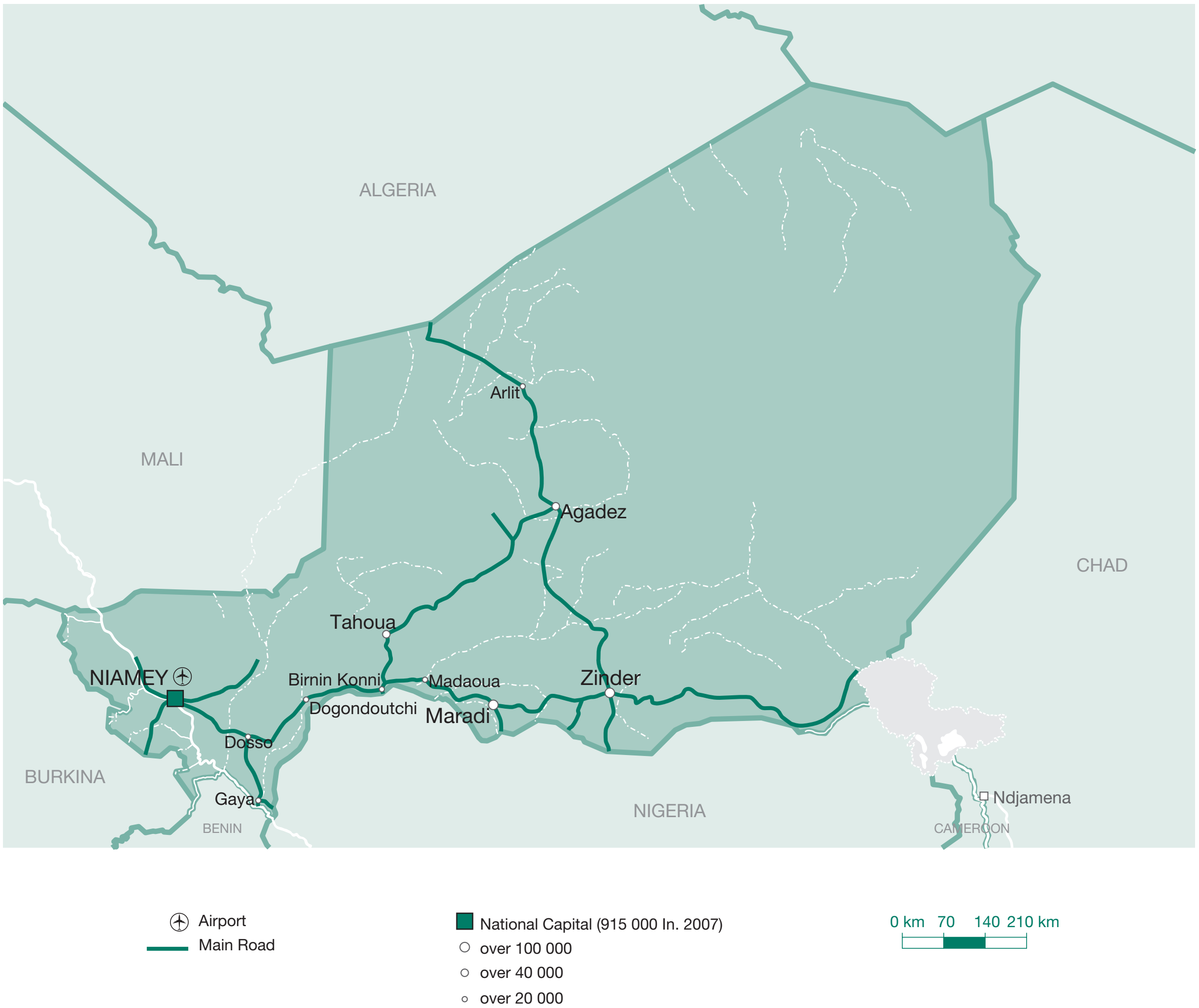
Niger

2011

www.africaneconomicoutlook.org



This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.

Niger

Overview

Real gross domestic product (GDP) growth in 2010 was estimated at 5.5%, essentially driven by the agricultural sector which achieved good results throughout the country. This situation contrasts with that of 2009 when, as a result of low rainfall, GDP dropped -1.2% after growth of 9.5% in 2008, which was an exceptional year. Growth should return to 4.9% in 2011 and then recover to 11.5% in 2012 as production starts at the Imouraren uranium mine, the biggest in Africa.

Niger's trade balance remains in deficit. The poor 2009 harvest only served to aggravate the situation. To deal with the acute food crisis which resulted, Niger had to import 60% of its food needs, particularly rice, the principal food staple.

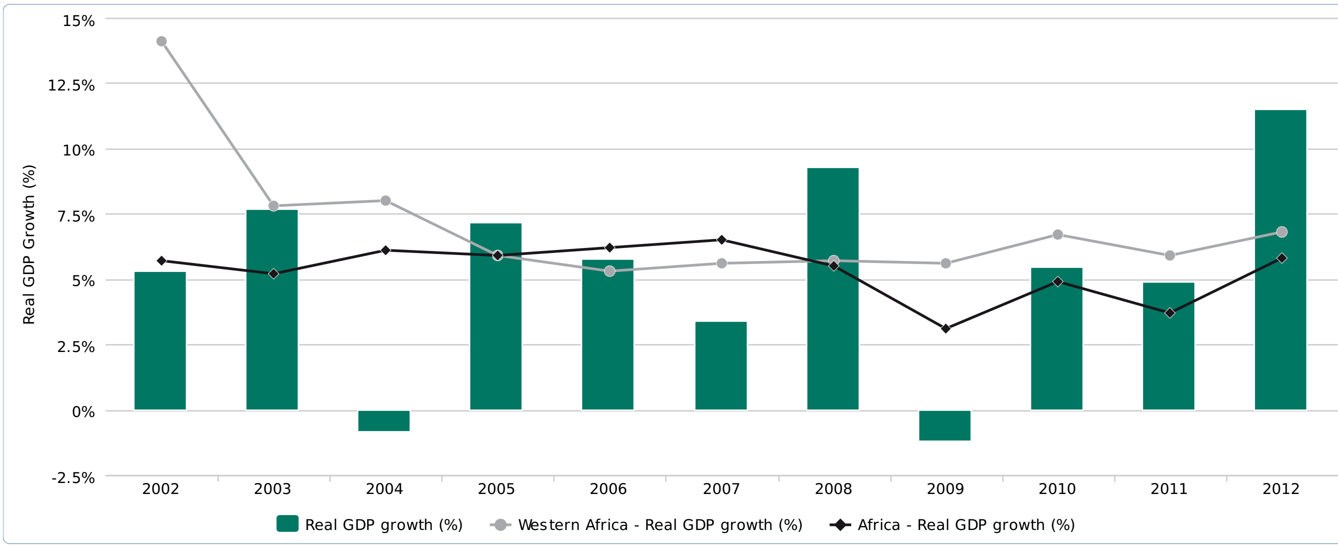
The general level of prices, as measured by the harmonised index of consumer prices which uses 2008 as its 100% base year, came out at 98.6% in April 2010, compared to 100.1% in January and February and 98.2% in March. On a month to month basis, prices rose 0.4% in March 2010 and this trend was maintained in April when it is estimated that there was a 0.3% increase following a 0.9% increase in the prices of food and non-alcoholic drinks. Overall, the inflation rate in 2010 was 3.4%, quite close to the 3% convergence level set by the West African Economic and Monetary Union (WAEMU). Inflation, therefore, has been kept under control in Niger.

At the current level of mobilisation of fiscal revenue, the fiscal pressure level in 2010 is estimated at 14.1% of GDP compared to 13.6% in 2009. Grants represented 7.2% of GDP up to the end of September, compared to 4.5% in 2009 and 8.6% in 2008. The downward trend in grant revenue began in 2009 when certain development partners suspended their co-operation after the president announced that he intended to prolong his mandate beyond its constitutional term.

The monetary position was affected by policy softening by the Central Bank of West African States (BCEAO) on 16 June 2009 when it reduced base rates by 0.5%. The discount rate was reduced from 6.75% to 6.25% and repurchase rates from 4.75% to 4.25%. These changes stimulated lending to the economy in 2009 and 2010 and should have the same effect in 2011, mainly as a result of the recovery expected in the mining and oil sectors.

The business environment in Niger is not generally favourable to private sector development. There is no shortage of obstacles, including corruption, uncertainty about regulations and their application, institutional weaknesses and difficulty of access to credit and land ownership. According to the 2011 edition of the World Bank report *Doing Business*, Niger is in 173rd position among 183 countries. The prospects of the private sector in Niger are, nevertheless, fairly good, taking into account the measures envisaged under the Accelerated Development and Poverty Reduction Strategy (ADPRS). It provides for concerted action based on the four following principles: *i)* stronger support for the private sector; *ii)* improvement of the microeconomic business environment; *iii)* improvement of financing of the economy; and *iv)* better integration in regional and global trade.

Figure 1: Real GDP growth (W)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932404427

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	-1.2	5.5	4.9	11.5
CPI inflation	4.9	3.4	3.1	3.3
Budget balance % GDP	-6.6	-3.2	-3.6	-1.8
Current account % GDP	-23.4	-18.1	-21	-17.6

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932406783

Recent Economic Developments and Prospects

Table 2: GDP by sector (in percentage)

	2005	2009
Agriculture, forestry, fishing & hunting	45.9	43.2
Agriculture, livestock, fishery, forestry and logging	-	-
of which agriculture	27	25.2
of which food crops	-	-
Mining and quarrying	2.2	6.6
Mining, manufacturing and utilities	-	-
of which oil	-	-
Manufacturing	6	5.5
of which hydrocarbon	-	-
Electricity, gas and water	1.2	1.4
Electricity, water and sewerage	-	-
Construction	2.5	2.8
Wholesale and retail trade, hotels and restaurants	15.9	15.2
of which hotels and restaurants	1.5	1.5
Transport, storage and communication	7	6.8
Transport and storage, information and communication	-	-
Finance, real estate and business services	3.8	3.6
Financial intermediation, real estate services, business and other service activities	-	-
General government services	9.3	9.6
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Public administration, education, health & social work, community, social & personal services	-	-
Public administration, education, health & social work, community, social services	-	-
Other community, social & personal service activities	-	-
Other services	6.2	5.5
Gross domestic product at basic prices / factor cost	100	100

Source: AfDB Statistics Department based on data from the National Institute of Statistics (INS).

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932407752

Real GDP growth in 2010, which is estimated at 5.5%, was essentially the result of the dynamism of the agricultural sector. After a disastrous 2009, when GDP shrank by 1.2% after exceptional 9.5% growth in 2008, the winter season was productive and harvests were abundant throughout the country.

The industrial sector is dominated by mining, in particular of uranium, coal, gold and silver. Uranium production, which amounted to 3 241 tonnes in 2009, totaled 812 and 1 118 tonnes respectively in the first two quarters of 2010. Coal production, which amounted to 225 072 tonnes in 2009, totalled 80 222 tonnes in the first quarter of 2010 and 59 232 tonnes in the second, which, on a full year basis, would represent an increase of 24%. Gold production, which amounted to 2 067 kilos in 2009, totalled 549 and 630 kilos in the first two quarters of 2010. The increase in gold production seen in 2010 should continue and even accelerate in 2012. The whole industrial sector should, furthermore, follow a similar trend.

The tertiary sector accounts for 40% of GDP. It registered a real growth rate of 1.3% in 2010 against 4.6% in 2009. A 2.5% contraction in public services partly counterbalanced the 8.3% increase in growth in the informal sector and the 4.6% increase in telecommunications.
Prospects for 2011 are good, in particular because of the country's return to normal constitutional life following the *coup d'état* and the military transition which marked 2010. GDP growth, which is forecast to reach 5.5%, promises an economic recovery following the restoration of socio-political life. The election of a new national assembly and president in 2011, which followed elections unanimously hailed for their transparency and respect for the rules, have completed the return to democracy. The country's financial and technical partners (FTPs) should gradually make their return.
The forecasts of the tax department (DGI) put fiscal revenue at around 16% of GDP in 2011 after 15.5% in 2010. A top priority action plan will be implemented over the next few years with technical and financial partners with the aim of rationalising public spending and promoting financial responsibility. This plan provides, among other things, for consolidation of the interconnection between budget and Treasury computer systems, better training for department heads involved in procurement, and the preparation of fiscal reforms. These reforms, which seek to avoid having an adverse effect on production mechanisms, involve, in particular, a revision of the ceilings for the reimbursement of VAT tax credits granted to exporters and property tax.

Major projects are under way in the industrial and mining sectors under the supervision of the state and with the backing of outside partners. Some – like the start of operations at the Zinder refinery and the Azélik uranium mine – should become a reality in 2011. Operations at the Imouraren uranium mine, the biggest in Africa, will not get under way, however, until 2012.

The government has also drawn up an ambitious programme of reform for different sectors of the economy. Several large-scale projects to reinforce basic infrastructures are already being carried out. Among them are construction of a second bridge over the River Niger and of the Kandadji hydro-electric dam, where work is due to begin very soon.

Table 3: Demand composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	**2009**	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**
Gross capital formation	17.3	29.3	5.7	12.6	17.7	2.1	4.7	7.1
Public	4.4	7.8	2	20	25	0.2	1.9	2.7
Private	12.9	21.5	7	10	15	1.9	2.8	4.4
Consumption	91.7	90.6	8.7	1.7	9.3	8.3	1.7	8.8
Public	16.4	16.3	48	-18.5	2.6	8.9	-4.8	0.5
Private	75.3	74.3	-0.8	9	11.1	-0.6	6.4	8.3
External sector	-9	-19.9	-	-	-	-4.9	-1.5	-4.5
Exports	15.4	19.5	-5.3	8.8	13.6	-1.2	1.7	2.8
Imports	-24.4	-39.4	6.9	5.9	13.2	-3.7	-3.2	-7.2
Real GDP growth rate	-	-	-	-	-	5.5	4.9	11.5

Source: AfDB Statistics Department based on data from the National Institute of Statistics (INS); estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932408721

Fiscal Policy

Efforts to improve and modernise the management of public finances are proceeding normally. Niger made appreciable efforts in 2009 and 2010 to reduce internal and external public debt. In compliance with the convergence criteria of the the WAEMU, the ratio of public debt (internal and external) to GDP is less than 70%. It stood at 24.3% in 2009 and 24.2% in 2010.

With an economy heavily dominated by the informal sector and subject to exogenous factors such as climatic variations, Niger is not a good performer in terms of mobilisation of internal resources, the main source of financing for state spending, even though WAEMU stipulates that they should account for at least 17% of GDP. The country has progress to make, therefore. Major fiscal niches are still escaping the control of the tax service, which needs to be further modernised. This means computerisation of the whole process of the management of budgetary issues, recruitment of staff from a wider background, adoption of more flexible fiscal measures and the creation of conditions for permanent dialogue between the tax service and taxpayers.

Average fiscal pressure was around 12% over the 2000-10 period. In 2009, it stood at about 14% of GDP against 11.4% in 2008 and should increase to 14.1% in 2010. These results are partly the result of a relatively satisfying agricultural marketing season. In 2011, boosted by the start of oil production and the appearance of associated activities, fiscal revenue should increase by nearly 8% compared to 2010, which will take the level of fiscal pressure to about 14.2%.

At the end of September 2010, budget revenue stood at XOF 273.9 billion, 3.4% up on 2009 at the same point. In relation to the XOF 269.2 million target set by the programme, that represents an increase of XOF 4.7 billion. This performance is essentially attributable to better recovery of fiscal revenue, which showed an increase of 4.6% at XOF 268.3 billion at the end of September 2010 compared to XOF 256.6 billion a year earlier. Taxes and duties on goods and services increased 15.4% and tax on foreign trade 18.9%. It should be noted, however, that income tax revenue fell 22.9% as a result of the reduction granted in the flat rate tax on salaries and other pay. Compared to the goals fixed by the International Monetary Fund (IMF), this nevertheless represents a gain of XOF 12.6 billion. Over the same period, internal taxation represented 62.7% of fiscal revenue, compared to 37.3% for external taxation. This represents a reversal of the trend seen in the 1990s and early 2000s when customs revenue was preponderant.

Fiscal revenue is thought to have increased about 8% in 2010 to XOF 370.5 billion compared to XOF 343 billion in 2009. The increase applied to both internal and external taxation. Taxes on foreign trade and taxes on goods and services registered gains of XOF 14.3 billion and XOF 7.4 billion respectively compared to the forecasts. Revenue from direct taxes, particularly income tax, continued to fall. They were XOF 11.5 billion down on the target set by the programme at the end of September at a total XOF 73.7 billion.

The trend towards predominance of indirect taxes over direct taxes in the composition of fiscal revenue will continue in 2011 and 2012 in line with the ever-increasing liberalisation of world trade.
Non-fiscal revenue and Treasury special accounts are essentially constituted by dividends from the mining companies. They totalled XOF 10.9 billion at the end of September 2010, XOF 2.6 billion below the programme target. This reduction could be the result of a fall in fines and certain administrative expenses.

The size of the public sector wage bill in relation to fiscal revenue was also kept under control and remained below the 35% maximum fixed by the WAEMU. It came to 27.3% in 2009 and 27.4% in 2010. The government thus has resources to finance further development spending.
Total expenditure and net loans totalled XOF 415.8 billion at the end of September 2010, compared to a target of XOF 401 billion. The total was 5.3% down on the XOF 439 billion total registered at the same point in 2009.

At the end of September 2010, current expenditure was up 17.8% at XOF 277.6 billion compared to XOF 235.7 billion in 2009. The rate of disbursement of expenditure increased from June to September 2010. Salaries and other remuneration rose from XOF 48.7 billion at the end of June to XOF 80.4 billion. This compares to forecast figures of XOF 70.2 billion and XOF 84.6 billion respectively. Spending on material and supplies and on subsidies and transfers increased much more than the target levels set by the programme, with totals of XOF 71.1 billion and XOF 106.6 billion respectively compared with XOF 58.5 billion and XOF 62.9 billion. In the subsidies and transfers category, this discrepancy was essentially due to tax deferrals and payment of the thousands of volunteers recruited by the state, especially in education and health, who do not have civil service status and are employed on a simple contractual basis.

Investment spending totalled XOF 138.2 billion at the end of September 2010 compared to a target level of XOF 179.7 billion. Compared to a year earlier, when the total was XOF 203.4 billion, there was a reduction of 32%. This was the result of a 37.9% reduction in internally financed capital spending and a 27.3% reduction in externally financed capital spending. For the whole of 2010, capital spending is estimated at XOF 294.1 billion.

Budgetary balances deteriorated. The overall balance on the basis of commitments showed a total deficit of XOF 134.2 billion compared to a target of XOF 131.8 billion and the basic balance registered a deficit of XOF 52.8 billion compared to XOF 38.1 billion targeted. The basic balance excluding the Heavily Indebted Poor Countries (HIPC) Initiative came to XOF 52.5 billion compared to a target of XOF 29.6 billion. The basic cash deficit totalled XOF 153.2 billion as opposed to an objective of XOF 143.8 billion. Internal payments arrears, finally, showed a net reduction of XOF 8.7 billion compared to a targeted XOF 12 billion.

External financing reached a total of XOF 119 billion at the end of September 2010, compared with XOF 93.2 billion forecast. Grants totalled XOF 103.9 billion, compared to XOF 60.2 billion forecast. Internal financing totalled XOF 34.1 billion at the end of September 2010 which was in keeping with the objectives set by the programme which imposed a maximum of XOF 50.6 billion.

The draft budget for 2011 was built on the basis of the 2011-13 macroeconomic guidelines and the medium term expenditure framework (MTEF) which results from them. A general MTEF was drawn up in 2009 to serve as the basis for sectoral MTEFs and all other state spending programmes. Ministries in charge of particular sectors such as health, education and rural development also drew up MTEFs on the basis of the recommendations and constraints of the general MTEF.

The 2011 budget also takes account of the country's commitment to the convergence criteria of the WAEMU, those of the economic and financial programme concluded with the IMF and those signed with other development partners.

The state is pursuing five major objectives in the spending field: *i)* to guarantee the quality of public spending; *ii)* to strengthen the capacity of structures responsible for controlling public spending and placing public contracts; *iii)* to intensify the fight against corruption; *iv)* to continue to pay off the State's arrears, particularly those involving the financial institutions, so as to reduce internal debt; *v)* to absorb the differences in the prices of oil products over a period of not more than three or four months, starting in January.

In addition, the government plans to make major investments in priority areas defined by the constitution and to pursue major development projects. The 2011 budget takes this into account. It seeks to speed up the realisation of investment projects necessary for growth and development, while ensuring that the budget position remains sustainable.

Budget policy in 2010 was largely restrictive as a result of a lower than usual level of mobilisation of resources by technical and financial partners (TFPs). This tightening of resources was a consequence of the incursion of the military in the political arena following the *coup d'état* of 18 February 2010. This event led to wariness of the country's new leaders among its partners who immediately froze major financial assistance programmes.

In 2011 and 2012, budget policy could take a new direction, given that the authorities honoured all their electoral commitments in 2010 and early 2011. This would be the result not only of economic recovery, notably in the key mining and oil sectors, but also of the resumption of financial co-operation with many of the country's partners. This could produce an increase in investment spending in such priority sectors as education, health and rural development.

Table 4: Public finances (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Total revenue and grants	15.8	20.8	25.1	18.9	22.1	23.6	25.8
Tax revenue	9.7	11.3	11.4	13.6	14.1	14.2	13.7
Oil revenue	-	-	-	-	-	-	-
Grants	5	5.8	7	4.5	7.2	8.6	11.2
Other revenues	1.1	3.7	6.7	0.8	0.8	0.8	0.8
Total expenditure and net lending (a)	18.6	21.7	23.7	25.5	25.3	27.2	27.6
Current expenditure	10.8	11.6	12	12	11.9	11.7	10.5
Excluding interest	9.3	11.3	11.7	11.8	11.6	11.4	10.2
Wages and salaries	3.7	3.5	3.5	3.8	3.6	3.6	3.3
Goods and services	3	3	2.6	3.4	3.5	3.4	3.1
Interest	1.5	0.3	0.2	0.2	0.3	0.3	0.2
Capital expenditure	7.8	10.1	11.8	13.5	13.4	15.5	17.1
Primary balance	-1.3	-0.6	1.6	-6.4	-2.9	-3.3	-1.6
Overall balance	-2.8	-0.9	1.4	-6.6	-3.2	-3.6	-1.8

a. Only major items are reported.

Source: AfDB Statistics Department based on data from the Ministry of Economy and Finance; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932409690

Monetary Policy

The harmonised index of consumer prices (HICP) was erratic in 2009, registering a zero in January and then rising 1.2 points in February and March before falling 1.8 points in April and 3.4 points in May. It recovered to -0.7 points in June and then -0.3 points in July before showing its highest increase (of 3.3 points) in September.

In the first half of 2010, it again produced a relatively remarkable performance, registering a zero in January and -1.9 points in February before increasing 2.54 points in April – the highest monthly increase of the year – and then stabilising around zero from July onwards.

On an annual basis, analysis of the monetary statistics of the Central Bank of West African States (BCEAO) shows a fall in the inflation level from 11.8% to 3.1% from January to December 2009. In 2010, only the last quarter showed a relatively high level of inflation so that the annual average should come out at 3.4%, slightly more than the 3% level of the WAEMU region as a whole.

Niger is a country of traditionally low inflation which rarely deviates significantly from WAEMU convergence levels. This was confirmed in 2010 and should be the case, too, in 2011 even though, with the start of operation at the Zinder oil refinery and the activities it could generate indirectly, inflation could slightly exceed 3%.

As the WAEMU currency issuing institution, BCEAO took important measures in 2009 with the basic aim of relaxing monetary policy. This resulted in a 50 basis point reduction in key rates. The discount rate fell from 6.75% to 6.25% and the repurchase rate from 4.75% to 4.25%. The reserve ratio applicable to banks went down from 9.8% to 9%. These measures are of a kind likely to influence the behaviour of economic agents and, as a result, to have an effect on the different monetary aggregates such as bank lending, net external assets, money supply and the net position of the government.

The year 2009 was marked by a reduction in net external assets, which fell from XOF 253 billion in the first quarter to XOF 193.8 billion in the fourth quarter. This trend continued in the first quarter of 2010 before there was an increase in the second quarter. Data for the rest of 2010 or forecasts for 2011 are not available.

Lending to the economy increased by nearly 19% in 2009 compared to 2008. This recovery continued in 2010 despite the difficult socio-political context. The outlook for 2011 predicts a new increase linked to the return to normal constitutional life but also to exploitation of new economic opportunities, principally in the mining and oil sectors.

The money supply trend was in line with that of lending to the economy in 2010 and this trend should continue in 2011 for the same reasons.

External Position

Niger's trade deficit increased in 2010 to -15.3% of GDP. This negative performance was the result of a 20% increase in imports compared to 2009, principally in the form of energy products (hydrocarbons and electricity) which rose 42% and cereals which increased 89.7%. Exports progressed nearly 13% compared to 2009, boosted by a 33% increase in exports from the uranium sector, thanks above all to higher production by the *Société des mines de l'Aïr* (Somaïr). This positive export result was also helped by gold production, which increased by virtually 50% in relation to 2009.

Forecasts for 2012 predict a reduction in the balance of trade deficit to 13.1% of GDP. The authorities expect a marked improvement in exports of mining products, particularly uranium. The Somair 3000 project is aiming at production totalling 3 000 tonnes by 2012. Exports of the Galmi violet onion are also expected to increase 8% in response to strong demand for this prized product. Import growth, on the other hand, is expected to fall 4.2% compared to 2010. A good 2010 agricultural marketing season resulted in a 33.5% reduction in cereals imports.

The current account deficit deteriorated in 2010, increasing 14% from XOF 581.3 billion in 2009 to XOF 663 billion in 2010. The forecasts nevertheless predict a small 0.5% reduction in 2011. This improvement would result from a substantial increase in exports and current transfers over the 2010-11 period.

Political tensions following the establishment of the 6th Republic in August 2009 resulted in wariness among virtually all the country's economic partners, the European Union (EU) and the United States first among them. Numerous technical and economic co-operation agreements were suspended. It should be remembered that Niger, like other WAEMU countries, has not yet ratified an economic partnership agreement with the EU. For the time being, nevertheless, Niger is still benefiting from the Everything But Arms initiative, which gives it free access to EU markets.

Despite the economic crisis and political disruption, foreign direct investment (FDI) in Niger showed a very appreciable increase in 2010, rising from XOF 345.6 billion in 2009 to XOF 495.3 billion. This is probably due to the fact that France's AREVA and China National Petroleum Corporation and China Nuclear International Uranium Corporation respected their commitments to invest in the mining and oil sectors. Projections for 2011 indicate that there will nevertheless be a small 5.6% reduction.

Portfolio investment also registered a particularly strong increase in 2010, soaring 237% from XOF 2.9 billion in 2009 to XOF 9.8 billion. Development in the telecommunications and banking sectors is behind this result which is not expected to be reproduced in 2011. The forecasts point, rather, to a 1.5% reduction.

To have a hope of reaching their objectives, the authorities need to act on several fronts. They need to significantly improve the business environment through a review of the investment code, diversification of partnerships, promotion of sectors likely to attract foreign investment and, above all, political stability. Risk factors need to be minimised to enable the market to function efficiently and to strengthen application of the code of the *Organisation pour l'harmonisation en Afrique du droit des affaires* (OHADA).

After having reached a high point of more than XOF 1 100 billion in 2002, external debt fell in remarkable proportions until 2006 under the combined effects of debt relief initiatives including the Highly Indebted Poor Countries (HIPC) Initiative, under which Niger attained the completion point. Outstanding debt has been rising slowly since 2007, however, and stood at nearly XOF 476 billion in 2009. Debt service followed a similar but slightly less marked trend. From more than XOF 60 billion in 2001, it fell to XOF 13 billion in 2009 despite some fluctuations between 2003 and 2005.

Public development aid plummeted about 25% in 2009 and the trend continued in 2010. In August 2010 it was down nearly 26% in August 2009. This was a direct consequence of the suspension of bilateral and multilateral aid following the passage to the 6th Republic. Unlike project aid, however, budget aid showed a remarkable

600% increase in 2010, rising from XOF 6 billion in 2009 to XOF 43.1 billion. Lending also increased 25.6% compared to 2009 as development partners tried to assist the transition regime. The military authorities' wish to ensure a return to democracy, notably via the organisation of the 31 October referendum, promulgation of the "consensual" constitution of the 7th Republic and respect of the dates for the legislative and presidential election, is likely to favour a resumption of public development aid in 2011. The new head of state, who emerged victorious from the second round of voting in the presidential elections on 12 March was due to be invested in April 2011. Unusually for Africa, the losing candidate recognised his defeat and officially congratulated his rival.

Table 5: Current account (percentage of GDP)

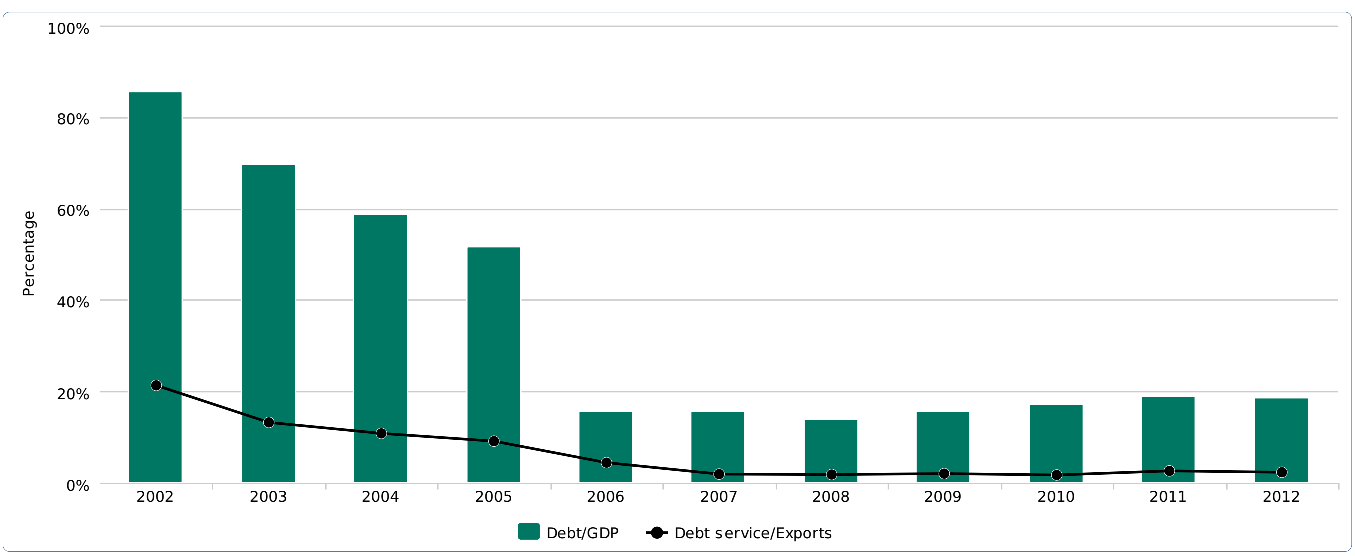
	2002	2007	2008	2009	2010	2011	2012
Trade balance	-4.3	-5.9	-8.1	-11.8	-15.3	-15.4	-13.1
Exports of goods (f.o.b.)	13	15.5	17	16.4	14.5	15.9	17.7
Imports of goods (f.o.b.)	17.3	21.3	25.1	28.1	29.9	31.2	30.7
Services	-4.7	-6.6	-8.8	-13.9	-10.2	-9.4	-8
Factor income	-1.1	0	-0.4	-0.5	-0.5	-0.6	-0.3
Current transfers	2.5	4.3	4.3	2.7	7.9	4.4	3.7
Current account balance	-7.7	-8.2	-13	-23.4	-18.1	-21	-17.6

Source: AfDB Statistics Department based on data from Central Bank (BCEAO); estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932410659

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932404427

Structural Issues

Private Sector Development

As prescribed by the 2008-12 Development and Poverty Reduction Strategy (DPRS), the private sector is one of the engines of economic growth in Niger. The modern private sector is of modest size. According to estimates, about 600 companies employ a little more than 8 000 people and pay a combined wage bill of about XOF 15.3 billion, which is about one third that of the public service sector. Formal industrial and manufacturing activities employ about 2 000 people and are extremely limited in number. They account for about one in 10 companies and are not very productive. These companies are particularly affected by competition from smuggled and illegal imports and reductions in tariff and non-tariff barriers in the context of subregional integration. They are also heavily dependent on imported inputs and suffer from an absence of integration in the local economy.

The informal private sector, excluding agriculture, is estimated to account for 30% of the economy. If the rural sector is included, the informal economy represents close to 75% of Niger's production. Since 1998 the informal sector has progressed by 4% per year, driven mainly by cross-border commercial activity.

The survey of the business environment in Niger indicates that companies operate in a macroeconomic framework which is often restrictive. The obstacles in their path are well known: widespread corruption, incoherent regulation applied incoherently, an inefficient judicial system, lack of knowledge of international trade rules among economic operators, relatively heavy and poorly administered taxation, inadequate access to sources of financing, the high cost of credit, lack of knowledge of the country's tax system, ill-adapted financing structures, inadequate business development support structures, insufficient technical and managerial competence and strong competition from the informal sector.

To remedy the situation, the DPRS proposes a strategy in four parts: *i)* reinforcement of private sector support systems; *ii)* improvement of the microeconomic business climate; *iii)* greater availability of financing for the economy; and *iv)* better integration into regional and world trade.

Other Recent Developments

The year 2010 was one of transitional military rule, a state of affairs not generally favourable to major structural reform. Reforms already under way were, nevertheless, pursued for the most part. The new authorities were immediately faced, however, with a grave food crisis resulting from the poor harvest. Nearly half the population was affected by food insecurity. This situation served to speed up agricultural reform, notably in the form of a reorganisation of the Niger food products office OPVN, an increase in the food security stock and the creation of *Banque agricole du Niger* (BAGRI).

BAGRI will have to provide a sustainable, professional and structural response to the country's chronic food security problem. It will also have the task of contributing in significant fashion to an expansion of the country's productive capacities and endogenous economic development based on promotion of the food processing industry. In the short term it will need to work in tandem with a marketing structure for agricultural products. The major concern remains attainment of food self-sufficiency via the reinforcement of measures already taken to boost agricultural production.

Emerging Economic Partnerships

Niger has long maintained diplomatic relations with the emerging powers and in particular with China, Iran and Pakistan. Relations with these latter two countries are limited essentially to the diplomatic sphere but this is not the case with China. China has been developing its position for some years and is now close to taking the place of France as Niger's leading economic and trading partner in a context of general dynamism in Sino-African trade relations.

In Niger, China National Petroleum Corporation (CNPC) was granted an oil production contract on the Agadem block in the north of the country in 2008 in return for a total investment of USD 5 billion. The agreement provides for construction of a refinery with a one million tonne annual production capacity for USD 600 million and a pipeline to provide it with feedstock for a further USD 300-400 million. The refinery investment is based on a production sharing agreement. The project is expected to create 4 500 jobs. The refinery will cover a surface area of four square kilometres and its 20 000 barrel per day (bpd) processing capacity exceeds the current needs of the local market by 13 000 bpd.

China Nuclear Engineering and Construction Corporation (CNEC) is prospecting for uranium at Tiguidan Tessoum in the north of the country. Production, currently estimated at 700 tonnes per year, got under way at the end of 2010 following the creation of the *Société des mines d'Azélik* (SOMINA). China granted Niger a preferential loan to enable it to take a 33% stake in Somina. This loan totalled 650 million yuan renminbi (CNY) (USD 95 million) and is due to be reimbursed over 15 years at an interest rate of 2% following a five-year grace period.

China is also very active in development co-operation in the fields of health, infrastructure, exploitation of natural resources, education and professional training. It contributed towards the estimated USD 40 million cost of building a two-way traffic bridge over the River Niger. In 35 years of co-operation, China has already supplied some 50 public aid projects, including 15 medical missions involving 400 doctors.

China has cancelled bilateral debt totalling CNY 180 million, equivalent to XOF 11.52 billion. Between 2006 and 2009, it provided Niger with grants totalling CNY 350 million (XOF 22.4 billion) and opened interest-free credit lines totalling CNY 20 million (XOF 1.28 billion).

In spite of all these gains, civil society in Niger is calling with increasing insistence for greater transparency in the management of relations with China, particularly in the oil and mining sectors. Niger lacks the capacity and expertise to negotiate in its own best interests and adequately follow project implementation in a relationship which appears to be unbalanced.

Political Context

The year 2010 was marked by the arrival in power on 18 February of the military-run Supreme Council for the Restoration of Democracy (SCRD) following a *coup d'état* which was a direct consequence of the deterioration in the political climate which followed the disputed institution of the 6th Republic in August 2009. As soon as it assumed power, the SCRD appointed a civilian prime minister to co-ordinate the action of the transition government. It also established a National Consultative Council to which it gave the task of drawing up a new constitution. The transition authorities set themselves three basic objectives: the restoration of democracy, sound management of public finances, and national reconciliation.

The first objective has been largely met following the organisation of a successful referendum on 31 October 2010 by the independent national electoral commission and promulgation of the constitution of the 7th Republic by the head of state, General Djibo Salou, on 25 November. In addition to the referendum, the commission also organised during the first quarter of 2011 the local, regional, legislative and presidential elections due to lead to the installation of new civil authorities in April 2011.

The establishment of a commission to combat economic, financial and fiscal malpractice and promote good governance seem to augur well for the realisation of the authorities' second objective. The commission has so far recovered XOF 4.7 billion and, even if it fails to recover all the public money misappropriated, it will have sent the country a strong message.

Finally, two bodies have been set up to enable the people of Niger to participate in preserving national unity and protecting the country's fundamental interests. They are the National Consultative Council, which encourages wide-ranging public participation, and the High Authority for Reconciliation and the Consolidation of Democracy.

Apart from making efforts to create a healthier political climate, the transition authorities had to manage a grave food crisis, which was mercifully overcome thanks to national and international solidarity. In this way, despite all these unforeseen events, Niger is in the process of recovering the confidence of its external partners.

Social Context and Human Resource Development

Niger’s principal economic and social indicators are testimony to the significant progress the country has made in recent years. These good results arise in particular from stabilisation of its macroeconomic framework and from the efforts made to improve the living conditions of its people. Even so, they have not produced a marked reduction in poverty or a tangible improvement in indicators linked to some Millennium Development Goals (MDGs).

On the basis of current trends, Niger will have difficulty realising all the goals by 2015, which means that it must act with determination to accelerate its rate of progress. Certain goals will probably be attained nevertheless – universal education, the reduction of infant mortality, the combat against HIV/AIDS and tuberculosis, and access to drinking water – provided that current efforts are maintained. An immense amount of work nevertheless remains be done if a marked reduction in poverty and maternal mortality is to be achieved.

Attainment of the completion point of the HIPC Initiative and the recent admission of Niger to the Millennium Challenge Account, even though this has been temporarily frozen, augur well for its results.

The general health situation in Niger provides grounds for hope. Thanks to the action of the government and its partners in the health field, life expectancy stands, on the basis of 2007 figures, at 57.2. This performance can be put down to the remarkable improvement in socio-demographic indicators regarding vaccinations, nutrition and access to health care. The state has taken positive initiatives to provide free health care to children under the age of five and caesarean deliveries and treatment for breast and cervical cancer for mothers.

Human development indicators continue to show mediocre results. Niger has one of the lowest gross school enrolment levels in the world. In 2007, it stood at 31.8%, taking all levels of education together.

Niger was admitted to the MDG acceleration programme at the United Nations summit in New York from 20 to 22 September 2010 which was devoted to examination of progress made in attaining the goals so far. Taking account of Niger’s recurring food security problems, the authorities chose to focus on goal number one which provides for the eradication of extreme poverty and hunger.