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NIGER AGRICULTURAL SECTOR ASSESSMENT UPDATE

"INSTITUTIONAL AND POLICY CONSTRAINTS
ON AGRICULTURAL PRODUCTION IN NIGER"

Consultant's Report

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INSTITUTIONAL AND POLICY CONSTRAINTS
ON
AGRICULTURAL PRODUCTION IN NIGER

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LIST OF ACRONYMS

ASDG	Agriculture Sector Development Grant
APS	Agricultural Production Support Project
BDRN	Banque de Developpement de la Republique du Niger
BIAO	International Bank for West Africa
CA	Centre d'Approvisionnement
CCCE	Central Bank for Economic Cooperation (France)
CFDT	Campagne Francaise pour le Developpement des Fibres Textiles
CIDA	Canadian International Development Agency
CIF	Cost, Insurance and Freight
CLUSA	Cooperative League of the USA
CNE	Caisse Nationale d'Epargne
CND	Comite Nationale de Developpement
CNCA	Caisse Nationale de Credit Agricole
CP	Condition Precedente
CPF	Counterpart Fund
CPR	Centre de Perfectionnement Rural
CSPPN	Caisse de Stabilisation des Prix et Preequation du Niger
CPT	Centre de Perfectionnement Technique
DEPSA	Direction d'Etude, Programme et Statistics
DFI	Direction de Finance et Investissement
FCFA	Monetary Unit of the West African Monetary Union
FED	Fond European de Developpement
FLUP	Forestry and Land Use Planning Project
FNI	Fonds Nationaux d'Investissement
GMV	Groupement Mutualists Villeagois
GON	Government of Niger
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics
INRAN	National Agronomic Research Institute of Niger
IRSH	Institut de Recherches en Sciences Humaines
ISNAR	International Service for National Agriculture Research
MA	Ministry of Agriculture

MDR	Ministry of Rural Development
MP	Ministry of Plan
MSU	Mississippi State University
NAAR	Niger Applied Agriculture Research
NCR	Niger Cereals Research
ONAHA	Office National des Amenagement Hydro-Agricoles
ONERSOL	National Office of Solar Energy
OPT	Office des Postes et Telecommunications
OPVN	Office des Produits Vivriers du Niger
OSU	Ohio State University
PAAD	Program Activity Approval Document
PIL	Project Implementation Letter
PPs	Productivity Prijects
RINI	Societe Riz du Niger
SAP	Structural Adjustment Program
SEDES	Societe D'Etudes pour Le Developpment Economique Et Social
SONARA	Societe Nigerienne de l'Arachide
SONITEXTIL	Societe Nigerienne de Textiles
TA	Technical Assistance
ULC	Union Local de Cooperatives
UNC	Union Nationale des Cooperatives
UNCC	Union Nationale de Credit et de la Cooperation
URC	Union Regionale de Cooperative
USRC	Union Sous Regional de Cooperative
USAID	U.S. Agency for International Development

EXECUTIVE SUMMARY

1. Introduction

This agriculture sector assessment report has two main objectives (1) to outline and discuss the recent performance of policies supported both by the Government of Niger and major donors for promoting general economic stability, growth and development in the agricultural sector and (2) to explore and identify other policy and administrative measures affecting agricultural productivity in Niger. The materials presented in the report are organized as follows: (1) progress and problems of implementation of the ASDG supported policies, (2) role and impact of the counterpart fund on agricultural policy reform objectives, (3) role and impact of other donor activities on policy reform objectives, (4) other policy and administrative measures affecting agricultural productivity in Niger, and (5) conclusion and recommendations for policy reform.

The performance of policy constraints in Niger are investigated through review of existing documents and extensive interview with Nigerien policy makers as well as with officials of various donors located in Niger. The analysis focuses on those policies supported for reform by the ASDG: reorganization of the input delivery system, input subsidies and pricing; cereals marketing and pricing; cross border trade; rural financial markets; and cooperatives and the private sector.

As exemplified in examining the policy reform agenda of other donors such as IBRD/IMF, and as indicated in the 1987-1991 draft five year development plan, the policy reforms originally selected by ASDG still represent the policy areas considered to be central to the growth and development of rural Niger. As such the lessons learned by analyzing the progress achieved and the major problems hindering progress in implementing each of the ASDG supported policies would serve as a proxy for understanding the overall state and performance of agricultural policy in Niger. However, the ASDG has only been in existence for a little over two years. Hence, the performance assessment is limited to the specific substantive policy changes that occurred during the last two years.

Also, as documented in the 1987-1991 draft five year plan, there is a clear consensus among Nigerien policy makers on the role and importance of agriculture to serve as the engine of growth and development in the process of revitalizing the Nigerien economy. The Government of Niger has also set the broad policy framework signifying Niger's move towards a market economy (moving beyond food self-sufficiency by recognizing the possibility of exports and imports of agricultural products),

reducing the role of the state and emphasizing a greater role for the private sector. Never the less, there is a need for sharper articulation of development objectives to eliminate inconsistencies and contradictions existing between the broad policy statements and certain implementation actions/activities espoused by the policy makers, such as desiring to promote diversification and export while at the same time stressing self sufficiency in rice production; protecting and restoring productive capacity of the rural sub-sector while at the same time encouraging increase in herd size; liberalizing markets while at the same time seeking price control mechanisms and/or according key marketing role to failed parastatals, etc.

2. Progress and problems of Policy Implementation

Overall, it appears that the policy reforms supported both by the broadly oriented structural adjustment program and the agriculture sector development grant are performing adequately against planned objectives. But it is apparent that substantive progress in implementation is achieved in some areas more than in others. The progress to date, the outstanding problems and suggested actions to improve performance, particularly, in the ASDG policy areas, are briefly summarized below.

2.1 Progress to Date:

The Government of Niger is addressing key structural problems of the economy by implementing macroeconomic policies aimed at reducing the financial imbalance by restraining public investment and reorienting it to the productive sector, reforming the tax system, rescheduling debt repayment. Also, there is good progress in the ASDG supported policy areas:

-- Both the direct and indirect subsidies have been reduced as expected except for some fungicides used on cotton where the level is double the 50 percent maximum allowed in the agreement. The proposed transfer of the CA to the cooperative movement is in process.

-- A number of reforms have been initiated in the product market area. OPVN is being restructured. It is limiting its mission to that of maintaining security stocks, reducing its overextended field outlets and personnel thereby minimizing the associated recurrent cost burden. A tender and bid system was initiated for stock buying operations in OPVN. Measures have also been taken to promote grain storage at the village level.

-- Cross border trade was promoted a good deal until the export of female livestock and all cattle was prohibited after the drought in 1984.

-- The Ohio State University rural financial markets study has generated a solid data base for decision makers for assessing and resolving major policy issues both in the formal and informal segments of the financial sector.

-- The Government of Niger, in collaboration with donors, is attempting to improve the management of sectoral resources and overall efficiency of many development institutions. For instance, under the ASDG, a secretariat has been created to manage with the joint management committee the CPF that finances local capital and recurrent costs for various projects, and also the ASDG supported TA team in the Ministry of Agriculture and Ministry of Plan is assisting in policy study, analysis and interpretation tasks. A consulting team of CIDA is in the process of identifying effective methods of strengthening management capabilities of the administration and the public enterprises. With IBRD financing, ISNAR is assessing INRAN to produce reform proposals for improving performance of the Nigerien national research system.

2.2 Some Significant Problems:

Certain factors have emerged from time to time that adversely affected the positive effects of the reforms:

-- When the Government of Nigeria closed its border from January 1985 to March 1986, export of goods from Niger to Nigeria was officially frozen. Consequently, Niger was unable to generate needed foreign exchange revenue through exports, nor to collect expected revenue from custom duties from commerce with its closest major trading partner.

-- In 1984 Niger was confronted with severe drought which reduced agricultural production by almost half.

-- Several institutional changes were undertaken during the last couple of years which had negative impacts on to effective implementation of the Grant's policy reform areas: when the MDR was divided into the two ministries (Ministry of Agriculture and Ministry of Animal Resources), the TA of the ASDG which was originally placed at the MDR, was limited at least organizationally, in working on livestock related policies; when the UNCC was disbanded and was replaced by the UNC, a new question emerged regarding the feasibility of transferring the CA and the workshops to the new and young UNC; When the CNCA became bankrupt in

1984, institutional agricultural credit, other than through projects, also became unavailable.

2.3 Priority Actions Required to Improve Performance:

Where implementation is partial, more effort is required to complete the remaining specified actions. Accomplishing such a task would entail, among other things, a well thought out work plan facilitating identification of the specific impediments of progress, raising and discussing the issues, and maintaining a continuous dialogue between the partners to promote understanding and resolution of the issues. With respect to the ASDG, the two partners (USAID and the GON) should take priority actions in the following areas to raise the overall contributions of the reform program to productivity:

- Reduce the subsidy level on fungicides;
- Collect data on all fertilizer imports, consumption, and yield responses to fertilizer application;
- Closely monitor the transfer of the CA and the workshops to the UNC;
- Seek approval of the interim statutes for the CA as specified in the work plan;
- Improve the operating procedures and practices of the tender and bid system;
- Institute a tender and bid system for selling ;
- Eliminate floor price as a basis of purchase.
- Assess the strength and limitations of the cereals bank program to determine its proper role in designing food strategy;
- Reestablish free livestock exports;
- design effective export promotion schemes (conducting marketing studies and exchange rate issues particularly relative to the nira and the CFA).
- improve policy analysis capability such as the management and supply of information and statistical data;
- Establish an ASDG working level Technical committee; and
- Improve donor coordination.

3. The Role and Impact of the Counterpart (Local Currency) Fund on Agricultural Policy Reform Objectives

The Counterpart Fund is the principal funding mechanism of the ASDG. The CPF uses local currency to finance local capital and recurrent costs for various projects according to specific criteria. As of December 31, 1986, the counterpart fund secretariat had processed 29 separate project approvals for a total of \$21,181,931. Unlike other donor financed development assistance projects where up to 90 percent of a project's purchases of goods and services may be "tied", less than 10 percent of the total funds is "tied" in the ASDG. This flexibility is one of the appreciated aspects of the ASDG. Also, the macroeconomic impact of the counterpart funding on the balance of payments, central government budget, and on the stabilization program has been indicated to be quite significant (see the ASDG-midterm evaluation report).

4. Role and Impact of Other Donor Activities on Policy Reform Objectives

Donor funds are the most important component of total gross fixed capital formation in Niger. In 1985 and 1986 about 90 percent of public investment was funded by external sources. According to the 1985 figures IBRD, USAID, CCCE and FED were the four major funding sources ranked in descending order of their contribution to total funding of the investment plan. The contribution of foreign funds (loans and non refundable assistance) to total public investment in the rural sector was 92% in 1985 and about 97% in 1986. By 1991 external funding need of the Government of Niger budget is expected to reach 102 billion FCFA

The IBRD/IMF funding is triggered following satisfactory performance of the structural adjustment programs. Presently, the SAP is focussing on productivity problems in three areas. First, Public Resource Management (restructuring the budget), second Reform of Public Enterprises (revision of economic incentive policies, changes in legal and institutional framework, as well as through rehabilitation and privatization), and thirdly Agricultural Policy changes, mainly focussing on the ASDG supported policy areas.

Currently, IBRD is collaborating with the Government of Niger and CCCE in carrying out a sectoral study (covering sub-sectors of agriculture, livestock, forestry and fisheries). The study which started late in 1986 is planned to be carried out in three successive phases in two years. Phase 1 of the study which is expected to end in June of 1987, attempts to diagnose the

prevailing situation and identify constraints in the sub-sectors. The 2nd phase elaborates a development strategy for the rural sector. Phase 3 aims at designing programs and projects for implementation. The final sector assessment document is anticipated by mid 1988.

5. Other Policy and Administrative Measures Affecting Agricultural Productivity in Niger

The Government of Niger is in agreement to pursue implementation of the reform programs. The agreement is exemplified by endorsement of the proposed reforms by higher authorities. Despite the prevailing good will and the commitment to implement certain actions already underway, additional effort is required to define and formulate policy actions in some areas, such as strengthening policy analysis capability, improving agricultural research outputs and land resource management practices.

6. Conclusion and recommendations for Policy Reform

The major conclusion of this report is that the original ASDG supported policy reforms are still central concerns of the Government of Niger in setting a strategy to promote growth and development in rural Niger. Therefore, to maximize the gains from the reform program, concerted effort is required to implement the suggested priority actions to improve performance. Finally, the findings of this report lead into recommendations for future policy reforms in two categories:

6.1 New Proposals Internal to the Original Policy Area

6.1.1 Seed production and Distribution Policy

So far, the input supply policies of the ASDG dealt with mechanical and chemical inputs. But (aside from the USAID intervention in seed multiplication program in the APS project), the biological input, seeds, have not been included in the ASDG policy agenda. Recent experience with the seed program suggests that restructuring the existing seed production and distribution system in Niger to promote seed certification and quality control, while at the same time according more role for the participation of private business in the production and distribution of seeds would contribute greatly to more efficient agricultural production.

6.1.2 Credit Union Promotion Policy

The findings of the Ohio State University rural financial markets study suggests the existence of adequate liquidity and significant demand for deposit and loan services in rural Niger. Based on this documentation, it appears essential

and timely to identify relevant policy conditions, such as developing a conducive legal framework to facilitate the promotion of credit unions in Niger.

6.1.3 Reorienting the Cooperative Development Policy.

Cooperatives in Niger are expected to play a key role both in the product and input markets. In order to assist cooperatives to effectively assume their roles as business enterprises, it is necessary to strengthen the cooperative structure by clarifying the legal framework; insuring that prospective members join together based mainly on mutual economic interest and not only due to geographic proximity; implementing workable training programs to improve the organizational capacity and management skills of the cooperative membership.

6.2 New proposals External to the Original Policy Area

6.2.1 Land Resource Management Policy

The Government of Niger has been aware for a long time now of its fragile land resource base. Attempt is made from time to time to protect and restore the productive capacity in the rural sector by instituting rational land use management programs, such as the activities of the FLUP project. The on-going work on the "Rural Code" also focuses to produce clear legal rights to landed property, as well as effective regulations and policies to facilitate safeguarding ecological balances and improving investment returns.

If properly carried out, the "Rural Code" is likely to produce results with far-reaching positive economic consequences. However, in order to formulate a clearly defined land resource management strategy and engage in high level policy reform dialogue, a solid data base is necessary to describe and characterize the existing situation, as well as to identify specific areas of resource mismanagement with suggested ways of improving performance. Also, such database is essential in prioritizing the major elements of needed land resource management policy reforms. Therefore, the "Rural Code" committee should immediately develop a series of varied applied research activities to accumulate the socioeconomic information essential for designing rational land resource management reforms.

6.2.2 Agricultural Research Policy.

The Government of Niger, in collaboration with donors, is attempting to strengthen INRAN's ability to conduct agricultural research. Several activities are underway to improve INRAN's capability in technology generation, and delivering results

effectively to farmers. For instance, ISNAR is studying INRAN with IBRD funding to propose options for improving performance. Also, USAID is in the process of starting a (second phase to NCR) research project, NAAR, which among other things aims at improving the functional linkages between research and extension. Although some of the needed reform elements may not be amenable for handling in a sector grant mode, reform is required in the following areas to maximize contributions of INRAN's outputs in promoting productivity.

6.2.2.1 Setting Research Priority

In setting research priorities and in allocating research resources, INRAN should clearly delineate priorities by sector (crops, livestock, forestry, and fisheries); by zones (rainfed, irrigated); by enterprise (agricultural, off-farm); and by type of research (basic, applied).

6.2.2.2 Strengthening Linkages

This refers not only to researcher-farmer relations, but also of the need to develop collaborative working agreement between IRSH, ONERSOL, ICRISAT, as well as with other training and extension institutions such as the National School of Agronomy, Practical Institute of Rural Development, Directorate of Agricultural services, Animal Husbandry, Forests and Fauna, Fisheries and Pisciculture. Periodic meetings to exchange views between members of the various organizations, and joint personnel appointments in appropriate institutions could improve collaborative relationships.

6.2.2.3 Research with a Farming System Perspective

INRAN should be encouraged and strengthened further to plan and undertake problem solving research with a multidisciplinary team.

6.2.2.4 Improving System of Incentive and Status for Researchers

In order to attract and retain qualified researchers, INRAN should be provided authority to develop a management policy providing status and comparable fringe benefits to the researchers, comparable to their counterparts at the University of Niamey. It should also institute in the management system accountability, reward and correction provisions based on a clear set of performance standards.

1. Introduction and Background

The purpose of this report is to update the material presented in the latest Agricultural Sector Analysis, namely Annex H of the ASDG PAAD. Annex H is among the most recent and focused writings on the institutional and policy constraints on agricultural production in Niger, prepared in 1984 by the design team of the Agriculture Sector Development Grant (ASDG). The design team presented the document as annex H of the Program Assistance Approval Document (PAAD) of the ASDG.

This current report is organized in six sections. The rest of section 1 provides a brief background on the physical and socioeconomic setting of Niger, with special reference to the technical production possibilities and the constraints to increasing productivity.

Section 2 assesses the recent performance of agricultural policies in Niger taking the case of the ASDG supported policies (input subsidies and distribution, cereals marketing, cross border trade, rural financial markets, cooperatives and the private sector). Section 3 discusses the role and impact of the counterpart fund on agricultural reform objectives. The section covers the expenditures made, contribution to agriculture budget, conformity to local currency criteria and contribution to policy objectives. The presentation and discussion in section 2 and 3 heavily draws from the recent ASDG mid-term evaluation document. However, since some of the discussions in the present report are given in a summary form, the reader is advised to consult the appropriate section of the mid-term evaluation document for further details on some topics dealt with in this report.

Section 4 examines the role and impact of other donor activities on policy reform objectives including the complementarity of the ASDG and the SAP reform program. Section 5 outlines and analyzes other policy areas and administrative measures affecting agricultural productivity in Niger. The discussion focuses on policy analysis capability in technical ministries, agricultural research and land resource management policies. Section 6 presents the overall conclusion and recommendations for policy reform.

1.1 The Physical and Socioeconomic Setting of Niger

Niger is one of the four land-locked Sahelian countries. It has an area of 1,267,000 km square. Distance to the closest seaport is more than 1,000 kilometers. The climate varies from north to south ranging from the Saharan climate where there may be no rainfall to the Northern Sudanian climate in the southernmost part of the country which has a 3 and 1/2 month rainy season and over 500 mm of rainfall a year.

The agriculture/pastoral zone of Niger is divided into six sub-ecological zones running east and west across the country. The distribution of rainfall in the ecological zones tends to determine the pattern of production activities (crop and/or livestock production).

Niger's principal food crops are millet and sorghum. Cowpeas and peanuts are the main cash crops in rainfed dry-land cultivation. The irrigated areas cover about 10,000 hectares, 6,000 hectares in wet land along the Niger River and roughly 4,000 more irrigated hectares in valleys in the Tahoua, and Maradi regions where rain water catchment areas and wells are used for irrigation. The main crop along the Niger river perimeters is rice. Crops grown under irrigated conditions include: cotton; peppers (hot for export to Nigeria, sweeter for use in Niger) and onions (dried for export to Europe and sent fresh to Nigeria and other costal countries), potatoes, tomatoes, (no tomato paste canning at present), lettuce, cucumbers, green beans, etc. In smaller amounts some melons, and citrus, etc. are cultivated. Although growing steadily, the local marketing opportunity currently available for vegetables and fruits is very limited.

The population of Niger is about 6.6 million with an estimated 3.0 percent annual growth rate. The average population density is estimated at 4.4 inhabitants per km square. However, there is a very unequal population distribution over the national territory. The distribution in the seven departments (regional administrative units) ranges from 0.2 persons per square kilometer in Agadez to 24.5 persons per square kilometer in Maradi department. Actions on family planning programs are underway. The impact of the family planning action on the future demographic trends remains to be seen.

The principal occupation of the population of Niger (close to 90%) is farming or herding. Farming is carried out in rainfed areas by the majority of the population living in the southern part of the country. Herding is the main activity for the 20 percent of the population that lives in the pastoral zones in the northern part of the country.

Niger shares more than a one thousand kilometer southern border with Nigeria. According to most recent estimates, Nigeria is among the key suppliers of consumer and investment goods to Niger. Nigeria normally (in good harvest years) has a cereals surplus which it exports mostly to Niger. Unlike Nigeria with its own monetary unit, the naira, Niger is a member of the French Franc Zone (The Franc CFA is convertible and tied to French Franc at 50 FCFA = 1 French Franc). Observers indicate that unofficial trade flows along the 1000 kilometer border are substantial from both sides.

1.2 Technical

The production
subsectors in the
institutional
constraints
year plan documents

A. Natural
limited surface
and erosion
to desertification
Rainfall is an
distribution
problem. Night
rainfall through
able to adapt
the last decade
marked cycle
irreversible
difficulties
have not developed
conserving
production

With respect
rainfall for
this case also
the potential
herd, weakened
diseases. Some
the drying up
confronted with
reduced the
Niger banned the
promoting a

Soil man
inadequate. No
exploited in an
of soils need
fertility and
what is known
techniques

B. Social
literacy, pro
food habits a
tenure, th

rural Niger (herders and cultivators) use of landed property. Several and issues in Niger (technical and religious authorities, justice and n, etc.), but contradictions prevail in earning access and rights as well as land management modes, among other things, due coordinating agency.

straints such as high rate of population settlement pattern and intense out sector.

constraints such as inadequate ate technologies, inappropriate am design and execution practices, agricultural credit and supply of

ogical changes must occur if general idly increased. Identification, ion of drought and pest resistant crop ent animals, proper farm machinery, lopmental work. Also despite the large used, there remains a vast job of nd distribution to be done to develop A patient approach is required for the ble number of traits, such as drought cycle, disease resistance, increased ns which is beginning to be used is a actual farm conditions and on improved variety is identified and the problem of multiplication and difficulties change with species and involved.

very little functional interaction tion and technology (either from al agricultural system) and the Farmers may sometimes have direct , but usually it has come through an ten potential solutions to farmers' strained because scientists lack tions, and they often do not address the e extension workers therefore propose scientifically unsound and

nd/or experience in agricultural poses constraint on productivity. While have received excellent training in are likely to have received

management training or the practical experience needed to administer specific research programs such as in budgeting, personnel management, procurement, or training in the establishment of priorities among research activities.

E. Inappropriate/Contradictory Agriculture Policies:

Certain agricultural policies are not compatible with one another and hinder the accomplishment of self-reliance. As expressed in the recent draft Five Year Plan document, while the broader policy framework signifies that Niger is moving towards a market economy, reducing the role of the state and emphasizing the private sector, certain actions/activities are suggested contradicting the broader policy statement:

- while the broader policy is for diversification of production, increasing imports and exports, the government has opted for a strategy to intensify rice production, and control rice and wheat imports in the light of existing knowledge that high investment and recurrent cost encumbers rice production in irrigated perimeters. As such, the option to grow other profitable crops on irrigated perimeters or the alternative of importing rice, perhaps at a cheaper price is excluded at least for the short run. In this case, increasing rice production for self sufficiency is being stressed to the extent of ignoring the principles of comparative advantage.

- while the broader policy is for protecting and restoring the productive capacity of the sub-sector, supported actions/activities call for reconstitution of herd size and increasing the livestock numbers albeit with a different mix of large and small ruminants. However, * the option of maintaining smaller numbers, with larger turn-over appears more consistent with the objective of conserving the soil and preventing desertification, rather than generating larger numbers of animals with a lower sales/slaughter rate.

- while the broader policy is for liberalizing markets, stipulated actions/activities, call for price fixing mechanisms and accord a key role to parastatals such as SONARA in the marketing of peanuts and cowpeas.

- while the general trend is to reduce subsidies and promote private sector development for the supply of inputs, proposed action/activities stress the need to continue subsidizing animal vaccines. Indeed, if the state could play its role in insuring availability of the vaccines at principal centers, it appears that traders are capable of carrying out the retail distribution to herders in their respective communities surrounding the centers.

1.3 Recent Attempts to Alleviate Institutional/Policy Constraints

Many of the constraints outlined above are generally acknowledged and the 1984 drought has once more underscored the fragility of the agriculture base in Niger. The need to develop drought-proof technologies for agriculture and livestock production is also widely recognized among Nigeriens as well as other informed observers. Nevertheless, even within the present state of technical knowledge, improvements in agricultural policy and institutional arrangements can permit marked increases in productivity.

Since the poor economic performance of the Nigerien economy became evident during the 1981-1983 period, partly due to the decline in uranium revenue, donors and the Government of Niger have taken steps to increase the efficiency of resource use in the rural sector through programs of economic policy reform. Following the IMF sponsored stabilization programs, for instance, the government of Niger has addressed key structural problems of the economy by implementing macroeconomic policies aimed at reducing financial imbalance through restraining public investment and reorienting it to the productive sector, implementing a reform of the tax system, seeking debt relief through rescheduling of debt repayment as well as by lowering the overall domestic credit expansion and reducing short-term foreign borrowing.

Also, as one of the principal donors involved in a continuing dialogue with the Government of Niger on policy issues, USAID collaborated with the Government of Niger in developing a new set of policies to reorient the agricultural sector. In examining the agricultural policy options in a long term perspective (15 to 20 years), there is consensus among Nigerien policy makers and USAID on some basic elements of a reoriented agricultural sector. One such element stresses that the government should have much less direct involvement in production activities and that Nigerien farmers should assume more responsibility for their own affairs. There are also a number of other policy areas supported by both partners (see section 2 for details).

It is under this premise that the USAID formulated or reformulated several of its recent bilateral projects and the ASDG Program. The ASDG in particular attempts to alleviate constraints in five policy areas. The desirable and possible policy areas under the ASDG are. input supply, subsidies and input pricing; cereals marketing and pricing; cross border trade; agricultural credit; cooperatives and the private sector.

The original five areas were selected from a list of the principal constraints to more rapid agricultural growth and development in Niger. The initial list of comprehensive institutional/policy bottlenecks to the expansion of agricultural production contained about 25 areas of policy. The list was drawn up at the national seminar on agricultural and rural development, held in Zinder in 1982. In the selection process, five areas were finally chosen as being the most binding constraints as well as more conducive to a program rather than a project approach. Other policy areas were not emphasized because they were already being addressed in the bilateral projects or by other donors.

The World Bank's conditionalities are also defined more or less in line with the ASDG policy areas. The Bank's agricultural sector development policy seeks to improve the overall set-up of the rural economy in four areas: 1) policy reforms in the fields of grains prices, distribution, and security stocks, 2) reduction of agricultural input subsidies, 3) initiating change in the agricultural credit system, and 4) redesigning the country's agricultural research program. In broader terms, the ASDG and the Bank's policies are aiming at raising productivity of land, capital and labor and consequently at improving agricultural output, and facilitating efficient marketing of food crops as well as allowing exploitation of the comparative advantages (both internal and external) of the different regions.

Presently, the World Bank in collaboration with the Government of Niger and CCCE are carrying out a sectoral study covering all the aspects of rural development (agriculture, livestock, forestry and fisheries) through the assistance of SEDES, a French based consulting firm. The study is planned to last two years and is to be accomplished in three successive phases.

The first phase which is to end in June of 1987 attempts to diagnose the major constraints and bottle necks to the development of the sector. Areas to be examined include:

- The institutional framework and support services and impact on farmers and herders (research, extension, supply, credit, marketing).
- Organization of the rural sector (farmer's and herder's groups, cooperatives, their present cohesion and functioning).
- Public investment programs and their impact.

The second phase of the sectoral study consists of elaborating a development strategy both for the whole sector and the sub-sectors. The principal components of the sector's development strategy will include:

- Development policy for the agro-sylvo-pastoral areas;
- Livestock development policy;
- Water resource development policy;
- Desertification, land use and management policy;
- Improvement of support services. Role of the public sector vis-à-vis the private sector;

The third phase aims at drawing up coherent programs and projects to be proposed to donors in order to implement the specified strategy. Final output of the study team is expected to be released in mid-1988.

2. Agriculture Sector Policies in Niger: Recent Performance

As attested to by selected policies of other donors such as IBRD, and also, as indicated in the 1987-1991 draft five year development plan, the policies supported by ASDG remain key policy areas to the development of the rural sector in Niger. As such, assessing the extent of progress achieved and the major problems hindering progress in each of the ASDG supported policy areas becomes a good proxy for understanding the overall performance of agricultural policy in Niger.

The ASDG has been in existence for a little over two years. Hence, assessment of progress and problems in the supported policy is limited to the reform conditions and benchmarks stipulated for the initial two year life of the program. This section summarizes the specific substantive policy changes that have taken place since 1984, focussing on the following areas: reorganization of the input distribution system, input subsidies and pricing; cereals marketing and pricing; cross border trade; agricultural credit and savings; and cooperatives and the private sector. The refinements required to achieve expected benefits of each policy area as well as the need, if any, for including additional policy areas on the reform agenda will be further explored at the latter part of the report.

2.1 Reorganization of the Input Distribution System, Input Subsidies and pricing

2.1.1 The Centrale d'Approvisionnement (C.A)

2.1.1.1 Background

The C.A was created in 1978 as a division of the Cooperative Agency, Union Nationale de Credit et de la Cooperation (UNCC), to supply agricultural inputs¹ to Nigerien farmers. The UNCC was disbanded in 1984, and was replaced by the UNC. Since then, the CA has been placed under the the Ministry of Agriculture (MA). It remains the main State agency² responsible for obtaining and supplying Agricultural inputs to farmers.

The CA has not been fully staffed nor adequately financed to plan, manage and execute a viable operation. It depended on UNCC and now on UNC personnel to carry out its input distributing function. Also, it has no capital of its own. It uses outside financing both for its purchase of inputs as well as covering its operating expenses. In the past, it used commercial credit from the Caisse Nationale de Credit Agricole (CNCA) and also subsidies from the Fonds National d'Investissement (FNI) and the Caisse de Stabilisation des Prix et Perequation du Niger (CSPPN). However, since the CNCA ceased its lending activity two years ago, the CA has not received any credit, although it continues to draw direct subsidies from the Government (see table II. A), as well as direct contribution of inputs, particularly fertilizer, from foreign donors.

At the close of the 1985 fiscal year, the outstanding debt (including interest payment) of the CA to the CNCA was 1 billion

¹Farming Implements are manufactured (or assembled from imported spare parts) in four Workshops-Ateliers located in Niamey, Dosso, Tahoua and Zinder. Imboden's USAID sponsored study provides considerable data on the strength and limitations of the workshops as well as on available options for improving performance. Other inputs such as fertilizer are purchased through an international tender and bid system.

²In addition to the CA, traders in the private sector also distribute inputs in rural Niger. According to the retrospective Study document by the ASDG technical assistance team, there are wholesale merchants supplying fertilizer to productivity projects and to cooperatives as well as to the CA. Retail merchants also supply to individual farmers as well as to the cooperatives.

FCFA. The yearly debt service is 131 million FCFA. This is a little less than the last year's operating expense amounting to 155.5 million FCFA, and more than the projected 120 million yearly operating cost of the CA at its current reduced level of operation.

At present the CA handles procurement of fertilizer, farm implements and varied types of pesticides. Improvement in the management structure of the CA is also expected to enhance the economic performance of these inputs. On the other hand, although there are other structures dealing with seeds, both the production and distribution functions of the existing structures for seeds are characterized by lack of clearly defined goals for the national seed program. The role of the private and public sector is also unclear (primary responsibility resting with the state). In view of apparent absence of quality control and certification mechanisms, the need to restructure the existing system to encourage diversification of the seed production and distribution system is highly recommended in a recent report prepared by the Mississippi State University team.

Seeds, like all other inputs should also be handled by the CA in competition with the private sector, particularly as the CA strengthens the business operation after it is transferred³ to the Cooperative Agency, the UNC. The condition precedent in the ASDG and the issues regarding the transfer are presented and discussed below.

2.1.1.2 Transfer of the CA to the Cooperative Movement

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

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

The "appropriate actions" were to be initiated prior to the disbursement of the third tranche of funds, with a five year period as a transition phase. The "appropriate actions" were defined after assessing the factors contributing to lack of management proficiency both in the CA as well as in the four main farm implement workshops. The action plan prepared by the Government of Niger and USAID for 1985/86 included publication of a new statute for the CA. The plan also called for updating

³The four workshops (ateliers) will also be transferred to the UNC.

and settling the CA's accounts. With respect to the reorganization of the workshops, the work plan cited three performance indicators: publication of new statutes, carrying out a sale intended to get rid of excess stocks of poorly designed or inappropriate implements (a "promotional sale"), and transfer of the workshops to cooperatives.

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

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

Discussions are also currently underway between the Government, and the UNC relative to the transfer of the CA to the cooperative movement. The Ministry of Agriculture has made a proposal to transfer the CA to the UNC under the following terms:

With respect to the CA:

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

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

- The Government organizes "promotional sales" of

implements to collect income that will be used toward settling the debt of the Assembly Plants to the CNCA;

-- The Government will be charged with the rest of the liabilities;

-- The Government will give to the UNC the buildings and the materials in the assembly plants;

-- The UNC will be responsible for all expenditures relative to the personnel in the assembly plants;

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

-- Establishment of an Agricultural Credit Program (no specific proposal was suggested)

-- Participation of institutions such as Societe Nigerienne de l'Arachide (SONARA), Office de Produits Vivriers du Niger (OPVN), Societe Nigerienne de Textiles (SONITEXTIL), and the CNCA in providing Agricultural Inputs

-- Requests Government assistance in seeking external funding support for the CA;

-- Other considerations to be made prior to engaging in "promotional sales":

-- Firm commitments to supply agricultural equipment to Centre de Perfectionnement Technique(CPT) and Centre de Perfectionnement Rural (CPR) trainees;

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

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

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

a. The proposed transitory Statute will include the conditions governing the transfer to the UNC;

b. A sufficient⁴ transition period will be maintained as to:

-- continue improvement of internal CA management as well as training of the Union Regionale de Cooperative (URC) and Union Sous Regionale de Cooperative (USRC) personnel via APS Technical Assistance;

-- improve the financial viability of the system;

-- require cooperatives to invest in the CA enterprise prior to assuming management;

c. The permanent Statute will be finalized to effect a systematic transfer of ownership.

d. The proposed revolving fund is in fact established using proceeds from the sales of donor fertilizer (amounts from the revolving fund, allocation by the Government of Niger or direct contributions from donors may be necessary) to cover the operating expenses of the CA, especially during the early transition years.

⁴It seems that maintaining the suggested five year transition phase may not be necessary if the tasks outlined in the project document such as full cost pricing of inputs to users, maximum viability of restructured input supply system, development of entrepreneurial capacity at all UNC levels etc., are fully implemented. Any future timing changes should depend on the extent of progress attained toward approaching the above specified objectives. On the other hand, if selling the CA to an individual merchant is proven (through a feasibility study) as a viable option to promoting a well restructured input supply system, then the issue of maintaining a transition phase may not be relevant at all.

2.1.1.3 Recommendations

- Carefully monitor the transfer of CA and the workshops to cooperative ownership to insure that an efficient delivery system is achieved.
- The interim statutes for the CA called for in the work plan should be approved.
- As stated earlier the five year period could be reevaluated in light of recent events. Indeed, what is important is not the time involved but having a fully functioning and efficient input supply system which implies there is competition with the private sector.
- Establish revolving funds at the CA to generate proceeds that would be used to cover operating expenses. Otherwise direct donor assistance or the Government of Niger financial support may be necessary at least for the short term.
- Establish systematic cost accounting of indirect costs for the CA. A well formulated bookkeeping system is necessary for development of subsidy rate figures that are comparable over time.
- Include seeds among the inputs provided through CA. Seed production in Niger is an extensive activity afflicted with lack of consistent quality, and high operating costs. Also design ways of restructuring existing seed production and distribution system to incorporate seed certification and quality control mechanism, giving increased role to private sector participation both in the marketing and production aspects.

2.1.2 Input Subsidy Reduction

The ASDG Agreement requires two subsidy reduction actions to be taken by the Government of Niger prior to the disbursement of the second and the third tranches of funds. Release of the second tranche in 1985 required reduction of the maximum level of subsidy on any agricultural input to no more than 50% of its delivered cost. For the release of the third tranche in 1986, the Grant Agreement requires reduction of the average subsidy rate on agricultural inputs to 30%.

One of the main thrusts of this policy reform is to make inputs available to farmers at prices which fully reflect their real costs. Ultimately, the reduction in subsidy levels minimizes the drain on the Government's investment budget as well

as the recurrent cost burden by transferring the cost to the private sector and input users to the extent feasible.

2.1.2.1 Direct Subsidy

As shown in table 2. 1, the direct budget subsidy from the state has declined for the Grant period. The appropriation for the 1984/85 period declined by 45 percent from that of the previous year. A 16 percent additional reduction in the appropriation occurred in the 1985/86 period⁵. To the extent that the subsidy policy dialogue between the Government of Niger and USAID reflected in the Grant agreement focused on the subsidy issue in budgetary terms (direct subsidy), it is evident from table 2. 1 that the actual financial outlays made by the state on agricultural inputs has declined. As there is no specific stipulation on the desired level of budget reduction, the declining trend indicates satisfactory progress in the reform implementation process.

2.1.2.2 Indirect Subsidies

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

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

⁵Out of the total of 250,000,000 FCFA appropriated, only 176,000,000 was actually given: 109,000,000 FCFA paid invoices for cypermethrin and 67,000,000 FCFA was paid to suppliers of fungicides. Consequently, the effective percentage decline in direct subsidy amounts to 41 percent during the 1985/86 period.

TABLE 2. 1
 BUDGETED INPUT SUBSIDIES IN NIGER:
 REQUESTS COMPARED TO APPROPRIATIONS 1974-1986
 (MILLION FCFA)

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

SOURCE: Centrale d'Approvisionnement, activity reports.

* See footnote 2.

effectively given to farmers is 618 million FCFA during the 1985/1986 period, (see tables 2. 1 and 2. 2). This total value of subsidy on agricultural inputs⁶, is composed of the direct budget allocation presented in table 2. 1, and the associated distribution costs⁷, as well as the value of donor granted fertilizer. As cited above, the overall average rate of subsidy on fertilizer, pesticides and farm implements satisfy the grant requirement which states that the overall average should not

⁶It should be noted that seeds are not being considered among the agricultural inputs under discussion since they are not handled by the CA.

⁷ The distribution costs refer to items such as transport costs, salaries, utility expenses, office and warehouse rentals, etc.

TABLE 2. 2
 SUBSIDY RATES ON AGRICULTURAL INPUTS ⁸ IN NIGER:
 FERTILIZER, PESTICIDES AND FARM IMPLEMENTS
 1985/1986

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

SOURCE: Centrale d'Approvisionnement, Campagne 1985/86.

exceed 30% during the 1985-86 period. As shown in table 2. 2, the subsidy for farm implements was eliminated. On the other hand, the subsidy for fertilizer and pesticides remain positive, and excessive in the case of fungicides. With regards to the later, products such as Peprothion TM, Peprothion ULV, Decametine ULV, Cypercal, Cymbus, and Cypermethrine were delivered to farmers at 100% subsidy in the 1985/1986 period. It should be noted that this practice violates the Grant Agreement.

2.1.3 Input Pricing

The analysis of subsidy reductions for fertilizer gets tangled as one assesses the subsidy issue in economic terms, with special consideration to proper economic pricing of production inputs. Clearly, the level of subsidy rate arrived at depends on the opportunity cost or shadow price selected for the rate calculation. If one sticks to the broad concept of the ASDG that stipulates prices which reflect real economic benefits to the agricultural sector and economic costs, it could be argued that the opportunity cost of fertilizer will be better reflected using the world price CIF Niamey plus distribution costs. The argument

⁸The total amount paid by farmers = 1,465,901,373 FCFA, categorized by input types as follows:

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

in favor of the world price stresses that otherwise farmers may use imported fertilizers for crops and places where it is not economic, i.e. returns do not justify the costs. But, according to CA estimates, if world price of fertilizer were the basis of calculation of subsidy rates for fertilizers, the rates in 1985 would have amounted to 66 percent, thus not fulfilling the stipulated condition of 30%. On the other hand, if the CA set the price of fertilizer at world prices without the subsidy, it is highly likely to alienate potential clients in the input market, and indeed it would probably be uneconomic to use fertilizer in Niger except on a few cash crops.

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

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

In spite of all the pricing problems raised above, Nigeria is clearly the least costly commercial source of supply. It is apparent to the writer that the Nigerian import price is the most appropriate proxy for the opportunity cost of fertilizer in Niger. Hence it is not at all surprising that the Government of Niger also finds the Nigerian fertilizer price most appropriate. This is because of favorable prices due to high subsidies in Nigeria, and prevalence of a favorable exchange rate between the naira (the Nigerian monetary unit) and the FCFA. But the economic pricing issue gets further complicated when the shadow price is the Nigerian import price because about 86% of the fertilizer sold through the CA in the past 2 years was given as grants from other donors⁹.

⁹ About 78 percent in 1984/85 and about 94 percent in 1985/86 originated from other sources, whereas only about 22 percent and 6 percent respectively came from Nigeria during the same period.

2.1.4 Summary and Recommendations

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

Recommendations:

- Eliminate the subsidy on fungicides, especially Cypermetrine and other fungicides which have been subsidized at 100% level in the current year.
- Collect data on all fertilizer imports, consumption, and yield responses to fertilizer application. Data on these variables is necessary both for programming long term input needs as well as for insuring wise input use.

2.2 Cereals Marketing and Pricing

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

2.2.1 The Official Marketing System

"Office des Produits Vivriers du Niger" (OPVN) is a Government of Niger cereal marketing agency with a mandate to maintain stabilization and reserve stocks, and manage food aid¹⁰. OPVN was originally given monopoly control of grain marketing by licensing traders and designating buying agents such as village and canton chiefs to carry out its grain purchasing campaign. Although its functions remain the same, OPVN'S grain purchasing practice has changed over time from licensing private traders or local chiefs, or exclusively from cooperatives to the present system of buying from combination of sources using the tender and bid system.

Purchasing prices have been established by decree each year

¹⁰OPVN'S mandate was fixed by public law number 70-17 of August 27, 1970.

just prior to the harvest. A policy of uniform consumer pricing was also maintained to discourage grain speculation by private traders and provide grain at a more affordable price, mainly to urban consumers. The opening and closing dates of the grain purchasing campaign is regulated administratively. The opening date is often announced several weeks after the beginning of effective cereals trading transactions. This induces OPVN to purchase its grains from early buyers in most cases at highly inflated prices. As a result, OPVN has proven to be inefficient and a very expensive operation. At the 1985/86 buying period, for instance, OPVN'S cumulative operating deficit was estimated to have reached about 10,775 million FCFA.

In view of such operational and financial difficulties, the Government of Niger in collaboration with the World Bank Structural Adjustment Credit program is committed, among other things, to take the following measures:

-- Reduce its mandate to maintain a security stock of no more than 80 000 tons; hence, OPVN'S buying and selling operation is to be limited to renewal of one-third of the security stock each year.

-- Reduce recurrent expenditures. To address this issue OPVN has reduced its field outlets and personnel, hence minimizing the recurrent cost burden on the Government of Niger. The reported reductions are:

Warehouses from 179 to 93; and
Personnel by 60 percent from its 1983 level: 140 agents in 1984; 55 agents in 1985; and 165 agents in 1986; decreasing the overall salary budget per year from 250 million FCFA to 103 million FCFA.

-- Reorganize and improve OPVN'S management. Several studies are underway exploring ways of reorganization. The first phase study carried out by SEDES, concluded that (1) OPVN in its present form should be liquidated and (2) a new structure should be put in place with new operating practices and principles with newly recruited majority staff.

The document contains enough cases to indicate some of the weaknesses in the operating practices of OPVN. However, OPVN officials insist that the consultants have not adequately interacted with the relevant OPVN staff thus making avoidable unfounded statements. OPVN officials are to provide the CCCE a written response assessing the SEDES study. The SEDES team is expected to answer to the criticism and refine the bases for its conclusion in the second phase of the study.

Another study, completed in March 1987 by SIRTES also

outlines and discusses the major institutional factors that should be considered in ameliorating OPVN'S performance. First, the report points out the need to establish a legal framework formalizing the new mandate given to OPVN with clear definition of the relationship of regional and local government offices to operations of OPVN. The report also stresses the need to strengthen information and office management practices at OPVN.

As the various studies continue generating information on feasible options to define food strategy, overall agricultural policy as well as on agricultural savings and credit related issues, donors and the Government of Niger are to engage in more frequent dialogue searching for options to enhance the operating performance of the OPVN. Aside from participating in the food aid program, USAID through its ASDG program aims to improve operating performance of OPVN as well as the overall cereal marketing system through the Tender and Bid program, cereals banks and abolishing uniform pricing practices. The progress achieved and the problems encountered in implementing these reforms are briefly presented below:

2.2.2 TENDER AND BID SYSTEM

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

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

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

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

The main objective of this requirement is to promote the

development of the private sector by allowing anyone to participate in cereals marketing. At the same time this would reduce the costs to OPVN by allowing it to buy at the lowest price and sell at the highest price. Although this appears to be working well and to have satisfied the conditions precedent, the following analysis demonstrates a number of problems which needs to be addressed for the system to work as planned. In accordance with the Grant Agreement, OPVN has instituted a system of tender and bids for procuring its millet stock for the Security Stock. The first tender was announced at the end of October 1985, but it was nullified later due to pricing problems. According to OPVN, the lowest price proposed by bidders was 90 FCFA per kilogram when the going farm gate price was 60 FCFA per kilogram. At the time, the official "indicator" (producer) price was 80 FCFA per kilogram. Because of this OPVN withdrew the offer. This problem has proven to be the most important obstacle to the efficient implementation of the tender and bid system. It is clear from table 2. 3 that the winning price is closely tied to the official producer price and is higher than the average departmental monthly retail prices for millet (see table 2. 3, especially for Tahoua, Maradi, Zinder and Diffa). It is generally true that when millet is in abundance in the market, the official price stays higher than the open market price. Thus, instead of buying at the lowest price, OPVN was buying at above market prices to the benefit of only those few merchants and cooperatives who "qualified." Clearly there is a conflict between the "official price" and the tender and bid system which depends upon free market prices.

Other problems of the system are administrative. As shown in table 2. 3, there were 107 participants in the three tender and bid operations. There were 41 offers in the second, 36 in the third and 30 in the fourth operation. The winning prices offered for the winners differ by department. But the winning bidder in the respective departments is not always the lowest price bidder mainly because many of the participants are unable to provide the three documents required to conclude a transaction: certificate of merchant registration, trading license, and bank guarantee. In reviewing the list of bidders of the November 12, 1985 tender, only 7 bidders out of 41 submissions were able to provide the right documents in time to be permitted to bid. In the second tender 4 out of 36 had the required papers; and in the third bid 14 out of 31 were eligible. The effects of these administrative requirements is greatly reduced competition.

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

The Government of Niger has instituted the system of tender and bids for its stock buying operations at OPVN, but it has not as yet instituted the tender and bid system for its grain selling operations. This is in direct violation of the ASDG. The OPVN currently has about 46,000 tons which it has to get rid of before it deteriorates. It has proposed free distribution to those areas of the country which are deficit in grains, but has refused to put even a small portion of this up for sale through tenders. The system has worked fairly well considering that it was just put into operation. As shown in the tables both cooperatives and traders have participated in the system. OPVN bought about 44,000 tons of millet at prices between 60 and 95 FCFA, from participants in six departments, excluding Agadez. Taking an average price, the tender cost 3.4 billion FCFA. The intervention was partly financed by donors with the Government paying about half the cost.

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

Recommendations:

In order to improve the overall performance of the tender and bid system it is essential that USAID and the Government of Niger work to improve the system by:

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

Table 2. 3
TENDER AND BIDS: SELECTED CHARACTERISTICS
OF MILLET BUYING OPERATIONS AT OPVN

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

Source: Procès verbal de dépouillement, OPVN

Table 2. 4

TENDER AND BID: MILLET BUYING OPERATIONS AT OPVN, BY
DEPARTMENT AND TYPE OF PARTICIPANT, 1985 1986

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

Source: Situation des achats OPVN, Avril 1986

2.2.3 VILLAGE LEVEL GRAIN STORAGE

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

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

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

"increased use of village level grain storage."

The objective is to reach 6,000 tons of grain stored at the village level through cooperative or 'groupement mutualistes' arrangements. Following this stipulation, the Government made an announcement via the "Comite National de Developpement (CND)", that all persons between the ages of 14 to 60 must contribute 10 kilograms per person towards a village stock. A national survey was carried out by the agricultural statistics service of the Ministry of Agriculture in 1985 to verify if the stocks have been

constituted as well as to determine the quantity stocked in the different parts of the country. This survey was implemented in 7,365 villages located in all departments except Agadez. While the total number of taxable persons in these villages were found to be 2,060,000 persons, the amount of grain stocked in all the surveyed villages as of March 1986 was estimated to be about 15,953 metric tons¹¹. This quantity is well above the ASDG agreed target of 6,000 metric tons (presumably, this quantity is in addition to grain stored by farm households in their own granaries).

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

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

At this juncture, it should be pointed out that initiating cereal banks in rural Niger can benefit farmers at least in three ways: First, at the time the farmer sells his cereal to his cooperative or GMV, he could sell it at a price higher than the open market price just after the harvest. Second, at the time the farmer buys cereal from his cooperative or GMV, he could buy it at a price lower than the open market price during the "Sudure" season. Third, the profit made by the cooperative or GMV (from the price mark-up less costs) stays with the cooperative or GMV of which the farmer is a member, and the farmer has a voice in deciding how the profits of the group will be used. However, realization of these expected benefits requires, among other things, a conducive environment that allows pricing flexibility, permitting reasonable seasonal price fluctuations. A pricing policy which requires purchasing at a high fixed (floor) price (as was the case with the GON grain marketing policy) from the farmer, diminishes the attractive features of cereals banks, as was evidenced by recent experiences (such as the experience with CLUSA cereals bank cooperatives) in rural Niger.

A five day workshop on cereal banks was held in November 1986 under the sponsorship of the Ministry of Agriculture and the

¹¹ DEPSA, Results of Analysis of the Enquete Stocks Villageois

United Nations Food and Agriculture Organization. The purpose of the workshop was to discuss experiences with cereals bank activities. The workshop participants made thirteen specific recommendations¹² to improve future performance of cereals bank operations. It is worth noting that the recommendations are consistent with the objectives stipulated in the ASDG as shown by the following:

- All cereal bank creations will be based on initiatives expressed by prospective members;
- All cereal bank creations will be preceded by socio-economic studies of the concerned zones to insure viability of the operation;
- Calls for adopting a policy that favors and encourages the promotion of cereal banks as a mechanism to sustain food security in rural Niger;
- To insure effective management, future cereal banks will be created at the "groupements mutualistes" level.
- Recommends a department level round table discussion with participants representing cereal bank officials in the respective department, etc.

2.2.4 UNIFORM NATIONAL PRICING

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

OPVN has long introduced small differentiations in its retail selling outlets. Unfortunately, this practice was reversed in February 1986 and prices for millet sorghum, and rice have since been uniform throughout the country. The cereals prices of the newly initiated tender and bid system at OPVN reflect regional differences. But an official fixed producer price, or

¹²The complete list of recommendations was published in the SAHEL, Quotidien Nigerien D'Information, 24 November 1986.

'indicative price'¹³ prevails for each basic agricultural product¹⁴ (sorghum, millet, rice, cowpeas, peanuts and cotton).

The indicative price not only curtails the activities of the cereals banks, but has also reduced the competitive ability of cooperatives in participating in the tender and bid system. As the experience of the CLUSA cooperatives shows, the cereals bank activity appears to be the least remunerative enterprise undertaken by their cooperatives. Since 'indicative prices' are established by the price control authority, and the cooperatives enjoy an official status with the state, they are obliged to buy from farmers at these indicative prices. For instance, from the beginning of 1986 until last June, cooperatives were buying millet at 80 FCFA per kilogram from their members, and when they took this grain to market, they were obliged to sell at a price between 60 and 70 FCFA per kilogram in Niamey and Dosso and between 25 and 40 FCFA in Zinder and Maradi. This year alone the cooperatives suffered losses from 10 to 55 FCFA per kilogram resulting from the price fixing practices. On the contrary, since the use of the indicative price is not enforced private traders adjust their purchasing price to the current rate prevailing on the market, thereby maximizing their trading benefits. As a result of the Government's price, the cooperatives marketing millet and sorghum have suffered while the traders have benefited. Eliminating the fixed price system is also one way of placing the cooperatives and the traders in an equally competitive framework. A system of free prices would likewise require a system of providing market price information throughout the country.

2.2.5 MARKET INFORMATION

Information development is very important in promoting effective participation of cooperatives and small traders in the marketing system. OPVN is to be commended for taking the initiative since May 1985 for collecting, processing and disseminating a report on a monthly basis. This monthly bulletin provides useful data on prices in various markets, grain stocks, and estimates of production. However, the bulletin comes out two

¹³There is clearly a misunderstanding of the role of the fixed price (indicative price). For some donors such as the World Bank, the official price is just an indicative price and given the lack of follow up on the part of the government to enforce implementation, it should have no effect. But for the Government the price set represents a floor price intended to support farm income.

¹⁴ According to the Director of Domestic Trade, at the Ministry of Commerce, no official floor prices have been issued this year for millet and sorghum.

to three months too late to be of any use to traders and therefore has negligible impact on marketing conditions. At most, the bulletin can only serve as valuable quantitative information for future analysis.

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

Recommendation:

It is recommended that the Government of Niger start a price dissemination program on a pilot basis at least in such departments as Tahoua or Zinder where there are strong north and south price variations.

2.2.6 Summary and Recommendations

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

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

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

(d) Market Information: OPVN has started publishing a monthly bulletin providing useful data on prices and production. But the Government of Niger is unwilling so far to broadcast marketing information on a weekly radio as suggested in the Grant Agreement. Although not a CP, it should be emphasized in negotiating with the Government of Niger that dissemination of market price is more crucial to cooperatives than to traders.

Recommendations:

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

-- Publish regularly the names of winners, the prices and the lots.

-- Institute a tender and bid system for selling.

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

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

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

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

2.3 Cross Border Trade

Following the concept of comparative advantage and in anticipation of subsequent gains to be achieved by specializing according to the comparative advantage principle, the Government of Niger has agreed with the requirements of the ASDG to:

"take appropriate actions to reduce significantly administrative and fiscal restrictions on cross-border trade, particularly with respect to exports from Niger of livestock and cowpeas¹⁵."

The explicitly stated goals of the action program included:

- Improving the tax and administrative environment
- Facilitate full participation and integration of the non-formal sector in trading activities in the formal (modern). sector (implementing a study to understand the structure, organization and operating practices and problems).
- Identifying and supporting new participants in the foreign trade sector.
- Promoting partnerships between Nigeriens and foreign investors
- Strengthening the activities of the Nigerien Center for Foreign trade (data management, export promotion etc.)

Several factors hinder the development of a dynamic trading activity in Niger. Among the most limiting factors are:

- Lack of trained personnel;
- Existence of a large parallel market in competition with normal commercial activities ;
- Inappropriate foreign trade regulations (fiscal pressure and irregular customs procedures, strict price controls and severe administrative requirements etc.).

¹⁵The Government of Nigeria closed the border officially from January 1, 1985 until March 1986, and administrative restrictions still limit official trade. But one should recognize that with well over 1000 kilometers of border, it is practically impossible to effectively restrict the animals and the flow of other trading commodities from crossing a porous border.

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

2.3.1 Livestock Trade

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

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

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

"(1) when faced with another rain-poor year in the livestock zone the Government of Niger took measures to destock by permitting free trade across the border and through a meat drying/smoking program. This was an effort to reduce the animal herds and prevent them from starving to death while at the same time providing some remuneration to the herders; (2) When the rains came back and the pasture situation improved the Government reversed the policy on free cross-border trade. The reasons given were to build up the animal numbers and to keep the price of meat down. (3) Finally, given the extenuating circumstances of the drought and the temporary nature of the policy decision to restrict cross-border trade in livestock, and given the promise to review this policy before June of 1986, USAID granted a waiver in assessing progress during the disbursement of the second tranche¹⁶."

¹⁶The PIL points out the contradictory nature of the two objectives: restricting border trade to build up herd size and reduce meat prices. Indeed it is higher, not lower, prices which will encourage herders to try to increase their animal

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

2.3.2 Cowpea Trade

On the positive side, the Government of Niger has issued a decree¹⁷ stating that cowpeas can be traded by anyone wishing to do so, including merchants and cooperatives. This effectively ends the monopoly power held by SONARA in the past. Article 5 of the decree stipulates that exports of cowpeas can also be made without restrictions. Also the procedures for obtaining export licenses have been simplified and decentralized to department levels.

2.3.3 Summary and Recommendations

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

Recommendations:

- Examine the effects of liberalization on cowpea trade
- Reestablish free livestock exports

reproduction rate. Also higher prices in Nigeria will encourage border line herders to sell their animals across the border (PIL number 9, USAID, December 3, 1985).

¹⁷Arrete No 050 MCT/DCI/MDR, 24 Octobre, 1984 articles 2 and 5.

-- Design a strategy to effectively transmit policy reform decisions to all relevant levels in the Government.

2.4 Agricultural Credit and Savings

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

The study was conducted in five Departments comprising 14 Arrondissements and over 80 villages. The field work was completed in three phases. A total of 1,421 persons were interviewed over the 18 months study period, comprising different categories. The phase one survey focused on collection of data at the household level. During the second phase data was gathered from formal and informal institutions such as banks, GM and cooperative leaders. The target in the third phase was the informal financial sector. The team interviewed merchants, tontine organizers, and money keepers. The detailed breakdown of the respondents in each phase is presented in table 2. 5.

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

2.4.1 Formal Financial Institutions

2.4.1.1 The Caisse Nationale de Credit Agricole (CNCA)

The CNCA was established in 1967 (loi n. 67-032, 29.09.1967) as a public sector institution with commercial goals registered in the official list of banking and financial institutions (arrete n. 0 364, 17.12.1968). The CNCA is fully owned by the Government of Niger and is under the control of the Minister of Tutelle. Its headquarters are in Niamey and it operates over the entire national territory. Within the limits established by

current laws and banking regulations, the CNCA is empowered to carry out any financial operation that could benefit economic activity in rural areas- namely farming and livestock raising (at the production, marketing or transportation levels), fishing and rural handicrafts (decret n 68- 57/MF, 8.04.1968).

According to the by-laws, the organizational structure of the CNCA is comprised of the following decision-making bodies: a Board of Directors, a technical credit Committee (which assists the Board of directors), a Technical Credit Committee, (which assists the Board of Directors in implementing credit policies and makes decisions concerning loans exceeding CFA F 300,000); Departmental Technical Committees (COTEDEPS, which evaluate credit granting decisions for Cooperatives at the departement level); the Arrondissement Technical Committees (COTEARs, which provide a consultative function for the decisions taken by COTEDEPs); the Director (nominated by the conseil des Ministres) can be admitted to the Board meetings with consultative functions and can grant credit on his own initiative within a CFAF 300,000 limit per loan, and Branch Managers (with a credit limit per loan fixed at CFAF 100,000).

For almost two decades the Caisse Nationale de Credit Agricole has carried out the function of channelling funds, for the most part indirectly through parastatal organizations, towards the Nigerien rural sector. The vast majority of the loans currently outstanding are non performing and disbursement of new loans is curtailed. The CNCA is still poor in skilled human resources and has not developed effective procedures for supplying and managing financial services.

Two factors at the origin of CNCA are useful in interpreting its subsequent performance. First, the new financial institution was created within the framework of the sectoral specialization adopted in shaping Niger's banking system. Accordingly, the CNCA was empowered to carry out only financial operations that would service economic activity in rural areas.

In the second place, the CNCA was created through the division of the Union Nigerienne de credit et de Cooperation (UNCC) into two separate bodies: the CNCA and the UNCC itself, a public body with administrative purposes incorporated in the former Ministry of Rural Development. The UNCC had originally been established to provide greater central control over cooperatives and with time had taken on a variety of functions from input supply, to credit distribution, peanut marketing, seed distribution, the management of development projects, cooperative education, farmer training, functional literacy, supplying products of primary necessity, and distributing grain in time of scarcity. Some of these functions were subsequently transferred to other specialized agencies, as in the case of the Office des

Table 2. 5
RURAL FINANCIAL MARKET STUDY RESPONDENTS BY SAMPLE
CATEGORY, 1985-1896

SAMPLE CATEGORY	NUMBER OF RESPONDENTS	TOTAL
PHASE I:		898
Random Sample Men	398	
Random Sample Women	69	
Village Leaders	44	
Recent CNCA Borrowers	230	
INRAN's Village Sample Farmers ¹⁸	63	
ICRISAT's Village Sample Farmers ¹⁹	94	
PHASE II:		315
GM Leaders in Rainfed Zone	162	
Cooperative Leaders in Rainfed Zone	54	
GMP Leaders in Irrigated Zones	60	
Cooperative leaders in Irrigated Zones	18	
CNCA Officials in all Departments	5	
UNC (ex-UNCC) Departmental Level	5	
UNC (ex-UNCC) Arrondissement Level	11	
PHASE III:		208
Retail Merchants	58	
Wholesale Merchants	38	
Tontine Organizers	56	
Money Keepers	56	
Grand Total.....		1421

Source: Rural Financial Markets Survey Data, 1985/86

Produits Vivriers du Niger (OPVN), established in 1970, the office National des Amenagements Hydro- Agricoles (ONAHA) established in 1978, or to specialized services still within the UNCC, like the Centrale d' Approvisionnement (C.A.) created in

¹⁸A total of about 70 farmers in three villages

¹⁹a total of about 120 farmers in four villages.

1978 and the Ateliers de fabrication de materiel agricole.

Given its small staff, the CNCA's role of working through other institutions to reach the final farm borrower reduced its chance of learning how to perform effectively its own banking functions. In short the CNCA becomes a mere conduit to channel funds rather than actively participating in the decision making process in assessing the risk, and credit-worthiness of potential clients.

2.4.1.2 The Caisse Nationale d'Epargne (CNE)

The "Caisse Nationale d'Epargne" (CNE) was officially created in 1970, as a legal successor of the "Caisse d'Epargne postale du Niger" which existed since independence. The CNE is defined as a public, autonomous, financial institution. It operates primarily through the branches of the "Office des Postes et Telecommunications" (OPT). The CNE has practically no lending functions, since all deposit funds are channelled to the Treasury or deposited at the BDRN (a public bank). The CNE's own funds can be invested only in real estate or in government securities and shares.

Funds are mobilized from the public in the form of savings deposits. Deposits are paid a nominal interest rate of 7.5 percent per annum. The effective rate is substantially lower, as interest accrues only starting the first or the sixteenth day of the month. In fact, the implicit effective rate paid on deposits in the years 1981 through 1983 can be estimated between 3.72 and 4 percent per annum. During 1985 the CNE was earning 9.25 percent on its account with the treasury (about 30 percent of its financial assets), and 11.25 percent on a fixed-term deposit with the BDRN (representing the other 70 percent of its financial assets). Effective financial earnings are affected by the effective dates at which the net financial balances between the CNE and the OPT are settled.

The CNE operates through 42 full service branches of the OPT and the mobile units currently run by the OPT in eight regional circuits. Employees of the OPT in the post offices act as CNE agents, except in a few branches where there are personnel devoted exclusively to savings operations. It is estimated that in 1985 some 50 OPT employees worked full or part-time for the CNE, while the CNE has its own staff of 33 people located in the Niamey headquarters. The CNE compensates the OPT for its support with a flat fee of 1.25 million CFA francs per year.

The CNE is the only supplier of deposit services in rural areas. It operates with very small accounts and a clientele difficult to reach and service. The subsidy implicit in the support received from the OPT appears very moderate and more than justified to achieve this objective. This subsidy is

covering the transaction costs that otherwise would have prevented rural depositors from access to the deposit services offered by the CNE/OPT network.

The survey carried out by OSU at the farm household level found that the CNE was the single most important institution where deposits were kept. Furthermore, the existence of a demand for safe instrument of financial savings is suggested by the use of "money keepers " and "tontines" documented in this survey, as well as the holdings of physical forms of savings. According to a survey of the CNE, farmers represent a small proportion of its depositors. However, rural depositors are not limited to agricultural producers. on the contrary, the greatest potential for increased rural saving in an initial stage may exist among the non-farm rural population. The CNE/OPT network should be looked upon as a key potential basis for the development of financial intermediation in the rural areas of Niger. Furthermore, expansions in the scope of activity of the institution should be encouraged and supported.

2.4.2 Informal Financial Institutions

The overall objective of this subsection is to present the summary findings on the activities of the Merchants, the Tontine leaders, the Money Keepers and their clientele as described in detail in the OSU Credit and savings study documents. Based on the presentations in the various reports, we can conclude, above all else that Merchant Credit, Tontine and Money Keeper Savings are wide spread activities in rural Niger. We can also draw several conclusions regarding the characteristics of the participants as well as on the functioning of their respective enterprises.

2.4.2.1 Merchant Credit

(1) With regards to the personal characteristics of the retail and wholesale merchants, the survey revealed that larger proportion of the wholesale merchants in the sample are literate and own and operate two or more businesses when compared to the retail merchants. Furthermore, the average age and the average experience of the wholesale merchant is higher compared to that of the average retail merchant in the sample;

(2) With respect to the merchant enterprise the survey also revealed that banks are the main sources of credit for the wholesale merchants, while other merchants are indicated to be the major sources of credit for the retail merchants;

(3) There are three types of borrowing arrangements in the commercial sector-cash, in kind and both cash and in kind arrangements. The retail merchants mostly engage in the in kind borrowing arrangement, the wholesale merchants mostly

borrow cash. The average amount of cash borrowed is substantially higher for the wholesale merchants compared to the retail merchants in the sample. In almost all cases no specific terms are specified when borrowing from merchants;

(4) Also four kinds of lending arrangements co-exist in the rural financial sector - lending in cash and reimbursement in cash, lending in cash and reimbursement in kind, lending in kind and reimbursement in cash, and lending in kind and reimbursement in kind. Here also, the Retail Merchants deal more with in kind arrangements both in providing the loan as well as in getting reimbursements. In contrast, the wholesale merchants tend to deal more in cash particularly when collecting their repayments;

2.4.2.2 Tontine Savings

(1) The tontine, popularly known as Adache is the most widely used indigenous method of mobilizing savings in rural Niger. It shares all the positive attributes of many other rotating savings and credit associations existing in other countries. Its operating procedures are Simple, flexible and easily adapted to the needs of prospective clients. It is organized by people of diverse occupation regardless of sex, economic or social status.

(2) The volume of business transactions of a tontine program depends on the length of the cycle, the periodicity, the size of the membership and the individual contributions. In general, it appears that the smaller the membership the higher the individual contributions. Also the more frequent the periodicity, the smaller the individual contributions.

(3) The overall contribution during the average life of a Tontine is about 30 596 986 FCFA. It suggests the existence of a savings potential in rural areas. The amount becomes even more significant if one wishes to perceive the possible aggregate savings figure resulting from an extrapolation for all viable rural villages at the National level.

(4) The savings resulting from Tontine participation are used both for consumption and investment purposes.

2.4.2.3 The Money Keeper

(1) The money keeper in rural Niger is a person providing custodial services to members of his/her community. He/she is described as a respectable and trustworthy person in the community. In almost all cases, the money keeper is characterized by old age, has other occupation as his main line of business. In contrast, the money keeper's clientele is by far younger compared to the average age of the money keeper.

(2) The average money keeper prefers providing his services to relatives, close friends and neighbors. But he imposes no special condition or fee for rendering the services.

(3) Although the service is widespread, the activities of the money keeper are declining overtime.

2.4.2.4 Implications

Where the ultimate purpose is to acquire insights and develop policy guidelines aimed at improving financial intermediation, such data can be useful in examining and resolving policy issues both in the formal and non-formal segments of the Nigerien rural financial sector.

Among other things, the result of the OSU field survey has revealed that the tontine, popularly known as Adache is the most widely practiced indigenous method of mobilizing Savings in Rural Niger. The Tontine uses simple, flexible, and workable operating procedures for mobilizing savings in an effective manner.

These attractive features make a tontine desirable to build a financial system based on its principles. At the same time, however, one has to be aware of the need to integrate the attractive indigenous base of the Tontine such as its adaptability, accessibility and the simple procedures with the economic functions of a modern financial institution such as remunerating savers and charging borrowers, taking into account the opportunity cost of the funds under consideration.

In addition to directly addressing the problems confronting the tontines, many options are open for incorporating the economic features of a modern financial institution into the Tontine activities. One such option entails mobilizing the Tontines into a Credit Union type movement. A Credit union, as broadly defined, is a savings and credit cooperative, composed of a group of persons with a common interest, brought together on their own free will with a desire to save and willingness to manage and control their savings and lending affairs. Adapting the tontine realities into a credit union structure requires a good deal of imagination and innovative ideas.

2.4.3 Summary and Recommendations

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

Four preliminary reports were prepared over the course of

the study. The first three preliminary reports were presented and discussed in a workshop with participants representing four ministries: Ministries of Agriculture, Plan, Finance, Tutelage and Animal Resources. The preliminary findings were also discussed with various donors in a meeting arranged by USAID. At the completion of the third phase, a draft final report was prepared and the findings discussed in a workshop comprising representatives from 7 ministries and several other autonomous government services.

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

(1) Closing the CNCA: This recommendation is based on evidence that the present institution could never transform its state of arrears and lending practices to become a viable financial institution. Furthermore, the study points out that the present economic and financial environment in Niger is so weak that it would be unfeasible to create any new banking institution, especially a bank attempting to service a rural clientele at this time.

(2) The maintenance of Agricultural Credit Lines in the Productivity Projects (PPs): This recommendation is basically a short-term stop gap measure which recognizes that the many new but untested technologies associated with input packages at the project level are too risky to pass to a financial institution. The PPs are temporary vehicles which can be phased out when a sound financial institution eventually develops in the future.

(3) Promotion of Village Level Savings and Credit Cooperatives (i.e. Credit Unions): This recommendation is based on the findings that a substantial amount of liquidity exists in the villages and there is significant demand for deposit and loan services.

The Government of Niger organized a meeting of donors from December 15 to 19, 1986. The purpose of the meeting was to discuss options for reviving agricultural credit programs in Rural Niger. A working document prepared by the Ministry of Plan was the subject of discussion. Among other things, the document stated that the revival of the credit program is to be made at two levels: instituting a local level structure and a national level central structure. The idea of the local level structure, referring to a credit union type institution was unanimously accepted by all participants. Donors are to participate in the launching of pilot local level projects. The idea of the central institution was debated in various sessions. Finally, donors and the Government of Niger agreed to defer the creation of a central institution and instead establish a "Cellule de Reflection", a sort of "think tank" mechanism to serve during the transition

phase. The Cellule is to be composed of donor and Government of Niger representatives. The specific nature of the pilot projects, the function, and the location of the Cellule are to be determined in the very near future.

Recommendations:

-- USAID must interact with donors and the Government of Niger to formulate policy and implementation actions based on findings and recommendations of the study, particularly the promotion of a Credit Union Movement.

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

2.5 Cooperatives and the Private Sector

In the 1987-1991 five year plan document, the rural sector is assigned a role as the engine of growth and development to revitalize the entire Nigerien economy. In the various strategy statements, the private sector and cooperatives are also indicated as key players in the process.

2.5.1 Recent Achievements

As the experience emanating from the last two years of the ASDG also attests, the Government of Niger has taken encouraging measures to liberalize internal trade. The government's willingness to fulfill its commitment has been indicated through decrees²⁰, newspaper releases²¹, and even in the recent National Program Document²². These decrees are issued in compliance with the overall ASDG objective to privatize marketing of inputs and outputs. Some of the specific articles indicating intent to liberalize, i.e. promoting competition in the cereals market, include the following:

-- Marketing of food crops will be the responsibility of the cooperatives and traders;

-- OPVN will buy 80 percent of its stock from cooperatives and traders via a tender and bid system;

²⁰Arrete No: 049/MCT/DCI/MDR/1984; 049/MCI/T/DCI/MA/1985; 050/MCT/DCI/MDR/1984; 049/MCI/T/DCI/MA/1985.

²¹ Quotidien Nigerien D'Information, No 3335, 15 October, 1985.

²²Programme Significatif de Relance, Aout, 1986.

-- Marketing of cowpeas will be the responsibility of SONARA, cooperatives and traders;

-- Export of cowpeas is not restricted.

While these articles signify a move in the right direction, other articles stipulated in the same decree minimize its effectiveness. For instance, article 3, both in 1984/85 and in 1985/86, set official millet prices at the farm level. Millet prices were set at 100 F/KG for the 1984/85 and at 80 F/KG during the 1985/86 period. In both cases article 5 stipulated that traders and cooperatives are required to pay these official prices. As discussed earlier, this floor price has adversely affected the operations of the cereal banks as well those of the Tender and Bid system (it should be noted here that the Government of Niger has not issued producer prices for millet and sorghum for the 1986/87 period).

Starting with the village as the basic unit, the cooperatives in Niger are vertically structured up to a National Union level. A brief discussion of the evolution and the structure of cooperatives in Niger is presented below.

2.5.2 The "Union Nationale de Cooperatives" (UNC)

The "Union Nationale de Cooperatives", UNCC (now the UNC), was created in 1962 with the purpose of providing administrative support to cooperatives. These cooperatives had evolved from the "Societes Mutuelles de Developpement Rural " SMDR), pre-cooperative organizations developed under the French colonial administration. These SMDRs were organized under mandatory membership around the production of peanuts, grain storage, and as a training ground for local leadership.

A major objective of the UNCC was to provide greater central control of cooperatives, in an effort to reduce the corruption that allegedly existed at the local level. Local units were to report directly to the central headquarters of the UNCC. This management scheme continued even after 1965 when cooperatives were converted to locally-managed voluntary membership groups." The UNCC agents continued to set the rules and make the critical decisions. Membership was compulsory for all those who wanted to market peanuts " (Hemmings, p.1). The cooperative statute of 1978 provided greater autonomy to peasant cooperatives, however, membership rules are still defined by national statute. Cooperatives must still work with UNC (former UNCC) agents, and must use a standardized set of organizational and accounting forms.

The basic unit of the cooperatives structure is the "Groupement Mutualiste Villages" (GM), based at the village level. Membership is open to all villages, and in practice is

automatic. A cooperative is comprised of five to ten GMs, and is designed to provide marketing services for the GM farmers. Delegates from the cooperatives comprise the "Union Locale de cooperatives" (ULC), at the canton level. Higher level cooperatives structures exist at the arrondissement level ("Union Regionale de cooperatives" (URC). The delegations from the departmental level are known as "Union Nationale de cooperative" (UNC).

There are currently about 1,200 cooperatives in Niger, made up of some 10,000 GMs, 80 percent of which were created after 1974, and more than one - third of which were formed after 1982. Their leadership used to perform a very important role in the allocation and distribution of CNCA credit, bearing a large proportion of the transaction costs associated with lending and borrowing in the credit network. The need to reorient the cooperative development policy will be explored in latter sections.

3. The Role and Impact²³ of the Counterpart Fund on Agricultural Policy Reform Objectives

3.1 Counterpart Fund Allocations

The counterpart fund, administered by a joint management committee with a secretariat is the principal funding mechanism of the ASDG. The CPF uses local currency to finance local capital and recurrent costs for various projects according to specific criteria. The criteria for selection of projects/activities for financing were established according to the following priority ranking for the use of the counterpart funds:

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

In ranking the projects within the first three priorities of

²³The macroeconomic impact of the counterpart funding on the balance of payments, central government budget, and on the stabilization program is significant (see the ASDG mid-term evaluation report for details).

general criteria, higher priority is given to the greater degree that the projects promote:

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

As of December 31, 1986, the Joint Management Committee had approved, and the Counterpart Fund Secretariat had processed 29 separate 'project' for a total of \$21,181,931.

The total of the Counterpart Funding going to the Ministry of Agriculture to date was 75.3% of the allocations. The Counterpart Fund allocated about 5% of its funding for projects under the Ministry of Animal Resources. Therefore, the Ministries of Agriculture and Animal Resources, the two which made up the Ministry of Rural Development at the time of the ASDG approval, received just over 80% of the fund allocations.

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

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

The two AID projects receiving the largest percentage of funding under the counterpart funds were: The Agriculture Support Project (APS) and the Niger Cereals Research Project (NCR) - two projects under the National Cereals Program. APS and NCR together account for 43.5% of funds allocated. In the case of the National Cereals Program, particularly the Agricultural Production Support Project, the Counterpart Fund was able to intervene in two unforeseen eventualities: The Counterpart funds financed because of the drought, the import of wheat, sorghum and other seeds. It also imported a very productive variety of cowpea (CB-5/niebe) seeds. This cowpea purchase has proven very successful in increasing cash income to

the small farmer, a direct objective of the ASDG.

The Niamey Department Development Project (NDD) received 12.7% of the funds allocated. In the case of the Niamey project, the CPF picked up recurrent and local costs that the Government of Niger could no longer carry. During the uranium boom period, USAID established a requirement for a substantial counterpart contribution to this project. (The goal at that time was up to 50% Nigerien participation for certain recurrent cost items).

Other Ministry of Agriculture projects equaling 19.1% of the total counterpart funds allocated are:

- the construction of the Fargoun perimeter by ONAHA;
- purchases of an additional crop dusting plane for insect control;
- an 852 million FCFA package of 33 small projects requiring a Nigerien counterpart contribution, (alone equalled 13 % of total);
- the provision of equipment for an extension project;

3.2 Funding of Non-AID Projects by the ASDG Counterpart Fund

Almost 33% of the projects funded were sponsored by donors other than AID. In particular, an 852 million FCFA 'basket' of contributions to small projects represented 13% of the total funded to date. The 'basket' consisting of some 33 small projects for which the greatest financing was 100 million FCFA, and the smallest 1.7 million FCFA, was almost 90% non-AID generated. Sponsors for these projects included multi-lateral donors such as the African Development Bank, International Development Association, European Development Fund, Food and Agriculture Organization, and the Economic Community of West Africa, among others. Also included are projects financed by bi-lateral donors such as Belgium, Canada, France (FAC and Caisse Centrale), Germany (KfW and GTZ), Italy, and Japan.

The ASDG provides an example of a program that has significant macroeconomic implications for Niger. A comparison of the ASDG Counterpart Fund with other donor-financed development assistance projects demonstrates the importance of macroeconomic "efficiency" aspects of the ASDG. It is not unusual for donor countries to require the purchase of goods and services under a sponsored project from the donor. In some instances, up to 90% of a project's purchases of goods and services may be "tied". Within the ASDG, less than 10% of the total funds is "tied" and therefore promotes an efficient use of project funds. In other words, project purchases are dictated by

the most favorable prices, as opposed to the source of the goods and services purchased. Hence the ASDG allows the Government of Niger considerable flexibility in implementing domestic policy reforms.

Moreover, the ASDG, in coordination with other donor-financed projects in Niger, helps to create employment in sectors where the economy has a comparative advantage. Over the fiscal years 1983/84 to 1985/86, the proportion of RSDG/ASDG local currency transfer relative to the estimated resource gap in the balance of payments varies from 5.1% to 10.3%. The deterioration in the BOP during this period, with the resource gap reaching 20 billion FCFA in 1984, and 62.3 billion the following year, led to a drop in the relative importance of the ASDG transfer. Although the amount of the transfer increased by 35% from 1984/85 to 1985/86, the 27% decline in the dollar/CFA exchange rate meant that the net increase was not as significant as would have ordinarily been the case.

3.3 Conformity of Funding with the ASDG Policy Objectives²⁴

With respect to the Counterpart fund general conformity with the criteria and ASDG objectives, the midterm ASDG evaluation team concluded that the criteria of using the CPF for the recurrent costs of on-going AID projects has been respected. These projects are oriented towards increased productivity in the agricultural and livestock sectors.

The reason that over 67% of the funding by the CPF ended up with these USAID/Niger projects was that the projects were in the pipeline at the time of Niger's financial crisis. AID had not anticipated the financial crisis and recognized in their project design for Niger a need to drop the requirement for the government's financial contribution. With the onset of the financial crisis at the end of the uranium boom, when the government could no longer afford their required contributions, it was necessary to resort to the ASDG Counterpart Fund to continue these projects.

As previously mentioned, the purposes for which several of these projects, including the Agriculture Production Support Project used the funds for were in addition to the normal activities in the original project design. The purchase of millet and sorghum (and cowpeas) seeds on an urgent basis was required as an after effect of the drought, and has been classified as

²⁴The terms of reference of the development economist technical assistant of the ASDG located in the ministry of plan are being revised to put more emphasis on the selection of projects under the counterpart fund and the relationship of these projects to the policy reforms.

emergency assistance. Similarly, the purchase of animal feed for the Integrated Livestock Project was also a direct result of the drought and not foreseen in the original design of the project.

With regard to projects other than those within the AID management system, the selection of projects has conformed to the concept of seeking additional agricultural productivity. The situation with regard to the requirement for counterpart contributions from the Government of Niger has dramatically changed. At present, most bi-lateral donors no longer request counterpart funding for their projects from the Government. The rules of the multi-lateral donor agencies continue to require the contributions from all countries, regardless of the country's financial situation.

4. The Role and Impact of Other Donor Activities On Policy Reform objectives

4.1 Funding from Major Donors

Donor Funds are the most important component of total gross fixed capital formation in Niger. Budgeted figures for public investment in 1985 and 1986 average 75 billion francs CFA per year. This figure represents almost two-thirds of the average annual gross fixed capital formation reported for the period 1981-1983. About 90 percent of public investment is funded by external sources. More than one-half of these external funds come under the form of non-refundable assistance, the remainder being received as loans to the Government of Niger.

Of a total of 30 sources of funds in the public investment plan for 1985 (29 if the government is excluded), four foreign agencies accounted for 54 percent of total disbursements (or 60 percent of total foreign funds). These four sources were, in rank order of their contribution to total funding of the investment plan: the World Bank (25 percent), USAID (11 percent), the "Caisse Centrale de Cooperation Economique", CCCE (10.4 percent), and the "Fonds Europeen de Developpement", FED (9.2 percent).

The rural sector (i.e., agriculture, livestock, and forests and fisheries) accounted for about one-fourth of total planned public investment in 1985, and is expected to receive about 28 percent of the amount foreseen for 1986-87. In the 1987-1991 draft five year plan, 36.7 of the global budget is allocated to the rural sector (agriculture, livestock, forestry and fisheries).

The contribution of foreign funds (loans and non-refundable assistance) to total public investment in the rural sector was 92 percent in 1985, and is planned to reach 97 percent of that total in 1986. In the draft plan, it is stated that Niger will

not be able to raise adequate revenue to cover its public expenditure in any of the five years of the plan. Subsequently the many economic policies, including reform of development institutions envisaged for implementation during the 1987-91 period will substantially rely on external financial resources. By 1991, the external financing needs of the Government of Niger budget is expected to reach 102 billion FCFA.

4.2 The Structural Adjustment Program (SAP)

The SAP, at least during this first phase is focusing on productivity problems in three areas: public resource management, reform of public enterprises and agricultural policy changes. These are areas where inefficiencies are most pronounced and where Policy improvements would have the greatest beneficial impact on the country's budgetary and balance of payment position. The following is a brief discussion of the components of the three reform areas supported by the Structural Adjustment Program.

4.2.1 'Public Resource Management

The basic objective in this area of reform is to limit the dominant role of the public sector in the economy and to improve its efficiency, at the level of both resource mobilization and expenditures. The SAP is attempting to achieve this objective by undertaking a series of actions. First, by restructuring of current expenditures in the budget. This entails improving the efficiency of public investment by allocating adequate resources for maintaining existing and operating new infrastructure. Measures are taken to introduce user charges for public services in some selected sub sectors. Also steps are taken to reduce growing expenditure on personnel and subsidies. Second, the investment program is being improved through the introduction of a three-year rolling investment program. This programming allows making a deliberate analysis on the size and composition of an investment program quite in advance taking into account the implementation capacity for projects, the availability of financial resources and the development priorities of the country. The third approach focuses on resource mobilization area. Measures are taken to increase the tax effort and to improve tax administration. Other elements of the management improvement deal with cost recovery measures, external debt management and introduction of institutional reform both in the Ministry of Finance and Plan, above all else, to implement the changes introduced with a three-year rolling public expenditure program.

4.2.2 Reform of Public Enterprises

Improving the performance of the public enterprise sector is to be attained by introducing reforms in three areas:

A. Revision of economic incentive policies: the objective is to provide incentives for the efficient operation of public enterprises as well as to encourage private sector development. The Government has already undertaken a program to gradually liberalize prices and the trade system. To date, for example, the list of products subjected to price ceilings has been reduced.

B. Changes in legal and institutional framework: The relationship between the Government and public enterprises is now better defined. The charter of public enterprises is already adopted and there is a plan to adopt a personnel regulation for public enterprises.

C. Restructuring of Public Enterprises Through Rehabilitation, Privatization and Divestiture programs:

Several rural institutions were marked for rehabilitation or privatization program. Among these were CA, CNCA²⁵, OPVN, SONARA, RINI and ONAHA. SONARA and RINI (in addition to OPVN), are two parastatals participating in the marketing of agricultural products. The "Societe Nationale d' Arachide" (SONARA) is in charge of the marketing of peanuts and cowpeas. It operates in a way very similar to that of the OPVN, dealing with two traditional export crops. "Riz du Niger" (RINI) is responsible for rice marketing. RINI is indeed an intermediary between the OPVN and rice producers. It is in charge of processing the rice it purchases from farmers and then sells to the OPVN at prices established by the latter. ONAHA the "Office National des Amenagements Hydro Agricoles" is the parastatal in charge of managing the majority of the irrigated perimeters. It provides machinery services, maintenance of the irrigation equipment, and performs input supply and extension services. Farmers are required to pay for these services at harvest time. The usual way of collecting these payments was through the requirement that farmers sell to RINI at the official prices. ONAHA has training cooperatives members in the management of irrigated perimeters, with the purpose of gradually transferring maintenance responsibilities to the farmers. At the same time different donor agencies are devoting efforts to rehabilitate or develop new irrigated areas.

4.2.3 Agricultural Policy Changes

Under the SAP, agricultural policy measures are stipulated for implementation in four fronts. These measures cover four areas:

²⁵FOR DISCUSSIONS OF CA and CNCA refer to the input and credit sections respectively.

(1) Reform of the cereal pricing, marketing and security stock policies; (2) Reduction of subsidies for agricultural inputs; (3) initial reform of the agricultural credit system; and (4) Redefinition of Niger's agricultural research program.

While some of the stipulated reform measures in the cereals policy and agricultural input reduction areas are already implemented the reform measures in the agricultural credit and agricultural research areas are still in the process of being reformulated for future implementation. As in the case of the ASDG, the Government of Niger also shows commitment to pursue the implementation of the supported policies.

4.3 Complementarity of ASDG and SAP Reform Program

While donor agencies often disagree on the causes and consequences of economic performance, there is broad acceptance of the ASDG objectives. The Conditionality under the ASDG and the World Bank are very similar. Even the much broader framework of the IMF/World Bank Structural Adjustment Program calling for: (1) a reduction in the role and size of the public sector in line with resource availability; and (2) a more efficient use of budgetary resources, to better utilize existing investments, expand essential services, and strengthen the basis for future economic investment is consistent with the stipulated goals of the ASDG.

However, it is worth noting here that other than the IMF/IBRD, no other donors have well developed policy reforms as a conditionality for their project funding. In their strategies, most of the donors are oriented toward Niger's main objective of food self-sufficiency, with their projects oriented toward the productive sector. But many of the donors think of their policy in terms of the urgent needs for food during the drought, and few have examined their programs from a longer term economic perspective. On the other hand, the ASDG encompasses both short and long term objectives which differentiates it from the majority of donor programs in Niger. In the short term, ASDG emphasizes the maintenance of financial support to the agricultural sector, in face of the economic distress that Niger confronts. In the long run, ASDG stresses increased food reliance and rural income diversification. Undergirding both the short and long run objectives are policy reforms envisaged by ASDG that will permit Niger to fully utilize its natural and human resources.

5. Other Policy and Administrative Measures Affecting Agricultural Productivity In Niger

5.1 Policy Analysis Capability

The Government of Niger is in agreement to pursue the

policies supported under the ASDG as well as the Structural Adjustment Program and introduce new policy initiatives or reorient the past failed policy programs. The agreement is exemplified by endorsement of the reforms by higher authorities. But effective agricultural policy making is a complex activity, consisting of efforts to influence and direct actions of millions of participants in the food production and distribution network. Proper implementation of this process necessarily requires analyzing solid data to assess critically the potential costs and benefits of alternative policies on the different participants in the system. Not only the concerns of buyers and sellers but the also the implications on the interests of traditional chiefs, large private concerns, top civil service cadres, officers' class etc.

Being aware of these complexities, a technical assistance team is in place at the Ministry of Agriculture under the ASDG framework to assist in policy study, analysis and interpretation tasks. The team members are charged with the responsibility to work closely with their Nigerian counterparts so that existing analytical capability will be institutionalized and sustained in the long run.

Also a joint management committee with a secretariat was established to facilitate programming of the ASDG local currency funds. The functions of the Secretariat are: (1) to carry out the Government of Niger's required accountability to USAID for the funds approved by the joint management committee, and (2) to process the disbursement of the funds to the projects receiving financial assistance. The Secretariat consists of personnel in several positions: Executive Secretary, Financial Counselor, Accounting, Technical and Financial Analysis Staff as well as other support personnel.

The programming mechanism for the CPF is a Joint Management Committee. The Joint Management Committee is the decision making body, where approvals of selections for project financing, recommendations, and conditions are negotiated. In terms of decision making power, it is at this Joint Management Committee where USAID and the Government of Niger, represented by the Department of Investment Finance (DFI)/ Ministry of Plan, must both agree. Either party has a 'veto' power on an action proposed, as provided for under the grant document. The Joint Committee is composed of the following members: Ministry of Plan Ministry of Agriculture, Ministry of Animal Resources, Ministry of Commerce and Transport, Ministry of Finance, and USAID/Niger.

So far, the experience with the secretariat for processing and monitoring has proved useful. As a result it is being expanded to assume responsibility for the management of additional funds under another AID Grant to the Health Sector. The role and contributions of the Policy analysis team at the

Ministry of Agriculture is also quite appreciated. A technical Assistance team with a similar role (but not ASDG funding) is now placed in the Ministry of Animal Resources.

Following the introduction of a three-year rolling public expenditure program supported by the SAP, the Ministries of Finance and Plan in particular have initiated institutional reforms. In the Ministry of Planning, this led to the establishment of a three-year investment program and budget for the Government. To accommodate the technical requirements generated from the new changes, the Departments of Project Evaluation and Programming, Investment Financing, and Economic Analysis and Planning were strengthened through technical assistance from various donors including The World Bank and UNDP. The three-year rolling plan preparation essentially goes through a three step process. At the beginning of the fiscal year, it provides an evaluation of the status of projects funded under the previous year's investment budget. The second step entails performing sectoral and macroeconomic analysis to project the investment budget for the coming three years. The final step involves determining and retaining allocation of funding only for the coming one year.

The Ministry of Finance has also introduced two major changes. In addition to strengthening the fiscal and financial departments with technical assistance from bilateral donors and the IMF, the reform in the Ministry included creation of the Departments of (1) Studies and Projections and (2) Financial Inspectorate.

The technical capabilities of the various ministries are expected to be strengthened with assistance from bilateral and multilateral organizations. The Government of Niger also appears committed to collaborate with the donor community to promote the attainment of this objective. For instance, the USAID sponsored technical assistants (in collaboration with their Nigerien counterparts) already in place in the Ministries of Plan, Agriculture, and Ministry of Animal Resources (to be shortly installed) are capable, above all else, of organizing and disseminating needed data set to make the new budgeting process operational. At the same time the technical assistance component of the donors including that of the USAID is expected to focus not only on fulfilling the present gap for analytical capacity but also strive to develop local analytical capability for policy analysis in the different technical Ministries.

However, as in many other African countries, the number and the quality of well trained Nigerien managers, professional staff and skilled technicians is quite limited both in the technical ministries and all other services (More on the status of research institutions in the next section). Out of 32,866

Table 5.1
PUBLIC SERVICE EMPLOYEES IN FIVE MINISTRIES, 1986²⁶

MINISTRIES	GRADES								TOTAL		
	A	%	B	%	C	%	D	%	E	IN MI.	%
Agriculture	155	18	294	34	315	36	101	12	-	865	100
Animal Res.	119	12	273	27	320	32	291	29	-	1003	100
Plan	126	25	89	18	173	34	116	23	-	504	100
Comm.Ind. Tran.	211	47	95	21	93	21	47	11	-	446	100
Hydr. Enviro.	52	12	168	39	141	33	71	16	-	432	100
Other	2480		4605		6567		4360		46	18058	100
Total (Cadre)	3143	15	5524	26	7609	36	4986	23	46	21308	100

Source: Manpower Planning and Development in Niger, October 1986 (and own calculations).

employees in the public services in 1986 (total by Ministries), there were 21,308 classified as cadre (fonctionnaires ranging in grades from A to E). The other 11,558 are categorized as auxiliary employees (contract and parastatal employees) outside of the civil service. The A and B category fonctionnaires for the total Ministries add up to 8,667 persons. The breakdown of employment by grade level for five technical ministries is given in table 5.1.

As shown in table 5.1, the Ministry of Animal resources has the largest number of cadres, followed by Agriculture. In the number of A and B category employees, however, the Ministry of Commerce Industry and Transport possesses the largest proportion, followed by Agriculture and Plan.

While continuing to cope with the scarcity of trained manpower in some categories of the work force, the Government of Niger is attempting to improve the quantity and quality of primary and secondary education through more efficient utilization and reallocation of existing resources within the education sector. Some of the measures aiming to realize savings and to transfer a large share of operation and maintenance costs to the beneficiaries include: construction with local reinforced

²⁶With the exception of a good number of veterinarians in the Ministry of Animal resources, most of the high grade employees in Agriculture and Animal Resources possess a degree of "Ingenieur in Agronomie". The number of economists/policy analysts is quite limited.

materials, participation of the beneficiaries in the construction and maintenance of classes, retiring unfit teachers, transferring to the parents the cost of school supplies etc. Aside from promoting relevant and functional educational system, the commitment of the Nigerien Government to improve inadequate organizational arrangements and management problems is also reflected by its willingness and deliberate actions to create and operate a Bureau of Organization and Methods. This Bureau is in the Office of the Prime Minister, and searches better ways and means of coordinating and strengthening management capabilities of the administration and the parastatals.

5.2 Agricultural Research policies

There are four research institutions in Niger which are concerned with the agricultural sector. Three of these institutions INRAN, ONERSOL and IRSH are classified as national and the fourth ICRISAT as a regional/international organization. INRAN is the major national agricultural research institution in Niger charged with developing technology and testing the potential of agricultural innovations prior to their dissemination to farmers. With the exception of ICRISAT's activities, all major agricultural research program are presently conducted within INRAN.

INRAN's agricultural research program is composed of a range of components. Its rainfed research program deals with field crops such as sorghum, millet and corn. In the last five years, the Niger Cereals Research Project (NCR) has made a satisfactory progress in developing INRAN's capacity to undertake cereals research program. There is also a research program dealing with rice and irrigated crops. Other research programs include soil and water conservation, oil seed crops, forestry, farming system, animal health, etc. But INRAN does not yet possess an explicit system for defining and ranking the range of research activities.

Among various activities, the other national institution, IRSH conducts research programs in rural sociology and ONERSOL works on food processing and drying activities. ICRISAT's research program is based on its regional mandate. It focuses mainly on millet, oil seed crops and their associated farming system.

Following the 1982 Zinder conference on the role of agricultural research in Niger, there is a much more explicit indication that the criterion by which INRAN's research is judged is the extent to which the research program reflects the farmers' needs. Procedurally, the list of priority research activities is generated in annual conference of extension agents and researchers. Nonetheless, INRAN's attempt to identify location specific agricultural techniques within diverse ecological zones

of the country is constrained due to the shortage of well trained and experienced research personnel. In 1984, there were only 28 qualified Nigerien researchers in INRAN. The number grew to 32 in 1986, which is a very small number for a country of 6 million people. The composition of the staff by professional title is shown in table 5.2.

Table 5.2
INRAN's Research Personnel, 1984-1986

Type	1984		1986	
	No.	%	No.	%
Nigerien Researchers	28	5	32	6
Expatriate Researchers	26	5	36	6
Technicians	52	10	75	13
Assistants	399	80	424	75
Total	505	100	567	100

Source: Agricultural Research, INSA 1984 and USAID 1986

Other shortcomings affecting the performance of INRAN include the following:

- Lack of status and incentives for researchers
- Inadequate operating budget
- Inadequate equipment and lab facilities
- Absence and/or shortage of scientific documents
- Shortage of middle level technicians
- Absence of carefully articulated research priority such as by research type, crop type, by zone, etc.,
- Minimal application of research with farming system perspective

In view of this broad range of constraints, the Government of Niger, in collaboration with donors, is attempting to improve performance in agricultural research. Currently there are about 40 students in long-term training program. Most are expected to return to INRAN in 1988-1989. Also, the Government invited the Institute of National Agricultural Research (ISNAR) to study the

problems hindering proper operations at INRAN. Workable recommendations are likely to emanate out of this study, particularly with regards to reorienting research priorities through improved planning and management. In addition to reorienting research priorities, any attempt to improve research work at INRAN should also address the following two areas:

First, although on track, INRAN should be further strengthened, emphasizing off-station research work using both trial fields and on-farm trials. In accomplishing this, a multidisciplinary team approach must be employed, involving a balance between streamlined farming system research, information gathering mechanism, an appropriate varietal and agronomic technology testing mechanism, and extension/demonstration mechanism in which agents test new technologies on the farmers' fields. The planned activities for phase two of NCR, the Niger Applied Agricultural Research Project (NAAR), which among other things stresses strengthening the functional linkages between applied research and extension, is a step in the right direction.

Second, greater effort should be made to improve the system of incentives. With the present system, INRAN's researchers do not have equal juridical status to their counterparts at the University of Niamey. Since they are categorized within the Nigerien civil service, their role as scientists and as researchers is not recognized. Therefore, a new personnel management policy should be developed to provide personnel status and incentives to researchers and improve working conditions of both researchers and other technicians. This action helps in attracting and retaining qualified researchers and technicians within INRAN.

5.3 Land Resource Management Policy

The Government of Niger has been aware for a long time now of its fragile land resource base: poor degraded soil, diminishing forests, inadequate rainfall, insufficient knowledge to facilitate wise use of land resources over time. The 1987/91 draft five year plan clearly states the intent of the Government to protect and restore the productive capacity in the sub sectors of agriculture, livestock and forestry. In the draft plan, applied research in the sub-sectors is also accorded a high priority.

USAID has been supporting a Forestry and Land Use Planning project since 1979. The project has been amended four times to date, and is expected to end in December of 1987. The two main objectives of the project are to:

- Establish a strategic planning office within the forest service; and

-- Establish a technical office responsible for the collection of natural resource inventory information and test sustained yield management practices.

The project has shown good progress when judged against the objectives and the tasks specified in the last (1984) amendment implementation plan. The offices have initiated rational land use management programs such as planning to insure a perpetual firewood supply for urban area markets, as well as in establishing a cooperative to manage a classified forest which was traditionally under the total control of the Government.

In addition, other bilateral USAID projects are incorporating environmental and natural resources management concerns in farmer extension training programs. For instance, the Niamey Department Development Project has installed a series of five test villages which were identified as a result of an Agro-ecological zone study. These villages are to serve as adoptive trial sites for pursuing techniques in soil and water conservation practices for duplication in other parts of Niger.

Also, the Government of Niger created an Ad Hoc Committee in May 1986 for drafting a "Rural Code" covering the overall rural sector, namely agriculture, livestock and forestry sub-sectors. The committee is composed of 19 members, under the guidance of the Minister of Animal Resources. A permanent secretary was appointed by decree, and is responsible for the management of the support unit. The committee intends to use a decentralized approach in developing the code. The draft code is to be finished in three years. The main objectives for preparation of the code are:

-- To produce regulations and policy for land resource management to safeguard ecological balances and improve investment returns. For best results, classification of land resource for a given use will have to depend on a well founded classification scheme.

-- To produce clear legal rights to landed property. The outcome hopefully clarifies right relationships: private-public, private-private, public-public, ownership and or use rights to landed property.

The need to prepare a rural code was justified by the Government of Niger following a series of workshops, seminars, and nation-wide debates on the issues of rural development. The following considerations are used in justifying the preparation of the code:

- The persistence of conflicts between farmers and herders (movement of animals, destruction of crops,

intrusion of cultivation into the Northern pastoral zones, disappearance of traditional animal passage routes hence traversing cultivated areas and fallows, etc.);

-- Increased rural and urban migration with resulting population pressures;

-- Monetization of the rural economy and increase in the market value of land contributing to the complexity of transactions such as leases, sales, borrowing of land etc.

-- Allocation of land by the state for social or public needs such as forest/land reserves, hydro-agricultural projects, and the problems of damages and the cost associated with reallocations;

-- Insecurity of herder transhumance systems;

-- Contradictions and difficulties in applying regulations governing the status of land, especially land access rights and management modes. Several administrative bodies deal with land issues in their own manner without a coordinating agency;

The Nigerien Government initiative is well received in the donor community. USAID is supporting the preparation of the code through ASDG counterpart funds. The funding is to be used to support local research personnel and to provide office support. Plans are underway to link the local research staff with professionals at the Land Tenure Center in Wisconsin. Other donors such as IBRD, CCCE, and FED are also contributing technical assistance and/or funding to facilitate the preparation of the rural code. Priority considerations in formulating land resource management reform program will be presented and discussed in section 6.

6. Conclusion And Recommendations For Policy Reform

6.1 Current Relevance of ASDG supported Agricultural Policies

With the growing consensus on the importance of agriculture to the development of Niger and the underlying objective of attaining food security within the framework of self-reliance, the Government of Niger, in close collaboration with donors, is working to remove the major policy and institutional constraints to agricultural productivity. Currently, a multidimensional policy reform program is underway supported by IBRD/IMF and USAID to introduce the adjustments needed to facilitate wise

resource use, promote competition in the markets and develop viable institutions to insure productivity increases in the Agriculture sector. As demonstrated in the 1987-91 draft Five Year Plan, the selected policies of ASDG represent the core agricultural policy areas that still concern the Government of Niger. The policy makers have openly stressed the need to promote appropriate policies for cooperative development, agricultural input supply, agricultural product prices, agricultural savings and credit, expanding the role of the private sector, etc. Although much has been achieved through the implementation efforts in the ASDG supported policies in the last two years, there are still numerous problems hindering progress particularly in some of the supported policy areas. While it may suffice to resolve problems of implementation in some areas, other areas may entail further refinement of the original policy stipulation for updating the reform agenda.

6.1.1 Progress to Date:

To date there is good progress in implementing both the broadly oriented Structural Adjustment Programs of IBRD/IMF as well as most areas of the USAID sponsored ASDG supported policies. The achievements in the various fronts are as follows:

On the macroeconomic side, the Government of Niger mostly in collaboration with IBRD/IMF is addressing key structural problems of the economy by implementing macroeconomic policies aimed at reducing the financial imbalance. Some of the measures taken in this regard include: (1) Restraining public investment and reorienting it to the productive sector; (2) Implementing a reform of the tax system; (3) Rescheduling debt repayment and lowering domestic credit expansion and stopping short term foreign borrowing; (4) Other related policy measures taken to improve efficiency as well as to benefit the country's budget and balance of payment include the following:

- Restructuring of current expenditures in the budget such as introduction of user charges for public services, reducing growing expenditure on personnel and subsidies;

- Introduction of a three year rolling program that allows critical assessment of past experience and future needs to allocate financial resources in line with set priorities; and

- Improving the performance of the public enterprise sector through revision of economic incentive policies, and changing the legal and institutional framework.

With regard to the key policies supported by ASDG, considerable progress has also been achieved to date:

On the input marketing side, both direct and indirect subsidies have been reduced as expected (except for fungicides where the level is double the 50% maximum allowed in the agreement). The proposed transfer of the CA to the cooperative movement is also underway.

On the product market side, a number of reforms have been initiated. First the official marketing agency (OPVN), is taking measures to improve its viability. It is limiting its function to maintaining security stock, reducing its overextended field outlets and personnel thereby minimizing the associated recurrent cost burden. Also, a tender and bid system is instituted for stock buying operations in OPVN to promote the development of the private sector by allowing any one to participate in cereals marketing. Measures are also taken to promote village level grain storage in line with the over all ASDG goal to privatize cereal marketing operations while at the same time insuring food security at the local level.

On the cross border trade side, encouraging steps have been initiated in cowpea trade even though the export of female livestock and all cattle was still prohibited since the drought in 1984.

On the financial market side, solid data is now available to generate information for decision makers for assessing and resolving major policy issues both in the formal and non-formal segments of the Nigerien financial sector. The issues raised and the recommendations made in the documents prepared by the OSU contract team have been subjects of discussion in the December 1986 donor credit conference arranged by the Planning Ministry. One of the recommendations in the OSU team report stressing the need for a credit union movement to promote viable credit and saving programs was supported by almost all participants in the conference.

In addition, the Government of Niger, in collaboration with donors, has attempted to improve the management of sectoral resources and overall efficiency in the technical ministries. For instance, the ASDG organized joint management committee along with the secretariat is adequately managing the Counterpart fund that finances local capital and recurrent costs for various projects. This contribution is significant in maintaining needed financial support to the agricultural sector in the face of economic distress that Niger confronted in the last few years.

The ASDG supported technical assistance team is in place in the Ministries of Agriculture and Plan assisting in policy study, analysis and interpretation tasks. Efforts are being made by the Technical Assistance Team and USAID to insure sustainability of the current analytical capability in the Ministries.

Also the Ministries of Plan and Finance have introduced institutional reforms by creating new departments as well as by strengthening the existing ones. The main intent of the reform is to carry out effectively the tasks that resulted from the newly initiated three year rolling investment program and Government budgeting process.

The Government has also created a bureau in the Prime Minister's Office charged with the responsibility of identifying effective methods of coordinating and strengthening management capabilities of the administration and the public enterprises.

Furthermore, ISMAR just completed a study of INRAN. ISMAR is expected to undertake a critical evaluation task and present to the Government of Niger technically feasible and politically acceptable policy reform proposals for improving performance of the National Research system.

Indeed, if the Government of Niger pursues the implementation tasks diligently, there is good potential that the reform initiatives will soon provide the expected benefits to the agricultural sector. It should be acknowledged here, however, that given the indirect nature of the relationship between the policy reforms and production increases it is difficult to neatly track the anticipated impact of these reforms on output. As the reform program is just in its initial phase, one need not be overly concerned on the impact issue at this particular stage. The key concern for now should be to properly implement the supported and desired policy changes paying attention to generation of data to facilitate on-going and future impact assessment.

6.1.2 Outstanding Implementation problems as of March 1987

On the other hand, while all these supported policies and institutional reforms are underway, certain factors have emerged from time to time negating the positive effects of the reforms. For instance, the Government of Nigeria officially closed its border from January 1985 to March 1986. Although presently open, administrative restrictions in Niger still limit official trade to Nigeria. When the border was closed, export of goods from Niger such as livestock and livestock products as well as cowpeas were totally frozen officially. Consequently, Niger was unable to generate needed foreign exchange revenue, nor to collect expected custom duties from transactions with its close trading partner, Nigeria.

Likewise, In 1984, Niger was confronted with a severe drought which reduced agricultural production almost by half, leaving the level of food deficit at about 500,000 tons. Aside

from the direct effects, the drought induced some actions that adversely affected the policy reform objectives:

- (1) The Government of Niger banned export of female livestock, which is contradictory to the agreement in the ASDG to promote cross border trade;
- (2) The Government of Niger and donor priorities were tilted towards meeting emergency and relief requirements, setting aside the needed policy dialogue to promote policy reforms;
- (3) Inflow of grain from donors for relief purposes overstocked the granaries of the OPVN. This, coupled with recent bumper grain harvest domestically, hindered OPVN from carrying out its Tender and Bid grain purchase and selling program.

Several institutional changes were undertaken during the last couple of years with negative attributes to effective implementation of the supported policies. When the MDR was divided into the two ministries, the Ministry of Agriculture and Ministry of Animal Resources, the Technical Assistance team of the ASDG which was originally located at the MDR, was limited at least formally, in working on livestock related policies.

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

Since early 1984, the CNCA has virtually ceased providing short and medium term production loans as well as marketing loans to cooperatives with the exception of certain donors financed projects. Partly due to lack of advance funds for marketing grains, cooperatives have not been able to effectively compete with individual traders in the ASDG initiated tender and bid system.

6.1.3 Priority Actions Required to Improve Performance as of March 1987

As detailed in the various sections of the report, there are also numerous shortcomings in the extent of implementation in each of the supported policy areas. Where implementation is partial, more effort is required to complete the remaining specified actions. In cases where initial requirements have been successfully met, effort is also needed to identify a higher and feasible level of target to maximize expected gains from the reform program. Accomplishing such implementation tasks involves a well thought out work plan facilitating identification of the

specific impediments of progress, raising and discussing the issues, and maintaining a continuous dialogue between the partners to promote understanding and resolve the issues. USAID/GON should take priority actions in the following areas to raise the overall contributions of the reform program on productivity.

A. Input Subsidies and Pricing

-- Reduce the subsidy level on fungicides, especially Cypermethrin and other fungicides which have been subsidized at 100% level in the current year. While the average level of subsidy on all agricultural inputs is 29.73% satisfying the ASDG requirement of 30%, the level of subsidy on pesticides for cotton is beyond the 50% level allowed in the agreement. GON has claimed that this is for major interventions to prevent/control outbreaks. However available data seems to indicate that the chemicals are regular inputs and not emergency interventions. Also, with regard to beneficiaries, it appears that the principal actor in the marketing of cotton is the CFDT, which is a privately owned French-operated business. Thus, it would seem that the principal beneficiary is the CFDT. Both the economics of the application and the issues regarding the sharing of benefits deserves further investigation.

-- Collect data on all fertilizer imports, consumption, and yield responses to fertilizer application. Data on these variables is necessary both for programming long term input needs as well as for verifying and refining the analysis of the impact of reforms on household input use and output. Possible data sources include: ongoing multi year studies at INRAN, ICRISAT, combined with the 1983-84 household studies for irrigated areas done by ministry of plan, forthcoming NAAR fertilizer trial/demonstration based on APS, and NDD field work.

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

-- The interim statutes for the CA called for in the work plan should be approved.

B. Cereals Marketing and Pricing

-- Improve the operating procedures and practices of the tender and bid system. This would mean clarifying the operating procedures and practices by making the operations more open. Include a third-party "watchdog" from the Ministry of Plan, the Ministry of

Agriculture, as well as the private sector to serve as observers in receiving bids, filing bids, opening bids and awarding winners. USAID should actively participate in coordination with other donors not only in improving the tender and bid system but also in strengthening the current OPVN system of free market price data collection and dissemination as well as in seeking better ways of reorganizing OPVN to help it assume and carry out its new mission.

-- Institute a tender and bid system for selling.

-- Eliminate floor price as a basis of purchase. As indicated in the mid-term evaluation report, there is no official producer price for millet and sorghum in the 1986/87 agricultural season. This policy action needs to be made permanent, communicating the information effectively to the public at large.

-- The required village level 6000 tons of grain are exceeded. but, given that the implementation of this activity was carried out under the directives of the National Development Council (while the objective was to have grain stored at the village level through arrangements with cooperatives or Groupments mutualistes), it is essential to know about the role of cooperatives and GMS with regard to the management of the stocks. Also, as expressed in the November 1986 conference, cereals banks are being accorded an important role to play in formulating Niger's food strategy. A comprehensive analysis of the potential and limitations of cereals banks is needed to assist in setting realistic expectations in designing the food strategy.

C. Cross Border Trade

-- Reestablish free livestock exports;

-- Collect documentation to show all actions taken to decentralize and simplify procedures for export which benefit the smaller producer, trader and the cooperatives.

D. Other Implementation Action Areas

-- Improving Agricultural Policy Analysis Capacity: There is need to improve the capacity of technical Ministries to undertake agricultural policy research to generate information on which to base policy decisions affecting

agricultural productivity (supply of information/data and statistics). Technical Assistance components of donor programs should not only focus on covering the present gap for analytical capacity but also strive to develop capacity of indigenous staff in the relevant Ministries in the areas of gathering the necessary primary data and in performing the required multifaceted policy analysis. In the case of the ASDG, working towards such an objective requires, first, official recognition of the existence of the Technical Assistance component at the Ministry of Agriculture, and second, official nomination of Nigerien counterparts for each member of the Technical Assistance Team. Also effort should be put to improve coordination of the ASDG team with the ILP policy team located in the Ministry of Animal Resources through periodic consultation meetings and developing scope of work and work plan that assures close collaboration in information gathering and sharing.

-- Establishment of Working Level Technical Committee: Given the multifaceted nature of the ASDG supported policies, it appears quite difficult to programme a clearly defined implementation plan, or to fix long term progress indicators. Therefore, USAID and the Government of Niger should develop mechanisms such as a working level joint committee (i.e in addition to the existing High Level Committee) to allow continuous monitoring of progress in policy reforms. This, not only facilitates consultation and thereby meaningful dialogue, but also enables injecting needed modifications in a timely manner.

-- Donor Coordination: The policy initiatives of USAID and IBRD are quite complementary. Relevant officials in the respective institutions are aware of each others program. Clarifying the intent, the working arrangements and the progress in implementation of the supported policies to others in the donor community, preferably through periodic consultation meetings among donors can further promote the achievement of the policy reform objectives.

6.2 Recommendations for Future Policy Reforms

6.2.1 New Proposals Internal To The Original Policy Areas

As pointed out earlier, the original ASDG supported policies are composed of key policy areas that still concern the Government of Niger. Therefore, prior to attempting to search and identify new policy reform areas, it is only appropriate to

explore what can be done by refining the targeted objectives in the currently identified original policy areas. Three of the original policy areas immediately come to mind as one begins to consider this option as a viable policy identification strategy.

Input Supply: Seed Production and Distribution Policy

So far the input supply related policies dealt with both mechanical and chemical inputs. But the biological input, seeds (although seed multiplication was being handled through the APS) had not been included in the ASDG policy agenda. As described in the Delouche et al report, entitled Seeds Multiplication and Production in Niger, seed production in Niger is an extensive activity afflicted with lack of consistent quality, and high operating costs. There is an urgent need to develop and legalize policy guides governing the production, distribution and quality control of seeds. Also, including seeds among the inputs provided through the CA with provision of increased opportunity for the participation of private business in the distribution of seed could contribute to more efficient agricultural production .

Rural Financial Markets: Credit Unions Promotion Policy

The set objective of the rural financial markets study has been completed on schedule. One major conclusion of this study is that there is a need to promote village level credit unions as a step towards establishing a viable savings and credit system in rural Niger. This recommendation, based on the findings that a substantial amount of liquidity exists in villages and that there is significant demand for deposit and loan services was also highly supported by the participants of the mid-December 1986 donor credit conference, held at the Ministry of Plan. The Minister of Plan has authorized USAID to prepare a credit union pilot project proposal. Presently, the design task is underway to prepare a strategy and determine the steps and all other actions and resources required in establishing a credit union system in rural Niger. The credit union activity is to be implemented under the ASDG Program. Hence, relevant policy related conditions will have to be identified to:

- Facilitate promotion and organization of the credit unions based on mutual interest of prospective members,
- Obtain authorization for the initial phase of the activity,
- Develop a complete legal framework (interest rate, tax issues, etc.) that promotes emergence of a viable credit union network in rural Niger.

capacity and management skills of cooperative membership by encouraging the Government to intensify cooperative training to help the membership assume their role as business enterprises. This would entail expanding the CLUSA type training activities, implementing some of the recent Cereals Bank workshop recommendations, establishing a credit facility such as the CLUSA/BIAC type arrangement or through credit Unions to finance seasonal credit needs of viable cooperatives, etc.

6.2.2 New Proposals External To The Original Policy Areas

Formulating Land Resource Management Policy:

Given the recent reorientation of the Government of Niger into the democratization process, the goals it pursues in formulating policies concerning the possession and use of land resources will no doubt tend to emphasize the welfare interest of large numbers of the citizenry. Within such a framework, the following four general goals are appropriate guides in formulating land resource management policies in Niger:

- Widespread distribution of ownership, operatorship, occupancy, and use rights among the citizens who wish to exercise these rights;
- Orderly and equitable operating arrangements that encourage efficiency in land resource use and conservation of resources;
- landholdings of appropriate size and productive potential to permit a maximizing of production opportunities;
- Arrangements that offer economic opportunities, security, and stability to land operators.

Based on lessons learned from such projects as FLUP, and on-going exercise with the code rural activities, the Government of Niger should be able to achieve most of the targets indicated as desirable policy goals. If properly carried out, the rural code exercise is likely to produce results with far reaching implications. For instance, once the water point in the livestock zones gets codified and regulated with management delegated to individuals and groups at the local rather than at the regional level it becomes quite feasible to plan and successfully implement range management schemes in target zones for specific groups. Also a carefully prepared code is likely to result in intensive private sector participation in such areas as small scale firewood production schemes and in irrigated

agriculture. Likewise, the resultant greater incentive would also encourage more people to engage in farming and herding activities. Aside from curtailing rural urban migration, the incentive factor would as well lead to improvements in soil, water, and forest resources management practices.

In order to formulate a clearly defined land resource management strategy and engage in a high level policy reform considerations a solid data base is necessary. Data is required to accurately describe and characterize the existing situation and also to identify specific areas of mismanagement with suggested ways for improving it. Finally, the data should be used for prioritizing the major elements of needed land resource management policy reforms. Therefore, in addition to reviewing existing complex land resource legislation (emanating from traditional laws, religious laws, and colonial jurisprudence), the three year code preparation period should devote ample time to focus and develop series of varied applied research activities which provide the socioeconomic information essential for designing rational land resource management reforms.

Agricultural Research Policy:

The development of new technologies that are technically possible, economically feasible, and socially acceptable is a basic factor in increasing per capita agricultural productivity in Niger. The national agricultural research and extension system should be strengthened so that it can carry out needed agricultural research in various sub-sectors, deliver results effectively to farmers and attain desired objectives of maintaining reliable food supply and generating income for the Nigerien population.

Current efforts to generate appropriate technology suited to various enterprises located in diverse ecological zones as well as extending the results to prospective clientele is constrained by a number of institutional and technical factors, such as lack of planning and establishment of research priorities, inadequate understanding of small farmer goals and resource limitations, lack of status and incentive for researchers, etc.

These and similar weaknesses of the national agricultural research system have been recognized both by the Government of Niger and various donors. Some measures are already underway addressing the most pressing institutional constraints. For example, the USAID is preparing a second phase research project aiming among other things to strengthen the functional linkages between research and extension; ISNAR (which specializes in the management of agricultural research), has completed an analysis of INRAN. The result of ISNAR's study although not yet available is expected to produce workable recommendations that can assist in reorienting INRAN's research priorities through improved

planning and management. In order to maximize the contributions of agricultural research in promoting increased productivity, a reform agenda of an agricultural research policy in Niger should include the following elements:

Research Priority:

-- In setting research priorities and in allocating research resources, INRAN should clearly delineate priorities by sector (crops, livestock, forestry, and fisheries); by zones (rainfed, irrigated); by enterprise and type of research (basic, applied).

-- Among other things, the research priority should encourage diversification of the sector by identifying income generating activities in rural areas. Considerations of income generating activities must include production of cash crops both for the local and export markets and development of cost and return figures on the most promising rural small-scale enterprises.

-- Also on the crop production side, additional research effort should focus on understanding the relationship between soil, water and plants (forests), with the ultimate objective of ensuring wise use of these scarce resources.

-- On the livestock side, the research effort should emphasize on controlling diseases, improving breeds and on range land pasture development (minimizing the imbalance between the livestock population and feed availability).

-- With respect to resource management, generate solid data on all aspects of land resources to formulate needed policy reforms and ameliorate prevailing mismanagement.

Research with a Farming Systems Perspective:

-- INRAN should be strengthened to effectively undertake research with a farming systems perspective using a multidisciplinary team to generate new technological component (on-station research) to overcome major long term constraints, while at the same time conducting location specific (on-farm) research to deliver improved technology for target groups of farmers.

Strengthening Linkages:

-- INRAN should develop a collaborative working agreement between IRSH, ONERSOL, ICRISAT as well as with other appropriate training and extension institutions. Increasing communication among members of these institutions is one way of overcoming the constraint of delivering effective research, deriving from the presently limited number of highly qualified researchers in the country. Organization of periodic meetings to exchange views between members of the various organizations, and establishment of joint personnel appointments in appropriate institutions could improve collaborative relationships.

Improving System of Incentive and Status for Researchers:

-- With the present system, INRAN's researchers do not possess equal juridical status and benefits in comparison to their counterparts at the University of Niamey. In order to attract and retain qualified researchers, INRAN should develop a new personnel management policy providing status and comparable fringe benefits to the researchers. It should also institute in the management system accountability, reward and correction provisions based on a clear set of performance standards. However, it should be noted that this is part of a broader and more general problem relating to personnel statutes/structure of parastatals, as such, attainment of a satisfactory solution may entail action of broader magnitude, i.e. beyond the realm of the research personnel.

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ANNEX B: PERSONS CONTACTED

Mr. I. Katche	Secretary General/MA
Mr. S. Maina	Director/DEPSA/MA
Mr. A. Morou	D/Director/DEPSA/MA
Mr. C. Laoual	Director/DEPP/MP
Mr. A. Bawa	Director/DFI/MP
Mr. A. Mamadou	Director/DAEP/MP
Dr. Nababa	Director/DEP/MAR
Mr. Sido EL Hadji	Director/CUSTOMS/MF
Mr. B. Maliki	Director/CI/MC
Mr. C. Abdoul-Aziz	Director /PRICE CONTROL/MC
Mr. F. Ibrahim	Director/Industry and Artisans/MC
Mr. A. ISSAKA	Director/CNCA
Mr. K. Mahamane	Director/OPVN
Mr. D. Moussa	Director/UNC
Mr. M. Morou	Director/CA
Mr. Soumaila	Director/ONAHA
Mr. S. El Mahamane	Coordinator/NCP
Mr. H. Abdou	Technical Director/PPN
Mr. P. Sene	Team Leader /CLUSA
Dr. Greve	Credit Fund/CLUSA
Mr. B. Lek	Advisor/FAO/OPVN
Mr. Ariduan	Donor coordinator/OPVN
Mr. Creyts	TA/CLUSA/CA
Mr. Y. Thomas	Director/CEGOS/IBRD, projet de Rationalisation

Dr. H. Jossierand	UOM Team Leader/ASDG
Mr. F. Casey	UOM Team Member/ASDG
Mr. M. Wybo	UOM Team Member/ASDG
Dr. Metzels	UOM Team Member/ASDG
Mr. L. Siegel	Program Advisor/MP
Mr. Rasmussen	Team Leader/ILP
Dr. P. Benedict	USAID/Director
Mr. R. Coulter	USAID/D/Director
Dr. T. Olson	AGECON/USAID
Mr. M. Saley	CPF Coordinator/USAID
Mr. E. Gibson	SADO/USAID
Mr. K. Mullally	D/ADO/USAID
Mr. F. Martin	Mission Economist/USAID
Ms. A. Fessenden	Program Officer/USAID
Mrs. E. Kerst	PDO/USAID
Mr. H. Sanger	Resident Representative/IBRD/Niger
Mr. J. Cavalli	Resident Representative/UNDP/Niger
Mr. S. Niare	Resident Representative/FAO/Niger
Mr. Simeon	Economist/FED
Mr. G. Bossy	Chief Counselor/FAC
Mr. S. Michaeloff	Director/CCCE/Niger
Mr. Allois	Economist/CCCE
Mr. Szersnovicz	Economist/CCCE
Mr. Allard	Chief Counselor/CIDA/Niger
Mr. W. Rosenhammer	TA/OPVN/West Germany
Mr. V. David	Project Director/COGESULT

Table 1
Average Area, Production and Yield
For Principal Crops, 1980-1985

Crops	Area (000 hr)	Production (000 mt)	Yields (kgs/ha)
Millet	3051.2	1233.0	404
Sorghum	1038.4	327.9	316
Cowpeas	1424.7	258.6	182
Peanuts	154.9	70.8	457
Rice	20.6	43.3	2102
	<hr/>	<hr/>	<hr/>
Subtotal	5689.8	1933.6	XXXX

Source: Direction de Etudes, de programmation, et de
Statistiques Agricoles.

Table 2

Official Producer Prices for Selected Agricultural Commodities in Niger, 1980-1986

Year	Millet	Sorghum	Paddy	Cowpeas
1980/81	45	38	55	45
1981/82	70	65	70	90
1982/83	80	70	85	85
1983/1984	80	70	85	90
1984/1985	100	100	85	100
1985/1986	80	80	100	120

Source: Minstere du Commerce, de l'Industrie et des Transport, Direction Du Commerce Interieur.

Table 3
 OPVN'S Revenues, Costs, and Financial Losses, 1980-1986
 (Million CFA)

Year	Revenue	Costs	Financial Results
1980/81	10,832	11,750	-1,118
1981/82	11,207	14,211	-2,399
1982/83	6,548	9,389	-1,383
1983/84	18,607	17,880	+1,374
1984/85	NA	NA	NA
1985/86	NA	NA	NA

Source: Elliot Berg Associates, 1986