Agriculture and rural development are central to Niger’s development efforts. Agriculture is the largest economic sector, employs more than three-quarters of the population and has had increased political support since the onset of the Covid-19 pandemic, which is expected to have a major impact on economic forecasts.

Government demand for development assistance for agriculture and rural development is expected to rise, given a planned increase in public spending for the sector.

Niger is increasingly dependent on external development assistance, with agriculture attracting over 10% of these flows since 2014.

The government will prioritise grants over loans. Borrowing in concessional terms for agriculture and rural development is likely to remain stable because of the country’s limited fiscal space.

The government prefers coordinated external development assistance that is aligned with national priorities, as well as multi-phase programme loans and policy-based lending to support policy reforms or institutional changes.
Introduction

Background
Rural development worldwide relies heavily on private funding. Yet the public sector has a key role to play in providing both investment and policy support to tackle persistent market failures. These include the under-provision of public goods (such as infrastructure, and research and development), negative externalities (such as the need to adapt to and mitigate the effects of climate change), informational asymmetries (e.g. the development of rural financial services) and the lack of protection for vulnerable people through, for example, social protection.

Far more finance is needed to achieve food security and promote sustainable agriculture in line with Sustainable Development Goal (SDG) 2. The United Nations (n.d.) estimates that an additional $267 billion per year is needed to achieve every SDG 2 target: almost twice as much as total official development assistance (ODA) each year from all donors combined. Official development finance (ODF) to agriculture and rural development rose slightly from $10.2 billion in 2015 to $10.9 billion in 2018. This is only a fraction of the total ODF disbursements of $254 billion in 2018. Public expenditure on agriculture development also remains low: since 2001, governments have spent, on average, less than 2% of their central budgets on agriculture (FAO, 2019).

Objectives, definitions and methodology of this country case study
This country case study summarises key findings from a country analysis of financing for rural development in Niger. It is one of 20 analyses that is synthesised for comparison in Prizzon et al. (2020).

The case study has two main objectives:

- to map demand from the Government of Niger over the next five to 10 years for external development assistance to support public investment in inclusive and sustainable rural development
- to analyse the financial and non-financial terms and conditions of such demand, its main preferences and the type of instruments that the government wishes to access or scale-up to support public investment in rural development.

Definitions

What we mean by public investment in inclusive and sustainable rural development (see Prizzon et al., 2020, for more details): Our research has focused on six areas that contribute to such investment: access to agricultural technologies (research and development) and production services; agricultural value-chain development (e.g. crops, livestock, fisheries); climate-resilient agricultural practices; rural basic infrastructure (e.g. water and irrigation systems, local roads, local energy generation and storage facilities); rural financial services; and rural investment environment (e.g. policy, legal and regulatory frameworks).

What we mean by external assistance for inclusive and sustainable rural development: We look beyond ODA to include government-to-government funds from bilateral and multilateral donors that do not meet concessionality criteria (usually defined as other official flows, or OOFs). We call this official development finance (ODF). As a proxy for financing rural development, we examine data on external assistance to the agriculture sector and rural development (cross-cutting) based on an Organisation for Economic Co-operation Development (OECD) definition.

This is not a perfect measure, but given the lack of a sectoral definition or attribution to

---

1 The sum of ODA and OOFs: the latter flow from bilateral and multilateral donors that do not meet the concessionality criterion for ODA eligibility.

2 The definition of concessionality is based on the share of the grant element. With the 2014 OECD reform, the grant element varies according to the income per capita of the ODA eligible country to be counted as ODA: at least 45% for low-income countries (LICs), 15% for lower-middle-income countries (LMICs) and 10% for upper-middle-income countries (UMICs). The International Monetary Fund (IMF) discount rate (5%) is also adjusted by income per capita group: 1% for UMICs, 2% for LMICs and 4% for LICs, including least-developed countries (LDCs).
rural development as such, it is the closest we can get to a consistent, cross-country mapping of external assistance from development partners. As a second-best option, we rely largely on quantitative and qualitative data on agricultural development. While the agriculture sector is a major component of rural development, data on agriculture alone cannot capture important non-farm activities.

**Research questions**

This country case study reflects our four main research areas:

- the government’s priorities for public investment in inclusive and sustainable rural development
- financing for public investment in inclusive and sustainable rural development
- borrowing (external development assistance) for this public investment
- the government’s preferences in relation to external development assistance for public investment, including its demand for specific types of instruments.

As this project took place during the early stages of the Covid-19 pandemic, we also reflect the short- and medium-term implications of the crisis for government priorities and preferences for public investment, as well as the amount and type of external assistance demanded.

**Methodology**

We used a qualitative case study approach, with the analysis of individual countries informed by a political economy framework, as developed by Greenhill et al. (2013) for aid negotiations (see Prizzon et al., 2020).

Our approach comprised a critical review of relevant policy literature\(^3\) and data analysis,\(^4\) which also helped us to identify country stakeholders. This was followed by interviews with key informants, led by an electronic questionnaire submitted before each interview. For Niger, we held 10 interviews between April and July 2020, and received eight questionnaires (see Annex 1 for a list of those interviewees who agreed to their names being shared).

**Niger: country context**

Niger is classified as a LIC. It is eligible for concessional assistance only from the World Bank under the civil works preference of the International Development Association (IDA) and African Development Fund (ADF).

Niger is also classified as a fragile and conflict-affected state, with conflict and security incidents common in the border areas with Mali, Burkina Faso and Nigeria. Armed conflict has meant significant displacement: the country is hosting more than 175,000 refugees and has 156,000 internally displaced people (IDPs) (UNHCR, 2019). The country is also extremely vulnerable to climate change: it is ranked as the 2nd most vulnerable country and the 46th ‘least-ready’ country according to the ND-GAIN index (ND-GAIN, 2020).\(^5\)

Agriculture is an important, but also highly vulnerable, sector of the economy. Agriculture accounted for 39.2% of gross domestic product (GDP) and employed 75.8% of the population in 2018 (World Bank, 2020a). Yet productivity is low as a result of desertification, soil degradation and climate shocks (WFP, 2019).

Those living in rural areas accounted for 86% of Niger’s population in 2017 (World Bank, 2020a) and the country is particularly dependent on subsistence farming. Agricultural production is now being outpaced by population growth, leading to food insecurity. It is estimated that more than 6.8 million people were chronically food insecure in 2018 (WFP, 2019). At 3.9%, Niger’s annual population growth is one of the highest worldwide, and the population is doubling every 20 years. The country now has the world’s highest fertility rate, with 7.2 births per woman (ibid.).

---

\(^3\) Government national and sectoral strategies, debt management policies and IMF Article IV reports.

\(^4\) Spanning IMF, OECD and World Bank sources.

\(^5\) ‘Least-ready’ countries are those that are deemed to lack the economic, governance and social readiness to leverage investments and convert them to climate-change adaptation actions.
The economic perspective is improving, but it remains highly vulnerable to shocks. Real GDP growth was 6.5% in 2018 and was expected to increase to around 7% in the coming years (IMF, 2019). GDP expansion has been supported by good harvests, artisanal gold production and strong investment in infrastructure, including a pipeline project to Benin financed by China (ibid.). Uranium is a major export, but low demand has depressed prices in recent years (ibid.).

Niger’s dependency on agriculture, mining and infrastructure investment means that its economic growth is vulnerable to external shocks and to any deterioration in the security situation. At the same time, high population growth rates mean that per-capita growth rates are relatively low.

Niger ranks last in the Human Development Index (HDI) (UNDP, 2019). The country has made across all HDI components since 1990, but this has not kept pace with other countries. With an HDI value of 0.377, the country is far below the average for countries in sub-Saharan Africa (0.541) and is in the low human development grouping (0.507) (ibid.). About two-thirds of Niger’s poor people (about 5.3 million in all) live in the semi-intensive agriculture and livestock-rearing regions of Maradi, Dosso and Zinder in the south of the country (World Bank, 2018).

The country also presents challenges in terms of gender equality as reflected by the low Country Policy and Institutional Assessment (CPIA) on gender equality (value of 2.5 in 2018 out of a maximum index value of 6; World Bank, 2020a). The main obstacles to gender equality are lack of access to education (only 4.3% of women over 25 have completed secondary education), gender-based violence, women’s limited political representation and leadership, and a lack of sexual and reproductive health and rights (UNDP, 2019).

**Government priorities for rural development**

Agriculture and rural development are at the centre of government development priorities and planning. Niger’s sustainable development and inclusive growth strategy through 2035 (‘Niger 2035’) and its economic and social development plan (PDES) for 2017–2021 focus on the modernisation of the rural world, the development of human capital and the private sector, and the management of the country’s demographic transition (Ministère du Plan, 2017a; 2017b). Agriculture is seen as a central pillar of national development efforts, given its economic importance, the large share of the workforce it employs and food insecurity in the context of rapid population growth.

Persistent food insecurity led to the establishment of the ‘Nigeriens Nourishing Nigeriens Initiative’ (I3N) in 2012. This high-level, cross-sector initiative comes directly from the President’s office (Présidence de la République, 2016) and is led by a high-commissioner with the rank of minister. The objectives of the I3N are to fight hunger and malnutrition while increasing agricultural revenues, and it aims to coordinate government efforts in these areas.

The action plan of the I3N for the period 2016–2020 defines four priorities for the sector and serves as a guide for development partners (ibid.). The first priority is irrigation and water management to secure agricultural production and farming. Water is seen as critical to modernise the country’s agricultural practices and increase productivity. Its second priority is the development of agricultural products and value chains. This includes agricultural extension services, agricultural inputs, product transformation plans and access to markets. The third priority of I3N is sustainable management and the conservation of natural resources, seen as vital in a country that is so vulnerable to climate change. The fourth priority is institutional reform to improve the coordination and governance of agricultural and rural development initiatives (i.e. to improve implementation). Our interviewees stressed similar priorities and challenges.

Smallholder farmers are the main focus of government efforts, and the I3N investment plan, therefore, focuses on these farmers, who make up the bulk of agricultural workers. There are also scattered references to women, youth and disabled people in the action plan as targets for action, as well as some analysis of the participation of women and youth in
agriculture (President de la République, 2016). However, the plan does not contain any specific actions that are designed to reach these groups as primary targets.

Our interviewees generally agreed that smallholder farmers are the main priority and often failed to identify women, youth or other population groups as significant targets. However, it is important to note that Niger is a young country with a median age of just 14.9 years (UN World Population Report, 2019). As a result, most actions are likely to affect youth either directly or indirectly.

The Covid-19 pandemic has reinforced the importance of the agriculture sector in Niger, which is a food-insecure country (see Chapter 1) and depends on imports to meet 10–12% of its national cereal needs (WFP, 2019). The measures taken to fight the pandemic have made access to food more difficult by restricting mobility. As a result, interviewees agreed that the crisis is likely to reinforce the importance of agricultural food production and consumption as a government priority.

**Financing rural development**

**Public finance**
The economic and fiscal outlook was positive before the Covid-19 pandemic. Despite the challenges imposed by increased security spending and low uranium prices (IMF, 2019), Niger was expected to improve its economic and fiscal position in the coming years. In addition, the expansion of crude oil production and exports was expected to have a large economic impact that would start in 2022. Oil exports, using the pipeline that is being constructed, are scheduled to start in 2022 and reach full capacity by 2025 (ibid.). Oil exports were expected to boost real GDP growth to around 12% in 2022 and bring in additional revenues in the form of taxes (ibid.). It is not clear, however, how these figures could be affected by the recent drop in oil prices.

Public spending on agriculture is increasing and is on track to meet the Malabo target of 10%. Indeed, government expenditure in agriculture as a percentage of total government expenditure exceeded 10% in the period 2003 to 2007, when it averaged 19.6% (Sadio Diallo et al., 2020). This high level of investment was driven by the importance of agriculture to the economy, and was also a response to significant challenges faced by the sector.

Subsequently, agricultural expenditure plummeted to 5.4% as a result of the impact of the global economic crisis and the internal political crisis of 2010–2011. Spending levels then increased to reach an average of 9.8% in the period 2010–2015. According to our interviewees, public spending on agriculture is expected to continue to increase as a result of the implementation of government strategies and plans.

**External development assistance**
Niger has become increasingly dependent on ODA flows. Net ODA accounted for 15.2% of GNI in 2017, up from 12.2% in 2015 (World Bank, 2020a). Both ODA grants and loans have increased over time (see Figure 1). ODA loans are becoming more important as a share of ODA flows and accounted for approximately a quarter of these flows from 2016 to 2018.

The most important donors during that period were the IDA and the European Union (EU). They were followed at some distance by the United States and France. IDA is also the main driver of ODA loans in Niger. Budget support hovered at an average of 21% of ODA disbursements over the period 2014 to 2018 with a peak in 2017 (28%) and a low in 2018 (12%). Again, the main providers of budget support are the EU and IDA.

This significant level of budget support indicates strong donor confidence in government systems. For example, external development assistance has been vital to support investment in infrastructure, productive sector development and social spending (IMF, 2019). In general, aid flows have increased steadily since the global financial crisis of 2008 and Niger’s political crisis of 2010–2011. In more recent years, the country has attracted funding as a result of its own deteriorating security situation (IMF, 2019).

There is significant ODA support to agriculture and rural development. According to our interviewees, ODA accounts for 60% of public spending on agriculture and rural development. As
shown in Figure 2, ODA to agriculture and rural development accounts for a large share of overall flows of ODA to Niger. Depending on the year, the flows to agriculture and rural development account for 7–14% of ODA flows. On average, ODA grants to agriculture and rural development account for a far greater share of ODA flows than loans: 7.8% of flows for the period 2014–2018, compared to 3% for loans.

The EU is the largest donor to agriculture and rural development in terms of ODA grants, followed by the United States, while the IDA is the most important donor for ODA loans. In 2018, there was also $20.9 million non-concessional IDA operation in the sector. This operation targets agriculture inputs and extension services and is one small component within a large World Bank operation that supports the government’s national poverty reduction strategy and the Economic and Social Development Plan. Another part of the project focuses on rural roads, but this is not captured by the OECD database. No other non-concessional (OOF) operations in the agriculture and rural development sector were recorded in the research period.

The significant increase and relative stabilisation of aid flows from 2016 to 2018 aligns very well with the launch of the action plan of the I3N for the period 2016–2020 (Présidence de la République, 2016). The figures suggest a certain level of alignment between government priorities in the sector and donor support.

Demand for external development assistance for agriculture and rural development is expected to increase in the coming years. Niger’s sustainable development and inclusive growth strategy until 2035 (‘Niger 2035’) identifies concessional development flows as a priority in terms of finance. While the government has made efforts to prioritise ODA grants over ODA loans to improve its fiscal position (IMF, 2019), Figures 1 and 2 indicate that the weight of ODA loans has increased significantly when measured in constant prices. Interviewees confirmed that both the demand for both ODA grants and loans is expected to expand in the coming years.

Our interviewees also felt that the Covid-19 pandemic is unlikely to have a significant effect on demand. There are, however, concerns that competition with the health sector could decrease concessional resources for agriculture and rural development in a context where access to such finance is limited.

External development assistance for agriculture and rural development is valued for a variety of reasons. Niger is, for example, a country that has significant investment needs in agricultural and rural development, but that also faces constraints...
in terms of debt levels (see next section). Access to ODA will, therefore, remain an important source of finance for government priorities.

Our interviewees also indicated that projects and project management structures are still required to target certain regions or population groups that are difficult to reach or that lack sufficient capacity to implement projects. Technical constraints also explain the interest in technical assistance and knowledge exchange with development partners.

Finally, policy advice was also valued by our interviewees as a result of implementation and coordination challenges in the ongoing decentralisation process. There is a perception that development partners can make a meaningful contribution to these processes in terms of design and sustainability.

Borrowing for rural development

Niger is at ‘moderate’ risk of debt distress. Public debt stood at 53.8% in 2018, up from 20.1% in 2010 (IMF, 2019). Rising public debt levels have been fuelled by security spending, infrastructure projects and investment in poverty reduction measures (IMF, 2019), with concessional finance accounting for the bulk of the increase. The growth of concessional finance discussed in the previous section has helped to control the deficit by funding an increasingly large share of public spending.

Multilateral debt represents the lion’s share of public debt (see Figure 3), and multilateral concessional debt more than tripled between 2010 ($500 million) and 2018 ($1.67 billion). The largest multilateral creditors are the World Bank (IDA) and the West African Development Bank (IMF, 2019). Bilateral debt is mostly owed to China and France (AFD) (ibid.).

External debt is generally concessional, with an average weighted interest rate of 1.6% and a remaining maturity of 21 years at end-2018 (IMF, 2019). Most of the debt is denominated in foreign currency and it is important to note that Niger uses the regional currency (CFA Franc), which is guaranteed by the French state and has a fixed exchange rate to the Euro. This stabilises the currency and makes it exchangeable.

The government is expected to adopt a more prudent approach to debt management. It is, for example, bound by the West African Economic and Monetary Union (UEMOA) convergence criterion to run a fiscal deficit of 3% of GDP in 2020, at most (UEMOA, 2009). The government has also agreed with the IMF to reduce public debt relative to GDP by 10% over the period 2019–2023 (IMF, 2019). While ambitious, this target should be achievable if...
economic growth follows the expected path, the security situation stabilises, and oil exports start in 2022 as scheduled.

As discussed in the previous section, agriculture is an important government priority and demand for external finance is likely to expand. However, the fiscal space is currently limited, and this will encourage a government focus on ODA grants.

While our interviewees indicated that the government is willing to borrow at concessional terms, borrowing levels are unlikely to increase until the fiscal space is expanded by higher growth rates and greater government revenues. They note that there is demand for external finance if it is well aligned with the government priorities discussed above and includes: climate-resilient practices; access to agricultural support and production services; agriculture value-chain development; rural basic infrastructure; and rural financial services.

In addition to interest rates, borrowing decisions are sensitive to the size of the loan and its currency denomination. Interviewees revealed a preference for large operations as they are considered to lead to economies of scale, improved coordination and less fragmentation during implementation. Interviewees also revealed an appetite for more integrated approaches, rather than many small, individual projects. There is also a preference for local currency-denominated loans to balance the share of debt held in the foreign-denominated currency in line with the UEMOA Convergence Criteria.

Long loan maturity and grace periods were also valued by interviewees. However, they also acknowledged that flexibility is often limited when negotiating these terms with development partners, particularly multilateral institutions.

**Preferences and instruments for rural development**

Coordination, predictability and alignment to national priorities are key preferences for the government of Niger, which sees these three principles as important for the implementation and sustainability of government priorities over the medium term (Ministère du Plan, 2017a). Our interviewees confirmed these preferences, identifying the following in particular: alignment to national priorities, project sustainability, long-term finance, flexibility, and speed of delivery.

The first three are closely related and support government goals directly to improve coordination and implementation over the medium term. The preference for flexible funding is explained by the vulnerability of the country to external shocks. The preference for speed of delivery can be attributed to long delays experienced in the implementation of some

Figure 3 Public debt by type of creditor

![Figure 3 Public debt by type of creditor](image)

Note: constant 2017 prices.
Source: World Bank (2020b)
projects in the past, often as a result of time-consuming procurement processes.

While interviewees recognised that there is space to combine different aid modalities in the agriculture and rural development sector, the government’s emphasis on coordination, speed of delivery and larger volumes of finance indicate a continued preference for programmatic approaches. When asked about specific modalities, interviewees expressed an interest in multi-phase programme loans that provide long-term support, policy-based lending, and funding to support policy reforms or institutional changes.

Interviewees also acknowledged that the government values the budget flexibility seen in budget support operations by the EU and IDA. At the same time, they pointed out that these operations still face challenges and that it is often more difficult to attribute results on the ground. The government is also aware of these problems and has recognised lack of coordination across government ministries and departments, strong centralisation, and limited technical and project management capacity as major obstacles to the implementation of aid operations (Ministère du Plan, 2017b).

Interviewees expressed an interest in disaster-risk reduction options, although the country has limited experience of such approaches. As noted, Niger is extremely vulnerable to climate change and extreme weather events such as droughts or, more recently, plagues of locusts.

Conclusions

Our analysis of the experience and perspective of Niger on financing public investment for inclusive and sustainable rural development, and particularly its demand for external assistance, is summarised as follows.

- Agriculture and rural development are central to Niger’s development efforts. Agriculture is the country’s largest economic sector and employs more than three-quarters of the population. Limited access to food during the Covid-19 pandemic, combined with dependency on cereal imports, has increased political support for the achievement of food sovereignty.
- The government’s demand for development assistance for rural development and agriculture is expected to rise in the future. This follows an expected increase in public expenditure in line with government policies. The government is likely to prioritise ODA grants over ODA (concessional) loans.
- Concessional borrowing for agriculture and rural development is likely to remain stable, given Niger’s limited fiscal space. The government has pledged to reduce debt levels in relation to GDP in the coming years. Strong economic growth was expected, especially after the completion of an oil pipeline to Benin in 2022, but the Covid-19 crisis is likely to have a significant impact on economic forecasts.
- The government has expressed a strong preference for more coordinated development assistance that is aligned with national priorities. In terms of instruments, the government is likely to favour programmatic approaches, including multi-phase programme loans, and policy-based lending to support policy reforms or institutional changes. This reflects the government’s interest in improving coordination, reducing fragmentation, and increasing the sustainability of development initiatives.
References


Annex 1 List of interviewees

<table>
<thead>
<tr>
<th>Name</th>
<th>Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamoitou Boukari</td>
<td>Ministère de l’Agriculture et de l’Elevage</td>
</tr>
<tr>
<td>Abdou Chaibou</td>
<td>Ministère de l’Agriculture et de l’Elevage</td>
</tr>
<tr>
<td>Nouridine Kane Dia</td>
<td>World Bank</td>
</tr>
<tr>
<td>Maman Lawal Mossi</td>
<td>Banque Agricole du Niger</td>
</tr>
<tr>
<td>Yacoubou Mahaman Sani</td>
<td>Ministère du Plan</td>
</tr>
<tr>
<td>Alassane Matto</td>
<td>Ministère des Finances</td>
</tr>
<tr>
<td>Assadeck Mohamed</td>
<td>Family Farming Development Programme (ProDAF)</td>
</tr>
<tr>
<td>Iro Souley</td>
<td>Ministère du Plan</td>
</tr>
<tr>
<td>Jakob Tuborgh</td>
<td>International Fund for Agricultural Development (IFAD)</td>
</tr>
<tr>
<td>Mahaman Sani Abdou</td>
<td>Initiative les Nigériens Nourrissent les Nigériens (I3N)</td>
</tr>
</tbody>
</table>
This country case study on Niger is part of a project that aims to map future demand from recipient country governments for external development assistance from official donors to support public investment in inclusive and sustainable rural development over the next five to 10 years. It also aims to explore the financial and non-financial terms and conditions of this assistance. Its analysis is also included in the synthesis report for this project (Prizzon et al., 2020), which reviews the experiences of 20 low- and middle-income countries.

We are grateful to the interviewees who gave up their time to take part in this project, share their insights and provide feedback to this country case study, particularly during the challenging time of spring 2020. Their contributions were vital to corroborate and challenge our initial analysis.

We acknowledge the generous financial contribution from the International Fund for Agricultural Development (IFAD). We would like to thank Jakob Tuborgh (IFAD Country Director for Niger) and Cherif Lawan (Country Programme Officer) for their support in the preparation of this country case study. We also send our heartfelt thanks to Mahamane Aboubacar (independent consultant) for his support with the stakeholder interviews.

We have taken care to validate the information included in this case study and any omissions, errors or misreporting are unintentional and the author’s own. The views expressed in this study do not represent those of ODI or IFAD.

This document has been produced with the financial assistance of IFAD. The findings, opinions, interpretations and conclusions expressed in this publication are those of the authors and do not necessarily reflect the reviews of IFAD, its Executive Board, its Members, or any Member State they represent. IFAD does not guarantee the accuracy of the data included in this work. The boundaries, colours, denominations and other information shown on any map in this work do not imply any judgement on the part of IFAD concerning the legal status of any territory or the endorsement or acceptance of such boundaries.