

# Niger's External Public Debt Problems and Ways of Solutions

<sup>1</sup>Tari Bako Mahamadou, <sup>2</sup>Prof. Dr. HAKAN ÇERMİKLİ

<sup>1</sup>Graduate School of Educational Sciences, Department of Economic Development and Growth, Gazi University, Ankara, Turkey

<sup>2</sup>Professor of Economics, Department of Economics, Gazi University, Ankara/ Turkey

---

**Abstract:** Our country Niger held one of the most sought resources on international markets: uranium. With the profits generated from uranium commercialization, Niger undertook an extensive program focused, on the one hand, on various investments as part of state construction and secondly, on securing the multiple needs of these populations. However, due to the turnaround of the price of uranium on the global market, the intensive program was compromised. Niger will as a result experience instability both on the social and economic plan. In order to face this impending crisis, our country embarked on a much more sustained debt. This debt was aimed at reconstructing the nation by redressing the economy. It is against this backdrop that I raise the question about the process of external debt relief for Niger. The debt service was estimated at more than 56 billion (which represented 27%) for budgetary revenues of 208 billion of CFA Franc. In 2005 the gross stock external debt was about 44.9 billion. Significant reliefs were negotiated and agreed up to 38.3 billion of CFA Franc. In the relief process of external public debt, Niger initially benefited from traditional mechanisms rescheduling, conversion, redemption, and restoration. They were the first to be experienced, they were unfortunately revealed insufficient because the country remained unfortunately always with a significant debt burden. Modern and more adapted mechanisms had to be found. The Heavily indebted Poor countries Initiative (HIPC) was born during the G7 Summit at Lyon on May 26th 1996. In our work we plan to study Niger's debt relief process, from traditional to modern. At the end we will for sure see the impact of the relief debt of the debt on Economic and Social ways.

**Keywords:** External Debt, Economy of Niger, External Debt of Niger, Problems of External Debt, Ways of solutions on External Debt issues.

---

## 1. INTRODUCTION

The Republic of Niger, is a landlocked country in Western Africa, named after the Niger River. Niger is bordered by Libya to the northeast, Chad to the east, Nigeria and Benin to the south, Burkina Faso and Mali to the west, and Algeria to the northwest. Niger covers a land area of almost 1,270,000 km<sup>2</sup>, making it the largest country in West Africa, with over 80 percent of its land area covered by the Sahara Desert. The capital city is Niamey, located in the far-southwest corner of Niger.

Niger is a developing country, and is consistently one of the lowest-ranked in the United Nations' Human Development Index (HDI); it was ranked last at 187th for 2015. Much of the non-desert portions of the country are threatened by periodic drought and desertification. The economy is concentrated around subsistence and some export agriculture clustered in the more fertile south, and the export of raw materials, especially uranium ore. Niger faces serious challenges to development due to its landlocked position, desert terrain, lack of agriculture, high fertility rates and resulting overpopulation without birth control, poor education and poverty of its people, lack of infrastructure, poor health care, and environmental degradation.

Nigerien society reflects a diversity drawn from the long independent histories of its several ethnic groups and regions and their relatively short period living in a single state. Historically, what is now Niger has been on the fringes of several large states. Since independence, Nigeriens have lived under five constitutions and three periods of military rule. Following a military coup in 2010, Niger has become a democratic, multi-party state. A majority live in rural areas, and have little access to advanced education.

Niger's economy is based largely on subsistence crops, livestock, and some of the world's largest uranium deposits. Drought cycles, desertification, a 3.4% population growth rate and the drop in world demand for uranium have undercut an already marginal economy. Traditional subsistence farming, herding, small trading, and informal markets dominate an economy that generates few formal sector jobs. Between 1988 and 1995 28% to 30% of the total economy of Niger was in the unregulated Informal sector, including small and even large scale rural and urban production, transport and services.

Economic activity centres on subsistence agriculture, animal husbandry, re-export trade, and export of uranium. The 50% devaluation of the West African CFA franc in January 1994 boosted exports of livestock, cowpeas, onions, and the products of Niger's small cotton industry. Exports of cattle to neighboring Nigeria, as well as Groundnuts and their oil remain the primary non-mineral exports. The government relies on bilateral and multilateral aid – which was suspended briefly following coups d'état in 1996 and 1999 – for operating expenses and public investment. Short-term prospects depend on continued World Bank and IMF debt relief and extended aid. The post 1999 government has broadly adhered to privatization and market deregulation plans instituted by these funders. Niger is the poorest country in the world.

Niger is a Sub-Saharan nation, whose economy centers on subsistence crops, livestock, and some of the world's largest uranium deposits. Agriculture contributes about one-third of GDP and provides livelihood for about nine-tenths of the population. Drought, desertification, and strong population growth have undercut the economy. Niger shares a common currency, the CFA franc, and a common central bank, the Central Bank of West African States (BCEAO), with seven other members of the West African Monetary Union. Debt relief has significantly reduced Niger's annual debt service obligations, freeing funds for expenditures on basic health care, primary education, HIV/AIDS prevention, rural infrastructure, and other programs geared at poverty reduction. Nearly half of the government's budget is derived from foreign donor resources. The economy in recent years has been hurt by terrorist activity and kidnappings near its uranium mines and instability in Mali. Future growth may be sustained by exploitation of oil, gold, coal, and other mineral resources. Niger has sizable reserves of oil and oil production, which began in 2012, along with refining, and exports are expected to grow through 2016. However, oil revenues have fallen well short of predictions, mainly because of logistical challenges. Food insecurity and drought remain perennial problems for Niger. The mining sector may be affected by the government's attempt to renegotiate extraction rights contracts.

**Table-1: Niger's Economics Data**

	2010	2011	2012	2013	2014	2015
<b>Real GDP growth rate (%)</b>	8,4	2,3	11,8	5,3	6,9	3,6
<b>Per capita real GDP growth rate (%)</b>	4,7	-5,5	7,5	5,1	3,0	0,1
<b>Gross National Income ( million dollar)</b>	2810,4	5 101,34	5 909,05	6 803,49	6558,7	7 058,55
<b>Gross domestic savings rate (%)</b>	13,1	11,5	18,7	19,7	19,6	16,6
<b>Investment rate (%)</b>	40,0	38,4	36,2	36,2	37,8	38,8
<b>Part of agriculture in GDP (%)</b>	44,9	42,6	43,8	41,5	42,3	42
<b>Annual inflation (average) (%)</b>	0,9	2,9	0,5	2,3	-0,9	1,0
<b>Uranium kg price (FCFA)</b>	94,1	119,7	124,9	124,9	96,7	96,8

<b>Part of GDP (%) to the Budget</b>	13,6	14,3	15,2	16,6	17,5	20,1
<b>Part of GDP (%) in recovery of taxes</b>	12,8	13,4	14,0	15,2	15,5	18,1
<b>Primary sector (USD)</b>	1 981	1 983	2 309	2 320	2 547	2 632
<b>Secondary sector ( USD)</b>	756	824	1 277	1 401	1 386	1 274
<b>tertiary sector (USD)</b>	1 744	1 928	2 120	2 314	2 553	2 699

*Reference: INS, Comptes Economiques de la Nation, Nisan 2016''*

Niger has some of the world's largest deposits of uranium, which is used by the nuclear industry, and is in the top five producers of uranium worldwide and exports make up over two-thirds of its foreign revenue. There are also deposits of gold, iron, tin and other minerals. The first commercial gold mine was opened in 2004 in the southwest region, between the River Niger and the border with Burkina Faso. Uranium is mined in an area which lies around 900km north-east of the capital Niamey, to the west of the Aïr Mountains and north of Agadez.

After independence our country held one of the most sought resources, even better the one that was selling cheap formerly at the international level. On the basis of this resource, and especially on profits that generate its commercialization, Niger undertook an extensive program focused on the one hand in various investments as part of state construction and secondly, to ensure the multiple needs of these populations.

However, due to the turnaround of the price of uranium on the market, the intensive program was compromised, and Niger will experience instability both on the social and economic plan. In order to face this impending crisis, our country embarked on a much more sustained debt. This debt took place not only within the framework of the construction of the nation, but also aimed at redressing the economy.

The stock of external debt increased from 46, 2 million USD in 1975 to 345 million USD in 1982. That marks the beginning of the crisis.

Like other developing countries, Niger was plunged at the stage where it undoubtedly needs external debt relief.

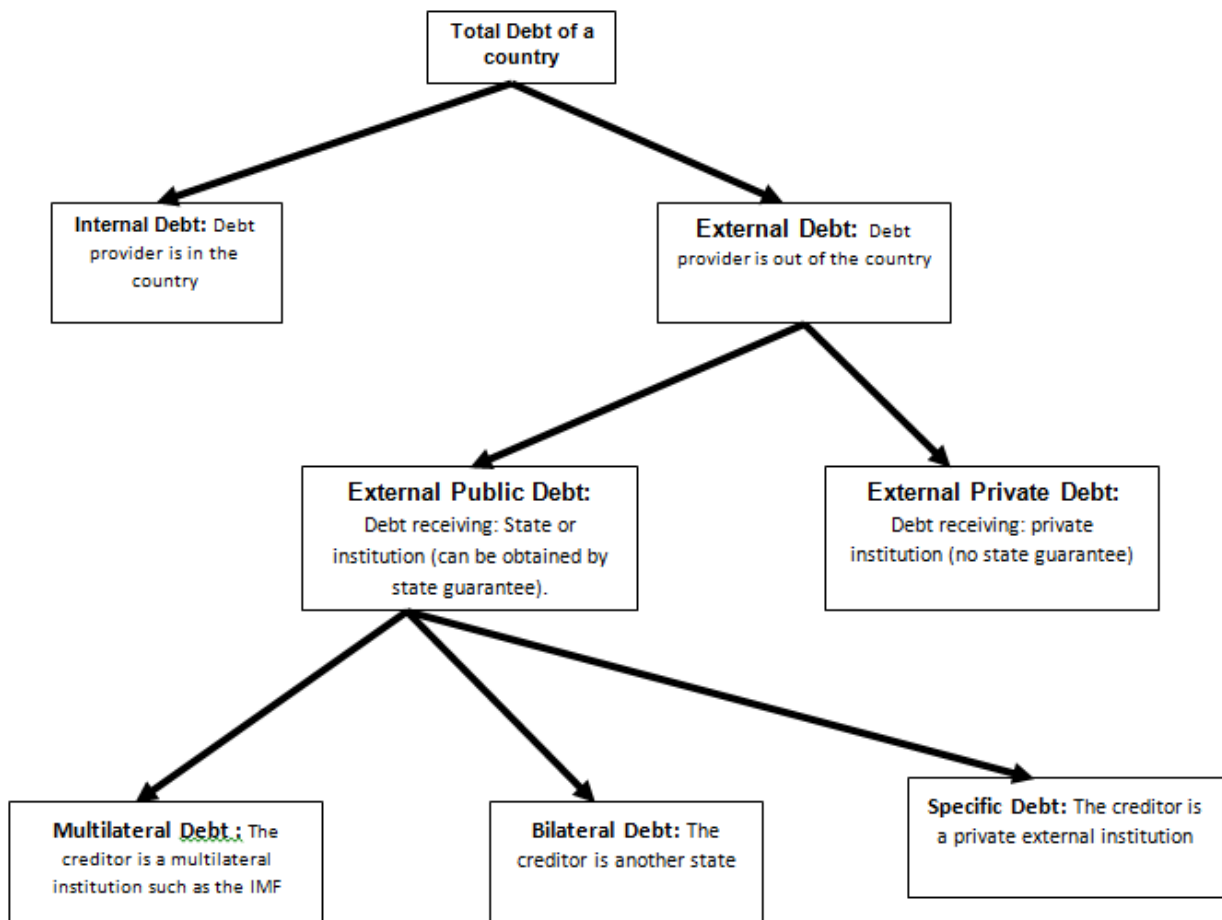
Creditors, notably bilateral and multilateral have thus decided waive their debt towards developing countries. It is in the sense that we raise the concern about: the process of Niger's External Debt relief?

Regarding the history of Niger's debt, we must consider four major steps:

- From Independence to 1975, when the Niger economy was characterized by a predominance groundnut production with loans mainly contracted on concessional terms from multilateral partners. Thus the stock of external debt in 1975 was 46, 2 million USD or 15% of GDP against an average of 24% for African low-income countries.
- From 1976 to 1982 when Niger experienced the uranium Boom, a planning was initiated, the stock of external debt was 345 million USD in 1982 about 8 eight times the stock of debt of 1975.
- From 1983 to 2000, let us keep in mind for this period, the economic stagnation in which the country was plunged and that was due to the turnaround in the uranium price on the international market.
- From 2000, the economic activity gradually resumes and especially it is from that period that started the significant reliefs for our country. The debt service was estimated at more than 95 million USD for budgetary revenues of 353 million USD.

In 2005 the gross stock external debt was about 76, 5 million USD. Significant reliefs were negotiated and agreed up to 65, 1 million USD.

*Type and classification of debt:*



**Graphique-1: Classification of countries debt.**

**Reference:** DAMIEN M. « 50 questions 50 réponses sur la dette le FMI et la banque mondiale», Ankara : Cedit Neşriyat, 2008.

Regarding the causes of the debt, apart from the Dutch disease, we got also the combination of national causes among which the reversal of the prices of black gold on the market, and international causes among which the reorientation of the direct foreign investments and petrodollars.

Voices around the world amounted so that the northern could waive their debts, so that the south enjoys a relief and get to direct them as part of their own development. Among these flows we can keep among other things politicians, economists, lawyers and even environmentalists.

This relief was of a paramount importance for our country that took a hit due to the debt crisis and especially due to the debt burden. The debt had impacts on our public finances, the revenues, the expenses, the state treasury, the currency, the investments, in short on the country's economy in general.

In the relief process our external public debt, Niger initially benefited from so-called traditional mechanisms rescheduling, conversion, redemption, and restoration. They were the first to be experienced, they were unfortunately revealed insufficient because the country remained unfortunately always with a significant debt burden. Modern and more adapted mechanisms had to be found. It is in this sense that the « Heavily indebted Poor countries Initiative (HIPC) » was born during the G7 Summit at Lyon on May 26th 1996, and others initiatives have followed for Multilateral Debt Relief Initiative (MDRI) which aims at total forgiving of eligible outstanding debt of the three multilateral institutions in order to halve, by 2015, the number of people living in poverty, and finally the British initiative, which was launched in September 2004, with the United Kingdom who undertook to pay the International Development Association (IDA) and

the African Development Fund (ADF) the British share of payments debt service post-HIPC countries to enable them to devote more spending in the areas of health, education and infrastructure with the objective to fulfill the MDGs.

From one side to the other, our country has used these instruments in order to discharge this burden that it drags since independence. Concerning the classical measures, a relief of an amount of 773, 9 million USD and that for the period from 1984 to 1989.

Concerning the new measures, thanks to HIPC initiative that our country has benefited from, it is more than 49, 3 million USD of expenses that were carried out from 2001 to 2005, besides 1 326 million USD of relief obtained with the Multilateral Debt Relief Initiative (MDRI).

## 2. CONCLUSION

In the end of the process, we will be incomplete if we fail to mention the results.

If Ivory Coast has decided to direct its amounts owed to the payment of their internal debt, or Cameroon that has chosen to fight against corruption, Niger has chosen the investment in basic social infrastructures, school classrooms, health centers, mini dams, irrigation facilities, micro credits, free health care, food security...to note the vast campaign entitled "Special Program of the President of the Republic" which funding source is based on the reimbursement of the amounts owed to creditors.

Certainly a satisfactory balance appears however there are notable gaps in the mechanisms that one should question their real implementation by countries. Proposed solutions are made as suggestions, but we think that a better involvement of the concerned technicians, the training of the beneficiaries on the accounting techniques in order to better manage the cattle-fattening, income generating activities. In spite of what precedes, we learn that Niger succeeded thanks to the various reliefs, to maintain an economic situation more and more stable, even better, to contribute to the fight against poverty with the relief and more the cancellation.

## REFERENCES

- [1] Aboubacar, M. (2002). Structure et évolution de la dette extérieure du Niger de 1999 à 2002. Mémoire de fin d'étude pour l'obtention du diplôme supérieur en finances/Trésor de l'ENA, 124.
- [2] Akdoğan, A. (1993), Kamu Maliyesi, Gazi Büro Kitabevi, 4.bs., Ankara.
- [3] Ayten, O. (2003). Türkiye'nin Dış Borç Sorunu Ve Kriz Etkileri. Yüksek Lisans Tezi, Hitit Üniversitesi Sosyal Bilimler Enstitüsü, Çorum, 188
- [4] Abdoul-Razak, A. (1981). La fiscalité minière de l'uranium. Mémoire de fin d'étude pour l'obtention du diplôme supérieur en finances/Trésor de l'ENA, 110.
- [5] Barry, A (2006).Initiative PPTE et allègement de la dette, audit et Répudiation,
- [6] Barro, R.J. (1990), Macroeconomic Policy, Harvard University Press, London
- [7] Bernheim, D.B. (1989), "A Neoclassical Perspective on Budget Deficits", Journal of Economic Perspectives, Vol: 3, No: 2.
- [8] Bernheim, D.B. (1987), "Ricardian Equivalence: an Evaluation of Theory and Evidence", NBER Working Paper Series, Working Paper No:2330.
- [9] Dabougui, D. Mahaman, P. et Saliou, H. (1998). L'endettement extérieur du Niger de 1984 à 1995 et son impact sur le budget de l'État. Mémoire de fin d'étude pour l'obtention du diplôme du niveau moyen en finances/Trésor de l'ENA.
- [10] Boubacar, D. (2008). Cours de crédit public. ENAM. 2009
- [11] Dooley, M.; vd. (1990), "Debt Reduction and Economic Activity", Occasional Paper No:68, Washington D.C., IMF.
- [12] Dornbusch, R. (1993), Stabilization, Debt and Reform-Policy Analysis for Developing Countries, London, Harvester-Wheatsheaf.

- [13] Erdem, M. (1996), Devlet Borçları, Ekin Kitabevi, Bursa.
- [14] Erol, A. (2004), “Borçlanmanın Ekonomik Etkileri”, Finans-Politik & Ekonomik
- [15] Yorumlar, Sayı: 479, İstanbul.
- [16] Gaidam, M. (2004). Impact de la dette extérieure sur les investissements. Mémoire pour l'obtention du diplôme d'études approfondies en économie (DEA) ,25
- [17] Guey, C. (2007). Négociation relative à la réduction de la dette au titre de l'initiative PPTE et au-delà.
- [18] Halil, S. (2001) Uluslararası İktisat, 14. Baskı, Güzem Yayınları. İstanbul.
- [19] Koutassila, J. (2008). Le syndrome hollandais. Centre d'économie du développement, Université Montesquieu Bordeaux IV, France.
- [20] Önder, Y. (2015). Ekonomi, Ülke Ekonomileri. <http://www.iktisadi.org/hollanda-hastaligi.html> erişimi tarihi : 26-12-2015
- [21] Jonathan, D. Ostry, Raphael, E. (2015). When Should Public Debt Be Reduced? I M F Staff Discussion note
- [22] Karagöl, E (2010). Geçmişten Günümüze Türkiye’de Dış Borçlar. SETA analizi.
- [23] Macit, I (1996), Devlet Borçlanması (Kamu Kredisi), Seçkin Yayınevi, Ankara.
- [24] Turan A. (2015). Dış Borçlarımız ve Ekonomik Etkileri
- [25] Toussaint, E. et MILLET, D. (2011).65 questions 65 réponses sur la dette, Le FMI et la Banque Mondiale, CADTM, édition Syllepse.
- [26] Uçak, S. (2006). Dış Borçlar, Gelişmekte Olan Ülke Deneyimleri ve Türkiye.
- [27] Yaşa, M. (1981), Devlet Borçları, Has Kutulmuş Matbaası, İstanbul.
- [28] ZACHARIE, A (2001).les dix limites de l’IPPTE. <http://cadtm.org/Les-dix-limites-de-l-initiative>.
- [29] Ministère des Finances (2007). Document de stratégie de réduction de la pauvreté (DSRP).Niger;
- [30] World Debt tables. (1995).External financing for Developing Countries. <http://documents.banquemondiale.org/curated/fr/1994/12/734015/world-debt-tables-1994-1995-external-financing-developing-countries-extracts>.