

UNCLASSIFIED

PN-AAU-501

# Country Development Strategy Statement

**FY 1985**

BEST AVAILABLE



**Niger**

January 1983

Agency for International Development  
Washington, D.C. 20523

UNCLASSIFIED

\*\*\*\*\*

THIS STRATEGY STATEMENT HAS BEEN PREPARED BY THE  
A.I.D. FIELD MISSION. IT IS PREPARED ANNUALLY AND  
USED FOR PLANNING PURPOSES IN THE FIELD AND IN  
WASHINGTON. IT DOES NOT REPRESENT OFFICIAL AGENCY  
POLICY!

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*\*

\*\*\*\*

\*\*

\*

USAID/NIGER  
COUNTRY DEVELOPMENT STRATEGY STATEMENT

FISCAL YEAR 1985

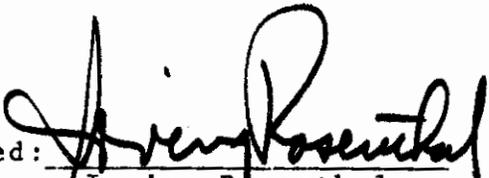
We are pleased to endorse this Country Development Strategy Statement which has been prepared at a critical moment in Niger's economic development. Uranium revenues, on which the Government of Niger had based its development aspirations, have suffered a sharp decline and are not expected to recover. Niger has consequently moved from a period during which it could contribute substantially from its own resources to economic development programs to a period during which it is almost completely dependent on foreign donors.

The analyses and program strategy which this CDSS contains, take full account of Niger's changed situation. We believe the statement also responds fully to policy priorities set by Washington, particularly the need to seek more private sector involvement in economic development. The contents of the statement have been reviewed with Ambassador Casey, who also endorses the strategy proposed.

Approved:

  
E. Michael Southwick  
Charge d'Affaires

Approved:

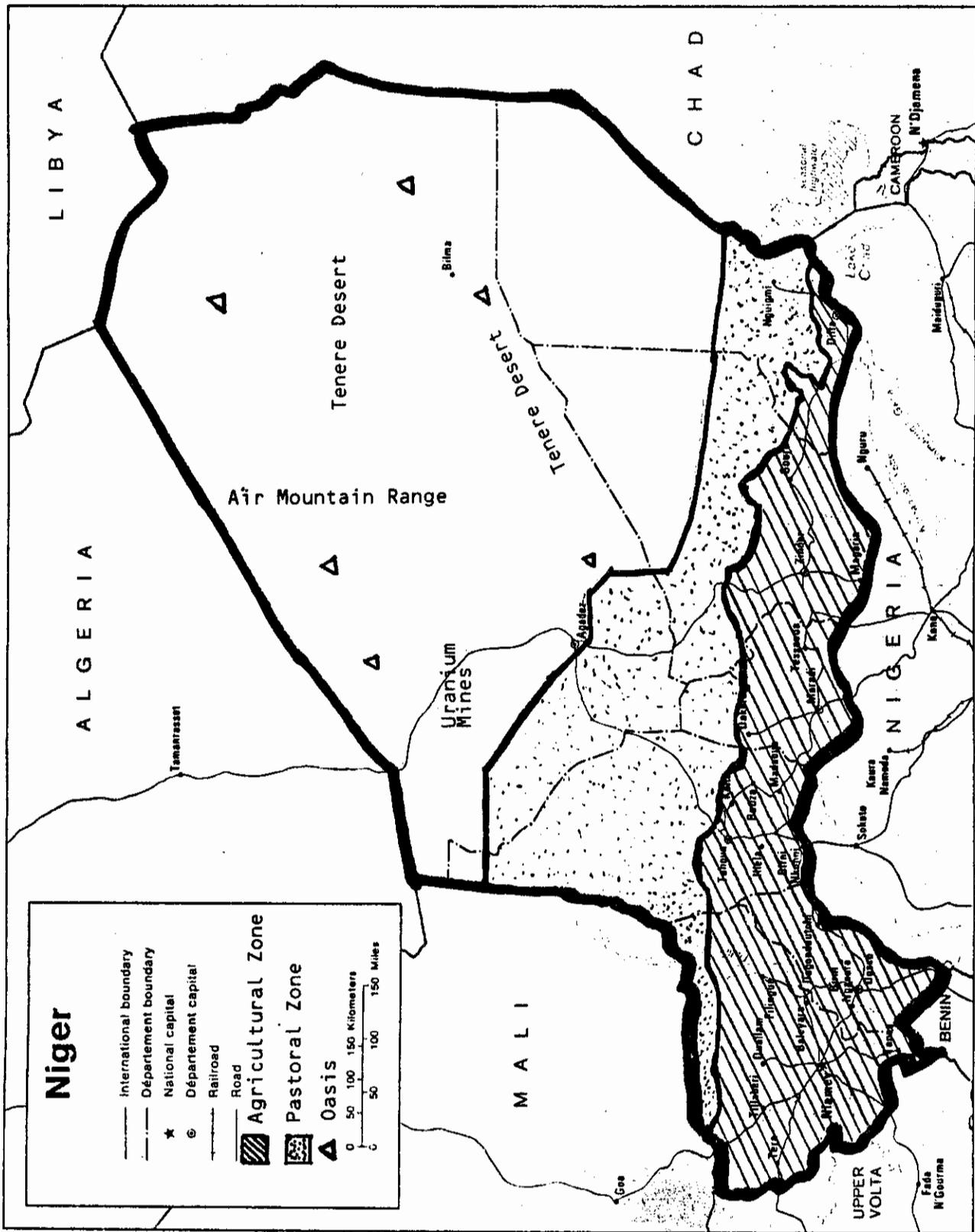
  
Irving Rosenthal  
Mission Director

Date:

Feb. 8, 1983

Date:

Feb 8, 1983



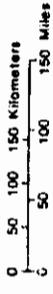
# Niger

- International boundary
- - - Département boundary
- ★ National capital
- ⊙ Département capital
- Railroad
- Road

 Agricultural Zone

 Pastoral Zone

 Oasis



## TABLE OF CONTENTS

PAGE NO.

|  |    |
|--|----|
| <b>I. ANALYSIS</b>                                       |    |
| A. Development Setting<br>Social and Political Overview  | 1  |
| B. Intersectoral Constraints<br>to Development           | 4  |
| 1. Transport   | 4  |
| 2. Energy  | 6  |
| 3. Human Resources                                       | 8  |
| 4. Policy Environment                                    | 11 |
| C. Recent Macroeconomic Developments                     | 14 |
| 1. Growth, Fluctuations, and Structure<br>of the Economy | 14 |
| 2. Trade and Balance of Payments                         | 16 |
| 3. Public Finance  | 18 |
| 4. Development Planning and<br>Public Investment         | 25 |
| 5. Recurrent Cost Implications                           | 26 |
| 6. Conclusion and Implications                           | 29 |
| <b>II. USAID STRATEGY</b>                                |    |
| A. Summary   | 31 |
| B. Rural Sector: Agriculture and Livestock               | 35 |
| C. Health and Population                                 | 48 |
| D. Education and Human Resource Development              | 54 |
| E. Complementary Program Interests                       | 62 |
| <b>III. THE STRATEGY AND AGENCY PRIORITIES</b>           | 62 |
| <b>IV. PROPOSED RESOURCES LEVEL</b>                      |    |
| A. Funding   | 64 |
| B. Staffing and Management                               | 65 |

## I. ANALYSIS

### A. Development Setting

#### Social and Political Overview

Niger lies on the southern fringe of the Sahara Desert, 1,200 miles from the Mediterranean seacoast and nearly 1,000 miles inland from the South Atlantic Ocean. The country is bordered by Algeria, Libya, Chad, Mali, Upper Volta, Nigeria, and Benin. Three-fourths of Niger is arid desert. The climate is hot and dry, especially in April and May. Most of Niger's population of approximately 5.8 million are concentrated in a relatively narrow bank along the southern border. A country of small villages, Niger has only five cities (Niamey, Zinder, Maradi, Tahoua, and Agadez) with populations of 30,000 or more.

Niger's population is over 90 percent Muslim and consists of five major ethnic groups: Hausa, Djerma-Songhai, Fulani, Tuareg, and Kanuri. The Hausa, approximately 56 percent of the total population, are principally sedentary farmers, merchants, and traders. The Hausa live in the arable southern tier of the country bordering Nigeria and maintain strong religious and commercial ties with the large Hausa population of northern Nigeria. The Djerma-Songhai, 22 percent of the population, are primarily sedentary farmers in the southwest and government workers. The Fulani, approximately 8.5 percent of total population, are largely nomadic cattle herders or sedentary farmers with livestock holdings, living mainly in small groups in south central Niger. The Tuareg, approximately 8 percent of the population, are nomadic pastoralists for the most part, but since the great drought of the early seventies many have come to work in urban areas. Tuareg populations are found in many parts of Niger including the northernmost regions of the country. The Kanuri, or Beri Beri, are sedentary farmers found in the southeastern portion of the country and are approximately 4 percent of the population. Other ethnic groups - Arab, Toubou, and Gourmantche - comprise a total of about 1 percent of the population.

Peace and stability among the various ethnic groups have been a prime concern of Niger's leadership. Since independence in 1960, the government has also sought to promote a sense of nationalism among the country's ethnically diverse population. Politically, this effort has taken the form of increasingly incorporating members of the various ethnic groups into high government positions, even though the civil service and the military are still dominated by the Djerma. Economically, this effort has taken the form of extending the benefits of economic development as broadly as possible. Important fiscal measures were the abolition of the head tax and the tax on livestock, changes made possible by the growth of uranium revenues in the late 70's. Now, with uranium revenue drastically reduced, the government has been forced to increase some taxes and curtail new GON-funded economic development projects. This makes Niger, today, more than at any time since the great Sahelian drought, dependent on foreign donors. It also complicates the goals of maintaining ethnic harmony, promoting nationalism, and ensuring political stability.

Niger is governed by the Supreme Military Council (CMD), a small group of military officers led by President Seyni Kountche, who gained power in a 1974 coup by removing the former civilian government of President Hamani Diori. Kountche came to power to alleviate the worst ravages of the Sahelian drought and to provide food to the people of Niger. To this day, food sufficiency is the number one goal of the government.

The Kountche government is moderate, pragmatic, and energetic in the pursuit of its economic and political development goals. Domestically and internationally, Kountche is respected as an effective and honest leader. While political rights remain suspended, the government is not repressive.

Niger's constitution was suspended at the time of the 1974 coup, and all political parties were banned. However, in the past three years, President Kountche has embarked on a program

of ceding power to civilians and increasing popular participation in government. At present, only two ministers are military officials. In addition, since 1979, much energy has been devoted to the creation of the National Development Society, a network of councils with a grassroots base. It is designed to improve communication between the government and the people, to provide the latter with an established means of expressing popular will, and to involve local groups in the economic development process. Regional-level councils are currently being established, and a national council is to be put in place by April, 1983. The national council is to start work writing a new constitution.

The Development Society is a drastic departure from the highly centralized system inherited from the French. Economic development activities and financing for local institutions are to be generated largely through local cooperative groups. The government hopes that this will improve the life of Niger's rural population and lessen migration to the cities, where unemployment would become a problem.

Niger's severe economic problems are compounded by outside political difficulties. Niger is a moderate, stable country almost completely surrounded by unstable, and in some cases radical nations. Qadhafi has openly threatened Niger, saying that it is his next target after Chad. Libya has broadcast anti-GON propoganda and it is believed to have backed an assassination attempt against President Kountche in 1981. In 1982, a group of Tuaregs believed to be supported by Libya, made an unsuccessful attempt to sabotage Niger's uranium mines in the north of the country. Niger's concern also extends to neighboring Chad, whose new government is trying to re-establish control after years of turmoil in the face of continued Libyan acts of aggression. Nigeria, by far Niger's most important neighbor, has been rocked by religious riots near the Niger border. Nigeria also expelled thousands of Nigerien workers in early 1983, causing Niger a

serious problem of reintegration at a time when economic conditions are at their worst level since the Sahelian drought. Upper Volta, Niger's neighbor to the southwest and a major transit route to the sea, has experienced two coups in the last three years leaving continued doubts about the stability of that country.

## B. Intersectoral Constraints to Development

### 1. Transport

As a landlocked country with a weak ecological base, Niger is faced with overwhelming basic disadvantages to achieve sustained economic growth. Lack of easy access to international markets limits Niger's economic future and overcoming it will necessitate large capital investments. This overall lack of transport infrastructure serves as a major intersectoral constraint to development in Niger.

The country has no railroad. Road links to neighboring countries other than Nigeria are minimal. International air transport exists, but is very expensive for large-scale transport of goods and merchandise. Commercial transport on the Niger River is very small because of its physical characteristics (shallow with rocky reefs).

Commercial ocean ports available to Niger are in Benin, Togo and Nigeria. More remote possibilities are ports in Ivory Coast and Algeria. The closest of these ports, Cotonou, Benin, is approximately 800 kms from Niger's borders. An extension into Niger of the Cotonou to Parakou railway in Benin has been one of Niger's priorities since before the country's independence. The majority of Niger's imports and exports which require ocean transport transit through Benin under the auspices of the Organisation Commune Benin-Niger (OCBN) an organization which provides for joint ownership of the railroad system located in Benin. A disadvantage of the present system is that the railway has a limited carrying capacity and is expensive. To become more useful to Niger, the railway network should be extended into Niger and its existing infrastructure must be modernized and

reinforced. The extension and modernization of the OCBN has been repeatedly postponed because of the project's high cost and the difficulties of Benin and Niger in obtaining the necessary financing.

An outlet to the port of Lome, Togo through Upper Volta will be improved when the Togo and Upper Volta sections of a 1,503 km highway are completed. The railroad from Lagos to Kano, Nigeria (1,150 km) is also used for onward transport to Maradi (290 km) and Zinder (260 km), Niger's most important cities east of Niamey. Niger could have a highway link to Algeria, in the north, if the TransSaharan highway is completed. However, the economic feasibility of transport across the desert is not very high.

The GON has now turned its focus to the construction and improvement of those secondary and feeder roads serving agricultural development areas. The secondary roads program has as its objectives the improvement of food supply, increasing marketing and trade and lower transport costs and prices. Other important objectives relate to the delivery of goods and services to isolated segments of the rural population and the GON's overall strategy for lessening the impact of future drought.

At present, the portion of the Niger River which flows through Niger cannot be navigated by large tonnage ships and commercial barge traffic. The Regional Niger Basin Authority program for the development of the Niger River and its basin provides the GON with some future expectation that the river will become a means of communication and transit between the countries through which it and its tributaries flow (Nigeria, Chad, Cameroun, Mali, the Ivory Coast, Benin, Guinea and Upper Volta). With the regulation of the flow of the river, Niger could have access to a cheap avenue for transporting agricultural products and weighty raw materials.

## 2. Energy

### a. Oil

Niger relies heavily on imports in the form of petroleum products and electricity to meet its domestic energy requirements. During 1980 and 1981 oil imports as a proportion of total imports rose to approximately 10 percent and 12 percent, respectively, from an average of 8 percent in the two previous years. In 1982, oil imports are projected at approximately 11 percent of the total import bill. This rise in oil imports reflects not only increased prices, but a concomitant attempt to build up the national stocks of petroleum products.

The GON has stated that its policy is to follow a realistic pricing policy for petroleum which reflects increases on the world market. Nonetheless, the GON has attempted to stabilize domestic prices of oil products. Petroleum prices are periodically adjusted to avoid the emergence of a petroleum subsidy.

The exploration for petroleum which initially began in 1960 is continuing. Since 1969, the GON issued drilling permits to Conoco, Bishop Oil Refining Co., Texaco, Panocean Oil, Ltd., Esso Exploitation and Production Niger, Global Energy, Shell, Phillips Oil and California Oil, Esso Minerals Niger and other firms. Prospects for substantial exploitation of Nigerien petroleum resources have been dimmed by the relatively small traces discovered to date and the probable high cost of transportation.

### b. Coal

The country has made recent progress in the exploitation of coal. A state-controlled, mixed investment coal mining company, SONICHAR, has been established to exploit a deposit of five million tons of coal located at Anou Araren, 40 km northwest of Agadez. A coal-based power plant at Anou Araren began producing electricity in April, 1981, and now meets the power requirements of the uranium mines as well as the City of Agadez.

c. Electricity

GON planning calls for western Niger's electrical power requirement to be met from the construction of the Kandadji Dam, approximately 190 km upstream from Niamey. This dam would promote irrigated farming development for a potential 129,000 ha. of land located in the valley which would be served by Kandadji. In 1981 and 1982, as planning of the dam advanced, the donor community began to question the economic feasibility of the Kandadji site. The GON has been requested to present analyses which would explore alternatives to this large infrastructure project. Whether the GON will attain sufficient donor financing to proceed with the Kandadji, or if an acceptable alternative hydro-electrical solution will be found, is unknown at this time.

The GON is particularly sensitive to the fact that a majority of Niger currently receives electrical power through contract purchase from the Kanji Dam in Nigeria. The dam is located 566 kilometers from Niamey and the approximately 16 MW of electricity per year is transformed at Niamey. Niger desires its own dam to meet a large part of the demand in western Niger

d. Wood

Wood accounts for a large percentage of the total energy consumed in Niger. Niger's mostly rural population depends almost entirely on wood (supplemented by millet stalks, kerosene, and manure) for cooking, heating and charcoal production for village manufacturing. Wood is also in demand for home and farm construction and in the fabrication of crude furniture and hand implements. Fuelwood needs, which account for approximately 90 percent of total wood consumption, are estimated at 2.8 cubic meters of which some 12 percent is used in urban areas. It is estimated that fuelwood requirements will increase by the year 2000 to an estimated 6 million cubic meters (annual consumption) of which approximately 20 percent will be needed for urban areas. Severe erosion conditions

resulting from fuelwood harvesting will become even more widespread if steps are not taken to reforest selected areas or to allow regeneration of vegetation. Adoption of more efficient wood usage systems, e.g. better designed woodburning stoves or charcoal, and alternative sources of energy could also make significant reductions in total wood demand. 3

The demand for fuelwood is such that prices are high and firewood needs represent over 20 percent of the average urban family budget. Low income groups in rural areas are forced to burn crop residues such as millet straw and cattle dung except during the rainy season when wood is the only fuel usable. The long-term effect of burning potential cattle fodder and dung will be to cause a further decline in soil fertility and a significant reduction in crop yields, a critical concern in a country where suitable croplands are limited.

The fuelwood resource constraint must be addressed by giving priority attention to small-scale afforestation, forest management and alternative domestic fuel source development activities. Possible alternatives to the use of wood include solar energy and biogas cookers. Niger's Office of Solar Energy (ONERSOL) is testing biogas and solar energy technologies to replace wood for domestic cooking. So far, however, prototypes developed and tested by ONERSOL are costly, unwieldy, and poorly adapted to the cooking methods of Nigerien homemakers.

### 3. Human Resources

The level of human resource development in Niger is among the lowest in the world. The problem stems, in part, from the country's basic isolation and historical lack of interaction with the developed world. Only 8 percent of the population are estimated to be literate and the enrollment levels in the formal education system are approximately 27 percent at the primary level, and 2 percent at the secondary level. Major nonformal education programs, such as functional literacy and farmer training, are estimated to reach no more

than two out of 100 rural families. The provision of information and services to the rural population is severely limited by a shortage of trained extension personnel, and an inability of the population to receive and understand the message. Because the vast majority of Nigeriens have had no access to education and training programs of any kind, there is a shortage of qualified policy makers, administrators, planners, and operating personnel at all levels in both the public and private sectors. Niger's human resource base must be greatly strengthened as a fundamental pre-requisite to sustained economic development.

The current Five-Year Development Plan establishes three long-term objectives for human resources development: (a) basic education for all school-age children, (b) an education and training system adapted to the country's development needs, and (c) the production of skilled and educated manpower. Specific goals of the GON during the period of the plan are to: (a) increase the primary school enrollment ratio from 27 percent to 35 percent and the transition rate from primary to secondary school from 40 percent to 50 percent; (b) strengthen the University of Niamey, particularly the departments concerned with agriculture, forestry, animal production, education, law, business and science; and (c) train people to meet the most immediate requirements for skilled manpower in agriculture, animal production, mining, communications and transportation. Other objectives include improving the quality of education by expanding the output of teaching staff, recruiting teachers at a higher education level, upgrading primary teacher training and intensifying in-service teacher training. The GON also desires to strengthen the staff of the institutions responsible for education and expand the school inspectorate system along with the upgrading of educational facilities, equipment and materials. It desires to include training components in all development projects and has given employers in the private sector the mandate to provide training opportunities for their personnel.

The qualitative improvement of Niger's human resource presents a complex problem for the GON because of certain demographic characteristics of the country's population. Of Niger's total population of approximately 5.8 million persons, an estimated 47 percent is under 15 years of age and approximately 56 percent is less than 20 years of age. Thus, the population of the country, as a whole, is very young. This large dependency ratio affects the GON capacity to provide adequate educational opportunities for the population. It also has implications for the size of the future labor force in relation to availability of jobs in both the public and private sectors.

Despite these difficulties, the GON's level of effort toward the expansion of education has been significant. In recent years, an average of 17 percent of the operating budget has been targeted toward education programs. During the most recent Five-Year Plan, 22 percent of the GON investment budget is planned for the human resource and health sectors. As a result, enrollments have increased in recent years at an average annual rate of 10 percent at the primary and 15 percent at the secondary levels.

However, there are issues and problems which presently confront the education sector, and the GON recognizes the need to revise its strategies for achieving its long-term educational development objectives which appear to be sound. Major issues and problems are:

- (a) The need to search for alternative solutions to the GON policy that the State assumes the entire cost of public education and provides support to private schools. The government has experienced public resistance to its proposal that certain costs of education be borne by parents;
- (b) the need to take into account the recurrent cost implications of developing education programs;
- (c) the need to reform the current overly-theoretical educational curriculum. A reform of the system to gear it toward the exigencies of Niger's development is necessary and will require experimentation and new methodologies;

- (d) a high drop-out rate; approximately 56 percent of the pupils entering the education system complete the first six years of schooling;
- (e) the lack of qualified Nigerien staff for planning and administration of education and training programs; presently, more than 50 percent of such staff are expatriates;
- (f) the limited and unequal access to education and training, especially for the rural population and, particularly, for women. The proportion of girls is 35 percent at the primary education levels and 29 percent at the secondary levels;
- (g) the fact that Nigerien teachers are undertrained or underqualified at all levels; and
- (h) the inability of the education system to produce adequate numbers of literate, skilled and educated Nigeriens to meet the country's priority manpower requirements.

The Civil Service. The civil service must also be examined as a human resource development issue. In general, the GON civil service can be characterized as an overly centralized decision-making body inadequately equipped for administrative and technical functions. There is a lack of suitably trained civil servants and shortages of qualified candidates for the civil service. Executive-level GON officials tend to be well educated, but in most cases they are technical specialists without the benefit of the requisite administrative and managerial skills necessary to manage large-scale development activities. An even greater constraint is the lack of well-qualified middle-level personnel to implement Niger's development programs. In addition, frequent staff turnover of these mid-level personnel is cited by donors as a major problem which further disrupts development activities. In agriculture, livestock, and other rural development programs, personnel responsible for extension, research and cooperative development activities are, in general, technically and administratively underqualified.

#### 4. Policy Environment

##### a. Overall

As is the case with many developing countries, the GON still relies primarily on direct economic controls and public

sector involvement in the management of its economy. The GON, however, has indicated that it wishes to abolish or reform policies that impede the attainment of its development objectives, but the GON is cautious. Policy reform will be considered in the context of the overall economic, social, cultural and political environment. A limiting factor for the GON in assessing its policy environment is its institutional incapacity for the design and implementation of new policies. This has perverse effects which undermine the policy goals.

The strategy of the GON is to exercise leadership in key sectors such as mining, agriculture, education and health. A weakness in this strategy is that the role of the private sector has not been well defined. This is so even though the GON recognizes such a role and states that it does not plan to have the government substitute for private sector interventions. An active private entrepreneurial sector exists in Niger's traditional traders and merchants. However, much of this activity is not official recognized. The GON has intervened in the industrial sector through the establishment of a number of state or mixed enterprises, thus substituting itself for private entrepreneurship.

The GON investment code has some inherent and systemic problems. All investment projects are subject to GON review and the process often involves long delays. To qualify for GON approval, investment activities must: a) give priority to the use of local materials, b) train Nigerien managers and supervisors, c) open their capital to local investors, and d) obtain government approval of prices prior to sales. Weaknesses of the investment code are: a) benefits granted do not respond to a well-defined industrial development strategy and subsector priorities, b) there are no standard guidelines and methodology to determine which benefits an investment project requires or deserves, and c) there is no gradual transition to competition: when benefits expire, the enterprise must suddenly pay all taxes and face open competition.

b. Economic/Financial

The GON's financial policies have been essentially sound (see next section - Recent Macroeconomic Developments). The GON has attempted to direct its resources toward its investment program. However, after the considerable drop-off of uranium revenues and the deterioration of the country's financial situation in 1980 and 1981, the GON has been forced to drastically reduce investment expenditures and reassess the country's near term development strategies. In April 1982, Niger's President informed the people that Niger must adjust to a period of "pause and consolidation". As a consequence the GON is preparing a new interim development plan for 1984-1985 which is scheduled to take effect in late 1983. The interim plan will incorporate recent IMF recommendations such as: stimulation of agricultural production, particularly by increased emphasis on cash crops; increased export promotion of livestock and vegetables; and the reconsideration of all subsidy policies. In order to obtain the IMF standby and compensatory financing facilities, the GON will have to stop short-term commercial borrowing in order to avoid any confidence crisis arising from the debt situation. This condition is not likely to be negotiable. Other fiscal austerity measures, such as the thorough scrutiny of all government expenditures and the critical examination of donor projects which require counterpart financing, have been initiated. In going to the IMF for assistance, the GON has explicitly recognized the need for structural reforms and policy change within its economy.

c. Private Sector Development

The long-term goal of the GON in its willingness to develop the private sector is to gradually create a sound and diversified industrial base which would maintain economic growth when uranium deposits have been fully exploited. This policy is characterized by the following objectives:

- (1) to strengthen existing enterprises, by removing internal and external bottlenecks to their operations, by facilitating their rehabilitation and by giving priority to extension and modernization projects of existing firms;
- (2) to increase the contribution of Nigerien nationals in the development of industries and to assist small and artisan enterprises through the provision of training and credit;
- (3) to give priority to industries which process agricultural/livestock and mining products and to create an industrial base ensuring the country's economic independence in years to come;
- (4) to pursue the promotion of import substitution and export oriented industries to improve balance of trade and develop commerce with neighboring countries.

These objectives are ambitious, given the constraints faced by the private sector in operating in the Nigerien economy: high transport costs, insufficient infrastructure, high energy and construction costs, shortage of management talent, scarcity of skilled labor and a limited domestic market. Additional factors constraining private sector development are the GON's maintenance of price controls on consumer prices which inhibit entrepreneurs from reflecting cost increases in a timely fashion. The GON recognizes the constraints of this policy and has recently made some improvements in its price control system. The limitation of trade margins (also aimed at consumer protection) has had a negative impact as traders become reluctant to carry locally manufactured goods.

### C. Recent Macroeconomic Developments

#### 1. Growth, Fluctuations, and Structure of the Economy

Recent historical data show that Niger has experienced varying degrees of growth of real Gross Domestic Product (GDP), ranging from a negative growth of 13 percent in 1973 (during the Sahelian drought) to growth rates of 25 and 18 percent in 1975 and 1976 as a result of the uranium boom. The rapid growth period was stimulated by the oil price increase in 1973-1974 and the consequent 100 percent rise in the price of uranium in 1975. It was followed by a pause in 1977 with a real GDP growth

rate of 3.5 percent. Economic growth in real terms resumed rapidly, reaching the peak in 1979 with a 13 percent real growth rate. The years 1980 and 1981 witnessed a slowdown in economic growth. The real growth rate for 1981 was about 1 percent; it was estimated to be zero in 1982. In 1983 the situation is not expected to change much even though the price of uranium will increase to 27,500 CFA francs per kilogram. But this will be offset by a cut in uranium production to 3,400 tons (a reduction of 9 percent). Furthermore, investment activities, both public and private, are expected to slow down. If the IMF standby and compensatory financing facilities, which Niger is considering, are accepted, the real GDP is projected by the IMF to grow by approximately 1 percent in 1983. This projection is probably on the high side.

Most of the growth since 1975 took place in agriculture, livestock, uranium mining, and construction. The average nominal growth rates during the period 1975-1977 for agriculture, mining and construction were respectively 31, 47 and 33 percent. This growth pattern, especially with regard to uranium mining and construction, continued until 1980-1981 when the mining sector growth fell drastically to a level of 6.5 percent in 1980 and the construction sector experienced a negative growth rate of 8 percent in 1981. The slowdown took place after a record-high growth of 71 percent in the previous year when a second uranium mine (COMINAK) came on stream.

In 1979, the Government of Niger launched an ambitious public investment program under the Five-Year Plan Program (1979-1983). The public investment program and relatively good performance in agriculture and livestock kept the economy growing at a rate of 4.9 percent in real terms in 1980. In 1981, with the decline in the uranium value added, together with a decline in public investment, GDP only grew by 1 percent in real terms.

The structure of the economy of Niger also changed significantly during the second half of the 1970's. Table 1 shows the structure of the economy during the period 1977-1981, both

Table 1

Structure of Gross Domestic Product by Sector, 1977-1981  
(in billions of CFA francs at Current Market Prices)

|                                   | 1977   | 1978   | 1979    | 1980    | 1981    |
|-----------------------------------|--------|--------|---------|---------|---------|
| Rural Sector                      | 143.1  | 174.5  | 197.6   | 229.0   | 278.7   |
| Agriculture                       | (76.1) | (95.7) | (105.4) | (120.8) | (152.0) |
| Livestock                         | (51.9) | (61.4) | (72.2)  | (85.2)  | (100.3) |
| Forestry and Fishing              | (15.1) | (17.4) | (20.0)  | (23.0)  | (26.4)  |
| Mining                            | 23.2   | 36.0   | 61.6    | 65.6    | 54.3    |
| Industry, Handicraft and Energy   | 17.7   | 19.8   | 23.4    | 27.9    | 36.0    |
| Manufacturing                     | (3.7)  | (4.0)  | (5.7)   | (6.3)   | (7.5)   |
| Handicraft                        | (12.5) | (14.6) | (17.1)  | (20.0)  | (23.4)  |
| Water and Energy                  | (1.5)  | (1.2)  | (0.6)   | (1.6)   | (5.1)   |
| Construction and Public Works     | 11.7   | 19.5   | 29.7    | 37.2    | 34.0    |
| Commerce, Transport, and Services | 58.7   | 70.3   | 79.9    | 101.1   | 120.9   |
| Commerce                          | (34.4) | (39.6) | (46.1)  | (52.7)  | (65.2)  |
| Transport                         | (10.4) | (14.1) | (17.4)  | (21.5)  | (25.5)  |
| Services                          | (13.9) | (16.6) | (16.4)  | (26.9)  | (30.2)  |
| Government                        | 21.0   | 25.4   | 30.4    | 38.6    | 45.4    |
| Import Taxes and Duties           | 12.6   | 16.6   | 20.0    | 29.1    | 28.3    |
| GDP at Current Market Prices      | 288.0  | 362.1  | 442.6   | 528.5   | 597.6   |
| GDP at 1976 Prices                | 249.6  | 270.4  | 307.1   | 322.2   | 325.7   |
| <u>Memorandum Items</u>           |        |        |         |         |         |
| Nominal GDP Growth Rate           | 19.4   | 25.7   | 22.2    | 19.4    | 13.1    |
| Real GDP Growth Rate              | 3.5    | 8.3    | 13.6    | 4.9     | 1.1     |
| Implicit GDP Deflator             | 115.4  | 133.9  | 144.1   | 164.0   | 183.5   |

Table 1 (Contd)

Structure of Gross Domestic Product by Sector, 1977-1981  
(in percent)

|                                   | 1977   | 1978   | 1979   | 1980   | 1981   |
|-----------------------------------|--------|--------|--------|--------|--------|
| Rural Sector                      | 49.7   | 48.2   | 44.6   | 43.3   | 46.6   |
| Agriculture                       | (26.4) | (26.4) | (23.8) | (22.9) | (25.4) |
| Livestock                         | (18.0) | (17.0) | (16.3) | (16.1) | (16.8) |
| Forestry and Fishing              | (5.3)  | (4.8)  | (4.5)  | (4.3)  | (4.4)  |
| Mining                            | 8.1    | 9.9    | 13.9   | 12.4   | 9.1    |
| Industry, Handicraft and Energy   | 6.2    | 5.5    | 5.3    | 5.3    | 6.0    |
| Manufacturing                     | (1.3)  | (1.2)  | (1.3)  | (1.2)  | (1.3)  |
| Handicraft                        | (4.4)  | (4.0)  | (3.9)  | (3.8)  | (3.9)  |
| Water and Energy                  | (0.5)  | (0.3)  | (0.1)  | (0.3)  | (0.8)  |
| Construction and Public Works     | 4.0    | 5.4    | 6.7    | 7.0    | 5.7    |
| Commerce, Transport, and Services | 20.3   | 19.4   | 18.1   | 19.2   | 20.2   |
| Commerce                          | (11.9) | (10.9) | (10.4) | (10.0) | (10.9) |
| Transport                         | (3.6)  | (3.9)  | (4.0)  | (4.1)  | (4.3)  |
| Services                          | (4.8)  | (4.6)  | (3.7)  | (5.1)  | (5.0)  |
| Government                        | 7.3    | 7.0    | 6.9    | 7.3    | 7.6    |
| Import Taxes and Duties           | 4.4    | 4.6    | 4.5    | 5.5    | 4.8    |
| GDP                               | 100.0  | 100.0  | 100.0  | 100.0  | 100.0  |

Source: Ministry of Planning

in absolute terms and in relative percentage shares. One basic structural change was the increased dominance of uranium in the economy. The contribution of the mining sector to GDP increased steadily from less than one percent of GDP in the late 1960's and early 1970's to 8 percent in 1977, and reaching the peak in 1979 at almost 14 percent. In 1981, the contribution of uranium mining dropped to 9 percent. Uranium mining has also contributed to the increasing share in GDP of construction, from less than 4 percent in 1976 to 7 percent in 1980; it dropped to 5.7 percent in 1981.

The relative share of the rural sector in GDP, mainly agriculture and livestock declined from a share of more than 50 percent in the late 1960's and early 1970's to 48 percent in 1978 and remained at about 43-46 percent in 1980-1981. The decreased share of the rural sector reflected the relatively much faster growth rates in mining and construction rather than the stagnation of the rural sector.

## 2. Trade and Balance of Payments

Since 1977, the significance of uranium exports as a source of foreign exchange earnings increased steadily from 62 percent of Niger's exports in 1977 to 80 percent in 1981. Next to uranium exports are livestock and livestock products (hides and skins). They accounted for 15 to 26 percent of Niger's exports. This is officially recorded trade; it understates the actual exports because of unrecorded cross-border trade with Nigeria. Although current data on composition of imports are not available, a large portion of imports probably consists of capital goods and machinery for mining activities and construction, pharmaceutical and petroleum products.

Throughout the period 1977-1981, the merchandise trade balance was in deficit ranging from 26.3 to 54.4 billion CFA francs or 9-14 percent of GDP. The current account balance, which was also in deficit throughout this period, rose rapidly from 63.2 billion CFA francs in 1979 to 82.6 billion CFA francs in 1981 -- an increase of 31 percent. It reflected increases

in net outflows of private transfers, mostly expatriate remittances, but more importantly the rising interest payments on external debt. Debt service payments went from 3.0 billion CFA francs in 1977 to 12 billion CFA francs in 1981. In 1982, it is estimated at 20.0 billion CFA francs.

External public debt reached 300 billion CFA francs (\$857 million) in 1982, representing 50 percent of GDP. Approximately 32 percent of the debt is on commercial terms with an average annual rate of interest of 15 percent and an amortization period of 3-7 years. The external public debt situation from 1977-1982 is summarized below:

|   | (in billions of CFA francs) |      |       |       |       |       |
|---|-----------------------------|------|-------|-------|-------|-------|
|   | 1977                        | 1978 | 1979  | 1980  | 1981  | 1982  |
| External Debt   | 63.0                        | 83.0 | 105.0 | 183.0 | 241.0 | 300.0 |
| Debt Service Payments<br>(Interest and<br>Amortization) | 3.0                         | 2.4  | 3.2   | 6.5   | 12.0  | 20.0  |
| Export Earnings   | 46.8                        | 72.4 | 107.4 | 120.3 | 123.6 | 125.0 |
| Debt Service Ratio                                      | 4.9                         | 3.3  | 3.0   | 5.4   | 9.7   | 16.0  |

The debt service ratio increased to 16 percent in 1982, and is expected to reach 25 percent in 1983. If the debt service on the external debt of the mining companies is included, the debt service ratio would be in the neighborhood of 40 percent.

The overall 1981 balance of payments deficit is estimated at about 4 billion CFA francs; gross foreign reserves at the end of 1981 represented about 2.3 months of merchandise imports. In 1982, difficulties selling Niger's high-priced uranium caused the overall balance of payments to deteriorate substantially. Niger's overall balance of payments deficit is estimated at roughly 25-30 billion CFA francs.

The uranium situation in the near future is not expected to change. The planned production level for uranium in 1983 will be lower than the actual production of 3,750 tons in 1982. It is set at 3,400 tons. Although the negotiated price in 1983 has been raised to 27,500 CFA francs per kilogram (up 15 percent from 1982), unless the export volume is raised to 3,530 tons, uranium export earnings, even in nominal terms, will not recover to the 1980-1981 level. In view of the difficulties involved in the nuclear energy industry and the relatively inelastic stock demand for uranium, the full recovery to the 1980-1981 level will not take place.

Niger's current balance of payments difficulty is partly due to external factors (sluggish uranium exports and rising import costs which together contribute to a deterioration of the terms of trade) and partly to miscalculations on certain economic policies (the over-acceleration of investment which contributes to substantial increase in imports and the rapid increase in external borrowings at commercial terms to finance such imports).

In the short and medium-run, some balance of payments support will be necessary to stabilize the situation and avoid increasing external debt on commercial terms. Some adjustments will also be required to restore equilibrium in the balance of payments. The Government of Niger has already adopted domestic measures directed at demand restraint and trade restrictions. It has also adopted contractionary fiscal and monetary policies. The national budget for 1983 was reduced by 13.4 percent in nominal terms, reflecting the planned reduction in the investment budget. The growth of money supply was reduced from an average of 20 percent during the period 1979-1981 to about 8 percent in 1982. Discount rates, which are determined by the West African Monetary Union for all members, were raised from 9.8-10.6 percent in 1980 to 14.3-14.8 percent in 1982. The growth of domestic credit was reduced from 36 percent in 1979 to 20 percent in 1981; it increased again to 33 percent in 1982.

### 3. Public Finance

#### Government Revenue

Table 2 shows the recent trends of government revenues. The major sources of the revenue are from taxes on income and profits, turnover taxes on goods and services, taxes on international trade, and exceptional contributions from uranium mining.

Taxes on income and profits accounted for an average of 27 percent of total revenue during the period of 1978-1980. Its share in the total revenue fell to about 13 percent in 1982 with most of the reduction reflecting declining uranium revenues.

TABLE 2

Niger: Government Revenue

|                                  | Fiscal Years (October 1 - September 30) |      |      |      |      |      |
|----------------------------------|---|------|------|------|------|------|
|                                  | 1978                                    | 1979 | 1980 | 1981 | 1982 | 1983 |
|                                  | (in billions of CFA Francs)             |      |      |      |      |      |
| <u>Tax Revenue</u>               | 34.2                                    | 47.1 | 59.2 | 59.5 | 61.6 | 67.0 |
| Taxes on Income and Profits      | 11.0                                    | 16.5 | 21.0 | 15.4 | 12.6 | 13.5 |
| Taxes on Goods and Services      | 6.2                                     | 10.4 | 12.8 | 15.9 | 17.0 | 17.5 |
| Taxes on International Trade     | 14.2                                    | 17.0 | 22.1 | 25.0 | 28.2 | 32.1 |
| Stamp Taxes                      | 2.8                                     | 3.2  | 3.3  | 3.2  | 3.8  | 3.9  |
| <u>Nontax and Other Revenues</u> | 9.2                                     | 12.2 | 12.9 | 21.1 | 32.3 | 14.2 |
| <u>Total Revenue</u>             | 43.4                                    | 59.3 | 72.1 | 80.6 | 93.9 | 81.2 |

(As percentage of Total Revenue)

|                                  |        |        |        |        |        |        |
|----------------------------------|--------|--------|--------|--------|--------|--------|
| <u>Tax Revenue</u>               | 78.8   | 79.4   | 82.1   | 73.8   | 65.6   | 82.5   |
| Taxes on Income and Profits      | (25.3) | (27.7) | (29.1) | (19.1) | (13.4) | (16.6) |
| Taxes on Goods and Services      | (14.3) | (17.5) | (17.8) | (19.7) | (18.1) | (21.6) |
| Taxes on International Trade     | (32.7) | (28.8) | (30.6) | (31.0) | (30.0) | (39.5) |
| Stamp Taxes                      | ( 6.5) | ( 5.4) | ( 4.6) | ( 4.0) | ( 4.1) | ( 4.8) |
| <u>Nontax and Other Revenues</u> | 21.2   | 20.6   | 17.9   | 26.2   | 34.4   | 17.5   |

Source: BCEAO (Banque Centrale des Etas de l'Afrique de l'Ouest)

The significance of uranium as a source of government revenues is summarized below:

| <u>Fiscal Year</u> | <u>Uranium Revenues</u><br>(in billion CFA francs) | <u>as % of the</u><br><u>National Budget</u> |
|--------------------|--|--|
| 1977               | 10.0   | 29   |
| 1978               | 18.0   | 42   |
| 1979               | 24.1   | 43   |
| 1980               | 24.6   | 34   |
| 1981               | 13.0   | 16   |
| 1982               | 11.0   | 12   |

Taxes on goods and services, which grew rapidly at an average rate of 38 percent during the period 1978-1981, slowed down to 7 percent in 1982. Their share in total revenue rose from 14 percent in 1978 to almost 20 percent in 1981 and fell slightly to 18 percent in 1982. One reason for the slowdown in the growth of this tax revenue category could be attributed to the poor tax performance in excise taxes and taxes on services and on use of goods and property.

Taxes on international trade grew at an annual rate of about 25 percent during 1978-1980. The growth rate has dropped to about 13 percent since 1980. The share of taxes on international trade in the total revenue remained relatively constant at approximately 30 percent over the period 1978-1982. Import duties accounted for more than half of these budgetary receipts during this period.

Total revenue increased rapidly at about 30 percent during the period 1978-1980; it slowed down substantially since 1980. Although the total revenue was projected at the level of 93.9 billion CFA francs in 1982, it fell short by a substantial amount. According to our estimates, the shortfall is probably in the neighborhood of 15-18 billion CFA francs. The anticipated revenue for 1983 is 81.2 billion CFA francs, representing a reduction of 13.4 percent from the previous year's expected revenue.

To make up for some of the declining uranium revenues, the government has introduced the following tax increases for 1983; taxes on income and profits will go up by 7.5 percent, goods and services by 3.5 percent, international trade by 14 percent, and license and registration fees by 1.3 percent. According to our calculations, the potential increase in revenues from these measures will be roughly 5-6 billion CFA francs. The actual increase in revenues will depend on several factors, among which are the elasticity and buoyancy of tax in relation to GDP, as well as the efficiency of the tax administration, i.e., the effectiveness of tax collection and enforcement.

For the near-term, further attempts to increase revenues to make up for the lower uranium revenues must come from increasing the efficiency of tax administration and expanding the tax base instead of increases in tax rates. However, the possibility for widening the tax base in real terms is determined by the overall level of economic activity. Since the level of economic activity is not likely to increase greatly in the short and medium-run, the option of increasing the real tax base will be limited. This leaves increasing efficiency in tax administration the only viable option.

#### Budgetary Expenditures

The budgetary expenditure of the Government of Niger can be divided into current expenditure and investment expenditure. Investment outlays are made through what is called the National Investment Fund (Fonds National d'Investissement - FNI).

Table 3 below shows the expenditure pattern over the period 1978-1983. During this period total budgetary expenditure has doubled. The fastest growth period was 1979-1980, in which the total budgetary expenditure rose from 43.4 billion CFA francs to 72.1 billion CFA francs; it peaked in 1982. Over the period 1979-1981, the ratio of the current expenditure share in the total budget to capital expenditure share remained relatively constant at approximately 65 to 35. In 1982, the

TABLE 3

Budgetary Expenditure

|                                       | Fiscal Years (October 1 - September 30) |      |      |      |      |      |
|---------------------------------------|---|------|------|------|------|------|
|                                       | 1978                                    | 1979 | 1980 | 1981 | 1982 | 1983 |
|                                       | (in billions of CFA francs)             |      |      |      |      |      |
| Current Expenditure                   | 30.4                                    | 37.4 | 46.1 | 54.6 | 67.9 | 74.2 |
| Public Debt                           | 2.3                                     | 3.3  | 4.2  | 8.7  | 16.6 | 19.9 |
| Wages and Salaries                    | 10.9                                    | 12.8 | 18.3 | 19.1 | 23.1 | 23.6 |
| Materials and Supplies                | 8.7                                     | 12.0 | 12.1 | 13.4 | 14.7 | 16.8 |
| Subsidies and Transfers <sup>1/</sup> | 8.5                                     | 9.3  | 11.5 | 13.4 | 13.5 | 13.9 |
| Investment Expenditure                | 13.0                                    | 21.9 | 26.0 | 26.0 | 26.0 | 7.0  |
| Total Budgetary Expenditure           | 43.4                                    | 59.3 | 72.1 | 80.6 | 93.9 | 81.2 |

Source: Banque Centrale des Etas de l'Afrique de l'Ouest (BCEAO), and Ministry of Finance. The data from FY 1978-1982 are taken from BCEAO; the data for FY 1983 are from the Ministry of Finance. The data from these two sources are different slightly from those published by the IMF. The IMF data ended with FY 1981; both the FY 1980 and FY 1981 data are, however, provisional.

<sup>1/</sup> It includes other expenditures not included in wages and salaries or materials and supplies

share of the current expenditure rose to 72 percent and that of investment expenditure fell to 28 percent. The share of interest and amortization payments on public debt increased rapidly from less than 6 percent of the budget in 1980 to almost 18 percent in 1982. The share of wages and salaries spending in the budget fluctuated between 22 and 25 percent but rose to 29 percent in 1983. The share of materials and supplies spending fell steadily from 20 percent in 1979 to about 16 percent in 1982; it is projected to go up to about 20 percent in 1983. The budget share of subsidies and transfers remained roughly the same at 16 percent.

For 1983, the national budget fell to 81.2 billion CFA francs. This represents a reduction of 13.4 percent in nominal terms. In real terms, taking into consideration inflation, it is more than 20 percent. The biggest cut is in the National Investment Fund (Fonds National d'Investissement - FNI). The FNI is earmarked mainly for investment activities, both financed by the government's own resources as well as its contributions to investment projects financed by donor agencies. The 1983 budget allocates 7 billion CFA francs compared to 26 billion CFA francs in 1982. The reduction reflects both declining uranium revenues and the Government of Niger's realization that investment activities cannot be sustained at the extraordinarily high level of the 1977-1980 period. For example, only 40 percent of the planned 26 billion CFA francs was actually realized in 1982. The 1983 FNI budget represents a reduction of 3.4 billion CFA francs (or approximately 33 percent from the 1982 realized FNI). In real terms, the cut is more than 40 percent. The share of the FNI has declined from the range of 30-40 percent of the national budget during 1977-1980 to 11 percent in 1982 and 9 percent in 1983. The trend of the FNI in relationship to the national budget is summarized below:

Comparison of Planned and Realized FNI  
(in billions of CFA francs)

| <u>Year</u> | <u>National Budget</u> | <u>Planned FNI</u> | <u>Realized FNI</u> | <u>Realized FNI as % of Budget</u> |
|-------------|------------------------|--------------------|---------------------|------------------------------------|
| 1977        | 34.1                   | 8.0                | 10.0                | 29                                 |
| 1978        | 43.4                   | 13.0               | 18.1                | 42                                 |
| 1979        | 59.3                   | 21.0               | 24.1                | 41                                 |
| 1980        | 72.1                   | 26.0               | 24.6                | 34                                 |
| 1981        | 80.6                   | 26.0               | 13.0                | 16                                 |
| 1982        | 93.9                   | 26.0               | 10.4                | 11                                 |
| 1983        | 81.2                   | 7.0                | n.a.                | n.a.                               |

All the other categories of budgetary expenditures increase in 1983. The rates of increases are, however, lower than last year's inflation rate, with the exception of payments for public debts and perhaps materials and supplies spending, which grow by about 20 and 14 percent respectively. In terms of their relative shares in the budget, current expenditure accounts for 91 percent of the budget as compared to 72 percent in 1982.

The trends of functional budget allocations in five areas (rural development, public works, education, health, and national defense) are shown below. They account for about one-third of the national budget in 1983. The rest of the 1983 budget goes to Ministries of Finance, Planning, Foreign Affairs, Interior, Youth and Sports, Commerce and Transport, Mines and Industry, Hydraulics and Environment, Research and general administration. The Ministry of Finance is allocated 50 percent of the budget with about half of its budget earmarked for public debt service payments. Other major shares of the budget are: Interior (4.9 percent), Foreign Affairs (1.3 percent), Youth and Sports (2.5 percent), Research (2.5 percent), and general administration (1.3 percent).

Selected Budgetary Expenditure Allocation  
by Functional Classification

|                   | <u>1978</u>                     | <u>1979</u> | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> |
|-------------------|---------------------------------|-------------|-------------|-------------|-------------|-------------|
|                   | (in billions of CFA francs)     |             |             |             |             |             |
| Rural Development | 1.3                             | 1.6         | 2.0         | 2.3         | 2.5         | 2.1         |
| Public Works      | 3.3                             | 2.8         | 3.1         | 3.6         | 3.7         | 4.0         |
| Education         | 4.9                             | 5.8         | 7.7         | 10.0        | 10.7        | 12.6        |
| Health            | 2.2                             | 2.6         | 3.0         | 3.4         | 3.8         | 4.4         |
| Defense           | 2.2                             | 2.6         | 3.0         | 3.7         | 4.0         | 4.4         |
|                   | (as percentage of total budget) |             |             |             |             |             |
| Rural Development | 3.0                             | 2.7         | 2.7         | 2.8         | 2.6         | 2.6         |
| Public Works      | 7.6                             | 4.7         | 4.3         | 4.5         | 3.9         | 4.9         |
| Education         | 11.3                            | 9.8         | 10.7        | 12.4        | 11.4        | 15.5        |
| Health            | 5.1                             | 4.4         | 4.1         | 4.2         | 4.0         | 5.4         |
| Defense           | 5.1                             | 4.4         | 4.1         | 4.6         | 4.2         | 5.4         |

Source: BCEAO and Ministry of Finance

Education accounts for more than 11 percent of the total budget in 1982. Despite the planned budget cuts in 1983, the education budget will increase by 18 percent, and its share will be more than 15 percent. The average annual growth rate of the education budget is 22 percent over the period 1978-1982. The share of health expenditure in the budget fluctuated slightly between 4-5 percent during the period 1978-1982. During this period its average annual growth rate was 14.5 percent. Its share will go up to 5.4 percent in 1983, representing an increase of about 16 percent. The defense expenditure share follows the same pattern as health. Its share in the 1983 budget is 5.4 percent, representing an increase of 10 percent over its 1982 budget. The share of public works remained between 4-5 percent during the period 1979-1982 after declining from 7.6 percent in 1978.

The share of the total budget going to rural development activities has declined steadily from 3 percent in 1978 to 2.6 percent in 1982. Although its average annual growth rate was about 11 percent during the period 1978-1982, this was below the growth of the total budget and many other functional budgetary shares. Consequently, its budgetary share declined

over this period. In 1983, its share will remain the same, but this is due to the reduction in the total budget. The allocated expenditure for rural development actually falls from 2.5 billion CFA francs to 2.1 billion CFA francs. With this budget cut, many on-going project (investment) activities will certainly be affected, unless external assistance is obtained. In fact, the Government of Niger is probably making the very rational judgment that indeed concessional external assistance will be available. Several major donors already provide significant assistance in this field and can, in fact, be expected to continue to do so.

The 1983 budget signals a real contractionary fiscal policy and an increased awareness of a need for current expenditure outlays. A relatively large portion of these outlays is probably associated with the cost of maintaining projects which are still in their developmental phase, and therefore should not be classified as recurrent costs. It is doubtful, however, that the Government of Niger will be able to finance its planned budget without resort to borrowing or additional aid.

#### Extra-budgetary Expenditure

It is the policy of the government only to increase expenditure to the extent that revenue increases to avoid budgetary deficits. In spite of this the budget has been in deficit when extra-budgetary expenditure is taken into account. Almost all of the extra-budgetary expenditure has apparently been for investment expenditure associated with development projects largely financed by external donors. In effect, extra-budgetary expenditure is the local currency contribution to donor-assisted projects.

Extra-budgetary expenditure was estimated by the IMF to increase from about 32 billion CFA francs in 1978 to about 53 billion CFA francs in 1981. The overall budget deficits, defined as the difference between total expenditure (budgetary and extra-budgetary) and total revenue (internal revenue and grants), increased from 11 billion CFA francs in 1978 to about

32 billion CFA francs in 1981; it is estimated at about 24 billion CFA francs in 1982.

#### 4. Development Planning and Public Investment

In 1979, the Government of Niger launched a Five-Year Development Plan (1979-1983). The plan's major goals are: increasing food production, development of basic infrastructure, improvement of social services (especially in health and education), diversification of the productive base of the economy, and further expansion of the mining sector. The financial requirement for the plan, in 1979 prices, is 975 billion CFA francs, of which 727 billion CFA francs or about 75 percent of the total is for investment purposes, with the remaining 248 billion CFA francs for recurrent expenditures.

Table 4 below shows the allocation of public investment in the plan by sector. It also provides a comparison between planned and realized public investment during the first three years of the plan. The aggregate ratio of realized to planned investment is 0.9. However, an examination of the composition of public investment activities under the plan reveals that this high ratio is probably due to excessive investment in infrastructure in telecommunications, roads and transportation, and government building (i.e. administrative infrastructure as it is called in the plan). The ratios of actual to planned investment for the period 1979-1981 are 1.2, 3.0, and 2.5 for roads and transportation, telecommunications and administrative infrastructure respectively.<sup>1/</sup> This means that the actual investments in telecommunication and administrative infrastructure are 200 and 150 percent higher than those called for in the plan. In the directly productive sector (i.e., agriculture, livestock, forestry, manufacturing, mining, commerce, and tourism), the ratio of actual to planned investment is substantially below one.

<sup>1/</sup>In the Development Plan, the shares of the two sectors combined for 1979, 1980, and 1981 are respectively 30, 28, and 31 percent; the actual shares are 32, 39, and 53 percent.

Table 4  
 Comparison Between Planned and Realized Public Investment, 1979-1981  
 (in billions of CFA francs)

|                                      | 1979                               |                     | 1980 <sup>2/</sup>  |                     | 1981 <sup>2/</sup>  |                     | Ratio of<br>Realized<br>to Planned<br>Investment<br>1979-1981 |
|--------------------------------------|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---|
|                                      | Planned <sup>1/</sup><br>1979-1983 | Planned<br>Realized | Planned<br>Realized | Planned<br>Realized | Planned<br>Realized | Planned<br>Realized |   |
| <u>Directly Productive Sector</u>    | 176.0                              | 20.6                | 12.0                | 34.0                | 20.4                | 47.3                | 0.56  |
| Agriculture                          | 69.2                               | 9.3                 | 6.5                 | 14.0                | 10.3                | 18.1                | 0.69  |
| Livestock                            | 18.5                               | 3.3                 | 1.2                 | 4.5                 | 1.7                 | 5.8                 | 0.33  |
| Forestry and Fisheries               | 4.4                                | 0.6                 | 0.2                 | 1.1                 | 0.7                 | 1.1                 | 0.64  |
| Manufacturing                        | 13.7                               | 1.5                 | 1.1                 | 2.8                 | 1.9                 | 3.0                 | 0.56  |
| Mining                               | 39.5                               | 0.1                 | 0.4                 | 3.9                 | 1.6                 | 11.0                | 0.21  |
| Energy                               | 16.9                               | 2.8                 | 0.9                 | 4.2                 | 2.6                 | 3.6                 | 0.98  |
| Commerce                             | 5.3                                | 2.1                 | 0.8                 | 1.8                 | 0.4                 | 0.9                 | 0.38  |
| Tourism                              | 8.5                                | 0.9                 | 0.9                 | 1.7                 | 1.2                 | 3.8                 | 0.41  |
| <u>Economic Infrastructure</u>       | 92.1                               | 7.9                 | 8.3                 | 14.8                | 21.3                | 27.0                | 1.37  |
| Roads and Transportation             | 55.0                               | 4.5                 | 4.2                 | 8.1                 | 11.7                | 14.4                | 1.25  |
| Telecommunication                    | 12.7                               | 0.6                 | 1.7                 | 2.9                 | 6.6                 | 4.6                 | 3.01  |
| Waterworks                           | 24.4                               | 2.8                 | 2.4                 | 3.8                 | 3.0                 | 8.0                 | 0.67  |
| <u>Social Infrastructure</u>         | 90.1                               | 9.3                 | 11.6                | 21.8                | 22.3                | 29.4                | 0.90  |
| Health and Nutrition                 | 19.0                               | 1.5                 | 1.2                 | 4.5                 | 2.0                 | 5.8                 | 0.56  |
| Education and Training               | 50.0                               | 4.1                 | 6.7                 | 11.1                | 11.7                | 16.3                | 0.95  |
| Youth, Sports, and Information       | 15.9                               | 3.1                 | 2.9                 | 4.3                 | 2.6                 | 5.9                 | 0.58  |
| Urban Development                    | 5.2                                | 0.6                 | 0.8                 | 1.9                 | 6.0                 | 1.4                 | 2.49  |
| <u>Administrative Infrastructure</u> | 26.3                               | 4.8                 | 5.3                 | 6.6                 | 6.5                 | 7.2                 | 1.32  |
| Total Investment                     | 384.5                              | 42.6                | 42.8                | 77.4                | 70.5                | 110.9               | 0.91  |

<sup>1/</sup> Planned investment for the whole period (1979-1983) is expressed at 1979 prices.

<sup>2/</sup> Planned and actual investments for 1980 and 1981 are expressed in current prices. Planned investment figures are adjusted by using a twelve percent rate of inflation.

Source: Ministry of Planning, Bilan d'Exécution, 1980, 1981

Some of the factors limiting the ability of the directly productive sector to absorb planned investment effectively are due to external factors, such as the unfavorable market situation in uranium and the lack of private investment to complement public investment. Other factors are associated with the country's level of development and its resource endowments, especially its human resource constraint, the difficulties in applying and delivering appropriate technology in agriculture and livestock, and the poor and fragile agricultural resource base. But there are also factors that are attributable directly or indirectly to government policies and interventions, particularly restrictive practices in agricultural and livestock marketing and controls of the agricultural input supply, low food price policy, and subsidies to money-losing parastatals, (for example, the agricultural marketing agencies like OPVN and SONARA), which divert funds that could otherwise be made available for directly productive investments.

#### 5. Recurrent Cost Implications

With its ambitious investment program under the Five-Year Plan, and the current fiscal difficulty, the recurrent cost problem becomes a serious concern in the immediate future. However, no systematic, thorough examination of the problem has been done up to this time. The government has however agreed to conduct studies in certain sectors, such as agriculture and health.

As a rough indicator of the order of magnitude of the problem, USAID estimated the recurrent costs of some major projects in the Five-Year Plan in agriculture, livestock, transport and education. The results are shown in Table 5. The estimates are obtained by the recurrent cost coefficient method. The estimates are, of course, subject to some margin of error and should be adjusted as more information becomes available.

According to our results, if the projects were to reach the stage of normal operation in 1983 as planned, the recurrent costs for agriculture and livestock together would

Table 5  
 Estimates of Recurrent Costs of Major Investment  
 Projects Under the Five-Year Plan  
 (in millions of CFA francs)

|                                    | <u>Est. Proj.<br/>Cost dur-<br/>ing Plan<br/>Period</u> | <u>Recurrent<br/>Cost<br/>Coefficient</u> | <u>In<br/>1979<br/>Prices</u> | <u>In<br/>1982<br/>Prices</u> |
|------------------------------------|---|---|-------------------------------|-------------------------------|
| <u>Agriculture</u>                 |   |   | <u>4,904</u>                  | <u>6,864</u>                  |
| Productivity project               |   |   |                               |                               |
| Maradi                             | 5,066   | 0.2                                       | 1,013                         | 1,418                         |
| Dosso                              | 4,377   | 0.2                                       | 875                           | 1,225                         |
| Niamey                             | 2,000   | 0.2                                       | 400                           | 560                           |
| Rural Dev. Say                     | 2,907   | 0.2                                       | 581                           | 813                           |
| "      "      Zinder               | 2,209   | 0.2                                       | 441                           | 617                           |
| Fertilizers                        | 3,000   | 0.2                                       | 600                           | 840                           |
| Cereal Prodn.                      | 2,970   | 0.2                                       | 594                           | 831                           |
| Stock Facilities                   | 2,000   | 0.2                                       | 400                           | 560                           |
| <u>Livestock</u>                   |   |   | <u>1,283</u>                  | <u>1,795</u>                  |
| Livestock Dev.                     |   |   |                               |                               |
| Maradi-Zinder-Diffa                | 4,749   | 0.14                                      | 664                           | 929                           |
| South Tamesna                      | 1,293   | 0.14                                      | 181                           | 253                           |
| Niger Range and<br>Livestock Proj. | 1,269   | 0.14                                      | 177                           | 248                           |
| Fodder Ranch,<br>Tiaguirire        | 1,870   | 0.14                                      | 261                           | 365                           |
| <u>Transport</u>                   |   |   | <u>2,811</u>                  | <u>3,934</u>                  |
| Highway Constr.                    | 25,553  | 0.05                                      | 1,277                         | 1,787                         |
| Secondary Roads                    | 12,352  | 0.1                                       | 1,235                         | 1,729                         |
| Rural Roads                        | 2,990   | 0.1                                       | 299                           | 418                           |
| <u>Education</u>                   |   |   | <u>6,141</u>                  | <u>8,597</u>                  |
| Primary                            | 8,440   | 0.2                                       | 1,688                         | 2,363                         |
| Secondary                          | 19,747  | 0.13                                      | 2,567                         | 3,594                         |
| Higher                             | 12,573  | 0.15                                      | 1,886                         | 2,640                         |

Note: The recurrent cost coefficients are based on estimates from the Recurrent Costs of Development Programs in the Countries of the Sahel (prepared for CILSS and the Club du Sahel by Harvard Institute for International Development)

be roughly 8.5 billion CFA francs. But the 1983 current expenditure budget for the Ministry of Rural Development is only 2.1 billion CFA francs.

Even if our estimates were off by 300 percent, it would still require the whole Ministry of Rural Development's budgetary expenditure to maintain installed capacity properly. In the case of transport, the Ministry of Public Works budget for 1983 is 4.0 billion CFA francs. It would require the total budget of the Ministry of Public Works to maintain just the transport sector. In the case of education, the budget for 1983 is 12.6 billion CFA francs; according to our estimates, recurrent costs would represent roughly 68 percent of the budget.

Several recurrent cost implications of the plan follow. First, it is clear that the Nigerien Government will have serious difficulty meeting the recurrent cost burden of the rural development program as planned, unless the program is modified to take into account the fact that large integrated rural development projects require a much longer preparatory phase before a significant amount of investment can be absorbed effectively. The government has already recognized the necessity to adjust its investment plan. The last two years of the plan (1983-1983) have been devoted, in the Nigerien Government's words, for "pause and consolidation".

Second, donor agencies need to consider the fact that integrated rural development projects normally take a longer gestation period than anticipated<sup>1/</sup> before they reach the normal operation phase, where recurrent costs will become the determining factor of the durability of the investment. Consequently, considerations for recurrent cost financing may be

---

<sup>1/</sup>According to the HIID Recurrent Cost Study Group, the period required for Sahelian countries ranges from 12 to 15 years instead of the donors usual arbitrary 5-year period.

justifiable for projects whose stream of returns to recurrent cost financing is greater than to new investment. This is especially critical in the case of Niger where a substantial amount of assistance from different donor agencies has already been put into rural development projects. For example, in 1980, about 31 percent of donor grant assistance was in agriculture and livestock, while the Nigerien Government allocated less than 9 percent of its investment plan for these subsectors. The Nigerien Government made a rational choice by letting donors concentrate on project activities, where donors felt more comfortable, and channeling their own resources to areas it accorded equally high priority. However, external resources were difficult to obtain. In addition, the concentration of donors project activities in rural development projects means more recurrent budget for the Ministry of Rural Development will be called for in order to sustain the installed capacity generated from these projects. It is very unlikely that the Nigerien Government will be able to channel more resources to the Ministry of Rural Development in the near future. The Nigerien Government is also having difficulty meeting its local currency contributions in projects. Consideration will have to be given to provide additional financing to local currency as well as recurrent cost financing to potentially worthwhile project activities.

Third, unless more recurrent budget is allocated for road and infrastructure maintenance, one can expect the classic problem of unkept roads and deteriorated buildings if the present economic and financial situation continues. Finally, although the recurrent cost of the education investment program takes up a large portion of the education budget, it is still within the realm of possibility that the government would be able to maintain most of its investment in view of the fact that the education share of the budget is relatively large. However, concerns should be given to the salary and student subsidies components.

## 6. Conclusion and Implications

Niger's economic difficulties since 1981 can be characterized as follows:

- real GDP stagnated in 1981 and probably declined in 1982; real purchasing power of GDP declined by more than 6 percent in 1981;
- terms of trade deteriorated by more than 30 percent because of the lower uranium export price relative to increasing import costs;
- external debt reached 50 percent of GDP in 1982 with about 30 percent of the debt on non-concessional terms with an amortization period of 3-7 years and an average rate of interest of 15 percent per annum.
- both import and export volumes declined with the rising current account deficit; the overall balance of payments was also in deficit reflecting increased external debt service payments and lower net capital inflows;
- investment activities declined resulting in an overall increase in unemployment in the private sector by 6 percent in 1981, mostly due to a 22 percent reduction in employment in the construction and public works sector;
- industry capacity utilization (basically in agro-based processing activities like groundnut oil, textile, rice processing and flour) is averaging less than 30 percent.

The severity of the current situation was reduced to some extent by record-high external aid commitments in 1981. These reached approximately 13 percent of GDP (or about \$240 million). France alone provided additional emergency assistance of 5 billion CFA francs (approximately \$15 million) in 1981 to help Niger make up some of the uranium revenue shortfalls. The IMF, the World Bank and the French aid agency (Caisse Centrale de Cooperation Economique) all recognize the seriousness of the situation. It is very likely that Niger will sign an IMF Standby Agreement in the immediate future. Further, there is talk of going to the Paris Club for debt rescheduling.

The analysis suggests that in the short- and medium-term (2-5 years) economic and financial stabilization should be of high priority, so that past achievements (i.e. potentially successful on-going or finished projects) will not be wasted.

In addition, despite current economic and financial hardships, efforts must continue to improve technology, to develop human resources to help achieve higher productivity levels in agriculture and livestock, and to mobilize resources from the private sector. All these are necessary to achieve the overall developmental goal of raising the income and well-being of the poor.

It follows that the USAID assistance program in the next five years should consist of a short- and medium-term strategy and a long-term strategy. For the short- and medium-run, three priorities stand out: (1) helping the Nigerian Government prevent the current difficult situation from becoming a financial and confidence crisis; (2) helping the Nigerian Government more effectively use available public sector resources (this would include modifying and implementing certain policy reforms); and (3) help the Nigerian Government make further progress in food production and distribution. For the longer run, USAID priorities should be raising the income of the poor by increasing productivity in agriculture and livestock. This will be done through research for improved technology and human resource development, together with more private sector involvement.

## II. USAID Strategy

### A. Summary

USAID/Niger's program has a short, medium and long-term focus. Our short-term strategy is directed to economic and financial stabilization, maintenance of existing investment activities, and more effective use of available resources. In the medium-term, USAID's strategy will involve continuing efforts to increase food production and to move toward the goal of food self-sufficiency. Furthermore, the medium-term strategy will add a focus on planning and institutional development in irrigated agriculture. The long-term strategy will focus on the development of human resources and on identifying appropriate technical packages for Niger's fragile agricultural base through research and training. The development of irrigated agriculture will remain part of USAID's long-run strategy.

To achieve economic and financial stability in the short-run (2-3 years), non-project assistance, such as the Rural Development Sector Grant, ESF, and P.L. 480 food is being planned. Non-project assistance will be used to provide budgetary as well as balance of payments support and to encourage policy adjustments.

The counterpart funds generated by non-project assistance will be valuable to the Government of Niger in reducing the need to resort to commercial borrowing or to budgetary financing by inflationary borrowing from the Central Bank. In fact, as a condition for the likely IMF standby and compensatory financing facilities, Niger will have to stop short-term commercial borrowing. The non-project assistance will help Niger meet this IMF condition and at the same time mitigate the negative impact of the condition. The counterpart resources generated by non-project assistance will be earmarked to support the local costs components of ongoing development projects. This will serve the dual objectives of reducing budget pressures and retaining worthy development activities. Among the criteria

which will be used to determine which projects or project components should be continued are strong economic justifications and the impact of AID-financed activities on the public sector. USAID and the GON have already agreed to jointly examine and evaluate each on-going AID-financed activity to determine those projects or project components which are most productive and those the GON can no longer afford.

In addition to the use of counterpart funds to finance development activities, non-project assistance will be used as leverage to encourage certain policy adjustments. USAID has already defined certain areas where policy adjustments are needed. They include the Government's policy on grain reserves and restrictive grain and livestock marketing, the restrictive practice on farm input delivery, and the policy of promoting the agricultural technical input package and the related subsidy policy. Specific recommendations on these policies will follow studies conducted under the Joint Program Assessment.

In the medium-term (3-5 years), USAID will continue to support the development of the agriculture and livestock sectors through project activities which finance institutional development training and technology transfer. Title XII universities will be responsible for much of the implementation of the Cereals Research (Purdue University) and Integrated Livestock Development (Tufts University) projects. The strategy emphasis will be to shift, where feasible, the financial burden of certain public sector roles to the private sector, cooperatives, or local community groups. Indicators of the achievement of this objective will be the degree of increased availability and efficiency of food delivery systems, services and technical inputs along with greater availability of related credit and local financial resources. The medium-term strategy will add the planning, and institutional development of irrigated agriculture. USAID's medium-term strategy also recognizes the importance of health to agricultural productivity.

USAID will continue to assist the development of Niger's rural health care system with emphasis on increased efficiency and greater accessibility to both curative and preventive health services. The importance of a strategy to manage population growth is also recognized. USAID will incorporate family health activities through the Rural Health Improvement Project.

USAID's long-term strategy objective will entail a new major initiative in human resource development along with a new emphasis on a search for improvements in agriculture and livestock production technology. In human resource development, emphasis will be placed on improving the quality of education, building on existing infrastructure and on training components within other projects. One important progress indicator will be an increase in Niger's literacy rate at an annual average of 2 percent over the next ten-year period.

The Nigerien Government and USAID also recognize the increasing significance of mobilizing more resources in the private sector to development needs, particularly at a time of declining public sector resources. In the short and medium-term, USAID's strategy will focus on increasing private sector involvement in the agriculture and livestock sectors. USAID has proposed an experiment to shift the production of farm implements from the public to the private sector. At the same time, USAID will finance a study to identify the potential for privatization in the indigenous sector, especially in the areas of commerce and agriculture and health-related services.

The Nigerien Government has also expressed an interest in reviewing its investment code with the objective of making it more conducive to private foreign investment. The Government views private foreign investment as an additional source of capital as well as a vehicle for technological transfer. To encourage more private sector involvement, USAID's strategy also includes an indirect approach to private sector development through promoting public policies conducive to private sector initiatives. Of particular importance at

present is the need to maintain financial stability and avoid a confidence crisis. To avoid such a crisis, it is important that Niger follow IMF recommendations, particularly in regard to debt. USAID's proposed stabilization program will help contribute to financial stability and improve the environment for private development. Other policies to be encouraged include less restrictive practices and controls by the Government, especially in the areas of commerce and investment.

In the longer run, it is necessary to strengthen institutions which support the development of the private sector. There are currently two potentially viable institutions that are active in Niger to promoting private enterprise development. They are the Office for the Promotion of Nigerien Enterprise (Office de Promotion de l'Enterprise Nigerienne - OPEN) and the Nigerien Development Bank (Banque de Developpement de la Republique du Niger - BDRN). Both OPEN and BDRN are institutions through which increasing private sector involvement can be accomplished. The Nigerien Government has shown strong support for these institutions.

OPEN is responsible for promoting new enterprises and investments through project identification, entrepreneurial development and project packaging. Its services include: the provision of technical assistance to both new and on-going enterprises; the study and preparation of projects for bank financing; and the provision of training in management, basic business skills, and technical expertise. Since its inception in November 1978, it has a relatively good record of achievements. It has prepared more than 20 project dossiers and assisted more than 100 small firms, mostly in the fields of mechanics, metal, and woodworking. It has also sponsored several training sessions in bookkeeping and banking and has publicized private enterprise development. However, the institution is still in the early developmental stage and needs additional resources. Under USAID's proposed Farm Equipment Enterprise Development Project, some resources will be

utilized to strengthen OPEN.

BDRN is the principal financial institution responsible for all medium and long-term financing for public and private sectors, project studies, and statistical analysis. It also provides technical assistance and works with OPEN to assist in project development and appraisals. BDRN's performance has been good. In the coming years, however, it will have to adjust to declining government revenues and deposits. It will also have to reduce its dependence on public deposits. BDRN's management is fully aware of the changing circumstances.

#### B. Rural Sector: Agriculture and Livestock

##### 1. Setting

About 24 percent of the total land area in Niger is considered potentially useful for agriculture or livestock production. According to available estimates, 12 percent is considered suitable for agriculture; the remaining 12 percent is more suitable for raising livestock. Most of this land is a strip along the southern frontier where the annual rainfall varies from 350 mm to 900 mm. Outside of this area, available soil resources are too poor and the rainfall too low or too irregular for successful cultivation. The typical agricultural production unit is a small family-cultivated plot, where rain-fed crops are cultivated by traditional means.

Agriculture accounts for more than 50 percent of the output from the rural sector and 25 percent of GDP. Favorable weather in recent years since the great drought of 1968-73 has resulted in higher foodcrop production. Despite this relatively good performance, rising population and marketing bottlenecks have led to deficits in foodgrains in some urban and pastoral areas.

Niger's principal foodcrops are millet and sorghum. Although overall production has increased at a 9 percent annual rate since the end of the drought, to an estimated level of 1.4 million tons in 1982, average yields over the past two cropping seasons have declined. Overall production increases have been achieved by expanding cultivation into increasingly marginal

lands. To encourage increased production, the GON has been increasing official farmgate prices for millet from 25 CFA/kg in 1977 to a current level of 70 CFA/kg.

The most important cash crops grown in Niger are groundnuts, cotton and cowpeas. They provide for a small industrial sector and, before the drought, generated export earnings. Recent performance of the cotton and groundnut crops has been disappointing. The 1982 groundnut production of 96,000 tons was only one-third of the immediate pre-drought level. These declines reflect increased government emphasis on foodcrops rather than cash crop production in the wake of the drought, declining prices on the world and internal markets, and upswings in crop diseases and parasites. The production of cowpeas has, however, followed the generally upward trend of the cereals crops. This is because it is frequently inter-cropped with millet, and because of the GON's promotion of cowpeas as an alternative food crop.

Livestock production is the major source of livelihood for about 15 percent of Niger's population, and accounted for slightly more than 15 percent of GDP in 1981 (and about 36 percent of output from the rural sector). It was Niger's second major source of foreign exchange earnings after uranium in 1981; it currently represents approximately 10 to 16 percent of export earnings.

Livestock production was the economic sector hardest hit by the great drought, which destroyed nearly half of the cattle herds, more than a fifth of the sheep, and a significant portion of the goat herd. By 1981, the GON had met its herd reconstitution goals of 80 percent of the pre-drought level of cattle (3.4 million head), and 100 percent of the stock of other species (10-11 million head). In 1982, however, there may have been a net reduction in herd levels, in face of the inadequate rainfall in the pastoral zones.

## 2. Constraints

In Niger, as in many Sahelian countries, there are four sets of constraints to the development of agriculture and

livestock. They include the poor and fragile agricultural resource base, the limited knowledge and availability of agricultural technology appropriate for Niger's changing environment, the relatively weak institutional and infrastructure base for facilitating the further development and transfer of technology, and certain government policies which have not been conducive to rapid development of agriculture and livestock programs.

#### Agricultural Resource Base

The most serious constraint to increasing rural sector production in Niger is the physical environment. Niger's soil resources are generally poor in quality. They tend to have a low water-holding capacity, a very limited capacity to retain fertilizers, and very low percentages of organic matter. Another problem with Niger's soils is their fragility and their tendency to be easily degraded.

With only one year-round water-course, the Niger River, the potential for irrigation development is somewhat limited. About 40,000 hectares are currently irrigated, under both modern and traditional methods, and another 150,000 ha are considered potentially irrigable. Constraints on the further development of this potential include the high cost of irrigation, lack of trained cadres in managing irrigated perimeters, and the limited areas along the Niger River where soils are suitable for gravity-fed irrigation.

#### Technology and Institutions

Niger's development in the rural sector is further constrained by limited knowledge of appropriate technology as well as by institutional limitations in the transfer of technology.

The technical package currently available for increasing yields in rainfed agricultures includes, in a first phase, selected seeds, chemical and organic fertilizers, insecticides, proper plant spacing and thinning, timely planting and timely weeding. Second and third phase development of dryland cultural practices include the use of animal traction, the integration

of livestock and crop production resulting in the optimal use of available land, water and labor resources. However, Niger's full range of technical packages has yet to be proven. Furthermore, the economic viability of the different components in the package has to be determined. More research and analysis will have to be undertaken to ascertain their applicability and better systems of introducing proven technology to farmers.

In livestock, there is still limited knowledge of appropriate technology for animal nutrition, livestock diseases, range management and rangeland improvement. There is a need to improve the knowledge of herd management and livestock markets. Research is required to introduce technology tailored closely to the physical environment.

Principal institutions in research and extension are the National Agronomic Research Institute (INRAN), the Livestock and Agricultural awecixwa and the agricultural training centers like Farmer Couple Training Centers (CPT), the Practical Institute for Rural Development (IPDR), and the Department of Agronomy at the University of Niamey. Farm level credit and input supply are under the control of the National Cooperative and Credit Union (UNCC) which has its own input distribution arrangements, and the Centrale d'Approvisionnement (CA). The CA is also the representative of the National Agriculture Credit Bank (CNCA). The fundamental goal of these three institutions (UNCC, CA, and CNCA) is to facilitate the transfer of technology. There is also an institution for marketing agricultural products. Two government agencies - the Société Nationale de Commercialisation de l'Arachide (SONARA) and the Office des Produits Vivriers du Niger (OPVN) - are responsible for official marketing of cash crops and foodgrains.

These institutions, whether involved in extension, cooperative development, marketing or input supply, suffer from the same general set of constraints. The first is a lack of trained manpower, especially at the field level of personnel

in the most direct contact with farmers. For example, the operations of the CNCA, the rural credit institution are hampered by low lending rates, infrequent collecting of loans, and inadequate professional staff. As a result, both assets and loans to the rural sector have declined since the late 1970's. At the national level, the central services with the responsibility for rural development lack the human and material resources to provide adequate support to the field.

In addition, the effective operation of these organizations is hampered by their involvement in uneconomical activities which are often of questionable relevance to rural development. The Union Nigérienne de Crédit et de Cooperation (UNCC), the parastatal responsible for promoting the cooperative movement, serves as a GON purchasing agent for cash crops and cereals, and manages the Centrale d'Approvisionnement, which is supposed to be the sole national supplier of agricultural inputs. In recent years, both of these have been consistent budgetary drains. Another example is the disappointing performance of the OPVN. Because of its operating inefficiencies relative to its competitors (private trading operations characterized by efficiency and flexibility) and its being required to pay official producer prices, generally lower than those on the free market, it has never held more than a tiny share of the market (2 percent in 1981). It has lost money on a regular basis (a loss of 4.1 billion CFA in 1981).

#### Policy

Two major policy areas have created additional obstacles to the development of agriculture and livestock: (1) marketing controls that limit the opportunity for private sector involvement; and (2) restrictive practices on trade, both internally and externally. Until 1981, the Nigerien Government adopted a policy of heavy subsidization on agricultural inputs in order to promote application of certain agricultural inputs such as fertilizers and farm implements.

However, as more farmers adopted improved technical inputs, the level of subsidy payment required from the government became a limiting factor on the number of farmers served. In 1981, the GON adopted a policy of gradually reducing subsidies on all farm implements. It also reduced subsidies on fertilizers.

The Nigerien Government has also controlled the supply and delivery of agricultural inputs. The supply of most agricultural inputs is presently undertaken by governmental agencies or parastatals. Consequently, the opportunity for private sector involvement in the delivery of agricultural inputs is artificially constrained by government policies.

The decision by the GON to restrict trade in Nigeria has also limited the potentials for privatization. At present, a limited number of cattle trading licenses is available at a relatively high fee (about 420,000 CFA francs per license) and only 200 head of cattle can be exported under each license. There is also a head tax of about 2,000 CFA francs per head at the border. However, because Niger shares a long border with Nigeria, it is practically impossible or prohibitively costly to control the border; consequently, the trade restrictions are less effective than they appear.

One of the long-term goals of Niger's Development Plan is the attainment of food "self-sufficiency." It has also pursued a related, but different goal of "food security." These two long-term policy strategies have important effects from the standpoint of planned investment in the agricultural sector; they have posed questions with respect to the efficiency of resource use, the trade-off between foreign exchange savings and foreign exchange earnings, and their

effect upon the balance of payments as well as government revenues.

Food self-sufficiency is a concept that grew out of the drought experience. If it is interpreted in a limited sense, it implies that a country should be totally independent with respect to food production. But, in reality, there are various means of achieving self-sufficiency in staple grains which does not imply the local production of total cereal consumption needs. In fact, in terms of economic efficiency and growth opportunities, it is expedient to aim for a dynamic, agricultural sector, where Niger can achieve a maximum overall production from a combination of agricultural commodities. These commodities may be sold internally or they may serve as a source of foreign exchange earnings. There are indications that official policy is beginning to reflect the need to promote cash crop production. In a recent address, the President emphasized the importance of revitalizing cash crop production. Potential cash crops are cowpeas, peanuts and cotton. Of these crops, cowpeas seem to be the most practical choice since they are less sensitive to variations in weather and are suitable for Niger's poor soils. In addition, cowpeas can be inter-cropped with sorghum and millet and therefore are not a direct competition for additional land.

### 3. Reaction to Constraints

Despite constraints in the agricultural and rural development sector, Niger's performance in per capita subsistence food crops production has been unequalled by any other Sahelian agricultural sector. In good rainfall years, Niger has demonstrated the potential to produce enough food for both domestic consumption and export. Niger's prospects for adequate food production by year 2000 are promising. Projected population at that time will be 9.4 million; food requirements will be approximately 2.3 million metric tons. In order to meet food demand, production will have to increase by roughly 300 kg/ha. Increased efforts will have to be made to improve technical packages in such a way that they are suitable for the various ecological zones, adaptable to traditional farmers investment and management capabilities, and can be readily extended through extension services.

The GON realizes that policy change is a prerequisite for increasing agricultural output. It therefore sponsored a national conference in November 1982 at Zinder aimed at reassessing agricultural priorities and policies. The conference placed emphasis on increasing private sector participation, improvement of cooperative organizations and technology transfer, and institutional strengthening.

USAID supports GON efforts such as the Zinder Conference.

In prior years, USAID's program was limited basically to those activities which promoted increased productivity, greater efficiency and economic viability in the sector. Projects were established to strengthen agricultural production, research, training, extension and support to village organizations. AID's assistance has now directly influenced the following GON policies and programs:

- establishment of an improved seed production system and a national seed policy statement;
- establishment of higher floor prices for food crops;

- increased official prices for improved seeds;
- reduction of subsidies on fertilizers, farm implements, and pesticides;
- reorientation of applied and adaptive agricultural research activities;
- reorientation of GON interventions to increasing livestock production through autonomous herder organizations; and
- preparation of an agricultural development strategy that takes into account the fragility of Niger's natural resource base.

#### 4. USAID Agriculture Strategy

The overall USAID strategy in agriculture and livestock is to assist the GON to remove the constraints mentioned above in the context of the current macroeconomic situation. USAID is proposing non-project assistance, in the form of a Rural Development Sector Grant and P.L. 480 Title II Section 206 program, that will generate counterpart funds to help cover local cost contributions of on-going worthwhile projects in the agricultural sector. This will serve the dual objectives of reducing budget pressures and supporting previously designed projects and investments so that they will not only address the acute symptoms but also the underlying causes of the current difficulties. The non-project assistance will be tied to implementation of policy reforms supportive of greater efficiency in government operations in rural areas and fewer restrictions in the private sector. The GON's willingness to discuss policy reform, both with USAID (e.g., the October 1982 bilateral economic talks in Washington) and internally (e.g., the November 1982 Rural Sector Strategy Workshop in Zinder), augurs well for the success of our approach.

USAID assistance will also be aimed at helping the GON husband its available public sector resources. At one level, this will consist of assistance geared to strengthening

existing investments in rural development institutions. Examples of this include the national-level agricultural support services set up by the Niger Cereals Project and being reinforced by the Agricultural Production Support Project, the network of local rural development organizations put in place by the Niamey Department Development Project, and the fledgling organizational and service delivery innovations established in the pastoral zone by the Niger Range and Livestock Project and to be expanded under the Integrated Livestock Production Project. These are all projects that have not yet been firmly established, but in which substantial resources have already been invested; all are in second phases designed on the basis of lessons learned from the earlier phases. In all these projects some components will have to be modified in light of the country's financial situation and its immediate prospects.

The other level of project assistance is aimed at helping the GON implement policy reforms in conjunction with the non-project assistance. Policy reforms are being clarified and analyzed under the Joint Program Assessment, and reinforced in projects where certain policy modifications are necessary. They will include (a) divestiture by the GON agencies of inappropriate direct roles in the economy, such as the transfer of the major responsibility for the supply and distribution of agricultural inputs; from the UNCC's Centrale d'Approvisionnement to the private sector; and (b) the continued removal of obstacles to market-oriented operations such as the establishment of incentive sale prices for contract seed producers working with the APS Project.

For the longer term, increased productivity in agriculture and livestock and the attainment of food self-sufficiency require the development of appropriate technology and human resources.

The prospects of filling food production deficits makes development of Niger's irrigation potential highly

necessary. In the medium-term, USAID will focus attention on pilot small-scale irrigation projects, involving mostly the rehabilitation of some existing perimeters found to be relatively simple to administer and capable of income generation. In the long-run, irrigated agriculture will be considered as a method to ensure productivity in agriculture despite irregular rainfall. USAID is aware of the relatively capital-intensive nature of this type of project. Thorough feasibility analysis will be undertaken before any investment in irrigation is committed.

The current economic and financial difficulty also makes the need to mobilize resources in the private sector for development activities more urgent. The agriculture and live-stock sectors offer potentials for more private trading activities. In a recent presidential address, one of the recommendations was the revitalization of cash crop production. In recent years, Niger's peanut and cotton processing plants have been operating well below capacity due to overall decline in production of cash crops. The demand for oils and fiber is high in both domestic and international markets which could stimulate private sector investment. The GON recently asked USAID to help review their investment code in order to encourage investments from domestic and international firms. In addition, the government recently reinforced an office for promotion and development of small businesses. USAID, through the Agricultural Production Support Project, is assisting the GON to increase private sector involvement in agricultural inputs and distribution system. Considerable progress has been made within the same project with improved seed production through private contract growers. Each year traditional farmers are producing a greater share of Niger's improved seed and it is anticipated that these farmers will eventually develop the capacity to take charge of seed distribution. Further assistance to propel privatization of the agriculture sector can be achieved through the Rural Development Sector Grant.

#### 4. Other Donors

For the period 1976-80, aid donors in Niger accorded their highest priority to rural development. Nearly one-third of all aid commitments over this period (75.52 billion CFA francs out of a total of 233.83 billion CFA francs) was programmed in this sector. In the post-drought period (1976-81), only the World Bank (20.38 billion CFA francs) and West Germany (10.31 billion CFA francs) have programmed more resources in this area than A.I.D. (9.22 billion CFA francs). The World Bank is financing a project in Maradi and Dosso, the European Development Fund in Zinder, and West Germany in Tahoua. Another important concentration of donor assistance has been the development of irrigated agriculture in the Niger River Valley, in which the European Development Fund has taken the lead and in which the World Bank is proposing a new project. Although A.I.D.'s total annual contribution currently ranks fifth among major donors, our long-term impact, particularly in influencing agricultural policy has been more significant than the dollar level of our assistance might imply.

Two regional institutions based in Niamey also supported by other donors have played key roles in this sector. The AGRHYMET Center of the CILSS is developing a regional information system which will (a) produce data on the weather and cyclical events and their impact on water, soils, vegetation and crops, and (b) make these data available to farmers, herders, planners and other users. Ultimately, the information produced by AGRHYMET will give farmers and herders in Niger and other Sahelian countries an improved knowledge base for increasing production, and will allow them to make better land-use and environmental decisions. A.I.D. has concentrated its assistance to AGRHYMET on high technology telecommunications and data processing and analysis, through provision of technical assistance, equipment and

training. Other important donors to AGRHYMET have been the UNDP, the Netherlands and Belgium.

The Niger Basin Authority has been established by its nine members to promote the effective use of the water resources of the Niger River in the socioeconomic development of the Niger Basin. The NBA's success in developing the basin's water resources will be critical to Niger's plans to expand the scope of irrigated agriculture. The possible construction of a major dam for power generation at either Kandadji or Parc W will require extensive cooperation with the upstream states and the NBA. To help the NBA achieve its purpose, A.I.D. is assisting it in (a) the creation of an internal planning unit, (b) the completion of a river systems analysis, (c) a socioeconomic study and environmental assessment of the Kandadji Dam, and (d) the application of this knowledge in an integrated Niger basin plan. Donors providing assistance to other facets of NBA operations include the UNDP, France, Canada, OPEC and the European Development Fund.

#### SUMMARY

Development of Niger's rural sector faces serious structural, technical and institutional constraints. These constraints can be overcome through concerted efforts including (a) development of adapted technical packages and the institutional capability to deliver them to rural producers, and (b) re-orientation of rural sector policies to restore producer incentives by freeing market conditions.

Since the renewal of A.I.D. assistance to Niger in the wake of the great drought, rural development has been the most important concentration of the USAID program. The first phase of A.I.D. project assistance to this sector was for the most part focused on achieving short-term increases in agriculture and livestock production. While not all of these production increase goals were met, the projects made substantial progress towards developing an institutional

base. On-going and planned projects will build on this, but will emphasize activities addressing the deeper, longer term constraints to development of the rural sector. Of particular importance will be adaptive research training.

### C. Health and Population

#### 1. Setting and Constraints

Less than 30 percent of Niger's 5.8 million people are considered to have access to any form of modern medical services. For the majority of rural Nigeriens, health care is still a form of traditional medicine which does not even provide basic preventive health techniques. This lack of preventive health care combined with malnutrition and prevalent diseases like malaria, epidemic meningococcal meningitis, diarrhea, and measles are major factors contributing to high morbidity and mortality rates and limiting an individual's work capacity.

Further complicating this situation is the composition of Niger's population. About 47 percent of all Nigeriens are under 15 years of age. Children under 5 years of age account for more than 50 percent of malnutrition and other disease incidence. Niger's growing population, its composition, and the rising migration to urban areas are making increasing demands on the food producing capacity and social services. According to one estimate, there was one person to feed 2.5 persons in 1970; the ratio is expected to be 1.3 in 1990.

Most illnesses and deaths are due to diseases which can be prevented through immunization, improved access to clean water, improved environmental sanitation, treatment of selected common diseases, and other preventive or promotive health care measures. Malaria, diarrheal diseases and measles, coupled with malnutrition, contribute to a significant percent of infant morbidity and mortality. Among the surviving population, the major diseases are malaria, schistosomiasis,

skin infections, eye infections, diarrheal diseases, and tuberculosis. Poor hygiene, inadequate sanitation, unavailability of safe water, and inadequate health education are underlying causes of the high incidence of parasitic and other infectious diseases. The most vulnerable population are infants, children under five years of age, and women of child bearing age.

Niger's ability to respond to these basic health problems has been limited by:

- inadequate supply of trained manpower;
- inadequate health facilities and logistics system, coupled with the limited national road network;
- limited support capability, i.e., diagnostic facilities, health education materials, training capacity, etc.
- limited coordination with sectors directly or indirectly affecting health.

## 2. USAID Strategy

USAID's strategy in the health sector is aimed at achieving the dual objectives of improving the health status of the Nigerien population and increasing labor productivity, especially in agriculture and livestock. Good health can be viewed as a commodity. It has both the characteristics of a consumption good as well as an investment good. As a consumption good, it contributes to an individual's well-being directly. But health care expenditures are also investments in human resources; they add to human capital and potentially increase output. In the aggregate, the overall economic return can be measured by the increase in the expected lifetime earnings attributed to the lengthening of an individual's productive life, the reduction in morbidity and the increase in labor productivity.

The investment aspect of health care expenditures is important for Niger in moving toward the goal of food self-

sufficiency. Nigerian farmers use family labor as much as possible throughout the agricultural season. Therefore, the inability of any member to carry out assigned tasks, as the result of sickness, adversely affects the entire production process. Just prior to the first rains (May-June), men and boys (as young as 6-8 years) clear and prepare lands for sowing. Since this is also the end of the dry season (March-June), food and water supplies and thus nutrient intake and energy levels are low. As the incidence of acute malnutrition grows, resistance to diarrhea and, in turn, to infectious diseases such as measles is lowered. Sowing begins with the first rains, at the same time the mosquito vectors of malaria appear. The very critical weeding periods which follow are times of peak physical stress for all rural laborers. Weight loss is greatest during this time and up until the early harvest.

While women are primarily responsible for caring for babies and small children, they also work in the fields when their labor is required. Infants who are sick from fever, diarrhea and related complications are heavy burdens on women during the agricultural season because they decrease available work time. They are also at particularly high risk of dying during this time because needed health care is often delayed.

Due mainly to environmental conditions and population density, the distribution of illnesses in the (nomadic) pastoral population differs from that in the (sedentary) agricultural population. For example, intestinal, parasitic and infectious diseases are not major health problems in the pastoral zone whereas conjunctivitis and arthritis are. During the dry season, when adult workloads peak, working conditions are also the most strenuous due to a combination of high temperatures and water shortages. Supplies of milk, major source of

nutrients and cash for herders, are also depleted during this time. Both children and adults lose weight during the dry season and recuperation is slow, increasing the risk of diarrhea and malaria.

Given the seasonal patterns of labor demand and disease, which result in labor shortages at the time when demand for labor peaks, improvement in health conditions will contribute to the reduction of labor shortage. Since most of the illnesses and deaths are due to diseases which can be prevented through improved environmental situation, immunization, treatment of selected common diseases, and other preventive and promotive health care measures, USAID adopted a strategy to make primary health care services more accessible through the Rural Health Improvement Project. The emphasis is on basic cost effective preventive and promotive health care services coupled with curative services of simple common diseases such as diarrhea and malaria.

Niger's rural health project is accomplishing what it is designed to do. When the project began in 1978, 1496 or approximately 17 percent of Niger's dispersed 8620 villages had health workers operating in them. By the end of 1982, this number increased by 95 percent to 2913, or approximately one-third of all villages. The most recent evaluation of the project concluded that "...the rural health system in Niger is generally well designed, appropriate to the GON's general situation and provides a good foundation on which to gradually improve the quantity and quality of health coverage for the nation." <sup>1/</sup> USAID will continue to support the activities carried out by this project; a 30-month extension of the project was approved at the end of 1982.

---

<sup>1/</sup> See the Midterm Evaluation Report: Niger Rural Health Improvement Project by a U.S. evaluation team.

USAID also recognizes the population problem and is pursuing a strategy to continue efforts to sensitize GON policy makers to the productivity and health implications of rapid population growth and to encourage the development of appropriate strategies. USAID will encourage the GON to utilize those AID resources which are available to governments for research and analysis of demographic and population factors. A RAPID analysis is being developed for Niger which will provide policy related information during FY'83 and foster support for additional study which will demonstrate the determinants and consequences of rapid population growth in the country. The objective is to convince the government of the need to develop a national population policy and a strategy for approaching these problems.

With the acknowledgement of the need for a strategy, AID can assist through institutions which are already supported by ongoing agricultural and rural development activities, such as cooperatives, farm couple training centers and literacy services. Family health activities will also be included in the next phase of the Rural Health Improvement Project. There are indications that the Nigerian Government will support these activities on a low profile basis. USAID will continue to encourage policy makers and health and population technicians to attend AID-sponsored training courses and seminars designed to increase awareness of the population problem.

### 3. Other Donor Interventions

The international donor community assistance to the health and population sector in Niger has increased steadily since 1967. During the ten-year period 1967-1977 such assistance primarily consisted of construction of maternity hospitals and dispensaries, equipment and supplies, the provision of mobile health team equipment and support, training physicians, pharmacists and dentists and the establishment of central disease control facilities.

In 1981, the level of donor assistance rose to over 900 million CFA francs. Subsequently, some on-going activities were expanded and newly innovative activities began. Long-term scholarships were awarded, for example, by WHO to train health personnel outside of Niger in epidemiological surveillance and various other areas; a UN/IBRD consortium provided funds for a separate onchocerciasis program and WFP strengthened assistance to MCH programs throughout the country.

France provides technical assistance, equipment and supplies to Niger's hospitals and dispensaries; the Netherlands has provided support for medical posts in villages along the Niger River as well as boats to reach them; the Republic of China is providing medical teams to urban hospitals while West Germany is assisting with improving urban sanitation in the capital. The Soviet Union also provides medical personnel.

#### 4. Potential for Privatization

The potential for privatization in the Nigerien health sector is circumscribed by national policies which mandate essentially free total primary health care and by the institutional absence of private mechanisms. Even the country's pharmaceuticals are handled by a parastatal enterprise; only two private pharmacies exist in the entire country. Nevertheless, some limited efforts have been undertaken by the GON which demonstrate a willingness to explore private sector health activities.

All of Niger's 10,332 village health workers and midwives, for example, are unpaid by the GON and operate essentially as private practitioners after their initial training. Each collects a small fee for services and medicines which provides support and funds to permit restocking of basic supplies from the GON system of "popular pharmacies." Because they are selected and practice in their own villages, the small charge is accepted and the usual abuse of this

system avoided.

A private medical insurance scheme also exists in the country's urban areas to which private firms can subscribe for their employees particularly to cover the cost of extensive medication and major surgical/hospitalization support.

Expatriates are currently permitted to practice medicine privately in Niger and several small clinics exist in the urban areas. Recent studies have shown that Nigeriens are more willing to bear user charges and costs in the health sector than in others and, in fact, the GON has quietly explored permitting Nigerien doctors to practice privately outside of their official responsibilities both as a means of extending health care and reducing the government's growing costs.

#### D. Education and Human Resources Development

##### Background

Niger's problems in developing its human resource base are quantitative and qualitative. A low literacy rate for the population as a whole and relatively few children enrolled in the education system are fundamental constraints. Critical manpower shortages exist at all levels of skill and responsibility in both the public and private sectors. Public institutions and development projects in Niger are negatively affected by personnel shortages. It is evident that these shortages will become more critical as Niger attempts to further its economic development.

The inability of the GON to place trained cadre has direct implications for donor assistance programs in Niger. Donors must design and implement assistance activities which are not personnel intensive and which recognize the manpower constraint, or expatriate technical assistance must fulfill functions which would otherwise be staffed by Nigeriens. The severity of the manpower problem is illustrated by the following:

- During the 1981-1982 school year, approximately 500 primary school classes in Niger were without a teacher;
- There are approximately 4,000 villages in Niger out of 8,500 with no one trained to provide basic first aid;
- Niger has adopted a program to training farm families in centers because it does not have sufficient agriculture extension personnel.

Qualitative problems in Niger's human resource base are equally acute. The education system has a low output due to high drop-out rates before six years of schooling, under-qualified teachers, some curriculum irrelevance, low internal efficiency in educational administration process, and limited planning capability for the development of education and training programs.

In the public and private sectors the human resource capacity is qualitatively limited by a lack of well-qualified personnel at mid and high levels, shortages of skilled and semi-skilled workers and insufficient institutions for the training and development of technicians and managers. Except for a few civil servants and private sector employees, Niger's workforce is largely unskilled and inadequately productive.

If the GON is to succeed in its rural development efforts, emphasis must be placed upon the human resources requirements of manpower for agricultural production and rural cooperative development. Current bottlenecks exist in:

- (a) applied, multidisciplinary research;
- (b) middle-level extension staff;
- (c) project management training and
- (d) cooperative support/functional literacy programs.

GON strategy places great emphasis on increasingly independent local cooperatives. Niger's rural population depends heavily upon village-level cooperative activities which are responsible for primary marketing and credit for their members. The increased self-sufficiency of local cooperatives involves a parallel demand for training needs; functional literacy, bookkeeping, weighing and credit adminis-

tration along with increased training of district/regional support staff are necessary to equip cooperative leaders and members to effectively manage their activities.

The GON has recognized that its limited education base is a major constraint, and that this has led to acute shortages of managerial, technical, skilled and literate manpower at all levels. As a result, the GON is attempting to undertake a thorough reform of its educational training system. This reform recognizes that not only is the current education system inappropriate but new measures must be taken by the Government toward reducing expenditures and financing the costs of education. In March 1982, the Zinder Declaration on educational reform was adopted at a national conference/debate on "the Nigerien School." The Zinder conference focused on three main points: 1) the general orientation and suitability of the Nigerien education system; 2) the problems of teacher supervision and training; and 3) the question of financing educational policy. As a result of the Zinder Conference, GON educational policy reform now includes the following:

A. Increasingly greater numbers of Nigeriens will be channelled into technical and professional schools and technical training will be promoted at all levels, (primary, secondary, university).

B. Local districts and communities will assume part of the costs of education.

C. Students and parents will contribute toward the costs of school supplies.

D. Teacher training priority will be given to middle level personnel destined for productive sectors such as: Rural Development, Mines and Industries, Small- and Medium-size businesses.

E. Development of basic education as well as professional, social and health educational opportunities for adults.

F. An orientation of general education (primary, secondary, university) to meet Niger's primary economic and social needs.

G. An overall modification of the schools' curriculum and textbooks.

H. All educational institutions will be co-educational.

A discussion of the financial squeeze in which the GON presently finds itself has been discussed in an earlier section. The human resources and education sectors are no exception.

Plans for constructing new classrooms, schools and institutes in 1982-83 have been curtailed. During the 1980-83 period approximately 2,000 primary and 550 secondary school classes were scheduled for construction. These plans have been jettisoned. Similarly, investment plans for the six schools at the University of Niamey, the varied vocational training school in agriculture, health, administration, mining and industry sectors have all undergone drastic downward revisions. The implication of these budgetary reductions is that the GON will not have the financial resources in the foreseeable future to implement many of its proposed reforms in the education sector. It is also clear that the public sector can no longer bear the full costs of support for Nigerien education.

#### Other Donor Education and Human Resource Interventions

France and Belgium have been major contributors to formal education in Niger. These countries provide teachers and cooperants who primarily work within the secondary school system and Niger's university. In 1981, the IBRD financed a 27 million dollar five-year program to improve education planning, the preparation of education projects, planning for civil service upgrading and training of rural development workers.

A multi-donor effort (FAO/UNDP, FAC, Belgium, IBRD and AID) began in 1978 and is currently underway for the strengthening and development of the Practical Rural Development Institute (IPDR) at Kolo, Niger's only institution for the training of mid-level agricultural personnel. Donor roles

within the Kolo school have not been effectively coordinated, and the qualitative improvements expected at the Kolo school have not materialized. USAID/Niger is currently reassessing its role within this multi-donor project, and advised the GON that action must be taken to resolve the current situation, or USAID will reconsider its participation in the project.

The majority of other donor activities in Niger's human resources sector are directed at providing training for Nigeriens abroad, in-country project management training, and one-time human resource planning and manpower studies. Few donors, other than France (and Arab donors encouraging the development of Islamic educational institutions) have indicated interest in providing significant financing to assist Niger's educational reform efforts.

The GON strategy for its educational development and reform objectives addresses the four most important sectoral issues: access, quality, priority manpower requirements (productive sectors), and financing of the education system. The strategy appears to be sound, but, at this point, it exists only on paper. The Government has not yet defined specific means for reaching its objectives. The GON requires assistance in planning and financing the educational reform upon which it has embarked. USAID/Niger has been requested by the GON to provide U.S. support and American technical assistance to the improvement and restructuration of Niger's education and training system.

We recognize the importance of substantially reinforcing Niger's human resource base as a prerequisite for the country's sustained economic growth. Our program portfolio has emphasized training within all projects and is also supporting small-scale activities in maternal languages and literacy training. Examples of some of the major AID-financed project training activities which are now ongoing or which will take place during this CDSS period are:

- Long-term U.S. graduate and undergraduate level training will be available to approximately 20 agriculture

research personnel to serve in Niger's National Agronomic Research Institute.

- Under the Agriculture Production Support Project, up to 240 cooperative leaders and members of local cooperatives will receive short-term training at the AID-financed National Center for Cooperative Training.

- Mid-level agricultural personnel will continue to receive academic and technical training at the Practical Institute for Rural Development, Kolo School.

- 200 farm couples per year will receive training during a complete agricultural season in the Niamey Department Productivity Project.

- 1,000 health workers are trained per year in the Rural Health Improvement Project - realistic target based on actual project experience to date.

- Civil servants and private sector personnel will receive training in financial management and accounting through special courses at the National School of Administration in Niger.

- Local blacksmiths will receive technical and entrepreneurial training in the Farm Equipment Enterprises Development Project.

Our investments in human resources development through project training are significant and will continue to be so. However, the Mission recognizes that while these training efforts contribute to the overall development of the country's human resource base, the ultimate resolution of Niger's human resources problem will be through the establishment of a more efficient educational system. This is the major new thrust of this CDSS.

#### Education and Human Resource Development Strategy

The Mission believes that it must place greater emphasis on education and human resource development. Niger's development objectives cannot be achieved unless the critical manpower constraints is overcome. USAID/Niger's proposed strategy

includes three elements: 1) continued and increased emphasis upon training and manpower development within USAID-financed projects; 2) a modest expansion of current successful project efforts to reduce illiteracy for primary school children and adults, and 3) a new initiative which will support efforts to reorient and restructure Niger's education and training system.

In placing greater emphasis on training and manpower development within projects, USAID strategy addresses the human resource constraint and, in many cases, contributes to the institutional development process. All AID-financed training activities will be reviewed and adjusted, to ensure that they are consonant with the country's priority manpower needs. Priorities for formal training related to project development will be in agriculture research, public administration, finance and accounting, systems management and planning and evaluation. Priority will also be toward training at the local level to include cooperative organization and administration, agriculture technology, health and nutrition.

Priority attention will be given to the necessity for ensuring that women are fully integrated into all AID/GON development activities. The effort to strengthen Niger's human resource base requires that special attention be given to creating training and educational opportunities for women, and that AID programs serve to sensitize the GON to the need for greater participation of women in the development process.

Adult literacy training and the experimental program for the promotion of maternal languages in primary schools will be emphasized in USAID strategy. Niger's rural development planning is centered upon the self-development and increased economic independence of local cooperative groups. A major constraint to rural development activities is the pervasive illiteracy among adults over 15 years of age in rural Niger. The inability to read simple instructions or make minor calculations related to farming or herding requirements greatly restricts the capacity of the rural population

to understand effectively and utilize agricultural extension and production support programs. Villagers who cannot read and write find it impossible to maintain records which are necessary to any cooperative activity. USAID will assist the GON to train the personnel necessary to implement adult literacy programs in rural areas.

Over the longer term, the teaching of maternal languages during the early primary education years enhances the ability of children to read and write and function in their environment even if they are dropouts before the primary school years are completed. Accordingly, USAID will continue to assist the GON in the production and evaluation of maternal language training materials.

Modest investments in these continuing projects to promote literacy are viewed as prerequisite steps to preparing the population for more advanced training and education efforts. Helping increase Niger's literacy rate by 2 percent per year is the objective of USAID efforts in literacy training. The GON has decided to reform its education system. This is, therefore, a propitious period for USAID to allocate program resources supporting educational reform.

In broad terms, the new USAID strategy will focus on promoting GON policy reform toward increasing 1) the efficiency with which education resources are used, 2) the quantitative and qualitative outputs of education and training investments, and 3) the effectiveness of the education and training systems in supporting economic and social development objectives.

A detailed analysis of the major bottlenecks and constraints related to Niger's education and human resource situation will be initiated in late FY 1983 in conjunction with ARD/ED and S&T/HR to determine the priority areas for A.I.D. assistance. The comprehensive planning to develop the long-term Mission strategy in the sector will follow the analytical assessment. Project or program assistance activities in the education and training sectors will be

designed with the initial A.I.D. funding planned for the third quarter of FY 1984.

#### E. Complementary Program Activities

AID will continue to support and encourage rural development initiatives of U.S. private voluntary agencies (PVOs) in Niger. There are few U.S. PVOs in Niger (AFRICARE, CARE, CWS and LWR) and their programs are generally small scale. These organizations have generally been effective, and contribute to filling a void in village-level community development activities. Program opportunities with PVOs will be supported in cooperative training and development, promoting local entrepreneurship and developing innovative appropriate technologies.

Peace Corps Volunteers provide substantial technical assistance to USAID/Niger's current projects. Increased joint planning and project collaboration between and and Peace Corps will more fully integrate the activities of two U.S. agencies which share some similar development goals. A joint USAID/Peace Corps funding mechanism will be established to make quick-disbursing funds available for small-scale Peace Corps activities which have developmental value.

### III. The Strategy and Agency Priorities

AID priority concerns of emphasizing policy reform, private sector participation, technology transfer/research, and institutional development in its economic assistance programs are compatible with, and are integral parts of, USAID/Niger's program strategy. The environment in Niger for policy change is good because of the GON's overall pragmatism and their perceived need for reform in the context of current budgetary difficulties. USAID will continue policy dialogue with the GON on such issues as: agricultural subsidies, cereals prices, trade restrictions and private sector initiatives. Some policy reform has already been accomplished with the GON agreeing to reduce and phase-out subsidies on agricultural inputs and in their agreement to

allow broader private sector participation in the marketing and distribution of agricultural inputs and cereals. During the CDSS period, these issues and other policy reforms, such as the role of parastatals, private financing of education, and national investment priorities, will be pursued. If necessary, policy reform will be promoted within each USAID project, and the Mission will also pursue its policy dialogue in the context of its broad range of communications with the GON. AID projects specifically oriented toward the achievement of policy reform are: 1) the Agriculture Production Support, 2) Farm Equipment Enterprises Development, 3) the Rural Sector Grant, and 4) the Joint Program Assessment.

Although the GON has generally not actively promoted private sector development in the past, it has now explicitly recognized that the private sector must have a greater and more formal role in the country's economic growth process. USAID has helped with others to create an attitudinal change within the GON, and the Mission is proceeding to develop activities which are directly oriented toward development of Niger's indigenous private sector. These include the Farm Equipment Enterprises project and management training for private sector individuals within the National School of Administration. The GON is also cognizant of the potential role of U.S. private sector investment in Niger, and USAID will promote these opportunities beginning with a planned Commodities Import Program under the Rural Sector Grant.

Technology transfer/research and institutional development have high priorities in the USAID/Niger strategy. Two universities will provide technical assistance and institutional development under the Title XII Collaborative Assistance mode. Purdue University has a five-person technical assistance team which is working to strengthen the institutional capability of Niger's National Agronomic Research Institute in rainfed cereals production research. Tufts University is working with herder groups and the National

Livestock Service to strengthen rural institutions in the livestock zone and enhance livestock production and marketing. USAID is in the process of selecting a U.S. university which will provide technical assistance and institutional back-stopping in strengthening the Ministry of Health's planning and health administration capabilities. Technical and managerial assistance from the U.S. private sector has been incorporated in the design of the Farm Equipment Enterprises project. In addition, the GON is benefiting, through USAID, from technical assistance and institutional relationships with U.S. universities under Collaborative Research Support Programs (CRSP) in soils management and peanut production. USAID/Niger's program strategy includes other significant opportunities for technology transfer, research and institutional development and, the Mission will vigorously support such opportunities.

Part I of the CDSS listed constraints to development in Niger. The body of the CDSS indicated how the USAID would attack these constraints. It should be noted, however, that since AID does generally not fund major capital projects and because of the limitation on funding, USAID/Niger is not proposing activities to overcome the important transportation and energy constraints.

#### IV. Proposed Resource Level

##### A. Assistance Planning Levels

Table 6 below presents the Proposed Assistance Planning Levels for the FY 1985 planning period. Overall DA levels by year are based upon Indicative Planning Levels provided by AID/W, and their repartition by sector and component are indicative of the priorities USAID/Niger accords to the various elements of its program portfolio. ESF, in addition to that already planned for FY'85, will be requested for FY'86 and FY'87 in view of Niger's critical economic situation. These funds will be utilized as non-project assistance to promote financial stabilization and economic reforms.

Under a proposed P.L. 480 Title II Section 206 program, up to 30,000 tons of food commodities are planned for a food stabilization program and to generate local currencies which will provide budgetary support for agricultural sector programs.

B. Staffing and Management

The current USAID/Niger staffing ceiling is 28 direct-hire Americans and 14 Foreign National employees. This level is considered tight but adequate to accomplish the U.S. assistance program in Niger over the CDSS planning period. The Mission has, however, been plagued by an average of five to seven vacancies at any one time. If the proposed CDSS program is to be effectively implemented, AID/W support is required to assure that qualified staff are assigned to the Mission in a timely manner. Mission efforts to engage in policy dialogue, and the undertaking of a sector level focus for some programs, suggest that a different mix of skills and specialization may be required among USAID/Niger personnel. For example, enhanced capability in economic analysis and more experience in technical resource management, sector assessment and evaluation will be required of the USAID/Niger staff. Mission capabilities will be complemented, as necessary, by the utilization of AID/W resource personnel and by contractors.

The Mission will also be reorganized to more effectively emphasize internal efficiency and concentration of program/project activities. A new Office of Education and Human Resource Development is already in the process of being established in conjunction with the new emphasis and priority accorded to that sector.

