



# Analysis of the business environment in Least Developed Countries

## Niger

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# Niger

Region

West Africa - West African Economic and Monetary Union (WAEMU)

Population

22,442,948

Demographic growth

3.83 %

GDP per capita (2020)

565.1 USD

Human Development Index:

0.394 (226/228)

## Economic overview

*It should be pointed out that in terms of progress, Niger has improved through the reforms undertaken by the government to stimulate investment: disaggregating credit information at public information offices to facilitate the granting of loans to entrepreneurs of small and medium-sized enterprises (SMEs), as well as contract enforcement and resolving trade disputes. In other words, the business climate in Niger has improved since 2019. However, there are still institutional constraints related to security issues, given the country's fragile situation, impacted as it is by conflicts and insufficient access to infrastructure, such as education, health, water, electricity or Internet.*



Since the start of the 2010s, Niger's government has been committed to a development approach aimed at improving its business climate and stimulating domestic and foreign investment. Thus, to improve the country's performance, an institutional mechanism for improving and monitoring the business climate was created in 2014. This mechanism, which was placed under the Ministry of Trade and Private Sector Promotion, was ultimately attached to the Office of the Prime Minister in 2018 to give it a higher profile. To this end, Niger has carried out reforms in the areas of contract enforcement, insolvency resolution and credit granting in particular. With regard to contract enforcement, the advent of the Commercial Court of Niamey now makes it possible to accelerate the handing down of legal decisions. For its part, the establishment of the Centre de Mediation et d'Arbitrage de Niamey (Niamey Centre for Mediation and Arbitration) facilitates the process of settling trade disputes, in addition to improving the functioning of credit information offices to facilitate the granting of loans to entrepreneurs. A procedure for the refund of VAT credit has also been established to facilitate procedures after the submission of tax returns.

With regard to business start-ups, it is important to note that the initial minimum capital requirement of FCFA 100,000 has been eliminated. All procedures and formalities relating to the registration of articles of association have been reduced to a one-stop shop at the Centre de Formalités des Entreprises (Business Formalities Centre, CFE). The waiting time for obtaining a building permit has also been reduced from 30 days to 8 days. These reforms have improved the business climate in Niger since 2019.

However, as in the rest of the world, measures to prevent and mitigate the COVID-19 pandemic have had a negative impact on Niger's economy, bringing to an abrupt end three years of sustained growth efforts despite the security challenges of recent years. The World Bank's 2020 report on the economic

situation in Niger points out that the country has not been spared from the COVID-19 pandemic and is expected to see economic growth fall in 2020. Indeed, according to the report, the pandemic will have a further negative impact on the poverty rate by 2022 if the country fails to mitigate the effects of COVID-19 on the private sector and revive the entire economy. It is estimated that nearly one million more Nigeriens will be living below the poverty line by 2022.

The decline in business turnover is mainly due to the downturn in production in 2020 as a result of the global recession. In addition, according to the Chamber of Commerce, lockdown measures combined with the closure of shops and some businesses have led to job losses and a drop in consumption. All of this has further deteriorated the economic situation and living conditions of informal sector workers, for whom there are no measures to protect them and secure their activities in order to mitigate their loss of income. This phenomenon is made all the more significant by the fact that 91.9 per cent of Nigerien workers are employed in the informal sector. In addition, the poor economic situation in China and the European Union (EU), the main providers of foreign direct investment (FDI), has delayed the completion of important projects, such as the construction of the oil export pipeline. However, for the first time in years, the world oil price was expected to rise 4.5 per cent in 2020, exceeding the 3 per cent threshold set by the WAEMU, and allowing oil-exporting countries in the region to reap the economic benefits in order to accelerate economic growth.

## Challenges faced by the private sector

According to the Integrated Regional Survey on Employment and the Informal Sector (ERI-ESI) carried out in 2017, there are 1,066,683 informal production units (IPUs) in Niger. However, there are still challenges to address in terms of improving the business climate in Niger. These include:

- **Ongoing insecurity that threatens efforts to improve the business climate** - Niger is classified as a fragile and conflict-affected country. This situation constitutes a hazard for national and private investment.

- **Informality** - 91.9 per cent of workers were active in the informal economy compared to 8.1 per cent in formal employment in 2017 in Niger.

- **Informality affects key sectors of the economy** - The three main non-agricultural sectors that attract the largest number of workers in the informal economy are: industry (40.5 per cent), trade (33.6 per cent), and services and tourism (25.9 per cent).

- **Low level of human-capital education/training** - Niger is a low-HDI country (0.394), ranked 189th out of 189 countries. While there is a strong correlation between the level of education and the quality of integration into the workforce, at the national level the average number of years of education successfully completed is 2.58. The number of years of successful study varies from 0.76 to 16.09, in the informal and formal sectors respectively. Accordingly, the low level of human-capital education/training is a drag on the development of the economy in general and the private sector in particular.

Moreover, when we consider the variation in the level of education with the salary received, it becomes clear that the level of education significantly influences the average monthly income depending on the sector (formal and informal). Indeed, in Niger, the average monthly income is FCFA 56,169 for an average level of education of 2.58 years in the formal economy. However, the average monthly income varies from FCFA 18,103.33 for workers in the informal sector with 0.76 years of education to FCFA 305,479.53 for workers in the formal sector with 16.09 years of education.

- **Social inequality linked to an inefficient education and employment system** - The rate of precarious employment is higher among workers with a primary education (36.33 per cent) than among workers with no education (25.33 per cent); it is rather low among workers with a higher education (8.59 per cent). On the other hand, the rate of precarious employment is also higher among young people, particularly in the 15-24 and 25-34 age groups, at 48.13 per cent and 26.01 per cent respectively. This exposes

the country to high risks of social tensions, thus classifying Niger as a fragile country.

- **The gender dimension of informality** - Women account for 39.1 per cent of the total workforce in the informal economy, followed by young people under 25 (29.4 per cent).
- **An inefficient employment system with gender disparities** - Overall, only 12.1 per cent of individuals (men and women) are in formal non-agricultural jobs. Only 4.4 per cent of women are in formal non-agricultural employment compared to 21.7 per cent of men.
- **A weak labour market regulation system** - Overall, more than 25 per cent of people (men and women) work more than 48 hours per week, exceeding the 35 hours recommended by the ILO.
- **Extreme poverty is more prevalent among self-employed women** - 63.5 per cent of self-employed men and women earn less than the minimum wage, 77.5 per cent of women and 57.4 per cent of men. Furthermore, the tourism sector employs only 19 per cent of workers in Niger. Meanwhile, 82.1 per cent of individuals (men and women combined) are unemployed, as defined by the International Labour Office. This represents a shortfall for the development of the private sector in Niger. Potentially, these 82.1 per cent of individuals also represent a labour force willing to work even as self-employed, but due to the extreme poverty affecting more women and young people, they do not have access to financing to create their income-generating activities. Only 7.4 per cent of informal production units pay taxes. Only 12.7 per cent of IPU heads say they are willing to pay taxes and formalise their activities.
- **Low effectiveness of the rule of law, exacerbating child labour** - 11.2 per cent of young people under 15 are in the informal economy.
- **Lack of infrastructure to absorb out-of-school youth into vocational training** - This represents a significant shortfall when over

69 per cent of those aged 15-24 are neither in school nor in work. This can further exacerbate the country's state of fragility and violence.

- **Lack of access to finance** - The two main sources of capital for starting a business or activity are own savings from tontines (67.2 per cent) and informal loans from friends or family (12 per cent).
- **High level of corruption** - 67.6 per cent of 18-year-olds believe that corruption is high in the country and thus taints the entire economy. This justifies Niger's ranking of 123rd out of 180 countries in the 2020 Corruption Perceptions Index.

In conclusion, Niger's increased problems related to the country's extreme poverty, fragility, weak rule of law and human underdevelopment are significant obstacles to private sector development. Most of the indicators for measuring progress in improving the business climate remain subpar. The only improvement is in obtaining credit, enforcing contracts and resolving insolvency. Much remains to be done to make life easier for entrepreneurs in Niger and to stimulate the development of a competitive and sustainable private sector in terms of paying taxes, obtaining building permits, connecting to utilities (electricity in particular) and trading across borders.

## Private sector policy recommendations

The recommendations apply to the following areas:

### 1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;
- Establishing and maintaining a genuine public-private partnership;
- Developing a roadmap and agenda for public-private dialogue at national level;



- Actually considering the needs of private sector partners in sectoral development strategies;
- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;
- Constantly coming up with reforms to improve the business climate;
- Complying with agreements;
- Bolstering the role of the state as a guarantor of peace, security and good governance;
- Ensuring independent and accountable social partners;
- Capacity building for social partners;
- Establishing a communication plan to reduce communication gaps between the private and public sectors;
- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

## **2. Supporting young investors and women, developing entrepreneurship and fighting against informality**

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;
- Creating training and apprenticeship centres for self-employment for out-of-school youth;
- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;
- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;
- Focusing policy on formal job creation;
- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;
- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;
- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;
- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;
- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;
- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;
- Promoting women's access to land in particular and favouring a reorganisation of the land register;
- Eliminating minimum fees for business

start-ups and shortening the waiting period for registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

### 3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;
- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;
- Modernising and deploying one-stop shops;
- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;
- Guaranteeing follow-up for the supply and distribution of petroleum products;
- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;
- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;
- Reducing export and import delays;
- Setting up and modernising an electronic payment system for port fees at national level;
- Going paperless in customs formalities and extending the opening hours of ports;
- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;
- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;
- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;
- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;
- Strengthening the fight against smuggling at borders and ports;
- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;
- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;
- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;
- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;
- Establishing effective cyber security and cyber defence strategies at regional level;
- Strengthening the African Continental Free Trade Area (AfCFTA).

#### 4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;
- Establishing incentives and deterrents;
- Sharing and exchanging regional experiences;
- Developing a strong and effective institutional legislative framework;
- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;
- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;
- Reducing costs and delays in obtaining building permits;
- Reducing electricity connection fees;
- Eliminating mandatory minimum fees for business start-ups;
- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;
- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;
- Developing a national directory of formal sector companies;
- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better

channel and adapt sectoral strategies to facilitate their transition to the formal sector;

- Establishing and modernising an electronic system for creating and registering businesses at national level;
- Creating a level playing field for businesses to facilitate their formalisation.

#### 5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);
- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;
- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;
- Priority training for public sector managers;
- Mandatory internships for students to immerse them in the world of business.

#### 6. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;
- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;
- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal

businesses to formalise;

- Promoting flexible working hours for workers;
- Improving employment frameworks, policies and conditions;
- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

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