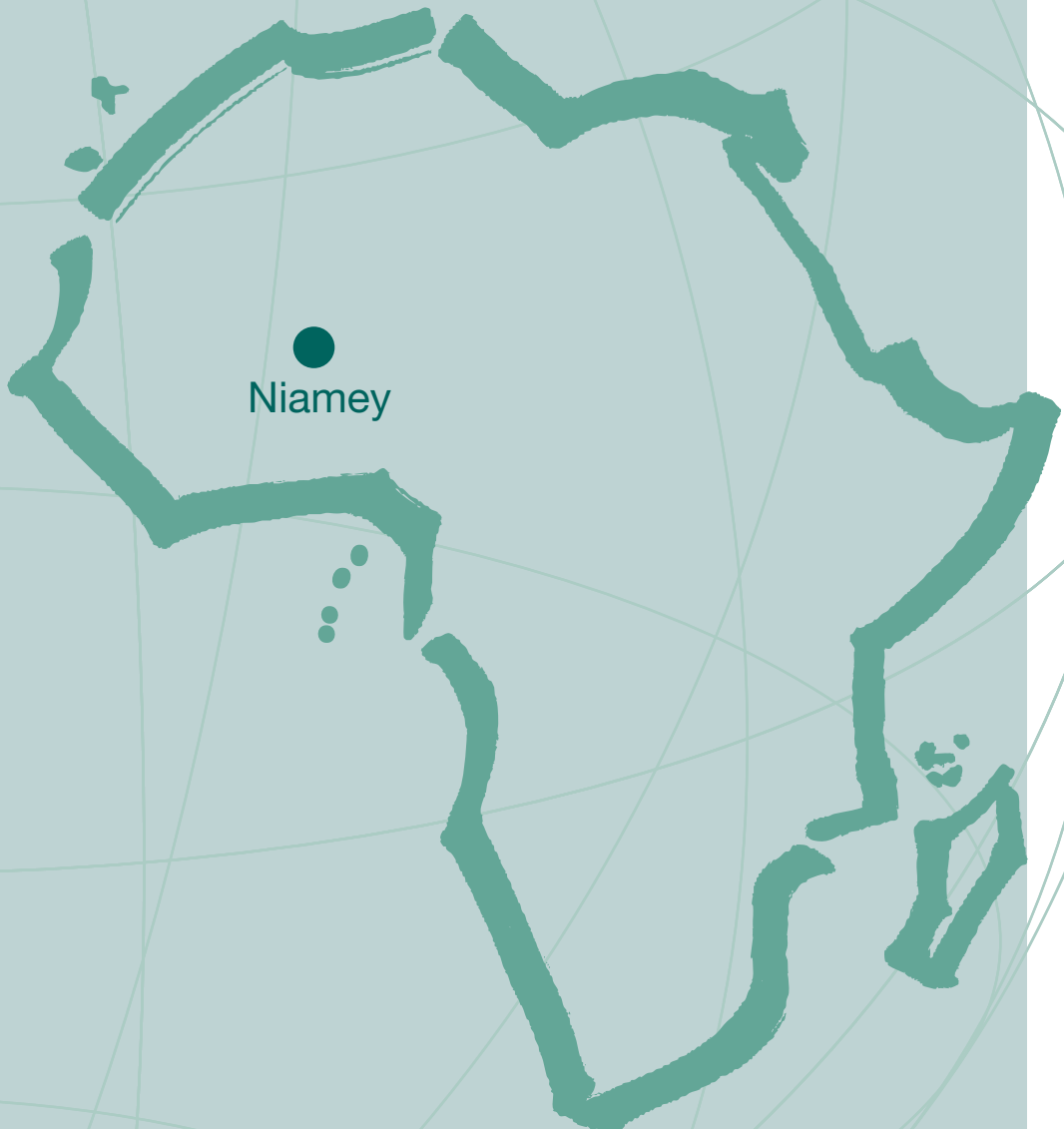


Niger

Niger



key figures

• Land area, thousands of km ²	1 267
• Population, thousands (2006)	14 426
• GDP per capita, \$ PPP valuation (2006)	750
• Life expectancy (2006)	41.8
• Illiteracy rate (2006)	71.3

Niger



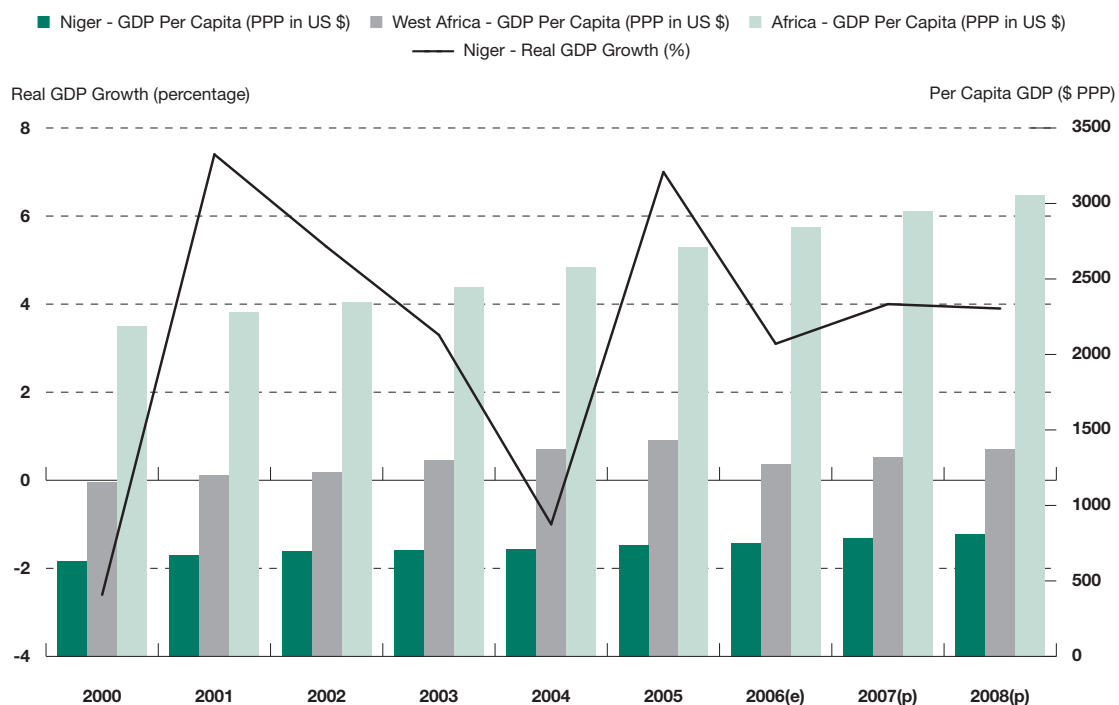
Niger

GROWTH, WHICH HAD REACHED 7.1 per cent in 2005, slowed to 3 per cent in 2006. The strong performance in 2005 indicated a revival in economic activity following the 0.6 per cent decline recorded in 2004. This was primarily due to the high level of rainfall in 2005, which enabled a satisfactory cereal harvest although less abundant than initially forecast. The December 2005 Francophonie Games in Niamey brought about a recovery in construction activities and an increase in secondary activities. The 4 per cent growth forecasts for 2007 and 2008 are hardly optimistic

as they amount to just a 1 point increase in per capita GDP. Compared with 2005, when several street demonstrations had taken place to protest against food shortages and to demand free distribution of food products, 2006 was on the whole peaceful. Higher growth would require a stronger performance in the primary sector of both subsistence and cash crops, against the background of increased access to irrigation.

Limited growth opportunities restrained hesitant domestic and foreign investors, although the global rise in uranium demand is a positive development.

Figure 1 - Real GDP Growth and Per Capita GDP
(\$ PPP at current prices)



Source: National statistics institute and IMF data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/666207447801>

Recent Economic Developments

Agriculture continues to dominate Niger's economy even though less than 12 per cent of the country is arable. Farming practices tend to be low-intensity and mostly manual, take place in small-scale family plots almost exclusively aimed at self-sufficiency and still use highly traditional techniques. Nearly all cultivated land is devoted to rain-fed crops, mostly millet, sorghum and cowpea, and to a lesser extent, cassava. The majority of production – 85 per cent – is for on-farm consumption. Groundnuts and cotton, which in the past were sizeable export crops, now only contribute marginally to the economy. The uncertainty of the rains, on which agriculture in Niger remains largely dependent, the ongoing drought and poor soil are all factors limiting agricultural productivity. Millet, the most drought-resistant cereal, accounts for almost two-thirds of total agricultural production.

There was a serious food crisis in 2005, triggered by a particularly harsh drought and locust invasions that reduced the 2004 harvest and made the traditional lean period of summer 2005 particularly difficult. The 14 per cent contraction of cereal production in the 2004/05 harvest led to a cereal deficit of a little more than 220 000 tonnes, leading to a famine situation that affected more than 3 million Nigeriens. This cereal crisis was aggravated by a rarefaction of grazing lands, which decimated a significant proportion of livestock in the northern zones, and a strong drop in rural income. Emergency food aid primarily directed towards the sections of the population deemed particularly at risk was implemented. In 2006, however, the rainy season, which started late, was particularly favourable for the country's crops, particularly in the south. Good supplies of cereals in local markets contributed to lowering prices. After contracting by 23.7 per cent in 2004/05, food crops in Niger rose by 37.2 per cent during the 2005/06 agricultural season to reach 3 741 200 tonnes. Finally, it is expected that seed-cotton production will rise by 4.1 per cent to reach 10 400 tonnes.

Livestock is the second largest export sector (after uranium). This traditional activity, subject to extensive

exploitation due to nomadism, suffers from a lack of professionalism and, for lack of access to veterinary products, from a nearly total absence of health monitoring of the herds. Processing activities remain embryonic due to inadequate infrastructure (transport vehicles, cold-storage slaughterhouses). Livestock is thus primarily exported as such, particularly to Nigeria, which is both an easily accessible and large market, to Libya and to the Maghreb countries.

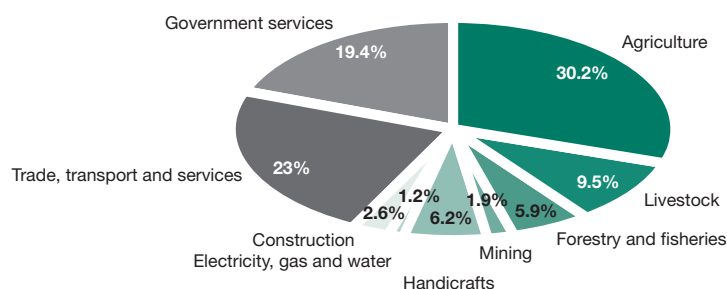
A quintessential mining country, Niger has abundant deposits: uranium and coal in the north, iron, phosphates and gold in the west. Gold production began in 2004, but its contribution to the economy remains small. The country also has hydrocarbon resources but their exploitation can only be envisaged in the medium term. In June 2005, Niger and Algeria signed a 12-year oil exploration contract for the Kafra site, near Agadez, in the north of the country.

Uranium extraction fell by 8.6 per cent in 2005 to 3 million tonnes. On average, the Akouta mining enterprise, COMINAK, carries out two-thirds of production. Niger granted a uranium exploration license to three Chinese enterprises run by the China National Nuclear Corporation in Teguida (a 1 953 square kilometre concession) and Madouela (1 872 square kilometres) in the region of Agadez. Niger's uranium industry has been dominated for several years by a French enterprise, the *Compagnie générale des matières nucléaires* (Cogema), but since May 2006, the government has been trying to bring Canadian uranium-mining enterprises into the country. After Canada and Australia, Niger is the third largest producer of uranium in the world and nearly all of its production is exported to France and Japan. Deep changes are taking place in the uranium sector, related to the ongoing restructuring of the AREVA group, to the revival of the nuclear sector and to the active search for new deposits. In anticipation of the exhaustion of its open-cast mine in Tamou, the *Société des Mines de l'Air* (SOMAÏR) began developing the Artois mine. In 2004, in order to promote the mining potential of the country, the government granted new exploitation permits to Canadian and Chinese enterprises for the mining of

gold (93 tonnes of reserves) and coal (50 million tonnes of reserves) resources. The main gold mine currently in operation, Samira, has an expected annual production of around 20 tonnes in the coming five years. The Société des Mines du Liptako operates on this site under a partnership with the Canadian enterprises Semafo and Etruscan, which hold 80 per cent of the capital, the remaining being distributed amongst the Niger state and private operators. Niger's subsoil holds many other resources, both exploited (like coal) or awaiting exploitation (like the phosphate deposits in the region of Ader or the oil and gas reserves in the region of Agadez, near Lake Chad). The

government wants to improve the contribution of the mining sector to the national economy and to public finances. Hence, the mining law ordinance number 93-16 dated 2 March 1993 was modified by Law N° 2006-026 of 9 August 2006 fixing new application procedures of the mining law. The main features of the modifications are related, amongst others, to: *i*) the affirmation of the principle of establishing an agreement for each exploration permit; and *ii*) the institution of dividing mines into areas and parcels by the mining administration, both for exploration permits and for the authorisation of small-scale exploitation.

Figure 2 - GDP by Sector in 2005 (percentage)



Source: Authors' estimates based on National Institute of Statistics data.

<http://dx.doi.org/10.1787/203625766323>

The industrial sector remains poorly developed and concentrated on a few sub-sectors (food products, textiles, construction and public works). The small number of significantly-sized enterprises explains why a large proportion of the needs of the population are met by imports mostly coming from Nigeria, with which Niger has a common border of 1 500 kilometres. The majority of enterprises are in the informal sector, posing a permanent problem in terms of taxation, both for the enterprises working in the formal sector as for public finances. In Niger, the industrial index increased by 13.2 per cent in the first seven months of 2006, compared with the corresponding period in 2005. This result mirrors the solid performance of the manufacturing and extraction industries, the production of which rose by 15.5 per cent and 22.8 per cent, respectively. The development of the manufacturing industries is due to the activity in the food and beverage sub-sector, which increased by 84.2 per cent.

The primary, secondary and tertiary sectors all contributed to growth in 2006, by 0.4, 0.5 and 2.6 percentage points, respectively.

In terms of demand, growth was fed by a 7.2 per cent increase in the investment recorded in 2006, which followed a 22.7 per cent increase in 2005 thanks to improved external trade. The dynamism of investment in 2005 is attributable to a 25.7 per cent increase in public sector investment linked to the expected strong increase of investments on the basis of expected foreign funds and by the special programme of the president of the republic. The 5.5 per cent increase in private investment could be attributed to works undertaken for the 5th Francophonie Games, to the extension of road and electricity networks and to household construction activities. In terms of foreign trade, the latest estimates indicate a volume increase of 6.7 per cent for imports and of 2.5 per cent for exports in

Table 1 - Demand Composition (percentage of GDP)

	1998	2005	2006(e)	2007(p)	2008(p)
	Percentage of GDP (current prices)		Percentage changes, volume		
Gross capital formation	17.6	18.9	7.2	6.1	6.1
Public	4.0	5.3	5.0	3.6	3.6
Private	13.6	13.5	8.0	7.0	7.0
Consumption	91.9	92.7	3.5	4.2	4.0
Public	18.5	15.0	7.5	5.2	2.6
Private	73.4	77.7	2.8	4.0	4.3
External sector	-9.5	-11.6			
Exports	18.7	20.9	2.5	2.4	2.6
Imports	-28.1	-32.5	6.7	5.3	4.9

Source: National statistics institute data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/508700282684>

2006, which is below the 7.8 per cent recorded in 2005. Furthermore, sources for growth of Niger's economy are extremely limited and both national and foreign potential investors are adopting a wait-and-see policy even though the recovery of world demand for uranium is a positive factor.

Macroeconomic Policies

Fiscal Policy

In 2005, the main budget balances deteriorated, less so, however, than in 2004. The overall balance in 2005 (on a commitment basis, excluding grants) was -1.8 per cent of GDP, against -3.5 per cent of GDP in 2004. The state of public finances brought about a worsening of the overall balance (on a commitment basis, excluding grants) in 2006 compared with the overall balance of June 2005. It stood at 55.5 billion CFA francs at the end of June 2006, compared with 59.5 billion CFA francs at the same moment in 2005. The situation is the result of a fall in total revenue, which went from 17.1 per cent to 15.3 per cent, and of an increase in overall expenditure, up from 18.9 per cent to 19.3 per cent. The overall balance (on a commitment basis, excluding grants) is estimated to have worsened in 2006 compared with 2005. This deterioration is expected to continue in 2007 and to lessen in 2008.

Placing public finances on a sounder footing should continue through the rationalisation of expenditure

and the improvement tax collection. Widening of the tax base should, in particular, continue to be a priority. Niger's 2007 general budget is balanced at 498.4 billion CFA francs, having grown by 9.08 per cent from 2006. Domestic revenue rose by 2.87 per cent and investment expenditure grew by 11.11 per cent over the 2006 forecasts. On the whole, the fiscal policy defined by the 2007 budget law is a logical progression from the ambitious option taken through the 2006 budget in favour of increased mobilisation of domestic resources and public expenditure, and the continued implementation with the state's own resources of important development programmes aimed at improving people's lives. More specifically, in order to reach the 2007 domestic tax goals, some new fiscal measures were proposed under the framework of the strategy for domestic tax mobilisation adopted by the Ministry of the Economy and Finance in collaboration with development partners. These measures consist notably of introducing a boarding tax on air transport, increasing the number of excise duty stamps for vehicles not used for public transport and to increase tax stamps from 100 to 150 CFA francs.

The goals of the 2006-08 multi-annual convergence, stability, growth and solidarity programme in terms of tax revenue consist notably in increasing domestic resources by reinforcing the capacity of the collection entities, widening the tax base and reducing the scope of exemptions. To this end, a number of additional tax and administrative measures have been laid out.

Table 2 - Public Finances (percentage of GDP)

	1998	2003	2004	2005	2006(e)	2007(p)	2008(p)
Total revenue and grants^a	15.2	15.8	17.9	17.1	15.3	14.7	15.1
Tax revenue	8.3	10.3	11.4	10.7	10.8	10.7	10.7
Grants	5.6	5.2	6.1	6.0	4.1	3.6	3.9
Total expenditure and net lending^a	18.2	18.7	21.5	18.9	19.3	19.1	18.8
Current expenditure	12.2	10.8	11.6	9.8	10.1	10.1	9.9
<i>Excluding interest</i>	<i>10.6</i>	<i>9.6</i>	<i>11.0</i>	<i>9.2</i>	<i>9.8</i>	<i>9.8</i>	<i>9.5</i>
Wages and salaries	3.9	3.9	4.0	3.7	3.6	3.5	3.4
Interest	1.6	1.2	0.6	0.6	0.3	0.3	0.4
Capital expenditure	6.0	7.8	9.8	9.1	9.3	9.0	8.9
Primary balance	-1.3	-1.7	-3.0	-1.2	-3.7	-4.1	-3.4
Overall balance	-3.0	-2.9	-3.5	-1.8	-4.0	-4.4	-3.8

a. Only major items are reported.

Source: National statistics institute data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/747665782108>

Amongst others, these include: *i*) introducing a fixed tax on the transit and/or re-export of tobacco and cigarettes; *ii*) introducing a fixed tax on land ownership on buildings in towns; and *iii*) improving collection of taxes and levies through stricter control. The state had already issued bonds for 15 billion CFA francs in November 2005, resorting to the non-banking sector (banking systems outside of Niger) for a total of 12.5 billion CFA francs.

In terms of public expenditure, the goal is to gear it to the priority sectors of the poverty-reduction strategy (infrastructure, education, health and rural development) while ensuring that total expenditure remains within budget resources. It should be noted that in reference to the agreement signed on 16 September 2005 with Niger's main trade-union federations, the government had committed to recruiting 2 000 state officers beginning in 2006. In preparation, the government conducted a review of its workforce, which permitted it to realise that fictional, or even deceased civil servants were still listed on the payrolls, with salaries and allowances being regularly transferred to their bank accounts. The mere savings achieved by eliminating these irregular payments hence allowed the state to recruit 3 000 officers, rather than 2 000.

Monetary Policy

Monetary and credit policies are conducted at the regional level by the Central Bank of West African

States (CBWAS) and aim at preserving CFA franc-euro parity and controlling inflation. The monetary policies practised in the region are thus strict, reflecting those of the European Central Bank (ECB), with a appropriate level of foreign reserves. The only difference is that in its monetary policy, the CBWAS takes into account the economic situation of its member countries. It remains alert to changes in their economic and financial situation, particularly to the impact of oil prices on domestic prices, to the performance of harvests, to the trend of credits to the economy and to liquidity.

In Niger, the net foreign assets of the monetary institutions amounted to 122.6 billion CFA francs at the end of June 2006, up from 114.2 billion at the end of May 2006, which is an increase of 8.4 billion CFA francs, related to the 11.5 billion CFA franc increase in the CBWAS assets, partly offset by a fall of 3.1 billion CFA francs in bank assets. From one year to the next, net external assets increased by 83.9 billion CFA francs. Outstanding internal debt stood at 168.5 billion CFA francs in June 2006 compared with 170.6 billion CFA francs in May 2006, which represents a fall of 2.1 billion CFA francs, or 1.2 per cent. The government's net position improved by 0.1 billion CFA francs. Credits to the economy recorded a drop of 2.0 billion CFA francs to level at 145.0 billion in 2006. Compared with June 2005, they grew by 33.8 billion CFA francs or 30.4 per cent. The money supply reached 277.1 billion CFA francs in June 2006 from 269.4 billion one month earlier, which is an increase

of 7.7 billion, or 2.9 per cent. Overall liquidity increased through annual slippage by 49.6 billion CFA francs, or 21.8 per cent.

The aim will be to continue implementing the cautious community monetary policy in compatibility with the goals of boosting economic activity and price stabilisation. To accompany this policy, the state will withdraw gradually from the banking sector, which will allow the private sector to gain proper access to resources in order to finance investments.

The inflation rate reached an average of 2.3 per cent at the end of 2006, compared with 6.9 per cent at end 2005. Prices are expected to ease in the cereal markets thanks to imports from Nigeria and stocks built up at the end of the 2005 harvest being released for consumption. On this basis, inflation should come out to an average of 1.4 per cent in 2006. This rate – largely below the community ceiling of 3 per cent fixed by the West African Economic and Monetary Union (WAEMU) – should be maintained if the State continues to make sure that markets are regularly stocked with convenience goods and that food-security stocks are regularly built, all assisted by a cautious monetary policy of the Central Bank.

External Position

Exports in Niger are dominated by uranium products, and agricultural and pastoral products. These are dependent on the fluctuations in world prices and in rainfall. In addition to these main export products,

the industrial production of gold, which began in 2005, will henceforth be featured as exports, which started at the beginning of 2006. Imports show a preponderance of food purchases, attesting to the country's lack of food self-sufficiency.

These last two years, trade increased strongly in both volume and value. After the terms of trade deteriorated in 2004, the situation stabilised in 2005 with the revaluation of uranium prices having offset the increase in the price of oil. The country's landlocked position results in very high transportation costs, which contribute to deepening the deficit in the balance of payments: in 2005, the latter reached 10.1 per cent of GDP, excluding official transfers, and 7.8 per cent, including these transfers.

Uranium, which Niger has exported for several decades, remains the country's leading export product: the growth recorded in 2004 reflected volume increases whereas that observed in 2005 was linked to the rise in the selling price (from 21 000 to 23 100 CFA francs per kilogramme). Uranium exports, which accounted for 30 per cent of the value of all exports in 2005, could grow in 2006-07 as mining enterprises take advantage of the rise in prices on international markets to sell their stocks and production surpluses. More recently, the country has begun to export gold. Gold exports, practically confidential in 2003, rose to 33.5 billion CFA francs. According to International Monetary Fund (IMF) projections, they could stimulate export receipts to the tune of 35 billion CFA francs in 2006 and 2007. Other export products include cash crops (green beans, yellow nutsedge,

Table 3 - **Current Account** (percentage of GDP)

	1998	2003	2004	2005	2006(e)	2007(p)	2008(p)
Trade balance	-3.0	-5.3	-5.5	-8.0	-6.4	-4.9	-4.3
Exports of goods (f.o.b.)	16.9	13.2	15.7	15.5	17.9	18.5	19.1
Imports of goods (f.o.b.)	19.9	18.5	21.2	23.5	24.3	23.5	23.4
Services	-5.9	-5.2	-6.1	-6.0	-5.6	-4.7	-5.5
Factor income	-1.2	-0.5	-0.5	-0.4	-0.4	-0.3	-0.2
Current transfers	2.9	4.0	4.6	6.7	6.2	4.7	2.6
Current account balance	-7.2	-7.0	-7.5	-7.8	-6.2	-5.2	-7.4

Source: Central bank data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/507842572804>

cotton, sesame, groundnut oil, gum arabic, etc), fish-farming products, as well as re-exports. France is by far Niger's primary customer. In fact, nearly all of uranium exports were allocated to France, while Spain and Japan, which are other destinations for uranium produced by the local subsidiaries of AREVA, recorded no movements in 2005.

For 2006-08, the government's policy will be to promote exports of all products for which Niger possesses real comparative advantages. To achieve this, the awareness-raising and incentives policy for the diversification, increase and improvement of national production will be continued, notably through the ministry in charge of foreign trade and the chamber of commerce. These measures should make it possible, amongst others: *i*) to bring the average annual increase in exports to 5.2 per cent for 2006-08; *ii*) to limit the annual average increase in imports to 2.5 per cent; and *iii*) thus gradually to reduce the current account deficit on the balance of payments, including grants, to 6.2 per cent of GDP in 2006 and to 5.2 per cent in 2007. For 2008, the deficit is estimated at 7.4 per cent.

Regarding imports, Niger remains highly dependent externally for its supply of basic foodstuffs, energy and industrial products. The recent progression in Niger's imports is due to the increase in the cost of oil supplies and to cereal purchases connected to the country's food problems.

In two years, from 2003 to 2005, Niger's oil bill increased by 166 per cent whereas volumes remained constant. Over the same period, the value of cereals purchases tripled for a doubling of volumes (from 200 000 to 400 000 tonnes): in 2005, Niger purchased 285 000 tonnes of rice for 47.8 billion CFA francs. On the other hand, despite a 10 per cent recovery in value in 2005, the purchase of other consumer goods has fallen from its 2003 level: basic food products such as oils and fats, dairy products, flour and sugar are the largest purchases. Manufactured products account for only a small fraction. After noticeably increasing between 2003 and 2004, equipment imports barely evolved in 2005. France remains Niger's leading supplier with a stable market share of around one-sixth of external

purchases. In 2005, Côte d'Ivoire recovered second place (with a 10 per cent market share) from the United States the previous year, while Nigeria is in third place with an apparent market share of 6.3 per cent, a figure that does not account for goods entering the country outside of customs control. With the increased demand for cereal, several Asian countries are no amongst the principal suppliers to Niger. Imports increased in 2006 and should also increase in 2007 due to growing demand for equipment and intermediary goods for infrastructure projects. The cost of imports, which amounted to 15 per cent of the value of exports in 2005, increased in 2006 in the wake of rising oil prices.

The current account should benefit from the Multilateral Debt Relief Initiative (MDRI) and should gradually see its balance improve. Current transfers, stimulated by foreign aid following the food crisis of 2005, could contract in 2007-08, while still remaining in strong surplus.

The openness of Niger is evident in the search for economic, commercial and military co-operation with neighbouring countries. Niger is a member of the WAEMU, the Economic Community of West African States (ECOWAS) and the Conseil de l'Entente (Council of Accord or Council of Understanding). It is also a member of the Autorité Liptako-Gourma (instituted in 1971 joining Burkina Faso, Mali and Niger in the aim of developing and promoting regional resources), of the Niger Basin Authority and of the Lake Chad Basin Commission.

After the June 2004 expiry of the \$76 million agreement under the Poverty Reduction and Growth Facility (PRGF) concluded in December 2000, on 31 January 2005 the executive board of the IMF approved a new three-year programme covering 2005-07 for \$9.4 million under a new PRGF. At the end of the first review and to help the country cope with the food crisis, the IMF raised the amount of the programme to \$37.5 million in November 2005 and proceeded with an immediate disbursement of \$15.4 million. Following the March 2006 IMF mission, the executive board approved the second review of the PRGF and the disbursement of a second

\$8.6 million tranche. Total annual aid of the World Bank is of the order of \$70 to \$80 million, distributed between budget aid and project aid. In 2005, the African Development Bank (AfDB) granted Niger \$18 million in budget aid. Finally, under the 9th European Development Fund (EDF) 2000-07, Niger benefits from National Indicative Programmes (NIPs) worth EUR 211 million (compared with EUR 136 million for the 8th EDF 1995-2000).

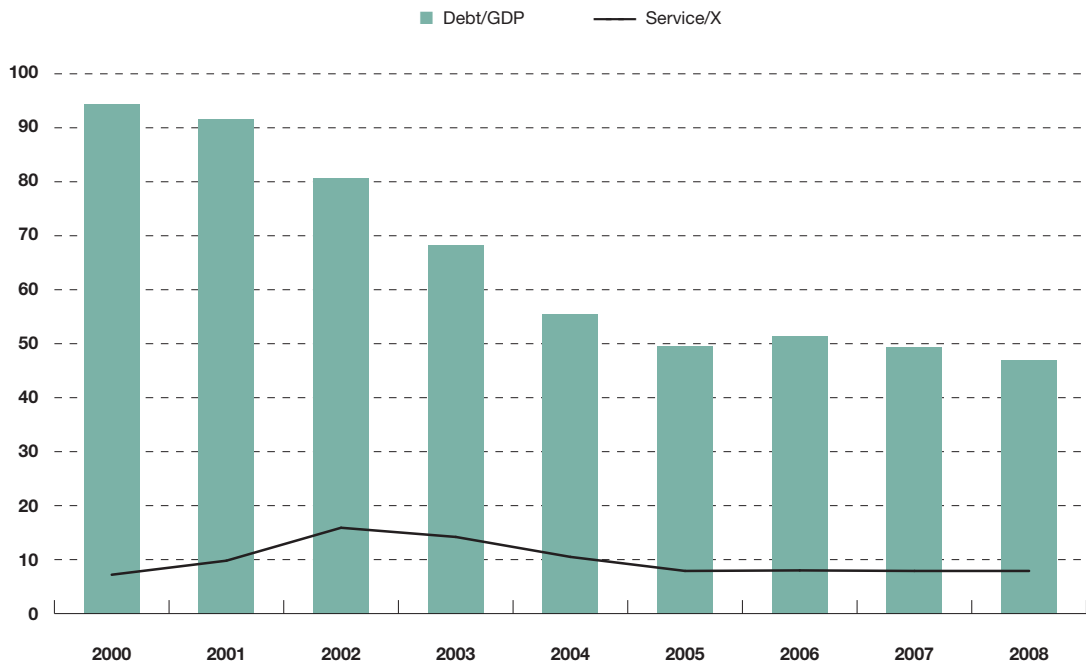
According to the World Bank, Niger's external debt amounted to \$1 949 million at end-2004, up by 6.5 per cent over 2003. This debt, which is long-term and concessionary, 85 per cent of which is multilateral, accounted for 55.5 per cent of GDP in 2004 compared with more than 90 per cent three years earlier. The completion point of the Enhanced HIPC (Heavily Indebted Poor Countries) Initiative was reached on 12 April 2004. All of Niger's debt with the Paris Club (\$197 million) was cancelled on 12 May 2004.

Following the July 2005 decision of the G8 heads of state, Niger was to have its debt with multilateral institutions cancelled.

Niger is eligible for the MDRI, like the 16 other countries (12 of which are African) that have reached the HIPC completion point and are automatically admitted to the programme. The amount of relief accorded under the MDRI will be deducted from the country allocations of the International Development Association (IDA), which will mean a decline in new financing to a level equal to the MDRI debt relief. This mechanism aims to counteract the ethical hazards and concerns for fairness usually generated by debt cancellation.

For 2007-08, the government has committed to observing cautious debt management by falling back mostly on concessionary loans and by neither contracting nor guaranteeing any short-term foreign debt.

Figure 3 - **Stock of Total External Debt** (percentage of GDP) and **Debt Service** (percentage of exports of goods and services)



Source: IMF and World Bank.

<http://dx.doi.org/10.1787/532217214311>

Structural Issues

Recent Developments

Recent structural developments reflect a clear will by Niger's state to modernise the country with the support of the international community and development institutions. Despite its landlocked position, the country has agreed to measures that will eventually contribute significantly to improving the economy.

In terms of road networks, the AfDB group approved on 27 October 2006 a loan and a grant totalling \$41.07 million to finance the Dori-Tera road upgrade and to facilitate transport in the Ouagadougou-Dori-Tera-Niamey Corridor. The aim of this project is: to improve the service level of the community road-network structure with a view to encourage commercial trade in the ECOWAS/WAEMU integration corridors and thus promote trade between the states in the Liptako-Gourma region; to reduce the general cost of cross-border transport; and to contribute to reducing poverty in the region. To reach these objectives, 91 kilometres of double-layer surfaced road between Dori and Tera is to be constructed, with a 7 metre-wide carriageway and 1.5 metre shoulders, 22 kilometres of connected municipal road networks in double-layer surfacing are to be improved (also 7 metres wide with 1.5 metre shoulders) including 11 kilometres in the town of Dori and 11 kilometres in Tera, and, lastly, to connect 60 kilometres of improved rural earth roads to the main artery. The AfDB loan, totalling 12.71 million Units of Account (UA) (\$18.76 million), and the grant of 15.11 million UA (\$22.31 million) will finance 90 per cent of the total project cost. The government of Burkina Faso, Niger and the WAEMU will cover the remaining 10 per cent. In addition, the People's Republic of China decided to finance the construction of a second bridge over the River Niger in Niamey. In the realisation agreement of this project signed on 18 July 2006, China allocated an envelope of CNY 20 million (EUR 1 980 million) and an interest-free loan of CNY 30 million (EUR 2 977 million) to finance the construction of this second bridge. The Kennedy

Bridge, built by the United States in the 1970s, is the only existing passage from the centre of Niamey to the right bank of the river, where numerous residential areas and several institutions are located, including the country's sole university. It is also unavoidable for passengers wishing to travel to Ghana and Benin (through Burkina Faso), the ports of which are vital for landlocked Niger. Narrow and dilapidated, the Kennedy Bridge suffers from enormous traffic jams during rush hours. The construction projects connected to the 5th Francophonie Games organised at the end of 2005 accelerated the development of road networks that year. The improvement of roads is certain to contribute to strengthening food security by facilitating access by the poor to the socio-economic infrastructure to market surplus harvests.

The privatisation programme has been delayed despite the institution of a national public procurement commission in 2004. For NIGELEC, the electricity utility, the government adopted a privatisation scheme envisaging a 51 per cent capital sale under a single 25-year concession. For SONIDEP (oil products), after a first unsuccessful call for tender in 2003, by April 2004 only 6.9 per cent of its capital had been sold to members of the oil products local distributors group, Groupement Nigérien de Distributeurs de Produits Pétroliers. Given the slowness of the process, in 2005 Niger's authorities decided to review the privatisation strategy of these two enterprises with the help of the World Bank.

Structural reforms are focused on the implementation of a priority plan developed following the Public Expenditure and Financial Accountability Review. They are also directed at restructuring the financial sector, which should lead to the division of the national postal services and savings institution, the Office national des postes et de l'épargne, into two entities, one in charge of managing postal services and the other of financial services. In addition, the state's withdrawal from the capital of Crédit du Niger is also continuing.

Concerning public-sector reform, in October 2006, Niger's government resolved to test, for two years, the system of workdays with no breaks in public and para-

public administrations, local government, and public and private enterprises. This initiative aims at reinvigorating the administration by rationalising working hours and improving public-sector productivity and efficiency.

In July 2006 it was announced that Niger would benefit from a loan of \$19.23 million (EUR 15.1 million) from the AfDB group to finance a project for the development of water resources for agriculture in the south-west of the country. This five-year project in the regions of Dosso and Tillabéri aims at ensuring better water management through the completion of ten hydroagricultural projects and the reinforcement of twelve additional projects. It should make it possible to develop 1 200 hectares of flood-plain cultivation and 680 hectares of irrigated cultivation, and to reclaim almost 9 500 hectares of degraded land.

Access to Drinking Water and Sanitation

Niger is a vast and arid country situated in the Sahelo-Sudan zone (with less than 800 millimetres of rainfall per annum). Surface water resources, primarily constituted by the River Niger, are relatively large, even if less than 1 per cent is exploited. Around 20 per cent of renewable groundwater are exploited, with large technical constraints in certain regions (the productive water sheets are deep and thus costly to reach). Niger rates well on the whole in terms of water resources on the national scale.

Institutionally, the most active departments in terms of water management and sanitation are the Ministry of Hydraulics, Environment and the Fight against Desertification (MHE/FAD), the department of water resources, the department of new works, the department of inventory and management of hydraulic works and the department of hydraulic infrastructure, charged with supplying drinking water throughout the country outside of urban centres, the department of the environment, the department of research and programme planning, and the environmental assessment and impact studies bureau. The MHE/FAD supervises the implementation of the national water programme

in collaboration with other concerned ministries.

Compliance with quality standards, arbitration of conflicts and the defence of consumer interests fall under the remit of the multi-sectoral regulation authority, a joint body independent from the state. Under the decentralisation laws, towns are theoretically responsible for water and sanitation, but decentralisation is advancing slowly and towns are still only marginally involved in these areas. Outside of the activities of the national water authorities, the Société du Patrimoine des Eaux du Niger (SPEN) and the Société d'Exploitation des Eaux du Niger (SEEN), the majority of water services are delivered by user organisations or village water committees. There are enormous capacities to be developed locally. Although some urban communities can begin to take charge of water and sanitation services, rural communities will remain absent from the sector for some time.

Water rates have risen since 1999, from 196 CFA francs (average price per m³) in 1999 to 244 CFA francs in 2005. Over the same period, the rate applied to the social sector using standposts and the poorest households, increased by 10.43 per cent, from 115 to 127 CFA francs. For the administration, the increase is around 42.4 per cent, while the rate applied to industry and business increased by 39.45 per cent. These price increases, in part, aim to reduce the financial deficit of the national water enterprise, the Société Nationale des Eaux (SNE), assessed at about 5 billion CFA francs, and in part to enable investments to improve the quality of service and ensure access to drinking water to the greatest number possible. This inflationary trend should continue so that the SPEN can consolidate its financial position.

In urban areas (around 50 towns), it is estimated that 70 per cent of the population has access to drinking water and around 60 000 families are connected to distribution networks. In the rest of the country (rural areas and small towns that are not serviced), coverage is estimated at 50 per cent on average (2004 estimate by the International Secretariat for Water published in their Blue Book). The national rate of access to potable water would be thus around 59 per cent, which means 6.7 million people are excluded from service. In terms

of sanitation, the rate of access depends on the level of service considered: in large towns, most families have access to a sanitation device, but it is rarely “improved” (for the most part, it is a traditional latrine), while in rural areas, very few families have any sort of sanitation device of any description. It is estimated that only 15 per cent of Niger’s population have access to proper sanitation, with very great disparities between rural areas and large towns.

To reach the Millennium Development Goals (MDGs) of access to drinking water, by 2015 the coverage rate should be 80 per cent. In terms of sanitation, a national coverage rate of 50 per cent must be reached, which presupposes the construction of around 400 000 public and household latrines.

On 18 July 2006, the World Bank announced an additional \$10 million IDA financing to broaden the water sector project (launched in 2001) aimed at restoring water distribution systems in small towns in Niger. In May 2006, Saudi Arabia granted Niger 3 billion CFA francs (more than EUR 4.5 million) to finance the construction and restoration of around 100 potable water wells in three regions. A previous programme that cost an estimated 11.3 billion CFA francs (more than EUR 17 million) wholly financed by Saudi Arabia enabled the drilling of 800 modern wells in several rural areas in Niger.

Scheduled investments by funding agencies for 2001-07 are estimated at around 98 billion CFA francs (\$23.3 million) per annum. These investments are repartitioned as \$12.5 million for urban hydraulics, \$10.5 million for rural hydraulics and \$0.36 million for sanitation in urban areas. An examination of these figures indicates that the investment necessary for fulfilling the MDGs (estimated at \$36 million per annum, or almost 2 per cent of GDP) is more or less in place for urban projects, but that only two-thirds are met for rural ones. On the other hand, very few resources have been earmarked for meeting the sanitation MDGs, whether rural or urban, and this lag will be increasingly difficult to make up. Thus, the state and international funding agencies should concentrate their efforts on sanitation.

Particularly since 2001, several reforms have focused on the potable-water sector. These have had three aims: *i*) the privatisation of the SNE through a partnership between the public sector and a private operator – supplying water to urban centres is henceforth under the remit of the SPEN, while exploitation, transport and distribution of drinking water is under that of the SEEN, a private enterprise; *ii*) the implementation of the water-sector project, with \$76 million financing – this project aims at restoring water production and distribution facilities in urban and semi-urban areas and at improving their technical performance; and *iii*) re-establishing the sub-sector’s financial health in order to ensure its financial independence.

The sector’s production has risen by 6 per cent on average since 2001, although some areas are still experiencing water-supply problems. For these areas, solutions such as sinking additional wells must be envisaged and financing for them must be sought.

To attain the MDGs in terms of access to drinking water and sanitation, Niger must overcome several major challenges, the largest of which is improving the institutional framework by strengthening the link between the water and sanitation sectors, and the Poverty Reduction Strategy Paper (PRSP). In this context, it is necessary to increase the effective demand for water and sanitation services in local communities (population’s capacity to pay for services) in order to ensure their financial sustainability.

Political Context and Human Resources Development

Niger’s political scene has been recently marked by tension between President Mamadou Tandja and Prime Minister Hama Amadou. The latter has announced that he will run for the 2009 presidential elections, at the end of the current presidential term. Political disagreements could emerge from this declaration and affect the unity in government operations, all the more so as President Tandja owes his re-election in 2004 to the support of other political parties – the Convention Démocratique et Sociale

(CDS) in particular – which were given posts in the government. The principal opposition party, the Parti Nigérien pour la Démocratie et le Socialisme (PNDS), could see its popularity increase from the political fallout of the food crisis that raged in the country in 2005 and the social unrest that followed.

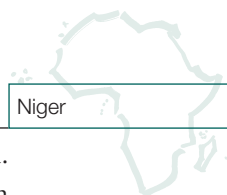
Some of Niger's non-governmental organisations (NGOs) and organisations put the “dead country” (*pays mort*) movement into action in August 2006, the second in one month, to protest against living conditions and difficulties of the population in accessing social services. This movement was planned by the *Coalition contre la vie chère au Niger* (coalition against the high cost of living in Niger), which includes several NGOs, organisations and local unions, and by the *Coordination Démocratique de la Société Civile du Niger* (CDSCN). These two organisations had already launched several strikes and protests in 2006, in addition to the “dead city” days on 22 March and 6 July that same year, calling for a reduction of at least 35 per cent in the price of hydrocarbons, a reduction of at least 50 per cent in medical and school fees and a reduction of at least 40 per cent in the prices of water and electricity. In July 2006, a committee empowered to negotiate with these organisations was set up. On 29 July, the CDSCN cancelled a “dead city” action in Niamey in order to avoid clashes with militants from the coalition parties in power who had organised a march in support of the government bringing tens of thousands of people together on the same day. All of these demonstrations and strikes in June and July 2006 to protest against soaring prices and the reduction of public services signalled as much the disapproval of government policies as the problems that the country faces due to its low level of development. These social disturbances have not, however, seriously affected the stability of the government. The role of the opposition should remain characterised by respect for the higher interest of social cohesion in Niger.

The food situation has improved compared with the same period last year, but according to the latest information supplied by the Early Warning System in August 2006, areas of local food insecurity remain. On 2 September 2006, a survey revealed 32 zones with

relatively good food security and 28 zones in a disturbing situation. These latter are found in the regions of Tillabéri, Dosso, Zinder, Tahoua, Maradi and Agadez. In all, 839 357 people face extreme food insecurity, marked by consumption of famine food, sale of production material and reduction in the number of daily meals.

In terms of nutrition, the preliminary findings of the 2006 demographic and health survey (EDSN/MICS III) indicate that the level of chronic and acute malnutrition in children under the age of five is 50 per cent and 30 per cent, respectively, higher than when the same study was carried out in 2000 (when levels were 39.6 per cent and 14.1 per cent). Moreover, the 36th epidemiological week was marked by a rise in admissions in certain nutritional recovery centres. During this same period, the national health information system registered a combined total of 117 788 children under the age of 5, 11 730 of which suffered from a serious form of malnutrition. To deal with this food and nutritional problem, the government and its partners have taken several preventative and relief measures. Amongst others, these include: *i*) treatment of malnutrition cases in nutritional recovery centres; *ii*) targeted distribution of food supplements to children at risk; *iii*) sale of cereal at low prices; *iv*) targeted free distribution of supplies; and *v*) “work for food” and “money for food” strategies. In order to improve the nutritional treatment of children, the World Health Organisation (WHO) trained 48 regional trainers in 2006 and made available paediatric kits to treat malnourished children in regional hospitals in Maradi, Tahoua and Zinder.

The health problems in Niger are common to all of western Africa: malaria, tuberculosis and diarrhoea are amongst the most deadly diseases. In Niger, however, these problems are complicated by malnutrition, which affects almost 50 per cent of the population each year. Measles, cholera and sleeping sickness remain widespread in some areas of the country. According to the United Nations Human Development Index, Niger has only three doctors per 100 thousand inhabitants, and only 16 per cent of the 600 000 births take place in a hospital facility.



Furthermore, 20 per cent of these children could die before the age of five and in one case out of two, death would be due to malaria. In April 2006, Niger's government voted a law introducing free access to health services for pregnant women and children under the age of five. The government is also working to create a social fund to finance its programme of free healthcare, but it is suffering from a lack of funds. A consultation and a treatment today cost 500 CFA francs for a child and 1 000 CFA francs for an adult. These sums are high for the residents of a country considered one of the poorest in the world. Niger's authorities have thus set out healthcare and anti-malnutrition programmes, which, according to

government statistics, reach half of the population. According to the WHO, annual public health expenditure by Niger's government is \$5 per capita. While this figure is less than the \$35 per capita that the WHO considers necessary for basic health services in poor countries, health expenditure accounts for 12 per cent of GDP in Niger, which makes Niger the country in West Africa that invests the most in public health. On the whole, it is possible to confirm that the serious public-health problems that Niger faces are henceforth a concern for the country's political authorities, but it must also be noted that lack of funds prevents them from making real progress in terms of care.