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# MAPS NIGER-PHASE IV: PRIVATE SECTOR DIALOGUE

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FINAL REPORT

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## I. INTRODUCTION

### A. PURPOSE AND OBJECTIVES OF THE PRIVATE SECTOR DIALOGUE

The purpose of the MAPS-Phase IV Private Sector Dialogue is to share findings from the Private Sector Description (Phase II) and Private Sector Diagnostic Survey (Phase III) with the Nigerien private sector, Government, donor and NGO community. More specifically, the dialogue is intended to 1) share findings from the primary and secondary data generated and analyzed in previous phases of MAPS; 2) stimulate discussion and receive feedback on those findings to test for accuracy and difference of perspective; 3) present a range of options that USAID and other organizations might consider to improve the business climate for private sector development in Niger; and 4) assess prospects for support for and impact of options USAID may pursue as part of its five-year strategic plan for Niger. The results of the Phase IV presentations, combined with key findings from the previous MAPS phases, will serve as the basis for recommendations to USAID on private sector strategy development. An Appendix to Phase IV includes summaries of Phases II and III, including graphics, that were utilized for presentations during focus groups in June, 1991.

### B. ORGANIZATION OF THE PRIVATE SECTOR DIALOGUE

The Private Sector Dialogue consists of a two-tiered approach. The first approach is the normal, ongoing discussion the MAPS team has had with dozens of individuals and groups in the public and private sectors of Niger. These discussions took place during Phases I-III (March-May, 1991), during which the MAPS team gathered data, information, perceptions and hard opinions on a range of issues affecting the private sector in Niger. Some of these discussions are highlighted in Chapter II of this document. The second approach consists of the presentations and focus groups conducted in June, 1991, in which findings from MAPS Phases II-III were formally presented in Niger. The results of these presentations are highlighted in Chapter III. The Phase IV Appendix provides the summaries, data and graphics utilized for focus group presentations.

## II. INTERVIEWS BY THE MAPS TEAM DURING PHASES I-III

The following interviews, listed in chronological order, were conducted by the MAPS team in Niger during the team's first visit from April 1-12, 1991, and its second visit from May 8-20, 1991.

### A. Interviews Conducted April 1-12, 1991

#### 1. Maliki Barhouni, Secrétaire Général, Ministère de la Promotion Economique

In this introductory interview, the MAPS team expressed its enthusiasm for commencing the MAPS study, and reviewed the planned schedule of work over the next several months. The Secrétaire Général made a number of recommendations regarding specific Ministries and institutions that would be helpful to the MAPS effort (e.g., Ministère d'Agriculture, Chambre de Commerce), and expressed his full support for the private sector study. His Ministry oversees activities concerning exports, artisanal production, parastatal privatization activity (along with the Ministry of Finance), private investment and domestic commerce. In his view, the desired outcome of the MAPS exercise is twofold: a diagnostic examination of the private sector, and a series of recommendations or action plans which could be implemented to promote the private sector. More specifically, Mr. Barhouni was particularly interested in a) measures that could be taken to "protect" local industry from overwhelming foreign competition; b) clarification of training needs to address human capital weaknesses in Niger; and c) methods by which promotion of private sector activity could occur consistent with expansion of the tax base.

#### 2. Patrick Augeraud, Abdulaziz Djibou, Ousseini Hanidou and Idrissa Kourgueni, Direction de la Statistique et de la Démographie

This visit was initiated in order to acquire the statistics needed to complete the description of the private sector for Phase II of the MAPS study. In particular, the team was seeking a statistical breakdown of the Nigérien economy, disaggregated based on public (e.g., Government, parastatals) and private sector activities. Messrs. Augeraud and Djibou explained that until recently, no statistical distinction was made between the role of parastatal and private sector enterprises in the economy; historically, data on SOEs were aggregated into the same category with private enterprises, and simply distinguished from the Government. The GON, however, has recently begun to disaggregate data to distinguish between SOE activities and those of truly private sector entities; while this exercise is still in a nascent stage, Direction de la Statistique provided the MAPS team with these data in areas such as salaried employment, value-added, and investment. In addition,

the team received lists delineating the individual companies categorized as private and public.

With regard to the current state of the Nigérien economy, the general consensus was that the economic crisis characterizing the country has stifled economic entrepreneurship. Potential investors act prudently, forsaking long-term investments for short-term ones, leading to increased activity in commerce at the expense of investment in industry and needed services. The banking sector is virtually non-existent, making formal savings a weak link in the chain of savings, investment, and high financial intermediation. Parastatal enterprises remain important, insofar as they constitute a larger share of the "formal" sector of the economy due to the withdrawal of foreign capital and shrinkage of the "modern" sector in recent years. Nevertheless, the parastatals are still a financial and operating burden for the Government, and their management capabilities are so weak that any rapid turnaround is extremely unlikely.

### 3. Douglas Van Treeck, Economic Officer, U.S. Embassy

The purpose of this visit was to assess the current state of the Nigérien economy and to determine key areas of economic opportunity and weakness. Mr. Van Treeck identified the key constraint on private sector growth and market development as excessive governmental regulation of business. The business establishment process is both complex (even a small firm may require as many as 40 permits) and lengthy (the entire process may take as long as one year). The authority to grant some types of approvals often remains centralized in Niamey, thereby imposing an additional cost on domestic businesses located outside of the capital. Foreign investment, as rare a prospect as it is in Niger, has been discouraged by the difficulty associated with establishing a business which would compete with existing businesses; in those cases, vested interests are likely to impede approval. (This was the case with DHL, and will likely be the case in most non-artisanal activities, depriving Niger of scarce foreign investment when its tax base is weak and the modern, formal sector of the economy has eroded in recent years.) Finally, no single office or bureau exists which can even explain what licenses or other approvals are needed, thereby adding to the complexity of the business establishment process. Labor-saving equipment would help, as would training to streamline and make the investment approval process more efficient.

The key factor explaining these delays is the continued interventionist attitude on the part of the government. This attitude continues to undermine government efforts to improve the private sector environment through the introduction of such measures as a new investment code. For example, while the new code contains a number of attractive features, supporting regulations

have not been introduced to ensure its implementation in an efficient fashion. Foreign investment is blocked by paternalistic, "dirigiste" concerns about employment, labor rights and competition with local industry (noteworthy among them, Government and parastatal enterprises).

Other constraints include a) the overvaluation of the CFA, which makes the cost of local labor extremely expensive relative to many other African nations; b) the incomprehensible bookkeeping system used by the government and its public enterprises, which bears no likeness to internationally acceptable accounting standards and has hindered efforts to accurately value the assets of SOEs due to be privatized; and c) continued government insistence on heavily taxing all economic activity, no matter how marginal. Mr. Van Treeck emphasized that all small business entities will continue to resist taxation efforts-- thereby ensuring that such entities remain in the informal sector-- until the government actually begins to provide services in exchange for those activities. Similarly, while the import/export code has recently been liberalized, customs officials continue to operate under the provisions of the previous code (e.g., taxing exports).

Finally, a number of possible investment opportunities were suggested, all predicated on the potential of Niger to exploit its agricultural, livestock, and human resource base. These include a) hides and skins; b) textiles, which were once exported in quantity; c) canned meat production, either for sale in Nigeria or for export to Europe as pet food, as a component of expanded production of hides and skins; and d) allowance for small-scale gold mining (currently, there is no law to enable small-scale miners to establish claims). Mr. Van Treeck emphasized the importance of reducing labor costs to offset the high costs of raw materials, capital and other production inputs.

#### 4. M. Rachid Benbahmed, Conseiller Technique Principal, Bureau International du Travail (ILO)

M. Benbahmed underlined the growing importance and dynamism of the informal sector in the Nigerien economy. (Mr. Benbahmed's definition excludes the agriculture sector). This sector's contribution to the economy has been growing at an estimated rate of 11% per annum in the 1981-87 period. Similarly, the sector's share of gross domestic product has risen from 13% in 1981 to an estimated minimum 20% today. The informal sector is widely represented in the mining, manufacturing, BTP, transport, food preparation, and repair (sub-)sectors of the economy. Of the 135,000 micro-entrepreneurs the ILO has surveyed, 103,000 have annual revenues (or turnover; not profits) of greater than CFA 8 million (about \$29,000 in April, 1991). Growth sectors include manufacturing (11% annual volume increases), BTP (8-9% annual increases), and food preparation; transport and services have

**declined** due to the general decline in living standards. Despite the overall growth of the informal sector, it also appears that the size of individual enterprises (measured by numbers of employees) has shrunk, resulting in an "atomisation" of those individual enterprises.

As the modern sector in Niger continues to shrink in the face of economic crisis, the informal sector continues to attract former employees of the formal sector. To illustrate this point, Mr. Benbahmed cited the case of a formerly French-owned construction/public works company. When this enterprise closed in 1986, 80% of its former employees entered the informal manufacturing sector (an estimated 5% entered into agriculture, while more than 80% decided on *BTP*). Similarly, following the closure of the *BDRN*, an estimated 55% of the employees entered into informal sector activities, including tanneries, bakeries and artisanal production.

The informal sector is characterized by adaptability, quickness to respond, illiteracy and, therefore, word of mouth, trust, and unrecorded exchanges. As a result, it clearly competes with formal sector enterprises, often outcompeting them. One example of such competition occurred in the case of a metal fabrication firm which -- in the face of growing competition from goods imported from Nigeria -- laid off a number of workers who then continued to fabricate metallic items. Since these workers were operating in the informal sector, however, they had limited overhead costs and their activities placed further pressure on the formal manufacturer.

With regard to the issues of governmental taxation of the informal sector, Mr. Benbahmed made the same argument given by Mr. Van Treeck above; that is, small enterprises would be willing to pay taxes if the government actually provided services in exchange. In his opinion, the financial difficulty faced by SMEs in paying taxes could be overcome if taxes were assessed on a frequent or even daily basis. For example, while many firms would find it difficult to pay taxes on an annual or monthly basis, most could easily pay a small sum per day. He also made a novel suggestion that such tax collection could be privatized, rather than carried out by government entities.

Other observations made regarding the informal sector include:

- Profits generated by informal sector enterprises are generally reinvested, but they are often not reinvested into the enterprise itself. Instead, informal sector entrepreneurs diversify their holdings into such areas as livestock; this practice was likened to that practiced by Nigerien farmers existing in a harsh environment.

- Defined broadly, the informal sector in Niger comprises a large part of the private sector in the country. If, however, one defines the private sector as only those owning the means of production, then many informal sector activities cannot be counted as part of the private sector because many operators are not proprietors.
- Traditional associations or associations with a common function provide the best means of organizing informal sector entrepreneurs. Associations or syndicates organized in the past by agencies such as the Chamber of Commerce have been failures because they have ignored this basic precept, and have instead grouped together a number diverse activities.

Mr. Benbahmed is currently planning a donors conference for October 1991 to compare policies and programs regarding the informal sector, and to prevent a duplication of efforts among donors.

5. M. Rolland Garibaldi, President, SCIMPEXNI

Mr. Garibaldi, who is also the Directeur of Manutention Africaine Niger (a dealer for the U.S. company CATERPILLAR), has been President of SCIMPEXNI, an association of private sector importers and exporters in Niger, since 1984. Since that time, he has witnessed a number of economic liberalizations -- such as the elimination of price controls and monopolies -- which have helped to remove a number of administrative or economic constraints on the private sector. The positive impact of these liberalizations, however, has been overshadowed by the effect of economic decline and crisis in Niger. Moreover, in his view, the economic situation has been worsened by the increasing politicization of the management of economic policy.

As a result, a number of member firms are on the edge of failure, and Mr. Garibaldi cannot identify a single sector of the economy which currently warrants optimism. He provided a variety of data which effectively illustrate this decline in the vitality of the formal private sector. For example, while the membership size has remained constant, total employment by SCIMPEXNI members fell from 1,080 workers in 1980, to only 835 in 1990; total expatriate employment has dropped by half, from 27 to 13 in the same period; and total earnings have shrunk from 52 billion CFA in 1980 to only 31 billion CFA in 1990. Similarly, an examination of the member firms in SCIMPEXNI indicates that the most recent investment made was in 1986.

Finally, Mr. Garibaldi indicated that the Chambre of Commerce was not of assistance to firms in Niger, and that if anything, the Chamber has been more of a burden than a help; for example, the

Chambre has recently tried to elicit 3 billion CFA in funds from its members in order to build a new building.

**6. M. Kankwenda M'Baya, Économiste Principal, UNDP**

Mr. M'Baya directed his remarks to the existing condition of the private sector, both formal and informal, and to the future of both sectors. Currently, the modern sector (e.g., mining, construction, manufacturing, commerce) is suffering as a result of a number of factors: a) the collapse of uranium prices, which has lowered the sales price received by the mines to less than the costs of production; b) increased competition with goods from Nigeria, whose prices have been lowered as a result of the naira's devaluation; and c) the adverse impact of the collapsing uranium sector and government revenues on the construction industry.

By contrast, the informal sector has demonstrated that it possesses sufficient resources and flexibility to adapt to the current economic situation, particularly in the manufacturing and service sectors. The role played by the informal sector has become increasingly important in the economy in terms of employment and share of GDP.

In light of the current economic crisis, Mr. M'Baya finds it difficult to be optimistic about the future of the modern private sector. Moreover, this conclusion has disturbing implications for the future economic viability of the government, given the government's heavy reliance on the formal sector as a source of revenue.

Mr. M'Baya provided the MAPS team with the UNDP 1989 Development Report. This allowed the MAPS team to make a comparative assessment of USAID's private sector activities with those of other donors.

**7. M. Oumarou K. Gaoh, Agronome, Chef de Service Etudes General; M. Ali Moha, Agronome; et M. Laouali Ibrahim, Chef, Section Analyse des Politiques Agricoles, Ministère de Agriculture**

In the past several years, the Ministry of Agriculture (with assistance from USAID and other donors) has introduced a number of important reforms to liberalize the agricultural sector. A key area of reform has been the progressive elimination of subsidies for fertilizers, pesticides, and other agricultural inputs. A second important area of reform has been the private commercialization of agricultural marketing. To achieve this objective, the government has ceased to set prices for all agricultural products, allowing the market to determine prices.

The government has also simplified procedures governing commerce with Nigeria.

When asked about the chief constraints currently facing the agriculture sector, Mr. Gaoh pointed to the suppression of agricultural subsidies. Without subsidies of basic inputs, farmers were returning to subsistence agriculture. By contrast, he said, countries such as Nigeria, under its Green Revolution policy, continues to support its farmers by offering complete subsidies for all inputs. A second constraint, in his opinion, results from the recent commercialization of agricultural pricing. Allowing the market to set prices has enabled those intermediaries with money to speculate, thereby affecting supply and driving up prices. With regard to the effective collapse of the rural credit system when CNCA was closed in 1987, Mr. Gaoh reviewed recent efforts by CLUSA to establish cooperatives, but speculated whether it was possible to achieve agricultural development without having some form of commercial banking involved in the agricultural sector.

Mr. Moha identified a number of agricultural products for which he believes there are good production prospects. These include onions, wheat, peppers, manioc, potatoes, and zucchini. The key growing regions for these products vary from product to product, with the exception of zucchini which can be grown just about everywhere. (Mr. Moha generously provided a number of documents to the MAPS team).

Finally, Mr. Ibrahim discussed agricultural reforms in the larger context of parastatal privatization and reform in Niger. Groundnut and rice operations have been privatized, and other enterprises restructured for enhanced efficiency. The government is trying to design new policies which are favorable to farmers, but this is difficult to achieve because there is insufficient money to support these efforts. Moreover, many small farming enterprises are timid, with the exception of the cooperatives. As a result, it is difficult to promote private investment in the agricultural sector.

8. Mr. Whitney Foster, Resident Representative, World Bank

Mr. Foster provided the MAPS team with an overview of events and developments in the Nigerian economy, and identified a number of structural weaknesses constraining not only the private sector, but also donors' abilities to assist the private sector. In particular, the increasing politicization of all economic decision-making undermines economic reform efforts. Such politicization, combined with a traditional governmental attitude of control, has affected the implementation of policies such as a) the Bank's irrigated rice project (problems with credit and land tenure); b) the development of a new investment code (the government looks on private investors, domestic and foreign, with suspicion); c) the establishment of the *guichet unique* (which has gotten bogged down

in procedural issues with the Ministry of Economic Promotion); and d) parastatal reform. Niger has problems concerning the role of the labor unions, and uncompetitive rates relative to Nigerian labor. Another problem is the level of fraud. The approach of the constitutional conference and general debate about power sharing and democracy implies that policy decisions will continue to be affected by a complex political environment.

The GON's lack of political willingness to act decisively has led to a growing failure of confidence in the government by firms and individuals. As a result, many firms and individuals remain in, or enter, the informal sector because they lack confidence that the government will use its resources wisely. Mr. Foster concurred with the belief of several other interviewees that Nigerien enterprises will pay taxes if they receive services. However, if services are not provided, as they currently are not, firms and individuals will continue to remain in the informal sector. He cited two examples where the government is currently failing to provide such services, thereby losing the opportunity to rebuild confidence and secure a future source of revenue: a) among the artisanal gold miners whose production (valued at 3 billion CFA per year) never enters the formal economy, but who lack even the most basic needs (e.g., pipelines for water, health services, education); and b) for herders, who could be provided with veterinary services. Such a change in policy would require a complete turnaround in government thinking regarding the need to control the economy, which does not seem likely in the current political environment. Political blockage is found at all levels.

By contrast, the results to be gained from assisting the informal sector appear to be more promising. The growing role of the private sector is symbolized by enterprises such as small nurseries. It is difficult to imagine the development of anything larger given the lack of a functional banking system. In this light, Mr. Foster pointed to the success of the CARE project in the Maradi region as an example to other donors, and the need to have greater NGO involvement. Similarly, he expressed hope that the Bank's upcoming NIGITEAM public works project will attract bidding by small enterprises. Overall, however, donors must remain patient and take the long-term view, owing to the difficulty and inherently small-scale nature of such efforts.

Niger's policy reforms have been positive, but implementation has been problematic. This has been particularly true in the parastatal and banking sector. The failure of the BDRN was the most serious disaster in the parastatal sector, with FCFA 73 billion in non-performing loans that are owed by parastatals and private friends of the current and previous regime. While the government has problems meeting payroll and is unable to implement significant reform in the parastatal and banking sectors, it is also unwilling to scale down the civil service.

The World Bank's efforts will be focusing on labor-intensive public works, private irrigation and improved agricultural research and extension. A \$20 million package has been put together for the public works project, with active involvement from the FED. The other sector credits are being negotiated.

**9. Mme. Fatouma Seydou, Directrice, Direction des Entreprises Publiques, Ministère de la Promotion Economique**

Mme. Seydou reviewed the government's policy of disengagement from the economy in order to improve the environment for the private sector. Since 1986 the government has sought to delineate those areas which would be the responsibility of the State, and those which would be the domain of the private sector. To this end, the government has established different levels of ownership for public enterprises, including those firms designated for a) privatization or liquidation, b) partial government ownership, and c) complete government ownership. In the latter case, the government's policy has been to clarify the role of the State and the company through the introduction of management contracts which disengage the State from a management role.

The basic goal has been to promote economic efficiency and reduce the government role in enterprises it has not been able to successfully manage. This includes all non-strategic companies based on government decisions. The government has used professional management contracts to improve performance, and in some cases has encouraged greater private equity in "sociétés mixtes" to effectively privatize capital structure and management. Part of the problem with privatization and parastatal reform has been the lack of professional management that exists in Niger.

For its part, the Ministry of Economic Promotion does research, values assets, and negotiates what it believes should be the appropriate price. Willingness of the State to sell depends on the price, as well as the government's perception of the proposed buyers' technical capabilities, quality of proposal, other business activities, past experience in management, and plans for existing personnel. The job issue is sensitive as 3,000 parastatal employees have already been affected by restructurings. Valuations have been performed by the Ministry with UNIDO assistance. Private accounting firms have not been used.

The privatization approval process is managed through a special committee which consists of the following representatives: two members of the Ministère de la Promotion Economique; the Ministère des Finances, represented by the Directeur de Participation; a representative of the appropriate ministry responsible for the sector; the director of the company under consideration; and a representative of the Ministère du Plan. The frequency with which the committee meets is determined by the pace of the privatization

process. When an investment application is received, the committee is called into session. The committee is then responsible for evaluating applications and selecting a buyer according to the aforementioned criteria.

Mme. Seydou admitted that the government's public enterprise policy has not been a complete success. Following the privatization of the cannery, for example, the firm encountered a number of operational problems. This case illustrates that some privatizations were completed prematurely, when there were insufficient levels of finance, management, and technical skills in the private sector. In addition, the process is slow; one privatization took over two years to complete.

Mme. Seydou noted that the informal sector can be a great generator of employment. Despite the economy's current economic problems, the informal sector continues to adapt to these developments.

**10. Mme. Diallo, Centre National du Commerce Exterieur, Chambre de Commerce**

The CNCE is tied to the Chamber of Commerce and the Ministry of Economic Promotion. Mme. Diallo provided an overview of the various activities carried out by the CNCE to assist its members with both importation and exportation. Assistance by the CNCE is not primarily given to any one sector; instead, help is provided to a variety of artisanal, agricultural, or pastoral-related activities. The one factor that is a common constraint affecting all sectors is the lack of organization of production. This is particularly true for the informal sector, which lacks training and skills. By contrast, the formal sector is well organized, has its own established markets, and is capable of conducting its operations with less need for assistance from the CNCE. Mme. Diallo expressed her belief that the informal sector needs to be made aware of the gains to be made from the creation of more formal and more transparent associations, and that intervention by the State is necessary to aid the informal sector.

Through the discussion, it was made evident that a lack of resources constrains the CNCE's operations. A number of programs suggested at the Private Sector Round Table in 1988 could be put into place given additional financing. In particular, training is sorely needed to help the private sector, not only for firms, but also to strengthen the skills of those who would be providing the training. Although a library is available for use by businessmen, the CNCE currently maintains no lists of its contacts and activities that could be used to better inform its activities. The Annuaire of 1986 is the most recent edition. Similarly, there are no computers or information systems in the CNCE which could aid the efficiency of the agency's operations.

The Chamber of Commerce is a member of the larger organization based in Geneva. Its services include information on various nations' products and markets, and some research on potential partners for export-import activity. The Chamber of Commerce also holds trade fairs, and works with donors to benefit its members. Successes have been registered in the onion trade, artisanal production, and hides and skins. The Chamber has received assistance from the UNDP and the FED in assisting "*groupements d'intérêt économique (GIEs)*" .

Their major challenge has been overcoming problems of low productivity and limited diversification. There is no specialization, and the informal sector is completely disorganized.

#### 11. M. Francis Mody, World Bank

The purpose of this meeting was twofold: to acquire a number of documents needed by the MAPS team, and to discuss in further detail a number of specific issues raised with Whitney Foster the week before. Mr. Mody provided the MAPS team with a number of helpful documents, including a) data and information on the public enterprise sector and cross-debt between these enterprises and the government; b) information on the banking sector; c) copies of the investment code; and d) information on the World Bank's upcoming public works program.

With regard to the private sector, Mr. Mody explained that World Bank activities in Niger have not focused directly on the private sector per se. Rather, the Bank's approach has been to examine the problems in the areas of public finance and public enterprise, and to clean up these sectors in order to allow the private sector to enter into a wider range of economic activity. To date, however, the Bank has made no real direct investment to assist the private sector.

Mr. Mody agreed that the GON's privatization campaign has not been a success. The program's poor record resulted from the accelerated nature of the privatization process, and from the inadequate technical and/or financial skills of those purchasing the enterprises. The GON did not take time to utilize the advice of experts or to solicit a large number of buyers. By contrast, Togo, when initiating its privatization campaign, publicized the effort widely. As a result, there was more overseas interest, greater competition, and more qualified buyers. Failure to adopt similar policies in Niger resulted in the purchase of some enterprises by Nigerien traders, who lacked the technical proficiency to manage and operate such firms.

Other points covered included: a) the "*guichet unique*" operated by the Chamber of Commerce is a one-stop-shop in name only;

essentially, procedural requirements for importers and exporters have not changed substantially and the process has not been liberalized as hoped; and b) under the Bank's PFP, a new investment code is to be completed by June 1991; a draft version is now circulating which contains several changes from the 1989 Code now in existence involving the following: sectors receiving incentives are expanded; the number of incentive regimes is simplified; and the distortionary impact of some types of fiscal exonerations are being reconsidered. Introduction of a new Code will include the establishment of a *guichet unique* for investors, but it has evidently not yet been decided in which Ministry (e.g., Plan or Industry) the office will be located.

12. M. Ali Alidou, Secrétaire Generale, SPEIN

Mr. Alidou briefly described the institutional structure of SPEIN, which is headed by a president, two vice-presidents, and the secrétaire generale. Within SPEIN, there are five functional commissions with specified responsibilities. These are: commerce, industry, legislative, relations with the Chamber of Commerce, and relations with the Ministry of Economic Promotion. SPEIN has 40 members which comprise the largest formal sector companies in Niger, including a number of public enterprises.

Mr. Alidou readily agreed to assist the MAPS team by providing data on SPEIN's membership, including a list of members, total employees, capital, etc. He also expressed a strong interest in learning the results of the MAPS investigations through a presentation in June for SPEIN's members.

13. M. Mamadou Sanganoko, Directeur Général, DHL International Niger

DHL established operations in Niger in 1990 after nearly a two-year struggle with the investment authorities. This struggle was caused by a number of factors. One, as a small service company, DHL did not satisfy the standard criteria for investment stressed by the GON; that is, in terms of size, total employment, and contribution to GDP. As a small service company, DHL could employ only 5 to 10 persons, and added only little to GDP. Perhaps equally as important, DHL was proposing to invest in an area where the state had a monopoly on activities. As a result of the government's reticence, it took over one and one-half years for DHL, plus the intervention of the U.S. Embassy, to invest in Niger.

Mr. Sanganoko outlined his investment process as follows. First, an investment application was submitted to the Ministère de la Promotion Economique where it was reviewed for three months. Next, the application was studied by the police. This consisted of a written submission of information on the company, including proof

of insurance, copy of corporate statutes, lists of shareholders, etc., as well as an oral interview. This process required another three to four months. Following completion of the police investigation, the application was then returned to the Ministère de la Promotion Economique.

All investment applications are also reviewed by the Ministry responsible for that sector, so DHL's application was then forwarded to the Ministère du Poste. After an additional three to four months, the application was then rejected, since DHL threatened to compete with the Ministry's own services. At this point, DHL requested the assistance of the U.S. Embassy, whereupon an agreement was negotiated. Under the agreement, however, DHL is required to pay 10% of its revenues as a tax, even if it posts losses, to offset the competition with the Ministère du Poste. In addition to delaying DHL's investment, the government also insisted that the firm provide financial assistance to sponsor a basketball match, thereby requiring the company to pay an additional 15 million CFA.

**14. M. Michel Siméon, Conseiller à la Délégation de la Commission des Communautés Européennes, (FED)**

The FED has about 12 million ECUs in assistance to Niger. This has included studies assessing the professional, administrative and technical capabilities of public and private sector operators, and direct assistance to entrepreneurs (including helping CNCE for the last five years). According to M. Siméon, there has been little impact.

The FED's main private sector work has been with producers of hides and skins, artisanal products, textiles, small farmers and tourism. (See Laffargue below). These have often involved assistance to GIEs, and with the backing of the FED's loan guarantee fund. However, the latter was established in conjunction with the BDRN which is now issuing credit only in the least risky of circumstances.

The FED's approach to enterprise development has been individualized at the accounting and technical levels, but structured to follow general management principles. Lack of primary education has been one of the major obstacles to transferring skills.

As for attempting to bring the informal sector into the formal sector, this process is complicated by the government's rejection of registration forms. A series of FED-proposed interventions in hides and skins, solar energy, and mining have been turned down by government civil servants. It is the FED's belief that the government has no understanding of the private sector, and is doing what it can to deter its development. This includes efforts to

help informal enterprises make the transition to the formal sector at a time when the government lacks a big enough tax base to cover its expenses.

The following are problems that will continue to linger: a) lack of professional organizations; b) Chamber of Commerce is not private sector-oriented, but serves a government administrative function; c) GIE have no statutes; and d) the overwhelming reality that Niger is a pre-industrial, pre-capitalist society lacking in productivity and specialization. Areas of potential growth might be construction and public works and pharmaceutical distribution.

#### 15. M. Kirgam, Secrétaire Generale, Chambre de Commerce

Mr. Kirgam provided an overview of the activities undertaken by the Chamber of Commerce, particularly in the area of information it provides to its members. He emphasized the role of the Chambre as an intermediary between the government and the private sector. The Chamber is responsible for explaining the government's economic policy to the private sector, and in conveying the views of the business community to the government, rather than serving as a direct representative of the private sector.

Members of the Chamber of Commerce are organized into four geographic zones. Total membership fluctuates, but there are approximately 104 member companies. It was not possible to obtain an accurate list of members because the Chambre last printed an "Annuaire" in 1986. Firms are required to pay an annual subscription fee which is fixed at certain levels according to the firm's total revenue. These fees are used to support the Chambre's activities. However, member dues are low, reflecting limited support and enthusiasm. M. Kirgam claimed most members were not consistent dues payers.

The Chamber is not an appropriate institution for the informal sector. The Chamber was created as a public sector function, and not created by the private sector for its own interests. It is M. Kirgam's belief that informal sector operators are not conscientious with regard to membership given the very nature of their informality. In general, the Chamber is perceived to be weak, a structure without substance.

The Secrétaire Generale expressed dismay at the Chambre's lack of financial resources, and cited this as an obstacle to the provision of better services and advice to its members. The Chamber provides no real information, cannot track trends, and cannot provide for member needs. Should more funds become available in the future, he expressed an interest in the establishment in a loan guarantee fund to support transport and commerce. M. Kirgam stated that it is the commercial traders who are the private sector's greatest asset in Niger since they are closest to the market, and because

of Niger's lack of industry. These are the people who should receive the greatest amount of support.

16. Mr. Pascal Laffargue, Conseiller, Groupement d'Intérêt Economique (GIE)

The purpose of the GIE is to enable enterprises with similar functions to join voluntary associations, and to use these organizations to express their mutual needs. Such voluntary, private sector associations have not existed previously in Niger, and their creation is made difficult by the fact that the basic concept of such associations does not exist legally here.

The GIE, which was created in 1988, is attached administratively to the Centre National pour le Commerce Extérieur (CNCE) of the Chambre du Commerce, and is funded by the EEC's FED. The GIE's activities are organized around five filières: a) tourism and hotels; b) artisanal activities (both utilitarian and artistic); c) textiles; d) production/transformation of fruits and vegetables; and e) skins and hides. Assistance is provided to associations in these sectors through a number of programs in the areas of a) enterprise establishment, b) commercial and tourism promotion, and c) training and improvement of management, accountancy, and technical skills. In each case, the training and methods are adopted to the size of the enterprise, which vary according to the sector concerned. A firm in the tourism industry may have 50 employees, while small-scale textile firms may have three to four employees.

GIE has encountered a number of difficulties in its attempts to assist private sector associations. One, as noted above, is the lack of a historical tradition of professional association. In addition, as in all sectors, GIE participants face difficulties in getting access to credit. Finally, the lack of an entrepreneurial tradition in Niger (with the exception of commerce along the Nigerian border) hampers the development of new markets and the marketing of new products. Often, there is simply no link between the producer of traditional artisanal products, for example, and the market. Overall, Mr. Laffargue was pessimistic regarding the possibilities facing enterprises in sectors other than tourism. Even this sector needs greater administrative skills if Niger is not to lose tourists to competition with Algeria. In addition to the weaknesses cited above, there is also a pressing need for some type of program which can create a bridge between academic study and the private sector (e.g., a type of program in which university students could work at a reduced wage to assist private sector entities while still at school).

The MAPS team received a number of recent documents summarizing the GIE's activities in the tourism, textile, and artisanal sectors. Based on the literature provided to the MAPS team, GIE's

activities have been more prolific and more successful in the tourism sector, and least successful in the fruits and legumes sector.

17. Mme. Dia, Directrice, Industrie et Promotion des Investissements Privé, Ministère de l'Industrie

Madame Dia spoke of the current crisis affecting the modern industrial sector in Niger, which is sharply exacerbated by the failure of the banking sector and the lack of credit for long-term investment. In her view, a country without industry is "nothing," and she expressed dismay that the donors are not extending assistance to the industrial sector. Although the State has disengaged from the industrial sector, she believes that it is important that the donors provide assistance to enable the sector to recover its confidence. In particular, she referred to the use of subsidies and protection in countries such as the United States, Burkina Faso, and Nigeria, and suggested the use of subsidized electricity rates would enable the Nigerien industrial sector to become competitive.

With regard to the new Investment Code, Madame Dia made clear that current efforts to revise the Code are still in a nascent stage, and many issues remain to be decided, including the exact responsibilities and institutional placement of a *guichet unique* for investors. A final draft of the Code should be ready by June 1991. Reportedly, special attention will be paid to SMEs owing to the current economic crisis.

Under the current Code, the investment process is supposed to take only three months, but it is not unusual for it to stretch to 12 months. This occurs because applications, which are evidently studied in detail, are often submitted with errors and other problems, and must subsequently be returned to businessmen for revision. This is particularly a problem with smaller businesses. For investments above a certain minimum level specified by law, investment approval must be granted by the Commission des Investissements. As a result, the time needed for these approvals is about six months. Currently, there is no document or guide for investors which delineates the various steps necessary to invest under the Code. Such a guide was last issued in 1986, but the investment Code has been modified (in 1989) since that time. For firms not interested in obtaining investment incentives, the investment process and business establishment procedures are simpler. In such cases, no application is necessary, but firms must just comply with the requirements necessary to be registered at the Ministry of Justice, and submit a letter to the Ministry of Industry testifying to their financial capability and experience.

**18. M. Adnan Mohammed, Managing Director, Nigeria International Bank (NIB)**

The NIB was established to take advantage of the trade that exists between Niger and Nigeria. Most of the NIB's customers are based in Maradi, taking out collateralized loans to finance commercial trade. Banks were injured by the naira devaluation in Nigeria, as this reduced Nigeria's volume purchases from Niger. Nigeria also implemented protective trade laws to stimulate local production, reducing volume purchases from Niger.

M. Mohammed stated the two main exports from Niger to Nigeria were cowpeas and hides and skins. Most of this trade is informal.

The banking system in Niger has been hindered by a number of factors: a) BCEAO control of fixed interest rates does not allow banks to charge at rates reflecting risk; this undermines bank profitability and limits credit; and b) pressure to extend loans to parastatals such as SONARA, COPRONIGER and SONIDEP which had to be written off as these enterprises could not service their debt. NIB has really not extended loans since 1989, and is currently focusing on fee-based services such as payroll and transfers. About the only bank that appears to be lending is SONIBANK, which is largely government owned with Tunisian management. There is little incentive for banks to lend to formal enterprises (which have assets that can be secured) as they are usually parastatals with financial problems, or private firms losing out to informal production and Nigerian imports. Examples of Nigerian imports: a) subsidized petrol; and b) canned beer, Coca-Cola which compete with BRANIGER products.

B. Interviews Conducted May 8-20, 1961

1. M. Kelly Morris, Training Director, World Organization of Cooperative Credit Unions (WOCCU)

M. Morris held a seminar at USAID to discuss the credit union movement worldwide, and the role of WOCCU in Niger. WOCCU has just started with its organizing efforts in Zinder, and believes Niger is years away from developing a successful credit union movement with a national body and local and regional memberships. One of WOCCU's objectives is to build a solid enough base at the local level to provide adequate savings and credit capabilities. With a sufficient base, WOCCU would then like to be able to play an intermediary role among the various credit unions that have surplus savings (and want additional earnings opportunities from members) and those whose cash positions are short for credit/investment requirements (and want to borrow from members). This has been done elsewhere, and serves as one of the main attractions of a successful credit union movement. However, due to past problems with the banks (in Niger and elsewhere around the world), WOCCU prefers that member resources not be placed in banks as their speedy withdrawal may be jeopardized, undermining member confidence and potentially causing great inconvenience. WOCCU also prefers to stay independent of the broader cooperative movement as loans to cooperatives have reduced the quality of credit union loan portfolios. Credit unions are cooperatives, but view themselves as specialized and independent.

Key needs for credit union development are increased training and improved understanding and management of credit. These will take years to happen, although recent successes in Togo suggest there is significant credit union interest and effectiveness after a sufficient block of time is taken to institutionalize credit union practices.

2. Susan Farnsworth, CARE International

The purpose of this discussion was to investigate the role of NGOs in Niger, and to determine if they should have a greater role in promoting private sector development. CARE has been successful with several of its projects involving credit, training, and enterprise development (see Rudkins interview below). Relations appear to be good at the local level, with close coordination at the *arrondissement* level via the *préfecture*. CARE has found substantial local support for its projects, and therefore has achieved good working relations. At the central government level, relations are not as fluid given some government resistance to creating an environment which is promotional of NGO involvement and management autonomy. Nevertheless, CARE views its working relations with the Ministry of Plan as good.

There are few indigenous NGOs in operation. Part of this is due to lack of funds for operation, and part due to human resource constraints. It also appears that local NGOs also have a difficult time with certain formalities concerning registration.

**3. M. Zouma Salifou, Directeur du Developpement Regional et de l'Aménagement du Territoire, Ministry of Plan**

M. Salifou has been selected by the Ministry of Plan to spearhead discussions with the NGO community via GAP (*groupement des aides privées*). Most existing NGOs became active in Niger in the 1970s and 1980s during the various drought periods. They were fairly tightly controlled by the government until 1988, when measures for decentralization were approved and implemented. Procedures now involve direct contacts with local officials, payments to local governments (up to FCFA 30 million to *arrondissement* or FCFA 100 million to *département* before needing central government approval), and basic reporting requirements to the Ministry of Plan informing them of activities at the local level.

According to M. Salifou, one of the problems facing government-NGO relations is that there is no legislative or juridical structure to govern these relations. Proposals have been submitted, and are before the General Assembly. However, laws have yet to be finalized and implemented.

M. Salifou anticipates more effective legislation than exists, although issues of hiring are likely to convey the image of government control over NGO management. M. Salifou said the government will insist on local Nigerien hires unless not available in the market. (It was later pointed out that this may be directed at the hiring of Africans from neighboring states, and less so at non-African expatriates. As many Africans from neighboring states compete at local wage levels, the government feels NGOs can do a better job of hiring Nigerien citizens for these positions. This is a particularly important point as the government is seeking to maximize employment opportunities for university students in non-government positions).

M. Salifou also said the government wants GAP to become an effective umbrella organization for the NGOs. This will facilitate communication, and help sort out some of the redundancy involved in NGO projects. The government is looking to NGO projects to become part of the government budget, although this approach is likely to be complicated by the uncertainty facing most NGOs in terms of fund-raising.

**4. Mr. Ron Phillips, Director, Cooperative League of the USA (CLUSA)**

This meeting was more logistical to allow the MAPS team to visit some of the 103 cooperatives with which CLUSA is working in Niger. These cooperatives are functioning with varying degrees of success (or lack of), and represent both production and marketing cooperatives. Some have effectively engaged in commercial trading operations, functioning as wholesalers and downstreaming their goods to other cooperatives and retail outlets. Others are attempting to market their own output of onions and cowpeas, although the latter has not worked well due to mismanagement of attempted cowpea sales and increasing production of cowpeas in northern Nigeria.

CLUSA is providing management training and audit services to these cooperatives. In some cases, CLUSA has linked with the government to provide training in literacy and numeracy. CLUSA has also encouraged cooperatives to distribute health care products, although cooperatives are not entitled to the 20% wholesale discount that individual pharmacies are authorized to receive. The purpose of this policy, authorized by the Ministry of Health, is unclear.

CLUSA's main attraction is that it is providing credit via a Loan Guarantee Fund (LGF). Its repayment rates are 90%, with most of the non-serviced debt the result of problems associated with cowpea marketing. The LGF is supposed to revert to the government at the end of the cooperative agreement in 1993.

5. Timothy Rudkins, Coordonnateur du Projet de Création d'Emplois et des Petites Entreprises, Sunimal Alles, Principal Technical Advisor for the Small Economic Activities Development Project, and Elhajji Alassane Adamou, Électronicien Generaliste, CARE International

This project, based in the Maradi region, has involved technical assistance, credit and management training to small-scale enterprises in about 35 different vocations. Since January 1991, training modules have existed for each vocation. CARE intends to do a survey every six months to assess village needs, and to make changes where and when needed. There are currently 500 beneficiaries, and the plan is to have 2000 per year.

Vocational courses are organized in combinations of class work and practical application, much like vocational training courses elsewhere in the world. Students are expected to pay a fee of roughly CFA 1000. Courses last about three months on average, ranging from two weeks for some metal-working trades to six months for auto mechanics. CARE believes most of its graduates are prepared for the marketplace once the course is finished, and will flunk those who are not by not certifying them with *certificat de stage*. CARE has been satisfied with the speed with which its students have learned skills, particularly in the mechanical and

electronic fields where the conventional wisdom is that skills are lacking.

CARE has nine field managers, and about 50-60 trainers based on the specific vocation. The vocational training service was developed for several reasons, the most important of which were the following: a) inherent flaws in the traditional apprenticeship training program, in which students worked for free for several years, were utilized as a source of cheap labor by their "patrons" without commensurate benefits, and received no theory to be able to adapt to new technologies or diversify activities; and b) the inherent desire to improve quality and service in the production and distribution of goods and services to enhance the credit quality of its growing loan portfolio. Given the general objectives of increasing employment, cash generation and enterprise start-ups, these project components are complementary.

The success of CARE's projects is based largely on the attraction of the credit component in areas where credit is either inaccessible or excessively costly. Given the current insolvency of the formal banking sector, and the high cost of credit in the informal sector (e.g., 25% interest rates per month at a minimum), CARE's outreach program to artisanal producers and service suppliers in both urban and rural locations is about the only contact most people have with credit. CARE has about FCFA 95 million currently outstanding in loans, with 76% of it allocated to textile-related activities, agro-processing and various forms of commerce. Loans are outstanding from eight to ten months on average, and about 40% are out to women. Loan allocations appear to provide greater impetus to the "productive" sectors of the economy (e.g., non-commerce), in contrast to *tontines* which usually invest their savings in trade. Nevertheless, CARE's approach has been more like a working capital bank, diversifying its portfolio across nine economic sub-sectors without discriminating against commercial trade, which is its largest sub-sector at 32%.

With 97% repayment rates, CARE has designed a system by which the scarcity of credit appears to be respected and repayment enforced by most of those receiving it. This has involved working with the village chief, social groupings, and public promises to repay the loans incurred. The incentive has been a willingness by CARE to provide additional credit in increasing amounts with repayment. Another reason for loan repayment rates being high is that loan agents get an attractive bonus to their salaries based on loan collection rates. CARE's repayment rates are to be contrasted above all with the formal banking system's virtual insolvency and/or inaccessibility. As in other countries, women appear to be better credit risks than men. Repayment rates are also not inflated on paper by "deferred" repayments of delinquent accounts.

As for sustainable development, it appears that loan agents are doing their jobs, and that they are the base of the program.

People generally produce for the Nigerian market, and seem to have export capabilities in groundnut oil, beads, carts, some farming implements, aluminum pots and millet. Other product areas CARE intends to explore are artisanal tanning, crafts and butcher shops. As for training, costing and specific vocational skills are the most important priorities.

6. Aouade Soumana, Chef de Credit et du Suivi des Prêts de Projet Promotion des Petites Activités Économiques, et Oumarou Garba, Agent in Tessoua, CARE International

These gentlemen are respectively involved in the disbursement, monitoring, collecting, and re-allocating of credits, and have the most contact with borrowers. Repayment rates are high because most borrowers aspire to follow-up loans, and CARE has responded by increasing loan amounts based on repayment performance. Interest is charged on a declining balance basis, thus the nominal interest charge for a loan (e.g., 14%) is effectively much less based on declining balances. An administrative fee of 4% is routinely charged on loans to help defray associated administrative costs and to serve as a commitment fee in the manner of the formal banking system.

While there has been no systematic measure of economic impact, some of the key demonstrations of impact have been loan repayments reflecting positive cash flow, repeat borrowings in greater amounts, and increasing heads of livestock that have been purchased by loan recipients.

7. M. Oumarou Yusufu, Managing Director, and M. Alhassan, Chief Accountant, SONITAN

SONITAN has not been able to turn its operations around after the recent acquisition by a French investor. This will take time, and will depend on improving European markets (especially France and Italy). There are currently 52 employees from the earlier count approximating 100. Capacity utilization is low, and stocks are also low. Stocks are classed in three categories, and most stocks are in poor condition due to age, poor workmanship, and lack of farmer awareness of quality concerns.

While purchases are made in cash, SONITAN's business is also down because it is not extending credit as it did before. As a result, few livestock farmers are willing to assume the investment risk up front. There is also no extension to correct problems associated with quality control. SONITAN has three purchasing agents in Niamey, Zinder and Tahoua, in addition to its headquarters in Maradi.

**8. El Hajji Nomaou, Treasurer, Shadakori Cooperative (near Maradi)**

The Shadakori cooperative encompasses seven villages with a total membership approximating 350-400. Each household head is a member, and there are five officials per village. There is no share capital.

The coop employs two people to run the pharmacy and cooperative store. Money is collected daily, and put into a safety deposit box. When the amount grows, the money is then deposited in a bank in Maradi. When this occurs, three people go to the bank to sign. Withdrawals are made to purchase pharmaceutical items and agricultural goods (e.g., millet, cowpeas).

The Shadakori cooperative engages in the production and distribution of millet and cowpeas. Member output is bought by the cooperative, and then marketed. Members get cash in return based on the market price. The cooperative is profitable, as evidenced by CLUSA's extension of loans to the cooperative based on repayment. The Treasurer was not certain of the terms of the loan (e.g., interest rates, administrative fees).

The cooperative's marketing efforts were partially obstructed in 1990 by the failure of CLUSA to arrange buyers for its cowpea output as promised at FCFA 14,000 per bag. Ultimately, the cooperative sold the cowpeas to two *commercants* from Maradi who later exported it to Nigeria. The transaction, however, was sufficient to repay CLUSA's loan.

M. Nomaou was confident this year would be good for cowpeas, as the market price is currently FCFA 6000/bag vs. FCFA 4000/bag last year at the same time. Nevertheless, he felt that more exchanges with other cooperatives were necessary. Shadakori exchanged with a Tillaberi cooperative last year, and they would like more activities of that nature rather than selling to merchants in Maradi.

**9. Ibrah Almon, Yaou Mamane, Amadou Adamsu, and Itiomba Abassa of the Drom Cooperative (near Zinder)**

This cooperative encompasses 11 villages in the area, with 50-200 members from each village. Membership is based on the leading member of each household being represented assuming he is of acceptable character. There is no share capital or dues requirements.

The cooperative has a small boutique where it sells general foodstuffs (e.g., salt, sugar). The cooperative has also engaged in attempts at groundnut seed multiplication and cowpea and sorghum marketing. These ventures have all been unsuccessful, with the

groundnut seed multiplication effort failing to produce appropriate yields and the cooperative taking losses on its cowpea and sorghum marketing activities.

The cooperative received a loan from CLUSA last year for FCFA 7 million, but repaid only FCFA 4 million. The loan was for cowpea marketing, but the cooperative was unable to turn over the cowpeas fast enough and stocks deteriorated. The cooperative is uncertain why there was such deterioration in stocks as they treated the cowpeas chemically. Nobody at the cooperative asked for technical assistance from agricultural extension agents or other sources. Because it has failed to repay the outstanding balance, CLUSA denied the cooperative credit this year. The cooperative hopes to engage in some collective farming to repay the remainder from millet and cowpea sales, but nothing has been specified in terms of committed acres, labor, etc.

The cooperative received a small credit for the boutique, and has repaid that loan. However, it is now lacking working capital and therefore is unable to buy sufficient merchandise for substantial increases in turnover.

CLUSA has provided the cooperative with credit, bookkeeping training and literacy training. The cooperative is also hoping to open a pharmacy, but this will take time in light of the current cash crunch.

#### 10. Members of the Hamdalaye Cooperative (near Niamey)

This cooperative incorporates all the farmers of the outlying villages. There is no share capital. The Hamdalaye cooperative produces millet, sorghum and cowpeas, and markets its surplus. The cooperative has also purchased these products from the Maradi area and resold them to members at a very small profit. The cooperative also operates a boutique with basic foodstuffs (e.g., salt, sugar, oil) and other household needs (e.g., soap, flashlights). These items are purchased in Niamey. As such, the cooperative is largely serving as a consumer cooperative, serving the area as far as 30 kilometers away.

The cooperative has received credit from the BIAO with backing from CLUSA's loan guarantee fund. The loan last year was for FCFA 6 million, and has been fully repaid. The cooperative members did not fully understand how FCFA 6 million in principal amounted to FCFA 9 million in repayment. Nevertheless, they have received an additional loan of the same amount this year.

The cooperative plans to do basically the same as it did last year with its credit, with two changes: a) a slight increase in profits, and b) an attempt to attract more customers.

### III. PRESENTATIONS BY THE MAPS TEAM DURING PHASE IV

The following sections provide synopses of the results of each presentation made by the MAPS team to informal and formal private sector operators, Government officials, and the donor and NGO community. The presentations took place in Niamey on June 20-21, 1991. An extract of materials presented is found in a separate Appendix to the Phase IV document, while a list of the participants at each session is found in Annex I.

#### A. Presentation to Informal Sector Operators on June 20, 1991

This session recorded the highest attendance of the four presentations, with 12 informal sector entrepreneurs participating. The occupations of the participants were varied, and included a garage operator, taxi driver, two importers/exporters, a livestock trader, and several apparel and dry cleaning operators.

During the presentation, two key findings appeared to register strong impressions or agreement among the participants. First, from the Private Sector Description, the demographic-driven necessity to create 1.2 million new jobs in Niger by the end of the century was noted by a number of participants as extremely serious. That these jobs would likely have to come from the urban manufacturing and service sectors was considered important in that it presented future competition, and also characterized their own livelihoods.

Second, there appeared to be general agreement with the Private Sector Diagnostic Survey finding that the Government's implementation of policy, rather than the conceptualization of policy, posed a great constraint to the private sector. This is particularly noteworthy since the informal sector, which has traditionally operated outside of (or in protest against) official policy, appears to have greater "formal sector" characteristics and be less immune to policy implementation than previously anticipated. The obverse may also be true: more promotional, accomodating implementation of public policy may encourage the informal sector to register businesses, pay taxes to the national Treasury, and make it more possible for the central Government to provide infrastructure and social services.

The problems associated with credit in Niger (e.g., high cost, unavailability, use for "non-productive" activities, failure of individuals and institutions to repay loans) generated widespread discussion. In general, the participants agreed that new credit projects or mechanisms were needed. When presented with eight possible constraints on private sector activity, there was general agreement among the participants that the major resource constraint was the unavailability of credit. Other important constraints

were, in descending order of importance: management; product marketing; land/buildings;<sup>1</sup> training; and production techniques.

Notwithstanding the credit constraint identified above, when the participants were requested to rank those factors they thought deserved the greatest attention by donor organizations, credit was not cited as the primary area. In total, eight potential areas for donor-led activity or policy reform were suggested. Drawing upon categories used in the survey, these areas were: credit facilities; improved training; privatization of parastatals; strengthened associations; cooperatives; infrastructure cost and reliability; Government policy; and an expanded role for non-governmental organizations (NGOs). The key area of needed reform cited by participants was Government policy, followed by training, credit, and associations (no ranking was provided for the remaining factors).

B. Presentation to Formal Private Sector Operators on June 20, 1991

Although sparsely attended (five representatives), this session indicated concurrence with a number of the initial analyses contained in the MAPS presentation. For example, the substantial growth of the informal sector at the expense of the formal sector has been strongly noted by a number of the participants. Participants indicated a common, recurrent pattern in which personnel received training from their formal sector employers, only to then quit and enter the informal sector. In addition, while formal sector firms once held a qualitative advantage over informal sector businesses in the types of goods they could provide, this advantage has been shrinking as informal importers increasingly bring in highly competitive goods of comparable quality without payment of duties or taxes. Finally, a number of participants agreed with the observation that the increased study of "lettres" by university students was inconsistent with the technical and business skills development needed by the Nigerian private sector. All of these points confirm one of the key themes of the Private Sector Description: the formal private sector is virtually extinct in Niger, and has increasingly been replaced by the informal sector due to the latter's flexibility, adaptability, and obvious avoidance of costs associated with the operations of formal private sector firms.

The participants also agreed with findings from both the Private Sector Description and Private Sector Survey that the Government

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<sup>1</sup> Drawing upon the survey findings, it should be noted that this factor is likely to pose a more significant constraint in Niamey, and that responses might differ in other geographical areas.

did not sufficiently consult the private sector when making economic policy, and that Niger lacks private sector representative organizations in Niger. In particular, participants stated that the private sector has made a number of recommendations to the Government since the 1987 Round Table, to see the introduction of price liberalization as the only perceived tangible benefit. This disregard by Government of private sector opinions and recommendations was linked to the general notion held by the private sector that the Chamber of Commerce is an extension of the public sector rather than a truly private sector-oriented representational agency.

The key recommendation made by the formal private sector representatives to donor organizations was to assist in the development of relatively strong, institutionalized organizations which could represent private sector interests. To this end, the participants felt that privatization of the Chamber of Commerce was a feasible objective whereby the Chamber would be managed and financed by members, rather than by the Government. These changes could be incorporated through a revision of the corporate statutes creating the organization. Similarly, it was recommended that small representative associations and syndicates also have their representational capabilities strengthened.

#### C. Presentation to Government Officials on June 21, 1991

Attendance at this session was comprised primarily of officials from the Ministry of Economic Promotion, but also included a representative of the Ministry of Finance and another from the Chamber of Commerce. The presentation by the MAPS team sparked a lively discussion of the applicability of a number of definitions and terms used by the MAPS team, the validity of certain premises and conclusions, and the role of the MAPS study in USAID strategy.

In particular, the participants took issue with a number of the study's premises and conclusions, particularly the Private Sector Survey results showing that the private sector 1) has not seen a significant improvement in economic policies (with the exception of the liberalization of prices), and 2) is not commonly consulted by the Government in the formulation of economic policies. In both cases, the private sector was held responsible for these failings.

Participants argued, for example, that the opinions of private sector organizations (e.g., SPEIN, syndicates, associations) were frequently consulted. The private sector perception that such consultation was lacking reflected the inability or failure of these organizations to properly communicate with their members. Similarly, the private sector's lack of awareness of GON economic reforms other than the liberalization of prices (e.g., elimination of import/export licenses, elimination of quotas) reflected a fundamental failure by these representative organizations to

communicate these reforms to their members. Furthermore, the view was expressed that the private sector was too reliant on the Government for sources of information and for initiative, and that more properly, these should be provided by the private sector itself.

In response, the MAPS team pointed out that the survey results simply indicated a widespread perception, whether correct or not, of Government unresponsiveness in these areas. As such, the results identify the need for substantially increased dialogue and communication between the Government and private sector, and effective implementation of agreed-upon policy reforms. Perceptions by the public and private sector of each other are virtually the opposite in terms of who is ultimately to blame for the prolongation of the economic crisis and general economic depression that has characterized the last decade in Niger.

There is an apparent lack of perception by those in Government that the implementation of policy reforms may be faulty, thereby accounting for the private sector's dissatisfaction with Government policy. This may reflect the lack of contact central Government officials have with problems encountered by the private sector at the local level (e.g., assessment of transport taxes by local police officials). Moreover, there appears to be a lack of Government awareness that despite the overwhelming informal composition of the private sector, the introduction of many policy reforms have little to no impact on small-scale, informal enterprises.

#### D. Presentation to Donors and NGOs on June 21, 1991

Discussions at the final session with donors and NGOs focused primarily on the similarities and differences between formal sector and informal sector private enterprises. For example, while firms can be classified as formal sector enterprises or informal sector enterprises according to whether they pay taxes, this distinction is relevant only in terms of central Government taxes. Informal sector firms pay a variety of local and "social" taxes. The distinction appears to be with tax payments to the central Government, with the formal sector being too large to avoid them, while most informal sector firms succeed in avoiding registration procedures, tax payments to the central Government, social security payments, minimum wages, etc.

The discussion also focused on ways to encourage informal sector enterprises to enter the formal private sector. Three key questions were identified: 1) how to encourage formalization of informal sector firms; 2) how to improve the implementation of administrative rules and regulations to reduce Government interference in, and constraints on, private sector operations; and 3) how to expand the tax base so that the central Government could

play its required role in the provision of demanded social and economic infrastructure and other services. This last question is particularly significant given that informal sector firms believe they receive limited or no Government services.

Additional discussion focused on the nature of private sector constraints: that is, are they chiefly external, resulting from Government controls and poor policies, or are they primarily internal, reflecting poor management and other technical limitations characterizing the vast majority of Nigerien firms? There was general agreement that the weaknesses of the informal private sector reflected both these factors, and that even given extensive liberalization of the GON's policies and attitudes regarding private sector activity, such reforms would prove inadequate in light of the internal weaknesses inherent to the informal sector. As such, this observation reflects the twin side of the Government's frustration in pursuing policy liberalization without rapid results. The larger question remains whether the private sector will flourish or grow sufficiently to absorb increasing urban unemployment even with efficient implementation of liberalized, transparent, Government policies supportive of the private sector.

**ANNEX I: PARTICIPANTS AT MAPS PRESENTATIONS**  
**Niamey, June 20-21, 1991**

**SESSION I: INFORMAL SECTOR**

Mr. A. Bousacar	ANRA (Garagiste)
Mr. G. Toumkailla	(Syndicat des taxi)
Mr. I. Nabran	(Boucher)
Mr. G. Soumana	AFCEN (Commercant)
Mme. F. Marcel	SUCAT (Syndicat des couturières et artisanes du textile)
Mme. S. Saroumbaba	SUCAT
Mme. K. Fatchima	SUCAT
Mme. H. Gakose	CARITAS (Tresoriere Generale SUCAT)
Mme. F. Harouna	CARITAS
Mme. H. Keita	SUCAT
Mr. I. Mohamed	Commercant
Mr. I. Alkaey	Commercant

**SESSION II: FORMAL SECTOR**

Mr. A. Alidou	HOLCIN
Mr. S. Saley	Representant, SPEIN & SYNAPEREIN
Mr. R. Garret	PEYRISSAC
Mr. P. Chevalier	SONIDA
Mr. Yacouba	SYNAPREMEIN

**SESSION III: GOVERNMENT OF NIGER**

Ministère de la Promotion Economique

Mme. F. Seydou  
Mme. M. Bala  
Mr. S. Mahamadou  
Mr. G. Amadou  
Mr. A. Seyni  
Mr. A. Kane  
Mr. A. Bachard

Ministère du Plan

Mr. M. Bounou  
Mr. N. Salou

Ministère du Finance

Mr. O. Samaila

**SESSION IV: DONORS AND NGOS**

Mr. F. Dupuis	Economiste, Ambassade du Canada/ACDI
Mr. B. Wankoye	Directeur, GIE/FED
Mr. F. Mody	Charge de Programme, Banque Mondiale
Ms. S. Farnsworth	Directrice Adjoint, CARE Int'l
Mr. Y. Pelletier	Delegué, AFVP
Mr. C. Teyssoumière	Economiste, FED