

Enhancing Governance in Niger: Progress, Challenges, and Policy Priorities

Yinhao Sun (SPR), Guy Morel Kossivi Amouzou Agbe (AFR), Élisée Wendlassida Miningou (AFR).

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IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on December 17, 2024. This paper is also published separately as IMF Country Report No 25/26.

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ABSTRACT: Niger, a low-income and conflict-affected state, faces significant governance challenges that hinder economic development. The military takeover in 2023 has altered the governance landscape, resulting in concerning trends such as the suspension of the Constitution and the dissolution of the Supreme Audit Institution. These changes have negatively impacted public procurement transparency, especially in defense spending. Despite these setbacks, the new authorities express a commitment to improving governance, a key element of their development strategy. This paper reviews recent governance and anti-corruption developments in Niger, emphasizing the need for ongoing efforts to strengthen governance and uphold the rule of law.

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NIGER

SELECTED ISSUES

December 17, 2024

Approved By
**The African
Department**

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ENHANCING GOVERNANCE IN NIGER: PROGRESS, CHALLENGES, AND POLICY PRIORITIES¹

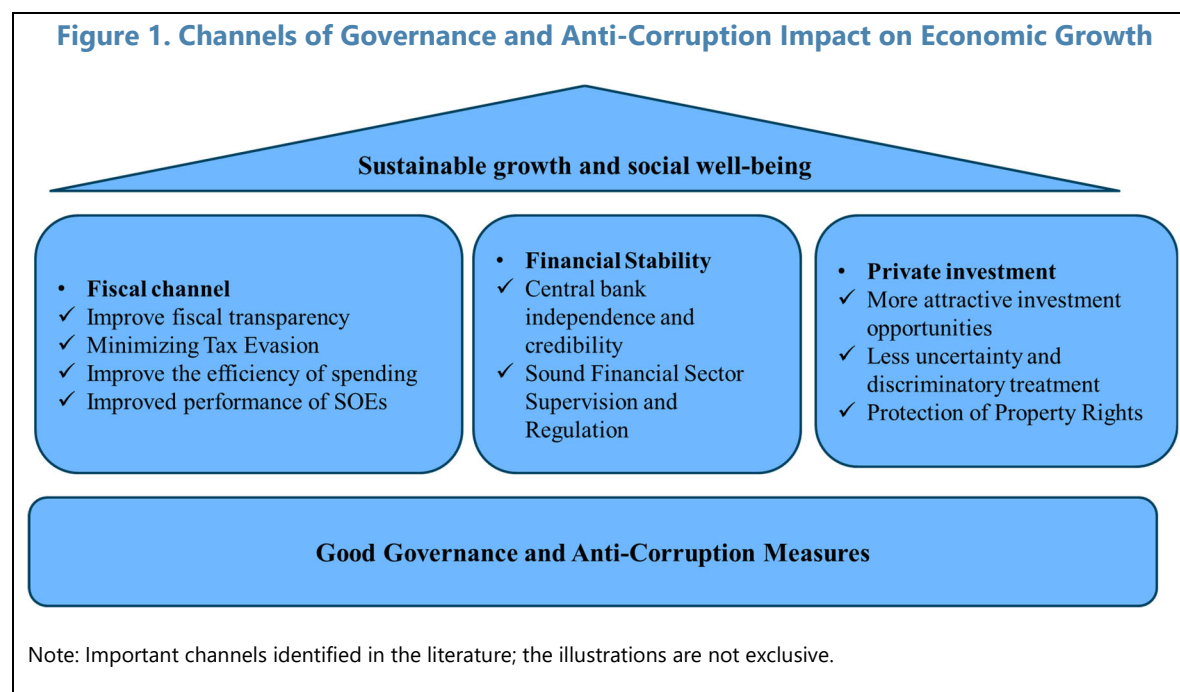
Niger is a low-income fragile and conflict-affected state with significant weaknesses in many core state functions. Governance shortfalls have been identified as a major roadblock to economic growth and development. The military takeover in 2023 has deeply changed the governance and anti-corruption framework in Niger. Downward trends in third-party governance indicators have been observed, and some new developments, including the suspension of the Constitution, the dissolution of the Supreme Audit Institution, as well as setbacks in the transparency of public procurement processes linked to defense spending, are concerning. At the same time, it is highly welcome that the new authorities are committed to enhance governance, which is one of the pillars in their new development strategy. This paper aims to take stock of recent developments regarding governance and anti-corruption frameworks in Niger, particularly focusing on anti-corruption, fiscal transparency, and rule of law, highlighting the importance of continuous efforts to enhance governance.

A. Background

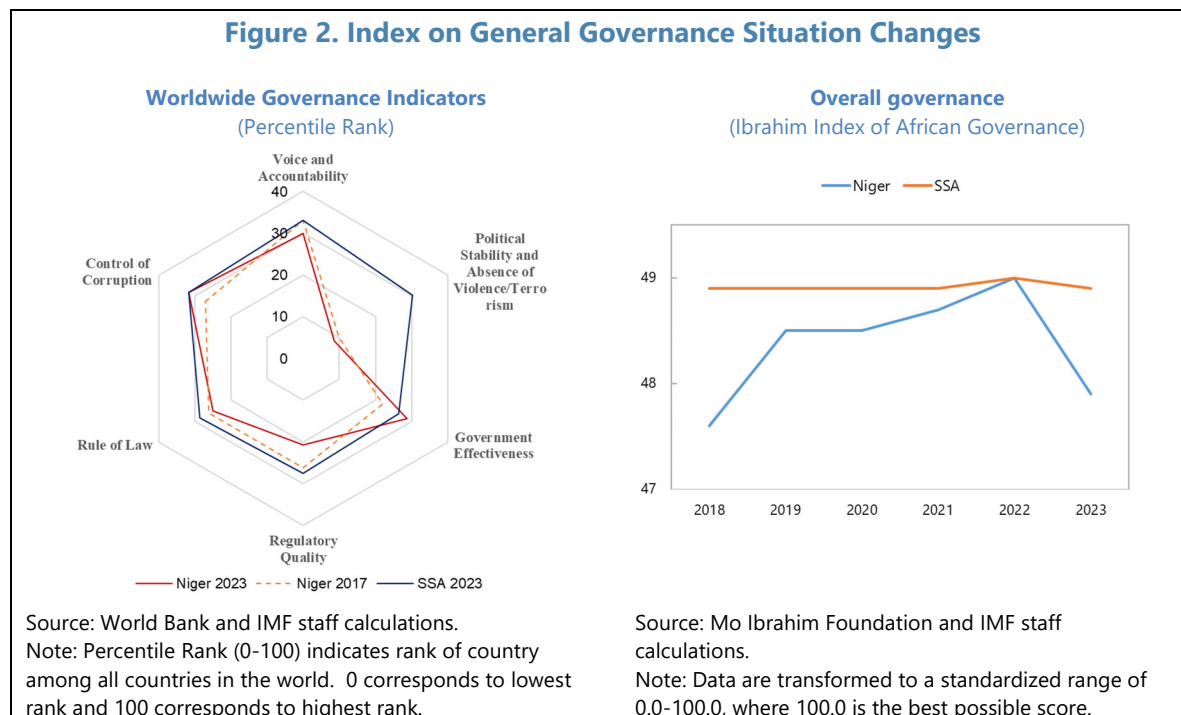
- 1. Governance and corruption issues have implications for sustainable and inclusive growth.** Governance weaknesses and corruption are macro-critical for most countries, significantly impacting macroeconomic performance in the short and medium term and affecting the government's ability to credibly pursue policies aimed at external viability and sustainable growth. Numerous studies indicate that good governance and anti-corruption measures can enhance economic performance through various channels (Newiak, M. M. 2022)
- 2. Fiscal Channel:** Weak governance and corruption damage fiscal transparency and induce increased tax evasion (Alm, Martinez-Vazquez, and McClellan 2016). They also contribute to lower spending efficiency and worse performance of SOEs due to the distortion of economic incentives. All of the above may result in larger deficits and higher debt risk.
- 3. Financial Stability Channel:** Central bank governance and financial sector surveillance are two core state functions. Central bank independence, transparency, and effective financial supervision and regulation can prevent risk accumulation in the financial sector, thereby improving financial stability (Blackburn and others 2008, Kane and Rice 2000).
- 4. Private Investment Channel:** Better governance and anti-corruption measures, as well as robust rule of law typically lead to mitigating the economic impact of corruption, by reducing uncertainty and discriminatory treatment. Firm-level evidence in Niger suggests that reduced bribery can increase sales, employment, and productivity (IMF 2019). These factors are important for private

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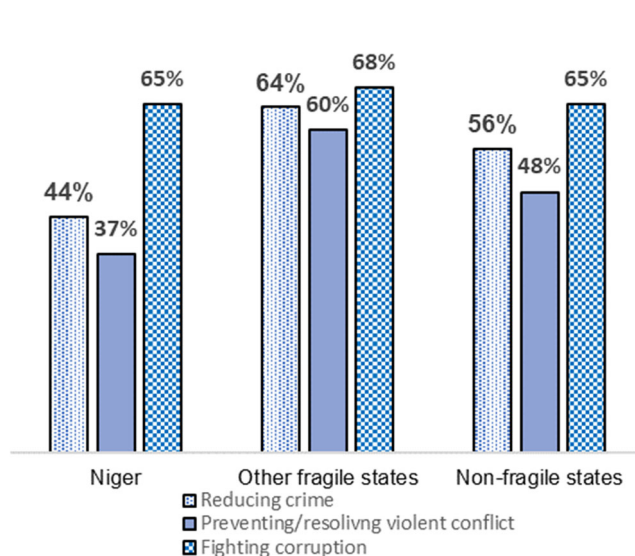
investors when making investment decisions. Additionally, better protection of property rights promotes private investment.



5. Governance weaknesses and corruption are long-lasting problems in Niger, although some progress has been made in recent years. As a common issue for most sub-Saharan African countries, Niger also faces acute governance weaknesses and pervasive corruption (Figure 2). However, some progress to strengthen the governance and anti-corruption framework has been made in recent years. Niger has advanced in the areas of control of corruption and government effectiveness measured by the Worldwide Governance Indicators when comparing the 2023 vintage to the 2017 one but fallen short in the other four dimensions. Political stability and the absence of violence/terrorism of Niger largely underperformed the sub-Saharan African regional average, which is linked to the precarious security situation, particularly in the Liptako-Gourma region. A similar trend of governance changes has also been identified by the Ibrahim Index of African Governance (IIAG). Despite the weaknesses identified by various third-party assessments, survey results in 2021 suggest that Nigeriens themselves have a more positive perception of government effectiveness in handling crime, conflicts, and corruption compared to their peers (Figure 3).

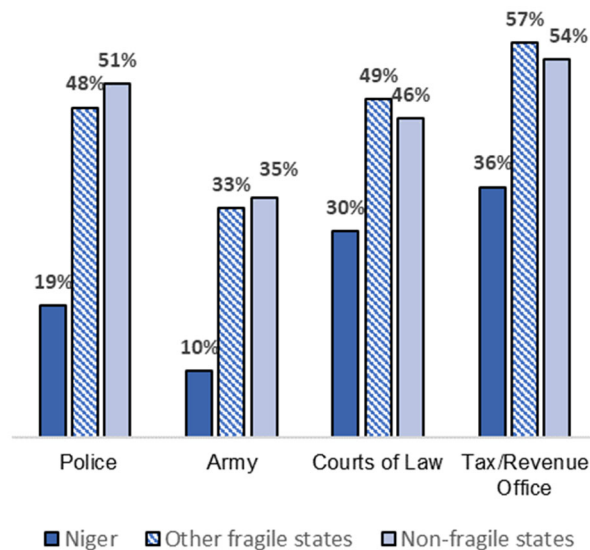
Figure 2. Index on General Governance Situation Changes**Figure 3. Survey Results of Government Effectiveness and Trust in the Authorities**

Perception of Government Effectiveness in Handling Crime, Conflicts, and Corruption is Less Negative in Niger
(Proportion responding "Very badly/Fairly badly")



Source: Afrobarometer surveys, round 8, 2021. and IMF staff calculations.

Mistrust in Authorities is Lower in Niger
(Proportion responding "Just a little/Not at all")



Source: Afrobarometer surveys, round 8, 2021 and IMF staff calculations.

Note: Other fragile States include Burkina Faso, Mali, Ethiopia, Mozambique, Sudan and Zimbabwe. Non-fragile States include Angola, Benin, Botswana, Cape Verde, Cote d'Ivoire, Eswatini, Gabon, Ghana, Guinea, Kenya, Lesotho, Liberia, Malawi, Mauritius, Namibia, Senegal, Sierra Leone, South Africa, Tanzania, The Gambia, Togo, Uganda, Zambia, Morocco, Tunisia.

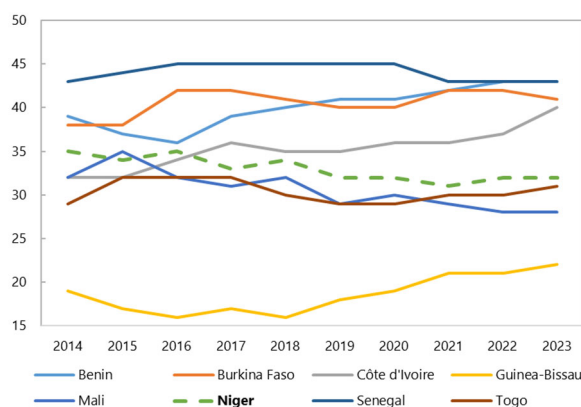
6. The military takeover has significantly affected governance frameworks. The constitution has been suspended following the military takeover, and Niger is now governed by the National Council for the Safeguard of the Homeland (CNSP) through ordinances, decrees, and orders. Political changes have led to significant uncertainty regarding governance frameworks. The Mo Ibrahim Africa Governance Index for 2024 report lists Niger among the 10 countries with the most deteriorated governance. The new authorities aim to adopt a new development strategy for the period 2024-2026, the Resilience Program for the Safeguarding of the Homeland (PRSP), with promoting good governance as one of its four pillars.² Against this backdrop, a detailed discussion of Niger's governance issues is presented in the following sections, focusing on the new developments and challenges after the military takeover.

B. Control of Corruption

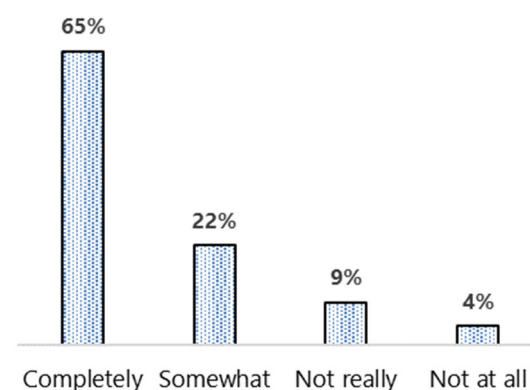
7. Niger is confronted with pervasive and entrenched corruption (Figure 4). The 2024 Transparency International-Corruption Perceptions Index (CPI) score indicates that corruption remains a significant issue with Niger's score stagnating at 32 after a decade-long downward trend. Enquête Harmonisée sur le Conditions de Vie des Ménages (EHCVM) survey results indicate that 65 percent of respondents completely agree that corruption is a problem in Niger, and corruption related behaviors are more prominent among tax officials, police, and judicial officials. In addition, the surveys indicate that corruption is perceived as pervasive across all government branches. Furthermore, Afrobarometer surveys indicate that in Niger, bribes to the police are motivated by a desire to avoid problems rather than seek assistance, a higher proportion than in peer countries.

8. Although the new regime is committed to enhancing anti-corruption efforts, the legislative foundation of such efforts remains unclear. The 2010 Constitution was the main legal foundation for anti-corruption measures, and the Criminal Code penalizes graft, trading in influence, and the misappropriation of public funds. Nonetheless, the constitution has been suspended following the military takeover in July 2023. While it is encouraging that the new regime has reaffirmed its commitment to combating corruption, a robust legislative foundation is essential for ensuring the credibility, stability, and accountability of the anti-corruption framework.

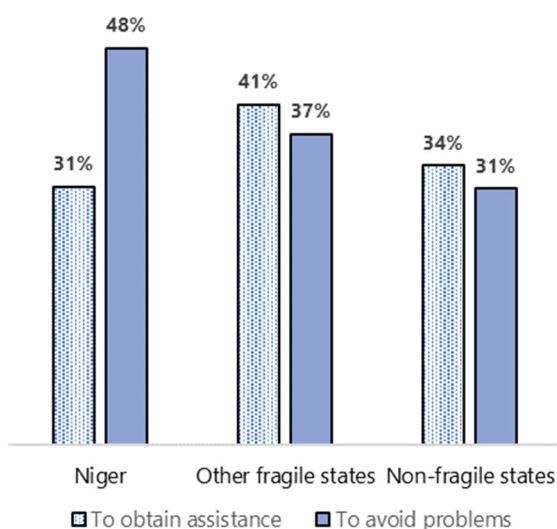
² Other pillars include: i) strengthening security and social cohesion; ii) developing production structures for economic sovereignty and iii) accelerating social reforms.

Figure 4. Perceptions of Public Sector Corruption**Corruption Perception Index of WAEMU Countries**

Source: Transparency International and IMF staff calculations.
Note: Scale 0-100, 100 indicating the lowest level of perceived corruption

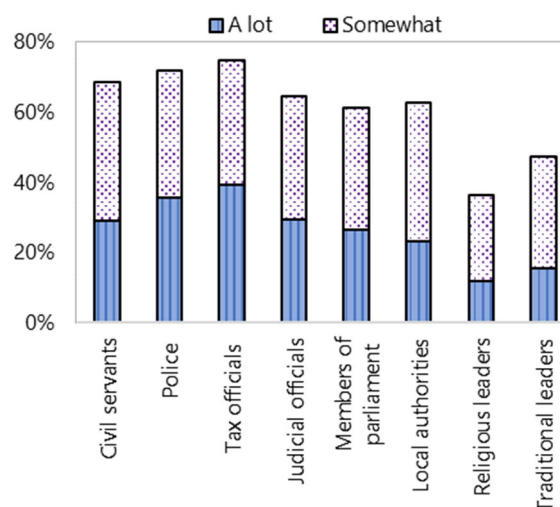
Proportion of Respondents Indicating Corruption is a Problem in Niger

Source: EHCVM 2021 and IMF staff calculations.

Proportion of Respondents Indicating Paying Bribe to the Police at Least Once or Twice

Source: Afrobarometer surveys, round 8, 2021 and IMF staff calculations.

Note: Definition of fragile States is the same with figure 3.

Proportion of Respondents Indicating Extent of Corruption in Niger

Source: EHCVM 2021 and IMF staff calculations.

9. A new anti-corruption authority has been established; however, it has yet to demonstrate its effectiveness. Before the July 2023 military takeover, The High Authority for the Fight against Corruption and Related Offenses (HALCIA) was responsible for investigating corruption cases and bringing charges within all government agencies, though its efforts were limited by the lack of resources and an inadequate regulatory process (IMF Country Report 23/28). After the 2023 military takeover, HALCIA has been replaced by the Economic, Financial, and Tax Crime Fighting Commission (CoLDEFF), as the primary institution in the fight against corruption. Since its creation

and as of August 2024, CoLDEFF has reportedly recovered illicitly obtained funds amounting to CFAF 50.6 billion. However, there are a number of concerns around the effectiveness of CoLDEFF going forward. Firstly, the new institution seems to have a narrow focus on the recovery of stolen assets rather than a broader anti-corruption scope that would include prevention mechanisms as well. Secondly, CoLDEFF consists of judges, army and police officers as well as civil society representatives and the selection process of these members lacks transparency. The financial and administrative independence of the new anti-corruption agency also needs to be strengthened.

10. Niger remains part of the Extractive Industries Transparency Initiative (EITI) but has been placed under “enhanced scrutiny”. Niger rejoined the EITI in February 2020, following the suspension of the country and withdrawal from the initiative in 2017. The most recent report, related to 2021, was published with a significant delay in June 2024. After the military takeover in July 2023, Niger was placed under enhanced scrutiny. Although the new authorities are committed to continuously follow EITI standards, including the disclosure of information on tax payments, licenses, contracts, and production regarding extractive industries, there is some uncertainty regarding the timing of the publication of future EITI country reports, not least because of a lack of financial resources. Delays in publication could eventually entail another suspension from the initiative.

C. Fiscal Governance

11. Progress has been made in fiscal transparency, but substantial weaknesses remain. Positive developments include the completion of audits related to COVID-19 spending and tax exemptions in the extractive industries, publishing the budget laws, execution reports, and citizen budgets annually on the Ministry of Finance’s website, and making past documents available. These efforts have supported a steady improvement in Niger’s Open Budget Index (OBI), although it remains significantly lower than in Benin, Senegal, and Côte d’Ivoire. Survey results show that Nigeriens have less reservations about the use of taxes to improve the well-being of citizens, comparing to other fragile states, while just a few (8 percent) respondents believe the budget information is sufficient (Figure 5). However, there have also been some setbacks since the military takeover, including the dissolution of the Supreme Audit Institution (*Cour des Comptes*), which has impeded the implementation of several measures to enhance governance, including the recommendations from audit reports on COVID-19 spending and extractive sectors, and the advancement of the asset declaration framework. The dissolution of arbitration and regulatory committees for public procurement and settlement of tax disputes³ also represents a concern, as it has disrupted an effective dialogue and transparency in public procurement processes.

12. The transparency of procurement in national defense and security contracts is relatively low. In Niger, as in most countries, public procurement of equipment, supplies and services, when they concern national defense and security needs, are frequently not subject to standard public procurement rules. Audits of the security sector in 2020 found USD 20 million in unaccounted- procurement spending (40 percent of budgeted expenditures between 2017 and

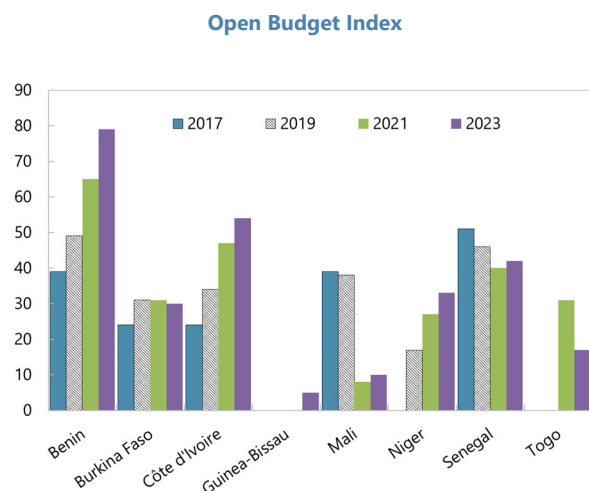
³ The arbitration and regulatory committees for public procurement used to be a non-judicial body responsible for ruling on appeals relating to public procurement, by setting disputes in the award and execution.

2019). Under the new government, concerns have arisen that there may be increased levels of secrecy around defense planning and spending. Specifically, on February 26, 2024, a presidential decree was issued⁴ to exclude contracts related to public defense and security from the scope of application of the legislation on public procurement and public accounting. The decree extends the scope of expenditures exempted from public procurement regulations to include expenditures to support the population displaced by conflicts, as well as to expenditure for the presidency and official residences (including ministerial residencies). Article 2 of the decree suggests that the type of contracts will be governed by special provisions. According to the authorities, the scope of this decree is strictly restricted to the national defense sector, applying only to spending for the acquisition of defense and security equipment.

13. The Solidarity Fund for the Safeguarding of the Homeland (FSSP), initially an extrabudgetary fund, has been integrated in the supplemental 2024 budget law as a special account. This fund, established to respond to security and social challenges, focuses on: (i) the financing of defense and security expenditures; (ii) support for citizens who have been forcibly displaced, by facilitating their relocation, local reintegration, and voluntary return; (iii) the financing of social mobilization in the context of citizen actions. The FSSP draws its resources from voluntary contributions and various levies (telephone operator levies, levies on the price structure of hydrocarbons, etc.). As of early October 2024, the FSSP has reportedly raised a total of CFAF 16.85 billion (around US\$28 million).

⁴ Ordonnance n°2024-05 du 23 février 2024.

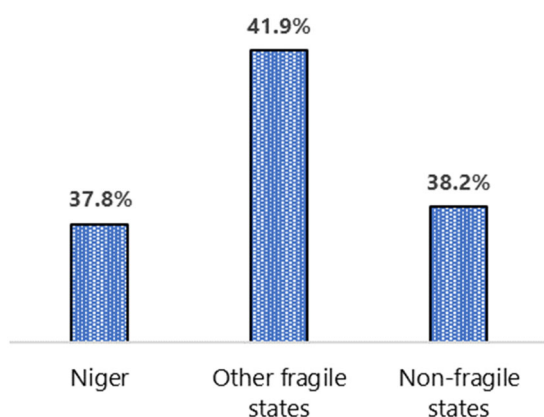
Figure 5. Perceptions of Fiscal Governance



Source: Open Budget Survey of International Budget Partnership and IMF staff calculations.

Note: OBI is based on a rounded average score of survey results. 0-20 indicates scant or no information; 21-40 means minimal information; 41-60 is limited information; 61-80 and greater than 80 are substantial and extensive information respectively.

Use of Taxes to Improve Well-Being of Citizens.
(Proportion responding "Strongly disagree/disagree")



Source: Afrobarometer surveys, round 8, 2021 and IMF staff calculations.

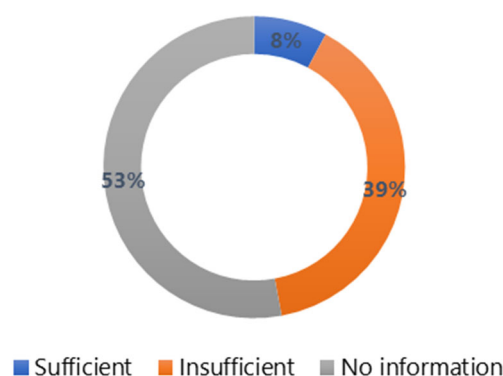
Note: Definition of fragile States is the same with figure 3.

Budget Transparency

Document	2017	2019	2021	2023
Pre-Budget Statement	D	✓	✓	✓
Executive's Budget Proposal	D	✓	✓	✓
Enacted Budget	✓	D	✓	✓
Citizens Budget	x	D	x	✓
In-Year Reports	D	✓	✓	✓
Mid-Year Review	D	x	D	x
Year-End Report	D	D	✓	✓
Audit Report	D	D	x	x

Source: Open Budget Survey of International Budget Partnership and IMF staff calculations.

Perception of Level of Information Dissemination on Policies and Budget by the Central Government in Niger
(Proportion of respondents)



Source: EHCVM 2021 and IMF staff calculations.

D. Rule of law

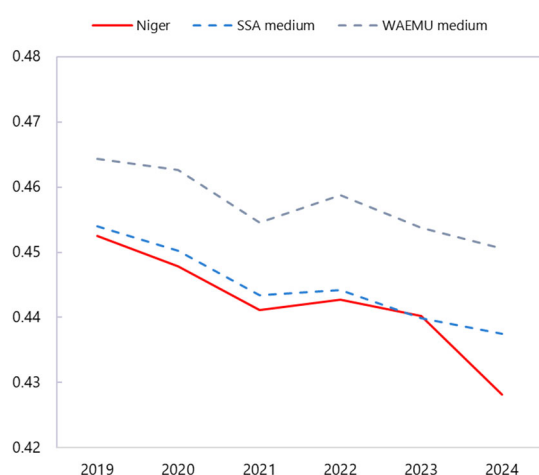
14. While weak performance in rule of law is shared across Sub-Saharan Africa, the recent deterioration in Niger is concerning. The WJP Rule of Law Index shows that Niger consistently ranks lower than the median level for both Sub-Saharan African and WAEMU countries. Moreover, the deteriorating trend in this indicator is more pronounced in Niger relative to the rest of the

region. Breakdowns of the WJP Rule of Law Index indicate that Niger performs slightly better in the dimensions of absence of corruption, regulatory enforcement, and civil justice relative to the Sub-Saharan African median, but the country lags others in limited government powers and open government.

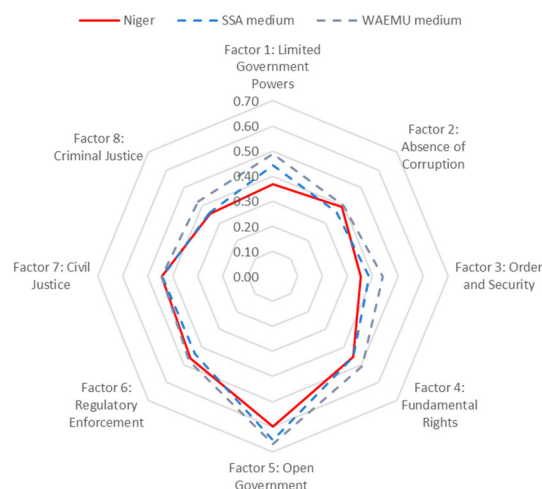
15. The decline in the rule of law calls for steady steps toward restoring constitutional order. The judicial system was subject to executive interference before the military takeover. After the regime change, the transitional state court is Niger's highest judiciary authority, but its independence is questioned by many observers, as illustrated in the 2024 Freedom House assessment⁵. This has led to a significant drop in the WJP Rule of Law Index in 2024, exacerbating an already concerning trend. Regional talks led by Niger's Prime Minister were initiated in August, marking the beginning of an "inclusive national" dialogue aimed at determining the duration of the transition period, as well as addressing other key issues. Further steps toward restoring constitutional order would help to address the deterioration in rule of law indicators in Niger.

Figure 6. Indicators on Niger's Rule of Law

WJP Rule of Law Index 2019-24
(Scores range from 0 to 1, higher scores reflect better performance)



WJP Rule of Law Index Decomposition 2024
(Scores range from 0 to 1, higher scores reflect better performance)



Source: World Justice Project, IMF staff calculations.

Note: WAEMU medium doesn't consider Guinea-Bissau, due to data limitations.

E. AML/CFT

16. Niger currently does not appear on the FATF list of countries identified with strategic anti-money laundering (AML) deficiencies. The most recent Mutual Evaluation Report, conducted in 2021, assessing Niger's adherence to anti-money laundering and counter-terrorist financing standards, indicated that the country was compliant with 10 and largely compliant with 16 out of the

⁵ <https://freedomhouse.org/country/niger/freedom-world/2024>.

40 FATF recommendations. However, Niger was not rated as highly effective and substantially effective for any of the effectiveness and technical compliance ratings.

17. The authorities are strengthening the framework for combating money laundering and the financing of terrorism, but institutional weaknesses still exist. An ordinance has been issued to transpose the new WAEMU regional law on combating money laundering, the financing of terrorism, and the proliferation of weapons of mass destruction (AML/CFT/WMD) into the national legal framework and six draft decrees to further strengthen Niger's AML/CFT/WMD are awaiting signature for adoption. The implementation of the 2021 GIABA recommendations is still ongoing with 25 recommendations fully met, 25 recommendations partially met, and 8 recommendations not yet implemented. Niger remains subject to enhanced oversight from GIABA owing to deficiencies in the AML/CFT framework. Despite leaving ECOWAS, Niger has expressed interest to stay in the GIABA under the Article 3 of the regional institution's statutes. The National Financial Information Processing Unit (CENTIF) which oversees the AML/CFT/WMD framework in Niger continues to face significant financial and capacity constraints.

F. Conclusions

18. Governance weaknesses and corruption remain major obstacles to Niger's economic growth and the improvement of social welfare. Following the military takeover in 2023, the country's governance and anti-corruption framework has faced significant changes. Despite the authorities' commitment to enhance governance as one of the pillars of their new development strategy (PRSP), preliminary assessments from various third-party organizations point to a recent deterioration in certain dimensions, including due to the suspension of the Constitution, the dissolution of the Supreme Audit Institution, as well as setbacks in the transparency of public procurement processes linked to defense spending.

19. The upcoming governance diagnostic assessment (GDA, IMF capacity development) could serve a basis to accelerate reform efforts in this area. The assessment requested by the authorities, will provide a more comprehensive evaluation of Niger's governance and anti-corruption frameworks and offer policy recommendations. Encouragingly, the Nigerien authorities have agreed to publish the GDA report once it is completed.

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