

# Niger: macroeconomic and trade profile

## Opportunities and challenges towards implementation of AfCFTA

Prachi Agarwal and Sherillyn Raga

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### Key messages

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- Niger's GDP growth averaged 6.2% between 2010-2019, but has been unstable as its main exports (e.g., mining and oil products) were exposed to volatile international prices. In 2020, GDP growth slowed to 1.2% from 5.9% amid Covid-19 lockdown measures and project implementation delays.
- The International Monetary Fund (IMF) forecasts a robust GDP growth at 6.9% in 2021 and 12.8% in 2022, upon commencement of oil exploration with a potential to make Niger a net exporter of oil.
- Total trade (export + imports) in goods and services amounted to 37% of GDP in 2019, and slightly declined to 35% of GDP amid Covid-19. Niger mainly exported uranium ore, non-refined palm oil, light petroleum distillates and gold in the past five years. There is room to support exporting of vehicles, woven cotton fabric, pasta, onions and vegetable products in view of increasing world demand and/or Niger's efficiency on these products.
- Foreign direct investment (FDI) stock increased from \$2.3 billion to \$8.2 billion from 2010 to 2020, but growth in FDI inflows is subject to domestic and external shocks faced by Niger. In 2020, FDI inflows declined by 48.8% to \$376 million.
- Niger is a net importer of goods with other African countries. Major trading partners are located in ECOWAS members, Nigeria, Benin, Côte d'Ivoire and Ghana. In 2019, the share of intra-Africa exports was 50% of total exports while intra-African imports were 18.1% of total imports. These shares fell amid Covid-19.
- As an LDC, Niger has a 15-year period to remove tariff barriers under the African Continental Free Trade Area (AfCFTA). The country has already prepared an AfCFTA National Strategy Plan and is party to the Regional Implementation Plan of AfCFTA under ECOWAS.



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## About this publication

This paper aims to inform relevant stakeholders, including the private sector and non-AfCFTA experts, on Niger's current economic situation and implementation of AfCFTA. The paper is structured as follows. Section 1 discusses the recent socioeconomic development in Niger, followed by the country's trade landscape and business environment (Section 2). Section 3 presents Niger's intra-African trade performance and status of AfCFTA implementation. The final section summarises the paper's analysis through a SWOT (strengths, weaknesses, opportunities and threats) presentation.

This paper is part of the ODI-GIZ policy paper series under a larger project titled: 'GIZ Support Programme to the AfCFTA'. The Programme supports the GIZ's partners on the continental (AU Commission, AfCFTA Secretariat), regional (currently East African Community, EAC, and Economic Community of West African States, ECOWAS; planned Southern African Development Community, SADC) and national levels on the negotiations and implementation of the AfCFTA.

Disclaimer: The content of this publication has been produced rapidly to provide early ideas and analysis on a given theme. It has been cross-read and edited but the usual rigorous processes have not necessarily been applied.

## About the authors

Prachi Agarwal is a Senior Research Officer at ODI, and Sherillyn Raga is a Research Fellow at ODI.

# 1 Recent socioeconomic developments

Niger is a least-developed, landlocked country in West Africa. Predominantly covered by the Sahara Desert, Niger is extremely vulnerable to locust invasion, recurring drought and gradual desertification (Pinto Moreira and Bayraktar, 2005). Niger is also one of the poorest nations with the lowest levels of human development<sup>1</sup> (IMF, 2020) (Table 1). However, between 2014 and 2019, there was substantial reduction in the incidence of poverty (and inequality) in rural areas following pro-poor distributional impact of strong growth in the agricultural sector<sup>2</sup> (World Bank, 2021).

The economy of Niger is predominantly driven by agriculture and mining activities. The agriculture sector has uninterruptedly contributed 37% of GDP annually since 2000. Meanwhile the share of industrial sector, backed by mining activity, to GDP has averaged 19% in the same period.

Niger's GDP growth from 2010 to 2019 averaged 6.2%, but has been volatile as the country's main exports (from mining and agricultural products) are exposed to movements in international prices. In 2019, GDP growth slowed to 5.9% from 7.2%, following decline in global prices of uranium (a major export), episodes of domestic violent political conflicts, and unfavourable weather conditions (World Bank, 2018; IMF, 2021a). In 2020, growth further slowed to 1.2% amid domestic Covid-19 lockdown measures, foreign-project implementation delays and closing of the border by Niger's largest trade partner, Nigeria (IMF, 2021a; 2020).

The government responded to the pandemic with additional spending worth 0.8% of GDP to alleviate the impact of Covid-19 on the economy. The persistent high incidence of poverty has also exerted great pressure on the government and public finances. The budget deficit, which eased from 6.7% of GDP in 2015 to 3.6% of GDP in 2019, backed by a rise in foreign aid,<sup>3</sup> has widened to 5.8% of GDP in 2020 amid the pandemic (IMF, 2021a and Table 2).

IMF forecasts indicate a robust recovery of Niger's economy in the next three years, driven by better performance of revenue mobilisation. GDP growth is expected to have increased to 6.9% in 2021 and to 12.8% in 2022 (Table 2). A sizeable investment by the government, backed by the China National Petroleum Company, in a pipeline for crude-oil exports is likely to inject impetus to growth (IMF, 2020).

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<sup>1</sup> Niger is ranked 189/190 on the Human Development Index and scored 0.394 in 2019. Some 40% of the total population is living in poverty, with inadequate access to education and healthcare, contributing to high mortality rates (World Bank, 2021).

<sup>2</sup> Between 2014 and 2019, poverty reduced by 5.4%; 2.9% came from growth and 2.5% came from redistribution (World Bank, 2021).

<sup>3</sup> The bulk of the foreign aid contributed to security spending by Niger (IMF, 2021a).

**Table 1 Niger country facts and social indicators**

| Capital: Niamey                                                                                                 |                    |                   |                     |
|-----------------------------------------------------------------------------------------------------------------|--------------------|-------------------|---------------------|
| Geographical size: 1.27 million km <sup>2</sup> ; located in West Africa                                        |                    |                   |                     |
| Languages: French (official), Hausa, Songhai, Arabic                                                            |                    |                   |                     |
| Religion: Islam and indigenous beliefs                                                                          |                    |                   |                     |
| Currency; exchange rate: Communauté Financière Africaine (CFA) franc or West African CFA franc; US\$1 = XOF 580 |                    |                   |                     |
|                                                                                                                 | 2000               | 2010              | 2020/latest         |
| Population (million)                                                                                            | 11.3               | 16.5              | 24.2                |
| Dependency ratio (%) <sup>1</sup>                                                                               | 98.0               | 105.4             | 104.1               |
| Life expectancy (years)                                                                                         | 49.9               | 57.3              | 62.4 <sup>2</sup>   |
| Mean years of schooling                                                                                         | 1.1                | 1.4               | 2.1 <sup>2</sup>    |
| GNI per capita (constant 2017 PPP\$)                                                                            | 973.5 <sup>3</sup> | 1093.6            | 1278.5 <sup>2</sup> |
| Poverty rate (% of population below national poverty line)                                                      | 75.3 <sup>3</sup>  | 50.6 <sup>4</sup> | 45.4 <sup>5</sup>   |
| Unemployment rate (%)                                                                                           | 1.5                | 0.6               | 0.7                 |
| Gender inequality index <sup>6</sup>                                                                            | 0.8                | 0.7 <sup>4</sup>  | 0.6 <sup>2</sup>    |
| Human development index <sup>7</sup>                                                                            | 0.26               | 0.33              | 0.39 <sup>2</sup>   |

Notes: 1 dependency ratio of the young (0–14 years old) to the working-age (15–64 years old) population; 2 as of 2019; 3 as of 2005; 4 as of 2011; 5 as of 2014; 6 higher score = higher gender inequality; 7 higher score = better human development; GNI = gross national income; PPP = purchasing power parity.

Sources: WDI (2021); UNDP (2021)

**Table 2 Selected macroeconomic and financial sector performance and forecast<sup>1</sup>**

|                                                                           | 2019  | 2020  | 2021f <sup>4</sup> | 2022f | 2023f |
|---------------------------------------------------------------------------|-------|-------|--------------------|-------|-------|
| Real GDP (% growth) <sup>5</sup>                                          | 5.9   | 1.2   | 6.9                | 12.8  | 11.1  |
| Consumer prices (period average, % growth)                                | –2.5  | 2.9   | 2.9                | 2.5   | 2     |
| Total investment (% of GDP)                                               | 30.2  | 31.2  | 31.7               | 33.3  | 30.0  |
| Government revenue and grants, FY <sup>2</sup> (% of GDP)                 | 18.0  | 17.6  | 17.2               | 17.1  | 17.9  |
| Government expenditure, FY (% of GDP)                                     | 21.6  | 22.9  | 23.8               | 22.4  | 21.6  |
| Overall fiscal balance, FY (% of GDP) <sup>5</sup>                        | –3.6  | –5.8  | –4.4               | –3.5  | –2.5  |
| Public debt including guarantees (% of GDP) <sup>5</sup>                  | 39.8  | 41.7  | 42.1               | 40.0  | 37.8  |
| Credit to non-government sector (% growth) <sup>5</sup>                   | 13.0  | –0.3  | 10.5               | 21.2  | 20.9  |
| Current account balance (% of GDP)                                        | –12.6 | –13.5 | –15.4              | –16.1 | –11.4 |
| Remittance inflows <sup>3</sup> (% of GDP)                                | 2.4   | 2.2   |                    |       |       |
| Gross international reserves (months of prospective imports) <sup>5</sup> | 6.0   |       |                    |       |       |

Notes: 1 largely based on IMF (2021b); 2 fiscal year runs from July to June; 3 authors' computation using projected remittance inflows in IMF (2021b); 4 'f' indicates forecast; 5/ data from IMF (2020).

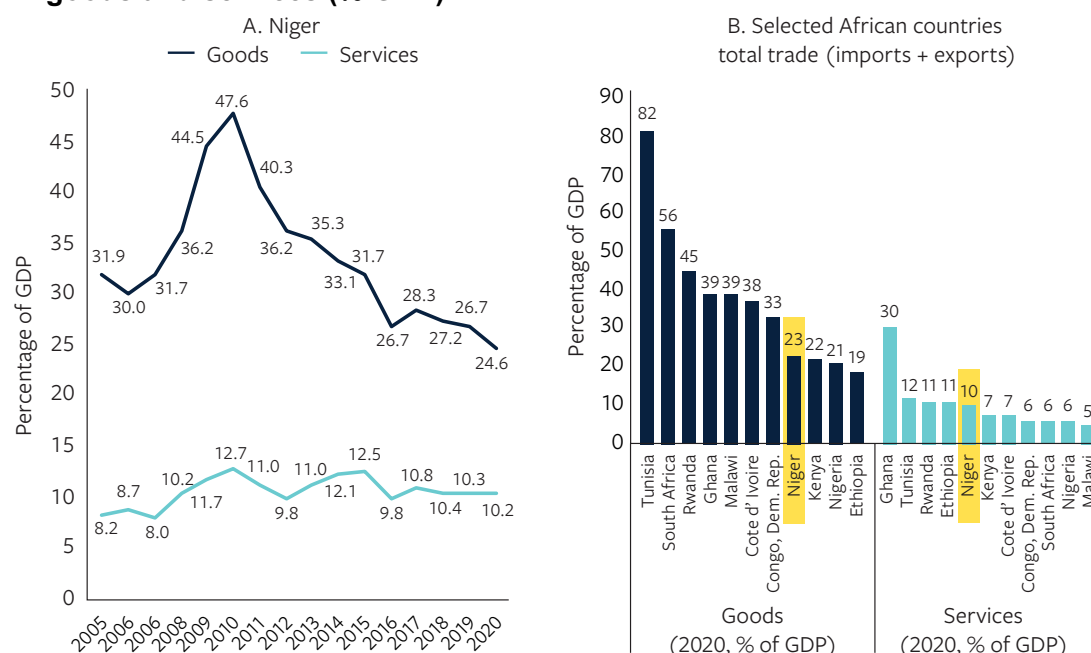
Sources: IMF (2020); IMF (2021b).

## 2 Trade landscape and business environment

### 2.1 Trade landscape

Niger is an active member of the West African Economic and Monetary Union (WAEMU) and has harmonised various components of its trade and monetary policy. For example, it already participates in the Franc zone (sharing a common currency), and is a member of the WAEMU customs union (thereby implementing the community customs code). Niger is simultaneously a member of the Economic Community of West African States (ECOWAS) to promote cooperation and integration in West Africa (WTO, 2018). As a result, the two communities share authority on trade policy; the WAEMU common external tariff was replaced by the ECOWAS common external tariff in 2015 (WTO, 2018).

**Figure 1 Niger and selected African countries' total trade (exports + imports) in goods and services (% GDP)**



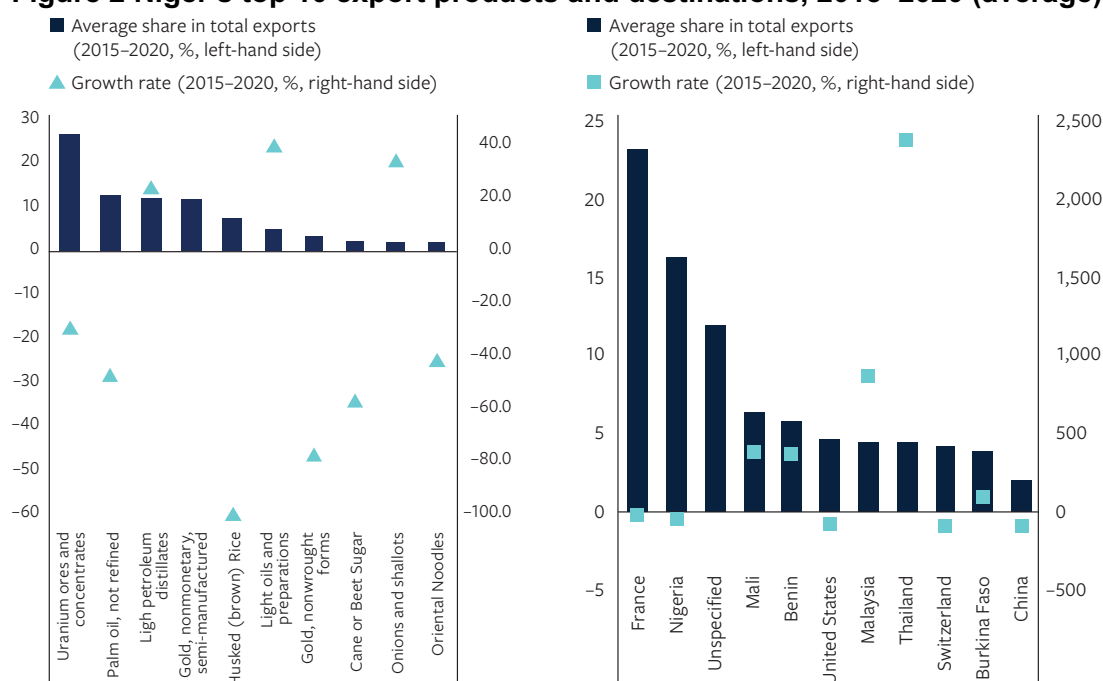
Source: authors' computations based on UNCTAD data.

Niger's total trade (exports and imports) peaked in 2010 at 60.3% of GDP, of which 47.6% was goods and 12.7% services, and has gradually declined since then (Figure 1). Amid the Covid-19 pandemic in 2020, total trade slightly declined (as percentage of GDP) from 37% in 2019 to 35% in 2020. Niger's trade was negatively affected by border closure with Nigeria (a major trading partner), but was buoyed by favourable global prices of gold (a major export product).

Niger mainly exported uranium ore or concentrates (26.6%), non-refined palm oil (12.6%), light petroleum distillates (11.9%), non-monetary gold (11.8%) and husked brown rice (7.4%) in the period 2015 to 2020 (Figure 2). In 2020, the value of non-monetary gold exports increased to \$622 million, accounting for 49.9% of total exports, on the back of favourable global gold prices. Since 2005, to maintain food security, the Nigerien government has banned exports of other food crops produced in Niger through subsistence farming, including millets, sorghum, maize and cassava flour (WTO, 2018).

Top destinations of Niger's export products for the period 2015–2020 were France, Nigeria, Mali, Benin and the United States (US) (Figure 2). Notably, 70% of exports went to Nigeria and Benin alone in 2017, while Thailand, Switzerland, Malaysia, Brazil and China became additional important export destinations in 2018. Nonetheless, due to Niger's landlocked position and the lack of access to trading routes, Niger has been increasingly dependent on its neighbour Nigeria for facilitating passage of its exports. Since exporters have to pay taxes<sup>4</sup> to export from Niger, unlike exporters in Nigeria, many Nigerien exporters use informal means to transport goods to Nigeria, which are then re-exported by Nigeria. This leads to undercounting of Nigerien exports in formal statistics (WTO, 2018).

**Figure 2 Niger's top 10 export products and destinations, 2015–2020 (average)**



Source: authors' computations based on UNCTAD data (6-digit product category).

Niger imported a variety of goods between 2015 and 2020 but, on average, top imports included helicopters and aeroplane or helicopter parts (12.6%), milled rice (8.8%), refined palm oil (3.9%) and Portland cement (3.1%). However, averages mask the yearly fluctuations in Niger's imports. For example, the value of milled rice imports more than doubled from \$138 million in 2016 to \$274 million in 2017, on

<sup>4</sup> Exporters must pay export taxes and advances on profit tax (ISB), even if they are engaging in preferential trade under ECOWAS/WAEMU (WTO, 2018).

account of rising food security concerns amid violent conflicts<sup>5</sup> and public health issues<sup>6</sup> in Niger during the period. In 2020, vaccines for human medicine<sup>7</sup> valued at \$169 million were the third largest import in terms of value (comprising 5.6% of imports) amid increased demand during the pandemic.

Niger's imports originated from various regions: mainly France (22.5%), China (18.8%), US (7.8%), Thailand (6.9%), Nigeria (5.4%), India (3.3%), Japan (3%), Côte d'Ivoire (2.9%), Ghana (2.6%) and Belgium (2.5%). With the exception of France, China and Benin, imports from all other top sources recorded positive growth in the period 2015–2020. In particular, Niger imported parts of aircrafts and ammunition from France, rice and machinery parts from China, and electricity, cigars and cement from Nigeria.

We also investigated the efficiency (in terms of revealed comparative advantage or RCA) of, and world demand (from all countries) for, Niger's top 25 exported products (accounting for 94% of its total exports) in the last five years (i.e., 2015 to 2019, or latest available data). Table 3 presents Nigerien products that can be supported through export promotion or intervention to increase competitiveness.

**Table 3 Export products for promotion and targeted intervention**

|                                | <b>Increasing RCA</b><br>(e.g., for export promotion, facilitation)                                                                                                                                                                                                                        | <b>Declining RCA</b><br>(e.g., intervention to increase competitiveness)                                                                                                                                                                                                                                                                                                          |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Increasing world demand</b> | <ul style="list-style-type: none"> <li>• Petroleum oils (light and not light oils and preparations)</li> <li>• Semi-manufactured gold</li> <li>• Onions and shallots</li> <li>• Vehicles for transport of persons</li> <li>• Vegetable products</li> </ul>                                 | <ul style="list-style-type: none"> <li>• Husked (brown) rice</li> <li>• Uncooked pasta</li> <li>• Vehicle dumpers for transport of goods</li> <li>• Worn clothing and articles</li> <li>• Liquified petroleum gas</li> </ul>                                                                                                                                                      |
| <b>Declining world demand</b>  | <ul style="list-style-type: none"> <li>• Palm oil (other than crude)</li> <li>• Sugar in primary form</li> <li>• Live bovine animals other than cattle and buffalo</li> <li>• Woven cotton fabric (bleached, unbleached and printed, weighing not more than 200g/m<sup>2</sup>)</li> </ul> | <ul style="list-style-type: none"> <li>• Uranium ores and concentrates</li> <li>• Unwrought (but not powder) gold</li> <li>• Woven cotton fabric (printed, weighing more than 100g/m<sup>2</sup> but not more than 200g/m<sup>2</sup>)</li> <li>• Semi-milled or wholly milled rice</li> <li>• Cigarettes containing tobacco</li> <li>• Prepared or preserved tomatoes</li> </ul> |

Source: authors' compilations based on data from World Integrated Trade Solution.

## 2.2 Foreign direct investment

Foreign direct investment (FDI) stock in Niger strongly increased over the past decade, from \$2.3 billion in 2010 to \$8.2 billion in 2020 (Figure 3). Meanwhile, growth of FDI inflow to Niger has been volatile, with sharpest contractions reflecting investors' response to domestic and external shocks. For instance, FDI inflows contracted sharply by 35.7% and by 43.1% in 2015 and 2016, respectively, as Niger faced security and humanitarian shocks and unfavourable global commodity prices during the period (see IMF, 2016). FDI inflow rebounded strongly in the following years, but sharply declined by almost 48.8% to \$367 million as investors faced

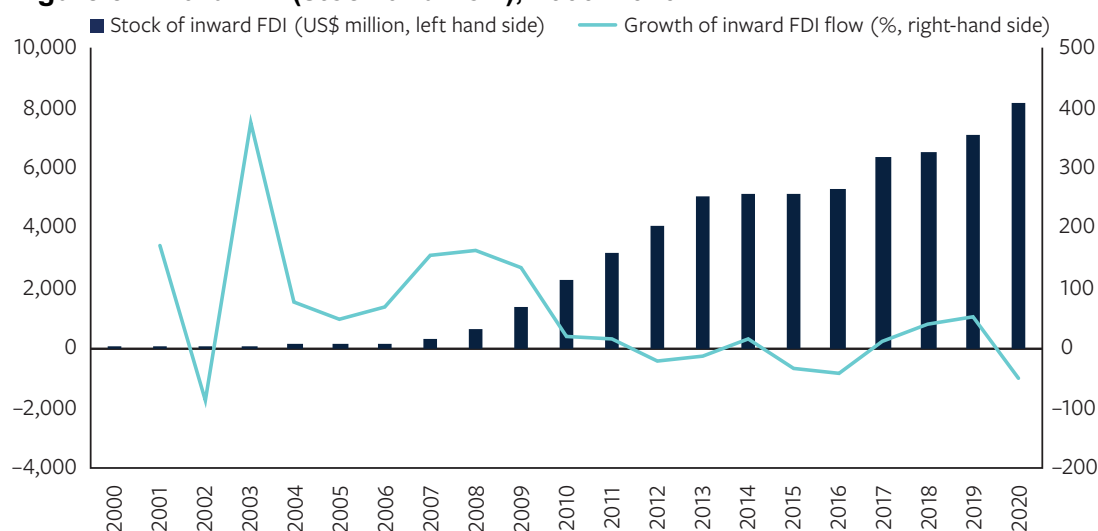
<sup>5</sup> More information at: <https://reliefweb.int/report/niger/niger-food-assistance-fact-sheet-november-28-2017>.

<sup>6</sup> More information at: [www.who.int/emergencies/disease-outbreak-news/item/05-may-2017-hepatitis-e-niger-en](http://www.who.int/emergencies/disease-outbreak-news/item/05-may-2017-hepatitis-e-niger-en).

<sup>7</sup> Niger received 100,800 doses of AstraZeneca vaccine as a donation from the Canadian government through the COVAX Facility (UNICEF, 2021).

constraints to investment (e.g., border closures) during the pandemic (UNCTAD, 2021).

**Figure 3 Inward FDI (stock and flow), 2000–2020**



Source: authors' computations based on UNCTAD data.

Major sectors attracting investment were electricity (Gorou Banda diesel power plant and Salkadamna coal power plant), hydroelectricity (Kandadji Dam Project) and solar energy (Gorou Banda, Zinder, Tillabery and Dosso), aligned with the national objective to reduce dependence on Nigeria for electricity imports and improve Niger's energy self-sufficiency (World Bank, 2018). Other major sectors attracting foreign investment include the following (WTO, 2018; EITI, 2021; UMOA-Titres, 2021; Lloyd Bank, 2021):

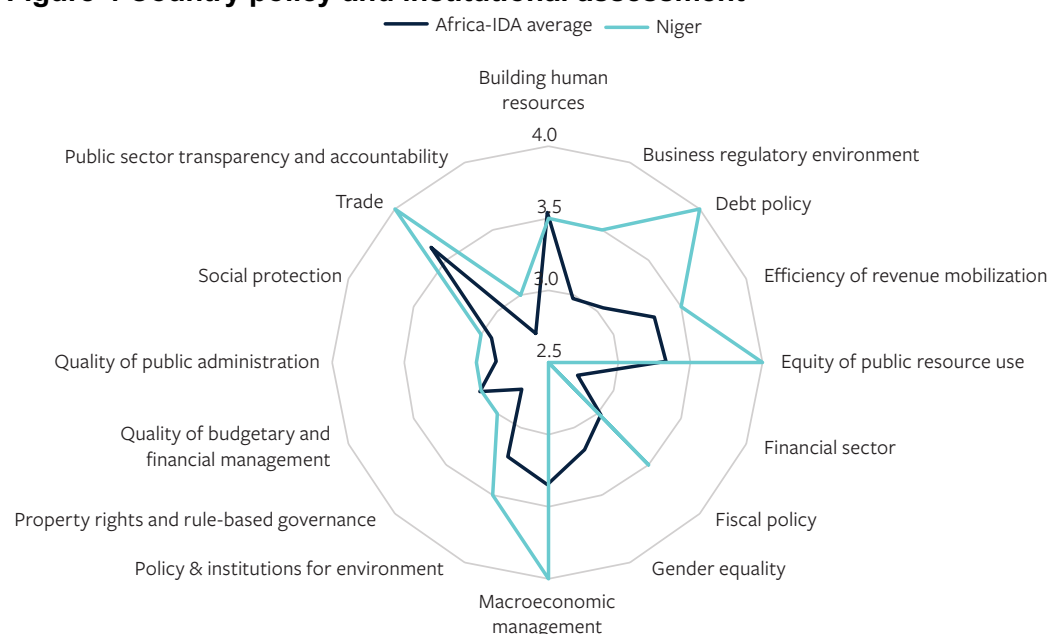
- mining sector for the exploration of uranium, although projects were halted following the fall in global uranium prices (under the 'Initiative Nigériens Nourrissent les Nigériens' programme set up in 2011)
- oil production to enable Niger become an oil exporter by 2023 (under the China National Petroleum Corporation, Algerian SONATRACH and Savannah Petroleum)
- construction activity linked to improving agricultural productivity (rehabilitation of irrigation systems and building refrigerated slaughter houses).

## 2.3 Business environment

Niger aims to attract FDI and has introduced a series of reforms to stabilise the government, liberalise the economy, encourage privatisation and increase trade, despite threats of terrorism, unfavourable climatic episodes and the poor state of the country's infrastructure (Lloyds Bank, 2021). Niger has also taken steps to improve its business climate by revising the process of obtaining construction permits, settling disputes, transferring contracts, reducing minimum capital requirements, and improving access to electricity and water (World Bank, 2020a; Lloyds Bank, 2021).

Niger performs better than African countries on average in dealing with construction permits, paying taxes and setting up a company (in terms of number of procedures and time taken) (World Bank, 2020a; Lloyds Bank, 2021). The World Bank's policy and institutional assessment (CPIA) index also indicates that Niger scores better than average African IDA (International Development Association) eligible countries in 14 out of 16 indicators, including debt policy rating, efficiency of revenue mobilisation, fiscal policy rating, macroeconomic management, property rights, quality of public administration, and transparency in the public sector (World Bank 2020b) (Figure 4). In terms of logistical performance, however, Niger performs poorly across different components of the Logistics Performance Index (World Bank, 2020c), compared with the average for African countries.

**Figure 4 Country policy and institutional assessment**



Notes: score: 1 = low, 6 = high; Niger scores above the African-IDA average; aggregate scores (e.g., African IDA-eligible countries) are simple averages.

Source: World Bank (2020b).

The government has taken steps to make Niger more attractive to public and private investors. This mainly involves the adoption of a law establishing the principle of public-private partnership, and revision of the investment code and of laws governing the oil and mining sectors to make them more competitive. Efforts also involve the organisation of several funding roundtables by the Niger government. Moreover, the government has actively promoted strategic sectors to attract greater investment, including the mining industry, tourism, hotel and craft industries, transport, and information and communication technologies (ICTs) (BCEAO, 2015).

# 3 Intra-African trade performance and AfCFTA

## 3.1 Background: Niger's goods trade with Africa

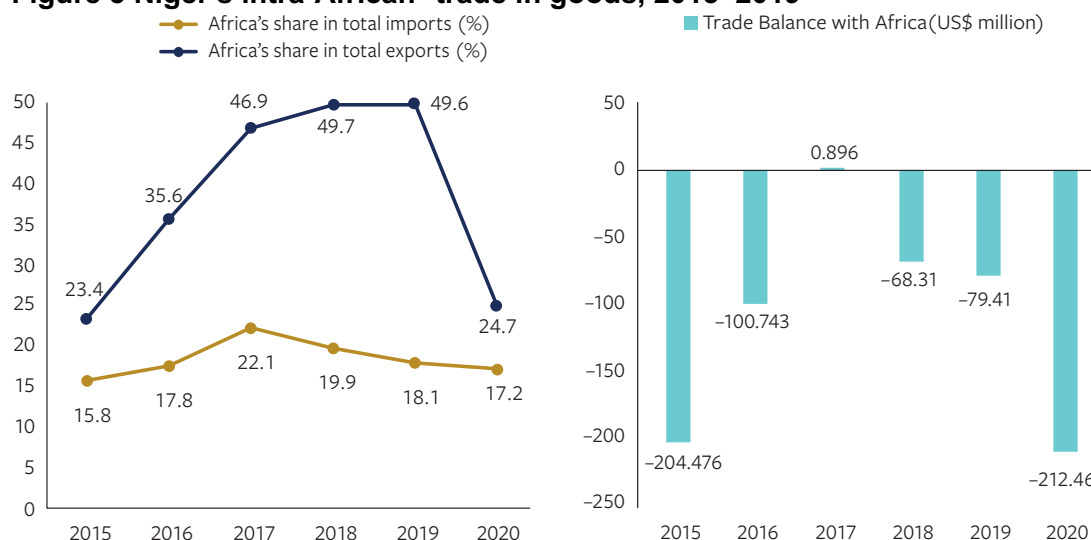
Despite the effort to facilitate intra-community trade via WAEMU and ECOWAS, its volume (and value) remains low due to obstacles within the zone, including the absence of a single market system (WTO, 2018). Niger has been a net importer of goods with respect to its African partners, with the exception of in 2017, when Niger recorded a trade surplus of \$0.9 million (Figure 5). Although trade deficit narrowed between 2015 and 2016, it has widened in 2019 and 2020 to levels higher than the deficit in 2015 (\$212.5 million in 2020 versus \$204.5 million in 2015). This trade deficit was mainly with Mali, Burkina Faso and Chad (ITC, 2021).

Niger's intra-African exports as percentage share of total Nigerien exports significantly increased to 49.7% in 2018, as exports to Nigeria doubled; exports to Benin increased sixfold, and there were increases in exports to other partners including Mali, Burkina Faso, Togo, Libya and Chad (ITC, 2021).<sup>8</sup> In absolute terms, the value of Niger's intra-African exports increased by 65.5% between 2015 and 2020. Over the same period, main exports destined for the African market were petroleum oil, palm oil, onions and live bovine animals (ITC, 2021).

On the import side, the share of intra-African imports in Niger's total imports peaked at 22.1% in 2017, before declining to 18.1% in 2019 (Figure 5). On average from 2015 to 2020, top African sources of Niger's imports were Nigeria (31.9%), Côte d'Ivoire (17.1%), Ghana (15.5%) and Benin (11.3%). Over the same period, main imports were cement, cigars, electrical energy and palm oil (ITC, 2021).

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<sup>8</sup> These high shares could be a result of mis-recording of trade. Due to Niger's landlocked position, the trade with Nigeria and Benin could be over-estimated.

**Figure 5 Niger's intra-African\* trade in goods, 2015–2019**

Note: for consistency, 'intra-African' in this figure refers to Niger's trading with 51 African countries with complete goods exports and imports data from 2017 to 2020.

Source: authors' computations based on ITC TradeMap database.

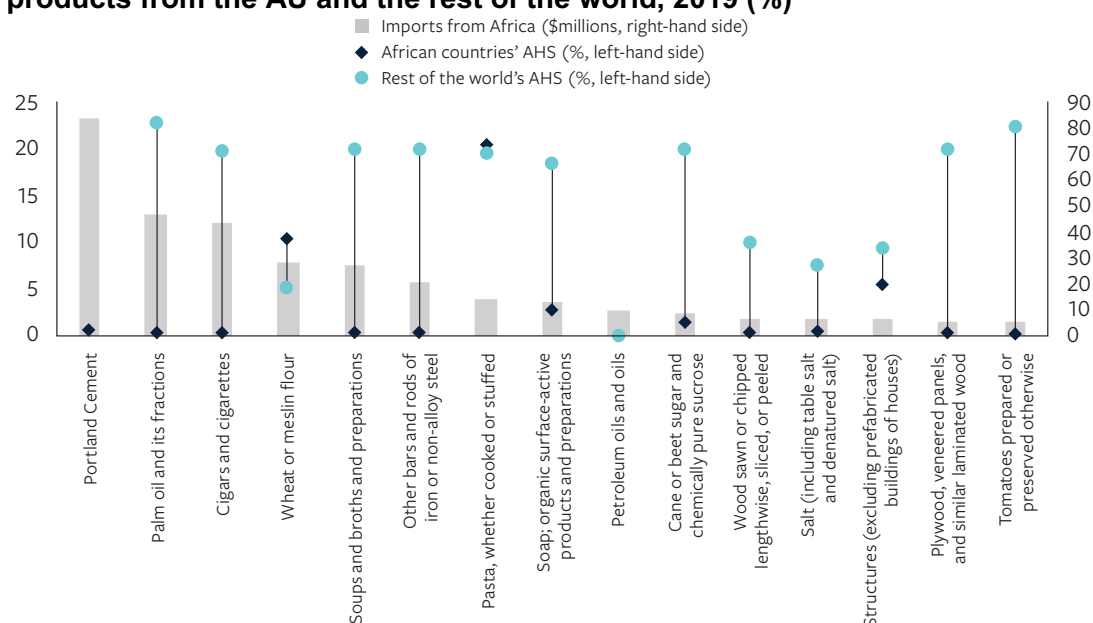
The trade-weighted most-favoured nation (MFN) tariff rates imposed by Niger on imports from African countries ranged from as high as 20% for Mauritius and Rwanda.<sup>9</sup> Niger is a part of three regional communities in Africa: ECOWAS, WAEMU and the Community of Sahel-Saharan States (CEN-SAD). Niger grants preferential access to members of ECOWAS, namely Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Ghana, Guinea, Liberia, Mali, Nigeria, Senegal and Sierra Leone (WTO, 2018).

AHS is defined by WITS database as the lowest existing preferential tariff rates or applied MFN tariffs. Figure 6 shows the top 15 imports from African countries, which account for 80% of Niger's imports from the continent. It also shows that the AHS imposed by Niger on imports from Africa are lower than the AHS imposed on imports from the rest of the world, with the maximum preference margin granted to African partners on imports of palm oil (23.2%), tomatoes (22.5%), and bars or rods made of iron or steel (19.9%) (Figure 6). Thus, these African imports face a relative advantage in the Nigerien market compared with global imports. By contrast, the lowest preference margins were offered on imports of pasta (0%) and Portland cement (0.5%). Meanwhile, Nigerien imports of wheat or meslin flour from Africa faced a 10.2% tariff<sup>10</sup> as opposed to its imports from the rest of the world that faced only 5.3% tariff (Figure 6). Despite this, Niger imported 98.7% of all wheat or meslin flour from its African partners, Ghana, Algeria, Côte d'Ivoire and Togo (ITC, 2021).

<sup>9</sup> Based on World Integrated Trade Solution database.

<sup>10</sup> This is the trade-weighted average tariff faced by all African exporters of wheat to Niger. On an individual country level, the largest exporters (Ghana, Côte d'Ivoire and Togo) faced zero tariff in the Niger market; while Algeria faced a 20% tariff.

**Figure 6 Effectively applied tariff rates (AHS)\* on Niger's top imported products from the AU and the rest of the world, 2019 (%)**



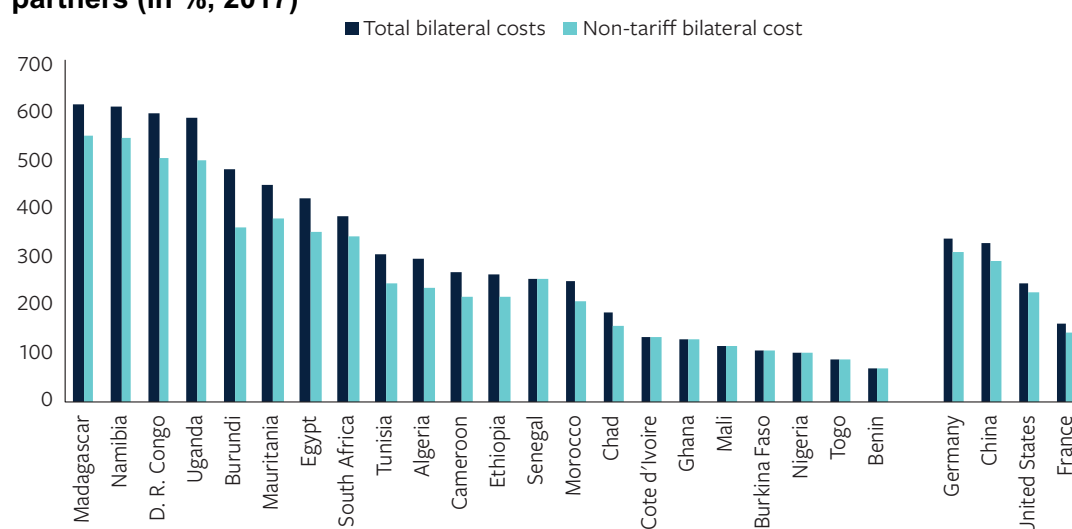
Source: World Integrated Trade Solution database.

Apart from tariffs, exporters to Niger also face non-tariff measures (NTMs) that include technical measures, such as sanitary and phytosanitary, technical barriers to trade, pre-shipment inspection, as well as traditional instruments of trade policy, such as price and quality control, export restrictions, etc. that affect trade in goods on both export and import sides. Figure 7 shows ad valorem equivalent<sup>11</sup> trade costs that incorporate not only international transport costs and tariffs but also other non-tariff trade costs, including direct and indirect costs associated with differences in languages, currencies and cumbersome import or export procedures.<sup>12</sup>

As expected, total bilateral costs are comprised almost entirely of non-tariff bilateral costs with major partners. For instance, total costs and non-tariff costs are equal for Benin, Burkina Faso, Côte d'Ivoire, Ghana, Mali, Nigeria and Senegal. Given that these countries are also members of ECOWAS (and enjoy preferential tariffs), trade with these regional partners is restricted only due to the presence of non-tariff trade costs. This indicates that intra-African trade is yet to reach its maximum capacity and is hindered by trade costs that can be addressed multilaterally or bilaterally.

<sup>11</sup> Or as a proportion (%) of the estimated value of the goods.

<sup>12</sup> It should be noted that the measure is an average for all traded goods, some of which may not be traded (or very little) in practice, due to prohibitively high trade costs. This measure, developed by ESCAP and World Bank (2017), includes all costs involved in trading goods internationally with another partner (i.e. bilaterally) relative to those involved in trading goods domestically.

**Figure 7 Bilateral ad valorem trade costs between Niger and respective partners (in %, 2017)**

Source: World Bank database

Further, based on this measure, trade between Niger and Madagascar involves additional costs amounting to 617% of the value of goods traded between the two countries vis-à-vis domestic trade. In other words, it is more than six times more expensive for Niger to conduct trade with Madagascar than to conduct domestic trade (within its national borders)<sup>13</sup>. Similarly, it also six times more expensive for Niger to trade with Namibia, Democratic Republic of Congo and Uganda as opposed to trading domestically. Figure 7 also illustrates that overall trade costs are lower with some extra-regional partners like the US and France than with most African countries. Bilateral cost of trading with Germany is comparable to trading with South Africa; costs with China are similar to Tunisia; French costs are closest to ECOWAS member Côte d'Ivoire, etc.<sup>14</sup> Among the selected partners, trading with Benin attracts the lowest trade costs equivalent to 0.7 times domestic trading costs.

### 3.2 Status of Niger's AfCFTA implementation

Niger submitted its instrument of ratification of the AfCFTA treaty on 19 June 2018, becoming the fourth member state to ratify the agreement. Niger was one of the first 22 members to ratify the agreement that facilitated AfCFTA's entry into force on 30 May 2019<sup>15</sup> (Tralac, 2021a). As of 4 October 2021, 41 countries have complied with their domestic requirements for ratification of the AfCFTA, 38 of which have deposited their instruments of ratification to the AU Commission (Tralac, 2021b), while Eritrea is yet to sign the agreement. As of March 2021, AfCFTA secured 90% of tariff offers and 34% of services offers (AU, 2021a). Countries ratifying the agreement can trade with each other based on their tariff concessions and rules of origin.

<sup>13</sup> See Arvis et al. (2012) for full discussion of methodology.

<sup>14</sup> The high trade costs with extra-regional countries could be a result of Niger's landlocked position, requiring it to find trade routes via its neighbours.

<sup>15</sup> Niger is quite significant in the history of the AfCFTA: at the 2019 African Union (AU) Summit in Niamey, 54 of 55 AU members signed the agreement, with Niger's President Mahamadou Issoufou calling it 'the greatest historical event for the African continent since the creation of the Organisation of African Unity in 1963' (ISS Africa, 2019). More information at: <https://issafrica.org/iss-today/can-the-peace-trade-equation-stabilise-the-horn>.

With the adoption of AfCFTA, tariffs on goods originating from other African countries will also be progressively liberalised in stages, barring products from the ‘sensitive’ and ‘exclusion’ lists. Tariffs will be liberalised (to zero) for 90% of tariff lines over a period of ten years for LDCs (least developed countries) and five years for non-LDCs (AfCFTA Secretariat, 2021). A third group of six LDCs including Niger have obtained a 15-year delay to remove tariff barriers (Albert, 2019). Sensitive products shall not exceed 7% of total tariff lines, while the exclusion list shall not exceed 3% of total tariff lines with an intra-Africa import value limit of not more than 10% (*ibid.*).

At the level of regional communities (of which Niger is a member), the ECOWAS Commission submitted its tariff offer on 5 December 2020 (AU, 2021b). Moreover, they will be submitting a Regional Implementation Strategy<sup>16</sup> as part of preparation towards the regional validation by ECOWAS member states, including Niger (ECOWAS, 2021a). This regional strategy will complement the national-level efforts being taken by the member states and will assist in a coordinated implementation of AfCFTA (ECOWAS, 2021a). The ECOWAS commission has also supported national implementation through a series of sensitisation and capacity-building workshops (ECOWAS, 2020a; 2020b; 2021b).

Key players in Niger’s economy reviewed the country’s National AfCFTA Implementation Strategy in 2021, with technical assistance support from UNECA and financial support from the EU (UNECA, 2021). This strategy focuses on the need to create a conducive environment to help the private sector flourish, while promoting investment in productive sectors (UNECA, 2021). Supplementary efforts were also made by the Niger Ministry of Commerce, Industry and Youth Entrepreneurship<sup>17</sup> to validate the national strategy and identify priority actions to be undertaken by the government to effectively realise the potential benefits of the AfCFTA – this included collaboration with the Trade Facilitation West Africa programme (TFWA, 2021a).

Notably, the Customs Directorate of Niger also validated a regional tool for customs cooperation among ECOWAS members that will facilitate flow of information to expedite shipments, pre-arrival processing, and cooperation between customs administrations across members (TFWA, 2021b). This is likely to hasten the implementation of AfCFTA. Previously, the Ministry of State of Niger also launched an edition of a ‘100% Made in Niger’ trade fair, along with the ‘Buy Nigerien’ campaign in association with UNECA. This aims to accelerate industrialisation and economic diversification of the economy to complement AfCFTA, in addition to strengthening sub-regional economic integration by creating new value chains and new jobs, and reducing poverty (UNECA, 2020). A World Bank (2020d) simulation suggests that, by 2035, the large boost in household consumption from trade openness under a full AfCFTA implementation scenario can lift 4.2 million Nigeriens out of moderate poverty (living on \$5.50, PPP-adjusted, a day).

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<sup>16</sup> This review was undertaken at a meeting held by the ECOWAS Commission, in collaboration with officials from UNECA, the UEMOA Commission, UNDP and GIZ (ECOWAS, 2021).

<sup>17</sup> In collaboration with the Trade Facilitation West Africa (TFWA) programme, with support from the EU and UNECA. The TFWA programme supported the country’s AfCFTA National Committee to ensure that implementation aligns with the World Trade Organization (WTO) Trade Facilitation Agreement and AfCFTA (TFWA, 2021a).

## 4 Opportunities and challenges for Niger's trade and investment

Based on the analysis of Niger's macroeconomic performance, trade and investment landscape and AfCFTA implementation in previous sections, we summarise SWOT (strengths, weaknesses, opportunities and threats) considerations for Niger's trade and investment prospects.

|                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strengths       | <ul style="list-style-type: none"> <li>• Growth in GDP by 1.2% despite the Covid-19 pandemic.</li> <li>• Substantial reduction in the incidence of poverty (and inequality) in rural areas due to growth in the agricultural sector and pro-poor distribution of returns to growth.</li> <li>• Access to both ECOWAS and WAEMU markets for exports.</li> <li>• Efforts to increase FDI by reforms to stabilise the government, liberalise the economy, encourage privatisation and increase trade.</li> <li>• Better performance than most African counterparts on construction permits, paying taxes, and setting up a company.</li> <li>• Better performance on the CPIA index on debt policy rating, efficiency of revenue mobilisation, fiscal policy rating and macroeconomic management.</li> <li>• Early ratification of the AfCFTA in 2019 and creation of a national strategy.</li> </ul> |
| Weaknesses      | <ul style="list-style-type: none"> <li>• Predominantly covered by the Saharan Desert, making it extremely vulnerable to locust invasions, recurring droughts and gradual desertification.</li> <li>• One of the poorest nations in the world, with lowest HDI.</li> <li>• Landlocked position and lack of access to trading routes makes it increasingly dependent on neighbouring Nigeria for facilitating trade.</li> <li>• Lack of diversified exports (five products comprised 70% of total exports).</li> <li>• Informal trade routes with Nigeria to avoid paying export taxes lead to under-estimation of trade.</li> </ul>                                                                                                                                                                                                                                                                 |
| Opportunities   | <ul style="list-style-type: none"> <li>• Niger can become an oil-exporting nation by 2023.</li> <li>• Addressing non-tariff measures (either plurilaterally or bilaterally) could spur export growth with African partners.</li> <li>• Strategic preferential membership with several regional communities like WAEMU and ECOWAS can be leveraged to capture continental markets.</li> <li>• Opportunity to grow intra-African trade by removal of non-tariff measures and reducing non-tariff trade costs.</li> <li>• Lucrative investment prospects in electricity, solar energy, mining activity (uranium and gold) and oil exploration.</li> <li>• Investment opportunities in tourism, hotels and ICT services.</li> </ul>                                                                                                                                                                    |
| Threats (risks) | <ul style="list-style-type: none"> <li>• Exposed to climatic conditions and international price volatility.</li> <li>• Surrounded by terrorism in neighbouring countries.</li> <li>• Predominantly engulfed by the Saharan Desert.</li> <li>• Poor state of infrastructure.</li> <li>• High non-tariff trade costs with regional and extra-regional partners.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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