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AGRICULTURAL POLICY ANALYSIS PROJECT, PHASE II

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Assisting AID Bureaus, Missions and Developing Country Governments
to Improve Food and Agricultural Policies

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NIGER: SYNTHESIS OF NEPRP FINDINGS AND RECOMMENDATIONS - AN AGRICULTURAL MARKETING AND AGRIBUSINESS AGENDA

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**Prepared for
USAID/Niamey and S&T/AGR (A.I.D.)**

**Agricultural Policy Analysis Project, Phase II (APAP II)
A.I.D. Contract Number: DAN-4084-Z-00-8034-00**

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LIST OF ACRCNYMS

ASDG	Agriculture Sector Development Grant
BCEAO	Banque centrale des états de l'Afrique de l'ouest
BIC	Bénéfice commercial and industriel
CFA	Communauté financière africaine
CLUSA	Cooperative League of the USA (still known by this name in Niger, although now officially renamed National Cooperative Business Association)
CNCE	Centre nigérien du commerce extérieur
CNCA	Caisse nationale de crédit agricole
CNUT	Conseil national des utilisateurs des transports
CP	Condition Precedent
CPSP	Country Program Strategic Plan
DCD	Direction des contributions devises
ECOWAS	Economic Community of West African States
GIE	Groupement d'intérêt économique
GON	Government of Niger
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
MAPS	Manual for Action in the Private Sector
MED	(CARE) Maradi Micro Enterprise Development Project
NEPRP	Niger Economic Policy Reform Program
NHSG	Niger Health Sector Grant
ODA	Overseas Development Assistance

PAAD	Program Assistance Approval Document
PAFT	Le plan d'action forestier tropical
PAM	Policy Analysis Monitoring Project
PIGRN	Le programme intégré de gestion des ressources naturelles
PNLCD	Le plan national de lutte contre la désertification
RA	Rapid Appraisal
SAP	Système d'alerte précoce
SONARA	Société nationale de l'arachide
SNCP	Société nationale des cuirs et peaux
SONITAN	Société nigérienne de tannerie
UNC	Union nationale des coopératives
USAID	United States Agency for International Development
WOCCU	World Council of Credit Unions

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Nonetheless, any errors remain the author's.

ABSTRACT

This study examines the constraints and opportunities facing the agricultural sector in Niger, and suggests recommendations for market and agribusiness development. The study was conducted under the Agricultural Policy Analysis Project (APAP) at the request of USAID/Niamey. The analysis relies on a review of research documents and interviews with knowledgeable sources in the United States and Niger.

The document presents an overview of Niger's economy and USAID/Niamey's Economic Policy Reform Program (NEPRP) and reviews studies commissioned by this program. The document identifies common themes within these studies and synthesizes agricultural marketing and agribusiness constraints and opportunities in Niger. The recommendations emphasize actions that would help Niger's agribusinesses add significant value to subsectors in which the country has an established or potential comparative advantage, such as onions, cowpeas, meat and livestock, and hides and skins. These actions entail market development initiatives including research, promotion, improved technology, training, credit, and market information.

EXECUTIVE SUMMARY

1. Context and Purpose

This study, conducted under the Agricultural Policy Analysis Project (APAP) at the request of the United States Agency for International Development/Niamey, is an input to the Mission's Country Program Strategic Plan (CPSP). The study examines agricultural marketing and agribusiness constraints and opportunities in Niger, and suggests actions to promote market development in key subsectors. The analysis is based on a review of research studies, most of them commissioned by the USAID Niger Economic Policy Reform Program (NEPRP), and on interviews with knowledgeable sources in the United States and Niger.

Niger's economy depends heavily on a declining uranium sector that still provides the country's leading export. As the uranium sector weakens, the country relies more on agro-pastoral exports, mostly to Nigeria. In 1983, Niger started a structural adjustment program to help correct economic imbalances. USAID/Niamey has played a significant role in these reforms.

2. Overview of NEPRP and Review of NEPRP Studies

NEPRP has been instrumental in helping the Government of Niger (GON) carry out policy and institutional reforms to foster increased exports of agro-pastoral products. Besides a grant to the GON, the program includes technical assistance, short-term training, monitoring, and funds for research. NEPRP studies have analyzed key agro-pastoral subsectors in Niger (livestock and meat; hides and skins; cowpeas; and onions), and compared the trade regulations of Niger and Nigeria. These studies and their recommendations are summarized in Exhibit 2.8.

The NEPRP study on livestock (livestock ranks second after uranium in volume of exports) recommended trade liberalization, increased incentives, improved market information, and applied research. The study on hides and skins, which have been declining in quality recently, recommended a timely supply of inputs, improved facilities, better trained extension agents, revised trade regulations, restructuring of the privatized parastatals, and improved market information. For cowpeas, which have replaced peanuts as Niger's leading export crop, the NEPRP study recommended the elimination of export taxes, in-depth surveys of cowpea production and marketing, market system innovations, and the strengthening of local institutions. To further the development of the onion subsector, which has remained under private sector control, the NEPRP study recommended the elimination of export taxes, staggered planting for continuous supply, storage improvements, more effective cooperatives, reduction of extortion, and better market information. Finally, the NEPRP study of Niger's trade regulations recommended that the GON adopt a new Code of External Commerce and emphasize better service to agribusiness, and that donors continue support to the GON to help it carry out these reforms.

Based on these recommendations and NEPRP conditionalities, the GON eliminated export taxes and licenses, streamlined export procedures, and posted a commercial attaché in Kano to provide Nigerian trade data to Nigeriens. The GON is also revising its trade laws and has already published a new business charter to improve the business climate. There are encouraging signs in the hides-and-skins sector: A new private company has emerged, and the now privatized parastatal hired a new manager to help improve production quality. In the cowpea subsector, unfortunately, Nigeria has just imposed a total ban on cowpea imports. The ban does not stop clandestine exports from Niger; it succeeds only in forbidding formal trade ties and increasing transaction costs (bribes). In onion marketing, a *feuillet statistique* (statistical form), introduced by the GON to collect export data, confuses exporters and adds to their costs. Despite these heavy administrative procedures, progress has been made in economic reforms. However, many have taken effect only recently, so their impacts are yet to be fully felt.

3. Constraints and Opportunities in Agricultural Marketing and Agribusiness in Niger

Niger faces many constraints but also a few opportunities in several areas. Niger is more Saharan than Sahelian and its arable lands are fragile. It needs to carefully manage its natural resources as it attempts to develop agro-pastoral exports. USAID/Niamey is contributing to the effort of harmonizing the different initiatives the GON is contemplating in natural resource management.

The overvaluation of the CFA franc relative to the Nigerian naira erodes Niger's comparative advantage in its trade with this major partner. However, as a member of the CFA zone, Niger has little power to realign the CFA franc on its own. It must rely on improving labor productivity and fiscal deficits to remain competitive in agro-pastoral exports.

In sectoral policies, the GON has made a considerable effort to reform its trade laws and regulations. The business climate has improved but there are still untapped opportunities to increase the participation of agribusiness in market development. The Chamber of Commerce could play a stronger role in assisting the private sector and facilitating the organization of business associations.

Access to credit is a key concern in Niger. USAID is experimenting with three interesting ways to provide credit: WOCCU credit unions, CLUSA guaranteed loans and management training, and CARE credit for microenterprises. The Mission realizes these schemes have not increased traders' access to credit and that they need to be improved, drawing on traders' willingness to pay high interest rates in the informal sector.

Several studies have recommended the collection and dissemination of market information to agribusiness. USAID initiated collection of grain and livestock data, but the GON disseminates the information only to officials and decision makers. The Nigerien commercial attaché in Kano, Nigeria, has started collecting trade data. These efforts, with proper direction, present opportunities to provide relevant market information to agribusiness.

Access to water supply remains a difficult issue in a semi-arid country. Because of their high costs, irrigation schemes must emphasize the production of high-value crops. The high transport costs associated with Niger's huge size also limit access to water in many areas. The road infrastructure, however, has dramatically expanded during the uranium boom, to the extent of contributing to excess capacity along major interurban routes. However, new investment in vehicles will be needed to develop meat export markets. Government officials also consider improved market facilities to be very important. Market facilities must be constructed to meet agribusiness needs and provided with resources for maintenance.

Several factors explain the lack of use of modern production techniques in agriculture, livestock, food processing, and various cottage industries. Perhaps the most critical factor remains the limited development of human resources in Niger. Lack of training limits the pool of skilled labor in both the formal and informal sectors.

4. Recommendations

This study recommends initiatives in market development, training, credit, market information, organizational changes, monitoring, and further research which are consistent with AID/W Africa Bureau's "Strategic Framework for Agricultural Marketing and Agribusiness in Sub-Saharan Africa." The recommendations emphasize the strengthening of market participants' capacity and the improvement of market system technology and infrastructure in the context of continued consolidation of the policy environment.

Market development emphasizes an interactive and iterative process of market research, promotion, and improved technology. To help strengthen indigenous entrepreneurship and managerial skills, the study recommends integration of trade delegations to importing countries, in-country workshops, and technical assistance in the areas of market research and promotion. Trade delegations and in-country workshops should involve all key market participants, including traders and producers, to help increase vertical coordination. Marketing specialists should provide technical assistance and on-the-job training to help Nigeriens carry out the process.

The recommended approach, involving trade delegations and in-country workshops, helps to focus market participants' attention on the improvement of technology to add value to agricultural commodities. This study emphasized the need for improved technology and physical infrastructure at all marketing stages, including storage, conservation, grading, and packaging.

Improvement of storage and conservation techniques should start with systematic tests of local techniques used at different levels of the marketing channel. Market participants should be involved in experimenting with improved techniques. Improved storage or conservation has higher potential payoff in onions and hides and skins than in cowpeas.

Better grading would help increase the export value of Nigerien hides and skins. The subsector needs to develop standard grades and reduce the practice of adulterating products.

Trade delegations would be one method of allowing existing or potential exporters to see firsthand the quality requirements for competing in export markets. It is worth experimenting with alternative methods of packing and sorting onions; there are potential gains in reducing transport losses while increasing the shelf life of Nigerien onions and their appeal to foreign consumers. Another area of innovation concerns standard weights and measures. Enforcing standardized measures would help increase competition and lessen the mistrust among participants.

Training is necessary in order to strengthen market participant capability. Strengthening managerial skills of Nigerien agribusiness would help traders move from the informal to the formal sector. Although private agribusinesses are the focus of the recommendations, public officials also need managerial skills to support agribusiness, for example, in market research and promotion. Nigerien officials also need improved skills in agricultural policy analysis to support market development.

Access to credit is important to ensure the effectiveness of the strengthened market participant capability. The Mission needs to reevaluate credit schemes in light of the suggested market development strategy. Existing pilot credit schemes supported by USAID/Niamey focus on small rural savers or microenterprises, and do not meet the needs of rural traders. Pilot credit schemes are recommended in areas with strong potential for the development of marketing of horticultural or other agricultural products. Exploring ways to involve market participants in the design and implementation of credit institutions and other market service infrastructure is also recommended.

The GON has broadcast livestock prices every Saturday afternoon for several months. Based on this development, it is likely that the GON may take steps to publicly broadcast agricultural market prices in the future. The Mission will continue market data collection for monitoring purposes. This study recommends that the Mission experiment with the dissemination of such information to agribusinesses through the Chamber of Commerce. The Mission should also experiment with different ways of collecting information about informal transactions, such as paying key informants in major markets to collect data.

This study recommends organizational changes regarding the Chamber of Commerce, and legislation regarding the Groupement d'intérêt économique (GIE). However, reform of the Chamber of Commerce should avoid mistakes that were made in the privatization of parastatals; traders must be ready to support the costs of running the institution.

Suggestions for additional removal of taxes must be studied carefully. Major tax reforms have already been undertaken, and the GON has been unable to raise alternative tax revenues. This study recommends a consolidation of the policy environment by focusing on full implementation of the measures already initiated.

This study also recommends that the Mission continue to monitor and evaluate the impact of policy reforms to determine whether assumptions made during the design process were

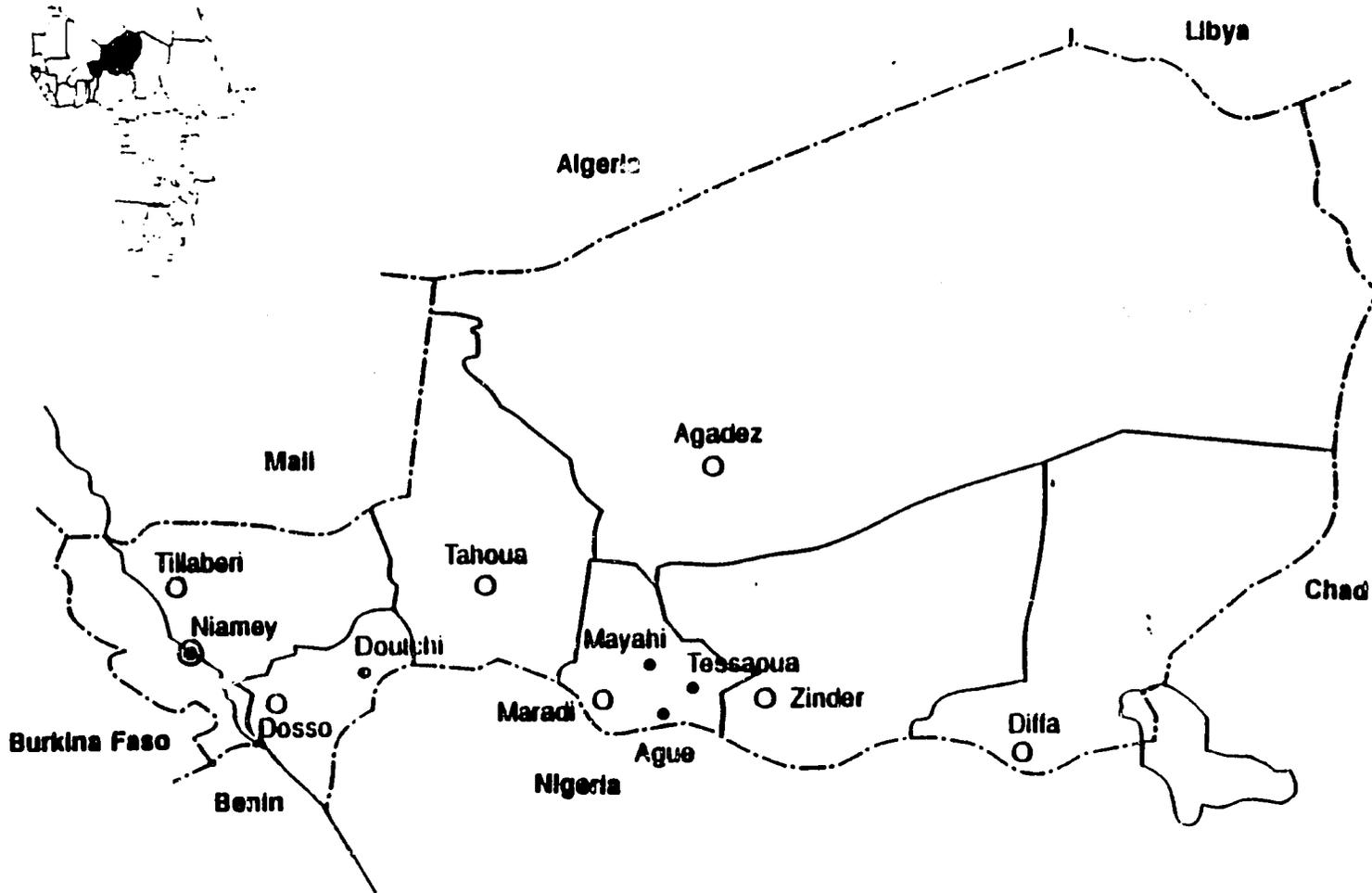
correct; to identify eventual slippage in implementation; and to measure the impact of reforms and market development. Several efforts initiated by the Mission are being pursued, including attempts to harmonize the CPSP monitoring needs and the API requirements. Field surveys and interviews during NEPRP studies have provided valuable data for the monitoring process. However, additional in-depth studies are needed as a basis for further market development.

5. Conclusion

The core of the study's recommendations is to promote actions that help Niger's agribusiness add significant value to subsectors in which the country has an established or potential comparative advantage. The Mission CPSP therefore needs to go beyond the policy reforms supported to date to promote market development. Major reforms have been undertaken; the business climate has improved; but the lagging results undermine the GON's resolve to pursue further reforms and the confidence of agribusiness to invest. Concrete actions are needed to take advantage of what has been accomplished and to sustain the momentum of economic reforms. The Mission should increasingly emphasize direct assistance to the private sector and at the same time assist government officials in making the transition from activities aimed at controlling the private sector, to activities which encourage and allow entrepreneurs to take advantage of investment opportunities.

MAP OF NIGER

Republic of Niger



1. INTRODUCTION

1.1 Background

This study is one of several requested by USAID/Niamey to help the Mission develop a Country Program Strategic Plan (CPSP). USAID/Niamey provided funding for this study through the Agricultural Policy Analysis Project (APAP). The document reviews the constraints and opportunities in agricultural marketing and agribusiness in Niger. It gives particular attention to institutional and market elements that are key to the expansion of Nigerien agro-pastoral, postharvest activities.

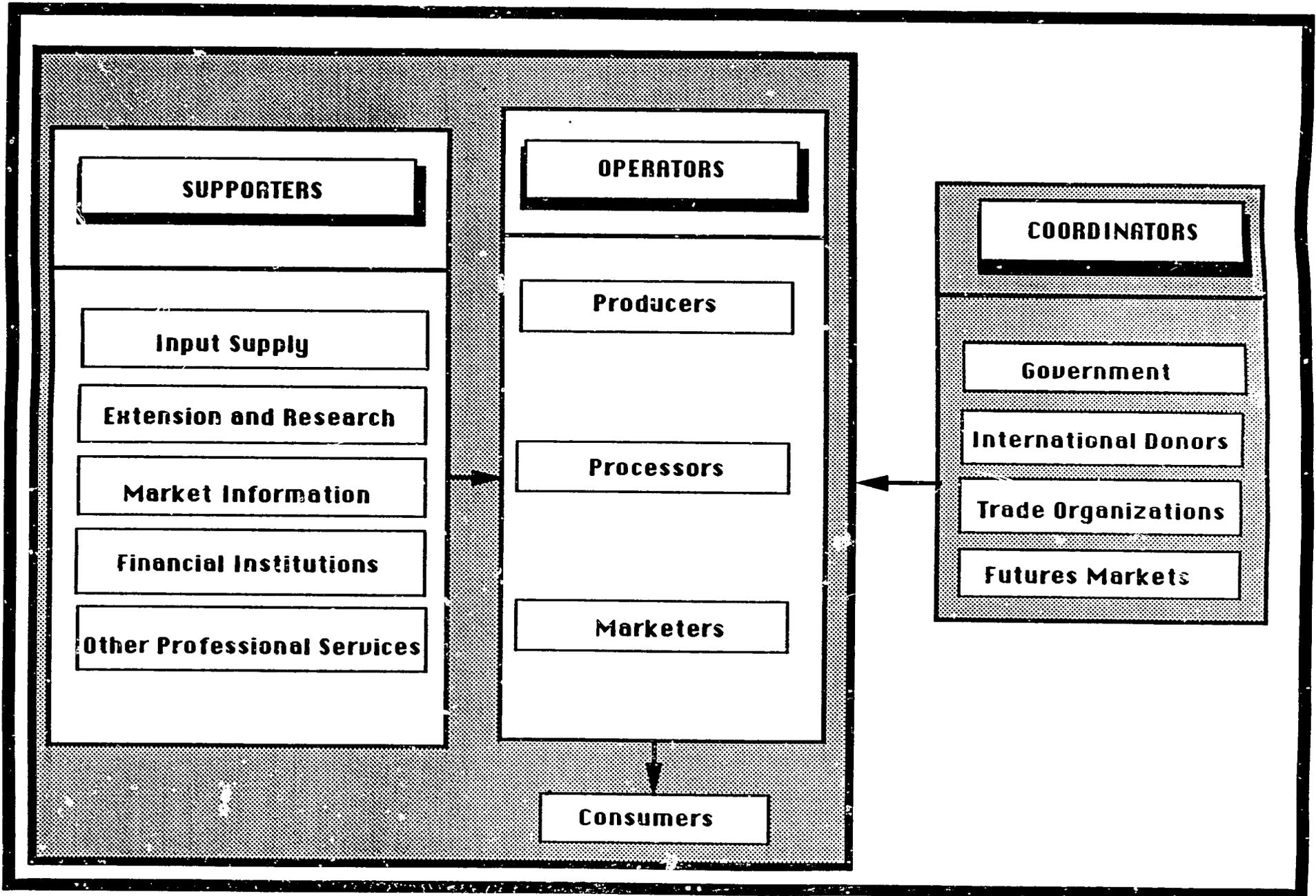
The report focuses on agribusiness and marketing in the following areas:

- Transformation, storage, processing, and internal and export marketing of agro-pastoral products, including basic grains;
- Non-farm products produced in or for the rural economy;
- Availability and quality of support services (market town services, small-scale enterprises, and credit and financial services).

In recent years, the Mission has commissioned several studies as part of its Niger Economic Policy Reform Program (NEPRP), as well as other programs to determine the constraints and opportunities in Niger's agricultural marketing and agribusiness. A next step in NEPRP is the analysis of common themes and opportunities across these studies to suggest concrete action programs promoting market development and innovations in key subsectors. This study was supplemented by interviews with knowledgeable individuals in the United States and in Niger (See Annex A).

Agricultural marketing and agribusiness have different meanings for different people. This document draws on definitions widely used in the literature, notably by the A.I.D. Africa Bureau's Strategic Framework for Agricultural Marketing and Agribusiness Development in Sub-Saharan Africa (AID/W, 1991): "This Strategic Framework takes a broad approach to agricultural marketing by defining it as a process by which inputs are delivered to farmers, output is collected from farmers and commodities are transformed before being delivered to consumers." Market participants in this system include farmers, input suppliers, policymakers, market administrators, parastatal firms, individual private traders, processors, transporters, and commodity brokers. Exhibit 1.1 divides these market participants into supporters (suppliers of inputs, extension agents, market information and other professional services), operators (producers, processors, marketers, and consumers), and coordinators (government, donors, trade organizations, and futures markets). During the marketing process, value is added to agricultural commodities when they are moved over space (e.g. from surplus areas to deficit

Exhibit 1.1
Market Participants in an Agribusiness System



ones), when they are held over time (e.g. in storage to ensure the availability of commodities when demanded), and when they are transformed (e.g. through processing and packaging). These value-added activities are summarized in Exhibit 1.2.

Enterprises or operators (i.e. market participants) that add value to agricultural commodities during the marketing process are defined as agribusinesses. Agribusiness is therefore the process by which value is added to agricultural commodities. To the extent that farmers and cooperatives engage in activities that add value to farm produce (e.g. storage and transportation to market places), they also engage in agribusiness. This document uses terms related to agricultural marketing and agribusiness consistent with the definitions given above.

Defining agricultural marketing as a process including all the value-added stages and various operators involved is desirable because it takes into account the full spectrum of economic activities involved in feeding people. Since one of the most important functions of an efficient marketing system is to offer incentives to individuals and agribusinesses to increase productivity, it is important to understand who these participants are, what functions they perform, and how they perform them.

The remainder of this introduction provides a brief overview of Niger's economy. Section II briefly describes the NEPRP and reviews the studies conducted under this program. Insights from the studies' major findings and recommendations are summarized and updated in a synthesis of recent developments in the relevant subsectors. Section III analyzes constraints and identifies opportunities in agribusiness in Niger. Section IV presents recommendations for the Mission's CPSP that identify areas for improvement and discuss the potential risks involved. Section V concludes the study.

1.2 Overview of Niger's Macroeconomy

Niger depends heavily on revenues from uranium mining and on an agricultural sector at the mercy of extremely harsh weather conditions. The rural sector engages 90 percent of a fast-growing population, but remains stagnant (36 percent of GDP in recent years) mostly because of the poor performance of drought-prone agriculture. Exhibit 1.3 shows Niger's structure of national account aggregates from 1984 to 1989. The rural sector, including agriculture, livestock, forestry and fishing, has shown a negative growth rate in all but two years from 1984 to 1989. Both livestock and agricultural products are exported. Niger's major export market for rural products is Nigeria, which purchases substantial quantities of livestock and cowpeas. Onions are exported to Côte d'Ivoire and other coastal markets.

The contribution of the rural sector to export receipts is dwarfed, however, by uranium export revenues. Three-fourths of all export receipts come from uranium. The uranium sector spurred economic growth in the 1970s, but has steadily declined since 1980, with no apparent sign of recovery. Yet, uranium still generates the largest share of the country's export revenues (76 percent). The private sector MAPS study recently commissioned by USAID/Niamey emphasized that while the majority of Nigeriens make their living from

agriculture and livestock, GDP and employment ratios are declining, reflecting urbanization and desertification (MAPS Private Sector Description Phase II, 1991).

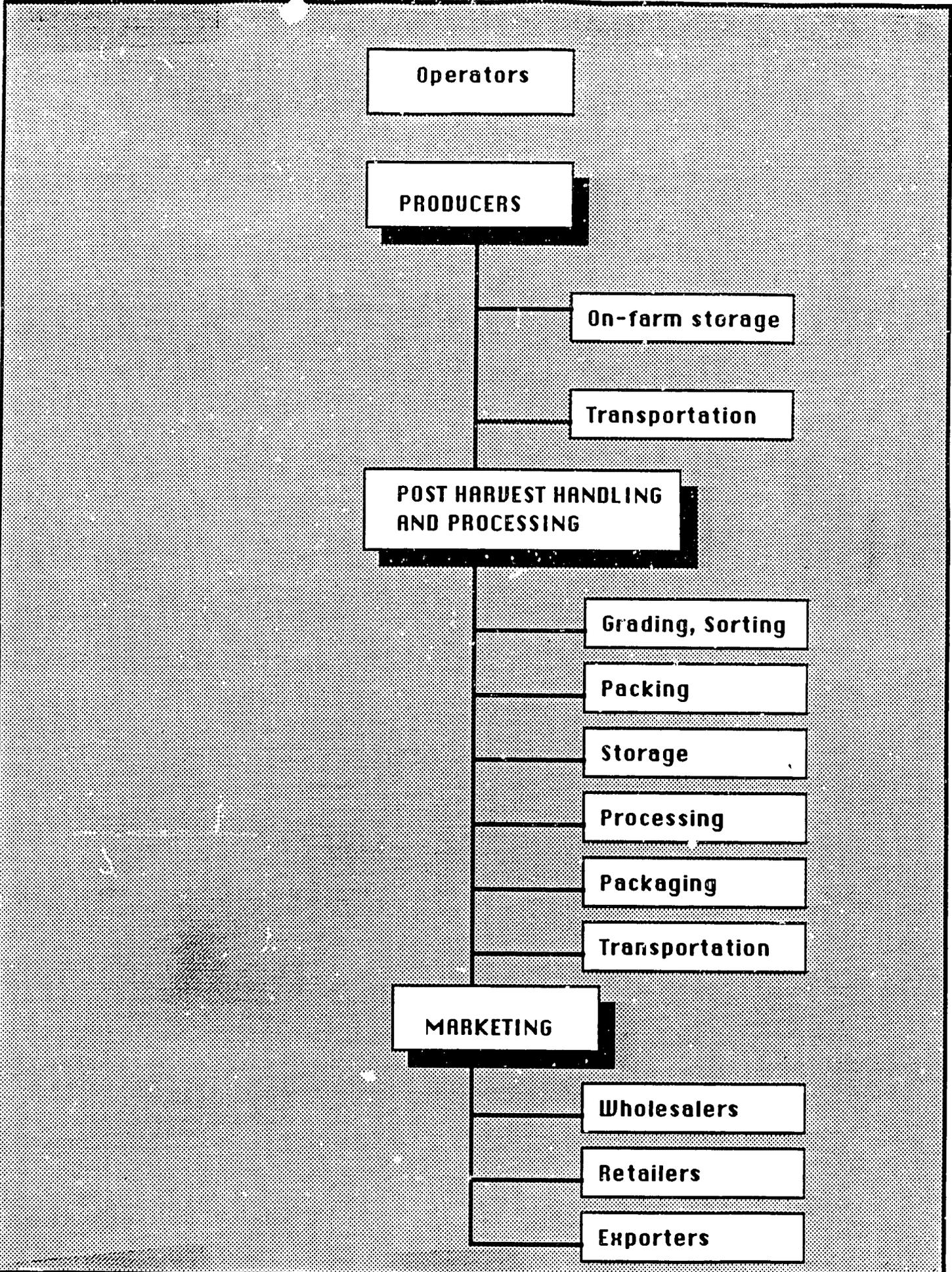
Landlocked, Niger sees promising prospects for economic development of the rural sector in the export of agro-pastoral products to neighboring countries. Two countries in particular play important roles: Nigeria, the dominant economy of the region, and Côte d'Ivoire, which belongs to the same franc zone as Niger. During the 1984-1989 period, 72.81 percent of Niger's exports to developing countries went to Nigeria (66.70 percent) and Côte d'Ivoire (6.11 percent) according to recorded figures (see Niger: Direction of Trade, Annex C).

Since 1983, the Government of Niger (GON) has implemented several structural reforms with the assistance of the World Bank, the International Monetary Fund (IMF), USAID, and other donors. The reforms aim to correct economic imbalances caused by external factors (particularly declining uranium prices), public mismanagement (notably of parastatals), and misallocation of resources in a private economy stifled by taxes and government regulations.

Niger's economy has yet to fully recover. Exhibit 1.4 shows mostly negative trends in national account aggregates. In 1989 particularly, real GDP declined by 3.3 percent, the fiscal deficit grew to 10.5 percent of GDP, and the current account deficit showed no improvement. These poor results stemmed from continued decline in uranium prices, droughts, and shortfalls in external financial assistance. In addition, although the GON's efforts to implement major reforms have generally been satisfactory, many of these changes are still in an adjustment phase. Despite Niger's relative political stability, its efforts to democratize will tend to lengthen this adjustment phase.

Structural reforms need to be strengthened and pursued for Niger's economy to grow. Public resource management and government intervention in the economy still limit the role of the private sector. Following the Structural Adjustment Program of 1983-1988, Niger's authorities decided to pursue the reforms further with the World Bank and the International Monetary Fund (IMF). However, the long-term prospects for economic development in Niger will require more than structural reforms, especially given the country's limitations. There is a need to commit resources to help the private sector take advantage of the liberalized environment created by reforms already undertaken. The Mission was instrumental in helping establish these critical economic reforms. Its attempts to determine in which areas Niger's agribusiness needs further assistance are appropriate next steps. The overview of the NEPRP in Section 2 makes this point clear.

Exhibit 1.2
Operations and Value-Added Activities of an Agribusiness System



Source: Abt Associates Inc.

Exhibit 1.3

Niger: Trends in National Account Aggregate At Current Market Prices, 1985-1989 (Annual Percent Change)

	1984	1985	1986	1987	1988	1989 Est.
Rural sector	-20.1	4.2	-2.5	-5.5	23.8	-12.4
Agriculture	-3.9	12.6	-19.6	-16.5	44.2	-18.9
Livestock	-42.7	-13.4	40.5	9.6	4.7	-5.3
Forestry and fishing	2.3	6.7	3.7	--	4.6	2.4
Mining	-7.2	-0.8	-9.2	3.8	-13.2	-8.6
Industry, energy, and handicrafts	5.9	8.1	8.3	14.1	-3.6	0.1
Manufacturing industries	-17.0	7.7	11.9	13.8	-40.2	4.7
Electricity and water	12.1	27.9	13.4	11.2	-11.7	-3.8
Handicrafts	10.4	2.2	5.6	15.3	8.0	0.8
Construction and public works	-0.3	-22.5	27.3	15.2	-26.4	2.4
Commerce, transport, and services	3.0	-0.8	-4.3	1.5	3.5	-4.6
Commerce	4.6	-7.1	-11.1	-1.9	7.3	-9.0
Transport	-4.2	7.5	-3.3	1.9	0.4	-0.4
Services	3.7	10.1	9.2	7.1	-1.0	0.7
Government	5.4	5.7	6.3	6.7	7.4	2.9
Import taxes and duties	3.6	-2.3	-3.5	-15.0	-8.6	--
GDP at current market prices	-7.1	1.4	-0.6	1.0	6.8	-6.1
Consumption	-2.4	-2.0	-2.7	1.6	4.2	-2.5
Private	-4.3	-3.1	-3.7	1.6	4.3	-3.2
Public	17.7	7.5	5.8	1.5	3.9	2.7
Domestic investment	-72.8	310.4	-26.2	-8.2	36.9	-19.1
Gross fixed capital formation	-27.4	2.4	-8.3	7.6	6.2	-2.1
Changes in stocks	-243.5	143.0	-89.1	-475.0	222.7	-143.5
Resource gap (decrease -)	47.8	-177.7	54.6	2.4	-4.6	-39.3
Exports of goods and non- factor services	-5.3	-13.8	1.8	7.4	-6.5	-11.2
Imports of goods and non- factor services	-14.8	12.4	-17.3	5.6	-4.6	-1.7
Domestic savings	-109.3	775.0	69.3	-10.0	63.2	-55.7

Source: IMF and Republique du Niger

Exhibit 1.4

Niger: Selected Economic Basic Data, 1984-1989

Variables	1984	1985	1986	1987	1988	1989
Gross Domestic Product (GDP) at Current Prices (Billions CFA)	638.3	647.0	643.4	649.9	694.2	651.8
Annual Percent Change in Current GDP	-7.1	1.4	-0.6	1.0	6.8	-6.1
GDP Deflator (1981=100)	132.0	124.2	119.0	121.0	120.9	117.4
GDP at Constant 1981 Prices (Billions CFA)	483.6	520.9	540.7	537.1	574.2	555.2
Annual Percent Change in Real GDP	-16.8	7.7	3.8	-0.7	6.9	-3.3
	(In Percent of Gross Domestic Product)					
Overall Fiscal Deficit Excluding Grants						
On Commitment Basis	-8.4	-8.5	-9.5	-8.8	-9.8	-5.8
On Cash Basis	-10.3	-9.4	-9.2	-9.5	-10.5	-10.5
Overall Fiscal Deficit Including Grants						
On Commitment Basis	-5.0	-4.8	-4.6	-3.6	-4.9	-5.8
On Cash Basis	-6.9	-5.7	-4.4	-4.3	-5.6	-5.7
Current Account Deficit						
Excluding Official Transfers	-8.8	-8.5	-9.5	-8.8	-9.8	-11.0
Including Official Transfers	-1.1	-4.0	-2.1	-3.7	-2.7	-4.3

Source: IMF and World Bank

2. OVERVIEW OF NIGER ECONOMIC POLICY REFORM PROGRAM (NEPRP)

2.1 NEPRP in USAID Portfolio

During the 1985-1989 period, USAID contributed 11 percent of Niger's total Overseas Development Assistance (ODA); France, 18 percent; and International Development Assistance (IDA), 17 percent (UNDP, 1989). USAID currently provides assistance for policy reforms, balance of payments, and rural development projects. Support to the private sector accounts for 40 percent of USAID assistance.

USAID has four non-project assistance programs to help the GON carry out economic and social structural reforms. NEPRP, the Agricultural Sector Development Grants (ASDG I and II), and the Niger Health Sector Grant (NHSG) assist the GON in the development of a more efficient public sector and a stronger private sector in the rural economy. Since 1989, the \$15 million NEPRP has been especially instrumental in helping the GON promote economic policies to expand Nigerien exports of agro-pastoral products. The reforms, which are part of the program conditions precedent (CP) (see Annex D), focus on the following areas:

- Removing export taxes,
- Simplifying trade regulations, and
- Strengthening relations between Niger and its trading partners.

NEPRP provides funds (\$13.3 million, of which 8 percent is reserved for the USAID Trust Fund) to partly cover short-term costs resulting from fiscal and regulatory measures undertaken by the GON. The program includes a support component for \$1.7 million (Exhibit 2.1). Technical assistance to key ministerial departments helps the GON implement policy benchmarks. Short-term training, including seminars and on-the-job training, upgrades the skills of agribusinesses and government officials. Computer software and supplies enhance technical assistance and short-term training. Field visits and interviews by Mission personnel help monitor the implementation and impact of economic reforms. Most important perhaps, NEPRP funded several studies to gain a better understanding of the constraints and opportunities in agribusiness and to determine the impact of reforms suggested to the GON.

2.2 Review of NEPRP Studies

The NEPRP studies analyzed agro-pastoral subsectors in Niger, and compared trade regulations in Niger and Nigeria. These commodity subsectors (livestock and meat; hides and skins; cowpeas; and onions) generate nearly all Niger's present agro-pastoral exports, as illustrated in Exhibit 2.2. Niger's recorded exports to developing countries (13 percent of export value from 1984-1989) are still a fraction of its exports to industrial countries (86 percent

Exhibit 2.1

NEPRP Budget Components

Budget Components	\$ 000
Conditional Resource Transfer (Including 8 percent reserved for USAID Trust Fund)	13,300
Program Support Components:	
• Studies	495
• Baseline Studies/Evaluation	450
• Short-term Training/Seminars	430
• Short-term Technical Assistance	225
• Computer Software and Supplies	50
• Audit	50
Total Contribution to NEPRP	\$15,000

Source: PAAD NEPRP, 1988

Exhibit 2.2

Niger: Composition of Exports, 1984-1989

Commodities	1984	1985	1986	1987	1988	1989	1984-89 Average Share
	----- (In Billions of CFA francs) -----						
Uranium	98.8	96.3	88.7	86.9	81.9	74.0	76.09%
Livestock	19.6	9.9	9.0	11.5	12.1	12.6	10.79%
Hides and Skins	0.6	1.4	1.3	1.5	0.6	1.0	0.92%
Cowpeas	3.4	0.0	7.8	0.1	5.1	0.3	2.41%
Others*	10.4	5.0	8.0	23.8	10.2	10.3	9.78%
Total	132.8	112.6	114.8	123.8	109.9	98.2	100.00%

Source: Government of Niger, BCEAO, and IMF.

*Note: Others include cotton, peanut products, arabic gum, onions, and green beans.

of export value from 1984-1989; see Annex C). However, the estimated large unrecorded exports to neighboring countries and the declining uranium exports to industrial countries indicate the importance of Niger's agro-pastoral exports to neighboring countries.

Rapid appraisal (RA) studies played a key role in the NEPRP. Their findings and recommendations helped the Mission to successfully identify the critical policy reforms and suggest better implementation of the conditionalities. The next section reviews these studies and summarizes their major findings and recommendations. It also discusses recent institutional developments in the relevant subsectors, adding further insights to the studies. The sections on recent developments in the subsector discuss the progress which the GON has made toward successful implementation of recommendations of the NEPRP studies.

2.2.1 Livestock and Meat Marketing¹

Major Findings of NEPRP Livestock Studies. Over the past decade, demographic pressure, droughts in the Sahel, and better incentives in coastal countries have pushed the geographical "center of gravity" of Sahelian pastoralism southward. Exhibit 2.3 illustrates that in the Sahel cattle production has declined by 2.6 percent. In contrast, coastal countries have increased their cattle population by 7.1 percent. As a result, small ruminant production in Niger is replacing cattle production (Exhibit 2.4). In Niger, however, livestock export revenues are second only to those from uranium (see Exhibit 2.2 above). Cattle still represent more than half of the country's animal biomass exported, mostly to Nigeria outside official channels. Regional trade agreements set up by the Economic Community of West African States (ECOWAS) offer no benefits to Nigerien livestock exports to Nigeria. There are no formal barriers to entry in livestock and meat marketing, but informal ones exist, due to ethnic specialization in both Niger and coastal countries. Trekking (conveyance of livestock on foot) is prevalent within Niger, while trucking is the preferred means of exporting livestock to Nigeria. Because Niger is landlocked and distant from consuming centers, transport costs are usually the major component of Nigerien exports. In livestock marketing, however, despite high transport costs, animal purchase is the dominant cost. The major constraints to livestock and meat exports identified by the NEPRP studies included the following: (1) excessive government taxes and regulations, some of which are hurting investment in transport vehicles; (2) high transport costs; (3) high production costs; (4) lack of infrastructure for chilled and frozen meat; and (5) overvaluation of the CFA franc relative to the Nigerian naira, which severely hampers meat exports to Nigeria.

¹ Andy Cook, 1989. Niger's Livestock Export Policy: Integrated Livestock Production Project, USAID/Niger, February 1989, and Nigerian Markets for Livestock and Meat: Prospects for Niger, USAID/Niger, December 1989, and Nicolas P. Kulibaba, 1991. Livestock and Meat Transport in the Niger-Nigeria Corridor, Agricultural Marketing Improvement Strategies Project (AMIS), Abt Associates Inc., Washington, D.C.

Exhibit 2.3

Evolution of the Cattle Population for Selected Sahelian and West African States, 1978-1988 Annual Average Growth Rates

Coastal Countries					Sahelian Countries			
Benin	Côte Ivoire	Togo	Nigeria	Average	Niger	Burkina Faso	Mali	Average
2.0%	5.3%	-0.3%	8.1%	7.1%	-9.4%	0.4%	-1.2%	-2.6%

Source: Nicolas Kulibaba, 1991, p.7.

Exhibit 2.4

Evolution of Niger's Small and Large Ruminant Population, 1968-88

Year	Small Ruminant TLUs Percent of Total	Large Ruminant TLUs Percent of Total	Total Percent
1968	18	82	100
1977	23	77	100
1988	37	63	100

Source: Nicolas Kulibaba, 1991, p. 9.

Note: TLU is Tropical Livestock Unit Equivalent.

Recommendations of NEPRP Livestock Studies. The studies made the following recommendations to the GON: (1) liberalization of livestock export regulations, and elimination of direct and indirect taxes; (2) incentives for agribusinesses to invest in transport vehicles; (3) studies to improve the understanding of production costs and to assess the impact on livestock exports of the CFA overvaluation; (4) collection of Nigerian livestock and meat prices to better inform Nigerien officials and agribusinesses; (5) use of Nigerian by-products for animal fattening; and (6) an assessment of dried meat production as a hedge against droughts, which cause rates of animal take-off to rise and prices of meat to drop. These recommendations correctly emphasized the relaxation of government regulations and taxes, which were shown to

add considerable transaction costs to livestock and meat exports. Other recommendations sought to further expand knowledge about the livestock subsector.

Recent Developments in Livestock and Meat Subsectors. Several recommendations regarding market liberalization were part of NEPRP conditions precedent. The GON has made several decisions to eliminate livestock export taxes, streamline export procedures, and post a commercial attaché in Kano (since January 1991) to gather Nigerian price data. Yet implementation of these decisions has raised concerns. In its in-country field surveys, the Mission found that the determination of the level of patente, a business tax, continues to confuse traders, and remains an open invitation to extortion. The GON action plan to promote livestock exports still needs clarification. To circumvent confusing import rules in Nigeria and taxes on both sides of the border, Nigeriens continue to export livestock through unofficial channels, with the help of intermediaries. Thus, unofficial transactions continue to hamper data collection and frustrate efforts to monitor reform impacts. It is unrealistic, however, to expect a dramatic shift in the marketing system. Moreover, Niger has no control over Nigerian trade regulations, which hurt its exports.

2.2.2 Hides-and-Skins Marketing²

Major Findings of the NEPRP Hides and Skins Study. Production of Nigerian hides and skins has declined significantly in recent years (Exhibit 2.5). In Europe,³ the Nigerian hides and skins have lost market share because of a decline in quality. Nigeria has become a major trade partner, buying Nigerian hides and skins for its local industries and for re-export. The hides-and-skins marketing system is complex, requiring good vertical coordination to develop high-quality value-added products. Vertical coordination and business ties with European importers were severely damaged by the poorly designed privatization of two Nigerian parastatals, Société Nigérienne de Tannerie (SONITAN), and Société Nationale des Cuirs et Peaux (SNCP). The key constraints of the subsector identified by the study included (1) lack of credit to exporters; (2) unethical practices by collectors; (3) lack of market information; (4) heavy export taxes and regulations; and (5) the poor state of slaughterhouses and storage facilities.

Recommendations of the NEPRP Hides and Skins Study. To improve the performance of the subsector, the study recommended the following: (1) timely supply of inputs for conservation, and transformation of products; (2) rehabilitation and construction of drying sheds; (3) training of extension agents; (4) review of custom taxes and regulations; (5)

² Tim Mooney, et al., 1990. A Rapid Appraisal of the Hides and Skins Sub-sector in Niger, Agricultural Marketing Improvement Strategies Project (AMIS), Abt Associates Inc., Washington, D.C.

³ European tanners (in Italy, France, Spain, and the Netherlands) particularly appreciate hides and skins from the chèvre rousse de Maradi, a Nigerian breed of goat.

restructuring of recently privatized parastatals; and (6) provision of better information on local and international market conditions to market participants. These recommendations cover the wide range of actions required to rebuild the effectiveness and reputation of the subsector. In particular, they entail better coordination in the conservation and transformation of products; direct assistance to private entrepreneurs in restructuring the recently privatized parastatals and providing market information; and the improvement of facilities.

Exhibit 2.5

Hides-and-Skins Exports (Pieces), 1982-1988

Year	Cattle Hides	Sheep Skins	Goat Skins
1982	51,405	209,000	1,317,800
1983	42,750	220,000	1,018,800
1984	NA	NA	NA
1985	88,307	848,062	1,289,105
1986	40,590	259,815	607,622
1987	49,091	80,103	548,274
1988	21,342	149,952	258,420

Source: Centre National du Commerce Extérieur du Niger (Mooney et al, 1991).

Recent Developments Affecting the Hides-and-Skins Subsector. The NEPRP study helped clarify new tax rules, which were published but not effectively implemented. It showed that customs policy in the collection of the BIC (Bénéfice commercial and industriel) tax ran counter to the policy stated by another institution, the Direction des contributions diverses. Other recent developments are encouraging. A new private hides-and-skins company, which rents warehouses from SNCP (still closed down), has emerged in Maradi. The privatized SONTAN has hired a new manager (an expatriate) to run its operations. There is hope that the manager's noted concern for product quality will translate into actions that will win back market share for Nigerien hides and skins.

2.2.3 Cowpea Marketing⁴

Major findings of the NEPRP Cowpea Study. Since the late 1970s, cowpeas have replaced peanuts as Niger's leading export crop, because of strong consumer demand in Nigeria and the collapse of the Nigerien peanut subsector. Exhibit 2.6 illustrates the dramatic expansion of area under cowpeas and decrease of area under peanuts. Niger lost its comparative advantage in peanut exports to distant European markets as it faced persistent drought and world price declines.⁵ In turn, the growth of cowpeas, which are not common in the diets of Nigeriens, depends entirely on exports to Nigeria. Private initiative by producers and private traders developed the subsector. With its export monopoly rights during the 1976-1984 period, the parastatal, Société nationale de l'arachide (SONARA), claimed only a small market share, but raised barriers to entry for private traders, except for a few with political connections. The NEPRP study identified the following constraints to the development of the subsector: (1) depreciation of the naira, adversely affecting Nigerian demand for Nigerien cowpeas; (2) taxes and export and import regulations; (3) lower farm productivity stemming from low yielding cultivars, archaic agronomic practices, and limited access to inputs; and (4) under-researched storage and processing techniques.

Recommendations of the NEPRP Cowpea Study. The study's recommendations logically attempt to overcome the major constraints of the cowpea subsector. To promote the development of this subsector, they suggested the following measures: (1) policy reforms; (2) applied research in marketing and consumption; (3) assessment of the viability of improved varieties and production packages; (4) integration of post-harvest research into ongoing efforts to develop improved varieties; (5) market system innovations; and (6) strengthening of local institutional capacity. Policy reforms (removal of export taxes, export trade liberalization, initiation of trade negotiations with Nigeria) were viewed as prerequisites to other measures. Areas of applied research included marketing data collection, monitoring of traders' practices, surveys of processing, urban household consumption, and farmers' decision making vis-a-vis cowpea production and marketing.

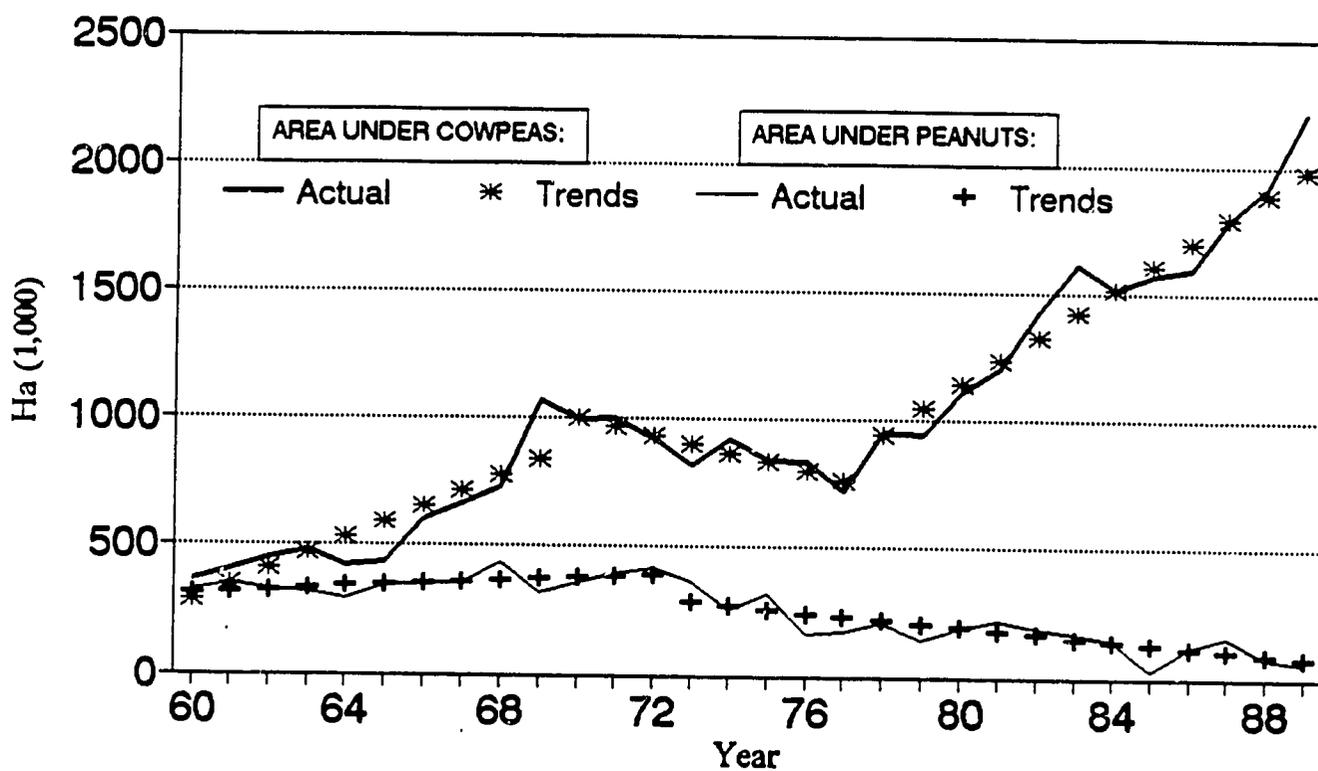
Recent Developments in the Cowpea Subsector. The GON carried out recommended policy reforms required by NEPRP conditionalities. In fact, export taxes for agro-pastoral products, including cowpeas, were removed in 1988. Export and import licenses were abolished in mid-1990. Nigeria, however, instead of easing its import regulations, is banning all cowpea imports as of 1991 (Iddal, 1991). The ban has no apparent effect on the flows of Nigerien exports through non-official channels. Nonetheless, it forbids formal trade ties, increases transaction costs by making bribes more expensive, and exacerbates any assessment of reforms

⁴ Bechir Rassas et al, 1989. A Rapid Appraisal of the Marketing of Niger Cowpeas, Agricultural Marketing Improvement Strategies Project (AMIS), Abt Associates Inc, Washington, D.C.

⁵ Many observers also cite peanut disease as a factor in the decline in peanut production.

Exhibit 2.6

**Cowpeas and Peanuts in Niger:
Trends in Cultivated Areas, 1960-1989**



Source: Republique du Niger

by complicating data gathering. In March 1991, extension agents, producers, and intermediaries attended a USAID-sponsored workshop to appraise the cowpea subsector. A tentative action plan was developed, recommending a revision of the patente, a reorganization of the cooperative system, and official conduct of foreign exchange between Niger and Nigeria.

2.2.4 Onion Marketing⁶

Major Findings of the NEPRP Onion Study. Nigerien onions are mostly grown in and around Tahoua in dry-season, irrigated systems. The subsector generates important revenues for Nigerien producers and exporters in the trade with neighboring countries, especially Côte d'Ivoire. West and Central African consumers prefer the Nigerien Violet de Galmi over competing varieties, notably Dutch onions. However, Dutch onions, because of their better grades and longer shelf life, sell in higher priced modern food stores, while Nigerien onions sell mostly through traditional marketing channels in Côte d'Ivoire. Nigerien onion production and marketing systems have developed as and remained entirely export-oriented private sector activities, a unique feature in the country. The NEPRP study found that further growth of the onion subsector was constrained in production and marketing by the following elements: (1) inadequate water supply, lack of access to improved seeds, insect attacks, and competition for farm labor when the onion production cycle covers part of the rainy season, (2) storage losses (on and off farm), (3) transport costs, (4) taxes, and (5) government interference.

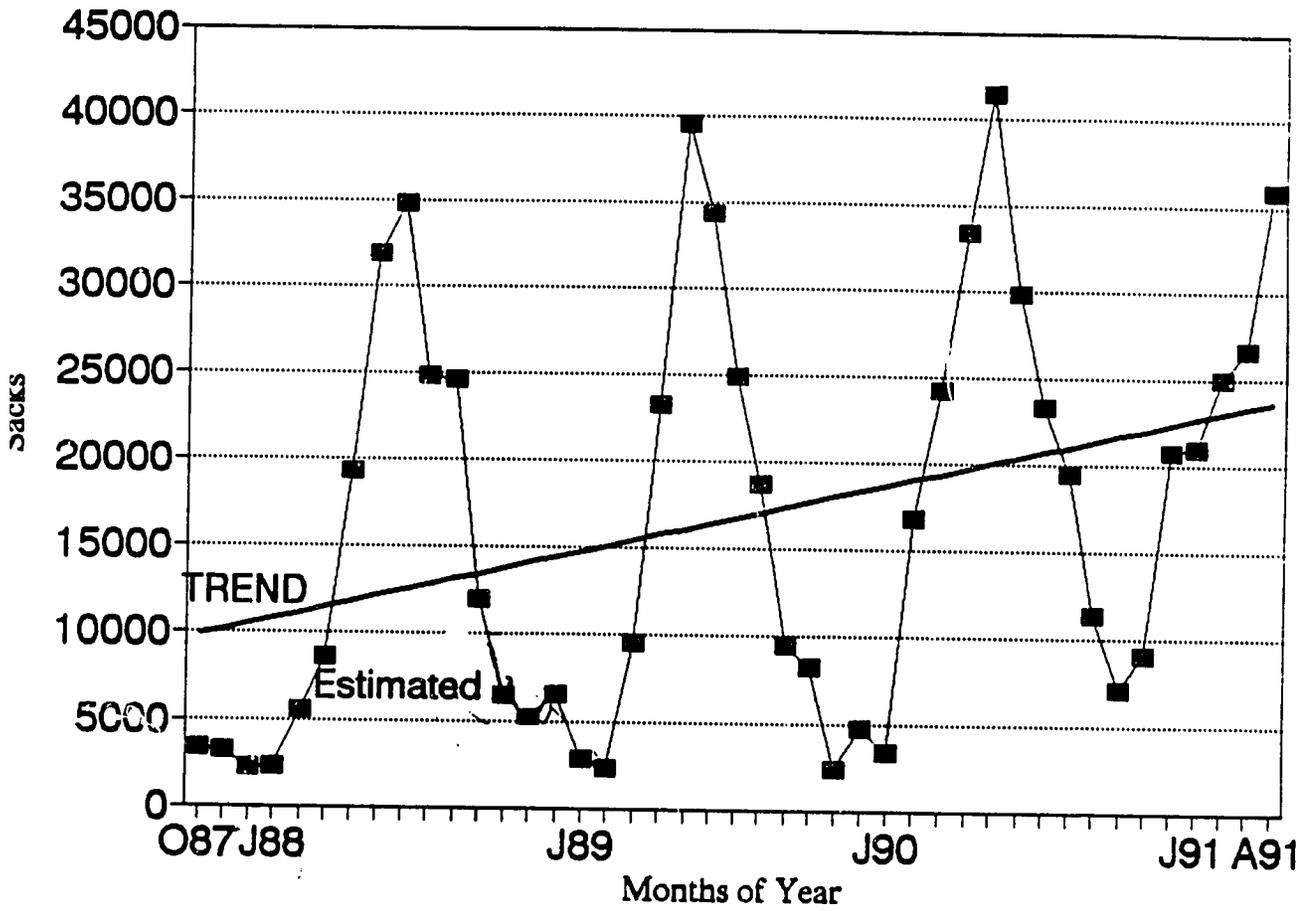
Recommendations of the NEPRP Onion Study. The study recommends the following: (1) an end to GON's attempt to establish an onion marketing board; (2) elimination of export taxes; (3) better coordination of production and marketing through staggered planting; (4) improve storage facilities and techniques; (5) increased participation of cooperatives in the marketing of onions; (6) reduction in transit fees, including bribes; and (7) collection and dissemination of market information. SONARA's failure to improve the marketing of cowpeas through monopoly rights reflected the poor performance of official marketing boards. Other recommendations addressed ways to overcome the constraints identified by the study. As most studies showed, taxes and trade regulations impose costs on traders and producers. The recommendations also suggested measures that would require experimenting with storage techniques and improving vertical coordination throughout the subsector.

Recent Developments in the Onion Subsector. Neither SONARA nor any other parastatal ever received monopoly rights in the marketing of onions, which fulfilled one conditionality of NEPRP. Export licenses are now eliminated; as previously noted, export taxes were eliminated in 1988. Recent USAID field visits and interviews (with the author's participation) in and around Tahoua show increased onion production in the region, encouraging a positive trend in exports (Exhibit 2.7). Because of recurrent droughts, producers rely more

⁶ Larry Lev and Millie Gadbois, 1988. Rapid Reconnaissance Study of the Nigerien Onion Subsector: A Policy-Oriented Analysis of Market Performance, Postharvest Institute for Perishables (PIP), University of Idaho, Moscow, Idaho.

Exhibit 2.7

Exports of Onions Through Customs at Galmi
October 1987 - April 1991



Source: Douanes Galmi

and more on onion sales to meet their food security and other objectives. The GON is also attempting to collect market price information. However, a feuille statistique (statistical form) that GON introduced to collect export data is confusing and increases costs to exporters. Farmers, in particular, fear that onion producer prices will drop, or that foreign importers will stop coming to Niger to buy onions. An assessment of the impact of economic reforms on the subsector is underway. A workshop is planned for later in 1991 to discuss the results of this exercise with market participants.

2.2.5 Trade Regulations in Niger⁷

Major findings of the NEPRP Trade Regulation Study. Unwilling or unable to collect taxes from wealthier economic agents with political clout, government officials pursue petty taxes and fees. Regulatory measures may be recorded in official documents, but as in many other countries, actual policy in Niger consists of the applied standard operating procedures. The arbitrary and inequitable laws partly explain why traders prefer illegal channels. Niger needs more than liberalized laws. Its officials need to reduce the mutual distrust between themselves and economic agents.

Recommendations of the NEPRP Trade Regulation Study. The study made the following recommendations: (1) replace confusing trade laws with a new Code of External Commerce; (2) emphasize service to economic operators by providing market information to operators and by training officials; and (3) continue donor support focused on information and training, to help carry out new laws and regulations.

Recent Developments in Trade Regulations. In its attempts to satisfy the NEPRP conditions precedent, the GON has liberalized its trade laws. It has published a new business charter to further improve the business climate. The GON is also converting its current tax laws (Code général des impôts) to a more convenient and accessible document. There are still heavy administrative procedures and confusion in the application of trade laws. However, many of the new policy changes just took effect; their impact is yet to be fully felt.

2.2.6 Summary Conclusions of Recommendations from NEPRP Studies

The NEPRP studies have contributed significantly to reducing the large gap in knowledge regarding key Nigerien commodity subsectors. See Exhibit 2.8 for summary of studies and recommendations. Most studies were conducted when the GON still enforced an array of repressive rules, regulations, and taxes. Thus, many study recommendations viewed market liberalization and the elimination of export taxes as prerequisites to other actions. These market reforms were consistent with the Mission's objectives and the Structural Adjustment

⁷ Hardy, Benjamin. 1989. Niger: Reform of Foreign Trade Laws and Regulations, Final Report. USAID/Niger.

Exhibit 2.8 Summary of NEPRP Studies and Recommendations

STUDY	RECOMMENDATIONS TO GON			
Livestock	Remove export taxes and regulations	Provide incentives for agri-businesses to invest in transport	Invest in market information system	Conduct research on COP; impact of CFA over-valuation; viability of dried meat production
Hides & Skins	Provide timely supply of inputs	Improve facilities	Train extension agents	Revise trade regulations
	Restructure Parastatals	Improve market information		
Cowpeas	Eliminate export tax; initiate trade negotiations with Nigeria	Fund marketing and consumption surveys; integrate post-harvest and production research	Invest in market information	Strengthen local institutions
Onions	Eliminate export tax	Introduce staggered planting	Improve storage	Conduct cooperative training
	Reduce transit fees	Collect/ disseminate market info		
Trade Regulations	GON adopt new Code of External Commerce	Provide market info	Train gov't officials in new regulations	

Program pursued by the GON, and thus were built into NEPRP conditions precedent. The GON has now fulfilled all such conditionalities to the satisfaction of the Mission.

The recommendations of the NEPRP studies also suggested concrete measures to complement policy reforms and improve the performance of the subsectors in areas such as training, credit, and market information. Given that many of the policy changes have been or are in the process of being implemented, these measures now require further consideration. Chapter 4 provides recommendations regarding these measures. Chapter 3 reviews constraints and opportunities currently facing agricultural marketing participants.

3. CONSTRAINTS AND OPPORTUNITIES IN AGRICULTURAL MARKETING AND AGRIBUSINESS

Studies conducted under the NEPRP and other programs identified opportunities as well as constraints in agricultural marketing and agribusiness in Niger. This section synthesizes common themes from these studies and observations from knowledgeable informants. It organizes themes ranging from the more macro components (natural resources, macroeconomic, and sectoral elements) to the managerial elements of agribusinesses. As called for in the terms of reference, emphasis is placed on agricultural sector institutions and policies that affect agribusinesses.

3.1 Natural Resources

Niger's natural resources are fragile and low-yielding. The country's large land area (1,267,000 sq. km.) for a population of only 7 million gives the impression of low density. Niger is more Saharan (60-65 percent) than Sahelian, however. Its population is dense for the amount of arable land (53 per sq. km.⁸). Niger's natural resources are damaged by extensive agro-pastoral production systems. Indiscriminate promotion of agro-pastoral exports may contribute further to environmental degradation. Encouraging livestock production, which is often the best opportunity available to Nigeriens, may increase overgrazing and thus damage natural resources. The expansion of cowpea production encroaches on rangelands and thus competes with livestock, although cowpea hay is used to feed animals. The GON is aware of these challenges. Its (draft) strategic plan for rural development (République du Niger, 1990) gives top priority to the management of natural resources. A new rural code, also in draft form, aims to provide local populations with the incentives to better manage natural resources. Nigerien officials are also eager to learn from other countries in the region in such areas as the management of fuelwood supply to urban areas (Najada, Ministry of Environment, personal communication, April 1991).

There are three institutional initiatives in natural resources which sometimes compete with each other.⁹ To prevent them from undermining the GON's good intentions, the donors funding these initiatives need to help harmonize them. For example, USAID ASDG's conditions precedent include better management of natural resources through local participation and control. Giving local populations more opportunity for participation and control will not result automatically in better management, however. Management of natural resources is frequently

⁸ Figure reported by The World Bank. Arable lands then represent about 10 percent of Niger's total area.

⁹ The three other initiatives are Le plan national de lutte contre la désertification (PNLCD), Le plan d'action forestier tropical (PAFT), and Le programme intégré de gestion des ressources naturelles (PIGRN).

subject to traps. Because Niger has one of the world's highest population growth rates (3.4 percent), but offers few economic opportunities, people may be forced to pursue short-term (individual) gains at the expense of long-term (societal) benefits in the use of natural resources. Some groups may manage the environment better than others, however. Lessons learned about various practices and policies across Niger and in other regions provide opportunities to help the GON achieve sustainable rural development.

3.2 Macroeconomic Reforms

Sustainable economic development requires favorable macroeconomic elements. The impact of economy-wide interventions (overvaluation of foreign exchange, protection of industries) generally dominates the direct sectoral effects (prices, export and import taxes and subsidies) on Sub-Saharan agriculture, according to Krueger et al. (1988). All NEPRP studies identified the CFA franc overvaluation relative to the Nigerian naira (see Annexes E and F) as a major constraint to Nigerien agro-pastoral products exported to Nigeria. Niger is losing its comparative advantage vis-a-vis this major trading partner.

On its own, however, Niger has little room for maneuver since it belongs to the CFA monetary zone. For the 13 African CFA countries (and the other partners of the franc zone-- Guinea-Conakry and Comoros), the benefits of a peg to the French franc, at a fixed exchange rate since 1948, outweigh its costs. Supporters of this peg point to the declining real effective exchange rate of Nigerien CFA (Annex G), despite its overvaluation vis-a-vis the naira.¹⁰ France recently denied fresh rumors of a CFA franc devaluation (Le Figaro, April 25, 1991), but a new peg is expected when the EEC creates a single currency unit (International Herald Tribune, April 25, 1991). Because the stakes are high and complex, the question of the CFA franc devaluation deserves systematic study for each country involved. The studies should recommend effective ways to cope with eventual capital flight in case of a devaluation, or means to enforce measures for correcting the overvaluation in case of a status quo.

Adjusting economic imbalances, given a fixed exchange rate, requires reductions in labor costs and fiscal deficits; the competitiveness of tradables then improves without crowding out the private sector. In the 1980s, CFA countries were reluctant to use those means (Devarajan and Melo, 1987). Today, paradoxically, the emerging democratic process in Niger is likely to cause such austerity measures to be postponed (Le Sahel, April 2, 1991). Larger fiscal deficits, resulting from the introduction of tax measures without regard to the improvement of tax administration, further damage Niger's position. (In 1989, Niger's tax revenues increased by 2.8 percent, instead of the target 10.8 percent set by the International Monetary Fund.) USAID, other donors, and the GON are considering alternative tax revenue generation, such as an income tax system. Several difficulties lie ahead: knowledge gaps, politics, inefficient tax

¹⁰ Effective exchange rate measures the value of Nigerien CFA relative to a trade-weighted basket of all major Nigerien trading partners' currencies. The real effective rate accounts for relative inflation rates.

administration, and reluctant taxpayers in particular (Goode, 1987). We are reminded that the U.S. Internal Revenue Service (IRS) estimates that self-employed Americans report only 47 percent of their income (International Herald Tribune, April 4, 1991). In Niger, prospects for a short-term increase in tax revenues, especially from the dominant informal sector, may be too optimistic.

3.3 Sectoral Policies and Institutions

The NEPRP emphasizes agriculture, focusing on the sectoral policies and institutions that directly affect agribusiness in Niger. Trade rules and regulations, credit, market information, and rural and market infrastructure are major elements of these policies and institutions.

3.3.1 Trade Rules and Regulations

When Niger started its structural adjustment program trade rules and regulations, as well as price and tax policies, were counterproductive. Many market participants managed to bypass them, but still incurred high transaction costs in the informal sector. An overhaul of the system was strongly recommended, notably as part of NEPRP conditions precedent. The GON made good efforts in carrying out these economic and regulatory reforms. Officially, prices have been liberalized, most taxes and subsidies eliminated, and new rules adopted to simplify business procedures for exports and imports.

The challenge remains, however. New rules and regulations have been published, but some vested interests in government agencies may be ignoring them or stonewalling. Bribes continue to be extorted at check points, resulting in indirect taxes levied on exporters and importers without benefit to the state. Nigeria, which is a key market for Niger's exports, has not liberalized its import regulations, contrary to provisions of ECOWAS. Because Niger's economic reforms have achieved no significant results yet, the larger tax base that was expected has not materialized and the fiscal deficit has not been reduced. The poor economic results, in the delicate context of the democratization process, erode the GON's ability to sustain its efforts.

The time lag, common in structural adjustment, partly accounts for these results: NEPRP reforms are too recent to have fully yielded the expected outcomes. A few more reforms to help build better institutions are still needed to enhance the prospects for these outcomes. Niger lacks simpler and more participatory forms of organization for producers and other market participants. The Groupement d'intérêt économique (GIE), as used elsewhere in West Africa, offers the simplicity and flexibility for two or more persons (farmers and traders) to set up a formal private enterprise. In Senegal and Burkina Faso, the GIEs have been one of the most dynamic forms of private enterprise since the early 1980s. In Niger, the GIEs have been successfully pilot-tested, but the GON has yet to legalize them. The Chamber of Commerce presents another opportunity to improve agribusiness institutions in Niger. The existing Chamber of Commerce is a government institution, financed in part by compulsory contributions from private entrepreneurs. It fails to serve the needs of agribusinesses in the

following areas: collection and dissemination of trade information, training and technical assistance, set-up of bids and tenders, and promotion of financial arrangements.

3.3.2 Credit for Agribusiness

Niger's financial system also fails to satisfy the needs of agribusinesses in all subsectors. Existing informal credit institutions do provide credit, but they are personalized (along ethnic lines) and fragmented, with no prospects for promoting broad-based market development. Niger's formal financial system is truncated because it lacks mobilization of savings. Surplus units (savers), along with deficit units (borrowers) and financial intermediaries, are necessary for a complete financial system. Nigerien rural financial institutions, such as the Caisse nationale de crédit agricole (CNCA), collapsed because they failed to perform the necessary lending functions: (1) loan evaluation and analysis, (2) loan disbursement, (3) monitoring of borrower's investment, and (4) loan recovery. Instead, these institutions only disbursed loans, thus encouraging low reimbursement rates (Cuevas, 1987). Nigerien commercial banks, ailing from mismanagement, have now lost credibility. Rebuilding this credibility is more important than any specific new services they can provide (Cuevas and Graham, 1988).

Providing credit to producers for technology adoption is complicated by the high production risks under Sahelian conditions. For Niger, Krause *et al.* (1990) suggest a risk-sharing scheme between input suppliers and producers. The success of such a scheme depends in part on its ability to satisfy traders' needs for credit. These credit needs are varied and strongly influenced by the seasonality of agricultural production and processing. Many traders require short-term credit and willingly pay high interest rates because rapid turnovers generate matching high returns. This willingness to pay high interest rates should be exploited by financial institutions, the viability of which is conditioned by real, positive interest rates necessary to reward their own services and savers.

USAID/Niamey supports three main pilot credit institutions, with three different approaches (E. Taylor-Powell, 1991). With USAID-provided funds, the Cooperative League of the USA (CLUSA)¹¹ offers guaranteed credit to local cooperatives. The financial intermediary for this scheme is a local commercial bank. The World Council of Credit Unions (WOCCU) builds rural credit unions, following the recommendations of rural credit studies in Niger (Cook, Cuevas, and Graham, 1990; Cuevas, 1987; Cuevas and Graham, 1988; Graham and Cuevas, 1990). The program, which is at the stage of mobilizing (small) rural savings, does not extend credit; in fact, it is essentially a savings institution. Finally, CARE's Maradi Micro Enterprise Development (MED) program provides credit to small-scale enterprises; its goal is to develop a rural bank, based on the Grameen Bank experience in Bangladesh, with local participation in savings generation and banking management. These pilot schemes focus on

¹¹ Still known as CLUSA in Niger, though now officially re-named the National Cooperative Business Association (NCBA).

small rural savers or microenterprises (for example, manufacturers of farm implements). None of these schemes has helped traders so far.

3.3.3 Market Information

Better market information is needed in all subsectors, including small-scale industries. Its unavailability to larger sections of market participants hampers decision making, especially when products traded are susceptible to high storage losses and large price variations. Traders do obtain price information but it is often second- or third-hand and relatively inaccurate. The Chamber of Commerce should take the lead in collecting and disseminating market information to Nigerien business people.

Nigerien agro-pastoral exporters and producers need to know Nigerian prices and black market exchange rates. Participants in the onion subsector request price information from Côte d'Ivoire and Ghana, an emerging market. Users need other market information as well. Marketing flows, margins, and costs are required to assess the performance of the subsectors. Production, export, and import data help government and donors establish benchmarks and better monitor the impact of economic reforms. Poor agricultural data is constraining the GON planning efforts.

USAID helped develop market price systems (mercuriales) for livestock products and basic grains. Data of grain mercuriales are analyzed and published by GON, usually one or two months after data collection; they are used also in Food Security Early Warning System (Système d'alerte précoce) bulletins funded by donors. The target audience for these information notes remains the donor community and GON decision makers. To date, the only users of livestock mercuriales appear to be USAID and GON officials. The Nigerien commercial attaché posted in Kano, as part of NEPRP's condition precedent, received some guidance from USAID on data collection and dissemination, but he still requires further assistance on methods of data collection and analysis. These efforts, if properly directed, present opportunities for providing market information that producers and merchants need for decision making.

3.3.4 Other Rural and Market Town Infrastructure

Irrigation and Water Availability. Water scarcity is the most limiting factor in Nigerien agro-pastoral production. The GON's rural development strategy includes wells and irrigated schemes. In developing livestock production, the challenge is to prevent wells from adding to environmental degradation. Overgrazing occurs when the concentration of livestock around these wells exceeds the carrying capacity of the rangeland surrounding them. In developing crop production, the challenge is to design irrigation perimeters at acceptable economic costs. Recurrent droughts have reduced the water flow of the Niger River, the country's major source of irrigation, severely limiting the expansion of irrigation perimeters in Niger. Onions and other high-value horticultural products make efficient use of water in small-scale irrigation perimeters and from wells. These crops can also enhance the profitability of the larger and more expensive perimeters along the Niger River. In northern Senegal, for example,

allowing producers to grow tomatoes, rather than rice only, has increased the productivity of irrigated perimeters. With added monetary incentives, Senegalese producers have been organizing themselves to reduce irrigation costs. In Niger, the Rural Code presents an opportunity to provide appropriate incentives that would help local populations better manage water resources.

Transportation. Niger has a huge land mass but a sparse population. As a result, long distances separate major centers, and road transport costs are extremely high. The lack of back-hauling in Niger's weak economy also contributes to high transport costs. These factors severely limit the market access for crops in important production zones. Examples include potatoes and garlic produced in the Agadez, and red peppers in Diffa. The road infrastructure expanded dramatically during the uranium boom in the early 1980s, but remains weak in rural areas (Exhibit 3.1). Overall traffic flow figures indicate general trends in growth (Exhibit 3.2). The uranium boom also contributed to excess capacity in transportation along major interurban routes (Mead et al., 1990). Nonetheless, new investments in transport vehicles are needed to promote exports to Nigeria, frozen meat, for example. Such new investments, however, are discouraged by unfavorable taxes and regulations (Cook, 1989) and lack of credit. Extortion by government officials at numerous road blocks in Niger and Nigeria also add considerably to transport costs between the two countries.¹² The elimination of superfluous checkpoints is an effective short-run measure that would reduce real transport costs to Nigerian exporters and importers.

Exhibit 3.1

Niger's Road Network by Road Surface and Class

Surface	Classified Roads (km)	Non-classified Roads (km)	Total (km)	Total Percent
Tarred Roads	2768	559	3327	33.74
Earth Roads	2043	1604	3646	36.97
Rural Roads	268	666	934	9.46
Tracks	1616	334	1955	19.82

Source: World Bank cited by Nicolas Kulibaba (1991).

¹² A USAID field survey of cowpea exports from Zinder (Niger) to Kano (Nigeria) counted 16 checkpoints in Niger and nine in Nigeria. Bribes extorted at these points totaled 1.9 times vehicle transport charges between the two cities (Iddal, 1991).

Exhibit 3.2

Mean Annual Growth Rates for Traffic Flow on Nigerien Roads, 1977-1988

Category	Growth Rate (%)
Pastoral Zones	25.67
Export Routes	23.00
"Other" Routes	20.00
Paved Routes	18.20
Unpaved Routes	22.40

Source: Nicolas Kulibaba, 1991.

Market facilities.¹³ GON officials view the development of regional growth centers as a way to slow down rural-urban migration and stimulate more balanced socioeconomic development in the country. Often, local governments see an important need to improve market facilities, at the same time that they list other needs such as transportation, business incentives, credit, and decentralized administration. Improved market facilities may not increase productivity, although they certainly contribute to better public health and sanitation. Financing and maintaining such infrastructure is difficult; to raise revenues through an increase in the already regressive market tax will further hurt small vendors. Decisions to build market facilities, including warehouses, should be carefully considered; many such facilities, developed without adequate planning, remain unutilized throughout the Sahel.

3.4 Technology and Human Resources

Low-yielding, traditional techniques in agro-pastoral production and small-scale industries severely constrain economic development in Niger. There is little use of modern inputs such as improved cultivars, fertilizer, and chemicals in production, processing, or storage. There is also little use of modern equipment, and one consequence is severe farm labor shortages at peak periods. The resulting low level of agricultural production prevents the promotion of agro-industries related to basic grains, fruits, and most horticultural products in Niger.

Several factors explain the non-use of modern production techniques in agriculture, livestock, food processing, and various cottage industries. Previous sections mentioned poor rural infrastructure and credit. Agricultural research and extension have attempted but failed to develop packages that combine high yield (including grain and hay in the case of cowpeas)

¹³ See Doan, L. Peter and Blane D. Lewis, 1989. Niger Market Town Development Study. Final Report, Research Triangle Institute.

with acceptable risk to producers. Price and tax policies have distorted incentives, although many have been corrected. Perhaps the most critical factor remains the limited development of human resources in Niger. Exhibit 3.3, for example, paints a somber picture of Niger's low primary school enrollment and high illiteracy rate. Studies elsewhere show that a higher level of education strongly correlates with greater use of modern farm techniques.

Exhibit 3.3

Niger: Selected Education Indicators

Indicators	Overall	Female
Primary School Enrollment (% of School Age Group)	29.0	6.0
Illiteracy Rate (% of population over 14)	86.1	91.4

Source: World Bank

Lack of training limits the pool of skilled labor in both the formal and informal sectors in Niger. Many government officials lack the capacity to analyze, design, and implement economic development programs. Skills acquired through apprenticeship in small-scale industries are rarely upgraded. Despite their proven market skills, traditional traders make little use of modern management practices. Many traders such as collectors in the hides-and-skins subsector, indulge in rent-seeking behavior and adulterating practices. The results are limited progressiveness, risk taking, and market development in agribusiness.

4. RECOMMENDATIONS

This chapter presents recommendations in addition to (although sometimes in agreement with) those made in earlier studies. These recommendations are intended to develop agricultural marketing and agribusiness by taking advantage of opportunities identified in previous chapters. Initiatives in market development, training, credit, market information, organizational changes, monitoring, and further research are viewed as key to achieving this objective. These initiatives are consistent with the Agricultural Marketing and Agribusiness Objective Tree, taken from the "Strategic Framework for Agricultural Marketing and Agribusiness in Sub-Saharan Africa" developed by A.I.D.'s Africa Bureau. This objective tree focuses on three basic elements of the marketing system -- macroeconomic and sectoral policies and regulations affecting marketing activities, the infrastructure necessary for marketing activities, and the marketing participants (see Exhibit 4.1). The recommendations of this study agree with this focus, emphasizing two levels of priority. The first is strengthening market participant capability and the improvement of market system technology and infrastructure. The second is consolidation of the policy environment. Improved technology is stressed as one important market system sub-element of the objective tree to reflect the constraints facing Niger's agribusiness. Exhibit 4.1 demonstrates the necessary backward and forward linkages between improved technology, including both physical infrastructure and knowledge, and strengthened technical skills, which allows individuals and firms to take advantage of new technologies.

4.1 Initiatives in Market Development

The focus on participant capability and marketing system technology reflects recent developments in Niger. Despite a few difficulties, the GON has carried out key structural reforms as required by conditionalities. Economic recovery remains tentative, however, discouraging risk-taking in new business opportunities by private entrepreneurs. One needs to move beyond price and incentive reforms to investment strategies. Applied research and pilot testing of selected innovations provide the needed spark to persuade entrepreneurs to invest in strategic market development. Studies and observations suggest the highest potential gains are in reducing storage and transport losses and improving the quality of export products. These areas require market coordination, which may be accomplished by assisting market participants in concerted market research and promotion.

4.1.1 Market Research and Promotion

It has been said that "improvements in quality are not rewarded in Nigerien marketplaces" (Mead *et al.*, 1990). Yet, one observes discriminating Nigerien consumers at these marketplaces. Because of income constraints, however, most of them are willing to pay only a small premium for quality. It is up to suppliers to produce the appropriate quality and still earn a profit. It appears that few Nigerien market participants make any such effort. Instead, they mix different product varieties, grades, and qualities and sell them at low average

prices. As a result, Nigerien agribusinesses are at a disadvantage in competition for export markets that reward higher quality. How do we inform market participants of the potential gains from meeting the export demand for high quality products?

Producing quality products for export requires good vertical coordination in the related commodity subsectors. Vertical coordination can be achieved through forms of vertical integration (with the entire marketing process under one management) and contracting. Government officials used variants of such forms of coordination as one rationale for setting up parastatals. However, Nigerien parastatals proved to be inefficient. Their privatization was implemented without adequate preparation, and failed to continue or reinforce useful business contacts among market participants, for example in the hides-and-skins subsector. How do we develop vertical coordination with completely independent market participants in the context of Niger?

Vertical coordination can be improved and Nigerien exports promoted through an approach that combines the following: trade delegations to importing countries, in-country workshops, and technical assistance in market research and promotion. The GON has conducted trade delegations, notably to meet one conditionality of the NEPRP. The Mission has sponsored in-country workshops on cowpeas this year and is planning others on onions and hides and skins. This study recommends more integration of trade delegations and workshops to help strengthen indigenous entrepreneurship and the managerial skills.

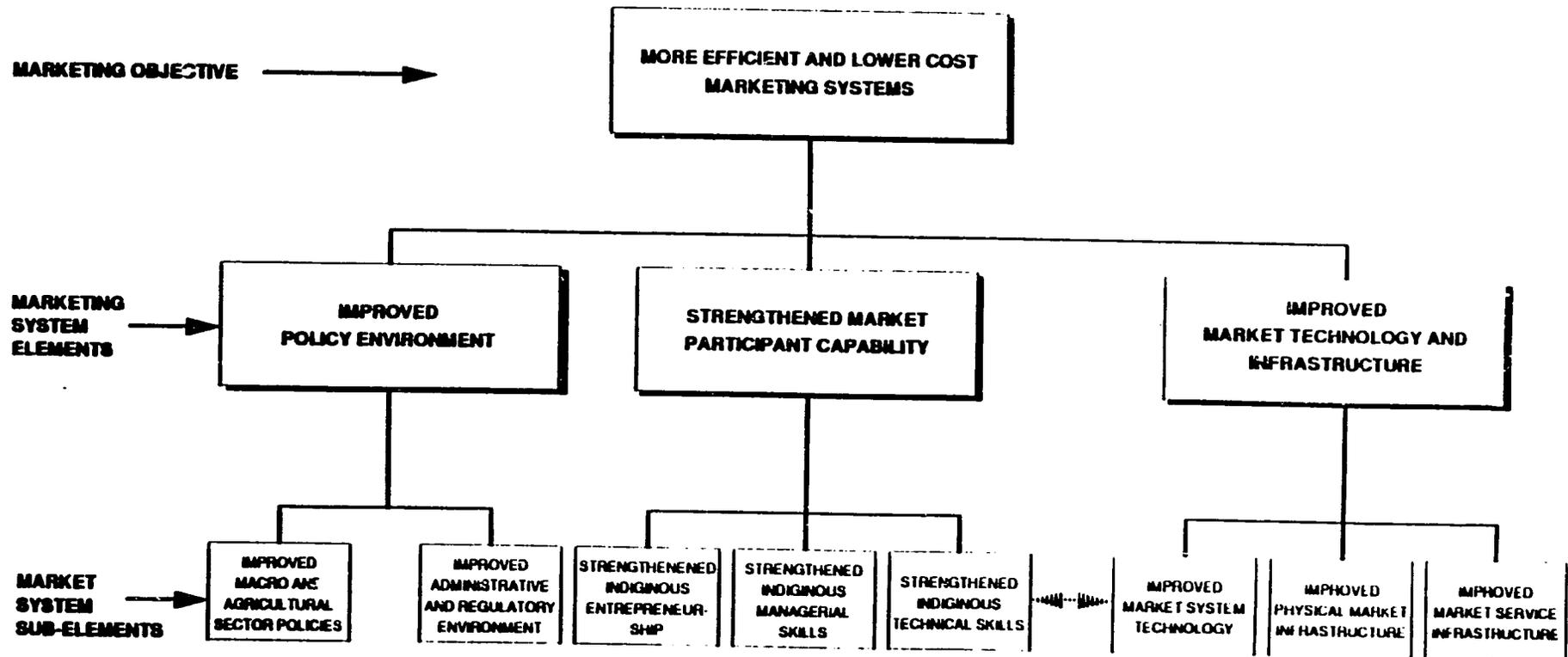
Trade delegations would include representatives of producers, processors, and traders as well as government officials. In assisting trade delegations, marketing specialists would direct interviews and site visits, and introduce key concepts of market research and promotion. The role of marketing specialists is to help trade delegations better identify areas in which value can be added in Niger, for example, in scheduling production, sorting, grading, packaging, and processing of commodities. The objective is to strengthen indigenous entrepreneurship. In-country workshops would serve as a follow-up to the trade delegations (including presentation materials). These workshops would address a large cross-section of market participants. Here again, marketing specialists would provide technical assistance and on-the-job training to Nigerien counterparts to help strengthen indigenous managerial skills.

Exposing all participants to market conditions (in Niger and in importing countries) helps build trust in business dealings. In the Senegal River Valley for example, input suppliers and producers appreciate price forums, where expected input prices and delivery conditions are discussed. Over the years, this information sharing has assisted input suppliers and producers in developing better mutual understanding and business ties.

For onions and perhaps garlic and red peppers, trade delegations to Côte d'Ivoire, Ghana, and countries of Central Africa would be beneficial. For hides and skins, Nigeria and possibly Italy are good prospects. The potential gains for cowpeas and meat exports in Nigeria seem smaller, however. Cowpea processing may be better developed in Nigeria, the consuming

Exhibit 4.1

Agricultural Marketing Objective Tree



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SOURCE AID/W, 1991

country, because of its cheaper energy costs and better industrial infrastructure. Exports of Niger's meat are constrained by the risks involved in building oversized abattoirs.

In assisting Niger's agribusiness, the Mission should build on the integrated approach of trade delegations and in-country workshops to help strengthen indigenous technical skills and improve market system technology.

4.1.2 Storage Techniques and Facilities

This study recommends investments in improved technology and physical infrastructure in storage, conservation, grading, and packaging. Improvement of storage and conservation provides a great opportunity for adding significant value to Niger's exports. Storage losses are high in the cowpea, horticultural, hides-and-skins, and onion subsectors. Reported losses remain rough approximations, however. In monitoring storage, NEPRP noted that some "improved" storage techniques recommended to onion cooperatives have actually increased producers' losses.

Improvement of storage and conservation techniques should start with systematic tests of local techniques used at different levels of the marketing channel. At which levels do the most significant losses occur? Which local techniques are the most efficient at these levels? At a minimum, we should try to extend the best local techniques to a larger number of market participants. If alternative "improved" techniques are proposed, they should be compared to the best local techniques and proven to significantly reduce losses at acceptable costs. Involving market participants and understanding their reasoning in storing products increases the potential for adoption of recommended techniques.

Storing goods for later sales involves speculation. There is an inherent risk that the expected price increase may not cover storage costs. Storage ties up funds, and participants may avoid it because they cannot afford to freeze their resources for even short periods. To ease the financial constraints, credit should be part of the strategy for improving storage facilities and techniques.

The potential payoffs from improved storage and conservation are higher for onions, and hides-and-skins than for cowpeas. Given the seasonality of onion production, better storage can help produce a steady flow of produce at relatively high prices, thus increasing farmers' income. Better conservation of onions also contributes to reducing transport losses. In the hides-and-skins subsector, improved processing infrastructure (drying sheds) is necessary to increase the quality of products. The value added to the subsector may be substantial if infrastructure construction proceeds after an appropriate feasibility study. Cowpeas' vulnerability to storage losses is well known. However, it is not known whether producers and traders avoid storing cowpeas because of this vulnerability or because of the opportunity cost of storage.

4.1.3 Grading and Packaging

Better grading would definitely increase the export value of Nigerien hides and skins. The subsector needs to develop standard grades and cut back the practice of adulterating products. The trade delegations described above would allow economic agents to observe the level of quality required to compete in export markets. In-country workshops would help exert pressure on various participants to stop unethical practices. By working with collectors and butchers, the newly created private companies in the subsectors are the logical market innovators. Any USAID assistance to the subsector should involve these companies.

In the onion subsector, there are contradictory accounts of Ivorians' demand for better grades and packaging of Nigerien onions. Trade delegations to Abidjan should be able to answer questions regarding Ivorian consumer preferences. There is general agreement, however, that inadequate packaging and handling of onions increase transport losses. Could sorting of onions help reduce bruises during transportation? Given that onions are highly perishable, it is worthwhile to experiment with alternative methods for packing and sorting them to reduce transport losses.

Another area of innovation concerns standard weights and measures of agricultural products. In Niger, onions sell by the 100- to 150-kg bag, in Côte d'Ivoire, they sell by standard weight measured in kilograms. Although the various sizes of bags (reflecting preferences of importing countries) are priced differently in Niger, the discrepancy between the two countries builds mistrust between producers and traders. Traders appear to have more bargaining power because they deal in both units of measurement (bags in Niger and kilograms in Côte d'Ivoire). Producers stand to gain from enforcement of standardized measures that help increase competition and minimize mistrust among participants. To support such an innovation, an initial investment in scales would be needed to service major wholesale markets.

4.2 Training

Studies have identified inadequate training and education in Niger as a critical constraint in the development of the country. Higher levels of skill and knowledge are needed in both the private and public sectors. Training is necessary to strengthen market participant capability.

4.2.1 Strengthening Managerial Skills of Agribusinesses

A key NEPRP objective is to encourage the development of the formal sector by lowering taxes, simplifying regulations, and providing better institutions. Reducing the costs of doing official business is a necessary but insufficient step. Many participants engage in the informal sector not only because they appreciate its flexibility and lower taxes, but also because they lack the prerequisites to perform in the formal sector. Traders without adequate understanding of accounting fear they will lose control if they rely on this business tool. Informal entrepreneurs should not be asked to keep accounting records just to provide the means

for tax assessment; they need to be shown how bookkeeping can help them run better businesses.

Nigerien conditions present considerable challenge for the development of a training program to improve business managerial skills of informal and formal entrepreneurs. Local case studies are needed to illustrate to traders the benefits which can be derived from using these techniques. Traders, however, tend to be extremely secretive and not eager to release business information. Training materials also need to be adapted to the traders' level of education and presented in their local languages, when necessary. The challenge can be met, however. Materials in written Hausa are available from Nigeria. CARE has experience in business training for small-scale enterprises. Niger can also draw on the lessons from similar experiences elsewhere in the Sahel.

4.2.2 Upgrading the Skills of Nigerien Officials and Consultants

Although private agribusinesses are the focus of the recommendations, public officials also need managerial skills to support and promote improvements in the efficiency of marketing systems. As noted, marketing specialists would provide on-the-job training in market research and promotion to Nigerien counterparts, including government officials. Further training would be needed in market research and promotion tools. Ultimately, Nigeriens should control the format of trade delegations and in-country workshops. Nigerien officials and private consultants should be available to advise entrepreneurs. Some USAID projects already provide business management training to Nigeriens. These efforts need to be expanded in the next CPSP.

USAID efforts should also focus on upgrading Nigeriens' skills in agricultural policy analysis to support market development. Training in agricultural policy analysis should emphasize trade situations with Nigeria. Valuable analytical tools include border price analysis and studies in comparative analysis reflecting economic changes in Nigeria. Such tools can be easily acquired through in-country training. Software packages abound for analyzing border prices for both single and multiple commodities. Short-term training in the United States provides exposure to more sophisticated analytical tools. The USAID/Niamey planned Policy Analysis Monitoring (PAM) Project provides an opportunity to upgrade Nigerien technical skills through the collaborative research of Ph.D. candidates.

4.3 Credit

Financial support is needed in the process of strengthening market participant capability. Market development requires financial resources. USAID is experimenting with three different major credit schemes, but realizes they are not sufficient to solve Niger's credit problems. CLUSA-guaranteed credit is a short-term measure, not a sustainable one, although beneficiaries are exposed to banking practices. Credit unions appear promising. At present, however, WOCCU is geared more toward savings mobilization than credit. Why should credit unions accept only small depositors? Large traders should be allowed to participate in credit

unions, provided steps are taken to ensure loan reimbursement. Inclusion of large traders may even attract net savers if they are rewarded by high interest rates. CARE's activities are limited to small-scale enterprises in Maradi, but an expansion is worth investigating. Its Grameen Bank approach rightly integrates credit and business management. Too often, credit need is confused with poor business management. Even if there is a need for credit, we should not attempt to force upon traders the notion of mutually guaranteed loans if they do not trust themselves to enforce it.

The Mission needs to reevaluate these credit schemes, as well as those supported by other donors, in light of the suggested market development strategy. Financial institutions need to cover areas where the proposed market development is likely to take place; the potential areas are Tahoua for onions, possibly Agadez for garlic, and Diffa for red peppers. Credit institutions should operate where their impact is potentially greatest. Such a strategy allows experiences in new credit institutions to build up faster, along with expanding economic activities. Also, credit schemes should adhere to the following guiding principles: They should form a complete financial system; they should perform all necessary lending functions; and they should charge real, positive interest rates in order to reward savers.

Increasingly, market participants should be involved in the design and implementation of credit institutions and other market service infrastructure. The objective is to encourage them to propose innovative approaches that will assist credit institutions in adhering to the guiding principles listed above.

4.4 Market Information

Market information is another critical market service. Lessons learned throughout the Sahel show that market information should be designed for sustainability. That is, core activities should survive after external funding ends; only a few marketplaces may be necessary to provide valuable service; the information gathered should not overwhelm the available analytical capacity; in addition, the institution responsible for price collection should have no vested interest in reporting low or high prices.

To set up such a system requires initial investment, however. Marketing system surveys are needed. A number of marketplaces may be considered before a few are chosen; market participants have to be identified and their different roles understood. It is necessary to understand the agents' roles in order to distinguish among producer, wholesale, and retail prices. Various product grades, which show price differentials, also have to be distinguished. Enumerators have to be trained in data collection, and analysts in statistical analysis.

Actual market information in Niger is targeted mostly to political decision makers and donors. The GON and donors have legitimate needs for market information to assess the impact of economic reforms. These needs, however, should not be imposed on a system that is supposed to address the needs of producers and traders. Market information for producers and merchants needs to be quickly disseminated. Throughout the region, including Nigeria,

radio broadcasts have proven effective. Weekly broadcasts are more feasible than daily ones because of communication problems. It is still helpful, however, to provide written price information for reference and it should also be written in local languages in which many more traders are literate (often transcribed in Arabic) than they are in French.

The Nigerien commercial attaché now collects prices in Kano, Nigeria. Nigerien traders need relevant data for their decisions. Using prices of cowpeas sold to Nigerian wholesalers, other Nigeriens can make the conversion into Nigerien prices by accounting for transport costs. On the other hand, consumer prices in Kano reflect Nigerian storage costs, which are more difficult for Nigeriens to account for. If available, Nigerian wholesale prices should be collected.

Given the informal nature of most trade between Niger and Nigeria, which complicates the collection of official data, we should experiment with new collection methods. For example, data may be collected from a few key informants in major markets, possibly for a fee. Rapid Appraisal studies and USAID market visits have relied on these informants to gauge livestock and cowpea exports to Nigeria. Such data collection should be part of the monitoring system.

The GON has broadcast livestock prices every Saturday afternoon for several months. Based on this development, it is likely that the GON may take steps to publicly broadcast agricultural market prices in the future. Market information data collected by the Mission may still be provided to the Chamber of Commerce; it will be determined whether such written information is helpful to agribusinesses.

4.5 Organizational Changes

This study recommends organizational changes in the Chamber of Commerce and the GIE to help improve administrative and regulatory reforms. The MAPS study points out that while all formal sector enterprises are members, the organization does not truly represent their interests. Membership is mandatory, all employees are hired by the Government and paid by the Treasury, and senior staff are appointed by the Government.¹⁴ Currently, the Chamber of Commerce does not adequately serve the interests of the business community. Three areas where it could play an important role are in the collection and dissemination of market information from Nigeria, the promotion of Nigerien products, and the dissemination of training materials to businesses. The fact that the Chamber does not provide these and other services to agribusinesses suggests that it should be reformed. Such a reform, however, should avoid previous mistakes made in the privatization of parastatals. The key consideration is whether traders are ready to pay any of the costs of running the institution. Experience elsewhere suggests that marketing participants have to be convinced of benefits before they are willing to pay for services. Once again, an important role for the GON or donors may be to initiate a

¹⁴MAPS, 1991

process whereby marketing participants such as traders are involved in the process of redefining the role of the Chamber of Commerce.

Present trade associations in Niger are non-profit organizations. To create even a small legal-for-profit organization entails cumbersome rules and regulations. The GON has successfully experimented with GIEs, but has yet to rule on their existence. If they are allowed to blossom, eventually they may form federations to gain better access to services. Guaranteed credit schemes through federation of GIEs should be encouraged. The GIE may be the needed stepping stone from the informal to the formal sector.

4.6 Improving Agricultural Sector Policies

The Mission's NEPRP helped improve the policy environment of the agricultural sector in Niger. Recently, the GON provided evidence that satisfied all conditionalities for the release of NEPRP's third and last tranche. Major taxes that constrained trade have already been removed as part of previous conditionalities. Because of GON's inability to raise alternative tax revenues, removal of further taxes must be carefully analyzed before being recommended. At this point, ensuring implementation of the measures already taken seems more effective.

A related area of reform implementation is the checkpoints at which unscrupulous government officials extort bribes. Reducing the number of roadblocks, and thus the likelihood of traders being indirectly taxed, will considerably lower traders' transaction costs.

Finally, lessons learned in Niger and elsewhere show that it is important to adequately inform officials of changes in trade laws so that they can implement new rules and regulations. What is needed as well is an improved capacity to monitor how new laws and regulations are interpreted and applied in practice. This ties in to overall monitoring needs discussed in the following section.

4.7 Monitoring

Monitoring and evaluation are key activities in agribusiness and the Mission's overall CPSP. They are needed to correct false assumptions made during the design process, to identify slippage in implementation, and to measure the impact of reforms and market development. It is critical to ensure that measures have been implemented before any attempt is made to evaluate the impact of reforms.

The Mission is developing an impact monitoring system, which includes the design of impact indicators to help evaluate the progress and performance of programs. AID/W requests that missions provide an Assessment of Program Impact (API) that estimates, based on quantifiable indicators, the impact at each level of the Mission's program logframe (country program goal, strategic objectives, targets, and benchmarks). The API requires the development of a clear set of indicators for each level of the Mission's program, identification of data sources, collection of needed information, synthesis, and report on program impact (Hobgood,

1990). Harmonizing CPSP monitoring needs and API requirements is an ongoing process. As part of this process, the Mission has developed indicators measuring progress toward strategic objectives and targets related to performance of agro-pastoral markets. These are an elaboration of illustrative indicators suggested in the Africa Bureau's "Strategic Framework for Agricultural Marketing and Agribusiness for Sub-Saharan Africa."

The development of meaningful indicators involves several challenges. The performance of the marketing system is multi-dimensional, but impact indicators include more economic and technical dimensions than social or behavioral ones. The levels of progressiveness and mistrust among market participants, for example, heavily influence the efficiency of the marketing system. The impact monitoring system should also account for time lags in the reforms, some of which may go beyond the CPSP timeframe. Good indicators must explain with reasonable confidence changes in economic conditions, including the contribution to macroeconomic variables. Finally, baseline data must be available, at reasonable cost, to measure these changes unambiguously. The weakness of baseline data in Niger severely hinders the development of a system to monitor and evaluate the country's economic and social development. The definition of marketing system performance indicators will therefore be an ongoing process, and develop further as more baseline data becomes available (for example, with the results of USAID/Niamey's and IFPRI's collaborative rural income study).

The dynamic nature of an evaluation and monitoring system requires a relatively quick turnover in data generation. Regular, focused market information surveys, brief field visits, and RA studies are cost-effective, appropriate ways to gather data. To further economic development, however, we need to better design programs. More accurate and in-depth information and a deeper understanding of the likely consequences of a program are required in order to suggest new areas of reform. Numerous knowledge gaps remain in Niger. The Mission, other donors, and the GON should support several in-depth studies to bridge these gaps, as outlined in Section 4.8.

4.8 Future Research in Agribusiness

To contribute to the development of agribusiness in Niger, this study recommends to the Mission further research in the following key areas:

- The impact of the CFA franc realignment on Niger's agricultural sector. Several studies have identified the overvaluation of the CFA as a key constraint in the expansion of Nigerien exports to Nigeria. Niger, however, appears unprepared for an eventual devaluation of the CFA franc, while its major partner, Nigeria, shows strong commitment to an ongoing readjustment of its currency. Research is needed to assess the consequences for Niger of an eventual realignment of the CFA franc and to identify the steps required to prepare for such a reform.
- The impact of economic reforms on marketing costs and margins for selected commodity subsectors. In which ways and to what extent has the agricultural

marketing system improved because of trade and regulatory reforms already undertaken? Such a study fits the Mission's efforts to evaluate the impact of economic reforms.

- Rapid appraisal of garlic and potatoes in the Agadez area and red peppers in the Diffa area. These studies were planned but were postponed because of time constraints. These products are perceived to suffer from an underdeveloped marketing system, yet consumers in Niger and abroad appreciate them.
- Review of lessons learned in business management training of informal entrepreneurs in Sub-Saharan Africa. The managerial capability of informal entrepreneurs needs to be improved to sustain market development in Niger. Several experiences underway in the sub-region can help Nigeriens to replicate successful methods and avoid mistakes in business training for indigenous agribusinesses.

5. CONCLUSIONS

The Niger Economic Policy Reform Program (NEPRP) studies made valuable and lasting contributions to the objectives of the Mission's program. Findings of the rapid appraisal studies shed needed light on the organization and performance of Niger's key export-oriented commodity subsectors. The studies exposed the institutional constraints, trade restrictions, and regulations which affect the expansion of agro-pastoral exports. The results also uncovered opportunities in these subsectors. The NEPRP studies recommended actions appropriate for the situation at hand. In particular, their recommendations regarding marketing liberalization provided the basis for NEPRP conditions precedent and evaluation of the implementation of these reforms.

USAID/Niamey's Country Program Strategic Plan (CPSP) will take into account Niger's severely limited natural, economic, and human capital bases. The CPSP must also forcefully take advantage of available opportunities in Niger suggested by studies commissioned by NEPRP and other programs. Despite its severe constraints, Niger enjoys in regional trade an established or potential comparative advantage in commodities such as livestock, hides and skins, onions, cowpeas, red peppers, and potatoes. Nigerien producers and traders have been known for several decades for their remarkable resilience and resourcefulness. The GON has also shown an overall firm commitment to economic and social reforms. Although structural reforms need to be pursued, as both the GON and donors realize, the reforms already implemented by the GON have created a better business climate for Nigerien agribusiness.

To take advantage of such opportunities, first the Mission must go beyond economic reforms to promote concrete actions in market development. Despite the better business climate, the lagging economic results of structural reforms dampen somewhat the confidence of agribusiness to invest. Market innovations would provide the needed spark to persuade entrepreneurs to invest in market development.

Second, USAID/Niamey must increasingly emphasize direct assistance to the private sector. Governments need help to change the rules and regulations that constrain market development. A strategy that focuses on the private sector, however, must rely more on direct assistance to this sector than on indirect assistance through government institutions.

These two important shifts are at the core of this study's recommendations to the Mission. The recommendations emphasize actions that will help Niger's agribusiness add significant value to subsectors in which the country has established or potential comparative advantage. Market research and promotion initiates the process, leading to an experimentation with and development of technology and market facilities. Once these processes are started, they become iterative and interactive. Training, credit, market information, and better forms of organization support these efforts. A consolidated liberalized policy environment provides needed incentives to agribusinesses. Monitoring and research help fine-tune measures and expand knowledge for further market development.

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ANNEX A

PERSONS VISITED

1. IN THE US

Thomas Reardon, IFPRI
Christopher Delgado, IFPRI (telephone conversation)
Willem Van Eeghen, World Bank (telephone conversation)
Charles Steadman, CRED/University of Michigan (telephone conversation)
Pierre Lazar, IMF
Tom Herlehy, A.I.D./W, Africa Bureau
Nancy McKay, A.I.D./W, Niger Desk
Melissa Brinkerhoff, A.I.D./W

2. IN NIAMEY, NIGER

2.1 USAID/Niamey Staff

George Eaton, Mission Director
Valerie Dickson-Horton, Mission Deputy Director
Anthony Vodraska, Executive Office, Chief
George Taylor, Agriculture Development Office (ADO), Chief
Gregg Baker, ADO/Ag. Econ. & Policy Analysis Head
Margaret (Meg) Brown, ADO/ASDG Head
Cdt. Moussa Saley, ADO
François Vezina, ADO
Beatrice Beyer, Program Office (PROG), Chief
Frank Martin, PROG Economist
Michael McCarthy, PROG Economist
Erna Kerst, Project Development Office (PDO), Chief
Ellen Taylor-Powell, PDO
Souleymane Aboubacar, PDO
Jack Slattery, General Development Office (GDO), Chief
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Mike Borish, MAPS Team Leader

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Nasiri, Consultant (Natural resources)

Dr. Malam Abba, Directeur "Sous-comité développement rural"

Dominique Mas, UNDP/Direction réforme du secteur rural (DRSR)

Abdousale Abdoulahi, Counterpart (DRSR)

Ibrahima Najada, Conseiller Technique, Ministère de l'Environnement

Madame Diallo, CNCE

Idrissa Seydou, Chamber of Commerce, Niamey

Former Director, Société nationale des cuirs et peaux (SNCP)

ANNEX B

NIGER: STRUCTURE OF NATIONAL ACCOUNTS, 1984-1989

	1984	1985	1986	1987	1988	1989 Est.
Rural sector	35.8	36.7	36.0	33.7	39.1	36.5
Agriculture	22.0	24.5	19.8	16.3	22.1	19.0
Livestock	11.0	9.3	13.2	14.3	14.1	14.2
Forestry and fishing	2.8	2.9	3.1	3.0	3.0	3.2
Mining	8.3	8.1	7.4	7.6	6.2	6.0
Industry, energy, and handicrafts	8.8	9.3	10.2	11.5	10.4	11.0
Manufacturing industries and handicrafts	7.0	7.1	7.7	8.7	8.1	8.7
Electricity and water	1.7	2.2	2.5	2.8	2.3	2.3
Construction and public works	4.6	3.5	4.5	5.1	3.5	3.9
Commerce, transport, and services	28.2	27.6	26.5	26.7	25.8	26.2
Commerce	17.2	15.8	14.1	13.7	13.8	13.3
Transport	4.0	4.2	4.1	4.1	3.9	4.1
Services	7.0	7.6	8.3	8.8	8.2	8.8
Government	10.4	10.8	11.5	12.2	12.3	13.5
Import taxes and duties	4.1	4.0	3.8	3.2	2.8	2.9
GDP at current market prices	100.0	100.0	100.0	100.0	100.0	100.0
Consumption	100.4	97.1	95.0	95.6	93.2	96.8
Private	90.2	86.2	83.5	84.0	82.0	84.5
Public	10.2	10.8	11.5	11.6	11.3	12.3
Domestic investment	3.1	12.7	9.5	8.6	11.0	9.5
Gross fixed capital formation	9.8	9.9	9.2	9.8	9.7	10.1
Changes in stocks	-6.7	2.8	0.3	-1.2	1.3	-0.6
Resource gap (deficit -)	-3.6	-9.8	-4.5	-4.2	-4.2	-6.3
Exports of goods and non- factor services	22.6	19.2	19.7	20.9	18.3	17.3
Imports of goods and non- factor services	26.2	29.1	24.2	25.3	22.6	23.6
Domestic savings	-0.4	2.9	5.0	4.4	6.8	3.2

Sources: IMF and République du Niger

ANNEX C
NIGER: DIRECTION OF TRADE, 1984-1989

	1984	1985	1986	1987	1988	1989
(In millions of U.S. dollars)						
Exports	273.5	259.0	255.7	213.4	174.4	125.3
Industrial countries	216.5	185.3	227.4	176.2	134.1	176.1
Of which:						
France	(140.6)	(137.2)	(203.6)	(139.1)	(101.1)	(211.7)
Germany, Fed. Rep. of	(16.2)	(0.2)	(5.9)	(6.2)	(3.3)	(3.3)
Italy	(2.7)	(2.4)	(3.3)	(1.3)	(2.0)	(1.3)
Japan	(47.8)	(12.6)	(--)	(0.4)	(0.1)	(--)
Developing countries	59.9	43.0	27.5	36.2	39.1	48.6
Of which:						
Cote d'Ivoire	(2.1)	(3.6)	(1.7)	(1.9)	(2.4)	(2.3)
Nigeria	(2.1)	(28.6)	(22.4)	(25.7)	(30.3)	(37.3)
(In percent of total exports)						
Industrial countries	79.2	79.1	88.9	91.0	89.2	84.7
Of which:						
France	(51.4)	(65.6)	(79.6)	(62.0)	(60.4)	(64.9)
Germany, Fed. Rep. of	(5.9)	(0.1)	(2.3)	(1.5)	(0.1)	(0.2)
Italy	(1.0)	(1.1)	(1.3)	(0.5)	(0.5)	(0.6)
Japan	(17.5)	(6.0)	(--)	(0.1)	(0.0)	(--)
Developing countries	18.6	20.6	10.8	8.8	10.4	14.9
Of which:						
Cote d'Ivoire	(1.0)	(1.7)	(0.7)	(0.5)	(0.8)	(0.9)
Nigeria	(10.6)	(13.7)	(4.8)	(6.2)	(6.3)	(11.4)
(In millions of U.S. dollars)						
Imports	285.2	344.9	304.1	337.0	393.0	193.6
Industrial countries	145.1	207.8	199.8	228.9	262.2	236.3
Of which:						
France	(78.0)	(95.4)	(110.3)	(121.9)	(129.6)	(123.5)
Germany, Fed. Rep. of	(12.6)	(19.0)	(17.6)	(21.8)	(18.7)	(19.3)
Italy	(4.9)	(9.1)	(14.3)	(13.4)	(18.3)	(15.5)
Japan	(12.0)	(13.0)	(9.1)	(22.1)	(25.6)	(17.7)
Developing countries	113.5	112.5	78.4	79.1	92.0	102.7
Of which:						
Cote d'Ivoire	(16.9)	(24.9)	(29.4)	(28.5)	(35.6)	(41.0)
Nigeria	(42.2)	(23.1)	(8.4)	(11.3)	(12.3)	(13.6)
(In percent of total imports)						
Industrial countries	50.9	60.2	65.7	67.3	66.7	61.6
Of which:						
France	(27.3)	(27.7)	(36.3)	(36.2)	(33.0)	(32.1)
Germany, Fed. Rep. of	(4.4)	(5.5)	(5.8)	(6.5)	(4.8)	(5.3)
Italy	(1.7)	(2.6)	(4.7)	(4.0)	(4.7)	(4.0)
Japan	(4.2)	(3.6)	(3.0)	(6.6)	(6.5)	(4.5)
Developing countries	39.8	32.6	25.6	23.5	23.4	26.8
Of which:						
Cote d'Ivoire	(5.9)	(7.2)	(9.7)	(8.5)	(9.1)	(10.7)
Nigeria	(14.8)	(6.7)	(3.1)	(3.4)	(2.9)	(3.5)
(In percent of total trade)						
Industrial countries	64.7	67.4	76.3	80.4	77.7	72.2
Of which:						
France	(38.1)	(42.0)	(56.1)	(51.4)	(56.1)	(47.1)
Germany, Fed. Rep. of	(5.2)	(3.7)	(4.2)	(3.7)	(2.5)	(2.7)
Italy	(1.4)	(2.4)	(3.7)	(2.0)	(2.6)	(2.4)
Japan	(10.7)	(4.6)	(1.6)	(3.0)	(3.3)	(2.4)
Developing countries	29.4	26.1	18.9	15.4	17.1	21.3
Of which:						
Cote d'Ivoire	(3.5)	(5.1)	(5.6)	(4.1)	(5.0)	(6.2)
Nigeria	(12.7)	(9.3)	(5.7)	(4.9)	(5.5)	(7.1)

Source: IMF, *Direction of Trade Statistics Yearbook*, 1988 and monthly issues for 1989.

Note: Exports/Imports of industrial and developing countries do not add up to world totals.

ANNEX D

NEPRP CONDITIONS PRECEDENT (CP)

1. CP UNDER THE PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)

1.1 Conditions Precedent to the Initial Disbursement for all Activities:

"Prior to the first disbursement of U.S. dollars under the Grant, the Grantee shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (a) Evidence that a special account has been established in the Treasury of the Government of Niger for the deposit of local currency equivalent to the dollar disbursements under the Grant;
- (b) Formal designation by the Government of Niger of the entity empowered to monitor policy reform measures under the program;
- (c) Evidence that the export taxes on agro-pastoral products have been eliminated."

1.2 Conditions Precedent to Subsequent Disbursements of Dollar Resources:

a. "Prior to disbursement of the second tranche of dollar resources under the Grant, the Grantee shall furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that the Grantee has:

- (i) Instructed government personnel throughout the country on the proper formula for estimating value of livestock (cattle) for purposes of fixing patente costs and simplified licensing (patente) procedures for export of livestock;
- (ii) Begun preparation of a Charte des contribuables (businessmen's bill of rights), to include establishment of the position of arbiter between business and government (as described in the PAIPCE);
- (iii) Appointed a commercial attaché (from the Ministry of Commerce) to the consulate in Kano, Nigeria, and established a line item in the national budget for this purpose;
- (iv) Initiated contacts with the Government of Nigeria in order to establish bilateral commercial accords aimed at resolving government impediments to trade;
- (v) Undertaken trade missions in neighboring countries with mixed government and private representation;

(vi) Issued an Action Plan for improvement of livestock export practices thereby implementing the Ministry of Agriculture (MAR) report;

(vii) Not granted any trade monopolies; and

(viii) Not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any previous condition precedent under this program."

b. "Prior to the disbursement of the third tranche of dollar resources under the Grant, the Grantee shall furnish to A.I.D., in the form and substance satisfactory to A.I.D., evidence that the Grantee has:

(i) Promulgated the charte des contribuables and created the post of arbiter;

(ii) Established a system of collection and dissemination of data on prices of agropastoral products and on exchange rates at Kano;

(iii) Eliminated the professional card (carte professionnelle) for vendors of livestock and simplified and clarified licensing requirements for traders in hides and skins, so as to prevent the development of monopolies;

(iv) Posted a trained commercial attaché to Kano, assuming receipt of approval from the Government of Nigeria;

(v) Continued good faith effort toward negotiations with the government of Nigeria on trade relations begun in previous year;

(vi) Undertaken additional trade missions, as described above;

(vii) Revised jointly with A.I.D., in form and substance satisfactory to A.I.D., the progress achieved in implementing export promoting policy reforms with special attention to the identification of additional policy constraints which are affecting export growth; and is taking measures, in form and substance satisfactory to A.I.D., to address the constraints thus mutually identified which reflect agreement on research and analyses needed to identify specific corrective steps; and

(viii) Not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any previous condition precedent under this program."

2. CHRONOLOGY OF GON IMPLEMENTATION OF NEPRF CFS FOR THE FIRST TWO TRANCHES

2.1 Conditions Precedent for First Tranche

2.1.1 Establishment of Special Accounts for Grants

- The GON presented its first evidence on: December 15, 1988
- USAID requested clarification through: Controller's visit
- USAID accepted GON evidence: March 3, 1989

Evidence of accounts open at a U.S. bank, Banque centrale des états de l'Afrique de l'ouest (BCEAO), and Niger's Treasury was accepted Feb. 13, 1989 and Feb 22, 1989 (for U.S. bank). However, the GON was slow in providing the Treasury account number. In addition, several changes were made regarding the administrators in charge of special accounts. The U.S. bank account number needed correction.

2.1.2 GON Body Designated to Monitor Policy Reforms

- The GON presented its evidence on: February 15, 1989
- USAID requested clarification: None
- USAID accepted GON evidence on: March 3, 1989

Two GON bodies were involved (February 15, 1989): a new Haut-Comité created for the purpose, and an old Comité Technique under the Technical Advisor to the Prime Minister for technical analysis. On September 1989, the Direction d'analyses économiques et de prévisions (Ministry of Plan) was charged with technical supervision of the monitoring system.

2.1.3 Elimination of Export Taxes on Agro-pastoral Products

- The GON presented its evidence on: February 16, 1989
- USAID requested clarification: None
- USAID accepted GON evidence: March 3, 1989

The evidence concerned taxes eliminated as of October 1, 1988, except for the taxe statistique; collection of a business tax (BIC) revised to account for business losses (September 30, 1988).

On March 3, 1989, the GON was notified that all Conditions Precedent for the first tranche were accepted (PIL # 5).

2.2 Conditions Precedent for Second Tranche

2.2.1 Valuation of Livestock (to fix patente) and Simplification of License for Export

- The GON presented its evidence on: October 12, 1990
- USAID requested clarification: October 29, 1990
- USAID accepted GON evidence: November 16, 1990

The GON was vague about how rules are applied. It was concerned that estimating value of livestock on head count will lower taxes.

2.2.2 Preparation of a Charte des Contribuables

- The GON presented its evidence on: September 25, 1990
- USAID requested clarification: None
- USAID accepted GON evidence: October 18, 1990

The GON's plans a new Code général des impôts (a general tax code), which goes beyond this CP; it meets one of the CPs for the third tranche. For the GON, a charte comes only with a code des impôts. The 1988/89 financial reports were attached to GON's letter was its 1988/89 financial report.

2.2.3 Appointment of a Commercial Attaché Posted in Kano, Nigeria

- The GON presented its evidence on: October 12, 1990
- USAID requested clarification: None
- USAID accepted GON evidence: November 6, 1990

USAID has refused GON's initial proposal to nominate a non-civil servant from the Chamber of Commerce. The GON measure took effect with the decree signed October 24, 1990.

2.2.4 Initiate Bilateral Trade Relations with Nigeria

- The GON presented its evidence on: April 13, 1990
- USAID requested clarification: None
- USAID accepted GON evidence on: May 8, 1990

Many bilateral meetings in the list presented were not trade negotiations per se, nonetheless trade issues were always discussed or alluded to in these meetings. At one meeting, March 21, 1990, Nigeria announced a reduction of import duties by 25 percent each year until total elimination, to comply with ECOWAS rules and regulations. There was no indication that Nigeriens had prepared analytical documents for these trade negotiations with Nigeria. A

mission to Nigeria aimed at setting up an "economic observatory" at the University of Niamey (1) laments the lack of trade statistics, which stems from the informal (illegal) nature of trade transactions between the two countries; (2) tells of Nigerian requesting information about Niger's products and trade regulations; and (3) states that Nigerians actually prefer formal to informal and thus riskier business deals.

2.2.5 Undertake Trade Missions Abroad with GON and Private Sector

- The GON presented its evidence on: September 20, 1990
- USAID requested clarification: None
- USAID accepted GON evidence on: October 23, 1990

USAID notes that for the third tranche, more than fairs should be involved, and only neighboring African countries should be concerned. It seems that Nigeriens think of fairs mostly as a way to promote exports. Participation by producers, processors, and traders appears minimal.

2.2.6 Design Action Plan to Improve Livestock Export Practices

- The GON presented its first evidence on: September 20, 1990
- USAID rejected evidence on: October 24, 1990
- USAID accepted new GON evidence on: November 16, 1990

GON clarification was provided October 31. Question marks remaining: When are CNUT and certificate of origin to be available at the arrondissement (not only at département) level? The GON still collects a taxe statistique (to pay for export data collection) and required all businesses to register their trade in the registre du commerce. The GON requested an in-depth study re: alternatives to the carte professionnelle, and the decentralization of its financial institutions, which previous studies recommended.

2.2.7 No granting of any new trade monopolies

- The GON presented its evidence on: October 3, 1990
- USAID rejected GON evidence: None
- USAID accepted GON evidence: October 26, 1990

2.2.8 No Counter-Measures Against Previous Reforms Taken

- The GON presented its evidence on: October 12, 1990
- USAID requested clarification: None
- USAID accepted GON evidence: November 9, 1990

USAID understanding is that: (1) the 2 percent BIC (passed May 6, 1990) imposes cost to (informal) importers that lack accounting records; (2) the 7 percent tax on hides and skins

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is not applicable to Nigerien products. The question remains how to ensure that proper distinction of origin is made.

2.3 Concluding Notes and Comments

Discussions regarding the second tranche broke off during May-July 1990 because GON failed to do the following: (1) provide information about funds received from BCEAO; (2) make transfer to the trust funds; and (3) provide timely financial reports. It took one month to transfer funds between the BCEAO account in New York and Niger's Treasury in Niamey, because of a long process: The US\$ check is wired to BCEAO's New York account, then to BCEAO's headquarters in Dakar for conversion into francs CFA; a CFA franc check is sent to BCEAO's local bank in Niger, and finally to Niger's Treasury. Another complication arises because NEPRP funds go through the Ministry of Plan, while all of Niger's other official financial transactions go through the Ministry of Finance.

The second tranche was further delayed by debates about the following CPs: (1) methods of estimation of the patente, (2) development of the livestock export action plan and, to a lesser extent, (3) nomination of commercial attaché posted in Kano, Nigeria. At these discussions, the Mission presented empirical evidence from the RA studies, notably the hides-and-skins and livestock studies. This evidence was critical in convincing the GON to clarify the implementation of tax measures.

On November 16, 1990, USAID notified the GON that all CPs for the second tranche were met. At the time of final publication of this report, the third tranche had been released as well.

ANNEX E

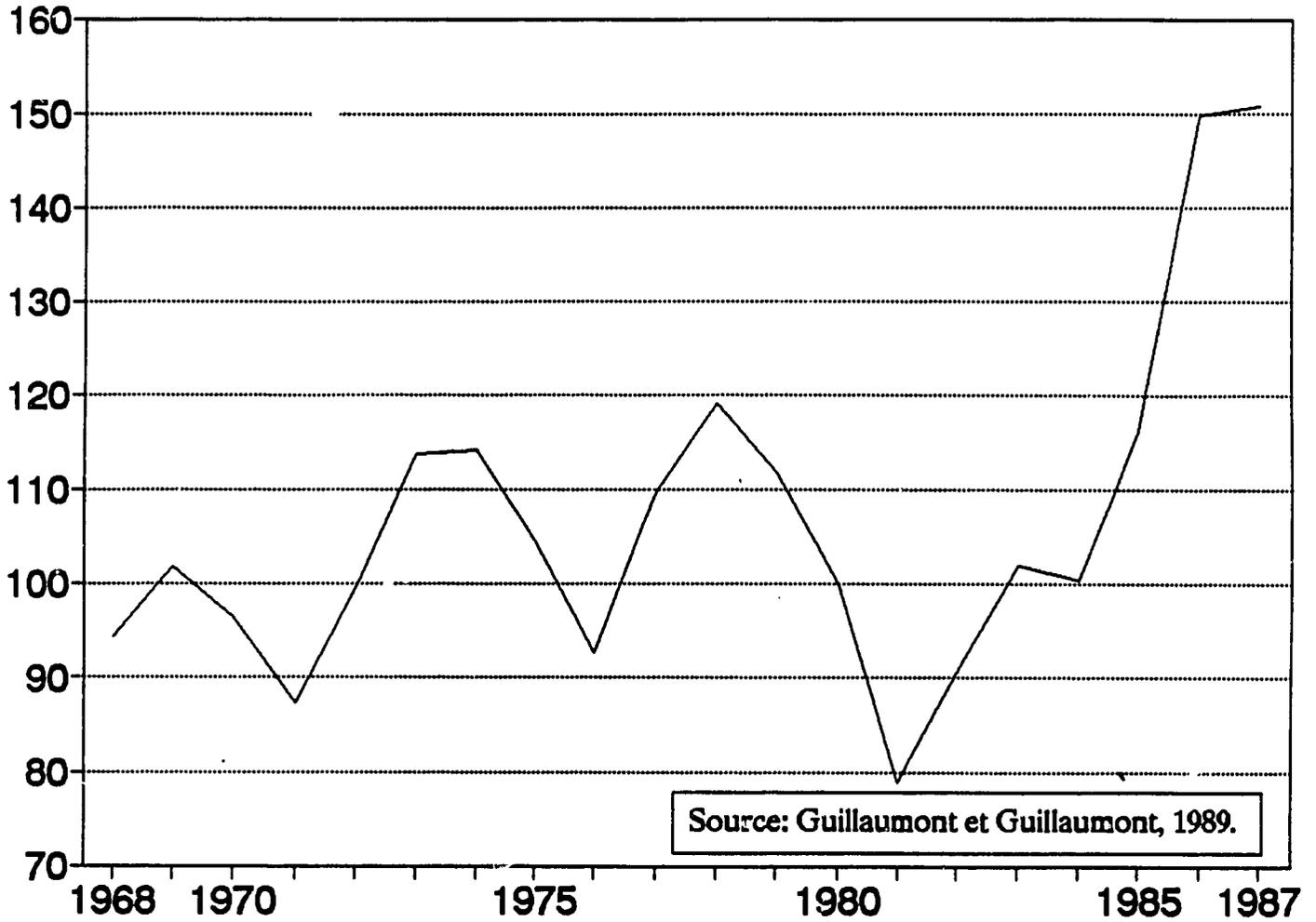
REAL EXCHANGE RATE CFA (NIGER) VIS-A-VIS NAIRA BASE 1970 = 100

YEAR	OFFICIAL	PARALLEL MARKET
1968	126.00	97.90
1969	120.70	105.40
1970	100.00	100.00
1971	89.40	90.60
1972	97.00	103.10
1973	116.30	118.00
1974	94.60	118.30
1975	84.80	108.40
1976	78.40	96.00
1977	79.60	113.80
1978	77.30	123.40
1979	74.90	115.80
1980	68.40	103.70
1981	61.10	82.00
1982	57.10	94.00
1983	41.90	105.60
1984	30.00	104.00
1985	32.00	120.50
1986	75.20	155.50
1987	158.70	156.50

Source: Guillaumont et Guillaumont, 1989

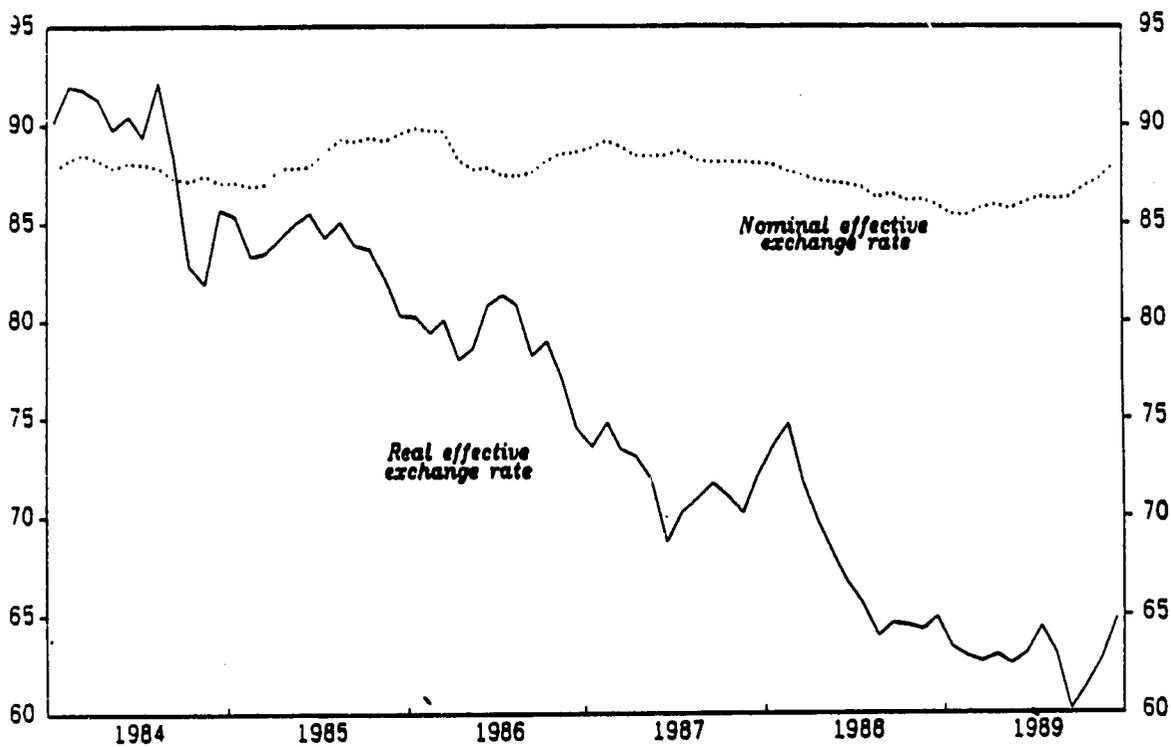
ANNEX F

**NIGER: NAIRA PER CFA REAL EXCHANGE RATE
PARALLEL MARKET (1980=100)**



ANNEX G

NIGER: EFFECTIVE EXCHANGE RATES FOREIGN CURRENCY PER CFA FRANC (1980=100)



Source: IMF