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NIGER

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[1] The team consisted of André Ryba (co-leader, World Bank), Amadou R. Sy (co-leader, IMF), Cheikh Gueye and Romain Veyrune (both from the IMF), Fatou Assah, Carlos Cuevas, Olivier Hassler, Korotoumou Ouattara, Amadou Ibrahim, and Salifou Noma (all from the World Bank), and Bernard Sivan (Consultant). The mission was also assisted by Mr. Pierre Laporte, IMF Resident Representative, and Mr. Ousmane Diagana, World Bank Resident Representative in Niger.

GLOSSARY

ANIP	*Association Nigerienne des Institutions Professionelles de la Micro Finance*
ARSM	Microfinance Sector Regulatory Agency
BCEAO	Central Bank of West African States
BCN	*Banque Commerciale du Niger*
CARENI	Niger Autonomous Retirement Fund
CIPRES	Regional supervisory organization for social security institutions in the CFA zone.
DCA	Directorate of Insurance Surveillance
CCP	Postal Checking Center (*Centre des Chèques Postaux*)
CDN	*Credit du Niger*
CFA	*Communauté Financière Africaine*
CFAF	Niger Currency (*Communauté Financière Africaine Franc*)
CIMA	Inter-African Insurance Markets Conference (regional insurance supervisor)
CIP	Central Office on Defaults in Payment
CNE	*Caisse Nationale d'Epargne*
CNSS	National Social Secuity Institution
CR	Credit Information Office
IARD	Property and Casualty Insurance
IMF	International Monetary Fund
FINAPOSTE	Postal Bank
FNR	National Retirement Fund
FSA	Financial Sector Assessment
FSAP	Financial Sector Assessment Program
FSDP	Financial Sector Development Project
FSSA	Financial System Stability Assessment
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
ICA	Investment Climate Assessment
LT	Long term
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Reduction Initiative
MFI	Microfinance institutions
MIS	Management Information System
MT	Medium term
OHADA	Organization for the Harmonization of Business Law in Africa
ONPE	National Post and Savings Office
PEMFAR	Management and Financial Accountability Review
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SAHFI	Sahelian Financial Corporation
SONUCI	Nigerien Urbanism and Housing Construction Company (*Société Nigérienne d'Urbanisme et de Construction Immobilière*
SMEs	Small and Medium Enterprises
ST	Short term
SYSCOA	West African Accounting System
WAEMU	West African Economic and Monetary Union

I. Overall Assessment and Principal Recommendations

1. **Since 1999, the Nigerien authorities have embarked on a program of reform to develop the financial system and ensure its stability in the wake of a regional banking crisis.** Studies on financial sector development undertaken by the Government and the World Bank paved the way in 2000 for a series of financial sector reforms targeting banks, microfinancie institutions (MFIs), and the financial institutional environment. In 2004, the authorities developed a program of reforms that included the following elements: (i) restructuring of state-controlled financial institutions (*Crédit du Niger* and *Caisse de Prêts aux Collectivités Territoriales*); (ii) restructuring of the National Post and Savings Office (ONPE); (iii) an actuarial audit of the National Social Security Office, intended to lead to parametric reforms; and (v) promotion and supervision of the microfinance sector.

2. **As of mid-2008, the authorities of Niger had made some progress in carrying out their program of reforms.** A decree was issued in 2007 to establish a regulatory agency for microfinance, and a law was adopted in 2005 to create NIGER POSTE, followed by the establishment of a legal structure slated to become a postal bank *(FINAPOSTE)* in 2007. State-held shares in the housing bank (*Crédit du Niger--CDN)* have been transferred to a private buyer, and official approval by the banking commission is expected to finalize this transaction. The legal framework for land ownership was improved by the 2006 budget law. Two commercial banks have been restructured and recapitalized.

3. **At the same time, the banking system is showing signs of vitality.** The number of banks and financial institutions rose from 8 in 2000 to 12 in 2007, and the number of bank branches from 12 to 51. Over the same period, the volume of deposits and credits more than doubled, and the number of bank accounts tripled. The number of MFIs grew from 81 in 2000 to 148 in 2006 and the number of members more than doubled during the same period. These developments contributed to improve the stability of the financial sector and access to financial services.

4. **Despite this progress, much remains to be done to bring the financial sector up to sub-regional standards**. The first step is to formulate a financial sector development strategy that would serve as a roadmap for future reforms. Issues of access to financial services are crucial in Niger, in view of indicators that place Niger at the lowest level in the Union (except for Guinea-Bissau). The stability of the financial sector has improved, but still requires vigilance on the part of national and monetary authorities.

II. Macroeconomic Outlook and Economic Context

A. Sociopolitical and Economic Context

5. **Niger is a vast, landlocked country with a population of nearly 15 million in 2008.** The country is not highly urbanized (under 20 percent) and the bulk of the population lives south of the 15th parallel. Conditions there are more favorable for farming activities due to the presence of the Niger River and a less arid climate than in the desert-like, very sparsely inhabited northern reaches of the country. The low population density in the north makes it more difficult to provide financial services.

6. **After a decade of political and social instability, legislative and presidential elections, in December 1999, led to a period of relative stability, conducive to the implementation of policy reforms**. The incumbent president was reelected in 2004 and the parliamentary majority reinforced by the inclusion of parties from the political opposition. This new era of stability helped implement economic and financial reforms and improve health and education services with a view to achieving the Millennium Development Goals (MDGs).

7. **The country's economic activity is based on agriculture and services, but uranium is Niger's main export.** The primary and tertiary sectors account for 42 and 38 percent of GDP respectively. Agriculture sustains roughly 80 percent of the population. The substantial weight of the service sector reflects the large role of Government and public enterprises in the economy. Industrial activities are extremely limited apart from uranium mining in the north, which accounts for 60 percent of the country's exports on average. The turnaround in world prices for uranium, combined with the vagaries of the weather, resulted in a deep economic crisis that lasted through the end of the 1990s, and resulted in a decline in per capita income of more than 2 percent on average and a strong increase in poverty.

8. **However, relative stabilization of the macroeconomic framework has now taken hold.** This is demonstrated by: (i) an average growth rate of 5.3 percent over the period 2005-2007 (versus 1.9 percent during the 1990s); (ii) inflation contained under 3 percent on average over the period 2001-2007; (iii) a tax recovery ratio of 15.5 percent in 2007 (versus less than 10 percent before 2004); (iv) a basic fiscal balance of 0.3 percent in 2006 and -0.9 percent in 2007 (versus a deficit of more than 3 percent on average in earlier years); and (v) a current account balance of -6.9 percent in 2006 and 2007, which should however worsen in the coming years because of the massive importation of capital equipment for uranium and oil exploration and extraction.

9. **The Government adopted in October 2007 its second-generation Poverty Reduction Strategy Paper (PRSP 2008-2012).** The objective of this strategy is to achieve a real growth rate of 7 percent on average in order to achieve the MDG by 2015. The benchmark scenario centers on 4.2 percent growth in gross domestic product (GDP). An intermediate scenario assumes a growth rate of 5.7 percent. To help achieve these objectives, the financial sector must be sound and offer a varied range of services.

10. **The medium-term macroeconomic outlook in Niger appears favorable** due to the greater margin for budget maneuvering attributable to debt reduction initiatives[2] and the increased investments in the mining, infrastructure, and agriculture sectors. Based on the latest World Bank and IMF assessments, the real growth rate in GDP should average 5 percent over the period 2008-2012, principally driven by increased public investment in infrastructure and social services and greater private investment in the uranium and oil extraction sector. Mining companies have confirmed uranium sector investments estimated at US$1.6 billion and total output should double by 2012 and triple by 2017.

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[2] Under the the Heavily Indebted Poor Countries (HIPC) and the Multilateral Debt Relief Initiative (MDRI).

B. Macroeconomic and Financial Risks

11. **The weak development of Niger's financial sector remains a major obstacle to efforts to accelerate economic growth and increase per capita GDP.** Although credits to the economy grew by an annual average rate of 25 percent between 2005 and 2007 following the increase in credit demand from the mining, telecommunications, construction, and transportation sectors, financial intermediation is weaker than in any other country of the Union (except for Guinée Bissau). In 2005, there were just 9 bank loan accounts per 1,000 residents, compared to an average of roughly 40 in the Union as a whole. The number of banking agencies per 100,000 residents was 0.27 (versus the West African Economic and Monetary Union--WAEMU average of 1.07). The credit-GDP ratio rose to 9.6 percent at the end of 2007 from 7.9 percent at the end of 2006, but still remained the lowest in the Union except for Guinée-Bissau.

12. **The macroeconomic environment presents vulnerabilities for the financial sector and especially the banking sector.** The main elements of vulnerability include:

- **Low level of diversification of the economy and fluctuating rainfall patterns.** Agriculture and livestock account for 38 percent of GDP. Farming continues to depend on rainfall as irrigated agriculture remains marginal. Rainfall shortages and unfavorable rainfall distribution have a negative effect on agricultural output and thus on all economic activity, particularly banking.

- **Deterioration in the terms of trade.** The foreign terms of trade are conditioned primarily by price trends for mining exports. Improvements in the terms of trade after a mining boom resulted in increased demand for financial services from mining industries and also from the transportation sector.

- **Dependency on external aid.** Public investments are largely financed (roughly 70 percent) through external resources. A decline in drawdowns from external aid often results in lengthy payment periods for government suppliers, who run into problems in meeting their commitments to banks, and in cash flow problems for commercial banks.

- **High prices of food and petroleum products.** Subsequent to the increase in prices, economic operators have requested an increase in their credit lines within the banking system, in order to maintain the same level of operations. Banks have turned to their internal resources to meet this heightened demand.

- **Existence of an informal foreign exchange market between the CFAF and the naira.** The weight of the trade relations between Niger and Nigeria explains the existence of this market. However, due to the non-convertibility of both currencies, this market is informal and solely involves cash transactions. As a result, exporters are exposed to the risks associated with foreign exchange and manually performed cash transactions. The authorities in both countries should commission a study to deepen their understanding of how this foreign exchange market functions and of the risks faced by exporters in Niger.

C. GOVERNMENT CASH MANAGEMENT

13. **Government cash management has an impact on the financial sector**. The Treasury of Niger has introduced management instruments to regulate budget execution and cash management. The Budget Regulation Committee formed in 1998, manages spending at the commitment stage. It assesses the status of government revenues and expenditures and, depending on the amount of expected revenues, either releases or defers budget appropriations. The Cash Flow Committee was formed in 2001 and manages cash flow by regulating payments. In 2000 the Government created an autonomous center for the retirement of its internal debt (*Centre Autonome d'Amortissement de la Dette Intérieure de l'Etat*:), which manages internal debt arrears (except for those related to correspondents' deposits at the Treasury as well as financial and bank debt).

14. **The Treasury has two instruments-–short term borrowing from commercial banks and Treasury note issues-–to manage cash flow gaps**. Short term bank borrowing is rare in view of old government arrears to banks. Auctions of government securities organized by The Central Bank of West African States (BCEAO) at the initiative of the Governments give the Treasury access to a market with much higher liquidity. These cash management instruments have facilitated a tightening of government expenditures and payments by adjusting commitments in line with current or anticipated Treasury balances. Since 2005, the Government has issued Treasury notes on a regular basis every six months in amounts ranging from CFAF 10 to 15 billion. The sums raised from the issues are deposited at BCEAO to take care of cash flow gaps. Interest rates have steadily increased with successive offerings, from 3.5 to 5.5 percent, reflecting the tightening of regional liquidity and maturation of the regional market.

15. **The main government cash management problems can be summarized as follows**: (i) Government arrears to the banking system create a tense relationship with banks; (ii) the Government has not yet made full use of the opportunities presented by the diversification of financial instruments to which the Treasury could turn in order to meet its liquidity needs; (iii) the lack of an information system for determining the Government's cash position is a major obstacle to the development and implementation of a government cash management mechanism; (iv) opportunities for coordination presented by the current framework of consultation between Government and donors could be better used to anticipate and accelerate disbursements of foreign aid; and (v) capital expenditure carried out with external financing is not yet integrated into Treasury operations.

Recommendations

- **Improve the financial management of government cash flow.** Make more frequent use of financial instruments such as Treasury notes and commercial paper to deal with cash flow gaps, while also taking into account the constraints of debt sustainability and debt cost minimization.
- **Revitalize the current framework of consultation between Government and principal donors** to accelerate disbursements of external resources.
- **Automate the production of financial statements on government cash flow**. The Public Expenditure Management and Financial Accountability Review (PEMFAR) project should take charge of daily production of Treasury financial

statements and overall consolidation of financial statements within a reasonable time frame.

III. Financial System

A. Commercial Banks

16. **Niger has a small banking sector with a moderate degree of concentration.** Despite the existence of ten banks, total bank assets remain below CFAF 380 billion in 2007 (US$864 million), or 20 percent of GDP. The 10 banks have 51 local agencies, mainly in Niamey, and employ some 833 persons. The banking sector is not highly concentrated and the customer base is relatively diversified. Four of the 10 banks account for 80 percent of total assets but in relatively equal proportions, which could help competition. The remaining banks are small with limited activity. The relatively moderate degree of concentration, could be due to the absence of large-scale projects and industries in Niger. As a reflection of the lack of long-term resources, only one third of the banks' portfolio consists of medium and long-term loans.

17. **Interbank transactions are modest between domestic banks in contrast to intra-group transactions within regional banking groups**. A single institution provides more than 75 percent of interbank loans locally. On the other hand, lending between banks in the regional market is larger in scope. On average, close to 90 percent of interbank loans outside Niger are carried out within a bank group. The remainder cash holding is directed more toward the banks needs for liquidity in CFAFs and foreign currency than toward meeting investment objectives. Treasury bills account for a small portion of bank assets.

18. **The payment system is developing more slowly in Niger than in the rest of the Union, particularly in regard to debit and credit card services.** The mission proposes that a specialist in payment systems be sent in the near future to assess the situation.

The role of Government in the banking sector

19. **The two specialized financial institutions that are either state-controlled or controlled by local governments are in the process of privatization or liquidation.** *Crédit du Niger* (CDN), specialized in financing for housing, has just been essentially privatized, with only Central Bank approval still to be secured, while *Caisse de Prêts aux Collectivités Territoriales* is being liquidated. Restructuring costs are modest and the largest impact is in terms of financial sector development policy. For both institutions combined, third-party liabilities total less than CFAF 1 billion.

20. **Other government holdings in banks are inherited from the past and managed passively.** Such holdings expose the public sector to financial risks and an opportunity cost. The Government maintains a presence directly, or through interposed public enterprises, in four banks. After the privatization of CDN it will no longer hold a majority position in any bank but will keep a blocking minority in three institutions. Its participation in the capital of the banking sector comes to 9.8 percent. In all its holdings, excluding *Banque Commerciale du Niger* (BCN) which remains exclusively national, the Government finds itself in partnership with foreign shareholders.

21. **Post office financial services round out the public system.** Managed by NIGER POSTE and its predecessor ONPE, such services were provided by the insolvent *Caisse Nationale d'Epargne* (CNE), whose deposits have been frozen since 1992, and the virtually insolvent postal checking service (CCP), whose operations are compromised by a deep and ongoing liquidity crisis. A postal bank is now being created (FINAPOSTE) that would take over both components of post office financial services.

22. **The proposed creation of specialized institutions by the Government and the possibility of an increase of Government participation in the capital of private banks raise questions about the Government's position on divestiture.** In addition to the postal bank, the authorities have signaled their interest in creating other specialized institutions that would provide loans for agricultural activities, women-led productive activities, and housing.

The role of bank networks in Niger

23. **Practically all the banks in Niger are associated with foreign bank groups.** Except for a Belgian group which is in the process of withdrawing, all the foreign partners with leading positions in the capital structure are African groups that in most cases have a network within WAEMU. The development of pan African banking groups is an important phenomenon within WAEMU. Competition is taking place at the regional rather than at the national level. Banks that operate only at the national level will have difficulty maintaining their competitive position.

Stability and profitability of the banking system

24. **The banking system is relatively stable but Nigerien banks should increase their capital to comply with the new WAEMU regulation.** Only two banks out of ten comply with the new provision which sets the minimum capital requirement at CFAF 5 billion (up from CFAF 1 billion) at end 2010. For the entire banking system, it is estimated that securing this minimum amount of capital should require a total inflow of CFAF 25 to 30 billion, equivalent to approximately 1.5 percent of GDP.

25. **The sector's profitability has recovered since 2006, but asset quality remains relatively fragile**. The entire sector suffered losses in 2006 due to an increase in outstanding debt in the wake of sociopolitical upheaval, and matching efforts to fill the gaps. The ratio of net non performing loans to net loans has declined to 7.2 percent from 10.7 percent in 2007, but it remains relatively high for two small institutions. Provisioning is being encouraged by the banking commission. The banking sector is exposed not only to credit risks (defaults of major loans, deterioration of the portfolio), but also to sectoral shocks due to the concentration of loans to the public sector and, to a lesser extent, the transportation and trade sectors.

26. **One of the largest private banks under enhanced surveillance poses a risk to the stability of the system**. There are four institutions under enhanced surveillance, including two that are under provisional administration (one undergoing privatization and the other in the process of liquidation). One of the largest banks under enhanced surveillance is insufficiently capitalized in relation to its risks. A solid new reference partner has proposed to purchase the shares of several private partners and to move forward with restructuring the

bank. In accordance with community rules, the ownership transfer request has been submitted for the approval of the regional banking commission.

27. **Liquidity has significantly but temporarily tightened in Niger, as credit growth has exhausted banks' reserves.** Banks' liquidity and transformation ratios have fallen along with their surplus reserves. As of June 2008, only five institutions met the liquidity prudential norm. Banks have more frequently turned to Central Bank repurchasing agreements and the interbank market. Commercial banks' reserves at the Central Bank have also dwindled. The increase in minimum capital and the growth of systemic liquidity due to the anticipated increase in export earnings should ease this constraint.

Recommendations

- Efforts should be made to search and strengthen partnerships with bank groups operating within WAEMU, particularly, as several banks are looking for ways to strengthen their capital base**.**
- The financial restructuring of a large bank should be finalized in accordance with community rules.
- Government arrears to commercial banks should be settled.
- Following an increase in the credit capacity of banks (increase in capital, projected cash inflow), the regulators should make sure that banks improve risk management and maintain the quality of their portfolio.
- The supervisor should take stock of the situation of the regional bank groups so as to accurately assess the financial strength of these operators, their overall growth and credit policy, and, more generally, the quality of their management and shareholders.

B. Microfinance

28. **The microfinance sector in Niger is the least developed in the subregion but is showing progress.** Microfinance in Niger has a penetration ratio of 7.5 customers per thousand inhabitants, versus an average of 29 per thousand in 2005 in WAEMU countries as a whole. The number of points of service per 100,000 inhabitants was 1.37 in 2005, one of the lowest of the zone. Central Bank data on the sector show total deposits of CFAF 6.5 billion and a total credit volume of CFAF 11.7 billion. Equity capital came to more than CFAF 4 billion. The sector is also characterized by the absence of sound and viable networks. Microfinance is evolving in a difficult environment of vast sahelian expanses with low population density. Service beneficiaries increased 66 percent between 2005 and 2007 to reach 202,401. With six licenses granted and eight framework agreements signed during 2007, the number of authorized MFIs came to 148.

29. **Savings and loan mutuals (MEC) still remain the dominant MFIs.** They include two institutionalized networks which account for more than 65 percent of existing points of service. Other authorized institutions are organized in the form of cooperatives or

associations. Some independent MFIs could be considered networks, but actually are not because they are not organized under an umbrella structure.

30. **The services of MFIs are targeted at individuals and groups in both urban and rural areas** and primarily consist of non interest paying demand deposits or term deposits earning an average of 3 or 4 percent per year, but often set up as a guarantee for loans outstanding. The loan duration runs from a few days for cash advances to five years for long-term loans. “Warrant credit” is becoming more prevalent and is offered by MFIs operating in rural farming regions.

31. **MFIs in Niger depend on external financing mainly in the form of subsidies and grants.** External financing is important for the constitution of equity capital, the financing of credit operations, and subsidizing operating income. The proportion of subsidies and grants for MFIs in Niger accounted for 69 percent of capital, compared to an average of 45.7 percent in the WAEMU zone as a whole. Financing from banks and other institutions as well as donors is also necessary to fill MFIs a resource gap.

32. **The financial performance of MFIs improved in 2005, but the sector remains fragile.** Operating income of MFIs in Niger was positive overall in 2005, but only after taking into account the operating subsidies and investment grants. However, MFIs were far from reaching operational self-sufficiency and were still subject to very high operating costs to which high taxes are added. A number of MFIs (10 percent) had negative net worth as well as negative working capital (14 percent). In addition, a significant number of MFIs were not meeting prudential ratios. The quality of the assets remained good overall, with a portfolio at risk (unpaid loans for a period longer than 90 days) of just 2.3 percent, versus the international standard of 5 percent.

33. **The Ministry of Economy and Finance is charged with supervising the sector through the Microfinance Sector Regulatory Agency (ARSM).** This agency was created in 2007 but is not yet operational. Pending start-up of the agency’s activities, the supervision of MFIs in Niger falls to the Decentralized Financial Systems Monitoring Unit which has insufficient human and financial resources to carry out its mandate.

34. **New regulations on microfinance activities in the sub-region have been approved by the WAEMU Council of Ministers.** They must be adopted by each member country, including Niger. They include a new chart of accounts and provisions for consolidation of networks. In particular, the law stipulates that primary responsibility for supervising institutions with deposits higher than a certain threshold would fall to BCEAO. This should result in better supervision of the largest MFIs in Niger.

Recommendations

Improvement of the management capacities of MFIs

- Upgrade MFI capacities to remedy a lack of professionalism and qualified staff.
- Improve the governance and internal and external control mechanisms of MFIs.
- Strengthen the trade association (ANIP) to make it more effective in carrying out sector training and professionalization initiatives.

- Provide incentives for independent MFIs to join together in networks and strengthen the capacity of APEX agencies to better serve their members.

Improvement of supervision

- Adopt the new microfinance law.
- Ensure effective establishment and start-up of operations of the regulatory and supervisory agency.
- Strengthen the regulatory agency's capacity to perform on-site and off-site inspections, as well as its capacity to generate sector statistics.

Improvement of financial capacities

- Emphasize savings mobilization within MFIs.

Role of Government

- Limit Government's role to improving the business environment and supervision and regulation, rather than functioning as a service provider

Rehabilitation of struggling MFIs

- Improve efforts to monitor the recovery of struggling MFIs.
- Provide the institution with the technical and financial means to ensure the success of its recovery by furnishing high-quality, internationally recognized technical assistance.
- Limit the duration of provisional administration to no more than two years.
- Limit the activities, and particularly growth, during the period of provisional administration in order to focus on the institution's recovery and build on experience.
- In the absence of a rehabilitation after the two-year period of provisional administration, place the institution in liquidation.

C. Insurance and Social Security

Insurance

35. **The insurance sector does not play the role that it should in the financial sector of Niger.** In 2007, the total volume of annual premiums was limited to approximately CFAF 12.7 billion (roughly US$30.24 million), i.e. an insurance penetration equivalent to just 0.64 percent of GDP. Per capita insurance density worked out to CFAF 976 (roughly US$2.32). Both these indices are 2 percent lower than those found in Côte d'Ivoire, but comparable to those in Mali. The sector employed 174 persons at the end of 2007. The insurance companies do not make use of all the instruments potentially offered by the regional stock exchange and thus have limited investments. The market includes five licensed companies, four of them in casualty (or IARD) insurance and just one in life insurance.

36. **The insurance market has shown clear growth in recent years, but it does not operate efficiently from the perspective of the insured.** The volume of premiums has risen

in recent years and premiums ceded to reinsurance companies are steadily increasing. However, the market operates with an average total loss experience of roughly 43 percent while operating costs consume nearly 30 percent of turnover. IARD premium arrears are equivalent to nearly 23 percent of premiums. Over time, this shortfall will reduce cash flow and require provisioning, with negative consequences for the companies' bottom line.

37. **Insurance activities are governed and supervised by the Inter-African Insurance Market Conference (CIMA) code.** CIMA is a regional organization that supervises insurance activities in accordance with international standards. At the local level, supervision is conducted by the Directorate of Insurance Surveillance (DCA), situated within the Ministry of Economy and Finance. DCA is specifically responsible for supervising intermediaries (general agents and brokers), as well as the follow-up of decisions made by CIMA pursuant to company inspections. Its operations are mainly financed by a contribution of 1.5 percent of the premiums received by insurance companies. However, DCA is seriously lacking in human and financial resources to fulfill its mandate.

Recommendations

- The Government should give attention to the insurance sector, which should play a major role in protecting businesses against certain risks and in the supply of long resources to the economy.
- Reassess the companies' reinsurance policy and examine the option of a larger local coinsurance practice.
- Ensure compliance with compulsory insurance to increase business volume.
- Upgrade the technical capacities of DCA staff so that DCA can serve as an effective go-between for CIMA surveillance in regard to on-and off-site inspection, and also carry out financial surveillance of intermediaries.
- Increase the financial resources of DCA so that DCA can enforce insurance obligations in coordination with other government agencies (Police, Customs, etc.).
- Take necessary measures to ensure that all companies adhere to prudential standards and that, in the absence of significant improvement, noncompliant companies are placed under provisional administration.
- Finalize the procedures for establishing the Automobile Guarantee Fund.

Social Security

38. **The National Social Security Institution (CNSS) was transformed into a public institution of social security by Law 2003-34 of August 5, 2003**. Its implementing decrees organize the general system covering the three traditional branches of old age pensions, workers compensation, and family allowances. Affiliation with the system is compulsory for private sector wage-earners as well as employees (not civil servants) of public enterprises and auxiliary government employees. Retirement funds cover less than 3 percent of the working population in Niger. CNSS administrative supervision falls under the Ministry of Labor and Social Security and its financial supervision under the Ministry of Economy and Finance. In addition, surveillance is provided by CIPRES, the regional supervisory organization for social

security institutions in the CFA zone. The law sets up a three-party Board of Directors where Government, employers, and trade unions (employees) are all represented.

39. **CNSS finds itself in a particularly fragile financial position**. One reason for its weak financial position relates to its management methods prior to financial autonomy. Until 1992, its cash flow was managed by the General Treasury, which collected contributions and paid out benefits. Since 1992, CNSS has been authorized to manage its accounts independently. However, CFAF 24 billion (principal) belonging to CNSS has remained “frozen” in accounts at the Treasury. The Government’s total debt towards CNSS stood at nearly CFAF 40 billion at the end of 2007, including interest at the agreed rate of 3 percent. A committee has been set up to handle the Government’s arrears to CNSS. Another reason is that pension benefits are rising more rapidly than contributions. At the end-2007, benefits paid were more than twice as high as contributions received. As a result, the surpluses generated by the workers compensationand family allowances branches effectively “subsidize” the pensions branch so that benefits could be paid. CNSS could find itself in default on payments by 2010 if urgent measures are not taken, especially in regard to freeing up “frozen funds.”

40. **In recent years, CNSS management has submitted parametric reform plans** to its supervisory ministry and its Board of Directors, focusing on extending the retirement age, increasing the contribution rate for the pension branch, and expanding the assessment base. So far, only the age of retirement has been lengthened from 55 to 60 years, with trade union negotiations still in progress regarding the other proposals. In addition, the Government recently moved forward with a 10 percent revaluation of pensions, which adds an estimated extra burden of CFAF 1.6 billion for 2008. The Government responded to a call for funds from CNSS by releasing CFAF 500 million of its “frozen funds.” CNSS has also taken the initiative to conduct an organizational audit of its services, performed in 2007. The audit recommends modernization of procedures, establishment of computer networking, staff capacity-building, and upgrading of the data bases of the three branches managed by CNSS. Implementation of this program requires a Government contribution of some CFAF 370 million. Support for this program will also likely include donor contributions.

41. **The National Retirement Fund (FNR) manages the civil servant retirement system**, through a ministry department that pays pensions from a General Treasury account. This system is currently facing serious financial difficulties and it is estimated that its deficit could reach 0.6 percent of GDP by 2020. The Government is planning to reorganize the system by creating an entity dedicated to the management of civil servant retirements, called CARENI (Niger Autonomous Retirement Fund). From an institutional perspective, it would be useful to analyze whether maintaining a two-headed system is the best option. Creating CARENI out of nothing will not resolve the immediate cash flow problems that FNR currently poses for the Government. Quite the contrary, its start-up costs (especially for making reserves available, consistent with current and future retirement requirements) would likely be substantial.

Recommendations

- An actuarial study performed by the ILO in 2005, should be updated to reflect the financial impact of the most recent decisions made by the Government, as well as new socioeconomic data.

- The restructuring of CNSS should go ahead according to the parametric reform plan presented by CNSS management.
- A single social security system covering both the public and private sectors according to the same parameters should be considered. It would have the advantage of being fair, of reducing administrative costs, and of facilitating movements of employees between the two sectors.

D. Post Office Financial Services

42. **The authorities consider post office financial services to have the potential to expand the level of access to financial services, especially in rural areas.** For this reason, they wanted to revive the former savings bank, whose deposits have been frozen since 1992, and breathe new life into CCP. Thus, a new post office subsidiary FINAPOSTE is being created for the purpose of bringing together savings deposits and CCPs. FINAPOSTE has been legally established but has not commenced operations.

43. **The project for the creation of FINAPOSTE suffers from several weaknesses.** The delays in launching FINAPOSTE and dealing with CNE deposits make the initial 2006 projections significantly out of date, and the passing time only increases financial needs while reducing public confidence in the new institution. Also, the plan to build a postal bank on the ruins of various broken institutions has the major drawback of not bringing radical change to the earlier framework: same staff, same management, same enterprise culture, same facilities. Furthermore, if measures are not taken to ensure total and immediate coverage of transferred liabilities, some of the liquidity problems, and even solvency issues, of the old structures will in fact be transferred to FINAPOSTE.

Recommendation

- Give consideration to the options with respect to the FINAPOSTE project before going ahead with its implementation. The options are the following:

  (i) *Continue the project in its present form*, i.e. basically create a fully functioning bank, including loan distribution, which should be accompanied by suitable measures to eliminate certain weaknesses that could compromise the likelihood of success;

  (ii) *Redefine the mission of FINAPOSTE*. Only the project component related to collecting savings and providing financial services would be continued, and loan distribution would be abandoned; or

  (iii) *Abandon the project as proposed and liquidate the post office banking activities*. The financial operations of NIGER POSTE would then be limited to money orders and transfers. NIGER POSTE would cede a fraction of the accounts by auction. This approach could be of interest to banks seeking to expand their customer base of private citizens and SMEs. The banks would agree to pay a certain price to acquire this clientele. Overall, the funding requirements for the Government would be lowered by CFAF 5 billion, corresponding to the outlay for the minimum capital that would no longer be necessary; the gain could be increased by the price received from the CCP deposit assignments. The advantages offered by the postal network would be exploited by seeking a partnership, with MFIs and/or banks, in order to fill the savings collection void left by liquidation of CNE and the CCPs.

IV. ACCESS TO FINANCIAL SERVICES

44. **Niger presents the least favorable landscape in terms of access to financial services in the sub-region.** The density of financial institutions (banks and MFIs) in relation to the population, and the penetration ratio as measured by the number of accounts per thousand inhabitants, are the lowest in WAEMU. For microfinance, the penetration ratio, as measured by the number of beneficiaries per thousand inhabitants, is one-sixth of the average for the sub-region[3]. In addition, the average loan size and the average deposit size in relation to per capita GDP, are the highest among banks of the sub-region, indicating that the customers probably come from the higher-income segments of the population.

A. Small and Medium Enterprise Financing

45. **Bank credit in Niger is a major constraint for businesses, particularly SMEs.** It trails far behind internal resources as a source of financing. According to the Investment Climate Assessment (ICA), 70 percent of businesses surveyed have indicated that access to financing is a major constraint. The same can be said of the cost of credit which was 2.2 percent higher for SMEs than for large enterprises. Access to traditional bank financing (loans and overdraft facilities) is mainly determined by the size of the enterprise, availability of audited financial statements, and whether or not the firm is in the import business. The underlying causes of this lack of access to financing for SMEs are, on the demand side, the lack of transparency of SMEs, as reflected in the difficulties they have in producing reliable financial statements and sound business plans; and the lack of guarantees/collateral admissible under BCEAO regulations. On the supply side, the main constraints are the banks' lack of capacity to move away from loans based on guarantees and to analyze the situation of non-traditional customers offering limited information on their financial position.

46. **A new mechanism has been established to remove some of the constraints for SMEs access to finance.** The TANYO Group offers technical assistance to firms for preparing financial statements, business plans, and loan applications. If the financing is approved, then the Group also monitors the investments and operations. The Sahelian Financial Corporation (SAHFI) offers a partial loan guarantee equivalent to a maximum of CFAF 50 million or 50 percent of the loan amount (whichever is lower). For its part, the European Investment Bank has already granted two lines of credit that have been fully utilized in the amount of € 13 million. A third line of credit is now in preparation. The Group is currently looking toward international agencies for additional financing. In addition to individual guarantees, the scheme could also propose portfolio guarantee instruments that would allow some banks and MFIs to reach smaller enterprises. This portfolio guarantee should be accompanied by technical assistance providedby donors and international financial institutions.

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[3] The penetration ratios in Benin, Senegal, and Mali are 14, 10, and 8 times higher, respectively, than in Niger.

47. **Expansion of access to financial services will depend largely on development of a solid microfinance sector.** Improved access to credit for microenterprises and SMEs cannot depend only on commercial banks. Similarly, portfolio guarantees for rural enterprises could best be put in place by solid and well-managed MFIs. Housing financing also requires that MFIs should be used, particularly for savings mobilization. These functions are being performed by MFIs all over the world but not in Niger.

48. **Development of MFIs requires a concerted effort supported by the authorities consisting of improvements in the institutional development environment and in the financial infrastructure** (for example, a credit rating agency), in conjunction with donors. Countries which have combined the efforts of Government and of the private sector in a logical manner have been able to develop a comprehensive and solid microfinance sector much more quickly than countries where efforts have been fragmented and even conflicting.

49. **A proposal was submitted to the Council of Ministers for the development of a network of savings and loan mutuals with membership restricted to women**. There would be one mutual in each of the eight regions of the country. Over time, these mutuals would create a financial organism which would request a bank license. This approach seems much better than the original idea of a women's bank and reflects international experience and good practice. A number of well-established MFIs started as institutions for women only. Examples are SEWA in India and the affiliates of Women's World Banking in Colombia, the Dominican Republic and other countries. In Niger, there are at least two MFIs whose members are mainly women; they are both among the few efficient MFIs.

Recommendations

- Expand the TANYO/SAHFI model by: (i) seeking additional funding from financial institutions, IFC, Proparco, EIB; (ii) incorporating the principal MFIs into the scheme on a trial basis; (iii) testing portfolio guarantees with some banks and MFIs; (iv) introducing additionality clauses in partnership agreements with MFIs.
- Assist SMEs and micro enterprises in preparing business plans and reliable financial statements.

B. RURAL FINANCING

50. **Access to financial services in rural areas is extremely limited.** Less than 1 percent of the rural population has a bank account or uses banking services, which is one of the lowest rates in the world. Agriculture, which contributes 40 percent of GDP, accounts for less than one percent of bank lending to the private sector, and less than 1 percent of farmers and cattle raisers have access to formal financial services. MFI loans to the rural sector total CFAF 8.5 billion, which represents 6 percent of total financial sector loans and less than 20 percent of MFI credit is given to the rural sector. Most lending to the rural sector goes to agro processing, while a smaller proportion is devoted to storage, marketing and packaging activities. A negligible share is devoted to purchase of equipment. Efforts to promote agricultural production and productivity are not very successful because of the lack of resources to finance increased use of inputs and purchase of equipment.

51. **The demand for rural financial services is limited by several constraints**. These include: (i) lack of structured demand and solvent economic entities and the absence of credible

borrowers; (ii) lack of market knowledge and rudimentary start-up conditions, illustrated by the fact that there is little segmentation of product supply and no grading or formal standards for sizing and packaging of certain products; (iii) difficulty of grouping and storing products, which increases the atomicity of supply and concentrates it into a short marketing period; and (iv) obstacles to trade which reduce competitiveness and lower producer prices.

52. **The supply of rural financial services is itself limited by several constraints**. The bank agencies and windows are located only in urban centers. In the short term, MFIs have the greatest potential for expanding access to financial services aimed at the rural and agricultural sectors. Several of them have developed financial products and methodologies suited to the characteristics of the rural and agricultural sector, such as the lack of traditional guarantees. However, their development is hindered by their lack of technical capacity and financial resources. The two main networks active and present in rural areas have shortcomings and are among the most problematic institutions in the microfinance sector.

53. **Several banks are reluctant to provide direct financing to agriculture.** They mention their lack of expertise in the area of rural financing. In addition, some bad experiences have led them to review their strategy vis-à-vis the agricultural sector. However, some banks could increase the supply of rural financial services by refinancing microfinance institutions, granting them lines of credit or forming strategic alliances with them.

54. **The authorities have decided to create an agriculture bank.** However, unless the above-mentioned demand problems are solved, this bank will face the same difficulties as the commercial banks. It would be important to analyze all the financing mechanisms in rural zones, such as warrants, leasing agreements and development of specialized MFIs.

Recommendations

Elimination of obstacles to the development of the supply of financial services

- Support the mobilization of adequate resources for rural financing by creating portfolio guarantee mechanisms and supporting the promotion of links between banks and MFIs to permit better financial intermediation.
- Provide technical assistance with capacity-building for financial institutions in order to make them more effective in financing agricultural and rural activities.
- Support the introduction of new products adapted to agricultural financing, such as: (i) leasing for rural financing; (ii) provision of index-related climate insurance; (iii) development of warrantage mechanisms to officialize the function of third party holder (with introduction of a regulatory framework and a code of ethics, etc.); and (iv) development of a pilot project of remote banking services (for example, using cell phones or the Internet), such as exist in other countries including Kenya and Cameroon.

Improvement and expansion of demand for financial services

- Capacity-building for producers’ associations and cooperatives, so that they can be credible counterparts for financial institutions.

- Provision of non-financial services by Government to backstop sector organization.
- Development of a system of information on rural markets with a view to their integration.
- Structure demand networks and increase the transparency of rural enterprises.
- Support the development of storage equipment for durable agricultural produce, etc.

C. Housing Financing

55. **The financial system contributes only marginally to housing investment in Niger.** Housing loans are estimated at less than CFAF 15 billion, or about 0.7 percent of GDP. The large banks, and particularly two of them, have a significant presence in the market. They mainly lend to the staff of client firms or to senior civil servants. These are usually medium-term loans. Interest rates are high in real terms (12 to 13 percent) but they are considerably lower in practice (around 10 percent) when loans are made in the context of framework agreements with employers. Often the employer's guarantee, or mutual guarantee funds, replaces the mortgage guarantee. Private customers are becoming a growing source of business for banks, in a movement stimulated by the arrival of new financial establishments on the market. The specialized public institution CDN has been under provisional administration since 1999 and has been inactive for years. It is in the process of being partially privatized and the buyer has promised that it will resume activities, which should receive Government support, since it is designed to meet the needs of low income families.

56. **Although there are huge needs for urban housing, low income levels result in a dearth of creditworthy applicants.** Niger is a young country with growing needs for urban housing that will not be met by self-financing by households or by Government funding alone. Among well-to-do employees, demand for credit is already increasing considerably. It is estimated that only 75,000 households (20 percent of urban households) are capable of borrowing more than CFAF 2.5 million by contracting ten-year loans or more than CFAF 4 million if the repayment period is increased to 20 years. Yet a loan of CFAF 4 million is barely enough to pay for a decent but modest dwelling in Niamey.

57. **The weakness of the formal housing building sector is also a limiting factor.** Land development is not organized and land, provided mainly by the communes as part of housing development operations, is often sold without services. Housing production by the public sector – Government and the Nigerien Urbanism and Housing Construction Company (*Société Nigérienne d'Urbanisme et de Construction Immobilière* – SONUCI) is far below what is needed. Private promotion is in the embryonic stage. Self-construction is quantitatively predominant and qualitatively inadequate (the absence of building permits seems to be the rule). The Government is aware of these weaknesses and has planned a number of reforms, which are still to be implemented (creation of a land development agency, organization of the profession of promoters, revitalization of SONUCI).

58. **A legal reform of the land tenure system has been introduced, but land title arrangements are not conducive to large-scale lending.** In Niger, as in most African countries, several types of land holding coexist, ranging from customary rights to full and

entire ownership rights certified by land titles, and including provisional titles (concessions) or precarious titles (mainly acts of transfers). Most of the titles in Niger are of this kind, and many of the transfers are not registered with the land conservation agency, which very much restricts the potential scope of mortgage lending. Until recently, granting of a land title was conditional on development of the land. This in practice made it impossible to borrow in order to finance construction.

59. **The 2006 budget law simplified the formalities for obtaining land titles ("Sheida" procedure) for the purpose of development.** At the same time, the costs of issuing land titles and registration fees for individuals were considerably reduced. This very significant reform was an instant success, despite interpretation ambiguities that discouraged the use of "Sheida" titles by banks. However, the reform: (i) continues to allow "acts of transfers" that are not legally sound; and (ii) has paradoxically resulted in longer delays in issuing land titles under the simplified procedure, demonstrating the inadequate size and operational shortcomings of the registration offices. The capacity of the land conservation agency and the land registry, entirely centralized in the capital, and operated manually, is a bottleneck preventing expansion of mortgage lending.

60. **The securing of mortgages is hampered by legal and operational problems.** Since the mortgaging of assets for which the title is precarious or provisional is not authorized by OHADA or recognized by the Banking Commission, banks have work-around practices that are legally questionable (permanent selling orders) or of doubtful value (surrender of the acts of transfer, commitment to take a mortgage). In addition, although the experience with mortgages execution is not bad, it covers only a very small number of cases. In view of the potential for numerous appeals and the capacity of the courts, the execution of guarantees will most likely become problematic if mortgage lending activity expands.

61. **The lack of long-term resources is obstructing the supply of long-term credit.** Banks rightly consider that they cannot expand beyond certain limits an activity that is currently resulting in an asset/liability mismatch which is limited by prudential regulation. In addition, the virtual absence of microfinance products for housing is a major problem. Such products are best able to respond to the needs of the rural population, which constitutes the large majority of low-income groups, and of households in the informal sector.

62. **The new *Crédit du Niger/Banque de l'habitat du Niger* (BHN) will face specific obstacles, in addition to the constraints affecting the entire banking system.** The lack of a distribution network and of revenue-collection capacity – apart from the contributions to be made by the new reference partner – are one of the obstacles to resumption of its activity. Because it has no access to the capital market on which any specialized institution depends, there is a risk that CDN may turn to the Government in conditions that distort competition.

Recommendations

- **The Government should not count on BHN alone to develop housing credit, but should promote the widest possible supply of financing and stimulate the supply of affordable housing.** The focus of Government aid on a privileged network entails the risk of encouraging mismanagement and may not respond to needs; and the resulting distortion to competition would hamper growth of the global supply of financing. In order not to prevent market resources from being channeled to the target sector, aid to people, which is neutral vis-à-vis the distribution network, is preferable to interest rate subsidization.

- **The new housing bank must be managed according to the state of the art.** This requires the presence of a foreign housing bank, at least as a provider of technical assistance and preferably participating in the bank's capital.

- **The land tenure system can be further improved, and capacity-building in the system of land conservation and the land registry is a priority task.** The "Sheida" reform should be taken to its logical conclusion and allow land titles to be obtained directly, as soon as the validation or transfer of ownership rights by a community is effected. Above all, it is essential to significantly increase the resources of the conservation system in order to avoid rampant overcrowding.

- **Mortgage guarantees must be made more efficient.** Firstly, the mortgage law must be updated by abolishing old regulations that contradict the OHADA treaties. Secondly, arrangements could be made to limit the possibility of improper challenges and other delaying tactics affecting the effective execution of mortgage guarantees and hence their credibility. Lastly, the judiciary must be trained in financial mechanisms and its rulings must strike a balance between mortgagees' rights and protection of good faith borrowers.

- **Access to long-term financing is crucial for credit expansion.** A regional mortgage refinancing mechanism with access to the WAEMU bond market should be put in place. Such a system is under study.

- **Savings systems linked to housing should be encouraged.** Such arrangements can help to mobilize savings, to stabilize the structure of bank resources and to expand access to credit by helping in the constitution of down payments and allowing advance verification of the repayment capacity of future borrowers, particularly those with informal revenue.

- **The development of microfinance products for housing and of community savings should be supported.** *Tontines* (by profession or by neighborhood) are quite widespread in Niger. The combination of this type of savings and of microcredits could help poor or low-income households gradually to improve their living conditions. Support for MFIs would be necessary in this connection.

- **The BHN could play a guiding role in the development of housing financing for MFI customers.** Through partnerships with MFIs, BHN could expand its capacity and provide extensive service to the customers that it should be targeting, without needing Government assistance. This strategy could be pursued either by extending refinancing to MFIs or, preferably, through commercial agreements not involving taking risks on MFIs.

SUMMARY OF THE FSAP'S PRINCIPAL RECOMMENDATIONS

Finding	Principal recommendations	Term	Responsibility
	General		
The current financial sector reform program does not appear to fit into a well-established framework	Formulate a financial sector development strategy to be adopted by the Council of Ministers	ST	MEF, financial institutions, donors
Limited access to financial services is an obstacle to accelerated growth and achievement of MDGs	Promote access to financial services by structuring the demand for services and by strengthening existing institutions instead of creating specialized public institutions	MT	MEF, financial institutions, donors
Financial intermediation is hindered by the business environment and by supervision and regulation (in the area of microfinance)	Focus Government's role on improvements to the business environment and to supervision and regulation	MT	MEF, Ministry of Justice, BCEAO
	Government cash flow and debt		
Disbursements from external sources may run into delays that result in a longer payment period for the Government or for its suppliers	Revitalize the current framework of cooperation between the Government and donors so as to speed up disbursements from external sources	ST	MEF, donors
	Commercial banks		
A bank of systemic importance is being restructured and this process must be quickly and successfully brought to fruition	Finalize the financial restructuring of a large bank in accordance with community rules	ST	Banks, Banking Commission, MEF
Old government arrears to commercial banks have not all been settled	Settle government arrears to commercial banks	ST	MEF, APB (Professional Association of Banks)
The banks of Niger (i) should increase their capital to comply with the new regulations and (ii) will face a more dynamic economic environment due to the expected mining and oil boom	Following an increase in the credit capacity of banks (increase in capital, projected cash inflow), make sure that banks improve risk management and maintain the quality of their portfolio	MT	BCEAO/BC-WAEMU
	Microfinance		
The capacities of MFIs in Niger are well below what is found in the sub-region as a whole	Upgrade MFI capacities to remedy the lack of professionalism and qualified staff, strengthen the governance and internal and	MT	MEF/donors, ANIP

	external control mechanisms of MFIs, and promote the mobilization of savings		
The development of microfinance is delayed by the fact that a new microfinance law adopted at the regional level has not yet been adopted at the national level	Adopt the new microfinance law	ST	MEF
New prudential guidelines should be drafted and adopted	Draft and adopt new prudential guidelines	ST	BCEAO
Supervision of microfinance is weakened by the failure to launch the activities of the MFI regulatory and supervisory agency	Start operations of the regulatory and supervisory agency and provide it with adequate resources	ST	MEF
	Recommendations concerning MFIs placed under provisional administration or enhanced surveillance		
The duration of provisional administration is very lengthy and results in added costs	Limit the duration of provisional administration to no more than two years		
	Insurance		
The extent of insurance penetration is very low (even in comparison to other countries of the Union)	Implement existing compulsory insurance	MT	MEF
A number of insurance companies are experiencing financial difficulties	Restructure and/or place under provisional administration companies that do not meet prudential standards	ST	MEF
	Social security		
The old CNSS actuarial study is no longer up-to-date	Update the CNSS actuarial study	ST	MEF, MFP, CNSS
The current situation at CNSS could soon place it in default on payment	Restructuring of CNSS / parametric reform	MT	MEF, MFP, CNSS
	SMEs and micro enterprises		
SMEs and micro enterprises have very limited access to financial services	Expand the TANYO/SAHFI model: (i) seek additional funding from financial institutions, IFC, Proparco, EIB; (ii) incorporate the principal MFIs into the scheme on a trial basis; (iii) test portfolio guarantees with some banks and	ST	TANYO/SAHFI IFI

	MFIs; (iv) introduce additionality clauses in partnership agreements with MFIs		
The lack of access may be attributed to problems in terms of demand and, in particular, the absence of transparency on the part of enterprises	Assist SMEs and micro enterprises in preparing business plans and reliable financial statements	ST/ongoing	MEF, EAN
	Rural financing		
Despite its weight in terms of GDP, the rural sector still has a very low rate of financing. The difficulties come from both the demand side (absence of structured demand) and the supply side (inability of banks and MFIs to evaluate customers in rural areas)	(i) strengthen banks and MFIs through technical assistance for the processing of loan applications; (ii) structure demand (networks) and increase the transparency of rural enterprises (via reliable financial statements); (iii) mobilize resources in the medium and long term through portfolio guarantees and financing linkages between banks and MFIs;(iv)provide incentives for introducing new products such as leasing agreements and warrants	MT	MDA, MEF, MFIs and banks
	Housing		
The limited capacity of the land registry and land conservation agency creates a mortgage bottleneck	Upgrade the capacities of the land registry and land conservation agency	MT	MEF
The level of financing of housing loans remains low due to the absence of long-term resources	Promote a regional mechanism for the refinancing of housing loans	ST	MEF/BCEAO
Banks are limited in terms of their targeted customer base for mortgages	Promote the development of micro loans for housing by building the capacities of MFIs	MT	MEF

ANNEX

Table 1: Distribution of assets of Nigerien financial institutions (2007)

	Assets		Deposits	
	Millions of CFAF	Percent	Millions of CFAF	Percent
Commercial banks	288,876		226,546	92.3
Insurance companies	14,900	3.7		
Microfinance	13,000	3.3	6,500	2.6
Retirement funds	83,200	20.8		
Postal network			12.4	5.1
Total	399,976	100	245,446	100

Source: FSAP mission

Table 2: Characteristics of banks and financial institutions As at December 31, 2007

Name	Headquarters	License date	Capital	Branches (**)	Number of accounts	Staff	Assets
Banks (10)			**22,958**	**49**	**135,221**	**814**	
Société Nigérienne de Banque	Sonibank	11/09/1990	2,000	7	32,090	156	
Banque Internationale pour l'Afrique au Niger	BIA-Niger	13/01/1993	2,,00	7	25,783	188	
Bank of Africa	BOA-Niger	22/04/1994	1 950	8	26,225	79	
Ecobank Niger	Ecobank	14/01/1999	2,100	8	25,679	106	
Banque Commerciale du Niger	BCN	19/09/1988	2,027	1	8,368	65	
Banque Islamique du Niger pour le Commerce et l'Investissement	BINCI	03/06/1997	1,810	1	2,937	42	
Crédit du Niger	CDN	17/12/1957	1,720	1	1,,80	21	
Banque Sahelo Saharienne pour l'Investissement et le Commerce Niger SA	BSIC-Niger	25/07/2003	4,05,	4	1 793	52	
Banque Atlantique Niger (***)		07/10/2005	2 500	7	2,636	68	
Banque Régionale de Solidarité (***)	BRS	04/11/2005	2,000	5	8,630	37	
Financial institutions (2)			**1,429**	**2**	**51**	**19**	
Caisse de Prêts aux Collectivités Territoriales	CPCT	17/03/1970	1,129	1	51	12	
Société Sahélienne de Financement (***)	SAHFI	14/06/2005	300	1	-	7	
Total (12)			**24,387**	**51**	**13,272**	**833**	

Source: WAEMU Banking Commission

Table 3: Development of banking sector from 2000 to 2007

	Years							
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Number of banks and financial institutions	8	8	8	8	9	10	12	12
Number of branches	12	20	21	27	34	36	38	51
Number of accounts	NB	44,852	72,229	72,094	108 637	78,456	96,380	135 272
Amount of deposits	85,413	110 052	116 198	128 185	155 776	172 591	198 557	275 474
Volume of loans distributed	71,348	71,824	82,255	86,909	104 107	130 330	165 012	206 784
Short-term loans	56,680	54,990	63,894	65,058	69,288	82,946	105 451	111 943
Long-term and medium-term loans	11,119	19,583	12,862	15,063	29,370	37,481	45,731	72,756
Staff	505	506	517	457	639	676	754	833

Table 4: Principal Indicators of the Niger Insurance Market*

	CAREN	SNAR LEYMA	NIA	UGAN IARD	Total IARD 2007	UGAN Life
Premiums due	2,029	2,651	2,856	3,860	11,396	1,915
Market share (%)	17.81	23.26	25.06	33.87	100%	100%
Claims paid	397	1,011	1,350	1,371	4,129	490
Commissions	154	138	211	430	933	165
Administrative costs	534	1,024	511	977	3,046	90
Staff	23	78	28	41	170	4
Premium arrears	282	934	597	829	2,642	-
Claims-premiums ratio (%)	37.47	43.10	46.60	45.08	43.06	94.09
Reinsurance	676	264	1,143	1,092	3,175	320

*CFAF million
Source: Directorate of Insurance Surveillance (DCA)

Table 5: CNSS Pensions Branch Expenditure/Revenue Ratios for 2004-2007

PERIOD	REVENUE	EXPENDITURE	RATIO (%)
2004	1,643,452,688	4,262,995,169	**259.39**
2005	1,698,485,338	4,593,336,691	**270.62**
2006	2,015,443,780	4,735,409,630	**234.96**
2007	2,377,283,240	5,205,334,701	**218.96**

Source: CNSS

Table 6: WAEMU Penetration Ratio

	Banks		MFIs	
	Branches/ 100,000 inhabitants	Loan accounts/ 1,000 inhabitants	Branches/ 100,000 inhabitants	Beneficiaries/ 1,000 inhabitants
WAEMU	1.07	39.29	3.91	49.69
Benin	0.97	36.26	6.26	105.95
Burkina Faso	0.99	61.71	3.16	55.40
Côte d'Ivoire	0.87	37.24	1.29	30.37
Guinea-Bissau	0.23	15.38		
Mali	1.70	47.76	7.87	60.19
Niger	**0.27**	**8.54**	**1.37**	**7.59**
Senegal	1.75	47.32	6.80	73.34
Togo	1.53	39.75	4.10	60.68

Source: BCEAO (data as of December 2004)

Table 7: WAEMU Depth of coverage of banks and MFIs

	Banks		MFIs	
	Average loans/GDP/ Capital	Average deposits/ GDP/Capital	Average loans/GDP/ Capital	Average deposits/GDP/ capital
WAEMU	4.76	5.58		
Benin	5.30	6.81	1.41	0.19
Burkina Faso	2.90	3.09	1.94	0.40
Côte d'Ivoire	4.40	4.87	2.54	0.21
Guinea-Bissau	3.80	7.57		
Mali	4.20	5.13	0.89	0.29
Niger	**10.70**	**12.53**	**1.52**	**0.34**
Senegal	5.40	6.53	0.99	0.23
Togo	5.80	7.40	1.82	0.46

Source BCEAO (data as of December 2004)

(a) A lower ratio means better coverage

Source: Inventory of MFIs, Ministry of Economy and Finance

Table 8: General data on the microfinance sector in Niger in 2005 and 2007

<table>
<tr><th colspan="5">Data as of December 31, 2005</th></tr>
<tr><td rowspan="5">Survey coverage :
255 MFIs</td><td>Type of authorization</td><td>Active MFIs</td><td>Inactive MFIs</td><td></td></tr>
<tr><td>licenses</td><td>95</td><td>58</td><td>153</td></tr>
<tr><td>Convention</td><td>7</td><td>2</td><td>9</td></tr>
<tr><td>No authorization</td><td>65[4]</td><td>28</td><td>93</td></tr>
<tr><td>Total</td><td>167[5]</td><td>88</td><td>255</td></tr>
<tr><td>Number of service points</td><td colspan="4">255</td></tr>
<tr><td>Number of members</td><td colspan="4">122,114: 59,502 men, 43,820 women and 18,792 groupings - (38% of the members are in Niamey)</td></tr>
<tr><td>Number of staff</td><td colspan="4">597 (406 men and 191 women)</td></tr>
<tr><td>Deposits and savings</td><td colspan="4">5.4 billion, of which 42.61% are concentrated in the Niamey region</td></tr>
<tr><td>Outstanding loans</td><td colspan="4">8.4 billion, of which 57% are concentrasted in the Niamey region</td></tr>
<tr><td>Amount of equity</td><td colspan="4">3.47 billion, of which 82% consist of grants</td></tr>
<tr><td>Balance sheet total</td><td colspan="4">11.87 billion</td></tr>
<tr><td>Average deposit</td><td colspan="4">Estimated at between 40,000 and 57,000 F</td></tr>
<tr><td>Average loan</td><td colspan="4">Estimated at 160,000 F (varies depending on the MFI from 5,000 to 1.1 million F)</td></tr>
<tr><td>Microfinance sector share of deposits</td><td colspan="4">3.03%</td></tr>
<tr><td>Microfinance sector share of loans</td><td colspan="4">6.01%</td></tr>
<tr><th colspan="5">Data as of December 31, 2007</th></tr>
<tr><td>Number of authorized MFIs</td><td colspan="4">148</td></tr>
<tr><td>Number of service points</td><td colspan="4">---</td></tr>
<tr><td>Number of members</td><td colspan="4">220,483</td></tr>
<tr><td>Number of staff</td><td colspan="4">320</td></tr>
<tr><td>Outstanding deposits and savings</td><td colspan="4">6,496,711,846</td></tr>
<tr><td>Outstanding loans</td><td colspan="4">11,505,079,318</td></tr>
<tr><td>Amount of equity</td><td colspan="4">4.4 billion</td></tr>
<tr><td>Balance sheet total</td><td colspan="4">Estimated at 13 billion</td></tr>
<tr><td>Average deposit</td><td colspan="4">CFAF 28,000</td></tr>
<tr><td>Average loan</td><td colspan="4">CFAF 76,500</td></tr>
<tr><td>Microfinance sector share of deposits</td><td colspan="4"></td></tr>
<tr><td>Microfinance share of loans</td><td colspan="4"></td></tr>
</table>

[4] 65 had no specific authorization (including 39 village funds and their unions, created under the Decentralized Rural Credit Project PCRD - TAANADI).

[5] The 167 active MFIs are grassroots organizations belonging to about 20 different institutions.