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Prospects for Enhancing the Performance of Micro and Small-Scale Nonfarm Enterprises in Niger

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Prospects for Enhancing the Performance of Micro and Small-Scale Nonfarm Enterprises in Niger

by

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Donald C. Mead

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EXECUTIVE SUMMARY

This paper reports on the findings of a study undertaken by Michigan State University and the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project, at the request of the U.S. Agency for International Development mission in Niger, concerning micro and small enterprises and their role in the development of Niger. The major objectives of the study are the following:

- To examine the magnitude and principal characteristics of small and micro enterprises in selected urban and rural areas in Niger;
- To identify key constraints hindering the growth and development of such small and micro enterprises; and
- To provide recommendations concerning policies, regulations, and direct interventions for enhancing the contribution of small and micro enterprises to broad-based economic growth.

The approach followed included two major sets of activities:

- A structured and detailed survey of nonfarm small enterprises in two Departments (Maradi and Dosso), collecting basic information about enterprise characteristics from all small-firm activities in the selected locations; and
- Follow-up interviews with producers, institutional representatives, and government officials, designed to explore in depth the development potential of producers in selected subsectors; the constraints they face; and the policy, regulatory, and direct assistance needs of these enterprises.

SURVEY FINDINGS

Magnitude

The survey enumerated over 18,600 enterprises. When extrapolated to the whole of the two Departments covered by the survey, this denotes a total of 237,875 enterprises, with a labor force of 358,814 individuals (proprietors, working family members, and hired workers). In a total population of 2.1 million people in the two Departments, this means that about 17 percent of the population — men, women, and children — were engaged in nonfarm enterprises. It is significant that over 90 percent of

these activities are located in rural village settings. Small-scale enterprises in Niger are primarily a rural phenomenon. About half of the enterprises covered by the survey are owned by women.

Findings Cornpared With Other Sources

The Ministry of Plan has recently published estimates of enterprise densities by locality, which can be roughly compared with our results. Our figures suggest enterprise densities that are more than twice their estimates for the larger towns and are five or six times as high for the rural areas. The Ministry is undertaking a review to compare these results. Either their enumerators were less persistent in searching for nonfarm activities, or they followed a more restrictive definition of what is to be included.

Primary and Secondary Activities

The survey responses make it possible to separate those activities that are of primary importance to the participant from secondary activities (such as temporary work, and all activities that do not provide the principal income source to the entrepreneur). The percentage of total employment that is primary in this sense is higher in Maradi than in Dosso, is generally higher in the services and manufacturing than in commerce, and is substantially higher in towns than in rural areas. In the *zones de dénombrement*, 70 to 80 percent of total employment was in temporary or secondary activities, while in the larger towns, only 20 to 50 percent of total employment was in these peripheral endeavors.

Industry Structure

The relative importance of different industry groups varies substantially from one location to another. In rural Dosso, mat-weaving accounts for 50 percent of total employment and 37 percent of primary employment. In other locations, manufacturing provides 30 to 40 percent of all employment, whether primary or total. Services provide between 25 percent and 50 percent of all jobs, with the largest concentration in food catering. The remaining employment was in commerce, with vending being the principal component of the category.

GROWTH PROSPECTS FOR SMALL ENTERPRISES

Three factors govern the prospects for growth of nonfarm activities in Niger. The first is based on expanding domestic demand emanating from growth in primary sectors such as agriculture and natural resources. Progress along these lines requires agricultural research and extension, supplemented by the expansion of requisite infrastructure as well as of knowledge about technology and markets, to enable nonfarm spin-offs to achieve their full potential. Second, export markets offer some potential for propelling increased nonfarm activities. The principal candidates here are hides, skins, and leather products. A third potential growth area can arise from the elimination of bottlenecks or distortions in the economy, caused either by policy or regulatory impediments or by limited access to knowledge. For progress along these lines, interested observers must identify bottlenecks, probably by subsector, then commit resources to relieving them.

Our more detailed review of the prospects for small-enterprise growth focused on four subsectors: mats, skins, metal products, and transport.

Mats

The weaving of mats provides minimal levels of income to large numbers of women, particularly in rural Dosso. Future prospects for this activity are bleak. Increasing prices of raw materials have combined with downward pressures on finished product prices to squeeze returns to the producer. The primary focus should be on developing alternative income-earning opportunities to enable participants to leave this activity. In the meantime, there is a strong equity case for reducing or removing the highly regressive tax paid by those selling mats in the market.

Skins and Leather Products

The prospects of this subsector are substantially more favorable. Goals include raising the quality of skins, both raw and tanned; raising the share of skins that are tanned; and increasing the income and level of activity of those engaged in making leather products. In addition to direct outreach to introduce better skills and new products, which can be beneficial but costly, efforts should be made to strengthen market-based relationships by establishing price differentials based on quality differences; strengthening

market links between collectors and dispersed suppliers; and using these links to disseminate information about improved technologies, product qualities and new products. In this subsector as well, the burden of market taxes is heavy.

Metal Products

The metals product subsector is highly diverse and heterogeneous. Strongest prospects were identified in the production of household goods: pots, knives and other utensils, metal furniture, and so forth. These activities offer opportunities for larger-scale production, building on widely available skills and supplies of scrap metal used as raw material. Principal interventions are focused on product and market development, primarily through direct extension. Interventions should build on information collected and analyzed using a subsector framework.

Transport

This subsector is characterized by widespread excess capacity, at least in the major urban and interurban routes, as a result of a major expansion during the uranium boom of the early 1980s. Government-established ceiling prices are substantially undercut by forces of competition in goods transport. With regard to personal transport, private taxis sometimes charge more than the official fares, but this permits customers to reduce their waiting time. Principal interventions include avoiding the introduction of new impediments to the freedom of transport, and seeking to eliminate pay-offs at road blocks, which account for 20 percent of transport costs. Switching these payments into the government budget could add 10 percent to central government revenues.

CONCLUSIONS

Approached from a broader, cross-subsector point of view, two principal conclusions emerge from the study with regard to intervention needs. First, the system of market taxes, in addition to being regressive, discourages participation in commercial activities by small entrepreneurs while draining the limited rural purchasing power into the hands of those with expenditure patterns focused on products brought in from the outside; rural multipliers are reduced. Decreased reliance on such taxes, perhaps

made possible by efforts to capture a larger share of transport expenses for the government budget, could make an important contribution to the promotion of small enterprises.

The second major area for improvement is product and market development. This can best be done through direct extension, with nongovernmental and private voluntary organizations playing the leading role. Such extension can be most effective when it is based on subsector studies aimed at exploring linkages, intervention points, and development potential of different categories of products and producers. In addition to this direct extension, efforts should be made to strengthen market-based systems involving prices and traders, and mechanisms that can provide cost-effective ways of reaching large numbers of dispersed suppliers.

SECTION ONE

GOALS AND APPROACH

This paper reports on the findings of a study undertaken by Michigan State University and the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project, at the request of the U.S. Agency for International Development mission in Niger, concerning small and micro enterprises and their role in the development of Niger. The major objectives of the study are the following:

- To examine the magnitude and principal characteristics of small and micro enterprises in selected urban and rural areas in Niger;
- To identify key constraints hindering the growth and development of such small and micro enterprises; and
- To provide recommendations concerning policies, regulations, and direct interventions for enhancing the contribution of small and micro enterprises to broad-based economic growth.

The approach followed included two major sets of activities:

- A structured and detailed survey of nonfarm small enterprises in two Departments (Maradi and Dosso), collecting basic information about enterprise characteristics from all small-firm activities in the selected locations. This was supplemented by a two-page questionnaire relating to growth patterns and problems, administered to a small number of respondents; and
- Follow-up interviews with producers, institutional representatives, and government officials, designed to explore in depth the development potential of producers in selected subsectors; the constraints that they face; and the policy, regulatory, and direct assistance needs that these producers face.

The initial enumeration covered a total of over 18,600 enterprises. The supplementary questionnaire was administered to 237 enterprises. The follow-up interviews involved well over 100 producers as well as 20 government officials and representatives of other organizations and institutions working in the area of small-enterprise promotion. The initial survey work was completed in September and October, 1989; the follow-up discussions took place during January and February, 1990.

SECTION TWO

SMALL-ENTERPRISE ACTIVITIES IN DOSSO AND MARADI DEPARTMENTS

CONTEXT

The selection of these two Departments for study reflects the interests of USAID, which has a number of development projects in these areas. It was anticipated that the small-scale enterprise (SSE) survey would complement these other efforts, thereby contributing to USAID's goal of promoting a broad-based development policy.

The pattern and development potential of small enterprises are heavily influenced by the context in which they operate. This includes the alternative employment opportunities available in the area where the firm is located, and the levels and patterns of demand, which are determined by the income of consumers in the locality. Some principal characteristics of the two Departments under study that are relevant in this regard are presented in Table 1. The figures in that table suggest that total agricultural income per capita in Dosso is about 20 percent above that of Maradi. The two Departments are not significantly different from each other in terms of per capita production of cereals, other basic crops (peanuts and cowpeas), and livestock, but the specialty crops (cash crops, contre-saison, and so on, shown together in the last line for each Department, but not available broken down by *arrondissement*) are particularly prevalent in Dosso. In addition to the resulting higher average income level in Dosso, the greater diversity of agricultural income sources makes producers in that Department less dependent on any one crop. Surprisingly, although average total agricultural income per capita in Dosso is approximately equal to the national average, that in Maradi is nearly 20 percent below the national average.

Average population densities are far higher than the national average in these two Departments, reflecting primarily the very low densities in the resource-poor northern parts of the country.

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TABLE 1

AGRICULTURAL INCOME PER CAPITA
IN DOSSO AND MARADI DEPARTMENTS

Average Agricultural Income Per Capita
(CFA)

	Total*	Cereals	Other	Livestock Crops	Pop. Density
1. Dosso Department					
Loga	37,958	21,809	10,460	5,689	29.2
Gaya	36,771	27,333	5,380	4,059	37.4
Dosso, rural	34,246	25,722	4,376	4,148	25.9
Dogondoutchi	33,801	21,115	9,689	2,998	26.4
Boboye	32,453	19,668	5,900	6,885	42.8
Dept.Avg.(1)	33,148	22,357	6,568	4,224	30.3
Dept.Avg.(2)	41,522	22,357	14,942	4,224	
2. Maradi Department					
Guidan Roumji	41,242	28,331	8,586	4,325	41.4
Madarounfa	39,901	22,860	8,404	8,637	80.7
Tessaoua	35,957	28,449	5,463	2,045	39.2
Aguie	31,279	21,484	7,003	2,792	56.9
Mayahi	27,966	20,254	5,255	2,457	32.1
Dakoro	27,176	20,939	3,464	2,773	14.9
Dept.Avg.(1)	31,709	21,917	6,199	3,593	33.2
Dept.Avg.(2)	34,362	21,917	8,852	3,593	
3. National Totals					
Natl.Avg.(1)	36,844	23,735	6,027	7,082	5.7
Natl.Avg.(2)	42,332	23,735	11,515	7,082	

Avg.(1) includes only cereals, peanuts, cowpeas and livestock.

Avg.(2) also includes tubers, vegetables, sugar cane, and other minor crops.

* Totals may not add because of rounding.

Looking at variations by *arrondissement* (or subdivision) within the two Departments, there is surprisingly little variation in basic agricultural incomes (in other words, income from cereals, cowpeas, peanuts, and livestock) in Dosso; the highest-ranking *arrondissement* is only 17 percent above the lowest. In Maradi the differences are larger, with Guidan Roumji showing average incomes that are more than 50 percent above those in Dakoro. Population densities vary more widely within Departments, differing by 54 percent in Dosso and by a factor of five within Maradi Department. These differences play a significant role in their influence on the market for nonfarm products. Another important difference concerns the proximity of a particular locality to major transport routes. Loga, Mayahi, and Dakoro are on dirt roads at the end of transport culs-de-sac; as such, they face very different circumstances compared to Gaya, Agye, and Tessaoua, all located on major paved transport arteries.

SURVEY APPROACH

The survey approach and results are explained in more detail in a separate report accompanying this document (Fisseha, 1990). The discussion here is limited to a summary of the approach and major findings of the survey.

As indicated above, the core of the survey involved a simple questionnaire administered to all households and business establishments in a sample of localities. For each of the two Departments studied, the Departmental capital was fully enumerated. In addition, a sample of *arrondissement* capitals was to have been surveyed. In Dosso, all four such capitals were covered. In Maradi, the departmental capital took far more time than had been anticipated (over 8,400 enterprises were enumerated), leaving time to complete only one of the six *arrondissement* capitals in that Department. Finally, six rural areas (*zones de dénombrement*, or ZDs) in Dosso and eight in Maradi were selected at random and fully enumerated. In all, the enumeration covered close to 10 percent of the total population of 2.1 million people in the two Departments.

FINDINGS ON EXTENT OF SMALL-SCALE ENTERPRISE ACTIVITIES

In the course of the survey, 18,648 enterprises with nonfarm activities were enumerated. When extrapolated to the whole of the two Departments covered by the survey, this implies a total of 237,875

enterprises, with a total of 358,814 workers (proprietors, working family members, and hired workers). It is significant that over 90 percent of these activities are located in rural village settings (in the *zones de dénombrement*). This rural concentration is particularly important in view of the urban focus of most statistics and assistance programs.

We have found it most revealing to present these data in terms of employment densities: the numbers of people engaged in nonfarm activities per 1,000 people of the population. Table 2 provides summary data on this basis. The first column (labeled "Total") includes in the numerator total employment of all types: permanent and temporary, in all types of activities covered by the enumeration. The second column, labelled "Primary," uses a more restrictive measure of employment: only permanent workers are included (excluding those reported as temporary workers). Furthermore, this reckoning only includes activities which are reported to provide the majority of the respondent's income. Thus, all secondary activities are excluded; even in primary activities, temporary workers are excluded.

Several things are interesting about these figures. Looking first at the total figures, it is striking that in each of the three strata the employment density is higher in Dosso than in Maradi (this is true for the primary measure as well). As we shall see, in the case of the ZDs, this result is heavily influenced by the prevalence of mat-weaving in rural Dosso, a practice that accounts for about half the nonfarm employment in those areas and one that is unknown in Maradi. Yet mat-weaving is much less important in the towns of Dosso. In view of the close link between agricultural income and the demand for nonfarm goods and services, the higher agricultural income in Dosso may provide a second explanation for the higher nonfarm employment densities in Dosso. Finally, it has been suggested that ethnic differences between the two Departments may offer a further partial explanation for the differing employment densities. Particularly for women, the more conservative traditions of the Hausa may limit participation in economic activities more than is the case for the Djerma, more influenced by the cosmopolitan trading traditions of the neighboring Beninese.

Comparable studies in other countries make it possible to place these figures in a broader context. Among a larger group of African countries, the comparable employment densities for labor force primarily engaged in nonfarm activities were 50 per 1,000 people in rural settlements and 187 per 1,000 people in rural towns (Haggblade and Hazell, 1989, p. 347). Measured against this standard, Niger's

TABLE 2

ALTERNATIVE MEASURES OF THE LEVEL OF NONFARM ACTIVITY
IN TWO DEPARTMENTS OF NIGER, 1989
(per 1,000)

	Total	Primary
1. Towns		
Dosso town	159.1	93.9
Maradi town	123.8	81.4
2. Small towns		
Dosso Department	167.8	83.5
Maradi Department	95.5	74.0
3. Zones de denombrement		
Dosso department	216.6	46.4
Maradi department	112.5	32.7

Notes: Total = unadjusted total employment.

Primary = Permanent employment (excluding temporary workers) in activities that provide the major source of income to the participants.

In both cases, these figures are expressed per thousand of population of the locality.

Source: survey data.

densities are similar to those in the rest of Africa for the rural areas (ZDs), while for the rural towns they are only about half the level of other African countries. Two possible explanations can be advanced for this lower development of primary nonfarm employment in Niger: the low level of participation of women in such activities (particularly in Maradi); and the low level of income in Niger, compared with the other countries included in the analysis (Cameroon, Côte d'Ivoire, and so forth).

COMPARISON OF RESULTS WITH OTHER DATA SOURCES

It is possible to compare the results of this survey with other estimates from the Ministry of Plan. In view of the nature of the data available from that Ministry, the comparison is presented in terms of **enterprise densities** (numbers of enterprises per 1,000 of population) rather than the **employment densities** shown in Table 2. The figures, presented in Table 3, are not exactly comparable; the Ministry's definition of "other towns" is most similar to our "large towns," while their rural areas cover all locations with 10,000 or less inhabitants, which means they are comparable to the smaller of our "small towns" as well as the ZDs. In general, our figures suggest an enterprise density which is more than twice theirs for the larger towns and is five or six times as high for the rural areas.

Officials of the Ministry of Plan are engaged in a review that should help clarify the differences between their estimates and those arising from our survey. Their data are based on surveys in 31 villages in seven Departments. It is not clear what procedures they used in selecting those villages (16 of the 31 villages are from Tillabery Department, with only one each from Agadez and Diffa). The detailed figures that they present suggest averages for Maradi and Dosso that are 18 percent and 3 percent respectively above their estimate of the national average; they show Maradi to be 15 percent above Dosso, while our figures show substantially higher densities in Dosso (Ministry of Plan, "Dénombrement...," 1989, pp. 37 and 40). Either their enumerators were less persistent in searching for nonfarm activities, or they followed a more restrictive definition of what should be included.

SURVEY FINDINGS: PRINCIPAL SSE ACTIVITIES

Tables 4 and 5 provide an industry breakdown for the data in the two columns of Table 2: Table 4 refers to total employment, while Table 5 is restricted to primary activities. These tables provide

TABLE 3

NONFARM ENTERPRISE DENSITY
(number of enterprises per 1,000 population)

A. MSU Survey Results

	Large towns	Small towns	Z.D.s
Manufacturing	23.6	35.7	65.0
Commerce	27.7	30.9	18.5
Services	24.1	25.3	26.0
Total	75.4	91.9	109.5

Source: survey results.

B. Ministry of Plan Data

	Niamey	Other towns	Rural
Manufacturing	13.9	9.6	10.5
Commerce	47.2	17.2	4.1
Services	14.6	7.0	2.1
Total	75.7	33.8	16.7

Source: République du Niger, Ministère du Plan, Direction de la Statistique et de la Démographie, Service des enquêtes, *Enquête Nationale sur le Secteur Informel et la Petite Entreprise: Présentation méthologique*. Xavier Oudin, ORSTOM, Niamey, Juillet 1989, page 7. Note that in these data, "other towns" are locations with 10,000 or more inhabitants; all smaller towns are considered as rural.

TABLE 4

DENSITY AND COMPOSITION OF TOTAL EMPLOYMENT
IN NONFARM ACTIVITIES
IN TWO DEPARTMENTS OF NIGER, 1989
(full plus part-time employment per 1,000 population)

	Large Towns		Small Towns		Zones de Den.	
	Dosso	Maradi	Dosso	Maradi	Dosso	Maradi
1. Manufacturing						
salt mining	0	0	2.8	1.2	25.5	0
abattoirs etc.	5.3	3.5	3.0	2.6	4.6	4.7
milk and dairy	3.8	1.2	2.1	.2	0	.4
fruit & veg. proc.	.5	.5	.4	.1	.2	.1
groundnut proc.	9.0	2.3	13.8	.8	2.3	4.6
grain mills	2.7	2.5	2.0	1.6	0	.9
bakery	11.0	.7	9.7	.4	6.1	.2
condiments	11.3	6.9	16.4	4.4	11.3	2.4
Subtotal: food	43.6	17.6	50.2	11.3	50.0	13.3
garments	7.7	7.7	5.4	3.8	1.2	4.3
leather/shoes	.8	1.2	2.1	5.3	.2	.2
wood products	2.3	2.9	1.3	.7	1.3	.8
mats	1.9	1.1	7.2	3.0	113.7	5.2
ceramics	6.8	2.0	1.0	1.9	0.5	0.8
metal prods.	4.8	2.6	2.3	4.3	4.2	5.0
other	.6	1.8	1.6	1.7	2.0	1.1
Total	68.5	36.9	71.1	32.0	173.1	30.7
2. Commerce						
wholesaling	4.5	1.9	1.7	0	0	0.2
groceries	1.0	.1	0.7	0.3	0.2	0.2
gen. retailing	10.4	7.9	11.1	4.7	2.7	1.6
vending	24.1	29.8	35.0	32.0	20.4	26.0
specialty ret.	2.5	4.9	1.0	2.7	0.4	0.6
Total	42.5	44.6	49.5	39.7	23.7	28.6
3. Services						
repairs	10.0	8.2	3.4	1.5	1.9	1.7
bar,rest,hotel	1.7	1.4	1.1	0.8	0.1	0.5
food catering	22.0	23.6	32.0	15.0	7.6	32.3
hairdressing	1.7	1.3	1.2	1.2	3.4	4.0
trad. doctors	1.3	1.4	1.1	1.3	2.7	6.2
transport	5.2	2.7	4.2	1.0	1.9	1.8
other	6.2	3.7	4.2	3.0	2.2	6.7
Total	48.1	42.3	47.2	23.8	19.8	53.2
4. Total nonfarm (1+2+3)	159.1	123.8	167.8	95.5	216.6	112.5

TABLE 5

DENSITY AND COMPOSITION OF PRIMARY EMPLOYMENT IN NONFARM ACTIVITIES IN TWO DEPARTMENTS OF NIGER, 1989
(full-time employment per 1,000 population, where activity accounts for a majority of income for recipient)

	Large Towns		Small Towns		Zones de Den.	
	Dosso	Maradi	Dosso	Maradi	Dosso	Maradi
1. Manufacturing						
salt mining	0.0	0.0	.6	1.1	10.1	0
abattoirs etc.	3.6	2.8	2.1	2.2	1.5	1.9
milk and dairy	1.2	.8	.8	.2	0	.2
fruit & veg. proc.	.3	.3	0	0	0	0
groundnut proc.	3.4	1.7	6.8	.5	.5	1.7
grain mills	2.2	1.8	1.2	1.2	0	.2
bakery	5.2	.5	4.1	.4	1.8	.1
condiments	6.3	4.1	7.6	3.4	1.8	.8
Subtotal: food	22.2	12.0	23.2	9.0	15.7	4.9
garments	5.2	5.0	3.5	3.2	.2	1.0
leather/shoes	.4	1.1	1.1	4.8	.1	0
wood products	2.0	2.1	.6	.7	.1	.3
mats	1.1	.6	2.5	2.4	17.0	1.2
ceramics	4.7	1.3	.4	1.4	0	0
metal prods.	3.4	1.8	1.1	3.5	1.1	2.0
other	.4	1.1	.8	1.5	.9	.2
Total	39.4	25.0	33.2	26.5	35.1	9.6
2. Commerce						
wholesaling	2.3	1.6	1.3	0	0	0
groceries	.6	.1	.2	.3	0	.2
gen. retailing	6.2	4.6	7.3	3.8	1.8	.5
vending	9.5	16.9	13.8	22.2	3.8	4.4
specialty ret.	1.7	3.0	.6	2.7	.1	.1
Total	20.3	26.2	23.2	29.0	5.7	5.2
3. Services						
repairs	8.6	6.8	2.7	.9	.6	.8
bar,rest,hotel	.9	1.2	.8	.8	0	0
food catering	13.0	14.9	16.1	11.9	2.7	11.4
hairdresser	1.2	.7	.6	.8	1.2	.6
trad. doctors	1.1	.7	.7	1.2	.5	3.0
transport	5.0	2.4	3.6	1.0	.4	1.1
other	4.4	3.5	2.6	2.0	.2	1.0
Total	34.2	30.2	27.1	18.6	5.6	17.9
4. Total nonfarm (1+2+3)	93.9	81.4	83.5	74.1	46.4	32.7

further insights into both the structure of activities and the nature of the differences between the two Departments.

Looking first at the total employment densities shown in Table 4, some of the most obvious variations between localities are explainable in terms of the availability of raw materials: salt, groundnuts, and mats. The breakdown within the manufacturing sector, with a concentration on food and simple consumer goods, holds few surprises. More novel is the significant concentration of employment in all locations in vending and food catering. These are activities often missed in such surveys, yet they account for a significant share of the reported employment. It was suggested to us that Niger has a tradition of fast foods in secondary towns and rural markets that predates McDonalds; these figures are consistent with this idea.

Moving on to Table 5, some of the biggest variations from one locality to another are muted here; several of the highly concentrated and localized activities are supplementary or secondary in nature, and hence are excluded from this table. Comparing the employment densities in Table 4 with those in Table 5, one finds the following relationships:

Ratio of Primary to Total Employment
(in percent)

	Large towns		Small towns		*Zones de dénom.*	
	Dosso	Maradi	Dosso	Maradi	Dosso	Maradi
Manufacturing	57.5	67.8	46.7	82.8	20.3	31.3
Commerce	47.8	58.7	46.9	73.0	24.1	18.2
Services	71.1	71.4	57.4	78.2	28.3	33.6
Total	59.0	65.8	49.8	77.6	21.4	29.1

These figures indicate that the adjustments in Dosso are generally larger than those in Maradi (implying that a larger share of activities in Dosso are secondary); furthermore, in both Departments, the adjustments in the ZDs are larger than those in towns, again implying that a larger share of the nonfarm employment in villages is in supplementary rather than primary activities of the household.

It is striking that as one moves from Department capital to secondary towns to ZDs, the total employment density (Table 4) is approximately stable (in Maradi) or even increasing (in Dosso); primary employment densities (from Table 5), by contrast, fall off sharply in both Departments as one moves out to the ZDs. In sum, there are large numbers of people engaged in nonfarm activities in rural areas of Niger, but only 20 to 30 percent of this village-level employment is the primary income source to the participant.

Whether one looks at total or only at primary employment, it is manufacturing that explains the major differences between the two Departments. In commerce and services, the comparisons are more uneven, with Maradi ahead in some categories and behind in others. Although the role of mats is reduced in rural Dosso in Table 5, it is by no means an insignificant activity, accounting for over one-third of the primary employment in the villages surveyed in Dosso Department.

One of the striking findings of the survey concerns the important role of women in nonfarm activities. Approximately 50 percent of all enterprises enumerated were owned by women. Their role was particularly important in mat-weaving, in vending, and in food catering. Women's roles both as enterprise owners and as workers were substantially higher in Dosso than in Maradi. Other important information on this topic from the survey, as well as a discussion of the structure of employment (permanent versus temporary, family versus hired) and enterprise size, are included in the accompanying full report on the survey results (Fisseha, 1990).

SUPPLEMENTARY QUESTIONNAIRE

Along with the enumeration of all enterprises in a given area, which comprised the core of the survey, a special two-page supplementary questionnaire was administered to selected enterprises, to gain additional insights into their growth patterns and problems. No random sampling procedures were used to select these enterprises, so the results can only be considered as indicative of the characteristics of the universe of small producers. The enterprises responding to the supplementary questionnaire had an average of 5.6 workers, compared to only 1.6 for the full survey; the respondents were thus drawn from the larger and presumably more active end of the SSE spectrum. Bearing this in mind, the following results from the supplementary questionnaire are of interest.

Average Age

The average age of the enterprises covered in the supplementary questionnaire was 14.2 years. By population strata, the comparable figures are: Maradi town, 13.1 years; Dosso town, 14.3 years; small towns of both Departments, 17.1; and ZDs, 10.8. These are surprisingly high figures, suggesting a low turnover among small enterprises. It would be interesting to explore the extent to which this also characterizes the whole universe of small enterprises. Although only a few female-owned enterprises were included in the supplementary questionnaire (only 6.8 percent of all respondents), among those few, the average age of female-owned enterprises was 23.2 years, even higher than for male-owned activities.

Work Week

The enterprises covered by this questionnaire worked an average of 11.1 hours per day, 6.5 days per week. From this point of view, these are not minor and supplementary activities but constitute major claims on the time of the participants.

Changes Observed

Respondents were asked about changes they had observed over the previous five years. The question asked separately about (1) changes in the number of enterprises similar to theirs in their neighborhood, (2) changes in the demand for the products they offer, and (3) changes in their own production and sales. The percentage distribution of responses is reported in the following table.

Perceived changes over the previous five years in:

	SSE numbers	Market demand	Own sales
Increased	58.7%	39.7%	39.7%
No change	14.8%	4.2%	4.6%
Decreased	13.9%	37.5%	49.8%

Disaggregation of responses by location suggests that, in the ZDs, there were fewer reported increases in number of small enterprises (although 43.2 percent of the respondents in ZDs reported such an increase). But market demand was reported to grow much more slowly in those locations, and over two-thirds of all respondents from the ZDs reported decreases in their own sales over the previous five years. Taken as a whole, these responses suggest a widespread problem of increasing numbers of producers competing for slowly growing or stagnant markets, with sales of each suffering as a result. It would be interesting and revealing to separate the responses by location and by industry group. Unfortunately, the small size of the sample precludes disaggregation of responses along these lines.

Problems Faced

Respondents were asked about problems they faced at three different stages in their development: (1) at the time of start-up, (2) during periods of growth (if any), and (3) currently. The following table shows the percent of all respondents ranking the specified problem as the most serious one, at different stages in the enterprise's history.

	Percent of respondents ranking specified problem as most serious		
Problem area	At start-up	During growth periods	Currently
Shortage of funds	31.1(1)	23.3(2)	22.3(2)
Regulations	15.5(2)	19.4(3)	10.7
Availability of machines & tools	12.6(3)	25.2(1)	11.7(3)
Technical knowledge	12.6(3)	2.9	2.9
Markets	11.7	11.7	35.9(1)
All others	16.5	17.5	16.5
Total	100.0	100.0	100.0

(note: figures in parentheses indicate the three top-ranking problems in each time period)

It is perhaps not surprising that the principal problems were different in these three phases of the firms' development. At the time of start-up, the most important problem was one of funds; problems of government regulations were a distant second. During periods of growth, problems of financing had fallen to second place, being replaced by the availability of tools and machines as the principal difficulty;

government regulations were still significant, but now in third place. Moving to current problems facing the firm, far and away the most significant difficulty was reported to be that of limited markets for output. Financing problems were still in second place, followed by availability of machines and tools. The evolving nature of the constraints facing an enterprise over its life cycle, particularly when further disaggregated by subsector, has important implications for the targeting of assistance to help break these constraints.

SECTION THREE
GROWTH PROSPECTS FOR SMALL ENTERPRISES

GENERAL PRINCIPLES

Three factors govern the prospects for growth of nonfarm activities. The first is **domestic demand** emanating from growth in primary sectors such as agriculture and natural resources. Increased earnings in these activities generate local demand for nonfarm goods and services. In exactly this way, through the early 1980s, Niger's uranium-led boom stimulated rapid expansion in transport, commerce, construction, and other services. For agriculture to serve in turn as an engine of rapid growth will require technical change. When agricultural incomes do rise, multipliers in Sahelian West Africa typically lie between 1.3 and 1.5 (Haggblade and Hazell, 1989). That is, a one dollar increase in agricultural income will generate an additional 30 to 50 cents in nonfarm income in rural areas and surrounding rural towns. Increased demand for consumer goods and services account for about 90 percent of the multiplier in low-input agricultural zones such as Niger; demand for farm inputs contribute the remaining 10 percent. Thus for both potential engines, agriculture and natural resources, consumption profiles and marginal budget shares provide the best projections of the size and composition of the ensuing demand-driven growth in local nonfarm activity.

Second, **export markets** may offer the potential for propelling increased nonfarm activity. But export prospects hinge on comparative advantage. In Niger, where human skills are scarce and relatively highly paid while industrial inputs are expensive and imported, comparative advantage will depend on prospects for processing major domestic raw materials. Likely candidates in Niger start with livestock-based activities, including the export of animals, meat, hides, leather, and leather products. Although less sizeable, salt and mats woven from local dum palm leaves also bear investigation in this category.

A third potential source of growth arises from **bottlenecks**, which, if identified and removed, can release economic potential and improve economic efficiency. This involves a search for the economist's free lunch. The usual suspects include distortions resulting from tariffs, exchange rates, licensing laws, and parastatals supplying key inputs or with a mandate to market output. Alternatively, lack of knowledge about new technologies and markets may restrain growth, and legal and social restrictions may

limit economic participation, particularly for women. In some cases, it is possible to identify global impediments to nonfarm activity — as in the case of exchange rates, licensing laws, pricing policy, and circumscribed options for women. More frequently, constraints impinge on a single category of activity, so unearthing such opportunities requires an in-depth examination of individual subsectors.

Where, then, are the likely opportunities for intervention? For domestic demand, an activist administration should invest in agricultural research and extension to jump-start that engine of economic growth. Then they must ensure that key infrastructure — roads, communications, electricity, and credit — as well as knowledge about requisite technology and markets are available to potential suppliers, to enable nonfarm spinoffs to achieve their full potential. Export markets will require investigation of opportunities for export growth. To achieve them may require public investments in training or changes in regulations.

Since obstacles and distortions represent opportunities, the free lunches in category three can also help pinpoint fruitful interventions. Interested observers must identify the bottlenecks, probably by subsector, and then commit resources to relieving them. Frequently, interventions in this category require some sort of policy change, as the following subsector reviews will attest.

In our examination of the growth prospects of small enterprises in Niger, we have chosen to concentrate on four subsectors. In view of the very limited amount of time available for field work (one week), it seemed preferable to concentrate our interviews rather than trying to cover the whole spectrum of nonfarm activities. Those chosen for examination include mats, hides and skins and leather products, metal products, and transportation.

GROWTH PROSPECTS BY SUBSECTOR

Mats

Mats, handwoven by village women, dominate nonfarm employment statistics in several regions of Niger. They account for half of all nonfarm activity in rural areas of Dosso (Table 4) and may attain similar magnitudes in neighboring Tahoua and Madoua.

This subsector demands attention for several reasons. First, it is a huge employer. Second, because most of the activity is village based, it represents a rare opportunity for boosting rural incomes. Third, women dominate the mat-weaving industry, so improved earnings would accrue to this difficult-to-reach target group. Finally, mat-making is a resource-based export activity in which Niger enjoys a comparative advantage, which it may be able to exploit.

Mat-weaving is concentrated in Dosso, Madoua, and Tahoua Departments, regions historically endowed with an abundant supply of dum palm leaves, the basic raw material from which the mats are woven. Women in these regions have a long tradition of mat-weaving. It is the largest nonfarm employer in rural Dosso, employing 114 women per 1,000 population (Table 4). In contrast, only five people per thousand weave mats in rural areas of Maradi Department. In spite of a ready supply of raw materials, most residents of Maradi do not traditionally weave mats; those who do are frequently men. Respondents suggest this may be due to ready alternatives for women in groundnut processing and dry season vegetable cultivation. Maradi exports large quantities of palm leaves to Dosso, apparently because of the declining availability of raw materials in the historic weaving regions.

The subsector map in Figure 1 describes the structure of the mat-weaving industry, while the budget in Table 6 points out two key features of the activity. First, it offers painfully low returns to women weavers, ranging from 15 to 62 CFAF (CFA francs) per day. Since most mat weavers purchase their palm leaves in rural markets, returns at the low end of that range appear most common. Even colored mats, which retail for double the price of plain ones, appear to offer similarly low returns because of the cost of the dyes and the increased time required in dyeing. Glimmers of evidence from Loga *arrondissement* suggest a declining importance of mat-making as women find more lucrative options in off-season agricultural production.

Second, the financial budgets reveal the high and regressive market tax weavers must pay when they come to retail their finished product. They pay 50 CFAF per market day. Assuming they can sell their month's production in a single market visit, the market tax represents 25 percent of their gross income. It weighs even more heavily on the many who must present their wares at several markets before finding buyers for their products.

FIGURE 1

MATS SUBSECTOR

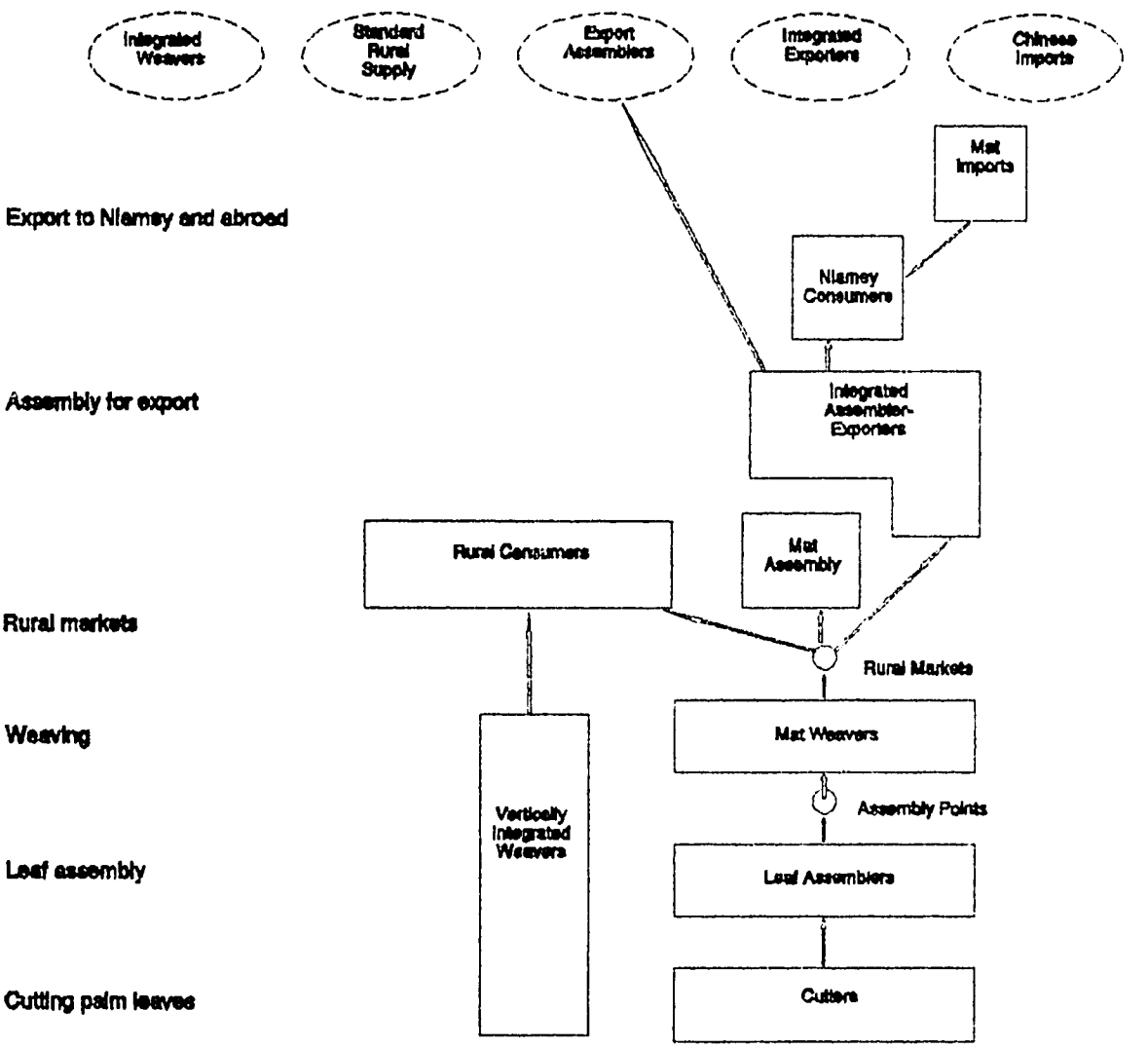


TABLE 6

MAT-WEAVING BUDGET, LOGA
(plain mat, 1m x 1.8 m)

1. Revenue:

4 mats/month @ 200 FCFA		= 800

2. Costs:

Palm leaves: 4 x 150	= 600	
Transport	0 - 20	
Market tax	50	
Subtotal		= 650-670

3. Gross Margin: = 130-150

4. Time Requirements:

2 days/mat x 4	= 8	
1 day retailing (minimum)	1	
1 day leaf procurement	1	
Subtotal	10 days	Full Time Equivalent

5. Returns to Labor

a. Purchase leaves: 150 / 10 = 15 FCFA/day

b. Gather own leaves: 750 / 12 = 62 FCFA/day

Source: field interviews.

Over the past two decades, several changes have occurred in the mat-making subsector. All of them conspire to drive returns lower. Declining availability of palm leaves in Dosso has led to growing imports from other regions, such as Maradi, and consequently to higher raw material prices. And prospects for passing along higher costs to consumers have been dampened by competition from imported plastic mats from China. Although the plastic mats cost five to six times as much as the vegetable mats in rural areas, the spread drops to a factor of two or three in urban areas. Since the plastic mats are washable and more durable, many urban customers prefer them. And the Chinese mats are still more competitive in coastal markets in Côte d'Ivoire, Benin, and Nigeria. Large mat wholesalers in Maradi indicate that rising domestic cost and increased competition from the Chinese mats have squeezed them out of what in the early 1980s was a large and lucrative export market in the coastal countries.

Prospects look bleak. Returns are low and appear to be falling. Export outlets are shrinking. And women readily drop mat production the moment a more lucrative opportunity becomes available.

What interventions might be appropriate? In the long run, one hopes that the promotion of alternative income-generating activities, such as export markets for dry-season crops, will allow women to leave mat production for more lucrative work. In the short run, the heavily regressive burden imposed by the market tax emerges as an attractive candidate for restructuring as part of a fiscal reform package.

Hides, Skins and Leather Products

Niger has a long tradition of trade in livestock as well as in tanned leather and leather products. Baier reports that, in the late 19th century, "tanned goat skins were the specialty export of Damagaram [the approximate region of contemporary southern Niger], so that expanded trade in the 1890s was accompanied by intensified activity on the part of tanners and leather workers" (Baier, 1980, p. 43). Baier goes on to report that one of the effects of the opening of the economy of central Niger in the period 1930-1960 was the decline in the tanning industry, which he says survived only on a limited basis to satisfy local rather than export needs for leather (p. 213). Although the level of skills involved in these activities has doubtless deteriorated with the passage of time, the tradition is still there; all of the tanners we interviewed had inherited the craft at least from their grandfathers. It is the combination of a large supply of raw materials, the potential link to exports, and a tradition of skills in tanning that makes this subsector particularly interesting.

Animals play a complex role in rural societies. They operate as a store of wealth, as a sign of success, as a source of fertilizer, and so forth. For a goat that is slaughtered and the meat sold, the value of the carcass is more than ten times the value of the skin. In large measure, then, the supply of skins is a by-product of an activity with a different primary focus (the supply of milk during the animal's life, and the supply of meat, either for consumption or for sale, when it is slaughtered). The supply of skins brought to the market in any one year is dependent on several factors: income from other sources, the supply of forage and water, and the prices of meat and of live animals for export. Prices of skins probably play only a minor role in that process.

Our discussion is built around the subsector map (Figure 2). It is restricted to goats, since these supply about 70 percent of all registered export receipts from the sector and seem to be the animals with the highest potential for development in terms of both skins and of leather products.

The bottom of the figure shows the feedstock: the live animals. Published statistics indicate figures of 7.2 to 7.5 million goats in the early 1980s. Between 1983 and 1985, the number fell by more than 50 percent, largely as a result of a drought during that period. There has been some increase in the size of the herds since then, but the most recent figures (1987) still reported a stock of only 4.3 million goats.

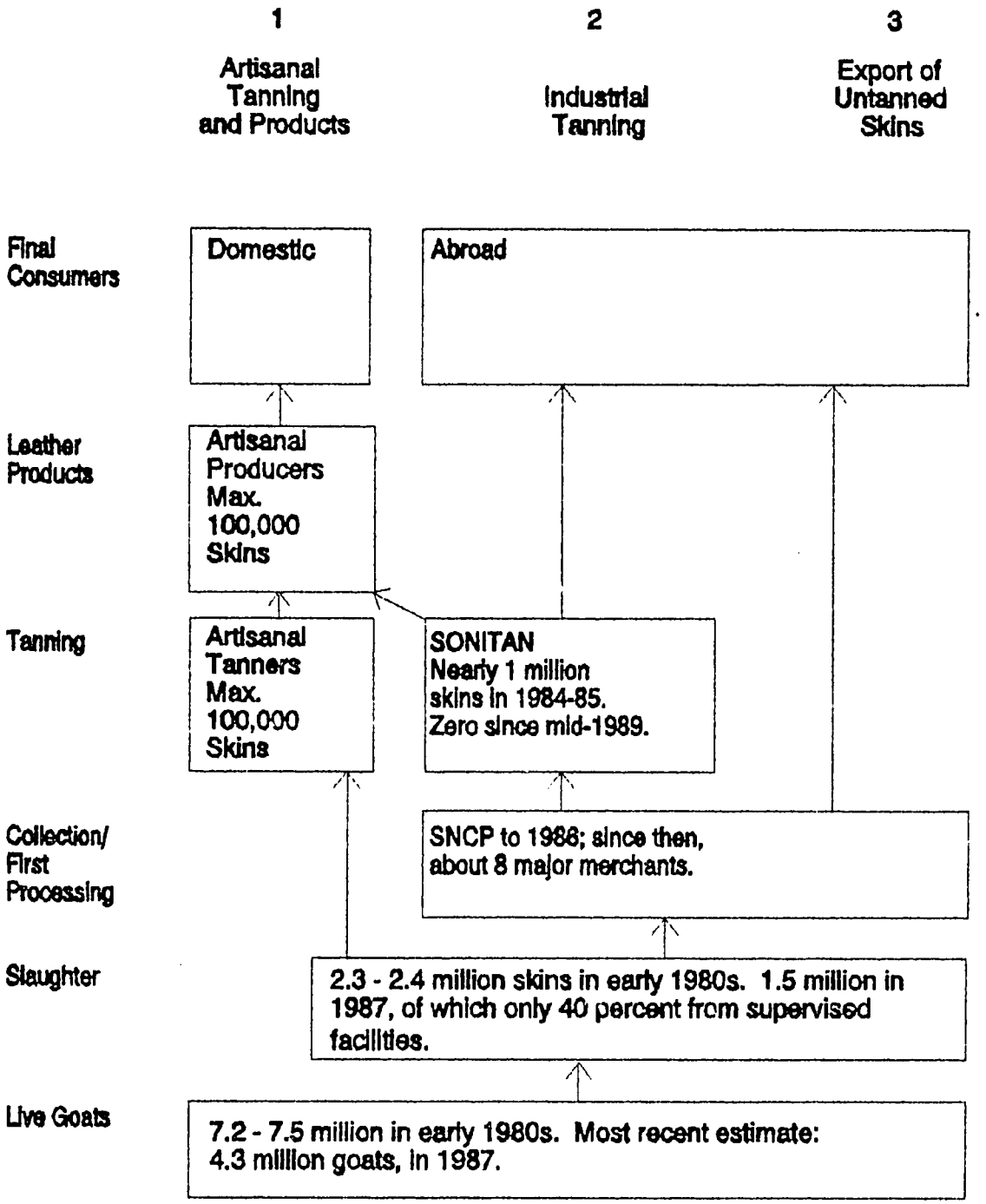
There are similarly large annual variations in the reported numbers of animals slaughtered. Starting from figures of 2.3 to 2.4 million per year in the early 1980s, the numbers dropped sharply to only 1 million in 1986 and 1.5 million in 1987.

There are two patterns of slaughtering in Niger: that which takes place in government-supervised slaughter houses with drying facilities (*Boucheries/Sechoires*, BS); and the slaughtering which takes place outside these organized facilities, denoted as *Abattage de Brousse* (AB). The latter may be done by the farmer or shepherd himself or in a simple, privately owned and unsupervised slaughtering facility. In recent years, about 60 percent of all reported slaughtering of goats has taken place as AB.

About 1,000 individuals work in slaughter houses throughout the country, of which about half are in BSs. Although the average quality of skins emanating from the ABs is reported to be significantly lower than that of the BSs, there is also considerable variance on both sides: some individual shepherds or isolated butchers are skilled in removing the skin with very good results, while some who work in the

FIGURE 2

GOAT SKINS AND LEATHER PRODUCTS



BSs do only a mediocre job. An increase in the quality of the workmanship at this level is important t improved performance of the subsector.

These skins follow one of three paths: (1) until 1989, some were purchased and tanned b SONITAN, the one large and semimodern tannery in the country; (2) some skins are tanned by rural artisanal tanners; and (3) the rest are exported without further processing. SONITAN's activities reache a peak of 937,850 goat skins in 1984-1985; in the following year, after privatization, the number droppe to less than half that total, and continued to decline thereafter. Since the summer of 1989, the firm ha been closed down. In their peak year, then, they may have absorbed as much as 40 percent of th domestic supply of raw skins; now that share has fallen to zero.

The second major use of skins is for local tanners. Precise statistics are close to nonexistent on thi segment of the economy. In the two Departments covered by our survey, very few traditional tanner were identified. Eight tanners were interviewed in the course of the follow-up field work, but these hac to be sought out, often with difficulty. As an indication of orders of magnitude, one might suggest 1(to 15 traditional tanners per *arrondissement*, or 300 to 450 nationwide. If each of these tans an averag of 30 skins per month throughout the year, that would mean 75,000 skins, or 5 percent of the current annual supply.

As suggested above, those skins which are not tanned, either by SONITAN or by local traditional tanners, are exported in a raw state. In the past, the Société Nigerienne des Cuirs et Peaux (SNCP) was the sole organization authorized to collect and export these skins. The SNCP employed collectors to canvas the markets and to buy on the organization's behalf. SNCP supplied SONITAN with its needs, and exported the rest. Since the privatization of SNCP in 1986 and its subsequent virtual demise, many of the same collectors have continued this activity on their own. Legally, they are required to ensure that the industrial tanneries of the country have an adequate supply of skins before exporting (Ordinance 86-015 of April 3, 1986), although since SONITAN's withdrawal from the market this has been a moot point. It was suggested to us that there are eight major collectors, based in Maradi but operating throughout the country, who dominate this activity.

The collectors play a crucial role in this process. For one thing, they provide the link between the supply of skins at the abattoirs and the markets, national and international, for these skins. In addition

to being simple assemblers, they also undertake critical steps in washing, preserving, and drying the skins. The care and skill with which they undertake these tasks can have a major impact on the quality and hence the selling price of the product.

Moving to the next step in the process, SONITAN's major market for its tanned skins was abroad. SONITAN always made available to the domestic market as much as could be absorbed by local users, but this never amounted to more than 10 percent of their output; the rest was all exported as tanned skins. With regard to the traditional tanners, although Baier reports that 100 years ago they were producing substantial amounts for export, today their sales are exclusively for the domestic leather products industry. The most important sources of demand are for sandals, followed by a variety of leather products: saddles and horse fittings, sheaths for knives, wallets and bags, coverings for boxes and so forth. In terms of numbers of people involved, the Ministry of Plan estimates that in 1987-1988 there were 880 urban enterprises plus 4,900 rural enterprises in the leather industry. Of this total, some 300 to 450 may be engaged in tanning, leaving 5,000 people engaged in making leather products. As we have seen above, the Ministry of Plan estimates may be too low, particularly in rural areas.

Our survey provides some useful insights concerning activities that make use of tanned leather. Of the 215 enterprises enumerated in the survey in the leather products subsector, 85 percent were engaged in making and repairing shoes and sandals. The heaviest concentration was in intermediate towns; employment densities in leather products in those towns in both Maradi and Dosso were more than twice the levels found in the respective departmental capitals. Only five shoe repair enterprises were reported in all the 14 ZDs surveyed, implying a very low employment density in rural areas. Although this is a year-around activity for most producers (the average enterprise worked for 10.9 months per year), this was the main source of income for only 65 percent of the producers.

At the time of the interviews, prices paid for goat skins by local buyers, whether tanners or collectors, were generally in the range of 350 to 500 CFAF per skin. SONITAN bought by weight; although they are not currently buying, their most recent buying price of 1,100 CFAF per kilogram implied an average price per skin of 625 CFAF. This was higher than that of other buyers, partly because this was a price delivered to the factory, so some transport costs are included. Prices have varied widely over the past decade, driven largely by the highly variable price of skins exported without tanning to Nigeria. Although there is much grumbling about the fact that Nigeria is "capturing the value added

by tanning Niger's skins for export," informed people have suggested that none of these Nigerien products were tanned in Nigeria before export to Europe but were simply reexported without further processing.

If raw skins sell in the range 350 to 500 CFAF per skin, the tanned skins sell for 600 to 650 for undyed skins and 750 to 1,500 for good quality colored skins. Most tanners earn a gross return (the selling price of tanned product less the buying price of the raw skin) of 100 to 250 per skin tanned, plus an additional 150 to 250 if they color the skin. Other than the skins themselves, raw material costs are minimal and are often collected by the tanner. The coloring can either be gathered in the wild by the tanner or bought; if it is purchased, it costs only about 30 CFAF per skin. A tanner would never process one skin individually; it is a batch process, in which 12 to 20 skins are treated at a time. The process takes about a week, for uncolored skins. This means that if a tanner is able to process and sell 20 skins per week, he will earn 200 to 600 CFAF per day of work, depending on his buying and selling prices. In most cases, market constraints mean that artisanal tanners are not able to sell more than a fraction of what they are able to produce, so they process skins less frequently or process fewer skins per batch; actual returns per day of work are probably concentrated at the low end of this range or even below it. If they could sell in larger volumes, returns could go up significantly.

The significance of increasing the share of skins which are tanned before export is clearly reflected in the trade statistics. In 1986, the average export price of untanned goat skins was 1,256 CFAF per kilogram. For tanned goat skins, the average price was 3,378 CFAF per kilogram. There are obvious benefits to the country of raising the share of tanned skins in the country's exports.

What can one say about development needs in the leather subsector? Major goals include the following:

- Improving the quality of skins at the slaughtering, collecting and preserving stages;
- Increasing the share of goat skins that are tanned domestically. This involves getting SONITAN back into operation; it also involves increasing the numbers of skins tanned by rural tanners. Since the binding constraint for the latter group centers around the limited domestic market for their products, this implies either helping them to export or expanding the domestic use of tanned leather; and

- Increasing the domestic use of tanned leather for further transformation: for sandals and shoes; for bags, wallets, and briefcases; and for other types of craft products such as leather-covered boxes, leather floor and wall coverings, and so forth.

What approaches can be suggested in working towards these goals? With regard to the first goal of raising the quality of raw skins, one's first thought is of training programs, to teach those involved in these activities to perform their tasks more effectively. Perhaps more important than such extension-type work is the establishment of a system of differential pricing according to product quality. Such a market-based system has the advantage of reaching all potential suppliers, providing each with a direct incentive to improve the quality of his or her product in order to obtain a higher return. The reasoning here applies to the slaughtering and preserving process (a higher price for a better-quality raw skin) as well as to tanning. SONITAN's procedure of buying skins by the kilogram without regard to quality was a serious mistake in this regard. If they again assume an important role in the market, it is hoped that they will differentiate by quality and price in their buying, as they always have in their selling. In the same way, it is important to encourage collectors to offer differential prices according to the quality of the skin.

In relation to the second goal of increasing the share of skins that are tanned, as noted above, the first issue concerns the rehabilitation of SONITAN. It is hoped that discussions currently under way will produce a satisfactory outcome, probably leading to some type of management contract with a foreign partner. With regard to the rural and artisanal tanners, their output is constrained far below their production capacity by the limits of the markets in which they sell. Increasing their output requires efforts on two fronts: exploring the possibilities of exporting artisanally tanned skins; and increasing the use of skins by the domestic leather products industry. The first of these will require upgrading of the quality of artisanal tanning, to make the product suitable for the export market. This would need to be done in close consultation with potential exporters, probably starting with small quantities and with more highly skilled tanners. It might best be done on a semicommercial basis, with the trader(s) paying part of the cost of the training, and the rest being covered from external assistance. Some temporary tax exemptions would be appropriate here, to provide an incentive for merchants to enter this market (for example, as a start, exemption from the 3 percent export tax for five years).

The final challenge facing the subsector concerns increases in the use of domestically tanned skins in making leather products. This is important for those engaged in making the products as well as for

the domestic artisanal tanners who supply these users with their raw materials. We have seen a variety of new products introduced by imaginative craftsmen, through adaptation or imitation: putting leather tops on rubber or plastic flip-flops, mixing leather with imitation leather for different styles of sandals, and so forth. Some of these are selling very well in Nigeria. Others are being sold in Niamey, although they are produced deep in the countryside. Promotional activities to spread new ideas about such opportunities, undertaken through nongovernmental or private voluntary organizations (NGOs or PVOs), have a significant contribution to make here.

In addition to these product development and market strengthening types of changes, there is a different type of change emerges from our discussions, which relates to taxes. The 3 percent export tax provides a minor disincentive to the export of skins, whether raw or tanned, at least through legal channels. With the export price of skins a given for Niger, this tax falls directly on domestic suppliers. In view of the market structure, the tax is probably for the most part passed back to the agriculturalist in the price he receives for the skin. Although it is unlikely that this will have a significant effect on the supply of skins for export, it may divert the existing supply towards illegal exports. Perhaps even more important are the equity implications of a tax that falls primarily on the lowest income groups in the country.

In the same vein, one has to question the wisdom of a reliance on the market tax as a source for *arrondissement* revenues. Although the drive for financial decentralization is commendable in many ways, it does carry with it the risk of putting heavy burdens on small producers seeking to supplement their incomes by selling modest amounts in local markets. For a small shoe repairer or artisanal tanner, a fee of 100 CFAF payable on each market day can constitute a significant share of the net revenues he would otherwise get from his work. The negative effects are two. The producer is discouraged from going to the market at all unless he is reasonably confident he will make enough sales to justify the payment of the tax; this means less frequent participation in the market. Furthermore, of the small amounts of cash income in the hands of rural consumers, which could constitute a further source of demand from other suppliers in the local market, a significant share is siphoned off to the government. To be sure, some of this is recycled back to the local economy through government expenditures; but a significant share is also spent on income of officials who have different spending patterns — directed more towards imported goods, gas for cars, and supplies for government offices, all of which are brought in from outside. The net effect is surely to drain the local economy of spending power. Although we

have not examined the contribution of such tax payments to communal finance, it would be desirable to seek other sources of government revenue that do not hit so hard on the lowest-income rural artisans.

Some have argued that there is a need for change in Niger's foreign trade regime, as this affects patterns of trade in skins. The issue here derives from the fact that a significant share of Niger's skins apparently pass illegally out through Nigeria. One hears constantly about *concurrence déloyal* (unfair or dishonest competition). As this was explained to us, in past times, when the official value of the Naira was seriously out of line with its true market value, Nigerian merchants were willing to pay artificially inflated prices expressed in CFAF for a product that they could then reexport for hard currency. The purchases were made using CFAF bought in the parallel market, which is very active along the border between the two countries. What are we to make of this argument?

If this argument is correct (which we have no reason to doubt), it describes a situation that brings benefits to domestic suppliers of skins (herders as well as merchants) while causing problems for domestic users of the product. In the present situation, where the Naira is no longer so far out of line, the issue is not an active one — unless one feels the need to "be ready for the next time." But what would that mean? It would imply measures aimed at trying to prevent Nigerians from buying skins in Niger, at prices they would be willing to pay. Alternatively, it might mean taxing exports to Nigeria, to reduce the incentives for sellers to supply that market rather than selling to domestic users. But because of the porous border, and in the absence of massive investment in an elephant fence to control the illegal trade, neither of these measures has the least chance of success. Efforts to reestablish a controlled domestic market in which suppliers are forced to sell at a reduced price to subsidize the domestic users of skins are neither realistic nor desirable.

Metal Products

There are several reasons why the subsector of metal products is worth special study. Interviews suggest that this is a product group in which skills and raw materials are widely available compared to other subsectors, and in which — particularly in selected product lines — demand is growing rapidly enough to be able to absorb all that is produced. The following discussion starts with a review of inputs used in the subsector, explores briefly the constraints to growth of output, and then examines the growth

potential of different categories of products. Suggestions for interventions in the subsector conclude the discussion.

Inputs

Raw materials. Scrap metal is the raw material base for the subsector. All metal workers interviewed work in either iron, steel, or aluminum (with only one doing some work in brass). No one is using raw materials in a form intended for melting or forging (such as aluminum ingots), though *charrette* makers use new angle iron stock.

The largest single source of scrap for all but case makers appears to be derelict automobiles or trucks. Agricultural tools, axles and spindles for *charrettes*, aluminum household goods (pots and ladles), all seem to come from either the wheels (rims), frame, or body of trucks and cars (the framework for Land Rover bodies is aluminum) or from engine parts made of harder aluminum. Other sources are broken household goods and some kinds of cans. Sheet metal comes from pounded-out standard size oil drums. Although official tariff rates on imported scrap metal are high (in the 50 percent range), this does not appear to be an issue since most if not all metal workers avoid paying these duties.

Three factors suggest that the scrap supply will be sufficient in the short to medium term. First, given the proximity of the enormous Nigeria market with its large number of vehicles, a steady supply of vehicle parts is likely. Second, since the basis for forging and melting is recycling, the increased production becomes itself a source of future scrap; both household aluminum products and agricultural tools will break and be remelted or reforged. Finally, it was noted that in some places a fair amount of metal scrap remains on the ground to be picked up. If and when demand rises, children and others with low incomes will be encouraged to collect scrap more assiduously.

Labor. All processes looked at were highly labor-intensive. All forging and casting requires at least two persons, more often three; with the exception of the metal case maker, no one worked alone. Children (mostly boys but also a few girls) supply much of the unskilled labor (especially the operation of the goatskin double bellows). In all cases, the workers were family members, though often called apprentices. There was no evidence of any regular pay or salary; instead, the workers' expenses are covered and some cash may be given out on an ad hoc basis. Because of the low level of skill for most

of the labor, the lack of other opportunities, and the nature of the family traditions in much of metalworking (reflecting the structure of the society in general), the laborer has few options to supplying his labor without cash payment. The "employer" may thus incur no direct cash cost.

Tools, technology and skill levels. In every case examined, there is a low level of technology (not to be confused with a low level of skills). With the exception of welders, who must use an electric welder and manufactured welding rods, no modern tools are required or, indeed, desired. Even the welders, with the exception of one CARE project client who received a new machine as part of the loan package, had purchased used equipment. The only input of tools that needs to be purchased is welding rods. Even simple tools and equipment such as hack saws, twist drills, or manufactured anvils were conspicuous by their absence, nor was there any indication of any strong advantage in possessing them. Generally, then, tools and technology are as basic as can be. Even in the few cases in which manufactured files were used, forgers still had and were using files they had made themselves.

Except for blacksmithing, skills needed in the subsector are relatively easy to acquire. Blacksmithing skills (shaping, bending, pounding, handling hot metal, riveting, inserting metal into wood handles, controlling heat and temper) are a function of repetition and experience rather than training, perhaps because they use the most primitive technologies; one can reach mastery (in the context of work done in Niger) in one to three years. Watching young forgers with a few years of experience as well as forgers with 30 years of experience, the observer notes no differences in speed or quality of workmanship. This is not say there are no differences in quality in blacksmithing, but that these are more a function of talent and individual care than of experience. Nor are quality differences rewarded in the marketplace.

Aside from blacksmithing, skills seemed to be learned with remarkable quickness. Although there are individuals in Niger who have been doing casting for years, among our observations were cases in which ladle casting had been mastered to standard speed and quality level in two-weeks time by young men with little prior metalwork experience. Case making, though very hard physical labor, was mastered in three weeks by the case maker, a formerly unemployed worker whom the CARE project encouraged to start this activity. Practice and repetition on his own rather than training seemed to be the key determinants of mastery in both his and the ladle makers' learning. A switch from forging to welding does take some training, but a limited amount of training puts one in business.

Working capital. This is generally not a problem. Though some barriers exist in capital for new welding machines, only one of the metal workers interviewed had used credit for working capital (a welder who had borrowed from OPEN). Working capital for scrap or welding rod purchases is also not a problem. There is some evidence that in rural areas, wood for implement handles and for charcoal production at the village level is collected by the metalworkers or their families. In other cases, the cost is the fee for the government permit to cut dead wood, which appears not to be a constraint. Only in welding might there be significant operating costs, but in the one case observed in which these were important (6,500 CFAF per month for electricity), the margins on products made were sufficient to cover them.

Constraints

One major constraint on output is external to the metalworking craft: limited rural markets, and limited access to urban markets by producers in remote villages. A second constraint is internal to the sector: product innovation. There was no indication that taxes (either the *patente* or the market tax) were a serious problem. The *patente* varied from 6,500 to 13,000 per year. The market tax varied from 150 to 250 CFAF per day.

With regard to markets, most of the metalworkers we saw indicated that their business was steady or rising. Only one welder (a maker of large items like beds and *charrettes*) said that his products were sitting around for months before being sold. The evidence we gathered corroborates that found by others — that the size and health of trade with Nigeria and the domestic market as affected by agriculture are the overarching determinants of the rate of growth of output. But this must be discussed on a product-by-product basis, as we do in the next section, since markets seem to be growing much more rapidly for some products than for others.

Categories of metal products

In this section we will look at the specifics of different product lines and types of metal work, as well as other characteristics that inform the potential of different product types. Our approach is, first, in terms of levels of technology and location, and then in terms of specific product groups.

Starting with the technology and locational questions, there are some differences that have to do with whether the technology used is traditional or modern. **Blacksmiths** are at the traditional end of a continuum. All the blacksmiths interviewed seemed remarkably similar to one another. They all make their own tools, were all operating in villages or rural small towns, and all use highly traditional technologies. If one can differentiate within the blacksmith subcategory, the ones who are the most traditional are those making only agricultural tools. These seem to depend on a regular and local clientele, take pride in not using credit and in having inherited the trade from their fathers and grandfathers, are less interested in innovation or new tools, and in some cases have acquired a local reputation for certain specialty products. On the other hand, some expressed concern that only a few young people are learning the trade, which sometimes carries a social stigma as inferior work.

Welders, at the opposite end of the technology continuum, tend to be in more travelled areas, not just because the demand for repairs is higher in such locations but because of access to electricity and raw materials. There is, however, a clear demand for repairs in rural, more remote areas as well, in part because of their remoteness. There is some indication that welders in towns may not be converts from blacksmithing, whereas welders in rural areas are more likely to have come to the activity through this route. There would seem to be some room for introducing welding in rural areas, but because of lack of electricity, diesel generators will have to be part of the package.

With these technology and locational differences in the background, we now move on to what we see as the most important differences in the metals products subsector, which have to do with different categories of products. Three types make up the set: agricultural tools; transport-related products; and household products.

Agricultural tools. For a number of reasons, the smithing of agricultural tools does not seem to be a likely candidate for significant growth. Agricultural tools are tied to the traditional blacksmiths and to traditional agricultural techniques. This part of the sector responds only a little to income and price changes, as long as agriculture remains labor intensive. Farmers will need new and repaired hoes, weeders, rakes, and axes (the "big four" in unmechanized agriculture) over and over again. The market rises and falls in a highly predictable way, rising right before each rainy season, keeping the traditional village blacksmiths busy for five months a year. It may be possible to recreate the age-old pattern (described by Baier) of oscillation between dry-season occupations to bring in cash, and rainy season

occupation to grow food, helping some village smiths who only work in the wet season to diversify into market-oriented products in the dry season.

Improvements in quality are not rewarded in the market place. All tools observed were of the same traditional design, with no observable differences in workmanship. When asked about how long a particular tool would last, all smiths gave answers in the same range.

Agricultural tools are not a pure cash and carry product. There is a good deal of barter, an equivalent of what we would call "warranty" work, and some work done gratis. A village smith is there to make sure people have tools with which to work. If they are broken, he will likely accept whatever is offered for fixing them. This may also be the case for new or replacement tools. In general, village smiths indicated that their craft is a secondary cash-generating metier, with their primary work being cultivation. In some cases, they were paid "in kind" for their work: people helped them in their fields as compensation for blacksmithing services they provided.

The interviews revealed little interest in innovation or product diversification, especially among older smiths. Basic agricultural tools can vary in type and style across even nearby localities, reflecting differences in working traditions as well as soil conditions. They are thus localized products. For a variety of reasons, they have no export potential.

The conclusion is that one should basically leave this category of metals products alone. It may even be sensible to change one's conception of blacksmithing of agricultural tools: it constitutes, at the village level, an integral part of the village social structure, and should be interpreted from that point of view more than as an income-generating enterprise.

Transport-related products. These are at the high end of the market. Here one finds the big ticket items: *charrettes* and other carts, and baggage carrier racks for cars and trucks. This is a slow but expanding market, but has volume limits since these are expensive items. *Charrettes* sell for 60,000 to 65,000 CFAF, a large sum in rural Niger.

The market for repair of these products, on the other hand, is good. Since this involves welders, a convergence of modern technology with the transport market is obvious. But it is difficult to say what

sort of future there is for repairs of *charrettes*. They break down because of heavy and poorly distributed loads and poor road conditions. As these improve, the *charrettes* may last longer and repairs become less frequent. Still, there are other metal products that will need repairing. As long as Niger remains a developing economy, the demand for repairs would seem to be assured.

Domestic household goods. This market has the highest potential for growth, though modest and only in the medium term. Interviews and observations suggest that it is here that there is room for product differentiation, innovation, marketing, trade, and export. This category of metal products lends itself to specialization and mass production without significant new technology or inputs. The most important indicator, however, was that all who are making these kinds of products told us they were selling everything they could make, as soon as they brought the products to market.

At the low end of this product group, we find tweezers, scissors, knives, spoons, ladles, marmites (pots) and improved stoves, all cast out of aluminum or forged from steel or iron. At the higher end we find furniture, mostly chairs and beds. The high end depends on welding; the lower end can use the same technologies as the blacksmiths.

The household goods sector, especially the small forged and cast items, takes advantage of all the low input factors of production mentioned at the beginning of this section: low labor costs, available raw materials, and easily acquired technologies and skills. In addition, volume production is more feasible in these product lines. Rakes are made at the rate of two to three per day, at best. By contrast, two smiths, one preparing the small pieces of metal, the other doing the finishing work, can turn out about 300 tweezers per day. The selling price for the three rakes is 750 CFAF. The selling price for 300 tweezers (at 25 CFAF each, retail) is about 7,500 CFAF. Even allowing for the likelihood that a middleman is involved in the marketing of the tweezers (thus assuming perhaps 10 CFAF per unit to the maker), the gross sales represent 3,000 CFAF. Obviously this must be tempered by the evidence that items like tweezers are made in only a few places at present and thus there may not be enormous room for expansion; although everything currently being produced is being sold, the market could easily become saturated.

Still, everyone making cast ladles, tweezers, aluminum clothes pins, or stoves is selling everything they make. A ladle maker in Guidan Ango, who was previously pounding out six ladles per day, claims now to be casting as many as 36 per day and selling them all without difficulty.

There is room here as well for improvement in quality, especially in stoves and pots. These could possibly compete with inferior goods in Nigeria. Transport of these small items is easy because they are small or can be nested, and are light in weight. Two merchants/smiths we interviewed point the way here. They are carrying small household goods and selling in volume, either acting as middlemen in some shared arrangement with their blacksmith families or acting on their own account, with their apprentices continuing production while they are in the marketplace.

Levels of Intervention

Innovations are needed in this sector. The sort that have been introduced through the International Labor Organization/OPEN project and now through the CARE/SEAD (Small Economic Activities Development) project in Maradi, with improvements in the assistance delivery and more focus, are likely to yield positive benefits. CARE has already introduced and experimented with new products such as aluminum cast cabinet handles, knife handles, and clothes pins. These are selling well.

In the metal products line, household goods are as sure a thing as one is likely to find in today's Niger. The demand for them will grow as population expands. As long as volume and simple technology keep prices low, people will continue to buy these cheap but useful goods and utensils.

There is not much to say on the policy level in this subsector except to urge improvements in roads and transport to make remote areas less so. Tax issues are not a major problem, though tariffs on imported scrap metal could be lowered. Our discussions in the field suggest that credit is not a major need now, except in the case of welders.

It is at the level of direct interventions that the key recommendations lie. This should be done through NGOs, both international and indigenous. Direct interventions should concentrate on the household products area, and should involve:

- Product innovation: Through NGOs, new products can be developed and taught to artisans. Through active promotion via visits and demonstrations to other artisans, these innovations can be disseminated;

- Simple new technologies: Standard appropriate technology experimentation is a reasonable intervention in metal working, but major efforts are not warranted. The focus should be on technologies that contribute to quality improvement;

- Marketing: Here NGOs (such as CARE) could help by taking a sectoral approach to their assistance, and understanding the vertical chain of players from scrap metal collection up to retail sale of the finished product. The NGO can offer the benefit of a big picture to the artisan and in this way help him make better decisions about markets. There may also be room for matching up players at different levels of the economy, for example, through subcontracting arrangements; and

- Organization: In some selected cases, it may be appropriate to experiment with marketing cooperatives or other organizational forms in order to take advantage of economies of scale.

Transport

Transporters deliver both passengers and freight. This poses some analytical challenges because the two markets overlap considerably; along with their riders, intercity passenger cars carry a substantial volume of freight in sacks and baskets on their roof. *Autogare* controllers indicate that small traders marketing their wares in regional markets comprise a large share of the passenger transport business. This means that it is difficult to examine the freight and passenger markets separately. Conceptually, this complicates matters because passenger transport can be viewed in a classic subsector framework, as a network of economic agents supplying a single final product, passenger transport service. But the transport of freight does not constitute a vertical supply chain; it is not a subsector. Rather, it represents a horizontal slice of the economy, an input used at some level in all production-distribution systems. In spite of these conceptual difficulties, this review treats both together because of the large overlap and because the same set of policies and regulations affects both.

Transport activity attracts interest for several reasons. First is its size. It accounts for 4 percent of GDP, a not insignificant amount. Second, Niger's is not a self-contained economy. It is an appendage of a system of regional flows centered in Nigeria; transport is the connecting tissue that enables Niger to participate. Third, because Niger depends largely on imported manufactures in exchange for exports of primary commodities, the efficiency of the transport system is crucial to Niger's competitive position.

It is a key input in all subsectors of the economy. It lubricates the economy and must operate efficiently if the country is to combine resources in ways that will maximize domestic income. Finally, available consumption studies indicate that passenger transport will be one of the most buoyant sectors of a growing economy. As incomes rise, consumers spend increasing amounts of incremental income on personal transport.

How well is the system able to respond to potentially growing passenger demand and to the needs of the business community? To answer this question, one must begin by looking at the structure of the transport system.

Structure

Although the private sector operates the bulk of Niger's vehicle fleet, the parastatal Société National de Transport Nigerien (SNTN) also competes in both passenger and freight markets. They are exempted from government price controls and reportedly operate profitably, independent of government interference.

As Table 7 suggests, huge excess capacity exists in Niger's passenger and freight transport fleets. When the uranium boom collapsed in the early 1980s, the transport sector was severely stung. Business activity and passenger demand slumped, as did investment in new vehicles. Our field work in Dosso and Maradi revealed sobering examples of this excess capacity. Fifteen 60-passenger buses, for example, sit idle in the Maradi *autogare*, while only one or two a day fill up and depart for Niamey. Because of the big fleet buildup followed by the current economic slump, there appear to be large numbers of vehicles available to meet transport needs. This presumably translates into effective competition on major routes.

The lively and open clandestine passenger transport suggests even more competition than the official figures project. It also signals regulatory roadblocks that may warrant investigation. Indeed, the

TABLE 7

AVERAGE NUMBER OF NEW VEHICLE REGISTRATIONS PER YEAR

1971-72	1,423
1973-74	1,645
1975-76	1,729
1977-78	2,710
1979-80	3,900
1981-82	3,386
1983-84	2,419
1985-86	1,595
1987-88	1,075

Source: Ministry of Transport, Direction des Transports Terrestres.

Direction du Contrôle des Prix legislates rates for both freight and passenger transport. In practice, their established rates are not followed by the freight transporters. Legal freight tariffs are now roughly double those prevailing on the private market. Because the government must pay official tariffs, transporters vie for government contracts. But on the private market, they operate at a steep discount, presumably because of overcapacity.

In the passenger market, by contrast, clandestine rates are about 20 percent above the official tariffs. In part, this represents the value of passengers' waiting time, since the smaller Peugeot 504 clandestines leave more quickly than do the 17- to 60-passenger vehicles common in the *autogares*.

Two countervailing forces complicate efforts to revise official tariffs and may explain why they have not been revised since 1983. First is the huge differential between fuel and vehicle prices prevailing in Niger and Nigeria. Fuel costs in Nigeria are about one-fourth of the fully taxed pump price in Niger. Diesel, for example, sells for 35 CFAF per liter in Nigeria, compared to 135 CFAF in Niger. Vehicles, less heavily taxed, sell in Nigeria for one-half the cost of an identical vehicle purchased in Niger. Not surprisingly, both used Nigerian vehicles and low-budget fuel appear to be widely available along the border. Because the Ministry of Transport — charged with initiating transport rate reviews — cannot admit this wide disparity publicly, they produce cost estimates that exceed actual costs of operation.

Offsetting this official overstatement of costs is a substantial escalation in police demands for bribes. As the budget in Table 8 indicates, bribes account for about 20 percent of total expenses borne by the common 17-passenger minibus. Standard payoff rates are in effect; transporters agree unanimously on the rates imposed at each roadblock and can immediately recite the location of all checkpoints on their routes. The problem, which was minor in the past, has reportedly worsened substantially over the past five years.

Two salient trends are affecting the transport business. First are slumping traffic volumes and hence the emergence of substantial excess capacity since the early 1980s. Second is the growing importance of bribes as a share of operating costs.

The most promising interventions in this arena revolve around bribes. Rough projections suggest that police bribes paid by transport operators equal 11 billion CFAF per year, or about 10 percent of

TABLE 8

NISSAN-URBAN BUDGET
MARADI-ZINDER RUN, ONE WAY

1. Revenue:

17 passengers @ 1,500	= 25,500
packages	5,000
Subtotal	30,500

2. Expenses:

a. Operating costs

Gasoline (33.7 F/km x 237 km)	8,000
Oil (@ 10% of gas)	800
Tires (@ 10% of gas)	800
Repairs and maintenance (18 f/km)	4,200
Driver	1,250
Loader	750
Taxes	2,500
Bribes	7,500
Subtotal	25,800

b. Fixed costs

Depreciation	5,600
Insurance @ 12.5 f/km	3,000
Vignette and Patente	1,200
Subtotal	9,800

Total Expenses: 35,600

Source: Field interviews and Direction des Transports Terrestres, Standard Costings. Note that these figures include gas and depreciation at unrealistic tax-paid prices, which explains the fact that total expenses according to this accounting exceed total revenues. In fact, since gasoline, oil, tires and depreciation are all based on products obtained from Nigeria with little or no taxes paid, the activity more than covers costs.

anticipated 1990 central government revenues. Our interviews suggest this figure may be conservative,[1] although more extensive investigation is required to corroborate this. If further work confirms the existence of bribes of this order of magnitude, it suggests that a free lunch may indeed be available. If a portion of the bribes could be transferred to the government treasury, they would substantially increase government revenues and potentially lower recurrent costs by reducing police manpower requirements. Some creativity, perhaps in instituting tolls earmarked for road construction and maintenance, might also improve transporter willingness to comply.

One further point arose in our discussion of the transport sector in Niger. We were told of discussions under way involving new legislation limiting transporters to movement within or directly linked to their own home Department. Such a change could limit competition, reducing the flexibility that enables truck, bus, and taxi drivers to respond to market opportunities wherever they observe them. It is hoped that moves in this wrong direction can be avoided.

1. This estimate, based on the figures in Table 8, projects passenger vehicle bribes at 940,000 francs per vehicle per year for the standard 17-passenger van. It applies the same figure to truck and semi-tractor trailers, even though it seems likely that per-vehicle charges will be much higher for them. Given the 2,411 commercial transport vehicles, the 5,821 trucks, and 2,500 semi-trucks currently operating in Niger, total estimated bribes come to 10.7 billion CFAF per year.

SECTION FOUR
SUMMARY AND CONCLUSIONS

We have often heard the argument that the modern private sector in Niger is small and in a state of considerable disarray. Some enterprises have closed and others are operating at far below their full capacity; expansion has been limited, and total output and employment may have been falling in recent years. By contrast, so the argument runs, the small and informal part of the economy is large and growing, vibrant, and dynamic. In such a situation, it behooves the government as well as donors to find out more about this dynamic component of the economy, to see what can be done to remove any constraints it faces, and to help it become even more active.

NEED FOR SUBSECTOR SPECIFICITY

We have made no effort to examine the situation of the larger and more modern enterprises in Niger, so cannot comment on that part of the argument. With regard to the small enterprises, we find the reasoning set out above to be partly, but only partly, true. The sector is without doubt large — larger than had been recognized in previous studies, especially in rural areas of Niger. It is also growing, in terms of numbers of enterprises as well as numbers of people active in it. As to whether it is vibrant and dynamic, one must disaggregate the sector. There are some activities that continue to grow in terms of participants in spite of markets that are stagnant or at best sluggish; expansion of these activities is a sign of failure of the economy to provide better alternative sources of income. Mats are a clear example here. There are other product lines, by contrast, in which markets are growing, returns are increasing, and which can be characterized as vibrant and dynamic. Some types of metal and leather products fall in this category. One's perception of the development potential and needed interventions to promote small enterprises must start from this type of differentiated understanding.

In terms of what must be done to help the sector develop more rapidly, we start from the most general ideas, proceeding to more detailed and specific suggestions. At the most basic level, it cannot be said too often that, in large measure, small enterprise development in a country like Niger is dependent on growth in primary production. The promotion of rural small enterprises in the absence of agricultural growth constitutes a "bootstrap" approach to development (in other words, lifting one's self by one's own

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bootstraps), which has never worked and never can. Small enterprises have an important role to play in multiplying the effects of growth of primary products; with rare exceptions, they cannot substitute for such growth.

MACRO POLICY ISSUES

In terms of basic macro policy issues, the main area in which we see a need for change concerns taxes. Our field work strongly suggests that the current tax system falls disproportionately on small rural producers and rural consumers. In a situation where rural incomes are low, this has the effect of draining purchasing power away from rural markets; it also provides a direct disincentive to small producers considering bringing their products to the market for sale. Both the tanner selling his skins and the shoemaker selling sandals made from those skins pay a tax when they sell in the local market. With low levels of sales, the 100 CFAF fee each pays on each market day can constitute a significant drain on their receipts. Our review of the transport subsector suggests that there may be opportunities for raising tax revenues from that set of activities, switching some funds lost in bribes into government coffers, and thereby making it possible to reduce the burden of regressive market taxes.

Turning to other dimensions of economic policy, we have found no major areas in urgent need of reform. With regard to the credit system, most small nonfarm enterprises in most countries of the world rely primarily on their own savings and those of their family and friends for most investments. In such a situation, the ready availability of financial mechanisms through which they can save, combined with stable domestic prices and positive real interest rates on savings, can be as important to small enterprises as the availability of credit. In Niger, savings facilities are more readily available than loan facilities (Ohio State University, 1987).

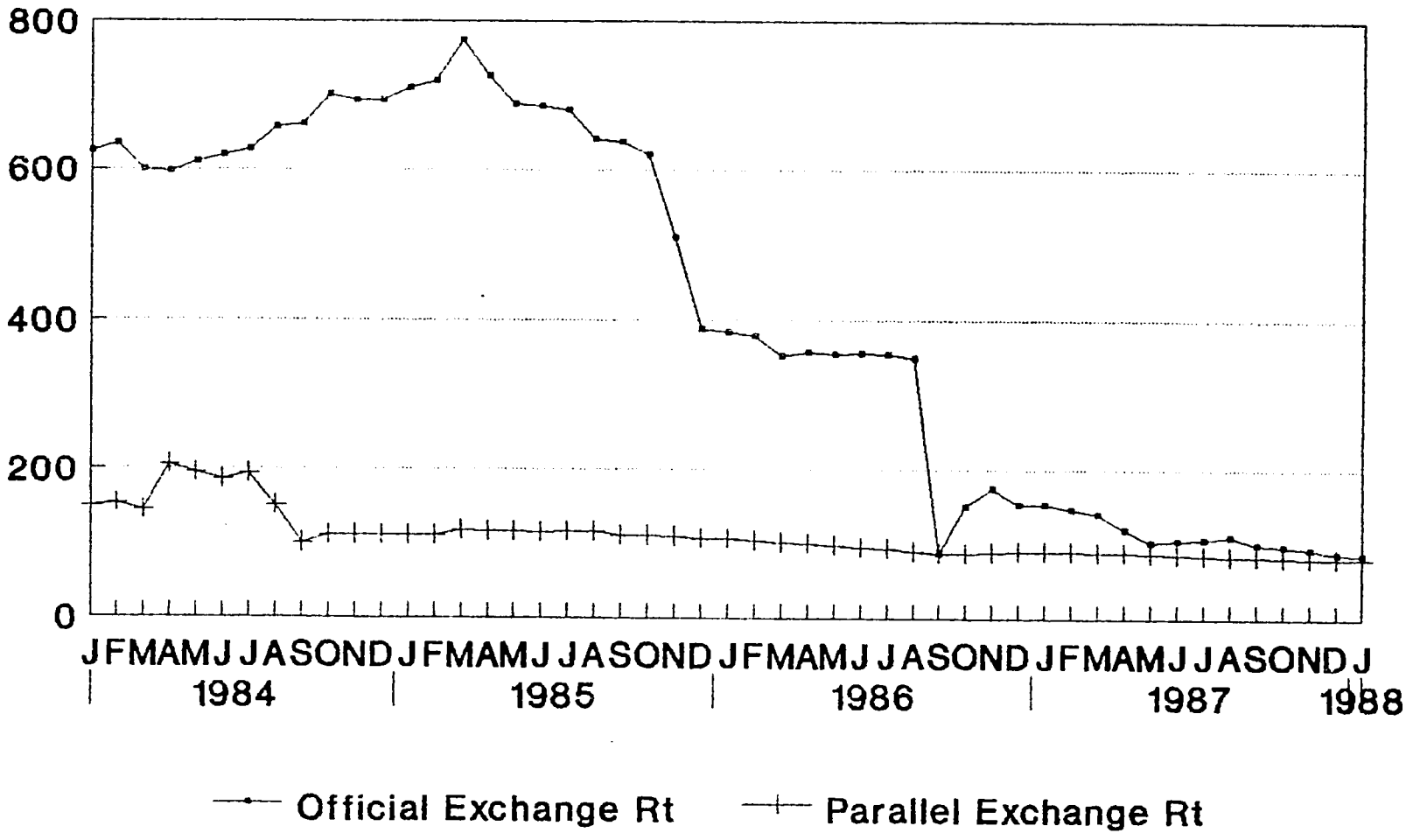
We did not spend much time examining either the availability of credit to rural small producers or the need for credit among this group. In our interviews, people sometimes reported that they were constrained by a shortage of working capital that would enable them to increase their stock of goods for sale. In a number of such cases, though, we were skeptical of this line of reasoning. If the main constraint is the level of demand in the market, increasing one's inventory may have little effect. If a loan has to be repaid with interest, as we assume, then such a loan could well make the borrower worse off in such a situation. Of course there were other cases where an increased supply of working capital

could make a useful contribution: cutting down on the number of trips to the market to buy raw materials, thereby saving on time as well as transport costs; buying an increased supply of inputs to start a new product line or to sell in a new market; and so forth. Except through informal credit mechanisms or through special projects (CARE, ILO, CLUSA, and so on), credit for such activities is not available. Efforts on the part of some of these projects to link their credit to existing financial institutions is commendable, even if it has born little fruit so far. On the whole, though, our field interviews suggest that the limited availability of credit may not be a major hindrance to the growth of small enterprises; we would not rank it as a high-priority area of concern for policy change for this group of producers.

The same could be said for the country's foreign trade regime. We expected to find that small enterprises were severely hurt by the massive devaluation of the Naira, making Nigerian products significantly cheaper in Niger and thereby undercutting national sources of supply. In fact, it has not worked that way. Most trade along the border takes place making use of the parallel exchange rate rather than the official rate. The parallel rate has changed much less dramatically than the official rate; the major change has been that the official rate has been brought more into line with the parallel rate (see Figure 3). In response to questions we posed in several markets, the reply was always the same: in recent years, prices of Nigerian imports, expressed in CFAF, have been rising. Domestic price increases within Nigeria have been larger than any downward pressures resulting from changes in the parallel exchange rate.

This is not to imply that small producers do not face problems of competition from Nigerian enterprises; they do. But these problems arise from the much larger market that exists south of the border, from the lower labor costs in that country, and the lower costs of imported inputs, due largely to their closer proximity to the sea. The problems are not explainable by exchange rates and foreign trade regimes, but rather by size, structure, and location of the economies. These are things not easily amenable to change through improved policies. There are no obvious free lunches available to Niger in this area.

FIGURE 3
EXCHANGE RATE, CFA FRANC WITH THE NAIRA



Source: Ministère du Plan, Direction de l'analyse économique et de la planification, Etudes et Conjoncture.

AREAS FOR DIRECT INTERVENTION

Moving beyond these major categories of macro policy, the field work suggested a number of areas of direct intervention that may be fruitful. In the face of limited markets and limited knowledge in the hands of the producers, there is a role for the dissemination of information to small enterprises about improved technologies, new products, and new markets. Programs such as the one run by CARE in Maradi have shown that one can make useful contributions along these lines.

The challenge facing all such programs is not in their ability to bring positive benefits, but in their ability to do so in cost-effective ways. It is not easy or cheap to disseminate information to dispersed rural producers about new types of sandals for which there are export markets in Nigeria or new types of cast aluminum household products which can be sold in Maradi. Although there are benefits to be derived along these lines, the challenge is to find techniques of dissemination so that the costs do not outweigh the benefits. Among the approaches that can be helpful in this regard are the following:

- Concentrate assistance in a few subsectors or product lines. This enables the provider to learn more about a limited range of activities, offering more carefully targeted assistance. A geographical concentration of assistance is also often useful; and

- Look for ways to work through commercial institutions and market-based relationships. Establishing a market where better-quality skins sell for a higher price may be more important — and more cost-effective — than an extension program designed to teach improved techniques to hundreds of isolated butchers or tanners. The limited number of assemblers can play a key role from this point of view, since they are already in direct contact with large numbers of small and dispersed suppliers.

This reasoning brings us to the question of institutions for the provision of such assistance. Our review of the institutional structure for such endeavors leads us to the following conclusions.

First, in spite of widespread acceptance of ideas of decentralization and liberalization, most government officials in Niger view the private sector with distrust and suspicion. They start from a *dirigiste* mentality that leads them to insist on the need for government supervision, control, and regulation. Many government officials are poorly informed about the structure and development potential of small enterprises, about the needs of such enterprises, and what could be done to promote them. Many

officials see PVOs and NGOs as an extension of the public sector, subject to government control and regulation.

Second, the universe of PVOs and NGOs in Niger is small and is poorly developed. This is particularly true of indigenous organizations and of all types of organizations engaged in small-enterprise promotion. Among those active in this field in Niger, there is a danger that unrealistic impatience will prevent the experimentation and learning process over a longer period of time that is necessary for progress in this area. These organizations should be protected from an insistence on short-term results imposed either by finding sources or by government supervisory agencies.

All this points to an urgent need for more effective mechanisms for exchanging views between the different actors in this area. A free exchange of views between entrepreneurs, assistance organizations, government officials, and aid donors would enable all participants to gain a deeper understanding of the problems and development potential of small enterprises as well as of the respective roles of the different participants. The forthcoming MAPS review provides an important opportunity for such consensus building. It is hoped that the present paper will provide a useful input into those discussions, helping to clarify the structure, development potential, and promotional needs of small enterprises in Niger.

In terms of further questions in this area, which might be the subject of possible follow-up work, top priority lies along the following lines:

- More careful and detailed review of the subsectors examined in this report. The hides and skins team will answer this need for that subsector. Similar deepening of the analysis would be appropriate for the transport sector, as well as for metals;

- Addition of other subsectors to those that have been examined. Candidates include food processing (particularly millet mills and groundnut processing) and other services (including private schooling, construction, food catering, and vending);

- Further study of the tax issue, both at the individual enterprise level (to confirm, refine, or modify our finding that the tax structure is highly regressive and discourages individual initiative) and at a macro level (to explore the role of such taxes in local government finance, and to search for alternatives which would be less detrimental to development);

- A more careful analysis of the credit requirements of small enterprises as part of the increased depth and expanded coverage of subsector studies referred to above. This needs to be

supplemented by explorations from the supply side, extending the Ohio State University studies from their primary agricultural focus to the availability of credit to rural nonfarm borrowers;

- Follow patterns of change among small enterprises, using the rich database in Niger. This research would proceed both in terms of groups of producers (by subsector, size, type, and location) and in terms of individual firms: their patterns of growth and evolution;

- All this work -- but particularly the subsector analysis and the studies of firm growth patterns — should be fed directly back to those providing assistance to small enterprises, strengthening their ability to target their help in ways that maximize their effectiveness; and

- More active exchange of views between government officials, aid agencies, assistance organizations (PVOs/NGOs), and producers, to work towards a common vision of what can be done in this field and by whom. The MAPS exercise provides a good opportunity to make a start on that process.

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