NIGER AFRICAN ECONOMIC POLICY REFORM PROGRAM

(683-0259 and 683-0263)

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/PD, James A. Graham James A. Graham

SUBJECT: Niger: African Economic Policy Reform Program (683-0259 and 683-0263)

PROBLEM: To authorize an FY 1988 grant of $15,000,000 for the Government of Niger (GON) to be financed from the Development Fund for Africa (DFA) for an African Economic Policy Reform Program (AEPRP).

BACKGROUND: The program for which authorization is requested will contribute to the overall goal of diversifying and increasing rural incomes. The program's purpose is to promote policy and institutional reforms which will foster increased exports of agro-pastoral products, particularly through official channels. Under the program, the GON will implement reforms related to export promotion and marketing of export products. By the end of the program, the following will have been achieved:

* In the area of fiscal reform, most export taxes on agro-pastoral products will have been eliminated.

* Regulations and controls which impede utilization of official export channels will have been eased. For example, export regulations for livestock trade will have been simplified and made uniform; licensing requirements will have been relaxed; and, no new trade monopolies will have been sanctioned.

* Regional trade will be strengthened as the GON assigns a commercial attache to Kano; establishes a foreign exchange rate and market and price reporting system; negotiates improved bilateral trade relations; and, undertakes trade delegations.

The program will result in a better overall policy environment to foster trade through official channels. The impact of these changes on agricultural exports will be gradual with some occurring in the medium term and others over the longer term. The anticipated impacts of the Program will include increased and diversified exports, positive overall returns to the GON fiscal budget, an increase in the volume of trade through official channels, augmented agricultural production, and higher farmer incomes.

The Mission requested total life of program funding of $15,000,000. While the ECPR determined that only $12,000,000 of AEPRP funding would be available for immediate authorization and obligation, the additional $3,000,000 has since become available and will be authorized and obligated this fiscal year.

Of the total $15,000,000, $13,300,000 will be provided to the GON on a cash disbursement basis, and $1,700,000 will finance a projectized program support activity which will provide technical assistance, studies, surveys, evaluation and audit, short term training, and computers. This will be authorized as a separate Handbook 3 grant and will be so managed by the Mission.

The financial plan for the $15,000,000 program is presented below:

	Component	
1.	Cash Disbursements	$13,300,000
	(8% Program Trust Fund to be managed by USAID/Niamey)	(1,064,000)
	(Net transfer to GON)	(12,236,000)
2.	Program Support	1,700,000
	ST technical assistance	(225,000)
	Studies	(495,000)
	ST training/seminars	(430,000)
	Computer software/supplies	(50,000)
	Surveys/evaluation	(450,000)
	Audit	(50,000)
	TOTAL	$15,000,000

Dollar disbursements to the GON will be made in three tranches upon satisfaction of the conditions precedent. The dollar resources will be disbursed to the GON, deposited into the BCEAO, and exchanged for FCFA. The FCFA available as a result of the exchange transaction will be transferred to the BCEAO Niamey for deposit into a separate Treasury account of the GON to finance budgetary costs related to the GON's private sector initiatives. Primarily, these funds will replace revenues foregone as a result of the elimination of export taxes on agro-pastoral products. This will ease the implicit budget shortfall related to the implementation of policy reforms during the initial, transitional period.

As shown above, the Mission will require that, once exchanged for FCFA, 8% of the dollar disbursements made to the GON be returned to the Mission for a local currency trust fund to be utilized by the Mission to finance additional unspecified program support expenses. This will result in a reduction in the amount of the cash disbursement available for budget support. Specifically, of the $13.3 million cash disbursement, $1,064,000 will finance this local currency trust fund and $12,236,000 will provide budget support. No OE Trust Fund is contemplated at this time.

DISCUSSION: At the Issues Meeting held on May 5, 1988, the Project Committee raised issues dealing with the proposed conditionality, the adequacy of the analyses, program and funds management, and the evaluation and monitoring plan. As a result of that meeting, Mission representatives agreed to make several modifications to the PAAD, as follows:

(1) to incorporate sufficient information for a PD 15 determination;

(2) to revise and update the statutory checklist;

(3) to include detailed discussion of cash management procedures based on the experience of USAID/Dakar;

(4) to schedule a third year progress evaluation; and

(5) to provide for consideration of Gray Amendment firms in contracting under the separate, dollar-financed program support activity.

On May 11, 1988, the Executive Committee for Project Review (ECPR) chaired by DAA/AFR Edward L. Saiers convened to review the proposed program. The ECPR focussed its attentions on issues of program feasibility, the analytical bases for the proposed conditionality, and proposed local currency uses. As a result of its deliberations, the ECPR made the following determinations:

(1) that the Mission complete a social soundness analysis which describes the nature of the socio-economic groups likely to experience changes in economic well-being as a result of the program and analyzes what those changes will be;

(2) that local currency be disbursed through the GON national budget utilizing the same mechanisms as approved for Senegal by the General Counsel of the Agency and be used to finance selected budget items of those ministries implementing aspects of the GON's private sector initiatives program;

3

(3) that proposed conditionality related to payment of bonuses for customs agents be deleted from the program; and,

(4) that conditionality be added to disbursement of the final tranche of funds which requires the GON and A.I.D. to jointly assess other constraints to increasing the quantity of agro-pastoral exports identified during implementation of the program and to indicate how these constraints will be addressed after disbursement.

The Mission subsequently modified the PAAD to reflect these decisions, and the revised PAAD is attached.

SPECIAL CONCERNS AND POLICY ISSUES:

The program is in conformance with Policy Determination 15, dated September 13, 1986. It does not support the production of agricultural commodities for export which would directly compete with exports of similar U.S. agricultural commodities to third countries nor does it have a significant impact on U.S. exporters. The commodities in question do not compete with any U.S. exports. In any case, the volumes involved are so small in world market terms that even the potential for competition with U.S. exports is virtually nonexistent.

An Initial Environmental Examination (IEE) recommending a categorical exclusion based on sections 216.2(c)(1)(i) and 216.2(c)(2)(vi) was concurred with by the Bureau Environmental Officer on August 9, 1988.

A 121(d) certification for the program was received on July 25, 1988, signed by Mission Director, George Eaton. DAA/AFR Edward L. Saiers concurred in this determination on July 26, 1988.

A Congressional Notification (CN) for $15 million of DFA funds was forwarded to Congress on July 28, 1988, and the waiting period expired on August 12, 1988.

RECOMMENDATIONS:

(1) That you sign the attached PAAD facesheet, thereby authorizing a DFA sector grant in the amount of $13,300,000 for an African Economic Policy Reform Program (683-0259) for the Government of Niger to be provided as non-project assistance; and

(2) that you sign the attached Project Authorization, thereby authorizing DFA funding of up to $1,700,000 for a technical assistance grant project complementary to the African Economic Policy Reform Program for Niger (683-0263).

Clearances:
DAA/AFR:WBollinger ______ date ______
DAA/AFR:ELSaiers ______ date ______
GC/AFR:PJohnson ______ date ______
AFR/CONT:RKing ______ date ______
AFR/PD/SWAP:BBurnett ______ date ______
AFR/PD:JGraham ______ date 8/10/88
AFR/SWA:PDichter ______ date ______
AFR/SWA:GJones ______ date ______
AFR/DP/PAR:JWolgin ______ date ______
AFR/DP/PAB:LStamberg ______ date ______
PPC/PB:RMaushammer ______ date 8-18-88
PPC/EA:ABatchelder ______ date Aug 19 88
M/FM/PAD:EOwens ______ date ______
State/AF/W:FCalhoun ______ date ______
AAA/PPC/EA:J.La Pittus ______ 8/19/88

drafted by:AFR/PD/SWAP:CRozell:77886:6/11/88:4951

CLASSIFICATION:

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)

1. PAAD Number	683-0259 683-T-605
2. Country	Niger
3. Category	Dollar Disbursement Program Grant
4. Date	August 8, 1988

5. To Charles Gladson
Assistant Administrator for Africa

6. OYB Change Number

7. From James A. Graham
Acting Director AFR/PD

James A. Graham

8. OYB Increase

To be taken from:

9. Approval Requested for Commitment of
$ 13,300,000

10. Appropriation Budget Plan Code GSSA-88-31683-KG39
(814-61-683-00-53-81)

11. Type Funding: ☐ Loan ☒ Grant

12. Local Currency Arrangement: ☐ Informal ☒ Formal ☐ None

13. Estimated Delivery Period: 9/88 - 12/91

14. Transaction Eligibility Date: Upon Authorization

15. Commodities Financed

N/A

16. Permitted Source		17. Estimated Source	
U.S. only		U.S.	N/A
Limited F.W.		Industrialized Countries	
Free World		Local	
Cash	$13,300,000	Other	

18. Summary Description

A. Program Overview: The Niger Economic Policy Reform Program consists of a sector grant and a discrete program support project activity (683-0263). The purpose of the program is to promote policy and institutional reforms which will foster increased exports of agro-pastoral products, particularly through official channels.

Subject to the availability of funds and the mutual agreement of the Parties to the terms and conditions set forth herein, it is planned that a total of $13,300,000 will be obligated in Fiscal Year 1988, and that dollar disbursements will be made to the Government of Niger (GON) in tranches of $4.434 million, $4.433 million and $4.433 million over a three year period. Each of the dollar disbursements is tied to conditions precedent which evidence progress in implementing the policy reform program. Dollars will be disbursed into the account of the GON in the BCEAO where they will be converted into local currency, which will be held in a separate Special Account. Local currency thus generated will be used to provide budget support to GON Ministries to implement the private sector initiatives program. Ninety-two percent of the funds (approximately $12,236,000) will be programed and disbursed from the Special Account jointly by the GON and A.I.D. Once disbursed, these funds will be managed by the Ministry of Finance Treasury through normal GON budgetary procedures. The remaining 8 percent of the funds (approximately $1,064,000), will be returned to USAID/Niger where it will be managed in trust and will finance a variety of program support costs.

19. Clearances	Date
DAA/AFR:WBollinger	WLB 8/19/88
DAA/AFR:ELSaiers	
GC/AFR:PJohnson	PBJ 18 Aug 88
AFR/DP:JWestly	8/12
AFR/SWA:PDichter	
AFR/CONT:RKing	8/18/88
AFR/PD/SWAP:BBurnett	BBurnett
PPC/EA:JLa Pittus	
M/FM/PAFD:ESOwens	

20. Action

☒ APPROVED ☐ DISAPPROVED

Authorized Signature

Date 8-18-88

Title Assistant Administrator for Africa

CLASSIFICATION:

B. Policy Reform Conditionality: In addition to the standard conditions precedent (specimen signatures and designation of authorized representatives), the following conditions precedent will be included in the Program Agreement:

(1) Conditions Precedent to Initial Disbursement for all Activities: Prior to the first disbursement of U.S. dollars under the Grant, the Grantee shall furnish to A.I.D., in form and substance satisfactory to A.I.D.: (a) evidence that a special account has been established in the Treasury of the Government of Niger for the deposit of local currency equivalent to the dollar disbursements under the Grant; (b) formal designation by the Government of Niger of the entity empowered to monitor policy reform measures under the program; and (c) evidence that the export taxes on agro-pastoral products have been eliminated.

(2) Conditions Precedent to Subsequent Disbursements of Dollar Resources:

a. Prior to disbursement of the second tranche of dollar resources under the Grant, the Grantee shall furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that the Grantee has:

(i) Instructed government personnel throughout the country on the proper formula for estimating value of livestock (cattle) for purposes of fixing *patente* costs and simplified licensing (*patente*) procedures for export of livestock;

(ii) Begun preparation of a *charte des contribuables* (businessmen's bill of rights), to include establishment of the position of arbiter between business and government (as described in the PAIPCE);

(iii) Appointed a commercial attache (from the Ministry of Commerce) to the consulate in Kano, Nigeria, and established a line item in the national budget for this purpose;

(iv) Initiated contacts with the Government of Nigeria in order to establish bilateral commercial accords aimed at resolving government impediments to trade;

(v) Undertaken trade missions in neighboring countries with mixed government and private representation;

,1,

(vi) Issued an Action Plan for improvement of livestock export practices thereby implementing the MAR report;

(vii) Not granted any new trade monopolies; and,

(viii) Not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any previous condition precedent under this program.

b. Prior to the disbursement of the third tranche of dollar resources under the Grant, the Grantee shall furnish to A.I.D., in the form and substance satisfactory to A.I.D., evidence that the Grantee has:

(i) Promulgated the charte des contribuables and created the post of arbiter;

(ii) Established a system of collection and dissemination of data on prices of agro-pastoral products and on exchange rates at Kano;

(iii) Eliminated the professional card (carte professionnelle) for vendors of livestock and simplified and clarified licensing requirements for traders in skins and hides, so as to prevent the development of monopolies or monopsonies;

(iv) Posted a trained commercial attache to Kano, assuming receipt of approval from the Government of Nigeria;

(v) Continued good faith efforts toward negotiations with the government of Nigeria on trade relations begun in previous year;

(vi) Undertaken additional trade missions, as described above;

(vii) Reviewed jointly with A.I.D., in form and substance satisfactory A.I.D., the progress achieved in implementing export promoting policy reforms with special attention to the identification of additional policy constraints which are affecting export growth; and, is taking measures, in form and substance satisfactory to A.I.D., to address the constraints thus mutually identified which reflect agreement on research and analyses needed to identify specific corrective steps; and,

(viii) Not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any previous condition precedent under this program.

C. Covenants: In addition to the above policy reform conditionality, the Program Agreement will contain the following covenants:

(1) Continuance of Actions Taken by Grantee in Satisfaction of Conditions Precedent: The Grantee shall covenant the it will not in any way discontinue, reverse or otherwise impede any action it has taken in satisfaction of any condition precedent to the Program Agreement, except as mutually agreed to in writing by the Parties.

(2) Eligible Use of Program Funds: The Grantee shall covenant that it will not use program funds or funds generated pursuant to any dollar disbursement for any military or paramilitary purposes.

4955M

q.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

PROJECT AUTHORIZATION

Name of Country:	Niger
Name of Project:	Economic Policy Reform Support
Number of Project:	686-0263

1. Pursuant to Section 121 of the Foreign Assistance Act of 1961, as amended, and the section entitled "Sub-Saharan Africa, Development Assistance," of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1988, I hereby authorize the Economic Policy Reform Support Project for Niger ("Cooperating Country"), involving planned obligations of not to exceed One Million Seven Hundred Thousand United States Dollars (US$1,700,000) in grant funds ("Grant") over a three year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is 41 months from the date of initial obligation.

2. The project ("Project") consists of technical assistance activities required to implement and support the Economic Policy Reform Program for Niger. It, therefore, contributes to the overall purpose of promoting policy and institutional reforms which will foster increased exports of agropastoral products, particularly through official channels.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. <u>Source and Origin of Commodities, Nationality of Services</u>

Commodities financed by A.I.D. under the Grant shall have their source and origin in the Cooperating Country or in countries which are included in A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the Cooperating Country and countries which are included in A.I.D. Geographic Code 935 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United states, except as A.I.D. may otherwise agree in writing.

Charles L. Gladson
Assistant Administrator
Bureau for Africa

8-15-88
Date

Clearances:

DAA/AFR:WBollinger	[illegible]	date 8/19/88
DAA/AFR:ELSaiers		date
GC/AFR:PJohnson	[illegible]	date 18 Aug 88
AFR/CONT:RKing	[illegible]	date [illegible]
AFR/PD/SWAP:BBurnett	BBurnett	date 8/16/88
AFR/PD:JGraham	JGraham	date 8/16/88
AFR/SWA:PDichter	[illegible]	date [illegible]
AFR/SWA:GJones	[illegible]	date [illegible]
AFR/DP/PAR:JWolgin	[illegible]	date
AFR/DP/PAB:LStamberg	[illegible]	date 8/12/88
PPC/PB:RMaushammer	[illegible]	date 8-18-88
PPC/EA:ABatchelder	[illegible]	date Aug 19 88
M/FM/PAD:EOwens	[illegible]	date 8/9/88
State/AF/W:FCalhoun	[illegible]	date 8-15-88

GC/AFR:PJohnson/8/8/88/x79218:5022M

XD-AAY-181-A

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)

Amendment Number:

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Niger

3. PROJECT NUMBER: 683-0263

4. BUREAU/OFFICE: AFR 06

5. PROJECT TITLE (maximum 40 characters): Niger Economic Policy Reform Program

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 11 23 11 91

7. ESTIMATED DATE OF OBLIGATION (Under "B:" below, enter 1, 2, 3, or 4)

A. Initial FY 88 B. Quarter 4 C. Final FY 88

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 88 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total	1,700		1,700	1,700		1,700
(Grant)	(1,700)	( )	(1,700)	(1,700)	( )	(1,700)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country						
Other Donor(s)						
TOTALS	1,700		1,700	1,700		1,700

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	C. 2. Loan	D. OBLIGATIONS TO DATE 1. Grant	D. 2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	E. 2. Loan	F. LIFE OF PROJECT 1. Grant	F. 2. Loan
(1) DFA	910	930				1,700		1,700	
(2)									
(3)									
(4)									
TOTALS						1,700		1,700	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 891

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code							
B. Amount							

13. PROJECT PURPOSE (maximum 480 characters)

To promote policy and institutional reforms which will foster increased exports of agro-pastoral products, particularly through official channels.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY | ex-post Final MM YY 06 93

15. SOURCE/ORIGIN OF GOODS AND SERVICES

☐ 000 ☐ 941 ☐ Local ☒ Other (Specify) 935

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment)

17. APPROVED BY

Signature: James A. Graham

Title: James A. Graham
Acting Director,
Office of Project Development

Date Signed: MM DD YY 08 10 88

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY 04 22 88

DOC:0093b

NIGER ECONOMIC POLICY REFORM PROGRAM (NEPRP)

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY AND RECOMMENDATIONS

A. Introduction

The Niger Economic Policy Reform Program (NEPRP) is a $15 million grant to the Government of Niger (GON) which will support GON economic liberalization efforts, in particular the Program to Support Private Sector Initiatives and Job Creation (PAIPCE). The grant will be financed under the African Economic Policy Reform Program (AEPRP) of A.I.D. The emphasis of NEPRP is on policy changes which will enhance opportunities for increased exports of agro-pastoral products. The program is organized as a sector grant to be released in three tranches on satisfaction of policy reform conditions, and a projectized component for financing short-term technical assistance, training and studies in support of policy reform, as well as audits and evaluations required by A.I.D.

The USAID/Niger program has a goal of assisting Niger to increase and diversify food production and increase rural incomes. The main constraints to increasing food production and rural incomes are limited food production capacity due to low and erratic rainfall and limited domestic markets due to Niger's small urban population and low per capita income. Addressing these constraints involves a two-pronged strategy for introducing productivity-increasing new agricultural technologies and expanding the demand for agricultural products through the development of export markets. The introduction of new technologies is proceeding through agricultural research, production and extension programs. The expansion of export markets requires a set of economic policies that assures the allocation of Niger's productive resources on the basis of its comparative advantages. NEPRP focuses on achieving this second objective.

NEPRP calls for a set of policy reforms and initiatives by the Government of Niger intended to improve the policy environment for regional trade through official channels. Policy reform under NEPRP concentrates on elimination of export taxes on agro-pastoral products, easing of regulations and controls which impede utilization of official export channels, and government initiatives in export promotion and strengthening of regional trade relations. Proposed policy conditionality under NEPRP is compatible with GON statements of policy toward the private sector contained in the PAIPCE. Further, the GON's draft "private sector promotion policy" written during NEPRP design and published in March, specifically includes NEPRP conditionality as proposed actions.

The program design reflects A.I.D. policy on trade development, which includes the direction that A.I.D. policy dialogue, programs and projects establish a policy environment that is conducive to private enterprise and expanded participation in international trade; support trade and investment promotion efforts; and introduce or expand private sector competition in the export or import of essential or economically important commodities. Particular elements of policy reform under NEPRP are highlighted in A.I.D.'s trade development policy: elimination of taxes on exports, simplification of licensing and other bureaucratic procedures needed to export with resulting reduction in transaction costs, elimination of trade monopolies, training of public sector personnel to strengthen their effectiveness in representing their country's commercial interests overseas, improvement of the investment environment by providing effective means for settling disputes.

B. Program Goal and Purpose

The NEPRP program will contribute to the goal of diversifying and increasing rural incomes. The program's purpose is to promote policy and institutional reforms which will foster increased exports of agro-pastoral products, particularly through official channels. NEPRP will assist the Government in establishing conditions in which exports can increase in a significant way, and in which Nigeriens can take advantage of economies of scale and other benefits relating to use of modern business practices. It will complement other donor efforts in macroeconomic reform, agricultural production and private enterprise initiatives. The program is a natural progression from, and companion piece to USAID's Agricultural Sector Development Grant (ASDG) and a link to ASDG II. The Niger EPRP is also the mission's first major private sector program, consolidating and expanding upon what are currently individual activities in support of private sector initiatives.

C. Program Components

The economic reform program has two components: a sector grant to the Government of Niger and a program support component for short-term technical assistance, studies, training, and for evaluation and audit requirements of the grant.

Dollar disbursements to the Grantee are to be made in tranches on satisfaction of conditions precedent, which are specific policy and institutional reform measures agreed to in advance by the two Parties. Disbursements will be effected via direct Treasury transfer to the Government of Niger and will provide assistance in financing costs related to the Government's private sector initiatives, in the first instance revenues foregone as a result of the elimination of export taxes on agro-pastoral products. This will ease the dislocation implicit in implementation of policy reform measures for a transitional period.

The goal of the sector grant is to maintain a certain level of financial support to the GON ministries charged with carrying out the private sector program, including reforms mandated by NEPRP. The local currency equivalent of the dollar disbursement will be used to finance budgeted activities of ministries which implement the new private sector initiative.

The program support component will include short-term technical assistance, studies, training, evaluation and audit. The program support component will not be tied to the conditionality of the policy reform component, so that any delay in fulfillment of conditions precedent for the dollar resource transfer will not prevent delivery of short-term assistance intended to facilitate implementation of the reforms.

The A.I.D. contribution to the program is summarized below:

Component	$000
1. Conditional Resource Transfer (of which 8% reserved for USAID Trust Fund)	13,300
2. Program Support Component	
-Short-term technical assistance	225
-Studies	495
-Short-term training/Seminars	430
-Computer software/supplies	50
-Baseline studies/Evaluation	450
-Audit	50
Total	$15,000

D. Program Implementation

The responsibility for implementation of the policy reform program will rest with the GON. The principal executing agency for this program will be the Ministry of Plan. The ministries of Commerce, Finance, Animal Resources and Agriculture, and the national Chamber of Commerce will play important roles both for policy and institutional reform and in program operations (data collection, training).

E. Conditionality and Policy Reform

The economic reform program will promote and assist the GON to implement policy and institutional reforms related to export marketing. Disbursement of dollar funds to the Government will be made in tranches, conditional on satisfaction of performance benchmarks which are detailed in sections III and VI of this PAAD. The reform program is fully consistent with the Government of Niger Structural Adjustment Program and Five Year Development Plan. It is closely tied to the Government's private initiatives program, the PAIPCE. Furthermore, the policy agenda of the grant is consistent with A.I.D. policies on economic reform and private sector assistance, and builds upon on-going policy reform initiatives supported by the Agriculture Sector Development Grant.

Disbursements of the cash grant will take place when conditions precedent have been met according to defined performance criteria and targets. By the end of the program, the following actions (outputs) will have been accomplished:

1. Fiscal Reform

Export taxes on agro-pastoral products eliminated.

2. Regulations and Controls

The following measures will have been taken to ease those regulations and controls which impede utilization of official export channels:

a) Export regulations for livestock trade simplified and made uniform;

b) Requirements for licensing in skins and hides export trade relaxed to promote competition;

c) "Businessmen's bill of rights" issued defining private sector rights and responsibilities, and system of judicial arbiters between private sector and government established;

d) Action plan issued and actions underway for implementation of recommendations of the Ministry of Animal Resources study, "La politique du Niger en matière d'exportation du bétail;" and

e) No new monopolies of trade sanctioned.

3. Regional Trade Relations

The following measures will have been undertaken by the GON for export promotion and strengthening of regional trade relations:

a) Qualified commercial attache assigned to the Niger consulate in Kano;

b) Trade delegations made up of representatives of the Chamber of Commerce, National Center for External Trade, and private sector businessmen, as well as GON personnel will have visited nearby markets to develop specific Nigerien export links;

c) Market and price reporting system for the consulate in Kano and a regular system for announcing foreign exchange rates established; and

d) Neighboring countries (especially Nigeria) engaged by GON in negotiations for improved bilateral trade relations.

F. Program Impact

The program will result in a better overall policy environment to foster trade through official channels. The impact of these changes on agricultural exports will be gradual with some occurring in the medium term and others over the longer term. The program will have an impact on the macroeconomic level, the GON fiscal position, the volume of trade through official channels, and on agricultural production and farmer income.

At the macroeconomic level, liberalization of agro-pastoral exports should contribute to a larger volume and more diversified composition of exports. This growth and diversity could support the higher level of imports needed for economic development and will help to protect Niger from adverse changes in its terms of trade.

\\\

The reforms should encourage increased trade through official channels, enhancing the impact of government policy on the development of an export strategy. By end of Program, the existence of freer markets for agro-pastoral exports (including the absence of export taxes, price controls and export monopolies, and a minimum of regulations) will have resulted in more private sector participation in exports through official channels. Reduced disincentives to exporting through official channels combined with the increased costs of exporting through parallel channels should have caused some exporters to shift from the unofficial to the official sector. Official agro-pastoral exports will increase relative to unofficial exports.

Over the long term, there should be actual increases in total agricultural exports. An additional effect will be to help preserve Nigerien market share in the coastal markets.

G. Special Issues

1. Policy Concerns

The program has been designed in full conformance with A.I.D. guidelines and regulations, including Policy Determination 15 (dated September 13, 1986) on agricultural export development. The program does not support the production of agricultural commodities for export which would directly compete with exports of similar U.S. agricultural commodities to third countries, nor will the program have significant impact on U.S. exporters. The commodities in question (livestock, skins and hides, onions, and cowpeas) do not directly compete with any U.S. exports. In any case, the volumes in question are quite small in world market terms.

2. Contracting Opportunities

There will be no long-term technical assistance contract associated with this grant program. Rather there will be short-term technical assistance activities, studies and short-term training which cannot be aggregated into a single procurement unit because of their great diversity. USAID plans to use IQC arrangements or buy-ins to centrally funded projects wherever possible in order to reduce the management burden involved in direct contracting. Use of Gray Amendment entities will be sought to the maximum extent possible. Given the modest scale and diversified nature of these contracts, limitation to Title XII institutions would be inappropriate and overly restrictive.

3. Donor Coordination

The program was designed in coordination with other major donors and international organizations, and such contacts will be maintained throughout implementation. See Section II.D. for descriptions of other donor interventions in the domain. Note that implementation of the policy reform conditions under NEPRP is in no way dependent on other donor actions or conditionality.

PAAD Guidance Issues

Annex E provides detailed responses to issues raised in the PAAD guidance cable.

H. Summary Findings

From the review and analysis set forth in this document, USAID/Niger concludes that:

1. The proposed grant program is technically, economically and administratively sound;

2. The timing and funding of the program are appropriate;

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

4. All statutory criteria have been met.

I. Recommendation

USAID/Niger recommends approval by the Assistant Administrator for Africa of the request for program assistance in the form of a grant of $15 million from the AEPRP fund of the Development Fund for Africa. The grant will consist of $13.3 million in cash grant and $1.7 million for technical assistance, studies, training, evaluation and audit support to the program.

II. PROGRAM SETTING

A. Macroeconomic Environment

1. Economic Structure

Traditional agriculture is the base of Niger's economy. An enclave mining sector (uranium) contributes to government revenues but otherwise it has weak linkages with the rest of the economy. The small industrial sector is dominated by one public utility and handicraft industries. Manufacturing is a negligible component of the economy. The service sector including trade and transportation but excluding government, is the second largest sector after agriculture.

Annual changes in the level of economic activity are explained more by rainfall patterns than by any other single factor. At the end of the decade of the 1980's real gross domestic product (GDP) will likely be equal to its beginning-of-the-decade level. A drought in 1988 or 1989 will reduce the end of the decade real GDP below its 1980 level. The poor rainfall patterns in 1984 and 1987 led to declines in real GDP of seventeen and five percent respectively. GDP growth in non-drought years was not sufficiently strong to lift the economy above pre-drought levels.

Employment is concentrated in the rural sector. Ninety-one percent of the labor force earns all or a part of its income there, seven percent of the labor force is in the service sector (including government) and the remaining two percent is in industry. The annual growth rate of the labor force is in excess of two percent.

Per capita income is low ($250) because of the large proportion of the labor force in agriculture and the low productivity of agricultural workers. Use of animal traction is not widespread. Fertilizer consumption per unit of land is lower in Niger than in the other Sahelian countries and is less than ten percent of the average for low-income Sub-Saharan Africa. At mid-decade the index of food production per capita was four percent below the base year (1979-81). The predominant crops are millet and sorghum, most of which production is for on-farm consumption.

The value of livestock production is nearly forty percent of total rural production in normal rainfall years. Livestock herders' practices can be described as traditional. Herders generally attempt to maximize herd size. Sales are made to meet cash needs for household consumption. Competition for land between herders and cultivators is increasing as population pressures push cultivators north and lack of pasture pushes herders south.

Both livestock and agricultural products are exported. Niger's major export market for rural products is Nigeria, which purchases substantial quantities of livestock and cowpeas. Onions are exported to Côte d'Ivoire and other coastal markets. The contribution of the rural sector to export receipts is dwarfed however by uranium export revenues. Three-fourths of all export receipts come from uranium.

The financial sector's structure and performance are what one would expect given Niger's economic structure. Three development banks (one undergoing liquidation), six commercial banks and three non-bank financial institutions comprise the financial sector; lending is dominated by the development banks. Three banks hold ninety-six percent of total private deposits. Outstanding credit is predominantly short and medium-term; less than one percent is long-term. Most banking activity is concentrated in the capital. Only two banks operate a system of branch offices. One bank recently affliated with a Nigerian bank has just established branch offices on both sides of the Niger-Nigeria border.

Government fiscal strategists have been preoccupied with several problems: a large external debt, weak domestic resource mobilization and poor resource management. The government sector is the country's major investor, yet government revenue can fund no more than five percent of the public investment budget. Donor funding pays for ninety-five percent of the public investment budget as well as a portion of the government operating budget. Indirect taxes (including foreign trade taxes) are the principal sources of public funds. The government revenue/GDP ratio is ten percent. Fiscal and external imbalances are described in more detail below.

The structural transformation of Niger's economy will occur slowly under the best of circumstances. Educational levels are low. The primary school enrollment is twenty-eight percent. The adult literacy rate is ten percent. Productivity gains in agriculture through research have been difficult to find. The low-level of rural purchasing power constrains industrialization prospects. Urban demand for food is also constrained by low levels of income. Many urban households rely for their food consumption requirements on transfers from rural relatives of grain and other foodstuffs. Cash expenditures, and hence effective market demand, are quite low. According to a survey by the Ministry of Plan in early 1987, nearly half of the households in Niamey spend less than $20 per month on food, one-third of households spend less than $3.50 per month on food. Low incomes, small domestic markets and weak demand suggest the need for an outward looking development strategy.

2. Structural Adjustment

Uranium export receipts fueled strong economic growth in the late 1970's. The expansion of the Nigerien economy ended abruptly in 1981 with a drastic fall in the world demand for uranium, a lowering of the quality of ore being mined, and increases in production costs. Demand began to fall in 1979 after the accident at Three Mile Island. The world spot market price for uranium fell by an annual average of 24 percent between 1979 and 1982. The decline in the uranium price, together with the depreciation of the French Franc, led to a fall of more than 20 percent in the export price index while the import price index was rising. Consequently, Niger's terms of trade fell 25 percent between 1980 and 1982. In short, the anticipated revenue flows from uranium production, which served implicitly as collateral for Niger's external borrowing, collapsed. A reluctance to forsake the ambitious development plan led to its financing by resort to the drawdown of official reserves and foreign borrowing with increasingly short maturities and on commercial terms. Foreign assistance during this period leveled off. When the export situation did not improve at a rate compatible with the need for debt servicing and external capital flows from private sources declined, a liquidity crisis was set in motion.

Going into 1983 the GON faced a situation in which the ratio of disbursed public and public-guaranteed debt to GDP was thirty-one percent; whereas three years earlier the ratio was below ten percent. The ensuing stabilization program was built around an "interim consolidation program." While the main objectives of the interim plan were the same as those of the five-year plan (1979-1983), it reflected the severe financial constraints of 1983. The elements of the austerity program included a freeze on wages in the public sector, reductions in other recurrent spending, and restrictions on external borrowing. However, the effort to restrain public spending had its strongest impact on capital expenditure. Planned public investment in 1983 was only thirty percent of its 1979 level. The external resources supporting the consolidation program included the IMF compensatory financing facility and stand-by arrangements, French exceptional budgetary assistance, and USAID sector assistance. Although these resource flows helped stabilize the economic situation, total outstanding debt continued to increase, reaching $752 million by the end of 1985. The normal difficulties of stabilization were compounded by the drought of 1984/85 and closure of the border with Nigeria in May 1984. The GON and World Bank began a multi-year structural adjustment credit in FY 1986.

Niger had IMF stand-by arrangements in effect from August 1983 through December 1987. The government entered into a three-year, SDR 21 million Structural Adjustment Facility (SAF) Arrangement with the IMF in December 1986. This facility is supported by a Policy Framework Paper prepared by the government with assistance from the Fund and the World Bank. The program seeks to foster conditions of increased private sector activity by reducing the structural obstacles to economic growth. The scope of price controls will be narrowed, marketing will be liberalized, and the public enterprise sector will be reformed to improve its financial position and operations.

The government has met most of the first year objectives and policy measures. An end-of-year review by the IMF judged progress to be satisfactory. Progress to date in the Stand-by and SAF arrangements includes the following: the number of imported goods subject to preset profit margins has been reduced from 200 to 39; the number of goods subject to price ceilings has been reduced from 27 to 5; monetary growth and public expenditure growth have been within target levels; and, public investment level and implementation rate targets have been met. The second tranche of the SAF (SDR 10.11 million) was approved in November 1987.

The World Bank and the Government of Niger developed a structural adjustment credit program in 1986. The program ran through 1987 and disbursements totaled $60 million. The objective of the program was to increase the efficiency of resource use by addressing key structural problems of the economy through an economic reform program. Specifically, the program deals with three structural problems: weak public resource management, inefficient parastatals and inappropriate agricultural policies. The problem of public resource management is addressed by restructuring current expenditures towards materials and supplies and away from salaries, by higher rates of cost recovery and by improved debt management. Secondly, public enterprises are to be reformed by revising economic incentive policies, improving their legal and institutional framework and selected privatization and divestiture efforts. Finally, the structural adjustment program calls for agricultural policy changes found in USAID's Agriculture Sector Development Grant (ASDG); liberalization of cereals marketing, reduction of agricultural input subsidies, and improvement of the agricultural credit system.

Progress to date includes the following: standard charters for parastatals have been approved; thirteen parastatals have been privatized, six are being rehabilitated; five additional parastatals will be partially or fully privatized and two will be liquidated; nine of thirteen major public enterprises have reduced their operating losses; 3.25 billion FCFA of parastatal cross debt arrears have been settled; the state cereals marketing and storage agency (OPVN) has abandoned its price stabilization objective and now limits itself to managing a food security stock of 80,000 tons; and efforts to develop an agricultural credit policy are underway. Studies are underway in the areas of cost recovery and civil service reform. No new external, non-concessional loans have been taken by the GON.

Structural reform of parastatals received additional impetus from an $80 million World Bank program (Public Enterprise Sector Adjustment Program or PESAP) approved in mid-1987. This program extends the ongoing reform in six areas: public resource management, price liberalization and incentive policies, institutional reform of public enterprises, rehabilitation of selected enterprises, additional privatizations and liquidations, and completion of the settlement of parastatal cross debts. The program disbursed $30 million in 1987. The balance is to be disbursed in 1988, once the remaining conditions have been met.

As the structural adjustment process brought order to the public finances, the Government of Niger was able to take a longer term perspective on economic policy. In the fall of 1986 the government began to publicize an emerging long-term development strategy.

3. Development Strategy

Development planning had been dormant since the collapse of the 1979-1983 Five-Year Plan in the wake of the fiscal crisis in the early 1980's. The revival of development planning and a new policy of economic liberalization appeared together in the form of several significant government documents. The first policy statement to address economic planning beyond the stabilization process was the Programme Significatif de Relance (PSR) (Economic Recovery Program). The PSR is an action plan which specifies the public policy changes that will be undertaken to revive the economy of Niger. Its foundation is a redefinition of the role of the State in economic affairs and an acknowledgment of the importance of the private sector in Niger's economic recovery. The State's role is to provide a fiscal and administrative framework which supports private sector development. In exchange for this offer of support to the private sector, the Government expects a scrupulous adherence to its laws and regulations by the private sector, especially as regards taxation and customs administration. The thrust of the PSR is to increase the productivity of the existing capital stock through regulatory reform, in other words to get more output from existing resources through more efficient use of these resources, while the Five-Year Development Plan 1987-1991 and its accompanying Three-Year investment program emphasize increasing the stock of capital. Public pronouncements in the fall 1986 characterized the PSR as a bridge from the period of stabilization to a period of sustained economic growth.

Between December 1986 and April 1987 the government worked on an elaboration of the PSR, in conjunction with several public institutions. This elaboration is known as the Programme d'Appui aux Initiatives Privées et à la Création d'Emploi (PAIPCE) (Program to support private sector initiatives and job creation). PAIPCE deals with two public policy problems: burdensome and counter-productive regulations of the private sector and overemployment in the public sector. Specific actions to reduce disincentives to private sector activity are prescribed. Among the reforms to be carried out are revisions of the commercial and investment codes, revisions in labor laws, and reductions in the extent of oversight by the economic police. Institutional changes will strengthen the Chamber of Commerce and encourage the formation of other business interest groups capable of interacting with the Government on public policy issues. This private sector emphasis is a major government policy shift.

The second major policy shift to be highlighted during the revival of development planning in Niamey is the decision to stress rural development as the engine of economic growth in Niger. The shift began several years ago as budget allocations for public investment changed in favor of agriculture and rural development. This shift in sectoral emphasis has its most fully developed rationalization in the five-year development plan. Three documents make up the five-year plan: the Economic and Social Development Plan of Niger 1987-1991; the Financing Plan 1987-1991 and the three-year Investment Plan (1987-1989). The strategy of the development plan is export-oriented and rural based. The strategy represents a formal recognition that prospects in the world uranium market rule out any recovery in the mining sector. The productive sectors, other than agriculture, are too small to serve as a base for wide-spread economic growth. Only agriculture, the work place of ninety percent of the labor force, has the resource base from which sustained economic growth can emerge. At the same time, the resource base is threatened by natural (erratic rainfall patterns) and man-made (overgrazing and soil-depleting agricultural practices) calamities. The strategy gives considerable importance to the preservation of the resource base. The five-year development plan incorporates the private sector emphasis found in the PSR.

Reforms in economic regulations including but not limited to the Structural Adjustment Program undertaken to date can be classified in three areas: parastatal restructuring and divestiture, pricing and marketing policies, and regulation of business operations. The broad extent of these reforms can be appreciated by reviewing the types of changes being introduced or already in effect.

The parastatal structure in Niger comprises sixty-four firms. Progress in reforming public enterprises was presented above. Decisions taken to date affirm the government's resolve to reduce its participation in the production of goods and services.

Standard charters, a statement of parastatals' rights and responsibilities, have been approved for the parastatals to be retained. Nine of the thirteen major public enterprises have reduced their operating losses. Parastatal cross debts of 3.25 billion FCFA have been settled.

Pricing and marketing policies have changed to increase the scope and flexibility of the private sector. Many parastatals' trade monopoly rights have been eliminated. The range of price and profit controls has been reduced.

Reforms already in place in the third area, regulation of business operations, include an extension of the period of validity of business operating licenses and a shortening in the legal process to be followed in registering a company. A very recent change, which should have a significant impact on transport costs, is the reduction in the number of police control points along the national road between Niamey and Zinder. It is widely acknowledged that each police stop can charge "informal" tolls to truckers, hence elimination of control points reduces the effective cost of transport of goods.

The private sector strategy continues to evolve. A Round Table on the private sector is scheduled to take place this June in Niamey, at which time the government will present draft private sector policy papers for review and comment by donors, the Nigerien private sector and foreign investors. A three-day meeting involving the Government and the Nigerien private sector (donors were invited as observers) took place in March. The purpose of the meeting was to let the Government hear the private sector's reaction to a draft "private sector promotion policy" which had been prepared by the Ministry of Commerce. This meeting and other meetings between the President and high government officials on the one side and private sector business organizations on the other side show a recently acquired willingness on the part of the government to exchange views with the business community and incorporate their ideas into public policy.

Readers who continue on to Section III of this PAAD will note the congruence between the reform package described there and elements of the GON draft private sector promotion policy described below. The intergovernmental technical team which developed this EPRP included, on the GON side, representatives from the Ministry of Commerce who were simultaneously preparing the private sector promotion policy.

The draft policy describes three elements of the strategy for promotion of the private sector: progressive disengagement of the state, improvements in the regulatory and fiscal environment, and the creation of a sense of joint purpose between the government and the business community. What follows is a selection, in summary form, of initiatives and proposals from the private sector promotion policy paper.

Fiscal Measures:

- eliminate the minimum forfeiture tax (Impot Minimum Forfaitaire). This is a tax levied on businesses which keep accounting records. It is equal to one percent of annual turnover. It is payable regardless of the profit/loss position of the firm.

- exempt investments from the value added tax, lower the threshold for eligibility for investment code tax advantages, establish eligibility in terms of value of investment or number of jobs created, rather than value of investment alone.

- eliminate all export taxes, lower import duties on primary goods.

- reduce the business profits tax rate from fifty percent to forty percent
- measures to offset the revenue losses associated with the above tax reduction include imposing the value-added tax on large-scale trading firms which do not keep accounting records, reducing the abuses of customs exonerations, further reducing parastatal losses and increasing levels of foreign aid.

Commercial and Pricing Policy

- reduce the severity of business fines to conform to practices in neighboring countries.
- revise the commercial code.
- simplify foreign trade regulations.
- clarify the functions and authority of regulatory agencies in order to eliminate multiple investigations of the same allegation.

Finance and Banking

- increase the threshold for loans requiring central bank preauthorization.
- simplify procedures and reduce delays in the preauthorization process.
- strengthen legal recourse against issuers of bad checks.

Trade with Nigeria

- encourage joint ventures.
- reduce trade taxes.
- place a commercial attache in Kano, Nigeria.
- set up an ad hoc committee to examine Nigerian trade regulations, foreign exchange payment systems between Niger and Nigeria, and commercial exchange systems.

Private Sector Institution Building

- strengthen the Chamber of Commerce and its affiliated Center for External Commerce.
- joint public/private sector market promotion.

The reaction of the business community to the draft, as expressed in the final communique of the meeting, was favorable. Representatives of modern sector firms seemed especially interested in the government's notion of equalizing the tax burden between firms that keep accounting records and those that do not (i.e. the informal sector). Based on the final communique, it appears the

W

draft policy has the support of the business community. The next step in the process of putting a private sector policy in place will be the Round Table in June.

4. Trade and Fiscal Imbalances

The legacy of the uranium boom and bust experience is that Niger must deal with two important gaps or imbalances in the economy; the trade gap - the excess of imports over exports, and the fiscal gap - the excess of government expenditures over government receipts.

Look first at the trade gap. Row 1 of Table 1 shows the current account balance of Niger's balance of payments during the decade of the 1980's. Among the factors producing the current account deficit are declines in uranium receipts throughout the decade, high import levels early in the decade financed by capital flow (public and private debt), large episodic imports of cereals, and increases in the level of interest costs of Niger's foreign debt. The main contributory factor in holding down the level of the deficit is the increase in the level of official transfers during the decade.

Table 1.
Niger's Current Account Deficit.

	1980	1981	1982	1983	1984	1985	1986	1987	1988 proj	1989 proj
					in billions of CFA francs					
Current Account	61.1	49.4	53.8	27.3	20.8	25.7	15.5	23.7	30.6	24.3
					as percentage of GDP					
Current Account	11.4	8.4	8.4	4.0	3.4	3.8	2.2	3.2	3.8	2.7
	in billions CFA francs excluding interest payment and official transfers									
Current Account	78.3	69.7	77.7	50.9	38.3	74.1	42.0	48.9	71.5	54.2
					as percentage of GDP					
Current Account	14.6	11.9	12.1	7.5	6.3	11.0	6.0	6.6	8.9	6.0

Note: As all figures are negative the minus signs are suppressed.

Row 2 of Table 1 shows the deficit figures of row 1 expressed as a percentage of GDP. Row 3 of Table 1 adjusts Row 1 to exclude interest payment on Niger's foreign debt and official transfers. The resulting figure more accurately represents the net difference in the flow of goods and services into and out of the Nigerien economy.

Cereal imports were high in 1985 and are projected to be high in 1988, due to poor harvests in the preceding year. One can accept 45 billion CFA as an average late 1980s gap between the level of goods and services entering the economy and the level of goods and services leaving the economy. At the April 1988 exchange rate the gap is $161 million per year. Overall balance in

Niger's foreign sector is achieved by long-term capital inflows (concessional loans), IMF drawings and debt rescheduling in 1985-87. These sources are invaluable in dealing with the current situation, but they are not all feasible as long-term means of financing the imports Niger requires not only to keep the economy running but also to provide the capital goods and technology necessary for structural transformation and growth. Table 2 shows the composition of Niger's imports in 1986.

Table 2
Composition of imports, 1986

Commodity Type	Value of Imports	Share of Total Imports
Consumer goods	34,163	30
Industrial supplies and equipment	23,897	21
Food and Beverages	23,131	20
Petroleum products	13,622	12
Semi-processed goods	6,802	6
Mineral products	6,269	5
Animal/vegetable products	5,115	4
Agricultural supplies	1,536	1

Note: value of imports is in millions of FCFA

Three sources of financing exist to pay for these imports: uranium exports, "all other exports", and official transfers. Table 3 shows the contribution of each source during the 1980s.

Table 3.
Financing Niger's Imports, percent shares

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Uranium exports	60	54	54	68	66	61	70	66	57	62	62	62
All other exports	12	19	17	19	20	10	21	21	17	23	25	26
Transfers	28	27	29	13	14	29	9	13	26	15	13	12

Recall that the years of high cereal imports, financed by foreign aid, are 1985 and 1988. This table clearly shows Niger's dependence on uranium exports. Expert opinion is that no upward price trend exists in the world uranium market. Niger can reduce its dependence on uranium and foreign aid only be increasing the receipts of the third category, all other exports. The first two years of the 1990 decade in Table 3 (as well as 1988 and 1989) are taken from the GON Financing Plan. These estimates reflect the consensus of the three organizations involved in the preparation of Niger's Policy Framework Paper. Underlying these projections is the assumption that imports should increase at six percent annually. In order for "all other exports" to provide twenty-six percent of the financing of imports in 1991 (as projected in Table 3) the growth rate of the "all other" category must be eleven percent annually between 1986 and 1991.

28'

Look now at the composition of Niger's "all other exports" for 1986 in Table 4:

Table 4
Composition of Non-Uranium Exports, 1986

Commodity Type	Value	Share (%)
Other mineral products	4,625	29
Food and Beverages	4,641	29
Consumer goods	2,804	18
Semi-processed goods	1,717	11
Animal/vegetable products	1,042	7
Industrial supplies and equipment	526	3
Petroleum products	451	3
Agricultural supplies	2	(.)
	15,808	100

Note: Value figures in millions of FCFA.

An increase in exports between 1988 and 1991 of eleven percent per year would have to come from more output from the existing resource base or investments already underway. The time period is too short to conceive and implement new investments and begin producing new outputs. Non-uranium exports are predominantly other mineral products (salt, sulfur, lime and cement), food and beverage and consumer goods. These product areas are the ones from which short-term export growth must emanate.

A brief resume of Niger's trade imbalance is as follows. The country is dependent on a single export for more than three-fourths of its export revenue. Growth prospects for that product are dim. Exports of other products are too low to cover the remainder of the import bill; foreign aid pays for fifteen percent of imports. Import growth of six percent is called for in GON planning documents, while at the same time the financing share of foreign aid is to decline. Simultaneous achievement of these two goals necessitates an increase in non-uranium exports. The base for this required export growth is other mineral products, food and beverage products and consumer goods.

The second serious imbalance in the Nigerien economy is the fiscal gap; the excess of government expenditures over government receipts. A deficit in the overall government position is usual for developing countries in which foreign aid plays a role in the financing of public investment projects. The task of the fiscal decision-maker is to find a sustainable balance between domestic resources mobilization and recourse to foreign financing. During the latter half of the 1970s government revenue in Niger went from twelve to fourteen percent of GDP, with up to twenty percent of the revenue derived from uranium receipts. The overall deficit at that time (defined as the excess of current expenditures plus government investment over total revenue from domestic sources) averaged 2.5 percent of GDP.

Encouraged by the rapid growth of receipts the GON programmed large increases in the investment budget, while the growth of current expenditures kept pace with GDP growth. Revenue growth slowed and then declined absolutely in 1982.

Expenditure levels were adjusted, but by mid decade the overall deficit/GDP ratio exceeded eight percent and the government revenue/GDP ratio stood at ten percent.

Niger is in a situation in which substantial short-term improvements in these ratios will be difficult. Interest payments on foreign debt are over one-fifth of current expenditures. While the government has started a voluntary departure program for civil servants, termination costs per participant exceed annual salary so budgetary savings are two to three years away. Spending on supplies and materials needs to be maintained in most departments to maintain service levels. Subsidy and transfer payments have been reduced.

Table 5 shows the estimated GON budget gaps for 1986-1991. These data are taken from the GON Financing Plan 1987-1991.

Table 5
Government Fiscal Position 1986-1991

Estimate of Budget Gaps
(current prices in million FCFA)

	1986	1987	1988	1989	1990	1991
Total Revenue	73,200	81,200	81,100	90,600	98,600	107,400
Recurrent Expenditures	71,200	75,00	78,708	80,533	82,866	84,763
w/o interest payments	(16,300)	(18,300)	(17,528)	(15,132)	(13,232)	(10,947)
Recurrent Surplus	2,000	6,200	2,329	10,067	15,734	22,637
Investment	61,400	67,300	76,400	84,700	93,100	102,410
Other Expend/Loans	1,200	3,100	1,400	1,600	1,800	1,900
Loan Amortization (foreign)	21,000	18,700	18,943	20,842	23,895	25,393
Loan Amortization (domestic)	0	4,800	6,977	4,979	0	0
Overall Deficit	81,600	87,700	101,328	102,054	103,061	107,066
Financing	81,600	75,000	51,313	54,525	56,498	46,667
Donor Commitments	58,750	80,500	50,889	58,510	57,600	46,000
Local Financing	9,000	-5,500	-8,576	-3,985	-1,102	667
Debt Rescheduling	13,850	12,700				
Financing Gap	0	0	50,015	47,529	46,563	60,399
Memorandum ratios (%)						
Overall Deficit/GDP (w/o loan amortization)	8.4	8.2	8.8	8.1	7.7	7.3
Overall Deficit/GDP (with loan amortization)	11.3	11.2	11.8	10.9	10.0	9.5
Gov't Revenue/GDP	10.2	10.3	9.5	9.7	9.6	9.6
GDP Current Prices (in billion FCFA)	719	785	856	938	1,027	1,124

Total revenue is projected to increase at a slower rate than GDP. Seventy-one percent of tax revenue comes from indirect taxes (48 percent from taxes on international trade and 23 percent from taxes on goods and services). The international trade tax base is expected to increase more slowly than GDP. Direct tax collections are hampered by the lack of accounting records among many of the firms, especially those engaged in trading activities and the economic recession affecting modern sector firms.

Government revenue as a percentage of GDP is ten percent, considerably below the average for low-income countries. The government's strategy for increasing its tax revenue is to improve collection rates on informal sector firms. At present a disproportionate share of the tax burden is borne by a small number of modern sector firms. The draft private sector policy described above includes a proposal of lower profits tax rates coupled with a broader application of the tax. The tax structure and administration need to be modified to correspond better to the existing structure of the economy and the goals of Niger's development strategy.

The magnitude of Niger's fiscal imbalance, as shown in Table 5, is such that substantial foreign assistance will be required throughout the planning period even with improvements in domestic resource mobilization. For example, while an increase in the government revenue/GDP ratio to twelve percent in 1991 would reduce the financing gap by forty-six percent, foreign assistance requirements would still be in the order of $100 million in 1991.

B. Agricultural Sector Situation

1. Economic Situation: Cereals, Livestock, and Other Products

The development of Niger's rural sector is constrained by a wide gamut of problems, natural and manmade: poor soils, unfavorable climate, disadvantageous geographic location, high population growth rate, low levels of literacy and training, lack of appropriate technologies and support systems, sometimes contradictory and restrictive government policies and systems. At the same time, a hard working populace, comparative advantage to coastal countries in production of certain commodities, and technological improvements now being developed hold out possibilities of increased agricultural production in the long term.

Productive resources in the form of farmland are severely limited in Niger. Of a total land area of 126.7 million ha, only 12%, or around 15 million ha, is in the form of cultivable land. Of this, about 25% is farmed in any given year. Another 9 million ha are maintained in rotational fallow and pastures. The average area in crops per farm household is 4.5 ha. The typical agricultural production unit is a small family-cultivated plot, where rainfed crops are cultivated by traditional methods. Almost all of Niger's productive agricultural land is located within 150 km. of the Nigerian border.

The physical limits to agricultural production in terms of arable land are accentuated by the fact that most of Niger receives only about 300-400 mm. of rainfall per year. Rainfall levels in many areas of the country seem to be decreasing from long term averages, as recent studies in the Niamey Department indicate that the 350 mm isohyete has fallen from 16 to 14 degrees latitude between 1968 and 1984. Drought resistant crops such as millet and cowpeas are the only real alternatives, and these crops are typically low-yielding in the capital poor farming conditions which prevail in Niger. Farmers in Niger nevertheless exhibit considerable ingenuity in adapting to their production environment. Sixty percent of cultivated land is intercropped. Cowpeas are an ideal part of such a system because of their compatibility with cereals like millet and sorghum in terms of cropping season and labor use. Cowpeas also present distinct agronomic advantages in that they provide ground cover, a good source of biologically-fixed nitrogen, and a good hay crop. Some 61,000 ha of land are identified as potentially irrigable, of which about 13,000 ha are under the management of the state irrigation agency, ONAHA.

Outside of this southern zone, available soil resources are too poor and the rainfall too low or too irregular for successful cultivation. About 24 million ha of land located north of the official boundary for cultivable land are considered as useful pastoral lands. Forest lands are estimated to cover another 14 million hectares. Overall, about 65 percent of Niger is located in the Saharan zone (characterized by less than 200 mm of rainfall at 90 percent probability).

About 73 percent of the population consists of sedentary villagers engaged in the production of such crops as millet, sorghum, cowpeas, and groundnuts, with an additional 14 percent of the population being transhumant pastoralists raising cattle, goats, sheep, and camels. The distribution in the seven departments ranges from 0.2 persons per square kilometer in Agadez Department to about 25 persons per square kilometer in Maradi Department, with an overall estimated population density of 4.4 inhabitants per square kilometer.

Niger's principal food crops are millet and sorghum, covering about 70 percent of the area cultivated each year. (See Table 6 for production figures.) Other major products of the rural areas include cowpeas, rice, peanuts, onions, cotton, peppers, skins and hides, live animals, and firewood. According to Ministry of Plan statistics, the contribution of the rural sector to the gross domestic product (GDP) in 1987 is estimated to be about 44.4 percent. The contribution by sub-sector is as follows: agriculture 22.7%; livestock 17.7%; forestry and fishery 4%.

The policy of the Government of Niger is to emphasize self-sufficiency in grain production, and in a year of average rainfall the nation will have a rough balance between the net amount produced and the estimated consumption needs in coarse grains. The food security agency (OPVN) maintains a reserve stock of 80,000 tons to provide emergency supplies in case of a major crop shortfall. Rice production, on the other hand, covers only approximately 27% of national consumption requirements estimated at 184,000 tons. Furthermore, the price differential between locally produced rice and Asian imported rice is so large that the parastatal which sells rice (RINI) must rely on protective tariffs to market its product at all.

Since the drought of 1984, the GON has encouraged cultivation of dry season gardens around waterholes remaining at the end of the rainy season. This not only provides a measure of increased food production, thus reducing the risk of total dependence on rainfed agriculture, but also serves to increase incomes as garden crops such as onions, peppers, potatoes, tomatoes, sugar cane, and manioc are sold. Preservation and marketing have become points of critical interest as production exceeds demand during the height of the garden season causing gluts on the local markets.

The livestock sector in Niger is the second major source of foreign exchange earnings after uranium. However, this resource faces several constraints in any attempt to increase its share of export earnings. Feed and fodder, especially in the pastoral areas, are extremely variable, depending primarily upon the quantity and distribution of the rainfall. Niger's livestock situation is also made precarious by the degradation of the southern pasture which in the past provided seasonal relief for the herds in the North. Deficiencies in rainfall have limited the potential forage which in turn has led to a reduction in the herd, weakened the animals and made them more vulnerable to diseases.

Table 6
Production of Principal Agricultural Products In Niger

	1980/81	81/82	82/83	83/84	84/85	85/86	86/87	STD DEV'N
MILLET								
Surface (000 ha)	3072	3038	3084	3135	3026	3169	3239	71
Prod'n (000 mt)	1363	1314	1293	1298	771	1450	1383	209
Kg/ha	444	433	419	414	255	458	427	64
SORGHUM								
Surface	768	982	1135	1107	1098	1142	1109	125
Production	368	322	359	355	236	329	360	43
Kg/ha	479	328	316	321	215	288	325	73
NIEBE								
Surface	1105	1198	1428	1609	1513	1566	1591	186
Production	269	282	282	271	195	115	293	61
Kg/ha	243	235	197	168	129	73	184	55
RICE								
Surface	20	21	20	22	19	21	28	3
Production	30	39	41	45	49	57	75	13
Kg/ha	1500	1857	2050	2045	2579	2714	2679	429
GROUNDNUT (UNSHELLED)								
Surface	190	209	190	167	143	30	118	57
Production	126	102	81	75	31	8	55	38
Kg/ha	663	488	426	449	217	267	466	137
COTTON								
Surface	4	2	2				7	
Production	3	2	2			5	7	108
Kg/ha	750	1000	1000				1000	
ONION								
Surface	3	'NA	5			3		
Production	108	'NA	116			52		
Kg/ha	36000		23200					6400

SOURCE: Ministry of Agriculture

2. Government of Niger Rural Development Strategy

In the Five-Year Plan for Economic and Social Development, the Government of Niger has established that the rural sector is at the center of the development strategy. The GON approach is based on four principal themes:

- research for food self-sufficiency
- preservation and restoration of the environment
- diversifying and increasing the value of production to improve rural revenue and living conditions
- participation of rural population in their own development

The research emphasis will focus on a system of applied agronomic research, including a wider range of irrigated crops, and on a more functional relationship with extension activities. It is also making an effort to create links with the university and to coordinate with other institutions, national and international.

The environmental theme will reinforce activities to preserve and restore soils and forests and to make most effective use of precious water resources. In order to encourage rural populations to remain on the land, the GON will work so that village lands are managed by the local people who will be responsible for the preservation and improvement of this basic resource.

Several elements are necessary to improve the possibilities of diversifying and increasing production. These include agricultural credit, training, and marketing. The GON is concentrating on finding effective methods of providing agricultural credit. This has taken several forms since the demise of the national agricultural credit bank (CNCA), including the decision to permit the development of credit unions and mutual savings associations. However, the GON believes that some type of national financial institution is necessary for credit needs beyond small, locally mobilized funds.

The Government is working to improve the training facilities at the agronomy school within the University, IPDR/Kolo, and the livestock training school (ECE). The curriculum at the three institutions stresses theory as opposed to providing practical experience to the students. Therefore, the reorientation will try to increase practical and field training, carefully define the profile and number of needed graduates, seek ways of self-financing institutional activities, and proceed with the proposal to amalgamate the IPDR/Kolo and the ECE.

The GON is now examining market constraints in a much more serious fashion. Spoilage and depressed prices for dry season garden products have highlighted the importance of this element. Problems of transport, preservation and processing are clearly constraints to increased production in dry season gardens. The GON is encouraging the private sector to take a much larger role in internal and external trade. Given low purchasing power within the country, export of agricultural products will initially receive a heavy emphasis. The GON intends to formulate pragmatic price, marketing, and regulatory policies depending on product specific characteristics. The Government has also abandoned fixed government commodity prices and withdrawn state marketing monopolies as part of this new policy.

The strategy for the future also focuses on the development of cooperatives. As the foundation of the GON's development policies, cooperatives are to play an increasingly significant role in participatory management of development activities, policy formulation, and land use planning. The GON wants cooperatives to become viable economic forces and will make special efforts to assure that they receive needed extension support for land improvement, water control, and marketing. At the same time, the Government is promulgating a new judicial status to provide cooperatives autonomy and responsibility for economic and social direction.

Training and economic incentives are the essential condition for developing viable cooperatives. Policy trends which support this development have evolved under USAID-financed ASDG and APS activities. Grouping of cooperative members based on mutual economic interest to achieve a common economic objective, and not on geographic proximity, is a priority action, as is improving organizational capacity and management of the cooperatives through intensive training. This would include reorientation of the role of cooperative unions to rendering services such as training, counseling, & assisting in obtaining credit. Another priority is adopting statutes and formulating specific rules and regulations governing internal cooperative operations, with a concomitant reduction of the role of the state in the cooperative structure.

C. USAID Policies and Programs

The long-term development strategy for USAID/Niger is stated on page viii of the FY 88 CDSS. "USAID's long-term strategy continues to be based on increasing food production, leading toward food self-reliance and increased rural incomes. This should be interpreted broadly to allow Niger to take advantage of regional (north-south) complementarities to increase its export earnihgs." The strategy for the current CDSS period stresses food production and diversification through community-based self-managed development, encouragement of the private (and cooperative) sector participation in mobilizing rural investment, and the utilization of improved technical packages.

USAID/Niger has found that a combination of mutually reinforcing sector support/policy reform programs and technical assistance intensive projects offers the best modality to effect faster structural transformation in our emphasis sectors, agriculture and health.

Interventions in the agricultural sector are made in a number of mutually supporting activities in which either policy reform or institutional development is required in order to contribute toward the strategy goal cited above. Thus our activities extend from agricultural research to short-term marketing credits for cooperatives. ASDG I is a policy reform umbrella containing reform elements in input marketing, cereals pricing and marketing, credit, cooperatives and the private sector, cross border trade and seed policy. Progress in these policy reform areas is routinely reported to AID/W in semi-annual Program Implementation Reports (PIR) and in ASDG progress reports, which are cabled to Washington (Niamey 2134, dated 14 March 88; 87 Niamey 5857, dated 20 August 87; 87 Niamey 3670, dated 22 May 87). Briefly stated, progress to date on policy reforms includes the reduction of subsidies on agricultural inputs, the transfer of the input supply agency to the national cooperative union, preparation of model statutes governing the cooperatives, establishment of a tender and bid system for the grain transactions of OPVN, elimination of OPVN's price stabilization role, and elimination of uniform national prices for cereals. The ASDG I design anticipated a series of preliminary actions in several of the policy areas prior to elaboration of new policies. Progress to date in this policy design work includes studies of rural credit, village cereal banks, cooperative working capital funds and livestock marketing (under the auspices of the Integrated Livestock Project). A seed policy action plan has been prepared. A Nigerien team made a study tour of rural credit unions in Togo and Cameroon.

The mission has devoted considerable effort to the issue of assessing the impact of these reforms on the economy. It has made the case elsewhere (Niamey 2777) that a lag exists between promulgation of a new policy and the point at which its impact on the economy is "measurable." Institutions in Niger, both public and private, are not especially flexible when confronted with change. Some policy impacts are direct consequences of the policy change. We can know, for example, that the reduction in agricultural input subsidies has had the effect of reducing the GON budget deficit below what it would have been. On the other hand, some policy changes have their impacts only after local institutions react to the change. Policy reform efforts designed to increase the participation of cooperatives in output marketing are necessary but not sufficient to alter cooperative business practices. Technical assistance through our and other donors' agricultural projects provides the know-how for coops to extend their operations into new areas. This technology transfer takes time. A reasonable period of time after which to expect to observe "measurable" impacts is five years for reforms involving institutional change.

A final comment on the quantification of the policy reform impacts on the economy concerns measurability. Data collection and analysis in Niger are at a nascent stage. In other words, the "measuring tools" are rudimentary, of uneven reliability and subject to long delays before the results are accessible. The ASDG technical assistance team has compiled and is refining an extensive set of data on the rural economy. These data are being compared to the data requirements of various possible impact assessments to uncover gaps in the data bank. At issue is the tension between the desirability of being exhaustive in quantifying the impacts and the financial costs to the bilateral program of collecting and analyzing the data which are not available from the GON or from the work of other organizations.

The two preceding paragraphs stress the tentativeness of statements of program impacts on the economy. Nevertheless, USAID/Niger is of the opinion that the constraints analyses done in the Agriculture Sector Assessment are a valid basis for the policy reform agenda of ASDG. ASDG reforms are affecting the rural economy. Observable impacts on the economy are the reduced fiscal requirements to support the agricultural input distribution system, the greater participation of private businesses in cereals marketing, the strengthening and diversifying of cooperative business activities, and the decentralization of livestock export administration.

As the effects of the reforms deepen and extend throughout the rural economy the responsiveness of rural institutions and individuals to market forces and opportunities will grow.

Poor farmers, one of AID's traditional target groups, will enjoy an expanded array of production possibilities; possibilities which were technically feasible in the past but not economically feasible because of the underdeveloped marketing institutions and channels. The incentive structure of cooperative management will change as economic affinity of the members becomes the basis of memberships, replacing geographical affinity with its overlay of government administration.

Commercial enterprises will be free from burdensome and unnecessary government regulations to capture market opportunities in West African markets. The effect of foreign market penetration and rural institution building will be felt in Nigerien villages as price incentives and market access offer expanded options to farmers

The reform agenda of the original ASDG remains valid, however it is not static. Work carried out in our agricultural projects led the mission and the GON to see the need for a national seed policy. The ASDG was amended in FY 8 to add seed policy reform. This policy will clarify the public and private sector roles in the seed and plant material production and distribution system, including the establishment of a national certification and quality control regulatory system. As amended the ASDG now has a broader scope in its agricultural inputs component with an unchanged objective: make an expanded set of productive inputs available to farmers at prices which reflect economic costs. In this area as in others, reaching the objective requires a mix of policy reforms and projectized technical assistance.

Rural credit policy reforms will be deepened via an FY 88 ASDG amendment revision. The rural credit study carried out under ASDG recommended rural credit unions as a mechanism to mobilize intermediate rural financial savings. Aggregation of these savings can finance local small-scale economic activities. Nigerien laws applicable to financial institutions are not conducive to the establishment of nor appropriate to the operation of rural credit unions. Indeed, the current laws carry the assumption that all financial institutions subject to the law will be full-service, capitalized banking operations. The policy changes will establish a legal space in which credit unions can operate. Rural credit unions will not mobilize the level of funds required to meet rural credit needs. This is not their purpose. Rural credit unions will add to the network of institutions linking the rural dweller to the rest of the economy, expanding the options one has for financial intermediation.

ASDG II design will begin in mid-1988. The design will review the progress and continuing constraints in the policy reform areas contained in ASDG I. The mission has identified two new areas for investigation: natural resources management and agricultural research. In the natural resources management area practical soil conservation, natural forest management and agro-forestry techniques have been developed under the Forestry and Land Use Planning Project (FLUP). The elaboration of a government policy to apply these planning and management technologies nationally remains to be formulated. A fuelwood cooperative has been authorized to harvest live fuelwood (a prohibited activity except for this exempted cooperative) in a manner which is technologically sound (regenerates growth) and which fosters a government-villager partnership in land use management. In agriculture research, a research policy is necessary to determine the priorities and the manner in which priorities are established among the research areas of staple dryland grains, cash crops, irrigated crops and dry season garden crops and coordinating national research activities with those of the international research centers.

As the mission has proceeded through the ASDG I and the implementation of the related project activities, and as the government establishes its policies to encourage private sector investment, one constraint looms ever more important. Finding markets for the agriculture products Niger is capable of producing is a prerequisite to increasing production. The Irrigation Sub-Sector Assessment noted that land and water resources are not the limiting factors for dry season garden crops, but the lack of a market for rural products seriously inhibits expansion. A World Bank review of the GON Investment Budget identified six major agriculture production projects in which the project feasibility analysis neglected to deal with the need to find markets for the project's outputs.

The EPRP is a mission effort to support the policy reform measures necessary to remove the regulatory constraints and financial disincentives to exports, an important element in the search for new markets. This is an integral part of several activities which contribute to marketing of Nigerien agriculture products: the cross-border trade component of ASDG; the Integrated Livestock Project (ILP) computerized livestock market information system which is just beginning to operate; the restructuring of the cereals marketing agency OPVN; support to research in higher value crops in the Niger Applied Agriculture Research Project (NAAR) based on market and economic analysis; and the Agriculture Production Support (APS) and Niamey Department Development (NDD) projects' support for the formation of cooperatives and the training of cooperative officers and members to manage cooperatives with sound business practices. Technical assistance to cooperatives will continue after the completion of APS and NDD via an FY 89 project start, Rural Organization Development Project.

This section concludes by answering a question posed in the guidance cable on this AEPRP PAAD design. "In what ways will the economy be better off and in what ways does the mission see the life of the average Nigerien being affected [by the several programs and investment of several million U.S. dollars]?" The average Nigerien is in a farmer or a herder family. Much of the family's consumption is produced by family members. The sale of surplus production provides income for manufactured goods. Households are dependent on a millet or sorghum crop or a herd for survival, either of which can be wiped out in a drought. Market conditions and economic institutions offer the average Nigerien very little flexibility in dealing with drought. Migration may be the only alternative for survival. In years of adequate rainfall enough output is produced to maintain the family's meager standard of living but, again, the family's ability to raise its standard of living is constrained by weak markets and weak economic institutions. The sector grant/project aid portfolio of USAID/Niger is designed to foster market conditions and economic institutions which will link Nigerien farmers and herders to consumers in the vast Nigerian and West African markets. The linkage to these markets will be through cooperatives and trading establishments which themselves will be flexible and responsive to market forces since they will operate in a legal and administrative framework conducive to private sector development. Awareness of new market opportunities by farmers will generate demand for technical packages and input supplies, components of our project assistance.

The point needs to be emphasized that this is a slow process. The key to Niger's growth is to develop institutions and individuals with the freedom of action and the motivation to respond to economic opportunities in West Africa. Niger cannot "go it alone." Niger's resource base is agriculture; it is a hinterland to the urbanizing west coast of Africa. Its opportunity is to exploit those markets to create enough demand for Niger's agro-pastoral products to raise the rural standard of living and transform the structure of the agricultural sector.

Our several programs have already contributed to the design and implementation of Niger's rural development strategy and its private sector initiative. A framework supportive of private initiative is being built. Institutions are learning how to operate in a more free, more competitive economic environment. This evolution will make the economy better off because its new flexibility and adaptability will awaken the productive capacity in rural Niger that is now dormant.

D. Other Donor Policies and Programs

In policy reform areas, major donors and internatioal organizations such as UNDP, France, the EEC, the IMF, the World Bank, and the United States are in general agreement that overall economic development in Niger will have to be based on an active role for the private sector and a reduced role for the State. Since 1983, all major donors have oriented their programs more towards encouraging this transfer. While interpretations vary in detail from donor to donor on the proper role of the State vis-à-vis the private sector and the economy as a whole, the World Bank, the IMF and the UNDP in particular have adopted policy and program approaches that are highly complementary to USAID efforts. France, West Germany, and the EEC also have focused policy reform in restructuring of various parastatals, following the World Bank PESAP. These efforts tend to reinforce project assistance in irrigated agriculture, food security, and agricultural production packages. Here too, complementarities exist with USAID policy reform objectives. Many of these projects focus on reducing GON subsidies for agricultural inputs, credit, and food grain security, but marketing concerns are also becoming more important in donor and private sector calculations of how best to profit from the improved policy environment for business in Niger. The NEPRP helps maintain GON momentum toward a more vital private sector by taking advantage of GON, private business, and donor initiatives to increase production, develop and hold markets, and encourage formal businesses.

As the largest donor in the policy reform arena, the World Bank maintains a keen interest in USAID program activity areas, recognizing the significant role that USAID plays in policy reform to reinforce the private sector's importance in agriculture and the rural economy. The current SAC focuses on privatization or restructuring of parastatals, many of which are active in marketing areas targeted by NEPRP. With divestiture of many of the parastatal agencies involved in credit, food processing, marketing, and private sector support, an atmosphere more conducive to efficient, profit oriented operations becomes an increasingly important factor. The Bank and USAID have thus developed complementarities in program and policy actions which reinforce individual actions of both. The Bank PESAP has moved many former parastatals into the private sector and has improved management of those that remain under State tutelage.

The UNDP strategy is also very complementary to USAID. Its program over the next five years will emphasize promotion of the private sector in small rural enterprises. It is based on recognition that processing and market potential will be important factors in diversifying and increasing production and consequently rural revenues. With several notable exceptions, donors in Niger have concentrated on production oriented activities with little attention given to marketing. UNDP and USAID are the donors placing the most emphasis on this important facet of the economy and are the leaders in changing the donor approach.

Improved Competitive Environment.

The concept of an improved competitive environment is a critical objective of the NEPRP. GON has already embarked on simplification of the regulatory environment. With the assistance provided under NEPRP this trend will continue, lessening the disadvantage of the formal private sector vis-à-vis the informal private sector and making Nigerien products and services more competitive. All donors are working to support this strategy, articulated by the GON in the PSR, Five-Year Plan, PAIPCE, and the Pre-Round Table. The World Bank is proposing to finance two studies, "Obstacles to the Development of the Private Sector" and "Incentives to Industrial Development" to outline possible activities to achieve GON liberalization goals. The UNDP is providing a planning consultant to PAIPCE to assist in implementing parts of that program. USAID-financed Integrated Livestock Production (ILP) and Agriculture Sector Development Grant (ASDG) have both played important roles in making recommendations for regulatory simplification.

Another factor which would further reduce the formal sector's disadvantage is an increase in effective taxation of the informal sector. The IMF has recommended a variety of steps to achieve this goal and the GON is examining how best to put such a program into action.

Studies and training are also required to show the benefits of modern management and organizational techniques and of operating with larger volumes. Effective institutions must be available to train those who perceive the benefits of modernization. In this regard, the ILO provides direct technical and financial support to the Centre National de Perfectionnement à la Gestion (CNPG), a Chamber of Commerce center for improving business skills. The A.I.D.-financed Sahel Regional Financial Management Project (SRFMP) is also helping to build the training capacity of this private sector institution. The UNDP has several activities designed to provide training to formal and informal sector businessmen: a regional management training program via CESAG (a management training school in Dakar), and a regional assistance program for skins and hides producers to improve the quality of slaughterhouse by-products. CARE, ILO, and AFVP (French volunteers) have important training components in their departmental activities with micro-enterprises and craftsmen. Appropriate accounting and management procedures are introduced via these projects to informal sector actors.

The World Bank is also helping PAIPCE develop an entrepreneurship training center within the Chamber of Commerce, the Centre d'Animation et de Formation (CAF). The Bank will finance a study for the preparation of a program to develop entrepreneurial spirit within Nigerien businessmen.

40

Institution Building.

USAID will also rely on other donors for complementary assistance programs to develop institutions capable of serving as advocates for the private sector and economic liberalization. Organizations that promote business interests are extremely fragile in Niger and other donors are active in developing this institutional capacity to foster private sector objectives.

The UNDP maintains assistance via its Industrial Development Organization (UNIDO) to the Office for Promotion of Private Enterprise (OPEN). This intervention includes technical assistance to the studies division of OPEN. The World Bank and UNDP are currently working with the GON to develop a new structure and role for OPEN that would make it a much more effective tool for private sector development. UNDP is also planning a project to assist the Centre Nigerien de Commerce Extérieur (CNCE), financing technical assistance to develop an export action plan, rationalize import operations and techniques, and create a pilot commercial information system.

World Bank programs with OPEN (technical assistance in construction analysis) and the Chamber of Commerce will also support these organizations to provide services to businessmen. USAID will call upon the ARIES project to help identify staff training needs and institutional problems and solutions. It will also assist in the training of personnel from OPEN and the Chamber via its Human Resources Development Assistance Project. Civil servants from the Ministry of Commerce will be eligible for training under A.I.D. grants to help improve data collection and international negotiating skills. The IMF is providing assistance to the Ministry of Finance to improve tax collection procedures from the informal sector.

The development of an indigenous capacity to conduct market studies is also an important adjunct to the NEPRP. The SRMP and CNPG are also contributing to an improved audit and management analysis capacity within the country, but marketing continues to be a weak point in local proposals for financing. The rapid reconnaissance studies under NEPRP should begin to develop some Nigerien experts in both the public and private sectors. The UNDP Africa Project Development Facility (APDF) will provide important inputs to developing this capacity regionally and locally.

Finally, improving basic literacy and reorienting formal education to prepare graduates for the private sector will require help from donors more directly involved in this sector. The World Bank is active in education reform, and the PAIPCE training activity, the CAF and the CNPG are all important steps in making education more relevant to economic possibilities. The UNDP is examining with the World Bank the reorientation of curricula at IPDR and ECE (vocational agriculture and livestock schools) to make graduates less dependent on government jobs.

Food Self-Reliance.

The efforts of other donors will be extremely important in assuring that NEPRP has the desired beneficial effects on Niger's economic growth. In pursuing the objective of increasing and diversifying rural revenue sources under NEPRP, it is clear that substantial additional support will be needed to define the various production, processing, and service opportunities that could be profitable in the rural economy.

Several donors will assist the GON and NEPRP objectives in identifying these potentially profitable investment opportunities in agriculture. Much work is needed in examining the real costs, market structure, and potential demand for Nigerien products and services, so there is room for wide donor participation. UNDP is financing studies of industries related to livestock, from animal feed and salt licks to tanning and frozen meat. Its policy is to widen this activity to include studies of other commodity areas and potential markets. The APDF will be of great use in helping to turn ideas and studies into bankable projects. UNIDO will continue its village-level interventions in processing garden products and salt production. Various other donors such as EEC (tomato canning), France (citrus fruit processing), and West Germany (refrigerated slaughterhouses, poultry and animal feed) are examining processing industries. USAID can assist in this effort outside the NEPRP by using the Center for Privatization to help identify problems in some key agribusinesses that have been recently privatized (SNCP, SONERAN, SONITAN and SOTRAMIL) and to help in finding solutions to make those companies viable.

Access to credit and guarantee funds will be important to micro enterprises and larger businesses to enter the market, to improve productivity, and to realize economies of scale. Assistance for credit needs to small businessmen will be provided under the GON PAIPCE program, the CARE and ILO rural enterprise projects (supported by ASDG counterpart funds), and such developments as CLUSA's guarantee fund of BIAO loans to cooperatives. The ILO provides credit for the rural based artisans of the informal sector through its Project for Training and Support for Artisanal Enterprises in Niamey and Dosso Departments. This activity, which CARE International has extended to Maradi Department and AFVP will extend to Zinder Department, provides training and credit to project beneficiaries who have improved technology and expanded production of locally produced farm tools and carts, as well as repair services. USAID will also examine guarantee funds in connection with raw agricultural exports under AFR/PRE financing. The World Bank is examining the system of mutual guaranty funds as credit providers, and ASDG would provide for pilot credit unions in at least one department. BIAO and NIB (Citibank) have branches in Niger, Nigeria and Côte d'Ivoire to serve customer credit and banking needs in those areas.

Food self reliance necessarily implies more integrated regional markets. NEPRP will require significant assistance from other donors to begin this process. In the area of regional trade, export procedures have already been simplified under the PSR, and the Pre-Round Table will undoubtedly accelerate this process. ASDG, ILP, and NEPRP will help promote these changes, as will the UNDP assistance to the CNCE. This latter program will help with the development of export policies, more rational import planning and information systems to help develop appropriate policies. The UNDP regional program for transport and trade policy assistance to landlocked countries will also be a valuable support.

Donors will have to help GON develop the necessary market research and promotion to pursue the export possibilities within the region aggressively. The EEC and UNDP have developed small programs to promote Nigerien exports in trade fairs outside the country. The UNDP assistance to the CNCE will also help in this regard.

III. PROGRAM DESCRIPTION

A. Program Rationale and Objectives

The overall development goal to which this program contributes is increased and diversified incomes in the rural areas. As noted in previous sections, Niger is an agricultural economy producing mostly cereals and livestock under semi-arid rainfed conditions. Historically, the bulk of agricultural cash incomes has come from the sale of cereal surpluses to the urban areas. A secondary but important source of income has been the export of livestock to Nigeria and peanuts and cotton to Europe. More recently, peanut and cotton exports have been replaced by cowpeas destined primarily for Nigeria. Despite several decades of agricultural development programs, agricultural productivity and rural income remain very low.

The main constraints to increasing rural incomes are 1) limited production capacity of coarse cereals crops due to low and erratic rainfall and 2) limited domestic markets due to Niger's small urban population and low per capita income. Reducing these constraints involves a two-pronged strategy of introducing productivity-increasing new technologies and expanding the demand for agricultural products through the development of export markets. The introduction of new technologies is proceeding through agricultural research and extension programs. The expansion of export markets requires a set of economic policies that allocates Niger's productive resources on the basis of its comparative advantages. The EPRP supports a set of liberalization measures that will help achieve this second objective.

The marketing system for agro-pastoral products has evolved in response to the fiscal and regulatory environment. Perhaps it would be more accurate to say that the system's lack of evolution has been in response to the fiscal and regulatory environment. Trade patterns and trading systems in both directions across the Niger-Nigeria border have been well established for decades. Livestock and cowpeas flow south, grain generally flows north but will flow south when the right price incentives exist. Traditionally, the physical exchange of goods takes place in villages located close to the border. A modern road transportation system has been built linking the principal cities on either side of the border. At the same time, a regulatory environment was established which discouraged traders from modernizing their trading systems. Much of the movement of goods takes place as it did before the modern infrastructure was put in place. Livestock marketing provides one example. The legal process involved in cattle export entails eleven steps, the payment for various permits and authorizations and the payment of an export tax, all of which can be avoided by trekking animals from the interior to a Nigerian border market.

Presumably, the traders' operation is economically efficient in light of the regulatory obstacles. The rationale for this program is that a different regulatory environment will, over time, bring forth more economically efficient trading systems. Continuing the example of livestock, one can anticipate an increase in the trucking of animals from interior markets directly to consuming cities in Nigeria with concomitant livestock price increases in the interior markets. Trucking is feasible only if the export process is simplified.

-43-

The cowpea trade can be cited for another example of how regulatory and fiscal reforms can improve marketing system efficiency. Most shipments move across the Niger-Nigeria border illegally to avoid the export taxes specifically and more generally any dealings with the government on the part of the shipper. Shipment size is kept small because the transport occurs off-road and the risk of confiscation exists. Payment at the point of sale in Nigeria is in cash. But the trading practices of the informal sector traders of Niger and the major Nigerian traders are incompatible. The major trading firms in northern Nigeria prefer to deal in large volumes (for example multi-ton shipments) while using letters of credit for financial transactions. Profit margins for Nigerien traders from such transactions are potentially higher, and the Naira exchange complications reduced. Regulatory reform in Niger will create the conditions for a faster movement of a larger volume of cowpeas across the border. This trade could be by formal sector firms expanding into the cowpea market, or informal sector businesses (which already frequently use official channels for a minor portion of their trade) adopting modern business practices. In any case, aggregation of commodities within Niger instead of in Nigeria can shift a portion of the profits from trade back to Niger, with benefits to producers.

The government's private sector initiative is an attempt to reduce the distrust between the private sector and the government. NEPRP supports directly several components of that private sector initiative. Elimination of the export tax is a necessary but not sufficent inducement to shift large amounts of smuggled goods into official channels. The tax elimination must be seen in a larger context: that of an evolving comprehensive GON private sector strategy. At the same time, export tax elimination is feasible as a strategy component only with the financial support of this EPRP. The revenue raising measures of the strategy will eventually yield more revenue than will be given up by export tax elimination. However, at the present time, the government's fiscal position is too weak to absorb the transitional revenue loss. This program accelerates the timing of the fiscal reforms which will reduce the inconsistencies between the fiscal structure and the development strategy.

The first indications of a GON commitment to support private sector development were made in late 1986. Since that time the government has made substantial progress. Regulatory changes have been announced. Specific proposals on reforms of the fiscal and administrative structures are being discussed with the business community. The proposals will be on the agenda at a GON-donor community-private sector Round Table in June. The objective of NEPRP is to support the GON private sector initiative with the financial assistance needed to implement the private sector strategy.

B. Identification of Policy Agenda

USAID has identified three major factors which work as impediments to increasing the level of trade through official channels and fostering the overall growth of agro-pastoral exports. Two of the impediments are directly tied to governmental policies. The third is in a sense the absence of governmental policy, or at least weakness in implementation of export promotion policies on a regional basis. The specific areas of proposed program concentration are:

1. Fiscal Policy.

Export taxes on agro-pastoral products reduce competitiveness in international markets and discourage movement of goods through official channels. Their elimination is proposed.

2. Government Regulation of Trade.

Lengthy and costly procedures tied to export through official channels, barriers to entry to the skins and hides trade, and quotas on export of livestock all work against the Government's own efforts to improve productivity of that subsector. NEPRP calls for a series of changes aimed at simplification and rationalization of procedures. The government also needs to step up efforts to improve the environment for official trade.

3. Commercial Relations between Niger and its Trading Partners.

Niger is not taking full advantage of potential for trade with its neighbors. A more activist and business-oriented approach to regional trade is needed. NEPRP calls for specific measures in this regard. Strengthening official commercial ties with neighboring countries is one step. Joint exploration of new markets by private sector and government representatives will be another. Efforts to resolve complications in official trade with Nigeria, such as long bank delays in effecting Naira/CFA exchanges, are worthwhile, even if not guaranteed to meet with Nigerian government acceptance during the period of this program.

The three domains identified for attention under NEPRP are closely interrelated. Actions in these three areas will enhance the impact of the Government's economic liberalization program.

C. Analysis of Impediments to Export

1. Fiscal Policy

Export taxes applied to the principal agro-pastoral exports vary between approximately 8% and 50% of the F.O.B. value of the goods: cattle are at 8%, cowpeas at 20%, sheep and goats at about 17% and onions at 50% during the main export season for that product. These taxes have a double effect on exports. First, for exports flowing through the official channels and subject to the taxes, they raise the price to the consumer (limiting the competitiveness of the products) or lower the producer price (reducing the incentive to produce within Niger). Second, the taxes provide an incentive to traders to smuggle in order to maximize their profits.

Three products are largely traded through unofficial channels, over which the government has virtually no control: livestock (85%), cowpeas (70%-100% depending on the year), and skins and hides (50%). Reportedly a large number of Nigerien untreated skins and hides are actually exported officially from Niger to Europe marked "product of Nigeria." The paper transfer of origin reduces taxation from 15% to 3%. Onions, which are highly perishable and must be shipped by the most expeditious means, are exported almost entirely through official channels. Export taxes charged are equal to producer price during the main growing season in Niger.

45

The impact of the policies is quite clear and is counterproductive to developing an export oriented sector. In the first case, if the taxes result in higher consumer prices, they will lower total consumption (the exact amount depends on the price elasticity). A recent study of the onion export market commissioned by USAID (Lev and Gadbois, 1988) estimates that removal of the official 20 FCFA/kg export tax on onions would lead to about a 5,000 ton increase in total exports within three years (a 28% increase over Niger's highest recorded onion exports). In addition, imposing higher consumer prices provides an implicit subsidy to producers of those commodities in other countries, allowing them to sell what might otherwise not be competitive products. For example, higher consumer prices for Niger onions make Burkina onions more competitive (especially with their lower transport costs), allowing Burkina the opportunity to build up production and eventually capture part of Niger's market share in the Ivory Coast. Nigerien onions are already largely displaced in the Nigeria market, where large tracts of land are planted in "violet de Galmi" onions considered Niger's specialty. Benin is expanding its own onion production near the Niger border.

If, on the other hand, the taxes result in a lower producer price, then there is a significant loss of purchasing power by the producers. Under the second case, the export tariffs have caused exporters to use unofficial channels. Given the large border and the nature of the products, it is practically impossible for the government to stop this trade by increased surveillance. However, many economic benefits are lost by trading through these unofficial channels: economies of scale, fluidity of marketing channels, benefits from aggregation. At present most of these are captured on the Nigerian side of the border, to Niger's loss. A 20% tax on cowpeas makes aggregation only feasible for the subsidized parastatal, SONARA. And although trucking of animals from central Niger to major Nigerian cities might prove profitable to Niger, it will never happen as long as a tax of 5600 FCFA on every head of cattle or 1000 FCFA on every sheep must be paid before crossing the border (in addition to export licenses and registrations). Trucking of animals is a common practice on the other side of the border.

Whether the result is higher consumer prices or lower producer prices the result of the export taxes is inconsistent with a development strategy based on economic liberalization and the optimal allocation of Niger's productive resources. Removing the export taxes will create a more stimulating environment for official exporting and will help Niger to maintain its comparative advantages in its export markets.

Another element which plays an important role in the use of unofficial channels by the informal sector is the tax regime currently in place in Niger and the limited ability of the State to monitor and collect taxes in the informal sector. This provides a major financial incentive for informal sector firms to evade taxation by avoiding use of official export channels. The Government has stated its intention to make the tax regime more equitable by reducing rates on some business taxes and improving collection from large informal businesses. The administration is presently studying a set of recommendations drawn up by the IMF for improving its ability to tax the informal sector. Implementation of these reforms will enhance the impact of the policy reforms proposed in this program, but is not a prerequisite for the program's execution or success.

2. Regulation of Trade

The GON has made real progress in reducing the constraints to trade resulting from what was popularly viewed as an overregulation of the economy. Fixed prices for consumer goods and controlled margins are being lifted on all but a few critical products. The "preliminary authorization" required to incorporate a firm was cancelled a year ago. The Government has eliminated legal monopolies for the marketing of peanuts, cowpeas and skins and hides. Privatization of parastatals is underway. There are no longer fixed producer prices governing the purchase of the export crops of cowpeas and peanuts. Most recently check points on major highways have been reduced in number, allowing freer internal commerce.

Not surprisingly, there are still many restrictive practices which impede export. Lack of clarity of Government rules and policies has allowed abuse in certain areas. Overly tight regulation of trade creates conditions which are either very complicated or very expensive, leading traders to avoid the official channels. This is especially clearly seen in the area of livestock export, for which reforms have lagged behind other commodity groups. Simplifying regulations and lowering the explicit and implicit costs of trade through official channels will provide an incentive to trade through those channels. The Government can also actively encourage use of official channels by improving the regulatory climate for private sector operations, while increasing enforcement of anti-smuggling laws.

USAID has chosen the following specific aspects of trade regulation for emphasis in NEPRP:

a) Livestock. There are a number of regulatory procedures in force for export of livestock which are inconsistent with government economic liberalization policies, and discourage use of official channels for movement of animals. For example, the system for valuing licenses (patentes) currently used by the general tax office, Contributions Diverses, penalizes livestock traders by overvaluing their product. The cost of the patente to trade cattle often reaches 10% of the value of the animals being exported. This is an incentive to avoid official channels, especially when government cannot control the unofficial channels. In addition the Government requires a professional card for livestock traders, which essentially duplicates earlier registration procedures, providing an opportunity for delay and a further discouragement to entry into business. The 1988 study by the Ministry of Animal Resources, "La politique du Niger en matière d'exportation du bétail," provides a variety of proposals for change, now under review by the Government and USAID.

b) Skins and Hides. The current laws regulating entry into the trade of skins and hides tend to limit the number of licensed exporters, and give those who are licensed official control over the marketing channels down to the producer levels. The regulations are written in such a way as to provide an advantage to the two former parastatals, SNCP (skins and hides collection) and SONITAN (tannery). Because the few licensed exporters do not have the financial capacity to market the whole national production, market pressures necessarily create an illegal trade.

c) Businessmen's Bill of Rights. One of the factors discouraging businessmen from using official channels is the fear of governmental harassment once commercial activities are in the open. While the fear may be exaggerated, it is fueled by the absence of clear governmental policies and regulations defining the rights and responsibilities of businessmen, and by the lack of an arbiter between business and the State. PAIPCE proposes a positive effort by the Government to improve governmental-business relations in the form of a charte des contribuables, a kind of businessmen's bill of rights. An arbiter from the judiciary would be appointed as interlocuteur between government and the private sector for resolution of disputes. Implementation of the proposal is a policy condition for NEPRP.

d) Continued progress in liberalization efforts. The Government has already implemented many changes towards liberalizing the economy to promote increased development of the private sector and a better allocation of its productive resources. However, many elements of control still exist and after years of heavy government regulation, the changes are still too recent for much of the private sector to have confidence that they will remain in effect. Parastatals whose livelihood is threatened by liberalization press for imposition of new measures which would mandate their own market role, but act as a constraint to trade overall. To ensure the development of the atmosphere of trust and confidence between the government and the private sector, the progress achieved to date must be maintained and no new attempts made to limit private sector role in the trade of agro-pastoral products.

3. Commercial Relations between Niger and its Trading Partners

To increase exports into neighboring countries, Niger must pursue a policy of improving its trade relations. Nigeria is Niger's principal trading partner in most goods other than uranium, and it is precisely with Nigeria that the majority of unofficial trade occurs. By working with Nigeria to improve official trade relations between the two countries, Nigerien exports will flow more freely through official channels. The actions to be undertaken are not limited to Nigeria, but the most emphasis must be placed on Nigeria. Efforts to improve and increase trade relations between Niger and Nigeria have already started. President Ali Saïbou made a highly publicized visit to Nigeria at the end of March, during the course of which the two heads of state announced plans to revive the two countries' joint economic commission and asserted their intention to increase trade.

a) Commercial Attaches. On both sides of the Niger-Nigerian border there is a serious lack of information on prices, markets, and the demand for and availability of goods on the other side. A trained commercial attache in the Nigerien consulate in Kano, attached to the Ministry of Commerce, should be able to improve Niger's ability to identify opportunities for increased trade with Nigeria, gather market information, and provide an official link between Nigerien and Nigerian traders in search of specific goods to exchange. Kano is the first priority since it is the major trading center between Nigeria and Niger, but attaches could eventually be assigned to embassies in other nearby countries, such as Côte d'Ivoire.

b) Bilateral Trade Agreements. Certain of Niger's principal export products, such as cowpeas and cattle, suffer from discriminatory trade policies in other countries which limit official exports towards those countries. Taking the case of Nigeria, there is a very real potential market for Niger's goods, but Nigeria has imposed varying import restrictions over the past few years, for example import tariffs on cowpeas. As reported by a variety of researchers, these restrictions do not, in fact, cut off trade (indeed outright import bans on some products have led to development of a profitable informal transit trade with northern Nigeria). But the maze of regulations complicates official trade. For example, major Nigerian trading firms state that they can gain exemptions from import taxes on cowpeas for large units. But the taxes' existence on the books is one of the factors keeping small-scale trade almost exclusively in unofficial channels.

The Nigerien Government needs to make a concerted effort to unblock official channels and create a healthier climate for trade. Bilateral trade agreements would touch on issues of financial circuits to be used, problems of currency exchange, and import restrictions, among others. Current private sector efforts in this regard give real hope for success. In a major move, Citibank Niger has joined with Nigeria International Bank, Ltd. (NIB) to form a consolidated operation which has branches in Niamey, Lagos (4), Kano and Maradi. This joint Niger-Nigerian banking circuit should facilitate trade partnerships between businessmen of the two countries.

c) Trade Delegations. Increased exchange of trade delegations is an important means of prospecting new markets and establishing trade links. The Ministry of Commerce already advocates such an increase. The composition of such delegations is a key factor to their success. Traditionally, the Niger Government has sent government officials and parastatal representatives on general purpose missions. This is not an effective approach to trade promotion. NEPRP calls for non-official participants in the delegations, i.e. more members of the private sector who will be the actual traders, and commodity specific missions to selected regional trade centers.

D. Conditionality

The resource transfer will take place when conditions precedent to disbursement have been met according to defined performance criteria and targets. By the end of the program, the following actions (outputs) will have been accomplished:

1. Fiscal Reforms

The elimination of export taxes on agro-pastoral products is the linchpin of the Niger Economic Policy Reform Program. Removal of these taxes will be the condition to unblocking the first tranche of funds.

Note: Although the Government is urged to eliminate all export tariffs, USAID is aware that there exist a number of discrete tariffs on minor products (such as pork products, feathers, etc.) which are infrequently enforced, but whose legal abolition would be time consuming during this period of intensive work by the Government on substantive policy issues. Hence, USAID will monitor compliance for products which are mutually agreed to be of potential importance as exports (livestock, meat, cowpeas, peanuts, onions, skins and hides, vegetables, tubers, cereals, gum arabic and off season crops in general).

2. Regulations and Controls

The measures to be taken to ease those regulations and controls which are obstacles to the use of official export channels are:

a) A streamlined licensing system established for livestock exporters including a fee system consistent with other commodities, to be uniformly applied, and professional card for livestock traders eliminated;

b) Implicit barriers to entry for the trade of skins and hides eliminated, through review and redefinition of applicable laws and regulations, and dissemination of precise information on definitions of technical, managerial and financial requirements for entry into trade;

c) Charte des contribuables (businessmen's bill of rights) promulgated, including creation of a system of judicial arbiters;

d) Action plan issued and actions underway for implementation of recommendations of the Ministry of Animal Resources study, "La politique du Niger en matière d'exportation du bétail."

3. Regional Trade Relations

The following measures to be undertaken by the GON constitute an export promotion program and reform of regional trade relations consistent with the objectives of NEPRP:

a) Assignment of a qualified commercial attache to the Niger consulate in Kano, or inclusion of a budget line item to that effect (as timing of Nigerian clearance cannot be guaranteed);

b) Dispatch of trade delegations made up of representatives of the Chamber of Commerce, National Center for External Trade (CNCE), and private sector businessmen as well as GON personnel to prospect for markets for specific Nigerien export commodities;

c) Establishment of a market and price reporting system for the consulate in Kano and a regular system for announcing exchange rates for the Naira/CFAF; and

d) Government of Niger engages neighboring countries (especially Nigeria) in negotiations toward improved bilateral trade relations. GON should make particular overtures to Nigeria for the purpose of discussing issues of Naira/CFA convertibility.

Schedules for reform are detailed in Section VI.

E. Program Support Component

1. Summary

The Government's program of policy reforms will be backed by a program support component with activities designed to assist the grantee in implementation of reform measures. The program support component will be funded and managed separately from the policy reform component so that any delay in fulfillment of conditions precedent for the dollar·resource transfer will not prevent delivery of short-term assistance intended to facilitate implementation of the reforms. Note that no specific technical assistance or studies are needed for the fulfillment of the condition precedent to the first dollar resource transfer, elimination of export taxes. The program support component is tied to the implementation of the private sector initiative program in general, and to specific conditionality of later years. Hence timing of technical assistance and conditionality for Year 1 is not a constraint.

USAID has reduced the budget for this component from that contained in the PAIP to include only those activities which we believe are essential to the success of the program and which cannot be funded from other sources. USAID does not have funds in its projected OYB for the next three years to fund this component.

Among the support elements proposed for each policy area of the program are the following:

a. Fiscal measures

- Short-term technical assistance to Ministry of Finance to assist in establishment of information transfer systems between three revenue collection agencies: Customs Office, Direct Tax Office and Indirect Tax Office.

- Provision of appropriate computer software and on-the-job training, if necessary (based on analysis carried out by short-term advisors).

b. Administrative measures

- Short-term technical assistance to Ministry of Commerce to set up system to track export licenses (number, size, description), including on-the-job training of staff.

- Short-term technical assistance to ministries of Animal Resources and Commerce for implementation of measures to simplify livestock export process, including on-the-job training of staff.

c. Regional trade

- Two rapid reconnaissance studies of export products: 1) skins and hides, 2) another product or products, to be determined following results of feasibility study (below).

61

- Study of potential of trucking for long distance export of livestock (e.g. from Tahoua to central/coastal Nigeria).

- Feasibility study to examine the possibility of new exports or import substitutes (e.g. poultry, potatoes).

- Study of trade regimes, Niger and Nigeria (policy barriers).

- Private sector seminar(s) with Nigerian participants to discuss regional trade issues on specific commodities.

- Short-term training of commercial attaches.

2. Description

a. Studies

One of the primary impediments in the development of agricultural marketing policy in Niger is the lack of accurate information on the different products which are concerned: real production figures, demand elasticities, real export figures, sound understanding of the commercial channels which are used to export the products, and the cost structure related to their export. Several studies on livestock have been undertaken under the Integrated Livestock Project and USAID has just completed a rapid reconnaissance study of the onion market. A similar study of cowpea marketing is to to start in April 1988. These studies have uncovered important new information on the issues related to government policy actions and their implications for improving the environment for agricultural export marketing. More studies are needed to provide similar information for other products and the accurate baseline data from which the NEPRP will be able to measure its impact over a multi-year period. Development of Nigerien capacity to carry out marketing studies (rapid reconnaissance and feasibility studies), is important in building an effective export promotion program for Niger. The results of the studies can be used to advantage to increase export marketing. Other studies are required to provide information necessary to implement specific elements of the program. These studies include:

1) Rapid reconnaissance of the skins and hides subsector.

It is estimated the 50% of the skins and hides production is currently exported to Nigeria through unofficial channels, including some skins from official sector trading firms. Some hides are officially exported to Europe marked "product of Nigeria." A better understanding is required of the commercial network from the producers, through the collectors to the traders and official exporters. Factors to be studied are the current market structure, relationships between the actors, costs of trade, history of government regulations of the industry and their impact (positive, negative or neutral) and the relationship of Nigerian economic conditions and trade policy for skins and hides to the Nigerien trade. The study will require one agricultural economist and one specialist in the skins and

61

hides trade. The Government will provide for appropriate Nigerien membership in the team (technicians and researchers). The study is to be followed by a seminar to discuss findings and propose measures which government and the private sector can take to improve export marketing of skins and hides.

The purpose of carrying out rapid reconnaissance surveys under NEPRP is not just to acquire market information. Building an indigenous capacity to carry out this type of study and to analyze the results is also important if the Niger government is to be able to develop an effective export promotion policy based on accurate information. Two rapid reconnaissance studies (onions, cowpeas) are being implemented as part of the design of the program. The skins and hides study will be the third survey led by consultants with Nigerien participation.

USAID proposes that an additional rapid reconnaissance study be programmed during the life of NEPRP, to be carried out by Nigerien researchers with limited outside assistance. The subject for this study will be determined during the course of the EPRP, but could be on such commodities with export potential as potatoes and other tubers, peppers and other dried vegetables. Each rapid reconnaissance study will be followed by a seminar in which the results will be discussed with government and private sector representatives.

2) Cost-benefit analysis of trucking versus trekking livestock into Nigeria.

One of the basic assumptions of NEPRP is that using official channels will provide more fluid and cost effective marketing. Trucking of livestock may become economically feasible if the project's reforms are implemented and presents an easily analyzable example of these potential benefits. The Ministry of Animal Resources has expressed great interest in such a study. The study needs to determine the costs associated with trekking animals down to and across the border into northern Nigeria (through unofficial channels) versus the cost of trucking them directly into Nigeria, and possibly even down to the coast. The potential impact on producer prices should be measured. Potential problems originating on the Nigerian side of the border for trucked livestock should also be identified. The study will require recruitment of one agricultural economist who will work with personnel of the Ministry of Animal Resources in particular. The results will be discussed in a seminar to which both public and private sector participants will be invited.

3) Feasibility Studies, New exports/import substitutes

Following are two of the commodity areas which might be chosen for study:

- Niger has launched a major campaign for off-season production. Some of these products have been successfully marketed abroad; for others the marketing channels have never been established. A team of vegetable and fruit specialists could perform a market analysis of the potential for export of these crops and study the constraints which have limited export in the past.

- Niger currently imports large quantities of eggs from Nigeria and Europe, and the price of chicken is quite high in Niger. A study could focus on the market for poultry products, the difficulties involved in establishing an effective poultry industry in Niger, and assistance which would be required to develop such an industry.

4) Study of Trade Regimes, Niger and Neighbors.

A unified study on trade regimes in place in Niger and its neighbors would increase understanding of the regulatory constraints to trade in the region. This study would examine various Nigerien agro-pastoral exports in light of regional trade regulations, legislated and informal barriers to trade in these products, bilateral and multilateral trade fora, and nature of bilateral trade relationships. Findings of this study will serve as the basis for a seminar including GON policy makers, businessmen and interested members of the diplomatic community. The result should provide decision makers with adequate data for trade negotiations and businessmen with insights on future trade opportunities.

b. Technical Assistance

The Government of Niger has the capacity to collect the types of information required as the baseline data for use in monitoring program performance. The data are not now available in usable form. Customs registers exports in terms of tariffs paid rather than by commodity. Data on movement of particular products are not available at the national level. The Department of Exterior Trade in the Ministry of Commerce does not have complete information on the number of licenses issued for agro-pastoral products, the value of those licenses, the numbers of different firms requesting them, and whether the licenses were actually used (and if so what portion). Similarly, the Direction of General Taxes is unable to say how many patentes were issued around the country and the amount of revenue collected from those patentes. In many cases this information is available at departmental level only and never aggregated.

The data needed to establish the point of departure and measure the progress of the program exist but cannot be accessed in any meaningful fashion now. The various services need technical assistance to help them establish the systems necessary to be able to retrieve relevant information for the program. A specialist in Management of Information Systems (both computerized and non-computerized) will analyze the present systems in use, determine specific information needs of the departments, and then design new systems (and train the staff in their use) which will allow access to that information.

The IMF has already done a preliminary study on the needs within the Ministry of Finance (which includes Customs and General Taxes). The technical assistance under NEPRP will complement any offered by the IMF, but can accomplish its specific program-related objectives whether IMF funded personnel are provided or not.

c. Short-term training

Short-term training will focus in two areas: 1) seminars for private businessmen (organized through the CNCE and Chamber of Commerce); and 2) training for the "commercial attache" corps to be developed within the Ministry of Commerce. In addition, on-the-job computer training will be offered as described in section 2, above.

NEPRP proposes to finance small trade seminars to be held by the Chamber of Commerce on specific commodities. Both Nigerien and foreign economic operators will be invited. The seminars will follow, and benefit from the information gathered by the marketing related studies (rapid reconnaissance, trucking/trekking) financed by the program. Other topics include a seminar on trade regimes which will include both public and private sector representatives.

Under the EPRP, the Ministry of Commerce is to begin placing commercial attaches in the principal consulates and embassies located in Niger's major regional trading partners, beginning with Kano in Nigeria. This is a highly specialized profession requiring a sound understanding of the purpose of a commercial attache and the knowledge of how to identify and gather the information which will be of the greatest use to Nigerien businessmen. USAID will contact the U.S. Department of Commerce and U.S. Department of Agriculture for assistance in this regard.

IV. PROGRAM IMPACT

The proposed removal of export taxes is the key element of an overall package of reforms aimed at developing a stronger base for increasing the export of agro-pastoral products. This reform package includes 1) removal of the export taxes, 2) minimizing restrictions and controls on exports, and 3) improving trade relations with Niger's main trading partners in the region, especially Nigeria. The combination of the three sets of policy reforms will result in a better overall policy environment to foster trade through official channels. The impact of these changes on agricultural exports will be gradual with some occurring in the medium term and others over the longer term. The program will have an impact on the macroeconomic level, the GON fiscal position, the volume of trade through official channels, and on agricultural production and farmer income.

The essential issue between undertaking or not undertaking these reforms is that, under the existing system, most agro-pastoral exports are unaffected by taxes or other Government policies; they move entirely in response to market forces. It is desirable to respond to market forces, but under the current channels these exports are 1) limited to small transactions that can escape detection and are therefore excluded from large structured markets, and 2) they are unaffected by and therefore greatly limit the impact of government programs and policies to increase exports. After the reforms, the country's export strategy will actively involve more producers and traders, increasing the effectiveness of policy actions. Exports will occur because of and with the support of Government programs and policies rather than in spite of them.

A. Macroeconomic Impact

Export receipts provide the resources to finance the imports Nigėr needs to improve the standard of living of its people. In 1987 the sources of Niger's import financing were uranium (66%), other exports (21%) and foreign transfers (13%). Government of Niger plans call for the contribution of "other exports" to increase to 26% by 1991 to reduce dependence on uranium and foreign aid. Liberalization of agro-pastoral exports will contribute to a larger and more diversified composition of exports. This growth and diversity will support the higher level of imports needed for economic development and will help to reduce the risks of adverse changes in the terms of trade.

This policy reform program is part of a larger GON private sector strategy. In the context of the larger strategy, this program will contribute to a more fully reticulated system of markets. Market information flows will be improved and increased. Entrepôts will develop to move the larger volume of legal exports.

A recent experience in dry season farming is illustrative of the current problems and future prospects of Niger's market structure. The 1984 drought convinced the Nigerien government of the need to encourage farmers to cultivate dry season crops in areas with access to water from seasonal ponds or wells. Crops grown during the dry season (winter months) supplement household food stocks and/or household incomes. The rural response to the government's call was encouraging. Driven by the need to secure adequate food stocks for the period before the next harvest, considerable effort went toward dry season farming. Aware of this successful beginning, the Government repeated the call after the 1985 harvest. Since the 1985 grain harvest was seventy percent larger than in 1984, the motivation for engaging in dry season farming shifted to cash income and away from food stock accumulation. The marketing system was unable to respond to the geographically dispersed increase in cash crops. A significant portion of the output rotted in the villages. Now, in 1988 one can use the incidence of dry season farming as an indicator of localized drought conditions. The sole motivation for dry season farming in many areas is to augment household food stocks. The 1985 dry season output increase proves that productive resources exist in the rural areas which are not being exploited because of an underdeveloped market network.

The flexibility of the economy will improve as Niger's private sector strategy takes effect. Economic decision-makers in rural areas will have a wider array of price information upon which to base production decisions, and they will have a wider array of market outlets for their production.

B. Fiscal Impact

As a result of the elimination of agro-pastoral export taxes, government receipts will decline slightly. Data provided by the Customs Department show a noticeable variability in the level of agro-pastoral export tax revenues in recent years.

Year	Agro-pastoral export taxes (million FCFA)
1982/83	312.0
1983/84	488.1
1984/85	968.9
1985/86	450.5
1986/87 (est.)	1000.8
1987/88 (budget)	483.5

Agro-pastoral export tax receipts in 1986/87 were 1.3 percent of total government revenues. The estimate for 1987/88 is 0.6 percent of total government revenue (analysts predict actual 1987/88 receipts at over 1 billion FCFA, or about 1.3 percent again). By way of comparison, it is believed that a more systematic application of the tax system to the informal sector could yield an additional three billion FCFA annually.

NEPRP will provide the Government of Niger $4.08 million per year for a period of three years as a direct cash disbursement to help offset the revenues foregone by the elimination of the export taxes and to support the design and implementation of the Government's private sector strategy. At the current exchange rate the annual cash transfer equals 1163 million FCFA, a figure sixteen percent higher than the export tax receipts of 1986/87. Three advantages accrue to the Government of Niger from this. The uncertainty of export tax revenue yield due to fluctuations in rainfall and commercialization levels is eliminated. Secondly, the funds will be disbursed early in the fiscal year, whereas export tax receipts generally are received later in the fiscal year. Thirdly, the excess of the disbursement over the foregone tax receipts will help finance other components of the private sector strategy of the GON, including those mandated by this program.

NEPRP provides the resources during a transitional period to support changes in the fiscal system which can improve the efficiency of the Nigerien economy. The Government of Niger has stated its commitment to apply the tax code to the informal sector in order to increase total revenue and equalize the tax treatment of the informal and formal sectors.

The annual cash grants make it feasible to eliminate the export taxes immediately and offer an interim cushion while revenue gains from better taxing of the informal sector are realized.

C. Trade Impact

1. Medium Term Impact on Exports

In the medium term, over three to five years, there should be an increase in the amount of trade flowing through official channels. This will occur through an expansion of trade by firms already using official channels or new firms entering the now competitive official channels. In the short term, those firms exporting only through unofficial channels cannot be expected to change their habits rapidly. To the extent that there are remaining explicit or implicit costs associated with shifting from the informal to the formal sector (e.g., increased exposure to the tax authorities) and costs associated with remaining in the informal sector

91

appear to exporters to remain relatively low, many unofficial exporters will probably choose not to export through official channels.

Firms exporting through the official channels right now are being penalized vis a vis those using the unofficial channels. However, with the proposed reforms (especially the removal of the export tax), many firms which use the official channels for part of their exports (large cattle traders, skins and hides traders and cowpea traders) will gradually realize that, with lower costs of using the official channels, plus more severe penalties for using the unofficial channels if caught, it is easier and less expensive to send all of their goods through the official channels. Economies of scale should also begin to appear, particularly in livestock and cowpeas, which will make it more profitable to increase actual levels of trade by those individuals using official channels.

This increase in official trade over the medium term may not, however, amount to a large percentage increase in total levels of trade. Trade through unofficial channels is already high relative to that through official channels (see Grant et al., 1988) because government policies to control them have been ineffectual. Though the cost of avoiding the policies is lower than the cost of respecting them, there are still real costs associated with avoidance. As these policies are changed and costs associated with official channel trade are lowered, those firms using official channels will be better positioned to take advantage of new trade opportunities. Therefore, the initial growth in official exports will come about because exporters have decided to export legally. Total exports (legal and illegal) may not increase.

2. Long Term Impact on Exports

As the medium term effects of the policy reforms settle in, there should be actual increases in total agricultural exports. One important element to trading through the official channels is the ease of doing larger scale operations which provide economies of scale and higher profits. As the profitability of participating in official sector trade increases, traders will seek ways to increase their scale of operations to earn higher profits. The increased margins of profitability from scale operations will lead to increased competition between the traders seeking larger market share and will provide incentives for new entrants into the trade, further enhancing competition. This should result in higher producer prices, at least in the short run. As prices rise, producers will sell more of their local production and seek new ways to increase production.

Another effect of using official channels will be to develop new improved methods for marketing goods which will allow for increased fluidity of trade at lower cost. For example, cattle traders may find it both possible and profitable to truck cattle from the interior of Niger (distances more than several days walk from the border) and will start purchasing closer to the source. They may also ship their cattle farther into Nigeria (the coast) where the prices are higher. As this trade becomes developed, the costs associated with it will be reduced. The combination of reduced costs and higher market prices will be very beneficial to the producers in the long run as competition among the traders increases.

As producer prices rise in the short run, production (supply) will increase in response. The long term effect will be to provide a greater quantity of goods to the traders for export at a higher price.

D. Agricultural Production and Farmer Income

Over the medium term (two to three years) there may be no measurable increase in either production or rural incomes from the policy reforms in three of the four crops. During this time, the market signals and institutions will be changing in ways which should encourage future growth.

Skins and hides supply is primarily a function of animals slaughtered for meat, not necessarily the value of the skins. If the price continues to rise, then greater care will be taken in the butchering of the animals and in cleaning the skins to preserve them for resale. Though little is known about the characteristics of this basically artisanal industry, changes will most likely be gradual and cannot be expected to produce more than a marginal increase.

Livestock production is limited by climatic and traditional herding conditions. Offtake will be a function of prices and herder needs for funds. Assuming rational behavior by the herders to maintain their breedstock and a productive herd size, offtake will probably remain fairly constant at the present estimated 8% rate. Assuming that new marketing channels and technologies are developed, they will be developed over the course of several years, leading to a gradual increase in the price of livestock deeper into the country. At the same time, new entrants into the livestock business, especially individual and cooperative fattening schemes, should augment existing supplies.

The cowpea trade, like the livestock trade, functions primarily outside of the official channels and with virtually no restrictions. Given this situation, it must be assumed that the equilibrium point of price and production has been more or less met, within the limits of trade through unofficial channels, i.e., small individual transactions. As the trade gradually moves into the official channels in response to increased profitability, there will be upward pressure on the price of cowpeas, to the benefit of producers.

The real potential increases in the cowpea trade come from the tremendous economies of scale made possible by the existence of a dynamic private sector in Nigeria and the recently observed supply response of Nigerien farmers to higher cowpea prices. There are several large formal sector firms in Nigeria who want to buy treated Nigerien cowpeas on a large scale through official channels. They cannot trade on the scale which interests them through the informal channels (i.e. thousands of tons). These firms also want to use efficient official financial channels to pay for the goods (i.e. letters of credit). It is this large scale trade which has the potential to reap very large profits if properly managed. As traders are attracted to the opportunity, they will perceive the benefits in trying to stimulate production through input delivery, early contracting, and higher prices. An example of this is currently occurring with groundnuts in

Nigeria. Following the disbanding of the Groundnut Marketing Board, the large oil mills are actively pushing the producers to produce more groundnuts.

Onions are the one product which is being currently affected on a very large scale by government policy. The reduction/elimination of export tariffs will have a very rapid impact based on the following elements:

- lower prices for consumers in the coastal countries will lead to greater demand, therefore either increased production (or sale of a greater percentage of the production);

- the traders will capture some increased benefits, but in the competitive trade environment which characterizes the onion trade, this increased profit will be reduced by trader entry into the market and eventual increase in producer prices over the medium-term; or

- immediate increase in producer prices, caused by traders wishing to capture a larger portion of the market.

Any or all of these will lead to some production or price effect in Niger. One recent study concluded that removing export tariffs would result in an increase of over 5,000 tons of exports per year within 3 years (more than a 25% increase in onion exports in a good year or a 50% increase in a poor year).

Over the long term, there should be actual increases in total agricultural exports. One important advantage to trading through the official channels is the ability to carry out larger scale operations which provide economies of scale and higher profits. As the profitability of participating in official sector trade increases, traders will seek ways to increase their scale of operations to earn higher profits. The increased margins of profitability from large scale operations will lead to increased competition between the traders seeking larger market share. This should result in higher producer prices, at least in the short run. As prices rise, producers will likely sell more of their production and seek new ways to increase production.

An additional effect will be to help preserve Nigerien market share in the coastal markets. This is most clearly shown by the case of onions. The export taxes are reflected in consumer prices in Abidjan and effectively subsidize the development of production in neighboring countries. Because Nigerien onions are expensive, countries such as Burkina Faso are beginning to develop their production and may eventually capture much of Niger's market share. It should be noted that when the GON doubled the export tax on onions last year, foreign purchasers reportedly refused to buy. Customs inspectors quickly reduced the increase informally by changing the estimated weight of a 100 kg sack of onions to 70 kg for tax purposes.

E. Key Assumptions

The above analysis is based on five critical assumptions which are discussed briefly below. Most of these assumptions have been analyzed in depth in recent studies. Some, however, will require further study and will need to be carefully monitored during the implementation of the EPRP.

1. Lower prices will result in increased markets.

The USAID sponsored onion study in Niger (1988) and the CRED study on the livestock markets on the coast of West Africa (Shapiro et al., 1979) have shown that the consumers of both onions and livestock are price sensitive, and that drops in price of the commodities will generally result in increased consumption.

There is very little hard data on cowpeas and skins and hides. A rapid reconnaissance study is planned for the cowpea market in Niger before June, and this document recommends a rapid reconnaissance study of the skins and hides market. Cowpeas and skins and hides are commodity products, which are by definition homogeneous. The dominant characteristic of commodity markets is the sensitivity of market share to price. Maintaining product quality is important, but it can be safely assumed that a drop in the price of these products (which are already being traded internationally) will result in increased market share.

2. Official channels provide access to larger, more profitable markets than unofficial channels.

Nigeria has many large trading firms in the formal sector which are interested in large scale trade through official channels with Nigerien firms. It is not worthwhile for many of these firms to deal in scales of under 5,000 tons of cowpeas, for example, but they are willing to pay a premium for cowpeas sold in larger quantities. The unofficial channel cross border trade between Niger and Nigeria necessarily reduces the scale of individual transactions. While there are many firms involved in this trade, with some doing large volumes of business, the scale of individual transactions is necessarily restricted to below the optimum size. Trading through official channels would allow firms to capture many of the benefits of available economies of scale (as SONARA does) which are now being captured on the Nigerian side of the border.

Official trade will also lead to more fluid, lower cost marketing channels. The potential benefits from trucking livestock will be studied under this program, but in Nigeria it has already been proven more profitable than trekking because trucking cattle along paved roads there is less expensive and easier than driving smaller quantities on trails in the countryside.

Unofficial channels tend to be unstructured, unreliable, and do not provide incentives to develop efficient ways of conducting international transactions. Large Nigerian firms often prefer to use letters of credit, which are easier to account for, but cannot be used on unofficial transactions. Unofficial channels also tend to restrict the flow of information, making it more difficult for the markets to adjust and respond normally.

3. Nigerien traders are willing and able to take advantage of these larger markets, either by expanding from within the official channels or shifting out of the unofficial channels.

Nigerien traders have always shown an aptitude for trying to capture the benefits available from trade. They have taken advantage of the transit trade in cigarettes through Niger and other similar opportunities which require ingenious solutions. There is no reason to believe they will respond any differently to increased opportunities in Nigeria. The large Nigerien trading firms, such as those based in Maradi, have the sophistication to deal with formal sector Nigerian firms through formal channels if they can perceive the benefits to be gained from using the official channels.

There will be real costs for the large firms dealing in the unofficial channels right now to shift to the official channels. Even if the procedures are simplified and explicit costs lowered, large informal sector firms will certainly lose benefits because of the transparency of business transactions, easier monitoring by the tax agencies, and cost of formalizing many of their current procedures. The changes should lead to higher profits, eventually, but the costs will lead to initial reluctance on the part of informal sector firms to start using official channels.

4. Nigeria will not put up barriers to increased trade.

This assumption is critical, as it comprises the other half of the trade formula. We cannot know for certain, but initiatives to improve bilateral trade relations will be aimed at reducing the likelihood of this happening. Nigeria has had many trade policy swings in the past few years, and not always rational ones. But the emphasis on creating an active dialogue with Nigeria will be to show them how much can be gained by both sides: cheaper supplies of consumer goods and creating an expanding market in Niger for Nigeria's exports. It should also be noted that the Structural Adjustment Program currently underway in Nigeria is moving government policies in the direction of freer trade, and that recent joint Niger-Nigeria presidential declarations have emphasized the importance of improved trade ties.

5. In the long run, production can increase as foreign markets are developed.

This assumption depends on technology and producer responses. We have seen that the producers of cowpeas and onions are price responsive. If prices rise, they will shift more of their resources (land, inputs) to these crops, resulting in increased production. Even if this happens at the expense of other food crops, the farmers will make a rational choice about the benefits to producing one crop over another.

Livestock and skins and hides will be less likely to respond to prices in the short run. Traditional herders tend to sell only to meet their cash requirements, and will not necessarily sell more if prices rise. On the contrary, they may sell less as their financial needs are met sooner. There is evidence of new, larger herd owners who are more interested in producing for the commercial markets. These traders will respond positively to price increases, and their numbers can be expected to increase as restrictions to large scale livestock exports are removed.

Skins and hides are a by-product of livestock consumption, and therefore production cannot be expected to increase in direct response to price increases. However, the supply of skins now provided is well below actual production, as many hides are not handled carefully enough in skinning and drying to be marketable. Improvements in local treating technology, more careful butchering and more active marketing channels will probably lead to some increases in the supply as prices rise.

Technologies to increase crop production are being developed in Niger. New concepts in animal traction which are more cost effective for Niger's soil conditions are being introduced. ICRISAT is testing and introducing new, easier technologies for applying insecticides which could have a large production impact on cowpeas. New affordable pumping technologies are being developed which could open up more land to production. The question is how long will it take these technologies to be adopted. As farmers perceive the advantages, existing evidence implies that they will adopt the changes very quickly.

V. PROGRAM IMPLEMENTATION

A. Overall Implementation Responsibilities

1. Government of Niger

The Ministry of Plan will be the official implementing agency for the Government of Niger, and as such will be responsible for program coordination for the government. The ministry will collaborate with the various other ministries and agencies directly involved in the grant program following established procedures of the Government of Niger. The ministry will, in particular, ensure compilation and transmission to USAID of evidence attesting to satisfaction of the conditions precedent for each tranche of the cash grant.

The Ministry of Plan is the logical implementing agency because: 1) it is the regular interlocuteur for USAID in matters dealing with projects and programs, 2) it is the agency in charge of the Government's private sector initiative (PAIPCE), and 3) due to the interdisciplinary nature of the program, it would be inappropriate for a single technical ministry to serve in this role.

The Minister of Plan will nominate a steering committee for the program which will meet with USAID representatives at least twice annually to discuss program progress and problems, in particular the status of policy reform efforts and satisfaction of program conditionality. The GON membership of the committee will be specified in Project Implementation Letters. It is anticipated that the Government will follow procedures established for the other USAID policy reform programs, and the design of this program, in nominating representatives of each agency directly involved in the policy reform activity. Details of the procedures for coordination to be followed by the two parties will be specified in the Program Grant Agreement.

The Government of Niger and USAID will hold high level formal reviews of progress under the program on an annual basis, as described in section C.2, following.

Other major agencies of the Government of Niger which will have responsibilities under the program are as follows:

Ministry of Plan

The MOP will play the major role of coordinator. It will be responsible for compilation and transmission to USAID of all official reports required under the program. It will also supervise drafting and promulgation of the charte des contribuables by a mixed public-private commission or task force.

Ministry of Finance

The Ministry of Finance will be wholly responsible for policy reforms in the area of export tax elimination. It will also, through its various subdivisions:

Report on customs registrations, seizures etc.
Report on purchase of patentes, fees paid, etc.

Ministry of Commerce, Industry and Artisanship

The MCIA will be responsible for the following:

Revising licensing systems for trade in skins and hides;
Streamlining licensing systems for livestock export, eliminating professional card for same;
Nomination of commercial attaches;
Setting up market reporting system in Kano, disseminating information gathered;
Participating in trade missions with other agencies.
Participating in trade discussions/negotiations with Nigeria (with other agencies);
Reporting on export licensing.

Ministry of Animal Resources and Hydrology

With MCIA, revise licensing systems for skins and hides, livestock exports.
Report on production, trade.
Issue, implement Action Plan for improvement of livestock export practices.

Ministry of Agriculture and Environment

Report on production, trade.

Chamber of Commerce, Agriculture, Industry and Artisanship

Hold seminars on commodity specific trade
Coordinate trade missions, participate in same.
With other agencies, prepare charte des contribuables.

2. USAID

The General Development Office will coordinate program implementation for USAID. The USAID Director will appoint a steering committee to provide technical support for policy monitoring and evaluation, as well as for management of the program support activities. The committee will comprise the General Development Officer, who will be chairman of the committee, the mission economist, the agricultural economist, the special projects officer, and representatives of the project development, program, management and controller's offices. The Mission Director will make determinations regarding the disbursement of funds with the assistance of the steering committee.

The General Development Office, with the support from the USAID steering committee, will be responsible for monitoring the policy reform program and preparing reports for USAID and A.I.D./Washington as required under this program; preparing and reviewing with the Government of Niger any changes or revisions to the program grant agreement; and coordinating and carrying out any necessary reviews and evaluations to ensure that policy reforms are properly implemented.

65

USAID will have responsibility for contracting and financial management of the program support component of the grant. This component consists of short-term technical assistance, training and studies, as well as evaluation and audit. All procurement will be through direct A.I.D. contract, with use of IQCs and buy-ins to central projects wherever possible. The level of effort involved in management of the activities of this component is approximately that of management of the mission PD&S account.

The USAID project officer will be assisted by a fulltime, professional project coordinator, as well as necessary support staff, financed from program trust funds derived from this grant.

B. Reporting

1. Financial

The Government of Niger shall furnish to USAID an annual report on the deposit of dollar funds. In the case of this program, this report will include records of transactions from BCEAO Dakar indicating that the dollar funds have been converted to FCFA and the resultant FCFA funds transferred to BCEAO Niamey for the Government of Niger, that the local currency funds were then transferred into a special account at the GON Treasury. These funds will subsequently be used and accounted for by the GON Treasury to finance portions of the operating budgets of the ministries implementing the GON private sector initiative. Pursuant to normal GON financing arrangements, it should be noted that no physical transfer of funds to those ministries will take place.

The Government will attest that the funds were used to carry out the purposes of the economic policy reform and private sector initiatives program. The Government will furnish USAID with an annual report indicating in summary form the level of financing accorded to the various elements of the private sector initiatives program.

The goal of the cash transfer is to maintain a certain level of financial support to the Government budget to allow the GON to carry out the private sector program and its attendant policy reforms.

2. Implementation of Policy Reforms

The policy reforms listed in the conditions precedent are very straightforward. Each year, the Government of Niger will present a report to USAID stating the policy reforms enacted up to that time and will provide the official decrees or other documentation in an annex. In addition, the annual report shall include indicators from the ministries of Agriculture and Animal Resources on total production in each of the four principal products, from the Ministry of Finance on official exports by commodity, and from the Ministry of Commerce on patentes as in D, below.

The annual report shall be used by Government of Niger and USAID senior management as a basis for analysis of the progress made or problems encountered in the policy reform program. Formal reviews of progress shall

66

be held on at least an annual basis, and will provide the basis for determining subsequent disbursements of funds under this grant. They will also provide an opportunity to make necessary adjustments or to correct any errors made during the design or implementation of the program. Formal reviews required to determine if conditions precedent have been satisfied shall be co-chaired by the Government of Niger and USAID/Niger. The reviews shall include representatives of each of the agencies involved in the grant program (as described in 1., above) as well as the director of USAID/Niger and delegate(s) whom he may select. Representation at these formal reviews should be individuals at the secretary general level or higher, in order to assure decision making authority of the committee. The decision on membership from the Government of Niger will, of course, be at the discretion of the Government.

The USAID Mission Director will make the final determination as to whether necessary conditions precedent for cash grant disbursements have been met. USAID will report to AID/Washington on compliance thereafter. It will also provide Washington with semi-annual reports on program progress, using data provided by the Government of Niger as well as information gained from its own monitoring of the program.

C. Monitoring

The monitoring plan for the program is based on 1) monitoring of design assumptions to assure that the design is valid (and to allow for mid-term corrections, if necessary), and 2) monitoring of the policy reform program itself, with the intention of assessing its effectiveness and eventual impact. Because the goal of the sector grant is to provide support to the GON private sector initiative, the funds will be monitored until deposited in the appropriate GON development budget account.

1. Monitoring of design assumptions

The key design assumptions have been described in section IV.E. USAID program management will use the results of field visits, surveys and studies carried out for this program and under other auspices to monitor the validity of the design assumptions. USAID semi-annual project implementation reviews will include this issue on the agenda. USAID will also use annual internal control assessments as a monitoring tool.

2. Monitoring of the reform program

The first phase in program monitoring is to establish the baseline data to be used as a benchmark against which to measure progress. It is a priority that this system be put in place early in the life of the program, so that by the end of the first year a sound collection system is ready to function. Data will be collected for the first time in year two of the program. This information should come from Customs, Exterior Commerce, and Contributions Diverses:

67

Customs:

1. Quantities of agro-pastoral products registered as exported through customs, in particular cattle, cowpeas, skins and hides, and onions. This information should be in standard, uniform quantities (i.e. tons of onions, etc., not irregular measures such as "sacks of onions");

2. The number of different firms or individuals exporting, by product, through official customs channels;

Exterior Commerce:

1. The specific number of licenses issued for export of the four principal products (by product);

2. The total quantities listed on the licenses, by product, in a standard form of measurement;

3. The total value of the goods listed on the licenses, by product; and

4. The number of different firms requesting licenses to export these products, by product.

Contributions Diverses:

Produce an annual statistical report on tax collections which shows the progress achieved in replacing, on a permanent basis, the foregone export tax revenues.

Monitoring of the program will be accomplished through use of the reporting procedures and joint Government-USAID reviews described above. In addition USAID/Niger will finance and administer a series of small surveys and studies, financed from the Program Trust Fund to be established. Monitoring techniques will include, but not be limited to:

- interviews over time with key informants (sample of formal and informal sector operators in various locations);

- group interviews of farmers and herders in communities producing export commodities;

- price surveys for key commodities 6 months, 1 year, 2 years, after removal of export taxes (farmgate, FOB, at Kano/Abidjan).

- market surveys in Niger and northern Nigeria.

NEPRP monitoring will also benefit from studies and monitoring activities under ASDG I and II, and from technical assistance activities and studies under USAID projects. USAID has already drawn from studies carried out under the Integrated Livestock Project in design of NEPRP. Marketing studies to be implemented under the Niger Applied Agricultural Research Project (NAARP) will be used by USAID management responsible for monitoring of NEPRP. ASDG II, to be designed starting later this fiscal year, will be designed to carry on from ASDG I, and to complement NEPRP.

D. Implementation Schedule

1. Illustrative Implementation Schedule - Release of Funds

Program Grant Agreement Signed	6/88
Conditions Precedent to initial cash grant disbursement met	10/88
Conditions Precedent to second cash grant disbursement met	10/89
Conditions Precedent to third cash grant disbursement met	10/90
End of Program	12/91

2. Timing of Activities (Support Component)

Year one

- Technical assistance to Ministry of Finance for baseline data (2 person/months)
- Technical assistance to Ministry of Commerce (2 p/m) for baseline data
- Technical assistance to Ministry of Animal Resources/Ministry of Commerce for export liberalization (licensing, etc.) (2 p/m)
- Rapid reconnaissance study, skins and hides
- Seminar on skins and hides
- Feasibility study new exports/import substitutes
- Training for commercial attache(s)

Year Two

- Technical assistance to Ministry of Finance follow-up (1 p/m)
- Technical assistance to Ministry of Commerce, follow-up (1 p/m)
- Training for commercial attache(s) (follow-up)
- Trucking/trekking study
- Trucking/trekking seminar
- Trade seminar - aggregation for higher profits
- Trade regime study
- Rapid reconnaissance study (subject to be determined)
- Rapid reconnaissance seminar

Year Three

- Technical assistance to Ministry of Finance, follow-up (1 p/m)
- Technical assistance to Ministry of Commerce, follow-up (1 p/m)
- Trade regime seminar

Year Four (6 months)

- Seminar - regional trade

\64

E. Financial Plan

1. Summary

NEPRP is be organized into two components: the first, a cash grant; the second, a program support activity which will finance short-term technical assistance, training, studies, evaluation and audit activities directly related to the policy reform program. Disbursement of the cash grant is planned in three tranches, on an annual basis. Disbursement of the cash grant is conditioned on satisfaction by the Government of Niger of specific terms stated in the Program Grant Agreement. USAID will retain 8% of the total cash grant in the form of a Program Trust Fund to be used to defray costs to A.I.D. related to program management and monitoring.

It is proposed that grant funds totalling $13,300,000 be made available to the Government of Niger over the life of the program on a cash disbursement basis. The total will be deposited by A.I.D. in a U.S. bank of the Grantee's choice, from which it will be transferred to the BCEAO Dakar for exchange into FCFA, with the FCFA proceeds transferred to the BCEAO Niamey for deposit in a special GON Treasury account. These funds will subsequently be used and accounted for by the GON Treasury to finance portions of the operating budgets of the ministries charged with carrying out the private sector initiative. Of the cash grant, $1,064,000 will be managed by USAID in trust.

The $1,700,000 program support component will finance short-term technical assistance, studies and training directly related to the policy reform program, as well as evaluation and audit activities. Disbursement of funds for technical assistance will not be contingent on satisfaction of policy reform conditionality. Financial management of this component of the program will be the responsibility of USAID. The total budget request for the program is $15,000,000.

2. Proposed Budget

	$000
Conditional Resource Transfer (of which 8% transferred to USAID Trust Fund)	13,300
Program Support Component	
-Short-term technical assistance	225
-Studies	495
-Short-term training/Seminars	430
-Computer software/supplies	50
-Surveys, Evaluation	450
-Audit	50
Total	$15,000

70

3. <u>Illustrative Disbursement Schedule</u> ($000)

		Year 1	Year 2	Year 3	Year 4	Total
I.	Cash Grant (of which 8% for Program Support Trust Fund)	4,434	4,433	4,433	0	13,300
		(354.7)	(354.7)	(354.6)	0	(1,064)
	Net Transfer to Govt.	4,079.3	4,078.3	4,078.4	0	12,236
II.	Program Support					
	A. Technical Assistance	75	80	70	0	225
	B. Studies	230	215	50	0	495
	C. Training/seminars	60	150	100	120	430
	D. Computer supplies	25	15	5	5	50
	E. Evaluation	150	150	150	0	450
	F. Audit	0	0	50	0	50
	Subtotal II.	540	610	425	125	1,700
Total Program Funding (including ProgramTrust Funds)		4,974	5,043	4,858	125	15,000

Note: All funds will be obligated in year 1. Duration of program is 3.5 years. Program support activities are expected to start in the second quarter of year 1 (after satisfaction of initial conditions precedent).

4. Methods of Implementation and Financing

Method of Implementation	Method of Financing	Approximate Amount
1. Dollar Disbursement	Direct Payment	13,300
2. Program Support		
- Technical Assistance (AID direct contracts)	Direct Payment	225
- Studies (AID direct)	Direct Payment	495
- Training (AID direct)	Direct Payment/ Direct Reimbursement	430
- Commodities (AID direct)	Direct Payment	50
- Evaluation (AID direct)	Direct Payment	450
- Audit (AID direct)	Direct Payment	50

5. Reduced Level ($12 million) Program

African Economic Policy Reform Program funds may not be available to fund NEPRP at the $15 million level. Should it be necessary to reduce the level of the program to $12 million, the cash grant would be reduced to $10.87 million and the program support component to $1.13 million. The conditions and covenants would be unchanged. The following items would be deleted from the program support component: feasibility study of new exports, trade regime study, trade regime seminar, and support for Chamber of Commerce seminars for businessman.

Reduced Level Budget	Amount (000)
I. Cash Grant	$10,870
(8% Program Trust Fund)	870
Net Transfer to Government	10,000
II. Program Support	
Technical Assistance	225
Studies	255
Training/Seminars	200
Computer Supplies	50
Evaluation	350
Audit	50
Subtotal II	1,130
TOTAL	12,000

72

6. Procedures for Cash Grant Disbursement

The procedures for disbursing the sector grant are summarized below:

a. The Government will meet all conditions precedent to disbursement, and will formally advise USAID by letter and submit a financing request.

b. Mission will assure conditions are satisfied, notify the GON of same, and approve the financing request. Mission will then will request AID/W by cable to effect electronic funds transfer (EFT), giving full details as to amount, funds cite, statement that funds are available, name and account number of the payee.

c. FM/PAFD will certify the voucher to effect the EFT to FRB account in favor BCEAO Dakar with instructions that BCEAO Dakar give further credit to BCEAO Niamey for credit to the Government of Niger account at the Tresorie, Niamey established for this program, and will so inform USAID.

d. USAID will inform BCEAO Niamey which will alert BCEAO Dakar of the transfer. The funds deposited in BCEAO's FRB account will automatically be transferred to BCEAO Dakar where the conversion from U.S. dollars to F/CFA will take place, and the proceeds transferred to BCEAO Niamey in favor of the Government of Niger.

F. Procurement Plan

All procurement under the program assistance component will be through direct A.I.D. contracting. All technical assistance will be short-term in nature. Wherever possible, T.A. will be recruited using IQC or similar arrangements, in order to reduce mission management burden. Studies will be arranged through mission buy-ins to centrally funded projects, or through IQC arrangements to the extent possible. Short-term training will be arranged using standard USAID/Niger procedures and practices. Gray Amendment entities will be used whenever feasible and appropriate.

All procurement is planned from Code 935 source, origin and nationality. Computers to be procured will be identified early in program implementation by short term advisers contracted for this purpose. Once identified, USAID/Niamey will determine whether computers will be procured locally or through standard international procurement procedures. There are no plans to procure vehicles under the program support activity. The mission has a blanket vehicle procurement waiver which will be used in the case of procurement of a vehicle or vehicles for use in program monitoring (Trust Fund financed).

G. Evaluation Plan

The evaluation plan for this program will focus particularly on end results. It is a three year program and the baseline data needed to evaluate the program will not be available until the end of the second year. Therefore, the program should will not a mid-term evaluation, but will focus on an in-depth ex-post evaluation, eighteen months after the program's completion. In addition, given the long-term implications of the policy reforms and the time required for response by the commercial sector, a second evaluation will be programmed three years after the end of the program, possibly under the second phase of the Agricultural Sector

Development Grant. Funding for the two ex-post evaluations will be from USAID funds not related to NEPRP (PD&S).

NEPRP will also include a fund for small evaluation studies to be conducted jointly by the GON and USAID during the program implementation. The subjects of such studies will be decided during the course of the grant, but will include an evaluative assessment, during the third year, of progress achieved in implementing the reform agenda and identifying additional policy constraints to increasing agro-pastoral exports.

The program will finance an IFPRI (International Food Policy Research Institute) study on village-level consumption and revenue. This study will provide a baseline for examining achievement of policy reform program goals of diversifying and increasing rural income. The study will survey four villages in food deficit and intermediate zones over a one-year period. The data will be combined with existing ICRISAT data for the same villages (1982-86) and analyzed to determine the impact of agricultural policy reforms, especially in the area of food policy, on the sources and uses of incomes in the rural areas. The study will give USAID a detailed view of income sources and levels in these zones, current drought coping strategies, and degree of food self-reliance in the villages. A follow-up survey, possibly financed by ASDG II, could look at changes in the pattern of production, revenue generation, and village market integration after the NEPRP reforms have had time to have an impact. The results of the study will be used to engage the GON in a discussion of policy monitoring via baseline studies and periodic follow-up surveys.

The two ex-post evaluations will attempt to measure contribution to the Government of Niger's goal of increasing production and exports of agro-pastoral products. The focus of evaluation will be on increased trade per se and through official channels, the relative importance of the informal sector in fiscal contributions, and the increased efficiency of markets. The impact will be measured in several different sectors. First, by changes in the amount of trade passing through official channels, taking into consideration the variations caused by climatic factors. Second, by estimating the total exports of agro-pastoral products, including the use of unofficial channels. Third, the number and scale of individual exporters involved in each commodity. Fourth, Niger's relative position in its export markets vis-a-vis its position in 1988 (i.e. what are the changes in market share). Fifth, a comparison of the prices in the different zones of Niger to see if there has been any increased efficiency in the marketing channels resulting in higher prices in the interior of the country. Sixth, whether any new administrative restrictions to trade have been put in place. Lastly, a measure of the relative importance of the informal sector contributions towards total fiscal revenue in comparison with 1988.

The first ex-post evaluation will probably provide very limited information on many of these criteria, which points to the strong necessity for another, much later evaluation of the impact of the policy reform measures undertaken by the government. The second evaluation will also provide a basis for measuring the rate of change and adaptation within the private sector. It should also provide some insights into whether the Nigerien

-14

informal sector can be convinced to move into official channels, with their increased "transparency" and high visibility.

H. Audit Plan

The Program Grant Agreement will include audit and redeposit provisions to protect A.I.D. The GON will assure that financial documentation, books and records covering the use of local currency are maintained in accordance with generally accepted accounting principles and practices consistently applied, and are available for inspection by A.I.D. or any of its authorized representatives at all times as A.I.D. may reasonably require for a period of three years after the date of last disbursement by A.I.D. of the cash grant.

The goal of the cash grant is to maintain a certain level of financial support to the Government budget to allow the GON to carry out the private sector program and its attendant policy reforms. During the course of the program, the Joint GON-USAID steering committee, or USAID itself may choose to call for a "compliance audit" to review the Grantee's compliance with the terms of the policy reform conditions. Funds have been set aside for such a purpose. If no such audit review is needed, the funds will be used for contingency needs under the program support component. In addition, USAID reserves the right to ask for audits or investigations by the Office of the Regional Inspector General of A.I.D. as in all other projects and programs of the Agency.

VI. CONDITIONS AND COVENANTS

A. Conditions Precedent. In addition to the standard conditions precedent (specimen signatures and designation of authorized representatives), the following conditions precedent will be included in substance in the Program Agreement.

1. Conditions Precedent to Initial Disbursement of Cash Grant: Prior to the first disbursement of U.S. dollars under the cash grant, the Grantee shall furnish to A.I.D.: (a) evidence that a special account has been established in the Treasury of the Government of Niger for the deposit of local currency equivalent to the dollar disbursements under the Grant; (b) formal designation by the Government of Niger of the entity empowered to monitor policy reform measures under the program; and (c) evidence that the export taxes on agro-pastoral products have been eliminated.

2. Conditions Precedent to Subsequent Disbursements of the Cash Grant:

a. Prior to disbursement of the second tranche of dollar resources under the Cash Grant, the Grantee shall furnish to A.I.D. evidence that the Grantee has:

(1) Instructed government personnel throughout the country on the proper formula for estimating value of livestock (cattle) for purposes of fixing patente costs and simplified licensing (patente) procedures for export of livestock.

15'

(2) Begun preparation of a charte des contribuables (businessmen's bill of rights), to include establishment of the position of arbiter between business and government (as described in the PAIPCE).

(3) Appointed a commercial attaché (from the Ministry of Commerce) to the consulate in Kano and established a line item in the national budget for this purpose. (In case of delay in acceptance by the Government of Nigeria, establishment of line item will suffice for this tranche).

(4) Initiated contacts with the Government of Nigeria in order to establish bilateral commercial accords aimed at resolving government impediments to trade.

(5) Undertaken commercial trade missions in neighboring countries with mixed government and private representation.

(6) Issued an Action Plan for improvement of livestock export practices (implementation of MAR report).

(7) Not granted any new trade monopolies.

(8) Not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any previous condition precedent.

b. Prior to the disbursement of the third tranche of dollar resources under the Cash Grant, the Grantee shall furnish to A.I.D. evidence that the Grantee has:

(1) Promulgated the charte des contribuables and created the post of arbiter.

(2) Established a system of collection and dissemination of data on prices of agro-pastoral products and on exchange rates at Kano.

(3) Eliminated the professional card (carte professionnelle) for vendors of livestock and simplified and clarified licensing requirements for traders in skins and hides, so as to prevent the development of monopolies or monopsonies.

(4) Posted a commercial attache to Kano after receipt of Nigerian approval and training of individual.

(5) Continued good faith efforts toward negotiations with the Government of Nigeria on trade relations begun in previous year.

(6) Undertaken additional commercial missions, as described under second tranche.

(7) Reviewed jointly with A.I.D. the progress achieved in implementing export promoting policy reforms with special attention to the identification of additional policy constraints

which are affecting export growth; and, is taking measures to address the constraints thus mutually identified which reflect agreement on research and analyses needed to identify specific corrective steps.

(8) Not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any previous condition precedent.

B. Covenants

1. Continuance of Actions taken by Grantee in Satisfaction of Conditions Precedent: The Grantee shall not in any way discontinue, reverse or otherwise impede any action it has taken in satisfaction of any condition precedent to the Grant, except as mutually agreed to in writing by the Parties.

2. Eligible Use of Funds: The Grantee agrees that neither program funds nor funds generated pursuant to a dollar disbursement will be used for any military or paramilitary purposes.

3(A)2 - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED? — Yes

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project. — Congressional Notification

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

3. FAA Sec. 209. Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs. — No

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

Program has aim of encouraging private sector involvement in official export market operations, with goals of increasing exports, fostering competition, and discouraging monopolistic practices.

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

This is a policy reform program for liberalization of export trade in the agro-pastoral sector, with a technical assistance studies component for which private U.S. entities may compete.

6. FAA Secs. 612(b), 636(h); FY 1988 Continuing Resolution Secs. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

N/A

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

No

8. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

9. FAA 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds?

Yes

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund — N/A

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

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

c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106?

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

e. FY 1988 Continuing Resolution. If assistance is in the form of a cash transfer: (a) are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? (b) will all local currences that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account to be used in accordance with FAA Section 609 (which requires such local currencies to be made available to the U.S. governnent as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available)? (c) Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reform that will be promoted by the cash transfer assistance?

f. FY 1988 Continuing Resolution. Have local currencies generated by the sale of imports or foreign exchange by the government of a country in Sub-Saharan Africa from funds appropriated under Sub-Saharan Africa, DA been deposited in a special account established by that government, and are these local currencies available only for use, in accordance with an agreement with the United States, for development activities which are consistent with the policy directions of Section 102 of the FAA and for necessary administrative requirements of the U. S. Government?

2. Nonproject Criteria for Development Assistance

a. FAA Secs. 102(a), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

The program will increase export of agro-pastoral products through official channels, with the long-term impact of increasing exports overall, increasing interanal marketing and incomes. As trade increases, low income farmers (including women) will benefit. The program will aid the Niger Chamber of Commerce, and will help Niger achieve its goal of economic self-reliance in the long term. It will specifically encourage regional cooperation in trade.

b. <u>FAA Secs. 103, 103A, 104, 105, 106, 120-21</u>. Is assistance being made available (include only applicable paragraph which corresponds to source of funds used; if more than one fund source is used for assistance, include relevant paragraph for each fund source):

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with efforts carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

The program is designed to increase rural incomes as well diversify sources of rural incomes in order to improve the standard of living and to reduce the impact of periodic Sahelian droughts on the rural poor. The food distribution system will be improved by encouraging more private sector marketing activity.

(2) [104] for population planning under Sec. 104(b) or health under Sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outrearch.

(3) [105] for education, public administration, or human resources development; if so, (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(i)(a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

(ii) concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster and programs of disaster preparedness;

(v) for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

(vi) for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

(5) [120-21] for the Sahelian region; if so, (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multi-donor development plan which calls for equitable burden-sharing with other donors; (b) has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom)?

5 (a) N/A

5 (b) Yes

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

5(c). The program focuses on export policy; no technology transfer is planned. The program design is based on an in-depth study of the country and the rural sector. It aims to reduce policy constraints to development of agricultural export trade. The program will be implemented by Nigeriens.

d. FAA Sec. 281(b). Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

e. FAA Sec. 101(a). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

5 (e). Yes. The program will lead to increases in agricultural export trade through official channels. The long-term effect will be increased agricultural exports with attendant production and income increases in the rural areas.

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1988 Continuing Resolution Sec. 526. Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? — No

2. FAA Sec. 481(h). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government), has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without — N/A

Congressional enactment, within 30 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, and to prevent and punish drug profit laundering in the country, or that (b) the vital national interests of the United States require the provision of such assistance?

3. Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enfo cement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country? N/A

4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? No

5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No

6. FAA Secs. 620(a), 620(f), 620D; FY 1988 Continuing Resolution Sec. 512. Is recipient country a Communist country? If so, has the President determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism? Will assistance be provided directly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification? No

7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? No

8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? No

9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? — No

10. FAA Sec. 620(q); FY 1988 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1988 Continuing Resolution appropriates funds? — (a). No (b). No

11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) — N/A

12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? — No

gf

13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)

In Arrear

Yes

14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism?

No

15. FY 1988 Continuing Resolution Sec. 576. Has the country been placed on the list provided for in Section 6(j) of the Export Administration Act of 1979 (currently Libya, Iran, South Yemen, Syria, Cuba, or North Korea)?

No

16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

No

17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

No

18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

No

90

19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? No

20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.) Yes No

21. FY 1988 Continuing Resolution Sec. 528. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? No

22. FY 1988 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? No

23. FY 1988 Continuing Resolution Sec. 543. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? No

FY 1988 Continuing Resolution Sec. 538. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performace of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No

2. Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest? No

FY 1988 Continuing Resolution Sec. 549. Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking? Yes

5C(2) - PROJECT CHECKLIST

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

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

A. GENERAL CRITERIA FOR PROJECT

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified? — Yes

2. FAA Sec. 611(a)(1). Prior to an obligation in excess of $500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? — Yes

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

4. FAA Sec. 611(b); FY 1988 Continuing Resolution Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

   N/A

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

   N/A

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

   No

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

   Program has aim of increasing flow of international trade. Technical assistance will be provided in the areas of agricultural economics and trade relations. Seminars on international trade will be sponsored.

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

   Services of U.S. private enterprises will be solicited in carrying out technical assistance programs.

9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

   N/A

GM

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No

11. FY 1988 Continuing Resolution Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? No

12. FY 1988 Continuing Resolution Sec. 553. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? No

13. FAA Sec. 119(g)(4)-(6). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? N/A

96

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

15. FY 1988 Continuing Resolution. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A

16. FY Continuing Resolution Sec. 541. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A

17. FY 1988 Continuing Resolution Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A

18. FY Continuing Resolution Sec. 515. If deob/reob authority is sought to be exercised in the provision of assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified? N/A

19. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). Yes, will be done

96

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1988 Continuing Resolution Sec. 552 (as interpreted by conference report). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?

1. a. N/A

b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and

1. b.

The program will increase exports of agro-pastoral products through official channels, with the long-term impact of increasing exports overall, increasing internal marketing and incomes. As trade increases, low income farmers (including women) will benefit. The program will aid the Niger Chamber of Commerce, and will help Niger achieve its goal of economic self-reliance in the long term. It will specifically encourage regional cooperation in trade.

insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

c. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Does the project fit the criteria for the source of funds (functional account) being used?

Yes

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

N/A

e. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Section 121(d) applies.

f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes, monitoring of rural incomes is part of the program monitoring plan.

98

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

The program design is based on an in-depth study of the country and the rural sector. It will be implemented by Nigeriens.

h. FY 1988 Continuing Resolution Sec. 538. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

i. FY 1988 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?

No

If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?

ℱ1

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

Yes

k. FY 1988 Continuing Resolution. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 20 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

In awarding contracts for the technical assistance component of the program every effort will be made to use Gray Amendment organizations.

l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared

N/A

100

or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k)/utilize the resources and abilities of all relevant U.S. government agencies?

m. <u>FAA Sec. 118(c)(13)</u>. If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b)/take full account of the environmental impacts of the proposed activities on biological diversity? N/A

n. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas?

No

o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

No

p. FY 1988 Continuing Resolution If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided ir

Yes, the program intends to increase the access of the rural poor to agricultural marketing opportunities.

accordance with the policies contained in section 102 of the FAA; (c) being provided, when conistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

2. Development Assistance Project Criteria (Loans Only)

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

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? N/A

c. FY 1988 Continuing Resolution. If for a loan to a private sector institution from funds made available to carry out the provisions of FAA Sections 103 through 106, will loan be provided, to the maximum extent practicable, at or near the prevailing interest rate paid on Treasury obligations of similar maturity at the time of obligating such funds? N/A

d. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? N/A

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? N/A

b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes? N/A

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

ANNEX B

Doc:0104b

INITIAL ENVIRONMENTAL EXAMINATION

COUNTRY: Republic of Niger

PROJECT TITLE: Niger Economic Reform Policy Program (683-0259) (683-0263)

FUNDING: Proposed Life of Project Funding -$15,000,000 (DFA)

PERIOD OF PROJECT: Three and one half years (6/88 - 12/91)

Activity Description: The program is intended to assist the Government of Niger in its program to encourage private sector involvement in marketing. The program consists of 1) dollar disbursements for policy reform and 2) the technical assistance and in-service training necessary for managing the grant, monitoring the policy implementation, conducting studies and strengthening the GON capacity for program monitoring.

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

IEE Prepared by: Erna Kerst, Project Development Officer, USAID/Niger

Reviewed by: Dennis Panther, Mission Environmental Officer, USAID/Niger

Determination: George T. Eaton, Mission Director, USAID/Niger

Approved: ____________

Date: APR 19 1988

Bureau Environmental Officer's Recommendation:

Approved: ____________
Bureau Environmental Officer, AFR/TR/~~SDP~~ ANR

Disapproved: ____________

Date: August 9, 1988

Clearance: RLA, Anthony Vance ____________

106

7/19/88

ANNEX C

République du Niger

Conseil Militaire Supreme

Ministère du Plan

N° 1414 /MP/PAIPCE

Référence :

Objet : Programme de Réforme de la Politique Economique au Niger

Niamey, le 19 AVR. 1988

Le Ministre du Plan

à

Monsieur le Directeur de l'USAID

ACTION: GDO
INFO: DIR: DD
D/ECON
PDO
PROG
CHRON

DUE DATE: 4-26-88

J'ai l'honneur de vous adresser une requête officielle relative au Programme de Réforme de la Politique Economique au Niger (PRPEN). Ce programme vise à octroyer une subvention au budget de l'Etat pour soutenir les efforts qu'il déploie pour la promotion d'un secteur privé dynamique dans le cadre du PAIPCE ainsi que pour les études et analyses devant contribuer à la réalisation des réformes de politiques liées à l'exportation des produits agro-pastoraux du Niger.

Je vous saurais gré des dispositions que vous feriez prendre pour que le programme puisse être négocié, et l'accord de subvention signé au plus tard à la fin du mois de juin.

ALMOUSTAPHA SOUMAILA

REPUBLIQUE DU NIGER * MINISTERE DU PLAN *

UNCLASSIFIED

Department of State

OUTGOING TELEGRAM

PAGE 01 OF 02 STATE 342071 7211 059275 AID4762
ORIGIN AID-00

ORIGIN OFFICE AFPD-01
INFO AAAF-03 AFFW-04 AFDP-06 AFTR-05 PPPB-02 GC-01 GCAF-01
PPEA-01 PSC-02 PPR-01 AFPE-07 RELO-01 PRE-06 /044 A4 303

INFO LOG-00 AF-00 EB-00 /000 R

DRAFTED BY: AID/AFR/PD/SWAP:CGIUSTI:EDL:4348M
APPROVED BY: AID/AA/AFR:CGLADSON
AID/DAA/AFR:ELSAIERS
AID/AFR/SWA:PDICHTER (DRAFT)
AID/AFR/DP:JWOLGIN (DRAFT)
AID/PPC/EA:ABATCHELDER (DRAFT)
AID/AFR/PRE:CBUCHANAN (SUBS)
STATE/EB/CDF:SDONNELLY (DRAFT)
STATE/AFR/EPS:JFERGIN (DRAFT)
AID/PPC/PB:RMAUSHAMMER (DRAFT)
AID/AFR/PD:CPEASLEY
AID/AFR/PD/SWAP:BBURNETT (DRAFT)
AID/AFR/TR:MWINTER (DRAFT)
AID/DAA/AFR:WBOLLINGER

------------------272240 0303582 /38

O 030356Z NOV 87
FM SECSTATE WASHDC
TO AMEMBASSY NIAMEY IMMEDIATE

UNCLAS STATE 342071

AIDAC

E.O. 12356: N/A

SUBJECT: GUIDANCE FOR NIGER FY 88 PAAD DESIGN

REF: STATE 325792

1. AN ECPR CHAIRED BY DAA/AFR E. L. SAIERS, MET ON SEPTEMBER 14, 1987, AND APPROVED SUBJECT PROGRAM FOR FURTHER DESIGN. A PAAD, INCORPORATING THE FOLLOWING GUIDANCE, SHOULD BE SUBMITTED TO AID/W FOR APPROVAL.

(A) CHOICE OF DESIGN OPTIONS. THE ECPR DETERMINED THAT THE MISSION SHOULD PURSUE THE DESIGN OF A PROGRAM BASED UPON DISBURSEMENT KEYED TO ADOPTION AND OF IMPLEMENTATION OF POLICY REFORMS AND SHOULD DROP THE INVESTMENT FUND CONCEPT AS PRESENTED IN THE PAIP FROM FURTHER CONSIDERATION AT THIS TIME. SHOULD A LOCAL CURRENCY DEPOSIT BE REQUIRED UNDER THE PROGRAM, THESE FUNDS WILL NEED TO BE PROGRAMMED IN ACCORDANCE WITH REFTEL, DATED OCTOBER 24, 1987. THIS CABLE GUIDANCE INDICATES THAT THE GREATER A.I.D. INVOLVEMENT IN PROGRAMMING LOCAL CURRENCY FOR SPECIFIC PROJECTS OR ACTIVITIES, RATHER THAN MORE GENERAL PROGRAM OR INSTITUTIONAL SUPPORT, THE MORE A.I.D. OVERSIGHT WILL BE REQUIRED. SPECIFICALLY, PARAGRAPH 8 OF THIS CABLE STIPULATES THE DEGREE OF A.I.D. MONITORING REQUIRED FOR LOCAL CURRENCY USES. IF THE MISSION ELECTS TO DIRECTLY ASSOCIATE JOINTLY PROGRAMMED LOCAL CURRENCY WITH HOST GOVERNMENT PROJECTS OR PRIVATE SECTOR ACTIVITIES, THE MISSION SHOULD HAVE REASONABLE ASSURANCE THAT THE ACTIVITIES HAVE BEEN DESIGNED IN ACCORDANCE WITH SOUND TECHNICAL, FINANCIAL, AND ENVIRONMENTAL PRACTICES, THAT IMPLEMENTATION AND MONITORING CAPABILITIES OF THE IMPLEMENTING ENTITIES ARE ADEQUATE AND THAT PERIODIC AUDITS OF RELEVANT ACTIVITIES WILL BE UNDERTAKEN. ON THE OTHER HAND, IF THE MISSION ELECTS TO PROGRAM THE LOCAL CURRENCY FOR MORE GENERAL PURPOSES, SUCH AS MEETING THE DEVELOPMENT BUDGET REQUIREMENTS OF THE MINISTRY OF AGRICULTURAL, THE ROLE OF THE MISSION MAY BE LIMITED TO ENSURING THAT DOCUMENTATION EXISTS DEMONSTRATING THAT THE LOCAL CURRENCY INDEED WAS TRANSFERRED TO THE MINISTRY'S DEVELOPMENT ACCOUNT. (SEE

STATE 342071 7211 059275 AID

PARA 8 OF REFTEL FOR FURTHER DETAILS ON LOCAL CURRENCY PROGRAMMING AND MONITORING.) TO THE EXTENT THAT PROJECTIZING IS VIEWED AS ESSENTIAL TO ACHIEVING THE OBJECTIVES OF THE PROGRAM, THE MISSION SHOULD ASSESS THESE REQUIREMENTS CAREFULLY AND EXPLAIN THEM IN DETAIL IN THE PAAD. THE MISSION SHOULD ALSO IDENTIFY THOSE ACTIVITIES IDENTIFIED IN THE PAIP WHICH COULD BE CARRIED OUT UNDER OTHER PROGRAMS.

(B) PROGRAM LEVEL AND STRATEGY. THE RELATIONSHIP BETWEEN PROPOSED PROGRAM FUNDING LEVEL OF DOLS 12 MILLION AND THE STRATEGY OF COMPENSATING FOR REVENUE LOSSES OVER A THREEYEAR PERIOD NEEDS FURTHER CLARIFICATION. IN HIS PRESENTATION, THE MISSION REPRESENTATIVE POINTED OUT THAT CALCULATIONS OF TOTAL REVENUE LOST DUE TO EXECUTION OF PROPOSED POLICY REFORMS COULD BE CONSIDERABLY LESS THAN THE ANNUAL DOLS 19 MILLION STATED IN THE PAIP. THUS, THE RELATIONSHIP BETWEEN A DOLS 12 MILLION PROGRAM AND ACHIEVEMENT OF THE PROPOSED REFORMS, A POINT STRESSED IN THE PAIP, BECAME UNCLEAR. IN FACT, SUCH TIGHT LINKING OF THE PROGRAM LEVEL WITH POLICY IMPLEMENTATION NEED NOT BE EMPLOYED. WHAT IS IMPORTANT IS THE DEGREE AND LEVEL OF POLICY REFORM RESULTING FROM THE PROGRAM. NEVERTHELESS, SINCE THE MISSION HAS LINKED FUNDING WITH DEGREE OF POLICY REFORM, THE PAAD SHOULD:

(1) PROVIDE A DETAILED, QUANTITATIVE ANALYSIS OF CURRENT EXPORT REVENUES, PROPOSED LOSSES DUE TO IMPLEMENTATION OF REFORMS AND PROPOSED SOURCES OF INCREASED REVENUES WHICH WILL COMPENSATE FOR BUDGETARY LOSSES AFTER THE 3YEAR AEPRP IS OVER,

- (2) FURTHER DEVELOP AND PROVIDE DETAILED ANALYSES OF THE ASSUMPTIONS UNDERLYING THE LINKAGE BETWEEN DECONTROLLING EXPORTS AND INCREASING FORMAL MARKETING, AND

(3) FOCUS THE PROPOSED STRATEGY ON QUANTIFIABLE, EXPECTED IMPACTS OF THE PROGRAM. IF POSITIVE IMPACT IS EXPECTED ON BOTH THE QUANTITY OF PRODUCTS MARKETED THROUGH PRIVATE, FORMAL CHANNELS AS WELL AS ON THE OVERALL LEVEL OF EXPORTS, A THOROUGH ANALYSIS OF THOSE IMPACTS SHOULD BE INCLUDED. IN ITS DETAILED ANALYSIS OF THE EXPECTED IMPACTS ON NIGERIEN EXPORT LEVELS, MISSION SHOULD FACTOR IN APPROPRIATE ECONOMIC VARIABLES THAT WILL AFFECT THE LEVEL OF NIGERIAN IMPORTS FROM NIGER, E.G., IMPORT TAXES AND EXCHANGE RATES. TO WHAT EXTENT WILL SUCH FACTORS AFFECT OVERALL LEVEL OF NIGERIEN EXPORTS TO NIGERIA? WILL THEY AFFECT THE VOLUME OF INFORMAL VS. FORMAL EXPORTS DIFFERENTLY?

(C) TOTAL FUNDING LEVEL. MISSION IS ENCOURAGED TO LIMIT TOTAL PROGRAM FUNDING TO LESS THAN THE PROPOSED DOLS 12 MILLION. PLANNING LEVELS FOR THE OVERALL FY 88 AEPRP PROGRAM WILL NOT BE KNOWN UNTIL NOVEMBER. THEREFORE, MISSION SHOULD REGARD THE DOLS 12 MILLION FIGURE AS AN OUTSIDE PLANNING LIMIT FOR WHICH FUNDING IS NOT ASSURED AT THIS TIME.

(D) TECHNICAL ASSISTANCE REQUIREMENTS. OF THE PROPOSED DOLS 12 MILLION FUNDING, MISSION HAS PROPOSED THAT DOLS 2 MILLION BE RESERVED FOR TECHNICAL ASSISTANCE, STUDIES AND TRAINING. SEVERAL ISSUES WERE DISCUSSED RELATED TO THIS COMPONENT OF THE PROJECT.

- (1) GIVEN FUNDING CONSTRAINTS, DISCUSSED ABOVE, MISSION WAS ENCOURAGED AT THE ECPR TO FUND THIS COMPLEMENTARY TECHNICAL ASSISTANCE AND TRAINING

UNCLASSIFIED

UNCLASSIFIED
Department of State

OUTGOING
TELEGRAM

COMPONENT FROM TO OYE. WHILE AID/W HAS GENERALLY BEEN SYMPATHETIC TO MISSION REQUESTS TO RESERVE A PORTION OF AEPRP FUNDING FOR PURPOSES RELATED TO PROGRAM MANAGEMENT, MORE MISSIONS ARE FINANCING COMPLEMENTARY ACTIVITIES FROM NON-AEPRP SOURCES (DEOBS-REOBS, OYE, ETC.). IF THE MISSION FINDS IT IMPOSSIBLE TO FINANCE SUCH TA, AID/W WILL ENTERTAIN A REQUEST WITH STRONG JUSTIFICATION FOR AEPRP FINANCING OF TA IN THE PAAD. HOWEVER, MISSION IS REMINDED THAT REPRESENTATIVES FROM ST/AF AT THE ECPR WERE PARTICULARLY INTERESTED IN SEEING THE MISSION UTILIZE THE MAXIMUM AMOUNT OF ITS AEPRP

RESOURCES FOR PROGRAM ASSISTANCEFINANCED POLICY REFORMS.

- (2) NO MATTER WHAT THE SOURCE OF FUNDING FOR THE PROPOSED COMPLEMENTARY ASSISTANCE, THE MISSION SHOULD PROJECTIZE THIS COMPONENT; THAT IS, THE PAAD SHOULD INCLUDE A SEPARATE JUSTIFICATION DESCRIPTION AND BUDGET FOR THIS ACTIVITY. A SEPARATE FACESHEET (WITH SEPARATE PROJECT NUMBERS AND PROJECT AUTHORIZATION (HB3TYPE) SHOULD ALSO BE PREPARED AND SUBMITTED ALONG WITH PAAD. COPIES OF DOCUMENTS APPROVING A MISSION-FINANCED COMPLEMENTARY TA COMPONENT FOR THE GAMBIA ARE BEING POUCHED.

(3) CONCERN WAS EXPRESSED AT THE ECPR REGARDING THE TIMING OF THE PROPOSED TECHNICAL ADVISORY SERVICES. IF THE JUSTIFICATION FOR THE TECHNICAL ASSISTANCE IS BASED ON PROGRAM MANAGEMENT NEEDS AND IF THE STUDIES COMPONENT IS REQUIRED FOR IMPLEMENTATION OF POLICY REFORMS, IT WAS UNCLEAR TO THE ECPR HOW PROGRAM DISBURSEMENTS COULD BE MADE PRIOR TO THE ARRIVAL OF THE TECHNICAL ADVISORS AND COMPLETION OF SOME OF THE INITIAL STUDIES. THUS, THE IMPLEMENTATION PLAN FOR THE PROGRAM SHOULD TAKE INTO CONSIDERATION THE LEAD TIME INVOLVED IN CONTRACTING THE NECESSARY ADVISORY SERVICES. THIS COULD DELAY THE PROGRAM DISBURSEMENT SCHEDULE SIGNIFICANTLY, UNLESS MISSION IS ABLE TO PROVIDE UPFRONT FINANCING FROM NON-PROGRAM SOURCES. THE PAAD, ITSELF, SHOULD CONTAIN A DETAILED IMPLEMENTATION PLAN WHICH RESOLVES THIS SITUATION. MOREOVER, THE PAAD IMPLEMENTATION PLAN SHOULD CLEARLY IDENTIFY THE REFORMS ENVISIONED UNDER THE PROGRAM, AS WELL AS THEIR TIMING, AND NOT LEAVE SUCH ESSENTIAL DETAILS TO THE PROGRAM'S IMPLEMENTATION PHASE.

(E) MISSION PROGRAM ASSISTANCE STRATEGY. THE PAIP PRESENTED THE PROPOSED AEPRP PROGRAM AS PART OF AN OVERALL MISSION STRATEGY AIMED AT REFORM OF A COMPREHENSIVE SET OF MACROECONOMIC POLICIES WHICH LARGELY AFFECT THE AGRICULTURAL SECTOR. THE AG SECTOR DEVELOPMENT GRANT I (ASDG I) WILL BE AMENDED THIS FISCAL YEAR TO EXTEND ITS LOP, INCREASE FUNDING, AND PRESUMABLY REQUIRE ADDITIONAL POLICY REFORMS. AN FY 89 ASDG II WILL BE DEVELOPED TO BUILD ON THE SUCCESSFUL REFORM EXPERIENCE IN THE AGRICULTURAL SECTOR. AT THE SAME TIME BOTH THE WORLD BANK AND THE IMF ARE ACTIVE IN THE POLICY REFORM ARENA IN NIGER. IN VIEW OF WHAT APPEARS TO BE A GREAT AMOUNT OF POLICY REFORM ACTIVITY, MISSION IS REQUESTED TO INCLUDE IN THE PAAD A DETAILED DESCRIPTION OF ITS POLICY REFORM STRATEGY AND AGENDA, TO INCLUDE:

-- (1) A DESCRIPTION OF THE MISSION'S EXPERIENCE TO DATE. (WHAT REFORMS HAVE BEEN ACCOMPLISHED? WHAT IS THE MISSION'S ASSESSMENT OF THEIR IMPACT ON THE ECONOMY?)

-- (2) A DISCUSSION OF THE REFORMS TO BE PURSUED UNDER THE FY 1988 PROGRAMS (AEPRP AND ASDG I AMENDMENT); HOW THESE RELATE TO PREVIOUS EFFORTS AS WELL AS TO EACH OTHER; AND EXPECTED IMPACT OF THESE REFORMS ON THE ECONOMY.

(3) AN ANALYSIS OF HOW A.I.D. POLICY REFORM EFFORTS RELATE TO WORLD BANK AND IMF EFFORTS. THIS SHOULD NECESSARILY INCLUDE A BRIEF DESCRIPTION OF WHAT POLICY REFORMS THESE INSTITUTIONS ARE FUNDING AND THEIR EXPECTED IMPACT AS WELL AS A FAIRLY DETAILED ANALYSIS OF HOW THE MISSION'S AGENDA IS COMPLEMENTED OR ENHANCED BY WORLD BANK/IMF EFFORTS.

-- (4) A PRELIMINARY IDENTIFICATION OF THE POLICY REFORM STRATEGY TO BE PURSUED UNDER THE ASDG II PROGRAM, I.E., WHAT ARE THE IDENTIFIABLE NEXT STEPS IN THE POLICY AGENDA?

- (5) A DESCRIPTION OF THE EXPECTED OVERALL ECONOMIC EFFECTS OF THE SEVERAL PROGRAMS AND INVESTMENT OF SEVERAL MILLION U.S. DOLLARS. IN WHAT WAYS WILL THE ECONOMY BE BETTER OFF AND IN WHAT WAYS DOES THE MISSION SEE THE LIFE OF THE AVERAGE NIGERIEN BEING AFFECTED? WHAT IS THE EXPECTED IMPACT OF THE PROGRAM ON THE TRADITIONAL A.I.D. TARGET GROUP?

IN SUM, THE ECPR REQUESTS THAT THE MISSION UTILIZE THE PAAD TO EDUCATE AID/W ON THE MISSION'S OVERALL ECONOMIC PROGRAM ASSISTANCE STRATEGY: WHAT'S BEEN ACCOMPLISHED TO DATE, THE RATIONALE FOR THE PROPOSED NEXT STEPS AND WHAT WILL REMAIN TO BE ADDRESSED IN FY 89 AND BEYOND. WE EXPECT THIS ANALYSIS WILL ALSO FORM THE BASIS FOR THE ASDG I AMENDMENT AND, WITH UPDATING, THE ASDG II PAAD.

(F) CASH TRANSFER STRATEGY. THE PAAD MUST INCLUDE A COMPREHENSIVE PROGRAM MANAGEMENT PLAN WHICH SETS FORTH RESPONSIBILITIES FOR MANAGEMENT OF POLICY RELATED ACTIVITIES, PROGRAMMING AND TRACKING OF DOLLARS AND LOCAL CURRENCY AS APPROPRIATE, AND FUNDS CONTROL AS NEEDED. WHILE THE REFTEL PROVIDES WORLDWIDE POLICY GUIDANCE FOR ESF CASH TRANSFER ASSISTANCE, SPECIAL INSTRUCTIONS FOR DOLLAR ACCOUNTABILITY FOR CERTAIN MONETARY UNIONS, INCLUDING THOSE IN WEST AND CENTRAL AFRICA, ARE UNDER REVIEW. EVERY EFFORT IS BEING MADE TO

PROVIDE THIS GUIDANCE IN THE COMING WEEKS.

(G) MONITORING AND EVALUATION PLAN. THE PAIP STATES THAT MONITORING AND EVALUATION PLAN WILL BE INCORPORATED INTO THE PAAD. THIS IS AN APPROPRIATE STRATEGY. HOWEVER, IN ADDITION TO MEASURING IMPROVED ACCESS TO MARKETING CHANNELS, WE WISH TO ENCOURAGE MISSION TO ALSO TEST THE SEVERAL ASSUMPTIONS LISTED IN THE PAIP THROUGHOUT THE EARLY MONTHS OF PROGRAM IMPLEMENTATION. FINAL OR END OF PROGRAM EVALUATIONS SHOULD FOCUS ON OVERALL ECONOMIC IMPACT OF THE PROGRAM AS WELL AS THE MARKET ACCESS VARIABLE STATED IN THE PAIP. TO WHAT EXTENT HAVE MORE EXPORTS BEEN REGISTERED? HAS PRODUCTION OF EXPORT CROPS AND LIVESTOCK INCREASED? WHAT AFFECT MIGHT THIS HAVE HAD ON EMPLOYMENT/INCOMES? IN SUM, THE PAAD SHOULD INCLUDE AN M AND E PLAN AND AN EVALUATION BUDGET FOLLOWING THE AGENCY'S QUOTE GUIDELINES FOR DATA COLLECTION, MONITORING, AND EVALUATION PLANS UNQUOTE.

2. PAAD SHOULD BE SUBMITTED FOR AID/W APPROVAL AND AUTHORIZATION. SHULTZ

109

ANNEX E

PAAD GUIDANCE ISSUES

The following issues were raised in 87 State 342071, Guidance for Niger FY 88 PAAD Design.

1. Choice of Design Options

The ECPR recommended that the mission pursue the option of design of a program based upon disbursement keyed to adoption and/or implementation of policy reforms and not use an investment fund.

USAID agreed, and the PAAD reflects that decision. USAID has also followed guidance in 87 State 325792 as to monitoring requirements for local currency.

2. Program Level and Strategy

The ECPR pointed out that "tight linking of the program level with policy implementation need not be employed. What is important is the degree and level of policy reform resulting from the program."

The decision on level of funding has been made on the basis of the "level of policy reform," as suggested in the guidance. Analysis follows of "proposed sources for increased revenues which will compensate for budgetary losses after the 3-year AEPRP is over." Discussions of program impact and assumptions, requested in the guidance cable, are contained in the body of the PAAD.

3. Total Funding Level

USAID has proposed a funding level which is consistent with the importance of the policy reform program and its attendant program support needs.

4. Technical Assistance Requirements

USAID has carefully reviewed the technical assistance, studies, training, evaluation and audit needs of the program, and has eliminated any activity which is not deemed essential, or for which other sources of financing might be available. USAID does not have funds in its projected OYB over the next three years to finance this component. The program support component is an essential part of the reform program, and should be included as part of the EPRP.

Program disbursement for year 1 of the grant does not depend on timing of technical assistance, as the conditions precedent for the initial tranche do not require external assistance.

5. Mission Program Assistance Strategy

The strategy is detailed in Section II.C of the PAAD.

6. Cash Transfer Strategy

USAID has followed 87 State 325792 in designing its program management plans. Note that the sector grant will be for budget support for the private sector initiative. The GON and USAID will jointly agree on the allocation of the funds to the ministries charged with carrying out the private sector initiative.

7. Monitoring and Evaluation Plan

See Sections IV and V of the PAAD and Annex F for monitoring and evaluation plans.

\\\

Analysis of Other Revenue Generating Measures

One of the instructions from AID/Washington for the design of the PAAD was that the Mission identify "proposed sources of increased revenues which will compensate for budgetary losses after the 3 year AEPRP is over." The Government of Niger has identified other fiscal measures which should more than compensate for the losses after the end of the program, in particular revised taxation systems for business and better collection procedures for the informal sector. It is conservatively estimated that the Government can increase fiscal receipts by 3 billion FCFA a year with a modest tax collection program.

Total GON tax revenues in recent years are summarized in the following Table.

TABLE

Major Sources of GON Revenue, 1985 - 1988
(billion CFAF)

Category	1985	1986	1987	1988
Corporate income taxes	7.7	6.6	6.7	7.2
Individual income taxes	5.6	6.2	6.6	6.9
VAT (domestic)	10.2	10.0	11.0	9.5
VAT (imports)	10.1	10.5	11.5	11.2
Import duties	10.1	10.4	12.4	11.2
Export taxes	4.9	5.0	4.2	4.2
Petroleum tax	2.8	4.9	4.5	4.5
Uranium tax	5.0	5.0	4.5	4.2
Other	6.0	6.7	6.2	6.4
Total	62.4	65.3	67.6	65.2

Source: GON Annual Budget Projections. Note: prior to 1986 when the VAT was introduced, these funds came from transactions tax.

It will be noted that the tax system is based primarily on indirect taxes. Only about 20 percent of tax revenues are generated by taxes on incomes. In principle, everybody is subject to all taxes. However, for purposes of tax administration, taxpayers have been divided into formal and informal sectors. The formal sector is required to keep financial records on the basis of which taxes are calculated; the informal sector is not required to keep accounts and taxes are therefore based on a rough estimate of the level of business during the previous year.

There are no major problems in applying the various taxes to the formal sector. For the income tax, each business pays a "minimum forfeitary tax" (IMF) during the year, which is equal to 1 percent of sales. At the end of the year, the total taxable income is calculated and

-112-

the IMF payments are applied against the final income tax bill. The only serious flaw in this system is that the IMF is in effect a minimum income tax. Even if there is no net taxable income at the end of the year, the IMF is not refunded. The rationale for this practice is that many businesses do not keep accurate records and this is the only way to assure that all businesses pay their fair share of income taxes. As part of the private sector strategy under consideration, this tax is to be eliminated.

For the VAT, all purchases, including imports, are subject to the tax (usually 17 percent) and payments are made to the Treasury on a monthly basis. The system requires a complete record of receipts. A business collects the VAT on the value of its sales and keeps a record of the VAT it has paid on its business related purchases. The difference between the two is what is paid to the Treasury every month. The system is simple in concept, and as long as businesses keep accurate records, it is easy to administer.

In the informal sector, the system is much more complicated. Since these businesses by definition have no financial records, taxes must be estimated. This is done through a system of minimum taxes based on the type of business and the apparent level of activity. There are two tax schedules used for this purpose. Schedule A divides businesses into eight categories. A business can refer to the tax code to find what category it is in and calculate its tax. Each business has two taxes to pay. The first is a fixed tax for local government (patente). The second, is an estimated tax on income (impot forfaitaire sur benefices - IFB) which is paid to the national government.

The other tax table (Schedule B) is specifically for importers and exporters who import more than 10 million CFAF per year, or export more than 30 million CFAF per year. Schedule B provides for the payment of a higher local government tax by commercial enterprises with annual imports of more than 400 million CFAF, or combined imports and exports of more than 600 million CFAF. It will be noted that at this level of activity businesses are not required to pay an IFB since it is assumed that they are in the formal sector. It should be noted that, legally, firms subject to the IFB are also supposed to pay the IMF at the end of the year when their level of sales can be estimated. This has been next to impossible to enforce because, once again the onus is on the Government to do the necessary calculations with few records to work from.

In principle, the formal and informal sectors should be subject to the same taxes, i.e., all income taxes, the VAT, and import and export duties. In practice, the system fails because of the difficulty of collecting taxes in the informal sector and the ease of evading taxes. The end result is that the informal sector pays almost no taxes and the formal sector is subject to extremely onerous tax rates, a 50 percent corporate income tax plus heavy property taxes. The system becomes a vicious circle because the less the Government is able to collect from the informal sector, the more it must depend on the formal sector. As tax rates increase in the formal sector, economic activity tends to shift into the informal sector. This results in a gradual but inevitable shrinking of the tax base. (The fiscal policy implications of tnis situation and the urgent need to increase the tax base are analyzed in the recent IMF study, Propositions pour Elargir l'Assiette Fiscale et Douaniere au Niger, by J. Baldet and J.-P. Cornely.)

The inability to tax the informal sector is a major fiscal policy issue currently facing the GON. Basically, there are two problems. The first is that there are many businesses in the informal sector that have sales of more than 30 million CFAF per year and should be in the formal sector, i.e., they are legally required to keep financial records. Some of these businesses are known to have annual sales of hundreds of millions CFAF. The second problem is that there are hundreds of very small businesses that do not pay even the low taxes called for in Tax Schedule A.

The inability to collect the VAT in the informal sector provides the most striking example of the magnitude of the problem. The IMF study referred to above estimates that the informal sector accounts for 80 percent of the value added in the Commerce sector, 55 percent of value added in the Transport sector and 90 percent of value added in Other Services. The following table indicates what this implies in terms of lost revenues.

TABLE

Calculation of VAT for the Informal Sector - 1987
(billion CFAF)

	Total	% informal	Informal Value Added	Informal VAT
GDP	733.7			
of which				
Services	200.6			
Commerce	98.8	80	79.0	13.4
Transport	30.7	55	16.9	2.9
Other	78.1	90	70.3	12.0
Total VAT uncollected				28.3

Source: Ministry of Plan, IMF (1987), and USAID estimates.

The VAT is certainly the largest category of uncollected taxes, but the informal sector also escapes most income taxes and considerable import and export duties.

There are no easy solutions. On the one hand there is a large number of taxpayers who are refusing to pay their taxes. On the other hand, although tax agents are well trained and procedures are in place to enforce tax collections, it is simply impossible to audit every business

114

to determine its level of activity. Furthermore, attempts to collect from the largest non-payers are usually unsuccessful because of their political influence. As a result, it is generally agreed that increasing taxes from the informal sector cannot be achieved through coercion.

It is clear that even a mildly successful effort to increase informal sector taxes would generate much more revenue than would be lost from eliminating the export tax. This means that if export taxes are removed as part of an overall fiscal reform program, the loss in revenues is less of an issue than whether or not the removal of the tax makes economic sense as an export promotion tool.

It now appears that the strategy for increasing informal sector taxes will consist of a combination of improved information, increased enforcement, and moral suasion. The following recommendations have been accepted by the Government of Niger:

1. Accelerate the collection of data on businesses in the informal sector, giving priority to the largest businesses. This effort includes the improved flow of information from different sources of data. The main sources are customs, wholesalers in the formal sector, and the Public Works Department which has detailed information on the level of business performed by individual businesses for the public sector.

2. Use the above information to estimate and impose VAT and income taxes on businesses that should be in the formal sector, but are refusing to keep accounts. Procedures for imposing taxes on these businesses exist but have so far not been employed.

3. Put into effect enforcement mechanisms for collecting unpaid taxes. These include seizing goods at customs, temporarily closing businesses, prosecuting intermediaries who act as fronts for larger businesses who want to avoid the formal sector, and put legal claims on funds owed by businesses to businesses who owe taxes.

Annex F

Information Plan

Users of the Information - Major users of the information generated by the monitoring and evaluation activities of the program are the Joint GON-USAID program review committee, the private sector initiatives office of the Ministry of Plan, the studies and policy divisions of the Ministries of the Plan, Agriculture, Animal Resources, Commerce, and USAID/Niger. A.I.D./Washington will be a secondary user of the information. Information generated by the village consumption study will have a broad audience, including the University of Niamey, ICRISAT, other donors and major international organizations active in Niger.

Principal Objectives

The NEPRP program will contribute to the goal of diversifying and increasing rural incomes. The program's purpose is to promote policy and institutional reforms which will foster increased exports of agro-pastoral products, particularly through official channels. NEPRP will assist the Government in establishing conditions in which exports can increase in a significant way, and in which Nigeriens can take advantage of economies of scale and other benefits relating to use of modern business practices.

NEPRP calls for a set of policy reforms and initiatives by the Government of Niger intended to improve the policy environment for regional trade through official channels. Policy reform under NEPRP concentrates on elimination of export taxes on agro-pastoral products, easing of regulations and controls which impede utilization of official export channels, and government initiatives in export promotion and reform of regional trade relations.

Priority information needs

The policy reform program is designed with dollar disbursement in three tranches on satisfaction of conditions precedent. The tranches are scheduled at one year intervals. There are, then, annual decision points requiring review and analysis of program performance. This review will be based on evidence provided by the Grantee as to satisfaction of conditions, and on results of program monitoring by USAID and the GON.

Program performance will also be reviewed on a less formal basis in semi-annual program reviews with the GON at technical level, and in USAID semi-annual PIR reviews.

The management questions requiring review at key decision points include:

- are inputs being delivered on time, and are the appropriate in content?
- have the inputs contributed to realization of outputs (reforms)?
- has the GON met conditions for disbursement?
- have reforms made had the intended initial effects?
- were design assumptions correct?
- does the program need modification in design?

Monitoring Plan/Management Information System

The Minister of Plan will nominate a steering committee for the program, which will meet with USAID representatives at least twice annually to discuss program progress and problems, in particular the status of policy reform efforts and satisfaction of program conditionality. In addition, the GON will prepare an annual report on program progress and satisfaction of conditions precedent which will be addressed to USAID/Niger. The annual report shall be used by Government of Niger and USAID senior management as a basis for analysis of the progress made or problems encountered in the policy reform program. Formal reviews of progress shall be held on at least an annual basis, and will provide the basis for determining subsequent disbursements of funds under this grant. They will also provide an opportunity to make necessary adjustments or to correct any errors made during the design or implementation of the program. Formal reviews required to determine if conditions precedent have been satisfied shall be co-chaired by the Government of Niger and USAID/Niger.

The monitoring plan for the program is based on 1) monitoring of design assumptions to assure that the design is valid (and to allow for mid-term corrections, if necessary), and 2) monitoring of the policy reform program itself, with the intention of assessing its effectiveness and eventual impact. Because the goal of the cash transfer is to provide general support to the national budget, and as such funds will be mingled, and because there is no local currency fund associated with this grant, USAID will not actively monitor the specific uses of the local currency.

1. Monitoring of design assumptions

The key design assumptions have been described in section IV.E of the PAAD. They are, to summarize:

- Lower prices will result in increased markets.
- Official channels provide access to larger, more profitable markets than unofficial channels.
- Nigerien traders are willing and able to take advantage of these larger markets, either by expanding from within the official channels or shifting out of the unofficial channels.
- Nigeria will not put up barriers to increased trade.
- In the long run, production can increase as foreign markets are developed.

USAID program management will use the results of field visits, surveys and studies carried out for this program and under other auspices to monitor the validity of the design assumptions. USAID semi-annual project implementation reviews will include this issue on the agenda. USAID will also use annual internal control assessments as a monitoring tool.

\117

2. Monitoring of the reform program

The first phase in monitoring of program performance is to establish the baseline data to be used as a benchmark against which to measure progress. It is a priority that this system be put in place early in the life of the program, so that by the end of the first year a sound collection system is ready to function. Data will be collected for the first time in year two of the program. This information should come from Customs, Exterior Commerce, and Contributions Diverses:

Customs:

1. Quantities of agro-pastoral products registered as exported through customs, in particular cattle, cowpeas, skins and hides, and onions. This information should be in standard, uniform quantities (i.e. tons of onions, etc., not irregular measures such as "sacks of onions");

2. The number of different firms or individuals exporting, by product, through official customs channels;

3. Amount of contraband seized by customs (by uniform quantity), and the value received for sale of that contraband.

Exterior Commerce:

1. The specific number of licenses issued for export of the four principal products (by product);

2. The total quantities listed on the licenses, by product, in a standard form of measurement;

3. The total value of the goods listed on the licenses, by product; and

4. The number of different firms requesting licenses to export these products, by product.

Contributions Diverses:

Produce an annual statistical report on tax collections which shows the progress achieved in replacing, on a permanent basis, the foregone export tax revenues.

Monitoring of the program will be accomplished through use of the reporting procedures and joint Government USAID reviews described above. In addition USAID/Niger will finance and administer a series of small surveys and studies, financed from the USAID Trust Fund portion of the grant. Monitoring techniques will include, but not be limited to:

- interviews over time with key informants (sample of formal and informal sector operators in various locations);
- group interviews of farmers and herders in communities producing export commodities;
- price surveys for key commodities 6 months, 1 year, 2 years, after removal of export taxes (farmgate, FOB, at Kano/Abidjan).
- market surveys in Niger and northern Nigeria.

NEPRP monitoring will also benefit from studies and monitoring activities under ASDG I and II, and from technical assistance activities and studies under USAID projects. USAID has already drawn from studies carried out under the Integrated Livestock Project in design of NEPRP. Marketing studies to be implemented under the Niger Applied Agricultural Research Project (NAAR) will be used by USAID management responsible for monitoring of NEPRP. ASDG II, to be designed starting later this fiscal year, will be designed to carry on from ASDG I, and to complement NEPRP.

Host Country Participation

The Government of Niger has the capacity to collect the types of information required as the baseline data for use in monitoring program performance. The data are not now available in usable form. Customs registers exports in terms of tariffs paid rather than by commodity. Data on movement of particular products are not available at the national level. The Department of Exterior Trade in the Ministry of Commerce does not have complete information on the number of licenses issued for agro-pastoral products, the value of those licenses, the numbers of different firms requesting them and whether the licenses were actually used (and if so what portion). Similarly, the Direction of General Taxes is unable to say how many patentes were issued around the country and the amount of revenue collected from those patentes. In many cases this information is available at departmental level only and never aggregated.

The data needed to establish the point of departure and measure the progress of the program exist but cannot be accessed in any meaningful fashion now. The various services need technical assistance to help them establish the systems necessary to be able to retrieve relevant information for the program. A specialist in Management of Information Systems (both computerized and non-computerized) will analyze the present systems in use, determine specific information needs of the departments, and then design new systems (and train the staff in their use) which will allow access to that information.

Budget

The evaluation component of the project is budgeted at $450,000. In addition, approximately $100,000 will be disbursed for monitoring from USAID Trust Funds.

Estimated evaluation requirements

The evaluation plan for this program will focus particularly on the end results. It is a three year program and the baseline data needed to evaluate the program will not be available until the end of the second year. Therefore, the program should not have a mid-term evaluation, but should focus on an in-depth ex-post evaluation, eighteen months after the program's completion. In addition, given the long-term implications of the policy reforms and the time required for response by the commercial sector, a second evaluation should be programmed three years after the end of the program, possibly under the second phase of the Agricultural Sector Development Grant. Funding for the evaluations will be from USAID funds not related to NEPRP.

The program will finance an IFPRI (International Food Policy Research Institute) study on village-level consumption and revenue. This study will provide a baseline for examining achievement of policy reform program goals of diversifying and increasing rural income. The study will survey four villages in food deficit and intermediate zones over a one-year period. The data will be combined with existing ICRISAT data for the same villages (1982-86) and analyzed to determine the impact of agricultural policy reforms, especially in the area of food policy, on the sources and uses of incomes in the rural areas. The study will give USAID a detailed view of income sources and levels in these zones, current drought coping strategies, and degree of food self-reliance in the villages. A follow-up survey, possibly financed by ASDG II, could look at changes in the pattern of production, revenue generation, and village market integration after the NEPRP reforms have had time to have an impact. The results of the study will be used to engage the GON in a discussion of policy monitoring via baseline studies and periodic follow-up surveys. NEPRP will also include a fund for small evaluation studies to be conducted jointly by the GON and USAID during the program implementation. The subjects of such studies will be decided during the course of the grant.

The two <u>ex-post</u> evaluations will attempt to measure contribution to the Government of Niger's goal of increasing production and exports of agro-pastoral products. The focus of evaluation will be on increased trade <u>per se</u> and through official channels, the relative importance of the informal sector in fiscal contributions, and the increased efficiency of markets. The impact will be measured in several different sectors. First, by changes in the amount of trade passing through official channels, taking into consideration the variations caused by climatic factors. Second, by estimating the total exports of agro-pastoral products, including the use of unofficial channels. Third, the number and scale of individual exporters involved in each commodity. Fourth, Niger's relative position in its export markets vis-a-vis its position in 1988 (i.e. what are the changes in market share). Fifth, a comparison of the prices in the different zones of Niger to see if there has been any increased efficiency in the marketing channels resulting in higher prices in the interior of the country. Sixth, whether any new administrative restrictions to trade have been put in place. Lastly, a measure of the relative importance of the informal sector contributions towards total fiscal revenue in comparison with 1988.

The first <u>ex-post</u> evaluation will probably provide very limited information on many of these criteria, which points to the strong necessity for another much later evaluation of the impact of the policy reform measures undertaken by the government. The second evaluation will also provide a basis for measuring the rate of change and adaptation within the private sector. It should also provide some insights into whether the Nigerien informal sector can be convinced to move into official channels, with their increased "transparency" and high visibility.

ANNEX G

SOCIAL SOUNDNESS ANALYSIS

The NEPRP is intended to contribute to an increase in rural incomes and a diversification of rural sources of income as a way of improving the standard of living of Niger's poor majority. This annex assesses the social and institutional environment through which the impacts of the policy changes will be transmitted to the intended beneficiaries.

The basic economic reasoning supporting the design of the NEPRP begins with the changes in the foreign trade regime. Export taxes will be eliminated and the administrative procedures in the exporting process will be simplified. These reforms will increase the profitability of transactions already taking place through official (legal) channels and will induce a shift in exports from unofficial to official channels. Traders of agro-pastoral products, operating in a competitive market, will react to this new business opportunity by expanding their volume of trade. Most of this increase in exports will be sold in Nigerian markets, although Cote d'Ivoire will be an important destination for some products. As the demand for agro-pastoral products increases there will be upward pressure on product prices.

Farmers and herders will benefit from these price increases. Production practices can be expected to shift in favor of those products for which net income to the producer has increased. Ultimately, the incomes of rural households will be generated by a wider variety of crops, both rainfed and dry season crops, and these crops will be marketed in markets which are well connected to the major west African population centers.

The successful evolution of this program as described above depends on the social/institutional environment of trading in agro-pastoral products in Niger.

The Trading Environment

Although there is some degree of product specification among traders, they are for the most part engaged in multi-product operations. Livestock traders, for example, may be divided into two categories: the large urban traders and the rural operators who work on a much smaller scale. The urban traders may in turn be subdivided into two groups; the very large traders who are diversified into a wide range of international trade, of which livestock is just one commodity; and the large livestock exporters who specialize in that trade. Urban traders need not be based in a department capital: a number of the large livestock traders are based in arrondissement capitals.

Traders may travel to important livestock markets over several arroundissements and buy dozens of animals in a given market. They buy animals which are already fattened and ready for slaughter. If they are very large and diversified operators, they may merely send representatives to do this work for them. In this way they may build up an export herd of over a hundred animals in a week or two.

Most of their animals are exported illegally but, because they are widely known as livestock exporters, they export a few herds of animals legally: to do otherwise would be to show excessive disrespect for the administration. there follows a description of the normal economic behavior of these exporters, unhindered by official export regulations.

Once the export herd has been formed, it is entrusted to a team of drovers. The animals are typically smuggled on foot across the border at the dead of night, and continue on to a specified border market in Nigeria. The trader of his representative travels by car, independently of the herd, and rendezvous with it in the market. Here, depending of price information, he may buy more animals or sell some, but usually he is not as interested in the market itself as in the trucking facilities which are based there. He hires a lorry and organizes the loading of the herd into it. The lorry sets off for a southern market, usually Iban or Lagos. He may continue by car or by plane, depending on his means and status, again meeting his herd at its destination.

Once the animals are sold, he returns to Niger, with Naira to be changed on the black market into CFA francs (if he is a specialized livestock trader), or with a selection of goods purchased wholesale in Nigeria with the proceeds of the livestock sale (if he is a diversified operator). The profits of this vertically integrated operation can be substantial, although the average includes losses as well as large gains. They derive mostly from the traders' ability to mobilize capital, to coordinate transport over long distances, and to form and maintain international contacts in final consumption markets. Large capital resources are needed to buffer losses and to accommodate the delays in payment often encountered from butchers in southern Nigeria.

Rural operators will tend to work on a much smaller scale, often having only enough working capital to purchase a few animals at a time. Their animals may be fattened for a while before being exported. Cattle to be grown out may be used as traction animals for a while before being sold across the border as fully fattened animals. These operators will often live close to the border, or have drovers who do.

The animals will tend to be smuggled out at night; or pose as local animals grazing near the border and then cross when the coast is clear; or merge with the indistinguishable herds of transhumant Fulani when they return south at the end of the rains. (This last ploy is often possible at just the time when the increased remand from southern Nigeria for Christmas beef is boosting prices). Once across the border, they will head for the nearest livestock market and sell the animals, possibly buying some Nigerian goods before returning home. They are wary of the risk of going deeper into Nigeria, having little capital and few contacts other than friends and family in the marches.

Small trader profits come from fattening and the value-added in successfully taking the risk of crossing the border, in which they have a comparative advantage, rather than the co-ordination of large resources. Although their total profits are, on average, much less than those of large operators, they are likely to be higher per animal, because of the fattening and because they can wait and sell when they are sure that prices are favorable in the nearby Nigerian market.

Although it is likely that there are far more of the small-time operators earning at least a partial living from what might be called petty livestock exports, the consensus is that the majority of the animals exported -- legally and illegally -- belong to the large traders.

The fact that these traders operate in both official and unofficial channels demonstrates their ability, under the right set of circumstances, to expand their level of business operations in official channels.

9619U

USAID NIGER, AGRICULTURAL REFORM PROGRAM

Policy Reform Area	ASDG	NEPRP	Related USAID Projects	Related Activities of IMF/IBRD
1. Agriculture inputs	- Subsidy reduction - reform of input agency		- APS input supply component	
2. Grain marketing	- OPVN use of tender and bid process of 40-50 percent of grain transactions - elimination of uniform national pricing for cereals			- restructuring of OPVN and the vice parastatal (RINI)
3. Agricultural credit	- establishment of legal framework for rural credit union development		WOCCU project	- reform of BDRN - liquidation of CNCA
4. Regional Trade	- elimination of cowpea monopoly - elimination of livestock export quotas	- elimination of export taxes - simplication of export procedures - active promotion of regional trade	ILP studies/ analyses and statistics/survey components	
5. Private Sector and Cooperative Participation	- establishment of village-level grain storage - increase role of private sector in provision of agricultural inputs (including seeds - see number 6) and marketing of cereals and livestock products	- private sector participation in trade missions - strengthening of the Chamber of Commerce	APS and NCD cooperatives components	IBRD studies of petroleum distribution and the banking
6. Seeds	- restructure and diversify the seed and plant material multiplication system.			

124/