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MAPS NIGER-PHASE IV APPENDIX: PRIVATE SECTOR DESCRIPTION AND SURVEY PRESENTATIONS FOR FOCUS GROUPS

FINAL REPORT

Bureau for Asia and Private Enterprise
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I. INTRODUCTION

The following sections (II and III) represent consolidated summaries of findings from the longer, more detailed MAPS Private Sector Description (Phase II) and Private Sector Diagnostic Survey (Phase III). These reports and summaries were used as the basis for presentations to Niger's private sector, Government, and donor community in June, 1991. Graphics and other data from those presentations are included as Annex I. Readers are recommended to examine the larger Phase II and III reports, as well as the Phase IV Private Sector Dialogue document (of which this is an Appendix), for more detail and insights into Niger's economy and private sector.

As with the preparation of all other MAPS activities and documents in Niger, the MAPS team would like to extend its appreciation to the dozens of individuals in the public and private sector and donor community for their generous cooperation. Key individuals are cited in other MAPS reports. Despite the private sector orientation of MAPS, the team would especially like to extend its gratitude to the Ministry of Economic Promotion for coordination, the Ministry of Plan for the provision of information, and USAID for its financial and logistical support.

The MAPS team consisted of Michael Borish, Team Leader (J.E. Austin Associates), Karen Hendrixson, Policy Analyst (The Services Group), and Richard Vengroff, Survey Manager (University of Connecticut). The MAPS team was joined by Messieurs Maiga Djibo and Robert Seromba of the University of Niamey (Faculté de Sciences Économiques et Juridiques), whose direction and supervision of the private sector surveys were indispensable to a successful outcome, and whose contributions to focus group discussions were invaluable.

II. KEY FINDINGS FROM THE PRIVATE SECTOR DESCRIPTION

A. Private Sector Profile

1. **The private sector contributes 75% to Niger's GDP and accounts for 98% of total employment.** Private sector GDP in 1988 approximated FCFA 522 billion, and was highest in agriculture (39% of total GDP), commerce, restaurants and tourism (13%), miscellaneous services (9%) and manufacturing (8%). Private sector employment followed a similar distribution: agriculture (78% of total employment), commerce, restaurants and tourism (9%), miscellaneous services (8%) and manufacturing (3%). These statistics reflect a) the predominance of an agro-pastoral and trading culture with a limited manufacturing tradition, and b) relatively low productivity resulting from a harsh physical environment, traditional agricultural practices, and the small-scale nature of private enterprise in Niger which limits savings and investment and reduces potential for value added in the manufacturing and service sectors.

2. **Niger's informal private sector is widely represented throughout the economy.** Except for basic Government services, and parastatal mining, communications and power generation, the informal economy predominates in Niger. The informal sector contribution to 1988 GDP approximated FCFA 496 billion (71%), while employment in the informal sector approximated 2.26 million (98%). Informal sector GDP accounts for agricultural GDP (about 40%), and approximately half the remaining GDP net of the agricultural sector. Nearly 300,000 non-agricultural informal enterprises employ nearly 400,000 people (1.3 per enterprise), constituting 85% of non-agricultural employment in Niger. Almost all employment consists of self-employed and family labor and "jobbers". Until recently, informal enterprises were not properly accounted for in terms of contribution to the national economy. Enterprise densities are generally two and six times greater, respectively, in urban and rural areas than previously assumed. As such, GDP estimates may have understated cross-border trade by 50% and value added by as much as 20%.

3. **Niger's "modern" private sector is on the verge of extinction, contributing less than 4% to GDP, employing less than 1% of the work force, and depriving the Government of a viable tax base.** Employment estimates of the modern private sector vary from 15,024 to 27,900 in 1988. Even taking the larger estimate, this would account for only 1% of total employment. As for contribution to GDP, the modern private sector has declined throughout the 1980s, contributing only FCFA 247 billion (6%) from 1983-1988. Its FCFA 25 billion in 1988 value added (4%), its worst year possibly in decades, reflects its demise. While the modern private sector has never been large, it is now virtually non-existent.

4. **The modern private sector is unable to play the dynamic employment-, cash flow- and investment-generating role needed in Niger to create growth and prosperity.** The officially registered modern private sector, comprised of 421 firms, is primarily found in service sector enterprises with limited value added. Among the 421 (registered with the *Déclaration*

Statistiques et Fiscales), only 53 are in the manufacturing sector (e.g., food processing, paper and printing, chemicals, textiles and leather, construction materials, metals, and wood products). The remainder are in commerce (130 firms), construction and public works (85), transport (29), hotels, cafés and restaurants (22), and a range of other services (102). Among these 421 formal private sector firms, many have closed down since these 1988 filings. Formal business associations such as SPEIN and SCIMPEX report lower turnover, mounting losses, and fewer jobs. Inability to develop a formal, diversified private sector has not only led to foregone employment and investment, but deprived the Government of a viable tax base in the face of declining uranium revenues since the early 1980s.

5. **There are no truly representative, private sector business associations in Niger.** The Chamber of Commerce is viewed by private sector operators as a public sector agency because all employees are hired and paid by the Government, and the Chamber's senior staff is appointed by the Government. Membership is mandatory for formal sector enterprises, and not voluntary, undermining the sense of commitment found in freer and member-run business associations in other countries. Smaller associations in Niger such as syndicates, cooperatives, and indigenous NGOs have encountered a number of hurdles in developing effective organizations:

a) Complicated registration procedures, and lack of technical assistance from public authorities in addressing these complications;
b) Delays in approvals, during which time these organizations cannot act, leading to loss of interest among potential members;
c) Financial and operating constraints (e.g., overhead weaknesses); and
d) General inability to show results, leading to member apathy, loss of interest, and resultant ineffectiveness.

For Niger to have a vibrant formal private sector, it will need to develop private sector institutions (e.g., privatized Chamber of Commerce) organized, managed, and ultimately financed by private sector members.

B. Employment and Training Issues

6. **Employment is predominantly male, and lack of female participation in the economy is one of the reasons why enterprise and employment density in rural areas is about 50% of the norm for Africa.** The vast majority of the work force is male (1.8 million, or 79%), as represented by the following: a) 1.7 million of a total 2.15 million independent and family laborers; b) 24,770 of a total 29,640 jobbers and apprentices; and c) 4,670 of a total 5,290 employers. Women account for 473,990 jobs, almost entirely family labor and independent work. The latter is usually in commerce and food preparation (112,700) or artisanal manufacturing (35,630). These two sub-sectors are the only areas of the economy where women are employed in numbers greater than men. Virtually all employment in Niger is informal private sector.

7. **Niger's population aged 15-64 is expected to grow from 3.7 million in 1990 to 5.1 million in 2000 and 7.1 million in 2010. This will require creation of more than one million additional jobs by 2000 to maintain the *status quo*.** Niger's population is increasing 3.4% per year, and 8% in urban areas. Assuming the current 68% of the population aged 15-64 remains economically active, this will lead to an average net increase of 100,000 per year from 1988-2000, with many looking for jobs in the urban manufacturing and service sectors. Urban residents are currently 18% (1.35 million) of the population, and are projected to be 27% (2.7 million) in 2000 and 34% (4.8 million) in 2010. With such growth rates, a shrinking formal sector (private and parastatal), and weak public finance, it is likely that Niger will experience significant growth in its informal sector for the rest of the century. The largest informal urban enterprises currently average seven employees, reflecting the small scale and limited absorptive capacity of informal sector enterprises. This highlights the need for larger, labor-intensive formal private sector enterprises to address Niger's growing urban unemployment crisis.

8. **Niger's precarious physical environment and agricultural output reduces the country's economic capacity to absorb such striking employment needs.** Emergency relief experts who monitor Niger's cereal production believe the country averages about a 10% deficit. With declining cereal yields per hectare, increasing agricultural output from Nigerian farmers (limiting cash crop exports from Niger), and reduced permanent pastures available to livestock herders, the agricultural sector will not be able to absorb surplus labor the way some coastal African countries have done in the past. This will place additional pressure on the Government for services in urban areas, making a dynamic private sector all the more necessary for the provision of services (e.g., housing-related construction and public works) and an expanded tax base.

9. **Niger is one of the least formally educated countries in the world, and there is virtually no business management education available except with a limited number of NGO projects.** The university offers limited course work and training for business (e.g., management, finance, accounting, labor-management relations), and traditional Government hiring practices have served as a disincentive for university students to enter the private sector. More students are pursuing "letters" than any other area of study, further indicating there is virtually no business orientation to higher education in Niger. This deprives the country of the needed managerial and technical expertise and professional entrepreneurship required for a functioning formal private sector. Some NGOs/donors (e.g., CARE, the FED) are training entrepreneurs in bookkeeping, costing, marketing and distribution, production and operations, basic cash management, and other business areas, but these are generally at the informal level and are not directed at individuals who could potentially play a leadership role in the formal private sector.

C. Economic Sector Review and the Role of the Private Sector

10. **Agriculture is considered 100% private sector, almost entirely informal, and responsible for 78% of total employment, but characterized by numerous risks.** Niger's

farmers continue to be the largest regional producers of millet, and have demonstrated skill in cowpea and onion production (largely for export to Nigeria and other coastal countries). Nevertheless, cereal yields per hectare have been stagnant or declining, Nigerian farmers are producing more cowpeas to meet local demand, water resources available for onion production are limited, and the Government is effectively trying to tax onions and other exports at higher real rates than before. Livestock value added has also begun to rebound from the 1984 drought, although reduced grazing land presents risks to sustainable growth in this sector. These factors, combined with the precarious state of the physical environment, have led to a relative decline in the agricultural labor force from 95% in 1965 to 39% in 1988. Agriculture will continue to represent a large share of GDP and employment, but should decline relative to other sectors of the economy.

11. **Parastatal mining has declined in the 1980s due to weaker uranium prices, but private informal sector gold mining has attracted strong interest in recent years.** Niger's mining sector is considered mostly parastatal given ONAREM's more than 30% interest in the Somair and Cominak uranium consortia. Parastatal mining contributed 6% to GDP from 1983-1988, and employed approximately 3,500 workers in 1988. Large multinationals (e.g., Elf-Aquitaine) are prospecting or determining the viability of other mining activities, offering the potential for large-scale private investment. However, the mining sector has generally declined in the 1980s, severely reducing Government revenue and construction and public works projects. The one mining sector that has grown in recent years is Niger's informal gold mining sector. This sector, wholly private sector, has approximately 3,000 people, with up to another 20,000 providing support services. How the Government addresses the larger questions of private and direct foreign investment, management autonomy, and the promotion of informal gold mining may determine whether the mining sector will again become a growth sector in Niger.

12. **Manufacturing consists almost entirely of private artisanal producers who make practical products suited to the needs and purchasing power of the local market, while the formal manufacturing sector is unable to compete.** Niger lacks a sophisticated manufacturing tradition, and this sector has contributed little to GDP over the years (7.5% from 1983-1988). Most manufacturing (82%) has been in the artisanal sector, consisting of basic crafts (e.g., farm tools, household items, pottery and mats). Among the 63,690 people employed in this sector, 98.5% are private sector, almost entirely informal. While the sector is relatively low in value added, NGOs working with artisans have stressed that skill levels are diverse, new skills are quickly learned, and that the work force can be trained to perform numerous manufacturing activities. However, there are few opportunities for people to learn vocational skills, and informal apprenticeships often limit the ability of an apprentice to freely enter the market independently. The small formal manufacturing sector, both private and parastatal, declined in the 1980s and is virtually non-existent today with the exception of BRANIGER and a few other private manufacturers.

13. **Commerce has long been a tradition in Niger, and is the second most important sector of the economy after agriculture.** Commerce, restaurants and hotels contributed about 15% to GDP from 1983-1988, most of it in commerce and almost all of it (95%) private sector.

Employment estimates in this sector total 202,370 (9%), almost entirely informal. As with the manufacturing sector, formal commercial trading houses (e.g., SCOA, CFAO, Peyrissac, COPRO-NIGER, SONIDEP) are finding it almost impossible to compete with the informal sector. This is not only due to limited purchasing power and Niger's small market, but also a result of Niger's arbitrary and expensive tax regime (private sector) and limited professional management capabilities (parastatal sector). According to *Direction de la Statistique*, the average urban informal commercial enterprise's value added is FCFA 35 million, suggesting that not all informal commercial trade is petty or small-scale.

14. **Tourism is primarily formal and private sector, although exact quantification is difficult as statistics are grouped with commercial trade.** There are 29 hotels in Niger, mostly in Niamey, with capacity of nearly 1,100 rooms. Occupancy rates have been about 40-50%. As with construction and public works, tourism in Niger has suffered from the decline in uranium prices and consequent shortfall in business-related tourism. Total non-resident visitors, more than 90% of the trade, have declined from 40,438 in 1984 to 24,592 in 1988. Niger has potential to develop high-margin "specialty tourism", but only if it becomes more competitive with countries like Algeria, promotes the foreign investment required, allows for management autonomy, and improves domestic travel services (e.g., private domestic airlines).

15. **Transport, mostly private sector, is a vital service that is being hindered by high costs associated with police checkpoints.** Transport and communications contribute about 4% to GDP and employ nearly 15,000 people. Most of this is from the segmented and highly competitive transport sector, where parastatals (SNTN, NITRA) compete with taxis, 17-seat passenger vans, truckers and a range of other private transporters. There are approximately 11,850 private sector transporters (mostly informal), and about 1,800 at the parastatals (mostly SNTN). The presence of police checkpoints has been reported to add 20% to the transport costs of 17-passenger minibuses, making goods more expensive in Niger and exports less competitive. Most startling about these payments is that they are estimated to total FCFA 11 billion, equivalent to about 11% of 1990 central Government revenues, even though they do not enter the Government treasury.

16. **Construction is almost entirely private sector, but has been hurt by falling uranium prices and reduced public investment.** Construction and public works accounted for about 4% of 1983-1988 GDP, mostly private sector (94%). Employment in 1988 was 14,430, mostly informal (67%) and private sector (86%). As with manufacturing and commerce, the role of the informal sector has increased while the role of the formal sector has decreased. With the anticipated departure of Maurice Delens, there is expected to be minimal participation from the private sector in the construction industry. Nevertheless, growing urbanization will increase demand and likely make this a growth sector with a large number of informal operators.

17. **Miscellaneous services are making a substantial and growing contribution to GDP and employment.** This varied collection of activities (e.g., Government, finance/real estate, mechanical vocations, recreational activities, social work) contributed 23% of 1983-1988 GDP, and employed 203,190 (9%) in 1988. Among total employees, 179,136 were in the informal

sector doing low-paid miscellaneous jobs (e.g., repairs, maintenance, household). The formal sector contribution is primarily from Government, as the banking system has collapsed and insurance is limited.

D. Leading and Lagging Sectors, the Importance of the Informal Sector, and the Decline of the Formal Sector

18. **Miscellaneous informal sector services, agriculture, Government, and informal artisanal manufacturing are Niger's leading economic growth sectors, while formal private sector construction, commerce and tourism, and parastatal mining have shown the greatest declines.** A comparison between 1988 and 1981 sub-sectoral value added highlights these trends, and while year-to-year comparisons do not establish secular trends, most have shown fairly consistent slopes. Growth sectors were as follows:

a) Miscellaneous informal services growing FCFA 33 billion;
b) Agriculture (net of livestock, forestry and fishing) growing FCFA 27 billion;
c) Government growing FCFA 25 billion; and
d) Informal artisanal manufacturing growing FCFA 21 billion.

Declining sectors were as follows:

a) Modern private construction and public works declining FCFA 20 billion;
b) Modern private commerce and tourism declining FCFA 12 billion; and
c) Modern mining (almost entirely parastatal) declining FCFA 8 billion.

19. **In most sectors, the informal sector is growing and replacing the formal sector.** Informal miscellaneous services and artisanal manufacturing grew FCFA 54 billion between 1988 and 1981, while modern private and parastatal value added in these areas declined FCFA 8 billion. Likewise, informal sector construction, commerce and tourism, and mining grew FCFA 21 billion between 1988 and 1981 while the formal sector declined FCFA 39 billion in these areas. Thus, the informal sector is growing in both leading and lagging economic sectors, while the modern private and parastatal sectors are declining in most economic activities.

E. Privatization, Private Investment, Capital Formation and the Institutional Environment

20. **Niger has not succeeded in effectively privatizing parastatals due to a difficult investment climate, paternalistic Government policies and inaccurate valuations, weak information systems, limited market share and potential, absence of professional management, and lack of available capital.** Niger has about 49 parastatals, some of which have been officially designated for privatization. Nevertheless, these efforts have been hindered by the following:

a) Valuation procedures focus on book asset values rather than cash flow generating capabilities;
b) The Government insists on determining the quality of submitted dossiers and rejecting offers if the purchase price is less than what the Government wants, even when the enterprise is losing money or receiving subsidies;
c) The private sector is not involved in formulating privatization policy;
d) Enterprises with management contracts are often managed by civil servants with little or no private sector experience;
e) The Government claims jobs need to be protected even when an enterprise needs to be scaled down and rationalized to be competitive and profitable; and
f) A small domestic investor base, limited foreign interest, a paralyzed banking system, and a difficult regulatory environment stifle demand from the investment side.

21. **Private investment declined in the 1980s, and is virtually nil today except for small investments in the informal sector.** In 1981, gross capital formation was FCFA 61 billion, with FCFA 35 billion (57%) of it private investment. In 1988, gross capital formation was FCFA 14.5 billion, with only FCFA 5 billion (33%) private. The net reduction in private investment occurred primarily in the transport (FCFA 18 billion), commercial trade and tourism (FCFA 9 billion) and manufacturing (FCFA 3 billion) sectors. This declining trend reflects lack of available capital, but also a lack of confidence in the economy and an unwillingness to invest in fixed assets due to the high taxes that are assessed by the Government. Such investment decisions also reflect a preference for short-term commercial trade to lessen risk, undermining longer-term productive capacity (e.g., plant, equipment, warehousing facilities) that might be developed if encouraged by a more promotional and supportive public policy.

22. **Niger has a low gross domestic savings and investment rate relative to Africa, and a paralyzed banking system makes capital formation nearly impossible except for small-scale activities.** Gross domestic savings were only 4% of 1988 GDP, putting Niger in the lower third of sub-Saharan Africa. Gross domestic investment was 10% of 1988 GDP, among the lowest. Savings figures are understated as they do not include funds held with *tontines*, nor do these figures account for non-monetary savings and investment (e.g., livestock, laterite blocks, goods obtained from capitalized labor in the rural economy). Nevertheless, by African standards, savings and investment are low in Niger, and this undermines any potential for long-term investment in fixed assets for productive ventures. This lack of liquidity and investment capital is made even more problematic by the failure of the BDRN, about the only bank in the past that extended long-term credits in any appreciable volume. With 44% of the banking system's credits currently non-performing, virtually all recent lending has been short-term (94%), primarily for commercial trade (54%). It is unlikely that term capital will be available from the banking system for long-term investments for most of the remainder of the decade.

23. **To address Niger's severe capital constraints, the investment climate and policy environment will have to be radically transformed to promote private sector development,**

both domestic and foreign. Niger has a number of constraints that make operating a business enormously difficult compared to other locations and markets around the world:

a) A difficult physical environment;
b) High costs associated with being landlocked;
c) Rapid population growth and urbanization;
d) A limited education and human resource base, and scarce professional management experience for formal enterprises;
e) A conservative, traditional, risk-averse rural population with weak purchasing power;
f) A shrinking tax base, and mounting public debt;
g) Uncompetitive compensation packages for workers in the formal sector;
h) Increasing problems of corruption; and
i) An overvalued currency for formal transactions.

All of these factors, combined with a virtually dysfunctional formal banking system, make it imperative that the Government transform its role from one of interventionism to one which promotes private investment to the maximum degree possible. Measures should include lower tax rates, fewer administrative formalities for business registration and operations, an open door policy to foreign investment, incentives for investment in employment-generating fixed assets, and focus on needed social and economic infrastructure to facilitate private sector growth. Failure to implement such measures will continue to distort trade and investment, discourage "formalization" of enterprises, further reduce the tax base, and keep the economy short-term in its perspective and small-scale in its orientation.

III. KEY FINDINGS FROM THE PRIVATE SECTOR DIAGNOSTIC SURVEYS

A. Formal Sector Survey

1. **Nearly two-thirds (65%) of all formal sector firms included in the sample are wholly owned by Nigeriens.**

2. **Formal sector companies in Niger tend to be small in terms of the number of permanent employees, even by African standards.** On average, firms in the formal sector survey employ 27 full-time employees, with the range being 1 to 188. The contribution to employment in Niger is low both in terms of employees per enterprise and the total number of firms. Part of this is due to the limited role of women in the work force.

3. **The market orientation of formal sector firms is almost entirely domestic.** Sources of supplies are a bit more diversified than external markets. Outlays for imports exceed export earnings.

4. **The formal sector is negative about economic prospects in Niger,** although there is variation, with Niamey's formal businesses more negative than those in the interior. A majority of interviewees identified four factors as being generally negative in their impact on business:

a) Taxes (74%);
b) Government actions (55%);
c) Required guarantees for credit (53%); and
d) Preferential taxes (51%).

Nearly three quarters (73%) of those sampled said that sales had declined or sharply declined in the past year. There is also little optimism about the future status of the economy. Distance from markets was identified as the key factor affecting volume of sales.

5. **The formal sector is experiencing intense competition from the informal sector,** largely due to the latter's competitive advantages with regard to social security and tax payments.

6. **Basic services (e.g., electricity, telecommunications, water, transport) are priced at levels which are perceived as a restraint on the growth and competitiveness of Nigerien business.** The land situation is especially critical in Niamey.

7. **The availability of credit from the banking system is a severe limiting factor for the formal sector in Niger.** Credit tends to be short-term, at high rates of interest, and requires excessive documentation and guarantees.

8. **Seven major sets of potential obstacles to formal private sector growth were identified:**

a) **Questions of information and uncertainty regarding the business environment;**
b) **Credit services;**
c) **Government policy and the policy making process;**
d) **Policy implementation, especially the role of government functionaries;**
e) **Human resources;**
f) **The cost of inputs; and**
g) **Internal management capacity.**

The formal private sector views lack of government consultation with the business community as the most significant issue. Equally negative reactions are found regarding the perceived lack of coordination between ministries involved in regulating the private sector. Policies designed to reform the economic system and associated regulatory mechanisms are viewed as improperly applied or as being only halfheartedly implemented by functionaries who continue to benefit from the previous system. There is also considerable resentment of the perceived special treatment accorded individuals with connections in high places.

9. **In Niger, there is a general lack of information available on the following:**

a) **The state of the economy;**
b) **The "rules of the game" from a Government regulatory perspective;**
c) **Acceptable business practices; and**
d) **Domestic and international markets for individual products.**

Niger lacks institutions which regularly provide such information to the private sector. Few private sector businessmen use information disseminated by the Government of Niger. The lack of information about Government regulations inhibits investment and growth. Alternative sources of information and assistance are potentially available through professional and trade associations. For instance, the Chamber of Commerce might be looked to for information and as a representational tool. Nevertheless, it is an extension of the State, with directors and employees appointed by the Government. Most (82%) of the sampled formal private sector say this is yet another obstacle the business community must face (see #13 below for further discussion on business associations). Until the business community is brought into the policy process as a full partner, uncertainty is likely to continue to act as a serious constraint to economic growth.

10. **Lack of skilled technicians is a human resource constraint to formal private sector growth.** Niger will require investment in appropriate educational and training programs to address this concern.

11. **As is common with firms throughout Africa, day-to-day operations consume much of the time of owner-operators and managers in Niger at the expense of strategic management functions.**

12. **Although there is not much room for optimism concerning investment prospects, a number of potential activities stand out in the responses.** First and foremost are the perceived opportunities in commerce. In addition, respondents believe there are opportunities in agro-processing and the resale of unprocessed agricultural goods in the local market. Overall, key areas for formal sector business growth appear to be linked to the agricultural sector. Increased emphasis on agro-processing technologies, the development of foreign markets, and increased production of high valued-added counter-seasonal fruits and vegetables for export seem to provide hopes for the near future.

13. **Most businessmen do not believe the Chamber of Commerce is effective in addressing private sector needs.** There are indications that Nigerien business operators would be willing to pay membership dues to a business association capable of providing services they deem essential. Their top priority for such an organization is as a liaison with the Government. Businessmen would also like to see the Chamber (or other associations) provide a variety of economic services.

B. Informal Sector Survey

14. **Nearly all informal sector firms (92%) included in the sample are wholly owned by Nigeriens.**

15. **Informal sector enterprises in Niger are not likely to expand their level of employment in the near future.** New employment is likely to come from apprentices starting up their own enterprises, and functionaries leaving the government. However, enterprises themselves are expected to remain small in terms of employment levels.

16. **Employment for women is expected to remain low in the informal sector.** Only 6.5% of the sampled firms were owned or operated by women, or had one or more women as permanent employees. It appears that women's economic activities are primarily in the home, and not in permanent business premises.

17. **The market orientation of informal sector firms is strictly local.** Goods are sold in local markets. Sources of supplies are a bit more diversified than markets, with about one-third of firms buying inputs or supplies from outside of Niger. Most of these are purchased in Nigeria or other West African nations.

18. **The informal sector is negative about economic prospects in Niger.** Only 12.5 percent feel economic conditions have improved even a little bit in the last year, whereas more than 70 percent suggest conditions have gotten worse or much worse. As with the formal sector, there

is variation between Niamey and the interior. About two-thirds of Niamey's informal businesses felt conditions were worse or much worse, whereas 28 percent responded similarly in the interior.

19. **Taxes and Government interventions/actions (policy and regulations) stand out as having the greatest negative impact on the informal sector.** About two-thirds of the interviewees said these factors hurt their businesses. Other factors include the need for guarantees for credit, the general availability of credit, and preferential taxes.

20. **More than half (53%) indicated their volume of sales had declined or severely declined in the past year. On the other hand, more than a quarter (29%) said sales had increased or significantly increased.** In declining order, sales volume declines were most severe in the Zinder, Niamey, Maradi, Agadez and Tahoua areas. Tahoua only noted a 14% decline, compared to the other areas which were much higher (53%-65%).

21. **Aside from the general state of the economy, local informal business operators identified competition from other Nigerien firms as the most important factor limiting volume of sales.** This can be perceived as a sign of informal sector strength, given that a plurality of firms felt the level of demand for their products was more positive than negative.

22. **Three factors are deemed to be of primary importance with regard to informal enterprise expansion:**

a) **Electricity (price and reliability of service);**
b) **Land (uncertainty about and access to land ownership, pricing); and**
c) **Credit (access).**

Problems associated with electricity make Niger's businesses uncompetitive with Nigeria. Problems associated with land tenure are geographically concentrated in Niamey, and are characterized by fraud and favoritism. Most start-up capital and credit is sourced from personal savings, family and friends. Supply credits, including the consignment of goods, are the only other major source of finance.

23. **Seven major sets of potential obstacles to informal private sector growth were identified:**

a) **Domestic and foreign competition;**
b) **Financial resources, especially credit;**
c) **Factors of production;**
d) **The availability and reliability of information vital to decisions regarding investments, marketing and employment;**
e) **Government policy making and implementation, including the role played by functionaries;**

f) **Human resources; and**
g) **Internal management practices and capabilities.**

Most of the informal private sector views the negative attitudes of Government (77%) and lack of government consultation with the business community as the most significant issues. Rapid, unexpected and unpredictable changes in regulation were also cited as a problem by the majority (66%). These problems are compounded by the number of ministries with which they must deal, and the inequities associated with various applications and regulatory procedures. Government functionaries are perceived as lacking understanding of the private sector and lacking the motivation to do their jobs correctly. Illegal payments to functionaries are regularly required. Bribes and favoritism clearly increase the cost of doing business in Niger, especially in transport and small trade.

24. **As with the formal sector, there is a general lack of information available on the state of the economy and the "rules of the game" from a Government regulatory perspective.** Niger lacks institutions which regularly provide such information to the private sector, and the government is ineffective at doing so.

25. **Human resources may be a constraint to formal private sector growth, but the informal sector places this constraint behind Government intervention, functionary attitudes and behavior, lack of information, and problems associated with credit.** Insofar as human resources are a constraint to the informal sector, 56 percent said lack of experienced laborers was a problem, and 45 percent said lack of technical qualifications or technicians on the local market was problematic.

26. **As with the formal sector, day-to-day operations consume much of the time of owner-operators and managers in Niger at the expense of strategic management functions.**

27. **The informal sector is not optimistic about investment prospects in Niger.** Commerce is the only area of investment in which a majority of informal sector operators believe prospects are excellent. In Agadez, 73 percent said tourism offered excellent investment prospects.

28. **Most (59%) informal operators are not members of any professional or trade associations because they do not believe these associations serve any real purpose.** Membership figures are diverse, with the following distribution from sampled informal enterprises:

a) Agadez (63%);
b) Tahoua (62%);
c) Maradi (47%);
d) Zinder (31%); and
e) Niamey (25%).

In terms of services informal operators would like associations to provide are access to credit (more than 80%), increased contact and dialogue with Government (72%), and the dissemination of up-to-date information on Government regulations (68%). However, it is not entirely clear that informal sector business operators are ready at this time to support an association designed to represent their interest.

ANNEX I: FOCUS GROUP GRAPHICS

SOMMAIRE

- ECONOMIE PRESQUE TOUT INFORMEL ET SECTEUR PRIVE
  PIB = 75% Secteur Prive
  Emploi = 98% Secteur Prive
  Secteur Rural = 39% PIB, 78% Emploi, 100% Secteur Prive
  Ind's Extractives = 6% PIB, 11% Secteur Prive
  Ind's Manuf's = 8% PIB, 3% Emploi, 96% Secteur Prive
  BTP = 4% PIB, 92% Secteur Prive
  Commerce/Rest/Tour = 8% PIB, 9% Emploi, 95% Secteur Prive
  Transp/Communic = 4% PIB, 65% Secteur Prive
  Divers Services = 24% PIB, 9% Emploi, 36% Secteur Prive

- CHARACTERISTIQUES
  Agro-pastoral
  Commerce
  Base Industrielle Limitee
  Climat et Environnement Difficile
  Politique Dirigiste Concernant Investissement,
  Enregistrement, Fiscalite
  Valeur Ajoutee Limitee
  Manque d'Epargne et d'Investissement Formel
  Taille d'Entreprise Petite
  Orientation Informel

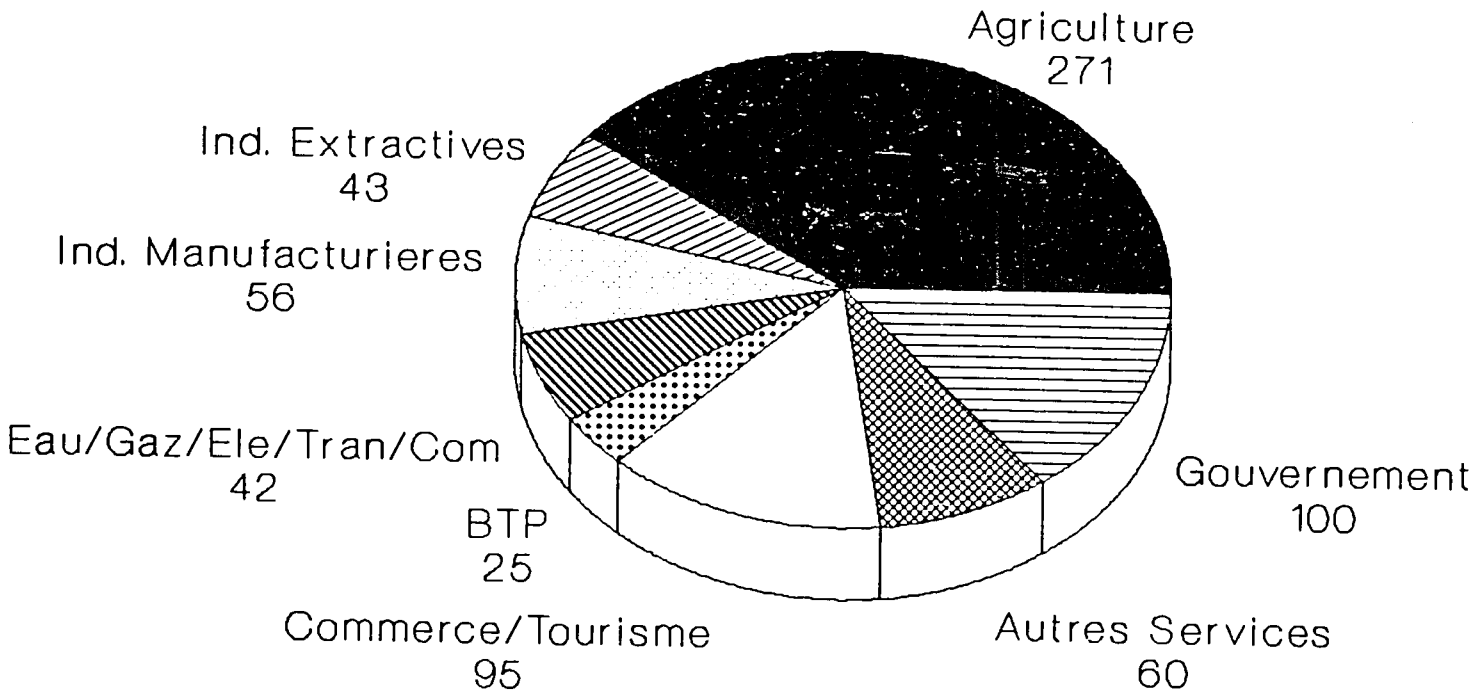
SOMMAIRE (cont.)

- SECTEUR PRIVE FORMEL TRES FAIBLE
  Moins de 4% PIB et 1% d'Emploi
  Contribution Faible a l'Assiette Fiscale
  Tendence Negative en Face du Secteur Informel
  Plusieurs en Faillite
  Institutions ne Fonctionne Guere (C de Commerce)
  Investissement Prive Diminue Depuis les 1980s

- DEMOGRAPHIE
  Population: Accroissement Enorme Prevu
  Urbanisation: Meme Prevision que Population
  Besoins: Plus de Services Urbaines
  SURTOUT, 1 Million d'Emplois En Plus
  par l'An 2000

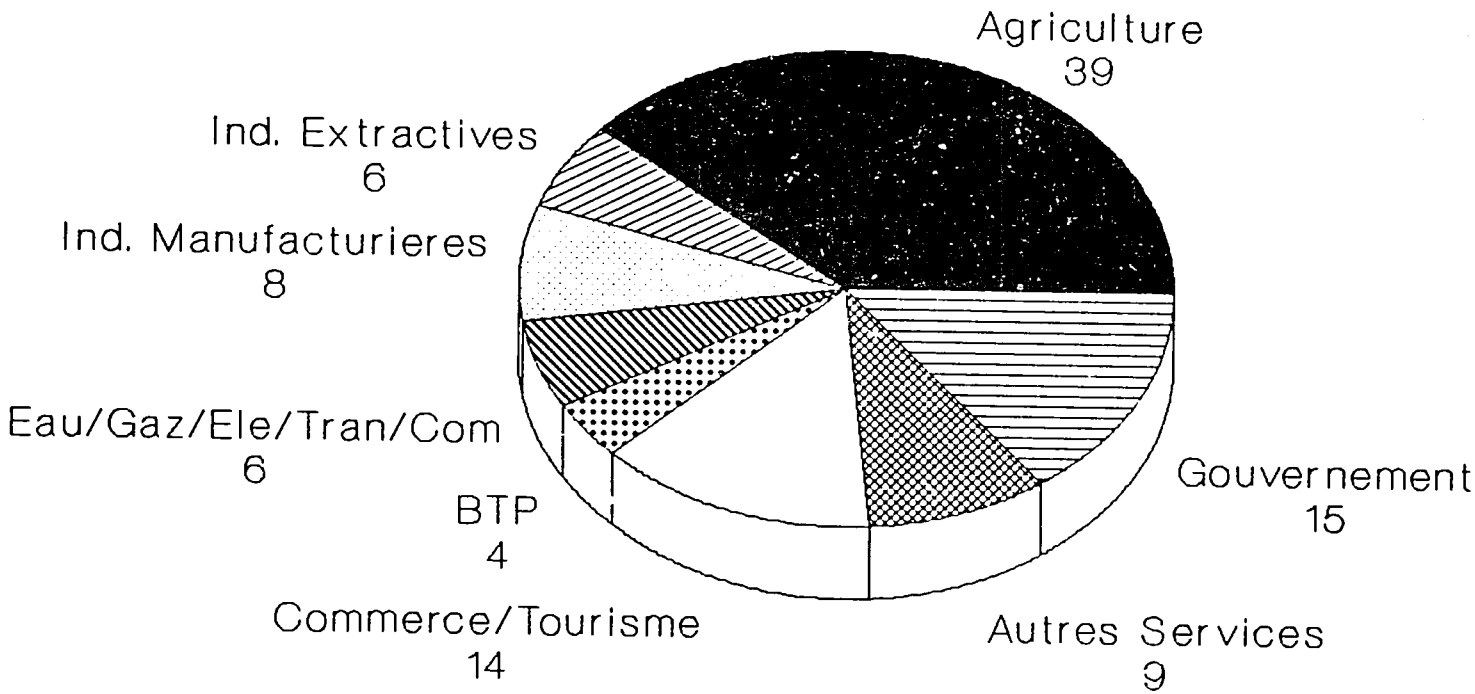
- AUTRES
  Systeme Bancaire Faible
  Problemes de Formation de Capital
  Privatisation Tres Lente
  Politique de Blocage Vers Le Secteur Prive En Depit De
  La Politique Officielle d'Apres la Table Ronde de 1988

1988 PIB PAR SECTEUR (milliards FCFA)



Source: Annuaire Statistique, 1988-1989

1988 PIB PAR SECTEUR (%)

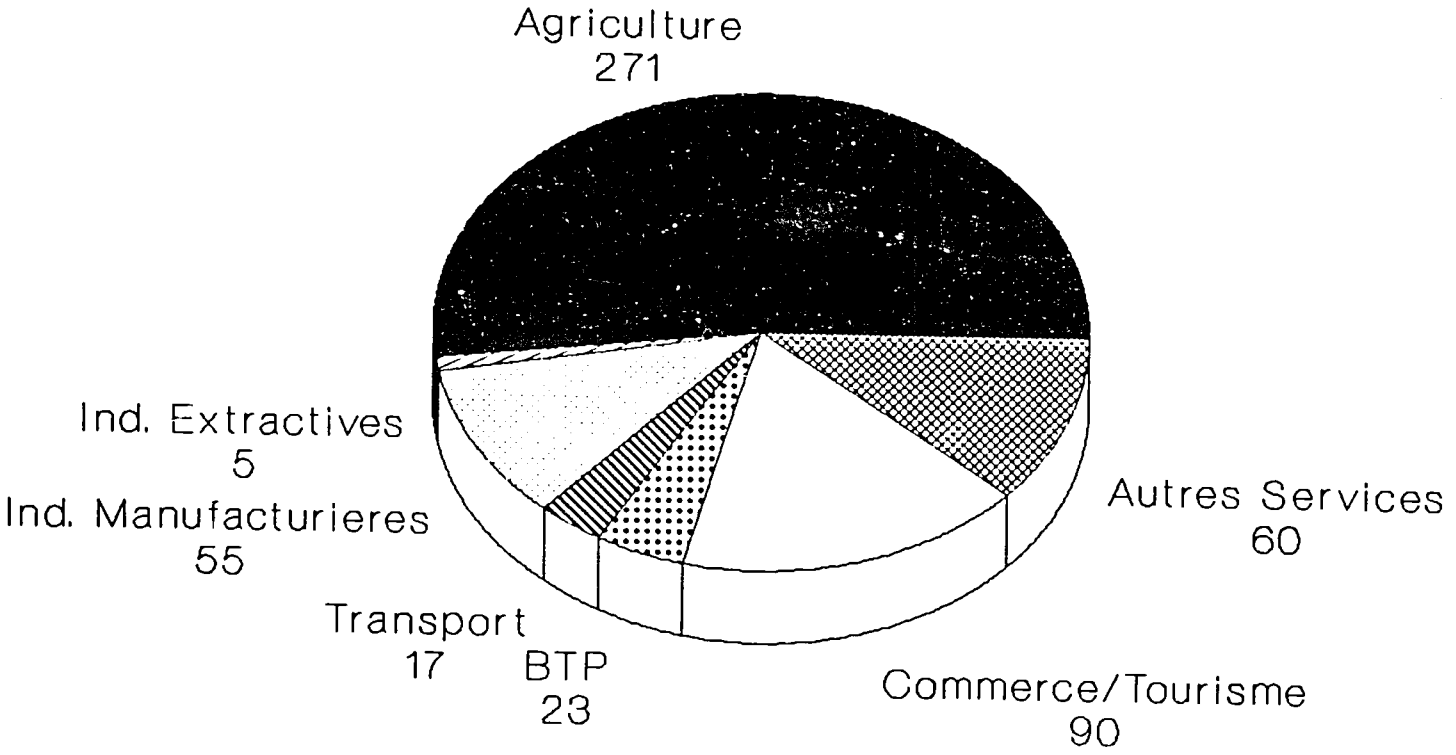


Source: Annuaire Statistique, 1988-1989

SECTEUR PRIVE DU NIGER (1988)

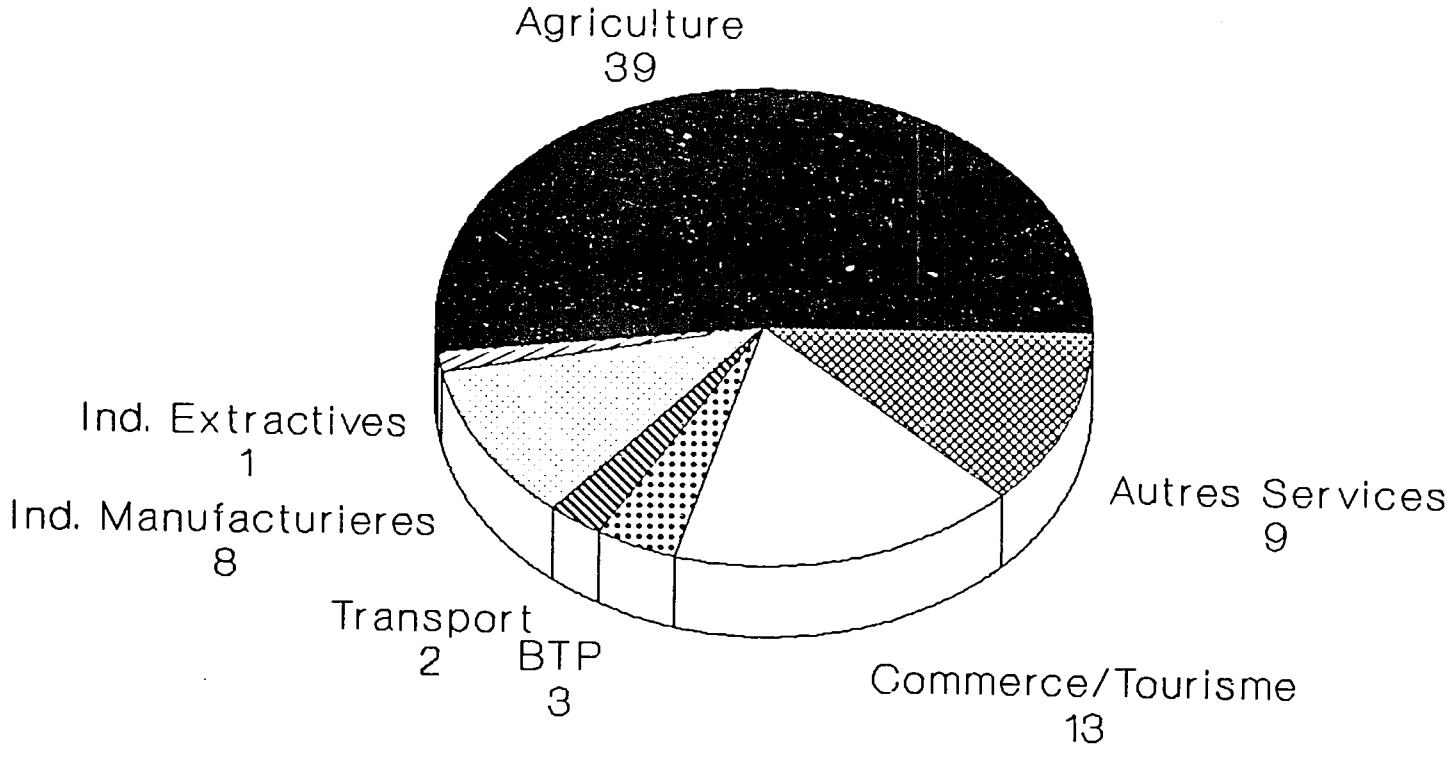
- PIB DU SECTEUR PRIVE:
- FCFA 522 milliards/FCFA 700 milliards
- FCFA 496 milliards: secteur informel
- FCFA 26 milliards: secteur prive formel
- Secteur Rural: FCFA 272 milliards = 39% PIB
- Commerce/Rest's/Hot's: FCFA 90 milliards = 13% PIB
- Divers Services: FCFA 60 milliards = 9% PIB
- Ind's Manufacturieres: FCFA 55 milliards = 8% PIB

1988 PIB DU SECTEUR PRIVE (mil'ds FCFA)



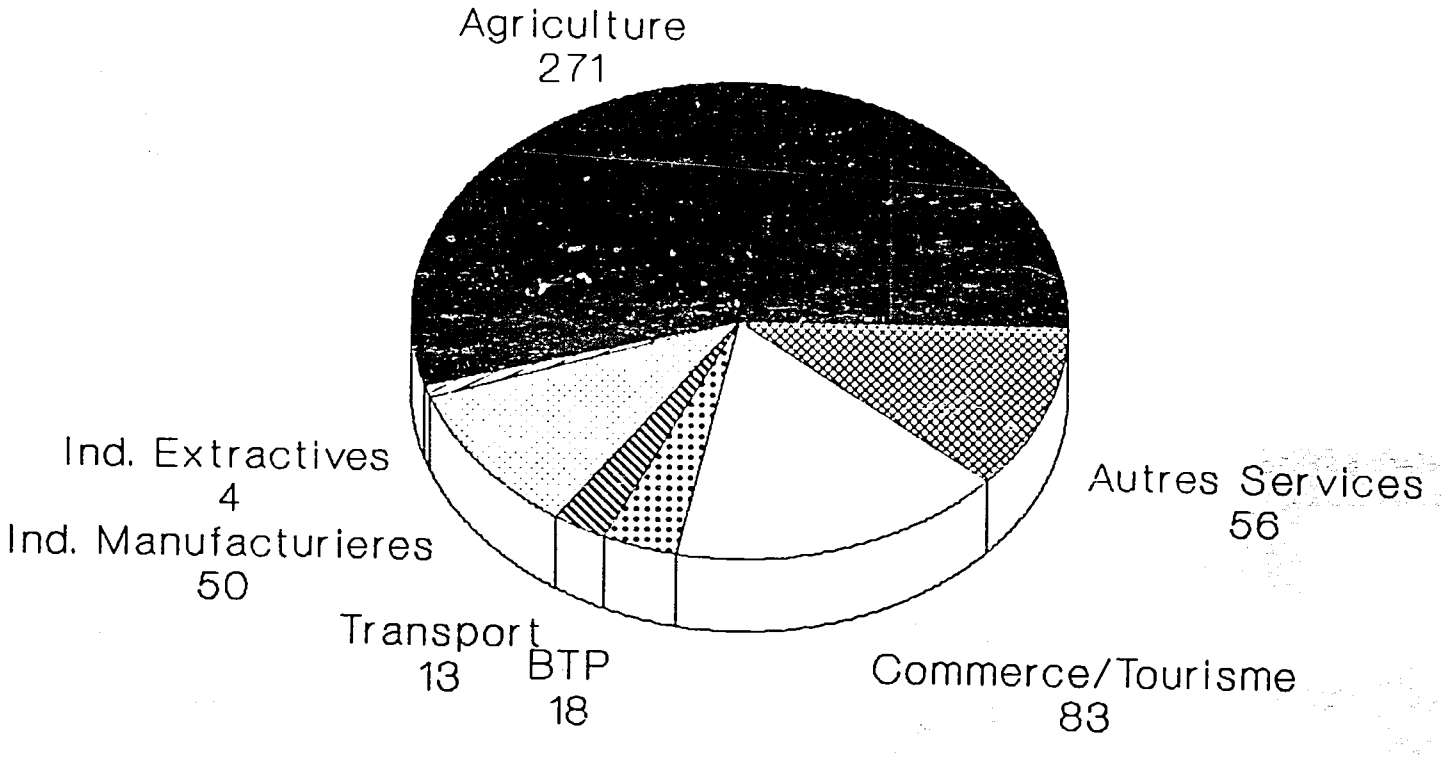
Source: Annuaire Statistique, 1988-1989

1988 PIB DU SECTEUR PRIVE (%)



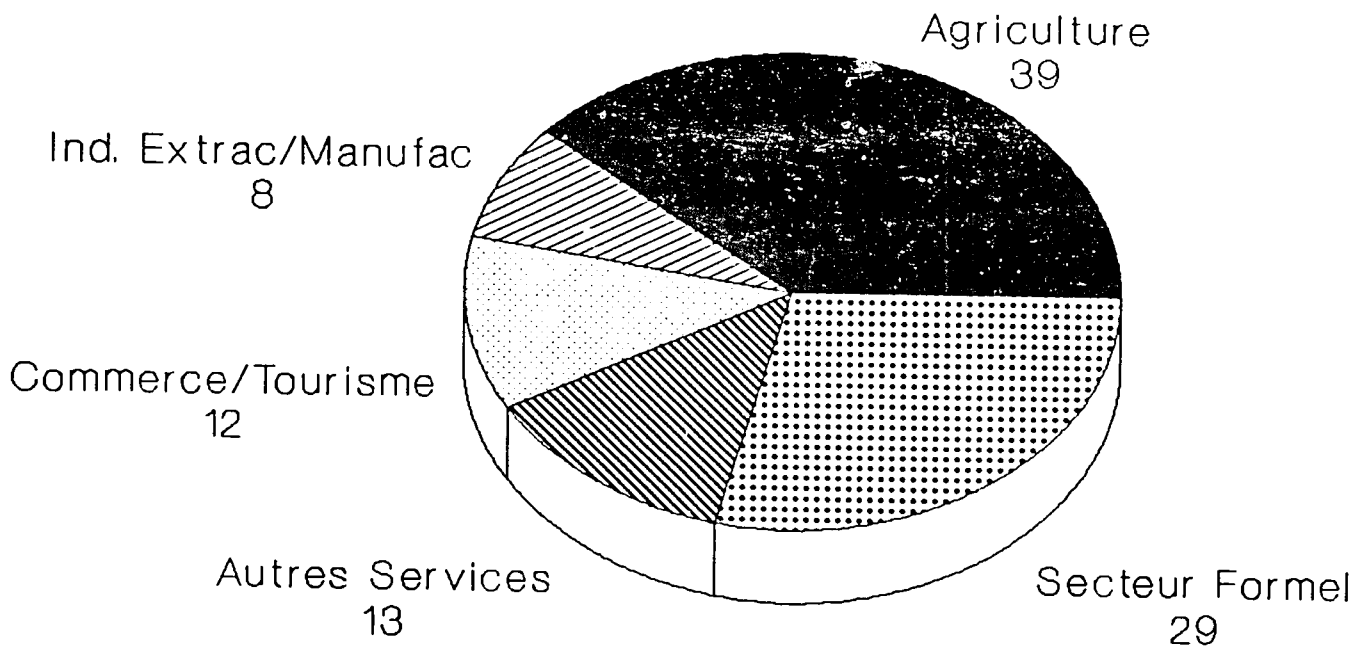
Source: Annuaire Statistique, 1988-1989

1988 PIB INFORMEL (milliards FCFA)



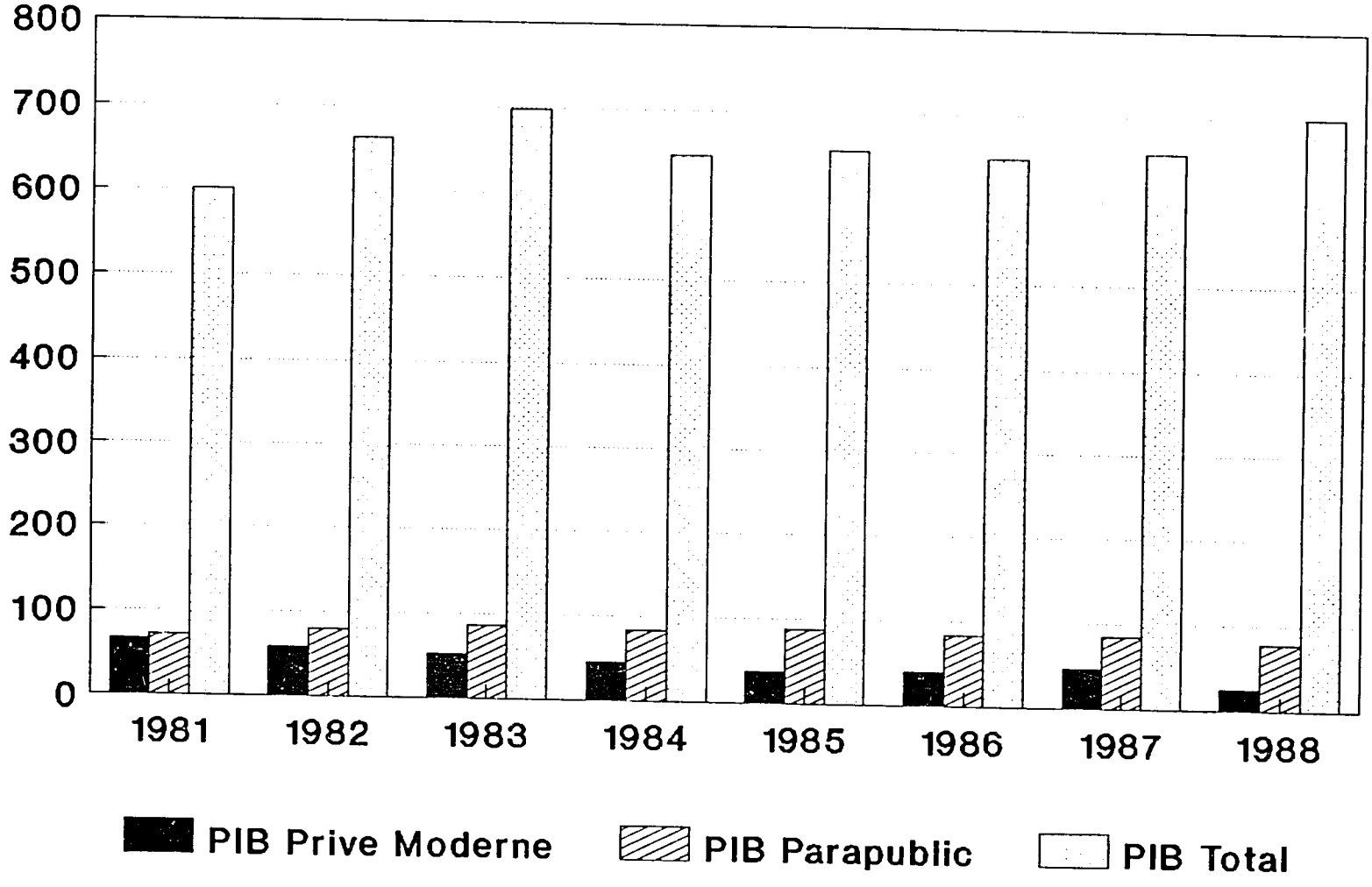
Source: Annuaire Statistique, 1988-1989

1988 PIB DU SECTEUR INFORMEL (%)



Source: Annuaire Statistique, 1988-1989

PIB PRIVE MODERNE 1981-88 (mill'ds FCFA)

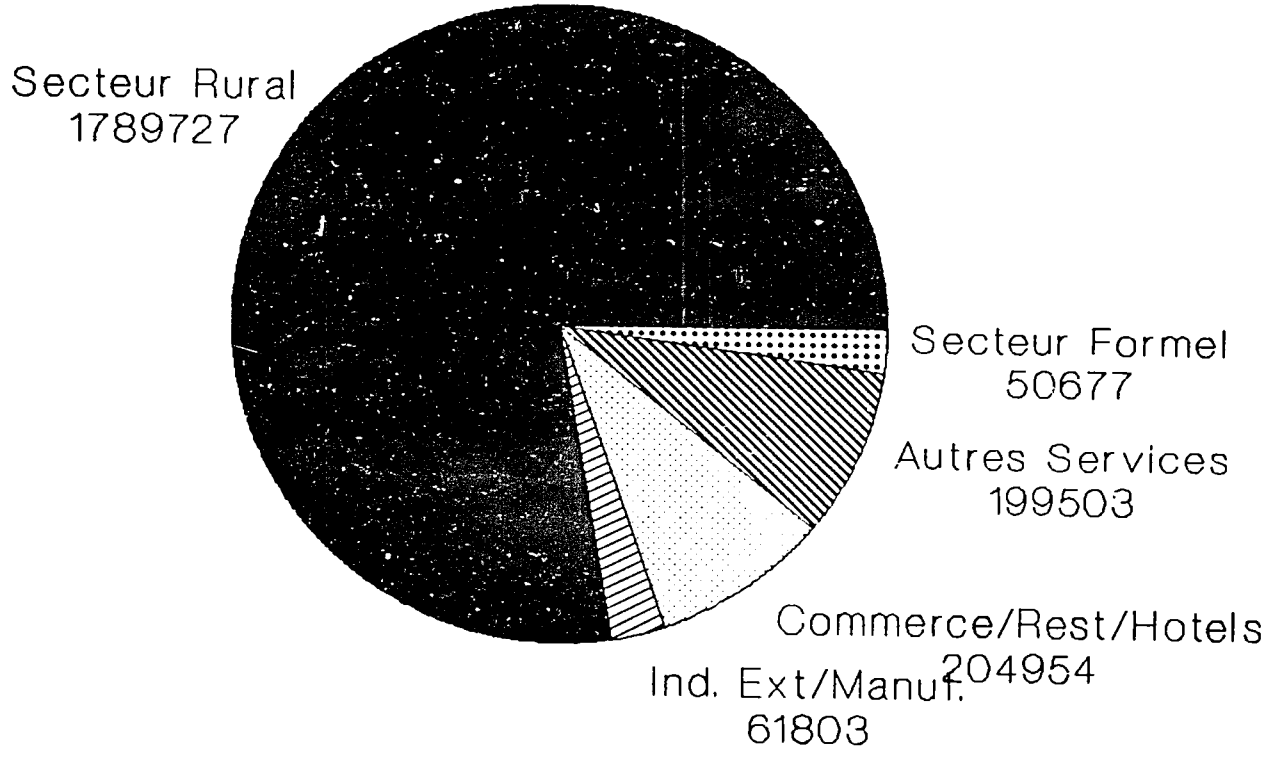


Source: Ann Stat, Comptabilite Nat'le

SECTEUR PRIVE DU NIGER (1988)

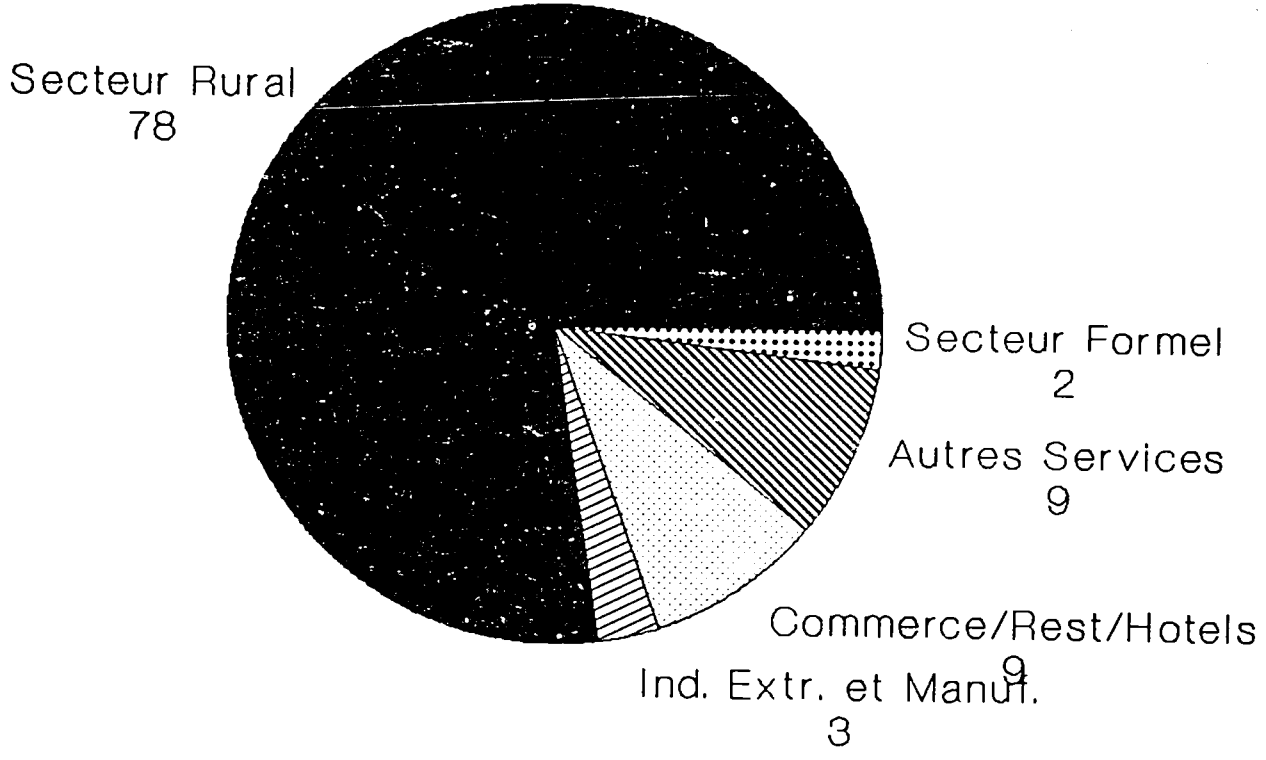
- EMPLOI DU SECTEUR PRIVE:
- 2,271,011 dans le Secteur Prive parmi 2,306,664
- 2,255,987 dans le Secteur Informel
- Seulement 15,024-27,900 dans le Secteur Prive Formel
- Secteur Rural: 1,791,949 = 78%
- Commerce/Rest's/Hotels: 206,433 =9%
- Divers Services: 183,122 = 8%
- Ind's Manufacturieres: 62,383 = 3%

SECTEUR INFORMEL/EMPLOI TOTAL (1988)



Sources: Annuaire Statistique, 1988-89;
Recensement General, 1988;
SPEIN; SCIMPEX

1988 SECTEUR INFORMEL/EMPLOI TOTAL (%)

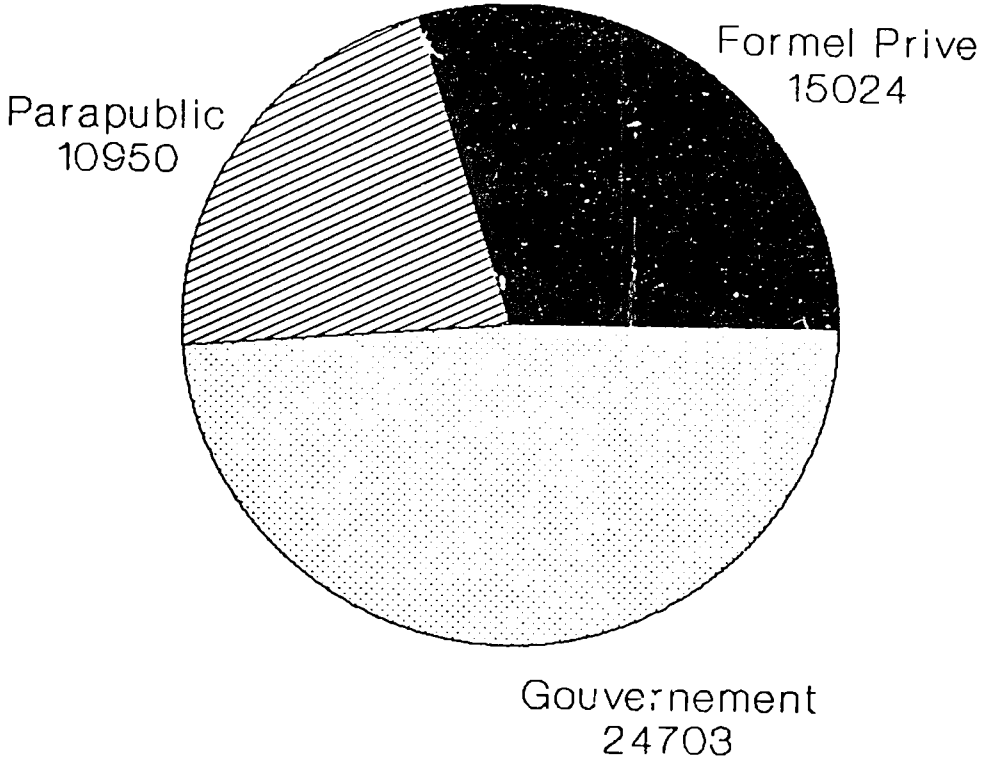


Sources: Annuaire Statistique, 1988-89;
Recensement General, 1988;
SPEIN; SCIMPEX

SECTEUR PRIVE FORMEL

- Secteur Prive "Modern" Tres Faible
- Moins de 4% du PIB: FCFA 25 milliards en 1988
- Moins de 1% d'Emploi: 15,024-27,900 en 1988
- Contribution Faible a l'Assiette Fiscale
- Tendence Negative depuis les Annees 1980
- 421 Entreprises Prive Enregistres en 1987
  Plusieurs en Faillite
- Distribution d'Apres Chiffres de 1987:
  Commerce: 130
  BTP: 85
  Ind's Manufacturieres: 53
  Transport: 29
  Hotels/Restaurants: 22
  Divers Services: 102

EMPLOI AU SECTEUR FORMEL (1988)



Sources: Annuaire Statistique, 1988-89;
Recensement Generale, 1988;
SPEIN; SCIMPEX

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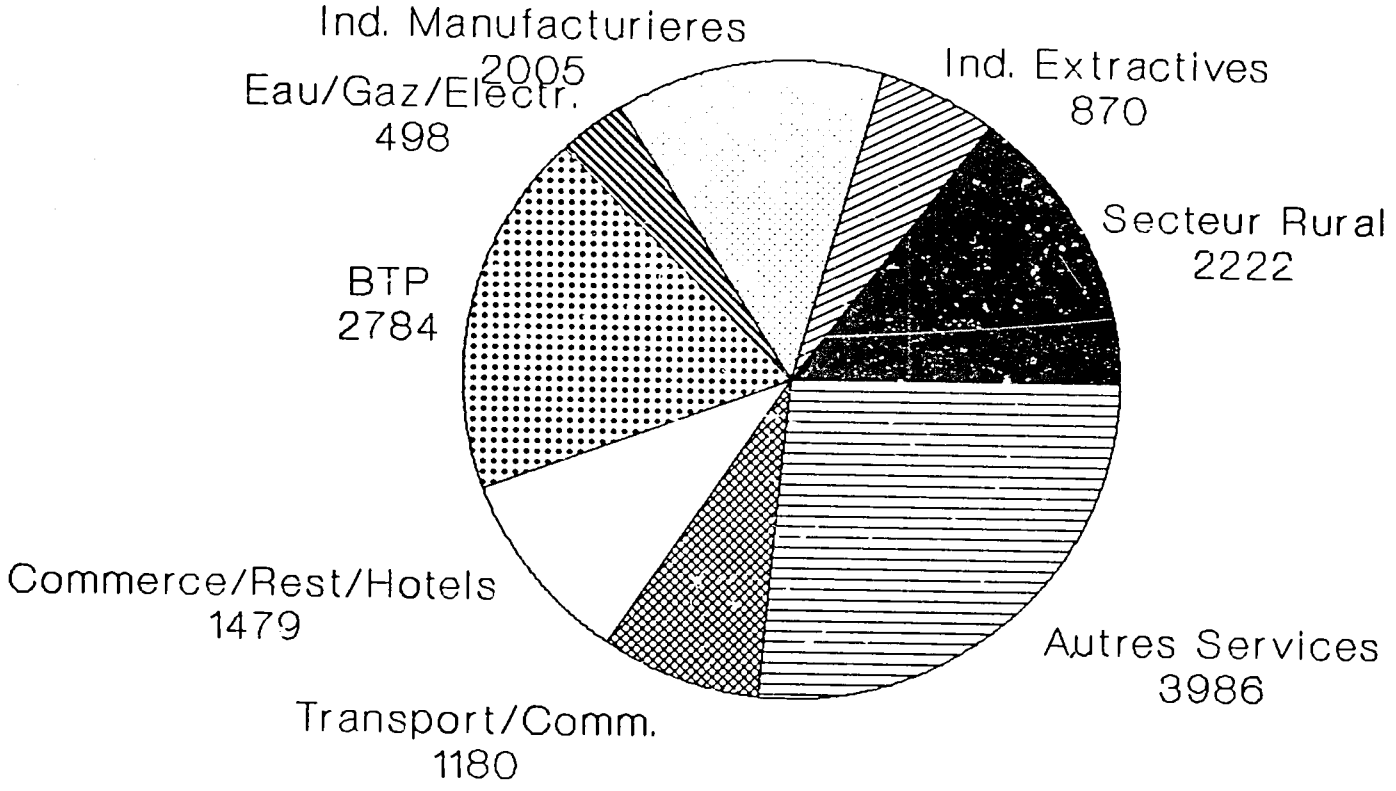
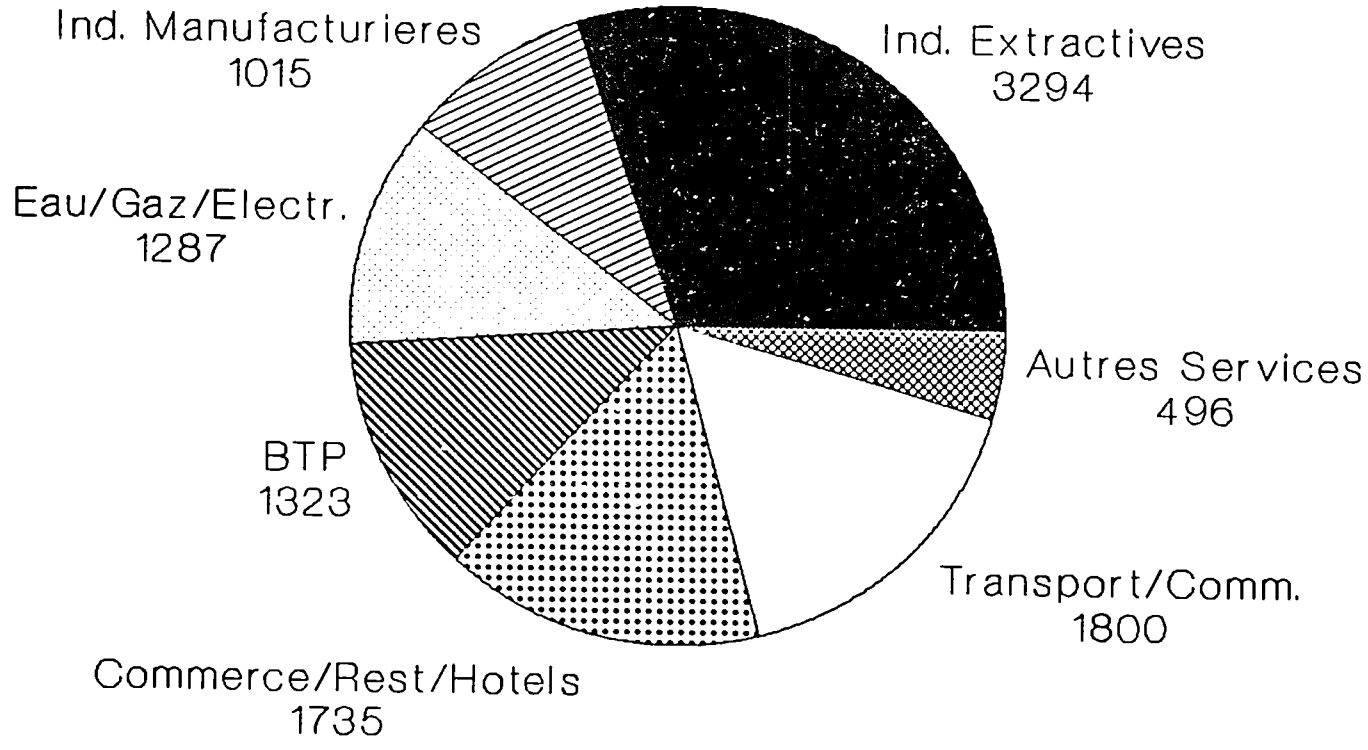
EMPLOI AU SECTEUR PRIVE FORMEL (1988)



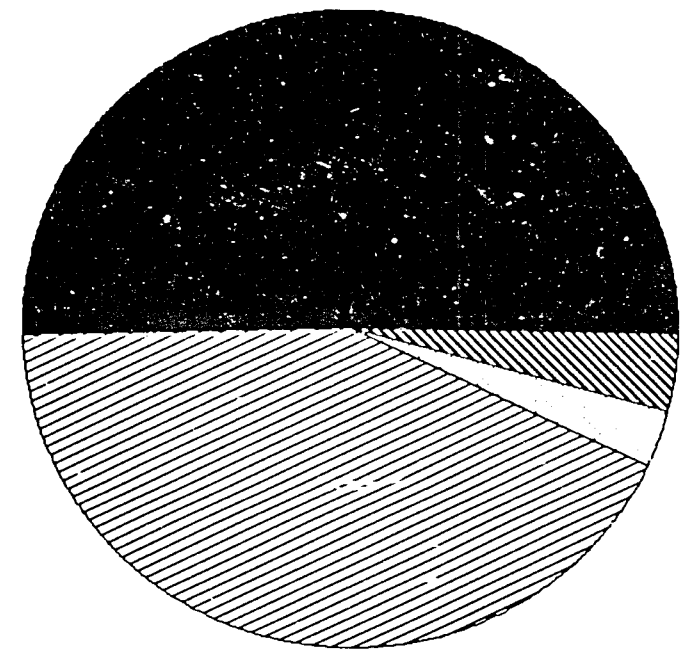
Sources: Annuaire Statistique, 1988-89;
Recensement Generale, 1988;
SPEIN; SCIMPEX

EMPLOI AU SECTEUR PARAPUBLIC (1988)



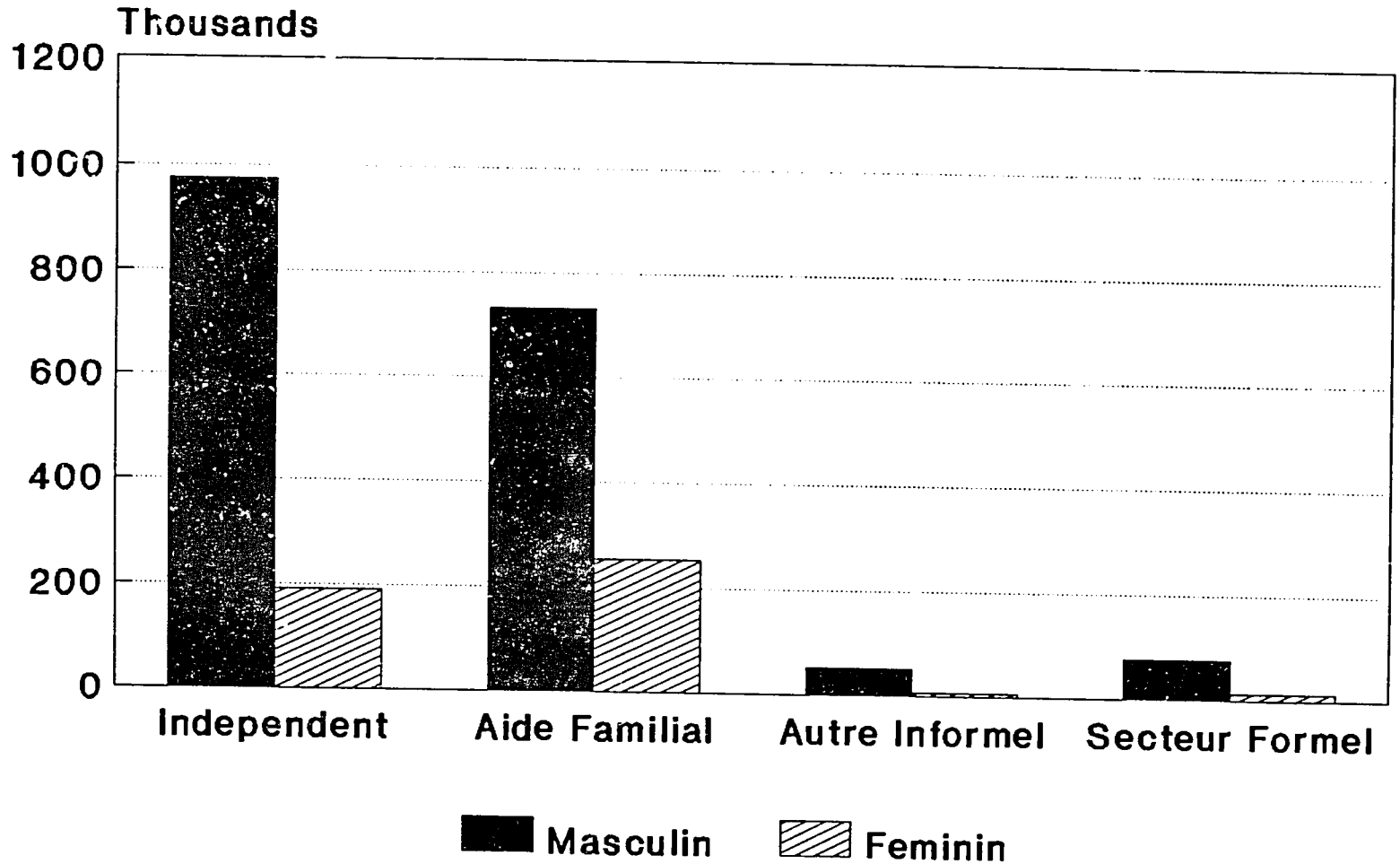
Sources: Annuaire Statistique, 1988-89;
Recensement Generale, 1988;
SPEIN; SCIMPEX

EMPLOI SELON 1988 RECENSEMENT



Source: Recensement General de la Population, 1988

EMPLOI PAR SEXE (1988)

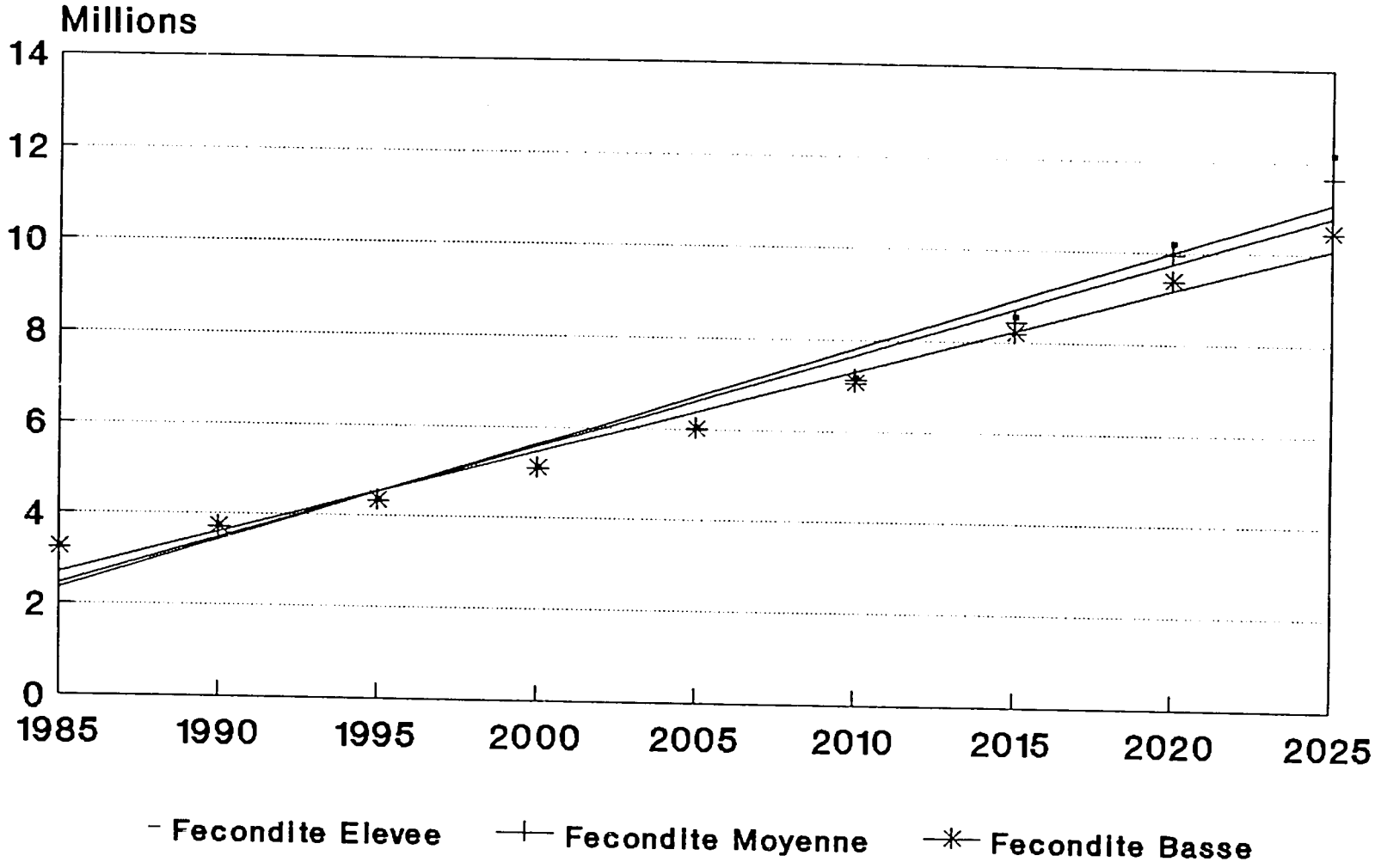


Source: Recensement Generale de la Population, 1988

POPULATION ACTIVE: 1985-2025

- Accroissement Enorme Prevu
- Population 15-64:
  - 1990: 3.7 millions
  - 1995: 4.3 millions
  - 2000: 5.1 millions
  - 2005: 6.0 millions
  - 2010: 7.1 millions
  - 2025: 11.7 millions
- 68% Est Active Aujourd'hui: 2.3 millions (1988)
- Pour Maintenir le Status Quo (62%),
  Il Faut les Emplois Suivants:
  - 1995: 2.9 millions
  - 2000: 3.5 millions
  - 2005: 4.1 millions
  - 2010: 4.8 millions
- Il Faudra Creer 1.2 Millions d'Emplois Entre 1988-2000

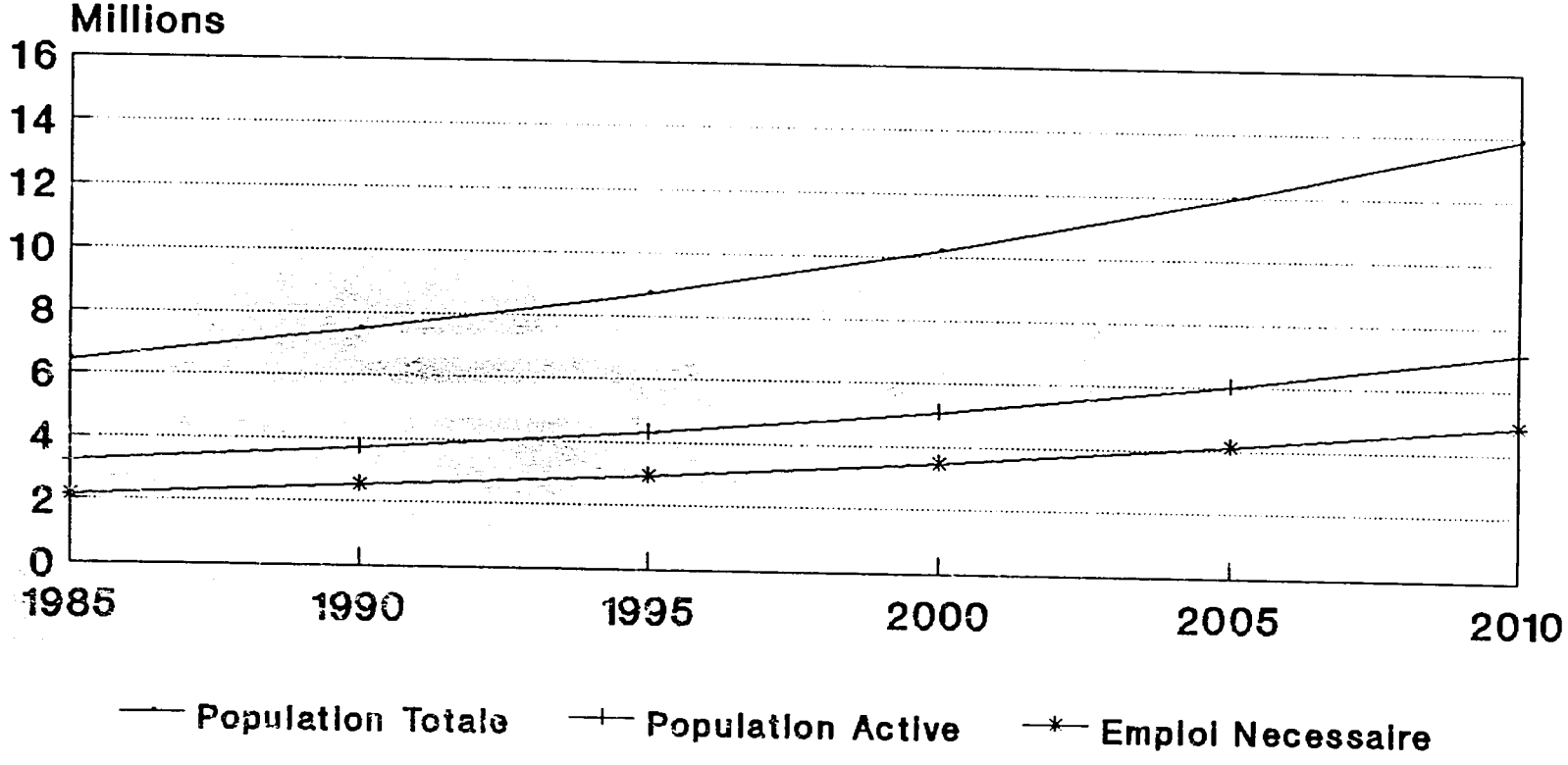
PREVISIONS DE POP. ACTIVE: 1985-2025



Source: Annuaire Statistique

EMPLOI NECESSAIRE

Fecondite Moyenne; 68% de la Population Active (Selon le Recensement General)



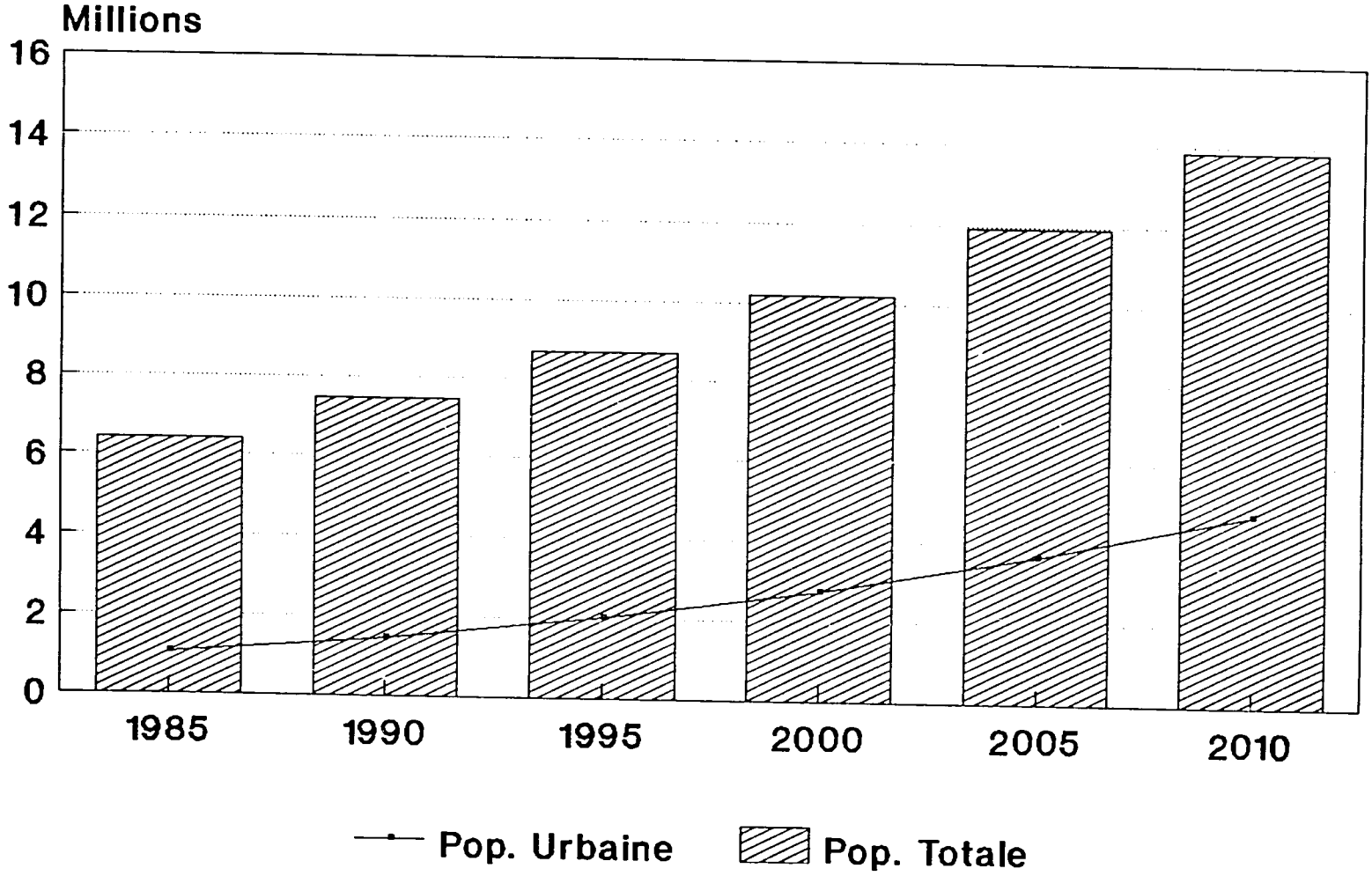
Source: Annuaire Statistique, 1988-89
Recensement General, 1988

POPULATION URBAINE: 1985-2010

- Accroissement Enorme Prevue
- Population Urbaine:
  1985: 1.0 millions = 16%
  1990: 1.5 millions = 19%
  1995: 2.0 millions = 23%
  2000: 2.7 millions = 27%
  2005: 3.7 millions = 31%
  2010: 4.8 millions = 34%
- Il Faudra Creer 1.2 Millions d'Emplois Jusqu'au 2000
- La Plupart des Emplois Seront Dans les Villes, et Dans les Secteurs Secondaires et Tertiaires
- La Faiblesse du Secteur Prive Formel Est Un Grand Defi au Gouvernement a Cause de Ses Problemes Fiscaux et Capacite Limitee des Entreprises Informels et du Secteur Rural Pour Absorber les Chomeurs

PREVISIONS DE LA POP URBAINE (1985-2010)

Fecondite Moyenne



Source: Annuaire Statistique

PROFIL SECTORIEL

- SECTEUR RURAL
  - 100% Secteur Prive (PIB)
  - Presque 100% Informel
  - 1988 PIB: FCFA 271 milliards = 39%
  - 1988 EMPLOI: 1.8 millions
- INDUSTRIES EXTRACTIVES
  - 11% Secteur Prive (PIB)
  - 1988 PIB: FCFA 44 milliards = 6%
  - 1988 EMPLOI: 5,750
- INDUSTRIES MANUFACTURIERES
  - 96% Secteur Prive (PIB)
  - Presque Tout Informel (Artisanat)
  - 1988 PIB: FCFA 57 milliards = 8%
  - 1988 EMPLOI: 63,690 (95% informel; 56% feminin)

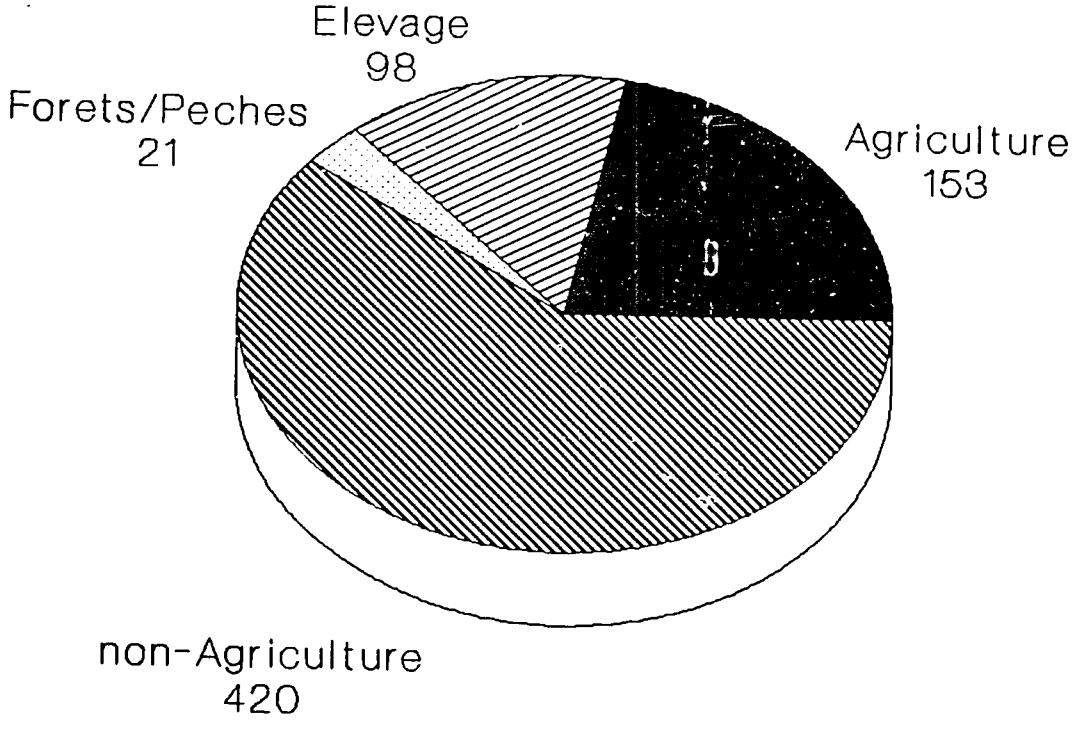
PROFIL SECTORIEL (cont.)

- EAU/GAZ/ELECTRICITE
  - 0% Secteur Prive (PIB)
  - 1988 PIB: FCFA 16 milliards = 2%
  - 1988 EMPLOI: 2,914
- BTP
  - 92% Secteur Prive (PIB)
  - 1988 PIB: FCFA 25 milliards = 4%
  - 1988 EMPLOI: 14,430
- COMMERCE/RESTAURANTS/HOTELS
  - 95% Secteur Prive (PIB)
  - Presque Tout Informel
  - 1988 PIB: FCFA 57 milliards = 8%
  - 1988 EMPLOI: 208,370 (98% informel; 54% feminin)

PROFIL SECTORIEL (cont.)

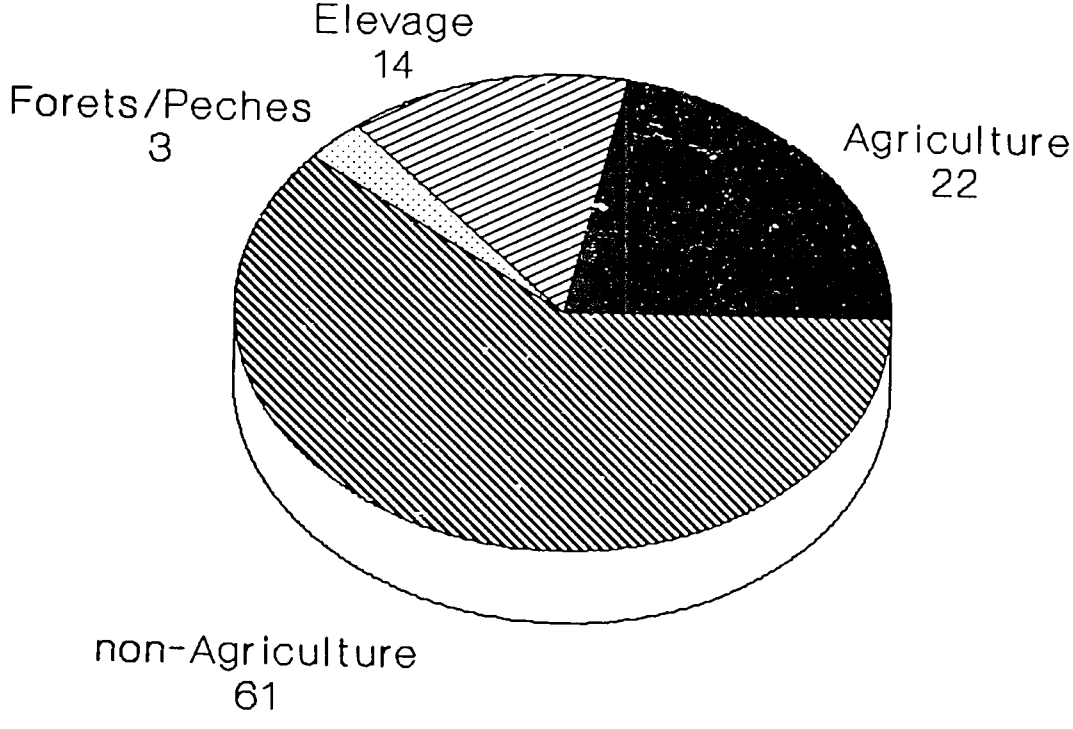
- TRANSPORT/COMMUNICATIONS
  - 65% Secteur Prive (PIB)
  - 1988 PIB: FCFA 26 milliards = 4%
  - 1988 EMPLOI: 15,734 (68% informel)
- AUTRES SERVICES
  - 36% Secteur Prive (PIB)
  - 1988 PIB: FCFA 165 milliards = 24%
  - 1988 EMPLOI: 202,326 (89% informel)

PIB DU SECTEUR AGRICOLE (mil'rds FCFA)



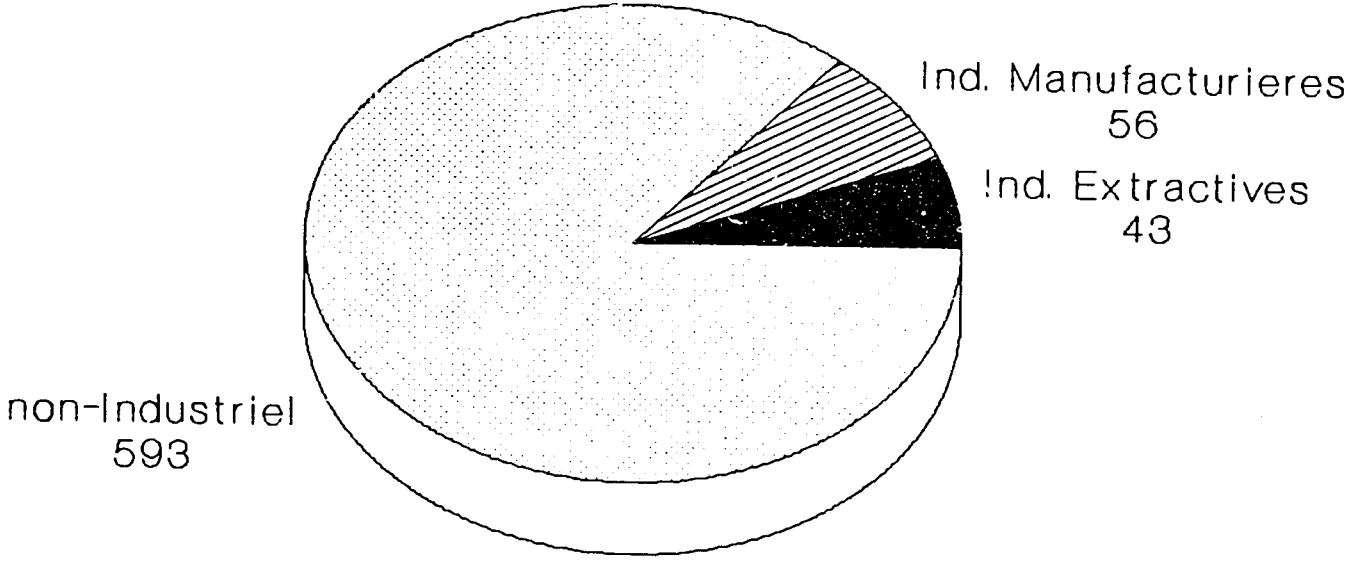
Source: Annuaire Statistique, 1988-1989

PIB DU SECTEUR AGRICOLE (%)



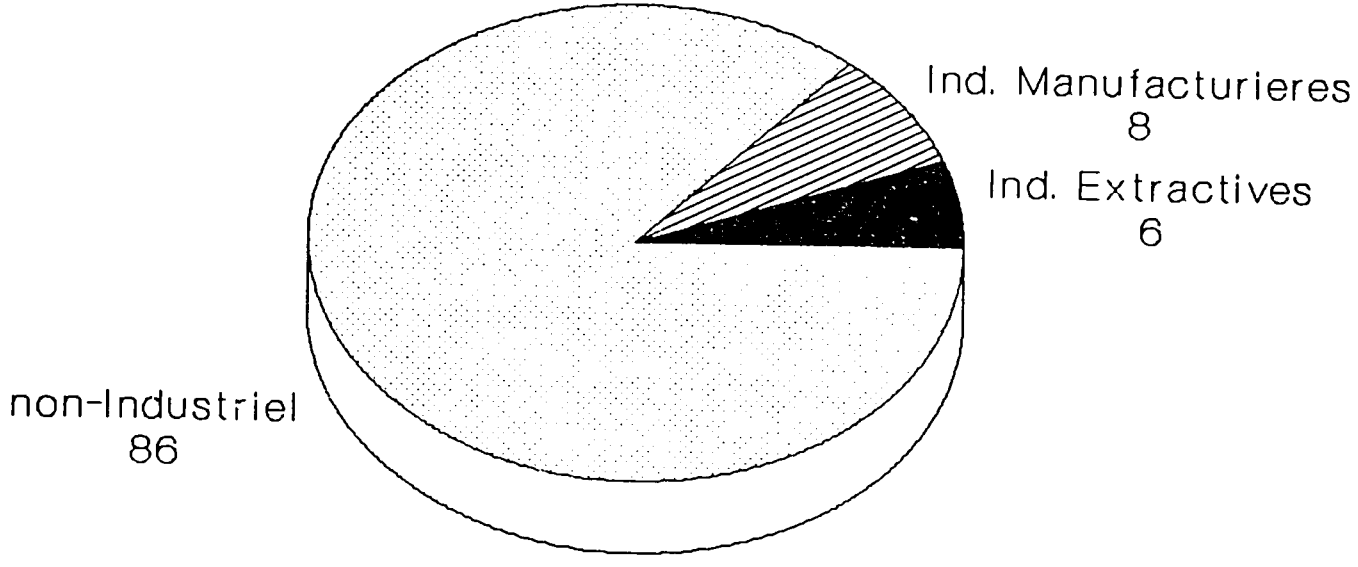
Source: Annuaire Statistique, 1988-1989

1988 PIB INDUSTRIEL (milliards FCFA)



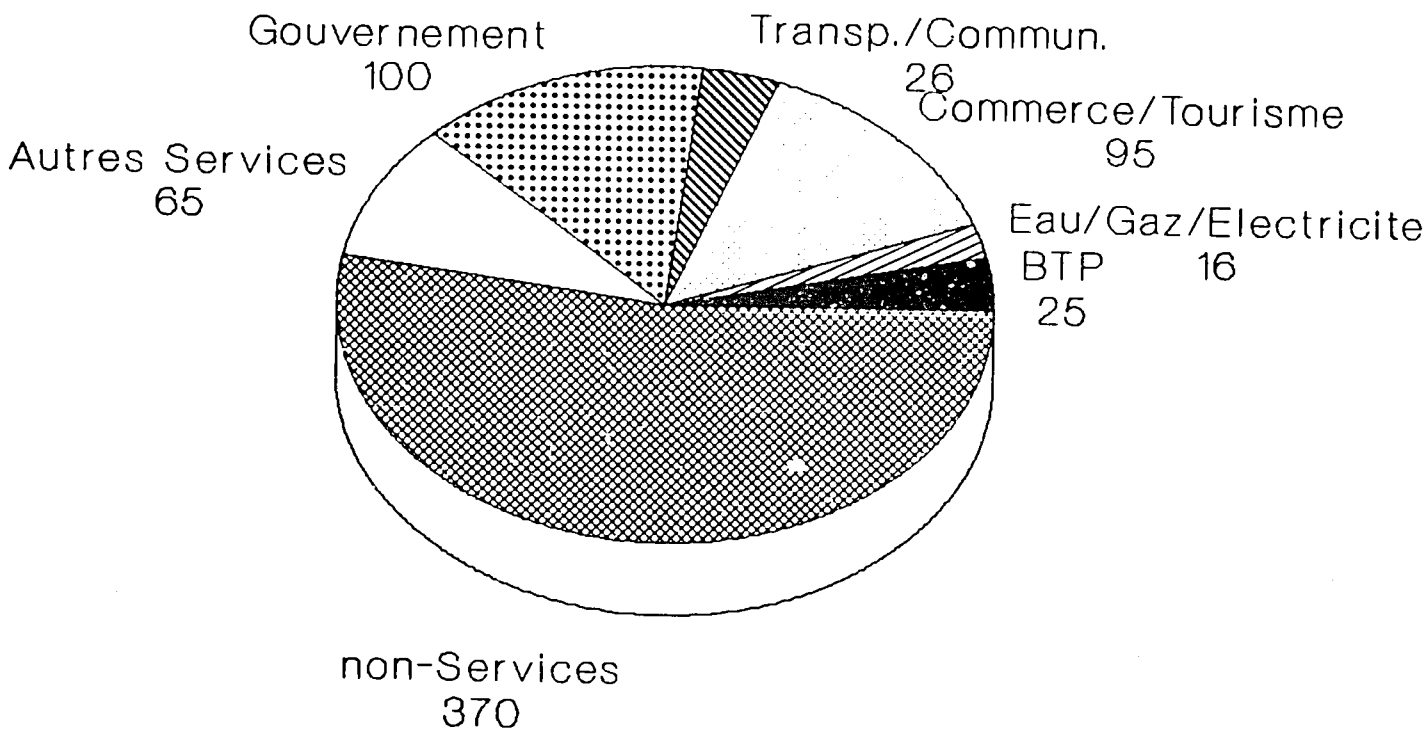
Source: Annuaire Statistique, 1988-1989

1988 PIB INDUSTRIEL (%)



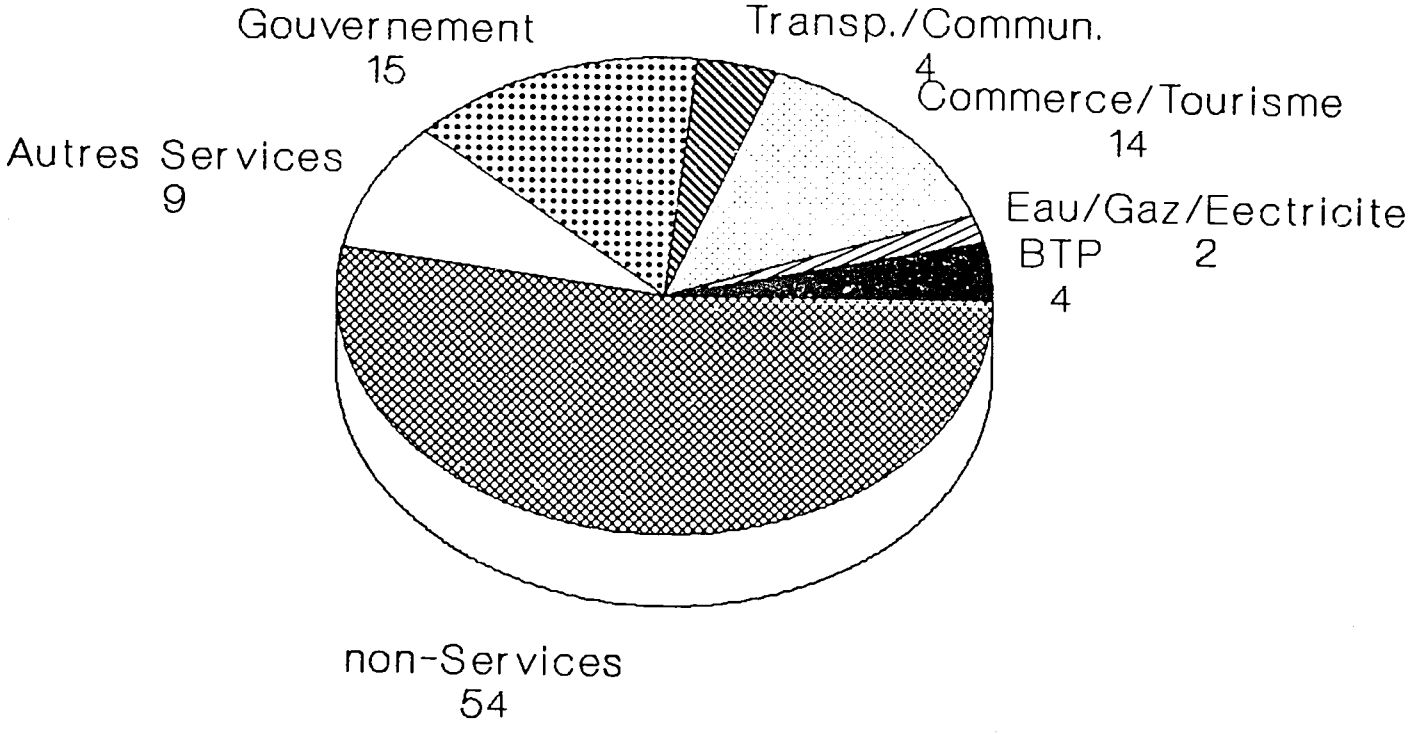
Source: Annuaire Statistique, 1988-1989

1988 PIB SERVICES (milliards FCFA)



Source: Annuaire Statistique, 1988-1989

1988 PIB SECTEUR SERVICE (%)

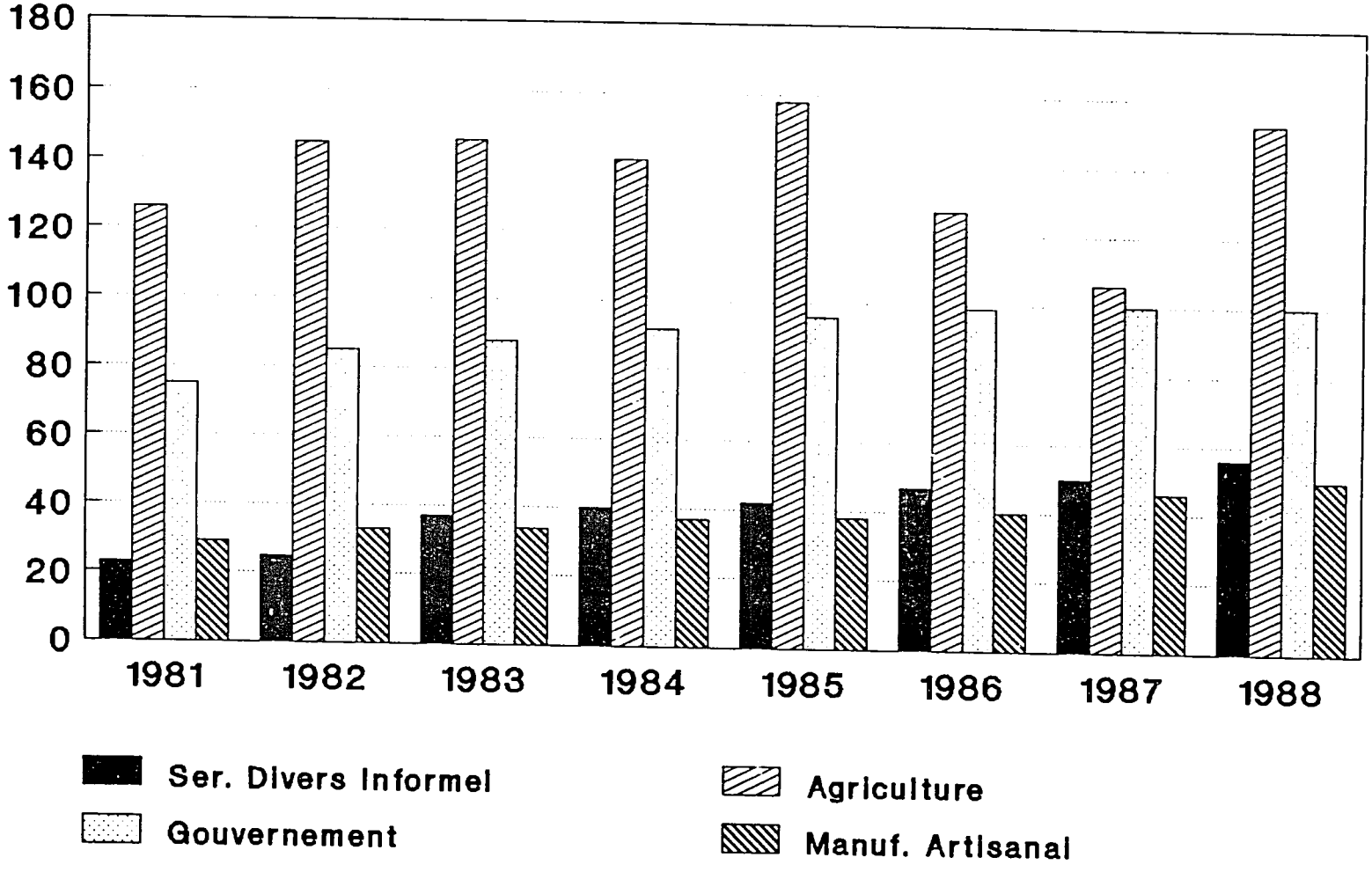


Source: Annuaire Statistique, 1988-1989

INFORMEL v. FORMEL

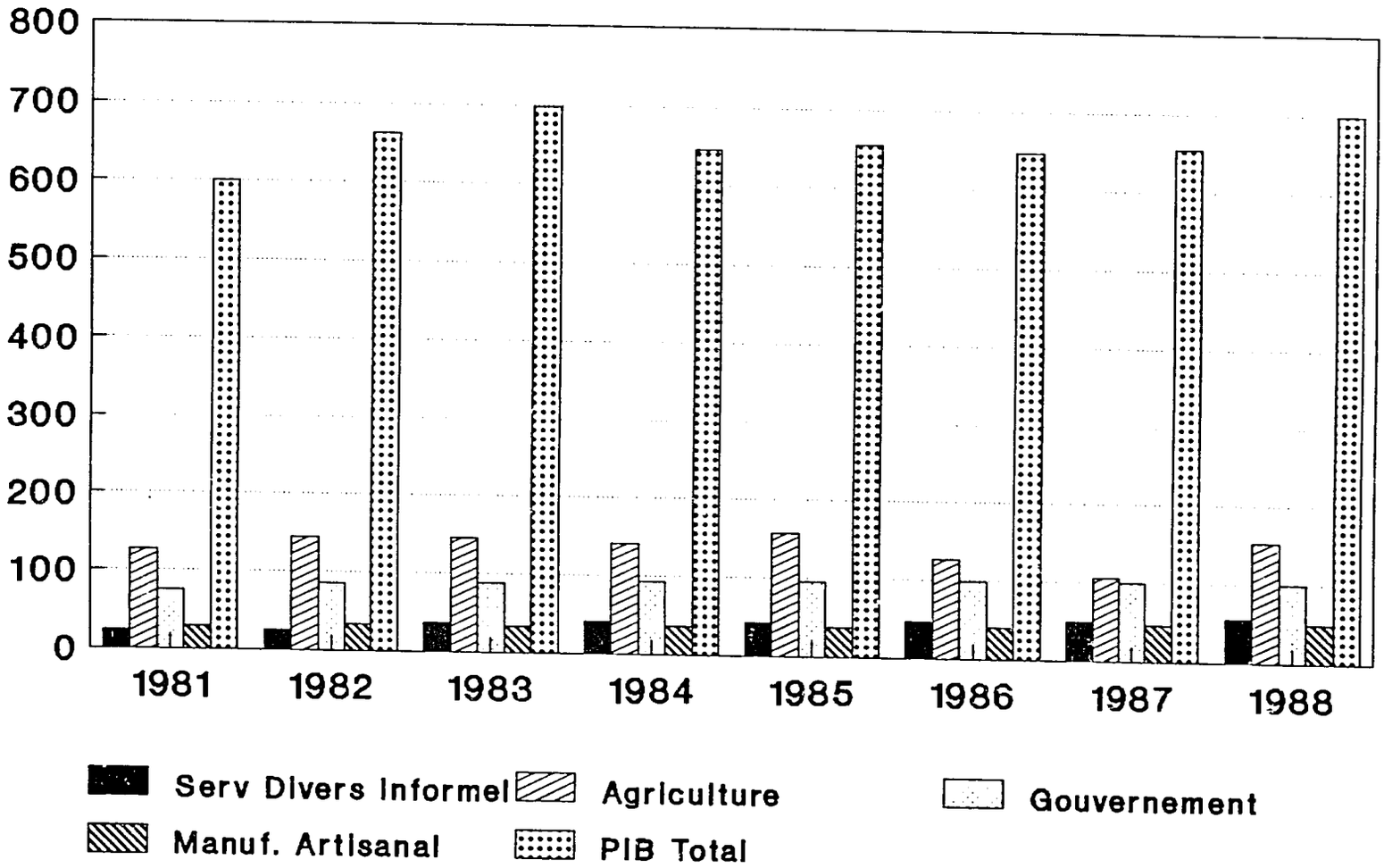
- TENDENCE VERS REMPLACEMENT DU SECTEUR FORMEL
- Divers Services et Industries Manufacturieres:
  Informel: Accroissement de FCFA 54 milliards
  entre 1988 et 1981
  Formel: Decroissement de FCFA 8 milliards
- BTP, Commerce et Tourisme, Industries Extractives:
  Informel: Accroissement de FCFA 21 milliards
  entre 1988 et 1981
  Formel: Decroissement de FCFA 39 milliards

SECTEURS EN CROISSANCE (mil'ds FCFA)



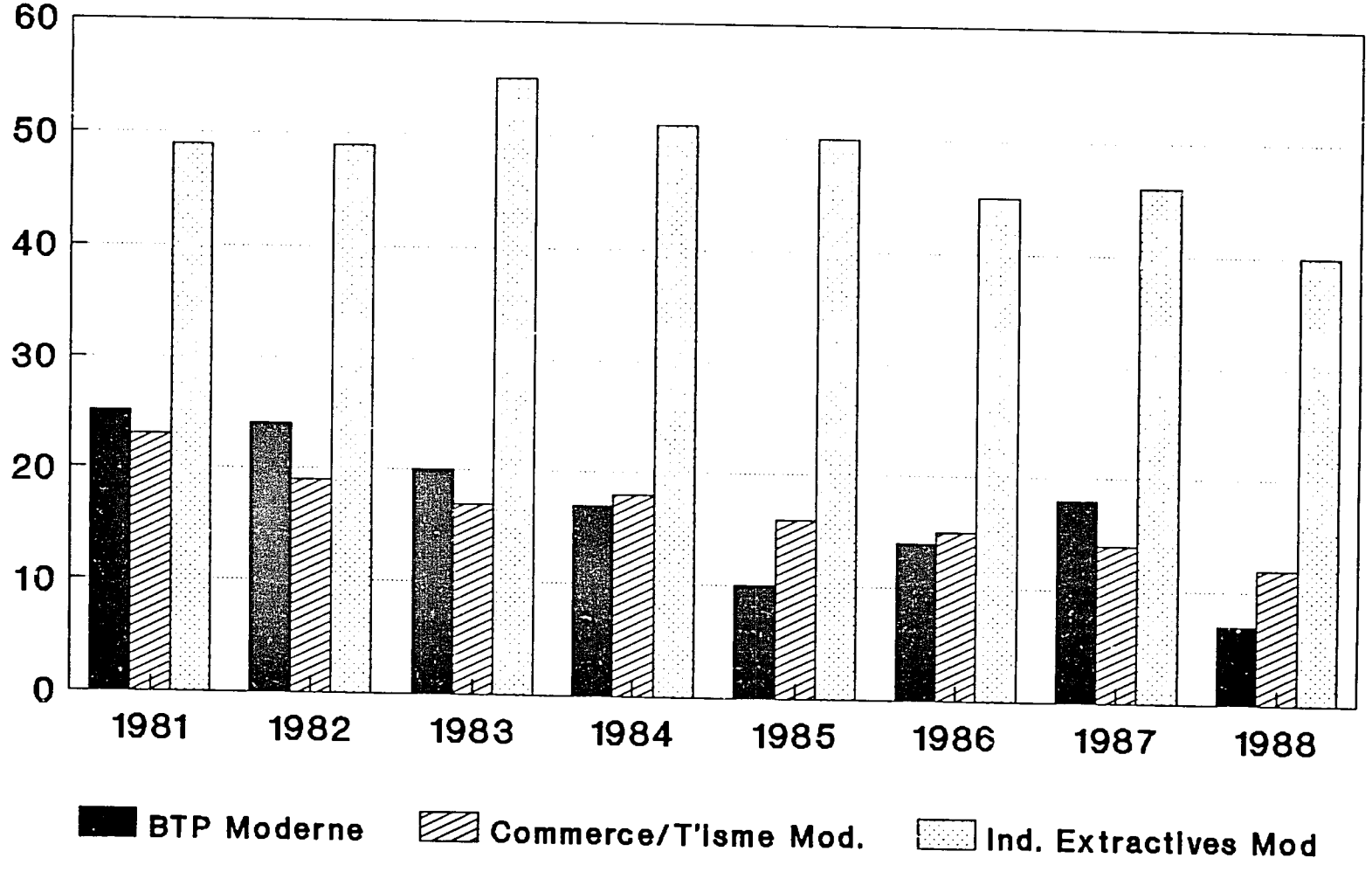
Source: Ann. Statistique

SECTEURS EN CROISSANCE (mil'ds FCFA)



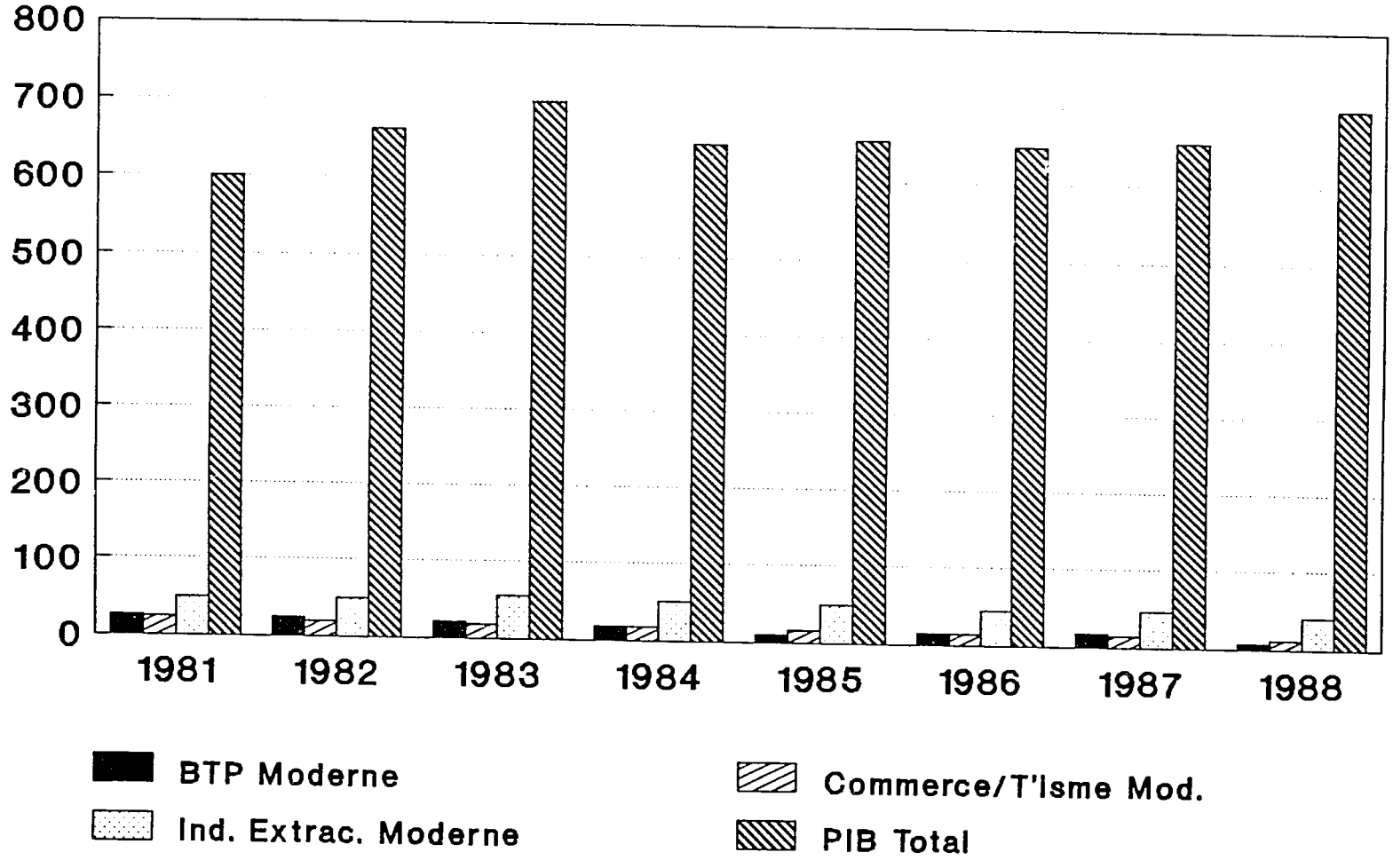
Source: Ann. Statistique

SECT'S EN DECROISSANCE: 1981-88



Source: Ann. Statistique

SEC'S EN DECROISSANCE/PIB TOTAL



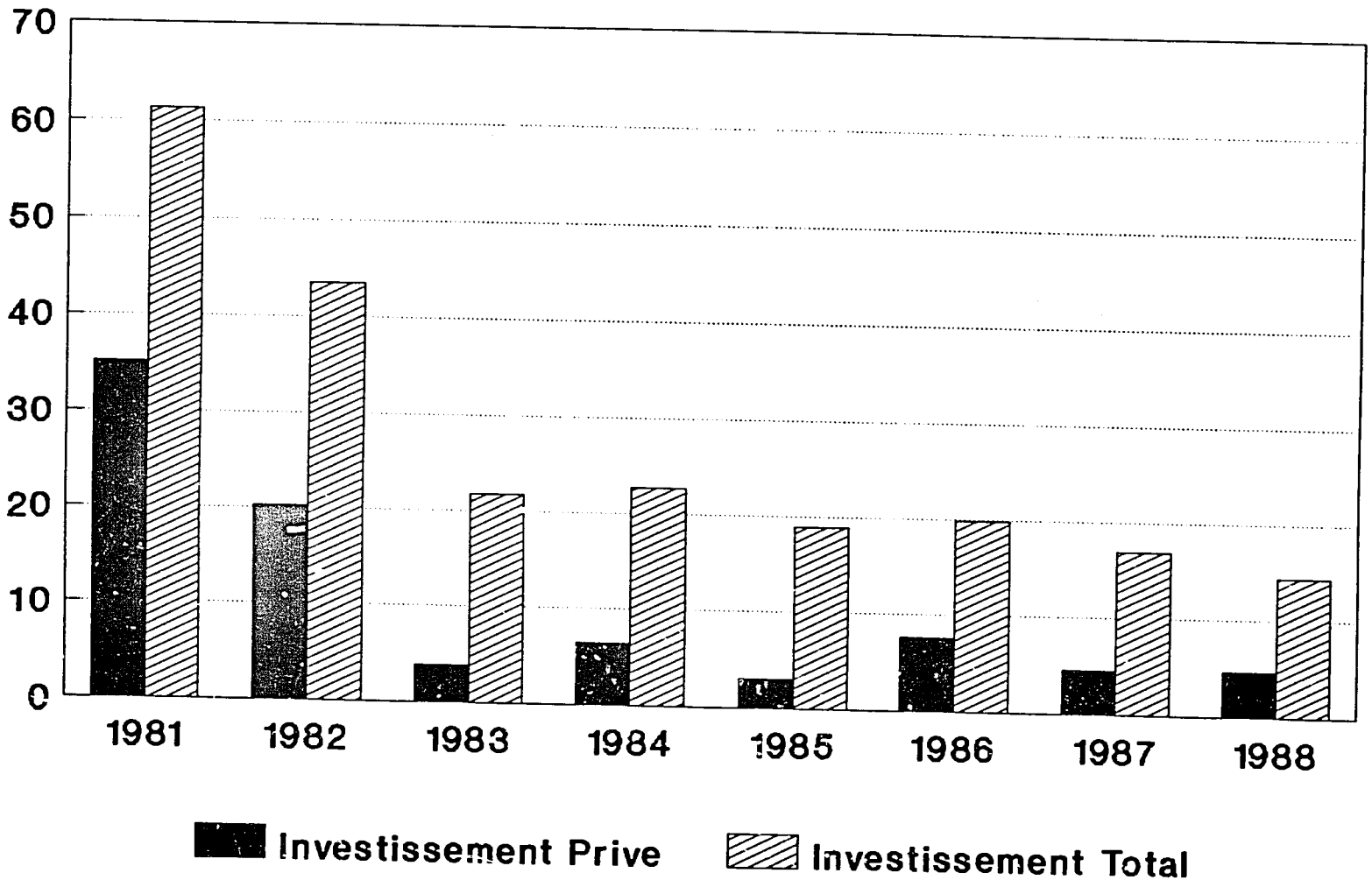
Source: Ann. Statistique

PRIVATISATION

- TRES PEU DE PROGRES EN FACE DE PRIVATISATION
  - Environnement d'Investissement Difficile
  - Programme Dirigiste du Gouvernement
  - Informatique, Comptabilite et Valuation
  - Marche/Pouvoir d'Achat Nigerien Limite
  - Manque de Gestion Professionel
  - Probleme de Capitale
  - Absence du Secteur Prive Formel
  - Code de Travail

- INVESTISSEMENT PRIVE NUL
  - Diminution Pendant les Annees 1980
  - 1981: FBCF 61 milliards dont FCFA 35 milliards du Secteur Prive
  - 1988: FBCF FCFA 14.5 milliards dont FCFA 5 milliards du Secteur Prive
  - Diminution Dans les Secteurs Suivants:
    - Transport (FCFA 18 milliards)
    - Commerce/Tourisme (FCFA 9 milliards)
    - Ind. Manufacturieres (FCFA 3 milliards)

INVESTIS'T PRIVE: 1981-88 (mil'ds FCFA)



Source: Ann Stat, Comptabilite Nat'le

SYSTEME BANCAIRE

- LE SYSTEME BANCAIRE NE FONCTIONNE GUERE
  - BDRN en Faillite
  - 44% des Credits du Bilan Consolide sont Litigieux et non-Performants
  - 94% des Credits sont a Courte Terme
  - 54% des Credits sont aux Commercants (Gros et Detail)
  - Peu de Credit pour les Investissements a Moyenne ou a Longe Terme
  - L'Epargne Tres Bas et Credit Trop Cher
  - Tontines et Systeme Informel Plus Dynamique

- Besoins du Systeme:
  - Taux d'Interets Liberalise (Credit et Epargne)
  - Systeme Bancaire Rural Hors de l'UMAO
  - Systeme Bancaire Urbain Semi-Formel pour Promouvoir d Petits et Moyens Entreprises
  - Formation des GIEs

ORGANISATIONS DU SECTEUR PRIVE

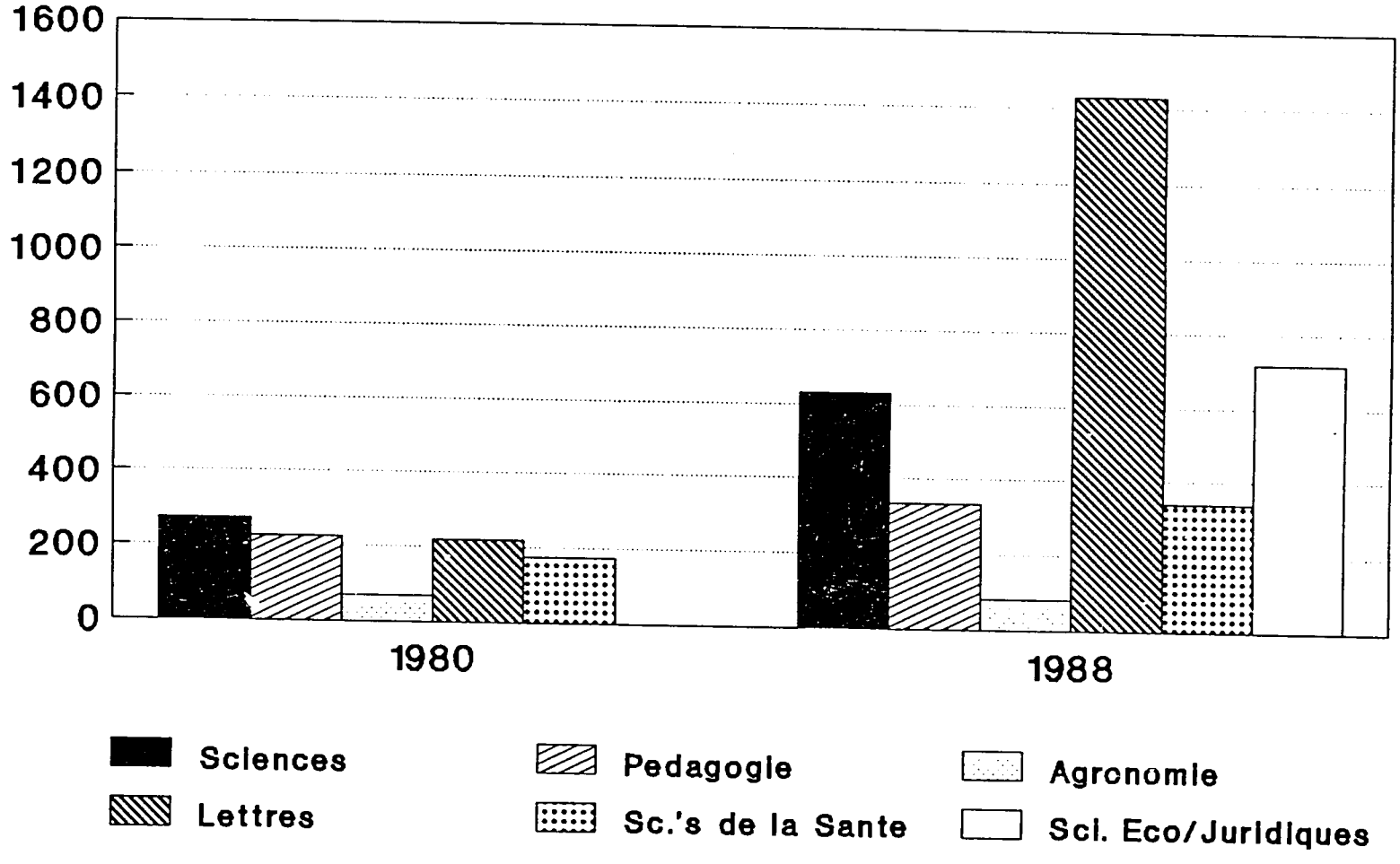
- Chambre de Commerce
  - Pas de Volonte du Secteur Prive
  - Branche du Gouvernement (Effectifs, Gestion)
  - Abonnement Obligatoire pour Secteur Formel

- Autres
  - Problemes d'Enregistrement
  - Approbation Tardive du Gouvernement
  - Interdiction d'Activites
  - Manque d'Interet comme Consequence
  - Manque de Ressources Financieres

- Conclusion: Manque d'Organisation Representative
  Renforcement du Secteur Informel

UNIVERSITAIRES SELON FACULTE

Universite de Niamey



Source: Annuaire Statistique