

PD-ANV-543

MID-TERM EVALUATION
OF THE
USAID/NIGER
AGRICULTURE SECTOR DEVELOPMENT GRANT

DECEMBER 15, 1986
DRAFT FINAL REPORT

6830246

SUBMITTED BY THE EVALUATION TEAM

Martial Laurent
Macro-Economist

Kifle Negash
Agricultural Economist

Mark S. Weber
Management Consultant

and

DEVELOPMENT ASSISTANCE CORPORATION
1415 11th Street, N.W.
Washington, D.C. 20001

001690

000137

5

1

TABLE OF CONTENTS

	Page
Abbreviations	i
EXECUTIVE SUMMARY	1
I. INTRODUCTION	13
A. Terms of Reference of the Evaluation Team	13
B. ASDG Program Objectives	13
1. Economic Background of Niger	13
2. The Stabilization and Adjustment Program	14
C. ASDG Operational Characteristics and Milestones	15
1. Milestones	15
2. Operating Procedures	16
D. Methodology of the Evaluation	16
1. Policy Reforms	16
2. The Counterpart Fund	16
3. Macroeconomic Effects	17
II. CONDITIONALITIES OF THE ASDG	18
A. Introduction	18
B. Progress and Problems in Achieving Policy Reforms	19
1. Input Supply, Subsidies and Pricing	19
2. Reduction of Subsidy	19
3. Transfer of the CA to the Cooperative Movement	23
C. Cereals Marketing and Pricing	26
1. Tender and Bid System	26
2. Village Level Grain Storage	30
3. Uniform National Pricing	32
4. Market Information	33
D. Cross Border Trade	33
E. Agricultural Credit and Savings Study	35
F. Cooperatives and the Private Sector	38
G. Socio-Economic Impacts of the Policy Reform	39
1. Introduction	39
2. Study of Subsidy Reduction	39

Table of Contents

-2-

	Page
a. Fertilizer	40
b. Farm Implements	40
3. Other Socioeconomic Effects	41
H. Other Policies/Administrative Measures Affecting the Attainment of Goals of the ASDG	42
I. Summary of Findings and Suggestions to Improve Performance	43
1. Input Supply, Subsidies and Pricing	44
a. Reduction of Subsidies	44
b. Transfer of CA to Cooperatives	44
2. Cereals Marketing and Pricing	45
a. Tender and Bid System	45
b. Village Level Grain Storage	45
c. Uniform National Pricing	45
d. Market Information	45
3. Cross Border Trade	46
4. Agricultural Credit and Savings Study	47
5. Cooperatives and the Private Sector	47
III. ADMINISTRATIVE AND FINANCIAL CONTROLS OF THE COUNTERPART FUND	49
A. Organizational and Management Structure	49
1. The Joint Management Committee	50
2. Secretariat	52
a. The Executive Secretary Position	52
b. The Financial Counselor	55
c. The Accounting Staff	56
B. The Performance of the Secretariat	57
1. The Secretariat Budget: Presentation and Monitoring	57
2. The Relationship of the President of the Joint Management Committee with the AID Project Officer	57
C. Financial Control of the Counterpart Fund	58
1. The Financial Control of Project Counterpart Funds	58

	Page
IV. THE COUNTERPART FUND - USES	60
A. Selection of Project/Activities for Financing Projects under the ASDG Counterpart Fund by Recipient Ministry	60
1. Selection of Projects/Activities for Financing	60
a. Selection Procedures Required for Counterpart Funding	60
B. Projects Financed by the Counterpart Fund General Conformity with the Criteria and ASDG Objectives	62
C. Analysis of Projects Funded under the ASDG Counterpart Fund by Economic Cost Classification, with Reference to 'Recurrent Costs'	63
D. Breakdown of the Counterpart Fund Disbursements by Cost Element	64
E. Economic Benefits and Contribution to Development	70
V. ADMINISTRATIVE EFFECTIVENESS EVALUATION OF THE TECHNICAL ASSISTANCE TEAM	71
A. The Roles and Functions of the Technical Assistance Team	71
1. Technical Assisatnce Team's Perception of its Role and Relationships	71
a. Policy Studies	71
b. Completion of TOR for the TA team and for the Agricultural Policy Advisors	72
B. Relationship of the TA Team with their Counterparts and AID	74
1. Assessment of Nigerien Participation in the TA Team's Policy Analysis Role	74
2. Relationship of the Team with AID	75
C. Implication of Effecting a Greater Integration of the TA Team in the Ministry of Agriculture	75
D. Training Requirement under the ASDG	76

	Page
VI. MACRO-ECONOMIC IMPACTS OF THE ASDG	72
A. Balance of Payments Effects	72
1. Effects of the Initial Transfers	78
2. The Counterpart Fund Provision of Needed Foreign Exchange	78
3. The Promotion of Foreign Exchange Generation	80
B. Central Government Finance and Budgeting	81
C. Impact of the Stabilization Program	81
D. The Policy Environment and Policy Dialogue Process	84
E. Suggestions and Recommendations in the Policy Formulation Area	86
F. Intended Effects of the ASDG	87
1. Donor Acceptance of Broad Objectives of ASDG	87
VII. CONCLUSIONS AND LESSONS LEARNED	89
A. Required Joint Evaluation with Nigerien Government Counterparts	89
B. The Conditionalities of the ASDG	89
C. Review of the Counterpart Fund	90
D. USAID Monitoring and Management of the ASDG	91
E. Effects of ASDG-type Transfer	91
F. The Technical Team	93
G. The Dialogue/Policy Environment in Niger	94
 ANNEXES	
A	METHODOLOGY OF THE EVALUATION
B	MACROECONOMIC ANALYSIS OF THE ASDG A TECHNICAL NOTE
C	TABLES FROM OTHER SOURCES
D	LIST OF PERSONS INTERVIEWED
E	LIST OF DOCUMENTS AND REFERENCES
F	TERMS OF REFERENCE FOR UNIVERSITY OF MICHIGAN TECHNICAL ASSISTANCE TEAM
G	INVESTMENT BUDGET - SUMMARY OF BUDGET CYCLE
H	THE COUNTERPART FUND
I	POLICY DIALOGUE SCHEMATICS
J	THE IMF STRUCTURAL ADJUSTMENT PROGRAM

ABBREVIATIONS

ADO ASDG	Agriculture Sector Development Grant
BDRN	Banque de Developpement de la Republique du Niger
CA CFDT	Centrale d'Approvisionnement Campagne Francaise pour le Developpement des Fibres Textiles
CFF	Compensatory Financial Facility
CNE	Caisse Nationale d'Epargne
CND	Comite National de Developpement
CNCA	Caisse Nationale de Credit Agricole
CP	Condition Precedent
CPR	Centre de Perfectionnement Rural
CSPPM	Caisse de Stabilisation des Prix et Preequation du Niger
CPF	Counterpart Fund
CPT	Centre de Perfectionment Technique
DEPP	Direction des Etudes et de la Programmation des Projets
DEPSA	Direction des Etudes et de la Programmation/ Statistiques Agricoles
DFI	Direction d'Etude, Programme et Statistics Direction de Finance et Investissement
FAO	Food and Agriculture Organization
FED	Fond Europeen de Developpement
FNI	Fonds National d'Investissement
GMV	Groupement Mutualists Villagois
ICRISAT	International Center for Crop Research in the Semi-Arid Tropics
ILO	International Labor Organization
ILP	Integrated Livestock Program
INRAM	Institut National de Recherche Agronomique du Niger
MA	Ministry of Agriculture
MP	Ministry of Plan
MDR	Ministry of Rural Development (Agriculture and Animal Resources)
NPD	National Program Document
ONRAEA OPVI	Office National des Amenagement Hydro-Agricoles Office des Produits Vivriers du Niger

5

Abbreviations

-2-

FAAD	Program Assistance Approval Document
PIC	Plan Intermediare de Consolidation
RSDG	Rural Sector Development Grant
SAC	Structural Adjustment Credit
SAL	Structural Adjustment Loan
SONARA	Societe Nigerienne de l'Arachide
SONITEXTIL	Societe Nigerienne de Textiles
TA	Technical Assistance
UNDP	United Nations Development Program
UNC	Union Nationale des Cooperatives
UNCC	Union Nationale de Credit et de la Cooperation
URC	Union Regionale de Cooperative
USAID	United States Agency for International Development
USRC	Union Sous Regional de Cooperative

ECONOMIC ACRONYMS

B/P	Balance of Payments
CH Stocks	Change in Stocks
CON	Consumption
GCF	Gross Capital Formation
GDP	Gross Domestic Product
GDP Deflator	Rate of Inflation /Used to
GFCF	Gross Fixed Capital Formation
MGNFS	Gross National Fixed Savings
Resource Gap 1	
Resource Gap 2	
XGNFS	Change in Gross National Fixed Stock

Best Available Document

EXECUTIVE SUMMARY

The objectives of the mid-term ASDG evaluation is to judge its effectiveness against AID's development goals and the development needs of Niger.

The ASDG objectives are to assist the Government of Niger in achieving economic and financial stabilization and to contribute to the goal of increasing food production and rural income growth and diversification. The ASDG combines both development assistance and economic stabilization funds to provide a total of \$29 million worth of conditional dollar disbursement or resource transfer in the form of local currency, and \$3 million of AID-paid technical assistance for institution in policy analysis.

The evaluation was organized around three areas of intervention: policy reform, counterpart fund, and macroeconomic effects.

A. Summary of Findings and Key Recommendations

Chapter II. Conditionalities of the ASDG

The overall findings of the team regarding measurement of progress are that most of the conditions stipulated under the ASDG Agreement are being met.

1. Input Supply, Subsidies and Pricing

Summary:

(i) Reduction of Subsidies: Based on the subsidy rate calculation agreed by USAID and the Government, the Government of Niger is on schedule in reducing subsidies to 30 percent overall. However, the level of pesticides is double the 50 percent maximum level allowed in the agreement.

(ii) Transfer of the Centrale d'Approvisionnement: The Government of Niger has started the process of transferring the CA to the cooperatives, but there is a need for continuous dialogue between the Government of Niger and USAID to insure a systematic and effective transfer.

Recommendations:

(i) Eliminate the subsidy on fungicides especially Cypermetrine and other fungicides which have been subsidized at 100 percent level in the current year.

(ii) Carefully monitor the transfer of the CA and the workshops to cooperative ownership to insure that an efficient delivery system is established.

(iii) Establish revolving funds at the CA to generate proceeds that would be used to cover operating expenses. Otherwise, donor assistance.

to the Government of Niger financial support may be necessary at least for the short term.

(iv) Establish systematic cost accounting of indirect costs for the CA. A well formulated bookkeeping system is necessary for the development of subsidy rate figures that are comparable over time.

2. Cereals Marketing and Pricing

Summary:

(i) Tender and Bid System: Following the specification in the Grant Agreement, OPVN has instituted the system of tender and bid for procuring its stock. However, OPVN has not as yet instituted the tender and bid system for its grain selling operations.

(ii) Village level Grain Storage: The required 6,000 tons of grain at the village level are exceeded. As recommended in a recent conference, future cereal bank promotion are to be based on socioeconomic studies and initiatives of prospective participants. The operation is also recommended to be carried out at the GMV level.

(iii) Uniform National Pricing: Prices for cereals at OPVN's selling outlets have been uniform throughout the country since February 1986. An official producer price also prevails for each basic agricultural product. It is now reported that there will be no official producer price this year for millet and sorghum. Abolishing uniform national pricing for cereals is one of the CPs for disbursement of funds in the third tranche.

(iv) Market Information: OPVN has started publishing a monthly bulletin providing useful data on prices and production. BUT the Government of Niger is unwilling so far to broadcast marketing information on a weekly basis as required in the Grant Agreement. This requirement, however, is not a CP.

Recommendations:

(i) Improve the operating procedures and practices of the tender and bid system. This would mean clarifying the operating procedures and practices by making the operations more open. Include a third-party "watchdog" from the Ministry of Plan, the Ministry of Agriculture, as well as the private sector to serve as observers in receiving bids, filing bids, opening bids, and awarding winners.

(ii) Institute a tender and bid system for selling grains.

(iii) Eliminate the official producer floor price as well as OPVN's uniform selling prices.

(iv) Establish a strategy to improve organizational capacity of cooperatives. This would entail encouraging the Government to intensify training of cooperatives to help them assume their role as business

enterprises such as expanding the CLUSA type training activities, implementing some of the recent Cereals Bank workshop recommendations, establishing a credit facility such as a Credit Union to finance seasonal credit needs of viable cooperatives.

3. Cross Border Trade

Summary:

Decrees have been issued lifting restrictions on cowpea trade, but livestock export has been prohibited since August of 1985. USAID accepted the rationale presented by the Government of Niger for banning the export and granted a waiver in assessing progress during the disbursement of the second tranche. But the promise given to AID to reassess the decision last June has not been kept. Consequently, the banning of livestock remains in direct contradiction to the provisions of the Grant Agreement.

Recommendations:

- (i) Reestablish free livestock exports.
- (ii) Design a strategy to effectively transmit policy reform decision to all relevant levels in the Government.

4. Agricultural Credit and Savings Study

Summary:

The Ohio State University credit study has been carried out on schedule with very good support from the Government.

Recommendation:

- (i) Prepare legislation to make credit unions legal, as well as to launch pilot credit and savings activities in selected regions of rural Niger.

Chapter III. Administrative and Financial Controls of the Counterpart Fund

1. Organization and Management Structure

Summary:

The principle funding mechanism of the ASDG is the Counterpart Fund (CPF). The CPF uses local currency to finance local capital and recurrent costs for various projects according to specific criteria.

The guidelines for the CPF were established under FIDP PDDP no. 1 and ASDG No. 2. The local currency from the ASDG is to be programmed for projects in support of agriculture and livestock development activities that

meet the general criteria as set out in a special covenant of the Grant, and in the Amplified Program Description.

The criteria for Selection of Projects/Activities for financing were established according to the following priority ranking for the use of the Counterpart Funds:

- o Projects aiding or contributing towards implementation and realization of the Policy Reforms.
- o Recurrent and local costs for AID agricultural/livestock projects;
- o Recurrent and local costs for other donor-financed agricultural/livestock projects;
- o Extensions of old or new programs/projects directed towards high productivity increases in agricultural/livestock and rural income.

The programming mechanism for the CPF was designated as a Joint Management Committee consisting of the following representative members:

From the Government of Niger: Ministry of Plan
Ministry of Agriculture
Ministry of Animal Resources
Ministry of Commerce and Transport
Ministry of Finance

From the U.S Government: USAID/Niger

The Joint Management Committee is a meeting where USAID and the Government of Niger review projects proposed for financing and make recommendations. In terms of decision-making power, it is at this Joint Management Committee that USAID and the Government of Niger represented by the Department of Investment Finance(DFI)/ Ministry of Plan, must both agree. Either party has a 'veto' power on an action proposed, as provided for under the grant document. There is also a project approval committee at USAID, chaired by the Director, with representation from the Program Office, ADO, and the Controller's office. The Evaluation Team believes several changes are needed to make the committees more effective.

Recommendation:

(1) It is very important that decisions to recommend or not to recommend, taken at the Committee meetings be well documented. From the standpoint of organizational efficiency where decisions made on project funding personnel allocation or on the operating procedures of the Secretariat in that the AID representative is present and if an objection is voiced, it must be assumed that AID is in agreement with the decision. Of course nothing can be irreversible if a truly joint agreement and if it is possible to re-debate or object at a later date that something has

not work out satisfactorily. Given the joint-signature system in which both the Government of Niger and the representative from USAID/Niger generally the Director, must sign the document authorizing disbursement of funds, USAID can voice its disagreement with a decision taken by not signing off on a disbursement. But to facilitate operations it must be assumed that matters have been decided, and thereafter operations can go forward under this guidance.)

(ii) The decisions of the Counterpart Fund Committee Meetings should be more carefully recorded with a tape recorder or by a stenographer. The Procès Verbal which is now issued is only a Compte Rendu (The 'Proceedings') now reads like a 'Summary' rather than a detailed 'Minutes'.

Secretariat: The Secretariat is administered by an Executive Secretary. The professional and technical staff consists of a Financial Counselor, a Technical Specialist, a Financial Analyst, and two Accountants. Support staff consists of two secretaries, drivers and security personnel. The Evaluation Team found that the Executive Secretary was not fulfilling his duties as outlined in his terms-of-reference as to the day-to-day operations of the Secretariat to the extent that is necessary.

The Evaluation Team concluded that one of the major problems in the ineffectual operations of the Secretariat is related to the absence of the exercise of sufficient authority to maintain a level of discipline and professionalism required in handling \$32 plus million.

On several occasions, it appeared to the Evaluation Team that the Executive Secretary was not informed on some important facts concerning the Secretariat. On many significant issues, especially those concerning financial matters, the Executive Secretary must defer to the Financial Counselor for information and recommendations. Staff members of the Secretariat were always interviewed by the Evaluation Team in the presence of the Executive Secretary. However, since he was not able to answer some of the questions about operations or functions of his staff, the Evaluation Team concluded that this was one of the major problems leading to ineffectual operations of the Secretariat. Another case in point was in the period just before the monthly Joint Committee meeting, the Evaluation Team observed the preparation of the documents which would present the proposed organizational structure, proposed budget, and a review of the functional position descriptions. It was noted that the Executive Secretary did not contribute any ideas, suggestions, or improvements to the proposals, but the financial counselor was forced to take on this responsibility.

Recommendations:

(i) We recommend that AID require that the Executive Secretary be held responsible for the performance of his duties in the day-to-day management of the Secretariat. If the present incumbent is unable to provide the "hands-on" leadership and managerial acumen required he should be replaced with someone able to complete the terms-of-reference as required. The Executive Secretary is responsible for:

Best Available Document

1. Establishing a system of standard operating procedures, by proposing same to the Joint Management Committee, and thereafter carefully recording all the decisions made by the Committee;
2. Being prepared to discipline staff who violate the rules and regulations thus established;
3. Installing a system of internal control over all incoming correspondence and requests for project funding;
4. Being aware of each project and staff work assignment, i.e., letters to be answered, requests for payments, project funding, and follow-up on his staff if the appropriate work is not done on time.

(ii) A more detailed position description should be developed for each position, thoroughly outlining the limits of discretion in exercising the responsibilities. It is imperative that each employee understand what he can and cannot do on his own authority, and on the authority of the Executive Secretary.

(iii) An independently verifiable record of action taken on each request for payment should be established. This record would permit "checks and balances" and should be instituted in a manner that does not allow any single person to be responsible for logging in a voucher, issuing a check, and logging out the payment. This system would not only add a measure of internal control, but would also ensure that accounting work could continue during the absence of a key person.

(iv) To insure accountability and effective monitoring of budgetary matters, the Executive Committee must make cost reports a mandatory agenda item in the monthly meetings. A review of cost reports against the budget should be an integral item in the meetings and not on an exception basis as is presently the case.

IV. The Counterpart Fund - Uses

1. Selection of Projects/Activities for Financing Projects funded under the ASDG Counterpart Fund by Recipient Ministry

Summary:

(i) Project Approvals: As of the end of the Fiscal Year, October 31, 1986, the Joint Management Committee and the Counterpart Fund Secretariat had processed 21 separate 'project' approvals for a total of 6.5 billion FCFA. To this approval amount an additional 70 million FCFA has been allocated to the operations of the Joint Management Committee and the DFI Secretariat for the management of the Counterpart Fund (CF).

(ii) ASDG Guidelines: The chief method presently used by USAID to select projects for inclusion under the counterpart fund is their contribution to advancement with regard to the policy conditionalities of

Part Available Document

the Grant. The Grant Agreement, and the subsequent Project Implementation Letters (PIL) No. 4 for the RSDG and PIL No. 8 for the Second Tranche of the ASDG, accorded on-going AID projects priority in the use of the Counterpart funding.

(iii) Distribution of Funds: Because of Grant established set of priorities, 67.4 percent of the projects funded to-date have been AID projects in the pipeline at the time of the ASDG. Under ASDG, ongoing AID projects receive second priority in funding. The appearance of highest priority results from tracing backwards, i.e., initially most funding went to AID projects which were poised to present proposals when ASDG began. USAID's requirement for a substantial counterpart contribution attached to these projects (up to 50 percent for certain recurrent cost items for the Niamey Department Development Project) was a carry-over from the time when such contributions were the rule, and not the exception. However, by far the greatest percentage of funding to date has been for the provision of recurrent costs. The equivalent of 66.0 percent of the total Counterpart funding to date was used for costs that required foreign exchange. A future issue is what types of costs and in what categories will be considered as recurrent for the Government of Niger. Inputs such as fertilizer and pesticides would fall into this category.

(iv) Economic Appraisal Needs: Without resorting to a case-by-case review of the alternatives, the use of these funds for continuing requirements without a re-evaluation on the basis of (1) a re-calculated economic return and (2) a better-defined economic program for development, is not an efficient allocation of Niger's limited available resources. At the present time, the Government of Niger does not do adequate economic analyses of its donor financed projects. There are several expatriate projects, mostly located at the DAEP in the Ministry of Plan, which promote and will teach Nigeriens this type of economic analysis. However, due to a lack of qualified Nigerien personnel to train in these sophisticated methods no minimum economic criteria for project acceptance has been established.

Recommendation:

(i) It should be noted that to properly classify costs as either capital or recurrent which is required under the Grant conditions in the selection of projects for funding under the CPF, information on the disbursements of the counterpart funds by type of expense should be regularly maintained at the level of the Secretariat. (The implementation of this recommendation would also facilitate presentation of projects financial evaluation and monitoring).

(ii) Relevant techniques of project appraisal should be made by the technical ministry project analysis groups, to assess the economic impact of these projects. The estimated economic return should be calculated using either the methods found Part Four in the "Analysis of Agricultural Projects" by S. Price Sinner and used as a criteria for selection of a project for funding. The utilization of the Technical Assistance team on this problem might be one possibility of assisting the Government of Niger in this critical area.

Chapter V. Administrative Effectiveness: Evaluation of the Technical Assistance Team

1. The Roles and Functions of the Technical Assistance Team

Summary:

(i) Technical Assistance Objectives: Under the ASDG, the University of Michigan has been contracted to provide a four-person technical assistance team to the Government of Niger in policy implementation, and helping the Ministry of Rural Development to establish an economic policy analysis unit. The contract with the University of Michigan provides for two Agricultural Policy Specialists (three-year appointments), a Statistics/Computer Applications Specialist (a two-year appointment) at the Ministry of Agriculture; and a Development Economist (a two-year appointment) at the Ministry of Plan. Apart from the specific responsibilities of each member of the TA Team in furtherance of the technical assistance objectives of the ASDG, training activities for Nigerien counterparts, including in-service training, policy seminars and professional workshops are also programmed.

(ii) Completed Studies: The studies that have been completed have not been done jointly with Nigerien counterparts. However, the outlines for the studies have been discussed with the Director of the DEPSA, and his approval is obtained before work commences. The Evaluation Team believes that to help the Nigerien government implement the policy change, and to develop a policy analytic capacity in the Government of Niger there must be considerable involvement of government analysts in these option papers.

Recommendations:

(i) A work plan for each member of the TA team for the final two years of the University of Michigan contract must be established with milestones and projected outputs at critical points during the period.

(ii) In addition, to properly fulfill the policy study requirements under the ASDG, at least one individual under the guidance of the ASDG policy reform conditionalities must be assigned to the DEP in the Ministry of Animal Resources. If this requirement is to be fulfilled under the Integrated Livestock Production (ILP) Project, then an overall ASDG Technical Assistance coordinator must be appointed to coordinate the effects of the two teams, as well as whomever is at the Ministry of Plan.

2. Relation of the TA Team with their Counterparts and AID

Summary:

1. Increased interaction: Except for the macro-computer specialist at the Ministry of Agriculture, and the macro-economist at the Ministry of Plan, there is minimal interaction of the team members with counterparts at the Government of Niger. The lack of Nigerien participation in the TA Team's

other work and studies at the present time, is a serious problem. With only some reservations on who is to do most of the work, the interest on the part of the Nigeriens is to participate in these studies, updates and reworks. One solution to remedy this problem is to integrate the TA Team into the Ministry of Agriculture's policy formulation structure. At the technical analysis level, this could involve more work on the normal day-to-day problems faced by the MA. It is within the context of these problems that policy questions are raised, and decided.

There is the requirement in the TA Team's TOR to coordinate with and consult with the AID Mission Agricultural Development Officer (ADO) and his staff - briefing them on the status of progress and problems in executing the work plans.

(ii) Official status: To gain an audience among the Nigeriens and to increase the TA Team's involvement in the Nigerien policy dialogue it is important that TA Team be given official status by the Ministry of Agriculture. This might be achieved by assigning the TA Team directly to the Director of DEPSA. Further, the Agricultural Policy Analyst could work more closely with the Deputy Director at the DEPSA on current policy level problems under consideration at the Ministry.

Recommendations:

(i) Change the required reporting relationship from AID to the Ministry, and have AID request meetings with the Ministry to discuss TOR progress and problems, to assist the Ministry in complying with the ASDG policy change requirements.

(ii) Untie the TA Team from direct AID reporting requirements. This could be accomplished under a PIL or a Memo of Understanding.

(iii) The official nomination of Nigerien counterparts must be made so that the training in policy analysis and option formulation can be a collateral function with the daily work program.

Chapter VI. Macro-economic Impacts of the ASDG

1. Effects of the Initial Transfers

Summary:

(i) Initial transfers: The CPs for the first transfer under the ASDG were met on December 14, 1984. The net transfer was \$10 million, since AID had already obligated \$3 million for technical assistance. The local currency equivalence of this transfer was just over three billion FCFA. The transfer to the CP of \$9,025,000 for the second tranche was equivalent to 3,367,676,780 FCFA and this was effected on December 19, 1985.

Over the fiscal years indicated in Tables in Chapter VI, the proportion of PSDG/ASDG local currency transfer relative to the estimated resource gap in the balance of payments varies from 1.1 percent to 10.0 percent.

(ii) Foreign Exchange Usage: The ability of the government to use the counterpart funds for recurrent costs, including importation of replacement materials and equipment, allowed the development process to continue without even more of a reduction in both project scope and intended effects. The use of the counterpart funds for foreign purchases, totaling 83 percent to 87 percent of disbursements, included replacement vehicles, fuel, purchase of fertilizer and a crop-protection airplane, and the purchase of the cowpea CB-5 variety seeds, was directly related to one of the conditionalities of the grant. In addition, almost 30.8 percent of the budgets of the projects funded were counterpart contributions to projects that had originated with donors other than AID, including a 'basket' of miscellaneous small Nigerian projects.

(iii) Reduction in subsidies: A reduction in subsidies on the order of fifty percent has resulted in a lower budget allocation of approximately 400 million CFA.

(iv) Investment Contribution: The CPF contribution to the national Investment Fund has replaced government-generated contributions by 63 percent.

2. Comparison with other Donor Projects

Summary:

(i) Tied Versus Untied Aid: A comparison with the ASDG Counterpart Fund with other donor-financed projects development assistance projects demonstrates the importance of macroeconomic "efficiency" aspects of the ASDG. It is not unusual for donor countries to require the purchase of goods and services under a sponsored project from the donor. In some instances, up to 90 percent of a project's purchases of goods and services may be "tied". Within the ASDG, less than 10 percent of the total funds is "tied" and therefore promotes an efficient use of project funds.

(ii) Economic Stabilization Programs: In 1983, the Government adopted the IMF Stabilization program aimed at reducing the domestic and external financial imbalances. This program included a cut-back on current expenditure (such as a freeze on government wages and salaries), a reduction in investment expenditure, and tight control on foreign exchange borrowings, including the borrowing of the governmental monopolies. It also included targets for real growth and for the control of internal inflation.

There is a collateral program of the World Bank, a Structural Adjustment Loan, that parallels the Policy targets under the Stand-by Credits. The Goals of the IMF/World Bank Structural Adjustment Program call for changes in two major categories:

1. Donor Coordination: AID and the World Bank's wealth of studies on Niger's agricultural and structural problems, could lead to the revised agricultural policy formulation debate. Niger needs an effort to be made towards a better economic rationalization of its economic structures in the

face of what appears to be a permanent decline in uranium export revenue. In this regard, AID should naturally seek complementarity with other donors' development projects, as well as its own. As long as there is complementary to other donor's objectives agreed upon, the ASDG could be a leading force on into the future.

On project choice and general style of project implementation, there is at present, little coordination with other donors development oriented projects. Technical assistance is given by many donors to the same organization, without any real coordination. It would also appear that in some cases donors act in competition with each other in the same field (e.g. all the technical expert groups at the OPVN.) In the short as well as the long run, Niger is not better off for this competition. And as a rational allocation of the scarce resources available to Niger, this amounts to a serious wastage.

While donor countries and agencies often disagree on the causes and consequences of economic performance, there is broad acceptance of the ASDG objectives. The IMF/World Bank Structural Adjustment Program is an example of donor complementarity with respect to policy reform. In general, with regard to most of the specific policy reforms required under the ASDG, the ASDG and the SAP are in agreement. The Conditionalities under the ASDG are much more sharply defined, including the timetable for their accomplishment. The World Bank's Conditionalities are much less defined, although the goals of the impacts are explained in more detail. An approach such as the one used by the Bank requires a continuing dialogue on Policy Changes. The Bank have more leverage with their (SAL) loan and stand-by drawing programs.

It must be noted that not all the donors agreed on the five points of the policy reform chosen by AID. Few of the donors have policy reforms as a conditionality for their project funding. AID could play a major role in this coordination, having taken the initial lead with the ASDG. In their strategies, most of the donors are oriented toward Niger's main objective of food self-sufficiency, with their projects oriented toward the productive sector.

Recommendation:

(i) To best benefit Niger, donors should share more of their experience and more clearly define their objectives to the Nigeriens. Donors should use the same economic rationale of 'relative economic advantage' in picking their expertise to give to Niger. This donor coordination should be conducted under the leadership of the Government in order to define jointly the priorities for changes in policy formulation.

3. Intended Effects of the ASDG

Summary:

In general with regard to most of the specific policy reforms required under the ASDG the ASDG and the SAP are in agreement.

Chapter VII. Conclusions and Lessons Learned

Summary

(i) Conceptual agreement between partners is necessary to engage in meaningful policy negotiation, but not sufficient to achieve reform objectives. The ASDG supported policies are workable only to the extent that the two principal actors, USAID and the Government of Niger, are willing and able to assume their partnership roles in carrying out their share of implementation tasks diligently.

(ii) While ASDG-type programs may not totally address the issue of recurrent costs, there is potential for improvement in the effectiveness of the delivery of development assistance. A comparison with other AID-supported projects reveal that projects financed with counterpart funds had a significantly lower level of personnel costs.

(iii) In order to systematically monitor the impacts of a ASDG-type programs, the issue of baseline information and monitoring deserve as much discussion and attention as policy reform objectives.

(iv) Given the multifaceted nature of policy issues involved in ASDG-type programs, it appears to be quite difficult to program a clearly-defined implementation plan and to fix progress indicators to track the implementation process. This situation becomes increasingly critical in the absence of a baseline of information.

Recommendation:

- (i) A full-time ASDG Project Officer should be appointed to:
 - a. follow-up the management of the Grant and progress in meeting the CPs from AID's perspective;
 - b. in following these conditionalities, regular interviews and meetings should be scheduled with those concerned;
 - c. to coordinate the other Grant requirements, such as the initiation of studies and surveys to establish the macro-economic indicators required in the log-frame justification;
 - d. to work with the Commandant Saley on Secretariat problems, mostly on the selection of projects for inclusion in the Counterpart Funds.

I. INTRODUCTION

A. Terms of Reference of the Evaluation Team

The purpose of this report is to present the results of a mid-term evaluation of the Agriculture Sector Development Grant (ASDG). The ASDG is a resource transfer with a technical assistance component. The objective of the mid-term evaluation is to judge the efficiency and effectiveness of the ASDG against AID's development goals and the development needs of the Government of Niger. The evaluation will aid in the process of identifying areas for operational improvement and make recommendations for changes consistent with the goals and objectives of ASDG.

B. ASDG Program Objectives

The objectives of the ASDG are to assist the Government of Niger to achieve economic and financial stabilization and to contribute to the goal of increasing food production and rural income growth and diversification. The program's design included a cash transfer of \$29 million plus \$3 million in technical assistance to assist the Government of Niger in the adoption of policy reforms. The \$29 million is transferred into local currency in three parts (tranches) when "conditions precedents" (CPs) have been met and is managed as a separate budgeted development investment resource by the National Investment Fund. Disbursements from this fund are subject to joint USAID/Niamey and Government of Niger approval and to USAID requirements relative to accountability. A possible addition of a fourth tranche, with additional development funds, is currently under consideration. The progress and achievement of policy reforms under ASDG I will be a major determinant of success of a future ASDG II.

The Agriculture Sector Development Grant, together with the Economic Support Fund financed Rural Sector Development Grant (RSDG) signed in August 1983, has five areas of policy reform which are considered essential for more efficient resource allocation, increased agriculture and livestock production, and increased income for the rural population. Under the RSDG the Government of Niger agreed to negotiate the policy reform areas and received counterpart funds in the form of a Direct Reimbursement / Authority Commodity Import Program totalling \$5 million in Economic Support Funds (ESF).

The ASDG combines both Development Assistance and Economic Stabilization funds to provide a total of \$32 million, consisting of \$29 million of conditional dollar disbursements or resource transfer, in the form of local currency, and \$3 million of AID funds paid technical assistance for policy formulation and objectives of the Mid-term Evaluation.

1. Economic Background of Niger

The population of Niger is about 6.5 million with an estimated 3.0 percent annual growth rate. The principal occupation of the population

of Niger (close to 90 percent) is farming or herding. Farming is carried out in rain fed areas and by the majority of the population living in the southern part of the country. Herding is the main activity for the 20 percent of the population that lives in the pastoral zones in the northern part of the country. Niger shares a more than one thousand kilometer southern border with Nigeria. Nigeria normally (in good harvest years) has a cereals surplus which it exports mostly to Niger. Niger is a member of the French Franc Zone (The Franc CFA is convertible and tied to French Franc at 50 FCFA = 1 French Franc.)

Niger's principal food crops are millet and sorghum. Cowpeas and peanuts are the main cash crops in rainfed dry-land cultivation. The irrigated areas cover about 10,000 hectares - 6,000 hectares in wet land along the Niger River and roughly 4,000 more irrigated hectares in valleys in the Tahoua, and Maradi regions where rain water catchment areas and wells are used for irrigation. The main crop along the Niger river perimeters is rice. Crops grown under irrigated conditions include: cotton, peppers (hot for export to Nigeria; sweeter for use in Niger), and onions (dried for export to Europe and sent fresh to Nigeria), potatoes, tomatoes, (no tomato paste canning at present), lettuce, cucumbers, green beans, etc. In smaller amounts some melons, and citrus, etc. are cultivated. The urban market for vegetables and fruits is very limited as these foods are not in the normal daily Nigerien diet.

The agricultural production is entirely dependent on adequate rainfall at the appropriate time in the growing season, and other favorable weather conditions. There is a considerable concern in Niger and among donors that Niger will continue to experience a cyclical return to drought conditions in about one out of every three to four years. During the 1984 drought, agricultural production fell by almost half. The food deficit reached approximately 500,000 tons. The 1984 drought underscored the fragility of the agriculture base in Niger and the need to develop drought-proof technologies for agriculture and livestock production. In January 1984 it was clear that Niger had a financial and liquidity crisis as a result of events mostly outside of direct Nigerien control. Niger suffered the longer-term effects of a collapse in uranium demand and prices, because of its dependence on this single commodity as its main source of foreign exchange earnings. Niger's previous heavy development investment program during the period of the uranium boom, resulted in a high level of debt service obligations relative to the country's capacity to service the debt. (The drought crisis later in the year required the immediate assistance of outside donors in the provision of food aid.)

Since the end of the uranium boom (1980) the share of the mining sector (uranium and related backward linkages) has decreased from 23 percent to only 17 percent in 1985. whereas the GDP share created by agriculture has returned to its pre-uranium boom level of 50 percent.

2. The Stabilization and Adjustment Program

The financial crisis resulting from the decline in the economic

20

growth required an immediate financial stabilization program accompanied with a national adjustment process. The major resources provided to Niger during this stabilization and adjustment were:

- In 1983 the IMF supported the stabilization program with a Compensatory Financing Facility (CFF) and a standby arrangement.
- The French provided exceptional extra-budgetary assistance.
- The Paris and London Club concluded a first rescheduling of the debt.
- The ASDG, AID's \$29 million local currency grant in Agricultural sector assistance in support of Niger's counterpart fund requirements.

The Government, after two successful IMF sponsored austerity programs under previous standby credit arrangements, is now undertaking a third IMF standby program. Niger adopted the IMF's package of requirements, including demand oriented fiscal and monetary policies and import reduction. In 1986, the World Bank began a three year Structural Adjustment Credit (SAC) program totalling 60 million US dollars, combined with this stabilization program included some sectoral reforms in Agriculture.

C. ASDG Operational Characteristics and Milestones

1. Milestones

The ASDG Agreement between the Governments of Niger and the United States was signed on August 31, 1984. The transfer of Five Million dollars (\$5 million) under the earlier Rural Sector Development Grant (AID Project number 683-0247) was effected in two equal increments in early 1984. From the \$5 million, the agreement stipulates that five percent is to be reserved in a Trust Fund to be used for development investment in Niger at the discretion of the AID Mission Director.

The First Project Implementation Letter called for the setting up of an account where the funds could be deposited. The Conditions Precedent for the first transfer of funds under the ASDG were met on December 14, 1984, and the Government of Niger was informed by Project Implementation Letter No. 5 of that date.

The first transfer under the ASDG (AID Project number 683-0246) was for \$10 million. From this amount, the \$3 million in Technical Assistance was obligated, as well as the 5 percent Trust Fund contribution, reducing the total transferred, to \$6,650,000, converting to 3,157,087,500 FCFA.

The Conditions Precedent for the Second Tranche of \$9,150,000 were met on December 10, 1985 and the Government of Niger was informed by Project Implementation Letter No. 8 of that date. The transfer on December 10, 1985 of \$9,025,000 (the 5 percent Trust Fund contribution deducted) for the



second 'tranche' equalled 3,367,678,750 FCFA.

According to Attachment B to the Program Agreement, the Illustrative Program Management Schedule, the Second Assessment by the Government of Niger/AID for a review of the Conditionalities of the Grant was scheduled for July 1986. Because of the uncertainties over the transfer of the Centrale d'Approvisionnement (the C.A.), the Second Assessment (review) with the High Committee of the Government in Niger is presently in abeyance.

2. Operating Procedures

The procedures to be followed for the allocation and disbursement of local currency funds under ASDG are given in Project Implementation Letter no. 8, dated July 9, 1985.

D. Methodology of the Evaluation

This evaluation examined the progress that has been made in achieving the Goals and Purposes as set out in the Project Document, specifically as referenced in the Project Log Frame. This evaluation was organized around the three basic areas of intervention -- policy reform, the counterpart fund and macro-economic impacts.

1. Policy Reforms

Under the ASDG, the satisfactory implementation of the policy changes, i.e., the conditions precedent, triggers the release of the dollars. Therefore, the Evaluation Team was obliged to verify the actions taken for release of the first three tranches of funds. The materials in the report are presented as follows: Chapter II deals with the progress and problems in achieving policy reforms - important features of this chapter are methodological approach used in determining the degree to which the stipulated ASDG conditionalities have been met, and the assessment of the short-run effects of policy reform.

2. The Counterpart Fund

The organizational and management structure of the counterpart fund was examined, that is the Secretariat set up by the Government of Niger: (1) to administer the Funds; (2) to effect the joint selection of projects for inclusion under the counterpart funding; (3) to account for the funds not disbursed; (4) to control of the disbursement of the funds; and (5) to follow-up on the projects receiving financial assistance.

The examination included the counterpart fund management structure set up by AID, to receive the requests for funding, analyze and recommend projects for inclusion under the counterpart fund and to process these recommendations in a timely manner. Chapter III provides an examination of the administrative and financial controls of the CPF as well as a detailed analysis of the project approval process. Chapter IV looks at the CPF from a different angle through an examination of the uses of the counterpart

funds in order to ascertain if they have been used in the accomplishment of policy objectives of the ASDG.

3. Macroeconomic Effects

It is the achievement of the required policy reforms, and not the improvements in the agriculture sector or the national economy of Niger that is required under the Grant. The following macroeconomic effects were anticipated from those changes, namely agricultural production and farmers' incomes, private sector development, increased trade, and economic stabilization. But the achievement of these effects are not a requirement under the terms of the Grant Agreement. Therefore, the major effort of the Evaluation was to assess the 'supply side' effects which can be expected to lead to the above macroeconomic effects from the changes and reforms in agricultural policies as required under the ASDG. Chapter VI takes a global approach and looks at the effects of ASDG on macroeconomic indicators such as balance of payments and national investment totals, and the degree to which the ASDG helped maintain national production in the face of economic distress.

Chapter V assesses the administrative effectiveness of the University of Michigan Technical Assistance Team in building an institutional capacity in the areas of policy analysis and computer training. Chapter VII pulls the entire evaluation effort together by bringing lessons learned and findings of the Evaluation Team and how they might be applicable to a future ASDG II and other ASDG-type projects for other donors and in other economic settings.

II. CONDITIONALITIES OF THE ASDG

A. Introduction

The purpose of this chapter is to assess the extent of progress achieved in implementing the policy changes stipulated under the USAID Agriculture Sector Development Grant (ASDG) during the last two years and to identify and examine the major problems hindering progress in each of the five policy areas. This chapter is organized in four sections. Section B presents the extent of progress achieved, and the major problems hindering progress in each of the five policy areas. Section C provides a brief analysis of the effects (impacts) of the supported policy changes on the rural population. Section D discusses other policies or administrative measures affecting the goals of the ASDG. Finally, a summary of findings and suggested actions for improving performance are presented.

The five policy areas under the ASDG are:

1. Input Supply, Subsidies and Input Pricing;
2. Cereals Marketing and Pricing;
3. Cross Border Trade;
4. Agricultural Credit; and
5. Cooperatives and the Private Sector;

These five areas were selected from a list of the principle constraints to more rapid agricultural growth and development in Niger. Other policy areas were discarded because they were already being addressed in projects or by other donors. The Evaluation Team agrees that these are the key policy constraints.

Numerous reform measures were stipulated for implementation by the Government of Niger prior to the disbursement of the \$29 million dollar cash transfer component of the ASDG. The funds are released in tranches and the release of a tranche is conditional on the evidence that the Government of Niger has made satisfactory progress in implementing the required policy changes stipulated in each policy area.

Measurement of progress under each policy area is accomplished in a three stage process. The policy reforms required in the first two years of the ASDG are outlined. The performance criteria established under each policy area are assessed in order to verify the extent of reform achieved to date. Finally, design and implementation problems are explored and analyzed to identify ways of resolving actual and potential problems.

Following is an analysis of performance in policy reform in each of the areas specified by the ASDG.

B. Progress and Problems in Achieving Policy Reforms

1. Input Supply, Subsidies and Pricing

In the input supply and subsidy policy area, the Grant Agreement requires three specific actions to be taken by the Government of Niger prior to the disbursement of the second and the third tranches of funds. Two of the conditions precedent deal with subsidy reduction, and one condition stipulates the actions to be taken relative to the transfer of the Centrale d'Approvisionnement (CA) to the cooperative movement. ^{1/}

2. Reduction of Subsidy

Release of the second tranche in 1985 required reduction of the maximum level of subsidy on any agricultural input to no more than 50 percent of its delivered cost. For the release of the third tranche in 1986, the Grant Agreement requires reduction of the average subsidy rate on agricultural inputs to 30 percent.

One of the main thrusts of this policy reform is to make inputs available to farmers at prices which fully reflect their real costs. Ultimately, the reduction in subsidy levels minimizes the drain on the Government's investment budget as well as the recurrent cost burden by transferring the cost to the private sector and input users to the extent feasible.

As shown in Table II.1, the direct budget subsidy from the state has declined for the Grant period. The appropriation for the 1984/85 period declined by 45 percent from that of the previous year. A 17 percent additional reduction in the appropriation occurred in the 1985/86 period. ^{2/}

To the extent that the subsidy policy dialogue between the Government of Niger and USAID reflected in the Grant agreement focused on the subsidy issue in budgetary terms (direct subsidy), it is evident from Table II.1 that the actual financial outlays made by the state on agricultural inputs has declined. As there is no specific stipulation on the desired level of

1/ The Centrale d'Approvisionnement is the key Nigerien agency responsible for obtaining and supplying agricultural inputs to farmers through cooperatives. In addition to the CA, traders in the private sector also distribute inputs in rural Niger. According to the retrospective study document by the Technical Assistance Team, there are wholesale merchants supplying fertilizer to productivity projects and to cooperatives as well as to the CA. Retail merchants also supply to individual farmers as well as to the cooperatives.

2/ Out of the total of 250,000,000 appropriated only 170,000,000 was actually spent: 100,000,000 paid invoices for superphosphate and 70,000,000 was paid to suppliers of fungicides. Consequently, the effective percentage decline in direct subsidy amounts to 40 percent during the 1985/86 period.

TABLE II.1
BUDGETED INPUT SUBSIDIES IN NIGER:
REQUESTS COMPARED TO APPROPRIATIONS 1974-1986
(MILLION FCFA)

YEAR	REQUESTED AMOUNT	APPROPRIATION AMOUNT	APPROPRIATION % CHANGE
1973/74	50	35	--
1974/75	98	40	+ 13
1975/76	121	81	+ 103
1976/77	367	338	+ 317
1977/78	655	370	+ 9
1978/79	1345	481	+ 30
1979/80	1551	450	- 6
1980/81	1582	600	+ 33
1981/82	1584	600	0
1982/83	1134	300	- 50
1983/84	1100	550	+ 83
1984/85	600	300	- 45
1985/86	300	250	- 16
		(176)*	- (41)

SOURCE: Centrale d'Approvisionnement, activity reports.

* See footnote 2.

budget reduction, the declining trend indicates satisfactory progress in the reform implementation process.

Based on the method of subsidy calculation agreed by USAID and the Government, it is concluded that the Government of Niger is also on schedule in reducing the overall level of subsidies provided to farmers. According to the CA the subsidy rates on fertilizer, pesticides and implements for the 1984/85 period were 18 percent, 5 percent, and 24 percent respectively. As shown on Table II.2, the rates are 36 percent, 34 percent and 0 percent, on fertilizer, pesticides and implements during the 1985/86 period. As the calculations for the two years are not carried on the same basis, we refrain from comparing the rates for the two years. Since our data for the current year is more complete we will base our discussions on it. We wish to underscore also that the calculation for the current period accounts for the indirect costs. We are informed this has not been the case for previous subsidy rate calculations in the CA. Indeed, full explanation of how the calculations were made in previous years at the CA was not made to the Evaluation Team.

While the amount of direct state budget appropriations for subsidy was 176 million FCFA, the total value of input subsidy effectively given to

farmers is 618 million FCFA during the 1985/1986 period, (see Tables II.1 and II.2). This total value of subsidy on agricultural inputs, is composed

TABLE II.2
SUBSIDY RATES ON AGRICULTURAL INPUTS IN NIGER:
FERTILIZER, PESTICIDES AND FARM IMPLEMENTS
1985/1986

INPUT TYPE	DELIVERED COST AMOUNT IN CFA	SUBSIDY AMOUNT IN CFA	DELIV/SUBS PERCENT
FERTILIZER	1,322,372,960	476,240,250	36.1
PESTICIDE	423,180,320	141,970,300	33.5
IMPLEMENTS	333,828,663	NONE	NONE
TOTAL	2,079,381,943	618,210,550	29.73

SOURCE: CENTRALE D'APPROVISIONNEMENT, CAMPAGNE 1985/86

of the direct budget allocation presented in Table II.1, and the associated distribution costs, as well as the value of donor granted fertilizer. ^{3/} As cited above, the overall average rate of subsidy on fertilizer, pesticides and farm implements satisfy the grant requirement which states that the overall average should not exceed 30 percent during the 1985-86 period. ^{4/} As shown in Table II.2, the subsidy for farm implements was eliminated. ^{5/} On the other hand, the subsidy for fertilizer and pesticides remain positive, and excessive in the case of fungicides. With regards to the

^{3/} The total amount paid by farmers = 1,465,901,373 FCFA, categorized by input types as follows:

- Fertilizer 846,132,710 FCFA;
- Pesticides 285,940,000 FCFA;
- Implements 333,828,663 FCFA;

^{4/} It should be noted that seeds are not being considered among the agricultural inputs under discussion since they are not handled by the CA.

^{5/} The distribution costs refer to items such as transport costs, salaries, utility expenses, office and warehouse rental, etc.

later, products such as Pephrothion TH, Pephrothion ULV, Decamethine ULV, Cypercal, Cymbus, and Cypermetrine were delivered to farmers at 100 percent subsidy in the 1985/1986 period. It should be noted that this practice violates the Grant Agreement.

The analysis of subsidy reductions for fertilizer gets tangled as one assesses the subsidy issue in economic terms, with special consideration to proper economic pricing of production inputs. Clearly, the level of subsidy rate arrived at depends on the opportunity cost or shadow price selected for the rate calculation. If one sticks to the broad concept of the ASDG that stipulates prices which reflect real economic benefits to the agricultural sector and economic costs, it could be argued that the opportunity cost of fertilizer will be better reflected using the world price CIF Miami plus distribution costs. The argument in favor of the world price stresses that otherwise farmers may use imported fertilizers for crops and places where it is not economic, i.e. returns do not justify the costs. But, according to CA estimates, if world price of fertilizer were the basis of calculation of subsidy rates for fertilizers, the rates in 1985 would have amounted to 66 percent, thus not fulfilling the stipulated condition of 30 percent. On the other hand, if the CA set the price of fertilizer at world prices without the subsidy, it is highly likely to alienate potential clients in the input market, and indeed it would probably be uneconomic to use fertilizer in Niger except on a few cash crops. The relationship between the reduction in subsidy and the increase in input prices over the grant period are analyzed in Section B.

To deal with the economic pricing issue, the Government decided to adopt, as a measure of the subsidy, the difference between prices paid by the CA to its commercial suppliers and the price the CA charges to farmers. Since the commercial sector in fertilizer trade mostly deals with Nigeria, the subsidy rates in Table II.2 are calculated using the Nigeria import price as the opportunity cost of fertilizer. Distribution costs are added to the Nigerian price to arrive at the delivered costs. The difference between the delivered cost and the selling price, multiplied by the quantity of input delivered provides the amount of subsidy for the particular category of input. The percentages are arrived at by dividing the subsidy by the delivered value (see Table II.2).

The difference between the total subsidy (see Table II.1), and the appropriated direct budget subsidy (see Table II.2), for each year represents the local currency proceeds foregone by National budget. This amounts to 442 million FCFA during the 1985-86 period.

In spite of all the pricing problems raised above, Nigeria is clearly the least costly commercial source of supply. It is apparent to the Evaluation Team that the Nigerian import price is the most appropriate proxy for the opportunity cost of fertilizer in Niger. Hence it is not at all surprising that the Government of Niger also finds the Nigerian fertilizer price most appropriate. This is because of favorable prices due to high subsidies in Nigeria, and prevalence of a favorable exchange rate between the naira the Nigerian monetary unit and the FCFA. But the economic pricing issue gets further complicated when the shadow price is the Nigerian

import price because about 86 percent of the fertilizer sold through the CA in the past 2 years was given as grants from other donors. 6'

3. Transfer of the CA to the Cooperative Movement

The Condition Precedent in the Grant Agreement relative to the transfer of the CA states that:

"the Government of Niger take appropriate actions to develop the Agricultural Inputs Supply Agency (Centrale d'Approvisionnement) toward a cooperatively- owned input supply entity in competition with other traders in the private sector."

The appropriate actions are to be initiated prior to the disbursement of the third tranche of funds, maintaining a five year period as a transition phase. The "appropriate actions" have been defined after assessing the factors contributing to lack of management proficiency both in the CA as well as in the four main farm implement workshops. The action plan prepared by the Government of Niger and USAID for 1985/86 envisages publication of a new statute for the CA. The plan also calls for updating and settling the CA's accounts. With respect to the reorganization of the workshops, the work plan cites three performance indicators: publication of new statutes, carrying out a sale intended to get rid of excess stocks of poorly designed or inappropriate implements called a "promotional sale", and transfer of the workshops to the cooperatives.

A lot of ground work has been accomplished at the technical level in preparation for a gradual transition. The objective has been to ensure viability of the CA when transferred to the cooperative movement. Some of the tasks accomplished to date include:

- Drafting a Statute for the transition of the CA to Cooperative ownership. The draft has been submitted to the interministerial committee. The document is now at the Ministry of Agriculture.
- Initiating steps to improve the internal management system of the CA, such as training seminars for managers and accountants in inventory management and accounting (at the URC and USRC levels), cash flow projections and budgets, preparation of financial statements, etc.
- Analyzing input pricing and subsidy levels to assess implications for the CA's ability at least to cover costs in the short run with the intent to attain profitability in the future.

Discussions are also currently underway between the Government and the URC relative to the transfer of the CA to the cooperative movement. The

6 About 71 percent in 1984-85 and about 84 percent in 1985-86 originated from other sources whereas only about 22 percent and 6 percent respectively came from Nigeria during the same period

Ministry of Agriculture has made a proposal to transfer the CA to the UNC under the following terms:

With respect to the CA:

- The Government will give to the UNC the buildings and the materials;
- The proceeds generated from grants of fertilizer by donors will constitute a revolving fund account for the CA;
- The Government will be charged with the existing liabilities of the CA;
- The CA will be liable for all expenditures for personnel.

With respect to the Workshops (Ateliers/Assembly Plants):

- The Government organizes "promotional sales" of implements to collect income that will be used toward settling the debt of the Assembly Plants to the CNCA;
- The Government will be charged with the rest of the liabilities;
- The Government will give to the UNC the buildings and the materials in the assembly plants;
- The UNC will be responsible for all expenditures relative to the personnel in the assembly plants.

The UNC Board of Directors has met and discussed the transfer proposal. The Board is reported to have approved the transfer, but it has raised the following issues to be considered by the Government:

- Establishment of an Agricultural Credit Program (no specific proposal was suggested)
- Participation of institutions such as Societe Nigerienne de l'Arachide (SONARA), Office de Produits Vivriers du Niger (OPVN), Societe Nigerienne de Textiles (SONITEXTIL), and the CNCA in providing Agricultural Inputs;
- Requests Government assistance in seeking external funding support for the CA;
- Other considerations to be made prior to engaging in "promotional sales".
- Plans concerning to supply agricultural equipment to Centre de Perfectionnement Technique CPT and Centre de Perfectionnement Rural (CPR) trainees.

- What to do with materials not adapted to farming conditions such as seeders as well as future market saturating effect of the "promotional sale".

Regardless of the specific issues raised by the UNC Board of Directors, the Government's attempt to proceed with the transfer is in line with the stipulation in the ASDG agreement. The transfer to the UNC seems appropriate particularly given that the UNC emerged after the Grant Agreement and now assumes the sole responsibility as the legal representative of the cooperative movement. While there are benefits to be had from early association with the UNC, there are also risks for the CA and the workshops in that the young UNC organization may not have the time, the personnel and the financial resources to nurture and develop the CA into a viable input supply distribution system.

But one point of concern as it relates to the ASDG agreement is the timing. While the agreement calls for a transition period of five years, which would end in 1989, transfer is set for December 31, 1986. The overriding issue here is the impact of this quick transfer on the future viability of the CA. If the transfer is allowed to occur, precautions should be taken to ensure effective transfer of ownership from the UNC to the cooperatives. In order to ensure the future economic viability of the CA, we recommend that USAID and the Government of Niger hold a continuous dialogue so that:

- a. The proposed transitory Statute will be approved specifying the conditions governing the temporary transfer to the UNC;
- b. The original five year transition period will be maintained as a minimal transition phase to: ^{7/}
 - continue improvement of internal CA management as well as training of the Union Regionale de Cooperative (URC) and Union Sous Regionale de Cooperative (USRC) personnel via APS Technical Assistance;
 - improve the financial viability of the system;

^{7/} It seems to us that maintaining the suggested five year transition phase is necessary if the tasks outlined in the project document such as full cost pricing of inputs to users, maximum viability of restructured input supply system, development of entrepreneurial capacity at all UNC levels etc. are to be fully implemented. Any future timing changes should depend on the extent of progress attained toward approaching the above specified objectives. On the other hand if selling the CA to an individual merchant is proven through a feasibility study as a viable option to promoting a well restructured input supply system then the issue of maintaining a transition phase may not at all be relevant.

- require cooperatives to invest in the CA enterprise prior to assuming management control duty;
- c. The permanent Statute will be finalized to effect a systematic transfer of ownership;
- d. The proposed revolving fund is in fact established using proceeds from the sales of donor fertilizer (amounts from the revolving fund, allocation by the Government of Niger or direct contributions from donors may be necessary) to cover the operating expenses of the CA, especially during the early transition years.

C. Cereals Marketing and Pricing

In this subsection, we will be dealing with three specific conditions precedent stipulated under the Grant Agreement. These are establishment and use of a tender and bid system, promotion and use of a village level grain storage system, and abolition of uniform national pricing for cereals. We will first assess the extent of progress in instituting policy changes in the three areas as well as analyze outstanding problems and the implications for future action. We then proceed to present and discuss the development of a market information system.

1. Tender and Bid System

The condition precedent for disbursement of the second tranche states that:

"the Government of Niger takes appropriate measures, including the issuance of administrative decrees and establishment of a pilot system of tenders and bids for 20 percent of OPVN's sales and local purchases of grain, to permit cooperatives and private traders to participate fully in the marketing of grain (including during the OPVN buying campaign period). In the event that an emergency situation exists, which prevents the Grantee from achieving the twenty percent quota for OPVN sales, the parties may modify such requirement after consultation and in accordance with the procedures set forth in section 10.3 of the Agreement. To the extent that the Grantee purchases grain from foreign sources, such purchases will continue to be made on a competitive basis".

Likewise, the condition precedent for the release of the third tranche also requires:

"increased use of the tender system for OPVN's local sales and purchases of grain toward the goal of using such tender system with respect to 50 percent of the local sales and purchases by the termination of this sector assistance program taking into consideration the past experience of OPVN with the tender system."

The main objective of this requirement is to promote the development of the private sector by allowing anyone to participate in cereals marketing.

At the same time this would reduce the costs to OPVN by allowing it to buy at the lowest price and sell at the highest price. Although this appears to be working well and to have satisfied the conditions precedent, the following analysis would demonstrate a number of problems which needs to be addressed for the system to work as planned.

In accordance with the Grant Agreement, OPVN (the official grain marketing agency in Niger), has instituted a system of tender and bids for procuring its millet stock for the Security Stock. The first tender was announced at the end of October 1985, but it was nullified later due to pricing problem. According to OPVN, the lowest price proposed by bidders was 90 FCFA per kilogram when the going farm gate price was 60 FCFA per kilogram. At the time, the official "indicator" (producer) price was 80 FCFA per kilogram. Because of this OPVN withdrew the offer. This problem has proven to be the most important obstacle to the efficient implementation of the tender and bid system. It is clear from Table II.3 that the winning price is closely tied to the official producer price and is higher than the average departmental monthly retail prices for millet (see Table II.3, especially for Tahoua, Maradi, Zinder and Diffa). It is generally true that when millet is in abundance in the market, the official price stays higher than the open market price. Thus, instead of buying at the lowest price, OPVN was buying at above market prices to the benefit of only those few merchants and cooperatives who "qualified." Clearly there is a conflict between the "official price" and the tender and bid system which depends upon free market prices.

Another problem of the system is administrative. As shown in Table II.3, there were 107 participants in the three tender and bid operations. There were 41 offers in the second, 36 in the third and 30 in the fourth operation. The winning prices offered for the winners differ by department. But the winning bidder in the respective departments is not always the lowest price bidder mainly because many of the participants are unable to provide the three documents required to conclude a transaction: certificate of merchant registration, trading license, and bank guarantee. In reviewing the list of bidders of the November 12, 1985 tender, only 7 bidders out of 41 submissions were able to provide the right documents in time to be permitted to bid. In the second tender 4 out of 36 had the required papers; and in the third bid 14 out of 31 were eligible. The effects of these administrative requirements is greatly reduced competition.

In all three cases, the operations are witnessed each time by about 15 observers representing OPVN and the bidders. However, despite the large number of technical assistance personnel representing various donors in OPVN, none whatsoever have witnessed the tender and bid operation. Table II.4 presents the volume of business undertaken in the three tender and bid operations.

The Government of Niger has instituted the system of tender and bids for its stock buying operations at OPVN but it has not yet instituted the tender and bid system for its grain selling operations. This is a direct violation of the ASDG. The OPVN currently has about 46 000 tons

TABLE II.3
TENDER AND BIDS: SELECTED CHARACTERISTICS OF MILLET
BUYING OPERATIONS AT OPVN

Characteristics	Departments						
	Miam.	Doss.	Tah.	Mar.	Zin.	Dif.	All
Second, 11/12/85:							
Quantity (T)	1500	500	1000	1500	2000	500	
Participants No:	9	7	5	10	8	2	41
Winning Price/K	81	81	89	88	90	95	-
Witnessing Operation:	15	-	-	-	-	-	15
OPVI Rep.	3						
Bidders Rep.	12						
Lowest Price Offer	81	81	80	79	79	95	-Average
Retail Pr.	115	83	73	53	64	78	-
Third, 11/21/85:							
Quantity	--	--	--	--	--	--	
Participants No:	17	3	9	6	0	1	36
Winning Price/K	-	-	-	-	-	-	- Witnessing
Operation:	15	-	-	-	-	-	15 OPVM
Rep.	5						
Bidders Rep.	10						
Lowest Price Offer	--	--	--	--	--	--	Average
Retail pr.	115	83	73	53	64	78	-
Fourth, 2/10/86:							
Quantity (T)	--	--	--	--	--	--	
Participants No:	13	4	2	5	5	1	30 Winning
price/K:	69	67	65	63	60	68	-
Witnessing							
Operation:	15	-	-	-	-	-	15 OPVI
Rep.	4						
Bidders Rep.	11						
Lowest price offer	--	--	--	--	--	--	
Average Retail Pr.	75	59	67	41	36	67	-

Source: Procès verbal de dépouillement, OPVI.

which it has to get rid of before it deteriorates. It has proposed free distribution to those areas of the country which are deficit in grains, but has refused to put even a small portion of this up for sale through tenders.

The system has worked fairly well considering that it was just put into operation. As shown in the Tables, both cooperatives and traders have participated in the system. OPVN bought about 44,000 tons of millet at prices between 60 and 95 FCFA, from participants in six departments, excluding Agadez. Taking an average price, the tender cost 3.4 billion FCFA. The intervention was partly financed by donors with the Government paying about half the cost.

Although the Tender and Bid system of OPVN seemed to work satisfactorily, there remain a number of problems. Administrative restrictions limited the effectiveness of the tender and bid system in opening the market because many potential clients were eliminated for lack of licenses. Likewise, the government fixed price is counter productive to a free and open bidding system, resulting in OPVN paying higher than market prices. The control distorts the system and the cooperative movement representing the small farmer is the greatest loser.

TABLE II.4
TENDER AND BID: MILLET BURING OPERATIONS AT OPVN, BY
DEPARTMENT AND TYPE OF PARTICIPANT, 1985 - 1986

DEPARTMENT	Traders Quantity/TOF	% BY DEPT.	Cooperatives Quantity/TOF	% BY DEPT.
Niamey	3,579	18	4,405	18
Dosso	3,120	16	1,472	6
Tahoua	1,552	8	3,929	16
Maradi	4,915	25	6,857	29
Zinder	5,586	29	6,857	29
Diffa	816	4	500	2
TOTAL	19,568	100	24,020	100
	% TRADERS 45		% COOPS 55	

Source: Situation des achats OPVN, Avril 1986.

Recommendations:

(2.01) In order to improve the overall performance of the tender and bid system we recommend that USAID and the Government of Niger work to improve the system by:

- a. Eliminating the floor price as the basis of purchase;
- b. Improving organizational effectiveness of cooperatives;
- c. Insuring availability of a marketing credit for cooperatives;
- d. Improving the operating procedures and practices of the Tender and Bid system. This may include such actions as engaging short-term outside technical advisors, including a member from the ASDG TA team, as well as Government representatives from other ministries, to serve as observers in the area of information management as well as in planning and implementing the tender and bid operations).
- e. Using tender and bid system for sales as well as purchases.

2. Village Level Grain Storage

The Grant Agreement required that prior to the disbursement of the second tranche that:

"the Government of Niger takes appropriate measures to further the promotion of village level grain storage through arrangements with cooperatives or 'groupements mutualistes' as intermediaries (notably the development of cereals banks)."

This is part of the overall ASDG goal to privatize marketing of outputs. Prior to the disbursement of the third tranche, the Grant Agreement also required:

"increased use of village level grain storage."

The objective is to reach 6,000 tons of grain stored at the village level through cooperative or 'groupement mutualistes' arrangements.

Following this stipulation, the Government made an announcement via the "Comite National de Developpement (CMD)", that all persons between the ages of 14 to 60 must contribute 10 kilograms per person towards a village stock. A national survey was carried out by the agricultural statistics service of the Ministry of Agriculture in 1985 to verify if the stocks have been constituted as well as to determine the quantity stocked in the different parts of the country. This survey was implemented in 7,365 villages located in all departments except Agadez. While the total number of taxable persons in these villages were found to be 2,060,000 persons the amount of grain stocked in all the surveyed villages as of March 1986 was estimated to be about 17,880 metric tons. This quantity is well above

26

the ASDG agreed target of 6,000 metric tons (presumably, this quantity is in addition to grain stored by farm households in their own granaries).

The survey revealed that some villages do not possess granaries to store the village stocks, but that such villages store the village stocks in individual household granaries. About 6 percent of the villages indicated an awareness of the existence of Cereal Banks program, but only about 4 percent (279 villages) actually had cereal banks.

Despite problems regarding the reliability of the survey data, the outcome of the study indicates that the intervention of the CMD has been implemented and the quantity of grain in the common stock is more than expected in the ASDG requirement. But many issues such as storage procurement, terms and conditions governing grain procurement and use, including pricing policy, still remain unresolved.

At this juncture, it should be pointed out that initiating cereal banks in rural Niger can benefit farmers at least in three ways: First, at the time the farmer sells his cereal to his cooperative or GMV, he can sell it at a price higher than the open market price just after the harvest. Second, at the time the farmer buys cereal from his cooperative or GMV, he buys it at a price lower than the open market price during the "Soudure" season. Third, the profit made by the cooperative or GMV (from the price mark-up less costs) stays with the cooperative or GMV of which the farmer is a member, and the farmer has a voice in deciding how the profits of the group will be used.

However, realization of these expected benefits requires, among other things, a conducive environment that allows pricing flexibility, permitting reasonable seasonal price fluctuations. A pricing policy which requires purchasing at a high fixed price from the farmer diminishes the attractive features of cereals banks, as was evidenced by recent experiences in rural Niger (this issue is discussed further in section 2.c).

A five day workshop on cereal banks was held in November 1986 under the sponsorship of the Ministry of Agriculture and the United Nations Food and Agriculture Organization. The purpose of the workshop was to discuss experiences with cereals bank activities. The workshop participants made thirteen specific recommendations to improve future performance of cereals bank operations. 9/ It is worth noting that the recommendations are consistent with the objectives stipulated in the ASDG as shown by the following:

1. All cereal bank creations will be based on initiatives expressed by prospective members;
2. All cereal bank creations will be preceded by socio-economic

9 The complete list of recommendations was published on the SAHEL Newsletter "Nigerien 3 Information" in November 1987

studies of the concerned zones to insure viability of the operation;

3. Calls for adopting a policy that favors and encourages the promotion of cereal banks as a mechanism to sustain food security in rural Niger;
4. To insure effective management, future cereal banks will be created at the "groupements mutualistes" level;
5. Recommends a department level round table discussion with participants representing cereal bank officials in the respective department, etc.

3. Uniform National Pricing

One policy reform supported under the Cereals Marketing area requires abolishing uniform national pricing for cereals. The required reform calls for a differentiation of the OPVN selling prices to reflect transportation costs, market conditions and cost of grain in each sales outlet. It also calls for increased authority to local and area managers to adjust selling prices periodically to fit the local conditions. The overall implications of these requirements is to make OPVN only a wholesaler, not a retailer and that this would promote private enterprise and cooperatives.

OPVN has long introduced small differentiations in its retail selling outlets. Unfortunately, this practice was reversed in February 1986 and prices for millet sorghum, and rice have been uniform throughout the country. Also the cereals prices of the newly initiated tender and bid system at OPVN reflects regional differences. But an official fixed producer price, or 'indicative price prevails for each basic agricultural product (sorghum, millet, rice, cowpeas, peanuts and cotton). 10.11/

The indicative price not only curtails the activities of the cereals banks, but has also reduced the competitive ability of cooperatives in participating in the tender and bid system. As the experience of the CLUSA cooperatives shows, the cereals banks activity appears to be the least remunerative enterprise undertaken by their cooperatives. Since 'indicative prices' are established by the price control authority, and the cooperatives enjoy an official status with the state, they are obliged to buy from

10/ There is clearly a misunderstanding of the role of the fixed price (indicative price). For some donors such as the World Bank, the official price is just an indicative price and given the lack of follow up on the part of the government to enforce implementation, it should have no effect. But for the Government the price set represents a floor price intended to support farm income.

11 According to the Director of Domestic Trade of the Ministry of Commerce no official floor prices have been issued this year for millet and sorghum.

farmers at these indicative prices. For instance, from the beginning of 1986 until last June, cooperatives were buying millet at 80 FCFA per kilogram from their members, and when they took this grain to market, they were obliged to sell at a price between 60 and 70 FCFA per kilogram in Niamey and Dosso and between 25 and 40 FCFA in Zinder and Maradi. This year alone the cooperatives suffered losses from 10 to 55 FCFA per kilogram resulting from the price fixing practices. On the contrary, since the use of the indicative price is not enforced private traders adjust their purchasing price to the current rate prevailing on the market, thereby maximizing their trading benefits. As a result of the Government's price, the cooperatives marketing millet and sorghum have suffered while the traders have benefited. Eliminating the fixed price system is also one way of placing the cooperatives and the traders in an equally competitive framework. A system of free prices would likewise require a system of providing market price information throughout the country.

4. Market Information

Information development is very important in promoting effective participation of cooperatives and small traders in the marketing system. OPVM is to be commended for taking the initiative since May 1985 for collecting, processing and disseminating a report on a monthly basis. This monthly bulletin provides useful data on prices in various markets, grain stocks, and estimates of production. However, the bulletin comes out two to three months too late to be of any use to traders and therefore has negligible impact on marketing conditions. At most, the bulletin can only serve as valuable quantitative information for future analysis.

On the other hand, the plan to initiate weekly radio broadcasts of marketing situation reports suggested in the ASDG (but not a condition precedent), has not been implemented as yet. Apparently, the relevant officials seem to hold the view that instituting such a system could only generate problems, such as a price increase in one region unduly sparking similar increases elsewhere. But, given the commitment within the ASDG framework to stimulate competition between traders and cooperatives, availability of such market information is crucial, particularly if cooperatives and small traders are to play their selling and buying roles properly in the market.

Recommendation:

(2.02) We recommend that the Government of Niger start a price dissemination program on a pilot basis at least in such departments as Tahoua or Zinder where there are strong north and south price variations.

5. Cross Border Trade

The Government of Niger was to:

take appropriate actions to reduce significantly administrative

and fiscal restrictions on cross-border trade, particularly with respect to exports from Niger of livestock and cowpeas." 11/

While some positive steps have been initiated in the cowpeas trade area, the Government of Niger has halted the export of female livestock in contradiction to the provisions of the grant agreement.

The banning of livestock exports was communicated through a letter from the Ministry of Rural Development dated 6 August 1985. The letter states that the export of all female livestock is prohibited until a new order is given. The rationale given by the authorities stresses the adverse effect of the 1984 drought on the livestock and describes the ban as a national herd reconstitution effort.

One interesting observation here is the lack of concurrence on the details of the restriction order at different levels of government. The official communique states that slaughtering and exporting of female livestock is prohibited. An article in the daily newspaper, the Sahel, dated 14 August 1985 states export of all categories of animals is prohibited including poultry. During our interview with the Director of Customs, we were informed that all exports of livestock were prohibited, with the exception of cases where special permissions were granted during holiday seasons.

In examining the restrictions in livestock export, USAID recognized the effects of the drought, particularly in the livestock zone, and underscored the following:

- "(1) when faced with another rain-poor year in the livestock zone the Government of Niger took measures to destock by permitting free trade across the border and through a meat drying/smoking program. This was an effort to reduce the animal herds and prevent them from starving to death while at the same time providing some remuneration to the herders;
- (2) When the rains came back and the pasture situation improved the Government reversed the policy on free cross-border trade. The reasons given were to build up the animal numbers and to keep the price of meat down;
- (3) Finally, given the extenuating circumstances of the drought and the temporary nature of the policy decision to restrict cross-border trade in livestock, and given the promise to review this policy before June

11/ The Government of Nigeria closed the border officially from January 1 1985 until March 1986, and administrative restrictions still limit official trade. But one should recognize that "the 100 kilometer long border line, it is practically impossible to effectively restrict the actual crossing of animals and the flow of other trading commodities

of 1986, USAID granted a waiver in assessing progress during the disbursement of the second tranche." ^{13/}

Although the prohibition is said to be temporary, no one that the Evaluation Team interviewed was able to indicate when the ban will be lifted. However, officials at the Ministry of Animal Resources indicated that a study is underway to determine the animal population in the pastoral zones. The officials at the Ministry also suggested that the findings from this study could be helpful in examining the effects of the ban on the herd growth. But as of now we find that nothing concrete has been done to lift the restriction. Consequently, the banning of livestock export remains in direct contradiction to the provisions of the Grant Agreement.

On the positive side, the Government of Niger has issued a decree stating that cowpeas can be traded by anyone wishing to do so, including merchants and cooperatives. ^{14/} This effectively ends the monopoly power held by SONARA in the past. Article 5 of the decree stipulates that exports of cowpeas can also be made without restrictions. Also the procedures for obtaining export licenses have been simplified and decentralized to department levels.

E. Agricultural Credit and Savings Study

The Grant Agreement required the Government of Niger to initiate and complete an agricultural credit and savings study. The main purpose of the study was to better understand the role of savings and credit in the indigenous rural setting in Niger. The ultimate purpose was to gather relevant information needed by policy makers in formulating appropriate policies to promote the development of effective rural financial markets.

The study documented and analyzed: (1) the aggregate performance of the formal financial sector in Niger; (2) the predominant role that public sector investment plays in the rural sector and foreign donor funding behind that investment; (3) the deteriorating performance of the CNCA in servicing the agriculture sector with credit and the high transaction and default costs associated with the institutional bias on input delivery to agricultural producers; and (4) the diverse range and scale of informal finance becoming more important in the absence of a formal credit system in the rural economy.

The study was conducted in five Departments comprising 14 Arrondissements and over 80 villages. The field work was completed in three

^{13/} The PFI points out the contradictory nature of the two objectives: restricting border trade to build up herd size and reduce meat prices. Instead it is higher, not lower, prices which will encourage herders to try to increase their animal reproduction rate. Also higher prices in Niger will encourage border line herders to sell their animals across the border. PFI number 1, USAID, December 1, 1985.

phases. A total of 1,421 persons were interviewed over the 18 months study period, comprising different categories. The phase one survey focused on collection of data at the household level. During the second phase data was gathered from formal and informal institutions such as banks, GK and cooperative leaders. The target in the third phase was the informal financial sector. The team interviewed merchants, tontine organizers, and money keepers. The detailed breakdown of the respondents in each phase is presented in Table II.5.

Four preliminary reports were prepared over the course of the study. The first three preliminary reports were presented and discussed in a workshop with participants representing four ministries: Minister of Agriculture, Plan, Finance, Tutelage and Animal Resources. The preliminary findings were also discussed with various donors in a meeting arranged by USAID. At the completion of the third phase, a draft final report was prepared and the findings discussed in a workshop comprising representatives from seven ministries and several other autonomous government services.

The final report, Rural Finance in Niger: A Critical Appraisal and Recommendations for Change, presents three policy recommendations:

- (1) Closing the CMCA: This recommendation is based on evidence that the present institution could never transform its state of arrears and lending practices to become a viable financial institution. Furthermore, the study points out that the present economic and financial environment in Niger is so weak that it would be unfeasible to create any new banking institution, especially a bank attempting to service a rural clientele at this time.
- (2) The maintenance of Agricultural Credit Lines in the Productivity Projects (PPs): This recommendation is basically a short-term stop gap measure which recognizes that the many new but untested technologies associated with input packages at the project level are too risky to pass to a financial institution. The PPs are temporary vehicles which can be phased out when a sound financial institution eventually develops in the future.
- (3) Promotion of Village Level Savings and Credit Cooperatives (i.e. Credit Unions): This recommendation is based on the findings that a substantial amount of liquidity exists in the villages and there is significant demand for deposit and loan services.

The Government of Niger organized a meeting of donors from December 15 to 19, 1988. The purpose of the meeting was to discuss options for reviving agricultural credit programs in Rural Niger. A working document prepared by the Ministry of Plan was the subject of discussion. Among other things the document stated that the revival of the credit program is to be made at two levels: instituting a local level structure and a national level central structure. The idea of the local level structure referring to a credit

TABLE II.5
RURAL FINANCIAL MARKET STUDY RESPONDENTS BY SAMPLE CATEGORY, 1985-1986

SAMPLE CATEGORY	NUMBER OF RESPONDENTS	TOTAL
PHASE I:		898
Random Sample Men	398	
Random Sample Women	69	
Village Leaders	44	
Recent CNCA Borrowers	230	
INRAM's Village Sample Farmers <u>15</u> ¹	63	
ICRISAT's Village Sample Farmers <u>16</u> ²	94	
PHASE II:		315
GM Leaders in Rainfed Zone	162	
Cooperative Leaders in Rainfed Zone	54	
GMP Leaders in Irrigated Zones	60	
Cooperative leaders in Irrigated Zones	18	
CNCA Officials in all Departments	5	
UNC (ex-UNCC) Departmental Level	5	
Unc (ex-UNCC) Arrondissement Level	11	
PHASE III:		208
Retail Merchants	58	
Wholesale Merchants	38	
Tontine Organizers	56	
Money Keepers	56	
Grand Total.....		1421

Source: Rural Financial Markets Survey Data, 1985/86

¹⁵ A total of about 70 farmers in three villages.

¹⁶ A total of about 120 farmers in four villages.

union type institution was unanimously accepted by all participants. Donors are to participate in the launching of pilot local level projects. The idea of the central institution was debated in various sessions. Finally, donors and the Government of Niger agreed to defer the creation of a central institution and instead establish a "Cellule de Reflection", a mechanism to serve during the transition phase. The Cellule is to be composed of donor and Government of Niger representatives. The specific nature of the pilot projects, the function, and the location of the Cellule are to be determined in the very near future.

F. Cooperatives and the Private Sector

During the first two years of the agreement, 1984-1986, the Government of Niger has taken encouraging measures to liberalize internal trade. The government's willingness to fulfill its commitment has been indicated through decrees, newspaper releases, and even in the recent National Program Document. 17, 18/. These decrees are issued in compliance with the overall ASDG objective to privatize marketing of inputs and outputs. Some of the specific articles indicating intent to liberalize, i.e. promoting competition in the cereals market, include the following:
19/

- Marketing of food crops will be the responsibility of the cooperatives and traders;
- OPVM will buy 80 percent of its stock from cooperatives and traders as a Tender and Bid system;
- Marketing of cowpeas will be the responsibility of SONARA, cooperatives and traders;
- Export of cowpeas is not restricted.

While these articles signify a move in the right direction, other articles stipulated in the same decree minimize its effectiveness. For instance, article 3, both in 1984/85 and in 1985/86, set official millet prices at the farm level. Millet prices were set at 100 F/KG for the 1984/85 and at 80 F/KG during the 1985/86 period. In both cases Article 5 stipulated that traders and cooperatives are required to pay these official prices. As discussed earlier, this floor price has adversely affected the operations of the cereal banks as well those of the Tender and Bid system.

17/ Quotidien Nigerien D'Information, No. 3835, 15 October, 1985.

18/ Programme Significatif de Relance, Rout, 1986.

19/ Cooperatives are considered the key players. But one should note that cooperatives in Niger are still in their formative stages. Most of these cooperatives, particularly those in the rainfed areas, lack a cohesive membership, a clearly defined function, as well as the organizational capacity to keep track of the marketing transaction, such as amount sold, amount paid, amount given on credit, accounts receivable, etc.

G. Socio-Economic Impacts of the Policy Reform

1. Introduction

As stated in the Grant Agreement, the main purpose of the policy reforms is to promote agricultural production by diminishing policy constraints to development in the agricultural sector. The purpose of this section is to briefly examine some of the effects of the policy reform on the economy and society of Niger. The broader economic impacts of the ASDG on the balance of payment, central government finance and on the stabilization program are presented and discussed in chapter VI.

The connection between policy changes and production increases is not direct; rather, it is quite indirect and is channeled through various intervening mechanisms. Even assuming it were possible, tracing such effects would require a substantial amount of statistically accurate data. These same ideas are clearly stated by the mission in the terms of reference provided to the ASDG Evaluation Team.

Given that the ASDG is in its early implementation stage it is, of course, too early to know the extent to which expected impacts will have been achieved at the end of the program. However, after having examined the various policy areas and the policy reform implementation process, the Evaluation Team concluded that the ASDG supported policy reforms show good potential to achieve anticipated objectives. The team is favorably impressed by the extent of progress to date, even though it has also witnessed the existence of difficult problems in some of the policy areas. But, the Evaluation Team believes that none of these problems are insurmountable since both partners (the Government of Niger and USAID) seem to be committed to carry out their share of implementation tasks. Also, a competent technical assistance team is in place to assist in policy study, analysis and interpretation tasks, but sustaining the existing analytical capability in the longrun (end of the program) requires more active participation on the part of the Nigeriens.

Although impact evaluation usually refers to the final evaluation of a program and is concerned with gauging the extent to which a program achieves its intended objectives, it can be both on-going and ex-post. With regard to tracking the anticipated impacts of the policy changes, the Evaluation Team believes that the key concern now should be to properly implement the policy changes; indeed, the long term consequences of the policy reforms are beyond the immediate process evaluation concerns of this Evaluation Team. The major concern here is to document the short term effects of the policy changes and their implication on effective implementation of the supported reforms.

2. Effects of Subsidy Reduction

The Government of Niger has been on schedule in reducing the overall level of subsidy provided to farmers. However, current pricing of

inputs in Niger are set by an inter-ministerial committee, and only one price is set for each input for the entire country. 20/

a. Fertilizer

Table II.6 provides data on the price and quantity of different types of fertilizers sold by the CA from 1981 to 1986. As shown in the Table the quantity of fertilizer sold by the CA has declined from 1982 to 1985.

There appears no clear relation between the price increases and the quantity sold by the CA. This lack of relationship between the sales from CA and the price level suggests the existence of other factors such as type and level of extension, expected crop prices, extent of expansion in irrigated areas as well as the availability of private fertilizer dealers in the zone under consideration that determine the quantity purchased from the CA. 21/

b. Farm Implements

The total quantity of each type of equipment supplied by the CA has decreased drastically since 1982. It declined from 31,695 items to 3,056 in 1985. The sales value has declined by 90 percent, from 784 million FCFA in 1982 to 70 million FCFA in 1985. In addition to the increases in implement prices, one of the reasons for reduction in purchase of implements is believed to be the lack of credit from the CNCA. Indeed, the CNCA stopped giving animal traction credit in some departments as in Zinder starting in 1982, and has ceased providing loans in all departments since 1984.

One of the major socio-economic impacts of the ASDG (together with the reduction in credit) can be seen by examining the distribution of implements by departments. We observe that between 1983 and 1985 the supply of implements decreased in each department, but the proportion of implements sold in the south went up from 54 percent in 1983 to 87 percent in 1985. This shows that the distribution of implements has changed as one could predict from economic theory. That is, distribution of implements to the less economically viable areas i.e., the northern rainfed farms has decreased much faster than in areas where the use is economically more viable, i.e., the southern areas with better rain fall, and the irrigated

20/ Seeds are not handled by the CA. But seed prices are also set by a committee at two different times during the year. One price is set for seed purchased from producers prior to harvest and another price is set for seed sold to farmers prior to planting.

21/ For additional details see Retrospective Study of Fertilizer Supply and Demand in Niger, ASDG TA Team, 1986.

TABLE II.6
FERTILIZER SOLD BY THE CENTRALE D'APPROVISIONNEMENT: 1981-1986

Type(Tons)	1981	1982	1983	1984	1985	1986	Urea
Price	50,000	50,000	50,000	60,000	60,000	65,000	
Quant.	4,093	3,493	2,968	2,726	3,455	----	
15-15-15							
Price	45,000	45,000	45,000	52,000	60,000	65,000	
Quant.	1,609	1,772	1,404	2,136	2,507	----	
S.P.S							
Price:	35,000	35,000	40,000	45,000	45,000	45,000	
Quant.	4,786	6,999	3,285	3,823	1,160	-----	
S.P.T							
price	-----	-----	-----	70,000	70,000	70,000	
Quantity	353	681	299	47	278		
Total Sold	10,841	12,945	7,956	8,73	7,400		
% Change in Quantity sold		+19	-39	+ 10	-15		

Source: CA Activity Reports, and personal Computation.

areas. This tendency toward rationalizing the use of inputs by comparing the marginal costs to marginal revenue is one of the expected desirable effects of the ASDG. ^{22/}

3. Other Socioeconomic Effects

On the product market side, the merchants and the cooperatives who participated in the tender and bid system, however small their number, have made economic gains. But there are various bottlenecks to be removed in order to improve the effectiveness of the system and promote competition between cooperatives and the private merchants.

On the border trade side, the cowpea trade is benefitting both farmers and the economy from increased incomes and foreign exchange revenues. The National Cereals project imported from California 200 tons of CB5, a high

^{22/} An overall conclusion of the ITHACA study on Agricultural technical packages was that equipment with animal traction does not have an economic viability at the national level. The only region for which the return from animal traction is viable is in the south, on the irrigated area or where the rainfall is higher and the soil heavier.

yielding variety of cowpeas, funded by the ASDG counterpart fund, and 100 tons of CB5 from Senegal with project funds. The recent evaluation by a team of seed specialists from the University of Mississippi highlighted the fact that farmers were responding favorably to this variety because of increased yields. With an open cross border trade, benefits from export earnings are likely to increase.

The restriction of female livestock trade imposes an adverse economic effect on the herders, but meat consumers are likely to gain from lowered meat prices at the expense of the herders for other alleged effects, and facts on effects of the ASDG supported policy reforms.

H. Other Policies/Administrative Measures Affecting the Attainment of Goals of the ASDG

During the last two years, several external factors have affected the attainment of goals of the ASDG. While factors such as the acceptance of the broad goals of the ASDG by some donors promote progress in achieving ASDG objectives, other exogenous factors such as Nigerian border closure, the 1984 drought, changes in structure and operating practices of key domestic institutions adversely affect the objectives of the ASDG, thereby retarding progress in the reform implementation process.

Donor Acceptance of Broad ASDG Goals: The policy changes stipulated under the ASDG framework are highly supported by donors such as the World Bank and the International Monetary Fund. USAID and these two institutions have the same views on many of the stipulated conditions precedent. ^{23/} Also several of the bilateral donors are in agreement on the basic principles of the conditionality. Of course, acquiring good support from both bilateral and multilateral donors on some of the specific policy issues can further promote the achievement of the ASDG policy reform objectives.

Nigerian Border Closure: The Government of Nigeria officially closed its border from January 1985 to March 1986. Although presently open, administrative restrictions still limit official trade between Nigeria and Niger. When the border was closed, export of goods from Niger such as livestock and livestock products as well as cowpeas were totally frozen officially. Consequently, Niger was unable to generate needed foreign exchange revenue, nor to collect expected revenue from custom duties.

The 1984 Drought: In 1984, Niger was confronted with a severe drought which is reported to have reduced agricultural production almost by half, leaving the level of food deficit at about 500,000 tons. Aside from the direct effects, the drought has induced some actions that adversely affected the goals of the ASDG:

^{23/} Except for the agreement between the Government of Niger and IBRD to maintain an indicative price which in fact served as a floor price, adversely affecting the operations of the tender and bid system.

- The Government of Niger banned export of female livestock, thus, contradicting the agreement in the grant to promote cross border trade.
- The Government of Niger and donor priorities were tilted towards meeting emergency and relief requirements, setting aside the needed policy dialogue to promote policy reforms.
- Inflow of grain from donors for relief purposes over stocked the granaries of the OPVN. This, coupled with recent bumper grain harvest domestically, hindered OPVN from carrying out its Tender and Bid grain purchase and selling program.

Other Institutional Changes:

Splitting of the Ministry of Rural Development (MDR): When the MDR was divided into the two ministries, the Ministry of Agriculture and Ministry of Animal Resources, the Technical Assistance team of the ASDG, was limited, at least officially, from working on livestock related policies.

Disbanding of UNCC: When the UNCC was disbanded and was replaced by the UNC as the only legal representative of the cooperative movement, additional issues emerged regarding the transfer of the CA and the workshops to the cooperative movement. One major issue is whether the young UNC possesses the personnel and the financial resources to nurture the CA as well as the workshops into a viable input distribution system.

Caisse National De Credit Agricole (CNCA): Since early 1984, the CNCA has practically ceased providing short and medium term production loans as well as marketing loans to cooperatives. Partly due to lack of advance funds for marketing grains, cooperatives have not been able to effectively compete with individual traders in the ASDG initiated tender and bid systems.

The credit and savings study completed under the ASDG recognizes CNCA's limitations and stresses the need for a credit union movement to promote viable credit and savings programs in rural Niger. The report also points out that the agricultural credit lines in the productivity projects should be maintained in the short run to provide loan services for certain viable economic activities existing in different regions of the country.

I. Summary of Findings and Suggestions to Improve Performance

The overall finding of the team regarding measurement of progress is that most of the conditions stipulated under the Agriculture Sector Development Grant Agreement are being met. Conceptual agreement is obtained in almost all areas whereas substantive progress in implementation is achieved in some areas more than others.

Aside from measurement problems, exogenous factors, such as the recent Nigerian prolonged border closure and the 1984 drought have hindered policy implementation progress. Also, complexity of the policy issues themselves as

well as some degree of unwillingness on the part of the Government of Niger retard progress in implementation.

The major findings regarding the extent of progress and problems of implementation in each of the five policy areas are presented below. Where appropriate, each is followed by one or more recommendations that derive from the respective findings.

1. Input Supply, Subsidies and Pricing

Summary:

a. Reduction of Subsidies

Based on the subsidy rate calculation agreed by USAID and the Government, the Government of Niger is on schedule in reducing subsidies to 30 percent overall. However, the level for pesticides is double the 50 percent maximum level allowed in the agreement. USAID should require written justification for this action.

b. Transfer of CA to Cooperatives

The Government of Niger has started the process of transferring the CA to Cooperatives, but there is a need for a continuous dialogue between the Government of Niger and USAID to ensure a systematic and effective transfer. For example, the interim statute called for in the work plan has not been yet issued.

Recommendations:

(2.03) Eliminate the subsidy on fungicides, especially Cypermetrine and other fungicides which have been subsidized at 100 percent level in the current year.

(2.04) Collect data on all fertilizer imports, consumption, and yield responses to fertilizer application. Data on these variables is necessary both for programming long term input needs as well as for insuring wise input use.

(2.05) Carefully monitor the transfer of CA and the workshops to cooperative ownership to insure that an efficient delivery system is achieved.

(2.06) The interim statutes called in the work plan should be approved.

(2.07) The five year transition should be taken as a minimum period of transfer. As stated earlier the five year period could be reevaluated in light of recent events. Indeed, what is important is not the time involved but having a fully functioning and efficient input supply system which implies there is competition with the private sector.

(2.07) Establish revolving funds at the CA to generate proceeds that would be used to cover operating expenses. Otherwise direct donor assistance or the Government of Niger financial support may be necessary at least for the short term.

(2.08) Establish systematic cost accounting of indirect costs for the CA. A well formulated bookkeeping system is necessary for development of subsidy rate figures that are comparable over time.

(2.09) Include seeds among the inputs provided through CA. Seed production in Niger is an extensive activity afflicted with lack of consistent quality, and high operating costs.

2. Cereals Marketing and Pricing

Summary:

a. Tender and Bid System

Following the specification in the Grant Agreement, OPVN has instituted the system of tender and bids for procuring its stock. However, OPVN has not as yet instituted the tender and bid system for its grain selling operations. Although the buying Tender has worked fairly well considering that it was just put into operation, there are numerous operating problems yet to be solved.

b. Village level Grain Storage

The required 6000 tons of grains at the village level are exceeded. It was accomplished as a result of demands from the CND. As recommended in the recent conference, future cereals bank promotions are to be based on advance socioeconomic studies and initiatives of prospective participants. The operation is also recommended to be carried out at the GMV level.

c. Uniform National Pricing

The tender and bid system at OPVN reflects regional price differences, but prices for cereals at OPVN's selling outlets have been uniform throughout the country since February 1986. An official producer price also prevails for each basic agricultural product. It is now reported that there will be no official producer price this year for millet and sorghum. Abolishing uniform national pricing for cereals is one of the CPs for disbursement of funds in the third tranche.

d. Market Information

OPVN has started publishing a monthly bulletin providing useful data on prices and production. But the Government of Niger is unwilling so far to broadcast marketing information on a weekly radio as required in the Grant Agreement. Although not a CP, it should be emphasized

in negotiating with the Government of Niger that dissemination of market price is more crucial to cooperatives than to traders.

Recommendations:

(2.11) Improve the operating procedures and practices of the tender and bid system. This would mean clarifying the operating procedures and practices by making the operations more open. Include a third-party "watchdog" from the Ministry of Plan, the Ministry of Agriculture, as well as the private sector to serve as observers in receiving bids, filing bids, opening bids and awarding winners.

(2.12) Publish regularly the names of winners, the prices and the lots.

(2.13) Institute a tender and bid system for selling.

(2.14) Abolish uniform national pricing from the retail outlets of OPVN as well as the floor prices.

(2.15) Establish a strategy to improve organizational capacity of cooperatives. This would entail encouraging the Government to intensify training of cooperatives to help them assume their role as business enterprises such as expanding the CLUSA type training activities, implementing some of the recent Cereals Bank workshop recommendations, establishing a credit facility such as a credit Union to finance seasonal credit needs of viable cooperatives, etc.

(2.16) Eliminate floor price as a basis of purchase. If the recent report is true there will not be an official producer price. The information on this policy action needs to be effectively communicated to the public at large.

(2.17) Establish a system of disseminating pricing information particularly for cooperatives and the small trader. We strongly encourage the use of radio broadcasts.

3. Cross Border Trade

Summary:

Decrees have been issued lifting restrictions on cowpea trade, but livestock export has been prohibited since August of 1985. USAID accepted the rationale presented by the Government of Niger for banning the export and granted a waiver in assessing progress during the disbursement of the second tranche. But the promise given to AID to reassess the decision last June has not been kept. Consequently, the banning of livestock export remains in direct contradiction to the provisions of the Grant Agreement. An announcement in the Sahel on 15 December 1986 indicated that export of female livestock and all cattle is prohibited with restrictions lifted for other animals.

Recommendations:

- (2.18) Examine the effects of liberalization on cowpea trade.
- (2.19) Reestablish free livestock exports
- (2.20) Design a strategy to effectively transmit policy reform decisions to all relevant levels in the Government.

4. Agricultural Credit and Savings Study

Summary:

The Ohio State University (OSU) credit study, which included a Nigerien professional in the team, has been carried out on schedule with very good support from the Government, and the results have been received with interest both by the Government of Niger and many others in the donor community.

Recommendations:

- (2.21) Interact with donors and the Government of Niger to formulate policy and implementation actions based on findings and recommendations of the study, particularly the promotion of a Credit Union Movement.
- (2.22) Prepare legislation to make credit unions legal, as well as to launch pilot credit and savings activities in selected regions of rural Niger.

5. Cooperatives and the Private Sector

Summary:

During this first two years of the ASDG, the Government of Niger has taken encouraging measures to liberalize internal trade. This intent has been indicated from time to time through decrees, newspaper articles as well as in the most recent document "Programme de Relance". While the cooperatively managed cereals banks are currently constrained by pricing problems, as well as structural problems of the cooperatives, the proposed transfer of the CA to the cooperatives appears on the way.

With the exception of the livestock export CP, which was waived, the joint assessment team of the ASDG found that conditions were met to justify disbursement of the second tranche. We concur with the judgment. With respect to checking future compliance to justify disbursement of the third tranche, the Evaluation Team recommends priority action in the following areas:

Overall Priority Recommendations:

- (a) Input Supply, Subsidies and Pricing area:
 - i. Eliminate the 100 percent subsidy on pesticides;
 - ii. Carefully monitor the transfer of the CA and the Workshops to the UNC.
- (b) Cereals Marketing and Pricing area:
 - i. Institute a Tender and Bid system for selling grains;
 - ii. Eliminate the official producer floor price as well as OPVN's uniform selling prices;
- (c) Cross Border Trade area:
 - i. Reestablish free livestock exports;
 - ii. Design a strategy to effectively transmit policy reform decisions to all levels of Government and the public at large.
- (d) Agricultural Credit and Savings Study:
 - i. Launch a pilot credit and savings activities in selected areas of rural Niger.

III. ADMINISTRATIVE AND FINANCIAL CONTROLS OF THE COUNTERPART FUND

A. Organization and Management Structure

The principle funding mechanism of the ASDG is the Counterpart Fund (CPF). The CPF uses local currency to finance local capital and recurrent costs for various projects according to specific criteria.

The guidelines for the CPF were established under PILs RSDG no. 4 and ASDG No. 8. The local currency from the ASDG is to be programmed for projects in support of agriculture and livestock development activities that meet the general criteria as set out in a special covenant of the Grant, and in the Amplified Program Description.

The criteria for Selection of Projects/Activities for financing were established according to the following priority ranking for the use of the Counterpart Funds:

- (i) Projects aiding or contributing towards implementation and realization of the Policy Reforms, including:
 - a. Re-orientation of the agricultural input supply system;
 - b. Promotion of liberalization in grain marketing;
 - c. Studies on the agricultural credit system, including informal rural credit systems;
 - d. Promotion of cross-border trade in livestock, cowpeas;
 - e. Promotion of increased private sector and cooperative activity.
- (ii) Recurrent and local costs for AID agricultural/livestock projects;
- (iii) Recurrent and local costs for other donor-financed agricultural/livestock projects;
- (iv) Extensions of old or new programs/projects directed towards high productivity increases in agricultural/livestock and rural income.

In ranking the projects within the first three priorities of general criteria, higher priority is given to the greater degree that the projects promote:

- Income generation for rural families;
- Food self-sufficiency;
- Foreign exchange earnings;
- Broadening the tax base (especially increased participation of the local population to meeting costs);
- Reductions in recurrent costs; and
- Closer linkage with policy reforms.

1. The Joint Management Committee

The programming mechanism for the CPF was designated as a Joint Management Committee with the following members:

From the Government of Niger: Ministry of Plan
 Ministry of Agriculture
 Ministry of Animal Resources
 Ministry of Commerce and Transport
 - Ministry of Finance

From the U.S Government: USAID/Niger

The Joint Management Committee is where USAID and the Government of Niger review projects proposed for financing and make recommendations. In terms of decision making power, it is at this Joint Management Committee that USAID and the Government of Niger represented by the Department of Investment Finance(DFI)/ Ministry of Plan, must both agree. Either party has a 'veto' power on an action proposed, as provided for under the grant document.

This Joint Management Committee meets on demand. In the past this has translated into a meeting approximately every six weeks, but the Committee has met as frequently as a two week interval when there were projects submitted for funding approval.

There is also a project approval committee at USAID, chaired by the Director, with representation from the Program Office, ADC, and the Controller's office. In the ADO, a highly qualified Nigerien (Commandant Moussa Saley) (1) receives the requests for funding; (2) analyses the projects to determine the appropriateness of the projects rationale to the goals of the ASDG, (and, if necessary, requests additional information; (3) presents his recommendations to the AID internal committee to accept (approve projects for financing under the counterpart fund) or reject the projects; and (4) brings forward these recommendations to the Government of Niger through meetings with representatives on the Joint Management Committee.

The Committee is the decision making body at the Secretariat. This is where USAID voices its approvals of selections for project financing, its recommendations, and concerns. In terms of decision making power, it is at this joint committee where AID and the Government of Niger, represented by the DFI/Minister of Plan must both agree, and either has a 'veto' power on an action proposed, as provided for in the grant document. During the November monthly meeting, a member of the Evaluation Team attended as an observer. The following recommendations are based on observing the monthly meeting and interviews with AID and Nigerien officials involved in these meetings.

Recommendations: Recording Decisions Taken

(3.01) It is very important that decisions to recommend or not recommend, taken at the Committee meetings be well documented. From the standpoint of organizational efficiency where decisions made on project funding on personnel allocation or on the operating procedures of the Secretariat, in that the AID representation is present and if no objection is voiced, it must be assumed that AID is in agreement with the decision. (Of course, nothing can be irrevocable in a truly joint agreement, and it must be possible to redebate or object at a later date, when something does not work out satisfactorily. Given the joint-signature system in which both the Government of Niger and the representative from USAID/Niger, generally the Director, must sign the document authorizing disbursement of funds, USAID can voice its disagreement with a decision taken by not signing off on a disbursement. But to facilitate operations it must be assumed that matters have been decided, and thereafter operations can go forward under this guidance.)

Limiting Delegation Authority to the Secretariat

(3.02) The Secretariat is an executing organization and not the proper plan to delegate decision making authority. It should therefore be following a pre-determined plan of action. When it becomes necessary to delay payments of approved project funding because of a failure of project management to prepare the periodic financial reports required, it seems more appropriate that the Secretariat should bring this matter before the Committee with its recommendation and not to take unilateral action under a delegated authority.

(3.03) The Joint Management Committee should remain a core group, with only projects which have funding or other questions before the Committee should be effected at the level of the Ministry of Plan. The essential requirements of the Committee for effective operation are:

Representative from the Ministry of Plan:

- the chairman representing DFI and the Ministry of Plan (and whomever else he would require from his DFI staff);
- the Executive and his Financial Counselor (and whomever is required from the staff, i.e. Technical and Financial Analysts, Accountant, Stenographers);

Representatives from USAID:

- the ADO, or a designated AID official, and the Commandant Koussa Saley), plus

Representatives from those projects to be discussed.

(3.04) A Deputy Chairman and alternate to the Chairman should be

selected from the Ministry of Plan. We suggest the present director of the DEPP/MP. (See interview list, Annex D).

(3.05) Participants other than the core-members of the meeting should wait outside or be excused when other concerns not having to do with their project are discussed.

(3.06) The decisions of the Counterpart Fund Committee Meetings should be more carefully recorded with a tape recorder or by a stenographer. The Procès Verbal which is now issued is only a Compte Rendu (The 'Proceedings' now reads like a 'Summary' rather than a detailed 'Minutes').

The suggestion to AID with regard to the Committee Meetings:

- (i) AID's instructions, approvals, rejections, etc. be written;
- (ii) Commandant Moussa Saley should continue to present AID positions.

A Flow Chart showing the various steps and requirements for Project Funding Approval is shown on the following page.

2. Secretariat

The Secretariat is administered by an Executive Secretary. The professional and technical staff consists of a Financial Counselor, a Technical Specialist, a Financial Analyst, and two Accountants. Support staff consists of two secretaries, drivers and security personnel.

a. The Executive Secretary Position

The Evaluation Team found that the Executive Secretary was not fulfilling his duties as outlined in his terms-of reference as to the day-to-day operations of the Secretariat to the extent that is necessary.

The Evaluation Team concluded that one of the major problems in the ineffectual operations of the Secretariat is related to the absence of the exercise of sufficient authority to maintain a level of discipline and professionalism required in handling \$32 plus million.

For example, in an inspection of the legal entry-log for the receipt of correspondence and documents at the Secretariat, the Evaluation Team noted that there was no indication of the disposition of any document received. That is, documents that have been received by the Secretariat are kept on file under the names of the various projects or by originators, but nothing has been centrally recorded to show that a response was made to these requests. For this reason it has been possible for requests for payments to remain in the Secretariat for over a year either without acknowledgement, or a disposition having been made.

50

**THEORETICAL ASDG COUNTERPART FUND
PROJECT APPROVAL PROCESS**

PROCESS	INTERVENING PARTY
Project Identification:	Technical Ministry
Submission of the Project to Plan for incorporation in the next PIC (Plan Intermediare de Consolidation)	Ministry of Plan DEPP
Programme for the next PIC is reviewed in search of financing (FNI or donors)	DFI - MP
Submission of Project for consideration by the ASDG Counterpart Fund	Secretariat /DFI/MP
Project is reviewed for completeness	Secretariat Technical and Financial Analysis Sections
Copies of Project are distributed to USAID	Secretariat
Project is put on Agenda (at least 2 weeks permitted for study of the Project)	Secretariat
Project is reviewed by USAID - starting: Recommendations made to CP Fund Committee Internal Committee decides AID's position	Commandant Director/ADO/Program Office Controller or Representative
Project is reviewed before Counterpart Fund Joint Management Committee	Committee of Secretariat Technical Ministry Project Originator is Present
Project is REJECTED: - End of Cycle:	Reason for disposition in Process Verbal
Project is ACCEPTED:	Process Verbal indicating disposition is sent to: Ordinator Delege of the Minister of Plan for his signature who then he reviews and approves the minutes of the Committee meeting.
Document requesting release of funds	Prepared by Secretariat
Referred to:	USAID Director for required signature to expend Funds (Internal Review by Counterpart Committee, and Controller's office Controller Deputy

Controller certify the 121 D Account installation).

Minister of Plan for required signature to use funds :

To administer the CPF, the Secretariat for the CPF was established as a separate unit under the control of the Department of Investment Finance of the Ministry of Plan.

The functions of the Secretariat are:

- to administer the Counterpart Fund Accounts,
- to participate with USAID in the selection of projects for financment by the counterpart funds,
- to carry out the Government of Niger's required accountability to USAID for the funds not yet disbursed, and
- to control the disbursement of the funds to the projects receiving financial assistance.

In reviewing the letters and documents that have been sent out, documents requesting information or payment are not always referenced, nor is it easy to understand the process in which the disposition of documents are handled without a kind of "code book" of the shorthand used to interpret what has been made of the request.

On several occasions it appeared to the Evaluation Team that the Executive Secretary was not informed of some important facts concerning the Secretariat. On many significant issues, especially those concerning financial matters, the Executive Secretary must defer to the Financial Counselor for information and recommendations. Staff members of the Secretariat were always interviewed by the Evaluation Team in the presence of the Executive Secretary. However, since he was not able to answer some of the questions about operations or the functions of his staff, the Evaluation Team concluded that this is one of the major problems leading to ineffectual operations of the Secretariat. Another case in point: In the period just before the monthly Joint Committee meeting, the Evaluation Team observed the preparation of the documents which would present the proposed organizational structure, proposed budget, and a review of the functional position descriptions. We noted that the Executive Secretary did not contribute any ideas, suggestions, or improvements to the proposals, but the financial counselor was forced to take on this responsibility.

With regard to daily/weekly disbursement operations there seems to be some degree of confusion among the staff over the amount of authority they can use. In their routine operations, mostly paying out funds on presented documents, the Executive Secretary must provide the operating parameters in which decisions are made. At the present time, either the President of the CPF Fund Committee or the Financial Counselor takes the responsibility or gives detailed instructions for the preparation of even the most routine documents. In summary, it appears that the Secretariat has not properly established any standard set of operating procedures in sufficient detail so that routine matters can be handled on a timely basis.

As the Secretariat is growing in number of personnel, and is also expected to assume responsibility for the management of additional funds under another AID Grant, the Secretary General must take more of a "hands-on" approach in the day-to-day management of the Secretariat.

Recommendations:

(3.07) We recommend that AID require that the Executive Secretary be held responsible for the performance of his duties in the day-to-day management of the Secretariat. If the present incumbent is unable to provide the "hands-on" leadership and managerial acumen required, he should be replaced with someone able to complete the terms of reference as required. The Executive Secretary is responsible for: ...

1. Establishing a system of standard operating procedures, by proposing same to the Joint Management Committee, and thereafter carefully recording all the decisions made by the Committee;
2. Being prepared to discipline staff who violate the rules and regulations thus established;
3. Installing a system of internal control of all incoming correspondence and requests for project funding;
4. Being aware of each project and staff work assignment i.e. letter to be answered, requests for payments, projects for funding, and follow-up on his staff if the appropriate work is not done on time.

(3.08) ...With regard to all the positions of the Secretariat:

A more detailed position description should be developed for each position thoroughly outlining the limits of discretion in exercising the responsibilities of each position. It is imperative that each employee understands what he can and cannot do on his own authority, and on authority of the Executive Secretary.

b. The Financial Counselor

The terms of reference for the Financial Counselor are specific in making him responsible for the proper installation of the

accounting and control requirements of AID. He is not authorized by AID to extend his influence to the day-to-day operations of the Secretariat.

c. The Accounting Staff

(i) Accountant Responsible for Payment on Vouchers: During a recent 10 day absence due to illness (but not justified with a medical report), it was necessary to open the accountants desk. Requests for payments dating from as far back as October 1985, mostly from the Niamey Productivity Project were found. With the assistance of the Financial Counselor they were processed in the following week. In addition, a sizable undeposited check made out to the Counterpart Fund was also found and was dated more than six months earlier. Though the Accountant was verbally reprimanded, it seems clear that deficiencies in the management are also at fault.

Recommendations:

(3.09) An independently verifiable record of action taken on each request for payment should be established. This record would permit "checks and balances" and should be instituted in a manner that does not allow any single person to be responsible for logging in a voucher, issuing a check, and logging out the payment. This system would not only add a measure of internal control, but would also ensure that accounting work could continue during the absence of a key person.

(ii) Accountant Responsible for the Accounting Books of the Secretariat: The accounting reports are made promptly each month, and this section appears to be well managed.

(iii) The Technical and Financial Analysis Staff/The Role of the Technical and Financial Analysts: Each of the Technical Ministries especially Agriculture, has the right to come forward with projects for funding through the Ministry of Plan. Now that the Secretariat is increasing its Financial Analysis capability, as well as for a better utilization of the Technical Analyst, the Secretariat should review the proposals sent for financing before they send them out to the Committee members.

(3.10) One of the functions of the Financial and Technical Analysts of the Secretariat should be this review of the applications for funding to determine if the basic requirements for Secretariat approval are being met. These requirements should be spelled out in a separate set of instructions. These instructions should be the result of proposals made to the Committee from the Secretariat, (chiefly the Financial Advisor, in consultation with the three specialists) and which are formally adopted by the Committee, where this decision making authority rests.

B. The Performance of the Secretariat

1. The Secretariat Budget: Presentation and Monitoring

The original Budget approved for the creation of the Secretariat was 23 million FCFA at the Committee meeting of October 4, 1984. The Secretariat's total costs have subsequently increased to 70 millions FCFA through October 31, 1986. At the November meeting, the Annual Budget was approved for 62.6 million FCFA. Some budget items were questioned and reduced bringing the total budget down by one-third from the original request for 93.4 million FCFA.

Recommendations:

(3.11) We recommend that ASDG hire a consultant on a short-term basis to make the Secretariat more efficient. This person should advise on the use of word processing and spreadsheet programs to decrease the present output problems in meeting monthly deadlines.

(3.12) To insure accountability and effective monitoring of budgetary matters, the Executive Committee must make cost reports a mandatory agenda item in the monthly meetings. A review of cost reports against the budget should be an integral item of the meetings and not on an exception basis as is presently the case.

2. The Relationship of the President of the Joint Management Committee with the AID Project Officer

The President of the Joint Management Committee is Mr. Amani Issaka Bawa, Director of the Department of Investment Finance (DFI) at the Ministry of Plan (MP). The power of his position as head of the DFI is important to the success of the Secretariat. His Directorate receives all donor's offers of external assistance. Although donors frequently discuss projects directly with the Technical Ministries for final Government approval at the MP, they must present their projects through the DFI.

Recommendation:

(3.13) The AID Project Officer and Commandant Moussa Saley must develop a closer working relationship with Amani Bawa as opposed to the loose one presently existing. Through his position as the head of the DFI, he is kept abreast of all the projects that are before the DEPP and seeking counterpart funding. He is in the position to secure approval from other donors for participation in their projects, in return for their projects advancement of the ASDG Policy Reform Agenda.

C. Financial Control of the Counterpart Fund

1. The Financial Control of Project Counterpart Funds

Normal disbursements are made conforming to budgets presented at the time of the Project Approval or amended at a subsequent Committee meeting. There are many complaints at the Project level of late or delayed payment on bills to the Secretariat. Problems in this regard were discussed at the November 4th meeting, especially the power the Secretariat exercises with regard to denying payments and what procedures should be used in notifying the applicants for rejected payments.

The Evaluation Team did not conduct an audit of the Secretariat. The AID Controller's office does this on a regular basis. However, we conclude that a more rigorous approach to vouchers and other proper evidence should be required before project disbursements are made. This includes following the Government of Niger's prescriptions required for more than one bid on certain types of equipment and the Secretariat's analyst staff (with the Financial Advisor) making occasional spot checks -- at the projects -- to physically see that equipment paid for has actually been delivered and not disposed of.

Recommendation:

(3.14) Procedures should be codified in a written procedures manual. The proper documentation of decisions taken at the Committee meetings will help in this task. The procedures should take into account the problems encountered at the project recipients level. The acceptance of an established percentage of reimbursements for expenses already incurred would take into account that 'bons' are often not feasible in the case of small purchases with merchants. We suggest a maximum amount, i.e. a revolving fund petty cash of between 10 and 15 percent of the project amount, not to exceed 100,000 FCFA to be consistent with Government of Niger regulations.

Since the arrival of the Financial Counselor, a 121 d-type system for accountability and control has been installed at the Secretariat. During the Evaluation Team's meeting with the Controller and his Deputy no significant concern relative to the Secretariat's accounting and control procedures was expressed.

Each of the projects receiving financing from the Counterpart funds must also have a 121 d-type system for fund control; this responsibility rests with the Secretariat. The acceptance of these systems must be approved by the AID Controller before the Mission Director approves the release of funds.

The following specific concerns were mentioned by the Controller:

- with respect to the disposition of capital equipment purchased under a project ('sub-activity'), at the end of the project activity. US Government property:

guidance with regard to capital equipment disposition upon the termination of project activity calls for specific disposal actions (sale on the basis of open bidding, destruction, etc.) or reversion to the granting or issuing authority.

The Controller and Deputy-Controller suggested: that at the time of the granting of funds to purchase any capital equipment, it should be clearly stated that the project will be responsible for returning this equipment to the Technical Ministry under which the project is being supervised. The AID instructions relative to control over 'revolving funds' are very strict. If, in effect, these funds tend to become 'dissolving funds', this cannot be permitted unless provided for in the original accord. If there is a 'revolving fund', it must have a perpetual life and therefore have continuing financial reporting requirements. Therefore, rather than create a situation where continuous financial control is required, the Controller's office would discourage the setting-up of 'perpetual' revolving funds. Most of these 'revolving funds', in practice, never attain this status.

Recommendation:

(3.15) We suggest that both the Recommendations of the Controller's Office be forwarded officially to the Counterpart Committee.

IV. THE COUNTERPART FUND - USES

A. Selection of Projects/Activities for Financing Projects funded under the ASDG Counterpart Fund by Recipient Ministry.

As of the end of the Fiscal Year, October 31, 1986, the Joint Management Committee and the Counterpart Fund Secretariat had processed 21 separate 'project' approvals for a total of 6.5 billion FCFA. To this approval amount an additional 70 million FCFA has been allocated to the operations of the Joint Management Committee and the DFI Secretariat for the management of the Counterpart Fund (CPF).

The listing of projects that have been financed by the CPF through the end of the Fiscal Year 1985/86 is shown in Table IV.1 on the following page.

The total of the Counterpart Funding going to the Ministry of Agriculture to date was 75.2 percent of the of the budgets of projects funded under the ASDG through close of fiscal year 1985/6. The Counterpart Fund allocated 4.9 percent of its funding for projects under the Ministry of Animal Resources. Therefore, between the Ministries of Agriculture and Animal Resources, the two which made up the Ministry of Rural Development at the time of the ASDG approval, this is a total of just over 80 percent of the fund allocations.

The CPF- financed assistance to two projects under the Ministry of Hydrology and Environment Forestry, for forestry and land-use planning (F.L.U.P.) which represented 6.3 percent of the funds allocated. The CPF also financed assistance under this Ministry to two PVO. managed projects, one in fish culture with the other in forestry, amounting to about 2 percent of the total counterpart funding.

Under the Ministry of Commerce and Industry, the CPF finances a project for the training and assistance of rural artisans, including a loan guarantee fund, representing about 9.9 percent of the funds allocated.

1. Selection of Projects/Activities for Financing

a. Selection Procedures Required for Counterpart Funding

The chief method presently used by USAID to select projects for inclusion under the counterpart fund is their contribution to advancement with regard to the policy conditionalities of the Grant. The Grant Agreement, and the subsequent Project Implementation Letters (PIL) No. 4 for the RSDG and PIL No. 2 for the Second Tranche of the ASDG, accorded on-going AID projects priority in the use of the Counterpart funding. These criteria are outlined in detail on pages 22-23.

TABLE IV.1
PROJECTS FUNDED UNDER THE ASDG
Taru close of Fiscal Year 1985/6

Grouped By Ministry	Expense Category	1984/5	1985/6	Allocated Percent			
				Goen	Total of Tot. 2		
PROJECT NAME		in Millions of F-CFA					
Secretariat Expenses	Recurrent	3	18	30	22	70	1.12
MINISTRY OF AGRICULTURE							
WIAHEY DEPT. PRODUCTIVITY							
N.D.P. - Phase I	Recurrent	3	208		0	208	3.21
N.D.P. - Phase II	Recurrent	3		358	267	625	9.62
sub-Total/N.D.D.Project			208	358	267	833	12.72
NATIONAL CEREALS PROGRAM:							
Agriculture Support Proj:							
Restart Project	Drought Assist	1	767		3	770	11.82
Seed Production	Recurrent	3	266	443	96	805	12.32
Restart Peanuts	Recurrent	3		477	23	500	7.42
Restart Cowpeas	Recurrent	3		228	41	269	4.12
Purchase Cowpea Seed	Capital	2	58	73	0	131	2.02
Purchase Fertilizer	Capital	2		263	9	272	4.22
Sub-Total A.S.P.			1091	1484	172	2747	42.02
INRAN Soil Lab. - N.C.R.	Recurrent	3		18	85	103	1.62
s.T./National Cereals PROGRAM			1091	1502	257	2850	43.62
Tilbury Extension-N.4.3							
Rural Development Packet	Recurrent	3		300	552	852	13.02
Refit Ferguson Parimeter	Capital	2	171	36	0	207	3.22
New Plane for Pest Control	Capital	2	55	8	117	180	2.82
s.T./Min. AGRICULTURE			1525	2204	1193	4922	75.22
MIN. of WATER RESOURCES:							
FLUP Hdqts-Forestry	Recurrent	3		14	1	15	0.22
FLUP Operations-Forestry	Recurrent	3		172	208	400	6.12
Pisciculture (Africare)	Capital	2		2	47	49	0.72
Agro Forestry (Care)	Capital	2		79	9	88	1.32
s.T./MIN. HYDROLOGY & FORESTRY			0	287	265	552	8.42
MIN. of ANIMAL RESOURCES:							
Cattle Feed	Drought Assist.	1	55	41	124	220	3.42
Animal Production	Capital	2			100	100	1.52
s.T./MIN. ANIMAL RESOURCES			55	41	224	320	4.92
MINISTRY of HEALTH:							
Sanitaire DDS/Parasit	Recurrent	3			28	28	0.42
MIN of COMMERCE/INDUSTRY:							
OPEN/Seal: Operations	Recurrent	3	208	271	181	660	10.12
TOTAL PROJECTS							
Sub-Total Expenses			1788	2226	1282	5302	81.72
Total Funds of ASDG			1788	2226	1282	5302	81.72

The ranking criteria cited on page 23 gives preference for funding to AID projects, and to the recurrent costs on those projects (first position under RSDG, second position under the ASDG).

Because of Grant established set of priorities, 67.4 percent of the projects funded to-date have been AID projects in the pipeline at the time of the ASDG. Under ASDG, ongoing AID projects receive second priority in funding. The appearance of highest priority results from tracing backwards, i.e., initially most funding went to AID projects which were poised to present proposals when ASDG began. USAID's requirement for a substantial counterpart contribution attached to these projects (up to 50 percent for certain recurrent cost items for the Niamey Department Development Project) was a carry-over from the time when such contributions were the rule, and not the exception.

The CPF picked up these recurrent and local costs that the Government of Niger could no longer have carried. USAID has since relaxed requirements for counterpart contribution in Niger.

Due to the ASDG requirement for the project's funded under the CPF to be in general conformity to the advancement of the Policy reform issues addressed by the ASDG, the purposes and goals of the ASDG are advanced even if another donor's projects are selected for financing. This broadens the impact of the policy reform restrictions to other donors' projects over time requiring that they (projects) be consistent with the agreed policy reform objectives in order to obtain the needed funding from the CPF.

B. Projects Financed by the Counterpart Fund General Conformity with the Criteria and ASDG Objectives

The criteria of using the CPF for the recurrent costs of on-going AID projects has been respected. These projects are oriented towards increased productivity in the agricultural and livestock sectors.

The reason that over 67 percent of the funding by the CPF ended up with these USAID/Niger projects, was that the projects were in the pipeline at the time of Niger's financial crisis. 24/ AID had recognized in its project design for Niger a need to relax its requirement for the government's financial contribution. With the onset of the financial crisis at the end of the uranium boom, when the government could no longer afford their required contributions, it was necessary to resort to the ASDG Counterpart Fund to continue these projects.

24/ The projects and respective percentage of budgets of projects funded through fiscal year 1985/86: MCF Agriculture Support (41.9%); MCF-Cereals Research/INRAH (2.65); Niamey Department Development (22.7%); Forestry & Land Use Planning (6.3%); Integrated Livestock Project Total (4.9%).

As previously mentioned, the purposes for which several of these projects including the Agriculture Production Support Project, used the funds for were in addition to the normal activities in the original project design. The purchase of millet, sorghum, and cowpea seeds on an urgent basis, was required as an after effect of the drought, and has been classified as emergency assistance. Similarly, the purchase of animal feed for the Integrated Livestock Project was also a direct result of the drought and not foreseen in the original design of the project.

Another utilization not foreseen was the importation of additional cowpeas because of the success of the CB-5 variety. Normally, the course of events for a seed multiplication project would be to wait several growing seasons for these seeds to be available through replication.

With regard to projects other than those within the AID management system, the selection of projects has conformed to the concept of seeking additional agricultural productivity.

The situation with regard to the requirement from Niger for counterpart contributions from the Government of Niger has dramatically changed. At present, most bi-lateral donors no longer request counterpart funding for their projects on the part of this Government. The rules of the multi-lateral donor agencies continue to require the contributions from all countries, regardless of the country's financial situation.

C. Analysis of Projects funded under the ASDG Counterpart Fund by Economic Cost Classification, with reference to 'recurrent costs'

Table IV.2 below is a summary of Table IV.3. This Table classifies the project budget approval amounts by economic cost classification according to their financing requests.

From this Table the importance of the Counterpart Fund in permitting the Government of Niger to provide emergency drought assistance is demonstrated - in the National Cereals Program for seeds, and in the ILP program for the purchase of livestock feed.

Additionally, about 14 percent of the projects fall into the category of capital contributions, which is directed towards increased agricultural productivity. Among these projects is reconstruction of the Fingoun perimeter, the purchase of an additional crop-protection airplane, and the purchase of the cowpea CB-5 seed variety. Also, there was the provision of equipment for the extension service.

However, by far the greatest percentage of funding to date has been for the provision of recurrent costs. In the latter category, we have included the fertilizer purchase for A.P.S. seed multiplication.

TABLE IV.2
SUMMARY : PROJECT BUDGET APPROVALS
 By Economic Cost Classification
 Through end of Fiscal Year 1985/6

	No. Projects	Amount Million FCFA	Percentage %
Emergency Drought Assistance	2	990	15.1
Capital Contribution	6	900	13.7
Recurrent Costs	12	4,525	69.1
Projects Managed by P.V.O.'s	2	137	2.1
Total	22	6,822	100.0 %

Reference : Table IV.3

D. Breakdown of the Counterpart Fund Disbursements by Cost Element

Table IV.4 below summarizes actual disbursements amounts of the CPF and percentage for each cost element as shown in Table IV.5 on the following page, divided into costs in local currency and costs requiring foreign exchange.

An examination of Table IV.4 indicates that with the addition of the airplane, about 93 percent of the 70 percent of the Counterpart funding which is shown in cost elements, or the equivalent of 66.0 percent of the total Counterpart funding to date was used for costs that required foreign exchange.

With regard to the 1.3 billion FCFA which has not broken down in the same manner, some of the project expenditures under the RSDG were reimbursements for costs that had already been paid, and others were from the First Tranche of the ASDG. These are the expenses for which cost element accounting is not possible, of which examples are given in Table IV.6.

TABLE IV.3
PROJECTS FUNDED UNDER THE ASDG
Thru close of Fiscal year 1985/6

Project Name	Expense Category	1984/5	1985/6	Down	Total	Allocated Percent of Tot.	
				in Millions of F-CFA		%	
Titie Feed	Brought Assist.1	55	41	124	220	3.42	
Start Cereals Project	Brought Assist 1	767		3	770	11.82	
al Brought Assistance		822	41	127	990	15.12	
- Annual Production	Capital	2		100	100	1.52	
goun Perimeter - N.V.1	Capital	2	171	36	207	3.17	
Plane for PestControl	Capital	2	55	8	180	2.72	
ibury - N.V.3	Capital	2	9	1	10	0.22	
chase Coupeas Seed	Capital	2	58	73	131	2.02	
chase Fertilizer	Capital *	3		263	272	4.22	
Total Capital		293	381	226	900	13.72	
Development Packet	Recurrent	3	300	552	852	13.02	
Statistic Expenses	Recurrent	3	18	30	70	1.12	
Production	Recurrent	3	266	443	705	12.32	
/Small Artisans	Recurrent	3	208	291	505	9.92	
Start Coupeas	Recurrent	3		278	41	269	4.12
Start Peanuts	Recurrent	3		477	23	500	7.62
# Soil Lab. -N.C.R.	Recurrent	3		18	85	103	1.62
Operations-forestry	Recurrent	3		192	208	400	6.12
Hqpts-forestry	Recurrent	3		14	1	15	0.22
D.P. - Phase I	Recurrent	3	208		0	208	3.22
D.P. - Phase II	Recurrent	3		358	267	625	9.52
taire DDS/Naradi	Recurrent	3		3	25	28	0.42
al Recurrent Costs		700	2354	1471	4525	69.12	
iculture (Africare)	P.V.D.	4		2	47	49	0.72
Forestry (Care)	P.V.D.	4		79	9	88	1.32
al Managed by P.V.D.		0	81	56	137	2.12	
TOTAL PROJECT		1915	2857	1980	6552	100.02	

TABLE IV.4
SUMMARY : ACTUAL DISBURSEMENTS
 By Accounting Cost Element Through end of Sept. 30, 1986

Foreign Exchange: (allocation)	Amount Million FCFA	Percentage %
Expatriate Personnel	4.7	0.1
Agency Contributions	12.2	0.4
Office Materials & Expense -(75%)	73.1	2.2
Vehicles and Fuel	281.1	8.5
Agricultural Inputs		
Fertilizer	264.0	8.0
Seeds	2,248.0	68.3
Animal Feed	81.9	2.5
Construction - (50%)	25.6	0.8
Miscellaneous - (50%)	9.0	0.2
S-TOTAL	2,999.7	91.1
* Airplane	63.6	+ 2.0 %
 Local Currency:		
Local Personnel.....	155.0	4.7
Office Expenses -(25%)	24.3	0.7
Training	51.4	1.6
Guarantee Fund	28.7	0.9
Construction - (50%)	25.6	0.8
Miscellaneous - (50%)	9.1	0.2
SUBTOTAL	294.0	8.9
<hr/>		
TOTAL (by Cost Element)	3,293.7	100.0 % 1/

Reference : See Annex C

Note:

1/ The Secretariat only provided an accounting by cost element of a total of 3.3 billion FCFA disbursed, or about 70 percent of a total of 4.685 billion FCFA funded for the RSDG and the ASDG over two years.

The following Table IV.5 illustrates the breakdown of the cost elements for the Agriculture Support Project, shown as 'seed purchases' above (at the level of the Secretariat.) It was possible through the project accountant, who customarily breaks down the costs reported.

TABLE IV.5
SUMMARY : AGRICULTURE PRODUCTION SUPPORT
PROJECTS FUNDED UNDER ASDG
Percentage Spent by Cost Categories Through end of Fiscal Year 1985/6

Cost Categories:							
	Salaries	Seed	Fertilizer	Pesticide	Other	Total	
PROJECT NAME:							
Emergency Seed		100				100	
Opposite Season		100				100	
Security Stocks		71	28		1	100	
Fertilizer Revolving Fund			100			100	
Restart Cowpeas	3	18	77	1	1	100	
Peanut Seed...		100				100	
Total Percentages	1	69	19	7	2	100	

Reference: See Annex C

From Table IV.5 it is noted that when all the project expenses from the Agriculture Production Support Project are analyzed, the cost of the seeds - or the capital portion is equivalent to only 69 percent of the total. The remainder includes costs for personnel, fertilizer, pesticides, financing, etc, which fall into the category of recurrent costs. ^{25/} As regards the Agriculture Production Support projects, ASDG funding is unlike that of some funding mechanisms, USAID and other donors, where the bulk of funds are used for recurrent costs.

A future issue is what types of costs and in what categories will be considered as recurrent for the Government of Niger. Inputs such as

^{25/} In the definition of recurrent costs: (1) the purchase of replacement vehicles - 8.5% in that the alternative would be higher maintenance costs on the present fleet; (2) personnel costs were 4.7%, (3) office expenses 3.4%, overhead and miscellaneous 0.5% and agency contributions to the ILO/UNDP 0.4% -- are all included.

fertilizer and pesticides would fall into this category. Further, with regard to the creation of a 'revolving fertilizer fund' that has been started by the National Cereals Program (A.P.S.) for fertilizer purchases for seed multiplication, the purchase of 2000 tons of super triple phosphate from the U.S. at 263,000 FCFA per ton, and 350 tons of super triple phosphate at 47,000 FCFA per ton, it is C.A.'s practice to set the local sales price at 70 FCFA per kilo for super-triple phosphate at, i.e. 70,000 FCFA/ton. There will not be enough funds returned from the sale to the new revolving fund for a second purchase of 2000 tons of the super triple phosphate fertilizer.

According to the C.A. (financial counselor) in the current year the C.A. will replace the fertilizer for the next season with roughly 1,500 to 2,000 tons of super simple, which can be purchased now for 47,000 per ton. At this year's CA prices, this will sell for 45 FCFA kilo.

The net result of this policy, is that the 'revolving fund' will be diminished each year because the amount at which fertilizer is sold for will not cover the cost of repurchase, without even considering delivery cost

Therefore, in examining the project funding by the ASDG CPF for 'recurrent costs', among the expenses that have actually been paid, it is only the extra-ordinary purchase of seeds and the airplane that can be truly be determined as being 'non-recurrent'. That is, about 50 percent of the 66 percent foreign exchange requirements have been non-recurrent costs. 26/

In Table IV.6, comparisons are made between ASDG counterpart funded projects and all other AID Niger projects, with the same categories of costs on a percentage basis of total expenses.

Recommendation:

(4.01) It should be noted that to properly classify costs as either capital or recurrent which is required under the Grant conditions in the selection of projects for funding under the CPF, information on the disbursements of the counterpart funds by type of expense should be regularly maintained at the level of the Secretariat. (The implementation of this recommendation would also facilitate presentation of projects financial evaluation and monitoring).

26/	Seeds 2,248 million times 69% = 1551 million.
	Airplane 64 million.

TOTAL

1615 million.
4.635 = 34% non-recurrent cost

TABLE IV.6
COMPARISON : PROJECTS FUNDED UNDER ASDG
WITH PROJECT COSTS FOR ALL OTHER A.I.D. PROJECTS

Expenses by Category of Cost
 Through end of Fiscal Year 1985/6

COST CATEGORY:	ASDG /1 COUNTERPART FUND	All OTHER AID by Expenses PROJECTS/2 IN NIGER
	Percentage	
Expatriate Technical Assistance:	0.1	39.5
Nigerien Personnel:	4.7	20.8
Office and Materials:	3.4	5.4
Vehicles Parts & Fuels:	8.5	5.0
Equipment and Materials:	78.3	13.0
Construction:	1.6	8.9
Miscellaneous:	1.5	3.0
Other	1.9	4.4
TOTAL	100.0	100.0

Notes

- 1/ Refer to Table IV.5
- 2/ Fiscal 1985/86 Report AID Projects

25

Therefore, even though there is a high degree of recurrent cost involved in the types of project expenses financed by the ASDG counter part funds, there is a much more efficient delivery system of the aid to Niger. As noted in the structural adjustment program, (refer to Annex J), there is a need in Niger to increase the supply of materials relative to the costs for personnel. Niger, as true of many other similarly economically situated countries, in the face of economic difficulties will first out the supply of materials, and only salaries as a last resort.

E. Economic Benefits and Contribution to Development

From our observations on the results of the projects where USAID has begun to limit its support, and to cut the scope of the project, such as the Niamey Productivity Project, and the National Cereals Project, it would appear that the government too must start to re-evaluate its priorities towards more efficient resource allocation. To benefit most from the economic impact of the Counterpart Fund, the list of projects funded should be made up of new projects that require a Government of Niger contribution of self-funding.

Without resorting to a case-by-case review of the alternatives, the use of these funds for continuing requirements without a re-evaluation on the basis of (1) a re-calculated economic return and (2) a better-defined economic program for development, is not an efficient allocation of Niger's limited available resources. At the present time, the Government of Niger does not do adequate economic analyses of its donor financed projects. There are several expatriate projects, mostly located at the DAEP in the Ministry of Plan, which promote and will teach Nigeriens this type of economic analysis. However, do to a lack of qualified Nigerien personnel to train in these sophisticated methods no minimum economic criteria for project acceptance has been established.

Recommendation:

(4.02) Relevant techniques of project appraisal should be made by the technical ministry project analysis groups, to assess the economic impact of these projects. The estimated economic return should be calculated, using either the methods found Part Four in the "Analysis of Agricultural Projects", by J. Price Gittinger, and used as a criteria for selection of a project for funding. The utilization of the Technical Assistance team on this problem might be one possibility of assisting the Government of Niger in this critical area.

V. ADMINISTRATIVE EFFECTIVENESS: EVALUATION OF THE TECHNICAL ASSISTANCE TEAM

A. The Roles and Functions of the Technical Assistance Team

Under the ASDG, the University of Michigan has been contracted to provide a four-person technical assistance team to the Government of Niger in policy implementation, and helping the Ministry of Rural Development to establish an economic policy analysis unit. The detailed Terms of Reference (TOR) of the University of Michigan team (hereafter referred to as the Technical Assistance (TA) Team) is included in Annex F. This chapter will assess the progress of the TA Team in accomplishing their TOR and their integration into the Nigerien policy analysis environment.

The contract with the University of Michigan provides for two Agricultural Policy Specialists (three-year appointments), a Statistics/Computer Applications Specialist (a two-year appointment) at the Ministry of Agriculture; and a Development Economist (a two-year appointment) at the Ministry of Plan. Apart from the specific responsibilities of each member of the TA Team in furtherance of the technical assistance objectives of the ASDG, training activities for Nigerien counterparts, including in-service training, policy seminars and professional workshops are also programmed.

1. Technical Assistance Team Perceptions of its Role and Relationships

A meeting was held on November 14th with the TA Team to assess their perceptions of their actual roles and relationships, and not merely those envisaged in project documents. It also gave the Evaluation Team an opportunity to discuss initial findings with the TA Team. All the members of the TA Team were present. The presentation was a free exchange of ideas between the Evaluation Team (all members present) and allowed each team member to express his ideas and commentaries.

The following principal points were derived from this meeting:

a. Policy Studies

The studies that have been completed have not been done jointly with Nigerien counterparts. However, the outlines for the studies have been discussed with the Director of the DEPSA, and his approval is obtained before work commences. The Evaluation Team believes that to help the Nigerien government implement the policy change, and to develop a policy analytic capacity in the Government of Niger there must be considerable involvement of government analysts in these option papers.

Although some of the studies were done specifically for an audience at USAID, (specifically the organizational 'diagnostics' of the Ministries, and the internal notes to AID on Policy Reform Progress) the intended audience for the Agricultural Policy Studies must be Nigerien policymakers if the TA Team is to ever be considered as a valuable source of policy advice by the Government of Niger. As an illustrative example of Nigerien interest in

policy studies, the Fertilizer Retrospective Study has stimulated much discussion and generated requests for copies at the level of the Presidency and the CND. The content of the Fertilizer study is mostly descriptive. It compiles data from several sources, including various consultants' reports, on fertilizer use in Niger over the past several years, both nationally and by department.

b. Completion of TOR for the TA Team and for the Agricultural Policy Advisors

A series of studies, like the Subsidies Study (the Fertilizer Study mentioned above), are also required of the Senior Policy Advisor, to be undertaken either by himself and his team or with the assistance of outside consultants to:

- (i) Examine the policy making process within the Ministry of Rural Development (substitute Agriculture) and prepare a paper describing the process and recommending steps to improve the efficiency and effectiveness of the system; (paper completed June 1986);
- (ii) Prepare an inventory of government policies, administrative decrees, official regulations, and bureaucratic procedures, which affect agricultural input supply, farm production, marketing and exports;
- (iii) Determine what in-house seminars and workshops should be conducted to build capacity of the Policy Analysis Unit (PAU) staff;
- (iv) Recommend the kind of computer hardware, software programs, and other equipment most suitable for PAU functions; (note: essentially completed);
- (v) Formulate a work schedule and operating budget for the PAU covering the first three years of its operation;

(Note : partially complete, less iii)

Specifically referenced in his TOR, the Senior Policy Advisor has responsibilities to identify, prioritize, write TORs for, and oversee the conduct of policy studies needed to optimize economic gains to be made from policy reform -- beginning with those studies tentatively suggested by the AID Sector Assistance Activity Paper (SAAP) and by Government of Niger Ministry officials.

The Senior Policy Advisor is also to conduct a study on:

- (1) Monitoring and evaluation of the newly adapted bid/tender system for grain marketing, via SPTM, in terms of efficiency and equity;

- (2) Creation of an efficient market information system and dissemination of price data;
- (3) Quantification of the effects of input subsidies;
- (4) Livestock export marketing;
- (5) Urban food consumption and food self-sufficiency;
- (6) Rice Marketing;
- (7) Producer Cost and Market Price Analysis of millet, sorghum and rice;
- (8) Feasibility of Animal Traction;
- (9) Relationship between dry land and rainy season agricultural production.

Relative to the studies, and in preparation for Policy Analysis, the Senior Policy Analyst has been assigned additional coordination duties as follows:

- (1) Coordinate the collection and analysis of data among the various offices (including that of the DEPP) within the Ministry of Rural Development (substitute Agriculture) to ensure the gathering of the required information at sufficient levels to conduct reliable analyses and formulate sound policies;
- (2) Coordinate with the other relevant Ministries (including the Ministries of Animal Resources, Plan, Finance, Commerce, etc.) as necessary to ensure the adoption and implementation of required policy reforms;
- (3) Coordinate with the Cereal Marketing Board (OPVN) within the Ministry of Commerce and Transport regarding policy reforms such that consistency and compatibility of agricultural commodity pricing with farmer input subsidies are achieved;
- (4) Coordinate the semi-annual joint review of policy reforms with the Government of Niger and AID and assist the Agricultural Policy Analyst in preparing the semiannual reports on progress and problems with specific recommendations for continuing or changing the program;
- (5) Coordinate with and provide professional advice to the Development Economist assigned to the Ministry of Plan upon request for assistance;
- (6) Coordinate with and consult with the AID Mission Agricultural Development Officer (ADO) and his staff once a month - briefing them on the status of progress and problems in executing the work

plans of both technical assistants at the Ministry of Rural Development (substitute Agriculture).

For the Senior Agricultural Policy Advisor, even with the assistance of the two TA Team members at the MA, the timely accomplishments of all the tasks detailed above would be a formidable work program for the two years remaining under the ASDG. The opinion of the Evaluation Team is that, unless a considerable acceleration is made in the production of these studies, with help from the Nigeriens at the Ministry of Agriculture, this list of tasks cannot be accomplished during the remaining time left under the University of Michigan contract.

Recommendations:

(5.01) A work plan for each member of the TA team for the final two years of the University of Michigan contract must be established with milestones and projected outputs at critical points during the period.

(5.02) In addition, to properly fulfill the policy study requirements under the ASDG, at least one individual under the guidance of the ASDG policy reform conditionalities must be assigned to the DEP in the Ministry of Animal Resources. If this requirement is to be fulfilled under the Integrated Livestock Production (ILP) Project, then an overall ASDG Technical Assistance coordinator must be appointed to coordinate the effects of the two teams, as well as whomever is at the Ministry of Plan.

From discussions with the AID Project Coordinator and his Nigerien assistant for the ILP Project, the duties of the ILP Technical Assistance team (Tufts University) include policy formulation as regards to animal marketing, but does not include any reference to animal marketing and export conditionalities of the ASDG. It is expected that this group will be attached, like the proposal for the TA Team, to the DEP, Ministry of Animal Resources. We suggest that the TOR for the Tufts Team include reference to the ASDG policy objectives.

B. Relationship of the TA Team with their Counterparts and AID

1. Assessment of Nigerien Participation in the TA Team's Policy Analysis Role

Except for the micro-computer specialist at the Ministry of Agriculture, and the macro-economist at the Ministry of Plan, there is minimal interaction of the team members with counterparts in the Government of Niger. The lack of Nigerien participation in the TA Team's other work and studies at the present time, is a serious problem. With only some reservations on who is to do most of the work, the interest on the part of the Nigeriens is to participate in these studies, updates and reworks. One solution to remedy this problem is to integrate the TA Team into the Ministry of Agriculture's policy formulation structure. At the technical analysis level, this could involve more work on the normal day-to-day problems faced by the MA. It is within the context of these problems that policy questions are raised, and decided.

The role of the team members in providing training to the Nigerien counterparts was also discussed. The long range goal of training Nigeriens capable of taking over the functions provided by the TA Team is an objective of the ASDG.

Considerable additional involvement of the Nigerien staff in the various Ministries was foreseen at the time of the inclusion of the technical assistance component in the ASDG. The provision of skills in policy formulation is in the opinion of the Evaluation Team as important as securing agreement on the five policy reforms that AID has made conditions of the Grant. There must be involvement in the DEPSA's day-to-day work. An exemplary case in point is the high degree of acceptance that has been achieved by the Micro-computer Applications Specialist, as evidenced by his participation in the design of Ministry studies and his help in statistical data collection.

2. Relationship of the Team with AID

There is the requirement in the TA Team's TOR to coordinate with and consult with the AID Mission Agricultural Development Officer (ADO) and his staff - briefing them on the status of progress and problems in executing the work plans.

Members from the Evaluation Team attended two monthly meetings of the TA Team with the Project Officer, and the ADO. According to the ADO, the function of these meetings is to ensure that sufficient coordination is being maintained between the team members. All TA team members attended, and the discussions were mostly updates of recent events, and review of scheduled short-term workplans.

Recommendations:

(5.03) Change the required reporting relationship from AID to the Ministry, and have AID request meetings with the Ministry to discuss TOR progress and problems, to assist the Ministry in complying with the ASDG policy change requirements.

(5.04). Untie the TA Team from direct AID reporting requirements. This could be accomplished under a PIL or a Memo of Understanding.

C. Implications of Effecting a Greater Integration of the TA Team in the Ministry of Agriculture

To gain an audience among the Nigeriens and to increase the TA Team's involvement in the Nigerien policy dialogue it is important that TA Team be given official status by the Ministry of Agriculture. This might be achieved by assigning the TA Team directly to the Director of DEPSA. Further, the Agricultural Policy Analyst could work more closely with the Deputy Director at the DEPSA on current policy level problems under consideration at the Ministry.

The computer specialist/policy analyst, who is already integrated into Ministry of Agriculture, now working closely with the DEPSA Director of Statistics and Studies on the collection and computerization of statistics, should concentrate less on the day-to-day teaching of computer applications and use his analytical background to work on policy studies in collaboration with the Agricultural Policy Analyst. This could effectively demonstrate the importance of computer skills in conducting policy analysts studies.

The transfer of the Senior Policy Advisor to the DAFP in the Ministry of Plan could serve as a positive influence on the formation of Nigerian economic policy. Such a move to the Plan, would serve a greater purpose if a new mid-level subcommittee of the high committee on policy is formed, this to be made up of the directors of the DAFP and DEPP at the Plan, and the DEPSA and DEP at Ministries of Agriculture and Animal Resources, respectively. A member from the Ministry of Commerce, probably the Director of Interior Commerce should also sit on this committee. There are the Directors at the technical level which influence Agricultural Policy studies and option papers.

The idea would be to have the Senior Policy Advisor work closely with the Chairman of such a Committee, perhaps as the Executive Secretary for the Committee, and thus be a permanent member. The Evaluation Team believes that the logical candidate for the Chairman of the Committee is the Director of the DAFP. The DAFP is charged with writing the Five Year Plan, and with formulating the basic policies to be used in the Plan. The Macroeconomist then could remain at the DEPP in the Ministry of Plan, or he could return to a Technical Ministry, preferably the Ministry of Animal Resources because of his previous experience in the Integrated Livestock Project.

D. Training Requirement under the ASDG

The role of the team members in providing training to their Nigerian counterparts has previously been discussed. The computer training by the Microcomputer Applications Specialist is the only training component in the project that is currently being pursued. The longer range goal of training Nigerians capable of taking over the functions provided by the TA Team is not being addressed because there is very little interaction of the team members with Nigerian trainable staff except for the computer specialist/agricultural analyst. The work of the Macroeconomist at the MP seems to be primarily with other expatriates, either in the existing AID project or with other counselors. He works under the nominal direct supervision of the Nigerian Director of the DEPP.

The work with DEPSA's statistical services has a high probability of paying off as the staff of DEPSA become more efficient. The computerization of the information and data leads to a faster delivery time to those in higher levels, and more time for analysis in addition, the field work of the computerization team will enable more and better information to be available at the statistical section for policy studies.

Recommendations:

(5.05) The official nomination of Nigerien counterparts must be made so that the training in policy analysis and option formulation can be a collateral function with the daily work program.

The TA Team Leader has requested that the appointment of the Microcomputer Specialist be increased by at least one year, to conform to the time period of other University of Michigan TA team members.

(5.06) At the end of the current contract, the Microcomputer Applications Specialist should be assigned to a division of the MAR, thereby permitting the Agriculture Statistics Section to better utilize the training taken place as well as to permit the Microcomputer Specialist to make an assessment of the trained staff's ability to carry on without his direct assistance. The Evaluation Team is in general agreement with the TA Team Leader that the same position should be provided for elsewhere in the Nigerien policy analysis structure, either at the DEP in the Ministry of Animal Resources or in another division of MDR. A joint-type appointment might be helpful in this regard.

VI. MACRO-ECONOMIC IMPACTS OF THE ASDG

The ASDG provides an example of a program that has significant macroeconomic implications for Niger. Moreover, the ASDG, in coordination with other donor-financed projects in Niger, helps to create employment in sectors where the economy has a comparative advantage. In this chapter, the effects of the monetary transfers and domestic policy reforms under the ASDG on the balance of payments and other macroeconomics indicators will be assessed.

A. Balance of Payments Effects

1. Effects of the Initial Transfers

The first transfer, totaling \$4,750,000, was made under the Rural Sector Development Grant (RSDG), plus accumulated interest of \$43,667, which, when converted to FCFA equalled 2,100,965,477. This latter amount was transferred to the CPF in two equal-installments—April 12th and June 4th of 1984.

The CPs for the first transfer under the ASDG were met on December 14, 1984. The net transfer was \$10 million, since AID had already obligated \$3 million for technical assistance. The local currency equivalence of this transfer was just over three billion FCFA. The transfer to the CPF of \$9,025,000 for the second tranche was equivalent to 3,367,678,750 FCFA and this was effected on December 19, 1985.

Such transfers have significant impact on the Nigerien economy. Table VI.1 below shows financial transfers as a percentage of the resource gap in Niger's balance of payments (BOP) over the years indicated.

Over the fiscal years indicated, the proportion of RSDG/ASDG local currency transfer relative to the estimated resource gap in the balance of payments varies from 5.1 percent to 10.3 percent. The deterioration in the BOP during this period, with the resource gap reaching 20 billion FCFA in 1984, and 62.3 billion the following year, led to a drop in the relative importance of the ASDG transfer. Although the amount of the transfer increased by 35 percent from 1984/85 to 1985/86, the 27 percent decline in the dollar/CFA exchange rate meant that the net increase was not as significant as would have ordinarily been the case.

2. The Counterpart Fund Provision of Needed Foreign Exchange

It was stated in the CDSS (Feb, 1986) that the ratio of debt service to exports, in the absence of debt rescheduling, remains high (31 to 34 percent) relative to the country's debt servicing capacity over the next several years. During the financial crisis in Niger when the country faced a possible debt re-scheduling program, the state development investment budget had to be cut by over 45 percent, FY-84 to FY-85. The ASDG, unlike many other donor's projects provided new, relatively

TABLE VI.1
AMOUNT OF THE ASDG LOCAL CURRENCY CONTRIBUTION AND RELATIVE IMPACT/1

	Fiscal Year		
	1983/4	1984/5	1985/6
Amount Transferred (in millions \$ ^{1/2})	4.750	6.650	9.025
Amount Transferred (in CFA Francs, billions)	2.101	3.157	3.368
Resource Gap /3	20.4	62.3	38.9
ASDG Transfer as % of Resource Gap	10.3 %	5.1 %	8.7 %

Notes:

- 1/ Current-not adjusted for fiscal years
- 2/ Local currency contributions in 1983/4 was from the RSDG.
- 3/ The resource gap is defined as imports less exports of goods and services.

Source: Table II, page 2, Technical Note/Annex B.

unrestricted foreign exchange inflows. The early projects chosen were based on such factors as: providing animal feed for relief of the drought conditions (late 1984); and continuation of projects that had been scheduled by AID/Niger in the case of the Niamey Department Development (NDD), to carry as much as a 50 percent government self-financing condition.

The ability of the government to use the counterpart funds for recurrent costs, including importation of replacement materials and equipment, allowed the development process to continue without even more of a reduction in both projects scope and intended effects.

The use of the counterpart funds for foreign purchases, totaling 82 percent to 87 percent of disbursements, included replacement vehicles, fuel, purchase of fertilizer and a crop-protection airplane and the purchase of the cowpea CB-8 variety seeds, was directly related to one of the conditionalities of the grant.

In addition, almost 30.8 percent of the budgets of the projects funded were counterpart contributions to projects that had originated with donors other than AID, including a 'basket' of miscellaneous small Nigerien projects. 27/

A comparison with the ASDG Counterpart Fund with other donor-financed projects development assistance projects demonstrates the importance of macroeconomic "efficiency" aspects of the ASDG. It is not unusual for donor countries to require the purchase of goods and services under a sponsored project from the donor. In some instances, up to 90 percent of a project's purchases of goods and services may be "tied". Within the ASDG, less than 10 percent of the total funds is "tied" and therefore promotes an efficient use of project funds. In other words, projects purchases are dictated by the most favorable prices, as opposed to the source of the goods and services purchased. Hence the ASDG allows the Government of Niger considerable flexibility in implementing domestic policy reforms.

In summary, the ASDG grant was very important to these projects in terms of supplying needed foreign exchange, and the overall economy benefitted by permitting decisionmakers to purchase needed goods and services, independent of geographic origin.

3. The Promotion of Foreign Exchange Generation

The ASDG actually promotes foreign exchange earnings for Niger, relative to the requirement for freer cross-border trade in cowpeas. The importation of the CB-5 cowpea seed, a high-yielding variety which has been successfully adapted to the Nigerien environment, has generated appreciable production increases. Official export statistics show a three-fold increase in cowpea exports between 1983 and 1986. Table VI.2, shows export statistics, compiled by SONARA, the state marketing agency.

TABLE VI.2
COWPEAS EXPORTS

Year	Cowpeas (FCFA billion)	All Exports	Percentage
FY 1985-86	9.7	119.9	8.0%
FY 1984-85 /1	0.0	112.6	0.0%
FY 1983-84	3.4	132.8	2.6%
FY 1982-83	3.1	141.2	2.2%

Note: /1 The Border with Nigeria was closed in 1984/85.

Source: SONARA, Direction Commerciale

27/ Counterparts funds details are presented in Chapter III.

B. Central Government Finance and Budgeting

Given the transfer of dollars into local currency for counterpart funds needed in the operations of ASDG-initiated projects, the Nigerien treasury's need to finance the local currency requirements of development projects is reduced. Table VI.3 demonstrates the downward trend in the budget deficit over the period 1983/86. This Table also shows the proportion of ASDG financial transfers relative to the budget deficit; the proportion varies from 4.9 percent to 11.5 percent. However, shown also is the proportion of the Fonds Nationaux d'Investissement (FNI), which underlines the importance of the ASDG to investment projects in Niger. Using this measure, the ASDG contribution is from 26 to 63 percent of annual investment expenditures. Official figures for 1983/4, and preliminary figures for 1985/6, indicates an annual budget deficit of between 42.7 and 29.3 billion FCFA. (Refer to Table VI.3 on the previous page.) Without the ASDG transfers the investment level in Niger's development projects would have reduced by the amount of the ASDG financial transfer, other things held constant. The ASDG prevented a bleak economic situation from becoming even bleaker.

Detailed figures in Annex B underscores the limited room for manoeuvring in such difficult financial straits. Borrowings from the domestic banking systems and external sources are limited in accordance with Niger's debt rescheduling programs. Currently, there exists a freeze on government salaries, and limits on government hires, in spite of the recognized dearth of trained technical staff in the ministries, including the MA. If investment is to be restored to the level required to sustain growth while policy reform measures are followed, domestic savings will have to be increased. A growth in domestic savings will flow from greater exports, and a freeing of markets, called for by the ASDG.

C. Impact of the Stabilization Program

In 1983, the Government adopted the IMF Stabilization program aimed at reducing the domestic and external financial imbalances. This program included a cut-back on current expenditure (such as a freeze on government wages and salaries), a reduction in investment expenditure, and tight control on foreign exchange borrowings, including the borrowing of the governmental monopolies. It also included targets for real growth and for the control of internal inflation.

The objectives of the financial assistance of the program can be summarized as follows:

1. Achieve 3 percent real rate of growth;
2. Reduce rate of inflation as measured by the GDF deflator from 7 percent to 6.5 percent;

27

TABLE VI.3
AMOUNT OF THE ASDG BUDGET CONTRIBUTION AND RELATIVE IMPACT/1

	1983/4	1984/5 (FCFA, billions)	1985/6
ASDG Budget Contribution	2.101	3.157	3.368
Budget Deficit	31.1	33.5	29.3
ASDG Commitment Basis 3/ percentage	6.7 %	9.4 %	11.5 %
Budget Deficit	42.7	35.3	29.3
ASDG Contribution 4/ Cash Basis; percentage	4.9 %	8.9 %	11.5 %
Public Investment	38.7	47.9	39.4 /2
ASDG Total, Excluding Grants, percentage	5.4 %	6.6 %	8.5 %
Public Investment Agriculture & Rural Development	21.7	21.7	31.2 /2
ASDG Contribution percentage	9.7 %	8.9 %	10.8 %
Fonds Nationaux d'Investissement /5	8.0	5.0	4.5 est.
ASDG Contribution percentage	26.0 %	63.0 %	74.6 %

Notes:

- 1/ Current prices.
- 2/ DEPP (PIC) Excluding Grants
- 3/ Budget deficit calculated on the basis of committed projects, plus arrears.
- 4/ Total revenue minus total expense.
- 5/ Extracted from Niger Macroeconomic Situation and Constraints, USAID/Niamey, Kiertisak Toh

Sources: Table VII, page 7 Technical Note (Annex B) Plan Intermediaire de Consolidation (PIC), plus
 TA Team Memorandum: The 1987 National Budget of Niger 10/6/86

3. Reduce the current account deficit in the BOP from 3.9 percent of DP to 2.8 percent of the GDP and limit the overall balance of payment deficit to 39.2 million SDRs.

4. Public Investment Program -Overall Objective - 71 Billion FCFA

Domestic Counterpart, including the BDRN	8	"	"
External Borrowing	34	"	"
Grants from Donors	29	"	"

Following the assessment of the first stand-by arrangement in August 1984, the Nigerien Government requested another stand-by arrangement. The most recent IMF/Niger Stabilization program is for the period December to December, 1985-1986. The stand-by credit arrangement is for \$16 million SDRs. (Five equal tranches of \$3.2 million SDRs each, disbursed according to the approval of the Board, with "Policy Targets" as "Conditionalities" to the disbursements.)

There is a collateral program of the World Bank, a Structural Adjustment Loan, that parallels the Policy targets under the Stand-by Credits. The Goals of the IMF/World Bank Structural Adjustment Program call for changes in two major categories;

1. A reduction in the role and size of the public sector in line with resource availability;
2. A more efficient use of budgetary resources, to better utilize existing investments, expand essential services, and strengthen the basis for future economic investment.

The impact of the ASDG in supplying foreign exchange relative to the IMF/Niger Stabilization Program can be shown in Table IV.4 on the following page.

The 1985 Program called for a Public Investment Program Overall Objective of 71 billion FCFA with a Domestic Counterpart of 8 Billion FCFA, including the BDRN. The IMF/World Bank will not count the Counterpart contributions against the domestic contribution, but against the Grant budget, which was estimated at 29 billion. Table VII.4 is used to show the relative importance of the ASDG counterpart funding in terms of the Structural Adjustment targets for Niger's national investment. The IMF/WB program has articulated this target in terms of a percentage of the GDP. For Niger, taking into account its continuing but reduced uranium income levels, the target was agreed at 2.8 percent per year. This is what the SA program expects Niger to generate itself, and is not related to Niger's ability to find additional donor financing.

TABLE VI.4
IMPACT OF THE ASDG ON THE IMF STABILIZATION PROGRAM

Relative to the IMF/NIGER Target for Reduction in the
Current Account Deficit as a Percent of GDP

	Fiscal Year		
	1983/4	1984/5	1985/6
	(FCFA, billions)		
GDP (current)	615.4	708.5	788.5
IMF Program /1 Target 2.8%	17.3	19.8	22.1
ASDG Budget Contribution	2.1	3.2	3.4
Comparison-to Target percentage	12.1 %	16.2 %	15.4 %

Notes:

1/ Comparisons with the IMF Program target for 1985.

D. The Policy Environment and Policy Dialogue Process

Overall, the ASDG has had a positive effect on the policy dialogue and the environment in which the dialogue takes place. This is evidenced in that both IMF and World Bank have adopted some of the same policy reform criteria as conditions for economic assistance. Given the seriousness of the Nigerien economic position, it is not unusual to find divergences of view as to what must be done to revive the economy. Some policymakers express a desire to continue the failed policies of the past, while others are more pragmatic and realize that bold new strategies are required.

The recent Program Document (PD) proposed by the Supreme Military Council, "Programme Significatif de Relance", is an excellent reference document for assessing the articulation of domestic policy reform in Niger. The PD outlines the recent performance of the Nigerien economy and attempts to identify the constraints on economic growth, and proposes new options for stimulating income and employment growth.

The PD has as a general background the stabilization programs of the IMF and the structural adjustment programs of the World Bank. It is therefore, by necessity, formulated within a tight framework with limited access to additional domestic or external resources. This is perhaps as it

should be because it forces the adoption of reform measures to deal with external developments. In the case of Niger, the loss of revenue from uranium exports has magnified the external shocks which the economy has had to confront over the past several years.

Primarily as a consequence of the downturn in world market prices for uranium, the Nigerien economy has returned to one heavily dependent on agriculture. Niger's Sahelian location, and its resultant dependence upon favorable conditions for rainfed agriculture, underlines the precariousness of the present economic situation.

This new PD is contained in the objectives for the current year of the current three rolling economic plan. Support for this program is expected to come from several sectors. These include; the private sector; the cooperatives; the informal sector; and the mixed enterprise sector (typically parastatals).

The activities and programs for each sector will be carried out through the identification of relevant projects, designation of competent staff to implement necessary project actions, and the preparation and adoption of policy reforms. Chapter II contain analyses of the role of cooperatives and subsidy levels in meeting the CPs of the ASDG. It is useful here to examine subsidies with respect to national budgeting.

The Government of Niger continues to believe that subsidies are necessary to improve the productive capacity of the rural sector. According to the PD specified subsidies will continue to be given to farmers for necessary production-increasing inputs. This policy is effected through reductions in taxes on agricultural inputs, including exemptions of all taxes for pumps and spare parts, and reduced taxes on other inputs.

In the PD, the forecast of subsidies and tax losses, relative to agricultural inputs, will amount to 142 million FCFA of which 58.5 million will represent the reduction of local taxes, and 83.5 million is to be allocated for agricultural inputs subsidies. It is interesting to note that there is little mention of foreign exchange needs--for fertilizer, pesticides, and herbicides--in the report. Subsidies do not in themselves violate the spirit of the ASDG, since it is only required that subsidies be reduced to an average level of 15 percent; the complete elimination of subsidies is not required under the ASDG.

Subsidies do have budgetary implications as the Table VI.5 indicates.

From FY 1984 to FY 1986 funds allocated for C.A. subsidies declined precipitously, from 550 million CFA Francs, to 176 million. Table VI.5 shows direct subsidies as a percentage of the government investment budget declined from 10.9 to 2.7 percent. Significantly, from the viewpoint of ASDG objectives, the existing C.A. budget for subsidies is 32 percent of the 1984 level. Over this same period, the operating costs for the C.A. declined 32 percent. The reduction has heavily affected implements, which no longer enjoys any subsidy, with little effect on fertilizer since it is subsidized by donors. (See Chapter II for more details).

TABLE VI.5
OPERATING COSTS AND SUBSIDY VERSUS BUDGET RESOURCES

	Operating Costs/CA	Subsidy to C.A. FCFA (Millions)	Investment Budget/Gov.	Subsidy % of Budget
FY-84	170	550	5,019	10.9
FY-85	155	300	4,100 2/	7.3
FY-86	120.0 /e	176 1/	6,500 3/	2.7

Notes:

- 1/ Originally the subsidy allocated to the C.A. was 250 million F-CFA, only 176 million has been transferred, the rest has been frozen.
- 2/ Revised figure. (Ministry of Finance)
- 3/ Budgeted figure. (Ministry of Plan)
- e/ estimate

E. Suggestions and Recommendations in the Policy Formulation Area

AID, with its wealth of studies on Niger's Agricultural and structural problems, could lead in the revised agricultural policy formulation debate. Niger needs an effort to be made towards a better economic rationalization of its economic structures in the face of what appears to be a permanent decline in uranium export revenue. In this regard, AID should naturally seek complementarity with other donors' development projects, as well as its own. As long as there is complementary to other donor's objectives agreed upon, the ASDC could be a leading force on into the future.

On project choice and general style of project implementation, there is at present, little coordination with other donors development oriented projects. Technical assistance is given by many donors to the same organization, without any real coordination. It would also appear that in some cases donors act in competition with each other in the same field (e.g. all the technical expert groups at the OPVN.) In the short as well as the long run, Niger is not better off for this competition. And as a rational allocation of the scarce resources available to Niger, this amounts to a serious wastage.

To best benefit Niger, donors should share more of their experience and more clearly define their objectives to the Nigeriens. Donors should use the same economic rationale of 'relative economic advantage' in picking their expertise to give to Niger. This donor coordination should be conducted under the leadership of the Government in order to define jointly the priorities for changes in Policy formulation.

Concerning this matter the Government should take the initiative. However, if it does not yet have a well defined and economically sound set of consistent priorities with which to go forward with proposals to the donors. The main reason for this is the scarcity of trained human resources (macro-economic and financial analysts) in the Government structure. Within the planning ministry and technical ministries, there are not sufficient numbers of trained financial and economic analysts to carry out economic studies of the impacts of donors development projects. The statistical information and basic socio-economic data necessary for effective economic studies is only now being gathered, and it will require more time to build a data base of statistical information.

F. Intended Effects of the ASDG

1. Donor Acceptance of Broad Objectives of ASDG

While donor countries and agencies often disagree on the causes and consequences of economic performance, there is broad acceptance of the ASDG objectives. The IMF/World Bank Structural Adjustment Program is an example of donor complementarity with respect to policy reform. In general, with regard to most of the specific policy reforms required under the ASDG, the ASDG and the SAP are in agreement. The Conditionalities under the ASDG are much more sharply defined, including the timetable for their accomplishment. The World Bank's Conditionalities are much less defined, although the goals of the impacts are explained in more detail. An approach such as the one used by the Bank requires a continuing dialogue on Policy Changes. The Bank have more leverage with their (SAL) loan and stand-by drawing programs.

Interviewing representatives of other donors the Evaluation Team concluded out that the objectives of most donors from an economic perspective might be better coordinated. However, there are also political perspectives that play a part in each donor's program of assistance to Niger, and these we were not able to assess in any meaningful way. Therefore, we believe that coordination between donors could improve, at least in terms of their common view of Niger's problems, which could tremendously benefit the effectiveness of the ASDG and AID's objectives. This would also lead to less confusion on the part of the Nigeriens, to less playing of one donor off against the other, and also to more efficiency in implementing policy reform.

It must be noted that not all the donors agreed on the five points of the policy reform chosen by AID. Few of the donors have policy reforms as a conditionality for their project funding. AID could play a major role in this coordination, having taken the initial lead with the ASDG. In their strategies, most of the donors are oriented toward Niger's main objective of food self-sufficiency, with their projects oriented toward the productive sector. There has been little questioning of the results of this return to a heavy dependence on the agricultural sector, as few donors have investigated the reasons for the sharp decline in income at the farm level. Food aid for many is the current priority; most donors think of their policy in terms of the urgent needs for food during the drought, and few have examined their

programs from a longer term economic perspective. ASDG encompasses both short and long term objectives which differentiates it from the majority of donor programs in Niger. In the short term, ASDG emphasizes the maintenance of financial support to the agricultural sector, in face of the economic distress that Niger confronts. In the long run, ASDG stresses increased food reliance and rural income diversification. Undergirding both the short and long run policy objectives are policy reforms envisaged by ASDG that will permit Niger to fully utilize its natural and human resources.

VII. CONCLUSIONS, RECOMMENDATIONS AND LESSONS LEARNED

In reviewing this evaluation, and in preparation for this final summation of what we learned, it is necessary to summarize what steps the evaluation team undertook to evaluate the ASDG, and later, what the team accomplished, or could not accomplish.

It is important to state, that in this evaluation of the ASDG, USAID/Niamey played two roles, one as the author and the management authority over the ASDG, and secondly as a client of the evaluation team. As regards to its management responsibility of ASDG, like most forms of project assistance, the Evaluation Team must assess the efficiency of the Mission in its management of the Grant, and the policy reform conditionalities that serve as the conditions precedent of each planned disbursement (or tranche). USAID/Niamey is a client and an interested bystander at the same time to the evaluation of the Grant mechanism itself, and as to whether the Grant is an efficient resource transfer scheme. Put differently, the USAID/Niamey was the client, and it was the Grant that was being evaluated.

A. Required Joint Evaluation with Nigerien Government Counterparts

The evaluation required that the consultant team work together with representatives of the Nigerien government who had been appointed to be their counterparts. Most of this work involved several committee meetings where the program for the interviews was discussed, and facilitated.

To obtain first hand information, the Evaluation Team conducted interviews with key officials in several ministries, representatives of donor agencies and donor-assisted projects, private sector representatives, and USAID/Niger mission management and project staff.

The purpose of these interviews was to gather opinions regarding institutional and policy constraints to agricultural production in order to judge the appropriateness of the policy reforms proposed under the ASDG. The Evaluation Team sought opinions with respect to reforms and their impacts (or potential impacts) on agriculture and economic stabilization.

A list of persons interviewed, their titles and organizational affiliations is shown in ANNEX -D.

It would not have been possible to conduct all the interview requirements (at the middle management level in the Policy Dialogue schema shown in Annex I) without the cooperation of these Nigerien counterparts in arranging appointments in their respective ministries and with the independent agencies affecting the ASDG.

B. The Conditionalities of the ASDG

The following are some lessons learned from the policy reform conditionality aspect of the ASDG:

o Conceptual agreement between partners is necessary to engage in meaningful policy negotiation, but not sufficient to achieve reform objectives. The ASDG supported policies are workable only to the extent that the two principal actors, USAID and the Government of Niger are willing and able to assume their partnership roles in carrying out their share of implementation tasks diligently. In several areas of policy reform, the Government of Niger has not completely met the conditionalities and objectives required. This is true of reduction of subsidies, where the level of subsidy for pesticides is double the 50% maximum allowed in the agreement, as well in the objective of cross-border trade where restrictions still persist concerning the export of female livestock, as examples.

o The required policy reforms are quite complex and sensitive to changes in external factors. It is complex because it deals with such tangled issues as reduction in subsidies, as well as increases in input prices in an environment where agricultural output prices are in a state of constant flux and bureaucratic resistance to change. An example of the latter situation is in the area of providing timely market information on prices. While OPVN has started publishing a monthly bulletin providing useful data on prices and production, the government is unwilling so far to broadcast marketing information on a weekly basis as required in the Grant Agreement.

o The Government of Niger so far has taken encouraging measures towards liberalizing internal trade. But a lot needs to be accomplished in the areas of pricing, and trade barriers to promote a more vigorous private sector and to facilitate the participation of cooperatives in the private sector.

C. Review of the Counterpart Fund

A second measurement of the efficiency of the ASDG as a provider of financial assistance, is the evaluation of the types of projects that received counterpart funding, and the system the Government of Niger put in place to effect the financial controls required under the conditions of the Grant.

In making a comparisons with AID's other Niger projects, one of the most notable differences is a reduced level of costs for personnel, both expatriate and local, for project funding financed through the ASDG, from over 60.3% for AID's other Nigerien projects to only 5% for those using the Counterpart Fund. There is also a notable reduction in the amount that the ASDG projects used for construction. Therefore, even though there is a high degree of recurrent cost involved in the types of project expenses financed by the ASDG counterpart funds, there is a much more efficient delivery system of development assistance to Niger.

It is an important lesson to be learned here, that there is much work to be done on the question of continuing to fund recurrent costs. It is a requirement of the ASDG that no more than 40% of the funding be used for recurrent costs. In relieving this restriction, it is not clear if this must be adhered to by project - which might be impossible, or in the overall

funding allocations. It would appear that the government must reevaluate its priorities towards more efficient resource allocation and begin to limit its support, and to reduce the scope of old projects.

To benefit most from the economic impact of the Counterpart Fund, the list of projects funded should be made up of new projects that require a Government of Niger contribution of self-funding. The use of these funds for continuing requirements without a re-evaluation on the basis of (1) a re-calculated economic return and (2) a better-defined economic program for development, is not an efficient allocation of Niger's limited resources.

In light of "accepted" techniques of financial and economic appraisal, the Government of Niger does not do adequate economic analyses of its donor-financed projects. There are several expatriate projects, mostly located at the DAEP in the Ministry of Plan, which promote and will teach Nigeriens this type of economic analysis. However, due to a lack of qualified Nigerien personnel to train in these sophisticated methods no minimum economic criteria for project acceptance has been established.

Relative to the requirement of the ASDG to limit the funding of recurrent costs, the assistance of the Technical Assistance team, could help Niger to develop more concepts and ways that this can be accomplished.

In the Evaluation Team's detailed examination of the Secretariat and management of the counterpart fund operations, it was concluded that the basis of the continuing problems at this Secretariat are managerial in origin, although this could lead eventually to a breakdown in financial controls as well. We make a number of recommendations to improve the efficiency of the Secretariat in its day-to-day operations.

In candor, we had no chance to observe other Government of Niger financial operations, other than at the Ministry levels, and we therefore have no standard, other than an expatriate standard on which to judge the lack of management and operational (not necessarily financial) controls.

D. USAID Monitoring and Management of the ASDG

In previous sections, no extended discussion was made as regards to overall day-to-day USAID management of the ASDG. It is now appropriate to discuss briefly this aspect. As a conceptual tool, the Evaluation Team divided the management of the ASDG into five major areas of responsibility and sought to answer the question, Who in the AID management structure is responsible for:

- engaging in the on-going dialogue with the Government of Niger of policy reforms; the monitoring of macro-economic impacts of the ASDG in terms of achieving policy reforms; following up on Government of Niger respecting the CPs in the Agreement; the monitoring of the progress of the TA Team in achieving their terms of reference; and the follow-up on the management problems of the Secretariat.

Our response was that virtually the entire USAID/Niger project and management staff was involved in policy dialogue, each with his counterpart level within the Government of Niger. Moreover, the Agricultural Economist is the closest to an official ASDG Project Officer, and that under the present reporting arrangements, the TA Team is to follow the conditionalities of the Grant. Finally, we concluded that the Secretariat expatriate advisor is there to satisfy the controller's office with regard to any accountability problems, aided by guidance from the Controller's Office. The Agricultural Development Officer is AID's coordinator of all the five areas, however, we see the Agricultural Economist following a number of other, although perhaps related functions of the ADO.

In conclusion, it seems to the Evaluation Team that the responsibilities of the five areas are much too dispersed and an organizational change is necessary to bring the coordination of these activities together. Since AID must follow-up in the policy changes required under the Grant Agreement, the following is recommended.

Recommendations:

(7.01) A full-time ASDG Project Officer should be appointed to:

a. Follow up the management of the Grant and progress in meeting the CPs from AID's perspective;

b. In following these conditionalities, regular interviews and meetings should be scheduled with those concerned;

c. To coordinate the other Grant requirements, such as the initiation of studies and surveys to establish the macro-economic indicators required in the log-frame justification.

d. To work with the Commandant Saley on Secretariat problems, mostly on the selection of projects for inclusion in the Counterpart Funds.

E. Effects of ASDG-type Transfer

The Evaluation Team had been charged to review the original assumptions of the ASDG: with regard to the intended macroeconomic impacts from the recommended policy changes, and either reaffirm their validity or suggest changes which should be incorporated.

This is something that the evaluation team did not do. There are simply not enough statistics available at this time to deny or confirm the validity of the policy changes. And what is more, to the point, the policy changes have not been sufficiently implemented to expect the foregoing macro-economic effects to be measurable. But, as Hermann rightly points out, the line of reasoning which ties policy revisions (e.g., reduced subsidies) to macroeconomic changes (e.g., increased aggregate output and to improvement in the socio-economic well-being of small farmers suggests a

causal linkage which would seem to be empirically verifiable. 28/ However, the connection between policy changes and production increases is not direct; rather, it is quite indirect and is channeled through various intervening mechanisms. Assuming it were possible, tracing such effects would require a substantial amount of statistically accurate data collected through fairly research design.

The lessons learned here are twofold:

- (1) Conceptual agreement between Partners is necessary to engage in meaningful policy negotiation, but not sufficient to achieve reform objectives. The ASDG- supported policies are workable only to the extent that the two main actors, USAID and the Government of Niger are willing and able to assume their partnership roles in carrying out their share of implementation tasks diligently.
- (2) ~~A base line information system of data at the farm level must be installed now, and periodically monitored. The TA team's assistance in this area, especially with regard to calling in expert advice on the design of the studies necessary to implement survey type work to assure that the data will have statistical validity.~~

F. The Technical Assistance Team

The lessons learned relative to the Technical Assistance Team must also be addressed. Here we get into whether they are well placed to carry out their mission. The lesson to be learned here is that it is not easy to work within the government milieu and sponsor a meaningful policy dialogue. Conceptually, it was agreed that the role of the team is to provide assistance to the Government of Niger, and not to AID. Policy formulation based on the best available information is the goal, and that does involve

helping in the design of studies and the collection of pertinent information.

The project concept being used in Mali was discussed, because the USAID/Mali Economist who is in charge of the project visited the ASDG evaluation group and contributed the Technical Note in Annex B. In Mali, the technical assistance is attached directly to a government ministry, and works on policy tasks as well as other information gathering (to prepare the government to self-monitor its meeting of Grant conditionalities). To keep the TA on target, there is considerable official prompting on the part of the USAID mission for monitoring information, as well as background data in policy formulation.

The TOR of the evaluation called for an assessment of the suitability of the positioning of the Technical Assistance team in the Ministry of

28/ Chris Hernan. Information Requirement for Monitoring and Evaluation Niger's Agricultural Sector Development Grant, February, 1985.

Agriculture, with only one member at the Ministry of Plan. An alternative placement was recommended, with the reason being there is minimal interaction of the team members with counterparts in the Government of Niger. The lack of Nigerien participation in the TA Team's other work and studies at the present time, is a serious problem. With only some reservations on who is to do most of the work, the interest on the part of the Nigeriens is to participate in these studies, updates and reworks. One solution to remedy this problem is to integrate the TA Team into the Ministry of Agriculture's policy formulation structure. At the technical analysis level, this could involve more work on the normal day-to-day problems faced by the MA It is within the context of these problems that policy questions are raised, and decided.

The problem of TA Team's lack of integration into the Government of Niger's organizational structure led to the recommendation for AID to take positive steps in this direction. This recommendation for more recognition of their existence at the Ministry of Agriculture was also proposed by the TA members themselves in their letters to the evaluation team.

Where objectives of policy option development and formulation are paramount, and host country training in these skills important, the close collaboration among the technical assistance team and host country counterparts is imperative. The necessary integration of an expatriate technical assistance team in host country agencies or ministries to achieve this level is probably only possible when there is a direct reporting relationship to the host country.

G. The Dialogue/Policy Environment in Niger

The opinions on the ASDG expressed in the meetings, especially in the government, formed the basis of the team's opinion that there remained considerable more work to be done at the level of policy formulation and concurrence with the Policy reform conditionalities under the ASDG. The various policy reforms supported by ASDG funds are in the course of being met. The progress in implementation performance is uneven since some areas are better accomplished and present fewer obstacles than others.

As regards to the policy dialogue framework with regard to AID's influence in identifying the appropriate instruments for AID to engage in the policy dialogue, two theoretical schematics are presented in Chapter VI, and then repeated in ANNEX I, along with a suggested Mission developed adaptation of specific concerns for the ASDG.

With regard to the influence AID exerts on policy formulation in Niger, it can be quoted that the AID Director is one of the five required addressees on Agricultural policy change proposals, as indicated to the evaluation team by a foreign group of management and policy change consultants working under a donor sponsored program at the Bureau of Management and Budget within the Prime Ministers office. The other addressees are the FAC, World Bank, FEI and the Caisse Centrale.

The ASDG assumes that negotiating policy reform conditionalities is like negotiating any other conditions precedent to grant funding. The Evaluation Team believes that there is a fundamental inconsistency in this assumption. In all other cases the CP's are only for the money which is granted. The concept 'it is our money, and they can refuse to take it if the few things we want are not going to be granted.'

The ASDG policy conditionalities concern other areas than just those projects that receive counterpart funding. In fact, it has been difficult to see any direct connection to the conditions of the grant in the funding, - with the sole exceptions being the two studies, one on agricultural pricing, and the other on rural codification that have been accepted, but have yet to be funded.

The fact that the World Bank/IMF SAC and SAL program adopted many of the reforms required under the ASDG, helped get acceptance in principle for ~~the policy changes~~. But the World Bank/IMF program is considerably wider in its scope and has the advantage of constant leverage through the IMF influence on Niger's other main creditors to effect debt restructuring.

The World Bank's method of dealing with policy change also permits more dynamism in the exchange. The interpretation of each requirement is made on an as-you-go-along basis. Where the shoe is too tight, either in terms of the expected level of change, or the time schedule for the change to be effected, changes are made after Niger field consultations.

Consistent with the IMF/World Bank structural adjustment program, (refer to ANNEX J for a complete program extract), there is a need in Niger to increase the supply materials relative to the costs for personnel. This is one of the Structural Adjustment objectives, to increase the efficiency of government employees in the face of budget shortages. When funds are limited, it is the supply of materials that is cut, not the salary levels.

A second objective of the structural adjustment program is to cut the amount of government expenditure on new construction, and to increase the amount spent on maintenance of the existing stock of facilities.

The ASDG is a pre-packaged program, with a four-year timetable. There is no flexibility as to whether conditions precedents are met. There is only flexibility to whether waivers will be given, as well as the time table. The only alternative to Niger's meeting a CP is for AID to suggest a waiver of either timing or requirements, which tend to weaken the negotiating position. And the alternative, that is 'to stand pat' provokes an impression that AID is not flexible, as well as need to protect the 'national sovereignty', even at the expense of losing the money, or losing its budget contribution for a time period.

The ASDG is built on a short-term framework in terms of any policy change requirements. So the guidelines for a follow on ASDG would recommend more flexibility, an on-going dialogue as to what the policy changes require in terms of concrete evidence of change, and also this same on-going dialogue as to what these recommended policy changes are supposed to

accomplish, and where they fit into the overall scheme of AID's development assistance to Niger. The Government of Niger so far has taken encouraging measures towards liberalizing internal trade. But a lot needs to be accomplished in the areas of pricing, management policies to promote privatization and facilitate effective participation of cooperatives in the marketing system.

Lastly, in terms of Conclusions, Recommendations, and Lessons Learned for the Agricultural Sector Development Grant in terms of Counterpart Funding for Niger the important question is:

Should the ASDG survive? The answer is Yes.

From the Nigerien Viewpoint:

1. It is a very important contribution to a diminishing development investment budget.
2. The funding can be used by the Nigeriens themselves, (with AID's concurrence,) i.e. Nigeriens are in control of most (85%) of the financing;
3. It can support no Mission selected large foreign consultant technical assistance program, nor does it involve big local staffing requirements, such as that of most of the other donor assistance projects;
4. ASDG, unlike some donors projects, is untied in terms of reciprocal purchase requirements. That is, the counterpart funding, except for the technical assistance portion, is untied to U.S. source purchases, and allows the purchase of foreign goods in the context of Niger's real development needs.
5. And until the problem can be addressed on a meaningful basis, the ASDG helps Niger to pay recurrent cost of projects. The alternative for Niger was (and remains) a fast withdrawal which would have created immediate unemployment and sectorial imbalances.

But note the inherent problems with ASDG Counterpart Funding:

- o Because of AID's contribution Niger is not developing the self-reliance that will eventually be required, especially in terms of its generation of the 2.8% of GDP for the National Investment Program.
- o In part due to the ASDG, but also due to the many other donor sources of investment capital, Niger continues to conceive and design its development interventions from a donor-orientation. However, in this instance, the ASDG helps Niger to meet whatever counterpart requirements are necessary to keep these other donors projects going.

100

- o Niger is not giving enough serious consideration given to the eventual day of reckoning. In particular the recurrent costs problem of on-going project interventions is not being addressed.

Lastly, Why have an ASDG From the AID Viewpoint:

1. Given the policy reform requirements, it forces the Nigeriens to show maturity in the way they use limited resources;
2. It avoids the criticism that most development assistance is too nationally self-centered; and
3. Potentially the ASDG allows the American AID mission staff to become closer to the Nigeriens in terms of policy formulation for enhanced development prospects.

A summary of problems discovered during the course of the evaluation are:

1. It must be recognized that Policy Reform conditionalities require a lot of astute and ingenious management effort on the part of AID to move forward with the required policy changes and to get the policy dialogue going.
2. The required policy reforms are quite complex. It is complex because it deals with such tangled issues as reduction in subsidies and in input prices in an environment where agricultural output prices are in constant flux- most recently, declining. Therefore, devoting effort and time in negotiations appears inevitable.
3. The requirement of giving Technical Assistance in the Policy formulation area, is very different from most forms of technical knowledge transfer. One lesson to note in this connection is that given the multi-faceted nature of the policy issues, it appears quite difficult to program a clearly defined implementation plan, nor to fix a long term progress indicator to track the policy implementation process.

MID-TERM EVALUATION
of the
AGRICULTURAL SECTOR
DEVELOPMENT GRANT

DRAFT
FINAL REPORT

ANNEXES

December 9, 1986

MID-TERM EVALUATION of the AGRICULTURAL SECTOR DEVELOPMENT GRANT

TABLE OF CONTENTS
ANNEX LIST

ANNEX	TITLE	PAGE
A	METHODOLOGY OF THE EVALUATION	
B	MACROECONOMIC ANALYSIS OF THE ASDG A TECHNICAL NOTE	
C	TABLES FROM OTHER SOURCES	
D	LIST OF PERSONS INTERVIEWED	
E	LIST OF DOCUMENTS AND REFERENCES	
F	TYPICAL QUESTIONS FOR INTERVIEWS	
G	NIGER INVESTMENT BUDGET Summary of Budget Cycle	
H	THE COUNTERPART FUND/ASDG SECRETARIAT	
I	ORGANIZATIONAL CHART - MINISTRY OF AGRICULTURE	
J	THE IMF STRUCTURAL ADJUSTMENT PROGRAM	

ANNEX A
METHODOLOGY OF THE EVALUATION

INTRODUCTION

This Annex discusses the Methodology used in the Evaluation of the ASDG. Under Article 6 of Grant Agreement, General Covenants, Section 6.1 Program Evaluation:

The two parties, the Government of Niger, and the USAID, agreed to cooperate on an AID financed evaluation program as part of the program. The specific points referenced were:

- (a) evaluation of progress toward attainment of the objectives of the Program;
- (b) identification and evaluation of problems areas or constraints which may inhibit such attainment;
- (c) assessment of how such information may be used to help overcome such problems; and
- (d) evaluation, to the degree possible, of the overall development impact of the Program.

Following the lines of this agreement, USAID has invited the Government of Niger to participate in the mid-term evaluation of the ASDG, and they have responded by appointing representatives of each Ministry concerned with the Grant to the evaluation 'team' as counterparts. This group of Nigerien Government Officials, as listed below, agreed to aid the outside consultants charged with writing the evaluation report in arranging appropriate meetings with responsible officials in their Ministries, and in the case of the Ministry of Finance, which was not represented, through the offices of the Ministry of Commerce.

Name:	Representing:
Idrissa Hamzata,	Ministry of Plan, Department of Studies and Programs and Chairman of the Nigerien Committee:
Amoul Kinni	Ministry of Hydraulic and of the Environment
Diallo Boubacar	Ministry of Agriculture, Department of Studies and Statistics
Mamane Balla	Minister of Plan/Direction of Investment Finance
Sahdou Hava Dabougui	Minister of Commerce

General Methodology of the Evaluation

The general Methodology for the Project Evaluation of the ASDG follows the form as set out in Chapter 12 of AID Handbook 3. However, there are necessary considerations required due to the non-Project type of assistance given under the ASDG. These considerations are set out in Administrator McPherson's Telex Ref. No. R301900z of August 1983, in a Review of Non-Project Assistance by W. King AFR/PD/SWAP in August 1985, and in the Discussions by the Regional Legal Advisors, A.D.Newton and W.G.Mitchell in the March 1986 issue of the REDSO/WCA Newsletter.

A study on the Information Requirements for Monitoring and Evaluating the ASDG was prepared by Chris Hermann PPC/CDIE/EASA in February 1985. This paper recommended specific steps that the Ministry of Rural Development, then the responsible Government of Niger agency for the Project, should take to insure that the information on the macro-economic effects expected by the project could be monitored. An assessment of the degree to which these steps have been effected was made by the Macro-Economist.

The Purpose and Focus of the Evaluation:

A mid-term Evaluation to be conducted jointly by the Government of Niger and AID is required under the Grant Agreement. The timing of the evaluation was particularly important, in that the Mission was considering both the expansion of the existing ASDG with an immediate Amendment, so as to preserve the continuity of the assistance package to the Government of Niger, and a replication of the ASDG through a Second Agreement in the next Fiscal Year Cycle.

In addition, when AID undertakes phased/incrementally funded projects a special relationship between evaluation and planning exists. There is a need for evaluative information each time a project phase/period ends, in order that this type of project can move forward into the next project phase and/or period. The evaluation must test the validity of original premises upon which the project intervention is based, and modify these conditions existent at one period of time to reflect a dynamic environment.

The purposes and focus of this evaluation can be summarized as follows:

- to determine whether all required actions have been carried out and performance to date is consistent with expectations;
- to assess the effects of external and unanticipated actions and/or events on the projects goals, purposes and operational systems;
- to assess the continuing validity and relevance of the project purpose, and to suggest such modifications as might be required to increase the likelihood that the project would achieve its objectives;

- to determine what impact(s) and changes in the environment have been brought about by the project; and finally
- to determine what additional actions might be required to sustain any positive effects of the project.

with Regard to Specific Considerations
in the Evaluation of
Non-Project Assistance

With regard to the Requirements for Changes in Agricultural Policies:

AID has found Non-Project type of Grant assistance particularly useful to provide fast-disbursing assistance in support of budgetary or balance of payments shortfalls. At the time of the ASDG, Niger was in particular need of this kind of assistance, with a serious drought plaguing its primarily subsistence agriculture, and with a major decline in its import revenues due to a fall in the world price for uranium. However, in granting support for its then balance of payments shortfall, it was necessary to make some structural adjustment changes in the Government of Niger's agricultural policies in an attempt to limit what could have been a continuing need for supplementary financial support. In summary, AID's purpose behind the conditionality of the Grant was to promote broad and general policy changes, rather any particular or narrow objectives.

AID Sector Assistance Policy sets forth the information required for an Supplementary Assistance Grant tied to Sectoral Policy Reforms:

- the role of the sector in AID's assistance strategy;
- a description of the sectoral development's constraints;
- an assessment of the host country's capacity for carrying out the sectoral program; and
- a discussion of the policy reform and the resource allocation requirement necessary for the program's success.

Typical policy changes or reforms which can alleviate problems in sectoral productivity and output are:

- continuing subsidies;
- inappropriate pricing policies;
- un-economic provision of government provision of goods and services;
- inadequate share of budgetary resources being allocated to the sector.

The ASDG was designed to promote policy reforms in all but the last area.

In deciding in particular which policies the Government of Niger's needed to reform, the cost to the Government of its various Agricultural Policy interventions was questioned. The five conditions eventually chosen by AID were among almost twenty-five general constraints that were brought

forward and discussed at the 1982 Zinder conference. This Government of Niger sponsored conference with its major benefactors and donors was instigated because of the Government of Niger needs for assistance, and was the forum at which reasons identified in numerous studies for the lack of success of these donor projects were discussed. The particular five 'constraints' chosen were considered by AID to be changeable by the Government of Niger in the short-term, and therefore consistent with the AID's desire to give the Government of Niger supplementary funding on a timely basis.

Therefore, the ASDG Grant was made conditional on the undertaking of general agricultural policy reforms, but expressed specifically in the selection of five specific areas. These policies were judged to be costly to the Government of Niger in terms of its limited capacity for normal budgetary support. It was not known if any of these particular reforms might be considered as having directly impinged upon the success of any particular AID development project interventions.

With Regard to the Specific Type of Direct Cash Transfer Assistance:

There is also a broad spectrum of Grant type intervention - from direct cash transfers to the government for unspecified purposes, to Commodity Import Programs, to the PL480 Title I and III programs. The normal program with regard to local currency transfers is the establishment of an account under the control of the Government, but from which the funds are only disbursed after USAID and the government jointly, determine the uses of the money. As cited in the referenced Administrators telex, the degree to which the use of the local currency must be specified depends on the needs in the particular sector being addressed.

In the case of the ASDG, the funds were effected as a direct cash transfer into local currency, but with the contingent requirement for a joint AID/Government of Niger agreement on disbursements. The ASDG was instigated as a direct cash transfer, principally because of the difficulty in procuring competitive American made goods into this Francophone Sahelian/West African market.

With Regard to the Goals and Objectives:

The rationale or Goal of the Agricultural Program Assistance was to increase the agricultural production and farm incomes in Niger, - specifically that of the peasant farmer. The Objectives of the Grant were to alleviate fundamental constraints inhibiting the growth of sectorial (agricultural) output and productivity.

Eventually to prove the effectiveness of Grant mechanism, it will be necessary to link the particular policy reforms required under the conditionality of the Grant to changes in certain macro-economic and social indicators. In the case of achievement of 'Goals', an increase in the small farmer's income, and in the case of Objective accomplishment, the focus of the Government of Niger on other more constructive agricultural programs with its limited available resources.

However, while specific sectorial problems were identified for the ASDG, the base line macro-economic and social indicators were not well defined, and expected effects of these changes were not quantified. In addition, the total resource capacities and availabilities to the Government of Niger in terms of both public and Private institutions to carry out the objectives of the Grant in the agricultural sector were not fully assessed.

This includes not only the availability of private sector participants which could take over the roles of the Government of Niger, but also the availability of other donor financing which could be made available to replace the Government of Niger in constructive agricultural programs.
In Summary:

It is in the context of this imprecise framework that this Mid-term Program Evaluation is conducted. The ability of the evaluators to quantify the level of real achievement in Policy Reform under these conditions is strained. There remains the classic methods of evaluating program plans and execution, enumerated in the following sections, by the type of expertise employed.

Methodologies Employed

The methodology can best be explained through an identification of the major steps that were undertaken in the process.

- (1) The evaluation design started with the Mission's elaboration of a Terms of Reference a team of outside consultants to-be called upon to carry out the detailed work. A decision was made to use a team of three, incorporating the experience and skills of a Macro-Economist, Agricultural Economist, and a Financial Management Expert. A Work Plan was then adopted.
- (2) To these experts a call was made to the Government of Niger for nomination of counter-parts, who would help the team to penetrate the Government's structure, and bring forth the necessary Government of Niger cooperation required for a truly joint evaluation.
- (3) A preliminary work schedule was outlined, at the First Meeting of ASDG Mid-Term Evaluation Team with their Government of Niger Counterparts on October 10th, 1986.
- (4) The Evaluation Team agreed that all Evaluation Team members (including the counterparts) would have to review all the documents. The Evaluation Team consultants developed a preliminary list of basic documents for review (see ANNEX-E for the list of Documents Reviewed).
- (5) Jointly with their Nigerian Counterparts a list of the persons to be interviewed on the effects of the ASDG was developed : See Annex-D for the list of interviews actually accomplished.)

(7) Specific Tasks to be accomplished

a. Document Review, and Analysis:

(i) Review the available literature, reports, project papers, i.e.: (Review of the Grant Agreement, the ASDG PAAD especially Annex H, the CDSS, "Information Requirements for Monitoring and Evaluating Niger's Agriculture Sector Development Grant", by Chris Herman (February, 1985).

(ii) Review the documentation on other donor activities relating to the agriculture sector in Niger, including documents prepared by other donors.

(iii) Provide a written bibliography of the documents and reports reviewed.

b. Interviews:

(i) Interview key persons in the Government (as follows): Ministry of Agriculture, Ministry of Animal Resources, Ministry of Plan other relevant Ministries, as determined jointly with counterparts (see list which came from first meeting).

(ii) Interview key persons in USAID's other funded projects, (Project Directors, Coordinators, Research Directors, etc.).

(iii) Interview the Muti-lateral Donor Agencies : IBRD, FED, FAO, UNDP.

(iv) Interview the Bi-lateral Donor Agencies, and other donor projects (i.e. French Caisse Centrale, FAC, Canadians, Belgians, Italians,

(v) Interview the principal Commercial Agents in the Private Sector; in the Cooperatives (at various levels), and the major non-governmental assistance organizations, (including PVO's).

The purpose of these interviews will be to gather opinions regarding institutional and policy constraints to agriculture production in order to judge the appropriateness of the policy reforms proposed under the ASDG. The Evaluation Team will also seek opinions with respect to these policy reforms and their impact (or potential impact) on agriculture production and economic stabilization. The contractor shall provide a list of persons interviewed, their titles and organizational affiliations as part of the final report.

ANNEX B
MACROECONOMIC ANALYSIS OF THE ASDG -- A TECHNICAL NOTE 29/

The macroeconomic impact of the Agricultural Sector Development Grant (ASDG) can be assessed in the first instance in terms of the additional resources the grant makes available to the economy and the utilization that has been made of these resources. As explained in the PAAD, and as is evident from analysis of the macroeconomic uses-resources identity, the cash transfers provided by the ASDG enable the economy to sustain a higher level of economic activity than would otherwise be possible. The grant makes possible a higher level of consumption and/or investment relative to what would have been sustainable without it, even if output does not increase within the period; and possibly (if there are underemployed domestic resources due to a binding constraint on foreign exchange availability), a higher level of GNP can be achieved through fuller utilization of existing domestic resources (Capital and labor) as well. In absence of a well-developed macro model of the economy, it is doubtful that the Evaluation Team can quantify the extent to which the ASDG can increase FNP above its baseline level, but some evidence may be available in the form of time series on utilization of manufacturing capacity (see Toh, 1986a, Current Macroeconomic Situation) which can be updated to 1985 or 1986. (The problem with citing such data as evidence, however, is that many of the industries (e.g., cotton ginning, vegetable oil processing and rice processing) in question would appear to depend largely on local agricultural produce and thus on the state of the harvest or more generally on weather conditions--e.g., tanneries reached 100% capacity in 1984, when distress sales of cattle may have been a major factor in increasing local supplies to the tanneries).

The following analyses is based on the fact that the Nigerien economy, because of the severe deterioration of its terms of trade from 1980 onward and difficult debt servicing problems (related in part to the terms of trade deterioration), is severely constrained in its near term development investment and growth possibilities by the sharp limits on availability of external credit and grants to substitute for or support expansion of domestic credit creation and economic activity. Consumption plus investment necessarily equal the sum of GNP plus the resource gap (imports less exports of goods and services). But the size of the resource gap in Niger's case is effectively limited by the availability of foreign grant and soft loan financing and debt rescheduling possibilities. In Niger's case, the need, since 1981, to limit foreign borrowing, to pay off external arrears, and to rebuild external reserves and in general to meet IMF program targets, means that available external grants and loans, both at the time of program design and now, to finance the resource gap are too low to support more than barely minimal rates of per capita income growth. This is evidenced by the fact that even now, with good harvests succeeding the 1984/85 drought-induced harvest shortfall, real GDP is still below its 1981-1983 average, and IMF projections are for real growth rates not exceeding 2% per year over the next few years. This is so even with the ASDG grant, but the grant makes it possible to support a level of investment or development expenditure

29 By James Elliott, Program Economist, USAID/Bamako.

I) KEY MACROECONOMIC VARIABLES - MINISTRY OF PLAN ESTIMATES -- CURRENT MARKET PRICES -- TOH, 1986A
(in billions of CFA francs)

	1981	1982	1983	1984	1985	1986
GDP	589.9	642.7	674.6	615.4	705.1	
MGNFS	218.0	207.0	194.7	179.5	206.0	
CONS	606.4	650.4	716.8	719.0	754.0	
PRIVATE	541.9	579.4	639.6	639.7	665.0	
PUBLIC	64.5	71.0	77.2	79.3	89.0	
GFCF	130.0	120.5	91.2	81.6	105.4	
PUBLIC	65.0	56.4	46.6	38.7	47.9	
PRIVATE	65.0	64.1	44.6	42.9	57.5	
CH STOCKS	-6.0	18.2	-14.0	-73.4	6.7	
XGNFS	142.0	131.6	152.5	147.0	134.0	
(NET) SUPPLY	665.9	718.1	716.8	647.9	777.1	
USES	730.4	789.1	794.0	727.2	866.1	
RESOURCE GAP1	-140.5	-146.4	-119.4	-111.8	-161.0	
RESOURCE GAP2	- 76.0	- 75.4	- 42.2	- 32.5	- 72.0	
GFCF+CH IN STOCKS	124	138.7	77.2	8.2	112.1	

II) KEY MACRO ESTIMATES - IMF ESTIMATES -- CURRENT MARKET PRICES
(in billions of CFA francs)

	1981	1982	1983	1984	1985	1986
GDP	589.9	642.7	674.6	615.4	708.5	788.5
CONS	538.6	594.8	624.4	628.3	673.7	744.9
PRIVATE	474.1	519.8	547.2	549.0	589.6	655.5
PUBLIC	64.5	75.0	77.2	79.3	85.1	89.4

	1981	1982	1983	1984	1985	1986
GFCF	137.6	100.2	91.2	80.9	67.5	77.2
PUBLIC						
PRIVATE						
CH STOCKS	- 17.9	35.7	- 5.0	- 73.4	29.6	5.3
RESOURCE GAP1	- 68.4	- 88.6	- 36.0	- 20.4	- 62.3	- 38.9
XGNFS-MGNFS						
AS EST'D FROM						
B/P DATA	- 68.4	- 88.6	- 36.0	- 20.4	- 62.3	- 39.0
GFCF+CH IN STOCKS	119.7	136.5	86.2	7.5	97.1	82.5
IMPLICIT GDP						
DEFLATOR						
(1976=100)	182.1	199.9	215.5	234.3	251.9	269.5
(% change p.a.)		9.8	7.8	8.7	7.5	7.0

Note:

The Ministry of Plan estimates as reproduced in Toh (1986a) consistently seem to overestimate consumption. The result is implied resource gaps much larger than may appear reasonable on the basis of balance of payments data. The apparent discrepancy in the Ministry of Plan estimates may relate to unrecorded trade data.

approximately 5 to 10% higher than would be possible without ASDC disbursements (see Table VIII).

The resource gap widened enormously in 1985, largely because of the severe drought situation which reduced the 1984/1985 harvest, and the additional, emergency, food aid and offsetting emergence grant financing that enabled the country to cope with a disastrous drop in cereals production. (In 1984 millet production was approximately a 40 percent less than in 1983, sorghum production was 1/3 less than in 1983, and groundnut production was down by 60 percent. Only rice and cotton scored large production gains. Production of cowpeas, an export and/or forage crop, was also down. In the course of 1984 cattle herds diminished by about 50% as

cattle died, were slaughtered or moved southward out of the country for pasture or to be sold. 30/

According to estimates made by the mission (CDSS FY 87, p. 15), the impact of the drought on GDP in 1984 was of major magnitude. "Value added in the rural sector was estimated to be 57 billion CFAF lower than it would have been in absence of the drought. The direct effect of the drought on rural sector income alone accounted for 11 of the 16% reduction in real GDP in 1984." If this estimate is accepted, it seems that GDP without the drought would have declined in real terms by only about 5% in 1984 rather than by 16%.

The food aid and its balance of payments impact arrived mostly in 1985/86. This generated additional external resources (food aid in 1984 was approximately -- 26 billion CFAF (appears to be value of additional cereals shipments in 1985 -- but this figure needs to be checked) -- from all sources), but since the purpose was to provide emergency food relief, the additional assistance associated with donor response to the drought was not available to support development spending or investment. A significant amount of the external finance in 1985, and, to a lesser extent, in 1986, was drought relief-related. (See discussion in section ---- of this paper).

With the fall in Niger's terms of trade due to the collapse of the world uranium price in 1980/81, both tax and non-tax revenues available to the government budget declined drastically subsequently (see Table ----). One serious result was a decline in outlays for investment and for the government's contribution (counterpart contribution) to a number of donor projects, including on-going AID projects in the agricultural and rural development sectors which required and relied upon counterpart funding from the government. When counterpart funding dried up, projects suffered implementation difficulties, with the result that project funds could not achieve maximum impact. Counterpart funding pays for such key items as fuel and per diem expenses for GON counterpart personnel travel in connection with project implementation duties and per diem expenses. 31/ In many cases, projects could not continue regular activities such as research and extension because of the lack of funds for gasoline and other travel-related expenses. (More specifics on this if needed). See Table ---- below. ASDG designers proceeded on the working assumption that the decline in uranium prices and the deterioration in the terms of trade would not be reversed for several years. Thus far, this assumption has proved correct. (See Table-- --).

At the same time, a number of economic policy deficiencies were becoming evident (explored in the Joint Program Assessment, and Zinder Conference of November 1982). Given the need for economic policy changes and for counterpart contributions funding capacity to support on-going agricultural and rural development project activities, program designers

30 Data from Tch. 1982a.

31/ Tch. 1982a, pp. 10-14.

thought it desirable for AID to provide conditional cash transfer grant financing to generate local currency for budget support. These funds would serve to offset, in part, the revenue losses so as to enable the government budget to continue to provide counterpart funding to priority, high economic yield projects, and to induce the government to undertake certain policy changes (i.e., reductions of input subsidies) which would ensure that budgetary resources were used more efficiently and free up budgetary resources for high priority high yield activities (e.g. counterpart funding for high yield project activities). More efficient use of resources would enable given levels of investment and development funding to contribute more to raising agricultural GDP and rural income.

III) SOURCES/USES MACRO AGGREGATES IN CONSTANT PRICE TERMS
 (IMF ESTS -- CURRENT MARKET PRICES, DEFLATED BY GDP DEFLATOR SERIES)
 (in billions of CFA francs)

	1981	1982	1983	1984	1985	1986
GDP	323.9	321.5	313.0	262.7	281.3	292.5
CONS	295.8	297.5	289.7	268.2	267.4	276.4
PRIVATE	260.4	260.0	253.9	234.3	233.7	243.2
PUBLIC	35.4	37.5	35.8	33.8	33.8	33.2
GFCF	75.6	50.4	42.3	34.5	26.8	28.6
PUBLIC						
PRIVATE						
CH STOCKS	- 9.8	17.9	- 2.3	- 31.3	11.8	2.0
RESOURCE GAP1	- 37.6	- 44.3	- 16.7	- 8.7	- 24.7	- 14.4
XGNFS-MGNFS AS ESTD FROM B/P DATA	- 37.6	- 44.3	- 16.7	- 8.7	- 24.7	- 14.5
GFCF+CH IN STOCKS	65.7	68.3	40.0	3.2	38.5	30.6
Memorandum items:						
Implicit GDP Deflator (1976=100)	182.1	199.9	215.5	234.3	251.9	269.5
% change p.a.		9.8	7.8	8.7	7.5	7.0

Note:

All series have been deflated using the GDP deflator, but it would be better to deflate each series by its own deflator. This is especially true for imports and exports.

IV) KEY MACRO RATIOS (AS PERCENTAGE OF GDP)

	1981	1982	1983	1984	1985	1986
GDP	100.0	100.0	100.0	100.0	100.0	100.0
CONS	91.3	92.5	92.6	102.1	95.1	94.5
PRIVATE	80.4	80.9	81.1	89.2	83.1	83.1
PUBLIC	10.9	11.7	11.4	12.9	12.0	11.3
GFCF	23.3	15.7	13.5	13.1	9.5	9.8
PUBLIC						
PRIVATE						
CHSTOCKS	- 3.0	5.6	- 0.7	- 11.9	4.2	0.7
RESOURCE GAP1	- 11.6	- 13.8	- 5.3	- 3.3	- 8.8	- 4.9
XGNFS-MGNFS						
AS ESTD FROM						
B/P DATA	- 11.6	- 13.8	- 5.3	- 3.3	- 8.8	- 4.9
GFCF+CH IN STOCKS	20.3	21.2	12.8	1.2	13.7	10.5

V) GROWTH RATES OF KEY MACRO VARIABLES IN CURRENT PRICES -- % P.A.

	1981	1982	1983	1984	1985	1986
GDP		9.0	5.0	- 8.8	15.1	11.3
CONS		10.4	5.0	0.6	7.2	10.6
PRIVATE		9.6	5.3	0.3	7.2	11.4
PUBLIC		16.3	2.9	2.7	7.3	5.1
GFCF		- 26.7	- 9.5	- 11.3	- 16.6	14.4
PUBLIC						
PRIVATE						
CHSTOCKS		-299.4	-114.0	1368.0	-140.3	- 82.1
RESOURCE GAP1		29.5	- 59.4	- 43.3	205.4	- 37.6
XGNFS-MGNFS						
AS ESTD FROM						
B/P DATA		29.5	- 59.4	- 43.3	205.4	- 37.4
GFCF+CH IN STOCKS		9.8	7.8	8.7	7.5	7.0
Implicit GDP Deflator (1976=100)		9.8	7.8	8.7	7.5	7.0

VI) GROWTH RATES OF KEY MACRO VARIABLES IN CONSTANT PRICES -- & P.A.

	1981	1982	1983	1984	1985	1986
GDP		- 0.8	- 2.6	- 16.1	7.1	4.0
CONS		0.6	- 2.6	- 7.4	- 0.3	3.3
PRIVATE		- 0.1	- 2.3	- 7.7	- 0.3	4.1
PUBLIC		5.9	- 4.5	- 5.5	- 0.2	- 1.8
GFCF		- 33.3	- 16.1	- 18.4	- 22.4	6.9
PUBLIC						
PRIVATE						
CHSTOCKS		-281.7	113.0	1250.2	-137.5	- 83.3
RESOURCE GAP1		18.0	- 62.3	- 47.9	184.1	- 41.6
XGNFS-MGNFS						
AS ESTD FROM:						
B/P DATA		18.0	- 62.3	- 47.9	184.1	- 41.5
GFCF+CH IN STOCKS		3.9	- 41.4	- 92.0	1104.2	- 20.6

Comment:

The real growth trend in GDP from 1981 through 1983 was downward, at an accelerating pace. This was a period of economic crisis accompanied by financial imbalances and liquidity shortage (CDSS FY 1987, p. 14) as the full implications for Niger of the collapse of world demand for uranium were becoming starkly evident. Adjustment was mainly through a reduction of investment (gross fixed capital formation and/or changes in stocks. With 1984 came the disastrous drought and failure of the rainfed cereals crop referred to earlier. (For this to show up in 1984 national income statistics, however, national income statistics must be on a calendar year (January to December basis -- if they are, like government finance statistics, compiled on a November to October 31 (?) basis, the big GDP decline due to the harvest shortfall would not be evident in the national income accounting statistics until 1985 -- and the observed 1984 decline would have to be attributed to something else -- such as a multiplier effect on modern sector activity from the decline would have to be attributed to something else -- such as a multiplier effect on modern sector activity from the decline in investment). Stocks were drawn down drastically in 1984 and gross fixed capital formation continued its earlier decline, as GDP fell precipitously and the resources gap narrowed simultaneously.

VII) BUDGET DATA

	1981 (80/81)	1982 (81/82)	1983 (82/83)	1984 (83/84)	1985 (84/85)	1986 (85/86)
TAX REVENUE a	64.13	65.86	62.58	61.45	60.59	
TAX REVENUE b			62.60	61.20	59.80	63.70
NONTAX REVENUE a	11.09	7.98	6.24	8.52	7.39	
NONTAX REVENUE b			6.20	8.90	8.70	9.50
TOTAL REVENUE a	75.22	73.85	68.81	69.97	67.98	
TOTAL REVENUE b			68.80	70.10	68.50	73.20
CURRENT EXPENDITURE	50.80	57.20	55.40	65.20	70.40	
			55.40	65.20	72.10	71.10
CURRENT EXPENDITURE NET OF TRANSFERS TO THE INVESTMENT BUDGET	50.80	57.20	55.40	65.20	70.40	
			55.40	65.20	72.10	71.10
PUBLIC INVESTMENT/ DEVELOPMENT EXPENDITURE	70.20	37.90	58.70	32.40	30.00	
					27.70	30.20
TOTAL EXPENDITURE	121	95.1	114.1	97.6	100.4	
					99.8	101.3
PUBLIC (GFCF (only?)) INVESTMENT EXPENDITURE FROM NATL ACCTS	65.0	56.4	46.6	38.7	47.9	
TOTAL (GFCF) INVESTMENT EXPENDITURE NATL ACCTS	130	120.5	91.2	81.6	105.4	
GFCF+CH IN STOCKS NATL ACCTS	119.7	136.5	86.2	7.5	97.1	82.5
PUBLIC INVESTMENT EXPENDITURE FROM HENFLAY BUDGET DOCUMENTS						

	1981 (80/81)	1982 (81/82)	1983 (82/83)	1984 (83/84)	1985 (84/85)	1986 (85/86)
(previsions total)						
1) from budg. gen. (Trésor)						5.5
2) directly from ext. sources						41.6
total for ag., rur.dev.						26.4
1) from budg. gen. (Trésor)						
a) agriculture						1.75
b) livestock						0.07
total, Trésor						
2) directly from ext. sources						
TITRE IV OF BG: CREDITS D'INTER- VENTION (HORS BUDGET D'INVEST- ISSEMENT			0.02	19.96	19.01	16.62
PUBLIC INVESTMENT EXPENDITURE ON AGRICULTURE & RURAL DEVELOPMENT a	16.741	15.54	18.31	21.66	21.71	26.4 (prev.)
INPUT (INCL. FERTILIZERS SUBSIDIES --	0.806	0.797	0.645	?	0.618	-----
... OF WHICH FINANCED BY...						
GOVERNMENT BUDGET	0.600	0.600	0.300	0.550 OR 0.300	0.3	-----CA
OVERDRAFTS	0.207	0.197	0.345	-----	-----	-----
OTHER						
SALARIES AND OTHER EXPENSES PAID BY UNC UNCOUNTED COSTS OF MATERIALS	-----	-----	-----	-----	-----	-----

	1981 (80/81)	1982 (81/82)	1983 (82/83)	1984 (83/84)	1985 (84/85)	1986 (85/86)
--	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

OTHER
EG, FOREGONE
BUDGETARY
REVENUES FROM
SELLING DONOR

MACROECONOMIC ANALYSIS OF THE ASDG -- A TECHNICAL NOTE

PROVIDED FERTILIZERS AT LESS THAN MARKET PRICES	CLOSE TO ZERO ... (?)	?	0.318	-----
ARREARAGES (IF ANY) ON CREDIT FROM NEW SOURCES	-----	-----	-----	-----

Notes:

* Data are from the Ministère des Finances, Direction du Budget publication, Budget 1986. It is not clear whether the Trésor (Budget General) counterpart contribution of 5.5 billion CFAF includes the 1.25 of ASDG-generated local currency proceeds which is listed in agriculture in 1986, as a special project -- this is part, or all of ASDG supplied counterpart contributions resources. It is classified as ANR (Aide Non Remboursable) rather than as a transfer from the General Budget, however. For investment/development spending in other sectors, Treasury contributed 0.6 to classroom construction, 1.0 to capital of BDRM, 0.21 to construction and reconstruction of dispensaries (health), other health items, 0.06 to water points, about 0.4 to urban infrastructure, 0.1 to highway/roads construction and 0.2 to maintenance of roads.

(1) Donor-provided fertilizers apparently first become important quantitatively, in 1984 or 1985, although agreements may have been signed for CIPs earlier (have to check on this). Principal donors appear to be Canada and Japan. Apparently both require local currency proceeds from sales at prix de cession to be deposited into special accounts, so it's not clear how much revenue CA may have derived from handling these fertilizers.

(2) Since (1) the subsidy calculation is apparently based upon the import parity price for fertilizer imported from Nigeria as the opportunity cost, and (2) this import parity price must be well above the CA's selling price (prix de cession) for subsidies to be positive, the positive subsidy figure would appear to be inconsistent with reports, contained in the study on fertilizers recently prepared by the University of Michigan Team with the Ministry of Agriculture that private dealers in fertilizer imported from Nigeria consistently offer a price less than the CA's prix de cession. What explains this apparent contradiction? Is the opportunity cost import parity

102

price calculated using the official cfa/naira exchange rate rather than the parallel market rate? Are CA distribution costs included in its selling price for fertilizer so much higher than private dealers' costs as to account for the difference?

The Evaluation Team should be able to estimate (1) the volume of fertilizer and other inputs, and (2) the amount of subsidy outlays that would have been required to support these levels had the old rates of subsidy been retained. The difference between this amount and the amount of subsidies actually paid out represents budget resources freed up for priority developmental expenditures by subsidy policy changes supported by ASDG.

	1981 (80/81)	1982 (81/82)	1983 (82/83)	1984 (83/84)	1985 (84/85)	1986 (85/86)
TRANSFERS & SUBSIDIES TO OPVN	-----	-----	-----	-----	-----	-----
IN BUDGET LINE ITEM, TRANSFERS AND SUBSIDIES	-----	-----	-----	-----	-----	-----
SALARIES OF PERSONNEL ASSIGNED TO OPVN, ETC.	-----	-----	-----	-----	-----	-----

COUNTERPART

MACROECONOMIC ANALYSIS OF THE ASDG -- A TECHNICAL NOTE

CONTRIBUTIONS TO DONOR- FINANCED PROJECTS	-----	-----	-----	-----	-----	approx. 5.5 -6.8
BUDGET DEFICIT COMMITMENTS BASIS	-64.00	-45.00	-48.60	-31.20	-33.40	
BUDGET DEFICIT COMMITMENTS BASIS B			-48.60	-31.10	-33.50	-29.30
BUDGET DEFICIT CASH BASIS A	-61.20	-30.60	-48.40	-42.70	-37.50	
BUDGET DEFICIT CASH BASIS B			-48.40	-42.70	-35.30	-29.30

price calculated using the official cfa/naira exchange rate rather than the parallel market rate? Are CA distribution costs included in its selling price for fertilizer so much higher than private dealers' costs as to account for the difference?

The Evaluation Team should be able to estimate (1) the volume of fertilizer and other inputs, and (2) the amount of subsidy outlays that would have been required to support these levels had the old rates of subsidy been retained. The difference between this amount and the amount of subsidies actually paid out represents budget resources freed up for priority developmental expenditures by subsidy policy changes supported by ASDG.

	1981 (80/81)	1982 (81/82)	1983 (82/83)	1984 (83/84)	1985 (84/85)	1986 (85/86)
TRANSFERS & SUBSIDIES TO OPVM	-----	-----	-----	-----	-----	-----
IN BUDGET LINE ITEM, TRANSFERS AND SUBSIDIES	-----	-----	-----	-----	-----	-----
SALARIES OF PERSONNEL ASSIGNED TO OPVM, ETC.	-----	-----	-----	-----	-----	-----

COUNTERPART

MACROECONOMIC ANALYSIS OF THE ASDG -- A TECHNICAL NOTE

CONTRIBUTIONS TO DONOR- FINANCED PROJECTS	-----	-----	-----	-----	-----	approx. 5.5 -6.8
BUDGET DEFICIT COMMITMENTS BASIS	-64.00	-45.00	-48.60	-31.20	-33.40	
BUDGET DEFICIT COMMITMENTS BASIS B			-48.60	-31.10	-33.50	-29.30
BUDGET DEFICIT CASH BASIS A	-61.20	-30.60	-48.40	-42.70	-37.50	
BUDGET DEFICIT CASH BASIS B			-48.40	-42.70	-35.30	-29.30

	1981 (80/81)	1982 (81/82)	1983 (82/83)	1984 (83/84)	1985 (84/85)	1986 (85/86)
KEY FISCAL RATIOS						
REVENUE/GDP	12.8	11.5	10.2	11.4	9.7	9.3
EXPENDITURE/GDP	20.5	14.8	16.9	15.9	14.1	12.8
DEFICIT/GDP	-10.8	-7.0	-7.2	-5.1	-4.7	-3.7
DEFICIT/REVENUE (DEFICIT ON COMMITMENTS BASIS)	-85.1	-60.9	-70.6	-44.6	-49.3	-40.0
CONSTANT PRICE BUDGETARY MAGNITUDES						
REVENUE/GDP DEFLATOR	41.3	36.9	31.9	29.9	27.2	27.2
TAX REVENUE/GDP CURRENT	35.2	32.9	29.0	26.2	23.7	23.6
EXPENDITURE/GDP DEFLATOR	27.9	28.6	25.7	27.8	28.6	26.4
INV/DEVELOPMT EXPENDITURE/GDP DEFLATOR	38.6	19.0	27.2	13.8	11.0	11.2
TOTAL EXPENDITURE/ GDP DEFLATOR	66.4	47.6	52.9	41.7	39.6	37.6

Notes:

a --- Toh, 1986a (see Table A.11 of this document for data series on revenues from uranium versus revenue from other sources).

b -- IMF, 1986.

c -- ASDG PAAD, Annex H, Table a-3, p. 8.

As a percentage of revenue and the GDP, the budget deficit trended downward over the period, mainly because of sharp cutbacks in public investment. Arrearages were eliminated in accordance with requirements of successive IMF programs and have not been allowed to increase since. With borrowing from domestic banking system and external sources limited to low levels, much of the deficit was financed through debt rescheduling. The government's room for manoeuvre was clearly sharply limited. A freeze on government wages was in effect, and, from 1985 (?) onward, limits on recruitment for the civil service were instituted. In spite of the shortage of trained cadres in government service.

It is of further interest to note that both revenue and outlays declined in constant price terms. They were relatively constant in current price terms, but declined as a percentage of GDP since current price GDP climbed even as constant price GDP was declining.

VIII) A COMPARISON OF ASDG CASH TRANSFER DISBURSEMENTS AND COUNTERPART FUND DISBURSEMENTS WITH KEY MACRO NATIONAL ACCOUNTS AND BUDGETARY VARIABLES DATA IN CURRENT PRICES (billions of CFA francs)

	1981 (80/81)	1982 (81/82)	1983 (82/83)	1984 (83/84)	1985 (84/85)	1986 (85/86)
GDP	589.90	642.70	674.60	615.40	702.50	788.50
RESOURCE GAP	- 62.4	- 82.6	- 36.0	- 20.4	- 62.3	- 39.0
(NET) RESOURCES	521.50	554.10	638.60	595.00	646.20	749.50
INVESTMENT	137.6	100.8	91.2	80.9	67.5	77.2
GFCF+CH IN STOCKS	119.70	136.50	86.20	7.50	97.10	82.50
PUBLIC INVESTMENT	65.0	56.4	46.6	38.7	47.9	
PUBLIC INVESTMENT EXPENDITURE ON AGRICULTURE & RURAL DEVMT						
	16.74	15.54	18.31	21.66	21.71	
INPUT SUBSIDIES OF WHICH FINANCED BY ...						
GOVT BUDGET	0.600	0.600	0.300	0.300	----	----
CA OVERDRAFTS	0.207	0.197	0.345	----	----	----
OTHER *	----	----	----	----	----	----

* eg -- RECEIPTS FORGONE BY SELLING DONOR-SUPPLIED FERTILIZER AT LESS THAN IMPORT-PARITY PRICES.

ASDG CASH TRANSFER DISBURSEMENTS

in million \$	0	0	0	4.79 (RSDG)	6.65	9.025
CFA/\$ exch rate				438	475	373
in billions of \$	0	0	0			
cfaf				2.1	3.157	3.368

COUNTERPART

FUND DISBURSEMENTS				0.00	1.82	1.73
(billion CFA franc approx.)						
illustrative -- to be checked.						

The RSDG disbursement was retroactive. It financed outlays that might not have been made had the Nigerien government not been able to count on RSDG availability (hence outlays made in 1983 mostly). Making the disbursement eased the government's financial situation and the balance of payments situation in the year in which the disbursement was effected.
 ASDG CASH TRANSFERS AS ..

	1981 (80/81)	1982 (81/82)	1983 (82/83)	1984 (83/84)	1985 (84/85)	1986 (85/86)
percentage of			1983/84	1984/85	1985/86	
RESOURCE GAP			10.3	5.1	8.6	
PUBLIC INVESTMENT			6.5	11.4	11.2	
PUBLIC INVESTMENT IN AG. AND RURAL DEVELOPMENT			9.7	14.5	12.8	
COUNTERPART FUND DISBURSEMENTS AS PERCENTAGE OF						
PUBLIC INVESTMENT			0.0	6.6	9.2	
PUBLIC INVESTMENT IN AG. AND RURAL DEVMT			0.0	3.4	10.5	

General Budget to Investment Budget

The balance of payments situation: In real terms, imports remain below pre-1981 levels (see Hough et al., 1981). Import capacity remains depressed in real terms. Current account transfers (grants) and long term capital flows have not expanded to the extent that would be required to offset purchasing power decline of uranium, Niger's principal export. External borrowing on commercial terms was essentially stopped. Under successive IMF programs, Niger met IMF program targets, including paying off of arrearages -- debt rescheduling was arranged. But now Niger needs to pay back IMF and to pay on rescheduled debt -- so that the external financing constraint remained binding during the period under review and will continue to bind. Under the circumstances, ASDG cash transfers serve to relax this balance of payments of constraint and permit additional investment/development spending to take place relative to what otherwise would have been possible. According to data, there was a 35 percent recovery in the terms of trade between 1982 and 1983, but this still leaves the terms of trade well below 1981 levels (?).

IX) BALANCE OF PA

DATA IN CURRENT PRICES

	1981 (80/81)	1982 (81/82)	1983 (82/83)	1984 (83/84)	1985 (84/85)	1986 (85/86)
(millions of dollars -- 1981, 82, millions of sdrs, 1983 -)						
EXPORTS, FOB	475.5	368.5	346.6	296.5	246.8	299.8
IMPORTS, CIF	704.7	504.8	410.4	310.6	348.4	353.3
NET SERVICES	- 135.8	-118.7	- 93.5	- 80.8	- 82.9	- 91.0
X - M + NS	- 365.07	-255.01	-157.3	- 94.9	-184.5	-144.5
PRIVATE AND OFFICIAL TRANSFERS		31.8	32.9	32	58.4	58.4
LONGTERM CAPITAL FINANCING (NET)		12.2	20.2	7.2	6.2	7.9
OVERALL BALANCE		- 42.5	1.4	- 3.9	- 16.6	- 20.3
EXCHANGE RATES						
cfaf/\$	271.7	328.6	378.5	409.0		
cfaf/sdr	320.4	362.0	407.4	447.9	456.2	400.0
sdr/\$	0.85	0.91	0.93			
(billions of CFA francs)						
EXPORTS, FOB	129.2	121.1	141.2	132.8	112.6	119.9
IMPORTS, CIF	191.5	165.9	167.2	139.1	158.9	141.3
NET SERVICES	- 36.9	- 39.0	- 38.1	- 36.2	- 37.8	- 36.4
X - M + NS	- 99.2	- 83.8	- 64.1	- 42.5	- 84.2	- 57.8
Export Volume Growth Rate		- 20.1	9.7	- 7.9	- 12.9	3.7
Import Volume Growth Rate		0.2	- 5.1	- 15.2	14.2	- 12.9
Terms of Trade (in cfaf) Growth Rate		- 18.4	15.7	5.9	- 6.1	- 0.7
second estimate in billion cfaf						
EXPORTS, FOB		120.5	142.5	132.8	112.6	119.9
IMPORTS, CIF		178.4	167.2	139.1	158.9	141.3
NET SERVICES		- 36.2	- 38.1	- 36.2	- 37.8	- 36.4
of which interest		25.6	21.8	21	24.5	21
X - M + NS		- 94.1	- 62.8	- 40.5	- 84.2	- 57.8

	1981 (80/81)	1982 (81/82)	1983 (82/83)	1984 (83/84)	1985 (84/85)	1986 (85/86)
EXPORTS IN 1981 CFA PRICES	129.2	103.2	113.2	104.3	90.8	94.2
IMPORTS IN 1981 CFA PRICES	191.5	191.9	182.1	154.4	176.3	153.6
EXPORT PRICE INDEX	100.0	117.3	124.7	127.3	123.9	127.3
IMPORT PRICE INDEX	100.0	86.5	91.8	90.1	90.1	92.0
Terms of Trade (in cfaf)	100.0	135.7	135.8	141.3	137.5	138.4

Both exports and imports have trended downward in real terms since 1981. The downward trend in real imports is consistent with the downward path of real GDP (Tables (tables III and VI). It may also reflect some shift of foreign trade to unrecorded channels.

Note: The large improvements in the terms of trade shown for 1982 and 1983 and the relative stability of the terms of trade since then need to be explained.

MONEY AND CREDIT, INFLATION AND INTEREST RATES

Domestic credit creation and monetary growth have been restrained under IMF programs. Inflation as measured by the GDP deflator has declined from 10 percent to about seven percent per year.

PROSPECTIVE IMPACT OF ASDG-PROVIDED TA ON MACRO SITUATION VIA BETTER POLICY ANALYSIS

Scope for technical assistance provided under the ASDG to make a meaningful contribution to improving the Government's data management and policy analysis capabilities and performance:

To make progress in this area may not be an easy task. The CDSS remarks on the organizational setup and its implications should be kept in mind:

"The line ministries are highly structured, and very compartmentalized. Even within the same ministry, there is relatively little interaction among working level personnel in different divisions of technical services without going to the top of a division and then back down. The inherited French system combined with the traditional authority structure has set up

administrative procedures and attitudes which limit the informal horizontal interaction necessary for planning and administering development programs, this compartmentalized and directive approach discourages collegial participation in the decision-making process."
(p.9)

USAID/Bamako/J. ELLIOTT/11/14/86; rev. 11/16/86; rev.11/19/86; rev.11/21/86
by phone to TMO.

COUNTERPART FUND

RECAPITULATION of EXPENSES:
NATIONAL CEREALS PROGRAM

Project Name:	Salaries	Construct storage	Seed Cost	Fertil Cost	Fungicides Pesticide	Miscell Costs	Financial Costs	Total Spent	Project Amount	Fertil Tonage
-----Millions of F-CFA-----										
Counterpart Funding	2.0	57.4				1.4	21.8	82.6	75	
Drought Emergency Seed Purchase										
2,700 tons millet sorghum			761.8					761.8		
695 tons of cowpeas										
Off-season Seed										
274 tons wheat			132.7					132.7		171
100 tons cowpeas										
Security Stocks- Regions	6.1		35.1				1.0	42.2	304	
2.4 million tons millet										
292,000 tons Cowpeas										
15,000 tons peanuts										
95,000 tons sorghum										
Purchase Fertilizer & 100 tons each			55.0	170.3				225.3		1000
cowpeas and peanuts								55		
Total Project	6.1	0.0	441.8	170.3	0.0	0.0	22.8	640.9		
Fertilizer Revolving Fund										
2000 tons super triple P				247.0				247		2000
350 tons super simple P				16.8				16.8		350
Total Project				263.8				263.8		
Restart Cowpeas	5.0			44.0	154.8	0.1		203.9	204	
Restart Peanut Seed										
2000 tons peanut seed			435.0					435	500	
Total:	11.1	57.4	1,736.8	471.0	154.8	0.1	24.8	2,404.9	2021	3551
Percentage:	0.45	2.38	71.38	19.58	6.44	0.00	1.03	100.00		

NOTE: * - payment on account for construction

TABLE 7
 PROJECTS FUNDED UNDER THE ADOO
 Trm. close of Fiscal Year 1988

Grouped Under Major PROJECT NAME	Expense Category	1987	1988	Open	Allocation Percent	
					Total	% of Tot.
in Millions of P-CFA						
Cattle Feed	Drought Assist. 1	55	41	124	220	3.24
Restant Cereals Project	Drought Assist. 1	757		7	770	11.84
Total Drought Assistance		802	41	127	970	15.08
ILP- Animal Production	Capital	0		100	100	1.51
Pumpkin Fertilizer - N.V.I.	Capital	170	30	0	200	3.03
New Plans for Pesticides	Capital	55	0	117	182	2.75
Tillbury - N.V.I.	Capital	0	0	0	0	0.00
Purchase Coupees Seed	Capital	55	71	0	126	1.90
Purchase Fertilizer	Capital	0	247	0	247	3.70
Total Capital		280	351	226	857	12.79
Rural Development 'Packets'	Recurrent	0	300	500	800	12.01
Secretariat Expenses	Recurrent	10	30	00	70	1.05
Seed Production	Recurrent	250	447	90	787	11.79
OPEN/Small Artisans	Recurrent	200	291	151	642	9.60
Newstart Coupees	Recurrent	0	220	41	260	3.91
Restant Peanuts	Recurrent	0	477	07	500	7.50
INRAH Soil Lab. -N.C.R.	Recurrent	0	10	00	100	1.50
FLUP Operations-Forestry	Recurrent	0	100	200	400	6.00
FLUP Hoacts-Forestry	Recurrent	0	10	0	10	0.15
N.D.D.F. - Phase I	Recurrent	200	0	0	200	3.00
N.D.D.F. - Phase II	Recurrent	0	350	247	597	8.90
Sanitaire DDS/Maradi	Recurrent	0	7	00	07	0.10
Total Recurrent Costs		700	2354	1471	4525	67.84
Fiscoculture (Africane)	F.V.C.	0	0	47	47	0.70
Agro Forestry (Cane)	F.V.C.	0	70	0	70	1.05
Total Managed by F.V.C.		0	70	47	117	1.75
TOTAL PROJECT		1512	2857	1810	6182	92.34

TABLE 1

PROJECTS FUNDED UNDER THE ASDI
Thru close of Fiscal year 1955/6

Grouped Under Major PROJECT NAME	Expense Category	1954/5	1955/6	Over	Allocated Percent	
					Total	of Tot.
				in Millions of P-CPA		
Cattle Feed	Drought Assist. 1	55	41	124	225	3.7%
Restant Cereals Project	Drought Assist. 1	767		1	770	13.0%
Total Drought Assistance		822	41	125	995	16.7%
OPEN/Small Artisans	Capital 2	208	291	150	650	11.0%
Expensior - N.V.3	Capital 2	8	1		10	0.2%
Pisciculture Africane	Capital 2		2	1	3	0.0%
New Plans for Pest Control	Capital 2	55	1	110	167	3.0%
Agro Forestry (Cane)	Capital 2		70	10	80	1.5%
Animal Production	Capital 2			100	100	1.7%
Purgon Perimeter - N.V.1	Capital 2	171	30		207	3.5%
Purchase Couves Sec	Capital 2	55	70		125	2.2%
Total Capital		501	465	427	1415	23.9%
Purchase Fertilizer	Capital 3		263	1	270	4.6%
Rural Development 'Packet'	Recurrent 3		300	552	852	14.6%
Restant Peanuts	Recurrent 3		474	24	500	8.4%
FLUP Operations-Forestry	Recurrent 3		174	224	400	6.7%
Sanitaire DDS/Maradi	Recurrent 3			25	25	0.4%
Secretariat Expenses	Recurrent 3	13	30	22	70	1.2%
Seed Production	Recurrent 3	260	443	94	800	13.6%
Newstant Couves	Recurrent 3		226	47	273	4.5%
INRAN Soil Lab. - N.C.R.	Recurrent 3		12	91	103	1.7%
FLUP Hdqts-Forestry	Recurrent 3		14	1	15	0.3%
A.D.D.F. - Phase I	Recurrent 3	205			205	3.5%
A.D.D.F. - Phase II	Recurrent 3		330	211	545	9.2%
Total Recurrent Costs		492	1440	1050	3500	56.4%
TOTAL PROJECT		1315	2470	1670	5927	100.0%

ANNEX C

LIST OF TERRAFUND 'BASKET' OF PROJECTS

PROJECT NAME or Title	UNCF Sponsor	1981 Budget	CFR Commitment	Percent Budget
Niamey Dept. Productivity	AID	1075000	20000	1.8%
Agricult. Prod. Support	AID	1150000	50000	4.3%
Nat. Cereals Research	AID	1190000	20000	1.7%
Forestry & Land Use	AID	482700	12000	2.5%
Eval Assist.-Min of PLAN	AID	260000	10000	3.8%
Rural Devel. - Diffa	CANADA-ACDI	270000	35000	12.9%
Tahoua Dept. Productivity	RFA-Germany	500000	23000	4.6%
Rural Devel. - Maradi	IDA/CCCE/FIDA	1764639	70000	4.0%
Rural Devel.-Zinder	FAC/CCCE	450000	35000	7.8%
Rural Devel. - Bilas	UNEP/UNDP	114930	4777	4.2%
Multi-Sectoral -IRMADEF	ECU	400000	20000	5.0%
Agric. Pest Control	JAPAN/OTZ/ACDI	970000	15000	1.5%
Extension Service	KFW/JAPAN/ITALY	960000	15000	1.6%
Niger Fertilizer	FAC	200120	9700	4.9%
Taloua Herders	RFA	67000	20000	30.0%
Rural Airport Maintenance	OTZ	200000	40000	20.0%
N'Gazni Culture	UNEP	130000	8000	6.1%
INRIAN Research	UNSC	78800	8000	10.3%
Sandia Avai Seed Farm	BELGIUM	45000	6000	13.3%
AHA Kouani Series	BAD/FAD	1080000	80000	7.4%
AHA Dayberry	F E O	1496718	1700	0.1%
Rehabilitation ONAMA	KFW/IDA/CCCE	2937822	54000	1.8%
Niger East Central	IDA	661047	9000	1.4%
Diffa - Animal Laboratory	ITALY	70350	15000	21.3%
AHA Milk Producer Dembou	BOAD/OFEC	650000	8000	1.2%
Modern Chicken Production	B O A D	449590	18970	4.2%
Tahoua Maradi Abattoir	KFW	210000	20000	9.5%
Gar Dosso	UNSO/FAC/CCCE	122046	16000	13.1%
Fish Development	PNJD	103794	10000	9.6%
Training of Fishermen	UNICEF	45100	9900	22.0%
Education Project (IPDR)	I D A	536969	24637	4.6%
Water Provision 500 places	C E A O	1600000	60000	3.8%
Water Provision 300 places	Japan	0	100000	0.0%
TOTAL		20410550	851070	4.2%

ANNEX D
LIST OF PERSONS INTERVIEWED

Organization:	Person Interviewed:	Title and Function:
<u>Multilateral DONORS:</u>		
World Bank:	Regina Bendokat	Senior Economist/Niger
	Guus A.M.Heim	Economist/Niger
	Noriko Iwase	Agriculture Projects West Africa
	Mohammed Slaoui	Consultant/Agricultural Credit
	Pierre Thenevin	Consultant/Para-Statals
	Helmut Sanger	Director - Niger
FED	Simeon	FED Economist
UNDP	Joseph Cavalli	United Nations Mission Resident Representative
FAO	Salah Niare	FAO/Resident Representative
	P-M. Biabatantou	Program Officer
	Jacques Blas	FAO/Consultant Mission on Gov Price Controls
<u>Bilateral DONORS:</u>		
French Embassy	Eric Duedal	Economist
FAC (French Cooperation)	Bernard Millet	Mission Chief
	Guy Bossy	Chief Counselor
Caisse Centrale	Serge Michaeloff	Director
	Allois (Incoming)	Economist
	Szersnovicz (Outgoing)	Economist
ACDI Canadians	Rene Allard	Niger Director
	Eve Boulanger	Niger Coordinator/Ottawa
	Vincent David	Project Director COGESULT
West Germany GTZ	Werner Rosenhammer	Technical Assistance/OPVI Project - "Reserve Stock"
	Helge Neutatz	Project Evaluation Team Director
	Hannelore Bergerl	Macro Economist
	Gustav Kourer	Expert in Storage of Grain

Organization: Person Interviewed: Title and Function:

PROJECTS:
AID and Other Donors:

Tech Assistance Min of Plan (Proj.683-0229)	Louis Siegel	Senior Programs Advisor
Integrated Livestock	Leroy Rasmussen	Chief/Prof.Tufts Univ
APS	Quincy Benbow	Project Coordinator
PPM	Hassane Abdou Batroure Ibrahim	Technical Director Research Director
PAPA	Salifou Mahamane Magagui Ibrahim	Director General Assistant DG
CLUSA	Papa Sene Albert Greve	Director Controller/Guarantee Fund
UNDP - DTCD DAEP/MP DAT/MP	Tzortzis Dimitrios Bernard Van Maele Phillipe Bautier Durieux	Chief Technical Advisor Macro-Economic Analysis
FAO/OPVN	Bopha Lek	Chief Technical Advisor Commercialization of Cereals
Anchorage Vert (Algeria)	Fadil Addadi	Technical Coordinator
FED	Ariduan	OPVN Donor Coordinator
FAC	Pierre Capot-Rey Michel Querbes Herbe	MA/DEPSA - SESA - SSEP MP/DAEP
IBRD	Yves Thomas	CEGOS - Director Projet de Rationalisation du Secteur Para-Public

Organization: Person Interviewed: Title and Function:

NIGERIEN COUNTERPARTS:

Ministry of Agriculture:

DEPSA	Sanda Maina Allisane Morou	Director Deputy Director
	Mme Oussanni Philippe Singelles	Statistics Counterpart to WYBO
Centrale d'Approvisionnement	Mohamadou Morou Kevin Creyts	Director General Technical Assistant (CLUSA)
DPV/MA		Assistant Director
DEPSA/MA	N'Goy Kalumba	UNDP (Volunteer) Counselor Agricultural Statistics
ONAHA		Director General

Ministry of Plan:

DEPP	Chifani Laoual	Director
DFI	Amani Issaka Bawa	Director
DAEP	Amadou Mamadou Allisane Morou Jacques Adehossi Abdoul Maidaji	Director Assistant Director Etudes Economiques Chef de Service Macro-Economic Analysis
DSI	Ali Badjo Gamalie	Director Statistique & Infomatique

Ministry of Animal Resources:

Depp	Dr. Nababa	Director
------	------------	----------

Organization: Person Interviewed: Title and Function:

NIGERIEEN COUNTERPARTS:

Ministry of Finance:

Finance-Exterior	Mamadou Abdoulaye	Director
Customs	Sido El Hadji Issaka Assoumane	Director Inspecteur Principal
Budget	Amadou Saïfou	Director
Etudes et Previsions	Gado Mahamadou	Director
Dette Exterieur	Anou Maman Badamassi	Director

Ministry of Commerce:

Commerce Interior	Maliki Barouni	Director
Control of Prices	Combary Abdoul-Aziz	Director
Industry and Artisans	Foukori Ibrahim	Director
Niamey Agricultural Productivity	Malam Ari	Assistant Director
C.N.C.A	Abdou Issaka	Director General
O.P.V.N.	Koullou Mahamane	Director General
U.N.C.	Douramane Moussa	Director General

ASDG PROJECT PERSONNEL:

Tech Assistance	Henri Josserand Frank Casey Mike Wybo Jeff Metzel	Director, Univ of Michigan Assistant Director Computer Specialist Tech Assistant/Min of Plan
Trust Fund Coordinator	Commint Moussa Saley	ASDG Trust Fund Coordinator
DFI/MF Secretariat for Counterpart Fund	Ali Harouni Jacques Carbonnel Guanon Naba-Sar Abache Charbou	Director Financial Counselor Agricultural Engineer Financial Analyst

Organization:	Person Interviewed:	Title and Function:
	Boubakar Timbo	Accountant
	Moussa Bagaya	Accountant

USG & AID Personnel:

Embassy	Mark Massey	Political Officer
AID	Ernest Gibson	ADO
	Kevin Mullaley	Deputy ADO
	Thomas Olson	Agricultural Economist
	Abbey Fessenden	Program Development Officer
	Frank Martin	Mission Economist
	Jim Elliott	Mission Economist/Mali

ANNEX E
List of Documents and
References

Documents Prepared for the Evaluation

Contract between Office of Procurement, Overseas Division-Africa, AID/Washington and the Development Assistance Corporation, PDC-1406-I-04-4094, Mid-Term Evaluation of the Agriculture Sector Development Grant, Article IV - Statement of Work, October 3, 1986.

Information Requirements for Monitoring and Evaluating the Agriculture Sector Development Grant, Evaluation Applications and Statistical Analysis, Center for Development Information and Evaluation, Bureau of Program and Policy Coordination, USAID/Wash. (Chris Hermann) Feb 1985.

Documents of the ASDG

NIGER, AGRICULTURE SECTOR DEVELOPMENT GRANT (ASDG), (683-0246/0247) Project Paper, USAID/NIGER, Disbursement Period 8/84 to 8/88.

AGRICULTURE SECTOR DEVELOPMENT AGREEMENT, between the Republic of Niger and the United States of America, dated August 31, 1984.

ASDG Agreement, Annex 1, Amplified Program Description.

ASDG Agreement, Attachment A, Criteria and Indicators for Realization of Project Objectives.

ASDG Agreement, Attachment B, Illustrative Program Management Schedule.

Annex H, Institutional and Policy Constraints on Agricultural Production in Niger, Project Paper Design Team April 1984.

ASDG Project Implementation Letters, to the Minister (Delegate) of Plan, Niamey, Niger; from Director USAID/Niger.

- Lettre No. 4, SDSA, 23 Novembre 1984.
- Letter NO. 5, Rural Sector Development Grant, August 31, 1983.
- Letter No. 1, Agriculture Sector Development Grant, November 1, 1984.
 - Annexe A - Aide Memoire Agree Concernant le Fonds en Trust.
 - Annexe I - Budget de Fonds en Trust - USAID/Niger.
- Letter No. 8, ASDG, July 3, 1985.

Rapport d'Evaluation Conjointe sur la Realisation des Objectifs de la Premiere Tranche - Subvention USAID au Developpement du Secteur Agricole, Novembre 1985.

V/L No 0565, Subvention au Developpement du Secteur Agricole, du Ministre du Plan, Niger a Directeur de l'USAID, du 12 Aout 1986.

Fundamental Documents of USAID

Country Development Strategy - NIGER - FY 1988 AID/Washington Feb 1986.

Country Development Strategy - NIGER - FY 1988 Annex A - Current Macroeconomic Situation and Constraints, MAID/Washington, March 1986.

Documents from the Technical Assistance Team

Terms of Reference - Technical Assistance Team/University of Michigan Contract between U of M and AID, dated October 17, 1985.

List of Studies that the Technical Assistance Team from the University of Michigan has prepared:

Background Paper on Agricultural Inputs, Henri Josserand, August 1985.

The Ministry of Agriculture and Agricultural Policy, Context, Diagnostic of Efficiency and Proposed Action Plan, Univ of Michigan Technical Assistance Team, June 1986.

Results of Analysis of the Enquete Stocks Villageois, Cellule d'Analyse de Politique Agricole, Equipe Universite de Michigan, mars 1986.

Orientation Goals and the Training Program, Micro Computer Training at the Ministry of Agriculture - Michael Wybo.

Observations on the use of the Enquete Stock Villageois as a Micro Computer Training Exercise in the Ministry of Agriculture, Michael Wybo - July 1986.

Note Explicative sur les Projections de Production Agricole Historique (1971 a 1985) Demande d'Intrants, Commercialisation et Prix, Ministere de l'Agriculture - Direction des Etudes de la Programmation et des Statistiques Agricoles, Equipe Universite de Michigan.

Note Explicative sur les Projections de Production Agricole Historique (1971 a 1985) Demande d'Intrants, Commercialisation et Prix.

Observations on the National Statistics Service Market Price Survey, University of Michigan TA Team, Frank Casey, July 28, 1986.

Niger's Public Investment Budgeting Process, Univ of Michigan Technical Assistance Team, Feb 20, 1986.

ASDG Amendment - Letter to the AID Mission Director - Henri Josserand - July 14, 1986.

Fertilizer Supply and Demand in Niger -Retrospective Study - August 1986.

The National Budget of Niger, FY 1987; to AID Mission Director/Niger from University of Michigan Technical Assistance Team, October 6, 1986

Documents from the Secretariat/DPI/Ministry of Plan.

La Composition du Comite de Gestion et ses objectifs - partie de la Lettre d'Execution No.4 du USAID datee du 10 mars 1984.

Creation d'une caisse de menues depenses - no.0011/SCG/DFI/MP 27 sept 1985.

Portant Creation du Comite de Gestion de la Subvention du Developpement du Secteur Agricole - Arrete No. 23 /DPI/MP du 5 Novembre 1984.

Procedures relatives a l'autorisation et au deboursement des fonds - no.4370/DFI/MP - le 22 juillet 1985.

Procedures relatives a l'utilisation et au deboursement des fonds - no.6321 DFI/MP le 1 octobre 1985.

Etablissement de rapports d'activites et comptables - no.0020/SCG/DFI/MP - le 7 novembre 1985.

Ouverture de registres d'inventaire (portant controle des biens durables) - no.0002 SCG/DFI/MP le 21 Jan 1986.

Rapport d'utilisation des Fonds - No.0427 DFI/MP le 23 janvier 1986.

Dispositions Statutaires du Personnel de Secretariat - le 10 juin 1986.

Observations des membres du Comite de Gestion sur le dispositions statutaires de Personnel du Secretariat - le 10 juin 1986.

Rapport de Mission du 1 au 7 juillet 1986 - Les visites des realisations effectuees dans deux projets finances par les fonds de contre partie USAID.

Rapport de Mission PUSF - du 27 juillet au 1 aout - Chaibou Abache - 4/8/86.

Audits des Projets Productivite Niamey et Programme Cerealier National - (ref V/L no 1177/CAB/MA) - no. 3214 /DFI/MP 14 aout 1986.

Commentaire sur le Budget 1987 du Secretariat du Comite de Gestion -19/9/86.

Rapport de Mission, Secretariat de Comite de Gestion, Direction du Financement des Investissements, Ministre du Plan, Oumarou Gaoh, Agronome du 13 Aout au 12 septembre 1986.

Observations sur la Requete de Financement de l'Etude sur la Politique de Commercialisation et des Prix des Produits Agricoles - le 24 Octobre 1986.

Ordre de Jour - Reunion de Comite de Gestion de la Subvention au Developpement du Secteur Agricole - No. 41/MP/DFI/SCG - le 27 octobre 1986.

Secretariat du Comite de Gestion Fonds de Contre-Partie - Subvention au Developpement du Secteur Rural; Propositions des dispositions statutaires du personnel et des changes en organisation et de la mission proposees par le conseiller en gestion - November 1986.

Documents du Gouvernement du Niger

- Plan Quinquennal de Developpement Economique et Social 1979-1983 - Tomes I, II, III et Resume - Ministere du Plan.
- Analyse des Charges Recurrentes des Investissements Publics au Niger - Approche macro-economique - Atelier Ministere du Plan - Naimey Juin 1983.
- Projet Productivite Miamey (PPN) - Deuxieme Evaluation Interimaire - Ministere du Developpement Rural - Decembre 1984.
- PPN - Secteur Elevage - Evaluation 1984 - Programmation 1985 Service Departmental de l'Elevage et des Industries Animales - Decembre 1984.
- Documents de Preparation du Programme d'Adjustement Structurel - Perspectives Macro-Economiques - DAEP Ministere du Plan - decembre 1985.
- Propositions de Mesures pour la Relance des Cultures d'arachide et de Niebe - Service de la Vulgarisation - Direction de la Production Agricole - Ministere de l'Agriculture - Janvier 1986.
- Seminaire des Cadres du Ministere de l'Agriculture, 3 au 13 mars 1986 a Maradi--Synthese.
- Seminaire des Cadres du Ministere de l'Agriculture, 3 au 13 mars 1986 a Maradi-- Rapport d'Evaluation.
- Annuaire Statistique - edition 1985 - Ministere du Plan - mai 1986.
- Bulletin Statistique Direction de la Statistique et de l'Informatique Ministere du Plan - annee 1986.
- Bulletin - Marche des Cereales - Office des Produits Vivriers du Niger (OPVN)-(Mil/Sorgho/Mais/Riz-en Sept Departements) - juin-juillet- aout 1986.
- Etudes et Conjuncture - Direction de l'Analyse Economique et de la Planification - Ministere du Plan - Aout 1986.
- Programme Significatif de Relance - Commission Nationale de Suivi de la Conjuncture - Conseil Militarie Supreme du Niger - Aout 1986.
- Evaluation des Essais en Milieu Reel sur les Cultures Associees Mil-Niebe: Resultats de la Campagne de 1985 - Programme de Recherche sur les Systemes de Production Agricole - INRAN - Scott Swinton et al - Septembre 1986.
- Evaluation Macroeconomique des Projets de Developpement - Programmes a Moyen Terme - DAEP - Ministere du Plan - septembre 1986.
- Indices des Prix a la Consommation Africaine et Europeenne a Niamey: Direction de la Statistique, Ministere du Plan. Septembre 1986.

Bilan des Activites de l'Union Nationale des Cooperatives 1984-1986 - Union Nationale des Cooperatives - Ministere de Tutelle:Agriculture -octobre 1986.

Documents and Project Studies

OPVN - Projet Stock de Reserve - Etude Preliminaire d'Investissement sur le Niveau d'un Stock de Reserve National au Niger - Agriculture and Food gmbh AFC International Consulting & Company KG - F.Heinrich et G.Schroeder avril 1985.

Programme d'Appui Institutionnel au Niger - Rapport de la Mission Diagnostic Organisationnel et Recommandations - COGESULT/ACDI-decembre 1985.

Agro-Ecological Zonation Study - Niamey Department, R.Hagen, J. Brown, F. Sowers Resources Development Associates February 1986.

PUSF - Rapport d'Execution du Projet - du 1 mai 1984 au 31 mars 1986 et Perspectives d'Avenir--Accord entre le Gouvernement du Niger et l'USAID 683-0230) mai 1986.

Evaluation du Troisieme Programme du PNUD au NIGER 1982-1986 - juin 1986.

Perspectives Relatives au Secteur des Ressources Forestieres au Niger - Projet Planification et Utilisation des Sols et Forets - (PUSF) - J.Seve, October 1986.

Reports and Studies financed by USAID

Assessment of Agricultural Inputs and Input Delivery, Niger, Ronco Consulting Corporation, (by I.Pattinson, I.Enger and F.LeBeau), Washington, D.C. 1983.

Grain Markets in Niger, Africa and Middle East Branch, International Economics Division, Economic Research Service, U.S. Department of Agriculture, (Michael Cullen and A. Waldstein) June 1983.

An Evaluation of the Agricultural Technical Packages for the Republic of Niger, Main Report, Ithaca International Limited, December 1983.

Joint Program Assessment of Grain Marketing in NIGER, Volume I Main Report, Elliott Berg Associates, December 1983.

JPA/GMN Annexes to Volume I, Joint Program Assessment of Grain Marketing in Niger, December 1983.

JPA/GMN Volume II, Background Papers, December 1983.

Rainfed Sector Strategy and Agricultural Inputs for Export Crops - Niger - Hadley Smith, September 10, 1984.

Niger Irrigation Subsector Assessment - Vols 1 and 2 USAID/Niamey July 1984.

Development Management in Africa: The Case of the Niamey Department Development Project - AID Evaluation Study - Thomas M. Painter August 1985.

Development Management in Africa: Experience with Implementing Agricultural Development Projects, AID/Washington July 1986.

Rural Finance in Niger: A Critical Appraisal and Recommendations for Change,- Draft Report - Ohio State University, September 1986.

Food Assessment Needs in Niger, Debbie Tunley and Thomas Olson, Oct 10 1986 Internal Documents of USAID with Limited Distribution.

Niger Agricultural Sector Assessment; W. Enger, 1979.

The Country Situation, Policy Issues and AID's Development Assistance Program in Niger, (by R.Hough, J.Elliott, and K.Toh) USAID, Niamey 1982.

Dimensions of Current Economic Difficulties in Niger and Proposed AID Sector Grant, Paper Prepared for Niger Rural Development Sector Grant - Kier Toh, July 1983.

Niger's External Debt: Legacy of Uranium-Led Growth Strategy - Kier Toh - Niamey Jan 1986.

RF/N Comments and Suggestions on Draft Report - memo to the Ohio State Study Team from Thomas M. Olson, Agricultural Economist, US/AID Niger, October 3, 1986.

Implementation Plan for the Agricultural Input Supply Component, Agricultural Production Support Project, Niger.

Redesign of the Cooperative Training System of the Agricultural Production Supply Project, Final Report, Niger Cereals Project, Clusa Mission (Pape Sene and Ronald Phillips).

A Review of Design and Operational Problems Experienced during the Implementation of Cooperative Agreement AFR 0234-A-00-5006-00, Wm. E. Garvey, Sr. CLUSA and Kevin B. Creyts - September 1985.

Cooperative Training Component CLUSA Project - AFR 0234-A-00-5006-00 Amendment 4.

Internal Review - Evaluation Assistance Project (683-0229) PDO/AID Oct 1986.

Fundamental Documents of Other Donors

Niger Agricultural Sector Memorandum, IBRD, 1981.

Niger - Recent Economic Developments, IMF 1981.

Les Facteurs de Production Agricole au Niger. La Caisse Centrale de Cooperation Economique.

Les depenses Recurrentes des Investissements Publics au Niger - Vol 1
Rapport de Synthese - CILLS Juin 1983.

Niger - Ressources Publiques et Depenses de Developpement - Banque Mondial
Departement de Programmes I, Afrique de l'Ouest IBRD - 5 avril 1985.

Niger - Irrigation Rehabilitation Project - World Bank - May 30, 1985.

NIGER - Recent Economic Developments IMF - June 13, 1985.

Rapport et Recommandation du President de l'Association Internationale de
Developpement aux Administrateurs sur une Proposition de Credit de
Developpement de 18,3 Millions de DTS et sur une Proposition de Credit du
Fonds d'Aide a l'Afrique de 36,6 Millions de DTS a la Republique de Niger
pour un Programme d'Adjustement Structurel - IBRD - 23 Janvier 1986.

NIGER: Structural Adjustment Program (IDA/R86-7) International Development
Association, Jan 27, 1986.

Memorandum - World Bank Consultation Mission on the Agricultural Sector -
Feb 22-28, 1986.

Documents of General Information

Social Analysis of the Nigerien Rural Producer (Vol II - part D) j.W. Sutter
December 1979; Marketing Profile: Cereals and Cash Crops (Vol ii - part F),
Roe Borsdorf November 1979 - Niger Agricultural Sector Assessment
NIGER: A SOCIAL and INSTITUTIONAL PROFILE Institute for Development
Anthropology - July 1983.

Bilan des Ressources de la Recherche Agricole dans les Pays du Sahel -
vol 1 - Analyse et Strategie Regionale Institute du Sahel - Midwest
Consortium - Dr. Kifle Nagash Coordinator Sous-Regionale du Niger Aout 1984.

ANNEX G
TERMS OF REFERENCE FOR THE UNIVERSITY OF MICHIGAN
TECHNICAL ASSISTANCE TEAM

1. Background: ASDG Provisions

The Program Assistance Approval Document (PAAD), under the Sector Assistance Program (C), calls for a Program Input (3) entitled Technical Assistance and Policy Studies/Monitoring (c.) This section provides for the inclusion of both short and long-term technical assistance and in-service training for the implementation, monitoring and management of the Program.

The input includes a total of 8 person years of long-term technical assistance for policy formulation, etc., as well as 40 person-months (3-1/2 person-years) of short term technical assistance for specific tasks related to proposed policy changes, Policy studies and related seminars and/or workshops, in-service training and support, plus two evaluations of the program (mid-term and final).

The technical assistance is to consist of three categories:

- (1) technical assistance in helping the Government implement the policies, e.g.:
 - establishment of a functional tender system for OPVN,
 - dissemination of market information,
 - administration of a more rational system of subsidies and preparation for the removal of the subsidies,
 - liquidation of the Central d'Approvisionnement from 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 establish an economic policy analysis unit and develop policy analytic and formulation capacity in the area of agriculture and rural development.

It was stressed that the last category of technical assistance was especially important in ensuring the transfer of knowledge and the continuing nature of policy analysis and the formulation process.

These technical assistance categories are to be financed out of a \$3 million dollar allocation from the total grant, broken down as follows:

- Technical Assistance	\$1.500 million
- Policy Studies and Related Seminars	1.000 "
- In-service Training and Support	.350 "
- Evaluation	.150 "

The Budget for a Secretariat office for local currency management was not included under the TA dollar allocation. It is considered to be a local currency requirement (\$850,000), and financed out of the Counterpart Funds.

2. Technical Assistance Contracts under ASDG provision:

University of Michigan under a Technical Assistance Contract totalling \$1,640,434 is providing the manpower required under the ASDG. Under a sub-contract from the University of Michigan, a contract was approved with Tufts University to provide a Development Economist for 2 years (Jeffrey Metzel), plus approximately 8 man-months of short-term technical assistance (Derick Stryker 2 trips per year of a months duration for 3 years) and some other nominee (3 weeks each year for 3 years.) This contract is for \$325,710.

Other short-term technical assistance included in the U of M contract is:

ABT Associates

- 50 days per year in 2 trips to Miami
over a three year period ----- \$99,911.

and,

- 85 days per year for 3 years
of University consultants ----- \$47,821.

Also included in the U of M contract is \$91,947 of miscellaneous office equipment and supplies which to date has encompassed:

- 8 IBM compatible computers with hard disks drives and electrical current maintenance and surge protection;
- applicable computer software for word processing, spreadsheets, and database management;
- a copying machine; and
- a local logistics manager for the team:

Haraka Management ----- \$13,500.

3. Terms of Reference for University of Michigan Technical Assistance Team:

The following is a summary extracted from the University of Michigan Team's Terms of Reference as a Team:

- a. The specific manpower requirements for the Technical Assistance Team are:

Policy Reform, Economic Studies, Information Systems, and establishment of the Policy Analysis Unit.

- o Assist the Ministry to Draw up and Implement Policy Reform Plans Required under the Grant Agreement for successive tranches of Fund Disbursements;
- o Draw-up an Annual WorkPlan for the three Technical Assistance Team Members, as well as write Scopes of Work for short-term consultants;
- o Prepare Semi-Annual Progress Reports on the T. A. Team Members.

The Primary Contact and Principal Facilitator for the External Evaluations:

A series of a additional studies are required to be undertaken, by the Senior Policy Advisor himself and his team, and/or with assistance of outside consultants:

Identify, prioritize, write Terms of Reference for, and oversee the conduct of policy studies needed to optimize economic gains to be made from policy reform -- beginning with those studies tentatively suggested by the AID Sector Assistance Activity Paper (SAAP) and by Ministry officials.

A study on:

- (1) Monitoring and evaluation of the newly adapted bid/tender system for grain marketing (at OPVM) in terms of efficiency and equity;
- (2) Creation of an efficient market information system and dissemination of price data;
- (3) the effects of input subsidies;
- (4) Livestock export marketing;
- (5) Urban food consumption and food self sufficiency;
- (6) Rice marketing;
- (7) Producer cost and market price analysis of millet, sorghum and rice;
- (8) Feasibility of animal traction;
- (9) Relationship between dryland and rainy season agricultural production.

Relative to the above studies, and in preparation for policy analysis the Senior Policy Analyst has been assigned coordination duties as follows:

- (1) Coordinate the collection and analysis of data among the various offices (including that of the DEPSA) within the Ministry of Rural Development (substitute Agriculture) to ensure the gathering of the required information at sufficient levels to conduct reliable analyses and formulate sound policies;
- (2) Coordinate with the other relevant Ministries (including the Ministries of Animal Resources, Plan, Finance, Commerce, etc.) as necessary to ensure the adoption and implementation of required policy reforms;
- (3) Coordinate with the Cereal Marketing Board (OPVN) within the Ministry of Commerce and Transport regarding policy reforms such that consistency and compatibility of agricultural commodity pricing with farmer input subsidies is achieved.;
- (4) Coordinate the semi-annual joint review of policy reforms with the government and AID and assist the Agricultural Policy Analyst in preparing the semi-annual reports on progress and problems with specific recommendations for continuing or changing the program;
- (5) Coordinate with and provide professional advice to the Development Economist assigned to the Ministry of Plan upon request for assistance;
- (6) Coordinate with and consult with the AID Mission Agricultural Development Officer (ADO) and his staff once a month - briefing them on the status of progress and problems in executing the work plans of both technical assistants at the Ministry of Rural Development (substitute Agriculture).

Agricultural Policy Analyst:

Analyst in the Division of Monitoring and Evaluation (Service Suivi ...)

Specific Counterparts: 3 Nigerien professionals

Duties:

- A. Coordinate the assembly of information from statistic sections; Determine whether policy efforts are having the desired effects at (Log Frame) goal, purpose and output levels:
 - (i) Assess the quality of data being collected; improve the system for gathering, publishing, and utilizing data for policy reform;
 - (ii) Oversee gathering of data in the field to supplement information;
- B. Monitor and review progress in policy reforms specified in ACPD

- (i) Determine the degree to which private sector has been integrated in relation para-statal in the farm input supply and agricultural commodity marketing; estimate benefits from increased competition;
- (ii) Assess progress in policy reforms and recommend adjustments to ASDG;
- C. Coordinate short-term technical assistance
- D. Assume major responsibility for preparing semi-annual reports required with active participation by Nigerien staff;
- E. Participate in the monthly briefing of AID ADO and staff;

Development Economist:

Role: Agricultural project appraisal specialist with DEPP-Ministry of Plan helps to identify and select agricultural projects basis economic profitability; helps to formulate Three-year Development Plan

- A. Conducts ex-ante project appraisals of proposed agricultural projects using cost/benefit analysis, technical and financial feasibility studies;
- B. Develops macro-economic impacts of current and projected projects;
- C. Coordinates with other ministries in the collection of data;
- D. Coordinate with macro-economists in Ministry of Plan;
- E. Regularly advise the USAID Mission on the status of government's efforts to achieve economic and financial stabilization

Resource Specialist:
Role: Micro-computer trainer

- A. Train Nigerien Staff in the use of micro-computer hard and software in areas:
 - 1. in data collection and processing requirements;
 - 2. in selection of equipment, peripherals, and appropriate software;
 - 3. in developing a system of 'first line' maintenance;
 - 4. in software applications adaptable for:
 - (i) Policy analysis;
 - (ii) Monitoring project performance (management information systems)

- (iii) Studies and research activities (statistical analysis);
- (iv) Report processing (outlining, wordprocessing, etc.)

B. Able to design training materials and conduct sessions

In response to the foregoing terms of reference for the University of Michigan Technical Assistance component of the ASDG in accord with his TOR, the Team Leader developed the following Work Plan:

WORK PLAN
TECHNICAL ASSISTANCE TEAM OVERALL ACTION PLAN

The various activities outlined above for DEPSA services may be summarized as follows:

- o Computer training for data entry, processing and statistical analysis in Miami.
- o Computer training for data entry, processing and statistical analysis in the field.
- o Methodological assistance in survey design and organization.
- o Concertation with decision makers for the identification of key monthly indicators.
- o Design of methodology for collection, processing and analysis of monthly indicators.
- o Coordination of data collection with projects or agencies through compatible computerization of data.
- o Evaluation of previous agricultural census and methodological assistance for the 1990 census.
- o Assistance in preparation of technical requests for financing agricultural statistics service.
- o Integration of agricultural statistics and Agrhymet data, and participation in the establishment of the proposed FAO 'early warning' system.
- o Establishment of data banks of general and statistical documents at the Ministry.
- o Computerization of the DSPIE, project monitoring files, and of the Ministry's project data bank, (in collaboration with the Ministry of Plan).
- o Training of Ministry and other staff in project design and in

project monitoring and evaluation, (in collaboration with the Ministry of Plan).

- o Participation in specific Ministry design and evaluation missions.
- o Design and supervision or implementation of specific policy-related studies.
- o Yearly assessment of performance in policy reforms.
- o Participation in the design of ASDG II.

In Niger, the fiscal cycle starts on October 1 each year. It provides an evaluation of the status of projects funded under the previous year's investment budget.

There are three parts to the Budget Cycle, each of which produces an important document. The three parts, the documents which are produced, and the approximate timing are:

INVESTMENT BUDGET

Phase of Budget Cycle	Name of Document	Time Period Allocated
A Summary of Progress	Bilan	Finished Jan.
'Rolling' 3 year Plan	Programme d'Execution	Approved Sept.
This Year's Budget	Budget d'Investissement	
Fiscal Year Starts		October 1

The document called the Programme d'Execution projects the Investment Budget for the coming three years. The process of elaborating the Programme begins as soon as the document called the Bilan, which summarizes the achievements of the previous year is completed in January. The Programme is completed and approved in September prior to the beginning of the new fiscal year.

The Investment Budgeting process which takes from eight to nine months, involves performing sectorial and macroeconomic analyses to determine investment priorities, conducting discussions among technical ministries to coordinate investments and to negotiate allocations, and meeting with funding sources to share information on ongoing projects and proposed investments.

The Budget d'Investissement proper is the retained allocation of funding for the coming year only within the new Programme d'Investissement. It is formulated within the process of elaborating the Programme d'Investissement described above.

The budget programming cycle as described here has only been through one cycle. The process has problems obtaining accurate and current information on current and projected expenditures of investment funds by projects. This difficulty has been due, in part, to the lack of a systematic method of collecting information at the project and technical ministry levels. These data collection problems are exacerbated by problems of information flow between ministries and in the Ministry of Plan.

**ANNEX H
COUNTERPART FUND**

B. Background

1. Criteria for Selection of Projects/Activities for Financing

The PAAD, a non-controlling, but important document to AID ASDG project management, stated that the Counterpart Fund should be used in the first instance preferentially for projects aiding or contributing towards implementation and realization of the Policy Reforms, including, in the order of priority as follows:

- a. Improvement in the Policy Analytic capabilities
- b. policy studies on subsidies, credit, pricing and marketing
- c. collection of agricultural statistics
- d. systems to disseminate of market information
- e. provision of functional literacy for cooperatives
- f. on-farm research activities

Section 5.3 of the Agreement and Article I C (2) of Annex I entitled Amplified Program Description as well as Project Implementation Letters (PILS) no. 4 (for the RSDG) and no. 8 (for the ASDG) established the official priority ranking for the use of the Counterpart Funds with the Government of Niger:

Extracts on the Requirements for Local Currency Use:

From the Grant Agreement Section 5.3 : Tenets Governing Use of Local Currency:

The Special Local Currency Account shall be considered as additional resources for the Nigerien National Investment Fund (FNI), segregated in a special account, and not be a substitute for the Government's own budgetary resources.

The ASDG Local Currency Account shall be used to finance local capital and recurrent cost outlays or host country contributions for donor assisted projects, according to the following order of priority:

- (a) activities or projects contributing to the implementation of the policy changes in the agriculture sector;
- (b) recurrent or local costs of AID financed agricultural or livestock projects;
- (c) recurrent or local cost of other donor financed agricultural or livestock projects or activities which complement or supplement AID projects;
- (d) extensions or continuations of activities or projects under implementation in the agricultural sector which will contribute to

the rapid increase in the productivity and income of the rural population.

The Local Currency Use is controlled by the following additional guidelines from Annex 1, Amplified Program Description, Section C: Inputs,

2. Local Currency Component

It will not be used to finance normal civil servants' salaries and other ordinary budget items.

The allocation of the local currency will be guided by three general criteria:

- maximize the likelihood of increasing income generating capacity, foreign exchange earnings, and tax base;
- local currency will not be used to support projects which will create excessive additional recurrent cost burden to the Government of Niger;
- reasonable assurance that the cost burden to the stream of benefits from recurrent cost financing is greater than using the funds for new projects.

Within the above general criteria, the priority ranking for local currency allocations is as follows:

- (a) Pilot projects or activities contributing towards the implementation and realization of the policy changes proposed under the Grant Agreement;
- (b) Recurrent and local costs of AID financed agricultural and livestock projects of activities which contribute to the production of income generation;
- (c) Recurrent and local costs of other donor financed agricultural and livestock projects or activities which complement or supplement AID financed projects;
- (d) Extensions of programs/projects or activities under implementation in the agriculture sector or high priority new projects or activities in the sector which will contribute to the rapid increase in the productivity and income of the rural population.

Plus the Additional Guidance From Project Implementation Letter No. 8:

Agriculture and livestock development activities financed by the local currency will be allocated according to the rank order provided:

- (1) Financing of activities, including studies and analyses which contribute toward the implementation and realization of the policy reform program (conditionalities) set forth in the Agreement;

- (a) Reorient the agricultural input supply policy and restructure the official input supply agency (the C.A.) in order to make more agricultural inputs available to farmers at prices which reflect real economic benefits to the agricultural sector;
- (b) Promote competition in grain marketing through the liberalization of official marketing and pricing policies, and thus consequently reduce the operational losses of the official grain marketing agency, and increase the relative share of the agricultural outputs marketed by cooperatives and private traders;
- (c) Undertake a study of Niger's agricultural credit system, particularly the informal credit market, in order to formulate appropriate policies to promote the development of effective rural financial markets;
- (d) Promote border trade of livestock, cowpeas, and other agricultural products through the reduction of administrative and fiscal impediments;
- (e) Promote increased cooperative and private trade of livestock, cowpeas and other agricultural products, and internal grain marketing and storage.

Pilot projects which may be financed under this criterion may include, but are not necessarily limited to, programs aimed at increasing more private and cooperative sector involvement in agricultural and livestock development, such as training programs to strengthen individual cooperatives and the Office of Private Enterprise Promotion. (OPEN)

- (2) Financing recurrent costs of ongoing USAID-financed projects, primarily agriculture and livestock projects or activities, which contribute to production and income generation. 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 general administrative and overhead non-capital costs during as well as after project implementation, and general administrative overhead.

- (3) Financing recurrent costs for agricultural and livestock development projects which are closely related to, or complementary to USAID-financed projects, but whose capital and non-recurrent cost are financed by other donors.
- (4) Financing extensions of programs/projects currently in implementation or high priority new projects in agricultural development which will contribute to rapid increase in agricultural productivity and income of the rural population.

The local currency will not be used to finance allowances, salaries or indemnities of regular civil servants.

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 must be given that sufficient institutional capacity exists to implement and monitor projects.
- (3) The local currency fund contribution to the project or program is normally more than 10 million FCFA.

In principle, the Committee will give priority to projects requiring more than 40 millions FCFA, the exceptions being projects executed by non-governmental organizations or existing assistance projects.

- (4) The local currency fund contribution for recurrent cost financing constitutes less than 40% per cent of the total like of project financing.

All local currency funds will be distributed within two years of approval of the local currency contribution.

The Government of Niger must provide some financial or in-kind support to any project financed by the counterpart funds.

- (5) When the local currency fund finances any recurrent costs of the project, the proposal must state:

That the Government of Niger is unable to assure the recurrent cost financing from the normal budgetary procedures;

How the counterpart cost burden of the project financed from 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; and

A explicit statement that providing the recurrent cost to the particular activity will have a higher positive impact on development than using the funds for other new projects.

- (6) Priority will be given to projects which provide direct benefits to large numbers of rural poor in relation to the total cost of the project.
- (7) In ranking the projects within the first three priorities of general criteria, higher priority will be given to the greater degree that the projects promote:

- Income generation for rural families;
 - Food self-sufficiency;
 - Foreign exchange earnings;
 - Broadening the tax base (especially increased participation of the local population to meeting costs);
 - Reductions in recurrent costs; and
 - Closer linkage with policy reforms.
- (8) The local currency fund will not finance any contribution towards projects assisted by donors from countries not included in AID Geographical Code 935.
- (9) The local currency fund will not finance purchases of services or commodities whose nationality of origin is from those countries listed as excluded in Geographical Code 935.

All projects requesting funding will be presented according to the format for Projects Proposals. The project requests submitted by the Ministry of Plan to the Committee for the approval of local currency funding must contain budget information and documentation presented in standardized format.

All projects will follow the Financial Procedures under Section 121 (d) as described in the Project Implementation Letter no. 8.

AID will require the maintenance of accounting and reporting systems to follow up on the ultimate use of funds disbursed from the local currency account and will require test checking of individual payments and uses.

Representatives of other Ministries may be requested to review project proposals, or to attend meetings concerning project with components in technical fields for which that Ministry has responsibility.

The local currency management committee will review, to the extent possible, project and program proposals in groups before the start of the fiscal year. The Committee will rank order the proposals according to the general program criteria and the project acceptability criteria set forth above.

Decisions on the request for local currency funds will be by consensus and agreement of all members of the Committee.

Local currency generated from the ASDG will be considered as part of the investment budget, and decisions as to its use should be in accordance with the standard rules, procedures and instructions issued by the Government of Niger on use of the investment budget.

Guidance Relative to the Establishment of The SECRETARIAT:

The Government of Niger will establish an Executive Secretariat for the local Currency Management Committee.

The decisions will be recorded in the minutes and the Executive Secretary of the local currency management committee will prepare the approval document for each approved activity receiving local currency funds.

This Secretariat office will be responsible for:

- preparing minutes and recording decisions, preparing the approval documentation, and
- obtaining the required clearances of the Ordonnateur Delegue, and the USAID Mission Director.

No funds can be transferred to the project until both the AID Mission Director, or his representative, and the Ordonnateur Delegue, or his designated representative, of the Ministry of Plan have countersigned the approval document.

It will also maintain (financial) records in accordance with the requirement for a section 121 (d) certification.

ASDG SECRETARIAT Functional Descriptions

The Secretariat Committee:

Created by Arrete No 23/ Minister of Plan/DFI of November 3, 1984, (in response to Pil No. 4 of March 10, 1984):

- o Selects the projects to finance with the counterpart funds.
- o Must follow the instructions of the Project Implementation Letters.
- o Most recent is Pil no 8, dated November 1, 1985.

Executive Secretary:

Responsible for the execution of the decisions of the Secretariat Committee. Must follow the instructions of the Project Implementation Letters. Specific instructions have been laid down for accounting systems to follow 121 & methodology.

Specifically: responsible for the organization of the Secretariat, including the hiring, training, supervision of staff. Purchase of the necessary office material.

Establish a system of management for following up on projects which receive Counterpart Funding.

Prepare for the Committee meetings, and execute the Committee's decisions.

Follow the Proceedings of the Committee Meetings and issue a Proces-Verbal (legal recording) of the deliberations and decisions made on various projects, etc.

Establish a system of communication within the Secretariat, for the standard operating policies for the Secretariat, as established by the Committee.

Submit periodic reports of the Secretariat's activities.

Accounting Section:

Verify the requests for payment submitted by approved projects:

- against budgets submitted and approved (unless amended with the agreement of the Committee)
- against the availability of funds
- against the original orders for goods and material, and the bills for payment, (or the receipts for payments already made)

Prepare the orders for payment to be sent to the bank.

Responsible for maintaining the ledgers and accounts of the Counterpart Funds.

Prepare Monthly Accounting reports

Financial Counselor:

A. Conceives, installs and maintains a viable section 121 (d) accounting system for local currency for the Counterpart Fund.

The system will include, as a minimum:

1. A separate bank account
2. A Journal for Receipts and Expenses, with proper documentation.
3. A certified inventory every six months.
4. Control and verification of expenses.

B. Teach the Project Accountants to use and maintain this system of accounting for the Counterpart Fund, taking note of the requirements of both the Government of Niger and the section 121 (d) of the AID.

C. Analyse all advance accounts made by project with regard to:

1. to determine if the proposed transactions fall within the terms and conditions, and will be reimburseable;

2. to determine that the advances conform to the project proposal and identify any differences.

D. Supervise the submission of disbursements for the projects financed by the Counterpart Fund and assure that they conform to the regulations of the Government of Niger, and those of AID.

Review the documents and receipts for each submission:

- (1) monthly audit;
- (2) monthly audit of advance accounts ;
- (3) monthly report of the expenses by budget line item.

E. Conduct site visits and certify to the Ministry and to the Controller at AID that material purchased by projects with USAID funds is being used in accord with the project agreement and other working documents. These inspections should be conducted along with the six month inventory requirement.

F. With regard to projects which have taken Counterpart Funds to provide a system of credit ('revolving funds'), verify that the project furnishes the following information on these funds:

- (1) audit of the credit accounts monthly;
- (2) the amount of outstanding loans;
- (3) the amount of previous reimbursement of loans.

G. Report to the Chairman of the Counterpart Fund Management Committee with suggestions for improvements of the financial management of each of the projects.

Technical Analysis Section:

Assist the Committee in the identification of problems with regard to Project Files submitted for approval, or for changes in the Approved Project's budgets, or with problems regarding payments where technical assistance is required, and makes a recommendation to the Committee;

Furnish the necessary information, and assists the Committee in the studying of Projects submitted for approval for financing by the Counterpart Fund;

Develop a method to collect, treat and analyse the information and statistics necessary for the operation of the Counterpart fund;

Establish a system of periodic visits to and progress reports on projects financed by the Counterpart Fund.

Submit periodic reports of the sections activities.

Financial Analysis Section:

Participate in the financial evaluation of projects submitted for financing by the Counterpart Fund;

Review the accounting systems and those financial control systems of the Counterpart Fund, and makes recommendations to the Executive Secretary, and through the E.S. to the Committee for changes;

Prepare the analysis and comments on the financial reports submitted by the projects receiving financing by the Counterpart Fund;

Visit the individual projects financed by the Counterpart Fund, and reviews their accounts to assure conformity with the instructions

Follow the projects financed for the identification of problems with regard to the spending of Counterpart Funds, and makes recommendations

Submit periodic reports of the sections activities.

Secretariat
Organization Chart

As of November 17th, the Secretariat consisted of:

No.	Title of Position	Name	Responsibility:
1	: Executive Secretary	Ali Harouna	In general charge of administration reports to DFI/MP
1	: Financial Counselor	Jacques Carbonnel	Advisor to Ex.Sec. Reports direct to Committee
1	: Technical Specialist	Oumarou Gaoh	Rural Development Project Analysis and Follow-up
1	: Financial Analyst	Abache Caibou	Project Analysis and Follow-up
2	: Accountants	Moussa Bagaya	General Accounting Monthly statements
		Boubacar Timbo	Cash Disbursements
2	: Secretaries	Mme Baïla Mme Niassou	

164

2 : Chauffeurs

1 : Messenger

3 : Day and Night
Guardians

Occasional
general labor

Additions Provided for in the budget for Fiscal 1986/7:

1 : Financial Analyst
(skilled in Micro-Computer use)

1 : Chauffeur

ANNEX I

SCHEMATIC DIAGRAM

A. Policy Level Debate at 4 levels:

1. At TA team level, primary influence is the technician, i.e. the gathering, analyzing and presenting of information including statistical counts, samples, projections the micro (and macro) economic analysis of individual projects programing and inclusion of particular projects, or phase of projects within a limited resource allocation.

And the method of influence is:

Transfer of technology, including computer use
Teaching and application of methodologies
Sensitivity Analysis and Modeling Techniques
And development of options and alternative scenarios
Economic theories applied in selecting alternatives

2. At the Management Decision Level:

From the Policy Debate:

Alternative scenarios or Option Action Possibilities are discussed
Economic forces are analyzed, and their long-term effects projected
Political Realities are introduced by Nigeriens Policy Formulations and
eventual Objectives and Goals Debated Potential long-term Policy effects are
considered.

Resulting in:

Policy Options (changes) are reviewed, and referred back for to
technicians for inclusion of Political environment or expediencies.

Recommended Policy changes are forwarded.

3. At the Political Level (High Committee, Ministerial Council)
Policy is debated in its political environment (only).

POLICY IS ARTICULATED and FORMALLY ENACTED

4. At the Local Authority Level -i.e. throughout the Government
system.

POLICY IS EFFECTED , if agreed----or

POLICY IS LEFT TO DIE UNACTED

PROPOSED SCHEMATIC DIAGRAM

Intervention in Policy Formulation

Government Level		ASDG Intervening Party
1. Policy Analysis Technician in the Department:		Policy Analysis Specialists TA Team:
MA / Agriculture Statistics DEPP - Project Design		Micro Computer Specialist Agricultural Policy Advisor
KAR / DEP		ILP Policy Advisor (Tufts Project)
MP / DEPP		Macro Economic Analyst
MP / DAEP		Senior Policy Advisor
2. Management Level:		
Directors:		Project Coordinator/AID
MA / DEPSA	Possible	
KAR / DEPP	Middle Level	
MP / DEPP	Sub-Committee	
MP / DAEP	to High Committee	
3. Political Level:		
Ministers and Secretary Generals:	the High Committee (on Policy Change)	ADO and AID Director
Agriculture		
Animal Resources		
Plan		
Finance		
Commerce		
Hydrology & Forestry		
Vice Premier's Office		
Office of the President		
4. Implementation Level:		No representation envisaged by ASDG
Local Authority Level		
Monitoring for the Central Government Ministry:		
MA / Statisticians in Field Locations		TA Team members Counterparts

ANNEX J
THE IMF STRUCTURAL ADJUSTMENT PROGRAM

The IMF Structural Adjustment Program can be outlined briefly as follows: It calls for changes in two major categories;

1. A reduction in the role and size of the public sector to be in line with resource availability;
2. A more efficient use of budgetary resources, to better utilize existing investments, expand essential services, and strengthen the basis for future economic investment.

To this end, specific reform measures were designed to remedy the following:

3. It was found that the cuts in expenditures necessitated by the budget crisis resulted in cuts in already under-funded categories of materials and supplies, including counterpart financing for foreign-financed projects;

During the 1979/1984 period, the government wage bill grew at nearly 9% per annum, representing over one-third of current outlays; A system of fast promotion through the salary system led to classification of 44% of all government employees as top-grade civil servants.

4. The ability of the public agencies to deliver services efficiently was exacerbated due to the costs of expenditures for the needed supplies, which was represented by a supply/wage ratio of over 1 to 2;
5. Insufficient maintenance of existing facilities, especially in the transport sector, was leading to a premature degradation of the national stock; this also included irrigation and water management systems, health, education and administrative buildings;
6. As a hold-over from the uranium boom, the availability of foreign financing had become a more important criteria for project selection than economic viability. Large external debts had been engaged for inappropriate projects in terms of technological design and adaptability to the Sahelian environment;
7. The steady decline of government revenues dependent upon the exploitation of the uranium reserves, indicated the need for an overhauled public revenue system, including taxes based primarily on import duties;
8. There appeared to be a serious problem in matching the public expenditures with the Government's stated equity goals, representing 18% of current public expenditures, i.e.:

- in the health sector only 10% of the resources were allocated to rural areas, and the rural poor pay for drugs and services while the urban government employee received his free of charge;
- primary education was stagnating, resulting in a decline in the enrollment rate outside of urban middle class areas;
- the emphasis on higher education and the provision of scholarships in spite of the fact that the current number of graduates already exceeds the needs of the modern sector; and
- tends to benefit a select group in the population without adequate consideration of their ability to pay.

The Policy Reform Conditionalities in the First Phase of the World Bank/IMF Structural Adjustment Program with regard to Agriculture, and the target date for their adoption are:

- o Major Reform of the grain marketing, pricing and stock policy (October 1985).
- o Elimination of subsidies on the purchase of agricultural implements (1985).
- o Decision to fix the subsidy rate for fertilizer annually on the basis of an explicit budgetary allocation and fertilizer demand estimates (November 1985).
- o Adoption of interim measures with respect to the CHCA ; suspension of new lending operations; detailed audit of the enterprise (April 1985).
- o Gradual reduction of the subsidy rate on the distribution of fertilizer to a level not exceeding 15% of the price the Centrale d'Approvisionnement is charged by its suppliers, (1986-88).
- o Definition of a new agricultural credit system and the possible role of the CHCA within this new system (October 1986).
- o Study and formulation of a research strategy for INRAM (1985-1986).