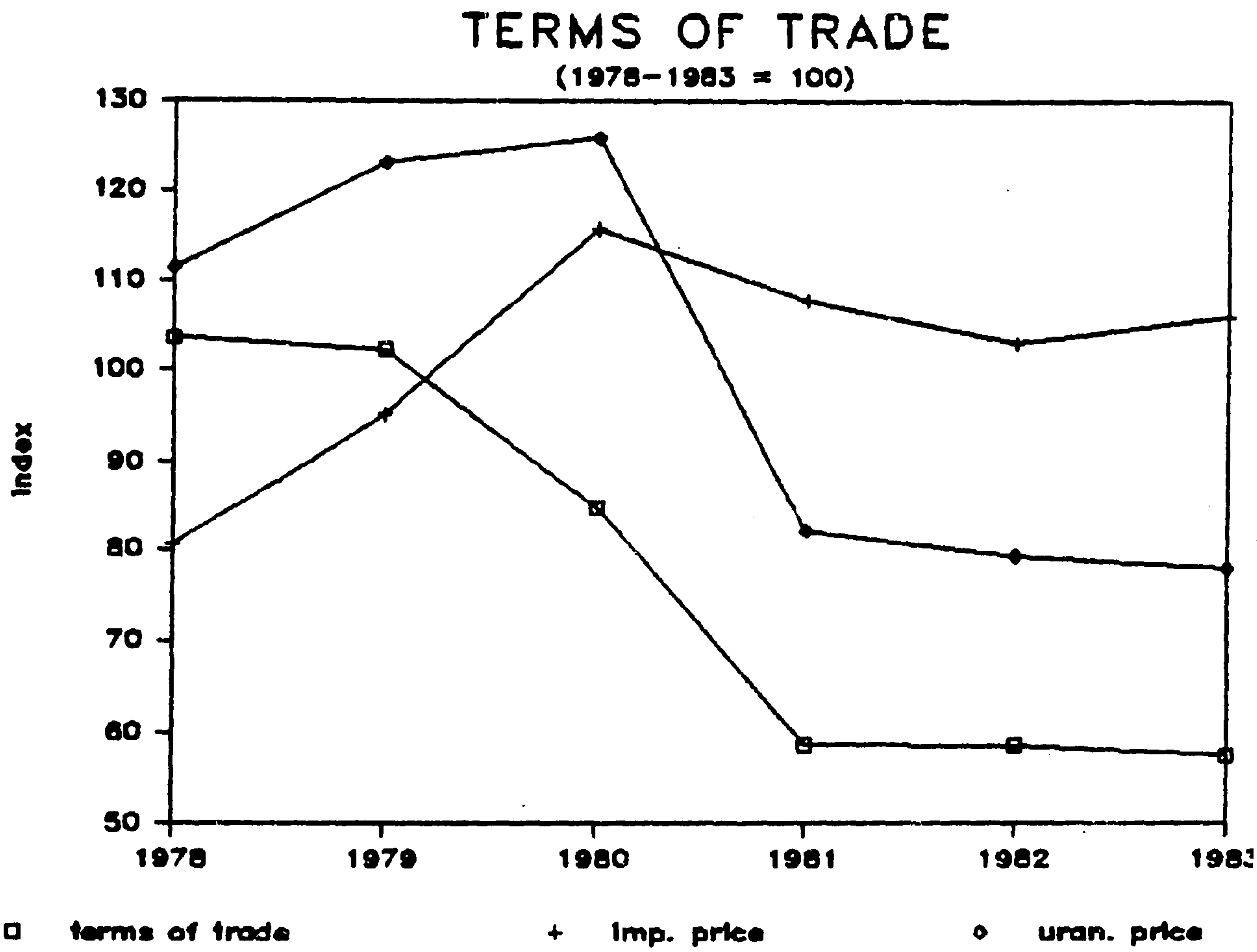
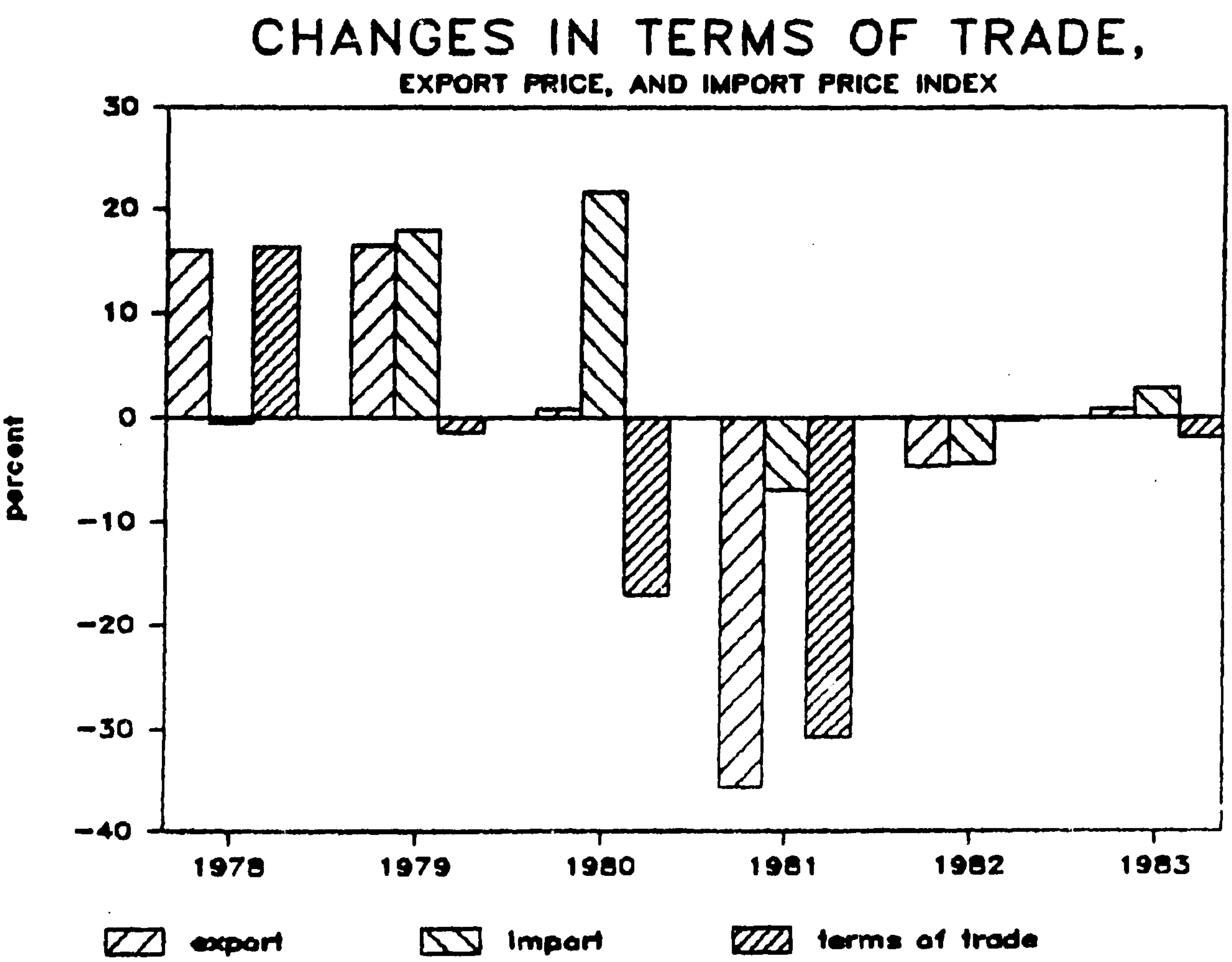
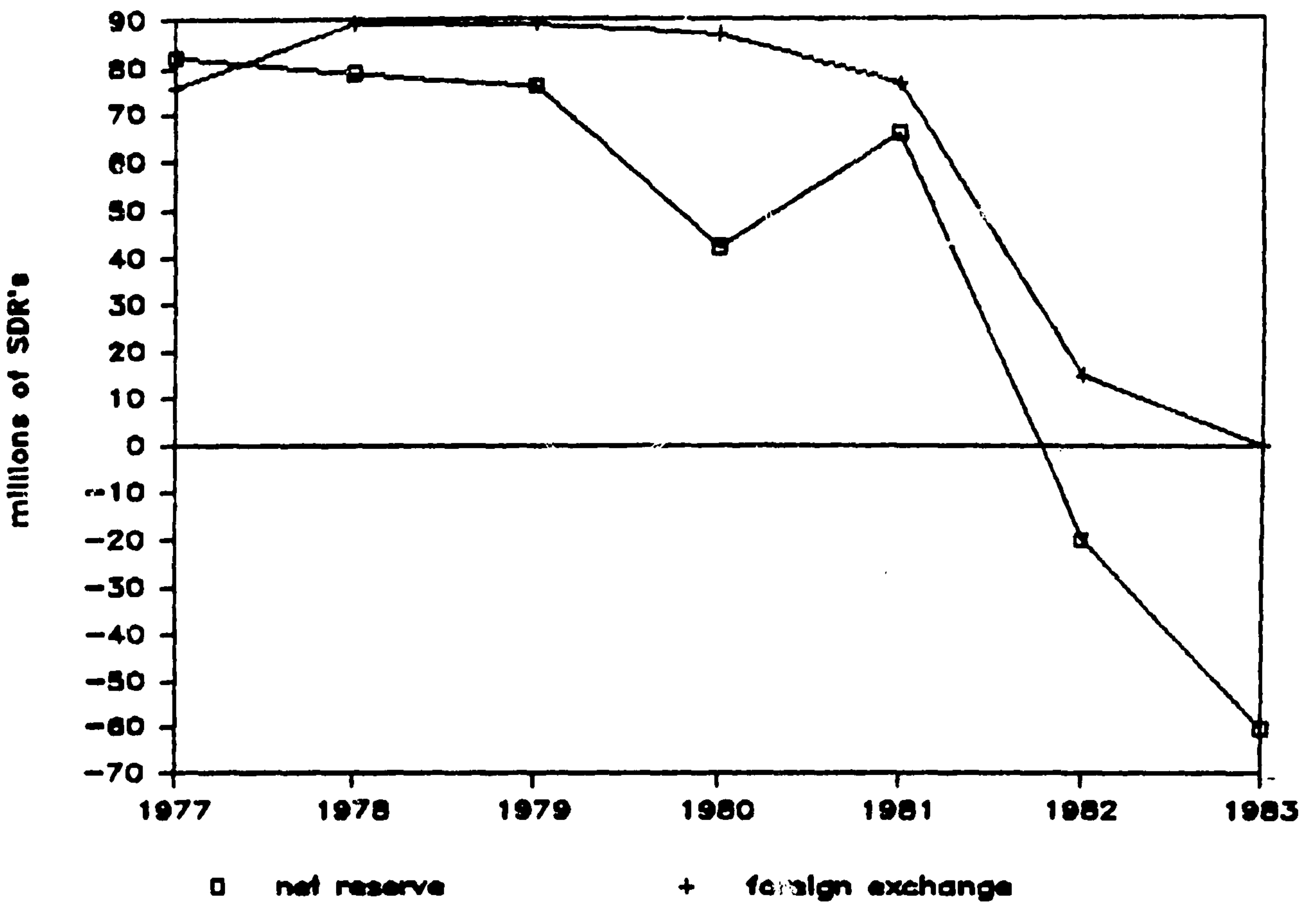
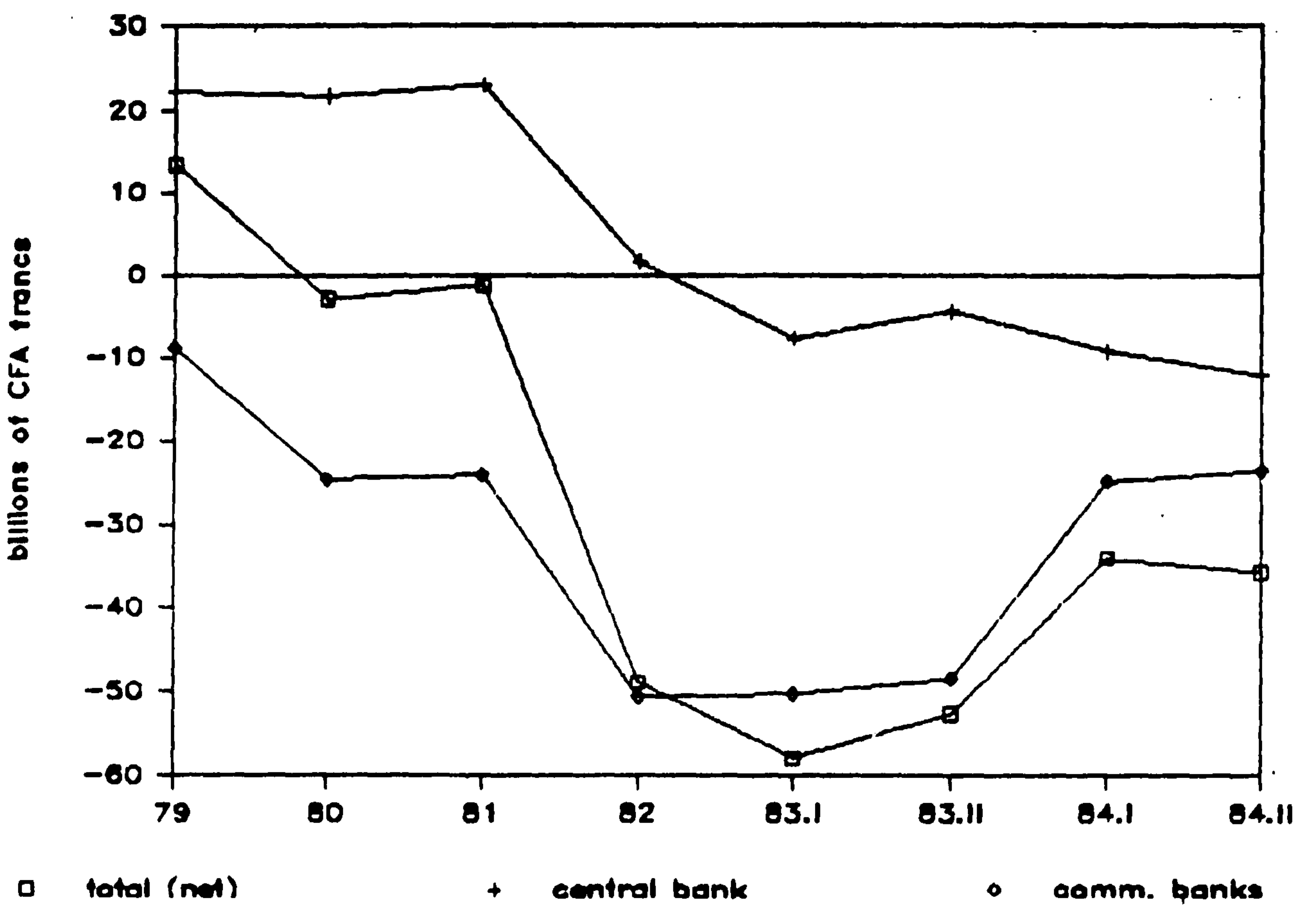

TERMS OF TRADE
(1978-1983 = 100)
Index
130
120
110
100
90
80
70
60
50
1978
1979
1980
1981
1982
1983
terms of trade
imp. price
uran. price

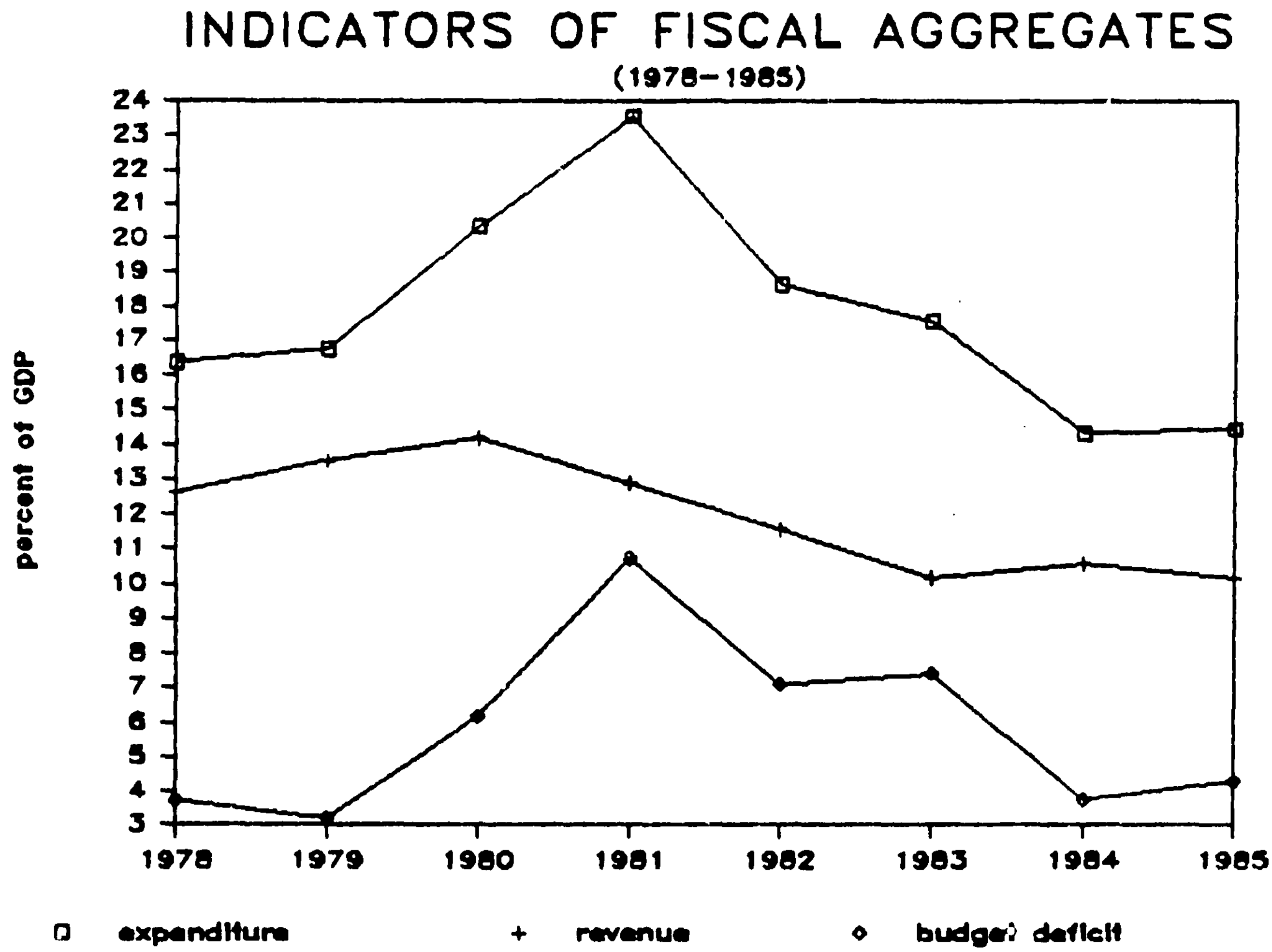

CHANGES IN TERMS OF TRADE,
EXPORT PRICE, AND IMPORT PRICE INDEX
percent
30
20
10
0
-10
-20
-30
-40
1978
1979
1980
1981
1982
1983
export
import
terms of trade

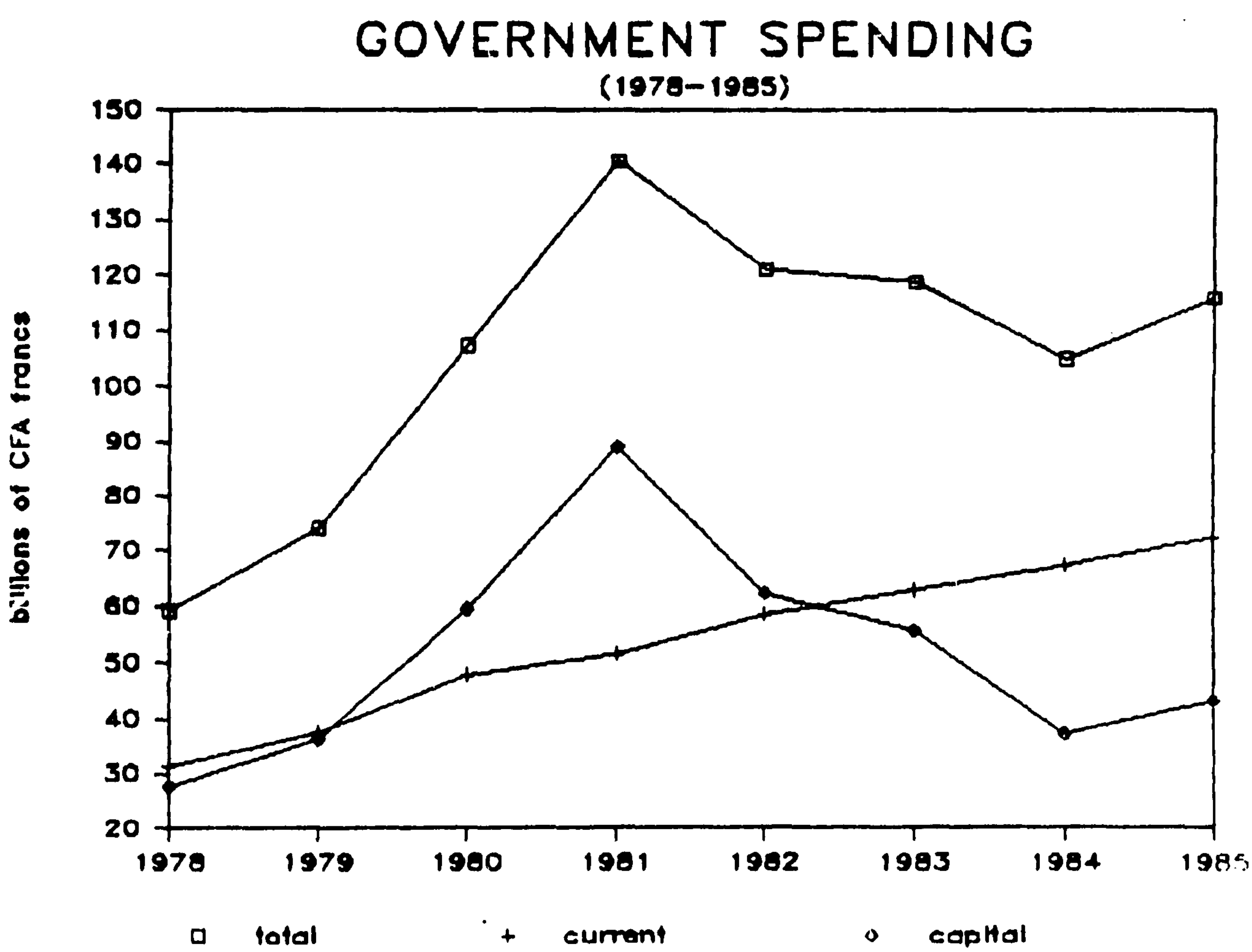
INTERNATIONAL RESERVE POSITION



NET FOREIGN ASSETS



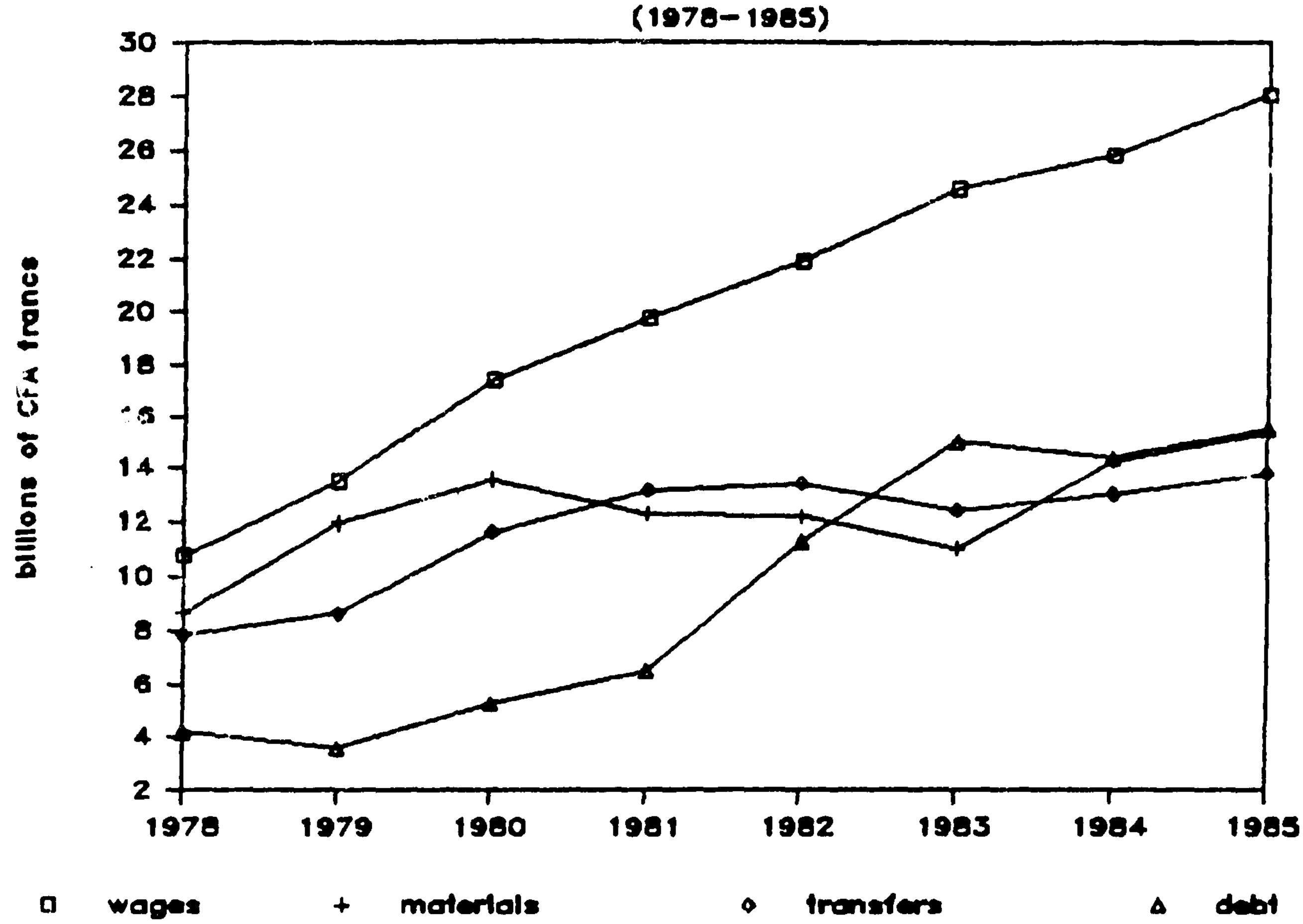

INDICATORS OF FISCAL AGGREGATES
(1978-1985)
percent of GDP
24
23
22
21
20
19
18
17
16
15
14
13
12
11
10
9
8
7
6
5
4
3
1978
1979
1980
1981
1982
1983
1984
1985
expenditure
revenue
budget deficit


GOVERNMENT SPENDING
(1978-1985)
billions of CFA francs
150
140
130
120
110
100
90
80
70
60
50
40
30
20
1978
1979
1980
1981
1982
1983
1984
1985
total
current
capital

203

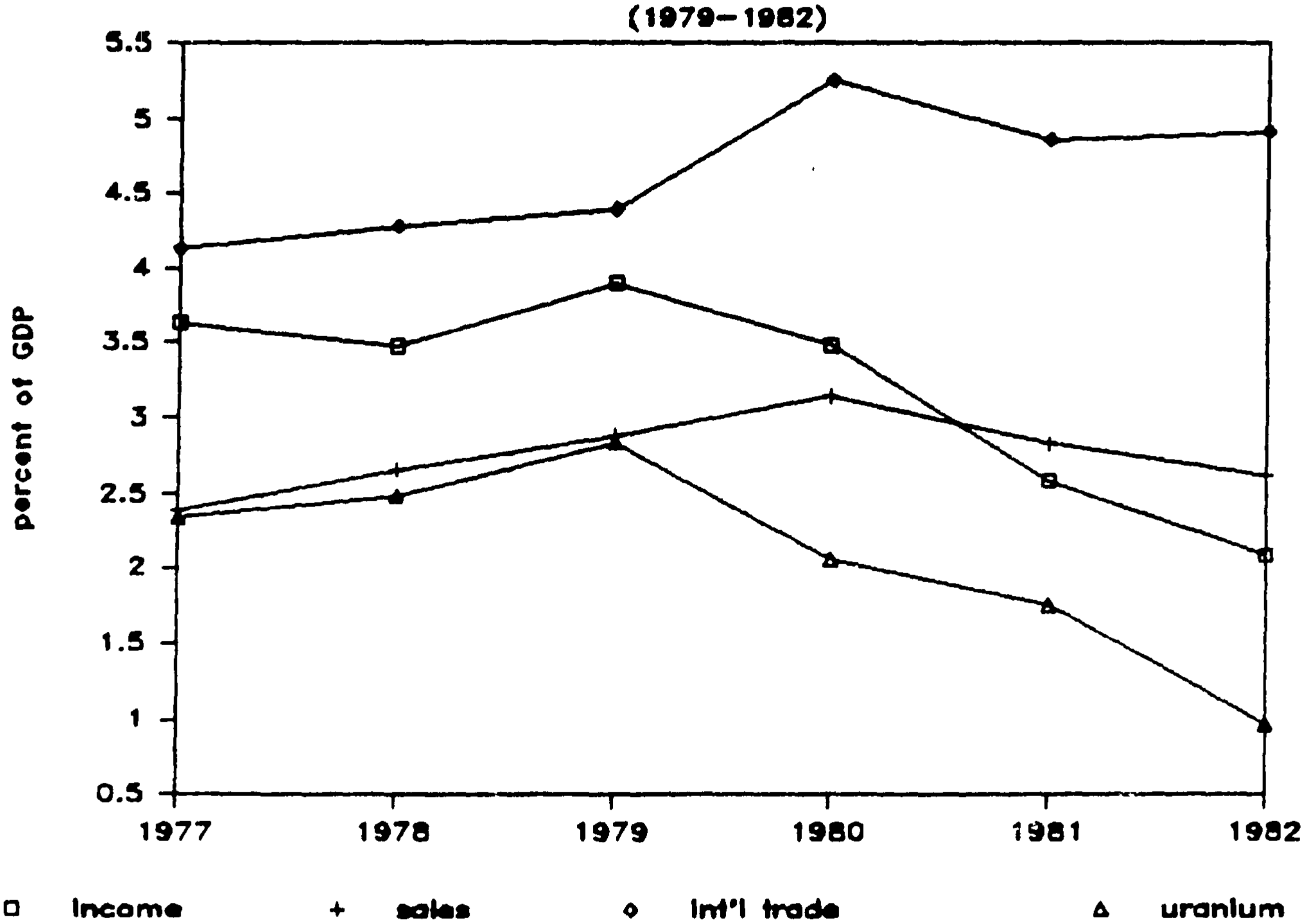
GOVERNMENT EXPENDITURE TREND

(1978–1985)



GOVERNMENT TAX REVENUE TREND

(1979–1982)



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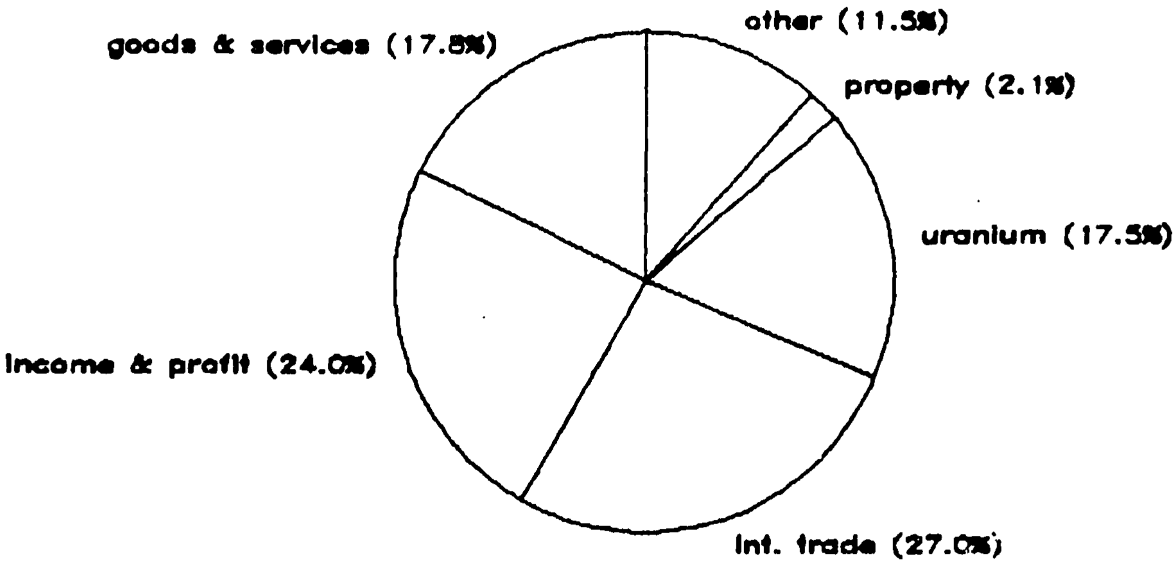
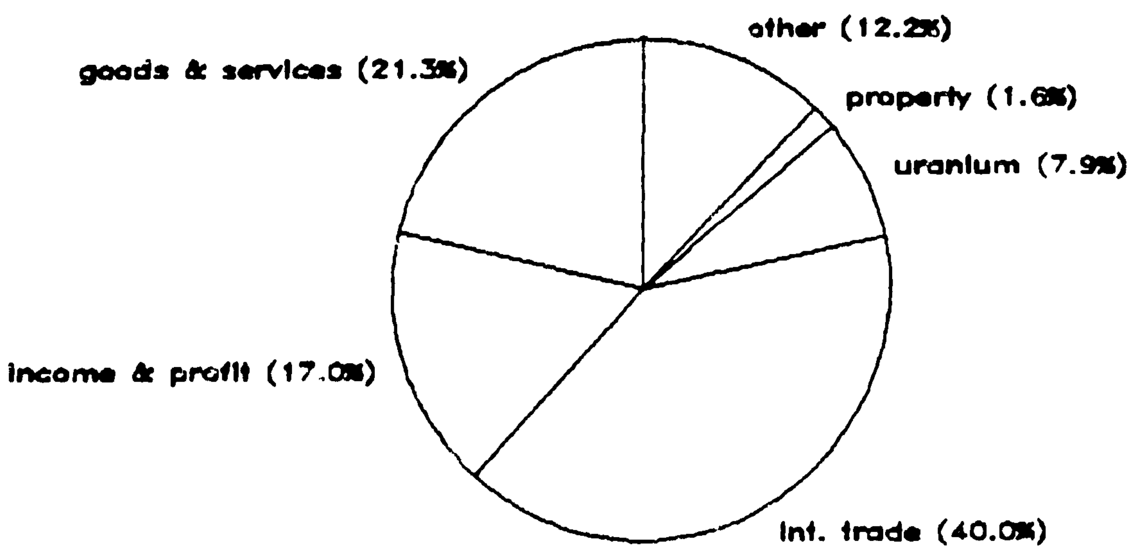
COMPOSITION OF GOVERNMENT REVENUE
(FY-1979)



COMPOSITION OF GOVERNMENT REVENUE
(FY-1982)



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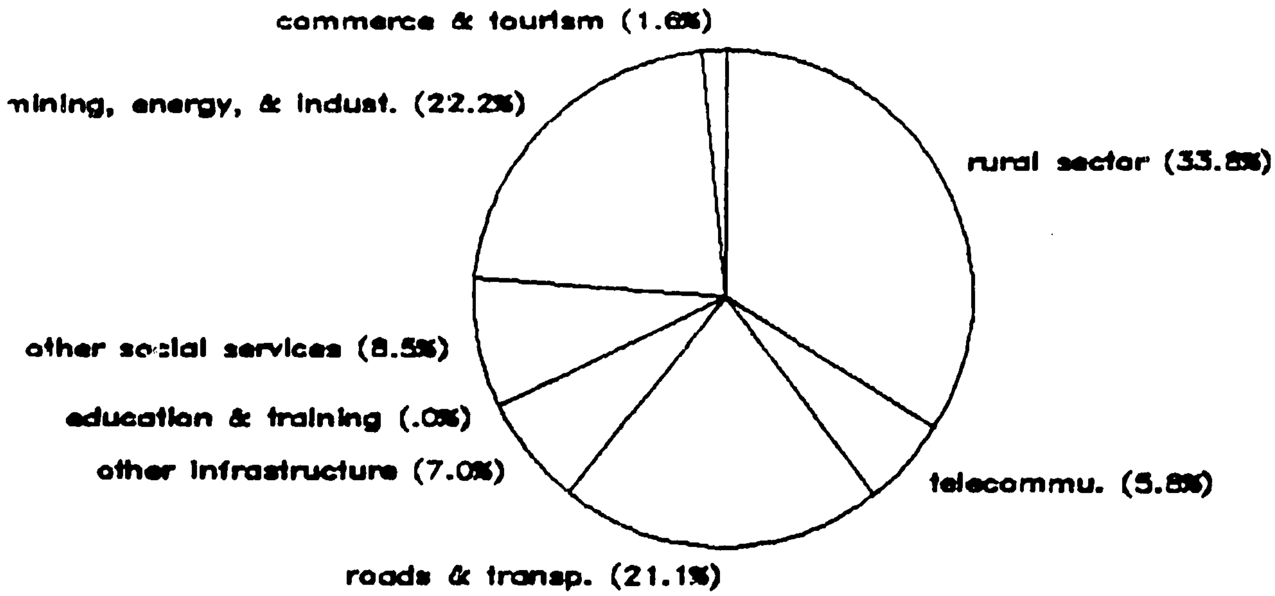
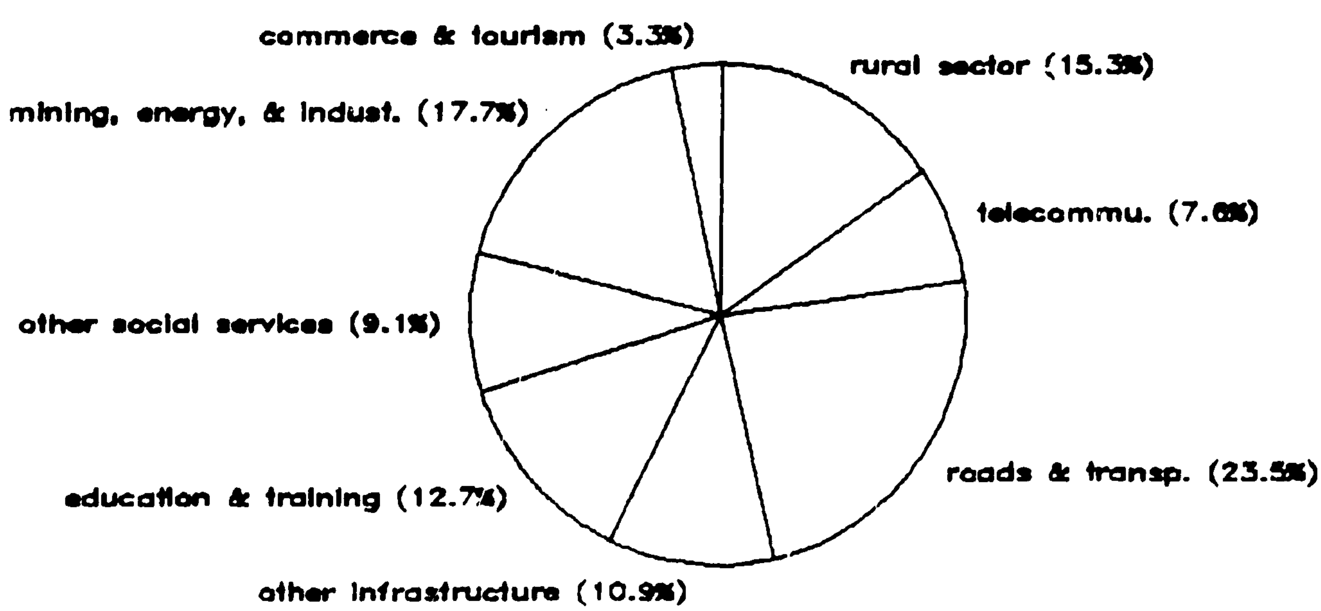
PLANNED PUBLIC INVESTMENT ALLOCATION

IN INTERIM PLAN (1984–1985)



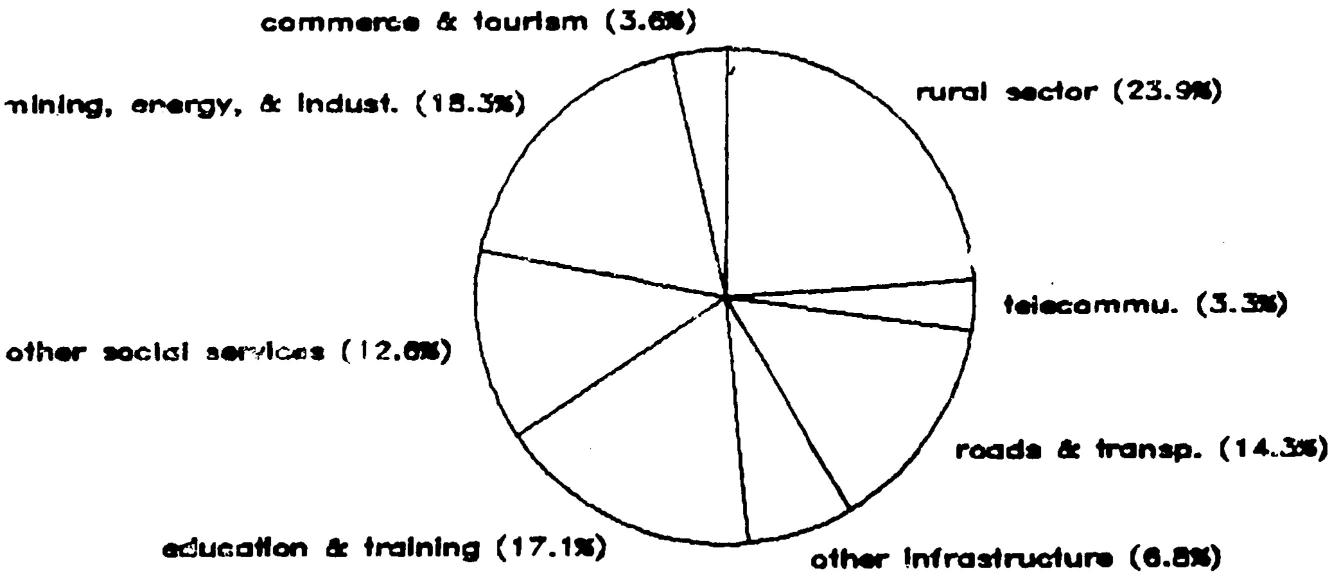
ACTUAL PUBLIC INVESTMENT SPENDING

DURING 1979–1983



PLANNED PUBLIC INVESTMENT

IN THE FIVE-YEAR PLAN (1979-83)



PLANNED AND ACTUAL SPENDING

DURING 1979-1983 PLAN

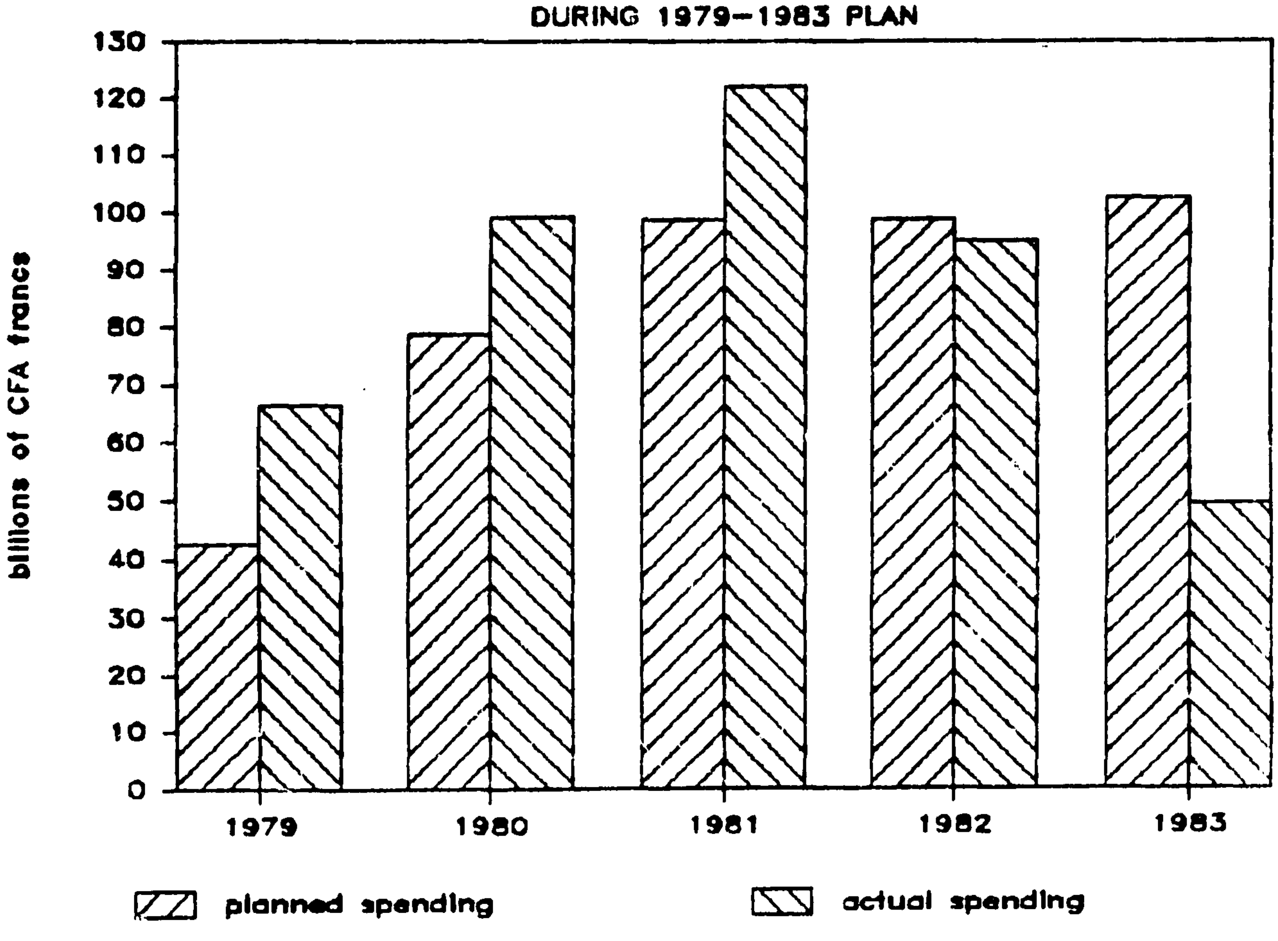


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TABLE A.1

NIGER: GROSS DOMESTIC PRODUCT AT CURRENT MARKET PRICES, 1976-1985
(in billions of CFA francs)

	1976	1977	1978	1979	1980	1981	1982	1983	Projection 1984	Projection 1985
Rural Sector	119.4	143.1	174.5	197.6	229.0	278.7	314.1	338.6	370.3	401.2
Agriculture	64.5	76.1	95.7	105.4	120.8	152.0	169.0	182.2	200.4	218.4
Livestock	42.4	51.9	61.4	72.2	85.2	100.3	115.3	124.2	134.9	145.1
Forestry & Fishing	12.5	15.1	17.4	20.0	23.0	26.4	29.8	32.2	35.0	37.7
Mining	18.7	23.2	36.0	61.6	65.6	54.3	51.1	42.9	46.5	50.5
Industry, Energy, & Handicrafts	15.4	17.7	19.8	23.4	27.9	36.0	43.2	47.8	54.4	60.8
Manufacturing	3.6	3.7	4.0	5.7	6.3	7.5	8.5	9.4	10.7	12.6
Electricity & Water	1.1	1.5	1.2	0.6	1.6	5.1	8.4	10.0	12.0	13.2
Handicrafts	10.7	12.5	14.6	17.6	20.0	23.4	26.3	28.4	31.7	35.0
Construction & Public Works	8.2	11.7	19.5	29.7	37.2	34.0	30.3	25.8	24.0	29.5
Commerce, Transport, & Services	50.5	58.7	70.3	79.9	101.1	120.9	132.2	142.8	159.6	176.6
Commerce	29.7	34.4	39.6	46.1	52.7	65.2	71.0	76.7	85.3	94.0
Transport	7.7	10.4	14.1	17.4	21.5	25.5	22.2	24.0	27.0	30.0
Services	13.1	13.9	16.6	16.4	26.9	30.2	39.0	42.1	47.3	52.6
Government	18.8	21.0	25.4	30.4	38.6	45.4	51.5	54.1	56.6	61.7
GDP at factor cost	231.0	275.4	345.5	422.6	499.4	569.3	622.4	652.0	711.4	780.3
Import Taxes & Duties	10.2	12.6	16.6	20.0	29.1	28.3	28.0	24.8	21.0	23.3
GDP at current market prices	241.2	288.0	362.1	442.6	528.5	597.6	650.4	676.8	732.4	803.6
Annual rate of growth		19.4	25.7	22.2	19.4	13.1	8.8	4.1	8.2	9.7
GDP at constant 1976 prices	241.2	249.6	270.4	307.1	322.2	325.7	325.0	310.7	311.3	320.0
Annual rate of growth		3.5	8.3	13.6	4.9	1.1	-0.2	-4.4	0.2	2.8
Implicit GDP deflator index	100.0	115.4	133.9	144.1	164.0	183.5	200.1	217.8	235.3	251.1
Annual % change		15.4	16.1	7.6	13.8	11.9	9.1	8.8	8.0	6.7
Modern sector	66.3	80.2	112.0	156.6	196.6	202.1	212.5	205.8	211.3	231.4
Traditional sector	174.9	207.8	250.1	286.0	331.9	395.5	437.9	471.0	521.1	572.2

SOURCE: Ministry of Planning

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TABLE A.2

NIGER: GROSS DOMESTIC PRODUCT AT CURRENT MARKET PRICES, 1976-1985
(ANNUAL PERCENTAGE CHANGE)

	76-77	77-78	78-79	79-80	80-81	81-82	82-83	Projection 83-84	84-85	Trend rate of growth
Rural Sector	19.8	21.9	13.2	15.9	21.7	12.7	7.8	9.4	8.3	15.2
Agriculture	18.0	25.8	10.1	14.6	25.8	11.2	7.8	10.0	9.0	15.2
Livestock	22.4	18.3	17.6	18.0	17.7	15.0	7.7	8.6	7.6	15.6
Forestry & Fishing	20.8	15.2	14.9	15.0	14.8	12.9	8.1	8.7	7.7	13.6
Mining	24.1	55.2	71.1	6.5	-17.2	-5.9	-16.0	8.4	8.6	13.2
Industry, Energy, & Handicrafts	14.9	11.9	18.2	19.2	29.0	20.0	10.6	13.8	11.8	17.1
Manufacturing	2.8	8.1	42.5	10.5	19.0	13.3	10.6	13.8	17.8	15.3
Electricity & Water	36.4	-20.0	-50.0	166.7	218.8	64.7	19.0	20.0	10.0	35.0
Handicrafts	16.8	16.8	20.5	13.6	17.0	12.4	8.0	11.6	10.4	14.4
Construction & Public Works	42.7	66.7	52.3	25.3	-8.6	-10.9	-14.9	-7.0	22.9	17.5
Commerce, Transport, & Services	16.2	19.8	13.7	26.5	19.6	9.3	8.0	11.8	10.7	15.7
Commerce	15.8	15.1	16.4	14.3	23.7	8.9	8.0	11.2	10.2	14.2
Transport	35.1	35.6	23.4	23.6	18.6	-12.9	8.1	12.5	11.1	16.3
Services	6.1	19.4	-1.2	64.0	12.3	29.1	7.9	12.4	11.2	18.6
Government	11.7	21.0	19.7	27.0	17.6	13.4	5.0	4.6	9.0	16.5
Import Taxes & Duties	23.5	31.7	20.5	45.5	-2.7	-1.1	-11.4	-15.3	11.0	14.5
GDP at current market prices	19.4	25.7	22.2	19.4	13.1	8.8	4.1	8.2	9.7	17.2
GDP at constant 1976 prices	3.5	8.3	13.6	4.9	1.1	-0.2	-4.4	0.2	2.8	4.4
Implicit GDP deflator	15.4	16.1	7.6	13.8	11.9	9.1	8.8	8.0	6.7	11.0

SOURCE: TABLE A.1

TABLE A.3

NIGER: SUPPLY AND USE OF RESOURCES AT CURRENT MARKET PRICES, 1976-1985
(in billions of CFA francs)

	1976	1977	1978	1979	1980	1981	1982	1983	Projection 1984	1985
SUPPLY OF RESOURCES:	309.8	379.8	494.0	603.7	725.6	808.8	867.4	883.3	930.3	1021.1
Gross domestic product	241.2	288.0	362.1	442.6	528.5	597.6	650.4	676.8	732.4	803.6
Imports of goods and nonfactor services	68.6	91.8	131.9	161.1	197.1	211.2	217.0	206.5	197.9	217.5
USE OF RESOURCES:	309.8	379.8	494.0	603.7	725.6	808.8	867.4	883.3	930.3	1021.1
Consumption	215.1	250.4	317.7	350.8	415.7	527.1	590.3	631.6	682.1	744.8
Private	188.9	219.7	281.2	307.0	360.5	462.6	....	....	....	....
Public	26.2	30.7	36.5	43.8	55.2	64.5	....	....	....	....
Gross fixed capital formation	40.0	62.0	88.0	123.2	152.0	137.6	110.9	96.7	92.9	95.0
Changes in stocks	10.0	13.0	12.5	20.0	19.0	-6.0	25.8	1.3	-1.7	15.9
Exports of goods and nonfactor services	44.7	54.4	75.8	109.7	138.9	150.1	140.4	153.7	157.0	165.4
RESOURCE GAP (deficit -)*	-23.9	-37.4	-56.1	-51.4	-58.2	-61.1	-76.6	-52.8	-40.9	-52.1
(resource gap as % of GDP)	-9.9	-13.0	-15.5	-11.6	-11.0	-10.2	-11.8	-7.8	-5.6	-6.5

*Resource gap is the difference between exports and imports of goods and nonfactor services.

Sources: Ministry of Planning and USAID estimates

TABLE A.4

NIGER: ESTIMATED EMPLOYMENT IN MODERN SECTOR, 1977-1981

	1977	1978	1979	1980	1981
I. PRIVATE AND PUBLIC ENTERPRISES	26,716	31,004	36,389	38,199	37,020
Mining	2,213	2,650	3,658	4,301	4,265
Industry	3,360	3,400	3,517	3,788	4,136
Energy	605	712	817	954	1,015
Construction	10,716	14,020	17,214	16,664	13,068
Commerce	2,320	2,450	3,754	4,023	4,314
Hotels & Restaurants	606	620	636	786	1,051
Transport	1,599	2,000	2,647	2,758	2,874
Services	2,489	2,415	1,396	1,519	1,654
Banking & Insurance	1,126	1,230	1,465	1,757	2,109
Agriculture	1,682	1,507	1,285	1,649	2,534
II. GOVERNMENT ADMINISTRATION	20,645	22,200	24,900	25,955	27,055
TOTAL	47,361	53,204	61,289	64,134	64,075

NIGER: ESTIMATED EMPLOYMENT IN MODERN SECTOR, 1977-1981
(as percentage of total employment)

	1977	1978	1979	1980	1981
I. PRIVATE AND PUBLIC ENTERPRISES	56.41	58.27	59.37	59.54	57.78
Mining	4.67	4.98	5.97	6.70	6.66
Industry	7.09	6.39	5.74	5.90	6.45
Energy	1.28	1.34	1.33	1.49	1.58
Construction	22.63	26.35	28.09	25.97	20.39
Commerce	4.90	4.60	6.13	6.27	6.73
Hotels & Restaurants	1.28	1.17	1.04	1.23	1.64
Transport	3.38	3.76	4.32	4.30	4.49
Services	5.26	4.54	2.28	2.37	2.58
Banking & Insurance	2.38	2.31	2.39	2.74	3.29
Agriculture	3.55	2.83	2.10	2.57	3.95
	0.00	0.00	0.00	0.00	0.00
II. GOVERNMENT ADMINISTRATION	43.59	41.73	40.63	40.46	42.22
TOTAL	100.00	100.00	100.00	100.00	100.00

Source: Ministry of Planning

TABLE A.5

NIGER: INDICES OF CONSUMER PRICES IN NIAMEY

	Weights	1977	1978	1979	1980	1981	1982	1983
African consumption								
Food	0.45	329.3	352.1	371.5	412.4	529.9	584.8	536.0
Clothing	0.10	171.5	207.1	226.7	245.2	282.1	312.5	350.2
Housing	0.18	221.5	276.8	346.1	383.1	448.9	492.0	506.5
Other	0.27	221.8	244.3	251.4	271.7	311.1	347.0	405.0
INDEX FOR AFRICAN CONSUMPTION (1963 = 100)		278.1	306.1	328.4	362.2	445.2	497.1	485.0
European consumption								
Food	0.46	224.3	251.8	291.9	324.6	357.5	400.5	417.7
Clothing	0.06	233.5	251.5	260.8	285.9	311.1	318.8	343.7
Energy	0.11	111.9	124.9	124.9	131.6	147.8	147.9	173.1
Household help	0.08	146.6	157.5	218.1	239.5	239.5	239.5	239.5
Household items	0.03	239.4	310.6	323.2	343.4	368.7	412.8	449.75
Other	0.26	190.5	202.0	251.7	272.8	305.3	344.5	395.8
INDEX FOR EUROPEAN CONSUMPTION (1964 = 100)		197.5	218.4	255.8	281.1	308.3	340.5	366.6
				(annual percentage change)				
African consumption								
Food	0.45		6.9	5.5	11.0	28.5	10.4	-8.3
Clothing	0.10		20.8	9.5	8.2	15.0	10.8	12.1
Housing	0.18		25.0	25.0	10.7	17.2	9.6	2.9
Other	0.27		10.1	2.9	8.1	14.5	11.5	16.7
INDEX FOR AFRICAN CONSUMPTION			10.1	7.3	10.3	22.9	11.7	-2.4
European consumption								
Food	0.46		12.3	15.9	11.2	10.1	12.0	4.3
Clothing	0.06		7.7	3.7	9.6	8.8	2.5	7.8
Energy	0.11		11.6	0.0	5.4	12.3	0.1	17.0
Household help	0.08		7.4	38.5	9.8	0.0	0.0	0.0
Household items	0.03		29.7	4.1	6.2	7.4	12.0	9.0
Other	0.26		6.0	24.6	8.4	11.9	12.8	14.9
INDEX FOR EUROPEAN CONSUMPTION			10.6	17.1	9.9	9.7	10.4	7.7

Source: BCEAO

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TABLE A.6

NIGER: INVESTMENT FOR THE 5-YEAR PLAN, 1979-83
(in millions of CFA francs, at constant 1979 prices)

Sector	Plan targets for private investment 1979-83	Plan targets for public investment 1979-83	Plan targets for public investment 1979	1980	1981	1982	1983
AGRICULTURE, LIVESTOCK, AND RURAL INFRASTRUCTURE		92032	13189	17575	19869	20029	21370
Agriculture		64871	8712	11345	13088	14674	17052
Livestock		18469	3258	4023	4602	3591	2995
Water, forestry, & fisheries		4439	625	1000	876	990	948
Rural engineering		4253	594	1207	1303	774	375
INDUSTRY AND MINING	305482	70206	4384	9816	13833	17715	24458
Manufacturing	31334	13733	1526	2543	2396	3068	4200
Mining	221995	39543	87	3478	8754	12831	14393
Energy	52153	16930	2771	3795	2683	1816	[illegible]
SOCIAL SERVICES & INFRASTRUCTURE	31706	208482	22048	38573	50688	51245	45928
Health and nutrition		18968	1531	4016	4566	4858	3997
Education		44429	3442	9358	11834	11200	8595
Vocational training	1003	5543	612	530	1143	1645	1613
Information		10179	2626	2329	2433	1795	996
Youth and sports		5729	530	1533	2251	1124	291
Telecommunications		12774	626	2644	3654	3350	2500
Roads and bridges	14600	45747	3214	5859	9339	12480	14855
Transport	16103	2804	442	261	645	690	766
Air transport		6437	747	1036	1518	1595	1541
Administrative infrastructure		26266	4817	5933	5746	5544	4226
Urban development		5188	617	1714	1128	1039	690
Water supply		24418	2844	3360	6431	5925	5858
SERVICES	5742	13774	2974	3108	3745	1504	2443
Commerce	5742	5282	2046	1601	735	500	400
Tourism		8492	928	1507	3010	1004	2043
TOTAL	342930	384494	42595	69072	88135	90493	94199

[illegible]

TABLE A.7

NIGER: COMPARISON OF ACTUAL AND PLANNED INVESTMENT EXPENDITURE
DURING THE FIVE-YEAR PLAN, 1979-1983
(in billions of CFA francs)

Sector	Plan targets for public investment 1979-83	Actual Spending in current prices 1979	1980	1981	1982	1983	Total spending in constant 1979 prices 1979-1983	Ratio of actual to planned spending 1979-1983	Actual spending allocations (in percent) 1979-1983	Planned investment allocations (in percent) 1979-1983
I. DIRECTLY PRODUCTIVE SECTOR	175.98	26.61	35.64	37.25	30.96	26.28	126.85	0.72	36.21	45.78
Rural sector	92.04	9.85	13.48	16.74	15.54	11.18	53.42	0.58	15.25	23.94
Mining, industry & energy	70.21	12.88	19.68	17.14	11.45	15.10	61.86	0.88	17.66	18.26
Commerce & tourism	13.73	3.88	2.48	3.37	3.97		11.56	0.84	3.30	3.58
II. ECONOMIC INFRASTRUCTURE	67.76	19.82	31.84	44.02	26.14	11.83	109.01	1.61	31.11	17.62
Roads & transport	48.55	14.29	24.95	20.00	20.36	10.65	73.62	1.52	21.01	12.63
Air transport	6.44	1.07	2.00	6.70	1.14		8.91	1.38	2.54	1.67
Telecommunications	12.77	4.46	4.89	17.32	4.64	1.18	26.48	2.07	7.56	3.32
III. SOCIAL SERVICES	114.44	11.69	24.68	26.74	25.70	5.20	76.31	0.67	21.78	29.77
Education	65.86	7.68	14.30	14.64	15.67	2.28	44.53	0.68	12.71	17.14
Health	18.97	1.51	1.66	3.73	3.20		8.20	0.43	2.34	4.93
Water supply	24.42	1.58	3.41	4.41	5.63	2.72	13.89	0.57	3.97	6.35
Housing & urbanization	5.19	0.92	5.31	3.96	1.20	0.20	9.69	1.87	2.77	1.35
IV. ADMINISTRATIVE INFRASTRUCTURE	26.27	8.28	7.08	13.93	12.20	5.98	38.18	1.45	10.90	6.83
TOTAL	384.45	66.40	99.24	121.94	95.00	49.29	350.35	0.91	100.00	100.00

Annual percentage changes in GDP deflator are used to convert 1980-1983 spending to 1979 constant dollars and vice versa. The annual percentage changes are as follows: 1980, 13.8%; 1981, 11.9%; 1982, 9.1%; and 1983, 8.8%.

Sources: Ministry of Finance and Ministry of Planning

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TABLE A.8

NIGER: PLANNED PUBLIC INVESTMENT EXPENDITURE IN INTERIM PLAN, 1984-1985
(in millions of CFA francs)

SECTOR	TOTAL	1984	1985	FINANCING SECURED	FINANCING SOUGHT
I. DIRECTLY PRODUCTIVE SECTOR	45409	22826	22583	44287	1122
A. Rural Development	43368	21656	21712	42358	1010
Agriculture	28577	14118	14459	28414	163
Livestock	9503	4760	4743	8844	659
Forestry	4016	1946	2070	4016	0
Fishing	394	357	37	394	0
Research	878	475	403	690	188
B. Mining, Industry & Energy	2041	1170	871	1929	112
Mining	741	250	491	629	112
Industry	260	260	---	260	0
Energy	1040	660	380	1040	0
II. SOCIAL SECTOR	38466	18614	19852	31256	7210
Education	6791	2517	4274	2290	4501
Vocational Training	4066	1635	2431	3227	839
Health	5693	2551	3142	3823	1870
Water Supply	21916	11911	10005	21916	0
III. INFRASTRUCTURE	42857	20040	22817	42173	684
Roads and Bridges	26435	13262	13173	26435	0
Urban Development	471	50	421	118	[illegible]
Housing	1070	355	715	950	120
Sanitation	6388	2739	3649	6203	185
Telecommunications	7408	3216	4192	7408	0
Postal Services	999	362	637	999	0
Airport Maintenance	26	26	--	--	26
Government Building	60	30	30	60	0
IV. OTHER SECTORS	1586	662	924	550	1036
Transport	656	35	621	--	656
Tourism (Hotel)	50	25	25	--	50
"Animation au developpement"	35	17	18	--	35
Youth, Sports, & Culture	145	55	90	50	95
Information	700	530	170	500	200
Scientific Research					
TOTAL	128318	62142	66176	118266	10052

Source: Ministry of Planning, PROGRAMME INTERIMAIRE DE CONSOLIDATION, 1984-1985

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TABLE A.9

NIGER: PUBLIC INVESTMENT FOR THE INTERIM PLAN, 1984-85
(in percent of total)

SECTOR	TOTAL	1984	1985	FINANCING SECURED	FINANCING SOUGHT	in % of total 1984	in % of total 1985
I. DIRECTLY PRODUCTIVE SECTOR	35.39	17.79	17.60	34.51	0.87	36.73	34.13
A. Rural Development	33.80	16.88	16.92	33.01	0.79	34.85	32.81
Agriculture	22.27	11.00	11.27	22.14	0.13	22.72	21.85
Livestock	7.41	3.71	3.70	6.89	0.51	7.66	7.17
Forestry	3.13	1.52	1.61	3.13	0.00	3.13	3.13
Fishing	0.31	0.28	0.03	0.31	0.00	0.57	0.06
Research	0.68	0.37	0.31	0.54	0.15	0.76	0.61
B. Mining, Industry & Energy	1.59	0.91	0.68	1.50	0.09	1.88	1.32
Mining	0.58	0.19	0.38	0.49	0.09	0.40	0.74
Industry	0.20	0.20	0.00	0.20	0.00	0.42	0.00
Energy	0.81	0.51	0.30	0.81	0.00	1.06	0.57
II. SOCIAL SECTOR	29.98	13.44	14.33	22.56	5.20	29.95	30.00
Education	5.29	1.96	3.33	1.78	3.51	4.05	6.46
Vocational Training	3.17	1.27	1.89	2.51	0.65	2.63	3.67
Health	4.44	1.99	2.45	2.98	1.46	4.12	4.75
Water Supply	17.08	9.28	7.80	17.08	0.00	19.17	15.12
III. INFRASTRUCTURE	33.40	15.62	17.78	32.87	0.53	32.25	34.48
Roads and Bridges	20.60	10.34	10.27	20.60	0.00	21.34	19.91
Urban Development	0.37	0.04	0.33	0.09	0.28	0.08	0.64
Housing	0.83	0.28	0.56	0.74	0.09	0.57	1.08
Sanitation	4.98	2.13	2.84	4.83	0.14	4.41	5.51
Telecommunications	5.77	2.51	3.27	5.77	0.00	5.18	6.33
Postal Services	0.78	0.28	0.50	0.78	0.00	0.58	0.96
Navigation & Meteorology	0.02	0.02	0.00	0.00	0.02	0.04	0.00
Government Building	0.05	0.02	0.02	0.05	0.00	0.05	0.05
IV. OTHER SECTORS	1.24	0.52	0.72	0.43	0.81	1.07	1.40
Transport	0.51	0.03	0.48	0.00	0.51	0.06	0.94
Tourism (Hotel)	0.04	0.02	0.02	0.00	0.04	0.04	0.04
"Animation au developpement"	0.03	0.01	0.01	0.00	0.03	0.03	0.03
Youth, Sports, & Culture	0.11	0.04	0.07	0.04	0.07	0.09	0.14
Information	0.55	0.41	0.13	0.39	0.16	0.85	0.26
Scientific Research	....	....	....	....	....	....	....
TOTAL	100.00	47.36	50.43	92.17	7.83	100.00	100.00

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TABLE A.10

NIGER: FINANCING OF PUBLIC INVESTMENT IN INTERIM PLAN, 1984-1985
(in millions of CFA francs)

SECTOR	External source: grants	Concessional loans	Non-concess. loans	Total ext. financing	Total internal financing	Total secured financing	Total unsecured financing
I. DIRECTLY PRODUCTIVE SECTOR	24372	15930	1217	41519	2768	44287	1122
A. Rural Development	24031	15450	1217	40698	1660	42358	1010
Agriculture	15487	11117	592	27196	1218	28414	163
Livestock	5209	2718	625	8552	292	8844	659
Forestry	2421	1485	....	3906	110	4016	....
Fishing	224	130	....	354	40	394	....
Agronomic Research	690	....	....	690	....	690	188
B. Mining, Industry & Energy	341	480	....	821	1108	1929	112
Mining	281	....	....	281	348	629	112
Industry	....	....	....	....	260	260	....
Energy	60	480	....	540	500	1040	....
II. SOCIAL SECTOR	16889	11544	845	29278	1978	31256	7210
Education	....	1490	....	1490	800	2290	[illegible]501
Vocational Training	584	2370	....	2954	2[illegible]3	32[illegible]	839
Health	3623	....	....	3623	200	3823	1870
Water Supply	12682	7684	845	21211	705	21916	....
III. INFRASTRUCTURE	12668	20689	3872	37229	4944	42173	684
Roads and Bridges	8195	13203	1200	22598	3837	26435	....
Urban Development	118	....	....	118	....	118	353
Housing	950	....	....	950	....	950	120
Sanitation	3205	2718	....	5923	280	6203	185
Telecommunications	....	4468	2672	7140	268	7408	....
Postal Services	200	300	....	500	499	999	....
Government Building	....	....	....	....	60	60	....
Airport Maintenance	....	....	....	....	....	....	26
IV. OTHER SECTORS	500	....	....	500	50	550	1036
Youth and Sport	....	....	....	....	50	50	95
Information	500	....	....	500	....	500	200
Transport	....	....	....	....	....	....	656
Tourism (Hotel)	....	....	....	....	....	....	50
"Animation au developpement"	....	....	....	....	....	....	35
Total	54429	48163	5934	108526	9740	118266	10052

Source: Ministry of Planning, PROGRAMME INTERIMAIRE DE CONSOLIDATION, 1984-1985

TABLE A.11

NIGER: CENTRAL GOVERNMENT BUDGETARY OPERATIONS
(in billions of CFA francs)

	1978	1979	1980	1981	1982	1983	MOF* Projections 1984	MOF* Projections 1985	Revised Projections 1984	Revised Projections 1985
I. TOTAL REVENUE	45.75	59.87	74.89	76.84	75.05	68.69	77.30	81.65	74.00	79.60
Tax revenue	38.81	51.07	65.23	64.13	66.56	62.58	67.47	71.45	66.00	70.60
Nontax revenue	6.94	8.80	9.66	12.71	8.49	6.11	9.83	10.20	8.00	9.00
II. TOTAL EXPENDITURE	59.24	74.11	107.43	140.82	121.16	118.79	104.89	115.97	104.89	115.97
Current expenditure	31.52	37.70	47.88	51.68	58.71	63.05	67.49	72.68	67.49	72.68
Public debt service	4.22	3.60	5.27	6.50	11.27	15.00	14.38	15.50	14.38	15.50
Wages and salaries	10.80	13.48	17.42	19.71	21.82	24.56	25.80	28.02	25.80	28.02
Materials and supplies	8.65	11.98	13.55	12.31	12.21	11.05	14.26	15.35	14.26	15.35
Subsidies and transfers	7.85	8.64	11.64	13.16	13.41	12.44	13.05	13.81	13.05	13.81
Capital expenditure	27.72	36.41	59.55	89.14	62.45	55.74	37.40	43.29	37.40	43.29
FNI--National Investment Fund	14.10	17.60	23.91	26.95	11.82	6.40	7.00	7.49	7.00	7.49
Other	13.62	18.81	35.64	62.19	50.63	49.34	30.40	35.80	30.40	35.80
III. BUDGET DEFICIT (I-II) (commitment basis)	-13.49	-14.24	-32.54	-63.98	-46.11	-50.10	-27.59	-34.32	-30.89	-36.37
IV. CHANGE IN ARREARS (decrease -)		1.89	2.73	2.82	14.65	-1.72	-11.45	-7.40	-11.45	-7.40
V. BUDGET DEFICIT (III+IV) (cash basis)		-12.35	-29.81	-61.16	-31.46	-51.82	-39.04	-41.72	-42.34	-43.77
MEMORANDUM ITEMS:										
Financing		12.35	29.81	61.16	31.46	51.82	23.10	23.30	23.10	23.30
External financing		13.76	18.17	40.37	20.10	36.62	16.60	20.80	16.60	20.80
Drawings		14.29	22.08	43.26	26.20	44.80	30.40	35.80	30.40	35.80
Amortization		-0.53	-3.91	-2.89	-6.10	-8.18	-13.80	-15.00	-13.80	-15.00
Domestic financing		-1.41	11.64	20.79	11.36	15.20	6.50	2.50	6.50	2.50
BCEAO		-2.66	0.39	3.56	6.79	5.70	6.70	2.90	6.70	2.90
Commercial Banks		0.68	4.75	7.75	3.32	2.50	-2.40	-2.40	-2.40	-2.40
Other--nonbanking system		0.57	6.50	9.48	1.25	7.00	2.20	2.00	2.20	2.00
Financing gap							15.94	18.42	19.24	20.47

*Projections given by Ministry of Finance; revised projections are based on less than full realization of the impact from the fiscal reform and lower than anticipated revenue in fiscal 1983.

Sources: Ministry of Finance and the IMF

TABLE A.12

NIGER: CENTRAL GOVERNMENT REVENUE
(in millions of CFA francs)

	1975	1976	1977	1978	1979	1980	1981	1982
I. TAX REVENUE			30307	38810	51070	65230	64134	64075
1. Income and Profit Taxes	5195	8033	10458	12592	17267	18402	15478	13601
Industrial & commercial	1730	4039	6266	8358	12722	12758	10009	8681
(of which: mining)			(4900)	(7422)	(8311)	(3959)	(1813)	(230)
Professional income			6	13	16	20	24	22
Wages & salaries	1068	1078	1305	1538	2109	2687	3044	2628
Property income	135	759	1397	1614	1734	1313	1036	814
General income*			1484	1069	686	1624	1365	1456
2. Payroll Tax (Employers)	28	48	50	88	72	119	141	125
3. Property Taxes	75	131	1025	993	1306	7326	[illegible]	[illegible]
4. Taxes on Goods and Services	6666	9367	6885	9638	12779	[illegible]	16954	17046
Turnover taxes	4989	6415	3384	5700	7198	9405	9892	10031
Excise taxes	1172	1445	3145	3279	5107	6748	6517	6467
(of which: mining)			(1511)	(1259)	(3165)	(4477)	(4130)	(4094)
Other	505	1507	356	459	474	462	545	548
5. International Trade Taxes			11889	15499	19446	27768	29070	31990
Import duties			9972	13325	16900	24360	24881	27399
Export duties			1680	1945	2299	3148	3920	4364
(of which: mining)			(283)	(288)	(611)	(996)	(1186)	(741)
Stamp duty			237	229	247	260	269	227
								2336
II. NONTAX REVENUE			7410	6940	8800	9660	12706	10975
1. Transfers and Other			7358	6890	8300	8160	9306	9729
2. Mining			52	50	500	1500	3400	1246
TOTAL REVENUE			37717	45750	59870	74890	76840	75050
MEMORANDUM ITEMS:								
Uranium revenue			6746	9019	12587	10932	10529	6311
Non-uranium revenue			30971	36731	47283	63958	66311	68739

*including poll tax which was abolished effective October 1, 1977.

Sources: Ministry of Finance and IMF

TABLE A.13

NIGER: COMPOSITION OF GOVERNMENT REVENUE

	1977	1978	1979	1980	1981	1982
	(as percentage of GDP)					
Taxes on income and profit	3.63	3.48	3.90	3.48	2.59	2.09
Taxes on goods and services	2.39	2.66	2.89	3.14	2.84	2.62
Taxes on international trade	4.13	4.28	4.39	5.25	4.86	4.92
Taxes on property	0.36	0.27	0.34	0.44	0.42	0.20
Revenue from uranium	2.34	2.49	2.84	2.07	1.76	0.97
Other receipts	2.55	1.90	1.88	1.54	1.56	1.50
	(as percentage of total revenue)					
Taxes on income and profit	27.73	27.52	28.84	24.57	20.14	18.12
Taxes on goods and services	18.25	21.07	21.34	22.19	22.06	22.71
Taxes on international trade	31.52	33.88	32.48	37.08	37.83	42.62
Taxes on property	2.72	2.17	2.52	3.11	3.24	1.75
Revenue from uranium	17.89	19.71	21.02	14.60	13.70	8.41
Other receipts	19.51	15.06	13.86	10.90	12.11	12.96

TABLE A.14

NIGER: CENTRAL GOVERNMENT CURRENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION, FISCAL 1979-1983

	1979	1980	1981	1982	1983
	(in billions of CFA francs)				
Agriculture and Rural Development	2.19	2.65	2.67	2.97	2.16
Mining	0.59	0.66	0.71	0.49	0.23
Roads	0.94	1.25	1.64	1.51	1.39
Transport and Communication	0.34	0.37	0.27	0.27	0.33
Education and Training	8.21	11.41	11.65	11.06	12.66
Health	2.67	3.14	3.39	3.61	4.36
Social and Community Services	0.66	0.55	0.57	0.59	0.97
National Defense	2.60	3.22	3.63	3.77	4.44
General Public Services	9.38	13.09	13.02	13.02	13.60
Other	10.12	11.54	14.13	21.42	22.91
of which: public debt servicing	3.60	5.27	6.50	11.27	15.00
Total Current Expenditure	37.70	47.88	51.68	58.71	63.05
	(as percentage of total current expenditure)				
Agriculture and Rural Development	5.81	5.53	5.17	5.06	3.43
Mining	1.56	1.38	1.37	0.83	0.36
Roads	2.49	2.61	3.17	2.57	2.20
Transport and Communication	0.90	0.77	0.52	0.46	0.52
Education and Training	21.78	23.83	22.54	18.84	20.08
Health	7.08	6.56	6.56	6.15	6.92
Social and Community Services	1.75	1.15	1.10	1.00	1.54
National Defense	6.90	6.73	7.02	6.42	7.04
General Public Services	24.88	27.34	25.19	22.18	21.57
Other	26.84	24.10	27.34	36.48	36.34
of which: public debt servicing	9.55	11.01	12.58	19.20	23.79
	(in millions of dollars)				
Agriculture and Rural Development	10.30	12.54	9.83	9.04	5.71
Mining	2.77	3.12	2.61	1.49	0.61
Roads	4.42	5.92	6.04	4.59	3.67
Transport and Communication	1.60	1.75	0.99	0.82	0.87
Education and Training	38.60	54.00	42.87	33.66	33.45
Health	12.55	14.86	12.48	10.99	11.52
Social and Community Services	3.10	2.60	2.10	1.80	2.56
National Defense	12.22	15.24	13.36	11.47	11.73
General Public Services	44.10	61.95	47.92	39.62	35.93
Other	47.57	54.61	52.00	65.18	60.53
of which: public debt servicing	16.92	24.94	23.92	34.29	39.63
Total current expenditure	177.23	226.60	190.19	178.66	166.58

Source: Ministry of Finance and Ministry of Planning

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TABLE A.15

NIGER: CENTRAL GOVERNMENT CAPITAL EXPENDITURE (FNI) BY FUNCTIONAL CLASSIFICATION, FISCAL 1979-1983

	1979	1980	1981	1982	1983
	(in billions of CFA francs)				
Agriculture and Rural Development	1.86	2.71	2.55	1.75	1.23
General Public Services	3.01	3.35	2.43	2.19	1.29
Education	3.94	6.36	8.05	2.26	1.13
Health	0.66	0.84	1.56	1.33	
Social and Community Services	1.16	1.49	2.12	0.89	0.74
Roads and Infrastructure	1.76	1.24	1.93	0.52	1.97
Minining and Industry	1.29	2.50	2.01	0.23	0.07
Energy (water & electricity)	0.87	1.40	1.69	0.82	0.12
Other Economic Services	2.67	3.38	3.97	1.15	0.45
Unallocable	0.38	0.64	0.78	0.68	
Total FNI	17.60	23.91	27.09	11.82	7.00
	(as percentage of total FNI expenditure)				
Agriculture and Rural Development	10.57	11.33	9.41	14.81	17.57
General Public Services	17.10	14.01	8.97	18.53	18.43
Education	22.39	26.60	29.72	19.12	16.14
Health	3.75	3.51	5.76	11.25	0.00
Social and Community Services	6.59	6.23	7.83	7.53	10.57
Roads and Infrastructure	10.00	5.19	7.12	4.40	28.14
Minining and Industry	7.33	10.46	7.42	1.95	1.00
Energy (water & electricity)	4.94	5.86	6.24	6.94	1.71
Other Economic Services	15.17	14.14	14.65	9.73	6.43
Unallocable	2.16	2.68	2.88	5.75	0.00
	(in millions of dollars)				
Agriculture and Rural Development	8.74	12.83	9.38	5.33	3.25
General Public Services	14.15	15.85	8.94	6.66	3.41
Education	18.52	30.10	29.62	6.88	2.99
Health	3.10	3.98	5.74	4.05	
Social and Community Services	5.45	7.05	7.80	2.71	1.96
Roads and Infrastructure	8.27	5.87	7.10	1.58	5.20
Minining and Industry	6.06	11.83	7.40	0.70	0.18
Energy (water & electricity)	4.09	6.63	6.22	2.50	0.32
Other Economic Services	12.55	16.00	14.61	3.50	1.19
Unallocable	1.79	3.03	2.87	2.07	
Total FNI	82.74	113.16	99.69	35.97	18.49

Sources: Ministry of Planning and Ministry of Finance

TABLE A.16

LOCAL COMMUNITY BUDGET, FY1979-1983
(in millions of CFA francs)

	1979	1980	1981	1982
I. TOTAL REVENUE	1923	3349	3529	4216
Taxes and transfers	1833	2391	2949	3505
Arrondissement tax	784	813	975	1047
Land tax	98	214	264	338
Licence fees	235	544	702	1073
Market tax (taxe de marches)	114	130	254	190
Road user fees	104	147	175	193
Other taxes and charges	290	349	437	464
Transfers from general budget	208	194	142	200
Other receipts	90	958	580	711
II. TOTAL EXPENDITURE	2425	3405	3807	4338
Current expenditure	1788	2212	2804	3171
Arrondissements	1027	1122	1495	1608
Communes	761	1090	1309	1563
Capital expenditure	622	1156	972	1167
Infrastructure	376	778	377	644
Agriculture, livestock, forestry & water	66	79	74	119
Social services	81	75	261	178
Administration	99	22[illegible]	260	226
Other*	15	37	31	
III. BUDGET DEFICIT	-502	-56	-278	-122

*including "remboursement emprunts Edilite et operations financieres.

Source: Ministry of Planning

TABLE A.17

NIGER: RECURRENT COST ESTIMATES BY SECTOR, 1983-1985

Sector	1983	Not adjusted for inflation 1984	Not adjusted for inflation 1985	Adjusted for inflation 1984	Adjusted for inflation 1985
	(in millions of CFA francs)				
Agriculture and Livestock:	2058	2378	2742	2568	3198
Dryland agriculture	1052	1150	1257	1242	1466
Irrigated agriculture	580	778	1010	840	1178
Livestock	426	450	475	486	554
Forestry and Fishing	54	59	65	64	76
Water Supply	499	554	614	598	716
Roads	1400	1600	1877	1728	2189
Education	16310	17990	19840	19429	23141
Health	4362	4923	5309	5317	6192
	(in thousands of U.S. dollars)				
Agriculture and Livestock:	5444	5814	6704	6279	7820
Dryland agriculture	2783	2812	3073	3037	3585
Irrigated agriculture	1534	1902	2469	2054	2880
Livestock	1127	1100	1161	1188	1355
Forestry and Fishing	143	144	159	156	185
Water Supply	1320	1355	1501	1463	1751
Roads	3704	3912	4589	4225	5353
Education	43148	43985	48509	47504	56580
Health	11540	12037	12980	13000	15140

Source: Ministry of Planning, LES DEPENSES RECURRENTES DES INVESTISSEMENTS PUBLICS AU NIGER, VOLUME I: RAPPORT DE SYNTHESE, Chapter 2.

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TABLE A.18

NIGER: RECURRENT COST ESTIMATES OF SELECTED PROJECTS IN AGRICULTURE AND LIVESTOCK

Projects	Estimated Recurrent Costs 1983	1984	1985	1986	1987	Est. Contribution from FNI* 1984	1985
	(in millions of CFA francs)						
USAID:	1493	2172	2356	2613	3057		
	----	----	----	----	----		
Niamey Productivity Project	177	408	386	417	450	30	20
National Cerearls Research	578	729	821	887	958		
Agricultural Production Support	354	475	517	574	818		
Integrated Livestock		103	130	182	223	101	125
Rural Sector Human Resources Development	384	457	503	553	608		
OTHER DONORS:	3517	4809	5395	5395	5345		
	----	----	----	----	----		
Dosso Productivity Project	1402	1874	2045	2045	2045	100	
Maradi Productivity Project	1121	1211	1308	1308	1308	10	
Zinder Productivity Project	293	316	341	341	311	25	
Badebuichiri Rural Development						25	
Plant Protection	121	131	141	141	141	100	
Irrigated Agriculture	580	778	1010	1010	1010	800	
Animal Health Program		500	550	550	500	187	206
Total	5010	6982	7751	8008	8402	1468	351
	=====	=====	=====	=====	=====	=====	=====
	(in thousands of dollars)						
USAID:	3942	5300	5749	6375	7460	320	354
	----	----	----	----	----	----	----
Niamey Productivity Project	467	996	942	1017	1099	73	49
National Cerearls Research	1526	1779	2003	2163	2337		
Agricultural Production Support	935	1160	1261	1401	1996		
Integrated Livestock		251	316	444	545	246	305
Rural Sector Human Resources Development	1014	1115	1226	1349	1484		
OTHER DONORS:	9284	11735	13164	13164	13042		
	----	----	----	----	----	----	----
Dosso Productivity Project	3701	4573	4990	4990	4990	244	
Maradi Productivity Project	2959	2954	3190	3192	3192	244	
Zinder Productivity Project	773	771	833	832	832	61	
Badebuichiri Rural Development						61	
Plant Protection	319	319	344	344	344	244	
Irrigated Agriculture	1531	1898	2464	2464	2464	1952	
Animal Health Program		1220	1342	1342	1220	456	503
Total	13226	17035	18913	19539	20502	3582	856
	=====	=====	=====	=====	=====	=====	=====

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TABLE A.19

NIGER: BALANCE OF PAYMENTS, 1978-1985
(in billions of CFA francs)

							MOF Projections		IMF Projections		
	1978	1979	1980	1981	1982	1983	1984	1985	1984	1985	1986
I. CURRENT ACCOUNT, NET	-45.00	-44.00	-55.80	-70.90	-48.70	-31.10	-30.80	-32.50	-23.50	-5.10	14.60
Trade balance	-19.80	-14.70	-16.70	-62.30	-44.80	-23.30	-6.80	-15.30	-13.30	-1.90	11.30
Exports, f.o.b.	64.90	100.20	124.00	129.20	121.10	128.40	135.00	141.60	136.70	143.50	150.20
(of which: uranium)	(48.9)	(83.6)	(97.2)	(101.5)	(91.5)	(94.3)	(99.6)	(104.6)	(99.6)	(104.6)	(109.3)
Imports, c.i.f.	-84.70	-114.90	-140.70	-191.50	-165.90	-151.70	-141.80	-156.90	-150.00	-145.40	-138.90
Net Services	-44.10	-46.20	-56.40	-36.90	-39.00	-40.00	-38.50	-36.20	-41.70	-38.40	-33.40
Goods and services, net	-63.90	-60.90	-73.10	-99.20	-83.80	-63.30	-45.30	-51.50	-55.00	-40.30	-22.10
Net Transfers	18.90	16.90	17.30	28.30	35.10	32.20	14.50	19.00	31.50	35.20	36.70
Private	-7.30	-9.40	-11.70	-11.70	-12.40	-13.30	-15.50	-13.00	-11.50	-9.50	-8.70
Public	26.20	26.30	29.00	40.00	47.50	45.50	30.00	32.00	43.00	44.70	45.40
II. CAPITAL ACCOUNT, NET	43.00	40.20	51.40	79.60	15.20	23.30	7.40	14.50	9.40	-5.70	-22.30
Public, nonmonetary (net)	13.70	20.50	34.80	50.20	23.80	26.10	16.40	23.10	19.50	4.10	-14.40
Private, nonmonetary (net)	27.30	17.20	8.20	21.50	-12.10	-10.80	-9.00	-8.60	-10.10	-9.80	-7.90
Monetary capital	2.00	2.50	8.40	7.90	3.50	8.00					
III. ERRORS AND OMISSIONS		2.50	-3.60	1.30	-9.30	0.50					
IV. OVERALL BALANCE	-2.00	-1.30	-8.00	10.00	-42.80	-7.30	-23.40	-18.00	-14.10	-10.80	-7.70
FINANCING:											
Change in foreign assets, net	2.60	2.50	8.10	-2.80	43.00	13.00	6.80		0.00		
Commercial Banks	5.90	2.00	9.60	-0.50	22.00	-2.20	-2.10		-4.80		
Central Bank (BCEAO)	-3.30	0.50	-1.50	-2.30	21.00	15.20	8.90		4.80		
SDR allocations		0.40	0.40	0.90							

MEMORANDUM ITEMS

	1978	1979	1980	1981	1982	1983	1984	1985
Exchange rate (annual avgerage)								
CFA francs per U.S. dollar	225.60	212.72	211.30	271.73	328.62	378.50	409.00	409.00
CFA francs per SDR	282.50	274.84	275.01	320.41	361.95	405.00	421.27	421.27

Sources: BCEAO and IMF

TABLE A.20

NIGER: BALANCE OF PAYMENTS, 1978-1985
(in millions of U.S. dollars)

	1978	1979	1980	1981	1982	1983	MOF Projections 1984	MOF Projections 1985	IMF Projections 1984	IMF Projections 1985	IMF Projections 1986
CURRENT ACCOUNT, NET	-199.47	-206.84	-264.08	-260.92	-148.20	-82.17	-75.31	-79.46	-57.46	-12.47	35.70
Trade balance	-87.77	-69.10	-79.03	-229.27	-136.33	-61.56	-16.63	-37.41	-32.52	-4.65	27.63
Exports, f.o.b.	287.68	471.04	586.84	475.47	368.51	339.23	330.07	346.21	334.23	350.86	367.24
(of which: uranium)	216.76	393.00	460.01	373.53	278.44	249.14	243.52	255.75	243.52	255.75	267.97
Imports, c.i.f.	-375.44	-540.15	-665.88	-704.74	-504.84	-400.79	-346.70	-383.62	-366.75	-355.50	-339.61
Net Services	-195.48	-217.19	-266.92	-135.80	-118.68	-105.68	-94.13	-88.51	-101.96	-93.89	-81.66
Goods and services, net	-283.24	-286.29	-345.95	-365.07	-255.01	-167.24	-110.76	-125.92	-134.47	-98.53	-54.03
Net Transfers	83.78	79.45	81.87	104.15	106.81	85.07	35.45	46.45	77.02	86.06	89.73
Private	-32.36	-44.19	-55.37	-43.06	-37.73	-35.14	-37.90	-31.78	-28.12	[illegible]	-21.27
Public	116.13	123.64	137.25	147.20	144.54	120.21	73.35	78.24	[illegible]	109.29	111.00
II. CAPITAL ACCOUNT, NET	190.60	188.98	243.26	292.94	46.25	61.56	18.09	35.45	22.98	-13.94	-54.52
Public, nonmonetary (net)	60.73	96.37	164.69	184.74	72.42	68.96	40.10	56.48	47.68	10.02	-35.21
Private, nonmonetary (net)	121.01	80.86	38.81	79.12	-36.82	-28.53	-22.00	-21.03	-24.69	-23.96	-19.32
III. ERRORS AND OMISSIONS	0.00	11.75	-17.04	4.78	-28.30	1.32					
IV. OVERALL BALANCE	-8.87	-6.11	-37.86	36.80	-130.24	-19.29	-57.21	-44.01	-34.47	-26.41	-18.83
FINANCING:											
Change in foreign assets, net	11.52	11.75	38.33	-10.30	130.85	34.35	16.63				
Commercial Banks	26.15	9.40	45.43	-1.84	66.95	-5.81	-5.13		-11.74		
Central Bank (BCEAO)	-14.63	2.35	-7.10	-8.46	63.90	40.16	21.76		11.74		
SDR allocations	0.00	1.88	1.89	3.31	0.00	0.00	0.00				
Exchange rate (annual avgerage)											
CFA francs per U.S. dollar	225.6	212.72	211.30	271.73	328.62	378.50	409.00	409.00			
CFA francs per SDR	282.50	274.84	275.01	320.41	361.95	405.00	421.27	421.27			

Source: TABLE A.19

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TABLE A.21

NIGER: TERMS OF TRADE, 1977-1983

	1977	1978	1979	1980	1981	1982	1983
EXPORT PRICES							
Uranium contract price							
in CFA francs	20000	23500	24500	24500	20000	24000	27500
(annual percentage change)		17.5	4.3	0.0	-18.4	20.0	14.6
in U.S. dollars	81.41	104.16	115.17	115.95	73.60	73.03	72.66
(annual percentage change)		27.9	10.6	0.7	-36.5	-0.8	-0.5
Uranium Unit Export Price							
in CFA francs	21566	23099	23971	24343	20418	23878	27045
(annual percentage change)		7.1	3.8	1.6	-16.1	16.9	13.3
in U.S. dollars	87.8	101.99	112.69	115.20	75.14	72.66	71.45
(annual percentage change)		16.2	10.5	2.2	-34.8	-3.3	-1.7
Uranium Export Price Index							
(1978-83 = 100 on U.S. dollar basis)	96.0	111.5	123.2	125.9	82.1	79.4	78.1
(annual percentage change)		16.1	10.5	2.2	-34.8	-3.3	-1.7
Other Commodity Export Price Index							
(1978-83 = 100 on U.S. dollar basis)		86.00	103.77	121.06	98.66	99.90	96.64
(annual percentage change)			20.7	16.7	-18.5	1.3	-3.3
Weighted Average Export Price Index		83.6	97.3	98.2	63.2	60.4	60.9
(annual percentage change)		15.8	16.4	0.9	-35.6	-4.6	0.9
IMPORT PRICES							
Import Price Index							
(1978-83 = 100 on U.S. dollar basis)		80.68	95.14	115.75	107.77	103.05	106.00
(annual percentage change)		-0.4	17.9	21.7	-6.9	-4.4	2.9
TERMS OF TRADE		103.6	102.3	84.8	58.7	58.6	57.5
(annual percentage change)		16.3	-1.3	-17.0	-30.8	-0.2	-1.9
MEMORANDUM ITEMS:							
Exchange rate (CFAF/U.S. dollar)	245.7	225.6	212.7	211.3	271.7	328.6	378.5
Trade weights							
Uranium	0.63	0.75	0.79	0.78	0.77	0.76	0.78
Other commodities	0.37	0.25	0.21	0.22	0.23	0.24	0.22

Source: Based on IMF data

TABLE A.22

NIGER: DIRECTION OF TRADE
(in percent of total)

Country	Exports	Imports
Europe	46.7	49.4
France	35.6	35.9
Spain	5.1	
Italy	3.8	2.1
West Germany	2.0	3.6
Netherlands		2.8
United Kingdom		2.0
Others	0.2	3.0
Africa	32.8	29.3
Nigeria	17.2	13.3
Libya	14.9	
Algeria		7.2
Ivory Coast		4.6
Others*	0.7	4.2
Other Countries	20.5	21.3
Japan	17.7	2.5
Republic of China		1.3
Taiwan		1.3
United States		3.7
Unspecified countries	2.8	12.5
Total	100.0	100.0

*including Ivory Coast (exports only), Mali, Senegal, Upper Volta, Togo, Benin, Cameroon, Congo, Ghana, Siera Leon, Guinea, Burundi, and Zaire.

Source: Ministry of Planning, based on most recent

TABLE A.23

NIGER: EXTERNAL DEBT
(in millions of SDR's)

	1982	1983	1984	1985	1986	1987	1988	1989	1990
PUBLIC SECTOR									
Total outstanding (disbursed, end of period)	546.3	645.0	690.0	741.7	795.1	852.0	....	....	....
Debt service payments	99.80	83.10	95.50	94.10	97.70	114.50	113.00	84.20	76.00
Principal	59.5	47.8	58.3	57.8	62.2	79.6	78.8	49.1	38.5
(of which: IMF repurchases)					(1.5)	(17.5)	(19.5)	(3.5)	
Interest and charges	40.3	35.3	37.2	36.3	35.5	34.9	34.2	35.1	37.5
(of which: IMF charges)		(0.7)	(2.4)	(2.8)	(2.7)	(2.0)	(0.8)	(0.1)	
Estimates of debt service payments eligible for Paris Club rescheduling		34.2	44.5	45.7	....	....	....	....	....
PRIVATE SECTOR									
Total outstanding (disbursed, end of period)	133.4	95.2	78.1	61.0	43.9	26.8	9.6	....	....
Debt service payments	47.3	42.8	28.7	25.8	23.9	21.7	12.3	....	....
Principal	27.5	25.4	16.9	16.9	16.9	16.9	9.5	....	....
Interest	19.8	17.4	11.8	8.9	7.0	4.8	2.8	....	....
EXPORTS OF GOODS AND SERVICES AND PRIVATE TRANSFERS	408.9	396.2	424.8	446.0	468.3	491.3	516.2	542.0	569.0
DEBT SERVICE RATIOS	0.36	0.32	0.29	0.27	0.26	0.28	0.24	0.16	0.13
Public sector	0.24	0.21	0.22	0.21	0.21	0.23	0.22	0.16	0.13
Principal	0.15	0.12	0.14	0.13	0.13	0.16	0.15	0.09	0.07
Interest	0.10	0.09	0.09	0.08	0.08	0.07	0.07	0.06	0.07
Private sector	0.12	0.11	0.07	0.06	0.05	0.04	0.02	....	....
Principal	0.07	0.06	0.04	0.04	0.04	0.03	0.02	....	....
Interest	0.05	0.04	0.03	0.02	0.01	0.01	0.01	....	....

Source: Based on IMF data

TABLE A.24

NIGER: EXTERNAL DEBT
(in millions of U.S. dollars)

	1982	1983	1984	1985	1986	1987	1988	1989	1990
PUBLIC SECTOR									
Total outstanding (disbursed, end of period)	600.9	664.4	724.5	778.8	834.9	894.6	....	....	....
Debt service payments	109.8	85.6	100.3	98.8	102.6	120.2	118.7	88.4	79.8
Principal	65.5	49.2	61.2	60.7	65.3	83.6	82.7	51.6	40.4
(of which: IMF repurchases)	....	....	....	....	1.6	18.4	20.5	3.7	....
Interest and charges	44.3	36.4	39.1	38.1	37.3	36.6	35.9	36.9	39.4
(of which: IMF charges)	....	0.7	2.5	2.9	....	....	....	....	....
Estimates of debt service payments eligible for Paris Club rescheduling	....	35.2	46.7	48.0	....	....	....	....	....
PRIVATE SECTOR									
Total outstanding (disbursed, end of period)	146.7	98.1	82.0	64.1	46.1	28.1	10.1	....	....
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	....	....
Debt service payments	52.0	44.1	30.1	27.1	25.1	22.8	12.9	....	....
Principal	30.3	26.2	17.7	17.7	17.7	17 7	10.0	....	....
Interest	21.8	17.9	12.4	9.3	7.4	5.0	2.9	....	....
EXPORTS OF GOODS AND SERVICES AND PRIVATE TRANSFERS	449.8	408.1	446.0	468.3	491.7	515.9	542.0	569.1	597.5
DEBT SERVICE RATIOS	0.40	0.33	0.31	0.28	0.27	0.29	0.25	0.16	0.14
Public sector	0.27	0.22	0.24	0.22	0.22	0.24	0.23	0.16	0.14
Principal	0.16	0.12	0.14	0.14	0.14	0.17	0.16	0.10	0.07
Interest	0.11	0.09	0.09	0.09	0.08	0.07	0.07	0.07	0.07
Private sector	0.13	0.11	0.07	0.06	0.05	0.05	0.03	....	....
Principal	0.07	0.07	0.04	0.04	0.04	0.04	0.02	....	....
Interest	0.05	0.05	0.03	0.02	0.02	0.01	0.01	....	....

Source: TABLE A.23

TABLE A.25

NIGER: BALANCE OF PAYMENTS OF THE URANIUM SECTOR
(in billions of CFA francs)

	1978	1979	1980	1981	1982	1983
Balance on Goods and services	10.9	42.8	56.8	68.4	57.3	69.2
Exports of uranium, f.o.b.	46.8	79.2	96.3	101.5	91.5	99.4
Exports of nonfactor services	0.2	0.3	0.6	0.6	0.5	0.6
Imports of goods, f.o.b.	-18.4	-16.4	-18.7	-12.0	-13.6	-11.0
Imports of nonfactor services	-9.9	-10.6	-11.3	-9.2	-9.9	-9.0
Factor services, credit	---	---	---	---	---	---
Factor services, debit	-7.8	-9.7	-10.1	-12.5	-11.2	-10.8
of which: interest payments	-3.6	-4.9	-5.7	-7.4	-7.2	-7.2
dividend payments & misc.	-4.2	-4.8	-4.4	-5.1	-4.0	-3.6
Transfers, net	-2.1	-2.6	-2.7	-2.9	-3.0	-3.0
Balance on current account	8.8	40.2	54.1	65.5	54.3	66.2
Nonmonetary capital	19.6	10.1	3.9	-4.6	-9.3	0.0
Direct investment	8.9	0.7	---	---	---	---
Long-term loans	10.7	9.4	3.9	-4.6	-9.3	0.0
of which: Disbursements	13.1	14.7	10.5	5.4	---	---
Principal repayments	-2.4	-5.3	-6.6	-10.0	-9.3	---
Overall balance	28.4	50.3	58.0	60.9	45.0	66.2
MEMORANDUM ITEMS:			(as percentage of GDP)			
Exports of goods and nonfactor services	13.0	18.0	18.3	17.1	14.0	13.9
Current account balance	2.4	9.1	10.2	11.0	8.2	9.2
Overall balance	7.8	11.4	11.0	10.2	8.8	9.8

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TABLE A.26

NIGER: BALANCE OF PAYMENTS OF THE URANIUM SECTOR
(in millions of dollars)

	1978	1979	1980	1981	1982	1983
Balance on Goods and services	48.32	201.20	268.81	251.72	174.37	182.83
Exports of uranium, f.o.b.	207.45	372.32	455.75	373.53	278.44	262.62
Exports of nonfactor services	0.89	1.41	2.84	2.21	1.52	1.59
Imports of goods, f.o.b.	-81.56	-77.10	-88.50	-44.16	-41.39	-29.06
Imports of nonfactor services	-43.88	-49.83	-53.48	-33.86	-30.13	-23.78
Factor services, credit	---	---	---	---	---	---
Factor services, debit	-34.57	-45.60	-47.80	-46.00	-34.08	-28.53
of which: interest payments	-15.96	-23.03	-26.98	-27.23	-21.91	-19.02
dividend payments & misc.	-18.62	-22.56	-20.82	-18.77	-12.17	-9.51
Transfers, net	-9.31	-12.22	-12.78	-10.67	-9.13	-7.93
Balance on current account	39.01	188.98	256.03	241.05	165.24	174.90
Nonmonetary capital	86.88	47.48	18.46	-16.93	-28.30	0.00
Direct investment	39.45	3.29	0.00	0.00	0.00	0.00
Long-term loans	47.43	44.19	18.46	-16.93	-28.30	0.00
of which: Disbursements	58.07	69.10	49.69	19.87	0.00	0.00
Principal repayments	-10.64	-24.92	-31.24	-36.80	-28.30	0.00
Overall balance	125.89	236.46	274.49	224.12	136.94	174.90

Source: TABLE A.25

TABLE A.27

NIGER: MONETARY SURVEY, 1978-1984
(in billions of CFA francs)

	1978 Dec.	1979 Dec.	1980 Dec.	1981 Dec.	1982 Dec.	1983 June	1983 Sept.	Projections* 1984 Mar.	Projections* 1984 June	Projections* 1984 Sept.	Projections* 1984 Dec.
MONEY SUPPLY	54.20	64.51	77.93	94.06	82.94	75.16	75.27	84.00	85.50	87.00	88.00
Currency outside banks	19.74	27.28	31.05	34.84	35.08	26.86	27.22	....	....	....	....
Demand deposits	26.66	29.99	33.54	39.91	32.86	33.85	31.35	....	....	....	....
Quasi-money	7.80	7.24	13.34	19.31	15.00	14.45	16.70	....	....	....	....
NET FOREIGN ASSETS	17.36	13.49	-2.85	-1.14	-48.90	-57.93	-52.67	-34.00	-35.70	-37.60	-38.10
Central bank	23.27	22.28	21.77	22.97	1.70	-7.68	-4.26	-9.20	-12.10	-14.90	-15.30
Commercial banks	-5.91	-8.79	-24.62	-24.11	-50.60	-50.25	-48.41	-24.80	-23.60	-22.70	-22.80
DOMESTIC CREDIT	42.36	57.46	82.25	98.97	131.68	127.10	123.83	141.90	146.30	150.00	151.00
Net credit to government	-11.88	-18.36	-7.49	-2.98	18.59	12.16	12.01	22.20	23.10	24.00	24.90
Credit to private sector	54.24	75.82	89.74	101.95	113.09	114.94	111.82	119.70	123.20	126.00	126.10
OTHER ITEMS	-5.52	-6.44	-1.47	-3.76	0.17	-5.99	-4.12	2.40	3.10	2.90	2.40
						(percentage changes)					
MONEY SUPPLY		19.02	20.80	20.70	-11.82	-9.38	0.15	11.60	1.79	1.75	1.15
Currency outside banks		38.20	13.82	12.21	0.69	-23.43	1.34	....	....	....	....
Demand deposits		12.49	11.84	18.99	-17.66	3.01	-7.39	....	....	....	....
Quasi-money		-7.18	84.25	44.75	-22.32	-3.67	15.57	....	....	....	....
NET FOREIGN ASSETS		-22.29	-121.13	-60.00	4189.47	18.47	-9.08	-35.45	5.00	5.32	1.33
Central bank		-4.25	-2.29	5.51	-92.60	-551.76	-44.53	115.96	31.52	23.14	2.68
Commercial banks		48.73	180.09	-2.07	109.87	-0.69	-3.66	-48.77	-4.84	-3.81	0.44
DOMESTIC CREDIT		35.65	43.14	20.33	33.05	-3.48	-2.57	14.59	3.10	2.53	0.67
Net credit to government		54.55	-59.20	-60.21	-723.83	-34.59	-1.23	84.85	4.05	3.90	3.75
Credit to private sector		39.79	18.36	13.61	10.93	1.64	-2.71	7.05	2.92	2.27	0.08
OTHER ITEMS		16.67	-77.17	155.78	-104.52	-3623.53	-31.22	-158.25	29.17	-6.45	-17.24

*IMF projections

Source: BCEAO

TABLE A.28

NIGER: DISTRIBUTION OF CREDIT TO NON-GOVERNMENT SECTORS
(in millions of CFA francs, end of period)

	1978	1979	1980	1981	1982*
Short-term					
Agriculture	2327	3244	3084	3488	4880
Mining	2780	3947	4101	1565	1615
Industry	3001	4636	8733	8094	10541
Construction	4027	4560	8445	12603	12639
Transport	2501	3690	5498	6491	6494
Commerce	16335	24418	25910	28856	28972
Services	204	1502	1959	1234	1165
Financial institutions	399	---	---	---	---
Other	2588	10	---	---	---
Total short-term	34162	46007	57730	62331	66306
(of which: public & semi-public enterprises)	8099	13779	18560	22259	21513
Medium-term					
Agriculture	734	1010	1392	2299	2241
Mining	6649	8470	5251	6572	5669
Industry	1156	4305	5469	5627	5925
Construction	1607	2750	3034	3390	3812
Transport	910	1723	1772	1482	1528
Commerce	789	852	1636	2142	2553
Services	241	678	730	917	1029
Financial institutions	15	---	---	---	---
Other	724	---	---	---	---
Total medium-term	12825	19788	19284	22429	22757
(of which: public & semi-public enterprises)	2451	5719	7019	7223	7249
Long-term					
Agriculture	---	---	---	---	---
Mining	---	---	---	---	---
Industry	56	47	---	---	---
Construction	25	---	---	---	---
Transport	173	---	1058	1487	1414
Commerce	---	783	25	25	20
Services	29	155	310	[illegible]	1117
Financial institutions	---	---	---	---	---
Other	---	---	---	---	---
Total long-term	283	985	1393	1786	2551
(of which: public & semi-public enterprises)	222	817	1090	1506	1419
TOTAL CREDIT	47270	66780	78407	86546	91614
(of which: public & semi-public enterprises)	10772	20315	26669	30988	30181

(*as of August 1982)

TABLE A.29

NIGER: INTEREST RATES IN THE MONEY MARKET
(in percent per annum)

Date	Overnight Deposits	Overnight Advances	One-month Deposits	One-month Advances	Three-month Deposits	Three-month Advances
July 1975	7.000	7.125	....	....	....	....
February 1976	6.500	6.750	....	....	....	....
August 1976	7.250	7.500	....	....	....	....
August 1977	7.000	7.250	....	....	....	....
February 1978	7.500	7.750	....	....	....	....
August 1978	7.000	7.250	7.063	7.313	7.125	7.375
March 1979	6.125	6.375	6.250	6.500	6.500	6.750
August 1979	7.750	8.000	7.875	8.125	8.125	8.375
March 1980	10.750	11.000	10.875	11.125	11.125	11.375
April 1980	9.750	10.063	9.875	10.125	10.125	10.375
May 1981	14.750	15.063	14.875	15.125	15.125	15.375
December 1981	14.250	14.563	14.375	14.625	14.625	14.875
February 1982	13.750	14.063	13.875	14.125	14.125	14.375
March 1982	15.250	15.625	15.375	15.625	15.625	15.875
December 1982	13.000	13.313	13.125	13.375	13.375	13.625
March 1983	11.000	11.313	11.125	13.375	11.375	11.625

TABLE A.30

NIGER: MINING SECTOR

	1977	1978	1979	1980	1981	1982	1983	1984*
Uranium production:								
Quantity (in tons)	1441	2061	3615	4132	4360	4250	3450	3400
Quantity sold	1466	2202	3422	3864	4805	3421	3600	
Uranium price:								
Contract price								
(f.o.b. Cotonou, CFAF/kg.)	20000	23500	24500	24500	20000	24000	27500	29250
(in U.S. dollars/kg.)	81.41	104.17	115.16	115.95	73.60	73.03	72.66	137.49
Spot market price								
(in dollars/kg.)		96.13	93.74	69.00	55.15	44.98	48.55	
Uranium exports:								
Quantity (in tons)	1466	2206	3422	3956	4971	3832	3600	
Value (in billions of CFAF)	28.4	48.9	83.6	97.2	101.5	91.5	94.3	99.6
Value (as % of total exports)	72.3	74.5	79.0	78.3	76.8	76.4	77.9	
World consumption of uranium								
(in thousands of tons)		17.9	21.07	26.3	25.0	21.7	29.0	31.2
Cassiterite production:								
Quantity (in tons)	105	90	78	78	70	100	100	
Quantity sold (in tons)	99	77	79	61	54	100	100	
Price (in CFAF/kg.)	880	1870	780	1900	3430	3900	3900	
Value (in billions of CFAF)	0.88	1.87	0.78	1.9	3.43	3.9	3.9	

*The 1984 figures are based on Ministry of Finance's projections.

Sources: Ministry of Mines and Industries, Ministry of Planning, and NUEXCO report.

ANNEX H

INSTITUTIONAL AND POLICY CONSTRAINTS ON AGRICULTURAL PRODUCTION IN NIGER

Design Team
Tom Zalla
Rifat Barokas
Grace Hemmings
April 1984

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A. Introduction

Niger's growing food deficit, less dúe to a rapid rate of urbanization than in other Sahelian countries, arises first and foremost from increasingly severe climatic and soils constraints in the face of rapid population gorwth. However, a lack of dynamism in its agriculture sector restricts adjustments in technology and production patterns that could greatly reduce, or at least help finance future deficits, if not eliminate them entirely. This lack of dynamism results from a complex of interrelated institutional and policy constraints that will have to be addressed before Niger can hope to attain a reasonable level of food self-reliance. These constraints cover ten broad areas as identified in a number of recent studies:1/

1. input supply, subsidies and input pricing;

2. agricultural credit;

3. agricultural price and marketing policies;

4. cross-border trade in grain and livestock;

5. the role of the private sector and cooperatives;

6. irrigation development;

7. research, extension and agricultural education;

8. agricultural technical packages;

9. forestry and land-use planning; and

10. livestock and range management.

USAID is addressing some of these constraints in projects already underway. Agricultural research is being reinforced through the Niger Cereals Research project. The Agriculture Production Support Project will provide support to agricultural extension and education as well as for improving input

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1/Enger, W., 1979, Niger Agricultural Sector Assessment; IBRD, 1981, Niger Agricultural Sector Memorandum; IMF, 1981, "Niger - Recent Economic Developments"; La Caisse Centrale de Cooperation Economique, 1981, Les Facteurs de Production Agricole au Niger; Hough, R. and Elliot, J., (with the assistance of K. Toh), 1982, "The Country Situation, Policy Issues and AID's Development Assistance Program in Niger", USAID, Niamey; Scott, W., et al, 1983, "Etude Conjointe du Programme de Commercialisation des Cereales au Niger", Elliot Berg and Associates, Niamey; Ithaca International, 1983, "An Evaluation of the Agricultural Technical Packages for the Republic of Niger", Ithaca; and Pattinson, I., Enger, W. and LeBeau, F., 1983, "Assessment of Agricultural Inputs and Input Delivery, Niger", Ronco Consulting Corporation, Washington, D.C.

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supply. Major studies in both areas are just being completed under that project. These studies will provide the basis of discussion with the GON regarding appropriate project activities and related institutional reforms.

Under the Joint Program Assessment with the GON, USAID has financed an evaluation of agricultural technical packages used for production of cereals in Niger.[1/] The APS project financed a review of animal traction and available data on fertilizer response.[2/] Together these studies provide much useful data for helping the GON formulate more growth oriented research, credit, input pricing and subsidy policies. A number of these recommendations are incorporated in the policy reforms negotiated under this agricultural sector grant proposal.

Forestry, land use planning, livestock and range management are the remaining areas which are benefitting from ongoing USAID projects. Initial efforts centered around research on viable institutional approaches for dealing with the complex social and economic issues that lie at the root of the problems relating to land use in many of the marginal areas of Niger. Policy related problems in livestock are also addressed in this ASDG proposal.

Recognizing some overlap between the key institutional and policy constraints already identified, the first five are the focus for the ASDG, i.e., input supply, subsidies and input pricing; agricultural credit; agricultural price and marketing policies; cross border trade in grain and livestock; and the role of the private sector and cooperatives. These five areas are either not the subject of current USAID project activities or they pose policy problems which will need to be resolved in order for related ongoing projects to achieve their development objectives. In this sense they are the principal constraints to more rapid agricultural growth and development in Niger at the present time. While the constraints ranked in positions six through ten may have a higher absolute ranking in terms of importance to the sector (research, extension and agricultural education may be more important in absolute terms than cross border trade), the more effective means for alleviating them fall within the domain of project assistance rather than sector or program assistance.

1/ Ithaca International (1983)

2/ Pattinson, Enger and LeBeau (1983)

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B. Input Supply, Subsidies, and Input Pricing

Problems with the supply of agricultural inputs to farmers in Niger are intimately linked to the way in which input subsidies are applied and the way input prices are set. The principal agency responsible for distributing inputs is doing a creditable job given the circumstances under which it must operated.

1. Input Supply

The Centrale d'Approvisionnement (CA) is a division of the Union Nationale de Crédit et de la Coopération (UNCC) and is responsible for supplying inputs to farmers. The CA has no capital stock of its own. It finances its purchases of inputs with commercial credit from the Caisse Nationale de Credit Agricole (CNCA) and with subsidies from the Fonds National d'Investissement (FNI), and the Caisse de Stabilisation des Prix et Perequation au Niger (CSPI

In principle, the CA delivers inputs to farmers through a cooperative, either for cash or against a signed loan agreement with a cooperative member. In the case of loans, the CNCA credits CA's account and debits the cooperative's account for the amount of the loan. Cash payments are credited to the CA via the UNCC circuit of handling cooperative accounts. Thus, at any point in time, CA's bank credit should be secured by equipment in stock and the two accounts should balance.

The CA acquires inputs from several sources. It purchases implements from UNCC manufacturing plants at Tahoua, Zinder and Dosso. It purchases fertilizer from merchants importing from Nigeria and acquires additional stocks from donors, usually as grants. Prior to 1981 it purchased fertilizer from abroad but commercial purchases have all but ceased as supplies from Nigeria have become more abundant in local markets. The CA purchases most seed treatment and other chemical products and spraying equipment from aborad.

In addition to the CA, the Ministry of Rural Development also supplies farmers and herders with inputs though, except for livestock feed, on a much reduced scale. The Livestock Service provides vaccines, medications, and feed in the form of cottonseed and wheat bran. It also operates two feed mills for producing concentrates. The Seed Service provides improved seed. The Plant Protection Service provides insecticides, mostly for direct application by its own personnel when outbreaks occur. All of these inputs are provided at the cost of materials excluding any capital recovery or administration charges.

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The private sector is growing increasingly active as a supplier of inputs to farmers in Niger. It supplies the bulk of fertilizer to farms and the CA, important but unknown quantities of livestock feedstuffs, and some crop storage chemicals, almost all of which come from Nigeria. There has been a tendency for the private sector to be more active in the southern part of the country closer to Nigeria. According to Government of Niger sources, private merchants are unwilling to supply the more distant markets. More likely, the use of uniform national pricing by public sector agencies makes it uneconomical for the private sector to compete with public sector agencies in markets where transportation costs are high.

Table A-1 shows the evolution of sales by the CA since 1974. Comparable figures for the Ministry of Rural Development and the prviate sector are not available.

2. Subsidies

Subsidies on agricultural inputs in Niger are fixed implicitly rather than explicitly. This is at the root of problems with input supply.

Subsidies on agricultural inputs in Niger take on five forms:

a) Direct subsidies allocated to the Ministry of Rural Development from the FNI and the CSPPN. These amounted to 300 million CFA francs in 1983 and 1984, down from over 600 million in 1982.

b) Indirect subsidies in the form of bank credits to cover that part of CA operating costs which are not covered by direct subsidies but which do not enter into its calculation of its cost base.

c) Indirect subsidies in the form of certain salaries, administration expenses, and depreciation for buildings and warehouses incurred by input distribution services that are not included in their cost base for estimating the full delivered cost of inputs.

d) Indirect subsidies in the form of certain salaries and investment costs for companies which manufacture inputs that do not enter into their cost base for setting ex-factory prices.

e) Indirect subsidies in the form of CA preference for locally produced inputs even when imports would be cheaper.

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TABLE A-1

Consumption of Selected Agricultural Inputs
Provided by the CA to Farmers in Niger
1974-1983

	YEAR								
	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83[a]
Equipment:									
Tool bar	314	810	1,096	2,549	3,494	3,405	4,500	6,827	2,596
10" plow	127	517	683	1,949	2,060	1,777	1,980	2,684	555
5 teeth cultivator	-	-	113	1,426	362	468	2,053	2,107	1,127
3 teeth cultivator	263	666	701	1,233	2,562	1,295	1,238	2,462	716
Lifter/weeder	203	342	348	2,664	2,033	824	2,854	3,634	1,383
Ridger	100	503	408	1,179	844	431	760	856	231
Donkey drawn cultivator	73	-	-	1,069	129	434	912	542	227
Seeder	112	68	-	1,482	864	35	457	1,740	546
Oxen Cart	79	352	887	2,285	2,816	3,056	3,631	5,366	2,171
Donkey Cart	114	31	361	1,408	1,686	1,869	2,092	2,999	820
Fertilizer (tons):									
Urea	-	336	755	2,476	2,466	1,989	4,083	3,493	1,812
Super Simple Phosphate	-	104	104	1,881	1,077	4,313	4,786	6,999	2,360
Super Triple Phosphate	214	164	1,211	438	605	285	353	681	137
15-15-15	-	-	562	792	581	991	1,609	1,772	1,130
Others	-	-	568	50	47	241	153	59	14
TOTAL	214	604	3,200	5,637	4,776	7,819	10,984	13,004	5,453
Tahoua rock phosphate (tons)	-	-	-	-	-	607	92	666	1
Fungicides (thousand 25 gram pkt)	-	-	-	991	544	1,629	2,716	1,373	1,192
Insecticides (liters)	9,367	1,340	-	-	24,853	27,738	20,326	N/A	N/A

a/ Provisional

Source: Centrale d'Approvisionnement. For the years 1981/82 and 1982/83 these figures differ substantially from those reported in Ronco (1983), obtained from the same source.

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a) Direct Subsidies. Table A-2 describes the evolution of direct subsidies since 1974. FNI allocations are determined annually by the Ministry of Plan as a function of the annual budgetting process. Because of the economic crisis the FNI has not set aside money for subsidies over the past two years. In normal times, however, subsidies compete directly with other types of investments, including agriculture, for available resources. The CSPPN makes its allocation based on receipts from several taxes earmarked specifically for the fund.

Together direct Government of Niger subsidies for agricultural inputs grew rapidly from 1974 to 1980 but then leveled off as Niger's financial situation deteriorated. There has been hope that the decline in 1982/1983 indicated that the Government of Niger was finally reining in the level of direct subsidies. However, the FNI initially proposed to provide 550 million CFA francs in 1983/84, raising doubts that the levling off of direct subsidies is anything more than a temporary reaction to current economic conditions.

b) Bank Credits. The amount of direct subsidies it gets from the FNI and the CSPPN does not cover CA's operating costs. Until recently, CNCA was so poorly organized that it simply paid all bills submitted to it by CA. This essentially gave the CA a line of credit to cover its operating deficits. The system came to a grinding halt in 1983 when CNCA began to refuse to finance CA operating deficits. This prevented CA from ordering inputs in time for distribution to farmers for the crop season. This delay was an important factor in the sharp drop in the number of agricultural implements sold to farmers by CA in 1983.[1/]

Table A-3 shows the recent evolution of CA operating costs not covered by direct subsidies and the amount of CNCA finance charges for accumulated credits. As the operating deficits have accumulated, outstanding CNCA credit has as well. The interest rate on those credits has also increased because CA failed to make required payments. As a result, annual financing costs are the fastest growing component of CA operating costs, pushing CA's operating deficit from an estimated 207 million CFA in 1980/81 to 345 million in 1982/83. If the Government of Niger would increase its direct subsidies to a level sufficient to cover all CA operating expenses not covered by receipts from sales (and write off accumulated deficits), the overall average subsidy level would actually decrease since interest would only be due on normal working capital instead of on accumulated deficits as well. The overall average level of total subsidy for 1982/83 would then have been around 39% instead of 48%.

1/ There may be an offsetting dimension to this type of subsidy. CA is owed large amounts of money by CNCA for inputs which it claims have been delivered against signed loan agreements but which CNCA has not credited to the CA account. CNCA insists these are inputs for which loan agreements were not made but which UNCC agents distributed anyway. It refuses, therefore, to acknowledge this debt to CA.

TABLE A-2

Government of Niger Subsidies Allocated to The Ministry of Rural Development by Source, as Compared to Requests 1974-1983

(Million FCFA)

		Subsidy Granted		
Year	Requested	FNI	CSPPN	Total
1973/74	50	N/A	N/A	35
1974/75	98	N/A	N/A	40
1975/76	121	N/A	N/A	81
1976/77	367	N/A	N/A	338
1977/78	655	N/A	N/A	370
1978/79	1345	N/A	N/A	450
1979/80	1551	150	300	450
1980/81	1582	300	300	600
1981/82	1584	300	300	600
1982/83	1134 a/	-	300	300
1983/84	N/A	-	300	300

a/ Initial request was for 2.2 million CFA francs. This amount was subsequently revised according to a Government of Niger austerity program.

Source: Centrale d'Approvisionnement.

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TABLE A-3

Operating Costs, Revenues and Average Total Subsidy Levels for the Centrale d'Approvisionnement
1981-1983

(Million FCFA)

Costs and Revenues	1980/81	1981/82	1982/83
Cost of Material Purchased	1707.4	1615.6	1786.9
Operating Costs:			
Cost of Material Sold[a]	1241.3	1720.4	789.3
CA Operating Expenses[b]:			
Distribution Costs	66.3	111.8	110.2
Vehicle Depreciation	66.4	30.1	29.8
Losses and Other Charges	3.8	5.1	9.0
Financing Costs	174.4	278.3	379.0
Sub-total	310.9	425.3	528.1
Unaccounted Expenses Incurred by UNCC			
Salaries and Administration[c]	20.0	20.0	20.0
Warehouse Depreciation[d]	14.4	14.4	14.4
Total Operating Costs	1586.5	2180.1	1351.8
Revenue:			
Receipts from Sales[a]	780.1	1383.1	707.0
Subsidies from FNI and CSPPN	600.0	600.0	300.0
Total Revenue	1380.1	1983.1	1007.0
Total Operating Deficit	206.5	197.0	344.8
Average Level of Direct and Indirect Subsidy[e]	51%	37%	48%

[a] Calculated using CA purchase cost and quantities actually consumed as reported in Table A-1

[b] These are higher than those reported in Ronco (1983) even though both sets of figures were obtained from the CA. These data were obtained from the Director of the CA.

[c] Taken from Ronco (1983) for 1982-83, adding 4.7 million CFA to cover salaries for departmental and arrondissement level personnel and applying same amount to all three years.

[d] Estimated at 300 CFA/ton/month for 4,000 tons for one year.

[e] Direct subsidy plus operating deficit as a percent of total delivered costs.

Source: Actual data supplied by the Centrale d'Approvisionnement, unless otherwise noted.

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c) <u>Administration and Warehousing</u>. As of the 1983/1984 fiscal year, UNCC has instructed CA to begin including in CA's cost accounts salaries and other administration expenses paid by UNCC. These are estimated at around 20 million CFA francs per year. Another 14.4 million CFA francs or so would be required to cover depreciation on UNCC structures used by CA to store its inputs.

d) <u>Uncounted Costs for Input Manufacturers</u>. The input manufacturing plants operated by UNCC calculate their operating costs each year prior to meeting with CA to fix uniform sale prices for their products. As with the CA, it appears that many investment related costs, such as depreciation and interest on investment, as well as the salaries of selected UNCC employees, are not included in the cost base. No estimates of the omitted costs were available.

A related but distinct form of subsidy results from the fact that CA sets the ex-factory sale prices for implements at a level that covers all of the identified costs of the high cost producers plus a small margin. This has the effect of subsidizing the high cost operations. It removes the discipline of competition among plants and reduces the incentive to lower costs or improve designs.

e) <u>Preference for Locally Manufactured Implements</u>. The CA has an effective monopoly on imports of agricultural implements by nature of the way the subsidy is applied. It pursues a policy of importing only what it cannot manufacture locally even when imports are cheaper. Though for some items of equipment this element of subsidy is substantial, it is unnecessary in the long run. One reason the cost of producing implements in Niger is so expensive appears to be collusion on the part of foreign firms supplying imported pre-formed components. Niger could garner an estimated 60 percent value added on pre-formed parts now imported if it were to import flat rolled steel and form the parts in country. This backward integration would allow it to rely on more competitive markets for raw materials and would generate additional work for existing under-utilized manufacturing facilities without increasing the volume of output. More importantly, it would give the country a capacity for technological adaptation and improvement of equipment design that it does not now have but which it sorely needs. The Niamey Department is anticipating adding a prototype manufacturing operation that will create this capacity.

3. Input Pricing

Each year a Ministerial Committee within the Ministry of Rural Development, under the direction of the Director of UNCC, meets to set the prices at which agricultural inputs will be sold to farmers. It is the actions of this committee that acually determine the real level of subsidy, quite apart from what the Ministry of Plan might desire when it allocates FNI funds to the Ministry of Rural Development.

Until 1980 the Ministry of Rural Development's price setting committee followed a policy of keeping input prices low in order to encourage farmers to use the inputs. Between 1972 and 1980 the sale prices for most inputs changed very little. Most were actually lower in 1980 than in 1970. This changes in 1981/82 when there were sharp increases amounting to about 50 percent. There were only nominal increases in 1982/83 but early indications suggest that prices for 1983/84 will again increase substantially. This latest rise is due in part to negotiations related to this agricultural sector grant. Prices for equipment are expected to rise on the order of 50 percent while those for fertilizer, already above free market prices, will change very little. Table 4-A shows the evolution of official sale prices for selected inputs since 1970.

Table A-5 describes the evolution of effective total subsidy levels by product that resulted under the Ministry of Rural Development sales prices between 1980 and 1983 based on quantities of the inputs actually sold by the CA. The level of subsidy is expressed as a percentage of the full delivered cost of the input, including CNCA overdrafts and administration and other costs paid by UNCC.

Table A-5 compares these total subsidy levels with the subsidy levels calculated by the CA using only direct costs[1/] and using CA input purchases rather than CA sales. The two sets of estimates do not differ substantially except for 1982/83. In that year a sharp drop in CA sales effectively raised total subsidy levels by forcing CA's substantial fixed costs to be spread over fewer inputs. Since the accumulated inventories must still be distributed and sold, CA's method of calculating subsidies actually understates costs and subsidies in years when sales fall below purchases.

[1/] i.e. excluding expenses incurred by UNCC on CA's behalf.

TABLE A-4

Official Sale Prices for Selected Agricultural Inputs
Supplied by the Centrale d'Approvisionnement
1970-1984

(FCFA per unit)

	Year							
	1970/72	1972/75	1975/76	1976/79	1979/80	1980/81	1981/82	1982/83
Equipment:								
Tool Bar	73,000	4,000	4,000	4,000	4,000	4,000	6,000	6,300
10" plow	64,000	4,000	4,000	4,000	4,000	4,000	6,000	6,715
5-teeth cultivator	7,600	4,000	4,000	4,000	4,000	4,000	6,000	9,180
3-teeth cultivator	5,100	3,000	3,000	3,000	3,000	3,000	4,500	5,635
Lifter/weeder	4,000	2,500	2,500	2,500	2,500	2,500	3,750	3,750
Ridger	3,500	2,500	2,500	2,500	2,500	2,500	3,750	3,750
Donkey Cultivator	6,500	5,000	5,000	8,000	8,000	8,000	12,000	12,665
Seeder	12,200	5,000	10,000	-2,000	12,000	12,000	27,200	28,240
Oxen Cart	40,000	20,000	45,000	45,000	45,000	65,000	77,500	87,500
Donkey Cart	22,750	11,000	25,000	28,000	28,000	45,000	65,400	73,200
Fertilizer (kgs.):								
Urea	30	30	35	35	35	35	50	50
Super Simple Phosphate	20	20	20	20	20	20	35	35
Super Triple Phosphate	30	30	30	30	30	30	45	45
15-15-15	25	25	30	30	30	30	45	45
Tahoua Rock Phosphate	--	--	--	25	28	28	28	28
Fungicide (25 gram pkt)	--	--	15	15	25	25	50	60
Insecticide (liter)	--	--	590	600	600	600	1,000	1,000

TABLE A-3

Comparative Total and Direct Subsidies on Selected Agricultural Inputs in Niger
1980-1983

Input	Direct Only[a] 1980/81	Direct Only[a] 1981/82	Direct Only[a] 1982/83	Total[b] 1980/81	Total[b] 1981/82	Total[b] 1982/83
Equipment:						
Tool bar	77	68	68	78	68	77
10" plow	69	70	68	71	70	77
5-teeth cultivator	80	79	68	81	78	77
3-teeth cultivator	80	74	68	81	73	77
Lifter/weeder	67	64	69	69	64	75
Ridger	74	66	68	76	66	77
Donkey Drawn Cultivator	57	44	43	60	44	59
Seeder	76	61	61	78	61	72
Oxen Cart	24	21	14	29	21	39
Donkey Cart	37	21	15	41	21	39
Fertilizer:						
Urea	39	21	22	43	21	30
Super Simple Phosphate	61	40	44	64	40	56
Super Triple Phosphate	N/A	N/A	N/A	57	41	56
15-15-15	50	36	32	53	35	42
Tahoua Rock Phosphate	22	59	60	59	58	69
Fungicide	53	25	15	57	24	35
Insecticides	N/A	N/A	34	41	N/A	39
Weighted Average	47[c]	36[c]	31[c]	51	37	48

[a] Direct subsidy as a percent of the delivered cost of the input where costs do not include estimates for administration and depreciation incurred by UNCC on CA's behalf. All non-input specific costs are allocated in proportion to the total value of CA purchases in order to arrive at the delivered cost of the input.

[b] Costs not recovered from sales expressed as a percent of the full delivered cost of the input where costs include estimates for administration and depreciation incurred by UNCC. All non-i -specific costs are allocated in proportion of the total value of sales in order to arrive at full delivered cost of an input. To get the full delivered cost for each input divide its sal price for the year in question (from Table A-4) by $1 - \frac{\%\ \text{subsidy}}{100}$

[c] Estimated assuming materials purchased have same proportion of individual inputs as materials

Source: Tables A-1, A-3 and other data supplied by CA; UNCC (1984)

On the basis of the data in Table A-5 the average level of total subsidy for 1982/83 actually increased by 30 percent over 1981/82, although this increase was not intended by the GON. Approximately one-half of the cost of the average input sold to users in 1982/83 was covered by either direct or indirect subsidy. Subsidies ranged from 77 percent for most types of animal traction equipment to 30 percent for urea. For 1981/82, perhaps a more normal situation, total subsidies ranged from 78 percent to twenty-one percent for the same inputs. In terms of the overall subsidy budget, about one-half of total subsidies going to CA in 1983 went to fertilizer, 10 percent to carts, and 40 percent to other agricultural implements. There have never been subsidies for oxen.

4. Problems in Execution

The principal problem relative to input supplies, subsidies, and pricing arises from the fact that the Ministry of Rural Development has been setting prices for agricultural inputs without giving much consideration to the level of funds available for subsidizing agricultural inputs. As a result, nothing ensures that receipts from sales plus subsidies bear any relationship to what it costs the CA to acquire and distribute the inputs. This forces the CA either to finance its operations with ever increasing lines of credit from CNCA or to limit the quantities of inputs it provides to its customers. At the same time, it makes it next to impossible to control the actual level of subsidy.

The pronounced rise in the average level of subsidy in 1983, in spite of the attempt of the FNI to reduce subsidies, arose, at least in part, from CA's attempt to hold its deficit as close as possible to the actual level of subsidy received. The figures in Table A-3 indicate the impossible position in which the CA finds itself by not being able to control its own prices. The largest element of its cost, financing costs, exceeded the total amount of direct subsidy by 80 million CFA francs in 1982/1983. Coupled with other fixed costs, the CA would have accumulated a total operating deficit and additional CNCA overdrafts amounting to 200 million CFA francs had it done absolutely nothing in 1982/1983. In the context, the deficit of 345 million CFA francs it actually did incur does not seem so bad.

This complete divorce between the subsidy setting and price setting operations in Niger creates a paradoxical situation. Subsidies which are intended to encourage farmers to use improved inputs actually reduce the use of those inputs. Equally paradoxical, raising the price of the inputs to the farmer in this situation actually will increase use of the

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input and benefit the more farmers than the current policy. It allows a fixed subsidy amount to be spread over a larger number of inputs and thus enables the CA to move more inputs available to farmers. This is partly what occurred in 1981/1982 when, in spite of a 50 percent rise in prices paid by farmers for inputs, CA sales rose sharply over year earlier levels. On the other hand, the sharp drop in the Government of Niger subsidy allocation in 1982/1983, coupled with the failure of the Ministry of Rural Development to raise prices to farmers accordingly, contributed to the sharp drop in CA sales in that year.

There were other causes for the sharp drop in CA sales in 1982/1983. One of them was a delay by the FNI in deciding on the level of subsidy for agricultural inputs for that year. Until the final subsidy amount was known, the CA could not obtain credit from the CNCA to pruchase inputs since the CNCA had stopped giving the CA unlimited overdraft privileges. Because CA did not order inputs, suppliers could not order the materials necessary to provide those inputs in time for the cropping season. The result--CA did not have enough inputs in place on time. At the same time the late arrival of the inputs has caused CA warehouses to bulge with unsold equipment.

To the extent that use of improved inputs is economic for Niger, then reducing subsidies and raising input prices will actually increase agricultural production and aggregate output and raise overall farmer incomes in the present economic environment. Obviously reducing the average level of subsidy should have top priority if the Government of Niger truly wants to increase food production and improve the lives of its farmers.

5. Subsidies versus Efficiency

Nothing that has been said thus far relates to the inherent efficiency or lack thereof of input subsidies. It only describes the counterproductive nature of current Government of Niger procedures for applying subsidies and fixing input prices with respect to achieving the government's own explicitly stated development objectives. There are, nonetheless, important efficiency arguments for maintaining agricultural input subsidies at modest levels in Niger, at least until a viable agricultural credit program is functioning.

Available data on village level management of cereal stocks in Niger suggests that interest rates in rural financial markets are very high. It is common to have to reimburse two sacks of grain acquired during the soudure with three or four sacks at the harvest, six months later. Adjusting for storage costs, differences in prices and the time period involved, rural interest rates are probably in excess of 50 percent for merchant or moneylender credit. If this is true, and such high rates do not merely reflect higher risks, then farmers are not likely to use many inputs that provide less than a 50 percent rate of return to the economy unless they have access to lower cost institutional credit.

Credit lowers the cash payment required to acquire an input. At the same time, it enables the borrower to earn the difference between the interest paid on the borrowed capital and the return of the investment. As long as the rate of return on the investment exceeds the interest rate on the borrowed capital, credit effectively allows borrowers to leverage their capital. As a result, borrowers can obtain a much higher rate of return on their equity than the inherent rate of return on the investment. Thus, an effective agricultural credit program with access to public sector capital can induce farmers to use inputs that are economic for the national economy but which are not economic in the high interest rate environment of rural financial markets. This is true because of the availability to the economy of capital borrowed at lower interest rates than those prevailing in rural financial markets. In effect, the opportunity cost of capital is higher in rural financial markets than in public sector financial markets.

Just as credit can increase the private rate of return on an input, so can subsidies. By lowering the purchase price by 20 percent, for example, the private rate of return on an investment with an economic or social rate of return of 25 percent will increase to 56 percent.[1/] Accordingly, farmers might be induced to pay cash or to borrow in rural financial markets at an interest rate of 50 percent or less in order to acquire the input. In this sense, fully costed credit and input subsidies can substitute for each other. Subsidies have the advantage of being cheaper to administer but they will probably not stimulate use of the input as much as credit which provides an equal amount of leverage.

If large interest rate differentials between rural areas and the public sector do indeed reflect differences in the opportunity cost of capital, then either credit or subsidies will be necessary to achieve an efficient allocation of public sector investment resources. Credit, of course, addresses the basic reason for such high interest rates--lack of sufficient capital in rural areas--directly. Because of this and its greater impact on the use of inputs it would,

1/ $\frac{\text{Cost} + 25\%}{.80} - \text{Cost} = .56$

under normal circumstances, be the preferred option. But Niger's agricultural credit program is a shambles, as we point out later. Until such time as Niger has a viable agricultural credit program that can provide large numbers of farmers with access to institutional credit at commercial rates, modest levels of subsidies for agricultural inputs on the order of 15-20 percent would appear to be quite appropriate.

This being said it is important to recognize that the combination of input subsidies and cheap credit, or alternatively, excessively high subsides, can actually reduce efficiency. They may provide so much leverage for equity capital that investments which are highly uneconomic for the economy look quite profitable to the borrower. As a result, farmers may purchase the input, its use may even increase agricultural production, but total or aggregate production in the economy may actually be lower. Take for example the ridger which, in spite of a continuing 75 percent or so subsidy, has not been in great demand by farmers. Paying only 25 percent of its full delivered cost a farmer might be encouraged to use a ridger in many situations where his return was 100 percent. In such a case, however, the return to the country as a whole would be a negative 50 percent.[1/] Compare this with the case of urea which in 1981-82 was subsidized at 20 percent. At 50 CFA per kilo a farmer anticipating the same 100 percent rate of return[2/] would have earned the country a positive 60 percent on its investment.[3/] In the former case, Niger would have produced more cereals and imported less grain but would have imported more metal, equipment parts, fuel and consumer goods than it saved in grain, 50 percent more. Had it reduced the subsidy on the ridger, fewer farmers would have used it, less metal, etc., would have been imported and the savings could have been 60 percent ahead instead of 50 percent behind in the example used here and it would have had more grain besides.

1/ If C is the cost of the input to the country, then .25C is the cost to the farmer with a 75 percent subsidy. The return to the country as a whole when the private rate of return is 100 percent is given by:

$$(2 \times .25C) - C = -.50C$$

2/ The actual return for urea applied to rice, was on the order of 250 percent assuming increased yields of 10 kilos of paddy per kilo of nitrogen, 80 FCFA per kilo of paddy with a crop value/fertilizer cost ratio of two required to break even. If the farmer purchased his fertilizer on the parallel market where prices are 20-25 percent below those of CA, the return to the economy was closer to 350 percent.

3/ $(2 \times .80C) - C = .60C$

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The central issue with respect to subsidies is what a country is getting in return for the public sector resources invested in them--resources which could otherwise be invested in agricultural research, agricultural extension, training, credit, irrigation, etc. In situations where modest levels of subsidies encourage adoption of inputs which are highly profitable to the economy, they are obviously beneficial and desirable. However, the higher the level of subsidy, the less certain one can be that farmers seeking to maximize their own profits will maximize the return to the country as well. This is especially true in Niger where the profitability of certain pieces of highly subsidized equipment is not at all obvious. Thus, although it is entirely possible that agricultural production may fall in the short run as subsidies are reduced--and this is by no means certain--this decline should be more than offset by higher grain production later as substitute investments mature, or by greater production elsewhere in the economy. Only in the case where a country prefers to import one and one-half to two times as much intermediate goods as it saves in grain imports would the levels of subsidy currently applied to agricultural implements in Niger make sense--social or economic.

6. The Special Case of Fertilizer from Nigeria

Fertilizer imported from Nigéria presents special problems because of the uncertainty over how long current availabilities and prices will prevail. From a short-term efficiency perspective fertilizer should benefit from the same level of subsidy as other inputs. However, it would be wise for the Ministry of Rural Development to develop a strategy for making a smooth transition to world market prices should such a need arise. The Government of Niger obviously cannot maintain present prices in such a situation. The subsidies would be staggering. As a precautionary measure, it would seem wise to let fertilizer prices rise more quickly than in the past, with a view toward rapidly eliminating the subsidy on fertilizer as long as the CIF price from Nigeria is below 100 CFA francs per kilo. At the same time, it would be wise to maintain a relatively high level of fertilizer inventories in the event that the supply from Nigeria drys up at a critical time.[1/] Should Niger then be forced to fall back onto imports from world market sources, the Government of Niger could ease the adjustment for farmers by distributing its emergency stocks and imposing a 20 percent subsidy on fertilizers imported from overseas. In the meantime, it could explore investments in a local bulk blending fertilizer plant and in acidulation of rock phosphate from Parc W. Under world market prices for imported fertilizer, both of these investments should be quite economic. At present prices for Nigerian fertilizer, they almost certainly are not.

[1/] The CA would need an operating subsidy to cover the added storage and interest costs related to the abnormally high level of fertilizer inventories. Otherwise it would find itself at an unfair competitive disadvantage vis-a-vis the private sector.

7. Needed Changes and Policy Reforms

Under the Agricultural Production Support Project, USAID has been studying the input supply system in Niger. On the basis of this study, the Mission is currently discussing with the Government of Niger possible reforms that will improve both the availability and the quality of inputs. These reforms center around increasing the role of the private sector, specifically of cooperatives, in providing inputs to farmers. The reforms envision a gradual transformation of the CA into an autonomous entity owned by cooperatives and having its own equity capital.

While the reforms being proposed under the Agricultural Production Support Project sponsored study are needed, they do not go far enough towards ensuring that farmers will have access to an adequate supply and quality of improved inputs. As the above analysis reveals, most of the problems with input supply relate to the way subsidies and prices are determined and applied, two things over which the CA h - little control.

a) Objectives of Policy Reforms

The reforms proposed for input supply and subsidies have three objectives:

1) increase the availability and use of improved inputs by fixing prices and subsidies in a way that increase aggregate growth and production in Niger;

2) improve the responsiveness of input producers and input suppliers to the needs of farmers; in particular to encourage technological adaptation and provision of better quality and lower cost inputs;

3) minimize the drain on Government of Niger investment and operating budgets by shifting the cost of input production and supply to the private sector to as great an extent as possible;

4) promote the role and importance of cooperatives in supplying inputs to farmers.

b) The Reforms and Their Justification

As an absolute point of departure, USAID should ask the Government of Niger to agree to eliminate the quantitiative rationing of agricultural inputs. All farmers should be able to obtain whatever quantity of inputs they want at the

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officially established price. If the Government of Niger cannot provide those inputs, then it should either raise prices or increase the amount available for subsidies. It makes absolutely no sense to combine subsidies with quantitative restrictions since the two policies have contradictory objectives. The specific reforms proposed to bring this about include the following:

1) The Government of Niger and Ministry of Rural Development would immediately limit the maximum subsidy on <u>any</u> input to 50 percent of its full delivered cost to farmers. Calculation of delivered cost should include CNCA overdrafts and administration and capital costs now borne by UNCC. At this level of subsidy farmers experiencing less than a 130 percent private annual rate of return from using the input will actually be costing the country more in non-cereal imports and foregone production elsewhere in the economy than it saves in grain production.[1] That is a very high private rate of return by any standards. The fact that farmers are only slowly adopting some of the inputs after over 15 years of active promotion suggests that the return to them is considerably lower than this. Consequently, the return to the economy is probably quite negative under current subsidy levels. The 50% minimum level would reduce this drain on the economy.

2) The Government of Niger would evolve toward a maximum average subsidy level of 15 percent by the end of the Agricultural Sector Development Grant Agreement. This level provides adequate incentive for farmers to adopt new inputs in the high interest rate environment of rural financial markets. At the same time it limits the stimulus to adopt those inputs which are not economically viable. The farmer is not well served by excessively low sibsidies for inputs that encourage adoption but which he finds unprofitable to use once subsidies are reduced. Money saved by reducing such subsidies would be better spent on research and development for implements and production technologies which are more appropriate to farmers needs. Alternatively, the savings can be used to strengthen extension services for demonstrating to farmers the proper use of inputs. This would increase the rate of return of inputs already in the hands of farmers.

3) Once the Government of Niger determines the level of subsidy for a commodity, that subsidy should be applied as a fixed amount per item sold or purchased, not as a general operating subsidy for input manufacturing or input supply

[1] Assuming the opportunity cost of public sector capital is 15 percent, i.e. $\frac{\text{Cost} + .15\ \text{Lost}}{.50} - \text{Cost} = 1.3$ or 130%

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entities. This subsidy should be given directly to manufacturers per unit of equipment manufactured or, better yet, to cooperatives or farmers per unit of equipment purchased, though this approach may be more difficult to control.[1] Manufacturers would then have to compete for sales and would have an incentive to lower costs and to adapt their products to the needs of farmers. More importantly, it would allow the private sector to become more actively involved in input distribution since private sector suppliers would be competing on an equal basis with the CA and other input suppliers. It would also give input manufacturers and distributors an incentive to provide extension services to farmers, though this may take a while to evolve. Either the CA, the CNCA or the CSPPN could administer the subsidies based on sales by manufacturers or purchases by cooperatives.

4) Within the context of fixed unit rather than general operating subsidies, USAID would support and encourage the evolution of the CA into an autonomous parastatal and eventually into a cooperatively-owned input supplier. Such an agency should <u>not</u> be given monopoly powers but should be required to compete openly and fully with other merchants and traders in the private sector. This will assure the supply of inputs to the more remote areas of the country while maintaining competitive pressures on all market participants to control costs and keep prices to farmers as low as possible. Resources for bringing about this transformation will be provided by the existing Agricultural Production Support Project. Should the GON find that the delivered cost of inputs in distant markets is too high relative to other parts of the country, USAID would not object to modest additional subsidies for inputs delivered to those areas--provided the overall fifteen percent average level is maintained.

5) Within the context of an autonomous input supply parastatal or cooperative, all market participants should be free to set their own prices to farmers. The Government of Niger would concentrate on avoiding monopolies and ensuring competition. Competition rather than policing power would then keep prices in check.

8. Conclusion

Implementing these policy reforms will not completely eliminate the need for subsidies. Indeed, as use of inputs grows, it is unlikely that the total amount of subsidy required will fall below the 300 million CFA francs provided

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1/ See the Institutional Analysis of Proposed Policy Reforms in the next annex.

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as a direct subsidy over the 1984-85 period. But unpayable CNCA overdrafts would have been eliminated, greatly strengthening the financial viability of that institution, In addition, other costs now covered in the operating budgets of UNCC and the Ministry of Rural Development would be transferred to the direct subsidy category. Finally, when applied in the manner proposed, any remaining subsidies will indeed serve to encourage the adoption and use of improved inputs rather than discouraging it. They will also serve to increase food production over the long run by improving the economic base of Niger's agricultural sector.

C. Agricultural Credit

1. The Role of CNCA

Formal agricultural credit in Niger is provided through the CNCA. The CNCA's lending activities cover three broad categories: production loans, marketing loans, and prefinancing of goods eligible for reimbursement under existing and approved loans. Production loans may be either to individual directly or to individuals through a cooperative, though the latter predominate by far. Loans for fertilizer, animal traction equipment, cattle fattening, and livestock must be made through the cooperatives. Although the CNCA loan accounts for individual cooperative members are in the name of the individual, the cooperative is, in theory, collectively responsible for the loans of its members.

The CNCA marketing loans finance the purchasing activities of OPVN, SONARA, UNCC, and CFDT. The prefinancing loans finance input purchased by the CA and by the Productivity Projects until external finance is released or assured. They also finance the production campaign of ONAHA until it gets reimbursed from the cooperatives. In 1981 about 18 percent of CNCA's loan commitments were for production loans. The remainder is more or less equally divided between marketing loans and prefinancing activities.

2. CNCA's Financial Situation

As of mid-1983, CNCA was essentially bankrupt. Against its total equity capital of somewhere around 2.0 billion CFA francs, CNCA has an estimated 4.1 billion CFA francs in non-performing loans to parastatals, 1.6 billion CFA francs to agricultural cooperatives, and 120 million CFA francs to individuals for a total of 5.8 billion CFA francs. In effect, CNCA has been financing operating costs for UNCC, OPVN, and other parastatals, a task for which it was not designed and for which its capital and internal management structure is totally inadequate. This has diverted attention away from its agricultural production credit activities and compromised its ability to carry out this very important agricultural development function.

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3. Problems with Agricultural Credit

Current problems with repayment of agricultural credit in Niger are probably due more to the way agricultural credit has been allocated and collected than to an unwillingness on the part of farmers to repay. The principal problem has been that, as the agency that bears financial responsibility for agricultural loans, CNCA has not, until recently, controlled the allocation of credit.

Prior to 1980, the CNCA was part of UNCC. The representative of each agency at the department level was the same person. For this reason, UNCC agents in the dryland areas, and UNCC agents in cooperation with ONAHA agents in the irrigated areas, helped farmers identify their needs for inputs and obtain credit for purchasing them. They also collected loan repayments.

In 1980 the Government of Niger split off the CNCA and placed it under the Ministry of Finance to allow it to become a full-fledged agricultural credit institution, hoping to resolve growing problems with loan repayment. At that time the CNCA became officially responsible for distributing its loans and collecting the repayments. However, it did not have the manpower or the resources to extend its reach beyond the department level. Consequently, it continued to rely on UNCC and ONAHA agents to gather loan applications and collect repayments.

Until 1980, CNCA essentially delegated loan approval to technical committees at the arrondissement and department levels. The Comité Technique de l'Arrondissement (COTEAR) reviews the loan applications proposed by the cooperatives. After approval, the applications pass to a similar committee at the department level (COTEDEP). Once the COTEDEP approves the loan application, it passes to CNCA for issuing a loan agreement. The loan agreement then passes to the local UNCC agent who secures the farmer's signature. Against the signed agreement, the CA delivers the equipment to the farmer. At that point CNCA transfers the appropriate loan amount from the CA's account to the cooperative's account.

Until 1981, the CNCA agent at the department level passed the loan application to COTEDEP for review, whether or not he concurred with the loan request. As a result, many loans were approved over the objections of the CNCA representative. It also appears that UNCC and ONAHA agents at the cooperative level frequently grew tired of lengthy delays in processing loan applications by CNCA and gave farmers equipment without having obtained an approved loan agreement. In effect, the agency that bears financial responsibility for administering the loans did not control the allocation of credit. CNCA was simply expected to finance whatever loans were approved by COTEDEP, ONAHA or UNCC agents regardless of the previous credit history of the individual or cooperative receiving the credit.

In 1981 when CNCA tried to gain control of its loan portfolio, responsibility for loan collection became more, rather than less, confused. Although CNCA continued to rely on UNCC and ONAHA agents to collect loan repayments, actual responsibility for collection does not appear to have been clearly defined. Moreover, UNCC and ONAHA agents tend to see their first responsibility as one of distributing inputs to farmers via the cooperatives. Consequently, they are more apt to tolerate financial losses and mismanagement in the belief they are acceptable if the farmer is being helped.

Because of repayment problems, the Government of Niger had already suspended credit for fertilizer following the 1979/1980 crop season in all areas outside of the irrigated perimeters. Not surprisingly, because of the lack of effective control and supervision already mentioned, arrears on medium-term credit continues to grow. Finally, in 1982, CNCA flatly refused credit of any sort to cooperatives having more than 10 percent arrears. Apparently this included virtually every cooperative in the country.

After receiving assurances from the Minister of Rural Development that ONAHA would take special care to deduct an appropriate number of sacks of grain from the sales of the offending peasants, the CNCA relaxed its position somewhat. It allowed new credits to ONAHA supported cooperatives only, i.e. to those producing irrigated rice. The promised repayments never took place. CNCA then stopped all credit the following year except for graduates of the CPR and the CPT and for a few cooperatives who managed to reduce their arrears to acceptable levels. This sharp curtailment of credit was a third factor, along with the reduced levels of direct subsidies in the face of inflexible selling prices for inputs, and delays in setting subsidy amounts, that contributed to the 50-75 percent drop in the level of sales of all agricultural inputs in 1982/83 (see Table A-1).

Because of the withdrawal of CNCA credit for the purchase of fertilizers, CA has been extending supplier credits to the productivity projects and to cooperatives in order to stimulate sales. As a result, it has been accumulating its own delinquent credit accounts. These amounted to 290 million

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CFA francs as of September 30, 1983. The accumulating arrears on individual farmer credit have depleted the revolving credit programs of some of the productivity projects as well. Some have been forced to restrict production of farm implements for lack of credit for working capital, which comes from the same fund.

Table A-6 reflects the impact of the availability of credit on sales of agricultural inputs. In 1982/83 when total input sales fell sharply, the amount of cash sales by CA changed only very little. At the same time, sales on medium-term credit dropped almost 90%. Cash sales as a percent of total CA sales rose from 20% in 1981/82 to 30% in 1982/83.[1/] The fact that they did not rise more was due partly to the increase in supplier credits extended by CA directly to its customers (short-term credit rose by 90%) and partly to the rationing of supplies and to delays in the delivery of inputs to the cooperatives mentioned previously

4. Causes of Low Repayment Rates

Equipment and materials which arrive too late or which are of little use to farmers are partly responsible for problems of repayment with the credit programs. Other problems arise from the distribution of equipment without a signed loan agreement. This prevents the UNCC agent from legitimately accepting a farmer's offer to make a scheduled payment since the agent does not know the amount of the loan or the contract number against which to allocate the payment on the receipt. Obviously this creates opportunities for diversion of funds as well. And of course, all of these problems are made worse by CNCA's very poor internal bookkeeping procedures that prevent it from keeping its deposit and credit accounts up to date. Cash management procedures are sloppy at all levels.

Repayment problems in Niger are greatly aggrevated by the high level of debt which most farmers incur when they leave the CPTs and the conditions under which they leave. In most cases farmers do not receive their own oxen until they leave. As a result they return to their village with a pair of untrained animals which they are then supposed to train and use to demonstrate improved techniques to fellow villagers. They would clearly be able to use their equipment more effectively and generate income more quickly if they would get their animals at the beginning of the training program so they could leave with a team of trained animals.

[1/] The data in Table A-6 are only indicative and contain obvious errors. The total value of sales for 1981/82 and 1982/83 does not correspond with those implied by the consumption figures in Table A-1. As reported in Table A-3, the value of sales for those two years was 1383 and 707 million CFA francs respectively, not 988 and 621 million as indicated in Table A-6.

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TABLE A-6
The Evolution of Cash
Short-Term and Medium-Term Credit Sales
by the Centrale d'Approvisionnement
1977-1983

(million CFA francs)

	Sales			
		Credit		
Year	Cash	Short-Term	Long-Term	Total
1977/78	33	85	195	313
1978/79	31	141	255	427
1979/80	92	160	172	424
1980/81	N/A	N/A	N/A	N/A
1981/82	193	193	602	988
1982/83	185	370	66	621

Source: Figures for 1977-1982 taken from Pattinson et al. (1983 draft). Figures for 1982/83 obtained from the Director of CA.

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The trainees also leave their nine-month training program with a grain allotment insufficient to carry the family over the next production season. This forces them to fall back on family sources for support and increases their level of indebtedness. Because of the lack of the lack of credit for fertilizer and insecticides, they are often unable to acquire inputs necessary to make their investment profitable enough to meet scheduled loan repayments. For these and other reasons, former CPT graduates are among the most intransigent non-payers of animal traction credit, at least within the Niamey Department Development Project area.

One of the more important causes of low repayment rates arises from a simple failure to pursue farmers and ask them for the money. A recent audit of the Niamey Department Development Project insisted that project officials come to terms with a 29 percent repayment rate in the project's credit program. Following the audit, the project mounted a systematic program to update its records and followup loan recipients who were in arrears. In spite of the fact that this effort took place during the "hungry" season, the project collected sufficient payments to raise its repayment rate to 61 percent in little more than a three-month period. Needless losses had arisen from the absence of a well-organized collection, cash management, and accounting system. The major remaining non-payers are graduates of the CPT, some of whom have, in their own minds, a special grievance against the project concerning the technical package they purchased. The project may have to use somewhat more forceful tactics to make substantial progress in reducing arrears with this group of farmers.

The principal factor leading to low repayment rates throughout Niger seems to arise from a general lack of concern about financial management and repayment rates on the part of officials responsible for program administration. There is little awareness of the problem of decapitalization of the credit fund. Rather, credit is more frequently seen as an input to be consumed by the project. Interest charges are often viewed as inapporpriate for "poor" peasants.

Farmers, on the other hand, appear to take credit more seriously. This is evidenced by generally satisfactory first year prepayment rates which drop off sharply as nothing is done to non-payers. In their first year of operation the 12 cereals banks financed by the World Food Program and administered by the UNCC in Maradi, for example, experienced an 80% rate of repayment of principal and interest as of

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December 31, 1982. This rose eventually to 90% in spite of 30-50% interest rates and little followup. However, as of December 31, 1983, thé repayment rate stood at 42%. Nothing was being done to encourage repayment.

The repayment rates for the Maradi Productivity Project's animal traction credit program, the largest in the country, averaged about 74% in 1982/83. The CNCA agent attached to the project expects much improvement in 1983/84 because of actions being taken against non-payers. Credit for inputs supplied by CFDT, also distributed and collected by UNCC and the coops, averaged over 95% repayment of principal plus interest over the last two seasons. In the CFDT program, low repayment rates result in the immediate termination of credit privileges.

The repayment problem can also be controlled by being more selective in allocating credit. Repayment rates for loans given to vegetable growing cooperatives for shallow wells in Madaoua were over 97% for some cooperatives that were selected on the basis of management ability, interest and willingness to put up their own resources. For others, selected on the same basis but where there was little or no followup by the Agriculture Service, repayment rates ranged between 0-70%. Of the two factors, followup appears to be the more important.

Focusing only on repayment rates can lead to an entirely different set of problems in agricultural credit programs. Wealthier farmers will in general be more able to repay. As a result, a real danger arises that credit will increase social and economic differentiation within rural areas by giving these individuals better access to income-producing resources. In Niger, there is no evidence that wealthier farmers do indeed have higher repayment rates than poorer ones. Consequently, the need to give current economic status much weight in allocating credit is not established. On the other hand, questions concerning the economic viability of the animal traction package as it is currently extended in Niger make it unclear whether persons borrowing money for animal traction equipment are indeed made wealthier as a result. These and other unknowns suggest that the GON ought to focus the bulk of its attention on establishing realistic prices for agricultural inputs and on imposing sufficient management discipline on credit administration agents to ensure that reasonable efforts are made to recover loans. In the final analysis, high repayment rates are a necessary, though perhaps not a sufficient condition for a development oriented agricultural credit program. Once a program has demonstrated its viability then donors and the GON can give greater attention to distribution objectives. Doing so at this point is a case of putting the cart before the horse.

5. <u>The Informal Credit System</u>

Parallel to the formal system of credit exists an informal or traditional system of credit. Very little is known about how this system operates in Niger. Studies done in the eastern region of Upper Volta and in northern Nigeria provide some insights into how it is likely to function but this remains conjecture at the present time.

According to King's (1977) study of Hausa farmers in northern Nigeria, the majority of informal credit involves loans between family members and friends at zero interest. Because of reciprocal social obligations, zero interest may not mean zero cost. Nonetheless, because of the existence of this type of credit, rural financial markets in northern Nigeria are capable of mobilizing a considerable volume of savings. In such a context, a program to mobilize rural savings would be a natural adjunct to an official public sector rural credit program.

Stickley (1977) looked closely at informal commercial credit in eastern Upper Volta. He found a variety of cash and kind arrangements that yielded equivalent annual interest rates in excess of 100%. Admittedly, such calculations are very sensitive to costs inputed for transaction costs and risk. However they do suggest the prevelance of very high interest rates in certain segments of the informal rural financing system.

Wright (1982) investigated informal credit markets in Niamey. He identified four forms of credit; private credit, largely between family members and friends and often at zero interest; merchant credit, usually extended in kind and bearing a markup for repayment of 35-100 percent; credit from moneylenders lending their own funds and from brokers using their own as well as funds from others; and petty trading of goods acquired at a discount. Rates demanded by merchants and brokers usually varied between 35 and 50 percent for quite large sums of money. Trading of goods acquired at a discount, on the other hand, can hardly be considered a source of credit as much as a source of earned income. In general, however, informal credit in the urban sector is extended for relatively brief periods of time, almost always less than a year and usually less than a month.

On the basis of these admittedly sketch data, there is little doubt that the informal credit market in Niger is both active and, very possibly, of substantial magnitude. Interest rates are high but how much of this is due to high risk is not known. The length of loans tends to be short vis-a-vis the needs of a medium-term agricultural credit program. However, there may be potential for organizing these markets in such a way as to provide production credit. The major obstacle to using the informal credit market for providing medium-term agricultural credit in Niger may be the high opportunity cost of private capital relative to the profitability of many medium-term agricultural inputs. This does not deny the potential value of such a program for non-agricultural needs. However, much more needs to be known about this sector before it will be possible to make an accurate assessment of its potential for mboilizing rural savings and capital for agricultural investments.

6. Is There a Need for Institutional Agricultural Credit in Niger?

The analysis thus far points to several factors which suggest the need for a viable institutional agricultural credit program in Niger. The apparent existence of a high interest rate environment in rural financial markets argues for some measure, either subsidies or credit, to funnel more capital resources from the public sector facing relatively low capital costs to rural financial markets. This does not mean that interest rates on a credit program should be low. Rates of 25-30 percent would probably cover most costs once the program had established itself and once a relatively effective delivery system is put in place. This would be especially true if such a system were viewed as a rural credit system rather than simply an agricultural credit system. In that case it would handle a higher volume of loans for a more diverse set of activities.

The highly variable and, quite likely, low but economic returns associated with the technological packages suggest that most of these technologies will not be widely adopted if farmers must acquire the cash to purchase them in rural financial markets. Modest levels of subsidies might provide an effective substitute for a credit program in the short run, but the long run case for a credit system remains. This is especially true if substantial rural savings exist which can be mobilized to partially fund such a system.

The third piece of evidence comes from the very sharp drop in CA sales of inputs following the virtual cessation of new credit to all but CPT trainees by CNCA in 1983. This piece of evidence is less conclusive since there was, in fact, a convergence of three factors, all operating in the same direction. If the inputs being offered are economic, and the evidence suggests that under many circumstances the more widely purchased ones are, then such a sharp drop in consumption certainly has a negative impact both on agricultural production and aggregate output. Given that the CA reports that its orders fell even more than its capacity to meet those orders, the link to the cessation of credit seems quite clear.

Any action which increases availability and use of improved inputs that are economic for the country as a whole will also increase the effectiveness of the extension service. When the inputs and technologies which the agents are trained to use are not available, the agents can hardly realize their full potential.

Demonstrating the need for an agricultural or rural credit program does not mean that one is viable in a given social and political context. This is a matter about which a great deal more reserve is warranted in the context of Niger. Little is known about traditional forms of credit and traditional creditor-debtor relationships among some of Niger's more important ethnic groups. Not much is known about why people borrow money nor the time preference they attach to various kinds of resources at various times of the year. Still less is known concerning pressures and risks that govern the creditor-debtor relationship or the extent to which components of this relationship suggest more or less viable approaches to institutional credit. These and other questions will probably need to be answered before Niger will be able to mount an effective program for developing its rural financial markets.

7. Improving Agricultural Credit Delivery in Niger

While there is a certain intuitive appeal to relying on traditional forms of organization for delivering agricultural credit in LDCs, King (1977) and other authors caution that organizing cooperatives for credit delivery according to traditional organizational modes would result in exclusive rather than inclusive group membership in northern Nigeria. Such limited membership may lead, in turn, to a concentration of credit. As a consequence, it could limit the production benefits realized from fertilizer supplied on credit. This would be especially true in the case where the total amount of fertilizer available was not sufficient to meet total demand.

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Available evidence in Niger suggests that group responsibility for loans to individual GM or affinity group members, coupled with immediate withdrawal of credit privileges when credit terms are not met, shows promise as an effective way of delivering credit to the village level. The Government of Niger seems willing to support repossession of equipment where non-repayment persists. The principal challenge is one of developing a structure that can effectively interface between CNCA at the department level and the individual GM or affinity group.

To address the CNCA's current financial crisis and management problems, the FED/CCCE is considering providing a three- to four-man technical assistance team to restructure the bank's central administrative and accounting procedures. This effort should be supported. Niger has little choice but to grope until it finds an effective agricultural credit delivery system. It is illusory to think that by letting CNCA collapse and beginning anew, the organizational, institutional, and management problems would be any different. However, unless a great deal of attention is also given to the interface between CNCA at the department level and the individual GM, CNCA will not become an effective institution for delivering agricultural production credit to cooperatives.

Organizationally the Union Locale des Cooperatives (ULC) may offer promise as a potential direct link between the CNCA and the GM for delivering, supervising and collecting agricultural production credit. It could also serve as a locus for technical assistance to the GM in managing their cooperative accounts. To be effective the ULC would have to be the sole direct link between the CNCA and the GM with no intermediaries. This means necessarily that all ULC and all GM within an ULC could not be served initially. This presents difficult problems of choice that governments like to avoid. It is, nonetheless, an unavoidable problem if CNCA or any other institution is going to be allowed to evolve according to its demonstrated capabilities into a larger, more viable entity. Alternatively, CNCA might establish mobile banking units which could pass between cooperatives and GM on a prearranged schedule once or twice per year.

In the short run, the greatest improvement in the financial crisis confronting agricultural credit would come from mounting a nationwide program to straighten out CNCA documentation and to pursue farmers for repayment. This was done in Niamey Department Development Project with good results. It is also a condition for implementation of the IBRD irrigation rehabilitation project and for FED support of cooperatives on FED financed perimeters. A contributing solution, longer term in character, would involve increasing the relevance to farmers of both the content and methods of teaching at the CPT's and the CPR's. This would require making smaller more flexible traction packages available to farmers early in the training program. It would also involve conducting applied research aa part of the program of the CPTs. The purpose would be to evolve and adapt technological packages that are more appropriate to the situation to which the trainees will be returning.

Repayment rates would also improve if farmers had access to a user-financed crop insurance fund to pay for cases where a crop fails because of weather or because of the actions of extension agents. At the present time, UNCC or ONAHA agents sometimes exonerate peasants from repaying CNCA debts without consulting CNCA. CNCA then bears the cost of such exonerations. Unfortunately, designing and implementing a successful crop insurance fund will be a great deal more difficult than recognizing the obvious benefits of one. On the other hand, an insurance fund for draft animals, financed by the owners of the animals, deserves more serious consideration as part of a restructured agricultural credit program. The death of an animal is a more definitive event than a crop failure. In addition, successful programs already existing in West Africa could provide models for program design and implementation.

8. Needed Changes and Policy Reforms

There is tremendous disarray and confusion with respect to agricultural credit in Niger. It is uncertain how the present structure can be transformed into an effective farm level credit delivery institution. It is even less clear how to do this so as to develop rural financial markets as a longer term solution to rural credit needs. There are, nonetheless, a number of actions that offer to improve substantially the chances of evolving a successful viable agricultural credit program over the longer run.

a. Objectives of the Recommended Policy Reforms

1) Establish a sound social and financial basis for delivering agricultural credit to Niger's farmers.

2) Increase the ability of farmers to repay loans obtained for agricultural production by increasing access to improved inputs and by ensuring the economic use of those inputs.

b. Recommended Reforms and Their Justification

1) The GON needs to reinforce its efforts to account for CNCA loans to cooperatives as well as cooperative loans

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from other sources such as the CA, RINI, ONAHA, CFDT, and the productivity projects. This is a necessary first step in establishing responsibility for unpaid or missing amounts and in firmly establishing the principle that credit involves repayment obligations. Once this inventory of loans and credits is accomplished, the Government of Niger will need to identify the just debts of all cooperatives and establish the terms for their repayment.

For the sake of future program discipline, it would not be wise to forgive past debts lightly. Forgiveness should require good evidence that the money had in fact already been repaid but was not properly recorded and accounted for by GON agents. In addition, some consideration might be given to farmers who received incomplete packages. While this approach may seem harsh it probably represents the last chance for the GON to salvage the essential ingredient for a successful credit program -- discipline. Should the GON lightly wipe away the efforts of past mistakes it may be very difficult to establish a viable long-term credit program in the future. In effect, the farmers will have to bear the cost of past mistakes.

2) Because of problems with cooperatives mentioned in the next annex, it would seem advisable to shift collective responsibility for loan repayment from the cooperative to the GM. The GM can exercise more social control over non-payers than can the cooperative. It would probably be desirable to shift responsibility to an even lower level if administration of a more disaggregated program proved feasible.

3) USAID recommends that the GON establish conditions for access to new credit that include full payment of arrears on just debts over a reasonable time period. As a minimum we propose that such conditions include 100% repayment of both the rescheduled payment for arrears as they come due and the scheduled payments on new loans. GM's would be permitted to add a surcharge to loans to generate revenue in order to cover bad debts so the lending agency would be fully repaid. Once payments fall below 100% of the amount of principal plus interest due, a GM would receive no new credit until the arrears were paid. This policy would, in effect, shift total responsibility for non-payers to the GM.

4) Farmers should be free to choose which equipment they want in an animal traction package purchased on credit. This will reduce both the level of investment and the amount of subsidies required for a given package. It will also promote a fuller utilization of equipment distributed to farmers. If the economic advantage of a particular piece of equipment is substantial, then farmers will probably come to this conclusion themselves once they learn how to use effectively what equipment they already have.

5) CPR and CPT trainees should be given their oxen at the beginning of their training programs. This will permit them to use their own animals for cultural activities and to leave the centers with a well trained team of oxen.

6) USAID and the GON should launch a serious study of non-institutional credit systems in rural Niger. The results of such a study would provide valuable information that would aid in the design of a viable rural credit program. The study should evaluate the savings generating capacity of rural financial markets in Niger and the mechanisms by which lenders interact with borrowers to ensure repayment of borrowed funds. In addition, the study should identify types of local level structures that might serve as models for administering formal institutional credit at the village level.

9. Means of Achieving Policy Reforms

The time consuming and delicate nature of rectifying the loan accounts of the cooperatives argues against setting a specific time table for completion. Implementing the recommendation that CPT trainees be given their oxen at the beginning of their training program will probably have to await the restructuring of CNCA and improvement in its financial position. Because of these uncertainties it would not be wise to program a specific date for completing the changes. On the other hand, allowing farmers to choose their own equipment for purchase on credit is feasible within the present context since it will require no new resources for implementation. The same is true for shifting responsibility for loan repayment to the GM.

The study of rural financial markets will require substantial resources. USAID is prepared to finance this study from the $2.5 million reserved for policy studies and workshops. The Terms of Reference of such a study are detailed in Annex

D. Agricultural Price and Marketing Policies

1. Official Marketing System

Niger has a dualistic food grain marketing system similar to that of several other African countries. A parastatal, the Office des Produits Vivriers du Niger (OPVN), has official responsibility for organizing cereals marketing, anticipating national cereal needs, maintaining reserve stocks of cereals, and managing food aid. It executes an official cereals buying campaign each year through cooperatives and local officials responsible for purchasing grain in primary

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markets. Both its purchases and sales are made at officially fixed prices established by decree each year just prior to the harvest. It attempts to stabilize prices for both producers and consumers and to guarantee cereal supplies for urban areas. Its principal mechanisms for doing this include market interventions and regulations.

A relatively small proportion of total millet and sorghum production in Niger is marketed since they are the country's principal food staples and 75 percent of the population are agriculturalists. Because of this, OPVN is able to be a significant force in cereals markets while purchasing only a small part of cereals production. Estimates of the proportion of total production which is actually marketed vary between 10 and 35 percent in a normal year (of which there are relatively few in Niger). Of this, OPVN purchases between 18 and 63 percent, depending on the source of the estimate and the year. Actual quantities marketed by farmers vary tremendously from one year to the next depending on such factors as the level of production and the quantity of grain in storage. OPVN purchases generally vary even more.

OPVN handles all of Niger's food aid imports, and imports grain commercially as well. This gives it greater market muscle than local purchases alone would suggest. About 20 percent of its total acquisitions are distributed free and are not reflected in its sales figures. Local sales in turn, average 50 percent more than local purchases.

Table A-7 compares official production with OPVN local purchases and sales in order to give an indication of its impact on both producer and consumer grain markets. In general, using 15 percent of official production as a crude estimate of average marketed output against which to compare, OPVN garners somewhere around 20 percent of marketed millet and sorghum in an average year. The rest is handled by the private sector but much of this does not move out of the village in which it is produced.

Since OPVN concentrates its buying program in surplus producing areas, its potential impact on the market is greater than would be suggested by its market share alone. In general, in those areas where the official price is above the local price, OPVN is able to effectively support the price while purchasing activities are under way. Unfortunately, the official price is frequently so different from the local market price that OPVN either gets way more than it can handle or not enough. In 1983 this was causing both OPVN and the Government of Niger considerable financial stress, as is pointed out later.

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TABLE A-7

OPVN Imports and Local Purchases and Sales of Millet and Sorghum as Compared to Official Production and Average Marketed Output 1975-1983

(Metric Tons)

Year	Official Production[a/]	Estimated Marketed Output[b/]	OPVN Transactions: Local Purchases[c/]	OPVN Transactions: OPVN Imports[d/]	OPVN Transactions: Local Sales[c/]	Transactions as a Percent of Estimated Marketed Output: Purchases	Transactions as a Percent of Estimated Marketed Output: Sales
1975/76	1,305,000	196,000	21,692	73,612	78,702	11	40
1976/77	1,471,000	221,000	45,987	30,327	49,240	21	22
1977/78	1,495,000	224,000	13,805	22,051	45,309	6	20
1978/79	1,607,000	241,000	59,944	33,560	46,738	25	19
1979/80	1,732,000	260,000	77,961	10,802	84,904	30	33
1980/81	1,806,000	271,000	20,990	19,228	70,136	8	26
1981/82	1,652,000	248,000	31,583	56,318	32,592	13	13
1982/83	1,688,000	253,300	87,995	38,798	N/A	35	

a/ Taken from Table 1 in the text (Section III. B.)

b/ Estimated at 15 percent of official production to serve as a reference point only. Estimates by others are in the range of 15-20 percent in a normal year with extreme variation from one year to the next. Official production may overstate actual production by 25-35 percent.

c/ Taken from Boureima (1983).

d/ Taken from Boureima (1983) and Oumarou (1983). Includes food aid imported by OPVN.

In addition to OPVN, two other parastatals, the Société Nationale d'Arachide (SONARA) and Riz du Niger (RINI) are responsible for peanut and cowpea and rice marketing, respectively. RINI is essentially just a middleman between OPVN and the rice producing cooperatives. It processes all the rice it receives for eventual sale to OPVN at prices determined by OPVN. SONARA, on the other hand, operates independently in much the same way as OPVN except that it handles crops which, at least historically, have been export oriented.

The Government of Niger regulates primary marketing of cereals with an ever changing array of arrêtés and radio broadcasts that sometimes make it difficult to determine just what is occurring at the farm level. During the 1982/1983 cropping season, sales by farmers to other than one of the three parastatals or their designated agents were illegal. According to relevant arrêtés for the 1983/1984 buying campaign, the Government of Niger is relaxing its grain purchasing procedures for sorghum and millet. It is permitting farmers to sell millet and sorghum to anyone except in those markets reserved to OPVN. At first glance this represents a substantial shift in policy since OPVN buying centers were reduced from 418 in 1982/1983 to 67 in 1983/1984. Farmers near these buying points may still legally avoid official channels by taking their grain to another market.[1]

The substance of this change will not become fully apparent until next year. In 1983/1984 OPVN purchased only 30,000 tons because of excessively high stocks and was not, therefore, a major force in the market. Moreover, its purchase price was above local market prices for only the second time in over ten years. In this context, the only reason for regulations reserving certain markets to OPVN is to force farmers in the major surplus producing areas to market their grain through the cooperatives. They are the only designated agents for OPVN where they exist and the Government of Niger is trying to strengthen them.

Reported liberalization of cowpeas, peanut, and paddy marketing is not supported by the text of the arrêtés which govern the buying campaigns.[2] Arrêtés concerning all three

[1] The extent to which this is a feasible choice for farmers is not clear since farmers must obtain a permit to move grain along principal routes.

[2] Arrêté No. 038/MCT/DCI dated June 17, 1983 and No. 064/MCT/MDR dated November 29, 1983, both of which relate to paddy; No. 031/MCT/MDR of September 21, 1982 and No. 055/MCT/DCI/MDR of October 31, 1983, both of which relate to peanuts; and No. 054/MCT/MDR dated October 31, 1983 for cowpeas.

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commodities for 1983/1984 are virtually identical with those of 1982/1983. They make sales of peanuts and paddy to any but authorized agents[1/] in specific markets illegal. Sales of cowpeas to unauthorized agents are legal in markets not specifically listed in the arrêté but the arêtté lists over 475 cooperatives and 35 buying agents which cover virtually all the producing areas in Niger. These arrêtés notwithstanding, several Government of Niger officials reported that markets for rice and cowpeas had been liberalized such that farmers could sell to anyone. Others reported that this change was in the offing but had not yet been implemented. In any case, Niger's public commitment to greater competition between the private sector and parastatals in cereals marketing is yet to be fully tested in practice.

Most of the stimulus to liberalize certain aspects of cereals marketing has come from the heavy budgetary cost of current policies. It would be a mistake to assume that Niger is welcoming greater private sector participation in the economy. Many government officials harbor a deep distrust of the private sector and free markets. Because of the way private sector involvement has been structured in the past, much of this distrust is justified.

When we speak of the private sector in the United States, we generally implicitly assume existence of a highly competitive market. In such a situation the large number of market participants discipline each other and force each other to be efficient in their respective market niche. In Niger, as in many Francophone countries, private sector involvement more often means a private individual or company who has acquired a monopoly or a license or some other property right over a market. That property right enables him to exclude others and engage in predatory pricing and commercial practices. Nigeriens observe this and justifiably are suspicious of private sector activity. In this context, USAID must be careful to ensure that its proposals for greater private sector participation in cereals and input marketing will also lead to a substantive increase in competition within these markets.

Trading is one of the few ways farmers can provide themselves with employment during the long dry season. In spite of this, Nigerien officials generally do not like to see small farmers engaged in petty commerce. There is a constant push to organize the market, to reserve trading to professionals who have

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[1/] In general, the cooperatives.

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more respect for rules and regulations, and who have a reputation to maintain. There certainly is some merit to this point of view in a context where excess foreign matter in bags of grain and other problems are common. However, these problems definitely seem to be much more of a problem when farmers deal with government agents than when they deal with each other. In any case, by not more fully utilizing small traders the country deprives itself of substantial human resources for marketing that have a very low opportunity cost to the economy for a large part of the year.

2. <u>The Parallel Market</u>

In Niger, private sector markets operate parallel to the official marketing structure defined for millet, sorghum, rice, cowpeas, and peanuts. This system reaches from producers through assemblers and wholesalers on to retailers and consumers. Structurally, the parallel market has many characteristics of perfectly competitive markets (large number of buyers and sellers, small size of transaction, easy entry and exit, many marketing options, etc.).

In practice little hard data exists to determine whether or not trader margins reflect normal or excessive profits after all costs are appropriately costed and deducted. Studies done on traditional marketing systems elsewhere in Africa generally show them to be quite efficient. In spite of this, most civil servants remain convinced that collusion is rampant and that speculators make a killing at the expense of peasants and themselves.

Too often, urban dwellers ignore the fact that when crop failure occurs farmers have less grain both for themselves and for sale. Their real incomes fall accordingly, often quite sharply. Higher prices arising from the growing scarcity, partially, though by no means completely, offset this decline. It is the mechanism by which society's loss in the form of reduced production is shared by consumers as well as producers. To keep prices from rising without compensating farmers for their losses in some other way amounts to forcing peasants to bear the full cost of a society's adjustment to a difficult environment. This hardly seems just from a social point of view.

This does not mean that high prices or all price increases reflect legitimate social costs. The relationship between prices and costs needs constant scrutiny even in free market economies in order to guide appropriate policy responses when prices deviate substantially from costs.

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Quantitative analysis of 20 years of market price data by the Joint Program Assessment Niger Grain Marketing team sug[illegible]s that despite substantial governmental restrictions on [illegible]te trade, Niger's markets are reasonably well integ[illegible] asonally. Returns to storage over time in Niamey d[illegible]xceed the opportunity cost of capital. Moreover, the [illegible]udy shows that grain storage and speculation in Niger is a very risky activity. It frequently results in large losses. These results partially explain why most grain in Niger is stored on the farm and moved into markets by producers themselves. The determinants of seasonal price fluctuations are much more related to climatic uncertainties than to market manipulation as many Nigeriens believe.

Niger's markets are not so well integrated spatially, however. North-south linkages, including all the way into Nigeria, are quite good. But analyses of east-west linkages reveal the absence of good market information and impediments to the free flow of cereals. Price differences exceed what would be expected on the basis of costs alone. This is probably explained by the requirement that persons moving grain in lots much over one bag (100 kgs) must obtain a permit from the local authorities. Apart from Agadez most of Niger's north-south road system runs from surplus producing to deficit areas within the same department. Thus, movement in this direction is much more likely to be approved than movement to deficit areas outside of the department, i.e. to the east and west. Numerous road blocks facilitate the control of grain movements in this way.

3. Pricing Policy

a) Producer Prices

Each year official prices for cereals are set by the Council of Ministers upon the recommendation of an interministerial committee attached to the Ministry of Commerce.[1] Official prices are only support prices applied to the cooperatives and buying agents of OPVN, SONARA, and RINI. Merchants in the parallel market sometimes pay higher or lower prices but technically both actions are illegal during the buying campaign in reserved markets.[2]

1/ Comité National des Produits Agricoles, formerly known as the Comité National des Céréales.

2/ The buying campaigns normally last from four to nine months.

During the past two years, Niger's pricing policy for cereals has become much more aggressive. Using an index of the ratio of official prices for cereals to Niamey parallel market prices, Table A-8 shows that official prices for millet, sorghum, and rice for 1982/1983 and 1983/1984 are as high or higher relative to parallel market prices than at any time since 1970. At the present time they are above parallel market prices for all three commodities in many parts of the country.[1] This presents an excellent opportunity to implement marketing reforms that will relieve a tremendous financial burden from the public sector, increase average prices paid to producers and, most likely, reduce prices paid by consumers, all at the same time. Such an opportunity may not come again soon.

Primarily for climatic and technological reasons, production of millet and sorghum in Niger is felt by most observers to be unresponsive to price. Certainly the level of the official price bears little relationship to production because it is announced one month prior to the harvest and is intended to reflect supply and demand conditions in the market rather than to incite production.

Maina (1982) looked at millet prices in the context of a three-stage least squares model that included rainfall data. He found that production of millet was significantly, substantially, and positively related to the millet/peanut price ratio.[2] This is clearly evident when comparing millet and cowpea production and price data with that of peansuts over the past ten years.[3]

Using less appropriate simple correlation techniques, Borsdorf (1979) found a simple correlation coefficient of .25 between production of millet/sorghum and price. He also found a simple correlation coefficient of .56 between price and carryover stocks at the farm level. The Joint Program Assessment marketing study noted this relationship as well.

1/ According to the Director of CFDT, Niger's 1983/84 producer price for cotton is the highest in all of Africa. This indicates that the aggressiveness of GON pricing policy extends beyond cereals.

2/ This finding suggests that a sharp rise in the official producer price for peanuts to world market levels might be a very cost effective way of allowing OPVN to draw down its stocks while generating some foreign exchange. To be effective, the price would have to be announced well in advance of planting time so farmers could acquire acceptable quality seed.

3/ Millet and cowpeas need to be treated as a joint crop in the ratio of about 3:1 since intercropped millet and cowpeas is probably the most common alternative to peanuts.

TABLE A-8

Official Producer Prices
for
Selected Agricultural Commodities in Niger
1970-1984

	Millet Percent	White Sorghum	Paddy	Cowpeas	Unshelled Peanuts	Cotton
1970/71	10	10	22	20	n.a.	n.a.
1971/72	13	10	22	20	23	n.a.
1972/73	25	10	22	25	24	n.a.
1973/74	25	20	35	40	28	n.a.
1974/75	25	20	35	40	55	n.a.
1975/76	25	20	35	40	55	47
1976/77	25	20	39	30	55	47
1977/78	35	25	45	30	55	60
1978/79	40	35	45	45	75	62
1979/80	40	35	55	45	75	62
1980/81	45	38	55	45	75	62
1981/82	70	65	70	90	85	80
1982/83	80	70	85	85	100	120
1983/84	80	70	85	95	100	120

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TABLE A-9

Index of Ratios of Official Producer Prices[a/] to Parallel Market Prices (1982/83 = 100)

	Millet	Sorghum	Paddy	Cowpeas
1970/71	.59	.69	.72	1.43
1971/72	.69	.62	.68	.90
1972/73	.88	.42	.58	1.03
1973/74	.89	.79	.82	1.27
1974/75	1.09	.89	.92	1.24
1975/76	.88	.75	.81	1.69
1976/77	.68	.56	.71	1.11
1977/78	.70	.55	.74	.69
1978/79	.72	.65	.65	1.10
1979/80	.69	.66	.76	1.03
1980/81	.50	.48	.65	.58
1981/82	.62	.68	.78	.95
1982/83	1.00	1.00	1.00	1.00
1983/84	1.02[b/]	1.02[b/]	1.04[b/]	1.11[b/]

[a/] Index of the ratio of official producer price to Niamey parallel market price for the same commodity. It was calculated from data in Joint Program Assessment study of Grain Marketing in Niger, Statistical Annex, pp. 133-34.

[b/] Team's estimates as of February, 1984. Crop prices in the parallel market this year are as low or lower than last year while official prices have not changed.

Source: Official Producer Prices for millet, sorghum, paddy and cowpeas 1970-1982 from Joint Program Assessment Grain Marketing in Niger, 1983, Statistical Annex, pp. 133-34

Prices for 1982/83 and 1983/84 for all commodities were taken from relevant Ministry of Commerce Arretes.

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b) Consumer Prices

The Government of Niger does not just control producer prices. It controls the retail price of virtually every commodity and product that is an important part of the average consumption basket. It fixes by decree the price of basic consumable goods manufactured by large industries in Niger. This includes utilities as well as such things as sugar, bread, gasoline, cement, etc. It establishes maximum margins for most imported goods. By focusing on margins it does not disrupt import trade but can, when necessary, require justification for current prices from merchants. Finally, in each city and arrondissement the Local Commission for the Struggle Against the High Cost of Living sets the price of locally produced agricultural, small-scale industrial, and artisanal products. These committees are also responsible for setting the prices of millet, sorghum, rice, peanut, and cowpeas, generally with reference to the OPVN sales prices in the case of the first three. This system seems to be working reasonably well.

Up until 1983 OPVN sale prices were the same throughout the entire country. This, of course, resulted in a much higher proportion of sales per capita in the more distant markets where private traders could not compete. In 1983, however, as part of the Government of Niger effort to trim OPVN's operating costs and reduce its scope of operations, OPVN instituted regional pricing for rice. Similar changes for millet and sorghum are expected soon. This will provide a greater incentive for the private sector to play a more active role in supplying distant markets. If applied to OPVN purchases as well, it would help reduce farmer resentment against official prices in areas which are less prone to surpluses than others.

Up until 1977 OPVN maintained a sufficient spread between its purchase and sale prices to cover most of its costs. Then it began to let the spreads narrow as the revenue from uranium allowed the Government of Niger to raise official producer prices without raising consumer prices. In 1980, the Government began again to encourage OPVN to set sale prices that would permit it to recover all its operating costs. This raised OPVN's sale prices above parallel market prices and caused a sharp decline in sales. The consequences of this are discussed later.

4. Grain Storage and Food Reserves

OPVN estimates that it needs a reserve food stock of 100,000 tons that never draws below 65,000 tons except in an emergency. This gives it an adequate cushion enabling it to meet domestic

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food needs while mobilizing international assistance when emergencies arise. In addition, OPVN tries to maintain an intra-annual price stabilization stock of 50,000 tons. With a three-year rotation of the reserve stock, OPVN would buy and sell about 85,000 tons of cereals in a normal year. It would then have cereals stocks of 65,000 tons at the beginning of the buying campaign and 150,000 tons at the end of it.

Between 1973 and 1979 OPVN stored some of its grain at the farm level. At the end of the buying campaing, each cooperative could deduct up to 10 percent of the cereals they had sold and keep it in cooperative warehouses. The stock was financed by loans from CNCA or from the cooperatives own capital. The grain was then sold to members of the cooperative during the hungry season at the official price and the proceeds were used to repay the loan or to reconstitute the cooperative's capital stock. This allowed the cooperative to earn a margin and it saved OPVN storage and transportation costs. Although the program appears to have been working well, it was discontinued in 1979 under pressure to increase cereal supplies for urban areas. The Zinder seminar recommended that it be reinstated.

Studies of grain storage in northern Nigeria and elsewhere in the Sahel indicate that grain losses using traditional storage techniques are quite low, less than 10 percent. As the Joint Program Assessment marketing study points out, marketing practices in northern Nigeria are very similar to those in Niger. In addition, dry climatic conditions in Niger are more favorable for long-term grain storage. The study suggests that the average farmer had over two tons of on-farm storage capacity and that the supply of storage capacity was quite elastic. In addition, farm level storage costs cited in the report for northern Nigeria were quite low.[1/] Taken together, these data suggest OPVN should take another look at village level grain storage. This might include storage in farmers own graineries as well as in cooperative warehouses.

5. Marketing Problems and Recommended Actions

a) Inadequate Market Information

Much of the ability of traders and merchants to take advantage of farmers and consumers arises because of poor flows of information between market participants. The Joint

[1/] About $3 per ton in 1975. If grain stored at the village level were held in sacks, storage losses would probably be higher than under traditional methods unless adequate precautions are taken to protect the grain from insect and other damage.

Program Assessment study indicates that information on conditions in distant markets is especially poor. As an alternative to using OPVN and the police to try to control market exploitation arising from differential access to information, the Government of Niger should consider trying to improve the flow of price information. If, at the same time, the Government of Niger relaxed restrictions on internal movements of grain, then the private sector should regulate itself through competition.

As a starting point, the Agriculture Sector Development Grant team recommends that the Government of Niger institute a system for the timely collection of market price data on important cereals and agricultural products. The data would be collected twice weekly in two or three important markets in each arrondissement or administrative center. Price reporters would weigh all quantities and report all price data in standard measures. At the beginning of each week, each arrondissement would telegram to OPVN in Niamey the range and average of price data for the preceding seven days. The next day OPVN would summarize these data and, that night, report them on the radio in each of Niger's five major languages.

This system would have several advantages. First, it would communicate to OPVN and to private sector participants everywhere the existence of price differentials that exceed transportation and handling costs. Grain should then flow toward that area and dampen the rise in prices. Second, by informing farmers of market conditions it would increase their bargaining power vis-a-vis merchants and traders with whom they interact. This should raise farmers' incomes. Third, it would guide both farmers and OPVN in deciding whether to continue storing grain or to release grain from storage for sale on the open market. Markets would ration available food supplies in light of anticipated future supplies.1/ Finally, the price data would provide an early warning system for impending poor harvests and expected higher longer term grain prices, prices in local markets would continue to rise rather than weaken substantially as the harvest approaches. OPVN and the Government of Niger could then alert international donors and food aid would arrive three to four months earlier than at present. This would require a much lower level of emergency food reserves for a given amount of protection. It would also avoid the convergence of the arrival of large quantities of food aid with a good harvest, as occurred in 1982/1983.

1/ Obviously, information of this type would be useful to OPVN only if it had more flexibility in setting its sale prices.

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b) Inability of OPVN to Control Purchases and Sales

Although the current acute problems with OPVN arose for several reasons, an unexpectedly large volume of purchases from producers and an unexpectedly low volume of sales were among the most important. There is an inherent conflict between its price stabilization objective and the way in which prices are set. The inevitable result is periodic shortages or gluts accompanied either by political unrest or acute financial problems. All of this is really quite unnecessary and can be avoided if the Government of Niger changes the way it supports prices and the way OPVN purchases and sells grain.

Currently the only way OPVN can control the quantity of grain it purchases is through repressive measures against farmers when it needs grain and by cutting short its buying campaign when it has enough. Both approaches are counter-productive. The former basically forces a transfer of income from peasants to OPVN consumers, mostly relatively well off civil servants. The latter confers economic rents on those who are able to sell their grain at the higher price without providing much support to prices received by those unable to do so. Neither measure stabilizes prices.

Another problem occurs when the cooperatives exhaust the grain purchasing fund provided by OPVN, a relatively frequent occurrence. OPVN will not authorize the release of additional funds until it finds the time to certify available stocks. Sometimes delays in certification can last weeks. When such interruptions occur, private merchants enter the market and usually are able to buy the grain at distress prices. Having bought the grain from afar only to find the cooperative not buying, the farmer is faced with the choice of selling or waiting perhaps several days. Had he taken it to an unregulated market he would have found many buyers and sellers and certainly would have been able to obtain a better price. Thus, the system that is supposed to support prices frequently acts to depress them instead. Similar problems occur in the rice, peanut and cowpea buying campaings.

At the consumer level available evidence does not suggest that OPVN's presence in the market has acted to reduce seasonal fluctuations in price. Spreads in Niamey give conflicting results, depending on the measure used. Taken together with the preceding analysis, this suggests the OPVN's current buying and selling practices do not reduce seasonal price fluctuations to a noticeable degree.

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As an alternative to current practices, the Agriculture Sector Development Grant team recommends a complete revision in marketing procedures and marketing rules and regulations in Niger. Instead of announcing producer prices at harvest time, the Government of Niger would announce only the quantity of grain it will purchase. Once OPVN estimates where it will need stocks for consumption and where it will hold its reserves, OPVN would issue tenders for the time-phased delivery of appropriate quantities to the final destinations. It would use small-sized tenders so that an individual cooperative or ULC could expect to be able to amass enough grain to supply that shipment. Current tender sizes used by the Livestock Service for animal feeds, for example, are much too large. It could also use the smaller sized tenders to purchase grain from the cooperatives for holding in a village level grain reserve.

OPVN would handle its sales in the same way. It would establish a time phasing of sales based on fixed, predetermined quantities sold each week. It would, of course, always keep a reserve for responding to unanticipated price rises. It would then ask for bids from merchants wishing to buy its grain at the programmed time. Again, issuing the call for bids on relatively small quantities of grain will maximize competition between merchants and, consequently, prices received for the grain. If OPVN wants only to avoid the extremes of price fluctuations, it might concentrate all its tenders for purchase during the two or three months following the harvest and all of its calls for bids, during the hungry season.

The crucial difference between this proposed system and the current system is that all producers and all consumers benefit from the activities of OPVN. Traders and cooperatives would compete with each other for available grain and bid up prices to all producers. In addition, OPVN will be able to control its stocks exactly as it chooses and avoid the kind of financial problems it is now experiencing. Finally, OPVN will be removing itself from its costly involvement in the primary marketing of cereals and will focus on managing the marketing system so as to ensure competition while more effecitvely stabilizing prices.

This shift in the role of OPVN from one of a retailer restricting and constraining the primary marketing of cereals to one of a wholesaler promoting efficiency by ensuring competitive markets actually improves OPVN's ability to carry out its other functions. The prices received for the tenders will reveal what traders expect prices in the future to be. This could provide a still earlier warning of potential harvest problems than the contemporary market price data coming in from the arrondissements. OPVN would still serve its function of supplying schools, the military, hospitals, and other collective consumers with grain. It would still handle all food aid and, when necessary, integrate that into commercial circuits to dampen hunger season price extremes.

In effect, with this approach OPVN would not support producer prices at a certain level. It would, instead, provide the amount of support arising from whatever quantities it decided to purchase. If prices were unusually low it might purchase more, possibly with a view toward exporting it. If they were high, it might purchase less and begin releasing its reserve stocks on the market.

The Livestock Service of the MDR and the Centrale d'Approvisionnement have both used tenders to purchase inputs. We found no examples of a government agency selling mass consumed items using sealed bids. Both practices require a certain amount of financial sophistication in order to be successful.

Neither the Livestock Service nor the CA require persons submitting tenders to post a surety bond or other guarantee of delivery. All vendors have to do is to complete the proper forms correctly, pay for tax stamps (a very modest sum) and submit the tender on time. Not surprisingly this has led some firms to submit tenders without first ensuring their own supplies. After they are awarded the tender many such firms have been unable to secure the supplies as cheaply as they thought. In such cases the tender boards have excused them from their contracts without penalty. There was even a time when the Livestock Service paid in advance for supplies that the successful tenderers had agreed to deliver.

The CA has experienced quality problems with some of its purchases on tender. Substitution of products, incorrect packaging and adulteration have been found in various lots. Whether or not these practices have been overstated, they are often cited as proof that the private sector is not a reliable source of supply for critical inputs in Niger.

These kinds of problems with tenders would occur anywhere in the world where tendering firms are not held responsible for their bids and where merchandise purchased on tender is not checked for conformity to the specifications of the tender documents upon delivery. The procedures used actually invite abuse. Moreover the tenders are usually opened in a non-public session with only the winners announced in public. This creates obvious opportunities for favoritism and predatory trading practices.

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It is clear that OPVN will have to put considerable effort into establishing effective procedures for submitting tenders and bids. It will have to set bonding requirements and inspection procedures to ensure that tenders and bids that are submitted to it are honored and that delivered goods meet specifications. There is absolutely no doubt that private sector traders will have to be subject to a degree of market discipline before this kind of a process can work.

c) <u>Excessive OPVN Grain Reserves</u>

The Government of Niger is finding the financing of 150,000 tons of cereals to be prohibitive. It is consuming an enormous amount of resources that could be productively invested in more promising development programs. The Government of Niger needs to rethink its policies relating to food storage in light of the proposed reforms for purchasing and selling grain by OPVN. With effective procedures for purchasing grain on tenders and selling it under sealed bid, the need for large stabilization stocks will be reduced. The tenders, bids, and marketing information system should more effectively stabilize prices with a much lower volume of cereals passing through OPVN.

Under the new role envisioned for OPVN, the Government of Niger should find 100,000 tons of total food stocks, including 65,000 tons of emergency reserve, to be adequate protection against potential climatic disasters. The rapid crop-price reporting system and sealed bid/tender system will provide highly cost effective immediate information on impending harvests or disasters long before they become reality. As farmers experience significant climatic or insect problems affecting the harvest they will adjust their sales from reserves accordingly and local market prices will react. The magnitude of the reaction will indicate the severity of the distress.

There appears to be considerable potential for additional savings by maintaining OPVN reserve stocks in villages rather than in urban centers. Even if such stocks are eventually drawn into urban areas for sale, transport costs could be deferred for 2-1/2 years. If sold in villages they would be avoided altogether. If integrated with village level grain storage banks, costs would be reduced further. Increasing village level storage would respond to villagers concerns that food reserves are withdrawn to administrative centers and, as a result, become less accessible to them in time of need.

Given previous experience at the cooperative level with storing OPVN grain and with given experience with cereal banks, OPVN should find it relatively easy to shift at least 2,000 tons of its own reserve requirements to villages each year. The exact arrangement would need to be worked out with the cooperatives during the first year of the project. The Agriculture Sector Development Grant will provide technical assistance, if needed, for working out the details of applying this rec[illegible]endation.

d) OPVN Operating Deficits

The combination of above m[illegible]rchase and sale prices for OPVN cereals in 1983 was one o[illegible] factors leading to record cereals stocks and huge OPV[illegible]es throughout 1983. As of September 1983, OPVN cereals [illegible]s amounted to 169,000 tons. They had a value of [illegible]ut [illegible]ion CFA francs at official sales prices and [illegible] francs at official purchase prices. At that [illegible] value of the stocks was about midway between [illegible]. Since the harvest in November, however, it [illegible]e lower figure. This compares with outstanding [illegible]N deb[illegible] over 21.5 billion CFA francs. A large portion of this debt is financed with CNCA loans and overdrafts and BDRN and BCIAO commercial credits. OPVN's annual operating deficit now amounts to over 2 billion CFA francs. This does not count the interest lost by financing a portion of the stocks with zero interest "loans" from various government organizations and parastatals and grants from donors. In effect, these "loans" are indirect operating subsidies that OPVN will never be able to repay but which continue to accumulate interest.

It is imperative that OPVN be placed on a sound commercial footing as soon as possible for the policy reforms recommended in this report to be effective. The largest single item in OPVN's operating budget are financing costs. These arise both from carrying unusually large grain stocks but also from carrying accumulated operating deficits on commercial credits. Unless these deficits are written off, OPVN may not be able to get its costs down enough to operate on a commercially viable basis under the more narrow margins that will almost certainly result from the tendering and bidding system of market transactions.

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e) Government of Niger Restrictions on Movements of Grain

Regulations governing the movement of grain increase marketing costs, restrict the ability of farmers to obtain top value for their commodities, and impair allocative efficiency. In Niger, these restrictions are closely tied to the current manner of purchasing and selling cereals and to the Government of Niger's desire to ensure that distant northern and eastern centers of population receive adequate supplies of grain.

It is not clear whether the alleged failure of merchants to supply adequate quantities of grain and agricultural inputs to distant markets results from inherent lack of interest on the part of traders or from Government of Niger attempts to get them to do so at prices which do not reflect their costs. The costs are certainly real whether or not the Government wants to pass them on to consumers. OPVN simply carries them in the form of higher operating deficits that, sooner or later, will be paid by writing off the debts of OPVN and the banking intermediaries and other parastatals that finance its operations.

The restrictions on movement also apply to cowpeas and peanuts by unauthorized persons, i.e. those who are not agents of SONARA. This situation differs from sorghum and millet in that purchasing prices set for cowpeas and peanuts are clearly extractive in nature. They may represent an attempt by the Government of Niger to garner revenue for itself but the evidence is by no means clear cut. The recent liberalization of cowpea exports in early 1983--subsequently rescinded in September--suggests that other considerations enter as well. This is discussed later with cross border trade.

By restricting purchasing activities to authorized OPVN, SONARA, and RINI agents, the Government of Niger essentially forces farmers into illegal channels where merchants and others can obtain their commodities at lower prices than would be the case in a more competitive market environment. Farmers have little market information and more fear of the police. The police and customs officers may be able to extract a part of the trader's gains but that does not seem to be a method that the Government of Niger would want to encourage.

The purchasing practices of SONARA and RINI could easily be carried out in the same way recommended for OPVN. The one essential difference between the present approach and tenders for purchasing is that farmers, not the intermediary as at present, would gain the surplus. If combined with liberization of peanut and cowpea exports as suggested in the next

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section, it means basically that oil processing plants will have to begin paying competitive prices for raw materials and will be subject to the forces of competition. In the longer run, we would expect processing costs to decline since SONARA and RINI may be able to increase the throughput of their plants. SONARA would not have to import peanuts at higher prices than it is paying its own producers. It would, necessarily, require increasing the price of peanut cooking oil. In the case of cowpeas, consumer prices in Niger would almost certainly rise since prices in Nigeria are higher than in Niger and more liberal trade policy will increase demand for Niger's cowpeas. However, producers will gain more than consumers will lose by the amount that exports exceed consumption from marketed sales in Niger.

6. Needed Changes and Policy Reforms

a) Objectives of the Policy Reforms

The reforms proposed for marketing and pricing policy have five objectives:

1) to reduce the cost of supplying cereals to the urban sector and to northern areas of the country;

2) to more effectively support producer prices for cereals and reduce intra-seasonal price variation;

3) to reduce the cost of managing the country's emergency food reserves;

4) to encourage the evolution of cooperatives as marketing intermediaries; and

5) to increase farmer incomes and export earnings from agricultural production.

b) The Proposed Reforms

1) Liberalization of Internal Trade

USAID should urge the Government of Niger to completely liberalize primary and secondary marketing and internal trade within Niger. At the primary level, any individual, merchant, trader, cooperative or other marketing intermediary should be able to purchase grain, cowpeas, and peanuts at any price at any time it chooses. Official prices, if any are set, would only be supported through open market purchases by the relevant agency and not through official or unofficial coercion or through legislation restricting market access.

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Other than requirements for professional licensing, movements across department borders within Niger, of any amounts of grain by any individual, cooperative or merchant, would be free of any administrative or fiscal control by national or local authorities except in the case of emergencies declared by the Council of Ministers. No professional license should be required for trading or transporting 500 kilograms or less of cereals.

2) Shift in the Role of OPVN

The Agriculture Sector Development Grant team proposed that OPVN shift its responsibility away from primary marketing toward that of guarantor of free and competitive primary and secondary cereals markets. It would continue in its role as handler of food aid, provider of cereals to collective consumers such as the military and manager of the country's emergency food reserve stocks. OPVN involvement in urban cereals markets would be only via managing its reserve stocks and then only at the wholesale level. OPVN would openly compete with private wholesalers. It would also rely more heavily on private transporters to move its grain stocks.

3) Change OPVN Purchase and Sale Procedures

OPVN and farmers both would benefit from a progressively greater reliance by OPVN on the use of tenders for the purchase of grain from cooperatives and merchants during the harvest period. OPVN would use sealed bids for scheduled sales of grain from the reserve stock during each subsequent dry season shortage period. Purchasing grain on tenders at harvest time would provide OPVN with a much less costly, and ultimately more effective way, to support farm prices and acquire the grain reserves it requires. OPVN could buy the grain from cooperatives or merchants for delivery to its sales depots. It would obtain valuable information on the state of food stocks via the prices stated in the tenders. The cooperatives, of course, will need revolving funds to finance grain purchasing activities. This would enable them to deal with OPVN as an autonomous entity.

Buying on tender would effectively transfer the most costly component of OPVN's price support and price stabilization activities to the private sector. OPVN would not need to know in advance what market prices or costs of production are. It would simply follow the market, ensure competition, take the cheapest tenders for purchases, and the highest bids for sales, and distribute its purchases and sales over a

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predetermined period. At the end of the distribution period, its reserves would be drawn to emergency levels and the process would begin anew. In effect, it would provide only that amount of price support and stabilization that can be obtained by rotating its stocks at the right times. The difference between what wPVN receives for the grain it sells and what it costs to purchase and store the grain constitutes, quite simply, the cost of the food reserve/price support/ price stabilization program. If negative, this difference would have to be covered by a direct transfer from the Government of Niger budget. Eventually, it may be possible for OPVN to forward contract with private tenders for delivery during critical months and, as a result, transfer a portion of long-term storage costs to the private sector as well.

4) Reducing OPVN Grain Reserves

USAID should negotiate with the Government of Niger for the reduction in grain reserves to the level planned for the emergency food reserve only, i.e. 100,000 tons. This would consist of a basic reserve stock of 65,000 tons and an annual turnover stock of 35,000 tons. OPVN's normal price stabilization activities would then be restricted to managing the annual turnover of reserve stocks.

5) Establishing Village Level Grain Reserves

OPVN could economize on transportation and storage costs by shifting a substantial portion of the emergency grain reserve to the village level. Given the past experience of the cooperatives with grain storage it should be possible to shift 2,000 tons per year to the village level once procedures and terms are negotiated with the cooperatives. This activity could begin with the 1985/1986 harvest at the latest.

6) Abandon Uniform National Pricing for Cereals

The logic of the changes suggested for OPVN purchasing and sale practices suggests that it would be abandoning uniform national pricing. It has already done this for rice sales and is expected to extend this soon for millet and sorghum sales.

This does not mean OPVN has to let the full cost of transportation be reflected in its sale price. There is nothing that prevents it from dumping sufficient quantities of grain onto inaccessible markets so as to depress prices. In doing this, OPVN should be aware, however, that they would be forcing the private sector to withdraw, leaving the entire market, and perhaps still greater losses, to OPVN. Although this does not strike us as a good way to redistribute income, it would probably be more cost effective and more equitable than current practices.

7. Means of Achieving the Policy Reforms

More than any other set of reforms, those relating to marketing and pricing policy will require additional resources to implement. USAID will provide these resources partly from the counterpart funds generated by the project and partly from resources set aside for special studies, evaluation, and for training and support, and partly from other projects and programs already under way.

USAID will agree to finance the remaining portion of the emergency food reserve not already provided from other sources, up to its maximum level of 65,000 tons. This will permit the Government of Niger to sell its commercially financed stocks and avoid future capital costs for that part of the reserve. We estimate the amount of additional grain needed to bring the emergency reserve up to the required level to be 18,000 tons.

USAID will guarantee revolving funds for up to 200 functioning GM or cooperatives to enable them to make cash purchases of grain and to maintain village level grain reserves. This will be made available through the Agricultural Production Support Project under terms and conditions agreed between USAID and the Government of Niger.

USAID will provide assistance to OPVN to permit it to gather, transmit, prepare for dissemination, and to disseminate by radio market situation and market price data on a weekly basis. It will also provide technical assistance preparing tender documents and establishing guarantees and quality control standards to ensure their effective implementation.

USAID will provide technical assistance for strengthening the accounting and stock management capabilities of the cooperatives through the Agricultural Production Support Project. It will also assist the GON to strengthen bank credit administration capabilities vis-a-vis the GM if asked to do so by the GON.

8. Conclusions

The proposed policy and institutional reforms outlined above involve substantial risk and expense from the Government of Niger's point of view. Nonetheless, the Government has already begun moving in the general direction of many of them. Sometimes, the results may be disturbing. At such times it is important to stand back and analyze the situation as objectively

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as possible--both from the perspective of USAID and of the Government of Niger--before reacting. The adjustment of farmers, traders, and civil servants to the new circumstances will take time. Indeed in the short run the results may well be perverse in particular instances. For this reason, the project will provide resources for monitoring and evaluation so that both the Government and USAID can be kept advised of its progress and be prepared to make revisions should the need arise.

E. Cross Border Trade in Grain and Livestock

1. Population and Cereals Production in Nigeria

At around 50 million persons, the population of northern Nigeria alone is over eight times as large as the entire population of Niger and growing at more or less the same rate. Consumption patterns in Nigeria are more varied than those in Niger with much more reliance on maize and tubers in rural areas and more on wheat and rice in urban areas. Cowpeas are an important alternative source of protein. Demand for both cowpeas and livestock is very strong with the pull of Lagos being felt throughout the entire northern part of the country.

In spite of the greater importance of maize and tubers in diets in northern Nigeria, 1979 millet and sorghum production amounted to around 7 million tons. This compares with 1.6 million tons in Niger. But where millet accounts for almost 85 percent of total production for the two cereals in Niger, it accounts for only 45 percent in Nigeria. Most of Nigeria's millet and sorghum is grown in the north.

IBRD projections of food deficits for Nigeria show a 1.5 million ton deficit of cereals and a 500,000 ton deficit for cowpeas by 1990. This compares with a sorghum and millet deficit of 300-400,000 tons expected for Niger by that time. As the decade evolves, therefore, both northern Nigeria and Niger will become increasingly tied to international commodity markets for their incremental cereal supplies. As a result, prices for staple cereals will be increasingly determined by CIF prices. Thus, the structure of generally rising prices for food staples as one moves from northern Nigeria into Niger should become increasingly entrenched. Only in the case of livestock and cowpeas would we expect to see the reverse since Niger produces more than it consumes of each.

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2. Anticipated Flows of Trade

These growing structural deficits in cereals production in both countries have implications for the normal flow of trade between Niger and Nigeria. Except when an unusually bad year in northern Nigeria combines with a good year in Niger, the flow of cereals trade will be northward. This is confirmed by merchants interviewed in the recent Joint Program Assessment Niger Grain Marketing Study. They report no significant southward movement of grain for over 25 years. Rather, Nigeria exports an estimated 130,000 tons of grain a year to Niger, 100,000 tons of millet and sorghum and around 30,000 tons of rice. In addition to cereals, Nigeria exports to Niger important quantities of fertilizer, petroleum products, and a broad array of manufactured goods.

Cross border taste preferences reinforce this trade pattern. Nigerians prefer sorghum and maize to most other grains while Nigeriens prefer millet. Since the type of millet preferred by Nigerians is different from the one produced in Niger, substantial exports of Nigerien millet are unlikely. Imports of Nigerian sorghum, on the other hand, find no problem of acceptance in Nigerien markets, though prices are usually lower than for millet.

While the flow of cereals and manufactured goods is northward, the flow of livestock and cowpeas is generally southward. The strong demand and high prices for cowpeas in Nigeria draws about 70,000 tons of cowpeas and 250,000 heads of cattle in a normal year. Over three-quarters of these quantities are exported illegally. Unauthorized cereals exports from Nigeria to Niger are also illegal but the border is even more permeable from the other direction.

Controlling the flow of trade between Niger and Nigeria is next to impossible. The border is long and difficult to police. Trade relations between people in the two countries were well developed even before colonial times. Moreover, the sheer size of northern Nigeria creates price incentives that are much more powerful than those emanating from Niamey. From a practical point of view, Niger will have a difficult time avoiding *de facto* free trade no matter what it does.

3. The Government of Niger's Reaction

The Government of Niger views all this commercial activity with Nigeria with a combination of benign neglect and concern. On the one hand, it is quite pleased to be able to supply itself with commodities and goods from Nigeria, some of which, like fertilizer, are already highly subsidized. Moreover, it

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is able to profit from the declining value of the Naira and, as a result, has no interest in making its trade with Nigeria legal.[1] On the other hand, Niger, especially in the corner towards Niamey, is very much afraid of becoming a *de facto* colony of Nigeria. Open trade with Nigeria would only serve to increase its dependence.

Another source of conern has come from the strong price incentives provided by Niger's relatively high official producer prices for millet and sorghum. Large quantities of each came across the border in early 1983 and helped push OPVN's purchases of cereals 15,000 tons above expected levels--and that in a buying campaign that had to be cut short because OPVN ran out of money.

In April, in order to protect Nigerien producers, the Government of Niger reacted by instituting licensing procedures for imported grains. It also instituted a 3 percent statistics tax on imported grains. However, grain continued to come in even under the new licensing procedures.[2] Apparently the Government of Niger wal also considering levying a 13.5 percent fiscal duty on millet and sorghum imports at one point.

Given the dominating influence of northern Nigeria's size and more favorable environment for cereals production, the Government of Niger has little choice but to tax imports if it wishes to maintain relatively high producer prices in Niger. This is especially true while the economy absorbs large numbers of repatriated nationals.[3]

In an effort to protect local rice producers and to compensate OPVN for carrying a heavy share of grain sales in the more isolated parts of the country, the Government instituted a series of taxes on rice in 1983 as well. In addition to the 3 percent statistics tax and a 50 CFA franc/bag tax on imports of all bagged cereals, it levied a 9 percent fiscal duty and a 5,000 CFA franc per ton price equalization tax on rice. The law specifically exempts OPVN from the fiscal duty,

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[1] That would, presumably, require that international accounts be settled at the official rate rather than the parallel rate.

[2] Curiously enough the same *arrete* established licensing procedures also outlawed the export of all cereals.

[3] In early 1983 Nigeria instituted a new foreign labor law that led to the expulsion of many Nigeriens working in Nigeria. Apparently, many chose millet and sorghum as a medium of exchange between Naira they had accumulated and the CFA franc. This pushed substantial amounts of grain onto local markets that had less to do with relative grain prices than capital flows. This situation appears to have stabilized for the moment, although there still seems to be some slight inflow of sorghum into border areas.

the bagged cereals tax, and the price equalization tax. This gives OPVN around a 15 percent price advantage over its competitors. This difference would help OPVN reduce its huge operating deficits if it were not passed on to consumers. However until very recently, OPVN continued to sell rice in urban markets at below market prices.

Apart from these taxes and duties, imports of all cereals are allowed, provided merchants are properly registered. They also need to obtain the necessary license and pay the required patents or business tax. Of course not all applications for an import license need be granted.

4. The Argument for Freer Cross Border Trade

All these relationships change, of course, when there is a crop failure, depending on whether the failure occurs in Nigeria or Niger. For shortages in Niger, the large production in northern Nigeria provides a comfortable cushion and a ready source of supply. In such a situation import duties on cereals would provide useless protection yet would push up food prices in an already deficient market. For shortages in Nigeria, prices to Niger's producers and consumers could rise sharply but that is less likely than it appears at first glance. Cereal prices in Nigeria are normally much lower than in Niger and food supplies from the south would exert a powerful constraint on their raising enough to cover transport costs from Niger's normally higher priced market. Thus, in the context of crop failures, removing restrictions and taxes on cross border trade in cereals, and, as we shall see later, in livestock, makes good economic as well as humanitarian sense.

a) Cowpeas and Peanuts

There is a strong demand in Nigeria for Nigerien cowpeas although they fetch lower prices than Nigerian varieties. The Nigerian demand pull has led to occasional price surges of cowpeas in Niger, to the detriment of Niger's consumers. However, such occurrences appear to be relatively rare Moreover, they benefit Niger's producers and the economy more than they hurt Niger's consumers since a large portion of total production is exported.

In early 1983, the Government of Niger eliminated the SONARA monopoly on the cowpea trade. It allowed private traders to purchase cowpeas internally and to export them under license. Subsequently, the Ministry of Commerce was overwhelmed with applications for licenses. Apparently it quickly concluded that most of the applicants were only front men for Nigerian merchants trying to get Niger's cowpeas much cheaper than they could buy them from SONARA. As a result, the arrêté was administratively rescinded in September 1983, effectively reestablishing SONARA's monopoly.

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If the reason for the rescinding is true, the Government of Niger reaction is understandable, though perhaps not well thought through. It is entirely likely that in the initial stages of opening border trade in cowpeas, Nigerian traders will find real bargains in Niger. That, indeed, is the reason for trade. But one would expect farmers to catch on quickly if they have not already, especially if market prices are being reported weekly on the radio. Market prices for cowpeas are far from official prices anyway so just how much of a bargain Nigerian traders were getting is not clear. There is little doubt that, in the long run, farmers would be better off with more market information and competition and fewer restrictions on the export of cowpeas and livestock. If SONARA wants to acquire more cowpeas for export, it has only to raise its prices and draw supplies away from these "exploitative" middle men.

Cowpeas represent probably the single most important crop from the point of view of transforming Nigerian agriculture. They have considerable potential for stimulating long-term millet and sorghum production once adaptive research programs related to intercropping and nigrogen fixation begin to take hold in Niger. Cowpeas have nitrogen fixing capabilities superior to peanuts and are the subject of more nitrogen fixing research in West Africa. Increasing their production in pure stands or in rotation with millet and sorghum may be the country's only hope of avoiding the degradation of its dry land soil resources that seems to be occurring at this time.

Cowpeas do better in areas of low rainfall than peanuts, and traditional varieties, at least, provide relatively high protein forage for livestock. Unlike peanuts, cowpea yields tend to run somewhat counter cyclical to those for millet and sorghum, providing a degree of stability in farm revenues, national income, and foreign exchange balances. Moreover, this crop faces good to excellent long-term growth prospects in Nigerian markets. Thus, the role of cowpeas in the farming system in Niger goes well beyond considerations of food self-sufficiency. The Government of Niger would be wise to pursue an aggressive pricing policy vis-a-vis cowpeas and to encourage their production and export as much as possible. A monopoly for SONARA in the export of cowpeas is completely contrary to such policies and retards rather than promotes the transformation of Nigerien agriculture.

Peanut exports from Niger have declined substantially since the early 1970's as a result of increased consumption and diminished production. The production declines reflect Government of Niger encouragement of food crops and declining relative prices for peanuts through most of the 1970's.

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This has led to overcapacity in oil extraction plants. As a result, SONARA has closed one, liquidated a second, and is operating the third plant at ten percent capacity, albeit with a profit in 1982. Now Niger is importing peanuts.

With the growing importance of cowpeas, this reversal in the trade pattern of peanuts may well endure. However, world market prices for peanut oil have regained some of their lost ground during the past year. If they hold and if higher prices for oil get passed onto farmers we could see a resurgence of peanut production in Niger.

b) Livestock

Livestock constitute Niger's most important agricultural export. For this reason, Government of Niger policy makers are concerned that high prices in Nigeria will draw away Niger's livestock herds and cripple the country's livestock industry. This concern, though understandable, does not appear to be well founded.

Theoretically, there is little reason to fear an excessive drain of Niger's livestock because of high prices in Nigeria. Higher prices for livestock raise the value both of Niger's breeding stock and its range resources in the same proportion. Herders are not going to abandon pasture in Niger just because prices are high in Nigeria, especially if livestock prices in Niger remain relatively free.

Livestock herders and traders do, however, respond to changing price signals. They appear to be responding quite effectively to the growing demand for young AZAWAK[1/] male cattle by animal traction users in southern Niger. To accomplish this they are selling fewer males for slaughter. Thus, strong price signals certainly change the composition of the herd and no doubt the rate of offtake as well. But they are highly unlikely to deplete the herd. It is true, however, that the Nigerian market for meat is so large and rapidly growing it should have no difficulty accepting all the animals that Niger can produce over the foreseeable future.

In spite of restrictions on external trade, livestock move quite freely between Niger and Nigeria in response to range conditions, prices, and parallel market exchange rates. These illegal exports are facilitated by transhumance between Nigeria and Niger. Cattle herds moving into Nigeria during

[1/] AZAWAK males are noted for their suitability as traction animals.

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the dry season no doubt return with fewer head at the start of the rainy season. The risks of exporting animals illegally are high, however, since customs officials confiscate the entire herd when discovered.

Niger's livestock traders appear to export illegally in order to avoid obtaining licenses and paying taxes. The minimum patente or business tax for exporting 200 head of livestock or less is 435,000 CFA francs. Unless a person is a professional trader he would find this tax prohibitive. On the Nigerien side, however, herders take the animals directly to animal control centers in Nigeria as soon as they cross the border. Apparently Nigeria enforces its animal health laws quite rigorously and the very low registration tax (one Naira/head) further encourages compliance. The best statistics on exports of livestock from Niger into Nigeria can be obtained from these centers.

Many Nigerien civil servants directly involved with the livestock sub-sector believe that the export of chilled carcasses necessarily represents a more valuable use of Niger's livestock resources than live exports. This merits close scrutiny. SONARAN is not meeting with smashing success in its efforts to export to Nigeria from the Niamey slaughtering plant. It does average about fifteen percent more net for the carcasses it ships to Lagos but most of this gain arises from its policy of purchasing animals when prices are low and then fattening the animals on its ranches prior to slaughter for export.

Cold storage plants in northern Nigeria are functioning well below capacity and appear unable to compete effectively with the live animal trade in the Lagos market. This arises partly from the fact that the plants experience high operating costs because they are too large in relation to available markets. It also appears that a great deal of traditional slaughtering is still going on in Lagos, making it difficult for higher cost integrated plants to compete. Whatever the cause, it does not, according to the Director of SONARAN, arise from a preference for fresh meat. Both SONARAN and the northern Nigeria plants shipped chilled, not frozen carcasses. The qualitative difference between chilled and fresh meat is not noticeable to any but the most discerning palate.

5. Obstacles to Freer Trade - the Government of Niger Response

Until the end of 1983 licenses for the export of cowpeas and livestock could only be obtained in Niamey. In November 1983 the Government of Niger turned over this responsibility to the individual departments. This will make it easier to obtain licenses as compared with the previous requirement of having to come to Niamey. However, numerous other requirements still make obtaining a license a multiple day task. For example, to get an export license a person must be officially registered as a merchant. For this he must first obtain from the President of the Rural Development Committee (RDC) in the department a formal prior Authorization. To obtain this he needs proof of nationality, a judicial certificate[1/] issued within the past three months, proof of adequate financial resources,[2/] and proof of storage space. With the prior Authorization from the President of the RDC, the prospective merchant then must register himself with the Chamber of Commerce as an importer or exporter and pay the membership fee. This makes him an official importer/exporter. He must then obtain an inscription certificate from the Direction des Contributions Diverses showing he has paid the business tax (patente) required for doing business. Finally, if a foreigner, he must obtain a formal Authorization to do business from the Prefect upon instruction from the Ministry of Commerce. Having done all of this, he may then apply for an export license for a specific commodity and amount. Any export having an FOB value in excess of 100,000 CFA francs, roughly two cattle, is subject to these licensing requirements.

Not only are the procedures cumbersome, the minimum business tax for an exporter is over 400,000 CFA francs. Many of the individual steps in the process of obtaining a traders license and the export license also require payments of various sorts.

The complexity and expense of this entire process effectively gives large traders an oligopoly over legal cross border trade. Farmers and small traders, especially in areas near the border, are forced to resort to illegal trade or, if they want to comply with the law, to transfer the gains of trade to the larger merchants. In competitive terms, barriers to entry into the official market are high and participants are relatively few. In such a context it would not be at all surprising if the frequent allegations of collusion between merchants were true. This is a classical example of private sector involvement without substantial competition.

1/ A certificate indicating the presence or absence of any prior civil or criminal proceedings against the individual.

2/ This usually means a bank account.

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The Government of Niger appears to be strongly committed to making it difficult for farmers and small traders to engage in commercial activities. It designs its trade policies to do so. These policies raise serious social equity questions and cannot but deter production along the border where production potential is the highest.

They also prevent quickly increasing the amount of livestock exports when climatic conditions deteriorate as they have this year. Large traders presumably are already fully utilizing their established contacts. Recognizing this the Government of Niger temporarily eased export regulations in early 1984 in order to permit producers to export up to fifteen head of cattle without obtaining a license or paying a patente. This is proving to be an effective way of increasing livestock exports in the short run, though the decision may have come a bit late. Extending more flexible conditions to less capitalized merchants, including reducing substantially the minimum level of patente and the administrative hassle involved in registering as a trader and obtaining a license, would go a long way toward making cross border trade more competitive. Producers would almost certainly benefit in the form of higher prices for their products.

Encouraging cooperatives to apply for and use export licenses for cowpeas, livestock, and peanuts would be another way of increasing competition in legal cross border trade. It would give farmers better access to Nigerian markets without requiring that they themselves engage in trade. It would pit the cooperatives directly against SONARA for cowpea production. But, at the same time, it would allow the cooperatives to generate surpluses for their own internal growth and development.

6. Needed Changes and Policy Reforms

a) Objectives of the Policy Reforms

1) Promote production and exports of cowpeas and livestock as alternatives to excessive dependence on uranium for generating foreign exchange.

2) Increase incomes of crop and livestock producers.

3) Promote interregional trade as a first line of defense gainst crop failures in the region.

4) Promote registration of exports.

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b) Elements of the Policy Reform

1) Stremline the process necessary for obtaining trading permits and export licenses for all agricultural commodities. The Government of Niger has already decentralized to the department level the application and review of export licenses but more needs to be done to reduce the paperwork involved. As much as possible, all required documentation should be obtainable from a single location. Either a department capital or a customs post at the border could serve this function.

2) Replace the system of high minimum license fees for livestock and cereals exports with a system that is proportional to actual volumes exported. Exporters and importers of small quantities of grain (less than five tons) and livestock (fewer than ten head) should be able to obtain licenses at the border. They should be free of all other trading restrictions except those pertaining to animal health.

3) Re-establish and maintain the freedom to export unlimited quantities of cowpeas by both the public and private sector under equal conditions. This should also be extended to peanuts.

7. Means of Achieving the Policy Reforms

Each of the proposed reforms can be accomplished through changes in existing rules and regulations, an exercise that does not require USAID assistance. Making the level of the patente more proportional to actual volumes of trade would have an impact on public sector revenues. However with the information currently avaiable, it is not possible to estimate even the direction of the change. Reductions in revenue from patentes paid by existing traders would certainly be partly, if not completely, offset by revenues raised from the large number of traders who will be obtaining a license for the first time in response to the reduced barriers to entry.

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ANNEX I

An Institutional Analysis of the Proposed Policy Reforms

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A. Introduction

The purpose of this paper is to examine the institutions directly involved in the implementation of the policies of the Rural Sector Development Grant, as well as the policy issues in light of their impact on the rural population of Niger. The analysis focuses primarily on UNCC, the major institution through which cooperatives are organized and administered. The CNCA, CA, and OPVN will be analyzed specifically in terms of their interaction with the target population, through UNCC.

B. Description of UNCC

This section provides a brief history of the development of cooperatives in Niger, followed by a brief description of the manner in which UNCC interacts with CNCA, CA, and OPVN.

The UNCC was created in 1962 and was incorporated in the Ministry of Rural Development in 1968. Its purpose was to provide administrative support to cooperatives which evolved from the French pre-cooperatives, the Sociétés Mutuelles de Développement Rurale (SMDR) in 1958. According to Stier (1981), these SMDRs, which had evolved from earlier Sociétés de Prevoyance in which villagers were forced to cultivate peanuts and store grain, were also meant to provide a training ground for local leadership. The local administrative council which managed the pre-cooperatives was dominated by the local chefs de canton and by the canton nobility. This led to abuses which, in the case of Magaria in 1961, resulted in the diversion of 4.5 million CFA francs meant for production loans. Stier states:

> The early administrative structure of UNCC was an effort to avoid close financial surveillance, and the basic organizations were formed at the village and canton levels rather than at the level of the arrondissement. There was to be tight control of policy until local level units proved themselves. Thus, until 1964, local units were directly responsible to the central headquarters of UNCC. (Stier, 1981, pg. 7)

Two important points central to our understanding of the rationale behind the role of the UNCC are: (1) corruption was linked to a lack of government supervision and thought to be remediable through greater central control of cooperatives; and (2) the original pre-cooperatives were training grounds for local leadership, presumably to prepare them for roles within the administration or as links with the administration.

According to the Social and Institutional Profile (SIP) of the 1979 Agricultural Sector Assessment, cooperatives continued to be managed in this manner even after 1965 when they were converted to voluntary membership groups "to be locally managed." The UNCC agents continued to set the rules and make the critical decisions. Membership was compulsory for all those who wanted to market peanuts.

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The most recent step in the evolution of the cooperatives is the new cooperative statute (Ordonnance 78-19, October 12, 1978), which provides greater autonomy to peasant-run cooperatives. They will be expected to play a major role in the structure of the Société de Développement elaborated by the Government of Niger. (The principles of the Société de Développement, outlined in the SIP, Osterholm (1983), and Thomson (1981), will be discussed briefly below.) Despite the Government's efforts to provide greater autonomy for the cooperatives, membership rules are still defined by national statute, the UNCC retains the right to disband cooperatives that it esteems to be in contempt of cooperative law, the cooperatives must work with UNCC agents, and must use the standardized set of organizing and accounting forms. This is done in order to keep the local elite from usurping the leadership in the cooperatives and to solve equity issues. (Osterholm, 1983)

C. Structure of Cooperatives

The basic unit of the cooperative structure is the Groupement Mutualiste Villageois (GMV), which is based in the village. Membership is open to all villagers. The GMV chooses two delegates to represent it at the cooperative which is composed of from five to 10 villages. (The cooperative is the marketing unit for produce from the GMVs. This allows market officials to collect on loans from marketing receipts.) The cooperatives send three delegates to the Union Locale de Coopératives (ULC) located at the level of the canton. The ULC reports directly to the delegate of the UNCC placed at the level of the arrondissement. The ULC sends delegates to the Union Sous-Régionale des Coopératives, at the departmental level, and finally to the Union National des Coopératives at the national level. The UNCC representative on the level of the arrondissement reports to the delegate on the departmental level who reports directly to UNCC Niamey.

The role of the UNCC department delegate has evolved with the expanding role of the cooperative. The UNCC's role went from a rather narrow focus on agricultural inputs, to credit, to administering the peanut market, to peanut seed distribution for continued peanut production. In the 1970's UNCC began to market food grain, and administer development projects. A new division, a subdivision of production, was created to manage irrigated agricultural projects for cotton production and for rural handicrafts. UNCC played a major role in supplying agricultural inputs and the number of accountants on its staff grew. As a result of the expansion of its activities, UNCC gave less attention to cooperative education. Nonetheless, it is still responsible for training farmers in modern agricultural techniques, teaching functional literacy, supplying products of primary necessity (tea, salt, sugar, etc.) through cooperative boutiques, distributing grain in times of scarcity, and setting up cereal banks.

The UNCC's agents' duties are quite varied. They must keep records of loans given to cooperative members and collect the cash to repay the loan to CNCA; hold seminars in functional literacy, principles of cooperation and cooperative formation and in agricultural production techniques; supervise the supply of farm inputs to cooperatives; supervise cooperative marketing and keep records of sales and purchases; and be present at cooperative meetings, among other roles.

Just about all aspects of rural development on the local level are administered by UNCC through the cooperative structure. For this reason I shall leave detailed descriptions of their modus operandi to the sections on other institutions.

D. Credit for Agricultural Equipment and Input Distribution Systems

The CNCA was once a part of the UNCC, responsible for providing short and medium term credit. It separated from UNCC in 1967. At the present time the CNCA continues to make most of its loans for agricultural inputs through the cooperatives.

Since these loans are administered by the UNCC delegates in practice, it is essentially the UNCC delegate that identifies those members of cooperatives eligible for loans (he usually is the only person sufficiently literate to fill out the complex loan request forms).

Agricultural credit in Niger does not seem to address itself to the real needs of farmers. Farmers must purchase an entire package of tools when in fact they only want and use a few items. Credit for food during times of scarcity is not available. Stier (1981) shows that many families use the credit they receive for seed to purchase food during the season of scarcity.

There is a chronic lack of coordination of UNCC and CNCA activities. Personnel in the Niamey Department Development project found CNCA to be so unresponsive that it had to be bypassed in the purchase of agricultural equipment. They were able to purchase materials directly at subsidized prices from CA, with good results. (Shaw and Barnett, 1983)

The credit system is very complex and yet UNCC agents have virtually no contact with individual creditors. Neither CNCA nor UNCC agents appear to know the situation in the field. Neither institution has the logistical means either in staff or vehicles to keep in contact with debtors and to make sure that payments are made regularly. Thus, Pattinson (1983) shows that many farmers did not even know whom to pay when they received the materials. Most of them demonstrated a willingness to pay when they were contacted by representatives of CNCA. Both institutions require more trained personnel willing to establish greater contact with rural dwellers.

The system of recording input delivery, repayment, etc. is also too complex, even for UNCC agents. The Barnett and Shaw report concludes that neither CNCA or the UNCC personnel have adequate training in record keeping. They also feel that the present credit system is much too rigid.

The agricultural package offered to farmers at present presents other problems. The equipment is ill adapted to the terrain. Proper use of the equipment requires more land than most farmers use. Adoption of the equipment usually means a decrease in income while paying off equipment loans. Moreover, many agricultural practices currently being advocated have not been evaluated comprehensively under the range of circumstances in which they are to be used. There appears to be very little means by which the farmer can have a say in the design, appropriateness, and the manner in which the quality of the inputs offered to him can be improved.

There are no direct links between the farmer consumer, the financing agency, and the input manufacturing and delivery system. The farmer deals with the UNCC agent who deals with the CNCA. Once the loan is granted the CA provides the inputs to the cooperative which distributes them to the farmer consumer. Thus, several administrative layers separate the input manufacturing institutions from the farmer. This separation of the production of inputs from farmer demand eliminates the market discipline that is so essential to technological advance.

There is also evidence of tremendous inadequacy in the system of distribution of inputs. Inputs often arrive too late in the season because of the insufficient means of distribution available to the CA, and because subsidies for inputs arrive late to CNCA.

E. Marketing

The cooperatives purchase cereals on behalf of OPVN and SONARA, marketing parastatals. All produce cultivated with agricultural inputs obtained through the UNCC must be sold through the cooperative. When crops are marketed the cooperative is supposed to deduct loan repayments from the sales proceeds. The cooperatives send these payments to the UNCC delegates who send them to the CNCA at the department level for crediting to the cooperative's account.

1. OPVN

OPVN was set up primarily to stabilize prices and provide a stock of grain in times of famine or periodic scarcity. Ideally OPVN should receive most of its stock from cooperatives, but in fact it purchases and obtains most of its stock from foreign donors and from merchants. From 1979-1982 the incentive to sell to OPVN at prices fixed by the state was so low that traditional chiefs were required to "encourage" farmers to sell to OPVN. The chiefs could also purchase grain on their account for sale to OPVN. This stopped during the 1982-1983 campaign because the existence of an official price much higher than current market prices greatly increased farmer incentives to sell to OPVN.

In order to finance its purchasing campaign, OPVN borrows from CNCA, BDRN, and other sources and gives funds to the cooperatives via the departmental delegate of UNCC. The amounts to be advanced to each region are determined by projections made on the harvest by the Agricultural Service working in the department. The delegate distributes the money to the treasurer of the cooperative. The money is signed for by the president, the secretary, and the treasurer, and the sum received is recorded in the UNCC agent's books.

Each cooperative has a full staff composed of a cashier (the president), a weigher who checks the scales and weighs the produce and a secretary who registers the amount sold in the GM's account books and on the members' cards. (The card records the members' activity within the cooperative.) The treasurer pays for the purchase. The guardian stores and guards the grain as well as the empty sacks until OPVN assumes responsibility. The cooperative is paid for its marketing services from a commission received on sales.1/

Not all cooperatives are OPVN marketing centers. Those that cannot meet the 10 ton limit, or are inaccessible to large vehicles, may either sell directly to the OPVN warehouse for a higher commission or at the nearest cooperative.2/

2. SONARA

In the heyday of peanut production in Niger, SONARA was the only agency through which peanuts could be marketed. It is a mixed enterprise with 50 percent public sector financing. The previous government forced peasants to sell their crops way below market price. At the same time, SONARA failed to protect the indigenous seed stock and had to depend heavily on foreign varieties thatproved too fragile (insufficiently pest resistant). The result has been a sharp drop in peanut production. Peasants have shifted to cowpeas as a cash crop. With the decline in peanut production and the rise of uranium, SONARA has lost significance. Although at present it is in charge of marketing cowpeas, the UNCC told cooperatives last year that they could market cowpeas to whomever they wanted.

1/ OPVN pays a commission of 3,000 CFA francs on each ton sold. Of this the cooperative receives 90 percent, the canton chief 2.5 percent, the village chief 2.5 percent, and the Samaria 2.5 percent.

The Samaria are voluntary, traditional youth associations located in village communities. Historically their primary functions are ritual and social and they performed community oriented services. The Government has attempted to organize a nationwide network of Samarias to serve as a means of mobilizing labor and resources for community development action. They replaced animation as the means by which villagers are to be induced to participate in development. According to Horowitz et al, "this places an enormous burden on an institution that never has any formal organization beyond the village and that drew whatever dynamic if ever had purely parochial, social and economic concerns."

2/ During the 1982-1983 campaign, village chiefs received a commission for encouraging their subjects to market grain in official circuits. The village chief and the Samaria were encouraged to do so. Products were taken to the cooperative market from the village at the producers expense. (Osterholm, 1983)

3. Marketing Problems

OPVN and SONARA appear to purchase very little of the grain marketed by farmers. This is due both to a complex structure for purchasing grain and to low produce prices.

Bottlenecks in cash flow cause major problems with cereal buying campaigns. Monetary advances provided by OPVN to the costs for carrying out their purchasing operations are depleted in a few days. Additional cash is slow to arrive. As a result, peasants transport their grain to the cooperative markets only to find that there are no more funds. It is usually at this point that private merchants step in to purchase the grain.

Marketing grain is also costly to cooperatives who must pay for the salaries of the committee and for the equipment used in marketing. The high operating costs of marketing eats into revenue for the cooperative. Many operate at a loss. (Osterholm, 1981)

The marketing systems uncover yet another problem with cooperatives: they have very little means of generating money. Marketing is not done in large enough quantity to generate sufficient cash, and the market appears to be controlled by the Government to motivate the cooperative to speculate. In addition, cooperatives are not allowed to raise capital by charging membership fees, thus they are perpetually in debt and have no capital with which to earn more.

F. Rural Cereal Banks

Since one of the functions of the OPVN is to stock and redistribute grain, UNCC has in the past tried to develop cereal banks at the village level. One means was to give the cooperative a stock of grain which was distributed to the neediest GMs during the periods of scarcity. The families were to pay back in grain at harvest time at the rate of 50 percent, now 25 percent. This was to ensure that the stock at the bank was constantly replenished. (Osterholm, 1983) Under another method, OPVN allowed cooperatives to retain up to 10 percent of cereal purchased for OPVN in cooperative storage. OPVN was reimbursed by a CNCA loan to the cooperative or with the cooperative's own fund. During the hungry season the cooperatives sold the cereals to its members at official prices. This saved OPVN transport and storage and guaranteed local access to grain. However, this was ended in 1979 with OPVN's drive to increase stocks in its own warehouse.

G. Other Institutions Related to the Sector

1. Functional Literacy. Although the functional literacy program began in 1962, it never really got off the ground. The service suffers from insufficient funding, not enough trained staff, and a population with no incentive to read languages in which there is no available literature. (Thomson, 1981) However, this agency will have to be utilized to its full potential if UNCC staff are recalled and cooperatives are to become autonomous.

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2. Animation. The role of this agency is primarily that of training, informing, and organizing. However, it too is underfunded and understaffed. It is not a respected institution and plays a minor role in the rural sector. Thomson (1981) believes that if revitalized, this agency could be very useful for promoting development of cooperative institutions. Using herder associations as an example, he states that the Animation Service could inform herders about administrative structures and other agencies in order to facilitate their understanding of these structures and thereby their participation in projects. They could also play key roles in training. According to Thomson, the advantage of Animation is that it is not vested in any particular area. As a result, it has a high degree of flexibility. Its mandate stressed the organization of rural population.

In summary, the UNCC is the central coordinating institute for the rural farming population. The UNCC and cooperatives constitute a structure through which the Government and other institutions may reach the target population. However, as presently structured these institutions reduce direct contact between farmers and the institutions responsible for providing the goods and services required for increasing agricultural production and incomes.

H Problems Facing Cooperative Organization in Niger

The Société de Développement was conceived by President Kountché in 1979. Only since the Zinder Conference of 1982 has the Government of Niger begun to address the details of carrying out its purpose. Because of this, major changes in the structure of cooperatives had not yet materialized as of the time of this institutional assessment. I shall, therefore, begin by discussing the objectives of the Société de Développement, the current problems with cooperatives and institutions concerned with them, and the proposed changes as envisioned in the near future.

1. The Société de Développement

In 1979 the Government of Niger launched the creation of the Development Society which has as its goal "to organize and encourage interactions within the nation's life so as to make Nigerien people aware of their responsibilities concerning economic and social development problems." (Société de Développement, 1979) A National Commission to set up the Development Society was created. The effort came as a result of the Government of Niger's realization that there is a chronic lack of popular participation at all levels of government structures and that there is little scope for communication flow from the rural sector to the administration.

The National Commission was to:

1. define a suitable framework for an accelerated, consistent and harmonious development society,

2. establish new institutions based on the effective participation of all social strata, (ibid, pg. 8)

Osterholm (1983) states that the Government "announced the advent of a new structure after the realization that cooperative structures on which new development plans were being based were unworkable in terms of promoting substantial support for new development activities." The Government criticized cooperatives for being merely marketing structures in which members hardly knew what role cooperatives were to play and who themselves did not participate in the cooperatives' activities. In order to remedy the situation the Government worked on a plan that it hoped would give cooperatives more autonomy in their organization, more say in the types of development projects designed for their communities and a greater role in government.

Under this program the organizational structure of cooperatives is scheduled to change. The cooperative will become one of the two main structures of the Société de Développement. The other will be the Samaria together with representatives from existing social and professional associations. These groups will form the Village Development Council (VDC). The VDC will deal with fiscal, administrative and judicial questions at the village level. At the canton level the ULC and the local council of the Samaria will form the Local Council of Development. Delegates of a Union National des Coopératives and of the National Council of the Samaria will form the National Council for the Société de Développement which will have direct contact with the administration. It is through this structure that the Government hopes to maintain open channels of communication with the rural community. (Osterholm, 1983)

2. Problems with Present Cooperatives

Before embarking on a discussion of the reasons behind the failure of present cooperatives, I would like to define what is a working cooperative. The Nigerien administration has clearly defined its concept of a working cooperative: working cooperative is self-sufficient. Osterholm, citing the Zinder Conference, states that the Government wants cooperatives to become "functioning private enterprises capable of undertaking, with minimal or no support from Government organizations, a wide range of development activities and capable of generating the resources required for self-sustaining development." (Osterholm, 1983, pg. 2)

This implies that the cooperatives manage their own resources, define their needs, and activate the structures necessary for the satisfaction of these needs. As Osterholm states:

> The Government hopes that cooperatives can come to serve as their own extension agencies, teaching their members functional literacy and farming techniques and helping them to obtain credit to put these new skills to work ..." (ibid, pg 2)

Even cooperatives that are considered "successful" at present, Tara, for example, are defined as successes because the participants are producing, in relatively acceptable quantities, selling and paying off their debts. The members are still not running the cooperatives with all the administrative and organizational duties implied therein.

Much work went into the conception of the structure of cooperatives in Niger. The model is well thought out and logical. Nonetheless, it has not worked to date, i.e. (1) it has failed to mobilize rural populations; (2) there are still many abuses within the systems with little accountability on the part of civil servants and people within them to the target population.[1/]

Although the structure of the cooperative in Niger is based on real field models, one must bear in mind that it is an artificial structure. This highly centralized structure, whose purpose is to establish a direct link between the administration and the rural sector, has been imposed from the top to the people on the bottom, who are expected to adjust to it and operate within it as if it were conceived by them for their own purposes.

In my opinion, the major problem with the present cooperatives can be summarized thus: effective participation in them requires a number of key resources that are in short supply in many farming communities. These include: literacy; the specific organization skills required to run the cooperative;[2/] monetary and physical resources with which to carry out cooperative activity;[3/] and the knowledge of how to get results from the administrative machine to list the major ones. Because of these factors cooperatives have not proved to be viable units of economic cooperation and have failed to give positive results over more than a decade.

According to the SIP, studies of cooperatives in Hausa-speaking Niger indicate that "the base level institutions failed to function as planned ... By the late 1960's it was already clear that GMVs were not becoming multifunctional agencies of peasant managed development." There are some cooperatives that work but by and large most cooperatives exist only on paper as economic entities. Abuse of power and uneven distribution of resources are recurrent problems in all areas of cooperative activity. Be it access to

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1/ This lack of accountability is largely due to the fact that, as members of state structures, officials and employees of cooperatives appear to be backed by the state.

2/ Although UNCC provides classes on cooperative education, the difference in theory and practice within the rural context is palpable.

3/ No analysis has been made of the amount of time required to participate effectively in cooperative responsibilities. This alone may be a decisive factor in keeping married women out.

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loans, access to grain in times of famine, access to inputs or sale of agricultural goods, there are all too frequent cases of abuse which appear to be facilitated by the hierarchical structure. Yet, efforts to correct such abuses in the past have relied on policing by further strengthening the hierarcy. (Stier, 1981)

These appear to be very little dialogue between members of cooperatives and the structures that determine the direction and thrust of rural development efforts in Niger. Many of the problems discussed further on are characterized by a chronic lack of local participation in programs because rural dwellers either see no need for them or because the programs are ill adapted to their needs and resources.

The same cooperative model is applied to all areas of the country even though many development agents have questioned the versatility of the model. In particular, the development cell of the GMV does not appear to be very suitable for the social organization of herders and their need for constant mobility. (Arensen, 1982) Moreover, there is not much contact between UNCC delegates and the members of GMVs. Their position in the hierarchy inhibits close contact with most members of the cooperatives, simply because the structure encompasses too wide a group. Finally, many of the UNCC agents are not sufficiently trained to run the structures.

I would like to discuss in a little more detail some of the major problem areas of the cooperatives, i.e. (1) the rules for their organizations; (2) their inability to function as an economic unit, especially in realtion to CNCA, CA and OPVN; (3) their highly centralized structure and their inadaptability to different social contexts.

a. Rules of Organization

Although cooperatives are expected to foster centralized action on the part of their members, much of the definition of group membership is defined by state laws rather than common group interest. UNCC retains centralized control over cooperatives and still dictates the rules, including the means by which accounts are to be kept. UNCC retains the right to disband any GM or cooperative it judges to be going against cooperative law. In the past, cooperatives were obliged to work with UNCC agents, although at present steps are being taken by the Government to change this.

b. The Organizational Unit

The basic organizational unit of the cooperative is based on the village, which is a political unit, a chiefdom, in most cases. They work well as an arm of the administration, e.g. for tax collection purposes, but appear to be inadequate as a unit of economic cooperation. Thus, the SIP paper shows that among the Hausa (56 percent of the population of Niger), groups organized for economic activity, acting as one, comprise a much smaller unit than the village. As a result, the cooperatives have had great trouble recuperating debts. Since credit is extended to cooperatives, and the cooperative is responsible for repayment, members of the cooperatives find themselves in the position of being asked to pay for debts incurred by people whom they do not even know, have no means of pressuring socially, and for whom they feel no responsibility. They have no recourse against a member who refuses to pay. Thomson (1981) reported that only 52 percent of all farm and livestock installment loans granted in 1980 were collected. Osterholm writes "And now the bad debts at the cooperative level have accumulated almost to the point of being a threat to the viability of the lending program." (1983 pg 23) This is not surprising considering the lack of member control over the cooperatives and their lack of control over the cooperative market.

c. Inadaptability of Structure

Another major problem is the complexity of the accounting and record keeping systems which renders the cooperatives highly dependent on the UNCC delegates. With members unable to verify record keeping procedures, cooperatives are more vulnerable to fiscal abuse. The accounting system is ill adapted to the resources and knowledge of the members who are usually barely literate. Gentil (1973) devised a system of accounting procedures used by UNCC. If cooperatives are to be run by local people they must be adapted to the human resources at hand.

The SIP document sustains that the present GMV model designed to make cooperatives financially sound is alien to Hausa society where "forms" of traditional cooperation always were based on exclusive membership of people with clear common economic interests. The cooperative mutuals created by the animation and cooperative service as instruments for broad based development were actually empty structures devoid of any sense of cooperative spirit ... (SIP, pg 7)

The principles on which cooperatives were built resulted in ineffective promotion of agricultural credit, since villagers sought to avoid the collective responsibility for debt. (Horowitz et al, citing Bachard, 1976) In addition, the composition of cooperatives was hardly representative of the farming population. Horowitz, citing Keita (1982), shows that women who are responsible for more than 50 percent of the agricultural production in the country, were excluded from new cooperatives in peanut and cotton producing regions. Women are not excluded from traditional systems of economic cooperation.

Arensen (1982) discussed the advantages and disadvantages of various forms of cooperatives in herder societies. He states that early formats for herder cooperatives, envisioned by the Niger Range and Livestock project and the Nigerien Government were relatively large-scale: "multipurpose, multi-ethnic, and/or as part of a multi-tiered organizational hierarchy, with links to the population extending downward." (pg 60) He identifies two major problems with this type of structure: the challenge to or possible disruption of pre-existing social patterns and the undermining of grassroots organization of herders. Thus, he adds, the nature of authority "often changes or rigidifies when new levels of political organization are superimposed on pre-existing patterns; the experience of

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the GMV illustrate this tendency." (pp 60-61, 2) I would add a third possibility which is that the herders may simply not participate in the structure. The current strategy in cooperative formation adopted by Niger Range and Livestock relies on traditional foundations rather than creating new styles of interaction. This system recognizes that altering the social fabric of pastoral society might in fact impede development efforts, traditional mechanisms that guarantee equity exist in herder associations; and accountability for credit is more likely to occur when based on traditional principles of social responsibility and economic cooperation.

Both Thomson (1981) and Arensen (1982) raise the issue that the UNCC method of organization and interaction with local people was developed in the farming zone. The authors recognize that cooperation in the pastoral zone is of a different nature. Credit collection will have to be dealt with differently, as well as issues of accountability, leadership, and bockkeeping.

3. Conclusion

Government of Niger institutions dealing with the rural sector appear to suffer from a lack of participation caused by the rigidity of the structures in which the participants are expected to interact. The participants seem to have nc means of affecting the quality and types of inputs available to them, the design of the programs, the price they receive for their goods, and the nature of major activities for which cooperatives are mobilized. Moreover, they seem not be have sufficient power to protect themselves from the abuse of power by cooperative officials made possible by the hierarchical structure of the corps.

Although the reasons for these problems vary, many writers and informants believe that they are related to the way in which cooperatives are organized and run. Participants are expected to adhere to a rigid model, with rules for participation predetermined by law. The cooperatives as units of economic cooperation appear to be too large to permit its members to exercise social pressure or to be motivated to work with each other.

The cooperative structure does not give enough control to participants to motivate them to make it their own so that they will invest themselves wholeheartedly in it. Whether or not it is possible for any group of people to adopt and incorporate a structure conceived outside of their social and historical context remains to be seen. Most viable units of cooperation are developed a step at a time, in response to needs, and utilizing resources that are available to its members.

4. Possible Solutions and Recommendations

Based on reviews of the literature and interviews with Government personnel, it is clear that the Government of Niger recognizes the problem facing cooperatives and has taken steps to remedy the situation. It has recognized the inadequacy of the cooperative as a unit for obtaining credit and is reconsidering making the GM the credit receiving unit.

The administration's goals are to make cooperatives private structures that take into account the needs of their members and that have the means of generating and managing capital. The administration has moved to redefine the criteria for selection of leaders in such a way as to increase self-management of cooperatives. Cooperatives are to be granted greater organizing and contracting authority including the option to hire experts from the outside for specific functions. Thus, UNCC agents will be available for hire. Cooperatives are to be given the right to raise money in the manner they see fit. Therefore, they will be able to sell to whomever they want, for the best possible price they can get. There is to be increased flexibility of access to lines of credit. The support functions provided at present only by UNCC are to be privatized and there is, possibly, to be open competition for the provision of these functions. UNCC literacy and local development services will continue to provide support for the cooperatives. These and other measures are taken to give greater autonomy to farmer-run cooperatives which are expected to play a major role in the Société de Développement.

It is clear that the Government is taking serious steps to increase local participation in development and to place farmers in a position that will allow them to have a more immediate effect on the direction of rural development.

The suggestions which I am offering are geared to give farmers more control over cooperative structures, the market in which they sell their produce, and the market from which they purchase their agricultural inputs.

a. Liberalization of Rules for Farming Cooperatives

I recommend further liberalization of the rules and regulations for cooperatives in order for them to fulfill the goals established by the Government of Niger. Farmers should be allowed to set up cooperatives according to their definition, their rules and for the purposes they see fit. It is not that traditional methods of cooperation are always the best. Rather populations should define the parameters of group membership and the range of activities they will pursue on the basis of their awareness of the resources, human and otherwise, at their disposal. Traditional structures exist precisely because they are not resistant to change but, rather can adapt to historical and ecological changes. Models conceived from the outside, even when based on traditional structures, cannot substitute for the tried and true structures existing in rural communities at present.

The SIP document provides an example of a successful unit of cooperation formed when the target population defined the structure and content of the unit.

> Notwithstanding the above, under certain circumstances, cooperation in production and in risking joint capital investment is possible in Niger. Nicolas and Raynault, for example, note that in Maradi groups called Hadakai or Groupes d'Animation du Développement Rural (ADR) are

> capable of joint investments and of managing plant nurseries, irrigated gardens, groundnut fields, collective credit and savings associations, animal powered agricultural equipment, rental and grain trading operations (Nicolas, 1968, pp 44-59; Reynault, 1967). In Chadakori, efforts to create peasant-run seed stacking associations were notably more successful when villagers were allowed to develop their own criteria for membership and rules for operation. (Bachard, 1976) Interestingly, none of these institutions were traditional. They represented responses of local-level Hausa society to new economic opportunities, responses made possible because local-level organizations were permitted some autonomy from central control. None of these organizations reached the entire population, and each might have resulted in some inequality, but each offered the promise of meaningful local involvement, a characteristic notably lacking in the official cooperatives.

This example illustrates the possibilities of having the target population define viable structures for group cooperation rather than having to adhere to a rigid model. This would require that the implementing agent define its requirements, e.g. with regard to terms for supplying credit, or technical assistance, etc. while allowing the population to define the structures through which it interacts with the agents.

Concomittant with this liberalization of the form of cooperatives, the Government should step up its efforts in functional literacy and training on the village level. Better literacy programs (shorter and more effective) (see DINAFLAS program in Mali) should be developed and timed according to farmers' schedules to allow the participation of as wide a group as possible.

b. Farmers' Participation in Development

Study and put in practice better communication structures to permit free flow of information from the bottom up. Although the Government recognizes the need for better communication with the farmers, the means by which it proposes to encourage this appear to be impressionistic at best, in their description. I propose that studies be made of systems of communication and diffusion of information common to different regions. When possible, the methods of communication can be incorporated in the feedback system between the Government and the farmers. Research should be aimed at establishing viable methods of obtaining inputs from every segment of the population in all aspects of the development process including definition of needs, evaluation of programs, and materials, input on research and in implementation procedures. This should be butressed by increased information to rural areas in form of rural radio programs and journals in local languages.

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I. An Analysis of the Policy Reforms

1. Input Supply, Subsidies, and Input Pricing

In order to determine the effects of the proposed policy reforms it will be necessary to determine the extent of the affect of the present policy on farmers and other potential beneficiaries of the proposed reforms. This means analyzing the (1) number of farmers affected; (2) the effects of the present agricultural package on aggregate production; and (3) the manner in which subsidies affect purchase and adoption of the agricultural package.

According to the Recensement Agricole au Niger, 1980, Vol. 1, 63 percent of all villages in Niger use fungicides and insecticides; 53 percent of all villages use organic fertilizer or manure; 10 percent use mineral fertilizer, 2.7 percent use selected seed; 35 percent use carts; 5.8 percent use animal traction. This refers to village communities only. The percentage of farms on which these inputs are used, according to more recent data, is actually smaller.

According to Lebeau, if the annual rate of increase (20 percent) in the use of fertilizer remains constant (disregarding the sharp decline of CA sales in 1983), by 1990 there will be a demand of 15,000 tons of fertilizer, or enough to satisfy requirements for 5 percent of the total surfaces devoted to millet and sorghum, the major food crop.

Niger input subsidy does not affect the most widely used inputs, fertilizer, and pesticides. These are already controlled in large part by private enterprise. Policy changes in Nigeria, rather than in Niger, will have a greater effect on the accessibility of fertilizer to Nigerien farmers. In fact, if farmers cease to benefit from the artificially low prices resulting from the subsidies on Nigerian fertilizer, they will have to obtain it at the world market rate. According to Lebeau, cereal prices would have to increase 300 to 400 percent in order to induce farmers to use fertilizer. Fungicides are by far the most widely adopted of the inputs. Lebeau estimates that in 1981, about 50 percent of seeds were treated. (This represents use of about 1.7 million packets of 25 grams each.) Use of pesticides and fungicides is expected to go up to 3 million packets by 1985. Lebeau states that yield increases of between 20 to 30 percent are attributed to the use of pesticides. Considering the cost of pesticides this is one of the best investments.

Let us look at some of the principal elements of the remainder of the agricultural package. Improved seed varieties have had mild success. Lebeau states that in 1982, improved seed was distributed to cover 25 percent of millet fields, 35 percent of peanut fields, a very small percentage of sorghum fields. Enough improved seed was distributed for the cultivation of about 10 to 20 percent of the fields depending on crop density. (Lebeau:26)

Lebeau says that there has been much variation in demand for improved seeds between 1978 and 1982. He concludes that the amelioration in yields was not enough to motivate farmers to pay a higher price for the seeds.

The Government of Niger in the Interim Plan 1984-1985 argues that in order to increase agricultural production, subsidies for agricultural inputs must be increased. Implicit is the argument that increase in subsidies for equipment will increase the rate of adoption of farming intensive technical packages, which will in turn increase yields.

It is difficult to assess the effects of subsidies on the adoption rate of the agricultural package. The first reason is that subsidies affect the number of purchases not the adoption of the package. By adoption, I mean actual use of the inputs by farmers who purchase the package. Other factors enter into the rate of adoption of the inputs. Few farmers use the entire package and few apply the techniques they have learned to most of the surfaces they cultivate (Erikson et al:25). Farmers must purchase the entire package but appear to use the horsedrawn cart most frequently. It is interesting to note that this piece of equipment offers the most return, not in terms of agricultural production, but rather in terms of the income it brings in transportation fees. (Joint Program Assessment, Erikson annex)

The adoption of the agricultural package appears to depend on a number of factors not related to subsidies. Stier shows that farmers who participate in the training programs and utilize the package have, on the average, larger farms than their colleagues. The size of the labor force also enters into the picture, especially for trainees who must abandon their own farms for prolonged periods of time to participate in the training program. Access to adequate training and follow up, which apparently is insufficiently provided in most programs, is also another important factor. (Erikson et al annex)

According to the literature the overall effects of the adoption of the agricultural package are uneven. Food production has increased but yields have not yet attained pre-drought levels. The technical package has contributed very little to total overall production. (Lebeau:17) According to Lebeau, use of fertilizer has increased cereal production by about 1 percent (ibid:17). Increase in production comes from increase in land use, and this implies use of marginal lands, a factor of growing concern to the Ministry of Rural Development. Thus, except for a very few areas, and under special conditions, the agricultural package, partly because of mixed performance in different areas, partly because of its general inadaptability to terrain and existing human resources, has not substantially contributed to the increase in agricultural production which would lower the cost of produce and increase the accessibility of agricultural goods to the consumer. The hoped for intensification and resultant higher yields has not mateialized. In fact, the opposite has occurred.

Judging from the rate of adoption, the relatively minor number of farmers using the inputs, and the overall effect on agricultural production, it can be argued that input subsidy affects only a minimum number of farmers and is only one of the factors, albeit an important one, that enters into the adoption of the package.

Another issue that must be closely examined when analyzing the role of subsidies in purchase and adoption of the agricultural package, is the low loan repayment rate. Most farmers have not paid for the equipment. To what extent is motivation to purchase the package related to the fact that the package has been virtually free to date?

A policy reform directed at increasing the number of agricultural inputs available to farmers by reducing subsidies, must first address itself to the nature of subsidies. As recommended in Erikson et al, the agricultural package has to be improved. At the root of the problem, of getting farmers to take the risk of investing in the agricultural package, is the ratio of returns to investments. It appears that to the farmer few elements of the package offer sufficient return on investment.

Recommendations

To a social analyst the most effective way to ameliorate any technical package is to involve the target population in all aspects of the design, and creation of the package. This can be facilitated or promoted by requiring farmers to pay the full cost of the equipment. Then, with both copies of his receipt, go to a government office where he would be provided with a direct rebate in the amount of the subsidy. The office would keep a copy of the receipt as a record.

There are a number of weaknesses in the proposed system and it would have to be refined. The main weaknesses are that it can easily be exploited and measures must be taken to avoid falsification of receipts from both manufacturer and customers; it ties up part of the farmer's capital -- unless he has credit to cover that capital. This method will effectively limit the number of people who will be able to take advantage of the subsidy to those who can mobilize the necessary cash for purchasing the item. There are a number of other methods that could be employed to achieve the same objectives, including additional credit programs, giving farmers certificates or the authorization to pay less for inputs. All of these methods are extremely vulnerable to corruption and serious foolproofing systems have to accompany them.

The policy recommendations which aim at increasing the number of subsidized items available to the farmer and allowing him to purchase only those inputs he deems necessary, will in effect reduce the demand for those inputs that farmers judge inadequate, but at present are obliged to purchase in the present package. Hopefully, this will make local manufacturers more responsive to the demands of the consumer. Farmers would have potentially more say as to the quality and types of goods delivered to them.

In reference to the recommendation that the input delivery system CA be eventually handed over to the cooperatives, I do not believe that this recommendation will be implemented soon. Given the current state of cooperatives a lot more reorganization will be required before present cooperatives will be in the position to handle an input delivery system. Why not leave input delivery to the manufacturer who would then be obliged to have more contact with the consumers?

Liberalizing access to inputs as recommended by the ASDG may have the effect of fostering irremediable inequity in access to inputs. People with access to cash could easily purchase much greater amounts of inputs than others. Inputs purchased in this manner will not necessarily be used for farming the purchaser's land. The possibilities for their illegal use as a means of earning income are unlimited. The pitfall inherent in this recommendation should be explored and remedied.

The problems discussed, particularly those related to the lack of adaptation of the current package, draws our attention to wider issues which have to be addressed in the long run. Ultimately we are trying to identify a permanent means of supplying the farmer with inputs that are easily accessible and which he can replicate in his own environment with as much locally available material as possible. The objective would be to create a permanent structure that would give consumers more control over the design and production and distribution of inputs.

My concern is that, although progress is being made, too much has been done outside of the control of the target population and without reference to the specific resources they have at their disposal. Erikson et al's sensitive discussion of the problems with the present package brings this out quite clearly.

The long-term thrust of any agricultural input program should be to encourage the development and expansion of local industries based on traditional methods.

Historians have shown that the simplicity of present African farm technology does not represent the level of technology achieved in pre-colonial times. Because of colonial exploitation, much of the technology was lost. Schol..rs have uncovered much more sophisticated farm technology prior to colonial times in a number of West and Central African kingdoms. (See Rodney, 1971, Amin, Rattray on the Asahanti.) However, exploitative colonial policies based on depriving the farmer of all but the bare minimum for his survival[1/] broke down traditional systems of production, and caused technological regression. What is characteristic of the French colonial system is that no effort was made to introduce new technology as the British did in South Africa. This was because French entrepreneurs found it much cheaper to extract raw materials at extremely low prices and sell at a high profit margin than to invest in technology that would increase production and, therefore, increase profits by expanding their markets. Jean Suret-Canale showed that while Britain was investing 56 pounds sterling per capita in South Africa, the French were averaging 2 pounds sterling per capita. French merchants monopolized the colonial markets through the protectionists policies of the colonial government. Given the conditions: a guaranteed inexpensive source of raw materials and monopoly of the European and African market, the rates of return were higher in the short run.

As mentioned earlier, this policy resulted in extreme exploitation of the farmers. Scholars say that no progress can be made without surplus. Many historians believed that because of this, traditional technology stagnated. Later, much of it was lost as a result of the breakdown of units of production increasing dependence on European markets to furnish goods once produced in the societies, and excessive focus on agricultural production to the exclusion of other industries.

[1/] This is very well documented by a number of historians, notably Jean Suret-Canale, a French historian who wrote one of the most scholarly well-documented books in two volumes on the French Colonial period in West Africa, 1900-1945 and 1945-1960.

All this is to say that the long range Government of Niger's focus should be primarily to build on the potential for developing traditional industries which are based on local resources and in which the target population has had the most input and control. Programs such as the one proposed in Farm Equipment Enterprises Development Project (FEED) are a step in the right direction.

What is most important to note is that the conditions creating the present condition of African farm technology have only recently begun to attenuate and in certain regions still exist. Change cannot occur overnight, but ultimately it is necessary to lay the basis for the redevelopment of indigenous technology adapted to local needs and resources. The government is already quite aware of its dependence on foreign imports of materials and skill.

The long-term results of focusing on a locally developed technology will be an input supply program that is self-sustaining, ultimately at little or no cost to the government, is truly adapted to farmers needs and resources, increases production, generates employment in rural areas, and relieves the drain of monetary resources from the countryside.

2. Agricultural Price and Marketing Policies

There are a number of issues that have to be given consideration in the analysis of the benefits afforded by the policy reforms recommended by the Mission.

First we must define the extent to which OPVN's policies actually affect producers and consumers in Niger. What effect does the organization have on the prices at which grain is marketed? on the stability of grain prices? on the supply of grain to grain deficient areas and in providing grain to non-producers?

Secondly we must ascertain whether or not the structures proposed for implementing policy reform can actually do so. What is the potential role of cooperatives in the sale and purchase of grain? Do they have the resources to do so on their own? Can they take on the responsibility of storing grain and keeping it within the community until OPVN releases it?

OPVN has been criticized for paying producers too little for grain and resorting to coercive methods of extracting grain from them. In the past, OPVN has relied on political pull to "encourage" farmers to sell at least some of their grain through cooperatives. It has been criticized for depriving farming communities of grain by taking grain outside the communities and making it available to non-producers at lower than market prices. Although this is so, it is known that until last year (when OPVN paid higher than market prices for grain), it was able to purchase only a small percentage of the total grain marketed. As brought out in the discussion on policy objectives, the unattractively low prices offered by the institution discourages farmers from selling their grain to OPVN. (Most of OPVN's grain supply comes from imports.) The damage done to farmers appears not to be very great. Secondly, OPVN operates only during a portion of the year. Lack of adequate funds, and the slowness of its administrative procedures further reduces its effectiveness in extracting grain from producers.

To say that OPVN's cash flow problem forces farmers to sell to merchants at lower prices than they receive from OPVN (Policy Paper :53) is probably an overstatement. (I presume that this observation was made in 1983 when OPVN was paying higher than market prices to farmers; a factor that encouraged more farmers to sell to cooperatives.) In view of OPVN's performance in the past, I doubt if many farmers are caught by surprise by OPVN's money shortages.

It appears that farmers sell very little of their grain to OPVN and rely on other marketing sources that are more profitable. What is even more interesting is that the Joint Program Assessment study uncovered that farmers were actually net buyers (at least in their sample). This means that they were earning most of their income from sources other than farming and were using this income to purchase grain. They are more concerned with the availability of grain for purchase on the market than by the sale of grain.

Although the Joint Program Assessment sustains that OPVN has had no positive effect on the fluctuation of grain prices since the early 1970's, their argument is not convincing. The agricultural market has changed many times since the early 1970's. There has been a substantial decline in the production and sale of peanuts due in part to disease, as noted in the Social and Institutional Profile (SIP) and to the declining value of peanuts on the world market. Would prices fluctuate even more if not for the activities of OPVN?

The most crucial issue is related to the role of OPVN in supplying grain to deficit areas and to non-producers in urban centers. The literature shows that when OPVN's cereal prices climbed above market prices its sales declined. Where was the population getting its grain? What effect did the rise in price of OPVN's grain have on the market price of cereals? If the non-producing areas had alternative sources of grain, it can easily be said that OPVN's role as seller or provider of grain is not crucial. If then, market prices for grain went up as a result of higher prices of OPVN grain it cannot be argued that OPVN has limited or no effect on the fluctuation of prices.

The Government of Niger will argue that one of OPVN's crucial roles is to provide non-producers with an adequate supply of grain. It will be necessary to know to what extent OPVN affects price and availability of grain to non-producers, either indirectly or directly. These are questions to which in my opinion analysis of the literature offers no satisfactory answers. How many people benefit from, or rely on, grain sales from OPVN; and to what extent? To what extent will reduction of the degree to which OPVN supplies grain in deficit areas and the lifting of price control necessarily guarantee higher prices to producers? How much more will non-producers have to pay for grain? The Joint Program Assessment does endorse maintaining OPVN's role in grain deficient areas, which is a recognition of the usefulness of the organization to buyers.

3. Cooperatives, Merchants, and Marketing

What will be the effect of leaving marketing to private merchants and cooperatives?

Given the current condition of cooperatives in general, and the reforms about to be initiated by the government, it appears that it will take some time before cooperatives develop the organizational capabilities to profit from buying and selling to OPVN.

Cooperatives must have monetary resources and the means by which to administer them adequately. They require literacy for accounting purposes, recording transactions, counting sacks, etc. A more detailed analysis of the requirements for successful cooperatives and the reasons why they are not, is provided in the institutional analysis of UNCC.

Storage of grain is yet another problem, cooperatives would either have to refurbish their storage facilities (Pattinson) or rely on villagers to store grain for them (with all the attendant problems that this implies).

Although the grain bank proposal is an excellent one in theory, it would be interesting to know how it worked in the past. (The problems and successes associated with it.) My own field experiences in Upper Volta show that in the early stages of the inception of grain banks in the community, certain problems surfaced Grain was plentiful in the community in which the grain banks were established. However, during the farming season, certain families ran short. When they returned to the banks to purchase grain, they had difficulty obtaining grains. The people in charge of the banks found it difficult to resist selling to merchants and civil servants who demanded grain. As a result, earlier attempts to establish grain banks were abandoned in favor of traditional methods of storage in the household, where a close watch was kept over the granaries; and where villagers had the option of obtaining credit from merchants as well as handouts from relatives and friends. Clearly, storing grain in village grain banks does not necessarily make it more accessible to participants.

I believe that given the present state of cooperatives, the private sector refers only to merchants. Private merchants may be able to mobilize and distribute grain, but this does not necessarily guarantee a higher price to producer and a reasonable price to consumer. The Government of Niger, quite reasonably, argues that freeing up the market may give merchants a legitimate avenue for greater exploitation of producers.

The policy reform paper argues that the government and OPVN can concentrate on stopping monopolistic behavior. But if at present, neither OPVN nor the administration have been really able to stop the rapid development of the private sector in grain marketing it is doubtful that they will have a greater effect on this sector by freeing trade.

Finally, to what extent can the private sector take on the responsibility of keeping the grain deficit areas and non-producers supplied with grain? How long will it take for the private sector and cooperatives to develop the means to do so? These are questions that must be answered prior to formulating policy.

4. Agricultural Credit

The recommendation that a study be conducted on the credit system is an excellent one. Nonetheless, perhaps the problem of credit should be examined from another perspective.

Cooperatives and farmers have a history of chronic default on loans. The reasons for this are related to a complex set of factors. With this in mind, development planners should consider alternatives to credit.

From the perspective of the farmer, credit for the purpose of increasing agricultural production ultimately benefits the non-producer more than the farmer. If the Government of Niger is pushing for food self-sufficiency it is to be able to supply non-producers. At present, the farmer is being asked to make a high risk investment, the cost of which is not shared by the consumer; the direct beneficiary. It will be necessary in the future to explore systems that, perhaps through a special tax on the income of non-producers, for example, will provide equipment for farmers. This, needless to say, has to be done within a context in which the viability of the technical package is assured; and issues of equity in the distribution of the equipment are resolved. The purpose of this would be to share the risks to producers and keep the cost of production low. It would eventually come back to the non-producer in the form of increased access to low prices farm goods.

In respect to the other policy modifications, I do not believe that group responsibility at the level of the GMs will necessarily guarantee the repayment of credit. The reasons are discussed in detail in Section D.

5. Cross Border Trade

The policy reform has the following objectives:

a. Promote production and exports of cowpeas and livestock as alternatives to excessive dependence on uranium for generating foreign exchange.

b. Increase incomes of crop and livestock producers.

c. Promote interregional trade as a first line of defense against crop failures in the region.

d. Promote registration of exports.

The documentation argues that freeing cross border trade will help attain the objectives. However, I would like to discuss some of the issues involved in the analysis of the constraints and benefits of the present government policy.

I am not sure that the Mission really knows precisely what are the effects of the present trade restrictions on the cross border movement of grain and cattle. It is not exactly clear how much cereal actually crosses the border and how it is distributed once it reaches Niger. This is crucial in identifying those affected by the trade and the actual effects of the trade on those concerned. The Joint Program Assessment estimates the volume of grain imported from Nigeria to be about 180,000 tons. Would it be higher if trade were free?

Another important factor is understanding how those most affected by cross border trade perceive the restrictions imposed by the Government. Do they perceive it as a real impediment to their activities?

Contrary to the arguments of the Mission, illegal trade in cattle or grain may have the effects of keeping the price of goods high, precisely because of the "risks" involved. On the surface it would appear as if _de juro_, but not _de facto_, restrictions on trade in cereals would permit farmers to buy cereals at a lower price and sell their own cereals at a higher price to government controlled markets. This would result in a net profit to farmers while guaranteeing the urban sector a source of inexpensive grain; not at the expense of the Nigerien farmer.

It may be that restriction of trade favors small merchants, by restricting the quantities of grain transported at a time across the border. Smaller quantities of grain are more suited to small traders. Were trade actually free, given the influence of large-scale traders, it is possible that large-scale businesses could in fact tie up the grain supply and distribution circuits, resulting in the exclusion of small traders. The ensuring lack of competition might result in higher prices to consumers.

I recommend that more information be collected from the perspective of those operating within the restrictions on cross border trade. We need to know the real constraints as well as the advantages perceived by traders and consumers of the goods provided by the trade.

ANNEX J

AN ANALYSIS OF
NIGER'S INTERIM PLAN, 1984-1985

K. Toh
USAID/Niamey
March 1984

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I. PLAN ORIENTATION

Niger's economic and financial difficulties reached the crisis stage in 1983. The liquidity crisis forced the Government of Niger to adopt a program aimed at achieving financial stability under the IMF auspices, reschedule its debt with the Paris Club, and initiate the necessary adjustment process. One of the important elements in the adjustment process is a program of consolidation of public investment. This program for investment consolidation is outlined in the 1984-1985 Interim Plan (Programme Intérimaire de Consolidation, 1984-1985 - PIC). It is intended for the allocation of public investment spending during the next two years and for indication of policy direction as well as budgetary planning.

Since this is an interim plan, it adheres to the basic objectives of the previous Five-Year Plan (1979-1983). A number of these objectives, including achievement of self-sufficiency in food production, improvement of social services (particularly in education, basic health services, and rural water supply), development of industry, energy, and basic infrastructure, remain to be reached. The investment program for the most part comprises ongoing projects or extension of projects or programs undertaken during the previous plan. The emphasis in the PIC, however, differs from the previous plan in several respects. Four general fundamental changes seem to emerge.

First, there is an increased emphasis on the reorientation of public investment more toward the directly productive sector, especially in agriculture and livestock, rural employment, and export promotion. The effort to achieve self-sufficiency in food production and to conserve Niger's fragile environment is still the overriding concern.

Second, the Plan explicitly recognizes the need to take inventory of all the installed capacity achieved during the past Five-Year Plan in the infrastructure and social services sectors. This will be undertaken with the objective of making the full use of the already installed capacity as well as ensuring its continuing operation. It is certainly a significant departure from Niger's previous planning efforts and it is probably influenced by the overall financial constraint resulting from the worsening economic conditions.

Third, the Plan calls for an acceleration of the development of a participatory economy through the "Development Society" institution which comprises cooperatives and youth groups (Samarias) at different administrative levels. The promotion of a participatory economy is not new; it was one of the goals in the 1979-1983 Plan. However, the concept has not been adequately transformed into activities during the previous plan. The departure point, from the previous plan's attempt which provides a basis for believing that the "Development Society" idea will become an important instrument in the Interim Plan, is the Government's recognition of its limited resources relative to the need. The declining public sector resources increases the importance of mobilizing resources and energy from the private sector. The "Development Society," through the cooperatives and youth groups, is a vehicle for mobilizing such resources. Activities

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for which they can play an important role include the maintenance and participation in the building of infrastructure, especially those aimed at providing goods or services having public-good characteristics, such as schools, village water supply, and rural roads. Participation from beneficiaries should help lower the recurrent costs which would otherwise be absorbed by the Government. It should also provide incentives for better maintenance of the installed capacity. The "Development Society" concept, if properly implemented, could contribute to the achievement of decentralization, increasing private sector involvement in development activities, and relieving some of the budgetary pressure from the Government.

Fourth, there is an added emphasis on economic policy in the Interim Plan. This is the most distinctive departure from the previous plan. The previous Five-Year Plan is very weak when it comes to specific policy measures both at the macro and sectoral levels. It made no serious attempt to link the Plan to budgetary resources at the macro level, although it provided macro-economic projections. At the sectoral level, no specific policies were proposed to deal with the recurrent costs of activities generated from the investment program in order to ensure their sustainability. There was no attempt to develop an incentive structure which would contribute to increase productivity or to attract private sector participation to complement public investment programs. The previous planning effort also ignored the absorptive capacity, both at the macro and sectoral levels, in relationship to proposed investment activities. Because it did not contribute to economic policy formulation, it was not a "plan" in the sense of an instrument of control on the allocation of resources; it was more of a list of programs or projects intended to solicit financing from donor agencies. This missing essential element of a plan has been recognized and the 1984-1985 Interim Plan seems to be formulated within a certain set of policy measures consistent with declining public sector resources.

At the overall aggregate level, a number of macro-economic policies will be implemented. They include an austerity program aimed at (i) reducing the budget deficit through combinations of revenue-increasing measures and spending cuts; (ii) reducing the current account deficit in the balance of payments through export promotion, cuts in imports as a result of contraction in public investment spending, and through avoiding external short-term non-concessional borrowing; (iii) establishing guidelines for external borrowing practices which would take into consideration the existing heavy debt service burden; and (iv) slowing down the growth of internal banking credit. With this macro-economic policy framework, the level of planned investment spending in the PIC has been scaled down significantly, to make the Plan consistent and directly linked to budgetary planning.

II SECTORAL ALLOCATIONS IN THE PLAN

The targeted public investment in the Interim Plan totals 128.3 billion CFA francs ($313 million) with a slightly more spending planned for 1985 (66 billion CFA francs) than in 1984. The directly productive sector (agriculture, livestock, forestry, fishing, mining, industry and energy) will receive the largest share of the total planned public investment spending (35.4 percent) with agriculture and livestock accounting for 83.8 percent of the planned expenditure in the sector; the remainder will go to forestry (8.8 percent), fishing (1.0 percent), agronomic research (2.0 percent), energy (2.2 percent), mining (1.6 percent), and industry (0.6 percent). Next to the productive sector is the infrastructure sector. The Plan allocates 33.4 percent of the total investment to this sector. The largest sub-sector which accounts for 61.7 percent of the planned investment spending in the sector is roads, followed by telecommunications (17.3 percent) and sanitation (14.9 percent). Housing, postal services, airport maintenance, and public building account for the rest of the planned expenditure in the sector. Social services (education, vocational training, health, and rural water supply) will receive 29.9 percent of the total planned investment in the sector with water supply accounting for 56.9 percent of the planned expenditure in the sector, education (17.7 percent), vocational training (10.6 percent), and health services (14.8 percent). The remainder of the investment in the Plan (1.2 percent) is allocated to transport, tourism, and civic services (information, sports, and culture. Tables 1 and 2 show the allocation of planned public investment in the PIC.

The PIC also anticipates investment from the semi-public and private sectors totaling 24.2 billion CFA francs with the private sector expected to provide 15.5 billion CFA francs ($38 million). Most of the investment from thes semi-public and private sectors will go to mining, industry, energy, transport, and tourism.

Figure 1 highlights the allocation of planned public investment outlays in the PIC and compares it with the allocation in the previous Five-Year Plan. First, there is an increase in the share of planned investment expenditure in the rural sector, particularly in agriculture and livestock. Second, the share of planned public investment expenditure for mining, industry, and energy in the PIC is lower. Third, although the share of infrastructure will be higher in the PIC, there are changes within the sectoral composition with drastic reduction in administrative infrastructure (i.e., government buildings) and substantial increase for sanitation works. The share of the road sub-sector will also rise modestly. Fourth, there are changes in the allocation of planned public investment expenditure within the social services sector, although its sectoral share remains relatively unchanged between the two Plans. The planned public investment share for water supply has more than doubled, and that of education declined significantly while the share for vocational training rose. The public investment expenditure share for health also declined.

Figure 2 compares the planned public investment allocations in the PIC with the actual spending pattern during the 1979-1983 Plan. The share of investment expenditure in agriculture and livestock in the PIC is twice the share of actual spending during 1979-1983. The share of mining, industry, and energy is minute compared with the actual spending under the previous plan. The share of infrastructure (excluding telecommunications, sanitation works, and government buildings) remains relatively unchanged between the two periods. The share of telecommunications under the PIC will fall modestly, whereas spending on sanitation works will rise substantially. The PIC eliminates almost entirely planned spending on government buildings. In the social services sector, there is a shift in emphasis within the sector with a substantial increase in public investment outlays planned for rural water supply, and a modest increase in vocation training.

TABLE I

NIGER: PLANNED PUBLIC INVESTMENT EXPENDITURE IN INTERIM PLAN, 1984-1985
(in millions of CFA francs)

SECTOR	TOTAL	1984	1985	FINANCING COMMITTED	FINANCING SOUGHT
I. DIRECTLY PRODUCTIVE SECTOR	45409	22826	22583	44287	1122
A. Rural Development	43368	21656	21712	42358	1010
Agriculture	28577	14118	14459	28414	163
Livestock	9503	4760	4743	8844	659
Forestry	4016	1946	2070	4016	0
Fishing	394	357	37	394	0
Research	878	475	403	690	188
B. Mining, Industry & Energy	2041	1170	871	1929	112
Mining	741	250	491	629	112
Industry	260	260	---	260	0
Energy	1040	660	380	1040	0
II. SOCIAL SECTOR	38466	18614	19852	31256	7210
Education	6791	2517	4274	2290	4501
Vocational Training	4066	1635	2431	3227	839
Health	5693	2551	3142	3823	1870
Water Supply	21916	11911	10005	21916	0
III. INFRASTRUCTURE	42857	20040	22817	42173	684
Roads and Bridges	26435	13262	13173	26435	0
Urban Development	471	50	421	118	353
Housing	1070	355	715	950	120
Sanitation	6388	2739	3649	6203	185
Telecommunications	7408	3216	4192	7408	0
Postal Services	999	362	637	999	0
Airport Maintenance	26	26	--	--	26
Government Building	60	30	30	60	0
IV. OTHER SECTORS	1586	662	924	550	1036
Transport	656	35	621	--	656
Tourism (Hotel)	50	25	25	--	50
"Animation au developpement"	35	17	18	--	35
Youth, Sports, & Culture	145	55	90	50	95
Information	700	530	170	500	200
Scientific Research					
TOTAL	128318	62142	66176	118266	10052

TABLE 2

NIGER: PLANNED PUBLIC INVESTMENT EXPENDITURE IN INTERIM PLAN, 1984-85
(in percent of total)

SECTOR	TOTAL	1984	1985	FINANCING COMMITTED	FINANCING SOUGHT
I. DIRECTLY PRODUCTIVE SECTOR	35.39	17.79	17.60	34.51	0.87
A. Rural Development	33.80	16.88	16.92	33.01	0.79
Agriculture	22.27	11.00	11.27	22.14	0.13
Livestock	7.41	3.71	3.70	6.89	0.51
Forestry	3.13	1.52	1.61	3.13	0.00
Fishing	0.31	0.28	0.03	0.31	0.00
B. Mining, Industry & Energy	1.59	0.91	0.68	1.50	0.09
Mining	0.58	0.19	0.38	0.49	0.09
Industry	0.20	0.20	0.00	0.20	0.00
Energy	0.81	0.51	0.30	0.81	0.00
II. SOCIAL SECTOR	29.98	13.44	14.33	22.56	5.20
Education	5.29	1.96	3.33	1.78	3.51
Vocational Training	3.17	1.27	1.89	2.51	0.65
Health	4.44	1.99	2.45	2.98	1.46
Waterworks	17.08	9.28	7.80	17.08	0.00
III. INFRASTRUCTURE	33.40	15.62	17.78	32.87	0.53
Roads and Bridges	20.60	10.34	10.27	20.60	0.00
Urban Development	0.37	0.04	0.33	0.09	0.28
Housing	0.83	0.28	0.55	0.74	0.09
Sanitation	4.98	2.13	2.84	4.83	0.14
Telecommunications	5.77	2.51	3.27	5.77	0.00
Postal Services	0.78	0.28	0.50	0.78	0.00
Navigation & Meteorology	0.02	0.02	0.00	0.00	0.02
Government Building	0.05	0.02	0.02	0.05	0.00
IV. OTHER SECTORS	1.24	0.52	0.72	0.43	0.81
Transport	0.51	0.03	0.48	0.00	0.51
Tourism (Hotel)	0.04	0.02	0.02	0.00	0.04
"Animation au developpement"	0.03	0.01	0.01	0.00	0.03
Youth, Sports, & Culture	0.11	0.04	0.07	0.04	0.07
Information	0.55	0.41	0.13	0.39	0.16
Scientific Research	....	....	....	....	....
TOTAL	100.00	47.36	50.43	92.17	7.83

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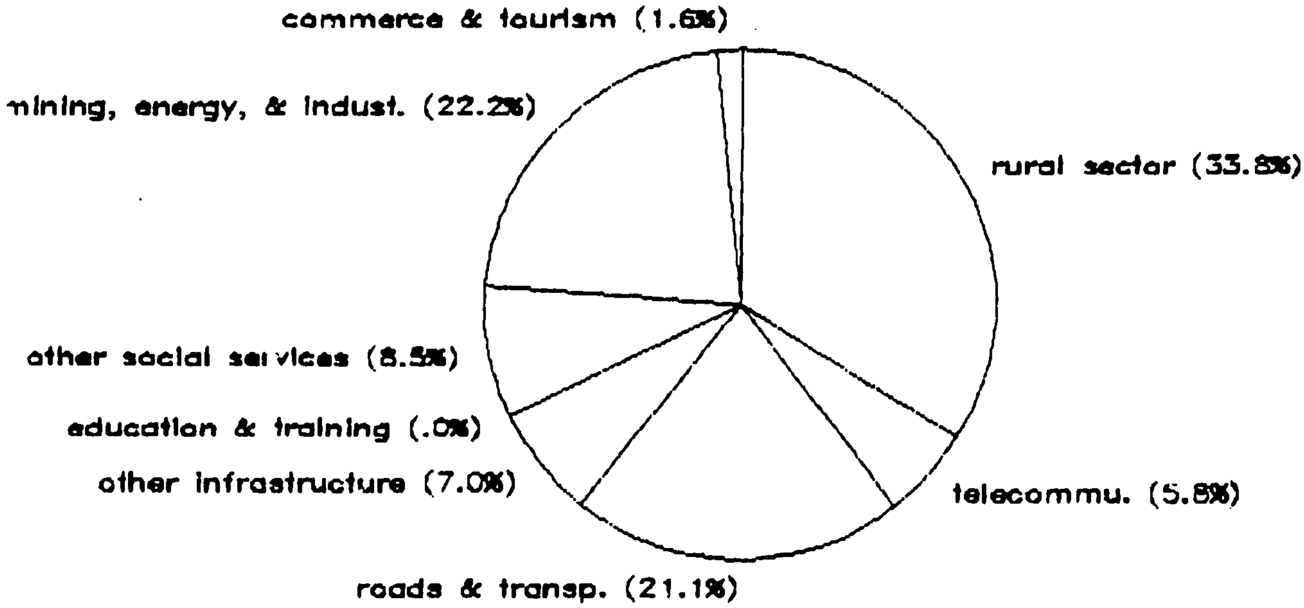
Source: Ministry of Planning, PROGRAMME INTERIMAIRE DE CONSOLIDATION, 1984-1985

PLANNED PUBLIC INVESTMENT ALLOCATION
IN INTERIM PLAN (1984-1985)



PLANNED PUBLIC INVESTMENT
IN THE FIVE-YEAR PLAN (1979-83)

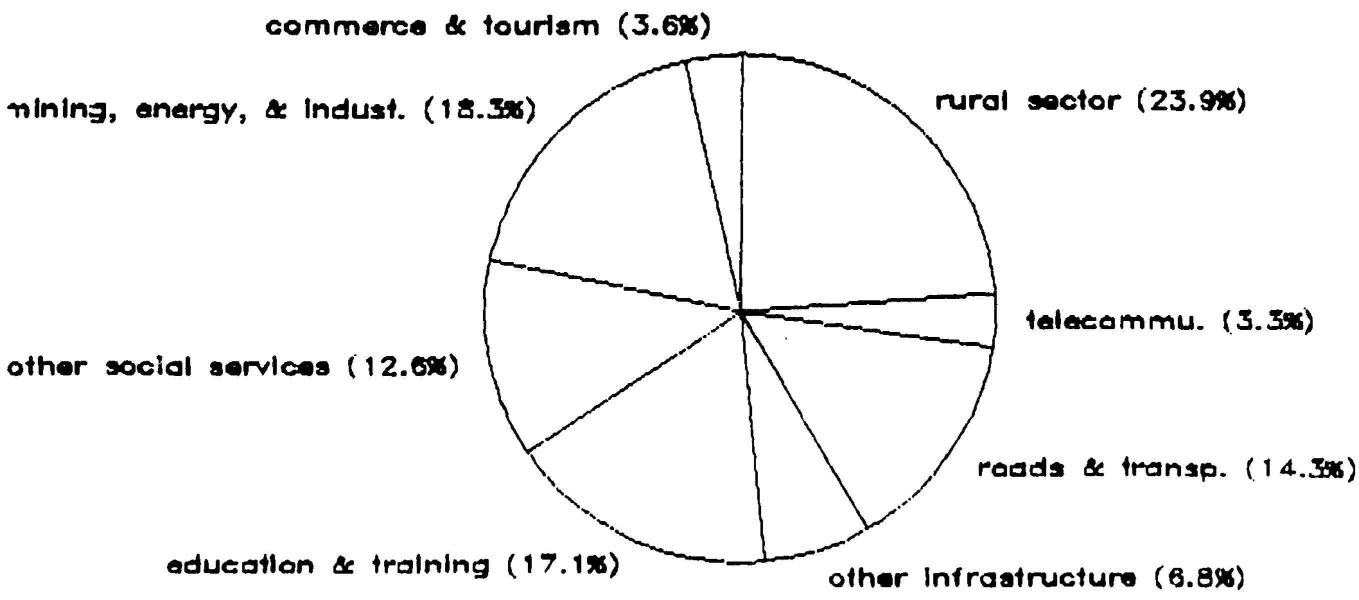
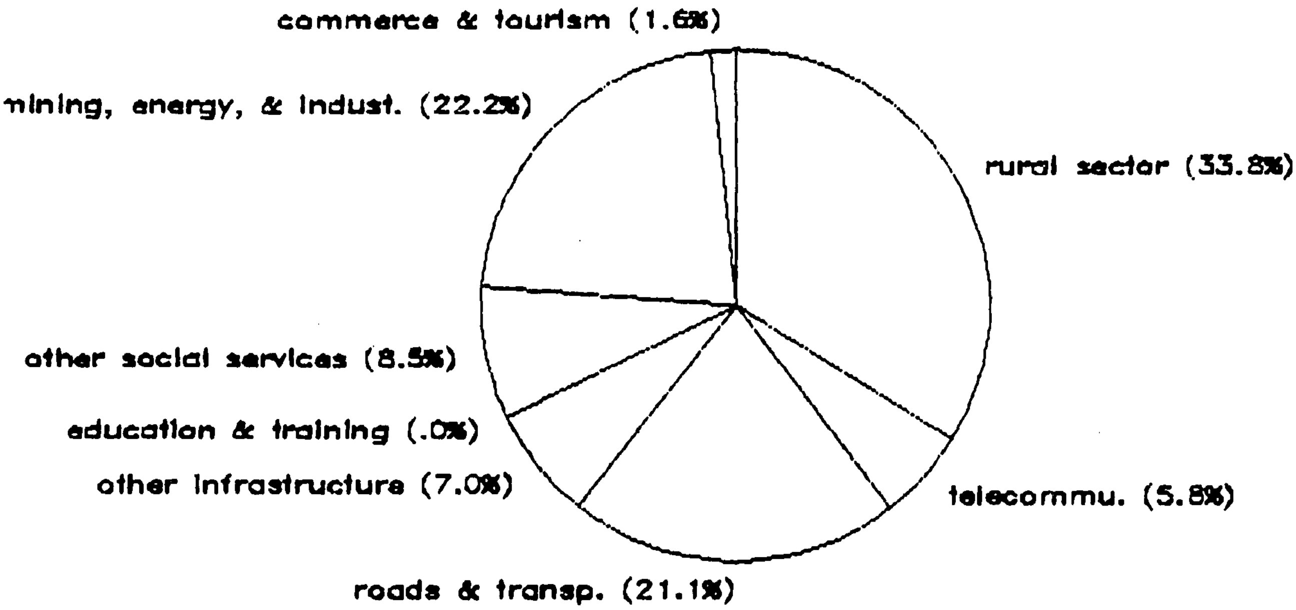


Figure 1

PLANNED PUBLIC INVESTMENT ALLOCATION

IN INTERIM PLAN (1984-1985)



ACTUAL PUBLIC INVESTMENT SPENDING

DURING 1979-1983

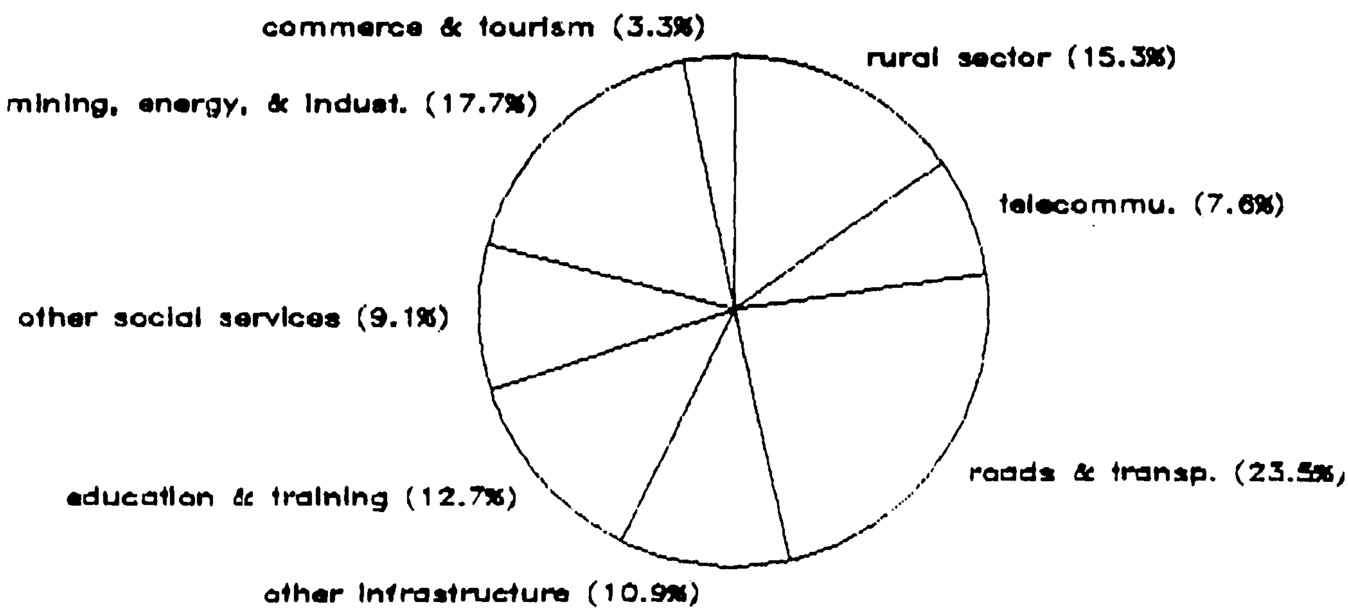


Figure 2

III. FINANCING OF THE PLAN

External sources will provide more than 84.6 percent of the financing requirements in the Plan. Government budgetary revenues are anticipated to provide 7.6 percent of the total financing requirements of the Plan. The financing gap for the planned investment is estimated at 10 billion CFA francs ($25 million) and it reflects entirely the part of the Plan for which external financing has not yet been acquired. It amounts to approximately 7.8 percent of the total planned investment in the Plan. Table 3 below provides a summary of the anticipated financing sources.

Table 4 provides the estimates of drawings for 1984-1985 from different external financing sources in the form of concessional loans. The largest financing sources are the Caisse Centrale de Coopération Economique (CCCE) and the IBRD; each will provide 24 percent of the anticipated total drawings of concessional loans. Other major sources are: Saudi Development Fund (8 percent), Kuwait Development Fund (9 percent), West African Development Bank (10.5 percent), Arab Development Bank (3.7 percent), and Republic of China (4 percent). With the exception of the CCCE and the IBRD, most of the concessional loans will go to finance activities in the infrastructure sector (roads, telecommunications, sanitation works, and urban development), rural water supply, industry, and energy. In addition to financing the activities in the above-mentioned sectors, the CCCE will provide 13.8 percent of its estimated total financing commitments in 1984-1985 for agriculture and rural development, 22.9 percent for education, and 22.3 percent for forestry. The remaining IBRD financing will go to infrastructure (mainly rural roads), handicrafts, energy, health and technical assistance.

IV. MAJOR PROGRAMS IN THE PLAN

Major programs in the Plan are listed below with their targeted investment outlays during the Plan period.

Summary of Major Programs in the Plan

Program	in millions of CFA francs	in thousands of U.S. Dollars	in percent of total PIC investment
Agriculture	28,577	69,750	22.3
Livestock	9,503	23,190	7.4
Education	6,971	16,570	5.3
Vocational Training	4,066	11,590	3.2
Health	5,693	13,890	4.4
Water Supply	21,916	53,480	17.1
Infrastructure	42,857	104,570	33.4
(of which: roads)	(26,435)	(64,500)	(20.6)
Mining, Energy, Industry*	29,443	71,840	1.6

*The total amount includes private and semi-public investments; the percentage share, however, is based on public investment only.

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TABLE 3

NIGER: FINANCING OF PUBLIC INVESTMENT IN INTERIM PLAN, 1984-1985
(in millions of CFA francs)

SECTOR	External source: grants	External source: Concess. loans	External source: Non-concess. loans	External source: Total ext. financing	Total internal financing	Total secured financing	Total unsecured financing
I. DIRECTLY PRODUCTIVE SECTOR	24372	15930	1217	41519	2768	44287	1122
A. Rural Development	24031	15450	1217	40698	1660	42358	1010
Agriculture	15487	11117	592	27196	1218	28414	163
Livestock	5209	2718	625	8552	292	8844	659
Forestry	2421	1485	....	3906	110	4016	....
Fishing	224	130	....	354	40	394	....
Agronomic Research	690	....	....	690	....	690	188
B. Mining, Industry & Energy	341	480	....	821	1108	1929	112
Mining	281	....	....	281	348	629	112
Industry	....	....	....	....	260	260	....
Energy	60	480	....	540	500	1040	....
II. SOCIAL SECTOR	16889	11544	845	29278	1978	31256	7210
Education	....	1490	....	1490	800	2290	4501
Vocational Training	584	2370	....	2954	273	3227	839
Health	3623	....	....	3623	200	3823	1870
Water Supply	12682	7684	845	21211	705	21916	....
III. INFRASTRUCTURE	12668	20689	3872	37229	4944	42173	684
Roads and Bridges	8195	13203	1200	22598	3837	26435	....
Urban Development	118	....	....	118	....	118	353
Housing	950	....	....	950	....	950	120
Sanitation	3205	.2718	....	5923	280	6203	185
Telecommunications	....	4468	2672	7140	268	7408	....
Postal Services	200	300	....	500	499	999	....
Government Building	....	....	....	....	60	60	....
Airport Maintenance	....	....	....	....	....	....	26
IV. OTHER SECTORS	500	....	....	500	50	550	1036
Youth and Sport	....	....	....	....	50	50	95
Information	500	....	....	500	....	500	200
Transport	....	....	....	....	....	....	656
Tourism (Hotel)	....	....	....	....	....	....	50
"Animation au developpement"	....	....	....	....	....	....	35
Total	54429	48163	5934	108526	9740	118266	100[illegible]

Source: Ministry of Planning, PROGRAMME INTERIMAIRE DE CONSOLIDATION, 1984-1985

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TABLE 4

ESTIMATED DRAWINGS OF CONCESSIONAL LOANS, 1984-1985

FINANCING SOURCE	(in millions of CFAF) 1984	1985	(in thousands of $) 1984	1985	(in percent of total) 1984	1985
Caisse Centrale de Cooperation Economique	12291	10735	29498	25764	24.84	23.59
I.B.R.D.	12091	10718	29018	25723	24.44	23.56
Saudi Development Fund	5665	1870	13596	4488	11.45	4.11
Islamic Development Bank	483	1853	1159	4447	0.98	4.07
Kuwait Development Fund	4680	3900	11232	9360	9.46	8.57
Arab Development Bank	1037	2490	2489	5976	2.10	5.47
West African Development Bank	4195	1415	10068	3396	8.48	3.11
African Development Bank	1640	1271	3936	3050	3.31	2.79
African Development Fund	3956	6008	9494	14419	7.99	13.20
Republic of Chaina	1000	3000	2400	7200	2.02	6.59
International Development Fund for Africa	435	435	1044	1044	0.88	0.96
ECOWAS	--	158		379		0.35
OPEC	--	1037		2489		2.28
European Bank for Investment	476	--	1142		0.96	
Denmark	892	--	2141		1.80	
Belgium	641	609	1538	1462	1.30	1.34
TOTAL	49482	45499	118757	109198	100.00	100.00

1. Agriculture

The Plan continues the pursuit of the goal of self-sufficiency in food production through projects targeted at increasing productivity in rainfed agriculture and through development of irrigated agriculture. Three groups of projects together constitute the Nigerien Government's agricultural development program. The first group comprises ten regional integrated rural development projects across all the provinces in the country.[1/] These projects are targeted at increasing productivity of rainfed agriculture through the adoption of modern agricultural inputs (such as fertilizers, pesticides, improved seeds, farm implements, and animal traction equipment), cultivation practices, the provision of training and extension services. The cost of the ten projects totals 10.2 billion CFA francs ($25 million) during the Plan period.

The second group of projects is national in scope. It consists of a national cereal program, a plant protection program, a statistical collection effort, and an initiative to revitalize production of cotton and groundnuts. There are eight projects in this second group totaling 6.5 billion CFA francs ($16 million) during the Plan period. Major projects in this group are cereal research and plant protection. They account for 69 percent of the total cost in this group. The major funding sources in this group are USAID and the Canadian. The national cereal program emphasizes the expansion of the seed multiplication activities including establishment of a second seed-producing farm, the center to support extension services. It also stresses the importance of achieving financial independence in the operation of the seed multiplication centers. The plant protection program will include training and strengthening local and regional efforts in the adoption of technologies to protect plants as well as the research for new protection method and disease controls. Under the agro-pastoral statistics program, efforts will continue in improving the collection of necessary agro-pastoral statistics. Major activities will include surveys of food consumption and food need, census of recent land tenure and land utilization patterns, analysis of costs elements, and agricultural and livestock market prices. The Plan includes attempts to revitalize the production of export crops as a means to compensate for falling uranium earnings. The revitalization effort includes provision of support services dissemination of information concerning disease controls, production and distribution of improved seeds, appropriate price incentives, and the introduction of these crops under irrigation schemes.

The third group of projects is for irrigation works and studies. There are nine projects in this group totaling 11.0 billion CFA francs ($27 million). Two of these projects involve completion of two irrigated perimeters in Tahoua and Niamey. These two projects amount to 33 percent of the cost and they are financed by Kuwait and the Republic of China. The other major efforts include a rehabilitation program along the Niger River and a study and assessment of irrigation. The total planned public investment in agriculture is 28.5 billion CFA francs ($69.5 million). The Nigerien Government has obtained all of the financing commitments for the program except for a project in the organization of agro-hancicraft trade fair, and a project in seed multiplication for onions and potatoes. The estimated cost for the agro-handicraft trade fair is 168 million CFA francs. No cost estimates are given for the other project.

[1/] There are also four small regional projects outside the "productivity" project group. The cost of these projects totals 796 million CFA francs ($1.9 million) during the Plan period.

2. Livestock

Major investment programs in livestock are improved animal health and modernization of the pastoral zone, particularly in the eastern central part (Diffa, Maradi, and Zinder) and in Tahoua and Agadez. The animal health program focuses on both preventive and curative health care. They include vaccination program for contagious animal diseases and the establishment of health infrastructure such as laboratory facilities, health personnel training, and provision of pastoral water supply. The approach for the modernization of the pastoral zone is similar to the productivity project in agriculture. It consists of three regional projects targeted to increase livestock productivity through a number of activities such as improved forages, water points, and other infrastructure, better range management, health services, establishment of herder associations, training, and support services from local as well as central authorities. The animal health program and the modernization of the pastoral zone represent, respectively, 10.5 and 71.2 percent of the total planned investment in livestock. Other programs include dairy development, (4.5 percent), cattle fattening, (2.8 percent), herd reconstitution, poultry, and fisheries. Major donors in the livestock sub-sector are USAID, CCCE, and the IBRD. The total cost is estimated at 9.5 billion CFA francs ($23.2 million). The financing of seven percent of the investment program has yet to be secured.

3. Education

During the 1979-1983 Plan, the provision of basic human needs was strongly emphasized. Education is conceived as a means to distribute more equitably the benefits from the uranium boom and as a basis for building the future and the development of the private sector. The Plan continues the objectives laid out in the 1979-1983 Plan. They include efforts to raise the rate of enrollment at the primary education level, increase the progression rate from primary to secondary education, and development of university for higher education. These objectives are far from being accomplished during the previous plan period. The program in the PIC consists of increasing the number of classes to areas in which education facilities are inadequate. This would include building more schools, providing more learning materials, equipment, and supplies, and increasing the supply of qualified teachers.

In addition, the Plan calls for reforms and added emphasis in the areas of teacher training and improvement in the pedagogical program with instruction in maternal language during the first two years of primary school. The public investment program will also include: undertaking inventory of existing education facilities in each locality which will serve as an input in the planning for repairs and renovations, transforming some dormitories into classes for the secondary schools and making full use of existing facilities in laboratory, equipment, and dormitories at the "lycée" level, limiting scholarships to students only in the priority fields, and expanding the university program to include the third and fourth years in certain colleges and establishing a college of architecture and a management college.

The total cost for the program is 6.8 billion CFA francs ($16.6 million). Primary education receives the largest share of the planned public investment expenditure (45.2 percent) followed by secondary education (40.5 percent) and higher education (14.3 percent). Approximately 66.3 percent of the investment program cost is still seeking funding. Major donors in the sector are the Arab Development Fund (19 percent of the total investment in the sector) and the Saudi Arabia (14 percent). The remaining is supposed to be financed by the central budget (through the FNI). Although the Plan outlines a number of objectives toward which public investment will be directed, the program outlined seems to be concentrated principally in infrastructure.

4. Vocational Training

The vocational training program in the Plan is targeted at improving the manpower planning, training, and coordination among a number of institutions to ensure that the training institutions produce qualified graduates in adequate quantity to meet the manpower demand in both the public and private sectors. The Plan orients its resources toward: (a) a better and more fully use of existing installed capacity; (b) an increased level of materials and supplies, human resources, and adequate teaching instructions for the training centers; (c) development of an integrated human resource development planning.

The program in the Plan is essentially a continuation of the previous plan. It consists of extension and improvement of the training institutions created during the previous plans. The program includes training in a number of fields: rural development (agriculture and livestock), handicrafts, construction and industry, auto-mechanics, technicians for public utilities (water and electricity and telecommunications), technicians in electronics, meteorology, civil aviation, tarnsportation, literacy, health and social services, and public administration. The Plan also sets annual quantitative indicators for the numbers of new entrants to the training institutions and the expected graduates from these institutions.

The total cost for the program is 4.0 billion CFA francs ($9.9 million). Two training institutions related to rural development will receive 61.5 percent of the investment targeted in this sector (the Institut Pratique du Développement Rural de Kolo and the Ecole des Cadres de l'Elevage). The remainder will go to training of auto mechanics, electricity and metalworks for construction, training for technicians for the public utilities company, and for radio and television broadcasting as well as journalism. 20.6 percent of the financing for the program has yet to be secured. The IBRD is the most important donor in the sector financing 64.5 percent of the planned investment.

5. Health

The basic orientation of the health program in the Plan is to improve the utilization of the existing health infrastructure established during the previous plan and to develop further these infrastructure to support a nationwide primary health care program. It is to be accomplished through more training of health personnel, provision of health education, especially preventive health practices to the rural population, and through increasing local participation within the context of the "Development Society" mechanism. The Plan also stresses the renovation and maintenance of existing health infrastructure. It also recognizes the declining recurrent health budget since 1981.

The total cost for the sector during the Plan period is 5.7 billion CFA francs ($13.9 million). It is allocated among the nationwide coverage rural health improvement program, the renovation and construction of dispensaries, and improved hospital services. They respectively account for 41, 20, and 27 percent of the targeted total investment in this sector. The remaining goes to renovation and construction of medical centers, maternity centers, maternal child health care, and mobile health services, particularly in immunization program. Major donors in the sector are USAID (32 percent) and European Community Development Fund (22 percent). The financing of 29 percent of the investment program has yet to be secured.

6. Water Supply

The water supply program in the Plan is an extension of the previous Plan's program which aimed at providing adequate water supply to all the population. The program's orientation in the Plan in addition to continue increasing the construction of wells and other supporting infrastructure, will be to promote more maintenance of existing water supply systems with increased participation and added responsibilities given to beneficiaries and local authorities including operating and maintenance costs.

The water supply will consist of construction of a total of 2,725 hand-dug and bore-hole wells with manual pumps for village water supply during the Plan period. This is an ambitious goal in view of the fact that during the previous Five-Year Plan a total of 2,904 wells of the planned 4,086 wells were built. The Plan also calls for installation of 13 water supply systems at the arrondissement level. The accelerated investment program in water supply reflects the unmet needs and unequal distribution of previously installed facilities, approximately 30 percent of which was outside the Plan during the last plan period.

The targeted level of public investment during the Plan period is 22 billion CFA francs ($53.7 million). It receives the biggest share of the planned investment outlays (53 percent) in the social services sector. It is almost as high as the level planned in the previous Five-Year Plan which was 24.4 billion CFA francs. There are more than 15 donors in this sector and a number of co-financing arrangements. The major donors are the West African Development Bank (42 percent), the Kuwait Development Fund (26.5 percent), and the German and Belgium (23 percent); the Kuwait Development Fund, the West African Development Bank, and the Arab Development Bank together they account for 21.1 percent), the French, CCCE, and FAC (11.6 percent), the United Nations and IBRD co-financing (14 percent), Denmark (10.3 percent), and Saudi Arabia (7.7 percent). The financing commitments for all the programs in water supply have been obtained.

7. Infrastructure

The share of planned investment expenditure in the infrastructure sector is 42.8 billion CFA francs ($105 million) and represents the second largest share in the Plan after the directly productive sector. The major programs in the sector are roads, telecommunications, and sanitation. They together account for approximately 94 percent ($98 million) of the planned investment expenditure in the sector (62 percent for roads, 17 percent for telecommunications, and 15 percent for sanitation). The remaining goes to Housing and Urban Development, postal services, Navigation and Meteorology, and government buildings.

The road program focuses on the maintenance of existing roads, on continuation of projects which are already or scheduled or under execution and new construction for which financing commitments have already been acquired. The allocation among the three types of activities is two percent for road maintenance, 38 percent for continuation of projects already under execution or scheduled, 60 percent for new projects for which financing commitments have been obtained. The planned investment spending for roads in the Plan averages 13 billion CFA francs ($31.7 million) per year. It is approximately 25 percent lower than the 1981-1982 actual spending. The continued high level of investment in road maintenance and development reflects the Nigerien Government's emphasis on achieving the "desenclavement" goal, given Niger's landlocked position. Major external financing sources in this sub-sector are the IBRD (19 percent), the Kuwait Development Fund (13 percent), and a number of joint financing from West African Development Bank, African Development Bank, Islamic Development Bank, and the European Community Development Fund. The Nigerien Government has received financing commitments for all the road programs.

The telecommunications program consists almost entirely of the extension of telephone services to more regions in the country, increasing the number of telephone lines, and improving the services and training of personnel. Regional telephone service network in four areas (Tillabery, Say, Tera, and Ayorou) and extension of services to areas outside Niamey will account respectively for 43 percent and 36 percent of planned investment in the sector. The remainder will be used for establishment of extension of central telephone services in Agadez, Birni N'Konni, and Tahoua and for liaison with the PANAFTEL network of telephone and television connecting Niger to Nigeria. The CCCE and the West African Development Bank are external financing sources for the entire program, except for the PANAFTEL network which is financed by ECOWAS. All the financing commitments have been obtained.

Another major effort in the infrastructure sector is public sanitation. The program consists mainly of providing sewage disposal and garbage collection and public latrines with emphasis on maintaining existing infrastructure and using more local manpower and promoting the use of these facilities for disposal of water. A total of 6.4 billion CFA francs ($15.6 million) or 15 percent of the targeted investment in infrastructure is called for in the Plan with approximately 70 percent of this going to programs aimed at providing and improving sewage systems and prevention of erosion. The Government has already received most of the funding for the program (97 percent). Major donors in this sub-sector are the West African Development Bank, the Kuwait Development Fund, and the German and Belgium.

8. Mining, Energy, and Industry

The share of planned investment spending in the mining, energy, and industry sector in the Plan is less than two percent. This is a drastic reduction from the previous plan. The previous plan allocated 18 percent of intended public investment for this sector. The actual spending was slightly above 19 percent of total investment outlays in 1979-1980 and averaged 12 percent in 1981-1982. The public investment program in this sector is expected to be complemented by private investment. The Plan anticipates semi-public private investment in the sector totaling 34 billion CFA francs ($83 million) with mining absorbing 41.8 percent of the investment. The remainder is expected to go to energy (23.9 percent), industry (20.2 percent), tourism (6.9 percent), and transport (7.2 percent). The existing mining enterprises are expected to receive almost 35 percent of the planned investment. Mining research, petroleum, and extension of salt production will represent, respectively, 22, 26, and 13 percent of the mining investment program in the Plan. The level of private investment foreseen in the Plan is probably too optimistic in view of the current economic stagnation and the excess capacity in the sector, notably mining and industry.

The energy program consists of long-term planning activities for the sub-sector, solar energy research, technical studies of the Kandadji Dam, provision of electricity to secondary cities and other centers and improvement in the distribution network. The studies and research component represents 18 percent of the investment program with more than 70 percent planned for the Kandadji Dam technical study and 27 percent for long-term planning effort. The new installation of centers for electrical power supply in cities outside Niamey will account for 75 percent of the energy investment program and the other 14 percent for improving the distribution network, particularly from Niamey to Say. Financing for 73 percent of the investment program has been secured. Major donors in the energy sub-sector are the IBRD and the French (CCCE).

The investment program in industry consists of development and extension of modern industrial productive capacity in selected industries. The Plan anticipates a total investment spending of 7.4 billion CFA francs ($17.3 million) of which 96 percent is to come from private and semi-public investments. Approximately 20 percent of the program is still seeking funding.

V. ASSESSMENT OF THE PLAN

The PIC is an interim plan of public investment spending for the next two years. In addition to being an instrument of control of allocation of public sector resources, it is part of the adjustment process for stabilizing the financial and economic situation. As an interim measure, it maintains essentially all the basic objectives in the 1979-1983 Plan with some changes in emphasis. An appraisal of the PIC, therefore, has to include a discussion of the performance of the 1979-1983 Plan. The appraisal given here is macroeconomically oriented and is limited to two important areas: (a) the size and priorities of the Plan, and (b) the policy dimension of the Plan.

1. The 1979-1983 Plan

In 1979 the Government of Niger launched a Five-Year Development Plan. Its major goals are: self-sufficiency in food production, development of basis infrastructure, provision of social services (especially in health, education, and human resources development), diversification of the economy's productive base, further expansion of the mining sector, and development of a participatory economy through the establishment of a "Development Society" institution.

The financial requirement for the Plan, in 1979 prices, was 975 billion CFA francs ($4.6 billion at 1979 average exchange rate). Of the total financial requirement, 75 percent was allocated for investment spending and the remaining was for recurrent expenditures; approximately 47 percent of the planned investment outlays was expected to be financed by the public sector. Table A.13 shows the allocation of planned investment spending in the 1979-1983 Plan.

Almost two-thirds of the private investment were targeted at the expansion of the productive capacity in the mining sector; the remaining was for manufacturing industry (9 percent), energy (15 percent), and roads and transport (9 percent). In the mining sector, emphasis was placed on further expansion of uranium mining, and to a lesser extent, on coal mining and exploration of other mineral resources and oil. A substantial part of the investment in the manufacturing sector was targeted at food processing industries (including slaughter houses), chemical plants, and a sugar refinery. In the energy sector, the major planned investment was for the construction of a coal-generated electricity power plant to supply particularly the anticipated increased mining operations.

For public investment, the Plan targeted 24 percent of the total investment for rural development, mainly in agriculture and livestock, and 18 percent for mining, industry, and energy, with 56 percent of the sector's targeted investment going to mining. The Plan allocated almost 32 percent of the total investment for social services with education and training expected to receive 57 percent of the sector's targeted investment. A major investment effort was also planned for infrastructure. The Plan allocated 24 percent of the total public investment program for infrastructure, mainly in roads and transport (58 percent of the sector's planned public investment), telecommunications (14 percent), and a series of new buildings for government agencies (28 percent).

Table 5 and Figures 3 and 4 provide a comparison between planned and actual public investment spending during the Plan period. The aggregate ratio of actual to planned investment is 0.91. This indicates that 91 percent of the planned spending is realized. An examination of the sectoral composition, however, reveals that this high ratio is due to over-allocation of spending in the infrastructure sector, particularly in telecommunications. Its ratio of actual to planned spending during the Plan period is 1.61 with the telecommunications ratio at 2.07. This means that actual investment spending in the infrastructure sector is 61 percent higher than the planned level. In the directly productive sector (agriculture and rural sector, mining, industry, energy, and commerce) the ratio is 0.72. The ratio in agriculture and rural sector is even lower, 0.53; it is 0.88 and 0.84 in mining and commerce, respectively. In the social services sector the ratio is 0.67, with the lowest ratio in health followed by water supply and education; in housing and urbanization it is above the sectoral average.

In addition to the over-allocation of investment fund to the infrastructure sector, there are several explanations for the low ratio of actual to planned investment spending in the directly productive sector. In the agriculture and rural development, it is due to the inability of several agricultural projects to absorb the investment because they were still in the preparatory phase; whereas the Plan had already programmed significant amounts of investment in these projects. In manufacturing, there was delay in investment in the textile industry and delay in the construction of the sugar refinery and in the development of the third uranium mine. Investment in the services sector, especially in commerce, fell short of targets because investment plans for a para-public enterprise for commercialization of groundnuts and cowpeas (SONARA) have to be revised due to unfavorable developments in the market for groundnuts. In social services, there were delays in obtaining the necessary financing, especially in the water supply program. The low realization ratio is also due to the over-ambitious objective in the Plan in relationship to the country's absorptive capacity.

TABLE 5

NIGER: COMPARISON OF ACTUAL AND PLANNED INVESTMENT EXPENDITURE
DURING THE FIVE-YEAR PLAN, 1979-1983
(in billions of CFA francs)

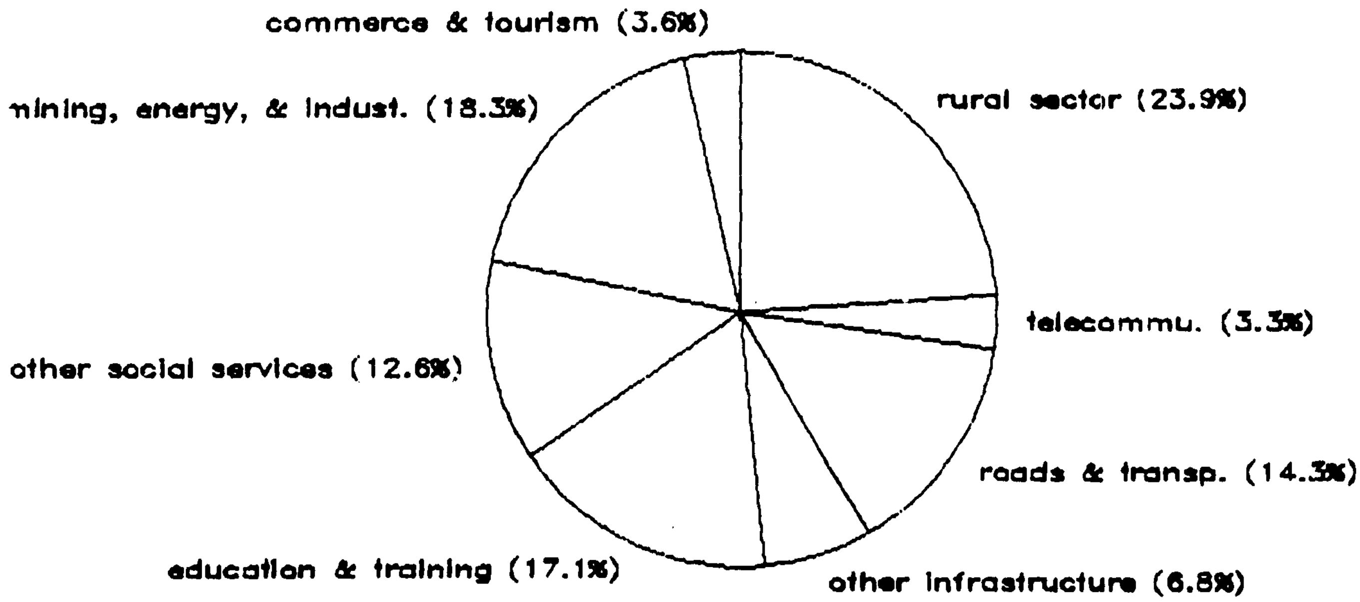
Sector	Plan targets for public investment 1979-83	Actual Spending in current prices 1979	1980	1981	1982	1983	Total spending in constant 1979 prices 1979-1983	Ratio of actual to planned spending 1979-1983	Actual spending allocations (in percent) 1979-1983	Planned investment allocations (in percent) 1979-1983
I. DIRECTLY PRODUCTIVE SECTOR	175.98	26.61	35.64	37.25	30.96	26.28	126.85	0.72	36.21	45.78
Rural sector	92.04	9.85	13.48	16.74	15.54	11.18	53.42	0.58	15.25	23.94
Mining, industry & energy	70.21	12.88	19.68	17.14	11.45	15.10	61.86	0.88	17.66	18.26
Commerce & tourism	13.73	3.88	2.48	3.37	3.97		11.56	0.84	3.30	3.58
II. ECONOMIC INFRASTRUCTURE	67.76	19.82	31.84	44.02	26.14	11.83	109.01	1.61	31.11	17.62
Roads & transport	48.55	14.29	24.95	20.00	20.36	10.65	73.62	1.52	21.01	12.63
Air transport	6.44	1.07	2.00	6.70	1.14	-	8.91	1.38	2.54	1.67
Telecommunications	12.77	4.46	4.89	17.32	4.64	1.18	26.48	2.07	7.56	3.32
III. SOCIAL SERVICES	114.44	11.69	24.68	26.74	25.70	5.20	76.31	0.67	21.78	29.77
Education	65.86	7.68	14.30	14.64	15.67	2.28	44.53	0.68	12.71	17.14
Health	18.97.	1.51	1.66	3.73	3.20	-	8.20	0.43	2.34	4.93
Water supply	24.42	1.58	3.41	4.41	5.63	2.72	13.89	0.57	3.97	6.35
Housing & urbanization	5.19	0.92	5.31	3.96	1.20	0.20	9.69	1.87	2.77	1.35
IV. ADMINISTRATIVE INFRASTRUCTURE	26.27	8.28	7.08	13.93	12.20	5.98	38.18	1.45	10.90	6.83
TOTAL	384.45	66.40	99.24	121.94	95.00	49.29	350.35	0.91	100.00	100.00

Annual percentage changes in GDP deflator are used to convert 1980-1983 spending to 1979 constant dollars. The annual percentage changes are as follows: 1980, 13.8%; 1981, 11.9%; 1982, 9.1%; and 1983, 8.8%.

Sources: Ministry of Finance and Ministry of Planning

PLANNED PUBLIC INVESTMENT

IN THE FIVE-YEAR PLAN (1979-83)



ACTUAL PUBLIC INVESTMENT SPENDING

DURING 1979-1983

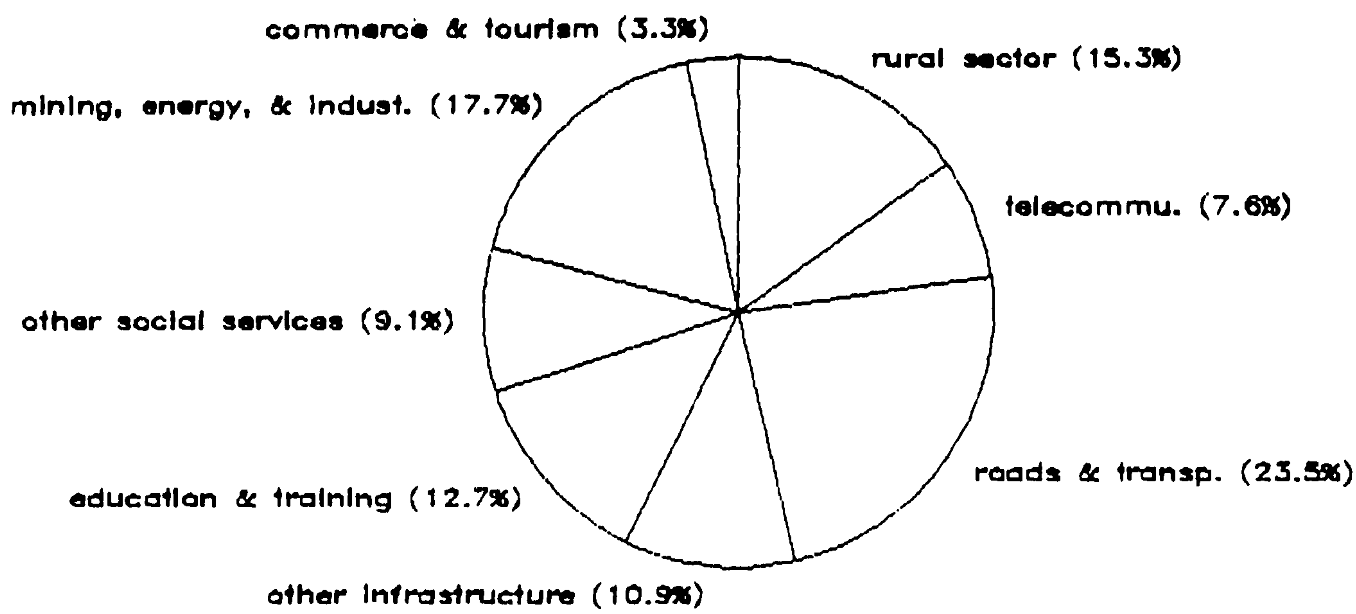


Figure 3

PLANNED AND ACTUAL SPENDING

DURING 1979–1983 PLAN

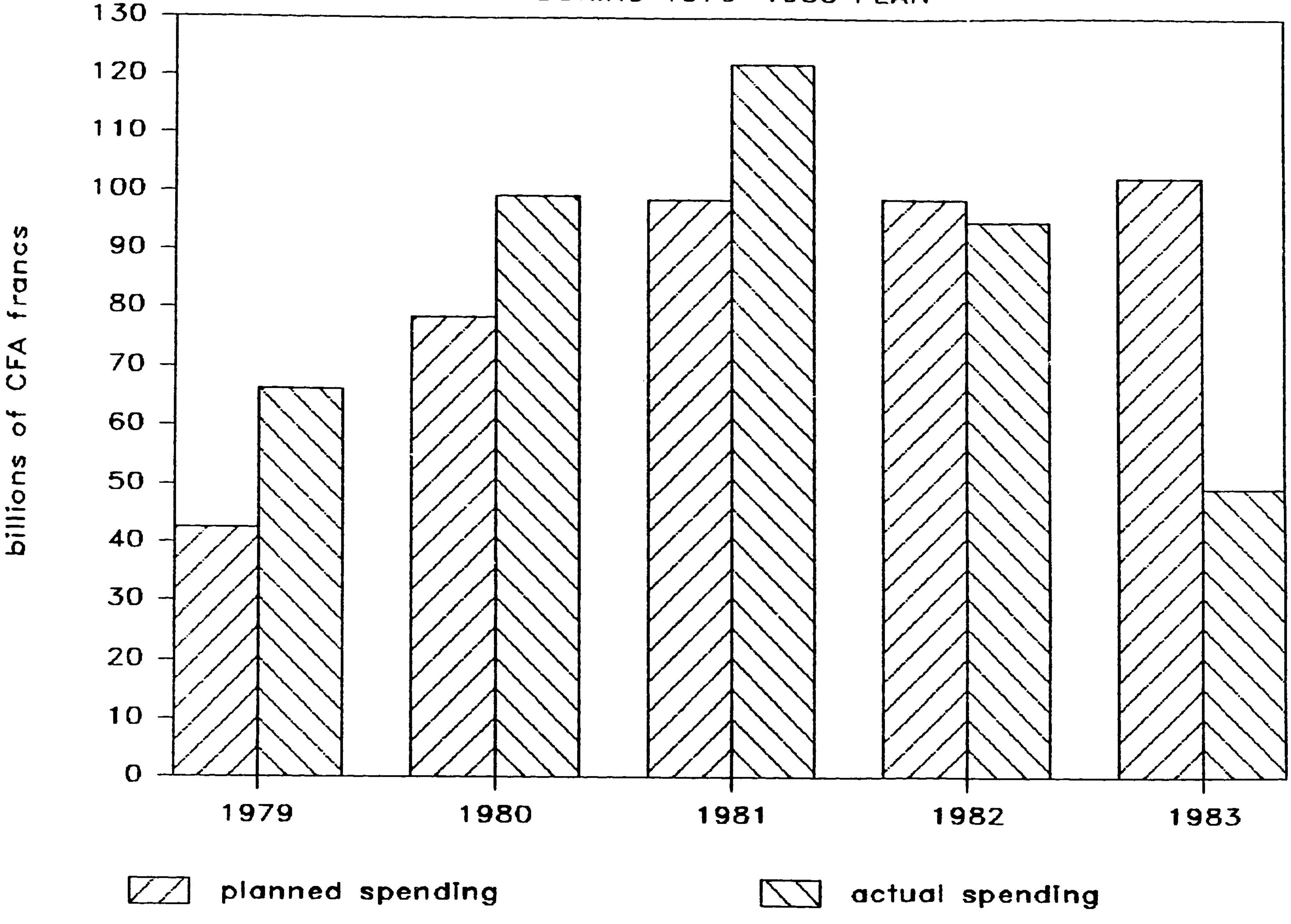


Figure 4

Some of the factors limiting the ability of the directly productive and social services sectors to absorb the planned investment effectively are external, such as the unfavorable market shift in uranium and the lack of private investment to complement public investment. Other factors are associated with the country's level of development and its resource endowments, specifically its human resource constraint, the difficulties in applying and delivering appropriate technology in agriculture and livestock, and the poor and fragile agricultural resource base. But there are also factors that are attributable directly or indirectly to government policies and interventions. For example, government subsidy policy to money-losing public and para-public enterprises which divert funds that could otherwise be made available for directly productive investment.

2. Size and Priorities

In determining the appropriate size of a development program, one has to use one's judgment; there is no scientific answer to the question. However, there is a basis for which one can use to determine its size. The basis of a development program must be resources not needs.[1/] The needs for development expenditures are virtually unlimited. In general, the principal limitation on the size of a development program is money. But there are other factors like trained manpower as well as political and administrative capacity.

In the case of Niger, as shown in Figure 4, lack of money does not seem to be a critical bottleneck during the first four years of the 1979-1983 Plan. Actual spending rose from 66.4 billion CFA francs in 1979 to the 1981 peak of 121.9 billion CFA francs. Following the economic slowdown, the actual spending fell to 95 billion CFA francs in 1982 and was further reduced by 48 percent to 49.3 billion CFA francs in 1983.[2/] During 1979-1981, total actual spending exceeded planned spending and in 1982 it was 96 percent of planned level. Only in 1983 when actual spending was 48 percent of planned expenditures. The average annual level of public investment spending during the 1979-1983 Plan is 86.3 billion CFA francs at current market prices [3/] ($324 million at the 1979-1983 average exchange rate). In view of the declining available resources as reflected in the actual capital spending level in 1983, together with the lack of adequate resources to finance necessary recurrent costs committed by investment (capital) spending, the average annual spending from the previous Five-Year Plan would not be an appropriate level for a development program in the Interim Plan.

The average annual level of public investment spending during the last two years of the Five-Year Plan would be a better indicator. The average annual spending level for the last two years (1982-1983) was significantly lower (72 billion CFA francs at current market prices). This could be used as an upper limit

[1/] This is analogous to an individual planning his or her personal expenditure program. Any individual who bases his or her expenditure program on needs without regard to his or her resources would be considered as irresponsible by his or her peers.

[2/] The 1983 figure is based on preliminary estimates, and it is probably on the conservative side.

[3/] In constant 1979 prices, the average is 70.1 billion CFA francs.

for the size of the annual development program during the next two years. The annual targeted levels in the Interim Plan are 72.9 billion CFA francs for 1984 and 65.6 billion CFA francs for 1985. Although the 1984 level is slightly above the 1982-1983 average level, the size of the Interim Plan appears to be consistent with the overall financial constraint. Furthermore, an examination of the likely flow of funds to finance the program reveals that financing of up to 85-90 percent of the program has already been acquired.

The 1979-1983 Plan had correctly identified Niger's basic constraints to development. Its proposed sectoral goals and priorities (as reflected in the targeted investment expenditure shares) are generally sound and consistent with the country's landlocked position, poor agricultural and human resources endowments, and fragile environments, even though there was no explicit priority ranking. Since the Interim Plan essentially pursues the same goals and its program, for the most part, consists of extension or continuation of projects undertaken in the previous plan, it could be argued that its priorities are sound. But this would be true only if the Government adheres to the Plan. As discussed above (Section V.1), there were significant divergences between planned spending and actual spending during the Plan period. Based on the experience of the previous plan, the first priority was clearly for infrastructure building, particularly in telecommunications and government buildings. Second to infrastructure building was mining and industrialization, followed by provision of social services and rural development. The priority ranking of the Plan ex-post is different from stated priority in the Plan.

The Interim Plan, on the other hand, places the development of the rural sector as the highest priority and reduces the planned investment outlays in mining and industry. These are consistent with the country's constraints as identified in the previous plan. Furthermore, it is in accordance with the Plan's overall objectives and the adjustment needed to achieve financial stability and avoid crisis of confidence. The increased share of investment going to the rural sector is appropriate. However, the desire to channel the needed resources to the sector must be accompanied by appropriate measures or programs targeted at increasing the absorptive capacity in the sector. The reduction in planned investment spending in mining and industry is consistent with the existing excess capacity in the sector and the need to correct balance of payments and external debt situation. Investment in this sector tends to be import intensive. In view of the country's landlocked position, the continuing development in road and transport infrastructure is acceptable, particularly when such development takes into account the need to allocate adequate recurrent budgetary resources to maintain the past investment efforts. The ex ante priorities of the Plan, in general, appear to be consistent with the country's constraints and overall economic and financial situation. However, the validity of the Plan's priorities must eventually be assessed by what the Government actually does, not what it says it will do. This means that the Interim Plan's priorities will only be meaningful to the extent that the Nigerien Government adheres to the Plan.

3. Policy Dimension

Development needs always exceed available resources. In a market economy, the amount the public sector can invest usually amounts to far less than the total capital formation required in a country. It is, therefore, important that a development plan also incorporates policies which encourage private investment, indigenous as well as external, to come forward in the right amount and in the right places. This should be the most important policy aspect of a development plan. Secondly, since any investment (capital) expenditure carries with it recurring commitments, the other factor to consider in assessing a plan is the extent to which the plan takes into consideration the likely recurrent expenditure the country can afford to bear. This implies that appropriate investment must contribute and be linked to realistic budgetary planning.

The 1979-1983 Plan is very weak when it comes to policy formulation. The Plan did not recognize that capital expenditure carries with it recurrent commitments. It did not consider the recurrent cost implications of the investment program. It was not integrated in the budgeting process. There was also no policy to promote an incentive structure which would contribute to increase private sector participation.

The 1984-1985 Interim Plan represents an improvement in planning. The Plan recognizes the linkage between investment planning and recurrent costs implications of an investment program. It also links the planning effort to budgetary concerns and a number of macro-economic policies[1/] and stresses the need to harmonize investment programs with budget policy. Explicit recognition of recurrent costs is particularly evident in agriculture, rural water supply, health, and other social services with varying degrees of emphasis. There are indications in the Plan of needed efforts at cost recovery and participation by beneficiaries for the maintenance and operation of installed capacity in the social services and infrastructure sectors.

During the last two years of the 1979-1983 Plan, several policy measures aimed at improving the economic incentive structure had been implemented, notably in the rural sector. Official producer prices for cereal and other crops had increased during the two recent years, 100 percent for millet, 43 percent for sorghum, 45 percent for rice, 89 percent for cowpeas, 33 percent for shelled groundnuts, 80 percent for unshelled groundnuts, and 93 percent for unginned cotton. The Interim Plan indicates the continuation of such policy direction with added emphasis on the need to decentralize a number of operations in several sectors to encourage more private sector or cooperative involvement. While this explicit recognition of having appropriate policies in the Plan is a substantial improvement over the previous plan, the PIC is still weak on specific sectoral policy measures and their implementation.

1/ See Section I. (page 2) for the macro-economic policy framework under which the investment program is based.

Summary of Joint Program Assessment of Grain Marketing in Niger

SUMMARY AND CONCLUSIONS

A. CHARACTERISTICS

1. Niger's foodgrain marketing system has many characteristics similar to other Sahelian states. It is heavily dependent on domestically-produced millet and sorghum with imports of rice, and, more recently, wheat growing in importance. While production is believed to be increasing at a respectable rate (nearly 2 percent per year from 1975 to 1983), there have been growing imports, both recorded and unrecorded. Based on present knowledge, which is very uncertain, Niger faces a growing food gap; by the year 2000, imports are expected to account for one-fifth to one-third of consumption. The growing supply of grains needed to feed urban centers is illustrative of the challenge the marketing system faces in the next two decades.

2. Like other Sahelian systems where rainfall is the major determinant of short-run production changes, grain output tends to vary significantly from year to year and between regions. Marketings vary even more widely since most sellers are smallholders, and sales vary with harvest size; the household meets primary needs for consumption and gifts and sells more or less depending on harvest size and other economic factors. In fact, grain selling is no longer as it once was, a simple act of surplus disposal. It is now recognized to be part of the household's overall economic strategy; the household sells animals, grain, straw mats, and other items, and also exports the labor of its young men, according to the household's needs, opportunities for income earning, and relative returns.

3. The marketing system has a dual structure as in many African countries. There is an official channel. This involves the national grain agency, OPVN, as the principal actor, with the cooperatives and local officials doing primary marketing. The private channel involves a familiar set of players; assemblers who do bulking, many retailers on both rural and urban markets, and semi-wholesalers and wholesalers present in all regional markets. It is difficult to estimate total marketings; various observers put the figure at between 10 and 35 percent of production. Market share attributed to OPVN varies with estimates of total market volume. In 1982/83, OPVN bought from 18 percent to 63 percent of the total volume of domestic cereals marketed, depending on which estimate of total marketings is used. However, any estimate of the market shares of the official and private channels has to be interpreted with care. There are so many dimensions to sales, and it is not clear which have been taken into account in the various estimations. Intra-village trade, gift-giving, imports, and exports may or may not figure in market share calculations. Yet all of these factors are important, and most would tend to raise the estimate of market share handled by the private sector.

4. A dual system for the marketing of rice also exists, but the control by official marketing agents is more firmly established than in the case of millet and sorghum, for several reasons. The production and sale of rice is localized around Niamey, so a smaller geographical area is involved. The cooperatives buy rice much as they do millet and sorghum, but they also extend inputs on credit to rice-growers so they are able to more closely monitor sales. That rice needs to be processed adds to the problems of selling

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outside of official channels. Two features of the rice market are unique: 1) The government exercises stricter control over entry. Only two private firms were allowed to import until very recently, and the extent to which the market will be liberalized is not yet clear. 2) The government discriminates against these private traders by taxing OPVN imports at lower levels.

5. As noted above, absorption into the money economy has progressed to the extent that grain sales are no longer a matter of surplus disposal. Survey results from this study confirm the results of recent analyses which show that many farmers are net buyers of grain. The results from this study of 258 farmers are different in one key respect; they show how average household incomes vary far less than grain production per household. This means that small grain producers earn more non-grain income. The principal purpose of the farm survey for this study was to gain insight into the structure of markets at the point of first sale. The results indicate that the bulk of sales were to OPVN. This is undoubtedly a special case because of the unusually high production and the high OPVN official prices in the 1982/83 crop year. A second finding of the study is that intra-village sales are of major importance--second only to OPVN this year. Another relevant finding is that stocks in most villages are still low as a result of the devastating effects of the drought in the early 1970s. Many villagers are placing priority on rebuilding stocks. Some are even purchasing cereals to build their on-farm reserves.

6. A final important feature of the marketing system in Niger is its openness. It has always been recognized that Niger's food economy is part of a larger complex in West Africa with commodities flowing to and from Mali and Upper Volta in the west and Nigeria in the south. The magnitude of this trade has always been imperfectly known, and even the direction of flow has been a matter of dispute. Many Nigeriens believe, for example, that Niger's grain production is commonly drained toward Nigeria. Recent studies suggest that the flow for at least a quarter of a century has been from Nigeria to Niger rather than the other way, and, in fact, a significant share of Niger's marketed foodgrains has come from Nigeria in recent years. This cross-border trade is obviously of great importance for the making of foodgrain marketing policy, especially in its price aspects. The significance of the cowpeas trade has long been noted, as has the flow of inputs (particularly fertilizers) from Nigeria to Niger.

7. In terms of structure, the grain markets of Niger show many characteristics that give a strong presumption of competition. Transactions are usually in small quantities. There are many buyers and sellers. At strategic points, key actors have many options. Farmers, for example, can sell to a local bulker or assembler, to a fellow villager, to a bulker or assembler in a regional market, or to a driver passing by. He can also directly retail his grain on a number of different markets; as many do. All of this points to the existence of effective competition in these markets.

8. On the other hand, there are elements of imperfection suggesting inefficiency in market performance. Information flows are uncertain. Farmers are rarely informed of prices outside of their immediate area. Merchants are much better informed, particularly along trunk roads. But since few merchants operate on a national level, or internationally, knowledge of market supply and demand conditions and national prices appears to be less readily available.

9. These indications of mixed performance are borne out by quantitative analysis. All recent studies of the degree of spatial integration in Niger's markets (studies of how closely prices in different cities are related) do not show consistently high degrees of integration. This means that market actors in one city seem to respond sluggishly to price signals in other markets. Spatial integration, however, is better developed within regions, and, the longer the time series, the better integration proves. The data themselves are so uncertain that caution in interpreting the results is especially imperative. Nonetheless, it seems reasonable to conclude that Niger's markets are not highly integrated spatially.

10. On the other hand, Niger's markets are reasonably well-integrated seasonally. The average differential between high post-harvest prices and soudure prices for millet in the Niamey market over the last twenty years has been under 35 percent. This is much lower than past observers have claimed. Also, it does not seem that seasonal variations provide rich opportunities for speculative profits. A trader who bought millet during the post-harvest period and stored it for sale in the soudure would have made an average annual return of 8 to 33 percent depending on interest assumptions. Moreover, he would have earned this profit at great risk, both economic and political. The economic risk is that prices in the soudure period will be lower than the price paid during the post-harvest period. This has happened on several occasions in recent years. The political risk is that the authorities will requisition grain bought at high market prices and "compensate" traders at lower, official selling prices. This happened in at least some regions in August 1981 and has probably happened at other times.

B. DEFICIENCIES

1. Inadequate information about cereals availability and the operation of grain markets hampers the effective formulation of food policy in Niger. Official production estimates tend to over-estimate cereals yields and under-estimate the area under cultivation. Price data are not systematically collected in major markets outside of Niamey. Consumption estimates vary substantially from under 150 kg to over 480 kg per person per year. Very little information on the size and structure of cross-border trade in cereals exists. Without better information on these matters, present and future demand and supply conditions will remain vague, and import policies, so central to market stabilization, will be difficult to design.

2. A number of government policies exacerbate market imperfections. Among the most important of these are:

- o the frequent interdiction of private traders in cereals trade.
- o the legal prohibition of all exports of cereals and livestock.
- o the requirement of the prefet's approval before traders can ship cereals across departmental boundaries.
- o high licensing fees for the exportation of cowpeas and the importation of millet and sorghum.

o a strict limitation on the number of private traders allowed to import rice and discrimination against them in favor of OPVN with respect to taxes and duties.

3. Farmers in Niger have been confronted with an ever-changing, sometimes bewildering, array of legislation and institutions affecting the primary markting of cereals. For example, in the 1982/83 crop year, farmers could sell to licensed private traders, their cooperative, and the traditional chief. In 1983/84 no private traders will be authorized to buy for OPVN. The right to buy during the official buying campaign will be limited to traditional chiefs and cooperatives. In previous years OPVN purchased cereals directly, and village chiefs were not allowed to purchase. Currently, in areas where cooperatives exist, traditional chiefs cannot buy, but must only "sensitize" farmers to the importance of selling to the cooperative. In areas where cooperatives are not present, traditional chiefs will be the only authorized buyers.

4. The disadvantages of these legal regulation as to who can and cannot buy are many. It creates hesitation among traders whose behavior, planning, and pricing must be conditioned by the uncertainties and risks inherent in this environment. The monopsonistic arrangements themselves provide many opportunities for abuse of producers. Instead of protecting producers, they reduce the options open to them. The result, recorded in many of the student reports done for this study, is coercion and a sense of grievance by farmers who feel they are being cheated by the agents of the state and paid too little for their labor. Especially dangerous is the impact of these arrangements on farmers' acceptance of those institutions intended to provide the foundation of the <u>Société de Développement</u>: the traditional leadership and the cooperatives.

5. OPVN has been the main instrument of grain marketing policy in Niger. Its objectives are to stabilize prices to producers at remunerative levels and to provide consumers with affordable grain. It also acts as the main agency responsible for food aid and grain imports. OPVN's objectives have not been met in several key respects.

a. It has not stabilized prices intra-annually. Analysis of intra-seasonal price fluctuations indicate that price swings are no less pronounced since 1975 (when OPVN became a major actor in the market) than they were in the early 1970s. Most other analyses comparing different years yield comparable conclusions.

b. OPVN has not been able to protect farmers from "exploitation" at harvest time, because, until very recent years, it has had a limited presence on the market, and, in any event, open market prices have been significantly higher than official prices in all but a few years.

c. OPVN has not been able to maintain a floor price in most good years because of lack of finance. Even in 1982/83 it was forced to withdraw from the market in January.

d. OPVN has displayed a consistent bias toward consumers, reflecting in this respect government policy. Its consumer selling price has been consistently well below the prices most consumers pay in retail markets. This means that OPVN has not been giving genuine subsidies to consumers; those who have the right to buy in significant quantities enjoy unearned income or "rents" in economist's jargon.

6. OPVN's operations have proved extremely costly to the public purse, in part because it is performing social functions requested of it by government and in part because of internal operating inefficiencies. OPVN has become a deficit-ridden organization. In the eight year period from 1975 to 1983, OPVN accumulated a debt of some 11 billion francs, an average of over 1.3 billion per year. To indicate the significance of these numbers, OPVN's annual accumulation of debt during this period is equivalent to over 11 percent of the total 1982 public sector, capital investment budget.

C. RECOMMENDATIONS

1. In order to improve the functioning of grain markets, a better system of information gathering and diffusion is needed. In the long term, better production estimates must be made by a strengthened agricultural statistics unit. In the short term, a better system for the collection of prices in the different departments is necessary. This has already begun, but continued efforts are needed to assure continuity of price collection and reduce duplication of effort. Better information about Nigeria and wider diffusion of such information is necessary. The same applies to market information in general, notably by diffusion over the radio of actual market prices throughout the country.

2. The most fundamental problem is with respect to primary marketing. The current policy propensity is to rely on cooperatives and traditional authorities for primary marketing. Given the record of experience with cooperatives in Niger and in less-developed countries generally, the likelihood of success in this orientation cannot be rated very high. And the use of traditional chiefs contains such a high potential for abuse that its long-term efficiency as a marketing arrangement must be doubted. The best protection for the farmers and the best long-run potential for institutional development lies in an open marketing system in which farmers can sell to whomever they like and private traders can compete freely with cooperatives, youth groups, traditional authorities, OPVN, or any other public agency. Therefore, the twin goals of long-term development of an efficient marketing system and the defense of the interests of the farmers can best be met by a legalization of private trade, allowing free competition between private traders, cooperatives, and government agencies.

3. OPVN should continue to be the national grain agency with an expanded but different role.

a. It should first continue its present activities: planning, negotiating, administering, and managing the nation's public grain; food aid; stocks;

b. It should also retain its present responsibility for supplying collective consuming unit . It should explore, however, the possibility of contracting out this service, as is done in many countries.

c. It should retain major responsibly for supplying isolated regions, in competition with private traders. Its losses in this activity should be covered by a direct subsidy from the national budget.

d. OPVN should take on the role of extension agency in modern grain storage technology, introducing new storage techniques, pesticides, etc., to traders, cooperatives and others.

e. OPVN should assume some vital roles for which new organizational forms will be needed. It should act as a commercial wholesaler, providing a competitive presence in the national grain market. It will continue to sell imported foodgrains, with a view to serving deficit zones, though it will do this at the wholesale level only. It should buy and sell relatively small amounts of domestically-produced cereals, with three principal objectives:

i. encouragement of competitive marketing, especially at harvest time, when some peasant farmers are believed to be vulnerable to forced sales and the market power of traders;

ii. accumulation of market information (prices, supply conditions, circumstances in neighboring countries, etc), which it will systematically disseminate to traders and consumers;

iii. defense of national economic interest in an integrated grain market, against sectoral interests represented by local officials, OPVN becoming a channel of communication to the central government regarding local obstructions to free movement of grain.

5. To successfully accomplish these priority tasks, OPVN will have to reduce its commitment to some of its other activities--those that can be performed by other economic agents, or that are, for technical or economic reasons, beyond its reach. It should drop its retail operations. And it should no longer try to maintain a floor price for millet and sorghum. This has proved difficult to achieve, expensive, of dubious value from an equity point of view, and inefficient in the sense that to the extent that it is effective, there is much leakage of benefits to farmers in Nigeria. The recommended price policy therefore is that OPVN act through the open market, buying and selling at wholesale level and following market prices rather than trying to make them. By use of imports, this approach can provide effective market stabilization, and do it efficiently.

6. The seasonal price stabilization effort should be modified, with greater use of timed releases of imports.

7. The implication of these recommendations is that the notion of fixed official prices for cereals would be abandoned. Market competition would determine buying prices. The OPVN selling prices would have to be fixed and this would require the establishment of appropriate analytic capcity at OPVN, and some machinery for determining sales prices.

8. The OPVN practice of selling to consumers at below market prices should also be changed. This is a costly and inefficient instrument of incomes policy; it generates inequities in distribution and favoritism. In the move to "true" prices, a system based on <u>verité des prix</u>, a wage adjustment might help in smoothing the transition.

Summary of Joint Program Assessment of An Evaluation of the Agricultural Technical Packages for the Republic of Niger

1. In the period since the Republic of Niger gained independence, agricultural innovations proposed for the country have largely been based on the results of agricultural station trials or extrapolations from trials in other countries. Relatively little research was conducted under actual farm conditions. Nor did the research that was conducted seem to take farmers' real needs into consideration. The resulting agronomic recommendations were assembled as "technical packages" and have been promoted for several years through the Agricultural Service and various "Productivity Projects."

2. The packages for the most important crops--millet, sorghum, cowpeas and peanuts--had certain characteristics. They:

a. tended to assume that crops should be grown in pure stands rather than in association with other crops,

b. did not take into account the significant heterogeneity in Nigerien farming conditions,

c. were aimed at maximizing crop yields per hectare rather than maximizing labor productivity or minimizing risk for the farmer or stabilizing yields over time,

d. were presented as firm recommendations from which little deviation was expected and for which no modifications were envisaged in the course of the crop cycle,

e. assumed that those who used the recommendations would be full-time farmers with considerable access to land, labor and capital, and

f. assumed that users would be willing and able to market a large percentage of their crop each year.

3. The technical packages have remained relatively unchanged since they were formulated several years ago despite the fact that field personnel and others have called portions of them into question with increasing frequency (see 122, pp. 96-7 and 148, Annex F, pp. 34-6). The packages, with their lack of differentiation and their insistence on such practices as pure stands and the use of row tracers, continue to be taught to new agricultural field agents at the Rural Development Training Institute (IPDR) at Kolo and to farmers themselves at the farmer training centers (CPTs).

4. Our agronomic, financial and economic appraisals of the main packages have led us to a set of conclusions suggesting both modifications to the packages themselves and a different approach to the Nigerien farmer, on whom success of the program for food self-sufficiency depends. The conclusions of the agronomic appraisal are set forth in paragraph 5 beloe; those of the financial and economic appraisal are in paragraph 6. Conclusions regarding constraints to the spread of viable technical packages are found in paragraph 7.

5. Agronomic Appraisal

a. The use of one single package per crop for all of Niger, or even for all of Niamey Department, is not viable. Many of the recommended practices are highly location-specific, e.g. fertilizer rates, plant density, variety selection, types of animals for cultivation. They should be modified or refined as a function of such variables as rainfall, soil type, farm size and labor availability.

b. The packages should be divisible. The all-or-nothing approach is neither necessary nor effective. As field personnel are increasingly realizing and as farmers are demonstrating, farmers need to be able to choose components without having to take the whole package. The entire package is in fact highly complex, expensive to implement and risky for the farmer. Smaller, simpler combinations, designed to take advantage of the positive interactions of components, seem to be more suitable.

c. A range of choices or options should be built into most components of the packages. Those who promote the recommendations should seek to impart the reasons and scientific principles behind them. This will provide farmers with a base of knowledge on which to make adjustments to suit their own situations.

d. The packages do not contain, nor do the training institutions teach, "fall-back" strategies for farmers. For example, a farmer whose stand of millet is poor despite repeated replantings in a year of below-average rainfall needs to know whether he should make a second urea application or not. If it should be applied, what rate should he use? There is far too little emphasis on solving such practical problems as they occur.

e. Even if the packages are fully applied and rainfall is generally good, success is not assured. The crop may disappoint because of lack of rain in the locality, physical or chemical problems in the soil or damage from birds, insects or disease.

f. The packages do, however, contain components that can increase yields. As examples of this, the CPT fields and some trainee fields seen in August 1983 had more uniform and vigorous stands and were showing much higher yield potential than neighboring fields. The range of yields obtained in the demonstration villages of IPDR Kolo illustrates both the problems that can arise and the potential that exists when conditions are good. Using the recommended package with CIVT variety millet, demonstration farmers in nine villages obtained from 570 to 1,600 kg per hectare in 1982. Thirteen fields of cowpeas ranged in yield from 274 to 1,460 kg per hectare.

g. Given access to the necessary inputs, primarily seedn and fertilizer, to seasonal credit that can be repaid in kind, and to good prices, farmers in Niger have responded with enthusiasm to components of the packages. Contract growers working with the Seed Multiplication Center at Hamdallaye have demonstrated this. The area under contract production has increased dramatically from 143 to 1,875 hectares in the past three years. In an area that received less than 400 mm of rainfall in 1982, contract growers obtained yields averaging about 650 kg per hectare, almost 100 kg more than the average yield obtained at the Center. This was accomplished without animal traction, without imposing the entire package and with only a three-day training session.

h. Nigerien farmers are natural experimenters and know best what is relevant to their own circumstances. They are a unique and valuable resource that has hardly been tapped. They should be integrated more into the research and development process.

i. A major characteristic of crop production in Niger is the great heterogeneity which exists within and between fields. The variability within a field is often enormous, highly productive alternating with highly unproductive areas. One hill of millet may have gr-en, vigorously growing plants while an adjacent hill has pale, stunted or few plants. Until more is know about what happens in the micro-environment of the hill, potential yield improvements are limited. The complex and little understood problem of stand establishment deserves high priority for research.

j. Little effort has been devoted to developing and adapting animal traction implements for Nigerien conditions. Donkey traction seems to have been ignored in favor of oxen traction, but financial and economic analysis (see pp. 19-22) reveals the advantages of the former under certain conditions.

k. Conclusions with regard to Specific Components of the packages:

   (1) Crop Regime. The packages recommend cropping in pure stands primarily because until recently no research had been done on intercrop systems. However, the traditional intercropping of millet and cowpeas in Niger is compatible with the rest of the technical package, including interrow cultivation by oxen or donkeys.

   (2) Land Preparation. Because of the fragility and erosivity of Niger's soils, extreme care should be taken in deciding what material to remove in preparing land for crop production. It is doubtful that clearing

fields of all surface debris is necessary or wise. There are striking cases of substantial wind erosion in northern sections of Niamey Department.

(3) Soil Preparation. Light, superficial pre-plant tillage by scarification can be beneficial. It increases moisture penetration and incorporates phosphate fertilizers and organic matter into the soil. In some sandy soils and at certain times, however, scarification can increase risk of erosion.

(4) Varietal Selection. There is no single millet variety that is superior under all conditions. Improved local varieties will not provide substantial changes in performance but will show yield stability and reliability characteristics. The new cereal varieties have been higher yielding on research stations but data on off-station tests are very limited. Early-maturing cereal varieties may be prone to bird damage.

(5) Seed Selection. Use of the term "selected seed" hides the fact that there are two important factors in the preparation of good seed: genetic purity and physical purity. Poor seed quality may be one of the elements causing the problem of stand establishment.

(6) Seed Treatment. This recommendation is very simple and inexpensive to implement. It is the only one whose use is already widespread.

(7) Planting Date. Experience confirms that planting millet immediately after the first significant rain is a sound practice. Late planting of traditional millet varieties generally produces lower yields. Early planting of early-maturing varieties, on the other hand, may lead to serious pest problems. Sequential plantings or using varieties of different maturities may be the best strategy for minimizing risk.

(8) Seeding Rate and Plant Spacing. Over a rather wide range of plant density, millet can produce maximum yields. The recommended density of 10,000 hills per hectare for millet can in fact be varied considerably depending on variety and site.

(9) Row Tracer. This recommendation is time-consuming and the least cost effective of all the recommended practices. There are less onerous ways for the farmer to ensure that he will be able to cultivate between the rows with oxen in one, if not two, directions.

(10) Thinning. Strict adherence to a given number of hills or of plants per hill is unnecessary. If thinning millet to three plants per hill is a guideline, it is viable agronomically. If it is considered a hard-and-fast rule, it is not viable. Rapid, selective thinning in conjunction with weeding is preferable. To reduce the need for thinning to a minimum would be an important labor-saving achievement.

(11) Weeding/Cultivation. The importance of timely and frequent weeding is recognized by farmer and agronomist alike. Early weeding, as recommended in the millet package, seems sound agronomically. The recommended times for weeding would better be taken as flexible guidelines rather than as rigid rules. Advice on time of weeding might be related more usefully to what is happening in the environment.

(12) Replanting. This seems to be a viable practice and it is widespread in Niger. Reseeding at the time of first cultivation is a sound practice.

(13) Crop Fertilization. There is now considerable evidence to show not only that Niger's soils are generally deficient in nitrogen and phosphorus but also that crops grown on them are quite responsive to organic and inorganic applications of these elements. Local as well as new crop varieties are responsive to increased soil fertility. The mechanics of fertilizer application are important. Fertilizer nitrogen left unincorporated on the surface tends to volatilize. A side dressing of urea, placed a short distance from plants or rows and immediately incorporated, is preferable. The immobility of phosphorus in soils may produce a delayed effect and explain the apparent lack of response on some former trainees' fields. Research to clarify the effects of fertilizers used under actual farm conditions and of various methods of fertilizer application on Nigerien soils should be given priority. Inorganic fertilizers can play a major role in increasing crop yields substantially in Niger, but much depends on the use of proper techniques.

6. Financial and Economic Appraisal

Crop Enterprise Budgets have been developed for four crops--millet, sorghum, cowpeas and peanuts--to test the financial and economic viability of the current technical packages in Niamey Department. For each crop separate budgets were calculated for three different farm sizes. For each farm size a budget was developed according to whether the farmer (a) uses traditional technology or (b) adopts only a part of the package or (c) uses the full package with ox traction or (d) uses the full package with donkey traction. The three farm types multiplied by the four levels of package adoption resulted in 12 budgets. The number was doubled by calculating a set for farms in the portion of Niamey Department that on average receives less than 400 mm of rainfall and a set for farms receiving more than 400 mm. The 24 resulting budgets became 48 when one set was calculated using financial prices--i.e. actual prices faced by farmers in 1983--and a second set for developed using economic prices--i.e. prices adjusted to remove subsidies and to reflect real costs of production or importation. The results may be summarized for each crop as follows.

a. Millet. This crop is the centerpiece of all agricultural production in Niger and even more so in Niamey Department, where it accounts for almost 80 percent of gross weight of agricultural produce. We believe that most farm families have a primary objective to produce enough millet to satisfy the family's annual needs. They devote land and labor to other crops only to the extent that it will not hinder them from producing enough millet. In modern agricultural terms, current millet production techniques are highly inefficient and therefore tie up large quantities of land and labor. Operator and labor management returns per hectare are negative for millet production under all conditions.

(1) "Traditional" millet production in Niamey Department, using no part of the technical package, is financially less rewarding to the farmer than hiring himself out as a day laborer. His effective wage rate growing millet is approximately 410 CFA francs per day, compared to the 1,000 CFA francs he would earn in the south and 750 CFA francs in the north as a day laborer. However, the uncertainties of the local labor and grain markets make opting out of millet production altogether a risky proposition.

(2) "Partial adoption" of the millet package--all components but animal traction--is financially more rewarding for the farmer, though riskier since he must sell a larger portion of his crop to recoup expenses. If the package is used properly and the season reasonably good, the farmer in the south of Niamey Department will be able to retain over 300 kg more millet per hectare after covering expenses than will his traditional neighbor. In the north the farmer gains about 100 kg per hectare.

(3) Applying economic rather than financial prices, one finds that effective wage rates per man day drop below those for traditional production. If economic prices were in effect, the farmer using the partial package would incur even larger losses of potential income from outside jobs than his traditional neighbor while also running higher risk. In the north a farmer would have to sell about 90 percent of his crop to recover costs.

(4) Under financial price assumptions, farmers adopting the full package make considerable gains. Effective wage rates rise to about 900 CFA francs per man-day in the south and to over 600 CFA francs in the north with donkey traction. Overall, results for donkey traction are slightly better than for oxen. Interestingly, the amount of millet to be retained after expenses is higher than for the partial package in the south but is lower in the north. There is also a scale effect that benefits the larger farms.

(5) With economic prices, however, almost all farms using the full package have results that are worse than those from the traditional system. The sole exception is millet production using donkey traction in the south.

b. Sorghum. This is a relatively minor crop in Niamey Department, occupying only about one-tenth of the land devoted to millet. It is usually planted on better land in higher rainfall areas. Given sorghum's more demanding nature, it does not compete with millet on most of the land planted to the latter. It should properly be considered as a complementary crop to millet rather than as competing with it for resources.

(1) Grown traditionally, sorghum is more profitable than millet. The effective wage rate is 16 to 22 percent higher, and higher yields enable the farmer to retain more of the crop. Slightly more labor is required for sorghum, however, and this renders operator labor and management returns per hectare even more negative than for millet.

(2) For adopters of the partial sorghum package, the crop is more profitable than millet when financial prices are used. If the farmer were obliged to pay economic prices, however, sorghum would be less profitable using the partial package than it would be using traditional methods.

(3) The farmer adopting the full package and facing financial prices would make substantial gains compared either to millet or to sorghum production using less than the full package. Operator labor and management returns per hectare are positive for the first time. The benefit/cost ratios are also greater than one for the first time. Donkey power is slightly more profitable than oxen.

(4) Even under economic prices, full package adoption for sorghum in the south is superior to either partial adoption or the traditional methods. In the north the full package is inferior to the two alternatives except that returns from donkey traction are marginally better than those for the partial package. The full package for sorghum is superior to that for millet in every way when economic prices are used.

c. Cowpeas. Peanuts and cowpeas are the Nigerien farmer's principal cash crops. Both also produce forages high in protein which serve as an important dry season livestock feed. The value of the forage is often overlooked in crop analyses.

(1) Grown traditionally, cowpeas are usually intercropped with millet. Our budgets calculated the contribution of this crop to the millet/cowpea association. All indicators are highly favorable in both north and south. The farmer can make considerably more income from cowpea production than from the same effort as a day laborer. Effective wage rates per man day are approximately six times higher for cowpeas than for millet.

(2) The adoption of the partial cowpea package is attractive when evaluated at financial prices, though somewhat less so for some indicators than when grown with traditional methods. This is largely because cowpeas would be grown in sole stands in the former case. Under economic prices, the profitabilities of the partial package crop significantly but remain positive.

(3) The preferred method of cowpea production is adoption of the full package. This conclusion holds at both financial and economic prices. Benefit/cost ratios range from 2.2 to 3.0 for the former and from 1.7 to 2.4 for the latter.

d. Peanuts. Once the principal cash crop, peanuts must now be classified as a minor crop both in Niamey Department and in the country as a whole. Less than 1 percent of the cultivated land is planted to peanuts. The clear preference is somewhat inexplicable in light of our calculations, unless it is because cowpeas produce more forage per hectare.

(1) Unlike cowpeas, peanuts are grown in sole stands when farmers use traditional methods. The indicators show that peanuts are much superior to millet or sorghum in profitability to the farmer. Benefit/cost ratios are significantly greater than one for all cases.

(2) With partial adoption of the peanut package, profitabilities are essentially the same as they are for cowpeas under similar circumstances.

(3) The results for the full package also approximate those for cowpeas at financial and economic prices.

e. Maize. Although no budgets were developed for maize, the team's field observations lead to the following conclusions about the crop.

(1) Requiring higher rainfall, better soils and heavy manuring, maize would compete only with sorghum.

(2) Maize may do well under irrigated conditions but is not adapted for extensive use under dryland conditions in Niger because its root system makes it more subject to moisture than millet or sorghum.

(3) It appears that Nigeria can easily supply the potential market for maize as a foodgrain in Niger.

The crop enterprise budgets discussed above reveal that, under the assumptions used by the team, millet and sorghum often have costs that exceed their benefits. Conversely, cowpeas and peanuts contribute to farm revenues in excess of their enterprise costs. What is the picture from the perspective of the farm as a whole? We developed Whole Farm Budgets for this purpose. These budgets were calculated for three farm types, for the northern and southern portions of Niamey Department and for either oxen or donkey traction, a total of 12 budgets. The results may be summarized as follows.

With financial prices:

a. From their net receipts, all 12 farm operations can meet the basic objectives of (1) amortizing equipment and draft animals, (2) paying the opportunity costs of family labor, (3) making annual payments for equipment and draft animal loans, and (4) providing an adequate return on the farm's equity capital.

b. Overall profitability increases considerably as one moves from the smaller Type I to the larger Type III farm.

c. Farms using donkeys have higher returns than those using oxen.

d. However, only 7 of the 12 farm operations evaluated in financial terms could meet all their objectives without off-farm rental of the farm's donkey or ox cart.

With economic prices:

a. Only in the case of Farm Type III in the north using a donkey does a farm come close to satisfying its objectives without renting its cart.

b. In four cases (Type I and II farms with oxen in both north and south) objectives cannot be met even with cart rental receipts.

7. Constraints

a. At the farm level. From the farmer's viewpoint there are three key questions that he must consider when assessing the technical packages. These are: (1) to farm or not to farm? (2) food crops or cash crops? and (3) sure things or risks? Under the first the farmer has to consider how the returns to be expected this year from his own farm measure up against anticipated wages as a laborer on other farms, in the city or in neighboring countries. As our financial analysis has shown, the latter is in many cases more attractive. In considering whether to devote land and labor to food or cash crops, the farmer correctly gives top priority to growing as much of the family's basic food supply as possible on his own farm. This means that unproven technical packages cannot be used for experiments on the central family fields. Finally, the farmer's aversion to risk means that he uses strategies and methods that not only do not put his food crop at risk but also help insure that some parts of a field or one of the crops on it will succeed even if the rest fails. Further, he knows that relying on commodity markets for food or labor can entail huge risks if he fails to produce any trade goods.

b. Niamey Department farmers. Since the farmer training center (CPT) is a preferred mechanism for transferring technical packages to farmers in Niger, the team interviewed some 30 former CPT trainees in the Niamey Department. The interviews revealed a common set of problems faced by the former trainees as they try to use the techniques they have learned.

(1) Trainees tend to be young married men with small families who have some fields of their own but also work on family fields or who are independent and without large holdings.

(2) Once back in his village the trainee often finds himself and his family in difficult straits for a number of reasons. He has only the grain he brought back from the CPT to feed the family; often it will not last until the next harvest.

He may not have received all of the equipment he was taught to use. One of his oxen may be too feeble to work when the rains come or may even have died. He cannot obtain fertilizer for credit and has to use any cash reserves for food. Nor can he obtain selected seed on credit. In many cases the recommended seed is not available; this has been true for cowpea seed in Niamey Department. When the rains approach the trainee knows he cannot apply the techniques he was taught, and his choices narrow. He may abandon agriculture for the time being or apply part of the package on part of his land.

(3) The former trainees we interviewed revealed that the technical packages were seldom being applied on more than one hectare out of three or four. Most used the packages, as one might expect, on an unmanured bush field hundreds of meters from their house. They are engaged in on-farm experimentation rather than in demonstration, as the Productivity Projects would have it. These farmers are convinced of the advantages of inorganic fertilizer when there is adequate rainfall. For many it is the single most important input they wish to use. They are disappointed and even angry that they cannot get it because there is no seasonal credit. Those who buy fertilizer with cash usually use less than the recommended dose.

(4) At the farm level the basic constraints lie outside the farmer's control. First, the institutional apparatus that could routinely deliver and service the new technology is still in its infancy. Second, the former trainees find that the packages are too integrated for them in their situations, as we have mentioned above (see paragraph 5(b)). But they cannot disaggregate the packages themselves and have been taught no alternative strategies. In many cases follow-up by extension agents has been non-existent or ineffective. Third, they lack working capital. Under these circumstances they may not be expected to risk unfulfillment of immediate needs for higher crop yields at some later date.

(5) When villages have chosen their CPT candidates with care and actively seek advice from the former-trainees, there may be some demonstration effect. However, in Djerma Niger there is a reluctance to take too much obvious uninvited interest in a neighbor's affairs. Combined with the fact that many former trainees do not yet have much to show, this raises the question of the effectiveness of the farmer training center model.

c. Constraints at the Departmental and National Levels. There is an evident dearth of Agriculture Service personnel in Niamey Department. The problem is complicated by the presence of other agencies in the field, such as UNCC, operating under different mandates. There are technical committees designed to coordinate the various strands of government action at different levels, but skimpy operating budgets, lack of vehicles and few agents of any kind in the villages all conspire to make the system ineffective. The question that is being asked increasingly is whether the "agro-bureaucracy" is siphoning off resources that would better be applied at the farm and village levels. The lack of self-managed, viable village organizations prevents such a transfer from taking place. The vacuum may never be filled until villagers are taught to keep the books and manage their own cooperative as a village enterprise. Literacy in local languages will be required to make this happen.

In fact, there is already a high level of agreement on many of these issues between Nigerien technicians and foreign analysts. This agreement at the technical level needs to be acted upon by the Government of Niger with the active counsel of donor organizations so that a new approach to rural development can be fashioned.

8. Nigerien Team Member Reports

a. Sociological Summary. Interviews with former CPT trainees and with other villagers led to the conclusions discussed in paragraph 7(b) above. The farmers interviewed faced numerous difficulties on return to their villages. They were frustrated by the need to raise cash to feed their families on the one hand while being unable to obtain the recommended inputs for credit on the other.

b. Constraints. In addition to the constraints imposed by a capricious climate and the poor soils found in part of Niamey Department, there are administrative and technical constraints to consider. The integrated teams of field agents are not in fact operational. The technical skills of the agents also leave something to be desired. They should be better able to advise farmers and explain techniques to them. At the same time, the concept of *autoencadrement* (trained villagers teaching their neighbors) is not yet a reality. The technical packages themselves need to be made more flexible and should be adapted to different zones, as discussed in paragraph 5(a)-(d) above. By the same token, more flexibility should be introduced into the CPT training programs. Trainees would profit from learning how to keep records on their farming operations so as to develop an idea of the returns to their labor, land and capital. Short-term training sessions would also be worthwhile. Once back on their farms, trainees are constrained, as indicated above, by the need to pay cash for inputs during the *soudure* period when food is scarce. They are also frustrated by delays in the delivery of inputs such as selected seed.

c. Soils of Niamey Department. In general the soils used for dryland agriculture in Niamey Department can be characterized as sandy, poor in organic matter, having low cation exchange capability, moderately to heavily acidic, poor in potassium and phosphorus, and weak in water-retention capacity The degredation and erosivity of these soils under continuous cropping will soon constitute a major problem. To improve soil structure and overall quality the incorporation of more organic matter is required. Fertilizer trials have demonstrated a strong response on the part of millet to nitrogen and phosphorus. Agronomic research also indicates that lower plant densities are to be recommended for the drier northern zone and higher densities for the south. Details will be found in Annex D. Despite the relatively poor quality of the Department's soils, the combined fertilizer and agronomic components of the technical packages seem to allow for significant increases in millet yields on these soils.

RECOMMENDATIONS

Niger's agriculture is overwhelmingly dryland agriculture and is likely to remain so. For this reason the team focused its efforts on the dryland crops, particularly millet, the most important of all. We believe it would be a mistake to think that heavy capital investment in irrigation projects would solve Niger's agricultural problems. On the contrary, experience in Mali at the Office du Niger and in Senegal on the Senegal River delta has shown that ambitious irrigation schemes tend to provide very little return for substantial investment. In the Gambia and Senegal River Basins in recent years irrigated areas have been falling into disuse at about the same rate as new areas are irrigated.

Nor would it be prudent to encourage migration from Niger's rural areas to the sites of future irrigation complexes. The expectations thus raised may be sorely disappointed, and dryland agriculture would suffer as a consequence.

We believe that for the foreseeable future primary attention should be given to dryland agriculture in order to make those marginal gains in production, incomes and nutritional status that are possible. The gains are not spectacular but they are attainable and reasonable. Incentives should be created to increase the production and marketing of dryland crops. They should not be instituted to lure people away from these crops toward some chimerical future in irrigation. Accordingly, the recommendations that follow assume that the appropriate concern of the Government of Niger and donor organizations is on how to obtain maximum returns from interventions in the dryland sector.

The recommendations are addressed to three recipients: the Government of Niger and its research institutions, the Niamey Department Development Project, and USAID/Niger.

FOR THE GOVERNMENT OF NIGER AND ITS RESEARCH INSTITUTIONS

1. Technical Package

   a. The technical packages should be made more flexible so that different combinations can be recommended for different zones. As a start, Niamey Department should be divided into northern and southern zones with distinct packages for each.

   b. More emphasis should be placed initially on the components of the packages that have proven their value and do not demand large investments from the farmer. These components would include the use of better seed (improved varieties with genetic and physical purity maintained), fungicide treatment, planting and weeking at appropriate times, and the use of organic and mineral fertilizers.

   c. INRAN, the Ministry of Rural Development and the Niamey Department Development project should collaborate on determining the precise details of the simpler zonal packages so that the packages can be taught to trainees at the CPTs and be extended by field agents.

   d. In conducting research on the simpler zonal packages, INRAN and the Niamey Department Development project should develop basic fall-back strategies to compensate either for a farmer's failure to perform an agricultural operation in timely fashion or for deviations in the rainfall pattern.

2. INRAN's Research Program. INRAN should:

   a. Focus fertilizer research on the mechanics of application (e.g. timing, method, placement, formulation) so as to maximize nutrient uptake by plants while taking into account labor costs, cultural practices and other important variables in the farming system. See Chapter III, section B.13.

   b. Study specific on-farm soil-related problems as referred by Ministry of Rural Development or Productivity Projects, using the Soil Testing Laboratory. This is likely to increase package adoption, improve extension agents' capabilities and credibility with farmers, provide valuable feedback to research scientists, and orient future soils research.

   c. Conduct research on intercropping to determine its compatibility with the technical packages and its profitability.

d. In collaboration with the seed multiplication project, determine procedures for maintaining physical quality and generic purity of seed, both traditional and new varieties of millet, sorghum and cowpeas. Purity should be sought at the farm level as well as at the seed multiplication centers. Issues to be addressed include:

   (1) the effect of seedlots of different quality on crop performance;

   (2) procedures for purifying and maintaining purity of traditional varieties;

   (3) storage practices, especially for cowpea seed;

   (4) procedures for removal of chibras in millet;

   (5) pre- versus post-harvest selection of seed. See Chapter II, section B.5.

e. Study the complex of factors involved in stand establishment and test ways of improving crop stands.

f. Research alternatives to use of the row tracer. The objective is to attain uniform stands of optimal plant density that require minimal thinning and replanting.

g. Initiate a research program on the concepts and management practices associated with agro-forestry.

h. Seek alternatives to the use of animal-drawn implements in such tillage operations as scarification and weeding.

i. Focus animal traction research on donkey as well as on ox traction, developing as a matter of priority sturdier and better adapted donkey-drawn implements.

j. Experiment with various control measures, including pesticides, to develop ways to reduce field losses caused by insects and other pests.

k. Refine fertilizer recommendations by crop and by zone so that the recommended dosage is the most efficient one in the farmer's circumstances.

3. Farming Systems Research. The following questions deserve examination:

a. How to increase the productivity of farm labor either by stabilizing yields while reducing man-days or by increasing yields while stabilizing man-days.

b. The advantages and disadvantages of spreading out maturity dates for a millet crop compared to having all millet plants in a field mature at the same time.

c. The financial and economic profitability of alternatives to mechanical weeding such as a herbicide treatment at the start of the crop season.

d. The amount of grain that can be saved under actual farm conditions by avoiding losses due to birds, chibras, striga, downy mildew, earhead caterpillars and otherpests.

FOR THE NIAMEY DEPARTMENT DEVELOPMENT PROJECT

1. The CPT Training Program. The Niamey Department Development project should consider making significant modifications to the present CPT training program. As simpler, more flexible zonal packages are introduced in Niamey Department, the training program should be modified:

a. To include short training sessions for groups of farmers to introduce them to simple techniques such as composting, or the mechanics of fertilizer application, or seed selection and treatment. Short programs could be scheduled during the dry season to avoid conflicts with the crop calendar. If at a given session all trainees came from the same village, the CPT technical staff would improve its knowledge of farming conditions in that village and the trainees would be able to reinforce each other in the village.

b. To establish mobile training teams to take training to the villages and provide refresher courses for former trainees. If conducted during the crop season, these short sessions would give CPT staff the chance to see how former trainees were faring on their own fields.

c. To create demonstration fields in villages close to the CPT to permit skeptical villagers to see the same good results that have convinced trainees at the CPT itself.

d. To introduce training in soil conservation and soil improvement techniques with an emphasis on the use of agro-forestry precepts such as the advantages of Gao trees and windbreaks.

e. To teach simple record keeping at the farm level. Literacy in local languages should be taught at the CPT to allow farmers to keep track of inputs and outputs using familiar terms and units of measurement. See Belloncle (16) for ways to implement practical, relevant literacy programs.

2. Seasonal Credit. If there is to be no national program providing seasonal credit for the 1984-85 crop year, the Niamey Department Development

project should consider establishing one for its former trainees, at least on a trial basis. This would allow them to obtain the seed and fertilizer they have been taught to use. The former trainees, now at a disadvantage compared to seed multiplication contract farmers, would thus be on equal footing. Repayment of the credit should be permitted in kind at harvest time. This would provide the CPTs with an additional source of grain to be allocated to the graduating class.

3. Applied Research. Reinforcement of Niamey Department Development's applied research program is needed to permit adequate project participation in the proposed modification of technical packages. Additional staff will be required to increase the number of on-farm trials and for farming systems research. The project's capacity for applied research should be strengthened by choosing an individual with a graduate degree in agronomy to replace the staff agronomist on her departure.

4. Farming Systems Research. A farming systems research unit should be established. It might consist of two agronomists, a sociologist and an economist. The mandate of the unit should be:

a. To give the Niamey Department Development project a better understanding of the differences in farm-level opportunities and constraints between northern and southern zones of the Department; and

b. To help the project mesh its research, training and monitoring/ evaluation activities so as to improve the productivity and output of the Niamey Department farmer.

5. Monitoring/Evaluation. This unit should be reinforced so that farm level surveys conducted during the 1984-85 crop year. It requires strengthening in middle-level staff and in secretarial services.

6. Input Supply. The project should assume greater responsibility for ensuring an adequate and timely supply of agricultural inputs to the farmer. It is not clear how this can be accomplished, but theproject should give high priority to this matter and work with other agencies such as the Centrale d'Approvisionnement to improve the distribution of seed and fertilizer.

FOR USAID/NIGER

1. FEED Project. The Farm Equipment Enterprise Development project should emphasize design and testing of animal traction equipment rather than production of current models. Considerable work remains to be done on the adaption of implements to local soils and conditions. Models that are enjoying success under somewhat similar circumstances in neighboring countries, such as the houe Manga in Upper Volta, have never been adequately tested in Niger. Models from further afield, Asia perhaps, could be imported and tested. As indicated above under the INRAN recommendations, there is a particular need for work on the donkey traction implements since the houe asine is clearly inadequate for the task. USAID could make a valuable contribution in this matter through the FEED project or even apart from it.

2. <u>Seed Multiplication</u>. Continued support of the seed multiplication component of the Agricultural Production Support (APS) project is strongly warranted, even if the cost of the unit of "certified" seed is considered to be very high. The reasons are:

a. Though it is not the primary purpose, the seed multiplication program provides one model for disseminating improved practices and increasing crop yields.

b. The seed multiplication centers are a valuable source of information and of input supply to local farmers. The farmers in turn are a source of information to agricultural research and extension personnel on the use of new practices.

c. The centers are an investment for the future. If plant breeders achieve a break-through in developing high-yielding varieties and even hybrids, it will be essential to have such a structure in place to maintain purity.

ANNEX M

Summary of Recommendations from the Zinder Conference
on Agricultural and Rural Development
(November 14-22, 1982)

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ZINDER SEMINAR

Recommendations

Recommendation No. 1 - Physical Environment

In view of the unreliable and inadequate nature of rains on one hand and the destructive effects of different bio-climatic agents on another hand (erosion, bush fires, desertification, pests and crop diseases), the Seminar recommends the following:

-- Research study of all the possible techniques and means of controlling the deterioration phenomena of the ecological environment;

-- Adtoption of rational measures to face the increasing pest attacks;

-- Adoption of measures to prevent sedimentation of basins, ponds and swamps, and reservoirs by doubling the efforts of CES/DRS (soil water conservation, soil defense and restoration);

-- Acceleration of work on the realization of the Kandadji Dam;

-- Realization of a project aimed at tapping and controlling rain and underground waters wherever possible;

-- Undertaking of further studies in order to determine all underground water potentialities;

-- Covering the whole nation with agro-meteorological stations, and anti-acridian and anti-pest observation network;

-- To inform and educate the people on the need for a better environment management;

-- The establishment of a real land ownership plan developed from a study of the specific system of production in the different ecological areas;

-- Intensification of the idea of collective management of local lands;

-- Establishment of an environmental planning office.

Special Recommendation

Considering the uncontrolled multiplication of heavily equipped large farms in a respond to the call for "All hands on the land", the Seminar draws a particular attention to the dangers posed by this situation and recommends an emergency regulation pertaining to access to the land.

Recommendation No. 2 - Human Environment

Considering the ever growing disinterests among the youth in agro-pastoral activities, and the unfair distribution of communal installations, the Seminar recommends:

-- The implementation of the practical resolutions arising from the deliberations on "Nigerien School" regarding the adaptation of the school to our national realities;

-- Reintegration of young school leavers without further education into agro-pastoral work;

-- Promoting activities of mutual interest with the voluntary participation of farmers and herders;

-- That socio-economic measures be taken at all levels, especially roads, markets, wells, recreation centers and social amenities.

Intervention Structures

Recommendation No. 3 - Farmer Organizations

With the notion that all development activities must have the support of organized and animated village structures, technically and economically viable, and that the integrated rural development demands a motivated and conscious self-management.

The Seminar recommends:

A. General Recommendations

-- That the criteria for the selection of cooperative officials at all levels be defined by the general meetings upon the basis of democratic representation, conviction and efficiency;

-- Rural organizations should consider the expediency of reimbursing their officials where it is justified;

-- Women activities be reappraised and integrated into the cooperative structures through special components;

-- Priority attention should be paid to cooperative training, information and animation based upon economic activities;

-- Cooperatives should study the possibility of recruiting a management staff deemed competent;

-- Transfer of funds from the storage places to the cooperatives;

-- Encourage rural savings in order to develop mutual credit system.

B. Hydro-Agricultural Development Areas

The activities stated below should immediately and effectively be handed over to farmers organizations after meeting and educating them.

-- Management of agricultural inputs (fertilizer, seeds, gaz-oil, etc.);

-- Collective animal traction;

-- Creation and management of a credit process for the financing of crop expenses and other activities related to farming, except the cooperatives with revolving funds;

-- Farm activities other than farm labor;

-- Management of water;

-- Initial infrastructural maintenance;

-- Estimating and collection of rental charges;

-- Marketing of their products.

Each cooperative should establish a cooperative joint fund to center for the exemption to be granted by the general meeting in case of poor output resulting from the climate.

C. Old System Rainfed Crop Areas

-- Gradual and effective withdrawal of the general basic management body up to 2 CW level (Local Cooperative Union);

-- Economically viable cooperative should submit their approval requests to the administrative bodies concerned in order to undertake certain economic activities;

-- Diversification of economic activities should be promoted by UNCC with the institutional support of the Government, especially the cereal cooperative banks, cooperative stores, secondary marketing, multiplication and marketing of seeds, corn mills, mutual and agricultural credits, supply of farm inputs, cattle fattening, etc.;

-- Unions requesting for technical assistance should make contracts with technical support teams at local, sub-regional or regional levels, including the period and the strategies of intervention;

-- CNCA should plan and promote the creation of cooperative working capital through returns from the management of the credit by cooperatives but under conditions of satisfactory collection of loans.

D. Pastoral Areas Already Covered

-- Pastoral organizations should be restructured in terms of the activities which led to their creation and in accordance with statutory regulations;

-- Administrative and traditional authorities should control illegal trading and proliferation of fictitious pastoral bodies;

-- The Government should give special attention to cooperatives, particularly the promotion of their economic activities (range management, water sources, etc.).

E. Extension Areas

The Seminar requests the departments concerned to outline new methodology and approach of intervention based on the following points:

-- Prior study of the milieu from sociological, economic and physical points of view;

-- Actual discussion with the will-be cooperative members so that their needs, difficulties, and requirements of their activities would jointly be understood;

-- An intensive and mutual education of officers and the people for a change of mentality;

-- Continuous information on the criteria for the selection of cooperative officials, their roles and abilities for a concerted action;

-- The establishment of rural organizations which will reflect their fundamental needs;

-- Direct management from the beginning, by the authorities concerned, technically supported by a functional literacy program and technical training through intervention contracts.

Recommendation No. 4 - Cooperative Links Between CNCA, OPVN, Riz du CFDT, Copro-Niger, Administrative and Traditional Authorities

To be viable like any enterprises, the cooperatives must have its own resources, and as marketing still constitutes the principal activity of the cooperatives, their relationships with the bodies responsible for this activity are of great importance.

Generally, the profit margin accruing to the various cooperative partners (OPVN, SONARA, CFDT, Riz du Niger, Copro-Niger) remains inadequate. Associated with this constraint is the fact that cooperatives are excluded from the second part of the marketing as well as the distribution of cereals and manufactured items.

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Besides, there is a lack of motivation on the part of the cooperative self-management personnel responsible for credit operations and an unsatisfactory support from the administrative and traditional authorities.

Upon the basis of these considerations, the Seminar recommends:

A. OPVN

-- Return to the cooperatives and local union of cooperatives of a quantity of cereals corresponding to their needs taken from the stock marketed;

-- Institutionalization of cereal cooperative banks with credit possibilities--customer through OPVN or direct purchases through the cooperatives;

B. Riz du Niger

-- Define responsibilities at the cooperative level;

-- Fixing of prices should be done in relation with the change in the structural elements (dues, etc.);

-- And that reimbursement for duties should be by direct negotiation. In respect of this, "Rix du Niger" must have its own revolving fund. Where this is not possible, "Rix du Niger" should be used to render services to the rice production cooperatives. In this case, cooperatives will sell the processed rice directly to OPVN and cereal banks.

-- Examine the possibility of a cooperative management, the processing equipment of "Riz du Niger" or the installation of low capacity husking machines.

C. Copro-Niger

For the promotion of cooperative shops, a three month customer credit must be granted to the cooperatives under the following conditions:

-- Construction of stores, no indebtedness to Copro-Niger, creation of a management unit.

D. CNCA

-- The consideration of an appreciable interest rate to be shared between CNCA and the cooperatives;

-- Separation and parallel keeping of accounts by CNCA and the cooperatives including semestrial accounting;

-- Consider the opening of a credit line at the cooperative level which will be organized for its use.

E. Administrative and Traditional Authorities

Support from the administrative and traditional authorities through regular meetings for discussions and sustained political determination.

F. CFDT

The Commission allocated to cotton cooperatives should be reviewed in relations with the marketing operational expenses.

A study should be carried out to consider the possible take over of the shelling factory by the cooperatives.

Recommendation No. 5 - Project Structures

In appraising all the efforts made by the Government (national budget and external fundings) and farmers in rural development, it could be observed that these efforts have not generated a significant development commensurate with the aspirations of the people and the challenges posed by masses phenomena.

In addition, technical management structures of all the operations undertaken are sources of heavy recurrent expenses for the state and the peoples; they create operational dichotomy between the technical services, and escape the control and supervision of the authorities.

Other cases are their complexity or size (in the case of small projects), production, disinterestedness of authorities, and also the opportunity of interventions.

The end goal of rural development is to create an increase in the productive capacity, and improve the living conditions of our rural dwellers (farms, villages, organizations, etc.). It is therefore important to adopt measures which would make these structures more productive and adaptive in the light of changes in natural environment and the economy. They should be more dynamic both for the responsibilities assigned to them and the economic activities to be undertaken.

In order to make an effective approach to development goals in a manner that reflects local realities (natural conditions, farmers' structures, traditional methods of production, etc.) integrate the various specialities and skills necessary, provide a true participation of beneficiaries, and a strict follow-up by administrative and traditional authorities, the Seminar recommends that the design and evaluation of projects should be done through structures laid by the "Société de Développement," and that technical management, and appraisal be performed by integrated structures, and under direct effective control of administrative and traditional authorities. This may be achieved through intervention agreements with the rural organizations, backed by the "Société de Développement."

The Seminar suggests that:

-- The administrative layout submitted should serve as work basis for the research team which will eventually be constituted.

Recommendation No. 6 - Regional Coordination of MDR Departments

The Ministry of Rural Development (MDR) should consider the possibility of creating Rural Development Regional Officers to center for the technical, administrative and financial management within the framework of the policy of decentralization of resources, responsibilities and initiative.

Recommendation No. 7 - Re-Organization of UNCC

In view of the concept of self-management, and considering the economic crisis the country is going through, rehabilitation is imperative in the establishment of a more functional organization which will evolve at a pace congenial to dynamic cooperation. In this respect, the Seminar recommends that:

-- UNCC should gradually be transformed into a Department of Animation and Development of Cooperatives (SADC) with the following responsibilities assigned to it:

1. Village industries and farm mechanization to be self-managed in the cooperative unions;

2. Management of projects must develop a follow-up evaluation and coordination of the survey and programming services of the MDR;

3. Cotton production management and the Department of Agriculture shall be responsible for its large scale production;

4. Supply of farm inputs should be at regional basis and carried out by the cooperatives;

5. The study of the possibility of integrating literacy services to this Department of Animation and Development of Cooperatives;

6. UNCC supply station should be transformed into production inputs' supply enterprise without losing the vitality of its cooperative action.

Should UNCC be reoriented towards self-management, the management aspect must be given a special attention for readjustment or reconversion to reflect its importance and efficiency.

Recommendation No. 8 - ONAHA

Conscious of the importance of such a body, our limited resources, international cooperation, and to achieve a coherent strategy.

The Seminar recommends:

A. Re-Orientation of ONAHA

-- The Government should confirm and endorse the political determination to install a viable and functional body having the following objectives:

1. Provide all infrastructures for irrigation under state control and where feasible;

2. Provide payable services for the maintenance of hydraulic installations on the farm projects;

3. Assist in the laboring of AHA farms in a timely manner when urgent requests are made, this includes private requests;

4. Invoices should be presented for the services rendered under both cases;

5. Provide an initial management staff (two years) in the new AHA projects to be paid through the source of financing, and a small regular staff of one or two officers to be paid initially by the State, and later on through production after its evaluation.

B. Re-Habilitation of ONAHA Financial Status

In order to make this body function efficiently and provide it with a sound financial status, the following measures must be taken:

-- Program UCA equipment of all the AHA projects not yet covered between now and the end of 1983;

-- The establishment of UCA in all new and proposed activities from the first year of exploitation;

-- The Government should support ONAHA in its search for state controlled projects and during negotiations for external financing;

-- ONAHA must immediately reduce its personnel in accordance with the above stated provisions;

-- ONAHA must accelerate the self-management process of AHA projects.

Recommendation No. 9 - Training of Rural Development Personnel

The study of training institutions reveals that: IPDR and the School of Livestock Farm Specialists give an indication of inadequate quantitative and qualitative requirements in rural management. In this respect, a curriculum reform has already been proposed, with disintegration between the two training cycles for IPDR and the Livestock School.

In the light of these considerations, the Seminar makes the following recommendations:

A. IPDR/Kolo

-- CFJA at Maradi should be transformed into a school for the training of Rural Development Specialists;

-- And IPDR/Kolo should become a training school for Rural Development Technical officers.

B. Livestock Farming Institute

The Livestock Supervisors' Institute at Maradi must be transformed into an "Institute of Animal Industries" while the Livestock Farming Institute at Kolo provides training in field of animal health and production.

C. CFCA

Notions of rural development must be inserted in the training programs of the Literacy Services Personnel Training Center.

Recommendation No. 10 - Extension Methods

A. Self-Management Agents

Considering the heavy financial burdens involving the CPTs and CPRs and their extension;

Considering that the impact of self-management emitted in the CPTs and CPRs remains quantitatively and qualitatively inadequate and current, the Seminar recommends that immediately,

-- All the measures should be taken to improve the impact produced by the training at the current CPT-CPRs:

1. By establishing an efficient system of follow-up to participants;

2. Through the revision of the training contents;

3. By improving participants' selection criteria.

Medium and long-term,

The development of farmers training structures must be assigned to the "Société de Développement" which will determine the place, implementation period, and the modalities for the financing of these structures.

B. Training of Technical Staff

Considering the inadequate supply of technical officers in the rural areas, and their handicap in method of approach and knowledge dissemination techniques,

Considering the importance attached to the rural sector in the national economic and social development policy, the Seminar recommends,

-- A mass orientation of students qualified in the science and technical subjects towards Rural Development Training institutions;

-- Training programs should be based on scientific, technical and human development aspects and in accordance with practical modalities. Such a training demands a perfect control of the subject taught by the trainer and the participation of the beneficiaries in the elaboration of teaching programs;

-- Implementation of minimum training infrastructures in relations to field assignments;

-- Re-intensification of debates amongst researchers, trainers and beneficiaries;

-- Manpower training institutions for development must be qualitatively and quantitatively staffed with Nigerien teaching personnel motivated in the same manner as those of the Ministry of Education.

In addition, the Seminar calls for a constant in-service training and orientation of the staff at all levels.

C. INRAN - ESA - IRSH

Considering that progress in the rural areas can only be fully assured through joint efforts of all factors of development, including research and teacher training,

For a better centralization and coordination of research activities in agronomy;

Considering the inadequate manpower in the MDR for planning and implementation;

Viewing that improved seeds is the least expensive factor for increase in agricultural production in the rural areas;

Considering the sustained efforts of the Government to establish seed production system, and the large quantity of seeds technological equipment available at Tarna; the Seminar recommends:

-- Any study in the rural areas which out-weighs the capacities of regional teams, controlled by national or external financing, should be carried out by a multi-disciplinary national team, including qualified persons from these various institutions and the MDR, or at least in collaboration with a foreign consultant body as partners;

-- Close collaboration between applied research units of the various rural development projects and INRAN in the development of protocols and follow-up of trials;

-- That measures should be taken to ensure that larger number of students, qualified in science and technical subjects are oriented towards agronomic and veterinary fields;

-- That national technology center at Tarna-Maradi should be effectively created.

D. Technical Packages

Considering that technical packages must present appropriate solutions to vital problems in the rural areas, the participants recommend:

-- That these packages should develop from a study of rural people's needs to be eventually amplified by agronomic research findings;

-- They should be tried and adapted with the participation of farmers so that they can be adapted into their production system without producing harmful social, economic and ecological effects;

-- Supply and supporting services should be provided prior to the introduction of any technical packages.

Recommendation No. 11

A. Means of Service

Considering that all policies pertaining to intervention require national means for their implementation;

Considering the disparity between the responsibilities assigned to MDR and its available material, human and financial resources, the participants recommend:

-- MDR departments should be equipped with adequate facilities which correspond to the priority accorded to this sector;

-- Creation of a rural development fund intended to assist cooperatives and for the promotion of small rural development activities;

-- The departments should be equipped with sufficient and efficient means to ensure an effective phytosanitary coverage;

-- Appointment of administrative personnel to MDR regional services to relieve the technical staff of administrative duties.

B. Workers' Conditions of Work and Their Motivation

Considering that material and psychological conditions are the bedrock of a sound environment and productive work;

Considering that the present state of materials of rural development workers and the constant fall in the impetus and production of officers, the Seminar recommends:

-- MDR personnel should be provided with material and psychological condtiions which would enable them perform the numerous and important duties assigned to them in a suitable manner;

The Seminar most particularly expects that the following measures be adopted:

-- Grants for technicalities, risk, and assembling;

-- Awards (farm merits, etc.);

-- Encouragement for field achievement;

-- Equal benefits for workers of the same grade and working under the same conditions;

-- In addition, it is recommended that an officer should be supported by the administrative and traditional authorities and has their confidence;

-- Field staff should be given a constant and regular follow-up by their hierarchical superiors;

-- MDR personnel should be retained at their posts as long as possible to enable them have a good knowledge of the milieu of intervention and to act rationally and efficiently.

Recommendation No. 12 - Production Inputs

Considering the inability to meet previous inputs needs and the persistent call for these needs by farmers;

Considering the lack of reliable statistical data on the use of farm inputs in the rural areas;

Considering the importance of inventory taking of requirements for a better inputs planning;

Considering the determination to take a serious view of self-management, the Seminar recommends:

-- That inventory duties relating to inputs requirements should be assigned to the self-management staff.

Recommendation No. 13 - Partial Liberalization of Supplies

Considering that aid grants limit the quantities provided;

Considering the ever increasing demand for farm inputs, the Seminar recommends that the circuit of some inputs should be liberalized.

Recommendation No. 14 - Supply of Farm and Animal Husbandry Inputs

Considering that the search for increase in agricultural and livestock production requires an effective use of production inputs;

Considering the need to establish stability of inputs supplies in the rural areas and the determination to consolidate the achievements in extension work, the Seminar recommends that:

-- The main supply unit should be provided with sufficient revolving funds to participate efficiently in the stabilization of inputs prices;

-- An efficient structure should be created to ensure a regular supply of complementary cattle food to herders;

-- All the appropriate measures be adopted to make the existing cattle food industries more productive.

Recommendation No. 15 - Cooperative Shops and Cereals Banks

Considering the risk of speculation placed on farm inputs and current consumable items;

Considering the need to provide rural dwellers with primary essential commodities on timely basis and at better prices;

Considering the concern to make the cooperatives more responsible with regard to their development, the Seminar recommends that:

-- Measures should be taken to extend the network for cooperative shops and cereal banks;

-- Cooperatives should refrain from participating in the second stage of crops marketing;

-- Exchange between farm and pastoral cooperatives should be encouraged to generate the sense of intercooperative solidarity.

Recommendation No. 16 - Limiting the Administrative Procedure for Granting CNCA Credits

Considering the importance of credit facility in agricultural and livestock production;

Considering the administrative bottlenecks involved in the offer of credit, the Seminar recommends that procedure regulations stated on CNCA credit forms be limited so that beneficiaries avail themselves with production inputs in a timely manner.

Recommendation No. 17 - Restructuring CNCA

Considering the importance attached to the rural sector in the national economy, and the role played by farm credit in the modernization of this sector;

Considering that producers are CNCA's main customers, and that co-operation is much developed at the village unit level, the Seminar recommends a resturcturing of CNCA on one hand, and the adoption of all necessary measures designed to help village units obtain credit on the other hand.

Recommendation No. 18 - Taxes and Customs Duties

Considering the importance of agricultural, livestock and veterinary inputs in rural development;

Considering the relatively high level of taxes and custom duties imposed on agricultural inputs;

Considering the importance of furnishing the rural peoples with a very large quantity of inputs, the Seminar recommends the withdrawal of taxes and custom duties on agricultural, livestock and veterinary inputs.

Recommendation No. 19 - Streamlining Credit Requirements

Considering the important role played by the rural sector in the national economy;

Considering the very unfavorable banking and monetary policies in the rural areas;

Considering the need to make farm credit more accessible to rural dwellers, the Seminar recommends:

-- The reduction of interest rates by establishing a bonus fund;

-- Credit duration and differ period should be curtailed.

Recommendation No. 20 - Production Costs Structure and Methods of Fixing Prices

Considering the association of costs to production;

Considering the need to associate costs to production on regional basis for an effective decision making;

Considering the present method of fixing production prices;

Considering the stimulating nature of farm gate prices;

Considering the importance to offer a satisfactory income to producers, the Seminar recommends:

-- A survey should be conducted on production costs on regional basis and by farming methods with the aim of arriving at regional prices and incomes of production;

-- Use of objective criteria in fixing producer prices which reflect family incomes, free market prices, etc.;

-- Establishment of minimum prices in order to eliminate the risk of speculation;

-- Participation of cooperatives in fixing minimum prices;

-- A cautious price policy for cereals (millet, sorghum) and incentives for the production of cash crops (peanuts, cowpea, cotton).

Recommendation No. 21 - Marketing Organization

Considering the increase in the production of vegetable crops, especially sweet potatoes, tomatoes, garlic and onions;

Considering the lack of organized circuit in some regions in respect of animal products;

Considering the need for farmers to market their produce within a very limited time, the Seminar recommends:

-- Appropriate circuits should be set up for the marketing and processing of vegetable and animal products.

Recommendation No. 22 - OPVN Recurrent and Financial Expenses

Considering the responsiveness of rural peoples to price fluctuations;

Considering the high level financial and recurrent expenses of OPVN arising from the lack of revolving fund;

Considering the need to install a sound and stabilized management of this agency, the Seminar recommends that OPVN should undertake a study to streamline its recurrent and financial burdens.

Recommendation No. 23 - Rice Processing by Cooperatives

Considering the difficulties of the cooperatives in supplying this agency;

Considering that the factories of Riz du Niger operate below capacity;

Considering the need to make the agency's factories productive, and the concern to establish lower consumer prices, the Seminar recommends the undertaking of a study on the modalities and incidents of rice processing by the cooperatives.

Recommendation No. 24 - Subsidy

Considering the important role played by agricultural livestock and veterinary inputs in agricultural production;

Considering that subsidies limit the quantities presented;

Considering the general high costs of inputs and the low incomes in the rural areas, the Seminar recommends:

-- The current subsidy rate be maintained on short-term basis and priority covering of newly established areas;

-- Its downward modulation in the medium term;

-- And its withdrawal in the long term except in the case of demonstrations and rural training, including public animal and plant health services.

Special Recommendations

1. Agricultural Statistics

Considering the priority importance accorded to self-sufficiency in food which requires an excellent agricultural production knowledge and the needs of the people;

Considering the degree of unreliability of the agricultural statistics, the Seminar recommends that all measures should be taken through human and technical means for better services of information, and to establish reliable agro-pastoral statistics.

2. Organization of Agro-Pastoral Fairs and the Importance of Traditional Festivals in Rural Areas

Considering the importance attached to self-sufficiency in food;

Considering the information exchange needs, and cultural and economic animation in the rural areas, the Seminar recommends:

-- Re-habilitation and revalorization of existing traditional festivals of rural folks;

-- Organization of agro-pastoral fair, the frequency of which will be subsequently determined;

-- Traditional festivals and fairs should be occasions to encourage and award prices to best farmers on one hand, and to measure the impact of agricultural extension on another hand.

Special Motion for "Samaria"

Considering the achievements attained by the "Samaria" in educating and mobilizing the masses towards the goal of self-sufficiency, the Seminar:

-- Acknowledges this effort and sends them its warmest congratulations;

-- And hopes these efforts shall continue and increase.

ANNEX N

Summary of Recommendations
from Niger Recurrent Cost Workshop

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This Annex provides a summary of recommendations translated from the Niger Recurrent Cost Workshop documents (<u>Les Dépenses Récurrentes des Investissements Publics au Niger</u>; <u>Atelier National sur les Dépenses Récurrentes au Niger</u>, Niamey, Juin 1983). The recommendations are divided into two groups: general recommendations and recommendations by sector.

A. <u>General Recommendations</u>

1. Establish a workable definition of recurrent costs which encompasses recurrent costs at different stages of project implementation.

2. Adopt the use of the data sheet used in the studies for this workshop and request all donor agencies to provide necessary information for the estimation of recurrents of their projects.

3. Prior to undertaking any public investment, the recurrent costs related to it should be estimated.

4. The recurrent cost estimates of public investment programs should be incorporated into the budgeting process.

5. Priority should be given to the consolidation of past investments and the maintenance of the installed capacity.

6. Beneficiaries should be encouraged to participate and upkeep the established facilities.

7. Donors should participate in the financing of recurrent costs during the life of the projects.

8. Institutional links should be created among the Ministry of Planning as project planning, implementing ministries or agencies, and the Ministry of Finance as budgetary authority.

9. The conclusions stemmed from this workshop should be made available widely and a committee be set up in the Ministry of Planning to formulate policies for implementing the recommendations derived from this workshop.

B. <u>Sectoral Recommendations</u>

1. <u>Rainfed Agriculture</u>. The recommendations are:

a. Increase the capacity of projects' beneficiaries to bear certain costs to the maintenance of infrastructures. In this respect, it would be desirable to embark on a re-direction of resources allocated to rural development projects towards community budgets.

b. Design and carry out the projects in conformity with the level of change attained and in harmony with the real capacities of the people to manage their own development. It is equally essential to ensure that all actions undertaken meet the aspirations of the target people, and that the projects implemented be commensurate to their material and human resources.

c. Increase the awareness in the management of projects material and financial resources and that greater resources are allocated to support operations managed by the target beneficiaries and to promote self-managed activities.

2. Irrigated Agriculture. The recommendations are:

a. The costs relative to the procurement and management of production inputs be fully transferred to farmers by ensuring an incentive producer price.

b. Implement policies to enhance the resources of ONAHA by restricting its role to the following activities: administration, support services to cooperatives in the maintenance of big enterprises payable at real costs, and irrigated lands management advisor.

c. Promote human resources development within the cooperatives so as to be responsible for the current maintenance of such systems.

d. Draw up a definite program for the establishment of a self-management system which will lead to a gradual relief of the state.

e. Examine ways and means of assisting cooperatives to monitor and/or be responsible for marketing and pay taxes in a suitable manner.

f. Set up a follow-up data bank at ONAHA to ensure an effective flow of and access to the various statistical data on the projects.

3. Livestock. The recommendations are:

a. Identification of costs which the herders could bear.

b. Serious measures be adopted to preserve good animal health through the active participation of herders.

c. Encouragement of rural savings in the pastoral zone.

d. Ensure an effective orientation of herders in the light of their need.

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e. Study and coordinate all the efficient cattle and meat marketing.

f. Explore an effective coordination of actions.

4. Water Supply. The recommendations are:

a. Pumping Station. In view of the management problems connected with these stations, it is recommended that the Office of Water Resources (Office des Eaux du Sous-sol--OFEDES), the Livestock Service (Ministry of Rural Development) and the local authorities should take the necessary steps to ensure that a schedule for the opening and closure of stations be observed. This would certainly lead to an effective management of water and range resources. However, with regard to certain pumping stations located in the arrondissement or administrative headsite such as Tchintabaraden, Abalak, Bayarou, it is recommended that such pumping stations be immediately transformed into secondary centers. Finally, in order to make the population responsible and aware of the importance of a regular maintenance of the stations, the workshop recommends that they participate in the decision to purchase of wearing parts, fuel and lubricants.

b. Secondary Water Centers. At this level, the participation of the population is already secured since the population participates in the operating costs by paying for the cost of water consumption. It is necessary to strengthen the cost recovery system by stricter administrative controls to ensure that outstanding bills are paid.

c. Village Wells. It is important to proceed to the inventory of the existing wells and to update the annual amount of payments made by the arrondissements to the OFEDES so as to meet the very high expenses relating to the maintenance of wells. It is also necessary to train village well diggers and to increase the awareness of the population so that they can participate in wells maintenance and construction.

d. Well Drilling. In order to reduce the costs of well maintenance and repair, it would be better to train mechanics at the village level and to establish a distribution network of spare parts. The village population should bear the costs of such maintenance and repair.

5. Public Health. The recommendations are:

a. Improve the financial and personnel management through a better allocation of resources based on a well defined priority order and a better appointment of the personnel.

b. Improve the access of the population to pharmaceutical products through the extension of public pharmacies and the support of the creation of private pharmacies.

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c. Improve the use of the available credits for the maintenance of the motor pool through call for bids for the supply of spare parts, and lubricants and through the appointment of better qualified personnel to departmental garages.

d. Ensure the implementation of the recommendation of the Maradi Seminar on the maintenance of health building while monitoring an increased participation of the rural population.

e. Implement the recommendations proposed by the Maradi Seminar on medical evaluations enabling the use of credits for other trips relating to the service.

f. Continue the self-managed health program and undertake research activities relating to the improvement of its impact and the reduction of retraining and supervision costs.

6. Education and Training. The recommendations are:

a. Identify ways and means to reduce school construction costs through the use of locally available material.

b. Where training is required, encourage the participation of firms in financing costs relating to training schools.

c. Reduce the burden relating to personnel cost by resorting to local capacities while encouraging the training of Nigerien trainers.

d. Examine every possibility to increase the resources of training schools by selling their production.

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ANNEX O

Rural Sector Development Grant (683-0247)
Project Implementation Letter No. 4

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UNITED STATES AID MISSION TO NIGER
American Embassy

United States of America

B.P. 11201
NIAMEY

March 30, 1984

Project Implementation Letter No. 4

The Minister
Ministry of Plan
Niamey, Niger

Dear Mr. Minister:

Subject: A.I.D. Rural Sector Development Grant
Commodity Import Grant Agreement (683-0247)

A. General Program Criteria for Allocations of Local Currency from Niger Rural Sector Development Grant

Local currency from the Niger Rural Sector Development Grant will be programmed in support of rural development activities that meet the following criteria listed in rank order:

1) Financing recurrent costs on ongoing USAID-financed projects primarily agriculture, livestock, and rural health and education to the extent that they contribute to agricultural/rural development objectives. These projects should have infrastructure, staff, and technical requirements in place. A broad definition of recurrent costs will be applied for this purpose, which covers non-capital costs during as well as after project implementation and general administrative overhead.

2) Financing of activities (including studies and analyses) which contribute towards the implementation and realization of the policy reforms set forth in Article 5, Section 5.3 of the Grant Agreement signed on August 31, 1983. These policy reforms are:

a) further reduction in Government subsidies to agricultural inputs;

b) further freeing up by the Government of controls on the prices paid to farmers for sale of farm products;

c) continued opening-up to the private sector and individual cooperatives, the ability to produce and distribute farm equipment, animal traction and other agricultural inputs;

d) improvement in the management and policy of agricultural credit systems; and

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e) further review of the government policy on livestock and grain trade with Nigeria.

Pilot projects which may be financed under this criterion may include, but not necessarily limited to, programs aimed at increasing more private sector involvement, such as training and retraining programs to strengthen individual cooperatives and the Office of Private Enterprise Promotion.

3) Financing recurrent costs for rural development projects which are closely related or complementary to USAID-financed projects, but whose capital or non-recurrent costs are financed by other donors. These funds should contribute to the required costs supported by the Government of Niger through the National Investment Fund.

4) Financing extensions of programs/projects currently in implementation or high priority new projects in agricultural and rural development which will contribute to rapid increase in agricultural productivity and income of the rural population.

B. Project Acceptability Criteria

1) The Government of Niger will not substitute local currency generated from the Grant Agreement for funds that the Government of Niger plans to incorporate in the National Investment Fund.

2) Assurance that sufficient institutional capacity exists to implement and monitor projects.

3) The counterpart fund contribution to the project or program is more than FCFA 2 million.

4) Counterpart fund contribution constitutes less than 40 percent of total life of project with all counterpart funds to be disbursed within two years of approval of counterpart contribution. The Nigerien Government must provide some financial and/or in-kind support to the project.

5) When the counterpart fund finances any recurrent costs of the project, the proposal must state:

a) that the Government of Niger is unable to assure the recurrent cost financing from normal budgetary processes;

b) how the recurrent costs burden of the project financed from the counterpart funds will be either shifted to beneficiaries of the services provided or to the regular Nigerien Government Budget; or, what steps will be undertaken to prepare a plan for such a shift.

c) Explicitly, that the recurrent costs will have a higher positive impact on development than using funds for other new projects.

6) The counterpart fund will not finance any contributions towards salaries, indemnities, and allowances of established regular Government of Niger civil servants.

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7) The counterpart fund will not finance any contribution towards projects assisted by donors from countries not included in A.I.D. Geographic Code 899 (Annex A).

8) Priority will be given to projects which benefit directly large numbers of rural poor in relation to total cost of the project.

9) In ranking projects within the first three classes of general criteria, higher priority will be given to the greater degree that the projects promote:

a) income generation of rural families;

b) food self-sufficiency;

c) closer linkage with policy reform.

C. Procedures

1) The procedures used will generally follow National Investment Fund procedures, with the following adjustments for joint programming and the need to meet certain A.I.D. records keeping requirements.

Except as A.I.D. and the Government of Niger may otherwise agree in writing, the Counterpart Management Committee will have the following membership:

Government of Niger: Ministry of Rural Development
Ministry of Plan
Ministry of Commerce and Transport
Ministry of Finance

U.S. Government representatives: USAID/Niger

Representatives of other ministries (such as Hydrology and Environment, Public Health, Education) may be requested to review project proposals, or to attend meetings concerning projects with components in technical fields for which that Ministry has responsibility.

2) A.I.D. will require the maintenance of accounting and reporting systems to allow follow-up on the ultimate use of funds disbursed from the local currency account and will require test checking of individual payments and uses.

The Government of Niger will appoint an executive secretary of the Counterpart Management Committee. This person will be responsible for preparing minutes and recording decisions, preparing the approval documentation, and obtaining required clearances of the Director of the National Investment Fund, and USAID Mission Director.

Decisions on the request for counterpart funds will be by consensus and agreement by all members of the Committee.

The joint Government of Niger/USAID Counterpart Management Committee will review all suggestions and requests for use of local currency and make written recommendations for approval. The project requests submitted by the Ministry of

Plan to the Committee for the approval of counterpart funds must contain budget information and documentation presented in the standardized format. This format is a cover sheet to the Government of Niger's fiche de presentation used for the National Investment Fund. (See Annex C to this PIL.) The project request format is attached as Annex B to this Project Implementation Letter.

The Counterpart Management Committee will review, as much as possible, project and program proposals in groups at the beginning of the fiscal year rather than reviewing them individually or in an ad hoc manner. The Committee will rank order the proposals according to the General Program Criteria and the Project Acceptability Criteria set forth in Sections A and B of this Project Implementation Letter. Local currency generated from the Rural Sector Development Grant will be considered as part of the National Investment Fund and decisions as to its use should be in accordance with the standard rules, procedures, and instructions issued by the Government of Niger on the use of the National Investment Fund. (See Annex C of this PIL.) Reporting and accounts required by USAID for audit purposes are attached as Annex D to this Project Implementation Letter.

The decisions will be recorded in the minutes and the Executive Secretary of the Counterpart Management Committee will prepare the approval document for each approval activity receiving counterpart funds. No funds can be transferred to projects until both the A.I.D. Mission Director or his representative and the Director of the National Investment Fund/Odronnateur Délégué of the Ministry of Plan have countersigned the approval document.

The working language used for documentation of the counterpart program shall be French. Some portion of the funds may be set aside for translation of documents in English and for accounting procedures.

Further Project Implementation Letters may be issued from time to time regarding management of the counterpart program.

D. Concurrence of this Project Implementation Letter

If you agree with these criteria and procedures outlined above, would you please indicate your agreement by signing below. When signed by both the Government of Niger and the USAID, this Project Implementation Letter constitutes completion of the Condition Precedent on mutual agreement on criteria and procedures for approving allocations to projects determined to be eligible recipients of local currency financing (Section 2.2(b) of the Project Grant Agreement dated August 31, 1983).

Please do not hesitate to contact me or my staff if you have any questions.

Sincerely,

(signed by)
Peter Benedict
Director
USAID/Niger

Attachments

(countersigned by Minister of Plan)

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ANNEX A

A.I.D. Geographic Code 899

FREE WORLD

Any area or country in the Free World[a] excluding the participating country itself, when used as a possible source for purchases.

156 - Union of Soviet Socialist Republics (USSR)

180 - Albania (182)
Bulgaria (183)
Czechoslovakia (184)
German Democratic Republic (187)
Estonia
Hungary (185)
Latvia
Lithuania
Romania (186)

181 - Poland

431 - Vietnam (North)

432 - Korea, North

435 - China, People's Republic of

438 - Mongolia

439 - Laos

440 - Vietnam[b]

Represents the political reunification of North Vietnam and South Vietnam. This code is not to be used when separate identifiers of North and South Vietnam are required, instead use Code 431-North Vietnam, and Code 730-Republic of South Vietnam.

442 - Kampuchea

516 - Cuba

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ANNEX B

Format for Project Proposals

1. Project Title and Number: (-247-84-XXX)

2. Project Begins: ____________________ Project Ends: __________________

3. Financing: Total: _____________ of which counterpart request: ___________

4. Project Description:

   a) Project Purpose:

   b) Project Background:

   c) Intermediate Objectives:

   d) Beneficiaries:

5. Implementation Plan, including description of technical services, human and material resources, infrastructure, etc.:

6. Inputs:

   a) Those provided by donors and Government of Niger in cash or in-kind:

   b) Inputs for which financing is requested from counterpart fund and disbursement plan:

   c) Submission on recurrent costs should state:

      1) That the Government of Niger is unable to assure the recurrent cost financing from the normal budgetary process.

      2) How the recurrent costs burden of the project financed from the counterpart funds will be either shifted to beneficiaries of the services provided or to the regular Nigerien Government Budget; or what steps will be undertaken to prepare a plan for such a shift.

      3) Explicitly, that the recurrent costs will have a higher positive impact on development than using funds for other new projects.

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Financial Procedures

Niger Special Local Currency Account (ESF)

In consonance with established National Investment Fund procedures (see Annex C), the following will be used for documentation regarding authorization and disbursing of Special Local Currency Account funds under the Rural Sector Develpoment Grant. These items are needed to meet A.I.D. own documentation.

I. Authorization

After a project proposal has been approved by the Counterpart Management Committee, the Ministry of Plan Director of National Investment Fund will complete a "Use of Funds Authorization." (See attached.) Once signed by a representative of the Government of Niger and USAID, the project may initiate obligations in the form of purchase orders, contracts, or salary commitments up to the level of the approval.

II. Payment

In following the payment procedures set forth under the National Investment Fund implementation rules, the project which has incurred the commitments will also transmit to the Ministry of Plan, Ordonnateur Délégué, the following:

1) certification of goods and services received;

2) copies of all supporting documentation for the transaction to be paid. Supporting documentation includes purchase orders, bills, and receiving documentation.

Upon receipt the Ministry of Plan will prepare an order of payment or transfer (see attached) which will initiate payment to the vendor. The order must be co-signed by both the USAID Mission Director and Ordonnateur Délégué before payment can be effected.

III. Records and Reports

Within two (2) working days after the end of each month, the Ministry of Plan will reconcile its Journal de Banque with the bank statements. Five (5) working days after the end of the month the Ministry of Plan will issue to USAID and each of the approved projects a report which described the status of approved counterpart activities (see attached).

B/3

Date: ____________________

Niger - American
Rural Sector Development Grant Counterpart Fund
(Encumbrance)
Use of Funds - Authorization

Trésor BCAO Account No.: ____________________

1. Authorization No.: ______________________________ (preprinted)

2. Project Title: ______________________________

3. Period of Authorization: From ______________ To ______________

4. Total Amount Authorized: CFA ______________________________

5. Description, quantities, specification, budgets, pro forma, payment instructions:

Approved Government of Niger

Approved USAID

____
Ordonnateur Délégué

____
Director

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Specimen

Date: ____________________

Niger - American
Rural Sector Development Grant Counterpart Fund
Order for Payment or Transfer

Trésor B.C.E.A.O. Account No.: ____________________

Payment No.: ____________________________________ (preprinted)

Account No. (i.e. Authorization No.): ______________________________________

Par le débit du compte ci-dessus désigné, veuillez virer la somme de:

CENT CINQUANTE MILLE CENT QUATRE VINGT DIX (154 190) FRANCS CFA.

Au compte No. 13997

ouvert à la B.D.R.N. Niamey

Au nom de: CAMICO NIGER

En règlement de: Facture No. 2037 du 9/06/1983

Somme virée par chèque No.

Niamey, le

Niamey, le

____
USAID Director

____
l'Ordonnateur Délégué

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Counterpart Activity Report

No.	Project Title	Period of Authorization	Amount Approved	Amount Expended this Period	Expenditures	Balance

ANNEX P

Illustrative

Terms of Reference

for a Study of

Rural Financial Markets in Niger

ANNEX P

Illustrative Terms of Reference In a Study of Rural Financial Markets in Niger

A. BACKGROUND

Following the refusal of Niger's Caisse Nationale de Crédit Agricole (CNCA) to grant new production credits to cooperations in 1982-1983, the use of improved agricultural inputs fell sharply. This reaction attests, in part, to the central importance of agricultural credit for encouraging adoption and use of such inputs in Niger.

The CNCA has been plagued with a myriad of administration and political problems related to its agricultural credit program almost from its inception. Until recently, the Government of Niger did not appear to appreciate the critical importance of maintaining a sound financial footing for its agricultural credit program. This led to a confusion of purpose and a lack of discipline in credit administration that has compromised the country's long term agricultural development objectives. Poor accounting procedures within CNCA, incomplete records, an inability to control to whom it granted loans, tedious application and loan repayment procedures and an unwillingness to pursue delinquent borrowers are just some of the problems. Combined with dubious economic returns for some of the inputs financed under the credit program, repayment rates for CNCA loans fell to intolerable levels. The CNCA's reaction to this situation was overdue.

In response to these problems the Ministry of Plan of the Republic of Niger requested a joint commission of CNCA-France/Caisse Centrale/CEE to undertake a study of the CNCA which was completed in January, 1984. This team concluded that the CNCA is essentially bankrupt, with a negative capital account of FCFA1.22 billion, negative revolving fund balance of FCFA1.39 billion and an average annual operating deficit of 115 million FCFA. The team cited four major couses for this situation: 1) Involvement in activities not related to agricultural credit (80 % of the volume of CNCA activities goes to financing various state and parastatal organizations), 2) the system of handling agriculture loans through the UNCC, including poor record keeping and technical packages which include equipment not well-adapted to the farmer's needs, 3) poor follow-up on credit requests and payment, and 4) lack of bank-line business practices and competent personnel with expertise in financial management. In short, the present crisis of the CNCA is not a simple problem of structure that could be reformed, but is the result of an approach to agricultural credit that is not well adapted to the conditions and constraints of rural development of Niger.

Based on these findings the joint team recommended that the liquidation of the CNCA should be envisaged in the near term, although there are many aspects to consider. They estimated that it would take FCFA 5 billion to put the CNCA back on its feet again with no garantee that the same problems would not happen again. Also, there is a total of 11.46 billion FCFA in outstanding debts owed to CNCA which need to be collected. This would require some legal entity to oversee the liquidation and collection. The team recommended that the loans not be forgiven as this would only reinforce the idea that loans don't have to be repaid, and instead recommended that a new system of credit be developed over time based on local associations that have the active participation in farmers in management, in generating savings and collecting loan payments. This conforms with the recommendations of the Zinder Conference in 1982 and is seen as a long-term process.

While the joint team produced a lot of information on CNCA and the formal system of credit in Niger, a basic problem inhibiting the development of new systems of credit is the lack of knowledge of how rural financial markets are organized and function, of the availability of rural savings and the potential for mobilizing these savings for agricultural investment, and the present and potential demand for agricultural credit in Niger.

The Government of Niger will need three basic types of information before it can with confidence begin redesigning its agricultural credit system:

1) the costs and returns, both private and economic, of the agricultural inputs which the Govenement of Niger wants farmers to use or which the farmers, themselves, seem willing to buy;

2) the accessability of savings from family and other sources within rural areas, and nature and conditions of these savings and the potential for mobilizing these savings for investment purposes.

3) Description and analysis of the informal rural financial customs and institutions, including social and other controls and sanctions which are used to promote the repayment of loans. This includes the social/cultural environment and traditions as they relate to borrowing and lending at the village level.

The potential demand for credit will be based in large part, on information of the first type, i.e., the profitability of the new inputs.

The supply of credit depends on the formal and informal credit system, the second and third types of information.

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There is already considerable information available about the profitability of the new production inputs and about the formal financial market. Recent and ongoing budget studies by the NDD and other productivity projects analyze the use of the new inputs, while the recent French mission study, noted above, covers the CNCA and other formal credits.

Unfortunately, information about informal rural savings and credit in Niger is almost non-existant. Recent investigations in other countries have revealed that some rural areas have an important savings potential which can be mobilized and used for agricultural development.

B. TERMS OF REFERENCE

Research on rural savings and credit, especially the former, is very sensitive in Niger (and everywhere also), and a study team needs the close collaboration of Nigerien counterparts in order to be successful. Studies will be carried out in various geographical regions where several different indigenous languages are used, thus requiring staff with a broad range of language capabilities. The Institut de Recherches et Sciences Humaines (IRSH), based in Niamey and attached to the University, has a certain level of ability in rural research in all the major languages of Niger. Collaboration with them would broaden and advance their skills, while providing the U.S. members of the team with needed local expertise.

USAID/Niamey has worked with IRSH on previous occasions, namely, an evaluation of the NDD and the Literacy Service Training Center Project. Costs per day, for professional staff are expected to range from 25,000 CFA to 60,000 CFA/day, depending on the person, the length of contract, and other factors.

This study will concentrate on those areas of Niger which currently utilize the bulk of improved inputs, namely the irrigated perimeters, the areas covered by the productivity projects, and the areas with greatest agricultural production potential. It will take into account each of Niger's five principle ethnic groups. To do this the Contractor carrying out the study will perform the following tasks:

1) Review the literature on formal and informal credit and on the economics of improved technologies of the type being promoted by the Government of Niger. This review should include reports on studies carried out in Niger as well as in areas of neighboring countries inhabited by Niger's principal ethnic groups. Recent USAID-supported studies in Senegal by Laura Tuck (Princeton Project on Rural Financial Markets, 1983) and Clive Gray (Harvard Institute, 1980) are available. Dale Adams of Ohio University started a study of rural credit in Senegal in May, 1984 which should be finished before the Niger Study gets started. Prepare an annotated bibliography of this literature and obtain copies of the original studies for USAID/Niger

2) Review the experience of credit programs of each of the productivity projects and for farmers working the irrigated perimeters. Identify the principle causes of poor repayment rates and measures undertaken to improve performance of the programs. Evaluate the success of these measures and the lessons learned from other experiences of rural credit schemes in Niger

3) Supplementing the available literature with informal surveys of farmers actually using the inputs, prepare and analyze realistic partial budgets which

demonstrated financial and economic marginal returns to use of the improved inputs. This analysis should include base budgets reflecting traditional technology and two levels of the improved technology, where appropriate. At least one of the levels of improved technology should reflect the predominant pattern actually used by farmers. This analysis should cover millet, sorghum, cow-peas and peanuts both in relatively high rainfall areas (600 plus mm) and in lower rainfall areas (400 - 500 mm).

It should also include budgets for livestock enterprises which reflect conditions in zones covered by the major livestock projects.

4) Owing to the great sensitivity in collecting information on rural savings and loans, both informal and more structural formal survey techniques will be used to:

a. Identify current levels of cash income, savings, remittances, borrowing and gifts given and received by rural households. Identify the first generation use of all incoming funds. Determine levels of investment, including housing and other building improvements, agricultural implements, land improvements and goods destined for commercial activities and petty trading;

b. Identify the terms and conditions of informal credit given and received by the household. This should include who obtains and gives the credit, the period over which the credit is given and interest rates and other charges if any. Interest rates should be calculated both on a gross and a net basis stated as annual compound rates. The net rate should be adjusted to reflect risk, collection rates, and other transaction costs for the creditor.

c. Analyze the transactions cost for the borrowed of obtaining credit from various non-formal and formal credit sources. This analysis should include realistic estimates of time, transportation, and other costs related to acquiring and repaying credit from the various sources.

d. Identify the nature and effectiveness of controls and sanctions used by non-formal lenders to ensure repayment of loans.

e. Identify the types of local level structures which offer potential for delivering formal institutional credit to farmers and small-scale rural enterprises.

5) Analyze the role of credit needs and savings availability in rural households and assess the potential which exists for mobilizing rural savings for the kinds of agricultural investments analysis under task 3 above. This

analysis will estimate the overall demand for rural credit to finance investments in agricultural inputs. Identify the extent to which su sidies on inputs, if any, would be needed and/or which could be justified in economic terms in order for farmers to find use of the inputs financially profitable if purchased for cash or with credit borrowed from informal commercial sources. Analyze interest charges that could be borne by farmers before a majority of them would find the purchase of the input on credit at unsubsidized prices financially unattractive.

6) Submit a final report of the findings and recommendations of the study within 18 months of signing the contract. The complete report will be submitted to USAID in both English and French, 40 copies of each.

C. WORK PLAN

All of the above terms of reference are to be accomplished within 18 months of signing the contract between USAID and the Contractor executing the study. The Contractor will adjust the mix of literature review, formal and informal surveys so as to meet this timetable. It is expected that a sociologist and an agricultural economist, and two Nigerien researchers can complete the literature review and field work in 13 months. Final analysis and preparation of a preliminary report will take an additional two to three months. USAID and the GON will review the preliminary report and provide the Contractor with written comments within three weeks of receiving the preliminary report. The Contractor will then make the necessary revisions, have the document translated and submit 40 copies of both English and French final versions to USAID and the GON within the 18 months period.

The principal investigator for this study must have had resident research experience in Niger and a thorough knowledge of agricu tural credit programs in Africa. Competence in financial analysis, production economics and formal and informal survey methodologies is required. The researchers should all read and speak French well. Knowledge of at least one of Niger's principle local languages would also be highly desirable.

D. CALENDAR

The complete project would require almost two years scheduled as follows:

Project Action *	Month
Selection of Contractor+ signing of contract	0
Contractor in Field	1
Contractor Detailed Plan of Work approved by GON/USAID	2
Review of Compiled Data and Report Format	1-4
Field Work/Review of Literature	4-14
Review of Preliminary Report - Seminars with GON/USAID	16
Revision, Preparation, Translation of Final Report	18
USAID and GON Review and Approval	18
Final Report Distributed	18

E. BUDGET

Sociologist/Agricultural Economist (36 months)	$ 216 000
Migerien Researchers 30 months	113 000
Research Assistant/Enumerators (4 persons 13 months each)	26 000
Secretarial Support/Typing	10 000
International & Local Travel, Per Diem, and Incidentals	50 000
Data Acquisition, Reproduction	10 000
Computer Time/Analysis/Programming	20 000
Report Preparation, Translation, and Printing	20 000
Miscellaneous and Contingencies	35 000
TOTAL	$ 490 000

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* In addition the Contractor will be required to submit brief 1-3 page progress reports each month, English and French, to the GON and USAID.

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